

Keeping the baskets full: A diverse NGC

What distinguishes this pandemic from other recent crises, is its impact on most economic sectors, including oil and gas. While no sector has remained immune to the effects of COVID-19, companies that have diverse areas of business may have a better chance of successfully navigating the current economic turbulence.

NGC is no different. While COVID-19 has reshaped the Company's operations and impacted its core business, it has also brought to the fore the need to accelerate the process of growing the Company's business through diversification. In recent years, the Company's strategy has been tweaked to maximise the securing of revenues from current business and the expansion of NGC's investment portfolio to generate income from alternative sources. Prior to the last decade, NGC had already started to diversify its revenue sources as custodian of the State's share of Atlantic and Phoenix Park Gas Processors Limited (PPGPL). The Company recognised in the early 2010s that inevitable structural shifts were coming to the gas business that placed the profitable status quo in jeopardy. As a result, NGC embarked on a deliberate strategy of diversifying its revenue sources, which accelerated in the late 2010s and continues today.

Investment Strategy

Part of NGC's transformation from gas transporter and merchant to an integrated energy company has been its deliberate decisions to invest in other parts of the gas value chain. NGC increased its share in PPGPL by 39% to 90% in 2013. This enabled maximisation of value from the extraction and sale of natural gas liquids (NGLs) from the country's gas. In early 2020, PPGPL acquired the NGL marketing assets of US company Twin Eagle Liquids Marketing. The acquisition is part of a strategy to internationalise business and grow along the energy value chain and is aligned with the NGC Group's broader strategic mission to grow its revenue by growing the business internationally.

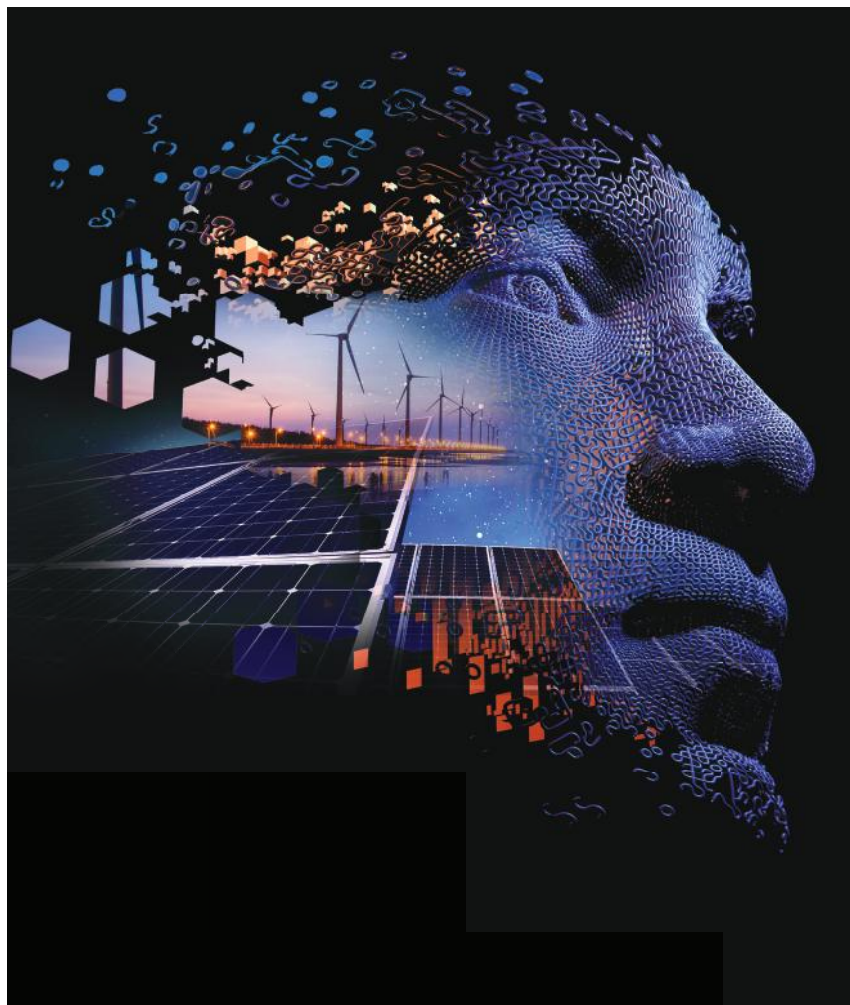
Along the Value Chain

NGC has sought to deepen its participation in the local gas value chain. As part of its upstream diversifications in the first half of the last decade, NGC acquired the local assets of Total S.A., comprising Blocks 2 (c) and 3 (a) in the Angostura field, off the northeast coast of Trinidad. More recently, NGC executed other upstream investments, including the Iguana field in 2017, and in July 2020, a gas purchase agreement for the Ruby field in Block 3(a). While NGC is not the operator in these investments, the Company provides oversight



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and an agreed share of working capital. The investments remain profitable and have provided additional revenue not dependent on the vagaries of the merchant gas business. Apart from gas produced, NGC's share of the oil produced by these investments can also be sold by NGC directly.

In the downstream sector, NGC also successfully engaged with the Mitsubishi consortium and other stakeholders to initiate the Mitsubishi Methanol to DME project, known as Caribbean Gas Chemical Limited (CGCL). The plant is scheduled to commence operations in late 2020, notwithstanding challenges in the global methanol/DME market arising from the effects of COVID-19 on global economic activity and methanol derivative markets.

Commodity Trading

NGC's entry into LNG commodity trading since 2012 and into oil trading since 2016, form an integral part of the Company's growth strategy. All trading is now executed by the Company's Energy Marketing and Trading Division, which trades LNG, crude oil and soon, methanol. NGC's foray into self-marketing its equity products has eliminated intermediary costs compared to past years when the Company used third-party sellers for this purpose. The recently signed gas sales agreement for the Ruby field also provides an opportunity for NGC to explore opportunities to expand its commodity trading business. NGC continues to explore and maximise its available opportunities and remains focused on the Caribbean region while ensuring that the overall strategy remains aligned to broader corporate objectives.

Leveraging Energy Efficiencies

As part of the broader transformation strategy, NGC has focused on energy efficiency (EE) and renewable energy (RE). National Energy Services Company (ESCO) programme. Phase one of Super ESCO commenced in 2019 and involved a pilot programme of energy audits conducted on eight light industrial consumers (LICs). The audits identified measures for improving EE in natural gas and electricity usage, as well as potential savings in energy bills. The overall intention is that the audits and other services will evolve into a new value-added service for NGC customers (large and small) as a means of improving energy usage and will become part of NGC's portfolio of profitable and value-added service solutions.

Monetising Our Expertise

NGC continues to fulfil its vision of being a global player through strategic partnerships and the export of its business model to countries that are in their own developmental stages, even amid current challenges. Within the Caribbean, NGC has executed agreements with Global Petroleum Group (GPG) regarding the exploitation of gas reserves in Grenada. NGC subsidiary National Energy recently established an office in Guyana to explore and commercialise opportunities arising from the exploitation of hydrocarbons in Guyana and Suriname on behalf of the NGC Group.

Outside the Caribbean, NGC has concentrated its efforts on the African continent, notably Mozambique, Ghana and Tanzania. Though linkages between NGC and Ghana have existed since the early 2000s, current discussions in Ghana picked up after 2016 and have focused upon mutual areas of potential business opportunity, including gas pipelines, gas processing and other prospects which would create mutual benefit to Trinidad and Tobago and Ghana. More importantly, exchanges of knowledge between Ghana and Trinidad and Tobago on areas of mutual interest continues, including the maximisation of national value through local/national content initiatives.

While COVID-19 and other challenges have posed difficulties, Trinidad and Tobago, through NGC, is poised to assist with its experience and learnings in a strategic relationship for the long term.

Focused on Diversification

As even the largest oil and gas companies grapple with the implication of both COVID-19 and the energy transition in 2020, NGC cannot hope to remain insulated from the effects of the changes. The drive towards diversification is not meant to displace the core business of purchases and sales of natural gas, but rather, to position those operations as one of several diverse and profitable sources of revenue.

AT THE FOREFRONT OF *Energy*