



# CHARACTERISTIC, PROFILE & OIL & GAS INDUSTRY ISSUES

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# ENERGY OPERATOR VIEW: BOTH DEMAND AND SUPPLY FOR ENERGY EQUIPMENT AND SERVICES ARE IMPACTED BY GLOBAL SHOCKS



# ECONOMIC IMPACTS ON THE DECREASING INVESTMENT OF OIL AND GAS INDUSTRY

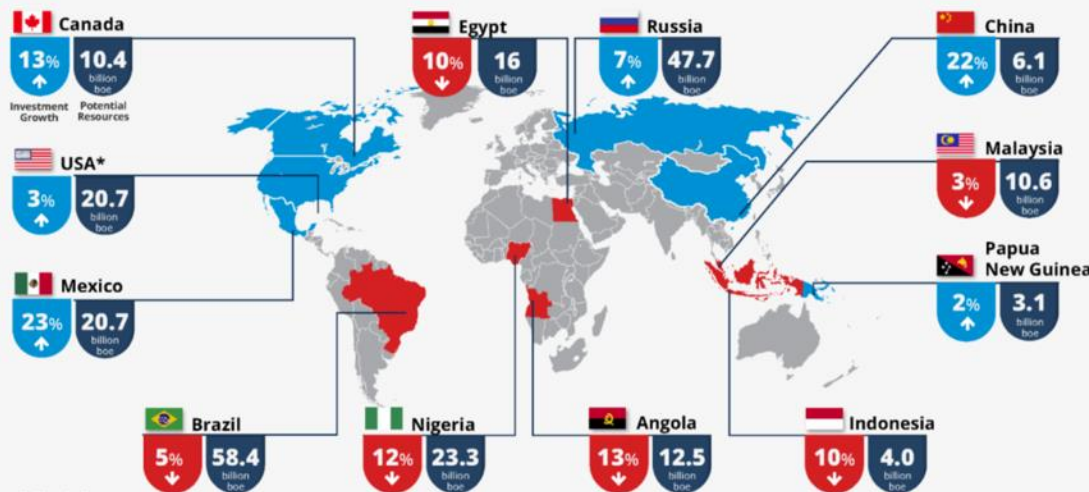
A decline of investment would mean a decline in production, state revenues as well as number of jobs.



## FLUCTUATIONS IN GLOBAL EXPLORATION INVESTMENT

Over the last 10 years, the investment value of global oil and gas exploration has experienced fluctuations. Although Indonesia is still an investment destination, it is one of the countries that is experiencing significant investment decline.

### GROWTH IN EXPLORATION INVESTMENT (2007-2016)

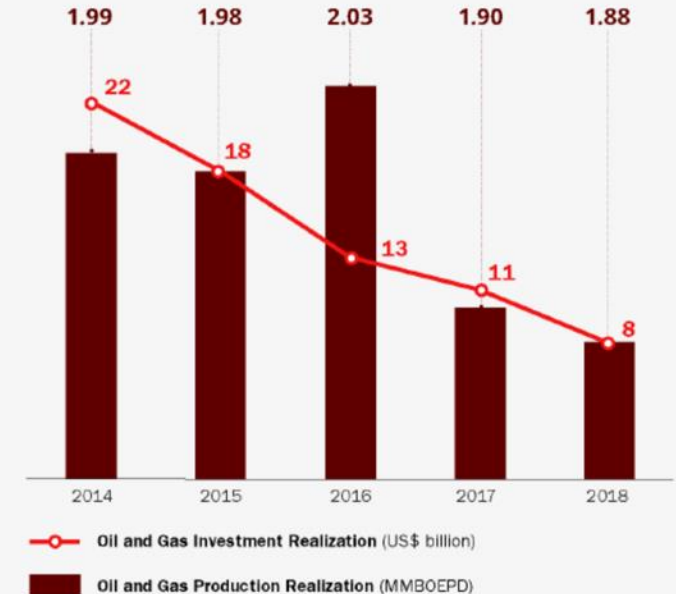


boe: barrel oil equivalent  
\*) Gulf of Mexico

SOURCE: WOOD MACKENZIE

## TO INCREASE THE INVESTMENT AND PRODUCTION OF OIL AND GAS

Investment and Production of National Oil and Gas (2014-2018)

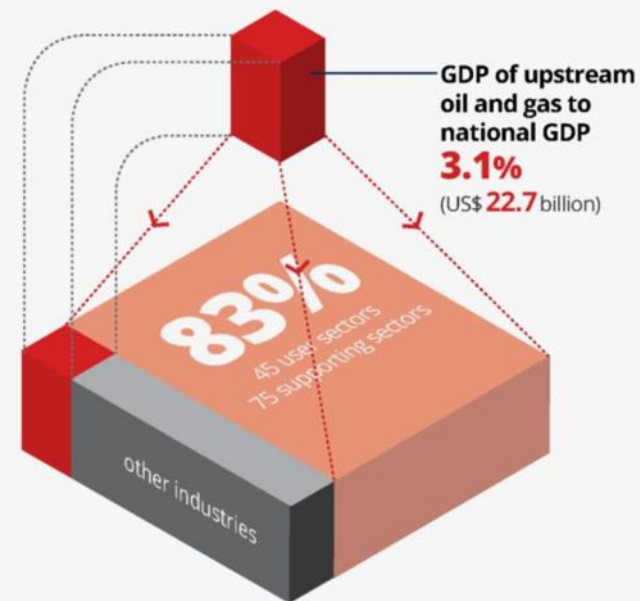




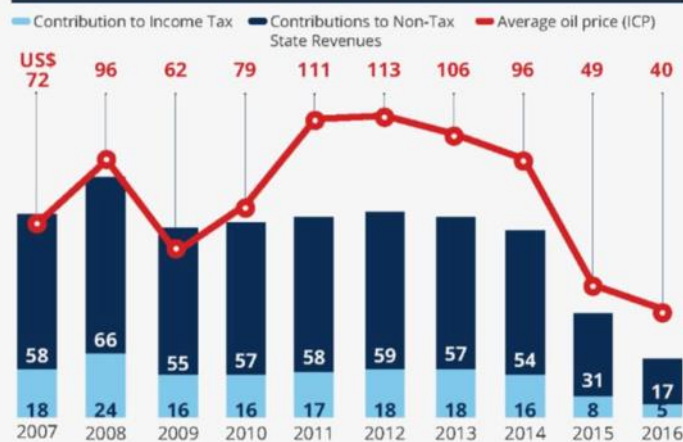
## CONTRIBUTION OF OIL AND GAS INDUSTRY TO INDONESIA

The oil and gas industry has an important role in contributing to the national economy growth. This sector affects 83% of national Gross Domestic Product (GDP). Its operational activities creates jobs and increases investment and tax revenues for the state.

### CONTRIBUTION TO THE NATIONAL GDP



### CONTRIBUTIONS TO STATE BUDGET (%)



SOURCE: BANK INDONESIA, MEMR, REFORMINER INSTITUTE

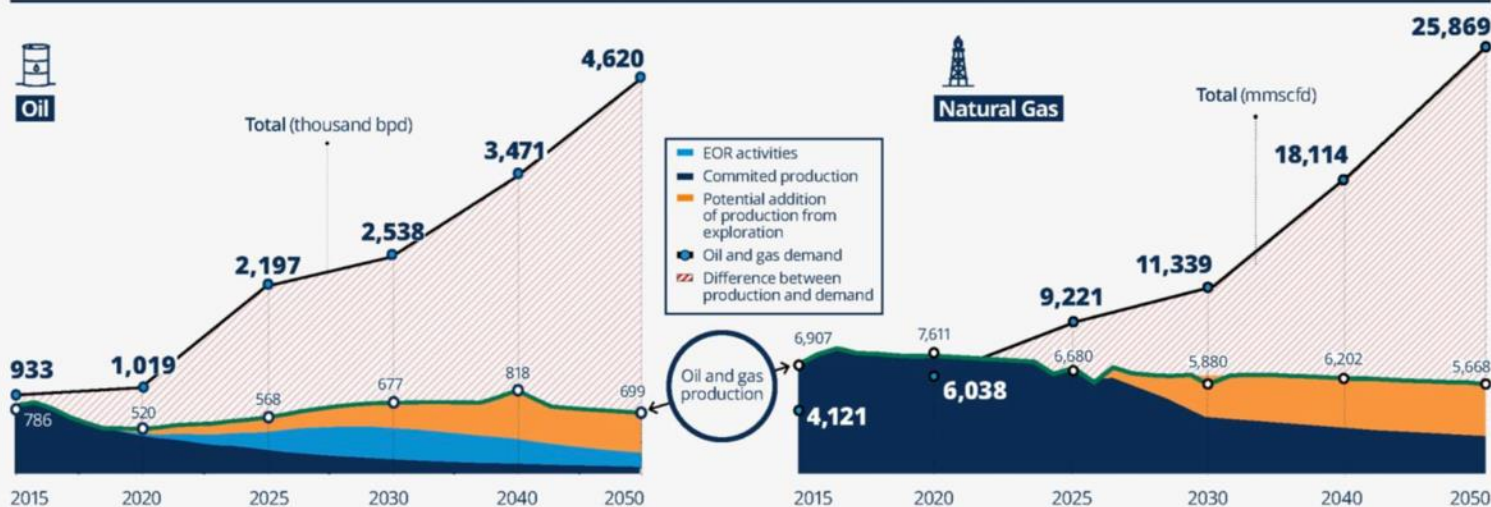
# OIL AND GAS NEEDS VS OIL AND GAS PRODUCTION



## TOUGH CHALLENGES IN THE INDONESIAN OIL AND GAS SECTOR

In the General Plan of National Energy (RUEN), the needs of oil and gas until 2050 rely heavily on imports. Though Indonesia will be able to increase production from the potential of its domestic oil and gas fields, it will take hard work and a globally competitive rate of return on investment.

RUEN PRODUCTION AND DEMAND PROFILE



### Supplemental Assumption of Oil Production

- RRR increases from 60% (2016) to 100% (2025)
- Within 5 years, 6.4% of each new reserve discovery can be produced (with a 10% drop rate)
- The EOR activity will start in 2020 with recoverable reserves of 2.5 billion barrels through 2050 (assuming a 10% production decline)

### Assumption of Increased Gas Production

- Raising the reserve recovery ratio by 100% through increased exploration activities
- Accelerating the natural gas projects
- Controlling LPG imports

SOURCE: PRESIDENTIAL DECREE NO. 22/2017



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# NATIONAL ENERGY SECURITY REQUIRES LARGE INVESTMENT

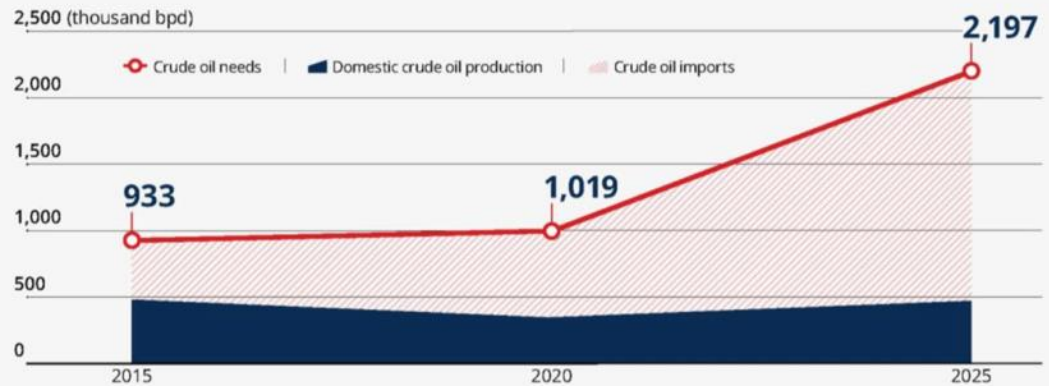
Indonesia can attract more investments, increase the state revenues, reduce imports, open a new job vacancy and also reduce CAD (Current Account Deficit)



## NATIONAL ENERGY SECURITY NEEDS BIG INVESTMENT

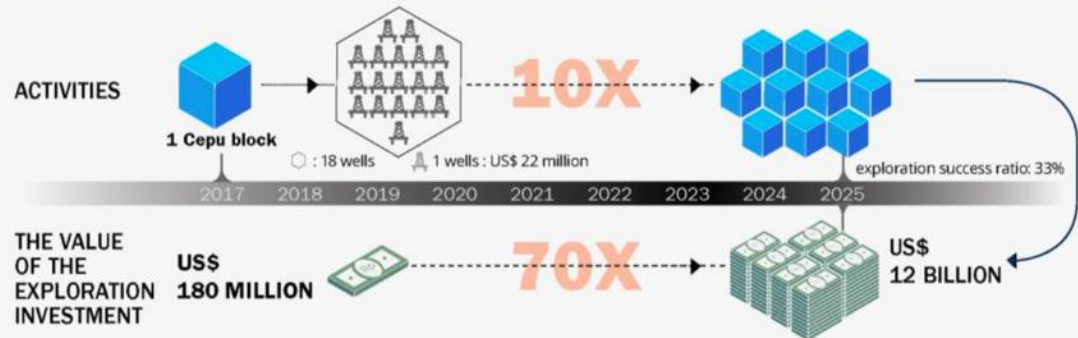
The General Plan of National Energy (RUEN) forecasts that oil demand in 2025 will reach 2 million barrels per day (bpd). In order to achieve this target, it is necessary to discover new reserves of 10-times the Cepu Field or equivalent to 70 times the value of exploration investment in 2017.

### RUEN OIL DEMAND PROJECTION



### ASSUMPTIONS TO ACHIEVE NATIONAL ENERGY SECURITY

Assuming a 33% exploration success ratio, it takes at least 3 more times of exploratory attempts such as Cepu Field to result in potential reserves with the same quality as Cepu. Therefore, it will require an investment of US\$ 12 billion to reach 2025 target.



SOURCE: PRESIDENTIAL DECREE NO. 22/2017



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