

MINISTRY PAPER NO.: _____

**PERFORMANCE OF THE PETROLEUM CORPORATION OF JAMAICA
FOR FINANCIAL YEAR 2006/2007 AND FOCUS FOR FINANCIAL YEAR
2007/2008**

1.0 Purpose of Ministry Paper

The purpose of this Ministry Paper is to inform Parliament and the public about the performance of the Petroleum Corporation of Jamaica (PCJ) during the 2006/2007 Financial Year and its focus for the 2007/2008 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 (PCJ) 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, PetroCaribe, Nigerian agreements and Ecuadorian crude oil purchases)
- Promoting diversification of the energy base and development of indigenous energy resources
- Encouraging energy efficiency and conservation to reduce Jamaica's energy bill
- 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
- Supporting the regulatory framework to protect consumers, investors and the environment.

4.0 Priority Targets/Objectives and Budgetary Allocation for Financial Year 2006/2007

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 twenty (20) megawatt plant located at Wigton in Manchester. Efforts were also being made to increase the use of solar energy especially in regard to solar water heaters and photovoltaics.
- 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 island-wide.
- Developing an Environmental Management System (EMS) for the PCJ Group and further improving environmental awareness, responsiveness and sensitivity within the Group
- Developing a pay-for-performance and merit-based human resource management system
- 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 stations
- Further promoting energy efficiency and conservation.

4.2 Budgetary allocations for Financial Year 2006/2007 were as follows;

Purpose	Actual \$'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.	245,693
Building Maintenance: Including contracted services, staffing, maintenance and taxes.	71,346
Other Expenses: Oil & gas programme, energy conservation awareness, alternative energy & environmental management, Font Hill property	315,211
TOTAL	632,250

5.0 Performance/Achievements – Financial Year 2006/2007

5.1 Achievements over the review period are as follows:

- Continuation of the Front End Engineering Design for the Petrojam Refinery Upgrade Project
- Establishment of Centre of Excellence for Renewable Energy (CERE) in November 2006
- Public education programmes on energy conservation and alternative energy usage
- Continued distribution of three hundred and ten thousand (310,000) 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 fifteen percent (15%) of the CFL market
- Maintenance of a web page devoted to the Energy Efficiency Unit, which targets various audiences, including residential, commercial and small businesses, large industrial and public sector users
- Staging of 'training of trainers' seminars on energy conservation for science teachers in high schools throughout Jamaica
- Implementation of energy efficiency projects at four (4) hospitals (Princess Margaret, St. Ann's Bay, Cornwall Regional and the Bustamante Hospital for Children)
- Completion of energy audits for twenty two (22) additional hospitals
- Development of a comprehensive energy efficiency investment package for the twenty two (22) hospitals for which energy audits were carried out
- Implementation of three (3) energy efficiency measures recommended in the new Hospitals Energy Efficiency Investment Package (Black River, Percy Junor and Lionel Town Hospitals)
- Establishment of a preventative maintenance programme for the energy efficiency equipment installed in the hospitals.
- Completion of case studies on the implementation of energy efficiency measures

- Continuation of Front End Engineering Design (FEED) of the Natural Gas Project
- Licensing of blocks to two (2) overseas oil and gas exploration companies and carrying out of seismic and aero-magnetic surveys along Jamaica's south coast as the preliminary stage for further oil and gas exploration
- Finalisation of PetroCaribe Agreement and associated loan benefits for Jamaica under this partnership with the Republic of Venezuela
- Re-design and re-launch of the PCJ website.

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 use and the export market, 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 2007/2008

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 finalize 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. The fund will act as a wholesaling window for energy projects and will not be involved in direct lending. Funds will be retailed by approved financial institutions (AFI's) and to minimize cost, the Fund will have a small staff which will be located at the

Development Bank of Jamaica (DBJ). Also, its 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 2007/2008 Financial Year.

7.3 Energy Initiatives to be Pursued

- Encourage the utilisation of cogeneration within commercial and industrial entities
- Promote and facilitate the use of renewable energy and cleaner transportation fuels
- Promote application of appropriate solar and other renewable energy technologies
- Investigate and report on economical and technically viable renewable energy options for Jamaica through extensive research and development
- Continue development work on the LNG project
- Develop a natural gas market in Jamaica
- Generate and disseminate information for public awareness and attract private investors in small and large renewable energy projects
- Pursue oil and gas exploration to determine Jamaica's prospects for commercial quantities of oil and gas so as to reduce dependence on imported fuel and increase energy security
- Continue implementation of the Petrojam Refinery upgrade
- Secure trade agreements with other state companies on behalf of GOJ
- Development of a 1.2MW hydropower project at Laughlands Great River, St Ann
- Explore the options for international petroleum product trading.

7.4 Energy Efficiency & Conservation

- Provide low cost funding to the private sector to facilitate energy efficiency and conservation and installation of renewable energy through the Energy Fund
- Improve energy efficiency in the public sector
- Promote and maintain public awareness programmes to inculcate a cultural shift towards efficient use of energy and energy conservation
- Promote the integration and strengthening of energy conservation and efficiency on the national science curriculum
- Conduct preventative maintenance training programme for hospital operations and maintenance staff in the four regional health authorities
- Expand the promotional thrust for energy efficiency and further promotion of use of solar water heaters and compact fluorescent lamps (CFL's)
- Support islandwide distribution of CFL's provided by the Government of Cuba for households
- Complete implementation of the energy efficiency projects in four (4) hospitals (Cornwall Regional, Bustamante, Princess Margaret and St. Ann's Bay hospitals)
- Carry out Energy Impact case studies in the four (4) hospitals (Cornwall Regional, Bustamante, Princess Margaret and St. Ann's Bay hospitals)
- Collaborate with key stakeholders in the development of an electricity/energy policy and new electricity industry legislation
- Implement the energy efficiency investment package for the twenty two (22) hospitals for which energy audits were carried out.

7.5 Environment

- Facilitate Group compliance with national environmental, health and safety standards and regulations
- Develop and implement environmental management system in accordance with the ISO 14000 standard
- Track environmental benefits of programmes including carbon credits , through operation of Wigton Windfarm, ethanol initiative and other energy efficiency measures

- Completion of a feasibility study pursuant to bio-digestion of all organic waste on the Font Hill farm and property in St. Elizabeth for biogas (energy) production
- Completion of the Environmental Impact Assessments (EIA's) of major projects (Petrojam Refinery Upgrade, natural gas and oil & gas projects).

7.6 Other Initiatives

- Work to stimulate a 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
- Improve the efficiency in the operations of the PCJ Group's Library Information and Corporate Affairs Department
- Foster improvement of records management at all levels
- Pursue effective training and development programme (to provide the PCJ with an equipped and motivated staff, capable of meeting the present and future requirements and challenges of the company)
- Seek to implement improvements to existing human resource management system in order to improve the service to the Corporation
- Increase the utilisation of information technology to improve efficiency
- Seek to build relationships within and beyond PCJ
- Ensure that new information generated by PCJ's projects and programmes is published in a timely manner.

8.0 Budgetary Proposal for Financial Year 2007/2008

The budgetary proposal for the Financial Year 2007/2008 is approximately \$543.3 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	327,142
Building Maintenance: Including contracted services, staffing, maintenance and taxes.	83,171
Other Expenses: Corporate investment/contributions to Energy Fund, contracted services and purchases, research, seminars, feasibility studies, regulatory fees and charges, and promotions.	133,021
TOTAL	543,334

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