

## Petrotrin, a partner in national development



“Petrotrin takes its role of contributing to national development seriously. Our reason for existence is the fulfillment of national objectives while we seek to manage the national resources under our care. As a partner in development we contribute to the Treasury, invest in the community via sports and culture, develop indigenous business capability, ensure human development through our investment in education and providing opportunities for students to develop and contribute. We see Petrotrin as more than a commercial entity- It is a partner in national development.”

These are the words of Petrotrin’s Executive Chairman Malcolm Jones as he made a presentation on **The Role of A State-owned Oil Company in National Development- The case of Petrotrin** to the South Trinidad Chamber of Industry and Commerce Energy Conference held at the Trinidad Hilton Conference Centre on February 5<sup>th</sup> and 6<sup>th</sup> 2007.

Mr. Jones said that any proper discussion of this important question must bring together three significant issues: oil as an instrument, the role of the state company and national development. He stated that oil is still crucial to the T&T economy as a driver of commerce and predicted that it would continue to dominate the energy supply mix for some time yet.

He described the company’s role in this way: “Petrotrin’s responsibility is the management of the country’s oil resources under its stewardship for the benefit of all our citizens. We therefore see our company as a key player in this society’s development thrust, a participant in the vision for the future of the republic.”

He said that some aspects of the role of a state oil company are: People Development; Business Investment; Local Capability and Capacity Development; Community Investment and Technological assimilation. He argued that large international oil companies (IOC’s) are most likely to ignore issues deemed significant by host countries and that the inability or unwillingness of IOC’s to fully treat with specific country interests provides the rationale for the existence of the state oil company. He said that this entity has emerged as the ideal vehicle for handling a government’s concern for the impact of problems and challenges of the oil business on its citizens.

Dealing with the issue of technology, he said: “There is a role for the state oil company in Technology assimilation and dissemination. Petrotrin is ensuring that its processing as well exploration and production operations, are modernized and its people equipped with appropriate modern technology and employ best practices in the performance of their jobs. As such Petrotrin

continues to invest to upgrade its technological capability including information technology to meet the standards of a more sophisticated industry.

He drew a brief reference to the history of Petrotrin: "The exit of British Petroleum and Shell from Trinidad and Tobago in 1969 and 1974 respectively, challenged the then government to come up with a mechanism to ensure the continuation of an industry that had become critical to the economy and the well being of its citizens. This brought into sharp focus the need for some measure of control over the use of our natural resources if the development thrust was not to be derailed. From this emerged Trintoc and Trintopec, the predecessors of Petrotrin."

He argued that the role of the state oil company could no longer be defined in narrow terms of defensive economic or industrial strategy: it must now be viewed from the perspective of a building block in the quest for sustainable national development. This development must put people first. He told the audience: "Over the years we have sought to develop our people through a number of approaches. In fact, many of the companies operating in this country can attest to reaping the benefits of our investment in our people. We continue to do this confident that we need to build the capability of our people since a well trained work force is essential to national development."

He explained that the approach to people development caters for employees as well as other citizens of Trinidad and Tobago. He said that between 2004 and 2006 a total of TT\$14.7 million was expended on employee training. In addition to this, Petrotrin supported employee education initiatives for approved programmes by providing TT\$2.4 million in educational assistance and scholarships to 151 employees. He told the audience that Petrotrin has also initiated leadership development programmes for targeted employees to ensure that there exists in the future a pool of leadership and managerial talent to lead our operations.

He said that the Company offers opportunities for students of the country's post secondary institutions. In the period 2004-2006, for example, Petrotrin invested over TT\$15.0 million in training opportunities for over 661 students and graduates of those institutions. These included:

- 180 MIC/ NSDP students at a cost of \$3.7 million
- 15 UTT students at a cost of \$332,000
- 362 graduate trainees (\$8.38 million)
- 41 university students on sandwich programmes (\$780,000)
- The training of 14 engineers (\$819,000) and 12 petroleum engineers (\$918,000)

Turning to the impact that the Company continues to make on the country's revenue streams the Executive Chairman revealed that Petrotrin contributes at least 7% to the Gross Domestic Product. He stated: "No one doubts the profound impact it has on the economy especially the southern region. It should be underscored as well, that in its history, Petrotrin has unfailingly met all its obligations, even in the worst of times."

He informed the gathering that between 1996 and 2006, Petrotrin invested TT\$8.9 billion in its business.

He explained: "Of this investment \$2.0 billion went into the refining operations and in 2005 we commenced the Gasoline Optimization Project, which will further boost our refining investment. This investment not only assures a supply of environmentally sensitive petroleum products, it will also guarantee the energy security that our citizens and Caricom colleagues now take for granted."

He noted that the Company also spent substantial sums to keep its day business going and to pay the required taxes to the Government of Trinidad and Tobago. He revealed: "In addition to capital expenditure, a further TT\$21.9 billion went into operating expenditure, \$10.1 billion representing direct incomes. I leave it to the economists to calculate the multiplier effect of these

income injections. Even if some of it leaked from the economy, as expenditure on imports, there is no doubt that there would have been some positive impact on the level of national income. The remaining \$10.8 billion was accounted for as expenditure on materials (\$2.8 billion), contracts (\$4.8 billion) and utilities (\$3.8 billion).

Of particular interest to the shareholder is the collection of resource rents. Over the same period (1996-2006), total government receipts from Petrotrin in the form of royalties, Supplemental Petroleum Tax, etc was TT\$14.6 billion of which SPT alone contributed \$6.0 billion. We are clear that Petrotrin as the state oil company has contributed and continues to contribute its share to the provision of resources to finance national development.

The Executive Chairman also explained that Petrotrin has been a steady and dependable earner of foreign exchange for Trinidad and Tobago. He said: "Over the last five years, Petrotrin's sales of foreign exchange totaled US\$534.5 million (TT\$3.324 billion). We do our bit to fuel commerce in the republic."

The audience learned that the Company supports local business through its local content policy, which allows local firms to win contracts to provide services to the company. There are over 700 firms registered as contractors and over 2800 registered suppliers to the company. The Company has also defined a policy for **Community Contractors**- small businesses resident in neighboring communities that can register for specific jobs valued less than TT\$25,000. Support for small independent operators in the oil business has characterized Petrotrin's policy over the years. These players produce oil and gas from stripper wells that have become uneconomical for Petrotrin but are profitable for the operators because of their lower cost structure. In addition, Petrotrin also supports a class of operators under its farmout programme. These two groups of players add just about 6,000 barrels of oil per day increasing the volume of indigenous crude available to the refinery.

Petrotrin has been a sponsor and supporter of the entry of the city of San Fernando into the World Energy Cities partnership. As a responsible corporate citizen, Petrotrin invests millions of dollars annually in a wide range of programs in education, sports and culture to improve the quality of life in its fenceline communities and the nation as a whole.

- *PetroConnect 65, February 2007*