

**MULTILATERAL INVESTMENT FUND
PROJECT ABSTRACT**

I. BASIC PROJECT DATA

Project title:	Improving occupational health and safety standards among smaller enterprises in the energy sector		
Project number:	TT-M1001		
Country:	Trinidad & Tobago		
Beneficiaries:	Small and medium Trinidad & Tobago companies in the energy sector.		
Project team:	Daniel Shepherd (MIF), Team Leader; Vashtie Dookiesingh (COF/CTT); Antonio Giuffrida (RE3/SO3); Maria Elena Nawar (MIF)		
Executing Agency:	South Trinidad Chamber of Industry and Commerce (STCIC)		
Financing plan:	MIF — Facility III-A:	US\$ 400,000	(70%)
	Counterpart:	<u>US\$ 170,000</u>	<u>(30%)</u>
	Total:	US\$ 570,000	
Tentative dates:	CRG – June 2005 Donors Committee – July 2005		
MIF Classification:	BDEV		

II. BACKGROUND AND PROBLEM STATEMENT

A. Existing industry standards

- 2.1 In 1999, an occupational health and safety standard was developed in the United Kingdom (UK) called OHSAS 18001. It was developed in response to the need for companies to meet their health and safety obligations in an efficient manner. To compliment OHSAS 18001, the British Standards Institute (BSI) published OHSAS 18002, which explains the requirements of the specification and instructs as to how to work towards implementation and registration. There is not yet an ISO standard in this area, so many companies and countries have adopted the series developed by BSI.
- 2.2 The International Organization for Standardization has a Technical Committee (TC 67) working on international standards in the off-shore oil and gas sector and a number of standards, including an off-shore operations management quality standard have been published. Trinidad & Tobago, through the Trinidad and Tobago Bureau of Standards (TTBS),¹ has observer status on TC67, but to date none of the relevant oil and gas offshore platform standards have been adopted as national standards in Trinidad & Tobago. The only petroleum-related standards that have been formally adopted in Trinidad & Tobago relate to the quality of motor-vehicle fuel.

B. Situation of the energy sector in Trinidad & Tobago

- 2.3 Trinidad & Tobago is an oil and gas-based economy. The energy sector is the engine of growth for the economy, directly accounting for an average of 23% of Gross Domestic Product (GDP) annually (average 1996 - 2001), and accounting for approximately 70% of foreign exchange earnings. The sector has attracted impressive flows of Foreign Direct Investment (FDI) over the past decade in both the up-stream and downstream sectors (estimated at an average of US\$600 million per annum). In the downstream gas sector Trinidad & Tobago has become a significant international player in the Liquefied Natural Gas (LNG) market, and is the biggest exporter of methanol and ammonia in the world (accounting to 18% and 29% of world exports, respectively, in these commodities). Recent discoveries and the development of significant downstream gas processing facilities (in particular the

¹ TTBS, the national standard body, was established in 1997.¹ TTBS has the function to promote and encourage the development and maintenance of standards for the goods produced or used in Trinidad and Tobago (See Legal Supplement Part A to the “Trinidad and Tobago Gazette”, Vol. 36, No. 161, 14th August, 1997).

continued expansion of Atlantic LNG) have led to a significant increase in gas production, which is projected to increase steeply over the next fifteen years.

- 2.4 The majority of the projected increase in oil and gas production will come from assets off the east and north coasts of Trinidad. These offshore assets require significant inputs of capital and technology in order to be developed and are, therefore, in the hands of major multinational energy companies, such as BP, British Gas, BHP Biliton, among others. Other multinational companies, such as Texaco, Total/FinaElf, and Repsol have minority (non-operator) stakes in these offshore assets, while others, such as Shell, have had active exploration activities in the offshore assets.
- 2.5 Upstream oil and gas companies (i.e. exploration) contract out most of the services they require to operate. These range from activities such as seismic data acquisition and analysis, rig and drilling services, supply and maintenance of well equipment, design and fabrication of platforms, pipelines and other civil works, laboratory services, supply of production chemicals, logistical support (helicopter, marine supply vessels, standby vessels), through to the consulting and professional services (legal, IT, human resource, property management). In the downstream sector (i.e. processing), Trinidad has attracted large in-flows of FDI in petro-chemicals, using natural gas as a feedstock, and in industries such as steel and cement with high energy needs. In the downstream sector the major opportunities for service and supply contractors are during the construction phase, with fewer opportunities during the routine operations when compared with up-stream operators.
- 2.6 There are some 400 existing small and medium energy service and equipment/input supply companies operating in Trinidad who have been able to successfully service the large multinationals operating in both the upstream and downstream sectors. However, many of the services are still carried out outside of Trinidad or supplied by international consultants. There are also a number of international service companies registered in Trinidad & Tobago, such as Haliburton, and major international contractors such as Bechtel, who provide many of the services in the sector. Traditionally Government legislation or trade barriers have not protected the energy services sector and few restrictions have been placed on the multinationals operating in the sector. The liberalization of the trade in services also means that there are opportunities for Trinidad & Tobago service companies to export services to other oil and gas producing countries in the region, in particular Venezuela.
- 2.7 In 2001, the Government approved a local content policy under which multinational firms would be required to give preference to local companies in the supply of goods and services. The policy was to ensure that a certain pre-agreed percentage of expenditure was directed towards local firms. This policy decision is operationalized through the negotiation of production sharing contracts (PSC) or other agreements between the companies and the Government. More recently this policy has been refined so that the agreements include not simply a target expenditure figure but specific activities in the project implementation schedule which will be reserved for local firms. These agreements, however, contain the proviso that local companies will only be favored when “competitive” and when their services meet “international standards”. Though efforts of the Trinidad & Tobago Bureau of Standards (TTBS) and other institutions, the country already has international standards such as ISO 9000 and ISO 14000.

C. Current problem for small enterprises in the energy sector

- 2.8 The history of highly damaging offshore accidents in the North Sea mean that European health and safety regulations in the energy sector tend to be much stricter than in other provinces, including the US. The lack of accepted international standards, and indeed the structure of the energy sector (with a few dominant international players) mean that it is often the companies who set and monitor health and safety standards themselves. This means that a local supplier may be expected to meet one benchmark if they wish to do business with one multi-national, but another benchmark if they wish to do businesses with a competitor. This introduces uncertainty and increased costs for local companies

and decreases their ability to successfully compete with international service companies. As international service companies will widespread experience in dealing with a particular energy company, and may have worldwide service agreements, they have distinct advantages in bidding for work with multinationals in Trinidad & Tobago, in the absence of defined national or international standards.

- 2.9 The Parliament passed an Occupational Health and Safety Bill last year, which will help to provide the public sector support to this issue, but may not be enough in terms of getting local firms to implement occupational health and safety measures to an acceptable international level. Thus, the lack of occupational health and safety (OHS) standards in the energy sector involves significant risk to the environment and health of workers and other citizens in Trinidad & Tobago. To date there have been no major offshore accidents in Trinidad & Tobago, but there have been a number of fatal accidents, including in oil and gas production and in the construction of downstream facilities.² With the projected rapid increase in gas production, the commissioning of new offshore platforms and pipeline projects there are significant risks if correct safety, environmental and quality standards are not implemented. While the multinational oil and gas companies have tend to set high OHS standards, a significant percent of oil production comes from State-owned and smaller local operators who do not always have, or apply, as stringent standards. Defining what is meant by “international standards” and adopting the relevant standards in Trinidad & Tobago is therefore crucial to the future sustainable development of the energy sector and the wider economy.

D. Proposed program

- 2.10 In order to ensure that the OSH standards implemented by small and medium sized local companies meet international standards, assistance is required in order to define exactly what the standards are and the actions needed to meet, and certify, these standards. The structure of the energy sector means that mentoring between the existing multinationals and larger international and local service companies, on the one hand, and the small and medium-sized local service companies on the other hand has the potential to significantly improve the competitiveness of local energy services sector. The implementation of a mentoring program is expected to reduce the cost to small and medium companies in training and implementation of relevant international standards. This proposed project has already support of numerous larger companies that are interested in having an internationally acceptable OSH standard in the country. These companies are interested in this effort because they need to comply with the local content policy, but do want to do so if it results in working with companies that are at greater risk of being in violation of their occupational health and safety parameters.

III. PROGRAM OBJECTIVE AND DESCRIPTION

A. Objectives

- 3.1 The general objective of the program is to increase market opportunities for small and medium enterprises in Trinidad & Tobago, especially in the energy sector. The purpose of the program is to promote the widespread use of internationally acceptable occupational health and safety among SMEs.
- 3.2 To achieve these objectives, the program will include the following three components: (i) Development of internationally acceptable occupational health and safety; (ii) Training in OSH

² In the year 2002 only one fatal injury was reported by the official statistics of the Ministry of Labour. For the same year the rate of non-fatal injuries was 102 per 100,000 worker (see ILO, *Yearbook of Labour Statistics*. Geneva, 2004; and <http://laborsta.ilo.org>). Although rates of fatal and non-fatal injuries in Trinidad and Tobago are lower than in comparable Latin American and Caribbean countries, they are concentrated in occupations related to oil and gas extraction and processing (i.e. ISIC 2-4).

standards; (iii) Implementation of OSH measures among SMEs; and (iv) Promotion of OSH and dissemination of results.

Component I: Development of internationally acceptable occupational health and safety

- 3.3 If local service companies are to meet “international standards” and hence be eligible to get work from the multinational firms working in T&T it must be clear exactly what these international standards are and how they are measured. The project will contract consultants to assess these British standards with the intent of adopting this standard by Trinidad & Tobago Bureau of Standards (TTBS). The standards adopted by the TTBS for each sub-sector need to take into account international best practice, the standards used in the major trading partners and sources of direct foreign investment, in addition to any relevant existing standards. Defining standards in use in major trading partners is also important if the local service companies are to fulfill the objective of exporting services. Jointly with the multinational operating companies, the local and State oil and gas companies, the downstream industrial plants, the Ministry of Energy and the local and international service companies, define a set of standards for the sub-sectors based on these British standards. Where necessary, and in co-operation with the TTBS, define methods to measure or certify compliance with relevant standards and make recommendations to ensure that the necessary audit and compliance measures are put in place in Trinidad & Tobago.

Component II: Training in OSH standards

- 3.4 This component intends to develop the local capacity in the area of occupational safety and health standards. Among the expected activities are: (i) training of local consultants in how to implement OSH standards among SMEs; (ii) targeted, introductory training courses in OSH for SMEs. The training of trainers activity will be structured to create a local cadre of trainers that can be tapped into to further develop the capacity within the country. As a first step, certified international trainers in OSH standards will provide training. These recently trained local consultants will then be utilized to deliver training courses to selected local consultants and auditors in order to ensure that they are trained to a level where they are able to supply further training and advice to small and medium sized service firms and to be certified as auditors in the relevant standard. The multinational firms will be actively involved in the workshops, making presentations and answering questions. The larger service companies (both T&T and international firms register in T&T), most of whom already meet the necessary international standards, will also be encouraged to participate in the workshops in order to share experiences in meeting the necessary standards. The output of these sessions will be trained and certified consultants available to assist SMEs in Component III. The second activity will be to help develop the basic capacity in OSH among SMEs, which will serve as an important precursor to the implementation of OSH among SMEs.

Component III: Implementation of OSH measures among SMEs

- 3.5 The purpose of this component is to assist SMEs with implementing the OSH standard developed in Component I. The local small and medium service companies, the larger service companies and multinational firms participating in the project will be facilitated in forming mentoring relationships, in order to assist the service companies in implementing the necessary training and other actions so that they can meet the defined international standards. This mentoring approach will help ensure that the SMEs are implementing the standard appropriately and will help solidify their relationship with the large companies (i.e. clients). The OSH consultants trained under component II will assist the multinational firms/large service companies in providing training and consulting services to the local small and medium service companies. All training provided through the Project will be provided on a cost recovery basis as a means to assist with Project sustainability.

Component IV: Promotion of OSH and dissemination of results

- 3.6 In order to encourage linkages to the non-energy sector of the economy, this component will ensure that companies are aware of the opportunities presented by this program and that lessons learned are disseminated. This component will include: (i) the dissemination of results via special publications (case studies, fact sheets, etc.); (ii) publish information on the Internet, including links with other relevant sites; (iii) focused workshops in at least three locations in Trinidad and one in Tobago; and (iv) a final conference that will disseminate the results of and will also focus on other sectors besides energy.

IV. COST, FINANCING AND EXECUTION TIME

- 4.1 The total project cost is expected to be US\$570,000, of which MIF would contribute US\$ 400,000 in non-reimbursable funds through Facility III-A, and the remainder of US\$ 170,000 would be expected from the STCIC resources. The project would be implemented over a 30-month period of time.

V. EXECUTING AGENCY AND EXECUTING MECHANISM

A. Executing agency

- 5.1 South Trinidad Chamber of Industry and Commerce (STCIC) will be the executing agency for this project and responsible for the counterpart resources. The STCIC is based in San Fernando, traditionally seen as the industrial capital of Trinidad & Tobago, and has a wide membership amongst companies in both the upstream, downstream and energy service sectors. Members comprise approximately 220 local service and production companies, international service companies, State Enterprises, other local support, supply and consultancy companies and multinational operating firms. The STCIC is a non-profit company, incorporated under the Trinidad & Tobago Companies Act. A voluntary Council, elected from amongst its members, governs it. The Council comprises a President, three Vice Presidents, an Honorary Secretary and Treasurer, all elected for one-year, and nine ordinary Council members elected for three-year terms. The major sources of revenue are member's subscription fees and income generated through events, in particular the annual Petroleum Conference (the premier energy conference in the region).

B. Role of other agencies in project execution

- 5.2 The Trinidad & Tobago Bureau Standards (TTBS) is expected to play a significant role in this project, especially related to Component I. In addition, numerous large companies such as BpTT, BG, Petrotrin and Carillion have expressed interest in having an OSH standard in T&T and in participating in this proposed project.

VI. ENVIRONMENTAL AND SOCIAL IMPACTS AND PROPOSED ACTIONS

- 6.1 Given the nature of the proposed program, adverse environmental impacts are not expected. The program expects to lead towards positive social impacts through broadening the use of internationally acceptable occupational health and safety standards among the energy sector. By incorporating such standards, firms can reduce the onsite accident and injury rate among their workers.

VII. MAJOR ISSUES

- 7.1 The following aspects warrant further consideration during the design and preparation of this proposed project: (i) the institutional capacity of the executing agency; (ii) exact role of TTBS in the implementation of project activities, especially in Component I; (iii) dimension the project according to available resources and demand; (iv) confirm the interest of the large companies to function as mentors to the SMEs; and (v) incorporate lessons learned from other programs

VIII. ACTION PLAN

- 8.1 If the project were determined eligible by the POC, the project team would continue forward with the design and preparation of the program, which is expected to take at least five months followed by submission to the MIF Donor Committee for approval.