

Before the U.S. International Trade Commission

**Melamine from China and Trinidad & Tobago, Inv. Nos. 701-526-527 & 731-TA-1262-1263
(Final)**

**Hearing Testimony of Testimony of Vishard Chandool,
Methanol Holdings (Trinidad) Limited**

Good afternoon, Commissioners, my name is Vishard Chandool and I am the Manager of Technical and Corporate Services at Methanol Holdings (Trinidad) Limited, or “MHTL”.

I would like to address three issues with you today. First, I would like to give you an overview of how we make melamine at our facility. Second, I would like to discuss the curtailments that have affected natural gas supply in Trinidad over the POI, and the reasons for our decision to close our second melamine plant. Finally, I would like to discuss briefly some of the quality issues that have affected our product since we started production in 2010.

MHTL maintains one Ammonia-Urea Ammonium Nitrate-Melamine (AUM) complex, which contains two separate melamine plants. At our facility, natural gas is a critical and necessary component of melamine production. Natural gas is first used to create ammonia, which is then used as an input for urea. Both ammonia and urea are direct inputs for melamine. Natural gas is also used to provide heating at the melamine plants and to create steam, which is used to power our critical equipment.

MHTL has no ability to store natural gas and only a very limited ability to store ammonia and urea. Therefore, we are completely dependent on a consistent, daily supply of natural gas, ammonia, and urea in order to run the melamine plant.

Second, I would like to explain the natural gas supply situation in Trinidad. Trinidadian natural gas supply is controlled by a government agency called the Natural Gas Company of

Trinidad and Tobago, or “NGC”. MHTL has contracted with NGC for its gas supply, but we are completely at the mercy of the NGC if it does not have enough gas to supply our contractual entitlement.

Currently, Trinidadian industrial consumers of natural gas experience curtailments that are often in the range of 15 percent reduction in contracted supply, and occasionally as high as 20 to 30 percent. MHTL is informed of these curtailments through *force majeure* letters issued by NGC, and they are often provided with little or no effective notice. It is common to be informed of a curtailment in excess of 15% only 2 or 3 days prior to its effect, and these notifications have frequently been provided with less than 24 hours’ notice. MHTL has received hundreds of *force majeure* letters throughout the POI.

The natural gas supply shortage in Trinidad is chronic and structural, and is the result of several factors. The first factor is the reduction of natural gas output due to increased maintenance and safety measures on board the offshore drilling rigs. Both of these types of measures were implemented by the gas producers after the BP Horizon oil spill, which caused all energy extraction companies in the area to reassess their operations.

The second factor is a chronic lack of investment in gas exploration and extraction. In 2009, the Trinidadian government proposed to increase taxes on natural gas extracting companies. The tax was never ultimately imposed, but it had a significant chilling effect on investment. The effects of a chronic lack of investment in Trinidadian natural gas exploration and extraction were manifest during the POI, which further reduced natural gas supply as platforms went off line and existing sources of natural gas were depleted. In terms of new production, the Starfish field has recently commenced production, but is itself inadequate to entirely address the natural gas supply shortfalls. The Juniper field, which is not scheduled to

begin production until 2017, is equally not expected to fully relieve the natural gas supply shortage. This is not just my opinion; this view is shared by Trinidad's Ministry of Energy.

Lastly, I will tell you about the impact that the severe reductions in MHTL's natural gas supply have had on its operations. Throughout most of the POI, MHTL operated its two melamine plants at reduced capacity due to the natural gas curtailments. Thereafter we only ran a single plant at a time at lower rates. Due to the increasing volatility of the natural gas supply we decided to only operate a single melamine plant from December 2014.

This decision was not easy, but the natural gas supply shortage made this a necessity. We made this decision primarily because it is more cost effective to run one plant at a high utilization rate than to run two plants at reduced rates. Running at a high capacity utilization also helps MHTL produce better quality melamine.

The decision to shut down one melamine plant and thereby reduce MHTL's melamine production capacity by 50% was based on three factors. First, MHTL has assumed a base of a 15 percent natural gas curtailment moving forward. At that rate, it is not economical to run both melamine plants. In fact, it is barely economical to run one plant at that rate.

Second, the natural gas supply situation can be quite volatile. The NGC tries to provide projections for known disruptions, but these are not always accurate, and in any event, additional curtailments frequently occur. Because of the frequent fluctuations in supply, and the fact that our plant takes two days to restart or shut down, MHTL cannot take advantage of short periods of time where no curtailment, or a curtailment of less than 15 percent, takes place by rapidly restarting its second plant. By operating only one plant, we can better manage this volatility.

Third, frequently shutting down and restarting our second plant would be harmful to the equipment, the environment and our product quality. Each shutdown and restart of a plant

reduces the useful life of the equipment. Frequent shutdowns also increase the likelihood of ammonia emissions, which are a severe environmental hazard. Product quality also suffers during periods when the plant is brought back on-line. For all of these reasons, it made more sense for us to shut down a plant until the natural gas supply situation stabilizes, which will not occur until 2017 or later.

For all of these reasons, MHTL made the decision to shut down one of its two melamine production plants. MHTL's current plan is to keep this second melamine plant closed at least through 2016.

Finally, I'd like to address some of the product quality issues that have affected our melamine during the POI. When we began melamine production in 2010, we found that our melamine suffered from certain chemical impurities, specifically, oxy amino triazines (or OATs) and also higher than acceptable levels of turbidity. This affected our melamine resin customers most, who required a melamine crystal with a higher degree of purity. These issues were largely solved in 2013. We also found that our product "clumped" after production, during storage and during transport to the United States. We believe that we have largely, though not completely, managed this issue through changes in packaging and tighter production controls.