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Malaysia's Petronas to Spend US\$5 Billion to Develop Offshore Gas Fields

The Malaysian national oil company, Petronas, said Aug. 23 that it will spend more than US\$5 billion with several unnamed partners to develop gas fields offshore in order to meet growing demand at home.

A government spokesman said the expenditures will likely encourage additional exploration investment from other parties as well and that this could lead to new discoveries off the Malay Peninsula, which has seen a 30% rise in demand for natural gas in recent years.

Subsidized prices by the government have led to a steady rise in natural gas usage throughout Malaysia. However, the government in Kuala Lumpur plans a gradual change in these subsidies intended to make the new projects more economically feasible.

Demand for natural gas has risen by 30% or more since prices were regulated in 1997 to keep them below market prices, according to Petronas. However, this has made investments less profitable, resulting in few wells being drilled and lower production levels.

"The development of the North Malay Basin project follows the recently introduced incentives by the government, particularly for the development of marginal fields, high carbon dioxide gas fields, and fields located in high-pressure, high-temperature conditions," read a statement from the company.

The North Malay Basin project includes nine gas fields. Petronas expects first delivery of about 100 million cubic feet of gas per day to commence in early 2013. Production is forecast to increase to 250 million cubic feet by 2015.

Source: PennEnergy