

MINISTRY PAPER NO. _____

**PERFORMANCE OF THE PETROLEUM CORPORATION OF JAMAICA
FOR FINANCIAL YEAR 2005/2006 AND FOCUS FOR FINANCIAL YEAR 2006/2007**

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 2005/2006 Financial Year and its focus for the 2006/2007 Financial Year.

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 the 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 for Financial Year 2005/2006

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.
- Increasing the proportion of local renewable energy sources in the national energy mix. Focus was directed at the possibility of increasing the capacity of wind-generated power beyond the 20 megawatts located at Wigton in Manchester. Efforts were also being made to increase the use of solar energy especially in regard to solar water heaters.
- Improving energy efficiency at the domestic, commercial and industrial levels. This included energy efficiency demonstration projects and public education to target community groups, professionals, Chambers of Commerce and schools islandwide.
- Developing an environmental management system for the PCJ Group and further improving environmental awareness, 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. Two (2) stations were built and brought into operation at Lluidas Vale and Ocho Rios during Financial Year 2005/2006.
- Improving environmental health, safety and industrial hygiene practices and programmes for the reduction of environmental and personnel incidents.
- Energy Conservation

4.2 Budgetary allocations for Financial Year 2005/2006 were as follows;

Purpose	Budgeted \$'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.	282,656
Building Maintenance: Including contracted services, staffing, maintenance, and taxes.	80,009
Other Expenses: Oil & gas programme, energy conservation awareness, alternative energy & environment management, Font Hill property	164,514
TOTAL	527,179

5.0 Performance/Achievement – Financial Year 2005/2006

5.1 The achievements to date are as follows:

- Commencement of Front End Engineering Design as the first stage of the project for the upgrade of the Petrojam refinery.
- Continued Distribution of two hundred and twenty thousand (220,000) compact fluorescent lamps (CFL's), a process which commenced at March 2004. Priced at two hundred and ninety nine dollars (\$299.00) each, this is the second lowest price islandwide for comparable CFL's. Sales under this arrangement 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 past years.
- Renewal of Nigerian crude oil contract May 1, 2005.
- Training of environmental professionals and UWI MSc. Students in risk based assessment for environmental decision-making.
- Successful re-design and launch of the PCJ website.

- For the Energy Efficiency and Conservation Programme, the following were achieved:
 - Continued operation of an Energy Efficiency Unit.
 - Public education programmes on energy conservation and alternative energy usage.
 - Maintenance of a web page devoted to the Energy Efficiency Unit, which targets various audiences, including residential, commercial and small business, large industrial and public sector users. Hyperlinks to information about the Energy Fund and Public Education Programme are also provided.
 - 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.
 - Staging of training of trainers seminars on energy conservation for science teachers in high schools throughout Jamaica.
 - Staging of training sessions and arranging of seminars on energy conservation for a number of corporate area schools.
- Establishment of the Energy Fund.
- Achievement of the greater use of 87 Octane gasoline by the motoring public.
- Completion of a scientific study which revealed that ethanol may be profitably produced locally by restructuring the local sugar industry into a multi-product sugar cane industry to produce sugar, rum, ethanol and co-generated power.
- Commencement of Front End Engineering and Design of the Natural Gas Project.
- Re-start of oil and gas exploration off-shore Jamaica's south coast through the licensing of private overseas exploration companies.
- Participation in the PetroCaribe oil facility and the securing of oil supplies and loan benefits for Jamaica under this partnership.

6.0 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 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, hydropower 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 as well as advancing the project for the introduction of natural gas into Jamaica's energy portfolio.

7.0 Programmes and Targets for Financial Year 2006/2007

7.1 Establishment of PetroCaribe Development Fund

The PCJ will continue to work with key stakeholders such as the Ministry of Industry, Technology, Energy and Commerce, and the Ministry of Finance and Planning to effect the establishment of the PetroCaribe Development Fund. This will require an amendment to the PCJ's Act and work toward this end is now at an advanced stage.

7.2 Energy Fund

The Government has taken a decision to establish an Energy Fund. It is being established as a limited liability company with its own board. The fund will act as a wholesaling window for energy projects and not be involved in direct lending. Funds will be retailed by approved financial institutions (AFI's). To minimize cost, the Fund will have a small staff which will be located at the Development Bank of Jamaica (DBJ). Wholesaling operations will be outsourced to the Development Bank of Jamaica. In this way, the Fund should be able to draw on the resources of the Development Bank of Jamaica.

The intention is that the Fund will seek to raise US\$25 M over the next five (5) years for energy efficiency measures, and small-scale renewable energy projects. The National Housing trust (NHT) and PCJ have committed J\$5 M and J\$15 M start-up financing, and a loan of US\$10 M is being obtained from the PetroCaribe Development Fund.

The intention is for the Fund to commence operations in the 2006/2007 Financial Year.

7.3 Energy Initiatives to be Pursued

- Investigate new projects using cogeneration and renewable energy. Initial emphasis in cogeneration will be on the sugar industry and could form part of the plan to produce ethanol at local sugar estates.
- Facilitation of exploration activities by international oil and gas companies which are already involved in seismic work off-shore Jamaica.
- Upgrading the Petrojam refinery.
- Promotion of cleaner vehicle-fuel options. This entails engendering the general interest of the public in giving preference to purchase of efficient diesel fuelled vehicles and carrying out pilot testing of the replacement of MTBE by ethanol and where appropriate selecting the 87 octane gasoline grade.
- Continue development work on the LNG Project
- Development of a 1.2MW hydropower project at Laughlands Great River, St. Ann.
- Explore the options for international petroleum product trading.
- Promoting wider use of diesel engines.

7.4 Energy Efficiency & Conservation

- Expansion of the promotional thrust for energy efficiency and further promotion of use of solar water heaters and compact fluorescent lamps (CFL's).
- Support distribution of compact fluorescent lamps provided by the Government of Cuba for lower income households
- Continued implementation of the energy efficiency projects in four (4) hospitals.
- Establishment and conduct of energy audits at five (5) hospitals and three (3) educational institutions.
- Continuation of the "Training of Trainers" seminar on energy conservation for science teachers.
- Carrying out of Energy Impact case studies.

- Collaboration with key stakeholders in the development of an electricity/energy policy and new electricity industry legislation.
- Implement training programmes for Energy Service Companies (ESCo's) and expand the pool of ESCo's to at least six (6) functioning companies.

7.5 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

7.6 Other Initiatives

- 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.
- 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.
- Maintain a records management programme in compliance with the Access to Information (ATI) Act 2002.
- Design and implement web page for ATI information
- Develop a records management policy based on the ISO 15489 standard
- Identify technology to facilitate the organization and retrieval of records
- 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) where allowed and access to PCJ's library catalogue.

- 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.

8.0 Budgetary Proposal for Financial Year 2006/2007

The budgetary proposal for the Financial Year 2006/2007 is approximately \$632.25 M and funds will be allocated as follows:

Purpose	Budgeted \$'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	245,693
Building Maintenance: Including contracted services, staffing, maintenance and taxes.	71,346
Other Expenses: Corporate investment/contributions to Energy Fund, contracted services and purchases, research, seminars, feasibility studies, regulatory fees and charges, and promotions.	315,211
TOTAL	632,250

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