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Trinidad Gov't Urging Residents Not to Panic as it Braces for Billions of Dollars in Losses Caused By the Historic Oil Crash

Economy / **Published On April 21, 2020 08:18 AM /**

Staff Consortium **April 21, 2020**

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Petrotrin Oil Refinery in Trinidad By. ALAMY

PORT OF SPAIN, Trinidad, CMC – The Trinidad and Tobago government Tuesday urged nationals not to panic as the oil and gas rich country prepared to count the possible loss of billions of dollars (One TT dollar=US\$0.16 cents) in revenue as a result of the historic drop in oil prices on the global market

“Oil and gas are cyclical. It goes up and it goes down. Now this down is a ridiculous down we must admit, but let’s hope that the upturn come sooner rather than later. But I want to say that the upturn will depend largely on the developed countries’ economies getting back to a state of

normally,” Energy and Energy Industries Minister Franklin Khan said.

Speaking on the i955 FM Morning Show on Tuesday, Khan said that a few weeks ago the Finance Minister Colm Imbert had indicated that Trinidad and Tobago’s economy would suffer a loss of between six to eight billion dollars as a result of the drop in oil prices then, and that the country now have to await the finance minister’s new projection based on Monday’s market prices.

But Khan told listeners the low oil prices would affect Trinidad and Tobago different from other countries and that the island produces Galeota crude and Molo crude, which is referenced against Brent Crude that was trading at approximately US\$25 to US\$30 per barrel.

Brent is the most commonly used benchmark price for crude oil traded internationally, including to Asia. Brent has become more popular a benchmark since West Texas Intermediate (WTI) has become more representative of the US industry than the global oil market.

On Tuesday, the price of US oil – which slumped to minus \$37 at one point – was produced by a trading deadline and is now back close to a positive figure.

Oil prices have weakened sharply because of a combination of oversupply and a collapse in global demand due to the decline in economic activity caused by coronavirus (COVID-19) lockdown measures.

The price of a barrel of WRI fell into negative territory for the first time in history on Monday. But that only related to the May contract, which was about to expire.

Khan told radio listeners how the developed countries deal in particular with the lockdown given that ‘each country has its own idea’ Trinidad and Tobago would just have to “look and monitor the situation.

“We should be concerned but we shouldn’t panic. Panic is not a good state of mind to be in. There are a lot of areas for concern, there are a lot of areas we have to dig deep in our psyche to understand and to come to terms with (and) I think the government has been handling the situation well,” Khan said.

He reminded listeners that Trinidad and Tobago “are price seekers, we do not impact on the market, we do not impact on prices but we can adjust our operations in the best way we can (to see) if we can ride...this period.

The chief executive officer of the Trinidad and Tobago Energy Chamber, Dr. Thackwray “Dax” Driver said the low price period will not be too prolonged, but that the country must adjust accordingly.

“While these extremely low WTI prices are unlikely to last for a long time, Trinidad and Tobago needs to plan for a low price environment and have policy measures in place that reflect that scenario,” Driver told the Trinidad Guardian newspaper.

He said US natural gas prices rose slightly on Monday but are still at very low levels.

“Low oil and gas prices obviously have major implications for Trinidad and Tobago as we depend on these commodities for the majority of our export earnings, along with petrochemicals,” Driver said, noting it is very difficult to say how long low prices will continue because it largely depends on ending health-related COVID-19 lockdowns in the major markets.

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