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PETRONAS-BUSINESS

PETRONAS REPUTATION AND DEDICATION WILL FACILITATE FUTURE BUSINESSES

By: Siti Hawa Othman

BINTULU, April 22 (Bernama) -- The reputation that Petronas had in developing the Malaysian oil and gas industry and its dedication towards its customers, would help in facilitating new businesses in the challenging future.

Since the first delivery of liquefied natural gas (LNG) to Japan in 1983 till end-March 2003, no cargo shipment had been missed and in maintaining this kind of relationship, Petronas was highly placed in the eyes of its customers.

Petronas president and chief executive officer, Tan Sri Mohd Hassan Marican said to date, 3,561 cargoes were sold, 108 million tonnes of LNG had been shipped and US\$36.1 billion in income earned from the sales of LNG.

He said this during a media briefing and familiarisation tour on the Petronas Integrated LNG Complex in Bintulu here yesterday.

To be officially opened by Prime Minister Datuk Seri Dr Mahathir Mohamad on May 8, the complex at 23 million tonnes per annum, would become the single largest LNG producing facility in the world with the commissioning of MNLG Tiga Sdn Bhd's second train this October.

The prime activity of the MNLG is to convert natural gas to liquefied gas and market it overseas.

Hassan said the uniqueness of this business was that it involved a strong government influence and being government related, LNG was developed with a broader national objective in mind.

Natural gas reserves was discovered in Central Luconia offshore Bintulu in 1967 and in 1975, the second Prime Minister Tun Abdul Razak set up a LNG Task Force to undertake implementation of Malaysia's first LNG project.

In 1978, Malaysia LNG Sdn Bhd (MLNG1) was formed, a joint-venture involving Petronas, Shell Gas BV, Mitsubishi Corp. of Japan and the Sarawak state government to utilise the non-associated gas from offshore Sarawak for export.

Hassan said before this, at the times when oil was flaring, about US\$300,000 worth of associated gas was burnt away.

MLNG1 began production in 1983 with its first shipment to Japan and in 1994, Petronas started using her first LNG tanker Puteri Intan to deliver its LNG.

LNG involved liquefaction where the natural gas is cooled down to minus 161 degree Celcius and its volume shrank by 600 times while the tankers were fabricated to act like floating refrigerants, maintaining the same temperature.

In the world, the LNG business evolved since the early 60s with the first cargo being transported from Algeria to United Kingdom in 1964, then Alaska to Japan in 1969.

For North America and Europe, gas was transported through their extensive pipeline network but for countries such as Japan, Korea and Taiwan which do not possess own resources or pipeline, the LNG business is in demand.

"LNG projects are demand driven and not speculative because contracts are for the long term, not a commodity. It is also an expensive business," he said.

Malaysian gas reserves stood at 88 trillion cubic feet (tcf), of which 53 percent was found offshore Sarawak.

Hassan said with the inspiration from the leadership, Malaysia was among the earliest to monetise its gas reserves while that of Middle-East nations had only started and were catching up and competing.

More and more gas would be developed in the future and he said all of Sarawak gas committed to LNG sales for the next 20 to 25 years, be fed into these three plants to fulfil these contracts.

Besides being delivered to major buyers Japan, South Korea and Taiwan for longer-term contracts, Petronas had also shipped "opportunistic cargoes" to the east coast of United States.

Taking place in summer with a 60-day turnaround time, the shipment was done if the price was right. Apart from the long distance, the charges through the Suez canal was exorbitant at US\$300,000 per tanker.

Short-term or spot trading would also be a new challenge and Petronas had its advantage in having availability of supply and more tankers, to indulge in such transactions.

Subsidiary, Malaysian International Shipping Corporation Bhd (MISC) is the world's largest operator of LNG tankers, having 15 of them, four more being constructed and two being ordered.

"Why we want to have our own LNG tankers is to reduce the services accounts deficit. Through this, we also developed expertise as the tankers were manned by Malaysians," he said.

In fact, one MISC tanker was being chartered by a French company and this business segment is now being expanded to non-Petronas LNG. -- BERNAMA  
SHO KTC