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## Malaysia-Thai venture to reap profits from black gold

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THE Malaysia-Thailand Joint Authority (MTJA), founded in 1979 to jointly explore and exploit petroleum resources off the Gulf of Thailand, continues to prove its critics wrong.

Chalking up one success after another, the MTJA and its proponents are now nearer to taping the rich hydrocarbon deposits in the 7,250 sq km joint development area (JDA).

Investments of US\$300 million (US\$1 = RM3.73) over the last four years to drill 28 exploration and appraisal wells in the JDA have so far led to discoveries of 13 gas fields, with a combined proven and probable gas reserve of about 10 trillion cubic feet. This is enough to meet the energy needs of both Malaysia and Thailand for at least the next 20 years.

The national oil companies of both countries, Petroliam Nasional Bhd (Petronas) and the Petroleum Authority of Thailand (PTT), have committed themselves to investing US\$2.3 billion in the next three to four years to develop the gas fields. Production is expected to come onstream in the first half of 2001.

Once a bitterly contested overlapping area, the first breakthrough in bilateral cooperation emerged in 1979 through a memorandum of understanding signed by the then Thai Prime Minister General Kriengsak Chomanan and Malaysian Prime Minister Datuk Hussein Onn.

This led to the establishment of the MTJA as a statutory body which assumed all rights and responsibilities on behalf of the two governments to explore and exploit the non-living natural resources in the area, particularly petroleum.

Production sharing contracts (PSCs) were awarded in 1994, allowing petroleum operations to resume after more than 16 years of suspension. Petronas, through its wholly-owned subsidiary Petronas Carigali (JDA) holds 50 per cent of the PSC in Block A18 and 50 per cent in Blocks B17 and C19.

The other contractors are Triton Oil Company of Thailand (50 per cent of A18), and PTT Exploration and Production International Ltd (50 per cent of B17 and C19 blocks).

Under the PSCs, a royalty will be paid by the contractors to the governments of Malaysia and Thailand at the rate of 10 per cent of gross production (5 per cent to each Government).

Petronas and PTT have been designated by their respective governments to jointly negotiate on their behalf for the purchase of natural gas in the area. The result is the joint purchase of natural gas based on equal sharing in the economic gains and the further pursuance of gas utilisation joint-venture projects.

Cost recovery for contractors is a maximum of 50 per cent of gross production. For gas, exploration and development and holding periods are five years each while the production period is 20 years. For oil, exploration and development periods are five years each and the production period is 25 years.

The MTJA is exempted from taxation in Malaysia and Thailand. For the first eight years of production, the contractors' income tax will be waived. For the next seven years, they will be taxed 10 per cent and in subsequent years, the tax will rise to 20 per cent.

The most recent success of the MTJA was the signing of two gas sales agreements in Songkhla, Thailand, on April 22 witnessed by Prime Ministers

Datuk Seri Dr Mahathir Mohamad and Chuan Leekpai.

The first agreement was between MTJA and the contractors of Block A18, consisting of Petronas Carigali and Triton as the joint sellers, and Petronas and PTT as the joint buyers.

It calls for the first phase of gas production from Block A18 to come onstream and delivered to the buyers during the first half of 2001, at a potential maximum quantity of 390 million cubic feet per day.

The second agreement was between MTJA and its contractors of Blocks B17 and C19, consisting of Petronas Carigali and PTTEP International as the joint sellers, and Petronas and PTT as the joint buyers.

This agreement calls for the first phase of gas production from Blocks B17 and C19 to come onstream and delivered to the buyers of the JDA during the third quarter of 2002, at a potential maximum flow of 250 million cubic feet per day.

In their speeches at the signing ceremony, both Prime Ministers said the signing heralded another achievement in bilateral cooperation and could provide additional impetus to revitalise the economies of Thailand and Malaysia which have been affected by the regional economic and financial crises.

Dr Mahathir said the MTJA, the first of such a unique joint cooperation between two countries based on a win-win concept, stands out as a precedent that such an approach is indeed able to resolve territorial disputes and will further strengthen and enhance bilateral ties between Malaysia and Thailand.

"This spirit of joint cooperation, which also comes under the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) framework, stands as a testimony to the prosper-thy-neighbour philosophy we have been advocating," he had said.

Indeed, the MTJA development has already created additional investment opportunities for both countries.

The natural gas from the fields offshore will be landed onshore through a pipeline for processing by a Gas Separation Plant (GSP) in Songkhla for use by the end-users in the power, industrial, commercial as well as residential sectors.

The pipeline project, to be known as the Trans-Thailand-Malaysia Pipeline System (TTM) and the GSP will be jointly developed and operated by PTT and Petronas.

"Offshore, the TTM pipeline will be extended from Songkhla and connected to the Peninsular Gas Utilisation (PGU) pipeline at Changlun in Kedah, marking another major step towards the realising the trans-Asean Gas Grid project," Dr Mahathir had said.

Based on past experience, the implementation of the project will also serve as a catalyst for industrial development in Southern Thailand and the Northern part of Malaysia.

"As proven in Kertih in Malaysia, the establishment of the necessary infrastructure will attract investments, both local and foreign, especially in the related downstream industries which will help transform Southern Thailand and Northern Malaysia into a new industrial and commercial area," he said.

The development will also generate employment opportunities which will particularly benefit the peoples in Southern Thailand and Northern Malaysia. And the MTJA proponents, not one to rest on their laurels, are already taking steps towards mobilising the human resources in the area. They announced the setting up of a 10 million baht (100 baht = RM10.20) human resource development fund for the people in Southern Thailand and Northern Malaysia to acquire the necessary skills to participate in the JDA.

The fund, to be administered by MTJA, will consist of contributions from the four entities participating in the JDA. Triton Oil, PTT and PTTE have agreed to contribute 2.5 million baht cash each to the fund.

Petronas has agreed to contribute in kind by providing opportunities for training in Petronas' education framework, which includes engineering, technology and management.

The fund is expected to grow in the future, and will eventually include Indonesia as well.

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