











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Indicator	Score
4.1.1	Context
4.1.1	Context

4.1.1.050: Has the government created a special fund or natural resource fund that concentrates revenue directly from oil, gas or mineral extraction?

Score: A B C

Comments:

A National Trust Fund (translation from Kumpulan Wang Amanah Negara) was formed in 1988 under the National Trust Fund Act 1988 (Act 339) with the objective of ensuring that national natural resources that were depleting would be used in an optimum manner for the benefit of future generations and to provide a continuous and stable income to the Government. The National Trust Fund was to be a step in foresight and prudence in managing the country's natural resources.

Under the National Trust Fund Act 1988, the Trust Fund falls under the responsibility of the Central Bank of Malaysia. Since its formation, it has received money from Petronas, of which some have been invested in the local market in the form of fixed savings at financial institutions, long-term securities in the G5 countries and fixed savings with banking institutions.

The Act only permits the use of the Trust Fund's moneys for development or borrowings to the Federal and State Governments. If the Federal Government finds that the annual budget is insufficient to bear the cost of future development projects, the National Trust Fund can be used to ensure these development projects continue.

According to Section 13 of the National Trust Fund Act, reports ought to be tabled to Parliament annually. The last report submitted to Parliament was the 2008 report.

Based on media reports, there is an estimated RM5 billion in the fund, also known as the Kumpulan Wang Amanah Negara (KWAN).

References:

National Trust Fund Act 1988

<http://www.agc.gov.my/Akta/Vol.%207/Akta%20339%20-%20Akta%20Kumpulan%20Wang%20Amanah%20Negara%201988.pdf>

<http://www.theedgemaalaysia.com/in-the-financial-daily/195609-govt-has-rm40b-untapped-cash-reserves-says-husni.html>

"Gov't has RM40b untapped cash reserves, says Husni"

The Edge Financial Daily, 3rd November 2011

Peer Review Comments:

Section 5(1) National Trust Fund Act 1988 (Act 339) provides for revenue from Petronas to be paid into the National Trust Fund (KWSP)

The government also created in 1993 the an investment fund called Khazanah Nasional Berhad. This fund is estimated by the Sovereign Wealth Fund Institute to hold USD 34 billion in mid-2012. The source of this fund is non-commodities. See: <http://www.swfinstitute.org/swfs/khazanah-nasional/>

Compared to the National Trust Fund, which as of June 2011 holds RM5.43 billion (approx. USD 1.78 billion).

http://www.pmo.gov.my/?menu=newslist&news_id=7727&news_cat=13&cl=1&page=1731&sort_year=2011&sort_month=

4.1.1.051: What authority is responsible for the natural resource fund?

Score: A B C D E

Comments:

Although the Central Bank is responsible for the daily affairs of the Fund, the Minister of Finance has the final say in most matters, including those related to the appointment of the panel of advisors' members, the disbursement of funds which the Minister signs off from, terms and conditions, and so on. However, the Minister still has to adhere to the Panel's decisions (although members of the Panel are, in fact, appointed by the Minister himself).

References:

National Trust Fund Act 1988



<http://www.agc.gov.my/Akta/Vol.%207/Akta%20339%20-%20Akta%20Kumpulan%20Wang%20Amanah%20Negara%201988.pdf>

Article 3 (3) states that the Central Bank (Bank Negara Malaysia) is responsible for its day-to-day management but in all other sections it is clear the Minister of Finance has the final say in all matters.

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Indicator		Score
4.2.1	Comprehensive reports	58 
4.2.2.056	Audited reports	50 

4.2.1 Comprehensive reports

4.2.1.052: Are the rules for the fund's deposits and withdrawals published, including the formula(s) for deposits and withdrawals?

Score: A B C

Comments:

The Act stipulates rules for the fund's deposits and withdrawals but these are very general, vague and does NOT include the formula for deposits and withdrawals.

It states, for example, that "any contributions" made to it from Petronas, or the royalties from state governments made from oil and gas, but is not clear what percentage of this is.

It also states what kinds of investments the fund is permitted to make, and the number of years of maturity these investments should have. Not more than 5%, or 20%, of the fund is permitted to be taken out, the variation depending on the kinds of categories of the investment instruments.

References:

National Trust Fund Act 1988

<http://www.agc.gov.my/Akta/Vol.%207/Akta%20339%20-%20Akta%20Kumpulan%20Wang%20Amanah%20Negara%201988.pdf>

4.2.1.053: Does the fund management or authority in charge of the fund publish comprehensive information on its assets, transactions and investments?

Score: A B C D E

Comments:

Assets, investments, returns and carried over amounts are reported.

References:

National Trust Fund Report 2008

4.2.1.054: Are the reports containing information on the fund's assets and transactions understandable?

Score: A B C D E

Comments:

Explanations are given as to the status of the Fund's investments.

References:

National Trust Fund Report 2008

4.2.1.055: How often are financial reports published by the fund management or authority in charge?

Score: A B C D E

Comments:

The National Trust Fund Reports are issued annually, and the last recorded report tabled to Parliament was in 2008.

References:

National Trust Fund Report 2008

Interview with Liew Chin Tong, Member of Parliament, Bukit Bendera, Democratic Action Party, 6th March 2012, Bangsar.

4.2.2.056 Audited reports

4.2.2.056a: Are the fund s financial reports audited?

Score: A B C D E

Comments:

The National Trust Fund is audited by the Auditor General's Office. The office is technically "independent".

References:

National Trust Fund Report 2008

4.2.2.056b: Are the audited financial reports published?

Score: A B C

Comments:

The Auditor General's Reports do not feature the National Trust Fund (Kumpulan Wang Amanah Negara).

References:

Auditor General's Reports 2010

http://www.audit.gov.my/images/stories/pdf/laporan_kan/2010/FEDERAL/master%20-%20Ikan%202010%20aktiviti%20kementerian%20jabatan.pdf


and

http://www.audit.gov.my/images/stories/pdf/laporan_kan/2010/FEDERAL/master%20-%20Ikan%202010%20pengurusan%20kewangan.pdf

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Indicator	Score
4.3.1 Legal Framework and Practice	50 

4.3.1 Legal Framework and Practice

4.3.1.057: Are the rules governing deposits into the fund defined by legislation?

Score: A B C

Comments:

There are no specific formula governing the deposits into the fund. Only very general governing rules on what kinds of funds are to be deposited into the fund:

1. Contributions from Petronas directly;
2. Contributions from states who have obtained royalties from oil and gas or other depleting resources;
3. All revenues gained from investments of the Fund's moneys;
4. All donations, contributions and gifts given for the benefit of the Fund; and
5. All contributions given by any persons or authority whose business involves research or development in the area of depleting resources.

References:

National Trust Fund Act 1988

Article 5: Moneys to be paid to the fund

<http://www.agc.gov.my/Akta/Vol.%207/Akta%20339%20-%20Akta%20Kumpulan%20Wang%20Amanah%20Negara%201988.pdf>

4.3.1.058: In practice, does the government follow the rules governing deposits to the natural resource fund?

Score: A B C D E

Comments:

Because there are no clear rules or formula for the deposits into the fund, the amounts that should be contributed to the Fund on a regular basis are not determined. In 2008, there was RM3.8 billion in the fund, whereas in 2011 there is a reported RM5.43 billion.

Because there are no clear rules, it is impossible to determine whether any governing rule was followed or not. The exact contributions made to the fund would therefore be at the discretion of the Minister of Finance which governs the running of the Fund.

References:

[http://www.utusan.com.my/utusan/info.asp?](http://www.utusan.com.my/utusan/info.asp?y=2008&dt=0527&pub=Utusan_Malaysia&sec=Parlimen&pg=pa_02.htm)

[y=2008&dt=0527&pub=Utusan_Malaysia&sec=Parlimen&pg=pa_02.htm](http://www.utusan.com.my/utusan/info.asp?y=2008&dt=0527&pub=Utusan_Malaysia&sec=Parlimen&pg=pa_02.htm)

Utusan Malaysia, "Jumlah Baki KWAN RM3.8 bilion", 27th May 2008

<http://www.thesundaily.my/news/220101>

The Sun, The Paradox of Plenty, Tricia Yeoh, 25th November 2011

<http://www.theedgemaalaysia.com/in-the-financial-daily/195609-govt-has-rm40b-untapped-cash-reserves-says-husni.html>

The Edge Financial Daily, "Government has RM40b Untapped Cash Reserves, Says Husni", 3rd November 2011

4.3.1.059: Are the rules governing withdrawal or disbursement from the fund defined by legislation?

Score: A B C

Comments:

6. The moneys from the Fund are only to be used beginning 10 years from the start of the Act's enforcement, and after getting approval from the Minister, for the purposes of loans according to concession terms to state governments or the Federal Government of Malaysia.

7. The moneys from the Fund can be invested as deposits into banks in Malaysia or abroad in any currency; in any investments as allowed by the Trustee Act 1949; or held as securities at a fixed interest rate or in other currencies including the ringgit issued by Malaysia, any of the OECD countries, any institutions with guaranteed securities by any OECD countries, or any international financial institutions.

At any point in time, not more than 20% or 5% of the Fund's total savings are allowed to be invested, depending on the nature of the Fund. This is stipulated in Article 7 (3) and (4).

References:

<http://www.agc.gov.my/Akta/Vol.%207/Akta%20339%20-%20Akta%20Kumpulan%20Wang%20Amanah%20Negara%201988.pdf>

National Trust Fund Act 1988:

Article 6: Use of the Fund's moneys and

Article 7: Investment of the Fund's moneys

4.3.1.060: In practice, does the government follow the rules governing withdrawal or spending from natural resource fund?

Score: A B C D E

Comments:

The National Trust Fund Report outlines the details of funds which have been invested, and these seem to follow the rules stipulated by the Act.

References:

National Trust Fund Report 2008

4.3.1.061: Are withdrawals or spending from the fund reserves approved by the legislature as part of the budget process?

Score: A B C

Comments:

There is no mention at all of the National Trust Fund's (Kumpulan Wang Amanah Negara) activities - revenue or expenditure - within the Federal Government's Estimate of Revenue 2012.

The National Trust Fund Act 1988 stipulates that the Minister of Finance is the only person whose approval is required when releasing funds. The legislature is hence not needed to approve spending or withdrawals from the Fund.

References:

National Trust Fund Act 1988

<http://www.agc.gov.my/Akta/Vol.%207/Akta%20339%20-%20Akta%20Kumpulan%20Wang%20Amanah%20Negara%201988.pdf>

Estimates of Federal Government Revenue 2012

http://www.treasury.gov.my/pdf/percukaian/buku_anggaran_hasil_kerajaan_persekutuan_2012.pdf

4.3.1.062: Are officials of the natural resource fund required to disclose information about their financial interest in any oil, gas or mining projects?

Score: A (B) C

Comments:

There is no law or regulation requiring officials to disclose their financial interest, nationwide.

References:

None available.

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Indicator	Score
5.1.1	Context
5.1.1	Context

5.1.1.063: Do central governments transfer resources to subnational authorities based on extraction of mineral resources?

Score: A B C D E

Comments:

All state governments are paid five percent of the profits from petroleum production within those states. This understanding was made on the basis of agreements signed between individual state governments and Petronas.

Under the Petroleum Development Act 1974, the sharing of revenue is stated in Section 4 but there is no mention of any quantitative guidelines. The Act states that "...the Corporation shall make to the government of the Federation and the Government of any relevant State such cash payment as may be agreed between the parties concerned."

References:

Oxford Centre for the Analysis of Resource Rich Economies, University of Oxford, Revenue Watch Project, "Government and Management of Resource Revenue: Malaysia", Zainal Aznam Yusof, Page 118, Para 2, Line 5.

Borneo Post, Kelimen Sawatan, Harris says he signed oil royalty agreement following AG's advice, 19th November 2011
<http://www.theborneopost.com/2011/11/19/harris-says-he-signed-oil-royalty-agreement-following-ag-advice/#ixzz1quWMyRGF>

Petroleum Development Fund 1974, Article 4
<http://www.agc.gov.my/Akta/Vol.%203/Act%20144.pdf>

5.1.1.064: Are conditions imposed on subnational government as part of revenue sharing regime?

Score: A B C

Comments:

No official sources are publicly available. There is a fixed 5% royalty given to the state government respectively on the oil and gas extracted from that particular state. This royalty is set out within agreements signed individually between Petronas and the oil companies. This is also stated within agreements between Petronas and individual state governments. None of these agreements are made available publicly. No conditions are given.

References:

Interview with former oil and gas industry player, (unnamed/anonymous), 4th April 2012, Bangsar.

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Indicator		Score
5.2.1	Disclosure	27 

5.2.1 Disclosure

5.2.1.065: Are the rules for revenue transfers from central to sub national governments published, including the formula(s) for revenue sharing?

Score: A B C

Comments:

No official sources are publicly available. There is a fixed 5% royalty given to the state government respectively on the oil and gas extracted from that particular state. This royalty is set out within agreements signed individually between Petronas and the oil companies. This is also stated within agreements between Petronas and individual state governments. None of these agreements are made available publicly.

References:

None available.

5.2.1.066: Does the central government publish comprehensive information on transfers of resource related revenues to sub-national governments?

Score: A B C D E

Comments:

Only the total transfer of federal government funds to states is published.

References:

Estimates of Federal Government Expenditure 2012
Pg. 675,
http://www.treasury.gov.my/pdf/bajet/maklumat_bajet_kerajaan/2012/ap3.pdf

5.2.1.067: Are the reports containing information on transfers of resource related revenues to sub-national governments understandable?

Score: A B C D E

Comments:

No such reports exist. The only place to locate the amount of transfers to sub-national governments is by looking through the state governments' own budget documents, for source of revenue. See answer to Question 69.

References:

Estimates of Government Expenditure 2012
Pg. 675

http://www.treasury.gov.my/pdf/bajet/maklumat_bajet_kerajaan/2012/ap3.pdf

Interview with Alan Kirupakaran, Executive Director of Transparency International Malaysia, 5th March 2012, TI Office, KL.

5.2.1.068: How often does the central government publish information on transfers of resource related revenues to sub-national governments?

Score: A B C **(D)** E

Comments:

No such reports are published. Only an aggregate amount of funds transferred to sub-national (state) governments is published.

References:

Estimates of Federal Government Expenditure 2012

Pg. 675

http://www.treasury.gov.my/pdf/bajet/maklumat_bajet_kerajaan/2012/ap3.pdf

Interview with Alan Kirupakaran, Executive Director of Transparency International Malaysia, 5th March 2012, Transparency International Office, KL.

5.2.1.069: Do sub-national governments publish information on transfers received from central governments?

Score: **(A)** B C

Comments:

There are four states in Malaysia in which oil and gas development projects are undertaken: Sabah, Sarawak (both in the East Malaysia) and Kelantan and Terengganu (East Coast of Peninsular Malaysia).

Whilst Sabah and Sarawak publish the amounts received in their budget speeches, Kelantan and Terengganu do not. Terengganu's statement is from a press statement released from their office of communications.

References:

Sabah State Budget Speech: <http://www.sabah.gov.my/info/budget/State/2012StateBudgetSpeech.pdf>

Sarawak State Budget Speech:

<http://chiefministertaib.sarawak.gov.my/en/media-centre/speeches/view/commendable-financial-rating-in-spite-of-world-economic-financial-turmoil>

Kelantan State Budget Speech:

http://www.pkn.kelantan.gov.my/v3/index.php?option=com_content&view=article&id=160:ucapan-bajet-2012&catid=2:buletin&Itemid=20


Terengganu State Budget Speech:

http://www.terengganu.gov.my/maxc2020/portal/cms/orange/index_news.displaynews.php?counthit=1&newsid=2661&fromfile=index.php&cid=1&carian=wang+royalti

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Indicator	Score
5.3.1 Legal Framework and Practice	0 

5.3.1 Legal Framework and Practice

5.3.1.070: Are arrangements (including formulas and responsible institutions) for resource revenue sharing between central and sub-national governments defined by legislation?

Score: A B C

Comments:

Article 4) of the Petroleum Development Act 1974 states that:

4. In return for the ownership and the rights, powers, liberties and privileges vested in it by virtue of this Act, the Corporation shall make to the Government of the Federation and the Government of any relevant State such cash payment as may be agreed between the parties concerned.

No formula is given by legislation. The arrangements are entirely determined by agreements signed between: a) Petronas and individual state governments, and b) Petronas and separate oil companies operating in Malaysia

References:

Petroleum Development Act 1974
<http://www.agc.gov.my/Akta/Vol.%203/Act%20144.pdf>
Article (4)

5.3.1.071: In practice, does the government follow the rules established by resource revenue sharing legislation?

Score: A B C D E

Comments:

The legislation does not determine the rules on resource revenue sharing. However, the government does follow in practice the arrangements determined and committed to by the agreements signed between a) Petronas and individual state governments, and b) Petronas and separate oil companies operating in Malaysia.

References:

Petroleum Development Act 1974
Article 4
<http://www.agc.gov.my/Akta/Vol.%203/Act%20144.pdf>

Interview with former industry player (unnamed, anonymous), 4th April 2012, Bangsar.

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Context

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Indicator	Score
1.1	Context
1.1	Context

1.1.001: Does the country have a clear legal definition of ownership of mineral resources?

Score: A B C D E

Comments:

All the mineral rights belong to the State, which has decided to vest exclusive rights, powers, liberties and privileges of managing, exploring, exploiting and producing petroleum whether onshore or offshore of Malaysia in PETRONAS, a company incorporated under the Companies Act 1965 [Act 125] and wholly-owned by the Malaysian Government.

Background information:

From "Minerals Yearbook 2010: Malaysia," US Geological Survey, Feb. 2012, <http://minerals.usgs.gov/minerals/pubs/country/2010/myb3-2010-my.pdf>

"The mining sector's share of the overall investment in the economy increased to 6.6% in 2010 from 3.2% in 2000. Investment in the mining sector was mainly for the exploration and production of natural gas and oil...Owing to a moderate increase in price on the world markets, the country's crude oil export revenue increased by 21.3% to \$9.3 billion; however, its export volume decreased by 0.1% to 16.4 million metric tons (Mt). As a result of the moderate price increase, the export revenue of liquefied natural gas (LNG) increased by 31.1% to \$11.5 billion, and the export volume increased by 6.6% to 23.3 Mt. Crude oil was shipped mainly to Australia, India, and Thailand. LNG was exported mainly to China, Japan, and the Republic of Korea."

From US Energy Information Administration, Oct 16, 2012, <http://www.eia.gov/countries/country-data.cfm?fips=MY>

"Malaysia's oil reserves are the third highest in the Asia-Pacific region after China and India. Malaysia was the world's third largest exporter of liquefied natural gas after Qatar and Indonesia in 2010."

According to the CIA World Factbook, "The oil and gas sector supplies more than 40% of government revenue." (<https://www.cia.gov/library/publications/the-world-factbook/geos/my.html>)

References:

Petroleum Development Act 1974, Section 2: Ownership, Clause (1).
Link: <http://www.agc.gov.my/Akta/Vol.%203/Act%20144.pdf>

Peer Review Comments:

All petroleum mineral rights belong to State and are managed through PETRONAS.

"...land including... permits and licenses for prospecting of mines, mineral tenements and mining

leases." List II - State List, Federal Constitution of Malaysia

"All minerals within or upon any land, including the bed of any river,....the foreshore and bed of the sea, as is within the territory of the State or limits of the territorial waters, shall be vested solely in the State Authority" section 3 of the State Mineral Enactments

1.1.002: Who has authority to grant hydrocarbon and mineral rights or licenses?

Score: A B C D E

Comments:

Although no part of the Act explicitly states that Petronas has the authority to grant hydrocarbon and mineral rights or licences, this is implicitly understood as no other body apart from Petronas is allowed rights over these resources unless licences are granted by it.

The Licensing and General Guidelines do state that any entity wanting to conduct activity in the upstream oil and gas industry has to be issued a valid licence from Petronas.

References:

1. Petroliam Nasional Berhad (or Petronas), which is wholly-owned by the Government of Malaysia. Entity is formed by the Petroleum Development Act 1974, <http://www.agc.gov.my/Akta/Vol.%203/Act%20144.pdf>
2. Frequently Asked Questions: Licensing and Registration of Suppliers: <http://www.petronas.com.my/partnering-us/licensing-registration/faq/Documents/FAQ%20-%20ROS%20master%20upload%20format%2030%20Dec%202011%20Final2.pdf>
3. Petronas Licensing and General Guidelines 2012, <http://www.petronas.com.my/partnering-us/licensing-registration/Documents/Panduan%20Am%20Baru%20-%20-%2028%20December%202011.pdf>

Peer Review Comments:

This is true of petroleum minerals. However, with regards to non-petroleum minerals, it is the state that has full authority to grant licences.

See: List II - State List, Federal Constitution

1.1.003: What licensing practices does the government commonly follow?

Score: A B C D E

Comments:

Petronas has detailed guidelines on how companies may apply for a Petronas licence. Strict criteria are spelt out in the guidelines on who qualifies as an applicant, including the percentage of Bumiputera (native or Malay ethnicity) ownership and management, submission of audited annual accounts, and so on. Petronas makes the decision and informs the applicant on its rejection or approval.

References:

1. Petronas Licensing and General Guidelines <http://www.petronas.com.my/partnering-us/licensing-registration/Documents/Panduan%20Am%20Baru%20-%20-%2028%20December%202011.pdf>
2. Petronas Frequently Asked Questions for Licensing and Registration <http://www.petronas.com.my/partnering-us/licensing-registration/faq/Documents/FAQ%20-%20ROS%20master%20upload%20format%2030%20Dec%202011%20Final2.pdf>
3. EU-Malaysia Chamber of Commerce and Industry: Trade Issues and Recommendations 2011, Issues by Sector: Oil and Gas, <http://www.eumcci.com/pdf-files/Positionpapers/oil%20gas2.pdf>

Peer Review Comments:

Also see the Licensing Flowchart for non-petroleum minerals:

<http://www.jmg.gov.my/en/licence-applications/new-application-for-mineral-ore-licence.html>

1.1.004: What is the fiscal system for mineral resources?

Score: A B C **(D)** E

Comments:

Malaysia used to operate on a concession agreement model up to 1976 when it adopted the Production Sharing Contract (PSC) Model. It is only recently in 2011 that Petronas took a new strategic direction by adopting the risk sharing contract (RSC) or service contract model, as stated in its Annual Report 2011. This is applied to exploration of marginal oil fields in Malaysia. However, Petronas still awards PSCs to partners. Petronas together with the newly formed body Pemandu (under the Prime Minister's Office), in fulfilling the objectives of the Economic Transformation Programme (ETP), makes the decision on which model to adopt.

Note, however, that some commentators feel the adoption of the new RSC/service contract model is in contravention of the Petroleum Development Act 1974.

References:

1. Petronas Annual Report 2011, <http://www.scribd.com/doc/83135022/Petronas-AnnualReport2011>
 2. The Edge, Azam Aris, 31 January 2011, "My Say: Room for only serious oil and gas players", <http://www.theedgemaalaysia.com/commentary/182420-my-say-room-for-only-serious-oil-and-gas-players-.html>
 3. CIMB Research Report, 20 July 2011, "Oil and Gas: Cashing in on the ETP, Lock, Stock and Barrel", http://research.cimb.com/index.php?ch=eq_my&pg=eq_my_swu&ac=38792&bb=0&...
-

1.1.005: What agency has authority to regulate the hydrocarbon and mineral sector?

Score: A B **(C)** D E

References:

Petronas, created by the Petroleum Development Act 1974, <http://www.agc.gov.my/Akta/Vol.%203/Act%20144.pdf>

Peer Review Comments:

While PETRONAS governs the petroleum sector, the mining of other non-petroleum minerals is governed by the individual states. Each State has its own legislation to govern mining activities within its jurisdiction. Altogether, there are currently 10 states that have promulgated and gazetted their respective SMEs. These SMEs are based on a model template created pursuant to the National Mineral Policy.

The SME grants the respective State with powers to issue mineral prospecting and exploration licenses and mining leases. The State Director of Land and Mines (SDLM) is responsible to administer these powers. Foreign investors will have to negotiate with the SDLM for the respective State for the relevant licenses or leases.

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Disclosure

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Indicator	Score
1.2.006 Information on licensing process	50 
1.2 Contract transparency	0 
1.2.008 Environmental and social impact assessments	42 
1.2 Access to information and legislation	17 

1.2.006 Information on licensing process

1.2.006.a: What information does the government publish on the licensing process before negotiations?

Score: A B C D E

Comments:

The licensing process and guidelines are specific as far as procedural matters are concerned: what applicants must do in order to apply online as a partner or vendor or licensee.

However, contract terms for licenses (duration, royalties, tax obligations), the geographic scope of the blocks and a complete description of the procedure for awarding a license (including bidder qualification procedures and auction rules in case of auction rounds or rules for contacting the licensing authority in case of negotiated process) are NOT all provided within these guidelines beforehand.

References:

- Petronas Licensing and Registration General Guidelines, <http://www.petronas.com.my/partnering-us/licensing-registration/Documents/Panduan%20Am%20Baru%20%20-%2028%20December%202011.pdf>
- Frequently Asked Questions on Licensing and Registration, <http://www.petronas.com.my/partnering-us/licensing-registration/faq/Documents/FAQ%20-%20ROS%20master%20upload%20format%2030%20Dec%202011%20Final2.pdf>
- Petronas, Vendor Engagement Session, December 2011, <http://www.petronas.com.my/partnering-us/licensing-registration/sus/Documents/Vendor%20Engagement%20Pack.zip>

1.2.006.b: What information does the government publish on the licensing process after negotiations?

Score: A B C D E

Comments:

After negotiations, Petronas only publishes a media release on its website on the details of the successful award of contract. No other details are publicly available.

References:

1. Petronas Media Release, 23rd February 2012: "Petronas Awards Contract for LNG Train 9 Project", <http://www.petronas.com.my/media-relations/media-releases/Pages/article/PETRONAS-AWARDS-CONTRACT-FOR-LNG-TRAIN-9-PROJECT.aspx>
2. Alan Kirupakaran Ariaratnam, Executive Director, Transparency International Malaysia, 5th March 2012, Transparency International Office Kuala Lumpur.

1.2 Contract transparency

1.2.007: Are all contracts, agreements or negotiated terms for exploration and production, regardless of the way they are granted, disclosed to the public?

Score: A B C **(D)** E

Comments:

Petronas does not publish contracts. Its media releases are the only source of information, which do contain some details about the blocks being awarded, minimum financial commitment (subject to later forfeiture) for the block, and percentage of partnership for each partner. All other negotiated aspects are not available.

References:

1. Petronas Media Release: 23rd February 2012, Petronas Awards Contract for LNG Train 9 Project, <http://www.petronas.com.my/media-relations/media-releases/Pages/article/PETRONAS-AWARDS-CONTRACT-FOR-LNG-TRAIN-9-PROJECT.aspx>
2. Interview with Alan Kirupakaran Ariaratnam, Executive Director, Transparency International Malaysia, 5th March 2012, Interview at Transparency International Office, Kuala Lumpur

1.2.008 Environmental and social impact assessments

1.2.008.a: Does legislation require that mining, gas and oil development projects prepare an environmental impact assessment prior to the award of any mineral rights or project implementation?

Score: **(A)** B C

Comments:

According to this order an EIA report is needed for mining of areas in excess of 250 hectares; ore processing and sand dredging (area bigger than 50 hectares).

An EIA report is needed for oil and gas field development; construction of off shore and on shore pipeline exceeding 50 km; construction of oil and gas separation, processing, handling and storage facilities; construction of oil refineries and construction of petroleum product depots (exempting petrol stations), within 3km of populated areas and with a combined storage facility of 60K barrels or more.

The process is: a preliminary report is made and then this can be passed, passed with conditions or failed by the DOE (at this stage it is the State DOE).

If the project is big enough (no clear indication what is big enough), then a detailed report is needed. This will be examined by an ad hoc DOE committee which may consist of NGOs and experts. Again the report can be passed, passed with conditions or failed.

There is unfortunately no prerequisite that an EIA Report must pass before the local government gives their OK. This means that it is possible for a project to go ahead without an EIA. All that will happen is that they will be fined, so this is indeed a serious loophole. The EIA passing muster by the DOE should be a prerequisite before the local government can give their approval.

Also as it stands the EIA consultants who are hired to prepare the report are paid for by the developer, hence conflict of interest and the unlikelihood that the report will be totally impartial.

References:

<http://www.doe.gov.my/v2/files/legislation/a0127.pdf>
Section 34A, Environmental Quality Act 1974

1.2.008.b: Are environmental impact assessments for oil, gas and mining projects published by the authority in charge of regulating the sector and is there a consultation process?

Score: A B C D E

Comments:

The Environmental Impact Assessment (EIA) is available for public review on the Department of Environment's website. However, it is unclear if any consultation process takes place following this.

Selected projects have Detailed Environmental Impact Assessments (DEIA) which are conducted in the same way, except that the public is able to write in to give their comments and feedback.

Note this is carried out by the DOE as there is no authority per se that regulates the oil and gas sector.

References:

http://gis.doe.gov.my/doewebsite/DOE_webpage_Laporan_dalam_Proses.asp
Environmental Impact Assessment (EIA) is available for public review on the Department of Environment's website.

Peer Review Comments:

The website for EIA reports can be found here:
<http://www.doe.gov.my/portal/developer/eia/eia-report-for-industry-review/>

1.2.008.c: Does legislation require that mining, gas and oil development projects prepare a social impact assessment?

Score: A B C

Comments:

There is no social impact assessment required by law, although the National Social Policy encourages and hopes towards that end. There is however a small social impact expected within the EIA although not extensive.

References:

None applicable

1.2.008.d: Are social impact assessments for oil, gas and mining projects published and is there a consultation process?

Score: A B C D E

Comments:

Because there is nothing that compels anyone to carry out a social impact assessment, these are not

conducted. However, there are times in which fishermen are affected by oil and gas development projects. In such cases, they would rally a protest, and only then companies would give compensation on their losses. In other cases, they might be given warnings to stay away from certain seismic lines on sea. In Malaysia, social impact assessments would be relevant only to those operating at sea as all oil and gas extraction is offshore.

References:

Interview with former industry player (anonymous), 4th April 2012, Bangsar.

Interview with Bryan Lee, retired industry player, 2nd April 2012, telephone interview.

1.2 Access to information and legislation

1.2.009: Does the government publish detailed mineral/hydrocarbon resource legislation?

Score: A B C D E

Comments:

The Petroleum Development Act 1974 is extremely short (only 6 pages long) and does not contain any indication of key principles or fiscal terms.

References:

<http://www.agc.gov.my/Akta/Vol.%203/Act%20144.pdf>
Petroleum Development Act 1974

Interview with Rafizi Ramli, former employee of Petronas, currently Strategic Director of the People's Justice Party (PKR), 13th March 2012, 12pm.

Peer Review Comments:

The other important piece of legislation on mineral resources is the Mineral Development Act 1994 (Act 525). It does not contain any indication of key principles or fiscal terms either.

The Act can be found here: <http://www.agc.gov.my/Akta/Vol.%2011/Act%20525.pdf>

1.2.010: This country has adopted a rule or legislation that provides for disclosure of information in the oil, gas and mineral sectors.

Score: A B C D E

Comments:

There is no Freedom of Information Act (FOIA) at the Federal government level. In fact, the Official Secrets Act 1972 (OSA) controls government information and any information considered as sensitive and affecting national security.

However, several subsidiaries of Petronas are publicly listed and therefore are subject to the rules and regulations stipulated by the Securities Commission and Kuala Lumpur Stock Exchange (KLSE). The listed subsidiaries are: Petronas Chemicals, Petronas Dagangan, Petronas Gas Berhad.

References:

<http://www.agc.gov.my/Akta/Vol.%202/Act%2088.pdf>
Official Secrets Act 1972

http://www.bursamalaysia.com/website/bm/regulation/rules/listing_requirements/
Malaysian Stock Exchange (Bursa Malaysia) Listing requirements

<http://www.sc.com.my/eng/html/cmsa/licensinghandbook.pdf>


Securities Commission Licensing Rules

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Legal Framework and Practices

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Indicator	Score
1.3 Legal Framework and Practices	6 

1.3 Legal Framework and Practices

1.3.011: The authority in charge of awarding licenses or contracts for mineral or hydrocarbon production is independent of the state owned company (SOC) or other operating companies.

Score: A B C

Comments:

As per the Petroleum Development Act 1974, Petronas is vested with the entire ownership and control of Malaysia's petroleum resources. Petronas is wholly owned by the Government of Malaysia and is accountable directly to the Prime Minister.

References:

Petronas as the state-owned company has the authority to award licences or contracts.

<http://www.agc.gov.my/Akta/Vol.%203/Act%20144.pdf>
Petroleum Development Act 1974

Peer Review Comments:

In addition to Petronas for petroleum minerals, the State itself is empowered to grant licenses for non-petroleum mineral mining and extraction. In both cases, there is no independence from the state. The process can be accessed here.

<http://www.jmg.gov.my/my/faqs/2-general-faqs/26-how-to-do-mining-in-malaysia.html>

1.3.012: Is the licensing process intended to be open and competitive to all qualified companies?

Score: A B C D E

Comments:

Petronas Licensing Guidelines require that any company must have Bumiputera (indigenous/Malay) involvement at the equity, directorship, management and employee levels at certain levels, i.e. 30%, 51% or 100% depending on the sorts of licensing being granted by Petronas. This can lead to uncompetitive results as selection is not based on expertise and merit only, but based on ethnic composition of the company selected.

References:

Petronas Licensing Guidelines
Petronas Licensing and Registration (Vendor Engagement Session)

1.3.013: Does the licensing process or legislation impose limits to discretionary powers of the authority in charge of awarding licenses or contracts?

Score: A B C **(D)** E

Comments:

The Petroleum Development Act 1974 defines the licensing procedure so loosely that it does not determine any key principles in this context. Investigative reports have reflected Petronas's ability to make licensing changes without having to follow any approval process. Such changes are reported within their annual report, but no legislative changes are required.

References:

<http://www.theedgemaalaysia.com/in-the-financial-daily/195157-petronas-licensing-changes-to-affect-smaller-players.html>

Media article from The Edge

<http://www.agc.gov.my/Akta/Vol.%203/Act%20144.pdf>

Petroleum Development Act 1974

1.3.014: Does the legislative branch have any oversight role regarding contracts and licenses in the oil, gas and mining sector?

Score: A B C **(D)** E

Comments:

The Petroleum Development Act 1974 stipulates that Petronas is accountable to and reports directly to the Prime Minister of Malaysia. There is no Parliamentary oversight on any of the oil and gas activities at Petronas. This is confirmed by a Member of Parliament himself, who states that Parliament receives no reports, accounts or otherwise on contracts and licenses of the oil and gas sector.

References:

Interview with Liew Chin Tong, Member of Parliament for Bukit Bendera (Penang), Democratic Action Party, 6th March 2012, Bangsar Shopping Centre.

<http://www.cpps.org.my/downloads/factsheets/Oil%20and%20gas%20factsheet.pdf>

Policy Factsheet on Oil and Gas by the Centre for Public Policy Studies

<http://www.agc.gov.my/Akta/Vol.%203/Act%20144.pdf>

Petroleum Development Act 1974

1.3.015: Is there a due process to appeal licensing decisions?

Score: A **(B)** C

Comments:

There have been many incidents cited during which Petronas has intervened in the licensing process despite outcomes having been decided upon already. In Malaysia, oil companies like Shell or ExxonMobil are compelled to ensure that even their appointed vendors are those who have already registered with Petronas under their Vendor Development Programme. Petronas therefore has a tremendous say over the licences provided, and the vendors eventually selected for all products or services, technical and non-technical.

References:

[http://thestar.com.my/columnists/story.asp?](http://thestar.com.my/columnists/story.asp?col=aquestionofbusiness&file=/2011/2/26/columnists/aquestionofbusiness/8123773&sec=A)

[col=aquestionofbusiness&file=/2011/2/26/columnists/aquestionofbusiness/8123773&sec=A](http://thestar.com.my/columnists/story.asp?col=aquestionofbusiness&file=/2011/2/26/columnists/aquestionofbusiness/8123773&sec=A)

Column by P Gunasegaram, The Star

Interview with former industry player, (Anonymous), 4th April 2012, Bangsar.

1.3.016: Is there a legal or regulatory requirement to disclose all beneficial ownership in oil, gas and mining companies or projects?**Score:** A (B) C**Comments:**

No law exists requiring disclosure of beneficial ownership, but academic articles have shown that Malaysian companies (not necessarily oil and gas companies) have resorted to nominee companies to conceal politicians' ownership of corporate equity from public scrutiny (http://www.cpps.org.my/resource_centre/Corporate_Equity_Distribution.pdf)

See also Gomez, Edmund Terence (1990), *Politics in Business: UMNO's Corporate Investments*, Kuala Lumpur: Forum, which outlines the details of political party UMNO's heavy involvement in the corporate sector. Note this against the context of the fact that Mokhzani Mahathir, the former Prime Minister Mahathir's son, is the CEO of Kencana Energy, one of the recipients of the first Risk Service Contract (RSC) awarded by Petronas under its new model implemented in 2011.

References:

None available

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Context

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Indicator	Score
2.1 Context	33 ■

2.1 Context

2.1.017: Does the government receive in-kind payments instead of financial payments from resource companies?

Score: A B C

Comments:

Petronas (as a state-owned company and therefore under the Government of Malaysia) does receive its payments in kind.

Under the Production Sharing Contract, the oil companies operating in Malaysia (Shell, ExxonMobil and others) are obliged to make their payments to Petronas in kind (oil or gas). Petronas then makes its sale of resources, and makes financial payments to the Federal Government and/or State Governments.

References:

Interview with former private sector industry player (Anonymous), 4th April 2012, Bangsar.

Peer Review Comments:

<http://www.myiem.org.my/assets/download/JanBul05.pdf>

2.1.018: If the government or state owned companies sell physical commodities (oil, gas or minerals) from in-kind payments or own production, is there information about how these commodities are marketed?

Score: A B C D E

Comments:

Petronas' Annual Reports state the financial value of exports. In its 2011 Annual Report, revenue from exports increased by 22% to RM92.5 billion due to "higher revenue earned from the export of LNG, crude oil and condensates." Revenue from exports contributed 38.3% to the Group's revenue.

References:

Petronas Annual Report 2011

http://www.google.com.my/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CC0QFjAA&url=http%3A%2F%2Fwww.petronas.com.my%2Finvestor-relations%2FDocuments%2Fannual-report%2FAnnualReport2011.pdf&ei=00p9T9maC8TrrQfK7OzdDA&usg=AFQjCNFtdgVi_nxyXE1dO_5GrKSt5CtCZg

2.1.019: What authority actually collects payments from resource companies?

Score: A B **C** D E

Comments:

The Petroleum Development Act 1974 vests all powers and responsibilities related to the oil and gas industry to Petronas. This does not explicitly state its role in collecting revenues, but this is implicitly recognised since Petronas is expected, and does, make payments accrued by the oil and gas sector to the Government of Malaysia. This is evidenced within the documents cited here.

References:

Government and Management of Resource Revenue: Malaysia by Zainal Aznam Yusof, Oxford Centre for the Analysis of Resource Rich Economies (OXCARE), University of Oxford, January 2009.

[http://www.google.com.my/url?](http://www.google.com.my/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&ved=0CDUQFjAC&url=http%3A%2F%2Fwww.petronas.com.my%2Finvestor-relations%2FDocuments%2Fannual-report%2FAnnualReport2011.pdf&ei=fvt1T6fzDYbRrQfcvuydDQ&usg=AFQjCNFtdgVi_nxyXE1dO_5GrKSt5CtCZg)

[sa=t&rct=j&q=&esrc=s&source=web&cd=3&ved=0CDUQFjAC&url=http%3A%2F%2Fwww.petronas.com.my%2Finvestor-relations%2FDocuments%2Fannual-report%2FAnnualReport2011.pdf&ei=fvt1T6fzDYbRrQfcvuydDQ&usg=AFQjCNFtdgVi_nxyXE1dO_5GrKSt5CtCZg](http://www.google.com.my/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&ved=0CDUQFjAC&url=http%3A%2F%2Fwww.petronas.com.my%2Finvestor-relations%2FDocuments%2Fannual-report%2FAnnualReport2011.pdf&ei=fvt1T6fzDYbRrQfcvuydDQ&usg=AFQjCNFtdgVi_nxyXE1dO_5GrKSt5CtCZg)

Petronas Annual Report 2011

<http://www.agc.gov.my/Akta/Vol.%203/Act%20144.pdf>

Petroleum Development Act 1974

Peer Review Comments:











This is only true of petroleum resources.

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Disclosure

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Indicator		Score
2.2A.020	Does the Ministry of Finance publish periodical information on revenue generation?	38 
2.2A.020.j	Does the Ministry of Finance publish information on disaggregated revenue streams?	67 
2.2A	Quality of reports	67 
2.2B.020	Does the Ministry of the extractive sector publish information on revenue generation?	N/A
2.2B.020.j	Does the Ministry of the extractive sector publish information on disaggregated revenue streams?	N/A
2.2B	Quality of reports	N/A
2.2C.020	Does a Regulatory Agency publish information on revenue generation?	N/A
2.2C.020.j	Does a Regulatory Agency publish information on disaggregated revenue streams?	N/A
2.2C	Quality of reports	N/A
2.2D.020	Does the Central Bank publish information on revenue generation?	33 
2.2D.020.j	Does the Central Bank publish information on disaggregated revenue streams?	0 
2.2D	Quality of reports	84 
2.2E.020	Does any other government agency or entity publish information on revenue generation?	44 
2.2E.020.j	Does any other government agency or entity publish information on disaggregated revenue streams?	48 
2.2E	Quality of reports	67 
2.2	Public sector balance	44 

2.2A.020 Does the Ministry of Finance publish periodical information on revenue generation?

2.2A.020.a: Reserves

Score: A B C **(D)** E

References:

Ministry of Finance Website - www.treasury.gov.my

Information on Reserves not provided.

2.2A.020.b: Production volumes

Score: A B C D E

References:

Ministry of Finance Economic Report 2011/2012
Production, Export and Prices of Major Primary Commodities
http://www.treasury.gov.my/pdf/ekonomi/le/1112/jp3_4.pdf

2.2A.020.c: Information on prices

Score: A B C D E

References:

Ministry of Finance Economic Report 2011/2012
Production, Export and Prices of Major Primary Commodities
http://www.treasury.gov.my/pdf/ekonomi/le/1112/jp3_4.pdf

2.2A.020.d: Value of resource exports

Score: A B C D E

References:

Ministry of Finance Economic Report 2011/2012
Production, Export and Prices of Major Primary Commodities
http://www.treasury.gov.my/pdf/ekonomi/le/1112/jp3_4.pdf

2.2A.020.e: Estimates of investment in exploration and development

Score: A B C D E

References:

Ministry of Finance Website - www.treasury.gov.my
Information on Estimates of Investments not provided

Peer Review Comments:

General investment levels by sector are published, without specifying which part of that would be allocated for exploration and development.

2.2A.020.f: Production costs

Score: A B C D E

References:

Ministry of Finance Website: <http://www.treasury.gov.my>
Information on production costs not available.

2.2A.020.g: Names of companies operating in country

Score: A B C **(D)** E

References:

Ministry of Finance Website: <http://www.treasury.gov.my>
Information on names of companies operating in the country not available.

Peer Review Comments:

The information is not available from the Ministry of Finance, but, even though not available online for free, one can purchase it from the Ministry of Natural Resources and Environment website:

<http://www.jmg.gov.my/en/products/716-industrials-mineral-production-statistics-and-directory-of-producers-in-malaysia.html?catid=6%3Apublications>

<http://www.jmg.gov.my/en/products/112-directory-of-mineral-producers-and-statistics-of-mineral-based-industries.html?catid=6%3Apublications>

2.2A.020.h: Production data by company and/or block

Score: A B C **(D)** E

References:

Ministry of Finance Website: <http://www.treasury.gov.my>
Information on production data by company and/or block not available.

2.2A.020.i: Cost of subsidies or social investments paid by mineral revenue

Score: A B C D **(E)**

Comments:

The Federal Constitution provides:

Consolidated Funds

97. (1) All revenues and moneys howsoever raised or received by the Federation shall, subject to the provisions of this Constitution and of federal law, be paid into and form one fund, to be known as the Federal Consolidated Fund.

As such, raised mineral revenue would contribute to the Federal Consolidated Fund and the Cost of subsidies or social investments would come out of the consolidated fund.

References:

-

2.2A.020.j Does the Ministry of Finance publish information on disaggregated revenue streams?

2.2A.020.j1: Production streams value

Score: **(A)** B C D E

Comments:

Value of production of oil expressed in Ringgit Malaysia (RM)

References:

Ministry of Finance Economic Report 2011/2012

Production, Export and Prices of Major Primary Commodities
http://www.treasury.gov.my/pdf/ekonomi/le/1112/jp3_4.pdf

Peer Review Comments:

Information is aggregated for production streams value by crude petroleum, natural gas, liquified natural gas, and tin.

2.2A.020.j2: Government s share in PSC

Score: A B C **(D)** E

References:

Ministry of Finance Website: <http://www.treasury.gov.my/>
Information on Government shares in PSCs not available

2.2A.020.j3: Royalties

Score: **(A)** B C D E

Comments:

Royalties are part of NON-TAX REVENUES, which is listed as a distinct and separate item in the document "Federal Government Revenue Generation 2008-2012", but in the Ministry of Finance Economic Report 2011/2012, Federal Government Revenue, this is subsumed under a general header "Non-Tax Revenues" with no isolated figure for petroleum royalties.

References:

Ministry of Finance Economic Report 2011/2012
Federal Government Revenue
http://www.treasury.gov.my/pdf/ekonomi/le/1112/jp4_3.pdf

Ministry of Finance
Economic Data
FEDERAL GOVERNMENT REVENUE 1970-2010
http://www.treasury.gov.my/index.php?option=com_content&view=article&id=179&Itemid=207&lang=my

2.2A.020.j4: Special taxes (e.g. withholding taxes, excise taxes, excess earning taxes, charged on extractive companies)

Score: **(A)** B C D E

Comments:

Excise Taxes and Specific Export Taxes for Petroleum are provided.

References:

Ministry of Finance Economic Report 2011/2012
Federal Government Revenue
http://www.treasury.gov.my/pdf/ekonomi/le/1112/jp4_3.pdf

Peer Review Comments:

These taxes are provided for petroleum only, no information for other mineral resources.

2.2A.020.j5: Dividends

Score: (A) B C D E

Comments:

Ministry of Finance Economic Report 2011/2012

Federal Government Revenue

Non-Tax Revenue includes Government commercial undertakings, interests and return on investments.

This might include Dividends but this is unclear.

Ministry of Finance

Economic Data

FEDERAL GOVERNMENT REVENUE 1970-2010

Dividends recorded as RM 30 Billion

References:

Ministry of Finance Economic Report 2011/2012

Federal Government Revenue

http://www.treasury.gov.my/pdf/ekonomi/le/1112/jp5_1.pdf

Ministry of Finance

Economic Data

FEDERAL GOVERNMENT REVENUE 1970-2010

[http://www.treasury.gov.my/index.php?](http://www.treasury.gov.my/index.php?option=com_content&view=article&id=179&Itemid=207&lang=my)

[option=com_content&view=article&id=179&Itemid=207&lang=my](http://www.treasury.gov.my/index.php?option=com_content&view=article&id=179&Itemid=207&lang=my)

2.2A.020.j6: Bonuses

Score: A B C (D) E

References:

Ministry of Finance Website - www.treasury.gov.my

Information on Bonuses not provided.

2.2A.020.j7: License fees

Score: (A) B C D E

Comments:

NON-TAX REVENUES captures License Fees.

Arrangements between Oil Companies and Government are not specified.

References:

Ministry of Finance Economic Report 2011/2012

Federal Government Revenue

http://www.treasury.gov.my/pdf/ekonomi/le/1112/jp4_3.pdf

Peer Review Comments:

The information given is an overall number to indicate non-tax revenue, and does not indicate the exact amount that comes from licenses. Furthermore, it does not indicate how much comes from each of the mineral extractions.

2.2A.020.j8: Acreage fees

Score: A B C (D) E

References:

Ministry of Finance Website - www.treasury.gov.my
Information on Acreage Fees not provided.

2.2A.020.j9: Other (Explain in 'comments' box.)

Score: A B C D E

Comments:

Federal Government Revenue" lists "Petroleum Income Tax" and "Petroleum Excise Duties". The MOF's revenue estimates contains information on royalties, petroleum permits, export taxes, and petroleum income tax.

References:

Ministry of Finance Economic Report 2011/2012
Federal Government Revenue
http://www.treasury.gov.my/pdf/ekonomi/le/1112/jp4_3.pdf

2.2A Quality of reports

2.2A.021: Are periodical reports containing information on revenue generation published by the Ministry of Finance understandable?

Score: A B C D E

Comments:

The Chapters of the Economic Report attached cover all the statistical information given thus far within this segment of the questionnaire which meet the requirements set above.

References:

Ministry of Finance
Economic Report 2011/2012

CHAPTER 1 Economic Management and Prospects
<http://www.treasury.gov.my/pdf/economy/er/1112/chap1.pdf>

CHAPTER 2 International Economic Performance and Cooperation
<http://www.treasury.gov.my/pdf/economy/er/1112/chap2.pdf>

CHAPTER 3 Economic Performance and Prospects
<http://www.treasury.gov.my/pdf/economy/er/1112/chap3.pdf>

CHAPTER 4 Public Sector Finance
<http://www.treasury.gov.my/pdf/economy/er/1112/chap4.pdf>

CHAPTER 5 Monetary and Financial Developments
<http://www.treasury.gov.my/pdf/economy/er/1112/chap5.pdf>

2.2A.022: How often are the periodical reports containing information on revenue generation published by the Ministry of Finance?

Score: A B C D E

Comments:

Reports are produced on an annual basis by the Ministry of Finance

References:

Ministry of Finance - Economic Reports (Annual)

<http://www.treasury.gov.my/index.php?>

[option=com_content&view=category&id=73&Itemid=174&lang=en](http://www.treasury.gov.my/index.php?option=com_content&view=category&id=73&Itemid=174&lang=en)

2.2B.020 Does the Ministry of the extractive sector publish information on revenue generation?

2.2B.020.a: Reserves

Score: A B C D E

Comments:

The Ministry of Natural Resources and Environment is in charge of land, mineral and geoscience, forestry, biodiversity, environment and water. Under the "mineral and geoscience" areas, the ministry has authority over minerals such as bauxite and tin, but it does not oversee the extraction of oil and gas. The Petroleum Development Act 1974 regulates everything related to the extraction of oil and gas and gives authority over the sector to Petronas.

In this research, the focus is on Malaysia's oil and gas sector and this section is considered not applicable.

References:

-

Peer Review Comments:

The Ministry responsible for mineral resources in Malaysia is the Ministry of Natural Resources and Environment (<http://www.nre.gov.my>)

2.2B.020.b: Production volumes

Score: A B C D E

Comments:

See comments to previous question.

References:

-

Peer Review Comments:

The Ministry of Natural Resources and Environment produces reports that are for sale on its website:

[http://www.jmg.gov.my/en/products/109-malaysian-mining-industry-reports.html?](http://www.jmg.gov.my/en/products/109-malaysian-mining-industry-reports.html?catid=6%3Apublications)

[catid=6%3Apublications](http://www.jmg.gov.my/en/products/109-malaysian-mining-industry-reports.html?catid=6%3Apublications) - Malaysian Mining Industry Report and statistics.

2.2B.020.c: Information on prices

Score: A B C D E

Comments:

See comments to previous question.

References:

-

Peer Review Comments:Ministry of Natural Resources and Environment: <http://www.jmg.gov.my/en/products.html>**2.2B.020.d: Value of resource exports**Score: A B C D E**Comments:**

See comments to previous question.

References:

-

Peer Review Comments:Ministry of Natural Resources and Environment: <http://www.jmg.gov.my/en/products.html>**2.2B.020.e: Estimates of investment in exploration and development**Score: A B C D E**Comments:**

See comments to previous question.

References:

-

Peer Review Comments:Ministry of Natural Resources and Environment: <http://www.jmg.gov.my/en/products.html>**2.2B.020.f: Production costs**Score: A B C D E**Comments:**

See comments to previous question.

References:

-

Peer Review Comments:Ministry of Natural Resources and Environment: <http://www.jmg.gov.my/en/products.html>**2.2B.020.g: Names of companies operating in country**Score: A B C D E**Comments:**

See comments to previous question.

References:

-

Peer Review Comments:

Ministry of Natural Resources and Environment's reports: <http://www.jmg.gov.my/en/products/112-directory-of-mineral-producers-and-statistics-of-mineral-based-industries.html?catid=6%3Apublications>

2.2B.020.h: Production data by company and/or block**Score:** A B C D E**Comments:**

See comments to previous question.

References:

-

Peer Review Comments:

Ministry of Natural Resources and Environment: <http://www.jmg.gov.my/en/products.html>

2.2B.020.i: Cost of subsidies or social investments paid by mineral revenue**Score:** A B C D E**Comments:**

See comments to previous question.

References:

-

2.2B.020.j Does the Ministry of the extractive sector publish information on disaggregated revenue streams?

2.2B.020.j1: Production streams value**Score:** A B C D E**Comments:**

See comments to previous question.

References:

-

Peer Review Comments:

Ministry of Natural Resources and Environment: <http://www.jmg.gov.my/en/products.html>

2.2B.020.j2: Government s share in PSC**Score:** A B C D E

Comments:

See comments to previous question.

References:

-

Peer Review Comments:

Ministry of Natural Resources and Environment <http://www.jmg.gov.my/en/products.html>

2.2B.020.j3: Royalties

Score: A B C D E

Comments:

See comments to previous question.

References:

-

Peer Review Comments:

Ministry of Natural Resources and Environment: <http://www.jmg.gov.my/en/products.html>

2.2B.020.j4: Special taxes (e.g. withholding taxes, excise taxes, excess earning taxes, charged on extractive companies)

Score: A B C D E

Comments:

See comments to previous question.

References:

-

Peer Review Comments:

Ministry of Natural Resources and Environment <http://www.jmg.gov.my/en/products.html>

2.2B.020.j5: Dividends

Score: A B C D E

Comments:

See comments to previous question.

References:

-

Peer Review Comments:

Ministry of Natural Resources and Environment: <http://www.jmg.gov.my/en/products.html>

2.2B.020.j6: Bonuses

Score: A B C D E

Comments:

See comments to previous question.

References:

-

2.2B.020.j7: License fees

Score: A B C D E

Comments:

See comments to previous question.

References:

-

Peer Review Comments:

The ministry of the Natural Resources and Environment has a page for license applications for extracting and trading minerals, which also state the fees for such licenses. However, these do not include licenses for petroleum.

<http://www.jmg.gov.my/en/business/licence-applications.html>

2.2B.020.j8: Acreage fees

Score: A B C D E

Comments:

See comments to previous question.

References:

-

2.2B.020.j9: Other (Explain in 'comments' box.)

Score: A B C D E

Comments:

See comments to previous question.

References:

-

2.2B Quality of reports

2.2B.021: Are periodical reports containing information on revenue generation published by the Ministry of the extractive sector understandable?

Score: A B C D (E)

Comments:

See comments to previous question.

References:

-

Peer Review Comments:

Reports produced by the Ministry of Natural Resources and Environment are not available for free and need to be purchased for review. Therefore these are not publicly available.

2.2B.022: How often are the periodical reports containing information on revenue generation published by the Ministry of the extractive sector?

Score: A B C D (E)

Comments:

See comments to previous question.

References:

-

Peer Review Comments:

Reports published by the Ministry of Natural Resources and Environment are published annually.

2.2C.020 Does a Regulatory Agency publish information on revenue generation?

2.2C.020.a: Reserves

Score: A B C D (E)

Comments:

There is no regulatory body over the oil and gas industry as Petronas is vested with the entire rights over the petroleum sector.

The PETROLEUM DEVELOPMENT ACT 1974 provides:

2. (1) The entire ownership in, and the exclusive rights, powers, liberties and privileges of exploring, exploiting, winning and obtaining petroleum whether onshore or offshore of Malaysia shall be vested in a Corporation to be incorporated under the Companies Act 1965 or under the law relating to incorporation of companies.

3. (1) Notwithstanding section 22 of the Companies Act 1965, relating to the names of companies, the Corporation shall be styled as the Petroleum Nasional Berhad or in short form PETRONAS.

7. The Prime Minister may make regulations for the purpose of carrying into effect the provisions of this Act.

References:

Petroleum Development Act 1974

Peer Review Comments:

Petroleum sector is managed by Petronas which acts as operator and regulator. However, for the rest of

mineral resources, the regulator is the Ministry of Natural Resources and Environment - <http://www.jmg.gov.my/en/products.html>

2.2C.020.b: Production volumes

Score: A B C D E

Comments:

See comments in 2.2C.020.a (there is no regulatory body over the oil and gas industry).

References:

Petroleum Development Act 1974

2.2C.020.c: Information on prices

Score: A B C D E

Comments:

Refer to note in 2.2C.020.a (there is no regulatory body in the oil and gas industry).

References:

Petroleum Development Act 1974

2.2C.020.d: Value of resource exports

Score: A B C D E

Comments:

Refer to note in 2.2C.020.a (There is no regulatory body in the oil and gas industry).

References:

Petroleum Development Act 1974

2.2C.020.e: Estimates of investment in exploration and development

Score: A B C D E

Comments:

Refer to note in 2.2C.020.a (There is no regulatory body in the oil and gas industry).

References:

Petroleum Development Act 1974

2.2C.020.f: Production costs

Score: A B C D E

Comments:

Refer to note in 2.2C.020.a (There is no regulatory body in the oil and gas industry).

References:

Petroleum Development Act 1974

2.2C.020.g: Names of companies operating in country

Score: A B C D E

Comments:

Refer to note in 2.2C.020.a (There is no regulatory body in the oil and gas industry).

References:

Petroleum Development Act 1974

2.2C.020.h: Production data by company and/or block

Score: A B C D E

Comments:

Refer to note in 2.2C.020.a (There is no regulatory body in the oil and gas industry).

References:

Petroleum Development Act 1974

2.2C.020.i: Cost of subsidies or social investments paid by mineral revenue

Score: A B C D E

Comments:

Refer to note in 2.2C.020.a (There is no regulatory body in the oil and gas industry).

References:

Petroleum Development Act 1974

2.2C.020.j Does a Regulatory Agency publish information on disaggregated revenue streams?

2.2C.020.j1: Production streams value

Score: A B C D E

Comments:

Refer to note in 2.2C.020.a (There is no regulatory body in the oil and gas industry).

References:

Petroleum Development Act 1974

2.2C.020.j2: Government s share in PSC

Score: A B C D E

Comments:

Refer to note in 2.2C.020.a (There is no regulatory body in the oil and gas industry).

References:

Petroleum Development Act 1974

2.2C.020.j3: Royalties

Score: A B C D E

Comments:

Refer to note in 2.2C.020.a (There is no regulatory body in the oil and gas industry).

References:

Petroleum Development Act 1974

2.2C.020.j4: Special taxes (e.g. withholding taxes, excise taxes, excess earning taxes, charged on extractive companies)

Score: A B C D E

Comments:

Refer to note in 2.2C.020.a (There is no regulatory body in the oil and gas industry).

References:

Petroleum Development Act 1974

2.2C.020.j5: Dividends

Score: A B C D E

Comments:

Refer to note in 2.2C.020.a (There is no regulatory body in the oil and gas industry).

References:

Petroleum Development Act 1974

2.2C.020.j6: Bonuses

Score: A B C D E

Comments:

Refer to note in 2.2C.020.a (There is no regulatory body in the oil and gas industry).

References:

Petroleum Development Act 1974

2.2C.020.j7: License fees

Score: A B C D E

Comments:

Refer to note in 2.2C.020.a (There is no regulatory body in the oil and gas industry).

References:

Petroleum Development Act 1974

2.2C.020.j8: Acreage fees

Score: A B C D E

Comments:

Refer to note in 2.2C.020.a (There is no regulatory body in the oil and gas industry).

References:

Petroleum Development Act 1974

2.2C.020.j9: Other (Explain in 'comments' box.)

Score: A B C D E

Comments:

Refer to note in 2.2C.020.a (There is no regulatory body in the oil and gas industry).

References:

Petroleum Development Act 1974

2.2C Quality of reports

2.2C.021: Are periodical reports containing information on revenue generation published by the Regulatory Agency understandable?

Score: A B C D E

Comments:

Refer to note in 2.2C.020.a (There is no regulatory body in the oil and gas industry).

References:

Petroleum Development Act 1974

2.2C.022: How often are the periodical reports containing information on revenue generation published by the Regulatory Agency?

Score: A B C D E

Comments:

Refer to note in 2.2C.020.a (There is no regulatory body in the oil and gas industry).

References:

Petroleum Development Act 1974

2.2D.020 Does the Central Bank publish information on revenue generation?

2.2D.020.a: Reserves

Score: A B C **(D)** E

Comments:

Information on Reserves of quantity of oil, gas and minerals estimated to be recoverable from known fields under existing economic and operation conditions not provided.

References:

Central Bank of Malaysia Website - www.bnm.gov.my

Information on Reserves of quantity of oil, gas and minerals estimated to be recoverable from known fields under existing economic and operation conditions not provided.

2.2D.020.b: Production volumes

Score: **(A)** B C D E

Comments:

Growth of Petroleum products are provided as an indices with base rate 2005=100

References:

Bank Negara Malaysia Annual Report 2010

Table A.2 - Growth in Manufacturing Production

http://www.bnm.gov.my/files/publication/ar/en/2010/zcp07_table_A.02.pdf

2.2D.020.c: Information on prices

Score: **(A)** B C D E

References:

Bank Negara Malaysia Annual Report 2010

Table A.6 - Private Consumption Indicator

Commodity prices - Crude oil (USD/barrel)

http://www.bnm.gov.my/files/publication/ar/en/2010/zcp07_table_A.06.pdf

Bank Negara Malaysia Annual Report 2010

Table A.10 - Exports of Primary Commodities

Commodity exports

http://www.bnm.gov.my/files/publication/ar/en/2010/zcp07_table_A.10.pdf

2.2D.020.d: Value of resource exports

Score: **(A)** B C D E

References:

Bank Negara Malaysia Annual Report 2010

Table A.10 - Exports of Primary Commodities

Commodity exports

http://www.bnm.gov.my/files/publication/ar/en/2010/zcp07_table_A.10.pdf

Bank Negara Malaysia Annual Report 2010
Tables A.17 & A.18 Principal Export Markets for Crude Oil & LNG
http://www.bnm.gov.my/files/publication/ar/en/2010/zcp07_table_A.17.pdf

2.2D.020.e: Estimates of investment in exploration and development

Score: A B C **(D)** E

Comments:

Even though specific information is not provided, the report says this:
"Investments in the oil and gas sector were mainly for extraction operations and production activities."
(Page 53)

Bank Negara Malaysia Annual Report 2010
http://www.bnm.gov.my/files/publication/ar/en/2010/ar2010_book.pdf

References:

Bank Negara Malaysia Annual Report 2010
Table A.7 - Private Investment Indicators
http://www.bnm.gov.my/files/publication/ar/en/2010/zcp07_table_A.07.pdf

Information Estimates of investment in exploration and development not available.

Peer Review Comments:

Aside from the Central Bank's Annual Reports, (latest one currently is 2011 Annual Report)), some information is published at <http://www.bnm.gov.my/index.php?ch=11>. However, nothing that provides this information is published there either.

2.2D.020.f: Production costs

Score: A B C **(D)** E

Comments:

Information not provided

References:

Bank Negara Malaysia Annual Report 2010
<http://www.bnm.gov.my/index.php?ch=109&pg=333&ac=81&yr=2010&eId=box2>

Information not provided

2.2D.020.g: Names of companies operating in country

Score: A B C **(D)** E

Comments:

Information not provided

References:

Bank Negara Malaysia Annual Report 2010
<http://www.bnm.gov.my/index.php?ch=109&pg=333&ac=81&yr=2010&eId=box2>

Information not provided

2.2D.020.h: Production data by company and/or block

Score: A B C D E

Comments:

Information not provided

References:

Bank Negara Malaysia Annual Report 2010

<http://www.bnm.gov.my/index.php?ch=109&pg=333&ac=81&yr=2010&eId=box2>

Information not provided

2.2D.020.i: Cost of subsidies or social investments paid by mineral revenue

Score: A B C D E

Comments:

Information not provided

References:

Bank Negara Malaysia Annual Report 2010

<http://www.bnm.gov.my/index.php?ch=109&pg=333&ac=81&yr=2010&eId=box2>

Information not provided

2.2D.020.j Does the Central Bank publish information on disaggregated revenue streams?

2.2D.020.j1: Production streams value

Score: A B C D E

Comments:

Information not provided

References:

Bank Negara Malaysia Annual Report 2010

<http://www.bnm.gov.my/index.php?ch=109&pg=333&ac=81&yr=2010&eId=box2>

Information not provided

2.2D.020.j2: Government s share in PSC

Score: A B C D E

Comments:

Information not provided

References:

Bank Negara Malaysia Annual Report 2010

<http://www.bnm.gov.my/index.php?ch=109&pg=333&ac=81&yr=2010&eId=box2>

Information not provided

2.2D.020.j3: Royalties

Score: A B C D E

Comments:

Information not provided.

References:

Bank Negara Malaysia Annual Report 2010

<http://www.bnm.gov.my/index.php?ch=109&pg=333&ac=81&yr=2010&eId=box2>

Information not provided.

2.2D.020.j4: Special taxes (e.g. withholding taxes, excise taxes, excess earning taxes, charged on extractive companies)

Score: A B C D E

Comments:

Information not provided

References:

Bank Negara Malaysia Annual Report 2010

<http://www.bnm.gov.my/index.php?ch=109&pg=333&ac=81&yr=2010&eId=box2>

Information not provided

2.2D.020.j5: Dividends

Score: A B C D E

Comments:

Information not provided.

References:

Bank Negara Malaysia Annual Report 2010

<http://www.bnm.gov.my/index.php?ch=109&pg=333&ac=81&yr=2010&eId=box2>

Information not provided.

2.2D.020.j6: Bonuses

Score: A B C D E

Comments:

Information not provided

References:

Bank Negara Malaysia Annual Report 2010

<http://www.bnm.gov.my/index.php?ch=109&pg=333&ac=81&yr=2010&eId=box2>

Information not provided

2.2D.020.j7: License fees

Score: A B C D E

Comments:

Information not provided.

References:

Bank Negara Malaysia Annual Report 2010

<http://www.bnm.gov.my/index.php?ch=109&pg=333&ac=81&yr=2010&eId=box2>

Information not provided.

2.2D.020.j8: Acreage fees

Score: A B C D E

Comments:

Information not provided.

References:

Bank Negara Malaysia Annual Report 2010

<http://www.bnm.gov.my/index.php?ch=109&pg=333&ac=81&yr=2010&eId=box2>

Information not provided.

2.2D.020.j9: Other (Explain in 'comments' box.)

Score: A B C D E

Comments:

The Central Bank of Malaysia does not publish information specific to revenue generation, but there are some statistics published on crude oil prices and its impact on the national economy.

References:

Bank Negara Malaysia Annual Report 2010

<http://www.bnm.gov.my/index.php?ch=109&pg=333&ac=81&yr=2010&eId=box2>

2.2D Quality of reports

2.2D.021: Are periodical reports containing information on revenue generation published by the Central Bank understandable?

Score: A B C D E

Comments:

The Bank Negara Malaysia Annual Reports are well written, narrative, and with numerous statistical

notes. However, regarding the petroleum sector, it only publishes information related to prices, exports and volumes, nothing on revenues.

References:

Bank Negara Malaysia Annual Report 2010

<http://www.bnm.gov.my/index.php?ch=109&pg=333&ac=81&yr=2010&eId=box2>

2.2D.022: How often are the periodical reports containing information on revenue generation published by the Central Bank?

Score: A B C D E

Comments:

Bank Negara produces Annual Reports & Monthly and Quarterly Bulletins.

References:

Bank Negara Malaysia Annual Report 2010

<http://www.bnm.gov.my/index.php?ch=109&pg=333&ac=81&yr=2010&eId=box2>

Bank Negara Malaysia Monthly Statistical Bulletins

<http://www.bnm.gov.my/index.php?ch=116&pg=352&ac=4&eId=box1>

Bank Negara Malaysia Quarterly Bulletins

<http://www.bnm.gov.my/index.php?ch=116&pg=352&ac=5&eId=box1>

2.2E.020 Does any other government agency or entity publish information on revenue generation?

2.2E.020.a: Reserves

Score: A B C D E

Comments:

The Economic Planning Unit (EPU) does not publish information on the Malaysian oil and gas reserves.

References:

Economic Planning Unit: Malaysian Economy in Figures

http://www.epu.gov.my/html/themes/epu/images/common/pdf/MEIF2011_3.pdf

2.2E.020.b: Production volumes

Score: A B C D E

References:

Economic Planning Unit, Prime Minister's Department Malaysia

The Malaysian Economy In Figures 2011

3. GROSS DOMESTIC PRODUCT

3.4 Production of Major Products - Crude oil & condensate

3.6 Manufacturing Production Index - Petroleum products

http://www.epu.gov.my/html/themes/epu/images/common/pdf/MEIF2011_3.pdf

2.2E.020.c: Information on prices

Score: (A) B C D E

Comments:

Not exactly the price of the oil, but value of the export of oil provided.

References:

Economic Planning Unit, Prime Minister's Department Malaysia
The Malaysian Economy In Figures 2011
8. EXTERNAL SECTOR

8.1 Exports - Crude oil & condensates

http://www.epu.gov.my/html/themes/epu/images/common/pdf/MEIF2011_8.pdf

2.2E.020.d: Value of resource exports

Score: (A) B C D E

References:

Economic Planning Unit, Prime Minister's Department Malaysia
The Malaysian Economy In Figures 2011
8. EXTERNAL SECTOR

8.1 Exports - Crude oil & condensates

http://www.epu.gov.my/html/themes/epu/images/common/pdf/MEIF2011_8.pdf

2.2E.020.e: Estimates of investment in exploration and development

Score: (A) B C D E

References:

Economic Planning Unit, Prime Minister's Department Malaysia
The Malaysian Economy In Figures 2011
7. APPROVED INVESTMENT PROJECTS
7.3 Proposed Capital Investment in Approved Project - Petroleum & petrochemical product
http://www.epu.gov.my/html/themes/epu/images/common/pdf/MEIF2011_7.pdf

Note: Not broken down to investment in exploration and development.

Malaysian Investment Development Authority -
Malaysia's Investment Performance 2011 Report

"A total of 15 projects with investments of RM2.7 billion were approved in 2011, of which five were new projects with investments of RM124.5 million and ten were expansion projects with investments of RM2.6 billion. " (page 65 of report)

Malaysian Investment Development Authority -
Malaysia's Investment Performance 2011 Report

Table 3: Approved Manufacturing Projects by Industry, 2011 and 2010
<http://www.mida.gov.my/env3/uploads/FactsFiguresPDF/JanDec2011/A3.pdf>

Table 4: Approved Manufacturing Projects with Investments of RM100 million and Above, 2011
<http://www.mida.gov.my/env3/uploads/FactsFiguresPDF/JanDec2011/A4.pdf>

Table 5: Approved New and Expansion/Diversification Manufacturing Projects by Industry, 2011 and 2010

<http://www.mida.gov.my/env3/uploads/FactsFiguresPDF/JanDec2011/A5.pdf>

2.2E.020.f: Production costs

Score: A B C **(D)** E

Comments:

No information on production costs available

References:

Economic Planning Unit, Prime Minister's Department Malaysia - <http://www.epu.gov.my/home>

Malaysian Investment Development Authority (MIDA)
www.mida.gov.my

Department of Statistics Malaysia
statistics.gov.my

No information on production costs available

2.2E.020.g: Names of companies operating in country

Score: A B C **(D)** E

Comments:

No information on names of companies operating in country available

References:

Economic Planning Unit, Prime Minister's Department Malaysia - <http://www.epu.gov.my/home>

Malaysian Investment Development Authority (MIDA)
www.mida.gov.my

Department of Statistics Malaysia
statistics.gov.my

No information on names of companies operating in country available

2.2E.020.h: Production data by company and/or block

Score: A B C **(D)** E

Comments:

No information on production data by company and/or block available

References:

Economic Planning Unit, Prime Minister's Department Malaysia - <http://www.epu.gov.my/home>

Malaysian Investment Development Authority (MIDA)
www.mida.gov.my

Department of Statistics Malaysia
statistics.gov.my

No information on production data by company and/or block available

2.2E.020.i: Cost of subsidies or social investments paid by mineral revenue

Score: A B C **(D)** E

Comments:

No information on cost of subsidies or social investments paid by mineral revenue production costs available

Refer to comment in 2.2A.020.i, on consolidated funds.

References:

Economic Planning Unit, Prime Minister's Department Malaysia - <http://www.epu.gov.my/home>

Malaysian Investment Development Authority (MIDA)
www.mida.gov.my

Department of Statistics Malaysia
statistics.gov.my

No information on cost of subsidies or social investments paid by mineral revenue production costs available

2.2E.020.j Does any other government agency or entity publish information on disaggregated revenue streams?

2.2E.020.j1: Production streams value

Score: **(A)** B C D E

References:

Economic Planning Unit, Prime Minister's Department Malaysia
The Malaysian Economy In Figures 2011
3. GROSS DOMESTIC PRODUCT

3.4 Production of Major Products - Crude oil & condensate
3.6 Manufacturing Production Index - Petroleum products

http://www.epu.gov.my/html/themes/epu/images/common/pdf/MEIF2011_3.pdf

2.2E.020.j2: Government s share in PSC

Score: A B C D **(E)**

Comments:

The EPU publishes information on Public Private Partnership but these are not production-sharing contract data.

References:

Economic Planning Unit, Prime Minister's Department Malaysia
The Malaysian Economy In Figures 2011
PUBLIC PRIVATE PARTNERSHIP
http://www.epu.gov.my/html/themes/epu/images/common/pdf/MEIF2011_9.pdf

Information on percentage of mining disclosed - 3.9%

2.2E.020.j3: Royalties

Score: (A) B C D E

Comments:

Generally characterised as Non-Tax Revenue - Is not broken down to figures on royalties.

References:

Economic Planning Unit, Prime Minister's Department Malaysia
The Malaysian Economy In Figures 2011
PUBLIC SECTOR ACCOUNTS
Non-Tax Revenue
http://www.epu.gov.my/html/themes/epu/images/common/pdf/MEIF2011_4.pdf

Generally characterised as Non-Tax Revenue - Is not broken down to figures on royalties.

2.2E.020.j4: Special taxes (e.g. withholding taxes, excise taxes, excess earning taxes, charged on extractive companies)

Score: (A) B C D E

References:

Economic Planning Unit, Prime Minister's Department Malaysia
The Malaysian Economy In Figures 2011
PUBLIC SECTOR ACCOUNTS
Malaysian Tax Structure, 1990 – 2011

Direct Taxes - Petroleum Income Tax

Indirect Taxes -
Other Indirect Taxes
Export Duties
Excise Duties

Non-Tax Revenue

http://www.epu.gov.my/html/themes/epu/images/common/pdf/MEIF2011_4.pdf

Peer Review Comments:

This document does not break down the amount of revenue from each specific tax category, but merely gives the overall amount from direct and indirect taxes.

2.2E.020.j5: Dividends

Score: A B (C) D E

References:

National Audit Department - <http://www.audit.gov.my/index.php?lang=en>

'BAYARAN DIVIDEN KEPADA KERAJAAN - RM 30 Billion'
: Dividend Payments to Government - RM 30 Billion
(Page 752 of the National Audit Report)

LAPORAN KETUA AUDIT NEGARA 2010 : AKTIVITI KEMENTERIAN/JABATAN DAN PENGURUSAN
SYARIKAT KERAJAAN PERSEKUTUAN

http://www.audit.gov.my/images/stories/pdf/laporan_kan/2010/FEDERAL/master%20-%20Ikan%202010%20aktiviti%20kementerian%20jabatan.pdf

*document in Malay - too large to attach.

2.2E.020.j6: Bonuses

Score: A B C D E

Comments:

No information on bonuses available

References:

Economic Planning Unit, Prime Minister's Department Malaysia - <http://www.epu.gov.my/home>

Malaysian Investment Development Authority (MIDA)
www.mida.gov.my

Department of Statistics Malaysia
statistics.gov.my

No information on bonuses available

2.2E.020.j7: License fees

Score: A B C D E

Comments:

PETRONAS has its own license fee regime. Refer to 2.2C.020.j7: License fees

References:

Economic Planning Unit, Prime Minister's Department Malaysia - <http://www.epu.gov.my/home>

Malaysian Investment Development Authority (MIDA)
www.mida.gov.my

Department of Statistics Malaysia
statistics.gov.my

No information on License Fees available

2.2E.020.j8: Acreage fees

Score: A B C D E

Comments:

No information on acreage fees available

References:

Economic Planning Unit, Prime Minister's Department Malaysia - <http://www.epu.gov.my/home>

Malaysian Investment Development Authority (MIDA)
www.mida.gov.my

Department of Statistics Malaysia
statistics.gov.my

No information on acreage fees available

2.2E.020.j9: Other (Explain in 'comments' box.)

Score: A B C D **E**

References:

Economic Planning Unit, Prime Minister's Department Malaysia - <http://www.epu.gov.my/home>

Malaysian Investment Development Authority (MIDA)
www.mida.gov.my

Department of Statistics Malaysia
statistics.gov.my

Inland Revenue Board
<http://www.hasil.org.my/index.php>

National Accounts Department
<http://www.anm.gov.my/main.php>

National Audit Department
www.audit.gov.my

Securities Commission
www.sc.com.my

Bursa Malaysia (Kuala Lumpur Stock Exchange)
www.bursamalaysia.com

Other information that might be useful can be found on the sites above.

2.2E Quality of reports**2.2E.021: Are periodical reports containing information on revenue generation published by any other government agency or entity understandable?**

Score: **A** B C D E

Comments:

Annual Reports by the agencies above are comprehensive however do not provide much detail into some of the issues related to revenue generation.

References:

Economic Planning Unit, Prime Minister's Department Malaysia - <http://www.epu.gov.my/home>

Malaysian Investment Development Authority (MIDA)
www.mida.gov.my

Department of Statistics Malaysia
statistics.gov.my

2.2E.022: How often are the periodical reports containing information on revenue generation published by the any other governmental agency or entity?

Score: A B C D E

Comments:

The EPU & MIDA produce annual reports

References:

Economic Planning Unit, Prime Minister's Department Malaysia - <http://www.epu.gov.my/home>

Malaysian Investment Development Authority (MIDA)
www.mida.gov.my

Department of Statistics Malaysia
statistics.gov.my

No information on production data by company and/or block available

2.2 Public sector balance

2.2.023: Does the government include the SOC financial balance (its assets and liabilities) within the public sector balance or overall balance of general government in reports to the legislature?

Score: A B C D E

Comments:

The Estimates of Federal Government Revenue in the budget documents report on the amounts of "dividend from Petronas" and "Interest and Return on Investment From Petroliam Nasional Berhad (Nasional)" paid to the consolidated federal government fund. However, Petronas's financial balance is NOT reported as part of the Federal Government's budget. (Answer is either C or D)

References:

<http://thestar.com.my/news/story.asp?file=/2010/3/21/focus/5891998&sec=focus>

The Star, Datuk Seri Dr Fong Chan Onn, 31 March 2010, "Is Petronas on the right track?", which states Petronas is an off-budget agency.

http://www.treasury.gov.my/pdf/percukaian/buku_anggaran_hasil_kerajaan_persekutuan_2012.pdf
Estimates of Federal Government Revenue 2012

2.2.024: Does the government include projections of transactions, accounts of actual spending by the natural resource funds, and their assets and liabilities, within the public sector balance or overall balance of general government in reports to the legislature?

Score: A B C **(D)** E

Comments:

A National Trust Fund (translation from Kumpulan Wang Amanah Negara) was formed in 1988 under the National Trust Fund Act 1988 (Act 339) with the objective of ensuring that national natural resources that were depleting would be used in an optimum manner for the benefit of future generations and to provide a continuous and stable income to the Government. The National Trust Fund was to be a step in foresight and prudence in managing the country's natural resources.

Under the National Trust Fund Act 1988, the Trust Fund falls under the responsibility of the Central Bank of Malaysia. Since its formation, it has received money from Petronas, of which some have been invested in the local market in the form of fixed savings at financial institutions, long-term securities in the G5 countries and fixed savings with banking institutions.

The Act only permits the use of the Trust Fund's moneys for development or borrowings to the Federal and State Governments. If the Federal Government finds that the annual budget is insufficient to bear the cost of future development projects, the National Trust Fund can be used to ensure these development projects continue.

According to Section 13 of the National Trust Fund Act, reports ought to be tabled to Parliament annually. The National Trust Fund has reported to Parliament up to 2008, its funds taking into consideration funds from Petronas and returns on the National Trust Fund's investment but these amounts are NOT included in the public sector balance.

References:

http://www.treasury.gov.my/pdf/percukaian/buku_anggaran_hasil_kerajaan_persekutuan_2012.pdf
Estimates of Federal Government Revenue 2012

<http://www.agc.gov.my/Akta/Vol.%207/Akta%20339%20-%20Akta%20Kumpulan%20Wang%20Amanah%20Negara%201988.pdf>
National Trust Fund Act 1988

2.2.025: Does the government provide information on the non resource fiscal balance in its budget proposal?

Score: **(A)** B C

Comments:

Information of the non-resource fiscal balance is not provided as part of the budget calculations. Data provided allows to make an estimate of the contribution of resource revenue to the total government revenue, thus providing elements to know the non-resource fiscal balance:

Source: pages 27-32, page 47 onwards of the "Estimates of Federal Government Expenditure 2012":

1. Tax Revenue: Direct Tax Revenue: Income Tax: Petroleum: RM26,182,219,000
2. Tax Revenue: Indirect Tax Revenue: Export Tax: Crude Oil: RM2,049,224,000
3. Tax Revenue: Indirect Tax Revenue: Custom Duties: Import: Petrol: RM431,000; Grease and Lubricant: RM7,432,000; Fuel: RM625,000; Liquid Petroleum Gas: RM12,000; Petroleum products and other fuel: RM1,841,000
4. Tax Revenue: Indirect Tax Revenue: Sales tax on locally manufactured goods: Petrol: RM23,000; Diesel: RM50,000/ Sales tax on imported goods: Flight fuel: RM2,000; Liquid Petroleum Gas: RM20,000; Petrol: RM3,465,000; Diesel: RM92,000; Petroleum products and other fuel: RM2,325,000;
5. Non-Tax Revenue: Interests and Proceeds on Investment: Dividend from Petronas: RM28,000,000,000

Total Revenues from Oil and Gas Resources: RM56,247,761,000
Total Federal Government Revenue: RM186,905,000,000

30% of total revenue comes from resource related revenue.

References:


http://www.treasury.gov.my/pdf/percukaian/buku_anggaran_hasil_kerajaan_persekutuan_2012.pdf
Estimates of Federal Government Revenue, 2012

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Legal Framework and Practices

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Indicator	Score
2.3 Legal Framework and Practices	57 

2.3 Legal Framework and Practices

2.3.026: In the legal framework, what government agencies have authority to collect taxes and payments from resource companies?

Score: A B C D E

Comments:

The Tax Agency is the Inland Revenue Board of Malaysia, which is authorised to collect taxes and payments. But Petronas collects taxes from resource companies (see question 19).

References:

PETROLEUM (INCOME TAX) ACT 1967
<http://www.agc.gov.my/Akta/Vol.%2011/Act%20543.pdf>

67. The Director General of Inland Revenue appointed under the law in force relating to income tax shall have the care and management of the tax.

2. Interpretation

"Director General" means the Director General of Inland Revenue referred to in section 67

"Inland Revenue Board of Malaysia" means the Inland Revenue Board of Malaysia established under the Inland Revenue Board of Malaysia Act 1995 [Act 533]

<http://www.hasil.gov.my/goindex.php?kump=2&skum=2&posi=1&unit=2&sequ=1>
 Inland Revenue Board Malaysia's Website

2.3.027: Are all resource related revenues, including those collected by state owned companies, regulatory agencies, ministries, special funds or by the tax authority placed in the national treasury?

Score: A B C D E

Comments:

Petronas reports its revenues in its Annual Report which is publicly available. However, it only makes certain payments to the Treasury, i.e. dividends, royalties, interest on investments, and so on, which form a part of the full revenue.

The Treasury reports on the payments made to it by Petronas but this does not fully capture the amount of revenues generated by the resource related industry.

References:

http://www.treasury.gov.my/pdf/percukaaian/buku_anggaran_hasil_kerajaan_persekutuan_2012.pdf
Estimates of Federal Government Revenue 2012

http://www.google.com.my/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&ved=0CDUQFjAC&url=http%3A%2F%2Fwww.petronas.com.my%2Finvestor-relations%2FDocuments%2FAnnual-report%2FAnnualReport2011.pdf&ei=fvt1T6fzDYbRrQfcvuydDQ&usg=AFQjCNFtdgVi_nxyXE1dO_5GrKSt5CtCZg
Petronas Annual Report 2011

2.3.028: Are government officials with a role in the oversight of the oil, gas or mining sector required to disclose information about their financial interest in any extractive activity or projects?

Score: A B C

Comments:

No law or regulation exists.

References:

No such law or regulation exists.

2.3.029: Is there independent external validation of internal controls of agencies in charge of receiving payments from resource companies with the objective of providing assurances of integrity of public funds and sound financial management?

Score: A B C D E

Comments:

The Auditor's General Office is in charge of providing external validation of all Federal Government ministries, including the Ministry of Finance (under which the Internal Revenue Board and Treasury are parked). This office is responsible for checking on the integrity of public funds, although it does not specifically check on resource revenue. (In Malaysia, resource revenues are channelled to the consolidated public fund).

References:

Auditor General's Audit Report 2010: Financial Statement and Financial Management of Federal Government Ministries/Departments

http://www.audit.gov.my/images/stories/pdf/laporan_kan/2010/FEDERAL/master%20-%20lkan%202010%20pengurusan%20kewangan.pdf

Auditor General's Audit Report 2010: Federal Government Companies' Management and Ministries/Departments' Activities

http://www.audit.gov.my/images/stories/pdf/laporan_kan/2010/FEDERAL/master%20-%20lkan%202010%20aktiviti%20kementerian%20jabatan.pdf

2.3.030: Does the national audit office (or similar independent organization) report regularly to the legislature on its findings, including an objective analysis of agencies in charge of managing resource revenues, and are these reports published?

Score: A B C D E

Comments:

The Auditor General's Reports are tabled to Parliament annually together with the National budget documents.

References:

Auditor General's Audit Report 2010: Financial Statement and Financial Management of Federal Government Ministries/Departments

http://www.audit.gov.my/images/stories/pdf/laporan_kan/2010/FEDERAL/master%20-%20Ikan%202010%20pengurusan%20kewangan.pdf

Auditor General's Audit Report 2010: Federal Government Companies' Management and Ministries/Departments' Activities

http://www.audit.gov.my/images/stories/pdf/laporan_kan/2010/FEDERAL/master%20-%20Ikan%202010%20aktiviti%20kementerian%20jabatan.pdf

2.3.031: Does a Parliamentary committee scrutinize reports on resource related revenues and, if so, when does this occur?

Score: A B C D E

Comments:

The Public Accounts Committee (one of the Parliamentary Select Committees) is responsible for reviewing public spending, but not specifically on resource-related revenues.

The Auditor-General's Report does audit the Ministry of Finance (Treasury) on its activities. This includes collection of resource revenues, and also expenditure. This report is then scrutinised by the Public Accounts Committee.

References:

<http://www.cpps.org.my/images/articles/factsheet%20PSC.pdf>

Centre for Public Policy Studies: Policy Factsheet on Parliamentary Select Committees

<http://www.parlimen.gov.my/index.php?modload=sites&action=innerpage&id=2&view=62&uweb=dr>
Public Accounts Committee, Malaysian Parliament

2.3.032: Is this country an EITI candidate or compliant country?

Score: A B C D E

Comments:

Transparency International-Malaysia reported that whilst attending the International Anti-Corruption Conference (IACC) in Bangkok in 2010, oil companies were urged to adopt global reporting standards for oil and gas which included implementing the EITI. Petronas representatives were present. Petronas has internally been informed about EITI from Transparency International but no moves have been taken toward it. Civil society is also severely lacking in knowledge on the subject.

References:

Interview with Alan Kirupakaran Ariaratnam, Executive Director of Transparency International Malaysia, 5th March 2012, Transparency International Office, Kuala Lumpur.

<http://www.cpps.org.my/downloads/factsheets/Oil%20and%20gas%20factsheet.pdf>

Centre for Public Policy Studies: Policy Factsheet on Oil and Gas

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Indicator	Score
3.1.1	Context 56 

3.1.1 Context

3.1.1.033: Is there a state-owned company? If so, what is its role in the extractive sector?

Score: A B C D E

Comments:

Provisions of the Act:

Ownership

2. (1) The entire ownership in, and the exclusive rights, powers, liberties and privileges of exploring, exploiting, winning and obtaining petroleum whether onshore or offshore of Malaysia shall be vested in a Corporation to be incorporated under the Companies Act 1965 or under the law relating to incorporation of companies.

The Corporation

3. (1) Notwithstanding section 22 of the Companies Act 1965, relating to the names of companies, the Corporation shall be styled as the Petroleum Nasional Berhad or in short form PETRONAS.

PETRONAS is the SOC.

References:

Petroleum Development Act 1974,
Section 2: Ownership, Clause (1).
Section 3: The Corporation, Clause (1).
<http://www.agc.gov.my/Akta/Vol.%203/Act%20144.pdf>

3.1.1.034: How is government ownership of resource companies structured in this country?

Score: A B C D E

Comments:

The Petroleum Development Act 1974 provides under Article 2(1) that "The entire ownership in, and the exclusive rights, powers, liberties and privileges of exploring, exploiting, winning and obtaining petroleum whether onshore or offshore of Malaysia shall be vested in a Corporation to be incorporated under the Companies Act 1965 or under the law relating to incorporation of companies."

References:

Petroleum Development Act 1974
<http://www.agc.gov.my/Akta/Vol.%203/Act%20144.pdf>
Article 2(1)

3.1.1.035: Is there more than one state-owned company (SOC) operating in the extractive sector?**Score:** A (B) C**Comments:**

(1) The entire ownership in, and the exclusive rights, powers, liberties and privileges of exploring, exploiting, winning and obtaining petroleum whether onshore or offshore of Malaysia shall be vested in a Corporation to be incorporated under the Companies Act 1965 [Act 125] or under the law relating to incorporation of companies.

References:

Petroleum Development Act 1974, Section 2: Ownership, Clause (1).
Link: <http://www.agc.gov.my/Akta/Vol.%203/Act%20144.pdf>

3.1.1.036: Do the roles and responsibilities of the SOC include provision of subsidies or social expenditures (quasi-fiscal activities)?**Score:** A (B) C**Comments:**

Although not explicitly stated by law, the Petronas Annual Report outlines the role it plays within its Corporate Social Responsibility (CSR). It is directly involved in community development, environmental conservation projects, sponsorship of educational programmes, and has its own university.






References:

Petronas Annual Report 2011 (Page 78)
http://www.google.com.my/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CC0QFjAA&url=http%3A%2F%2Fwww.petronas.com.my%2Finvestor-relations%2FDocuments%2Fannual-report%2FAnnualReport2011.pdf&ei=00p9T9maC8TrrQfK7OzdDA&usg=AFQjCNFtdgVi_nxyXE1dO_5GrKSt5CtCZg

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Indicator		Score	
3.2.1	Comprehensive reports	33	
3.2.2.038	Does the SOC publish information on revenue generation?	89	
3.2.3.038.j	Disaggregated Revenue Streams	63	
3.2.4	Quality of reports	50	
3.2.5.043	Audited reports	67	

3.2.1 Comprehensive reports

3.2.1.037: Does the SOC publish comprehensive reports with information about its operations and subsidiaries?

Score: A B **C** D E

Comments:

The Annual Report covers some information on the SOC's operations, however information on the subsidiaries are not provided.

The Financial Media Reports contain some information on the subsidiaries and their operations - however information on their financial standing, etc is not comprehensive.

The Petronas Group of Companies and PETRONAS Directory contain lists of PETRONAS Subsidiaries and companies that PETRONAS has stakes in.

References:

Group of Companies

<http://www.petronas.com.my/about-us/Pages/group-of-companies.aspx>

PETRONAS Directory

<http://www.petronas.com.my/about-us/petronas-directory/Pages/default.aspx>

PETRONAS Annual Report 2011

<http://www.petronas.com.my/investor-relations/Documents/annual-report/AnnualReport2011.pdf>

Financial Media Releases 2010

<http://www.petronas.com.my/investor-relations/Documents/financial-media-releases/FinancialMediaReleases2010.pdf>

3.2.2.038 Does the SOC publish information on revenue generation?

3.2.2.038.a: Reserves

Score: (A) B C D E

Comments:

The PETROLEUM DEVELOPMENT ACT 1974 provides:

2. (1) The entire ownership in, and the exclusive rights, powers, liberties and privileges of exploring, exploiting, winning and obtaining petroleum whether onshore or offshore of Malaysia shall be vested in a Corporation to be incorporated under the Companies Act 1965 or under the law relating to incorporation of companies.

3. (1) Notwithstanding section 22 of the Companies Act 1965, relating to the names of companies, the Corporation shall be styled as the Petroleum Nasional Berhad or in short form PETRONAS.

7. The Prime Minister may make regulations for the purpose of carrying into effect the provisions of this Act ..

That said, PETRONAS is a SOC, is self regulated and has to conform to provisions of the Companies Act 1965.

Information for years prior to 2011 are available in respective Annual reports found here:
<http://www.petronas.com.my/investor-relations/Pages/annual-report.aspx>

References:

PETRONAS Annual Report 2011
Exploration & Production Business - Overview (page 39)
Exploration & Production Business - Malaysia's Exploration & Production (page40)

PETROLEUM DEVELOPMENT ACT 1974

3.2.2.038.b: Production volumes

Score: (A) B C D E

References:

PETRONAS Annual Report 2011
President & CEO and Acting Chairman's Message - Crude Oil Production (page 21)
PETRONAS' Group Oil and Gas Production (page 39)
PETRONAS' International Oil and Gas Production (page 41)

PETRONAS Group Financial Results Announcement
Malaysia Production by Hydrocarbon Type - Crude, Condensate, Gas (slide 7)

Annual Report 2011
Petronas Group Financial Results Announcement Third Quarter Ended 31 December 2011

3.2.2.038.c: Information on prices

Score: (A) B C D E

References:

PETRONAS Group Financial Results Announcement Third Quarter Ended 31 December 2011
World GDP Growth, World Oil Demand Growth & Quarterly Average Brent Prices (Slide 15)

3.2.2.038.d: Value of resource exports**Score:** (A) B C D E**References:**

PETRONAS Annual Report 2011
Revenue by Geographical Trade (page 34)

3.2.2.038.e: Estimates of investment in exploration and development**Score:** (A) B C D E**Comments:**

Real figures are provided instead of "Estimates of investment in exploration and development"

References:

PETRONAS QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2011

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Page 2

ASSETS

Property, plant and equipment

Investment properties, land held for development and prepaid lease payments

Investments in associates and jointly controlled entities

Not specifically "Estimates of investment in exploration and development"

PETRONAS Annual Report 2011
CAPEX Allocatin for FY2011 (page 33)

"Overall, a total of RM24.0 billion was spent in Malaysia's upstream sector during the year. Of this, RM17.1 billion or 71% was for development projects, RM5.2 billion or 22% for exploration activities, and RM1.8 billion or 7% for operational expenditure." (page 41)

Peer Review Comments:

See: page 18 in PETRONAS QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2011

> RM300 billion CAPEX for 2011 - 2015

3.2.2.038.f: Production costs**Score:** (A) B C D E**References:**

PETRONAS QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2011

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (page 1)

Selling and distribution expenses

Administration expenses

Other expenses

Peer Review Comments:

Unaudited Condensed Consolidated Statement ending June 2011

[http://announcements.bursamalaysia.com/EDMS/edmswebh.nsf/8b25383a269fcce548256d79001af770/482576120041bdaa482578e80031cf5f/\\$FILE/June%20FY2011.pdf](http://announcements.bursamalaysia.com/EDMS/edmswebh.nsf/8b25383a269fcce548256d79001af770/482576120041bdaa482578e80031cf5f/$FILE/June%20FY2011.pdf)

3.2.2.038.g: Names of companies operating in country

Score: A B C D E

Comments:

Only information on Petronas, its subsidiaries and partners are available. No international or other local companies are listed under Petronas's website. The Petronas Annual Report 2011 does provide some piecemeal mention of companies (local and international) it signs with, but this is not consolidated into a formal list.

References:

PETRONAS Group of Companies

<http://www.petronas.com.my/about-us/Pages/group-of-companies.aspx>

Petronas Annual Report 2011

<http://www.petronas.com.my/investor-relations/Documents/annual-report/AnnualReport2011.pdf>

3.2.2.038.h: Production data by company and/or block

Score: A B C D E

Comments:

Information not available

References:

Petronas Website

<http://www.petronas.com.my/about-us/Pages/group-of-companies.aspx>

Information not available

3.2.2.038.i: Quasi fiscal activities

Score: A B C D E

Comments:

Petronas publishes some information on its quasi-fiscal activities, but detailed figures spent are not published.

References:

Petronas' Website on Community and Education

<http://www.petronas.com.my/community-education/Pages/default.aspx>

Petronas' Sustainability Report 2011, Pages 35-37

<http://www.petronas.com.my/sustainability/Documents/sustainability-report/SustainabilityReport2011.pdf>

3.2.3.038.j Disaggregated Revenue Streams

3.2.3.038.j1: Production streams value**Score:** (A) B C D E**Comments:**

Daily production volume is provided. Given that World Market Prices can be found, the value of the production streams are available however not precisely disclosed within the documentation.

References:

PETRONAS Annual Report 2011

PETRONAS' Group Oil and Gas Production

<http://www.petronas.com.my/investor-relations/Documents/annual-report/AnnualReport2011.pdf>

3.2.3.038.j2: Government s share in PSC**Score:** A B C (D) E**Comments:**

Information Not provided in official sources.

Based on an interview with a former industry player, the standard government share in a PSC is 70 percent of profit oil, where profit oil forms 70% of the PSC. (30 percent is cost oil, 5 percent royalty to state government, 5 percent royalty to Federal Government). However, it is unclear as to whether this standard formula is changed according to discretionary means for other PSCs.

References:

Petronas Website: www.petronas.com.my

Details on PSCs with government not available.

These are search results of PSCs with other corporations:

[http://www.petronas.com.my/Pages/Search/SearchResults.aspx?](http://www.petronas.com.my/Pages/Search/SearchResults.aspx?k=production%20sharing%20contract&cs=This%20Site&u=http%3A%2F%2Fwww.petronas.com.my)

[k=production%20sharing%20contract&cs=This%20Site&u=http%3A%2F%2Fwww.petronas.com.my](http://www.petronas.com.my/Pages/Search/SearchResults.aspx?k=production%20sharing%20contract&cs=This%20Site&u=http%3A%2F%2Fwww.petronas.com.my)

Interview with former industry player (Anonymous), 4th April 2012, Bangsar.

3.2.3.038.j3: Royalties**Score:** (A) B C D E**References:**

PETRONAS Group Financial Results Announcement Third Quarter Ended 31 December 2011
Direct Contributions & Subsidies (Slide 23)

PETRONAS Annual Report 2011

Payments to Governments and Subsidies (Page 35)

3.2.3.038.j4: Special taxes**Score:** (A) B C D E**References:**

PETRONAS Group Financial Results Announcement Third Quarter Ended 31 December 2011
Direct Contributions & Subsidies (Slide 23)

PETRONAS Annual Report 2011
Payments to Governments and Subsidies (Page 35)
- Export Duties, Taxes

3.2.3.038.j5: Dividends

Score: A B C D E

References:

PETRONAS Group Financial Results Announcement Third Quarter Ended 31 December 2011
Direct Contributions & Subsidies (Slide 23)
Dividends

PETRONAS Annual Report 2011
Payments to Governments and Subsidies (Page 35)
Dividends

3.2.3.038.j6: Bonuses

Score: A B C D E

Comments:

No bonuses are reported.

References:

Petronas Annual Report 2011
<http://www.petronas.com.my/investor-relations/Documents/annual-report/AnnualReport2011.pdf>

3.2.3.038.j7: License fees

Score: A B C D E

References:

PETRONAS Licensing and Registration General Guidelines (Bahasa Melayu Version - As at 1st January 2012)
<http://www.petronas.com.my/partnering-us/licensing-registration/application-information/Pages/default.aspx>

Processing Fee - Page 13
Annual License Fee - Page 15

3.2.3.038.j8: Acreage fees

Score: A B C D E

Comments:

Acreage is granted to companies however the fees associated with the award is not stipulated.

Example of an acreage award:

<http://www.petronas.com.my/media-relations/media-releases/Pages/article/PETRONAS-AWARDS-DEEPWATER-BLOCK-P-TO-MURPHY-AND-PETRONAS-CARIGALI.aspx>

References:

Petronas Website: www.petronas.com.my

3.2.3.038.j9: Other (Describe below)

Score: A B C D E

Comments:

Information on Sales volumes and production volumes of specific petroleum products are available. Information on revenue generated is available too (see page 31 of the Annual Report for more in-depth information)

References:

PETRONAS Group Financial Results Announcement Third Quarter Ended 31 December 2011

PETRONAS Annual Report 2011

3.2.4 Quality of reports

3.2.4.039: Are the reports published by the state owned company understandable?

Score: A B C D E

Comments:

Financial Statements of the Company, should be understandable by most people in the corporate sector, government and research. Most of the people looking at this document should be able to understand its content.

Statistical methodology, and sources or statistical techniques are not provided.

References:

PETRONAS Annual Report 2011

Glossary on page 90. Most looking at this document should be able to understand its content with the assistance of the glossary.

PETRONAS Group Financial Results Announcement Third Quarter Ended 31 December 2011

Presentation Slides with fairly easy to understand language. Most looking at this document should be able to understand its content

3.2.4.040: How often are the reports or statistical databases containing information on revenue generation published by the state owned company?

Score: A B C D E

References:

PETRONAS Financial Results

<http://www.petronas.com.my/investor-relations/Pages/financial-results.aspx>

PETRONAS Financial & Operational Review

<http://www.petronas.com.my/investor-relations/Pages/financial-operational-review.aspx>

With reference to the above, financial Information is provided for every quarter.

Annual reports -

<http://www.petronas.com.my/investor-relations/Pages/annual-report.aspx>

3.2.4.041: If the SOC is involved with quasi fiscal activities, does it publish information about them?

Score: A B C

Comments:

Petronas does publish some quasi-fiscal activities' information, but these are purely narratives with no quantitative estimates of amounts spent at all.

References:

Petronas Annual Report 2011

Page 78

<http://www.petronas.com.my/investor-relations/Documents/annual-report/AnnualReport2011.pdf>

Petronas Sustainability Report 2011

Page 32

<http://www.petronas.com.my/sustainability/Pages/sustainability-report.aspx>

3.2.4.042: If there are joint ventures, does the SOC (or government) publish information on its share of costs and revenues deriving from its equity participation in joint ventures?

Score: A B C

Comments:

No information on Petronas's share of costs or revenues derived from any of its joint ventures is published. Only stakeholders involved in the actual agreements would have access to this data.

References:

Petronas Annual Report 2011

<http://www.petronas.com.my/investor-relations/Documents/annual-report/AnnualReport2011.pdf>

Interview with former industry player (Anonymous), 4th April 2012, Bangsar.

3.2.5.043 Audited reports

3.2.5.043.a: Is the SOC subject to annual audits conducted by an independent external auditor to ensure that the financial statements represent the financial position and performance of the company?

Score: A B C D E

Comments:

PETRONAS prepares its audited consolidated financial statements annually on the basis of Financial Reporting Standards (FRSs) issued by the Malaysian Accounting Standards Board (MASB). The financial information presented herein has been prepared in accordance with the accounting policies used in preparing the audited consolidated financial statements for 31 March 2011.

Starting in 2011, these reports are produced quarterly.

It is not stated explicitly that these reports are prepared by an external, independent auditor.

References:

Financial & Operational Review

Financial Year Ended 31 March 2011

<http://www.petronas.com.my/investor-relations/Documents/financial-operational-review/FinancialYearEnded20110331.pdf>

Refer to note 2 on page 6 of the report.

3.2.5.043.b: Are SOC audited reports published?

Score: (A) B C D E

Comments:

Reports are produced annually. Started 2011, the reports are produced quarterly.

References:


Petronas Website

<http://www.petronas.com.my/investor-relations/Pages/financial-operational-review.aspx>

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Indicator	Score
3.3.1 Legal Framework and Practice	50 

3.3.1 Legal Framework and Practice

3.3.1.044: Does the SOC have a legal obligation to publish financial reports?

Score: A B C

Comments:

167. (1) Every company and the directors and managers thereof shall cause to be kept such accounting and other records as will sufficiently explain the transactions and financial position of the company and enable true and fair profit and loss accounts and balance sheets and any documents required to be attached thereto to be prepared from time to time, and shall cause those records to be kept in such manner as to enable them to be conveniently and properly audited.

References:

s167 (1) of Companies Act 1965

http://www.agc.gov.my/index.php?option=com_content&view=article&id=640&Itemid=259&lang=en

3.3.1.045: Does the SOC follow internationally recognized accounting standards?

Score: A B C

Comments:

The FINANCIAL REPORTING ACT 1997 established the Financial Reporting Foundation and the Malaysian Accounting Standards Board. The foundation and board have adopted the IASB framework of financial reporting. Please refer to the MASB website above.

References:

Malaysian Accounting Standards Board website - <http://www.masb.org.my/>

FINANCIAL REPORTING ACT 1997

3.3.1.046: Do SOC audits include consolidated accounts that cover all of the SOC subsidiaries?

Score: A B C

Comments:

The report provided as a source above is the audited report of the SOC. Consolidated accounts of its subsidiaries are not provided.

If such accounts are consolidated, it is not made clear nor are the specific subsidiaries identified.

References:

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 MARCH 2011
<http://www.petronas.com.my/investor-relations/Documents/financial-results/FinancialYearEnded20110331-USD.pdf>

3.3.1.047: Are officials of the SOC required to disclose information about their financial interest in any oil, gas or mining projects?

Score: A (B) C

Comments:

There is no requirement for officials of Petronas to disclose information about their financial interest. However, the Petronas Sustainability Report 2011 states that their Code of Conduct and Discipline (COCD) is in the process of being revised and updated. At the time of writing the existing COCD however was not available for public viewing.

The Annual Report however does state that the COCD expressly prohibits the giving and acceptance of bribes by Petronas employees.

References:

Petronas Sustainability Report 2011
Page 32
<http://www.petronas.com.my/sustainability/Pages/sustainability-report.aspx>

Petronas Annual Report 2011
<http://www.petronas.com.my/investor-relations/Documents/annual-report/AnnualReport2011.pdf>

Peer Review Comments:

The Petronas Code of Conduct and Business Ethics was published in April 2012. It does not contain specific reference to disclosure of financial interests, but does contain, in Part II Duties of Good Faith, Fidelity, Diligence and Integrity, among others, a duty to avoid conflicts of interest.

The pdf. copy of the Code of Conduct may be accessed here: <http://www.petronas.com.my/about-us/governance/Pages/governance/code-of-conduct-business-ethics.aspx>

3.3.1.048: Does the SOC publish information on the composition of its Board of Directors?

Score: (A) B C

References:

PETRONAS Website - Board of Directors
<http://www.petronas.com.my/about-us/Pages/board-of-directors.aspx>

PETRONAS Annual Report 2011
<http://www.petronas.com.my/investor-relations/Documents/annual-report/AnnualReport2011.pdf>
Board of Directors (Pages 14 & 15)

3.3.1.049: Does the SOC publish information about the rules governing decision making by the Board of Directors?

Score: A (B) C

Comments:

Information on Corporate Governance and Statement of Internal Controls are provided, however the specific decision making rules are not touched on in the Annual Report.

References:

PETRONAS Annual Report 2011

<http://www.petronas.com.my/investor-relations/Documents/annual-report/AnnualReport2011.pdf>

Board of Directors (Pages 14-15, 26-29)

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