The National Energy flagship: A profile of Petrotrin

By David Renwick

Like all the government's investments in oil, today's Petroleum Company of Trinidad and Tobago (Petrotrin) is the scion of takeovers of foreign oil companies' assets at various points in time

Like all the government's investments in oil (though not natural gas), today's Petroleum Company of Trinidad and Tobago (Petrotrin) – the country's flagship energy corporation in all but name – is the scion of takeovers of foreign oil companies' assets at various points in time.

It all started, as has been outlined elsewhere in this publication, with BP's local oilfields in 1969, which became Trinidad-Tesoro, and then, several years later, the Trinidad and Tobago Petroleum Company (Trintopec).

The Shell oilfields and refinery were bought out in 1974, and given the more 'nationalistic' name of the Trinidad and Tobago Oil Company (Trintoc), incorporated on 31 August that same year. The government's oil holdings were considerably enlarged in 1985 with the purchase of the assets of Texaco Trinidad Inc, which included a second, and much bigger, refinery, along with a substantial number of producing fields.

It made no sense for the government, or any savvy owner, to be running two oil companies in the same small land mass as separate entities, with all that implied in terms of resource duplication and cost and in 1993, Trintoc and Trintopec were merged into Petrotrin, with the late Trevor Boopsingh as first Chairman and the late Keith Awong as first Managing Director, both of them men of considerable expertise in various facets of the petroleum industry. As a final touch, in 2000 Petrotrin bought out the one-third share of Gulf of Paria producer Trinmar it did not already own.

In straightforward, chronological order like that, it all sounds simple, but the government clearly faced significant challenges along the way, as it found itself a player in the world's leading industrial activity, especially when it took on the Shell refinery, at Point Fortin in south west Trinidad, the demands of which were well in excess of its own crude production in the area. Sourcing imported crude was an immediate necessity if the Point Fortin refinery was not to function well below its productive capacity of around 100,000 b/d.

The late Barry Barnes, who subsequently became Trinidad and Tobago's Minister of Energy several years later, had been appointed marketing manager when Shell became Trintoc and he told us a few years before his death in 2011 that the first CEO, Walton James, now deceased, later re-named managing director, had to "go out and buy a cargo of Nigerian crude, at a price at the time, I think of about US$2 million (mn), in the days when a Trinidad and Tobago Cabinet Minister could not authorise expenditure of more than TT$100,000 without the approval of the entire Cabinet. We were a little worried that Wally had done the deal without authorisation from the new owners of the refinery, the government," although according to Mr James the Chairman of the Board (and then Governor of the Central Bank) Victor Bruce gave the purchase his blessing.

However, the administration of the day, headed by the late Dr Eric Williams, generally regarded as the 'father of the nation', apparently had the sense to realise that an oil company, with daily dealings in the international arena, manifestly could not be run like a government department and Trintoc was given the leeway, under a Board appointed by the government, to operate as it needed to, both from the point of view of purchasing crude and marketing the refined products, in which Mr Barnes had a direct hand.

Lindsay Gillette
Chairman, Petrotrin

Fortunately for the country, Trintoc could count on the services of professionals like Messrs James, Barnes and others to successfully operate the first integrated oil company wholly-owned by the state.

The government almost didn't get Mr James to stay on after the purchase. He had been in charge of the refinery, as what was called Manufacturing Manager, at the time of the transfer of ownership, and Shell had already tempted him to remain with the international organisation.

"When the purchase had been completed," James told us before his death, "I was telephoned by the then Minister of Energy who asked me what I was going to do and I told him that Shell had offered me a job in London. He said, 'No, you can't go.' And I asked, 'What do you mean?' He responded that the government needed me to stay on to sort everything out."

James's sense of service to country apparently triumphed over the blandishments of Shell (his father, after all, had also been in public service, having worked with the government as a chemist) and he agreed to become the first local man in charge of Trintoc. Sourcing crude was only one of the many challenges he faced. Finding staff with the right technical skills was also a difficult matter.

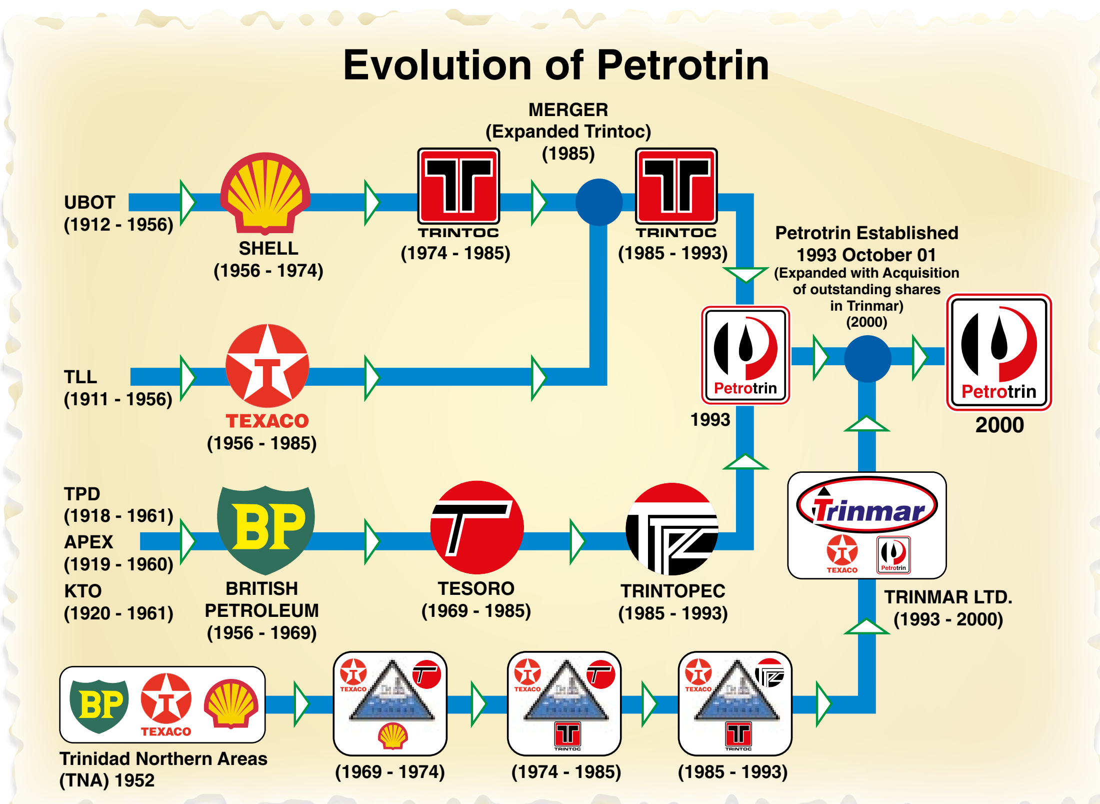
"At Shell, we operated centres of activity and relied on getting a lot of foreign support but that was, of course, cut off. Shell offered us some services but we had to pay for them and they were hard negotiators."

Trintoc suffered particularly from a shortage of geologists.

"We had to advertise in the United States (US) and Canada for them. I had to fly up to Canada where a Trinidadian I knew introduced me to as many people in the field from Trinidad and Tobago as possible who might want to come back home."

A few did accept the offer and Trintoc created the nucleus of its Geological Department this way, enabling the new company to have the sort of expertise essential for identifying new oil reserves. ►

It made no sense for the government to be running two oil companies in the same small land mass as separate entities, and in 1993, Trintoc and Trintopec were merged into Petrotrin



Sourcing imported crude was an immediate necessity if the Point Fortin refinery was not to function well below its productive capacity of around 100,000 b/d

► The Texaco acquisition 11 years later was attended by far fewer problems because the managers of the nationally-owned part of the industry had by then acquired extensive experience in operating oil assets and Texaco, in any case, had bequeathed a pool of talented Trinidad and Tobago petroleum professionals to the state.

The product configuration of the much bigger 360,000 b/d Texaco refinery at Pointe-a-Pierre in west-central Trinidad was perhaps the biggest challenge in this case, because, as Barry Barnes pointed out: “Texaco had expanded the refinery in Trinidad after they took it over to be all things to all men. They had basic units, they had paraffin units, they had bits and pieces of every goddamn thing under the sun, the idea being to bring in the ultra-large crude carriers (ULCCs), which could not dock at Gulf of Mexico ports at the time, into Pointe-a-Pierre, drop off crude, refine it and then ship it on to the US in smaller tankers.”

However, Trinidad and Tobago’s value to Texaco in that regard vanished as soon as the Louisiana Offshore Oil Port (LOOP), which could accommodate VLCCs, was built. As Barnes said, “They could now get tankers directly into the US refining system, so the Trinidad refinery, along with others in the Caribbean in places like Curaçao and Aruba, became absolutely redundant. Texaco informed the government that it had no further use for the refinery here. The government was faced with the choice of it being abandoned so, very reluctantly I might say, decided it had to purchase the damned thing.”

In order to keep the Texaco refinery operating, Trintoc was obliged to provide 30,000 b/d of its own crude for processing over a three-year period. Negotiations for the purchase of the Texaco holdings were conducted by a government-appointed team under the leadership of the late Doddridge Alleyne, which included Trevor Boopsingh, John Andrews and Barry Barnes, among others.

Khalid Hassanali
President, Petrotrin

But Trintoc, which was handed control of the former Texaco properties, certainly gained crucial assets in the process, including another refinery and oil-producing land fields (the offshore assets were, at the time, not included in the buy-out). Indeed, Mr Barnes recalls, “Texaco presented a dossier of its land holdings in Trinidad to the negotiating team, which amounted to approximately 20 per cent of the surface area of Trinidad.”

Following the merger between Trintoc and Trintopec in 1993, which begat Petrotrin, the Point Fortin refinery was shut down. The refinery occupied much of the land on which the four trains of the Atlantic LNG Company sit today. All processing has, since then, been centred at Pointe-a-Pierre and, it is fair to say, the refinery has been Petrotrin’s biggest challenge since the company was established.

It quickly moved to improve its capability, with a nine-unit US$350 mn upgrade in the mid-1990s, which saw full refining capacity increased from 90,000 b/d to 160,000 b/d (the 360,000 b/d that Texaco could process in its day was mainly confined to primary distillation, not full refining).

Further upgrading has since been embarked upon, involving a gasoline optimisation programme (GOP), the purpose of which is to increase both gasoline quality and quantity and eliminate unfinished products, and an ultra-low sulphur diesel (ULSD) plant with the ability to meet the most stringent diesel specifications, so the 40,000 b/d that will be produced at the Petrotrin refinery will be able to be sold in all markets.

This is also a defensive measure against Venezuela’s PetroCaribe scheme for supplying deferred-payment crude and petroleum products to Caribbean and Central American countries. The effect on Petrotrin’s Caribbean sales has, not, so far, been as bad as feared: the company still supplies about 55 per cent of refined products demand in Caricom, excluding Jamaica.

The upgrade also has a strong environmental dimension. As Malcolm Jones, the former Petrotrin president, noted that “if we didn’t do this, we might not stay in business at all, never mind marketing challenges specific to the Caribbean. Environmental standards are becoming stricter all over the world and we need to get our product into that range. If we don’t, no one will want to buy from us.”

Petrotrin has also been pursuing what it calls its Journey to Excellence (J2E), designed to raise the performance of its entire refinery operation, by increasing the availability of key process units through more effective maintenance and raising productivity by the optimum use of technology.

Even though it does have to import, the company has access to a baseload of crude through the 13,000 b/d it obtains from its own onshore fields, another 23,800 b/d from Trinmar and about 15,800 b/d from other domestic sources (bpTT’s 11,000 b/d from condensate and oil output and Repsol’s 11,200 b/d from offshore fields acquired from bpTT in 2005 are not available because of other contractual commitments).

In fact, Petrotrin became the biggest single oil producer in 2004, as the crude output of the previous leader, bpTT, precipitously declined. The company imports about 103,000 b/d to fill out the rest of its 160,000 b/d requirement from such places as Venezuela, Colombia, Brazil and Gabon.

From this crude comes about eight different products, mainly used in transportation, such as gasoline, diesel, turbine fuel, marine diesel, kerosene and aviation fuel.

Petrotrin has been making a profit from time to time in recent years but for an oil company with assets of over TT$30 billion (around US$5 billion), this is not considered enough and analysts generally agree that costs have to come down, especially labour costs, which are over 50 per cent of operating expenses when compared with 30 per cent-35 per cent for refineries elsewhere in the world.

Cost-cutting will eventually mean having to reduce the workforce, which currently stands at around 5,500 people.

This will inevitably be resisted by the Oilfield Workers Trade Union (OWTU), which has represented most oil industry workers since its formation in the late 1930s following the workers’ rebellion in the oilfields over low rates of pay in 1937.

Errol McLeod, who recently retired after many years as President-General of the OWTU and subsequently became a minister in the present People’s Partnership government, observes that “Trinidad and Tobago oil workers can claim today to be among the beneficiaries of some of the most modern conditions in the international oil and gas industry. The OWTU is responsible for that and we like to think our struggles have been on behalf of all the workers of Trinidad and Tobago. We have improved rates of pay in the oilfields from 7-8 cents TT in 1937 to about TT$53 an hour today, to which should be added paid sick leave, cost of living bonuses, vacation savings plan, good pension scheme, etc.”

Both Petrotrin’s current Chairman, Lindsay Gillette (pronounced with a hard ‘G’) a former Minister of Energy in a previous United National Congress (UNC) government, and its current President, Khalid Hassanali, are committed to ensuring that what they see as union intransigence does not compromise their goal of a more efficient company.

“Things have got to be done differently in the interests of the stakeholders of Petrotrin, who are our 5,500 employees, our retirees and the state, to which we provide more than TT$2 billion a year for the people of Trinidad and Tobago in direct contributions.”

Petrotrin is also very mindful of its role as the sole refiner in the country and provider of transportation fuels in particular. The 9.2 million barrels of gasoline, 9.4 million barrels of diesel and 5 million barrels of kerosene/jet fuel it produced in 2013, are all vital to the continued functioning of the local and, to ►

Petrotrin became the biggest single oil producer in 2004, as the crude output of the previous leader, bpTT, precipitously declined

Petrotrin has recently completed the biggest 3D seismic survey ever undertaken on land in Trinidad

some extent, the Caribbean economy.

On the crude production side, Petrotrin will step-up exploration and development drilling activities in 2014, with particular reference to its holdings in the Gulf of Paria, which fall under its Trinmar unit.

Gas will also continue to play an increasingly important part in Petrotrin's operations. It already holds a 19.5 per cent share in the gas fields in the NCMA 1 block and has a 20 per cent position in the NCMA 2, NCMA 3 and NCMA 4 blocks, where exploration for gas in particular is currently underway.

These targets will be vigorously pursued by the board under the chairmanship of successful local businessman, Lindsay Gillette, who was appointed to run the state company when the new People's Partnership (PP) coalition government came into office in May, 2010.

Mr Gillette has a reputation for being a no-nonsense businessman and knows his way round the corridors of power: he was, after all, himself the Minister of Energy in the brief, one-year administration of the United National Congress (UNC) party which, having been re-elected in the year 2000 after one five-year term, was forced to go back to the polls in late 2001 but then found itself out of office after a dead heat with the People's National Movement (PNM) party. The UNC, incidentally, is the main party in the present coalition and the Minister of Energy and Energy Affairs, Senator Kevin Ramnarine, himself hails from that group.

Despite his short time in ministerial office, Gillette managed to achieve some notable firsts, including setting annual gas reserves audits in motion and sanctioning the first seismic survey of the deep water region, an area now regarded as having great potential for future petroleum discoveries.

Since those days, unfortunately, Trinidad and Tobago's crude oil output has inexorably declined and now stands at around 66,500 b/d, not including condensate.

Petrotrin has the key responsibility for reversing that decline, if only because it has the largest amount of prospective acreage on land and in the Gulf of Paria on the west, than any other company.

Energy Minister Ramnarine has unabashedly referred to Petrotrin as being "pivotal" to the goal of starting crude production moving upwards again – he has spoken of 100,000 b/d as a medium-term crude target – and believes the company's Gulf of Paria unit, Trinmar, is best placed to drive this turnaround.

Gillette insists the board, management and workers are all "most definitely" up to the job.

He supports the system of joint venture partnerships between Petrotrin and private sector oil companies as an effective way of dealing with the task – after all, as minister in 2001, he encouraged the company to hand over hundreds of additional wells to private Lease Operators (LOs), which has helped to keep Petrotrin's land production fairly stable.

He is now particularly looking for joint ventures that bring what he calls "synergies and complementaries" to the state company. "Two plus two must equal 6 not 4," he says, somewhat mysteriously, adding: "It simply makes good business and economic sense to find partners with whom we can share any investment risk."

On the gas side, Gillette had encouraged Petrotrin to diversify its income stream through more involvement in natural gas when he was a minister and now enthuses that gas "has positively impacted our profit position over the last five years," particularly the company's 19.5 per cent holding in the unitised NCMA 1 block, of which BG Trinidad and Tobago is the operator.

Petrotrin has also recently completed the biggest 3D seismic survey ever undertaken on land in Trinidad, and a 300 sq km ocean-bottom cable 3D survey in the Gulf, pursuant to the renewal of its Trinmar licence in December 2012. It has also had its licence for the North Marine block in the Gulf renewed, so it has extensive acreage in which to work off the nearshore west coast. Gillette expects promising prospects – perhaps for gas as well as oil – to be identified from the sub-surface data. ▪