

Rebalancing the energy portfolio

INTERVIEW WITH SENATOR HON CONRAD ENILL

MINISTER OF ENERGY AND ENERGY INDUSTRIES, TRINIDAD AND TOBAGO



CONRAD ENILL holds an MBA from Brunel University and Henley Management College of the UK. He has over 26 years' experience in the private sector and became a Senator in 2001, in which capacity he also served as Minister in the Ministry of Finance. Senator Enill is a former Governor at both the International Monetary Fund and the World Bank and also served as Governor of the International Finance Corporation, the International Development Association and the Multilateral Investment Guarantee Agency. He was appointed Minister of Energy & Energy Industries in 2007.

You've been a strong advocate of greater engagements with African countries on energy issues. How successful has this policy been to date?

The policy first came about after the Prime Minister went to Africa and saw that a number of countries there were in the process of developing their energy sectors. As Trinidad and Tobago has created a model of energy sector development that is different from many other countries, we invited those parties concerned to Trinidad to learn from our experience. We have given them scholarships at the University of Trinidad and Tobago, taken them to see Petrotrin, NGC, Atlantic LNG and our other assets, and in some instances we've set up teams to help with certain kinds of projects, such as in the case of Ghana, whom we assisted in the development of a gas master plan.

We have also got the private sector involved and a team headed by the South Trinidad Chamber of Commerce and Industry is currently looking at any business opportunities that might exist as a result. But it was never intended to be a business decision; it was an exercise intended to share expertise with those in similar circumstances.

It has actually gone better than we expected in the sense that many more countries have taken up the offer than we originally anticipated. It started off as a West African initiative but now countries such as Tanzania, Uganda and others are saying they want to be a part of it.

Although we have benefited from the experience of engaging more closely with Africa we wanted to make sure that African countries did not make the same mistakes that we made and for them to benefit from the kinds of lessons that we have learnt. That is our contribution to poverty eradication in the African Continent.

Many of Africa's leading and emerging oil and gas producers will be here in November for CHOGM. What are your expectations for the meeting?

There are common challenges to be discussed, such as unconventional gas coming onto the market, particularly in the US. In many jurisdictions the era of easily accessible, cheap gas is now over and the present requirement is for those companies who have the necessary technology to assist in reducing costs. However, the real challenge is to come up with a common agenda, let alone a consensus, in what is a very competitive environment.

Presumably, though, the meeting will bring together a very disparate group of producers and consumers; surely that creates opportunities for deals to take place?

It's not going to work that way, quite frankly. Those interested in the business are in a country that has 'done it' so they can see how it has been achieved and we can, of course, offer them a further consultation. I don't anticipate anything concrete at the event itself. I think we will have an opportunity to talk broad policy issues, some relationship issues and to try to move forward on the question of the environment, which is the greatest cause for concern.

Trinidad and Tobago is fielding a candidate – former Energy Minister Eric Williams – for the newly created post of Secretary-General of the Gas Exporting Countries Forum (GECF). Does this represent another step towards the creation of a gas OPEC?

I think it is more about bringing together a group of producers acting collectively to deal with the challenges that face us as we move forward. I don't see this as a cartel because the pricing mechanism will drive the price and ensure competitiveness. But there are bigger issues to be addressed here, such as issues of supply and issues surrounding the plants that we currently have in place. For instance, if we have a plant in Trinidad, does it make sense for Venezuela to build a new one? Would it not make more sense for them to use ours and simply pay us a processing fee? If we work together we can achieve economies of scale and in fact get value added, as opposed to the disruption which can take place if we all try to do the same things in the same kinds of jurisdictions.

Will the de-linkaging that we've seen in gas and oil prices encourage producers to impose a price 'floor'?

It's not only the de-linkaging; there are four different markets around the world with pricing depending on various contributory factors, with some being oil-based, some being power-based and so on. Therefore, for a buyer, there is always an opportunity to find the best price.

But there's another phenomenon we've noticed: Trinidad and Tobago has developed a reputation for political stability and other countries are coming to us saying: 'we would like to do business with you because you are dependable', whereas in some other jurisdictions they cannot depend on the contracts that they have, which

leads to supply issues. So we've had a number of countries wanting to buy individual LNG cargoes from us, to give them some security.

Trinidad and Tobago has been very successful in attracting investment from Commonwealth countries such as Canada, the UK, Australia and India. Would you like to see more investment in Trinidad and Tobago's energy sector from the Commonwealth, and if so, which particular areas?

Frankly speaking, I think we are running out of areas in the energy sector, although recently some LNG cargoes have been sent to India and we are hopeful of more partnerships there. Countries that are going to get involved in the energy business need to have very deep pockets and we know who they are because this is principally an energy province. We do have, however, a strong manufacturing sector too, and it is this area that will provide significant investment opportunities for some of these other players.

We have identified, as part of the diversification agenda, both traditional and non-traditional manufacturing – i.e. the downstream side of the energy sector – aluminium production, the plastics industry and so on, as target areas for investment. Then there's agriculture in which certain other Commonwealth are particularly strong. We have tourism, financial services and are pushing a heavy technology agenda. In this respect we need countries that have the benefit of advanced technological development bringing that knowledge to the table.

What will be the main elements of the forthcoming adjustments to the fiscal regime for oil and gas that you're proposing and what are they designed to achieve?

The challenge is to get the right mix and that means ensuring that we remain internationally competitive, whilst being able to maintain the revenue demands of our country.

We are entering a new phase in our history: the exploration and production of deep-water acreage is frontier-type activity for us and the new fiscal regime must reflect this new environment but also allow companies to go out there and make the large investments that are necessary. We need to maintain revenue levels and at the same time move our development programme forward, and we propose to do this as follows:

The first element for discussion is shallow water activity, onshore activity and mature field activity. This will give us additional resources on the basis of currently available acreage.

That alone allows for the development programme to continue but we are also looking at other things – the debottlenecking of the four Atlantic LNG trains

which will give us additional capacity and therefore, revenue. The question of another train is also under discussion and we are looking to expand in downstream products such as nitrogen and ammonia, an area where manufacturers have asked us to provide additional capacity. We will be looking to make some investment decisions on that soon.

We are at the stage of the fiscal review where we have a basic set of principles, a package which we are discussing with the companies concerned now.

Are you concerned about the decline in Trinidad and Tobago's proven reserves as revealed in the recent Ryder Scott report?

No, I'm not. Because if we look at the reserves, it tells us that from time to time we need to intervene in a particular way as far as incentives are concerned. The Ryder Scott report is a very conservative document and does not allow for the inclusion of, for example, a work programme to ameliorate the situation. The report always looks at the worst case situation.

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Port of Spain's International Waterfront Centre, home to the MEEI



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The Ryder Scott report does not take into account the activity that is currently going on: we have 72 wells at different stages and projects on stream that are going to bring in reserves in the not too distant future. So no, I do not have any concerns at all.

Is the country's goal of recapturing its role as the centre of refining in the Caribbean still on track? What progress has been made in respect of the proposed green field refinery at Pointe-a-Pierre?

Well, as we speak we're working on the gasoline optimisation project at Petrotrin which has had some challenges; mainly escalating costs which were the result of supply and demand issues in the energy infrastructure sector globally. They tell me that it is about 95 per cent complete, so very shortly we should be able to have a refined product for the US market that will fetch a better price. In terms of the other refinery that we are looking at, we have had three proposals. We've asked for an amendment to the concept to enable us to look at not only oil but also gas to liquids and that's being considered now in terms of developing the technical brief. We expect to be able to make an announcement on this before the end of the year.

You must be concerned about the continuing decline in Trinidad and Tobago's oil production, which is a bigger foreign exchange earner, barrel for barrel, than gas. What are you doing to arrest or reverse this process?

We are looking at re-hauling Petrotrin because it is Petrotrin that really has a significant amount of the Trinmar acreage and assets. In looking for a partner

to joint venture with the company to boost production we have recognised that the cost structure at Petrotrin is not attractive and we are therefore developing a plan to address that issue. Once that is in place we will be able to attract a credible international partner for that acreage.

What is the current situation vis-a-vis the cross-border fields that you share with Venezuela?

A few weeks ago a delegation from Venezuela visited us to discuss just one mandate: finalising the outstanding issues that will allow the Minister of Energy of Venezuela and the Minister of Energy of Trinidad and Tobago to put into place an agreement setting out how this matter will be resolved. There is now a basic agreement between the two of us and the document is now in Venezuela ready for them to sign. That is the easy part; we now need to put a team in place to look at our portion of the Loran-Manatee field, which is one of the largest pieces in the puzzle. It's a 10 trillion cubic feet (tcf) field, of which 7.3 tcf belongs to Venezuela and 2.7 tcf to Trinidad and Tobago. From there it is a question of what we do with it and how we go forward, as there are some interesting proposals that Venezuela wants us to consider.

As you said earlier, economic logic would suggest that the gas should be monetised here in Trinidad but Venezuela has its own political and social imperatives. Do you think they would countenance the gas transiting Trinidad at least?

It is a complex issue. There is the issue of security and all it entails so that would have to be negotiated. The current position is that Venezuela does not want that, they want something else, but we will cross that bridge very shortly. I think that we need to leave the issue to the teams of both countries to decide what the best solution to a difficult problem is.

Trinidad and Tobago has – for understandable reasons – been lagging behind its regional neighbours in wholeheartedly embracing renewable energy. What are your plans for catching up with the rest of the Caribbean in this regard?

Well, we have a team in the Ministry whose mandate is to look at the Caribbean environment; to look at what is available in Trinidad and Tobago, to look at the opportunities that we might have and to develop a draft policy that would enable us to begin a discussion or programme on renewable energy. I expect to have that completed by the end of this year. We have environmental concerns – we want to continue with our energy production but in a sustainable manner and this will form part of our agenda going forward. **F**

Senator Conrad Enill in conversation with Alastair Harris, Editor of FIRST

