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2011 Minerals Yearbook

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). The output of natural gas and oil decreased from a peak of 219,000 barrels per day (bbl/d) in 2006 to 170,000 bbl/d in 2010, which reflected the maturity of the country's oilfields. Also, the Government decided to reduce output to extend the life of the oilfields. Owing to an increase in the prices of natural gas and oil, the country's economic growth rebounded strongly after 2 years of decline, and the GDP grew by 2.6% in 2010 and 2.2% in 2011. The growth of the nonenergy sector increased by 2.1% in the first 9 months of 2011. In 2010 (the latest year for which trade data were available), the country's total trade was $12.6 billion, of which exports were valued at $9.9 billion and imports were valued at $2.7 billion. In 2010, the Republic of Korea was the leading destination for Brunei's oil followed by Australia, Indonesia, and China. Brunei's natural gas production was mainly for export to Japan (Department of Statistics, 2012; International Monetary Fund, 2012, p. 194).

Production

Butra HeidelbergCement Sdn. Bhd., which was the only cement producer in Brunei, was a joint venture between HeidelbergCement Group of the Netherlands (70%) and PJ Corp. Sdn. Bhd. (a local company) (30%). 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, which is sulfate resistant, was used mainly for oil wells. Domestic demand for cement was about 330,000 t/yr. Owing to competition from imports, utilization of the cement plant was about 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), which is a limited-liability company that is wholly owned by the Government, oversees 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 bbl/d was sufficient to meet domestic demand for most oil products.

In 2010, 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. The two Governments planned next to 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. In 2010, the Governments of Brunei and Malaysia signed a joint-development agreement on Block L and Block M. Murphy Oil terminated the agreement with the Government of Malaysia (Oil and Gas Journal, 2010).

Malaysia's state-owned Petroliam Nasional Berhad (Petronas) signed an agreement with PetroleumBRUNEI to participate in new production-sharing contracts. Block L and Block M were renamed Block CA1 and Block CA2, respectively. Block CA1 would be run by a consortium of BHP Billiton Ltd., Canam Brunei Oil Ltd. (Murphy), Hess Corp. Petronas Carigali Brunei Ltd., and Total E&P Deep Water Offshore Brunei. Block CA2 would be explored by a consortium of Canam Brunei Oil, ConocoPhillips Co. of the United States, Diamond E&P B.V. (Mitsubishi) of Japan, Petronas Carigali Brunei, and Shell Deep Water Borneo Ltd. The drilling of these blocks was expected to start in 2012 (Brunei National Petroleum Co. Sdn. Bhd., 2012).

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 $4.3 billion. The company was awaiting final Government approval for the construction. Most of the refined products would be exported to the North Asia market (especially China, Japan, and the Republic of Korea) (Ecmilbra Investment Research, 2011).

Structure of the Mineral Industry

Table 2 is a list of major mineral industry facilities.

Outlook

Brunei's economy is closely tied to the country's 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 the power transmission line from Sarawak, Malaysia, to Brunei are expected to support future growth.

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TABLE 1
BRUNEI: PRODUCTION OF MINERAL COMMODITIES[1]

Commodity[2]		2007	2008	2009[e]	2010	2011
Cement[e]	thousand metric tons	200	240	220	270	275
Gas, natural:						
Gross	million cubic meters	12,536	12,213	12,100	11,400	12,300
Marketed[e]	do.	11,718 [3]	11,400	11,300 [3]	10,800	11,400
Petroleum:						
Crude[4]	thousand 42-gallon barrels	70,748	63,000	61,000	61,600	59,400
Refinery products[5]	do.	4,438	4,200	4,200	4,200	4,200

[e]Estimated; estimated data are rounded to no more than three significant digits. do. Ditto.

[1]Table includes data available through August 30, 2012.

[2]In addition to the mineral 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.

[3]Reported figure.

[4]Includes condensate.

[5]Includes jet fuel, refinery fuel, and refinery losses.

Sources: Prime Minister's Department, Petroleum Unit, and U.S. Geological Survey Minerals Questionnaire 2007.

TABLE 2
BRUNEI: STRUCTURE OF THE MINERAL INDUSTRY IN 2011

(Thousand metric tons unless otherwise specified)

Commodity		Major operating companies and major equity owners	Location of main facilitites	Annual capacity[e]
Cement		Butra HeidelbergCement Sdn. Bhd. (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

[e]Estimated; estimated data are rounded to no more than three significant digits.