

Key Issues and Challenges for Effective Framework

4th National Energy Forum
27 September 2012

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- First significant gas discovery of offshore Peninsular Malaysia was the Duyong field in 1978
 - Other significant finds and development include Lawit, Jerneh and Angsi

- As more gas-related infrastructures were developed, demand for gas increased subsequently
 - PGU project approved in 1981 with first gas in on 1 August 1984
 - PGU fully completed in 2001, total length of 2,500km

- Today, lesser finds are being developed to meet demand

- Government has developed policies & regulatory framework to govern utilization of gas
 - Petroleum Development Act 1974
 - National Development Policy 1975
 - National Petroleum Policy 1979
 - National Depletion Policy 1980
 - Four-Fuel Diversification Strategy 1981
 - Five-Fuel Diversification Strategy 1999
 - Gas Supply Act 1993
 - Gas Supply Regulations 1997
 - Energy Commission Act 2001



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As we are aware, Malaysia gas industry is facing many challenges...

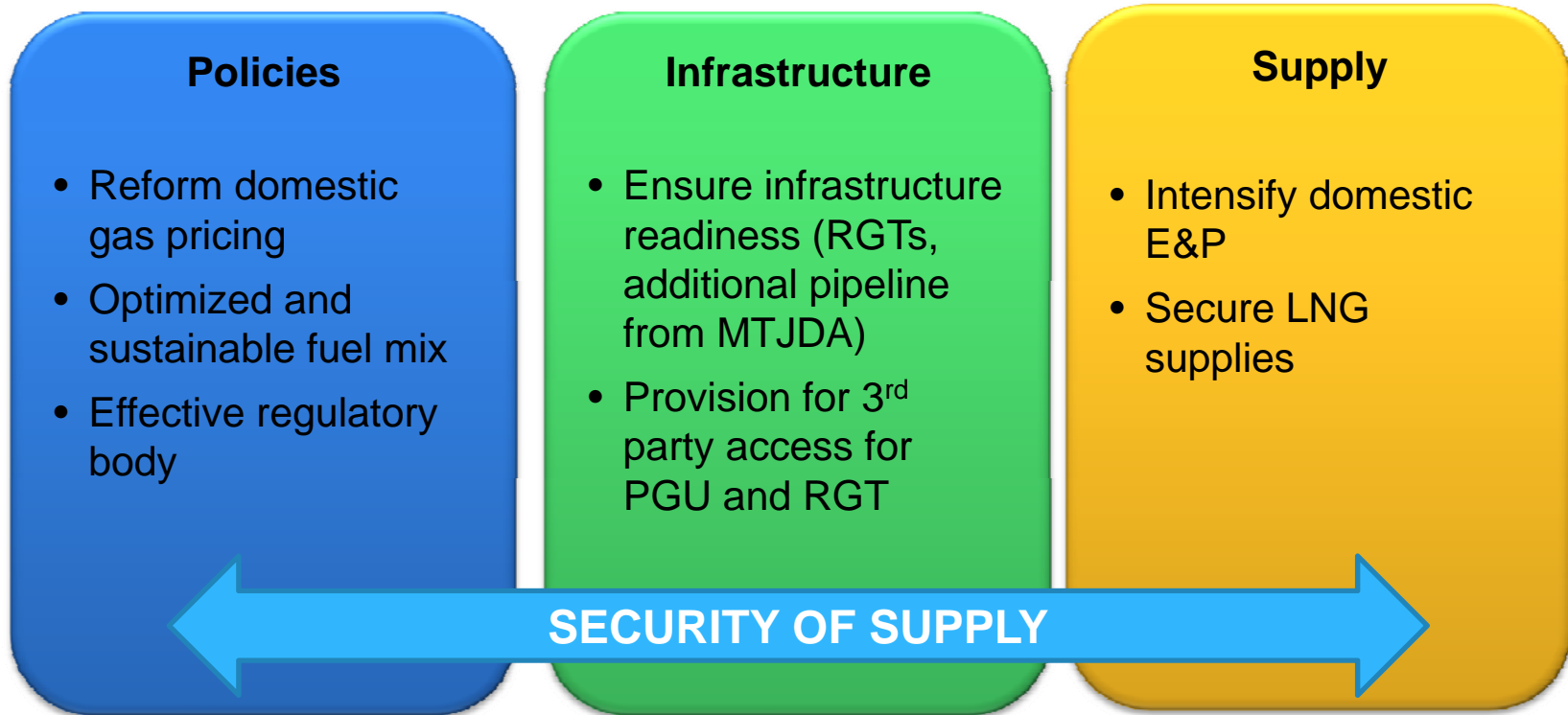
Supply side

- Depleting domestic productions due to high decline rates
- Over-stretching of the supply system has led to frequent supply interruptions due to reduced reliabilities
- Technically and commercially challenging new fields
- Expensive piped gas imports due to exporting countries' decreasing production and own domestic market obligation (DMO)
- LNG imports required to address supply shortfall and increasing demand

Demand

- Inappropriately priced gas has created unsustainably high demand and inefficient usage

A holistic approach is being undertaken by the Government and PETRONAS to reform the gas market



Henceforth, LNG imports will become a permanent and prominent feature in the supply mix

- Malaysia need to move towards a **sustainable economic** model that competes on the basis of efficiency, productivity and innovation rather than on low price of natural resources
- **Reforming the market** requires holistic and disciplined efforts by all stakeholders
- Gas, being a **premium fuel**, can be better used for higher value adding economic activities

THANK YOU

