



# 2009 Minerals Yearbook

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**BRUNEI**

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# THE MINERAL INDUSTRY OF BRUNEI

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Brunei (Negara Brunei Darussalam) is located in Southeast Asia on the northwest end of Borneo Island, where it shares a common border with the Malaysian State of Sarawak. Brunei is one of the highest per capita income countries in the Asia and the Pacific region owing mainly to its significant natural gas and oil resources. In addition to the natural gas and oil resources, Brunei also has small resources of carbonate rocks, coal, kaolin, sand and gravel, and silica sand.

The revenue of the natural gas and oil sector accounted for 70% of the country's gross domestic product (GDP). During the past 2 years, the output of natural gas and oil decreased, which reflected the maturity of the country's oilfields, and the Government decided to reduce output to extend the life of oilfields. As a result of the reduction in natural gas and oil production, the country's GDP contracted by 1.9% in 2008 and 0.5% in 2009. Owing to the effect of the global economic slowdown during 2008 and 2009, the growth of the nonenergy sector slowed to 2.4% in 2008 compared with 8.5% in 2007. Australia was the leading destination for Brunei's oil followed by Indonesia, China, and the Republic of Korea in 2008. Brunei's natural gas production was mainly for export to Japan (Department of Statistics, 2009; International Monetary Fund, 2010, p. 161).

## Production

Butra HeidelbergCement Sendirian Berhad, which was the only cement producer in Brunei, was a joint venture between Butra Sdn Bhd (a local company) and HeidelbergCement Group of the Netherlands. Butra HeidelbergCement had the capacity to produce 500,000 metric tons per year (t/yr) of specialty cement from imported clinker and gypsum at its cement grinding plant, which was located in the Serasa Heavy Industry Zone near Muara. The specialty cement is used mainly for oil wells and is sulfate resistant. In 2008, Butra's equity was sold to PJ Corp. Sdn Bhd. Domestic demand for cement was about 270,000 t/yr. Owing to competition from imports, utilization of the cement plant was less than 50% during the past several years.

The Government of Brunei's Petroleum Unit oversees the development of the natural gas and oil sector. Brunei National Petroleum Co. Sdn. Bhd. (PetroleumBRUNEI) (a limited-liability company that was wholly owned by the Government) looks after the country's commercial interests in the oil and gas sector. Brunei Shell Petroleum Co. Sdn. Bhd. (BSP), which was the main oil and gas production company in Brunei, was jointly owned by the Government and Royal Dutch/Shell Group of the Netherlands. Its refinery output capacity of 10,000 barrels per day (bbl/d) was sufficient to meet domestic demand for most oil products.

After 6 years of territorial dispute, the Governments of Brunei and Malaysia signed an Exchange of Letters that identifies the maritime boundaries between the two countries. Two Governments would establish commercial oil and gas

agreement areas. The territorial dispute began in 2003 when the Governments of Brunei and Malaysia awarded petroleum production-sharing contracts separately for overlapping deepwater exploration blocks in the South China Sea. The Government of Brunei awarded one of its exploratory blocks to a consortium of Total S.A. of France and the other to a consortium of Royal Dutch/Shell Petroleum Co.; the Government of Malaysia awarded its two blocks to Murphy Oil Co. of the United States (Star, The, 2009).

Kulczyk Oil Ventures Inc. of Canada announced that the company had made a purchase-share offer to the shareholders of Triton Hydrocarbons Pty Ltd. of Australia. Triton held 36% interest in a production-sharing agreement with PetroleumBRUNEI for the onshore Block M in Brunei. Block M covers an area of about 3,000 square kilometers and is located immediately to the south of Block L in which Kulczyk held a 40% interest. Under the terms of the Block M production-sharing agreement, PetroleumBRUNEI had the right to acquire Triton's interest in Block M if the status of Triton changes. In January 2010, PetroleumBRUNEI announced that the company would not exercise its right to acquire Triton's interest in Block M. Kulczyk planned to have two appraisal wells drilled in 2010 (Kulczyk Oil Ventures Inc., 2010).

The Government of Brunei approved a proposal by PetroBru Sdn Bhd and TRC Energy Sdn Bhd (a subsidiary TRC Synergy Bhd of Malaysia) to build a second refinery and storage facility in Pulau Murara Besar. TRC held 26% interest in PetroBru. The refinery would be able to process about 500,000 bbl/d of both light and heavy crude oil, and the storage facility would have a designed capacity to store 12.6 million barrels. The construction cost was estimated to be \$4 billion, and construction was scheduled to be completed in the first half of 2010. Most of the refined products would be exported to the North Asia market [DBS Vickers Research (Singapore) Pte Ltd., 2009].

## Structure of the Mineral Industry

Table 2 is a list of major mineral industry facilities.

## Outlook

Brunei's economy is closely tied to oil and gas production. The Government expects that economic growth will be flat if oil production continues to decline in the future and is planning to diversify its economic program into such nonoil sectors as financial services, high-technology manufacturing and services, tourism, and value-added and export-oriented industries. During the next 2 years, the country's economic growth is expected to proceed at a much slower pace than that of its neighboring countries, such as Malaysia and Singapore. Construction of the Pulau Murara Besar port and power transmission line from Sarawak, Malaysia, to Brunei will support future growth (International Monetary Fund, 2010, p. 161).

## References Cited

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TABLE 1  
 BRUNEI: PRODUCTION OF MINERAL COMMODITIES<sup>1</sup>

Commodity <sup>2</sup>		2005	2006	2007	2008	2009 <sup>c</sup>
Cement <sup>c</sup>	thousand metric tons	266 <sup>3</sup>	240	200	240	220
Gas, natural:						
Gross	million cubic meters	12,200	12,988	12,536	12,213	12,100
Marketed <sup>c</sup>	do.	11,500	12,135 <sup>3</sup>	11,718 <sup>3</sup>	11,400	11,300
Petroleum:						
Crude <sup>4</sup>	thousand 42-gallon barrels	73,365	80,029	70,748	63,000	61,000
Refinery products <sup>5</sup>	do.	4,780	4,350	4,438	4,200	4,200

<sup>c</sup>Estimated; estimated data are rounded to no more than three significant digits. do. Ditto.

<sup>1</sup>Table includes data available through April 30, 2010.

<sup>2</sup>In addition to the commodities listed, crude construction materials, such as sand and gravel and other varieties of stone, presumably are produced, but available information is inadequate to make reliable estimates of output.

<sup>3</sup>Reported figure.

<sup>4</sup>Includes condensate.

<sup>5</sup>Includes jet fuel, refinery fuel, and refinery losses.

Sources: Prime Minister's Department, Petroleum Unit, and U.S. Geological Survey Minerals Questionnaire, 2005-07.

TABLE 2  
 BRUNEI: STRUCTURE OF THE MINERAL INDUSTRY IN 2009

(Thousand metric tons unless otherwise specified)

Commodity		Major operating companies	Location of main facilities	Annual capacity <sup>c</sup>
Cement		Butra HeidelbergCement Sendirian Berhad (HeidelbergCement Group, 70%, and PJ Corp. Sdn Bhd, 30%)	Near Muara	500
Petroleum, refinery	barrels per day	Seria Oil Refinery [Brunei Shell Petroleum Co. Sdn Bhd. (BSP), operator]	Belait District of Seria	10,000

<sup>c</sup>Estimated; estimated data are rounded to no more than three significant digits.