

Malaysia considering selling Petronas stakes to Sabah, Sarawak

This may give the states a say in the running of the energy giant

BY JOSEPH SIPALAN, KRISHNA N DAS & MATTHEW TOSTEVIN

KUALA LUMPUR: Malaysia is considering selling stakes in energy giant Petrolia Nasional Bhd (Petronas) to states where the company's oil and gas (O&G) fields are located, Prime Minister Tun Dr Mahathir Mohamad told *Reuters* yesterday, in a bid to raise funds for the debt-laden government.

Such a move may also give states such as Sarawak and Sabah a say in the running of Petronas, the world's third-largest exporter of liquefied natural gas. Dr Mahathir said the government could not meet a demand made by the states for a quadrupling of the royalties paid by the company to 20% of its profit.

"It is fully owned by the government. It is up to the government to sell the shares privately, not in the

Sarawak and neighbouring Sabah have Malaysia's most prolific O&G reserves in their waters in the South China Sea.

market, to states like Sabah and Sarawak," Dr Mahathir said in an interview in his office.

"Petronas is a very big company; it depends on how much [the states] can pay also."

Sarawak and neighbouring Sabah have Malaysia's most prolific O&G reserves in their waters in the South China Sea. Their long-standing demand to increase royalties could cost Petronas up to US\$7 billion (RM29

billion) a year.

Petronas is the biggest money-spinner for the federal government.

Dr Mahathir said the government could also cut stakes in Petronas' smaller listed or unlisted units.

"What we need is to reduce our involvement, the number of shares that we hold, in order to raise some funds for ourselves," he said.

The company's main listed units are petrochemicals maker Petronas Chemicals Group Bhd, retail arm Petronas Dagangan Bhd (PetDag), and gas infrastructure and utilities arm Petronas Gas Bhd (PetGas). Petronas Carigali Sdn Bhd is its exploration unit.

On Monday, Petronas said it had completed block trades of its shares in PetDag, PetGas and MISC Bhd. — *Reuters*