

Day 2 Industry Challenge

Attracting Capital for Indonesia Oil & Gas Investment to Secure Energy Transition

Indonesia Needs to Reform its Energy Policies to Attract Oil and Gas Investments

Indonesia is deemed necessary to restructure its energy policies to attract global oil and gas investments. This step must be taken to address the three energy challenges or energy trilemma.

This issue served as the starting point for the plenary session discussion titled "Attracting Capital for Indonesia O&G Investment to Secure Energy Transition," held during the 47th IPA Convention & Exhibition in 2023, on Wednesday, July 26, 2023.

The discussion session was attended by Andrew Harwood, the Director of Upstream & Carbon Management Research APAC Wood Mackenzie; Greg Holman, Board Member of IPA and Director of Repsol Indonesia; Satya Widya Yudha, Member of the National Energy Council (DEN); Kurnia Chairi, Deputy for Finance and Commercial of Special Task Force for Upstream Oil and Gas Business Activities (SKK Migas); and M. Firouz Asnan, Senior Vice President of Petronas Malaysia Petroleum Management.

During the discussion, a white paper or policy recommendation paper entitled "Achieving Resilience in the Energy Transition to Safeguard Indonesia's Economic Growth & Sustainable Development," jointly prepared by IPA and Wood Mackenzie, was also launched.

Andrew stated that based on Wood Mackenzie's study, Indonesia's investment competitiveness still needs improvements. These include enhancing fiscal competitiveness, fiscal policy stability, ease of doing business, and exploration investment and net-zero energy production.

Therefore, Wood Mackenzie recommends the development of a long-term energy plan, comprehensive legal framework, fiscal regime restructuring, and the establishment of a national greenhouse gas reduction framework.

Greg mentioned that global investments in the oil and gas sector are currently declining. To keep investors interested in investing, Indonesia must compete fiercely in terms of investment attractiveness.

One way to do this is by shifting the mindset from merely preventing a decrease in state revenue to considering the opportunities lost if the existing policies are not changed.

M. Firouz shared Malaysia's experience in making its energy sector attractive to investors. Petronas introduced innovations in three areas: First, making data open to investors. Second, creating exploration and production agreements that increase investors' profit share; and third, strengthening relationships with current investors.

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Maximize Oil and Gas' Role for Economic Growth in Energy Transition Era

Energy Trilemma

According to Andrew, improving energy sector policy is a way to address the energy trilemma, which consists of three issues: energy security, energy affordability, and environmental sustainability. Currently, Indonesia has not fully overcome these challenges. "In Indonesia, policymakers have prioritized energy security and affordability," he said.

However, this approach was taken by the Indonesian government to meet the rapidly increasing energy demands due to economic growth, urbanization, and population growth. "Indonesia's significant hydrocarbon potential can be harnessed to maintain economic growth and support ongoing energy transitions," he added.

On the other hand, Andrew stated that new and renewable energy sectors have not yet reached full economic viability and technological maturity, despite increasing efforts to develop them.

Meanwhile, Kurnia mentioned that natural gas can play a suitable role as a transitional energy source. The trend of developing natural gas is also evident in Asia. He revealed that the Indonesian government is targeting a gas production of 12 BSCFD by 2030. This would position natural gas as an alternative to oil and coal, supporting the national economy through exports and downstream activities. "Investments are needed to connect gas production and demand," he emphasized.

Satya revealed that DEN is currently revising the national energy policy. Furthermore, he also mentioned that regulations on carbon taxes, carbon pricing, and discussions on renewable energy laws have the potential to clarify Indonesia's energy plans, leading to increased investments. "In our scenario, we do not eliminate fossil fuels. We aim to see fossil fuels with clean technologies," he explained.