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Petronas CEO: No plan to reduce production

PETRONAS, the national oil corporation, is not considering a reduction in oil production at the present moment despite the continuing dip in world oil prices.

Petronas chief executive officer Tan Sri Mohd Hassan Marican said yesterday that although crude oil prices are now at their historic low, Petronas is still able to generate revenue through export.

"Oil is like any other commodity. There are always swings in prices. We enjoyed good prices in 1996 and 1997 and due to surplus, prices came down in late 1997 and 1998.

"Malaysia produces 630,000 barrels per day (bpd) of crude oil, of which 400,000 bpd are exported and the remainder refined in Malaysia.

"The 400,000 bpd is a small quantity, so far as world market is concerned. While the price is now at a low, we are still able to export and generate revenue.

"So, for the moment, we are not considering any reduction in production," said Mohd Hassan who was speaking to reporters after signing a PSC agreement with Murphy Oil Corporation of the United States in Kuala Lumpur yesterday.

He added that even our production sharing contract partners can maintain profitability with current low prices.

Just over a week ago Prime Minister Datuk Seri Dr Mahathir Mohamad had said the country could reduce or even stop oil production if prices fall too low.

Mahathir had said that if the price falls below production costs, he did not see why we should produce.

Mohd Hassan said that reducing production would have some impact on oil reservoirs and production facilities.

He also explained that the current ringgit exchange rate (pegged at RM3.80 per US dollar) has also slightly cushioned the effect of the lower crude oil prices.

In addition, the high quality and low sulphur content of domestic crude has enabled Malaysia's oil to command slightly higher prices than those produced in other countries.

Oil prices in 1997 kicked off at US\$25.60 a barrel and ended the year at US\$16.80 (RM63.85).

On Monday, the open-market value of the reference basket of seven crude oils used by the Organisation of Petroleum Exporting Countries (Opec) to gauge world oil price levels averaged US\$10.69 a barrel.

"We will continue to monitor the situation," Mohd Hassan said.

He also said that oil exploration activities in Malaysia are not expected to be affected much by the low crude oil price because Malaysia is not considered a high cost area.

"The cost of drilling and other services has come down. Anyway, where exploration is concerned, it takes about eight years to discover oil," he said.

Mohd Hassan added that although Petronas PSC places tough conditions, like fiscal regimes on the contractors, it continues to attract foreign oil companies as there is still money to be made.

"We have been proactive over the years and have introduced measures to encourage foreign investors to explore," he said.

Commenting on the proposed offer to Hicom Holdings Bhd last November for

its strategic purchase of 26.42 per cent in national car manufacturer Perusahaan Otomobil Nasional Bhd, Mohd Hassan said that both parties are still in the negotiating stages.

"It's a question of a fair price for both parties."

Asked whether Petronas has plans to issue new bonds this year, Mohd Hassan said many factors would have to be considered.

It would depend on the market's condition, investors' demand and the pricing and whether other corporations in Asia were offering bonds.

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