

COUNTRY ANALYSIS BRIEFS

Brunei

Last Updated: April 2007

Background

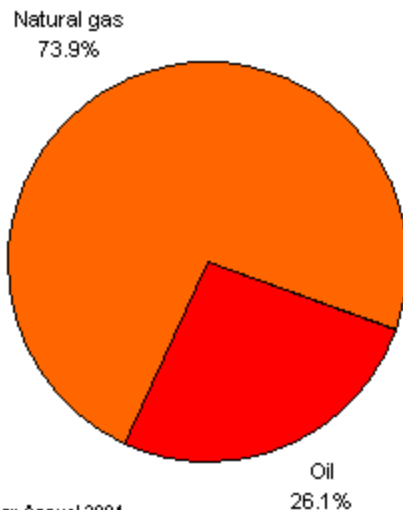
Brunei's economy is highly dependent on oil and natural gas production, although the country's hydrocarbon reserves have depleted considerably over the last three decades.

Brunei's small, wealthy economy is based heavily upon proceeds from exports of crude oil and natural gas. Revenues from the hydrocarbons sector account for nearly half of gross domestic product (GDP), around 90 percent of merchandise exports, and 80 percent of government revenues. Brunei consumes little energy domestically, and is a sizeable net exporter of oil and natural gas. However, the country's hydrocarbon reserves have declined over the last several decades.

The bulk of Brunei's domestic energy consumption comes from natural gas, while the balance is met by oil. As oil and natural gas reserves are further depleted, there may be some pressure to diversify the country's energy consumption mix.



Total Energy Consumption in Brunei, by Type (2004)



Source: EIA International Energy Annual 2004

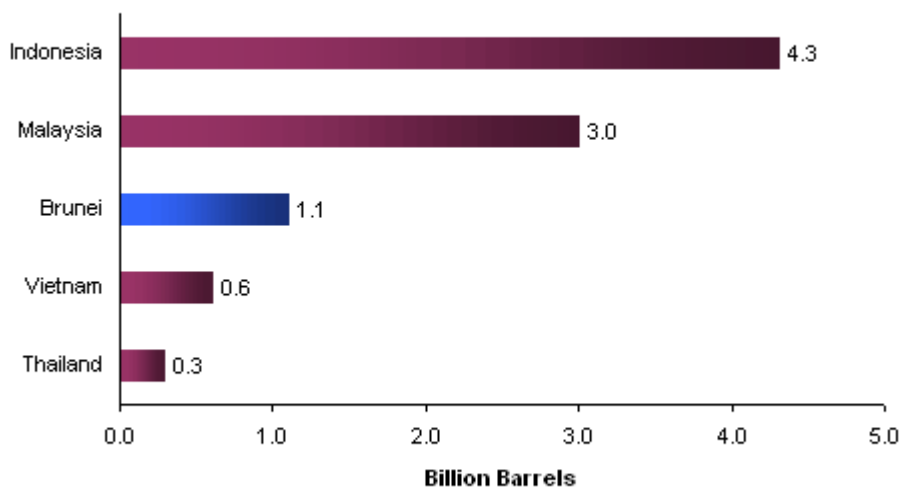
Oil

Brunei's government controls oil production levels to help conserve the country's shrinking oil reserves.

According to *Oil & Gas Journal (OGJ)*, Brunei's oil reserves are declining and stood at 1.1 billion barrels of proven oil reserves as of January 2007. To prolong the life of Brunei's hydrocarbon reserves, the government controls oil production levels. During 2006, Brunei produced an estimated 220,000 barrels per day (bbl/d) of oil, of which 198,000 bbl/d was crude oil and the remainder was natural gas liquids. Crude oil production peaked at about 240,000 bbl/d in 1979, but the government's conservation efforts have mostly kept output under 200,000 bbl/d since that time.

In 2006, Brunei consumed an estimated 13,000 bbl/d of oil, with most of the country's crude oil production exported to other countries in the region. Despite Brunei's status as a net exporter of oil, the country imports about half of the refined petroleum products that it consumes, since it has limited domestic refining capacity.

Selected Southeast Asia Proven Oil Reserves, Jan. 2007



Source: Oil & Gas Journal, January 1, 2007

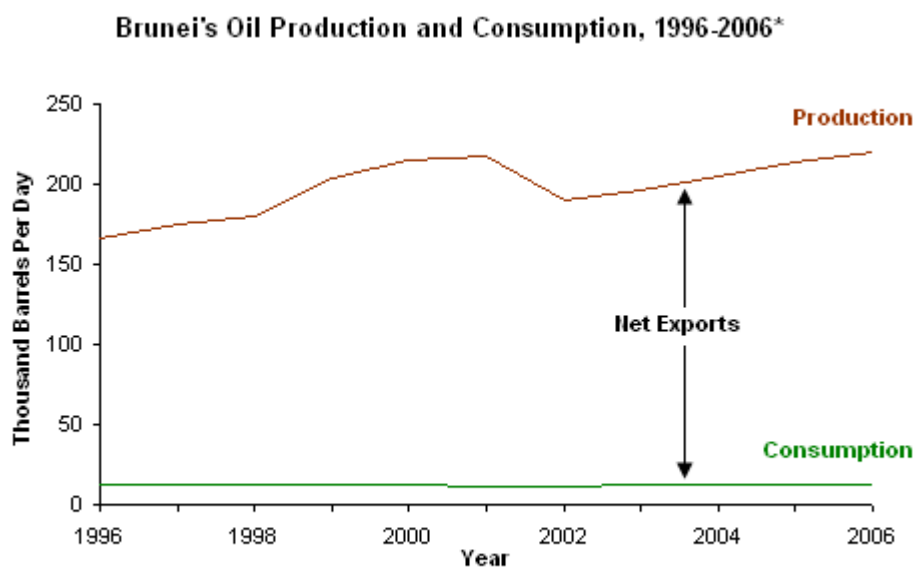
Sector Organization

Brunei Shell Petroleum (BSP), a joint venture between Shell and the government of Brunei, dominates the country's oil industry. Until 1999, BSP had a monopoly on all upstream and downstream activities in Brunei's oil sector. Since 1999, the government has awarded some exploration blocks to other companies, most notably Total. In 2002, the government established the country's first national oil company (NOC), Brunei National Petroleum Corporation (BNPC, also known as PetroleumBRUNEI). PetroleumBRUNEI lacks significant industry experience and controls a relatively small portion of the country's exploration acreage. As a result, the NOC has chosen to award private companies the exploration rights for the blocks that it controls rather than develop the blocks itself. Despite some efforts to introduce competition, BSP will continue to be the country's dominant oil producer by virtue of its control over all of Brunei's major oil and natural gas fields.

The principal agency charged with regulating Brunei's oil sector is the Petroleum Unit, which reports directly to the office of the Prime Minister. The Petroleum Unit sets overall energy policy, regulates company activities, sets fuel prices, and acts as the point of contact for all foreign companies operating in the country.

Exploration and Production

BSP controls all of Brunei's most productive oil fields, including the Southwest Ampa field, the country's oldest and largest, which accounts for about 60 percent of total oil and natural gas output. BSP also operates the Champion, Iron Duke, Magpie, Gennett, and Farley fields. BSP and the few companies that hold exploration licenses in Brunei have actively conducted exploration activities in an effort to replace depleting oil reserves. In 2004 and 2005, BSP logged new oil finds that the company estimates hold 100 million barrels of recoverable reserves.



Source: EIA International Energy Annual 2004;
Short-Term Energy Outlook (March 2007)

*2006 is estimate

Territorial Disputes Limit E&P Activities

Despite ongoing exploration and production (E&P) activities, industry sources expect that onshore and coastal areas of Brunei are unlikely to hold significant additional oil reserves. The most promising acreage lies in deepwater areas in the South China Sea, although an ongoing territorial dispute with neighboring Malaysia has limited E&P work in these areas. Brunei awarded offshore Blocks J and K to consortia led by Shell and Total in 2000. However, these companies suspended exploration work following an April 2003 incident in which several naval patrol boats from Malaysia chased away a Total ship. Malaysia has extended its territorial claims into seas that Brunei says are in its Exclusive Economic Zone (EEZ). Also in 2003, Malaysia's Petronas and partner Murphy Oil logged a significant oil find in the Kikeh Block, which the companies estimate holds 700 million barrels of recoverable oil reserves. Brunei officials claim that the Kikeh find extends into Block J in Brunei's territory (for more information, see the [Malaysia Country Analysis Brief](#) and the [South China Sea Regional Analysis Brief](#)).

In August 2006, heads of state from Brunei and Malaysia held talks and declared their intentions to resolve their maritime border dispute swiftly and peacefully. Malaysia has previously proposed the establishment of a joint development zone with Brunei, but this would require that Brunei redraw its contracts with foreign companies holding Production Sharing Contracts in its EEZ. Brunei is counting on Blocks J and K to sustain the country's oil and natural gas output levels, and without these Blocks, would be forced to more rapidly diversify its economy away from the current reliance on hydrocarbons.

Downstream Activities

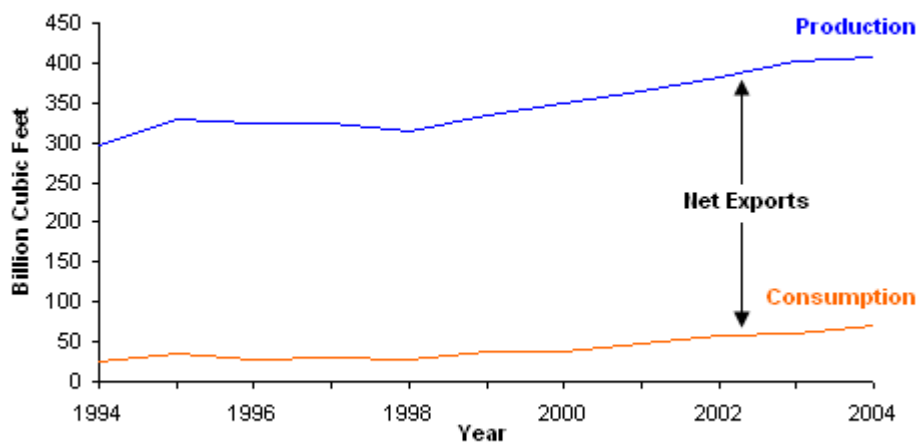
According to OGJ, Brunei had 8,600 bbl/d of refining capacity at one facility as of January 2007. BSP operates the country's lone refinery at Seria. According to industry sources, this refinery meets about one half of Brunei's domestic petroleum product needs. Brunei must import small amounts of petroleum products from neighboring countries to meet domestic demand. Brunei's government subsidizes refined fuels for domestic consumption.

Natural Gas

Brunei is a significant regional producer of natural gas, most of which is exported as liquefied natural gas.

Brunei exports most of its natural gas production. According to OGJ, Brunei held 13.8 trillion cubic feet (Tcf) of proven natural gas reserves as of January 2007. Most of Brunei's natural gas reserves are from associated fields, occurring alongside the country's crude oil deposits. In 2004, Brunei produced 406 billion cubic feet (Bcf) of natural gas while consuming 71 Bcf. During 2004, Brunei exported 357 Bcf of liquefied natural gas (LNG), of which 88 percent went to Japan and the remainder went to South Korea.

Brunei's Natural Gas Production and Consumption, 1994-2004



Source: EIA International Energy Annual 2004

Sector Organization

Brunei Shell Petroleum dominates production of natural gas. LNG activities are carried out by Brunei LNG (BLNG), a joint venture between the government of Brunei (50 percent), Mitsubishi (25 percent), and Shell (25 percent). BLNG receives most of its natural gas supplies from BSP, although beginning in 1999 it began receiving small amounts of natural gas from Total's offshore production facilities.

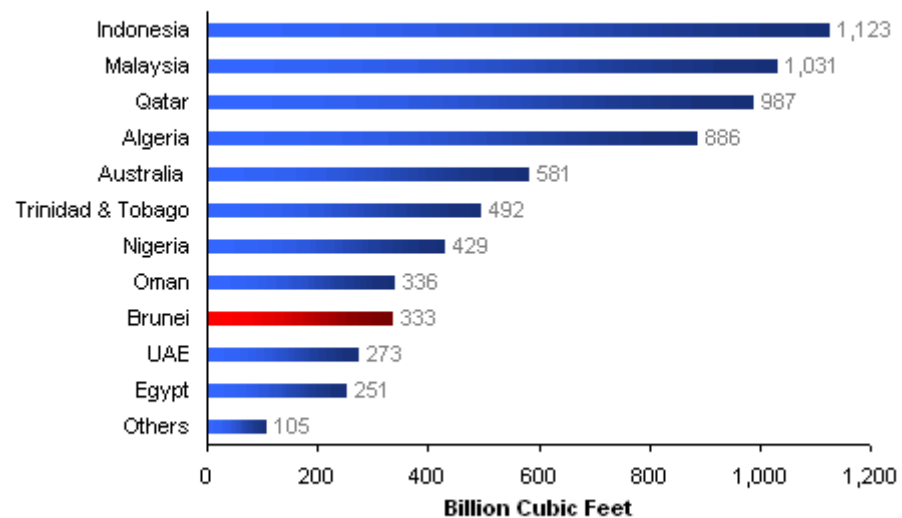
Exploration and Production

E&P activities in the natural gas sector face the same limitations as the oil sector. Much of Brunei's most promising exploration sites are located in the country's two deepwater blocks, Blocks J and K, the rights to which are contested by neighboring Malaysia. However, whereas the government has intentionally limited oil production to preserve the country's reserves, Brunei's natural gas reserves are considered sufficient to meet domestic consumption requirements and LNG supply contracts for the foreseeable future.

Liquefied Natural Gas

Brunei became the first Asian exporter of LNG in 1972. Brunei is an important regional producer of LNG, with 2005 exports totaling 333 Bcf, or 6.8 million metric tons (MMt). In 2005, 92 percent of Brunei's LNG exports were sent to Japan, with the rest going to South Korea. BLNG operates the country's sole natural gas liquefaction plant and LNG export terminal, located at Lumut. The facility has a total capacity of 7.2 MMt/y (350 Bcf/y), and BLNG has announced plans to add a new production train with 4.0 MMt/y (195 Bcf/y) of additional capacity. While the planned expansion has been discussed at length, there are no firm agreements in place that guarantee the production train will be built.

Global LNG Exports, by Origin, 2005



Source: EIA Natural Gas Monthly (Aug. 2006); IEA Natural Gas Information 2006

Profile

Country Overview

Chief of State	Sultan Hassanal Bolkiah (since October 5, 1967)
Location	Southeastern Asia, bordering the South China Sea and Malaysia
Population (July 2006E)	379,444

Economic Overview

Minister of Finance	Sultan Hassanal Bolkiah
Currency/Exchange Rate (March 21, 2007)	1 USD = 1.523 Brunei Dollars (BND)
Inflation Rate (2006E)	0.5%
Gross Domestic Product (GDP, 2006E)	\$8 billion
Real GDP Growth Rate (2006E)	3.5%
Unemployment Rate (2006E)	4%
External Debt (2006E)	\$0
Exports (2006E)	\$7.2 billion
Exports – Commodities	crude oil, natural gas, refined products, clothing
Exports - Partners (2005)	Japan 36.8%, Indonesia 19.3%, South Korea 12.7%, US 9.5%, Australia 9.3%
Imports (2006E)	\$3.2 billion
Imports – Commodities	machinery and transport equipment, manufactured goods, food, chemicals
Imports - Partners (2005)	Singapore 32.7%, Malaysia 23.3%, Japan 6.9%, UK 5.3%, Thailand 4.5%, South Korea 4%

Current Account Balance (2006E) \$3.9 billion

Energy Overview

Minister of Energy	Yahya bin Begawan
Proven Oil Reserves (January 1, 2007E)	1.1 billion barrels
Oil Production (2006E)	220,000 barrels per day, of which 90% was crude oil.
Oil Consumption (2006E)	13,000 barrels per day
Crude Oil Distillation Capacity (January 1, 2007E)	8,600 barrels per day
Proven Natural Gas Reserves (January 1, 2007E)	13.8 trillion cubic feet
Natural Gas Production (2004E)	406 billion cubic feet
Natural Gas Consumption (2004E)	71 billion cubic feet
Recoverable Coal Reserves (2003E)	None
Coal Production (2004E)	None
Coal Consumption (2004E)	None
Electricity Installed Capacity (2004E)	0.9 gigawatts
Electricity Production (2004E)	2.8 billion kilowatt hours
Electricity Consumption (2004E)	2.6 billion kilowatt hours
Total Energy Consumption (2004E)	0.1 quadrillion Btus*, of which Natural Gas (74%), Oil (26%), Coal (0%), Nuclear (0%), Hydroelectricity (0%), Other Renewables (0%)
Total Per Capita Energy Consumption ((Million Btu) 2004E)	274.1 million Btus
Energy Intensity (2004E)	16,310.8 Btu per \$2000-PPP**

Environmental Overview

Energy-Related Carbon Dioxide Emissions (2004E)	5.7 million metric tons, of which Natural Gas (69%), Oil (31%), Coal (0%)
Per-Capita, Energy-Related Carbon Dioxide Emissions ((Metric Tons of Carbon Dioxide) 2004E)	15.6 metric tons
Carbon Dioxide Intensity (2004E)	0.9 Metric tons per thousand \$2000-PPP**
Environmental Issues	Seasonal smoke/haze resulting from forest fires in Indonesia
Major Environmental Agreements	Biodiversity, Desertification, Endangered Species, Environmental Modification, Hazardous Wastes, Law of the Sea, Ozone Layer Protection, Ship Pollution

Oil and Gas Industry

Organization	Brunei Shell Petroleum (BSP) dominates oil and natural gas production
Selected Foreign Company Involvement	Shell, Total, Mitsubishi
Major Refineries (capacity, bbl/d)	BSP Seria (8,600)

* The total energy consumption statistic includes petroleum, dry natural gas, coal, net hydro, nuclear, geothermal, solar, wind, wood and waste electric power. The renewable energy consumption statistic is based on International Energy Agency (IEA) data and includes hydropower, solar, wind, tide, geothermal, solid biomass and animal products, biomass gas and liquids, industrial and municipal wastes. Sectoral shares of energy consumption and carbon emissions are also based on IEA data.

**GDP figures from OECD estimates based on purchasing power parity (PPP) exchange rates.

Links

U.S. Government

[CIA World Factbook - Brunei](#)

[U](#)

[U.S. Embassy in Brunei](#)

Foreign Government Agencies

[Brunei Petroleum Unit](#)

[Embassy of Brunei in the United States](#)

[Government of Brunei Official Website](#)

[Ministry of Foreign Affairs and Trade](#)

[Ministry of Industry and Primary Resources](#)

Oil and Natural Gas Industry

[Brunei LNG \(BLNG\)](#)

[Brunei National Petroleum Company \(PetroleumBRUNEI\)](#)

[Brunei Shell Petroleum \(BSP\)](#)

Sources

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Brunei National Petroleum Company (PetroleumBRUNEI)

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Business Times (Singapore)

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IHS Energy

International Gas Report

Oil & Gas Journal

Petroleum Intelligence Weekly

PetroM in

Pipeline & Gas Journal

Upstream

U.S. Energy Information Administration

Wall Street Journal Asia

World Gas Intelligence

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