



21 MAR, 2023

'Domestic gas market's devt needs to be intensified'

Borneo Post (KK), Malaysia



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KUALA LUMPUR: Natural gas market is expected to remain tight in 2023 as Russia further tightens supplies to Europe amid sanctions imposed against the world's second-largest producer of natural gas following its invasion of Ukraine in early 2022.

The supply restriction has pushed international gas prices to new highs, disrupted trade flows, and led to distressing fuel shortages in some emerging and developing economies, with market tightness expected to persist this year, the International Energy Agency (IEA) said.

In its quarterly Gas Market Report released in October 2022, the IEA forecast global gas consumption would grow by only 0.4 per cent in 2023 but added that the outlook is subject to a high level of uncertainty, particularly in terms of Russia's future actions and the economic impacts of sustained high energy prices.

Deleum Bhd group chief executive officer Rao Abdullah said the ongoing Russia-Ukraine war would have an impact on the gas market as many countries have pledged to end or severely cut back their oil and gas imports.

The European Union (EU) countries have ended imports of Russian oil brought in by sea, with a ban on refined oil products from February 2023, while the United Kingdom has pledged to phase out all Russian



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oil imports by the end of 2022 and gas imports as soon as possible.

"There were a lot of talks that they (gas shortages) would start hitting European countries because they may not have enough energy for winter. In the long run, they have to find energy if they are going to continue not bringing Russian gas back into

the fold.

"There will be an issue," Rao told Bernama.

However, Malaysia is fairly insulated from the European energy crisis and the situation also presents an advantage for the country to supply gas to the EU, he noted.

"One thing is that we in the

industry do not like volatility in gas prices. That is not good for any industry. Stability is what we want but unfortunately, we are not going to find that in the long run," Rao said, adding that energy security is important to hedge against uncertainties.

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Industry players need to be innovative and adopt digitalisation to ready themselves for the transition — Rao

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Malaysia's gas market is maturing

Malaysia has long developed its gas industry and is becoming an important player in the production for domestic and export needs.

Currently, Malaysia is the second-largest oil producer in Southeast Asia and the world's third-largest exporter of liquefied natural gas (LNG). At the end of 2020, the country held proved oil reserves of 2.7 billion barrels and natural gas deposits totalling 32.1 trillion cubic feet.

However, industry players called for more policies and strong political will to deepen the industry's contribution towards the country's economic growth, apart from continuous strong advocacy roles by industry leaders such as the Malaysian Gas Association (MGA).

As the country moves towards an energy transition, Deleum's Rao said the transition needs to orderly with a huge emphasis on security, affordability, and the environment.

"If you don't balance that out, there will be issues," he said, adding that industry players including the oil and gas, services, and equipment (OGSE) companies need to be innovative and adopt digitalisation to ready themselves for the transition.

He stressed that energy transition needs investments and a strong balance sheet.

"When many companies are struggling, where is the investment going to come from? And also, the banking institutions are making it difficult for some of these services companies to borrow as well because we are seen as 'polluted'," added Rao.

Asia benchmark price for gas

MGA past president Datuk Abdul Rahim Hashim said the gas industry has provided a huge impact on the Malaysian economy, including large employment opportunities for domestic skilled workers and high LNG exports.

To this, he urged the establishment of the Asia benchmark price for gas on Bursa Malaysia, to make Malaysia the balancing point and become an

index for the Asian region, similar to Europe and the United States.

"Our index should be (a price point) in the Asian region. We don't have any right now. That would bring in more jobs and opportunities for people and you get transparency as far as price is concerned," he told Bernama.

A case in point is the Title Transfer Facility (TTF), a pricing location within the Netherlands. TTF has become the most liquid pricing location in Europe, and as such, oftentimes serves as a pricing proxy for the overall European LNG import market.

However, Abdul Rahim noted that the gas market, which is at an early stage in Malaysia, needs to be further liberalised to strengthen

the energy supply in the country. It is noteworthy that the gas distribution to the non-power sector has been fully liberalised on Jan 1, 2022.

"At the moment, there is perceived monopoly by incumbents. But, if you look at history, if Petronas and Gas Malaysia were not established, the gas market as it is today would not exist because you need a lot of capital investments to get the infrastructure going, and so on.

"You can go to the market for purchasing competitively priced gas alternatives to securing gas from Petronas and Gas Malaysia. This can be done by importing LNG, but the dynamic is that the market is still not quite liberalised," he added.

Concurring with Abdul Rahim, Gas Malaysia Bhd group chief executive officer Ahmad Hashimi Abdul Manap said gas market liberalisation should also cover the power sector but in order to do so, it has to be done in a gradual manner as power producers such as Tenaga Nasional Bhd and independent power producers are committing to long-term contracts.

"They need to be committed until the contracts end. It won't be easy for the government to implement full market liberalisation as there will be some processes that need to be re-looked at," he noted, adding that more participation will be required to increase competition within the industry.

— Bernama