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Gas price in Sabah must rise to boost market

by D KANYAKUMARI

INCREASING the gas price in Sabah would allow the government to tap into the state's full potential after seeing the improved return on investment (ROI) in the gas industry there.

Energy Commission acting CEO Ir Azhar Omar said in addition to logistical issues, the main concern when looking into the Sabah gas market is the price.

"The gas price in Sabah is lower compared to the price in the peninsula, therefore, I think it can be a big potential for Sabah if we can manage the

gas price issues," he said at the International Gas Union's Gas Forum.

Gas Malaysia Bhd CEO Ahmad Hashimi Abdul Manap said the situation in Sabah is different. The industries are isolated which makes investment distribution difficult.

"If you have isolated customers, you need to build longer pipelines and when it comes down to it, it's a question of ROI," he said.

Ahmad Hashimi added that the political situation in the state also poses challenges to the development of the market.

"To help utility or gas companies to invest and make proper returns, the market needs some sort of promotion or incentives from the state or the federal government," he said.

The Malaysian Gas Association president Hazli Sham Kassim said it is the right time to transform the industry and make it sustainable.

"The market reforms implemented by the government include gas price rationalisation, liberalisation of the gas market and also the introduction of the third-party access.

"These reforms will help increase market competition,

offer alternatives to consumers, as well as ensure energy security for the country," he said.

He added that efficient use of energy can be enhanced by using natural gas as fuel.

"Gas turbines in a combined cycle mode offers the most efficient mode of generating electricity.

"At more than 60% efficiency, a combined cycle power plant emits much less carbon dioxide and hardly any pollutant. Cogeneration using gas turbines can even reach efficiencies exceeding 85%," said Hazli Sham.

After the government

approved the price revision for the energy, the natural gas tariff for non-power sector in the peninsula will increase to 16% from Jan 1 next year.

Gas Malaysia had earlier said that the average base tariff from Jan 1 to June 30, 2018, will increase from RM28.05 per one million British thermal units (MMBtu) to RM30.90 MMBtu as prescribed under the incentive-based regulation framework.

However, due to the higher liquefied natural gas price against the reference price in the base tariff for the stipulated period, a surcharge of RM1.62 per MMBtu will apply

to all tariff categories under the gas cost pass-through (GCPT) mechanism.

The government had ratified Gas Malaysia last December to bring into effect the revision of the natural gas tariff from Jan 1, 2017, until Dec 31, 2019. This will allow the changes in the price of gas to be passed through via the GCPT mechanism every six months.

The tariff revision is expected to contribute towards Gas Malaysia's financial position for the financial year ending Dec 31, 2018, the company noted in a filing to Bursa Malaysia.