

Najib calls for comprehensive energy settlement in Asian region

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KUALA LUMPUR: Asian countries need to find a comprehensive energy settlement in order to tackle pressing global energy issues, taking into account major shifts underway in the oil and gas industry.

In making the call, Prime Minister Datuk Seri Najib Tun Razak said this settlement could unlock development and profits while deliver sustainable long-term growth.

"We must find a way to bring economic, social and environmental considerations together and answer them as one: a comprehensive energy settlement," he said in a keynote address at the 17th Asia Oil and Gas Conference 2013 here today.

Najib, who is also Finance Minister, said Petronas' stewardship in developing the country's natural reserves and human resources has resulted in Malaysia's economic potential being fulfilled.

"And it is together with Petronas, and the rest of our energy industry, that we must find a path towards sustainable, secure and equitable development: that comprehensive energy settlement that I spoke of earlier," he said.

Najib said this also meant understanding the changes that are shaping both policy and business decisions and, how the energy industry and governments should respond to them.

The most radical change, of course, concerns the extraction of preciously uneconomic reserves, he said.

He said unconventional oil and gas has disrupted energy markets and energy policy, shifting cost, supply and carbon assumptions.

"They have completely reshaped America's outlook, heralding a new age of energy independence and a fundamental revision of its geopolitics," said the prime minister.

Najib said the second change of growth is clean energy, which is clearly on a downward cost curve.

Najib said innovation and falling manufacturing costs together with signs that major economies were prepared to consider carbon caps, provided further signals to investors.

Acknowledging that this shift was not just about renewables, he said an age of more distributed resources with grids geared around intermittent supplies, had profound implications for global energy market. In all, he said the stage was now for a new relationship between energy and the economy.

At some stage in the next two decades, it seems likely that the world's biggest energy consumer would become an exporter; and clean energy technologies would change the power market in particular.

"The question, then, is what this shift means for countries like Malaysia; and how the government and the energy industry can work together to ensure that results in greater growth, development and stability," he said.

Taking into account these changes, he said Asian countries can tap into two areas of opportunity which are ensuring stability and develop a knowledge-based economy.

"We all share an interest in secure and productive economies and extractive industries. The first opportunity then, is to form partnership for stable economic and energy industry growth," he said.

On knowledge-based economy, he said creating an ecosystem which encouraged technology and human capital development was critical to opening up new energy supplies.

Najib said the oil and gas sector, which contributed more than 40 per cent of Malaysia's national income, has so far done an excellent job of working with the government to create a culture of excellence, investing in skills and encouraging innovation.

Now, it is for the industry as a whole to play a greater role in developing human capital through partnerships and collaborations with the government, for example setting up institutions on niche technologies such as specialty chemicals and unconventional oil and gas and working with learning institutions to develop talent, said the prime minister.

Najib said Petronas, which was expected to generate RM131.4 billion in Gross National Income and over 50,000 new highly skilled jobs, would be the leading player in this initiative in making Malaysia an energy hub for the region.

The two-day conference is attended by 1,200 participants comprising policy makers and top oil companies executives in the region.