

Trinidad and Tobago Energy Conference 2019



Monday February 4th, 2019

**Presenter: Derek Hudson,
Vice President & Country Chairman
Shell TT Limited**

**Revolutionising education and skills
development
to secure the future of the energy
industry**

Salutations: (List will be provided by Energy Conference prior)

It is indeed my pleasure to again present to this audience at another successful Energy Conference. I have been involved in the local and global energy landscape for almost 30 years and in all that experience it is clear that this is one of the Energy Conferences that delivers – delivers the hard messages, delivers global insights, delivers robust debate and honest conversations and delivers on creating valuable and ever deepening networks among energy players, other sectoral

business leaders and government and technocrats. Congratulations to the Energy Chamber for continuing to deliver on this mandate.

Allow me a personal story to start. When I began my career (not so long ago) in the energy sector, there was a very bleak outlook for the industry. Many were sure that the end was near as falling oil reserves and soft international prices led to speculation that our future as a country was in peril with the economic mainstay seemingly in a state of decline.

Contrast that with the picture today. While we are still facing important challenges, it's a brave new world. Since that period, Trinidad and Tobago has built an important gas complex that profiles prominently in the global energy picture.

Even though we can sometimes be critical of ourselves, we've been able, as government and industry to rapidly create and develop a sustainable gas business, led by one of the world's leading producers of LNG – Atlantic – which when completed in 1999 was the first greenfield LNG complex in the Western Hemisphere in 25 years. This country punched well above its

weight as a player in the then emerging gas business. These accomplishments must be credited to the unique partnership with government, international business and the rich local talent of our nation.

The private sector/public sector collaboration that Trinidad and Tobago enjoys is testament to the powerful effort we made as a country to build on a dream. We have continued this collaboration – it has not always been a straight and easy path, but I firmly believe that this is our “north star” to solving the challenges of the present and shaping our future.

As we approach a new decade, our industry stands on the cusp of change; lower prices and geopolitical issues, climate change and humanitarian crises - even right at our doorstep, are now part of our world. These are all risks that, cumulatively, were not part of our existence – even five years ago.

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But our track record suggests we have the will and the tenacity to make this industry continue to deliver for generations to come – and it is therefore no accident that I am speaking under the session focused on education – because at the heart of this

transformation is our people – our human resources (business and government) to shrewdly integrate international capital, technology and capability towards a common future for the industry and by extension the country.

I make no apologies for beginning on such a positive note. It is important to keep reminding ourselves that this country has delivered in partnership with business and its bright people, an impressive heritage. And having mentored and led hundreds of people here at home, in the UK and in Africa, I am proud to say we are very

blessed with a high calibre of talent. We need to continue this collaboration to ensure that we are at the forefront of this tidal wave of change. We need to equip our workforce of today with the skills and knowledge to operate in this new environment – we now require new skill sets to be able to work strategically in a more highly technical environment.

This has been our focus in Shell Trinidad and Tobago. In addition to our training and development programmes for our local workforce – developing a national expertise and growing leaders for our country, we

also have about 20 of our nationals in key positions throughout the Shell world – gaining unique and invaluable experience. We have also worked with the British High Commission, the Robert Gordon University and the Ministry of Energy and Energy Industries to expose 65 Government officers to a two-week intensive programme that focussed on critical areas such as Cross Border Negotiations; Transfer Pricing; Unitization of Gas Agreements; Decommissioning Policies; and Best Practices on Incentivizing the Energy Industry and we were happy to do our part in support.

We see collaboration and knowledge sharing with Government and other stakeholders as key to unlocking this country's future potential and developing local capability is a critical aspect of this. And, **WHEN** we are successful, we can then lay claim to Trinidad and Tobago being a “dream destination” for investors and developers.

Let me turn to some of the key elements that, in my experience, will help ensure that we remain a world leader and an acknowledged pioneer particularly as it

relates to technology adoption and adaptation in the industry.

Sustaining TT - the Dream Destination

Trinidad and Tobago's success has been built on what has turned out to be an excellent – and world class - model of gas monetisation. We are proud of our stable political, policy and commercial environment which values contract sanctity, actively encourages foreign investment and supports integrated gas development. Our resilience as an industry and indeed our country's economic resilience has been

driven by cohesion and commitment to a common vision. As a result, our success has had as a key factor, the ability to continue to attract private domestic and foreign investment by ensuring a favourable environment for doing business.

It is clear to me that government serves as the primary enabler to growth through the creation of the right fiscal policies and incentives to help mitigate the high risks of our industry, offset the increasingly competitive market for capital and new projects globally, and to help manage the

impacts of the periodic crises that have come to define today's global economies.

But while government is the primary enabler to growth and development - the capacity to withstand the present challenges will rely on strong collaboration among the private sector, government and civil society. It is an imperative therefore, that we strengthen our collaboration as we seek creative and meaningful ways to assure sustainability and growth within this new operating frame.

We have talked at length about collaboration for many years and it is extremely rewarding when you see it in action. For example, in 2017 when we hosted the Prime Minister, Dr Keith Rowley and his team, along with other partners at Shell's Technology Centre in Houston and we presented our turnaround strategy for this business, we demonstrated how we were going to restart our Starfish programme off the east coast by leveraging new technologies and the Shell global experiences. And, together with our current drilling programme also on the east coast and some reservoir work we were

successful in increasing our production by 30% from January to December last year. This is very positive news not just for us, but for Trinidad and Tobago's gas supply agenda and the associated revenues to the Government and people of Trinidad and Tobago. The ducks all lined up for this project – strategy buy in; the right fiscal environment; technology; expertise and experience; value sharing with stakeholders – these are all the right ingredients for success.

As a further example let's consider where we are with LNG value share today. It is no

secret that we are currently in negotiations with Government on this issue. Our first major milestone was announced by Government last year when we achieved a major milestone around pricing terms for Train 1.

These are complex negotiations because the implications – on all sides – are significant and far reaching. So, while I would have liked to announce by now that we have new arrangements in place, we are still working through the complexities with a view to resolving these in the near future – for the benefit of our country and

our business. Shell supports simple, efficient, predictable and stable fiscal regimes that incentivise long-term investment.

As some of the earlier presenters have already pointed out, the future for TT's energy industry is dependent on our ability to remain globally competitive in a scenario of changing industry and market dynamics, the maturity of our resource basin and the external realities created by issues such as climate change. Competitiveness of all stakeholders - the private and the public sectors is dependent on us 'staying on top

of our game' – understanding the changing dynamics of the present and finding a way to prepare effectively for the uncertainties of the future... The alternative is extinction.

Technology and the Energy Transition

In Trinidad and Tobago, we are harnessing the strength and expertise of being a global company to maximize our assets. SHELL's commitment to Trinidad and Tobago can be quantified in billions of dollars, and as a major employer and the second largest gas producer in T&T, we are a significant contributor to GDP. But as many of you

know, any presentation from Shell must bring focus to the pressing issue of sustainability. We have big global ambitions as a company into the long term and so the planet's future well-being is a key concern. Globally, Shell is building its portfolio around its existing activities in low-carbon biofuels and hydrogen and exploring investments in the power value chain. We want to strengthen this business so that it can become a growth priority in the 2020s. If we are to achieve environmental and developmental objectives, as well as create new economic streams, energy transitions are necessary.

In this regard, Shell is pleased to participate in the government's Request for Proposal for a Utility Scale Renewable Energy Project. This is an important step for our country as we target 10% power generation from renewable energy sources by 2021.

This is an emerging field, with many technologies and business models starting to deliver affordable off-grid solutions. We believe we can make a real difference in this area and create shareholder value in the process.

Education, Training & Development

Preparing the next generation for what the future economy and society will be like is another area of focus for us. One of the ways we do this is through our STEM programme - inspiring young people to pursue careers in Science, Technology, Engineering and Math (STEM). While a focus on STEM addresses the global shortage of geoscientists and persons with strong STEM backgrounds to fill positions in the energy sector, STEM is not just for or about science students.

STEM Thinking helps students and teachers expand their traditional learning. Through theory and hands on projects, participants are compelled to think critically and analytically so they can challenge “what is” and introduce their own creativity, in any discipline, to realise “what could be”. This develops much needed problem-solving skills for today’s world and applies it to real life.

Now in its fifth year, the SHELL Student Support Programme consists of workshops that promote STEM skills of critical thinking,

creative thinking, problem solving and team work.

We have been seeing some very positive results in participating students – with improved performance not just in STEM subjects but in academic performance overall. What for me is even more outstanding, is the improved behaviours that our principals and teachers are seeing among our students. But you don't need to hear this from me.

Let's hear what one of our school principals had to say:

PAUSE:

Play short video of Principal at the Mucurapo Junior Secondary school talking about behaviour change.

Closing Comments

Ladies and gentlemen, as I have stated Trinidad and Tobago's capacity to withstand the present challenges will rely on strong, effective collaboration among the private sector, government and civil society. Additionally, circumstances now demand

that we infuse innovation into the way we operate.

We must also acknowledge that technology disruption, transformation and evolving mindsets are not just about the energy industry, and not just about securing jobs in the sector. These are critical in enabling successive generations to responsibly and effectively manage our resources for inclusive economic benefit. They are also about creating an environment where persons both in and outside of the sector, can find purpose and are fully equipped to meaningfully contribute to national development.

The imperative to transform is not only about planning for tomorrow but also addressing the challenges of today with an openness to change and adapt to circumstances. Together, we must identify those opportunities today, that can help us address our resource and capacity gaps. In this, leadership, my friends, is critical.

We all have some skin in this game, to put it bluntly, and our responsibility to those whom we lead is to pave the way; to create an enabling environment and to have the courage to allow them to challenge the

conventional thinking and create a new way.

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Word Count: 2100

20 Min @ 150 WPM = 3000