

SPEECH OF THE MINISTER OF ENERGY AND ENERGY AFFAIRS

SENATOR THE HONOURABLE KEVIN C. RAMNARINE

MINISTER OF ENERGY AND ENERGY AFFAIRS

ENERGY CONFERENCE, HYATT REGENCY

PORT OF SPAIN

JANUARY 28 2013

- Cabinet Colleagues, Larry Howai, Vasant Bharat and Errol McLeod
- The Leader of the Opposition, Dr. Keith Rowley
- Minister of Natural Resources and the Environment of Guyana, Robert Persaud
- Minister of Finance, Communication, Utilities and Energy, from Aruba, Mike de Meza
- His Excellency Jose Gabrielle, Secretary of Planning of Bahia State in Brazil
- Members of the Diplomatic Corps
- Former President of Colombia, Alvaro Uribe
- President of the Energy Chamber, Roger Packer
- Captains of Industry
- Members of the Media

Good morning everyone and welcome to the 2013 Energy Conference. To our visitors welcome to Trinidad and Tobago. The theme of the conference is the question of growth. I will start by addressing that theme by trying to understand this year's conference. The organizers tell me that this conference has been sold out for some time now. There is a waiting list to get into this conference – that has never been the case in the past. I am also pleased that three state enterprises – NGC, Petrotrin and NP can be counted among the sponsors of this conference. In my opinion the over-subscription of this conference is a reflection for what is happening in the wider energy sector. It is a reflection of the confidence and buoyancy we are seeing in the energy sector.

Late last year Standard and Poor's commented that both their stable outlook for the country's economy and their growth projection of upwards of 2% was based on some key factors and among which was the stabilization in the decline of oil and gas reserves. They also cited Government's move to offer more fiscal incentives to the energy sector as encouraging since long-term growth prospects depended on boosting investment in exploration and production. On that note, the Ministry will receive the final report of the audit into the country's oil reserves next month.

In the Upstream sector an excellent proxy for activity is Rig Days. In 2012 we recorded 2788 Rig Days which is a 27% increase on the figure for 2011. It is also the highest Rig Day count since 2007. While it is difficult to accurately forecast Rig Days, we expect that in 2013 we would cross the 3000 Rig Day mark as exploration and development drilling accelerate. A broader view holds that Rig Days seem to be a good proxy for economic growth as the graph shows. That level of activity in 2012 translated into three discoveries - Petrotrin in Cluster 6, Bayfield in East Galeota and BP in the Savonette field. These discoveries constitute 241 million barrels of oil equivalent. If that correlation from the graph holds then it is in the national interest that we work towards sustaining the level of activity in the upstream sector.

Petrotrin & Trinity

In pursuance of this objective in 2012 the Ministry of Energy signed licenses with Petrotrin for the TNA acreage commonly known as Trinmar and for the North Marine acreage. The general thinking by our best geologist is that the Jubilee find of 2012 extends into the North Marine block. These licenses replace the lease between the Government and Texaco that was signed in 1982 for 30 years.

The TNA or Trinmar license will commit Petrotrin to acquire 300 km² of 3D seismic within 36 months and to drill 4 exploration wells over the next 24 to 48 months. The North Marine License requires the company to drill 2 exploration wells within the next 36 months as well as do reprocessing and evaluation of existing seismic.

Petrotrin has also commenced the re-activation of 60 wells that were capped more than 10 years ago in the South West Soldado field. This activity will accelerate with the arrival of a second workover rig in mid-February. The net result again is an increase in indigenous crude production which augurs well for the economics at the refinery.

The Ministry has also signed a license for the Point Ligoure, Brighton Marine, Guapo commonly referred to as the PGB acreage with Petrotrin and Ten Degrees North which is now Trinity. My speech would be incomplete if I did not mention the strides that have been made by Trinity in recent times. Only last week Trinity Exploration & Production successfully raised US\$90 million in new equity to fund its activities. This will go towards funding its 2013 campaign. It is a first for the local private sector in the upstream sector, to have attracted top tier long term shareholders and to be listed on the London Stock Exchange. I also

must recognize another local player Neal and Massy Holdings who have partnered with Mitsubishi and ICCL to bring to the table a major investment in a methanol to di-methyl ether facility for which negotiations with the NEC are expected to be concluded shortly.

The growth story going forward therefore requires continuous activity to increase production, explore for additional reserves and be more technically innovative, which all require a greater diversity of companies. It's a lesson from nature that the more biodiversity you have in an ecosystem the greater the chance of stability, reliability and survival.

Land Based bid round

The Ministry and Petrotrin are working together on a Land Based bid round. This bid round will be promoted at this conference at the Energy Pavilion booth and appointments can be facilitated for viewing of the data this week at MEEA head office. The bid round will be formally launched in mid- February at which time data packages will be made available for sale. The land based bid round is the first since the late 1990's and is a key component in our strategy to arrest the decline in oil production. That bid round in the late 1990's led to the discovery of the Carapal Ridge field by Cometra which is today what we know as BG's Central Block asset. In total three blocks will be put on offer and already there has been interest both at home and abroad. It is our plan to market this bid round in Houston, Calgary and in Aberdeen.

Deepwater thrust

In 2012 we recorded what was the most successful deepwater bid round in 14 years. The result was a clean sweep for BHP Billiton and a significant expansion of their acreage in Trinidad and Tobago. This commitment by BHP is a demonstration of the confidence one of the world's largest companies has in this country. The success of the 2012 deepwater bid round is a victory for this country and for generations to come as many are convinced that the deepwater holds a new hydrocarbon province. Both BP and now BHP, two long established players in this country, stand poised to take us into a period of exciting deepwater exploration. We now look forward to the 2013 deepwater bid round. I am advised that we have already started to receive nominations for blocks. These nominations will inform what blocks will be eventually put out. We will launch the 2013 deepwater bid round in

April of this year and our team will begin marketing this bid round internationally in the coming months starting with the winter NAPE next month in Houston.

Fiscal Regime

To further stimulate activity in exploration and production, Government has sought to introduce a number of incentives in the 2013 budget. These initiatives are in the Finance Bill 2013 which will be debated in the Parliament today. These initiatives came out of the Ministry of Energy's budget consultation with the Energy Chamber. Among the changes being proposed in the Finance Bill are:

- 1) The harmonization of the SPT rate for activity in the marine environment.
- 2) The introduction of a Special SPT rate for new field development.
- 3) 140% capital uplift for exploration in deep horizons – deep being defined as 8000 feet or more for land and 12,000 feet or more in marine areas.

Exploring the deeper horizons on land in south Trinidad requires 3D seismic and drilling of exploration wells. Both of these items are high cost. The deep horizon incentive is critical to higher cost exploration in deeper horizons on land and in the marine environment. On land it will cover exploration prospects in the Herrera and Lower Cruse reservoirs and all Cretaceous opportunities in the southern basin of Trinidad. It will also incentivize exploration of the Lower Cruse reservoirs in the south western area of Trinidad.

It is the policy of the Government as regards exploration and production that we must constantly re-access our competitive position. The fiscal regime governing the energy sector should strike a balance between delivering a fair return to the people of Trinidad and Tobago while ensuring the competitiveness of the sector in the face of an ever changing world.

To this end I am of the view that a lot is left to be done with regard to our fiscal regime. Last week Cabinet approved the establishment of a committee to review and make recommendations for the reform of the fiscal regime. This committee is to be chaired by the Permanent Secretary in the Ministry of Energy, Vishnu Dhanpaul and includes distinguished public servants from the Ministries of Energy and Finance. This committee will be consulting with all stakeholders in the energy sector and has terms of reference that includes the heavy oil development and the reform of the existing production sharing contract regime. The committee will report its recommendations in six months. We must always remember ladies and gentlemen that what got us here may not take us there.

Growth of the NGC

Let us now look at the NGC and its role in answering the question of growth. The NGC was formed in 1975. The Minister of Petroleum and Mines at the time was Errol Mahabir. It was formed because the Government needed an entity to transport natural gas from Amoco's fields on the east coast and make it available to TTEC and other customers. Today some 38 years later the NGC operates 1000 km of pipeline and has assets of over \$US 5 billion making it one of the largest companies in the Caribbean and Latin America measured by assets. The existing NGC business model, which has worked well, will however not provide the accelerated growth that is desired. The question now for the NGC becomes one of capital efficiency and growth.

Companies we are told grow through pursuing a strategy of diversification, divestment, acquisition and internal growth or combinations of these strategies. The time has come for the NGC to consider the forward and backward vertical integration of its business and seek investment opportunities outside of this country. I can tell you that the NGC is currently in discussion with three multi-national companies in Trinidad and Tobago for the acquisition of their all or part of their assets and it is also examining investment opportunities in Africa. The vision therefore is that the NGC is the vehicle for growth through which this country can expand its footprint at home and abroad. In years to come we envision the NGC becoming to our country what Petrobras is to Brazil and Statoil is to Norway.

On the issue of natural gas I want to explain that the renewed focus on oil exploration and production does not come at the expense of the exploration and production of natural gas. Indeed efforts abound to continue migrating reserves all the way into the proven category. I will not repeat what Norman has said but as you can see BP is very active and 2013 will be a busy year for them. Conversations have also already started between BP and the Ministry around the development of the Juniper field and both BG and EOG have plans in 2013 to ensure the continuation of deliverability of natural gas. In addition, Niko and Centrica are gearing up to explore the north coast which is prospective for natural gas.

Regional expansion

In considering the question of growth we must look at the regional picture. The wider Caribbean, Latin America and Africa are emerging as markets in which Trinidad and Tobago can participate via the export of energy services or through investment by the National Gas Company. In French Guiana there is a large expansion taking place around the development of the 2011 Zadeaus find. In Suriname the oil industry in that country continues to expand. In Guyana the search continues for oil and natural gas. In the wider Caribbean we continue to work with our counterparts in Grenada in what could be a joint exploration in Block 21 and abutting acreage on the Grenadian side of the maritime border. We have signed a Memorandum of Cooperation with Grenada and we are working with our Guyanese counterparts on a similar agreement.

This year we commemorate the 40th anniversary of the treaty of Chaguaramas. In 1973 Trinidad and Tobago was fully aware of the leadership role that we had to play in the Caribbean community. We were aware of it then and we are aware of it today. It is clear that there is need for an enlightened Caricom Energy Policy. To this end the Ministry of Energy in collaboration with the Caricom Secretariat will host a historic COTED- energy meeting in Port of Spain on March 1 2013. This will bring together Ministers with responsibility for energy for one day to discuss a way forward for the Caribbean with respect to energy. It is also noteworthy that later this year Prime Minister Kamla Persad-Bissessar assumes the Chairmanship of Caricom.

LNG and CNG

As we further consider the conference theme of growth we examine the marriage of strengths and opportunity. In the region our Caribbean and Latin American neighbours are buckling under the weight of high oil prices that have impacted on their balance of payments and contributed to high prices for electricity and transportation fuels. Historically with the exception of the Dominican Republic and Puerto Rico, most Caribbean markets are considered too small to bother the larger LNG marketers and too distant for pipelines.

There is a role for Trinidad and Tobago from the perspective of regional energy security through the export of natural gas to the region. Centrica is about to commence the development of Block 22 and the proposed option for the commercialization of the gas from Block 22 includes a mid-stream CNG plant. Such a facility can service the smaller markets of the Caribbean that are desirous of changing out from diesel or fuel oil based power generation which is cheaper and cleaner.

The NEC has also been in discussions and has received a proposal from Gasfin for the construction of a small scale LNG plant at the Union Estate. I am advised that next week Gasfin will shortly commence discussions with the NGC around a gas supply arrangement. You will be hearing from Gasfin at this conference.

The driving force behind this emerging regional LNG / CNG market is of course economics. Broadly speaking the spread between what price of natural gas exported as LNG or CNG is in Trinidad and Tobago and the price of oil converted to \$US mmbtu's (somewhere in the mid-teens) makes this trade one that gives a return that justifies the investment.

It is therefore also conceivable that the NGC could play a role in this emerging market. It should also be noted that Petrotrin holds a 10% stake in Centrica's Block 22. In Latin America, Panama and Costa Rica are both preparing to build re-gasification terminals as they make the switch to LNG. This is yet another growth area for Trinidad and Tobago's energy sector.

Conclusion

In conclusion I would add that we all have to work together to keep the energy sector growing. A lot of time has been lost and the leaders of the sector would often tell me that decisions that should have been years ago have to be made now with urgency. I believe that no problem is insurmountable if people come together to work towards a common solution.

Getting from here to there requires the correct strategy, the correct people and requires that we continue to nurture the relationships that have taken us this far. The Ministry maintains excellent relations with all the major multi-nationals operating in Trinidad and Tobago. Maintaining an atmosphere of respect and cordiality between ourselves and our stakeholders is critical. In the last two years we have been able to bring people together to see the sector as a whole and not as disparate parts.

Trinidad and Tobago has developed a reputation as a great place to invest, to do business and to live. We are one of the most sought after destinations in the world for expatriates working in the oil and gas industry. This is a reputation that we can only enhance in the years to come as we prepare for another expansion of the energy sector.

I believe that the best days are ahead of the national energy sector and not behind it. I am the eternal optimist and for me the glass is half full and not half empty. Are we poised for growth – I say yes but it takes vision, will, planning and effort.

On behalf of the Government I wish you all a successful conference. Thank you.