

## Day 1 Industry Insight

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

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#### Oil and Gas Remains Strategic in Energy Transition

The oil and gas industry continues to play a strategic role in the transition towards clean energy. Besides driving decarbonization, the oil and gas sector also holds significance in stimulating economic growth. Discussion on the strategic role of the upstream oil and gas industry amid the energy transition era was brought to the forefront during one of the plenary sessions at the 47th IPA Convention & Exhibition 2023. The discussion titled "Maximize Oil and Gas Role for Economic Growth in Energy Transition Era" took place on July 25, 2023.

Carole J. Gall, a member of the IPA Board and the President of Exxonmobil Indonesia, explained that a significant portion of the global population is striving to improve their standard of living, impacting both economic growth and energy demands.

Exxonmobil predicts a 16 percent increase in energy demand by 2050, with approximately 55 percent of that demand potentially being met by oil and gas.

While the need for renewable energy in various industries continues to grow, certain sectors still require oil and gas. Carole provided an example, stating that industries like cement and steel continue to rely on oil and gas.

Similarly, Nuki Agya Utama, Executive Director of the ASEAN Center for Energy (ACE), emphasized that the Southeast Asian region still relies on oil and gas.

With a population of approximately 680 million and a GDP of US\$3.7 trillion or the fifth rank in the world, energy resilience and affordability are just as crucial in this region as the transition towards sustainable energy.

"Southeast Asia places great hope in the hydrocarbon sector for the energy transition," said Nuki. According to ACE's calculations, the demand for oil and gas will remain at 50 to 56 percent of the total energy consumption in Southeast Asia by 2050. In terms of supply, oil and natural gas will contribute 65 percent of the energy mix.

However, this reality does not mean that energy transition is not a priority. On the contrary, with the current consumption patterns, ASEAN could potentially become a net oil importer by 2025 due to high demand and low production, which could worsen energy security. According to Nuki, natural gas can act as a balancing factor between energy resilience and affordability while fostering the development of clean energy.

Therefore, natural gas must be more competitive than oil to ensure stable energy supply and prices. Additionally, ASEAN countries should connect within a regional gas market, such as through the Trans-ASEAN Gas Pipeline scheme.

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Meanwhile, Tutuka Ariadji, the Director-General of Oil and Gas at the Ministry of Energy and Mineral Resources (ESDM), stated that the target production of 12 BSCFD (Billion Standard Cubic Feet per Day) of natural gas can boost Indonesia's economy until 2032. He believes that rapid domestic gas production can reduce Indonesia's dependence on oil imports for fuel and can also add value through downstream industries. Tutuka also highlighted the importance of carbon capture and storage/utilization (CCS/CCUS) technology in addressing decarbonization issues.

With the issuance of Regulation of ESDM Minister No. 2 of 2023 on Carbon Capture and Storage and Carbon Capture, Utilization, and Storage (CCS/CCUS), the government is preparing a presidential regulation to strengthen the legal basis for implementing this technology. Dwi Soetjipto, the Head of Special Task Force for Upstream Oil and Gas Business Activities (SKK Migas), expressed their commitment to further integrate the application of CCS/CCUS with activities in the upstream oil and gas sector in the future. "Previously, (SKK Migas) aimed to extract oil and gas from underground, but in the future, we also need to encourage carbon to be stored underground," said Dwi.