

Sarawak On Losing End If Oil Royalty Is Based On Profit

MALAYSIA TODAY

Jul 28, 2018

By WT Webmaster

(Borneo Post) – Sarawak must go for royalty payment from Petronas based on the production of oil, as the proposed one based on profit-sharing basis could be tricky.

In stating this, political observer Datuk Peter Minos shares an advice from his accountant friend, who cautions that if in the event that Petronas makes no profit at the end of its accounting year, then there would be nothing for Sarawak.

“This explanation based on accounting is logical and very true. Petronas will surely get and put in maximum production, marketing and other allowable expenses plus tax to the federal government, then there would be minimum net profit,” he said in a press statement yesterday.

Petronas, Minos said, being a federal government body ‘would love to pay maximum tax to federal government’, even with no persuasion, but ‘would loathe to pay much or anything to Sarawak’.

“There could be a big trick in using the proposed profit-sharing. According to my accountant friend, should Petronas at the end of its accounting year record negative or zero profit, then there’s nothing for Sarawak – nothing. Twenty per cent or any percentage of nothing is nothing,” he stressed.

Sarawak must not be tricked, Minos pointed out, adding that the royalty payment from Petronas based on production of oil would be a better deal.

“This is a universal way of doing it, which has been accepted all these years. So why change to another method of payment?” he questioned.

Minos emphasised that Sarawak should stick to the Oil Mining Ordinance 1978 (OMO78), which has been implemented.

“It is up to Sarawak to charge Petronas or any other oil producer and contractor. It is not for anyone or any group to impose its will upon Sarawak.”

The Petroleum Development Act 1974 (PDA74), Minos added, is not applicable nor enforceable in Sarawak as it was never passed or endorsed by the Sarawak Legislative Assembly.

“PDA74 was not, so to speak, constitutionally passed and thus; it cannot be imposed in Sarawak. “The OMO58 applies being a subsisting Sarawak law, just like SLC57 (Sarawak Land Code) and SF058 (Sarawak Forest Ordinance). It is as simple and clear as that.”

Minos said referring to provisions under the Malaysia Agreement 1963 (MA63), it is clearly stated that oil and gas, like land and forests, are the inherent properties and resources of Sarawak and for the people of Sarawak.

“Looking from all angles, it is patently clear that Sarawak, and only Sarawak, has exclusive rights to its own oil and gas, land and forests.

“For Sarawak to catch up with Peninsular Malaysia in any field, and for Sarawak to see more social and economic development, it badly needs the funds which can come in some abundance from oil and gas. This is what we in Sarawak want the federal government to appreciate and understand,” he stressed.

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Sources: <http://www.malaysia-today.net/2018/07/28/sarawak-on-losing-end-if-oil-royalty-is-based-on-profit/>