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In the pipeline

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BIG pipeline projects involve regional gas infrastructures such as the Trans Asean pipeline, the Malaysia-Thailand Joint Development Area (JDA) pipeline system and possibly the proposed Asian Gas Grid proposed by the non-profit Partnership for Equitable Growth (PEG), a part of the APEC Business Advisory Council (ABAC). We look at these projects:

Trans Asean Gas Pipeline Grid

Under the Asean Vision 2020, Asean governments plan to establish interconnecting arrangements for electricity and natural gas within Asean via the Asean Power Grid and a Trans-Asean Gas Pipeline (TAGP).

For the 4,000-kilometre TAGP, there already exists a sizeable amount of pipeline infrastructure within the region and some between countries.

Malaysian pipeline manufacturers and services-related companies have a good chance of bidding for some of the following projects:

- * The 200km Duri (Indonesia)-to-Melaka pipeline worth an estimated RM420 million operated by Petronas and Indonesian oil company Pertamina (commencement of development slated for 2002/03).

- * The 280km Natuna (Indonesia)-to-Kerteh (Malaysia) pipeline worth an estimated RM2.3 billion (commencement of development in 2003).

- * Proposed 365km Arun (Indonesia)-to-Pauh (Malaysia) pipeline worth RM1.5 billion (commencement of development in 2005).

- * Proposed 140km Malaysia-Thailand JDA Block B pipeline worth RM376 million (commencement of development in 2009).

- * Proposed 1,540km Natuna-Sabah-Palawan/Luzon pipeline worth RM11.5 billion (commencement of development in 2008).

The Asian Gas Grid

The Asian Gas Grid (AGG) is a 5,000km US\$8 billion pipeline project to market undeveloped gas resources in Indonesia, Malaysia, Thailand and potentially Vietnam, with major demand centres in China and Taiwan.

'The projects will improve the environment, the livelihood of people in the region, draw investment back into this region, and improve technical and economic relations between the member nations,' says Lim Man Onn, chief executive officer of PEG.

PEG's patrons are Malaysian Prime Minister Datuk Seri Dr Mahathir Mohamad and Indonesian President Megawati Soekarnoputri. The project, Lim believes, will enhance Asean 10+3 economic links.

The AGG will transfer gas from the giant East Natuna Alpha-D field, with estimated reserves of 46 trillion cubic feet, to main customer China.

East Natuna will become commercially viable after 18 years of its discovery by ExxonMobil and earn Indonesia US\$20 billion annually and development investment of US\$15-20 billion. The project will have hubs in the JDA, Da Nang, Nam Con Son, Hong Kong, Fuzhou and Shanghai, the landing point (see map).

'I plan to bring the project near to the countries to give them the opportunity to buy or sell their gas reserves into the grid,' says Lim. Producers can connect their pipelines to the grid and monetise their gas reserves as well.

US\$6 billion will be used to purchase equipment and US\$2 billion for project management and support services. 'Malaysian companies in the oil & gas sector could provide some services and products. A good example is pipe-coating. The internal and external coating of the pipe will be worth US\$400-500 million which companies like Wah Seong, Scomi and Crest can

undertake,' says Lim.

The first two sections of the AGG pipeline from Natuna to JDA and on to Vietnam offer good business opportunities to Malaysian service providers.

Lim is currently working on the gas sales agreement between the Indonesian and Chinese governments. He says a participating country has pledged to contribute US\$1 million which will be used to draw up the agreement. Although the AGG is being proposed through the APEC framework, the deal could be done via a bilateral arrangement between China and Indonesia.

He expects project execution to begin in early 2005 and completed in 36 months in time for the summer Olympics in China in 2008.

`First, gas should flow into Shanghai just before the Beijing Olympics. I would like to see the Olympic torch lit from the gas supplied by this pipeline and relayed all the way to the capital,' says Lim.

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