

Proposed oil pipeline purely a commercial initiative
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Deputy Prime Minister Najib Abdul Razak today said that a proposed US\$15 billion 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, told reporters at a conference jointly hosted by Malaysia and the US Pacific Command.

Asked to elaborate on the risks, he said they related "to heavy traffic in the Strait of Malacca and possible threat of any kind of attacks to the ships."

The project was revealed last month by the Kedah chief minister, and involves the construction of two oil refineries and a 312-kilometre pipeline from Kedah to Kelantan - providing a transshipment option from the Indian Ocean to the South China Sea.

Najib said the proposed project had not yet been finalised, with officials studying three proposals for a project designed to process and pump oil from the Middle East.

"It is still at the discussion stage," he said.

Joint venture

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 facing the South China Sea, 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, prompting concerns shipping 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.

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

He also said two other Malaysian companies would be involved in the project, expected to cost RM50 billion, with site clearing work starting as early as July.

