



KEMENTERIAN
BADAN USAHA MILIK NEGARA

Energy Security Challenges In Indonesia

Kementrian BUMN

6 Focus Areas to achieve Indonesia's growth trajectories

The realization of 6 Focus Areas needs Massive Financial Supports

Achieve average GDP growth of 7%/year; Increase annual investment to IDR 7.091 tn in 2019 from around IDR 3.248 tn; Increase income per capita to USD 6.201 from currently USD 3.652

1



Maritime Connectivity

Develop 24 new seaports and sea-toll to improve connectivity with projected capex of USD 5- 6 billion

2



Railroad Expansion

Build and expand 5.500 km railroad in Sumatra, Kalimantan, Sulawesi, and Papua

3



Improve Electrification

Increase electricity supply by 35.000MW

4



Mass Rapid Transport (MRT)

Develop MRT in 6 big cities in Indonesia: Jakarta, Medan, Makassar, Semarang, Bandung, and Surabaya

5



Irrigation Improvement

Build 25 dams across Indonesia to increase food production

6



Strengthen Tourism

Attract 24 million foreign tourists in 2019

Government Budget – Rebalancing Expenditure

SOE's Contribution – Business Optimization

Increasing **SOE's performance**, a key factor to support economic trajectories

SOEs will need to build itself towards performance oriented organizations

Achieving World Class SOEs that Becomes the Nation's Pride and International Benchmarks

Increase competitiveness

- Strive to become the top players in each of its industry segment
- Build strong synergies between SOEs to optimize potential

Improve professionalism

- Becoming the employer of choice to attract top talent in the market with high integrity
- Embed performance and accountability culture in each SOE

Efficient operations and use of capital

- Always looking to benchmark other industry players
- Better capital expenditure management to maximize shareholders value

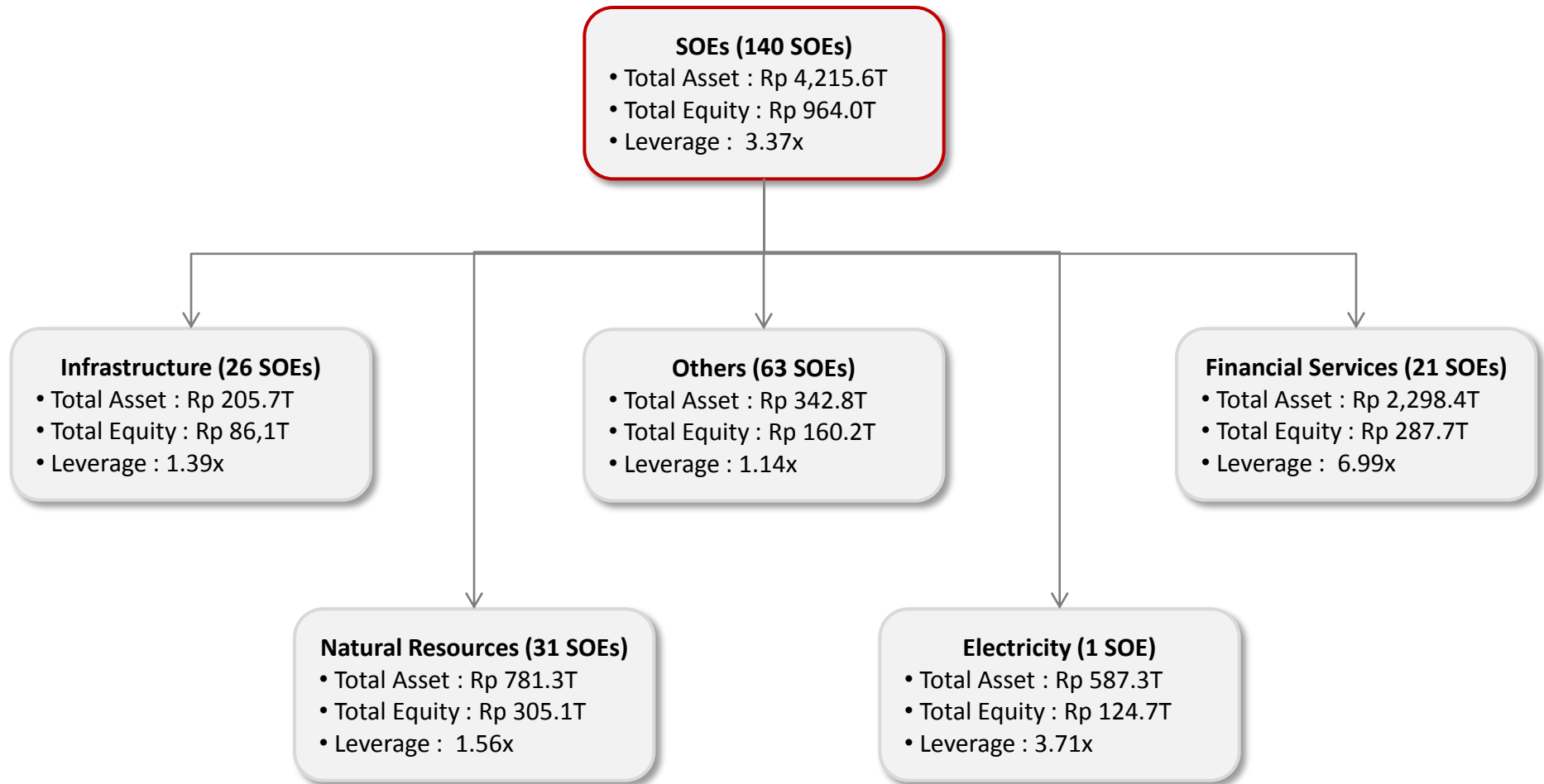
1. Stronger capital structure

2. Build national footprint and presence

3. Rightsizing and restructuring

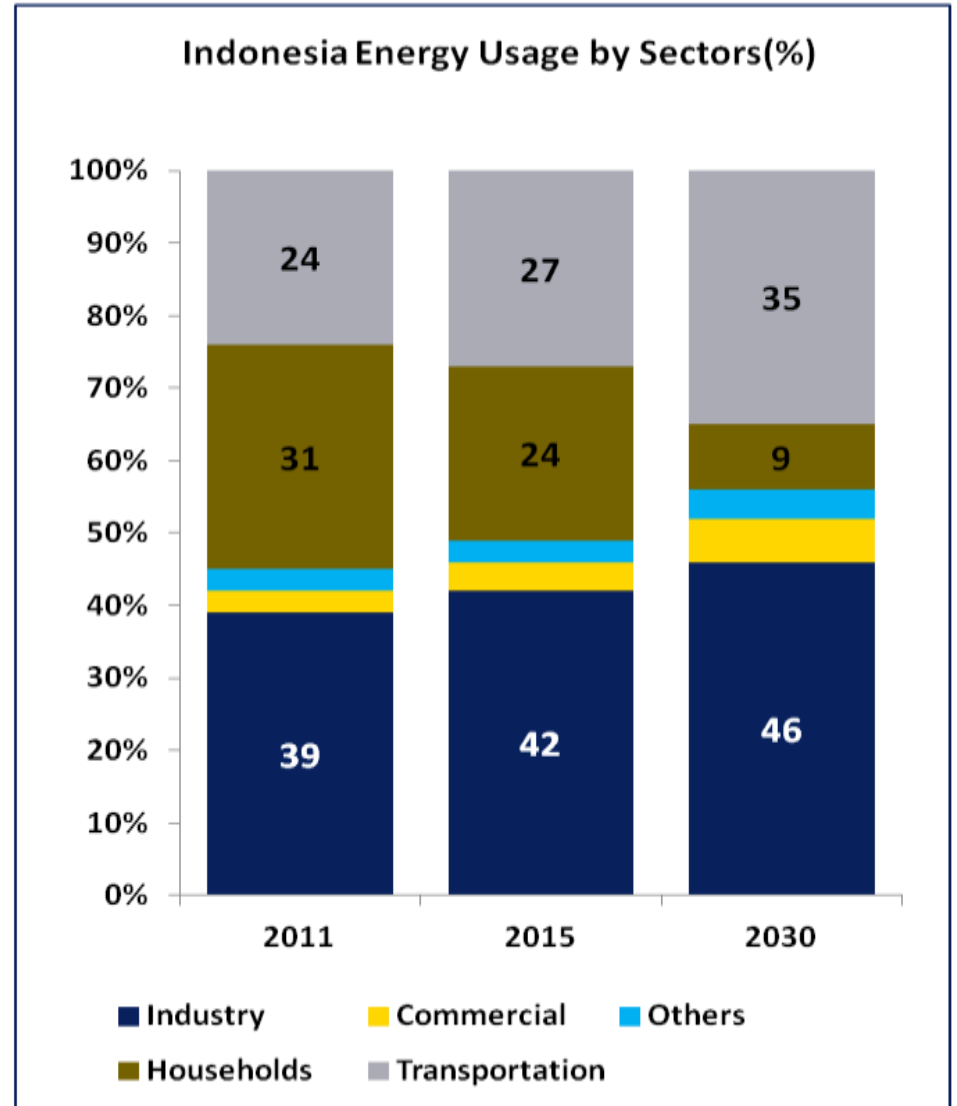
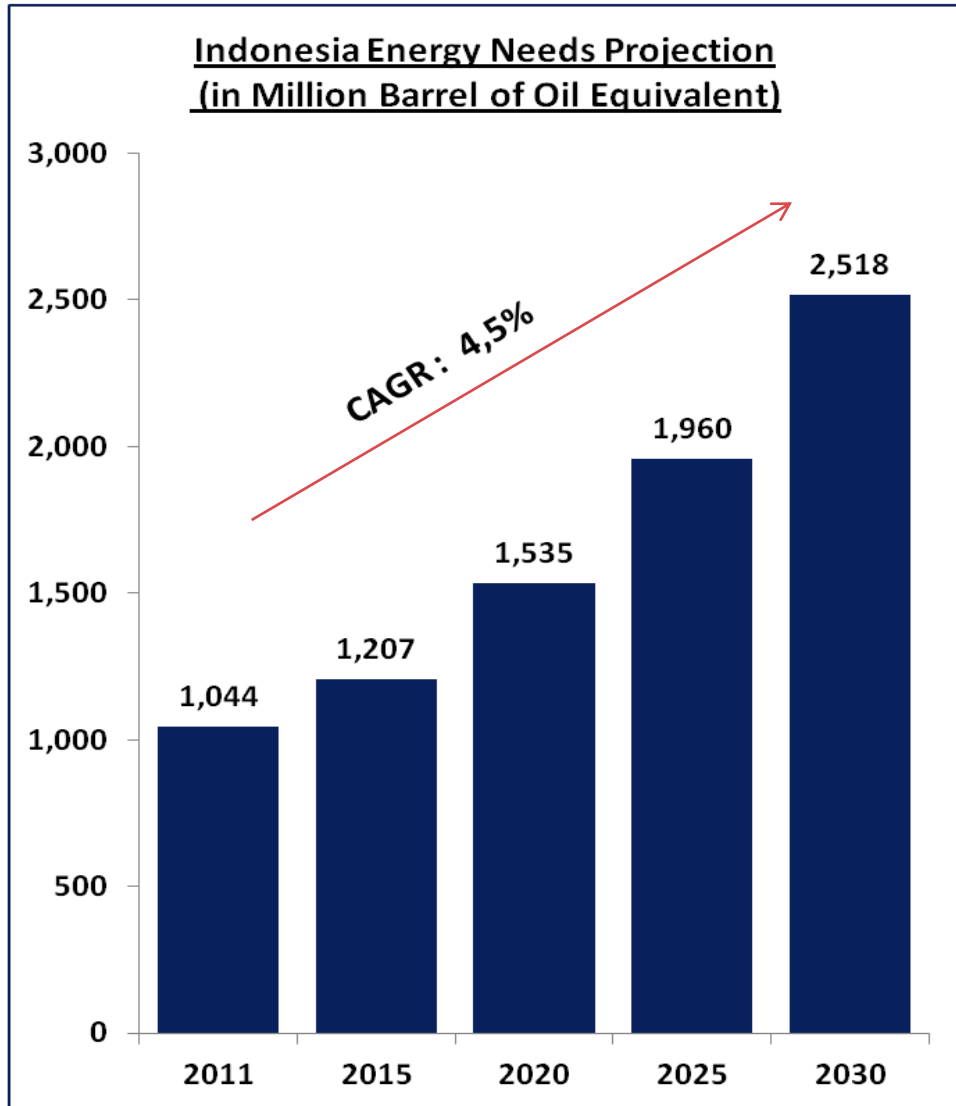
4 Focus SOEs sectors to achieve Indonesia's growth trajectories

Currently Infrastructure, Financial Services, Natural Resources and Energy-Electricity represents 56% of SOEs



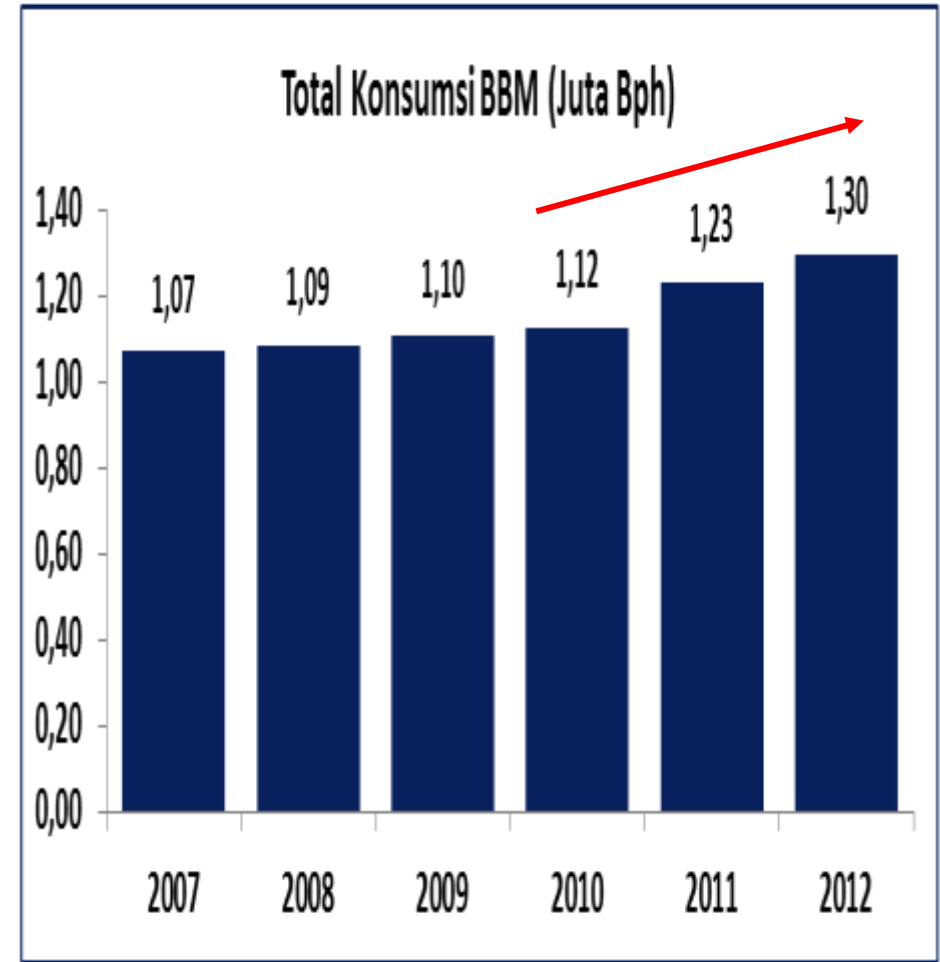
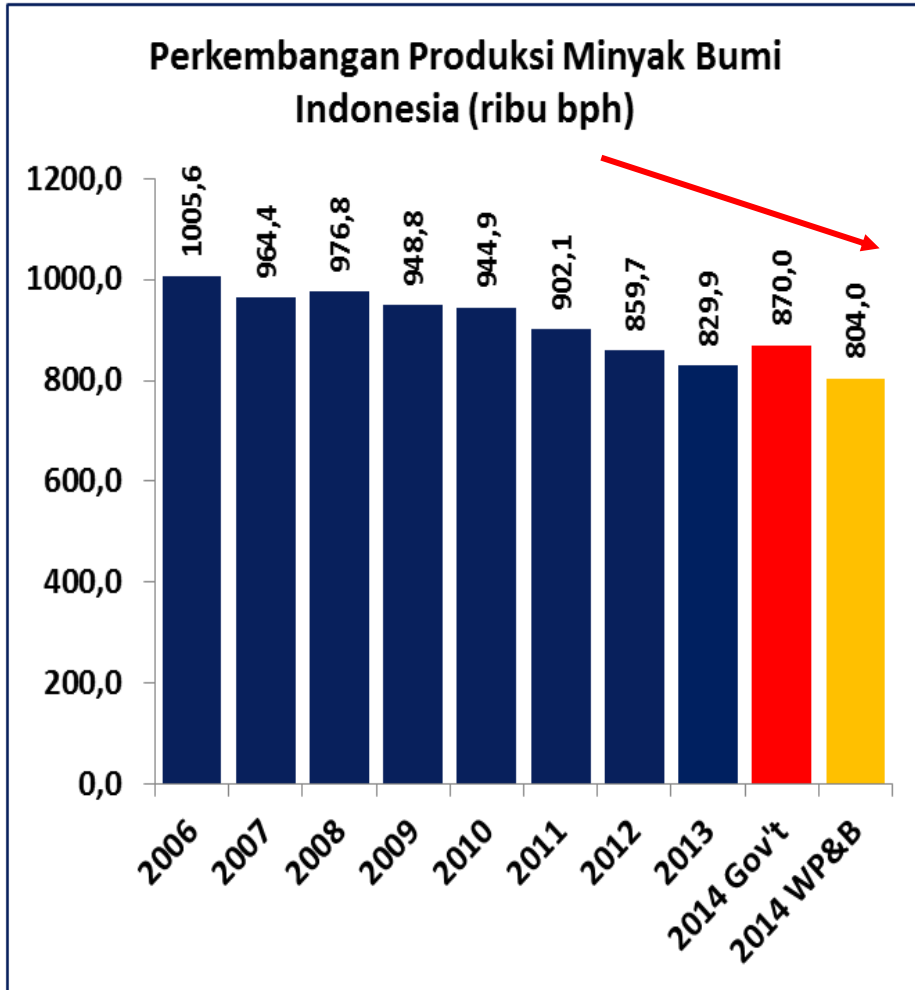
Why Energy Security is Importance?

The need of energy continue to increase along with the economic development in Indonesia



Sumber: BPPT Indonesia Energy Outlook, 2013

However, production continue to decline while consumption keep rising

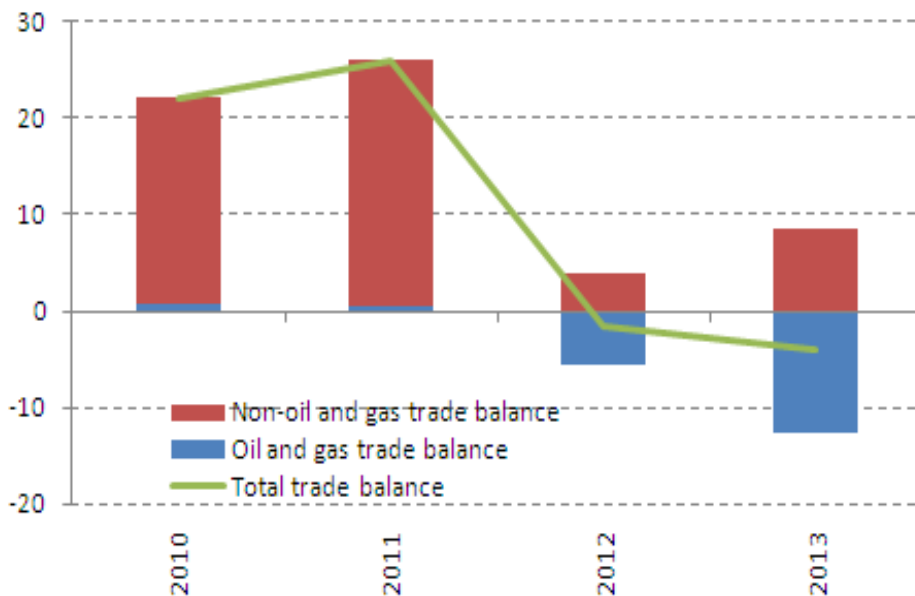


Sumber: Kementerian ESDM, SKK Migas

Therefore, it creates external imbalances

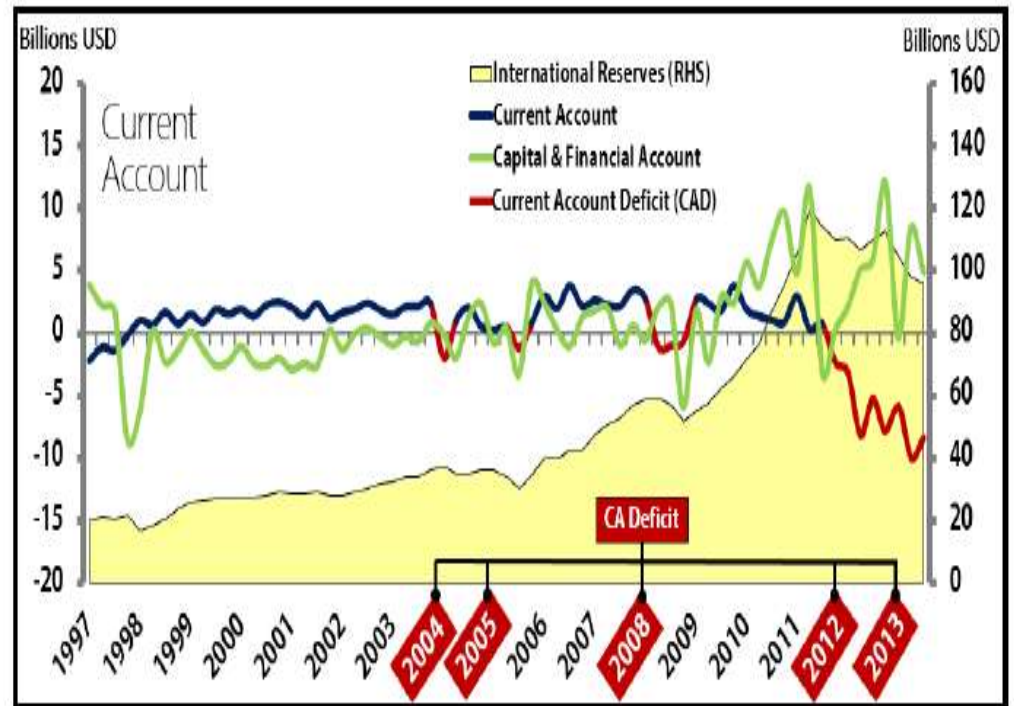
Deficit in Oil and Gas Trade Balance since 2012

Total trade balance (US\$ bn)

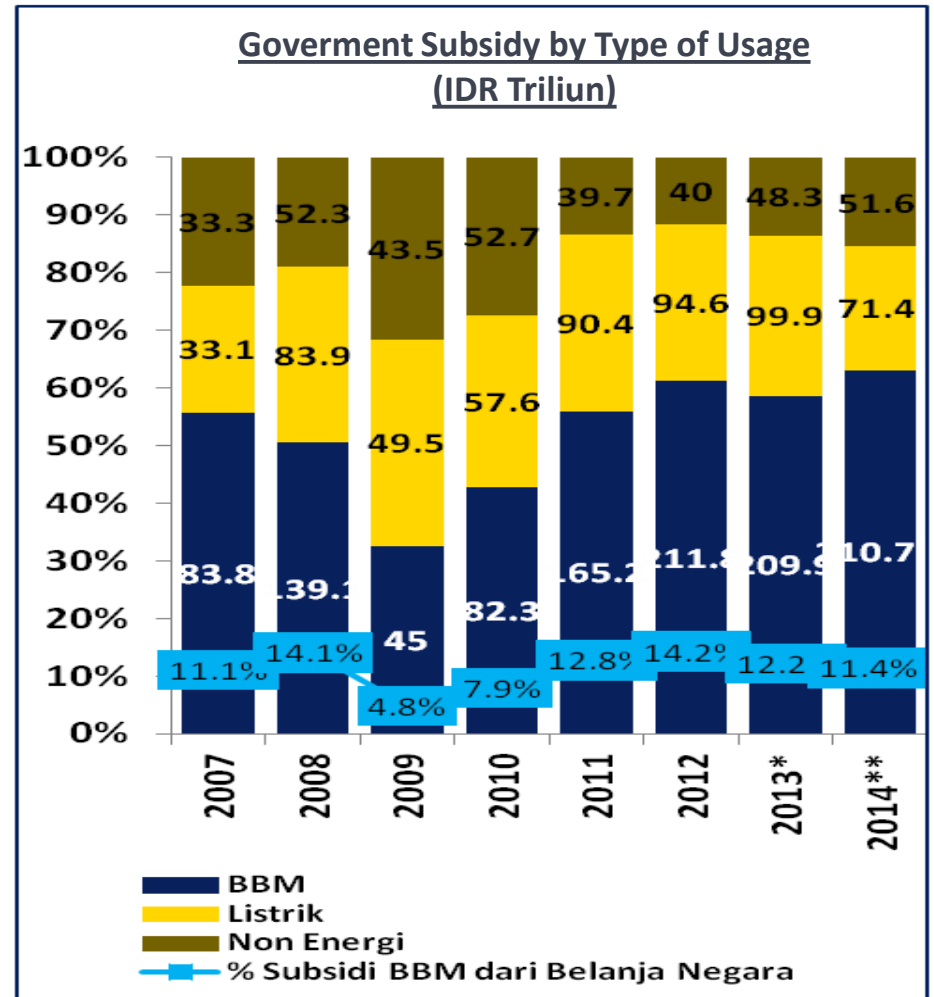
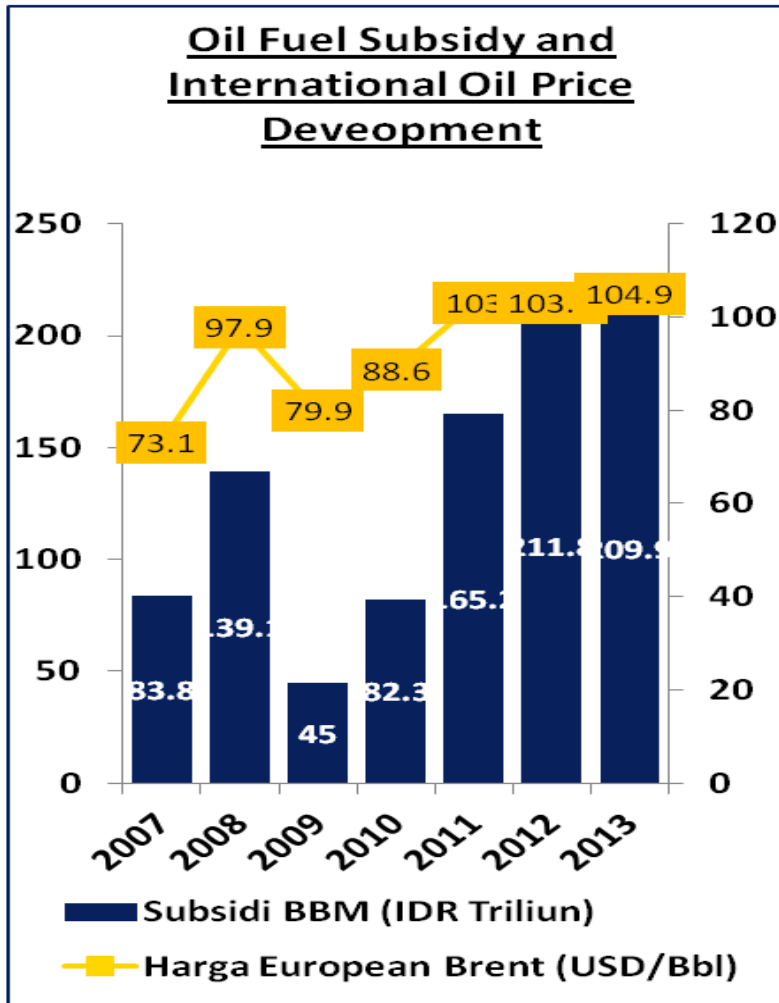


Source: Bank Indonesia

..which trigger a structural Current Account Deficit



...and increase the Government's budget burden



Indonesia needs to develop oil refinery by giving more incentives to investors

- Government already invite investors to develop oil refinery in Indonesia. Few Investors interested are Kuwait Petroleum Company and Saudi Aramco Asia Limited.
- But, both of investors asking high fiscal incentives like tax holiday for 30-years and exception for import tax. While tax holiday in Indonesia usually is given just in 10-years.
- Now government of Indonesia is reviewing development of oil refinery by using government funds with cost reaching IDR 90 Trillion.



Challenges in developing biodiesel in Indonesia

- Readiness of the infrastructure in terms of distribution and blending of biodiesel
- Domestic biodiesel pricing is not interesting for producers. State own Oil Company requests the biodiesel industries to supply biodiesel using different price (must be less than diesel fuels Singapore price for 2 years) than the Government regulated biofuels index.
- Government 's consistency to implement the regulations.
- Intensified countering the "anti palm oil campaign".
- Handling and straighten the Environment, Social & Health Issues

**Efforts must be done to support
Indonesian energy security**

Increase Oil and Gas Production and Accelerating Oil Refinery Construction

- Petroleum energy needs will still be increased so that the number of upstream oil and gas production and processing should be increased
- Therefore, intensification of exploration activities to find new reserves should be increased and also increasing the investment to increase oil production at this time.
- Refineries capacity also have to be improved to reduce imports of petroleum products

Accelerating Indonesia Energy Mix Transition from Oil Energy for Industry and Electricity Sectors

- Increasing an incentives for coal and new and renewable energy powerplant
- Improving infrastructure for energy such as gas pipelines and electricity networks that create a source of energy option for industry and electricity sector

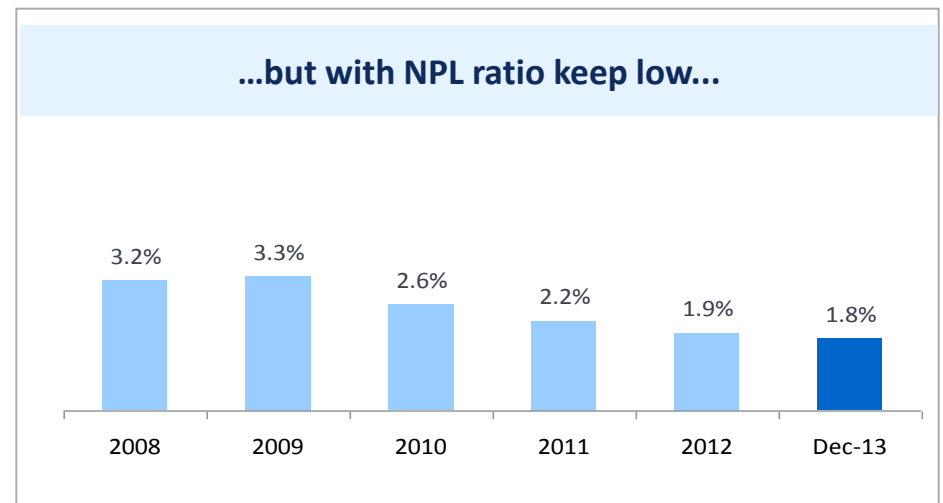
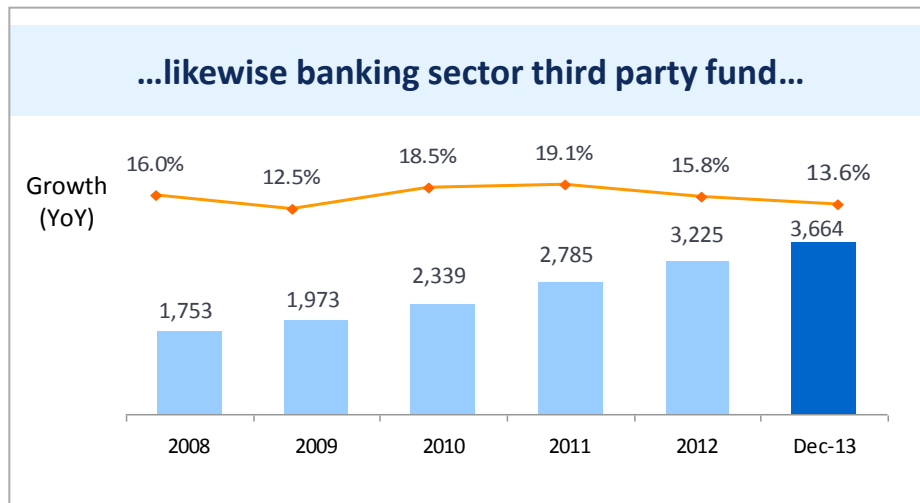
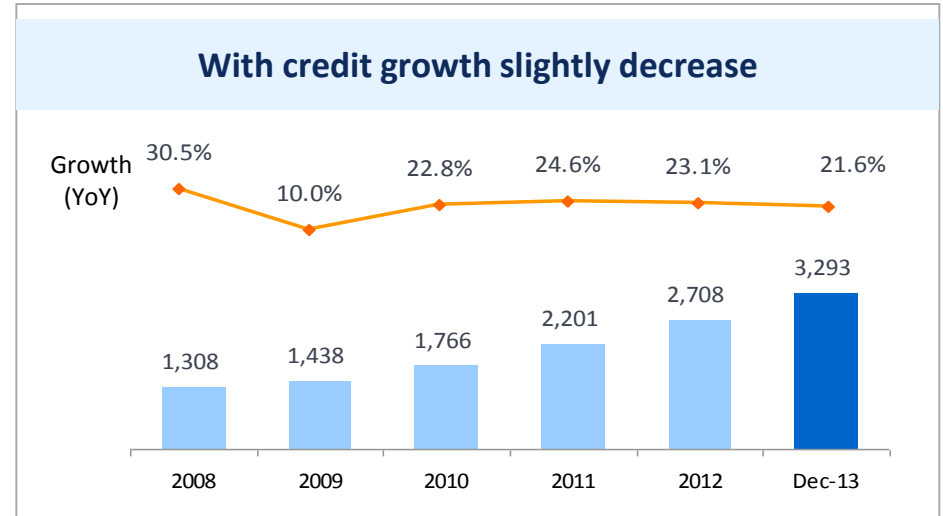
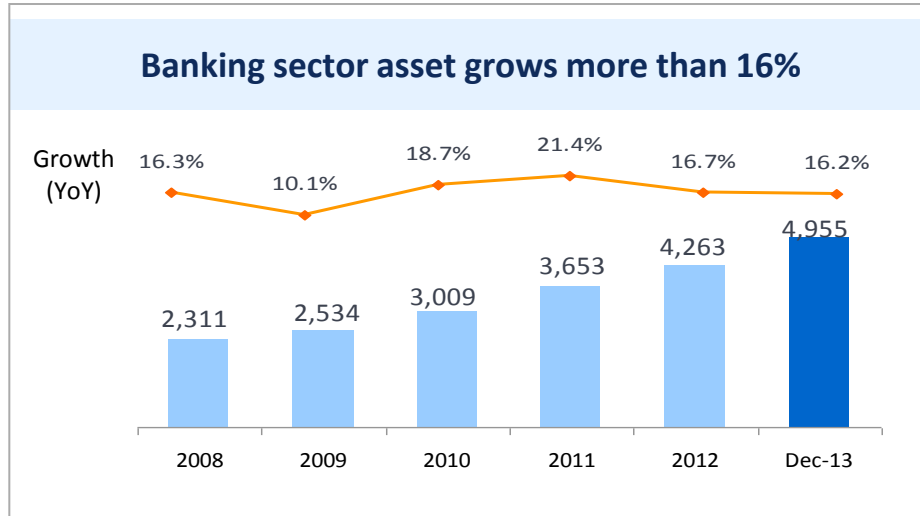
Lessening oil fuel consumption on transportation sector

- Reduce or Diminish an incentives for oil fuel usage especially oil fuel subsidy
- Mass transportation planning to reduce the use of private vehicles in all major cities
- Creating gas infrastructure for motor vehicles in order to make a option of energy for vehicles
- Increasing a biofuel role as a primary fuel for vehicle

The Role of Financial Sector to Support Energy Sector

Banking Sector showing a solid performance in recent years...

IDR Miliar / %

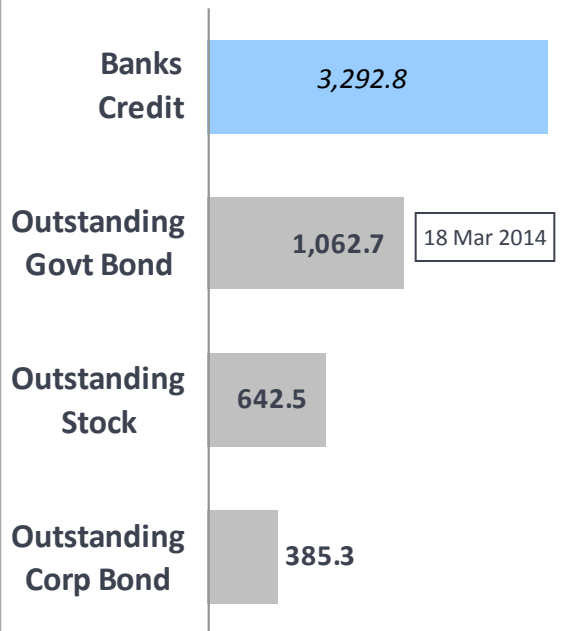


Sumber: BI, Statistik Perbankan Indonesia, Desember 2013

Banks still dominate the source of financing with an additional banks' credit per year accounted for 86% of total additional financing

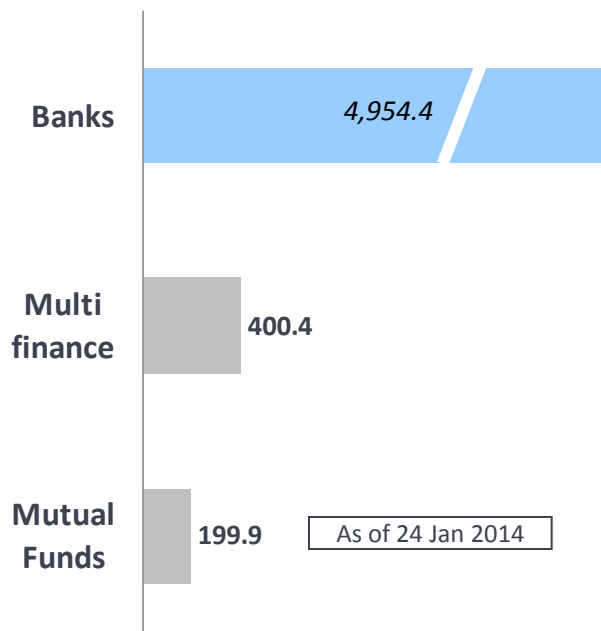
High dependency on banking system, around 62% of financing is from banks

Total Posisi Desember 2013
(Rp Triliun)



Banks assets is much bigger than other financial institutions...

Asset Institusi Keuangan Desember 2013
(Rp Triliun)



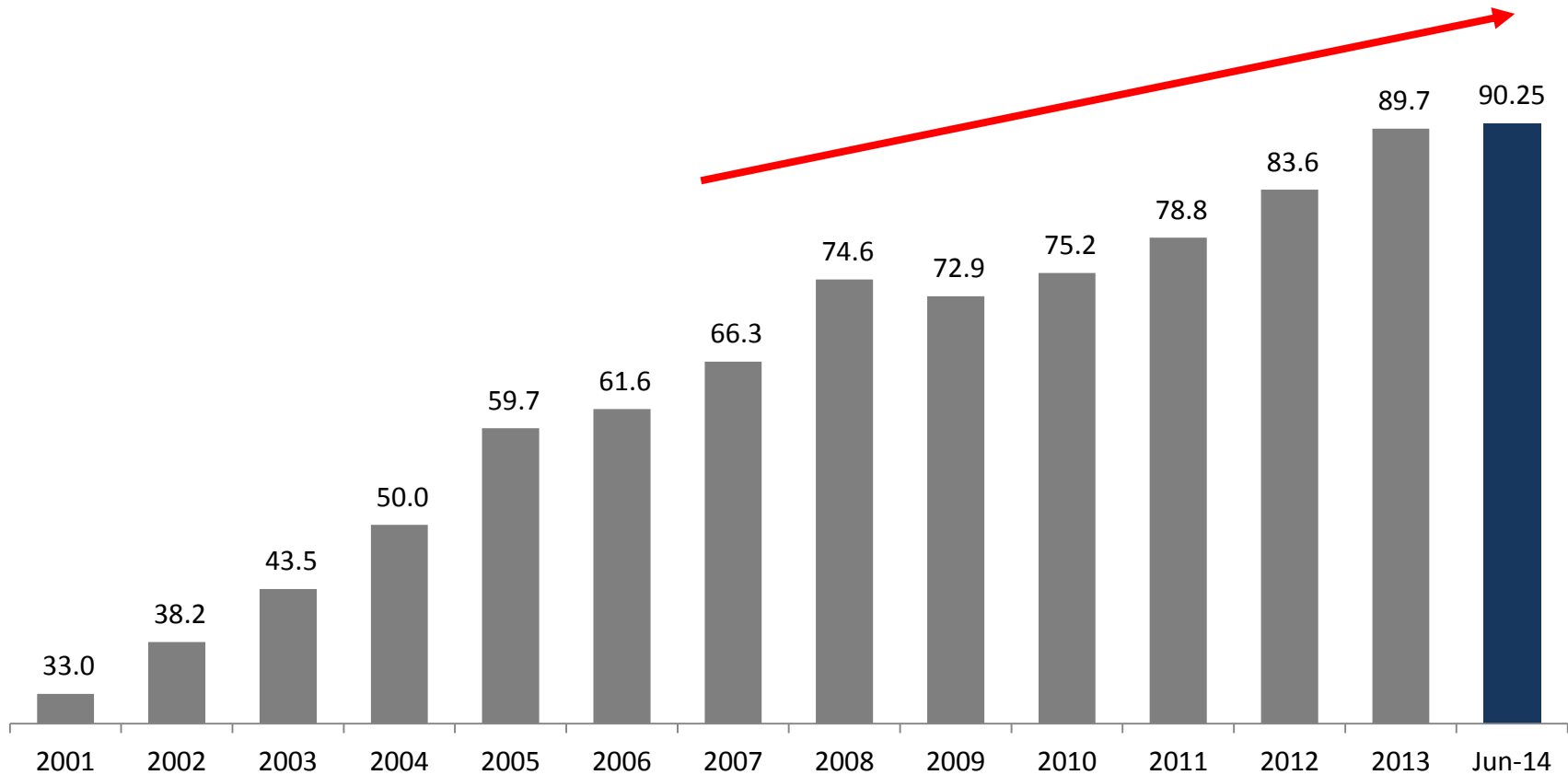
... in the midst of limited access on the capital market

Total Emiten Desember 2013



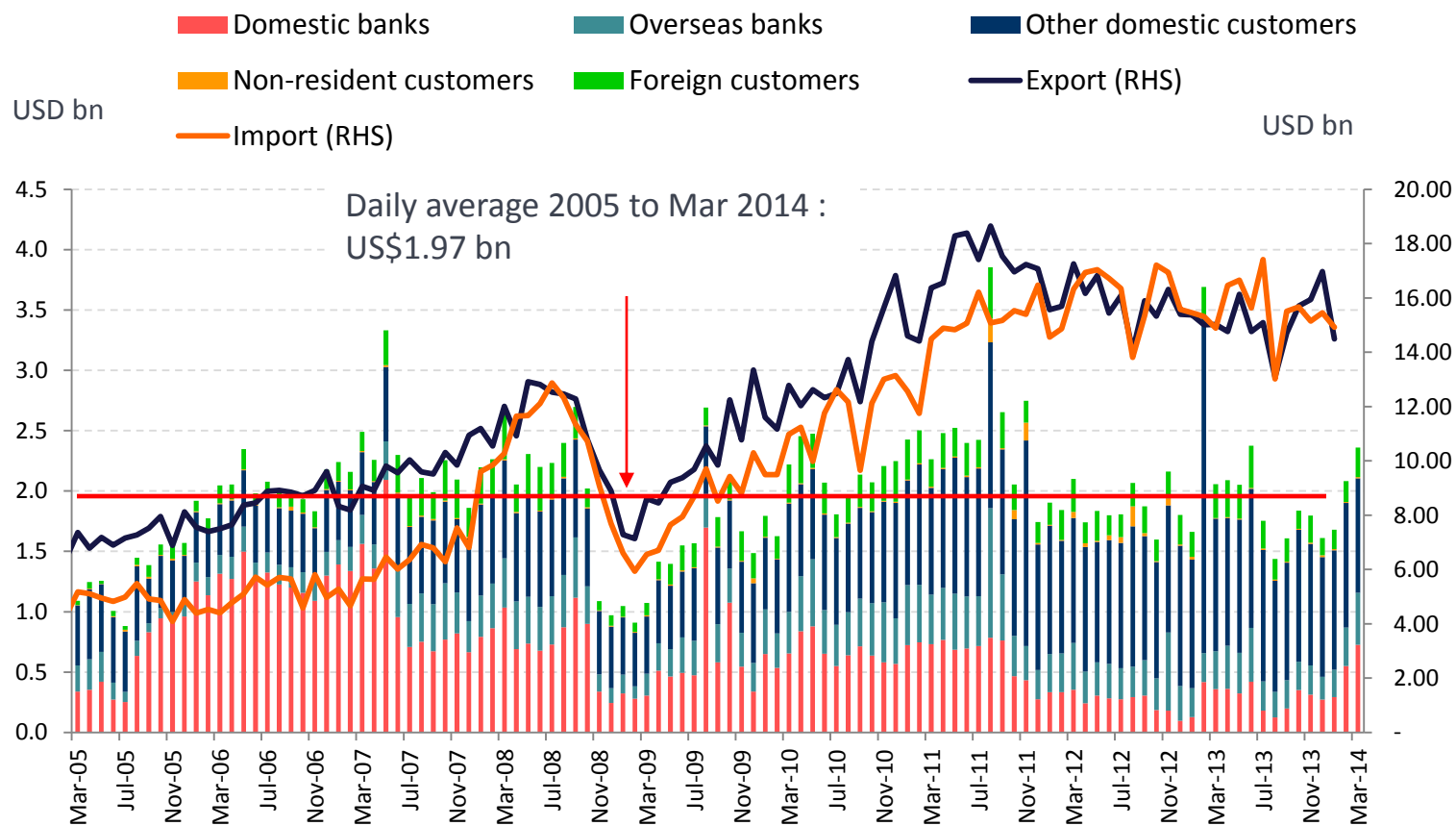
Namun Perbankan nasional terkendala dengan terbatasnya likuiditas yang ditandai oleh tingginya loan to deposit ratio (LDR) yang sudah menembus 90%

LDR Perbankan Nasional (%) 2001 – 2014



Sumber: CEIC, data diolah

Forex transaction in domestic market relatively unchanged despite a significant increase in trade value



Daily Average Trading in :

2005	: US\$1.2 bn
2006	: US\$2 bn
2007	: US\$2.5 bn
2008	: US\$2.1 bn
2009	: US\$1.6 bn
2010	: US\$2.1 bn
2011	: US\$2.5 bn
2012	: US\$1.9 bn
2013	: US\$2 bn
2014	: US\$2 bn

Sumber : CEIC Per tanggal 17 Maret 2014