
SECTION 11

LNG AND GAS COMMITTEE

2015 ACTIVITIES REPORT

AND

2016 WORK PROGRAM

CHAIRMAN

Taufik Ahmad

(ConocoPhillips Indonesia Inc. Ltd)



LNG AND GAS COMMITTEE

Report of 2015 Activities and 2016 Plan

I. ORGANIZATION

POSITION	NO	NAME	COMPANY
Chairman	1	Taufik Ahmad	Conocophillips
Vice Chairman	2	Arifin / Nicholas Dendy	Vico
Secretary	3	Marusaha Lumban Gaol	INPEX
Members	4	Maeritta Putri / Ira Hartojo	BP Indonesia
	5	Renita Zahar / Teddy Abrian	Chevron
	6	Giacomo Cammarata / Mayang Pramadhani	Eni Indonesia
	7	M. Nurdin / Wulan Nurindah	ExxonMobil
	8	Hiroshi Kato	INPEX
	9	Ratih Hupudio	KrisEnergy
	10	Femi Satrena / Salmar Ngadikan	Medco
	11	Didik Sasongko Widi / Rudolf F. Doloksaribu	Pertamina
	12	Kemal Rachmaputra / Ricky A. Syarif	Premier
	13	Mira Latifa Delima / Reza Sunarya	Repsol
	14	Peter Wijaya / Callista Tenggara	Star Energy
	15	Jean-Francois Capelle / Rakhmad Dewanto	Total E&P Indonesie
	16	Gadang Marpaung	ConocoPhillips
	17	Iqbal Asaat	Triangle Pase
	18	Femi Sastrena / Salmar Ngadikan	Medco Energi Internasional

II. 2015 ACTIVITIES

The LNG and Gas Committee focuses on issues, studies and regulations regarding or impacting the LNG and Gas business in Indonesia. Members and alternate members of the Committee represent 15 IPA company members.

Key activities of the Committee during 2015 include:

- 1. Advocacy on Minister of Trade Regulation No. 03 Year 2015 regarding the Export and Import of Oil, Gas and Other Fuels and Minister of Trade Regulation No. 4 Year 2015 on Provisions to Use Letter of Credit (L/C) for Export of Certain Goods**

On January 2015, Minister of Trade issued Regulation No. 03/2015 and No. 04/2015 which introduces additional requirements for oil and gas export such as additional surveyor (per Regulation No. 3) and letter of credit (LC) as payment method (per Regulation No. 4).

A special task force of LNG & Gas Committee (as the lead), the Regulatory Affairs Committee and the Finance & Tax Committee was formed to advocate to several ministries and SKK Migas for exemption for oil & gas industry. Minister of Trade issued Regulation No. 26 in April regarding temporary deferral of the LC requirement for oil and gas export and then in August, Minister of Trade issued Regulation No. 67 excluding oil and gas exports from the LC requirement.

The issue related to the additional/duplicate surveyors under MOT Regulation No. 03 is still ongoing and IPA will continue to advocate.

2. Engagement with various Government offices on the input to Presidential Regulation draft on Gas Governance

As part of the Economic Policy package, Government planned to issue Presidential Regulation on Gas Governance. Gas Aggregator, a new concept to Indonesian Gas industry was introduced in the draft Presidential Regulation. LNG & Gas Committee, together with Regulatory Affairs Committee, participated in several forums and discussion with related stakeholders such as in Focus Group Discussion hosted by Gajah Mada University on 10-11 September 2015, discussion with DEN (National Energy Board) on 7 October 2015, discussion with Migas on 16 October, and Migas Gas Forum on 2 November. In the Migas Gas Forum, it was mentioned that Energy Minister Regulation no. 37 year 2015 regarding gas allocation, utilization and pricing has been issued (note: it was subsequently known that it was signed on October 13) to replace Regulation no. 3 year 2010. IPA and other associations were not aware of this new regulation and therefore, did not have the opportunity to provide comments. Some provisions of this regulation are similar to the draft Presidential Regulation on Gas Governance that the industry players have some concerns.

3. Engagement with Migas on the new MOEMR Regulation No. 37 Year 2015 regarding the Provisions for Gas Allocation, Utilization and Pricing

The LNG & Gas Committee heard about this new regulation in November after it was signed/issued in October. This regulation replaces MOEMR Regulation No. 3 Year 2010 regarding Gas Allocation and Utilization but more detailed and more prescriptive. The provisions that caused concern in the draft Presidential Regulation on Gas Governance were apparently included in this regulation. The main concern is on how upstream production will be allocated mostly, if not all, to the State Owned Enterprises (SOE) and Region Owned Enterprises (ROE), a significant change from the current law and regulations on 25% DMO for gas.

Following the meeting hosted by Migas on November 19, companies were requested to send input on the concerns related to the regulation for potential revision of the regulation.

4. Engagement with Migas on Potential Revision of ICP

Migas asked IPA input on October 16 for potential change of ICP formula from the current formula based on 50% Platts + 50% RIM to a formula based on Dated Brent + Alpha, where

Dated Brent: monthly average of Dated Brent of the applicable month based on Platts publication

Alpha: one of the following 2 options:

Option-1: the differential between (a) the monthly average of the Benchmark Indonesia Crude Price (determined based on 50% Platts + 50% RIM) and (b) Dated Brent, or

Option-2: the differential between (a) the monthly average of the Benchmark Indonesia Crude Price (determined based on Platts only) and (b) Dated Brent

IPA sent a letter to Migas on October 26 stating that the current formula which has been used for 108 months is balanced and fairly reflect market value and that it is important to refer to 2 publications instead of 1 and any other method to be used must consider long term perspective, market value and stability.

The Committee will continue this engagement on this in 2016.

5. 3rd Economic Package – Special Gas Price for Fertilizer

The policy package, announced in October , included special gas price for fertilizer industry at \$7 per mmbtu to be effective 1 January 2016. Implementing regulations are awaited. Issues and concerns:

- Need clarity whether:
- The special price is at fertilizer plant gate or at upstream wellhead/meter and whether it is fixed during the contract period or is escalated
- The special price is for all sales volume or only for GOI entitlement volume
- If the special price is delivered price at fertilizer plant gate and it covers both GOI and Contractors' share, it impacts upstream economic significantly
- If the special price is only for GOI entitlement, will impact the PSC entitlement mechanics and need legal certainty for future audits

The LNG & Gas Committee will advocate to get clarity of this economic package and mitigate the impact to the upstream.

6. Other engagements led by other IPA Committees where the LNG and Gas Committee also participated are as follow:

- With MOEMR and Migas on the input to Oil and Gas Law draft

The LNG & Gas Committee participated as member of the IPA Special Task Force team, led by the Regulatory Affairs Committee, which actively provides input to the draft of Oil and Gas Law prepared by Government / Parliament. After submission of High Level inputs by IPA to MOEMR, discussion with MOEMR Legal Bureau was held on 28 July regarding IPA inputs. This followed by submission of detail inputs to MOEMR on 16 September and another discussion with Migas on 15-16 October 2015.

- **With SKK Migas, Migas and Central Bank BI on PBI No. 17/2015.**

The LNG & Gas Committee joined the Finance and Tax Committee, Regulatory Affairs Committee and Supply Chain Management Committee in a task force to address the issues related to issuance of PBI 17/2015 which requires all transaction within Indonesia territory to use Indonesian Rupiah as the currency. LNG & Gas Committee mainly involves in the revenue stream where sales to domestic will be impacted by this new regulation. Several meetings have been conducted including with Bank of Indonesia, DG Migas, SKK Migas and also coordination meetings among PSCs. Advocacy will be continued for the rest of 2015 and in 2016.

- **With External Consultant (IHS) on Exploration Incentives Study**

The LNG & Gas Committee joined the IPA team, led by Exploration Committee, in a study for exploration incentives in Indonesia in order to boost exploitation activities.

III. 2016 PLANS

The LNG & Gas Committee will continue the advocacy efforts on the upstream gas business in Indonesia for 2016 which will include the following:

1. Minister of Trade Regulation No. 3 related to the export requirements to eliminate duplicate surveyors requirements.
2. Draft Presidential Regulation on Gas Governance (Gas Aggregator) to modify the provisions impacting the PSC economics and terms.
3. Potential revision on MOEMR Regulation No. 37 Year 2015 regarding Gas Allocation, Utilization and Pricing to modify provisions impacting the PSC economics and terms.
4. Implementing regulation of the 3rd economic package on special gas price for fertilizer.
5. Revision of SKK Migas PTK 029 regarding Gas Commercialization process;
6. Potential revision of the ICP formula.
7. Supporting other Committees led efforts which include the Oil and Gas Law revision, PBI 17 on the use of IDR and Exploration Incentives Study.
8. Continue engagements with other stakeholders in the gas business (SKK Migas, MIGAS, BAPENAS, IGA, IGS, other Government offices and other gas players/users).