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PETRONAS fully capable of developing Adnoc job



The six-year agreement marks the first investment by a Malaysian company in an onshore Abu Dhabi concession. — Bloomberg

PETALING JAYA: Petroliaam Nasional Bhd (PETRONAS) has the financial muscle, experience and project execution capabilities to successfully develop any hydrocarbon reserves found in Abu Dhabi should the exploration field hold proven and commercially viable reserves.

An executive with an oil major in the country said PETRONAS' record with development of technically complex and highly risky assets, both conventional and unconventional, in countries like Chad, Canada and Iraq was testament to how far the national oil company had progressed.

“The unconventional field exploration award in Abu Dhabi won’t be a technically new thing for PETRONAS, as it already has unconventional brownfield assets in Canada, for example, which it can lean on for resources and knowledge,” said the executive, who heads the upstream operations of a production sharing contractor in Malaysia.

PETRONAS on Monday expanded its footprint to the United Arab Emirates (UAE) after it was awarded the first concession in the Middle East for unconventional oil resources by the Abu Dhabi National Oil Company (Adnoc).

The six-year agreement marks the first investment by a Malaysian company in an onshore Abu Dhabi concession.

It could become part of PETRONAS’ investment to help secure energy security for Malaysia and look at opportunities for growth despite increasing emphasis on the energy transition.

Under the terms of the award, PETRONAS will retain a 100% stake in the operating rights of the concession to explore and appraise resources in “unconventional onshore Block 1”, which covers an area of more than 2,000 sq km in Abu Dhabi’s Al Dhafra region.

A major find would allow PETRONAS an opportunity to replenish depleting reserves.

“This partnership bears strong testament to our deep unconventional expertise in Canada and Argentina which we developed over the last decade, and we look forward to bringing this experience to the world-class resources in Abu Dhabi.

“It will also see PETRONAS widen its global unconventional energy footprint to include the UAE in its existing portfolio,” the national oil company’s (NOC) president and group chief executive officer, Datuk Tengku Muhammad Taufik, stated in a statement.

PETRONAS already has a strong presence in the Middle East with downstream interest in Bahrain, Jordan, Iraq, Lebanon, Kuwait, Oman, Qatar, Saudi Arabia and Turkiye and upstream operations in Iraq, Oman, and now the UAE.

The Block 1 field agreement allows the parties to enter a production concession of 30 years after a successful appraisal phase.

Abu Dhabi’s unconventional recoverable oil resources are estimated at 22 billion barrels of very light and sweet crude, according to reports.

From a cost perspective, the onshore exploration cost for the block will be at a fraction of offshore field exploration costs, not that PETRONAS is short on financial means.

“With crude oil prices at about US\$80 (RM349) a barrel, many oil companies will be tempted to invest. PETRONAS’ investment record is good and the company is well managed, so there is little fear this will not work.

“This block in Abu Dhabi, if proven viable, will help it diversify geographically further in a measured way,” said Vincent Lau, head of equity sales at Rakuten Trade Sdn Bhd.

He added under-investment in the upstream sector globally over the past decade will limit organic production growth in the near term, while sustained demand for fossil fuel will support crude oil prices at around the US\$70 (RM305) levels.

From an operational perspective, a successful exploration phase of the Abu Dhabi field followed by production in a few years will help PETRONAS rebalance its output portfolio, which is currently gas heavy (70% of production) as compared to crude oil (30%).

PETRONAS’ focus internationally has been more on liquefied natural gas (LNG) as it is one of the largest LNG suppliers in the world.

Its total LNG capacity of 30 million tonnes per annum in Bintulu, Sarawak, is one of the largest LNG facilities in a single location in the world with product from this facility giving it an 18% market share in Japan, 9% in South Korea and 12% in China.

It continues to build on this business segment.

It recently signed a memorandum of understanding with Argentina’s largest integrated oil and gas company, YPF, to study the feasibility of setting up an integrated LNG project in the country.

The final investment decision for the projects will be undertaken after a diligent technical and commercial assessment has been conducted, backed by conducive fiscal terms, legislation and policies, PETRONAS had stated.