

RM12 Billion Petroleum Royalty Demand By Kelantan Government Without Basis - PMO
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KUALA LUMPUR, April 2 (Bernama) -- The RM12 billion petroleum royalty demand by the Kelantan government is not based on any reasonable grounds, said a statement issued by the Prime Minister's Office (PMO) here Tuesday.

The statement said the demand not only was unreasonable from the legal standpoint but also technicalities related to activities for oil and gas extraction in the area concerned.

"According to the law, the state of Kelantan, just as the state of Terengganu and all other states in Peninsular Malaysia, only have rights to demand petroleum royalty if extraction of oil and gas is done not more than three nautical miles from the low tide line or the shore of the state concerned," it said.

The statement added that areas where petroleum extraction was being carried out outside the waters of Kelantan were Block PM301, Block PM2, Malaysia-Thailand Joint Development Area (MTJDA) and Commercial Arrangement Area between Malaysia and Vietnam (PM3 CAA).

"Block PM301 and Block PM2 are more than three nautical miles from the low tide line or shore of Kelantan but within Malaysian waters. MTJDA is also an area claimed by Thailand while PM3 CAA is also claimed by Vietnam," the statement said.

According to PMO, the area claimed by Thailand, namely MTJDA was under the Malaysia-Thailand Joint Authority (MTJA) which was responsible for regulating activities in the area and was not just the responsibility of the federal government.

"This is because the sea boundary between Malaysia and Thailand, to date, has not been fully settled," it said.

As such, Malaysia and Thailand had signed a Memorandum of Understanding, which must be complied with by both nations so long as the issue of boundary could not be resolved, said the statement.

"This is in order to avoid disputes between Malaysia and Thailand. Both nations have agreed that Malaysia and Thailand be paid five per cent each of the petroleum output," it said.

The statement added that production in the area had been taking place since 2005 and that the federal government had received USD600.27 million (RM2.1 billion) till 2012 from the sale of petroleum extracted there.

According to PMO, based on the agreement between Malaysia and Vietnam for the area claimed by Vietnam, namely, PM3 CAA, the federal government had received a payment of five per cent or RM2.2 billion from the production in the area since 2005.

"The federal government has received RM285.1 million from the production of petroleum in Block PM301 and Block PM2 which started in 2009," it said.

Seeing that Block PM301 and Block PM2 are located outside the waters of Kelantan exceeding three nautical miles from the low water line or coast of the state, the statement clarified that the Kelantan state government was legally not qualified to get payment from

production at the two blocks.

It said the federal government would still make payments to Kelantan in the form of benevolent money from the revenues from the two blocks whereby until February this year, RM142.6 million was credited to the account of the Benevolent Fund of Kelantan.

"Of the total, RM100.8 million has been channelled to the Kelantan Federal Development Department to finance programmes such as for students of higher learning institutions, death benefits, repairing houses of the poor, disaster aid, schooling aid and helping orphans, it added.

Furthermore, the demand of RM12 billion by the Kelantan State Government was illogical because the payment received by the federal government from all four areas, namely, MTJDA (Malaysia-Thailand), PM CAA (Malaysia-Vietnam), Block PM301 and Block PM2 which produce petroleum until today was only RM4.58 billion, the statement said.

"The Kelantan Government not only demanded what is not enshrined under the law but the demand is also many times more than what was received by the federal government.

"Seeing the demand is baseless, the actions of certain quarters in mobilising activities to confuse the people is regretted," it added.

According to the PMO, the federal government actually spent in excess of the total revenue collected from Kelantan.

It said for example, from 2008 to 2012, the federal government spent RM26.37 billion compared to the revenue collected from Kelantan amounting to RM2.07 billion.

"The ratio between the spending of the federal government compared to the revenue collected in Kelantan is very big, namely 13:1," the Prime Minister's Office said.

The spending of the federal government covered management expenditure of RM20.03 billion, development expenditure of RM4.84 billion and handout to the state government of RM1.5 billion.

Meanwhile, the revenue collected in direct tax by the Inland Revenue Board (LHDN) was RM1.41 billion, indirect tax by the Customs Department (RM0.31 billion) and revenue collected by the Road Transport Department (RM0.35 billion).

Furthermore, according to PMO, the federal government had also agreed to set up a special committee to study the issue of paying cash from the proceeds of petroleum to the states in the east coast of Peninsular Malaysia.

"The federal government has appointed non-partisan members, experts in the field and state government representatives involved to be on the committee to determine if states in the east coast of the peninsula have the right under the law to receive the proceeds of petroleum from the area and the methods of payments.

"It is clear from what have been mentioned above, that the federal government have been fair to the state and people of Kelantan,' it said, adding that this was proof of the openness of the federal government in settling the misunderstanding between all parties in a logical and constructive manner.

The effort of the federal government was to ensure that the rights of all quarters were decided based on the laws currently being in use, added the statement.

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