US economist: Dragon gas licence 'good news' for T&T

Francisco Monaldi, lecturer in Energy Economics at Rice University's Department of Economics and in Energy Management at the Jones Graduate School of Business in the US PHOTO COURTESY FACEBOOK

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United States energy economist Francisco Monaldi has described the granting of a new Office of Foreign Assets Control (OFAC) licence for T&T to pursue development of the Dragon gas field with Venezuela as "good news," noting that this country remains an "ally" of Washington.

Monaldi is a lecturer in Energy Economics at Rice University's Department of Economics and in Energy Management at the Jones Graduate School of Business in the US.

"I think, of course, this is good news for the Government of Trinidad and Tobago and also for the Government of Venezuela in the sense that it allows them to continue negotiating," he said.

"But at the same time, most likely—as was the case with Chevron—this will be a more restrictive licence in terms of what they can negotiate in the contract."

Yesterday, Attorney General John Jeremie announced that the US Treasury Department had granted an OFAC licence allowing T&T to pursue development of the Dragon field, which lies in Venezuelan waters.

During her visit to the United States at the end of last month, Prime Minister Kamla Persad-Bissessar met with US Secretary of State Marco Rubio, who assured her of Washington's continued support for the Dragon gas project.

Although she did not comment directly on the new licence yesterday, Venezuelan Vice President Delcy Rodríguez, who also holds the Energy Ministry portfolio, said Venezuela is already collaborating with major transnational gas companies to export its first gas.

Speaking at the 14th St Petersburg International Gas Forum in Russia, Rodríguez noted that Venezuela holds the largest gas reserves in the Western Hemisphere and is on track to be certified as the fourth-largest in the world.

She also highlighted forecasts showing gas demand in Latin America and the Caribbean is expected to grow by 132 per cent, saying Venezuela intends to position itself as a key supplier.

The last senior Venezuelan official to comment on the Dragon project was Justice Minister Diosdado Cabello, who in August accused Rubio of viewing T&T as "pawns of the Caribbean" and criticised the Dragon gas deal.

"The US State Department sabotaged the Dragon gas project for two reasons. If it had materialised, T&T's income could have exceeded $2 billion annually in the first phase," Cabello claimed.

"This would have strengthened T&T as the energy hub of the Caribbean and reduced its dependence on the United States."

Guardian Media contacted the Venezuelan Embassy in Port-of- Spain for comment, but officials declined to respond.

Restrictions remain Despite the positive development, Monaldi cautioned that the licence comes with restrictions and strict conditions on how T&T and Venezuela can proceed.

He said Prime Minister Persad-Bissessar was informed by Rubio that Venezuela's Government must not benefit financially from any of the arrangements.

"This means that the licence is to continue negotiations with Venezuela and probably to do the pre-final investment decision work," Monaldi said.

"There are declarations by the Prime Minister and Rubio regarding the lack of payments to Venezuela—at least in cash—but we don't yet know the details of the restrictions that might apply."

Monaldi explained that the new OFAC licence is not likely to be a longterm one, but will allow progress toward a final investment decision (FID).

"Shell will require a long-term licence to actually develop the project," he said. "So, I imagine this is part of a process that allows preliminary work before major investments are approved."

Monaldi added that, given rising tensions between the US and Venezuela, it is significant that T&T was able to secure the licence at all.

"No doubt it revives something that seemed unlikely, given the escalation of relations between the United States and Venezuela, and also between Trinidad and Venezuela," he said.

"To some degree, pragmatism is needed—Trinidad needs that gas to fill spare capacity, and it also shows pragmatism if Maduro agrees, since he would be negotiating something less favourable than what he had before with Biden."

Finally, Monaldi emphasised that while the US views T&T as an important regional ally, sanctions on Venezuela will continue to pose challenges.

"From the perspective of the United States, it shows that Secretary Rubio is willing to support an ally like T&T in something that it requires," he said.

"But at the same time, he will impose limitations—like those on Chevron—that make the deal less attractive to Maduro and limit the benefits to the Venezuelan Government. Most of the benefits will only come later, when the gas starts flowing, and even those will be more limited under the new restrictions."