

Feature Address by the Prime Minister, Dr. the Honourable Keith Rowley at Spotlight on Energy

**Spotlight on Energy
Our Oil. Our Gas. Our Future.
Hyatt Regency Hotel, Port of Spain
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Feature Address by the Prime Minister,
Dr. the Honourable Keith Rowley**

Members of the Government;
Chief Secretary Kelvin Charles;
Members of the Diplomatic Corps;
Member of Parliament;
Your Worship, the Mayor of Port of Spain;
Permanent Secretaries;
Members of the media;
Distinguished ladies and gentlemen all.

For me, and I hope, for the average person in Trinidad and Tobago who would have paid attention to what we addressed here today, this is a day that I'll always want to remember because it is quite different from days where we address issues and we leave here today hopefully having satisfied the interest of all.

Ladies and gentlemen, the main purpose behind this conference today, this public education exercise, is to allow the people of Trinidad and Tobago to know of their circumstance so as to be able to determine and to protect their interest. It would be quite easy for us to be guided by, impressed by, influenced by those whose interest might be to speak without information, to influence without exposing motive or simply to look after your interest at the expense of my interest.

In recent years, as Leader of the Opposition and more so as Prime Minister of Trinidad and Tobago, I have had the opportunity to interact very directly with the people who are, to put it simply, the movers and shakers in this hydrocarbon industry, an industry on which we depend on for our livelihood in Trinidad and Tobago. And, in these interactions I try to impress upon them, the investor group, our corporate partners that we are not fighting each other; we are in this together. The only difference is that the investor group has no difficulty in identifying its shareholders and I, representing the people of Trinidad and Tobago, must also identify and work for my shareholders who are the people of Trinidad and Tobago.

And, to do so, there are times when we will disagree. There are times when we will be excited with our prospects and there are times when we will have to be disagreeable, hopefully not too frequently.

Ladies and gentlemen, the hydrocarbon industry in Trinidad and Tobago is an industry of which this country can and must always be proud because we have been pioneers in the industry. But, over time, someone like me having just been described as being in Parliament for over thirty years, follow a perspective which would not be shared by many of the young people understandably; if you've been around as long as I have been, that perspective will take you from birth to the grave, in other words you might have seen it all. And, it is against that background that, as Prime Minister of Trinidad and Tobago, I have the urgency that we need to do something about this thing.

Today, we talked a lot about LNG and our gas. I was there when Prime Minister Patrick Manning spoke about an LNG business in Trinidad and Tobago and he was, in some quarters, virtually laughed at because some of the experts didn't believe that it could be done. It has not only been done, it has been done successfully to the point where we are having probably seventy percent of our gas going to LNG. That is a great accomplishment, yes it is. I remember being told that, even if that is the case with respect to consumption of this resource, that we have managed to put ourselves in a situation where the returns to the people of Trinidad and Tobago are not what they should be; there we have a problem.

I brought a book, I want to quote two or three lines from a particular book so that you will see what I spend my nights doing. This book, it's a book called "Seven Elements that Changed the World". It was written by a gentleman that is very well known to us here in Trinidad and Tobago, a gentleman by the name of Sir John Browne. He used to be the head of BP.

And Sir John talks about the seven things that changed the world and one of those things is natural gas. We used to be a country that used to flare natural gas. Then we started to compress it and use it as a raw material and it started with one fertiliser plant. So when Sir John wrote about the seven things that changed the world, and God knows how the world has been changed by natural gas he said this; he said, in May 2004, he was planning with...Prime Minister Patrick Manning and I quote "Trinidad contained some of the jewels that BP has recently acquired in its merger with AMOCO and I was there to ensure BP's growth in the region would continue. BP has made several major discoveries in the late 1990's and early 2000's including the first one in Trinidad's deep water." and it goes on to say, "Manning wanted to ensure that this latest find of natural would be used for his people's benefit."

Ladies and gentlemen, if nobody understood that, Sir John Browne understood that. And that is why, when we see the data today that Trinidad and Tobago is not benefitting as we should from our natural gas resources, in the way that it was envisaged that we would, in

hard times and in good times, then certainly the people of this country should sit up and take notice.

And then he goes on to say, with respect to the policy of what should happen with this raw material, he says, "The Government wanted to use the gas on the island rather than export it and energy intensive industries became attracted to the area." And that locates the downstream. And of course, today we talked about the huge capital expense that is required to tap into the resource that Tony Paul showed us in the diagram, we try to make it now more marketable for our current consumption. Sir John Browne says, "Building a pipeline is very costly – to be financed and to get a return on the investment a pipeline needs a guaranteed long term contract between the producer and buyer of the gas." The he goes further, he says, "Each party must trust that the other will hold to their part of the deal." And finally he says, he was writing in 2013, he says "Compared to oil, gas has lost eighty percent of its value in the last decade."

The way the market received gas, when we came into the energy business...the market has changed so considerably that the gas price in the market that drove the industry is now way down. So, the value of this resource, this wasting resource, has collapsed.

And finally he says, "Former Prime Minister Manning was right, make sure you use your gas to add as much value in your own country before you export any of it." And I suspect that quote will go through the heads of many policy makers.

Ladies and gentlemen, I make those quotations so that you can put them in perspective against all that you've heard today and try and figure out what policy prescriptions Trinidad and Tobago should pursue. You would have heard today about how much gas is consumed and where, about contracts coming to an end, about who gets what from the industry and you would also hear in the days ahead about what we should and should not do. The one thing that the Government knows that we must do is to sit down and talk with the companies that are involved about getting a fairer share because we have incentivised ourselves into leakages and losses.

You know, the word incentive has been overused in Trinidad and Tobago. If you have something that is not going right, and somebody tells you it is because of an absence of incentive – well we have given so many incentives, that at the end of the day we are so attractive that the incentives, in some instances, mean that we are giving away the shop.

And of course, it can be presented to us in very logical and impressive arguments that had we not those incentives and if we don't give these incentives they will walk away from us and not invest in our country and we will all starve. But, when we reach the point where we bring

up gas, produce it, sell it in a market where profits are being made and the return is negative – meaning you get nothing, you have to pay the person to take it from you – something is radically wrong and we just can't accept that as the way of doing business.

I'm talking about the billion dollar part of the Ministry of Energy, it's a billion dollar business. You know about the ten dollar part. The Ministry of Energy was meant to manage this affair from the industry itself. A simple thing like licensing and managing gas stations in Trinidad saw the Ministry of energy falling down on the job. I wonder if you recall the El Pecos explosion that killed somebody and then next thing, a few days or weeks later, a similar explosion took place in another place. It turned out to be the same truck, the same man doing the same thing. And then we discovered that the Ministry of Energy had not even issuing licenses to gas stations, a requirement under law for gas stations.

Those two explosions could have made world news had they gone the way they could have gone, fortunately they didn't. I tell you this to say, if that is how we manage the gas station business in Trinidad and Tobago, what confidence do you have that we have managed the LNG business any better? Are we relying on luck and good graces? Or, are we to say that the time has come for us to talk and to work more efficiently and more effectively because this is serious business.

Tony Paul talked about secrecy and adopting public policy in secret. I remember when having access to the 2D seismic data sheets were almost impossible for us researchers because they were in the ministry and because they were in the ministry and because and they belonged to the Government, and because it belonged to the energy sector, it could not be made available to researchers. I approached the Minister Herbert Atwell, who at the time was Energy Minister, expecting to be told no but surprisingly, he said, "Yes, you can have access to look at that data." At that time I was at the seismic research unit cooperating with the Northwestern University, and we looked at 2D data – I'm not even sure if you all know what 2D data looks like. Well, I'll tell you what, 2D data trying to figure out what is real and what is reflection and off the coast of Trinidad what is mud and what may be gas or oil. I was very exciting then, 2D data. And then 3D data. And now we have... a couple years ago I went to Germany and looked at BHP's data and I was blown away by what they're looking at now and how easy it is to look underground now. But, in terms of risk, and in terms of saying whether NGC should remain in the business having not taken the kinds of risk that upstreamers take, my perspective is yes our geology is complicated, yes our fields are mature, yes our basin is still a good geological province and the technology allows that that risk to be considerably less than when you were looking at 2D data. Because, the 2D data, it had initially said to us that there was no gas or oil off the east coast, we were failures.

And, the risk then allowed for exploration, investment, for tax write-offs along the way. So, why is it necessary for today's super technology, to think that you have to incentivise in a way that you would have to be allowed to write off your investment? So that there is this huge negative on the revenue stream, because if there is no profit being declared, there is no petroleum profit tax to be had.

And, if you incentivise yourself to a point of having no profit declared then you are incentivising yourself to a point of receiving no tax. And of course, while I'm talking about tax, I'm really insulted when I'm being told by those who put themselves in the role of my country, telling me that you should not be disincentivizing the foreign investor by a tax of some kind because they will not invest in our country. What we should be doing is being more appreciative of the multiplier effect of what little money they spend in this country and how it goes all the way down to the vendor on the street corner."

So somebody shareholder is good enough to receive the earnings as cash or dividends but we, the owners, should be very happy to behave well and think deeply about the multiplier effect and what comes our way. I am saying that is not how it should be. How it should be is what Sir John Browne identified in his book and what Patrick Manning envisioned when he fought this fight and won to create the energy industry Manning wanted to ensure that this latest find of natural would be used for his people's benefit is now known as Trinidad and Tobago.

When we started off in energy, we were in the destination market arrangement which means that you go to good markets, you get a good return – you go to bad markets, you get a bad return, the market is up you get a good return and 2008 was the best earning year for Trinidad and Tobago in our history. Unfortunately, the whole economy went into a tailspin the following year and we never revisited 2008 again and our circumstances have gone the way from twenty billion down to one billion. Needless to say that, those who make demands on the Government don't want to hear that at all, from twenty billion to one billion but just still give me more.

But the bottom line is this, that as we go into these changed markets and the change in our time – maybe I should not say "our" time, my time, I am the old man. I saw LNG being created in Trinidad and Tobago. I saw it going to the north-east of the United States where there is a winter every year and they need it. And, I thought, like many others that this could go on for a very long time if not forever. And LNG grew. What we are being told now is that the entry points into which we took that LNG into the United States are now export points, coming to Jamaica. We in Trinidad and Tobago did not even make sure that if the Jamaicans were going to go to LNG, that they would go to Trinidad and Tobago LNG.

But in good times people don't think very straight, sometimes it is in the hard times. We've had some very good times in Trinidad and Tobago in the energy sector, this time is a different time because markets have changed, prices have changed, productions have changed. And, in many instances for us, not change for the better.

And I wouldn't be surprised if tomorrow one of the well known influencers of local conversation accuses me in particular of not diversifying the economy and spending too much time on the hydrocarbon oil and gas sector and this requires that we diversify the economy. And my answer to that would be yes, we could diversify as much as we like but we have to hold this anchor of the hydrocarbon sector because we know of no feasible diversification that would see us abandoning where we are at in hydrocarbon and getting the possibility of any significant percentage, the earning possibility, as in the hydrocarbon sector.

High risk, high investment, but also high returns; those are the hallmarks of this sector. And of course, we can do all of these things together, it's not one or the other – diversification means doing all of them at the same time. So, we focus on getting the best arrangement for marketing, the best arrangement for investing, the best arrangement for exploration. And, more importantly, that whatever it is, that our role through the Ministry of Energy, must be modernised. As a matter of fact, one of the reasons Mr. Lashley presented here this morning as the Permanent Secretary and not former Permanent Secretary is because he has been back on the job, and I want you to give Mr. Lashley a round of applause. He officially retired a year ago, a year and a half ago, but we just could not let him go at this particular time because we needed his expertise and he agreed to stay on and work with us on these assignments and also to assist us in the succession planning in getting someone to replace him because you can't just put anybody in the Ministry of Energy as Permanent Secretary and say give him Permanent Secretary. It has to be a Permanent Secretary who knows something about the business because that ministry is managing a business and it is the failure to manage the business of Trinidad and Tobago that causes today, to be able to show you some of those graphs in the way that they were shown because those graphs you saw today are from historical experiences and what we are trying to do is create a different graph as we go forward and the Ministry of Energy is the specialist agency in the management of that objective.

I also want to acknowledge former Minister Wendell Mottley, if he is here, former Minister Wendell Mottley. In the long time that I have been around I have spent two sessions with him. One was when he floated the currency, brave man that he is, and we were told that all hell would break loose. Today we know that that was an inspired intervention. And when we embarked as a Government on dealing with this issue that brought us here today I didn't have to twist his arm too far, I had to twist it a little bit because he was in retirement and up until today he has postponed that retirement to work with us.

This business of oil and gas, for those who are involved it is straightforward but for those who are not involved it is a complicated business. And for those of us geologists who run a country – Franklin Khan, Patrick Manning, Dr. Eric Williams – we are the only country run by geologists. I'll tell you one thing, I am a special kind of geologist, I am a volcanologist, I deal with volcanoes. There's a poll that's taken in the United States every year and a certain category of people reign every year as being the most untrustworthy. Volcanologists come in second, almost every year, only astronauts beat us. You could be a good lawyer, don't worry.

And I was saying, for minister Wendell Mottley, did yeoman service in holding a team together, pulling together some of the best talent that we have in the country to look at this issue, to see what was happening, to see where we are at and to see how we should

respond so as to give the people of Trinidad and Tobago the best chance to have these resources, this business, these endeavours contribute to us.

And it would be a hell of a thing indeed if this nation of Trinidad and Tobago, 1.3 million people, total population about the size of an American city, with resources of that nature in this business, that we end up in an IMF programme for two hundred million US dollars while we are leaching a billion dollars out of our tax net. It would be a hell of a thing indeed.

Ladies and gentlemen, I have given this country the assurance that, under my stewardship, Trinidad and Tobago will not go to the IMF and certainly not for a pittance while we are allowing our resources to go through our fingers because we were sleeping at the wheel.

We built the energy business by building relationships, we brought interest... We might have had more faith in our destiny than others, and we should because it is our destiny, but I think we have a reputation of being responsible and also for being fair. And today I am confident that all our partners in the corporate sector, be it BP, Shell, EOG, BHP, locals – I am confident that as we look at this issue we will all see room for improvement and we will all see the see the merits of change.

Today I can report that the disturbance between NGC and CNC with respect to ending of contract, which resulted in the stoppage in the flow of gas to a point as they negotiated a contract. That business exercise has come to an end and NGC and CNC have agreed to a new relation. The gas will flow again and partners will profit going forward. But sometimes, it might take a little more than “Hello, how are you?” to get recognised.

We, as a people, we in the Government, acknowledge that these are difficult times and these negotiations very serious and even difficult, that is why they are called negotiations. Some element of give and take will be involved and in this we have to show our own strength as we...from time to time we are exposed to weaknesses.

One of the most important assignments of this Government is to ensure that the relationships have been built with the producers – upstream, midstream, downstream – and I dare say that those relationships are strengthened because strong companies as your partners, sharing fairly and evenly going forward, it's a win win situation.

We also want to ensure that the business of government in Trinidad and Tobago is not a secret as we have nothing to hide and that is why today we have no difficulty in showing you the same data that was shown to the Cabinet. We have nothing to hide and everything to protect.

With respect to our young people, our future, we have very many bright young people who we were told today are unemployed. They went to some of the best universities, we hail them then they get the scholarships and go abroad to some of the best universities, and then we are not interested in what happens after. But, that will have to change and some fundamental changes will have to be made so as to absorb that kind of talent if this country is to going to have a future.

It is against that background that I've engaged the assistance, pro bono, of former permanent secretary Jacqui Wilson to go out there and find our scholars in certain particular fields because we are reconstructing the Ministry of Energy and other areas where their skills are required to give us the chance to be the best that we can be. So that when we sit down across the table from those who look after their shareholders, those who speak for Trinidad and Tobago will have the wherewithal to be respected across the table and to come away with a fair deal for the people of Trinidad and Tobago.

This a country of bacchanal, this is a country of minority, this is a country of majoring in minority – worrying about the sweat on you brown while your blood is leaking out of your veins and arteries. We need to get serious and I hope today that all our partners will take away from today's exercise that Trinidad and Tobago has a bright future and we manage our own business.

My fellow geologist, Tony Paul, we know each other a long time, said – and I endorse what Tony has said – that it is our view, from a professional standpoint, that the hydrocarbon basin geologically still is a very attractive basin for exploration, that is our view.

It is also our view that Trinidad and Tobago has a bright future in hitching its wagon to the hydrocarbon industry.

It is our view that there is role for the Government in ensuring that the people of Trinidad and Tobago, while being participants in this very lucrative business, get more than crumbs which fall off the table. That is why(...)that the NGC has no place in this business because the NGC is not an investor. The NGC is a pipeline company and it is the vehicle through which the people of Trinidad and Tobago get a reasonable return for their involvement.

And finally, as we put our acreage out and we are successful or the major investors are successful, we get our return, in taxes or in cargo, in cash or kind, we ought not to shy away from the business of the marketplace. We got ourselves into this situation because we shied away from knowledge on the marketplace. That is coming to an end. Understanding that we have worked for the last year and a half with Poten & Partners, and that we are ensuring that

we get the best advice available so that when we come to the table to talk in the zone of mutual respect, Trinidad and Tobago us not disadvantaged.

We welcome investors into our country, we are one of the few places in the world where the hydrocarbon business is done close to tropical beaches like Maracas business with a Carnival and beautiful women. It's our country. So as much as we have other kinds of problems.... Trinidad and Tobago is still a beautiful place to live in and do work. And if you don't believe me, ask the foreigners who live here.

Ladies and gentlemen, we are satisfied with the response that we have been getting so far from those in this industry, because so far the indications are that there is a willingness not to treat contracts as cast in stone; that while contracts bind us to terms and conditions, if the conditions have changed so dramatically and to a detriment, then the renegotiation of contracts is a reasonable demand of the people of Trinidad and Tobago. And we anticipate that our partners in this business will see our claim as a fair and just one. And we anticipate that there will be some reopening of contracts so that at the end of the day we can all benefit from the God-given riches of Trinidad and Tobago. Thank you and may God bless you all.