

The Goose is Ailing

Key Trends in the Hydrocarbon Sector and the implications for Government's Fiscal Position

Gregory McGuire

Manager, Strategic Planning
Natural Gas Company of Trinidad and Tobago Ltd.





Outline of my presentation

- The recent past: Energy sector revenues and government spending
- Current status of the energy sector
- Outlook for the key variables: output, prices, tax regime

**Energy sector revenues
run this country**

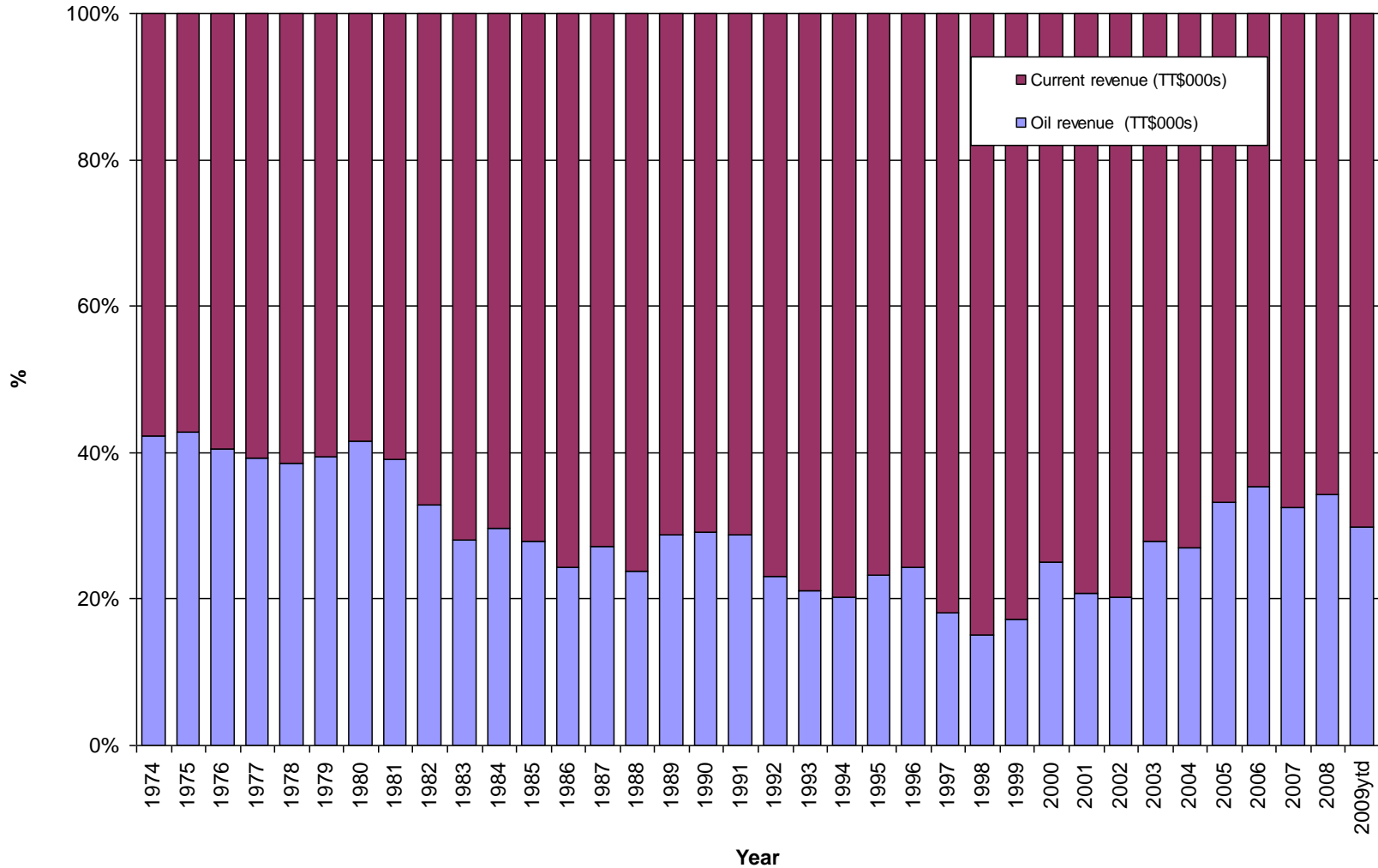


Our Energy Dependence (% of total)

	1995	2000	2004	2005	2006	2007	2008
GDP	27.9	25.2	37.4	41.9	45.1	43.0	39.4
Gov't revenue	30.0	34.3	42.9	53.3	60.3	56.0	57.7
Merchandise Exports	71.4	69.7	80.3	88.9	91.0	89.4	86.4
Employment	3.6	3.2	3.2	3.6	3.4	3.5	4.0

Source: Central Bank of Trinidad and Tobago, Annual Economic Survey, various issues

Share of Gov't Energy Revenue in Total Gov't Revenue



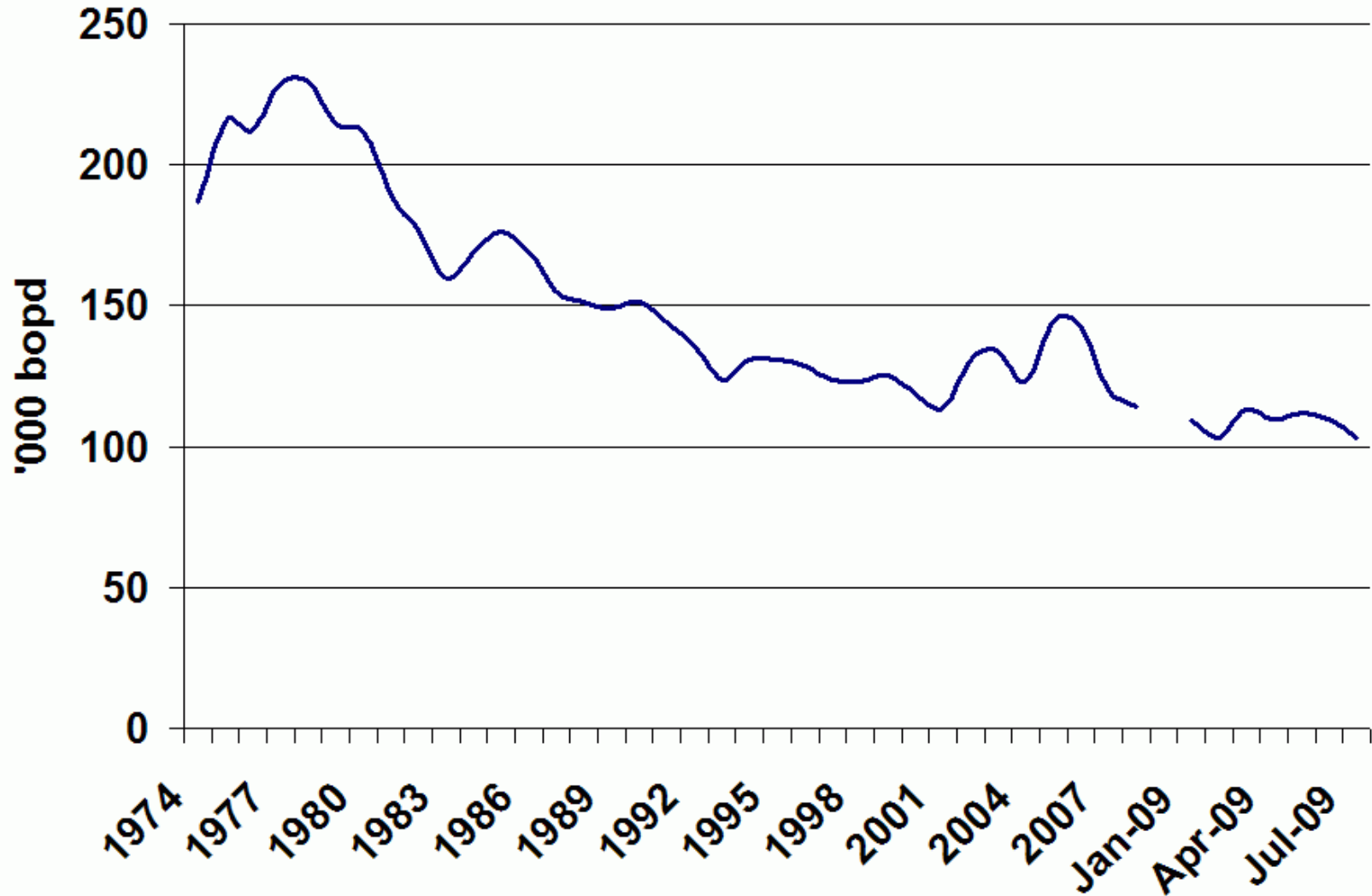
Why is the goose ailing?



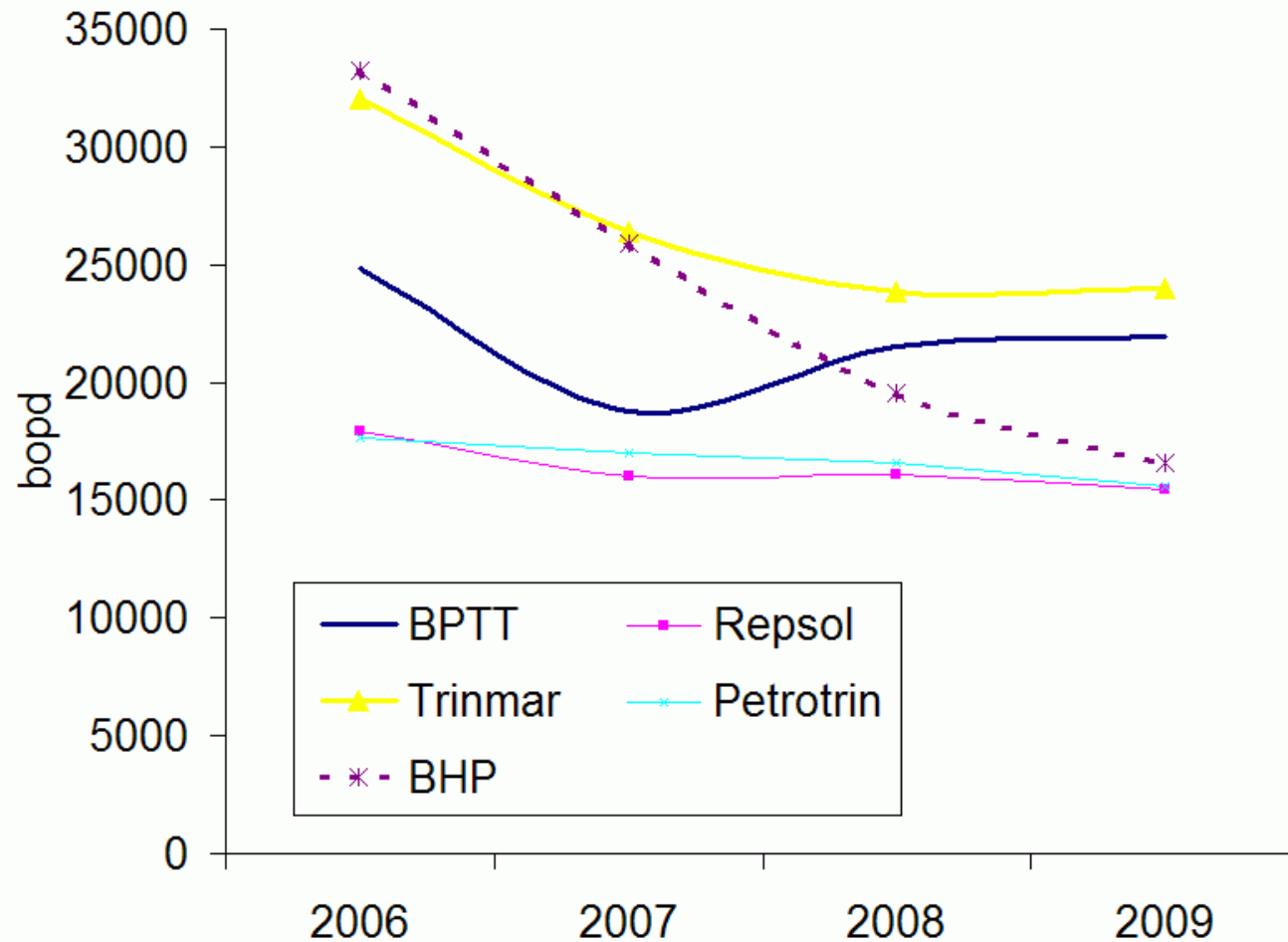
Energy Revenues Determined By

- Crude oil Production
- Natural Gas Production and Utilization
- Prices of oil , natural gas and Petrochemicals
- The Fiscal Regime

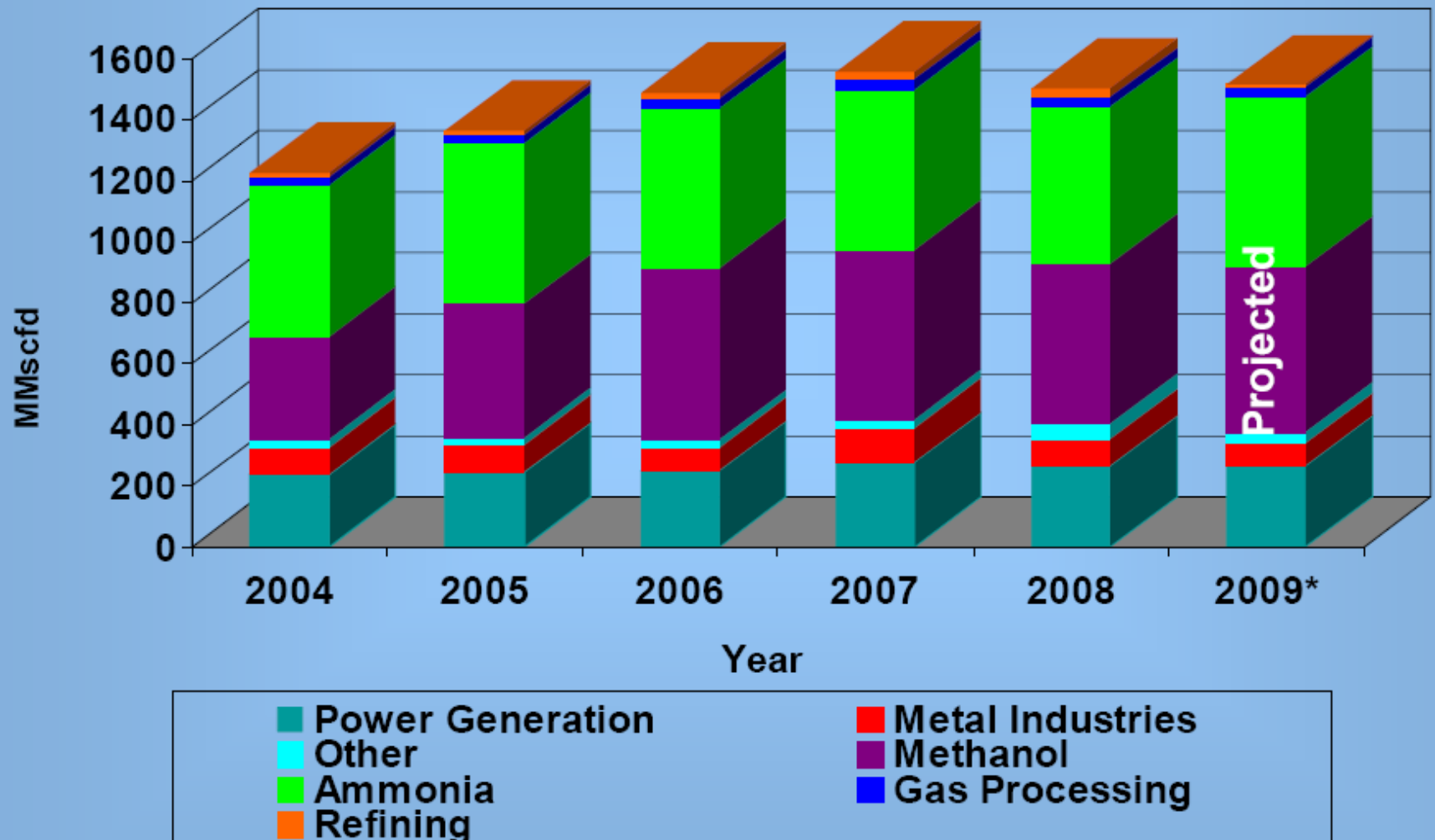
Oil production



Production: selected companies



Natural gas utilization



Approved Investments in Vision 2020 Operational Plan 2007

Project/Plant	Investor	Status
Gasoline Optimization	Petrotrin	Ongoing
Gas To Liquids	World GTL/ Petrotrin	Under construction
Natural Gas Refinery	Foreign	Aborted
Ammonia Urea/ Melamine/ (AUM)	Methanol Holdings	Ongoing ; Partial Start-up.
Ethylene Complex	Westlake Chemicals.	Aborted.

Approved Investments in Vision 2020 Operational Plan 2007

Project/Plant	Investor	Status
Ammonia-UAN	La Brea Nitrogen	Aborted
Ammonia Urea Complex	TEAL	Aborted
Acetic Acid Urea Formaldehyde	Not Identified	Aborted
Methanol /Polypropylene(MTP)	BASF/Shell	Aborted
Malaeic Anhydride Processing	ISEGEN (PTY)	Aborted

Approved Investments in Vision 2020 Operational Plan 2007

Project/Plant	Investor	Status
1. NuIron	NUCOR	Commenced Operations
1. Steel Village	Essar	Delayed
1. Alutrint Smelter and Downstream	GOTT	Delayed
1. ALCOA Smelter	ALCOA	Aborted
1. LNG Train X	Gott and others	Delayed



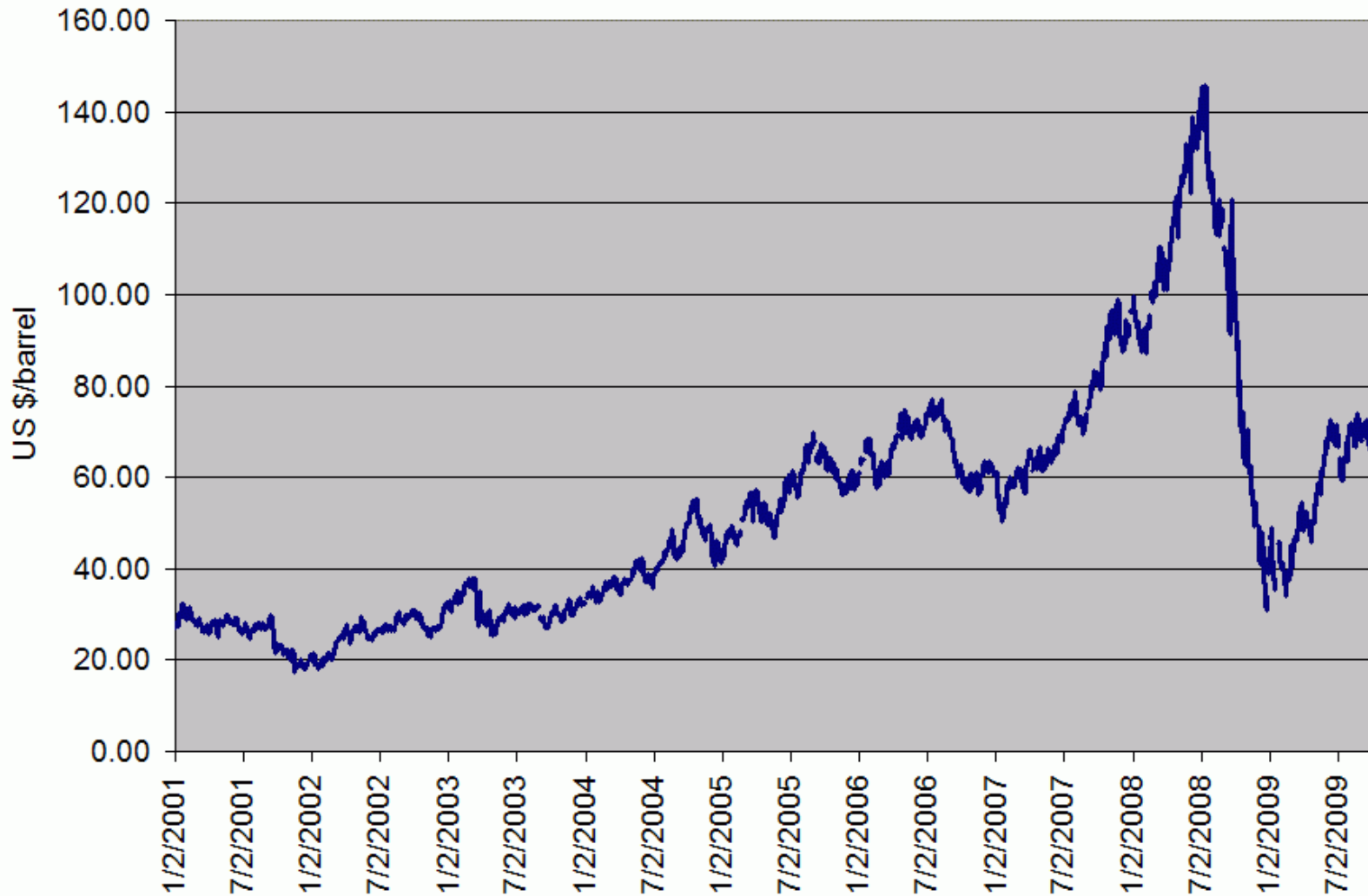
Summary on Progress:

- Only **Two** of the investments listed here have come to fruition
 - MHTL AUM Plant and
 - Nulron small DRI Plant.
- Petrotrin has ongoing work on Two :
 - Refinery upgrade
 - Gas to Liquids

Summary Aborted or Delayed

- 3 are classified as delayed for financing , permitting or market access reasons.
- LNG Train X – delay because of reserves and cross border gas constraints.
- 8 are classified as aborted!!

Oil Prices (2001 to present)



Oil Market Drivers



- Improvement in global economic growth
- Sustained discipline among OPEC members
- Relative peace in Middle East
- Major discoveries in non OPEC locations.

OUTLOOK

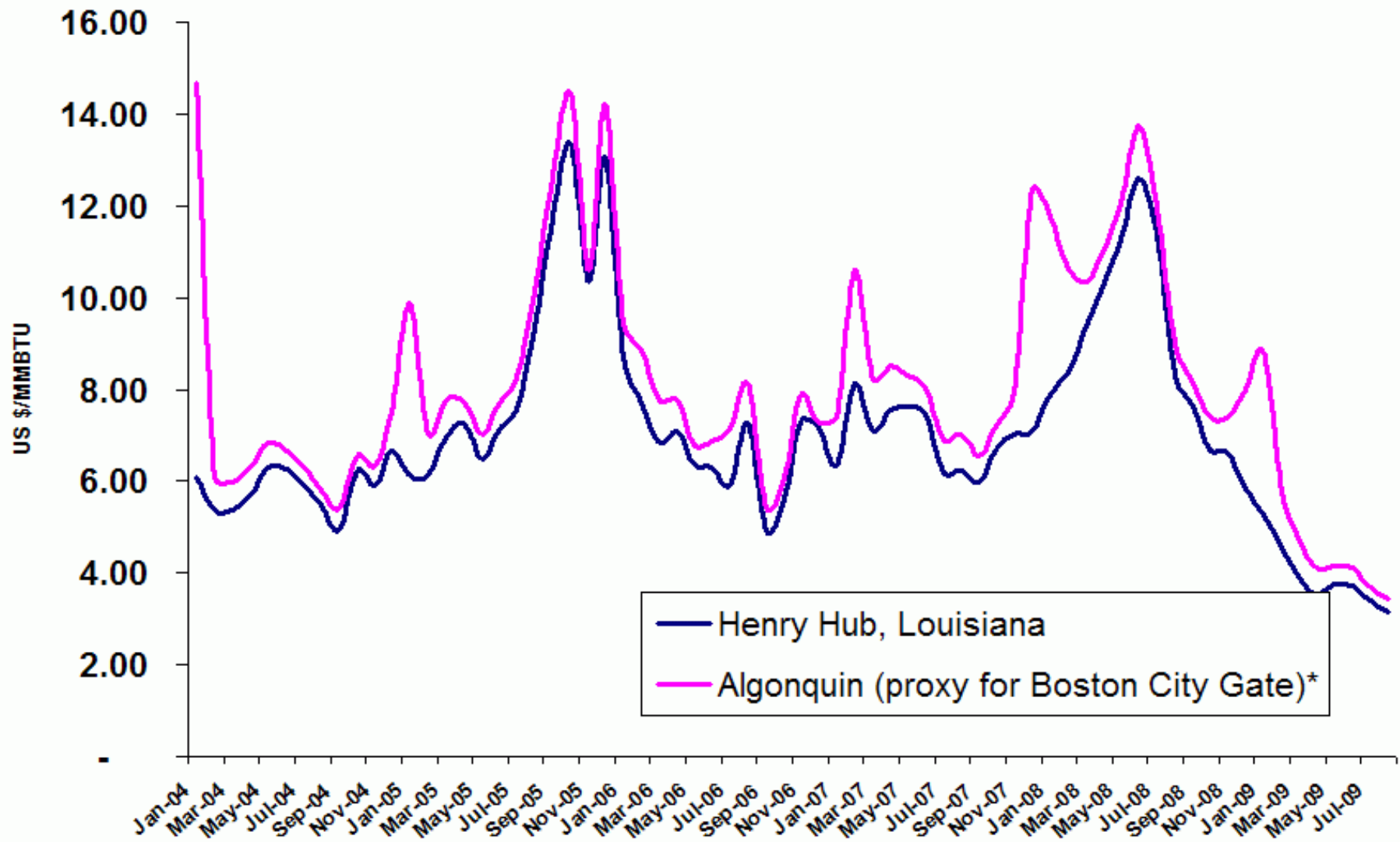


- The outlook for the next 18 -24 months is for prices to remain in the band of US\$ 60-80/bbl.
- Gov't budgeting however must stick to US\$ 50/bbl.
- Any excess should be saved!!!!

Gas Prices Components

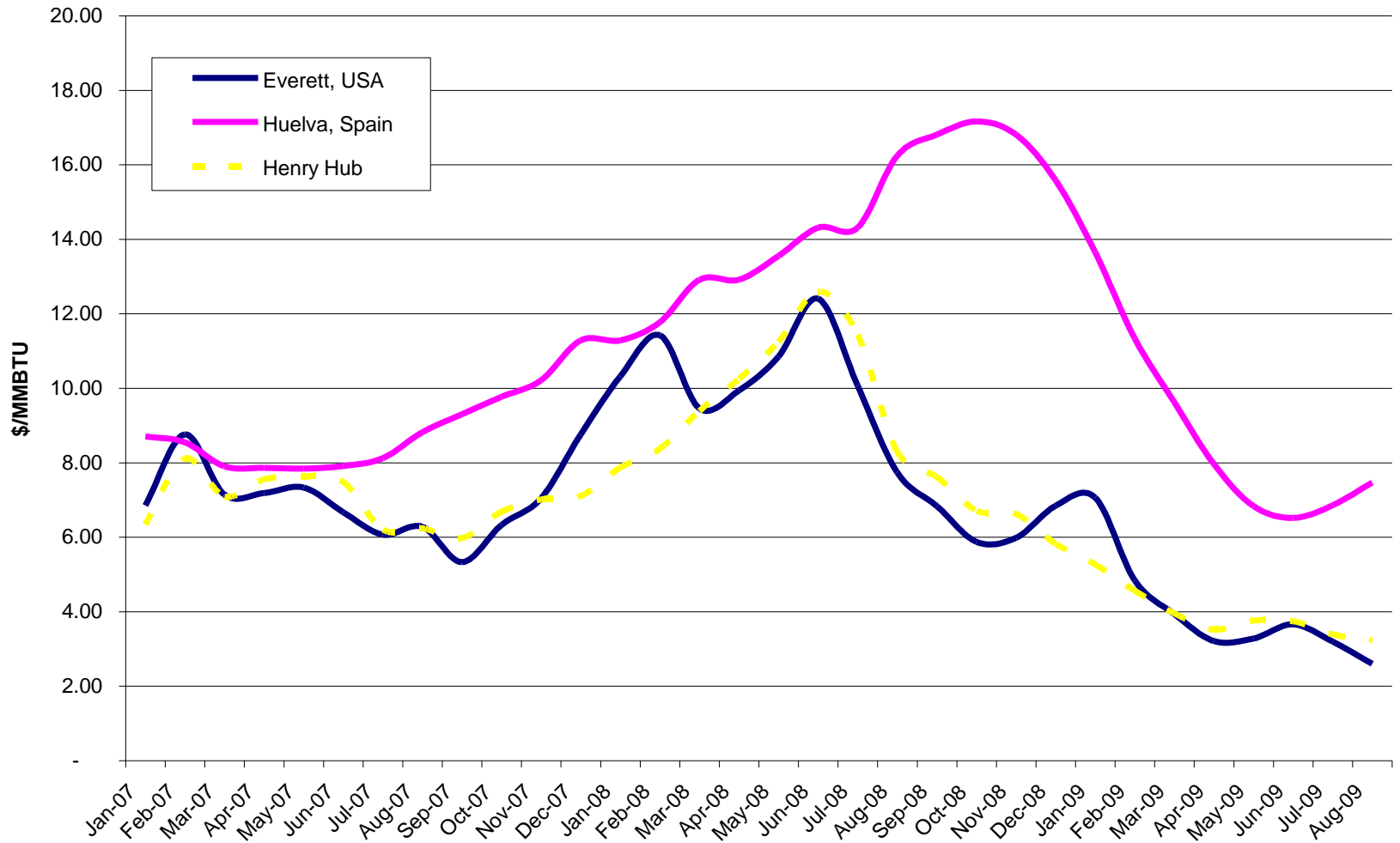
- LNG netback price USA sales (30%)
- LNG netback price Europe sales(25%)
- The average price to petrochemical markets(25%)
- The average price from sales to other domestic markets.

Henry Hub and Boston City Gate: 2004-2009

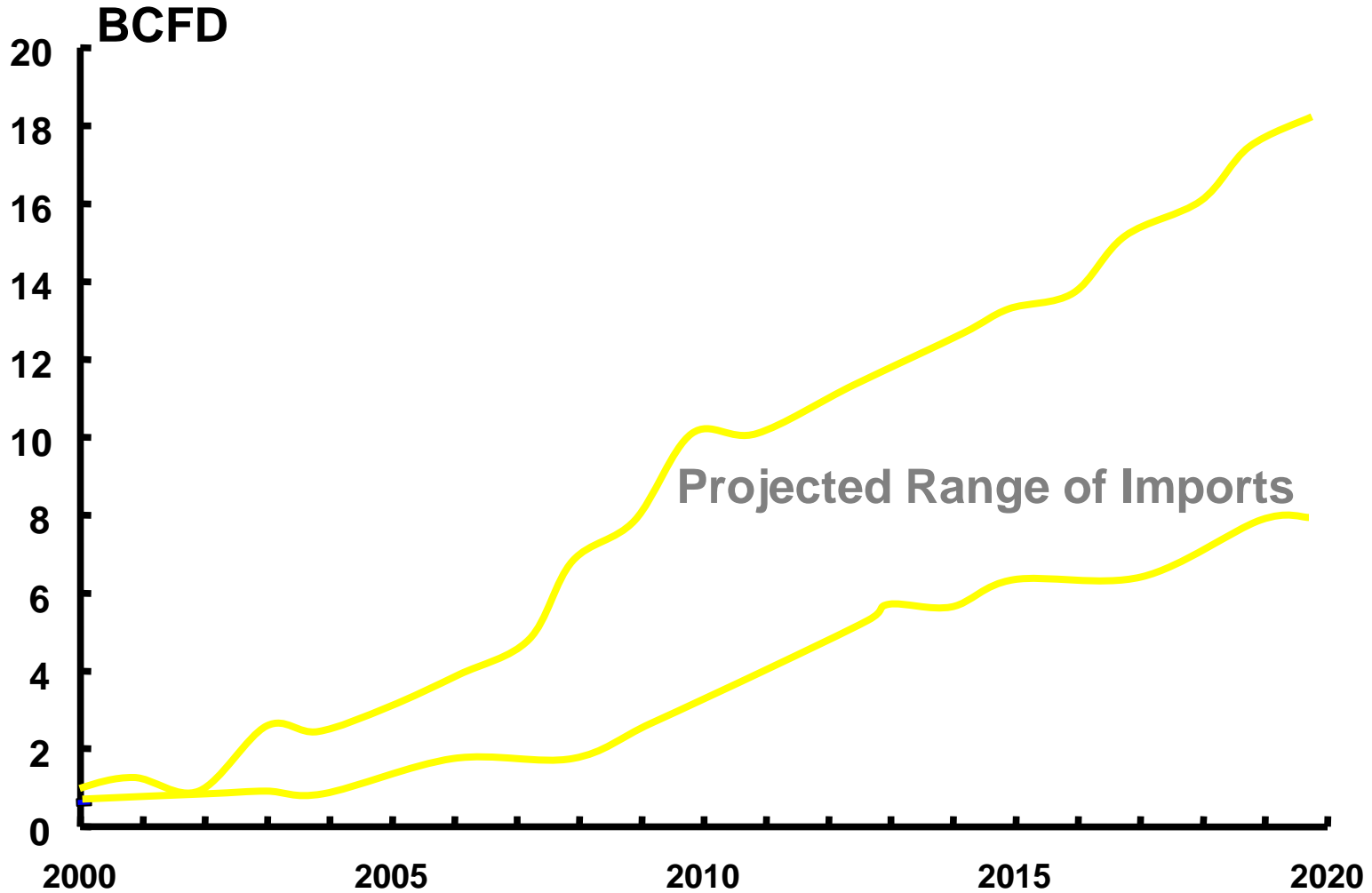


LNG netbacks (2007 to present)

LNG netbacks and Henry Hub spot



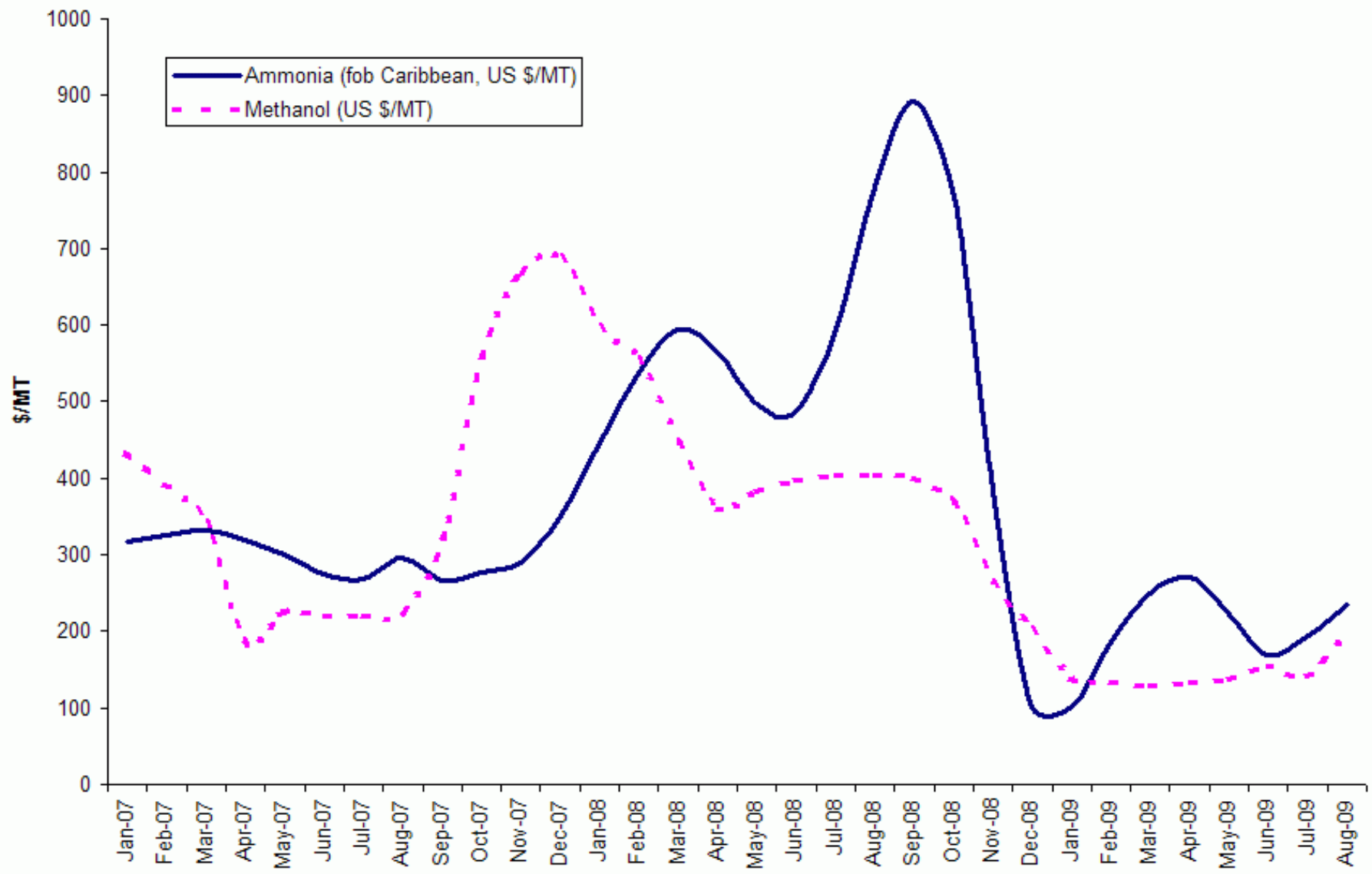
Potential US LNG imports



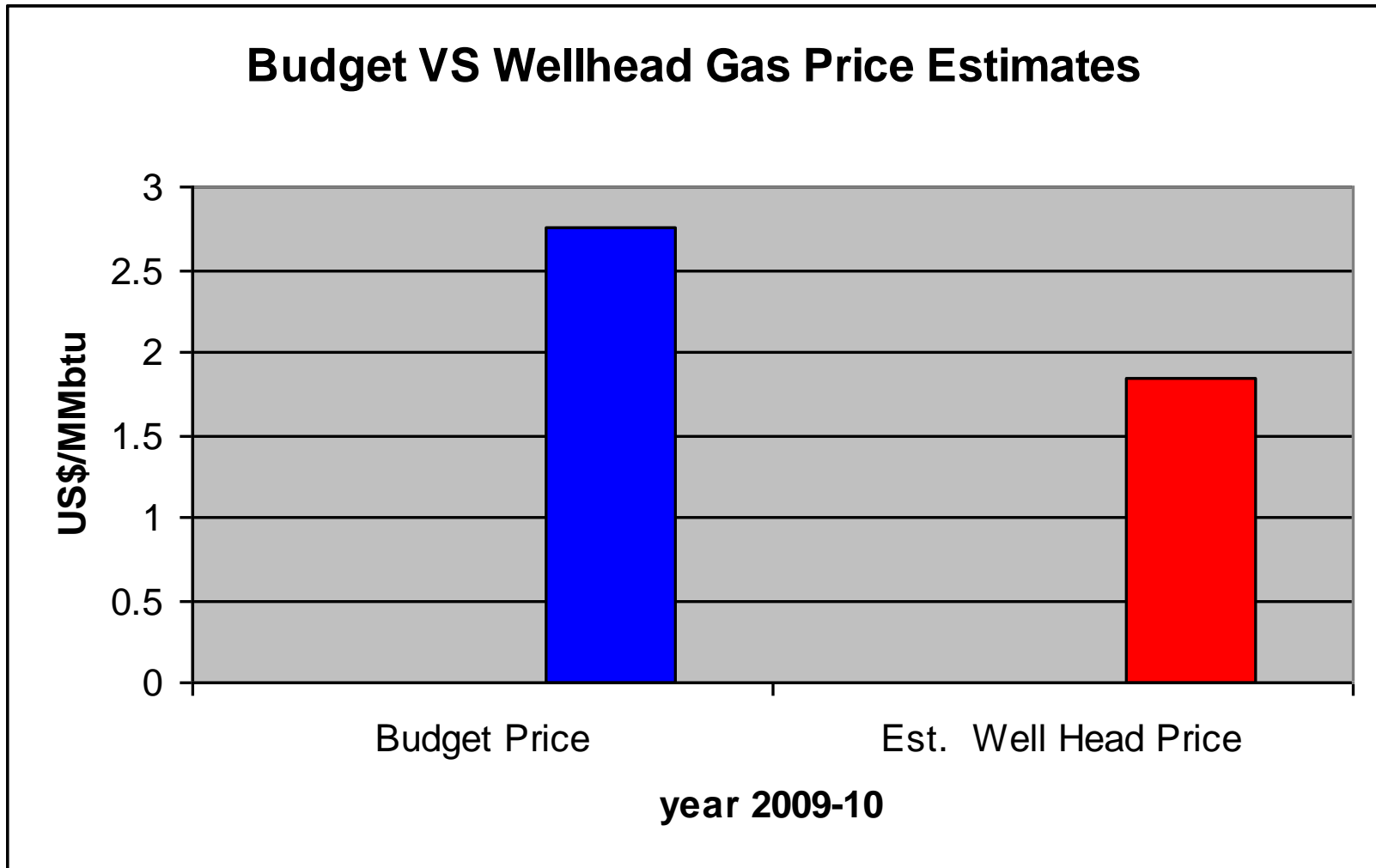
Cambridge Energy Research Associates

“New Realities, New Risks: North American Gas and Power Scenarios Through 2020”

Petrochemical prices 2007-2009



Gas Price Summary

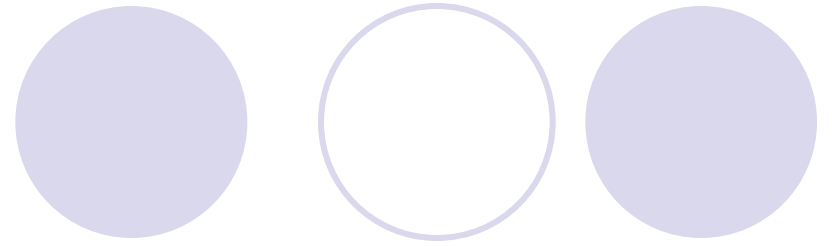
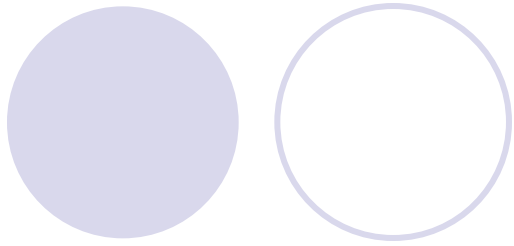


Short-term economic prognosis

- The prognosis for the domestic economy in 2009-10 fiscal year is :
 - lower export earnings
 - reduced Government revenues
 - Significant compression in aggregate demand
 - **Economic decline (around -0.9% - -1.1%)**



BURNING ISSUES



The Fiscal Regime Issue



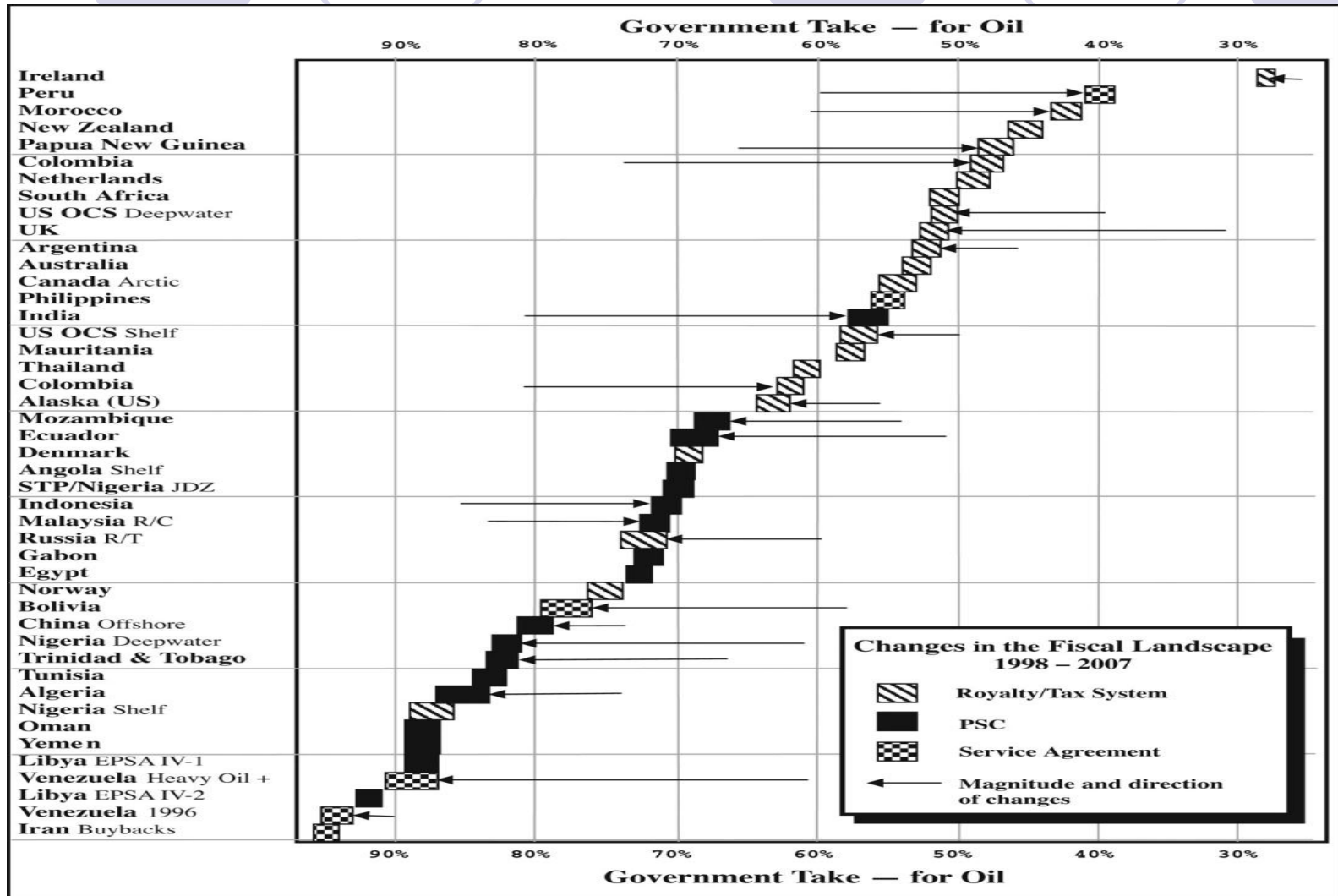
Delay in Revised Fiscal Regime

- Last full review in 1992
- Partial changes in 2005 proved unattractive.
- Promised in Budget speeches of 2008
2009 and now 2010

Possible Consequences of Delay

- Each day delay the sector becomes less competitive globally.
- Less interest in new exploration and development
- Extinction of marginal fields
- Erosion of Government bargain position

T&T Government Take vs Competitors

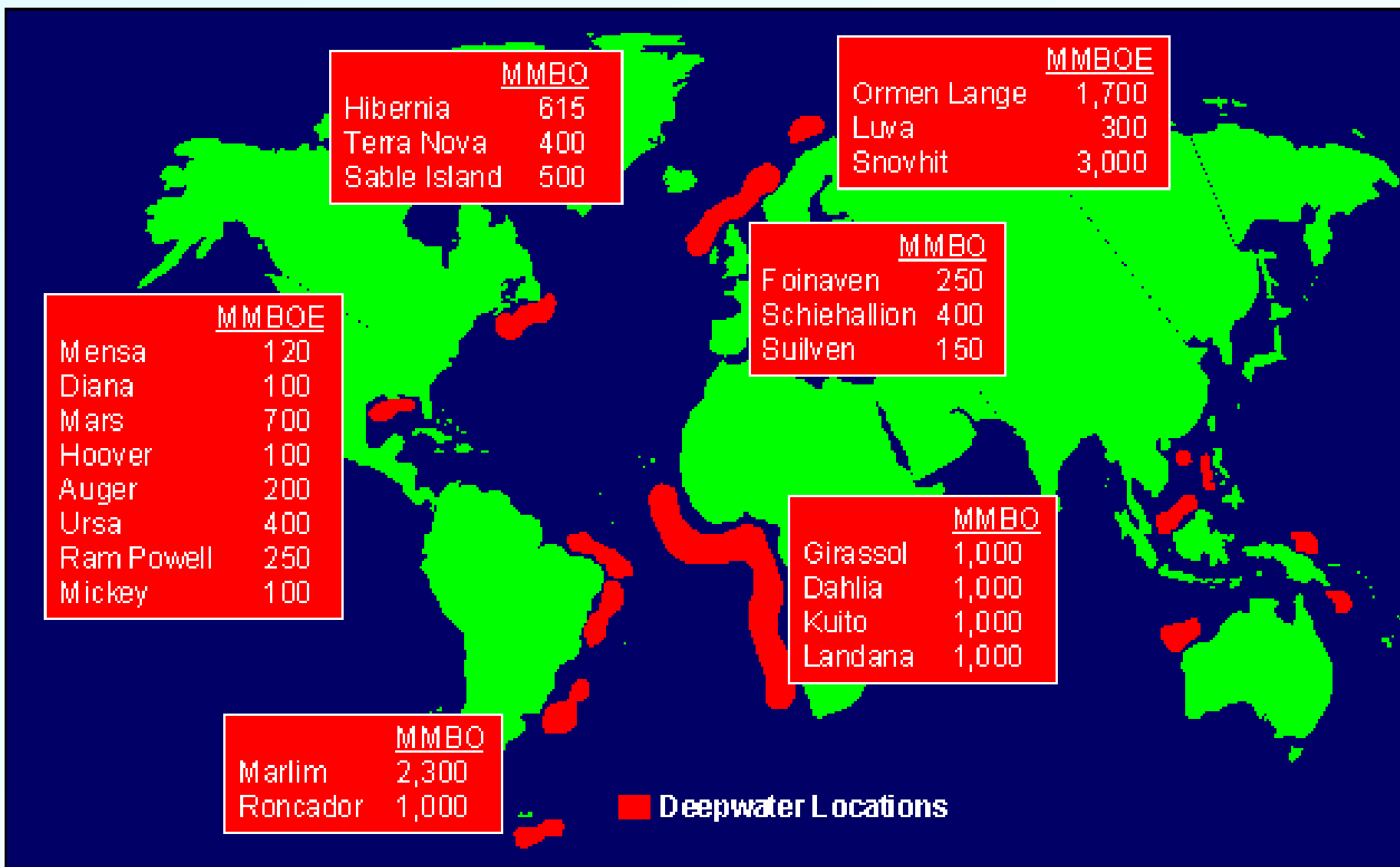


Our Competition

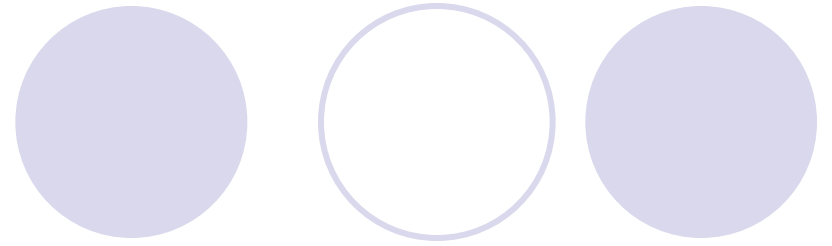
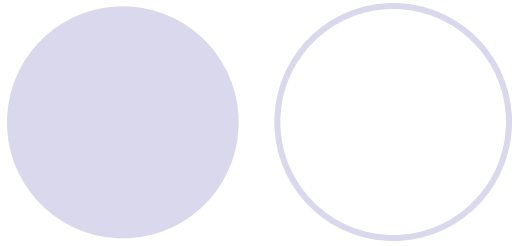


- The real comparator is not with past Trinidad and Tobago fiscal terms, but with other oil and gas provinces.
- Re: deepwater: there are other provinces with higher upside, eg offshore Brazil, Ghana, GOM deepwater

Deep Water Discoveries



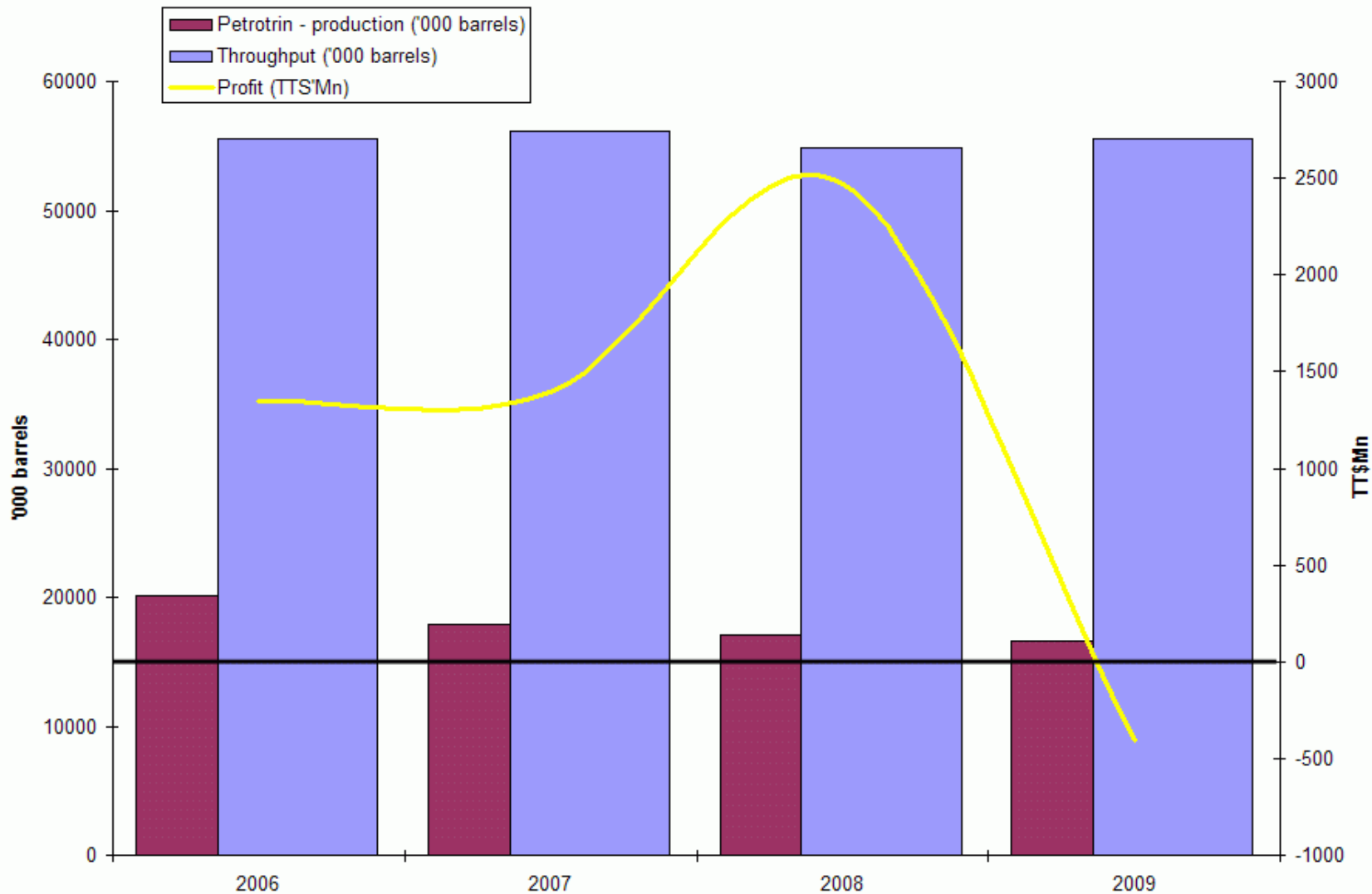
Source: Transocean



**Petrotrin:
A case of
Fidding
while Rome
burns.**



Petrotrin – selected indicators



More Problems with Capital Projects!

36 The Daily Express • Wednesday 30th September 2009

World GTL Trinidad Limited (In Receivership) Press Release

In order to preserve its interest the joint debenture holders, Petroleum Company of Trinidad and Tobago Limited and Petrotrin EAP Services Limited have, effective September 25, 2009, appointed me, Brian Hackett, as the Receiver-Manager of World GTL Trinidad Limited. As a result of this appointment all powers of management of World GTL Trinidad Limited's assets now vest in me as Receiver-Manager, replacing those of the directors who no longer have any authority. All transactions can only be entered into with my authority or where appropriate with that of my agents Mr. Varune Mungal and Mr. Edmund Phillips.

I am presently assessing the operations of World GTL Trinidad Limited and am in the process of collecting and reviewing information in order to determine the strategy going forward. In the interim I, along with my agents, will continue to manage the Company as is including the facilitation of completion of the Gas to Liquids facility.

The debenture holders have indicated their intention to provide the requisite financial support to facilitate the honouring of all outstanding payments to staff, contractors and other third party suppliers that have been properly authorized by the Receiver-Manager.

Brian Hackett
Receiver-Manager
As agent for and on behalf of
World GTL Trinidad Limited



Other Burning Issues

- Gas Monetizing Strategy
- Sales of Services
- Governance and
- Leadership

How do we save the goose?

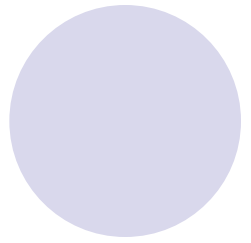
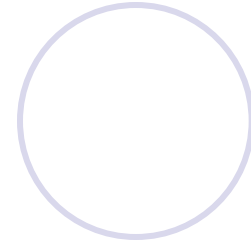
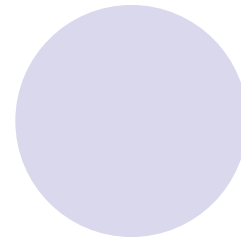


Saving the Goose



- Immediate resolution of issues surrounding the new fiscal regime.
- Concerted action to stimulate land and near shore production.
- Restructure Petrotrin into an E&P company. JV for a new refinery
- Reexamine the “Point Lisas model “

Saving the Goose



REDUCE DEMAND FOR EGGS



email: gregory@ngc.co.tt