

# Low oil price boost for PIPC

A drop in the price of oil can be positive for some. One facility that has benefited from a low-oil-price environment is the Pengerang Integrated Petroleum Complex (PIPC).

"Times are good for the midstream and downstream sectors now," says Dialog Executive Deputy Chairman Chan Yew Kai.

"The price of oil has gone down substantially, but we do not see an equally significant drop in prices at the pump. This is because a lot of the margins are retained by the oil companies," he tells Focus Malaysia.

Companies in the downstream business of the oil and gas sector have fared better in the past few months as a result of the low crude oil price environment. This is due to the reduction in the price of the feedstock leading to higher margins.

This, Chan explains, enables these companies to spend more on the maintenance of their plants and on small capital-intensive projects. As a result, companies such as Dialog that service these plants and are in the construction of such structures remain resilient in tumultuous economic cycles.

"As the price of oil falls, the need to store oil increases. We are lucky that our tanks are ready. Our facilities in Kerteh, Tg Langsat and Pengerang are full. Dialog is structured in such a way that it is balanced and this allows us to be well cushioned in times like this. We too are affected in our upstream activities because of the drop in oil price," he continues.

Chan also notes that due to the fall in

demand for commodities such as iron ore, copper and coal, construction costs have been kept low. This has been a boost to its operations amid uncertain times.

Dialog is a major stakeholder in the PIPC in Johor. It has committed to one of the major catalytic projects within the PIPC area. The RM5 billion Pengerang Independent Deepwater Petroleum Terminal (PIDPT) is a joint venture among Dialog, Royal Vopak of Netherlands and the Johor State Secretary Incorporated (SSI).

Vopak is the world's largest independent tank storage service provider, with operations in 28 countries and 78 terminals worldwide. It has a total storage capacity of 33.5 million cubic metres and an annual turnover of €1.32 billion as at end of FY2014.

Phase 1 of the PIDPT is fully operational and has registered 348 ships, as of December 2015, including the country's first jetty berth by a Very Large Crude Carrier (VLCC).

Phase 1 has been completed and land reclamation activities on Phase 2 are already in progress. The total storage capacity available once the PIDPT is fully completed is projected to be five million cubic metres by the year 2020. Phase 1 boasts a land

area of 150 acres, storage capacity of 1.3 million cubic metres, six berths, and is valued at RM2 billion. Services at this facility include storage, blending and distribution of crude oil and petroleum products.

Dialog is also building the Pengerang LNG Terminal adjacent to Phases 1 and 2.

Together with SSI and Petronas Gas, a project worth RM2.7 billion consisting of one regasification unit, and two 200,000-cubic-metre LNG storage tanks which will be completed by the end of 2017. Products from this plant will be supplied to the Pengerang Integrated Complex.

Given the enormity of these projects, Dialog is actively engaging the local people through its CSR arm MyKasih to assist where it can in making the transition easier. MyKasih not only helps the locals, but has also come up with innovative new ways to help the poor and needy. Among its successful programmes is the



Chan Yew Kai

MyKasih Programme — Welfare Aid With A Difference. The programme aims to use technology to provide effective and efficient delivery of welfare with audit trails to aid charity organisations in deriving the maximum value in reaching specific target groups.

Instrumental in its success in engaging the Pengerang folk and its operations is the Johor Petroleum Development Corporation (JPDC). JPDC was set up by the federal government together with Johor State to ensure that views and issues of key investors and major stakeholders are addressed. It also facilitates the project's progress.

"JPDC has been a vital organization in addressing issues related to the development of our projects in Johor. There were times when we were not directly involved in the solution of certain issues such as the relocation of burial grounds in the area. These were under the purview of JPDC. They have been a great help," he says.