

**By :** DATO' SRI MOHD NAJIB TUN ABD RAZAK  
**Venue :** CROWNE PLAZA MUTIARA HOTEL  
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**Title :** LAUNCH OF THE MALAYSIAN OIL & GAS SERVICES COUNCIL  
(MOGSC)

YM. Tengku Dato' Ibrahim Petra Bin Tengku Indra Petra  
President, Malaysian Oil & Gas Services Council

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Senior Vice President, PETRONAS

Members of the Malaysian Oil & Gas Services Council

Distinguished Guests

Ladies and Gentlemen

1. First and foremost let me say that I am very pleased to be here this morning to launch the Malaysian Oil & Gas Services Council or MOGSC. I am particularly happy to note that a number of Malaysian-based oil and gas service companies have recognized the need to form a Council to harness the collective capabilities and expertise of Malaysian service companies both here and abroad. This initiative is most welcome and fundamental, as it is in line with the Government's call to create stronger presence among Malaysian companies in regional and international markets.
2. I would like to take the opportunity of today's launching to reflect on the past and to remind us all of the remarkable journey this country has taken in harnessing our nation's oil wealth. More than thirty years ago, the Government was confronted with a difficult decision following the world's first oil crisis in 1973. Many nations realised that prudent management of energy and energy resources had become a matter of paramount and strategic importance. The oil crisis was a wake up call for us here in Malaysia. But in hindsight, it has also proven to be a blessing in disguise.
3. As a result of the energy crisis, our leaders at that time took a brave and bold decision to take full control of our indigenous oil and gas resources. This decision resulted in the enactment of the Petroleum Development Act in 1974, which vested the Federal Government via PETRONAS, with the entire rights, ownership and privileges on the nation's oil and gas resources. PETRONAS was created as a vehicle to execute, oversee as well as chart the course for petroleum development of the nation.
4. The pace of petroleum development picked up significantly following the formation of PETRONAS in 1974. Then, Malaysia's oil production was 80,000 barrels per day (bpd). Today, our country's oil output has grown almost ten-fold to about 750,000 bpd. We have done even better in the development of our gas resources. From negligible gas production in 1974, Malaysia is today the third largest exporter of LNG in the world. Petroleum also transformed our rural landscape and brought about much socio-economic changes. Sleepy fishing villages such as Kertih and Bintulu transformed into world-class petroleum and LNG complexes exporting petroleum

products, petrochemicals products and LNG all over the world. Local economies prospered in tandem.

5. Today the oil and gas sector is a key component in our country's economy. Oil and gas is a major contributor to the Federal Government's revenue. The sector is the largest recipient of FDI and one of our biggest sources of foreign exchange. The value added created by the oil and gas sector is more than six times that of electronics and electrical sector.

Ladies and Gentlemen

6. Given the major contribution of the oil and gas sector to our economic health, and the fact that the petroleum industry is a truly global industry, we should be ever mindful of global business and geopolitical challenges. Today's world is inherently uncertain and unstable. We should also remember that Malaysia is not a big oil and gas producer. A single giant oil field in the Middle East can produce more oil than all the oil fields in Peninsular and East Malaysia combined. And yet, we have managed our petroleum resources rather well. The Malaysian oil and gas industry has been very active as the Government, through PETRONAS, continues to drive efforts to further develop the industry amidst an increasingly challenging and complex environment. I am glad to see that these efforts have been well supported by the Malaysian oil and gas fraternity. This has resulted in expanded opportunities for participation by the service providers and supporting industries. Indeed, the heightened activities from the vibrant industry have substantially contributed towards the overall growth and development of the Malaysian economy.

7. The transformation of Malaysia's petroleum industry did not happen overnight. Neither did it happen by accident. What we are witnessing today is the result of careful planning and forward thinking on the part of the Government, seeded by a vision to develop the nation fueled by oil and gas. The Government was not contented with just taking the oil out of the ground and exporting it. Neither was the Government happy with flaring off a finite resource such as natural gas. Instead, via PETRONAS we chose to value add to this precious resource by pursuing ambitious but realistic projects – projects that would harness the full potential of our oil and gas resources for the benefit of our people and nation. We were determined to take on the challenge of exploiting our petroleum resources to fuel economic development through a planned industrialization strategy.

8. The Petroleum Development Act is undoubtedly the single most important factor in the transformation of Malaysia's oil and gas industry. Before the introduction of the Act, Malaysia's oil and gas sector was dominated by foreign companies. Every activity in the oil and gas chain, from upstream right down to petroleum retailing, were dominated by these foreign entities. To support their operations, they bought everything and anything through their associate companies in the US and Europe. Equipment, materials and services were brought in through Singapore with millions of dollars of purchases made outside of Malaysia.

9. This practice came to a stop when the Government, through PETRONAS, assumed control of the nation's petroleum resources. The Production Sharing Contract (PSC) was and continues to be an instrumental mechanism in developing Malaysian companies in the support services sector. Through the PSC, oil companies were required to source locally certain amount of materials and services for their operations. Malaysian companies that were previously denied the chance to engage

in this business, were given the opportunity to participate, provided they met the technical and commercial requirements.

10. While many of these companies started as small service providers, a good number have grown successfully and added value to their business, with some expanding into heavy engineering and fabrication. I am also pleased to note that this is also a sector that has seen active and healthy Bumiputera participation, both in terms of ownership as well as in nurturing a highly skilled managerial and technical pool. Clearly, the stringent policies in localizing the oil and gas sector have shown results. The direct involvement of Malaysian contractors in the supporting industries has resulted in significant transfer of new technologies and acquisition of management skills. Who would have imagined 31 years ago that Malaysian companies today would be capable of building sophisticated oil rigs and drilling platforms?

11. Many of you in this room today have successfully taken this growth path. Some of you have even expanded abroad. Some have listed their companies on the stock exchange while the others have become bigger and acquired international service providers. But no matter how much success we have achieved, we should not forget how we started. Companies today that have successfully secured millions of dollars worth of contracts in the oil industry locally and abroad, owe their humble beginnings to the provisions of the PSC.

Ladies and Gentlemen

12. As we move forward, greater emphasis will need to be placed on capacity and capability building to ensure Malaysian companies continue to succeed in this increasingly challenging environment. While PETRONAS and its Production Sharing Contractors have encouraged and supported the participation of local contractors at home, you must be prepared to upgrade your capabilities, knowledge and skills towards playing a bigger role in adding value to the nation, and rise to the challenge of competing outside your home market.

13. Our local oil and gas service providers must equip themselves with a new mindset when undertaking projects abroad. Over there you will no longer be shielded or be entitled to special privileges. You will be treated like any other foreign contractor. Therein lies the challenge. Unless we can differentiate ourselves from the others, we are at a disadvantage as host countries can be more selective and have similar aspirations for their own local companies. We need to reinvent our competitive edge if we are to succeed beyond our shores.

14. Outside Malaysia, PETRONAS has to compete head to head against other oil giants and National Oil Companies. Likewise, Malaysian services companies too will be required to develop the sharp elbows to compete against other services companies, some of whom will no doubt be favoured by their own governments under their own PSC terms. Being a public listed company at home with impressive share price gains will not be enough. You will have to demonstrate true value and deep capabilities to be successful. Do not over promise and under deliver. Doing so will not only tarnish your own reputation but more importantly it will discredit Malaysia. Malaysian companies in the oil and gas sector must continue to conduct your business according to the highest ethical standards both here and abroad.

15. Let me conclude my remarks this morning by urging the MOGSC to take a

leadership role in ensuring that your members continually strive to achieve the highest technical, ethical and commercial standards that I have just touched on. I am equally confident that MOGSC will become a strong voice in representing the interests of the local services industry. Service companies should be given the opportunity to emulate the achievements of PETRONAS and in this regard, I would urge MOGSC and PETRONAS to jointly explore appropriate mechanisms and areas where you could strengthen collaboration, networking and knowledge sharing.

16. Ultimately, there is a great opportunity for Malaysia to distinguish and brand ourselves as a leading and preferred international provider for oil & gas services, backed by a strong National Oil Company with a global footprint spanning across more than 30 countries. This vision of "PETRONAS Incorporated" is indeed an ambitious one as it will require the unwavering commitment to excellence, quality, value and high performance on the part of everyone – PETRONAS, PSC contractors, oil and gas services players. But with energy, perseverance and determination, and with the remarkable progress achieved to date, I am confident that Malaysian oil and gas service providers will be able to rise to this challenge. I wish you all the best in your efforts ahead.

Thank you