



Talking Points

Vice President of Republic of Indonesia
on the 34th Annual IPA Convention & Exhibition

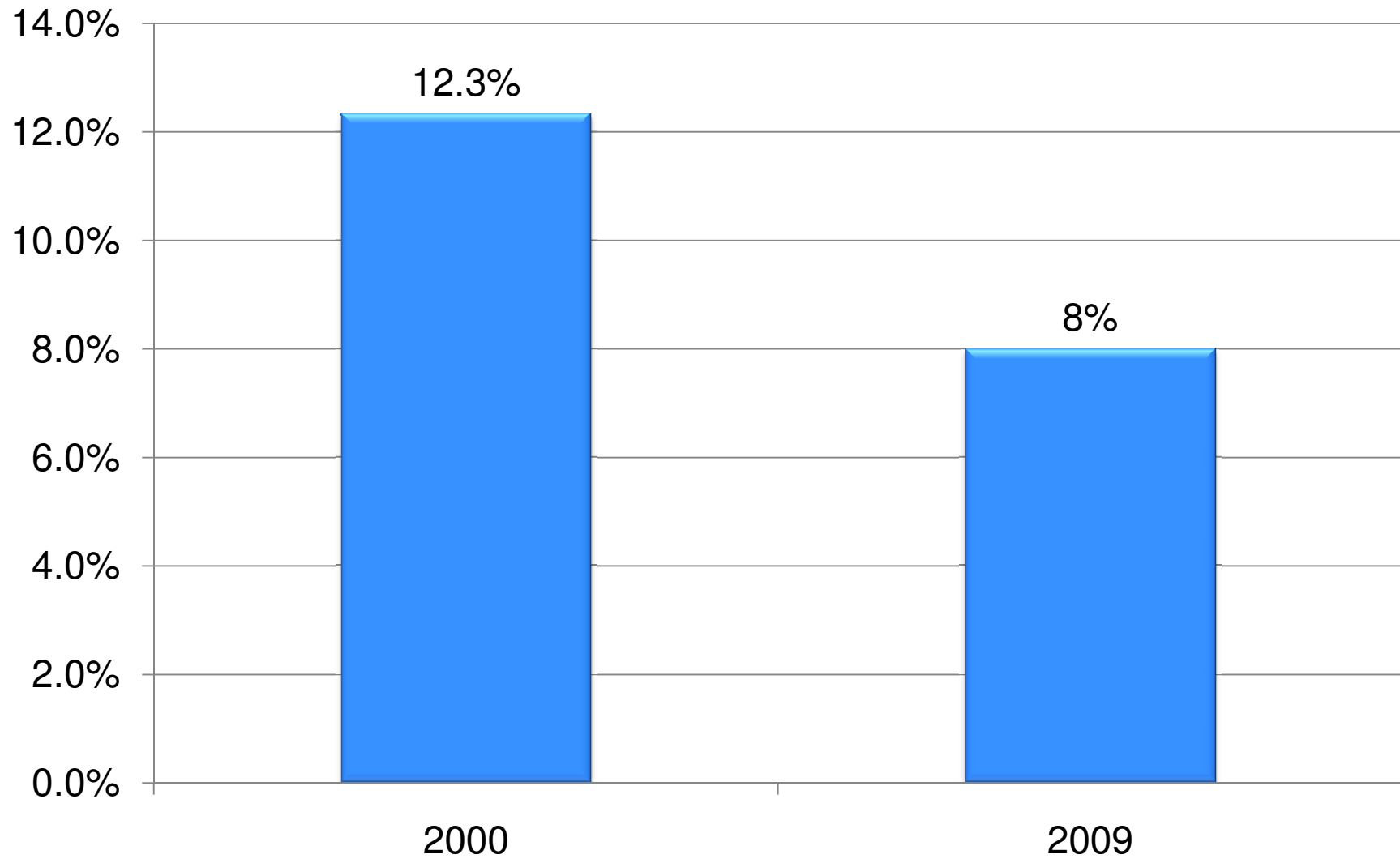
18 May 2010



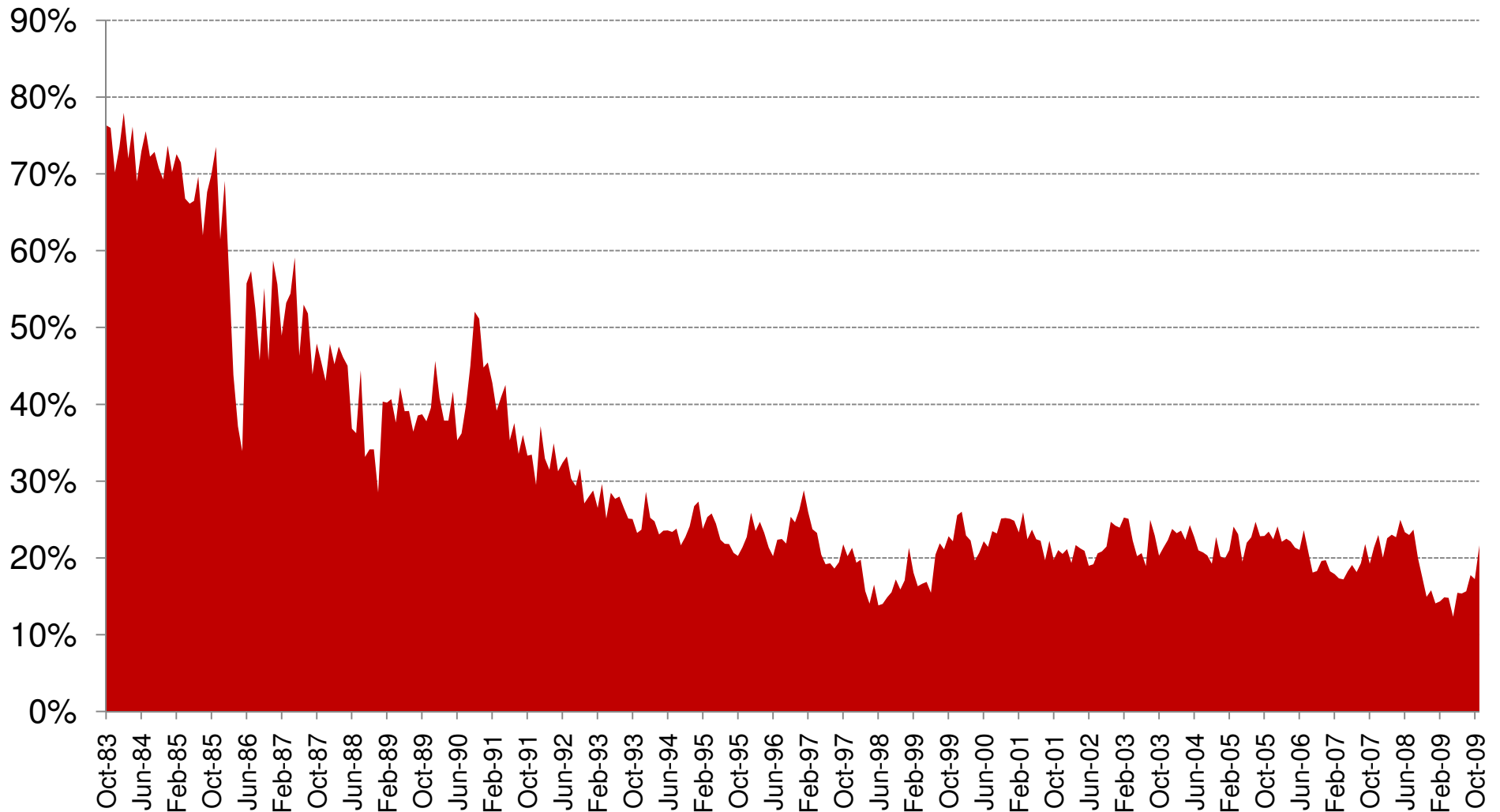
The Changing Role of Oil and Gas in the Indonesian Economy

- **As sources of Government Revenue and Foreign Exchange.**
 - Extremely dominant in the 1970s and 1980s, declining rapidly thereafter, but remain important today (19% of total government revenue and 17% of total exports) and perhaps still do so for some time to come.
- **As parts of the Energy Support System for the Economy**
 - Increasingly becoming strategically important role as the economy grows in size. Hence, the need for an explicit, rational, long term oil and gas policy as part of the national energy policy.

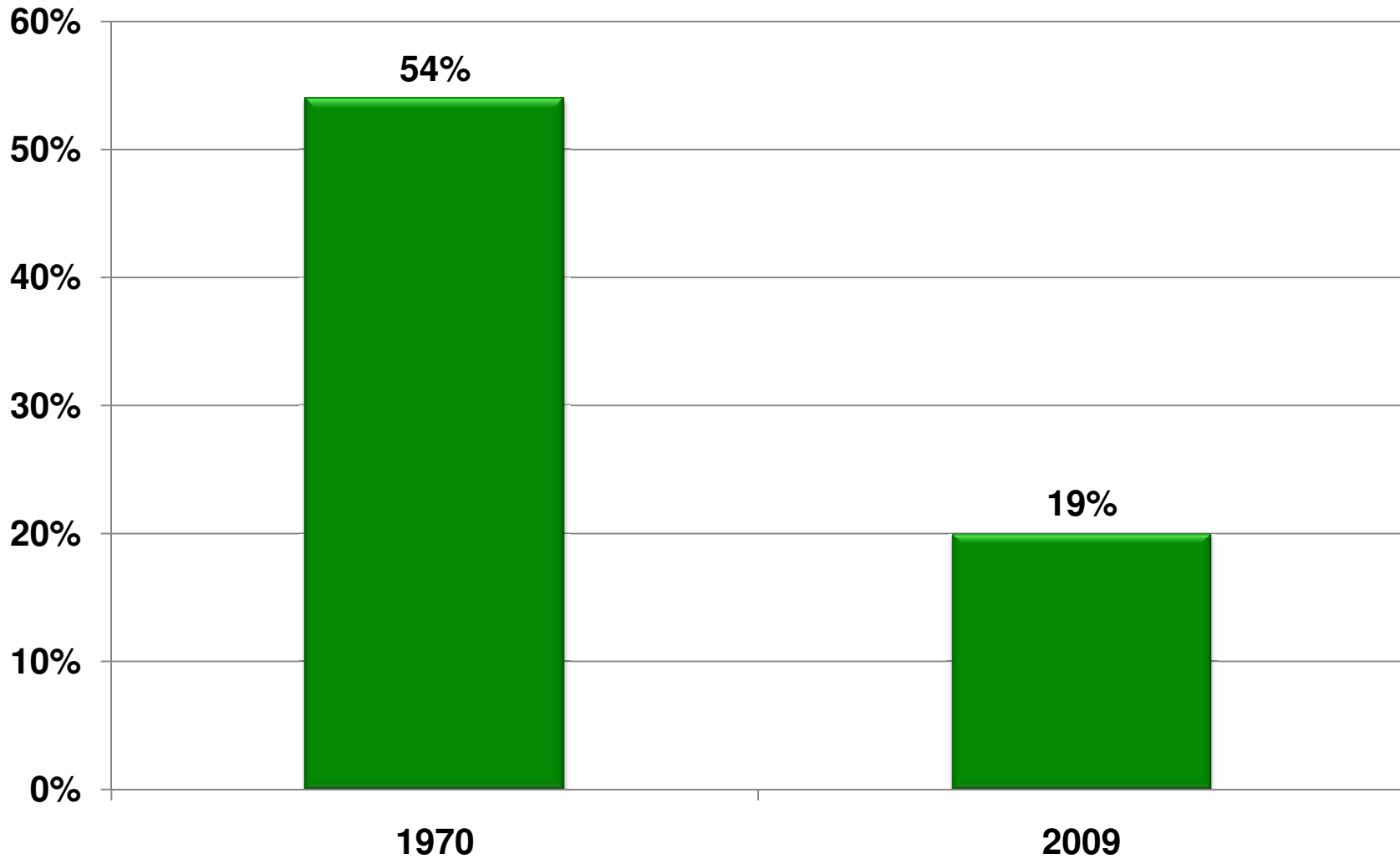
Oil and Gas Share (% of GDP)



Oil and Gas Export (% of Total Export)



Oil and Gas Revenue (% of Govt Revenue)



Two Key Issues in Oil and Gas Policy

- Securing economically optimum oil and gas production as part of total supply of energy for, *first*, fulfilling domestic needs (growth objective) and, *second*, exports (revenue objective).
- Ensuring pattern of energy consumption that supports maximum, cost efficient, “clean”, economic growth.

On the Production Side, Policies Will Focus on:

- Reviving and accelerating exploration activities by reviewing the incentives structure, streamlining regulations and eliminating implementation bottlenecks.
- Setting up an effective system for monitoring of the progress of the development of all significant fields in the national oil gas portfolio.

On the Consumption Side, Policies Will Focus on:

- Developing domestic infrastructure that will support optimum gas utilization by domestic industries, power, transport and households.
- Designing Multiyear Plans toward rational, sustainable pricing system for domestic fuels, gas, power and fertilizers. Hence, rational and sustainable subsidy system.

Action Plans are being formulated for the Policy Focuses

Concrete actions include:

- Dialog with oil and gas stakeholders to identify problems relating.
- Developing investment frameworks for unconventional gas and energy.
- Reviewing administrative processes at BP Migas, ESDM and Related Ministries.
- Setting up Dedicated, High Level Teams to monitor and debottleneck progress of significant oil and gas fields.

Action Plans (2)

Concrete actions include:

- Setting up Inter-agency Team to formulate and operationalize gas infrastructure development (Initial focus: Java)
- Setting up Inter-agency Team to formulate Medium Term Energy Pricing Policy and Subsidies Policy.
- Operationalizing Presidential Regulation No. 26/2010 on Extractive Industry Transparency as soon as possible.
- More actions as needed.

THE END

