



THE TRINIDAD & TOBAGO CHAMBER POST BUDGET BREAKFAST SESSION 2013/2014

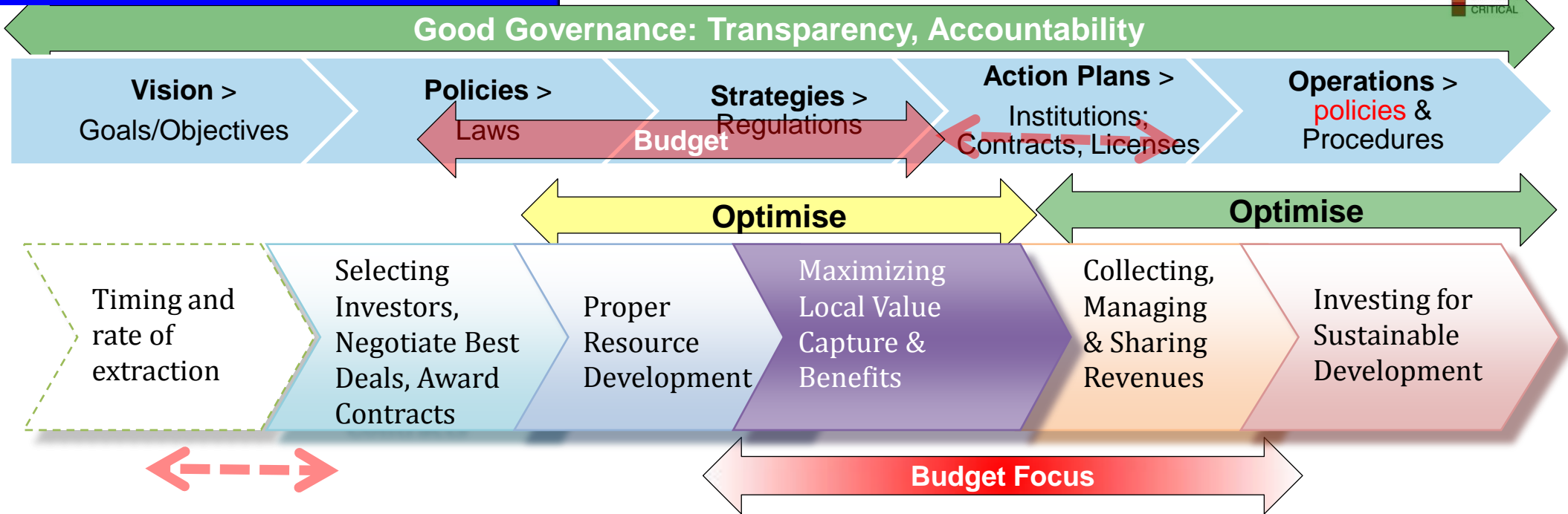
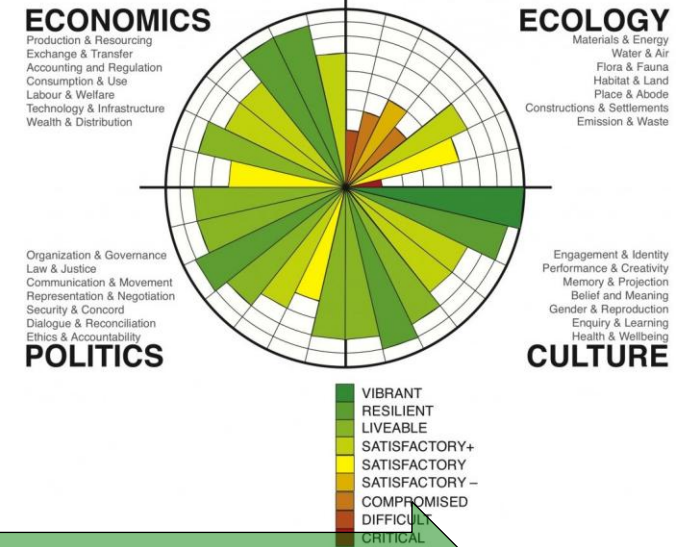
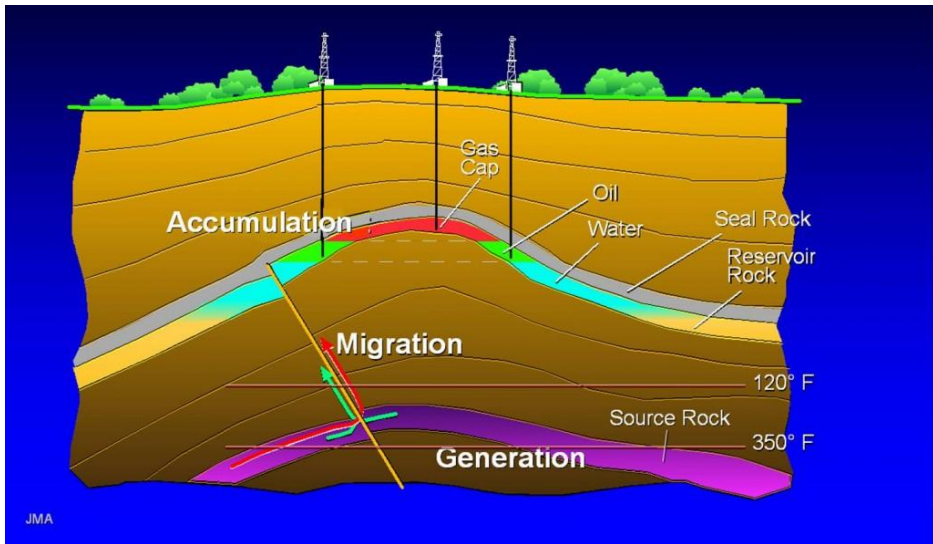
ENERGY RECOMMENDATIONS

Anthony E. Paul, Member TTCIC Energy Committee

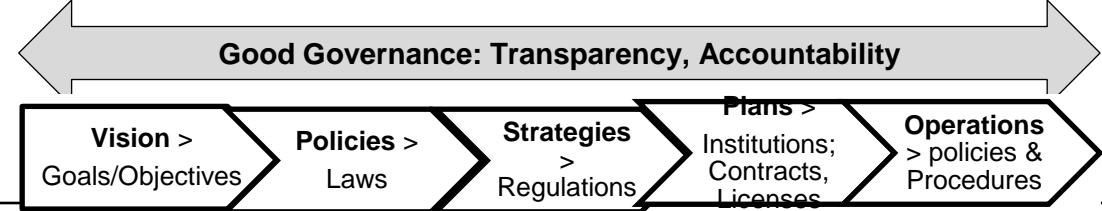
Overview

1. Introduction - Linking the Energy Sector and the Budget
2. Some Energy Recommendations to 2013/2014 National Budget

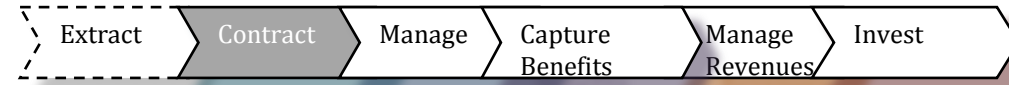
Energy and the Budget



Improving T&T's competitiveness across the hydrocarbon value chain



- Approved national energy policy (addressing oil, gas, upstream, midstream, downstream)
 - A Sector Vision
 - An Industrial Policy... positioning the energy sector in the wider national development strategy.
- Legal, regulatory and administrative reforms:
 - Recognising that our systems have been largely unchanged since the early 1970s;
 - Embedding transparency and accountability
 - Including Parliamentary Oversight and Citizen Inclusiveness
 - Strengthening institutional capacity .
- Ease of access to geological and other petroleum data;
- A mechanism for making investment opportunities readily available;
- Transparency and consistency in investment decision making;
- Attractive fiscal terms, in line with T&T's risk profile



Investment Incentives

“new incentives with effect from January 1 2014 which will stimulate further exploration and development-related investments”

- **Incentives should be targeted and aligned with benefits, rather than inputs.**
- **Incentives for Expenditure will result in higher costs.**
- **In alignment with National/Sector Goals/Objectives and Policy, Incentives should be prioritised to increase one or more of:**
 - Activities, Reserves, Production, Revenues or Value addition
- **Impact of incentives**
 1. How do we ensure value for money from expenditures?
 2. Do we have a good handle of the trade-offs?
- **Treat incentives as a co-investment by the State**
 - recoup the country’s contribution via taxation on capital gains from sale of assets later on.



Regulating and Managing the Industry

Recommendations

1. Regulations under Petroleum Act need to be updated to factor in these circumstances and others that did not arise.
2. Regulator must have requisite capacity
3. Regulator should be monitored by an and accountable to an independent (Parliamentary?) authority
4. Regulators and operators must have overall operations efficiency and management, as well as disaster management plans.

Getting More Value

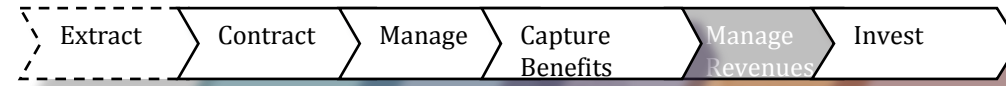


Local Content

- Implement the policy across the board – **legislation**

Public-Private Partnerships

- Getting projects off the ground
 - E&P – Minister’s priority to increase oil production
 - Downstream
 - Marketing
 - Overseas
 - Petrotrin & NGC’s role in developing local suppliers to become globally competitive
 - Analogy of Farm Lands in Guyana > Energy Services companies accompanying NGC outside T&T
- **Leveraging Energy to develop other related sectors**
 - Clusters with - Maritime, ICT, Education, Tourism, R&D



✓ **Tax computation, reconciliation and collection –**

- The **Permanent Petroleum Pricing Committee (PPPC)** and supporting institutions have to be functional
- PPPC to include natural gas and petrochemicals
- Is Royalty from gas computed at market value?
- Tax reconciliation process needs to be improved.

✓ **Tax Fraud**

- **marine diesel scandal (estimated by the Energy Minister at \$1.5 billion in one year).**

✓ **Tax evasion/avoidance**

- Withholding Tax Manipulation
- Interest Rate Manipulation
- Transfer pricing

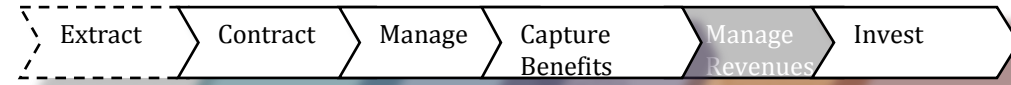
✓ **Capital gains taxes** on the sale of assets, which are paid for out of sale of T&T's oil and natural gas.

✓ **“Taxes are an individual’s or company’s private and confidential business and should not be made public.”**

- EITI challenge

✓ **Disparity in the mid and downstream tax rates** between Petrotrin’s refinery and natural gas downstream plants.

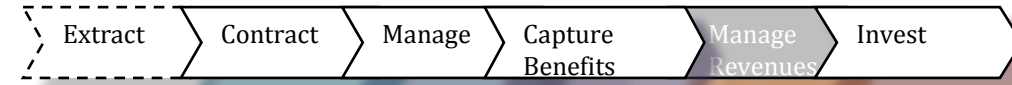
Oil and Gas Price Projections



1. Recommendations:

- Consistent and transparent mechanism for fixing price used in budget
 - Ideally across governments, so perhaps fixed in law

Fuel Subsidy Reduction



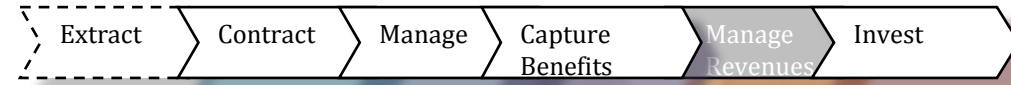
1. Fuel Subsidy revisit:

- Posted Price is arbitrary, above “market” and includes processing, profit, handling;
- Reference Price adds further Petrotrin margin onto this;
- Should Petrotrin refining be considered a Utility and operate at a determined margin?
- Petrotrin’s refining business should be taxed at 30%, as ALNG, instead of 50%
 - Much more value addition
 - Much older
 - A treasure for developing nationals in process operations
 - Much more people employed
 - No long tax holiday

2. Diesel Subsidy

- Mechanisms to reduce theft –
 - Vendors & buyers - monitoring, reporting ;
 - Smart “Diesel Cards” for tracking and credits to bona fide equipment and users.
 - Convert Manufacturing to Natural Gas – one year window; will get tax credits
 - Pump price is at or near zero subsidy
 - All deserving cases get subsidised price, but each sale is tagged to a specific piece of equipment.

3. Should there be some levy on natural gas producers, as there is on oil producers?



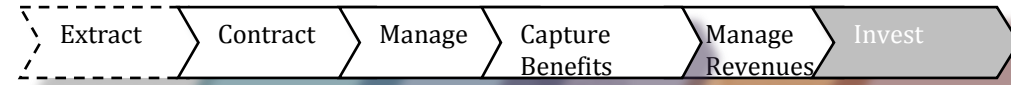
HSF – Any provision from revenues from natural gas?

Heritage and Stabilisation Fund Act, 2007-06

- 3. (2) The purpose of the Fund is to **save and invest surplus petroleum revenues** derived from production business in order to—
 - (a) cushion the impact on or sustain public expenditure capacity during periods of revenue downturn whether caused by a fall in prices of crude oil or natural gas;
- Defintions
 - “crude oil” means petroleum in the liquid state, including condensates and natural gasoline physically separated from a natural gas stream;
 - **“natural gas” means petroleum in the gaseous state;**
 - “petroleum” means any mixture of naturally occurring hydrocarbons and hydrocarbon compounds;

Recommendations:

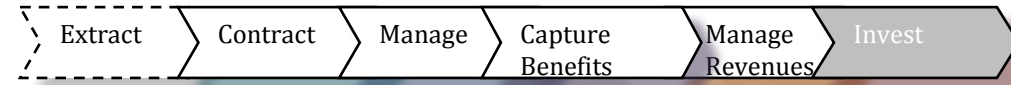
- Natural Gas revenues should be reported separately
- Clarity in mechanism used and amounts of contribution of natural gas vs oil to HSF
- Revenues collected after outstanding reconciliation added to HSF?



A plan for natural gas fuels adoption

- Reduce the domestic consumption of DIESEL and other liquid petroleum fuels through the following measures:
 - Define the national standards for CNG, LNG or DME vehicles technology
 - Substitute petroleum liquid fuels by CNG, LNG or DME
 - Continue with the gradual move towards international price levels for petroleum products;
- Start with mass transit
 - Install CNG/LNG stations at ALL major bus terminals
 - Pursue aggressive growth in the number of NGV buses i.e. purchase only new buses using CNG/LNG
 - Convert Water Taxis & Tobago Ferry to LNG
- Private transit
 - Install NGV fuels infrastructure in ALL service stations
 - Convert existing Maxis to CNG
 - Grant new Maxi-taxi licences only to NGV maxis
 - Restrict PBR access to non-NGV Maxis
 - Increase duty on diesel vehicles after 2 yrs
 - Require Licence to import used diesel engines

Improve economic conditions for investment in renewable energy capacity

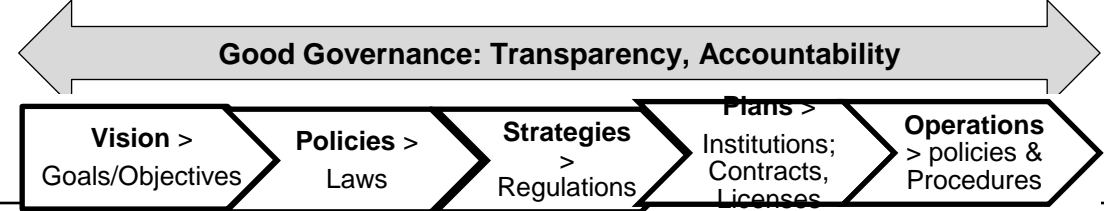


- Introduction of a Feed-in Tariff scheme
- guaranteed access to the grid
- stable long-term purchase agreements
- payment levels based on the costs of RE generation (not linked to avoided costs)

establish a capital fund for providing low interest financing for private sector led energy projects.

- Fund the RE Capital Fund from the existing oil and gas receipts
- Allow funding for projects at very low interest rates

Crime – the number 1 challenge in T&T
We all have a role to play



Crime ends with ME!



STOP CriME

Please obey the law!