Government of the Republic of Trinidad and Tobago
MINISTRY OF FINANCE

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MEDIA RELEASE

CLARIFICATION OF THE REASONS WHY THE GOVERNMENT COULD NOT PROCEED WITH THE SALE OF THE REFINERY TO PATRIOTIC

The Minister of Finance, the Hononourable Colm Imbert M.P., has taken note of comments made by spokesmen for Patriotic Energies and Technologies regarding the nature of its proposal to finance the purchase of the Point-a-Pierre Refinery and the Paria Fuel Trading Company.

It appears that there is a complete misunderstanding of the true nature of transferable tax credits as compared to tax concessions or incentives to industry.

Patriotic has said that the tax credits are nothing new and are given to multinational companies making foreign direct investment in Trinidad and Tobago.

However, what is being missed is that the tax credits given to other companies making an investment in Trinidad and Tobago are NOT transferable or tradeable. It is only non-transferable tax credits that are given to other companies making investments, and these non-transferable tax credits can only be used to offset tax on income from their OWN operations, and cannot be used by other unrelated companies and therefore do not represent any financial outlay on the part of Government.

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The problem with a transferable tax credit is that it is not linked in any way to the activities, income or operations of the company involved and is in effect a form of cash or revenue foregone.

A transferable tax credit can thus be sold on the open market for cash and is a legal and binding obligation of the Government, which in this case would have no relationship or connection to the restart or operation of the Refinery. As a result, whether the Refinery was restarted or not, the proposed transferable tax credits would be sold for cash.

Simply put, the fundamental conditionality in the financing proposal from Credit Suisse was that the Government was required to issue to Credit Suisse, through Patriotic, US$750 million in fully transferable and tradeable tax credits in exchange for the US$500 million that would be paid to Trinidad Petroleum Holdings for the Refinery and Paria.

In other words, the Government was required to give Credit Suisse US$750 million in fully transferable money market instruments, which instruments Credit Suisse had stated up front that they planned to sell on the open market. Patriotic would then get the Refinery and Paria for free, having put up no money, collateral or security and could mortgage the Refinery and Paria as they saw fit.

This was not what was envisaged or stated when the Request for Proposals for the sale or lease of the Refinery was issued in 2019. It is also completely inconsistent with the general criteria and conditions associated with the procurement process for the disposal of the Refinery and certainly not in the public interest.

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The Honourable Colm Imbert M.P.
Minister of Finance