

More than the sum of its pipelines

For 45 years, The National Gas Company of Trinidad and Tobago Limited (NGC) has played an essential role in the development of Trinidad and Tobago's natural gas sector. Mostly, NGC has been perceived as largely a transporter, merchant buyer and seller of natural gas. While NGC has had varying roles over the years, in the last decade, NGC, as a company, has evolved in response to different mandates and changes in the operating environment, incorporating several different roles and responsibilities. After 45 years, the NGC of today differs from the NGC of 45 years ago, or even 10 years ago.

History and Growth

Prior to 1975, there was no indigenous natural gas sector. There were a few pipelines in place to transport gas to the Trinidad and Tobago Electricity Commission (T&TEC) and the ammonia plant at Savonetta in Couva, then owned by WR Grace. The landscape changed dramatically in 1975 after the government's decision to develop the gas sector as part of a wider strategy to make optimal use of the country's oil and gas resources, and the minimisation of the burning of natural gas through flaring. Key to this strategy was the establishment of a company to purchase, transport and sell natural gas to industrial users on the west coast of Trinidad. Hence, NGC was born.



**THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED**

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NGC immediately set about putting critical infrastructure in place to ensure a steady and reliable source of natural gas to users and tenants of the then newly established Point Lisas Industrial Estate. Over time, NGC grew and prospered, due to its innovation in linking the price of gas sold to its customers to petrochemical market prices. This commercial construct had benefits when methanol and ammonia prices were high. By embracing the role of aggregator, merchant and transporter, equity investor, and business developer, NGC has accepted both the risks and rewards inherent in operating within such a potentially volatile sector.

NGC's commitment to the sector extended beyond pursuing growth in its customer base and in upgrading its facilities, to making strategic

investments in other key companies, including acquiring the assets of National Energy, investing in Atlantic (LNG) Trains 1 and IV, creating La Brea Industrial Development Co. Ltd (LABIDCO), investing in Phoenix Park Gas Processors Limited (PPGPL) as well as several upstream oil and gas assets such as SECC with EOG, Blocks 2(c) and 3(a) with BHP, TSP with Parengo and Block 1(a) with DeNovo (all in a non-operating capacity) and more recently, CGCL Petrochemical Complex.

Additionally to NGC's petrochemical customer base in Point Lisas, NGC also provides 100% of the natural gas to T&TEC for the supply of electricity in Trinidad and Tobago as well as companies providing a range of products and services such as air conditioning and cooling systems, manufacturing (glass, paper, food, cement) and CNG.

Evolving with the times

In the last few years, there have been fundamental and disruptive changes to the international gas sector, with the effects impacting Trinidad and Tobago and NGC. First, the impact of the availability of large quantities of cheap gas from shale in the US meant that several new petrochemical plants are being constructed there to gain global competitive advantage. Moreover, shale gas availability and a change in US law have resulted in the US being a net natural gas exporter. Therefore, Trinidad's traditional markets for petrochemical and LNG sales have been somewhat diminished.

NGC's relative gas price competitiveness has also been reduced, with new gas prices from the upstream sector being higher in an environment of structurally low downstream prices. Gas margins have been reduced substantially, resulting in NGC adapting its business model and seeking new avenues for revenue generation with a view towards sustainability. NGC is thus more than just an agglomeration of pipelines. It is now transforming into an integrated energy company.

NGC also continues its traditional role of transporting natural gas from upstream producers, processing the natural gas and supplying the gas to the

downstream. It is now also required to maintain profitability through securing current business, generating new business and fostering new equity investment, within volatile economic circumstances while still serving the wider public good. The Company, as with all other competitive businesses, large or small, must follow the basic principles of profitability to meet this requirement. This necessitates a gradual removal in the level of subsidised pricing for natural gas. This will also ensure fairer treatment across its entire customer base, a foundational requirement for fair competition.

As part of its shareholding in Atlantic, the Company has begun to market its own share of LNG from Train 1 in order to maximise its margins from the sale of LNG. That role of trader also extends to the sale of other commodities apart from NGC-owned LNG to include third party LNG, methanol and crude oil cargoes. This aspect of the business will continue to be an essential component of NGC's income stream in the future.

In its role of sector influencer and change agent, NGC is currently leading the national conversation around energy efficiency, both through its own initiatives and through partnerships with civil society and other stakeholders. With energy efficiency as a new focus (and this may seem counterintuitive), a company that sells energy, focusing on energy efficiency, makes economic sense, as the energy saved can then be diverted to more profitable use, as well as assist in mitigating any risk associated with some supply obligations. Another part of leading the conversation also positions the company in an advantageous place when the time comes for the country's inevitable transition to a more sustainable mode of energy operations and usage.

NGC is on the path to sustainability to serve Trinidad and Tobago and its customers for the long term. To successfully do so, its operations must be viable both on a purely economic basis, as a state company with a commercial mandate. The Company must also aim to maximise social benefit for its stakeholders. NGC has a mandate to ensure ongoing national development and local participation through its local content and procurement policies (the opportunity for local firms to bid for service contracts with NGC), operating in an environmentally responsible manner, and ensuring that as far as possible, that our business is energy efficient and our net carbon emissions are minimised; all accruing to the beneficiaries: the people of Trinidad and Tobago.



NGC's Head Office, Pt Lisas

AT THE FOREFRONT OF *Energy*