

By : **DATO' SRI MOHD NAJIB BIN TUN HAJI ABDUL RAZAK
PERDANA MENTERI MALAYSIA**

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OUR WORLD, OUR ENERGY, OUR DESTINY

Bismillahirrahmanirrahim

Assalamualaikum Warahmahtullahi Wabarakatuh, A Very Good Morning and Salam Satu Malaysia.

Yang Berbahagia Tan Sri Sidek Hassan; Chairman of the Board of Petronas,

Yang Berbahagia Tan Sri Dato' Shamsul Azhar Abbas; Chairman of AOGC 2013 Advisory Committee, and

President and Group CEO, Petronas;

Yang Berhormat Datuk Raymon Tan Shu Kiah; Sabah State Minister of Industrial Development,

Yang Berbahagia Datuk Wan Zulkiflee Wan Ariffin; AOGC Organising Committee Chairman, and COO of Petronas;

Dr Fereidun Fesharaki; AOGC Conference Chairman;

Your Excellencies;

Distinguished Guests;

Ladies and Gentlemen.

1. I am delighted to be here this morning, and to deliver the Keynote Address at the 17th Asia Oil and Gas Conference, which brings together eminent industry leaders, policymakers, and distinguished participants.

2. Our civilization is built on energy; it drives human progress, and fuels the world economy. The future of energy is one of the greatest questions facing global policymakers. Whether in the developed world or emerging economies, we must find energy sources to meet demand and fuel development; and they must be safe, secure and sustainable. For the Asia-Pacific region, our size - and our influence - means these issues assume global significance.

3. With major shifts underway in the oil and gas industry, the global energy question has rarely been more pressing. We must find a way to bring economic, social and environmental

considerations together and answer them as one: a comprehensive energy settlement, which unlocks development and profit whilst at the same time ensuring sustainable long-term growth. That is what this conference is all about. And glancing at the guestlist, I know that the experience and insight gathered here today can help us toward that goal.

Ladies and Gentlemen,

4. The prospects for long-term growth are far from clear. Against the backdrop of continued uncertainty, the global macroeconomic outlook remains gloomy. Feeble growth is hampered by delayed recovery in the Eurozone, as austerity measures have yet to trigger a turnaround. Unemployment, debt and recession continue to hamper growth in this key economy. Conflict in Syria and Iraq casts a shadow over the Middle East, and North Africa's new democracies face a hard struggle to build institutional resilience.

5. The US economy is slowly pacing towards growth, driven by a rise in private consumption. In the near term, consumer spending and the Obama administration's monetary policy are keeping things afloat. The shale revolution looks set to spark a revival in the US manufacturing sectors, which in turn is expected to lead to further job creation and other economic benefits. But the lagging effect of the sequester, and the Federal Reserve's intent to taper off bond buying when they feel the US recovery is sustained, offer little medium-term comfort.

6. Meanwhile, China's growth momentum is fading, amidst weak external demand in its key export markets. Of course, being China, these things are relative: it is still set to be the world's largest economy within the next three years. But for much of the world, and for our region in particular, China's prospects affect confidence in our own.

7. Nonetheless, Asia remains the brightest prospect in the world economy, with internal demand predicted to drive strong growth. Positive financial and labour market conditions lay the ground for increased consumption and private investment. A similar story is unfolding south of the Sahara, where growth rates average around 5%. Africa's 'lion' economies are attracting international investor attention.

8. These regional disparities have led analysts to the conclusion that we are experiencing a multi-speed global economic recovery. But the change is deeper than that. Faced with shifts in population, productivity and growth, old geopolitical assumptions are being washed away.

9. For a global economy which is dependent on secure energy flows, the result has been a new global energy landscape. Long-held industry expectations for the future - of consumption, production and energy intensity - may no longer be valid; growing evidence of climate change, and falling prices for clean energy, further tilt the picture. As a multipolar, interdependent world unfolds before us, so we must reconsider our approach to energy security, climate change, and economic development.

Ladies and Gentlemen,

10. I would like to say a few words about what that means for Malaysia's energy future. But first, let me give you a quick run-down on our own economic outlook.

11. I am pleased to report that Malaysia's economy remains resilient, growing at 5.6% last year. This growth stems from a robust investment pipeline and a healthy expansion in domestic consumption. Last year, the Government recorded its highest revenue in history. Unemployment and inflation are low; interest rates are stable; investment is up.

12. These healthy fundamentals are reinforced by international surveys: according to the World Bank's recently-released Doing Business Report, Malaysia is now the 12th best place in the world to do business; the Institute for Management Development recognises us as the 15th most competitive economy in the world; and we are one of the world's most global trade enabled economies.

13. These results reflect investor confidence in the government's economic stewardship. The Economic Transformation Programme, which aims to transform Malaysia to developed status by 2020, is fully on track. Based on current projections and barring unforeseen circumstances, we are set to achieve our development target ahead of schedule.

14. However, I must not spare my own nation the scrutiny I gave others. Malaysia too faces near, medium and long-term challenges. Further liberalisation of the economy will be critical both for sustaining investor interest, and for building home-grown companies that can compete on the world stage. We must do more to increase the participation of women in the workplace, to rationalise subsidies, and recognize high performance in our society. And as we shift our economy towards services, we must also work to ensure a more equitable share in the nation's prosperity for all our citizens.

Ladies and gentlemen,

15. It is here that the energy sector plays a pivotal role. The oil and gas industry contributes more than 40% of our national income. As we look to escape the 'middle income trap', the establishment of Malaysia as an energy hub for the region is a key strategic objective.

16. Our host today is a leading player in this initiative: we expect Petronas to generate RM131.4 billion in Gross National Income, and over 50,000 new highly-skilled jobs, as it looks to galvanise Malaysia's upstream sector, expand domestic downstream production, and venture into clean energy.

17. Each of these ambitions must bear fruit if Malaysia's energy industry is to remain strong and sustainable. And already, there are positive indications: we have halted a decline in our domestic production, with 24 new discoveries in 2012 alone. And our proven reserve has been increased. This success belongs to the company, but the dividends will be shared with all Malaysians.

18. The past few years have seen Petronas branching out; making forays into shale gas in Canada, coal bed methane in Australia, and intensive Enhanced Oil Recovery efforts. And the developments of Gas & Power, and other downstream projects, are establishing Malaysia as a regional leader in energy development. The Refinery and Petrochemical Integrated Development project in Johor, our first regasification terminal in Melaka, and the world's first floating Liquid Natural Gas project show that Malaysia's ambitions to become an energy hub rest on solid foundations.

19. It is thanks to Petronas's stewardship - of our natural reserves and human resources - that Malaysia's economic potential is being fulfilled. And it is together with Petronas, and the rest of our energy industry, that we must find a path toward sustainable, secure and equitable development: that comprehensive energy settlement that I spoke of earlier. That means understanding the changes that are shaping both policy and business decisions, and how the energy industry - and governments - should respond to them.

20. The most radical change, of course, concerns the extraction of preciously uneconomic reserves. Unconventional oil and gas have disrupted energy markets and energy policy, shifting cost, supply and carbon assumptions. They have completely reshaped America's outlook, heralding a new age of energy independence, and a fundamental revision of its geopolitics.

21. However, the current shale revolution depends on high prices, and it remains - for now - a North American phenomenon. In the rest of the world, it appears to be a medium - to long-term proposition. The immediate question is what the US transition from importer to producer means for energy markets - and for its foreign policy.

22. The second change is the growth in clean energy, which is clearly on a downward cost curve. Innovation and falling manufacturing costs, together with signs that major economies are prepare to consider carbon caps, provide further signals to investors. This shift is not just about renewables, as the International Energy Agency's 'golden age of gas' report indicated: the closing of coal plants in the developing world offers a new dawn of potential for the cleanest fossil fuel, especially if carbon storage takes off. An age of more distributed resources, with grids geared around intermittent supplies, has profound implications for global energy markets.

Ladies and Gentlemen,

23. In all, the stage is set for a new relationship between energy and the economy. At some stage in the next two decades, it seems likely that the world's biggest energy consumer will become an exporter; and clean energy technologies will change the power market in particular. The question, then, is what this shift means for countries like Malaysia; and how the government and the energy industry can work together to ensure that results in greater growth, development, and stability.

24. I believe there are two main areas of opportunity: to ensure stability, and develop a knowledge-based economy.

25. First, stability. In the six decades since independence, we have advanced from an agricultural economy to a modern, industrialised middle-income nation. Underpinning Malaysia's economic growth is a stable and a predictable political environment, which attracts investment, and a responsive and efficient bureaucracy, which creates a conducive business environment. Stable governance has been essential for sustainable growth.

26. So too has the responsible extraction of energy reserves. Too many countries have fallen prey to the 'resource curse': allowing substantial natural resources to skew economic development, exposing the country to stagnation and risk.

27. Whether in established producer states or at the new frontiers of unconventional energy, governments and the industry should work together to ensure strong governance and accountability is a precondition for doing energy business; and that regulation is neither so strict as to choke off innovation, nor so lax as to invite excess. We all share an interest in secure and productive economies and extractive industries. The first opportunity then, is to form partnership for stable economic and energy industry growth.

28. The second opportunity lies in the creation of a knowledge based economy, with a skilled and experienced workforce that serves both the industry and the nation. Creating an ecosystem which encourages technology and human capital development is critical to opening up new energy supplies: after all, that is what drove the shale revolution. But, it is also an essential precondition for economic competitiveness. As the world economy becomes both more open and more closely connected, people - and companies - must have the skills and experience to compete with the best.

29. Here in Malaysia, the oil and gas sector has so far done an excellent job of working with the Government to create a culture of excellence; investing in skills, and encouraging innovation. Now it is for the industry as a whole to play a greater role in developing human capital through partnerships and collaborations with Government: setting up institutions on niche technologies such as specialty chemicals and unconventional, and working with learning institutions to develop talent.

30. This investment will not benefit just one sector; it will ripple out throughout the wider economy. Investment in innovation and research capability, for example often produces positive aftershocks. It is possible to draw a direct line from the space age to the digital age. The computing power needed for the Apollo mission required investment in innovation, research and skills; those in turn made the personal computer a realistic proposition; and that made the digital economy possible.

Ladies and Gentlemen,

31. The oil and gas industry has always been associated with science and technology, innovation and engineering. Its success in producing more, cheaper and cleaner sources of energy has delivered both economic and educational dividends. So I look to this industry to play a pivotal role in the quest for knowledge-based, sustainable growth.

32. By working together to ensure responsible development of resources in a sustainable economic framework, and by collaborating to develop our human capital, government and the energy industry can continue the best aspects of our tradition of mutual prosperity. In so doing, I also believe we can prepare ourselves for the changes that are coming to the world economy and the energy landscape: laying the foundations for sustainable growth, and creating opportunities for our companies, our people, and our nations.

33. That, incidentally, is the focus of this conference. And so it gives me great pleasure to bid you a successful and fruitful two days, and to declare the 17th Asia Oil and Gas Conference officially open.

Thank you very much.

Wabillahitaufig Walhidayah Wassalamualaikum Warahmatullahi Wabarakatuh.