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NJAC Viewpoint

Natural Gas and Our Future – Part 11

Ministry Must Give LNG Answers

Today, the National Joint Action Committee continues to look at the situation of natural gas in Trinidad and Tobago as we present Part 11 on this question. The issue of the adequacy of our natural gas reserves was highlighted by BP in its publication “BP statistical review of World Energy, 2005.

“Expansion of LNG production capacity of T&T beyond a fourth train should take into account the reserves to production (RP) ratio for T&T was 19.2.

The RP ratio is calculated by dividing the proven reserves of natural gas by the rate of natural gas by the rate of production. A comparison with other LNG exporting countries indicates decline in the coming years as a result of the coming on stream of several gas-based projects.”

BP’s input had been preceded by two very important developments in the year 2004. Firstly, the then President of the South Trinidad Chamber of Commerce, Dr. Jim Lee Young, speaking at the annual petroleum conference in February, 2004 expressed grave concern at the state of natural gas reserves.

“The decline is worrisome...In the recent past graphs of the reservoir illustrated upward trends for 15-20 years before falling away. Now we’re seeing a descent into a plateau configuration. The descent is visible after 10 productive years, and then a slump begins to take shape it means there must be new gas discoveries, or a reduction in our production levels. “Lee Young was critical of government’s energy policy and stated that there might be no gas boom and that talk of LNG Trains V and VI seemed premature. He said observers were asking where the gas supplies are going to come from.

The South Chamber head was severely criticised by both the Prime Minister Patrick Manning and Energy Minister Eric Williams for the statements. In fact, Williams remarked that Lee Young was himself premature in making the statements. He reiterated that TT’s proven gas reserves were 20.8 trillion cubic feet (tcf).

By the month of October, 2004, the Energy Minister officially declared a downgrading of the country’s proven natural gas reserves by 1.95 tcf. One leading energy specialist responded this way:

“This disturbing revelation was mentioned so casually you would think Williams was talking about how many sugars he would be having in his cup of tea during the break. Equally surprising at least from the newspaper reports of the debate, is that no one on the opposite side of Parliament appears to have picked it up, with the sole exception of Independent Senator Basharat Ali a distinguished member of the energy profession.

“Up until William’s declaration, the officially accepted figures of our natural gas reserves were as follows:

proven reserves 20.76 trillion cubic feet (ctcf)

probable reserves 8.28 tcf

possible reserves 6.06 tcf

Source: Energy Caribbean October 2004 issue

“But the minister has now downgraded the proven reserves to 18.8 tcf and the probable reserves to 5.89 tcf, while hiking the possible – the least dependable of the three categories – to 8.63 tcf.

“The new total of 3P reserves, as they are called, is now 33.33 tcf, compared with 35.10 tcf previously”. The biggest loss has been in probable gas reserves which the Society of Petroleum Engineers (SPE) defines as “those improved reserves, which analysis of geological and engineering data suggests, are more likely than not to be recoverable.”

“Possible reserves, on the other hand, are those less likely to be recoverable”.

“The reserves that really matter and which commercial banks study carefully when asked to provide financial support for a particular gas-based investment, are proven reserves which the SPE describes as those quantities of petroleum (oil or gas) which by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable under current economic conditions, operating methods and government regulations.

“According to the minister, we have lost 1.95 tcf of those. The presumed reason for that which Williams chose not to dilate upon is that those reserves were “used up” in production last year and not replaced. Worse, the reserves that would normally be shifted over to proven following drilling and reservoir analysis – probable reserves – themselves went down by 2.39 tcf.

For a government that is depending on natural gas to increase value added at every stage of the natural gas chain (Manning) and to enhance the diversification thrust in the downstream gas sub-sector (Williams), these reserve losses should be setting off loud alarm bells in the corridors of both Whitehall and Riverside Plaza.

“Before the minister’s reference to gas reserves in the budget debate, bpTT had produced estimates to show that even the 20.76 tcf of proven gas would all have been used up by the committed projects through to Train 4 and “near term” domestic growth.

“...so, taking Williams’s statement at face value, even some investments already signed off might be gas challenged at a much earlier stage than had previously seemed likely”. (The David Renwick Column Thursday October 28, 2004 Business Guardian pg 19).

By December of 2005, the natural gas challenge became headline news. In a front page article entitled, Gas reserves DOES TRINIDAD REALLY HAVE ENOUGH GAS FOR ALL ITS PROJECTS? Energy Caribbean issue number 22 reported:

“Is a gas shortage looming in Trinidad and Tobago that could have the effect of temporarily halting petrochemical development in particular and possible further expansion into liquefied natural gas (LNG)?

Many informed analysts think that this is certainly the case and the ministry of energy may be keeping the matter low-key, in order to avoid drawing too much attention to it.

To be continued.