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Trinidad Government Projects Massive Losses Following Latest Oil Price Drop

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Petrotrin Oil Refinery in Trinidad **By. ALAMY**

PORT OF SPAIN, Trinidad, CMC – The Trinidad and Tobago government Tuesday said it expects a TT$3.5 billion (One TT dollar=S$0.16 cents) shortfall in oil and gas revenue this year as it reacted to the latest decline in the price of a barrel on oil on the global market.

But Finance Minister Colm Imbert told a news conference that the Keith Rowley administration “had been down that road before” and he expects the country will be able to deal with the situation as a result of the measure that had been implemented in the past to deal with the billions of dollars lost in oil and gas revenue.

“We have done a projection going forward for the rest of fiscal 2020. Up to now we were fairly on target with our revenues….we achieved an oil price of just over US$60 and together with the production volumes we were achieving we were more or less on target in terms of fiscal operations for the first four months of the year,” Imbert said.

The latest oil price decline followed the price war between Saudi Arabia and Russia sending crude prices into one of the steepest falls in history on Monday, compounding depressed global demand from the coronavirus (COVID-19).

Moscow’s refusal to cut its oil output by a half-million barrels a day shattered the unusual three-year marriage of OPEC, led by the Saudis, and major non-OPEC producers, led by Russia, as oil producers scrambled to find a way to respond to weakening global demand resulting from the deepening crisis over the novel coronavirus.

Saudi Arabia, angered by Moscow’s position, said Sunday that it would open its spigots and drive down prices, making this oil price cycle the only one in nearly a century to combine weak demand with a global price war.

Imber told reporters that Trinidad and Tobago had started to feel the pinch of the loss in revenue from February when oil prices started to drop off “and obviously now it is every serious.

“So we have done our projections and we are using now an average price for the year of US$40 dollars (per barrel of oil) and a well head price for gas…(when) used three dollars for the budget, we are now using a well head price of US$1.80 cents.

“We are assuming a sort of a worst case scenario. So we are saying oil will average US$40 for the fiscal year and gas will average US$1.80 cents. Our calculations tells us that this will result in a loss of revenue of somewhere in the vicinity of TT$3.5 billion for the year.”

Imbert told reporters that energy sector revenue in 2014 was almost TT$28.5 billion dollars and by 2016 that had dropped to TT$7.5 billion. So TT$21 billion had dropped out of the energy sector revenue between 2014-16.

He said last year, the revenue jumped to TT$17 billion “ so we were able to increase it from TT$7.5 billion to TT$17 billion which is almost a 10 billion dollar increase and that’s based on a combination of things (and) as I said we reformed the energy taxation regime to give us more revenue for the hydrocarbon that belongs to us and the people of Trinidad and Tobago and we also did some restructuring of the tax regime.”

“So we are estimating a loss of revenue of TT$3.5 billion. What I can tell you thought is that in 2017 we had a fall off of between 2014 and 17 of 20 billion, so this is why I said we have been down this road before and we have been able to successfully come out of it by very careful management of the economy.

“Right now we are formulating strategies of how we deal with this loss of revenue of TT$3.5 billion, but as I said we have gone this way before and we came out of it very successfully,” Imbert said, adding that the mid-year budget review will still take place in April.