

Government mulls major oil pipeline across peninsula
Malaysiakini.com
April 16, 2007

The government today said it was looking into a proposal to build a pipeline that will transport oil across the north of its peninsula, bypassing the piracy-prone Malacca Strait.

Reports have said the proposal involves the construction of two oil refineries and a 312-kilometre pipeline from northwestern Kedah state to northeastern Kelantan state.

Deputy Prime Minister Najib Razak today confirmed the project, but said it was still only at proposal-stage.

"It's only a proposal. It's not been finalised yet. They are still looking at the details," Najib Razak told reporters.

According to the state Bernama news agency, tankers will offload crude oil from the Middle East in the coastal town of Yan, Kedah for refining.

The oil will then be transported through the pipeline across the north of Malaysia to Bachok on Kelantan's coast, for distribution to countries in the Asian region, including China.

The pipeline would bypass the 960-kilometre Malacca Strait, which runs along Malaysia's western coast, and is notoriously vulnerable to pirate attacks, with fears it could also be a tempting target for terrorists.

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

Completed by 2015

Kedah's chief minister Mahdzir Khalid said last month the project is a joint venture between the National Iranian Oil Company and Malaysian firm SKS Development, according to Bernama.

"The state government will have equity in the company undertaking the project; the percentage is being discussed," Mahdzir was quoted as saying.

Other investors from Saudi Arabia and China are also involved, he said.

The project is expected to cost RM50 billion and site clearing work could start as early as July, with construction to commence next year until 2015, Mahdzir said.

"It is estimated that RM350 billion a year in the form of oil derivatives will be marketed through Malaysia with the refinery's capacity of six million barrels a day and a 30-day stock of 150 million barrels," he said.