

Petronas to focus on local oil fields
Malaysiakini.com
June 05, 2010

State-owned energy giant Petronas will scale back on foreign drilling and focus its development and extraction efforts closer to home, a report said today.

The move comes as Malaysia, Southeast Asia's third-largest economy, strives to counteract an export slump.

Petronas - Malaysia's only Fortune 500 company - contributes almost half the country's budget revenues.

petronasThe Star newspaper said that under its new boss Shamsul Azhar Abbas, cash-rich Petronas would tap oil and gas in the shallow waters of Malaysia and help develop local oil-related industries.

The 57-year-old Shamsul, who took over as chief executive in February, said the company would look to acquire proven oil and gas reserves rather than drilling for them.

"It cannot be business as usual. What's more important now is asset quality in terms of returns and not just size," he said.

"We have to make the tough decision on areas to divest, harvest or spend more money for economies of scale."

Overseas, Petronas is developing reserves in places such as Iraq, Burma and Sudan but exploration efforts in some 30 other countries have generated poor returns.

Petronas plans to plough the savings from its foreign retreat into Malaysia itself.

Building up local service industries

"This will not only benefit Petronas and the government but also build up the local service industries," Shamsul said, adding that Petronas would divest non-core operations such as its hospital, university and prime real estate.

Malaysia saw foreign investment plummet last year as a result of the global financial crisis, while its economy contracted by 1.7 percent as exports dried up.

Shamsul was named by the government to replace Hassan Merican, who had led Petronas since 1995.

The Pakatan Rakyat opposition has accused the ruling party of milking the company as a cash cow.

- AFP