

PETROLEUM ROYALTY: QUESTIONS FOR NEW ATTORNEY GENERAL

I read with interest the report *“Government Agrees to Channel Oil Royalty Straight to Terengganu State Government”* (NST June, 7, 2018).

It stated:

“PUTRAJAYA: The government has agreed to pay oil royalty straight to Terengganu government’s coffers.

Terengganu Menteri Besar Professor Dr Ahmad Samsuri Mokhtar said the state welcomed the move as the money could be used for the people.

“(Prime Minister) Tun Dr Mahathir (Mohamad) has informed us that the oil royalty will be paid to the State government. The quantum and details of the oil royalty will only be known later. But, it is at least five per cent, which is the current rate now,” he told reporters after attending the first National Finance Council meeting chaired by Dr Mahathir.

In the past, Samsuri said the oil royalty for Terengganu was channelled to the federal government agencies.....”

Since the amount involved may run into millions, if not billions of Ringgit, I request the new Attorney General to look into the matter and advise the Prime Minister on the following questions:

1. Whether in his opinion, based on the facts and the terms of the agreement between Petronas and the states in Peninsular Malaysia, including Terengganu and Kelantan (the agreement), Petronas is liable to pay the said royalty to any of the States, including Terengganu and Kelantan.
2. If Petronas is not liable to pay, is it lawful for the Prime Minister to direct Petronas to pay?

To answer those questions, the following questions will have to be answered first:

- (a) What are the conditions, according to agreement, that must be fulfilled first before Petronas is liable to pay royalty to the States, including Terengganu and Kelantan?
- (b) Are there any oil fields discovered and producing oil and gas in any of the States, including Terengganu and Kelantan?

To answer those questions, the following questions will have to be answered first:

- (i) What is the meaning of “in the state”?
- (ii) Is it not within the boundary of the state including the territorial waters of the state?

- (iii) What are the territorial waters of a state like Trengganu and Kelantan?
- (iv) Is it not three nautical miles measured from the low water line of the coast of the state?
- (v) What is the distance of the nearest oilfield to Terengganu and Kelantan?

The country expects the Attorney General to advise the Prime Minister and the Government and the country deserves to know his (the Attorney General's) opinion and advice.

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