MINISTRY OF ENERGY AND MINERAL RESOURCES
DIRECTORATE GENERAL OF OIL AND GAS

I N D O N E S I A' S

Downstream Prospect & Regulatory Incentives

By:
Saryono Hadiwidjoyo
Director of Oil and Gas Downstream Business Development

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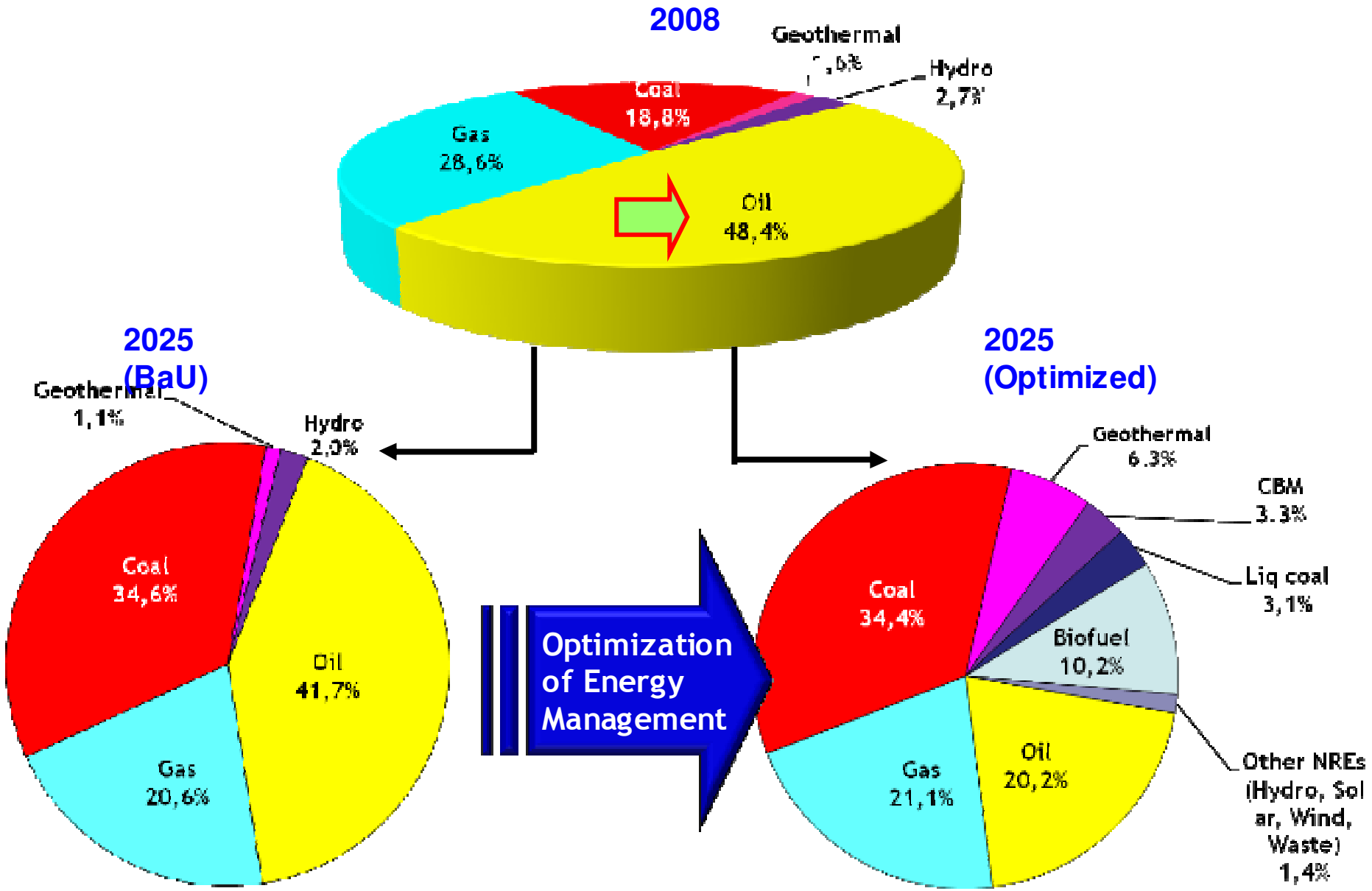
OUTLINE

- NATIONAL ENERGY POLICY
- OIL AND GAS DOWNSTREAM REGULATION
- CURRENT CONDITION
- BUSINESS OPPORTUNITIES
- CONCLUSION

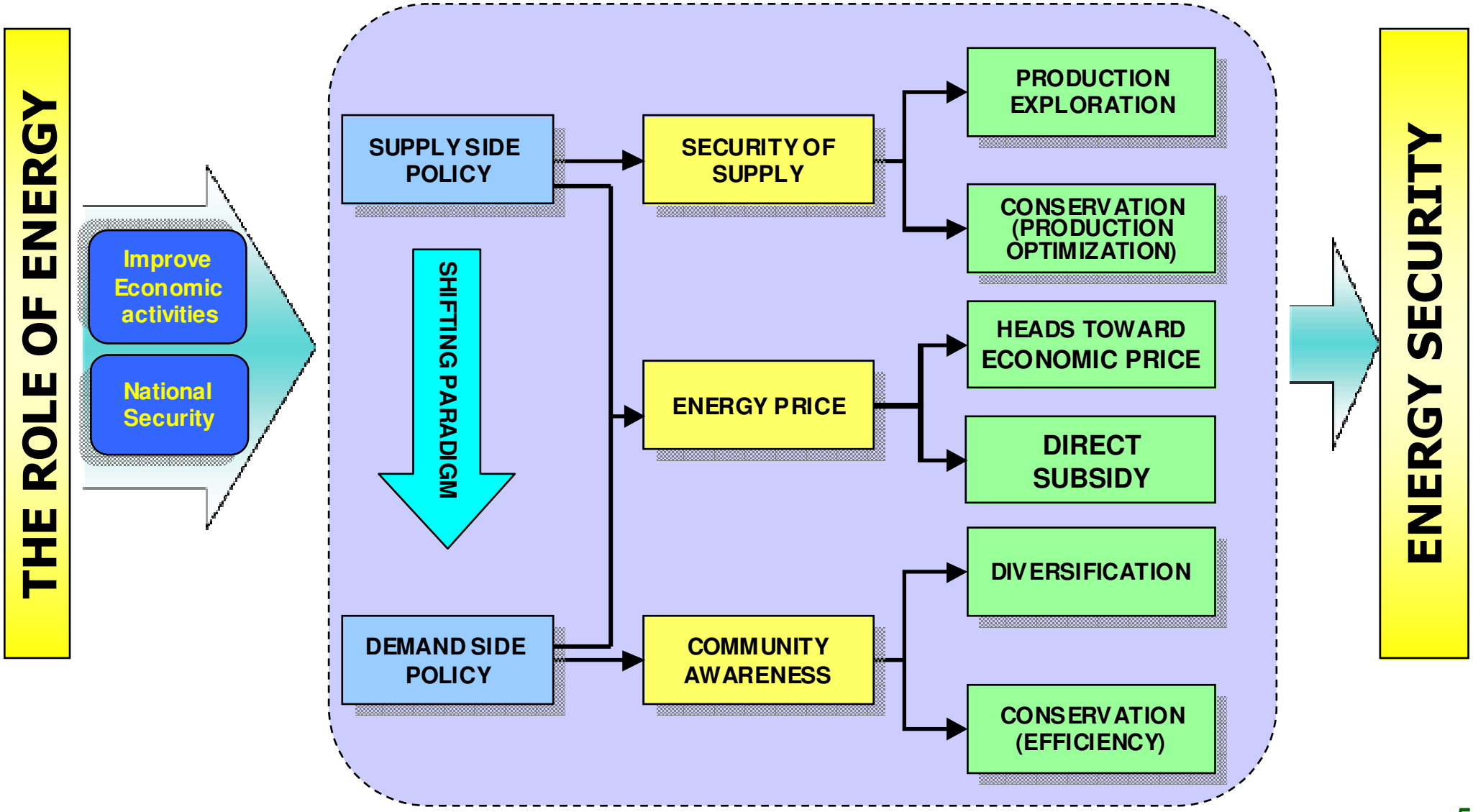
MINISTRY OF ENERGY & MINERAL RESOURCES
DIRECTORATE GENERAL OF OIL & GAS

NATIONAL ENERGY POLICY

NATIONAL PRIMARY ENERGY MIX



INDONESIA'S ENERGY POLICY

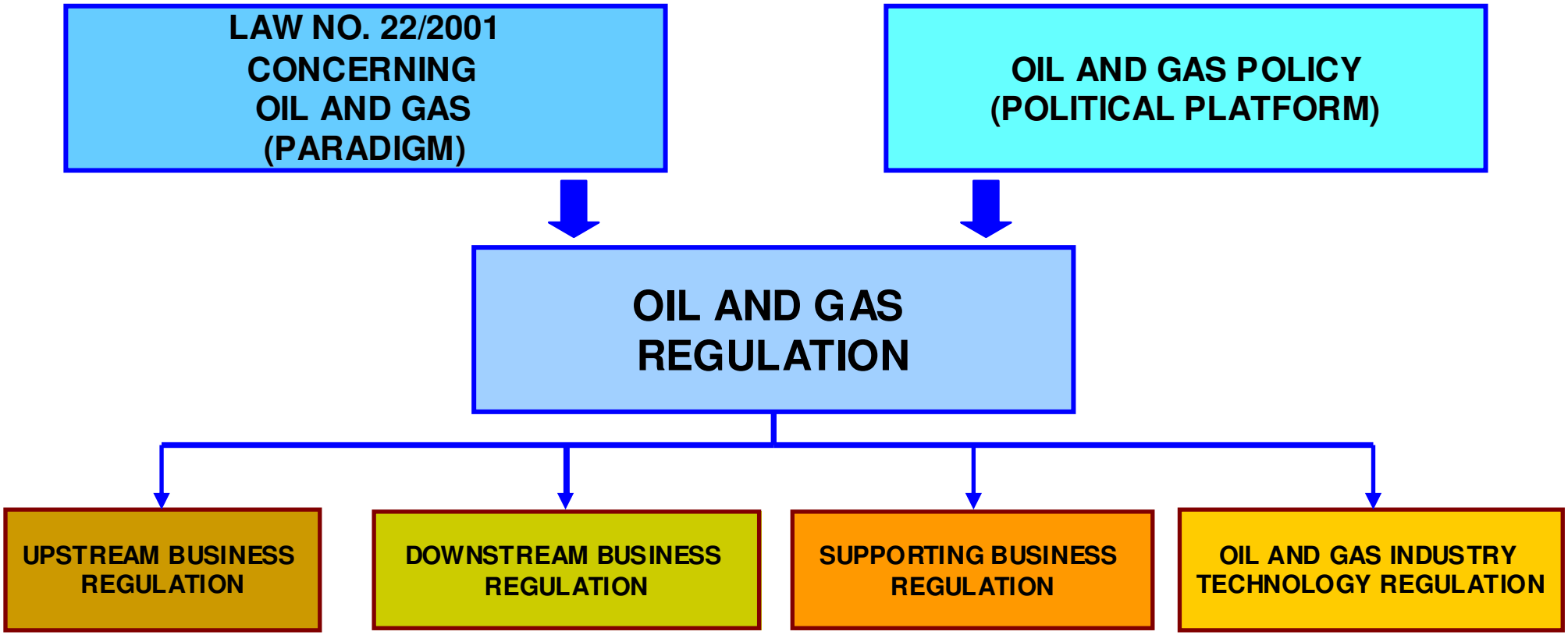


ENERGY DIVERSIFICATION PROGRAM

ENERGY	Household	Transportation	Industry	Power Plant
• Gas				
➢ LPG	√	√	√	–
➢ CNG	√	√	√	√
• Coal				
➢ Coal	√	–	√	√
➢ Briquette	√	–	√	–
➢ Liquefied Coal	√	√	√	√
➢ Gasified Coal	–	√	√	√
• Biofuel				
➢ Bio-ethanol	√	√	–	√
➢ Bio-diesel	√	√	√	√
➢ Bio-oil	√	√	√	√
• Geothermal	√	–	–	√
• Oher Renewable Energy				
➢ Biomass	√	–	–	√
➢ Nuclear	–	–	–	√
➢ Hydro	–	–	–	√
➢ Solar	√	√	–	√
➢ Wind	–	–	–	√
➢ Coal Bed Methane (CBM)	√	√	√	√
➢ Hydrogen / Fuel Cell	–	√	–	√
➢ Oil Shale/Oil Sand	–	√	√	√
➢ Biogenic Gas	√	–	–	√

OIL AND GAS DOWNSTREAM REGULATION

NATIONAL OIL AND GAS REGULATORY FRAMEWORK



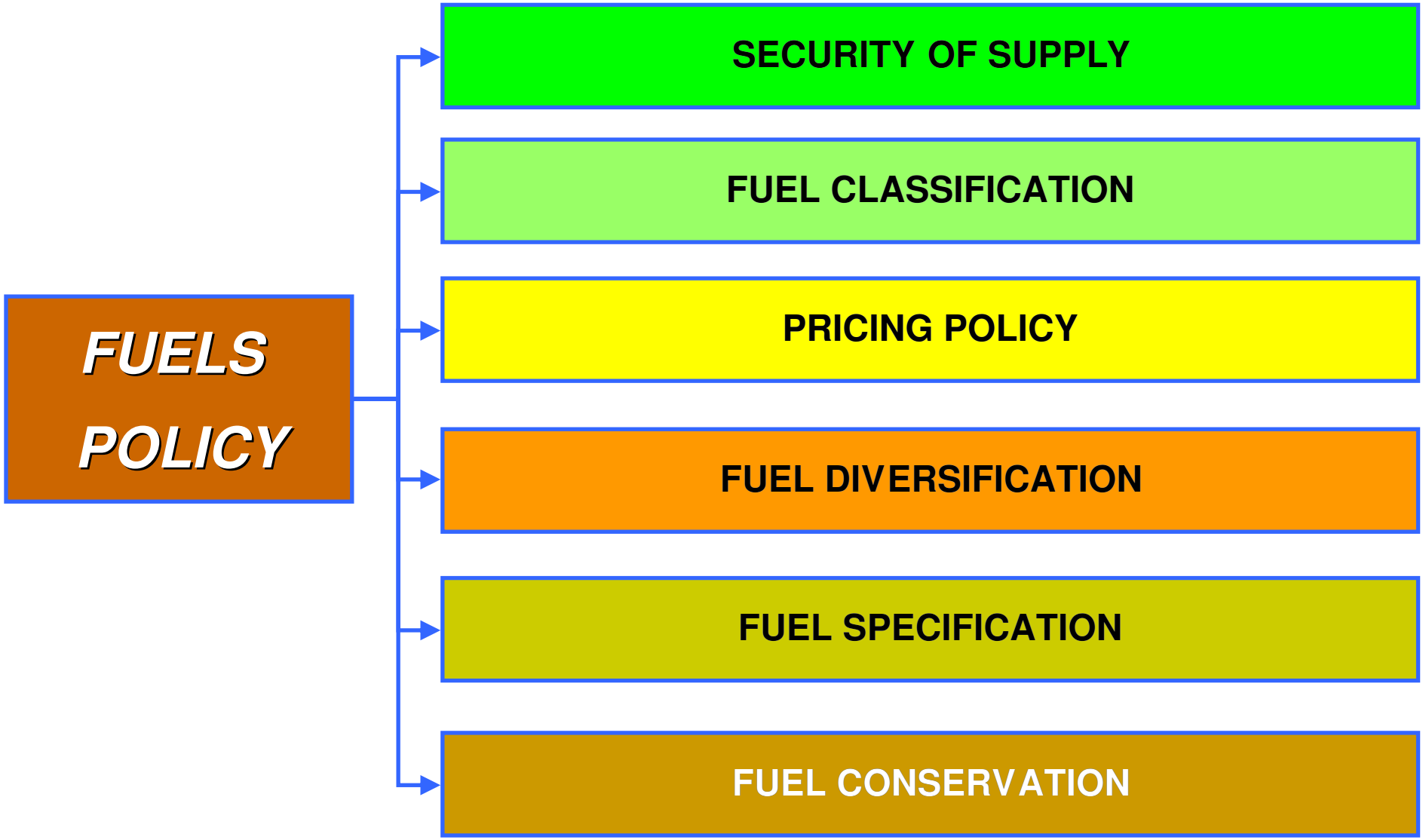
Objective:
- Efficient and liable oil and gas management

Objective:
- The assurance of oil and gas fuel supply in efficient and adequate amount

Objective:
- Competent oil and gas supporting business

Objective:
- Reliable, Safe, and environmentally friendly oil and gas installation

FUEL POLICY

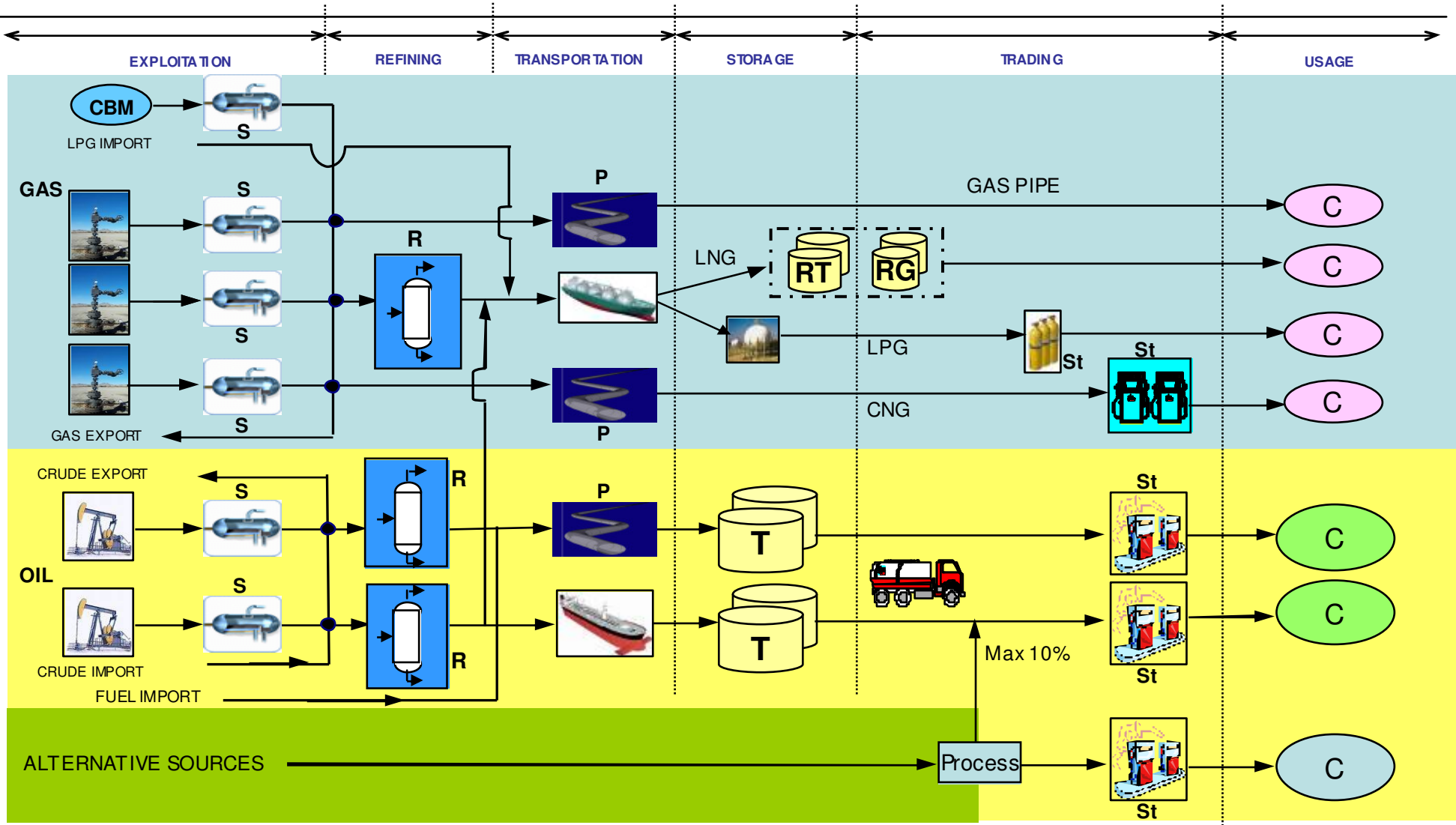


OIL AND GAS DOWNSTREAM BUSINESS

- SINCE THE ENACTMENT OF LAW NO. 22/2001, PRIVATE BUSINESS ENTITIES ARE WELCOMED TO TAKE PART IN FULFILLING THE NEEDS OF HIGH GROWTH OF OIL ANG GAS CONSUMPTION

- OIL & GAS DOWNSTREAM BUSINESS ACTIVITIES :
  1. PROCESSING
  2. TRANSPORTATION
  3. STORAGE
  4. MARKETING & TRADING

NATIONAL FUEL SUPPLY SYSTEM

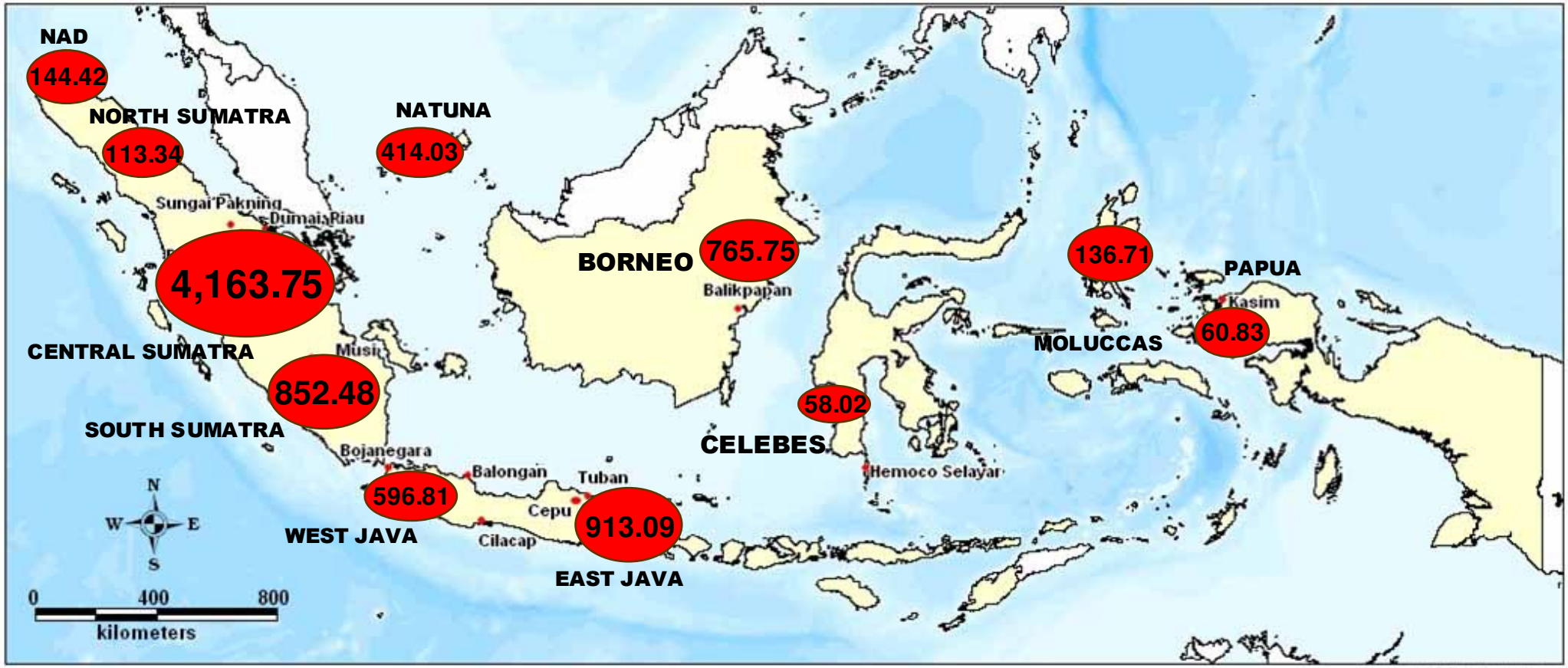


S = Separator
P = Pipe
R = Refinery
T = Tank
RT = Receiving Terminal
RG = Regasification
C = Consumers
St = Station
CBM = Coal Bed Methane

CURRENT CONDITION

OIL RESOURCES & RESERVES

(AS OF JANUARY 1st 2009)

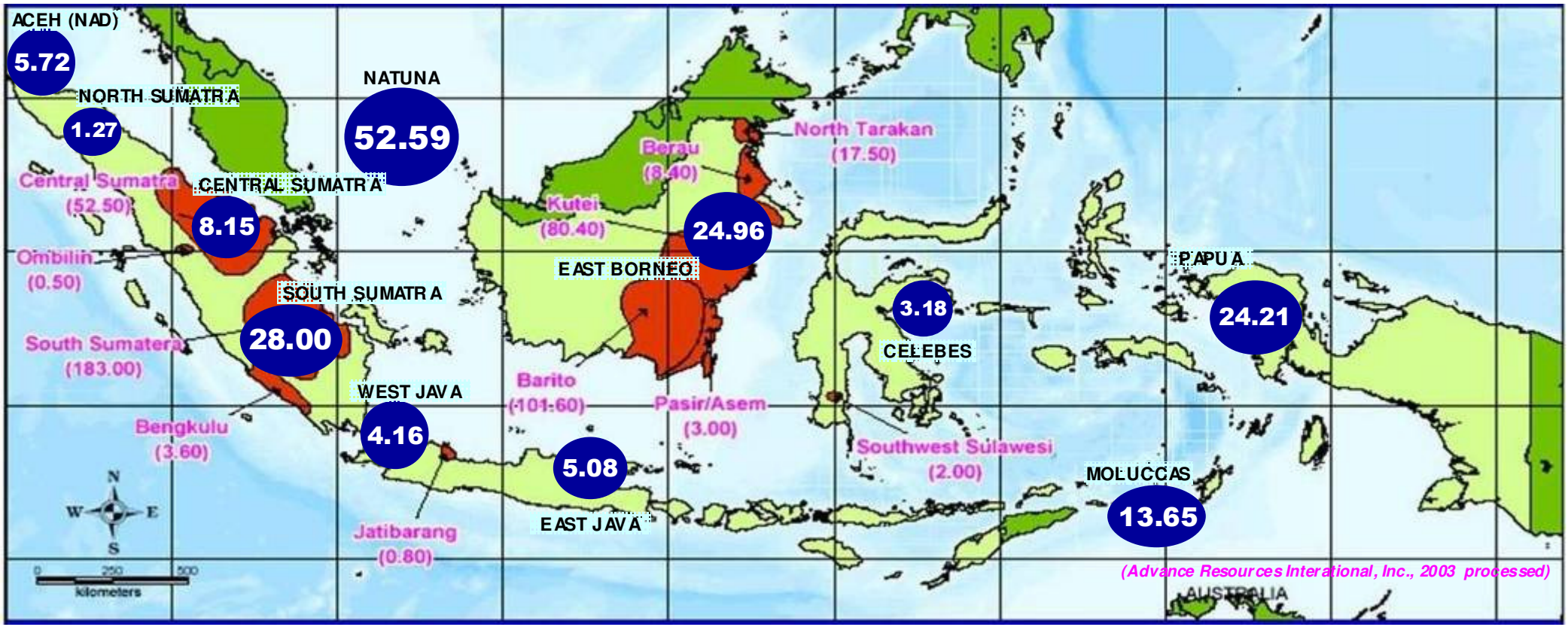


OIL RESERVES (MM STB)

PROVEN	=	3,747.50 MM STB	RSV/PROD RATIO = 23 years
POTENTIAL	=	4,471.72 MM STB	
TOTAL	=	8,219.22 MM STB	

MM STB : Million Stock-Tank-Barrel
B STB : Billion Stock-Tank-Barrel

NATURAL GAS RESOURCES - RESERVES & CBM RESOURCES IN INDONESIA



GAS RESERVES (TSCF)

PROVEN	=	**112.47 TSCF**	**R/P RATIO= 59 years**
POTENTIAL	=	**57.60 TSCF**	
TOTAL	=	**170.07 TSCF**	

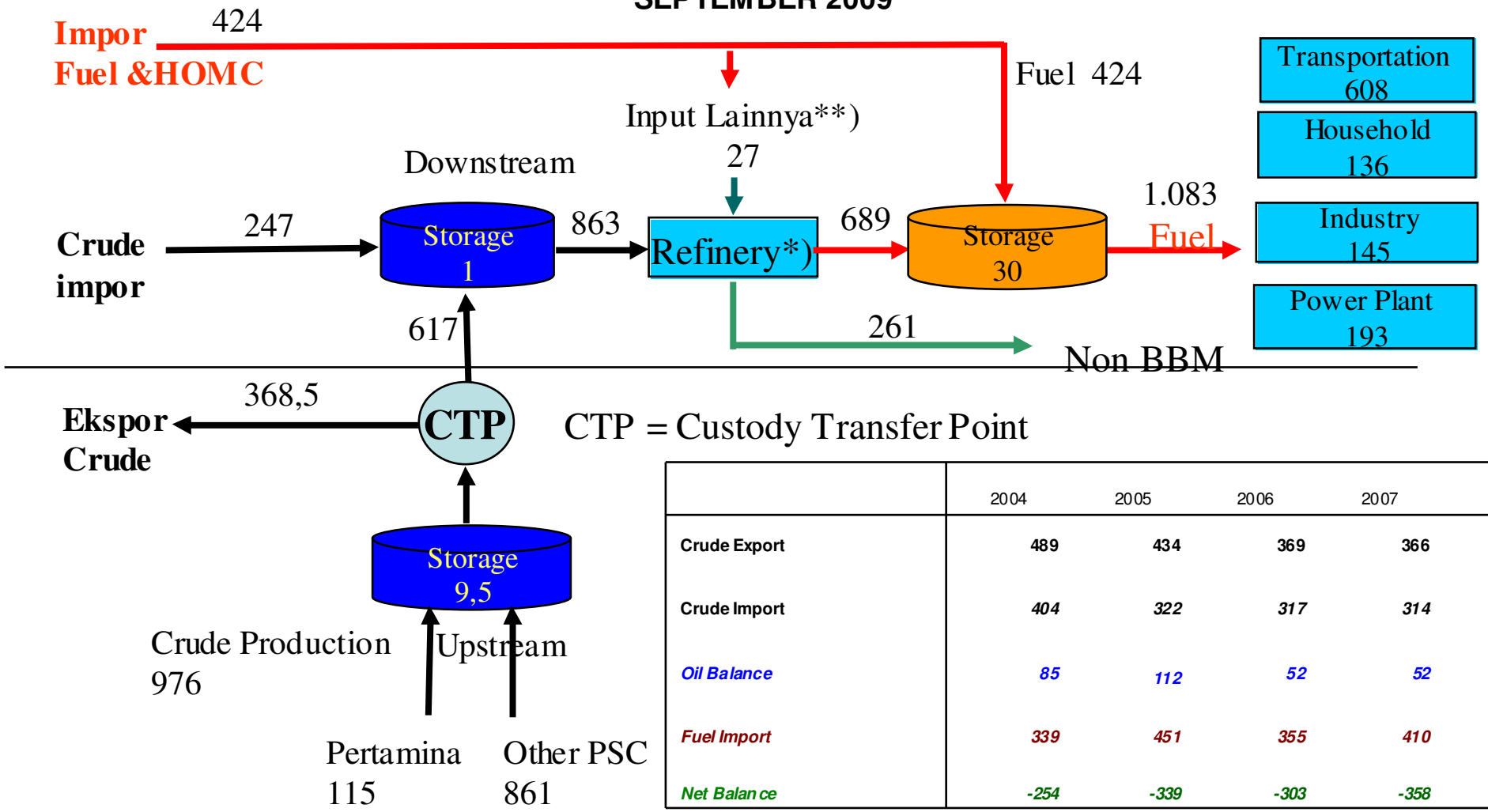
(AS OF JANUARY 1st 2009)

CBM RESOURCES = 453.30 TCF

Oil Balance

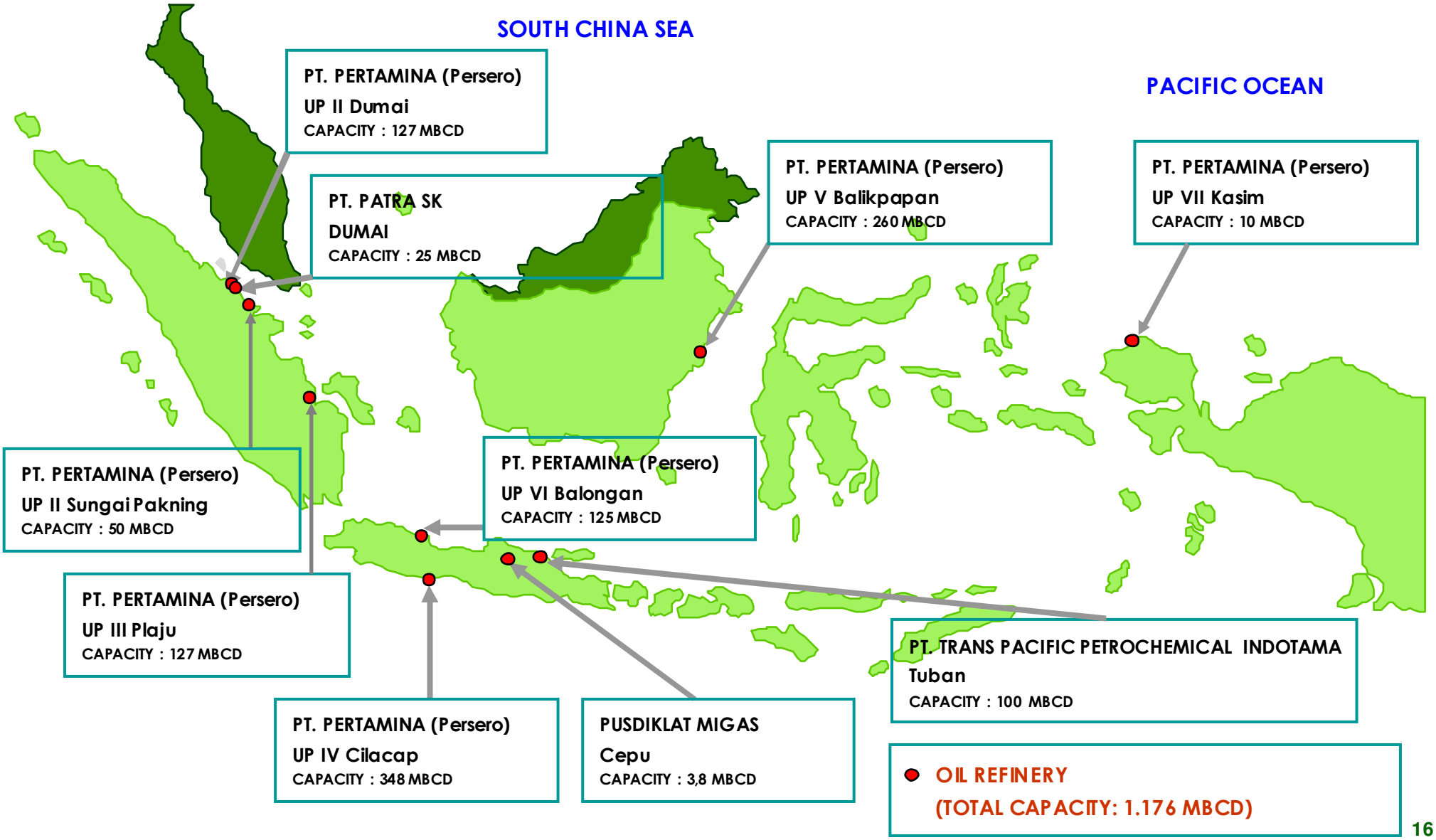
(Thousands barrel per day)

SEPTEMBER 2009

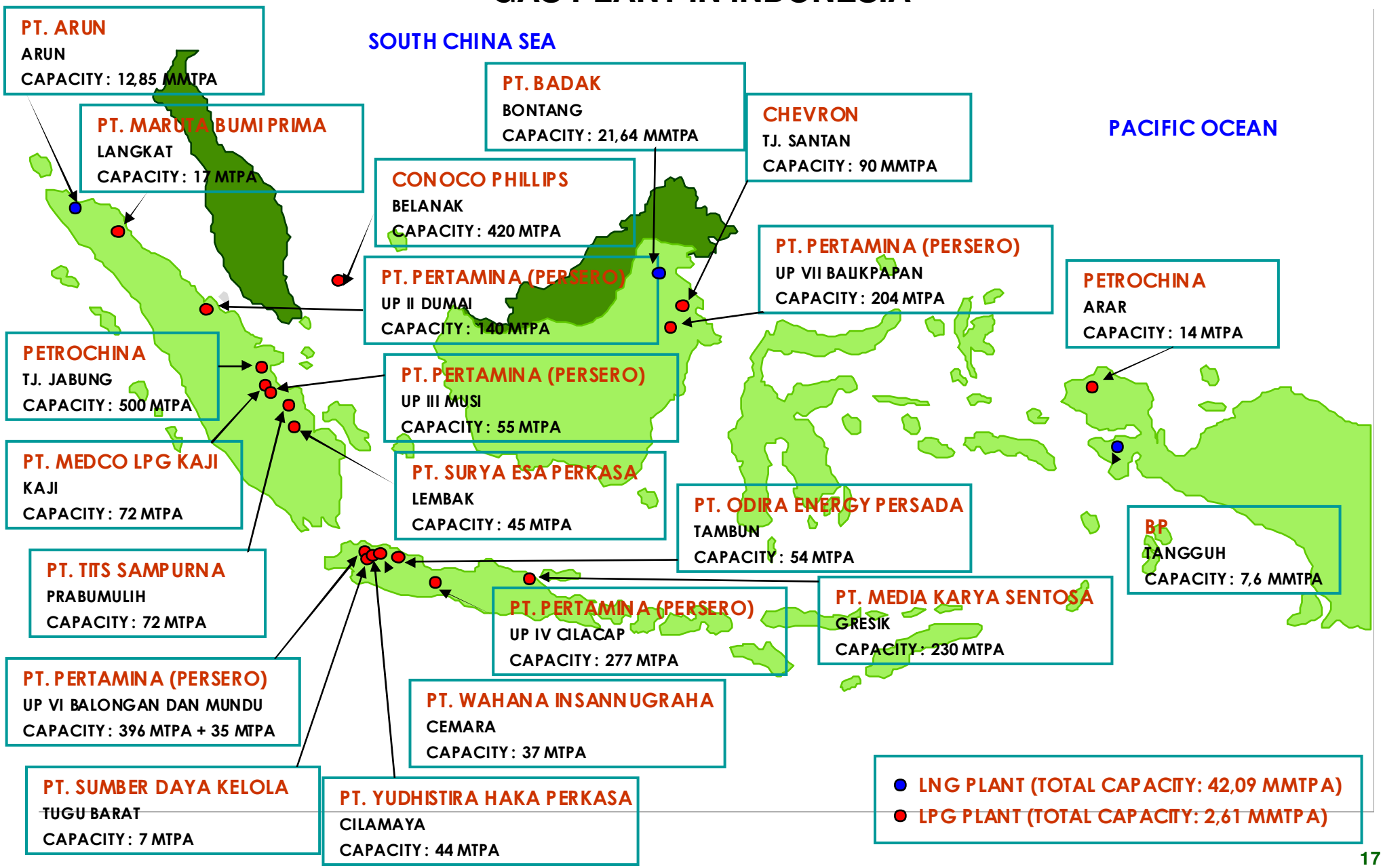


	2004	2005	2006	2007	2008
Crude Export	489	434	369	366	368,5
Crude Import	404	322	317	314	247
Oil Balance	85	112	52	52	121,5
Fuel Import	339	451	355	410	424
Net Balance	-254	-339	-303	-358	-302,5

OIL REFINERIES IN INDONESIA



GAS PLANT IN INDONESIA



OIL & GAS TRANSPORTATION INFRASTRUCTURE IN INDONESIA

TRANSPORTATION

FUEL

TANK TRUCK:
680 UNITS WITH TOTAL CAPACITY 11,178 KL

TRAIN:
1,030 UNITS WITH TOTAL CAPACITY 25,359.2 KL

TANKER:
600 UNITS WITH TOTAL CAPACITY 6,245,785.76 KL

PIPE:
-CILACAP – BANDUNG : 258 KM DIA. 10" AND 16"
-CILACAP – DEPOT MAOS : 22 KM DIA. 10" AND 12"
-DEPOT MAOS – DEPOT REWULU : 158 KM DIA. 8" AND 12"
-BALONGAN – JAKARTA : 222 KM DIA. 16"
-YOGYAKARTA – BOYOLALI : 66 KM DIA

GAS

LPG TANK TRUCK:
35 UNITS WITH TOTAL CAPACITY 512 TON

CNG TANK TRUCK:
13 UNITS WITH TOTAL CAPACITY 53,280 M^3

LPG TANKER:
5 UNITS WITH TOTAL CAPACITY 1,455.9 MT

CONT.....

NATURAL GAS TRANSPORTATION

NATURAL GAS TRANSMISSION AND DISTRIBUTION

NATURALGAS TRANSMISSION PIPE INSTALLED:
- 3,202 KM IN SUMATERA (NAD, NORTHSUM, RIAU, JAMBI, SOUTHSUM)
- 1,804 KM IN JAVA (WESTJAVA, DKI JAKARTA, BANTEN, EASTJAVA)
- 295 KM IN KALIMANTAN (EAST KALIAMNTA)

***OPEN ACCESS* PT PGN/PT TGI 46 % (2,469 KM)**

NATURAL GAS DISTRIBUTION PIPE INSTALLED:
- 751 KM IN SUMATERA (NORTHSYM, SOUTHSUM, RIAU)
- 2,520 KM IN JAVA (WESTJAVA, DKI JAKARTA, BANTEN, EASTJAVA)

STORAGE

FUEL

INLAND STORAGE INSTALLED:
1,575 TANK WITH TOTAL CAPACITY +/- 5,046,546 KL
+/- 54% CONCENTRATED0 IN JAVA, BALI, DAN NUSATENGGARA

FLOATING STORAGE (NON PERTAMINA) :
5 FSOB, TOTAL CAPACITY +/- 12,001 KL

GAS

LPG STORAGE INSTALLED:
PERTAMINA = 74.520 MT
PT BHAKTI MINGASUTAMA = 10,000 MT
LPG FILLING STATION = 48 UNITS

CONT.....

ANOTHER DISTRIBUTION FACILITIES

FUEL FILLING STATION

TOTAL 3,547 UNITS
PERTAMINA : 3,515 UNITS
OTHER COMPANIES : 32 UNITS

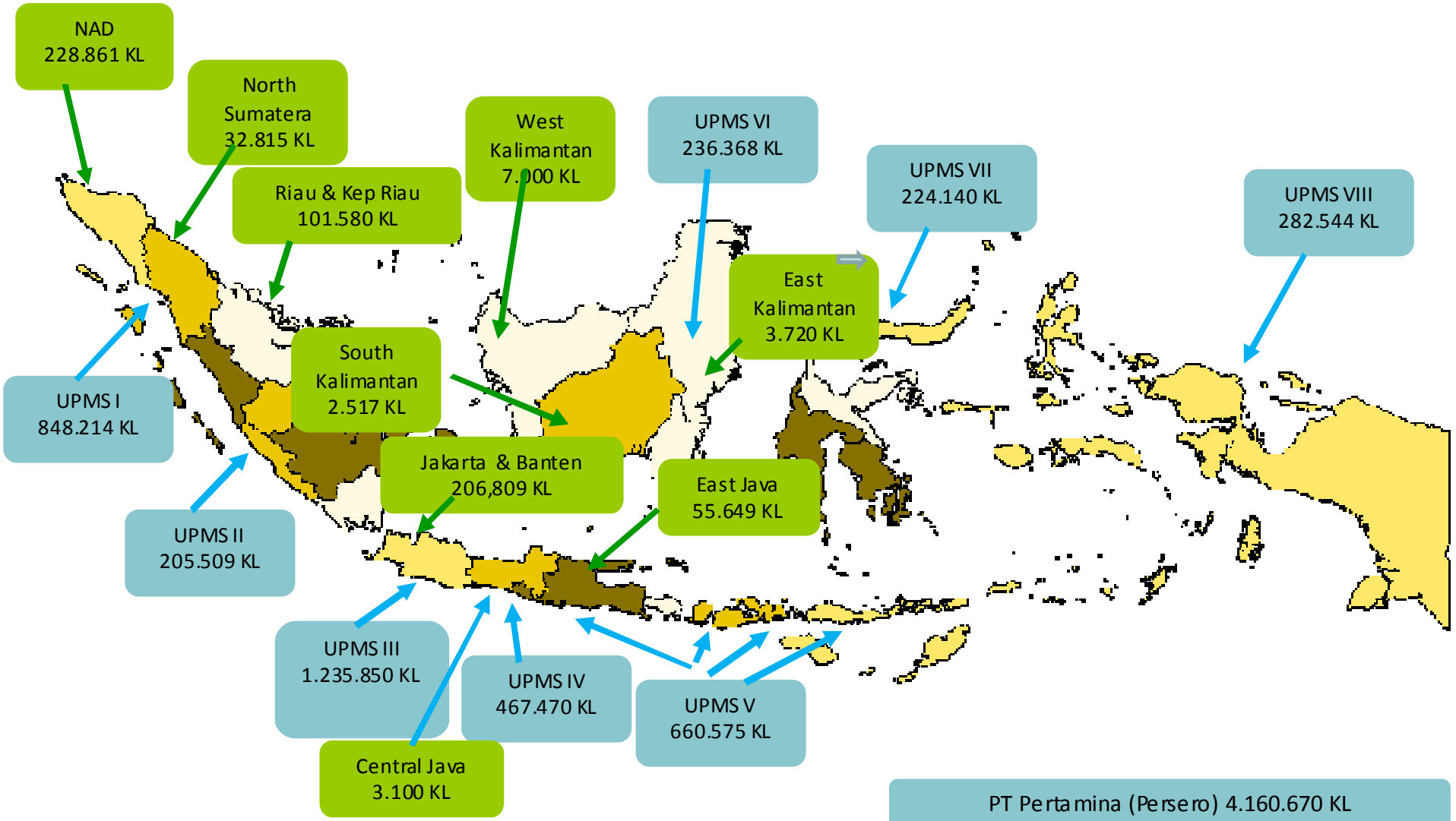
CNG FILLING STATION

FOR TRASPORTATION:
- PERTAMINA : 17 UNITS
- PGN : 1 UNIT
- PETROSS GAS : 2 UNITS

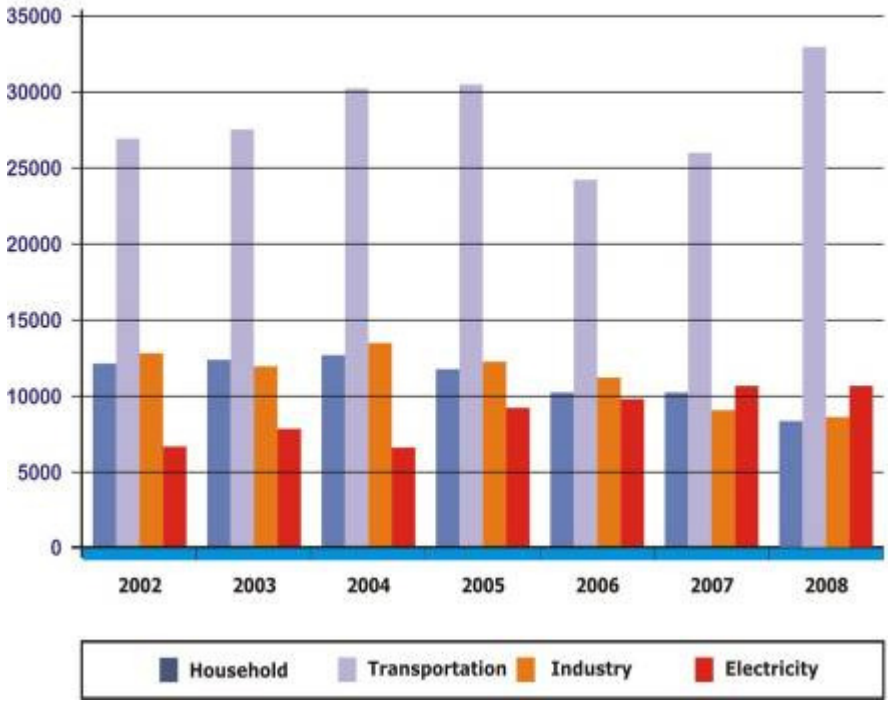
CNG DISTRIBUTION FACILITIES

-**PT IEV GAS** : LOKASI CIKARANG, CAPACITY 3 MMSCFD
(12 CNG TRAILERS, TOTAL CAPACITY 54,360 M^3)
-**PT CIPTA NIAGA GAS** : LOKASI CIKAMPEK, CAPACITY 4 MMSCFD
(9 CNG TRAILER, TOTAL CAPACITY 42,200 M^3)

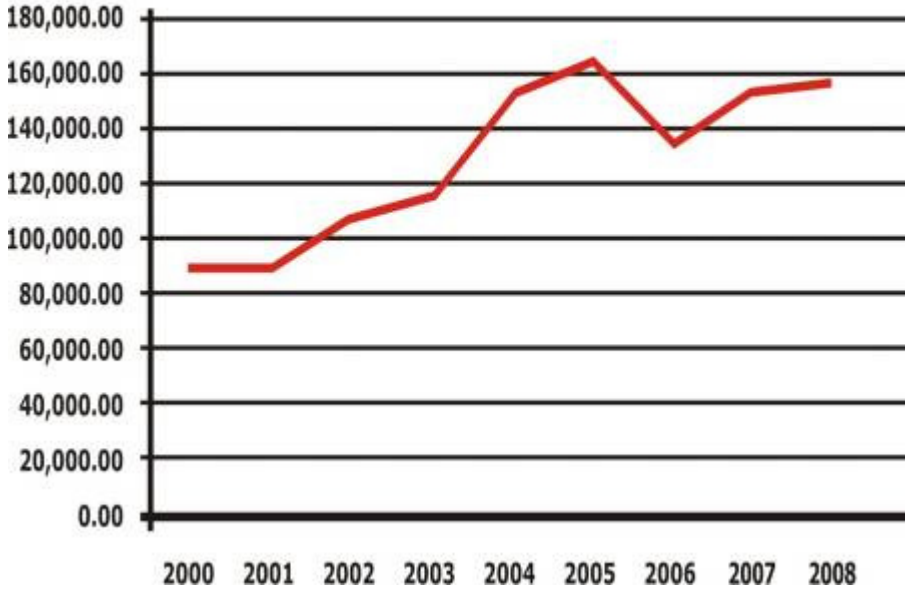
STORAGE FACILITIES



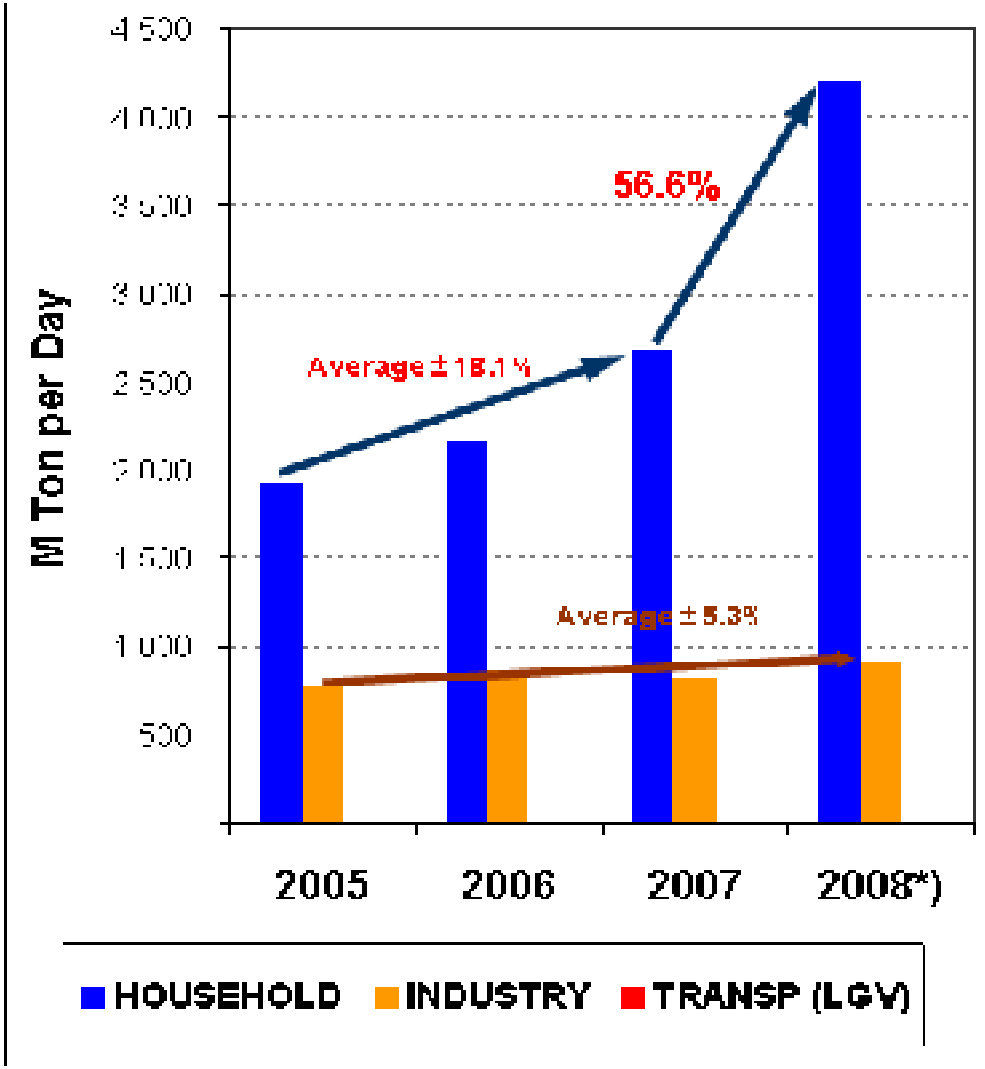
DOMESTIC FUEL CONSUMPTION BY SECTOR
2002 - 2008 (MILLION LITERS)



IMPORTS OF OIL PRODUCT

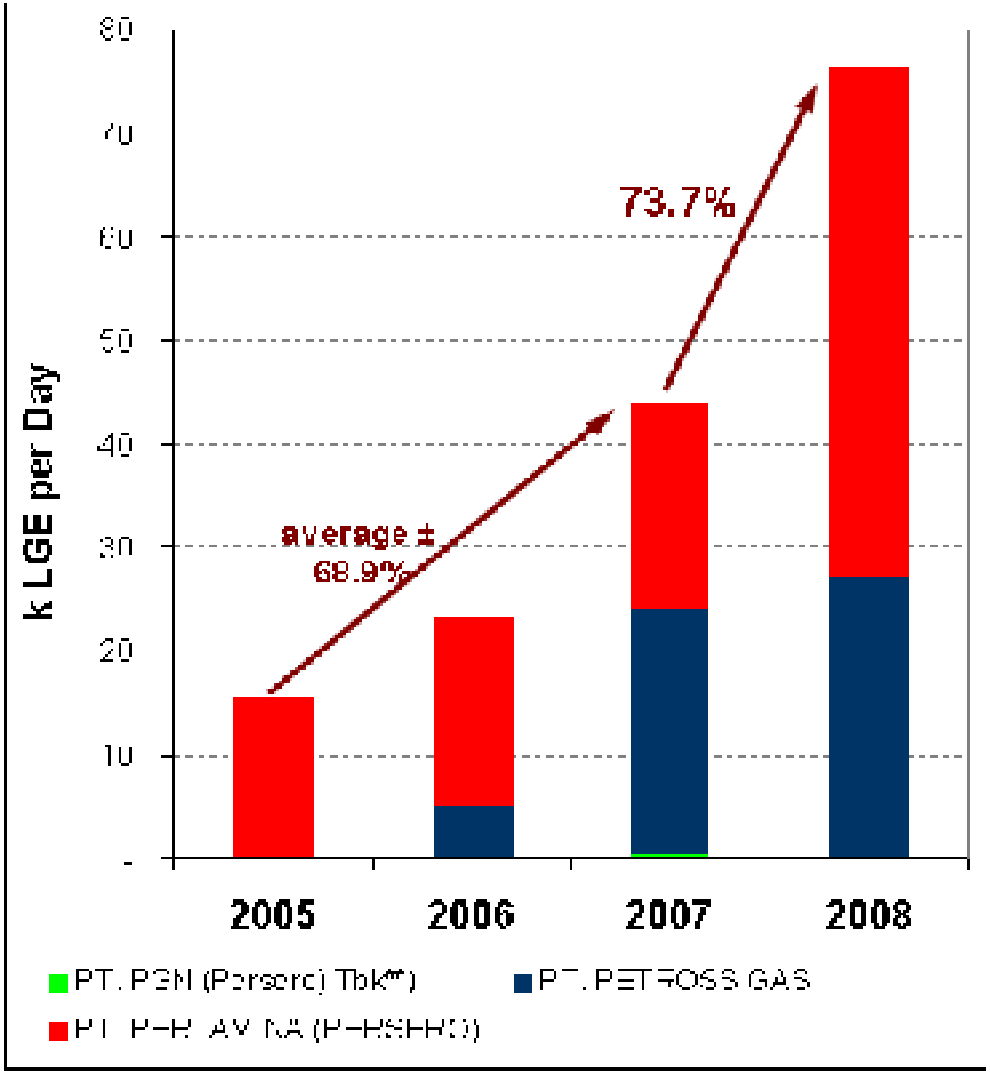


LPG FOR DOMESTIC



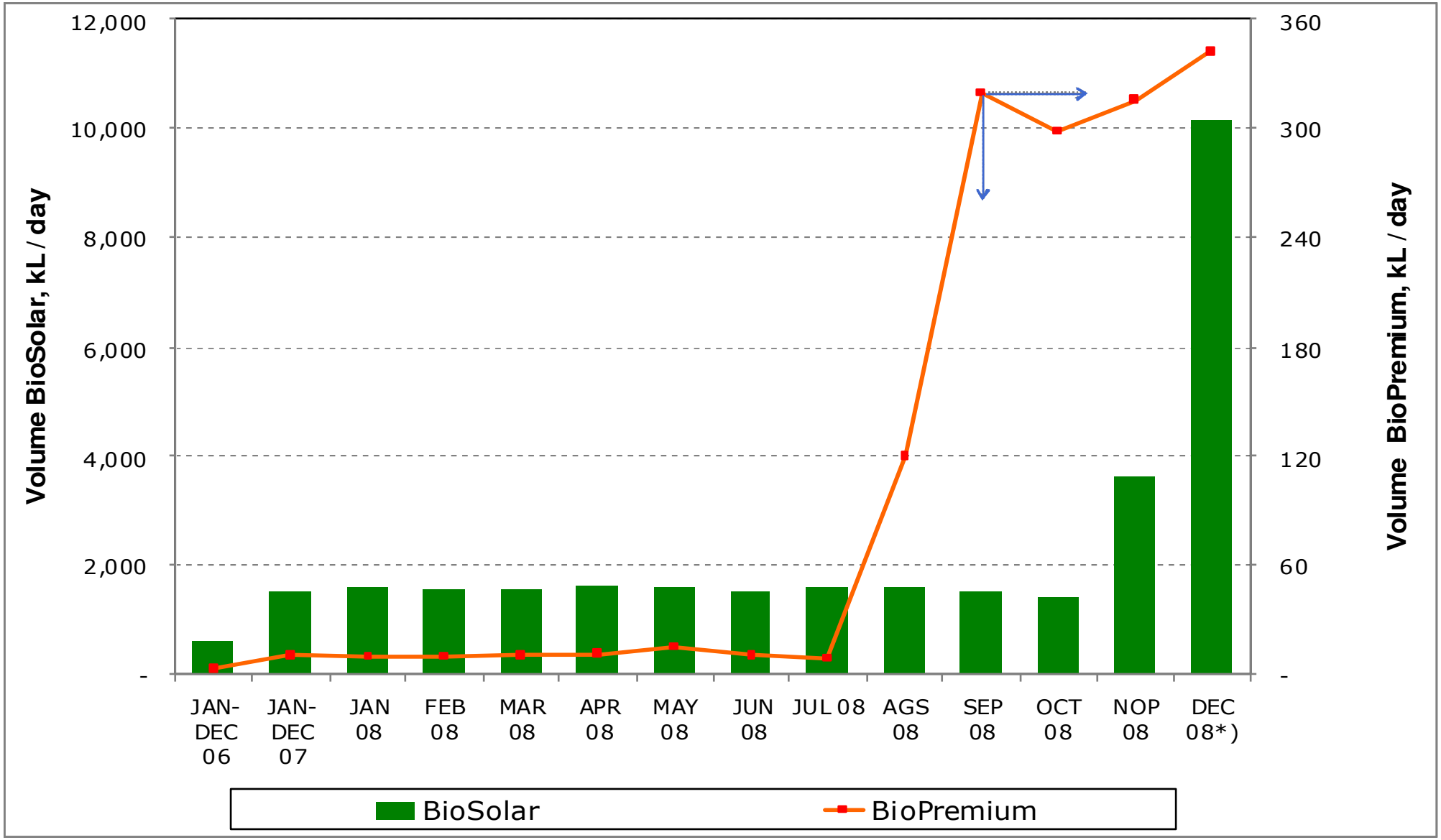
*) unreconciliation number

CNG FOR TRANSPORTATION



**) 2008 n.a.
kLGE = kilo Litre Gasoline Eq.

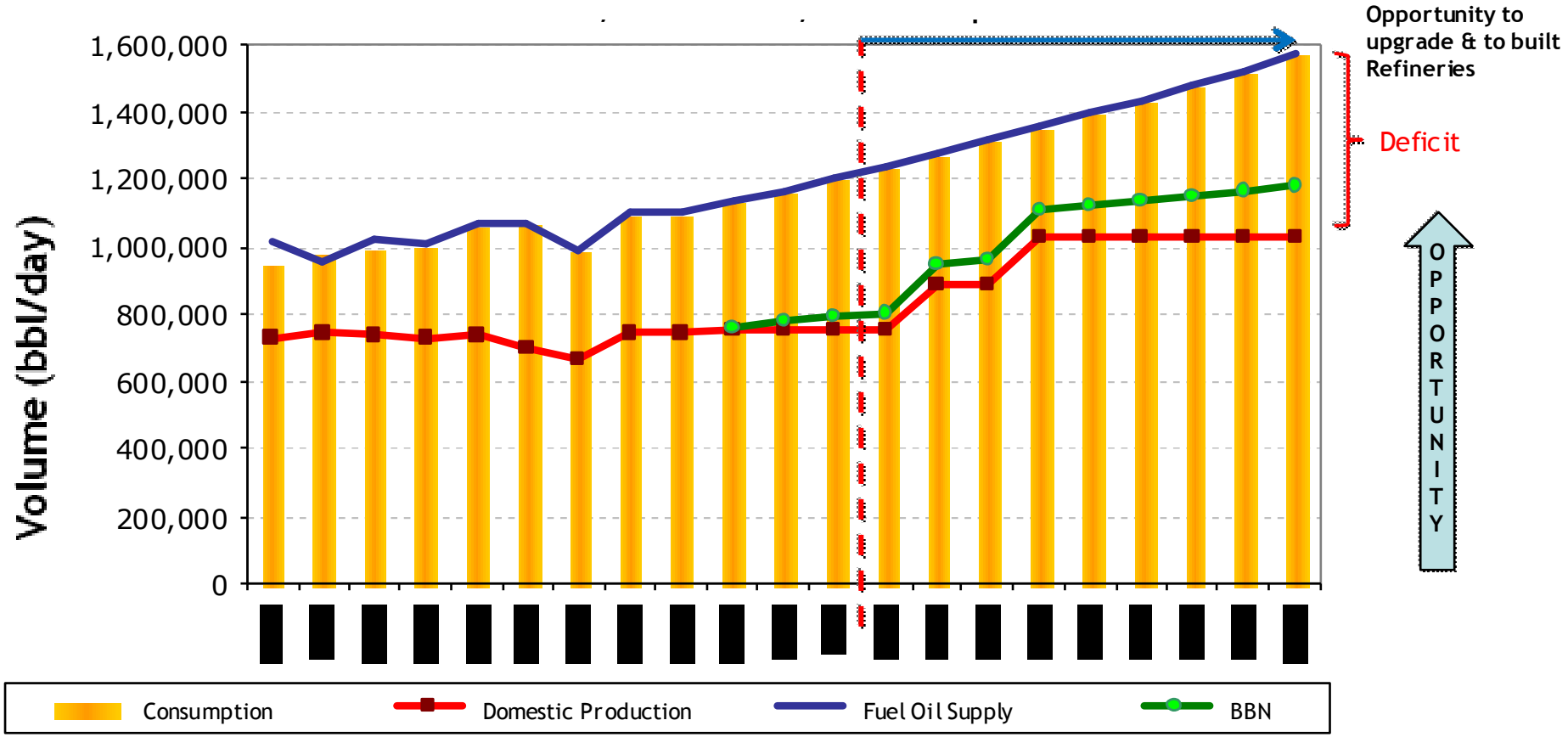
BIOFUEL CONSUMPTION



BUSINESS OPPORTUNITIES

FUEL OIL SUPPLY – DEMAND

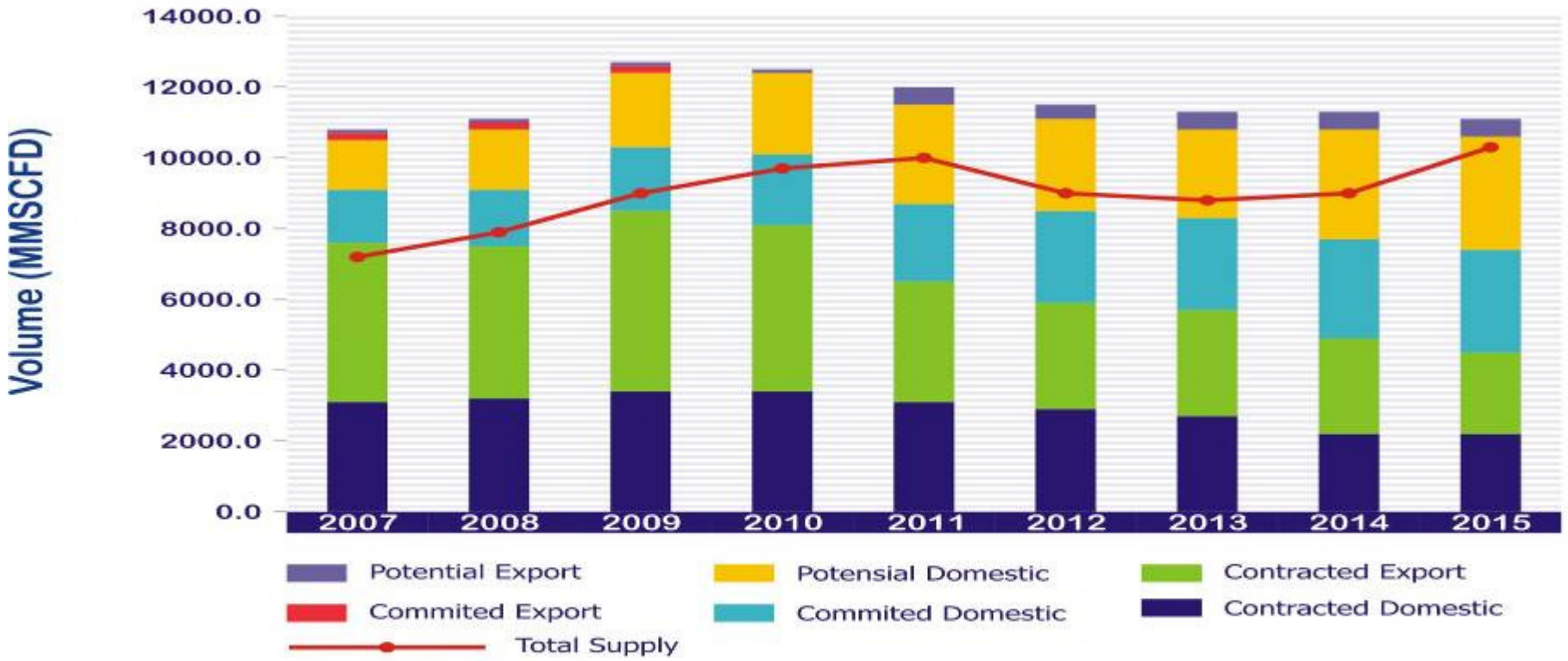
Fuel Consumption, Production, Import Prediction
(Gasoline, Kerosene, Diesel Fuel, Diesel Oil, Oil Residue)



Note :

- Fuel Supply = Domestic Production + Import
- PT. Tri Wahana Universal (East Java, 6 MBSD) and PT. Kilang Muba (South Sumatera, 0,8 MBSD) will operate at the end of 2009
- PT. Pertamina (Persero) (West Java, 150 MBSD) will operate in 2014

INDONESIA GAS SUPPLY AND DEMAND (2007-2015)



Deficit of Natural Gas Create Business Opportunities

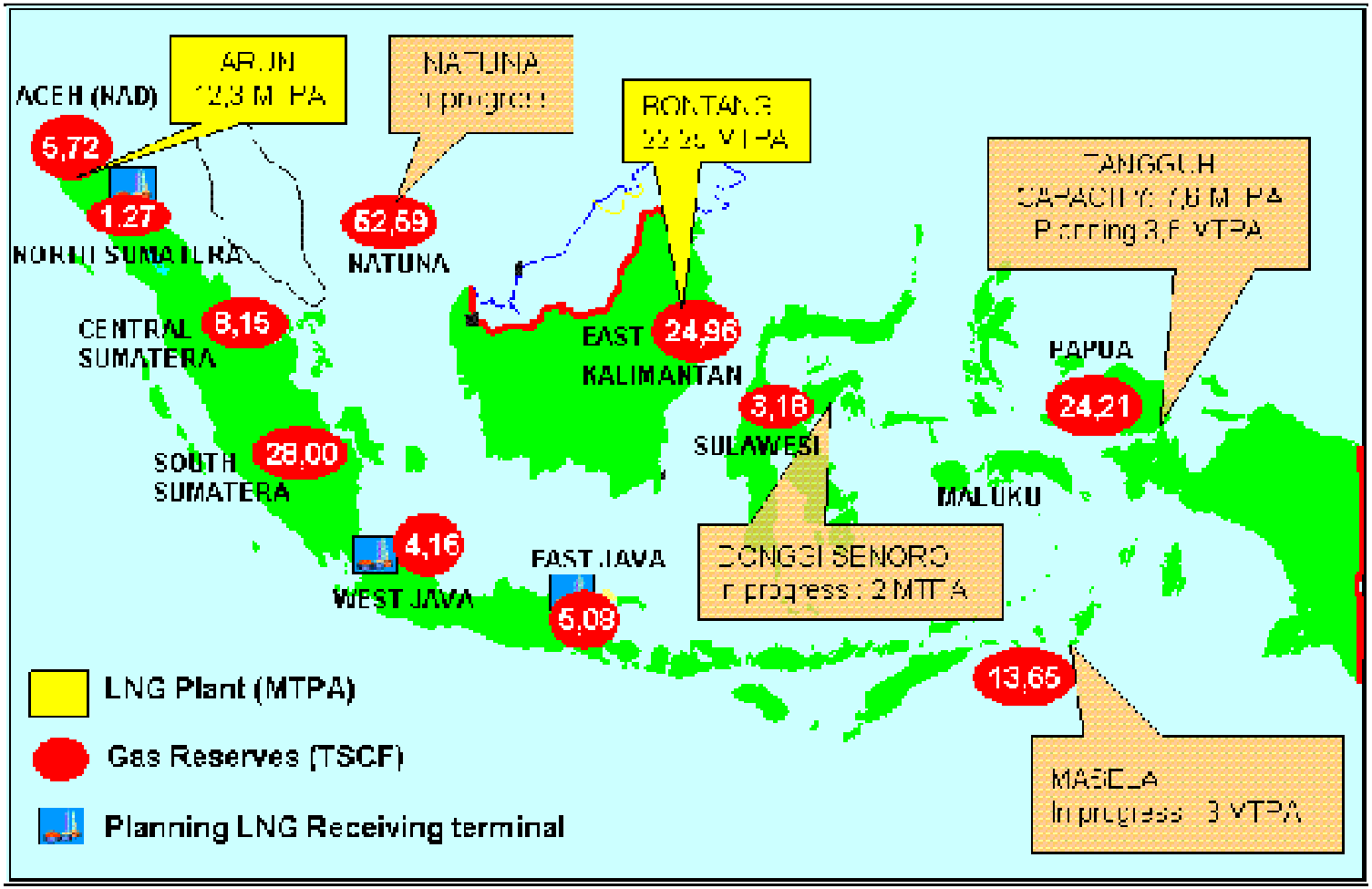
- New Reserves
- LNG Plant
- LNG/CNG Receiving Terminal
- Pipeline

MASTER PLAN ON NATIONAL NATURAL GAS TRANSMISSION AND DISTRIBUTION NETWORK
(M P N N G T D N)

I N D O N E S I A

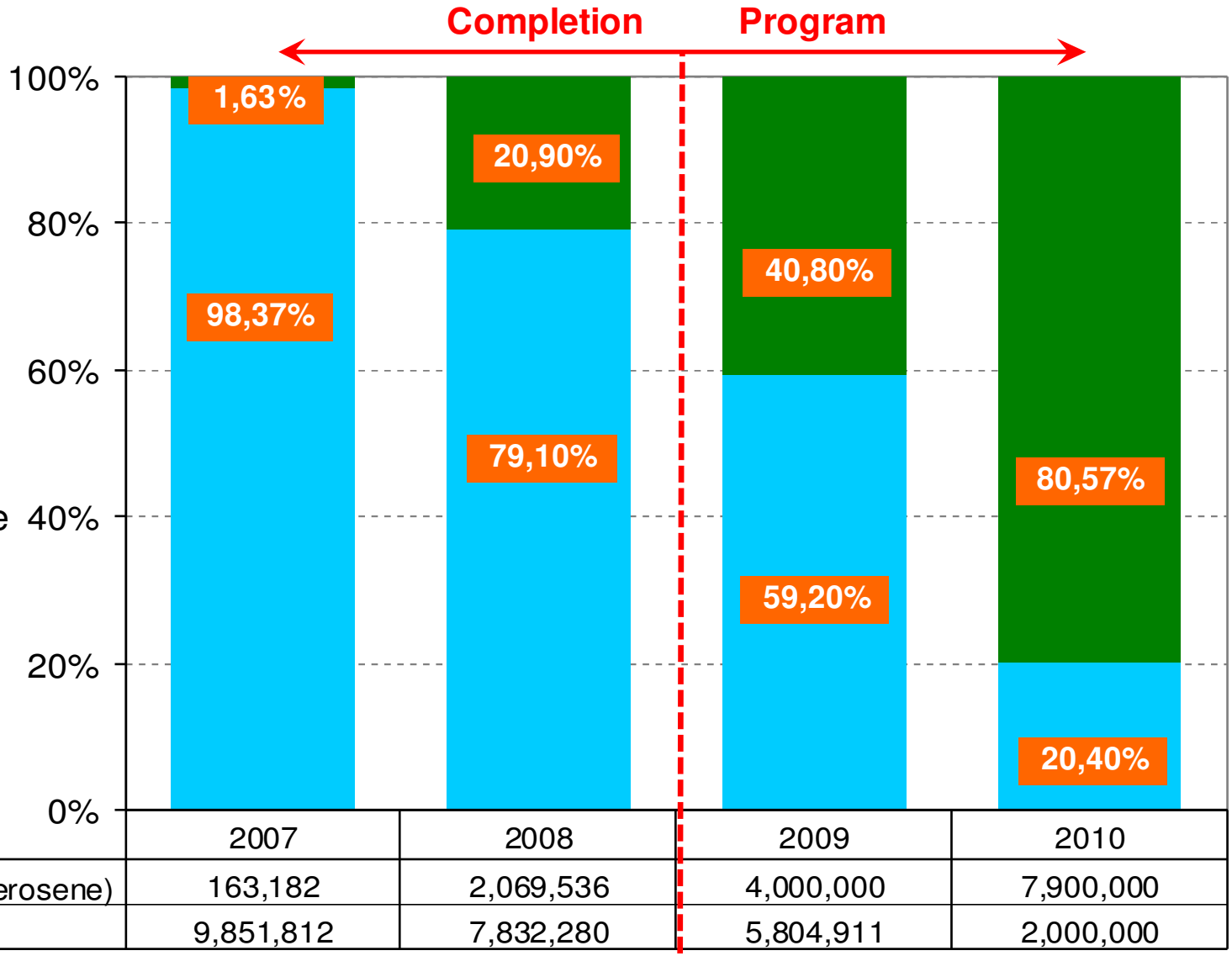
INVESTMENT OPPORTUNITIES

LNG RECEIVING TERMINALS PLANNING



- Based on Indonesia Gas Balance 2009 - 2020, North Sumatra, West Java, and East Java are needed additional gas supply which cannot fullfill from its areas;
- Therefore, Government plan to built LNG Receiving Terminal in Medan, West Java, & East Java.

SUBSTITUTION OF KEROSENE TO LPG FOR HOUSEHOLD AND MICRO BUSINESS

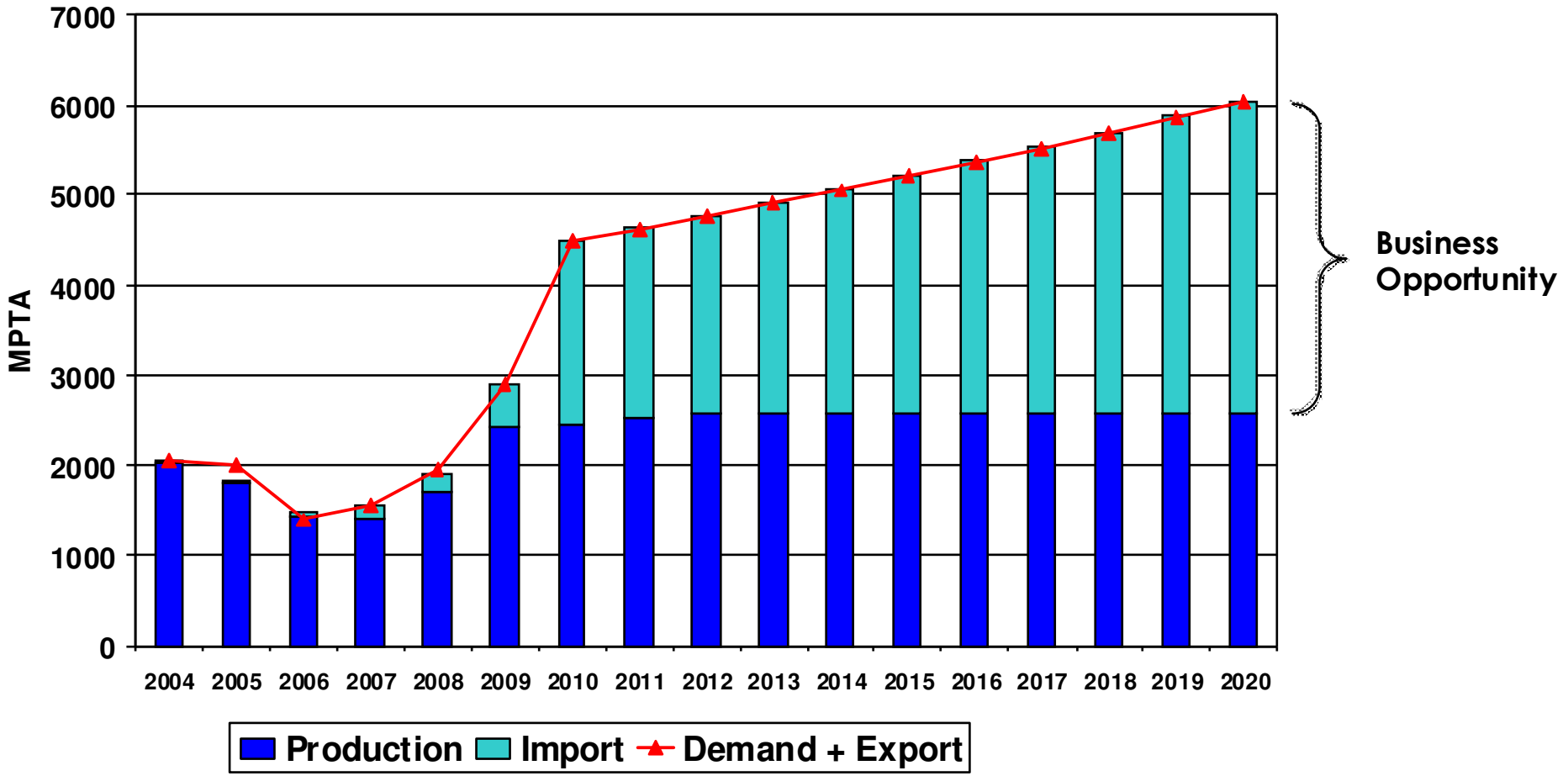


	2007	2008	2009	2010
LPG (kL eq. to kerosene)	163,182	2,069,536	4,000,000	7,900,000
Kerosene (kL)	9,851,812	7,832,280	5,804,911	2,000,000

Note:

In 2010, subsidized kerosene remained in the market used only for household in remote area, small business and house lighting.

LPG SUPPLY - DEMAND



Note:

- Conoco Phillips (Natuna, 420 MTPA), Hess (Ujung Pangkah, 90 MTPA), PT. Media Karya Sentosa (Gresik, 58 MTPA), PT. Yudhistira Haka Perkasa (Cilamaya, 44 MTPA), PT. Wahana Insannugraha (37 MTPA) and PT. Badak (Bontang, 1.000 MTPA) are operated by 2009
- PT. Gasuma Federal Indonesia (Tuban, 22 MTPA) will start to operate in 2010.
- PT. Tuban LPG Indonesia (Tuban, 131 MTPA) will start to operate in 2011

LPG INFRASTRUCTURE PLANNING

Infrastructure	2009	2010	2011	2012
1 LPG Supply - Subsidized (3kg) - Non Subsidized (12kg,50kg, Bulk)	3.056.051 Ton 1.667.233 Ton 1.338.818 Ton	3.817.922 Ton 2.404.800 Ton 1.413.121 Ton	3.951.549 Ton 2.488.580 Ton 1.462.580 Ton	4.089.853 Ton 2.576.082 Ton 1.513.770 Ton
2 Storage	149.173 Ton (4 x 40.000 Floating Storage)	154.394 Ton (4 x 40.000 Floating Storage)	159.797 Ton (4 x 40.000 Floating Storage)	165.390 Ton (4 x 40.000 Floating Storage)
3 Tanker	5 Tanker Semiref @10.000 MT 2 – 3 Tanker VLGC @ 45.000MT	5 Tanker Semiref @10.000 MT 2 – 3 Tanker VLGC @ 45.000MT	6 Tanker Semiref @10.000 MT 2 – 3 Tanker VLGC @ 45.000MT	6 Tanker Semiref @10.000 MT 2 – 3 Tanker VLGC @ 45.000MT
4 Skid Tank	620 @ 10 ton	642 @ 10 ton	664 @ 10 ton	687 @ 10 ton
5 Filling Station (SPBE)	310 unit @ 30 Ton	321 unit @ 30 Ton	332 unit@ 30 Ton	344 unit @ 30 Ton

DIMETHYL ETHER (DME) UTILIZATION

- DME CAN BE USED AS DIESEL SUBSTITUTE AS WELL AS LPG SUBSTITUTE
- SIMILARITY OF DME CHARACTERISTIC WITH LPG ENABLES IT TO BECOME LPG SUBTITUTE OR AS LPG/DME BLENDS. DME CAN BE BLENDED UP TO 20% WITH LPG WITH ALMOST NO SYSTEM MODIFICATION
- INCREASING LPG DEMAND DUE TO KEROSENE - CONVERSION TO LPG REQUIRES MORE LPG SUPPLY. ASSUMING 20% OF LPG SUPPLY SUBSTITUTED BY DME. IN 2010 INDONESIA WILL NEED 960.000 TONS OF DME

ENCOURAGING BIOFUEL UTILIZATION

CURRENT GLOBAL CONDITION

- REDUCES of FOSSIL FUEL IMPORT
- JOB CREATION
- POVERTY ALLEVIATION
- ENERGY SECURITY

MANDATORY FOR BIOFUEL UTILIZATION

MANDATORY for BIODIESEL UTILIZATION
(MINIMUM PERCENTAGE)

SECTOR	October 2008 till December 2008	January 2009	January 2010	January 2015**	January 2020**	January 2025**	REMARK
Household	-	-	-	-	-	-	Not determined yet
PSO Trans-portation	1 % (existing)	1 %	2,5 %	5 %	10 %	20 %	* Based on Total Needs
Non PSO Transpor-tation	-	1 %	3 %	7 %	10 %	20 %	
Industry and Commercial	2,5 %	2,5 %	5 %	10 %	15 %	20 %	* Based on Total Needs
Power Plant	0,1 %	0,25 %	1 %	10 %	15 %	20 %	* Based on Total Needs

** Specification is adjusted in line with global specification and domestic interests

MANDATORY for BIOETANOL UTILIZATION
(MINIMUM PERCENTAGE)

SECTOR	October 2008 till December 2008	January 2009	January 2010	January 2015**	January 2020**	January 2025**	REMARK
Household	-	-	-	-	-	-	Not determined yet
PSO Trans-portation	3 % (existing)	1 %	3 %	5 %	10 %	15 %	* Based on Total Needs
Non PSO Transpor-tation	5 % (existing)	5 %	7 %	10 %	12 %	15 %	* Based on Total Needs
Industry and Commercial	-	5 %	7 %	10 %	12 %	15 %	* Based on Total Needs
Power Plant	-	-	-	-	-	-	Not determined yet

** Specification is adjusted in line with global specification and domestic interests

MANDATORY for PURE PLANTATION OIL UTILIZATION
(MINIMUM PERCENTAGE)

SECTOR		October 2008 till December 2008	January 2009	January 2010	January 2015**	January 2020 **	January 2025 **	REMARK
Household		-	-	-	-	-	-	Not determined yet
Industry and Transpor-tation (Low and medium speed engine)	**Industry**	-	-	1 %	3 %	5 %	10 %	
	Marine	-	-	1 %	3 %	5 %	10 %	
Power Plant		-	0,25 %	1 %	5 %	7 %	10 %	* Based on Total Needs

** Specification is adjusted in line with global specification and domestic interests

CONCLUSION

CONCLUSION

- A new legal framework of oil and gas law No. 22/2001 gives an open opportunities to business entities in participating on oil and gas downstream business.

- Domestic fuel consumption continually increase while fuel production relative constant. Consequently, total fuel imported is estimated to be continually increase. Development and expansion of existing oil refineries as well as construction of new refineries would be useful to reduce domestic dependency from imported fuel.

- Constraints regarding investment of oil and gas processing : low refining margin, fiscal, offtaker, crude oil supply for feed of refinery, national fuel oil price, and financing.

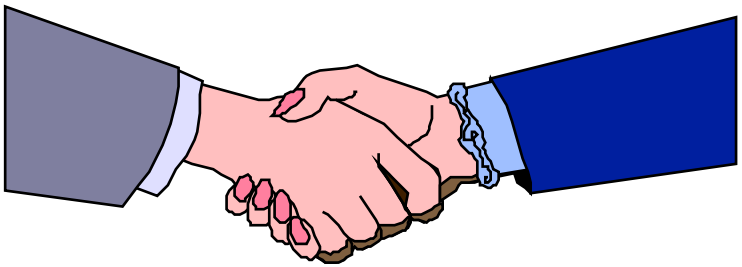
- POLICY REGARDING INVESTMENT OF OIL AND GAS PROCESSING:
  - Fiscal (Government Regulation No. 62/2008 as amandemend of Government Regulation No. 1/2007 about tax income for investment in certain business sector and/or certain area):
    - 30% net income reduced from capital investment amount for 6 years period (equal to 5% per annum).
    - Accelerated depreciation and amortization up to 0 years.
    - 10% income tax charged for overseas tax-payer on dividend bill or lower tariff according to the Double Taxation Agreement.
    - Loss compensation with period between 5 to 10 years with some specific stipulations.

- **Energy diversification program is implemented in order to conserve limited fossil fuel source. Natural gas, biofuel and coal utilization are main issue in the substitution of conventional fuels (gasoline and gasoil).**

- **FACILITIES AND INCENTIVES FOR BIOFUEL DEVELOPMENT**
  - **Government Regulation No. 1/2007 concerning Income Tax Facility for Capital Investment in certain Business Sectors and/or Areas;**
  - **Minister of Finance Decree No. 117/PMK.06/2006 concerning Credit for Bioenergy Development and Revitalization of Plantation (KPEN-RP);**
  - **Minister of Finance Decree No. 79/PMK.05/2007 concerning Credit for Food and Energy Security (KKPE)**

- **THE LAST PROGRESS ON BIOFUEL DEVELOPMENT POLICY**
  - **Value Added Tax Breaks (PPN DTP) for Biofuel product;**
  - **In progress, determine biofuel price based on South Asia Price Index for Biodiesel and Bioethanol, additionally for Bioethanol price also refer to feedstock;**
  - **The Government of Indonesia in the mean time is establishing Biofuel Pricing Team and Biofuel Supervising Team.**
  - **The Government of Indonesia purposed the posibility to get subsidy for biofuel if the price of biofuel higher than fossil fuel.**

THANK YOU



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