

Kelantan wants oil royalty panel probe concluded before polls
Malaysian Insider
August 05, 2012
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KUALA LUMPUR, Aug 5 — The PAS-led Kelantan government wants Putrajaya's oil royalty panel to shorten its probe from six months to three, expressing suspicion that its sudden formation could merely be a vote-winning strategy by Barisan Nasional (BN).

Senior state executive committee chairman Datuk Husam Musa questioned the timing of the panel and the six-month period given for it to complete its findings, asking if it was merely a political ploy to bring temporary relief to Kelantan folk ahead of an impending general election.

"It is now August. If elections are held before the panel concludes its probe, and we have to wait for Cabinet's consideration of its recommendations, the result could be a thousand different maybes.

"Even so, it could just end as a purely academic exercise," he said in a statement last night.

"Is BN using this panel as its bridge to survive the polls safely, especially in the context of Kelantan? Why six months? Why not three months or the like? Why so close to elections? Why not before this?" the PAS vice-president asked.

Datuk Seri Najib Razak had announced yesterday the formation of a special committee to look into a "fair" distribution of cash payments from petroleum revenue to the states of Pahang, Kelantan and Terengganu, in an apparent move to resolve the long drawn-out dispute that will likely be used as a key campaign issue in the coming polls.

The prime minister was quoted in national news agency Bernama as saying that the committee will study the cash disbursements within the next six months before making its recommendations to the federal government.

But Husam, who also heads the Kelantan's Oil Royalty Action Committee, asked why Kelantan's oil royalty suit against Petronas has continued to be trapped in the courts since it was filed in August 2010 even though its east coast neighbour, BN-led Terengganu, resolved a similar dispute in an out-of-court agreement earlier this year.

"Why can't we apply the same solution used in Terengganu with Kelantan?" he asked.

In August 2010, 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 have seen joint development deals with the federal government.

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

On April 26 this year, the Kelantan government was denied by the Court of Appeal details of Petronas' oil royalty payments to Terengganu and other states to back its arguments to recover its annual RM800 million from the federal government.

The court dismissed Kelantan's bid to obtain details about the national oil company's dealings with different states which was described by the PAS government's lawyer Tommy Thomas as crucial to compare payment methods.

Najib had also insisted yesterday that based on the law, Kelantan was not eligible to demand the cash payments from petroleum revenue, saying that currently no petroleum production is carried out within Kelantan territorial waters.

"The federal government takes the stand that in terms of the law, Kelantan merely has the right to demand cash payments from the petroleum revenue extracted from the state's waters, that is an area located not exceeding three nautical miles from the state's coastline," he said.

In response, Husam said Najib's remarks were ambiguous and urged the prime minister to confirm if his newly-formed special committee was indeed established to make payments to Kelantan and called for the panel's lifespan to be shortened to three months.

The PAS leader also asked that the cash payments be made using the same formula as other states like Terengganu, the payments of 'wang ihsan' (goodwill payments) are frozen and Umno politicians, who have said that Kelantan was not deserving of the royalties, issue public apologies.

Husam also urged the Pakatan Rakyat (PR) leadership council to give a more concrete offer to Kelantan's claims, including the right of landing (of gas) from the state's waters.

On Kelantan's suit against Petronas, the senior exco member said the state would not drop the case, which is scheduled to be heard in the Federal Court this October.

Kelantan's dispute with Putrajaya came under focus again in early April this year after Terengganu suddenly decided to drop its own claim for oil royalty payments against the government.

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.

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.

Kelantan had been trying to rely on Putrajaya's dealings with Terengganu to shore up its case for direct payments, which some opposition politicians alleged was being denied for political reasons.

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