

Study On :

**ENERGY CRISIS, CHALLENGES AND OPPORTUNITIES IN
INDONESIAN OIL AND GAS INDUSTRY , 2008 - 2009
June 2008**

The country has become a net importer of oil in the past several years as a result of a decline in production when domestic consumption is growing fast. Many oil fields have been abandoned after being almost depleted. Those remaining are less productive. Meanwhile no significant discovery of new oil reserve has been made with no enthusiasm in explorations.

Unfortunately the country has become a net importer of oil when the prices of that commodity are soaring . The prices of crude oil has leapfrogged from record level to another record high reaching US\$135 a barrel early June. Observers predicted the price could go as high as US\$150 a barrel.

Indonesia was once a major producer and exporter of oil and member of OPEC. In 1992, the country produced up to 1.5 million barrels of crude oil and condensate and of which 796,000 barrels were exported. Now the production was less than 1 million falling much short of domestic consumption. The fact has forced the government to quit OPEC recently. The government has also been forced to revised the state budget several times for this year because of the leapfrogging increase in the oil prices .

The government has persuaded contractors to pump out more oil hoping that the country could regain its position as an exporter or at least reduce spending for oil imports. It has also offered and pledged to offer more incentives to encourage explorations . However, reports from the oil fields have been less than encouraging. In fact most oil contractors in the country failed to achieve their production targets in the first four months of 2008. The daily production of 22 of 37 oil contractors in the country fell short of their targets, reports said. Among those failing to reach their production target included state oil and gas company PT Pertamina, France-based Total E&P Indonesia , Medco E&P and British oil giant BP .

Encouraging report, however, came from the country's largest producer Chevron Pacific Indonesia , which overshot its target of 408,800 barrels with production averaging 414,765 barrels per day during that period.

The government has set production target for crude oil and condensate at 977,000 barrels per day this year. Even if the target is achieved the country will still need to import considerable quantity of crude oil to feed Pertamina's oil refineries .

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ENERGY CRISIS, CHALLENGES AND OPPORTUNITIES IN INDONESIAN
OIL AND GAS INDUSTRY, 2008 - 2009
June 2008

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