

# The impact of COVID-19 on the energy sector

In a world economy that depends on interconnection, the novel virus COVID-19 can have crippling consequences. For Trinidad and Tobago, the impact on energy markets is paramount. Globally, energy markets have been impacted by plummeting oil prices. Oil exporting economies, including Trinidad and Tobago, will be affected. Compounding the situation has been reduced production activity where lower demand further depresses prices, not just for oil, but other fuels such as methanol and LNG. NGC has been taking necessary action to protect its business and that of its subsidiaries. The Company is currently implementing its Business Continuity Plan (BCP) in line with ongoing developments locally and internationally.

## Operations

In concert with the global recommendations that include dialoguing with stakeholders and gauging how their experiences can affect your business, creating new links within the industry and collaborating with others to find solutions to issues that may affect the business, energy companies are seeking operational fidelity by seeking solutions to sustain business.

With the confirmation of positive cases within Trinidad and Tobago, the Company mobilised its incident management team (IMT) to manage the response actions aligned with the BCP, which was activated since January 2020, centering around the safeguarding of worker health, levels of personnel access to NGC facilities, and integration with upstream suppliers, downstream customers and other key stakeholders to sustain normal operations during this global and national period of upheaval. Part of this BCP response includes staff working from home wherever practicable to ensure that its business operations are maintained. NGC has started to provide regular updates to PLEA and ODPM on business continuity planning with suppliers, downstream customers and utilities and other critical services. It will also support media houses in its programming to keep the wider public informed.

Notwithstanding these developments, NGC continues to serve its customers across the country. Ongoing negotiations with downstream companies continue in good spirit and faith, and in pursuit of mutual gain, even more so in the current environment. Impact is however expected in other areas of business which are directly correlated to international markets. Through its Commodity Trading desk, NGC exports crude and LNG cargoes from its interests in the upstream sector and Atlantic to customers in Asia, Europe and the Americas. As prices of both these commodities have fallen with demand, margins from cargo sales will be reduced until markets are stabilised.

## Supply chains

Globally, there is a disruption in the supply chain. It is important to look at the supply chain holistically, looking at strengths and weaknesses so plans for 'supply chain shifts' can be implemented. Procurement of goods can be impacted due to border restrictions and downturns in production. Delays in the procurement of new physical product not already in inventory are inevitable as factories in COVID-19 hit areas are affected by the pandemic. This will be temporary (possibly several months in duration) but timing will depend on the progress in managing the impact of the virus. For example, while China is now beginning to



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*An NGC employee on the plant*

slowly reopen production facilities, the US is now ramping down production.

## The NGC Group of Companies (and its subsidiaries)

For subsidiary National Energy, port and marine operations could take a hit with the restrictions on movement associated with COVID-19. However, borders remain permeable to goods (as opposed to people), so the impact may be soft in the short term. Output and goods traffic from local industrial estates, if reduced, would also affect this side of the business.

At Phoenix Park Gas Processors Limited (PPGPL), operations continue largely uninterrupted. LPGs continue to be critical inputs into cooking and industry, both within Trinidad and Tobago and in external markets. Demand may trend downwards but is expected to recover in short course. Propane prices are however moving in line with oil prices, and so have experienced significant reduction in recent weeks.

CNG customers are not expected to experience any negative impact on supply, short of any service delays that may result from government-imposed restrictions on movement.

As for the NGC Group's non-operated joint ventures in the upstream sector, margins from those investments are projected to remain positive, insofar as operators continue to produce as efficiently as possible within prevailing circumstances.

remotely. These changes will ultimately strengthen the sector's competitiveness in the international market.

Beyond the energy sector, Trinidad and Tobago as a whole could see vast improvements in its technology capability as companies try to utilise available digital tools in pursuit of business continuity. Supermarkets and retailers are already introducing apps for customers to shop online, for instance. Such process improvements borne out of crisis can revolutionise the service sector post-COVID-19, and can also boost supply chain efficiency.

The disruption to supply chains throws into sharp relief the value of self-sufficiency in certain critical industries such as food and pharmaceutical production. It is possible that the local manufacturing sector will take note of opportunities in this regard and that due investment from both public and private sectors will be injected to stimulate growth in these areas. Local agriculture could be revived, for instance, with further expansion into services such as food bunkering and logistics to supply a regional market.

NGC, as the supplier of natural gas for industry, along with National Energy, who supports through estate and port infrastructure, would be important partners in any process of industrial diversification. As this need exists throughout the Caribbean, it is equally possible that the NGC Group could give support on a regional scale, supplying fuel and expertise in estate development in other territories.

Another important outcome is that multi-sectoral collaboration will be necessary if businesses are to survive the coming economic downturn. The relationships brokered during this period will set a precedent for future partnerships. Companies will learn how they can support one another for mutual benefit, and strategic advantages of collaboration may become evident, such as sharing infrastructure to reduce operating cost in the low-price environment.

The fact that the global health crisis is being compounded by challenges in the energy sector, specifically as relates to oil production and pricing, can in some instances make an even stronger case for renewable energy development and energy efficiency. The NGC Group and its stakeholders will therefore continue to pursue this agenda with greater assurance of its value in insulating the country against the economic impact of international geopolitical developments. High on this agenda is the development of an app to sensitise the public around domestic energy use and guide users toward more responsible energy practices and purchases.

The NGC Group continues to monitor the progression of COVID-19 with optimism that the pandemic can be contained in the coming weeks. Whatever the future holds, the Group remains committed to delivering value for Trinidad and Tobago, and is agile enough to emerge stronger from these challenges.

**AT THE FOREFRONT OF** *Energy*