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Expected crude oil price rebound positive for oil, gas sector: Lim

KUALA LUMPUR: The forecasted rebound in global crude oil prices is positive for Malaysia's upstream sector as it will revive the industry appetite in exploration and development projects.

Finance Minister Lim Guan Eng said industry experts expect Brent crude oil to hover from US\$60 to US\$70 per barrel this year and this is sufficient to revive some of the exploration and production activities which may have been deferred or stopped due to lower oil prices last year.

Brent crude oil prices experienced great volatility last year, rising up to US\$86 per barrel in October from US\$67 in January before falling by 30pc to US\$57 in December due to a glut in the global market.

At 2pm on Tuesday, Brent crude was trading at US\$60.76, reports the Star.

"For the government, every US\$1 per barrel increase in crude oil price brings approximately RM300mil in revenue annually to Treasury and vice versa.

"At the same time, the government is no longer reliant on petroleum revenue as it was once. For instance in 2009, 41.3pc of government revenue came from petroleum sources while in 2019, it is only an estimated 19.5pc, not counting the special dividend from Petronas used to finance GST and income tax refunds," he said.

He was speaking at the opening ceremony of the 17th Asian Oil, Gas and Petrochemical Engineering Exhibition (OGA) at the Kuala Lumpur Convention Centre here.

Lim added the oil and gas sector in Malaysia was moving up the value chain to protect the country from the excessive volatility seen in the upstream business.

He also urged industry players to constantly innovate and invest in new technology in order to remain competitive globally.

"Abundance of oil and gas resources alone is no longer a guarantee for long-term economic prosperity.

"Continuous application of new technology to improve efficiency and quantity is the new norm," said Lim.

Meanwhile, Refinery and Petrochemical Integrated Development (Rapid) project will begin its commercial operations in the fourth quarter of this year, according to Lim.

He said the project would turn Malaysia into a net exporter of refined fuels for the first time since 2008.

"This (Petronas and Saudi Aramco) joint venture marks a historic partnership between two of the world's most successful national oil companies.

"The collaboration brings together vast resources, technologies, experience, expertise and commercial presence much to the benefit of both companies and both countries," he said.