The National Gas Company of Trinidad and Tobago Limited

Fact Sheet on Atlantic Train 1

Employee Communique

1st October 2021

Over the past few weeks, employees will have seen a number of media reports alleging 'mismanagement' at NGC, in relation to certain project and investment decisions. NGC's investment in a turnaround at Atlantic's Train 1 facility was one of the main subjects under discussion.

Based on the volume of reports on this matter, many of which have presented erroneous or incomplete information as fact, we wish to offer some clarity to employees with regard to the business case behind NGC's decision. We also wish to address the issue of indemnification and to correct some misconceptions being disseminated through the media.

Our hope is that this fact sheet will address any doubts or concerns that employees may have, and give reassurance that the Company's leaders have been and continue to be guided by The NGC Group's core values and principles of integrity, good governance and accountability in all the decisions they take.

FACTS AROUND NGC's INVESTMENT IN TRAIN 1

Expenditure for Train 1 turnaround (TAR) activities:

- NGC remitted TT$224M to Atlantic for Train 1 2021 expenditure including turnaround (TAR) costs. No additional expenditure was made.

Market conditions and business context influencing decisions made re. Train 1:

- The COVID-19 pandemic caused massive upheavals in already turbulent energy markets. Demand and prices for energy and related commodities plummeted around the world, due to pandemic-induced contraction of commercial and industrial activity.

- At the end of 2020, in the local downstream sector there was some uncertainty regarding projected demand for natural gas in 2021 due to COVID and fears of a 2nd and 3rd wave of COVID impact.

- In the face of depressed demand for their products on the global market, several downstream plants in Trinidad and Tobago made the decision to be idled, or temporarily suspend their operations. This meant that they would not require natural gas until they resumed operations.

- Per the terms of its contracts with upstream suppliers, NGC has an obligation to take all of the gas committed to in the agreements. In the event of reduced downstream demand, where NGC does not have a market for its full contracted volumes, the Company is still required to pay for the product it does not take.

- Towards the end of 2020, NGC was faced with volumes in excess of demand, given plant shutdowns and reduced industrial activity. Inasmuch as the Company would be billed for its upstream gas obligations, it made commercial sense to find an alternative use for the volumes not taken up by the downstream.

- The maintenance for Train 1 was planned for January 2021.

- The activity was necessary to maintain the mechanical integrity of the plant and ensure it could be readily mobilised to accept gas for processing once volumes became available.

- If this exercise was not completed in January 2021, the next available window would have been August 2021. Deferral would have then necessitated investment in plant upkeep until the turnaround could be executed. During the period of postponement, Train 1 would have had no revenue-earning capacity to cover costs for plant upkeep and a delayed turnaround.

- There was a real prospect to earn value through a refurbished Train 1, and a high probability at the time to be able to utilise gas that NGC already paid for by diverting volumes rejected by the downstream as they were seeking contract terms that were uneconomical to the Company.

NGC decisions re. Train 1:

- There was a real prospect for NGC and the country to earn value through the refurbishment of Train 1.

- Given the high uncertainty of domestic demand, there existed the possibility for NGC to monetise the gas volumes rejected by the downstream, who at the time only had short term commitments and were desirous of gas prices and contract terms which were uneconomical and disadvantageous to NGC.

- The gas volumes allocated for the downstream were only committed for short-term extensions based on projections in the depth of the pandemic. Up to April 2021, MHTL took the decision that it could not accept NGC's pricing and decided to take their plants down.

- All shareholders in Train 1 have proportionate fiduciary responsibility with regard to maintenance of the plant. However, each shareholder has different drivers for investment in the Train, and the majority shareholders Shell and bpTT did not have a business case to get approval to cover their portion of the cost for maintenance.

- Although a minority shareholder, NGC, in consultation with the Government, made the decision to cover the entire cost for the maintenance of Train 1 as a matter of national interest and given ongoing unitisation discussions.

- NGC used the opportunity to redirect gas, at least for the period of 2021, when the market could be monitored in consultation with the MEEI, and a holistic view on total gas supply could be assessed for the future.

- In total, NGC remitted TT$224M to Atlantic for Train 1 2021 expenditure, including turnaround costs.

- NGC's investment decision was driven by several factors:
  - The opportunity to recoup otherwise sunk costs from take-or-pay contracts.
  - NGC would be entitled to 100% of the LNG produced which would have provided the Company with the opportunity to recover all costs remitted for the Train 1 TAR activities.
  - Investment in Train 1 equaled an investment in NGC's portfolio diversification as the Company has built a marketing and trading desk to independently sell its equity cargoes from upstream and downstream investments in oil, natural gas liquids, methanol and LNG.
  - Natural gas is projected to have a major role to play in the future of the global energy sector, due to its low carbon output relative to other fossil fuels. This means that LNG will continue to be an important economic driver for Trinidad and Tobago well into the future. Maintaining the operability of Train 1 ensures the country has maximum LNG production capacity to capitalise on current and future market opportunities.

Eventual Outcomes

- The turnaround at Train 1 was completed, but the facility was unable to resume operations at the time.

- Atlantic informed NGC of a safety issue with the plant that needed to be resolved before the plant could start production.

- Due to other planned turnarounds and COVID restrictions, this delayed the window to start up Train 1.

- At that same time, global prices were on the uptick, and most of the downstream plants requested gas volumes for the longer term.

- NGC did not have an obligation to provide gas to the downstream on terms that were uneconomic to the Company. Once the short-term extensions ceased, there was no obligation to provide gas to those companies. The notion of downstream companies "claiming" gas, is a misconception as gas contracts still had to be negotiated and terms agreed and finalised before NGC provided the requested volumes.

- Nevertheless, NGC's priority was to negotiate mutually acceptable economic terms for the volumes requested by downstream companies, and the Company provided those volumes.

- The new circumstances for the downstream also meant the volumes of gas that could have potentially been diverted to Train 1 were no longer available.

The issue of indemnification

- One of the topics getting significant airtime is the request for indemnity made by NGC's Board in respect of certain decisions around Train 1.

- NGC wishes to categorically dismiss any suggestion that this request implies wrongdoing on the part of the NGC Board.

- While NGC stands by its decisions, it must be recognised that there have been other decisions surrounding Train 1, outside the control of the NGC Board, that can have an impact on the future of the train.

- The Directors have rightly expressed that they should not be held liable for those decisions over which they have no control. This is the sole basis for the request for indemnity.

The Board and Management take this opportunity to reiterate their full commitment to transparent, ethically sound and fiscally responsible decision-making, in line with the governance framework and core values of the organisation. The Company remains focused on its founding mandate of creating value for country from natural gas and related businesses and will do all in its power to strengthen public confidence in its brand. This includes correcting any misinformation that is being presented to the public as truth.

In the Appendix that follows NGC wishes to correct some of the misinformation circulating in the media.

Conrad Enill

Chairman, NGC

Appendix

NGC stands to be negatively impacted by the bout of speculative reporting around its decisions in the Train 1 matter, and wishes to correct some of the misstatements identified in recent newspaper articles.

Misstatement: NGC invested TT$400M in Train 1 after the plant had been shut down.
Reality: No, NGC remitted TT$224M to Atlantic for Train 1 2021 expenditure including Train 1 turnaround (TAR) costs.

Misstatement: NGC decided to invest in the maintenance of Train 1 despite being advised, since 2019, by majority shareholders in and gas producers for Train 1 that there was no gas available for the plant's operations.
Reality: Train 1 was operational until Q4 2020. NGC was in a position where there were firm upstream commitments to take the gas, but there was also great uncertainty regarding downstream demand for 2021 due to ongoing negotiations with several large petrochemical consumers. Closure of negotiations was exacerbated by fears of a 2nd and 3rd wave of COVID impact on industrial demand. Throughout 2020, due to COVID impacts and resulting depressed commodity prices, several of the downstream plants made the decision to shut down their operations, at least temporarily, rather than accept natural gas. This resulted in losses for NGC.

Throughout 2020, plans were already in place for Train 1 to undergo a TAR in Q4 2020 but this was paused given uncertainty in the gas supply situation. Atlantic advised that the only available timing to execute the TAR on Train 1 was January 2021, should it be necessary to keep the train in a state of readiness if the situation ever arose where gas became available for processing at the plant. If that maintenance did not take place by January 2021, the next available window would be August 2021 given that there was already planned maintenance scheduled for the other trains.

Given the high uncertainty of domestic demand, there existed the possibility for NGC to monetise those volumes by diverting any gas rejected by the downstream at that time to Train 1 for LNG production, as they only had short term commitments and were seeking prices which were uneconomic to NGC. The majority shareholders for Train 1, Shell and bpTT, did not have a business case to get approval to cover their portion of the cost for maintenance.

Each shareholder would have different drivers for continued investment in the Train. As a matter of national interest and given the ongoing unitisation discussions, NGC in consultation with GORTT, made the decision to cover the entire cost for the maintenance of Train 1 but would be entitled to **100% of the LNG produced to cover the Train 1 costs, which would have given NGC the opportunity to recover all costs and make an upside margin given the uptick in LNG pricing in 2021.**

Upon completion of the maintenance work, Atlantic informed NGC there was a process safety issue with the plant that needed to be resolved before the plant could start production. With other planned turnarounds and COVID restrictions, this delayed the window to start up Train 1. At that same time, global commodity prices were on the uptick, resulting in the downstream companies seeking to reach agreement with NGC to receive gas volumes for the longer term. NGC remained focused on reaching mutually acceptable economic terms with the downstream companies in 2021. The new circumstances for the downstream also meant the volumes of gas that could have potentially been diverted to Train 1 were no longer available.

Misstatement:: "…potentially losing more than a quarter billion dollars in a failed attempt to restart the Atlantic LNG Train 1 plant, relying on natural gas that was already committed to the petrochemical sector."
Reality: NGC did not have firm commitments from several of its major petrochemical consumers who were operating on short-term extensions and had the option to stop taking the gas based on projections in the depth of the pandemic, which did occur in 2020.

Misstatement: "…and having no real prospect of getting the gas in the short-term that is necessary for the plant to restart."
Reality: NGC has firm upstream commitments to take gas and with uncertainty around domestic demand, there was a real prospect to earn attractive returns from the sale of LNG through a refurbished Train 1. NGC however ensured that if required by downstream companies, supply would be prioritised to its domestic customers. Despite strong assertions that NGC's pricing was uneconomic, negotiations were closed for long term contracts with two (2) of its major customers in 2021.

Misstatement: **"**A cursory review of the explanations advanced by NGC's directors for the expenditure on Train 1 reveals several inconsistencies, not the least of which is sourcing the gas supply. The explanations suggest that NGC's supply would be gas allocated to the "shut-in" petrochemical plants in Point Lisas, redeployed to Train 1. But this was a short-term proposition for which there could be no long-term contractual certainty."
Reality: NGC would have had a short-term possibility to monetise the gas it would have paid for. In light of downstream customers rejecting the pricing, and taking plants offline, NGC used the opportunity to redirect gas for at least the period of 2021, when the market conditions could be monitored, and a holistic view could be assessed on total gas supply for the future with the MEEI.

Misstatement: "As soon as international prices rose, shut-in plants reopened and claimed their contractual quantities."
Reality: NGC did not have an obligation to provide gas at uneconomic terms to the Company. Regarding downstream contracts, once the short-term extensions ceased, there was no obligation to provide gas until such time that both parties reached mutual agreement on terms for sale of gas. As such there is no right of downstream companies "claiming" gas until both parties concluded negotiations to arrive at mutually acceptable terms. If no agreement was

reached, it could have also resulted in continued plant shutdowns, but NGC found innovative solutions that allowed both sides to achieve value within a broader context to the mutual benefit of both parties.

Misstatement: “Those who have pointed out that the effort to leverage Train1 was misguided have once again been criticised as being unpatriotic and serving the interests of multinationals.”
Reality: Closing Train 1 at a time of complex and sensitive Atlantic unitisation negotiations would have placed the GORTT and NGC’s equity in a disadvantageous position over the long term, given the strategic importance of the Train as a revenue generator for the country. It would have also meant possibly losing valuable capacity for the future forever, or alternatively all shareholders having to pay hundreds of millions of dollars to either preserve the Train for the long term or decommission the plant permanently.

Misstatement: “NGC decided to rely on excess gas that appeared to be available, but was caught naked when that gas was taken up by the downstream producers to whom the gas was committed.”
Reality: NGC did not have an obligation to provide gas at uneconomic terms to the Company. Regarding downstream contracts, once the short-term extensions ceased, there was no obligation to provide gas. The notion of downstream companies “claiming” gas, is a misconception as gas contracts still had to be negotiated and terms agreed and finalised before NGC provided the requested volumes.