



Forum explores energy opportunities



There may be opportunities to harness the skills and expertise of 3,500 recently retrenched Petrotrin for renewable energy projects. "Renewable energy is a budding industry and Petrotrin has lots of land and the significant amount of technical staff who are already trained. It's really now to shifting the focus to, say, let's focus on another budding industry in the region and really be first movers in that space rather than have those people lose their technical aspects," Ray Klien, head, investment banking division, Republic Bank, advises.

"There are a lot of similarities, from an engineering standpoint, between someone who works at an ammonia plant and someone who works at a solar facility. Use the basis on which they have been trained, which is the technical side, and train them now to become experts in the renewable space and then really export that regionally.

"So while the elements in Trinidad don't necessarily allow you to develop projects here, you can actually export it to Guyana, for example, rather than have Germans and US individuals go into Guyana. We can now export some of that expertise into Guyana."

Republic's investment banking provides financing for a wide range of projects across many sectors, in-



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cluding consumer and retail, government, health care, real estate and commercial, infrastructure, financial institutions and energy.

Klien, who spoke at a recent Renewable Energy Forum hosted by MPC Capital at the Hyatt Regency in Port-of-Spain, said the bank originates and executes senior debt transactions in the Caribbean for infrastructure projects with a debt requirement of over US\$15 million that generates secure, long-term cash flows. These predominantly include renewable and energy-related projects, social and economic infrastructure projects and public private partnerships.

However, there are some challenges in lending to the energy sector including:

- Collateral usually consists of specialised assets which have varied resale values
- Stability of cash flows dependent on floating international prices of fuels
- Inability of borrowers to provide sufficient equity in the proposed transactions
- Industry expertise for new market entrants

Klien said Republic Bank will

continue to support and partner with energy sector players as it expands its existing capacity by sponsoring and hosting forums to promote clean and renewable energy deals, develop deep expertise in the renewable and clean energy sector and development of innovative financing arrangements to create win-win outcomes.

"At the end of the day our role is very limited and it's limited to the financing aspect but the country needs to find some renewable projects here soon rather than later," he urged.

Where does T&T fit in?

T&T hasn't had a renewable project, unlike some small island territories. That's primarily because of very low energy costs at five cents per kWh (kilo watt hour) versus the rest of the region, making it difficult for projects to be funded.

"Either the cost of these projects comes down to the level where it's five cents per kWh hour. I don't think technically you would be able to see a project in Trinidad because from a return perspective it doesn't necessarily work for a lot of the investors," Klein said.

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T&T Financial Centre chairman Richard P Young, right, speak with German Ambassador Holger Michael, left, and ANSA Merchant Bank managing director Gregory Hill. PICTURE NICOLE DRAYTON

Sustainable employment

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"But it doesn't stop us as a regional institution from doing projects in the Caribbean. Jamaica, for example, is very big on renewables."

He explained that Republic Bank is currently building its expertise and is waiting "for the tea leaves to fall" where T&T is concerned.

"Once the cost of these projects start to come down to the point where they can actually come to market in Trinidad I think there will be a significant ramp up from Republic because we would have basically had the expertise and really an interest in renewables."

"But again the challenge in T&T is the five cents per kWh, which is going to make it very difficult for any project to come on stream unless you find the production cost of these panels," he explained.

"As long as the Government supports renewable energy pro-

ject these can come on stream but there are certain regulatory things that you need. You can't necessarily sell power but in the absence of government support and where the cost is currently, I think it will be challenging but it doesn't preclude Trinidadian companies from playing a pioneering role throughout the Caribbean.

"You have construction companies here that can take on the construction aspect. You have a wealth of operators and managers expertise locally, it's the same engineering aspects that they have to understand so they can actually be involved in some of these projects externally," Klien added.

Dealing with pricing

If T&T is to establish itself in renewable energy, the first step must be examining the existing electricity subsidy.

"The Government will have to decide if it's going to continue to subsidise energy consumption, or again if there's a decrease in the cost coming from China. China has been producing many of these solar panels and the cost has come down significant," Klien said.

He gave the example of a recent project in Jamaica at eight cents per kWh, which is not too far off from T&T.

"The next bid that Jamaica is looking to do will come in at six cents per kWh and that's not necessarily based on any elements in Jamaica. It's based on the market elements, demand and supply, and actually on the supply side there's a significant amount of these panels actually available, so it's bringing the cost down significantly."

He said it is an area in which many of the country's university graduates can find sustainable employment and there are the added benefits of boosting foreign exchange and aiding in diversification.

Driver said conversation about the price of electricity must continue.

"The pricing which we're seeing for renewable energy in the Caribbean, when you compare it to Trinidad electricity prices, doesn't look very attractive. But when you compare it to the actual price that we're paying for the subsidy with the gas it is very attractive," he said.

"The time for renewable energy in T&T is now. The pricing is right for that and we just need to push on with implementing those renewable energy projects."

On the issue of diversification, renewable energy has the potential to link the two biggest sectors of the economy—energy and financial services.

"Somehow financial services in the country always gets ignored when you talk about diversification. If you can find a way to link the financial sector and the service sector, that's a great area for diversification and economic growth."

"It also links with the energy services sector and the expertise which are present in the country. We have engineering expertise and the potential for us to get out of energy service companies to transition from oil and gas into renewables and energy efficiency," he said.

In the Eastern Caribbean, in particular, there's a lack of expertise.

"They are looking for skilled people to help develop projects," Driver said.

The Energy Chamber has its own renewable energy initiatives and has identified wind power as an area where work has been advanced.

MPC renewables Panama director Fernando Zuniga agreed, noted that the dynamic in the Caribbean are 85 per cent fossil fuels and 15 per cent renewable energy but efforts are being made to shift that balance.

He said Jamaica and Barbados are making progress towards renewable energy and T&T is doing the same.

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Niche for university grads

Although T&T spends billions on education each year, it's often difficult for university graduates to get jobs.

Employment opportunities in renewables and energy efficiency will foster economic growth, Energy Chamber CEO Dr Thackwray Driver said.

Renewable energy has the potential to link the two biggest sectors of the economy—energy and financial services.