

16/09/1997

Petronas oil output raised by 20,000 bpd (HL)

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PETRONAS will increase its oil production by 20,000 barrels per day from this month, or 3 per cent more than its previous output level, and may increase this further to help boost the country's foreign exchange earnings.

Based on this year's US\$22.29 (US\$1 = RM2.97) per barrel average price for the Malaysian crude oil, the additional barrels would earn the national oil corporation close to US\$500,000 a day.

Its president and chief executive officer, Tan Sri Mohd Hassan Marican, confirmed the higher output yesterday when asked about Prime Minister Datuk Seri Dr Mahathir Mohamad's reported directive to the national oil corporation to increase its oil production to take advantage of the stronger US dollar.

Petronas will be producing 650,000bpd this month, up from 630,000bpd. It has the capacity to produce up to 750,000bpd, and when asked if the corporation was planning to increase its output to this level, he said:

"A lot of discussions and consultations have taken place ... there are many issues to look at first, such as price and the market situation.

"Our crude is basically marketed to refineries and refineries plan their production schedule at least three months ahead."

He was speaking to reporters after opening the Association of International Petroleum Negotiators 1997 Fall Conference in Kuala Lumpur.

Apart from crude oil, Petronas also produces four billion standard cubic feet of gas per day.

Dr Mahathir, at a meeting with editors on August 28, said Petronas would be asked to increase its output to help increase foreign exchange earnings.

The ringgit has lost 20 per cent of its value against the US dollar since the South-East Asia currency and stock market turmoil began in July. As oil is traded in US dollars, Petronas benefits from the US dollar's strength.

Analysts contacted by Business Times said Petronas' move would benefit the country, but one said the timing may not be ideal.

"Petronas has no choice but to increase production since it will boost export earnings. On the other hand, it may not be the best time to do so since we forecast oil prices to (come down to) US\$18 per barrel," the analyst said.

The decision did not come as a surprise to the analysts. "The only thing that surprised me is that they took so long to decide on it. The country needs the (extra) export earnings," another analyst said.

Noting that Petronas will have to strike a balance in terms of market demand and supply to secure a good price for its oil, an industry source said: "Since Petronas knows the market, I expect it will manage."

For its financial year ended March 31 1997, Petronas achieved a pre-tax profit of RM12.39 billion, up from RM8.56 billion in 1996. Its turnover increased 29.8 per cent to RM28.89 billion from RM22.25 billion the previous year. Group assets rose 17.4 per cent to RM68.16 billion (1996 = RM58.05 billion), while shareholders' funds grew to RM27.32 billion (1996 = RM23.12 billion).

Some RM19.47 billion (67.4 per cent) of the turnover came from exports of crude oil, refined petroleum products, natural gas, LNG and petrochemicals.

Petronas produced 157 million barrels of crude oil during the year ended March 31 1997 compared to 173.9 million barrels in the previous year. Of the total output, 149.19 million barrels were exported, generating a revenue of RM8.31 billion (1996: RM5.42 billion).

Asked about the impact of the ringgit's depreciation on the implementation of Petronas' petrochemical corridor in the East Coast, Hassan said the project "has attracted foreign investments."

The corridor stretches from Kertih in Terengganu to Kuantan in Pahang.

Hassan said it will generate export earnings for the country and progressively reduce the import of raw materials in the electronics and automotive components industries.

"Of course, we will look into utilising more local components and elements where possible, bearing in mind that processing equipment have to be imported," he added.

Asked if Petronas will lobby for higher LNG prices, Hassan said the LNG pricing formula is based on the Japanese crude cocktail which in turn is based on the weighted average of the various crude imported into Japan.

"That is how the market is. The exploration and production of gas is getting more expensive, but the sales agreements are long-term and must be fulfilled," he said.

On Petronas' exploration venture offshore Libya/Tunisia in an area known as the 7th November Block, Hassan said the project is still at its initial stages.

"The venture is something similar to the Malaysia-Thailand Joint Development Area. We are in the early stages of exploration," he said, declining to reveal the amount of investment involved.

In February, Petronas was awarded the exploration block after signing an agreement with the Joint Exploration Exploitation and Petroleum Services Company (Joint Oil Co) of Libya and Tunisia.

Business Times learnt that there are potential reserves of 260-300 million barrels of crude oil at the 7th November Block. Petronas' partner for the venture is the Nimir Petroleum Co Ltd.

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