

PERFORMANCE OF THE PETROLEUM CORPORATION OF JAMAICA FOR FINANCIAL YEAR 2004/05 AND FOCUS FOR FINANCIAL YEAR 2005/2006

1.0 Purpose of Report

This report is intended to inform Parliament and the public on the performance of the Petroleum Corporation of Jamaica (PCJ) during the 2004/2005 Financial Year and its plans for the year 2005/2006.

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

In 2002 Cabinet mandated PCJ 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 output.
- 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 for Financial Year 2004/2005

4.1 Priority Issues included:

- Introducing 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 Programme.
- 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 2004/2005.
- Improving environmental health, safety and industrial hygiene practices and programs for the reduction of environmental and personnel incidents.

4.2 Budgetary Allocations for 2004/2005 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/Achievements – 2004/2005

5.1 The achievements to date are as follows:

- Successful implementation of a 20 MW wind farm, in Wigton, Manchester. This facility was commissioned in the second quarter of the 2004/2005 financial year.
- Staging of a combustion trial at Frome sugar factory to determine the suitability of wood chips from fuel wood production for industrial operations
- Sale/distribution of solar water heaters (SWHs) to stimulate consumer interest in/preference for solar type appliances.
- Distribution of two hundred and twenty thousand (220,000) compact fluorescent lamps (CFLs) during the review period. The sale price of two hundred and ninety nine dollars (\$299.00) each is the second lowest price island-wide for comparable CFLs. The abovementioned sales volume 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 late 2003 and continuing negotiations with the Ecuadorian Government with a view to long-term contractual arrangements.
- Securing technical assistance to address groundwater pollution from petroleum manufacturing, distribution and retail operations.
- Training of environmental professionals and UWI MSc. students in risk-based assessment for environmental decision-making.
- Re-designing and launching PCJ's website to coincide with the Agency's 25th anniversary
- Signed Memorandum of Understanding with investor to explore feasibility of establishing an oil refinery at Font Hill, St. Elizabeth

- For the Energy Efficiency and Conservation Programme, the following were achieved:
 - Establishment of an Energy Efficiency Unit.
 - Airing of radio discussion programmes.
 - Development and launch of a web page devoted to the Energy Efficiency Unit, targeting various audiences, including residential, commercial and small business, large industrial, and public sector users. Hyperlinks to information about the proposed Energy Fund and Public Education Programme are also provided.
 - Holding of consultations with industry groups.
 - Conducting energy-related seminars focusing on the health sector (hospital administrators) and local government.
 - Commencement of implementation of energy efficiency projects at four (4) hospitals namely, Princess Margaret, St. Ann's Bay, Cornwall Regional and the Bustamante Hospital for Children in Kingston. Conducting exhibitions and lectures on energy issues
 - Conducting training and arranging seminars on energy conservation for thirteen (13) Corporate Area schools.
 - Sponsoring of a schools' 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.
 - Conducting training for Process Safety Management (PSM) of highly hazardous chemicals, initiated as framework for an environmental management system within the PCJ Group.
 - Instituted consultancy project with funding support from IADB re establishment of Energy Fund

6.0 Strategic Medium to Long Term Focus

The PCJ Group of companies aims to advance its leadership position on environmental matters to one that is even more proactive and innovative. The Group has committed itself to adopt Process Safety Management (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.

Emphasis 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, and public education/advertising.

- 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 2005/2006

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.
- Execution of capacity building environmental remediation course for environmental professionals

7.2 Energy

- Development of a 1.2MW hydropower project at Laughlands, Great River, St. Ann.
- Exploration of options for international petroleum product trading.
- Investigation of new projects using cogeneration and renewable energy. Initial emphasis in cogeneration will be on Frome Sugar Estate.
- Analysis of the oil and gas prospect in Jamaica with a view to attracting interest in exploration activities by the international oil and gas industry.
- Upgrading the Petrojam Refinery.
- Promotion of cleaner vehicle fuel options. This entails engendering public interest to give preference to the purchase of efficient diesel fuelled vehicles, support the replacement of MTBE by ethanol and where appropriate select the 87 octane gasoline grade.

7.3 Energy Efficiency & Conservation

- Expansion of the promotional thrust for energy efficiency and wider use of solar water heaters, and CFLs.
- Conducting energy audits at five (5) hospitals and three (3) educational institutions.
- Continuation of the “Training of Trainers” seminar on energy conservation for science teachers.
- Conducting Energy Impact Assessment to develop Electricity/Energy Policy and new Electricity Industry Legislation.
- Implementing training programmes for Energy Services Company and expand pool of ESCo to at least six (6) functioning companies.

7.4 Other

- Continue to explore feasibility of oil refinery at Font Hill, St. Elizabeth
- Continued 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.

- Environmental Impact Assessment (EIA) Study submitted to NEPA and await their approval. Awaiting approval from the Parish Council and NEPA for subdivision.
- Design and implement records management programme in compliance with the access to Information Act 2002 (ATI).
- Develop Records Management Policy based on ISO 15489
- Identify appropriate technology to facilitate the organization and retrieval of records
- Design and implement web page for ATI information
- Continue digitisation programme for audiovisual materials (e.g. photographs, VHS) and documents for preservation and easier access.
- Develop and implement Library web page to allow remote access to information. Services will include document delivery via portable document format (PDF), which possible and access to PCJ's library catalogue.

8.0 Budgetary Proposal for Financial Year 2005/2006

The budgetary proposal for the Financial Year 2005/2006 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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May 20, 2005