

MINISTRY PAPER NO. _____

PERFORMANCE OF THE PETROLEUM CORPORATION OF JAMAICA FOR FINANCIAL YEAR 2003/2004 AND FOCUS FOR FINANCIAL YEAR 2004/2005

1.0 Purpose of Ministry Paper

This Ministry Paper is intended to inform Parliament and the public on the performance of the Petroleum Corporation of Jamaica (PCJ) during the 2003/2004 Financial Year and its plans for the year 2004/2005. This is a part of the Ministry's effort to provide detailed information to the public on the performance of its portfolio agencies.

2.0 Mission

"The Petroleum Corporation of Jamaica, as mandated by the Petroleum Act of 1979, will undertake the development and promotion of Jamaica's energy resources and will seek, where necessary, business partners through joint ventures with the private sector.

The Corporation will conduct its affairs in a manner beneficial to Jamaica and will ensure that the environment is protected at all times.

The Corporation will act with integrity and will strive for excellence in all its operations".

3.0 Role and Functions

Cabinet mandated Petroleum Corporation of Jamaica in 2002 to ensure the accelerated implementation of the Jamaica Energy Sector Policy. Objectives of the Policy include:

- Facilitating negotiations to ensure stable and adequate energy supplies at least cost (e.g., San Jose Accord, Caracas Accord, Nigerian agreements and Ecuadorian crude oil purchases).
- Promoting diversification of the energy base and development of indigenous energy resources.
- Encouraging energy efficiency/conservation and reduction of energy intensity.
- Complementing the objectives of the National Industrial Policy (NIP) as it relates to energy demand and outputs.

- Minimizing the adverse environmental effects of fuel use
- Establishing the regulatory framework to protect consumers, investors and the environment.

4.0 Priority Targets/Objectives and Budgetary Allocation Financial Year 2003/2004

4.1 Among the matters of priority were:

- Bringing cleaner energy types and technologies to Jamaica in support of the policy objectives for energy diversification and reduced environmental impacts from fuel importation and use. Some focus was given to natural gas.
- Increasing the proportion of local renewable energy sources in the national energy mix. Focus was placed on wind energy with efforts also in solar energy, particularly solar water heaters.
- Improving energy efficiency at the domestic, commercial and industrial levels. This included energy efficiency demonstration projects and public education to target groups of professionals (e.g. Parish Development Committees (PDCs) and Chambers of Commerce island- wide).
- Developing an environmental management system for the PCJ Group and further improving environmental responsiveness and sensitivity within the Group.
- Developing a performance based human resource management system under a PCJ Group Excellence Program.
- Expanding the Group's information technology capabilities through the introduction of hardware and training software to improve efficiency, productivity and competitive advantage.
- Providing technical and financial support for the expansion of PETCOM's network of service solutions. Three (3) stations were built and brought into operation during Financial Year 2003/2004.
- Improving environmental health, safety and industrial hygiene practices and programs for the reduction of environmental and personnel incidents.

4.2 Budgetary allocations for 2003/2004 were as follows;

Purpose	Budgeted Ja\$'000
General Administrative Expenses: Inclusive of utilities, staffing, taxes, insurance, stationery, maintenance, professional fees, business charges, Public Relations and community outreach, board expenses and depreciation.	176,833
Building Maintenance: Including contracted services, staffing, maintenance, and taxes.	57,247
Project Expenses: Corporate investment/contributions to energy fund, contracted services and purchases, research, feasibility studies, seminars, regulatory fees and charges and promotions.	41,879
TOTAL	275,959

5.0 Performance/Achievement – 2003/2004

5.1 The achievements to date are as follows:

- Successful implementation of a 20 MW wind farm, in Wigton, Manchester. This facility is to be commissioned in the second quarter of the current 2004/2005 financial year.
- Continuation of research on a demonstration fuelwood project for commercial fuelwood production.
- Sale/distribution of solar water heaters (SWH's) to stimulate consumer interest in preference for non solar types
- Distribution of two hundred and twenty thousand (220,000) compact fluorescent lamps (CFL's) as at March 2004. Priced at two hundred and ninety nine dollars (\$299.00) each, this is the second lowest price island-wide for comparable CFL's. These sales constituted approximately eleven percent (11%) of the CFL market.
- Maintenance of supply arrangement for sale of gasoline and diesel to Costa Rica, although involving a lower volume than for the past year.
- Renewal of Nigerian crude oil contract to October 2004.
- Securing of petroleum supplies from Ecuador during a period of internal crisis in Venezuela in 2003 and continuing negotiations with the Ecuadorian Government with a view to long-term contractual arrangements.
- Securing direct technical assistance regarding groundwater pollution from petroleum manufacturing, distribution and retail operations.
- For the Energy Efficiency and Conservation Programme, the following were achieved:
 - Establishment of an Energy Efficiency Unit
 - Airing of radio discussion programmes
 - Holding of consultations with industry groups

- Conducting energy-related seminars focusing on the health sector (hospital administrators) and local government
 - Commencement of energy audits/demonstration projects at the Bustamante Hospital for Children in Kingston
 - Holding of one major regional conference on energy efficiency in November 2003
 - Conducting exhibitions and lectures on energy issues
 - Conducting training and arranging seminars on energy conservation for thirteen (13) corporate area schools
- *Sponsoring a school energy conservation and efficiency competition at the preparatory and high school levels.*
- Implementation of an energy audit and completion of a retrofit of the PCJ building, under an Energy Saving Company (ESCO) arrangement
 - Training for Process Safety Management (PSM) of highly hazardous chemicals initiated as framework for an environmental management system within the PCJ Group
 - Establishment of an energy fund to support energy conservation measures in commerce and industry

6.0 Strategic Medium to Long Term Focus

The PCJ Group of companies aims to advance its leadership position environmentally to one that is even more proactive and innovative. The Group has committed itself to adopt PSM to ensure successful competition/compliance as well as environmental and public responsibility on its part.

Emphasis will be on energy diversification and the development of policy mechanisms to increase renewable energy (such as wind, biomass and solar), and cleaner fuels (such as natural gas) in the energy mix. Policy mechanisms will include accelerating the Jamaica Energy Sector Policy, developing a cogeneration strategy and stimulating development of an ethanol industry for both domestic and export use.

Stress will also be placed on assistance in establishing the Energy Fund with its focus on energy efficiency.

The PCJ also intends to:

- Work to stimulate a national behavioural shift to the efficient use of energy and towards energy conservation, through an expansion of demonstration projects, training in energy audits, public education/advertising and implementation of the Energy Efficiency Building Code;
- Strengthen energy security through increasing the use of local energy resources, diversifying petroleum sources and diversifying fossil fuel imports; and
- Increase the utilisation of information technology to improve efficiency.

7.0 Programmes and Targets for 2004/2005

The following are programmes to be implemented at the Corporate Office and within the PCJ Group.

7.1 Environment

- Implementation of Process Safety Management (PSM) of highly hazardous chemicals within the Group.
- Implementation of environmental management/monitoring programmes.

7.2 Energy

- Completion of a wind farm with a generating capacity of 20.7 MW at Wigton in Manchester. This facility to be commissioned in May/June 2004.
- Development of a 1.2MW hydropower project at Laughlands Great River, St. Ann.
- Expansion of options in international petroleum products trading.
 - Finalization of Fuelwood Project results through an energy value analysis in conjunction with Frome Sugar Factory.
- Investigate new projects on Cogeneration and Renewable Energy. Initial emphasis in cogeneration will be on the sugar industry with Frome Sugar Estate the first target.
- Analysis of the oil and gas prospectivity of Jamaica with a view to attracting interest in exploration activities by the international oil and gas industry.
- Upgrading the Petrojam Refinery.

7.3 Energy Efficiency & Conservation

- Expansion of the promotional thrust for solar water heaters.
- Expansion in the supply of compact fluorescent lamps (CFL's) for the local market.
- Improvement in energy management and efficiency in four (4) hospitals as well as other Government-owned facilities.
- Implementation of Energy Fund for energy audits, retrofits, and greening of Government.
- Continuation of inner city school programme of seminars and exhibitions on environment and energy conservation.

7.4 Other

- Development and implementation of projects at Font Hill, St. Elizabeth, particularly in the areas of agriculture, resort development and eco-tourism.
- Enhancement of the coastal areas of the Font Hill property for divestment.
- Construction of an aerodrome at Font Hill, St. Elizabeth.
- Conduct an Environmental Impact Assessment (EIA) and execution of resort-residential lots subdivision at Font Hill.

8.0 Budgetary Proposal for Financial Year 2004/2005

The budgetary proposal for the Financial Year 2004/2005 is approximately \$306.49 M and will be allocated as follows:

Purpose	Budgeted Ja\$'000
General Administrative Expenses: Inclusive of utilities, staffing, taxes, insurance, stationery, maintenance, professional fees, project management, business charges, public relations and community outreach, board expenses and depreciation.	202,015
Building Maintenance: Including contracted services, staffing, maintenance and taxes.	61,329
Project Expenses: Corporate investment/contributions to Energy Fund, contracted services and purchases, research, seminars, feasibility studies, regulatory fees and charges and promotions.	43,141
TOTAL	306,485

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