

Oil Economy of Brunei and Its Prospects for the 1980s

Johannes C. Franz
University of Erlangen-Nurnberg
Nurnberg, Germany

Brunei began exporting oil in small quantities in 1929 and because of rapid development of the petroleum industry during the years following World War II, the country's production passed the 100,000 b/d mark. Offshore exploration began during the 1950s and by 1970, about 60% of the daily production of 129,000 bbl was from offshore wells. Today, offshore fields account for about 85% of 230,000 b/d production. Additionally, Brunei has exported liquid natural

gas from its Lumut liquefaction plant at a rate of 5 million tons/year, since 1973. The crude price explosion of the 1970s escalated the value of Brunei oil to a record price of U.S. \$40 per barrel in 1980. The economic criteria for petroleum exploration and production have changed accordingly. Heavy investment in exploration, particularly for small deposits and in sophisticated recovery techniques and in upstream activities are the consequences. Plans for downstream activities have also been revised.

The effects on the national economy are visible. Brunei, which becomes independent in 1983, earns almost all of its revenues from the oil and gas industry. There have been ambitious development plans, with emphasis on diversification of the economy, but few of the programs have materialized. Prospects for further economic development rest with petroleum reserves, which are expected to last for about another 20 years.
