



Mohidin Ishak

## Building on success

OBG talks to Mohidin Ishak, General Manager, Bintulu Development Authority

**What impact has the Sarawak Corridor of Renewable Energy (SCORE) had on the development of Bintulu since its inception in 2008?**

**MOHIDIN:** Bintulu has gone through a period of rapid growth that is set to continue until at least 2014. Much of this growth has been a result of development throughout Sarawak and SCORE. Fast economic growth over the next few years will enable and encourage Bintulu to transform from being a major industrial centre, with its core strategic advantages in oil and gas, into a diverse business centre. This transition is being aided and driven by the major investment projects in SCORE. These projects are creating a number of business opportunities across the state, including Bintulu, which will attract local and international investors.

A clear example of this is the new deepwater port that will be constructed in Samalaju. This port will be dedicated to heavy industries serving the aluminium and manganese smelting plants, and other such industries located in SCORE. The port area will be only 3 km from the sea, making it extremely efficient and enabling it to provide the best possible service to the sector. Looking ahead, the economic development that is projected for the area is capable of providing 30,000 jobs to locals, of which 50% are for skilled workers. This will encourage further prosperity, growth and business opportunities, while also moving Bintulu in the direction of becoming a high-income society – one of the fundamental goals of the state and the 2020 vision.

**What is the size and scope of investment entering Bintulu, and which industries are its major sources?**

**MOHIDIN:** The development of the oil and gas industry has attracted the largest international players to Bintulu, as well as industries associated with the sector. However, there are many more opportunities in the area, as highlighted by the fact that Bintulu continues to be the biggest contributor to the forestry sector, which is traditionally responsible for the state's economic growth. Bintulu is also becoming a centre for

Sarawak's palm oil industry. The government has identified palm oil as a key growth industry and selected Bintulu as one of the prime areas for its development.

Supporting the plantations and refineries is a dedicated vegetable oil terminal at Bintulu port which handles palm oil. The industry in Sarawak currently uses around 1m ha but is going to double in size, with Bintulu and the surrounding areas accounting for around 40% of the total. Once fully developed, the palm oil industry will offer even more opportunities in downstream activities for new investors that can be clustered around the plantations, the port facilities and refineries.

**What will be the pillars of sustainable economic growth in Sarawak during the 10th Malaysia Plan?**

**MOHIDIN:** Bintulu has grown according to a defined economic plan, developed with natural resources in the oil and gas sector as the base industry. The Bintulu liquefied natural gas (LNG) complex is the main hub for Malaysia's natural gas industry. The Bintulu facility is the second-largest LNG complex in the world and is supplied by offshore natural gas fields. There has been strong development throughout the industry, including a project to build a 500-km gas pipeline between Kimanis and Bintulu that will transport gas from Sabah's offshore fields to Bintulu for liquefaction and export. With such a major industry located in Bintulu, it has acted as a magnet for attracting oil and gas service industries, downstream activities and related activities.

Bintulu port has also grown with the industry and is now the second-biggest port, in terms of cargo volume, in the whole of Malaysia. The knock-on effect of this is that many local logistics firms have grown at a similar pace and are now big operations themselves. A similar pattern has emerged with the other services and support industries, such as maintenance companies, heavy vehicles producers and machinery providers. It is these types of economic synergies that are being encouraged in Bintulu. Success has multiplied as growth in one industry has affected those others related to it.



The local port is set to play an increasing role in development

## Building Bintulu

### Home to natural resources and increasing industrial endeavours

The Bintulu Development Authority is coordinating policy and implementing projects in four main areas: petrochemicals, palm oil, timber and tourism.

Substantial reserves of natural gas and oil discovered offshore of Bintulu has turned this coastal town into a major industrial centre, attracting large-scale international players. Along with its port facilities and refineries, the area also boasts a wealth of natural resources, with a range of investment opportunities in the timber and agro-based industries. As a result, Bintulu is on track to become a key centre for the palm oil industry in Malaysia.

Mohidin Ishak, the general manager of the Bintulu Development Authority (BDA), which coordinates the area's growth policies as well as implements its own projects, noted that Bintulu's rapid development is in large part due to the overall efforts undertaken across the state, notably the initiation of the Sarawak Corridor of Renewable Energy (SCORE). SCORE is one of the five regional development corridors being developed throughout the country, and is part of the state's overall agenda to become a developed economy by the year 2020.

The corridor, on which Bintulu is situated, is set to create a number of business opportunities for regional and international investors. According to Mohidin, the project is projected to generate some 30,000 jobs, half of which will be for skilled workers. Some 80% of investment along the corridor is set aside for industries and power projects, while the remaining 20% will be sunk into physical infrastructure, human capital and institutional infrastructure, according to the Sarawak state government.

Currently, the BDA has focused mainly on four industries that have good investment potential for the development of Bintulu: petrochemicals, palm oil, timber and tourism.

**PETROCHEMICALS:** Bintulu has proven to be a prime location for investments in the oil and gas sector, including downstream activities and other related industries. According to the BDA, Sarawak has a total known gas reserve of about 50trn standard cu ft (tscf). About 85% of this reserve, or some 42.3 tscf,

is situated offshore Bintulu, with the remainder sitting offshore Miri, Sarawak's second-largest city. Of this total reserve, about 35 tscf is used for the production of liquefied natural gas (LNG), urea/ammonia and formaldehyde resin, among other products. This would leave a spare 7.3 tscf for further industrial development, according to the BDA.

**PROCESSING:** In terms of processing its natural gas resources, Bintulu is home to the Malaysia LNG plant (MLNG), a subsidiary of the national oil and gas company, Petronas. The complex is the world's largest LNG production facility on a single site, covering an area of about 223 ha. The company is currently exploring gas prospects in the region and more discoveries are on the cards.

Adjacent to the MLNG plant is Shell Middle Distillate Synthesis (SMDS) plant, the world's first commercial gas-to-liquid plant. The SMDS facility, whose shareholders include Shell, Petronas, the Sarawak state government and the Mitsubishi Corporation, converts natural gas into high-quality synthetic oil products and speciality chemicals. According to the company, some 100m standard cu ft per day of natural gas is converted into 470,000 tonnes per annum of middle distillates (gasoil, kerosene and naphtha) and specialty products (detergent feedstocks, solvent feedstocks and various grades of waxes).

Meanwhile, a project is also under way to build a 500-km gas pipeline between Kimanis, in Sabah, and Bintulu to transport gas from Sabah's offshore fields to Bintulu for liquefaction and export. Malaysia is currently the world's third-largest exporter of LNG.

**CRUDE:** In terms of crude oil, Sarawak has a total known oil reserves of about 800m barrels, of which 350m are located about 30-40 km offshore the coast of Bintulu. The large deposits of crude led to the establishment of the Bintulu Crude Oil Terminal, now known as the Sarawak Shell Bintulu Plant, operated by Sarawak Shell (SSB). According to SSB, net daily crude production is around 60,000 barrels per day.

Bintulu’s deep-water port, coupled with the ample availability of crude, offers a slate of opportunities for investors to set up oil-based industries in Bintulu. The port, which started operations in 1983, is now the second-biggest in terms of cargo volume in the whole of Malaysia, according to Mohidin.

The type of cargo handled at the port has become increasingly diversified in tandem with changes witnessed in the economic and industrial development of the area. Initially set up to serve the LNG trade, the port now handles a growing amount of general cargo, liquid bulk, dry bulk and containerised cargo. This in part stems from the growth seen in industries based in the hinterland such as timber and agro-related lines of business.

**PALM OIL:** Bintulu is quickly becoming a hub for the palm oil industry in Sarawak. According to Mohidin, the government sees palm oil as a key growth sector and has eyed Bintulu as one of the primary areas for its development.

Approximately 1m ha of the state’s land is currently under oil palm cultivation, with Bintulu and its surrounding areas accounting for around 40% of the total area used for growing oil palm. The number of hectares dedicated to cultivating the crop is set to double by 2020. “Once fully developed, the palm oil industry will offer new investors even more opportunities in downstream activities that can be clustered around the plantations, the port facilities and the refineries,” Mohidin told OBG.

Current operations within the sector include the palm oil bulking installation, operated by Bintulu Edible Oils, which includes 28 tanks with a total capacity of 40,250 tonnes. The bulking installation is connected to the general cargo terminal of the deep-water port via pipes. According to the BDA, capacity will increase as more plantations are opened up in the Bintulu hinterland. There is also a palm oil refinery and fractionation plant operated by two Malaysian firms, PGEO Group, which controls an 86% stake, and Austral Enterprise, with 14%. The refinery has a daily production capacity of 1800 megatonnes per day, while the fractionation plant churns out 1250 megatonnes per day.

**TIMBER AND COAL:** As Bintulu is also covered with tropical timber there are abundant opportunities for investors to establish substantial timber complexes, according to the BDA. About 12.5m ha of Sarawak land is under forest, of which 3.4m ha, or 27.2%, is in located in Bintulu alone.

The BDA notes that in the past almost all the industry’s logs were exported with little processing done locally. However, this has started to change as the government has imposed quotas on the volume of logs available for export to spur local downstream timber processing activities.

As a result, there has been an uptick in investments in timber processing industries in Bintulu. Business for lumber is expected to remain robust due to high demand from China. According to Wood Resources International, a timber-specific consulting firm, Chi-



Bintulu and its surrounding areas account for around 40% of the state’s land under palm oil cultivation

na’s sawmills are far from being able to meet the country’s growing domestic demand. As a result there has been a substantial increase in import volumes in the past five years, from just over 2m cu metres in 2006 to 9.4m cu metres in 2010. The firm added that the rise in shipments continued in the first two months of 2011, when imports were as much as 32% higher than in 2010.

Coal deposits of significant potential have been discovered in several areas of the Bintulu region, with each containing reserves ranging from 750,000 tonnes to almost 12m tonnes, the BDA said. The largest deposits are in Segan, Kampung Jepak, Sungai Kalabat and Sungai Sera, with total probable reserves of 20m tonnes. According to the BDA, the majority of Bintulu coal exhibits coking property, which can be used as blending coal for iron smelting. The deposits at the Merit-Pila areas, near Bintulu, contain about 375m tonnes of lignite coal.

**TOURISM:** In addition to these major focal points, the economy of Bintulu has been buoyed by investments in the manufacture of building materials, glass and food processing, as well as shipyard industries. In addition, the BDA has been aggressive in its drive to turn Bintulu into a tourist hotspot.

As economic development has surged forward in Bintulu there has been a concerted effort to balance industrial growth with tourism and recreational activities. This strategy has been buttressed by the large swathes of natural settings that are host to a variety of flora and fauna, as well as archaeological sites. Bintulu is home to key tourist draws such as the Niah and Similajau national parks and the Kemena River, whose shores are dotted by traditional longhouses.

As palm oil cultivation expands, there is plenty of potential for palm-related industries to grow around the facilities currently used for other heavy industries, such as petrochemicals.

Breakdown of SCORE investment (RM bn)				
Industries	Power sector	Physical infrastructure	Human capital	Institutional infrastructure
200	67	61	3	3
SOURCE: BDA				