

Feb 28, 2024 / 9.00 AM (GMT +8), Q4 2023 PETRONAS Gas Bhd Earnings Call

# PETRONAS Gas Berhad

## Q4 2023 Analyst Briefing



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### Corporate Participants

Abdul Aziz bin Othman, PETRONAS Gas Berhad - MD, CEO & Director

Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – Chief Financial Officer

Hisham bin Maaulot, PETRONAS Gas Berhad – Head Business Development & Commercial

Suriyanti binti Nordin - Head of IR

### PRESENTATION

#### Suriyanti Nordin, PETRONAS Gas Berhad - Head of IR

Assalamualaikum and Good evening, everyone. Thank you for joining our session today for PETRONAS Gas Berhad's Analyst Briefing for quarter ended 31<sup>st</sup> December 2023. We are organizing this session through the Microsoft Teams.

My name is Suri from Investor Relations, and together with me from PGB, we have Encik Abdul Aziz Othman, Managing Director and CEO; Encik Shahrul Azham Sukaiman, Chief Financial Officer; and Encik Hisham Maaulot, Head of Business Development and Commercial.

The PETRONAS Gas Berhad's Analyst Briefing for Quarter Ended 31 December 2023, is divided into four segments, firstly, En. Aziz will present the Key Highlights for PETRONAS Gas Berhad for the Quarter; secondly, the Business Updates and Financial Performance will be shared by En. Shahrul Azham; and next, En. Aziz will return to share PGB's focus Moving Forward; and finally, we will open the session for Q&A.

All participants are reminded to obey the session's rule where everyone should be on mute throughout the session.

We will be showing the presentation throughout the briefing, and we have also shared a copy of the presentation to all of you prior to the session through this MT channel for your reference.

During Q&A, you are allowed to ask questions. Please be reminded to press the "raise hand" button and we will open the microphone for the selected participant. For reference, our financial results is now available at both Bursa Malaysia and PGB websites.

Without further ado, I will hand over to Encik Aziz for the key highlights. Encik Aziz...

Thank you, Suri.

Assalamualaikum and good morning everyone. Thank you for joining us. I am pleased to be with you all today to announce the results of PETRONAS Gas Berhad's Q4 2023 performance.

Before we go into the results, I'd like to share with you some of the key external developments that have impacted and may still impact PGB's business operating environment:

First is on the continuous geopolitical tension. When we first highlighted this around October-November 2023, the Middle East tension had just started. Meanwhile conflicts do not show any sign to subside, there are also escalating signs within the locality e.g Red Sea turmoil and Iran-Pakistan conflicts.

There's however observed stable Brent oil price, despite concerns on the escalation as intervention is in place with balanced demand/ supply arrangements in the market.

So, with this development, we have conducted assessment on what would be the impact to us, PETRONAS Gas and there are actually two areas of possible impact:

1. On Brent: Alhamdulillah, as I mentioned there is however minimal impact from higher fuel gas price as you are aware on our utilities business, where a portion of it is the gas price which follow oil, can be transferred to products other than electricity. But for electricity, with the introduction of the ICPT, we were able to cushion the impact. At the same time, the potential of cost escalation for other cost of operation in other hand is assessed as minimal.
2. The other impact is on supply chain: There is however potential delay on things that we purchase from areas such as Europe and etc. for our projects might encounter delay and cause cost escalation and this may have impact on projects' delivery and operations, obviously due to longer alternative shipping route and escalation of insurance risk premium.

Those are two areas of potential impacts, although at this moment we are monitoring closely to make sure that we can mitigate as early as possible.

The second part is the foreign exchange fluctuation. As can be seen in the last one month MYR was almost reaching RM4.80, but our Ringgit is observed to be neutral – more due to up and down – and of course this is due to the uncertainty of Federal Reserve on its policy rate. The max hit was 4.77 during November and during the period of reporting hovering 4.65 – 4.72. The impact on PGB specifically due to USD Lease Liabilities, but we consider it to be minimal as you recall due to the settlement that we did last year. However, on the project part, the projects with high exposure to USD are monitored in case the cost escalation gets hit.

Those are the external environment that we are monitoring closely, that we think could have impact on our business moving forward.

If I can go to the next slide. Again as to relate to the earlier slide on the business landscape, I would also like to highlight on the current development surrounding our business operations. Let's take a look at the impact they have on us.

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Abdul Aziz bin Othman, PETRONAS Gas Berhad - MD, CEO & Director

The commodity prices continued to be on the rise and maintain at high levels in the recent years. The gas price, which is the Malaysia Reference Price (MRP), the average MRP for the year is RM47/MMBtu, being peak in Q1 2023 at RM58/MMBtu, and since then, it went on downward trajectory from Q2 onwards averaging at RM47/MMBtu (Q2: RM48/MMBtu; Q3: RM42/MMBtu; and Q4: RM40/MMBtu).

Cost of energy for Peninsular Malaysia also remains high. This has resulted in higher ICPT surcharge, as everybody knows regulated through Suruhanjaya Tenaga, and this is a mean to soften the impact on energy costs borne by TNB. This has also impacted our revenue and margin in the Utilities segment, specifically as I mentioned previously on the electricity sales price to customers.

With these external environment development, overall cost of doing business was higher during the period that we are reporting and for this year, we expect it to remain as such.

Now let's look at our business performance. I am pleased to share with you some of the highlights.

As mentioned, amidst the challenging market conditions that continue to impact business operation, we continue to deliver a strong performance and maintained sustainable dividend to shareholders. This strong performance was a resultant from our continued and consistent world-class operational excellence, which is close to 100% during the quarter.

Among our achievements in 2023 are on the long term contracts, which is some of your favourite questions in the previous session. We are happy to say that on 17 December 2023, we have concluded the new 3rd term Gas Processing Agreement (GPA) with PETRONAS. This is the review that we do similar to the regulatory period for regulated business.

The agreement was concluded with the highest recorded CAPEX because we need to keep the plant reliable for the processing of gas and OPEX, which was approved as part of the GPA term, and that will improve the Reservation charge. Later, En. Hisham, Head of BD&C will be provide a brief explanation on some of the key terms of this GPA review.

On pipeline projects in catering for growth in demand, we have successfully completed the construction of:

1. pipeline extension project to Banting in July 2023; and
2. pipeline to Pulau Indah Power Plant. We have received the permit to operate and still working on gas-in to the customers.

On growth:

As all of you aware, we achieved FID for New Floating Storage Unit (FSU) at Regasification Terminal in Pengerang in November 2023. This will add on additional LNG storage capacity of 200,000m<sup>3</sup>, which is about 1/3 or 30% additional capacity to Pengerang. And as mentioned, it will be in the form of floating storage unit.

We have also achieved Final Investment Decision (FID) to leverage on the cold energy that we have in Pengerang for the ASU (Air Separation Unit (ASU) Cold Energy plant to produce Nitrogen and Oxygen, that was achieved in December last year.

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Other than that, as we mentioned we had settled the USD lease liabilities for the Floating Storage Units (FSU) at LNG regasification terminal Sg. Udang, Melaka. It is as our calculated move to counter the impact of forex volatility and reduced exposure to currency markets, since we collect our fee for regasification in ringgit and that lease liabilities was in USD. As you can see from our result eliminates some fluctuation in numbers that we are reporting on quarterly basis.

Going to financial, comparing the full year of 2023 with 2022. PGB revenue stood at RM6.45 billion, which is higher by 5% as compared to 2022. This was mainly contributed by revenue from Utilities segment due to the higher product prices in tandem with elevated fuel gas price. Revenue from the electricity tariff for the year, which was also higher in line with upward revision of Imbalance Cost Pass-Through ("ICPT") surcharge.

Gross profit was nonetheless lower by 3% or RM61 million as a result of lower contribution from the Regasification and Gas Processing segments, because of higher operating expenses, mainly depreciation expenses following the completion of capital projects, and as we have reported to you compounded with lower regasification tariff that we achieved from RP2 as decided by ST previously.

Nevertheless, Profit After Tax (PAT) for the year was higher by 8% or RM143 million on the back of higher contribution from joint venture companies, lower financing costs and lower impact from unfavourable foreign exchange movement, again I mention following the early settlement of USD lease liability for floating storage at LNG regasification terminal in Sg. Udang, last but not least, because of lower tax expense.

EBITDA was higher by 1%, as compared to 2022, at RM3.27 billion in line with higher PBT. Our Earning Per Share (EPS) was also higher by 11%, reflecting higher profit attributable to shareholders of the Company.

Dividend per share for the quarter was approved at 22 sen, making it a total of 72 sen, which is similar to the same period last year.

Now let's go for further details on our business and financial performance. For this, I will pass to Shahrul. Over to you, Shahrul.

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**Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – Chief Financial Officer**

Thank you En. Aziz. Good morning everyone.

I shall take you through the business performance for Q4 2023. So let's start with PGB gas processing and regulated business.

As shown on the slide, Gas Processing segment continued to fulfill its commitment to customers by consistently securing 100% Reservation Charge and Tariff with maximum Performance Based Scheme (PBS) incentives achieved; sustaining world class operational performance; and achieved Reliability close to 100% for all products (C1, C2, C3 and C4) with lower plant slowdown and zero interruption to customers.

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**Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – Chief Financial Officer**

Our Gas Processing Unit Technical Centre (GTC) that allows GPU to create new values by leveraging on data driven and new way of working; align its business strategy to address operating challenges, such as enabling centralized and integrated information on plant operation, equipment performance and GHG monitoring, and advance analytic analysis for plant and equipment performance: and this also provides the right employee experience to achieve safe, reliable and efficient operations.

As mentioned by En. Aziz earlier, the new 3rd Term Gas Processing Agreement or GPA has been concluded with PETRONAS for the period starting Jan 2024 until the end of 2028.

For gas transportation segment, our pipeline network performance is meeting target and achieved close to 100% reliability as always. The average sales gas delivered was more than 2.19 billion standard cubic feet per day in 2023.

As for project updates for our pipeline business, Pipeline to Pulau Indah was progressing with a slight delay, but the pipeline has been successfully hydrotested and is now safe to operate where Permit to Operate (PTO) has been granted by DOSH in October 2023.

For PGU 1 Pipeline Replacement project, it has successfully achieved Gas-In in August 2023 and completed all decommissioning activity. Currently, the project is continuing with reinstatement, abandonment and abolishment of existing PGU-1 pipeline.

As for the Southern Transmission Improvement and Readiness Project, it is progressing behind schedule due to valve quality issues, but it has been resolved as we speak today. So the target completion is by Jan 2025.

As for regasification segment, both of our Terminals in Sungai Udang and Pengerang sustained strong reliability performance close to 100%. In 2023, both regasification terminals received 50 cargoes, slightly lower than last year, which is 54 cargoes, and for the ancillary services, we have completed 2,190 LNG truck loading service deliveries, higher than last year, of 971 deliveries. This indicates that gas demand remains robust even to areas not connected to our pipeline.

Higher numbers on GUCD and reloading services were also recorded in 2023. And as mentioned earlier, we have achieved Final Investment Decision for additional LNG storage expansion project in Pengerang, in September 2023.

Moving on to utilities segment, during the quarter, Group's Utilities plants achieved close to 100% Product Delivery Reliability for steam, and electricity. Higher product sales volumes for all products achieved due to higher demand from customers as compared to the pervious quarter.

However, comparing between full year 2023 with 2022, volume for all products were lower due to lower customers' offtake. There were shutdowns at customers facilities, so there were just lower demand in 2023.

The Imbalance Cost Pass-Through, better known as ICPT, surcharge was continued at rate of 17sen/kWh for the second half of 2023. This was lower than the surcharge in the first half of 20 sen/kWh, leading to a lower revenue for electricity for the second half of the year. For the first half of 2024, the ICPT surcharge remains at 17sen/kWh.

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With the current rate of ICPT, we continue to strengthen our efforts to ensure plant safety and efficiency as our top priority, so that supply to customers through the New Enhanced Dispatch Arrangement (NEDA) is reliable.

On growth project, our EPCC for Sipitang Power Plant is progressing as per schedule; and as also mentioned by En. Aziz earlier, we also have achieved FID for Air Separation Unit (ASU) Cold Energy Harnessing project in Q4 2023.

Let's move on to the financial performance. I will start with overall results for PGB Group.

In Q4 2023, PGB group continued to sustained its strong performance across all of its plants and facilities.

Against the preceding quarter (Q3 2023), Group revenue increased by 2% driven by higher revenue from Utilities segment as a result of higher product sales volume on the back of higher demand from customers. Gross profit was nonetheless lower by 13% at RM507 million, due to higher operating expenses, mainly maintenance costs following higher level of maintenance activities performed during the quarter.

Profit for the quarter also was lower by 5% in line with lower gross profit, but this was partly cushioned by higher contribution from joint venture companies.

Against the corresponding quarter, Q4 2022, Group revenue declined by 3% largely attributable to lower revenue from Utilities and Regasification segments. Lower Utilities revenue was mainly due to lower products' price and customers' offtake; while Regasification revenue was lower in line with lower RP2 tariff, compared to RP1.

Gross profit however improved by 8% mainly due to lower fuel gas consumption, partly driven by optimisation efforts. Correspondingly, Profit for the quarter was higher by 1% to RM466 million.

For result against the corresponding year to date 2022, Group revenue increased by 5% to RM6.45 billion mainly contributed by revenue from Utilities segment as a result of higher product prices in tandem with elevated fuel gas price. Electricity tariff for the year was also higher in line with upward revision of ICPT surcharge.

Gross profit was nonetheless lower by 3% as a result of lower contribution from Regasification and Gas Processing segments due to higher operating expenditure, mainly depreciation expense following the completion of several capital projects including plant rejuvenation and statutory plant turnarounds, and this was further compounded with lower regasification tariff under RP2.

Despite lower gross profit, profit for full year 2023 improved by 8% to RM1.90 billion on the back of higher contribution from joint venture companies, lower financing costs and lower impact from the unfavourable foreign exchange movement, as mentioned by En. Aziz, following the early settlement of USD lease liability. This was also supported by lower tax expense, where the corresponding tax expense was higher as a result of imposition of Prosperity Tax or known as Cukai Makmur for the year 2022.



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For segmental performance, against preceding quarter, Q4 VS Q3, lower gross profit was recorded for all operating segments, namely gas processing, gas transportation & regasification, and utilities, mainly due to higher operating expenditure, following higher level of maintenance activities performed during the quarter, as well as higher depreciation expense incurred in line with higher projects' completion during the quarter.

Against the corresponding quarter, Q4 2022, gas processing segment recorded lower gross profit by RM23 million due to higher operating expenditure mainly on depreciation.

For Gas transportation segment, the result was higher driven by lower operating expenditure, mainly internal gas consumption. Internal gas consumption expense was lower due to upward adjustment for full year 2022 that was recognised in corresponding quarter. So there was adjustment recognised in Q4 2022 for the full year of 2022.

For Regasification segment, lower gross profit recorded due to lower regasification tariff under RP2 coupled with higher operating expenditure, mainly higher floating storage charges and internal gas consumption.

For Utilities segment, the result surged to RM56 million on the back of lower operating expenses, mainly fuel gas cost in tandem with downward movement of benchmark price, and also supported by our ICPT revision.

For results against the corresponding year to date 2022, the trend actually similar for corresponding quarter for Gas Processing and Regasification segment. Gas Transportation results was comparable against 2022.

On the other hand, segment result for Utilities for full year 2023 surged by more than 100% in tandem with stronger margin following our revision of ICPT surcharge and this was partly negated by higher operating expenses mainly fuel gas price and also depreciation expenditure.

Moving on to the segment financial position or balance sheet, as at 31 December 2023, Group's total assets at RM19.4 billion, was lower by RM308 million, due to lower cash, and this was due to early settlement of USD lease liabilities for the Floating Storage Units at LNG regasification terminal in Sg. Udang, Melaka, and partially offset by higher property, plant and equipment, and investment in joint ventures balances, in tandem with higher capital expenditure and share of profit respectively.

On CAPEX, the group has spent RM1.2 billion in 2023, which is comparable to FY2022, mainly on operational CAPEX, and the rest were spent on growth CAPEX for the year.

Concurrently, the Group's total liabilities have also reduced by RM774 million. This is as a result of the early settlement of USD lease liability as mentioned earlier.

Our cash, despite the early settlement of the FSU lease liability, remains healthy, with head room to play with, for existing and upcoming growth projects.

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**Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – Chief Financial Officer**

As for the dividend, as mentioned by En. Aziz earlier, the Board has approved the fourth interim dividend of 22 sen per share, payable on 15 March 2024. This dividend demonstrates our commitment to ensure sustained level of returns to the shareholders, despite the ongoing economic conditions.

So, we still give healthy level payout, more than the committed dividend policy.

Can move to the summary, so for 2023, PGB's performance, we continue to sustained world class operational performance. Our excellent operations in 2023 continue to be the basis of our strong business performance, again achieving close to 100% reliability in delivering products and services in all of our operating segments.

Financially, higher revenue was mainly contributed by revenue from Utilities segment due to higher product prices in tandem with elevated fuel gas price, as well as the higher electricity tariff for the year in line with upward revision of ICPT.

Despite lower gross profit, higher profit after tax recorded on the back of higher contribution from joint venture companies, lower financing costs and lower impact from unfavourable FOREX movement.

Our cash balance remains healthy to support our growth projects, and healthy dividend at 22 sen per share.

I think that is all from me.

I will now pass the line back to Encik Aziz to share on the company outlook.

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**Abdul Aziz bin Othman, PETRONAS Gas Berhad - MD, CEO & Director**

Thank you Shahrul.

Ladies and gentlemen, this update is along the four lenses of our Sustainability Blueprint.

First and foremost, our track record of operational excellence, showcased by continuous safe, reliable and efficient operations is our building block in ensuring sustainable value via revenue with a healthy margin from our long-term contracts.

Next is our pursuit for growth and value creation, as well as project execution, will be on the basis of safeguarding the environment and ensuring positive social impact to our stakeholders and responsible governance.

To ensure better execution of projects, focus for 2024 will also be on enhanced project delivery practices.

We will also be planning for execution of the 3rd term of the Gas Processing Agreement, which as mentioned earlier that it has been signed, and now it is about executing that agreement accordingly.



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**Abdul Aziz bin Othman, PETRONAS Gas Berhad - MD, CEO & Director**

We are confident that with all that we've achieved in 2023, we are in a good position to strive for greater ambitions in 2024.

That's all from me. Before we move on to Q&A, I'd like now to invite our Head of Business Development and Commercial, En. Hisham Maaulot, to give his sharing on the salient terms of the recently signed Gas Processing Agreement.

En. Hisham..

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**Hisham bin Maaulot, PETRONAS Gas Berhad – Head Business Dev. & Commercial**

Thank you very much En. Aziz.

Can everyone hear me?

Good morning. Hi everyone. My name is Hisham, I am the Head of Business Development and Commercial Division of PGB.

I just have a couple of info to give you better insights of this newly concluded GPA 3<sup>rd</sup> Term. Now to better appreciate the new terms of the GPA, I'll share some background of Gas Processing Agreement (GPA) with you.

The Gas Processing Agreement (GPA) was signed between PGB and PETRONAS in 2014 for a duration of 20 years for the services of processing Natural Gas that we provide for PETRONAS. The agreement is divided into 4 terms and the 3<sup>rd</sup> term, which we have recently concluded, it is the Implementation Guide (IG) of GPA starting 1 January 2024 until 31 December 2028. Thus, it is for the period of 5 years.

Fundamentally, it is still the same. The remuneration structure under the GPA is calculated based on the following four (4) components:

1. PETRONAS shall pay PGB a Fixed Reservation Charge of RM2,524 per million standard cubic feet ("mmscf");
2. PETRONAS shall pay PGB the flow rate charge of RM0.20 for each gigajoule of dry gas processed above the committed target of 1,750 mmscf per day (MMscfd) in each calendar month throughout the 3<sup>rd</sup> Term GPA;
3. PETRONAS shall pay PGB the performance incentive whenever PGB achieve higher Overall Equipment Effectiveness performance targets for Ethane, Propane, Butane; and
4. PETRONAS shall provide Internal Gas Consumption at no cost to PGB provided that PGB shall operate within the Agreed Operating Parameters ("AOP"). The AOP is a predetermined range between 2% above (Upper Limit) and 2% below (Lower Limit) of the Agreed Operating Conditions. Incentive and penalty payment shall be remunerated or levied if PGB operated outside AOP.

Those are the fundamentals of the GPA, and we have concluded it and it has started on 1 Jan this year.

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## Hisham bin Maaulot, PETRONAS Gas Berhad – Head Business Dev. & Commercial

Now if we can move to the next slide,

The result of this conclusion, PGB has successfully received approval for 3rd Term GPA with higher Reservation charge by RM 92 Mil per annum compared to the previous GPA second term.

Higher reservation charge encompass higher asset-based including new sustainability-driven projects, as well as higher operating expenditure in-line with higher cost of doing business.

There is also minor revision to Performance Based Structure (PBS) and Internal Gas Consumption (IGC) incentives under 3rd term GPA renewal. The new PBS provides opportunity for PGB to maximise the incentive and margin. We believe this is achievable based on our past performance and further supported by our tech centre that Shahrul has explained earlier.

So that's all I have to provide you some insights on our 3rd Term GPA. I'll pass over to Suri for the next session.

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## Suriyanti binti Nordin - Head of IR

Thank you, En. Hisham, En. Aziz and En. Shahrul.

We have now come to the Q & A session. Please be reminded to continue to obey the session rule where everyone should be on mute to ask a question.

Please press the "raise hand" button and we will open the microphone for the selected participant.

You may also type your question in the chat box and we will read it out loud for you.

So, I guess we can start.

## QUESTIONS AND ANSWERS

### Suriyanti Nordin, PETRONAS Gas Berhad – Head of IR

Ok, we have 1 question from the chat box from Mr. Ong Tze Hern, What is the joint venture that recognise more profit in Q4 2023.

### Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director

I ask Shahrul to take this question.

### Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – Chief Financial Officer

So thank you for the question. The joint venture that recognise more profit in Q4 and the full year in 2023 Kimanis Power Plant Sdn Bhd and also our IGS Sdn Bhd. That those 2 joint ventures contributed higher profit for the year 2023.

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**Suriyanti Nordin, PETRONAS Gas Berhad – Head of IR**

Thank you, Tze Hern. Ok, we have 1 raised hand here. I'll pick Anshool There's no one raising their hand yet.

Next we have Anshool Singhi. Yes, Anshool?

**Anshool Singhi, JP Morgan Chase & Co. – Analyst**

Hi, can you hear me?

**Suriyanti Nordin, PETRONAS Gas Berhad – Head of IR**

Yes.

**Anshool Singhi, JP Morgan Chase & Co. – Analyst**

Hi, good morning. I have a few questions. Let's start with the dividend payout guidance. I know you maintain it under the policy, but do you have any intention to raise it moving forward?

**Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director**

Anshool, as we informed few time on this, we try to balance the cash distribution considering that the dividend policy as well as the need for growth that we have always communicated to you.

We do have initiative on the growth that we see that would need to balance this cash distribution accordingly, that's why the dividend that we have paid out, is very much aligned with what we have paid year in year out in the last three or four years, but well above the dividend policy.

**Anshool Singhi, JP Morgan Chase & Co. – Analyst**

I understand. So you mentioned about focusing on growth. Can you share your guidance for the CAPEX for 2024?

**Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director**

I let Shahrul to answer.

**Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – Chief Financial Officer**

As I mentioned earlier, in 2023 we spent about RM1.2 billion, 50% is on operational and the remaining is on growth CAPEX. So for 2024, we believe the operational CAPEX will remain at the same level about 60 to 65% of our total CAPEX. But as mentioned by En. Aziz as we embark on growth projects, we probably spend more in 2024 for the growth portion, but depending on the milestone, probably the milestone on the growth some of it will happen in 2024, but I believe the bigger portion will happen in the following year.

**Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director**

As you are aware Anshool, we have the Sipitang power project, which is starting with the construction, so you'll see more CAPEX for that. We have just FID the 2 projects that I've mentioned, the ASU on the coal energy and the storage. Both beginning engineering but you'll see more CAPEX in later part of the year. Compare to 2023, you'll see higher CAPEX from those projects that I have mentioned.

**Anshool Singhi, JP Morgan Chase & Co. – Analyst**

Any chance you can share the overall CAPEX for these two individual projects?

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**Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director**

The Sipitang power plant is about RM250 million. The coal energy, we are looking at above RM400 million and the storage about above RM100 million, But I think the big chunk of the cost on that is because we are leasing a ship storage similar to Sungai Udang, So the CAPEX is maybe Low, but actually a lot of cost will be on the leasing of the ship FSU for the storage, so those are the CAPEX or the three projects that I've mentioned.

**Anshool Singhi, JP Morgan Chase & Co. – Analyst**

Thank you. I have another question about the regulated business. Considering this is the first year where the IGC cost will be reset at the end of the year again, how do you see your costs evolving for the regulated business, do you see the margins improving again specifically for regulated business?

**Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director**

You know, what we can pass through year in year out is the gas in term of price, if it's higher we can recover the next year and on volume, there are some percentage sharing if you can recall back what we have shared before. So for this year we think we can get some slight positive benefit on that, not much but it's a positive benefit comparing from those two element.

**Anshool Singhi, JP Morgan Chase & Co. – Analyst**

I understand, I have one last question. I have a call with Pchem. They mentioned some issues with regarding steam supply. Can you explain a bit about what happened and was there any financial penalty that you had to face?

**Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director**

Of course. We operated back to back with a Pchem plants, so if there are disruption in our facilities, you will see some disruption. But we do have some small problem, but this disruption was not that significant. In fact, we actually come back quite fast to support their operation accordingly, yeah. That was sometime in December last year.

**Anshool Singhi, JP Morgan Chase & Co. – Analyst**

Was there any cost or penalty?

**Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director**

No, not to us. Of course we cannot collect the revenue because the volume was not delivered, but that's all.

**Anshool Singhi, JP Morgan Chase & Co. – Analyst**

Thank you.

**Suriyanti Nordin, PETRONAS Gas Berhad – Head of IR**

Thank you Anshool. Next 1 I'll pick up Daniel?

**Daniel Wong, Hong Leong – Analyst**

Thank you Sir. When will the growth project – ASU, LNG storage and Sipitang plant - commence operations?

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**Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director**

The Sipitang plant will be in 2026 because we are supplying to the Petronas LNG. So we are just matching to that timing. The cold energy will also be in 2026 and the LNG storage expansion will be in Q2 2025.

**Daniel Wong, Hong Leong – Analyst**

Thank you. OK.

On this current quarter, can I check what is the incentive fees that you received for gas processing.

The 3rd quarter and 4th quarter, how much was the incentive fees for the gas processing?

**Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director**

So the 3rd and 4th quarter, the number is similar to 1st and 2nd quarter because we collect full.

**Daniel Wong, Hong Leong – Analyst**

OK thanks.

The other thing on the JV operations that contributes strongly during this quarter, Can I check what has contributed so strongly this quarter for Kimanis Power and IGS as compared to third quarter to second quarter first quarter. It's just your numbers, just double more than double on quarterly basis.

**Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director**

As Sharul mentioned, of course Kimanis, as you are aware that Sabah has a lot of power needs primarily because somehow the weather last year was hotter in Sabah and there were disruption on the other IIP as well as the unavailability of the hydro plant in throughout the year which lead to higher utilization and load compared to previous year, to meet the demand in Sabah.

**Daniel Wong, Hong Leong – Analyst**

I mean, in the fourth quarter last year compared to the elevation of the quarterly for the first nine month, your number just a more than double without talking about not on full year basis.

**Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – Chief Financial Officer**

If I can help Daniel, as mentioned throughout the year is higher load factor, given the higher demand from Sabah. So Kimanis was outstanding on the higher factor in full year and also in quarter four, but there's also a higher favourable forex movement on the forward contract for the JV in Kimanis, and of course, there's also some tax optimization on the maximum utilisation of the available tax benefits.

**Daniel Wong, Hong Leong – Analyst**

So OK, this 100 million in this 4th quarter is not sustainable.

We are looking at somewhere around 14 to 15 million per quarter basis in terms of like.

**Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – Chief Financial Officer**

Yes, you are right.

**Daniel Wong, Hong Leong – Analyst**

OK. I'm into this new 3rd GPA. We notice that your best fees has increased by about 19

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million and then your incentive also increased by about 13 million. So are we able to make assumption that this year easily you can make additional 100 millions just because of the higher fees for this GPA or we are expecting some kind of offsetting on the higher operational costs or depreciation charges for this GPA, which you will offset this additional revenue earnings.

**Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director**

You read it very well, Daniel, because as we go into the future, the plant is getting older. So the OPEX we expect to be higher, so some of this benefit will be taken back by those higher operational costs and depreciation charges.

**Daniel Wong, Hong Leong – Analyst**

Ok. The other thing I just need to check, it was mentioned that for additional more than anything more than 1,750 MMscfd. Then you guys will gain additional flow rate charge of 4 sen per GJ. Is it true?

**Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director**

20 sen.

**Daniel Wong, Hong Leong – Analyst**

Ok. That's all from me.

**Suriyanti Nordin, PETRONAS Gas Berhad – Head of IR**

Thank you Daniel. We'll go next to the person who has waited quite long now, Muhammad Nur Ashman?

**Muhammad Nur Ashman Bin Ab Razak – Analyst**

Thank you. Firstly is on the higher maintenance charge that we saw for this year. Could you help us to get some idea or some sense of where are the sizeable charges coming from for this line item?

**Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – Chief Financial Officer**

In terms of the higher maintenance costs for the year, first correspond with the higher level of activities, most of it are plant activities.

And secondly, there's also impact on the higher what we've shared with you earlier, on the business environment as higher inflation. So same services that we rendered in 2022 cost us more in 2023 because of that.

**Muhammad Nur Ashman Bin Ab Razak – Analyst**

Alright. And then I noticed that the effective tax rates for this quarter rose up quite significantly at 24% compared to the previous 3rd quarter where it was running at levels around 17 to 20%. Any reason why the increase in effective tax rate for this quarter?

**Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – Chief Financial Officer**

So I think there's a couple of reasons. Firstly, in 2023, the placement of our deposit in our in-house account is now taxable. Previously was not taxable, it was tax exempted. But starting 2023 it is taxable.

And we also had higher interest income in 2023 and higher tax. I think that that's the reason and well for the higher tax, yeah.



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**Muhammad Nuur Ashman Bin Ab Razak – Analyst**

So mostly financial assets?

**Shahrul Azham bin Sukaiman, PETRONAS Gas Berhad – Chief Financial Officer**

Yes.

**Muhammad Nuur Ashman Bin Ab Razak – Analyst**

And then, on the CAPEX assumption, I understand that you've already mentioned this that we should expect in 2024 to be more. But in line with the idea that the 3rd term GPA terms were to cater for higher CapEx for the ageing plants and all, what would be say safe assumption moving forward, yeah?

**Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director**

I suppose maintenance if you go back the last normal operational CAPEX, you go back to the last 2 years also, we are looking at about RM800 million.

Growth, I mean watch for our FID announcement, normally, we'll give you the CAPEX whatever the investment associated with that FID announcement, and of course, projects to take around 3 to 4 years. And you could quote for yourself what would be the so called CAPEX outlay base to 2- 4 years project durations. Typically the 3rd and 4th year is the heaviest when you look at the CAPEX outlay.

So you can estimate based on those typical trend that we have seen, yeah.

**Muhammad Nuur Ashman Bin Ab Razak – Analyst**

Alright, thank you very much.

And then just a quick question on the LNG FSU that you announced for the plant in Pengerang. Can I just try to understand why you chose this mode rather than to build the additional terminal facilities.

**Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director**

There are many many consideration. I think a cost of course, is a big consideration. Unfortunately, when we were exploring this project, the cost of steel was very expensive.

So we've assessed and compare the terminal to be onshore or offshore. And we found out that it is more cost effective to do offshore, and also we have ship available coming out of a long term charter that can be used for this purpose.

So when you look at all those factors, the most beneficial, most effective scheme was offshore. So that's why we proceed with offshore.

**Muhammad Nuur Ashman Bin Ab Razak – Analyst**

Alright, I think that's all. Thank you very much.

**Suriyanti Nordin, PETRONAS Gas Berhad – Head of IR**

I'll take one last the question here from Hadi.

**Abdul Hadi Manaf, CLSA**

Hi En. Aziz and team. Just 1 question from me.

I remember in the third quarter you guys talked about Greening portfolio, 40 MW of mini hydro power plant and 150 MW of solar power generation. can we get updates on these two projects?

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**Abdul Aziz bin Othman, PETRONAS Gas Berhad – MD/CEO & Director**

Announcement will be made in due course. Normally I will say that. At this moment we are in the framing stage. Because there are many models that we are considering.

The solar, as you aware, there are many models, either you do it yourself or you do the CAPEX free models.

So we are still in the process of assessing which is the best for us, when it comes to those potential green projects.

**Abdul Hadi Manaf, CLSA**

Ok. Alright, that's clear. Thank you En. Aziz.

**Suriyanti Nordin, PETRONAS Gas Berhad – Head of IR**

Thank you Hadi.

And with that, I'd like to conclude today's session analyst briefing for Q4 2023.

We'll see you in the next quarter.

Thank you everyone.