

## **CHEMICAL AND PETROCHEMICAL**

Chemical and Petrochemical sector is the second largest contributor to Malaysia's total exports of manufactured goods. The industry is linked to almost every other sectors of the economy such as automotive, electrical and electronics, pharmaceutical and construction. It is a high technology driven and capital intensive industry which requires highly trained and skilled workers for R&D, operating activities and continuous development programme.

The industry is divided into three sub-sectors:

- Chemicals and Chemical Products;
- Petroleum Products; and
- Plastic Products.

The growth of the industry in Malaysia is mainly attributed to:

- availability of oil and gas as feedstock;
- well-developed infrastructure;
- strong base of supporting services; and
- strategic location and network of major markets in the Asia and Middle East.

Major industry players:

### **Petrochemicals**

- PETRONAS Chemicals Group Berhad
- Lotte Chemical Titan
- BASF PETRONAS Chemicals Sdn Bhd
- Idemitsu Chemicals
- Toray Plastics

### **Oleochemicals**

- KLK Oleo
- IOI Oleochemicals
- Sime Darby
- Felda

### **Specialty / Other Chemicals**

- CCM Chemicals Sdn Bhd
- Synthomer Sdn Bhd
- Taiko

### **Plastics Industry**

- Scientex Bhd
- VS Industry
- Thong Guan Bhd.
- BP Plastics
- Tomypak

## 1. Policy on Chemical and Petrochemical Industry

There is no specific policy by MITI on chemical and petrochemical sector. However, MITI issues Manufacturing License under Industrial Coordination Act 1975 and PDA Approval under Petroleum Development Act (PDA) 1974.

### Petroleum Development Act 1974

PDA allows the issuance of permits for the refining of crude petroleum, the processing of natural gas and the manufacture of petroleum products and petrochemical products from petroleum under section 6(1) of the Petroleum Development Act 1974.

Other policies and regulations on chemical and petrochemical sector under the purview of other Ministries and Agencies:

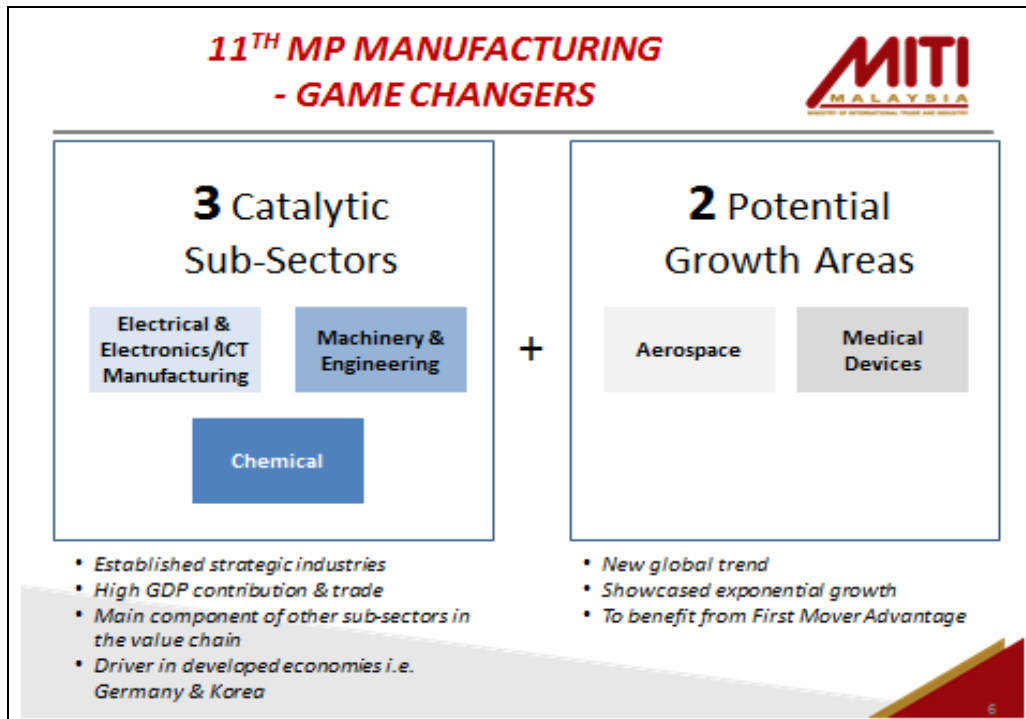
<u>Policies and Regulations</u>	
Classification, Labeling and Safety Data Sheet of Hazardous Chemicals Regulation 2013 (CLASS Regulation)	Department of Occupational Safety and Health (DOSH)
Use and Standards of Exposure of Chemicals Hazardous to Health Regulation 2000 (USECHH Regulation)	
Prohibition of Use of Substance (Order 1999)	
Control of Industrial Major Accident Hazards Regulations 1996 (CIMAH Regulation)	
Pesticides Registration and Information System	Pesticide Board under Department of Agriculture
Environment and Health Risk Assessments and Environment Hazardous Substances	Department of Environment (DOE)
Poison and Drug Act 1952	Ministry of Health (MOH)

## 2. Incentives Available for Chemical and Petrochemical Industry

No.	Incentives	Details
1.	Pioneer Status	<ul style="list-style-type: none"> <li>• <u>Partial exemption on income tax for 5 years.</u></li> </ul>
2.	Investment Tax Allowance	<ul style="list-style-type: none"> <li>• <u>60% allowance on qualifying capital expenditure incurred within five years from the date of the first qualifying capital expenditure is incurred.</u></li> </ul>
3.	Reinvestment Allowance	<ul style="list-style-type: none"> <li>• Incentive given to <u>existing companies engaged in manufacturing, and selected agricultural activities</u> that <u>reinvest</u> for the purposes of <u>expansion, automation, modernisation or diversification</u>.</li> <li>• <u>RA</u> is given at the rate of <u>60%</u> on the <u>qualifying</u></li> </ul>

		<p><u>capital expenditure</u> incurred and <u>can be offset</u> against <u>70% of its statutory income</u> for the year of assessment.</p> <ul style="list-style-type: none"> <li>The <u>RA</u> will be given for a period of <u>15 consecutive years</u> beginning from the year the <u>first reinvestment</u> is made.</li> </ul>
4.	<p>Accelerated Capital Allowance</p> <p><b>Reinvestment for promoted activities or products</b></p>	<ul style="list-style-type: none"> <li>After the <u>15-year period</u> of eligibility for RA, companies that <u>reinvest</u> in the manufacture of <u>promoted products</u> are <u>eligible</u> to apply for <u>Accelerated Capital Allowance</u> (ACA).</li> <li>The <u>ACA</u> is a <u>special allowance</u>, where the <u>capital expenditure</u> is <u>written off</u> within <u>three years</u>.</li> </ul>
5.	Waste Recycling	<ul style="list-style-type: none"> <li>Manufacturing company which incurred <u>Qualifying Expenditure</u> may claim <u>ACA</u> on <u>plant</u> and <u>machinery</u> which: <ul style="list-style-type: none"> <li><u>used exclusively</u> for waste recycling</li> <li><u>used for further processing</u> of <u>wastes</u> into <u>finished products</u>.</li> <li><u>fulfils the criteria</u> is <u>eligible</u> to <u>claim ACA</u> of <u>20%</u> for the <u>initial allowance</u> (IA) and <u>40%</u> for the <u>annual allowance</u> (AA).</li> </ul> </li> </ul>

### 3. Chemical Sector under 11<sup>th</sup> Malaysia Plan



Chemical has been identified as one of the catalytic sub-sectors under RMK-11 together with the Electrical & Electronic and Machinery & Equipment (M&E) to spur the development of other sectors.

MITI is working closely with Department of Occupational Safety and Health (DOSH) and Institute for Environment and Development (LESTARI), UKM to develop Globally Harmonised System (GHS) for the chemical industry to comply with the Classification, Labelling and Safety Data Sheet of Hazardous Chemicals (CLASS) Regulations.

The initiative aims to develop safe chemical products to be used by consumers and create a competitive advantage for Malaysian products to be exported to other countries in compliance to the rules and regulations developed based on GHS.

#### **4. Performance of the Industry**

##### **4.1 Sales of Chemical & Petrochemical Products**

	2016 (USD billion)	2015 (USD billion)	2014 (USD billion)
<b>Overall</b>	<b>44.2</b>	<b>51.9</b>	<b>69.5</b>
<b>Chemicals and Chemical Products</b>	<b>11.4</b>	<b>11.2</b>	<b>12.0</b>
Basic Industrial Chemicals	8.6	8.5	9.1
Others Chemical Products	2.8	2.7	2.9
<b>Petroleum Products</b>	<b>26.2</b>	<b>34.4</b>	<b>51.6</b>
Manufacture of refined petroleum products	21.9	29.7	46.3
Manufacture of plastics in primary forms and of synthetic rubber	4.2	4.7	5.3
<b>Plastics Products</b>	<b>6.6</b>	<b>6.3</b>	<b>5.9</b>
Manufacture of semi-manufactures of plastic products	0.4	0.4	0.3
Manufacture of plastic articles for the packing of goods	1.1	0.9	0.5
Manufacture of builders plastics ware	1.8	2.0	2.0
Manufacture of plastic tableware,	1.7	1.7	2.1

kitchenware and toilet articles			
Manufacture of diverse plastic products n.e.c	1.7	1.4	1.1

Source: Department of Statistics, Malaysia

#### 4.2 Employment of Chemical & Petrochemical Industry

	2016	2015	2014
<b>Overall</b>	<b>118,272</b>	<b>118,925</b>	<b>121,763</b>
<b>Chemicals and Chemical Products</b>	<b>27,228</b>	<b>26,067</b>	<b>26,260</b>
Basic Industrial Chemicals	10,755	10,248	10,347
Others Chemical Products	16,473	15,819	15,913
<b>Petroleum Products</b>	<b>11,820</b>	<b>12,852</b>	<b>13,503</b>
Manufacture of refined petroleum products	6,135	6,635	6,964
Manufacture of plastics in primary forms and of synthetic rubber	5,685	6,217	6,577
<b>Plastics Products</b>	<b>79,224</b>	<b>80,006</b>	<b>81,962</b>
Manufacture of semi-manufactures of plastic products	5,700	4,918	4,859
Manufacture of plastic articles for the packing of goods	10,041	9,601	9,378
Manufacture of builders plastics ware	18,244	18,645	18,117
Manufacture of plastic tableware, kitchenware and toilet articles	33,653	34,700	37,200
Manufacture of diverse plastic products n.e.c	11,685	12,142	12,408

Source: Department of Statistics, Malaysia

#### 4.3 Export of Chemical & Petrochemical Products

Sub-Sectors	2016 Value (USD)	2015 Value (USD)	2014 Value (USD)
Chemicals and Chemical Products (incl. Plastic Product)	14,229,743,330	14,147,849,303	15,720,431,736
Petroleum Products	13,145,321,053	13,979,039,287	21,515,072,064
Total Export	27,375,064,383	28,126,888,590	37,235,503,800

Source: Department of Statistics, Malaysia

#### 4.4 Import of Chemical & Petrochemical Products

Sub-Sectors	2016 Value (USD)	2015 Value (USD)	2014 Value (USD)
Chemicals and Chemical Products (incl. Plastic Product)	16,416,497,896	16,657,918,865	19,003,793,507
Petroleum Products	12,614,008,675	16,379,740,782	24,502,353,910
Total Import	29,030,506,571	33,037,659,647	43,506,147,417

Source: Department of Statistics, Malaysia

#### 4.5 Approved Investment by Industries

Chemical & Petrochemical Industries	2016			
	No.	Domestic Investment (RM Million)	Foreign Investment (RM Million)	Total Proposed Capital Investment (RM Million)
Petroleum Products (incl. Petrochemicals)	18	10,319.8	5,599.6	15,919.4
Chemical & Chemical Products	69	1,661.4	1,390.1	3,051.5
Plastic Products	48	433.1	1,372.7	1,802.8

Source: Malaysian Investment Development Authority (MIDA)