



## **Going Global Feature Address**

**by**

**Conrad Enill**

**Chairman of the NGC Group of Companies**

I am extremely delighted to be here today, to participate in the announcement of yet another completed project which has engaged the attention of the dedicated men and women of the NGC Group of Companies, who work on behalf of the people of Trinidad and Tobago in delivering energy projects. Our group is owned by the people of Trinidad and Tobago, and therefore we act as trustees on their behalf in managing the affairs of energy in the context of new global realities.

Our success today, is therefore the success of the people of Trinidad and Tobago. Our focus continues to be to ensure that we create the best results for the people of Trinidad and Tobago in very difficult circumstances. I am happy to report therefore to the people of Trinidad and Tobago that we are confronting the challenges in our new environment.

NGC was established in 1975 to purchase, sell and transport natural gas to the petrochemical and light industrial commercial sectors. In 1983, our role was expanded to include the production of gas through the collection and compression of low pressure associated gas from oil field operations. In the late 1980s, as the demand for processed gas on the estate increased, the quality of gas supplied by the NGC contained liquids, which impacted the lifespan of equipment of downstream customers and consequently changed their cost of production. It was recognized that if this challenge was not addressed, we would become less attractive as an investor choice for energy projects.

NGC therefore explored various solutions and selected the removal of the liquids from the stream. While it was the more expensive solution, at the time, propane and butane were becoming tradeable commodities, and twenty-eight years later we are going global.

NGC together with foreign partners- Conoco and Pan West Engineers and Constructors Ltd, formed Phoenix Park Gas Processors Limited for the sole purpose of processing the gas by removing the liquids. The ownership structure changed in 2013 when the National Gas Company of Trinidad and Tobago purchased the 39 per cent interest held by Conoco Phillips further integrating into the Group's structure. Today, TTNGL a publicly listed company currently owns a 39% stake in PPGPL. As the only underlying asset of TTNGL, when PPGPL does well, TTNGL does well and of course the opposite also is true..... That

is, if PPGPL does badly, so does TTNGL. It is no secret that PPGPL has not done as it expected due to structural changes in global energy and, this acquisition is intended to improve performance and enhance profitability.

As so, through the formation of PPGPL, NGC was now able to supply high quality processed gas to the estate. This would reduce the wear and tear on the machinery and equipment in use and reduce production costs which would contribute to efficiency and business competitiveness. Value has therefore been created for the people of Trinidad and Tobago by this decision. This has been the role played by PPGPL in the success of our energy program.

Over its twenty-eight years, PPGPL has had a proud history and has expanded its plant facility to meet the growing demands for gas on the Pt. Lisas Industrial Estate. However, like everyone who operates in the energy space, PPGPL has been impacted by external factors and today, we have responded through the acquisition of the new asset Phoenix Park Energy Marketing LLC engaged in the business of marketing, trading and transportation of natural gas liquids in Canada, USA and Mexico via rail.

This new acquisition is intended to contribute to the profitability of PPGPL and create value for the people of Trinidad and Tobago. As a company that is partly owned by - TTNGL, PPGPL is very conscious of the impact of its performance on investors and the national community.

At PPGPL we are very involved in National Development through our CSR programme, we have contributed in excess of TT\$10 MM to causes and projects that have national impact and benefits. We have supported road safety campaigns and have partnered with Arrive Alive to deliver subsidized defensive driving training for tertiary levels students, engaged in public education, so today the national community can benefit from changes in traffic legislation and the introduction of greater awareness for road traffic offenders.

Through our Oncology project, we have contributed to the purchase of diagnostic equipment for five public hospitals. The pieces of equipment are currently in production and will be received by the respective hospitals later this year. We are concerned about our people, and we add value to their quality of life through our involvement in these projects.

We have also purchased two water crafts for rescue operations undertaken by the Trinidad and Tobago Defense Force, and soon will be providing a mobile medical shelter for our national disaster response efforts.

In order to continue our work, we must be relevant and responsive to our environment. Our Group has responded and we are refocused on seven important drivers which guides our actions These include : Sustainability of the Petrochemical Sector; Value creation across the Gas Chain; Diversification and Growth; Strategic Partnerships;

Shaping the industry and region; National contribution through sustainable development; Technology; and Increased communication.

There is little doubt that the discovery and commercialization of an abundant supply of shale gas has created a structural change in the global gas market and it has affected Trinidad and Tobago.

The consequences of this shift has been the decline in US domestic natural gas prices, which has led to a resurgence of the US domestic gas based petrochemical industry and LNG production facilities, strengthening the US influence in global energy trade.

It is in this environment that the NGC has had to negotiate expired contracts with our upstream customers for use in our petrochemical sector.

And while we observe contract confidentiality, I will share with you some principles that guide our negotiations for Gas Sales Contracts. Our Overall Upstream /Downstream Strategy is to ensure that downstream risks/ and terms are covered by upstream to minimize NGC exposure. In dealing with our Upstream Gas Supply Contracts we are further guided by the following principles:

Non-Dedicated Gas Supply (i.e. Not Field Specific) with multiple Delivery Points if possible.

No Priority of gas supply to LNG in the event of gas shortfall.

Lower Gas Pricing for T&TEC based on negotiated (Power Tranche) and LIC customers (Other Industries Tranche).

Petrochemical (Methanol and Ammonia) Gas Price Tranche is linked to methanol and ammonia commodity prices.

In dealing with our petro chemical Gas Supply Contracts we are guided by the following:

- No Renewal of Term – Parties may meet to discuss New GSC contract with new terms
- Reduced volumes to match availability of contractual supply
- Gas to be supplied on a reasonable endeavors basis
- Shortage in Gas Supply for any reason whatsoever is deemed a Force Majeure event.
- Gas Prices linked to respective methanol and ammonia commodity prices but with:
  - Gas Floor Price to cover NGC's Breakeven Costs (Costs of Gas + NGC Opex)
  - Annual Escalators on Gas Floor Price and across all commodity price ranges
- Priority of gas supply for power generation, State Companies (e.g. then Petrotrin Refinery) and LIC sector.

In dealing with our Light Industrial Commercial Sector Gas Supply Contracts, we are guided by

- Gas price with lower annual escalators in Year 1 & 2 to provide enough notice period for LIC customer to manage increased gas prices in latter 3-years.
- Priority of Supply to LIC customers.

These are the principles that guide us as we focus our efforts on sustainability of the petrochemical sector.

Last month, our group introduced TTEngage, a digital platform that will bring together information from our various stakeholders in one place to support investment-facilitation in the local energy-based sector. This we believe will also improve country business competitiveness.

Today, we announce the acquisition of Phoenix Park Energy Marketing, and there is a lot more that we are doing which we will share with you as we progress.

I therefore wish on behalf of our Board to thank the men and women of our group who continue to make us proud by their contribution and commitment to national development and national prosperity.

Thank you.