

Malaysia Bid Round 2021

Launch Date: 26 February 2021

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ABOUT MALAYSIA BID ROUND

1. Is the Malaysia Bid Round an annual event?

Yes, Malaysia Bid Round is held on an annual basis.

2. What is the purpose of having the Malaysia Bid Round?

The objective of the Malaysia Bid Round is to market Malaysia's oil and gas opportunities to existing and new companies who are interested to conduct Exploration, Development & Production (E&P) activities in Malaysia.

3. How can a potential investor contact Malaysia Petroleum Management (MPM) for investment opportunities?

Interested investors can contact us via MPM's website (<https://www.petronas.com/mpm/>) or via email to:

- Exploration Blocks: bpm.mpm@petronas.com
- Discovered Resource Opportunities (DROs) and Late Life Assets (LLAs): assetpromotion@petronas.com

4. How does PETRONAS MPM select which blocks to offer in the bid rounds?

The exploration blocks on offer are those that have been processed and enriched with the required dataset, through which bidders can sufficiently evaluate the prospectivity, risks and returns prior to submitting their bid proposal.

5. What are the blocks on offer during the Malaysia Bid Round 2021?

The Malaysia Bid Round 2021 offers:

- In Peninsular Malaysia: Three (3) exploration open blocks will be offered, providing multiple exploration opportunities bundled with one (1) discovered field;
- In Sabah: Four (4) exploration open blocks including two (2) deepwater blocks will be offered, providing multiple exploration opportunities bundled with three (3) discovered fields; and
- In Sarawak: Six (6) exploration open blocks will be offered, providing multiple exploration opportunities bundled with two (2) discovered fields.

6. What are the requirements for the bidders in order to be qualified?

For exploration opportunities, bidders must be an experienced Exploration & Production (E&P) player with proven success supported by financial strength. Bidders with latest/niche technology and approach related to hydrocarbon exploration and exploitation would have additional advantage.



7. What is the process for participating bidders?

Interested companies (bidders) will be invited to participate in the bidding round, where they will be allowed to access a data review period before making an offer/proposal.

PETRONAS will then evaluate the bid proposals and inform the winning bidders on the Production Sharing Contract (PSC) award.

8. What will happen to the unsuccessful bidders?

PETRONAS will inform the bidders on the outcome of the bids.

9. Can the same bidder bid in more than one block?

Yes, interested companies (bidders) can bid in more than one block and even all the blocks.

10. Does PETRONAS have the authority to retract winning bids?

Yes, PETRONAS reserves the right to retract the award.

11. What are the circumstances that allow PETRONAS to retract winning bids?

Retraction of winning bids are rare. However, there are instances where the retractions can occur, such as when the winning bidder has been listed under international sanction list after winning the bid.

12. What happens after interested bidders win their bids? What is the process?

The winning bidder will be officially notified through a Letter of Award (LOA). Subsequently, the PSC draft will be finalised between the winning bidder and PETRONAS as soon as possible. In parallel, a Joint Operating Agreement must be drafted and finalised between the winning bidder and its partners (if any). This JOA must be approved by PETRONAS before the PSC can be signed.

13. When will the signing ceremony of the Production Sharing Contract (PSC) take place?

The signing ceremony of the PSC will be held upon the contractors' request to PETRONAS.

14. There are rumours major oil and gas companies are selling off its production sharing shares and have plans to leave Malaysia. Is it true? If yes, why?

As a matter of policy, PETRONAS does not speak on behalf of our Petroleum Arrangement Contractors (PACs) nor comment on their business decisions.

15. When does the Production Sharing Contract (PSC) for the blocks expire?

The typical PSC in Malaysia consists of three (3) phases; exploration, development and production as well as decommissioning of the petroleum facilities. In total, the PSC spans a period of between 29 to 34 years.



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16. Will there be Sarawak blocks offered in the Malaysia Bid Round 2021?

Yes, there are six (6) blocks, offshore Sarawak, that will be offered in the Malaysia Bid Round 2021. The blocks are ND3A, SK4E, SK328, SK427, SK439 and SK440.

17. Moody's Investors Service affirmed PETRONAS' A2 rating with stable outlook in April 2020. Do you foresee this rating to be maintained?

Yes, we foresee our rating of A2 will be maintained given that Moody's rating of the Government of Malaysia caps PETRONAS' credit rating (PETRONAS is rated one notch above that of the Sovereign) was recently affirmed at A3 in April 2020. The current rating of A2 incorporates PETRONAS' strong credit metrics with robust liquidity and have taken into account the expectation of higher cash outflow from PETRONAS in the form of royalties, taxes and dividends as well as expectation that PETRONAS' international operations will continue to grow and diversify.

As PETRONAS continues to maintain its strong credit metrics and there is no significant decline to our reserves and production resulting from changes to Malaysia's oil and gas sector policies, PETRONAS' credit rating will remain intact.

18. How will this affect your investors?

Our investors are able to discern PETRONAS' standalone credit strengths. PETRONAS is a large integrated energy player with national strategic importance and has strong credit metrics with robust liquidity.

PETRONAS is the only 100% owned government-related issuer (GRI) that is rated above sovereign, incorporating a long track record of the government allowing PETRONAS to operate independently, despite its 100% ownership. Our financial metrics are comparable, and some are better than our higher rated peers in terms of EBITDA, liquidity, leverage and interest coverage among others.

19. Fitch and S&P have downgraded PETRONAS' outlook as negative, mirroring their revision on Malaysia. What is the impact on PETRONAS? How will this affect your investors?

The PETRONAS rating outlook was revised by Fitch and S&P on 14 April 2020 and 29 June 2020, respectively. The outlook revision on Malaysia indicates that the sovereign faces heightened risk of a further deterioration in its fiscal settings, related to the COVID-19 pandemic over the next 24 months. Similar revision to negative outlook is observed on other PETRONAS' peers such as ExxonMobil and Shell (although NOT related to sovereign outlook change), thereby, indicating that impact of the COVID-19 pandemic is affecting many countries and companies' fiscal settings.

The negative outlook on PETRONAS mirrors that on the sovereign credit rating on Malaysia, given that PETRONAS is a government-linked company (GLC). Despite this, PETRONAS' credit standing has been intact due to its sound reserve life and record of reserve replacement, solid cash flow adequacy across a pricing cycle and substantial cash balance, low debt and conservative financial policies.



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CASH PAYMENT, PDA VS STATE ORDINANCE, STATE SALES (TAX ON PETROLEUM PRODUCTS), PETROS & SOUTH CHINA SEA DISPUTE

20. What is the status of PETRONAS' relationship with the Sarawak State, and has PETRONAS' role changed?

With the commercial settlement agreement that was executed on 7 December 2020, witnessed by both the Prime Minister of Malaysia and the Chief Minister of Sarawak, both the Sarawak State Government and PETRONAS remain committed to working together to create and maintain a stable, conducive business and investment environment for the sustainable growth of the oil and gas industry, both upstream and downstream in Sarawak.

PETRONAS continues to be recognised as the national oil company with full authority to regulate the entire exploitation of the country's upstream oil and gas activities (including Sarawak).

21. Will PETRONAS be paying the 5% sales tax on Sarawak's petroleum products soon? PETRONAS and its group of companies to-date have paid the Sales & Service Tax (SST).

22. Is there any significant progress on the MA63 negotiations between Federal and State governments?

Discussions on the Malaysia Agreement 1963 (MA63) through the Special Council are currently ongoing between the Federal Government and both Sabah and Sarawak State Governments.

23. What is PETRONAS' view on Petroleum Sarawak Berhad (PETROS)?

We are committed to supporting Sarawak's aspiration to actively participate in the oil and gas sector in the State, and we will continue to collaborate with the State for mutual benefit.

We welcome any move by the State to participate in the sector – within the existing laws and mechanisms that have been put in place for the development of the oil and gas resources in the country.

PETRONAS' rights and position as owner and regulator of Malaysia's oil and gas resources remain intact under the Petroleum Development Act (PDA) 1974.



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24. **China has made various claims on in the South China Sea. Has that impacted PETRONAS in terms of your oil-producing wells / exploration that you are planning to conduct?**

No, there is no impact to PETRONAS offshore activities. Should there be any concern, we will notify the Malaysian National Security Council or *Majlis Keselamatan Negara* (MKN).

DISCOVERED RESOURCE OPPORTUNITIES (DROs)

25. **Are there any new fiscal terms being offered for Small Field Assets (SFA) and Late Life Assets (LLA)?**

Yes, new terms are being offered for both Small Fields Assets and Late Life Assets.

26. **Why are Discovered Resource Opportunities (DROs) and Late Life Assets (LLAs) not being offered in the Malaysia Bid Round 2021?**

The Malaysia Bid Round 2021 will be focusing on exploration blocks opportunities. However, DROs and LLAs may be offered outside of the Malaysia Bid Round through call for bidding at any given time. If there are any new developments and updates on the DROs and LLAs offerings, it will be made known via MPM website at <https://www.petronas.com/mpm>.

In addition, interested companies are also encouraged to write in to MPM to state their interest to study with the intent to acquire any of the DROs and/or LLAs. Availability of LLA field/s will be determined by PETRONAS.

Once we have received a query by an interested party for any of the DROs and/or LLAs, and in case a subsequent process such as data sharing is approved, then these offerings will also be made known in MPM's website for other companies to participate.

TECHNICAL STUDIES: SMALL FIELD ASSETS & LATE LIFE ASSETS

27. **What are the assets being offered under the technical studies?**

For the Malaysia Bid Round 2021, there are no offerings with regards to technical studies for Small Field Assets and Late Life Assets.

PETRONAS DAT: Data Access Transparency

28. **Can you describe what is DAT?**

DAT is a digital platform that provides investors with an exceptional data access experience to our Exploration & Production technical datasets. This digital platform provides process simplification to make the data access quick and easy, accessible anywhere and anytime.



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The type of data to be made available are those that are related to exploration blocks, discovered fields, producing and late life assets.

29. How do we access the new DAT system?

There will be a link on the MPM website which will lead to the portal where the user will be able to perform a self-registration to access the datasets. The link will be made available later in 2021. Kindly refer to: <https://www.petronas.com/mpm>.

30. How much is the DAT subscription fee?

The fee is dependent on the user access request level (Standard, Premium & Academic) and subscription duration.

31. What is the duration for DAT to be opened? Is there a time limit for the study period?

DAT platform will be available 24 hours, 7 days a week. This digital platform allows the user to access the technical data from anywhere without restriction (based on the user access request level) and the user can access the platform at their own time.

32. When will the access to DAT be opened to potential investors?

The access is expected to be ready in 2021.

33. What are some of the types of information available in DAT system?

The data set will consist of several data types including but not limited to location of block, seismic, field data, well data and production among many others.

LOW CARBON COMMITMENTS AND ENERGY TRANSITION

34. What are PETRONAS' thoughts and plans in addressing energy transition?

PETRONAS strides towards embracing the global energy transition and the shift towards a low carbon future, which will require coordinated and collective action from all stakeholders.

PETRONAS has announced its aspiration to achieve Net Zero Carbon Emissions by 2050 as part of its holistic approach to sustainability that balances Environment, Social and Governance (ESG) considerations which are aligned to its statement of purpose, to be a 'progressive energy and solutions partner enriching lives for a sustainable future'.

Source:

Media Release <https://www.petronas.com/media/press-release/petronas-calls-stronger-regional-collaboration-support-global-energy-transition>

35. What is PETRONAS doing to manage carbon emissions?

One of PETRONAS' aspiration is to achieve Net Zero Carbon Emission by 2050 and to



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realise the aspiration, PETRONAS will continue to intensify its efforts toward reducing Scope 1 and Scope 2 Green House Gas (GHG) emissions from its assets by delivering continuous improvements in operational excellence and by deploying innovative operations and technologies. Together with these efforts, PETRONAS will also pursue new avenues of revenue creation via investments in nature-based solutions as well as establish greater accessibility to cleaner energy solutions.

Source:

Media Release <https://www.petronas.com/media/press-release/petronas-sets-net-zero-carbon-emissions-target-2050>

Currently, Greenhouse Gas (GHG) management is governed by a set of integrated policies including the Flaring & Venting Guidelines established by PETRONAS as the following:

- Having zero continuous flaring and venting as “basis of design” for new projects;
- Eliminating continuous venting at fields with life of more than 20 years; and
- Reducing flaring wherever technically and economically feasible.

36. As PETRONAS is now officially in the renewable energy business, would you share your target, especially in terms of growth – domestically and overall?

As a relatively new renewable energy player, PETRONAS remains focused in strengthening its position in the industry, particularly in solar and wind, which possess the highest growth potential given the decreasing costs and continuous technology improvements that are available.

In line with the global industry outlook, PETRONAS’ renewable energy venture will be concentrated in Asia-Pacific, where its anticipated demand capacity increase is the highest among other regions.

37. What is your outlook on the renewable energy business, especially solar?

PETRONAS remains optimistic about the outlook of renewable energy business growth potential given the decreasing costs and continuous technology improvements that are available. Our focus will be concentrated in Asia-Pacific, where its anticipated demand capacity increase is the highest among other regions.

Beyond solar, energy storage solution will also become increasingly important to complement renewable energy intermittency. The levelised cost of storage has dropped by 10 times since the last decade and we are nowhere near the bottom of the battery cost curve.

PETRONAS remains committed in progressing its renewable energy business, both in solar and wind, as well as plans to diversify into innovative solutions such as energy storage, hybrid solutions and advanced analytics energy monitoring technologies as part of our effort to future-proof PETRONAS in the energy transition.



38. How does PETRONAS position itself against other players in the renewable energy space?

PETRONAS' position in renewable energy builds upon our established reputation as a leading and reliable global energy player with an award-winning track record since 1974.

As a Fortune 500® company with good credit ratings, PETRONAS possesses strong corporate governance, proven project management skills and technical know-how to maximise the value of the energy we produce.

PETRONAS' venture into renewable energy started as early as 2013 through our first solar photovoltaic (PV) project in Pahang, Malaysia that produced a total of 10MWp of renewable energy annually. By 2018, we grew to 14MWp through four (4) new solar projects at PETRONAS facilities in Malaysia and Italy.

The acquisition of Amplus Energy Solutions Pte Ltd (Amplus), a renewable energy industry leader in India, in mid-2019 established our commitment to tackle the energy transition head on through renewables. Leveraging on Amplus' experience, technical capabilities, economies of scale, diversified clientele and achievements, PETRONAS is in a strong position to accelerate our growth.

PETRONAS will be progressing to provide innovative solutions such as energy storage, hybrid solutions and advanced analytics energy monitoring solutions.

Should you have further queries on the opportunities, please do not hesitate to email:

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For more information, please visit our website at <https://www.petronas.com/mpm>