

FPCI Virtual Public Discussion**The Crash of Oil Price: What Does it Mean for Indonesia?****Tuesday, May 19, 2020****Speakers:****1. Susilo Siswoutomo**

Deputy Ministry of Energy & Mineral Resources (2013-2014) and Commissioner of PGN Saka Energi Indonesia

2. Sandiaga Salahuddin Uno

Indonesian Politician and Businessman

3. Roberto Lorato

Director & CEO, MEDCO Energi

Moderator:**1. Dr. Dino Patti Djalal**

Founder, Foreign Policy Community of Indonesia

MODERATOR OPENING REMARKS**Dr. Dino Patti Djalal:**

- I am going to give the floor to Pak Sandiaga Uno who is going to talk about his assessment on the collapse of the oil crisis and its impact on Indonesia's economy.
- I think the oil price today was about 34 to 35 dollars per barrel, and this is well below the assumption of the government budget for this year, which was about 65 dollars per barrel. We know that despite lowering the oil price, BBM price remains the same.

- Finally, I would also like to know your assessment about how the decline of the oil price will affect the fate of other commodities in Indonesia.

SPEAKERS PRESENTATION

Sandiaga Uno:

- I think the impact to the economy is unprecedented. The oil war is actually happening at the same time as COVID-19, so there are two black swan events happening and coinciding side-by-side.
- We really need to cope not just with the outbreak, but also with this oil crisis. This started as an oil and gas war between Russia and Saudi Arabia, and now it has brought something that I have never seen in my life. I have never seen an oil price went to a negative. In 1997, the oil price went down to 7 dollars.
- Since the last 30 to 45 days, we have been putting macro measures in place. I hope it will be handled much better at the health front while we are slowly relaxing some of the large-scale social limitations.
- Ibu Sri Mulyani went to the public yesterday with staggering different numbers, which made everybody quite surprised that we are looking at a budget deficit of 5.0 and 6.2 percent, and a staggering amount of the budget are in need to go through reallocation and other measures.
- Other than the oil and gas war between Russia and Saudi Arabia about the output, it is also actually about the demand side. It is not only the supply side that will receive an exogenous shock, but also the demand side.
- Recession is already in place in Japan, United States, and all the big developed economies - and consumption will dip significantly. As for the supply, of course we have made a deal that brought the oil price back to the 30 dollars range, but it is still fragile, and a lot of politics come into play.
- It is too early to tell whether this is the new normal (referring to the 30 dollars base).

- I think there are exit strategies in place now. Actually, some of the biggest oil producers are running out of time to balance the market after the outbreak and the oil crash demand.
- The number of rigs operating in, I am watching the number and it is already slashed by 50% already.
- We see an economic complexity including decisions of OPEC+ and non-OPEC members about supply, lower demand from lower OECD, combined with coronavirus hitting probably the second or third wave – all of these are like the perfect example of storms for this industry. However, we have gone through this before, and the oil and gas sector has always been able to adapt, and I am optimistic that they will always be.
- The following slide is more of my current wish. Historically, outbreaks will always end, demand will always grow back to the same level, and we will always hope for a V curve recovery. Indonesia should learn from these two black swans' events having occurred at the same time in terms of increasing storage capacity.
- I have been informed that we have not really strategically increased our storage capacity. This is an opportunistic time to do so when the oil price is low.
- People on the street are complaining, not just about the oil price but the price of everything that seems to be very high, such as food prices. This is why we need to make sure that we strike a very good balance in terms of how national policies will take place. Politics should step aside a little bit since this is a time for rational policymaking in terms of how we could shape the future of oil and gas business.
- I think CAPEX will be reduced significantly. My guess is about 50 to 60%. Cost efficiency will be the name of the game, and people will drain down the cost per barrel to a new low.
- I would suspect that OPEX will be minimized into 20 to 30% prospect, and hopefully once the demand side and the supply side are stabilized, we will see the oil price hovering north. But the new normal looks something like 40 dollars per barrel of oil per day.

Susilo Siswoutomo:

- Pak Sandi just outlined the political and global economic impact of the crash of the oil, now what does it mean to Indonesia? From the revenue point of view, the crash of the oil price as well as the outbreak of the COVID-19 brings several impacts to Indonesia's economy and revenue.
- Here are some impacts that the gas and oil crisis bring to Indonesia: there is no doubt that first, the government revenue will decrease considerably, and this is mainly because of the export of oil and the issue of tax and profits. There are going to be production sharing contracts because it will be very difficult to continue production. Then because there is not enough revenue, the cost will go up and there will be difficulties in servicing the gap. Service companies will also be severely impacted, and there is going to be a lot of unemployment. This is connected to the issue of tax since there is no activity in the oil business.
- The government will have to do a lot of things to stimulate the oil and gas industry. A lot of people will be talking about the relaxation of servicing the gap, and also providing some incentives that would allow their companies to start and roll their activities again.
- There are challenges faced by the government that have to be handled. Because of the low oil price, it is probably going to be difficult for companies to execute their projects. There are going to be project delays, a cut on a number of staff, a stop to any drilling activities, and a halt to explorations. When people like Roberto and Pertamina stop drilling, it will mean there will be not be any additional reserves, and in the future, production will go down. When production goes down, then there is no doubt that Indonesia, as a net importer of oil and LPG, is going to limit its oil export. There will be an increase in import of crude and fuel, and at the end of the day, this will impact the government's deficit.

- However, there are also opportunities that come with a low oil price. Number one, for example, we can buy oil that are priced cheaply and bring it back to Indonesia. But the problem is we do not have enough storage so we cannot take advantage of those low oil prices. The government as well as the private sector then have to think about how they can start building infrastructures so when the oil price goes lower again, they can take advantage of it by importing cheap crude and bring it to Indonesia.
- Number two, the current deficit is caused by the large import of crude, fuel, and LPG. The government will need to think about reducing this deficit. For the time being, the government spending is about three billion in 2019, with import of about six to seven million tons of LPG. Thus, there are some things that the government needs to do, such as developing gas infrastructure in the Eastern part of Indonesia, replacing diesel, and building city gas. Further, there are 1700 megawatts of power plants that still burn diesel, this has to be stopped.
- There is no doubt that the impact of this oil price will be recovered and solved when the oil price comes to 50 dollars, which is also the threshold. Hopefully by the end of the year, it will reach a level where everybody will be able to start again.
- The problem is there are some small production companies that cannot survive, and they might have to eventually file for bankruptcies. So, these are some things that government banks can do, such as doing merger and acquisition just to help these companies to survive in the next six to seven months. However, this step has to be discussed and implemented thoroughly.

Dr. Dino Patti Djalal:

- Before I move to Roberto, I just want to ask you, as someone who is in the industry, did anybody predict that the oil price will go this low last year?

Susilo Siswuotomo:

- Nobody predicted that we would have the kind of price that is this low. When we had a negative WTI, it was because some of the most major oil fields are old oil fields, and they had to take a total cut of water to over 96 to 97, or 98 percent. If they stop production for the time being, they will never be able to produce that oil again. Thus, rather than stopping the oil production, they told people to just take the oil for the next three to four months with a negative in order to keep it flowing.

Roberto Lorato:

- I want to provide a high-level view of how a company reacts to challenges of this nature. Pak Sandiaga was very right when he said that there are two black swans happening at the same time. No one expected to see the oil price collapse with a nature and extension that happened so suddenly.
- Let us take a quick look, as pragmatic as possible, at how the oil and gas industry reacts to this situation. We have two global shocks. Global is an important word here because this is just not a crisis that is infecting a single industry or a single country. It affects everyone and every single community for the first time ever, probably.
- The first global shock is of course the COVID. We have heard about these implications from the community's perspective, but from the industry's perspective, this means that demand for energy is collapsing very quickly, manufacturing facilities are shutting down, and there are logistical disruptions probed by the fact that people are being quarantined, transportations are being stopped, and supply chains are stricken, and in some cases are being disrupted. At the same time, you have the low oil prices, which is of course the result of COVID and the untimely price war between and within OPEC plus. The oil price moves from 65 down to 20 in a couple of months.

- So if you are sitting in a company, and you have to balance your revenue and your cost, the first thing that immediately hits you is your liquidity, and you will have a situation where your profitability is the headline, but the emergency on a daily basis is the liquidity. Without liquidity, there is no ongoing business.
- Therefore, what you would want to do is you keep your expenditures, CAPEX, and OPEX - and all of this is what we call technically as discretionary spending. You would not keep what you have contractually committed, but you would keep everything else.
- For example, for 2020 what Medco has done so far is reducing our CAPEX spending from 340 million to 240 or 230 million. So over 100 million CAPEX will already be removed and deferred this year. OPEX will be cut in the short term by 15 to 20 percent so the percentages indicated by Pak Sandiaga were actually quite close to reality.
- These are the challenges that we have to confront. Now what are the implications? Mainly they include lower demands from energy players as a result of reduced mobility and people being in quarantine. Consequently, this will reduce and defer the demand for oil.
- We should also start looking into some player opportunities to secure long term contracts that have attractive prices. For example, some players in the downstream have been taking advantage where they increase their storage capacity. This is what other countries, such as China, have been doing. It is a pity that Indonesia does not have a larger strategic storage.
- On the supply side, the oil and gas companies, as well as service companies are financially stressed. They are facing potential bankruptcies which will happen very quickly.
- Reduced production capacities and the fact that logistical disruptions are occurring also means that there is a lead time both in terms of work plan and what you can actually do to expand it.

- You cannot count immediately because some people might not be available, and the supply chain is disrupted. For example, in one of our operations in Thailand, we were ready to commission some new compressors, but we had bought the equipment from China and we need the Chinese engineers to complete the commissioning, but they could not. So, there are these the sort of operational challenges that you have to face.
- Looking ahead, what would be the business outcomes that you would expect out of this? Some companies will be inevitably reviewing the cost structure and start restructuring the way you work and operate. There will also be immediate cost savings, or I will call them cost referrals. However, of course you will have to re-negotiate the longer-term contracts. In this case, because of the peculiarity of the crisis, which is brought by COVID, lead time management becomes a critical factor.
- We cannot count on lead time between a decision and execution anymore, as it has been in normal times. This is because of the logistical disruption that COVID has caused.
- If we try to put this in the context of Indonesia, then you have to ask yourself, how does the oil and gas industry in Indonesia position itself in terms of competitiveness versus other countries?
- In Indonesia, over the past 10 years investments in the oil and gas industry has overall been decreasing. In other parts of the world it has actually been increasing. If you remove those countries in the chart that has been affected by social disruptions, wars and the likes, actually most of the other areas have seen an increase in the upstream investment. Indonesia is one of the few that has actually gone counter to that track. Why is that?
- Over time, the attractiveness of the economy has been deteriorated. Without going into too many details, fiscal terms have not been kept base with the reforms that other countries have been experiencing.

- In regard to the regulatory system, there have been a lot of efforts to streamline, but it is still quite lengthy when you compare it to other countries that also compete with Indonesia for oil and gas.
- The third element is the uncertainty. Far too many changes in the regulatory environment were done in such a short time, and this have tainted and reduced the level of comfort and assurance that investors are looking for.
- Changes have to occur, but in an industry that has a high risk profile and huge investment profile, as well as longer time between expiration and production where you risk your money and production when you are finally able to harvest your return – throwing regulatory changes will actually disrupt the natural flow.
- However, the oil and gas in Indonesia remains a big contributor to the economy, in term of contribution to the state budget. However, it has been decreasing over the years. Now a decrease in percentage is probably a good sign because it means that Indonesia's economy is growing, becoming much more diversified, and not as dependent on oil and gas as it used to be 20 years ago.
- However, if you look at it in terms of actual money, then maybe that reduction is a little bit too drastic. There is an increasing gap between the demand of energy and the domestic supply of energy, and this means that Indonesia is exporting more and more expensive products, which would only further deteriorate the trade deficit.
- Again, this is an industry that is not just about big investment, but also about a lot of people involved in the process. it is about a lot of highly skilled professionals who contribute a lot of knowledge such as managerial law knowledge and sophisticated logistic knowledge that can be applied across other industries for the benefit of the country.
- So that is why I think the oil and gas industry is not only strategic for Indonesia today, it will always remain strategic. This is not just for the products we provide to the country, but also for the knowledge that we can develop for the communities.

- A factor that we have not mentioned today is energy transition. People are now debating that post-COVID is the right opportunity to move from the oil and gas and invest everything in renewable energies. I will say that this is not necessarily the case.
- We are also investing in things like geothermal or solar, but essentially, some rules of the game in attracting more investors in the oil and gas industry is also applicable in this industry. You need to be competitive, and you need to have a regulatory environment that is simple and trustworthy. You need to provide interested investors with an environment where there is certainty and stability.

MODERATED DISCUSSION

Dr. Dino Patti Djalal:

- Let me begin with a question about the oil price, specifically the BBM price. In the last two months, ASEAN countries have repeatedly reduced their domestic fuel prices, but Indonesia has not done that. What are the pros and cons in reducing domestic fuel prices and maintaining the current prices? Is this a good move or not so good, and why?

Roberto Lorato:

- Efforts by the government in reducing fuel prices in order to support the domestic economy are good in terms of intention. It is also probably necessary for the government to maintain, and even improve the competitiveness of the country's economy, especially if such measures are dedicated to the manufacturing industry who will then export its products. So, you need to find ways to supply the economy with a safe and affordable energy.
- Now the way you do is often the tricky part. If you ask a supplier to reduce its price, that is not going to be helpful in the long-term. Probably it would be helpful in the short-term, but investors will go away.

- Thus again, the Intentions are good, but it is important to figure out the right way to do it, without penalizing these companies who have actually invested and been developing these resources.

Susilo Siswoutomo:

- Yesterday I talked to Pak Yudi of BPH Migas about monitoring and controlling the price of the BBM and its demand. Based on the latest information, the demand for fuel is falling significantly, I think between 50 to 60 percent. If we are talking about the price of the BBM, then there are several sectors that will be affected, such as the industrial sector, including the PLN, the transportation sector, including land and sea transportations. However, because of very low demand, this does not have a lot of impact. This is mainly because of the PSSB which cause people to travel less using their motorized vehicles.
- If we are talking about setting the BBM price, then we are talking about implementing a long-term strategy. In this case we are using the weighted average of the year. Pertamina, as the major supplier of the BBM, does the processing of the crude. However, such processing has taken place and the crude has already been imported about two to three months ago. At the time, the price of the oil was going up and down.
- This is why when the price of the oil goes up, Pertamina cannot immediately raise the BBM price. The component of the crude price in the BBM price is about 60 to 70 percent, and the rest includes the processing fee, transportation fee and logistical fee.
- On top of that, Pertamina also has to do the public service operation where they have to provide all of the infrastructures to distribute and provide fuels for people no matter where they are.

- Pak Jokowi has already set a “one BBM price for all” policy for Indonesia, and it costs Pertamina a lot. At the same time, other competitors like Shell, AKR, and also the other BBM distributors have not provided some sort of infrastructure. They have not been pushed or asked to provide such services. The cost to provide PSO for Pertamina is indeed very costly, and this cost is included in the price of the BBM. In other words, Pertamina cannot simply reduce the cost as it would like.
- Going back to Roberto’s previous statement regarding the need to deal with our strategic reserve, we are not prepared to do that since Pertamina itself is still struggling with its operational reserve.
- So, the cons of not reducing the fuel price for the time being is the government’s public image. Pertamina will receive a lot of complaints from people, though it is not much compared to other countries, like Malaysia and Singapore. We have to remember that refinery in Singapore is using the latest technology, and it is very efficient. The cost per barrel is much less compared to Pertamina’s cost per barrel. In the meantime, the government has to be patient with complaints from the public.

Sandiaga Uno:

- First of all, it is tough. The government is determining the prices and there are severe pressures on the government’s budget. Politically, it is also very difficult because right now it is very stable, and the president has almost unanimous support from the parliament.
- However, the fact that crude prices have practically increased to half of the original price in the last two to three months – we have to give an explanation to the people. Article 33 of the constitution actually states that if it comes from the soil of our beloved country, then it should be for the benefit for the people.

- Lower fuel price will actually help when other prices like food and sugar are high. I was informed that the President is complaining about the reception of 72% of Indonesians who are bearing the high cost of living. In this case, you can ease the people's burden by reducing the fuel price.
- In the end, it is the government's decision. Right now, we need to make sure that Pertamina will be helped by more equity injections by the government during this difficult time. Leadership must decide.
- If I were to make decisions when the oil price is up, I would probably increase the price right away, but the question is what type of oil or fuel price that we could adjust so Pertamina can still deliver its public service operations and upstream activities?
- If the price is stabilizing at 30 to 40 dollars, I would start doing modelling so there would not be much impact to the people. Essentially, if we could lessen the burden to the people, it is going to be the right policy decision.

QUESTION & ANSWER SESSION

Dr. Dino Patti Djalal:

- Audience question from Firman Mahsudi. "What is the government's initiative to increase storage capacity of crude oil or strategic reserves while the price of oil is low?"

Susilo Siswoutomo:

- Pertamina has a very limited storage capacity that is not enough to store all the crudes that they purchase. For the time being, most of the crudes coming within the next two months delivery is stuck outside of Indonesia. Thus, together with the private companies, we are trying to increase the tankage storage in the country so that whenever a purchase is made, it can be delivered straight to our storage.

- So far, we are in need of additional 2.8 million kilo liters of storage capacity, which can cost several billion rupiah. Our current capacity only allows us to hold for several days' worth of crude.
- Therefore, even if the current oil price is in the lows of \$20, our purchase will be stored in Malaysia, Singapore, and the Middle East, whereby one month from now it will be delivered to our country. Due to this, inevitable transportation fees will also incur. We have a joint program with private companies to push the government to invest in storage capacity building since 2014 and we are not giving up. However, again, for the time being this is just impossible.

Dr. Dino Patti Djalal:

- We have a question from Winda Aulia, who works for an oil and energy service company. "Do you think there will be a shift in the industry once the pandemic ends?"

Roberto Lorato:

- If the question refers to a shift towards more extensive use of working from home, possibly. The kind of shifts taking place will depend very much on what we are focusing on. If the question refers to the acceleration in investment in renewable energy, as opposed to the traditional ones like oil and gas, I think this is a possibility. However, this will again depend on whether the investment will offer attractive economics, which is the same law for every other investment.

Susilo Siswoutomo:

- With the COVID-19 pandemic and the oil price collapse, the oil industry will be forced to be more efficient. They need to find ways to work efficiently with less cost as well as adapt with safety protocols that will have to be imposed during working hours, be it on onshore or offshore duties. Workers in this industry normally works two weeks onshore and offshore interchangeably.

- Perhaps companies will start thinking of distributing these duties on a one-month intervals. Of course, there is no doubt that the service companies will have to struggle with this. These are the kind of adjustments that will have to be made.
- Hopefully, after this pandemic is over and oil price has recovered, activities within the industry will soon pick up. There will be impacts for sure, such as that was mentioned by Pak Sandiaga and Pak Roberto, in forms of concessions such as delayed projects and drillings to the following year. Consequently, this will impact activities in the service companies and so on and so forth. Thus, they will have to cut some costs.

Dr. Dino Patti Djalal:

- Since President Jokowi's election, the President has always expressed his discontent on existing over-regulations and has taken action to cut excessive and unnecessary regulations. Why is it that oil and gas companies have continued to express dissatisfactions with this particular issue?

Susilo Siswoutomo:

- As I used to be a player in the oil and gas system, one of the problems that I encountered was bureaucracy. Complaints come from the slow approval process. I used to work for *SKK Migas Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi* and I can say that their responsibilities are very easy. They have to instruct production sharing contract and speed up the approval. These are the kinds of things that will help the industry to ensure activities remain rolling.
- At one point in time, well-drilling approval takes about one-year time. If this can be done in two months, we can say that we are saving Pak Roberto (as an example of an oil industry company) ten months of operating expenses. Indeed, these are the things that should be done: speed up the approval process, make it easy, and be more transparent.

- Despite the government's efforts to cut red tape activities, there are still too many hindrances that slows down project execution whereby the money is there to be made. I am sure that come the end of this pandemic, the government will have to take action in cutting down red tape bureaucracies. As it takes several ministries to complete the approval process, there needs to be inter-cooperation for this to be done quickly.

Sandiaga Uno:

- I came from the private sector, so I had a large agenda related to streamlining some of the bureaucracies. I saw it with my own eyes how bureaucracy really stifles whatever reform you are trying to make. It is not because of a particular person, it is the system that has been allowing some people to save their own jobs, including the perks that come with it. Sometimes it takes leadership to make a dramatic move from just cutting down regulations to moving forward with having more supervisions.
- For instance, you mention about what to do in terms of the impact of the oil price crash on storage capacity. We have been talking about this for so long, but the required approvals or permits at the local and central level is really mind boggling. For players like Roberto, who has been investing in other parts of the world, it does not make sense.
- Thus, if we are moving to supervision and having less regulations, you would see how companies would have more incentives to invest and increase their storage capacities. This applies to not just the SOEs, but also the private sector.
- This is very interesting because if you increase your storage capacity, there will be more refining capacity seats. Lower oil price is good for Indonesia because we are reducing our import. Right now, we are importing about 350,000 barrel of oil per day, but the state revenue remains low.

- Therefore, we need more innovative ways in terms of increasing our storage capacities. For instance, why don't we acquire more storage capacities elsewhere, so when there is another exogenous shock, we can take advantage of the situation? You should not waste a good crisis like this.
- The oil and gas industry have been always adaptive to change. This time it would be no different. There are great thinkers in the oil and gas industry, as well as advanced technology that will help the industry. I am optimistic that we will see this new reality be adapted quickly.

Dr. Dino Patti Djalal:

- I think all the panelists agree that bureaucracy is indeed the problem. The reason why red tapes are so difficult to get rid of, in my opinion, is because it gives bureaucrats a sense of importance and it facilitates under-the-table dealings for government officials. I noticed this as I was in the government as well.
- We now have a question from Ian Karunia Krishnanda Setiadji, a media analyst. "Given the recent situation, do you think this is the perfect moment to invest more in renewable energy? Will this be a new trend in the future for other countries as well?"

Sandiaga Uno:

- Yes indeed, I think a lot of oil and gas companies have already branched out to new renewable energies, like the utilization of solar and wind power. Advanced technologies have also made it possible to bring the cost down. Would it wipe out the oil and gas industry? We do not know yet, but for now it seems like the two can coexist side-by-side.
- I think a lot of people, especially in Jakarta, are realizing that the air quality is so much better now (during the PSSB). We can see blue skies again. It is a good time to invest in clean energy.

Susilo Siswoutomo:

- Developing renewable energy will undoubtedly go hand in hand with activities in the oil and gas business. Under the energy plan, the energy mix of new and renewable energy by 2025 is expected to be at 20%, like Pak Sandiaga has mentioned. Investing in renewable energy using our own resources will be very good for the country. It has actually started, with the use of biodiesel, solar, and geothermal; these are all increasing with time. MEDCO's Sarulla Geothermal Project is a good one, for example. This will also give different alternatives for the people in providing electricity as well as encouraging local communities to start using available resources in their area to provide their own needs so that they will not be wholly dependent on oil and gas alone. The government has provided some kind of incentives to do this so hopefully this will be good in the future.

Dr. Dino Patti Djalal:

- We have an audience question from Rachmat Abdoellah. "Would there be interest to have partnerships with Singapore or Malaysia to build the storage and refinery capacities?"

Susilo Siswoutomo:

- Definitely. Singapore and Malaysia built a lot of storages and we have used it in the past. There are also a lot of companies who have shown interest to develop infrastructure storage in Indonesia. However, the government will first have to be open to the idea. There are ways to do this at no cost to the government, by providing some kind of bonded area whereby the storage will not only service Indonesia's oil but also possibly for other countries, so the cost of building can be shared. Pertamina can contribute also, for example, by leasing some of the capacity of the storage.

- We have been talking to the House of Representatives (DPR), state-owned enterprises (SOEs), and so on but as for the moment, the process is very slow. Collaboration is definitely possible because Indonesia has to add at least 2.8 million kiloliters for crude oil and several million kiloliters for BBM (domestic oil). This is needed in case of emergency; if we store our crude outside of Indonesia and due to external factors, a blockage was to happen, we will not be able to survive it.

Dr. Dino Patti Djalal:

- The next question is for Pak Roberto from Akhmat Sadewa Suryahadi from *Harian Kontan*. “As a player in the oil and gas industry, what is the impact of weakening oil prices on MEDCO’s performance?”

Roberto Lorato:

- As for every company, when your revenue stream reduces because your output sales is also reduced, you will suffer in your financial performance. In the case of falling oil price from \$60 in January to now \$30 to \$35, even after some recovery, you will expect that your finances will be impacted. If your margins are being squeezed because oil prices are so much lower, you will need reduce your costs to recover margin loss.
- In the short-term, costs that do not have to be incurred immediately need to be deferred in order to preserve your liquidity and margins. In the long-term, you will have to find ways to be more cost-efficient, in the case that prices will not recover to its initial stage, which is quite possible. I tend to agree with Pak Sandiaga that perhaps \$30 to \$40 will be the new normal, if prices cannot go back to \$60. I also agree with Pak Susilo that the industry will have to adapt and transform itself to become even more cost-efficient.

- The difference between today's crisis and the one that we faced in 2014 and 2015 is that we were able to extract a lot of cost savings by rationalizing supply chains and logistics. However, we were moving down from prices that were \$100 to \$60 back then. Currently, we do not have much room to play because we are moving prices from \$60 down to \$30.
- Therefore, it leaves us with two main components. First, is new technologies and possible new aggregations between companies. Perhaps we will see more mergers and acquisitions (M&A) around the world. Second, individual countries who want to protect this industry will have to provide a framework, a regulatory environment which is more competitive.
- I am not a proponent of less strict regulations as I believe that strict regulations on safety and emissions are important, they should be even stricter over time. Instead, it comes down to red tape, like in Indonesia, whereby it still takes too much time to approve an investment. Studies done by the industry a few years ago show that exploration success in the Gulf of Mexico and its production takes three to four years whereas in Indonesia, it takes ten years. The gaps of these parameters will have to be closed and this will give a big improvement for the players.

Dr. Dino Patti Djalal:

- We have a question from Farid Hariaman. "I think the blueprint of energy resilience is not working, where is the National Board of Energy (Dewan Energi Nasional)?"

Susilo Siswoutomo:

- The board develops strategies and fixes energy mix and so on. However, they are not the executor, they are the strategists. At the end of the day, the government is the one who implements programs within the National Energy Plan (Rencana Umum Energi Nasional). Again, it comes back to the implementation part and whether there are budgets available for this.

- I know that they are working and have provided some numbers, but this will mean nothing is said numbers are not realized. The Ministry of Energy and Mineral Sources along with other ministry stakeholders and players will have to work together to realize the program outlined on the strategy plan.
- The original plan which denotes that the composition of geothermal will have to reach 10% by 2020, requiring at least 600 megawatts per year to do. In reality, we have only reached less than 100 megawatts per year. Between plan and execution, there is indeed a big gap, and this is true for every level.

Dr. Dino Patti Djalal:

- The last question from our audience is from Ananda Idris. “A sound long-term energy policy be required to manage these issues. Would a new energy law be in the making by the present government? Do we need one?”

Susilo Siswoutomo:

- The Law No. 11 / Year 2001 is still being revised and is currently being negotiated back-and-forth between the government and the House of Representatives. The draft has been reviewed several times but as to when it will be finalized, we do not know yet. The government thinks that the new law will have to be enacted. At the end of the day, hopefully before it is finalized, the government and its representatives will have to listen to stakeholders such as Roberto. Otherwise, we will go back to square one eventually.

Sandiaga Uno:

- I am not optimistic about the expediency in terms of introducing new laws under this very busy legislative season. I guess this is mostly a political challenge. If you do not propose it under the right time, you would not have good sponsors of the bill that would help move the pieces around more expediently between the government and the parliament.

- I will work with what we already have at the moment, especially considering that even if you have the law successfully passed, you will still have to wait for some more years for its implementation.

CONCLUDING REMARKS

Sandiaga Uno:

- At the end of the day, we need to ensure that we assisted the new normal for oil and gas, in particular to save jobs. We have thousands and even more, if we count the multiplier industries below the services and all the other sectors impacted by oil and gas. This is a very difficult and hard time, so we need to have put our heads together, pray, stay positive, and continue to be optimistic. This too shall pass. Let's take our calm in the storm and come out stronger. Thank you very much.

Susilo Siswoutomo:

- The role of oil and gas industry in the Indonesian economy is, no doubt, very big. The current pandemic and oil collapse will force all stakeholders to be more efficient and adjustable to the new-normal, with less revenue and profits.
- The government will also have to think about ways to encourage this industry to keep being active along with cutting down red tape and expediting process in order to bring up new reserves, maintain production, enhance oil recovery from the reservoir onto the surface for the wealth of the people and to provide energy to Indonesia.

Roberto Lorato:

- The oil and gas is a strategic industry for Indonesia today and it occupies, both directly and indirectly, hundreds of thousands of the people. When you look at the impact on various sectors, it is huge as the economy and individual well-being is directly correlated to the amount of safe and cheap energy available.

- This industry can still attract investments, increase state revenues, reduce imports, open new jobs, protect current jobs, and therefore also reduce current account deficits.
- Renewables are a good thing. However, we do not need more renewable energy, we need cleaner energy and thus measure which source is cleaner. I am optimistic that we will find ways so long as we stay pragmatic and stay focused on what really needs to be done and what can feasibly achieve, then we can all work together to move forward.
- At the very beginning Pak Sandiaga appealed to rational policymaking; in order to make that happen, we need to have higher cooperation between all players. If we are facing global challenges, we need to have more global coordination than we have seen, I'm afraid, over the last few months in the world.