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Trinidad and Tobago energy sector update

Introduction

The export of petroleum, petroleum products and petrochemicals account for nearly 80% of Trinidad and Tobago's (T&T) export revenues and thus, the energy sector remains a cornerstone contributing significantly to government revenue, export earnings and GDP. In the 2025 National Budget presentation, The Minister commented that the energy sector will be a major contributor to our economic survival for years to come. Therefore, sustaining profitability and growth in this sector will be critical. The impact of low oil and gas prices and declining production has led to an increase in T&T's fiscal deficit which is projected to be 3.5% of GDP in 2024.

Overview of energy sector

While T&T once held the title of the largest oil and gas producer in the Caribbean with peak gas production of around 4 Bcf/d in 2010, production has significantly and steadily declined thus impacting the export of LNG and feedstock into the petrochemical sector. According to Central Bank's Economic Bulletin in July 2024, declines in both international commodity prices and domestic energy production led to an overall deficit of $4.3 billion on the Central Government fiscal accounts for the first nine months of fiscal year 2023/24. While the US EIA forecast an increase in crude oil prices toward the end of the year and similarly an increase in natural gas prices in 2025, addressing T&T's declining production remains imperative.

In response to T&T's declining production, there have been several recent initiatives by the government such as onshore and offshore bid rounds and cross border gas development. However, it will take time for these projects to come online and thus their benefits will not be immediate. The gas production decline has affected feedstock into the petrochemical sector with numerous plants being idle or shut down over the years. Recently, Methanex announced plans to restart its smaller Titan methanol plant and mothball its Atlas plant which would result in overall production being reduced by approximately one million tonnes annually. In terms of LNG, Atlantic LNG (Atlantic) Train 1 was taken out of operation in 2020 due to gas curtailments and the facility currently operates 3 out of the 4 trains below capacity. Though The Minister touted that the Atlantic LNG restructuring increased the Government's shareholding and implemented a pricing strategy that will substantially increase T&T's revenue from the exports of LNG, the gas curtailment needs to be addressed for T&T to reap the benefits of this restructuring.

T&T's natural gas production has been declining due to the slow pace of bringing new developments online to counteract the natural decline of mature fields. However, there are promising opportunities on the horizon which have the potential of reversing this downward trend. There are several upstream projects that could shape how the future of the T&T's gas production will evolve. Key projects such as, Manatee, Calypso, Dragon and Manakin-Cocuina cross border gas fields will be crucial in offsetting T&T's current declining production. Nevertheless, the timing in which these projects are able to bring gas to the market remains uncertain.

The Minister's plans to engage with the Energy Chamber to discuss changes to the oil and gas tax regime to stimulate further exploration and production is a positive step. Since multinationals spend millions on exploration with no guarantee of success, providing incentives like accelerated capital allowances or increased capital expenditure can encourage investment. However, balancing tax incentives with government revenue would be essential. In summary, the energy sector in T&T is set for growth, supported by proposed policy changes, substantial investments and ongoing projects. Nevertheless, managing price volatility and declining production is essential to maintain this growth.

Diversification of sector

While the country's main focus has been the hydrocarbon sector, the conversation on renewables should also have a seat at the table. For T&T, renewable energy is essential as it provides a sustainable way to fulfil energy requirements while reducing reliance on fossil fuels for power generation. In the National Budget presentation, The Minister indicated that the Government aims to achieve 30% of energy needs via renewable energy by 2030 and also highlighted solar projects and initiatives being executed by the government. Utilizing solar energy can greatly reduce greenhouse gas emissions and support global climate change initiatives. Adopting renewables is a key step toward a cleaner, healthier, and more sustainable future.

Project Lara was carded to be T&T's first major commercial scale renewables project via the construction of a 112-Megawatt solar farm consisting of two sites, Brechin Castle and Orange Grove. This initiative will allow T&T to redirect its natural gas to higher-value commercial activities such as LNG and petrochemicals. However, earlier this year the government took a decision to utilise the land earmarked for the solar farm at Orange Grove for a different project and therefore, will result in a loss of approximately 20-megawatts from the overall project. Our Caribbean neighbours are also investing in renewables, as Antigua and Barbuda are focusing on solar power to provide a sustainable supply of electrical power, with the aim of producing 86 percent of its electricity from renewable sources by 2030. Other countries such as Iceland, Costa Rica, Norway and Sweden generate almost all of electricity from renewable sources.

We are seeing countries pivoting to renewable energy as a means of achieving energy security through reducing its dependence on expensive imported fossil fuels and the knock-on effect they have on the price of goods and services. T&T should also consider following suit by incorporating renewables in its energy mix as it reduces reliance on fossil fuels for the generation of electricity.

Therefore, the natural gas saved can be redirected to the LNG and petrochemical industry whereby it contributes to boosting revenue and foreign exchange earnings. This also steers T&T in the right direction to fulfil its commitment under the Paris Agreement of a 15 per cent reduction in greenhouse gas emissions from the Power Generation, Transport and Industry sectors by 2030. It is anticipated that the draft Renewable Energy policy and implementation plan done by the Ministry of Energy and Energy Industries can steer T&T in its transition to a low-carbon economy.

Global warming driven by an increase in greenhouse gas emissions led governments to implement policies and practises that reduce carbon emission and thus strive towards “net zero”. The European Union’s implementation of the Carbon Border Adjustment Mechanism (CBAM) has the potential to disrupt T&T’s export revenue due to its highly embedded carbon emissions. T&T’s reliance on hydrocarbon exports such as ammonia, methanol, and fertilisers make T&T particularly susceptible to border carbon adjustment (BCA) measures. T&T has high exports going to the EU and other countries that are likely to implement BCAs. As a major exporter of products with highly embedded carbon emissions, if BCAs are implemented by major trading partners, T&T’s exports could potentially become less competitive and lose market share which would negatively impact foreign exchange earnings and government revenue. BCAs has the potential to disrupt T&T’s competitiveness in the international market and significant investment is needed for decarbonisation of T&T’s energy sector. However, financing such an investment remains a challenge.

Looking at regional development and opportunities for diversification for the energy sector, our neighbours, Guyana, Suriname and Brazil are ramping up exploration and production activities. This presents a unique opportunity for T&T given its skilled energy labour force and experience for over 100 years. More specifically, Guyana is expected to produce more than 600,000 barrels per day and Suriname is expected to start production in 2028 with target production of 200,000 barrels per day and are both on the path to becoming major players in the global energy sector. Brazil, a significant player in the global oil and gas market and the largest producer in South America, produces circa 3 million barrels and 139 million cubic meters of oil and natural gas per day respectively.

Their significant discoveries of resources have attracted multinationals to deploy substantial capital investment into the development and production of hydrocarbons in these territories. T&T can perhaps play a supporting role in the development and production of resources in these territories given the country's proximity and experience in the sector. For example, T&T's dock is underwater, but vessels are required for our neighbours so perhaps a dry-dock and ship repair facility can work.

Additionally, a national energy training centre can be housed and operated from T&T. Moreover, our local expertise in the fabrication and construction of offshore platforms can benefit us by offering these services to neighbouring counterparts due to our close proximity and cost-effective solutions. Lastly, shore base services have been touted as a means of T&T providing support services to both Guyana and Suriname and while a few T&T companies have made headway in tapping into these markets, much more is needed to support the competitiveness of this sector in T&T. To attract Foreign Direct Investment (FDI) and encourage growth of local companies operating within this sector, consideration can be given to ring fencing the income earned from the export of these services and taxing it at a lower rate and also providing capital allowance uplifts for capital investment aimed at providing and promoting shore base services. While the income earned from these activities may not fill the gap in the loss of revenue from the hydrocarbon sector, it will supplement T&T's revenue alongside creating employment and allowing T&T to support its Caricom counterparts in their oil and gas journey.

In conclusion, T&T needs to reinvent and reposition itself to take advantage of the unique opportunities available to it. Without this, there can be no progress for the country as a whole.

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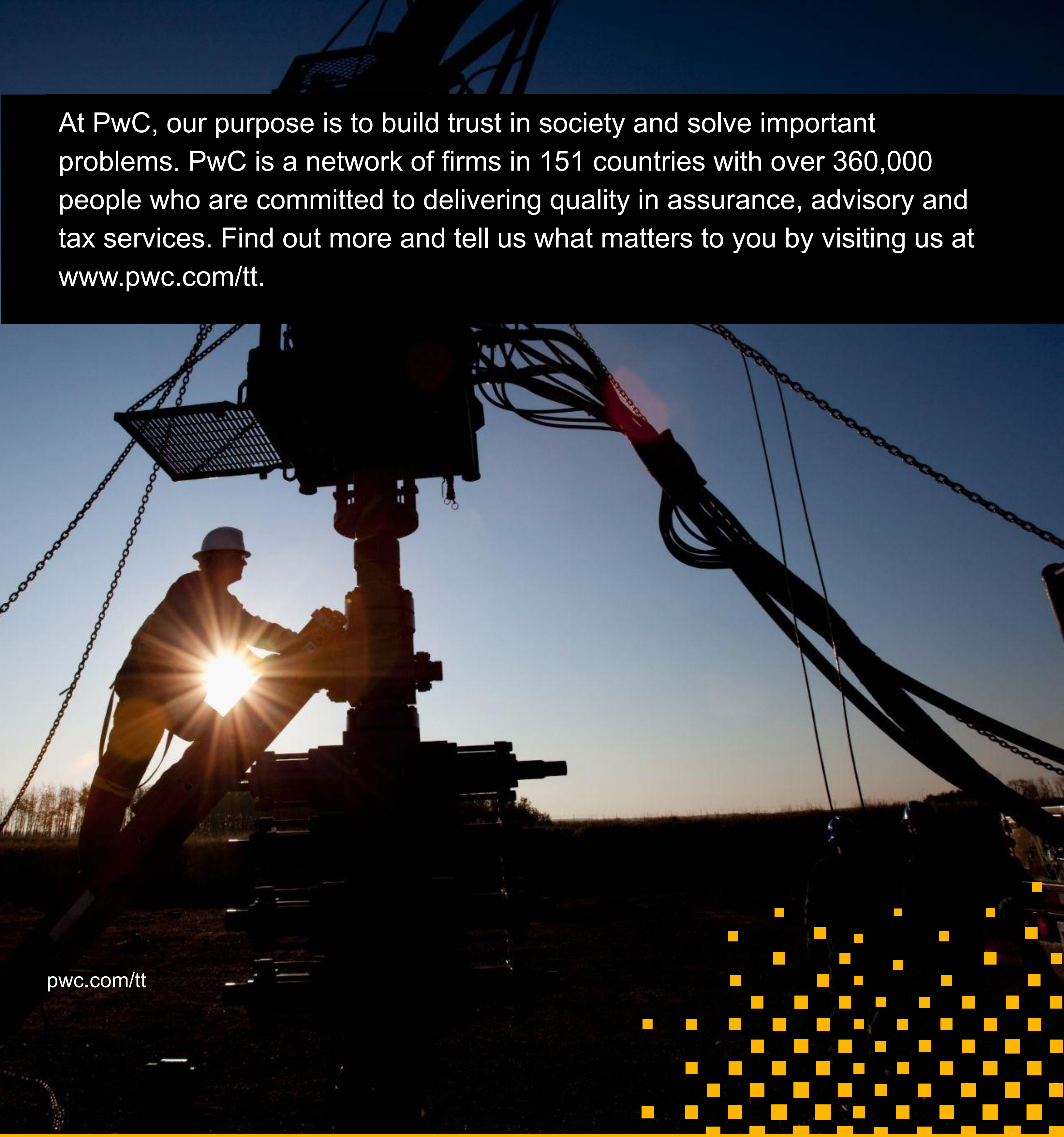

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