

**STATEMENT BY DR. THE HON. KEITH ROWLEY  
PRIME MINISTER OF THE  
REPUBLIC OF TRINIDAD AND TOBAGO**

**28th Sitting of the House of Representatives  
Wednesday April 12, 2017**

Madame Speaker, with the authority of the Cabinet I am authorised to make the following statement on the natural gas situation in Trinidad and Tobago and my recent visit to Houston to conclude the addressing of this very critical aspect of our economic well-being.

In 2009, based on the rate of consumption and the observed slower rate of replacement production, it was determined that accelerated efforts were required as a priority. Against this background discussions and negotiations for increased gas production (Juniper) commenced then with BP in 2009 and were finally concluded in 2013.

In 2011, Trinidad and Tobago began experiencing noticeable gas shortages that resulted in curtailment issues in the downstream hydrocarbon industry at Pt Lisas. These shortages were as a result of the producing gas fields becoming mature with an expected natural decline in yields from these fields. At the time, and for the next 3-4 years, the explanation of **"maintenance"** was offered by the then Government, as the causative factor for the shortages of gas being experienced by the plants at Pt Lisas. The country was told that once the maintenance works were completed gas supply would return to normal as it had done in previous maintenance cycles in previous. These Ministerial and other statements turned out to be dangerously misleading even in the face of written correspondence to the contrary emanating from the downstream gas consumers at Pt Lisas.

Additionally and equally worrisome, downstream gas supply contracts between NGC and downstream parties began expiring in 2013. The first MHTL company contract with NGC expired on April 14, 2013. NGC did not negotiate a contract for the MHTL M-iv plant but rather kept rolling over on month-to-month terms, whilst experiencing an increasing shortage of gas.

Under these developments a number of substantial claims were commenced against NGC in August 2015.

The failure to deal with the gas shortages during the 2011 to 2015 period resulted in billions of dollars in claims for gas curtailments being made against NGC.

- **MHTL claimed TTD\$2.622 B.**
- **Caribbean Nitrogen Company (CNC) claimed TTD\$682.0MM.**
- **Nitrogen (2000) Unlimited claimed TTD\$686.6MM.**
- **Point Lisas Nitrogen Limited (PLNL) claimed TTD\$543.9MM.**

**The total claims against NGC stood at about TTD\$4.5345 Billion.**

By December 2015, 10 weeks after the installation of a new Government was sworn in, further contracts expired between NGC and other MHTL plants.

Ideally these contracts should all have been re-negotiated months in advance of expiry, at the very least negotiations could have been opened but this was not done and led instead to the fuelling of claims being made against the NGC.

In 2015, NGC had contracted supply of 1960 MMcfd from 4 gas producers.

In 2016, this changed:

- BP conducted a Deliverability test on the dedicated fields (as of 2002) and the contract volume was reduced to 255 MMcfd, **a reduction of 390 MMcfd.**
- BG did not renew the Base contract and that led to a **loss of 250 MMcfd.**
- BHP volume **increased by 30 MMcfd.**
- EOG, based on a deliverability test, reduced the contract volume **by 100 MMcfd** in the base SECC contract.

**Therefore, NGC lost 710 MMcfd of contract gas in 2016, which represents 36% of contracted volumes. Estimated supply of available volumes currently stand at 1,250 MMcfd as against consumption requirements of 1960 MMcfd.**

Additionally, **BG**, (now **Shell**), suffered major gas supply shortfall. The Starfish field failed with production falling from **250 MMcfd to zero.** The **Dolphin** field experienced production declines and reduced from **220 MMcfd to zero.**

Despite these difficulties, MEEI and NGC have managed to negotiate with Shell for 100 MMcfd until December 31, 2017.

Madame Speaker, what the Government and in particular, NGC faced at the end of 2015 was the “perfect storm”.

NGC was faced with shortages of gas supplies from upstream gas producers and claims being made against it by downstream gas users, with expired contracts having to be re-negotiated with both upstreamers and downstreamers.

Faced with this critical situation the new Government reconstituted, reconvened and operated an Energy Sub-Committee of the Cabinet chaired by the Prime Minister and contained all relevant and willing talent within the Public Service, The State Enterprise Sector and further afield.

Discussions between NGC and the upstream suppliers BP and EOG were on-going for months with prices being one of the major outstanding sticking points prior to my visit to Houston from March 29 to 31, 2017. The failure to settle new agreements with BP and EOG affected future supplies of gas beyond 2019 and even in 2017 (EOG).

These are discussions where differences of one cent per unit could have huge consequences of hundreds of millions of USD dollars given the huge volumes involved and the length of the terms of the contracts.

Madame Speaker, the Government and NGC from November 2015 have been actively engaged in negotiations with both upstream gas suppliers and downstream entities at Pt Lisas, including those who commenced litigation against NGC.

Prior to my visit to Houston the main outstanding issues were the agreement of prices for future gas, and the volumes of available gas, with EOG and BP (Angelin).

There was also the matter of securing gas from Shell beyond December 31, 2017.

NGC and BP had been negotiating up to the day that I arrived in Houston. Minister Stuart Young, Minister in the Office of the Prime Minister had been overseeing these negotiations and discussions, working closely with NGC, the Ministry of Energy and Energy Industries and an Ad Hoc Committee headed by former Finance Minister Wendell Mottley. *(Acknowledgements and thanks)*.

My first meeting was straight from the Houston Airport to the designated work table with BP. Present at that meeting representing BP were Bernard Looney, BP CEO Upstream, Andy Hopwood BP COO Upstream and Norman Christie Regional President Upstream. Also available were the marvels of the internet which permitted entries to and from the NGC as the necessary adjournments were taken and calculations were fed into the discussions against the reality of starved plants already closed at Pt Lisas.

At the meeting BP committed to Trinidad and Tobago but not at any price. We are competing for investment dollars. They emphasised that Trinidad and Tobago contributes about 15% of BP's global revenue. We were informed that TROC was on course to start improving gas delivery from this month, April 2017 and Juniper from 3<sup>rd</sup> quarter 2017.

BP stated that once gas price agreements were concluded they intended to invest USD\$5-6 Billion over the next five years in Trinidad and Tobago.

Whilst Angelin was their immediate priority, BP identified that in anticipation of a successful conclusion to gas price negotiation they are currently drilling 2 exploration wells and are committed to 3 more to be done.

Madame Speaker BP was told that Government has a responsibility to the Citizens of T&T just like BP has a responsibility to its shareholders.

BP was informed that even as we want to re-establish ourselves as a place to invest in the hydrocarbon business this PNM administration would not have agreed to 100% tax write off on capital expenditure in one year and that this fiscal "incentive policy" affected T&T's revenues very negatively.

The matter of additional volumes for downstream from TROC and Juniper, subject to price agreement, was addressed.

BP identified additional exploration and joint efforts with neighbouring EOG and the level of seismic research recently concluded which they were now processing to facilitate the oncoming investments now that the pricing issue has been confronted.

BP said that they were also prepared to look at hitherto ignored marginal fields and at the Manaquin/Cocquina cross border field.

The Angelin platform which was meant to supplement Juniper when it begins to taper off in 24 months, was discussed at length, and I again pressed for consideration to be given to the fabrication of Angelin at La Brea. I had made this request on a number of previous occasions.

However, BP advised that this was almost impossible as they needed to meet very tight deadlines and any reversal of their already made decision, firm cost contracts already established and materials already marshalled in the fabrication yards of La Brea's competitors, any tampering with this now would result in a minimum project delay of six (6) months.

It should be clear to all that the fate of Angelin was sealed in the board room when the Juniper downside was split off and returned to a US Gulf Coast construction yard to save the delivery of that platform.

Given the scale of the now committed BP investment in Trinidad other platforms construction projects are on the near horizon. We did extract a commitment from BP to give serious and early consideration for some of these construction projects to be directed to La Brea at the earliest opportunity.

We eventually agreed on the price formulae for future gas between NGC and BP, in consultation with NGC. This meant that we successfully closed off the discussion on the future price for gas thereby keeping Angelin on schedule.

Minister Young and I attended Shell's office for the full day on March 30<sup>th</sup> for detailed discussions on various initiatives of great significance to the major investments of Shell in Trinidad and Tobago.

The visit began with a tour of Shell's world scale Westhollow Technology Center in Houston. We were given tours of the state of the science labs and the techniques being used.

Presentations were made showing the technology that is now available and what would be used in Shell's operations in Trinidad and Tobago including, the new seismic technology available and well control science which gives us a second shot at some major troubled oil bearing fields which form part of Shell' acquisitions here in Trinidad.

In the afternoon we met with Maarten Wetselaar, Shell's Director for Integrated Gas and New Energies, De La Rey Venter, Executive Vice President Integrated Gas and Derek Hudson, Vice President, Trinidad and Tobago. During this meeting we received a presentation on Shell's Strategic Vision for their business in T&T and secured a commitment from the company to invest billions over the next four years.

Discussions were had with respect to the specific projects that Shell is undertaking and how optimistic Shell is with respect to the future of the gas industry in T&T.

We spoke to Shell about their assisting with increasing oil production in T&T, over and above the major focus on gas and we also discussed UTT students having opportunities to intern at Shell major science labs and programs in order to build up Trinidad and Tobago next generation of hydrocarbon industry professionals.

The progress and partnership of the Dragon project was discussed and the next steps to be taken were laid out.

Shell also updated the Government on the status of a number of initiatives which are at various stages of the developmental and project life cycle as they reaffirmed the company as a major player in T&T whilst emphasizing the importance of T&T to it globally and their desire to work with us to expand the industry.

I requested that the company place greater emphasis on hiring and training local qualified personnel to increase the employment of T&T nationals throughout the company striking the right balance between local and expatriate employment. One of the programs which was the subject of detailed discussions and agreement was the Starfish project which is now cleared to be the subject of new developmental objectives commencing in the next quarter of 2017.

We obtained an agreement from Shell to continue providing 100-105 MMcfd to December 31, 2018 which allows NGC to facilitate and improve its supply to Pt Lisas throughout 2018. This was an important achievable.

On March 31, 2017 we met with a number of key executives of ExxonMobil to discuss the potential of a relationship with Trinidad and Tobago.

Representing Exxon Mobil at the meeting were Mike Kunzig Manager, Upstream Production Operations, Doug Kerins Commercial Advisor, Refining and Supply, Lisa Waters Vice President, Americas Projects, Development, Steve Blume Manager, Global Business Development, Refining and Supply and Mike Kelly Upstream Integration Executive, Refining and Supply.

Exxon is responsible for leading the discoveries of substantial oil reserves in Guyana over the last two years and is also a shareholder which owns a sizeable portion of the oil in these fields.

It was emphasized that T&T is ideally positioned to play a key role in assisting with Guyana's hydrocarbon future; "Our location, refinery, deep water harbours, access to markets and expertise in the energy sector all make us the best candidate for partnership with our neighbour."

We discussed T&T's oil production and refinery position. Exxon was advised that Trinidad and Tobago had opened these discussions with the President and Government of Guyana and our two CARICOM countries are currently engaged in finalizing a memorandum of understanding against which T&T stands ready to assist Guyana.

There was discussion about the oil from Guyana being refined in T&T and the expertise that exists in T&T from a service industry point of view, including, personnel with vast experience.

We also discussed Exxon's obligation to do seismic work in T&T and I invited the Exxon Mobil team to visit T&T and assess for themselves our readiness to partner with Guyana. The Exxon team accepted this invitation.

We then went onto EOG, the third largest gas producer in Trinidad and Tobago. Here we met around the table with the Chairman and CEO of EOG Resources, William Thomas, Pat Woods Vice President and General Manager International Division, David Trice EVP Exploration and Production and George Vieira General Manager Trinidad and Tobago.

This meeting resulted in an agreement between T&T and EOG on future gas.

NGC and EOG had been negotiating the price of future gas but had not reached an agreement. Given the progress made over the last few months we finally managed to agree to a price acceptable to both sides resulting with Chairman Thomas immediate instructions to his team that drilling re-commence in EOG offshore acreage in T&T and he also gave the go ahead for the commencement of additional significant seismic work to facilitate major invest in a drilling program to increase production from mature declining fields.

I urged the company to move with alacrity to work towards increasing gas production and addressing the current shortage issue and EOG responded very positively to this.

The parties agreed that conversations would continue towards increased exploration and production.

The successful agreements coming out of this short but well-planned and well-timed face to face meetings at the highest levels between the Government of Trinidad and Tobago and foreign investors represented by the senior decision-making Executives of BP, SHELL, EXXON and EOG, impact on some of the immediate challenges, settle the medium term and keep us in the long term of the oil and gas business. This will go a long way towards cementing T&T's continued role as a place for investment in the hydrocarbon industry as compared to one where reserves are running out and plant closures are the inevitable outcome.

It is now for all of this country's leadership at every level whether it be Government, Business or Labour to act responsibly in our quest to secure these vital foreign investments so desperately needed to maintain our standard of living in this a small industrialised nation located in one of the most idyllic locations of the world.

Don't let anybody fool you, we have to be attractive in every which way to attract and secure foreign investment.

On the eve of Holy Thursday, this being the season of Easter, where we celebrate crucifixion, resurrection and hope for a better life let us go forward with faith in God and in ourselves.

**A Happy, Holy Easter.**

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