

WATER MORE THAN FLOUR? NAVIGATING THROUGH UNCERTAIN TIMES

Trinidad and Tobago EITI Report Summary



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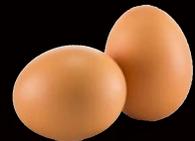
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1.

IS WATER REALLY MORE THAN FLOUR?

Water and flour are staples in most households in Trinidad and Tobago. When they are combined with sugar, salt and baking powder in the right proportions, they can make a sumptuous roti, bake or bread. However, too much water can ruin the recipe.



INGREDIENTS

- 2 cups of unstable energy prices
 - 1½ cups of new gas projects
 - 1 cup of Dragon Gas
 - 2 teaspoons of low oil production
 - ½ cup of warm non-energy sector development
 - 1 tablespoon of mining sector opportunities
 - 1 pinch of job losses
 - 1 dose of civil society engagement
 - 1 dash of better tax collection
 - 3 pieces of regional energy partnerships
- Sprinkle 'changes to technology'.



DIRECTIONS

Combine unstable energy prices, low oil production and job losses in a mixing bowl. Gradually add the cup of Dragon gas, new gas projects and mining sector opportunities while mixing and kneading the dough until it is fluffy. Set the dough aside for...



The local phrase "water more than flour" is used to describe difficult times and at the moment, it mirrors the economic reality in Trinidad and Tobago. Because of low global energy prices and low domestic oil production, there have been cutbacks in Government spending, job cuts, shortages in US foreign currency and even increases in the price of gas for motorists. In addition, some citizens have expressed uncertainty about recent developments such as the new Petrotrin arrangement and are unsure how unstable oil and gas prices will affect Government revenue.

Citizens have also expressed uncertainty about new tax collection arrangements and wondered if the mining sector will play a role in T&T's economic recovery. And, what about technology?

Would advancements in technology help us to get more out of what we produce?

At the same time, there are positive developments on the horizon. The TT-Venezuela Dragon Field Gas Arrangement is nearing finalisation. There are talks of local business opportunities in oil-rich Guyana and the year 2018 saw a temporary improvement in global oil and gas prices.

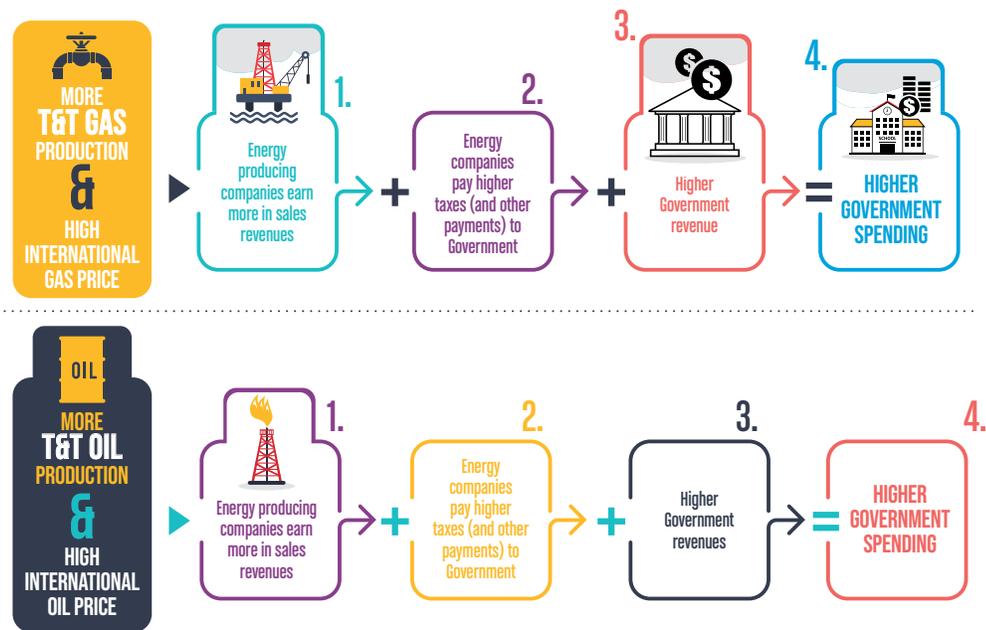
Do these tight economic realities overshadow the potential future opportunities? Is water really more than flour in T&T? This document was prepared by the Trinidad and Tobago Extractive Industries Transparency Initiative (TTEITI) Secretariat to provide information needed to understand how we can navigate through these uncertain times.

2.

REALITY CHEQUE: WHAT WILL WE EARN AND HOW WILL IT BE SPENT?

The revenues generated from the energy sector depend on the price of oil and gas as well as on the amount of oil and gas produced.

Since 2017, the country has experienced a substantial cutback in Government spending on key social projects, foreign exchange shortages and decreases in the fuel subsidy. This is due to reduced revenue from low global oil and gas prices and low domestic oil and gas production.



DECLINE IN OIL AND GAS REVENUES

2016
8.86
BILLION

2017
9.08
BILLION

2018
12
BILLION



*Revenue figures for 2017 and 2018 are unaudited figures and were obtained from the Ministry of Finance.

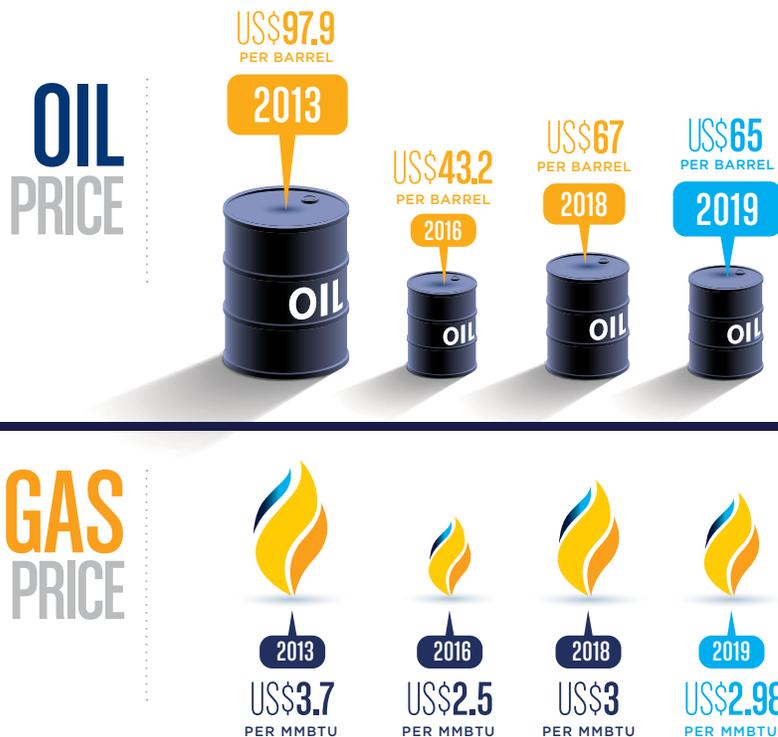


What will energy revenues look like in the future?

International oil and gas prices change very often due to many uncontrollable factors (e.g. cuts in oil production or decisions to increase supply by the world's largest oil producers). This makes it difficult to correctly determine how much will be generated from the oil and gas sectors in coming years. The latest forecast from the US Energy Information Administration indicates that both oil and gas prices will continue to fall in 2019 because of expected increases in US oil and gas production.

Although local natural gas production increased in the first half of 2018, gas production fell during July-September 2018 because several natural gas facilities temporarily shut down to conduct maintenance work. In addition, local oil production remains low because oil fields are mature and produce less without increased investment and technology. What can be done to fix these problems? We can look forward to several projects on the horizon that can increase both production and revenues for T&T in the near future.

AVERAGE OIL AND GAS PRICES



Source: US EIA * 2019 gas is also forecasted.

POSITIVE DEVELOPMENTS IN THE T&T OIL & NATURAL GAS SECTOR



The Trinidad and Tobago and Venezuela Dragon Field Gas Deal.



De Novo's Iguana Field now producing 80 million cubic feet of gas. (Nov 2018).



BHP's Victoria-1 well discovery (4-5 trillion cubic feet of gas).



Shell's Starfish field
• Started producing in May 2018
• Assessing the TTDA¹ Block



The 2018 Shallow Water Competitive Bid Round opened in Nov 2018 closed in May 2019.



Lease Operators Limited commenced exploration drilling in its Rio Claro onshore block in Oct 2018.



Mitsubishi DME Plant Will produce methanol and dimethyl ether (DME). 85.4% of plant complete (Dec 2018).



Trinidad and Tobago

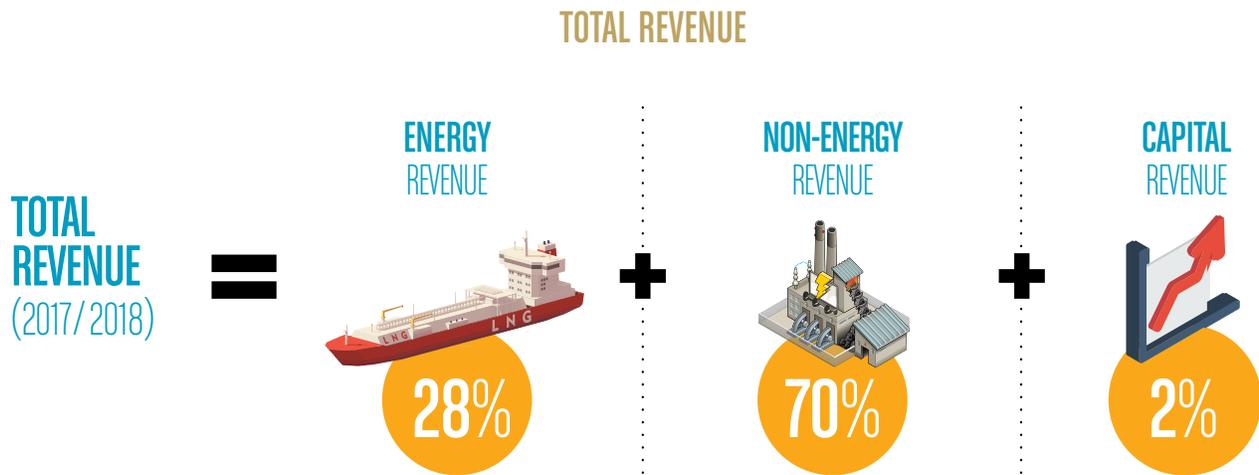
BPTT offshore projects
• 1st gas from BPTT's Angelin Feb 2019.
• Cassia Compression project. 1st gas expected Jul - Sep 2021.
• Metapal project to develop gas discovered in 2017.

¹Trinidad & Tobago Deep Atlantic Area

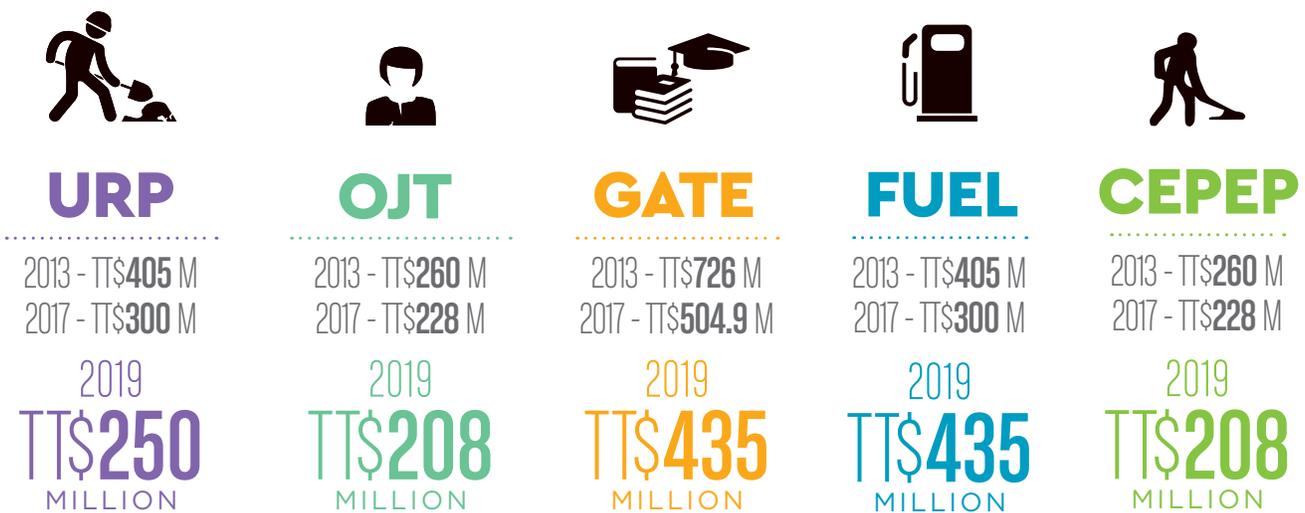
What about non-energy revenues?

Given our reliance on the local oil and gas industry, many Trinbagonians mistakenly believe that the energy sector generates most of the country's revenue. However, in 2018, 63.8% of the total revenue came from the non-energy sector (i.e. agriculture, manufacturing, construction, finance and insurance). Two percent of the country's revenues comes from the sale of assets of Government companies.

The non-energy sector generates the most tax revenue for the country, but it does not bring sufficient export revenue. Importantly however, while our energy sector generates significant foreign exchange, our non-energy sector revenues arise mainly from taxes. This is a dangerous formula for a small island economy like T&T because any fall in global energy prices puts the country in a financial bind in which it has to cut expenditure and search for alternative sources of revenue. This occurred in 1986 and again in the years 2014 and 2017.



GOVERNMENT SPENDING ON KEY SOCIAL PROJECTS



Source: Ministry of Finance



3.

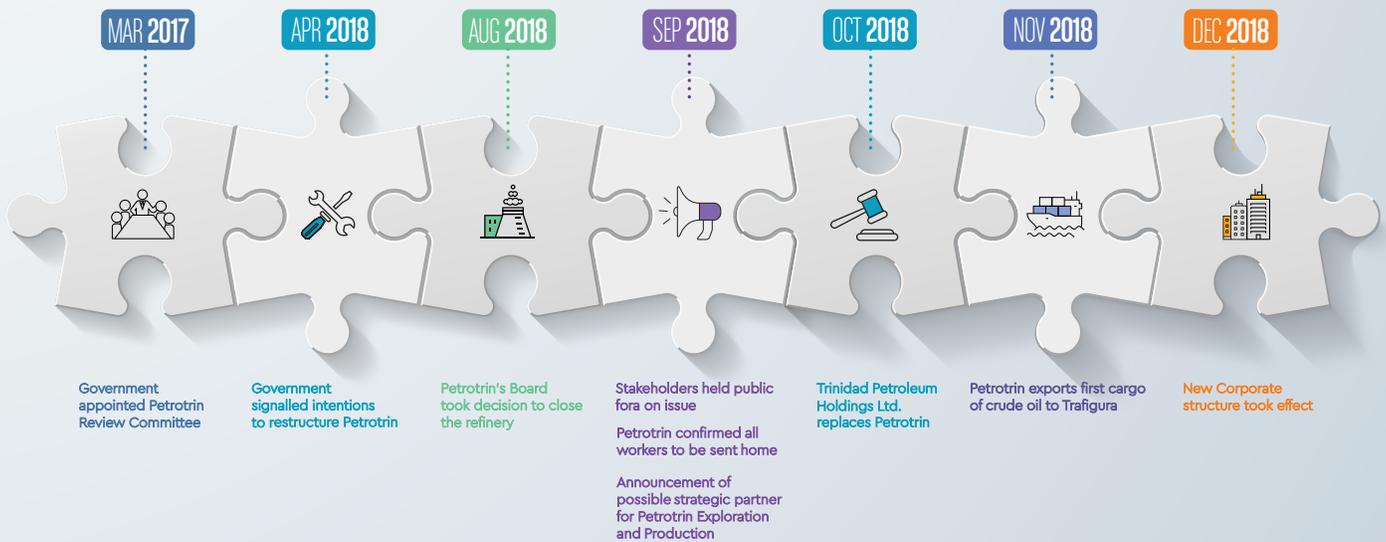
PIECING TOGETHER THE PETROTRIN PUZZLE

The future of Petrotrin has been one of the most burning national issues of 2018. Despite its improvements in crude oil production, refinery throughput and bunkering, Petrotrin continued to be challenged by serious management-created debts, manpower issues, refinery inefficiencies, aged infrastructure and frequent oil spills.

To make Petrotrin a sustainable and profitable business, the Government restructured the company into four different entities, namely Heritage Petroleum Company Ltd, Paria Fuel Trading Company Ltd, Guaracara Refining Company Ltd. and Petrotrin (now a subsidiary).

Petrotrin is now responsible for all legacy items that have not been transferred to one of the new operating entities, including ongoing preservation/maintenance works, properties, lands, prioritisation of payables, legal liabilities (the validation of which is in progress) and it will continue to support the pension plan going forward. All assets owned by the 'old' Petrotrin are still owned by the State-owned oil company (Trinidad Petroleum Holdings Ltd). The Government is exploring options of either selling/leasing the refinery or collaborating with a company to operate it. Government will receive proposals for these options by June 2019.

TIMELINE OF PETROTRIN'S REBIRTH



WHAT THE "NEW" PETROTRIN LOOKS LIKE



4.

ONE HAND CYAH CLAP

From Suriname and Guyana to Dragon and Grenada

Just as European countries co-operate through the European Union, Caribbean countries also work together through an economic regional arrangement.

The CARICOM Single Market and Economy (CSME) allows Caribbean countries to strengthen trade links, combine resources and establish closer ties. This is important given our common history, culture, size and objectives.

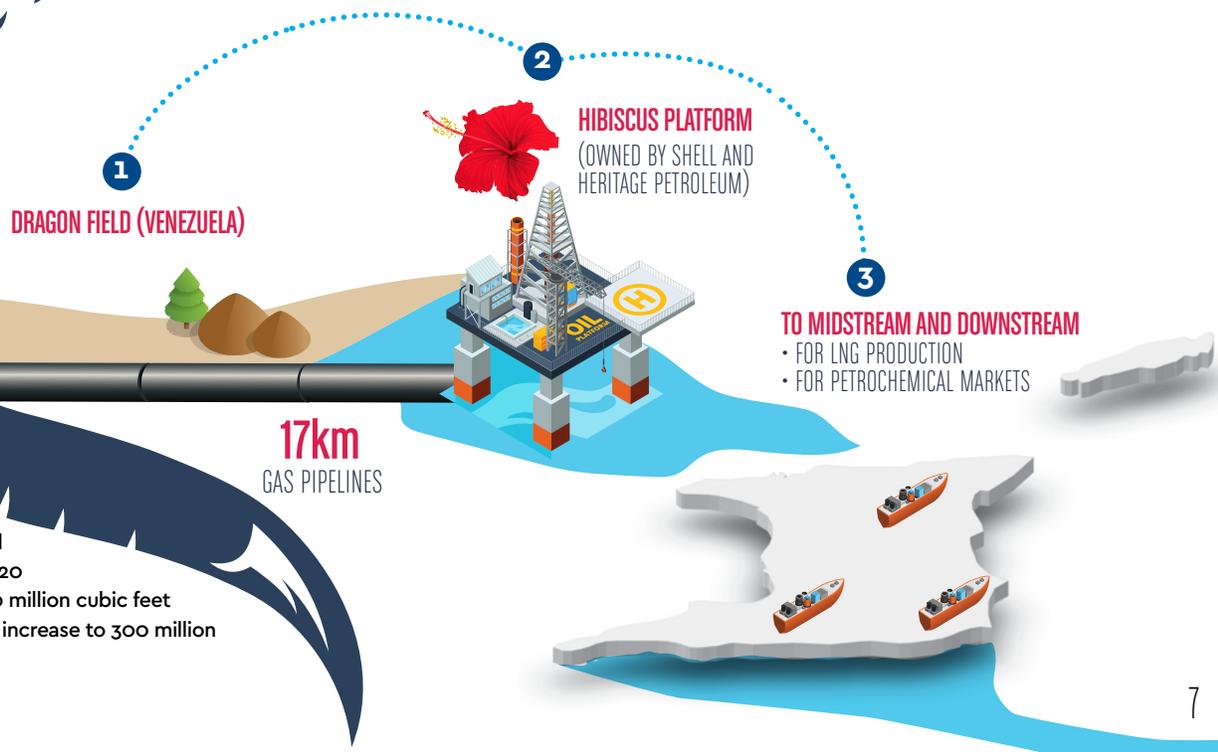
Bananas, rum, clothes, fuel, entertainment and even labour have long been traded within the Caribbean. Recently, the new finds in Suriname, Guyana and Grenada have presented many opportunities for CARICOM. From T&T's perspective, its 100 plus years of experience in the oil and gas sector make it ideal to share its knowledge regionally. Locals are experts in contract negotiation, drilling, developing engineering designs, project management and plant and pipeline construction and installation.

In 2018, the Ministry of Energy and Energy Industries (MEEI) signed a Memorandum of Understanding with Guyana. A committee was also set up by Cabinet to lead the process. We need to act quickly so that we do not miss these opportunities with our CARICOM neighbours.

Also, what about our involvement in Venezuela's Dragon Field? Venezuela is not considered part of CARICOM but we have always shared strong diplomatic ties. Natural gas from Venezuela's Dragon Field will help to ease the shortage of natural gas felt by petrochemical companies and possibly lead to higher export revenues for the country.

The National Gas Company of Trinidad and Tobago (NGC) has also signed an agreement with an oil and gas company – the Global Petroleum Group (GPG), operating in Grenada. GPG is exploring off the south coast of Grenada, near Venezuela's Dragon field and near the North Coast Marine Area (NCMA) fields in Trinidad. NGC hopes to use its 40-year experience in pipeline construction and natural gas transportation to assist GPG in developing Grenada's natural gas-based energy sector, while exploring areas in which it can also benefit.

THE TRINIDAD DRAGON GAS FIELD PROJECT



- TT gas price confidential
- First gas expected in 2020
- Dragon will produce 150 million cubic feet per day in 1st year, then increase to 300 million cubic feet thereafter

5. FROM THE VOICE

QUESTION 1:

Do you feel that these times are uncertain and how so?



**Annie Ramjagar,
Doubles Woman,
Longdenville**

"As our country has always depended on the oil industry over the years, it will become harder to base a budget on the international price of oil, as it keeps fluctuating. Our production has reached an all time low. We in Trinidad and Tobago are more reactive than proactive, hence the reason many people do not see the importance of diversification. We should be focusing on the tourism and agriculture industries. We need to create an environment where we can attract international investors in order to create more employment."



**Chad Achee,
Salesman, St. Ann's**

"I believe times are hard because of falling oil prices, and we now have to import what was once our main resource. Thousands of people are on the breadline struggling to make ends meet. Lack of diversification only ensures that there is nothing to rely on. I do have some ideas on how we can make a meaningful impact. Firstly, we need to reintroduce farming so that our food import bill could be reduced and secondly, we need more persons to put aside their differences and start thinking about innovative ways to improve the state of the economy. It needs to be a team effort."



**Vivian Bowen,
COSTAAT Student, Cunupia**

"Times are very uncertain, not only in Trinidad and Tobago but also the world. Seeing what is happening in Venezuela, the Middle East and locally, we are not seeing growth in any meaningful industries. As a matter of fact, you are seeing the hopelessness in the streets with the youths who are facing unemployment. At the end of the day, the youths are the future. We need to stimulate the economy by creating more jobs. I believe we can use the Sciences to assist with the creation of more jobs. For example, we can embrace forensic technology."



**Adele Chee Kee,
Stakeholder Relations
Officer, Piarco**

"Nothing in life is certain. I believe the Government is doing the best they can with the available resources we have given the global economy. What we as citizens need to do is plan better, alter our spending habits and lessen our dependency on the public system. Still I would like to see politicians advance and support legislation and proposals that will benefit ALL of Trinbago. We cannot progress with antagonistic politics and hypocritical rebuttals. We have to cooperate to fix things."



**Lauren Cain,
Housekeeper, Belmont**

"We are living in uncertain times and I know this because of how the world is going. Here in Trinidad and Tobago, we have housing problems, and a lot of people are now jobless, and the next thing is the prices in the grocery."



**Kenneth Donnor,
Nuts Vendor, Diego Martin**

"Times do feel hopeless for many persons. A lot of people do not know where or how they will get an income. We do need a lot of changes. Firstly, we need people to start caring for each other a little more, and secondly we need the Government to decriminalise the use of marijuana."

STREETS

QUESTION 2:

What changes would you like to see?



**Robert Ferreira,
Intern, St. Clair**

"I do feel a sense of uncertainty living here in T&T, and this is due to many things, such as...the closure of Petrotrin. I understand that the company was not profitable, and I am hoping the successor company can make a difference in the state of affairs. I would like to see a focus on Sports Tourism. I think T&T has great sportswomen and men who can take this concept and market it to the rest of the world. We have a lot of options that can be used, we just have not explored the ideas fully. With a bit of work, we can definitely pull things around."



**Zaid Lewis, Form 3
Student, Port of Spain**

"Yes I think times are uncertain; there is a lack of foreign exchange in T&T which affects imports. The Government also has less money in the Treasury, which means that many basic needs of the population cannot be met. I would like to see more money being allocated to the Ministry of Education for the maintenance and upkeep of Government assisted schools and more money spent on infrastructure such as roads and government housing."



**Angela Thomas,
Market Vendor,
Sangre Grande**

"I don't think that these times are uncertain. I think we need to have a little patience. People are looking for quick fixes, but it won't happen. Some people cannot recall but we had a downturn in the economy since Robinson's time and it took the Government approximately 7 to 8 years to put back the economy on stream. So, it won't happen just so, we have to give it a little more time. I would like to see an improvement in the economy, and we can do this by boosting the construction industry. If the Government boosts the construction industry, I think the economy will pick up."



**Richard Bahaw,
Electric Bike Enthusiast,
Sangre Grande**

"These times are uncertain on multiple levels - nationally and globally. We need people to be more responsible for their actions on an individual, corporate and national level. With regards to T&T's energy sector, we have been labelled as a petro-chemical industrial nation and if we are, how come we have so major companies in the country going into receivership? Clearly, we need to identify who we are."



**Stefanie Gouveia,
UWI student, Trinity**

"We do live in uncertain times and what is concerning is the state of the economy which is adversely affecting our standard of living. I believe that for a long time we depended on the oil and gas sector and now we need to have other areas that bring in money and create jobs. I would like to see more diversity in other sectors such as tourism and agriculture. Both these fields have so much potential to significantly increase the GDP of Trinidad and Tobago."



**Keith Morren,
Pilot,
Diego Martin**

"The country has not done badly in weathering this economic storm and we had to trim the fat and cut back on inefficient spending. I want to see private firms taking more responsibility and being innovative as well as Government removing excessive red tape needed to make businesses thrive. Our focus should be on (...) moving away from depending on oil and gas revenue alone. We should pay attention to the impact of electric cars and renewable energy."



6.

DIGGING DEEPER: HOW TO ADDRESS THE MINING SECTOR CHALLENGES?

Royalty payments from quarry operators contribute to the national purse (roughly TT\$9.5 million in 2018) and the mining sector is a viable source of employment.

The sector provides much-needed aggregates such as gravel, limestone and asphalt for construction and road building.

There are many challenges facing the sector such as inadequate royalty (revenue) collection, inadequate production verification, illegal quarrying and unlicensed quarry operations. These obstacles not only reduce the amount of money available to the Government to spend on public services, but they also have a negative impact on the environment and on people's livelihoods.

Royalties Paid by Mining Companies 2017 - 2019



Addressing production verification and inadequate royalty collection

As at the end of September 2018, quarry operators owed **TT\$174 million** to the Government in outstanding royalty payments.

Source: MEEI

These royalties were accrued during the period 2005 to 2018. This is largely because the calculation and collection of royalties are below acceptable levels. Correctly recording the volume (or amount) of minerals produced is necessary to determine the amount of royalties owed to the Government.

To obtain this information, the MEEI currently relies on self-reports from operators.

The Ministry is exploring the use of drone technology to better verify production volumes and, as a result, better calculate what is due.

Several companies submitted expressions of interest and an evaluation committee will be formed (April-June 2019) to select the company that will provide the drone service. The MEEI is also making improvements to its Minerals Division to improve royalty collection.

Unlicensed quarry operations

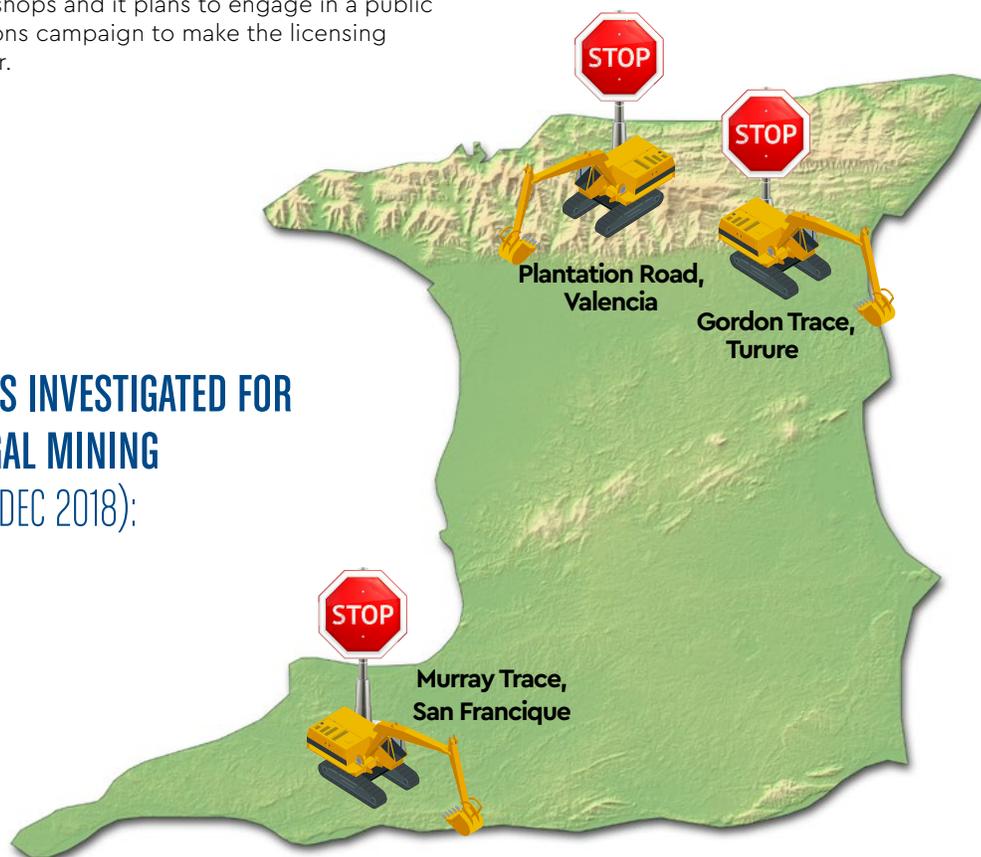
Although some unlicensed operators pay royalties, there is no obligation for these companies to contribute to the national purse. Also, when an operator is unlicensed it is difficult for the Environmental Management Authority (EMA) to ensure that abandoned lands are properly rehabilitated and that sensitive areas are not mined.

The MEEI's Minerals Division stated that the main reason for the large number of unlicensed operators is difficulties in the licensing process. The Ministry is working to fix this problem through training workshops and it plans to engage in a public communications campaign to make the licensing process easier.

Illegal mining

Illegal quarrying occurs when lawbreakers start mining operations that are unregulated and not approved by the Authorities. The MEEI depends on information from the public on illegal operations and then investigates along with the TT Police Service, the TT Army and the EMA if necessary. The MEEI also conducts random checks in areas where illegal quarrying may have occurred in the past.

AREAS INVESTIGATED FOR ILLEGAL MINING (OCT-DEC 2018):



STATE ENTITIES THAT HAVE CONDUCTED INVESTIGATIONS





CONCLUSION

Successfully navigating through these uncertain times requires that citizens stay informed of and take a deeper interest in the developments of the extractive (and non-extractive) sectors. The TTEITI provides credible information to help you understand the current state of the local extractive sectors and of the economy, so that you can ask the right questions and keep an eye on how the country's resources are being managed.

With greater understanding, we are better able to recognise that the country's economic survival depends on our ability to adjust to international forces that we cannot control (e.g. unstable energy prices). Already, many strategies are being used to steer us through this financial crunch. Improving revenue collection from the mining sector, focusing on diversification and ensuring energy partnerships with our CARICOM neighbours are just the beginning.

Since the decline of global energy prices in 2016, T&T has witnessed many changes. One wonders what the year 2020 will bring. Will we still be asking if water is more than flour, or will a new question arise? **Food for thought...**



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