Trinidad and Tobago Improves Its Global Petroleum Survey Ranking

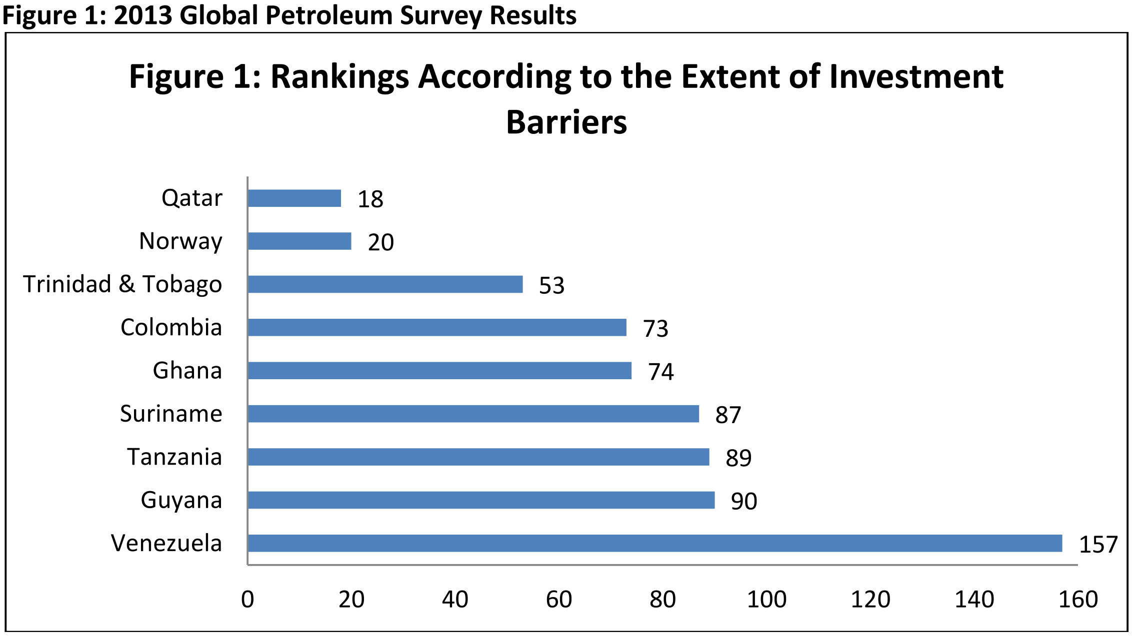
Trinidad & Tobago is now ranked 53rd out of 157 countries in the Global Petroleum Survey, a global benchmarking survey to assess how attractive various jurisdictions are for oil and gas investment. We are now in the second quintile, having improved from a ranking of 69 out of 147 countries in 2012.

The 7th Global Petroleum Survey conducted by the Fraser Institute in Canada measures global oil and gas executives' opinions of the investment climate in energy jurisdictions around the globe, assessing fiscal terms, the regulatory environment and socio-economic performance. This annual survey shows how upstream executives and managers perceive the level of investment barriers in different jurisdictions around the world. For federal countries, such as the US, Canada and Australia, the survey ranks states or provinces separately.

A higher ranking suggests that investors deem the jurisdiction as having a high level of investment barriers, and by extension they are seen as being relatively unattractive for investment. In 2013, Trinidad and Tobago rose to the second quintile, a step up from 2012 where we were ranked in the third quintile of countries surveyed. Although we were outperformed by other energy provinces such as Qatar and Norway, Trinidad & Tobago was seen as being more attractive for oil and gas investment than our neighbouring competitors such as Colombia, Suriname, and Guyana. (See Figure 1)

Globally, Russia, Iraq, Bolivia, Venezuela and Ecuador, were among the top ten jurisdictions which were perceived as having the greatest barriers to investment. These jurisdictions were also in the ten least jurisdictions for investment in the 2012 survey. While, Oklahoma, Mississippi, Texas and Manitoba were among the top ten jurisdictions perceived as the most attractive for investment in petroleum exploration and development.

Figure 1: 2013 Global Petroleum Survey Results



Trade regulations and currency controls and the cost of regulatory compliance were not seen as being major barriers to investment in T&T. Nevertheless, the report highlights several areas for improvement. A large percentage of respondents (20% or more) believed that exploration and development could increase by more than 100 percent in T&T, if we were to adopt best practices in areas such as royalties, environment regulations, and a fair and transparent legal system. Other areas for improvement include labour availability, the quality of infrastructure, and the administration, interpretation and enforcement of regulations.

It should be remembered that the rankings in the report do not account for the extent of the jurisdictions' proved oil and gas reserves. Therefore, it is likely for a jurisdiction with relatively small or no reserves to score higher on evaluations of their business conditions, fiscal regimes, among other factors, than jurisdictions with much larger reserves.

Commercial Environment Index

Given the significant outlay required to develop hydrocarbon fields, it is essential that investors are encouraged by the commercial environment in potential markets. The survey's Commercial Environment Index ranks jurisdictions on five key factors. These factors relate to government requirements in terms of production sharing contracts and royalty payments (fiscal regime); the taxation regime, trade barriers (tariff & non-tariff barriers and restrictions on profit repatriation); the quality of infrastructure and labour availability.

Based on these factors, Venezuela, Iran and Bolivia, sat among the top 10 least attractive jurisdictions. However, the report states that Oklahoma ranks as the most commercially attractive jurisdiction again, followed closely by Mississippi and Texas.

Interestingly, the jump in our performance to the second quartile and higher global ranking was as a result of less negativity for all factors in our commercial environment. For example, 61 percent of respondents felt the country's fiscal terms either encouraged investment or were not a deterrent to investment. Similarly, 62 percent of respondents thought our taxation regime either encouraged investment or was not a deterrent to investment.

In the past two years, several changes to this country's fiscal regime have had a positive impact on activity levels in the upstream sector. Some of these reforms include a revised model Production Sharing Contracts for deepwater exploration and production, fixing an anomaly that meant older marine licenses carried higher Supplemental Petroleum Tax (SPT) rates, removal of VAT from large items of oilfield equipment and vessels, wear and tear allowances for gas compression facilities and capital allowances for exploration.

Regulatory Climate Index

In the survey, a country's regulatory climate index score was based on perceived uncertainty in how regulations are enforced, administered and interpreted, the cost of regulatory compliance plus regulatory duplication and inconsistencies. The index score was also based on legal system fairness and transparency and uncertainty in changes to environmental regulations.

Overall, Trinidad and Tobago ranked 39th out of 157 countries in the regulatory climate index, a significant improvement when compared to the 2012 ranking where the country ranked 61st out of 147 countries. Our neighbours Colombia (72nd) and Guyana (66th) all scored lower on the 2013 index despite scoring higher than Trinidad and Tobago in 2012 when Colombia ranked 57th and Guyana 20th.

Further review of the data reveals that Trinidad and Tobago's regulatory climate does not act as a severe barrier to investment. For example, when respondents were quizzed on the uncertainty concerning changes to environmental regulations, 22 percent noted this was a mild deterrent to investment while 62 percent felt this was not a deterrent to investment. Thirty-one percent of respondents believed the current labour regulations, employment agreements, work disruptions and local requirements were a mild deterrent to investment. The other 69 percent of respondents felt the labour regulations and employee agreements, coupled with little work disruptions, were either not deterrents or encouraged investment.

The country also demonstrated consistency in its administration, interpretation and enforcement of regulations. Twenty-five percent of respondents felt shortcomings in this area were only a mild deterrent to investment while the other 75 percent felt this area either did not deter investment or attracted investment. In other categories such as our legal system fairness and transparency as well as regulatory duplication and inconsistencies, an overwhelming 70 percent of respondents and 78 percent of respondents, respectively, deemed these as areas where any faults did not deter investment.

Conclusion

In a globalized world with free movement of capital, attracting investment from international sources requires the creation of a competitive economy. And as international investors have many different options about where they can place their investment dollars, it is important that we benchmark our economy against other global economies. Benchmarking exercises not only help us determine how we are doing compared to our competitors, but also highlight areas of strength and weakness within the competitiveness framework for the country. Based on the survey, the country has some advantages that we can use as leverage such as our quality of infrastructure and our legal system but there are also areas where we need to reform and institute real change.

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