People-oriented progress

Under the Johor Petroleum Development Corporation, the Pengerang Integrated Petroleum Complex is set to take Malaysia's oil and gas sector to a new level

The PIPC will see the creation of 8,600 jobs while contributing RM18.3 bil to GNI

INDUSTRY players and stakeholders across Malaysia are collectively holding their breaths in anticipation of Budget 2016, scheduled for tabling on Oct 23 and promising a greater emphasis on infrastructure, as well as the lower- and middle-income groups, in the face of rising inflation and costs of living.

The Budget is set to follow in the footsteps of the 11th Malaysia Plan (RMK11) as it accelerates the nation's economic expansion towards high-income status, while anchoring growth on the people's prosperity and well-being with the goal of increasing average monthly household income to RM10,540 by 2020.

These broad strokes can be seen duplicated in finer detail among domestic businesses and initiatives as federal policy filters down to national projects, such as Johor's Pengerang Integrated Petroleum Complex (PIPC), envisioned as a regional downstream oil and gas hub in the south.

"Our objectives have always been centred around two components, including the capital economy, which is exactly what we are doing now in terms of attracting people to come in and invest in Malaysia, and the people component, in both the short term and the long term," says Johor Petroleum Development Corporation (JPDC) Bhd CEO Mohd Yazid Ja'afar.

Building a foundation

Development of the 20,000-acre site in Pengerang, Kota Tinggi, began in 2011, with two major facilities currently under construction. These include the Pengerang Deepwater Terminal (PDT), a US$3 bil joint venture between Dialog Group Bhd, Johor State Secretary Incorporated and Netherlands-based Royal Vopak NV, as well as the Pengerang Integrated Complex (PIC), which comprises a world scale Refinery and Petrochemical Integrated Development (RAPID) and other associated facilities, with a projected crude refining capacity of 300,000 barrels a day.

Despite their size, both ongoing projects account for just 37% of PIPC's land commitment, leaving ample room for growth and further investment in the future. Given its scale, the PIPC, under JPDC's guidance in their capacity as the project's masterplanner, coordinator, facilitator and promoter, will also support RMK11's goal of reducing domestic dependence on oil revenue to 15.5% by 2020.

"Projects such as the PIPC are the driver behind decreasing federal dependencies on commodities, as we won't be relying on locally produced crude oil. We'll be importing, adding value by processing the materials onsite, and basically moving Malaysia up the chain. You don't need to look very far for a similar success story, with Singapore just across the Johor Strait," says Yazid.

The first phase of the deepwater terminal is already operational and has registered more than 283 ships visiting over the past year, including the country's first jetty berth by a VLCC (Very Large Crude Carrier), while the PIC refinery is expected to commence operations in the first quarter of 2019.

A catalytic collaboration

The two developments, while disparate in design, involve a degree of cross-collaboration as well, with the second phase of the PDT catering for the PIC's requirements in terms of petroleum storage as well as a liquefied natural gas (LNG) terminal. When both projects are completed, they will see the creation of approximately 8,600 jobs, while contributing RM18.3 bil to the gross national income (GNI).

"The first domestic LNG import terminal down in Sungai Udang in Melaka has a capacity of 3.8 million tonnes per annum, while the one coming up in Pengerang can process initial volumes of 3.5 million tonnes of LNG per annum. As a comparison, Singapore currently has facilities for six million, and is targeting nine million tonnes per annum, so we're not too far off," says Yazid.

"In terms of the total investment that Petronas will bring to the PIPC, the figure is estimated at US$27 bil, which includes the whole refinery and petrochemical suite as well as its supporting infrastructure."

RAPID is estimated to cost about US$16 bil, while the associated facilities will involve an investment of about US$11 bil. The PIC's catalytic effects on the surrounding community and state can already be seen; for example, Petronas is collaborating with the Johor state government to build an 88-km pipeline drawing from Sungai Sedili further up north, as current catchment areas are earmarked for the local population.

This pipeline, set for completion in April 2016, will satisfy the project's water requirement of 230 million litres a day while providing a further 30 million litres for public use, supplementing reserves that have been depleted by dry weather that has been plaguing the state for much of the past year.

Putting people first

Yazid places priority on the securing of government assistance in growing the region's infrastructure, in aid of fostering economic growth for adjacent townships as well as in support of the PIPC. To minimise potential socioeconomic drawbacks, the Pengerang site was chosen due to its relatively unpopulated nature, minimising relocation concerns, as well as the absence of environmentally sensitive areas.

"We actually have a mine on the grounds, a bauxite facility whose concession is expiring soon, which the project will reclaim. To me, that offered an opportunity for us to not just preserve the environment, but to make the best land use from the environmental damage that was done earlier," he says.

One of the challenges in implementing the project has been educating the surrounding populace as to the enormous economic opportunities it affords, in an area where traditional activities such as coastal fishing and farming account for a significant number of livelihoods.

To secure buy-ins from the local population, the JPDC utilises existing platforms such as the National Youth Training Institute and community colleges to provide industry awareness sessions, while promoting the uptake of oil and gas-related subjects such as health, safety and environment in preparation for technical vocations.

"We're seeing a lot of development coming in, and we're trying to spread the word that they should absolutely not miss this boat. The traditional occupations still hold sentimental value, but we do see some growing into the entrepreneurial mind set and setting up small businesses," concludes Yazid.

People-oriented efforts such as those showcased by the JPDC in its supervisory role throughout the PIPC project will be crucial in mobilising Malaysia's productivity towards achieving the targets set out by RMK11, along with ancillary goals highlighted in the Economic Transformation Programme (ETP) such as an average GNI per capita of US$15,000 by 2020.

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JPDC
Johor Petroleum Development Corporation