

**KEYNOTE ADDRESS BY  
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI  
AT THE 13TH ANNUAL ASIA OIL AND GAS CONFERENCE  
AT KUALA LUMPUR CONVENTION CENTRE  
9 JUNE 2008**

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BISMILLAHIR RAHMANIR RAHIM

ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH AND GOOD MORNING

YBHG TAN SRI HASSAN MERICAN  
PRESIDENT AND C.E.O., PETRONAS

EXCELLENCIES AND DISTINGUISHED GUESTS

LADIES AND GENTLEMEN

1. I WOULD FIRST LIKE TO THANK THE ORGANISERS FOR INVITING ME TO DELIVER THE KEYNOTE ADDRESS FOR THIS 13TH EDITION OF THE ASIA OIL AND GAS CONFERENCE. I AM PLEASED THAT THIS CONFERENCE CONTINUES TO ATTRACT A GREAT DEAL OF INTEREST AND SUPPORT AMONG INDUSTRY LEADERS, EXPERTS, POLICY MAKERS, ACADEMICIANS, AND OTHER DISTINGUISHED PARTICIPANTS. IN THIS WAY, THE ASIA OIL AND GAS CONFERENCE CONTINUES TO BE ONE OF ASIA'S LEADING EVENTS FOR THE GLOBAL AND REGIONAL OIL AND GAS INDUSTRY.

2. LAST YEAR, WHEN I LAST ADDRESSED THIS CONFERENCE, I SPOKE OF A "RESILIENT GLOBAL ECONOMY", IN WHICH ASIA REMAINED "A ROBUST ENGINE OF GROWTH". WHILE I BELIEVE THAT THE GLOBAL ECONOMY IS STILL RESILIENT, THAT RESILIENCE HAS CERTAINLY BEEN GREATLY TESTED.

3. TODAY, WE ARE WITNESSING EXTREMELY CHALLENGING TIMES. THE U.S. ECONOMY IS FACING DIFFICULTIES; THE PRICES OF FOOD COMMODITIES ARE RISING; AND MARKETS ARE ANXIOUSLY FACING THE POSSIBILITY OF CRUDE OIL PRICES RISING AS HIGH AS 200 U.S. DOLLARS PER BARREL.

4. IN THE MIDST OF SUCH GLOBAL CHALLENGES, THE ENERGY INDUSTRY NEEDS TO TAKE STOCK OF ITS FUTURE, ESPECIALLY IN THE IMMEDIATE TERM. TODAY, IT IS CLEAR THAT THE ENERGY INDUSTRY IS FACED WITH A NUMBER OF INTRACTABLE ISSUES, WHICH INVOLVE MULTIPLE STAKEHOLDERS AND REQUIRE BOLD AND BRAVE DECISION-MAKING. THIS MORNING, PLEASE ALLOW ME TO SHARE MY THOUGHTS ON THREE INSTANCES OF SUCH ISSUES: ENERGY SECURITY, THE ENVIRONMENT, AND FUEL SUBSIDIES.

LADIES AND GENTLEMEN

5. SINCE THE FIRST MAJOR GLOBAL OIL CRISIS IN THE 1970'S, CONCERNS OVER ENERGY SECURITY HAVE REMAINED AT THE FOREFRONT OF INTENSE DEBATES. CLEARLY, ENERGY SECURITY IS A UNIVERSAL ISSUE WHICH AFFECTS BOTH PRODUCERS AND CONSUMERS ALIKE.

6. AS THE LIFEBLOOD OF THE WORLD ECONOMY, ACCESS TO PETROLEUM RESERVES REMAINS A KEY IMPERATIVE FOR GLOBAL GEOPOLITICS. DESPITE DECADES OF TECHNOLOGICAL ADVANCEMENTS IN PETROLEUM PRODUCTION AND LOGISTICS, THERE WILL ALWAYS BE UNCERTAINTY AND FEAR OF INTERRUPTIONS IN SUPPLY. AS WE HAVE SEEN IN RECENT YEARS, SUCH FEARS CAN EASILY DRIVE UP THE PRICE OF OIL TO UNPRECEDENTED HEIGHTS.

7. ADDRESSING THIS MATTER WILL REQUIRE US TO TACKLE LONG-STANDING ISSUES WHICH LIE AT THE HEART OF WORLD GEOPOLITICS TODAY. IN PARTICULAR, WE MUST CONTINUE TO SEEK MUTUALLY BENEFICIAL SOLUTIONS TO PROBLEMS IN THE WORLD'S HOTSPOT REGIONS, SUCH AS THE MIDDLE EAST. WE CANNOT CONTINUE TO ALLOW UNILATERAL POWER PLAYS AND THE PURSUIT OF NARROW INTERESTS TO OVERWHELM THE NEED FOR PEACE AND SECURITY. ONLY WHEN WE WORK IN EARNEST TOWARDS PEACE IN SUCH TROUBLED REGIONS, CAN WE TRULY MAKE HEADWAY TOWARDS ENSURING GENUINE ENERGY SECURITY IN THE YEARS TO COME.

8. THE ISSUE OF ENERGY SECURITY HAS ALSO LED TO SOME PERVERSE OUTCOMES. FOR INSTANCE, IN RECENT YEARS, WITH OIL PRICES HITTING UNPRECEDENTED LEVELS, POLICYMAKERS HAVE TURNED TO BIOFUELS AS ONE OF THE LONG-TERM ALTERNATIVES TO PETROLEUM. IN THAT TIME, PRICES OF CROPS AND GRAINS, PARTICULARLY CORN AND SUGARCANE, CONTINUED TO RISE AS THEY WERE BEING DIVERTED TOWARDS FUEL PRODUCTION.

9. AS MORE COUNTRIES TURNED TO BIOFUELS, HECTARES OF ARABLE LAND MEANT FOR FOOD PRODUCTION HAVE BEEN DIVERTED FOR "BIOFUEL CROPS", FURTHER DEEPENING GLOBAL FOOD SCARCITY AND DRIVING UP FOOD PRICES. TODAY, THE ZEAL FOR ENERGY SECURITY HAS COME INTO DIRECT CONFRONTATION WITH THE BASIC NEED OF FOOD PRODUCTION. CLEARLY, ENERGY SECURITY IS AN ISSUE WE MUST TACKLE EARNESTLY AND WITH GREAT URGENCY, NOT ONLY FOR ITS OWN SAKE, BUT ALSO SO THAT WE MAY AVOID ITS ADVERSE EFFECTS ON FOOD SECURITY AS WELL AS OTHER ASPECTS OF MODERN LIFE.

LADIES AND GENTLEMEN

10. LET ME NOW MOVE ON TO THE SECOND SUBJECT. IN RECENT YEARS, WE HAVE COME TO REALISE THAT THE RISKS POSED BY HUMAN CIVILISATION – IN PARTICULAR BY OUR PRESENT WAY OF LIFE – ON THE ENVIRONMENT IS VERY REAL. INDEED, THERE IS A GROWING BODY OF SCIENTIFIC EVIDENCE WHICH SHOWS THAT THE DEVELOPMENT AND UTILISATION OF FOSSIL FUELS ARE AN IMPORTANT FACTOR CONTRIBUTING TOWARDS CLIMATE CHANGE.

11. IN MALAYSIA AS WELL AS IN MANY OTHER COUNTRIES AROUND THE WORLD, WE HAVE WITNESSED NATURAL PHENOMENA SUCH AS HURRICANES, CYCLONES, FLOODS, PROLONGED DROUGHTS AND EXTREME TEMPERATURE SHIFTS ARISING FROM THE ADVERSE EFFECTS OF CLIMATE CHANGE. WE CAN NO LONGER IGNORE THE SCIENTIFIC EVIDENCE WHICH ARE FORECASTING AN INCREASE OF SUCH PHENOMENA IN THE YEARS TO COME, AS CLIMATE CHANGE CONTINUES TO WORSEN.

12. FOR THE ENERGY INDUSTRY, THIS NEW REALITY POSES A TWO-PRONGED CHALLENGE. FIRSTLY, HOW CAN WE PUT IN PLACE MEASURES TO MINIMISE OR

ELIMINATE THE EMISSIONS ARISING FROM THE USAGE OF FOSSIL FUELS?.  
SECONDLY, HOW DO WE ACCELERATE THE INTRODUCTION OF NEW TECHNOLOGIES  
THAT CAN REDUCE OUR DEPENDENCIES ON FOSSIL FUELS?.

13. ALL IN ALL, AS THE GLOBAL DEMAND FOR ENERGY IS EXPECTED TO INCREASE  
EXPONENTIALLY OVER THE COMING YEARS, WE NEED TO INVEST THE POLITICAL  
WILL AND THE RESOURCES NECESSARY TO DEVELOP NEW SOLUTIONS FOR THE  
ENVIRONMENTAL CHALLENGES THAT WE NOW FACE. WE MUST GO FAR BEYOND  
THE RHETORIC THAT WE HAVE BECOME ACCUSTOMED TO, TOWARDS ACTUAL  
MOVEMENT AND EXECUTION OF URGENT ACTION PLANS TO SAVE OUR  
ENVIRONMENT. THE OIL AND GAS INDUSTRY MUST BECOME A COMPREHENSIVE  
PART OF THAT SOLUTION, AND NOT BE MIRED IN ISSUES THAT ONLY ADD TO THE  
PROBLEM.

LADIES AND GENTLEMEN

14. TO COMPLETE THE TROIKA OF ISSUES WHICH AFFECT THE ENERGY SECTOR  
TODAY, I WOULD LIKE TO SHARE MY THOUGHTS ON FUEL SUBSIDIES. THIS IS  
PARTICULARLY RELEVANT IN LIGHT OF THE MALAYSIAN GOVERNMENT'S RECENT  
DECISION TO RESTRUCTURE FUEL SUBSIDIES.

15. FOR YEARS, THE MALAYSIAN GOVERNMENT – LIKE MANY GOVERNMENTS IN  
DEVELOPING COUNTRIES – HAS ACTED TO SHIELD ITS CITIZENS FROM THE WILD  
FLUCTUATIONS IN GLOBAL OIL PRICES, BY PROVIDING GENEROUS SUBSIDIES ON  
THE PRICE OF PETROL AND DIESEL.

16. THE RESULT IS THAT THE GOVERNMENT SPENDS BILLIONS OF RINGGITS ON  
FUEL SUBSIDIES, WHICH DIVERTS PRECIOUS RINGGITS AWAY FROM INVESTMENTS  
FOR DEVELOPMENT. THE SUBSIDIES WERE ALSO OFFERED FOR ALL USERS,  
REGARDLESS OF INCOME OR USAGE LEVELS. THIS LED TO SOME UNFAIRNESS AS  
RICH USERS ALSO BENEFITED FROM THE SUBSIDIES, WHEN THEY CLEARLY DID  
NOT DESERVE OR EVEN NEED THEM; IT LED TO SOME WASTAGE, AS USERS DID  
NOT HAVE ANY INCENTIVE TO CONSERVE FUEL USAGE; AND IT LED TO MORE AND  
MORE SMUGGLING OUT OF SUBSIDISED FUEL, AS PRICE DIFFERENTIALS  
DOMESTICALLY AND WITH NEIGHBOURING COUNTRIES GREW LARGER.

17. FOR A LONG TIME, THESE ISSUES WERE PERHAPS NOT VERY CRITICAL. GLOBAL  
OIL PRICES FOR MUCH OF THE 1990'S RARELY VENTURED BEYOND 20 OR 30 U.S.  
DOLLARS PER BARREL. FUEL SUBSIDIES WERE SEEN AS A BENIGN WAY FOR THE  
GOVERNMENT TO ENSURE A GOOD QUALITY OF LIFE FOR ITS CITIZENS.

18. TODAY, THIS IS NO LONGER THE CASE. WITH OIL PRICES BREACHING LEVELS  
OF 130 U.S. DOLLARS PER BARREL, GOVERNMENTS THE WORLD OVER ARE  
STARING INTO A FINANCIAL ABYSS, AS FUEL SUBSIDIES THREATEN TO RUN AMOK.

19. AFTER MUCH DELIBERATION AND CAREFUL CONSIDERATION, IT WAS CLEAR TO  
US THAT MAINTAINING FUEL SUBSIDIES AT PREVAILING LEVELS WAS NO LONGER  
TENABLE. LAST WEEK, THE MALAYSIAN GOVERNMENT DECIDED TO RESTRUCTURE  
FUEL SUBSIDIES. WITH SUBSIDIES ON FUEL PROJECTED TO BALLOON TO OVER 28  
BILLION RINGGIT, THE DECISION WAS INDEED VERY PAINFUL, BUT NECESSARY.

20. WITH THE RESTRUCTURING OF PUMP PRICES AS WELL AS ELECTRICITY  
TARIFFS, WE EXPECT TO SAVE 13.7 BILLION RINGGIT, OF WHICH 5 BILLION

RINGGIT WILL BE SET ASIDE FOR DIRECT PAYMENTS TO CAR AND MOTORCYCLE OWNERS, TO HELP ALLEVIATE PART OF THE BURDEN INCURRED BY THE RISE IN FUEL PRICES. THE BALANCE OF THE EXPECTED SAVINGS WOULD BE CHANNELLED INTO PROGRAMMES FOR FOOD SECURITY AND VARIOUS OTHER INITIATIVES TO HELP MITIGATE THE IMPACT OF OVERALL RISE IN PRICES.

21. IN ALL HONESTY, IT WAS A DIFFICULT AND AGONISING DECISION TO MAKE. MANY TIMES, WE HAVE BEEN TEMPTED TO WALK AWAY FROM SUCH A DIFFICULT DECISION. CERTAINLY, WE REALISED THAT THE DECISION WOULD BE MET WITH GREAT ANGUISH, NOT TO MENTION ANGER, FROM THE PEOPLE.

22. WHILE NECESSARY, WE ALSO UNDERSTAND THAT TO MERELY ASK FOR MALAYSIANS TO "CHANGE THEIR LIFESTYLE" MAY RING HOLLOW. WE UNDERSTAND THAT THE RISE IN FUEL PRICES WOULD LEAD TO KNOCK-ON EFFECTS IN TERMS OF INCREASED INFLATION.

23. AT THIS POINT, I WOULD LIKE TO ASSURE ALL MALAYSIANS THAT THE GOVERNMENT IS FULLY AWARE OF THE INCREASED HARDSHIPS THAT THEY NOW FACE, AND THAT WE WILL DO EVERYTHING WITHIN OUR POWER TO ALLEVIATE THE PEOPLE'S BURDEN.

24. ALREADY, PLANS ARE BEING PUT INTO MOTION TO HELP SHARE THE BURDEN OF RISING PRICES. THE CASH REBATES TO CAR AND MOTORCYCLE OWNERS WILL BE IMPLEMENTED QUICKLY TO HELP THE LOWER AND MIDDLE INCOME GROUPS ADJUST TO THE NEW FUEL PRICES.

25. THE GOVERNMENT WILL ALSO WORK TOWARDS IMPLEMENTING COST-SAVING MEASURES WITHIN ITS DEPARTMENTS AND AGENCIES; EXPAND THE SOCIAL SAFETY NET FOR PEOPLE IN THE LOWER INCOME BRACKET AND UNDERPRIVILEGED GROUPS; ENLARGE THE LIST OF CONTROLLED ITEMS TO KEEP COSTS DOWN; AND IMPROVE PUBLIC TRANSPORT SUCH AS PUTTING MORE BUSES ON THE ROADS. OTHER MEASURES WILL ALSO BE ANNOUNCED IN DUE COURSE.

26. LET THERE BE NO MISTAKE: THIS GOVERNMENT IS COMMITTED TOWARDS PROTECTING THE WELFARE OF ITS PEOPLE. YES, WE HAVE HAD TO RESTRUCTURE FUEL SUBSIDIES FOR THE SAKE OF THE LONG-TERM VIABILITY OF THE ECONOMY. BUT WE WILL NEVER FORGET OUR RESPONSIBILITY TO THE PEOPLE, AND WE WILL DO EVERYTHING WITHIN OUR POWER TO ENSURE A SATISFACTORY QUALITY OF LIFE FOR ALL MALAYSIANS.

LADIES AND GENTLEMEN

27. AS THE RECENT MALAYSIAN EXPERIENCE HAS SHOWN, POLICYMAKERS WILL OFTEN HAVE TO WALK A TIGHTROPE IN TERMS OF THE LIMITED NUMBER OF POLICY OPTIONS AVAILABLE. VERY OFTEN, VERY DIFFICULT DECISIONS WILL NEED TO BE MADE.

28. AS WE CONTINUE TO GRAPPLE WITH THE INTRACTABLE ISSUES FACING US, WE MUST RECOGNISE THAT THE SOLUTION LIES NOT IN PIECEMEAL TWEAKS AND CHANGES. INSTEAD, WE NEED TO BEGIN CHARTING A NEW "STRATEGIC ROADMAP" FOR TACKLING THESE PROBLEMS.

29. HENCE THE RELEVANCE OF THE THEME FOR THIS YEAR'S CONFERENCE: "GROWTH THROUGH NEW SOLUTIONS".

30. THESE NEW SOLUTIONS MAY INCLUDE BREAKTHROUGH TECHNOLOGIES AND PROCESSES, ADVANCED RESEARCH AND DEVELOPMENT (R & D), NEW FORMS OF ALLIANCES AND PARTNERSHIPS – TO NAME BUT A FEW – WHICH CAN BRING ABOUT SECURE, SAFE AND EFFICIENT SUPPLY OF ENERGY THAT WILL IMPROVE OUR LIVES IN WAYS THAT ARE ENVIRONMENTALLY FRIENDLY.

31. SUCH SOLUTIONS MAY WELL BE TRULY NOVEL, AND INDEED MAY LIE OUTSIDE OF THE BOUNDARIES OF OUR PRESENT KNOWLEDGE. BUT SUCH SOLUTIONS MUST BE SOUGHT, NOT MERELY FOR THE SAKE OF GROWTH, BUT FOR THE VERY SURVIVAL OF THE ENERGY INDUSTRY . AFTER ALL, THERE WILL COME A DAY WHEN OUR RESERVES OF FOSSIL FUEL WILL DWINDLE TO A TRICKLE. WE MUST BE PREPARED FOR THAT DAY, ALWAYS BEARING IN MIND THE NEED TO ENSURE ENERGY SECURITY, PROTECT THE ENVIRONMENT, AND GUARANTEE A GOOD QUALITY OF LIFE FOR ALL.

32. AS A POLITICIAN AND HEAD OF GOVERNMENT, I CERTAINLY BELIEVE THAT THE CONVENING OF THIS ASIA OIL & GAS CONFERENCE IS AN IMPORTANT STEPPING STONE TOWARDS THE DISCOVERY OF THE NOVEL AND BOLD SOLUTIONS THAT WE SEEK.

33. AS SUCH, I COMMEND THE EFFORTS OF THE ORGANISERS IN SUCCESSFULLY CONVENING THE 13TH EDITION OF THIS CONFERENCE, AND I AM CONFIDENT THAT TOGETHER YOU WILL BEGIN THE JOURNEY OF FORGING NEW ALLIANCES AND HIGHLIGHTING NEW APPROACHES TOWARDS SOLVING THE MOST INTRACTABLE PROBLEMS THAT FACE THE ENERGY INDUSTRY TODAY.

34. ON THAT NOTE, IT IS NOW MY HONOUR AND PRIVILEGE TO OFFICIALLY OPEN THE 13TH ASIA OIL AND GAS CONFERENCE 2008.

THANK YOU.