Trinidad and Tobago EITI Report

October 1st 2015 - September 30th 2016

FOREWORD

Welcome to Trinidad and Tobago's fifth annual Extractive Industries Transparency Initiative (EITI) Report that covers Government's fiscal year 2016. The previous reports covered fiscal years 2011, 2012, 2013, 2014 and 2015 (see: www.tteiti.org.tt/eiti-report).

Readers of the earlier reports, will notice that the current report includes information additional to that contained in earlier reports. This is because the EITI as a dynamic initiative is responding to the international movement's evolving challenges and needs with changes that are being reflected in the current report and will be expanded further in future reports.

The findings of this report, when combined with those of the four earlier EITI Reports, show that, to date, the Independent Administrator/Auditor has audited an aggregate of approximately $123 Billion in payments from extractive companies and receipts by government and found a total of $866 Million in discrepancies (0.07%) all of which have been satisfactorily reconciled. The conclusion that can be drawn is that the checks and balances in the system are working and all can be satisfied that Trinidad and Tobago is achieving revenue transparency and accountability at the level of the award of exploration and production contracts and licences and the honouring of revenue payment commitments by extractive companies to government.

It is for this reason that the TTEITI Steering Committee and Secretariat are expanding their focus beyond revenue transparency to other areas that are supportive of the primary goal of promoting transparency and accountability in the exploitation of the country's natural resources. Examples of the expanding focus that are being pursued and some of which are reflected in this report:

- More environmental impact issues in the EITI Report.
- More Mining Sector company revenues in the EITI Report.
- Mid-stream and down-stream energy companies to be included in the EITI reporting process.
- Beneficial Ownership disclosure.
- Transfer Pricing disclosure.
- Commodity Trading disclosure.
- Mainstreaming the EITI in government and company systems.
- EITI Legislation to embed the EITI in the country's legal framework.

Internationally, the EITI remains a voluntary coalition of the stakeholders (governments, extractive companies and civil society) engaged in the exploration and monetization of natural resources. Under the initiative, the three stakeholder groups work together to improve openness about and accountable management of the revenues earned from the extractive sector. Its practices are recognized as the global gold standard for transparency and accountability in the management of extractive industries (primarily oil, gas and mining). The EITI is headquartered in Oslo, Norway, and the initiative is currently being implemented in 51 countries worldwide (www.eiti.org). In the last year, Suriname and Guyana became members of the EITI thus, with Trinidad and Tobago, increasing the CARICOM membership to three countries.

The publication of this report is another milestone in an ongoing national journey that began on 9 September 2010 when Trinidad and Tobago's Cabinet took a decision to reaffirm the country's commitment to the EITI Principles and to seek membership in the international initiative. On 8 December 2010, a Multi-Stakeholder Group Steering Committee comprising government, companies and civil society was established under my chairmanship to oversee EITI implementation. On 1 March 2011, T&T was admitted to EITI membership with Candidate Country status., On 23 January 2015, the country having been judged to have met all the requirements of the EITI Standard was elevated to EITI Compliant Country status, the highest membership level, and is today one of 31 countries so designated.

This report is the second one that (a) records data from the Mining Sector and (b) carries a reference and a web link to the first Beneficial Ownership Register of energy companies that is published on the TTEITI website (www.tteiti.org.tt). Government has publicly committed to establishing a national Beneficial Ownership Register to promote company transparency and be a disincentive to corruption. The TTEITI Steering Committee has presented Government with a copy of a study it commissioned to help guide Government's commitment to mandatory beneficial ownership disclosure by all companies operating in Trinidad and Tobago.

Today, Trinidad and Tobago's civil society is recognizing that the country's natural resources belong to the people. Therefore, the data in this report is of critical importance because citizens can learn in detail, in a single document, how the revenues earned from their resources are generated and in what amounts. Section 3, The Extractive Industries in Trinidad and Tobago, is informative in describing the extractive sectors and provides context for the financial data that follows. Future reports will be even more helpful because stakeholders will be more familiar with the process and additional useful information will be provided as the EITI moves beyond revenue transparency to accountability of how the revenue is spent. There are also plans to introduce contract and licences transparency after full stakeholder consultations. The aim is to empower citizens further with the knowledge to participate meaningfully in the management of the countries natural resources, which they own, and to hold Government and companies accountable for how the revenues are generated and spent.

Without a doubt, the EITI provides Trinidad & Tobago with a collaborative mechanism for developing and consolidating transparency and accountability in the nation's oil, gas and mining sectors. Also, it facilitates greater citizens' participation in the country's governance thus creating a more participatory democracy. The EITI protects the people’s patrimony and our children’s inheritance derived from the wealth of the country’s natural resources, therefore, in your self-interest, I urge you to get to know the EITI better and to give it your full support.

On behalf of the Steering Committee and Secretariat, I wish to acknowledge with thanks the roles played by the stakeholders - Government, companies and civil society - in guiding EITI implementation over the last year and in producing this report. In particular, I recognize the Ministry of Energy and Energy Industries and the Ministry of Finance’s Board of Inland Revenue and Investment Division for their contributions. Also, I recognize the EITI Independent Administrator, BDO Trinity Limited, supported by Hart Nurse Limited, for their professionalism in conducting the surveys and reporting on their findings in the five EITI Reports we have published to date.

Victor A Hart
Chair TTEITI Steering Committee
Member EITI International Board

May 11th 2018

TABLE OF CONTENTS

Detailed contents

ABBREVIATIONS AND ACRONYMS

ALNG	Atlantic LNG Company of Trinidad and Tobago
AUM	Ammonia Urea Melamine
Bcf	Billion standard cubic feet
BGTT	BG Trinidad and Tobago (now Shell)
BIR	Board of Inland Revenue
Boe	Barrels of oil equivalent
Bopd	barrels of oil per day
Bpd	Barrels per day
bpTT	BP Trinidad and Tobago LLC Trinidad Branch
BTU	British Thermal Units
CBTT	Central Bank of Trinidad and Tobago
CEC	Certificate of Environmental Clearance
CNC	Caribbean Nitrogen Company
CNG	Compressed Natural Gas
CSR	Corporate Social Responsibility
CT	Corporation tax
E&P	Exploration and Production
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative
EMA	Environmental Management Authority
FY	Fiscal Year
GDP	Gross Domestic Product
GoRTT	Government of the Republic of Trinidad and Tobago
HSF	Heritage and Stabilization Fund
IPSC	Incremental Production Sharing Contract
IRD	Inland Revenue Division
IRSF	Interim- Revenue Stabilization Fund
JV	Joint Venture
LATT	Lake Asphalt of Trinidad and Tobago (1978) Limited
LIC	Light Industrial Consumers
LICS	Light Industrial and Commercial Sectors
LNG	Liquefied Natural Gas
LOFO	Lease Operatorship and Farm Out
LPG	Liquefied Petroleum Gas
mcf	Million cubic feet
MEEI	Ministry of Energy and Energy Industries
MHTL	Methanol Holdings Trinidad Limited
mmbtu	Million British Thermal Units
mmcfd	Million Standard Cubic feet per day

MOF	Ministry of Finance
MOU	Memorandum of Understanding
mt	Metric tonne(s)
NCMA	North Coast Marine Area
NGC	The National Gas Company of Trinidad and Tobago Limited
NGL	Natural Gas Liquid
NP	Trinidad and Tobago National Petroleum Marketing Company Limited
NQCL	National Quarries Company Limited
OAG	Office of the Auditor General
Petrotrin	Petroleum Company of Trinidad and Tobago Company Limited
PLNL	Point Lisas Nitrogen Limited
PPGPL	Phoenix Park Gas Processors Limited
PPT	Petroleum Profits Tax
PS	Permanent Secretary
PSC	Production Sharing Contract
R&D	Research and Development
RE/EE	Renewable Energy/ Energy Efficiency
RTP	Reserves-to- Production
SOE	State Owned Enterprise
SPT	Supplemental Petroleum Tax
STCIC	South Trinidad Chamber of Industry and Commerce
T&T	Trinidad and Tobago
T&TEC	Trinidad and Tobago Electricity Commission
tcf	Trillion cubic feet
TGU	Trinidad Generation Unlimited
THA	Tobago House of Assembly
TPIN	Tax Payer Identification Number
Trintomar	Trinidad and Tobago Marine Petroleum Company
TT $	Trinidad and Tobago Dollar(s)
TTDAA	Trinidad and Tobago Deep Atlantic Area
TTEITI	Trinidad and Tobago Extractive Industries Transparency Initiative
TTEITI SC	Trinidad and Tobago EITI Steering Committee
UL	Unemployment levy
UNDP	United Nations Development Programme
US $	United States Dollar(s)
USGS	US Geological Survey
VAT	Value Added Tax
WHT	Withholding Tax
WTI	West Texas Intermediate

Tel: +1 (868) 625 8662
Fax: +1 (868) 627 6515
www.bdo.tt

BDO Trinity Limited
2nd Floor CIC Building
122-124 Frederick Street
Port of Spain
Trinidad and Tobago

Report of the Independent Administrator

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 Trinidad and Tobago, acting through the Ministry of Energy and Energy Industries, to produce an EITI Report on payments directly or indirectly made by participating extractive oil and gas companies involved in upstream and associated activities to the GoRTT and revenues reported as received by the GoRTT agencies from those companies for the 2016 fiscal year, 1st October 2015 to 30th September 2016 and to report on the Pilot Project conducted with selected mining companies for the 2016 fiscal year ("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; pages 26 to 78 were provided by the TTEITI Steering Committee and were not reviewed by us as part of the Engagement. 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 relied upon 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

May 10th, 2018

1 INTRODUCTION

This is the fifth Trinidad and Tobago EITI Report, which covers the period 1st October 2015 to 30th September 2016. The Independent Administrator's work was carried out between January 22, 2018 and May 10, 2018 in accordance with the Terms of Reference included in Appendix 9.2.

The report is intended for the use of the TTEITI 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 provided separately.

1.1 OBJECTIVE

The objective of the Engagement is to produce an EITI Report on payments directly or indirectly made by participating extractive oil and gas companies involved in upstream and associated activities to the GoRTT and revenues reported as received by the GoRTT agencies from those companies for the 2016 Fiscal Period. This included an analysis and reconciliation of material payments and receipts made by specified reporting entities in Fiscal 2016 in the oil and gas sector.

In addition, the current report includes a pilot project on the mining sector. Five companies from the mining sector were included in the pilot reporting and reconciliation for Fiscal 2016, and payments to GoRTT were reported by these companies and receipts reported by GORTT from these companies are included in this report and reconciled in accordance with the decision of the TTEITI Steering Committee.

1.2 SCOPE OF WORK

BDO Trinity Ltd ("the Independent Administrator") with Hart Nurse Ltd were required to undertake the work set out in the TOR for the Engagement. The reconciliation has been carried out on a cash accounting basis.

The TTEITI Steering Committee defined the flows to be included in the reconciliation and the entities which should report after carrying out a scoping study. The Steering Committee's materiality decision is included at Appendix 9.3.

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 May 10, 2018. Any information received after this date is not, therefore, included in our report. Confirmations received after this date not affecting data or reconciliations have been included as appropriate.

1.3 STRUCTURE OF THE REPORT

The report contains: -

- Foreword from the Chair of the TTEITI Steering Committee
- Administrator's report to TTEITI Steering Committee
- Introduction
- Executive summary
- Overview of the extractive industries in Trinidad and Tobago
- Oil and gas sector
- Mining sector
- Description of flows and entities
- Approach, methodology and scope
- Recommendations
- Appendices

The appendices contain full details of receipts and payments reported by entities participating in the reconciliation together with other supporting information.

1.4 ACKNOWLEDGEMENTS

We would like to express our sincere thanks to the Ministry of Energy and Energy Industries, the TTEITI Steering Committee, and to Mr. Sherwin Long from the TTEITI Secretariat, who have assisted us in receiving timely replies from the Government and participating companies from the extractive industries, and for sending and receiving official confirmation letters to/from these parties.

2 EXECUTIVE SUMMARY

This summary sets out the main findings of the Independent Administrator, including a summary of receipts and payments reported by participating entities and discrepancies after reconciliation of these amounts.

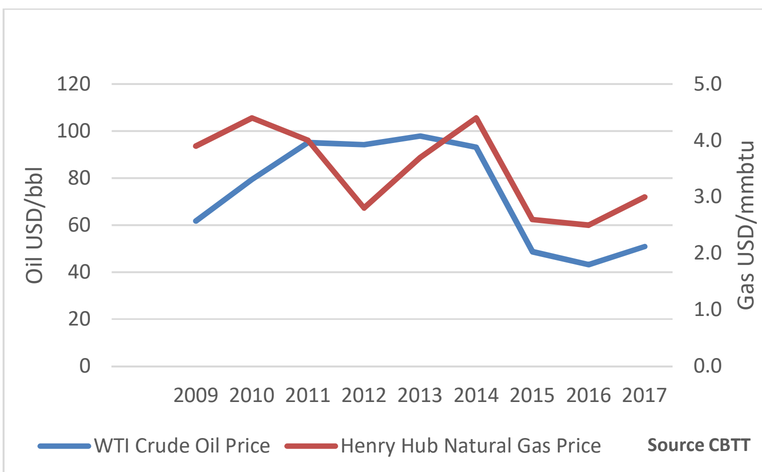
This section contains, in summary: -

2.1 Sector overview
2.2 Government receipts reported in the EITI reconciliation
2.3 Company payments
2.4 Key findings
2.5 Completeness and accuracy of data, and assurance

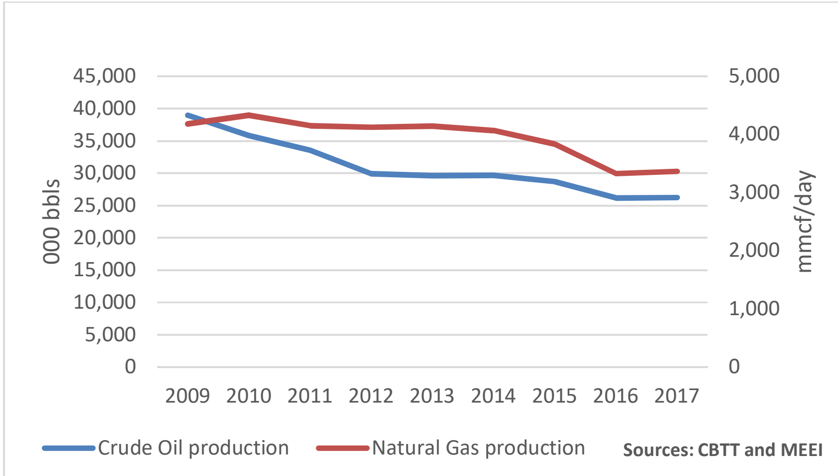
2.1 OVERVIEW OF EXTRACTIVE SECTOR

2.1.1 OIL AND GAS PRICES AND PRODUCTION

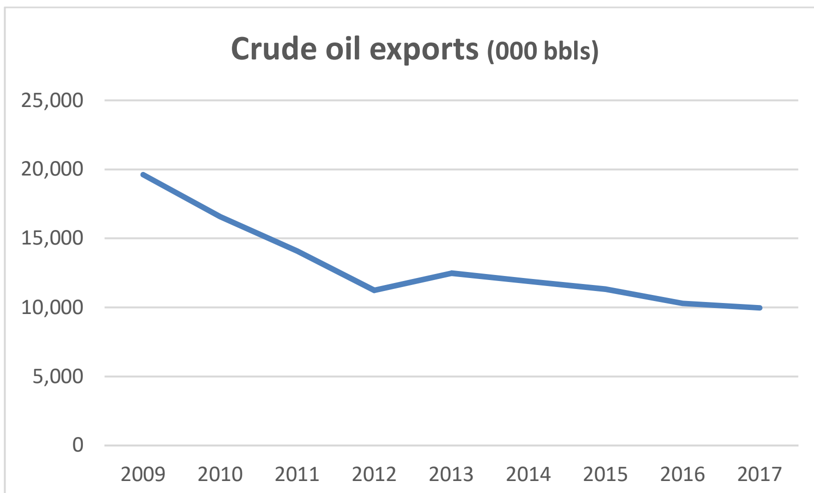
Oil and gas prices are lower than in the recent past, and have fallen during the period covered by the current report (2016).

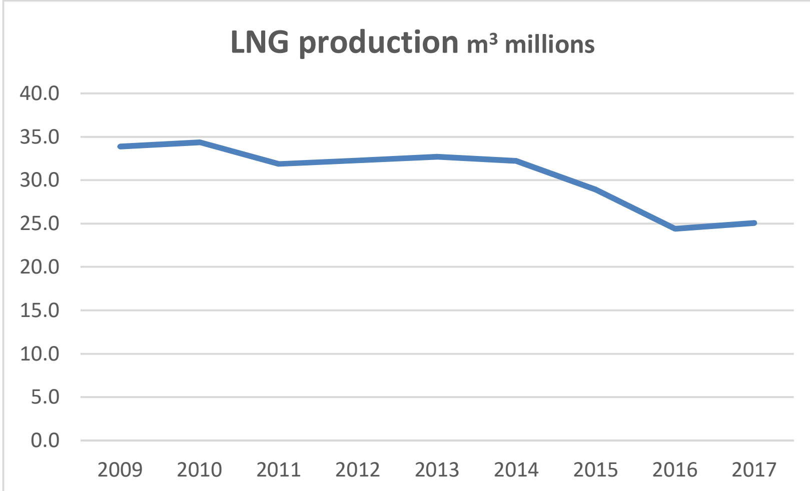


Production of oil and gas is also lower.



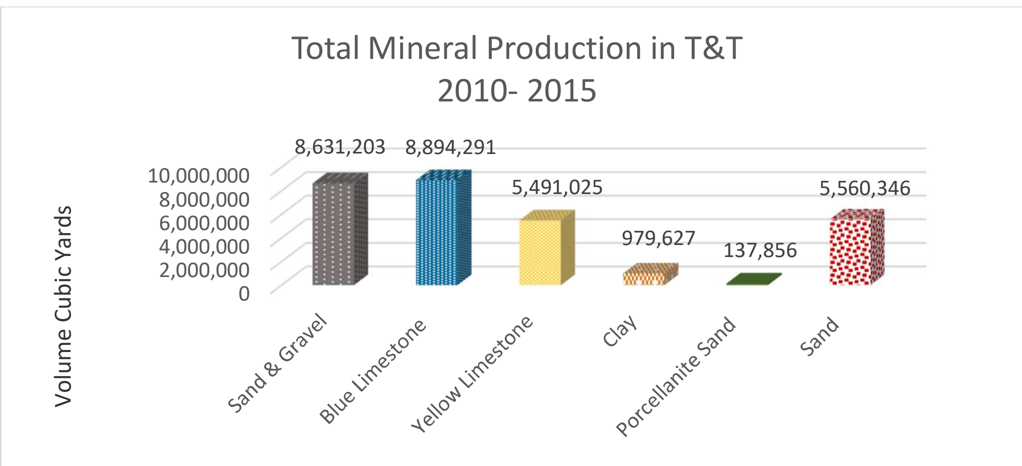
Crude oil exports have been declining and LNG production is lower (Source CBTT).





2.1.2 MINING

Production of minerals is reported in the White Paper on National Minerals Policy issued in June 2015, as portrayed in the graph below.

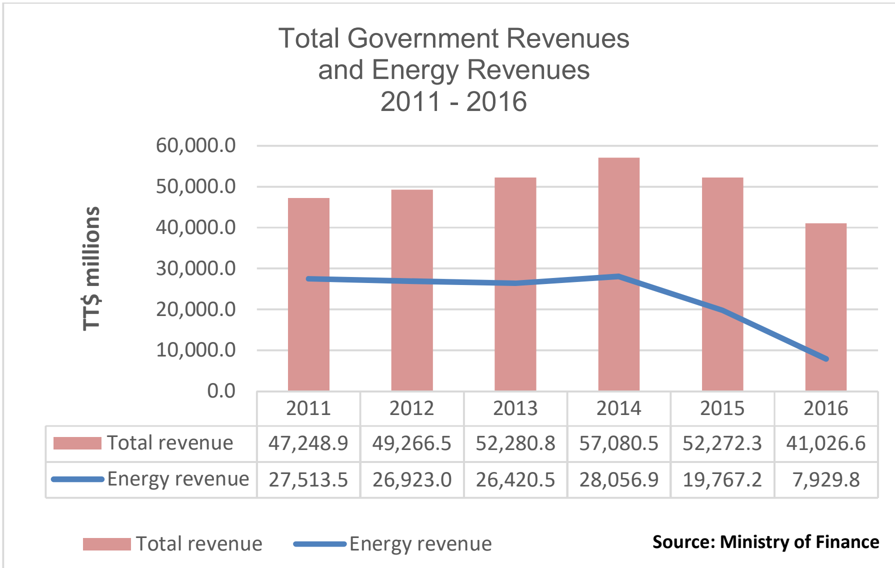


Source: White Paper on National Minerals Policy 2015

The White Paper notes that "the information is sourced from data provided by quarry operators to the MEEI during its mineral audits, for the operations that were audited. The figure does not represent operations for which data was not available and is thus a very conservative estimate of production over the period 2010 to 2015. The data also does not include production from illegal mining (quarrying) operations over the period 2010 to 2015."

2.1.3 CONTRIBUTION TO THE ECONOMY

The contribution of the energy sector to government revenues is shown in the graph below.



	2011	2012	2013	2014	2015	2016
Total revenue	47,248.9	49,266.5	52,280.8	57,080.5	52,272.3	41,026.6
Energy revenue	27,513.5	26,923.0	26,420.5	28,056.9	19,767.2	7,929.8

2.2 GOVERNMENT RECEIPTS REPORTED IN THE RECONCILIATION

2.2.1 OIL AND GAS SECTOR

2.2.1.1 Total flows

Before the start of the reconciliation, the three government agencies participating in the reconciliation

- MOF – IRD
- MEEI
- MOF – Investment Division

reported total receipts from the oil and gas sector for the financial flows included in the 2016 EITI Report (Table 2.1 below); these total receipts were used in determining the companies making material payments to government.

	2016 TT$ m
MOF - IRD	
Total for oil/gas sectors	935.6
MEEI	
Total for oil/gas sectors	3,097.9
MOF - Investment Division	
Total for oil/gas sectors	4,616.2
Total	
Total for oil/gas sectors	**8,649.8**

Table 2.1

In addition, these government agencies provided information on receipts from each of the companies required to report payments to government, which were reconciled to the payments reported by companies (see section 6.2 and Appendix 9.4).

A comparison between the adjusted figures reported by companies included in EITI and total figures for the sector reported by the respective government ministries shows: -

TT$ m	Total sector (A)	Reporting companies (B)	Coverage
2016			
MOF - IRD	935.6	917	98.02%
MEEI	3,097.9	3,331	107.53%
MOF - Investment Division	4,616.2	4,616	100%
Total	**8,649.8**	**8,864**	

Table 2.2

A is the amount reported at the scoping stage by each ministry
B is the amount reported by companies after reconciliation

2.2.1.2 Summary of reconciled flows

A comparison between receipts reported by government with payments reported by companies for 2015/16, after completion of the reconciliation, is set out in Table 2.3.

2015 – 2016

Adjusted total flows reported		Reconciling items
Government	**Companies**	
TT$m	**TT$m**	**TT$m**
8,864.43	**8,837.95**	**26.48**

Recurrent items	
Timing differences	34.14
Foreign exchange differences	3.07
	37.21
2015/16 items	
a) Non- reporting entity	(10.73)
	(10.73)
Unexplained discrepancies	**0**
Total	**26.48**

Table 2.3

The items set out in table 2.3 are: -

Adjusted total flows reported

Receipts/payments reported by respectively government/companies after adjustment in the reconciliation.

The ***reconciling items*** are analysed according to the reason for the difference: -

Timing differences

Timing differences arise when payments are carried out in close proximity to the reporting date. Payments to the MEEI are reported by the Companies on the date paid but are reported by the MEEI on the date the payment cleared in the MEEI's bank account. Timing differences mostly arise in cases where payments are carried out via electronic wire transfer.

All timing differences refer to items declared as paid by the companies during September of the 2015 fiscal year but were not receipted and reported by the Government until October of the 2016 fiscal year.

Foreign exchange differences

Foreign exchange differences arise when payments are made in US$ and different exchange rates are used to report the amounts in TT$ by the Government and Company.

Non- reporting entity

Confidentiality considerations by the MOF IRD require reporting companies to enter into a letter of consent that allows the MOF IRD to report the payments received by the particular company. The timing of Point Fortin LNG Exports Limited’s consent did not allow the MOF IRD to report on the payments received from the entity in time for this year’s report. Further, the MEEI did not submit a reporting template for Point Fortin LNG Exports Limited and has not provided a reason for the exclusion. Therefore, it was not possible to reconcile the payments reported by Point Fortin LNG Exports Limited since corresponding receipt information was not reported by the Government. Point Fortin LNG Exports Limited did submit copies of all relevant receipts as evidence of the payments that they have reported. Point Fortin LNG Exports Limited is a part of the Shell Group.

2.2.2 6 YEAR SUMMARY

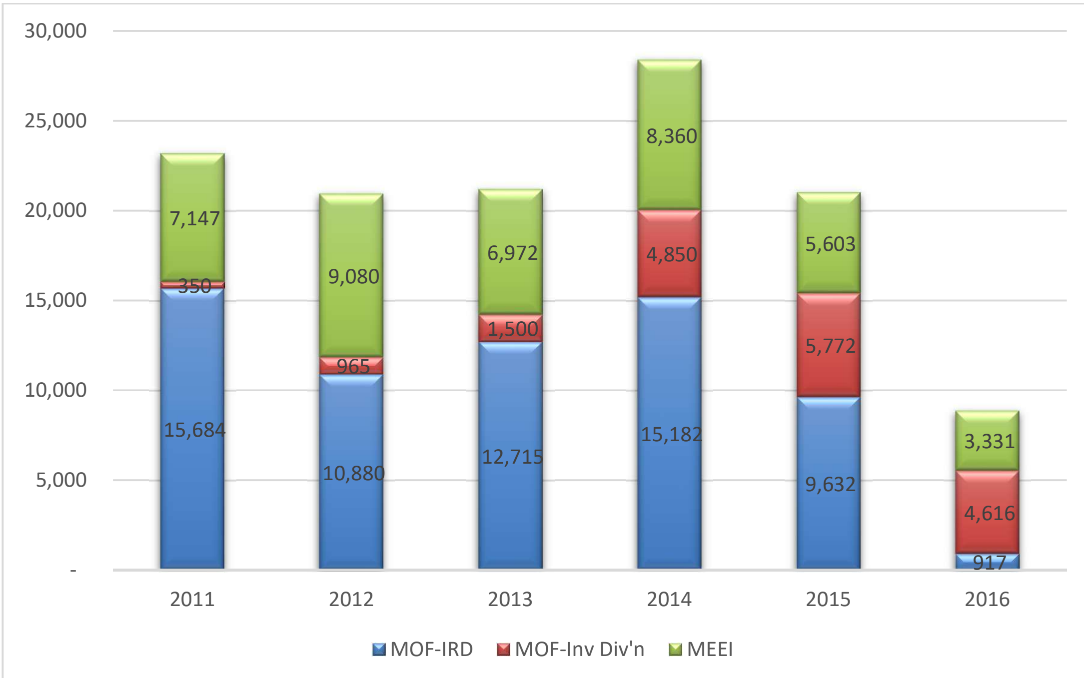
Summary government receipts reported in EITI reports over the 6 years since the initiative was commenced in Trinidad and Tobago are shown in Table 2.2.2.1.

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Tax	Government	Final	Final	Final	Final	Final
	TT$	TT$	TT$	TT$	TT$	TT$
SPT	4,160,419,740	2,343,739,704	3,295,995,706	4,441,746,156	4,706,250,459	134,541,340
PPT	9,101,826,132	7,611,632,525	7,192,785,111	8,248,006,365	3,252,705,166	241,203,208
UL	907,437,646	681,891,235	717,648,169	830,522,829	349,333,162	28,235,823
CT	1,273,397,002	36,825,374	1,408,482,346	1,539,649,065	1,088,083,809	196,968,681
Green Fund Levy	69,947,733	33,005,886	93,445,096	86,642,533	58,487,734	100,306,793
Business Levy			-	-	-	13,664,323
WHT on dividends	19,376,028	-	-	-	-	186,257,110
WHT on deemed branch remittance	151,780,527	170,737,570	-	27,734,925	19,716,853	4,710,693
Insurance Premium Tax		2,473,979	2,593,176	4,389,622	2,735,465	11,144,607
Interest		6,223	3,898,896	3,454,661	154,605,519	113,449
Penalties		3,000	46,436	3,000	-	240
Sub total	**15,684,184,808**	**10,880,315,497**	**12,714,894,936**	**15,182,149,156**	**9,631,918,167**	**917,146,267**
Royalty	2,359,931,987	2,345,273,854	2,226,300,399	2,349,905,420	1,074,589,267	435,395,711
Minimum rent - E&P	3,378,756	3,577,071	7,268,114	15,517,938	7,019,129	18,009,588
Annual licence acreage payments	62,325,245	63,824,316	102,456,053	65,707,462	63,007,823	81,188,263
Petroleum Levy	531,057,562	559,382,834	553,656,523	528,948,455	360,518,849	128,085,455
Petroleum Impost	84,986,659	70,561,185	74,650,897	78,885,522	89,485,228	90,530,084
PSC Share of Profit	2,817,933,074	5,907,617,995	3,866,765,519	5,147,183,592	3,854,246,841	2,208,845,778
PSC Signature Bonuses	171,343,796	12,822,400	1,765,665	-	-	-
PSC Bidding Fees	829,452	2,117,798	-	2,122,941	102,809	-
Transfer fees		-	-	-	-	-
Abandonment provisions		-	-	-	-	167,611,638
Annual admin charges		45,850,588	56,028,992	51,836,279	54,125,552	60,274,957
Training Fees		16,522,866	30,233,640	37,426,576	27,881,592	36,016,057
R&D Fees		21,004,723	25,928,369	37,421,668	27,662,049	35,881,316
Production bonus		6,410,800	9,625,650	-	-	24,214,320
Technical assistance		-	9,132,995	7,717,440	14,158,613	477,405
Scholarships		5,696,829	6,746,029	14,509,623	10,266,550	17,288,646
P.S.C Holding fees		19,033,607	1,010,842	22,871,377	11,012,484	26,050,851
Other payments under PSCs	1,115,248,917	480,375	321,030	-	9,393,861	1,193,943
Sub total	**7,147,035,448**	**9,080,177,242**	**6,971,890,716**	**8,360,054,293**	**5,603,470,648**	**3,331,064,011**
Other payments to government		-				
Dividends paid by Petrotrin / NGC	350,000,000	965,000,000	1,500,000,000	4,850,000,000	5,772,203,200	4,616,223,238
	-					
Sub total	**350,000,000**	**965,000,000**	**1,500,000,000**	**4,850,000,000**	**5,772,203,200**	**4,616,223,238**
Total Flows	**23,181,220,256**	**20,925,492,738**	**21,186,785,653**	**28,392,203,449**	**21,007,592,015**	**8,864,433,516**

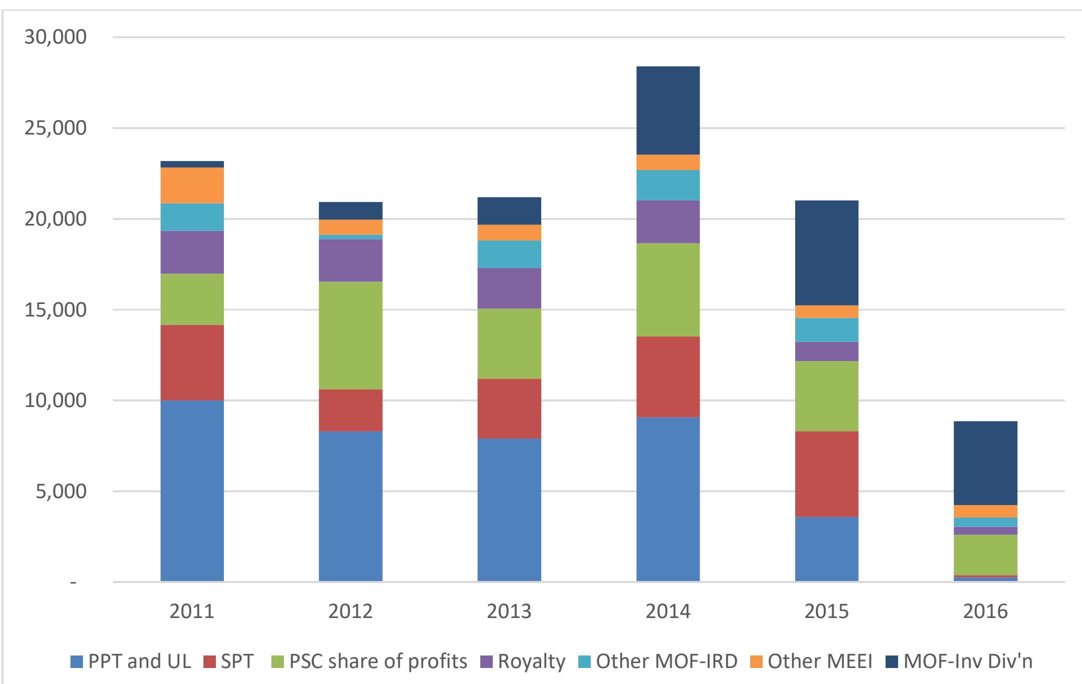
Table 2.2.2.1

The summary government receipts reported in table 2.2.2.1 are displayed graphically as follows:

GRAPH 1 – Receipts reported by government department analysed by department



GRAPH 2 – Receipts reported by government department analysed by flow type



2.3 KEY FINDINGS

The key highlights and conclusions arising from the work carried out to prepare the report relate to the following areas: -

1. Fees for assignment of transfer of PSCs
2. Monitoring of amounts due from PSCs and amounts paid
3. Licensing reporting
4. EITI framework in Trinidad
5. Mining sector

2.3.1 FEES FOR TRANSFER OR ASSIGNMENT OF PSCS

A number of PSCs have been transferred or assigned without fees to which the MEEI is entitled being charged. MEEI should review these cases promptly and take any necessary action to collect monies due. The background to this finding is as follows.

The model Deepwater PSC published by the MEEI provides that in the event of an assignment or transfer,

> *For each assignment or transfer made by any entity or entities comprising Contractor, the following rates shall apply to the amounts or value of the consideration:*
>
> *a) For every dollar of the first One Hundred Million United States Dollars (US$100,000,000.00): 1%*
> *b) For every dollar of the next One Hundred Million United States Dollars non(US$100,000,000.00): 1.5%*
> *c) For every dollar thereafter: 2%*
>
> *The Minister reserves the right to waive this payment or any part thereof.*

We noted that no assignment fees had been reported and asked MEEI to confirm that no chargeable transfers/assignments had taken place in the period covered by the report. Following our enquiry, MEEI said that having reviewed the transfers, they had identified seven PSCs under which they were examining the payment of assignment/transfer fees. In addition, they had identified a further five transfers where no fees were payable; three of the affected PSCs pre-dated the introduction of the provision requiring a payment on assignment and transfer, while two of the other affected PSCs did not contain the provision for fees.

In summary, the transfers reported by MEEI were:

PSC assignments for the period 2012 - 2018					
	Fiscal Year				
	2013-14	2014-15	2015-16	2016-17	2017-18
No assignment fee provision	1	0	1	2	1
Assignment fee provision	2	4	0	1	0
Total	**3**	**4**	**1**	**3**	**1**

Further details are contained in Appendix 9.13.

We note that the model PSC published by the Ministry is not, in this respect, informative on the terms negotiated with a number of PSC operators, in that several of the PSCs above do not contain the same provision as in the published version.

2.3.2 MONITORING OF AMOUNTS DUE FROM PSCS AND AMOUNTS PAID

PSCs include provision for operators to pay various fees, levies and other contributions. The TTEITI report for the fiscal periods 2014 and 2015 noted that a system had been implemented under which a report was produced setting out amounts due from PSCs (excluding profit share) for the 2015 calendar year. The system has been continued for the calendar year 2016, but we noted weaknesses which may lead to delay or failure to collect monies due to MEEI.

a. The report is not cumulative – i.e. it does not record the amount owing from periods before the current year. This means that the balance shown as owing may be understated, and that MEEI may not follow up amounts due.
b. The report does not contain a summary. This means that users cannot easily see areas requiring attention, and makes it more difficult to ensure that material balances are followed up.
c. The report has the potential to provide key information to senior staff in the Ministry, and as such should be endorsed by the PS and circulated to the PS and senior staff at the Ministry.

The balance shown on the report as unpaid at 31st December 2016 was TT$ 10.3 million. Details of amounts reported are set out in section 4.8.1.

2.3.3 LICENSING REPORTING

The MEEI website contains information on licences (http://www.energy.gov.tt/services/license-registers/) as follows: -

1. The List of Oil and Gas Contract/ Licence Holders - Register of Production Sharing Contracts (PSCs) for Fiscal Year 2010/2011.
2. Sub-licences Register - Register of Petroleum Production Sub-licences for Fiscal Year 2010/2011

3. Petroleum Register for Exploration and Production Licences
4. Petroleum Register for PSC's

The information for items 1 and 2 is out of date and the information for items 3 and 4 is undated. Some of the minimum data required by the EITI Standard is not included, for example: -

- Licence holder(s)
- Coordinates of the licence area
- Date of application, date of award and duration of the licence
- In the case of production licences, the commodity being produced

MEEI provided us with a copy of the Petroleum Register for E&P Licences (updated as of Jan-18) and a copy of the Petroleum Register for PSCs (updated as of Jan-17) (see Appendix 9.6 and Appendix 9.7 respectively).

The TTEITI Secretariat has produced a list of E&P licences and PSCs with the minimum details required by the EITI Standard (see Appendix 9.8).

However, this information has not been made public and the two separate listings need to be combined into single document, and maintained and published by the MEEI on a current basis. We noted that the information provided by MEEI was not current in some instances.

The EITI reports for fiscal 2012, 2013 and 2014 & 2015 have included recommendations relating to the published information on licensing.

2.3.4 EITI FRAMEWORK IN TRINIDAD

The EITI implementation in Trinidad and Tobago is overseen by a Steering Committee established by Cabinet Minute. In line with the government's overall commitment, government agencies and SOEs agree to provide data required for the EITI report, and to support other initiatives. Participation by companies is voluntary and is not governed by legislation or by any contractual provisions.

Government, civil society and companies sign a Memorandum of Understanding which outlines the agreement of the signatory parties to produce EITI reports and to appoint an Independent Administrator through a competitive bidding process. The first MOU was signed on 7th June 2013 and covered the production of the first two EITI reports. The second MOU was signed on 8th July 2015 and covered the production of the third and fourth EITI Reports; the MOU terminated on 30th September 2016. The current MOU was signed on 22nd November 2017, some fourteen months after the expiry of the second MOU; a copy is available on the TTEITI website http://www.tteiti.org.tt/wp-content/uploads/TTEITI-MOU..pdf

The MOU approach followed by Trinidad and Tobago has features which require consideration: -

- The continuity of the EITI implementation is not guaranteed – in the event that companies making material payments did not sign the MOU, there is no mechanism to require them to participate in reporting. Expansion of reporting in the mining sector has been affected by this factor.
- In order to sustain the implementation of EITI, the MOU must be regularly renewed

- The renewal process consumes time and resources, both for government and for companies, which would otherwise be available for EITI development
- The process provides no indication of long term commitment – there was a gap of 14 months between signature of the current MOU and expiry of the previous MOU

Furthermore, the confidentiality provisions imposed by the MOF-IRD require that a release letter is signed by each participating company before receipts from that company are disclosed by the MOF-IRD. Release letters are normally signed by MOU signatories, but information from MOF-IRD on companies making material payments is not available in detail until the MOU and release letter are signed by the company. This complicates the selection of companies which should participate in reporting.

The current MOU is limited to provision of data on specified templates and does not embrace any additional information which may be required by the TTEITI Steering Committee from companies to meet requirements under the Standard – for example, reporting of beneficial ownership details.

Since the commencement of EITI implementation in Trinidad and Tobago in 2011, there has been the prospect of legislation to overcome such issues, although no progress has been made in putting legislation in place. Consideration could be given to introducing a suitable worded condition into PSCs and licences requiring commitment from participants/licensees to comply with the implementation of EITI in Trinidad and Tobago.

2.3.5 MINING SECTOR

This is the second TTEITI report to include a review of the mining sector in Trinidad and Tobago. The previous report described the challenges facing the sector and contained a pilot study under which two SOEs and two private companies reported payments to government. Section 3 of this report contains an update on the mining and quarrying regulatory environment and general information on the sector. Altogether, five mining/quarrying companies signed the current TTEITI MOU (two SOEs and three private companies) and the figures and other information reported in respect of these companies are contained in section 5.

In examining the assurance environment applying, we found that production of audited financial statements by the SOEs is significantly out of date (see section 2.5.1).

2.4 COMPLETENESS AND ACCURACY OF DATA

All the government entities included in the reconciliation scope – MOF-IRD, MEEI and MOF–Investments Division - have returned reporting templates, with the accompanying declaration signed by the Permanent Secretary, except as noted below.

All companies selected for inclusion in the reporting process returned templates with declarations signed by a Board level or senior level manager, with the exception of: -

Optimal Services Limited, which was reported in the initial receipts information received from MOF-IRD. However, we confirmed with the Registrar General that the company was amalgamated with Touchstone Exploration (Trinidad) Limited on 1st July 2014 and should not have been included as a separate entity. Rather, the payments reported against this company should have been reported under Touchstone Exploration (Trinidad) Limited.[1]

Ten Degrees North Operating Company Limited, which was reported in the initial receipts information received from MEEI. However, we confirmed with the Registrar General that the company was amalgamated with Oilbelt Services Limited on 29th December 2014 and should not have been included as a separate entity. Rather, the payments reported against this company should have been reported under Oilbelt Services Limited.

F. W. Hickson & Co Ltd submitted a template indicting that no payments were made to the Government. The MEEI reported that no payments were received but the MOF IRD did not submit a template for this entity although a consent letter was sent to the MOF IRD by the Company.

Point Fortin LNG Exports Limited submitted a template indicating the payments that were made to the Government along with copies of the relevant receipts to support the submission. Neither the MEEI nor the MOF IRD submitted a template for this entity. The MOF IRD did not submit a template for this entity as a consent letter was not sent to the MOF IRD by the Company. The MEEI did not provide an explanation for not submitting a completed template for the Company.

TCL Limited submitted a reporting template that was not signed by Board level or senior level manager.

Appendix 9.5 contains full details of templates returned by reporting entities.

2.5 ASSURANCE

2.5.1 ASSURANCE - GOVERNMENT

The declaration covering government templates was signed by a senior official from the relevant Ministry / Division.

There are, however, issues with the assurance environment underlying the figures reported by government and SOEs.

Auditor General

Following capacity building and training, the Auditor General's department is in future in a position to report under INTOSAI standards. TTEITI should discuss the involvement of the Auditor General in future reporting periods.

The Auditor General has not been given access to the revenue records of the MOF-IRD, and cannot give any assurance over information reported by the MOF-IRD.

[1] MOF-IRD observed: "Note the comment on Oil Belt Services Ltd, our records indicate that the company was amalgamated to Touchstone Exploration on the 1/7/2014. However, if the company comes to make a payment of tax using the old file number and name the cashier may not know this and hence the receipts may have been issued under the old company name and file number"

The Constitution grants the Auditor General or any person authorised by him in that behalf access to all books, records, returns and other documents relating to the public accounts of Trinidad and Tobago and of all officers, courts and authorities of Trinidad and Tobago. The MOF-IRD believes that it is under a statutory duty to maintain confidentiality. There have been discussions since this matter was raised in the first TTEITI report with a view to modifying legislation to resolve this, but these have not resulted in any proposed legislation. The Auditor General said that the MOF-IRD has now raised concerns that there are further potential confidentiality issues relating to the FATCA (United States Foreign Account Tax Compliance).

The result of these matters is that there has been no independent audit of one of the major revenue collection agencies of government by the organ of state required and mandated under the Constitution to carry out such an independent audit

MOF-IRD confidentiality

As noted above (section 2.3.5), the confidentiality restrictions of the MOF-IRD over release of information complicates the selection of companies which should participate in reporting.

Audit of the financial statements of SOEs

1. *National Gas Company of Trinidad and Tobago Limited*

   Audited financial statements for the year ended 31st December 2016 are available on the company's website. The audit report is unqualified.

2. *Petroleum Company of Trinidad and Tobago Limited*

   Audited financial statements for the year ended 30th September 2016 and 2017 are available on the company's website. The audit reports are unqualified.

3. *National Quarries Company Limited*

   The last audited financial statements for NQL were prepared for the year ended 30th September 2011; they were approved on 23rd November 2017. The audit report was unqualified.

   The timetable for bringing the accounts up to date, given by NQL at the date of preparation of the last TTEITI report (September 2016) has not been met. The company said that it intends to produce audited financial statements as follows: -

Year	Completed by	Audited by
2012	Mar-18	Jun-18
2013	Jun-18	Sep-18
2014	Sep-18	Dec-18
2015	Dec-18	Mar-19
2016	Mar-19	Jun-19
2017	Jun-19	Sep-19

4. *Lake Asphalt of Trinidad and Tobago (1978) Limited*

In April 2018, the company published an update on the status of preparation of its financial statements, stating that

- Audited financial statements for the years ending 30th September 2009 and 2010 were adopted at an Annual General Meeting held on 20th May 2016
- Audited financial statements have been prepared for the years ended 30th September 2011 – 2013, with a qualified audit opinion
- The auditors are unable to express an opinion on the financial statements for the year ending 30th September 2013 because they were unable to obtain sufficient appropriate evidence

The company has a subsidiary – Trinidad Asphalt Corporation of America – which was not included in the financial statements. The subsidiary is a dormant company.

The scale of the company's activities, assets and liabilities is not known. The financial control environment is weak.

5. *Auditor General: SOE audits*

The Auditor General is empowered under the constitution to carry out audits of the accounts, balance sheets and other financial statements of all enterprises that are owned or controlled by or on behalf of the State.

We recommend that the Auditor General should carry out the necessary audits for each of

- National Quarries Company Limited, and
- Lake Asphalt of Trinidad and Tobago (1978) Limited

to be able to produce to the MOF by the end of the current year (2018) audited financial statements covering the period from the last audited financial statements to 30th September 2017.

PSC audits

Under the terms of the PSC, MEEI has the right periodically to audit the costs and revenue for each PSC. The purpose of the audit provisions is to allow the government to confirm that the government share of profits and revenues has been properly presented; and the timely conduct of these audits is important for this reason.

During the period from October 2016 to September 2017 the PSC Audit Unit commenced 113 new expenditure audits and concluded 34 expenditure audits from previous fiscal years. The Unit also commenced 25 revenue audits in the same period.

MEEI reported in January 2018 that as at 30th September 2017, there were 238 expenditure audits and 121 revenue audits due but not yet carried out / completed. For comparison, at 31st May 2016 there were 249 expenditure audits and 88 revenue audits due but not yet carried out / completed.

2.5.2 ASSURANCE - COMPANIES

Data provided by companies was approved by a senior official of each company. Companies were asked to provide audited financial statements, and the information received is summarised in sections 4.8.6 (oil and gas sector) and 5.7 (mining/quarrying sector). See also Appendix 9.5.

3 THE EXTRACTIVE INDUSTRIES IN TRINIDAD AND TOBAGO

3.1 INTRODUCTION

The Economic Performance of the Extractive Sector

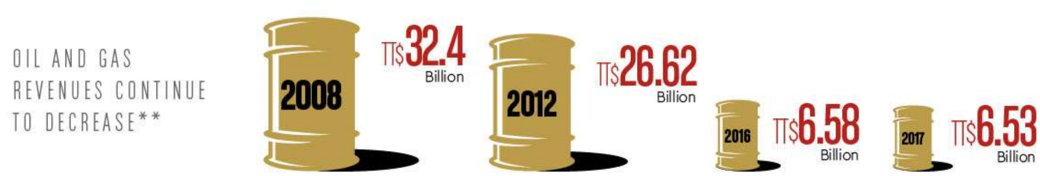
> Having "Champagne taste and Mauby pocket" is a popular local expression, which suggests that a person is living beyond his or her means. It describes the economic reality in Trinidad and Tobago today.

Compared to 2008 when the world saw average international oil and gas prices at a high of US$ 145 per barrel of oil (West Texas Intermediate/WTI) and US$ 13 per million British Thermal Units (MMBtu), the current situation is quite different. In 2017, a barrel of oil sold for US$ 50 WTI and natural gas prices averaged US$ 3.00 per MMBtu (Henry Hub). Added to this, prices projections show that commodity prices are not expected to increase significantly over the next three to five years.

Local oil and gas production levels have also decreased due to significantly aged/mature fields, insufficient investment in new exploration and production and disruptions in gas supplies due to maintenance work by the major gas producers. Between 2008 and 2017, average annual oil production fell by 37% from 114, 279 barrels of oil per day (bopd) to 71, 824 bopd. Similarly, average yearly gas production fell by 17% from 4,049 million standard cubic feet of gas per day (mmscf/d) to 3,366 mmscf/d in 2017 (MEEI, Consolidated Monthly Bulletins, Various Years).

Given that T&T is highly dependent on its oil and gas sector for revenue, the global drop in commodity prices and low levels of production have unquestionably affected the country's revenue position. Consider that oil and gas revenues fell drastically from TT$ 32.4 billion in revenues in 2008 to TT$ 6.58 billion in 2016 and further to TT$ 6.53 billion in 2017 (CBTT, Annual Economic Survey, Various Years).

Other knock-on effects included lower energy Gross Domestic Product (GDP)[2] contributions, decreasing energy export volumes and export revenues as well as lower levels of employment in the sector (See *Section 3.10 and 4.8.4: Social & Economic Spending*).



* One Million British Thermal Units
** These unaudited revenue figures were obtained from the Central Bank of Trinidad and Tobago

[2] GDP is the total dollar value of all goods and services produced within the borders of a country in a given year. It includes the dollar value of energy and non-energy goods and services produced

Nevertheless, revenues from T&T's mining sector have not been affected by low oil and gas prices. Mining companies paid TT$ 5.2 million in royalties to the government in 2016 and that figure is expected to increase in 2017 to TT$ 7.6 million (MOF, Draft Estimates of Revenue 2018). However, the White Paper on Minerals Policy 2015 states that the Government does not collect all these revenues because its collection system is deficient. The paper speaks to the potential gross underreporting of mineral production and royalty payments by companies between 2001 and 2013 and highlights that only 10 percent of royalties were collected. In fact, between the years 2005-2013, the Government should have collected TT$ 132.3 million in royalty payments but only collected TT$ 13.3 million.

Where do we go from here?

With less revenue from the oil and gas sectors, the Government cutback and restructured its spending on areas such as education, fuel subsidies and social programmes. ***Still, there have been calls from civil society, business associations and citizens at large for more efficient spending of revenue earned.*** Consider that although capital expenditure increased marginally by 2.4% between 2014 and 2017, by 2017 the Government spent 37% less on transfers and subsidies and 35% less on recurrent payments (MOF, Estimates of Revenue 2016 & Draft Estimates of Revenue 2018).

In May 2016 and March 2017, the Government withdrew a total of TT$627.5 million from the Heritage and Stabilization Fund (HSF) to finance the National Budget. These drawdowns were legally allowed based on the HSF rules.

In 2018, the Government also sought to capture greater energy revenues by modifying the oil and gas fiscal regime. Companies that hold Exploration and Production (E&P) Licences and those with Production Sharing Contracts (PSCs), are now required to pay a flat royalty at the rate of 12.5%. (*See Section 3.3: Legal Framework, Contracts & Licences*)

Also in 2018, the contractual arrangement between the Government and upstream companies that supply Atlantic Train 1 is due for renewal. In addition, NGC is currently renegotiating its contracts with its downstream buyers (e.g. petrochemical companies). Given T&T's experience in the LNG business the Government is in a more informed position and this enables Government to renegotiate better terms (where possible) to capture more revenue for the country. The Ministry of Energy and Energy Industries (MEEI) has also taken steps to reduce the backlog of PSC audits by restructuring its PSC Audit Unit and by adding more staff. These audits aim to ensure that companies comply with the terms of Production Sharing Contracts (PSC), that cost recovery provisions are not abused, that Government's share of oil/gas profits are properly calculated and that this computation complies with the terms outlined in the PSC.

An important area of concern is the underreporting of mineral production and the poor collection of mining revenues. While the MEEI Minerals Unit is exploring the use of drones to quantify production, there is greater need to invest in systems that independently verify production and a system to better capture revenues.

To boost production, the MEEI invited companies to nominate oil/gas offshore and onshore acreages for drilling. This information will be used to identify blocks/areas for companies to bid on in the Competitive Bid Round planned for the second quarter of 2018. While production levels have been low for some time, there are already several positive developments in the sector.

BPTT's Juniper field has started to produce hydrocarbons since August 2017 and first gas from its Angelin Platform is expected in 2019. Shell is also engaging in seismic and exploration work and BHP (formerly BHP Billiton) and EOG Resources Trinidad Limited have increased their drilling activity. In the T&T Deepwater province, BHP discovered gas at the LeClerc well within TTDAA Block 5 in 2017. This marks the first discovery in the deepwater Caribbean and the commercial evaluation of that discovery is well advanced. Government's negotiations with the Venezuelan Government on possible joint exploration and production are also at an advanced stage. Under this arrangement, gas will be supplied to T&T from Venezuela's Dragon Field in the North and from the maritime cross-border Loran- Manatee reservoir and Manakin-Cocuina development in the South.

T&T has been here more than once before. Prices and production were low in the past and the country grappled to find alternate sources of revenue. With limited financial resources, we have no choice but to find innovative solutions if we are to weather our current Mauby reality.

3.2 NATURAL RESOURCES

> Natural (or extractive) resources, such as oil, gas and minerals belong to a country's citizens. Extraction of these resources can lead to economic growth and social development. However, when poorly managed it has too often led to corruption and even conflict. More openness around how a country manages its natural resource wealth is necessary to ensure that these resources can benefit all citizens.
>
> \- EITI international

3.2.1 CRUDE OIL & NATURAL GAS

In Trinidad, onshore production is concentrated in three (3) broad areas located in the South East (e.g. Moruga, Guayaguayare), South West (e.g. Point Fortin, Guapo and Forest Reserve) and Central (e.g. Central Range Block and Central Block). Offshore, production is concentrated off the North Coast (North Coast Marine Area), on the East Coast (East Coast Marine Area) and the South West Coast (South Coast Marine Area).

In Tobago, there is no onshore production, but BHP is conducting exploration drilling off the North-East Coast in Block 23 (a) while Shell (formerly Centrica Energy) has acreage offshore in Block NCMA 4 off the North Coast.

Oil producers comprise both foreign and local companies. Petrotrin, the largest oil producer, is state-owned and it contracts with smaller companies under arrangements known as Lease Operatorships (LO), Farm Outs (FO), or Incremental Production Sharing Contracts (IPSCs) to produce from its smaller oilfields.

Title: Producers of Crude Oil in T&T 2017

Petrotrin	57%
Perenco (formerly Repsol)	16%
BHP	5%
BPTT	15%
Others	7%

Source: Ministry of Energy and Energy Industries (MEEI), Consolidated Monthly Bulletin Jan- Dec 2017

Title: Producers of Natural Gas in T&T 2017

BPTT	56%
EOG	15%
Shel	15%
BHP	11%
Others	2%

Source: MEEI, Consolidated Monthly Bulletin Jan- Dec 2017

3.2.2 MINERALS

The mining sector is dominated by state-owned[3] and by locally-owned private companies.

Asphalt extraction is the longest established industry in the mining sector and it is used locally for road paving and for roofing. The majority of production is exported internationally.

Minerals produced in the largest quantities are sand and gravel, blue limestone and sand are also extensively produced. In the Northern Range, blue limestone, sharp sand and gravel are extracted while in Central Trinidad, red sand, yellow limestone and clay are quarried. To the south, operators extract oil sands, asphalt and porcellanite. In Tobago, the main material quarried is andesite. These minerals are mainly used in the construction industry.

3.2.3 OIL, GAS AND MINERAL RESERVES: HOW MUCH AND FOR HOW LONG?

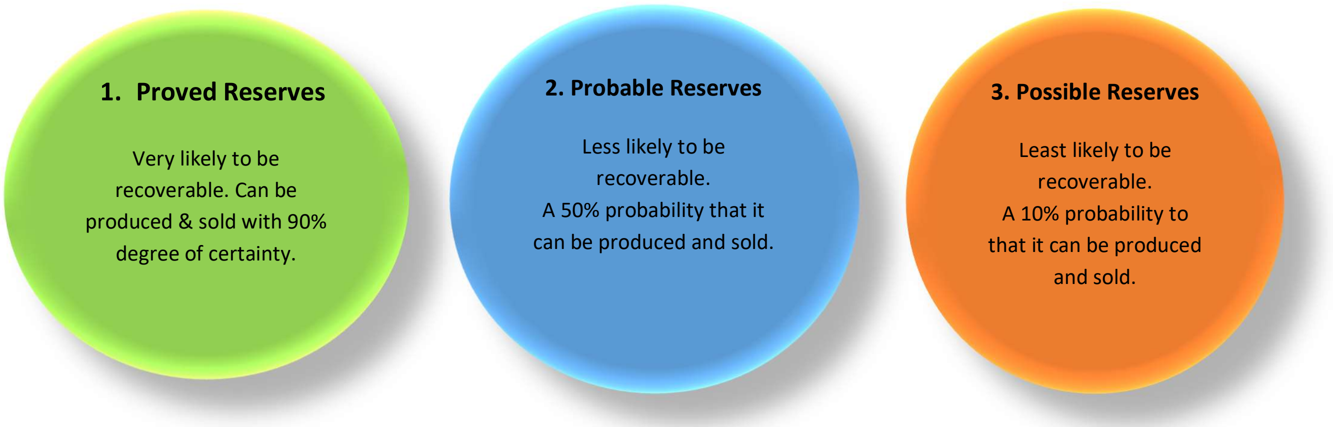
Reserves

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). By extending this definition to include minerals, T&T's reserves refer to the amount of oil, gas and minerals that can be produced and sold, providing that there are no major issues[4] that prevent production.

[3] Lake Asphalt of Trinidad and Tobago (1978) Limited (LATT), National Quarries Companies Limited (NQCL), Palo Seco Agricultural Enterprises Limited and the Estate Management and Business Development Company Limited. This Report focuses only on LATT and NQCL.

[4] These issues include wars and conflict, a price that is not accepted, high technology costs, an unstable political environment, weak tax incentives offered by Government, etc.

Reserves are classified into three groups:



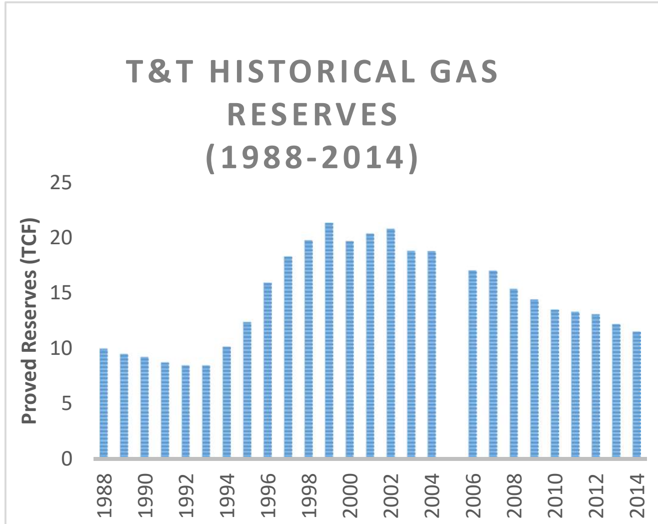
The last audit of T&T's crude oil reserves was conducted by Netherland, Sewell and Associates of Dallas (NSAI), as at December 31st 2011. The petroleum consultants submitted the final report to the Ministry of Energy and Energy Affairs (now MEEI) in 2013.

Total crude oil reserves (i.e. proved + probable + possible reserves) were estimated at 409.8 million barrels. This means that from December 31st 2011, there were 409. 8 million barrels of crude oil that were available to be produced and sold from all known reservoirs at that time, under the then economic conditions and operating methods. Almost half of the total crude reserves (i.e. 199.54 million barrels) were estimated to be proven or recoverable with a 90% certainty. 21% were probable reserves (85.46 million barrels) and 30.45% was possible reserves (124.77 million barrels).

Since the last crude oil reserves audit, the total crude reserves estimate would have changed due to several new oil discoveries by companies including Trinity (Galeota and Trintes), Repsol (TSP and Bravo), Petrotrin (Jubilee) and Range Resources (Morne Diablo 250 well).

Gas Reserves

The Ryder Scott Gas Audits have been conducted for the past 15 years, of which the most recent was completed for the period ending December 2014.



Total gas reserves (i.e. proved + probable + possible) were estimated at 22.7 tcf in 2014 compared to 23.9 tcf in 2013. This downward trend was as a result of companies extracting or producing more gas than they have been replacing via new discoveries. Between the 2013 and 2014 auditing periods proven gas reserves fell marginally by .7 trillion cubic feet (tcf), from 12.2 tcf in 2013 to 11.5 tcf in 2014.

Mineral Reserves

The most recent audit of mineral reserves in T&T was completed by GWP LLP Consultants for the MEEI in 2013 as part of a Strategic Environmental Impact Assessment Study. According to the study, T&T's recoverable mineral reserves were estimated at 467 million metric tonnes. These reserves were computed for only those minerals in proposed mining zones, which amount to roughly 1.4% of the total land area of T&T (White Paper on National Minerals Policy, 2015).

How many years can existing reserves sustain production without new discoveries?

The reserves- to-production (RTP) ratio is an indicator of the number of years that a country can continue producing oil or gas from known reservoirs if no new discoveries are made. A RTP ratio that is too low signals impending scarcity and suggests that a country is depleting its reserves in such a way that it is extracting faster than it is finding new oil or gas.

The latest audit of T&T's crude oil reserves as at December 2011 estimated that the reserves- to – production ratio on proven reserves was just 6.6 years. This means that if companies continued to produce at that level without adding to proven reserves through new discoveries, they would be only be able to produce oil for another 6.6 years.

As at the end of 2016, the reserves-to-production ratio for proven natural gas is 8.7 years (BP Statistical Review of World Energy 2017). Because there were new discoveries of oil and gas, the reserves to production ratios would have altered since the last audits. Still, there is need for more exploration activity in the sector given that oil fields are mature and that there is a shortage of gas locally.

Based on the GWP LLP Strategic Environmental Impact Assessment Study, 467 million metric tonnes of recoverable mineral reserves are estimated for a 25-year horizon.

3.3 LEGAL FRAMEWORK, CONTRACTS & LICENCES

The EITI seeks to promote greater public awareness about the legal and regulatory frameworks that apply to the extractive industries. These laws and regulations establish the institutional responsibilities of the State in managing the sectors, establish rules on licence allocation and contracts, and establish detailed requirements for extractive companies.

- EITI International

Roles and Responsibilities of Key Ministries and State Agencies

Ministry of Energy and Energy Industries (MEEI): responsible for monitoring, controlling and regulating the oil, gas and minerals sectors in Trinidad and Tobago. Activities: Formulate and implement industry legislation, award licences to explore and produce, collect petroleum revenues owed to the State (with the Minister of Finance), analyse and disseminate local & international petroleum data, etc.

Ministry of Finance- Inland Revenue Division (MOF/IRD) is the main tax collecting agency in T&T. Extractive Companies make a host of payments to the BIR including the Petroleum Profits Tax (PPT), Supplemental Petroleum Tax (SPT) & Corporation Tax (paid by petrochemical companies). Activities: Taxpayer Services/Collections, Audit/Compliance, etc.

Ministry of Finance- Investment Division: this division conducts management/performance audits of State Owned Enterprises (SOE) (e.g. Petrotrin & NGC) to ensure accountability and to ensure that they operate efficiently. Activities: monitor company adherence to performance criteria for State Enterprises and conduct audits of State Enterprises, etc.

The Environmental Management Authority (EMA) issues to extractive companies certificates of environmental clearance to drill (only if the projects will not cause significant damage to the environment), monitor company compliance with environmental standards, etc.

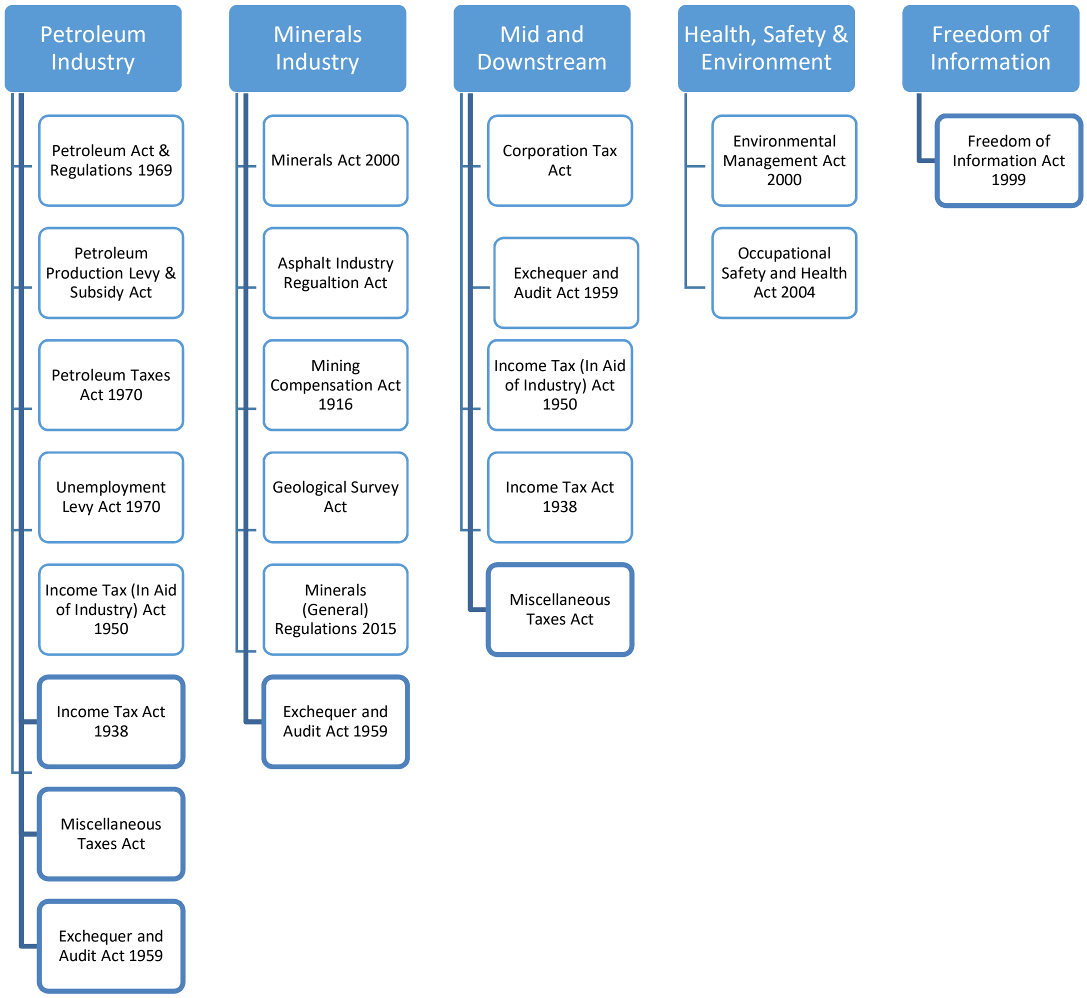
3.3.1 OIL, GAS AND MINERAL LAWS

The laws and regulations that govern the oil, gas and mining sectors are aimed at ensuring that the country maximizes revenue from the exploitation of its resources, safeguards the environment and creates incentives for companies to explore for hydrocarbons and minerals, etc.

In T&T, there are different legal instruments that outline the obligations of the different stakeholders in the oil, gas and mining industries. Figure 3.3.1.1 highlights a snapshot of this legislative framework. See **http://www.energy.gov.tt/for-investors/legislation-and-tax-laws/** and http://www.ird.gov.tt/for-petroleum-companies for more information on extractive sector legislation.

Figure 3.3.1.1

A SNAPSHOT OF THE EXTRACTIVE INDUSTRIES' LEGISLATIVE FRAMEWORK



3.3.2 THE FISCAL REGIME: UNDERSTANDING EXTRACTIVE SECTOR TAXES, ROYALTIES AND INCENTIVES

1.1.1.1 Oil and Gas

The oil and gas fiscal regime is a package of payments (e.g. taxes & royalties) and incentives administered by the Government to upstream oil and gas companies. From the fiscal regime, a company knows what taxes and royalties are due to the Government and the allowances and tax concessions it can benefit from. These payments and incentives are specified in the various laws governing the petroleum industry. While the taxes are fixed by law, companies can agree with the Government how they wish to split profits, among other things. These terms are documented in

Production Sharing Contracts (PSCs)[5] and E*xploration and Production (E&P) Licences*, which are signed by both parties.

An example or model of a Deepwater Production Sharing Contract can accessed at: http://www.energy.gov.tt/wp-content/uploads/2013/11/Deep_Water_Depth_PSC.pdf

Contract Transparency: Do we receive the best return from our resources?

After companies produce and sell T&T's natural resources, what percentage of their total revenue generated is retained locally?

This question cannot be answered without access to information in confidential Production Sharing Contracts and E&P Licences. The terms agreed to in these contracts currently are kept confidential by virtue of Section 35 of the Petroleum Act, Chap. 62:01 and Section 31 (1) of the Freedom of Information Act, Chap. 22:02.

Nevertheless, public disclosure of contracts will allow for deeper civil society engagement in the management of the country's shared resources. The conversation on this matter has begun and will require further dialogue among civil society, companies and the Government. Contract transparency is becoming the global norm and there are already open online databases such as ResourceContracts.org and OpenOil repository that have collected more than 900 contracts and associated documents.

Taxes paid by oil and gas companies

The main taxes paid to the Government by exploration and production companies are the Supplemental Petroleum Tax (SPT), the Petroleum Profits Tax (PPT), the Unemployment Levy, the Petroleum Production Levy, Petroleum Impost, Green Fund Levy and where applicable Withholding Tax on branch profits. Petrochemical companies and the NGC are taxed under the Corporation Tax Act. The Government also obtains tax revenue from Lease Operatorships and Farm Outs (LOFOs) companies.

The PPT is a tax charged on the taxable profits that upstream companies make, while the SPT is charged on the gross income from the sale of crude oil and condensate. Corporation Taxes are paid on the profits of petrochemical companies and NGC.

[5] The MEEI Audit Unit is responsible for monitoring PSCs to ensure that companies meet their contractual obligations and to ensure that the Government maximizes its returns. Data from the Audit Unit shows that as at September 30th 2017, there were 359 outstanding PSC audits. The MEEI has since restructured the Unit and employed staff to reduce the backlog. See: http://www.energy.gov.tt/about-us/the-organisation/support-units/psc-audit-unit/

Summary of Payments from Extractive Oil and Gas Exploration and Production Companies

Payments made to the Ministry of Finance (Inland Revenue Division)	
	DESCRIPTION
Petroleum Profits Tax (PPT)	A tax charged at the rate of 50% on the taxable profits of companies engaged in exploring for and producing hydrocarbons (Crude oil, condensate and gas)
Supplemental Petroleum Tax (SPT)	A tax levied on an oil/gas producers' gross income from the sale of crude & condensate. The purpose is to capture a greater share of oil rents. i.e. when the price is higher, the Government gets a share.
Corporation Tax (CT)	A tax imposed on the taxable profits of petrochemical companies including NGC.
Unemployment Levy (UL)	A tax imposed at the rate of 5% on the taxable profits of oil and gas producers (only) and is intended to provide funds to assist in the Government's social programmes.
Green Fund Levy	A tax charged at the rate of .03% on the gross revenues of all companies. It is intended to finance environmental projects by eligible NGOs and other agencies.
Business Levy	This is a tax paid on the gross sales or receipts of a Company. The rate of Business Levy is.2% of the gross sales/receipt for each quarter of the year income. This is applicable whether companies are making taxable profits or not as it serves to ensure that there is a minimum contribution to the overall tax collections / net.
Withholding Tax on Dividends	This tax is withheld and remitted to Government on dividends paid to foreign shareholders (individuals and companies). It is deducted and remitted to Government and the net dividend paid to the foreign shareholder. The tax rate is between 5-15% of the gross dividend. The actual rate will depend on the percentage shareholding and the country to which it is paid. Different rates apply to different countries.
Withholding Tax on deemed branch remittance	Non-resident companies generally operate as branches in T&T. They are required to pay withholding tax on the net after tax profits regardless of whether the profits are remitted to head office or not. The rate applicable is between 5-15% depending on the country.
Insurance Premium Tax	Oil and gas companies are engaged in high-risk operations and therefore pay insurance premiums to protect their assets, infrastructure and employees. This tax is paid at the rate of 6% on the insurance premium that they pay annually.
Interest	Companies that do not make payments by their due date are required to pay interest at the rate of 20% per annum.
Penalties	The non-remittance of certain taxes by the due date will result in the imposition of a penalty, together with the interest charges. The rate of penalty is 25% of the tax due and the interest at the rate of 20%, is computed on the principal tax and the penalty (compounded sum). Examples of taxes where a penalty is imposed are PAYE, withholding tax on dividends, withholding tax on branch profits and insurance premium tax.

Payments to the Ministry of Energy and Energy Industries	
	DESCRIPTION
Royalty	A payment made by petroleum companies in exchange for the right to explore and produce from T&T's oil and gas acreage.
Minimum Rent – Exploration & Production	In addition to royalties, exploration and production companies are required to pay a minimum rent for the acreage granted.
Annual Licence Acreage Payments	This acts like a rental payment to explore, drill and produce from T&T's acreage. Although companies pay this, they do not own the acreage they occupy nor do they own the hydrocarbons produced.
Petroleum Production Levy	Exploration and Production companies pay this levy on the crude oil produced as their contribution towards the Petroleum Fuels Subsidy.
Petroleum Impost	A tax imposed to defray the administrative costs of the MEEI.
Production Sharing Contract (PSC) Share of Profit	The Government and an oil/gas company agree to split the profits that the company makes in a contract referred to as a Production Sharing Contract. This payment is made only after the company deducts its permitted costs.
PSC Signature Bonus	This is the amount that a petroleum company pays the Government upon the award of a licence for acreage or production sharing contract.
PSC Bidding Fees	When the Government offers Blocks to companies during a Competitive Bid Round (see Section 3: Exploration & Production), they must pay this standard fee in order to submit a bid.
Transfer Fees or stamp duty	This fee is paid by companies that buy a Block (or a share of a Block) that was owned by another company or assigned to another operator.
Abandonment Provisions	Companies make this payment to a special account referred to as an escrow account. These funds are used in the event of possible pollution and the eventual abandonment of the platform.
Training Fees	Companies pay this fee to assist nationals in getting training in fields of study associated with the energy sector. Typically, the contribution goes to the University of Trinidad and Tobago or the University of the West Indies (or an institution decided on by the Minister of Energy and Energy Industries)
R&D Fees	These payments are used to fund research and development projects in Universities throughout T&T.
Production Bonus	Companies that produce in excess of a certain threshold must make this payment having surpassed the production target. This is agreed to in both the Exploration and Production licences and the Production Sharing Contract.
Technical Assistance	These payments finance equipment (e.g. printers, scanners, telephones, etc.) for the Ministry of Energy and Energy Industries.
Scholarships	This payment is intended to finance the award of scholarships for training nationals of Trinidad and Tobago in fields of study associated with the energy industry.

PSC Holding Fees	This is a penalty that companies pay for not developing the hydrocarbons (i.e. oil/gas) that they would have found.
Payments to Ministry of Finance (Investment Division)	
	DESCRIPTION
Dividends paid by NGC	NGC makes these payments to the Government from its profits and retained earnings.

*See Section 4.2 for amounts paid by oil and gas companies.

Incentives offered to Oil & Gas Exploration and Production (E&P) Companies

While companies make these payments, allowances and incentives are prescribed in the legislation such as accelerated capital allowances, Investment Tax Credits and Sustainability Incentives. Accelerated capital allowances are available for the exhaustion of plant and machinery used in the producing of hydrocarbons and investment tax credits and sustainability incentives allow for further investments to be made depending on the age, maturity, lifecycle of the field/reservoir. These incentives ease the tax burden on the companies and thereby encourage exploration and boost production. The Natural Gas Master Plan prepared by Poten & Partners in 2015 proposes several ways to incentivize companies to explore and produce. See http://bit.ly/ttgasmasterplan.

Changes to the Oil & Gas Legislation & Fiscal Regime

The latest change to the fiscal regime was made in January 2018 when the Petroleum (Amendment) Regulations was amended to require all companies with E&P Licences and PSCs to now pay a royalty rate of 12.5% based on their production. Prior to this, the fiscal regime was amended over the past six years, to attract investment and stimulate production. Several of these incentives will end within two years and there has been constant debate on the trade-off between the Government's current need for increased revenue and the companies need to stimulate exploration and production.

The Government is still reviewing the fiscal regime and the Minister of Finance plans to pay special attention to the (SPT). The SPT is a tax (due quarterly) that is directly linked to the sale price of oil and companies are only required to pay it when oil prices rise above US$50 per barrel. Between 2011 and 2015 when oil prices averaged US $78 per barrel, the Government collected TT$18.9 billion in SPT. However, in 2016 when oil prices averaged US$ 43 per barrel, only TT$ 135 million was collected. Given the current price fluctuations and the need to boost production, a review of the SPT is considered timely.

A summary of historic changes to the fiscal regime can be accessed at http://www.energy.gov.tt/for-investors/fiscal-regime/petroleum-fiscal-incentives-2014/.

3.3.3 MINING SECTOR

The mining sector in T&T is regulated by the Minerals Law Act 2000, the Asphalt Industry Regulation Act, the Mining Compensation Act, the Geological Survey Act and the Minerals (General) Regulations 2015. These laws can be accessed on the Ministry of Energy and Energy Industries' official website.

The last change to the country's mineral laws occurred in 2015 when the Minerals (General) Regulations 2015 was tabled in Parliament. In the same year, the Government also finalised a national mining policy, referred to as the White Paper on National Minerals Policy 2015.

Mining Sector Fiscal Regime

The fiscal regime for the mineral sector refers to the taxes and other payments mining companies are required to pay to the Government.

The mining sector fiscal regime is specified in the Minerals (General) Regulations. Mining companies are required to pay mainly royalties, fees for Competitive Bid Rounds, annual licence fees, licence renewal fees, rehabilitation bonds and performance bonds to the Government. The introduction of this Act in 2015 effectively increased the rates on all of these payments. The Government stands to collect more royalties under the new royalty rates but this depends on the effectiveness of the MEEI's efforts to collect the royalties owed.

There are 91 active mining operators in T&T– not all of which are licensed to operate. As at January 9th 2018, only 7 companies operate with valid licences while 32 have been operating without licences for the past five years. However, there are 68 new mining licences applications before the Ministry.

- MEEI 2017.

Summary of Key Payments Required by Mining Companies

Payment	Description
Royalty	A payment made for the right to mine on State or private lands.
Fees for Competitive Bid Rounds	This is one-time payment paid by all operators submitting a bid to explore for minerals and quarry as part of a Competitive Bid Round.
Annual Licence Fees	Operators who own licences to explore, mine and process minerals pay this annually.
Licence renewal fee	Paid by operators seeking to renew their licences
Rehabilitation Bond	Used as security to properly restore quarried lands to their previous condition or to improve on the previous condition of the quarried lands.
Performance Bond	This money is held as security for the non-payment of royalties and other dues arising out of any breach of the terms and conditions of the licence.

3.3.3.1 Regulating and Monitoring the Mining Sector

The Minerals Act 2000 seeks to ensure that the mining sector is regulated through the enforcement of several guidelines linked to exploration, mining and processing licences, illegal mining, quarry rehabilitation and environmental protection.

On paper, these are critical additions, but mechanisms need to be put in place to ensure that they are enforced if citizens are to reap the full rewards of the sector, especially given the sector's challenges.

The issue of unlicensed operators is a longstanding one. Although some unlicensed companies pay royalties, there is no obligation for these companies to contribute to the national purse. Additionally, several environmental problems arise through unlicensed operations, given that they fall outside of the environmental regulatory system.[6]

The MEEI attributes challenges in the licensing application process as the primary reason for the large number of unlicensed operators in the T&T mining sector. It has sought to overcome this difficulty through training workshops. However, this is only the perspective of the Regulator and factoring the perspective and experience of operators is equally valuable and necessary if these challenges are to be mitigated.

3.3.4 COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS IN THE EXTRACTIVE SECTOR

The Environmental Legal Framework

The National Environmental Policy (NEP) 2006 provides a framework for environmental management in Trinidad and Tobago. This Policy is currently being revised and drafts of the revised version can be accessed on the EMA website. www.ema.co.tt/new/images/policies/draftNEP_aug17.pdf

The NEP emphasizes that although energy is necessary for economic growth and development, T&T's overdependence on scarce oil and gas resources can present several challenges. These challenges are not limited to environmental impacts but also include economic impacts (e.g. reduced energy security) and human health impacts such as illnesses due to the exposure to pollutants. In addition, the extraction of minerals can oftentimes result in habitat loss, pollution, damage to landscapes and irreversible damage to the environment.

A major air pollutant generated by the energy sector is Carbon Dioxide (CO_2—a greenhouse gas/ GHG). Given that T&T does not have a greenhouse gas emissions inventory, Bios models are used to project emissions levels. Projected CO_2 emissions vary depending on different scenarios (e.g. High economic versus low economic activity scenarios or scenarios based on high/ low country implementation of emissions reductions practices).

Based on this model, the industrial, power generation and transportation sectors are the largest emitting sectors in T&T and accounted for 34 million tonnes of CO_2 equivalent 2013. The Ministry of

[6] See the following section on the Environmental Legal Framework for more information on compliance with environmental laws.

Planning is currently updating data on greenhouse gas emissions for the T&T's Third National Communication on Climate Change. However, this data will still not be current as it will only cover the year 2014.

The Government has declared its commitment to minimise these negative impacts by:

a) Enforcing rehabilitation programmes at mining sites;
b) Regulating mining activities in environmentally sensitive areas
c) Discouraging wastage of mineral resources such as oil and gas;
d) Establishing and enforcing pollution reduction and control for extractive industries and
e) Offsetting carbon dioxide production by developing forest and wetland eco-systems to sequester the CO2 (NEP, 2006).

Regulating the Oil, Gas and Mining Sectors

In T&T, the Environmental Management Authority (EMA) regulates the activities of the oil, gas and mining sectors and is guided largely by the Environmental Management Act 2000, the Certificate of Environmental Clearance (CEC) Rules and the CEC (Designated Activities) Order. These laws require extractive companies to adhere to certain provisions or rules to minimize the loss of life, threats to livelihood as well as to reduce land, sea and air pollution.

For example, all companies wishing to drill for oil or gas, build gas-processing facilities, construct pipelines or engage in quarrying must obtain a CEC from the EMA. If a project poses significant potential environmental and human health impacts, an Environmental Impact Assessment (EIA) must be done before a CEC is granted.

All data associated with the EMA's Rules and CEC process is already in the public domain. This information is readily available in the Public Register at the EMA's Head Office Library in Port-of-Spain. A full listing of all CECs issued to date are accessible at the EMA's website: http://www.ema.co.tt/natReg/index.php.

Gaps in Environmental Regulation

Discussions between the TTEITI Secretariat and EMA officials in 2017 revealed that although environmental legislation exists in T&T, the EMA faces challenges in monitoring adherence to these regulations. The large volume of CECs awarded and Environmental Impact Assessments completed hint at the challenge faced by the EMA to ensure that they are all in compliance. Consider that approximately 5,312 CECs were issued since the year 2000 and some 117 EIAs were completed in the oil/gas sector and 6 in the mining sector.

Additionally, at the time of TTEITI Secretariat's meeting, the EMA also had yet to issue any air pollution permits which companies are mandated to obtain (if their emissions exceed the standards established by the EMA).

Further, the 2006 NEP requires Government, through the EMA, "to draw up a list of hazardous wastes, establish requirements for their handling and disposal, establish standards and design criteria for hazardous waste for handling and disposal facilities, and enforce these requirements through licensing and permitting requirements." This list has yet to be prepared by the EMA and no permit system exists for the control of hazardous wastes.

Additionally, the NEP highlights the need for greater public participation in environmental impact assessments, environmental monitoring and enforcement. Therefore, a national programme for achieving sustainability must involve all interest groups and seek to anticipate environmental problems.

In this regard, the TTEITI Steering Committee civil society constituency is of the view that Government should establish a National Council for Sustainable Development (NCSD) in keeping with commitments under United Nation's Agenda 21. The NCSD will legitimize the role of civil society as a partner with Government to move the agenda into action. This Council will provide a forum for Government, business and the environmental movement to have ongoing oversight with advisory functions. This forum will help build confidence in industry by the discussion of objectives, processes and practices and the open disclosure of the results of monitoring. It will be adaptive, continually re-directing its course in response to experience and to new needs.

Unfortunately, the NCSD is yet to be formed. The TTEITI Steering Committee civil society constituency has advocated that Government take immediate steps to establish the NCSD.

The TTEITI's Push for Environmental Reporting in the Extractive Sector

Based on recommendations made by the Civil Society members on the TTEITI Steering Committee, the Committee sought feedback from stakeholders on the inclusion of a proposed environmental reporting template as part of the EITI reporting process.

Some of the elements of the reporting template proposed include:

- ✓ Evidence of receipt of Town & Country Planning Approvals,
- ✓ Compliance with the Environmental Management Authority's Air Pollution Rules and Water Pollution Rules
- ✓ The inclusion of the Certificate of Environmental Clearance (CEC) process
- ✓ Disclosure of the sector's 'Carbon Foot Print' (GHG emissions) and disclosure of the amount of water and electricity consumed by the extractive sector
- ✓ Major environmental 'incidents' such as oil spills.

The TTEITI Secretariat reviewed the template and shared it with reporting companies, state agencies and related stakeholders existing within the environmental landscape in T&T for feedback.

The TTEITI Steering Committee is still assessing how environmental reporting can be included in EITI implementation.

Summary of oil spills

2016	51 spills	(38 land; 13 marine)
2017	104 spills	(51 land, 52 marine, 1 land & marine)

Source: MEEI

3.3.5 BENEFICIAL OWNERSHIP

Who are the real persons who benefit from the ownership of oil, gas and mining companies? Do politicians or their friends and family benefit financially from oil, gas and mining companies?

Requirement 2.5 of the EITI Standard 2016 obligates all EITI implementing countries to publicly disclose those persons holding ownership rights in oil, gas and mining projects. Like all other implementing country agencies, the TTEITI is mandated to adhere to these requirements or risk suspension from the initiative.

This is important because it reduces illegal activities (e.g. tax evasion and money laundering) which have negative implications on a country's potential revenue streams. The blacklisting of T&T as a tax haven by the EU in 2017 and scandals revealed by the Panama Papers and the Paradise Papers further emphasize the need for these disclosures.

So far, the TTEITI has made significant progress in meeting this requirement by (a) adopting a definition of beneficial ownership and politically exposed persons (PEPs), (b) developing and publishing a beneficial ownership work plan/roadmap, (c) publishing a beneficial ownership registry for the energy sectors, and (d) by undertaking outreach activities with Parliamentarians.

In addition, given T&T's Prime Minister's commitment at the 2016 Anti-Corruption Summit in London, to the introduction of a national Beneficial Ownership Registry, the TTEITI hired a legal consultant to conduct a study to assist in fast tracking the Government's efforts to institute beneficial ownership on a national scale. The study provides recommendations to amend laws to institute beneficial ownership on a national scale, addresses obstacles to full disclosure based on the local context and reviews best practice in beneficial ownership disclosure for introduction in T&T.

See the following link for access to the TTEITI's beneficial ownership registry: http://www.tteiti.org.tt/industry-overview/beneficial-ownership-declaration/.

Legal Provisions and Actual Beneficial Ownership Disclosure Practices in T&T

Several laws in T&T address beneficial ownership disclosure. However, findings from the TTEITI's Beneficial Ownership Study state that these laws should be amended to allow for disclosure of BO information to the public, to require PEPs to be disclosed and to obligate foreign companies to keep a register of their beneficial owners.

Specifically, the Companies Act Chapter 81:01, the Freedom of Information Act Chapter 22:02, the Integrity in Public Life Act Chapter 22:01 and the Securities Act 2012 Chapter 83:02 should be amended.

Section 2 of the Beneficial Ownership Study outlines a comprehensive review of the required amendments to local laws. It also highlights actual disclosure practices in T&T. To access the BO Study, see: **http://www.tteiti.org.tt/wp-content/uploads/Beneficial-Ownership-Report.pdf**

3.3.6 STATE PARTICIPATION IN THE EXTRACTIVE SECTOR

The Financial Relationship between the Government and SOEs

Government/State owned oil, gas and mining companies must be held to standards of accountability and transparency. The EITI requires implementing countries to inform the public on the various rules and practices regarding the financial relationship between the Government and state-owned enterprises. This includes the rules and practices governing how funds are to be transferred between the SOE and the State, how retained earnings and reinvestments are to be handled as well as rules on third party financing.

The State Enterprises Performance Monitoring Manual developed by the Ministry of Finance addresses all of these issues. It also contains rules governing inter-agency debt, the publishing of financial statements and procurement. [7]

At a presentation in January 2017, the MOF summarized the main methods used to monitor performance of SOEs.

Document	Submission Date	Receiving Agency
Strategic Plan*	Six (6) months Prior to start of Financial Year for companies receiving subventions and one (1) month for others	Investments Division and Line Ministry
Annual Budget	Six (6) months prior to start of Financial Year	Investments Division and Line Ministry
Board Minutes	One (1) week after confirmation	Investments Division and Line Ministry
Cash Statements of Operations	Within three (3) weeks after month's end	Investments Division
Quarterly Reports	End of First Month after Quarter	Investments Division
Status of Loan and Overdraft Portfolio	One (1) week after the end of the reporting Month	Investments Division
Annual Financial Statements	Four (4) months after end of Financial Year	Investments Division and Line Ministry

[7] The manual may be viewed or downloaded at https://www.finance.gov.tt/wp-content/uploads/2013/11/State-Enterprise-Performance-Monitoring-Manual-2011.pdf

State Owned Enterprises operating in the extractive sector

Is there Mishandling of Extractive Revenues by SOEs?

Three agencies oversee SOEs, namely the Public Accounts (Enterprises) Committee, the Central Audit Unit and the Joint Select Committee on State Enterprises. In addition, the Parliament's Joint Select Committee on Energy Affairs has an oversight role in respect of state-owned oil, gas and mining companies.

All audited financial statements of government owned enterprises are submitted to the Investment Division of the Ministry of Finance (MOF) and then they are laid in Parliament for the attention of the **Public Accounts (Enterprises) Committee.** However, the Auditor General's Report 2016 reveals that some extractive SOEs are lagging in providing up-to-date audited statements. Without timely audited financial statements, there is no independent check on what is happening at a company and the public will not know how much cash a company has on hand, how much debt it owes, and they will not be able to reconcile revenues and expenditure.

The **Central Audit Unit** of the Investment Division of the MOF investigates any financial or operational matters at the request of the Minister of Finance, which may come to him as allegations (e.g. favouritism in tendering process, etc.) These investigations are disclosed to the public at the will of the Minister of Finance. This Division establishes performance criteria for SOEs, appraises and evaluates investment plans to ensure profitability, among other things.

The **Joint Select Committee on State Enterprises** is a relatively new Parliamentary mechanism, which is similar to Congressional Hearings in the United States. This Committee holds hearings with the relevant parties on any issue related to SOEs and members of the public are invited. At the end of the hearing, a report is submitted for public scrutiny to promote transparency and democracy, the reports can be found in the Parliament's Library.

For the Reports of the Parliamentary SOE Committees see:
http://www.ttparliament.org/committee_business.php?mid=19

For the purposes of this EITI report, a SOE is a wholly or majority Government owned company that is engaged in extractive activities on behalf of the Government. The companies listed below operate in the extractive sector: -

Summary of State Owned Enterprises Operating in the Extractive Sector

Company name	Short name (if applicable)	Country of incorporation	Government ownership %	Government interest held by	% ownership of subsidiary	Major activity	Company website
Oil and gas sector							
Petroleum Company of Trinidad and Tobago Limited	**Petrotrin**	**Trinidad and Tobago**	**100%**				https://www.petrotrin.com/
Trinidad and Tobago Marine Petroleum Company Limited	Trintomar	Trinidad and Tobago		Petrotrin	80%	E&P - oil	
Trinmar		Trinidad and Tobago		Petrotrin	100%	Dormant	
Trinidad Northern Areas Limited		U.K.		Petrotrin	100%	Holds various licences - dormant	
PEAPSL Consultancy Limited		Trinidad and Tobago		Petrotrin	100%	Counselling consultancy	
WGTL TL		Trinidad and Tobago		Petrotrin	100%	GTL plant - not operating	
Trintoc Services Limited							
La Brea Industrial Development Company Limited		Trinidad and Tobago		Petrotrin	19%	La Brea facilities	
National Gas Company of Trinidad and Tobago Limited	**NGC**	**Trinidad and Tobago**	**100%**				https://ngc.co.tt/
NGC Pipeline Company Limited		Trinidad and Tobago		NGC	100%	Gas pipeline	
NGC E&P (Barbados) Limited		Barbados		NGC	100%	Investment holding company	
NGC E&P Investments (Barbados) Limited		Barbados		NGC	100%	Investment holding company	
Phoenix Park Gas Processors Limited		Trinidad and Tobago		NGC	79.80%	NGL processing & marketing	
NGC E&P Netherlands Cooperatif U.A.		Netherlands		NGC	100%	Investment holding company	
NGC E&P (Netherlands) BV		Netherlands		NGC	100%	E&P - gas	
NGC E&P Investments (Netherlands) BV		Netherlands		NGC	100%	E&P - gas	
Trinidad and Tobago Marine Petroleum Company Limited	Trintomar	Trinidad and Tobago		NGC	20%	E&P - oil	
Trinidad and Tobago LNG Limited		Trinidad and Tobago		NGC	100%	Ownership of an LNG Plant in Trinidad; processing & sale of LNG & NGLs in	

Company name	Short name (if applicable)	Country of incorpora -tion	Govern ment owner-ship %	Government interest held by	% ownership of subsidiary	Major activity	Company website
						partnership with others	
National Energy Corporation of Trinidad and Tobago Limited		Trinidad and Tobago		NGC	100%	Facility management Port Lisas & La Brea	
NGC Petrochemicals Limited		Trinidad and Tobago		NGC	100%	Investment holding company	
La Brea Industrial Development Company Limited		Trinidad and Tobago		NGC	81%	La Brea facilities	
Trinidad and Tobago NGL Limited		Trinidad and Tobago		NGC	51%	Investment holding company	
NGC Trinidad and Tobago LNG Company Limited		Trinidad and Tobago		NGC	62.16%	Ownership of an LNG Plant in Trinidad in partnership with others	
NGC NGL Company Limited		Trinidad and Tobago		NGC	80%	Holds 51% of Phoenix Park	
NGC CNG Company Limited		Trinidad and Tobago		NGC	100%	CNG service stations	
Dimethyl Ether (DME) Funds Company		Trinidad and Tobago		NGC	20%	Fund management	

Company name	Short name (if applicable)	Country of incorporation	Government ownership %	Government interest held by	% ownership of subsidiary	Major activity	Company website
Mining and quarrying							
National Quarries Limited	**NQL**	**Trinidad and Tobago**	**100%**				http://nqcl.co.tt/
Lake Asphalt of Trinidad and Tobago (1978) Limited	**Lake Asphalt**	**Trinidad and Tobago**	**100%**				http://trinidadlakeasphalt.com/
The Trinidad Asphalt Corporation of America		United States of America		Lake Asphalt	100%	Dormant	http://trinidadlakeasphalt.com/
Estate Management and Business Development Company Limited		**Trinidad and Tobago**	**100%**				http://embdtt.org
Palo Seco Agricultural Enterprises Ltd		**Trinidad and Tobago**	**100%**				http://www.psael.co.tt

As mentioned in *Section 3.2: Natural Resources,* foreign investors and local entrepreneurs own oil, gas and mining companies in T&T, while others are 100% owned by the Government or State (SOEs). Petrotrin, the National Gas Company of Trinidad and Tobago (NGC), Lake Asphalt and the National Quarries Company Limited are major players in the sector and are all State owned.

These SOEs own several companies or subsidiaries that perform tasks that may not directly be linked to the core business of the parent (e.g. port services or maintaining CNG stations). In some instances, the SOE may wholly own subsidiaries, or the private sector and other SOEs may have a share of ownership in these subsidiaries.

1. The National Gas Company of Trinidad and Tobago (NGC)

The National Gas Company of Trinidad and Tobago Limited (NGC) Group is a diversified group with assets worth TT$ 42 billion[8] spread across the entire value chain. The core business of the parent, NGC, is the purchase, transmission compression, distribution and sales of natural gas.

NGC has always been the highest earning State owned enterprise. The NGC Group recorded a profit of TT$720.7 million in 2016, which represents a 28.4% from its 2015 profit of TT$561 million.

This increase in profit was attributed to "rationalizing of costs by 20%; optimizing several work flow processes; the successful leasing of the Teak, Samaan and Poui (TSP) assets; and successful reconstituting of the investment portfolio. In this context, the performance of the TTNGL share is commendable. It buoyed the Trinidad and Tobago Stock Exchange (TTSE) registering capital appreciation of 17% and a dividend yield of 6.5%– the highest yield locally." (NGC Annual Report 2016)

Interestingly the value of NGC's sales fell by 34 % to $10.9 billion due to declining commodity prices and gas supply constraints. The company also paid less dividends to Government. For the year 2016,

[8] See https://ngc.co.tt/financial-performance/

dividends of TT$1.585 billion were paid by the NGC to shareholders as compared to TT$6.837 billion in 2015. The company has paid the Government roughly 20 billion in dividends between 2010 and 2017.

NGC has a number of subsidiary companies:

- **National Energy Corporation of Trinidad and Tobago Limited (National Energy**) is 100% owned by NGC and is involved in the conceptualization, promotion, development and management of industrial estates and port and marine facilities;

- **Phoenix Park Gas Processors Limited (PPGPL)** is majority owned and engaged in natural gas processing and the aggregation fractionating and marketing of Natural Gas Liquids – Propane Butane and natural gasoline to the Caribbean and Latin America;

- **NGC CNG Company Limited (NGC CNG)** is mandated to develop the CNG market in T&T by promoting CNG and the installation of network of CNG stations as well as implementing Government incentives for the sector.

- **Trinidad and Tobago NGL Limited (TTNGL)** is a company incorporated to hold 39% of PPGPL and was listed on the Trinidad and Tobago Stock Exchange in 2015, to allow citizens to own a stake in the energy sector. In 2017, the NGC held an APO for the TTNGL shares, giving investors more opportunities to capitalize on.

- **NGC Pipeline Company Limited** owns finances, constructs, operates and maintains a 56-inch cross-island pipeline (CIP) from Beachfield on the south-east coast of Trinidad to Point Fortin on the south west coast of Trinidad.

- **NGC E&P (Barbados) Limited** provides certain material needs and services for its member (NGC E&P Netherlands Cooperatif U.A.)

- **NGC E&P Netherlands Cooperatif U.A. & NGC E&P (Netherlands) BV.** In 2013, NGC bought these companies from Total, which is a foreign registered company. These subsidiaries explore, develop and produce oil and gas in T&T.

All the NGC group companies are registered in Trinidad and Tobago, except for

- NGC E&P (Barbados) Limited (registered in Barbados)
- NGC E&P Netherlands Cooperatif U.A. (registered in Netherlands)
- NGC E&P (Netherlands) BV (registered in Netherlands)

The NGC Group gives a full listing of its subsidiaries, the nature of their business and their percentage equity owned by the Government in its Annual Report 2016, which can be viewed at http://ngc.co.tt/wp-content/uploads/2017/06/NGC-Annual-Report-2016.pdf.

There were no changes in the level of ownership of these companies between 2015 and 2016.

For the company's financial performance see: https://ngc.co.tt/financial-performance/.

2. The Petroleum Company of Trinidad and Tobago Limited (Petrotrin)

Petrotrin is an integrated oil and gas company engaged in the full range of petroleum operations including the exploration and production of hydrocarbons. It also manufactures, refines and markets a wide range of petroleum products.

Petrotrin was established in 1993 from the merger of two national companies; Trintoc that inherited the assets of both Shell (1974) and Texaco (1985) and Trintopec, which inherited the assets of Trinidad Tesoro in 1988.

Petrotrin continues to contribute significantly to Government revenue. In 2016, the Petrotrin Group paid TT $235.3 million in taxes. However, the company is saddled with debt and needs increase its local oil production in order to reduce its oil import bill.

Based on data from Petrotrin's audited consolidated financial statements for the year ended September 2016, the Petrotrin Group[9] recorded a TT $4.7 billion net loss after tax despite improvements in its refinery utilization, product sales and refinery margins when compared to 2015. Apart from these factors, the company's Government guaranteed debt totalled US$230 million in that year. Petrotrin's debt payment obligation for 2016 totalled US $131.1 million and the company fully settled this obligation.

As at September 30th 2016, Petrotrin's subsidiaries were:

1. **Trinmar**, 100 % owned, was formed for the specific purpose of holding certain licences. These licences assign certain rights to explore for, drill, develop, produce and take oil, natural gas and other hydrocarbons from certain offshore areas within the jurisdiction of T&T. Trinmar was inherited from former foreign multinationals whose assets were acquired by the State during the 1970 and 1980s.

2. **Trinidad and Tobago Marine Petroleum Company Limited (Trintomar)** 80% majority owned is mainly engaged in developing and producing natural gas from the Pelican Field which originally formed part of the South-East Coast Consortium area.

3. **Petrotrin EAP Services Limited (PEAPSL)** 100 % owned, provides counselling services for employees and third parties.

4. **Trinidad Northern Areas Ltd.** – 100% owned, formed to hold licences to explore for, drill, develop, produce and take oil, natural gas and other hydrocarbons from certain geological areas within the jurisdiction of Trinidad and Tobago.

5. **Trintoc Services Limited-** 100% owned, the company was incorporated to provide marketing information and material procurement services on behalf of Petrotrin. The company has been dormant or non-operational since 2006.

[9] The Petrotrin Group includes the combined results of the Exploration and Production (E&P), Refining and Marketing (R&M) and Corporate Divisions as well as its subsidiary companies.

6. **World GTL Trinidad Limited (WGTL TL)** was formed to undertake the construction, completion, ownership and operation of a gas to liquids plant to be located at Petrotrin's Pointe-a-Pierre refinery complex. This plant is still in the construction phase. After an extended legal battle from 2010 to 2015, judgments were given confirming Final Arbitration Awards. As a result, WGTL TL is now a wholly owned subsidiary of Petrotrin.

In addition, Petrotrin has multiple contracts and joint venture arrangements for offshore acreages ranging from 16% to 40% interest. In most of these joint ventures, joint venture partners pay for the activities involved in the exploration phase.

Updated lists of Petrotrin's JV interests can be accessed at:https://www.petrotrin.com/~/media/JV%20Listing%2009%20Aug%202017.ashx?la=en.

3. National Quarries Company Limited (NQCL)

National Quarries Company Limited (NQCL) is a fully state-owned enterprise that was incorporated in 1979 to ensure that the country's construction sector and Government's major development projects are adequately supplied with aggregate at a fair price. The company operates quarries, mines and sand pits, and also manufactures, imports and exports aggregate products. The latest audited financial statements received from NQCL was in 2009 and statements for the years 2010 to 2016 have not yet been laid in Parliament. The company recently collaborated with the TTEITI Steering Committee to successfully complete a project to rehabilitate 80 hectares of abandoned quarry land.

4. Lake Asphalt of Trinidad and Tobago (1978) Limited

Lake Asphalt of Trinidad and Tobago (1978) Limited (or Lake Asphalt) is a state-owned enterprise situated in Brighton, La Brea with the responsibility of overseeing the commercial development of the world's largest deposit of natural asphalt. The company undertakes mining, refining, manufacturing and distribution of road building products and other asphalt related products. In addition to exporting asphalt, the company sells its refinery bitumen locally and internationally. Lake Asphalt's latest audited financial statement is for 2010, and statements for 2011 to 2016 have not yet been laid in Parliament.

3.3.7 COMMODITY TRADING DISCLOSURE FOR T&T SOES

For many years, there have been complaints that energy commodity trading companies operate under a veil of secrecy. These companies purchase barrels of oil, LNG cargoes and minerals from one country and sell them to its customers, sometimes, at a significant mark up, without accounting for the value or volume of the first trade. However, in recent times, this practice has been challenged internationally and is slowly changing with significant positive implications for Trinidad and Tobago.

The EITI triggered this change when, in 2014, The Trafigura Group, one of the world's leading energy commodity trading companies, started publicly disclosing what it paid to SOEs such as Petrotrin and NGC for their cargoes. The company now reports the actual value and volume of products purchased from energy SOEs in all EITI member-countries in which it operates, including Trinidad and Tobago.

In December 2016, Trafigura disclosed, via its 'Responsibility Report', that in 2016 it paid Petrotrin US$506 million for 10,586 thousand barrels and 1,425 thousand tonnes of refined products. In 2014 and 2015 the company paid Petrotrin and Trinidad and Tobago LNG Ltd (a subsidiary of NGC) a total of US$507 million or approximately TT $3 billion for 5,381 thousand barrels of refined products and 2.81 million barrels equivalent of gas respectively (see Table 1). The company also reported that in 2013 it paid Petrotrin and Trinidad and Tobago LNG Ltd. a total of US$503.16 million for 3,880 thousand barrels of refined products and 1.74 million barrels-equivalent of gas. This level of disclosure is new to the EITI and the TTEITI Steering Committee has committed to conduct a mapping exercise on commodity trading to determine if this type of reporting can be included in future reports.

Table 1 – Value and Volume of Refined Products and Gas Commodity Trades

Year	Company	Product Type	Volume (thousand tonnes)	Volume (thousand barrels)	Volume (MMBtu)	Value (USD)
2014	Petrotrin	Refined	154.62	1,000.25	-	80,790,676.98
2014	NGC	Gas		1,643.43	9,531,881.00	105,594,826.78
2015	Petrotrin	Refined	571.07	4,381.83	-	277,672,794.92
2015	NGC	Gas		1,174.92	6,814,558.00	42,993,109.17
2016	Petrotrin	Refined	1425.94	10,586.01	-	506,148,765.69
2016	NGC	-	-	-	-	-

Source: Trafigura Responsibility Report, Various Years

3.4 EXPLORATION

3.4.1 OIL, GAS & MINING

Before production can occur on land or offshore in marine areas, companies must first explore for (or identify) potential areas where oil and gas deposits may lie. Once the deposits are found and certified, they then complete different studies (e.g. environmental impact assessments) in order to apply for a licence that will enable them to produce and sell to markets.

Exploration activity in the oil and gas sector has been relatively low in T&T in 2016 and 2017 when compared to activity in 2013. In 2013, seven (7) new exploration wells were drilled whereas five (5) and three (3) wells were started in 2016 and 2017 respectively. One of the main reasons for this may be because for a company, there is a high risk of investing in exploration and not making sufficient profits, given that the resources will sell at current low prices.

In order to increase exploration drilling, the Government typically invites companies to bid to explore and produce from specific fields through Competitive Bid Rounds. The MEEI uses technical and financial criteria to decide which company/companies should be awarded the licence to explore and produce. Since the last Competitive Bid Round in 2013 to present day, no changes have been made to the criteria, nor have there been discussions to change them. In 2017, the Ministry of Energy invited companies to nominate oil/gas offshore and onshore acreages for drilling. The Ministry plans to use this information to identify blocks/areas for companies to bid on in its Competitive Bid Round planned for 2018. Information on past Competitive Bid Rounds can be found at http://www.energy.gov.tt/for-investors/archives/.

The last Competitive Bid Round in the mining sector was held in 2008. However, since 2015, there were three applications for exploration licences to explore for tar sands, limestone and sand and gravel. These applications were submitted by Geominex, Cumaca Blue Limestone Ltd and MAM General Supplies Ltd. In addition, in 2015 the MEEI surveyed six blocks, which showed commercial and mineral potential.

3.4.2 LICENCE REGISTERS

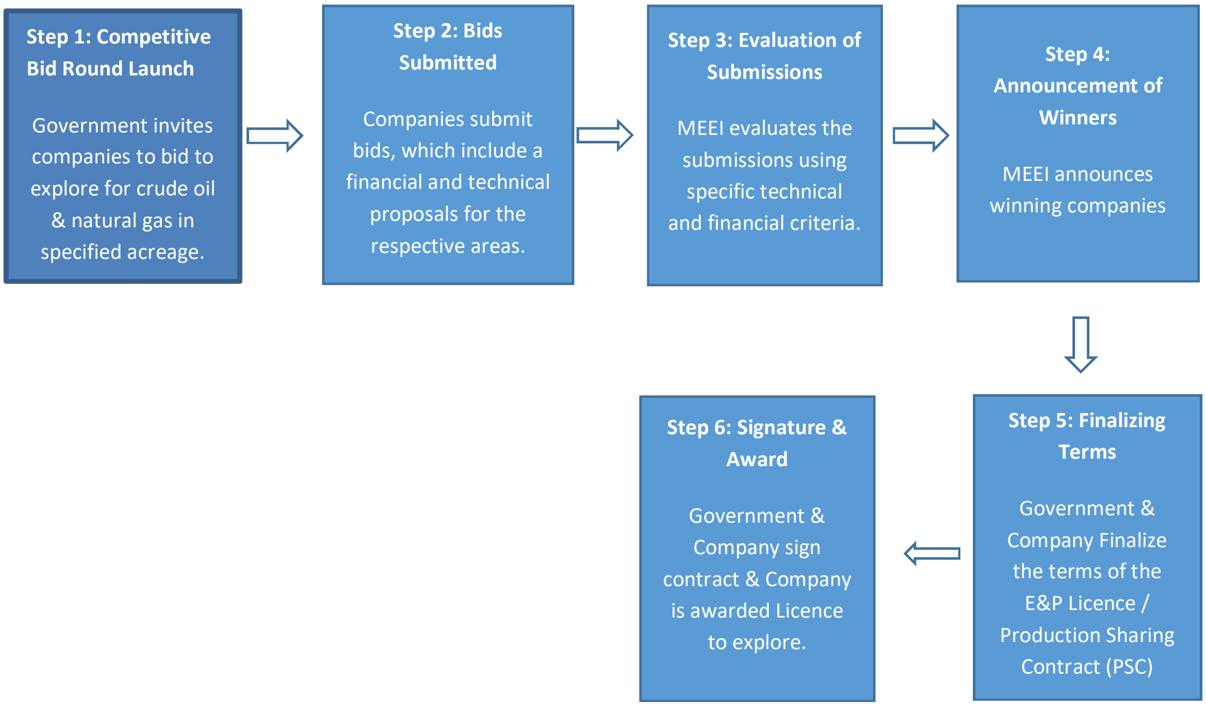
Most countries with extractive sectors have registry databases to help them manage their extractive industry licensing systems. From these registers, citizens can see which companies have been awarded rights to extract and produce their natural resources. Information in these registers include the name of the company holding the licence, the duration of the licence and the coordinates of the licensed area.

An accurate registry system can encourage investment, clarify property rights and help to avoid conflicts over the ownership and location of blocks. The TTEITI Secretariat collaborated with the MEEI to update the oil and gas licence registers. This register is being vetted by the MEEI and will be available on the MEEI's official website by the third quarter of 2018. The mining register on the MEEI's website is not up-to-date. See the following link to access these registers: http://www.energy.gov.tt/services/license-registers/.

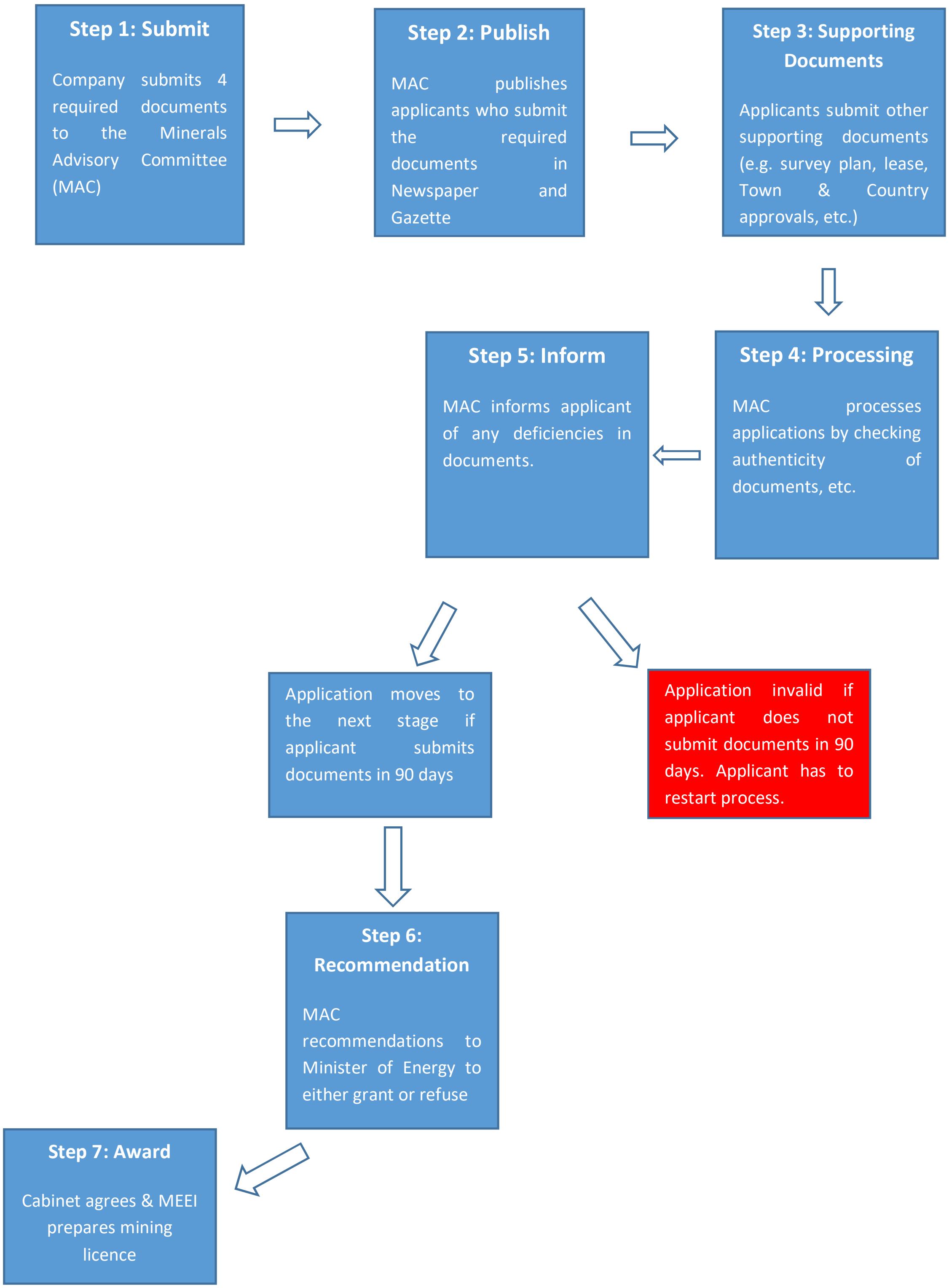
There is further comment in section 2.3.3 of this report.

3.4.3 LICENCE ALLOCATIONS

The Process of Awarding an Oil/Gas Licence



The Process of Awarding a Mining Licence



For more details see: http://www.energy.gov.tt/wp-content/uploads/2013/12/Guidelines-Flow-Chart-Mining-Licence.pdf

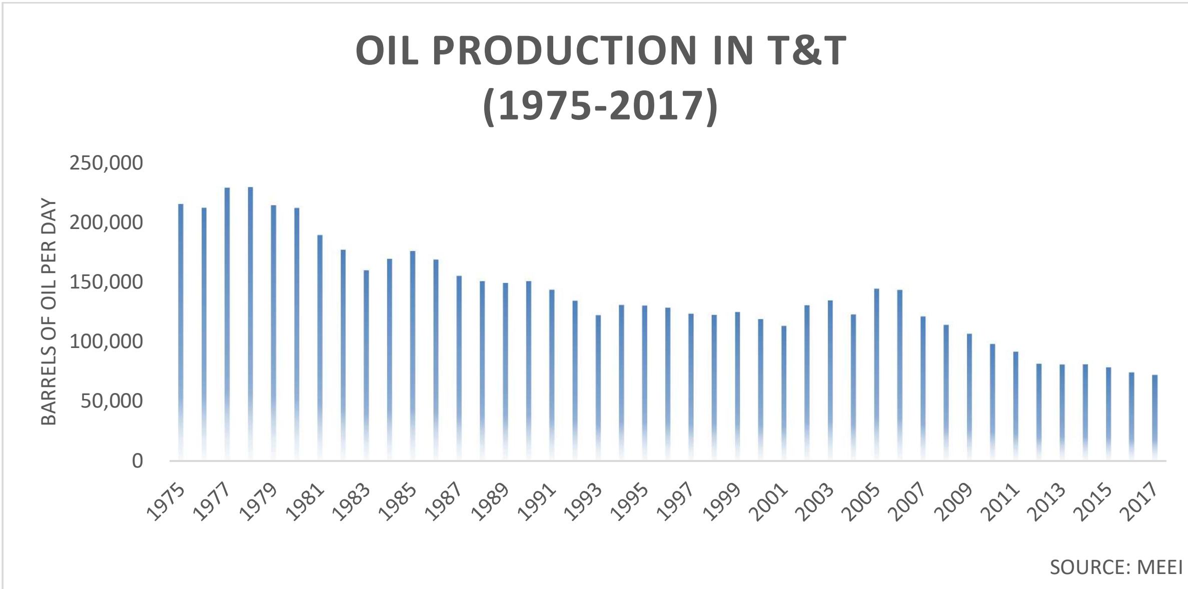
New Exploration Wells Drilled 2014-Oct 2017			
2014	2015	2016	Jan- Oct 2017
Parex, Cory Morua Block, Apr 14 (1 well)	EOG Oilbird, Jan 15 (1 well)	BHP, Trinidad 3A & Block 5, May 16 (2 wells)	BPTT East Mayaro, Mar 17 (1 well)
Repsol, Teak, Apr 14 (1 well)	AOL Moruga North, Mar 15, 1 well	BHP, Block 23 A, Aug 16 (2 wells)	EOGUA, Osprey, Jul 17 (2 well)
Repsol, Teak, May 14 (1 well)	BGTTL Block 5C, Apr 15, (1well)	BPTT, East Mayaro, Dec 16 (1 well)	
PTRIN FO (JOGL), Erin, Jun14 (1well)	Parex, Cory Moruga Block, Jun 15 (1 well)		
	EOG, Parula, Jun15, 1 well		
	BGTTL Block 5D, Sep 15, (1well)		
4	6	5	3

3.5 PRODUCTION

Oil Production Remains Low

Both onshore and offshore oil production have remained low and will continue to decline unless successful efforts are made to reverse the trend. Average crude and condensate[10] production moved from a peak of *230,000 barrels of oil per day (bopd) in 1978* to an annual average of *71,000 bopd in 2016*. Crude oil and condensate production improved slightly in 2017 when it averaged 71,824 *bopd* (Ministry of Energy and the Economy, Consolidated Monthly Bulletins). This natural decline is largely because T&T's oilfields have matured significantly overtime since its first well was drilled over 100 years.

[10] The liquids produced with gas are referred to as condensates. For the purposes of accounting for liquids production, total oil production is measured by the combined output of both crude oil and condensates. Therefore, total oil production = crude oil production + condensate production.

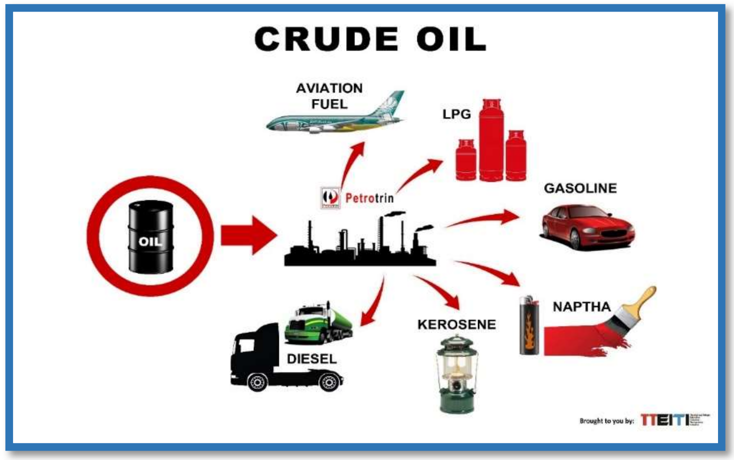


When crude oil production figures are separated from that of condensate production, the decline in oil production is even more evident.

How to Increase Oil Production?

PETROLEUM PRODUCTS

Petrotrin processes crude oil at its Pointe-a-Pierre refinery to make petroleum products such as naphtha, diesel, cooking gas (LPG), kerosene, aviation fuel oil and gasoline. These products are sold on the local, regional and international markets.



Roughly 80% of its petroleum products are exported, mainly to North America, South America, Central America, Europe and the Caribbean, and 19% is sold to the local market.

While Petrotrin is the country's largest oil producer, it does not produce sufficient oil to match its refinery capacity of 120 bopd. Therefore, it imports oil from countries such as Gabon, Brazil, Colombia, Russia and Norway. Petrotrin's annual imports of crude oil have increased from approximately 30 million barrels in 2012 to 37 million barrels in 2016. In 2017, the company imported 32 million barrels of oil (MEEI, Consolidated Bulletins).

Petrotrin's challenges of debt financing, its aged infrastructure and management and manpower issues are well-publicized. This has led to a range of problems for this roughly 100-year old refinery, such as inefficiencies, refinery losses, plant downtime and periodic oil spills.

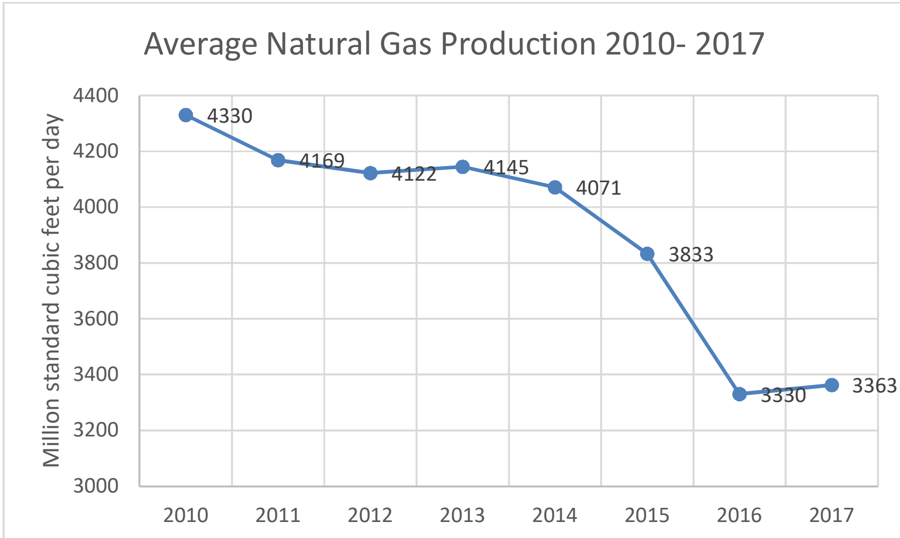
The Government appointed Petrotrin Review Committee (2017) assessed the company's operations and developed a Report, which includes recommendations to reform the State-owned company. The Cabinet's Energy Subcommittee reviewed the Report in June 2017. The Government has since reconstituted the Board of Directors and announced that the company will be restructured. The Report of the Review Committee is not in the public domain.

NATURAL GAS PRODUCTION

Currently T&T is not producing enough natural gas to meet the demand from Atlantic LNG, petrochemical plants on the Point Lisas Industrial Estate and Power Generation Plants. Since 2010, natural gas production has followed a general downward trend, decreasing by an average of 4,330 million standard cubic feet of gas per day (mmscf/d)[11] in 2010 to 3330 mmscf/d in 2016. By 2017, production increased marginally to an average of 3363 mmscf/d.

The shortage of natural gas supplies is due largely to maturing/ aged gas fields, to maintenance work by the major gas suppliers (which disrupts supply) and to insufficient investment in new exploration and production programmes. Additionally, the loss of the expected gas supplies from BGTT's (now Shell) unsuccessful Starfish development programme also contributed. Shell plans to revive this project in the near term.

[11] mmscf/d or million standard cubic feet per day, is a unit of measurement used for natural gas.



Plans are now in place to boost gas exploration activity to reduce the current gas deficit.

Table 2: Natural Gas Projects on the horizon

Company	Details
BPTT (Juniper)	Currently producing with peak production of 590 mmscf/din 2018.
BPTT & EOG Resources (Joint Venture)	Sercan platform on stream in April 2017. Peak production 275 mmscf/d
BPTT (Trinidad Onshore Compression/ TROC Project)	Install compressor to decrease pipeline pressure at Atlantic to allow gas to flow easily. Expected to add 200 mmscf/d
BPTT (Angelin)	Expected to supply 500 mmscf/d First gas expected by first quarter 2019.
BPTT (Savannah and Macadamia)	Gas discoveries with a potential of 2 trillion cubic feet.
BHP Billiton (TTDAA 5and TTDAA 14)	Exploration drilling planned in two wells for the second quarter of 2018 in TTDAA 5 and one well in TDAA 14.
De Novo Energy Limited	First gas to be produced from Iguana field by Q2 2018.
Lease Operators Limited	Two exploration wells to be drilled in Rio Claro onshore block in 2018.

Shell	Two (2) rigs to start development drilling from early 2018 with exploration drilling planned to begin from late 2019 targeting ullage in existing facilities.
Shell (Ocean Bottom Node Seismic)	To obtain seismic images of the subsurface in late 2017 -18. These data will highlight potential gas exploration targets.
Shell (Starfish)	Drilling in Starfish commences early 2018.

THE USERS OF NATURAL GAS IN T&T 2017

Chart Title: The Percentage of Natural Gas Used by Industries 2017

LNG	**54%**
Petrochemicals Industry	**33%**
Power Generation	**8.0%**
Iron and steel	**1.0%**
<u>Other</u>	
Refining	**2.0%**
Cement Manufacture	**0.4%**
Gas processing	**0.8%**
Small consumers	**0.3%**

Source: MEEI, Consolidated Monthly Bulletin.

LNG Production

Atlantic LNG is the largest purchaser and user of natural gas in Trinidad and Tobago. The company liquefies the natural gas it receives from upstream gas producers in its liquefaction plants (referred to as Trains) and then exports it on tankers to LNG off-takers to their first ports of destination. LNG off-takers are companies that are contracted to take ownership of Atlantic's cargoes. They sell Atlantic's cargoes to final buyers. South America, North America and the Caribbean are the company's largest export destinations – representing 46%, 19.7% and 13.3% respectively of total shipments. Smaller LNG cargoes dock in Europe, the Middle East and Asia (MEEI).

Atlantic's Liquefaction Trains				
	Train 1	**Train 2**	**Train 3**	**Train 4**
Shareholders	Shell 46% BPTT 34% NGC 10% China Inv. Corp 10%	Shell 57.5% BPTT 42.5%	Shell 57.5% BPTT 42.5%	Shell 51.1% BPTT 37.8% NGC 11.1%
Gas supply	BPTT (100%)	NCMA 50% BPTT 50%	BPTT 75% ECMA 16% NCMA 9%	BPTT 67% ECMA 19% NCMA 5% CB 5% EOG 3%
LNG Purchasers/ Off-takers	Engie 60% Gas Natural 40%	Shell 20% Engie 11% Gas Natural 21% PFLE* 48% BPTT (excess volumes)	Shell 48% Other partners 52% BPTT (excess volumes)	BPTP 37.8% SLNG 22.2% TTLNG 11.1% SGSTL 28.9%
PFLE: Point Fortin LNG Exports NCMA: North Coast Marine Area ECMA: East Coat Marine Area CB: Central Block BPTP: BP Trinidad Processing SLNG: Shell LNG SGSTL: Shell Gas Supply Trinidad Limited TTLNG: NGC Subsidiary Source: MEEI, 2017				

LNG Production Continues to Decrease Due to Shortages in Natural Gas Production.

LNG Production

2014 723,018,549 MMBtu

2015 646,869,679 MMBtu

2016 551,917,619 MMBtu

2017 565,502,280 MMBtu

Source: MEEI, Monthly Consolidated Bulletins, Various Years

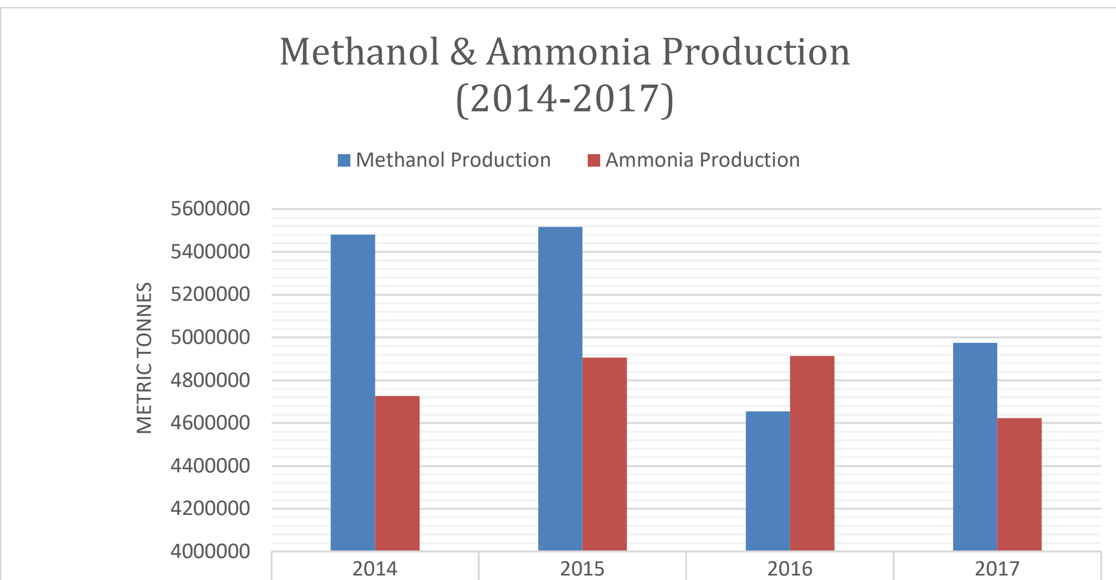
In 2018, the gas supply agreement for Atlantic Train 1 is due for renewal. As a stakeholder, this provides the Government with the opportunity to resolve issues of concern that affect T&T's share of the revenues earned from the sale of LNG etc. See *Section 3.3: Legal Framework, Contracts and Licences* for more information on how this issue of commodity pricing relates to State Owned Enterprises in the extractive Sector.

Petrochemical Production

Petrochemical products such as ammonia and methanol are derived from natural gas and are used to produce lubricants, fertilizers, pharmaceuticals, paints, etc.

The shortage of natural gas supplies has affected the production of these derivatives. For example, data from the Ministry of Energy's Consolidated Monthly Bulletins show that methanol production declined by 16% between 2015 and 2016 and for six (6) months of 2016 and the TTMC1 plant did not produce any methanol. Production decreased from **5,515,878** metric tonnes (MT) to **4,655,029** MT over the period. Although production increased marginally, in 2017 to **4,974,911 MT,** Methanol Holdings Trinidad Limited took the decision to close its M1 and M2 plants in 2017 given the poor gas supply situation.

Despite the persistent problem of gas shortages, ammonia production reached its highest in 2016 (**4,914,322 MT**) since 2014. The data shows that ammonia plants generally use more natural gas than methanol plants, even before the closure of the M1 and M2 methanol plants. This may partly explain why ammonia production is higher than methanol production. However, from January to November 2017, ammonia producers may have begun to feel the effects of the gas shortage, registering production lows of **4,623,524** MT.



	2014	2015	2016	2017
Methanol Production	5481382	5515878	4655029	4974911
Ammonia Production	4727205	4905320	4914322	4623524

Source: MEEI, Consolidated Monthly Bulletin, Various Years

Power Generation

Roughly eight percent (8%) of gas supplies is used to generate power in T&T. Trinity Power, Powergen and Trinidad Generation Unlimited are the three independent power producers in Trinidad. T&TEC also owns and operates two power plants in Tobago – one in Scarborough plant and at the other at Cove Eco-Industrial and Business Park Facility to meet Tobago's electricity needs.

The Government is planning to revise electricity rates in 2018 because it cannot afford to maintain the high cost of subsidized electricity given the current depressed economic climate. Trinidad and Tobago has the lowest cost of electricity in the Caribbean, which costs the Government TT$ 419.3 million to subsidize (MOF, Draft Estimates of Expenditure 2018). In addition, data from the World Bank's database of World Development Indicators shows that between 2000 and 2014, electricity consumption per person grew at an average rate of 7%, from approximately 3,991 kilowatts per hour (kWh) per capita to 7,134 kWh.

Table 3: Cost of Electricity in Select Caribbean Countries (use map of the different countries and attach the various costs for the graphic)

Country	Electricity Price USD $ for each kWh	Electricity Price TT$ for each kWh *
T&T	**0.05**	**.336**
Dominican Republic	0.2	1.34
Bahamas	0.26	1.75
Barbados	0.32	2.15
Jamaica	0.36	2.42
Antigua & Barbuda	0.43	2.89

Source: Energy Chamber 2016

Renewable Energy and Power Generation in T&T

The world is increasingly producing electricity from the sun, water, wind and organic materials. In 2016, 24% of the global power output was derived from renewable energy (IEA, 2016)[12] and the cost of adopting these technologies has been decreasing.

Yet, low domestic and commercial electricity rates in T&T act as a disincentive for households and businesses to adopt these technologies. Nevertheless, households may seek to invest in them (e.g. solar panels) in light of the Government's planned increase in electricity rates and given the decreasing cost of adopting these technologies.

[12] International Energy Agency, Medium-Term Renewable Energy Market Report, 2016.

If T&T adopted these technologies to generate power, households and businesses may be less affected by higher electricity rates. In addition, the use of renewable energy may provide an avenue for the country to generate additional revenue by 1) exporting the unused/ displaced gas 2) freeing up more gas for supplying downstream plants that need it. Atlantic is currently operating below full capacity and has the infrastructure needed to accommodate additional gas supplies. There are also potential markets with willing buyers for Atlantic to sell the displaced gas.

A major barrier to renewable energy development in T&T is the lack of a supporting legal and regulatory framework for renewable energy power generation / grid integration. Grid integration will allow T&TEC to allow access of power from renewable sources into its grid. The MEEI is engaged in several projects to address this issue, while awaiting legislative change to allow grid interconnection. These projects include:

1. Feed-in Tariff Policy Development

The Feed-in Tariff Policy will allow small power producers to sell electricity produced from RE to the T&TEC Grid. The Technical Review Committee has completed all technical review meetings and the final draft is currently under review.

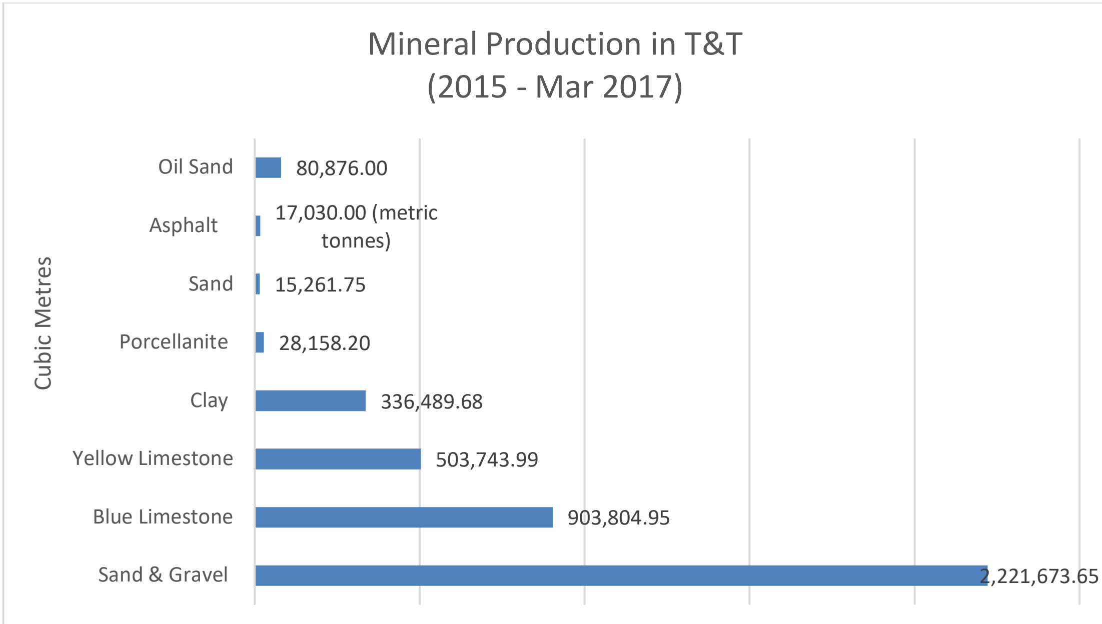
2. Utility Scale Renewable Energy (RE) Projects

Public advertisements requesting Expressions of Interest (EOI) for Utility Scale Renewable Energy (RE) projects were issued with a deadline date of March 8th, 2018. This gives businesses the opportunity to pitch renewable energy projects suitable to T&T. The tender is closed and submissions are awaiting review.

3. Pilot RE and EE in Secondary Schools Project

Phase 2 of this project is set for 2018; however, the Scope has been revised. The revised project (that is the RE & EE Project Disaster Preparedness Project) will aim to equip schools that function as shelters in the event of natural disasters, with Renewable Energy Technology. This will be especially useful in the event of grid failure following natural disasters. The MEEI also has plans to pilot a renewable energy and energy efficiency project in Community Centres and to pilot a Solar Playing Fields Lighting Project.

MINERAL PRODUCTION



Sources: MEEI, Minerals Department.

THE MARKET VALUE OF PRODUCTION

The market value of production gives an idea of how much T&T's commodities are worth to buyers. The market value of production is calculated by multiplying the volume of production by the benchmark price [13]for the specific commodity (e.g. crude oil, natural gas, ammonia, etc.).

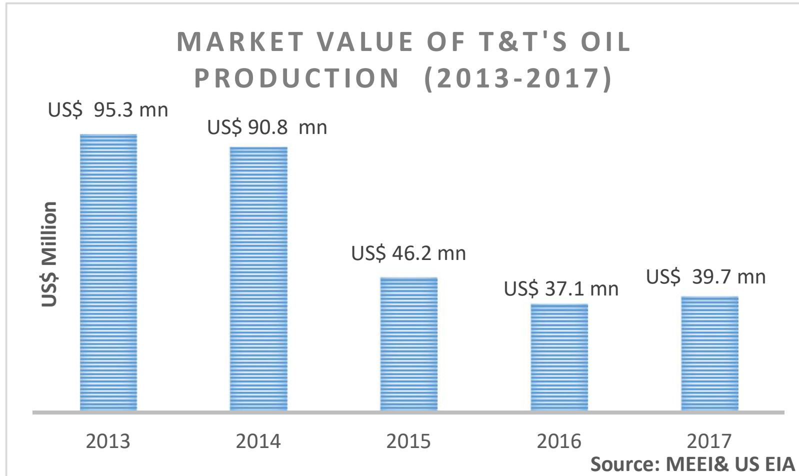
Importantly, these values do not reflect the actual revenue or income that an extractive company retains from the sale of these commodities because companies give the Government a percentage of these receipts (as agreed to in Production Sharing Contracts). *See Section 2: Legal Framework, Contracts and Licences* for more details on Production Sharing Contracts.

The Market Values of T&T's Extractive Production (2016)	
LNG	**US$ 1.43 billion**
Ammonia	US$ 1.1 billion
Methanol	US$ 1.1 billion
Crude Oil	US$ 37.1 million

[13] A benchmark price is the price of a specific commodity that is traded in the international marketplace. Benchmark prices are set by the country or by an organization of producers that consistently export the largest quantity of the commodity. It can also be set in a marketplace (e.g. London Metal Exchanges).

The Market Value of Crude Oil

The market value of crude oil is calculated by multiplying the quantity of monthly oil production by the corresponding monthly West Texas Intermediate price quoted in US dollars per barrel. These monthly values are then added for each month of the year (i.e. January to December) to obtain the total annual market value of production. The data shows the impact of lower global oil prices and lower levels of local production on the market value of crude oil.



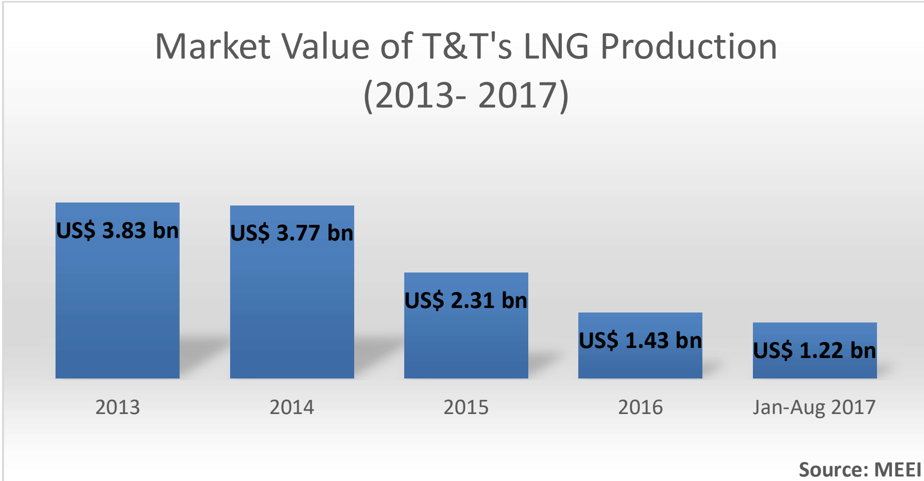
In 2016, T&T's crude oil was worth 61% less on the market compared to what it was worth three years prior. The value of the country's crude oil on the international market was US$ 95.3 million in 2013 after which it fell to US$ US$ 37.1 million in 2016. However, these figures rebounded by 2017, increasing to a market value of roughly US$ 40 million between January and November 2017.

Market Value of Liquefied Natural Gas

The market value of natural gas sold locally is not included in this calculation because of contract confidentiality clauses. However, the market value of **LNG produced** in T&T is calculated by multiplying the volume of monthly LNG production by the corresponding monthly LNG Free on Board (Point Fortin) price quoted in US dollars per metric tonne.[14] These monthly values are then added for each month of the year (i.e. January to December) to obtain the total annual market value of LNG production.

Over the past 5 years, the market value of T&T's LNG production decreased significantly by approximately 68% from US$ 3.83 billion in 2013 to US$ 1.22 billion from January to August 2017.

[14] This Free on Board (FOB) price is the average price of all of the LNG sold for each Atlantic entity/Train, as each Train has its own particular pricing formula.

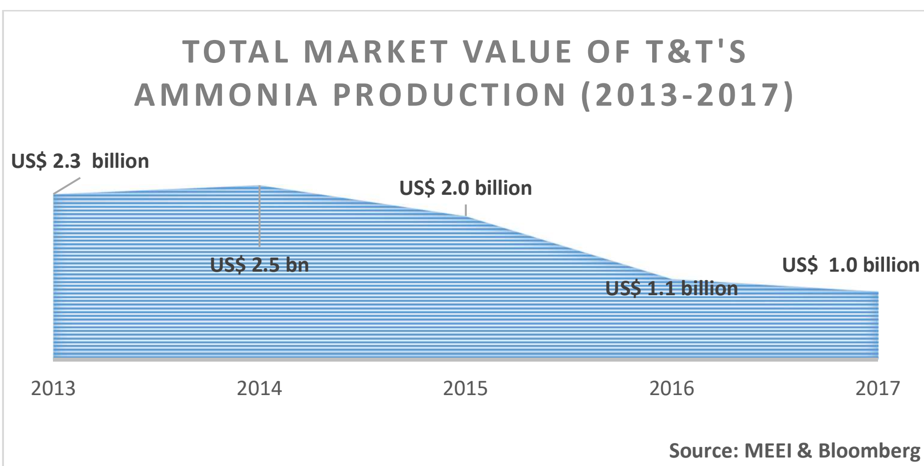


Market Value of Petrochemicals

Ammonia

The market value of ammonia is calculated by multiplying monthly ammonia production by the corresponding monthly Caribbean Ammonia market price per metric tonne, quoted in US dollars. These monthly values are then added for each month of the year (i.e. January to December) to obtain the total annual market value of ammonia production.

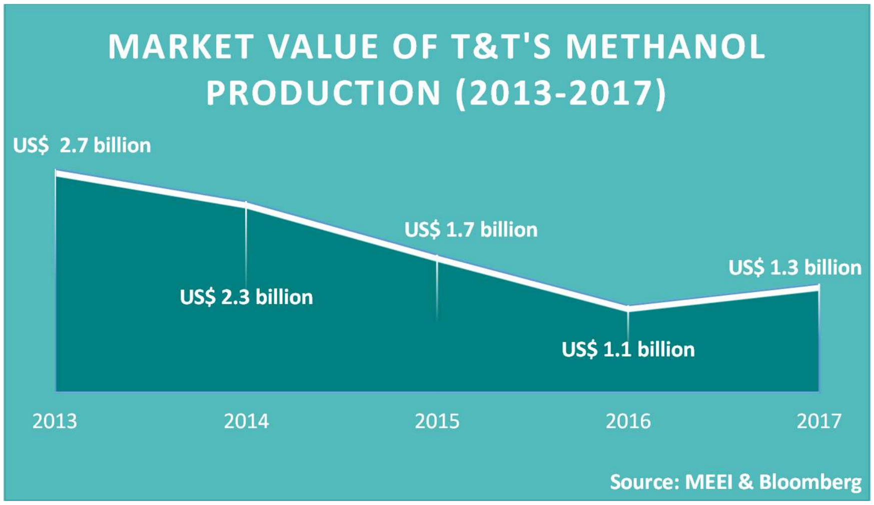
Because of higher prices and production in 2014, the annual market value of ammonia increased marginally by 5% from US$ 2.3 billion in 2013 to US$ 2.5 billion in 2014. However, after 2014 the market value fell consistently until 2017. This consistent decrease reflected the collapse of ammonia prices over the period, which was mainly due to the decline in natural gas prices. Natural gas or crude oil are used as feedstock to manufacture ammonia. As the cost of the feedstock decreased, the cost of manufacturing a metric tonne of ammonia also decreased.



Methanol

The market value of methanol is calculated by multiplying monthly methanol production by the corresponding monthly Methanol Rotterdam price per metric tonne, quoted in US dollars. These monthly values are then added for each month of the year (i.e. January to December) to obtain the total annual market value of methanol production.

The data shows that there was a general decrease in the market value of methanol production between the years 2013 and 2016. This was because of natural gas shortages that affected production levels as well as methanol prices which fell from US$ 482 per metric tonne in 2013 to US$ 230 per metric tonne in 2016.



Market Value of Minerals

It is difficult to determine a single market value of mineral production since there is no benchmark price of minerals sold on the local market. In addition, updated price and production data for Lake Asphalt's products were not available.

3.6 EXPORTS

The decline in the volume and value of T&T's largest export commodities (i.e. oil and gas) has resulted in less export earnings and by extension, foreign exchange shortages in the country. This has affected the T&T's ability to satisfy its demand for foreign products such as pharmaceuticals, foodstuff and manufacturing inputs.

The latest available data from the Central Bank indicates that export earnings from the energy sector declined for three consecutive years from TT$12,491.5 million in 2014 to TT$ 6,430.8 million in 2016 (Central Bank, Draft Annual Economic Survey, 2017). Despite this, 78% of the value of all goods exported from T&T in 2016 were energy commodities.

> "Within energy, natural gas exports experienced the largest decline, falling by an estimated 47.5 % to $967.8 million in 2016. Crude oil exports were lower by an estimated 36.3%. Non-energy exports were also down substantially."
>
> - Central Bank of Trinidad and Tobago, Annual Economic Survey 2016

Export Volumes (2014- 2017)					
	Crude Oil (Barrels)	Petrotrin Refinery Export Sales (Barrels)	LNG (MMBTU)	Ammonia (MT)	Methanol (MT)
2014	11,899,935	29,083,624	717,362,493	4,311,807	5,524,818
2015	11,318,617	34,203,588	646,283,667	4,412,169	5,479,043
2016	10,257,744	4 4,207,485	548,943,161	4,666,373	4,637,343
Jan- Nov 2017	9,211,264	34,127,837	505,531,350	4,163,064	4,568,519

Source: MEEI Consolidated Monthly Bulletins http://www.energy.gov.tt/publications/

OIL & Gas Export Earnings		
2014	2015	2016
83.5% of total export earnings or TT$ 12,491. 5 mil	78.6% of total export earnings or TT$ 8,767.3 mil	78% of total export earnings or TT$ 6,430.8 mil

3.7 REVENUE COLLECTION

The EITI is based on the principle that "a public understanding of Government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development".

– EITI International

Oil, gas and mining companies make tax, royalty and a suite of other payments to the MEEI, the Board of Inland Revenue (BIR) and to the MOF. These payments from the extractive sectors (and those from the non-extractive sectors) go into the Government's Consolidated Fund. [15] Monies are then disbursed to Ministries and Statutory Agencies (e.g. WASA, T&TEC and the Environmental Management Authority) and Local Authorities etc., so that they can provide services to citizens. *Section 3.8: Revenue Allocation* explains in detail how extractive revenues are distributed to citizens.

[15] Some of the money earned from the oil and gas sector goes to the Ministry of Energy and Energy Industries account to defray the administrative costs of the Ministry as well as to pay taxes to the BIR to cover tax obligations and other purposes.

3.7.1 REVENUES COLLECTED FROM THE OIL & GAS SECTOR

The current situation is unlike previous years, when high-energy prices and production levels brought in significant revenues for the country. For example, *in 2008 roughly TT$ 32.4 billion was earned from the oil and gas sectors, compared to energy revenues of TT$ 6.58 billion in 2016 and TT$ 6.53 billion in 2017 (CBTT, Annual Economic Survey, Various Years).* [16] The high energy revenue in 2008 was largely as a result of higher prices of US$ 145 per barrel of oil (WTI) and a natural gas price of US$ 13.00 per MMBtu (Henry Hub). Whereas, in 2017 the comparative prices were US$ 50 and US$ 3.00 per respectively.

It is because of unstable prices and the finite nature of resources that diversifying the economy into other revenue earning sectors is key. Even when oil revenues were high in the past, T&T did not sufficiently invest in non-energy industries (e.g. tourism, food processing and maritime services etc.). As a result, any fall in global energy prices puts the country in a financial bind where in it has to search for alternative sources of revenue. This occurred in 1986 and again in the years 2014 to 2017.

Strategies for effectively managing the use of oil and gas revenues are well-documented. See McGuire, Gregory (2014) Managing the Resource-based Economy in Times of Plenty, (in Boopsingh & McGuire) From Oil to Gas and Beyond, University Press of America.

Table 4

Energy-Based Tax Revenues as a Percent of Total Government Revenues			
	2014	**2015**	**2016**
Petroleum Profits Tax (PPT)	20.5	9.4	2
Supplemental Petroleum Tax (SPT)	8.5	9	0.3
Corporation Tax *(only paid by petrochemical companies & NGC)*	11.3	8.7	6.3
Royalties	4.1	1.9	1.6
Unemployment Levy	2.1	1	0.1
Withholding Tax	1.2	1.4	1.2
Oil Impost	0.2	0.2	0.3
Exercise Duty	0.2	0.2	0.3
Total	**48.1**	**31.8**	**12.1**

A significant fall in energy tax revenues

Source: CBTT, Draft Annual Economic Survey 2016

[16] The 2008 and 2017 revenue figures are unaudited.

3.7.2 REVENUES COLLECTED FROM THE MINING SECTOR

The Government does not receive all of the payments from mining operators that it is entitled to. The White Paper on Minerals Policy 2015 states, "The computation and collection of royalties and other payments due to the State are below acceptable levels and are currently estimated at less than 10% for all revenue from the Sector.

> Between the years 2005-2013, the Government should have gained TT$ 132.3 million in royalty payments, but it only collected TT$ 13.3 million.
>
> -The White Paper on Minerals Policy 2015

Mining companies paid TT$ 5.2 million in royalties to the Government in 2016 and royalty payments are expected to increase in 2017 to TT$ 7.6 million (MOF, Draft Estimates of Revenue 2018).

Royalty Payments from the Mining Sector 2010- 2016	
Year	TT$ Millions
2010	1.65
2011	1.54
2012	1.19
2013	1.39
2014	1.39
2015	4.12
2016	5.22
2017 (revised estimate)	7.58

Source: MOF, Draft Estimates, Various Years.

1.1.1.2 Revenues Collected from State- Owned Enterprises (SOEs)

State owned companies that produce oil and gas are not only required to pay taxes (e.g. SPT, PPT, corporation taxes, etc.) but they also pay dividends.

For the past 5 years NGC was the only SOE to pay dividends to the Government amounting to TT$ 4.1 billion because all of the other SOEs did not earn surpluses to pay dividends.

NGC's Profits & Dividend Payments to the Government

2013	**TT$6.51 billion (profits)**	**TT$ 1.5 billion (dividends)**
2014	TT$ 4.48 billion (profit)	TT$ 4.85 billion (dividends)
2015	TT$ 561 million (profit)	TT$ 5.77 billion (dividends)
2016	TT$ 720.7 million (profit)	TT$ 4.62 billion (dividends)

3.7.2.1 In-kind Revenues from Oil and Gas Companies

The Government is entitled to receive its royalty payment or its PSC share of profits in the form of gas or in cash. Where it decides to receive its entitlement in kind (i.e. as gas), the gas is supplied to NGC, which then pays the Government for the gas supplied. NGC sells this gas to its customers.

Section 4.4 of this report provides more details on these in-kind arrangements.

3.7.3 INFRASTRUCTURE PROVISIONS AND BARTER ARRANGEMENTS

Oil, gas and mining companies sometimes provide the Government with loans, grants or infrastructure works in exchange for oil and gas concessions (e.g. rights to drill in a Block). However, this practice does not occur in T&T. Some state companies may spend on infrastructure work as part of their Corporate Social Responsibility programmes or based on the Government's rural development policy.

3.7.4 TRANSPORTATION REVENUES

State owned enterprises in the extractive sectors earn revenue from transporting oil, gas and minerals. The EITI encourages countries to disclose transportation revenues to the public. In T&T, NGC and Petrotrin transport gas and oil through their pipelines. Petrotrin subcontractors pay a fee to the company to use their storage tanks and pipelines. The transportation revenues obtained from Petrotrin subcontractors (i.e. LOFOS and IPSCS) are used to reduce or defray Petrotrin's operating costs. Petrotrin also charges a processing fee to companies that use its pipelines to transport their crude oil and condensates.

In the case of NGC, the company earns its transportation revenues by charging a cost to other upstream companies that use its pipeline infrastructure to transport gas.

See Section 4.9.5 of this Report for transportation revenues collected by NGC.

3.7.5 SUBNATIONAL PAYMENTS

In other countries such as Peru, Papua New Guinea and Senegal, companies are required to make certain payments (royalties or land levies) directly to local Governments in the areas where they operate. This type of payment is not practised in T&T.

3.8 REVENUE ALLOCATION

Extractive sector revenue collected by the Government is distributed in a number of different ways and involves several different institutions. Transparency in revenue allocations enables citizens to track whether the money from the extractive sector ends up in the national budget or is distributed to other funds or Government entities.

- EITI International

3.8.1.1 The Process of Distributing Extractive Revenues

There is no revenue sharing formula that determines how revenues should be allocated to different priority areas (e.g. health care, security, tourism development, etc.). Generally, the Minister of Finance meets with representatives of stakeholder groups (e.g. Business Associations and Chambers) to gather information on the areas that they deem important for spending for the upcoming fiscal year. [17] The

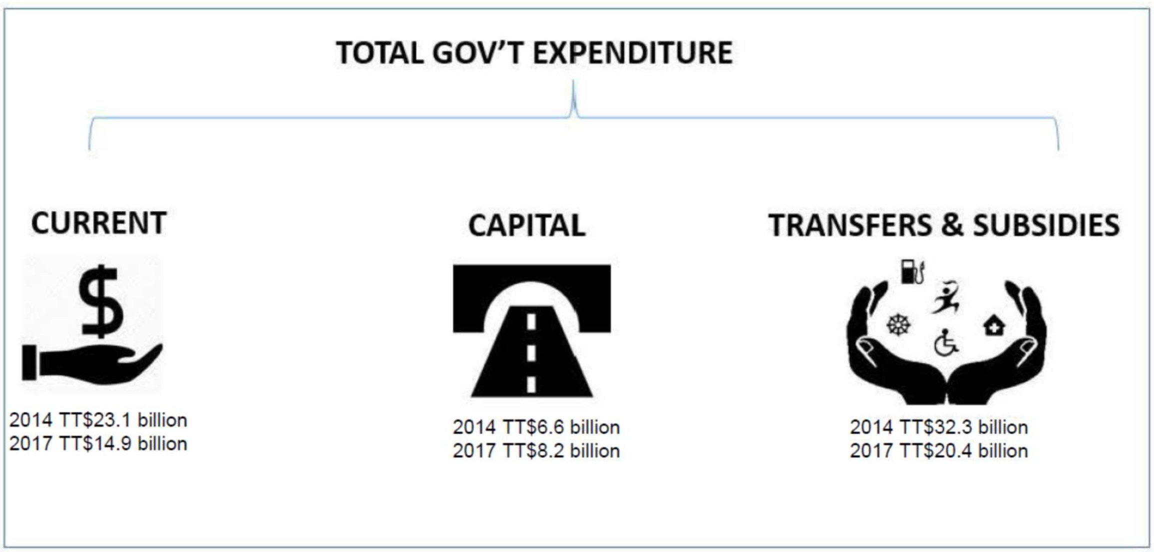
[17] Some Line Ministers also consult with stakeholder groups for input into the budget, which then goes to the Minister of Finance. However, this is an informal process and it is difficult to gauge the extent to which this occurs and the degree to which stakeholder proposals are included in the Budget. Some countries use models

Minister incorporates this information into the National Budget (referred to as the Appropriation Bill) which is submitted to Parliament for approval. Once the Budget is approved, the extractive and non-extractive revenues from the Consolidated Fund are allocated to the various Government Ministries and Statutory Agencies which then provide goods and services for the public.

Focusing on Value-for-Money

As oil and gas revenues continue to decrease, civil society groups often raise questions about the Government's strategy of allocating revenues. Is T&T spending on areas that will yield the highest return or that will best meet the needs of citizens? How are the areas of priority for development and to what extent are spending decisions informed by cost-benefit assessments? These questions suggest that there is a need for both the Government and citizens to collaborate to ensure that the country gets the best value for its extractive revenues spent.

Government Spending Affected by Low Energy Prices and Production.



Note: 2017 figures are revised estimates

Source- Estimates of Revenue 2018, MOF: https://www.finance.gov.tt/wp-content/uploads/2017/10/Numbered-Draft-Estimates-of-Revenue-2018.pdf

for participatory budgeting which gives ordinary citizens the power to prioritize public spending projects and make real decisions about how the money is spent. See: https://www.participatorybudgeting.org/

Corruption and Mismanagement: Keeping a Close Eye on Revenues and Expenditures

There are established legal mechanisms and procedures to minimize corruption and mismanagement of revenues from the Consolidated Fund. The parties involved in this oversight are 1) the Minister of Finance, 2) The Auditor General and 3) the Accounting Officer (appointed by the Treasury) and 4) the Parliament's Joint Select Committees. These mechanisms are detailed in the Accounting Manual prepared by the MOF's Treasury Division, which can be found on the Auditor General's Department webpage. The financial/ audit reports of T&T's Parliament's Public Affairs Committee and Public Accounts (Enterprises) Committee, can also be accessed on the official webpage of the Auditor General's Department.

See:
http://www.auditorgeneral.gov.tt/sites/default/files/Accounting%20Manual%20Comptroller%20of%20Accounts.pdf.

3.8.1.2 Sub National Transfers

Fiscal Decentralization: How Much Financial Autonomy Does Local Government Have?

> Despite legislation, there is still room for corruption and mishandling of funds. However, every year the Auditor General conducts an audit of regional corporations to safeguard and provide some assurance on how monies are being spent.

In some countries, local or regional Governments are given the independence to raise revenue, as well as, make decisions on expenditure within their respective jurisdictions (i.e. Fiscal decentralization or fiscal devolution). Fiscal devolution reduces dependence on the Central Government for money and it ensures that local authorities have the freedom to improve services through better local coordination.

In T&T, the Central Government exercises control over budget revenue and allocation. Local or regional corporations control their allotted budget and oversee sub-regional issues such as infrastructure construction and maintenance, waste management, etc. The Tobago House of Assembly (THA) has greater autonomy than Local and Regional Corporations in Trinidad.

The Municipal Corporation Act specifies how Councillors should spend funds and the powers that Regional Corporations have to collect specific fees and pay salaries. The Act also details the audit requirements for Regional Corporations.

The Government is currently considering Local Government Reform including greater autonomy for Tobago by giving enhanced powers to the THA.

For the Municipal Corporations Act see:

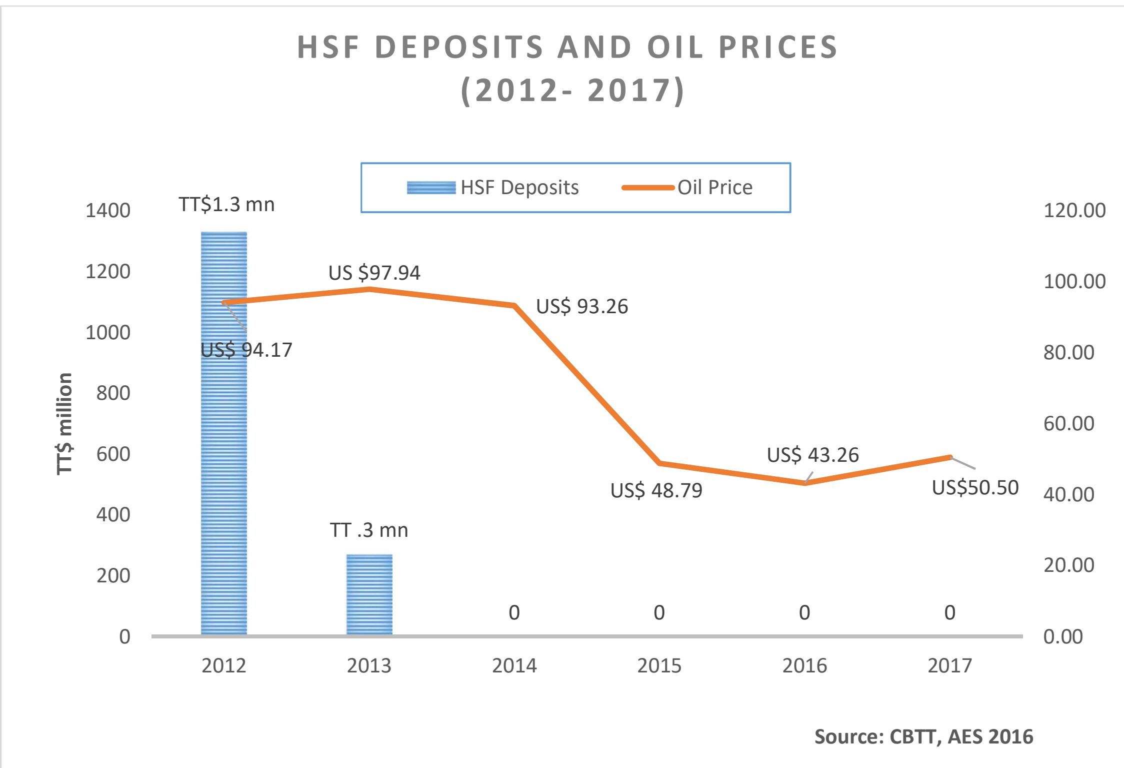
http://www.ttparliament.org/legislations/a2013-13.pdf

3.8.2 THE HERITAGE AND STABILIZATION FUND: SAVING FOR RAINY DAYS AND FOR THE FUTURE GENERATIONS

Some petroleum revenues are deposited into the Heritage and Stabilization Fund (HSF) to provide a cushion for the Government in the event that there is a significant decrease in energy revenues (caused by a fall in oil prices and or production). It also provides savings for future generations.

Petroleum revenues are placed in the HSF in each quarter of the financial year *IF the* revenues for that quarter exceed budgeted revenues by more than 10%. Some of the funds are then invested in various US and non-US assets which generated a return of 2.61 per cent during the third quarter of 2017 (Heritage and Stabilization Fund, Quarterly Investment Report 2017). The total net asset value of the Fund as at the end of September 2017 was US$5.7625 billion.

The following chart shows that since 2014, there were no deposits to the HSF because the price of oil continued to decrease.



Importantly, the Government cannot withdraw from and deposit revenues into the Fund as it desires. The Heritage and Stabilization Fund Act (Act No. 6 of 2007) specifies strict rules that define how funds are to be deposited into and withdrawn from the HSF. It should be noted that the drawdowns were allowed based on the HSF rules. For more on these rules see: [https://www.finance.gov.tt/the-heritage-and-stabilisation-fund-act-no-6-of-2007/.](https://www.finance.gov.tt/the-heritage-and-stabilisation-fund-act-no-6-of-2007/)

The HSF is overseen by a Board and is audited by the Auditor General to prevent any financial mismanagement. The HSF was audited in 2015 and 2016.

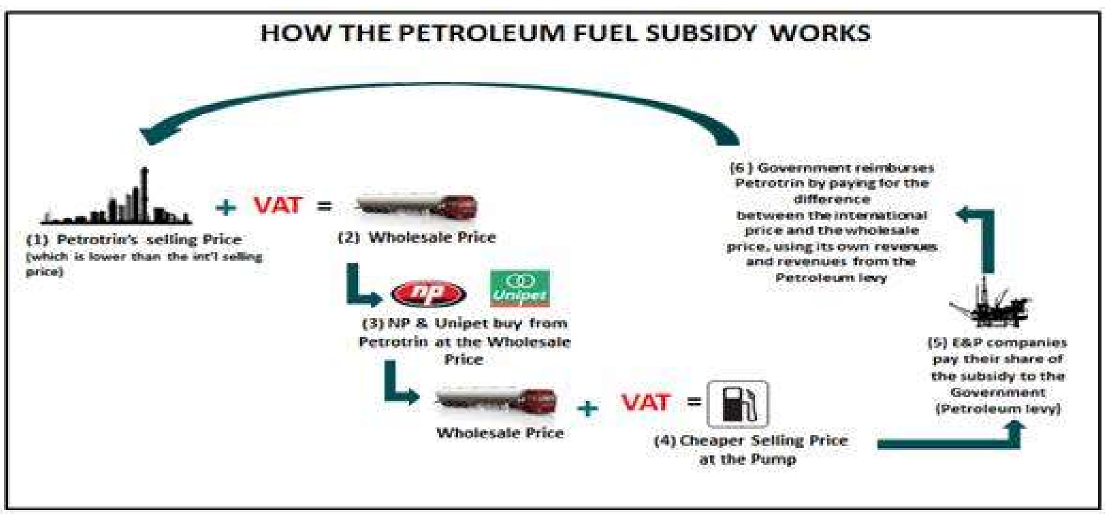
Overview of Heritage Fund transactions

Total value of HSF	US$ 5.7625 billion (as at end September 2017)
Drawdowns	May 2016- US$ 375 million
	March 2017 US$ 252.5 million (used to finance the Budget Deficit (PSIP)

3.8.3 FUEL SUBSIDIES: PAYING LESS AT THE PUMP

The Petroleum Fuel Subsidy was introduced in 1974 as a means of directly sharing oil and gas revenues with citizens and to cushion consumers from high fuel prices. It effectively allows vehicle owners to obtain fuel at prices that are below the current market prices. Both the Government and E&P companies share the burden of the fuel subsidy by paying Petrotrin the difference between the actual selling price and the lower subsidized price.

How Subsidized Fuel Gets to You



In the past, the cost of supplying heavily subsidized motor fuels to citizens when energy prices were high was significant for the Government. Government's subsidy liability has been as high as TT$3.8 billion in 2013(Ministry of Energy and Energy Industries). In September 2016 (end of Fiscal Year 2016), the Government was able to clear off all of its outstanding Government subsidy liabilities as at the end of August 2016, because of low energy prices and the increases in the price of gas since 2015. As at the end of February 2018, the Government's subsidy liability was TT$ 184,043,536.

The Government's thrust is to promote the use of CNG fuels to reduce the cost of fuel to the consumer. NGC intends to invest over TT $271 million over five years to expand the network of CNG fuel stations and to convert over 19,000 vehicles to CNG.

The Subsidy Is Paid By the Government & by E&P Companies

Producing companies pay up to 4% of their gross income towards the subsidy.

Government pays its subsidy liability to NP & UNIPET. If the companies' payments are less than the total subsidy liability, the Gov't makes up the difference.

NP & UNIPET then forwards Government's payments to Petrotrin for the fuels they sell at subsidized prices.

3.9 SOCIAL & ECONOMIC SPENDING

Knowing the importance of a country's oil, gas and mining sectors helps citizens to assess whether the sector is resulting in desirable social and economic outcomes.

- EITI International

The extractive sectors contribute significantly to the social and economic development of T&T. It fuels economic growth, employment, generates needed foreign exchange for the country and it provides money for the Government to pay for public goods and social services.

3.10 SOCIAL EXPENDITURES BY EXTRACTIVE COMPANIES

As part of their Corporate Social Responsibility (CSR), oil and gas companies spend on social programmes aimed at improving the lives of the communities in which they operate. The EITI requires that these payments be disclosed if mandated by the law or by the contract between the Government and the respective company. In T&T, CSR spending is not mandated; however, companies still invest in social programmes.

See Section 4.9.4, for details of extractive company social expenditures.

3.10.1.1 Social Investments by State Owned Enterprises

State enterprises in the energy sectors historically have been major investors in social projects and infrastructure projects. NGC and Petrotrin lead the way in these investments by investing in sports, civic life, culture, environmental protection and even skills training and capacity building.

Between 2012 and 2016, NGC invested TT $193.1 million in social projects and Petrotrin invested TT$ 65.5 million during the same period. However, in fiscal 2016, NGC's social expenditure fell to TT$16.6 million when compared to its spend in 2015 of TT$76.7 million.

See the State Enterprise Investment Programme report, available on the Ministry of Finance's official website for more details on social investments made by SOEs.

For more resources on Social Investments by SOEs, see:

- https://www.finance.gov.tt/wp-content/uploads/2017/10/SEIP-2018-for-web.pdf
- https://ngc.co.tt/corporate-social-responsibility/
- https://www.petrotrin.com/en/Sustainability/CSR.aspx

3.10.2 CONTRIBUTION OF THE EXTRACTIVE SECTOR TO THE ECONOMY

The Extractive Sector's Contribution to the Economy

	2014	2015	2016
Oil & Gas contribution to Gov't revenue.	48.2% of total Gov't Revenue of TT$ 28,111.3 mil	32.6 % of total Gov't Revenue or TT$ 18,660.9 mil	14.8% of total Gov't Revenue or TT$ 6,644.4 mil
Oil & Gas contribution to economic growth (Energy GDP)	34.2 % of total GDP or TT$34 mil	24.8% of total GDP or TT$ 32.6 mil	18.8% total GDP or TT$29.5 mil
Oil & Gas export earnings	83.5% of total export earnings or TT$ 12,491. 5 mil	78.6% of total export earnings or TT$8,767.3 mil	78% of total export earnings or TT$ 6,430.8 mil
Mining Sector Revenues	4.12 million	5.22 million	7.58 million
Oil & Gas contribution to total employment	3.3% 21,300	3.3% 20,500	3% 18,400

	2014	2015	2016
Heritage and Stabilization Fund (Petroleum Savings)	US$5.5 billion (as at September 2014)	US$5.7billion (as at September 2015)	US$ 5.6 billion (as at September 2016)
SOE investment in Corporate Social Responsibility (NGC& Petrotrin)	TT$ 88.45 million	TT$ 130 million	TT$ 30.4 million

Source: Central Bank of Trinidad and Tobago, Draft Annual Economic Survey 2017, Ministry of Finance, Draft Estimates, Various Years.

4 OIL AND GAS SECTOR

4.1 INTRODUCTION

4.1.1 BID ROUNDS

There were no new areas offered or awarded during Fiscal 2016.

4.1.2 PARTICIPATION

Three government entities and 41 companies (of which four were SOEs) participated in the reconciliation and reported the financial and non-financial flows between companies and government as determined by the TTEITI Steering Committee.

The participating entities and flows are detailed in section 6.1; the basis of selection is described in section 7.1.

4.1.3 ADDITIONAL FINANCIAL AND OTHER DATA REPORTED

In addition to the reconciliation of material financial flows between oil and gas companies and government, we report on:

- payments declared by PSC operators on behalf of PSC participants (section 4.3)
- the sale of the State's share of production or other revenues collected in-kind (section 4.4)
- gas sale agreements and the treatment of government profit oil/gas and the production entitlement of the SOEs (section 4.4.2)
- oil and gas production (section 4.5)
- TTEITI Beneficial Ownership Registry (section 4.7)
- monitoring by MEEI of amounts due and paid from PSCs (section 4.8.1)
- amounts due and paid by MEEI from profit share to MOF-IRD to settle taxes due from PSC parties (section 4.8.2)
- escrow accounts (section 4.8.3)
- the coverage of social expenditures, infrastructure provisions and barter arrangements (section 4.8.4)
- the coverage of transportation revenues (section 4.8.5)
- whether the participating companies and government entities had their financial statements audited in the financial year covered by the EITI Report; and how to access audited financial statements of reporting entities, where these are publicly available (section 4.8.7 and Appendix 9.5)
- profit share due to Government for the Reporting Period (section 4.8.2.2)

4.2 RESULTS OF THE RECONCILIATION

A summary of the results of the 2015-16 reconciliation is set out in Tables 4.2 (following). Detailed schedules are included at Appendix 9.4.

	Reported by government			Reported by company				Analysis of reconciling items		
Company	Original	Adjustments	Adjusted total per Government	Original	Adjustments	Adjusted total per Company	Reconciling items	Foreign exchange differences	Timing differences	Non reporting entity
	TT$	TT$	TT$	TT$	TT$	TT$	TT$	TT$	TT$	TT$
Amoco Trinidad Gas BV Trinidad Branch	52,665,730	(28,365,121)	24,300,609	24,288,320	-	24,288,320	12,289	12,289		
BP Trinidad and Tobago LLC Trinidad Branch	404,878,768	32,299,109	437,177,877	437,177,877	-	437,177,877	0			
BP Trinidad Processing Limited	23,388,841	-	23,388,841	23,388,841	-	23,388,841	0			
BP Group	**480,933,339**	**3,933,988**	**484,867,327**	**484,855,038**	**-**	**484,855,038**	**12,289**	**12,289**	**-**	**-**
BG International Limited	40,809,828	-	40,809,828	38,645,161	877,546	39,522,707	1,287,121		1,287,121	
BG Trinidad and Tobago Limited	316,448,357	-	316,448,357	307,544,616	781,770	308,326,386	8,121,971	11	8,121,960	
BG Trinidad Central Block Limited	27,835,054	-	27,835,054	27,835,054	-	27,835,054	0			
Point Fortin LNG Exports Limited	-	-	-	10,727,716	-	10,727,716	-10,727,716			-10,727,716
Shell Group	**385,093,239**	**-**	**385,093,239**	**384,752,547**	**1,659,316**	**386,411,863**	**(1,318,624)**	**11**	**9,409,081**	**(10,727,716)**
BHP Billiton (Trinidad-2c) Limited	250,683,252	56,236,703	306,919,955	309,248,129	(2,328,174)	306,919,955	-0	0	0	0
BHP Billiton (3A) Limited	9,764,115	-	9,764,115	9,764,115	-	9,764,115	0	0	0	0
BHP Billiton Petroleum (Trinidad Block 14) Limited	9,651,999	1,255,329	10,907,328	9,768,570	-	9,768,570	1,138,758	30,434	1,108,324	0
BHP Billiton Petroleum (Trinidad Block 23A) Limited	17,134,179	3,268,944	20,403,123	17,475,810	-	17,475,810	2,927,313	41,178	2,886,135	0
BHP Billiton Petroleum (Trinidad Block 23B) Limited	15,252,082	2,951,856	18,203,938	15,581,954	-	15,581,954	2,621,984	34,672	2,587,312	0
BHP Billiton (Trinidad Block 28) Limited	9,175,124	1,192,770	10,367,894	9,325,287	-	9,325,287	1,042,607	-5,111	1,047,718	0
BHP Billiton (Trinidad Block 29) Limited	9,112,875	1,176,183	10,289,058	9,262,282	-	9,262,282	1,026,776	-6,373	1,033,149	0
BHP Billiton Petroleum (Trinidad Block 3) Limited	8,829,060	1,226,521	10,055,581	8,951,444	-	8,951,444	1,104,137	30,963	1,073,174	0
BHP Billiton (Trinidad Block 5) Limited	9,518,857	1,286,094	10,804,951	9,679,771	-	9,679,771	1,125,180	-4,513	1,129,693	0
BHP Billiton (Trinidad Block 6) Limited	9,094,617	1,170,913	10,265,530	9,242,262	-	9,242,262	1,023,268	-5,251	1,028,519	0
BHP Billiton Petroleum (Trinidad Block 7) Limited	8,414,640	1,115,443	9,530,083	8,523,782	-	8,523,782	1,006,301	30,318	975,983	0
BHP Group	**356,630,800**	**70,880,756**	**427,511,556**	**416,823,406**	**(2,328,174)**	**414,495,232**	**13,016,324**	**146,317**	**12,870,007**	**-**
Centrica (Horne & Wren) (BLK1a)	2,016,746	-	2,016,746	2,027,961	-	2,027,961	-11,215	-11,215	0	0
Centrica North Sea Gas Ltd- (BLK1B)	8,217,485	-	8,217,485	8,260,569	-	8,260,569	-43,084	-43,084	0	0
Centrica North Sea Oil Ltd (NCMA4)	7,073,295	-	7,073,295	7,065,385	-	7,065,385	7,910	7,910	0	0
Centrica Resources Ltd (BLK22)	7,838,954	-	7,838,954	7,805,642	-	7,805,642	33,312	33,312	0	0
Centrica Group	**25,146,480**	**-**	**25,146,480**	**25,159,557**	**-**	**25,159,557**	**(13,077)**	**(13,077)**	**-**	**-**
De Novo Block 1A Limited	**5,484,807**	**-**	**5,484,807**	**5,462,218**	**-**	**5,462,218**	**22,589**	**22,589**	**-**	**-**
EOG Resources Trinidad 4(A) Unlimited	339,682,228	1,685,661	341,367,889	340,398,532	-	340,398,532	969,357	969,357	0	0
EOG Resources Trinidad Limited	469,867,674	-	469,867,674	469,462,091	0	469,462,091	405,583	405,583	0	0
EOG Resources Trinidad- U(A) Block Limited	515,518,027	-	515,518,027	514,946,394	-	514,946,394	571,633	571,633	0	0
EOG Resources Trinidad U(B) Block Unlimited	27,380,184	-	27,380,184	27,269,175	-	27,269,175	111,009	111,009	0	0
EOG Group	**1,352,448,113**	**1,685,661**	**1,354,133,774**	**1,352,076,192**	**0**	**1,352,076,192**	**2,057,581**	**2,057,581**	**-**	**-**
Lease Operators Limited	**20,310,611**	**-**	**20,310,611**	**20,293,785**	**-**	**20,293,785**	**16,826**	**16,826**	**-**	**-**
The National Gas Company of Trinidad and Tobago (000170033-8)	12,615,470	-	12,615,470	-	-	-	12,615,470	0	0	0
The National Gas Company of Trinidad and Tobago	5,586,603,883	240	5,586,604,123	5,586,502,066	12,124,415	5,598,626,481	-12,022,358	593,112	0	0
NGC Pipeline Company Limited	77,788,354	-	77,788,354	77,788,354	-	77,788,354	0	0	0	0
Trinidad and Tobago LNG Limited	84,891,387	-	84,891,387	84,891,387	-	84,891,387	0	0	0	0
NGC Group	**5,761,899,094**	**240**	**5,761,899,334**	**5,749,181,807**	**12,124,415**	**5,761,306,222**	**593,112**	**593,112**	**-**	**-**
Perenco Trinidad and Tobago Limited	**51,550,455**	**1,064,215**	**52,614,670**	**259,815,390**	**399,417**	**260,214,807**	**(207,600,137)**	**1,704**	**-**	**-**
Repsol E&P T&T Ltd	**207,601,841**	**-**	**207,601,841**	**-**	**-**	**-**	**207,601,841**		**-**	**-**
Primera Oil & Gas Ltd	3,391,356	-	3,391,356	3,390,929	427	3,391,356	0	0	0	0
Optimal Services Limited	29,371	-	29,371	-	29,371	29,371	0	0	0	0
Touchstone Exploration (Trinidad) Ltd	275,873	-	275,873	230,206	45,667	275,873	0	0	0	
Primera Group	**3,696,600**	**-**	**3,696,600**	**3,621,135**	**75,465**	**3,696,600**	**-**	**-**	**-**	**-**
Petroleum Company of Trinidad and Tobago Ltd.	123,098,496	2,063,648	125,162,144	112,977,802	-	112,977,802	12,184,342	323,813	11,860,529	0
Trinidad and Tobago Marine Petroleum Company Limited	738,584	-	738,584	728,980	9,604	738,584	0	0	0	0
Petrotrin Group	**123,837,080**	**2,063,648**	**125,900,728**	**113,706,782**	**9,604**	**113,716,386**	**12,184,342**	**323,813**	**11,860,529**	**-**
Oilbelt Services Ltd	1,664,005	192,845	1,856,850	1,793,086	77,156	1,870,242	-13,392	-13,392	0	0
Ten degrees North Operating Co Ltd	88,365	-	88,365	-	88,365	88,365	0		0	0
Trinity Exploration & Production (Galeota) Limited	8,405,676	(194,387)	8,211,289	7,714,980	571,945	8,286,925	-75,636	-75,636	0	0
Trinity Exploration and Production (Trinidad and Tobago) Limited	16,046	-	16,046	16,046	-	16,046	0	0	0	0
Trinity Exploration Group	**10,174,092**	**(1,542)**	**10,172,550**	**9,524,112**	**737,466**	**10,261,578**	**(89,028)**	**(89,028)**	**-**	**-**
Total	**8,784,806,551**	**79,626,966**	**8,864,433,516**	**8,825,271,969**	**12,677,509**	**8,837,949,478**	**26,484,038**	**3,072,137**	**34,139,617**	**(10,727,716)**

4.3 GAS SALE AGREEMENTS

NGC has reported that it is party to the following gas sales agreements:

1. NGC and BHP Billiton (Trinidad 2C) Limited

- The agreement relates to any gas supplied by BHP Billiton (Trinidad 2C) Limited. The company is the operator of Block 2C.
- BHP Billiton (Trinidad 2C) Limited submits on behalf of Block 2c Joint Venture the amount of gas supplied (which NGC verifies as being received) and the payment due to each party, including MEEI for GoRTT.
- The price payable is set in the sales agreement.
- NGC pays MEEI for the state's share of gas received from BHP Billiton (Trinidad 2C) Limited assets (in accordance with the allocation advised by the Operator in Bullet Point 2 above)

2. NGC and Shell Trinidad and Tobago Limited re ECMA

- This GSC is not specific to a particular PSC but allows for the sale of gas from Shell's East Coast Gas producing fields. (Shell is the operator for [Blocks 6, 5(a) and E)
- Shell notifies NGC of the amount of gas supplied (which NGC verifies as being received) and the payment due to each party based on the PSC allocations, including MEEI for GoRTT.
- The price payable is set in the sales agreement.
- NGC pays MEEI for the state's share of gas received from Shell ECMA PSCs (as per bullet point 2 above).
- The current agreement, which started in 2007, is set to expire in the near term and NGC and Shell are currently in negotiation over the terms of a new GSC.

NGC has also provided separate information on the contract with "EOG" (see later in this section).

3. ***NGC and EOG Resources Trinidad Limited ("EOG Resources")***

- The agreement relates to any gas supplied by EOG Resources (operator of EMZ and SECC)
- EOG Resources notifies NGC of the amount of gas supplied from the blocks it operates and the amount payable under the gas sales contract
- The price payable is set in the sales agreement.
- NGC pays EOG Resources for all the gas supplied.

4. NGC and EOG Resources Trinidad Limited ("EOG Resources")

- The agreement relates to any gas supplied by EOG Resources Trinidad U(b) Block Unlimited ("EOG UB") - operator of Block U(B)
- EOG Resources notifies NGC of the amount of gas supplied from the block it operates and the amount payable under the gas sales contract
- The price payable is set in the sales agreement.
- NGC pays EOG Resources and EOG UB for all the gas supplied.

5. ***NGC and EOG Resources Trinidad-U(A) Block Limited ("EOG UA")***

- The agreement relates to any gas supplied by EOG Resources UA (operator of Block U(A))
- EOG notifies NGC of the amount of gas supplied from the block it operates and the amount payable under the gas sales contract
- The price payable is set in the sales agreement.
- NGC pays EOG UA for all the gas supplied

6. NGC and EOG Resources Trinidad 4(A) Unlimited ("EOG 4A")

- The agreement relates to any gas supplied by EOG 4A (operator of Block 4(A))
- EOG 4A notifies NGC of the amount of gas supplied from the block it operates and the amount payable under the gas sales contract
- The price payable is set in the sales agreement.
- NGC pays EOG 4A for all the gas supplied.

7. NGC and Shell Trinidad Central Block Limited re Central

- The agreement relates to any gas supplied by Shell Trinidad Central Block Limited. The company is the operator of the Central Block.

- Shell Trinidad Central Block Limited notifies NGC of the amount of gas supplied and the payment due to Shell Trinidad Central Block Limited and to Petrotrin.
- The price payable is set in the sales agreement.
- NGC pays Petrotrin for its share of the gas (as per bullet point 2 above).
- The current agreement, is a short-term agreement for the supply of volumes when available.

8. NGC and BP Trinidad and Tobago LLC Trinidad branch – gas sales

- The agreement for gas supplied is not specific to a particular E&P contract.
- NGC pays BP Trinidad and Tobago LLC Trinidad branch for gas supplied under the sales agreement at the gas price rates set out in the agreement
- A new agreement was signed in May 2017,

9. Others

NGC is currently negotiating a sales agreement with De Novo, in advance of gas production expected in the fourth quarter of 2018.

10. Minimum supply provisions

Further information is given in the NGC Annual Report (Note 49, page 117):-

49. Commitment contracts

Purchases

The Group purchases natural gas through US dollar denominated long-term 'take-or-pay' contracts from various upstream producers with terms varying from fifteen (15) to twenty-three (23) years. Under these long-term take-or-pay contracts, the Group is obliged to take or if not taken, pay for said natural gas up to the contracted take-or-pay volume at the current price. The prices on certain tranches of gas of these contracts are linked to the commodity prices of ammonia and methanol subject to a floor price that escalates annually.

In prior years, the Group committed to purchase additional volumes of natural gas for several new projects that have not materialised as forecast. For 2016, the Group had no take-or-pay liability.

NGC reported volumes of gas purchased under these agreements during the 2015-16 fiscal year as follows:-

		Quantity purchased			Date contract effective		
Party from whom gas purchased	Producing block	mcf	Party/parties to the contract (NGC and xxx)	Date contract signed	From	To	Payments made by NGC to? (block operator name or detail if more than one)
BHP Billiton (Trinidad 2C) Ltd	Block 2C	85,620,409	Gas Sales Contract by and among BHP Billiton (Trinidad - 2C) Limited., Total E&P Trinidad B.V., Talisman (Trinidad) Ltd. And The Minister of Energy & Energy Industries and The National Gas Company of Trinidad and Tobago Limited	24th July, 2008	24th July, 2008	22nd April 2021	BHP Billiton (Trinidad 2C) Ltd; Chaoyang Petroleum (Trinidad) Block 2C Limited; Minister of Energy and Energy Affairs; NGC E&P Investments (Netherlands) B.V.
BP Trinidad & Tobago LLC		212,915,378	Gas Sales Contract Between The National Gas Company of Trinidad and Tobago Limited and BP Trinidad and Tobago LLC	21st December, 2000	1st January 2000	1st January 2019	BP Trinidad & Tobago LLC
EOG Resources Trinidad Ltd.		51,867,859	Amended and Restated Contract for the Sale and Purchase of Natural Gas By and Between EOG Resources Trinidad Limited and The National Gas Company of Trinidad and Tobago Limited	27th January 2005	1st January 2004	31st December 2018	EOG Resources Trinidad Ltd.
EOG Resources Trinidad U(b) Block Unlimited.		43,276,977	Contract for the Sale and Purchase of Natural Gas By and Between EOG Resources Trinidad Limited and The National Gas Company of Trinidad and Tobago Limited	23rd January, 2004	23rd January, 2004	23rd January, 2019	EOG Resources Trinidad Ltd.; EOG Resources Trinidad U(b) Block Unlimited.
EOG Resources Trinidad Block 4(a) Unlimited.		39,305,259	Contract for the Sale and Purchase of Natural Gas by and between EOG Resources Trinidad Block 4(a) Unlimited and and The National Gas Company of Trinidad and Tobago Limited	1st June, 2007	1st June, 2007	2nd June, 2022	EOG Resources Trinidad Block 4(a) Unlimited.
EOG Resources Trinidad - U(a) Block Ltd.		40,736,058	Gas Sales Contract between between EOG Resources Trinidad, EOG Resources Trinidad -U(a) Block Limited and and The National Gas Company of Trinidad and Tobago Limited	11th March, 2002	11th March, 2002	11th March, 2022	EOG Resources Trinidad - U(a) Block Ltd.
Shell Trinidad & Tobago Ltd	Block 6; Block 5A; Block E	65,899,906	Incremental Gas Sales Contract among BG Trinidad and Tobago Limited and Chevron Trinidad and Tobago Resources SRL as Sellers and The National Gas Company of Trinidad and Tobago Limited as Buyer pertaining to The Sale of Gas for use in The domestic market of the Republic of Trinidad and Tobago	18th May 2007	18th May 2007	31st December 2019	Shell Trinidad & Tobago Ltd; Chevron Resources SRL; Ministry of Energy & Energy Affairs
Shell Trinidad Central Block Ltd		6,414,271	Binding Term Sheet for the Sale of Central Block Gas to The National Gas Company of Trinidad and Tobago Limited	4th February, 2017	4th February, 2017	31st December 2018	Shell Trinidad Central Block Ltd; Petroleum Company of Trinidad and Tobago Ltd
Total purchases in year		546,036,117					

NGC has stated separately that “The EOG contract that was agreed in 2017, is a ‘collective’ agreement of sorts that contracts a total supply from EOG rather than designated quantities from each field/development”.

The volumes of government gas reported by NGC, and the payment arrangements, were reported by NGC (see section 4.2). NGC has not confirmed that these volumes represent all the volumes of government share of gas produced.

4.4 IN KIND FLOWS AND SALE OF STATE’S SHARE OF PRODUCTION

4.4.1 OIL

The TTEITI SC has determined that there are no in kind flows of oil and that sales of the state’s share of oil are settled in cash to the government.

4.4.2 GAS

Under the terms of the PSCs, GoRTT has the option to require settlement of royalty in kind or in cash. MEEI informed us that there were no in kind settlements from PSCs in the reporting period.

Royalty due from an E&P operator was settled by transfer of gas to NGC (see 4.4.2.1 below).

4.4.2.1 Gas volumes

In kind volumes

One company supplies gas to NGC following notification to the company by the Minister that the MEEI elects to take petroleum in kind and that the Minister has authorised NGC to nominate and receive the volumes of natural gas under the provisions of the notification. The 2016 NGC financial statements give details as follows (Note 49, page 118):-

> *For the period November 2005 to December 2010, the Group received "royalty" gas from an upstream supplier. The Group has no economic interest in the "royalty" gas as it is only a transporter of the gas to T&TEC on behalf of the GORTT. As there is no "royalty" gas agreement between GORTT and the upstream supplier, invoices were issued by the upstream supplier to the Group and invoices were issued by the Group to T&TEC for the royalty gas delivered. The expense and income relating to the royalty gas received and sold for the above period were not recognised in the financial statements as the Group did not obtain any economic benefit from this arrangement.*
>
> *Effective October 2012, The Group has agreed to purchase the royalty gas from the Ministry of Energy and Energy Affairs. As at the approval date of these financial statements the terms and conditions of the purchase have not been finalised.*

The flow between this company and MEEI is in kind but as stated, the arrangement between NGC and MEEI for monetisation of the gas supplied has not been finalised. A copy of the notification was provided to the Administrator by the company. NGC has supplied details of the volumes of gas received from this company.

The company has reported in kind volumes supplied in the period; these were supplied to NGC.

NGC has not reported any in kind volumes received or handled on behalf of the government, citing confidentiality.

MEEI has not reported any in kind volumes received for the period covered by the report.

Share of production (1)

Two PSC operators deliver to NGC the government's share of gas from the MEEI's participation in certain PSCs.

These two PSC operators provided details of the government's share of gas supplied during each fiscal period. NGC supplied details of payments made to the MEEI during Fiscal 2015/16 and the volumes of gas for which these payments were made. The MEEI has not reported volumes in respect of its share of gas produced.

The volumes of gas reported were:

mcf	Reported by			Difference	
	Supplier	NGC	MEEI	Supplier vs NGC	Supplier vs MEEI
In-kind supplier	42,927,356	-	-	42,927,356	42,927,356
PSC operator 1	21,758,751	32,226,806	-	-10,468,055	21,758,751
PSC operator 2	22,226,884	22,227,946	-	-1,062	22,226,884

Table 4.4

Supplier has reported deliveries during the period while the NGC has reported volumes paid for during the period.

MEEI reported cash receipts from NGC in respect of the share of production received by NGC from these PSCs; and NGC reported payments to MEEI in respect of these volumes:-

TT$	Reported by		Difference
	MEEI	NGC	
PSC operator 1			21,758,751
PSC operator 2			22,226,884

Table 4.4

Share of production (2)

The arrangements for any government share of gas produced under the PSCs with EOG group companies have not been detailed. The MEEI did not report any share of production from these PSCs but commented “it is important to note that the NGC pays the MEEI for gas determined to be the Minister’s share of production.” NGC did not report any gas receipts relating to the government’s share of production from EOG PSCs and said that it does not make any payments to the MEEI for any gas from PSCs operated by EOG companies. The EOG companies did not report any payments in respect of government share of gas production. NGC gave information on the gas sales contracts as set out in section 4.3 above.

PSCs and gas sale agreements are deemed to be confidential documents and have not been made available to the TTEITI Steering Committee or to the Independent Administrator.

4.5 PRODUCTION

Production was reported by each company and by the MEEI, as shown below.[18]

Company	Oil Production			Gas Production		
	MEEI	Company	Difference	MEEI	Company	Difference
	Barrels	Barrels	Barrels	MCF	MCF	MCF
BP Trinidad and Tobago LLC Trinidad Branch	3,269,582	3,269,582	0	635,421,095	635,421,095	0
BG Trinidad and Tobago Limited	185,607	77,436	108,171	217,554,404	216,224,055	1,330,349
BG Trinidad Central Block Limited	129,979	128,037	1,942	13,732,402	13,498,506	233,896
BHP Billiton (Trinidad-2c) Limited	2,363,805	2,363,803	2	140,596,206	140,653,410	-57,204
EOG Resources Trinidad 4(A) Unlimited	-	-	0	35,445,549	35,445,549	0
EOG Resources Trinidad Limited	428,157	298,773	129,384	100,617,927	100,488,103	129,824
EOG Resources Trinidad- U(A) Block Limited	-	107,014	-107,014	55,091,044	55,091,044	0
EOG Resources Trinidad U(B) Block Unlimited	-	23,156	-23,156	8,110,800	8,110,802	-2
Lease Operators Ltd	800,509	818,649	-18,140	-	-	0
Perenco Trinidad and Tobago Limited	4,404,328	4,404,329	-1	10,914,841	10,914,842	-1
Primera Oil & Gas Ltd	117,677	113,206	4,471	-	-	0
Touchstone Exploration (Trinidad) Ltd	375,892	385,445	-9,553	-	-	0
Petroleum Company of Trinidad and Tobago Ltd.	13,425,738	13,502,117	-76,379	7,160,523	7,160,877	-354
Trinidad and Tobago Marine Petroleum Company Limited	-	3,009	-3,009	-	1,063,571	-1,063,571
Oilbelt Services Ltd	588,125	590,890	-2,765	-	-	0
Trinity Exploration & Production (Galeota) Limited	364,050	364,050	0	-	-	0
Total	**26,453,449**	**26,449,496**	**3,953**	**1,224,644,791**	**1,224,071,854**	**572,937**

4.6 LICENSING AND CONTRACTS

4.6.1 REGISTER OF LICENCES

Details of available information are described in section 2.3.3.

4.6.2 ALLOCATION OF LICENCES

In the oil and gas industries in Trinidad and Tobago, licences are normally awarded as Exploration and Production (Public Petroleum Rights) Licences or Production Sharing Contracts (PSCs). Information related to the award or transfer of licences through competitive bid rounds can be accessed on the Ministry's website at http://www.energy.gov.tt/for-investors/competitive-bid-round/bid-rounds/

The procedure for allocation of petroleum E&P licences set out by the MEEI is included at Appendix 9.9

The "Prequalification criteria for participation in competitive bid rounds in Trinidad and Tobago" from MEEI is included as Appendix 9.13 to this report.

4.6.3 CONTRACT DISCLOSURE

The EITI Standard requires that the EITI Report documents the government's policy on disclosure of contracts and licences that govern the exploration and exploitation of oil, gas and minerals, including relevant legal provisions, actual disclosure practices and any reforms that are planned or underway.

[18] BG Trinidad and Tobago Limited and BG Trinidad Central Block Limited - The companies stated that the difference between gas reported by MEEI and the companies relates to fuel gas.

The Standard defines “contract” as:

i. The full text of any contract, concession, production-sharing agreement or other agreement granted by, or entered into by, the government which provides the terms attached to the exploitation of oil gas and mineral resources.
ii. The full text of any annex, addendum or rider which establishes details relevant to the exploitation rights or the execution thereof.
iii. The full text of any alteration or amendment to the documents

The Standard defines “licence” as:

i. The full text of any licence, lease, title or permit by which a government confers on a company(ies) or individual(s) rights to exploit oil, gas and/or mineral resources.
ii. The full text of any annex, addendum or rider that establishes details relevant to the exploitation rights … or the execution thereof.
iii. The full text of any alteration or amendment to the documents

The MEEI’s legal opinion regarding the issue of disclosure of contracts and licences is that the E&P licences and PSCs are confidential documents by virtue of section 35 of the Petroleum Act, Chap. 62:01. Further, they are exempt documents under Section 31 (1) (a) of the Freedom of Information Act, Chap. 22:02 and may not be disclosed.

The Ministry publishes on its website:

a. Deepwater Model PSC CBO 2013 (http://www.energy.gov.tt/wp-content/uploads/2013/11/Deepwater_Model_PSC_CBO_2013.pdf)
b. Draft Model Deep Water PSC (http://www.energy.gov.tt/wp-content/uploads/2013/11/Deep_Water_Depth_PSC.pdf)
c. Final Deep Water PSC Documents
d. Notes on the PSC

The terms of model PSCs are modified from time to time, so these models do not necessarily cover all the PSCs which have been awarded, and do not provide any indication of the provisions which may be negotiated when individual contracts are awarded.

The MEEI’s legal advice is that publication of the model E&P licence on its website would illustrate the willingness of the government to comply with Requirement 2.4.b of the EITI Standard and would in this way make available to the public the full text of the general terms and conditions of the model E&P licence.

4.7 BENEFICIAL OWNERSHIP

TTEITI Beneficial Ownership Registry

We were asked to comment on the TTEITI Beneficial Ownership Registry by providing feedback on the usability and authenticity of the information provided by extractive companies. While we have reviewed the forms incorporated in the Beneficial Ownership Registry on the TTEITI website, we note that each reporting entity was required to include a signed statement that all the information provided is accurate and reliable. All the forms in the Registry were signed by an official of the company concerned, and in conducting our review, we have relied on this for assurance over the information provided.

Our comments on the Registry are as follows:-

1. The TTEITI website states that 51 companies shared beneficial ownership information. Only 23 forms are published on the registry.
2. The registry would be improved by a tabular presentation in alphabetical order, with a link through to the forms and any other detailed information.
3. The information gathered would be improved by:-
    a. Adding the company number from the Trinidad and Tobago Business registry
    b. Adding the MOF-IRD Tax Identification Number (TIN)
    c. Specifying what the company identifier is (e.g. registration number in the country of registration)
4. Where a company states it is a subsidiary of a publicly owned company, it would greatly assist if it were required to give
    a. the name of the publicly listed company,
    b. the Stock Exchange (SE) on which the quotation appears and
    c. the SE number of the listed company to permit easy identification
5. The disclosure of beneficial ownership will need to be considered when the next MOU is agreed – the provisions, for example, of clause 12 of the current MOU will need review

During our review, we viewed company forms on the Beneficial Ownership Registry, and comment as follows:-

6. The forms on the website indicate some misunderstandings about beneficial ownership, e.g.
    a. A company, which research indicates to be a 100% subsidiary of a quoted company, stated it was not wholly owned subsidiary and gave the name of a company as its beneficial owner, with a 100% shareholding
    b. Companies in a group operating in Trinidad and Tobago, which are part of an international quoted group, stated they were not a wholly owned subsidiary of a publicly listed company
    c. A company correctly stated that it was not a wholly owned subsidiary of a quoted company and gave its beneficial ownership details as another company 52% and three private shareholders holding the remaining 48%. No details of voting rights were given.
7. When the registry is live, such details need to be examined before posting the information. There will also be a need to have a regular review and update process. In addition, it would be helpful to have an annual confirmation of the details by the companies, to ensure that any changes are notified.

Trinidad Company Registry

Details held on the Trinidad Company Registry should also be examined by TTEITI, both to avoid duplication of information and effort and also to determine whether the beneficial ownership information can be part of the registration process for companies in Trinidad and Tobago, with the information available via the Company Registry.

On 20th April 2018, we accessed the Company Registry available online at https://rgd.legalaffairs.gov.tt/ and requested details of a small selection of companies. The results are shown below:-

Search Term	Company names listed	Company #
Lease Operators	Lease Operators Limited	105937
Well Services	13 organisations found, including:-	
	Well Services Holdings Limited	111836
	Well Services Holdings Limited	1047218
	Well Services Petroleum Limited	104563
Ten Degrees North Operating	No Companies or Business Names matched the search	
Ten Degrees	Ten Degrees North Urban Architecture	1270553

We also suggest that future PSCs should incorporate a requirement that signatories disclose beneficial ownership meeting the requirements of the TTEITI and the EITI Standard.

4.8 OTHER MATTERS

4.8.1 MONITORING OF AMOUNTS DUE AND PAID FROM PSCS

PSCs include provision for operators to pay various fees, levies and other contributions. The TTEITI report for the fiscal periods 2014 and 2015 noted that a system had been implemented under which amounts due from PSCs (excluding profit share) for the 2015 calendar year. The system has been continued for the calendar year 2016.

The MEEI report includes amounts due from PSCs in respect of

- Administrative Charge,
- Surface Rental,
- Minimum Payment,
- Training Contribution,
- Research & Development Contribution (R&D) and
- UTT scholarship

and details amounts received in the calendar year for each of these items.

The report does not include all amounts due under PSCs – e.g. profit share due, fees for transfers/assignments. Consideration should be given to including these amounts so that a complete picture is available for each PSC.

Since the report is not cumulative, the balance shown as due does not necessarily reflect the correct amount owing, and discussions with MEEI suggest that it may be understated. A summary of the amounts recorded on the 2016 report shows:-

Block	Operator	Amount shown as due
		TT$
BLOCK GUYA SHALLOW	Niko	-2,825,968
BLOCK GUYA DEEP	Niko	-2,118,979
BLOCK 4(B)	Niko	-1,322,665
BLOCK NCMA2	Niko	-1,531,988
BLOCK NCMA3	Niko	-1,280,195
Sub total	**Niko**	**-9,079,795**
BLOCK 1(B)	De Novo	-788,362
BLOCK 4(A)	EOG	-253,474
Others		-181,737
Total		**-10,303,369**

Table 4.7

By way of explanation of the larger amounts shown in the summary, and as an indication of possible misstatements in the report:-

Niko Resources has withdrawn from operations in Trinidad and Tobago, apparently owing a substantial amount. The 2015 report showed TT$ 9.9 million owed by Niko Resources and it is not clear why the amount has reduced in the 2016 report. MEEI needs to decide what action will be taken in respect of the amounts due from Niko Resources.

The balance reported above as due from “Others” includes an amount of TT$ 100k for one PSC owed in respect of 2016; correspondence between the operator (Shell Trinidad Block E Limited (STBE)) and MEEI indicates that the amount owing in respect of this PSC is significantly higher. STBE is committed to the performance of its obligations under the PSC. STBE is in consultation with the Minister with a view to receiving the required guidance regarding the funding and award of sums for training and research.

It is important that this monitoring is continued by MEEI; we additionally recommend that a review of prior periods should also be undertaken as a matter of urgency in order to ensure that liabilities from PSC operators are correctly stated and that any necessary action may be taken to collect sums owed.

Summarising the weaknesses we noted:-

a. The report is not cumulative – i.e. it does not record the amount owing from periods before the current year. This means that the balance shown as owing may be understated, and that MEEI may not follow up amounts due. This should be corrected as a matter of urgency.

b. The report does not contain a summary. This means that users cannot easily see areas requiring attention, and makes it more difficult to ensure that material balances are followed up. A summary should be added.

c. The report has the potential to provide key information to senior staff in the Ministry, and as such should be endorsed by the PS and circulated to the PS and senior staff at the Ministry.

4.8.2 AMOUNTS DUE AND PAID BY MEEI TO MOF-IRD

4.8.2.1 Comparison between MEEI and MOF-IRD

Under PSCs, the Contractor (the Operator and other parties to the PSC) is responsible for paying to the MEEI 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 MEEI 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 MEEI of its liability to PPT, SPT and other taxes and levies payable to the MOF – IRD. An internal settlement is made between MEEI and MOF - IRD, which issues a receipt to each company for the amount of the settlement.

	2015-16
	TT$
Payments reported by MEEI	703,714,714
Receipts reported by MOF-IRD	703,714,533
Discrepancies	(181)

Table 4.7

4.8.2.2 Comparison between MOF-IRD and companies' profit share

PSC operators also reported the profit share due for each reporting period, which relates to the totals settled between MEEI and MOF-IRD for company taxes. A comparison between profit share due and amounts paid by MEEI is set out in the table which follows.

	2015-16
	TT$
Payments to MOF-IRD made by MEEI	703,714,714
Due to be settled, as reported by companies	725,015,113
Difference	(21,300,399)

Table 4.8

Reconciliation of these amounts was not included in the TOR for the current report. However, since amounts are only transferred to the Consolidated Fund once they are paid to MOF-IRD – and are not available for general government expenditure until this point – it is important that the payments are made on a timely basis

4.8.3 ESCROW ACCOUNTS

MEEI provided a schedule of escrow accounts maintained by the Central Bank:-

ACCOUNT NAME	USD BALANCES AS AT 30-SEP-2015	OCT-DEC'15		JAN-MAR'16		APR-JUN'16		JUL-SEP'16		USD BALANCES AS AT 30-SEP-2016
		ESCROW PAYMENTS	INTEREST EARNED	ESCROW PAYMENTS	INTEREST EARNED	ESCROW PAYMENTS	INTEREST EARNED	ESCROW PAYMENTS	INTEREST EARNED	
PETROTRIN AND BG T'DAD CENTRAL BLOCK LTD	4,618,497.86	-	456.65	-	466.80	807,378.23	526.61	-	554.43	5,427,880.58
PETROTRIN - BALATA EAST SHALLOW HORIZONS	72,527.97	-	7.17	-	7.34	-	7.41	12,539.74	7.42	85,097.05
PETROTRIN - CRUSE HORIZONS	5,514,155.37	-	545.21	-	557.33	-	563.45	339,379.60	563.46	5,855,764.42
PETROTRIN - GUAPO OROPOUCHE BRIGHTON	2,626,708.70	-	259.72	-	265.50	-	268.40	296,236.06	268.43	2,924,006.81
PETROTRIN - HERRERA HORIZONS	6,237,778.60	-	616.77	-	630.47	-	637.38	712,359.28	637.42	6,952,659.92
PETROTRIN - MAYARO GUAYAGUAYARE HORIZONS	693,680.78	-	68.58	-	70.11	-	70.88	119,433.07	70.89	813,394.31
PRIMERA OIL & GAS LTD - FYZABAD	12,440.22	-	1.23	-	1.26	-	1.27	-	1.27	12,445.25
PRIMERA OIL & GAS LTD - PALO SECO BLOCK	48,598.10	-	4.81	-	4.91	-	4.97	-	4.96	48,617.75
PETROTRIN AND BEACH OILFIELD LTD-SOUTH WEST PENINSULA ONSHORE	101,420.49	-	10.03	21,791.00	10.35	-	12.58	-	10.36	123,254.81
TRINIDAD NORTHERN AREAS (TRINMAR) PUBLIC PETROLEUM RIGHTS, PETROLEUM COMPANY TRINIDAD & TOBAGO	4,993,914.80	-	334.59	-	504.75	-	510.27	-	510.29	4,995,774.70
EOG RESOURCES TRINIDAD BLOCK U (A) OSPREY FIELD	-	15,316,649.16	666.09	4,334,290.47	1,548.05	-	1,945.21	2,376,646.33	2,137.18	22,033,882.49
EOG RESOURCES TRINIDAD BLOCK 4 (A) OFFSHORE	-	-	-	-	-	-	-	3,155,932.57	182.23	3,156,114.80
	24,919,722.89	15,316,649.16	2,970.85	4,356,081.47	4,066.87	807,378.23	4,548.43	7,012,526.65	4,948.34	52,428,892.89

4.8.4 SOCIAL EXPENDITURES AND INFRASTRUCTURE PROVISIONS

Companies reported social expenditures and infrastructure provision as set out in table 4.7.6.1 which follows.

Company	Social payments	Infrastructure Payments
	TT$	TT$
BP Trinidad and Tobago LLC Trinidad Branch	23,000,000	-
BG Trinidad and Tobago Limited	13,218,684	-
BHP Billiton (Trinidad-2c) Limited	1,246,984	-
EOG Resources Trinidad Limited	1,074,958	-
Lease Operators Ltd	137,090	-
Perenco E&P Trinidad and Tobago Limited	1,419,089	-
Touchstone Exploration (Trinidad) Ltd	84,910	-
Total	40,181,715	-
NGC	16,601,870	2,512,885
Petroleum Company of Trinidad and Tobago Ltd.	11,318,756	-
Total	27,920,626	2,512,885

4.8.5 TRANSPORTATION FEES

Transportation fees were reported by the NGC Group as follows:-

	2015-16
	TT$
Transportation fees reported by the NGC Group	274,790,750

Table 4.10

4.8.6 AUDITED FINANCIAL STATEMENTS

As part of examining the assurance environment applying to oil and gas companies, companies were required to provide a copy of their audited financial statements and in accordance with the terms of reference for the assignment, we have documented whether the participating companies and government entities had their financial statements audited in the financial year covered by the EITI Report.

In the oil and gas sector, audited financial statements were obtained for both SOEs and are publicly available at:

NGC https://ngc.co.tt/media/publications/
Petrotrin https://www.petrotrin.com/en/Investor%20Relations/Financial%20Reports.aspx

The financial statements provided by private companies are detailed in Appendix 9.5. In summary, compliance was:-

	# companies
Supplied audited accounts for the local company	14
Do not produce audited accounts for local subsidiary, audited group accounts provided	17
Do not produce audited accounts for local subsidiary	1
Not prepared to release audited accounts	1
Failed to provide audited accounts	6
Total	**39**

Table 4.10

4.8.7 PROJECT LEVEL REPORTING

Requirement 4.7 of the EITI Standard states that "Reporting at project level is required, provided that it is consistent with the United States Securities and Exchange Commission rules and the forthcoming European Union requirements."

Further guidance is given in the following extracts of the EITI Board decision of 8 March 2017:-

"The Board reaffirmed that project level reporting is required. The national multi-stakeholder group should devise and apply a definition of the term project that is consistent with relevant national laws and systems as well as international norms (…) Project level reporting is required for all reports covering fiscal years ending on or after 31 December 2018. Given the EITI's "two-year rule" (requirement 4.8), this would effectively require project level reporting by all countries by 31 December 2020 at the latest. In the interim, the current language of requirement 4.7 remains (…)".

The TTEITI Steering Committee reviewed and agreed the following definition of project level reporting:-

"The operational activities that are governed by a single contract, license, lease, concession, or similar legal agreement and form the basis for payment liabilities with a government, and if multiple such agreements are substantially interconnected, they would be considered a single project". "Substantially interconnected" means forming a set of operationally and geographically integrated agreements (e.g. contracts, licences, etc.) with substantially similar terms that are signed with a government, resulting in payment liabilities."

5 MINING SECTOR

5.1 INTRODUCTION

An overview of the sector, legislation and fiscal regime is set out in Section 3.3

The TTEITI Steering Committee decided to include in the current EITI report a mining sector scoping study and to report on payments made by participating mining companies.

Five mining companies agreed to participate in EITI reporting and royalty payments from those firms would be reconciled. Participating companies include two SOEs.

5.2 RECONCILIATION OF RESULTS FROM PARTICIPATING COMPANIES

The results of the reconciliation of agreed flows for participating companies were:-

	Adjusted		Reconciling items
	Government	**Companies**	
	TT$	**TT$**	**TT$**
Trinidad Cement Limited	**6,264,013**	**5,669,402**	**594,611**
Hermitage Limestone Limited	**426,247**	**426,247**	**-**
National Quarries Company Limited	**4,295,242**	**4,295,242**	**-**
Lake Asphalt of Trinidad & Tobago (1978) Limited	**2,359,697**	**2,359,697**	**-**
F. W. Hickson & Co Ltd	**-**	**-**	**-**
	13,345,199	**12,750,588**	**594,611**

<u>2015/16 items</u>	
a) Outstanding receipts	594,611
Unexplained differences	**0**

By way of note, NQL informed us that unaudited company records show that the company owed royalties amounting to TT$ 52.2 million as at December 31, 2017.

5.3 PRODUCTION

Table 5.2

Company	2015 - 2016 Sand, gravel, limestone - m^3 MEEI	Company	Difference	2015 - 2016 Raw crude asphalt - metric tonnes MEEI	Company	Difference
Trinidad Cement Limited	920,043	915,043	5,000	-	-	-
Hermitage Limestone Limited	144,182	144,182	-	-	-	-
National Quarries Company Limited	799,112	799,112	-	-	-	-
Lake Asphalt of Trinidad & Tobago (1978) Limited	-	-	-	9,020	9,020	-
F. W. Hickson & Co Ltd	-	-	-	-	-	-
Total	**1,863,337**	**1,858,337**	**5,000**	**9,020**	**9,020**	**-**

Note 1

MEEI template stated that no production occurred for FW Hickson

5.4 LICENSING AND CONTRACTS

The list of quarry operators provided by MEEI is included as Appendix 9.11.

5.5 STATE OWNED ENTERPRISES IN THE MINING SECTOR

5.5.1 LAKE ASPHALT TRINIDAD AND TOBAGO (1978) LIMITED

The company is incorporated in the Republic of Trinidad and Tobago. Its principal activities are mining, processing and selling asphalt and related products. The company has access to the Pitch Lake via a non-exclusive lease agreement with GoRTT. The company was continued under the provisions of the Companies Act 1995 on 27th July 1999.

The company has a 100% owned subsidiary, Trinidad Asphalt Corporation of America, incorporated in USA.

5.5.2 NATIONAL QUARRIES COMPANY LIMITED

The Company was incorporated on February 23, 1979 under the Laws of the Republic of Trinidad and Tobago. Its principal activities are quarrying and mining of sand and gravel and limestone at its two quarries located at Turure Road, Guico, Sangre Grande and Blanchisseuse Road, Blanchisseuse. Its head office is located at Churchill Roosevelt Highway, Arouca. The Company was continued under the provisions of the Companies Act, 1995 on March 15, 1999.

Other mining sector SOEs

In addition, two SOEs are landlords over land used in the extractive sector and/or provide services to the sector. These SOEs were not included in the mining pilot. TTEITI should determine the nature of the oversight of quarries exercised by EMBDCL, and the extent of the extractive activities – if any – of the two companies.

Estate Management and Business Development Company Limited (EMBDCL)

EMBDCL is presently overseeing two quarries located at the Esperanza Estate which was formerly managed by Caroni (1975) Limited. The operating quarries are located at Coco Road and Windsor Park .

The stone quarry is located in the Guaracara area of Williamsville. Over the years, contractors shortened the name to “Waraca” and thus the yellow stone mined here is commonly referred to as ‘Waraca stone” by everyone in the construction industry. The sand quarries supply backfill material and red sand for plastering. The Guaracara yellow stone is mostly used as a sub base for road construction.

Palo Seco Agricultural Enterprises Ltd (PSAEL)

The Legal and Estates Services Department (LESD) of the company manages the estates and land assets belonging to PETROTRIN and its predecessor companies, TRINTOC and TRINTOPEC for which there are existing Management Contracts. LESD also oversees the management of PSAEL owned land assets. The Department is also responsible for the servicing of tenancies and the collection of rent and taxes for the estates they currently oversee.

5.6 SOCIAL EXPENDITURES AND INFRASTRUCTURE PROVISIONS

Company	Social payments	Infrastructure Payments
	TT$	TT$
National Quarries Company Limited	67,294	-
Lake Asphalt of Trinidad & Tobago (1978) Limited	341,332	-
Total	**408,626**	**-**

5.7 AUDITED FINANCIAL STATEMENTS

As part of examining the assurance environment applying to mining/quarrying companies, companies were required to provide a copy of their audited financial statements and in accordance with the terms of reference for the assignment, we have documented whether the participating companies and government entities had their financial statements audited in the financial year covered by the EITI Report.

See section 2.5.2 for comment on SOEs.

In the mining/quarrying sector, the financial statements provided by private companies are detailed in Appendix 9.5. In summary, compliance was:-

	# companies
Supplied audited accounts for the local company	
Do not produce audited accounts for local subsidiary, audited group accounts provided	
Do not produce audited accounts for local subsidiary	2
Not prepared to release audited accounts	
Failed to provide audited accounts	1
Total	**3**

6 DESCRIPTION OF FLOWS AND ENTITIES REPORTED

The paper setting out the materiality decision of the TTEITI Steering Committee is included as Appendix 9.3.

6.1 OIL AND GAS

6.1.1 FLOWS INCLUDED

The TTEITI Steering Committee decided that the flows to central government described in this section should be included in the TTEITI Report for 2015-16.

6.1.1.1 Payments to MOF - IRD

a. Supplemental Petroleum Tax (SPT)

SPT is charged on gross income derived from the disposal of crude oil. Various allowances are granted before calculating the tax base.

Supplemental Petroleum Tax Rates:

Weighted average crude prices US$	A Marine	B New Field Development	C Land and Deepwater Block
0.00-50.00	0%	0%	0%
50.01-90.00	33%	25%	18%
90.01 – 200.00	SPT rate = base SPT rate + 0.2% (P— US$90)		
200.01 and over	55%	47%	40%

b. Petroleum Profits Tax (PPT)

PPT 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.

c. Unemployment Levy (UL)

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

d. Corporation Tax (CT)

CT 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.

e. Green Fund Levy

Green Fund Levy is imposed on gross revenue at the rate of 0.3% and is payable quarterly. All companies and partnerships are liable to this levy.

f. Business Levy

Business Levy is a tax on the gross sales or receipts of Companies and Individuals in receipt of Income other than Emolument Income, viz. self-employed persons – (Small Businesses and Partnerships). The rate of Business Levy is 0.6% of the gross sales/receipt for each quarter of the year of income.

g. Withholding Tax (WHT) on dividends

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.

h. 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.

i. Insurance Premium Tax

Insurance premium tax is charged on the receipt of a premium by an insurer and is calculated as 6% of the premiums collected. The tax is collected by the insurer or by his intermediary, at the time that the premium is paid and subsequently remitted to the Government.

This EITI Report includes payments of insurance premium tax on foreign policies only.

6.1.1.2 Payments to MEEI

a. 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.

b. *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.

c. *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.

d. *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.

e. *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.

f. *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.

g. *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.

h. *PSC bidding fees*

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

i. *Other payments under PSCs*

Specific payments were identified by the TTEITI Steering Committee, namely

- Fees for assignment of PSC
- Abandonment Provision – Payments into Environmental Escrow Account
- Administration Fees
- Training Fees
- R&D Fees
- Production bonuses
- Technical assistance
- Scholarships
- PSCs Holding Fee

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

6.1.1.3 Payments to MOF – Investments Division

a. *Dividends paid by state owned companies*

State owned companies were required to declare any payments made to government not reported on other templates.

6.1.1.4 Other payments

a. *Social expenditure and infrastructure payments*

Companies were asked to declare details of social expenditures[19] and infrastructure payments[20]. 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.

[19] material social expenditures mandated by law or the contract with the government that governs the extractive investment

[20] payments made under agreements, or sets of agreements involving the provision of goods and services (including loans, grants and infrastructure works), in full or partial exchange for oil, gas or mining exploration or production concessions or physical delivery of such commodities

b. *Payments in kind*

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

An in kind flow is where the government receives oil or gas instead of cash, and monetises the physical commodity in some way. Examples of monetisation might include

i. use of the oil/gas received – for example as feedstock for the refinery or as gas supply to the power generator; or
ii. sale of the oil or gas to a third party; or
iii. payment for the oil/gas received from a state owned enterprise – for example NGC – which then uses the commodity for its own purposes

c. *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 2012/13 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.

d. *Transportation Revenue – NGC only*

Under the EITI Standard, where revenues from the transportation of oil, gas and minerals constitute one of the largest revenue streams in the extractive sector, the government and state-owned enterprises (SOEs) are expected to disclose the revenues received. In particular, it is suggested that the EITI Report should contain disclosure of revenues received by government entities and State Owned Enterprises, in relation to transportation of oil, gas and minerals.

The TTEITI Steering Committee decided that NGC should report revenues received for transportation, but that companies paying fees to NGC would not be required to report them in the current report - i.e. a declared item, not a reconciled item.

e. *Payments from MEEI to MOF-IRD*

The Model Deep Water PSC provides that "*The Minister shall pay on behalf of the Contractor out of the Government's Share of Profit Petroleum referred to in Article 18.11 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 Petroleum Operations under this Contract*".

6.1.2 GOVERNMENT ENTITIES INCLUDED

The government entities included in the 2015-16 TTEITI reconciliation are:-

6.1.2.1 Ministry of Finance – Inland Revenue Division

The Inland Revenue is a Division of the Ministry of Finance 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

6.1.2.2 Ministry of Energy and Energy Industries

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

6.1.2.3 Ministry of Finance – 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 rationalisation 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 is responsible for the State's portfolio of investments of which the State Enterprise Sector is a major element.

6.1.3 COMPANIES INCLUDED

Using information gathered from the 3 Governmental Collection Agencies, the Steering Committee determined that 43 Companies make material payments to government and should report, as follows:

1 National Gas Company of Trinidad and Tobago Limited
2 EOG Resources Trinidad Limited
3 BP Trinidad and Tobago LLC
4 EOG Resources Trinidad- U(A) Block Limited
5 EOG Resources Trinidad 4(A) Unlimited
6 BG Trinidad and Tobago Limited
7 BHP Billiton (Trinidad-2C) Limited

8	Repsol E&P T&T Ltd
9	Petroleum Company of Trinidad and Tobago Limited
10	Trinidad and Tobago LNG Limited
11	NGC Pipeline Company Limited
12	Amoco Trinidad Gas BV Trinidad Branch
13	Perenco T&T Limited
14	BG International Limited
15	EOG Resources Trinidad U(B) Block Unlimited
16	BP Trinidad Processing Limited
17	BG Trinidad Central Block Limited
18	Lease Operators Limited
19	BHP Billiton Petroleum (Trinidad Block 23A) Limited
20	BHP Billiton Petroleum (Trinidad Block 23B) Limited
21	National Gas Company of Trinidad & Tobago Limited (000170033-8)
22	BHP Billiton (Trinidad-3-A) Limited
23	BHP Billiton Petroleum (Trinidad Block 14) Limited
24	BHP Billiton Petroleum (Trinidad Block 5) Limited
25	BHP Billiton Petroleum (Trinidad Block 28) Limited
26	BHP Billiton Petroleum (Trinidad Block 29) Limited
27	BHP Billiton Petroleum (Trinidad Block 6) Limited
28	BHP Billiton Petroleum (Trinidad Block 3) Limited
29	BHP Billiton Petroleum (Trinidad Block 7) Limited
30	Trinity Exploration and Production (Galeota) Limited
31	Centrica North Sea Gas Ltd (BLK1B)
32	Centrica Resources Ltd (BLK22)
33	Centrica North Sea Oil Ltd (NCMA4)
34	De Novo Block 1 A Limited
35	Primera Oil and Gas Limited
36	Centrica (Horne & Wren) (BLK1a)
37	Oilbelt Services Limited
38	PT.Fortin LNG Exports Ltd.
39	Trinidad and Tobago Marine Petroleum Company Limited
40	Touchstone Exploration (Trinidad) Ltd
41	Ten degrees North Operating Co Ltd
42	Optimal Services Limited
43	Trinity Exploration and Production (Trinidad and Tobago) Limited

NGC appears twice in the list (#1 and #21) because MOF-IRD has two Taxpayer numbers for the company. One is for non-extractive liabilities (corporation tax, etc), the other is for extractive liabilities (petroleum tax, etc).

Optimal Services Limited was reported in the initial receipts information received from MOF-IRD. However, we confirmed with the Registrar General that the company was amalgamated with Touchstone Exploration (Trinidad) Limited on 1st July 2014 and should not have been included as a separate entity. Rather, the payments reported against this company should have been reported under Touchstone Exploration (Trinidad) Limited.

Ten Degrees North Operating Company Limited was reported in the initial receipts information received from MEEI. However, we confirmed with the Registrar General that the company was amalgamated with Oilbelt Services Limited on 29th December 2014 and should not have been included as a separate entity. Rather, the payments reported against this company should have been reported under Oilbelt Services Limited.

6.2 MINING

The TTEITI Steering Committee has included the mining sector on a pilot basis only; the reporting entities have not been selected after a review of the materiality of their payments.

6.2.1 FLOWS INCLUDED

The TTEITI Steering Committee decided that the flows to central government described in this section should be included in the EITI Report for 2015-16.

6.2.1.1 Payments to MOF - IRD

a) *Corporation Tax (CT)*

CT 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.

b) *Green Fund Levy*

Green Fund Levy is imposed on gross revenue at the rate of 0.3% and is payable quarterly. All companies and partnerships are liable to this levy.

c) *Business Levy*

Business Levy is a tax on the gross sales or receipts of Companies and Individuals in receipt of Income other than Emolument Income, viz. self-employed persons – (Small Businesses and Partnerships). The rate of Business Levy is 0.6% of the gross sales/receipt for each quarter of the year of income.

d) *Withholding Tax (WHT) on dividends*

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.

e) *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.

f) *Insurance Premium Tax*

Insurance premium tax is charged on the receipt of a premium by an insurer and is calculated as 6% of the premiums collected. The tax is collected by the insurer or by his intermediary, at the time that the premium is paid and subsequently remitted to the Government.

This EITI Report includes payments of insurance premium tax on foreign policies only

6.2.1.2 Payments to MEEI

g) *Royalty*

A licensee mining on State lands or private lands pays royalties to the Permanent Secretary of the Ministry responsible for mines in respect of minerals mined in the licensed area within the time period specified under his Mining Licence. The royalty payable is calculated using the current average market value for unprocessed minerals mined and charged on a per cubic metre basis at rates between TT$6 and TT$10 per cubic meter.

The TTEITI Steering Committee determined that other flows to MEEI from the sector, listed below, were not material and need not be reported or reconciled for the current report.

i. *Application for a New Licence*

A fee of TT$1,000 is payable upon applying for a mining licence.

ii. *Annual licence acreage payments*

A licensee who operates on State lands is required to make payments in connection with annual surface rent as required under the State Lands Act.

iii. *Application for Renewal of Licence*

A fee of TT$1,000 is payable upon applying for the renewal of a mining licence

iv. *Annual Exploration Licence Fee*

Annual exploration fees are due at a rate of TT $250 per hectare of licensed area.

v. *Annual Mining Licence Fee*

Annual mining licence fees are due at a rate of TT $250 per hectare of licensed area.

vi. *Annual Processing Licence Fee*

Annual processing licence fees are due at a rate of TT $250 per hectare of licensed area.

vii. *Application Fee for Assignment/Transfer*

A fee of TT $1,000 is due by each applicant who wishing to assign or transfer a licence currently held.

viii. *Competitive Bidding Fees (one time fee for when blocks on offer)*

6.2.2 GOVERNMENT ENTITIES INCLUDED

Government entities to be included are

1. Ministry of Energy and Energy Industries
2. Ministry of Finance, Inland Revenue Division.

6.2.3 COMPANIES INCLUDED

Reporting companies to be included are:

A. National Quarries Company Limited
B. Hermitage Limestone Limited
C. Trinidad Cement Limited
D. Lake Asphalt Trinidad & Tobago (1978) Limited
E. FW Hickson & Co Ltd

7 APPROACH, METHODOLOGY AND SCOPE

7.1 APPROACH AND METHODOLOGY

The TTEITI Steering Committee reviewed the flows arising in the oil and gas sector and is able to draw on knowledge from its members and from producing four EITI reports previously covering the oil and gas sector. The Steering Committee reviewed the flows arising in the mining sector and is similarly able to draw on knowledge from its members and from including the mining sector in the previous EITI report.

TTEITI organises outreach activities throughout each year, involving companies in the extractive sector and encouraging wider participation; and following on from these, companies are invited to sign the MOU governing the production of the EITI reports over a two year period.

Prior to the signing of the MOU covering the current report and the appointment of the Independent Administrator, the Steering Committee approved data collection templates at its meeting on 25th April 2017 and the Secretariat then issued templates to companies participating in the 2014-15 reconciliation for completion. The flows to be reported were those included in the 2014-15 reconciliation.

The Technical sub-committee of the TTEITI Steering Committee reviewed the flows and companies and agreed a recommendation on the materiality threshold on 18th January 2018; and the full Steering Committee reviewed the resulting proposals and approved the materiality threshold (via round robin) on 30th January 2018, minuted at its meeting on 22nd February 2018. MEEI provided details of receipts for the reporting period detailed by company. MOF-IRD provided details of receipts for the reporting period from MOU signatories by company, and for non signatories in total. MOF-Investments Division provided details of relevant receipts from SOEs.

Receipts from MOU signatories were compared to total reported government receipts to establish whether companies making material payments had been included.

The paper setting out the materiality decision of the TTEITI Steering Committee is included as Appendix 9.3.

7.2 ELEMENTS OF THE WORK OF THE INDEPENDENT ADMINISTRATOR

In carrying out the reconciliation, we:

- In accordance with the decision of the TTEITI Steering Committee 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 MOF – IRD), we have relied on the assurances given by these persons

- Requested a copy of the audited financial statements for each company

- 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 2016 fiscal year (oil and gas, mining pilot reconciliation)

  - Meetings were held as necessary 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 produced by all parties were scrutinised and examined for authenticity, ownership, accuracy, validity, occurrence in terms of the reporting period - i.e. FY 2016 - and other relevant attributes

  - All reconciliations and non-reconciled differences were notified to the reporting entities as evidence and proof of the work done

  - Reporting templates were signed off by senior management officials

  - Reporting schedules were amended as appropriate and summaries prepared

- Prepared this report on government receipts and company payments,

  - highlighting the reconciled discrepancies and any unresolved discrepancies;

  - 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;

  - reporting on the total oil, gas and associated liquids produced for which payments were made and revenue collected for the fiscal period; and on production reported by participating mining companies and in respect of those companies by government;

  - including a list of all licensed or registered companies involved in the upstream oil and gas 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 the EITI Standard.

8 RECOMMENDATIONS

8.1 PRIOR RECOMMENDATIONS

The Steering Committee has established a process to review recommendations in the EITI reports and to take action where considered necessary, and progress has been made in this area.

A summary of recommendations from the 2014-15 report and the current status, is shown below.

Ref	Summary of recommendation	Status	See section
8.2.1	Determination of entities making material payments		
	Timely provision of scoping information	Cleared	
	MOF-IRD confidentiality issues	**Repeated**	8.2.5
	Timely identification of companies	Cleared	
	Review of changes in company ownership	**Repeated**	8.2.10
8.2.2	Auditor General - capacity and access to records		
	INTOSAI capability	Cleared	
	Access to MOF-IRD records	**Repeated**	8.2.6.1
8.2.3	Future Reporting	Cleared	
8.2.4	Licensed companies		
	Comparison between MEEI licence records and MOF-IRD TINs	**Repeated**	8.2.1.3
	MEEI to update licence information on its website and ensure it meets EITI Standard	**Repeated**	8.2.1.1
	Publication of model E&P licence	**Repeated**	8.2.1.2
8.2.5	Mining sector	**Repeated**	8.2.8
8.2.6	MOU	**Repeated**	8.2.5
8.2.7	MEEI to introduce computerised record keeping	**Repeated**	8.2.9
8.2.8	Production reporting	Cleared	

8.2 CURRENT REPORT RECOMMENDATIONS

8.2.1 LICENSING

1. MEEI should maintain a publicly available register or cadastre system with timely and comprehensive information regarding each of the licences pertaining to companies covered in the EITI and all other entities and containing, as a minimum, the information set out in Requirement 2.3 of the EITI Standard.
2. MEEI should publish the model E&P licence on its website in addition to the model PSC documentation already published.
3. MEEI and MOF-IRD should confirm that all holders of extractive licences have a taxpayer Identification Number.

The TTEITI Steering Committee should remain informed on actions taken by MEEI and MOF-IRD in these areas.

Pending implementation of (1) and (2) above, the information provided by MEEI and the TTEITI Secretariat on licences is included in the Appendices to this report.

8.2.2 AUDITED FINANCIAL STATEMENTS – MINING SOES

In view of the severe delay in producing current audited financial statements for NQL and LATT, we recommend that the Auditor General should carry out the necessary audits for each of

- National Quarries Company Limited, and
- Lake Asphalt of Trinidad and Tobago (1978) Limited

to be able to produce to the MOF by the end of the current year (2018) audited financial statements covering the period from the last audited financial statements to 30th September 2017.

The Auditor General is empowered under the constitution to carry out audits of the accounts, balance sheets and other financial statements of all enterprises that are owned or controlled by or on behalf of the State.

8.2.3 FEES FOR ASSIGNMENT OR TRANSFER OF PSCS

A number of PSCs have been transferred or assigned without fees to which the MEEI is entitled being charged (see section 2.3.1). MEEI should review these cases promptly and take any necessary action to collect monies due. MEEI ensure that a system is in place in future transfers, assignments, relinquishments or terminations of PSCs so that appropriate provision is made for any monies due to be collected before approval is given by the Ministry.

8.2.4 MONITORING OF AMOUNTS DUE UNDER PSCS

MEEI produces a report to monitor certain amounts due from PSCs for each fiscal year (see section 4.8.1). It is important that this monitoring is continued by MEEI and we additionally recommend that the reporting be improved.

1. A review of prior periods should be undertaken as a matter of urgency in order to ensure that liabilities from PSC operators are correctly stated and that any necessary action may be taken to collect sums owed.
2. The report should be produced on a cumulative basis – i.e. showing amounts owing from prior periods as well as the current period. The outcome of the review referred to in (1) above should be added to the report.
3. The report should contain a summary by PSC so that users can easily see areas requiring attention, and making it easier to ensure that material balances are followed up.
4. The report should be endorsed by the PS and circulated to the PS and senior staff at the Ministry.
5. The report does not include all amounts due under PSCs – e.g. profit share due, fees for transfers/assignments. Consideration should be given to including these amounts so that a complete picture is available for each PSC.

8.2.5 GOVERNMENT SHARE OF PRODUCTION

Reporting of data relating to the government share of production was hampered by the confidentiality provisions in the PSCs and gas sale agreements, as raised by parties to these agreements. The information provided during production of this report is described in section 4.4.

We recommend that the Steering Committee consider further how any such impediments may be resolved so that disclosure may be improved in the next EITI report.

8.2.6 MOU

The implementation of EITI in Trinidad and Tobago is the responsibility of the TTEITI Steering Committee established by Cabinet Minute in 2010. The EITI reconciliation, which forms part of the EITI report, is conducted under the terms of a Memorandum of Understanding; issues in connection with this approach are discussed in section 2.3.5, primarily

- Significant effort involved
- Short term nature of the MOU
- Lack of continuity
- Unresponsive to changes in EITI requirements and/or TTEITI Steering Committee requirements
- Does not deal with MOF-IRD release requirements

In the event that there is no EITI legislative intervention, which has been under discussion for some years, before the expiry of the current MOU, we recommend

1. Timely signature by all parties of a follow on MOU to the current MOU
2. Consideration of an indefinite term for the follow on MOU (rather than a two year length), with appropriate provisions for joining and leaving, changes of coverage and other appropriate provisions as required
3. Consideration of alternative approaches to legislation – for example, introduction of provisions into new (and existing) licences/PSCs requiring adherence to TTEITI requirements

8.2.7 ASSURANCE ENVIRONMENT OF GOVERNMENT REPORTING

1. GoRTT should remove any impediments to the audit of MOF-IRD figures by the Auditor General under INTOSAI
2. The TTEITI Steering Committee through the TTEITI Secretariat should discuss with the Auditor General what assurance is required over government reporting for TTEITI, such discussions to be concluded in time for the Auditor General to incorporate in the department's workplan any actions which may be required.

8.2.8 ROYALTY MONETISATION

Royalty gas is supplied to NGC but there is no agreement on the monetary value of this gas (see section 4.5.2.3). We recommend that

1. the arrangements for monetisation of the royalty gas should be agreed between MEEI and the supplier
2. the arrangements for payment to MEEI by NGC for the royalty gas received by NGC should be agreed and put into effect

8.2.9 MINING SECTOR

The 2015 Minerals White Paper recognises that there is significant room for improvement in the regulation and enforcement of regulations relating to the mining sector. The inclusion of a pilot study of the mining sector in the current report is commended as a good first step to increase transparency over licensing and revenue issues.

Stakeholders have made various suggestions on ways in which the government could intervene to improve the sector and it would be useful if the TTEITI Steering Committee were to provide a focus to crystallise suggestions from such interested parties.

Our necessarily brief discussions with stakeholders suggest that:-

a. Resource levels in the mining sections within the MEEI need to be reviewed so that any planned improvements can be effective in practice
b. The process for obtaining a mining licence should be simplified and existing operations brought into a regulated environment. A time bound plan is required for licensing operators.
c. The transparency of the licensing process needs to be examined and published
d. Government relies upon declarations of production from operators in the absence of weighbridges on sites and adequate resource to monitor production more closely. An appropriate system to monitor production – for example, introduction of public weighbridges on a progressive basis, use of drones to assess production and stockpiles - coupled with an effective monitoring regime, would improve control over operations and could be expected to improve government revenue from the sector.

   We understand that there is no system in place for measuring production from quarries to determine royalties payable. This is currently being done via checks on record books from the quarries

In order to improve the coverage of the sector in future reports, the TTEITI Steering Committee should continue its efforts to engage with companies and widen the number included in the initiative.

8.2.10 GOVERNMENT SYSTEMS

The records in the MEEI 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 MEEI introduce appropriate computerised systems to record and control information relating to the production and finances from the oil and gas sector.

8.2.11 COMPANY SELECTION

1. We noted that MEEI and MOF-IRD reported receipts from companies which had been amalgamated prior to the start of the reporting period (see section 6.1).

   We recommend that the process for selection of companies for inclusion in future reconciliations includes a review of changes of ownership and/or activity during or subsequent to the reconciliation period, so that data requests can be directed appropriately.

2. We also noted two SOEs[21] with connections to the extractive sector which were not included in the reconciliation (see section 5.5); MEEI did not report receipt of any royalty payments and they do not appear on the licence listings provided by MEEI. Nevertheless, we recommend that the TTEITI Steering Committee should further investigate the involvement of these companies in the extractive sector.

[21] Estate Management and Business Development Company Limited and Palo Seco Agricultural Enterprises Ltd