

# T'ganu sues Govt, Petronas over oil payments

Bt - 9 MAR 2001

By EIRMALASAREBANI

TERENGGANU yesterday filed a suit at the Kuala Lumpur High Court against the Federal Government and Petronas over oil payments it claims are due to it.

In the suit, the State Government claims that the Federal Government has discriminated against it in respect of money due from oil extracted in the state, and that Petronas has breached an agreement with Terengganu on the matter.

Asked about the state's action, Prime Minister Datuk Seri Dr Mahathir Mohamad said: "It is their right... they did what they did based on their understanding of the law, we did according to ours".

"Let the court decide," he told reporters in Putrajaya yesterday.

At a media conference in Kuala Lumpur earlier, Tun

Salleh Abas, chairman of the technical committee set up by the Terengganu State Government to pursue the matter, said: "We have a strong case... almost impeccable I would say."

The Federal Government had decided last September to set up a special payments mechanism, called "Program Pembiayaan Wan Ehsan", for oil extracted in the state, and to end the previous practice of making annual payments directly to the State Government.

The money will be made available for social and development projects to benefit the people of Terengganu.

Minister in the Prime Minister's Department, Datuk Rais Yatim, had said the mechanism nullifies the 1975 agreement between Terengganu and Petronas regarding annual payments.

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Terengganu had received annual payments from Petronas for oil and gas extracted. At 5 per cent the total value of oil and gas extracted, it got between RM400 million and RM500 million a year.

The state is demanding RM810 million from Petronas for the year 2000, up 75 per cent from RM426 million paid in 1999, due to the increase in crude oil prices.

Terengganu accounts for about 60 per cent of Malaysia's oil output, which in 1999 stood at 712,000 barrels per day. Between March 1978 and March 2000, the state received a total of RM7.1 billion in oil payments.

*Bernama reports:* Terengganu has outlined the grounds for its action against Petronas and the Federal Government.

Speaking at a press conference in Kuala Lumpur after the filing of the suit, Terengganu Economic Development, Petroleum, Industrial and Human Resources Committee chairman Mustafa Ali said:

"The action is taken as there are no clear signs that the rights to the royalty will be given back to the Government and people of Terengganu after they were taken away six months ago."

The grounds against Petronas include breach of agreement signed with the State Government; discrimination against the Terengganu Government; and deprivation of property right without adequate compensation in breach of Article 13 of the Federal Constitution.

Specific performance of the principal and supplementary agreements is also demanded of Petronas, and that it should not have complied with the Federal Government's direction.

Mustafa said the grounds against the Federal Government are:

□ Illegal direction was given to Petronas, causing the latter to break the agreement;

□ The Federal Government took irrelevant considerations and disregarded relevant ones in issuing the direction to Petronas. The direction is unreasonable, absurd and irrational;

□ The Federal Government is guilty of bad faith by asking Petronas to break the agreement;

□ There is discriminatory practice against the Terengganu Government, and

□ The Federal Government's action is oppressive, arbitrary and unconstitutional and contumelious disregard of the law and Constitution.

Mustafa said the State Government has engaged counsel Tommy Thomas and Raja Aziz Addruse to handle the case.

According to the writ of summons which was distributed to reporters after the media conference, the Terengganu Government is claiming, among other things, general, aggravated and exemplary damages from the Federal Government.

From Petronas, it is seeking specific performance of the principal and supplementary agreements and an order that Petronas pay within 14 days of the court order the cash payments due and payable on September 1 2000 and at future dates in accordance with the terms of the agreements.

It is also seeking damages for alleged breach of contract and general damages against the company.

Against both defendants, the Terengganu Government is claiming interest, costs and further, or other relief.

Asked why the matter was being taken to court, Salleh said the State Government had no choice and that it needed money to run the state. "We can't go to any bank for money and we can only borrow from the Federal Government."