

ECONOMIC COMMISSION FOR LATIN AMERICA

SEMINAR ON THE LATIN AMERICAN PETROLEUM INDUSTRY

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NOTES ON AGENDA

presented by
R.A. Thomas

I would like to preface the following notes on the Oil Industry of Trinidad and Tobago with the fact that Trinidad and Tobago became Independent in August 1962, prior to which, the policy on oil was formulated by the British Government. Since Independence, there was a Commission of Enquiry set up to investigate the Oil Industry and proposals for a new oil Law are now being considered by Government.

I. Conservation and rational exploitation policies

1. There exists today in Trinidad and Tobago a general conservation law with no regulations. In practice, however, since Government's approval is necessary for the drilling and repair of wells, it is possible to control conservation practices. The law also provides for the control of HGOR wells, but there is no provision for enforcement of unitization, common carriers etc. and this has to be accomplished by obtaining the co-operation of the operators.

In spite of the lack of the law, there has been a considerable increase in recent years in secondary recovery projects and gas utilization schemes. The Government, however, is at present studying this matter with the view to introduce a modern Conservation Law in the near future.

2. One of the main concerns of Trinidad and Tobago is to increase its reserves to production ratio which has remained constant at 10 for the past 10-15 years. In this connection Government has induced Companies to surrender acreages which were not being explored and encouraged others to lease and explore them.

Also Government has included either work or drilling obligations in the most recent concessions granted. In one instance, Government with the assistance of the U.N. has conducted an aeromagnetic survey in a virgin area which will be followed up by seismic work.

II. Investment Policies

1. It has been very difficult in the past to obtain unit and aggregate investment figures, by sector of activity. All expenditures are submitted to Government in a single global figure. It is now planned to request each operator to submit separate accounts by sector of activity, as is done in such places as Venezuela.

2. All financing of oil operations are carried out by the private sector, a major portion of which is controlled by foreign capital. Some of the funds generated are re-invested and the remainder is paid to shareholders in the form of dividends.

The gross income is derived from the sale of refined products and the fee for processing imported crudes. A small amount of crude is exported. Royalty is expensed and the Corporation tax is 44 per centum.

III. Price Policies

1. There is no Government control on the selling price of crude oil and petroleum products. The prices used for these items are based generally on the posted Caribbean prices (Platt's Oilgram) less a small marketing discount of approximately 2 per cent.

Because of the small production of Trinidad and Tobago, the oil companies operating here experience no difficulty in marketing their output.

2. The prices of products f.o.b. local refineries are identical with the posted prices f.o.b. Aruba.

/The typical

The typical structure of Gasoline Prices in Trinidad is as follows:

| | Premium | Regular | Domestic |
|-----------------------------|--------------------|--------------------|-----------------|
| | 95 Research Octane | 83 Research Octane | 60 Motor Octane |
| Posted Refinery Price | 20.09 | 14.71 | 12.88 |
| Refinery Charges | 0.47 | 0.47 | 0.47 |
| Ex Refinery Price | 20.56 | 15.18 | 13.35 |
| Wholesaler Excise Tax | 21.00 | 12.00 | 12.00 |
| Cost to Wholesaler | 41.56 | 27.18 | 25.35 |
| Wholesale Price to Dealers* | 57.00 | 41.50 | 41.50 |
| Retail Price at Stations* | 67.00 | 50.00 | 50.00 |

* Without consideration of effect of discounts or rental concessions.
All values are given in Trinidad and Tobago cents per Imperial Gallon. (\$1 U.S. = \$1.714 TT).

IV. National petroleum policies and their characteristics

Trinidad and Tobago has always granted concessions for oil to private companies. In the past, concessions were granted for a period of 30 years with a right of renewal for an additional 30 years. No work obligations were stipulated and no other fiscal requirements were stated other than rentals, royalties and income tax.

This policy has changed within recent times, where competitive bids are entertained, work obligations are stipulated and other requirements such as review periods are being considered for implementation in the new law.

It would be more difficult for a small country like Trinidad and Tobago to form a State-owned oil enterprise than the many countries in Latin America which have done so. It might be much easier for a Government of a small country to acquire an equity in future concessions where the concessionaire pays all exploration costs and Government participates in the development of the field. Also certain projects in the oil industry could be undertaken by a mixed capital enterprise. A good example would be the utilization

of natural gas and perhaps the participation in petrochemical plants which now enjoy tax-free holidays for 10 years. Since most of the industries in Trinidad and Tobago are export-oriented, then a successful enterprise must have an international Marketing Department to handle its products.

Any Government that depends to a large extent on oil must play an important role in the exploration and development of its oil reserves. It becomes more important when one considers oil as a wasting asset and the imperative need to diversify the economy.

V. The role of the petroleum industry in the economic integration of Latin America

Crude petroleum and petroleum products should play an important role in the economic integration of Latin America. The main problem however, seems to be one of similarity of other export products of most countries in the region.

Trade in equipment and materials for the petroleum industry does seem to hold out hopeful prospects. At present, there is no steel industry in Trinidad and Tobago, but there are a few parties interested in starting up a steel mill here. There is however, a large barytes manufacturing plant and several small assembly plants which could export material and equipment to other Latin American countries.