

Saturday, May 25 2019



The engineering, procurement, construction and commissioning (EPCC) contract for two pipeline projects and other associated contracts amounting to RM10.4 billion have been terminated, says Finance Minister Lim Guan Eng.

With that, he said the Attorney-General's Chambers (AGC), on behalf of the government, is now negotiating with China-based contractors on the total compensation amount to be paid by Suria Strategic Energy Resources Sdn Bhd (SSER), as well as the sum that should be returned to the company by the contractors after deducting total compensation cost from the total payments made.

SSER is a subsidiary of the Ministry of Finance (MoF) which reportedly paid RM8.3 billion, or 88 percent of the RM9.4 billion EPCC contract for two pipeline projects, namely the Multi-Product Pipeline (MPP) and Trans-Sabah Gas Pipeline (TSGP), despite only 13 percent of unaudited and unverified work being completed.

"The AGC is heading the negotiation on behalf of the government and will be recommending the next steps to take," Lim said in a statement today.

The China-based contractors are China Petroleum Pipeline Engineering Company Ltd (CPPE) and Huanqiu Project Management (Beijing) Co Ltd (HQPMC).

According to Lim, the contracts involving the MPP and TSGP were valued at RM10.4 billion, comprising the RM9.40 billion EPCC contract, a RM688 million consultancy services agreement and a RM312 million project management consultancy.

"Of the RM9.4 billion EPCC contract for MPP and TSGP, 85 percent of the cost was meant to be financed by a 20-year loan of 12.9 billion yuan (about RM7.81 billion) from Exim Bank of China at an interest rate of 3.25 per cent per annum (pa).

"The borrowing is guaranteed by the government," he said, adding, 11.32 million yuan (about RM6.87 million) of the loan had been disbursed.

Additionally, Lim said SSER had also taken up a revolving credit of RM1.2 billion from CIMB Bank.

"The credit facility was supposed to be repaid in full by July 2019. Both SSER and CIMB are in discussions to have SSER only pay RM600 million this year, with the rest to be settled in 2020," he said.

The RM1.2 billion revolving credit facility bears an interest rate of 4.2 per cent pa and a tenure of 18 months. -
Bernama