

**THE BARBADOS ECONOMIC REPORT**  
**ENERGY CHAPTER 2009**

**OIL AND GAS EXPLORATION**

**ONSHORE**

During 2009 seven (7) new wells were drilled by the Barbados National Oil Company Limited. The total amount of product available for 2009 consists of 2.2 million barrels (bbls) of crude oil and 4,307,694 million cubic feet (mcf) of gas as compared to 2008 which were 1.9 million barrels (bbls) of crude oil and 4,374,593 million cubic feet of gas. These figures represent the reserves at December 31<sup>st</sup>, 2009. The products extracted during the year came from existing wells including those drilled in 2005 and commissioned in 2006. The wells drilled in 2009 have not been online as yet.

**PRODUCTION**

During the year, production of crude oil decreased by approximately four (4) percent. Production stood at 289,692 barrels (bbls) for the same period during 2008 while output decline to 277,123 barrels in 2009. This decrease was due to the fact that no new wells came online to complement the existing ones.

In 2009 natural gas production by BNOCL decreased by four (4) percent to 698,480 mcf in 2009 as compared with 727,568 mcf in 2008. There was no Liquefied Petroleum Gas (LPG) production during 2009 since the LPG plant was taken out of commission in September 2003. In 2004 the decision was made not to extract condensate from the gas in order to boost gas sales.

**OIL AND GAS SALES AND CONSUMPTION**

Oil sales for the year decreased by three (3) percent, from 289,252 bbls in 2008 to 280,332 bbls in 2009, while gas sales increased by three (3) percent to 487,774 mcf in 2009 as compared to 2008. Total sales by volume in the National Petroleum Corporation (NPC) inventory increased by eight (8) percent, from 11,165,735 cubic metres in 2008 to 12,074,613 cubic metres in 2009.

Because of lower volumes of gas available for sale, NPC was unable to sell gas to BL&P. However, NPC was able to connect new commercials who bought the gas at a higher price than BL&P. This was, in turn, responsible for the increase in the value of sales by three (3) percent to

\$14,236,194 in 2009 compared with the said period in 2008. A slight increase was seen in all the sectors for the year.

The expansion programme of the NPC continued by increasing its network of mains by 1.96 miles and has gained at least three hundred and thirty-five (335) new customers for the year under review.

### **ELECTRICITY**

Electricity sales for the year 2009 were 951.2 million kWh. This represented a two (2%) percent increase when compared to 2008. The largest category of users continues to be the Domestic Sector, accounting for 32 per cent of total sales or 306 million kWh. The Barbados Light & Power Company Limited (BL&P) expanded its services by investing \$15.8 million to upgrade its capital infrastructure to accommodate forecasted demand for the year.

### **FUEL IMPORT BILL**

For 2009, the fuel import bill was estimated at \$341,608,000 which represents a decline of 52% when compared with that for 2008 which was \$712,964,000. The estimated decline in the import bill can be attributed in large measure to declines in petroleum prices in general.

With respect to the major fuels, gasoline, diesel and fuel oil, imported during 2009, there was an overall increase. For instance, the volume of gasoline imported during 2009 stood at 823,693 barrels, representing an increase in imported volume of one (1) percent when compared with gasoline imports for the 2008 which was 817,603 barrels. On the other hand, the imports of diesel for 2009 recorded 755,928 barrels registering a decline of eight (8) percent as compared with diesel imported during 2008 which stood at 819,114 barrels. However, the imports of fuel oil indicated an increase of five (5) percent with imported volumes of the commodity registered at 1,560,006 barrels for 2009, compared with 1,490,523 for 2008. In contrast, kerosene sales increased by fifty-eight (58) percent to 3,561 bbls during 2009 from 2,313 bbls in 2008.

### **LOCAL RETAIL PRICES**

The policy of monthly price adjustment to the major fuels, gasoline, diesel, kerosene and LPG was continued during 2009. This meant that the retail prices of the products were more reflective of their import prices. In the case of gasoline, the average retail price for 2009 was \$2.13 per litre or 11% below the average retail price for 2008, which was \$2.39 per litre. With respect to diesel prices, the average retail price for 2009 was \$1.85 per litre or 34% lower than for the average retail price during

2008 which stood at \$2.18. The average retail price for kerosene during 2009 was \$1.10 per litre or 24% below the average retail price for 2008 which was recorded at \$1.45 per litre.

In the case of LPG, retail prices declined in similar fashion as prices for the commodities noted above. For instance, during 2009 the average retail price of the 100lb cylinder was recorded at \$128.27 which was 25% below the average retail price for the year 2008 which stood at \$171.02. With regard to the 25lb cylinder, it was noted that the average retail price for this volume of LPG was registered at \$34.66 during 2009, and represented a decline of 24% when compared with 2008, which was \$45.35. The average retail price for the 20lb cylinder during 2009 was \$27.72 and was 24% lower than the average retail price for 2008 which was recorded at \$36.27.

At December 31<sup>st</sup>, 2009 the retail price of gasoline was \$2.36 per litre, \$2.09 per litre for diesel and \$1.31 per litre for kerosene. Liquefied petroleum gas was \$147.99 per 100 lbs cylinder, \$39.59 per 25 lbs cylinder and \$31.67 per 20 lbs cylinder at December 31<sup>st</sup>, 2009.

### **RENEWABLE ENERGY**

There were no major projects undertaken in renewable energy for the period under review.

### **NATURAL RESOURCES**

There were no major projects undertaken in natural resources for the period under review.

The Government continued discussions with BHP Billiton with a view to agreeing the terms and conditions for the award of a licence for oil exploration in offshore Barbados.

### **OUTLOOK/FORECAST FOR THE YEAR 2010**

#### ***International Perspective***

Prices will continue to be influenced largely by such factors as:

- Global demand;
- Slow to moderate gain in non-opec supply;
- Wealth;
- US Currency; and
- Normal Stocks (Inventory).

These factors point to a situation where petroleum prices will continue on its upward trend. Crude Oil prices are projected to rise above US\$74/bbl with a projected average equilibrium of US\$78/bbl in the long run.

In particular, international prices for gasoline are projected to remain above US\$83/bbl with a projected average equilibrium of US\$88/bbl in the long run.

No.2 diesel is also projected to continue on an upward trend above US\$86/bbl with a projected average equilibrium of US\$91/bbl, while no.6 fuel oil and LPG are projected at US\$70/bbl and US\$48/bbl respectively with long run equilibrium average price of US\$65/bbl and US\$53/bbl respectively.

### **Local Perspective**

The continuous upward movement in international prices will translate into increased upward pressure on local energy prices.

Indeed during the first six months of 2010, it is anticipated that average local retail prices of Bds\$2.35 per litre, Bds\$2.12 per litre and Bds\$1.26 per litre are projected for gasoline, diesel and kerosene respectively. Average prices for the same period of \$122.53, \$33.22 and \$26.58 are anticipated for 100lb, 25lb and 20lb cylinder for LPG respectively.

The projection of import fuel oil prices of US\$70/bbl and long run equilibrium price of US\$65/bbl would indicate a higher fuel clause for electricity in 2010. In addition, given that a sluggish performance is expected in the productive sectors it is anticipated that demand for fuels and electricity will be moderate for 2010.

Given the fact that renewable energy and energy conservation have resurged strongly over the last two (2) years, it is anticipated that the use of alternative fuels will become more widespread in the short to medium term.

During 2010 it will become necessary for the Barbados National Oil Company Limited (BNOCL) to concentrate on its core business and in so doing revisit their drilling programme in an effort to ramp up crude oil production to offset the cost of refined petroleum products we import primarily from Trinidad. In so doing, it is likely that gas production will also increased and provide more gas at the disposal of the NPC which has proved to be a cheaper energy source to BL&P.

In concluding, the Energy Division will however continue to encourage energy conservation and promote renewable energy use through its public relations programme in an effort to reduce the use of fossil fuels and the import bill for these fuels during these trying times.

