



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

INDONESIA CURRENT POLICY AND REGULATION

By :

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2nd Day

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- SHIFTING PARADIGM WITHIN OIL AND GAS SECTOR IN INDONESIA
- GAS UTILIZATION IN INDONESIA
- UNCONVENTIONAL OIL & GAS REGULATION
- UNCONVENTIONAL OIL & GAS OFFERING PROCEDURE

SHIFTING PARADIGM WITHIN OIL AND GAS SECTOR IN INDONESIA

ROLE OF OIL AND GAS INDUSTRIES

OIL AND GAS INDUSTRY

High Risk

High Cost

High Technology

INDUSTRIAL
FEEDSTOCK

DOMESTIC
FUEL

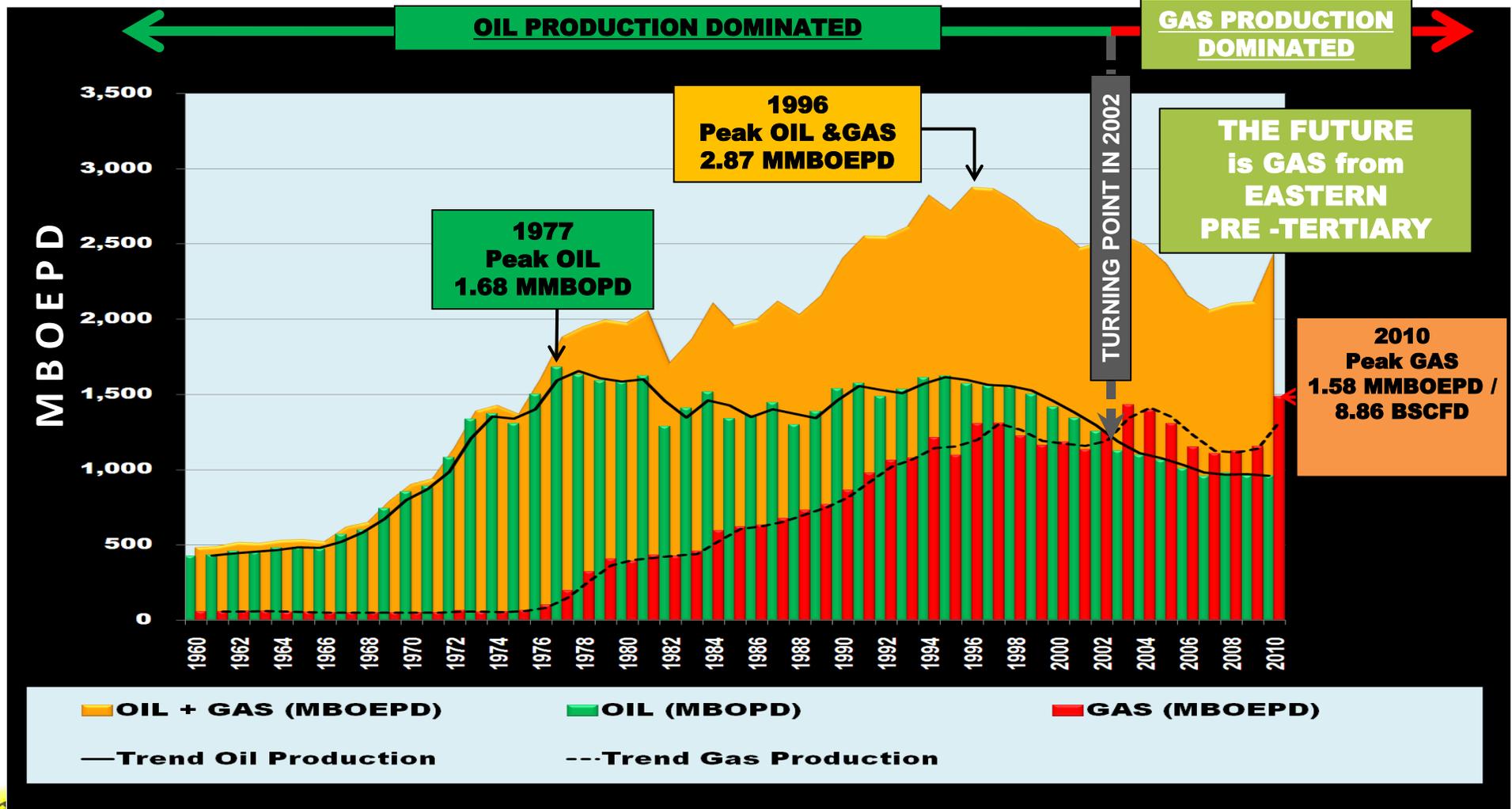
SOURCE OF
STATE
REVENUE

MULTIPLIER
EFFECTS

**SUSTAINABLE
NATIONAL
DEVELOPMENT**

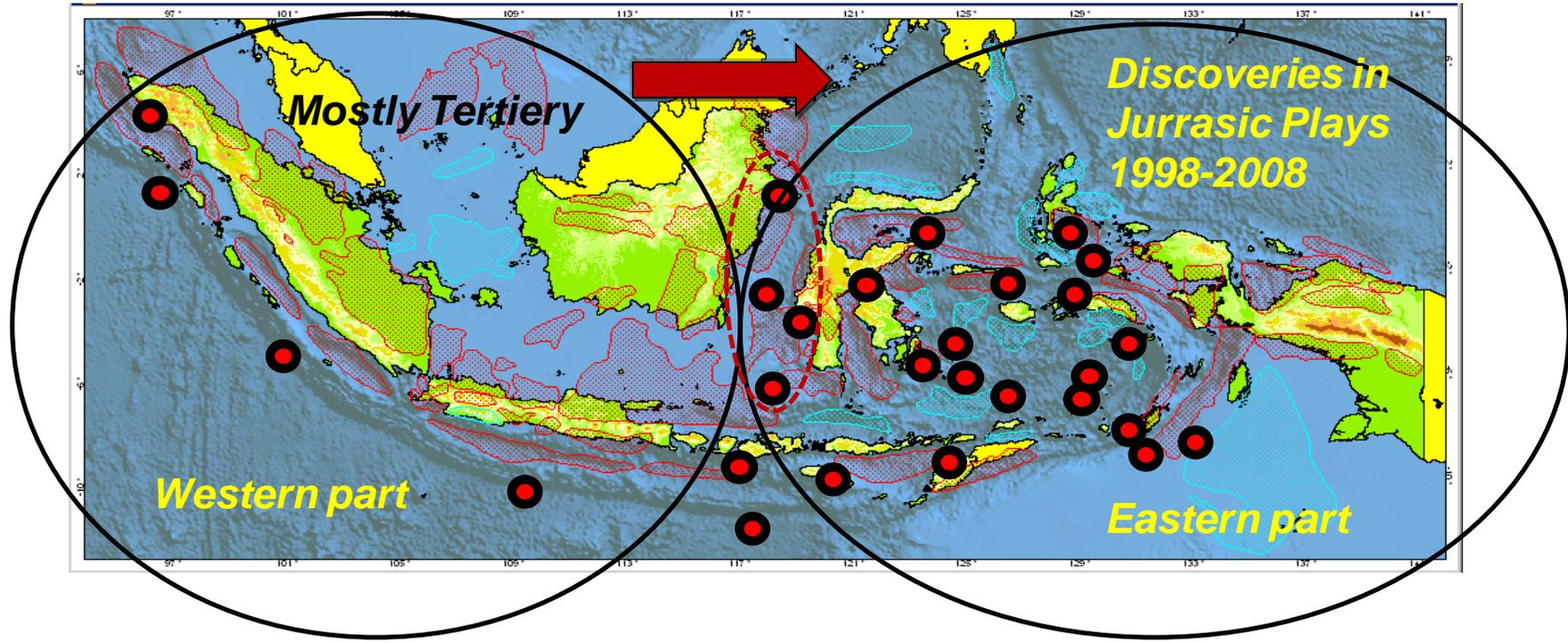
From Oil To Gas

Oil Production Decrease, but Gas Increase
Energy Supply Shift From Oil To Gas



FROM WEST TO EAST

More reserves found and exploration activities occurred in the eastern part of Indonesia mainly **deepwater project**



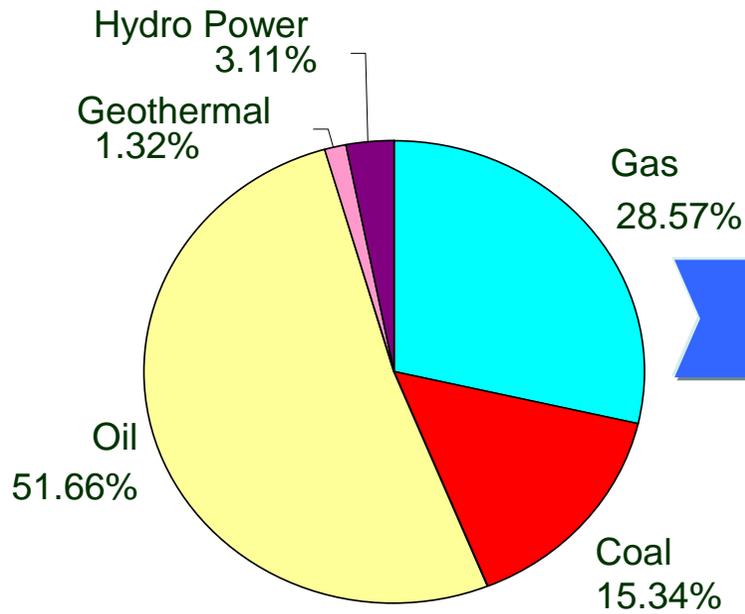
● *Deep Water Area*

Most of bidding acreage located in eastern side of Indonesia

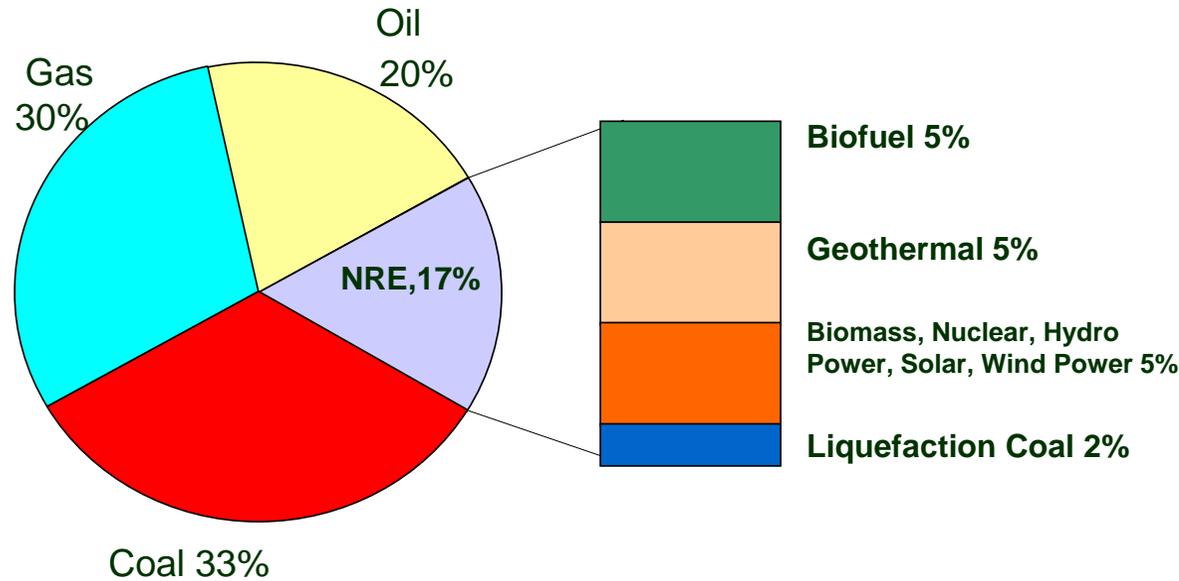
GAS UTILIZATION IN INDONESIA

TARGET OF ENERGY MIX *)

Primary Energy Mix 2006



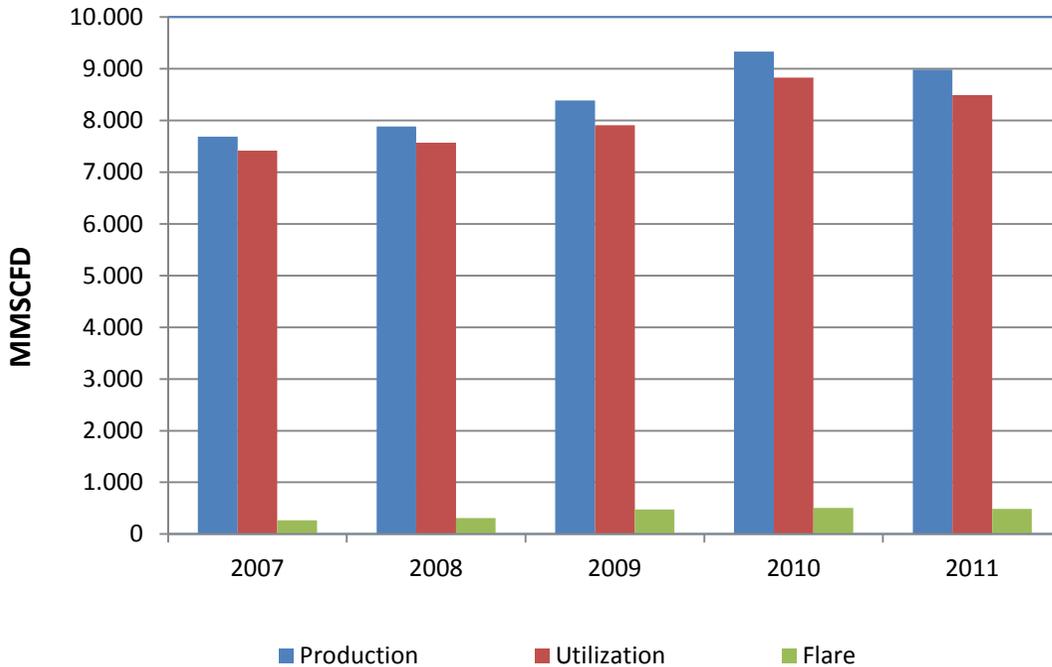
Energy Mix 2025



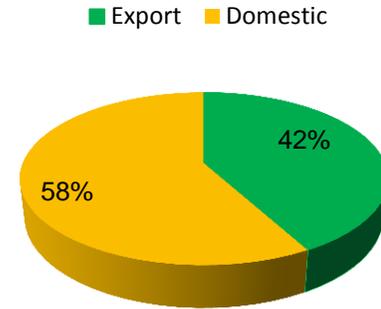
*) Presidential Regulation No. 5 of 2006

GAS PRODUCTION AND UTILIZATION

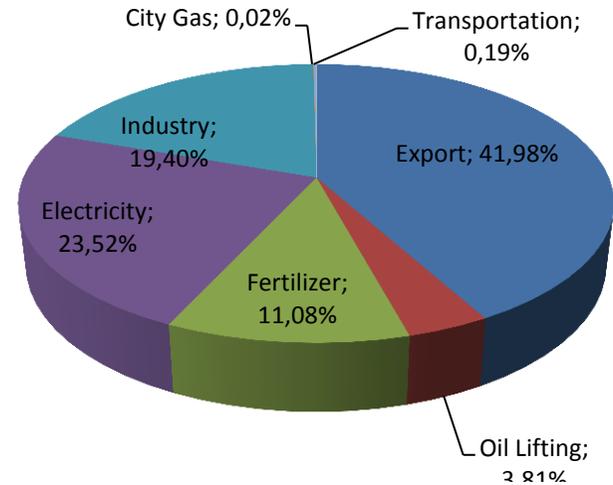
GAS PRODUCTION AND UTILIZATION



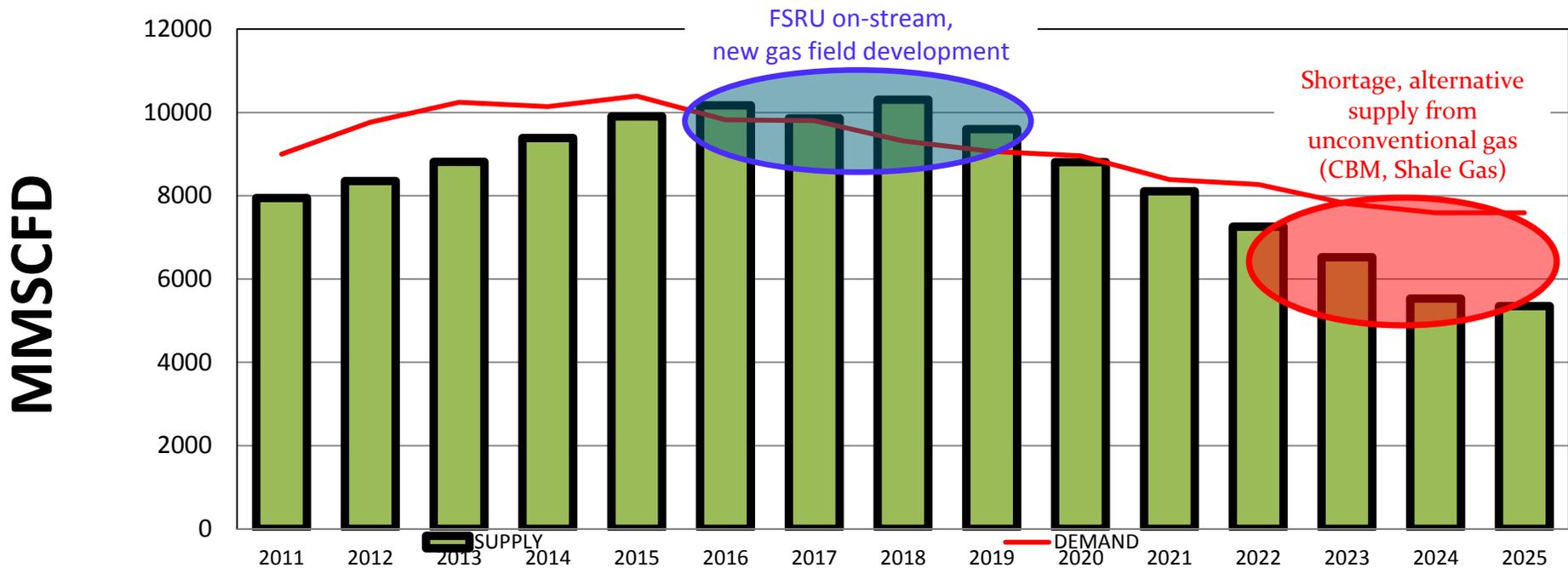
**GAS ALLOCATION 2011
(CONTRACTED DEMAND+POTENTIAL DEMAND)**



GAS ALLOCATION 2011



INDONESIA GAS BALANCE (2011-2025)



- High conventional oil & gas demand
- Rising oil prices and other energy commodity prices
- Consideration to develop unconventional oil & gas
- Surplus in 2016 (FSRU on stream, new gas field development)
- Shortage in 2022 (alternative supply from unconventional gas)

Gas Price Model on Gas Sales Agreement

No	Gas Price Model	Example
1	Fixed Price	Gas Price for Industry = US\$ 5,4/MMBTU
2	Escalated per Year	Gas Price for Industry = US\$ 5/MMBTU Esc. 3%/Year
3	Gas Price Related to Oil Price (JCC)	Gas Price for LNG Export = $0.987 \times 0.154 \times \text{JCC} + 0.34$
4	Gas Price Related to Consumer Product	Gas Price for Fertilizer = $5,75 + 0,2 (\text{NH}_3\text{-}350)/32 + 0,3 (\text{UreaG-}329)/26$
5	Gas Price Related to Combination between Oil Price and Product Price	Gas Price for Fertilizer = $C1 \times (\text{NH}_3\text{-}25)/155 + C2 \times \text{ICP}/15 + [C3 \times (\text{NH}_3\text{-}225)/32]$

INDONESIA GAS PRICE

NO.	CONSUMERS	GAS PRICE (US\$/MMBTU)
1.	Fertilizer	4.00 – 6.50
2.	Electricity	4.55 – 6.07
3.	Gas Trader	4.20 – 5.40
4.	LNG (export)	8.12 – 13.23

Note :

- LNG (Domestic) = US\$ 8.80/MMBTU (HOA Status)
- CBM (GSA) = US\$ 7.5/MMBTU
- ICP = US\$ 80/barrel

CURRENT REGULATION ON UNCONVENTIONAL OIL & GAS

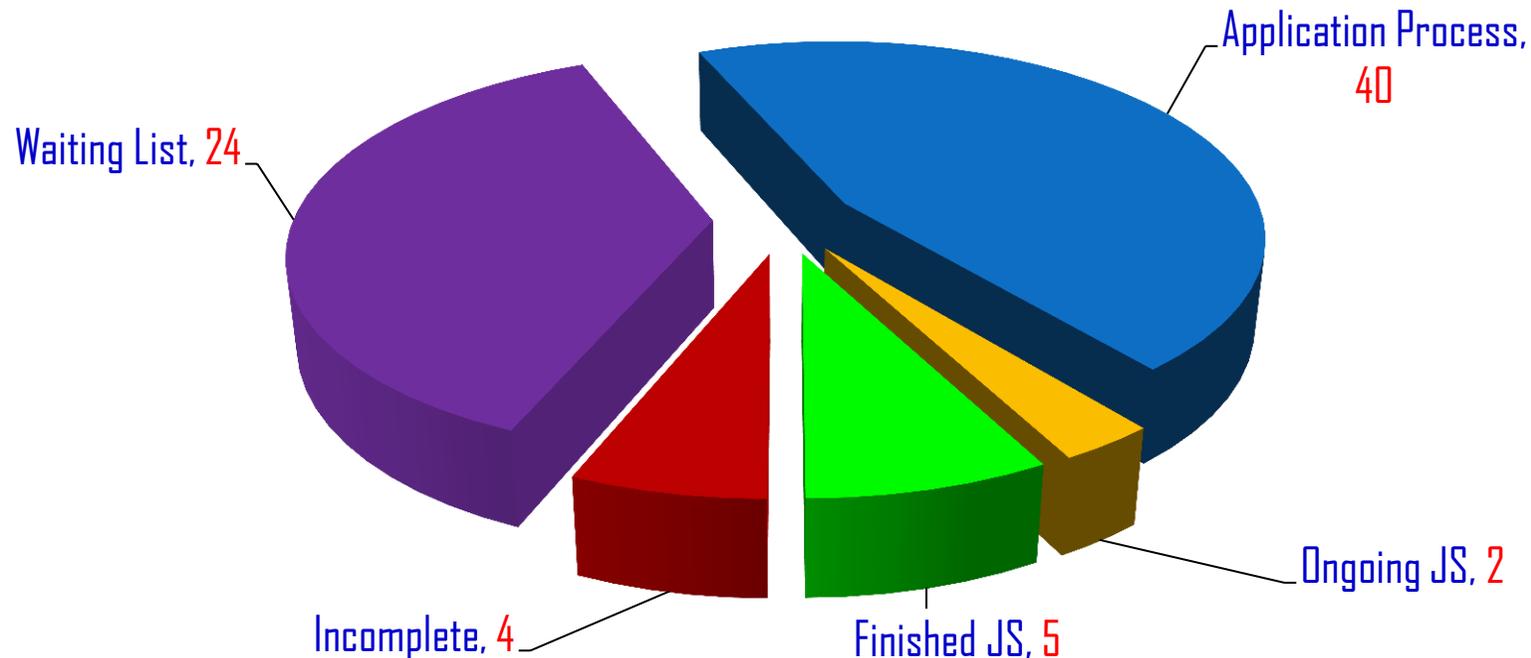
WHY DEVELOP UNCONVENTIONAL OIL & GAS IN INDONESIA

- Domestic demand for gas is progressively increase;
- Abundance of unconventional oil & gas resources i.e. CBM = 453 TCF and Shale Gas = 574 TCF associated with conventional oil and gas;
- Alternative source of energy;
- Attractive gas price;

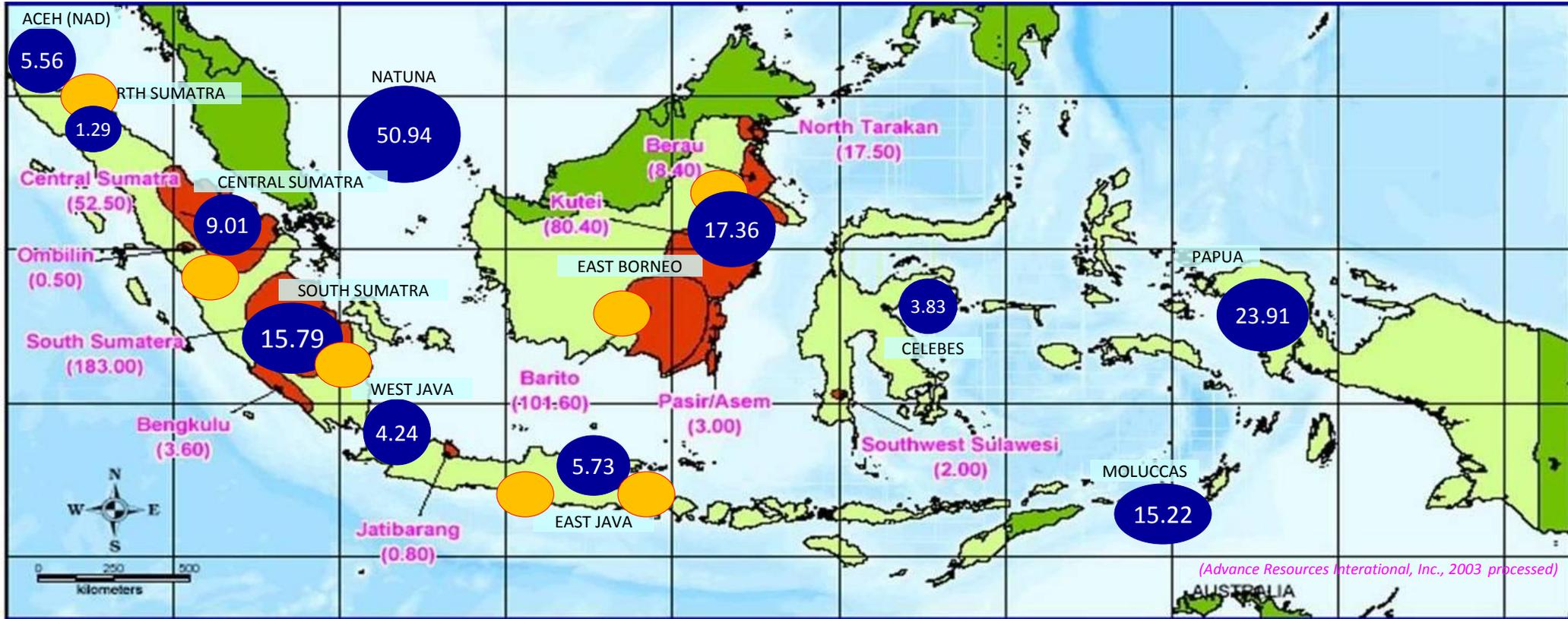
PROGRESS ON SHALE HYDROCARBON DEVELOPMENT

Total Joint Study proposals are 75 proposals spread across Sumatera, Sulawesi, Kalimantan and Papua;

- ❑ 4 proposals have been rejected because of incomplete application
- ❑ 24 proposals have entered the list to be processed
- ❑ 40 proposals have been processed
- ❑ On-going Joint Study → 2 proposals
- ❑ Finished Joint Study → 5 proposals



NATURAL GAS RESERVES, CBM RESOURCES & SHALE GAS POTENTIAL



(Advance Resources Interational, Inc., 2003 processed)

GAS RESERVES

PROVEN = 104.71 TSCF

POTENTIAL = 48.18 TSCF

TOTAL = 152.89 TSCF

(As of January 1st 2011)

CBM RESOURCES = 453.30 TCF

Total CBM Basin = 11

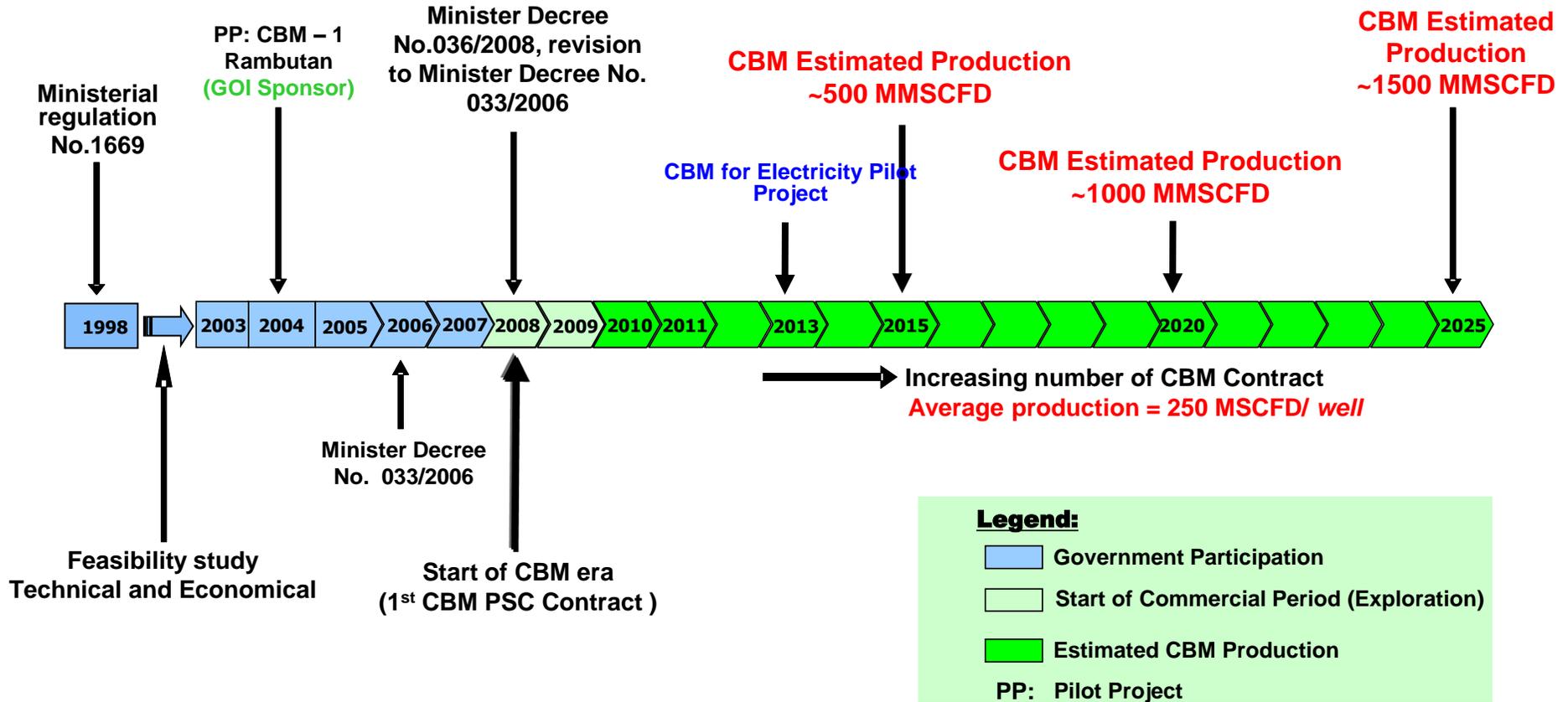
(Advance Resources Interational, Inc., 2003)

Contract Signed up to April 2012 : 50CBM PSCs

SHALE GAS POTENTIAL

Government is currently doing preliminary study and collecting data about Shale Gas potential in Indonesia

ROAD MAP of INDONESIA CBM DEVELOPMENT



54 CBM PSC has been signed

Total 54 CBM PSC

2008: 7 PSC

- ☑ May 27th : 1 PSC
- ☑ June 26th : 2 PSC
- ☑ Nov 13th : 4 PSC

2009: 13 PSC

- ☑ May 5th : 3 PSC
- ☑ Aug 4th : 5 PSC
- ☑ Nov 30th : 5 PSC

2010: 3 PSC

- ☑ Dec 3th: 3 PSC

2011: 19 PSC

- ☑ April 1st : 9 PSC
- ☑ Aug 1st : 7 PSC
- ☑ Dec 19th : 3 PSC

2012: 12 PSC

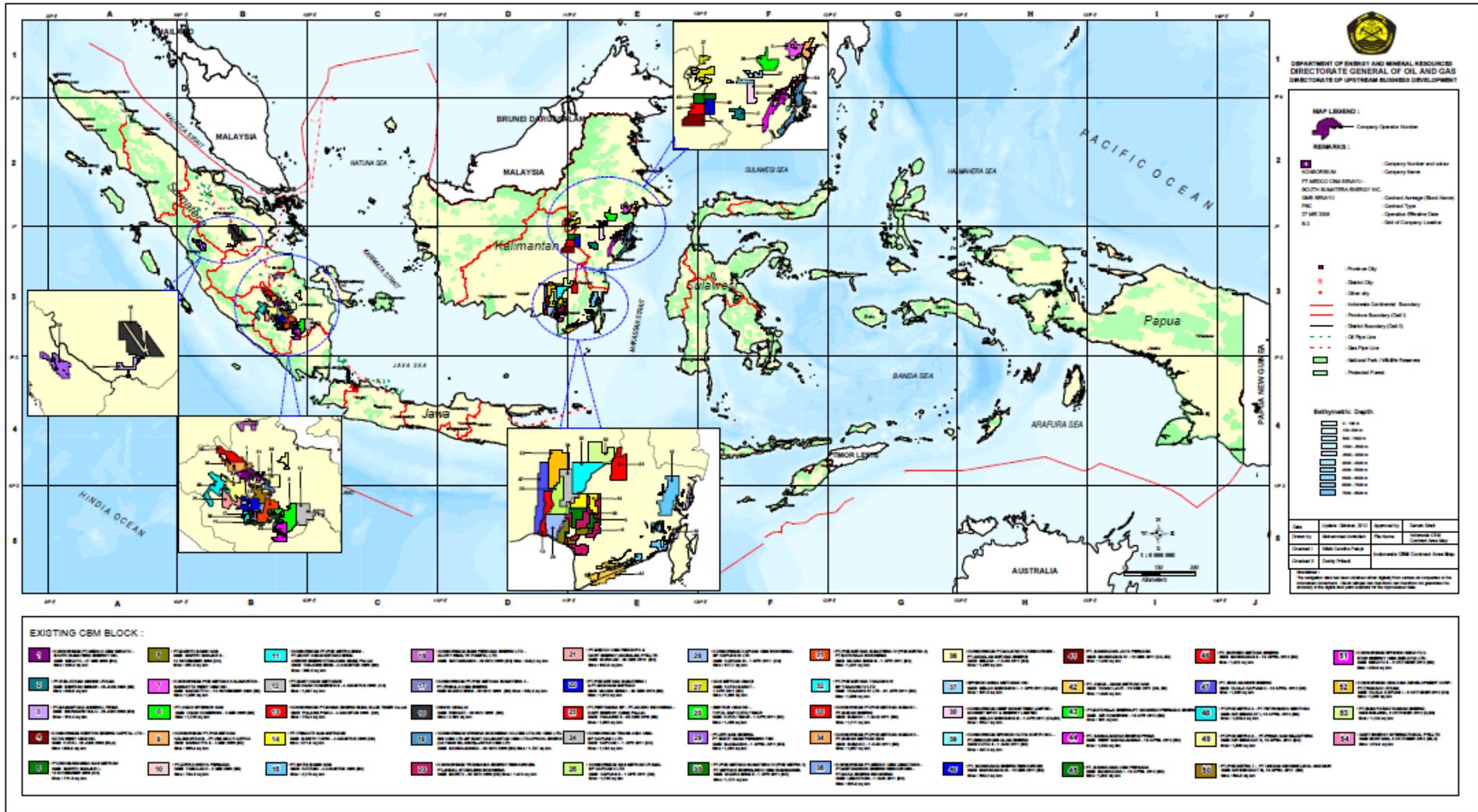
- ☑ April 18th : 8 PSC
- ☑ Oct 9th : 4 PSC

There are 2 generations based on differences in the provisions of the CBM PSC :

No.	Terms and Condition PSC	CBM PSC	
		First Generation (2008-2009)	Second Generation (2009-2011)
1.	Production handling	Production before POD has yet to be sold (Government-owned)	Production before PoD may be sold and with the distribution of results according to the split in the Contract but the cost has yet to be recovered
2.	Cost Recovery	Max. 90% (ceiling cost)	100% (without ceiling cost)

INDONESIA COALBED METHANE CONTRACT AREA MAP

54 BLOCKS, STATUS MEI 2013



REGULATION OF UNCONVENTIONAL RESOURCES DEVELOPMENT

SHALE GAS → ADMINISTERED UNDER MINISTER'S DECREE NO. 05/2012

- ❑ First Priority for Shale Gas new acreages is given for :
 - Existing Oil & Gas Working Acreage
 - Existing CBM Working Acreage
 - Existing Oil & Gas Working Acreage will have First priority if the proposed area is overlapping with Existing CBM Working Acreage

CBM → ADMINISTERED UNDER MINISTER'S DECREE NO. 36/2008

- ❑ First Priority for CBM new acreages is given for :
 - Existing Oil & Gas Working Acreage
 - Existing Coal Consession
 - Existing Oil & Gas Working Acreage will have First priority if the proposed area is overlapping with Existing Coal Consession

CBM WORKING ACREAGE

(based on Ministry Decree No 036/2008)

Operational Area Shall be a certain area within the Indonesian Legal Mining Territory for conducting CBM Exploration and Exploitation.

CBM Working Acreage

Open Area/
Available Area

Offered by:

1. Regular Tender
2. Direct Offer ,
proposed by:

A Business Entity or
Permanent
Establishment

Existing Oil & Gas
Working Acreage

Offered by:

1. Direct Offer
The first priority is
given to :
Existing Oil and
Gas that already
fulfill 3 (three)
years firm
commitment

Existing Coal
Concession

Offered by:

1. Direct Offer
The first priority is
given to :
Existing Coal
Concession that
have been doing
exploitation
activities or
minimum 3 (three)
year

Overlapping
between Coal
Concession and Oil &
Gas

Offered by:

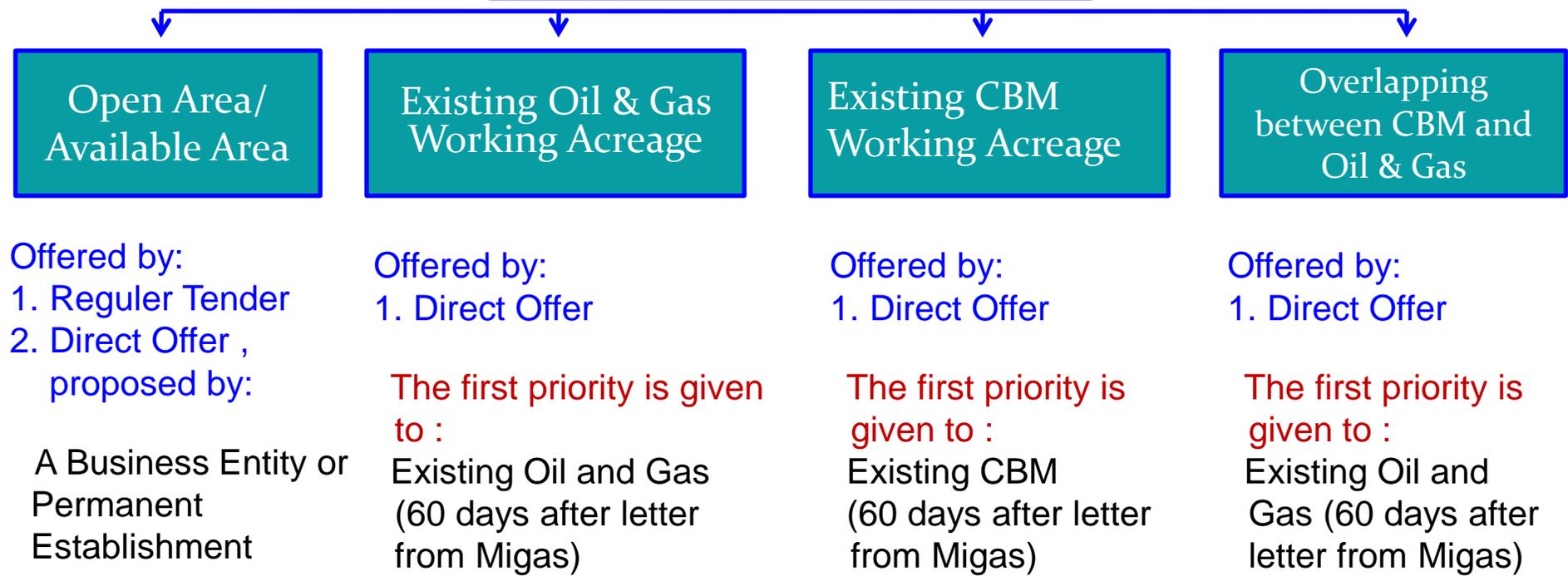
1. Direct Offer
The first priority is
given to :
Existing Oil and
Gas

SHALE GAS WORKING ACREAGE

(based on Ministry Decree No 005/2012)

Operational Area Shall be a certain area within the Indonesian Legal Mining Territory for conducting Shale Gas Exploration and Exploitation.

Shale Gas Working Acreage





Thank You

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