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Bakun hydro project to proceed, says Mahathir

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THE Government will proceed with the Bakun hydroelectric project in Sarawak as soon as possible given the increase in power demand as a result of the economic rebound, Prime Minister Datuk Seri Dr Mahathir Mohamad says.

The project, which is to be scaled down from an earlier plan for a 2,400-megawatt powerhouse, will be led by Tenaga Nasional Bhd (Tenaga).

"We were thinking of 500mw but already there is talk that it should be bigger," the Prime Minister said.

The RM13.6 billion dam was among several big infrastructure projects deferred following a downturn in economic activities as the country came under pressure from the effects of the financial crisis which swept the region in mid-1997.

The Government has since taken over the assets and liabilities of Bakun Hydroelectric Corp (BHC), the consortium tasked with developing the project.

They include the river diversion tunnels, Bakun Resort, Bakun airport and Tubau jetty.

"With the quick recovery of the economy, electricity demand has picked up.

We need energy now. We have not been generating (new power) for quite some time ... because of the recession, we had projected that electricity requirements would go down.

"Now, because of the rebound, demand for power has picked up ... even higher than before the recession. So, it is obvious that we need to put up more power plants quickly," Dr Mahathir told reporters after opening the World Renewable Energy Congress 1999 in Kuala Lumpur.

The Government will participate in the project but other parties can come on-board as well.

"We have not settled the matter with the previous owners but once the agreement is signed and once we legally take over the project, we will think about inviting others to participate," he added.

BHC's shareholders were Ekran Bhd (42.6 per cent), Sarawak Government (25.3 per cent), Sarawak Electricity Supply Corp (Sesco, 12 per cent), and Khazanah Nasional, Tenaga and the Employees' Provident Fund (6.67 per cent each).

Dr Mahathir said time is required to effect the takeover but it should not take too long because an aluminium smelting facility, which will require cheap energy, is expected to be set up in the area soon. The takeover will cost several billion ringgit as the local currency has depreciated, he added.

"Nevertheless, it will still be viable ... but the scope will have to be determined first," the Prime Minister said.

As for earlier plans to lay the world's longest undersea transmission cable to transfer energy from Sarawak to the peninsula, Dr Mahathir said in view of its high cost, the Government is reconsidering.

It would account for half of the cost of the entire development.

"Instead, we will site energy-intensive industries in that area, and even in Sabah," he said.

Meanwhile, analysts said the Bakun project, having been scaled down, should not exert too much pressure on Tenaga's cash flow, although it is still unclear what specific role the national utility would be playing -

as merely the project manager or as a major shareholder as well.

Mr Choong Wai Kee of JM Sassoon & Co Sdn Bhd said the investment cost is expected to be around RM5 billion.

Tenaga executive chairman Tan Sri Ahmad Tajuddin Ali had previously said the company would be managing the project until the issue of ownership was resolved by the Government.

Tenaga has submitted a joint proposal with Sesco to manage the project which offers strategic and synergistic advantages, Choong said.

Tenaga shares put on 15 sen to RM8.70 yesterday while Ekran, the day's most active stock, gained 54 sen to RM1.63.

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