

# Petronas to remain as licensing authority in Sarawak's O&G industry

*The new arrangement is set to be effective on Jan 1, 2020, and will extend to production sharing contractors operating in Sarawak as well*

by MARK RAO

OIL and gas (O&G) players will be allowed to operate as Petroleum Nasional Bhd (Petronas)-licensed companies in Sarawak as long as they comply with the state's new requirements.

Malaysian O&G Services Council (MOGSC) president Sharifah Zaida Nurlisha Syed Ibrahim said this was the guidance provided by Petronas, in relation to Sarawak assuming regulatory control over its O&G resources via state-owned vehicle Petroleum Sarawak Bhd (Petros).

"Petronas is talking with Petros to leverage on the current arrangement, whereby O&G companies will be allowed to operate in Sarawak with Petronas licensing as long as they comply with tweaking with regard to localisation.

"Ultimately, the status quo will remain, but with tweaks from Petros to allow for localisation (of certain services and activities)," she told *The Malaysian Reserve* (TMR).

Sharifah Zaida Nurlisha said the latest status was related by Petronas to MOGSC — an association representing the interests of over 500 O&G service providers in Malaysia.

The new arrangement is set to be effective on Jan 1, 2020. It is also understood that the arrangement, whereby licensing authority remains in the hand of Petronas, will extend to

production sharing contractors operating in Sarawak as well.

If it materialises, the new term would be a welcome relief to local O&G companies that have been left in the dark over the developments, as well as global exploration and production players which participate in Malaysia's O&G industry via production sharing contracts with Petronas.

Sarawak's O&G industry was dogged by uncertainty since the state government made the landmark decision to enforce its Oil Mining Ordinance 1958 (OMO) on July 1 last year, effectively wresting regulatory control over its petroleum resources from Petronas.

Companies looking to participate in Sarawak's O&G industry were thus made to procure the necessary licences and leases from Petros by end 2019.

The working arrangement, currently being discussed between Petronas and Petros, is expected to remove such requirements and maintain the status quo as is — but with the guarantee that certain services and activities will be exclusive to local state players.

It is important to note that the arrangement being sought by both parties is contingent on the outcome of the discussions between the federal and Sarawak governments on the Malaysia Agreement 1963 (MA63).

"We are unable to comment as the MA63 discussions are ongoing between the federal and Sarawak governments," a Petronas spokesperson told TMR when contacted.

Any deterioration in the talks between the federal and state governments could thus com-

promise any working solution being drafted by Petronas and Petros.

Petronas was the exclusive owner of Malaysia's petroleum resources since its incorporation in 1974 and the ratifying of the Petroleum Development Act 1974 (PDA) that same year.

However, the Sarawak state government moved to reassert its authority over its O&G resources shortly before the May elections last year via the OMO — a colonial law that was consolidated upon the signing of the MA63, but idle since the PDA came into effect.

Petronas' court action to declare the PDA as the applicable law in the country was deterred after the Federal Court dismissed its leave of application to try the matter at the federal level in June last year.

Malaysia's highest court