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Mixed reaction over euro proposal

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OIL and gas producers and consumers gave mixed reaction to Malaysia's suggestion for trading in the euro instead of the US dollar.

While several agreed that the suggestion has its merits, they said it needs further deliberation as it involves buyers and sellers.

Tokyo Gas Co Ltd chief executive economist Tadahiko Ohashi said the idea

to use euro for trading in the oil and gas can be applied but it will be difficult to introduce.

"Sellers may want to use the currency that is favourable to them, while the buyers may want the opposite.

"In this regard, we, as the buyers, may certainly want to use the US dollar as we will pay less for our imports of liquefied natural gas (LNG).

"We are not refusing for that kind of variation. However, it needs further deliberation," he told Business Times on the sidelines of the last

day of the three-day 8th Annual Oil and Gas Conference in Kuala Lumpur, yesterday. Tokyo Gas is one of the major importers of LNG from Petronas.

At the same time, he suggested that the oil and gas producing countries use the yen in trading with the company.

"I think it is wise to use the yen. For us, Japanese companies, the priority of using euro is after yen and US dollar," he said.

Ohashi was asked to comment on Prime Minister Datuk Seri Dr Mahathir Mohamad's suggestion that oil be traded in the euro equivalent of the dollar to protect producers from currency manipulation and to hedge against the weakening greenback.

The Prime Minister said oil-producing countries are feeling the impact of the weakened dollar which had depreciated sharply against the euro.

"It is time that the quotation of oil prices in dollars be reviewed. It

is only fair for oil producers to be protected from the uncertainties of the currency market, especially its susceptibility to manipulation by rogue currency traders," he said in his speech at the conference read by Deputy Prime Minister Datuk Seri Abdullah Ahmad Badawi on Monday.

TotalFinaElf chairman and chief executive officer Thierry Desmarest said

the idea of pricing oil in euro is not new.

"Iraq sold crude in euros for a period in protest at what it saw a US-dictated UN sanctions, and other Organisation of Petroleum Exporting Countries have kicked the idea around," he said.

Furthermore, he said the current exchange rate between the dollar and the euro is close to the average level if calculated back over the last 10 years.

However, he said the rapid appreciation of the euro against the dollar to US\$1.19 (US\$1 = RM3.80) currently leaves a concern of the need to

revert to the use of the euro.

"But they (producers) must carefully take a look first before introducing it," he said.

An industry observer said the idea of using euro in oil trading has been raised on several occasions by the European countries but nothing has been realised since.

"I am not surprised if the euro will eventually replace the dollar in the international markets in general as the money of exchange."

Meanwhile, ExxonMobil vice-president gas marketing for Asia Pacific William M. Colton declined to comment on Dr Mahathir's suggestion.

"He (Dr Mahathir) may have his reasons to suggest the use of euro in oil trading," he said.