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Prime Minister's Opening Address to the Discussion on
Best Use of Our Petroleum Resources.

January 13, 1975.

I join my colleague the Minister of Petroleum and Mines in extending a warm welcome to all the participants in this Discussion on the Best Use of our Petroleum Resources, especially the company representatives, whether from oil or fertiliser or steel, whether from the United States or Japan or Germany who are not normally resident in Trinidad and Tobago. I extend a very special welcome to the Oil Mission from the People's Republic of China led by the Vice-Minister of Fuel and Chemical Industries whose visit to us as part of a Latin American tour results from the agreement reached with the Government of the People's Republic of China on the occasion of my State visit to Peking last November.

One of the oldest but smallest oil-producing countries of the world, Trinidad and Tobago, faced in the '60s declining oil revenues due to the decline in land production and the large discounts offered by the oil companies in that period. One of the major oil companies, British Petroleum packed up and left for other more promising areas. Trinidad and Tobago therefore turned its attention to its offshore prospects - the Soldado area in the Gulf of Paria which emerged in the middle of the 1950s and was on the decline, and the East Coast which began to produce in the early '70s. New areas have recently been given out for exploration on the North Coast and in much deeper water off the East Coast.

The result, as participants will see from the statistics in the Basic Discussion Paper, is a one-third increase in production between 1970 and 1974 - while land production declined by one-quarter, marine production doubled. The forecast for the next few years is a steady decline from a peak in 1979, with the 1982 figure being reduced to the production figure in 1976. This excludes, however the potential in the new areas on the East Coast and the North Coast. To the extent that these areas prove productive, the oil refining industry will reflect a greater dependence on indigenous crude as against imported crude than it has done for the past fifteen years. The discoveries of natural gas are reflected in the statistics as

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presented on gas reserves in relation to present demands.

This is the situation in respect of our petroleum resources as this Discussion is convened. The Government's policy has developed as follows:

1. First priority is the full utilisation of existing resources and the location of new resources. The prospect for locating additional gas reserves is illustrated by the fact that one of the companies present here today is, with the approval of the Government, making an intensive study of the gas situation with a view to the reactivation of the liquefied natural gas project mooted some years ago but deferred in order to give priority to the local demands for gas. Present prices for both oil and gas enhance the land resources which were not viable in the period of depressed prices, and make possible more modern technology, for example secondary recovery and deeper drilling. In this context seismic and geological investigations are now under way with the assistance of the United Nations. Here we have to face the danger of substitutes for oil on the one hand, and the threat from new discoveries on the other as they will affect oil production and therefore oil prices.

2. Increase of the tax take per barrel in conformity with the international pattern set by the OPEC countries and by Canada with its export tax on oil and gas. This has been the aim of the Government's petroleum legislation last year and the increase of the taxes on oil companies.

3. Greater control by the Government of our petroleum resources and decision-making in the oil industry. This is reflected in the new production-sharing contracts on the Peruvian pattern in the recent exploration concessions awarded off the East Coast, in the purchase of the holdings of Shell Trinidad Ltd., and in the majority Government participation in Trinidad-Tesoro, the successor to British Petroleum. Discussions are in progress in respect of Government participation in the existing operations of Texaco.

4. Greater emphasis by the Government on downstream operations in the petroleum industry with majority Government participation.

Current examples are:

- * Agreement reached in principle and about to be finalised with Texaco in respect of two petrochemical plants, with discussions proceeding in respect of three other plants.

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- * Agreement reached with W.R. Grace & Co. in respect of a second ammonia plant with discussions proceeding on Government participation in the existing Grace ammonia plant.
- * Negotiations in progress with ANOCO, Hoechst and Keiser Corporation in respect of ammonia plants.

5. Government purchase of the gas stations formerly owned by British Petroleum, Shell and Esso, responsibility for marketing being vested (or about to be vested) in the National Petroleum Marketing Company.

6. Government ownership of the gas pipeline under construction.

7. Discussions are in progress, as the documentation indicates, in respect of the development, with Government participation, of the following additional areas of petroleum or petroleum based activity;

- * Further petrochemical development, based on both oil and gas.
- * Additional fertiliser plants.
- * Energy-based industries with priority to steel from imported iron ore and aluminium from imported alumina.
- * LNG, as I have already indicated.

8. The possibility of participation in shipping operations - taking into account general cargo and foodstuffs as well as oil tankers and specialised LNG tankers - is now being explored.

9. The use of oil revenues for the general economic development of Trinidad and Tobago keeping the Caribbean Community area in mind.

We have just concluded a valuable Discussion with international agencies and oil and fertiliser companies in respect of the greater application of oil resources and revenues to increased food production not only for Trinidad and Tobago but for the Caribbean area, utilising the technical expertise, managerial experience and marketing strength especially in respect of exports of these companies. This expanded agricultural production, as well as the development of new oil and energy-based industries, will involve the preparation of appropriate sites and heavy infrastructure investment.

I therefore draw the attention of participants to our recent 1975 Budget and the provision of Special Funds - or the expansion of such Funds as were created in the 1974 Budget - to meet these obligations.

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These Funds are: (a) the Petroleum Development Fund to finance the Government's participation in the petroleum industry or in energy-based industries, (b) the Food Development Fund for increasing the production of food for local consumption and export, improving marketing, and developing new areas; (c) the Industrial Estates Fund, for the infrastructure development of sites for the location of industries related to energy; (d) the Caribbean Integration Fund to take into account food production and the development of forest products in the Caribbean, and the shipping needs arising therefrom.

This Discussion will emphasise, I hope, the alternative possibilities before the country in respect of the best use of our small resources, taking account of potential and prospects. One suggestion made to us already is that too great a proportion of gas resources is being allocated to fertilizer in the context of possible over supply in the years ahead. We have heard another suggestion querying the allocation of gas resources to aluminium in the context of the uncertainty of future aluminium prices and possible over production.

Our basic policy is clear - to put the Government in the driving seat with a view to working out rational plans for development in the national interest avoiding as far as possible duplication among competing companies, and to diversify that development; or, as I have said before, to expand horizontally over the entire field of industrial development rather than vertically by concentrating on only one particular area of development.

We face two major dangers on the international scene - the first that we are being treated, even by the international financial institutions, as if we are a major oil producer; the second, import quotas and restrictions by consuming countries, which enhance the importance of our association with major corporations in respect of the disposal of our products, both petroleum and agricultural.

No one can look upon us and claim that our oil revenues threaten to disrupt the monetary stability of the world. In all the concern over the recycling of petrodollars, ours are being used emphatically in and for the Caribbean. Insofar as we go outside of the Caribbean, it is in respect of operations related to our agriculture, such as participation in agricultural chemical companies or companies manufacturing agricultural equipment or the processing of food products.

We would not appear to be involved in the current excitement, which vastly disturbs us, as a member state of the United Nations, over investments in developed countries by oil-producing countries,

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with the open threat that those in western countries who are so quick to show hostile reactions to nationalisation in developing countries will now seek to nationalise foreign investment in their own countries, on the ground that what is sauce for the goose is sauce for the gander.

Nor would we appear to be involved (I hope I am right in this) in what disturbs us even more, threat of resort to military action to preserve the oil supplies of the developed countries and to reduce the price of oil - the figure of \$5 US per barrel has even, in at least one instance, been suggested.

All this involves our own position in the United Nations and the Organisation of American States, as well as our relations with the non-aligned countries.

I wish you well in your deliberations, and will, with my Cabinet colleagues, await their outcome with great interest.