

**YAB DATUK PATINGGI (DR) ABANG HAJI ABDUL RAHMAN ZOHARI  
BIN TUN DATUK ABANG HAJI OPENG  
RIGHT HONORABLE CHIEF MINISTER OF SARAWAK**

**THE INTEGRATED SUPPLY BASE AT THE SECOND INNER HARBOUR,  
BINTULU PORT LAUNCHING SPEECH  
19<sup>TH</sup> APRIL, 2018; 10.00 a.m.**

**PULLMAN HOTEL, KUCHING**

- First of all, I would like to thank the directors and management of Bintulu Port Authority for inviting me to the signing ceremony for the Land Lease Agreement between Bintulu Port Authority and Bintulu Supply Base Sdn. Bhd., thus also marking the launch of the integrated supply base at the Second Inner Harbour, Bintulu Port, Bintulu, Sarawak.
- I also wish to convey my warmest greetings to you all present here today.
- I consider this event today as one of the very significant developments to the State's Oil and Gas inclusion strategy. This new integrated supply base at Bintulu Port, as I understand it, will become a one-stop centralised logistic support centre to service the needs of Oil and Gas exploration, development and production activities in off shore areas of Sarawak.
- This development will provide a strong platform for a more effective and efficient logistical service for the upstream activities undertaken by the Oil and Gas companies in the Continental Shelf off the coasts of Sarawak where valuable petroleum and natural gas resources are located.
- I am confident this new facility dedicated for the Oil and Gas industry will result in the growth of this sector and bring about economic benefits to the people and contribute substantially towards the economic growth of the State.
- I welcome such investment initiatives by the private sector and towards complimenting the State Government's drive to transform our State's economy in order to leap frog to new heights of sustained economic growth and prosperity.
- Earlier of this year, we witness the Brent crude Oil price breached key psychological mark of USD60/bbl. Many industry players all over are optimistic on the direction of Oil prices, expecting this year prices to stand at between USD60-65 per barrel (bbl).

- The steady global inventory drawdown as we see today is mainly due to strong Oil consumption demand, coupled with OPEC's adherence to production cuts and extension of the production cuts until end-2018. These rather positive global developments in the oil markets, I believe is a promising signal as far as market rebalancing is concerned and will continue to support a positive Oil price trajectory hereon, provided the controls on the supply side are complied with by the Oil producing nations.
- On our shore, I believe, capex budgets should be expected to still be tough this year but may possibly accelerate next year, in 2019 as the Brent crude Oil price averages to the USD65/bbl mark. My contention here is based on recent reports, where cost optimisation remains a top priority of PETRONAS despite the recent recovery in the price of crude Oil.
- That being said, despite improving tenders and awards in 2017, I see signs of recovery along the Oil and Gas value chain in 2018 for Malaysian offshore activities. I therefore call upon for our Sarawak-based Oil and gas service providers to capitalise on this positive trend.
- At this nascent stage of Oil and Gas recovery, I think that Sarawak Oil and Gas players with exposure to exploration and development activities offer the greatest operational leverage when capex cycle improves.
- Overall, I expect local project flows to still remain challenging except for a few players like the marine vessels, offshore installations and fabrication sector of the industry.
- As most of you are aware, our State is very rich in Oil and Gas resources. Given the pressing need for our State to be developed alongside with other developed States in the Federation of Malaysia, we in the BN government believe that, equitable participation of the State in the Oil and Gas sector will play an important role in the state's economic expansion.
- Associated with this will be numerous economic spin-offs, benefiting the state's economy as a whole. In this connection, I will zealously safeguard and assert our state's mining rights over our Oil and Gas resources, both onshore and off-shore, in accordance with the Federal Constitution, the supreme law of our Nation.
- It is a matter of paramount importance that Sarawak must secure the optimal economic benefits from our natural resources to enable the

State to have adequate financial means to fund our accelerated development towards a Digital Economy.

- Towards the realisation of this objective, the regulating of both upstream and downstream of the Oil and Gas production as well as Gas distribution in Sarawak is crucial to the State's plan to expand our State's economy and enhance the level of participation by Sarawakians and Sarawak companies in the Oil and Gas industry.
- The forthcoming amendments to the Oil Mining Ordinance, 1958 (OMO) to be tabled in the DUN will require all Oil and Gas industry players in Sarawak to comply with OMO, including PETRONAS.
- The Section 2 read with Section 6, and Section 8 of Petroleum Development Act, 1974 (PDA) undoubtedly confirm that all industry players must comply with OMO and other State laws including the Land Code of Sarawak in regard to the land use and occupation in the State.
- I have noted that under section 8 of the PDA, only the Petroleum Mining Act, 1966 (except section 14 thereof) is not applicable to PETRONAS.
- Section 14 of the Petroleum Mining Act, 1966 (which no longer applies to Sarawak) requires PETRONAS to seek permission to use and occupy Land needed for its activities.
- Accordingly, PETRONAS not being exempted by the PDA, from compliance with the Land Code of Sarawak, must have licences or leases to use and occupy land, including land in the Continental Shelf, for the production of Oil and Gas, in accordance with the Land Code.
- Under the Item 2(c) of List II of State List Ninth Schedule Federal Constitution, Sarawak has the constitutional authority to issue exploration and prospecting licences and Mining Leases for petroleum (including natural gas) both onshore and off-shore, within the boundaries of the State.
- The State Government has decided to issue Mining Leases to **PETROS**, thus vesting of mining rights unto **PETROS** who would work out fair and equitable arrangements with PETRONAS and other companies relating to the mining of Oil and Gas from the areas covered by the Mining Leases.
- In regulating the upstream Oil and Gas production, PETRONAS must only deal with **PETROS** to produce or extract Oil and Gas from beneath land within the State's boundaries.

- **PETROS**, under direction from the State Government, will then enter into Mining and Production Sharing Agreements with PETRONAS and other major industry players.
- For **PETROS** to work alongside with PETRONAS, certain statutory powers conferred by OMO to the State Minerals Management Authority (SMMA) or the Minister, will be delegated via statutory instrument to **PETROS**.
- As I mentioned earlier, we will also regulate the Gas distribution in Sarawak. By 1<sup>st</sup> July, 2018, the Gas Distribution Ordinance, 2016 (GDO) will be enforced.
- All persons and companies undertaking the distribution of Gas, including the establishment of Gas processing or separation or regasification plants and pipelines will be required to obtain a license to be issued under GDO which has been passed pursuant to legislative powers conferred on the State by the Borneo States (Legislative Powers) Order 1963 made by the Yang Di-Pertuan Agung under Article 95C of the Federal Constitution.
- With the introduction of the GDO, the State would like to see more local companies getting involved or investing in this important sector of the State's economy.
- In regulating the distribution of gas under the GDO, the State expects to secure more gas necessary to expand its electricity generation capacity and accelerate industrial growth in Sarawak.
- The Government wants to put an end to the present scenario whereby Sarawak has abundant Gas for export to countries like Japan and Korea, but not enough gas for its own domestic use or to propel its industrialization agenda.
- The Gas Distribution (License) Regulations 2018 would set out the procedures for applying for license and fees payable by licensees.
- For instance, the distribution of Gas to any customers (intermediate and end-users) in the State, from any Gas processing plant in Sarawak (both onshore and offshore) by way of pipelines would require a license.
- **PETROS** would be granted license by the State to distribute Gas from PETRONAS processing separation plant at Tanjung Kidurong. In this instance, the Principle Agreement between State Government of

Sarawak and PETRONAS for supply of Gas for power and non-power sector could be assigned by State Government to **PETROS**.

- To sum up, by July this year, the State will assume full regulatory authority over the upstream and downstream aspects of the Oil and Gas industry in Sarawak.
- All persons and companies involved in the Oil and Gas industries in Sarawak must henceforth, have the necessary licences, permits, leases and approvals required under either the OMO or the GDO. In other words, they are required to regularize their operations and activities to comply with all State laws including those relating to the use and occupation of land.
- Please be rest assured that the enforcement of our State laws will not jeopardize the interests or investments of PETRONAS and other companies already involved in the Oil and Gas industry in Sarawak, whether upstream or downstream, but, their business and operational activities must be aligned with our laws and regulations.
- In order to ensure an orderly manner of the implementation of these new policies by the State Government, my office under the Oil and Gas Unit will organize an engagement with all industry players including PETRONAS to be held by mid next month certainly before the observance of the holy month of Ramadan.
- The engagement session will explain among others,
  - a) What Laws and Regulations to comply – Oil Mining Ordinance (**OMO**), Gas Distribution Ordinance (**GDO**), Land Code and Natural Resources and Environment Ordinance (**NREO**);
  - b) Penalties and consequences of Non-Compliance;
  - c) Information on compliance via the issuance of a Handbook to Industry players and arrangements will made to sell relevant statutes and regulations.
- I am taking this systematic approach towards our equitable participation in the Oil and Gas, it's none other than to benefit the people and thereby enhancing the participation of us, Sarawakian, in the Oil and Gas industries.
- Given the undivided effort by the BN government, I trust that our local industry players are ready to embrace the forthcoming, and working towards the goal of becoming a major player in providing first class Oil and Gas participation.

- Finally, I urge everyone concerned to work together and as a team. I believe that no challenge is too big if we could only work together.
- On that note, it gives me great pleasure to officially launch the integrated supply base at the Second Inner Harbour, Bintulu Port, Bintulu, Sarawak.

Thank you.