

The challenge of going global

INTERVIEW WITH LARRY HOWAI

CHIEF EXECUTIVE OFFICER, FIRST CITIZENS GROUP AND CHAIRMAN, NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO (NGC)



LARRY HOWAI has over 30 years' experience in the financial services industry, most of them with First Citizens where he has been Chief Executive Officer since 1997. The holder of a BSc in Economics (UWI), Mr Howai is a qualified Certified Management Accountant and is a Fellow of the Institute of Banking and Finance of Trinidad and Tobago. He has held directorships in several companies, and is currently on the Board of First Citizens Bank Limited and several of its subsidiaries. He is the Chairman of the National Gas Company of Trinidad and Tobago Limited, the National Energy Corporation of Trinidad and Tobago Limited and Chairman of the e-Business Roundtable.

Your portfolio of business responsibilities is a fairly broad one: from retail banking to energy and port management to ICT. How have these various sectors weathered the economic storm that continues to buffet the global economy?

The energy sector hasn't had a very good time of it over the past year but we are very optimistic for the future, particularly in terms of natural gas. We have a number of projects currently underway including a methanol-to-petrochemicals plant, which is intended to lay the foundations for a downstream pharmaceuticals industry; a methanol-to-olefins plant which will allow us to go downstream to plastics; and a melamine plant which will enable us to produce laminates, coatings and so on. The intention is to go further downstream and we have a lot of active interest from investors wanting to set up plants here, so we expect to see things start to pick up within the next twelve to eighteen months as all approvals get in place.

On the oil side, investments continue to be made. We had a new bid round recently and there is another one coming up towards the end of this year, so we expect to see some activity coming out of those in the near future.

In terms of finance, the banks have come out of the global downturn pretty well – we haven't had the sort of problems to deal with that Europe and the United States have had, for example. Non-performing loans have gone up a bit but liquidity is good and capital ratios are strong – among some of the strongest in the world, in fact. Obviously we're not seeing the sort of growth we had in the past but the banks are still performing well.

The ICT side is the area we need to put the most effort into, although there are some investments underway. We are confident that a new data hotel will break ground before the end of this year and we hope this will act as a catalyst for some of the other things that we want to see happening in the ICT sector.

Overall the economy has been relatively stable. We haven't had the sort of growth rates that we experienced in the seven years prior to 2009, but neither have we had the kind of retrenchment that other countries have suffered. Our unemployment has gone up very marginally, from about 5.7 per cent to 6.3, but it's still way below what we're seeing in the US. Of course, people don't want stable, they want

growth – but in the current climate, when everyone else is going down, even if you're just standing still you're looking good.

What impact have external factors such as the situation in the eurozone and the US rating downgrade had on confidence in Trinidad and Tobago and the wider Caribbean?

I think a lot of the downside we've seen is more related to sentiment than to fundamentals. We have a lot more information available to us now than we used to and so events around the world act as a damper on local sentiment. As a result, if people think they shouldn't invest then they don't, and it becomes a kind of self-perpetuating feedback loop, but on the whole inflation is under control, our foreign exchange reserves remain strong, the government's cash flows remain relatively good.

We don't yet have a balanced budget, and we don't have the surpluses that we used to, but the government has a very good debt profile and I think we have room for manoeuvre over the next year and a half until we see the direct inflow coming back again for the projects that we have in the pipeline. So, I think it's a case of us talking ourselves back up, but it's extremely difficult to do so in a global environment that's talking itself down.

How serious an effect has the shale gas 'revolution' had on the country's energy industry, and how successful has NGC been in finding new markets to take up the slack?

Well, our new Energy Minister, Kevin Ramnarine's first comment on assuming the position was that he never knew so many people wanted our gas! There's a huge demand from Asia, in particular, with the Koreans, the Japanese and the Chinese all knocking on our door, and we have started to divert cargoes from the United States to the rest of the world, so I can't say that we have gas that we can't sell. This presents a lot of arbitrage possibilities because sometimes the price of the cargoes can change twenty times between the time it leaves Trinidad and when it gets to where it's going.

Unless the world economy goes into a 1933-style nosedive, I think prices will remain relatively stable because the premium we can command in a country like Japan more than offsets the cost of transporting it there. Of course there will be some mitigation in prices

but we don't expect the price of oil to crash to \$10 or gas to go to a dollar, and we run our national budget on a fairly conservative basis – US\$75 for oil and US\$2.75 for gas – and right now prices are comfortably above that level, although the current divergence between the price of Brent crude and WTI (West Texas Intermediate) is a cause for concern.

You have been closely involved in the various business events that have taken place during Trinidad and Tobago's chairmanship of the Commonwealth since 2009. What benefits do you feel the business community has derived from the experience?

I don't know the details of some of the direct investments that have come out of it but I do know that the experience of working and networking with a number of players in different parts of the world has been very helpful for our business community.

I think we have learnt a lot about the expectations of the rest of the global community, the possibilities that exist for joint venturing, and we have been able to talk to a lot of people from countries that we never thought about previously, so there were a lot of experiences that came out of that, definitely.

Traditionally, most of our exporting has been done within the CARICOM region, so the CBF (Commonwealth Business Forum) helped us to understand better some of the nuances of doing business in other countries that we hadn't been paying a lot of attention to, and a number of opportunities have opened up for us as a result – for example, in African countries such as Ghana, Tanzania, and Mozambique. There has also been a huge upsurge in interest from companies in India, such as GAIL and Reliance Industries, with whom we are working on a project in Trinidad to upgrade bitumen to synthetic crude, at the Union Estate at La Brea in south Trinidad.

The government has designated NGC as the flag carrier for the internationalisation of the country's energy sector. Where do you see the greatest opportunities in this regard?

In addition to the African countries I mentioned earlier, we see a great deal of potential in the Caribbean area, particularly Guyana, Suriname and French Guiana – all of whom are in the process of developing or expanding their oil and gas sectors. We have also been in discussions with

Curaçao about partnering with them in LNG trading and with Barbados about the construction of a gas pipeline, so whilst our focus is on Africa it will not be at the expense of more immediate opportunities nearby. We think that there are opportunities for power transmission between ourselves and Guyana but we also believe that if they do find gas we could make joint investments with them in the downstream gas sector.

In the case of Ghana, the model would be our Phoenix Park Gas Processors subsidiary, where we transport the gas from the offshore production platform to an onshore processing plant, strip the gas of its associated liquids and then send the dry gas downstream to a power plant. But if someone wanted to establish a methanol plant, for example, we would have no difficulty in considering making a joint venture investment as we go along – or an LNG plant, for that matter.

The reason we are looking externally is that the boom in Trinidad's gas sector from 2002-09 was really a result of our gas usage going from a billion standard cubic feet per day (or 'scuffs') to four billion, so we quadrupled the monetisation of our gas reserves over that period and that cash then passed through the system. We don't see ourselves moving from four to eight billion scuffs in the near future unless we make a big find, in which case, fine. But if we don't make a big find, in order to get from four to eight we are going to have to do it with other people's gas instead of our own.

In essence, the purpose of our globalisation thrust is to seek out countries that have those kinds of gas reserves so that we can share the benefits of developing it together with the owners, in effect giving us, by proxy, the eight billion scuffs per day that we can't get in Trinidad.

Chairing the Commonwealth has opened up new business horizons for the Caribbean's strongest economy

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