

T&T facing internal, external stresses, says Attzs

...Mohan: Country highly exposed to EU's carbon tax



Independent Senator and economist Dr Marlene Attzs



Dr Preeya Mohan, senior fellow at the Sir Arthur Lewis Institute of Social and Economic Research

Economist Dr Marlene Attzs has warned that energy volatility, tightening foreign exchange availability, fiscal constraints and escalating external shocks are converging into what she described as a “perfect storm” for businesses and households, underscoring the need for data-driven decision-making and long-term structural reform.

Attzs was speaking on Tuesday at TTEITI Insights for Decision Making, a breakfast forum hosted by the T&T Extractive Industries Transparency Initiative in collaboration with the Trinidad and Tobago Chamber of Industry and Commerce. The forum brought together business leaders, policymakers and academics to examine how fiscal policy, global trade shifts and climate-linked measures are reshaping the operating environment for firms.

Attzs outlined a chain reaction that begins with volatility in the energy sector, still the country’s primary source of foreign exchange and government revenue.

“When earnings from that sector dip, government revenues become a little tighter. The fiscal space is almost impossible,” she said. “That pressure then translates into foreign exchange because we still import most of what we consume, our Government still has debt that they have to pay in foreign

currency.”

She said the resulting tightening of foreign exchange feeds directly into higher costs for businesses and households, intensifying pressure for wage increases. Without corresponding gains in productivity, she cautioned, this dynamic risks fuelling an inflationary spiral.

“That then becomes a cost to businesses, and then that becomes a problem for competitiveness,” Attzs said, adding that fiscal constraints also mean “more borrowing, less room to invest and tougher policy choices.”

Attzs outlined that these domestic pressures are compounded by external shocks over which the country has no control, including geopolitics and climate change.

“A flood is coming at a time when you don’t expect it to come.

A hurricane coming in July when you don’t expect it to come in July,” she said, pointing as well to severe winter storms in northern markets that disrupt already strained global supply chains.

“These are not separate problems,” she told the audience. “Particularly for us in countries in the Caribbean, in T&T, they then coalesce and become for us more than just a chain reaction. They’re also the perfect storm for us, no pun intended.”

She indicated the cumulative impact lands squarely on businesses’ bottom lines and their engagement with workers and consumers, making it essential for firms to develop strategies that account for multiple, interacting risks rather than isolated shocks.

Budget 2026 and limited breathing space

Against that backdrop, Attzs turned to Budget 2026, which she was asked to examine through the lens of reform and fiscal policy and how these might influence business behaviour.

She noted Government efforts to restore some energy output, including discussions around fields beyond Dragon gas, as a means of easing foreign exchange constraints.

“It’s important to keep our eye not necessarily on the energy price, but to

keep a focus that all is not lost on the Dragon deal,” she said. “We get caught up in that noise, but this is significant because it allows for some sense of relief.”

However, she cautioned that any near-term relief should not be mistaken for transformation.

She argued that what is required is a fundamental shift in mindset, recognising that the energy sector historically generated the foreign exchange the country depended on.

“If that space is no longer there, it means that we probably will not have all the foreign exchange that we need to have, and therefore we need to change the way in which we do business, and the way in which we imagine business and life in Trinidad and Tobago,” she said.

Attzs described this as “diversification plus plus”, encompassing not only economic change but structural, social and cultural transformation. Such a shift, she said, would take time and would not be solved simply by developing alternative energy projects, which do not address the underlying structural dependence.

Different firms, different strategies

A recurring theme in Attzs’ presentation was the heterogeneity of the business sector.

“Not all businesses are created equally,” she said, noting wide differences between micro, small, medium and large firms and their capacity to absorb shocks.

For micro and small enterprises, she suggested the foreign exchange challenge means firms may need to look more aggressively at local substitutes and be more strategic about imports to reduce exposure to forex stress.

For medium-sized firms, she emphasised the importance of hedging foreign exchange risk and operating in ways that mitigate volatility, rather than being “blindsided” by sudden changes.

She referenced periodic reductions in foreign currency credit card limits by commercial banks, saying these should not come as a surprise in a supply-

constrained environment.

“If the banks don’t have access to the supply, if the country does not have access to a supply, then something has to be done in terms of the demand,” she said.

For larger firms, Attzs framed the current environment as an opportunity to earn foreign exchange as part of strategic re-engineering.

She recalled earlier discussions about some producers paying taxes in US dollars and suggested this and similar measures deserved renewed attention.

“These are opportunities for us to look differently in terms of how we navigate this space,” she said.

She also touched on the business levy referenced in Budget 2026, questioning whether it is intended primarily as a growth strategy or a revenue tool. Again, she stressed that impacts would differ across firms.

“For small, for micro businesses, it might mean that they feel as if they’re being penalised even before they start,” Attzs pointed out, warning that some may choose to remain informal rather than register

Trade architecture under pressure

The forum also heard from Dr Preeya Mohan, senior fellow at Sir Arthur Lewis Institute of Social and Economic Studies (SALISES), UWI, St Augustine, who examined how shifts in global trade policy are reshaping competitiveness for T&T exporters.

Mohan said post-colonial small island economies have long relied on preferential market access, but that model is eroding.

“Our international trade architecture is rapidly changing,” she said. “We are moving from a world where we are no longer competing on just the lowest price, but we are feeling the effects of reciprocity and climate concerns.”

She outlined a range of measures affecting exporters, including traditional protectionism in the form of Trump-era tariffs, as well as “green” trade barriers such as border carbon adjustment mechanisms (CBAMs) being implemented by the European Union and soon by the United Kingdom.

She also cited the US PROVE-IT Act and the International Maritime Organization's 2023 shipping strategy.

"These raise serious competitiveness issues for our exporters," Mohan said, stressing that robust data and transparency are essential for informed decision-making.

She noted that petrochemicals account for about 80 per cent of Trinidad and Tobago's exports, with non-energy manufacturing, including iron and steel and food and beverage, contributing a further 15 to 18 per cent. These sectors, she said, are inherently carbon-intensive.

Despite contributing relatively little to global greenhouse gas emissions in absolute terms, T&T ranks among the top 10 countries globally on a per capita basis. The industrial sector alone accounts for about 53 per cent of national emissions.

Mohan said major trading partners the US, EU and UK, are driving new climate-linked trade measures, while emerging economies such as Brazil and India are also developing CBAM-type systems.

China, she added, is investing heavily in green technology and carbon pricing, which could further squeeze local exporters.

Exposure to CBAM and rising costs

Turning her attention Mohan, noted EU's CBAM.

"Thirty-three per cent of our exports or 13.5 per cent of our GDP would fall under the EU CBAM product scope as it is," she said, adding that as the scope expands, up to 70 per cent of exports could be affected.

She explained that from January this year, exporters moved from a reporting phase to paying CBAM taxes based on the carbon content of their exports.

Research conducted at UWI shows T&T is second only to Mozambique globally in terms of exposure to CBAM. Mohan said differing CBAM regimes across markets will also increase administrative costs for firms exporting to multiple destinations.

She cited a study by Dr Indira Ramsuk and others at the University of T&T indicating that CBAM could increase taxes on the ammonia sector by 22 per

cent. However, the study also found that adopting emissions-reduction technologies such as carbon capture and storage could eliminate the CBAM burden.

“This is where we discuss the importance of data,” Mohan said, calling for more plant-level analysis to guide firm-specific strategies.

On US tariffs, she noted that non-energy exports face a 10 per cent baseline tariff, which she described as relatively favourable compared with other countries, though energy exports may eventually be targeted through a US CBAM.

She also warned about rising landed costs, citing studies showing the cost of a single container could increase by US\$1,500 to US\$4,000 due to layered fees and duties.

Turning to shipping, Mohan said the IMO’s proposed global carbon pricing mechanism could raise shipping costs by at least 13 per cent by 2030 and up to 41 per cent by 2040, while cleaner fuels could cost three to four times more than conventional options.

She pointed to steps already taken locally, including green retrofits, just-in-time port operations at Point Lisas and the introduction of ship-to-ship methanol bunkering, which she said should be scaled up.

In closing, Mohan said the purpose of highlighting these risks was not to cause alarms but to frame them as opportunities.