TTEITI

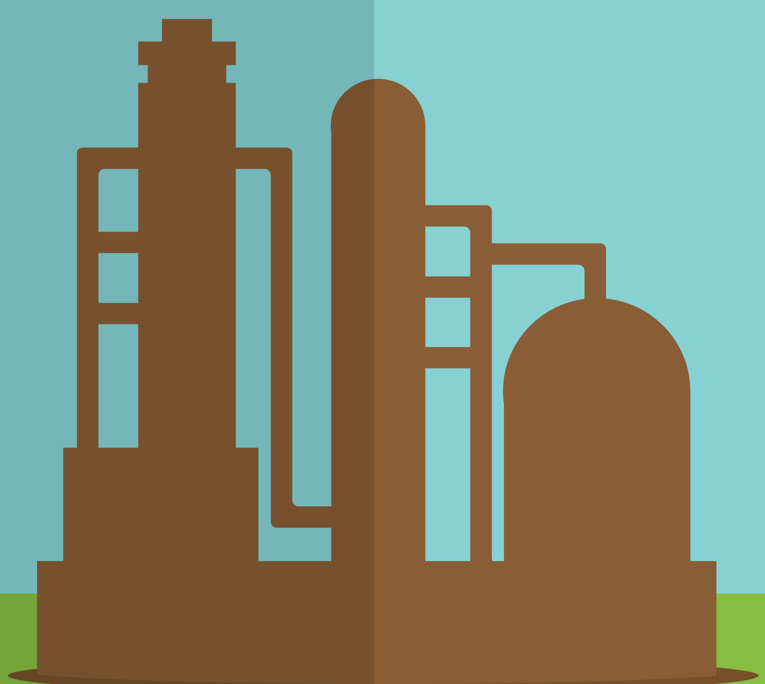
Trinidad and Tobago Extractive Industries Transparency Initiative

TRINIDAD & TOBAGO EITI REPORT 2012

MAKING SENSE OF T&T'S ENERGY DOLLARS

www.tteiti.org.tt/category/eiti-reports/

Trinidad & Tobago's oil, gas and mining resources took millions of years to form. This natural legacy energises the country's economy and enhances the daily lives of citizens. The role of the TTEITI Steering Committee is to ensure that citizens are informed about what the revenues from their patrimony are and where they are spent. The theme of the TTEITI Report 2012, *Making Sense of T&T's Energy Dollars*, directs citizens to assess if their best interests are being served. The Report facilitates transparency and accountability and a better understanding of the policies and practices governing the extraction of the country's natural resources and the management of the revenues earned. It makes a significant contribution to the development of a more informed citizenry.



Foreword

Welcome to the second of Trinidad & Tobago's annual Extractive Industries Transparency Initiative (EITI) Reports. The first report, published on 30 September 2013 (www.tteiti.org.tt/eiti-reports), was in respect of Government's fiscal year 2010/11. This report is in respect of fiscal year 2011/12.

The EITI is a voluntary international coalition of governments, extractive companies and civil society working together to improve openness and accountable management of revenues from natural resources. It is the recognized global standard for transparency and accountability in the extractive industries (primarily oil, gas and mining) and is currently being implemented in 46 countries *(http://eiti.org/countries)*.

This report is published under the new EITI Standard introduced in May 2013 *(http://eiti.org/document/standard)* to shift focus from mainly revenue transparency to include accountability for expenditure. The data aims at empowering citizens through knowledge to hold Government and companies accountable for how these revenues are used.

Trinidad & Tobago was granted EITI membership with Candidate Country status on 1 March 2011 and a Cabinet-appointed multi-stakeholder group Steering Committee was charged with overseeing EITI implementation. This report is another milestone in the Steering Committee's work over 46 months. The next milestone to be achieved is Trinidad & Tobago's award of Compliant Country status after the EITI Board is satisfied that all the EITI implementation requirements have been met.

Today, it is accepted that a country's natural resources belong to its citizens and that more openness around how a country manages these resources is necessary to ensure that the people benefit. Therefore, the data in the EITI Report is of critical importance to citizens who can learn in detail, in a single document, how and in what amounts the revenues earned from their extracted resources are generated and spent. Section 3, *Overview of the Extractive Industries in Trinidad & Tobago*, provides contextual information for the financial data that follow. Future reports will be even more useful because stakeholders will be more familiar with the process and the reporting net widened to include data on the mining sector (asphalt and quarrying) in addition to the oil and gas sectors.

The EITI provides Trinidad & Tobago with a collaborative mechanism for developing and consolidating transparency and accountability in the Nation's oil, gas and mining sectors. However, transparency of the revenues generated and spent can only lead to accountability by the Government and companies if citizens take the time to understand what the reported figures mean and join in public debate about how the country's resource wealth should be managed. In order to facilitate this process, the Steering Committee will be using different forums nationwide to discuss the Report's findings, and we invite your participation. In your self-interest, I urge you to get to know more about the EITI and to give it your full support.

On behalf of the Steering Committee and Secretariat, I wish to acknowledge with thanks the roles played by the stakeholders, Government, companies and civil society, and the Administrator in producing this Report. In particular, I recognize the Ministry of Energy and Energy Affairs and the Ministry of Finance and the Economy for their contributions.

VICTOR A. HART
CHAIR, TTEITI STEERING COMMITTEE
30 September 2014

Contents

Abbreviations and Acronyms

ALNG	Atlantic LNG	mmcfd	million standard cubic feet per day
AUM	Ammonia Urea Melamine	MOFE	Ministry of Finance and the Economy
bcf	billion standard cubic feet	MOU	Memorandum of Understanding
BG TT	BG Trinidad and Tobago	mt	metric tonne(s)
Boe	barrels of oil equivalent	NGC	The National Gas Company of Trinidad and Tobago Ltd
bopd	barrels of oil per day	NGL	Natural Gas Liquid
bpd	barrels per day	OAG	Office of the Auditor General
bpTT	BP Trinidad and Tobago LLC Trinidad Branch	PLNL	Point Lisas Nitrogen Limited
BTU	British Thermal Units	PPGPL	Phoenix Park Gas Processors Limited
CBTT	Central Bank of Trinidad and Tobago	PPT	Petroleum Profits Tax
CNC	Caribbean Nitrogen Company	PSC	Production Sharing Contract
CNG	Compressed Natural Gas	SOE	State Owned Enterprise
CSR	Corporate Social Responsibility	SPT	Supplemental Petroleum Tax
CT	Corporation Tax	STCIC	South Trinidad Chamber of Industry and Commerce
E&P	Exploration and Production	T&T	Trinidad & Tobago
EITI	Extractive Industries Transparency Initiative	T&TEC	Trinidad and Tobago Electricity Commission
FY	Fiscal Year	tcf	trillion cubic feet
GDP	Gross Domestic Product	TGU	Trinidad Generation Unlimited
GoRTT	Government of the Republic of Trinidad and Tobago	THA	Tobago House of Assembly
HSF	Heritage and Stabilization Fund	TOR	Terms of Reference
IRD	Inland Revenue Division	TPIN	Tax Payer Identification Number
IRSF	Interim-Revenue Stabilization Fund	TT$	Trinidad & Tobago Dollar(s)
JV	Joint Venture	TTDAA	Trinidad & Tobago Deep Atlantic Area
LIC	Light Industrial Consumers	TTEITI	Trinidad & Tobago EITI
LICS	Light Industrial and Commercial Sectors	TTEITI SC	Trinidad & Tobago EITI Steering Committee
LNG	Liquefied Natural Gas	UL	Unemployment Levy
LOFO	Lease Operatorship and Farm Out	UNDP	United Nations Development Programme
mbbl	one thousand barrels	US$	United States Dollar(s)
mcf	million cubic feet	USGS	US Geological Survey
MEEA	Ministry of Energy and Energy Affairs	VAT	Value Added Tax
MHTL	Methanol Holdings Trinidad Limited	WHT	Withholding Tax
mmbtu	million British thermal units	WTI	West Texas Intermediate

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Report of the Independent Administrator

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BDO Trinity Limited as the lead consultant, supported by Hart Nurse Limited, has been appointed by the Government of the Republic of Trinidad and Tobago, acting through the Ministry of Energy and Energy Affairs, to produce an EITI Report on payments directly or indirectly made by participating extractive oil and gas companies involved in upstream and associated activities to the GoRTT and revenues reported as received by the GoRTT agencies from those companies for the 2012 fiscal year, 1 October 2011 to 30 September 2012 ("Engagement").

The Engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures performed were those set out in the Terms of Reference appended to this report, except where stated otherwise in this report including its appendices.

We set out our findings in the following report including its appendices; pages 16 to 36 were provided by the TTEITI Steering Committee and were not reviewed by us as part of the Engagement. Because the procedures were not designed to constitute an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the transactions beyond the explicit statements set out in this report. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Our report is solely for informing the TTEITI Steering Committee on the matters set out in the Terms of Reference and is not to be used for any other purpose.

The report relates only to the subject matter specifically set out herein and does not extend to any financial statements of any entity taken as a whole.

Riaz Ali
Director
BDO Trinity Limited
26 September 2014

1

1 | Introduction

This is the second Trinidad & Tobago EITI Report, which covers the period 1 October 2011 to 30 September 2012. The work was carried out between 19 May and 21 September 2014 in accordance with the Terms of Reference (TOR) included in Appendix 9.2.

The report is intended for the use of the TTEITI Steering Committee for the purpose of that initiative and is not to be relied upon by other parties.

The report includes its Appendices, which are provided separately.

1.1 | Objective

The objective of the Engagement is to produce an EITI Report on payments directly or indirectly made by participating extractive oil and gas companies involved in upstream and associated activities to the GoRTT, and revenues reported as received by the GoRTT agencies from those companies for Fiscal 2012. This included an analysis and reconciliation of material payments and receipts made by specified Reporting Entities in 2011/12 in the oil and gas sector.

1.2 | Scope of Work

BDO Trinity Ltd and Hart Nurse Ltd ("the Administrator") were required to undertake the work set out in the TOR for the Engagement. The reconciliation has been carried out on a cash accounting basis.

The TTEITI Steering Committee defined the flows to be included in the reconciliation, and the entities which should report, after carrying out a scoping study. The Steering Committee's materiality decision is included at Appendix 9.3.

If there are material receipts or payments omitted from the reporting templates by both the paying and receiving entities, our work would not be sufficient to detect them. Any such receipts or payments would not therefore be included in our report.

In conducting our work, we have relied upon the information and explanations obtained from Reporting Entities.

Our report incorporates information received up to 21 September 2014. Any information received after this date is not, therefore, included in our report. Certain confirmations, that did not affect data or reconciliations, were received subsequently and have been included.

1.3 | Structure of the Report

The report contains:

- Foreword from the Chair of the TTEITI Steering Committee
- Administrator's report to TTEITI Steering Committee
- Introduction
- Executive Summary
- Overview of the Extractive Industries in Trinidad & Tobago
- Overview of Flows Reported and Reporting Entities
- Approach, Methodology and Work Done
- Results of the Reconciliation
- Other information
  - Oil and Gas Production
  - Social Expenditures and Infrastructure Provisions
  - Transportation Tariffs
  - Register of Licences
  - Allocation of Licences
  - Beneficial Ownership
  - Contracts
- Recommendations
- Appendices

Full details of amounts reported initially, adjustments made and the reconciled flows analysed by type of financial/ in kind flow are reported together with other supporting information in the Appendices.

1.4 | Acknowledgements

We would like to express our sincere thanks to the Ministry of Energy and Energy Affairs, the TTEITI Steering Committee, and to Ms. Melanie Richards from the TTEITI Secretariat, who have assisted us in receiving timely replies from the Government and participating companies from the extractive industries, and for sending and receiving official confirmation letters to/from these parties.


2

2 | Executive Summary

This summary sets out the main findings of the exercise to reconcile the receipts declared by the Government from oil and gas companies included in the EITI reconciliation for 2011/12 with the payments to Government reported by those companies.

2.1 | Government Receipts

2.1.1 | Total Government Receipts from the Sector

In respect of the financial and in kind flows included in the Fiscal 2012 Report, the three Government agencies participating in the reconciliation (MOFE–IRD, MEEA and MOFE–Investment Division) reported both the total receipts from the oil and gas sector (Table 2.1 below), and also the receipts from each of the companies required to report payments to Government (see section 6.2 and Appendix 9.5).

The total receipts from the oil and gas sector to Government were:

Table 2.1

MOFE–IRD	**TT$ m**
Total for oil/gas sector	17,307.4
Paid by MEEA[1]	6,307.9
Paid by companies	10,999.5
In respect of reporting companies	10,880.3
% coverage[2]	98.9%
MEEA	
Total for oil/gas sector	9,128.0
In respect of reporting companies	9,080.2
% coverage	99.5%
MOFE-Investment Division	
Total for oil/gas sector	965.0
In respect of reporting companies	965.0
% coverage	100.0%
Total	
Total for oil/gas sector	21,092.5
In respect of reporting companies	20,925.5
% coverage	99.2%

2.1.2 | Summary of Results for TTEITI Reconciliation

Total receipts from the oil and gas sectors in 2011/12, after reconciliation, are set out in Table 2.2 (see also Table 6.2).

Table 2.2

Receipts reported by Government	Foreign exchange differences	Timing differences	Payment by parent company	Unidentified receipt	Payments reported by companies
***20,925.50**	*1.05	*-65.80	*13.60	*1.60	***20,875.95**

*TT$ millions

The items set out in the table above are:

Receipts reported by Government
Government receipts after adjustment in the reconciliation.

Foreign exchange differences
Arising because different rates of exchange were used by Government and companies to record US$ flows. The US$ amounts were agreed between Government and company reports.

Timing differences
There were two instances where payments and receipts fell in different periods. In one case, a payment made by a company in Fiscal 2011 was receipted by MEEA in Fiscal 2012; while in the other case, a payment made in Fiscal 2012 by a company was receipted by MEEA in Fiscal 2013.

Payment by parent company
In the case of one group of companies, liabilities to MEEA were settled by the parent company (domiciled outside Trinidad & Tobago). The companies reported the amounts paid, while MEEA did not, because the amounts were receipted by MEEA in the name of the parent company making the payments. The amounts have been properly reported by all parties, although we make a recommendation to improve the process for similar instances in future reconciliations (Section 8.1.7).

Unidentified receipt
Petrotrin reported payments in respect of insurance premium tax on foreign policies of TT$2,239,370 while the BIR reported related receipts of TT$636,938. Petrotrin indicated that the receipts for the difference of TT$1,602,432 could not be located as it was paid directly by the insurance broker on Petrotrin's behalf.

Payments reported by companies
Company receipts after adjustment in the reconciliation.

[1] MOFE–IRD receives cash both directly from companies and indirectly via the MEEA from the share of PSC profits. In the table above, the amount reported by MEEA is deducted from the MOFE–IRD total to provide a comparison between direct payments from companies to MOFE–IRD (see Section 2.6). This amount is included and reconciled in MEEA Total for oil/gas sector (refer Section 6.3).
[2] The % coverage shows the proportion of total payments from the oil/gas industries which were included in the reconciliation.

TOTAL REVENUE RECEIVED

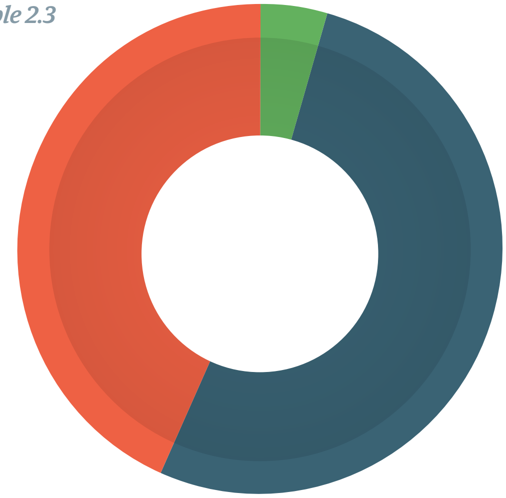
TT$20.925 BILLION

2.1.3 | 2011/12 Reported Receipts - Government Total

Government receipts from companies included in the EITI Report may be expressed graphically as follows:

Table 2.3

TT$'000

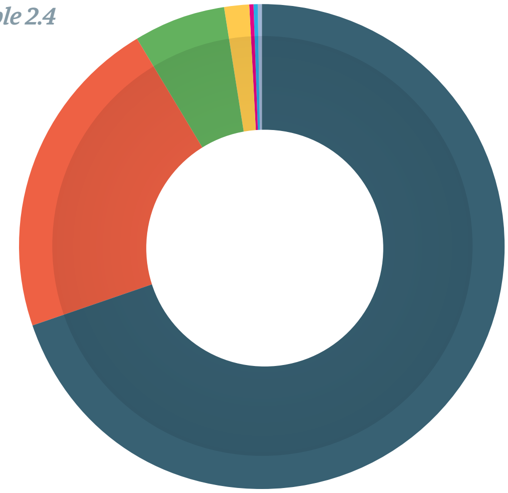


2.1.4 | 2011/12 Reported Receipts - MOFE–IRD

2011/12 receipts reported by MOFE–IRD, after reconciliation, may be expressed graphically as follows:

Table 2.4

TT$'000

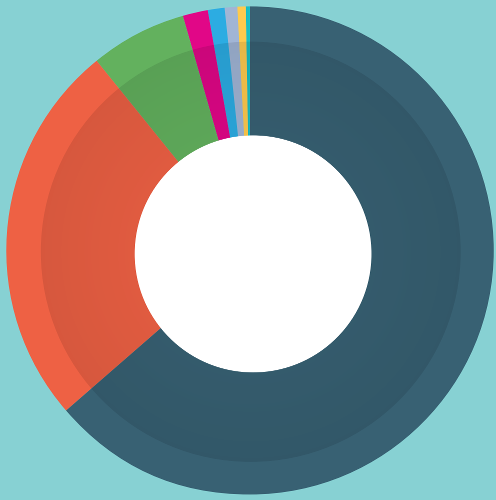


2.1.5 | 2011/12 Reported Receipts - MEEA

2011/12 receipts reported by MEEA, after reconciliation, may be expressed graphically as follows:

Table 2.5

TT$'000



2.2 | Company Receipts

Reconciliation results analysed by company are shown in Section 6. The return of templates by companies is discussed in Section 2.4.

2.3 | Key Findings

The key highlights and conclusions arising from the reconciliation work carried out are outlined below.

i. The quality and content of information provided by reporting entities was generally satisfactory, although there are areas where improvement is needed, as outlined below.

ii. Preparation of the list of companies to be included in the reconciliation was hampered by the delay in the release of information from the MOFE–IRD. At its meeting on 22 May, the Steering Committee considered which companies to invite to report in the Fiscal 2012 reconciliation, and decided to invite:

a. any company which in fiscal 2012 made payments totalling TT$10 million[3] or more to any of MOFE–IRD, MEEA or MOFE–Investment Division;

[3] Subsequently the Steering Committee deemed material those companies that made payments above TT$25 million as explained in Appendix 9.3

b. any company which, while not making material payment/s as defined in (a), was part of a group where one of the companies in that group made payment/s in 2012;

c. any company which reported payment/s for the fiscal 2011 reconciliation of TT$10 million[3] or more to any of MOFE–IRD, MEEA or MOFE–Investment Division, whether or not it was shown on the initial information for 2012 from MOFE–IRD or MEEA as making payment/s.

Following release of information by MOFE–IRD and further discussion on the materiality basis for the reconciliation, the list of companies was confirmed as unchanged from this initial list. This is discussed further in Section 2.5.

iii. The MOU under which parties have agreed to participate in the EITI reporting process applies only to the Fiscal 2011 and Fiscal 2012 Reports (see further Section 8.1.1) and expires upon submission of the Fiscal 2012 Report[4].

iv. The information systems used by the MEEA are manual and much effort was required to be able to provide information. The ability of the data systems and reporting used in MEEA to produce the information required for EITI reconciliations on a continuing basis should be examined and, where appropriate, improvements made. This is discussed further in Section 8.1.10.

v. Production data was not provided on a timely basis and response to queries has been slow.

vi. The timeliness of response to reconciliation queries was generally improved on the 2010/11 reconciliation, with the exception of production information from the MEEA.

vii. In accordance with the decision of the TTEITI Steering Committee, figures provided by Government for the current reconciliation were approved by senior Government officials but were not confirmed by the Government Auditor.

viii. Data provided by companies was approved by a senior official of each company. Companies were asked to provide audited financial statements, and a summary of the information provided is included in Section 9.6.

ix. In two material cases, MEEA reported receipts which the respective companies were not initially able to identify/evidence. During the reconciliation process, one company (NGC) was subsequently able to confirm the payments, while three other companies (in the BG group) were unable to produce MEEA receipts and instead provided wire transfers in support of the payment information.

x. The provision of information by NGC and Petrotrin was delayed.

2.4 | Completeness and Accuracy of Data

Based on the list of entities specified by the TTEITI Steering Committee to be included in the reconciliation, we comment on their participation in the reconciliation.

i. Of the three Government entities included in the reconciliation scope, MEEA and MOFE–Investment Division have returned reporting templates, with the accompanying declaration signed by the Permanent Secretary. MOFE–IRD returned a covering letter signed by the Acting Chairman.

ii. All companies included in the reconciliation scope have returned templates, except:

   a. Total E&P Trinidad Block 2C Ltd

   b. Total E&P Trinidad Block 3A Unlimited

   c. Bayfield Energy Trinidad Limited

   The operations for Total E&P Trinidad Block 2C Ltd were sold to NGC during the reconciliation period. NGC returned a template for "Total" without specifying the entity it referred to: this has been queried with NGC, but no further explanation has been given.

   Government did not report any figures for either of the two Total entities.

   Bayfield Energy Trinidad Limited did not report last year either, and a search on the Companies' Register revealed no company with that name (see further discussion in Section 6.5).

   Bayfield Energy (Galeota) Ltd was re-named Trinity Exploration and Production (Galeota) Ltd, which reported figures. This was apparently an error in the list of reporting entities, rather than a failure to report.

iii. All company template declarations were signed by a Board level or senior level manager

For any update to the information provided on the original data collection templates, supporting documents were always required.

[4] The MOU is published on the TTEITI website *(http://www.tteiti.org.tt/about-tteiti/final-executed-memorandum-of-understanding-on-the-implementation-of-eiti-in-trinidad-and-tobago/)*

2.5 | MOFE–IRD: Confidentiality of Information

Issues surrounding the sharing and publication of confidential tax information were identified as an obstacle to implementation in an initial legal scoping exercise undertaken in October 2011.

The main obstacle identified in that scoping exercise was that the Income Tax Act makes it a criminal offence to divulge a person/company's tax information to a third party even with the consent of the person/company. The TTEITI Steering Committee, with the assistance of the World Bank, searched extensively for examples of how tax authorities overcame this hurdle in other EITI implementing countries. A total of five Legal Opinions–three by the Government's legal advisers in the Ministry of Energy and Energy Affairs and the Attorney General, and two requiring the additional support of outside Senior Counsel–were sought during the period October 2011 to April 2013 to treat with this matter.

As a result of the search, the Tax Authority's representative on the TTEITI Steering Committee held discussions with Tax Officials in Peru in June 2012 (on the margins of the first Regional EITI Conference for Latin America and the Caribbean) on the mechanism they used to implement the EITI. The Peru solution, upon in-depth examination, proved unworkable in the Trinidad & Tobago context. Therefore, other solutions had to be found.

In the period January to October 2012, three other solutions were identified, namely (1) the passage of EITI-specific legislation, (2) the use of Freedom of Information Legislation to access the confidential tax information, and (3) the use of a never-before-invoked Presidential Waiver mechanism provided by the Income Tax Act. The adoption of the latter two mechanisms required Legal Opinions and approvals from the Attorney General on whether they could be used.

In pursuing Solution (1) with the assistance of the IDB, draft legislation was prepared by a consultant and completed during the period June - October 2012. The legislative process in Trinidad & Tobago can be a lengthy one, taking anywhere from 6 to 18 months for legislation to be passed by Parliament and assented to by the President.

Given that the EITI legislation could have potential infringement of constitutional rights implications, the advice from Government's Legislative Review Committee was that this legislation should receive comment and, if possible, tacit support from key stakeholders before it was sent forward for consideration by the Cabinet and the Parliament. Given that the extended deadline for completion of the first EITI report was December 2012, it was determined that the enactment of such legislation could not be achieved by the end of 2012. As a result, legal advice was sought and received from the Attorney General on the use of the other two solutions, namely the use of the Freedom of Information Act and/or the exercise of the Presidential Waiver to allow for the Tax Authority to provide the tax information to the Administrator.

In November 2012, the Attorney General's advice discounted the use of the Freedom of Information Act and, instead, recommended the use of the never-before-used provision in the Income Tax Act that allows the President to provide immunity from prosecution to the Tax Authority to allow them to share tax information with the Administrator.

Having determined the mechanism for the sharing of tax information for reconciliation purposes, a subsequent Legal Opinion had to be obtained from the Attorney General to determine whether the tax law also prohibited the publication of the disclosed tax information. This Opinion, which was accepted by Cabinet, cleared the way for the Board of Inland Revenue (BIR) to share the tax information of the participating companies with the Administrator.

In addition to the restrictions imposed by the tax law, the TTEITI Steering Committee also encountered administrative and technical obstacles to the EITI implementation. In the absence of a formal mechanism for implementation, both the Tax Authority and some of the key participating companies, sought to have clear written procedures for the reporting process put in place as a precondition of their participation. In the case of the Tax Authority, the demand of the TTEITI Steering Committee was to provide sufficient evidence that the companies were voluntarily consenting to the provision of their tax payments information to the Administrator for reconciliation.

To satisfy this demand, the TTEITI Steering Committee was required to have each company provide the Tax Authority with a Letter of Consent authorizing the release of their tax information to the Administrator.

For the purposes of the exchange of information with the Administrator, the MOFE–IRD also required that each company demonstrate that it had agreed to voluntarily participate in the process by signing an MOU which detailed the process for reporting to the Administrator and the subsequent publication of the reconciled information. The MOU was signed on 7 June 2013 by all stakeholders.

For the 2011/12 reconciliation, the MOFE–IRD provided:

i. aggregated information on total receipts from the oil and gas sectors; and

ii. disaggregated information on receipts in respect of the flows included in the reconciliation from companies in the reconciliation.

MOFE–IRD requires a letter of consent from each company before it will disclose information on receipts; this pre-supposes that the identity of companies making material payments to MOFE–IRD, which received 52% of receipts reported in the current reconciliation, can be determined from other sources, so that a letter of consent can be obtained from such companies.

For the 2011/12 reconciliation, MOFE–IRD confirmed to TTEITI that there were no companies in the oil/gas upstream sector making payments to it in excess of TT$25 million (the materiality level set by the TTEITI Steering Committee) other than those included in the list of reporting entities approved by the TTEITI Steering Committee.

2.6 | In Kind Flows

The EITI Standard requires disclosure of the sale of the State's share of production or other revenues collected in kind where such flows are material. This includes transfers between State-owned enterprises and other Government agencies. As recommended by the Standard, the TTEITI Steering Committee required that these flows should form part of the reconciliation and templates were issued to Government, State-owned enterprises and companies.

The PSCs and E&P licenses permit the Government to receive certain payments in kind or in cash. No in kind flows were reported in respect of Fiscal 2012.


3

3 | Overview of the Extractive Industries in Trinidad & Tobago[1]

Extractive Industries refer to those industries engaged in the exploration, production, processing and sale of natural resources. The Extractive Industries Transparency Initiative (EITI) defines extractive industries as industries in the oil, gas, and mining sectors. However, for the purposes of this study, emphasis is placed solely on oil and gas sectors and the activities of the mining sector are excluded.

The E&P sector, exploratory and development drilling, Bid Rounds, petrochemicals and energy sector GDP, are some of the concepts that usually arise in conversations about the extractive sectors. What do these concepts really mean and why is it important for the public to understand them?

T&T's oil and gas resources are considered to be the lifeblood of the T&T economy. They generate significant revenues for the economy and have a significant impact on the people's socio-economic lives. This section aims at providing the reader with a better appreciation and understanding of the structure of the sector and its key developments and contribution to T&T's economy.

3.1 | History

Trinidad & Tobago is the only Caribbean state that is not a net energy importer, and is instead a major exporter of oil and Liquefied Natural Gas (LNG). The Ministry of Finance and the Economy reported that the country's energy sector contributed 43.7% of GDP, 84% of the country's exports and 54.3% of total revenues in 2012.

Trinidad & Tobago's hydrocarbon resources have been exploited since the 16th century, when Sir Walter Raleigh used the Pitch Lake on Trinidad–the largest natural deposit of asphalt in the world–to caulk his ships. Trinidad & Tobago has been a site for dedicated petroleum exploration since 1857, when a well was drilled 280 feet by the Merrimac Corporation next to the Pitch Lake, two years before Edwin Drake sank his well in Titusville, Pennsylvania. In 1901, and with Canadian financial backing and expertise, the productivity of the Trinidad fields was proved, and until 1934 Trinidad was the eleventh largest producer of oil in the world.

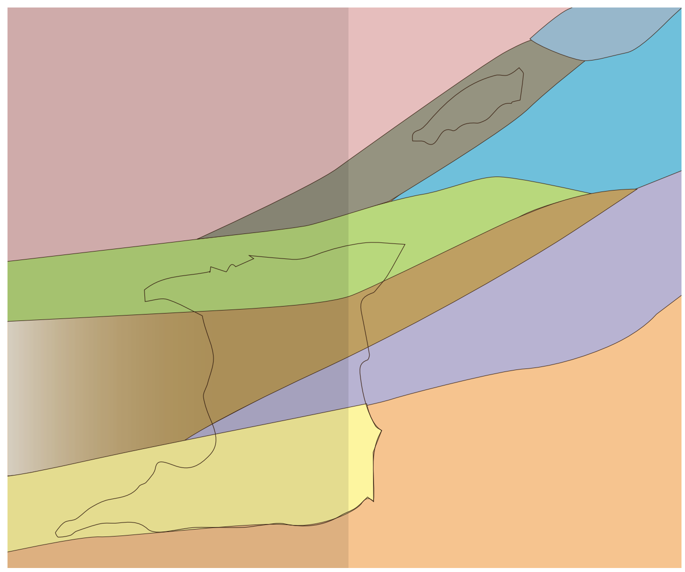
Gas became more popular subsequent to the WWII, when the drive to promote electricity sales as a means of stimulating industrialisation led to gas being made available as a low-cost fuel. By the 1950s natural gas was being used in the production of ammonia and cement. In 1969 a gas field of significant potential was discovered off the east coast of Trinidad and became the lynchpin of an industrialisation policy facilitated by the creation of the National Gas Company of Trinidad and Tobago in 1975. The National Gas Company was formed to develop the gas market in Trinidad and was granted monopoly rights for the purchase, transmission, and sale of gas within the country, though Trinidad & Tobago never completely nationalised the upstream oil industry.

By the early 1990s, the hydrocarbon sector in Trinidad & Tobago had transitioned from being oil-dominant to predominantly natural gas based. Whilst most oil and gas production is focussed offshore, the Government has recently begun to encourage onshore development, and 2013 saw the first dedicated land-based bid since the 1990s.

3.2 | Petroleum Geology of Trinidad & Tobago

The main hydrocarbon basins in Trinidad & Tobago are shown in Figure 1.

Figure 1



The **Southern Basin** has been the site of petroleum exploration since 1857. Several oil fields have been developed since that time, and total oil production so far has exceeded 1.5 billion barrels of oil. The Basin is the largest contributor to date of oil production in Trinidad & Tobago.

The discovery of the Angostura field in 1999 in the **Central Range/Darrien Ridge** suggested resources of 450 million barrels of oil and 1.75 tcf of natural gas, and revitalised exploration interest in these features.

The **Northern Range** marine area has produced around 500mscfd of almost pure methane with very little liquid.

Several giant natural gas fields have been exploited within the **Carupano Forearc Basin**, including Dragon, Patao, El Caribe, Hibiscus, Chaconia, and Poinsettia.

[1] *Sections 3.1, 3.2 and 3.7 were prepared by the Administrator for the EITI Report. The remaining sections are reproduced from a study by Gregory Mc Guire commissioned by the TTEITI Steering Committee and have not been validated by the Administrator.*

Natural gas has been discovered in the onshore **Caroni Basin**, and both oil and gas have been discovered in the **Gulf of Paria**. The Gulf is a recent area of exploration populated by smaller firms from Canada, Italy, Venezuela, and Taiwan. Together, the Caroni-Paria system has so far produced over 200mbbl of oil.

The **Columbus Basin** has so far produced 1 billion barrels of oil and 25tcf of gas. Large oil fields have been discovered since 1968 but contemporary major production comes from several gas and condensate fields which feed domestic downstream gas industries. As such, the potential of the Columbus Basin has not yet been realised. This also applies to the untapped continental slope and ultra-deep areas of the basin.

3.3 | Structure of the Extractive Industries

3.3.1 | Minerals

Mineral mining is conducted for sand and gravel, yellow limestone, porcellanite, clay, blue limestone, red sand, oil sand and asphalt. Sand and gravel, yellow limestone and porcellanite account for the majority (73%) of mineral production.

The mineral resources are widely distributed across Trinidad. Blue limestone is quarried in the Northern Range for use in the construction industry, while red sand is used as a low grade fill material and as a construction finishing material. Yellow limestone is quarried mainly in south-central Trinidad. Clay is used in the manufacture of blocks, tiles and pottery and is extracted from the central and south-eastern regions of Trinidad. Porcellanite is used as low grade road base material (Ministry of Energy and Energy Affairs 2012). Oil sand and asphalt are found in the oil belt of the south-western peninsula. In Tobago the primary material quarried is andesite. The primary quarries in Tobago are the Green Hill, Studley Park and Winfield Scotts Quarries.

There are 45 licensed quarries in Trinidad & Tobago (on both public and private lands), 32 of which are sand and gravel quarries. Forty percent of these quarries are located on state lands (Ministry of Energy and Energy Affairs 2012). As at December 2012, there were an estimated 69 active quarries in Trinidad. The Ministry of Energy and Energy Affairs has recently embarked on a process of regularising and licensing a number of these unlicensed quarry operations.

3.3.2 | Oil and Gas

Typically, the oil and gas industries are categorized into three major parts or sectors, namely the upstream, midstream and downstream sectors. Generally, companies operating in the upstream sector, such as bpTT, BGTT, BHP Billiton and Petrotrin, are involved in finding oil and gas resources under land and sea, drilling exploratory wells and successively developing these wells in order to bring the hydrocarbons to the surface. As such, this sector is commonly referred to as the exploration and production or E&P sector.

The resources produced upstream are sent to the midstream sector which refines, processes, stores, transports and markets natural gas, crude and refined products. There are several midstream operators in T&T. One such company is the National Gas Company of Trinidad and Tobago (NGC) that is charged with the responsibility of purchasing, compressing, selling, transmitting and distributing natural gas to a cross-section of consumers mainly on the Point Lisas Industrial Estate. These consumers include petrochemical, steel and power generation plants. Two other midstream operators are Petrotrin, which operates the only oil refinery in T&T, and Phoenix Park Gas Processors Limited (PPGPL), which extracts propane, butane and natural gasoline from the natural gas stream. The conversion of natural gas to liquefied natural gas is also classified as a midstream activity. Atlantic (formerly Atlantic LNG) is the sole producer of LNG in T&T.

Finally, the downstream sector takes the natural gas and converts it into ammonia, methanol and urea (i.e. petrochemicals), which are exported to other countries. T&T is the largest exporter of ammonia and the second largest exporter of methanol in the world. These petrochemicals are highly valuable because they are used to produce many other intermediate and finished goods including plastics, resins, lubricants, gels and fertilizers. Methanex, Methanol Holding Trinidad Limited, PCS Nitrogen and Yara are among the downstream operators which produce these petrochemicals.

The downstream sector also includes the use of natural gas as fuel in power generation, transportation (CNG) and in the manufacture of cement, steel and several other light manufacturing products.

More and more value is added to the hydrocarbon resources as they move from a raw form in the upstream sector to being transported and refined in the midstream sector, to being converted into petrochemical products in the downstream sector. Therefore, it is not surprising that this underlying relationship is described as the energy sector value chain. Refer to Figure 2 and Table 1.

Figure 2: Energy Sector Value Chain

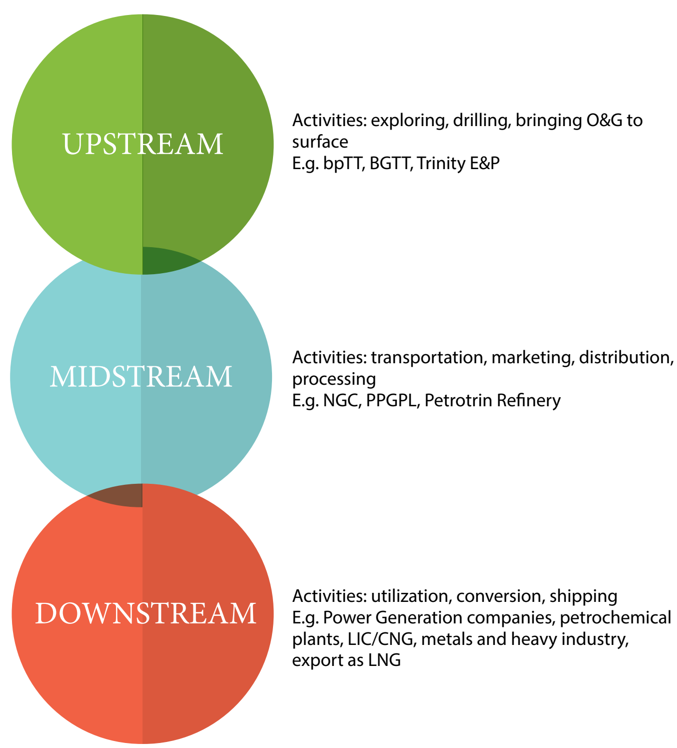


Table 1: Players in the Energy Sector Value Chain in Fiscal Year 2011/12

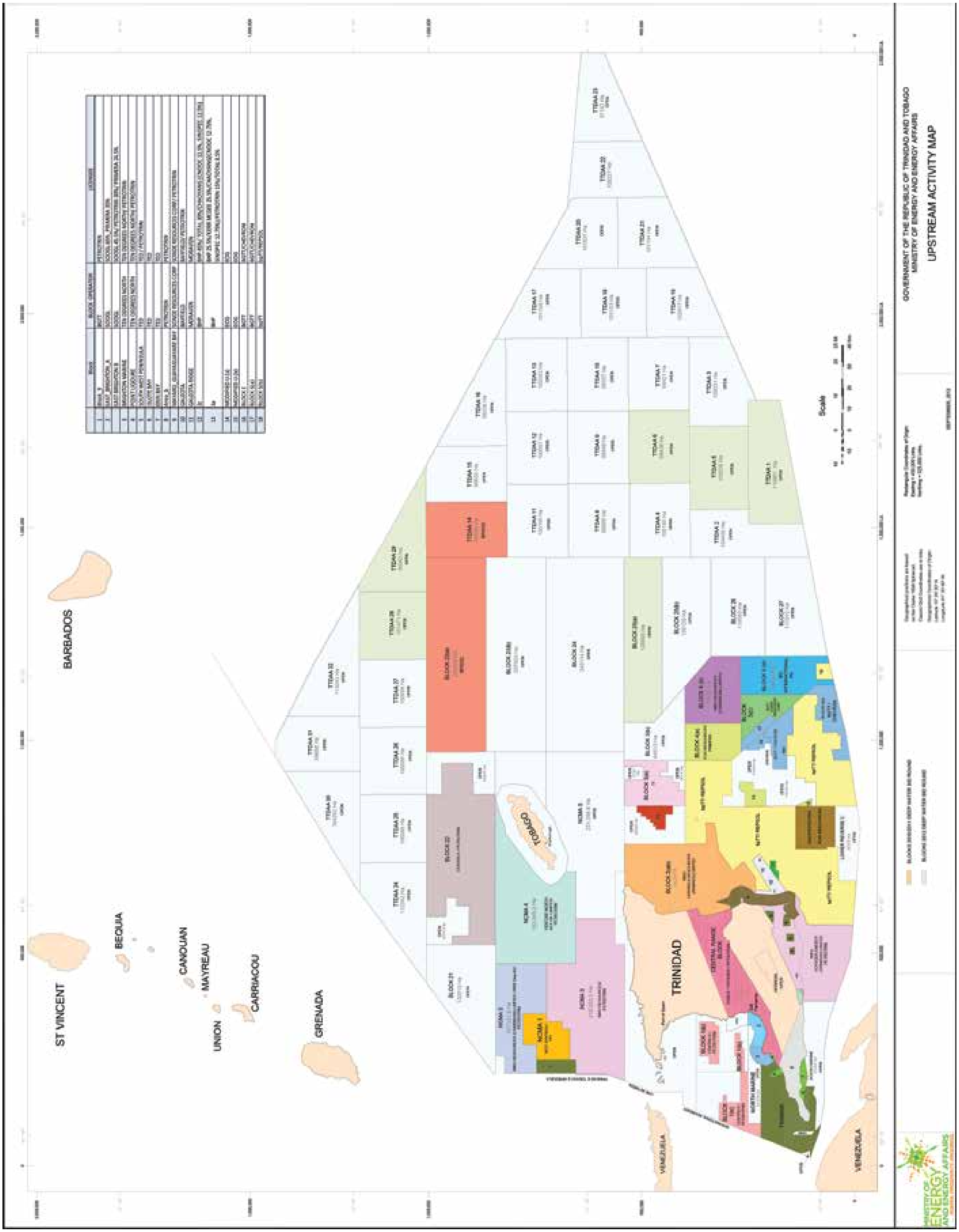
UPSTREAM		MIDSTREAM		DOWNSTREAM	
Company	Ownership	Company	Ownership	Company	Ownership
Bayfield Energy BGTT	Local/ Foreign JV	Atlantic (formerly Atlantic LNG)	Local/ Foreign JV	Atlas	Foreign JV
BGTT	Foreign	The National Gas Company of Trinidad & Tobago	Local	AUM Ammonia	Local/ Foreign JV
BHP Billiton	Foreign	Phoenix Park Gas Processors Limited	Local/ Foreign JV	CNC	Local/ Foreign
bpTT	Foreign	Petrotrin Refinery	Local	MHTL	Local/ Foreign
EOG Resources	Foreign			Nitrogen 2000	Local/ Foreign JV
Neal and Massy Energy Resources Trinidad Ltd.	Local			PCS Nitrogen	Foreign
New Horizon Energy T&T Ltd.	Local			Point Lisas Nitrogen Limited	Foreign
Niko Resources Limited	Foreign			Titan	Foreign JV
Parex Resources	Foreign			Tringen	Local/ Foreign
Petrotrin	Local			Yara	Foreign
Primera Oil and Gas Ltd	Local				
Repsol	Foreign				
SOOGL Antilles (Trinidad) Limited	Foreign				
Trinidad Exploration and Development Limited	Local				
Trinity Exploration and Production (formerly Ten Degrees North)	Local				
Trinmar	Local				

Source: MEEA

3.4 | Activities in the Oil and Gas Industries (2000-2012)

The licensed areas in Trinidad are shown in the map below, provided by the MEEA.

Figure 3



3.4.1 | Exploration and Development Activity in the Upstream Sector

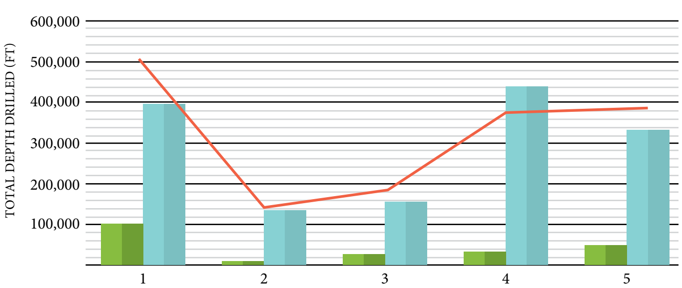
In T&T, the exploration and development of oil and gas occur both on land and in marine/offshore areas. These broad areas or acreages are separated into smaller pieces referred to as 'blocks'. The right to explore and produce in these blocks is awarded to companies by the Government after they agree to certain terms in a production-sharing contract. A company may exclusively win this right, or as a member of a consortium of companies. Section 3 explains the legal framework and fiscal regime which govern the use of resources from these blocks.

T&T's main marine producing fields are located on the North Coast (North Coast Marine Area), the East Coast (East Coast Marine Area), and the South West Coast (South Coast Marine Area). On land, production is concentrated in South Trinidad (e.g. Guayaguayare and Point Fortin) and Central Trinidad (e.g. Central Range Block and Central Block). Refer to Table 2 for a more detailed listing of producing areas.

A good measure of the performance of the exploration and development activity is the number of feet drilled. This measure gives a guide to the extent of drilling activity being undertaken at any point in time.

Figure 4 shows the adverse impact of the 2008/2009 global financial crisis on drilling activity in T&T. Between 2008 and 2009 there was a 71% decline in the total number of feet drilled, from 497,475 feet to only 145,615 feet. However, post 2009 drilling activity has recovered markedly from 185,238 feet in 2010 to 381,164 in 2012.

Figure 4: 2008 - 2012 Exploration and Development Drilling in T&T



Source: MEEA

Upstream activity in recent years has been dominated by drilling of exploratory wells[2] as opposed to development wells[3]. This feature is due largely to the nature of exploratory drilling in T&T. The amount of exploratory drilling is dependent, in part, on the efficiency with which Government awards new acreages. Intuitively, a lack of interest by companies in submitting bids to explore hydrocarbons in T&T's acreage will result in low levels of exploration drilling. Following the weak response from companies in the 2006 Bid Rounds, there was no Bid Round between 2007 and 2009 as Government sought to revise the fiscal terms to improve incentives.

Table 2: Producing Offshore and Onshore Fields FY 2012

Offshore Company	Field	Onshore Company	Field
Bayfield Energy	Galeota	Petrotrin	Parrylands
BHP Billiton	Canteen	Petrotrin	Forest Reserve
BHP Billiton	Kairi	Petrotrin	Palo Seco
bpTT	Serrette	Petrotrin	Central Range Block
bpTT	Immortelle	Petrotrin	Morne Diablo
EOG Resources	Toucan	Petrotrin	Quinam
EOG Resources	Osprey	Petrotrin	Point Fortin Central
Niko Resources	2ab	Petrotrin	Coora
SOOGL Antilles	East Brighton	Primera	Cory Moruga Block
TRINMAR	North, Main and East Soldado	Primera	Sunty; Fyzabad

Source: MEEA

3.4.2 | Production

3.4.2.1 | Crude Oil and Condensates

Total oil production is comprised of the output of both crude oil and condensates. Condensates are condensed liquids from natural gas which form about one quarter of overall oil production in T&T.

Between 2008 and 2012, most of the crude oil and condensate production (70%) occurred offshore. During this period crude production on land averaged 22,586 barrels of oil per day (bopd) which was much lower than production offshore (75,988 bopd) (MEEA 2008-2012).

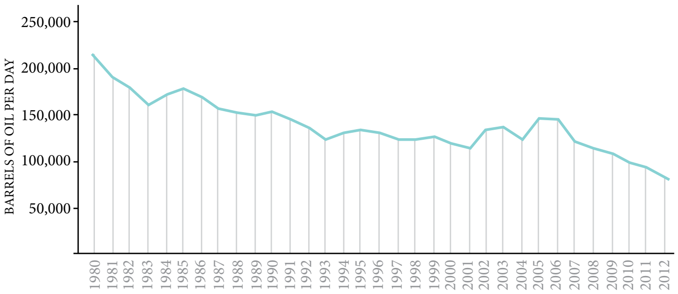
Average crude oil and condensate production continued to follow a downward path as evidenced by a decline of 35% between 2008 and 2012. In FY 2012, crude oil production averaged 83,332 bopd. The decline in oil production was due in part to the natural depletion of reservoirs of mature oil fields as well as lower condensate production from maturing gas fields.

This is not surprising given that T&T has been producing oil for commercial use for the last 105 years. The year 2010 marked the first time since 1957 that crude oil and condensate production fell below 100,000 bopd (MEEA 2008-2012). Refer to Figure 5.

[2] Exploration or exploratory drilling involves drilling in search of undiscovered oil or gas reservoirs. Typically, the upstream operator drills test holes to locate the areas in which there are deposits of hydrocarbons.

[3] Development drilling occurs after hydrocarbons have been discovered through exploratory drilling. With development drilling the oil producer drills to determine the size and grade of the deposit so that it can be brought to the surface for commercial use.

Figure 5: Historic Crude Oil and Condensate Production



Source: MEEA

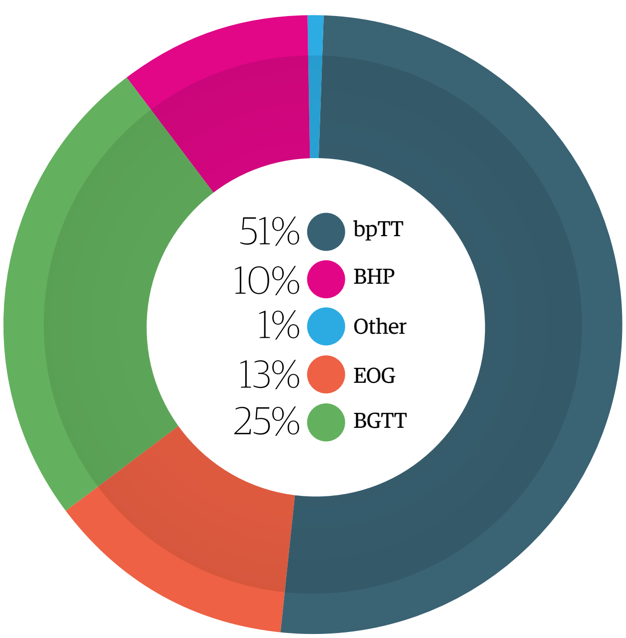
3.4.2.2 | Natural Gas Production

Natural gas production in T&T is dominated by four large foreign multinational corporations. bpTT is the largest producer (51%), followed by BGTT (25%), EOG Resources (13%) and BHP Billiton (10%). The remaining 1% is produced by Trinmar, Repsol and Petrotrin (MEEA 2008-2012). Refer to Figure 6.

The FY 2012 saw two contractions in natural gas output. The first was a 3.6% fall in production from 3,697 million standard cubic feet per day (mmscf/d) in October 2011, to 3,829 mmscf/d in April 2012. At that time, ongoing maintenance work by bpTT largely contributed to the reduction in natural gas output (MOFE 2012). Production slipped even more significantly between July and September 2012, by 17.3%, from 4,468 mmscf/d to 3,694 mmscf/d.

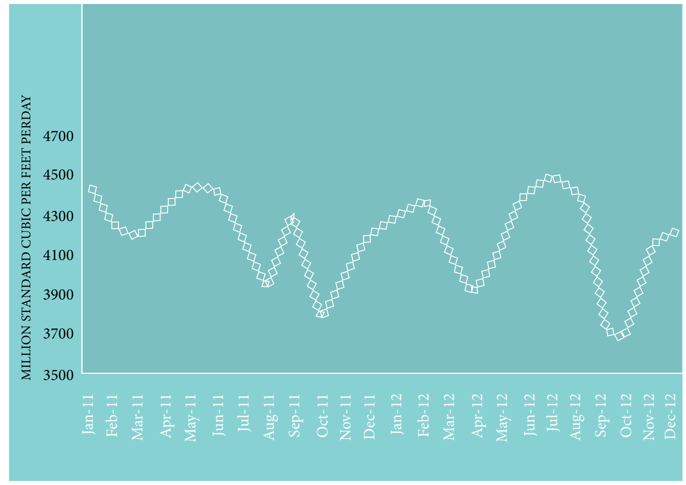
The decline came on the heels of maintenance and upgrade work conducted by the country's two largest natural gas producers (bpTT and BGTT) in September and October 2012 (MOFE 2013). Refer to Figure 6, which shows that production was approximately 3% lower for FY 2012 compared with FY 2011.

Figure 6: Natural Gas Producers Share of Total Production



Source: MEEA

Figure 7: Natural Gas Production



Source: MEEA

3.4.2.3 | Liquefied Natural Gas (LNG)

In order for natural gas to be transported from one country to another over long distances not accessible by pipeline, it must be condensed into a liquid form (LNG) and purified.

To do this, the gas is cooled or refrigerated to temperatures less than -161oC in an LNG Train. It is then transported to its destination in an LNG ship fitted with refrigerated tanks.

Located in Point Fortin, Atlantic (formerly known as Atlantic LNG) is the only company in T&T which converts natural gas to LNG. Atlantic is the seventh largest producer of LNG in the world and the largest producer in the Western Hemisphere (Atlantic, 2014).

The snapshot provided in Figure 8 below shows the four liquefaction trains, namely Train 1, Train 2, Train 3 and Train 4, which are operated and managed by Atlantic. Table 3 shows the ownership structure of these four trains.

Figure 8: Atlantic's Four LNG Trains at its Point Fortin Facility

Photo courtesy: Atlantic

2012 OIL AND GAS PRODUCTION

OIL PRODUCTION FOR 2012:	29,861,503 BARRELS
CRUDE OIL PRODUCTION AVERAGED:	83,332 BARRELS PER DAY
GAS PRODUCTION:	1,494,127,069 BILLION CUBIC FEET

Table 3: Equity Stake in Atlantic's Liquefaction Trains 2012

Train 1		Trains 2 and 3		Train 4	
Company	**Share of Ownership**	**Company**	**Share of Ownership**	**Company**	**Share of Ownership**
BP (Barbados) Holding SRL	34%	Repsol YPF	25%	BP (Barbados) Holding SRL	37.78%
BG Atlantic 1 Holdings Limited	26%	BG 2/3 Investments Limited	32.50%	Repsol YPF	22.22%
Repsol YPF	20%	BP Train 2/3 Holding SRL	42.50%	BG Atlantic 4 Holdings Limited	28.89%
NGC Trinidad and Tobago LNG Limited	10%			Trinidad and Tobago LNG Limited	11.11%
Summer Soca LNG Liquefaction S.A.	10%				

Source: Atlantic

Over the last five years, LNG production averaged approximately 33.1 thousand cubic metres. Table 4 shows that in 2012, production at Atlantic's facilities increased marginally from 31.9 thousand cubic metres in 2011 to 32.3 thousand cubic metres in 2012.

Table 4: Average LNG Production

Year	LNG Production (cubic metres)
2008	32,956,730
2009	33,895,055
2010	34,319,622
2011	31,880,182
2012	32,267,365

Source: MEEA

3.4.3 | Oil Refining

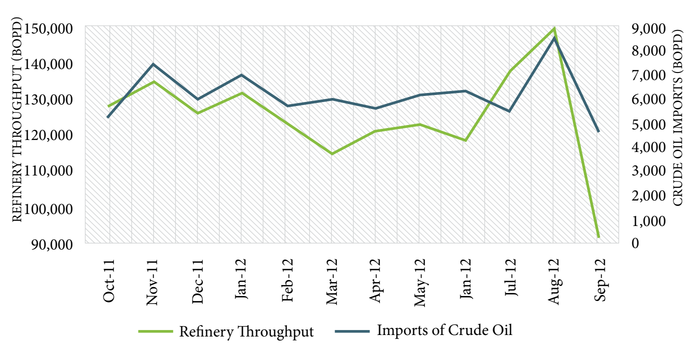
Refinery Throughput
Refinery throughput refers to the number of barrels of oil per day processed into refined products by a refinery. State-owned Petrotrin operates the only local refinery at Pointe-à-Pierre. Its list of refined products includes fuel oil, gasoline, kerosene, diesel aviation fuel and LPG.

The refinery has a throughput capacity of 168,000 barrels per day[4]. However, during FY 2012 Petrotrin's throughput was approximately 124,864 or 74% of its capacity[5]. This suggests that the Refinery has the capacity to process 26% more barrels of oil into refined products.

The Refinery's capacity exceeds the amount of local crude available to Petrotrin. As a result, Petrotrin imports crude to be refined, directly on its own account or under processing agreements.

Downtime at several plants at the Refinery, coupled with industrial unrest during the second part of the year, led to the decline of crude refining activity in September and October 2012. Figure 9 shows a reduction in the production of refined crude by 28% from October 2011 to September 2012. In like manner, the contraction in crude oil refining activity reduced the volume of crude oil imported for refining.

Figure 9: Refinery Throughput and Crude Oil Imports



Source: CBTT 2012

[4] *Refinery capacity utilization has not been above 90% with the exception of 2004 and 2010.*
[5] *Refinery capacity = (Refinery throughput/Total throughput capacity)*100*

3.4.4 | Petrochemical (Ammonia, Methanol & Urea) Production

As described in Section 2.1, the petrochemicals (ammonia, methanol and urea) are chemicals derived from natural gas and used to produce other products. Therefore, it is not unusual for the levels of petrochemical production to follow a trend which is similar to that of natural gas production.

Table 5 illustrates that, like natural gas, the production levels for ammonia, methanol and urea were also lower during the period October 2011 – September 2012, than during FY 2011.

All three petrochemicals experienced sharp declines in production in FY 2012. Total production from our 12 ammonia plants stood at 5,058,404 mt in FY 2012, which represented a 4.2% decline when compared with production in FY 2011.

Similarly, in FY 2012, output from T&T's seven methanol producers totaled 5,597,135 mt. This represented a 5.7% decline in production compared with the corresponding period 2010/2011.

Urea production only accounts for a minor share of total petrochemical production. Nonetheless, urea production also declined astronomically from 708,596 mt in FY 2011 to 532,519 mt in FY 2012. In all three instances, production was adversely affected by natural gas supply curtailments, unplanned plant shutdowns, scheduled and unscheduled plant turnarounds for maintenance and repair work.

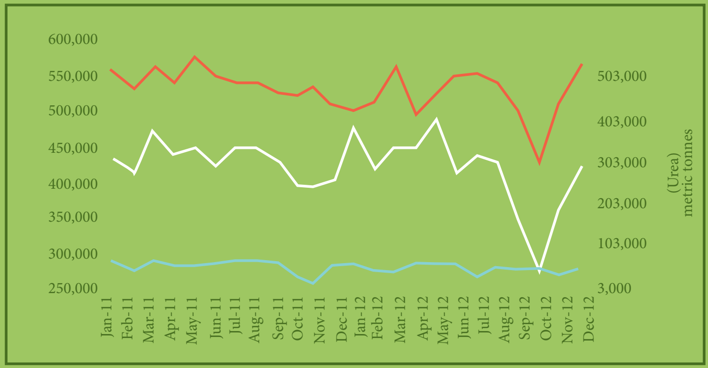
Figure 10 shows the fluctuating trends in petrochemical production between January 2011 and December 2012.

Table 5: Natural Gas and Petrochemical Production by Fiscal Year

Natural Gas and Petrochemical Production			
	Oct 2010 - Sept 2011	*Oct 2011 - Sept 2012*	*Percentage Decline*
Natural Gas (mmscf/d)	50,745	49,226	3%
Ammonia (mt)	5,280,604	5,058,404	4.2%
Methanol (mt)	5,937,545	5,597,135	5.7%
Urea (mt)	708,596	532,519	24.8%

Source: MOFE

Figure 10: Monthly Petrochemical Production

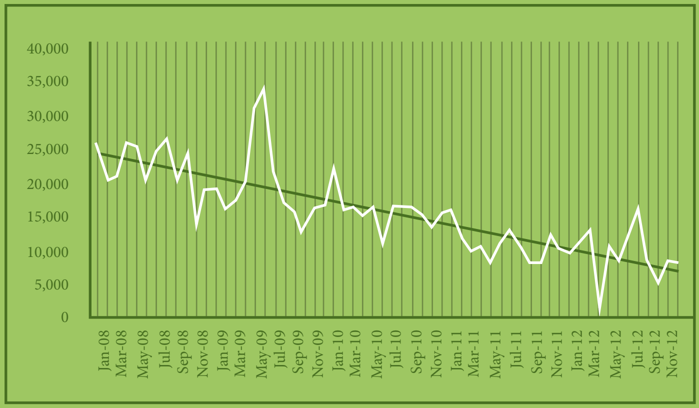


Source: MEEA

3.4.5 | Exports

In FY 2012, T&T exported a total of 732.3 btu of LNG. The US continues to be T&T's leading LNG export market. However, the US is importing less LNG from T&T and using more of its Shale Gas to meet its domestic needs. Refer to Figure 11.

Figure 11: T&T LNG Exports to the US



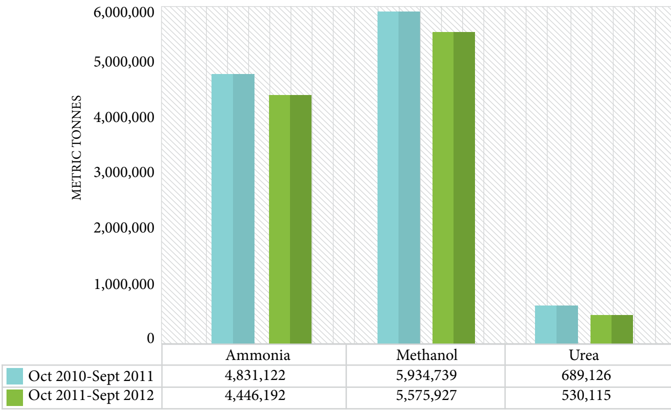
Source: US Energy Information Administration

The reduction in exports notwithstanding, data from the Review of the Economy shows that exports from T&T still accounted for 50.6% of US LNG imports between October 2011 and May 2012.

During this period, new markets emerged in countries such as Argentina, Chile and Korea, and T&T was able to benefit from high spot market gas prices in these markets. During this 2011/12 period the country was able to almost double its exports to Argentina from 9% to 17.2%, while Chile's share of LNG exports increased almost five fold from 3.1% to 14.1%. South Korea was the fourth major destination for LNG exports from T&T, receiving 12.2%, followed by Spain with 11.8% of our total LNG exports (MOFE 2012).

In a similar vein, petrochemical exports also declined during FY 2012 as compared with FY 2011. Refer to Figure 12. Methanol exports declined by 6% between FY 2011 to FY 2012. Additionally, ammonia and urea exports declined by 8% and 23% respectively between FY 2011 and FY 2012.

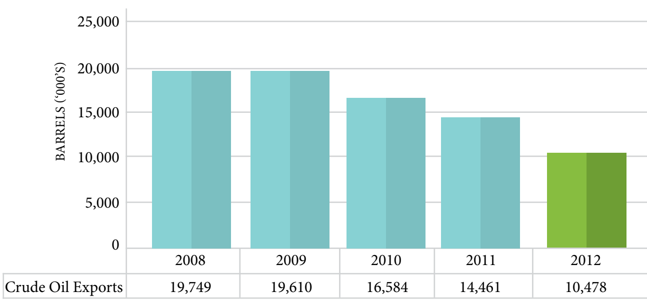
Figure 12: Petrochemical Exports by Fiscal Year



Source: MOFE

Over the last five years, there has been a steady decline in crude oil exports, mirroring the decline in production. Crude oil exports fell by 47% from 19.7 million barrels in 2008, to 10.4 million barrels in 2012. The sharpest decline occurred in 2012 when exports fell by 27.4% from 14.1 million barrels in 2011, to 10.4 million barrels in 2012, reflecting the lower production levels as a result of the maintenance work on the marine facilities of bpTT and BGTT (Figure 13).

Figure 13: Crude Oil Exports



Source: CBTT 2012

3.4.6 | Economic Contribution of the Extractive Industries

The extractive industries make the largest contribution to T&T's economy in terms of GDP[6] (43.7%), exports earnings (84.1%) and Government revenue (54.3%). Refer to Table 6.

Table 6: Energy Sector Economic Contribution

Selected Economic Indicators	2008	2009	2010	2011	2012
Energy revenue as % of GDP (constant prices)	50.8	34.6	42.7	46.8	43.7
Energy revenue as % of total revenue	57.1	49.5	51.8	57.6	54.3
Energy exports as % of total exports	89.9	86.1	84.0	85.0	84.1
Energy employment as % of total employment	3.4	3.3	3.2	3.2	3.5

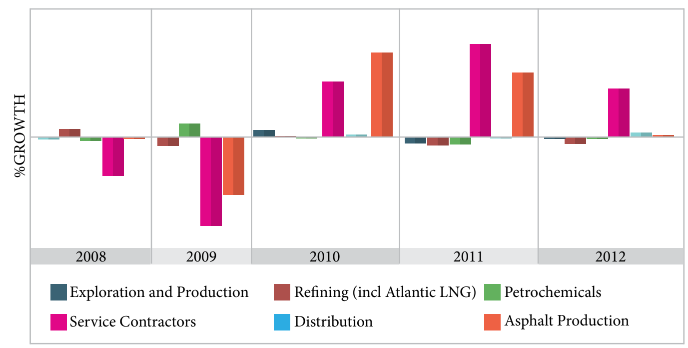
Source: CBTT Annual Economic Survey 2012

3.4.6.1 | Gross Domestic Product

In absolute terms, the economy's total GDP (at current prices) was TT$153,587.7 million, of which the energy sector accounted for TT$67,105.4 million in 2012, or approximately 43.7% (MOFE 2012). Real GDP is estimated to have grown by 1.2% in FY 2012. This marginal expansion was led by the non-energy sector which grew by 1.9%. In contrast, there was a 1% decline in energy sector GDP which was due to contractions in the E&P, refining and petrochemical subsectors.

Nevertheless, this 1% decline in energy sector GDP represented a significant improvement on the 4.4% slump experienced in FY 2011. The improved performance was driven by smaller declines in subsectors of exploration and production (up from -4.4% to -1%), refining (up from -5.7% to -4.2%) and petrochemical (up from -4.7% to -0.8%). While there was positive growth in both the energy services and asphalt production subsectors, the value of the goods and services produced in these sectors was less in FY 2012. Figure 14.

Figure 14: Percentage Change in Petroleum Sector GDP



Source: MOFE 2012

3.4.6.2 | Labour Contribution

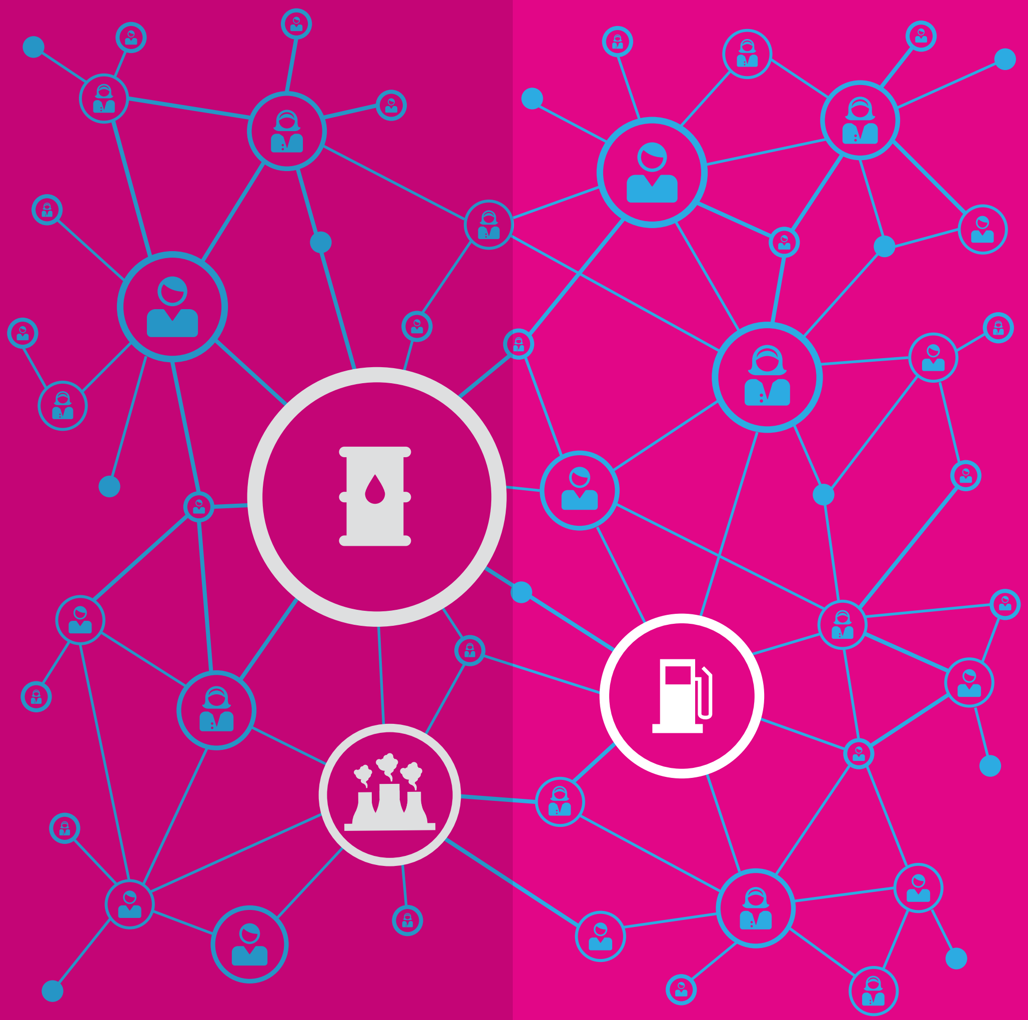
The number of persons employed in the energy sector has always been small relative to other sectors of the economy. Between 2008 and 2012 employment in the energy sector averaged approximately 3.2%. In 2012, employment in the energy sector accounted for 3.5% of total employment in the economy (CBTT 2012).

In many circles, there is a view that the sector's low share of total employment suggests that the energy sector employs few local workers. This is an unfortunate misconception. In fact, the sector employs few workers (relative to other sectors) because the sector generally requires significantly more equipment and machines than human labour (i.e. it is capital intensive as opposed to labour intensive).

The upstream and downstream energy services sector is dominated by local workers. Table 7 shows that, among other things, local energy services companies provide drilling services, fabricate oil and gas platforms and install pipelines for the upstream sector. Local companies are also engaged in engineering design, project management and plant construction and also provide pipeline transportation to the downstream energy companies.

[6] *GDP is the total value of goods and services produced within the borders of a country in any given year.*

ENERGY LABOUR AS A PERCENTAGE OF TOTAL EMPLOYED



IN 2012 THE ENERGY SECTOR ACCOUNTED FOR

3.5%

OF TOTAL EMPLOYMENT

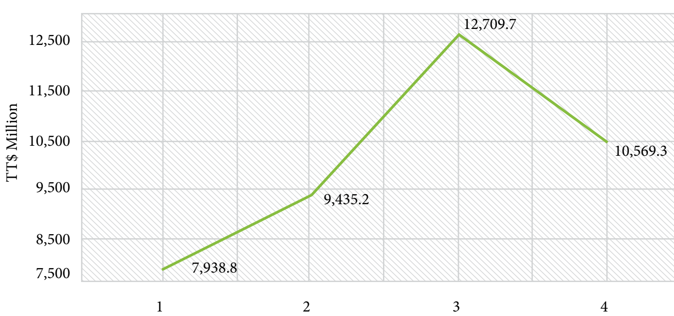
However, there are still a few foreign workers, or expatriates, employed in the T&T energy sector. These expatriates include project managers, captains, and engineers (drilling, directional, foremen and crews) who are hired typically on a short term or project basis (The Energy Chamber of Trinidad and Tobago, 2007).

Table 7: Energy Services Provided by T&T Nationals

Energy Services Provided by T&T Nationals	
Upstream Energy Services	**Downstream Energy Services**
Drilling services	Engineering design
Fabrication of oil and gas platforms	Project management
Pipeline installation	Plant construction
Operations support	Pipeline transportation
Maintenance of facilities	
Provision of transport and logistical support	

Source: The Energy Chamber of Trinidad and Tobago

Figure 15: Energy Sector Visable Exports



Source: MOFE

3.4.6.3 | Energy Sector Exports Earnings

Historically, the energy sector has contributed the vast majority of the export earnings of T&T. Over the period 2008 to 2012, the energy sector accounted on average for 86% of the total value of goods exported. However, in 2012, there was a sharp 17% contraction in the value of energy sector exports to TT$10,569.3 million from TT$12,709.7 million in 2011. This decline was largely as a result of lower export volumes of crude oil and petrochemicals.

3.4.6.4 | Energy Sector Revenues

How the value of the oil and gas revenues that the extractive sectors generate is determined

The amount of revenue received by the Government from oil and natural gas depends primarily on three factors, namely the price, the amount of oil and gas produced, and the tax regime. For example, if the price of oil and/or natural gas increases and production increases or remains constant, revenues received from the extractive sectors are expected to increase. Similarly, if prices fall but production remains constant, one can expect the revenues from the energy sector to be lower.

How prices are determined

The price of locally produced crude oil is derived from the spot prices of international benchmark crudes like West Texas Intermediate (WTI) and North Sea Brent[7].

Generally, adjustments are made for differences in the quality of crude and freight cost between T&T and major markets. In the case of natural gas, in T&T prices are determined by different pricing mechanisms for each subsector of natural gas consumers. Consequently, different prices prevail in the LNG sector, the petrochemical sector, the power generation and transportation sectors and in the heavy industry, light industrial and commercial sectors (LICs). Prices fluctuate over time and could range from US$4.50/mmbtu for petrochemicals, to US$1.25/mmbtu for light industrial firms.

Nevertheless, the key take-away is that a higher commodity price accompanied by the same level or a higher level of production means that more oil and gas revenues can be expected.

Energy revenues in Fiscal 2012

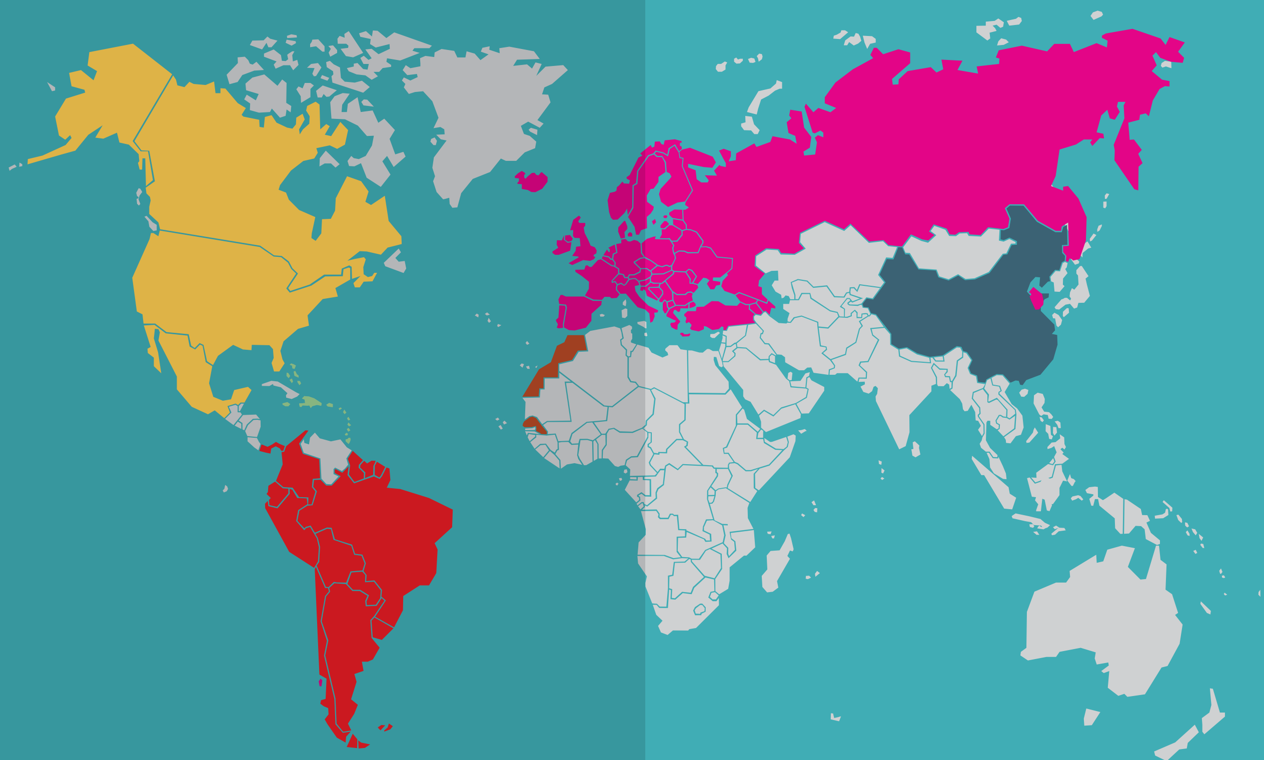
According to the CBTT, energy sector revenues represented 54.3% (or TT$26.5 billion) of the total TT$48.9 billion in Government revenues in FY 2012. Although the price of crude oil increased in FY 2012 (from US$92.92 FY 2011 to US$95.61 per barrel WTI in FY 2012), energy sector revenues decreased by 2.3%.

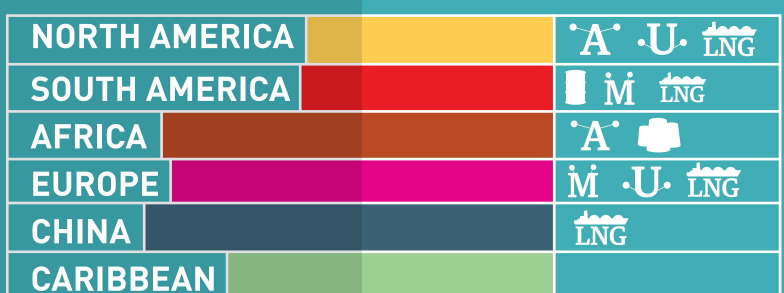
One would expect energy revenues to increase with the higher prices, but this did not happen because the significant fall in crude and natural gas production cancelled out the effect that the higher oil prices may have had on energy revenues.

Even with the decline in energy sector revenues, there was a 4% upturn in total revenue to TT$48,917.6 million in FY 2012, compared with TT$47,213.4 million in fiscal 2011. This was mainly on account of growth in non-energy sector revenue including increased collections from Value Added Tax (VAT), personal income taxes and taxes on international trade.

[7] A benchmark or marker crude is a widely traded crude oil that is used as a reference for pricing of other crudes. The spot prices of benchmark crudes are determined on the international commodity markets and published in various online databases, industry journals and newsletters.

MAIN EXPORT DESTINATIONS





- CRUDE OIL
- A AMMONIA
- M METHANOL
- U UREA
- ME MELAMINE
- PROPANE, BUTANE & NATURAL GASOLINE
- LNG LIQUEFIED NATURAL GAS (LNG)

3.4.7 | Legal Framework and Fiscal Regime

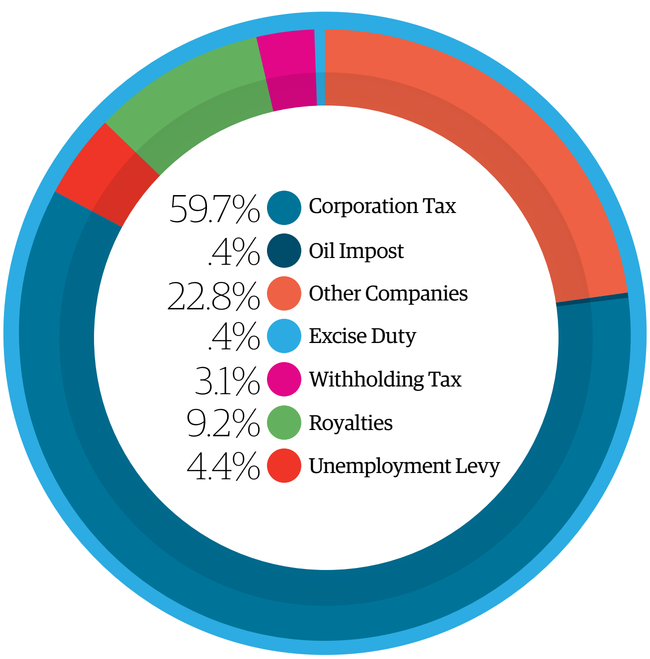
How does Government capture revenues from the oil and gas producing companies?
Simply put, the Government receives oil and gas revenues through a set of taxes imposed on energy sector companies. This mechanism is referred to as the oil and gas fiscal regime. It also includes the package of incentives provided to these companies to boost oil and gas production and attract new investment. Incentives may take the form of tax rebates and various allowances which generally serve to lower the tax burden on the companies.

All companies engaged in E&P activity on land or in marine areas must hold an approved Production Sharing Contract (PSC) or an E&P license. These contracts specify the taxes and levies to be paid to Government.

A PSC is a contract between the Government and the operating company that determines how the output from the field is to be shared between them. The Government's share of production is deemed to represent the taxes which would have been paid to the MOFE. However, with an E&P license, the Government gives the licensor the right to explore for and produce hydrocarbons from the licensed area. Under the E&P license, the company is subject to a range of taxes as detailed in the Petroleum Taxes Act.

The Government also obtains revenue from Lease Operatorship and Farm Out (LOFO). A LOFO is an arrangement between Petrotrin and small operators to produce in marginal or mature fields. These operations are also taxed under the Petroleum Taxes Act.

Figure 16: Energy-Based Gov't Revenues as a Percentage of Total Energy Sector Revenue (FY 2012)



Source: CBTT

Those companies which are engaged in the exploration and production (E&P) of hydrocarbons are taxed under the Petroleum Taxes Act, and petrochemical companies and NGC are taxed under the Companies Act. The Petroleum Taxes Act speaks to the taxation rules or laws governing businesses engaged in E&P, refining and marketing. The Act details the type of taxes applicable (e.g. Petroleum Profits Tax (PPT) and the Supplemental Petroleum Tax (SPT)), the method of computation, the administration and general principles of taxation as well as the various allowances and incentives and how they are to be applied.

Figure 16 shows the percentage contribution of corporation tax, royalties, unemployment levy, withholding taxes, excise duties, oil impost and taxes paid by other (petrochemical) companies to total energy revenues.

3.4.8 | Distribution of Revenues from Extractive Industries

The oil and gas resources of T&T belong to its citizens. Therefore, it is the right of the citizenry to equitably benefit from the wealth generated by the extractive sectors. As the custodians for the people, it is imperative that Governments of resource-based countries such as T&T equitably distribute the wealth that is generated from oil and gas among the citizens. With this in mind, these Governments are encouraged to adopt policies which promote the allocation of resource wealth, both directly and indirectly, so that both present and future generations benefit.

At this point a few crucial questions should come to mind. What determines how much energy revenue is spent and its allocation among competing needs in order to ensure that all citizens benefit? In essence, the amount of oil and gas revenue received is a good yardstick for measuring how much will be spent. As explained in the previous section, the price of crude oil and natural gas and the level of production control how much becomes available for saving and or spending.

A higher budgeted price of crude oil and natural gas suggests that the Government expects to receive more extractive sector revenue to enhance its ability to increase spending. Therefore, the amount of money to be spent, as stated in the National Budget, is based on the expected or budgeted oil and natural gas prices[8].

Of equal importance is how the Government allocates the extractive industries revenues it receives. It is important to understand that there are different types of Government expenditure. Government spends on capital goods (e.g. machinery, equipment and infrastructure) and on current goods and services (e.g. salaries, consumer goods and services and transfer payments and subsidies).

From FY 2009 to FY 2012, Government expenditure averaged TT$39,028.9 million per fiscal year. In FY 2012, total Government current expenditure increased by 4.3% from TT$41,649.9 million in FY 2011, to TT$43,871.4 in FY 2012. This increased spending was the result of higher total revenues. The infographic shows that the increase in recurrent expenditure occurred because of

[8] *In FY 2012, the Government's budgeted revenue and expenditure were based on a crude oil price of US$75 per barrel and an average gas price of US$2.75 per mmbtu.*

higher spending on wages, goods and services and transfer payments and subsidies. According to the Central Bank's Annual Economic Survey 2012, larger outlays on rent lease payments and higher spending on contract employment led to the increase in Government expenditure on goods and services. Also, wage payments increased because of the settlement of several wage negotiations (CBTT 2012).

The transfer payments and subsidies sub-category of Government spending is crucial to this discussion of how the Government allocates extractive industries revenues. It is through this type of spending that the oil and gas wealth is allocated directly to the citizenry via the Petroleum Fuel Subsidy, or indirectly through social programmes. Apart from spending on the Fuel Subsidy, the Government also saves some of the oil and gas sector revenues by deposits to the Heritage and Stabilization Fund (HSF). It is the role of the MOFE to pay the Fuel Subsidy and to deposit extractive sectors revenues into the HSF.

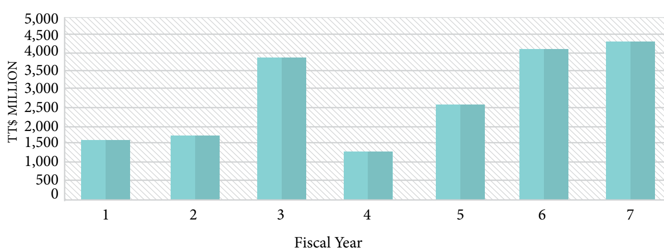
3.4.8.1 | The Fuel Subsidy

The Fuel Subsidy was introduced in 1974, with the proclamation of the Petroleum Production Levy and Subsidy Act (Act 314 of 1974). Fuel subsidies absorb a part of the total cost of petroleum fuels as a means of protecting consumers from high fuel prices. As a result of this policy, the prices of petroleum fuels in T&T are among the lowest in the world.

Initially, the Fuel Subsidy was paid fully by producing companies through the Production Levy. The Act was amended in 1992 and in 2009 to limit the share of the subsidy paid by the producing companies. If the share of the subsidy is more than 4% of the gross income of producing companies, the Government is responsible for paying the additional amounts.

Figure 18 shows the general upward trend in subsidy claims with the exception of the FY 2009. The exception occurred as result of the drastic 38% decline in the international price of crude oil (US Energy Administration, 2014). In 2012, the Fuel Subsidy obligation of the Government was estimated at TT$4.4 billion, equivalent to 7.5% of the national budget.

Figure 18: Subsidy Claims (TT$ MN)



Source: MEEA

3.4.8.2 | Heritage and Stabilization Fund (HSF)

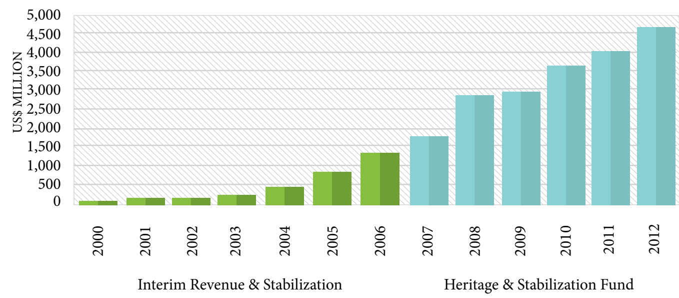
The HSF serves two primary purposes. Firstly, it is designed to stabilize or cushion the economy in the event of a sustained shortfall in Government revenues as a result of a collapse in export prices of crude oil and natural gas (i.e. the stabilization objective).

Secondly, it is the medium through which the country saves oil and gas wealth for future generations (i.e. the heritage objective).

The Interim Stabilization Fund was introduced in 2000 and was later formalized in 2007 via the Heritage and Stabilization Fund Act. Figure 19 illustrates that the HSF has been consistently increasing and has grown by more than 100 times its value in 2000.

In FY 2012, a total of US$207 million was transferred to the HSF. This was supplemented by Income growth of US$125 million. As of September 2012, the value of the Fund was US$4.7 billion–a US$632 million increase from September 2011.

Figure 19: IRSF and HSF Balances 2000-2012



Source: MOFE 2013

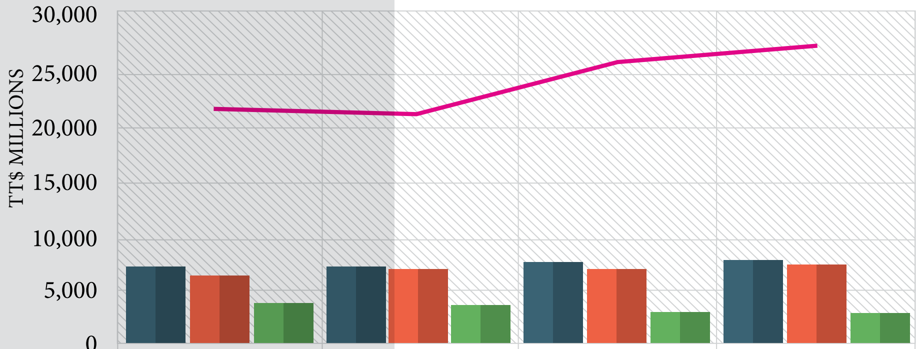
Rules for the withdrawal and deposit into the HSF

The HSF is governed by rules of withdrawal and deposit. Government may withdraw from the Fund if actual petroleum revenues are less than what the Government projected it to be by at least 10%.

However, only a stipulated amount can be withdrawn, i.e. either 60% of the amount of the shortfall of petroleum revenues, or 25% of the Fund's credit balance at the beginning of the year–whichever is less.

From inception of the HSF to end of FY 2012, no withdrawals have been made from the HSF, or its predecessor, the IRSF.

GOVERNMENT CURRENT EXPENDITURE AND TRANSFER PAYMENTS



	2008/2009	2009/2010	2010/2011	2011/2012
Wages & Salaries	**6,620.3**	**6,711**	**7,179.7**	**7,332.6**
Goods & Services	**6,023**	**6,441.2**	**6,504.3**	**7,021.1**
Interest Payment	**3,499.9**	**3,290.3**	**2,866.4**	**2,675.7**
Transfers & Subsidies	**21,173.7**	**20,833.2**	**25,099.5**	**26,842**

Source: CBTT

Government is mandated to make deposits to the HSF under the following conditions:

i. If the quarterly actual petroleum revenue exceeds the amount estimated by the Government by more than 10%, the amount equivalent to the excess (in US$) must be deposited to the HSF.

ii. If actual quarterly revenue exceeds the estimated petroleum revenue for that quarter by less than 10%, then the amount equivalent to all or part of the excess revenue may be deposited to the HSF (in US$) from the Consolidated Fund. The decision on whether any of the excess revenue should be deposited resides with the MOFE.

Key Points on the Allocation of Extractive Revenues

Government directly allocates energy sector revenues to citizens through the Fuel Subsidy and the Heritage and Stabilization Fund

The role of the Ministry of Finance and the Econmy is to pay the Fuel Subsidy and manage the HSF

A higher crude price suggests that Government expects to receive more extractive revenue which may increase its ability to spend

3.4.9 | State-Owned Enterprises (SOE) in the Energy Sector

3.4.9.1 | The Nature and Structure of SOEs in the Energy Sector

The National Gas Company of Trinidad and Tobago (NGC), the Petroleum Company of Trinidad and Tobago (Petrotrin), and the Trinidad and Tobago National Petroleum Marketing Company Limited (NP) are three major energy sector companies owned by the State.

These companies have had several subsidiaries set up at various times to deal with growth or specific aspects of the business. These have ranged from paper companies with revenue but no distinct employees, to separate companies amalgamated under one corporate banner (e.g. National Energy, formerly known as the National Energy Corporation or NEC), to genuine operating subsidiaries.

Due to the nature of the oil and gas business, as well as the significant financial expenditure required to complete oil and gas projects, the State sometimes engages in joint ventures with other entities. Therefore, in some cases, SOEs in the energy sector participate in the exploration phase as a joint venture partner (e.g. most of Petrotrin's offshore assets).

3.4.9.2 | Company Profiles

Figure 20 illustrates an organogram of the NGC Group of Companies. Table 9 provides a list of the operating subsidiaries, their business activity and financial relationship with the parent company.

Figure 20: Organogram of the NGC Group of Companies (end 2013)

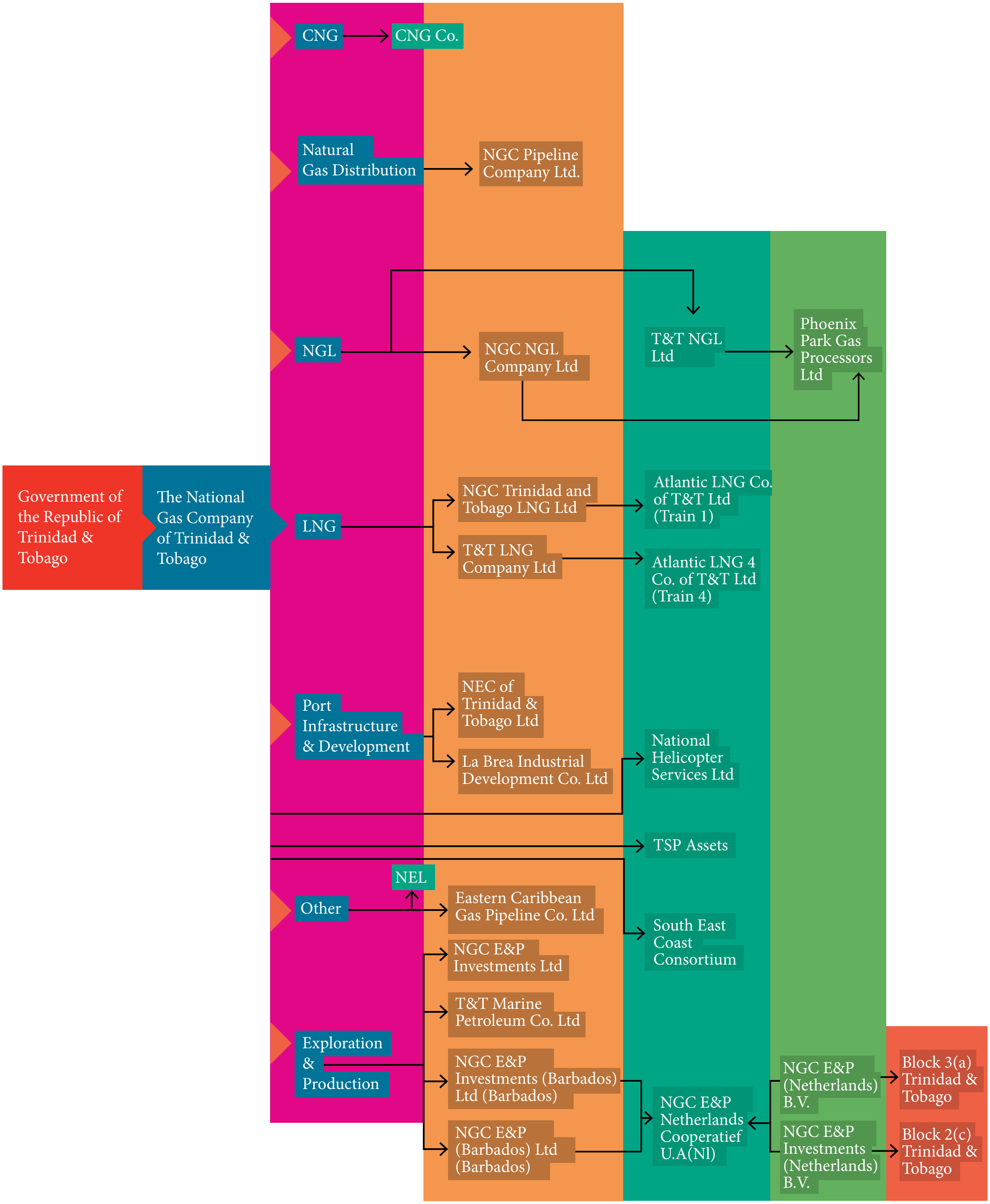


Table 9: NGC subsidiaries by shareholding, business activity and type of financial relationship.

Company	NGC's share (%)	Type of Business	Type of Financial Relationship
NGC Pipeline Company	100	Distribution of natural gas via pipeline	Direct financial link with parent company
Phoenix Park Gas Processors	90	Extraction, marketing and sales of NGLs	Direct financial link with parent company since additional share purchase in 2013
Atlantic Train 1	10	Production and sale of LNG	Minority shareholding in ALNG
Atlantic Train 4	11.1	Production and sale of LNG	Minority shareholding in ALNG. Revenue from "own cargo" LNG sales go back to NGC
National Energy	100	Estate management, business development	Direct financial link with parent company
LABIDCO	83	Port of LA Brea/ management of Union Estate/port administration	Direct financial link with parent company
NEL	16.67	An investment holding company traded on the Stock Exchange	Minimal relationship. NEL was formed to consolidate Gov't shareholding in selected state enterprises including NGC and Tringen
Eastern Caribbean Gas Pipeline	10	Eastern Caribbean gas pipeline project	Minimal relationship–project still in early stages–recent shareholder changes
National Helicopter Services Ltd.	18	Helicopter services	Minimal relationship. NHSL helicopters provide services to NGC offshore facilities
TSP assets	15	E&P (gas compression, TSP acreage)	
NGC E&P	100	E&P	Inactive
South East Coast Consortium	4	E&P (SECC acreage)	Minority
Trinidad and Tobago Marine Petroleum	20	E&P (Pelican acreage)	Minority
NGC E&P (Netherlands) BV	100	E&P (Block 3a)	Direct
NGC E&P Investments (Netherlands) BV	100	E&P (Block 2c)	Direct

The National Gas Company of Trinidad and Tobago (NGC)
NGC is a diversified group of companies with assets across the gas value chain. The Group comprises the parent company, NGC, several operating subsidiaries and paper companies.

The operating subsidiaries are National Energy (formerly NEC), Phoenix Park Gas Processors Ltd (majority NGC shareholding) and LABIDCO (NGC majority shareholding).

NGC formed separate companies to facilitate aspects of business transactions. For example, one of the major pipelines is owned by NGC Pipeline Company. Similarly, NGC's shares in Atlantic Train 1 are held by a subsidiary, NGC Trinidad and Tobago LNG Ltd, and its shares in Train IV are held by T&T LNG Company Ltd. NGC's stakes in upstream exploration and production activity are held by NGC E&P Investments Limited.

The Petroleum Company of Trinidad and Tobago (Petrotrin)
The Petroleum Company of Trinidad and Tobago Limited (Petrotrin) is an integrated oil and gas company engaged in the full range of petroleum operations including the exploration for, development of, and production of hydrocarbons, and the manufacturing and marketing of a wide range of petroleum products.

Unlike the relatively diversified NGC Group, all of Petrotrin's fully owned subsidiaries and joint ventures, with one exception, are involved in exploration and production activity.

Petrotrin's main subsidiaries are Trinmar (100% ownership) and Trintomar (80% ownership). Petrotrin also holds multiple contracts and joint venture arrangements for offshore acreages. In most of these joint ventures Petrotrin's involvement in the exploration phase is paid for by the joint venture partner. This arrangement defers expenditure by Petrotrin to the development phase if it takes place.

Petrotrin Employee Assistance Programme Services Limited (PEAPSL) is a fully owned Petrotrin subsidiary that provides counseling services to employees, their families and the general public.

Table 10 provides a listing of Petrotrin's joint venture activity upstream.

National Petroleum Marketing Company
The National Petroleum Marketing Company Limited (NP) is a diversified petroleum marketing company. It markets the fuels manufactured by Petrotrin through its service stations in T&T. The fuels from Petrotrin are transported to NP's main storage terminals at Sea Lots, Trinidad, and

Table 10: Petrotrin Joint Ventures

As at September 30			
	2013 Effective Interest	2012 Effective Interest	2011 Effective Interest
Block 9 Unitisation - Offshore	19.5%	19.5%	19.5%
Central Block	35%	35%	35%
East Brighton Block	--	30%	30%
Moruga West	40%	40%	40%
Point Ligoure	--	50%	50%
Point Ligoure, Guapo Bay, Brighton Marine (PGB)	30%	16%	--
South East Coast Consortium	16%	16%	16%
South West Peninsula	27.5%	27.5%	27.5%
Parrylands 'E' Block	25%	25%	25%
Teak, Samaan, Poui (TSP)	15%	15%	15%
Block 1a	20%	20%	20%
Block 1b	20%	20%	20%
Block 22	10%	10%	10%
Block 3A	15%	15%	15%
Galeota	35%	35%	35%
Guayaguayare Shallow	35%	35%	35%
Guayaguayare Deep	20%	20%	20%
Central Range Deep	20%	20%	20%
Central Range Shallow	35%	35%	35%
Block 2ab	--	35%	35%
Mayaro/Guayaguayare	30%	30%	--
NCMA 2	20%	20%	--
NCMA 3	20%	20%	--
NCMA 4	20%	20%	--

Crown Point, Tobago, via sea, by ocean tankers. When the products reach on land, Road Tank Wagons (RTWs) transport them to service stations and industrial customers.

Natpet Investments Company Limited is NP's only subsidiary which operates an LPG filling plant on behalf of NP.

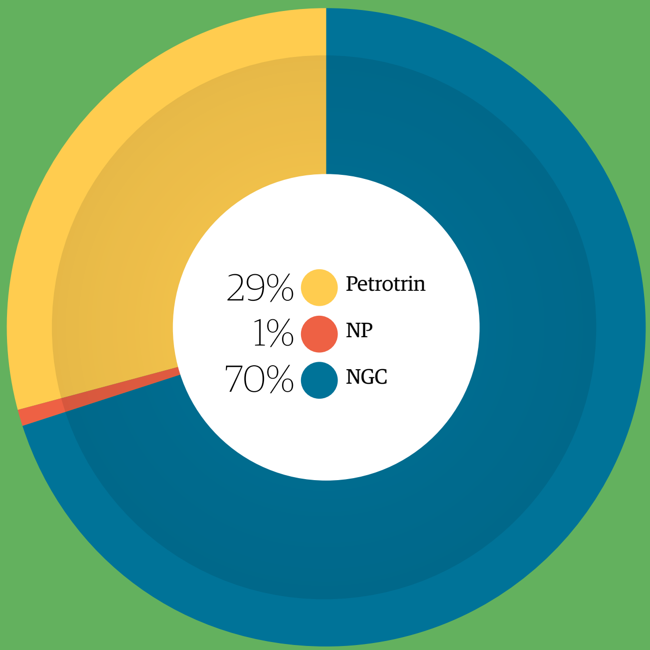
NP markets petroleum fuels, lubricating oils, liquefied petroleum gas used for cooking, compressed natural gas and automotive products. All products, except fuels, are exported to countries in the region such as Antigua, St. Lucia, St. Vincent, Jamaica and Suriname.

3.4.9.3 | The Financial Contribution of Energy-Based SOEs

Each fiscal year, the Government receives revenues from its energy companies in the form of corporation tax and dividend payments (share of profits). Between FY 2010 and FY 2012, the Government received an average of TT$9,292.37 million per year from its energy sector state enterprises NGC, Petrotrin and NP (MOFE 2012-2014). This represents 35% of total energy sector revenues. Table 11 details the revenue earned from each company between FY 2010 and FY 2012.

While Petrotrin still pays more overall in taxes, NGC's net financial contribution to the Treasury is larger due to its consistent payment of dividends. Over this period, NGC contributed the lion's share (approximately 70%) to Government's revenue generated from these three companies. Revenues from Petrotrin represented 29% of Government revenues from its SOE energy companies, while NP contributed only 1% (see Figure 21).

Figure 21: Energy Based SOE's Contribution to Government Revenue FY 2010 - FY 2012



Source: MOFE

Table 11 shows that there has been a significant increase in NGC's dividend payments to Government for 2011 and 2012. This was partly due to increased profitability fueled by relatively high prices of ammonia and methanol. The natural gas sales price is linked to ammonia and methanol prices (see section 3.4). For 2012 fiscal year dividend payment reached TT$1.5 billion, the highest on record.

Table 11: State Owned Energy Companies' Contribution to Government Energy Based SOE Revenue

	NGC*		Petrotrin	
	Dividends (TT'000s)	Taxes (TT'000s)	Dividends (TT'000s)	Taxes (TT'000s)
2008	650,000	2,394,203	0	2,742,277
2009	650,000	527,005	0	-9,995
2010	400,000	1,055,345	0	2,833,690
2011	915,000	1,427,018	0	2,325,583
2012	1,500,000	1,512,034	0	1,733,195

Source: MOFE

**Data refers to the parent Company NGC.*

3.4.9.4 | Corporate Social Responsibility (CSR) of SOEs in the Energy Sector

Energy sector companies play a leading role in Corporate Social Responsibility in Trinidad & Tobago. A survey conducted in 2007 revealed that energy and related industries, including the foreign multinationals, accounted for over 50% of the total spending on external social and environmental projects (UNDP/STCIC, 2007).

The CSR programmes are strongly focused on interventions in education, arts and culture, sport, environmental protection, enterprise development and capacity building.

Like many other energy sector companies, the SOEs understand the need to be good corporate citizens by investing in the economic, social and environmental sustainability of communities. After all, the profits generated by these companies come from oil and gas resources which are owned by the citizens of T&T.

Corporate Social Responsibility programmes of SOEs in the energy sector represent another channel through which citizens benefit from oil and gas revenues.

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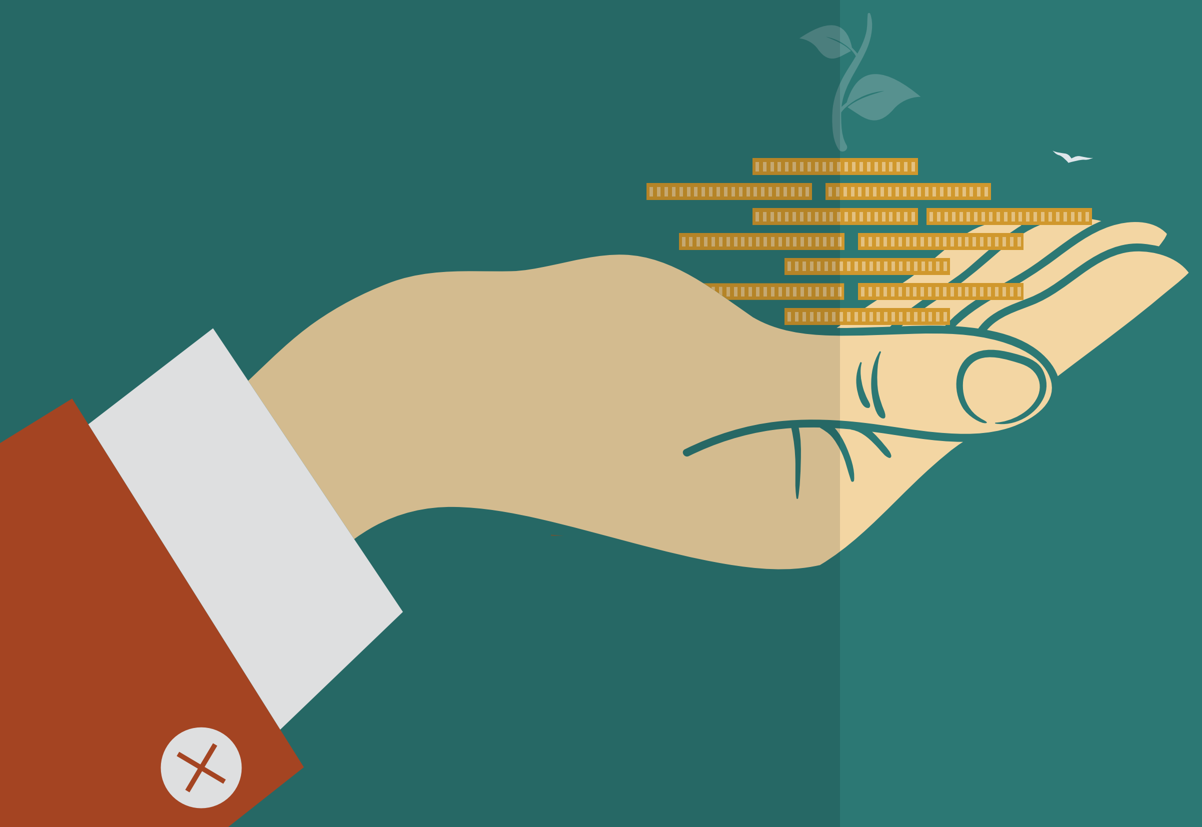

4 | Overview of Flows Reported and Reporting Entities

4.1 | Flows and Entities Included in the Reconciliation

The TTEITI Steering Committee determined that the reconciliation should cover the areas described in this section. It was not part of the TOR for the Engagement to advise on the scope for the reconciliation.

We reviewed the TTEITI Steering Committee's draft materiality decision and highlighted areas where the EITI Standard required additional or more comprehensive information than had been included in the 2011 Report, which was prepared under the 2011 EITI Rules (e.g. transportation revenues, in kind payments, infrastructure provisions, social expenditures). At its meeting on 22 May, the TTEITI Steering Committee gave further consideration to which companies to invite to report in the Fiscal 2012 reconciliation, and decided to invite:

a. any company which in fiscal 2012 made payments totalling TT$10 million[1] or more to any of MOFE–IRD, MEEA or MOFE-Investment Division;

b. any company which, while not making material payment/s as defined in (a) above, was part of a group where one of the companies in that group made payment/s in 2012;

c. any company which reported payment/s for the fiscal 2011 reconciliation of TT$10 million[1] or more to any of MOFE–IRD, MEEA or MOFE-Investment Division, whether or not it was shown on the initial information for 2012 from MOFE–IRD or MEEA as making payment/s.

The TTEITI Steering Committee decided to include the flows set out in Section 4.1.1.

Following the receipt of information from the MOFE–IRD, and in connection with discussions arising from the EITI validation, the TTEITI Steering Committee amended its paper setting out the materiality decision and approved it on 18 September 2014. A copy of this decision is included at Appendix 9.3. There were no changes to the flows or entities included in the reconciliation between the decision taken on 22 May 2014 and 18 September 2014.

We were requested to advise whether the Central Bank should be included as a Government reporting agency. We met with representatives from the Central Bank, who explained that the role of the Bank is to provide banking facilities, rather than to collect revenue from extractive companies, which is the responsibility of Government agencies such as MOFE–IRD and MEEA. The TTEITI Steering Committee decided that the Central Bank would not be included in the EITI Report.

4.1.1 | Flows Included

The TTEITI Steering Committee decided that the flows to central Government described in this section should be included in the 2011/12 TTEITI reconciliation.

Payments to MOFE–IRD

1.1 *Supplemental Petroleum Tax (SPT)*
SPT is charged on gross income derived from crude oil sales provided that the weighted average price of crude oil is in excess of US$50 per barrel. The calculation is based on an oil price sensitive rate structure as below:

SPT Tax Rates from 2010 to 2012

Price in US$	Rate % Marine		Rate % Land and Deep Water
Between - $	A	B	C
0 and 50.00	0	0	0
50.01 and 90.00	42	33	18
90.01 and 200.00	SPT Rate = Base SPT + 0.2% (P-90.00)		
200.01 and over	64	55	40

In computing SPT, certain allowances for costs incurred in petroleum operations are deductible from gross income and are administered under the Petroleum Taxes Act.

1.2 *Petroleum Profits Tax (PPT)*
PPT is paid by companies involved in the business of petroleum production and/or petroleum refining and is charged at a rate of 50% of the profits or gains accruing from such operations. Like SPT, it is administered under the Petroleum Taxes Act.

1.3 *Unemployment Levy (UL)*
UL is charged at the rate of 5% of taxable profits prior to the utilisation of any tax relief and is administered under both the Unemployment Levy Act and the Petroleum Taxes Act.

1.4 *Corporation Tax (CT)*
CT is a tax on the profits and short term gains of companies. There are two rates of Corporation Tax: 35% is applicable to the petrochemical sector (if the entity is not enjoying a fiscal holiday or the holiday has expired), and 25% for manufacturing and retail sector. It is administered under the Corporation Tax Act.

1.5 *Green Fund Levy*
Green Fund Levy is imposed on gross revenue at the rate of 0.1% and is payable quarterly. All companies and partnerships are liable to this levy.

[1] Subsequently the Steering Committee deemed material those companies that made payments above TT$25 million as explained in Appendix 9.3

1.6 *Business Levy*

Business Levy is a tax on the gross sales or receipts of Companies and Individuals in receipt of Income other than Emolument Income, viz. self-employed persons – (Small Businesses and Partnerships). The rate of Business Levy is 0.2% of the gross sales/receipt for each quarter of the year of income.

1.7 *Withholding Tax (WHT) on dividends*

WHT is a tax based on various income payments to non-residents. WHT on dividends is calculated at either 5% or 10% of the gross dividend remitted to a non-resident. These rates can be varied by the provisions of a Double Taxation Treaty which Trinidad & Tobago has entered into. WHT is withheld from the gross payment to the non-resident and is payable to the Inland Revenue Division within 30 days of the foreign remittance.

1.8 *Withholding Tax (WHT) on branch profits remitted or deemed remitted to head office*

WHT rates for this category are prescribed in the Income Tax Act. These rates can be varied by the provisions of a Double Taxation Treaty which Trinidad & Tobago has entered into. Branch profits are not automatically deemed remitted.

1.9 *Insurance Premium Tax*

Insurance premium tax is charged on the receipt of a premium by an insurer and is calculated as 6% of the premiums collected. The tax is collected by the insurer or by his intermediary, at the time that the premium is paid and subsequently remitted to the Government.

This EITI Report includes payments of insurance premium tax on foreign policies only.

Payments to MEEA

2.1 *Royalty*

Royalties are payments to the Government by the petroleum companies for the use of property or natural resources belonging to Trinidad & Tobago that are either occupied or extracted during petroleum operations. Royalty rates vary from company to company. In the case of crude oil, the rate ranges from 10% to 12.5% of the field storage values. For licenses signed up to 1989, the field storage value is based on the Royalty Lease Evaluation 1 Method, and for licences signed from 1989 onwards the field storage values are determined using international market prices of references crudes. In the case of natural gas, the royalty rate ranges from a fixed rate of 0% to 15% of the value for the natural gas.

2.2 *Minimum rent – E&P*

This is the minimum payment in respect of the exclusive right to explore for and produce petroleum from the licensed area. This is payable for each acre of State Land and Submarine Area for each license. The rate is stipulated by the Minister and specified in the license agreement. Every Exploration and Production (E&P) Licensee shall pay this rent quarterly in advance in January, April, July and October.

2.3 *Annual license acreage payments*

Annual license acreage payments represent the surface rent of all State Lands which are leased, used or occupied for the purpose of the license. The rate is specified in the license.

2.4 *Petroleum Production Levy*

Petroleum Production Levy is a tax charged at the lower of either:

* 4% of the gross income from the production of crude oil or

* in accordance with the following formula

$$\frac{PI \times S}{PT} = L$$

Where-

PI represents the production of Petroleum by the production business for the preceding month

PT represents the total production of Petroleum by all persons carrying on production business in Trinidad & Tobago for the preceding month

S represents the total subsidy to be paid to marketing businesses in Trinidad & Tobago

L represents the levy imposed on the production business for the month

All companies and partnerships are liable to pay this tax monthly.

2.5 *Petroleum impost*

Petroleum impost is a levy intended to cover the expenses of the public administration of the petroleum industry.

Every licensee shall pay a petroleum impost in respect of all petroleum won and saved at such rates as the Minister may determine by the issue of a Rating Order which is published in the Gazette at least 30 days prior to the date on which the petroleum impost becomes payable.

2.6 *Production Sharing Contract (PSC) share of profits*

PSCs are a common type of contract between a Government and a resource extraction company concerning the quantity of the resource each shall receive. The oil company bears the mineral and financial risk and, where successful, the company is permitted to use the money from produced oil to recover capital and operational expenditures ("cost oil"). The remaining money ("profit oil") is split between the Government and the company typically at a rate of 80% to 20% respectively.

2.7 *PSC signature bonuses*

The signature or signing bonus is a common feature of the PSC. This is the amount the contractor agrees to pay the Government in advance of exploration activities for signing the agreement. The size of this bonus is based on the exploration license's presumed recovery potential and value.

2.8 *PSC bidding fees*

PSCs are awarded following a bidding process. PSC bidding fees are the cost to the exploration company in submitting the bid.

2.9 *Other payments under PSCs*

Specific payments were identified by the TTEITI Steering Committee, namely:

- Production bonuses
- Training Fees
- R&D Fees
- Administration Fees
- Abandonment Provision – Payments into Environmental Escrow Account
- PSCs Holding Fee
- Technical assistance
- Scholarships

In addition, any other payments made from companies to Government under obligations arising from the PSC were to be declared (e.g. fees for assignment of PSCs).

Payments to MOFE - Investment Division

3.1 *Dividends paid by State-owned companies*

State-owned companies were required to declare any payments made to Government not reported on other templates.

Social expenditure and infrastructure payments

Companies were asked to declare details of social expenditures[2] and infrastructure payments[3]. The recipient of the payment was not required to confirm the receipt and accordingly, any payments declared were not reconciled between paying and receiving entities.

Payments in kind

Reporting entities were requested to report contributions in kind made to or received by Government or State-owned entities.

An in kind flow is where the Government receives oil or gas instead of cash, and monetises the physical commodity in some way. Examples of monetisation might include

i. use of the oil/gas received – for example as feedstock for the refinery or as gas supply to the power generator; or

ii. sale of the oil or gas to a third party; or

iii. payment for the oil/gas received from a state owned enterprise – for example NGC – which then uses the commodity for its own purposes

Other payments

Companies were asked to declare other payments relating to oil/gas exploration and production made to Government, and not reported elsewhere as part of the information provided for the reconciliation.

These other payments specifically excluded PAYE, Health Surcharge, Value Added Tax, National Insurance contributions and Import Duties on the grounds that the TTEITI Steering Committee had decided that these items should not be part of the flows reported in the 2011/12 reconciliation.

The purpose of requesting these other payments was to identify any material payments which might not have been considered for inclusion by the TTEITI Steering Committee.

Transportation Revenue - NGC only

Under the EITI Standard, where revenues from the transportation of oil, gas and minerals constitute one of the largest revenue streams in the extractive sector, the Government and State-owned enterprises (SOEs) are expected to disclose the revenues received.

In particular, it is suggested that the EITI Report should contain disclosure of revenues received by Government entities and State-owned Enterprises, in relation to transportation of oil, gas and minerals.

NGC receives transportation revenues (NGC consolidated accounts for 2011 disclose transportation revenue of TT$325 million, while NGC company accounts for 2011 disclose transportation revenue of TT$112 million).

The TTEITI Steering Committee decided that NGC should report revenues received for transportation, but that companies paying fees to NGC would not be required to report them in the current report - i.e. a declared item, not a reconciled item.

4.1.2 | Government Entities Included

The Government entities included in the 2011/12 TTEITI reconciliation are:

4.1.2.1 | Ministry of Finance and the Economy - Inland Revenue Division

The Inland Revenue is a Division of the Ministry of Finance and the Economy and is administered by a Board consisting of five Commissioners, one of whom is appointed "Chairman".

The Board of Inland Revenue develops broad policies and programmes for the administration of the tax laws and directs, guides, co-ordinates, controls and evaluates the activities of the Inland Revenue Division. The principal components of the Division are:

- Administration and Computer operations under the control and management of the Commissioner – Administration
- Audit under the Commissioner – Audit
- Collections, Accounting Control and Returns Processing under the Commissioner – Collections
- Value Added Taxes under the Commissioner – Value Added Tax Administration
- The Reform of Inland Revenue which falls under the Commissioner – Reform

[2] *material social expenditures mandated by law or the contract with the Government that governs the extractive investment*

[3] *payments made under agreements, or sets of agreements involving the provision of goods and services (including loans, grants and infrastructure works), in full or partial exchange for oil, gas or mining exploration or production concessions or physical delivery of such commodities*

4.1.2.2 | Ministry of Energy and Energy Affairs

The Ministry of Energy and Energy Affairs is responsible for monitoring, controlling and regulating the energy and mineral sectors of Trinidad & Tobago.

4.1.2.3 | Ministry of Finance and the Economy – Investments Division

The Investments Division of the Ministry of Finance was established in January 1992. In pursuit of its mandate, the Division manages, monitors and advises on the rationalisation of Government's equity holdings in commercial enterprises. The Division is also responsible for conducting management/performance audits of State Enterprises, to ensure that they operate on an efficient and effective basis and that they discharge their obligations with respect to public accountability.

The Minister of Finance was incorporated as a Corporation Sole by Act No. 5 of 1973 (Chapter 69:03). In keeping with his role as Corporation Sole, the Minister of Finance and the Economy is responsible for the State's portfolio of investments of which the State Enterprise Sector is a major element.

4.1.3 | Companies Included

The TTEITI Steering Committee determined the list of companies which are included in the reconciliation. These companies were required to return the information for the 2011/12 reconciliation on the agreed data collection templates; and the Government reporting entities were required to return information in respect of each of these companies.

The companies included in the 2011/12 reconciliation by the TTEITI Steering Committee, and the groupings under which they are reported, are:

BG Group
BG Trinidad and Tobago Limited
BG Trinidad 5(a) Limited
BG Trinidad Central Block Limited
BG International Limited
BHP Billiton Group
BHP Billiton (Trinidad-2c) Limited
BHP Billiton (3A) Limited
BP Group
BP Trinidad and Tobago LLC Trinidad Branch
Amoco Trinidad Gas BV Trinidad Branch
BP Exploration Operating Co Limited Trinidad Branch
EOG Group
EOG Resources Trinidad Limited
EOG Resources Trinidad U(B) Block Unlimited
EOG Resources Trinidad - U(A) Block Limited
EOG Resources Trinidad 4(A) Unlimited
Primera Group
Primera Block 3b Limited
Primera Block 4a Limited
Primera East Brighton Limited
Primera Modified U(b) Limited
Primera Rock Dome Limited
Primera Oil & Gas Limited
Centrica Group
Centrica North Sea Oil Limited (NCMA4)
Centrica Resources Limited (BLK22)
Centrica (Horne & Wren) (BLK1a)
Centrica North Sea Gas Limited - (BLK1B)
NSGP (Ensign) Limited
Repsol Group
Repsol E&P TT Limited
ENI Group
ENI Trinidad &Tobago Limited
Total Group
Elf Exploration Trinidad BV
Total E&P Trinidad Block 2C Limited
Total E&P Trinidad Block 3A Unlimited
Niko Group
Niko Resources (NCMA2 Caribbean) Limited
Niko Resources (NCMA3 Caribbean) Limited
Niko Resources (Trinidad and Tobago) Limited (Block 2ab)
Niko Resources (Block 4B Caribbean) Limited
Voyager Energy (Trinidad) Limited
Others
Chevron T&T Resources
Chaoyang Petroleum (Trinidad) Block 2C Limited
Ten Degrees North Operating Co Limited
Bayfield Energy (Galeota) Limited
Bayfield Energy Trinidad Limited
Lease Operators Limited
Oilbelt Services Limited
Trinity Exploration & Production (Galeota) Limited
STATE-OWNED ENTERPRISES
Petrotrin Group
Petroleum Company of Trinidad and Tobago Limited
Trintomar
NGC Group
NGC
NGC Pipelines Limited

Petrotrin and NGC are State-owned enterprises, which operate as companies. They are accordingly treated as companies except for specific transactions where they act on behalf of Government, e.g. royalty gas.


5

5 | Approach, Methodology and Work Done

5.1 | Scoping of Reconciliation

The financial flows to be included in the reconciliation and the Government entities and companies which were required to report were determined by the TTEITI Steering Committee. Under the TOR for the Engagement, we were not required to carry out a scoping exercise.

5.2 | Templates and Training

Prior to commencing the reconciliation, we:

- Met with stakeholders from Government and companies to discuss the flows proposed by the TTEITI Steering Committee for inclusion in the reconciliation, to confirm the format of templates to be used for collecting the data
- After approval of the template formats by the TTEITI Steering Committee, we facilitated workshops attended by representatives from Government and companies. These workshops gave background to the EITI reconciliation in Trinidad & Tobago and offered interactive training to participants in completion of the reporting templates, submission to the Administrator and the process of reconciliation which would be followed
- Circulated the reporting templates, together with guidelines and procedures for companies and the GoRTT for completion of the reporting templates

5.3 | Elements of the Reconciliation Work

In carrying out the reconciliation, we:

- Submitted the reporting templates directly to each Government agency and to each of the reporting extractive companies;
- In accordance with the decision of the TTEITI Steering Committee that templates should be signed by a representative of senior management (for companies) or by the Permanent Secretary of each Ministry (the Chairman of the Board of Inland Revenue in the case of MOFE–IRD), we have relied on the assurances given by these persons without requesting Government entities and companies to have their reporting templates certified by their auditor;
- Requested a copy of the audited financial statements for each company;
- Collated the templates returned by reporting entities and established a database, identifying discrepancies between receipts reported by Government and payments reported by companies;
- Liaised with reporting Government agencies and companies to understand the reasons for discrepancies, including visits to site to obtain information from the extractive companies and Government agencies;
- Analysed and reconciled data submitted by extractive companies and Government agencies in the reporting templates for the 2012 fiscal year;
    - Meetings were held with Government agencies and reporting companies to investigate reported differences
    - All reporting extractive companies and Government agencies were requested to support their reported figures with supporting documents and vouchers, including evidence of payments and receipts;
    - All reconciling items produced by all parties were scrutinised and examined for authenticity, ownership, accuracy, validity, occurrence in terms of the reporting period, i.e. FY 2012, and other relevant attributes;
    - All reconciliations and non-reconciled differences were signed off by the reporting entities as evidence and proof of the work done;
    - Senior management of reporting entities were also required to sign off all reconciliations;
    - Reporting templates were amended, signed off and officially stamped by senior management officials;
    - Reporting schedules were amended as appropriate and summaries prepared.
- Prepared this report on Government receipts and company payments:
    - highlighting the reconciled discrepancies and the unresolved discrepancies;
    - making recommendations on action to be taken on the unresolved discrepancies, and for improvement of the implementation of EITI in Trinidad & Tobago more generally;
    - reporting on the total oil, gas and associated liquids produced for which payments were made and revenue collected for the fiscal period;
    - including a list of all licensed or registered companies involved in the upstream sector, noting which companies participated in the EITI reporting process and those that did not; and
    - containing other information as required under the Terms of Reference and the EITI Standard.


6

6 | Results of the Reconciliation

6.1 | Summary of Reported Flows

The reported differences between the value of all relevant payments[1] declared by the extractive industries and the Government and its Agencies at commencement of the reconciliation amounted to TT$412.7 million, as summarised in the table below:

Table 6.1: Summary of flows initially reported

	Government (TT$ m)	Extractive Companies (TT$ m)	Difference (TT$ m)
Total payments declared initially by reporting entities	20,840.60	21,253.30	-412.70

The items set out in the table below are:

Receipts reported by Government
Government receipts after adjustment in the reconciliation.

Foreign exchange differences
Arising because different rates of exchange were used by Government and companies to record US$ flows. The US$ amounts were agreed between Government and company reports.

Timing differences
There were two instances where payments and receipts fell in different periods. In one case, a payment made by a company in Fiscal 2011 was receipted by MEEA in Fiscal 2012; while in the other case, a payment made in Fiscal 2012 by a company was receipted by MEEA in Fiscal 2013.

Payment by parent company
In the case of one group of companies, liabilities to MEEA were settled by the parent company (domiciled outside Trinidad & Tobago). The companies reported the amounts paid, while MEEA did not, because the amounts were receipted by MEEA in the name of the parent company making the payments.

The amounts have been properly reported by all parties, although we make a recommendation to improve the process for similar instances in future reconciliations (Section 8.1.7).

Unidentified receipt
Petrotrin reported payments in respect of insurance premium tax on foreign policies of TT$2,239,370 while the BIR reported related receipts of TT$636,938.

Petrotrin indicated that the receipts for the difference of TT$1,602,432 could not be located as it was paid directly by the insurance broker on Petrotrin's behalf.

Payments reported by companies
Company receipts after adjustment in the reconciliation.

6.2 | Flows To Government Analysed By Company

Total relevant amounts[1] reported as received or paid by Government or companies respectively, after reconciliation, are reported in Table 6.3, analysed by company. Full details of the reconciliation by company are set out in Appendix 9.4.

Table 6.2: Summary of flows after reconciliation

Receipts reported by Government (TT$ m)	Foreign exchange differences (TT$ m)	Timing differences (TT$ m)	Payment by parent company (TT$ m)	Unidentified receipt (TT$ m)	Payments reported by companies (TT$ m)
20,925.50	1.05	-65.80	13.60	1.60	**20,875.95**

[1] *A relevant amount is a receipt/payment for a flow which the TTEITI Steering Committee determined should be included in the reconciliation (see section 4.1.1 for a list of these flows).*

Table 6.3: Flows Reconciled by Company

Company	Adjusted Total Per Government	Adjusted Total Per Company	Reconciling Items	Analysis of Reconciling Items			
				Foreign Exchange Differences	Timing Differences	Payments by Parent Company	Unidentified Receipt
	TT$	TT$	TT$	TT$	TT$	TT$	TT$
Amoco Trinidad Gas BV Trinidad Branch	15,867,425	15,867,425	-0	0	0	0	-0
BP Exploration Operating Co Ltd Trinidad Branch	11,839,860	11,839,860	0	0	0	0	0
BP Trinidad and Tobago LLC Trinidad Branch	8,562,270,586	8,562,270,586	0	0	0	0	0
BP Group	**8,589,977,871**	**8,589,977,871**	**0**	**0**	-	-	**-0**
Bayfield Energy (Galeota) Ltd.	**21,436,097**	**21,425,398**	**10,699**	**10,699**	**0**	**0**	**-0**
Bayfield Energy Trinidad Ltd.	-	-	**0**	**0**	**0**	**0**	**0**
BG International Ltd.	551,072,302	554,004,868	-2,932,567	211,396	-3,143,963	0	0
BG Trinidad 5(a) Ltd.	-	-	0	0	0	0	0
BG Trinidad and Tobago Ltd.	1,919,577,248	1,918,087,761	1,489,487	1,489,487	0	0	-0
BG Trinidad Central Block Ltd.	89,758,574	89,755,943	2,631	2,631	0	0	-0
BG Group	**2,560,408,124**	**2,561,848,573**	**-1,440,449**	**1,703,514**	**-3,143,963**	**0**	**0**
BHP Billiton (3A) Ltd.	13,955,351	13,955,465	-114	-114	0	0	0
BHP Billiton (Trinidad-2c) Ltd.	1,487,786,140	1,488,738,429	-952,289	-952,289	0	0	-0
BHP Group	**1,501,741,491**	**1,502,693,894**	**-952,403**	**-952,403**	**0**	**0**	**0**
Centrica (Horne & Wren) (BLK1a)	3,645,859	3,644,670	1,189	1,189	0	0	0
Centrica North Sea Gas Ltd. (BLK1B)	3,259,037	3,258,121	916	916	0	0	0
Centrica North Sea Oil Ltd. (NCMA4)	3,259,037	3,258,121	916	916	0	0	0
Centrica Resources Ltd. (BLK22)	9,345,087	9,327,174	17,913	17,913	0	0	0
NSGP (Ensign) Ltd.	-	-	0	0	0	0	0
Centrica Group	**19,509,020**	**19,488,085**	**20,935**	**20,935**	**0**	**0**	**0**
Chaoyang Petroleum (Trinidad) Block 2C Limited	-	-	**0**	**0**	**0**	**0**	**0**
Chevron T&T Resources	-	-	**0**	**0**	**0**	**0**	**0**
ENI Trinidad &Tobago Limited	-	-	**0**	**0**	**0**	**0**	**0**
EOG Resources Trinidad 4(A) Unlimited	127,956,127	127,581,238	374,889	374,889	0	0	0
EOG Resources Trinidad Limited	1,721,251,269	1,721,668,335	-417,066	-417,066	0	0	0
EOG Resources Trinidad U(A) Block Limited	290,989,700	291,605,757	-616,057	-616,057	0	0	0
EOG Resources Trinidad U(B) Block Unlimited	48,865,092	48,961,280	-96,188	-96,188	0	0	0
EOG Group	**2,189,062,188**	**2,189,816,610**	**-754,422**	**-754,422**	**0**	**0**	**0**

Company	Adjusted Total Per Government	Adjusted Total Per Company	Reconciling Items	Analysis of Reconciling Items			
				Foreign Exchange Differences	Timing Differences	Payments by Parent Company	Unidentified Receipt
	TT$	TT$	TT$	TT$	TT$	TT$	TT$
Lease Operators Ltd.	**59,602,538**	**59,602,538**	**0**	**0**	**0**	**0**	**0**
NGC	2,766,231,486	2,697,148,887	69,082,599	103,860	68,978,739	0	0
NGC Pipelines Ltd.	37,137,522	37,137,522	-0	0	0	0	-0
NGC Group	**2,803,369,008**	**2,734,286,409**	**69,082,599**	**103,860**	**68,978,739**	**0**	-0
Niko Resources (Block 4B Caribbean) Ltd.	6,074,301	7,401,981	-1,327,679	0	0	-1,327,679	0
Niko Resources (NCMA2 Caribbean) Ltd.	7,485,703	8,379,290	-893,587	0	0	-893,587	0
Niko Resources (NCMA3 Caribbean) Ltd.	8,659,727	12,372,354	-3,712,627	0	0	-3,712,627	0
Niko Resources (Trinidad and Tobago) Ltd. (Block 2ab)	7,004,648	11,115,718	-4,111,069	0	0	-4,111,069	0
Voyager Energy (Trinidad) Ltd.	14,820,943	18,429,040	-3,608,097	0	0	-3,608,097	0
Niko Resources Group	**44,045,323**	**57,698,382**	**-13,653,059**	**0**	**0**	**-13,653,059**	**0**
Primera Block 3b Ltd.	-	-	0	0	0	0	0
Primera Block 4a Ltd.	-	-	0	0	0	0	0
Primera East Brighton Ltd.	-	-	0	0	0	0	0
Primera Modified U(b)Ltd.	-	-	0	0	0	0	0
Primera Oil & Gas Ltd.	23,038,141	23,038,141	0	0	0	0	0
Primera Rock Dome Ltd.	-	-	0	0	0	0	0
Primera Group	**23,038,141**	**23,038,141**	**0**	**0**	**0**	**0**	**0**
Repsol E&P TT Ltd.	**1,504,506,955**	**1,504,504,355**	**2,600**	**2,600**	**0**	**0**	**0**
Total E&P Trinidad Block 2C Ltd.	-	-	**0**	**0**	**0**	**0**	**0**
Total E&P Trinidad Block 3A UnLtd.	-	-	**0**	**0**	**0**	**0**	**0**
Elf Exploration Trinidad BV	-	-	**0**	**0**	**0**	**0**	**0**
Trinity Exploration & Production (Galeota) Ltd.	-	-	**0**	**0**	**0**	**0**	**0**
Ten Degrees North Operating Co Ltd.	**38,343,528**	**38,349,194**	**-5,666**	**-5,666**	**0**	**0**	**0**
Oilbelt Services Ltd.	**53,304,486**	**53,304,486**	**0**	**0**	**0**	**0**	**0**
Trintomar	61,966,011	61,950,891	15,120	15,120	0	0	0
Petroleum Company of Trinidad and Tobago Ltd.	1,455,181,956	1,457,973,643	-2,791,687	-1,189,256	0	0	-1,602,431
Petrotrin Group	**1,517,147,967**	**1,519,924,534**	**-2,776,567**	**-1,174,136**	**0**	**0**	**-1,602,431**
Total	**20,925,492,738**	**20,875,958,471**	**49,534,267**	**-1,045,019**	**65,834,776**	**-13,653,059**	**-1,602,431**

6.3 | Total Receipts Reported by MOFE–IRD

All companies make payments directly to MOFE–IRD for the taxes it collects, except that in the case of PSCs the liability for SPT, PPT, UL and Green Fund Levy is settled by transfer of money from MEEA to MOFE–IRD, from the share of PSC profits.

MOFE–IRD reported total receipts from all oil and gas companies at TT$17.3 billion for Fiscal 2012, including both direct payments from companies and payments by MEEA.

MEEA reported payments to MOFE–IRD in respect of PSC liabilities at TT$6.3 billion for Fiscal 2012.

MOFE–IRD also reported receipts from companies included in the reconciliation totalling TT$10.9 billion.

A comparison of the amounts reported shows:

Table 6.4

2011/12 final report						
Tax type	MOFE–IRD total receipts	MEEA payments to MOFE–IRD	Nominal MOFE–IRD direct receipts	MOFE–RD Reported receipts from Reporting Companies	Sum of MEEA payments and company payments	Discrepancy
	TT$	**TT$**	**TT$**	**TT$**	**TT$**	**TT$**
SPT	3,269,815,299	839,901,923	2,429,913,376	2,343,739,704	3,183,641,627	86,173,672
PPT	12,556,688,865	4,911,682,203	7,645,006,662	7,611,632,525	12,523,314,728	33,374,137
UL	1,194,230,661	507,634,781	686,595,880	681,891,235	1,189,526,016	4,704,645
CT	0	0	0	36,825,374	36,825,374	-36,825,374
Green Fund Levy	76,592,478	14,999,063	61,593,415	33,005,886	48,004,949	28,587,529
WHT on dividends	0		0	0	0	0
WHT on deemed branch remittance	203,969,461	33,681,891	170,287,570	170,737,570	204,419,461	-450,000
Insurance Premium Tax	5,697,970		5,697,970	2,473,979	2,473,979	3,223,991
Interest	423,051		423,051	6,223	6,223	416,828
Penalties	24,015		24,015	3,000	3,000	21,015
Total Flows	17,307,441,800	6,307,899,861	10,999,541,939	10,880,315,496	17,188,215,357	119,226,443

By way of explanation:

MOFE–IRD reported total receipts from the oil and gas industries of TT$17,307,441,800.

MEEA reported payments to MOFE–IRD in respect of taxes settled from PSC profit share amounting to TT$6,307,899,861.

These MEEA payments are included in the MOFE–IRD total. This means that MOFE–IRD reported payments received directly from companies amounting to TT$10,999,541,939.

This compares to payments reported by companies of TT$10,880,315,496. The MOFE–IRD figure here is higher because it represents receipts from all oil/gas companies, including those not reporting in the 2011/12 reconciliation.

The total of the MEEA payments to MOFE–IRD (TT$6,307,899,861) and company payments directly to MOFE–IRD (TT$10,880,315,496) would be expected to equal the total amounts reported by MOFE–IRD (TT$17,307,441,800). As can be seen in the right hand column, there are differences on all the taxes, totalling TT$119,226,443.

It is not part of the TOR for the Engagement to reconcile these figures. However, we recommend that this aspect should be included in the scope of future reconciliations, since it is important that Government accounting should be reliable and capable of producing consistent figures.

6.4 | In Kind Flows

The EITI Standard requires disclosure of the sale of the State's share of production or other revenues collected in kind where such flows are material. This includes transfers between State-owned enterprises and other Government agencies. As recommended by the Standard, the TTEITI Steering Committee required that these flows should form part of the reconciliation and templates were issued to Government, State-owned enterprises and companies.

The PSCs and E&P licences permit the Government to receive certain payments in kind or in cash, as follows:

1. Sale of the state's share of production or other revenues collected in kind

2. Royalty oil

    · option to settle royalty in kind or in cash

3. Royalty gas

    · MEEA may choose to receive royalty in kind (as gas) or to nominate an amount under an agreement with the producing company. Under this arrangement, part of the gas sent to NGC is allocated by the producing company as royalty gas; NGC uses the gas and pays the Government its value

No in kind flows were reported in respect of Fiscal 2012.

6.5 | Non Reporting Companies

All companies included in the reconciliation scope have returned templates, except:

- Total E&P Trinidad Block 2C Limited
- Total E&P Trinidad Block 3A Unlimited
- Bayfield Energy Trinidad Limited

The operations for Total E&P Trinidad Block 2C Ltd were sold to NGC during the reconciliation period. NGC returned a template for "Total" without specifying the entity it referred to: this has been queried with NGC, but no further explanation has been given.

Government did not report any figures for either of the two Total entities.

There was no return from Bayfield Energy Trinidad Limited for the 2011/12 EITI reconciliation; a search on the companies register revealed no company with that name. No receipts were reported.

Bayfield Energy (Galeota) Ltd was re-named Trinity Exploration and Production (Galeota) Ltd, which reported figures. This was apparently an error in the list of reporting entities, rather than a failure to report.

7

7 | Other Information

7.1 | Oil and Gas Production Declared by Extractive Companies for 2011/12

The MEEA and companies which were operators of blocks were asked to report production for the Fiscal Year 2012. The amounts declared for the EITI Report differed between Government and companies. While there is an annual calendar year reconciliation undertaken, the differences arising in this report appear to highlight problems with the reconciliation process (see our recommendations in Section 8.1.4).

Table 7.1

	Reported by Government			Reported by Company			Unreconciled Difference
	Original	Adjustments	Final	Original	Adjustments	Final	
	Units as stated	Units as stated	Units as stated	Units as stated	Units as stated	Units as stated	Units as stated
Production:							
Oil (BBLS)	29,861,503	-	29,861,503	31,801,174	-	31,801,174	-1,939,671
Gas (MCF)	1,494,127,069	-	1,494,127,069	1,333,185,568	-	1,333,185,568	160,941,501
Gas (MMSCF)	-	-	-	89,404	-	89,404	-89,404
Gas (MSCF)	-	-	-	3,013,945	-	3,013,945	-3,013,945

7.2 | Social Expenditures And Infrastructure Provisions

Companies were asked to disclose any social expenditures and infrastructure provisions.

Table 7.2

Company	Social Payments	Infrastructure Payments
	TT$	**TT$**
BP Trinidad and Tobago LLC Trinidad Branch	23,826,464	-
BG Trinidad and Tobago Limited	9,921,568	-
BHP Billiton (Trinidad-2c) Limited	132,699	-
Chevron T&T Resources	189,000	-
EOG Resources Trinidad Limited	1,323,205	-
NGC	24,265,918	3,274,307
Repsol E&P TT Ltd	883,872	-
Petroleum Company of Trinidad and Tobago Ltd.	9,983,746	-
Total	70,526,471	3,274,307

These amounts were declared by the companies and were not included in the flows to be reconciled.

7.3 | Transportation Tariffs

The TTEITI Steering Committee included transportation tariffs paid to NGC and NGC Pipelines as flows in the reconciliation, and decided that these should be reported by NGC and NGC Pipelines only, i.e. they should be declared flows and not reconciled flows.

The flows reported were:

Table 7.3

Company	Transportation Tariffs
	TT$
NGC	7,362,668
NGC Pipelines Ltd	267,193,462
Total	**274,556,130**

7.4 | Register of Licenses

Trinidad & Tobago's petroleum register is maintained by the MEEA as provided for under regulation 20 (1) of the Petroleum Regulation. This register can be accessed on the Ministry's website at *http://www.energy.gov.tt/services/license-registers/*

7.5 | Allocation of Licenses

In the oil and gas industries in Trinidad & Tobago, licenses are normally awarded as Exploration and Production (Public Petroleum Rights) Licenses or Production Sharing Contracts (PSCs). Information related to the award or transfer of licenses pertaining to the companies covered in the EITI Report can be accessed on the Ministry's website at *http://www.energy.gov.tt/for-investors/bid-rounds/competitive-bid-round-2013-deepwater/*

7.6 | Beneficial Ownership

Trinidad & Tobago does not currently have a publicly available register of the beneficial owners of the corporate entity/ies that bid for, operate or invest in extractive assets.

Following a request from the International EITI Secretariat, the TTEITI Steering Committee has agreed that Trinidad & Tobago should participate in a Beneficial Ownership Pilot Study currently being undertaken. The TTEITI Steering Committee is of the view that the outcome of this study will contribute significantly to Trinidad & Tobago establishing and maintaining a publicly available register of beneficial interests.

7.7 | Contracts

Based on legal advice obtained from the MEEA regarding the issue of disclosure of contracts and licenses, it is the opinion of the MEEA that the E&Ps and PSCs are confidential documents by virtue of section 35 of the Petroleum Act, Chap. 62:01. Further, they are exempt documents under Section 31 (1) (a) of the Freedom of Information Act, Chap. 22:02 and may not be disclosed.

The Ministry publishes the model contracts on its website at: *http://www.energy.gov.tt/wp-content/uploads/2013/11/Deepwater_Model_PSC_CBO_2013.pdf*. In this way, the full text of the general terms and conditions of the model E&Ps and PSCs are publicly available.

8

8 | Recommendations

We discussed with the TTEITI Secretariat and the TTEITI Steering Committee's Technical Sub-committee the progress made in addressing the recommendations made in the previous EITI Report. Where the subject matter of the recommendation remains current, it is covered in the recommendations made following preparation of this year's report.

8.1 | Recommendations Arising from Preparation of the 2011/12 Report

During the course of undertaking the Engagement, we noted areas where improvements could be made, affecting:

- the conduct and scope of future reconciliations;
- the oversight of the TTEITI Steering Committee over the EITI process; and
- the extent of the EITI in Trinidad & Tobago.

In this section, we set out our observations and make recommendations to the TTEITI Steering Committee for improvements.

8.1.1 | Memorandum of Understanding

TTEITI participation is covered by an MOU signed on 7th June 2013 by Government, companies and civil society *(http://www.tteiti.org.tt/about-tteiti/final-executed-memorandum-of-understanding-on-the-implementation-of-eiti-in-trinidad-and-tobago/)*. This MOU covers only the first two EITI Reports and states that:

"The Parties [to the MOU] shall convene a meeting after the submission of the first two (2) EITI Reports to discuss in good faith and agree upon the mechanism to be used for future EITI Reports."

It is important that the basis for the continuing implementation of EITI in Trinidad & Tobago is concluded as soon as possible and we recommend that MEEA as Sponsor of TTEITI should promptly take all steps necessary to establish a replacement mechanism.

8.1.2 | Determination of Entities Making Material Payments

There were delays in the determination by the TTEITI Steering Committee of the entities making material payments to Government for the 2011/12 EITI Report, due to delay in provision of information and confidentiality issues relating to payments to the MOFE–IRD. These were finally satisfactorily resolved before conclusion of the reconciliation and the MOFE–IRD confirmed the companies included in the 2011/12 reconciliation included all companies making payments in excess of the materiality threshold selected by the TTEITI Steering Committee. The materiality threshold is outlined in Appendix 9.3.

Under its interpretation of the current legislation, the MOFE–IRD believes that it requires a letter of consent from each company before it can disclose information about the amounts paid to MOFE–IRD by that company. Consequently, all companies making material payments to the MOFE–IRD need to provide such a letter so that the scope can be fully determined, although information would first be required from Government on the companies making material payments so that letters can be obtained.

We understand that legislation relating to EITI has been drafted and is currently under consideration by MEEA and that this legislation would, amongst other things, overcome confidentiality concerns in this area.

We recommend that Government should ensure that the TTEITI Steering Committee is provided by its agencies with all the information necessary for an informed decision on materiality prior to commencement of the 2012/13 reconciliation.

8.1.3 | Petroleum Pricing Committee

The Petroleum Pricing Committee is established under the provisions of the Petroleum Taxes Act to advise the Minister of Energy and Energy Affairs on determining the fair market value of hydrocarbons for certain purposes. The Committee was not meeting regularly and was not therefore fulfilling its statutory responsibilities. The interest of the TTEITI Steering Committee lies in the mechanisms of Government which relate to transparency, accountability and sound governance of the extractive sector, and the operation of this Committee would fall within this area. It is the responsibility of Government to ensure that the Petroleum Pricing Committee meets regularly as required.

The 2010/11 EITI Report noted that the Committee had not been meeting regularly. We were told that meetings of the Committee are now taking place.

In response to the recommendation in the 2010/11 EITI Report, the TTEITI Steering Committee stated that it would ask the MOFE to inform it of meetings of the Committee in future.

This communication has not taken place and we recommend that the TTEITI Steering Committee takes all necessary action to remain informed on meetings of the Committee.

8.1.4 | Production Information

Production information is published on the MEEA website. The TTEITI reconciliation has, however, raised questions on the operation of the system used to compile figures for production.

Figures for production reported by MEEA and companies differed and adequate supporting information was not made available to permit a reconciliation and, where necessary, adjustment of the figures reported. In some cases, we were told that changes were made by companies to production figures after they were reported to MEEA, and it appears that these changes were not communicated or actioned by MEEA. The reason why changes might be made has not been established.

There were discrepancies in reporting for the 2010/11 TTEITI Report, and the TTEITI Steering Committee proposed that a link should be given to the published MEEA data. This is an appropriate mechanism to inform readers of the report on production, but our work this year suggests that this data should first be examined.

We recommend that the process used by MEEA for compiling and publishing production figures is reviewed to ensure it is robust and produces reliable figures.

8.1.5 | Non Reporting Companies

There were a number of non-reporting companies in the reconciliation for 2010/11, which the TTEITI Steering Committee determined were the result of an inaccurate companies' register.

As a result, the TTEITI Steering Committee requested that the MEEA update the Company/License/Contract register on a fiscal year basis to coincide with the EITI reporting requirements.

There were three companies on the list of companies included in the 2011/12 EITI Report which did not return templates (Section 6.5 above).

We recommend that the process for selection of companies for inclusion in future reconciliations include a review of changes of ownership and/or activity during or subsequent to the reconciliation period, so that data requests can be directed appropriately.

8.1.6 | Audit and Assurance

8.1.6.1 | Government

Assurance on Government figures has been given by the senior official in the reporting departments (Permanent Secretary, MEEA and MOFE – Investment Division; Chairman of the Board of Inland Revenue). The Auditor General (AG) was not in a position to give any opinion on the EITI figures submitted by Government for 2011/12. The AG confirmed that her office is putting in place improved procedures and audit practices which will enable her to give audit confirmations on Government figures in the future.

We recommend that the Steering Committee remain informed on the progress being made in the AG's Office, and inform the AG in good time of the requirements for assurance for future reports.

8.1.6.2 | Companies

There is no requirement in Trinidad & Tobago for private companies to have their local accounts audited; this includes subsidiaries of international companies. Where subsidiaries of international companies are subject to audit by the auditors of their Group for purposes of allowing a report on the Group accounts under international auditing standards, the review of the local accounts undertaken by the Group auditors may not necessarily comprise an audit under international standards.

Companies were requested to provide a copy of their audited financial statements, so that a review could be undertaken of the assurance procedures applied to them, e.g. use of international auditing standards.

A summary showing the companies which provided financial statements and those which did not is included at Appendix 9.7. Where financial statements were provided, the auditors stated that they had used international auditing standards.

We recommend that the Government consider including in the legislation under consideration a requirement for larger companies operating in the extractive sector in Trinidad & Tobago to prepare financial statements covering their operations in Trinidad & Tobago, and to have these financial statements independently audited under international auditing standards. This requirement would apply equally to companies registered in Trinidad and to branches of foreign registered companies, which would be required to produce audited financial statements covering their operations in Trinidad & Tobago. Such a requirement would improve the level of assurance on the figures reported by companies operating in Trinidad & Tobago for purposes of revenue collection and taxation by GoRTT, as well as TTEITI.

The TTEITI Steering Committee should consider obtaining for the next EITI Report, in the case of larger companies, a confirmation letter from the companies' external auditor that confirms that the information they have submitted is comprehensive and consistent with their audited financial statements, with such a procedure phased in so that the confirmation letter may be integrated into the usual work programme of the company's auditor.

In response to the recommendation in the 2010/11 Report, the TTEITI Steering Committee has said that companies will be asked to phase in the audit of their local subsidiary accounts as part of their annual accounts reporting with effect from the fiscal 2013 Report.

8.1.7 | Inclusion of Offshore Companies

The liabilities of some Trinidad & Tobago registered companies for signature bonuses and other PSC payments were settled in cash by their foreign registered parent. The Trinidad & Tobago companies reported the amounts as payments, while MEEA excluded them.

The TTEITI Steering Committee did not expect a repeat of this type of payment and decided that payments by offshore companies should not be included in subsequent reporting.

In the international context, it is uncommon but by no means unusual for parent companies to settle liabilities for their subsidiaries–for example, payments made by companies not registered in the country of operation (i.e. offshore companies) to settle liabilities of their subsidiaries in the country of operation. This may happen for signature bonuses and other material payments, and a decision to exclude receipts by Government from offshore companies in respect of operations in Trinidad & Tobago would limit transparency and might lead to the omission of material receipts.

We recommend that Government and companies be required to disclose all material receipts/payments relating to extractive operations in Trinidad & Tobago, whether made by companies registered for business in Trinidad & Tobago or not.

8.1.8 | Reporting at Project Level

The EITI Standard requires Reporting at project level, provided that it is consistent with the United States Securities and Exchange Commission rules and the forthcoming European Union requirements.

Given that these regulations are not yet effective for company reporting, this is not an issue for the 2012 EITI Report. We also note that there are discussions and legal clarifications in progress, and it is uncertain when these discussions will have been concluded.

It is recommended that the TTEITI Steering Committee monitor the issue and include this future requirement in its forward planning, and consults with companies as appropriate, so that preparation can be made at the appropriate time.

8.1.9 | PSC Tax Settlement

Under PSCs, the Contractor (the Operator and other parties to the PSC) is responsible for paying to the MEEA a profit share on behalf of itself and other parties in the PSC, in an amount determined under the provisions of the PSC. Such payments are made by the Operator on behalf of all the parties to the PSC.

The MEEA is responsible under the PSC for payment, on behalf of the Contractor out of the Government's Share of Profit Petroleum, of the Contractor's liability for Royalty, Petroleum Impost, Petroleum Profits Tax, Supplemental Petroleum Tax, Petroleum Production Levy, Green Fund Levy, Unemployment Levy and any other taxes or impositions whatsoever measured upon income or profits arising directly from the operations.

Each company which is a party to the PSC notifies the MEEA of its liability to PPT, SPT and other taxes and levies payable to the MOFE–IRD. An internal settlement is made between MEEA and MOFE–IRD, which issues a receipt to each company for the amount of the settlement.

The amounts reported by MEEA as paid to the MOFE–IRD together with the amounts reported by companies as paid directly to the MOFE–IRD did not in all instances agree. One of the principles of EITI is to enhance public financial management and accountability.

We recommend that the scope of the TTEITI reconciliation include a reconciliation of amounts paid by MEEA to MOFE–IRD with receipts declared by MOFE–IRD for payments due from PSC Contractors. The level of disaggregation should be consistent with other receipts and payments included in the EITI report.

8.1.10 | Government Systems

The records in the MEEA are kept using manual systems. This made the obtaining and collation of information time consuming and prone to error. It also makes management of the information, and control over Government revenues, more difficult and prone to error.

We recommend that the MEEA introduce appropriate computerised systems to record and control information relating to the production and finances from the oil and gas sector.

8.1.11 | Interest and Penalty Payments to MOFE–IRD

Templates were provided for the reporting of interest and penalties paid to MOFE–IRD. Whilst we were able to reconcile the amounts reported by companies and Government, the MOFE–IRD reported interest and penalties as part of the taxes giving rise to the charge, rather than as separate line items as required by the templates. In one instance, where the amounts involved were material, the MOFE–IRD was able to report them separately as required on the templates.

We recommend that entities be required to report under the headings set out on the templates approved by the TTEITI Steering Committee.

8.1.12 | Licensed Companies

As part of ensuring that license records are accurate and up to date, we recommend that the companies holding licenses be agreed to the records for taxpayers maintained by the MOFE–IRD and that the TTEITI Steering Committee monitor progress on this exercise.

We also recommend that the license information published on the MEEA website be regularly updated and contain as a minimum all the data set out in the EITI Standard, including:

- License holders;
- Coordinates of the license area;
- Date of application, date of award and duration of the license;
- In the case of production licenses, the commodity being produced.

8.1.13 | Transportation Tariffs

The TTEITI Steering Committee included transportation tariffs paid to NGC and NGC Pipelines as flows in the reconciliation, and decided that these should be reported by NGC and NGC Pipelines only, i.e. they should be declared flows and not reconciled flows.

The reported flows (Section 7.3) are larger than many of the other flows which have been reconciled and are paid by private companies operating in the sector in the main, to wholly State-owned companies.

Having established the nature and scale of the flows, it would be appropriate to include them in future reports as reconciled flows rather than simply as declared flows: many of the flows which are reconciled are smaller than the transportation fees.

We recommend that the TTEITI Steering Committee consider including them on this basis in future reporting.


9

9 | Appendices

To view appendices go to the link:
http://www.tteiti.org.tt/eiti-reports/trinidad-tobago-eiti-report-october-1st-2011-september-30th-2012/

9.1 Persons Met During The Reconciliation

9.2 Terms of Reference

9.3 TTEITI Steering Committee Materiality Decision

9.4 Reporting Templates

9.5 Reconciliation by Extractive Company

9.6 Audited Financial Statements Provided by Companies

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