

Exxon return could ease forex crunch

BY VISHANNA PHAGOO

vishanna.phagoo@trinidadexpress.com

TRINIDAD AND TOBAGO could begin reaping the benefits of ExxonMobil's return in three to four years, once any discovery is monetised, economist Dr Vaalmikki Arjoon has said.

In an interview with the *Sunday Express Business*, Arjoon said the more sizeable the discovery, the faster they would want to bring it to production to recoup their investments and secure cash flows as early as possible.

He noted that the award of the licence had bypassed a competitive bidding round, adding that 'there is a reasonable prospect of a negotiated signing bonus for the Government'.

If realised, he said, it would provide 'an immediate foreign exchange inflow in US dollars ahead of full production revenues'.

Arjoon said both the exploration and production phases could lift gross domestic product (GDP), as exploration would increase the use of domestic energy-service firms along with local ports and logistics, marine support, fabrication, project engineering, and other professional services.

'This creates jobs, supports local companies, and recirculates income through the economy, generating a multiplier that boosts short-term growth while building the energy- services sector's long-term capacity and competitiveness.'

He stressed, however, that the larger and more durable gains would come during the production stage.

'New oil, and especially gas volumes, lift real output directly, increase the throughput in Atlantic LNG, raising LNG production. It could also provide additional gas to Point Lisas, improving plant utilisation and production of ammonia, methanol, and other petrochemicals.'

According to Arjoon, these developments could materially boost energy export earnings, which typically account for 80% of T&T's total exports and are the primary source of the country's foreign exchange inflows.

'In the last decade, oil and gas production fell by 31% and 33% respectively, which significantly lowered our forex earnings, resulting in the Central Bank of T&T having to intervene and provide some support to the forex market. If substantial gas reserves are uncovered, it can bolster production at Atlantic LNG and Point Lisas, therefore easing forex shortages through LNG and petrochemical exports.'

He added that this could meaningfully reduce the current mismatch between forex demand and supply by adding US-dollar inflows, strengthening the balance of payments and reserves, while also increasing fiscal receipts through royalties and corporate taxes.

'A substantial oil discovery would underscore the need to restart the refinery, allowing us to resume exports of refined oil while significantly reducing the volume of refined oil imports currently required.'

Arjoon further explained that a surge in hydrocarbon revenues from this project could allow a portion to be ringfenced for a productive capital budget, building capacity in non-energy sectors and driving diversification into areas such as digital services, near-shore manufacturing, green hydrogen, logistics, and tourism linkages.

'Another share may also be required to be deposited into the HSF, strengthening our fiscal buffers. By refining the Heritage Stabilisation Fund investment strategy to target more optimal risk-adjusted returns, we can ensure that these savings generate higher, sustainable income to support long-term economic stability,' he said.

He added that Exxon's entry into the local energy sector would notably enhance competitiveness in the upstream industry. Overhauling the approval regime for energy projects by streamlining regulatory and environmental clearances could also help reduce bureaucratic delays.

'This will shorten project timelines, boost investor confidence, and ultimately accelerate new production. A simplified regulatory environment could also attract even more global energy firms to invest locally, including smaller and medium- sized companies interested in marginal fields that larger corporations might find less economically attractive,' Arjoon said.

With the location of these blocks northwest of Guyana's Stabroek field, Arjoon said it is plausible that Exxon's decision to enter into this production sharing contract reflects a high degree of confidence in finding commercially viable reserves.

'This would help explain their willingness to commit the substantial capital required for deepwater and ultra-deepwater exploration. With rigs, drillships, and support vessels already operating nearby in Guyana,

Exxon can redeploy these assets to T&T's acreage at lower mobilisation costs, enabling a faster start to exploration through seismic surveys and appraisal drilling.'

Arjoon highlighted that the awarding of the seven blocks to ExxonMobil marks a major strategic step for the energy sector, with strong potential to significantly boost hydrocarbon output, not only in oil and gas but also in downstream processing. This, he said, could enhance overall energy competitiveness, increase fiscal revenues through taxes, royalties, and bonuses, improve foreign exchange earnings, and drive GDP growth in the medium term.

'As a deepwater initiative, it will bring advanced exploration and production technologies, alongside substantial capital investments by Exxon, accelerating the discovery and commercial development of new reserves.'

He cautioned, however, that like many deepwater projects, there are risks such as not finding commercial quantities in some wells or facing weaker prices at the time of commercialisation.

'In these cases, GDP gains would be smaller and short-lived.' Still, he said Exxon's decision to enter a production sharing contract with the Government likely reflects confidence in the area's commercial potential. 'As is standard in similar projects, they would only move to full field development once commercial reserves are confirmed, and would likely secure longterm offtake agreements to help mitigate price volatility,' Arjoon said.

Prime Minister Kamla Persad-Bissessar said ExxonMobil could invest up to US\$21.7 billion (\$147 billion) in T&T over the coming years if hydrocarbons are discovered offshore, following its return to the country after more than two decades.

Speaking at the signing ceremony for the Production Sharing Contract (PSC) for Block TTUD1 between ExxonMobil and T&T Deepwater Ltd at the Diplomatic Centre in Port of Spain on Tuesday, Persad-Bissessar called the agreement 'a milestone for our energy sector'.