

INDONESIA'S OIL & GAS Assessment & Going Forward

Pri Agung Rakhmanto, Ph.D

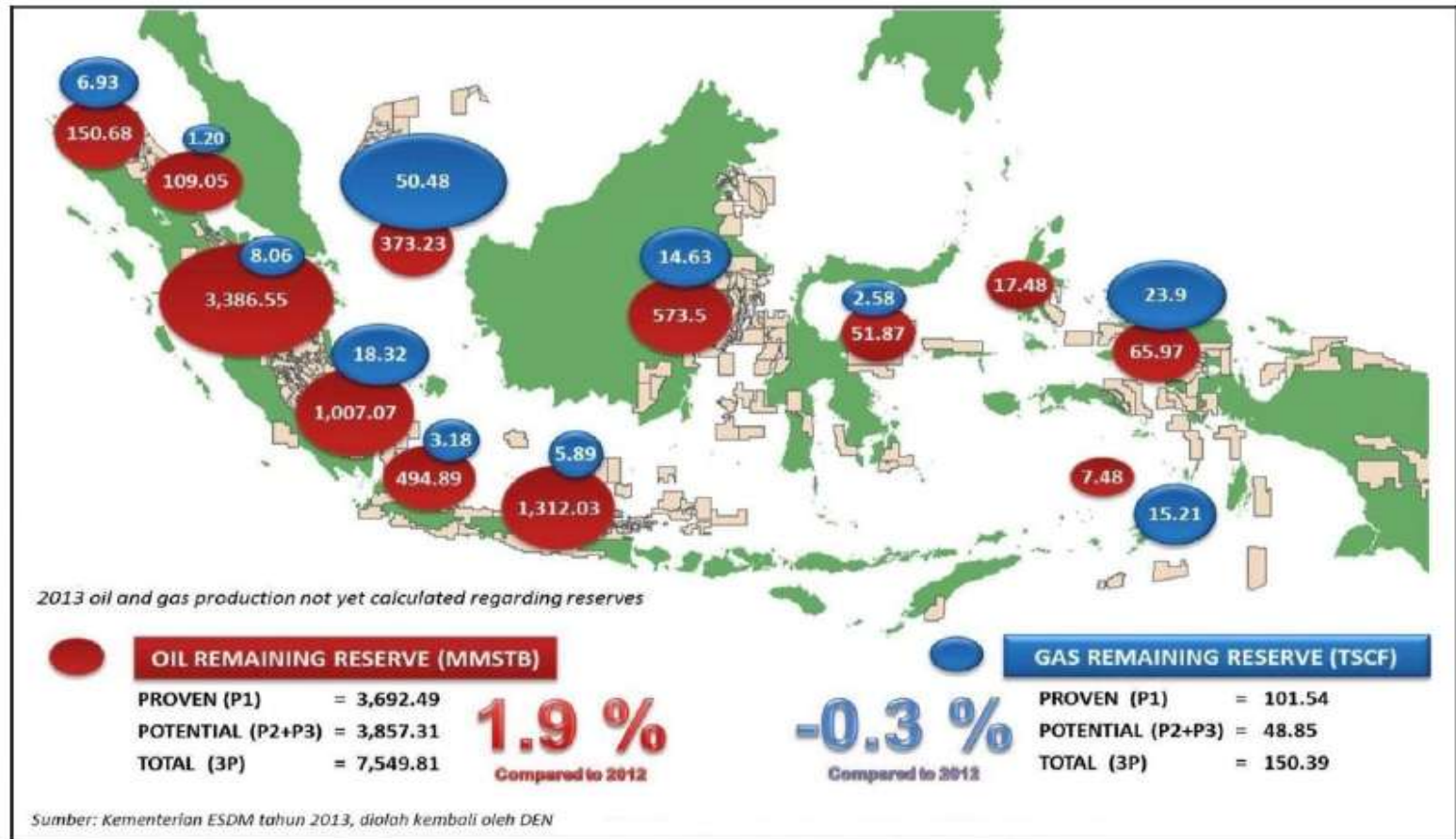
ReforMiner Institute

www.reforminer.com

PERTAMINA ENERGY OUTLOOK 2015

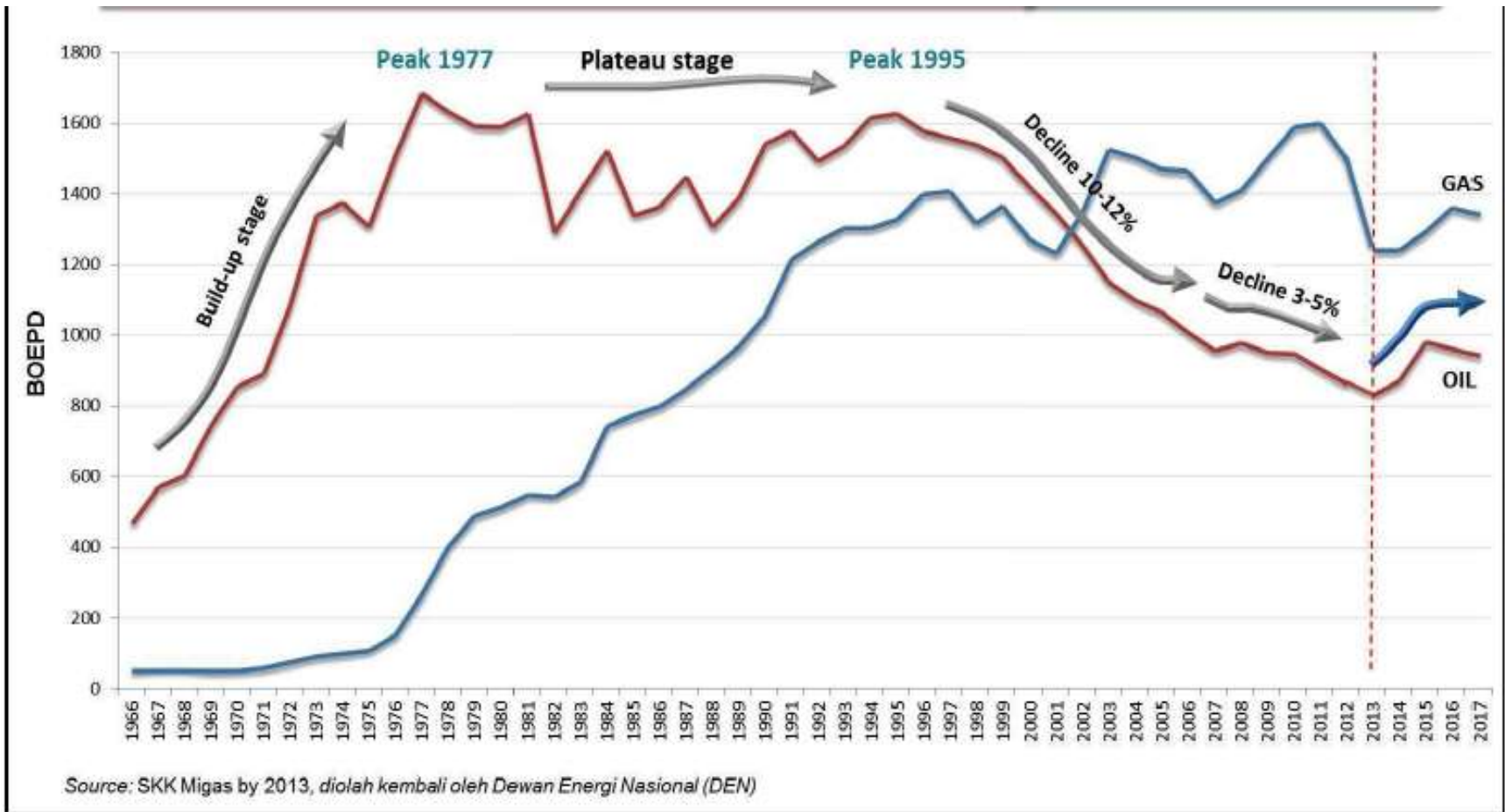
Jakarta 3 December 2014

Indonesia has relatively limited proven reserves of oil and gas...

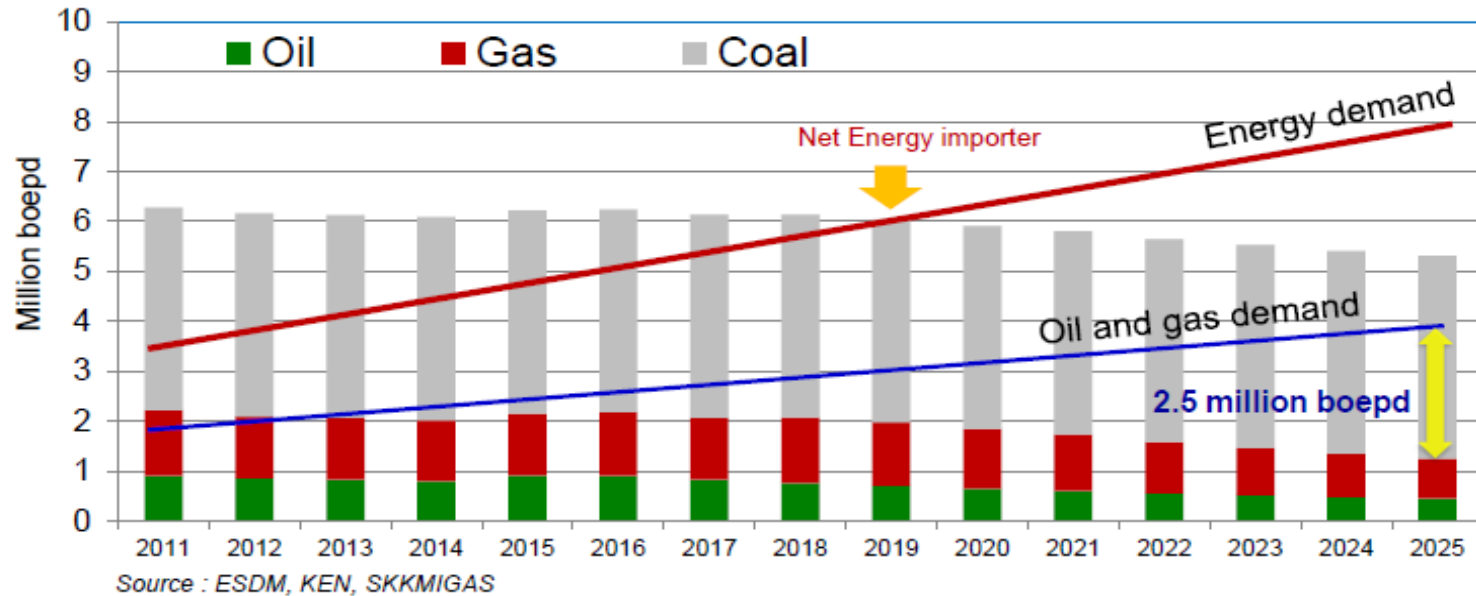


Sumber: Kementerian ESDM (2014), diolah kembali

Oil declining, gas promising ...



Indonesia's future energy need increase rapidly



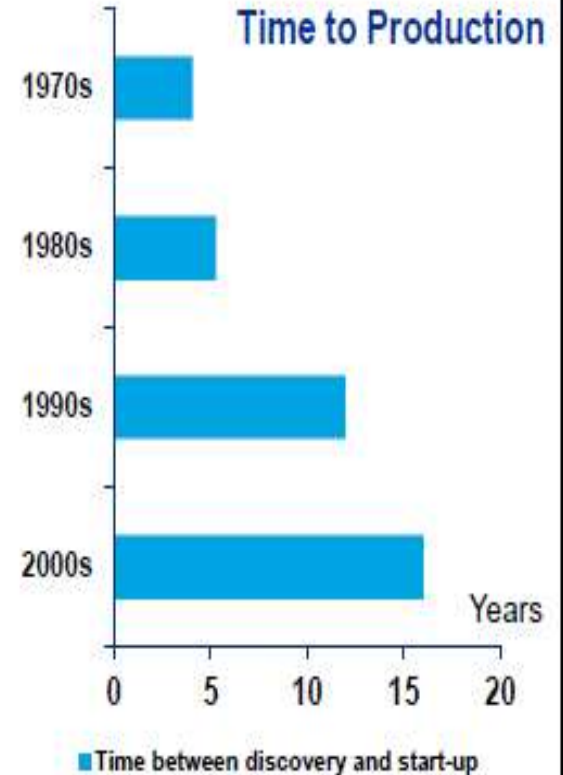
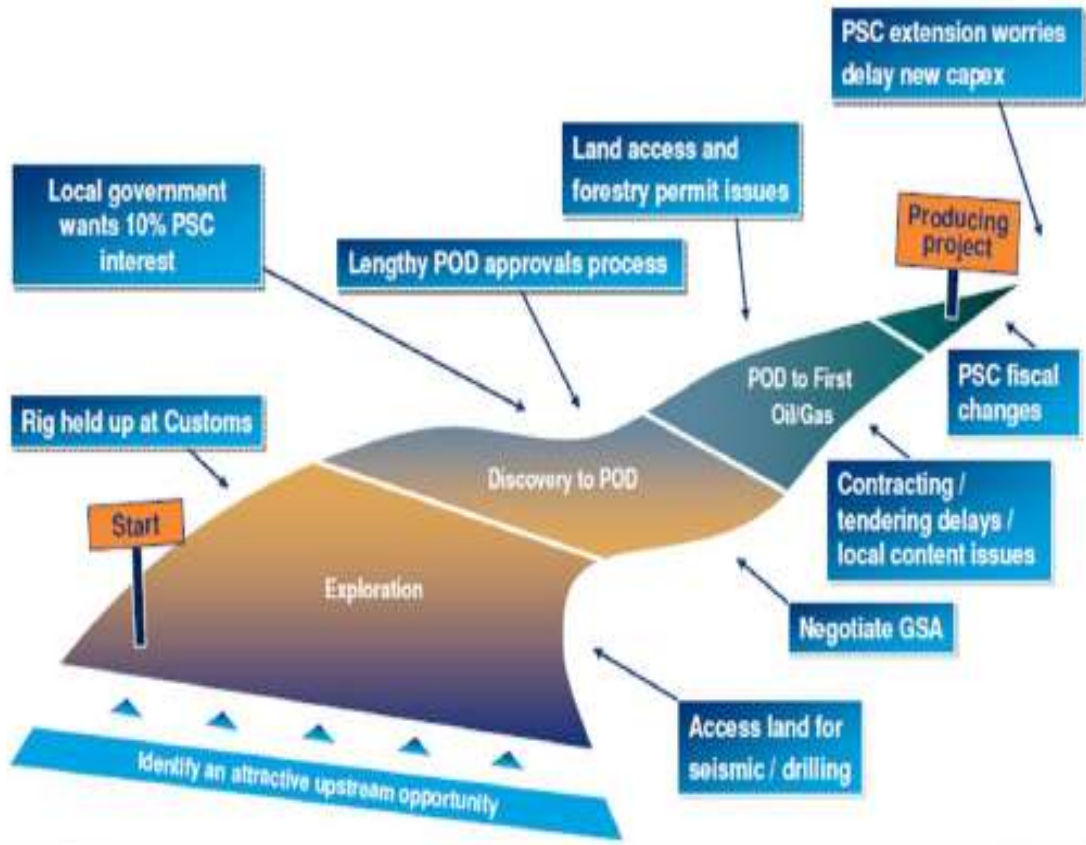
- Energy demand in 2010 is 3.3 million boepd and will increase to 7.7 million boepd in 2025, in which oil and gas will constitute for 47%
- If **'do nothing'**, Indonesia will be **net energy importer** in 2019. Energy demand in 2019 will reach 6.19 million boepd, but energy supply is only 6.04 million boepd
- Three times current exploration activity level is needed to fill 50% of the 2025 oil/gas supply demand gap (2.5 million boepd)



Issues to be addressed remain in place...

- Legal uncertainty and dishonored to contract sanctity; related to DMO, fiscal obligations.
- Overlapping and poor coordination between ministries, central and local government; Shipping Law 17/2008 (cabotage), Environmental Law 32/2009, Government Regulation 79/2010 on Cost Recovery, regional autonomy.
- Interference from other government agencies such as from the tax authorities, auditors, supervision of business competition commission.
- Bureaucratic ; slow decision making and approval process, too deep involvement in micromanagement process.
- Political interference; contract termination/extension, divestment, export vs domestic, national vs foreign companies, cost recovery capping.

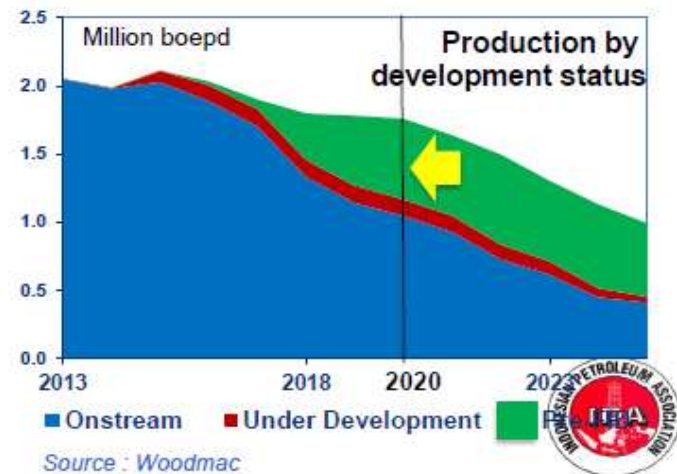
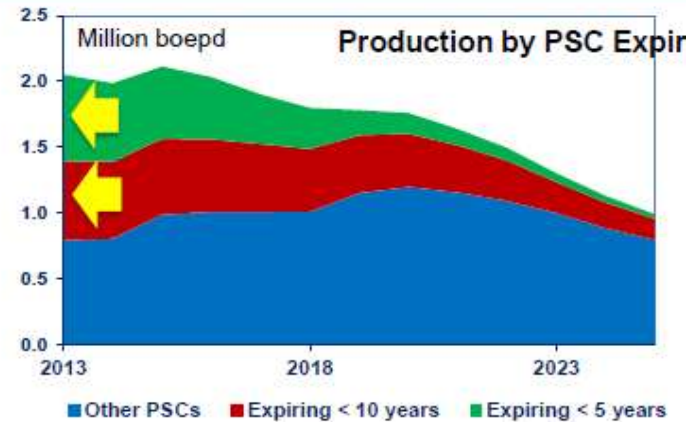
The journey from exploration to production is not an easy one



Time to production nowadays is much longer than previous eras

Significant role of expiring PSCs ...

- Around 30% of current national production (635,000 boepd) comes from 20 PSC expiring within the next 5 years
- Around 61 % of current national production (1.2 million boepd) comes from the PSC expiring within the next 10 years
- 30% of 2020 national production comes from the oil/gas projects; the investment decision of which is not yet decided



Firm decision on PSCs expiring is needed...

- Indonesia's government should redefine its vision on the role of State Owned Company (NOC)
- NOC as the government's arms; representative of the country in oil & gas business
- Expiring PSCs go to NOC is plausible
- IOCs are partner for NOC

THANK YOU