

# Indonesia sets to boost refining capacity - review and recent development

# The Gap between Indonesia's Current Refining Capacity and Rising Demand

Future shortage varies significantly depending on:

Economic growth

Fuel subsidy elimination

Substitution of gas/bio-fuel based vehicles

Estimated shortage by 2025 is between 5 and 8 refineries

High case: ~1,700 KBD

Base case: ~1,400 KBD

Low case: ~1,100 KBD

*1 Includes gasoline, gas oil and diesel*

*Source: PT Pertamina Refinery Team*

# A long-term solution needed

There are substantial reasons why Indonesia needs a long term solution to raise and secure domestic refining capacity.

- 1 Indonesia's population is growing fast and 90 million Indonesians could join the consuming class by 2030. And the energy consumption is expected to grow dramatically
- 2 Indonesia's domestic refining product coverage is substantially low compared to other neighboring countries and can potentially pose a threat in security of fuel products. Increasing the domestic production will increase the domestic fuel product coverage
- 3 PT Pertamina's profitability is far lower than international oil companies. Expanding and upgrading PT Pertamina's refineries could help generate higher margins

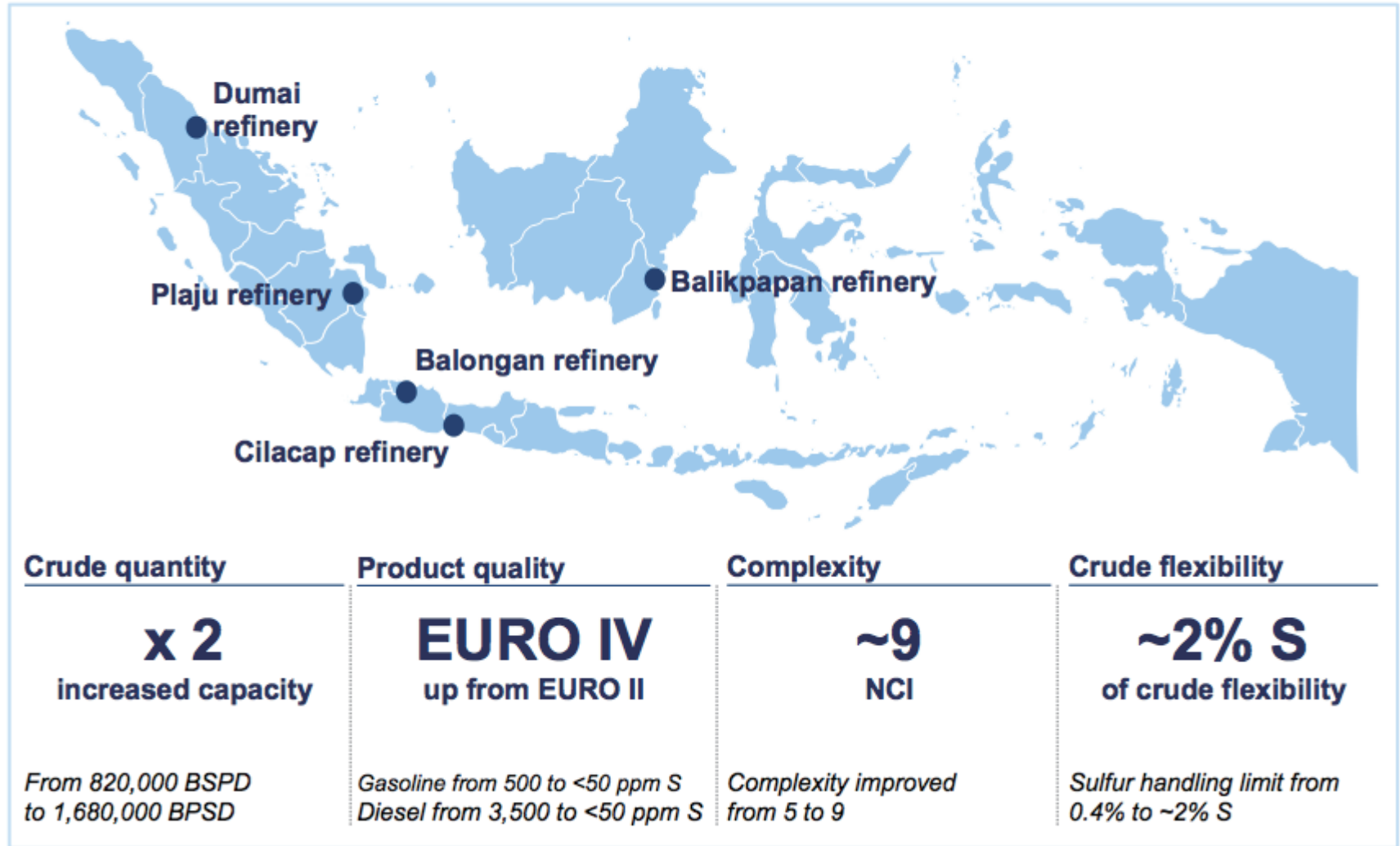
# PT Pertamina's Refining Development Master Plan (RDMP)

PT Pertamina launched an ambitious plan to build four refineries, each with capacities ranging between 300,000 b/d and 350,000 b/d, to cut its dependency on oil product imports..

With the Refining Development Master Plan (RDMP), PT Pertamina is targeted to upgrade and build 5 refineries namely: **Plaju, Dumai, Cilacap, Balongan and Balikpapan refinery.**

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# Refining Development Master Plan (RDMP) will help to meet Indonesia's needs and transform Pertamina Refining business



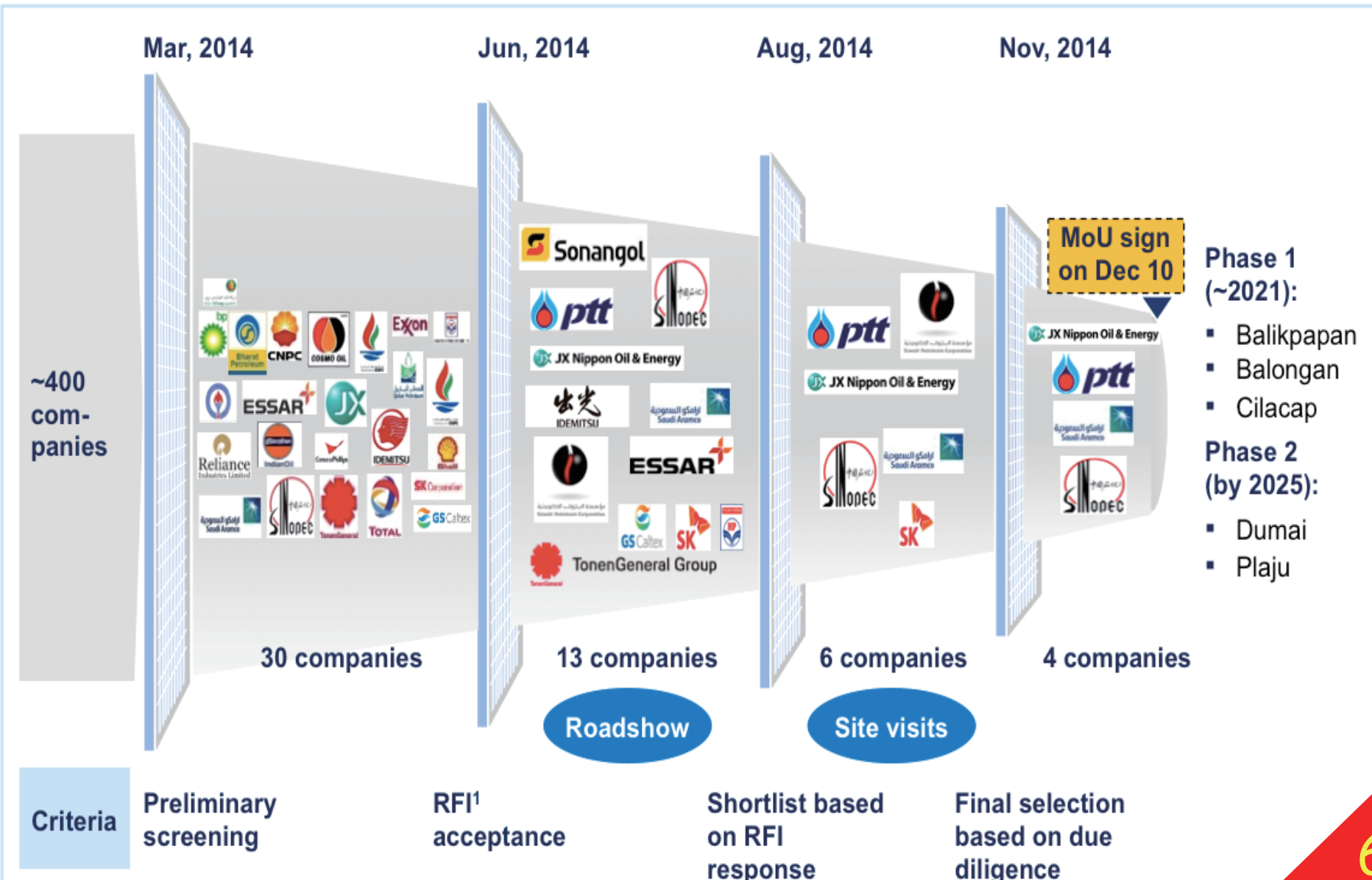
It is estimated that RDMP will reduce Indonesia's deficit on gasoline and diesel but even after RDMP there is still demand gap that can be fulfilled by GRR

## PT Pertamina' s Strategy Partnering – process and EPC timeline

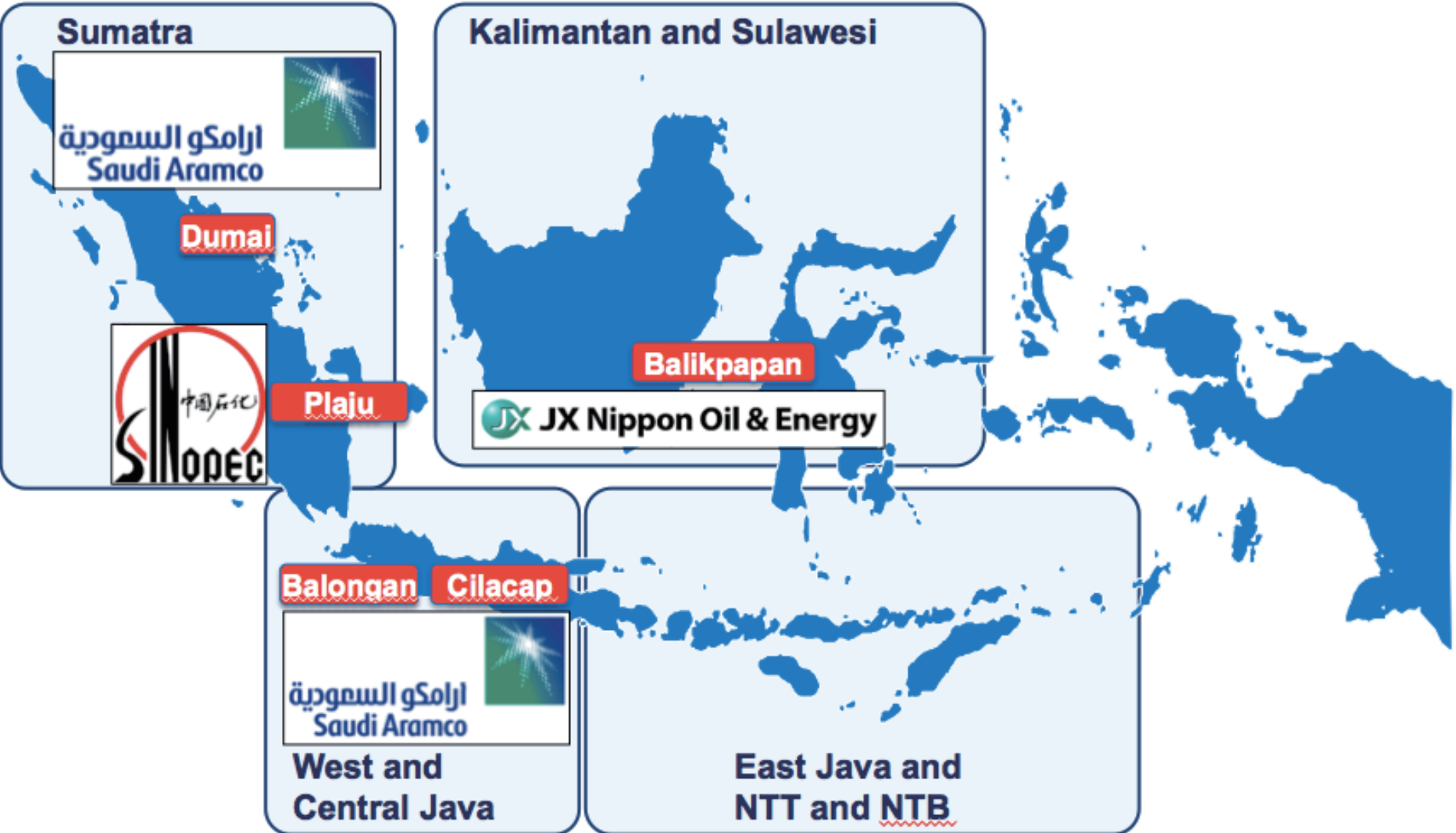
PT Pertamina had announced in 2015 that **JX Nippon Energy, Saudi Aramco and Sinopec** have been selected as the strategy partners for rolling out the RDMP. Here below is said to be the process of strategy partnership:

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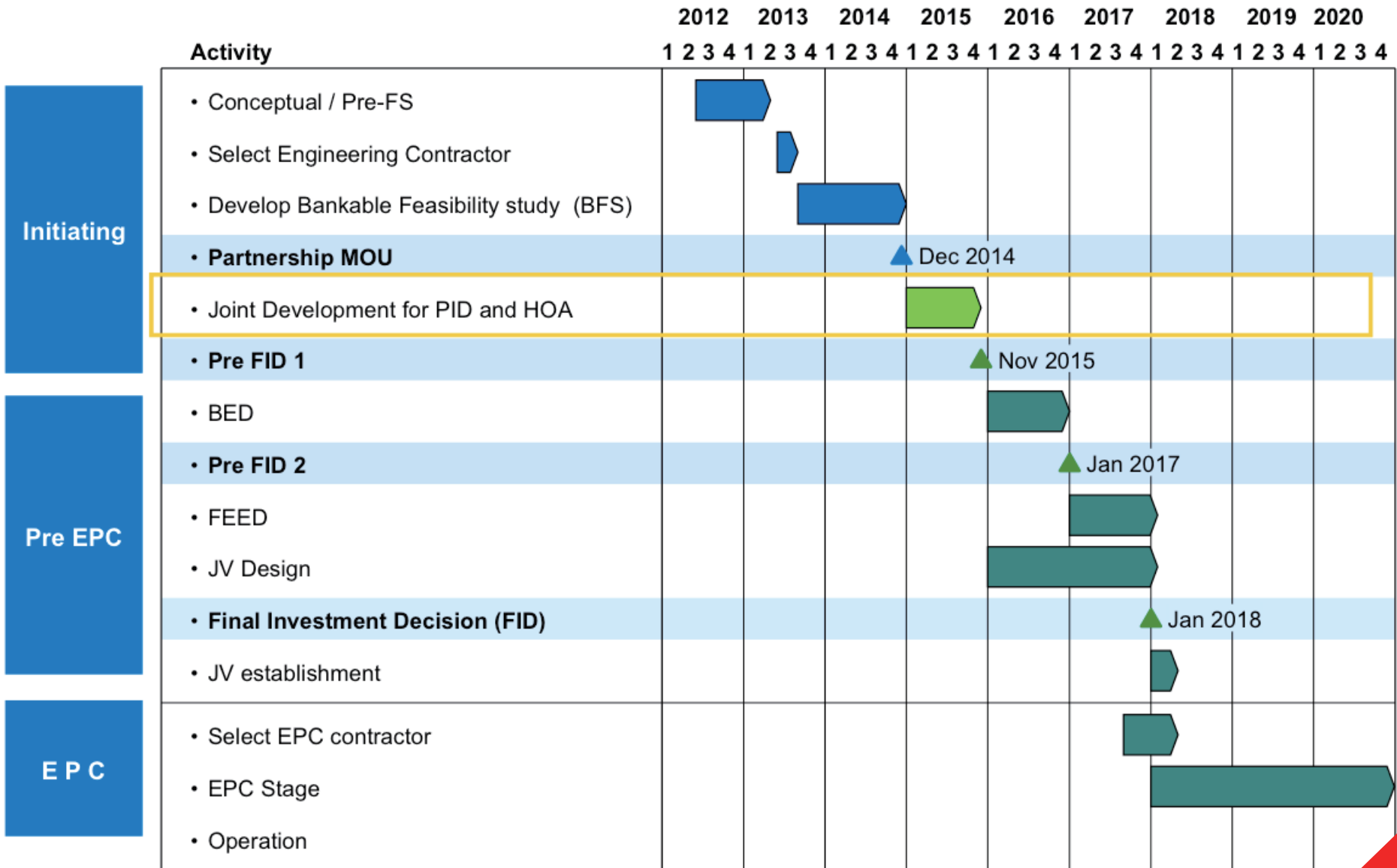
# Strategic partner selection to bring in world-class partner followed by a 4 stage process



# The RDMP landscape across Indonesia would have different regions in the current partnership scenario



# Timeline, high-level workplan



# Recent Development of Strategy Partnership

## Plaju refinery upgrade

- ▶ According to an EPC contractor and industry updates, the Plaju refinery upgrade project has been cancelled due to doubtful ROI of the project and difficulties of reaching the final agreement between Sinopec and PT Pertamina.

## Balikpapan refinery

- ▶ The discussion with the partner JX Nippon Oil & Energy is almost complete

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## Dumai, Cilacap and Balongan refineries

- ▶ The selected partner for these 3 projects is Saudi Aramco and it seems only the Cilacap project is on going. According to the President Director of PT Pertamina, Mr. Dwi Soetjipto, the negotiation has been met with difficulties as the strategy partner is keen to enter into the downstream retail market while both Indonesia government and PT Pertamina would need to consider and weight the market share for the state-owned company. **This is a major challenge for Indonesia to attract more FDI into the downstream sector but does not want to cede market share.**

# Recent government efforts and news

## Indonesia to speed up refinery construction and private investors are allowed to build refinery

The Indonesia government will issue a presidential decree governing the construction of new refineries. IGN Wiratmadja, director general of oil and gas at the Ministry of Energy and Mineral Resources, said the decree will have four options that will help make refinery construction projects more flexible.

The four options are to have refineries built by the private sector, a government-private cooperation, giving a special assignment to PT Pertamina, or financed by the state budget.

Wirat said the four refineries will require an investment of up to US\$ 12 billion.



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“ In the next 10 years, Indonesia will need four new refineries, each with a capacity of 300,000 barrels per day. ”

Under the planned new rule, Pertamina is encouraged to build refineries by itself or in cooperation with other parties. In addition, the government opens opportunities for private sectors to build oil refinery without having had to team up with the state owned energy company Pertamina, said Coordinating Minister for the Economy Darmin Nasution.

Obviously this is a good news to private sector and PT Tri Wahana, Indonesia's mini refinery operator who believe building more mini refiners is a good option for Indonesia. “It would be better (for the government) to build more mini refineries. It's much better than waiting endlessly for a large one.” said **President Director of PT Tri Wahana Universal Rudy Tavinov.**

Please feel free to contact us with any of your comments and send email to: [petch.zhang@connecforce.com](mailto:petch.zhang@connecforce.com)

## Our next post would be

**“ Government incentive to attract downstream investment  
- what works and what wouldn't ? ”**