Petronas to build regasification terminal in Lumut, third in Malaysia, say sources

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BY **ADAM AZIZ**

Petroliam Nasional Bhd (Petronas) has been given the mandate by the government to develop the country's third regasification terminal (RGT) as part of efforts to ensure supply security in Peninsular Malaysia, according to sources.

It is understood that the RGT, to be located in Lumut, Perak, will have the capacity to at least match the group's two existing RGTs in Sungai Udang, Melaka, (RGTSU) and in Pengerang, Johor (RGTP).

The two existing RGTs are controlled and operated by Petronas Gas Bhd (KL:PETGAS), which operates the national gas transmission pipeline. Petronas holds a 51% stake in PetGas.

According to a source, Tenaga Nasional Bhd (KL:TENAGA) — one of the biggest local buyers of natural gas to fuel power plants — has expressed interest in taking up an equity stake in the third RGT.

The Edge reached out to Petronas and Tenaga for comment but had not received an official response at press time.

Sources say the mandate was given to Petronas as demand for imported gas may exceed the capacity of the two existing RGTs by as early as 2029.

While the country is an exporter of liquified natural gas (LNG), production in Peninsular Malaysia cannot meet demand, and it imports gas from markets such as Australia. Gas produced in Sabah and Sarawak is largely exported to East Asia.

The government is cognisant of the need to quickly prepare the infrastructure, and it is understood to be confident in Petronas' experience in this area.

In February, a delegation from the Perak government visited the Pengerang RGT "to obtain deeper understanding on RGT Pengerang's operations", according to a social media post by the Perak State Development Corporation (PKNP Perak) on Feb 14.

"This initiative is in line with the Perak Sejahtera 2030 aspiration, where PKNP Perak continues to explore the potential of LNG in strengthening the state's industrial sector, and contributing to a competitive and sustainable economic growth," the post read.

RGTs are crucial in the import of natural gas. Natural gas from the exporting country is cooled to sub-zero temperatures to be stored in tanker vessels. This allows about 600 times more volume to be shipped, making it more economical.

The vessels then ship the LNG to the receiving country. Following that, it is vaporised into gas at the RGT before being distributed to other parts of the country via gas pipelines.

In terms of capacity, RGTSU can process 3.8 million tonnes per annum (mpta) of LNG. The offshore facility, which is cheaper to build, was completed after two years in July 2012 at a cost of about RM1 billion, according to reports. PetGas wholly owns the facility.

Similarly, the onshore 3.5mtpa RGTP in the southeastern tip of Johor was built in just over two years. The holding company, Pengerang LNG (Two) Sdn Bhd, is 65% owned by PetGas, while Dialog Group Bhd (KL:DIALOG) owns 25% and the Johor government the remaining 10%. This asset came online in late 2017.

The requirement for more gas coincides with the increased pace in electricity demand arising from electrification and digitalisation, such as from the mushrooming of data centres (DC).

The volume that can be handled by each of the country's existing RGTs can power up 3GW to 4GW of gas-fired power plant capacity. In comparison, confirmed data centre maximum demand is 5.9GW, according to Tenaga's latest analyst presentation.

Against this backdrop, other industry players have also been eyeing RGT projects.

These include Gas Malaysia Bhd (KL:GASMSIA), which is understood to be exploring an RGT project up north in Yan, Kedah, considering it already supplies to industrial players in the vicinity.

Gas Malaysia's largest shareholder is Tan Sri Syed Mokhtar Albukhary, who controls MMC Corp Bhd, a diversified conglomerate that owns a subsidiary that provides crude oil ship-to-ship operations at its Yan STS Port offshore Yan. MMC also owns a 38.45% stake in independent power producer Malakoff Corp Bhd (KL:MALAKOF).

MMC holds an indirect 30.93% stake in Gas Malaysia. The other shareholders include Tokyo Gas Co Ltd (indirect 18.5%), PetGas (14.8%) and Lembaga Tabung Haji (6.62%).

Among the other RGTs being considered is one in Kemaman, Terengganu. In February, E&H Energy Sdn Bhd and Menteri Besar Inc Terengganu held a memorandum of understanding exchange ceremony for a potential RGT in the town. The final investment decision on the RGT is expected by end-2025. There will be a 30-month construction period and operations are expected to commence in 2028. E&H Energy is 99% owned by Datuk Che Wan Mohd Adlil Che Wan Mohamed Daud, who is also an executive director of the company.

Having anticipated rising demand, the government has over the years pushed for the liberalisation of the gas industry. This is to facilitate the import of gas from multiple sources, ensuring supply security.

However, a lack of a deep, liquid gas trading market in the country has slowed down progress. The lion's share of gas demand comes from the power sector, which currently enjoys regulated pricing at a discount to international prices.

The industry is now awaiting clearer signals of market liberalisation, including the future pricing structure, timeline for the power sector supply to be opened to third parties and commercial arrangements for future RGTs. The government is expected to launch the long-anticipated National Gas Roadmap by 3Q2025. It will include plans to expand regasification capacity and build more pipelines.

"Most of the biggest decisions that will influence the gas market for the next five to 10 years will be made in the next six months," Minister of Economy Datuk Seri Rafizi Ramli was quoted as saying at the Malaysian Gas Symposium in February. E