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FEATURED Q&A

What Is Spurring Interest in Trinidad's Energy Sector?

Q Chinese President Xi Jinping recently spent two days in Trinidad and Tobago where talks focused heavily on energy cooperation between the two nations. A few days earlier and ahead of U.S. Vice President Joe Biden's trip to the island, Trinidad signed an agreement with the U.S. Department of Energy to establish a Regional Renewable Energy Research Center in the country. What is the outlook for the country's energy sector? What brings leaders of the world's two economic powerhouses to Trinidad & Tobago? Will promises of international cooperation and investment help the country find and exploit more oil and gas in the wake of recent declines in production?

A Armando Zamora, managing partner at IACI Colombia and global faculty member of the Centre for Energy, Petroleum and Mineral Law and Policy at the University of Dundee in Scotland: "Trinidad and Tobago has been an important source of energy, especially gas, to the Western Hemisphere as it is strategically located in the Caribbean Sea. But it is currently facing challenges to maintain its production levels due to the natural decline of its traditional fields and a lack of investment to develop new reserves. The government is aware of the need to introduce reforms to speed up investment, tap potential in frontier exploration areas and to develop marginal opportunities onshore and near-shore. Other regulatory reforms are needed in the mid-stream to increase flexibility in the transportation and distribution networks to ensure the reliability of the supply to final users. Trinidad's leadership is also aware of the need to diversify away from dependence on energy production and exports and sees an opportunity in the development of alternative sources of energy that offer a more sustainable energy mix. Trinidad has been a reliable trading partner to the United States, with a track record of stability for foreign investment. The country still has

Continued on page 3

Rousseff Meets With Protesters, Vows Transport Spending Hike

Responding to more than a week of massive demonstrations, Brazilian President Dilma Rousseff met Monday with protest leaders. She vowed to boost spending on public transportation and also to push for a plebiscite on political reforms. See story on page 2.

File Photo: Brazilian Government.

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NEWS BRIEFS

Ecuador Fully Analyzing Snowden's Case: Correa

President Rafael Correa said Monday that Ecuador is fully analyzing the case of former U.S. government contractor Edward Snowden, who has requested asylum in the South American country after leaking details of U.S. surveillance programs, the *Miami Herald* reported. Analysts have suggested that Ecuador risks damaging its multi-billion dollar trade relationship with the United States if it grants Snowden's request. Snowden's whereabouts are a mystery after he did not show up for a flight he had been expected to take Monday from Moscow to Havana.

U.S. Senate Approves Border Security Boost in Immigration Bill

The U.S. Senate on Monday night approved $38 billion to increase border security making the immigration bill that would create a 13-year long path to citizenship for many undocumented workers in the United States likely to pass the chamber, BBC News reported. Funds were appropriated to double the number of border patrol agents, construct 700 miles of border fence and for drone aircraft and an employment verification system. The legislation faces an uncertain future, however, in the House of Representatives.

Former Mexican Governor Charged With Embezzlement

Andrés Granier, a former governor of Mexico's Tabasco state, has been charged with money laundering and embezzling millions of dollars in public money, the Associated Press reported Monday. Granier has been hospitalized in Mexico City for 10 days after suffering chest pains. Granier denies any wrongdoing.

Political News

Rousseff Promises Transportation Spending, Talks on Political Reform

In response to more than a week of massive protests across Brazil, President Dilma Rousseff vowed Monday to boost spending on public transportation by $23 billion, to discuss political reforms and outlined five areas in which her government will seek to improve public services, the Associated Press reported. Rousseff announced the measures after meeting with the leaders of an activist group that launched the initial protests over a hike in public transportation fares in São Paulo. The activist group said it would continue to protest, including at a demonstration organized by other groups planned for today in São Paulo. In addition, Rousseff opened a meeting with governors and mayors of 26 capital cities to discuss further improvements. "I mainly want to repeat that my government is listening to democratic voices. We must learn to hear the voices of the street," Rousseff told the local officials, the AP reported. "We all must, without exception, understand these signals with humility and accuracy." The president added that she would seek discussion on holding a plebiscite on political reforms. The special assembly would listen to public comments on actions that should be taken to improve the country's political system. Public anger about corruption has been among the protests' driving forces. Additionally, Rousseff said her government would focus on five main tasks: fiscal responsibility and curbing inflation, political reforms, health care, public transportation and education. Mayara Longo Vivian, a protest leader from the Free Fare Movement, which advocates for free public transportation, was among those meeting Monday with Rousseff. She said the president did not outline any concrete measures to her group and said its "fight would continue." Vivian said that if Brazil has billions of dollars to spend on hosting the 2014 World Cup, then it can also provide free public transportation. "If they have money to build stadiums, they have money for zero tariffs [for public transit]." During Monday's protests, two women were killed when they tried to block a highway and were struck by a car in Goias state. Demonstrators in São Paulo blocked roads to the port of Santos, causing a huge backup of trucks attempting to unload products. And in Brasília, about 300 students blocked some streets as they protested against government corruption.

> "We must learn to hear the voices of the street."
>
> — ***Dilma Rousseff***

Economic News

Chinese Billionaire Says He's Found Investors for Nicaragua Canal

The Chinese billionaire behind Nicaragua's plan to build a canal linking the Pacific and Atlantic oceans says he has attracted investors for the $40 billion project, Bloomberg News reported today. Wang Jing, the chairman and owner of Hong Kong-based **HKND Group** told reporters in Beijing that construction is planned to start by the end of next year and would take six years for completion. Earlier this month, Nicaraguan lawmakers granted a concession to Wang's company for the rights to build the canal, which would compete with the Panama Canal, which is undergoing a $5.25 billion expansion to accommodate larger ships. Nicaragua has given HKND "a lot of guarantees and a lot of benefits" including tax incentives and ones relating to land use, said Wang. He added that his company is not affiliated with China's government. "It is no longer a pure investment; it has become a historical

Wang

File Photo: Bloomberg News.

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milestone," said Wang. "So I don't want it to become a joke or an example of a failed overseas Chinese enterprise." Wang added that his company would build the canal while also protecting the environment. "Neither I nor the investor group wants our names dragged through the mud of history," he said. Wang is the chairman and largest shareholder of **Beijing Xinwei Telecom Technology Co.**, which owns technology that China uses for third-generation mobile services. [Editor's note: See Q&A on the proposed Nicaragua canal in the June 19 issue of the *Advisor*.]

Company News

Azul Linhas Aereas Brasileiras Reportedly Postponing IPO

Brazil's **Azul Linhas Aereas Brasileiras** is postponing its initial public offering due to market conditions, Bloomberg News reported Monday, citing three unnamed people familiar with the matter. Azul, which was created by David Neeleman, the founder of **JetBlue Airways**, had been planning to raise as much as 1 billion reais ($450 million) through the offering,

Azul been planning to raise as much as $450 million through the offering.

one of the people told the news service, which added that the airline is still planning to move ahead with the IPO when market conditions improve. Airline representatives did not respond to Bloomberg's requests for comment on the situation. The report came less than a week after Brazil's top cement producer, **Votorantim Cimentos**, announced June 19 that it had postponed its planned initial public offering, which was expected to raise some $3.7 billion. The IPO was shelved due to "unfavorable market conditions," the cement producer said. In the past month, Brazil's Ibovespa index has slid 18 percent. So far this year, it has plunged 30 percent in dollar terms.

Featured Q&A

Continued from page 1

substantial undiscovered resources and offers a regional platform for investments in energy-related developments. The United States has a geo-political interest in the country due to its location, resources and inclination toward market-based economics. China, on the other hand, has a strategic and long-term interest in developing relations with countries with natural resources. Given the current trends in the world gas market, with a growing presence of unconventional sources in various countries, the United States will likely no longer need as much Trinidadian gas as estimated so there is a common interest between China and Trinidad to explore trade opportunities involving gas and petrochemical products. International cooperation and investment will help maintain exploration and production activities. Technical assistance projects could support the diversification efforts for developments of alternative energy sources, although their real effect could be rather marginal in a country where private investment has been prevalent. However, what Trinidad and Tobago urgently needs is reforms in its legal, regulatory and contractual frameworks to facilitate the flows of private investments that could truly make the difference to its energy future."

A Jorge R. Piñon, former president of Amoco Latin America and director of the Latin America and Caribbean Energy Program at the Center for International Energy and Environmental Policy at the University of Texas at Austin: "What brings world leaders and energy multinationals to a 'small' energy producing country such as Trinidad and Tobago while others rush to the region's resource giants such as Brazil, Argentina, Mexico, Colombia and Venezuela? Resources and governance. According to the *Oil and Gas Journal*, Trinidad has estimated proved reserves of 13,257 billion cubic feet (bcf) of non-associated natural gas; and the USGS 2012 Assessment of Undiscovered Conventional Oil and Gas Resources of South America and the Caribbean estimates a mean of 15,742 bcf of undiscovered conventional natural gas resources in the Tobago Trough Basin. Trinidad also has been able to design fiscal and investment models that create alignment between the objectives of the host government and foreign investors while promoting good governance standards and behaviors. Canada's Fraser Institute 2012 Global Petroleum Survey, an annual survey of international petroleum executives and managers, ranked Trinidad as the third most attractive country in Latin America in which to invest. Shell's recent acquisition of Repsol's T&T LNG assets and China Investment Corporation's acquisition last year of GDF Suez's 10 percent of Atlantic LNG's Train I underscore the statement by Trinidad's minister of energy, Kevin Ramnarine, that 'the Trinidad and Tobago energy journey is far from over.' Also, strategically, the country cannot be caught 'flat-footed' by the growth of shale gas production in the United States which, along with the expansion of the Panama Canal, should lead to a shifting of Trinidad and Tobago's LNG market toward Asia."

A Anthony T. Bryan, professor and senior fellow at the Institute of International Relations at the University of the West Indies in St. Augustine, Trinidad and Tobago: "The visits of the U.S. vice president and the Chinese president to Trinidad and Tobago underscore Trinidad's strategic importance in the Caribbean. For the Chinese, the visit was about public goodwill projects, financial loans, investment, and energy geo-politics—which in the end benefit China. In the case of the United States, it was more about moving away from constant badgering of countries about drug trafficking, the drug wars and illegal immigration and toward developing genuine partnerships that could help resolve some of those issues. Trinidad's heightened profile regionally and internationally is due mainly to its

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Featured Q&A

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position as the Caribbean's major producer of oil and natural gas and its high ranking among the world's leading producers of liquefied natural gas (LNG), methanol and ammonium sulfate. Trinidad and Tobago routinely punches above its weight in global energy matters. Although conventional oil production has been declining in Trinidad for several years (logical since it is the most mature oil province in the Caribbean with 105 years of production), further exploration has been ramped up considerably. The potential for success in the deepwater, which is being explored by global companies such as BHP Billiton and BpTT and a host of smaller entities, some of which include Chinese investment, is good. Estimates suggest there are between 500 million and more than 1 billion barrels of oil equivalent, and substantial reserves of natural gas in deepwater and onshore recoverable wells in areas under exploration. To meet the potential threat from eventual U.S. exports of shale gas, companies are preparing to capture the market in small and medium LNG cargoes that are almost certain to emerge in the Caribbean. The country is also being tasked to speak credibly on behalf of the Caricom region on energy matters. The recent launch of the Caricom energy plan places Trinidad (ironically a producer of energy from fossil fuels) as the point nation in the thrust to implement plans for regional energy security and regional renewable energy research."

> "Trinidad and Tobago routinely punches above its weight in global energy matters."
>
> — ***Anthony T. Bryan***

Anton Edmunds, president and CEO of The Edmunds Group: "Recent visits to Trinidad and Tobago by leaders from the U.S. and China recognize the country as the Caribbean's leading economy. The signing of an agreement to establish a Regional Renewable Research Center stands out as it gives Trinidad an opportunity to be a more mature energy leader. To lead a regional agenda, the country has to embrace more balanced energy policies than it has in the past. Energy inefficiency/waste in particular is an area long ignored by the country. With the United States no longer expected be a major client due to its plans for energy self-sufficiency, Trinidad's possible role in the near-term as a supplier to the markets of the region amid questions about the sustainability of Petrocaribe may well be a U.S. policy consideration. That said, it should not be overlooked that Trinidad and the rest of the region have consistently failed to agree on how best to work together on energy supply and security. Trinidad wants to sell product at market value while its Caribbean neighbors advocate for more favorable terms which will continue to be an issue. In terms of cooperation related to finding and exploiting oil and gas, the reality is that countries like China are being seen as new markets for Trinidadian products. It should be no surprise if the Chinese government and its state controlled investment apparatus end up as a major investor in Trinidad oil and gas exploration. This will happen sooner rather than later if a wary private sector continues to reduce its exposure."

The Advisor *welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.*

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