

Reset / Recovery

REKINDLING HOPE IN THE POST COVID-19 ECONOMY



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Uncommon knowledge

[Unique expertise gained from extensive experience.]

creates maximum value



In the world of natural gas, the NGC Group is an extraordinary force.

For over four decades, the members of the NGC Group have been co-creators and implementors of a globally admired, proprietary blueprint for sustainable natural gas-based development; a model that ensures Trinidad and Tobago derives maximum value from its natural gas resources. This proven ability and capacity equip us to share this uncommon knowledge with potential, emerging international gas-based jurisdictions, while continuing to secure our business at home, developing our people and securing Trinidad and Tobago's future.

NGC GROUP OPERATIONS

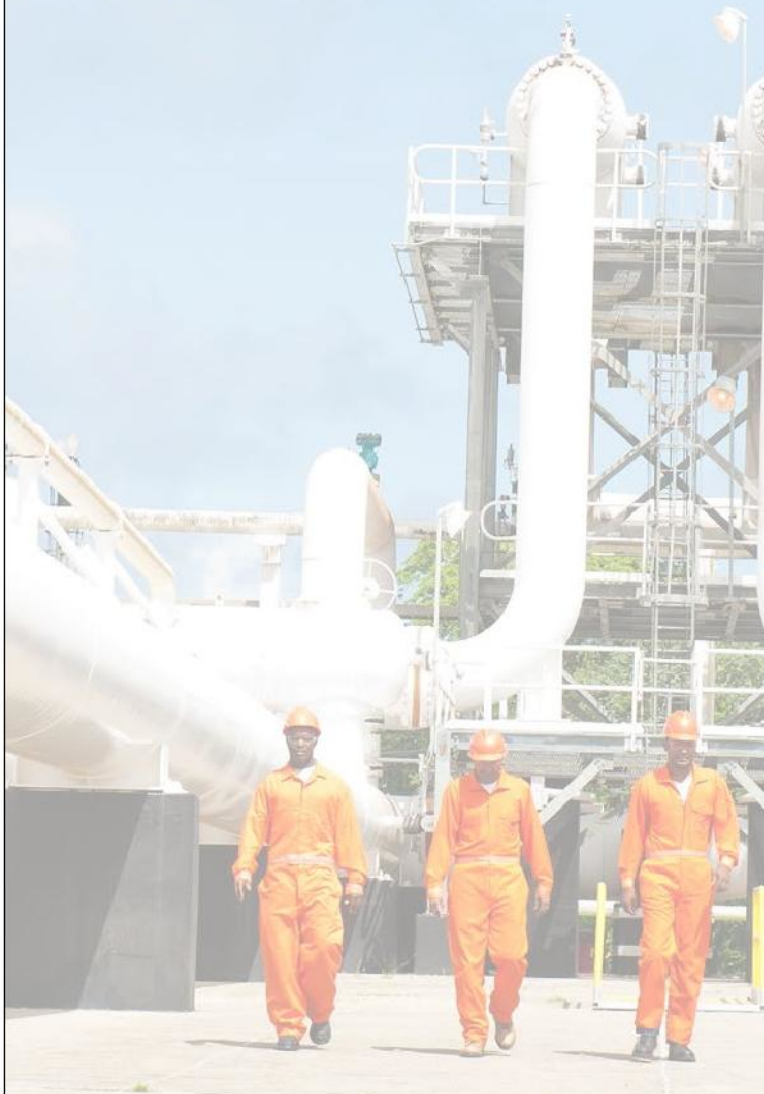
- Natural gas-based development and merchandising
- Pipeline construction
- LNG production
- Development and management of industrial sites
- Port and marine infrastructure
- Processing, fractionation and marketing of natural gas liquids (NGLs)
- Marketing of compressed natural gas (CNG)

A valued partner. A sound investment. We are the **NGC Group**.



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n air of expectation and hope engulfed the world as we entered the year 2021. In 2020, the coronavirus struck a deadly blow to the global economy and society.

In response to the health crisis, governments have been forced to introduce public health measures including curfews, closure of non-essential businesses, lockdowns, and legislation to enforce both social distancing and mask-wearing. While these restrictions may have saved many lives, they have also resulted in suppression of demand, accompanied by the disruption of supply chains and a domino effect across the productive sector thereby catapulting economies into deep recessions.

The worst hit sectors have been tourism, aviation, hospitality, entertainment, the retail sector, and small and micro businesses. The International Labour Organisation estimated that over 400 million persons had lost their jobs up to July 2020. The International Monetary Fund estimates that world economic growth decelerated by -4.4 per cent in 2020. Hopes elicited by the approval and distribution of various vaccines have been dampened by the emergence of new strains of the virus and another wave of infections. The resultant lockdowns suggest that the situation will endure for some time to come.

The COVID-19 pandemic and the responses to it may have changed the world permanently. Some irreversible trends to have emerged include the rapid developments in spheres such as digitalisation, consumer shopping behaviour, supply chain reengineering, remote or online work/schooling and sustainability. As a constituent member of the global community, Trinidad and Tobago's economy and society have faced the same challenges and must now remodel, reboot, and transform the economy towards a more sustainable future.

Prior to the arrival of COVID-19, the Trinidad and Tobago economy was experiencing an extended period of economic weakening due primarily to developments in the energy sector. Energy sector GDP fell by 3 per cent per annually between 2014 and 2019, while prices of our major commodity exports, oil, natural gas, and petrochemicals were in decline. In these circumstances, Government fiscal operations over the last six years have been negatively impacted, juxtaposed against unavoidable expenditure which in turn has impacted fiscal margins. COVID-19 has exacerbated our economic challenges, with sharp declines in the two most critical economic parameters: government revenue and foreign exchange earnings.

FOREX DECLINE

A common element in economic crises experienced by Trinidad and Tobago in the post-independence period has been a sharp decline in foreign exchange earnings typically triggered by a fall in prices and or output of our main exports - oil, gas and petrochemicals. On this occasion, the difficulties encountered go beyond a fall in market prices and include deep structural challenges in both subsectors. The restructuring of state-owned Petrotrin and the concomitant mothballing of the Point-à-Pierre refinery, pending its sale, and with the emergent Heritage Petroleum Company Limited and Paria Fuel Trading Company, has created a completely new structure in the oil subsector. With respect to gas, the gas supply and demand outlook have been compounded by contrasting trends between rising upstream acquisition costs and the lower price expectation of the downstream customers seeking to maintain competitiveness against U.S. producers.

The experience with COVID-19 and continued exposure to the volatility of energy prices reinforces the need to diversify and build resilience in the economy for a sustainable and prosperous future. The report "Road Map For Trinidad and Tobago - Transforming to A New Economy and Society", articulates a strategy for economic transformation of Trinidad and Tobago built on three pillars; The Economy; Food Security and Social Equity.



▶ Energy is identified as one of the key sectors for rebuilding the economy. The report notes, “For Trinidad and Tobago to develop its significant remaining hydrocarbon resources, the country will need agility, quick execution and a renewed focus on jurisdictional competitiveness”.

SOME OF THE KEY AREAS OF FOCUS IDENTIFIED INCLUDE:

- Assessment and appropriate adjustment to the gas value chain to ensure sustainability of the industry in the longer term.
- Expanding oil production and return on commercial refining.
- Exploring the opportunity for hydrogen and green petrochemicals.
- Energy Services as a key export resource.
- Renewable energy, energy efficiency and conservation.

The Report also stresses the importance of digital government and improvements in the ease of doing business as critical factors shaping a more facilitative enabling business environment.

NGC remains pivotal in the task of economic development through the energy sector. Given its vast asset base and commercial and industrial experience, NGC and its subsidiaries are well placed to contribute to meeting the twin economic challenges of Forex and Government revenues. Over the period 2016 to 2019, NGC contributed some \$12.9 billion to Government, representing 8 per cent of total Government revenue, the largest by any single organisation. The Company’s recalibrated strategy is in sync with the strategic direction and initiatives recommended in the Roadmap Report as well as more recent global trends emerging from the COVID-19 response. More specifically, NGC strategy is focused on the following areas:

DIGITISATION

Prior to COVID 19, NGC adopted the philosophy that strategic investment in digitisation and automation was vital to realignment of its business models and rationalisation of its cost structure. Thus in 2018, NGC embarked on a significant strategic digital and business re-engineering thrust to streamline platforms and secure a transformative leap. Some of the major developments undertaken include:

- The roll out of SAP-ARIBA procurement software, which has enabled NGC to move quickly into the E-Auctions as part of its procurement process.
- The use of Artificial Intelligence and drone technology to support pipeline and plant maintenance.
- The introduction of Power BI data visualisation software, which enables real time monitoring of all cost reduction and value innovation initiatives.
- The use of Microsoft Teams within the office environment since early in 2019 enabling a seamless transition to the remote work reality brought by COVID-19.

EXPANDING PARTICIPATION THROUGHOUT THE VALUE CHAIN

In recent years, several investments have set the foundation for sustained growth in the assets and earnings of NGC. These include.

- Non-Operator Participation in upstream offshore assets – 30% of Block 2(c), 30.51% of Block 3(a) and 20% of Block 1(a), 15% of TSP and 4% of SECC.

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The post COVID-19 world has taken shape. It is a world that is more competitive, more complex, and less predictable. It is a world that requires agility and transformation by companies and countries.



- ▶ • 10% shareholder in Atlantic Train 1 and 11.11% in Atlantic Train 4.
- 20% equity participation in Caribbean Gas Chemicals Limited.
- Purchase of the LPG Marketing business of Twin Eagles Liquids Marketing LLC in early 2020, representing the NGC (through PPGPL) Group's first ownership of an operating entity in the U.S. market.
- Energy Marketing and Trading which includes LNG, crude oil and soon to be methanol.

SUPPLY SECURITY

Gas supply shortfalls in recent years have caused growing concerns about the future of the industry. The need to bring long-term stability back to the industry was highlighted in the Roadmap Report. NGC has continued to work assiduously with producers and the Government to boost the supply inventory. Over the last year, NGC signed two major gas supply agreements with BHP and Primera Oil and Gas (Touchstone), respectively, which will assist in alleviating the uncertainty on the supply side. The Primera contract represents an important milestone in the industry's history - it is the first agreement in over 50 years to be supplied from an onshore development.

INTERNATIONAL EXPANSION

NGC has embarked on several initiatives to expand its business internationally and aims at boosting the Company's foreign exchange earning capacity. Apart from the purchase of the LPG assets and its commodities trading business mentioned previously, the following initiatives have been undertaken in emerging hydrocarbon rich countries in South America and Africa:

- NGC subsidiary National Energy recently established an office in Guyana to investigate and commercialise opportunities arising from the exploitation of hydrocarbons in Guyana and Suriname on behalf of The NGC Group.
- A Technical Services Agreement (TSA) was signed between NGC and Mozambique's National Hydrocarbon Company (ENH), by which NGC will provide consultancy services to ENH on technical areas of natural gas development. NGC also advanced its relationship with Ghana from an MOU to an execution of a contract to design, build and commission a Pressure Regulator Skid in Takoradi, Western Ghana.

SUSTAINABILITY/THE GREEN AGENDA

NGC is committed to supporting national efforts to meet the United Nations Sustainable Development Goals. For NGC, sustainability is critical to the way it conducts business. This means integrating economic, social, and environmental issues into strategic decision-making. Some key sustainability initiatives ongoing in NGC include a focus on renewable energy, energy efficiency and reduction in greenhouse gas emissions. Progress along these projects is documented in NGC's Annual Sustainability Reports (2017-2019).

COVID-19 is far from over, however, the post COVID-19 world has taken shape. It is a world that is more competitive, more complex, and less predictable. It is a world that requires agility and transformation by companies and countries. In that context, NGC has been a leader in the transformation of its business model to embrace key learnings including improved use of technology, to drive innovation and efficiency, and to deepen and widen its presence in the energy market space while observing tenets of sustainability and sustainable development by working collaboratively with the Government and other public institutions, key local and international industry stakeholders, learning institutions and forming pivotal partnerships. ■