

**Reverse investment cutbacks, says Petronas CEO**  
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The recent investment cutbacks in the energy sector should be reversed to prevent shortfalls, says Petronas president and chief executive officer Shamsul Azhar Abbas.

NONEHe said that in the upstream sector, a total of US\$170 billion worth of investment involving some two million barrels per day of peak oil capacity and close to one billion cubic feet per day of peak gas capacity were either shut-in or delayed amid threats of excess capacity and unfavourable financing state.

"With these threats having now largely blown over, the key question for us is how quickly can we reverse these cutbacks to avert potential supply shortfall," he said in his welcoming address at the 15th Annual Asia Oil and Gas Conference in Kuala Lumpur today.

#### Rising costs

Besides cutbacks in investment, the rising cost is a another key challenge to the energy sector as it is still high although the recent recession had brought with it some measure of reprieve to the industry, he said.

petronasHe said specialised equipment and facilities that enabled production in frontier areas are in tight supply and are likely to remain so, given the lengthy construction and conversion times required for them.

"While another surge in metal prices appears to be off the cards for now, some upward pressures are likely to materialise as industry demands gains traction in the broader market," said Shamsul Azhar.

He said rising cost combined with increasing reliance on production from more complex (and) higher cost basins will keep the marginal cost of production, and therefore oil prices, at elevated level.

According to the International Energy Agency (IEA), world oil demand could reach 86.4 million barrels per day this year, equalling its previous peak in 2007 - an important factor of oil price hovering at US\$70-US\$80 per barrel now.

However, due to the rising cost and prevailing conditions, higher oil prices not necessarily translate into higher profits for the company, added Shamsul Azhar.

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