T&T's NGC spreads its wings

Interview with S. Andrew Mc Intosh, President of the National Gas Company of Trinidad and Tobago

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Trinidad and Tobago's state-owned National Gas Company (NGC), along with its wholly-owned subsidiary, the National Energy Corporation (NEC), must take most of the credit for catapulting the country into gas-based industrialisation in a way unequalled by most states with natural gas resources, large or small.

Now, having achieved its goal of helping to create a domestic heavy industrial sector using gas as a raw material or fuel, (it currently markets on its own account or provides transmission space in its pipelines to other marketers amounting to no less than 4 billion cubic feet a day – bn cfd), NGC is now anxious to move into the outside world and apply its 35 years of experience in gas monetisation to the rest of the Caribbean and internationally. If it succeeds, it could become the first genuinely local Trinidad and Tobago energy company to establish a presence in the industry globally.

It started this initiative by taking a 10 per cent share in the Eastern Caribbean Gas Pipeline Company (ECCPC), which is a private sector effort to provide more price-stable and cleaner energy to other Caribbean states, specifically Barbados but eventually possibly including St Lucia, Dominica and the French Caribbean territories of Martinique and Guadeloupe. With its extensive experience in laying down gas pipelines both underwater and overland, NGC is in the ideal position to offer expertise to ECGPC's board and management on the successful completion of the first 188-mile leg to Barbados.

It now has its eye on potentially much bigger fish on the other side of the Atlantic, specifically Ghana in West Africa, following a government-to-government offer of assistance from Trinidad and Tobago, which has been in the hydrocarbon business for 102 years, in the development of that country's fledgling oil and gas industry.

The bringing on stream of the Jubilee Field (and, eventually, other discoveries like Sankova, Tweneboa and Odum offshore Ghana) on 15th December 2010 heralded the emergence of Ghana as the newest member of the world community of Oil-Producing Countries. It is expected that oil and gas production from Jubilee will peak at about 120,000 b/d and 120 million standard cubic feet a day (mmscfpd) respectively.

Ghana has little expertise in these matters and NGC is ideally placed to provide it. The company has, after all, been instrumental in attracting 10 ammonia plants (plus another as part of a Ammonia Urea Melamine Complex), seven methanol plants, four LNG trains, one gas processing company, two iron and steel companies and one urea plant to Trinidad and Tobago, not to mention encouraging 4,000 motorists to convert from gasolene to compressed natural gas (CNG). NGC has even become part-owner of an upstream asset, the Teak/Samaan/Poui block in which it took 15 per cent when RepsolYPF purchased it from BPTT in 2005 (another state energy firm, Petrotrin, also holds 15 per cent). The blocks produce about 15,000 b/d of oil and around 130 mmscf of gas, with NGC providing compression services for most of the latter, which is reinjected to keep crude output stable.

As Mr Mc Intosh points out: "Obviously, Ghana will need infrastructure in place to receive its gas from offshore and take it to a gas processing facility to extract the butane, propane and natural gasoline liquids (NGL's), much as we do with our Phoenix Park Gas Processors company, then send the residue gas to power plants for electricity generation. So, there's a great opportunity in Ghana for a company like NGC."

This international outreach will clearly figure prominently in the company's new strategic plan, an update of the one that guided its activities during the period 2004-08 and now more than ever necessary because an entirely new government has been in place in Trinidad and Tobago since May, 2010 and, with it, the country's first female Minister of Energy, in the person of Ms Carolyn Seepersad-Bachan, an electrical engineer and university lecturer by profession. NGC also has a new Board of Directors, chaired by highly-regarded banker. Larry Howai, Managing Director of First Citizens Bank, an indigenous Trinidad and Tobago financial institution.

Minister Seepersad-Bachan and Mr Howai will clearly have their own ideas on where NGC should be heading during the life of the new plan, which will cover the period 2011-15. There is unlikely to be any significant change of direction for NGC and the gas sector in general. The minister has already declared her determination to stick with the gas-based downstream industrial development programme and in a way that exhibits no fundamental departure from that of the previous government.

She says emphasis will continue to be placed on the following: petrochemicals and associated downstream industries, speciality chemicals, plastics and associated downstream industries, metals and associated downstream and LNG. Her one departure from previous policy in the gas sector has been a publicly-announced evaluation system for gas allocation, based on points awarded for various aspects of a project, such as degree of value added, environmental impact, capital spending, degree of local content and so on.

Mr Mc Intosh is supportive of this approach and does not think the conditions will be too "strict" for investors.

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

"This sets the bar for the next wave of energy projects and challenges bidders to think creatively about their proposals," he observes. One of the minister's criteria for gas allocation is the "extent of the variation between key terms and conditions of gas supply," including gas pricing. The NGC President, for his part, sees price as the big sticking point in negotiations in the future, now that it has become much more expensive than in the past for companies to explore for, and produce, gas.

In the case of its petrochemical customers, NGC sets a base price for gas, which escalates every year and can go much higher, or lower, depending on the price of ammonia or methanol in the marketplace. This has served both sides well but does entail considerable haggling over the base price and the reference prices of ammonia and methanol, which determine the extent to which gas prices can rise or fall. "Existing gas-using industries have grown up in an era of relatively cheap gas but, as Minister Seepersad-Bachan has repeatedly pointed out, there is no more cheap gas. NGC has to pay increasingly higher natural gas acquisition costs and therefore project developers have to understand that it is not business as usual and have to come to the table with the current gas acquisition price as a frame for gas price negotiations", Mr Mc Intosh insists. At the same time, Mr Mc Intosh is cognizant that uncompetitive gas price structures will prohibit the expansion of the Industrial Sector. He says, "Landing a Gas Sales Contract for a new Project requires a delicate balance that allows the Investor and NGC/GORTT to feel that fairness and transparency have been served".

With netback from Henry Hub for Trinidad and Tobago gas producers like BP, BG and Repsol being estimated at US$2.75 in finance minister Winston Dookeran's 2010-11 budget, Mr Mc Intosh's remarks strongly suggest that NGC could in future be paying more to producers for gas than those same producers could earn by exporting gas as LNG. Indeed, the whole gas development situation in Trinidad and Tobago could undergo a structural change if the United States comes to be seen as a location for cheaper gas, while Trinidad and Tobago comes to be seen as a location for more expensive gas.

In that context, it is obviously imperative for NGC to become as efficient and operationally cost-conscious as possible and, "as a derivative of the 2011-2014 Draft Strategic Plan," as Mr Mc Intosh describes it, "we have initiated a major organisational review that will be a deep dive into the heart of NGC, examining structures, work processes, job scope, competencies, etc." The objective: "To ensure we have the right structure, right work processes and the right people in the right jobs, etc, that will enable the identified strategic imperatives to be achieved."

He indicated that one important milestone is the review of the Draft Strategic Plan with the new Board of Directors headed by Mr Howai. Whatever changes the Board requests will be used to convert the Draft Plan to a fully Approved Strategic Plan which will then be rolled out to the entire NGC Family.

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