ABSTRACT

One of current important issues in Indonesia oil and gas industry is monetize undeveloped gas reserves. Many factors influence the gas monetization process, that are, gas reserves size, gas marketing target, gas development costs, infrastructure availability, field economics, development technology, buyers availability, domestic or export target and government/contractor share optimization.

A major issue in Indonesia oil/gas industry is declining oil production reduce oil government revenue, but in the other hand, government need money for national development.

Oil government revenue still play important role to the state national budget although current oil reserve is lower than gas reserve.

Government should make any efforts to formulate national gas policy with the objective to optimize government revenue from existing gas reserve (both developed and undeveloped gas). National gas policy should focus on gas pricing and gas utilization to optimize potential high government revenue from existing gas reserves.

National gas policy should also be directed to balance gas government revenue and benefit to the country, balancing gas allocation to domestic and export market which able to optimize government revenue.

National gas policy framework focus on following areas:
1. Gas government revenue optimization: optimize government revenue from existing gas reserve, and accelerate gas monetization approval process of undeveloped reserves.
2. Balancing government and contractor objectives: government and contractor objectives alignment, use win – win solution approach, and ensure contractor investment return
3. Gas supply: increase national gas supply, sustainable gas supply, gas production optimization and accelerate unconventional gas development.
4. Gas Utilization: portfolio energy efficiency, energy diversification and energy conservation
5. Gas Allocation: focus on government revenue optimization, optimize field development economic, domestic vs export allocation, and infrastructure availability
6. Gas pricing: gas price based on consumer and producer agreement, optimum field economic gas price and attractive to investor.

Government should have a clear and strategic planning to increase gas sales volume (both export and domestic sales), defining gas pricing policy, managing gas allocation to domestic market and export, managing gas utilization with other energy sources such as geothermal, coal etc.

Existing fiscal terms review is also needed to increase government and contractor revenue.

In monetizing undeveloped reserves, field development economic play an important role. The contractor will develop gas field project if economic return target achieved. Gas field development project postponed until economic return target achieved. Current gas field development constraint is low domestic gas price which is caused by domestic gas buyer ability.

This paper discuss an incentive mechanism between domestic gas and export gas to optimize gas government/contractor revenue.

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