

**Oil royalty dispute not legal but political**  
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The raging controversy over the payment oil royalty to the entitled states is not legal in nature but political right from the time the Petroleum Development Act was drawn up.

malaysian law conference 301007 tommy thomas 2Prominent lawyer Tommy Thomas (right) who said this at a Bar Council organised panel discussion today explained that the core problem is that the Act was designed in the best interests of Petronas and the federal government, resulting in the huge dispute between the federal and the state governments now.

The topic under discussion was "Oil Royalty - a Constitutional Right?" under the Bar Council's 'My Constitution' campaign.

The debate revolved around the Petroleum Development Act 1974 and the "wang ehsan" (goodwill payment).

Husni Mohd Hanadzlah, the second finance minister had been reported as calling on the Kelantan government to accept the RM20 million 'wang ehsan' offered by the federal government and stop demanding billions in oil royalty.

He had said under the Petroleum Development Act, the royalty for oil extracted from areas beyond three nautical miles from the boundary does not belong to the closest state.

Among the panelists aside from Tommy were Gua Musang parliamentarian Tengku Razaleigh Hamzah, professor Shad Saleem Faruqi, and advocate and solicitor Cecil Abraham.

When the truth was exposed

Tommy said, "When Umno lost Terengganu in March 2000 to the opposition, the federal government immediately seized the royalty which they had paid for about 22 years after 1974.

"When Umno regained Terengganu, former premier Abdullah Badawi cleverly had announced that Umno will reinstate Terengganu's payment and when prime minister Najib Razak took office, he did the same as well.

"It is clear that this issue is politically motivated and not something that is of a legal dispute."

tengku razaleigh.jpgOn his part, Razaleigh (left) said adopting the give-and-take attitude between the parties in dispute could help settle the issue.

"Kelantan and Terengganu need financial assistance to develop their state, this is why the royalty of oil is important to the state.

"The money should be channeled for the needy and not for things like KLCC and Putrajaya (a none-too subtle dig at former premier Mahathir)," he said.

He said that as the person who drafted the Petronas laws, he did not understand why there

were people disputing the oil royalty payments.

"I don't know why people dispute my interpretation of the laws... I am the one who worded it," said Razaleigh, who is the founding chairperson of Petronas.

Shad, who is also an international law consultant, agreed that Kelantan has the equal rights to oil royalty just like any other state to share the richness of the nation.

"Kelantan has equal right to its onshore and offshore petroleum similar to its counterparts - Terengganu, Sabah and Sarawak," he said

He added that if the constitution is not in favour of its citizen, then it should be amended to be more equitable.

"Wang ehsan is not proper term to be used to allocate money for Kelantan when the profit made by Petronas should be divided equally among all states," he said.

Cecil, who represented Petronas in the lawsuit filed by Terengganu in March 2001, contradicted him by stating that Kelantan can only enjoy petroleum resources within its territory or jurisdiction.

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