



GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO
MINISTRY OF ENERGY AND ENERGY INDUSTRIES

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EEI: 7/8/2

26 August 2020

Mrs. Jacqui Sampson- Meiguel
Clerk of the House
Office of the Parliament
Parliamentary Complex
Cabildo Building
St. Vincent Street
Port of Spain
Republic of Trinidad and Tobago

Dear Sampson- Meiguel,

Re: The Thirtieth Report of the Public Accounts Committee on the Examination of the concerns raised in the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the Financial Years 2016, 2017 and 2018 with specific reference to the Ministry of Energy and Energy Industries (MEEI) and follow up on the implementation of the recommendations in the Fourth, Fourteenth and Twentieth Reports of the Public Accounts Committee

Reference is made to your letter dated June 29, 2020 on the subject matter at caption.

Please find attached the Ministry's written response to the recommendations of the Committee.

Yours respectfully,

Ms. Sandra Fraser
Permanent Secretary (Ag)

Response to the Thirtieth Report of the Public Accounts Committee on the Examination of the concerns raised in the Report of the Auditor General on the Public Accounts of the Republic of Trinidad and Tobago for the Financial Years 2016, 2017 and 2018 with specific reference to the Ministry of Energy and Energy Industries (MEEI) and follow up on the implementation of the recommendations in the Fourth, Fourteenth and Twentieth Reports of the Public Accounts Committee

1. Revenue Leakages at the MEEI

Recommendations:

- *The MEEI should submit a status report to Parliament on the implementation of the recommendations made by the AGD and the possible challenges faced in this regard by August 30, 2020;*
- *The MEEI should provide an update to Parliament on the conclusions with regard to the above-mentioned pending measures by August 30, 2020; and*
- *The AGD should submit the conclusions of its follow-up assessment of the MEEI's internal control mechanisms with regard to revenue to Parliament by August 30, 2020.*

MEEI Response:

i. Implement a documented process for the verification of production data

An updated documented process for the verification of production data submitted to the MEEI by operators was developed and this process is currently built-into an electronic system that is implemented in the MEEI for the management of upstream data.

ii. Manpower audit to determine personnel competencies etc. required;

The Manpower Audit was conducted in 2017 in light of the 1st phase of the restructuring of the MEEI and on-going training has been taking place to enhance and equip staff with the relevant competencies pertaining to measurement. In light of the shortage of Petroleum Inspectors in the field of measurement, the MEEI has been utilising contract officers in the interim. The competencies required as advised are training in measurement and regulatory function in the oil and gas sector.

iii. Commitment by senior public officers at the MEEI at all levels to ensure that Internal Controls are implemented/improved;

The requisite internal controls will be reviewed and implemented by the Permanent Secretary and the respective Senior officers.

iv. Greater input by Internal Audit to monitor controls;

The Internal Audit Unit monitors the mineral operations. Site visits are done where the Internal Audit Unit reconcile receipts with data submitted to the MEEI Minerals Division. These receipts run numerically and Internal Audit ensures that there aren't any missing. If there is inquiry is made. The Internal Audit Unit also reviews all payment receipts to ensure that what is recorded as paid really is. The Internal Audit Unit also informs the operators of any outstanding payments.

At the end of the Audit, a report is submitted to Minerals Division with our findings, outstanding payments and any necessary recommendations.

v. Implementation of the Minerals Electronic System, which would have tracking and auditing functions; and

vi. The acquisition of a suitable Unmanned Aerial System (UAS) to assist in carrying out topographic surveys to independently estimate the quality of minerals produced by quarry operators.

The MEEI undertook a request for expressions of interest (EOI) exercise for the supply of an Unmanned Aircraft Systems (UAS) for use in aerial surveying, to inter alia, accurately compute production from quarries. Specifically, UAS technology can be used to assist in the functions of the Minerals Division as follows:

1. To conduct volumetric surveys for the calculation of volumes of minerals removed for the verification of mineral production and royalties owed by licensees.
2. To monitor activity of operators, such as verifying boundaries between operations and neighbouring State Lands, etc.
3. To conduct surveillance in areas with illegal operations, where the shortage of resources, staff, vehicles and security are currently major challenges.

Five (5) EOIs were received and evaluated by a multi-stakeholder Evaluation Committee. The evaluation was completed in November, 2019. While the responses received were evaluated, the recommendations of the Evaluation Committee included the following:

The MEEI should re-advertise and possibly undertake a “Request for Proposals (RFPs)” exercise for the supply of a UAS. The specifications outlined should be broader to encompass other suitable technology options, in order for the MEEI to obtain the most value from the acquisition of the UAS.

Subsequently, the MEEI published an RFP for the supply of a UAS for the Minerals Sector on July 2, 2020. The deadline for submission of proposals is August 14, 2020.

Following this, it is anticipated that the evaluation of proposals would be completed by the end of September 2020.

With respect to the challenges that may be faced by implementing the usage of the UAS, the, successful implementation would be dependent on the availability of sufficient funds for the purchase of the UAS. Additionally, staff members would have to be adequately trained.

- vii. Assessing the feasibility of conducting material balances in order to reconcile the export volumes with the produced volumes, taking into account changes in inventory

The MEEI has determined that a material balance is not feasible in cases where is liquid drop-out from gas production. However, for dry gas and oil production, material balance is considered a feasible reconciliation methodology. There are other reconciliation mechanisms available, such as, receipt, export and sales data that can be used to reconcile oil and gas production data.

- viii. Review of production verification during the first quarter of 2019 by an Interdepartmental Committee in the Ministry

The production verification review conducted by the MEEI in 2019 was drafted and the review revealed that the inputs from regulators in other jurisdictions would be necessary to augment and amend the recommendations of the Committee tabled in this draft document.

2. Production Verification Committee (PVC)

Recommendation:

- i. The MEEI should provide Parliament with the following by August 30, 2020:*
- a. the status of the finalisation of the Report of the findings of the Production Verification Committee;*
 - b. a copy of the Production Verification Committee's Report; and*
 - c. the timeline for necessary action to be taken by the Sub-Committee to implement the Report's recommendations.*

MEEI Response:

The Draft Production Verification Committee's Report was completed in December 2019. However, since that time, the MEEI established contact with other regulatory agencies in the UK, Canada and Norway and obtained valuable insights regarding their methodology for Production Verification. It is anticipated that an amended Report would be completed by

September 2020 which would provide the valuable inputs from other regulators. When this is done, the work of the Production Verification Committee would be submitted to the Minister of Energy and Energy Industries with recommendations for his review.

3. Meter Calibration

Recommendations:

- i. The MEEI should report to Parliament on the establishment of a list of crucial meters and include the schedule for witnessing the calibration of those meters by August 30, 2020; and*
- ii. The MEEI should provide Parliament with the following by August 30, 2020:*
 - a. an update on the status of its efforts to recruit a consultant to support its meter calibration activities;*
 - b. the terms of reference of the consultant's work; and*
 - c. the cost of engaging the consultant.*

MEEI Response:

- i. A list of meters of high importance for witnessing of their calibration has been developed. This list is currently being prioritized to determine the frequency for visitation on a yearly basis. Based on discussions with other energy sector regulators in the United Kingdom and Canada, it has been established that regulation of meter calibration does not involve the regulator being present for every single calibration exercise. As such, in future, the MEEI does not plan to programme attendance for every single calibration exercise. The responsibility for calibration of meters resides with the Licensees who develop schedules for calibration. The MEEI intends to continue to utilize these schedules to determine the times within each year that the MEEI will visit the various priority meters in any given year. The priority listing of meters is expected to be a living list, as priorities will change based on levels of production passing through the respective meters.*
- ii. A request was made for three persons be hired on a contractual basis to assist the MEEI with witnessing the calibration of meters from the pool of returning scholars which exists with the Ministry of Education. Two contractors were hired to date.*

4. Monitoring of Minerals Extraction

Recommendations:

- i. The MEEI should provide Parliament with an update on the procurement of an Unmanned Aerial System, including the estimated cost of the system, by August 30, 2020; and*
- ii. The MEEI should submit a feasibility report to Parliament including the challenges hindering the systematic use of weighbridges and ways in which these issues could be addressed by August 30, 2020.*

MEEI Response:

Minerals

- i. The MEEI undertook a request for expressions of interest (EOI) exercise for the supply of an Unmanned Aircraft Systems (UAS) for use in aerial surveying, to inter alia, accurately compute production from quarries. Specifically, UAS technology can be used to assist in the functions of the Minerals Division as follows:
 1. To conduct volumetric surveys for the calculation of volumes of minerals removed for the verification of mineral production and royalties owed by licensees.
 2. To monitor activity of operators, such as verifying boundaries between operations and neighbouring State Lands, etc.
 3. To conduct surveillance in areas with illegal operations, where the shortage of resources, staff, vehicles and security are currently major challenges.

Five (5) EOIs were received and evaluated by a multi-stakeholder Evaluation Committee. The evaluation was completed in November, 2019. While the responses received were evaluated, the recommendations of the Evaluation Committee included the following:

- The MEEI should re-advertise and possibly undertake a “Request for Proposals (RFPs)” exercise for the supply of a UAS. The specifications outlined should be broader to encompass other suitable technology options, in order for the MEEI to obtain the most value from the acquisition of the UAS.

Subsequently, the MEEI published an RFP for the supply of a UAS for the Minerals Sector on July 2, 2020. The deadline for submission of proposals is August 14, 2020. Following this, it is anticipated that the evaluation of proposals would be completed by the end of September 2020.

- ii. The Minerals Division conducted research since 2013 on the weighbridge systems that are available and discussions were held internally on the cost feasibility and requirement for establishing the weighbridge system. The costs along with the reliability of the weighbridge system was deemed prohibitive due to the need for redefined road network infrastructure to set up along with the high number of weighbridges that would be required to be installed across Trinidad and Tobago, as well as the ease with which truck drivers could by-pass the weighbridge system. As such, it was preferred that alternative solutions be considered; the Unmanned Aerial Systems (UAS) was one such option as noted by its functionalities mentioned earlier. See **Attachment I**.

5. Human Resource Challenges

Recommendations:

- i. The MEEI should report to Parliament on the status of its recruitment of Petroleum Inspectors by August 30, 2020;*
- ii. The MEEI should indicate the number and tenure status of the posts of Minerals Resource Officers and provide a status update on recruitments to fill these posts by August 30, 2020;*
- iii. The MEEI should provide Parliament with an update on the status of the recruitment of the five (5) offices for which Draft Frameworks were submitted to the Service Commissions Department by August 30, 2020;*
- iv. The MEEI should explain its slow responsiveness regarding the revised class specifications submitted by the Personnel Department for the offices of Petroleum Officer I, II and III by August 30, 2020; and*
- v. The PMCD should explain the rationale for recommending the creation of the specific sixteen (16) offices in response to the MEEI's request for fifty-seven (57) by August 30, 2020*

MEEI Response:

- i. The recruitment of the office of Petroleum Inspectors is conducted by the Service Commissions Department (SCD). The office of Petroleum Inspectors I is one of the entry-level offices that a Draft Framework for the shortlisting of applications was submitted to the SCD by memorandum dated July 22nd, 2019. There has been no approval of the Draft Framework for the shortlisting of Petroleum Inspectors I by the SCD.*
- ii. There are ten (10) posts of MROs on contract for a period of three (3) years that are all filled with effect from January 13, 2020.*
- iii. The SCD advised the MEEI to proceed with the shortlisting of applications for the entry-level positions one office at a time, that is, the office of Chemical Engineers I/II first, which was shortlisted and is before the SCD.*
- iv. The MEEI expressed its desire to re-open the reclassification of the Offices of Petroleum Inspector I, II and III with the Chief Personnel Office in 2017 and based on on-going dialogue with a team of Petroleum Inspectors, a submission was made on the revised Job Descriptions to the CPO by memorandum dated February 17, 2020.*

6. Illegal Quarrying

Recommendations:

- i. The MEEI should submit a report to Parliament on the implementation of the multidisciplinary committee's recommendations, including examples and documentation, by August 30, 2020;*

- ii. *The MEEI should report on any recommendations made by the MAC regarding illegal quarrying and the relevant action taken by August 30, 2020;*
- iii. *The MEEI should provide the following information by 30 August, 2020;*
 - a. *the most recent statistics for the total number of illegal quarrying cases currently before the courts;*
 - b. *the number of prosecutions for illegal quarrying offences annually since 2015 under the Minerals Act; and*
 - c. *the amounts collected annually since 2015 in the form of fines paid by those found guilty of illegal quarrying.*
- iv. *The MEEI should update Parliament on the development of a system to estimate forgone revenue due to illegal quarrying by August 30, 2020;*
- v. *The Commissioner of State Lands should provide Parliament with details of the measurable effects achieved since the amendments made to the State Lands Act Chap 57:01 concerning penalties for illegal quarrying by August 30, 2020;*
- vi. *The MEEI should provide an update on progress towards the necessary legislative harmonisation by August 30, 2020; and*
- vii. *The Trinidad and Tobago Police Service should identify ways in which it could further assist the MEEI going forward by August 30, 2020.*

MEEI Response:

Minerals

- i. With respect to the implementation of the recommendations of the multidisciplinary committee, it is advised as follows:
 - The Miscellaneous Provisions (Illegal Mining) Bill (the Bill) came up for hearing in November, 2017 at the Legislative Review Committee (LRC) and the Chairman of the LRC

The Bill sought to address several core areas where enforcement was not addressed in the Minerals Act and Minerals (General) Regulations. These proposed areas include the powers of seizure, powers of arrest, the powers of forfeiture and the establishment of a squad dedicated to addressing illegal mining activity. The Bill has not been finalized.
- ii. Members of the Minerals Advisory Committee (MAC) provides updates on illegal quarrying at each meeting. Members would provide updates on affected areas when reports are received either via telephone, mail or email to the various agencies. Commissioner of State Lands, Conservator of Forests, Environmental Management Authority, Town and Country Planning Division and Director of Minerals would usually give updates on complaints and reports received on illegal quarrying matters. A TTPS illegal quarrying unit was set-up by the Commissioner of Police (CoP) to deal with illegal quarrying in Oct 2019. The unit is currently collecting data and

holding meetings with key stakeholder agencies on the MAC in order to formulate a comprehensive plan to address illegal quarrying.

iii.

- a. The most recent statistics for the total number of illegal quarrying cases currently before the courts.

This information is being sourced from the Magistrates Courts. Statistics are yet to be obtained.

- b. The number of prosecutions for illegal quarrying offences annually since 2015 under the Minerals Act.

This information is being obtained from the Director of Public Prosecutions Department. Information is yet to be obtained.

- c. The amounts collected annually since 2015 in the form of fines paid by those found guilty of illegal quarrying.

This information is being sourced through the courts. Figures not yet obtained.

- iv. Revenue due to the State from mining activities is collected in the form of royalties, licence fees, and taxes; and are paid by legitimate mining operators. Illegal mining activities and removal of materials from State lands represent larceny of State assets, where the State owns the mineral rights. The MEEI and the TTPS illegal quarrying unit, in conjunction with the Commissioner of State Lands and Conservator of Forests are currently undertaking an exercise to develop a system to estimate the quantity of minerals and materials lost to illegal quarrying. Such system will enable the TTPS to estimate the value of the State assets stolen from and destroyed at illegal mining sites, for use in prosecuting these offences through the Courts.
- v. Commissioner of State Lands Office (COSL) is currently preparing information for the Committee on the effects from amending the State Lands Act.
- vi. The progress and the enactment of the Miscellaneous Provisions (Illegal Mining) Bill will address many of the harmonisation issues raised. The progress of this Bill and its status has been identified at i. above.

In addition to the above, there has been further work done to address issues identified regarding the Minerals (General) Regulations of 2015.

Amendments to the Minerals Act, Chap. 61:03 were not within the purview of the review exercise. That was largely due to the differences in the legal procedure involved to amend the Minerals Act as compared to the Minerals (General) Regulations. Any amendment to the Minerals Act would require the lengthy debate of the amended piece of legislation by both Houses of Parliament (Senate and House of Representatives). Amendment to the Minerals (General) Regulations, on the other hand, would require the simpler process of negative resolution of Parliament where the amended legislation is laid in Parliament for 40 (forty) days and if there is no objection by both Houses of Parliament, it becomes law.

After detailed review by the Minerals Review Committee, a Brief was prepared with recommended changes to the Minerals (General) Regulations, No. 111 of 2015, covering inter alia, the following areas:

- duration of licences
- completing title searches
- processing of licence application timelines
- renewal of licence forms
- hold-over periods
- e-submissions of application and renewal forms

These recommendations are meant to both address the procedural hurdles in the Regulations and to ensure greater efficiency and effectiveness. This Brief is before the MAC at this time for review and approval, prior to submission to the Hon. Minister of Energy and Energy Industries.

- vii. The MEEI is currently liaising with the TTPS illegal quarrying unit with the objective of creating new strategies to tackle illegal mining. Measures taken in the past have not produce the desired effects of cubing illegal mining. Thus, the MEEI is collaborating with the TTPS to develop a more structured approach to address illegal mining activities.

7. Support from the Ministry of Finance

Recommendation:

- i. *The Ministry of Finance should submit a list of the ways in which it can assist the MEEI with its production data recording and the improvement of its auditing and accounting systems, and indicate the timeline to begin to provide this assistance by August 30, 2020.*

MEEI Response:

The MEEI advises the Committee that discussions were held with the Treasury Division, as well as other representatives from the Ministry of Finance (MOF), on key areas including the processes followed by the MEEI Accounts Unit in facilitating the recording of payments. The work of the Production Verification Committee of the MEEI was also discussed with the MOF.

