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US sanctions may disrupt oil supply: PM

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THE unilateral action taken by Washington to extend sanctions against Sudan to cover an oil joint venture, in which Petronas has a stake, may disrupt supplies to other countries, Prime Minister Datuk Seri Dr Mahathir Mohamad says.

"At the moment, the world needs more oil... with the sanctions prices will rise further and supply to some countries will be disrupted," he said at a press conference after chairing the Umno Supreme Council meeting in Kuala Lumpur yesterday.

Malaysia has the right to operate a business in any country, just as the decision to impose sanctions is the US' own, and is binding only to itself, Dr Mahathir said.

"What can we do? They are a superpower, and we have no power at all," he said.

The US had on Wednesday slapped sanctions on Sudan's Sudapet Ltd and its joint venture with China, Canada and Malaysia amid allegations that Khartoum was using oil revenues to fuel a civil war.

The US Treasury Department had on Wednesday said existing economic sanctions against Sudan were being extended to state-owned Sudapet Ltd and its joint venture company Greater Nile Petroleum Operating Co Ltd.

Petronas has a 30 per cent stake in Greater Nile, which is involved in the Muglad Basin Oil Development project. Its partners are China National Petroleum Corp (40 per cent), Canada's Talisman Energy Inc (25 per cent) and Sudapet (5 per cent).

"Doing business with Greater Nile or Sudapet is like doing business with the Government of Sudan (and) carries criminal penalties of up to US\$500,000 per violation for corporations and up to US\$250,000 for individuals, as well as imprisonment of up to 10 years," the US Treasury said.

The sanctions were originally imposed under an executive order signed by President Bill Clinton on November 3 1997 which accused Sudan of supporting international terrorism, attempting to overthrow neighbouring governments, allowing slavery and interfering with religious freedom.

An analyst meanwhile believes that Petronas will not be affected much by the latest US action as the company's main operations are in Malaysia.

"It has been through such situations before. I am sure there will be no significant impact," he said.

When contacted, Petronas declined to comment.

The consortium has a production sharing agreement with the Sudanese Government for onshore Blocks One, Two and Four in the Muglad Basin which covers 49,393 sq km.

The 25-year agreement is for the integrated exploration, development and production of oil from the fields. Petronas and its consortium partners are also to construct, own and operate the export pipeline from the fields to Port Sudan.

The joint venture currently pumps about 165,000 barrels of crude oil per day. Petronas' commitments in the project amount to US\$600 million.

China National Petroleum Corp (CNPC) was unfazed. A senior company official told Reuters in Beijing that CNPC had expected the sanctions and had taken necessary steps to deal with it, but declined to elaborate.

Chinese industry sources similarly saw no major impact.

"From the first cargo lifted from Sudan in September 1 last year, CNPC

has not sold any oil to any US-based companies," an industry source.

It was earlier reported that CNPC was looking to sell part of its share of crude from the field to its domestic counterpart China Petrochemical Corp, through a term contract which is still under negotiations.

Talisman Energy Inc said it is not affected.

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