



PETRONAS

Our Reference: GSBG/GMCO/PGB/ADMIN/COMM/CORR/2025/86

22 April 2025

Minority Shareholders Watch Group
23-2, Menara AIA Sentral
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur

Attention: Dr Ismet Al-Bakri
Chief Executive Officer

Dear Sir,

42nd Annual General Meeting ("AGM") OF PETRONAS Gas Berhad ("PGB", or "the Company") to be held on Wednesday, 23 April 2025

With reference to your letter dated 16 April 2025, please find below responses to your questions: -

Operational & Financial Matters

1. In 2024, all the Group's facilities continue to uphold world-class reliability standards. The strategic adoption of advanced digital technologies has been instrumental in surpassing planned Overall Equipment Effectiveness and achieving exceptional Product Delivery Reliability, ensuring an uninterrupted gas supply for the nation. (page 21 of IR 2024)

Prior to the recent unfortunate gas pipeline explosion in Putra Heights, has there been any instance of gas supply disruption? What are the contingency plans does PGB have in place to manage the gas supply in the event of such incidents?

As PGB has consistently delivered world class operational excellence, there have never been gas delivery interruptions on the scale of the unprecedented incident in Putra Heights. Despite this, PGB has executed its business contingency plan in collaboration with Suruhanjaya Tenaga and the shippers, to ensure minimal interruptions to gas supply. As of the date of this writing, we have been advised by the shippers that supply to the majority of their customers has resumed.

2. Key developments include the expansion of LNG storage facilities in Pengerang, the construction of a new pipeline to Pulau Indah, and the addition of two gas compressor stations—all of which strengthen Malaysia's energy network. In addition, several major infrastructure upgrade projects have been sanctioned in 2024, including a piping replacement project in Kemaman and gas turbine upgrading at Utilities Kertih. (page 22 of IR 2024)

In regard to each of these developments, please explain the consequent positive implications and value-add contribution including percentage increase in capacity, estimated revenue contribution, efficiency and any other positive outcomes.

The LNG storage facility in Pengerang will generate new revenue stream for the company, as it will be leased under a 20-year agreement. Upon completion, this project will increase the LNG storage capacity of the group by approximately 20%.

The new pipeline to Pulau Indah, the addition of two compressor stations, and pipeline replacement works in Kemaman are part of regulated CAPEX approved by Suruhanjaya Tenaga (ST). These projects fall under the Incentive-Based Regulation (IBR) framework, through which the Group will earn regulated returns on the incurred CAPEX.

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The gas turbine upgrading at Utilities is part of sustaining CAPEX which will prolong the life of the assets in line with the renewal of the contract as announced by PGB in 2022 and 2023.

3. A second gas power plant in Kimanis is slated to begin operations in 2026 and will bolster energy supply as part of the Sabah Energy Roadmap and Master Plan 2040 while reinforcing its revenue base. The Company has also received the Initial Letter of Notification from the government for the development of a 120 MW power plant in the Federal Territory of Labuan, which will also support Sabah and Labuan's long term energy ambitions. (page 22 of IR 2024)

- (a) With increasing solar PV developments in Sabah, how does PGB mitigate the risk of generation overcapacity in the East Malaysia power market post-2026? Given grid stability issues in Sabah, would it be feasible for PGB to pursue battery storage or solar hybrid models?
- (b) When is the 120 MW power plant expected to be operational?
- (c) Apart from Sabah, are there plans to expand into power generation as an Independent Power Producer in other states or regions?

At present, Sabah's power reserve margin remains relatively low, and the state continues to face challenges in ensuring consistent and reliable power supply. Hence, the second gas power plant in Kimanis, scheduled to begin operations in 2026, and the new power plant in Labuan, expected to operationalise by Q1 2028, are being developed to support the reserve margin as well as to replace the retiring Stesen Janakuasa Patau-Patau.

We also expect both plants to be dispatched at high load despite the higher solar facilities deployment taking into consideration of intermittency issue associated with solar generation.

In addition, both power plants in Sabah and Labuan operate under the guaranteed Power Purchase Agreement (PPA) model, that ensures fair returns for the company regardless of the plant load, which mitigates financial exposure even in varying demand scenarios.

Regarding battery storage and solar hybrid solutions, both are seen as having strategic fit with PGB's business. Accordingly, we will actively pursue these opportunities as part of our growth agenda.

Looking beyond Sabah and Labuan, in line with PGB's strategy to expand its power generation capacity, we are actively pursuing new power generation opportunities both in Peninsular Malaysia, as well as across the region.

4. The rising electricity demand from data centres necessitates reliable energy sources, driving opportunities in gas-based power generation and grid stability. (page 35 of IR2024)

- (a) Has the Group recorded strong growth in energy demand from the power sector and data centres? What was the estimated increase in demand from these sectors in 2024 compared to 2023?

Based on data input from our shipper, in 2024, we've seen higher delivery of sales gas to power sector by approximately 7% compared to 2023.

- (b) Given that most data centre clusters are concentrated in Peninsular Malaysia (e.g. Johor, Klang Valley). How is the Company addressing the potential geographic mismatch between supply assets (Sabah/Labuan) and demand clusters?

The new power plants in Sabah and Labuan are to address the respective demand requirements.

For electricity demand in peninsular Malaysia brought about by data centres, PGB is actively pursuing opportunities in gas-fired power plants, the output of which will be connected to the national electricity grid.

Sustainability Matters

1. The recent Putra Heights gas pipeline explosion which resulted in multiple injuries and damage to properties and assets, was indeed an unfortunate incident.

- (a) We take cognizance that the Group would have adopted a robust HSE Policy, utilised a range of risk assessment tools and progressively adopted various digital tools to strengthen process safety. Notwithstanding these, and whilst investigation is ongoing, there are certainly various lessons that can be learned to further strengthen the Group's policies, procedures and processes.

In the meantime, could the Board provide insight and feedback on the likely areas that require more immediate attention and enhancements and the immediate plans?

The Putra Heights incident is unprecedented, and we are deeply saddened with what has happened. Over the past three weeks, our focus has been on ensuring the safety and welfare of the affected residents, restoring gas supply, and fully cooperating with the authorities in their investigations. We have recently announced the formation of an Independent Task Force, which will provide strategic oversight of the post-incident investigation process, recovery and restoration efforts, the safety of our gas transportation infrastructure, and other matters related to the incident.

- (b) What initiatives does PGB have to educate communities living near gas infrastructure about pipeline safety, emergency response, and reporting hazards?

We have long established programs in place to educate communities living near our gas infrastructure, including reporting of the hazards.

Our education and awareness initiatives emphasize the importance of safety around our gas infrastructure assets. These programmes cover education on prohibited activities such as trespassing, unauthorized construction and/or excavation, and the disposal of hazardous materials. Additionally, we have strategically placed signages throughout the right-of-way to inform the public about the dos and don'ts and provided emergency contact numbers for the public to reach out.

2. To achieve its net zero carbon emissions target for 100% of operationally controlled Scope 1 and 2 emissions, the Group has established short- and medium-term interim targets to track our progress:

SHORT-TERM

Achieve a 20% reduction in emissions by 2030 compared to the 2019 baseline.

MEDIUM-TERM

Achieve an 80% reduction in emissions by 2040 compared to the 2019 baseline.

(page 44 of SR 2024)

What is the Group's current achievement in the reduction of emissions? Is the Group on track to achieve its 20% reduction by 2030?

PGB's 20% reduction targets by 2030 were set in 2022, based on the identified carbon abatement initiatives. As at 2024, we have exceeded our targets for 2023 and 2024.

Based on the Group's operational forecast and projects, we are on track to achieve our target of 20% reduction by 2030.

3. **Assumptions: Full implementation of all global commitments, including Nationally Determined Contributions (NDCs) and net zero targets, by their intended deadlines.**

Implications: Higher regulatory risks as Malaysia would need to accelerate its transition to green energy sources, requiring a significant shift towards low-carbon technologies like carbon capture and storage (CCS). Natural gas demand may decline due to the emphasis on renewable energy, increasing the urgency for PGB to decarbonise its operations. (page 52 of SR 2024)

How does the Board view the risk of declining natural gas demand due to the emphasis on renewable energy, and how quickly and effectively is PGB able to decarbonise its operations and at the same time venture extensively into generating more income from various sources of renewable energy?

The Board is of the view that the natural gas demand in Malaysia is expected to increase in line with National Energy Transition Roadmap (NETR) complementing renewables to replace coal-fired power plant as well as incremental demand.

The Board is also of the view that due to the intermittency of renewables sources, natural gas is set to be the primary contributor of the energy source.

As gas will continue to remain relevant, focus is to decarbonise the gas value chain including reducing emissions through operational excellence, and developing Carbon Capture Utilisation and Storage (CCUS) solutions.

Nevertheless, we continue to pursue renewables opportunities in line with our growth agenda.

Thank you.

Yours faithfully

for PETRONAS GAS BERHAD



Cik Azizahwati Ishak
Company Secretary

- c.c.
1. **Datuk Adif Zulkifli**
Chairman
PETRONAS Gas Berhad
 2. **Encik Abdul Aziz Othman**
Managing Director/ Chief Executive Officer
PETRONAS Gas Berhad
 3. **Puan Mek Yam @ Mariam Hassan**
Company Secretary
PETRONAS Gas Berhad