



PETRONAS

STATEMENT BY PETRONAS PRESIDENT & GROUP CEO TAN SRI DATO' SHAMSUL AZHAR ABBAS REGARDING LNG DEVELOPMENT IN BRITISH COLUMBIA

Vancouver, British Columbia, October 6, 2014 - Tan Sri Dato' Shamsul Azhar Abbas made the following statements today regarding the proposed investment to build and operate the Pacific NorthWest LNG Ltd. export facility in Prince Rupert, British Columbia and its associated natural gas reserves operated by Progress Energy Canada Ltd located primarily in the North Montney region of northeastern British Columbia.

"PETRONAS is encouraged by the commitment expressed by the British Columbia (BC) government regarding the Pacific NorthWest LNG (PNW LNG) project during recent meetings with Premier Clark and Minister Coleman in Vancouver. During the round of meetings, PETRONAS and the Government of British Columbia agreed on clear milestones, action plans and deliverables for both parties to support project competitiveness necessary to undertake a Final Investment Decision (FID) by mid-December 2014.

In addition, PETRONAS will also continue to work with the Government of Canada and its agencies to advance the regulatory process and clarify the fiscal framework associated with this new industry in Canada.

Fundamentally PETRONAS believes that the PNW LNG project has the ability to monetise, add value and link BC natural gas to the global market; to the benefit and prosperity of Canadians, especially to British Columbians. Nonetheless the reality of the global LNG market is that we are facing potential overhang and decreasing demand that creates downward pressure on LNG prices. In this market environment, the ability to secure market and customers is paramount.

Coupled with softening crude prices, there is a need for international energy companies such as PETRONAS to seriously prioritize and reassess our investments. The proposed fiscal package and regulatory pace in Canada threatens the global competitiveness of the PNW LNG project. This is further exacerbated by preliminary project costs, which indicates cost of local contractors to be higher and not benchmarked to global contractor's cost.

The additional tax and high cost environment will negatively impact the project's economic viability and competitiveness. In fact, in our last portfolio review exercise, the current project economics appeared marginal. Without material cost reduction efforts cross the project we'll have a tough time reaching a positive FID by mid-December 2014.

In order to remain competitive, PETRONAS needs to secure consensus on key principles vital to the success of this project by the end of October. Missing this date will have the impact of having to defer our investments until the next LNG marketing

window, anticipated in 10-15 years. At this juncture, PETRONAS firmly believes on the urgent need for stakeholders to collaborate and come to an agreement, rather than act as opposing parties at the negotiation table.

In light of this, the next few weeks will be critical in ensuring that commitments made during the last meeting will be followed through by creating a tangible environment which stimulates competitiveness and investor's confidence in British Columbia. PETRONAS and its partners look forward to working with the British Columbian and Canadian government to advance with pace, clarity and purpose in turning the vision of a Canadian LNG industry into a reality."

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