

Report on the first withdrawal in the amount of US\$400.0Mn from the Trinidad and Tobago Heritage and Stabilisation Fund in accordance with Section 15A(3) of the Heritage and Stabilisation Fund Act, Chapter 70:09 as amended

The Heritage and Stabilisation Fund (“the Fund”) was established by the Heritage and Stabilisation Fund Act Chapter 70:09 (“the Act”). Section 3 of the Act provides that the purpose of the Fund is to save and invest surplus petroleum revenues derived from production business in order to:

- a. cushion the impact on or sustain public expenditure capacity during periods of revenue downturn whether caused by a fall in prices of crude oil or natural gas;
- b. generate an alternate stream of income so as to support public expenditure capacity as a result of revenue downturn caused by the depletion of non-renewable petroleum resources; and
- c. provide a heritage for future generations, of citizens of Trinidad and Tobago, from savings and investment income derived from the excess petroleum revenues.

2. By Act No. 9 of 2020 which was assented to on March 26, 2020, the Act was amended by inserting the following section 15A which states:

- “(1) Notwithstanding section 15 and any other written law and subject to subsection (2), withdrawals may be made from the Fund where:-
- (a) a disaster area is declared under the Disaster Measures Act;
 - (b) a dangerous infectious disease is declared under the Public Health Ordinance; or
 - (c) there is, or is likely to be, a precipitous decline in budgeted revenues which are based on the production or price of crude oil or natural gas.
- (2) Withdrawals under subsection (1) may be made from the Fund not exceeding one and one half billion dollars at any time during the financial year.
- (3) Where a withdrawal has been made from the Fund under this section, the Minister shall cause a report to be laid in the House of Representatives, within sixty days of that withdrawal.”

3. The outbreak of a respiratory virus of unknown cause detected in Wuhan, China was declared a Public Health Emergency of International Concern on 30 January 2020 and by section 100 of the Public Health Ordinance, Ch. 12 No. 4, the President of the Republic of Trinidad and Tobago on January 31, 2020 declared the 2019 Novel Coronavirus (2019-nCoV) now named COVID-19 to be a dangerous infectious disease.

4. The shock to the global economy from the coronavirus had been both quicker and more severe than the 2008 global financial crisis and even the Great Depression. The FTSE, Dow Jones Industrial Average and the Nikkei all saw huge falls since the outbreak began on 31 December 2019. Demand for oil had all but dried up as lockdowns across the world have kept people inside. Crude oil price had already been affected by a disagreement between Opec, the group of oil producers, and Russia. With the advent of the coronavirus, prices were driven down further with Brent crude price dipping below \$20, the lowest level seen in 18 years. In the United States, the price of a barrel of West Texas Intermediate (WTI) turned negative for the first time in history. In light of the decline in oil prices and the impact of COVID-19 on the Trinidad and Tobago economy the price on which the country's 2020 budget was based upon was revised to an oil price of US\$25 per barrel with a well head gas price of US\$1.80 per mmbtu. As a result, the loss in revenue in fiscal 2020 was projected to be TT\$9.2Bn, to which must be added another net \$1.0Bn in extraordinary expenditure.

5. The global response to COVID-19, including that of Trinidad and Tobago, largely involved Stay-at-Home Orders and voluntary individual responsibility to contain the loss of life, with such measures triggering a severe depression in economic activity. Further, the Government of the Republic of Trinidad and Tobago embarked upon several programmes as a means of assisting its citizens impacted by the fallout of the measures implemented to combat the spread of COVID-19. This sizable financial support programme was for an initial period of three (3) months at a cost of approximately \$4.5Bn and provided a safety net for the most vulnerable households and businesses.

6. The sharp decrease in revenues affected Government's ability to meet both capital and current expenditures including the amount owed to contractors by various Government agencies such as the Ministry of Works and Transport, the Housing Development Corporation (HDC) and the Urban Development Corporation of Trinidad and Tobago (UDeCOTT) which as of April 2020 totalled TT\$1,844.4Mn as follows:

| | | |
|--|---|-------------|
| Ministry of Works and Transport | - | TT\$477.1Mn |
| Housing Development Corporation | - | TT\$687.2Mn |
| the Urban Development Corporation of Trinidad and Tobago | - | TT\$680.1Mn |

7. As a consequence of the impact of COVID-19 on the Trinidad and Tobago economy, Government approved the immediate withdrawal of US\$400.0Mn from the Trinidad and Tobago Heritage and Stabilisation Fund in accordance with section 15A(1)(b) of the Heritage and Stabilisation Fund Act Chapter 70:09. These funds were received on May 15, 2020 and credited to the Government's current account at the Central Bank.