

**Robert Riley: “Energy and Competitiveness in the Americas”  
Presented by bpTT Chairman and CEO Robert Riley  
at the  
IV OAS Private Sector Forum, Panama  
“Energy for Development in the Americas:  
the Role of Public/Private partnerships”**

**Salutations**

**H.E. Martín Torrijos**, President of the Republic of Panama

**Ernesto Gutiérrez**, President, Private Sector of the Americas

**José Miguel Insulza**, Secretary General, Organization of American States, OAS

**Moderator: Susan Segal**, President and CEO, Council of the Americas

**Alejandro Bulgheroni**, President, Pan American Energy, Argentina

**Rafael Jaen Williamson**, Regional Manager, Policy, Public and Governmental Affairs,  
Chevron Latin America

**Luis Manuel Kolster**, Director of Public Policy, General Motors Latin America, Africa  
and Middle East

It’s great to be here in Panama, where people from the Caribbean came to 100 years ago to assist with the construction of the Canal. And I am told that generations of West Indians stayed here, indeed, did this wonderful thing of spreading up and down the Isthmus. I therefore feel at home and look forward to meeting with West Indians generations removed from my part of the world.

It’s also a refreshing feeling that we the people of Central and South America are coming together in our part of the Hemisphere breaking the old pattern of linking only with the North.

In the circumstances I have been very happy about the invitation to share with you.

Time was when undesirable gaps were allowed to exist between the Public and Private Sectors; when multinational corporations could be perceived to be the enemies of a State and by extension the citizens of a country. Time was too when competitiveness by the State Sector to achieve maximum benefit from national resources could have been considered of marginal significance; time also when multinational corporations seeking competitiveness were considered exploitative.

Those times have gone in the energy and general business sector of the Caribbean sub-region of the Americas from which I come.

That is so for a number of reasons which I intend to raise for discussion today.

### **Energy a common factor**

To address the subject upon which I have been invited to reflect, there is a relationship between Energy and Competitiveness for those countries which export hydrocarbon products. And, there is another kind of relationship between Energy and Competitiveness in those countries which are energy-dependent.

In the first instance, countries with energy resources such as Trinidad and Tobago are using the revenue derived from raw energy to develop competitive downstream industrial sectors in their economies.

So too is Trinidad and Tobago seeking to graft-on and nurture non-energy sectors to its domestic economy with the objective of those sectors becoming internationally competitive.

Trinidad and Tobago is also subsidizing various forms of energy usage: including electricity, petrol and cooking gas to allow its citizens to receive direct development benefits from energy mining and production and the existing high international market prices.

The energy-deficient countries in the Caribbean however are not so fortunate and for them, the need to purchase energy products at the prevailing high international prices is making production in those economies highly uncompetitive.

These small and energy-dependent countries of the eastern Caribbean and the relatively larger Jamaica in the north are in desperate straits to meet their energy bills, make payments on ever-increasing mounds of public debt at the same time attempt to stimulate economic activity which could provide the growth required.

The future looks no brighter as the International Energy Agency is projecting that oil prices will decline only marginally to US\$47 per barrel over the next decade but will then rise steadily to 2030. The indication from the IEA is for gas prices to follow the lead set by international oil prices.

The problems of our region are the problems of energy and development worldwide: energy production is concentrated in a few countries. And to meet the needs of an estimated 37 per cent increase in demand to 2030, the IEA has estimated the requirement of US\$20 trillion in new investment in mining and production. Investment in

energy exploration therefore is a challenge private corporations operating in the Caribbean will have to confront with the governments providing the correct framework.

## **Energy and Development**

The fallout effects from high energy costs and mounting public debt in the Caribbean have the potential to negatively impact on the sub-region.

To illustrate the situation with the public debt, the Economic Commission for Latin America says in per capita terms, the Caribbean is the most heavily indebted region of the world. In the majority of those countries, the public debt amounts to more than the 100 per cent of the GDP and debt servicing payments require large annual leakage of foreign exchange needed for investment.

This is a phenomenon that Latin America knows very well having gone through the “Lost 80s” when development investment and the possibility of international competitiveness took second place to making debt payments and fighting inflation.

I expect therefore Latin America will be far more experienced to fight off the foe if he comes along again.

Of particular concern to us in this Private Sector Forum is the reality that high energy costs and the lack of a new and encouraging economic partnership with the North have begun to make centrally-controlled economies attractive propositions to populations of energy-dependent countries especially in South America.

Thankfully that kind of economic system remains unattractive in the English-speaking Caribbean. However, the equally disruptive menace of drug trafficking through

the Caribbean Sea to the drug-consuming countries of the North has emerged as a means of livelihood for thousands of people.

As always with drug trafficking and drug addiction, as all of the drugs do not go directly through, criminal activity is now a major problem in the sub-region.

In the circumstances, the challenge for the sub-region of the Caribbean is to find mechanisms that could soften the blow of high energy costs and in the process stimulate economic growth and competitiveness in the energy-importing countries of the region.

But even energy-exporting countries such as Trinidad and Tobago also have challenges to avoid inflationary expenditure and to achieve and maintain competitiveness in the energy and non-energy sectors for their exports.

Achieving high productivity rates, keeping labour costs within check for our exports to remain competitive and ever developing the skills and human capacity in the work force are proving to be absolutely essential even in the energy exporting economy of Trinidad and Tobago.

As an example of this challenge, towards the end of 2006 inflation reached the threatening double digit level in Trinidad and Tobago. However, the Central Bank recently reported that its monetary measures have dragged the inflationary trends back from the precipice during the first five months of 2007.

The big point is that social and political stability depends heavily on getting the mix right as without it, energy and competitiveness as a facilitator of development will not have a chance.

A report by the United Nations Development Programme on the achievement of the UN's Millennium Development Goals to reduce poverty and spur development is

convinced that Multinational Corporations have to establish partnerships with the State to alleviate poverty and to foster human development.

BP is at one with the UNDP on that score. Our corporate policy states that “a good and successful business is part of society, and exists to meet society’s needs. That is the purpose of business at the highest level”.

### **Regional Cooperation Essential**

The second major challenge to achieve energy sufficiency and competitiveness as a sub-region is the task of creating stronger regional trading partners for energy exporters such as Trinidad and Tobago.

The reality is that Trinidad and Tobago as one energy exporting country amongst 14 energy-consuming countries in the Caribbean Community (CARICOM) grouping will not on its own be able to realise national economic objectives, including competitiveness.

It would be the same for major energy exporting countries such as Venezuela and Mexico if these energy exporting giants did not have around them vibrant economic partners in South and Central America.

In the sub-region of the Caribbean an attempt is being made through the CARICOM Single Market and Economy to achieve greater economic reach and competitiveness as a group of countries. Under the CSME the conditions are being

created for capital and human resources to move freely to their best productive use around the 15 member-states of the sub-region.

In the CARICOM model, revenues earned by the energy sector in Trinidad and Tobago can be invested in other countries in the region using their human and physical resources to develop business, agriculture, tourism and financial services. And this is vital now that the old industries, sugar and banana are all but comatose; traditional preferences in Europe having been withdrawn.

Co-operation in industrial and commercial programming would give enterprises the space and markets needed for them to grow large and become competitive.

And while some attempt is being made, there is need for greater effort to cushion the blow of the high cost of energy to the energy-dependent countries. Such programmes and mechanisms are needed to allow energy importers to utilise more of their earnings to productive and competitive investment.

If achieved, the cooperation between energy sufficient and energy deficient countries can liberate the potential for non-energy economic activities and propel the emergence of a community of strong trading partners.

One very vital element of the cooperation towards competitiveness is to proceed without confrontation within countries, amongst trading partners and with other countries in the Hemisphere. Confrontational postures have the potential to divide the region and Hemisphere into arenas for ideological warfare.

## **Private/Public Partnerships work in Trinidad**

And this is yet another area for the private sector energy corporations operating in the hemisphere to influence the discussion and to focus the basis for cooperation on economic and social development and away from ideological dogma.

One such example is the opportunity that now exists for cooperation between the governments of Trinidad and Tobago and Venezuela, and between private and public sector energy corporations to exploit the resources in the seabed between the two neighbours.

Over the next several months much discussion and cooperative effort will have to take place amongst the companies and the governments to extract the resources and use them to bring greater energy sufficiency and competitiveness to the sub-region.

What this calls for amongst business and governmental leaders is greater pragmatism in the approach to the challenge.

In this regard, what is required especially in a small and traditionally inward-looking region is the development of a foreign policy that is oriented towards making space and striking alliances with other countries and groups of countries. No place better to initiate the outward reach than with the sub-regions of the Hemisphere; no better time than the present to do so; and no sector more propitious to do it in than the energy sector. It is the sector which has the greatest potential to increase the individual and collective competitiveness of countries.

It is this projection of itself beyond the limits of its own territory which propelled the United States to becoming a world power after its own self-imposed isolationist policy prior to the turn of the 20<sup>th</sup> century.

Corporations have the enterprise, technology, capital, markets and the business acumen to achieve the competitiveness.

In addition to possessing the territory holding the energy resources, Governments have the right and responsibility to develop the framework to facilitate successful extraction and exploitation of the resources to achieve greater levels of competitiveness.

It is the government too which will have to outline the direction for energy cooperation, for interaction between and amongst states and to give direction for competitiveness to take hold and develop. In this regard, there exists a highly successful partnership between the State and Private Sector in Trinidad and Tobago. Trinidad and Tobago as you may know is one of the world's oldest known hydrocarbon provinces. The drilling of its first oil well preceded the Drake well and was drilled in 1857. In the exploitation of this resource it has always utilised public/private sector partnership but it is with the advent of its independence that Trinidad and Tobago really began to leverage the value of public/private sector partnership in the development of a competitive economy and economic development. With its independence from Britain in 1962 it almost immediately set to work to exploit its hydrocarbon resources in the Columbus Basin offshore the South East Coast of and licensed acreage to Amoco then called Standard Oil and from other companies. The regime it set up was an oil royalty system

The country and these private sector companies had to wait almost 10 years before the first major offshore find of “big oil” in the Team field in 1972 was made. This find set off the first major driving force of the country’s economic development post independence.

Through the 70’s and 80’s, particularly as the price of oil increased, the economy soared and the government created a suitable oil taxation regime and framework for regulating the industry and began to leverage any gas it could aggregate, not allowing it to be wasted. It began to move electricity generation from fuel oil to gas, the cleaner and less costly product, thereby leveraging for its emerging light and medium manufacturing sector.

This sector is now the most efficient in the sub-region of the Caricom today. The government also leveraged Amoco then producing in excess of 170,000 bopd to build the first ammonia plant downstream utilising gas aggregated by the state through a state public enterprise company, in partnership with the government.

And so the post independent Trinidad and Tobago through the 60’s, 70’s and 80’s leveraged the capital, access to technology and know how of the transnational Amoco to exploit Oil and, with the gain from oil taxation and with great vision, began also to leverage gas to build a midstream. The country invited other companies and the government itself invested in building Methanol and Ammonia plants at an industrial estate it set up on the West Coast of the island. These plants leveraged the ever increasing supplies of gas produced in the production of oil.

With the fall of high oil prices and no new discoveries of oil, the economy settled but through a cooperative approach Trinidad and Tobago adjusted the array of tax and fiscal incentives which improved the risk/reward for gas exploration and exploitation in Trinidad. This started the second phase of the public/private sector partnership of gas exploitation in the economy. With the increased focus on gas and major rapid success in gas exploration, Trinidad in partnership with Amoco (now BP), BG, Suez and the National Gas Company has created a world class LNG export business. Here, the know how of these gas transnationals has again been leveraged as well as our strong balance sheets. Most of this product is exported to the United States and Atlantic LNG now exports 15 million tonnes of LNG per year with the start up from Train 4 of the plant.

Today the economy is going growing rapidly and arguable is one of the most stable and consistent economies in the region over the last 15 years. Trinidad production of gas and oil now exceeds 750,000 boed and it is the largest merchant producer of Methanol and Ammonia. The industrial estate on the West Coast of the Island lists 7 Methanol and 10 Ammonia Plants. Over 1200 companies across the Island utilise gas for for electricity, product feedstock and for cooling creating and sustaining a competitive manufacturing sector, regional and world class competitiveness in LNG, Methanol and Ammonia exports.

It was the Government which identified natural gas as a product to be developed for commercial use; the Government too has laid down the policies for the utilisation and down-stream development of raw materials. Recently, the Government of Trinidad and

Tobago in cooperation with the private sector in energy, re-fashioned the taxation regime to encourage exploration and production and to increase the State's share of oil and gas revenues.

In response, private sector companies such as bpTT have gone out and explored for hydrocarbons, mined those resources and produced the resources in commercial value allowing the Government to draw down large revenues to stimulate economic development and competitiveness in the rest of the economy.

But given that required investment in exploration and production has to rise dramatically over the next 20 years, there must be even greater levels of cooperation between private investors and governments.

I am aware that in the various sub-regions of the Hemisphere, the Southern Cone countries within Mercusor, the Andean Group and of course in the Central American Common Market similar kinds of strategies are developing, a couple of them perhaps even more advanced than those in CARICOM.

What is needed now are the partnerships between the public and private sectors each bringing its strengths to the table. In the past initiatives by Caribbean governments to develop regional co-operation within the state sector, ignoring the private sector, have failed. The business community, the energy sector included, must begin to influence cooperative efforts between energy importers and exporters.

**People are Important**

Similarly, governments must not commit the past error of leaving the general population out of the discussion. The populations of both energy exporting and energy importing countries need to be informed on the benefits of cooperative effort.

People must be made to fully understand why energy giants such as Venezuela and Mexico would want to join association with small energy-dependent countries in the Caribbean, Central and South America.

The governments of the energy-rich countries must inform and convince their populations about the economic wisdom of assisting small countries to become competitive trading partners.

But we in the Caribbean don't have all day to achieve competitive energy sufficiency. Trinidad and Tobago's reserves of oil and gas are not inexhaustible. Indeed a number of time frames have been placed on how long the gas and oil reserves will last in Trinidad and Tobago. Those time frames range between 20 to 50 years.

Deliberate speed to efficiently utilise energy resources for greater competitiveness is the need of today.