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Indonesia Oil and Gas as February 2021 Updates

As the natural resources (SDA) of oil and natural gas (oil and gas) play important role in the Indonesian economy, their production will continue to be increased so that the contribution to the national economy is maintained. To meet the ever-increasing energy needs, the Special Task Force for Upstream Oil and Gas Business Activities (SKK Migas) has created Indonesian Upstream Oil and Gas (IOG 2020). IOG 4.0 is a strategic plan for the upstream oil and gas industry to oversee the achievement of the production target of 1 million barrels of oil per day (BOPD) and 12 billion standard cubic feet of gas per day (BSCFD) by 2030.

The IOG 4.0 consists of 10 pillars; the first six pillars are carried out by maintaining and increasing asset value, transforming the conversion of resource discoveries, increasing the recovery factor through enhanced oil recovery (EOR), developing exploration potential, implementing programs to increase the competitiveness of national suppliers, and encouraging an efficient and collaborative decommissioning program. Meanwhile, there are four other supporting pillars (enablers), namely strengthening the role and capability of SKK Migas in terms of regulatory oversight, attracting and increasing investment and commercialization, digitizing, and increasing value through the adoption of technology and innovation.

The realization of oil and gas investment in 2020 amounted to US\$ 12.09 billion or 89% of the target during the pandemics. In 2021, the government is targeting the investment in the oil and gas subsector to increase by 45% compared to the previous year. This 2021 oil and gas investment is expected to reach US\$ 17.59 billion with a contribution from upstream of the US \$ 12.38 billion and downstream reaching the US \$ 5.2 billion.

Besides helping the new production target, the government will provide incentives to attract oil and gas investment. Especially in the upstream oil and gas sector, the government has prepared regulations related to the development of conventional and non-conventional oil and gas working areas which are expected to facilitate investors. Other incentives include the application of flexibility in cost recovery or gross split, tax holidays, investment credit, and access to upstream oil and gas data (open data). Meanwhile, the strategy to increase downstream oil and gas investment is mainly carried out through cooperation between the Government and business entities for the construction of new refineries (GRR) and increasing refinery capacity (RDMP). Also, simplification of downstream oil and gas licensing, affordable natural gas prices, promotion of integrated oil and gas infrastructure development, and continuing to support the implementation of the Minister of Energy and Mineral Resources Decree No.13 Year 2020 regarding the change of diesel fuel to gas fuel (TW).

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