

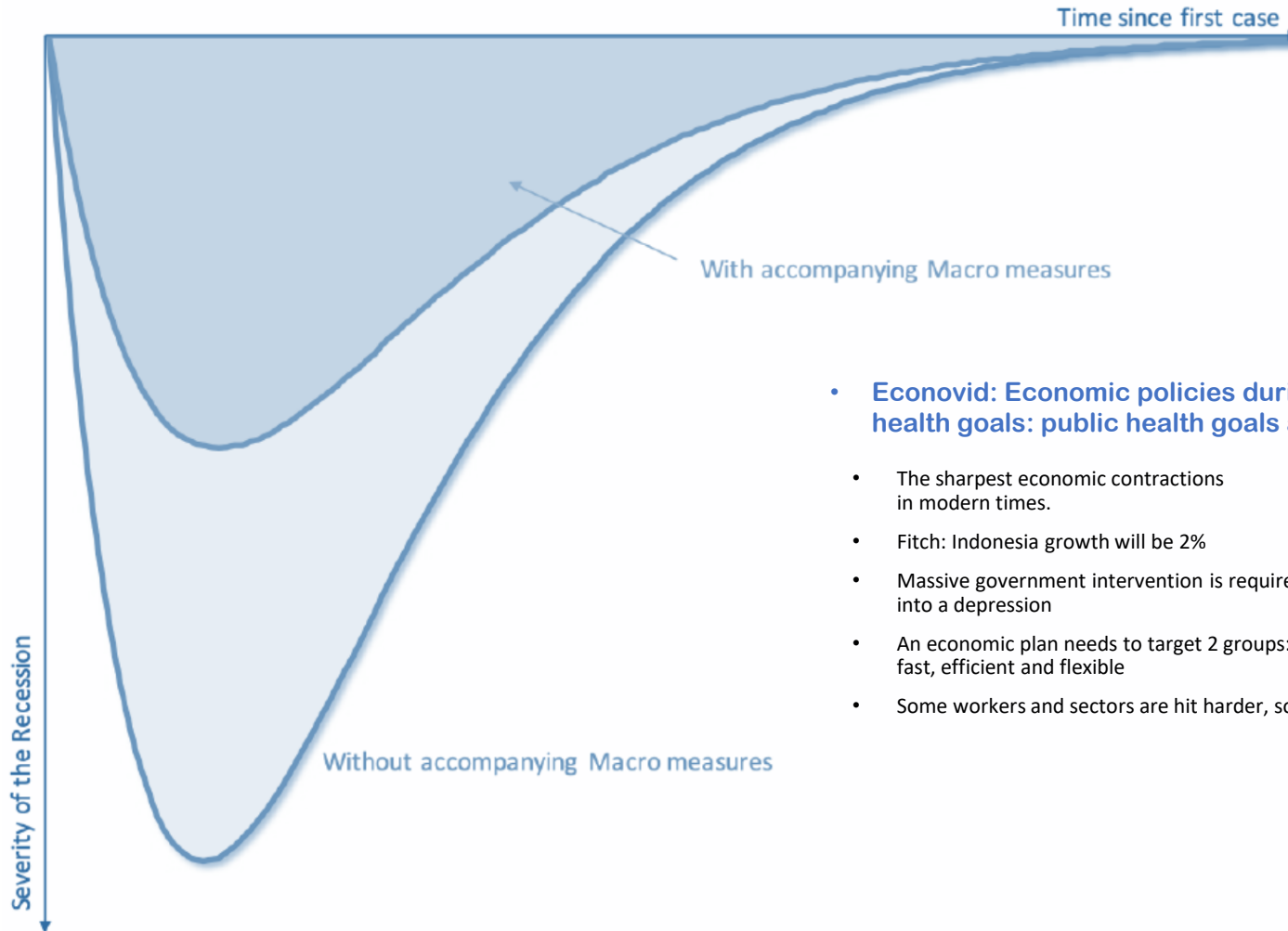


Covoil

Coping with the outbreak
& oil price slump

Sandi Uno

Dealing with pandemic, we need to flatten the recession curve



- **Econovid: Economic policies during pandemic support public health goals: public health goals are the 1st priority**
 - The sharpest economic contractions in modern times.
 - Fitch: Indonesia growth will be 2%
 - Massive government intervention is required to ensure that this shock does not spiral into a depression
 - An economic plan needs to target 2 groups: households and SME. And it needs to be fast, efficient and flexible
 - Some workers and sectors are hit harder, some need to increase the capacity

COVID-19 pandemic has caused major changes in energy fuel supply as well as demand patterns.

THE ECONOMIC CONTRACTION CAUSED BY COVID-19

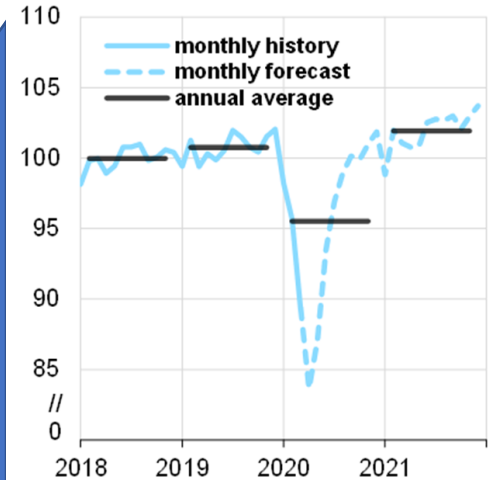
- Global petroleum and liquid fuels demand will decrease by 5.2 million b/d in 2020
- Indonesia's daily consumption of transport fuels like gasoline dropped nearly 16%

A SUDDEN INCREASE IN CRUDE OIL SUPPLY FOLLOWING THE SUSPENSION OF PREVIOUSLY AGREED UPON PRODUCTION CUTS AMONG THE OPEC

- Crude oil prices, in particular, have fallen significantly since the beginning of 2020
- Brent crude oil prices averaged \$32/barrel (b) in March, a decrease of \$24/b from the average in February and the lowest monthly average since January 2016.

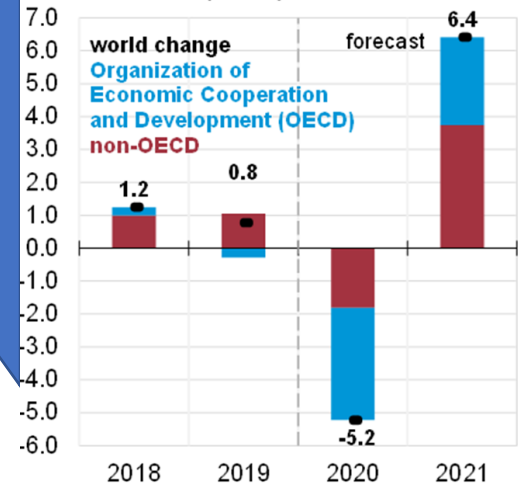
ANALYST FORECAST BRENT CRUDE OIL PRICES WILL AVERAGE \$33/B IN 2020, \$10/B LOWER THAN IN LAST MONTH'S STEO AND DOWN FROM AN AVERAGE OF \$64/B IN 2019.

World liquid fuels consumption
million barrels per day



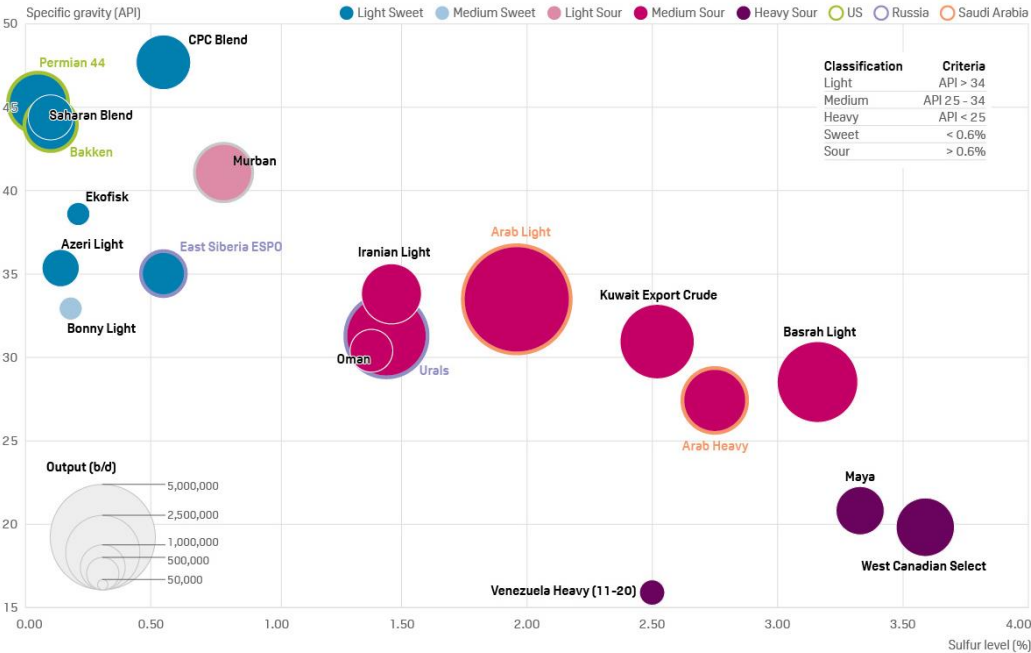
Source: Short-Term Energy Outlook, April 2020

Components of annual change
million barrels per day



More players seek for an exit strategy

Crude quality in spotlight as cuts loom

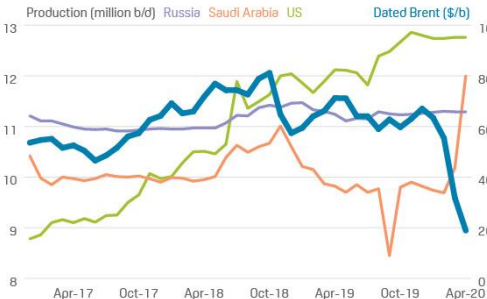


The world's biggest oil producers are running out of time to balance the market after the outbreak crushed demand.

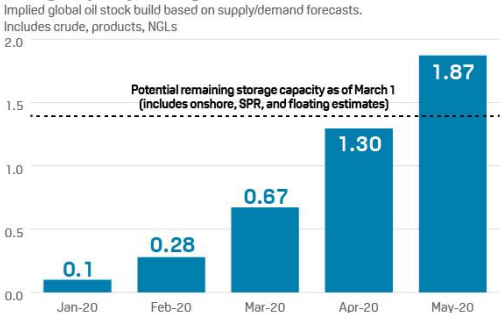
- Although production in some oil fields will be affected by COVID-19, OPEC countries will try to increase production in this weaker demand environment.
- With storage expected to be filled by May a global deal on supply looks increasingly inevitable.



Oil supply race



Storage capacity running out (billion barrels)



- Economic contraction
- Decisions from OPEC+
- Non-OPEC supply
- Lower Demand from non-OECD
- Coronavirus (pandemic) economic freeze
- Price war

Historically Outbreak will always end

As long as the government can make a right and impactful counter-cyclical policy. There will be potentially a LUV curve at the end of this crisis

After the pandemic, world oil demand will certainly rise again, depending on the economic growth. forecast for 2020 oil prices will remain low below 30 USD / bbl. In 2021, oil prices will recover if the pandemic ends at the end of 2020.

Indonesia's total crude demand in 2019 was around 1.3 million-1.4 million b/d and its domestic production about 750,000 b/d.

Pertamina imported 212,000 b/d of crude in 2019, or 23% of its total requirements.

Let's do anticipate

- Indonesia should increase the Storage Capacity (Strategic Reserves). Currently, the storage capacity is extremely low (around 3 weeks only, around 20 days).
- The upstream companies should review the cost structure in upstream business; to revisit the cost efficiency. The future Oil and Gas business will be shaped by the cost efficiency. CAPEX will be reduced (50-60%). OPEX (Operating Cost) will be minimized (20-30%)
In order to survive, world oil prices are expected to be above 40 USD / bbl.





Terimakasih!