

Trinidad and Tobago Extractive Industries
Transparency Initiative (“TTEITI”) Report

October 1st 2010 - September 30th 2011

Contents	Page
1 Introduction	5
2 Executive Summary	7
3 Overview of the extractive sector in Trinidad and Tobago	15
4 Overview of flows reported and reporting entities	37
5 Approach, methodology and work done.....	43
6 Results of the reconciliation	44
7 Other information	48
8 Recommendations.....	49
9 Appendices.....	56

Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011

ABBREVIATIONS AND ACRONYMS

ALNG	Atlantic LNG	mmcf	Million Standard Cubic feet per day
ARSF	Interim Revenue Stabilization Fund	MOFE	Ministry of Finance and the Economy
AUM	Ammonia Urea Melamine	mt	Metric tonne(s)
bcf	Billion standard cubic feet	NGC	The National Gas Company of Trinidad and Tobago Limited
BG TT	BG Trinidad and Tobago	NGL	Natural Gas Liquid
boe	barrels of oil equivalent	OAG	Office of the Auditor General
bpd	Barrels per day	PLNL	Point Lisas Nitrogen Limited
BPTT	BP Trinidad and Tobago LLC Trinidad Branch	PPGPL	Phoenix Park Gas Processors Limited
CNC	Caribbean Nitrogen Company	PPT	Petroleum Profits Tax
CNG	Compressed Natural Gas	PSC	Production Sharing Contract
CT	Corporation tax	SPT	Supplemental Petroleum Tax
E & P	Exploration and Production	T&T	Trinidad and Tobago
EITI	Extractive Industries Transparency Initiative	T&TEC	Trinidad and Tobago Electricity Commission
GDO	Gross Domestic Product	tcf	Trillion cubic feet
GORTT	Government of the Republic of Trinidad and Tobago	TGU	Trinidad Generation Unlimited
HSF	Heritage and Stabilization Fund	TPIN	Tax Payer Identification Number
IRD	Inland Revenue Division	TT \$	Trinidad and Tobago Dollar(s)
LICS	Light Industrial and Commercial Sectors	TTEITI	Trinidad and Tobago EITI
LNG	Liquefied Natural Gas	UL	Unemployment levy
LOFO	Farm Out and Lease Operatorship	US \$	United States Dollar(s)
mcf	Thousand cubic feet	USGS	US Geological Survey
MEEA	Ministry of Energy and Energy Affairs	VAT	Value Added Tax
MHTL	Methanol Holdings Trinidad Limited	WHT	Withholding Tax
mmbtu	Million British thermal units	WTI	West Texas Intermediate

Reconciler's Report

Trinidad and Tobago EITI Steering Committee
15th Floor
International Waterfront Centre
1 Wrightson Road
Port of Spain
Trinidad and Tobago

BDO Trinity Limited as the lead consultant, supported by Hart Nurse Limited, has been appointed by the Government of the Republic of the Republic of Trinidad and Tobago, acting through the Ministry of Energy and Energy Affairs, to undertake the 1st EITI Reconciliation for Trinidad and Tobago for the period from 1st October 2010 to 30th September 2011 and to prepare a report on this Reconciliation ("Engagement").

The Engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures performed were those set out in the Terms of Reference appended to this report, except where stated otherwise in this report including its appendices.

We set out our findings in the following report including its appendices. Because the procedures were not designed to constitute an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the transactions beyond the explicit statements set out in this report. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Our report is solely for informing the TTEITI Steering Committee on the matters set out in the terms of reference and is not to be used for any other purpose.

The report relates only to the subject matter specifically set out herein and does not extend to any financial statements of any entity taken as a whole.



Riaz Ali
Director
BDO Trinity Limited
September 27th 2013

1 INTRODUCTION

This is the first Trinidad and Tobago Extractive Industries Transparency Initiative reconciliation, which covers the period 1st October 2010 to 30th September 2011. The reconciliation work was carried out in accordance with the terms of reference included in Appendix 9.2, between 17th February and 27th September 2013.

The report is intended for the use of the Trinidad and Tobago EITI Steering Committee for the purpose of that initiative and is not to be relied upon by other parties.

The report includes its Appendices, which are bound separately.

1.1 OBJECTIVE

The objective of the engagement is to ensure the transparency and credibility of certain extractive sector payments and receipts in Trinidad and Tobago. To this end, the engagement entailed an analysis and reconciliation of material payments and receipts made by specified Reporting Entities in 2010/11 in the oil and gas sector.

1.2 SCOPE OF WORK

BDO Trinity Ltd and Hart Nurse Ltd (“the Consultants”) were required to undertake the work set out in the Terms of Reference for the engagement. The reconciliation has been carried out on a cash accounting basis.

If there are material receipts or payments omitted from the reporting templates by both the paying and receiving entities, our work would not be sufficient to detect them. Any such receipts or payments would not therefore be included in our report.

In conducting our work, we have relied upon the information and explanations obtained from Reporting Entities.

Our report incorporates information received up to 27th September 2013. Any information received after this date is not, therefore, included in our report. Certain confirmations, that did not affect data or reconciliations, were received subsequently and have been included.

1.3 STRUCTURE OF THE REPORT

The report contains:-

- Reconciler’s report to TTEITI Steering Committee
- Introduction
- Executive Summary

Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report October 1st 2010 - September 30th 2011

- Overview of the Extractive Sector in Trinidad and Tobago
- Overview of Flows reported and Reporting Entities
- Approach, Methodology and Work Done
- Results of the Reconciliation
- Oil and Gas Production
- Social Payments
- Recommendations
- Appendices
 - Persons met during the reconciliation
 - Terms of Reference
 - Reporting templates
 - Reconciliation by extractive company and by type of flow
 - a list of all licensed or registered companies involved in the upstream extractive sector, noting which companies participated in the EITI reporting process and those that did not (with an indication of the relative size, whether by production or revenue/payments) and the reasons for their non-participation
 - Others as required

Full details of amounts reported initially, adjustments made and any remaining unresolved differences, analysed by type of financial / in kind flow, are reported, together with other supporting information.

1.4 ACKNOWLEDGEMENT

We would like to express our sincere thanks to the Ministry of Energy and Energy Affairs, the TTEITI Steering Committee, and to Mr. Mark Regis and Miss Gisela Granado from the TTEITI Secretariat, who has assisted us in receiving timely replies from the Government and participating companies from the extractive industry, and for sending and receiving official confirmation letters to/from these parties.

**Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011**

2 EXECUTIVE SUMMARY

This summary sets out the main findings from the exercise to reconcile the receipts declared by the Government from oil and gas companies included in the EITI reconciliation for 2010/11 with the payments to Government reported by those companies.

2.1 SUMMARY OF FLOWS REPORTED

The reported differences between the value of all relevant payments¹ declared by the extractive industry and the Government and its Agencies at commencement of the reconciliation amounted to TT\$1,134.7m, as summarised in the table below:

Summary of flows initially reported

	Government (TT\$ m)	Extractive Companies (TT\$ m)	Difference (TT\$ m)	%
Total payments declared initially by reporting entities	22,635.8	23,770.5	-1,134.7	-5.0%

Table 2.1

Summary of flows after reconciliation

The net difference between the value of all relevant payments declared by the extractive industry and the government and its agencies at 27th September 2013, after reconciliation, amounted to TT\$ 73.2m, being 0.3% of the total amount declared by Government Bodies, as shown in the table below:

	Government (TT\$ m)	Extractive Companies (TT\$ m)	Difference (TT\$ m)	%
Total payments declared as at 27th September 2013	23,181.2	23,254.4	-73.2	-0.3%

Table 2.2

The differences are further analysed and explained in section 6.

¹ A relevant amount is a receipt / payment for a flow which the TTEITI Steering Committee determined should be included in the reconciliation (see section 4.1.1 for a list of these flows).

**Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011**

The unadjusted difference is the net of

- flows where government reported higher receipts than companies reported payments, and
- flows where companies reported payments in excess of receipts reported by government as follows:-

	Net Difference (TT\$ m)	Under reported by	
		Companies (TT\$ m)	Government (TT\$ m)
	1	2	3
SPT	0.0	0.0	
PPT	7.5	7.5	
UL	-8.3		-8.3
CT	17.5	17.5	
Green Fund Levy	-17.4		-17.4
WHT on dividends	0.0		
WHT on deemed branch remittance	0.0		
MOFE - IRD	-0.7	25.0	-25.7
Royalty	16.7	16.7	
Minimum rent - E&P	-19.0		-19.0
Annual licence acreage payments	-7.8		-7.8
Petroleum Levy	0.0		
Petroleum Impost	0.0		
PSC Share of Profit	2.5		2.5
PSC Signature Bonuses	-0.6		-0.6
PSC Bidding Fees	0.0		
Other payments under PSCs	-64.3		-64.3
MEEA	-72.5	16.7	-89.2
<i>Other payments to government</i>			
Dividends paid	0.0	0.0	0.0
Sub total	0.0	0.0	0.0
Total Flows	-73.2	41.7	-114.9

Table 2.3

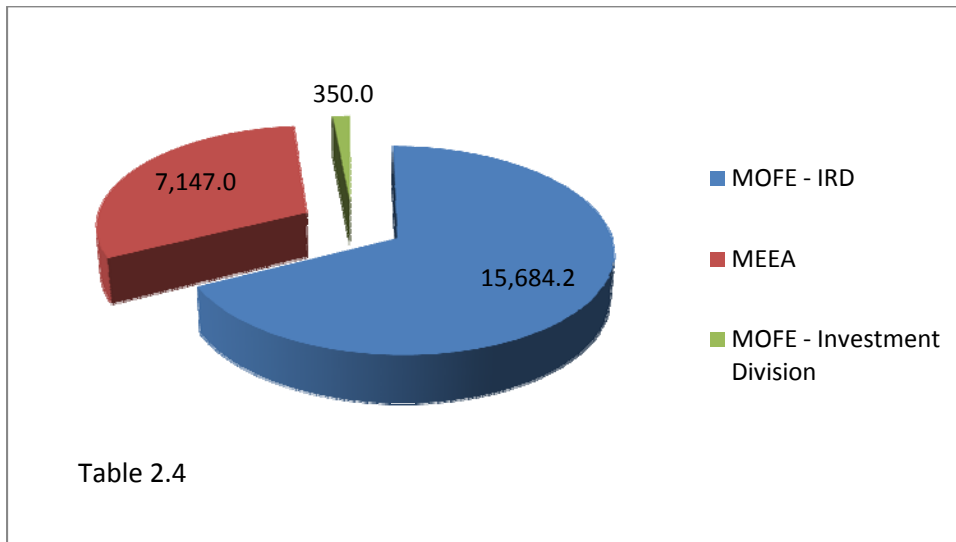
A negative net difference (column 1) means that government reported less than companies

**Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011**

The notable unadjusted differences relate to (i) differences arising from the use of different exchange rates by the Government and companies in converting foreign currency payments to TT\$ and (ii) a timing difference on the receipting of a payment made to the Government before the end of the fiscal year which was receipted after the fiscal year. Payments made in foreign currency were reconciled in the currency of payment and no unadjusted differences were noted in the foreign currency amounts.

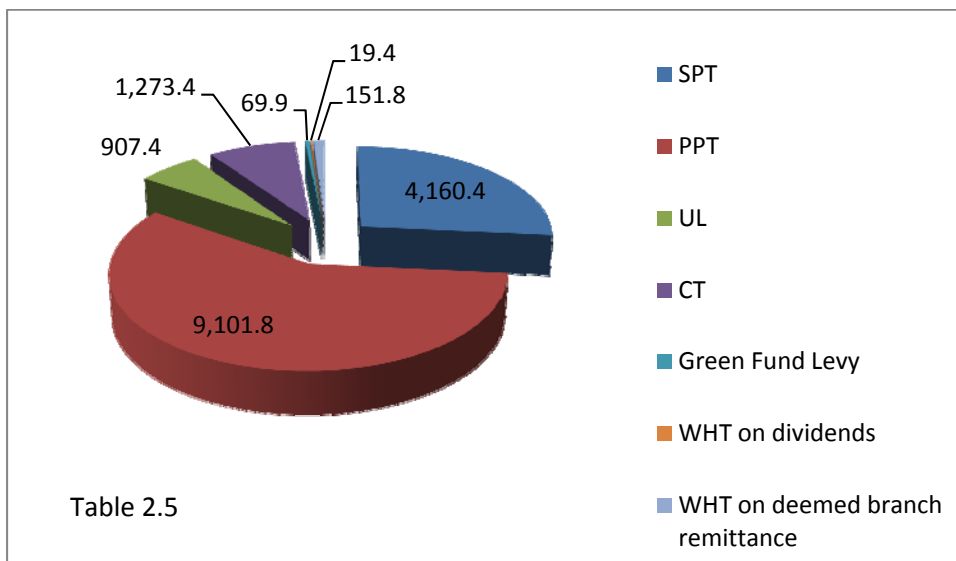
2.2 GOVERNMENT RECEIPTS

Overall receipts reported by government, after reconciliation, may be expressed graphically (TT\$'000):-



2.2.1 2010/11 REPORTED RECEIPTS - MOFE - IRD

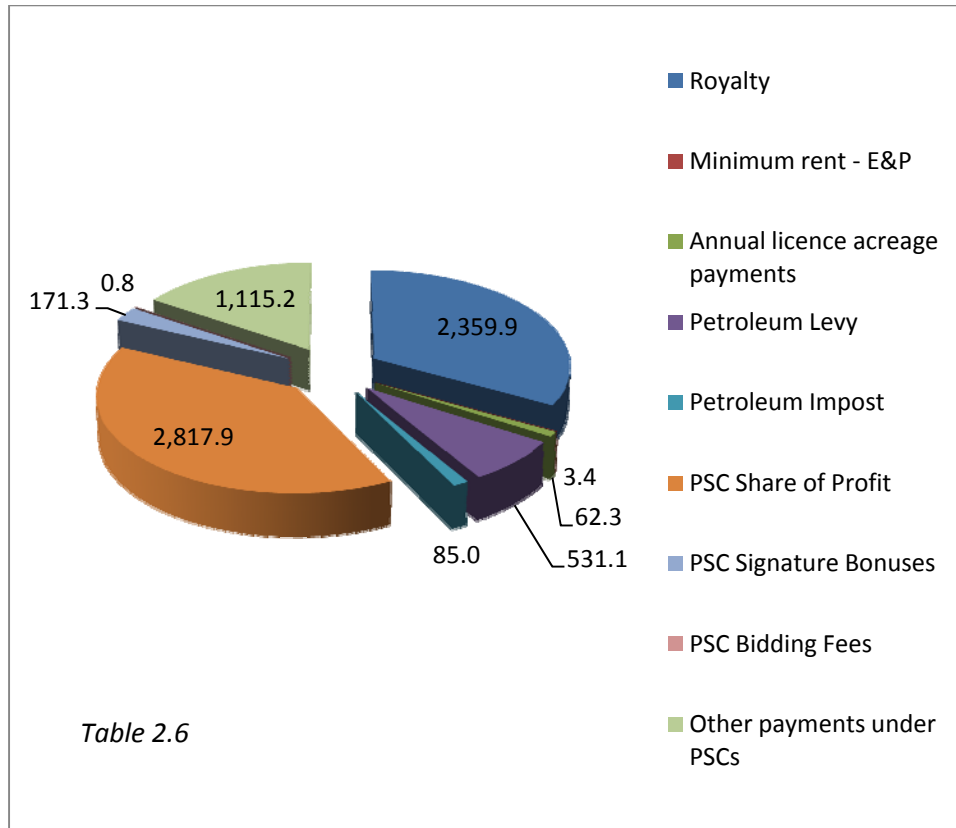
2010/11 receipts reported by MOFE - IRD, after reconciliation, may be expressed graphically as follows:-



**Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011**

2.2.2 2010/11 REPORTED RECEIPTS - MEEA

2010/11 receipts reported by MEEA, after reconciliation, may be expressed graphically as follows:-



2.3 REPORTED RECEIPTS AND PAYMENTS

Receipts and payments, as adjusted after reconciliation, are shown in the tables which follow. After visits to and discussions with the reporting entities, and review of additional supporting evidence provided by those entities, all differences were resolved.

a) Reconciliation results by payment/Tax Type (table 2.7)

Table 2.7 shows the information provided in respect of companies which returned templates, summarised by type of payment. Details of companies which did not return templates are contained in section 2.5.

Reconciliation results analysed by company are shown in section 6.

**Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011**

Tax type	2010-11 final report		
	Government	Company	Difference
	TISM	TISM	TISM
SPT	4,160.4	4,160.4	0.0
PPT	9,101.8	9,094.3	7.5
UL	907.5	915.8	-8.3
CT	1,273.4	1,255.9	17.5
Green Fund Levy	69.9	87.3	-17.4
WHT on dividends	19.4	19.4	0.0
WHT on deemed branch remittance	151.8	151.8	0.0
Sub total - MOFE IRD	15,684.2	15,684.9	-0.7
Royalty	2,359.9	2,343.3	16.6
Minimum rent - E&P	3.4	22.4	-19.0
Annual licence acreage payments	62.3	70.1	-7.8
Petroleum Levy	531.1	531.0	0.1
Petroleum Impost	85.0	85.0	0.0
PSC Share of Profit	2,817.9	2,815.4	2.5
PSC Signature Bonuses	171.4	172.0	-0.6
PSC Bidding Fees	0.8	0.8	0.0
Other payments under PSCs	1,115.2	1,179.5	-64.3
Sub total - MEEA	7,147.0	7,219.5	-72.5
<i>Other payments to government</i>			
Dividends paid by Petrotrin / NGC	350.0	350.0	0.0
Total Flows	23,181.2	23,254.4	-73.2

Table 2.7

2.4 KEY FINDINGS

The key highlights and conclusions arising from the reconciliation work carried out are outlined below.

- i. The quality and content of information provided by reporting entities was generally satisfactory, although there are areas where improvement is needed, as outlined below.
- ii. The timing of production of information by the MOFE – IRD caused considerable delay in the progress of the reconciliation, and complicated the selection of companies for inclusion in the reconciliation. This is discussed further in section 2.6.
- iii. Progress on the reconciliation was also delayed pending signature of the Memorandum Of Understanding on 7th June 2013.
- iv. The information systems used by the MEEA are manual and much effort was required to be able to provide information. The ability of the data systems and reporting used in MEEA to produce the information required for EITI reconciliations on a continuing basis should be examined and, where appropriate, improvements made.
- v. There was confusion over the type of information to be provided under certain of the headings on the data collection templates, or misunderstanding of what was to be reported, namely:-

Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report October 1st 2010 - September 30th 2011

- a. Some companies reported payments in TT\$, although the payments are made in US\$ and should have been reported in the currency of payment
- b. use of accruals basis by some companies instead of cash
- c. In kind reporting was not used
- vi. Production data was initially incomplete
- vii. There was inadequate care over the completion of the data templates in some cases
- viii. The timeliness of response to reconciliation queries was in very many cases slow, with many entities not providing information until shortly before or even after the first review of the reconciliation by the TTEITI Steering Committee.

2.5 COMPLETENESS AND ACCURACY OF DATA

Based on the list of entities specified by the TTEITI Steering Committee to be included in the reconciliation, we comment on their participation in the reconciliation.

- i. Of the three government entities included in the reconciliation scope, MEEA and MOFE – Investment Division have returned reporting templates, with the accompanying declaration signed by the Permanent Secretary. MOFE – IRD returned a covering letter signed by the Acting Chairman.
- ii. All companies included in the reconciliation scope have returned templates, except
 - a. BHP Billiton Trinidad 2AB
 - b. Centrica Upstream Limited
 - c. Centrica Resources (Amada) Limited
 - d. ENI Trinidad & Tobago Exploration
 - e. ENI Trinidad Limited
 - f. Niko Resources (Block 5C Caribbean)Limited
 - g. Bayfield Energy Trinidad Ltd
 - h. Anadarko
 - i. Sonde Resources Corp
 - j. Mora Oil Ventures

See further discussion in section 6.

- iii. All company template declarations were signed by a Board level or senior level manager, except for:-
 - Elf Exploration Trinidad BV
 - Total E&P Trinidad Block 3A
 - Total E&P Trinidad BV
 - Chaoyang Petroleum 2C Ltd

For any update to the information provided on the original data collection templates, supporting documents were always required.

Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report October 1st 2010 - September 30th 2011

2.6 MOFE – IRD: CONFIDENTIALITY OF INFORMATION

Issues surrounding the sharing and publication of confidential tax information were identified as an obstacle to implementation in an initial legal scoping exercise undertaken in October 2011. The main obstacle identified in that scoping exercise was that the Income Tax Act makes it a criminal offence to divulge a person/company’s tax information to a third party even with the consent of the person/company. The TTEITI Steering Committee, with the assistance of the World Bank, searched extensively for examples of how tax authorities overcame this hurdle in other EITI implementing countries. A total of 5 Legal Opinions - three by the Government’s legal advisors in the Ministries of Energy and Energy Affairs and the Attorney General and two requiring the additional support of outside Senior Counsel – were sought during the period October 2011 and April 2013 to treat with this matter.

As a result of our search, the Tax Authority’s representative on the TTEITI Steering Committee held discussions with Tax Officials in Peru in June 2012 (on the margins of the first EITI Conference for Latin America and the Caribbean) on the mechanism they used to implement the EITI. The Peru solution, upon in-depth examination, proved unworkable in the Trinidad and Tobago context, therefore, other solutions had to be found.

In the period January to October 2012, three other solutions were identified namely (1) the passage of EITI-specific legislation, (2) the use of Freedom of Information Legislation to access the confidential tax information and (3) the use of a never before invoked Presidential Waiver mechanism provided by the Income Tax Act. The adoption of the latter two mechanisms required Legal Opinions and approvals from the Attorney General on whether they could be used.

In pursuing Solution (1) with the assistance of the IDB, draft legislation was prepared by a consultant and completed during the period June - October 2012. The legislative process in Trinidad and Tobago can be a lengthy one taking anywhere from 6 to 18 months for legislation to be passed by Parliament and assented to by the President. Given that the EITI legislation could have potential infringement of constitutional rights implications, the advice from Government’s Legislative Review Committee was that this legislation should receive comment and, if possible, tacit support from key stakeholders before it was sent forward for consideration by the Cabinet and the Parliament. Given that the extended deadline for completion of the first EITI report was December 2012, it was determined that the enactment of such legislation could not be achieved by the end of 2012. As a result, legal advice was sought and received from the Attorney General on the use of the other two solutions namely the use of the Freedom of Information Act and/or the exercise of the Presidential Waiver to allow for the Tax Authority to provide the tax information to the Administrator.

In November 2012, the Attorney General’s advice discounted the use of the Freedom of Information Act and, instead, recommended the use of the never before used provision in the Income Tax Act that allows the President to provide immunity from prosecution to the Tax Authority to allow them to share tax information with the Administrator.

Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011

Having determined the mechanism for the sharing of tax information for reconciliation purposes, a subsequent Legal Opinion had to be obtained from the Attorney General to determine whether the tax law also prohibited the publication of the disclosed tax information. This Opinion, which was accepted by Cabinet cleared the way for the Board of Inland Revenue (BIR) to share the tax information of the participating companies with the Administrator.

In addition to the restrictions imposed by the tax law, the TTEITI Steering Committee also encountered administrative and technical obstacles to the EITI implementation. In the absence of a formal mechanism for implementation, both the Tax Authority and some of the key participating companies, sought to have clear written procedures for the reporting process put in place as a precondition of their participation. In the case of the Tax Authority, the demand of the TTEITI Steering Committee was to provide sufficient evidence that the companies were voluntarily consenting to the provision of their tax payments information to the Administrator for reconciliation. To satisfy this demand, the TTEITI Steering Committee was required to have each company provide the Tax Authority with a Letter of Consent authorizing the release of their tax information to the Administrator.

For the purposes of the exchange of information with the Administrator the BIR also required that each company demonstrate that it had agreed to voluntarily participate in the process by signing a Memorandum of Understanding (MOU) which detailed the process for reporting to the Administrator and the subsequent publication of the reconciled information. The MOU was signed on 7 June 2013 by all stakeholders.

3 OVERVIEW OF THE EXTRACTIVE SECTOR IN TRINIDAD AND TOBAGO

This section is based on a report commissioned by the TTEITI Steering Committee, which has not been validated by the Administrator².

3.1 HISTORY

Trinidad and Tobago is the only Caribbean island that is not a net energy importer, and is instead a major exporter of oil and Liquefied Natural Gas (LNG). The Energy Chamber of Trinidad and Tobago reported that the country’s energy sector contributed towards 42% of GDP and 80% of the country’s exports in 2012.

Trinidad and Tobago’s hydrocarbon resources have been exploited since the 16th century, when Sir Walter Raleigh used the Pitch Lake on Trinidad – the largest natural deposit of asphalt in the world – to caulk his ships. Trinidad and Tobago has been a site for dedicated petroleum exploration since 1857, when a well was drilled 280 feet by the Merrimac Corporation next to the Pitch Lake – two years before Edwin Drake sank his well in Titusville, Pennsylvania. In 1901, and with Canadian financial backing and expertise, the productivity of the Trinidad fields was proved and until 1934 Trinidad was the 11th largest producer of oil in the world.

Gas became more popular subsequent to the Second World War, when the drive to promote electricity sales as a means of stimulating industrialisation led to gas being made available as a low-cost fuel. By the 1950s natural gas was being used in the production of ammonia and cement. In 1969 a gas field of significant potential was discovered off the east coast of Trinidad, and became the lynchpin of an industrialisation policy facilitated by the creation of the National Gas Company of Trinidad and Tobago in 1975. The National Gas Company was formed to develop the gas market in Trinidad and was granted monopoly rights for the purchase, transmission, and sale of gas within the country, though Trinidad never completely nationalised the upstream oil industry.

By the early 1990s, the hydrocarbon sector in Trinidad and Tobago had transitioned from being oil-dominant to predominantly natural gas based. Whilst most oil and gas production is focussed offshore, the government has recently begun to encourage onshore development, and 2013 saw the first dedicated land-based bid since the 1990s.

3.2 PETROLEUM GEOLOGY OF TRINIDAD AND TOBAGO

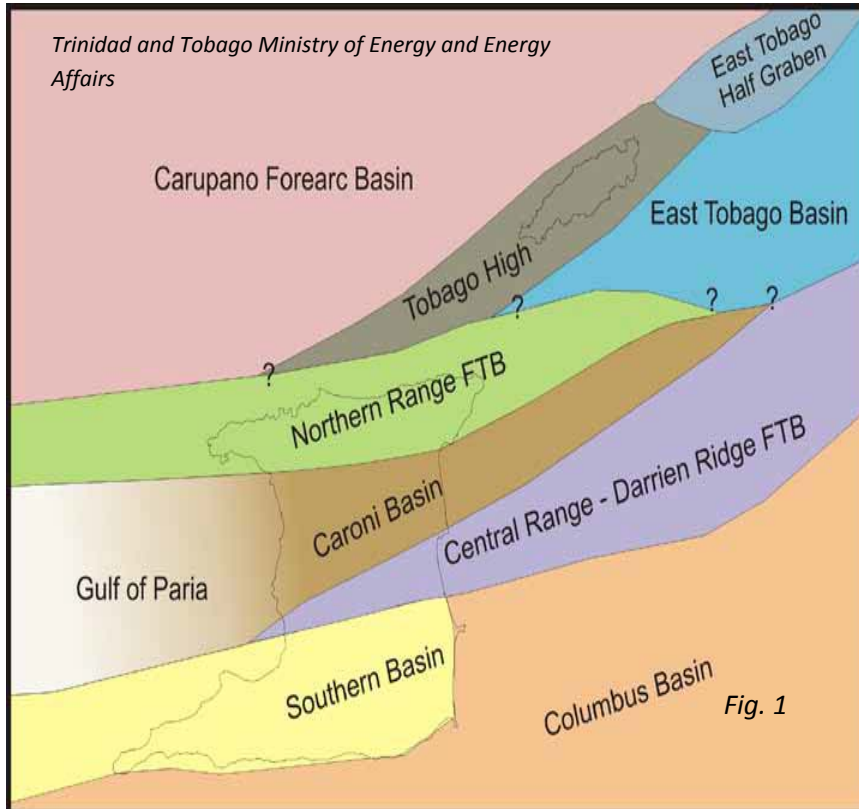
The main hydrocarbon basins in Trinidad and Tobago are shown in Figure 1.

² Sections 3.1, 3.2 and 3.7 were prepared by the Administrator for the EITI report. The remaining sections are reproduced from a study commissioned by the TTEITI Steering Committee.

Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report

October 1st 2010 - September 30th 2011

The **Southern Basin** has been the site of petroleum exploration since 1857. Several oil fields have been developed since that time, and total oil production so far has exceeded 1.5 billion barrels of oil. The Basin is the largest contributor to date of oil production in Trinidad and Tobago.



The discovery of the Angostura field in 1999 in the **Central Range/Darrien Ridge** suggested resources of 450 million barrels of oil and 1.75 tcf of natural gas, and revitalised exploration interest in these features.

The **Northern Range** marine area has produced around 500mscfd of almost pure methane with very little liquid.

Several giant natural gas fields have been exploited within the **Carupano Forearc Basin**, including Dragon, Patao, El Caribe, Hibiscus, Chaconia, and Poinsetta.

Natural gas has been discovered in the onshore **Caroni Basin**, and both oil and gas have been discovered in the **Gulf of Paria**. The Gulf is a recent area of exploration populated by smaller firms from Canada, Italy, Venezuela, and Taiwan. Together, the Caroni-Paria system has so far produced over 200m bbl of oil.

The **Columbus Basin** has so far produced 1 billion barrels of oil and 25 tcf of gas. Large oil fields have been discovered since 1968 but contemporary major production comes from several gas and condensate fields which feed domestic downstream gas industries. As such, the potential of the Columbus Basin has not been realised. This also applies to the untapped continental slope and ultra-deep areas of the basin.

3.3 STRUCTURE OF THE EXTRACTIVE INDUSTRIES

3.3.1 MINERALS

Mineral mining is conducted for sand and gravel, yellow limestone, porcellanite, clay, blue limestone, red sand, oil sand and asphalt. Sand and gravel, yellow limestone and porcellanite account for the majority (73 percent) of mineral production.

Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report October 1st 2010 - September 30th 2011

The mineral resources are widely distributed across Trinidad. Blue limestone is quarried in the Northern Range for use in the construction industry while red sand, is used as a low grade fill material and as a construction finishing material. Yellow limestone is quarried mainly in south-central Trinidad. Clay is used in the manufacture of blocks, tiles and pottery and is extracted from the central and south-eastern regions of Trinidad. Porcellanite is used as low grade road base material (Ministry of Energy and Energy Affairs 2012). Oil Sand and Asphalt are found in the oil belt of the south-western peninsula. In Tobago the primary material quarried is andesite. The primary quarries in Tobago are the Green Hill, Studley Park and Winfield Scotts Quarries.

There are forty five (45) licensed quarries in Trinidad and Tobago (on both public and private lands), thirty two (32) of which are sand and gravel quarries. Forty percent (40%) of these quarries are located on state lands (Ministry of Energy and Energy Affairs 2012). As at December 2012, there were an estimated 69 active quarries in Trinidad. The Ministry of Energy and Energy Affairs has recently embarked on a process of regularising and licensing a number of these unlicensed quarry operations.

3.3.2 OIL AND GAS

The activities carried out by the oil and gas industries in Trinidad and Tobago may be broadly classified into three segments, namely, upstream, midstream and downstream.

The upstream segment involves oil and gas exploration and production activities. In Trinidad and Tobago (T&T), such activities are dominated by large foreign multinational companies such as BG T&T, BPTT, Centrica, BHP Billiton, TOTAL, EOG Resources and Repsol. The state-owned Petroleum Company of Trinidad and Tobago (Petrotrin) is the largest local company engaged in upstream activities. Midstream operations refer to those processes required to transfer and/or transform the primary product from the upstream segment for use by end-markets. Midstream activities include the refining of crude oil and the transmission, processing, distribution, marketing of natural gas or crude oil. Petrotrin operates the only oil refinery in Trinidad and Tobago. The National Gas Company of Trinidad and Tobago Limited (NGC) and the Phoenix Park Gas Processors Limited (PPGPL) are the major midstream operators in the T&T gas business. NGC purchases, compresses, sells, transmits and distributes natural gas to a cross-section of consumers including petrochemical, steel and power generation plants in the Point Lisas Industrial Estate. PPGPL extracts propane, butane and natural gasoline from the natural gas stream at its processing plant in Point Lisas. The conversion of natural gas to liquefied natural gas is also classified as a midstream activity. Atlantic (formally Atlantic LNG) is the sole producer of LNG in Trinidad and Tobago.

The downstream energy sector in Trinidad and Tobago is characterized by the production of three main petrochemicals namely, ammonia, methanol and urea. Trinidad and Tobago is the world’s leading exporter of ammonia and methanol. Two companies are engaged in the methanol production: Methanol Holdings Trinidad Ltd., a locally owned joint venture, and Methanex, the world’s largest methanol producer. On the other hand, ammonia production is shared among PCS Nitrogen, Trinidad Nitrogen (Tringen), Point Lisas Nitrogen Limited (PLNL), Yara and Caribbean Nitrogen Limited (CNC). PCS Nitrogen and the new MHTL Ammonia Urea Melamine (AUM) plant produce Urea.

**Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011**

In the downstream oil subsector, the National Petroleum Marketing Company Limited (NP) and the United Independent Petroleum Marketing Company Limited (UNIPET), both local companies, dominate the retail distribution of petroleum products.

Table 1 below provides a listing of the names and ownership of the major upstream, midstream and downstream operators in Trinidad and Tobago.

Table 1 Major Players in the Energy Sector

UPSTREAM		MIDSTREAM		DOWNSTREAM	
Company	Ownership	Company	Ownership	Company	Ownership
BGTT	Foreign	The National Gas Company of Trinidad and Tobago	Local	AUM Ammonia	Local/Foreign JV
BHP Billiton	Foreign	Phoenix Park Gas Processors Limited	Local/Foreign JV	CNC	Local/Foreign
BPTT	Foreign	Atlantic LNG	Local/Foreign	Methanex	Foreign
EOG Resources	Foreign			MHTL	Local/Foreign
Petrotrin	Local			Nitrogen 2000	Local/Foreign JV
Primera Oil and Gas Ltd	Local			PCS Nitrogen	Foreign
Repsol	Foreign			PLNL	Foreign
New Horizon Energy T&T Ltd.	Local			Tringen	Local/Foreign
Trinidad Exploration and Development Limited	Local			Yara	Foreign
Trinity Exploration and Production	Local				

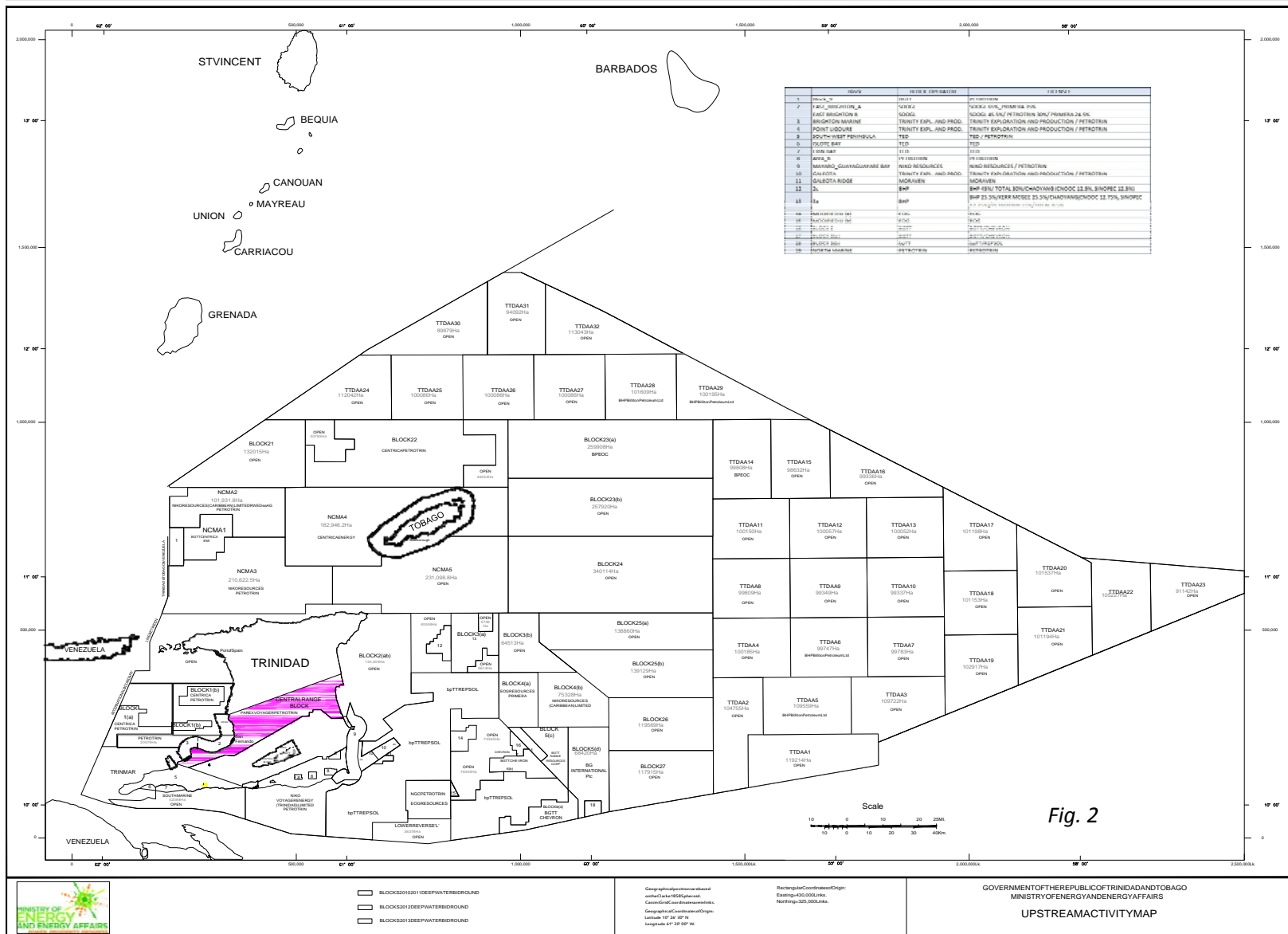
BPTT accounts for almost 60% of the country's natural gas production, whilst BG Trinidad and Tobago (BG T&T) accounts for around a quarter of the natural gas production in the country.

3.4 ACTIVITIES IN THE OIL AND GAS INDUSTRIES (2000 - 2012)

The licensed areas in Trinidad are shown in the map below, provided by the MEEA.

Trinidad and Tobago Extractive Industries Transparency Initiative ("TTEITI") Report

October 1st 2010 - September 30th 2011



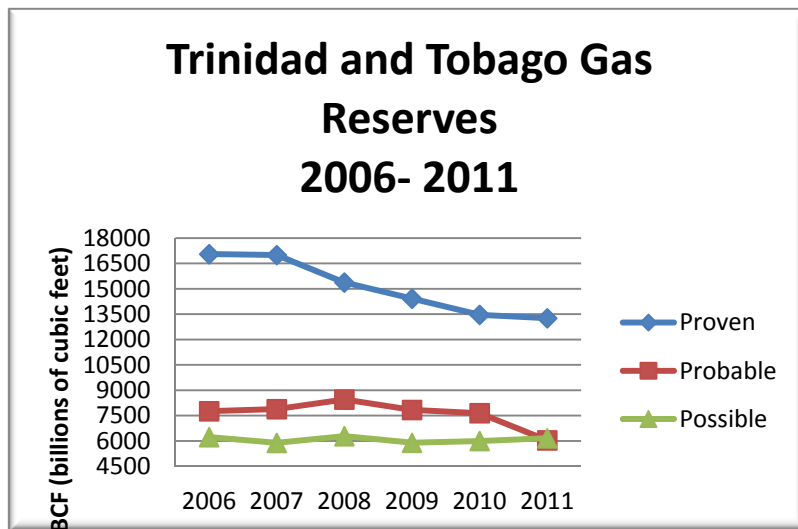
3.4.1 EXPLORATION AND DEVELOPMENT ACTIVITY

The oil industry in Trinidad and Tobago originated in land areas in the southern third of the island of Trinidad stretching from Guyaguayare in the East to Point Fortin in the West. Exploration and development activity occurs both on land and in marine areas). However, over the last 11 years the majority of this activity occurred offshore. The major producing areas are offshore the North Coast (North Coast Marine Area), the East Coast (East Coast Marine Area), the Deep Atlantic (TTDAA) and the South West of Trinidad (South Coast Marine Area). Drilling Activity

The amount of exploratory drilling in an industry is dependent, in part on the efficiency with which Government awards new acreages. Government grants companies’ the rights to explore for hydrocarbons through a process called the competitive bid rounds. In each Bid Round, the Government invites companies to make bids for the right to explore demarcated areas. Following weak response from companies from the 2006 Bid Rounds, there was no Bid Round between 2007 and 2009 as Government sought to revise the fiscal terms to improve incentives. Over the period 2010 to 2012, Government has completed three Bid Rounds which have resulted in the award of 10 new acreage blocks.

3.4.2 RESERVES

Reserves are those quantities of oil and gas (hydrocarbons) which are expected to be produced and sold based on known accumulations of oil and gas in the earth, from a given date forward (Society of Petroleum Engineers 1997). Hydrocarbon reserves are classified as proven (or proved), probable and possible based on the level of certainty with which they can be produced. Proven reserves relate to



those reserves which can be produced with 90 per cent of certainty.

Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report October 1st 2010 - September 30th 2011

Possible reserves refer to those known accumulations of hydrocarbons which have a less likely chance of being recovered, when compared to probable reserves. Reserves in the possible category have at least 10 per cent certainty of being produced. Reserves which can be recovered with 50 per cent certainty are known as probable reserves. Over the last two decades, Government has engaged petroleum consultants Ryder Scott to conduct periodic audits of the country’s gas reserves.

3.4.3 PRODUCTION

Crude and Condensate

Total crude production is comprised of the production of crude oil and condensates. Condensates are condensed liquids from natural gas which form about one quarter of overall crude production in T&T.

Over the period 2000 to 2011, crude oil production in Trinidad and Tobago exhibited contrasting trends. In the first six years, oil production climbed from 119,107 barrels of oil per day (bpd) in 2000 to 143,450 bpd in 2006, at an annual average growth rate of 3.4 per cent per annum. The increase in output over this period was due primarily to two factors namely: increased condensate production from gas wells and the start of oil production by BHP Billiton in the Angostura Field in 2005. From 2006 to present, crude oil production has followed a downward trajectory from 143,450 bpd in 2006 to 81,735 bpd in 2012, representing a 43 per cent decline (see Figure 4). The decline in oil production is in part due to the natural decline of reservoirs of mature fields as well as lower condensate production from maturing gas fields.

The year 2010, marked the first year, since 1957, that crude production fell below 100,000 barrels of oil per day (Central Bank of Trinidad and Tobago).

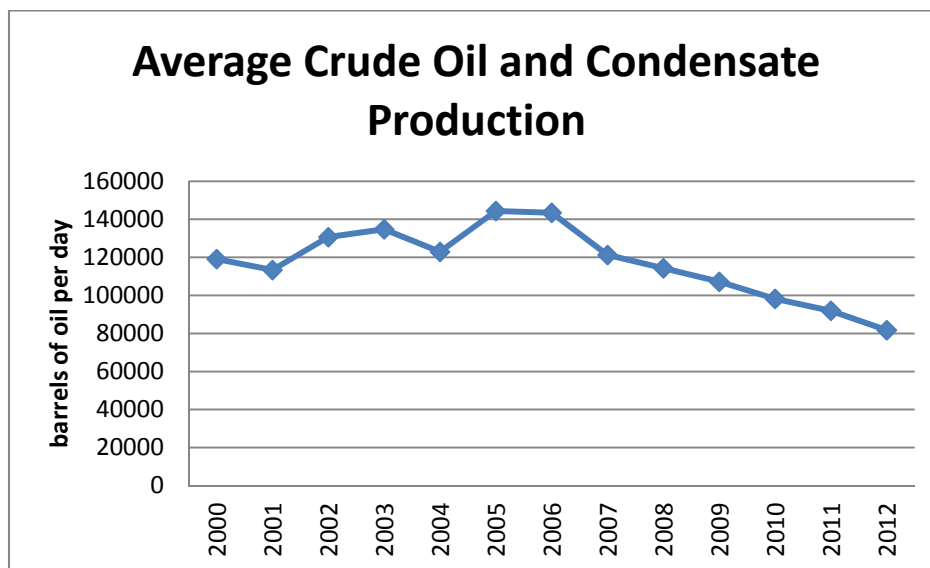


Figure 3

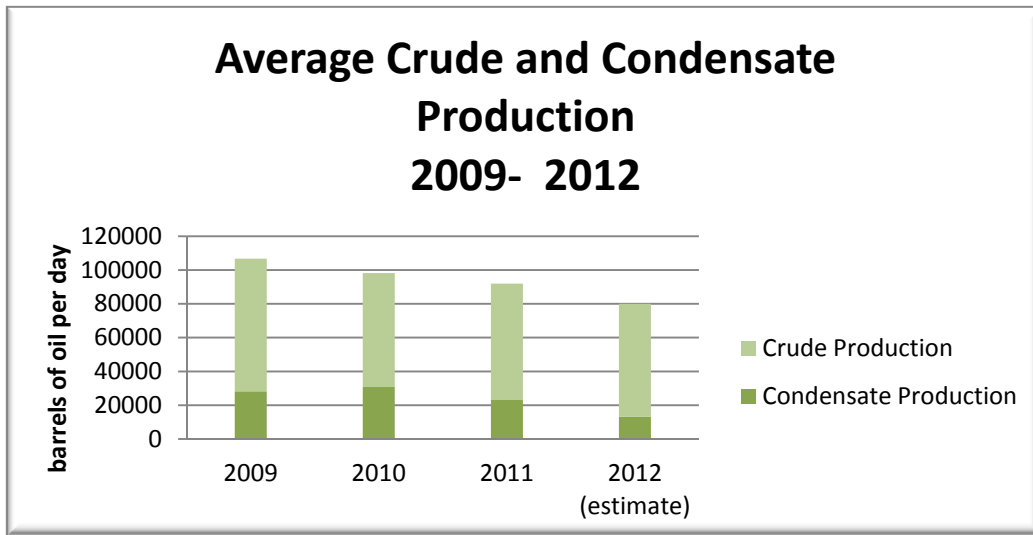


Figure 4

Offshore and Onshore Production

While offshore areas contribute to over 70 per cent of total production over the past 10 years, the fall in condensate production has had a negative impact on the level of offshore crude production. Crude production on land has had a much lower average (23,814 bpd) than production offshore (93338 bpd), (Ministry of Energy and Energy Affairs). (Refer to Figure 6)

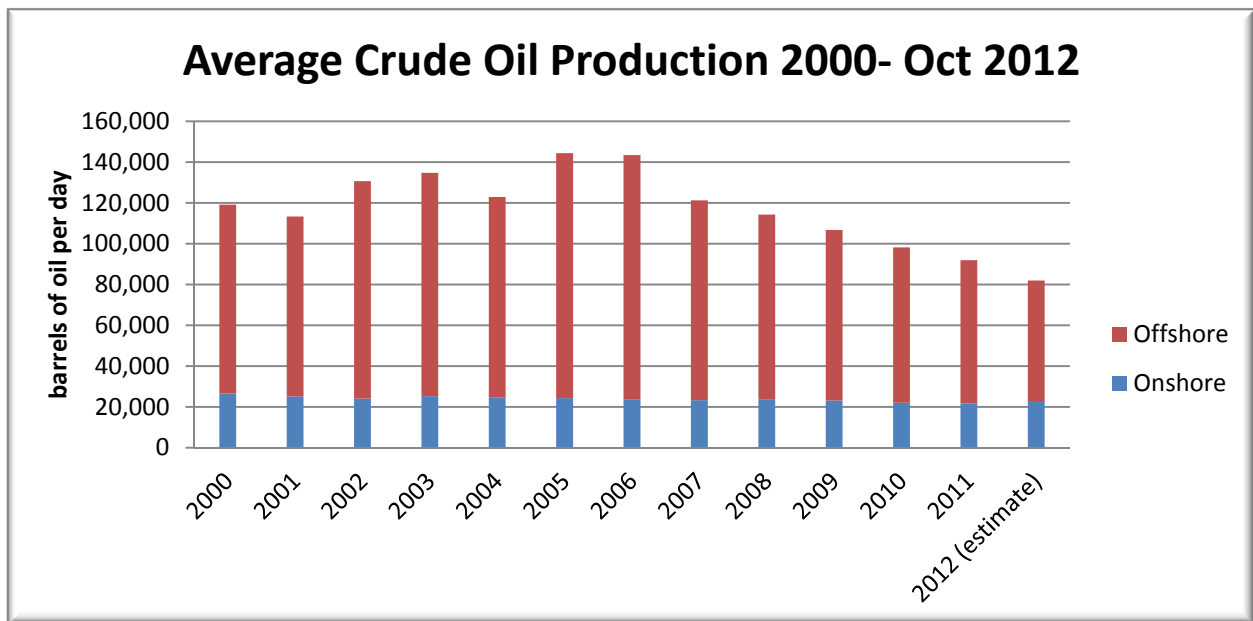


Figure 5

Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report October 1st 2010 - September 30th 2011

3.4.4 NATURAL GAS PRODUCTION

Natural gas production in Trinidad and Tobago is dominated by four large foreign multinational Corporations. BPTT is the largest producer, (55per cent) followed by BGT&T (24per cent) EOG Resources (13per cent) and BHP Billiton (7per cent).

Over the last ten years, natural gas production increased by about 174 per cent, from 1,498 mmcf/d in 2000 to 4,104 mmcf/d in 2012 (Ministry of Energy and Energy Affairs). This rise in natural gas production was stimulated by growth in demand for natural gas over the last ten years, as new petrochemical and LNG plants came on stream, including LNG Trains II, III and IV; M5000; AUM and Titan Methanol.

However, from September 2010 to October 2012, natural gas production went through a series of sharp slips (see Figure 7) declining by approximately 15per cent (MEEA). This was as a result of prolonged maintenance and upgrade programmes of offshore platforms by major producers.

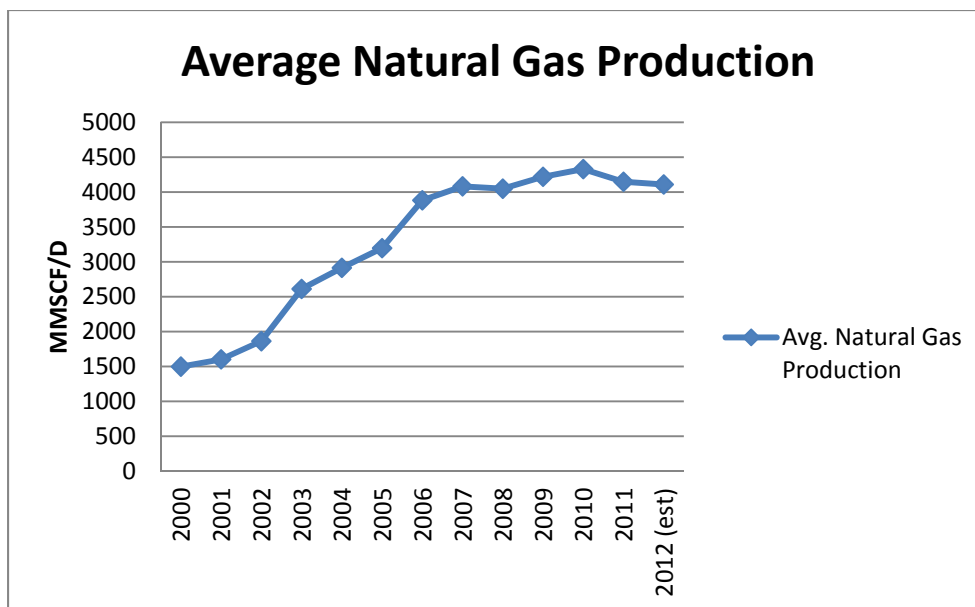


Figure 6

3.4.5 MIDSTREAM NATURAL GAS

The National Gas Company of Trinidad and Tobago Limited (NGC) is a state-owned company which purchases, compresses and transports, sells and distributes natural gas to industrial users. NGC’s major customers are Methanol and Ammonia plants, Steel and Power Generation companies, which account for 85 per cent of its total sales (Figure 9). Gas sales by NGC increased from 973 mmcf/d in 2000 to 1,647 mmcf/d in 2012, at an annual rate of 5.7per cent (Figure 10). The increased sales represent the expansion in the NGC customer base as new petrochemical plants came on stream during the period. Natural gas processed into LNG by Atlantic is not sold by NGC but supplied directly by the producers.

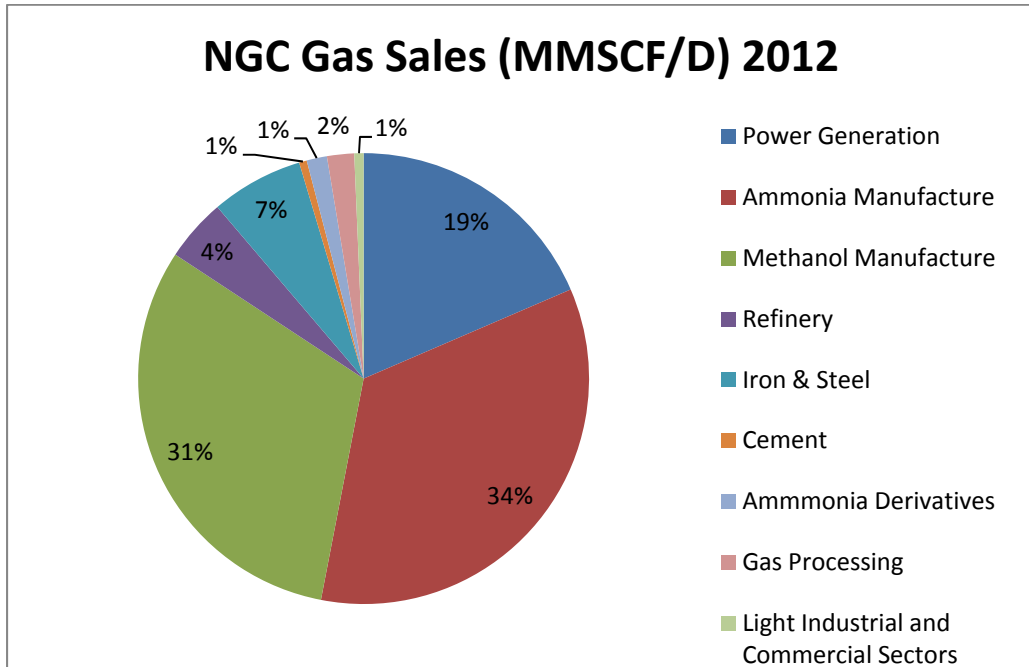


Figure 7

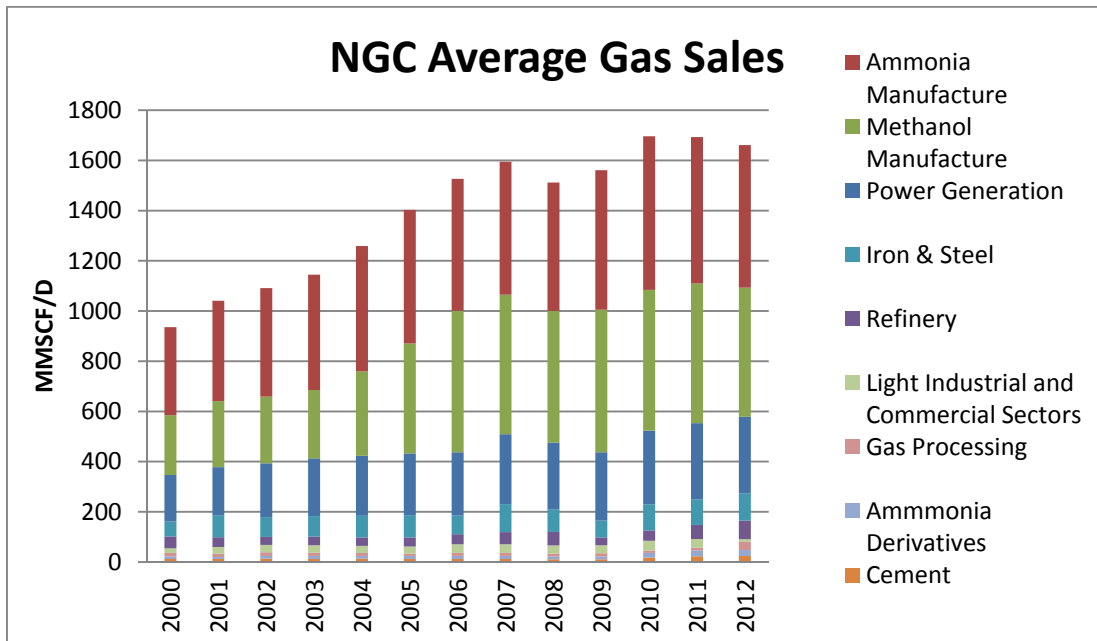


Figure 8

Phoenix Park Gas Processors Limited (PPGPL) is one of the largest gas processing facilities in the Americas (Phoenix Park Gas Processors Limited 2012). At its processing plant, PPGPL collects the raw natural gas from NGC’s gas pipeline system and feeds it through its fractionating towers to extract propane, butane and natural gasoline. The processed natural gas is returned to NGC for sale to local

Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report October 1st 2010 - September 30th 2011

downstream facilities which use the product as fuel and feedstock. However, most of PPGPL’s products are exported to the Caribbean, Latin America and international markets (Phoenix Park Gas Processors Limited 2012).

3.4.6 POWER GENERATION

Three independent power producers - Powergen, Trinity Power and Trinidad Generation Unlimited (TGU) meet the electricity needs of Trinidad and Tobago. In addition, T&TEC owns and operates two Power Plants in Tobago – a Scarborough plant and one at the new Cove Estate Facility to meet Tobago’s power demand. The plants are fuelled by natural gas purchased from NGC. The consistent climb in power generation over the past 10 years reflects an increase in the demand for power, brought on by industrialization and heightened economic activity. There was a 59 per cent increase in the power generation over the period

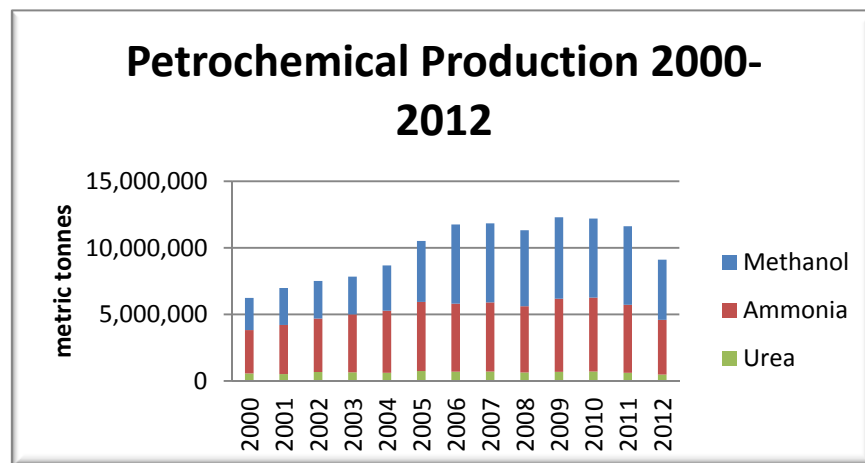
3.4.7 DOWNSTREAM ACTIVITY

Production

In 2011, total Methanol, Ammonia and Urea production stood at 4,517,166 metric tonnes, 4,466,262 metric tonnes and 520,924 metric tonnes respectively (Figure 13) (MEEA).

The production levels of these petrochemicals plants depend in part on the availability of natural gas – i.e. they are manufactured from natural gas.

Figure 9



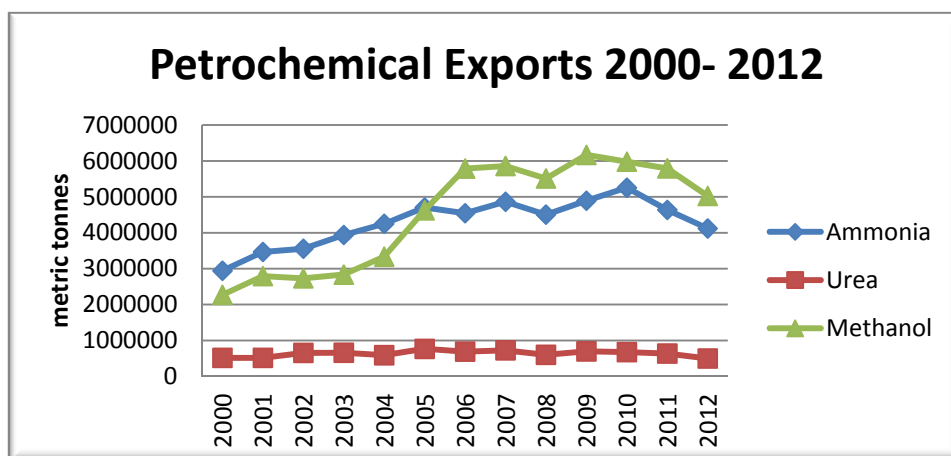


Figure 10

3.5 EXTRACTIVE INDUSTRIES AND THE ECONOMY

3.5.1 ENERGY SECTOR ECONOMIC CONTRIBUTION

The energy sector contributes significantly to the Trinidad and Tobago economy. Over the last five years the energy sector has contributed on average 44 per cent of GDP; 46 per cent of Government revenue and 85 per cent of export earnings (The Central Bank of Trinidad and Tobago). (Table 2)

Table 2 Energy Sector Contribution to Economy (2007-2011)

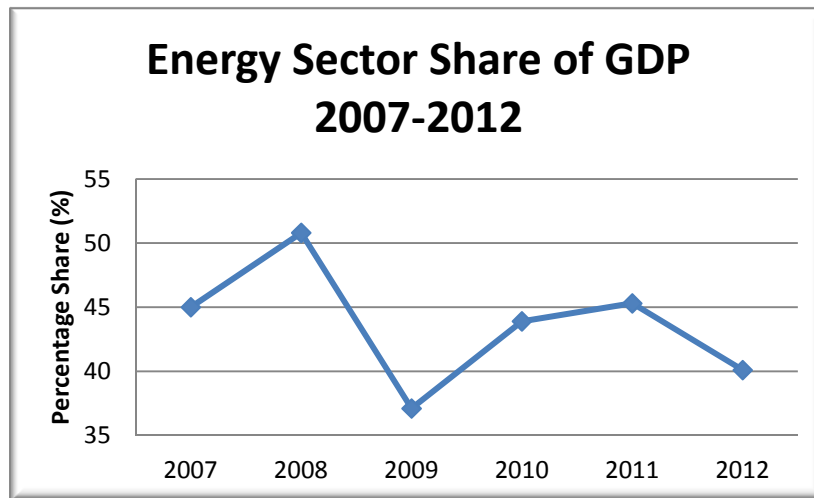
Selected Economic Indicators	2007	2008	2009	2010	2011
Energy as per cent of GDP (constant prices)	45.0	50.8	37.1	43.9	45.3
Energy revenue as per cent of total revenue	55.5	57.5	49.5	51.8	57.5
Energy exports as per cent of total exports	97.0	88.2	85.4	82.8	82.3
Energy employment as per cent of total employment	3.7	3.4	3.3	3.2	1.0

The energy sector’s contribution to GDP (current prices) declined significantly in 2009 by approximately 14 percentage points (Figure 11). This occurred at a time when there was a significant

**Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011**

decline in crude prices due to the global recession. The West Texas Intermediate (WTI) crude spot price dropped by 34 per cent between the years 2007 and 2008. Subsequently, the extractive industries’ share of GDP increased markedly by 53 per cent until it fell off in 2012. In 2012, the decline in the contribution of the exploration and production subsector and in the refining and petrochemical subsector largely accounted for the decrease in petroleum GDP.

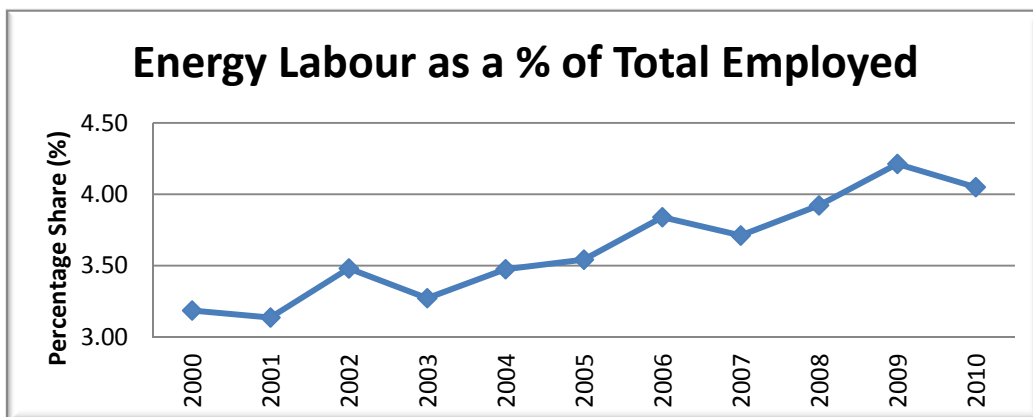
Figure 11



The number employed in the energy sector has always been marginal relative to other sectors of the economy. Labour in the industry averaged 3.62 per cent of total employment during the period (Central Statistical Office 2006 - 2010). The energy sector is highly capital intensive and employs few workers (relative to other sectors). However there has been an increase in the industry’s share of total employment from 2000 to 2010 (see Figure 16).

Although the overall labour contribution seems small, the sector has seen a 27 per cent increase in its share of total employment over the period.

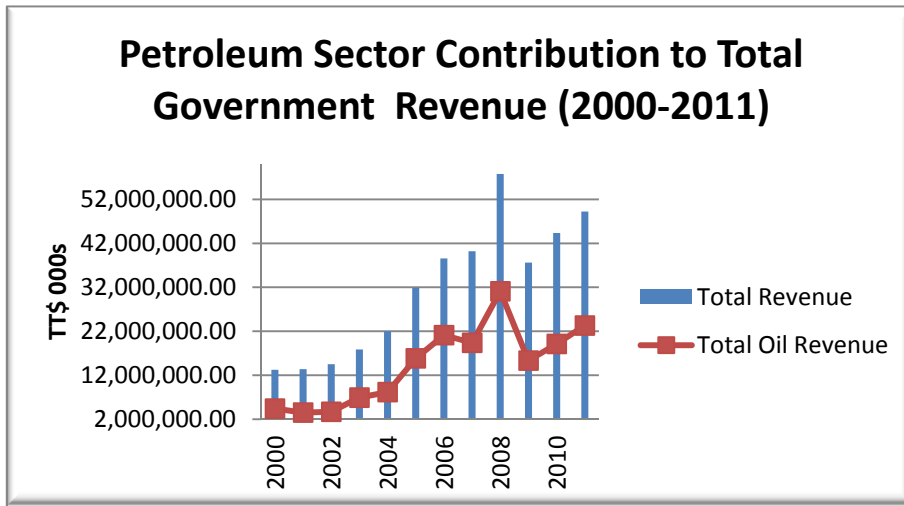
Figure 12



**Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011**

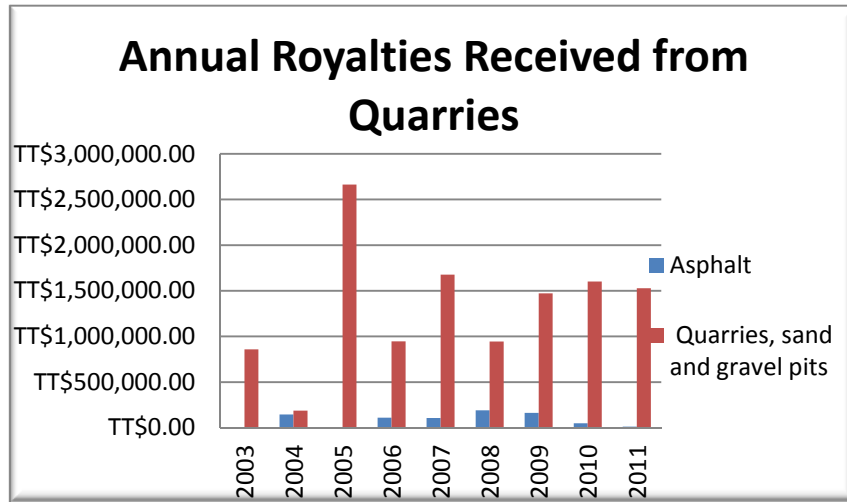
The petroleum sector accounts for a significant portion of total government revenue averaging 42% over the past 11 years. There was also an overall increasing trend in the petroleum sector’s share of government revenue, as a result of a combination of increasing output and prices. Government energy sector revenue is sensitive to fluctuations in energy commodity prices. This was very evident in Fiscal 2008 - 2009 when the petroleum sector’s share of total government revenue declined by 24%, as a direct result of a collapse in global oil prices (Central Bank of Trinidad and Tobago Various Years).

Figure 13



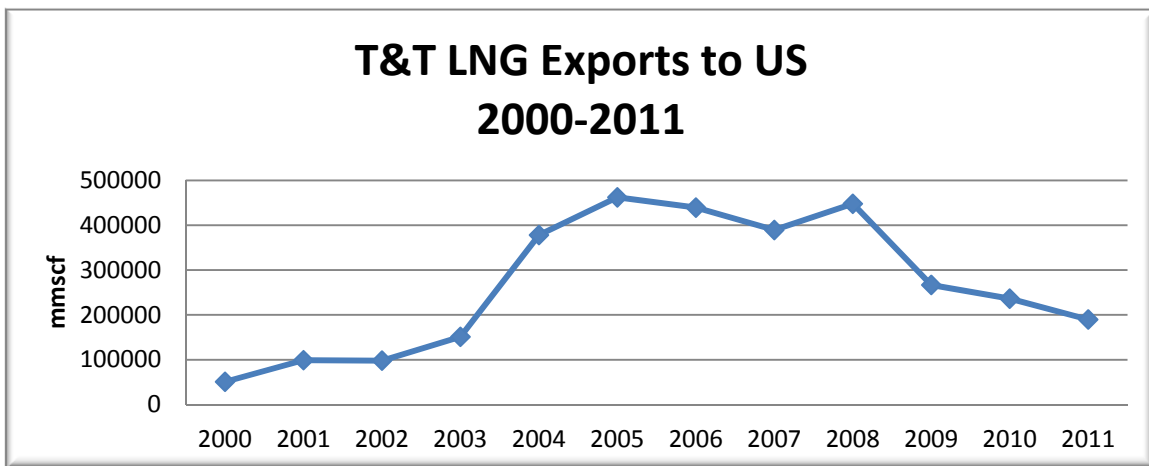
The minerals sector also makes a small contribution to Government revenues from the extractive industries. From 2003 to 2011, quarries, sand and gravel pits accounted for the lion’s share of royalties received by the government from the mining industry. (Figure 1) Over the nine fiscal year periods (which runs from October to September), royalties from quarries sand and gravel pits averaged TT\$ 1.3 million while royalties received from asphalt averaged TT\$ 87,000 per fiscal year.

Figure 14



Energy sector exports account for over 85 per cent of the country’s foreign exchange earnings. Hence volatility in energy sector export earnings due to either falling prices or loss of markets can adversely impact foreign exchange reserves. This was evident when LNG exports to the US dropped drastically by an estimated 58 per cent between 2008 and 2011. The expansion of shale gas production in the US has resulted in a sharp increase in domestic supply, driving down prices and pushing out local LNG exports. It is expected that the US will be less important as an export market for LNG over the next five years. Alternative markets have been developed including Europe, Argentina, Brazil, Japan and South Korea.

Figure 15



**Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011**

Table 3 provides a snapshot of the major markets for exports of crude oil, LNG, ammonia, urea and methanol from Trinidad and Tobago.

Table 3

Main Export Destinations					
Crude Oil	Ammonia	Methanol	Urea	Propane, Butane and Natural Gasoline	Melamine
United States	North America- USA, Mexico, El Salvador	North America- USA, Canada, Mexico, Panama	United States	Caribbean - Antigua, Aruba, Bahamas, Barbados, Cayman Islands, Colombia, Costa Rica, Dominican Republic, Eastern Caribbean, Grand Cayman, Grenada, Guadeloupe , Guyana , Haiti, Jamaica, Martinique, Montserrat, Panama, Puerto Rico, St. Kitts & Nevis, St. Lucia, St. Maarten , St. Vincent, Tortola	Europe and North America
Canada	Europe- Belgium	Europe- Belgium, Greece, Spain, France, Italy, Netherlands, Portugal	Europe	South & Central America - French Guiana, Suriname, Uruguay, Mexico	
Peru, El Salvador, Colombia	South America- Chile, Colombia	South America- Peru, Chile, Colombia	North America	Other Regions - West Africa, Senegal, Europe	
Europe	Africa- Morocco	Asia – South Korea			

**Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011**

3.5.2 USES OF ENERGY SECTOR REVENUES

Governments of resource rich countries are mindful that the natural resources belong to the citizens. As a result, the expenditure of natural resource wealth has been and continues to be a source of concern in many resource rich countries. Invariably Governments take the policy position that both present and future citizens should share in its resource wealth directly and indirectly.

Over the period 2006 to 2011, Trinidad and Tobago witnessed a 56 per cent growth in Government expenditure from \$ TT 27 billion in 2006 to TT\$42 billion in 2011. This expansion in expenditure has been largely predicated on higher energy sector revenues. Although revenues fell sharply in 2009, there was no moderation in the trend of increasing expenditure. The largest increase occurred in the area of transfers and subsidies. This category captures Government’s direct sharing of energy wealth with its citizens, through the Petroleum Fuels Subsidy (Table 4).

Table 4

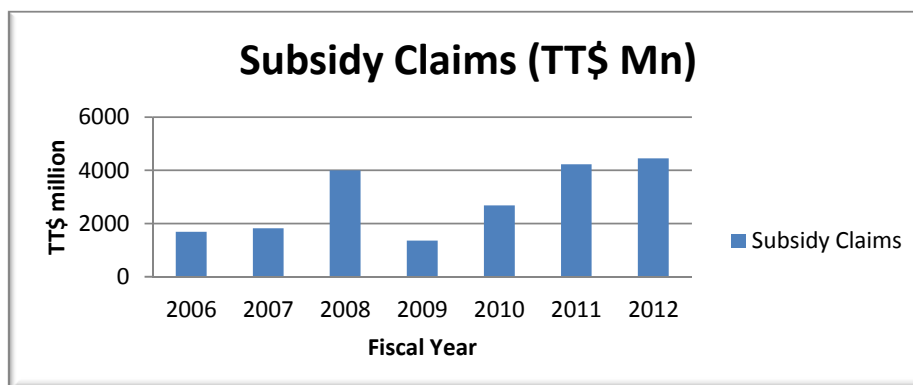
Distribution of Government Current Expenditure (TT\$ million)						
	2006	2007	2008	2009	2010	2011
Total Current Expenditure	26,582.60	29,984.00	35,030.60	37,316.90	37,275.70	41,417.20
Wages and Salaries	5,455.60	6,221.30	6,946.90	6,620.30	6,711.00	7,204.90
Goods and Services	3,843.20	4,283.80	5,002.30	6,023.00	6,441.20	6,496.40
Interest	2,453.30	2,698.10	2,967.30	3,499.90	3,290.30	2,685.40
Transfers and Subsidies	14,830.40	16,780.80	20,114.10	21,173.70	20,833.20	25,030.50

3.5.2.1 The Fuel Subsidy

The Fuel Subsidy was introduced in 1974, with the proclamation of the Petroleum Production Levy and Subsidy Act (Act 314 of 1974). Fuels subsidies absorb a part of the total cost of petroleum fuels as a means of protecting consumers from high fuel prices. As a result of this policy, the prices of petroleum fuels in Trinidad and Tobago are among the lowest in the world. Initially, the Fuel Subsidy was paid fully by producing companies through the Production Levy. The Act was amended in 1992 and again in 2009, to limit the share of the subsidy paid by the producing companies. If the share of the subsidy is more than 4 per cent of the gross income of producing companies, the Government is responsible for paying the additional amounts.

Figure 16 below shows the general upward trend in subsidy claims, with the exception of the year 2009. This occurred as result of the drastic 38 per cent decline in the international price of crude oil (US Energy Information Administration 2013). In 2012, the Fuel Subsidy obligation of the Government was estimated at \$ 4.4 billion, equivalent to 7.5 per cent of the national budget.

Figure 16



3.5.2.2 Heritage and Stabilization Fund (HSF)

The HSF serves two primary purposes. Firstly, it is designed to stabilize or cushion the economy, in the event of a sustained shortfall in Government revenue as a result of a collapse in export prices of crude oil and natural gas (i.e. the stabilization objective). Secondly, it is the medium through which the country saves oil and gas wealth for future generations (i.e. the heritage objective).

The Interim Stabilization Fund was introduced in 2000 and was later formalized in 2007 via the Heritage and Stabilization Fund (HSF) Act.

The HSF has been consistently increasing and has grown by more than 100 times its value in 2000 (Figure 21). As of August 2013, the value of the Fund stood at US\$5 billion, a US \$500 million increase from 2012 (Ministry of Finance and the Economy Various Years).

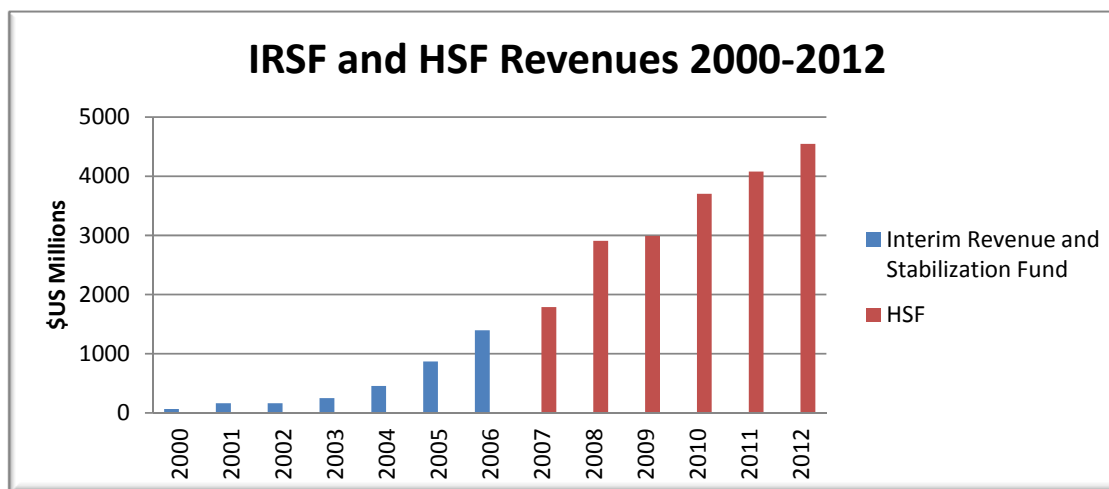
The Fund is governed by rules of withdrawal and deposit. Government may withdraw from the Fund, if actual petroleum revenues are less than what the Government projected it to be by at least 10 per cent. However, only a stipulated amount can be withdrawn i.e. either 60per cent of the amount of the shortfall of petroleum revenues or 25per cent of the Fund’s credit balance at the beginning of the year – whichever is less.

From inception of the HSF to end of fiscal 2012, no withdrawals have been made from the HSF or its predecessor, the IRSF.

Government is authorized to make deposits to the Fund under the following conditions:

- i. if the quarterly actual petroleum revenue is more than the amount estimated by the government by more than 10 per cent, the amount equivalent to the excess (in \$US) must be deposited from the Consolidated fund to the HSF.
- ii. if actual quarterly revenue exceeds the estimated petroleum revenue for that quarter by less than 10 per cent, then the amount equivalent to all or part of the excess revenue may be deposited to the HSF (in US\$) from the Consolidated Fund. The decision on whether all or a part of the excess revenue should be deposited resides with the Minister of Finance.

Figure 17



3.6 EXTRACTIVE INDUSTRIES PRICING MECHANISMS

In the extractive industries, the pricing mechanism refers to the manner in which prices are determined for minerals, oil, gas and petrochemicals (Table 5).

Table 5

Extractive Industries Pricing Mechanisms	
Sector	Pricing Mechanism
Crude Oil	Price is determined by global market forces; local prices
LNG	Netback pricing
Petrochemical Sector (Ammonia and Methanol)	Product related pricing mechanism
CNG and Power Generation	Set by Government
Heavy Industrial Subsectors	Cost-plus pricing mechanism
Light Industrial and Commercial	Cost + Plus / Government

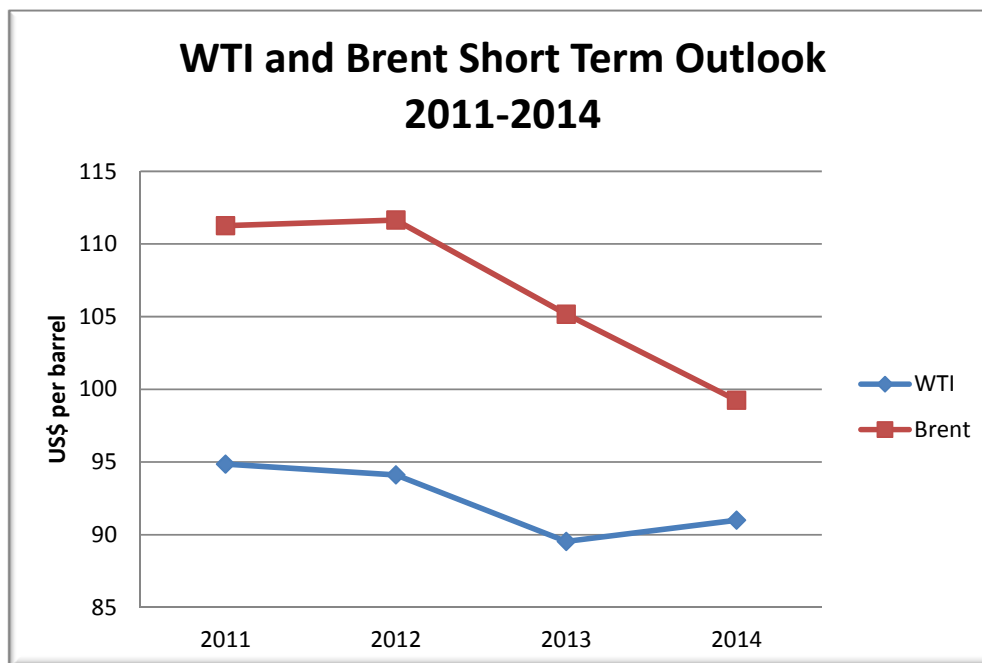
3.6.1 OIL PRICING MECHANISM

The price of oil is determined by the demand and supply of crude oil in international markets (by market forces). When there is a shortage of oil (i.e. demand for oil exceeds supply), prices rise. Similarly, when oil consumption is less than supply, this creates a surplus on the market and oil prices fall. Increases and decreases in the price of oil may be triggered by several factors which include war and civil unrest in major oil producing countries (e.g. the Middle East), economic growth in major consuming countries, weather conditions, natural disasters, production costs and perceptions about available reserves.

**Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011**

The price of locally produced crude oil is derived from the spot prices of international benchmark crudes like West Texas Intermediate (WTI) and North Sea Brent³. In fiscal 2011, the average price of local crudes was US\$98.70 per barrel marginally higher than the WTI price of US\$95.89 per barrel, but lower than the Brent price of US\$111.39 (Senate October 15, 2012).

Figure 18



3.6.2 GAS PRICING MECHANISMS

Unlike countries like the UK and USA, there is no single industry wide price for natural gas in Trinidad and Tobago. In this country, gas prices are determined by different pricing mechanisms for each subsector of consumers. As a result, different prices prevail in the LNG sector, the petrochemical sector, the power generation and transportation sector and in the heavy industry, light industrial and commercial sectors (LICs).

In the LNG sector, the gas price is determined mainly by a netback-pricing method. With this pricing mechanism, the price of the commodity (gas) is determined in the market, where each party at every point of the value chain shares in the end market value. Within the Petrochemical sector, the price of natural gas used to produce ammonia and methanol is determined by a product related pricing mechanism. In this instance, the price of gas sold by NGC to petrochemical plants is linked to the international prices of Ammonia and Methanol. Gas contracts between NGC and a buyer (petrochemical producer) include an agreed formula which links the export price of Methanol or Ammonia to the gas price. In the power generation and transportation (CNG) subsectors, the Government sets the price of natural gas to be sold.

³ A benchmark or marker crude is a widely traded crude oil that is used as a reference for pricing of other crudes.

Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report October 1st 2010 - September 30th 2011

The price to the heavy industry and LICs is equal to the wellhead price (cost of purchasing from the producer) plus a mark-up. This is referred to as the cost-plus pricing mechanism. Therefore, the cost of gas in these sectors mirrors the cost NGC pays to acquire the gas, plus the cost of transmission, distribution and maintenance. With this approach, there is a standard set price for LICs whereas the price of gas paid by large heavy users is derived at through negotiations with NGC.

3.6.3 MINERALS PRICING MECHANISM

The price of minerals is determined by demand and supply conditions in the market. During the period 2006 - 2008 there was a boom in construction activity. This boom was accompanied by a peak in the price of building materials – which include minerals limestone sand, and gravel. The Central Bank data shows that the index of retail prices of Building Materials increased by 14.2 per cent and 15.1per cent in 2006 and 2007 respectively. The Index subsequently fell in 2008 as the construction boom ended (Table 6).

Table 6

Average Annual Changes in the Price of Building Materials (per cent):

2006	14.2
2007	15.1
2008	7.9
2009	1.3
2010	0.3
2011	4

3.7 ADDITIONAL BACKGROUND

3.7.1 BID ROUNDS FOR OIL AND GAS

The results of bid rounds managed by the MEEA for licences for new exploration and production areas has been reported by the MEEA as follows.

In February 2011, the MEEA received bids from BP Exploration Operating Company Trinidad branch (Blocks 23(a) and TTDA 14), BHP Billiton / Repsol / Total (Block 23a), BHP Billiton / Repsol (Block 23b) and Niko Resources (Caribbean) Ltd (Block 23a). Petroleum Sharing Contracts were awarded to BP Exploration Operating Company in respect of Blocks 23(a) and TTDA 14 giving the company the right to enter into negotiations with the Ministry of Energy and Energy Affairs to formalize the terms of the Production Sharing Contract.

With respect to 23(b), it was agreed that the Minister of Energy and Energy Affairs will exercise the option available to him under the Petroleum Act to consider the BHP Billiton / Repsol consortium’s interest in Block 23(b) outside the ambit of the Petroleum Regulations (Competitive Bidding) Order No.2, 2010. The Ministry will enter into discussions with the consortium with a view to attaining a mutually acceptable proposal for the block.

3.8 OVERVIEW OF THE LEGAL STRUCTURE OF THE HYDROCARBON SECTOR

3.8.1 CURRENT LEGISLATION

In Trinidad and Tobago, the conduct of the petroleum sector and the extraction of the revenue from it are directed by the following instruments:

3.8.1.1 Governing Legislation

Petroleum Act (1969) and Petroleum Regulations (1970): describe the contractual arrangements under which companies can explore and develop the resources within the country. Arrangements include Exploration and Production Licences and Production Sharing Contracts.

Petroleum Production Levy and Subsidy Act (1974): established to buffer large increases in petroleum product prices, and provide a general level of market stability. The Act provides for the subsidisation of petroleum products that are sold to the domestic market.

Environmental Management Act (2000): creates a legal framework for ensuring sustainable development, being the balance of economic growth with environmentally sound practices

3.8.1.2 Fiscal Legislation

Petroleum Taxes Act (1974): applicable to all operators engaged in petroleum operations, and contains two main taxes: 1) the Petroleum Profits Tax, applicable to all oil and gas producers as well as refinery operators and is applied to the net profits (chargeable income) from operations, and 2) the Supplemental Petroleum Tax imposed on income generated from production of crude oil net of royalty and over-riding royalty.

Income Tax in Aid of Industry Act (1950): provides accelerated allowances mechanisms to encourage investment in industrial buildings, plant and machinery, and mines and wells.

Unemployment Levy Act (1970): intended to provide funds to assist in the Government’s social programmes.

Income Tax Act (1950): sets out the over-arching framework and principles under which individuals are required to pay taxes or other impositions.

Corporation Tax Act (1966): sets out the over-arching framework and principles under which companies are required to pay taxes or other impositions.

Green Fund Levy (2001): A percentage (currently 0.1%) of gross sales or receipts used in the maintenance, reforestation, restoration, and conservation of the environment. This is provided for under the Miscellaneous Taxes Act.

4 OVERVIEW OF FLOWS REPORTED AND REPORTING ENTITIES

4.1 FLOWS AND ENTITIES INCLUDED IN THE RECONCILIATION

The TTEITI Steering Committee determined that the reconciliation should cover the areas described in this section. It was not part of our terms of reference to advise on the scope for the reconciliation.

4.1.1 FLOWS INCLUDED

The flows to central government described in this section have been included in the 2010/11 TTEITI reconciliation.

Payments to MOFE - IRD

1.1 Supplemental Petroleum Tax (SPT)

Supplemental Petroleum Tax (SPT) is charged on gross income derived from crude oil sales provided that the weighted average price of crude oil is in excess of US\$50 per barrel. The calculation is based on an oil price sensitive rate structure as below:

SPT Tax Rates from 2010 to 2012:

Price in \$ US	Rate %		Rate % Land & Deep Water
	Marine		
Between - \$	A	B	C
0 and 50.00	0	0	0
50.01 and 90.00	42	33	18
90.01 and 200.00	SPT Rate = Base SPT + 0.2% (P-90.00)		
200.01 and over	64	55	40

In computing SPT certain allowances for costs incurred in petroleum operations is deductible from gross income and is administered under the Petroleum Taxes Act.

1.2 Petroleum Profits Tax (PPT)

Petroleum Profits Tax is paid by companies involved in the business of petroleum production and/or petroleum refining and is charged at a rate of 50% of the profits or gains accruing from such operations. Like SPT, it is administered under the Petroleum Taxes Act.

1.3 Unemployment Levy (UL)

Unemployment Levy is charged at the rate of 5% of taxable profits prior to the utilisation of any tax relief and is administered under both the Unemployment Levy Act and the Petroleum Taxes Act.

**Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011**

1.4 Corporation Tax (CT)

Corporation Tax is a tax on the profits and short term gains of companies. There are two rates of Corporation Tax – 35% is applicable to the petrochemical sector (if the entity is not enjoying a fiscal holiday or the holiday has expired) and 25% for manufacturing and retail sector. It is administered under the Corporation Tax Act.

1.5 Green Fund Levy

Green Fund Levy is imposed on gross revenue at the rate of 0.1% and is payable quarterly. All companies and partnerships are liable to this levy.

1.6 Withholding Tax (WHT) on dividends

Withholding Tax (WHT) is a tax based on various income payments to non-residents. WHT on dividends is calculated at either 5% or 10% of the gross dividend remitted to a non-resident. These rates can be varied by the provisions of a Double Taxation Treaty which Trinidad and Tobago has entered into. WHT is withheld from the gross payment to the non-resident and is payable to the Inland Revenue Division within 30 days of the foreign remittance.

1.7 Withholding Tax (WHT) on branch profits remitted or deemed remitted to head office

WHT rates for this category are prescribed in the Income Tax Act. These rates can be varied by the provisions of a Double Taxation Treaty which Trinidad and Tobago has entered into. Branch profits are not automatically deemed remitted.

Payments to MEEA

2.1 Royalty

Royalties are payments to the Government by the petroleum companies for the use of property or natural resources belonging to Trinidad and Tobago that are either occupied or extracted during petroleum operations. Royalty rates vary from company to company. In the case of crude oil, the rate ranges from 10% to 12.5% of the field storage values. For licences signed up to 1989, the field storage value is based on the Royalty Lease Evaluation 1 Method and for licences signed from 1989 onwards, the field storage values are determined using international market prices of references crudes. In the case of natural gas, the royalty rate ranges from a fixed rate of 0% to 15% of the value for the natural gas.

2.2 Minimum rent – E & P

This is the minimum payment in respect of the exclusive right to explore for and produce petroleum from the licensed area. This is payable for each acre of State Land and Submarine Area for each licence. The rate is stipulated by the Minister and specified in the licence agreement. Every Exploration and Production (E&P) Licensee shall pay this rent quarterly in advance in January, April, July and October.

2.3 Annual licence acreage payments

Annual licence acreage payments represent the surface rent of all State Lands which is leased, used or occupied for the purpose of the licence. The rate is specified in the licence.

**Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011**

2.4 Petroleum Production Levy

Petroleum Production Levy is a tax charged at the lower of either:

- * 4% of the gross income from the production of crude oil or
- * in accordance with the following formula

$$\frac{PI \times S}{PT} = L$$

Where-

PI represents the production of Petroleum by the production business for the preceding month

PT represents the total production of Petroleum by all persons carrying on production business in Trinidad and Tobago for the preceding month

S represents the total subsidy to be paid to marketing businesses in Trinidad and Tobago

L represents the levy imposed on the production business for the month

All companies and partnerships are liable to pay this tax monthly.

2.5 Petroleum impost

Petroleum impost is a levy intended to cover the expenses of the public administration of the petroleum industry.

Every licensee shall pay a petroleum impost in respect of all petroleum won and saved at such rates as the Minister may determine by the issue of a Rating Order which is published in the Gazette at least 30 days prior to the date on which the petroleum impost becomes payable.

2.6 Production Sharing Contract (PSC) share of profits

PSCs are a common type of contract between a Government and a resource extraction company concerning the quantity of the resource each shall receive. The oil company bears the mineral and financial risk and where successful, the company is permitted to use the money from produced oil to recover capital and operational expenditures (“cost oil”). The remaining money (“profit oil”) is split between the Government and the company typically at a rate of 80% to 20% respectively.

2.7 PSC signature bonuses

The signature or signing bonus is a common feature of the PSC. This is the amount the contractor agrees to pay the Government in advance of exploration activities for signing the agreement. The size of this bonus is based on the exploration licence’s presumed recovery potential and value.

2.8 PSC bidding fees

PSCs are awarded following a bidding process. PSC bidding fees are the cost to the exploration company in submitting the bid.

**Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011**

2.9 Other payments under PSCs

Reporting entities were requested to declare other payments made under PSCs. Specific payments were identified by the TTEITI Steering Committee, namely

- Transfer fees
- Re-instatement
- Annual admin charges
- Training
- R&D
- Production achievement
- Technical assistance
- Scholarships

In addition, any other payments made from companies to government under obligations arising from the PSC were to be declared.

Payments to MOFE – Investment Division

3.1 Dividends paid by state owned companies

In addition, state owned companies were required to declare any payments made to government not reported on other templates.

Social payments

Companies were asked to declare details of social payments in excess of TT\$1m per payment. The recipient of the payment was not required to confirm the receipt and accordingly, any payments declared were not reconciled between paying and receiving entities.

Payments in kind

Reporting entities were requested to report contributions in kind made to or received by government or state owned entities.

Other payments

Companies were asked to declare other payments relating to oil/gas exploration and production made to government, and not reported elsewhere as part of the information provided for the reconciliation. These other payments specifically excluded PAYE, Health Surcharge, Value Added Tax, National Insurance contributions and Import Duties on the grounds that the TTEITI Steering Committee had decided that these items should not be part of the flows reported in the 2010/11 reconciliation.

The purpose of requesting these other payments was to identify any material payments which might not have been considered for inclusion by the TTEITI Steering Committee.

4.1.2 GOVERNMENT ENTITIES INCLUDED

The government entities included in the 2010/11 TTEITI reconciliation are:-

4.1.2.1 Ministry of Finance and the Economy – Inland Revenue Division

The Inland Revenue is a Division of the Ministry of Finance and the Economy and is administered by a Board consisting of five Commissioners, one of whom is appointed "Chairman". The Board of Inland Revenue develops broad policies and programmes for the administration of the tax laws and directs, guides, co-ordinates, controls and evaluates the activities of the Inland Revenue Division. The principal components of the Division are:

- Administration and Computer operations under the control and management of the Commissioner - Administration
- Audit under the Commissioner - Audit
- Collections, Accounting Control & Returns Processing under the Commissioner - Collections
- Value Added Taxes under the Commissioner - Value Added Tax Administration
- The Reform of Inland Revenue which falls under the Commissioner – Reform

4.1.2.2 Ministry of Energy and Energy Affairs

The Ministry of Energy and Energy Affairs is responsible for monitoring, controlling and regulating the energy and mineral sectors of Trinidad and Tobago.

4.1.2.3 Ministry of Finance and the Economy – Investments Division

The Investments Division of the Ministry of Finance was established in January 1992. In pursuit of its mandate, the Division manages, monitors and advises on the rationalization of Government's equity holdings in commercial enterprises. The Division is also responsible for conducting management / performance audits of State Enterprises, to ensure that they operate in an efficient and effective basis and that they discharge their obligations with respect to public accountability.

The Minister of Finance was incorporated as a Corporation Sole by Act No.5 of 1973 (Chapter 69:03). In keeping with his role as Corporation Sole, the Minister of Finance and the Economy is responsible for the State's portfolio of investments of which the State Enterprise Sector is a major element.

The Investments Division of MOFE, established in January 1992, is the Division charged with the responsibility of executing Government's investment policy, monitoring the performance of the state enterprise sector and advising on the rationalisation of Government's equity holdings in these enterprises. The MOFE (Investments Division) acts as the Receiver of Revenue and is charged with the responsibility for receiving dividend payments from State Enterprises.

4.1.3 COMPANIES INCLUDED

The TTEITI Steering Committee determined the list of companies which are included in the reconciliation. These companies were required to return the information for the 2010/11 reconciliation on the agreed data collection templates; and the government reporting entities were required to return information in respect of each of these companies

**Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011**

The companies included in the 2010/11 reconciliation by the TTEITI Steering Committee, and the groupings under which they are reported, are:-

BG Group		Centrica Group	
1	BG International Ltd (Trinidad branch)	27	Centrica Upstream Limited
2	BG Manatee Limited	28	Centrica Resources Ltd
3	BG Trinidad 5A Limited	29	Centrica (Horne&Wren) Ltd
4	BG Trinidad EC Limited	30	Venture North Sea Gas Ltd
5	BG Trinidad and Tobago Ltd (Trinidad branch)	31	NSGP (Ensign) Ltd
6	BG Trinidad Central Block Ltd	32	Centrica Resources (Amada) Limited
BHP Billiton Group		33	Centrica Trinidad and Tobago Limited
7	BHP Billiton Trinidad 2C Ltd	34	Centrica North Sea Oil Limited
8	BHP Billiton (Trinidad 3A) Limited	ENI Group	
9	BHP Billiton Tdad 2AB	35	ENI Trinidad & Tobago Exploration
BP Group		36	ENI Trinidad Limited
10	BP Trinidad and Tobago LLC Trinidad branch	Total Group	
11	Amoco Trinidad Gas BV Trinidad branch	37	Elf Exploration Trinidad BV
12	BP EOC Trinidad branch	38	Total E&P Trinidad Block 3A
EOG Group		39	Total E&P Trinidad BV
13	EOG Resources Trinidad Ltd	Nikko Group	
14	EOG Resources U(B) Block Ltd	40	Niko Resources (NCMA2 Caribbean) Limited
15	EOG Resources Tdad U(A) Block Limited	41	Niko Resources (NCMA3 Caribbean) Limited
16	EOG Resources T'dad Blk 4A Unlimited	42	Niko Resources (Caribbean) limited
Repsol Group		43	Niko Resources (Block 5C Caribbean)Limited
17	Repsol E&P T&T Limited	44	Niko Resources (Block 4B Caribbean) Limited
Petrotrin Group		45	Niko Resources (Trinidad and Tobago Ltd)
	Petroleum Company of Trinidad and Tobago	46	Voyager Energy (T'dad) Ltd
18	Limited	Others	
19	Trintomar	47	Chevron Texaco Trinidad & Tobago Resources
20	N.G.C	48	Chevron Trinidad and Tobago Resources SRL
Primera Group		49	Chaoyang Petroleum 2C Ltd
21	Primera Block 3(B) limited	50	Sonde Resources Corp.
22	Primera Block 4(A) Limited	51	Mora Oil Ventures
23	Primera East Brighton Limited	52	Ten Degrees North Operations Company Ltd
24	Primera Modified U(B) Limited	53	Bayfield Energy (Galeota)Limited
25	Primera Rock Dome Limited	54	Bayfield Energy Trinidad Ltd
26	Primera Oil & Gas Ltd	55	Lease Operators Ltd
		56	Anadarko

5 APPROACH, METHODOLOGY AND WORK DONE

5.1 SCOPING OF RECONCILIATION

The financial flows to be included in the reconciliation and the government entities and companies which were required to report were determined by the TTEITI Steering Committee. Under our terms of reference, we were not required to carry out a scoping exercise.

5.2 TEMPLATES AND TRAINING

Prior to commencing the reconciliation, we:

- Met with stakeholders from government and companies to discuss the flows proposed by the TTEITI Steering Committee for inclusion in the reconciliation, with a view to preparing templates to collect the data
- Prepared draft templates and consulted with stakeholders from companies and GoRTT over their format
- After approval of the template formats by the TTEITI Steering Committee, we facilitated workshops attended by representatives from government, companies and civil society. These workshops gave background to the EITI reconciliation in Trinidad and Tobago and offered interactive training to participants in completion of the reporting templates , submission to the reconciler and the process of reconciliation which would be followed
- Circulated the reporting templates, together with guidelines and procedures for companies and the GoRTT for completion of the reporting templates

5.3 ELEMENTS OF THE RECONCILIATION WORK

In carrying out the reconciliation, we:

- Submitted the reporting template directly to each Government agency and to each of the reporting extractive companies
- The TTEITI Steering Committee decided that templates should be signed by a representative of senior management (for companies) or by the Permanent Secretary of each Ministry (the Chairman of the Board of Inland Revenue in the case of MOFE – IRD) and that the reconciler should rely on the assurances given by these persons without requesting government entities and companies to have their reporting templates certified by their auditor
- Collated the templates returned by reporting entities and established a database, identifying discrepancies between receipts reported by government and payments reported by companies
- Liaised with reporting government agencies and companies to understand the reasons for discrepancies, including visits to site to obtain information from the extractive companies and government agencies
- Analysed and reconciled data submitted by extractive companies and Government agencies in the reporting templates for the 2011 fiscal year

- Meetings were held with government agencies and reporting companies to investigate reported differences.
- All reporting extractive companies and government agencies were requested to support their reported figures with supporting documents and vouchers; including evidence of payments and receipts.
- All reconciling items producing by all parties were scrutinised and examined for authenticity, ownership, accuracy, validity, occurrence in terms of the reporting period, i.e. FY 2011, and other relevant attributes.
- All reconciliations and non-reconciled differences were signed off by the reporting entities as evidence and proof of the work done.
- Senior management of reporting entities were also required to sign off all reconciliations.
- Reporting templates, were amended, were signed off and officially stamped by senior management officials.
- Reporting schedules were amended as appropriate and summaries prepared
- Prepared this reconciliation report on government receipts and company payments,
 - highlighting the reconciled discrepancies and the unresolved discrepancies; and
 - making recommendations on action to be taken on the unresolved discrepancies, and for improvement of the implementation of EITI in Trinidad and Tobago more generally; and
 - reporting on the total oil, gas and associated liquids produced for which payments were made and revenue collected for each fiscal period; and
 - including a list of all licensed or registered companies involved in the upstream sector, noting which companies participated in the EITI reporting process and those that did not

and containing other information as required under the Terms of Reference and EITI Requirements (as set out in the 2011 Rules).

6 RESULTS OF THE RECONCILIATION

6.1 FLOWS TO GOVERNMENT BY ANALYSED BY COMPANY

Total relevant amounts⁴ reported as received or paid by government or companies respectively, after reconciliation, are reported in table 6.1 below, analysed by company. Full details of the reconciliation by company are set out in Appendix 9.4.

6.2 FLOWS TO GOVERNMENT BY PAYMENT TYPE

The amounts reported as received or paid by government or companies respectively, after reconciliation, are shown in table 6.1 below, analysed by payment type.

⁴ A relevant amount is a receipt / payment for a flow which the TTEITI Steering Committee determined should be included in the reconciliation (see section 4.1.1 for a list of these flows).

Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011

Company Name	2010-11 template originally submitted			Adjustments		2010-11 final report		
	Government	Company	Difference	Government	Company	Government	Company	Difference
	TT\$	TT\$	TT\$	TT\$	TT\$	TT\$	TT\$	TT\$
Bayfield Energy Trinidad Limited	4,807,628	0	4,807,628	-4,502,273	0	305,355	0	305,355
Bayfield Energy (Galeota) Limited	14,620,657	40,888,947	-26,268,290	31,302,171	5,062,438	45,922,828	45,951,385	-28,557
BG International Limited	433,181,425	520,424,370	-87,242,945	9,969,778	-76,798,596	443,151,203	443,625,774	-474,571
BG Trinidad 5(a) Limited	13,576,481	0	13,576,481	-13,576,481	0	0	0	0
BG Trinidad and Tobago Limited	1,007,206,931	1,085,516,582	-78,309,650	77,243,651	0	1,084,450,582	1,085,516,582	-1,065,999
BG Trinidad Central Block Limited	265,785,789	211,835,341	53,950,448	0	54,016,723	265,785,789	265,852,064	-66,275
BG Group	1,719,750,625	1,817,776,292	-98,025,666	73,636,948	-22,781,873	1,793,387,573	1,794,994,419	-1,606,845
BHP Billiton (Trinidad-2c) Limited	825,341,573	1,195,598,418	-370,256,845	-31,738,919	-401,995,764	793,602,654	793,602,654	0
BHP Billiton (3A Limited)	4,463,170	4,463,170	0	0	0	4,463,170	4,463,170	0
Amoco Trinidad Gas BV Trinidad branch	85,916,271	85,946,816	-30,545	36,605	6,060	85,952,876	85,952,876	0
BP Exploration Operating Co Ltd Trinidad branch	0	0	0	0	0	0	0	0
BP Trinidad and Tobago LLC Trinidad branch	9,833,411,887	9,902,551,912	-69,140,025	29,970	-69,110,055	9,833,441,857	9,833,441,857	0
BP Group	9,919,328,158	9,988,498,728	-69,170,570	66,575	-69,103,995	9,919,394,733	9,919,394,733	0
Centrica (Horne & Wren) (BLK1a)	5,685,218	4,109,490	1,575,728	-1,576,503	0	4,108,715	4,109,490	-775
Centrica North Sea Gas Ltd - (BLK1B)	3,927,053	4,076,850	-149,797	149,032	0	4,076,085	4,076,850	-765
Centrica North Sea Oil Ltd (NCMA4)	40,189,939	41,949,530	-1,759,591	1,609,843	0	41,799,782	41,949,530	-149,748
Centrica Resources Ltd (BLK22)	7,972,051	9,401,759	-1,429,708	1,422,182	0	9,394,233	9,401,759	-7,526
NSGP (Ensign) Ltd	0	0	0	0	0	0	0	0
Centrica Group	57,774,261	59,537,628	-1,763,367	1,604,554	0	59,378,815	59,537,628	-158,813
Chaoyang Petroleum (Trinidad) Block 2C Limited	0	0	0	0	0	0	0	0
Chevron T&T Resources	570,915	0	570,915	0	570,915	570,915	570,915	0
ENI Trinidad &Tobago Exploration	81,068,576	61,692,548	19,376,028	0	19,376,028	81,068,576	81,068,576	0
EOG Resources Trinidad - U(A) Block Limited	490,931,381	567,777,574	-76,846,193	6,464,898	-70,789,035	497,396,279	496,988,539	407,740
EOG Resources Trinidad Block 4(A) Unlimited	85,932	4,323,406	-4,237,475	4,249,840	0	4,335,772	4,323,406	12,365
EOG Resources Trinidad U(B) Block Unlimited	33,572,592	50,152,036	-16,579,445	4,563,888	-12,049,851	38,136,480	38,102,185	34,295
EOG Resources Trinidad Limited	1,970,350,416	1,958,253,961	12,096,456	-14,067,255	-1,081,317	1,956,283,161	1,957,172,644	-889,482
EOG Group	2,494,940,321	2,580,506,977	-85,566,656	1,211,371	-83,920,203	2,496,151,692	2,496,586,774	-435,082
NGC	2,371,438,035	2,903,378,202	-531,940,167	462,312,985	0	2,833,751,020	2,903,378,202	-69,627,182

Table 6.1 - part 1 of 2

Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011

Company Name	2010-11 template originally submitted			Adjustments		2010-11 final report		
	Government	Company	Difference	Government	Company	Government	Company	Difference
	TT\$	TT\$	TT\$	TT\$	TT\$	TT\$	TT\$	TT\$
Niko Resources (Trinidad and Tobago) Ltd.	6,578,472	11,460,948	-4,882,476	4,882,476	0	11,460,948	11,460,948	0
Voyager Energy (Trinidad) Ltd	12,075,778	17,924,142	-5,848,364	5,845,070	0	17,920,848	17,924,142	-3,294
Niko Resources (Block 4B Caribbean) Limited	49,265,888	47,438,551	1,827,337	0	1,996,529	49,265,888	49,435,080	-169,192
Niko Resources (NCMA2 Caribbean) Limited	89,872,637	88,318,759	1,553,879	0	1,872,139	89,872,637	90,190,898	-318,260
Niko Resources (NCMA3 Caribbean) Limited	23,496,431	23,927,188	-430,757	0	0	23,496,431	23,927,188	-430,757
Niko Resources Group	181,289,206	189,069,587	-7,780,381	10,727,546	3,868,668	192,016,752	192,938,255	-921,503
Petroleum Company of Trinidad and Tobago Limited	3,478,053,030	3,445,443,683	32,609,348	0	33,336,892	3,478,053,030	3,478,780,575	-727,544
Trintomar	93,564,500	99,830,211	-6,265,711	0	-6,315,950	93,564,500	93,514,261	50,239
Petrotrin	3,571,617,530	3,545,273,894	26,343,637	0	27,020,942	3,571,617,530	3,572,294,836	-677,305
Primera Block 3b Ltd	0	0	0	0	0	0	0	0
Primera Block 4a Ltd	0	0	0	0	0	0	0	0
Primera East Brighton Ltd	0	0	0	0	0	0	0	0
Primera Modified U(b) Ltd	0	0	0	0	0	0	0	0
Primera Oil & Gas Ltd	39,989,315	34,272,955	5,716,360	0	5,726,130	39,989,315	39,999,085	-9,770
Primera Rock Dome Ltd	0	0	0	0	0	0	0	0
Primera Group	39,989,315	34,272,955	5,716,360	0	5,726,130	39,989,315	39,999,085	-9,770
Repsol E&P TT Ltd	1,272,185,548	1,273,015,020	-829,472	829,472	0	1,273,015,020	1,273,015,020	0
Ten Degrees North Operating Company Limited	20,715,104	20,642,245	72,859	12,372	85,231	20,727,476	20,727,476	0
Elf Exploration Trinidad BV	0	0	0	0	0	0	0	0
TOTAL E&P Trinidad Block 2C Limited	0	0	0	0	0	0	0	0
TOTAL E&P Trinidad Block 3A Unlimited	0	0	0	0	0	0	0	0
Total Group	0	0	0	0	0	0	0	0
Lease Operators Ltd	55,856,830	55,856,830	0	0	0	55,856,830	55,856,830	0
Total Flows	22,635,757,455	23,770,471,441	-1,134,713,987	545,462,802	-516,091,483	23,181,220,256	23,254,379,958	-73,159,702

Table 6.1 - Part 2 of 2

The notable unadjusted differences for all companies except NGC relate to differences arising from the use of different exchange rates by the Government and companies in converting foreign currency payments to TT\$. Payments made in foreign currency were reconciled in the currency of payment and no unadjusted differences were noted in the foreign currency amounts. In the case of NGC, the difference arose due to a timing difference on the receipting of a payment made by NGC to the Government before the end of the fiscal year which was receipted by the Government after the fiscal year.

**Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011**

6.3 NON REPORTING COMPANIES

Ten companies on the TTEITI Steering Committee’s list of companies included in the reconciliation did not return templates, namely

- i. BHP Billiton Trinidad 2AB
- ii. Centrica Upstream Limited
- iii. Centrica Resources (Amada) Limited
- iv. ENI Trinidad & Tobago Exploration
- v. ENI Trinidad Limited
- vi. Niko Resources (Block 5C Caribbean) Limited
- vii. Bayfield Energy Trinidad Ltd
- viii. Anadarko
- ix. Sonde Resources Corp
- x. Mora Oil Ventures

Preparation of the list of companies to be included in the reconciliation was hampered by the delay in the release of information from the MOFE – IRD, and the TTEITI Steering Committee prepared the list based on production data, with the addition of companies participating in joint ventures/PSCs and other operating entities, with the intention of preparing a complete list.

We note the following in respect of these non-reporting companies:-

MEEA

MEEA reported receipts of TT\$ 4.8m and production of 424,903 bbl for Bayfield Energy Trinidad Limited; however, the company says that their operation is carried out through Bayfield Energy (Galeota) Limited.

MEEA did not report receipts in respect of any of the remaining companies.

MOFE – IRD

MOFE – IRD reported that they received no payments from BHP Billiton Trinidad 2AB, Centrica Resources (Amada) Limited or Niko Resources (Block 5C Caribbean) Limited. MOFE – IRD reported receipts of TT\$56m from Oilbelt Services Limited however that company was removed from the final scope by the Steering Committee.

MOFE – IRD did not report in respect of any of the remaining companies.

Other information

The Anadarko website makes no mention of any operations in Trinidad. Sonde Oil Resources was taken over in December 2010. The 2011 audited accounts of Mora Oil Ventures, sourced via the company’s website, disclose payments totalling TT\$26m for Trinidad operations.

We have no information on the three remaining companies.

**Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011**

7 OTHER INFORMATION

7.1 OIL AND GAS PRODUCTION DECLARED BY EXTRACTIVE COMPANIES FOR 2010/11

The MEEA and companies which were Operators of blocks were asked to report production for the Fiscal Year 2011. The returns made are tabled below, we were not required to carry out any reconciliation on these amounts.

Company Name	Production reported by					
	Government		Companies		Differences	
	BBLs	MCF	BBLs	MCF	BBLs	MCF
Ten Degrees North Operating Company Limited	219,931	-	219,379	-	552	-
Bayfield Energy (Galeota) Limited	-	-	423,876	-	(423,876)	-
Bayfield Energy Trinidad Limited	424,913	-	-	-	424,913	-
BG Trinidad 5(a) Limited	-	-	552,304	66,885,425	(552,304)	(66,885,425)
BG Trinidad and Tobago Limited	591,396	374,031,983	53,943	283,252,717	537,453	90,779,266
BG Trinidad Central Block Limited	459,536	-	459,536	26,894,843	-	(26,894,843)
BHP Billiton (Trinidad-2c) Limited	3,554,757	83,284,250	3,555,720	83,293,545	(963)	(9,295)
BP Trinidad and Tobago LLC Trinidad branch	5,967,458	876,841,641	5,967,458	876,841,641	-	-
EOG Resources Trinidad - U(A) Block Limited	-	-	382,532	36,069,124	(382,532)	(36,069,124)
EOG Resources Trinidad Block 4(A) Unlimited	-	-	-	31,477	-	(31,477)
EOG Resources Trinidad U(B) Block Unlimited	-	-	47,224	10,216,460	(47,224)	(10,216,460)
EOG Resources Trinidad Limited	2,205,751	194,396,662	1,776,028	147,770,862	429,723	46,625,800
Petroleum Company of Trinidad and Tobago Limited	15,464,547	-	15,464,547	-	-	-
Primera Oil & Gas Ltd	156,119	4,208	156,119	-	-	4,208
Repsol E&P TT Ltd	4,335,713	11,127,636	4,335,712	-	1	11,127,636
					-	-
Total Production reported	33,380,121	1,539,686,380	33,394,378	1,531,256,094	-14,257	8,430,286

Table 7.1

7.2 SOCIAL PAYMENTS

Companies were asked to make voluntary disclosure of any social payments individually in excess of TT\$1m. A number of companies reported social payments which were individually less than TT\$1m. The Steering Committee resolved not to include these in the report on the grounds that other companies may have made payments less than TT\$1m but not reported them, in accordance with the guidance on the templates; and inclusion of the amounts reported would not, therefore, present a complete picture.

We recommend that a lower limit be considered for the next report.

8 RECOMMENDATIONS

During the course of undertaking the Assignment, we noted areas where improvements could be made, affecting

- the conduct and scope of future reconciliations; and
- the oversight of the TTEITI Steering Committee over the EITI process; and
- the extent of the EITI in Trinidad and Tobago

In this section, we set out our observations and make recommendations to the TTEITI Steering Committee for improvements. The determination of the relative merits and timescale for implementation of those recommendations which are accepted are a matter for the TTEITI Steering Committee.

8.1.1 PRODUCTION INFORMATION

Information provided on production by reporting entities was initially incomplete. If such information is to be gathered as part of TTEITI reporting, the TTEITI Steering Committee should take steps to ensure that in future, all entities report fully. We note that production information is regularly published by MEEA, and suggest that the TTEITI Steering Committee considers whether to refer to this data in its own reporting.

8.1.2 NON REPORTING COMPANIES

Companies which were included in the 2010/11 reconciliation but which did not report are set out in Section 2.5. To the extent that subsequent investigation has established that these companies do not meet the criteria for inclusion in the 2010/11 reconciliation, no further action is required in terms of this reconciliation. The TTEITI Steering Committee should engage with these companies to confirm whether they meet the criteria for inclusion in the reconciliation and the Government should take action to ensure that in future they submit the required reports in line with EITI requirements on inclusion of all companies making material payments.

8.1.3 DETERMINATION OF TTEITI SCOPE

We recommend that the scope of the 2011/12 reconciliation is examined prior to commencement of the reconciliation in order to confirm that all material flows to government are captured and that all relevant entities making material payments are included. Appropriate definitions of materiality and materiality thresholds should be determined by the TTEITI Steering Committee.

In line with the requirement that all extractive activities should be included, the TTEITI Steering Committee should include in its forward planning consideration of the mining sector.

Specific areas which should be considered in relation to the scope of the EITI reconciliation include:-

Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report October 1st 2010 - September 30th 2011

8.1.3.1 Selection of financial flows

During the course of our reconciliation work, a number of flows to government which were not included by the TTEITI Steering Committee in the current reconciliation were identified.

These flows were:-

- i. withholding tax on loan interest
- ii. insurance premium tax
- iii. fees for assignment of PSCs
- iv. PSC holding fee
- v. payments into environmental escrow account

We have not assessed the materiality of these flows in the context of TTEITI⁵.

8.1.3.2 Selection of companies

Since both the MOFE – IRD and MEEA receive material payments from the extractive sector, both MOFE – IRD and MEEA should provide information sufficient to enable the TTEITI Steering Committee to be able to select all companies making material payments to these Government agencies. The Government will need to resolve any residual issues over release of information by MOFE – IRD so that complete information is available⁶.

8.1.4 AUDIT AND ASSURANCE

8.1.4.1 Companies

There is no requirement in Trinidad and Tobago for private companies to have their local accounts audited; this includes subsidiaries of international companies. Where subsidiaries of international companies are subject to audit by the auditors of their Group for purposes of allowing a report on the Group accounts under international auditing standards, the review of the local accounts undertaken by the Group auditors may not necessarily comprise an audit under international standards.

The TTEITI Steering Committee decided that companies should submit a copy of their local accounts covering the period of the 2011 reconciliation (1st October 2010 to 30th September 2011) so that the audit status applying to reporting companies can be evidenced. Details of the information received are included in Appendix 9.6

For purposes of the 2010/11 reconciliation, the TTEITI Steering Committee decided to rely upon an assurance from senior company management (see the templates included at Appendix 9.3 for the form of the declaration).

⁵EITI Requirements state that Payments and revenues are considered material if their omission or misstatement could significantly affect the comprehensiveness of the EITI Report.

⁶ By way of guidance, the EITI Standard (Requirement 4.2.a) states that “All government entities receiving material revenues are required to comprehensively disclose these revenues in accordance with the agreed scope.”

**Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report
October 1st 2010 - September 30th 2011**

Some of the templates received from companies were not signed (see Appendix 9.6), even after follow up. The TTEITI Steering Committee should take all necessary steps to ensure that in future, the required assurance is obtained.

The TTEITI Steering Committee should consider obtaining, in the case of larger companies, a confirmation letter from the companies’ external auditor that confirms that the information they have submitted is comprehensive and consistent with their audited financial statements, with such a procedure phased in so that the confirmation letter may be integrated into the usual work programme of the company’s auditor.

8.1.4.2 Government

We held discussions with the Auditor General, who expressed firm support for the initiative and the assurance requirements. It appears that the work carried out by the Office of the Auditor General in respect of the fiscal year 2011 accounts for the MEEA and MOFE (including the BIR) is insufficient for her to be able to confirm that the accounts for these Government Ministries/agencies have been audited under international auditing standards.

We have been told that the BIR has raised concerns over breaches of its statutory duty to maintain confidentiality if it were to grant access to its records to auditors from the OAG. As a result, the Auditor General is not in a position to express an opinion on the accounts of the BIR.

For purposes of the 2010/11 reconciliation, the TTEITI Steering Committee decided to rely upon the assurance of relevant senior government officials concerning the preparation of the EITI data, including a declaration that the government reports provide a faithful representation of the extractive industry revenues received (see templates included at Appendix 9.3 for the form of the declaration).

The templates from the MEEA and MOFE – Investment Division were signed by the Permanent Secretary. The templates from the MOFE – IRD were provided under a covering letter signed by the Acting Chairman.

We recommend that the Government should review the audit practices applied to the accounts of the MEEA and MOFE, and should ensure that the Auditor General carries out appropriate audit work on the MOFE – IRD and other relevant government agencies.

8.1.5 PSC TAX SETTLEMENT

Under PSCs, the Contractor (the Operator and other parties to the PSC) is responsible for paying to the MEEA a profit share on behalf of itself and other parties in the PSC, in an amount determined under the provisions of the PSC. Such payments are made by the Operator on behalf of all the parties to the PSC.

The MEEA is responsible under the PSC for payment, on behalf of the Contractor out of the Government’s Share of Profit Petroleum, of the Contractor's liability for Royalty, Petroleum Impost, Petroleum Profits Tax, Supplemental Petroleum Tax, Petroleum Production Levy, Green Fund Levy, Unemployment Levy and any other taxes or impositions whatsoever measured upon income or profits arising directly from the operations.

Each company which is a party to the PSC notifies the MEEA of its liability to PPT, SPT and other taxes and levies payable to the MOFE – IRD. An internal settlement is made between MEEA and MOFE - IRD, which issues a receipt to each company for the amount of the settlement.

This 2010/11 TTEITI reconciliation reports cash paid by the Operator to MEEA in respect of PSC profit share. Settlements between MEEA and MOFE – IRD are not reported, although information was collected on the liabilities for each company and on settlements between MEEA and MOFE – IRD.

The reconciliation therefore reflects payments made from the extractive sector to Government, but could improve transparency if the liabilities for each company were also disclosed, together with the settlements from MEEA to MOFE – IRD. Care would be needed when collecting data to ensure that differences on account of timing of payments were properly explained and understood, and that any differences between types of PSCs were taken into account

Transparency would be improved because the timeliness of receipt by the ultimate Government recipient would be disclosed; and the amount of profit share compared to the taxation liability applying to the sector would be visible. This would be of assistance to the Government in determining appropriate levels of profit sharing in future PSCs.

The TTEITI Steering Committee resolved to consider expanding the scope of the next reconciliation in this area, and we support this approach to improving the Report. We recommend that the profit share paid to the Government should be identified in the Report by each party to the PSC; and that the Report should include the quantum and timing of settlements between MEEA and MOFE – IRD for each party to the PSC.

8.1.6 GOVERNMENT SYSTEMS

The records in the MEEA are kept using manual systems. This made the obtaining and collation of information time consuming and prone to error. It also makes management of the information, and control over government revenues, more difficult and prone to error.

We recommend that the MEEA introduce appropriate computerised systems to record and control information relating to the production and finances from the oil and gas sector.

8.1.7 NOMENCLATURE

In common with many other countries, it is customary on a day to day basis to refer to the organisations involved in the oil and gas sector in a “shorthand manner” – i.e. without using full company names.

In some instances in the reconciliation, this practice led to unnecessary discrepancies and confusion. For purposes of reporting and proper identification of liabilities and allocation of payments, it is important that full legal names are used. We recommend that participants take care to improve their practice in this area, so that government revenues are properly controlled.

8.1.8 MINING SECTOR

The mining sector was not included in the 2010/11 TTEITI reconciliation.

We recommend that the TTEITI Steering Committee includes in its work plan reference to the proposed timescale for the inclusion of the sector, and makes this information public.

8.1.9 INCLUSION OF OFFSHORE COMPANIES

The liabilities of some Trinidad registered companies for signature bonuses and other PSC payments were settled in cash by their Barbados registered parent. The Barbados company submitted templates giving details of the payments and they are included in the reconciliation against the relevant Trinidad registered companies.

8.1.10 REPORTING OF IN KIND FLOWS

The data collection templates provided for entities to report flows in kind from reporting companies to government or to state owned companies. These flows were not defined in detail beforehand, and the templates were not completed by any entities, even though we understand that there are in kind flows.

We recommend that the TTEITI Steering Committee should gain a fuller understanding of the in kind flows so that they can be explained to participants in the reconciliation and reported appropriately.

8.1.11 IMPROVEMENT IN CATEGORISATION OF PAYMENTS

There were unexpected conjunctions of payments, and inadequate attention to the nature of certain payments made to the MEEA.

Thus, it was reported that individual companies paid PSC payments and E&P rentals; and MEEA reported certain payments as royalty while companies reported them as E&P rentals. This issue appeared on the EITI reporting, but in some cases the underlying documentation was also confused, with the parties describing the same payment as different things. A number of these differences remain unresolved at the time of this report.

Trinidad and Tobago Extractive Industries Transparency Initiative (“TTEITI”) Report October 1st 2010 - September 30th 2011

The EITI reconciliation is unnecessarily complicated by such matters, and the control over government revenue is weakened to the extent that there is inaccurate recording of payments.

We recommend that the TTEITI Steering Committee takes a lead in promoting improvements in improving the accuracy of reporting to and by MEEA; and that the parties concerned (companies and MEEA) are encouraged to give further attention to this area.

8.1.12 PSC PAYMENTS MADE DIRECTLY TO THIRD PARTIES

The MEEA is responsible for ensuring that the obligations to make the payments under a PSC are met. Certain payments – e.g. university training support – are made directly to the University and the notification of the payment to the MEEA is not made on a timely basis, or in a number of cases was not made at all.

The MEEA should examine its systems for monitoring such PSC obligations to ensure that it is in a position to fulfil its responsibilities.

8.1.13 INTEREST AND PENALTY PAYMENTS TO MOFE - IRD

The templates provided for the reporting of interest and penalties paid to MOFE – IRD. Whilst we were able to reconcile the amounts reported by companies and government, the MOFE – IRD reported interest and penalties as part of the taxes giving rise to the charge, rather than as separate line items as required by the templates.

We recommend that the Steering Committee should determine the treatment it wishes to adopt in future, and require entities to report in the format required.

8.1.14 SOCIAL PAYMENTS

In seeking information from companies on a voluntary reporting basis, the Steering Committee set a minimum individual payment level of TT\$1m. A number of companies reported payments totalling in excess of TT\$1m, although none of the individual payments exceeded TT\$1m.

We recommend that in the light of the experience in this reconciliation, the Steering Committee should reconsider the limit in the future.

8.1.15 PETROLEUM PRICING COMMITTEE

The Petroleum Pricing Committee is established under the provisions of the Petroleum Taxes Act to advise the Minister of Energy and Energy Affairs on determining the fair market value of hydrocarbons for certain purposes. Amongst these, the Committee is responsible for setting the Crude Oil Transfer Price for oil transferred between the upstream and refining divisions of Petrotrin. The Committee has not been meeting regularly and has not therefore been fulfilling its statutory responsibilities.

The Government should ensure that the Petroleum Pricing Committee meets regularly as required.

8.1.16 NGC – GAS SALES

NGC supplies gas to the Trinidad and Tobago Electricity Commission. The supply of gas is derived from a royalty arrangement relating to gas supplied to Atlantic LNG. There is no formal contract in place setting out the terms for sale and payment of gas to the Electricity Commission, and the take or pay arrangements for the royalty entitlement are not clearly understood.

It is important that transactions relating to state owned enterprises are properly regulated and transparently explained. We recommend that the TTEITI Steering Committee should establish the manner in which these arrangements should operate, and that there is an appropriate framework covering the arrangements, so that the provisions of the EITI Standard relating to this area can be met when the Standard is applied to Trinidad and Tobago.

8.1.17 LICENSED COMPANIES

Details of the licences granted to oil and gas and mining companies, as provided by the MEEA, are included in this report (Appendix 9.5).

As part of ensuring that licence records are accurate and up to date, we recommend that the companies holding licences are agreed to the records for taxpayers maintained by the MOFE IRD and that the TTEITI Steering Committee monitors progress on this exercise.

We also recommend that the list of licence holders is published on the MEEA website, and regularly updated.

9 APPENDICES

9.1 PERSONS MET DURING THE RECONCILIATION

9.2 TERMS OF REFERENCE

9.3 REPORTING TEMPLATES

9.4 RECONCILIATION BY EXTRACTIVE COMPANIES

9.5 LIST OF LICENSED COMPANIES INVOLVED IN THE EXTRACTIVE SECTOR

9.6 AUDITED FINANCIAL STATEMENTS PROVIDED BY REPORTING COMPANIES