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Gas-powered progress

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SOME 25 YEARS AGO, BINTULU WAS a sleepy small town of fishing folk with a population of about 5,000. But this was set to change when the nation's planners had grand designs for the riverside settlement following the discovery made a few years earlier in 1967 of substantial natural gas reserves in the Central Luconia gas fields located about 125-250 km off its shores.

Sarawak by then already had a thriving petroleum sector with the first oil well drilled way back in 1910. But the potential of natural gas could not be ignored, and the first liquefied natural gas (LNG) project was mooted in 1968. The plan gained impetus when Petronas, the national oil corporation, was incorporated in 1974 and given the mandate to proceed with its development four years later.

Petronas roped in Shell and Mitsubishi Corporation of Japan, which saw the creation of Malaysia LNG Sdn Bhd in 1978 by the joint venture partners. Bintulu saw the construction of its first LNG plant which came onstream in 1983. This first plant comprised three independent process modules with a combined capacity of six million tonnes per annum (mtpa).

Befitting the tremendous potential of the project, it was the largest single investment in manufacturing undertaken in Malaysia at that time. History was created when the first LNG cargo departed for Tokyo end-users on board the appropriately-named MISC LNG carrier Tenaga Satu.

More gas discoveries and rising demand for energy in the region led to expansion and MLNG Dua came into existence in 1992. This was built as a three-train plant with a total designed capacity of 7.8 mtpa. Combined with the first plant's by then improved capacity of 7.6 mtpa, it doubled LNG production at the complex. Three years later in 1995, MLNG Tiga was incorporated followed by the building of a third two-train LNG plant.

The Bintulu LNG complex is located on a land area of 276 hectares. Its three LNG plants now have a combined production capacity of 23 million tonnes per annum (mtpa). So it was that when the MLNG Tiga plant commenced production this year, its coming onstream makes the Bintulu facility the world's biggest LNG facility in a single location.

This significance was not lost on the nation with none other than Prime Minister Datuk Seri Dr Mahathir Mohamad consenting to preside over the official launch ceremony, his first task following his two-months leave prior to his intended retirement this October.

Questions may have been raised as to the timing of the event - an official opening well into the first quarter century of the project life, and by a Prime Minister at the end of his tenure.

According to Petronas chairman Tan Sri Azizan Zainul Abidin, the official opening marks the end of phase one of the development of the natural gas industry in Malaysia. and the beginning of the next phase as Petronas moves forward in expanding its involvement in the industry. And who better to officiate the event than the man responsible for much of the industrialisation path set for the country.

Speaking at the launch in early May, Dr Mahathir gave attendees a bit of a history lesson. He said; 'The discovery of oil and gas in Malaysia came at a most propitious time. Our tin was depleting fast and the price of rubber was falling. Manufacturing industry had not yet replaced these commodities as the engine of growth. Then in 1973, came the first oil crisis. With the high cost of fuel which we had to import then and low returns from our mainstays, the future looked very bad for Malaysia.'

With the discovery of gas, Dr Mahathir said Malaysia could have sat back and passively chose to collect royalty payments. 'Instead we decided to be more involved and to add value to our natural resources. Thus the setting

up of our first billion ringgit LNG industry.'

Dr Mahathir said LNG exports last year accounted for 3.6% of the country's total export of goods. Small it may be in percentage terms but its export value amounted to RM12.8 billion. He said the LNG project has also generated significant revenues for the government from other sources such as corporate and other taxes.

'I am glad to learn that several Malaysian companies, including Bumiputera companies are now directly and indirectly involved in maintaining the Bintulu plant and other installations throughout Malaysia,' he said.

He added that the LNG plant has not only enabled the industry to tap purely gas resources but also the gas associated with oil production. Previously the excess was vented and flared off. Now this associated gas is earning additional income for the nation as it is also being liquefied by the plant.

According to Petronas chairman Azizan, the story of MLNG is not complete without the key role played by its partners and customers. Shell by virtue of its pioneering history in the annals of local oil exploration contributed through the transfer of technology which has enabled Petronas to develop its own expertise to manage and run projects. Mitsubishi Corporation rallied the support of Japanese LNG importers to turn to Malaysia for their fuel needs.

Azizan credited the two pioneer customers - Tokyo Gas and Tokyo Electric - for enabling the project to take off in the first place. He views the commitment of the other customers along the lines of joining the ranks of Malaysia's LNG family for their instrumental role in helping along the expansion plan.

MLNG's customer base has now grown to a burgeoning list of 12 from the major importing countries of Japan, South Korea and Taiwan. the LNG project was a test which forced the national oil corporation to expand and enlarge its technology base, strengthen its management skills and acquire marketing expertise on fast track mode. 'We feel gratified that Petronas was able to respond positively to these challenges,' Azizan said.

MLNG is not resting on its laurels. Petronas has been positioning itself in the international arena and recently acquired a substantial stake in an Egyptian LNG project. If this and further international forays bear fruit for Petronas, then Bintulu can claim much credit for providing the impetus.