

ENERGY COMMODITIES IN ECONOMIC DEVELOPMENT OF BRUNEI

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Abstract

Energy is a major requirement for economic growth and business prosperity. Petroleum, natural gas and coal are the major energy source in the world. Brunei Darussalam is an important supplier of oil and gas to Southeast Asia. It is a tiny country and also one of the wealthiest in Asia. With a population of 406,000, Brunei exports most of the energy it produces. For instance, 90 percent of its natural gas production is exported to Japan as LNG.

With oil and gas production accounting for about 60 percent of GDP and 90 percent of exports and government revenue, the economy is fully dominated by the oil and gas sector. Therefore, like many other oil and gas dependent economies, Brunei faces the challenge of diversifying its economy.

Given the instability of world oil prices and heavy dependence of the economy on oil and gas, Brunei needs to promote development of non-oil exports for long-term sustainable development. In the current Ninth National Development Plan (2007-2012), priority sectors for diversification include development of non-oil exports (by promoting the downstream and petrochemical industry), tourism, financial services and halal products.

This paper provides an analysis of the role of energy commodities in economic development of Brunei. It also assesses the diversification efforts of the government against diminishing reserves of oil and gas. Important determinants of the economic growth of Brunei are oil and gas prices and production. This paper will also look at empirical relationship between economic growth and prices and production of oil and gas.

This paper is organized in five sections as follows: Background and Objectives; Energy Production and Consumption in Brunei; Energy Exports from Brunei; Diversification Efforts for Sustainable Development; and Conclusions and Future Prospects.

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