

Thursday 24th July, 2008

Phoenix Park Gas Processors expands



Achieving an A rating from Standard and Poor's and Moody's has worked to Phoenix Park Gas Processors Ltd's benefit. We went out to the market and were able to get very, very, competitive pricing on the debt.

BY SANDRA CHOUTHY

sandy9@ttol.co.tt

Point Lisas-based Phoenix Park Gas Processors Ltd (PPGPL)—which produces propane, methane and natural gas—is in expansion mode.

Its president, Eugene Tiah, said Phoenix Park Gas Processors' current expansion project will increase its storage capacity from one million barrels to 1.25 million.

The processing and storage project is estimated to cost US\$120 million.

He said given that Phoenix Park Gas is continually looking for expansion opportunities, it's working with the National Energy Corporation (NEC) and the National Gas Company (NGC) to provide the feedstock for an Isegen facility, and a maleic anhydride facility, which would produce food acidulants.

"NEC is working with a company called Isegen out of South Africa. This world-scale plant would produce food acidulants (enhancers) that are used by food and beverage manufacturers.

"It would be targeting the US market. The local market would be small.

"What it can do is displace the need for importation of those acidulants and provide the platform for more attractive additives versus importation."

He held up a small bottle of soft drink, saying the food enhancer it contained was most likely citric acid.

He said Isegen is looking to penetrate the US market, from which Trinidad looks attractive, has available feed stock and a good investment climate.

He said Isegen's principal is one of the early pioneers of food acidulant technology.

A detailed feasibility study into the acidulant project is underway.

Tiah said Phoenix Park Gas is also involved in an iso-butane splitting project with Petrotrin.

"We are taking the mixed butanes and splitting them into the iso and the normal. We are delivering the iso-butane to Petrotrin, which will use that to produce alkylates, which are large blocks of hydrocarbons blended with gasoline."

Growing a company

Phoenix Park Gas Processors has grown significantly since its 1991 start.

Back then it had a processing capacity of 650 million cubic feet of gas per day.

"We had the ability to run that through our facility, extract natural gas liquids from it and return the gas to the National Gas Company (NGC)."

"Today, our processing capacity, 16, 17 years later, is close to two billion cubic feet of gas per day. We are constructing a last module that will take our current capacity of 1.35 billion cubic feet of gas per day up to just under two billion feet of gas per day. In terms of that, we have expanded 300 per cent."

“Back then in 1991, we had a fractionation capacity—the ability to separate into those three pure products—of 13,500 barrels/day. Today, our capacity is 70,000 barrels/day.

“Back then, our storage was 300,000 barrels of product. Today, our storage is one million barrels, and our storage—which is being expanded right now—will go up to 1.25 million barrels.

“In 1991, we had 250,000 barrels of storage. Today, we have one million barrels. And when we complete this expansion project that we are working on, which will be in a year in the storage pit, we’d be up to 1.25 million barrels.”

Shopping around for debt

Achieving an A rating from Standard and Poor’s and Moody’s has worked to Phoenix Park Gas Processors Ltd’s benefit.

The expansion project was financed on the international capital market.

“We went out to the market and were able to get very, very, competitive pricing on the debt.

“If we were to take a ten-year tenor—ten years to repay— how we would benchmark that debt is on ten-year treasuries, which is considered like a risk-free rate.

“So if ten-year treasuries were five per cent, we right now being an A-rated company, could get under one per cent mark-up on that for ten years because of the quality of our debt rate.

Trade deal imperative

People will have to be competitive on that basis.”

He said Royal Bank of Canada—which has bought out RBTT—will have to compete with other sources of debt that his company will approach.

“We worked very hard to build the business strength up to the point where we could be seen as a very strong and robust company. Therefore, the returns we get from being a solid, world-class business, to be able, when we want to grow, to be able to access debts at very attractive rates.”

Preferential considerations

T&T’s graduation from the Generalised System of Preferences (GSP) because it’s too high income was not unexpected, said Tiah, who is also the newly elected president of the American Chamber of T&T (Amcham).

“As countries become more prosperous in terms of their progress on their continuum towards development, it is not unprecedented, nor is it something that could have been predicted that we would have got to this stage where with regard to certain preferential considerations, we’d no longer be eligible for those.”

Of the 0.1 per cent of goods that enter the US market under the GSP programme, Tiah said, “It is small, but it is a signal and it is a signal we have seen happening elsewhere with regard to preferential access to markets.”

A US congressional group visit to Trinidad in April 2007 and a return visit last September told Amcham one thing: T&T has to be very focused, persistent and resilient to lobby for particular types of trade agreements.

The congressional group told Amcham's officials the region needs to get its act together about entering into any preferential bilateral trade agreements with the US.

Tiah said Caricom—through the Common Single Market and Economy (CSME)—has attempted to cement a common position, but it has not really gone very far very fast because of the fractured nature of various interest groups within the confederation.

"There are ways and means to go about lobbying and to be effective."

Tiah said regardless of who becomes the next US president, the interests of T&T and the Caribbean have to be advanced in a deliberate and focused way using all the mechanisms available.

He said Amcham and the T&T Manufacturers' Association (TTMA) agree it's imperative for the Government to negotiate a trade deal before the Caribbean Basin Trade Partnership Act expires in September 2010.

On a similar note, Amcham, the TTMA, the T&T Chamber of Industry and Commerce and other chambers need to formulate and present the Government with a unified position about what it would expect in a trade agreement.

The various chambers also fund and staff the Larry Placide-led International Trade Negotiating Unit, which provides support to the Ministry of Trade and Industry.

Tiah said while a poll would indicate everyone wanting "free and unfettered access" to particular markets, reasonable limits and balancing acts are necessary.

"One has to recognise that the Caribbean can't be seen as getting special treatment versus other regions."