

## **Petronas says not involved in Terengganu oil royalty settlement**

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**By Shazwan Mustafa Kamal**

KUALA LUMPUR, April 26 — Petronas confirmed today that the Terengganu government has withdrawn its RM2.8 billion oil royalty suit against oil company and Putrajaya, but stressed it has no links to any out-of-court settlement over the matter.

According to The Edge Financial Daily on Monday, the Barisan Nasional Terengganu government had withdrawn its civil suit against Petronas and the federal government on March 21 but did not provide details of its out-of-court settlement.

"Petronas wishes to place on record that the Terengganu suit was discontinued by the Government of the State of Terengganu and the discussions reported by The Edge (if any)- and of which I have no knowledge- between the Government of the State of Terengganu with the Federal Government of Malaysia does not involve Petronas," Petronas Legal Division vice-president Datuk Mohammed Azhar Osman Khairuddin said.

The Petronas official was quoted as saying so in a court affidavit filed yesterday to the Court of Appeal in response to queries raised by lawyers representing Kelantan in a separate oil royalty tussle with the national oil company.

The affidavit-in-reply was made available to reporters today during the Kelantan government's Court of Appeal hearing against Petronas and the federal government.

"Indeed, Petronas can confirm that it was not (and is not) currently in any negotiations with the Government of the State of Terengganu or the Federal Government to settle the Terengganu suit," Mohammed Azhar added.

Petronas had signed a profit-sharing deal shortly after being incorporated in 1974 where the states of the federation receive five per cent in royalties for fossil fuel discovered in their territories and sold by Petronas.

But when Terengganu fell to PAS in 1999, then prime minister Tun Dr Mahathir Mohamad ordered Petronas to rescind oil royalties in September 2000 on the grounds that the opposition party did not have the ability to manage the funds of over half a billion ringgit annually.

The royalties were instead channelled through wang ehsan (goodwill payments) which opposition leaders and some BN politicians have claimed were mismanaged and directed to prestige projects such as the Monsoon Cup and the Crystal Mosque.

Datuk Seri Abdul Hadi Awang's administration filed the suit in March 2001 insisting the federal government's orders were illegal as the state's agreement was exclusively with Petronas.

The case has not proceeded significantly and in 2009, Putrajaya decided to reinstate the royalty payments to the state which had already returned to BN rule.

But the east coast state still demanded RM2.8 billion in compensation for the nine-year lapse, rejecting the federal government's offer of RM1.7 billion.

Terengganu received RM7.13 billion in royalties for the 22 years up to March 2000 when Petronas halted the payments.

During this period, global oil prices averaged at just over US\$20 (RM61) per barrel but in the last six years, it was US\$87.

In August 2010, PAS-controlled Kelantan launched a suit against Petronas for failing to pay royalty for oil and gas extracted within its territory including the overlapping areas with Terengganu, Thailand and Vietnam which has seen joint-development deals with the federal government.

It says it is owed RM800 million annually since 2005 but Putrajaya has disputed the state's claims over the territorial waters where the joint-development projects are located.

Pressure is now mounting on Terengganu Mentri Besar Datuk Seri Ahmad Said and his state leaders to explain why their administration suddenly dropped its RM2.8 billion oil royalty suit, a move that threatens to become a key campaign issue for the opposition in the coming polls.

Pakatan Rakyat (PR) leaders are already drumming up demands on the Barisan Nasional-led (BN) state and Putrajaya to reveal the terms of the controversial out-of-court settlement, which they claim was resolved in a hushed fashion.

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