

Abdullah confirms ambitious oil pipeline project
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Prime Minister Abdullah Ahmad Badawi today said Malaysia will build a US\$7 billion (RM23.8 billion) pipeline to transport Middle East oil across the north of its peninsula to East Asian countries.

"Yes we have agreed," Abdullah told reporters.

Abdullah, who is also the finance minister, said the project was one of the government's major initiatives to develop Malaysia's northern region.

"Anything that happens there is part of that, we take into account all of this. We have always wanted to do more for that area and that also will take care of the eastern corridor," he said.

Abdullah declined to elaborate.

From Yan to Bachok

The New Straits Times today reported that Trans-Peninsula Petroleum Sdn Bhd, the company that will construct the 312-kilometre pipeline, said it will invest as much as seven billion dollars in the ambitious project over eight years.

The pipeline will run from northwestern Kedah state, across Perak state to northeastern Kelantan state which faces the South China Sea, which chairman Rahim Kamil Sulaiman said will bypass the piracy-prone Malacca Strait.

"The initial phase of two million barrels of oil per day is expected to cost about two billion dollars, and the investment will increase to 4.5 billion dollars and seven billion dollars upon completion of the second and third phases of the project, respectively," Rahim told the newspaper.

Proposed oil pipeline



Half of the world's oil shipments currently pass through the 960-kilometre strategic Malacca Strait, the busiest seaway in the world.

"Investors will also be invited, among them the key oil producers of the Middle East, Islamic funds and major consumers in East Asia," Rahim said.

Rahim said tankers will offload crude oil from the Middle East in the coastal town of Yan in Kedah.

The oil will then be transported through the pipeline to Bachok on Kelantan's coast, for distribution to countries in the East Asian region, he said.

There will be three storage tanks located in Yan, and Jeli and Bachok in Kelantan, while the initial storage capacity of the pipeline will be around 60 million barrels of oil, the newspaper said.

"This will be upgraded later to serve as the regional strategic reserve of the East Asian countries, especially China, Japan and South Korea," it said.

Rahim also said that his company was not involved in the proposed construction of two oil refineries.

The burning question

Yin Shao Yang, oil and gas analyst with Kenanga Research, told AFP there was much excitement over the mega project, with Middle East oil transported by the pipeline to "come primarily from Iran for the hungry Chinese market."

However, Yin cautioned that the "economics of the oil pipeline project is not determined yet", flagging ongoing competition with neighbouring Singapore as Southeast Asia's petro-chemical hub.

"Let's say they want to transport Middle East oil to China, will it be cheaper through the oil pipeline and refining it in Malaysia or through Singapore. This is the burning question," he said.

"If it is cheaper by sea, oil tankers will go to Singapore," he added.

Singapore processes at least two million barrels a day while Malaysia produces 550 million barrels per day, according to Yin.

Commercial initiative

Previously, Deputy Prime Minister Najib Abdul Razak had said the proposed oil pipeline across the country was aimed at reducing transport costs and security risks for tankers plying the piracy-prone Malacca Strait.

Najib described the ambitious project, which would provide an alternate route for the transport of Middle East oil to the region, as "purely a commercial initiative".

The pipeline "can lower transport costs and avoid some risk," Najib, also defence minister.

The project was revealed in March by the Kedah chief minister, and involves the construction of two oil refineries and a 312-kilometre pipeline from Kedah to Kelantan.

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