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### PETRONAS capex plans intact

**StarBiz Special**

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## Low impact from proposed cut in daily crude oil output

### OIL AND GAS

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**KUALA LUMPUR:** Petroliaam Nasional Bhd (PETRONAS) says the group typically takes a long-term view on its activities and plans, and as such, believes that its plans on capex, revenue and profit remain intact while it continues to exercise prudent financial management.

"PETRONAS is also firmly focused on reinvestments, given its cautious outlook amid volatile geopolitical conditions and accelerated energy transition," it told *StarBiz* in an emailed reply.

PETRONAS also pointed out that Malaysia, through the stewardship of the Economic Planning Unit or EPU, has been actively engaged in all the Organisation of the Petroleum Exporting Countries and its allies (Opec+) ministerial meetings since 2016 and remains committed to the voluntary efforts of Opec+ in sustaining the stability of the

global oil market.

"In line with the government's aspiration in being part of the Opec+ Declaration of Cooperation, PETRONAS continues to strive to support the voluntary production adjustment as decided from time to time, including the latest decision," said the group, adding that it valued the effort as it allowed the global oil market recovery and stability, which benefits industry players including PETRONAS.

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# PETRONAS one of the largest LNG suppliers worldwide

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Last week, it was reported that Malaysia will cut its daily crude oil output by 27,000 barrels to 567,000, following Opec+ agreeing to a cut of two million barrels per day (bpd) - equal to 2% of global supply.

The crude oil output cut by Opec+ will start in November 2022 and is due to end in December 2023.

Analysts said the planned cut on Malaysia's daily crude oil output is not expected to have an impact on PETRONAS' capital expenditure (capex).

An equity analyst told *StarBiz* that PETRONAS' local oil and gas (O&G) capex is expected to remain resilient.

This is as long as conditions continue to be above its long-term oil price assumption of US\$60 (RM280.30) a barrel.

PETRONAS' guided total O&G capex for 2022 is only RM40bil (out of the RM60bil total), noted the analyst.

"There are not many new major fields being sanctioned lately, save for Shell's Rosmari-Marjoram gas project (off the coast of Bintulu, Sarawak) and PTT Exploration and Production or PTTEP's Lang Lebah in Sarawak, but the second half of 2022 must see a ramp-up of the maintenance and production capex," said the analyst.

"This is especially in view of the Sabah Sarawak Gas Pipeline (SSGP)-leak induced MLNG Dua's production facility force majeure that happened right after Malaysia signed with Japan to ensure provisions of emergency liquefied natural gas (LNG) supplies to Japan," added the analyst.

The analyst opined that PETRONAS cannot underdeliver its volumes to its customers three years in a row (especially for gas), while energy security importance was only going up everyday, and hence recent events should make it prioritise maintenance capex even more.

Also, the planned cut in Malaysia's daily crude oil output would not impact listed local O&G players.

"There will not be an impact on the listed stocks - Hibiscus Petroleum Bhd's Sabah production is not part of the 'underdeliveries of volume'," said the analyst.

He also does not expect an actual crude oil output cut impact for Malaysia, as the country had already been underdelivering its crude quota for many months.

"The latest data showed only 0.35 million bpd for September 2022, far below the quota, because of various production issues like at the Gumusut-Kakap field offshore Sabah," added the analyst, noting that Malaysia needed to catch up on both crude and gas production.

The recent first oil production for Gumusut-Kakap Phase 3 is an important step to boost Malaysia's flagship Kimanis crude exports in the future, while for gas, the country cannot again force its Japanese term off-takers to defer cargoes when PETRONAS had the responsibility of ensuring gas security as one of the largest LNG suppliers worldwide, according to the analyst.

The analyst also pointed out that the Opec+ agenda to ensure a sustainably high oil price level (over US\$90 or RM419.60 per barrel) will help all O&G producers including PETRONAS to ramp up upstream O&G capex sustainably.

"This agenda makes sense as Opec+ has a longer-term view to ensure it can continue to provide crude supply management in the next 10 years, and for this to happen, you need higher capex to bring online more O&G production.

"You need high oil prices to justify sanctioning these new capex," said the analyst.

The analyst is also confident that despite fears of a global recession, Opec+ had the capability to keep cutting oil production to sustain prices, as "it has a bigger agenda to ensure sustainable crude supply management for 2020 to 2030 before the clean energy transition fully kicks in".