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Malaysia to be net exporter of refined fuels again

KUALA LUMPUR: Malaysia will restore its status as a net exporter of refined fuels upon the commencement of full commercial operations in the Refinery and Petrochemical Integrated Development (Rapid) slated for the fourth quarter of this year (4Q19), said Finance Minister Lim Guan Eng.

Guan Eng said the project marks the movement of the nation's oil and gas sector up the value chain, mitigating the excessive volatility seen in the upstream segment.

"In the fourth quarter of 2019, we will witness the full commercial operations of Petronas and Saudi Aramco's US$16 billion (RM66.88 billion), 300,000-barrels-per-day Rapid project. Rapid will turn Malaysia into a net exporter of refined fuels for the first time since 2008.

"This venture marks a historic partnership between two of the most successful national oil companies in the world — Petronas and Saudi Aramco. The collaboration brings together vast resources, technologies, experience, expertise and commercial presence much to the benefit of both companies and both countries," he said in his opening speech at the Asian Oil, Gas and Petrochemical Engineering Exhibition yesterday.

Guan Eng said the forecast rebound in crude oil prices augurs well for the industry as the improved sentiment is expected to revive exploration and production activities that were previously deferred amid a low oil price environment.

He noted that while Brent crude rose to US$86 per barrel in early October 2018 from US$67 at the start of last year, it subsequently dropped to around US$57 amid a glut in the global market.

Guan Eng said prices are expected to hover between US$60 and US$70 this year. At the time of writing yesterday, Brent crude was traded at US$60.46.

"The forecast rebound in global crude oil prices is positive for Malaysia's upstream sector as it is reviving industry appetite for exploration and development works, especially for projects located in deepwater and technologically challenging areas where costs of investment and operation are high," the minister said.

From the government's perspective, he said each US$1 per barrel increase in oil prices brings the Treasury about RM300 million in revenue a year, although he pointed out that the government no longer relies heavily on oil revenue as before.

While petroleum-related revenue accounted for 41.3% of government revenue in 2009, this figure has declined over the years to an estimated 19.5% of total government revenue in 2019, excluding a special dividend from Petroliam Nasional Bhd used to finance goods and services tax and income tax refunds.

Guan Eng also emphasised Malaysia's diversified economy, highlighting that the mining sector contributed to about 8% of gross domestic product in 2018, while the manufacturing and services sectors contributed 22% and 57% respectively.

The country's strategic position in the global supply chain, he said, has allowed it to benefit from the ongoing trade war between China and the US through business relocation as well as trade and investment diversion.

"The reorientation of the global supply chain and Malaysia's competitiveness resulted in the country's approved foreign direct investment (FDI) in manufacturing surging 127% to RM20.2 billion in the first quarter of 2019, from RM8.9 billion a year ago.

"And in April 2019, Malaysia's industrial production growth accelerated to 4% year-on-year from 3.1% in March 2019 he said.

"The FDI numbers show that Malaysia is the preferred safe haven in the region," added Guan Eng.