

PRESS RELEASE

USE GAS TO POWER UP SABAH'S INVESTMENT ATTRACTION

KOTA KINABALU, Sun. (Apr 18, 2010) - Sabah should press for wider access to its natural gas reserves to boost economic development rather than getting stuck in the stale idea of demanding for higher oil royalty from the Federal government.

"Perhaps we should be thinking outside the box. We should try to secure more supply of natural gas so that we can accommodate the many energy-intensive industries wishing to invest in Sabah," said the Minister of Industrial Development, Datuk Raymond Tan, who returned recently from an investment mission to China.

He said an unofficial estimate of about 15% of the natural gas in Sabah is still uncommitted and can be made available to support energy hungry industries such as steel and solar glass.

"From my visit to China, and recent reports to the ministry from POIC Sabah and K.K.I.P. Sdn Bhd (both companies are under the purview of MID), a number of potential major investors who are eyeing Sabah have a common concern - energy security.

"It is obvious that they have no problem with our location and our other infrastructure. What they are concerned about is clean energy ... and gas is clean energy."

Datuk Raymond believed that the Sabah government can make a strong case to the Federal government for wider gas utilisation on the basis of the economic growth forecasts of the Sabah Development Corridor (SDC) blueprint and the New Economic Model. Both advocate optimization of resources to spur growth.

One of the three key principles of the SDC, launched in 2008, is to capture higher-value activities by leveraging on the State's inherent strengths, including its wealth of resources such as oil & gas.

SDC also lists as one of its five key strategies the 'powering up of Sabah' to ensure that it has sufficient and reliable electricity supply.

The NEM targets Malaysia's GDP per capita to increase from USD7,000 to USD15,000 in 10 years with an annual GDP growth of about 6.5%. It also identified National Key Economic Areas to which government resources will be directed to maximize growth and earnings.

"To keep in step with the national goals we will need to do something drastic to leverage on what we are superior in to attract high-value investments, generate high-wage jobs and promote productivity in all sectors of our economy," he said, pointing out that Sabah's per capita GDP is estimated to be under USD4,000. "I believe that if we have access to the gas and use it to attract energy-intensive industries we become more competitive and can therefore attract world-class companies (as envisaged in the SDC blueprint) to anchor and accelerate the growth of our downstream industries."

Quoting from economic growth analysis, Datuk Raymond said economies grow on factors of production, from the rudimentary elements such as land and labour to technology, creativity and innovation.

"Our capacity in the technology factor, including energy generation and distribution, needs to be looked at very seriously and urgently for us to compete with other countries in the region."

He reiterated that for Sabah to fully attain the goals of NEM and SDC, it has to not only look at the short-term energy needs of the state. According to the Sabah Electricity Sdn Bhd, Sabah's power-generation capacity stands at about 800mw.

"The investors who want to come to Sabah are talking about a combined requirement of perhaps up to 1000 mw, and that demand can be met by using gas because it is clean and the price is relatively cheaper here."

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