

Govt navigates geopolitics as borrowing and gas risks mount

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THE Government of Trinidad and Tobago faces mounting financial and geopolitical headwinds as fiscal pressures intensify and tensions with Venezuela cloud the outlook for gas production and investor confidence.

Former minister in the Ministry of Finance Mariano Browne says the administration's borrowing position is already under severe strain, with total financing needs estimated at \$19 billion for the current fiscal year.

'Of that figure, \$15.2 billion are loans that have to be refinanced because they can't be repaid... there is no money to do so,' Browne explained in response to questions from Express Business via WhatsApp.

'The remaining \$3.88 billion represents the estimated fiscal deficit. But that deficit is understated, because it does not include either the proposed 10% wage negotiation, which only covers up to 2019, or the increased National Insurance contributions that the Government must also pay,' he added. Those additional obligations, he said, would significantly increase the borrowing requirement and must be viewed in the context of the Standard and Poor's (S&P) report released on September 25, which warned that without credible fiscal reform and evidence of sustainable growth, T&T's sovereign credit rating could be downgraded within the next six to 24 months.

Browne cautioned, 'Since there is nothing in the budget speech that projects GDP growth or demonstrates fiscal sustainability then the downside scenario of the S&P report becomes the more probable outcome.'

The S&P downside scenario explicitly warns that ratings could be lowered if the Government fails to take timely corrective steps to strengthen public finances, ensure long-term balanced growth, and maintain the country's strong external profile.

It also notes that failure to address a prolonged weakening of public finances and diminishing foreign exchange reserves would signal institutional shortcomings that limit the Government's capacity to build buffers and respond to negative shocks.

Browne argued that beyond the numbers, the country faces a confidence problem, one that could cascade across the financial system.

'Quite apart from the announcements coming out of Venezuela in response to T&T's negative comments, the debt situation would lead to a loss of confidence and a decline in the Government's credit rating and credibility. This will impact investor confidence and will lead to monetary policy changes, which will affect the banking sector.'

He also warned that the Dragon gas project cannot be counted on to support growth projections.

'The Dragon gas project cannot be factored into any calculation of GDP for the foreseeable future,' Browne stated. 'It will remain on the shelf until there is a change in the US approach to Venezuela.' Venezuela's recent repudiation of arrangements regarding the Manatee gas field, he added, further complicates matters.

'We do not have sight of the contracts or agreements with Venezuela. In any event, if this becomes a dispute, it could take time to resolve, which would affect the project's start date and its positive contribution to T&T's GDP and Government tax revenues.'

According to Browne, national security and regional tensions also have a direct bearing on economic stability.

'National security concerns always have an impact on investor confidence. Any prospect of upheaval or civil disturbance will have a negative impact on investor confidence. The same goes for crime. Should US military actions continue, this would have a wider impact in T&T and perhaps in the region, especially in relation to tourism,' he said.

Implications for growth and stability Economist Dr Sandra Sookram offered a detailed assessment of the likely short- and medium-term effects on GDP, revenues, external accounts, and investor

sentiment, arguing that while the Dragon suspension removes an upside, it does not create an immediate macroeconomic shock.

'The suspension removes the incremental upside previously projected from the Dragon field gas. It does not trigger an immediate macroeconomic contraction,' she said in a WhatsApp exchange with Express Business.

She pointed to alternative gas supply projects that are already advancing including bpTT's Cypre (first gas expected 2025), Shell's Manatee (final investment decision 2024, first gas 2027), and Shell's Aphrodite (FID in June 2025)-as well as restructured Atlantic LNG contracts that have already increased the Government's take from LNG exports.

However, the external accounts remain under pressure.

'Gross official reserves stood between 5.4 and 6.6 months of import cover at end-August 2025, according to Central Bank data. That provides some, but narrowing, space for managed FX intervention alongside complementary fiscal measures,' she said.

Sookram said investors in both energy and manufacturing pay close attention to two variables: secure feedstock and predictable policy, and that the Government must clearly communicate both.

'A clear Government message can address both: open bid rounds and existing licences remain in force; gas supply is being backfilled from Cypre, Manatee, Aphrodite, and domestic ECMA acreage; and market access via Caricom, the EU Economic Partnership Agreement, and bilateral FTAs will be maintained.'

She added that the successful Atlantic LNG renegotiation demonstrates that the Government can still conclude complex commercial agreements under pressure, a signal that can help calm investor nerves.

On industrial production, Sookram explained that Point Lisas Industrial Estate has operated below nameplate capacity since 2016 due to gas curtailments, leaving some spare capacity that can absorb scheduling delays.

'If Venezuelan gas is deferred, existing allocation protocols can prioritise ammonia and methanol trains, with Cypre and Manatee volumes ring-fenced for LNG. Output loss is therefore primarily a matter of sequencing and optimisation and should not, on current information, require widespread shutdowns,' she said.

She emphasised that continuous technical dialogue with downstream operators would determine the exact export-earnings profile over the next two years.

Sookram also highlighted a series of monetary and fiscal policy tools that could be deployed to manage temporary stress.

'The Central Bank can increase forex sales to authorised dealers if widening spreads or order imbalances signal temporary market stress. These actions would be targeted, pre-announced, and tied to observable indicators to smooth volatility without encouraging speculative demand or depleting reserves unnecessarily,' she explained.

In addition, the Central Bank could adjust the repo rate or liquidity operations, tools it has already used effectively in 2025 to maintain stability.

On the fiscal side, she said, the Ministry of Finance could: ☐ re-phase capital expenditure toward high-local-content projects ☐ offer temporary relief on key State-imposed port, energy, and regulatory charges affecting petrochemical exporters ☐ accelerate environmental and fiscal approvals for non-Venezuelan upstream investment.

With two-thirds (67–70%) of Government debt denominated in T&T dollars, she noted, any fiscal adjustment would 'largely avoid balance-of-payments pressure.'