



Petronas hits delays over Kasawari gas project

EPCIC contract award on hold as talks continue with Sarawak state

Amanda Battersby, Nishant Ugal and Russell Searancke

Singapore/New Delhi

31 Jan 2019 23:00 GMT

Share: E-mail

Malaysia's national oil company Petronas has hit a stumbling block on its planned Kasawari gas development off Sarawak, East Malaysia for which it is evaluating bids for a key engineering, procurement, construction, installation and commissioning contract.

Kasawari, located on Block SK 316, is said to be located in an environmentally-sensitive marine area and the project will not be able to proceed unless the Sarawak state government gives the green light.

Industry sources said talks now under way between Malaysia's Prime Minister Mahathir Mohamad, the Attorney General, Petronas and the Sarawak state government regarding Sarawak's participation in oil and gas ventures in its territory will try to resolve the issue, which could see Kuala Lumpur offering some financial sweeteners to Sarawak.

One source suggested that Sarawak could have played the "environmental card" as a way of trying to secure equity in Kasawari ahead of the field being developed. As it stands, exploiting Kasawari's estimated 3 trillion cubic feet of recoverable gas reserves would indirectly benefit Sarawak, which has stakes in trains at Petronas LNG Complex at Bintulu to which the gas will flow. However, the state is said to want more.



Kelidang back in spotlight

[Read more](#)

Mahathir is said to want to reach a settlement with the hydrocarbon-rich state, with the parties targeting a resolution by October.

The issue means that the award of the EPCIC contract for the central processing platform is on hold, probably until the end of this year, although one contractor source suggested that there was even a danger that the Kasawari project could be scrapped.

Petronas had been hoping in January or February to formally award the EPCIC contract for the platform.

The operator, in the second quarter of 2018, invited domestic players Malaysia Marine & Heavy Engineering (MMHE) and Sapura Energy to vie for the lucrative contract for Kasawari's CPP.



Shell opts for production platform at Rosmari, Timi and Marjoram

[Read more](#)

Consultant Wood Mackenzie told Upstream that it expects Petronas will take the final investment decision on Kasawari in mid-2020 and it estimates the field will come on stream in mid-2025.

WoodMac's modelling forecasts peak production of 670 million cubic feet per day of gas from the sour gas field — earlier estimates had touted some 900 MMcfd — although this will likely not be achieved until as late as 2032 given constraints in existing pipeline infrastructure.

The analyst's forecast production rate and timing is based on the assumption that Petronas will not build a costly new pipeline to deliver Kasawari's gas to shore. MMHE has always been seen as the frontrunner for the CPP job, given it is a subsidiary of Petronas, but the operator elected also to invite Sapura — the only other domestic yard capable of building such large structures — to bid.

A research note from BIMB Securities said it expects MMHE's order book to be replenished by work including the Kasawari CPP, which BIMB touts as having an estimated 23,000-tonne topsides on a jacket topping the scales at 15,000 tonnes.

MMHE is expanding capacity with construction of a third dry-dock (DD3), which is due for completion in 2020.

DD1 is currently reserved for work from MISC, another Petronas company, while DD2 today is the only dry dock for third party jobs.

This is not the first time that the Kasawari project has faced controversy.

Petronas had earlier sounded out the market for potential strategic partners to farm in to Block SK 316 ahead of Kasawari being developed. The proposal attracted interest from several industry heavyweights, and Thailand's PTTEP had been keen to come on board. However, Petronas ultimately decided to keep the block for itself.

As well as Kasawari, which contains between 30% and 40% carbon dioxide, SK 316 also contains the producing NC3 field that supplies feedstock gas to Train 9 at Petronas' LNG complex at Bintulu and at least five other gas discoveries including NC8, which is under development and likely to start-up in 2022.

Petronas was unable to respond to a request for comment on the status of Kasawari as Upstream went to press, while there was no reply to an email request for comment sent to the Sarawak state government.

Whilst it is business as normal for existing E&P activities in Sarawak, new projects and the award of acreage off and onshore the state — four such blocks were offered in Malaysia's 2018 licensing exercise — are on hold until its dispute with the Kuala Lumpur administration is resolved.