

'Energy is a strategic weapon'
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On the hallowed walls of the inner sanctum of PetroChina Co Ltd, one of the world's largest market capitalised companies and the right arm of the Chinese government's energy warriors, is inscribed in stone five words that underline the driving philosophy of this world superpower, both domestic and foreign.

These words are: 'Energy is a strategic weapon'.

In Kuala Lumpur, 3,680km away, the cabinet will meet in a few weeks to decide which of two groups - 1MDB or YTL Power - will be awarded a lucrative 25-year concession to produce and sell 2,000 million watts of electricity to Tenaga Nasional Bhd (TNB), under Project 3B.

Such a lucrative concession would guarantee profits for the appropriate winner for 25 years with the money ultimately coming from the pockets of everyday electricity consumers like us. Such a windfall is bound to generate intense lobbying to win the contest and claim the prize.

In one corner is YTL representing the private sector energy interests. It was the beneficiary of the first generation Power Purchase Agreements (PPAs) which had a 'take or pay' clause requiring TNB to pay for electricity even if it did not use it.

In the other corner is 1MDB, a sovereign wealth fund owned entirely by the government.

As expected, the lobbying was so hot that all major newspapers and online media have devoted some pages to this issue. Even political parties entered the fray and a concerted attack was made on 1MDB, after it was learned that it was recommended by the Energy Commission even though its selling price was 0.42 sen per kilowatt higher.

Criticism has also been levelled in the media, alleging that 1MDB is financially weak. However, it has explained its financial strength. Proponents of 1MDB have also stated that the cost for TNB to hook up to 1MDB's power plant is much cheaper, as it is 180km nearer than the YTL option.

The cost of the latter, plus the huge efficiency loss of carrying energy through that distance, far outweighs the price difference with the real cost/tariff of YTL being higher than 1MDB.

Time to right the wrongs

Surprisingly, little has been said on the critical issue as to whether government should privatise its critical infrastructure like power and water.

It seems that everyone has forgotten the words of former TNB chairperson Ani Arope: "I was forced to sign agreements that gave no benefit to TNB." He was removed from office for this brave stand and all Malaysians today continue to bear the wounds of these unfair PPAs that put individual interests above that of the nation.

Privatisation had often been abused to dissipate public assets. The more profitable production component is taken out of the energy equation, much like the treatment component is taken out of the water equation. The more problematic, costly and loss-making component - the

distribution component - is left with the government to bear.

TNB, like Perbadanan Urus Air Selangor Bhd, is made a sucker while losses are compensated from the public taxes.

TNB can generate its own funding for power plants through IPOs. In the end, huge amounts of money are required to buy back these assets, as the Selangor government is finding out now.

Regrettably, the lessons of the past have not been learnt and hopefully the Najib administration has this opportunity to right these wrongs for the rakyat. It seems that some government advisors still think that energy is a commodity to be traded for profit.

Energy is a strategic weapon of government. And just like the police, Petronas or the armed forces, it should never be privatised. Energy is the lifeblood of the nation's economy and no sector of the economy can survive today without its supply at fair and reasonable cost.

To control the energy supply and price, is to control the economy. The government must be able to control the price and supply of energy to meet its nation's needs and have the flexibility to drop pricing without being sued in court to pay compensation for the private sector's selfish interests.

Furthermore, as the concession is for 25 years, it is reasonable to expect artificially-generated escalation in prices of raw materials such as coal which can be used as a tool of economic sabotage of Malaysia. The government must be able to frustrate such efforts by selling energy at cost, if circumstances dictate, without being bled by paying compensation.

For example, if global fuel prices rise, the government can instruct 1MDB to absorb the cost and reduce profit so that electricity is more affordable to the consumer. This cannot be done with a private company because huge compensations would be payable.

Keeping the energy resources within the government will ensure that profits generated from the sale of energy go back to the government for the benefit of the people and are not parked outside the country to generate income and taxes for foreign governments or to line the pockets of individuals.

1MDB needs to ensure the highest standards of corporate governance and make an IPO of shares to all Malaysians who are electricity consumers so that they have a stake in the company and understand the relationship between electricity pricing and profits by way of dividends to themselves. In this way, profits from electricity generation will go back to the people.

I hope that the cabinet will make the right decision at a time when everyone is looking for a silver lining, so that the people are the beneficiary of the concession.

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