

Energy as a Competitive Advantage



F. Anthony Haynes February 9, 2012

The Yom Kippur War and the Arab Oil Embargo

- The OAPEC used oil as a political weapon for the first time
- Oil's value was also recognized as a way to improve producer country economies

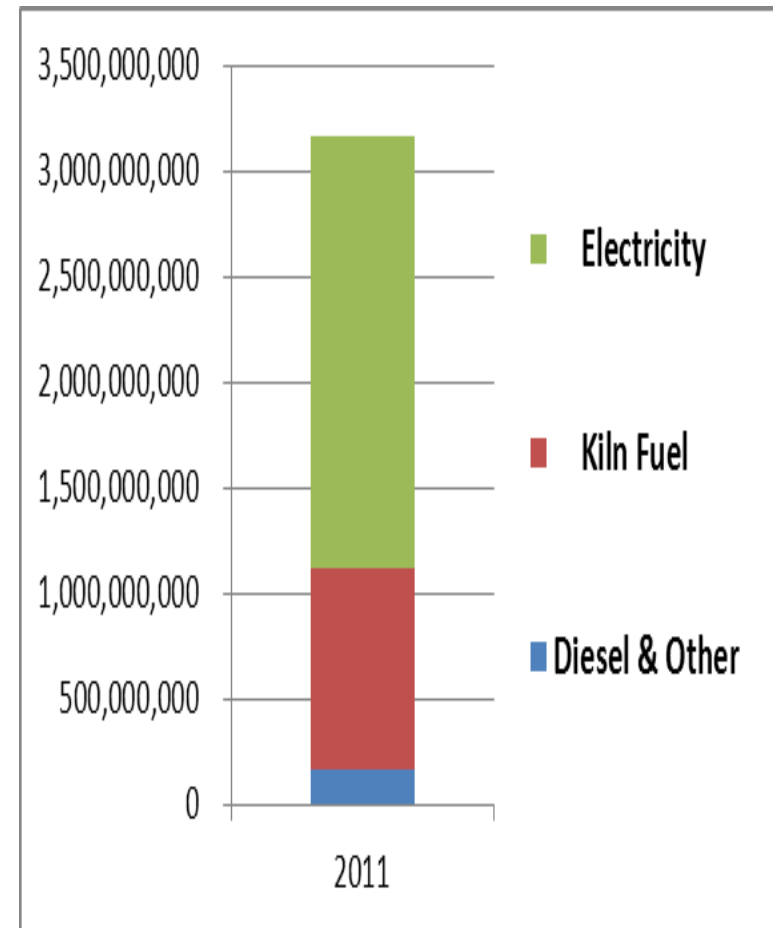


The PetroCaribe Agreement

- Objective to contribute to the energy security, the social and economic development and the integration of the Countries of the Caribbean through the sovereign use of energy resources
- Counteract the “unfair economic order inherited from colonialism, and imposed by the wealthy, developed and rich countries”
- To “fulfil the needs and aspirations of the peoples of Latin America and the Caribbean while allowing them to preserve their independence, sovereignty and identity”.

The High Cost of Energy

- Carib Cement's total energy bill amounted to \$3.2 billion in 2011
- This is the largest single cost
 - ✓ 73% of variable cost
 - ✓ 40% of revenue



Managing Energy Costs

Factors within our Control

- The choice of technology
- How efficiently we employ the technology

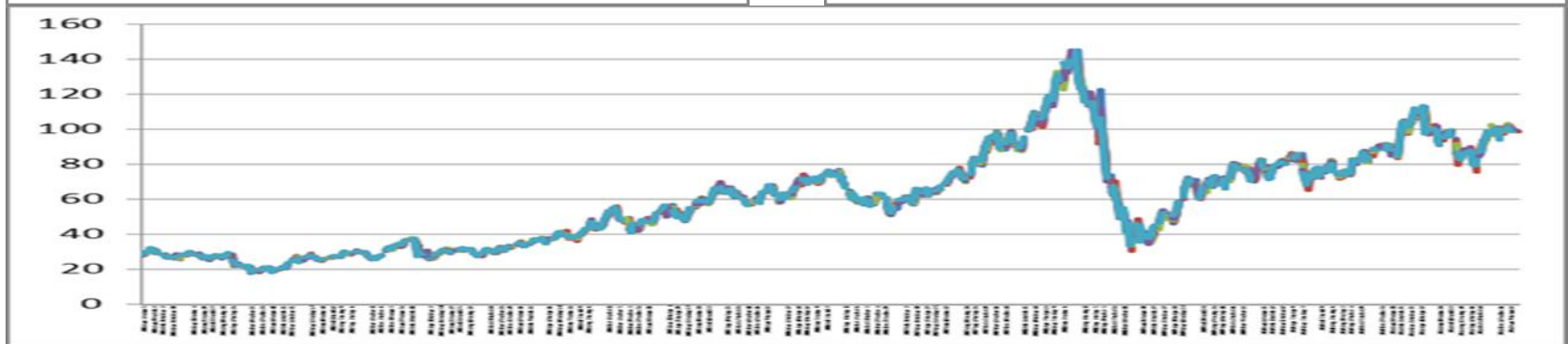
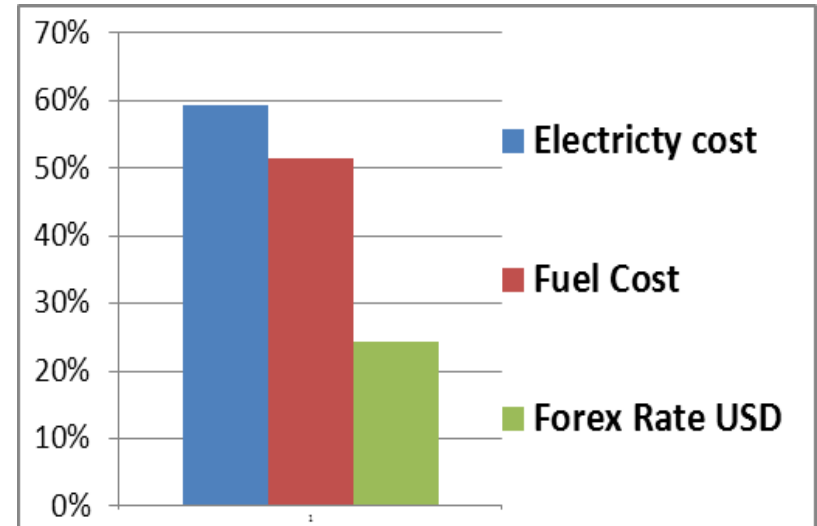
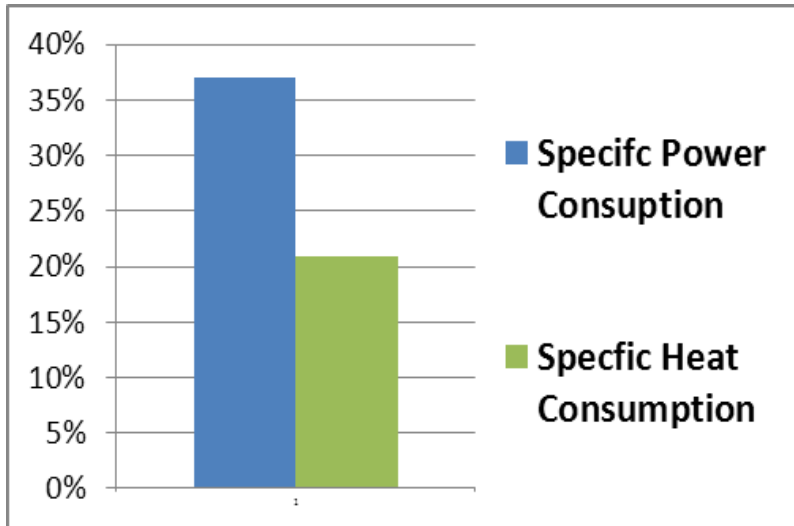
Factors outside our Control

- Energy input prices
- Currency movements

Efficiency & Inflation Drivers

Efficiency Impact-27%

Inflation Impact- 95%

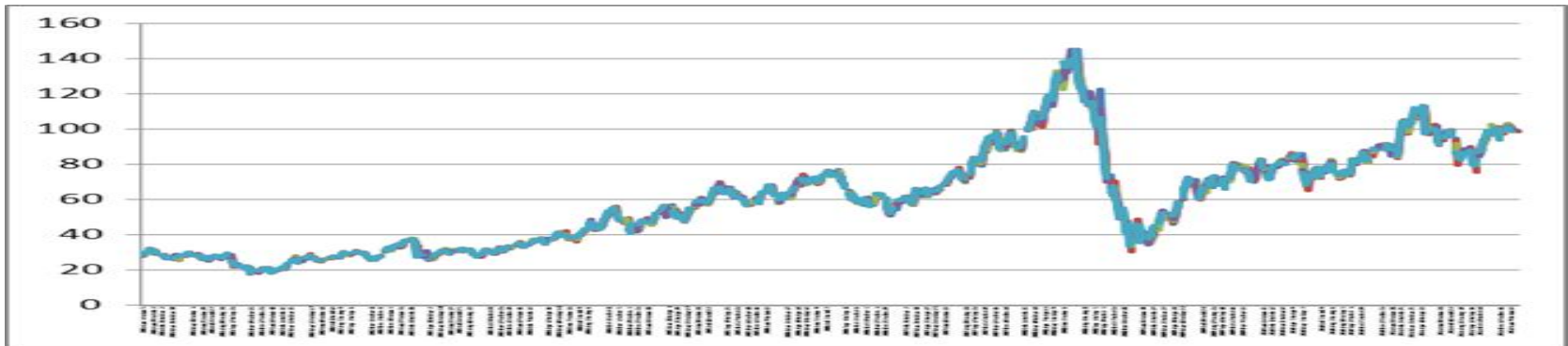


Use Taxation for Competitive Advantage

- Stop Taxing Inputs
 - ✓ Corporate Tax
 - ✓ PAYE
 - ✓ NHT, HEART & Education
 - ✓ Fuel Tax
 - ✓ Electricity Tax
 - ✓ Coal Duties
 - ✓ GCT
- Tax Profits
- Provide Export Incentive Tax
Wavers

Oil Prices Remain Volatile

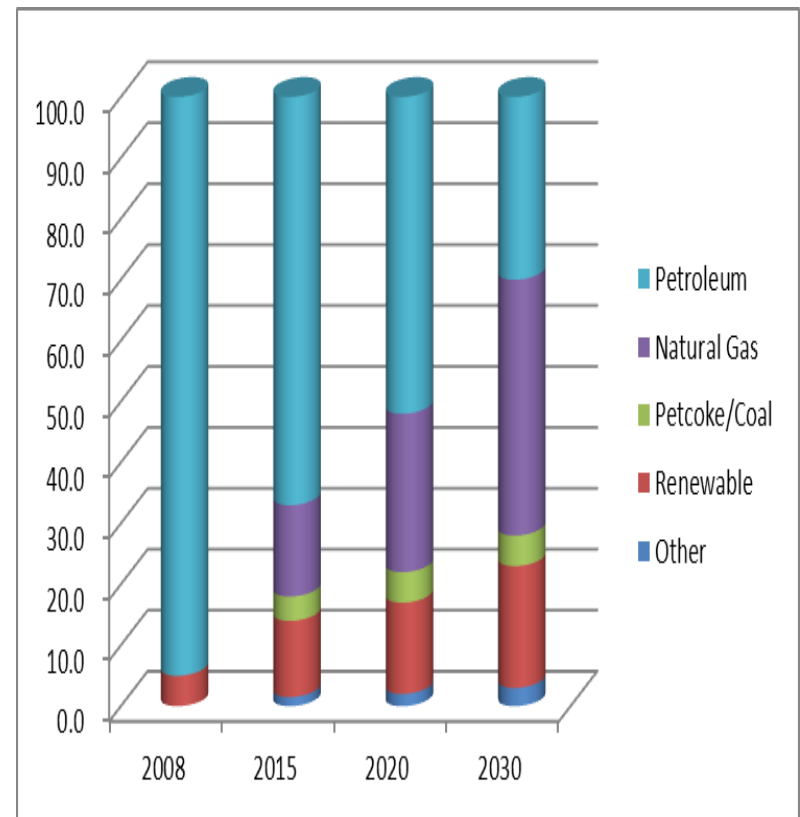
- Crude oil prices grew significantly with growing world “wealth” then collapsed in 2008
- It is noteworthy that prices are recovering
- Oil prices will continue to impact and be impacted by the global economies



Jamaican Energy Policy

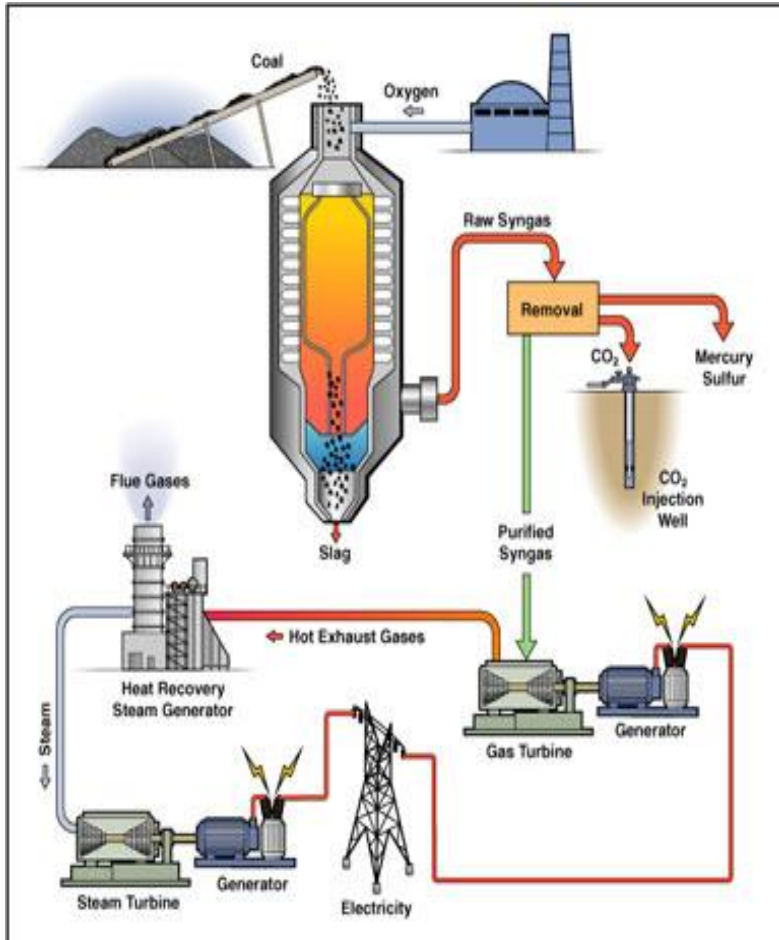
- Jamaica plans to strategically move away from the dependence on petroleum
- Priority is now being given to natural gas and renewables
- A more pragmatic approach would be to target at least 1/3 of generation through coal/petcoke

Jamaica's Supply Energy Matrix



New, modern, efficiently sized power plants

- Revolution, not Evolution
- Clean Coal Technology



Thank You

