We were pleased to host a collaborative platform to share the latest insights and updates on gas and LNG industries through series of webinar we conducted throughout May to June 2020, which featured key experts and drew the interest of hundreds of gas and LNG practitioners. We are confident the take outs from the webinars are useful for our members to help navigate the turbulence we are currently facing.

In wake of the COVID-19 pandemic, IGS also reached out to the community to offer relief especially to medical frontliners in a number of areas.

Aside from that, we continue to raise the Global Voice of Gas through our active engagement in the most significant global energy policy debates and fora. We are working hard to ensure that the value to IGS membership retains and increases its relevance.

Last but not least, I would like to encourage your comments and feedback. Your thoughts and opinions are very important to us, as it is our utmost priority to ensure that our members are being heard. If you have suggestions related to the IGS Round Up Newsletter, please submit them to email secretariat@indonesiangassociety.com.

Thank you for your continued support and active engagement as we work to advance the natural gas industry and enhance IGS’s relevance.

Gas Practitioners,

I hope you are keeping yourself and family safe, healthy and productive. I believe by now majority of us have undergone months of complying with the authority’s regulation following the World Health Organisation (WHO)’s declaration on the COVID-19 pandemic that has been pushing the threat beyond the global health emergency.

With the current situation, it has been inevitable for us to postpone some agenda that we have initially set since last year. The health, safety and well-being of all of our members are the utmost priority. Nevertheless, despite limited physical interaction, we trust you always put your best effort to stay productive and collaborative amid this tough time.
Dwi Soetjipto: Pertamina Should Strengthen Upstream Business

The government through the Ministry of State-Owned Enterprises (BUMN) will make an overhaul of the management structure of PT Pertamina (Persero). One quite drastic reshuffle this time is to eliminate the upstream directorate. Dwi Soetjipto, Head of the Special Task Force for Upstream Oil and Gas Business Activities (SKK Migas), said the upstream sector has an important role in Pertamina's business going forward, therefore Pertamina's upstream business should be strengthened.

According to Dwi, who is also a former Pertamina President Director, Pertamina's upstream business development is very important especially now that Pertamina has become one of the mainstays of national oil and gas production. Pertamina's contribution is now more than 50%, especially with the inclusion of the Rokan block as one of the oil and gas blocks being managed from 2021. Pertamina also has the task of increasing production through asset expansion abroad.

Source: https://www.dunia-energi.com/dwi-soetjipto-bisnis-hulu-pertamina-seharusnya-diperkuat/

Indonesian Gas Society Unveils Pros and Cons of Lower Gas Prices

Government policies related to gas prices triggered the pros and cons reaction of the parties in the gas and LNG business chain in Indonesia.

Gas and LNG experts explored this issue through the Webinar Series forum held the second time by the Indonesian Gas Society (IGS), Saturday (5/16).

The government has repeatedly revised the gas price policy through the Regulation of the Minister of Energy and Mineral Resources (Permen ESDM). One of the latest policies, Permen ESDM Ministerial Regulation No. 9/2020 on how to determine the users and prices of certain natural gas in the industry sector, sets the price of gas and LNG at the point of delivery of natural gas users (plant gate buyers) of 6 USD/MMBTU.

The industrial sector that has experienced a decline in gas prices remains in accordance with Presidential Regulation (Perpres) Number 40 of 2016, namely fertilizer, steel, ceramics, petrochemicals and rubber gloves as well as electricity.

"In addition to the rupiah's profit from the decline in gas prices, it is hoped that through the decline in gas prices will create a multiplier effect on the labor side and also increase the company's ability to expand and grow the industry," said Arief S Handoko, Deputy Finance and Monetization of SKK Migas.

Different reactions were conveyed by the upstream and midstream parties in the gas and LNG business ecosystem in responding to policies which they said were more in favor of the downstream oil and gas sector. In addition, the fact that the condition of the international gas market, especially the LNG market in the Asia Pacific region, declined as the price of oil dropped to US $ 20 per barrel and the LNG market was still very weak. That caused the price of LNG to be less than US $ 5 / MMBTU which was far below US $ 6 / MMBTU as mandated by the government.

"The gas price adjustment which is carried out by under / over lifting mechanism and calculated every quarter has the potential for contractors to experience cash flow difficulties and an economic decline," said Jamastin Nababan, President Director of PT Pertamina EP Cepu.


Determination of 22 Working Areas Termination Until 2026 Targeted to Be Completed This Year

The Government is targeting the determination of the management of oil and gas Working Areas (WK) whose cooperation contracts expire or terminate within 2020 to 2026 can be completed in stages this year. Director General of Oil and Gas, Djoko Siwanto, said that the current government is quick to decide before the deadline. Even two years earlier.

The government, Djoko added, already has a target to complete the remaining 22 termination workshops after evaluating the submission of the contractor proposals. Later, the 2020 termination block will begin to be announced in June and the next will be phased every month until the termination in 2026.

In accordance with the mandate of Government Regulation (PP) Number 55 of 2004 in Article 28 concerning Upstream Oil and Gas Business Activities mandates, the Government decides the management of oil and gas working areas (WK) which will expire in the cooperation contract no later than one year before the end of the contract.

This rule is emphasized in the latest legal product derivation in the form of Minister of Energy and Mineral Resources Regulation No. 25 of 2018, the determination of the termination block contractor will be submitted after an evaluation of prospective interested contractors, including Pertamina, submit a request for block management to the Minister of Energy and Mineral Resources through SKK Migas.

Another possibility that can be taken by the Government is auction. This might be done on blocks that draw a lot of interest, such as the Rokan block.

In response to Pertamina's readiness to manage the termination block, Acting Director of Pertamina Nicke Widyawati said that Pertamina was ready to accept the assignment even if it had to cooperate with other partners.

However, Nicke explained that Pertamina should consider terminating oil and gas working areas which are considered potential to be developed and adjusted to the country's resources. "With the resources we have and with the upstream target, of course we have to choose the capacity. So we choose (terminated WK) with a large capacity and proven reserves," said Nicke.


Natural Gas Demand Declines, Why?

Special Oil and Gas Working Unit (SKK Migas) reports that demand for gas supply in several areas has decreased in May 2020, which more than 550 MAMSOFD (million on feet standard) cubic per day was not absorbed. Deputy Finance and Monetization of SKK Migas, Arief S. Handoko explained, the decline in gas supply demand by consumers was not entirely due to the Covid-19 pandemic, but also due to facility maintenance performed by the buyer. In addition, mid to the end of May 2020 is the period of Eid holiday where every year there will be a reduction in activities in factories and industrial estates. "The decline in their activities has led many buyers to reduce gas absorption. This has an effect on the realization of lifting natural gas," Arief said.

In response to this condition, Arief added, SKK Migas continues to coordinate with the contractor and cooperation contractors (KKS Contractors) affected by the Covid-19 condition and conduct a review of the emergence of force majeure claims proposed by several natural gas buyers.

Source: https://money.kompas.com/read/2020/05/18/061000526/permintaan-gas-bumi-turun-apa-sebabnya
**Pertamina Teams Up with Korea to Build Dumai Refinery Worth Rp. 22 T**

PT Pertamina (Persero), PT Nindya Karya (Persero), and a consortium of Korean companies signed the development of the Dumai Processing Unit RDMP II project, a refinery project worth of US $1.5 billion or equivalent to Rp22 trillion.

Head of the Investment Coordinating Board (BKPM) Bahlil Lahadalia said the Dumai refinery intended to increase domestic oil and fuel oil production capacity. Bahlil believes that the Dumai Processing Unit II (RDMP) project is important because it is a refinery of Pertamina's priority. The MOU signing is to support the acceleration of implementation of the megaproject, which became one of the National Strategic Projects (PSN) in the Presidential Regulation No. 56 of 2018 concerning the Acceleration of the Implementation of National Strategic Projects.


**Conrad, An Oil and Gas Contractor From Singapore Discover The Potential of Jumbo Oil and Gas in Natuna**

Singapore-based oil and gas company Conrad Petroleum Ltd, which is the operator of the Mermaid Block discovered the potential for jumbo oil and gas at Natuna, precisely in the West Natuna Basin.

Mermaid PSC PSC is off the coast of Indonesia, as for the discovery of these resources known from the results of internal subsurface studies and independent audits of gas field resources Mako located in the license. This discovery of an increase in oil and gas resources came after successful drilling was completed by the end of 2019, when Conrad conducted an internal field review and comprehensive work that was completed in April 2020.

The review covers all aspects of subsurface and surface field development and shows a significantly higher overall resource volume than previous estimates, along with the potential for higher daily production levels for high quality dry gas.


**Tianjin Port in Northeast China Is Already On Way To Being The Main LNG Cargo Import Hub in Asia**

The area around Tianjin in Northeast China currently has floating and onshore import terminals and is already the nation's leading LNG importer, but an expansion of the onshore terminal and the construction of a new facility, the largest in China, will turn the Port into the main China LNG Hub and the biggest in Asia.

According to Customs data, Tianjin accounted for nearly 20 percent of all Chinese LNG imports during the first four months of 2020. From January to April, LNG imports through the Tianjin port increased 25.6 percent year-on-year to total 5.92 million tonnes.

The LNG imported through the port mainly came from Australia, Russia and Asian nations such as Malaysia and Indonesia. The Tianjin North onshore terminal is operated by China Petroleum and Chemical Corp., also known as Sinopce, which plans to more than double its LNG receiving capacities to 41 million tonnes by 2025, currently operates three import terminals.

There has also been a Tianjin floating storage and regasification unit (FSRU) deployed since 2015 by China National Offshore Oil Corp., the nation's largest LNG importer.


**Industry Responds To Low Oil Prices, Coronavirus Pandemic**

The offshore oil and gas industry began 2020 on a cautiously optimistic note. For those that survived the 2014-2016 downturn, it appeared that there was light at the end of the tunnel.

That optimism was quickly shattered with the onset of the novel COVID-19 (coronavirus) pandemic and the equally rapid collapse in crude oil prices. The lockdowns and quarantines that followed have taken a huge bite out of oil demand; this has further eroded oil prices. The result is an unprecedented level of uncertainty in the market.

The industry is having to contend with three fundamental challenges, says Wood Mackenzie. The first is substantial reduction in demand for equipment and services. Stricter capital discipline from operators will reduce demand substantially this year both onshore and offshore, which means that only a handful of major projects will go forward this year. The second challenge will be a test of financial resilience. Companies across the supply chain had already cut back significantly in the past few years. It will be difficult for many to identify further savings without drastic measures such as refinancing or the restructuring of business models. Staff cuts and bankruptcies appear inevitable.

The third challenge will be excess capacity. Companies holding onto idle assets “just in case” will have to think again. The prospect of sub-$40/bbl oil will force profound change and pain in the short term. Wood Mackenzie said, but could ultimately create a more sustainable business for those that survive.


---

**Refinery Worth Rp. 22 T**

**Tianjin Port in Northeast China Is Already On Way To Being The Main LNG Cargo Import Hub in Asia**

**Industry Responds To Low Oil Prices, Coronavirus Pandemic**
UPDATE 2-Malaysia’s Petronas delivers Myanmar’s first LNG import cargoes

* Two LNG cargoes delivered in May and June totalling 190,000 cbm
* Petronas working with CNTIC VPower for further deliveries
* CNTIC VPower won three LNG-to-power projects in Yangon (Adds analyst comments; paragraphs 9-11)

By Mei Mei Chu and Jessica Jaganathan

KUALA LUMPUR/SINGAPORE, June 4 (Reuters) - Malaysia’s Petronas has delivered the first liquefied natural gas (LNG) import cargoes to Myanmar, the company said on Thursday, signalling the emergence of a new consumer for the super-chilled fuel.

Petronas LNG Ltd, a subsidiary of the state-owned firm, delivered two LNG cargoes to Yangon in May and June under a sales and purchase pact signed this year with joint-venture company CNTIC VPower, Petronas said.

As part of the deal, the cargoes were sold on a free-on-board (FOB) basis from the Petronas LNG complex at Bintulu, Sarawak, in East Malaysia, and totalled 190,000 cubic metres.

“The two LNG cargoes that were successfully delivered to CNTIC VPower marks a new era in the growth of LNG demand in the southeast Asian region,” Abdul Aziz Othman, the chief executive of Petronas LNG, said in a statement.

Myanmar is the latest nation to adopt LNG as a form of cleaner energy, he added.

Petronas said it was working with CNTIC VPower for further deliveries to establish its foothold in Myanmar’s growing gas industry.

CNTIC VPower is a joint venture of Chinese state-owned engineering, procurement and construction (EPC) firm China National Technical Import and Export Corporation (CNTIC) and Hong Kong-based power distributor VPower Group International Holdings.

Last year, the consortium won three LNG-to-power projects in Yangon and the western state of Rakhine totalling 900 megawatts through a tender issued by Myanmar’s Ministry of Electricity and Energy’s Electric Power Generation Enterprise.

The projects were expected to start this year to meet Myanmar’s growth in electricity demand, growing between 15% and 17% annually, the statement said.

The power plants were hurriedly approved by the government to meet Yangon’s power demand this summer, domestic media said, as energy-starved Myanmar moves to tackle chronic power shortages.

Myanmar has very recently completed construction of an LNG receiving terminal situated by the Yangon River comprised of a floating storage unit and an onshore regasification unit, said Ricky Dengkayaphichith, an analyst at FGE.

“The demand for LNG will be a few cargoes a year in the early 2020s and they will mostly be consumed by these emergency power projects to meet the high demand during summer or peak demand during other seasons,” he added.

(Reporting by Mei Mei Chu; Editing by Christian Schmallinger and Clarence Fernandez)

H1 2020: Global LNG market developments

- Heavy supply pressure; demand concerns intensify
  - Next wave of un-economic US production hits
  - LNG producers maintain output as oil-linked term prices still high
  - Slowing demand growth from China, JKT on virus fears, economic weakness
  - India growth only driven by new terminals, opportunistic buying

- Structural market disruptions
  - European and US gas markets under heavy price pressure
  - Disconnect between LNG term contracts and spot prices creating significant market inefficiencies
  - Trade non-performance, cargo deferrals, contract arbitration becoming more common as spot & term prices hit record lows

- Longer-term market uncertainty
  - New projects final investment decisions delayed due to demand uncertainty
  - Brent price volatility compromise buyer appetite to sign term contracts

JKM reflects LNG fundamentals rather than correlating with crude or HH

- Note: Brent-linked LNG price is 13.5% of Brent plus a US$0.50/MMBtu constant.
  - HH-linked LNG price is (HH+1.15)+US$3.00/MMBtu + Platts daily assessed “LNG US Gulf - Japan/Korea Freight cost $/MMBtu”
Crude oil prices far more volatile this year than LNG & Gas

Source: Platts

Asia LNG import origins

Source: S&P Global Platts
In light of staying productive and collaborative during #workfromhome period due to COVID-19 pandemic, IGS hosted series of Webinar forum to act as a collaborative platform to share the latest insights, trends and developments on gas and LNG industries. The Webinars, rolled out throughout May and June 2020, featured key experts and drew the interest of hundreds of gas and LNG practitioners.

The first Webinar highlighted the key strategies in response to the impact of COVID-19 and low global oil price to the business of gas and LNG Indonesia. Still concerning the COVID-19 pandemic, the second Webinar underlined the influence of gas price policy on Indonesian industrial competitiveness, while the third one unveiled how LNG supply and demand is expected to keep up with the balance.

The Webinars were particularly found to be valuable by the participants as they aimed to encourage the participants to recommend a middle ground for various problems encountered by the industry and to help navigate the turbulence the industry is currently facing.

**SERIES – 1 :**
“DAMPAK COVID-19 DAN HARGA MINYAK RENDAH TERHADAP BISNIS GAS DAN LNG INDONESIA, APA STRATEGI KITA?”

Speakers:
- **Syahrial Mukhtar**, Direktur Strategi & Pengembangan Bisnis, PT PGN Tbk.
- **Daniel S. Purba**, Advisor IGS, Senior Vice President Corporate Strategic Growth, PT Pertamina (Persero).
- **John Anis**, Managing Director, PT Pertamina International EP

**SERIES – 2 :**
“PENGARUH KEBIJAKAN HARGA GAS TERHADAP DAYA SAING INDUSTRI INDONESIA”

Speakers:
- **Arief Setiawan Handoko**, Deputi Keuangan dan Monetisasi, SKK Migas
- **Wiko Migantoro**, Chairman of Infrastructure Committee IGS / President Director, PT Pertamina Gas
- **Jamsaton Nababan**, President Director, PT Pertamina EP Cepu
- **Satriyo Nugroho**, Direktur Teknik dan Pengembangan, PT Pupuk Kaltim.
- **Achmad Widjaja**, Wakomtap Industri Hulu & Petrokimia, KADIN Indonesia

**SERIES – 3 :**
“Impact of Covid-19 On LNG Supply-Demand in the Asia Pacific Region”

Speakers:
1. **Xi Nan**, Vice President, Analyst Gas & Power Research Rystad Energy
2. **Kenneth Foo**, Regional Manager, Asia LNG S&P Global Platt

**Download Post Report Webinar click here:**
In wake of the COVID-19 pandemic, IGS reached out to the community to offer relief especially to medical frontliners in a number of areas.
**Secretariat:**
Rasuna Office Park, 3rd Floor Unit TO-07,
Complex Rasuna Epicentrum Jl. HR. Rasuna Said,
Kuningan, Jakarta 12960

Tel: +62 21 8378 3757

Email: secretariat@indonesiangassociety.com
CHAIRMAN'S OVERTURE

Welcome to the very first edition of Monthly Roundup Newsletter, a dedication from Indonesian Gas Society to all of you, our members. The newsletter, which will be distributed every mid month, is an avenue to keep our members and prospects informed about activities, insights, and latest developments around LNG industry.

The newsletter will also act as a thought leadership piece and go-to-source for our major LNG stakeholders.

As we know COVID-19 is changing everything about life and work. We're all focused on how to keep ourselves safe and healthy and at the same time safeguard and support our families, employees, customers, and communities in dealing with the crisis, especially during the month of Ramadan. On behalf of Indonesian Gas Society (IGS) board members, I want to let you know that our thoughts and prayers are with those who are affected.

Medical front liners who put their lives at the most extreme stake of the COVID-19 pandemic deserve our sincerest and deepest gratitude and appreciation. We equally thank everyone involved, under difficult and extreme circumstances, in continuing to maintain essential services operational.

One of IGS’s missions has always been to promote natural gas as a key source of sustainable energy for the growth of the economy in Indonesia.

As such, we acknowledge the critical role of energy systems to remain operational at a time like this, from energy production and transportation to its use to light, which enables us to stay productive at home, and to producing the critically needed life-saving medical supplies and chemicals.

To help reduce risks for all, we are encouraging all of our members and people across society to always comply with health and safety recommendations and protocols from the authorities and applying them with an even higher standard of the strongly instilled culture of health and safety in the natural gas industry.

Despite all the hardships, we at IGS are calling out to our members to stay productive and collaborative during this challenging time. We understand that we need to be socially distanced at this time, but that shouldn’t stop us from offering empathy and concerting solidarity to help each other. Together we will win this battle!
Economy Weakens, Government Must Be Cautious in Lowering Gas Prices

The House of Representatives reminded the Government to be cautious in lowering gas prices to USD 6 per MMBTU due to the weakened economy. Particularly with oil price drop, the implementation of gas price reduction policy needs to consider such aspect as the income of oil and gas producers to support investment in oil and gas search activities.

To lower gas prices to US $ 6 per M MMBTU, the Government previously reduced gas prices in the upstream range from USD 4-4.5 per MMBTU. In addition, transportation and distribution costs were reduced between USD 1-1.5 per MMBTU.

House of Representatives Commission VII, Sugeng Suparwoto, said, "The world oil prices are currently low, I urge for the policy not to refrain upstream oil and gas investors from working on their fields. We are anticipating a huge loss in the coming days."

Sugeng insisted that many other components can be evaluated to lower the cost of gas delivery. In addition, the Government is urged to cautiously evaluate the subsidies to the downstream, so that the industry flourishes and ultimately yields an impact on the development of the domestic economy.

Energy Watch Executive Director, Mamit Setiawan, addressed his view that the policy to lower industrial gas prices needs be re-reviewed as it may hamper gas infrastructure investment, which likely poses a potential threat of business loss.


Pertamina’s Oil and Gas Production Rose in the First Quarter of 2020

Pertamina (Persero) reported an increase in oil and gas production during the first quarter of 2020 compared to average production in 2019.

Pertamina’s Upstream Director, Dharmawan Samsu, explained that based on company data, oil and gas production in the first quarter of 2020 was 919 Mboepd, an increase of 2% compared to the 2019 production average of 901 mboepd, with average oil production of 421 mboepd, and gas production of an average of 2887 MMSCFD.

"By adjusting the work system and personnel to anticipate the Covid-19 pandemic, Pertamina will continue to maintain oil and gas production in accordance with the targets in the RKAP. Up to date, it has reached 99% of the target," he said in his official statement.

The increase in production was contributed from the overseas oil and gas field operations run by Pertamina’s subsidiary, PT Pertamina International EP (PIEP), which recorded oil and gas production contribution of 156 Mboepd or reached 103 from the target of the first quarter of 2020.

"The increase in production is mainly from field performance in Algeria," Dharmawan added.

Meanwhile, in anticipating the impact of the decline in world crude oil prices coupled with the Covid-19 pandemic, Pertamina took anticipatory steps to implement a business continuity plan. In addition, the company continues to conduct in-depth evaluations for prioritizing work plans, operating costs and investments. This is in line with corporate policies to optimize financing.

"Pertamina continues to maintain the upstream investment level in order to meet the needs of national oil and gas, both production and lifting, but with some adjustments based on priority scale so that the economics of the project can be achieved," he explained.

Source: https://ekonomi.bisnis.com/read/20200406/44/1225275/produksi-migas-kuartal-i-2020-pertamina-meningkat

Contract Signing of Gas Network Development in Six Locations

To provide access to clean energy and to save on fuel costs, the Government is building a natural gas distribution network for households (Jargas). Two contract packages worth Rp 309,102,294,383.05 were recently signed to build 33,518 house connections (SR) Jargas for the 2020 fiscal year in six districts/cities, i.e. Langsa City, Aceh Tamiang Regency, Kab. Deli Serdang, Balikpapan City, North Penajam Paser Regency and Tarakan City.

This is the second phase of the contract signing, after previously on March 10, 2020, 7 packages worth Rp 862,391,761,743.06 were signed to build 82,157 SR in 15 districts/cities.

Director of Planning and Development of Oil and Gas Infrastructure, Alimuddin Baso, requested that the construction of Jargas to be carried out on time, with the right quality and on the right cost by taking into account the health protocols applicable in the prevention of Covid-19.

For 2020, the construction of Jargas will be carried out in 49 regencies/cities totaling 266,070 SR.

Impact of Covid-19, Indonesia’s Crude Oil Drops USD34.23 Barrel

The endless Covid-19 virus pandemic has caused world oil prices to face difficulty to rise. This condition causes the average price of Indonesian crude oil or Indonesian Crude Price (ICP) in March 2020 to decline.

Head of the Ministry of Energy and Mineral Resources’ Public Information and Cooperation Communication (KLIK) Office, Agung Pribadi, said, “March ICP became USD 34.23/barrel or decreased by USD22.38/barrel from USD 56.61/barrel in February 2020."

The decline of ICP was stated in Minister of Energy and Mineral Resources Decree No. 79.K / 12 / MEM / 2019 concerning the Implementation of Indonesian Crude Oil Prices in March 2019 which effectively took effect on April 1, 2020.

He explained, the main factor of the decline in ICP was due Covid-19 outbreak, especially in most of the countries producing crude oil. "Travel restriction in a number of countries has also contributed to a drastic decline in global oil demand," he said.

Meanwhile, Research Director of the Center of Reforms on Economics (CORE) of Indonesia, Piter Abdullah said, the sharp decline of world oil prices must be utilized by the Government to maintain public consumption amid the Covid-19 outbreak.

"Along with the sharp decline in world oil prices, Pertamina has the opportunity to reduce fuel and gas prices. The decline will greatly help the community in the midst of co-19 outbreak pressure."

Institute for Development of Economics and Finance (INDEF) researcher Ariyo Irhamna, on the other hand expressed his opinion that the drop in world oil prices could improve oil and gas trade balance.

Oil and Gas Projects Should Not Be Halted Despite Corona Outbreak

The impact of restrictions to prevent the spread of the Covid-19 plague spread impacts on the drilling activities, and decreasing gas demand from buyers. It also hinders the upstream oil and gas project implementation.

The Head of SKK Migas, Dwi Soetjipto, emphasized that the PSC Contractor was only allowed to slow down its activities, not bringing it to a halt.

"Upstream oil and gas industry always upholds the strictest standard of work health and safety. The Covid-19 outbreak must be carefully examined. But we don’t have to stop the activity and we are obliged to deter."

SKK Migas also coordinated with regional leaders in the upstream oil and gas operation area, especially related to the mobilization of workers and goods, in addition to coordinating with the Ministry of Foreign Affairs and the Ministry of Health regarding the urgent need for movement of workers from abroad required by the upstream oil and gas industry.

Gas Prices Drop, LNG Production in Bontang Refinery will be Reduced

The remaining unabsorbed LNG cargo reached 12 cargoes this year originating from the two main LNG refineries in Indonesia, namely the Bontang refinery in East Kalimantan and Tangguh in Papua.

Arief Setiawan Handoko, Deputy of Finance and Monetization of SKK Migas, said the excess cargo of LNG from the Bontang refinery or uncommitted cargo was as much as seven cargoes. Part of the LNG has been tendered or sold to the spot market.

As many as four other uncommitted LNG cargoes were not produced due to maintenance at the Bontang Refinery. While the uncommitted cargo from the Tangguh LNG Plant is five cargoes. Some of them are canceled by gas buyers.

According to Arief, the LNG buyer declared a force majeure so that it would not absorb as much as two LNG cargoes.

Arief still hoped that the condition of the LNG global market would improve in the second half of this year so that the LNG sales target could be achieved. This will certainly affect the gas lifting target.

COVID-19 is causing an unprecedented global economic crisis which also affects the LNG industry. In February China’s lockdown seemed to contain the outbreak of the virus but the ensuing pandemic has proven otherwise. Energy prices have plummeted as demand evaporated overnight. While China’s economy took a severe hit due to the lockdown, the country could now benefit significantly as its restarting while most of the world is closed for business.

Despite the COVID-19 outbreak in China, LNG imports were still rising during the first two months of this year. A significant part of the natural gas was heading towards storages as most of the Chinese economy was under lockdown. While imports are returning to normal again, state-owned China National Offshore Oil Corporation, the country’s biggest LNG buyer, is largely absent from the market as its storages are mostly full.

However, other Chinese market participants are ready to take advantage of the global LNG glut. According to Edmund Siau, a Singapore-based analyst at energy consultancy FGE, “Demand has also been driven by smaller players with storage capacity, who are emerging to take advantage of low spot prices.”

The restarting of China coincides with the shutting down of most of the world’s economy causing lower commodity prices. Every crisis offers opportunities, including this one. The advantage has not gone unnoticed. According to Wang Li, a researcher for the Ministry of Commerce, China needs to “seize the opportunity of super-low oil prices” and expand its strategic oil reserves before prices rise again. It also includes other commodities such as LNG.

The restarting of the Chinese economy is also good news for American LNG producers as four vessels are heading to the mainland from the U.S. This would mark the first time supplies are delivered since March 2019. These companies were granted tariff exemptions for LNG cargoes.

This couldn’t have come at a better moment for America’s LNG industry as prices have sunk to historic lows. It is a remarkable turnaround for the U.S. industry that was touted as the next big player on the international gas market.


---

The drama of the oil war between Saudi Arabia and Russia is finally over. OPEC and Russia, or better known as OPEC +, agreed to reduce oil production.

OPEC + will reduce production to 10 million barrels per day (bpd), or about 10% of global supply, from May to June 2020, where all member countries will contribute 23%, Arabs and Russians cut 2.5 million bpd and Iraq 1 million bpd.

Then in July until the end of 2020, oil production will be cut by 8 million bpd. While in 2021 until April 2022, production will be cut by 6 million bpd.

The United States and other producers are expected to take the same actions to support prices. “We expect other producers outside OPEC + to join, maybe (this commitment) can be obtained at the G20 meeting,” said one Russian negotiator, Kirill Dmitriev, told Reuters.

The G20 itself will begin a ministerial-level meeting this Friday (10/4/2020). Russia expects other countries to cut production by 5 million bpd.

Meanwhile, the White House also announced that there had been a serious talk between US President Donald Trump, Russian President Vladimir Putin, and Arab Prince Mohammed bin Salman to shore up prices.

The price of Brent oil has reached its lowest level in 18 years last March. One type of oil that is very sensitive to the Arab situation yesterday also traded around USD32 per barrel, or still half the price at the end of 2019.

“Although 10 million barrels per day will help the market in the short term to not fill up their oil storage tanks, this is a disappointing development for most parties. There is still an excess (supply) of oil,” said Rystad Energy’s Oil Market Head, Bjoenar Tonhaug.

Impact of Covid-19 on the Oil & Gas Sector

Source: Arthur D Little

COVID-19 will accelerate the Oil & Gas industry’s transformation journey with oversupply and low prices expected to last for years

Oversupply and Low Price Impact on Oil & Gas Sector

OPEC vs Shale War + COVID-19
- Russia/Saudi Arabia battle has the US as an implicit party
- COVID-19 demand crisis deepens oversupply and exaggerates the drop in crude prices
- The national budgets of OPEC countries, and Russia, are under severe challenge at low oil prices

Massive Cancellation of Projects
- Investments shrink because of economics and funding constraints
- Operational shutdown of some high-cost oil
- Major capital projects cancelled or delayed

More Vulnerable Refineries
- Low utilization rates lie ahead
- Low/negative margins will accelerate expected shutdowns
- No CAPEX/financing available for quality/conversion upgrades or greenfield projects to adjust the product balance demanded

Energy Transition
- World leaders have already decided to go "greener" (COP-21)
- Governments will be critical to transition continuity and continuing support
- Majors likely to continue their own energy transition as some renewable projects will show better economics than many E&P developments
- Cheap oil may slow the trend to renewables

Industry Concentration
- Limited budget for reserves addition
- OPEC gains market share power from IOCs
- Efficiency gains will be achieved during crisis and after consolidation

The oil price war, together with COVID-19, has created a perfect storm generating a highly negative short term impact for the industry

<table>
<thead>
<tr>
<th>Status</th>
<th>Short Term Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>Some immediate crude production shutdowns in Nth America</td>
</tr>
<tr>
<td></td>
<td>Fracking activity may come to an almost complete halt and a majority of deep-water projects may be cancelled</td>
</tr>
<tr>
<td>Demand</td>
<td>&gt;30% drop of flights, light vehicle transit close to zero in many regions</td>
</tr>
<tr>
<td></td>
<td>5-10 MMBO annual average demand drop depending on how long COVID impact lasts</td>
</tr>
<tr>
<td></td>
<td>Would take years to recover 2019 levels, with part of demand recovery going to other energies</td>
</tr>
<tr>
<td>Prices &amp; Margins</td>
<td>Some operations cannot cover production cash costs</td>
</tr>
<tr>
<td></td>
<td>Refining shutdowns and/or do not start after turnarounds</td>
</tr>
<tr>
<td></td>
<td>Pessimistic outlook for any CAPEX program</td>
</tr>
<tr>
<td>Supply Chain Disruptions</td>
<td>Financial disruptions along full value chain. Many high leveraged US independents will not survive</td>
</tr>
<tr>
<td></td>
<td>Oil Field Services strongly impacted by low activity levels and producers cash constraints</td>
</tr>
</tbody>
</table>
## The crisis will severely impact the oil industry, accelerating its transition to renewables, already underway, and altering its climate change approach

Transition to renewables would accelerate

- Governments/municipalities pressure for low CO₂ emissions
- EU commitment to align emergency funding with “green targets”
- So, oil demand was expected to peak and fall in the coming decades anyway
- With high oil prices, it used to be attractive to invest in E&P projects
- But oil projects now have lower returns, and higher uncertainty than before
- Renewables have lower technical risks and now potentially lower commercial risk and higher return rates than oil

Fossil fuels may be more competitive
- Cheap oil would change customer feeling about “going greener”
- Power generation prices already lower, partly due to lower fossil fuel prices
- Higher renewable subsidies will be required to reach customer breakeven
- Governments would give priority to economy recovery support after recession (i.e. reducing EV rebates)
- US & Canada would support oil industry from collapse
Under any scenario, lower expected returns, climate and CO₂ challenges will drive companies to search for new pathways to survive

Key Survival Dimensions

- Less CO₂ & CH₄ emissions, less CO₂ in products, more PetroChem. output
- Build strong, low-carbon electricity value-chain positions
- Shorter reserves life gives agile response to policy changes

Less CO₂ & CH₄

More Renewable

Smarter

Quicker

Lesser

Gassier

Lower cost

Re-balance to stronger gas value-chain share

Reduce costs by AI, automation and digitalization

Drive to low-breakeven assets due to price competition

Portfolio re-alignment, mergers, focus, return capital to shareholders
New Gas Price for Industries

**THE ENERGY AND MINERAL RESOURCES MINISTRY**

Officially set the gas price for industries at US$6 (MMBTU).

**THE DECISION TO IMPLEMENT THE POLICY IS STIPULATED IN THE MINISTERIAL**

Decree Number 8 of 2020 concerning How to Determine Users and Prices of Certain Natural Gas in the Industrial Field.

**THE GAS PRICE IS INTENDED FOR SEVEN INDUSTRIES**

such as fertilizer, petrochemical, oleochemical, steel, ceramics, glass, and rubber gloves.

**THE PRICE ADJUSTMENT WILL ALSO BE IMPLEMENTED**

To cater the needs of state-owned power producer, PT Perusahaan Listrik Negara (PLN).

**THE NEW POLICY IS AIMED AT FACILITATING THE INDUSTRIES**

To adjust their upstream prices, transportation costs, and help the adjustment of certain industrial gas prices.

**THE NEW POLICY RECOMMENDS ADJUSTING THE CALCULATION**

of the price of natural gas and the rate of distribution of natural gas from SKKMigas and the regulatory agency.

Source: [theinsiderstories](https://bit.ly/2XaPKse)
The Indonesian Gas Society (IGS) hosted the 2nd IndoPACIFIC LNG Summit to serve as a timely forum for the LNG industry in South Asia and South East Asia.

The challenge and change for the industry, and as one of the main “engines of growth” for LNG demand, the IndoPACIFIC region has a big stake in how the industry meets those challenges.

Indonesia, of course, will be deeply affected, as both a producer and a buyer of LNG on international markets.

With those markets in rapid transition, the IGS felt that it was the right time to bring a small group of LNG professionals together in a spirit of free and open communication to try to cast some light on where the industry is heading and how it will affect us all in the future.

Some key highlights of the conference covered:
- The regional and global LNG supply and demand balance
- The ways that LNG is sold, traded, transported and stored
- Future trends for long and short term LNG sales contracts, and (last but by no means least)
- Prices

Download Summary Report

Matthew Doman
Vice Chairman, Strategic Communications Taskforce, International Gas Union (IGU)

Gas industry in Asia Pacific and South East Asia in particular has a significant future contribution. IGS is a very important member of IGU & contributor to the discussion around opportunity & challenge of LNG industry in IndoPACIFIC region.

Vijay Krishnan
Managing Director, Rystad Energy Asia Pte. Ltd

IndoPACIFIC Gas industry is the most important area of growth across the world for the future of LNG demand. The conference serves the purpose to unleash the potential in developing more markets and buyers of LNG.

IGS plays a very key role in developing the conference, targeting buyers to collaborate to strengthen their positions in the global LNG scale.
eidi
mubarak

MAY YOUR HOMES & HEARTS BE FILLED WITH THE JOYFUL SPIRIT OF EID