

12/06/2001

## Scope for alliance between oil majors and state firms

Eirmalasang Bani

THERE is still scope for alliance and partnership between super majors in the oil industry and state-owned oil companies, says Petroliam Nasional Bhd (Petronas) president and chief executive officer Tan Sri Mohd Hassan Marican.

He said the super majors have created a dominance and the industry will just have to manage its relationship with these entities as most players may not be able to compete head-on with them.

"There is no reason why the non-super majors cannot work with the super majors in partnership. The industry is big enough for the benefits to be shared," he told reporters after the opening of the 6th Asia Oil and Natural Gas Conference in Kuala Lumpur yesterday.

Earlier in his speech, Mohd Hassan said the super majors have shifted their focus into the "win zones", dominating areas of great potentials in West Asia as demonstrated by the entry of Shell and ExxonMobil into Saudi Arabia.

The combined reserves of Shell, ExxonMobil, BP Amoco and TotalFinaElf amounts to 75 billion barrels of oil with a combined production capacity of 13 million barrels of oil per day.

To date, the combined market capitalisation of the super majors including Chevron and Texaco is about US\$1 trillion (US\$1 = RM3.80).

"As the dominance of the super majors grow, it became evident to the governments controlling the state oil companies that the status quo was no longer sufficient," he said.

As for Petronas, he said, partnering with either the super majors or non-super majors will depend on opportunities, location of the project, type of project and the commercial ability and risk-sharing that may have to be taken into account.

"For example, we partner with ExxonMobil and Chevron in the oil development in Chad," he added.

National oil company Petronas exports 60 per cent of its daily 630,000 barrels of oil produced. About 30 per cent of the company's revenues come from its overseas' investments.

Malaysian oil reserves currently stand at 3.4 barrels and gas 87 trillion standard cu ft. The oil reserves are expected to last for about 15 to 16 years, he said.

In the emerging competitive global business environment, he said there is greater urgency for national oil companies to work even closer to keep pace with the industry giants or risk being marginalised.

He said maybe in the next five years, a consolidation between national oil companies in South-East Asia could be seen such as between Petronas, Indonesia's Pertamina, Petroleum Authority of Thailand and PetroVietnam.

On the high oil prices, he said they are just as much an enemy as low oil prices as they place an impact on economic growth and demand, particularly to a developing economy.

Asked on the ideal oil price, he said: "I would agree to a price level that is going to be sustainable over a period of time, which takes out the volatility in the market place and allow both producers and consumers to better plan."

He also said there are many factors that need to be balanced before an ideal oil price can be reached, such as the governments' requirements to balance their budgets and reasonable returns to producers, multinationals

or others.

With focus on "Balance Stability: Cooperation Among Producers and Consumers", the conference was attended by 780 oil officials and company executives. Prime Minister Datuk Seri Dr Mahathir Mohamad is scheduled to give a special luncheon address today.

(END)