



INDONESIAN PETROLEUM ASSOCIATION

2015 ANNUAL REPORT

44th ANNUAL GENERAL MEETING

JAKARTA, 2 DECEMBER 2015

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SECTION 1

INDONESIAN PETROLEUM ASSOCIATION

PRESIDENT'S REPORT - 2015

by

Craig D. Stewart

On behalf of

IPA Board of Directors

December 2015

www.ipa.or.id



INDONESIAN PETROLEUM ASSOCIATION

President's Report for 2015

INTRODUCTION

The past year has been extremely traumatic for the global oil and gas industry. With oil prices collapsing in the last quarter of 2014 to \$50 per barrel, the industry was expecting prices to gradually firm through 2015 and 2016 to sustainable levels of \$70 to 80 per barrel. Prices did rise to \$65 per barrel for most of the second quarter but then dove to \$40 per barrel by November challenging the “conventional thinking” that prices would recover in the medium term.

This phenomenon has not been limited to the oil market as spot LNG prices to North Asia have dropped from \$18 to \$7 per mmbtu and Henry Hub prices have dropped from \$4 to \$2 per mmbtu in the same time frame.

The industry is now beginning to believe that prices could be low for a prolonged period. This realization has forced oil and gas companies worldwide to restructure their operations, organizations and investment plans in order to create sustainable businesses under this new reality. This is causing significant upheaval and pain in the industry.

The irony of this predicament is that “we have become victims of our own success.” The crash in oil and gas prices has been due to tremendous success in finding and developing new sources of oil and gas encouraged by high prices over the past decade. This includes North American shale oil and gas, Canadian oil sands, deepwater developments and massive LNG projects around the globe. With the slowing of the global economy the world is now experiencing a glut of oil and gas.

The difficulties facing the global oil and gas industry in adjusting to this new business environment have to some degree overshadowed the changes underway in the Indonesian oil and gas industry.

REFORM OF THE INDUSTRY

In October 2014, the Jokowi government came into power with the goal of instituting reform across the economy. Included in this reform agenda was the energy industry and specifically oil and gas.

As we all know, even prior to the industry downturn, precipitated by low oil and gas prices, the Indonesian oil and gas industry was in dire need of reform in order to meet the growing energy needs of the nation. A decade of poor exploration results, increasing bureaucracy, regulatory uncertainty, difficulties in gas commercialization, long project timelines, criminalization, land acquisition and local government and community issues all contributed to a decline in the attractiveness of the industry and falling oil and gas reserves and production.

Given the backdrop of the current industry downturn, challenged project economics and competition for limited capital, the need for industry reform has become even more pressing for Indonesia.



To drive reform in the industry, the government assigned strong and principled leaders for the industry: Sudirman Said as Minister of Energy and Mineral Resources, Amien Sunaryadi as Chairman SKK Migas and Wiratmaja Puja as Director General Migas. The government set up an Oil and Gas Governance Reform Team chaired by Faisal Basri which worked for more than six months on reform recommendations to the government.

In meeting with these leaders early on, what became apparent was that industry and the government were aligned on which issues needed to be addressed to revitalize our industry.

During 2015 IPA has endeavoured to partner with the government to address these issues. What has been accomplished in reform efforts for the industry over the past year?

- **Transparency and Reputation**

A major priority for the government is to improve the reputation of the energy industry which had been tarnished during the last few years by corruption cases against government officials leading the industry. This has resulted in improved governance within the government agencies and an effort to root out corruption through new regulations. We fully support and applaud the government for the progress made so far on this front. The challenge we face together is to drive this cultural change through all the institutions we deal with down to the local government level. This has been one of the causes of the industry moving slowly in the execution of our projects as we instituted a no-tolerance policy. SKK Migas has been a solid partner in helping us implement this with local governments and local communities in our operating areas.

- **Bureaucratic Streamlining**

During the year the institutions SKK Migas and Migas have recently undergone significant organizational restructuring and we hope these efforts will help with streamlining bureaucracy and improve decision making which has been hampering the industry. Processes are being revised, such as the recent PTK-007 for procurement, to provide more transparency and push more decision making into the PSCs. There have been initiatives to reduce the number of permits for the industry and create a one stop service at BKPM. This effort needs to continue and we recommend a thorough review and re-engineering be performed of how we regulate and manage this industry in the effort to streamline, simplify and speedup to meet the challenges we face. The focus now needs to be on increasing production and exploration and not reducing cost recovery, which has been too much of the focus in the past.

- **PSC Expiries**

The uncertainty around Production Sharing Contract expiries has been a major issue for the industry as a large portion of the country's production is with PSCs expiring in the next few years. There are also some very large discoveries that have not been able to be developed due the remaining term of the PSC being too short. A new Ministerial Regulation was issued in 2015 to provide transparency in dealing with expiring PSCs. This a major step forward. The implementation of this regulation over the coming years will be critical to the industry. Given all the issues facing the industry, it has become difficult to commercialize new discoveries within the term of the PSC.

- **Gas Governance**

The Indonesian gas industry is going through a significant change as it transitions from predominately an export market to supply the growing domestic market including being a major contributor to the government's 35,000 MW Program. Domestic gas pricing is evolving to provide economic returns to the industry to allow this transition to occur. However there have been problems with this transition. The commercialization process has been very slow delaying development projects. In some cases the domestic infrastructure or market is not ready and unplanned gas curtailment has occurred hurting the economics of development projects. Midstream economic returns have not been optimized causing high prices to the end user.

This is a complex situation to address. The Ministry has taken the initiative and is working with all stakeholders in the gas business to create new regulations in an attempt to address these issues. However we are concerned about the direction of this and are engaging with the Ministry to ensure that regulations are put in place that encourage development of the industry. There is no more cheap gas in Indonesia. Most gas projects are either remote, in deepwater or marginal and many of these projects will not be economically viable without the upside of future increases in commodity prices. This upside needs to be maintained in the upstream part of the gas value chain as this is where the risk is taken on.

On October 2015 the Government issues the Minister Regulation number 37/2015 replacing the Minister Regulation number 3/2010 regarding Gas Allocation and Utilization in more detail and more prescriptive. The main concern is on how upstream production will be allocated mostly, if not all, to the State Owned Enterprises (SOE) and Region Owned Enterprises (ROE), a significant change from the current law and regulations on 25% DMO for gas. After discussions with the Government, IPA and Companies were requested to send input on the concerns related to the regulation for potential revision of the regulation.

- **Encouraging Exploration**

The long term future and growth of our industry is dependent on an active industry exploration program. Indonesia faces very stiff competition in attracting exploration investment especially given the current low price environment. Interest in exploration in Indonesia nosedived in 2013 due to the Land and Building Tax issue and has yet to recover. This is due to many factors including fiscal terms which are too onerous for the geological potential but also all the factors previously discussed. To tackle this broad issue, the Minister established the National Exploration Committee made up of government and industry and chaired by Andang Bachtiar. This committee is is tasked with reversing this trend and increasing reserve replacement ratios. Recommendations to the government on regulations, fiscal regimes and geological data are being formulated by the committee.

- **Unconventional Oil and Gas**

The shale revolution in North America is a great analogue for Indonesia to try and replicate. The US had very mature basins, declining production and was the world's largest importer of oil. Within a decade the US has become self-sufficient in oil and gas due to this success. However that industry is very entrepreneurial and fast moving and our bureaucratic and highly regulated

system would not allow us to replicate that success in Indonesia.

The IPA has worked throughout 2015 with the Ministry and SKK Migas to revise the regulatory framework to support this dynamic opportunity. The fruits of this effort so far is the recent issuance of MEMR Regulation No. 38/2015 on the Acceleration of Non-conventional Oil and Gas Development which allows for three different forms of cooperation contracts including: (1) Conventional PSC, (2) Sliding Scale PSC and (3) Gross Split Sliding Scale PSC. It is anticipated that adoption of the Gross Split PSC will result in a less bureaucratic environment but much remains to be done to ensure this.

- **Financial Regulations**

The industry continues to be impacted by new financial regulations which may be detrimental to the economic well being of the industry and/or cause regulatory uncertainty. A significant amount of effort in 2015 has been spent dealing with some of these regulations.

Early in the year the Ministry of Trade issued a regulation requiring Letter of Credit for export of oil and gas. This was in violation of export Gas Sales Agreements and potentially added cost and administrative burden to the export of oil and gas. The IPA worked closely with SKK Migas and ESDM and was successful in eliminating this requirement.

The Bank of Indonesia issued a regulation requiring Rupiah to be used for all cash and non-cash transactions in Indonesia. This regulation is unrealistic for many aspects of the oil and gas industry including many products and services and for the sale of oil and gas. The IPA is currently working closely with the Bank of Indonesia and SKK Migas to determine which transactions can be accomplished in Rupiah and which need to remain in foreign currency. SKK Migas and ESDM have communicated to Bank of Indonesia, explaining the impact and requesting Bank of Indonesia to give exemption to Oil and Gas industry or delay the implementation for a detail review. Finally Bank of Indonesia agrees to give limited exception by categorizing the transactions into 3 categories :

- Category 1 : transactions that immediately need to use IDR
- Category 2 : transactions that need further assessment
- Category 3 : transactions that allowed to use USD

The status of PBI 17/3 implementation up to 31 December 2015 are as follows:

- Bank Indonesia agreed with the proposed category 1 transaction;
 - › All transactions beyond the list of transaction that fall under Category 1 (“Category 1 Transaction List”) shall be continued as it is;
 - › For all transactions which already in IDR must not be changed to USD; and
 - › For all transactions that currently still using USD are to proceed with USD.
- Assessment result on the list transaction that fall under Category 2 (“Category 2 Transactions list”) shall be submitted to Bank Indonesia before 31 December 2015; and
- Bank Indonesia requested SKK Migas and KESDM to submit the list of transactions that falls under category 3 (“Category 3 Transaction List”) in details including the period and the justification.

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- SKK Migas will initiate the Category Transaction List to be submitted to KESDM on 23 November 2015 and further submission to Bank Indonesia will be on 15 December 2015. Based on the latest meeting between SKK Migas and KKKS on 4 November 2015, will be made based on general approach mechanism.

After nearly two years of advocacy and intensive communication the VAT exemption for importation of goods during exploitation phase was granted in Ministry of Finance regulation PMK142/2015.

In late 2014 the Ministry of Finance issued VAT Reimbursement Procedure, PMK 218. PMK 218 has caused a detrimental economic impact by creating long delays in receiving VAT reimbursements and in some cases VAT is no longer reimbursed but is cost recoverable. The IPA has taken steps advocating the issue of PMK 218 to SKK Migas, National Exploration Committee, Presidential Executive Office (Bina Graha), Ministry of Finance and the Media.

- **Revision to the Oil and Gas Law**

IPA continues to support the amending of the current Oil and Gas Law to conform the decisions of the Constitutional Court taken in November 2012. It is important that the legal framework to be established for the upstream oil & gas industry, including the new PSC counterparty which will represent the Government in the PSC, meet the constitutional requirements which were laid out in the decision of the Constitutional Court, so as to minimize the risk of future challenges.

During the year IPA was invited to work with the Ministry on a draft for the new Oil and Gas Law and our comments have been provided. The schedule for completion of this is uncertain but IPA will endeavor to continue to be involved in the drafting with the goal of providing legal certainty and improving the oil and gas investment climate in Indonesia.

- **Criminalization of the PSC**

The criminalization of the PSC (the Chevron Bioremediation case) has still not been resolved and continues to create a high level of anxiety among the PSCs and their employees.

As the PSC is a business contract, IPA's position is to continually emphasize that disputes arising from PSC project implementation, when shown to have been undertaken in compliance with applicable laws and regulations, should be governed by the dispute resolution process under the terms of the PSC which are based on civil law principles, not criminal law. This misperception, which started in 2009 by including Cost Recovery as part of the State Budget and subsequently embedded in the State Budget Law, should be rectified to avoid misinterpretations and create further uncertainties.

The IPA continues to urge the Government to stop the criminalization of the oil and gas industry as it will have wide ranging consequences and negatively impact Indonesia's need to attract more investment in the energy sector.

Throughout the year, the IPA Board and its Committee members have worked intensively with the government to reform and revitalize the industry. The efforts of the Board and the

Committees are further elaborated in this report and their respective committee reports enclosed in this 2015 Annual Report.

- **De-Regulation Package**

Government of Indonesia has issued 6 Economic Stimulus Packages until end of October 2015 in order to strengthen the economic condition and improve the investment climate of Indonesia. However, none of those Economic Stimulus Packages made any meaningful impact to the Upstream Oil and Gas industry. Accordingly, the Presidential Staff Office has requested that the IPA submitted a proposal for deregulation package for the upstream oil and gas industry specifically on those regulations that IPA deemed to be problematic and hampered the oil and gas investment climate.

Subsequently, IPA sent its proposed deregulation package which consist mainly the following 7 issues:

1. Tax Related Regulation: PMK 218 on VAT reimbursement, Land & Building tax, Joint Facility & Cost Sharing, tax on parent company overhead and technical services, Correction on Cost recovery
2. Government Regulation No. 79/2010
3. Gas Governance
4. Cabotage
5. Obligation to use Rupiah
6. Human Resources in particular related to limitation and the requirement for Expatriates working in Indonesia
7. Permits related to Environmental and Forestry

The proposal is currently being reviewed by the Government for a possibility to be included in the next Economic Stimulus Package. Out of all the issues submitted by the IPA, it appears that their focus at the moment are on GR 79 and Cabotage

- **Cabotage**

IPA fully supports the efforts of the Government of Indonesia in fostering the growth and development of supply of Indonesian-flagged vessels and rigs. However at the present time, the availability of suitable Indonesian-flagged supporting vessels and rigs for Indonesian drilling operations is very limited. It is understood that Indonesian flagged rigs are only available in limited numbers for shallow water operations (Water Depth less than 375ft). No Indonesian-flagged rig capable of working in medium to deep water currently exists. This situation creates uncertainty to PSC Contractors in procuring those types of rigs.

IPA appreciates the hardwork done by SKK Migas team in the past to influence and facilitate the issuance of Regulation number PP22/2011 and Minister of Transportation Regulation PMP 48/2011 including its subsequent amendments (PM 10/2014 and PM 10/2015) that allowed exemption for the operation of certain foreign flag vessels in Indonesia waters supporting Oil and Gas activities. But currently the licence of foreign offshore rigs for operating in Indonesia will be expired by 31 December, 2015. To ensure that IPKA (Permit of Foreign Ships) will continuously be granted, IPA has sent a recommendation letter to SKK Migas to resolve this cabotage issue.

After reviewing the implementation of the government regulation related to Cabotage, IPA believes that if there is no change in the regulation, the Oil and Gas industry will face the following issues :

- Uncertainty in ability to procure offshore drilling rig post 2015 as the exemption for these rigs will expire on 31 December 2015.
- Limited number of Indonesian flagged vessels will be one of the contributing factors to higher operating cost and/or longer procurement process due to the need to do re-tender before allowing the foreign flag vessels to be used in Indonesia operation.

To ensure that Oil and Gas operation will be managed smoothly and efficiently, IPA has suggested to the government to extend the exception for offshore drilling rigs and accordingly to align the validity of IPKA (Permit for Foreign Ship) with the vessel/rig contracts. IPA also suggested to include LNG tankers as exception to Cabotage.

SKK Migas is now in the discussion with Ministry of Transportation to resolve the Cabotage issue. It is expected at the least the exception for offshore drilling rig will be extended before 31 December 2015.

IPA MEMBERSHIP AND OBJECTIVES

Currently the IPA membership stands at 52 Member Companies and 133 Associate Members. As the IPA is predominantly a volunteer based organization whose members contribute their time and resources focused on the principle objective of promoting the petroleum industry in Indonesia, this personal commitment is critical to the success of the IPA particularly during these challenging times for our industry.

The IPA Mission is simply stated:

“To maximize the hydrocarbon potential of Indonesia for the benefit of all stakeholders; the contractors, the Government and the people of Indonesia”

The way we go about delivering our mission is through dialogue and engagement.

- IPA is a Forum for our members and future investors to exchange knowledge, ideas and experiences about the Oil & Gas Industry in Indonesia and worldwide
- IPA is also a Forum to facilitate the dialogue between the Industry, the Government of Indonesia and its agencies
- IPA is a Forum to promote education and knowledge transfer, primarily through our Professional Division. Membership comprises over 2,000 individuals who meet and learn through luncheon talks, short courses, field trips, workshops, technical symposiums and interaction with various Indonesian universities and institutions

Currently, the IPA Board of Directors, comprised of 13 representatives from Member Companies, continue to meet monthly. Included in those meetings are reports from the Executive Director and selected Committee members who periodically update the Board on their committee activities and seek Board input as and when necessary on specific Committee issues.



39th IPA CONVENTION AND EXHIBITION

The 39th IPA Convention and Exhibition 2015 was held on 20 – 22 May 2015 at the Jakarta Convention Centre with the theme ***“Working Together To Accelerate Solutions In Anticipating Indonesia’s Energy Crisis”*** was opened by **H.E. Mr. Indroyono Soesilo, Coordinating Minister for Maritime Affairs R.I.** and **H.E. Mr. Sudirman Said, Minister of Energy and Mineral Resources of the Republic of Indonesia.**

Although the industry was experiencing one of the deepest downturns in recent memory, the 39th IPA Convention and Exhibition was a great success as the event exceeded most of last year’s metrics. Highlights of this year’s Convention were:

- Over 24,000 visitors, including 2,742 registered participants from 24 countries.
- The Exhibition was participated by 180 companies with total booths of 194.
- An exceptional media turnout with 315 media organizations and 638 journalists attending from a range of national, international, local and specialist media organizations.
- The Technical Papers Committee presented 160 Technical Papers, out of 310 Technical Papers received, in thirty six (36) sessions, covering over 160 technical papers and posters from professionals and students on Geosciences, Engineering and Business/Commercial.
- There were 3 Plenary Sessions to discuss issues related on (1) “Indonesia’s Energy Crisis in the New Global Energy Landscape”, (2) “Reforming Oil and Gas Governance towards Achieving National Goals” and (3) “Cross-Sectoral Collaboration in Advancing the National Oil and Gas Sector”, a “Dialogue Session” with Minister of EMR and a Special Session on the “Impact of Energy Sector as Engine of Growth of National Development” with prominent national and international speakers including the Coordinating Minister for Maritime Affairs R.I., the Chairman, Commission VII – DPR, the Chairman of Oil and Gas Governance Reform Team, the National Exploration Committee, the Director General of Oil and Gas, Chairman of SKK Migas, President Director of Pertamina, Acting Chairman of KPK (Corruption Eradication Commission) and senior executives of the oil and gas industry and others.
- The IPA 5K &10K Run and Walk, has generated more than 1000 participants from the oil and gas industry and the general public.

The large number of participants at this year’s convention should be seen as a sign of the sense of anticipation and optimism for the industry in Indonesia. There was however a realization that change is required by both industry and government but that the industry was now aligned with the government and that everyone wanted to make a positive contribution to turn the current situation to a more positive investment environment.

At the Closing remarks the Chairman of SKK Migas highlighted the need for future collaboration and that everyone was still optimistic for the future of the oil and gas industry in Indonesia.

IPA CSR PROGRAMS :

1. **The ongoing 2014 CSR donation** that were gathered by the Professional Division and Communications Committee to 6 universities as allocated last year (2014) were total (“in-kind”) of Rp. 1,883,330,000 instead of Rp. 2,000,000,000 . Status Report on this Empowering Emerging Universities CSR program indicates that Rp.1,769,726,300 out of Rp 1,883,000,000



has been received by 9 universities located in 6 provinces in Indonesia. The remaining amount to be paid for the classroom constructions of the university in East Kalimantan is still ongoing.

2. 2015 - Strategic Investment & Engagement Program :

On 15 September 2015, the Indonesian Petroleum Association (IPA) signed a cooperation Program for the 2015 IPA Social Investment with four local NGOs worth a total of Rp 1.8 billion as a reflection of its commitment and dedication to support the less fortunate communities in the Jakarta area. With this cooperation program it is expected that the four local NGOs are able to implement and plan the program well so our donation will be distributed properly to give direct impact for the community and society. On the welcoming speech, IPA Board of Director Lukman Mahfoedz, said "IPA has a mission to help less fortunate community which untapped by the government programs with partnership together with non-governmental organizations or local foundations. With the main focus program to supports environmental hygiene, improved nutrition, economic empowerment to create and build education infrastructures for the less fortunate citizens in Jakarta. "

The four local NGOs appointed are:

- a) *Perkumpulan Telapak*” where IPA will support the partial financing of the “Galangan Rakyat Cerdas Indonesia” program in the form of training and technical workshops as well as managing the prototype of ships and shipyards involving community groups in the Thousand Islands area, Jakarta.
- b) *“Speak Indonesia”* where IPA will support programs in the training of nutrition and healthy environment in five schools located in Jakarta.
- c) *“Letter D”* where IPA will help create a "Gerai Online"(Online Outlet) to display the home industry results of Small and Medium Enterprises (SMEs) that are supported by the PSC Contractors and scattered throughout Indonesia. In addition, this program would create a communication platform between the upstream oil and gas industry and the public through social media.
- d) *“Yayasan Pengembangan Pendidikan Indonesia”* (YPPi) where IPA will provide financing to develop library facilities for 10 primary schools in Jakarta. Additionally, the IPA will provide scholarships for students in Jakarta and 3 students will receive full scholarships to continue their education at the Oil & Gas and Geothermal institution in Sleman, Yogyakarta.

IPA ACTIVITIES

A. INTERNAL

• IPA BOARD MEETINGS

From January to November 2015, the IPA held 14 monthly Board Meetings including one Special Meeting of Members on 12 May 2015 where all Company and Associate Members were invited to attend and 2 Special Board Meetings. **Average attendance of Board Members at the monthly meetings throughout the year was 66.4 %.**



- **IPA 2015 PLANNING AND STRATEGY MEETING**

- On 26 February 2015, the IPA held its 2015 Strategy and Planning Meeting that was attended by the IPA Board and the Chair/ Vice Chairpersons of all the committees. At this meeting, all the Chairpersons presented their planned activities for this year. The meeting was a good opportunity for the Board and the committee members to discuss, brainstorm and get alignment on the strategy, focus and priority issues of the association in 2015. The followup and next steps to this Planning and Strategy Meeting will be socialized to Company Members in a Special Meeting of Members on 12 May 2015.
- As a followup to socialized this Planning and Strategy Meeting to Company Members, a Special Meeting of Members was held on 12 May 2015, at the Dharmawangsa Hotel. The meeting also discussed issues and assessment on the new Government actions so far, update on the new Oil & Gas Law and on BI Regulation No. 17/2015 regarding the obligation to use IDR Currency as well as on the 2015 IPA Convention preparations

- **IPA FOCUS GROUP DISCUSSION**

There are 2 (two) FGDs organized by IPA in cooperation with Kompas Media Group under the framework of the 39th IPA Convention & Exhibition:

- **FGD I : 23 April 2015**

- › The Theme is: “One Door One Stop Permit Policies for Indonesia’s Future Oil and Gas Industry”.
- › Speakers among others are from BKPM, Mr. Azhar Lubis (Deputy), SKKMigas, Pak Gde Pratyana, ESDM , Pak P.A. Simanjuntak and Ibu Marjolijn Wajong representing the IPA Board.

- **FGD II : 24 June 2015**

- › The Theme is: "Accelerating Bureaucracy Efficiency, Key To Increase Oil and Gas Production and Reserves”.
- › Speakers invited to this forum held at the Dharmawangsa included Pak Zikrullah from SKK Migas, Pak Djoko Siswanto from MIGAS, Pak Andang Bachtiar, Chairman of the National Exploration Committee, Pak Satya Yudha, Deputy Chairman of Commission VII DPR, Prof. Hikmahanto Juwana from University of Indonesia (UI) and Pak Herry Wibiksana representing the IPA Board.
- › Global surveys indicate that Indonesia is ranked very low in terms of ease of doing business in the oil and gas sector. Compounded by the fact that the country does not have bountiful oil and gas reserves, which is contrary to the public perception, the inefficient and overburdening bureaucracy has added burdens making increasing reserves and production very difficult to achieve. Bureacracy reform and instilling a sense of crisis within the government is urgently needed.

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- **IPA BUKA PUASA**

- Following the tradition established since 2011, the IPA held a “Breaking of the Fast” (Buka Puasa Bersama) on 1st July 2015 at the Dharmawangsa Hotel.
- After a welcome speech by Pak Lukman and a Ramadhan Lecture by Prof. Komarduddin Hidayat, a well known public figure and Rector of the State Islamic University of Syarif Hidayatullah in Jakarta, the event proceeded with the breaking of the fast attended by around 170 guests from SKK Migas, MIGAS, the Board, the Committees, Company and Associate Members. We are pleased to note that this year’s attendance was significantly higher than last year’s event.

- **NEW IPA MEMBERSHIP DUES**

- In March 2015, Bank Indonesia issued Regulation Number 17/3/2015 on “ Obligation to Use IDR currency in the Republic of Indonesia Territory “ which would be effective on 1st July 2015.
- To comply with this BI regulation that will impact the annual dues for member companies as well as the activities of the Professional Division, the IPA Board agreed to revise the Membership Dues as follows:

| No. | Type | Amount |
|-----|--------------------------|--------------------------|
| 1. | Company Member | |
| | a. Producing Company | Rp 200,000,000 per annum |
| | b. Non-Producing Company | Rp 65,000,000 per annum |
| 2. | Associate Member | Rp 13,500,000 per annum |

- The above amounts will start to be applied to companies applying for IPA membership in July 2015 and may be reviewed by the IPA Board for possible adjustments in January 2016

- **REPLACEMENT OF EXECUTIVE DIRECTOR**

- Marjolijn Wajong, former President & General Manager SANTOS has been appointed as the new Executive Director.
- On 30 September 2015, The IPA held an Industrial Gathering in Bimasena as we bid farewell to Dipnala Tamzil and welcomed his successor: Marjolijn Wajong as the new Executive Director of the Indonesian Petroleum Association starting October 1st 2015. Craig Stewart, on behalf of the IPA Board Directors, took this opportunity to express his sincere gratitude for Dipnala Tamzil’s valuable efforts and contributions to lead the association for almost 6 years and to introduce Marjolijn Wayong as his successor.
- Simultaneous with the appointment of the new Executive Director, the Board decided to restructure the role of the Executive Director to include a more active role in being a spokesperson for the Association, representing the Association with the government agencies and actively coordinating the IPA Committees.

- **IPA OFFICE LEASE**

- IPA and PT FJI have reached an agreement to extend the office lease contract for the period of March 2016 through Feb. 2017 with a rental rate of Rp 420,000 psm pm and service charge of Rp 120,000 psm pm, all excluding VAT. This rental rate is similar with the current rental rate.

- **IPA CIRCULARS:**

- The IPA Board recognized that communication to the Association Members was not sufficient and has made an effort to increase communication to the Members at large regarding issues, progress on issues, interactions with government agencies by the Board, Secretariat or Committee etc.
- **On 24 February 2015**, the IPA issued a circular concerning its position on MOTR (Ministry Of Trade Regulations) No. 4/2015 regarding Use of Letter of Credit for Oil and Gas Export of Certain Products, which include crude oil and natural gas. This new regulation will become effective on 1st April 2105:
 - As this new Ministerial regulation applies to the oil and gas industry, the IPA Board established a Joint Committee consisting of the LNG & Gas Committee, the Regulatory Affairs Committee (RAC) and the Finance & Tax Committee (FTC) to study and evaluate its impact.
 - The Joint Committee concluded that the stipulations of MOTR 4/2015 are generally not in line with higher laws and regulations and that its application will have significant negative implications for our industry. Key issues are that the regulation:
 1. Changes the payment and contract terms agreed by the parties, generally via a Trust Account, for long term crude oil and natural gas export contracts.
 2. Significantly increases the cost for the Buyers as well as the Seller/PSC Contractor.
 3. Makes Indonesian oil and gas export less competitive.
 - The Joint Committee also noted that non-compliance to MOTR 4/2015 would result in the shut-in of producing wells causing significant financial impact to the Government and the PSC Contractor.
 - In view of the above, the IPA Board has decided to appeal for the implementation of MOTR 4/2015 and has subsequently written a letter to the Minister of Trade requesting a revision to the stipulations of this regulation by not including, or by giving an exemption, to the export of crude oil and natural gas from the obligation to use the Letter of Credit. A similar letter has also been sent to the Minister of Energy & Mineral Resources and the Chairman of SKK Migas requesting their support for this exemption.
 - The IPA will continue to engage and work with the Government to find the best solution on this issue and we will keep you informed should there be further developments.
- **In June / early July 2015**, the IPA issued 5 circulars to all Company and Associate Members:
 1. IPA position on Bank Indonesia Regulation No.17/3/2015 on 5 June 2015
 2. Meeting with Chairman of SKK Migas on 18 June 2015

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3. Update on BI Regulation PBI 17/3/2015 - Action Required by PSCs on 27 June 2015
 4. Invitation to attend IPA Breaking of the Fast on 24 June 2015
 5. Briefing by Chairman of SKK Migas with all PSCs re PBI 17/3 on 1 July 2015
- **In August 2015**, the IPA issued two (2) circulars to all Company and Associate Members :
1. New 2015 Membership Dues (see above)
 2. Meeting with SKK Migas re Implementation of PMK 218 / 2014.
- **In October 2015**, the IPA issued six (6) circulars to all Company and Associate Members :
1. 5th October 2015
Subject: IPA Social Investment Program
 2. 12th October 2015
Subject: Status Update on Implementation of Minister of Finance Regulation No.218/PMK.02/2014 regarding Procedures for VAT Reimbursement or Value Added Tax and Sales Tax on Luxury Goods Upon acquisition of Taxable Goods and/or Taxable Services to Contractors In Upstream Oil and Gas activities (“PMK 218”)
 3. 27th October 2015
Subject: MoM Meeting IPA with Minister Energy and Mineral Resources – Highlight is on the new Oil and Gas law and Presidential Decree on Gas Management
 4. 27th October 2015
Subject: The issuance of Minister of Finance Regulation No.142/PMK.010/ 2015, dated 27 July 2015, regarding the Fourth Amendment of Minister of Finance Decree No. 231/KMK.03/2001 related to the Exemption of Value Added Tax and Sales Tax on Luxury Goods (“PMK142/2015”)
 5. 20th October 2015
Subject: The issuance of Minister of Trade (MOT) Regulation No. 67/M-DAG/PER/8/2015, dated 31 August 2015, regarding the Change of MOT Regulation No. 04/M-DAG/PER/1/2015 of the use of *Letter of Credit* for the Export of Certain Goods
 6. 29th October 2015
Subject: IPA proposed action about Cabotage to SKK Migas, Addressed to Amien Sunaryadi, Head of SKK Migas

- **IPA PRESS RELEASES**

10 December 2014 - The Indonesian Petroleum Association (IPA) announces the new President and Board of Directors for 2015 during its annual general meeting (AGM) held at Hotel Dharmawangsa, Jakarta. Salamander Energy's **Craig Stewart** replaces Lukman Mahfoedz of Medco Energi Internasional as the new President of the Indonesian Petroleum Association.



26 February 2015 – The Indonesian Petroleum Association (IPA) will hold its 39th IPA Convention and Exhibition on 20 - 22 May 2015 at the Jakarta Convention Center, carrying the theme “**Working Together to Accelerate Solutions in Facing Indonesia’s Energy Crisis**”. “The theme is relevant to where Indonesia finds itself today: the country’s current rate of energy consumption and growth is exceeding its rate of production growth and exploration results in recent years have not found significant new hydrocarbon resources. As a result, Indonesia is facing an energy crisis where an increasing amount of oil and gas will need to be imported. All of this is happening in a volatile global energy landscape which is experiencing low oil prices and global capital constraints for oil and gas investment ” said IPA President Craig Stewart.

20 May 2015 - The Indonesian Petroleum Association (IPA) announced the opening of its 39th Convention and Exhibition on 20th May 2015 - after going through various series of Pre-Convention activities. IPA Convex 39th this year will present a series of programs such as the plenary sessions with a discussion about the energy crisis in Indonesia in the sphere of global energy new governance reforms in the oil and gas sector to achieve national goals and collaboration across sectors to advance sector oil and natural gas. The event also features the latest technology and innovations in the oil and gas industry.

15 September 2015 - The Indonesian Petroleum Association (IPA) signed a cooperation Program with four local NGOs worth a total of Rp 1.1 billion on Tuesday 15 September 2015 in Jakarta as a form of concern over social conditions the community of Jakarta.

"This cooperation program is expected to be able to give direct impact for the community and society and hope that the four selected non-governmental organizations could implement the program well and on plan so our donation will be distributed properly." said by Craig Stewart IPA President. On the welcoming speech, IPA Board of Director Lukman Mahfoedz, said "IPA has a mission to help less fortunate community which untapped by the government programs with partnership together with non-governmental organizations or local foundations. With the main focus program to supports environmental hygiene, improved nutrition, economic empowerment to create and build education infrastructures for the less fortunate citizens in Jakarta. "

- **ELECTION OF 2016 BOARD OF DIRECTORS**

The election of the 2016 Board of Directors was launched on 19 October 2015 by mail ballot. The election will be for thirteen members of the Board of which five will be Officers.

In accordance with IPA Constitution Article VIII, the IPA President will appoint three (3) Company Member Representatives, who are not members of the Board of Directors, to serve with the IPA Board - Secretary as an Election Committee for the purpose of certifying the election results.

The persons appointed as the Election Committee were as follows:

- | | | |
|-------------------------|----------------------------|--------------------------------|
| 1. Christina Verchere | BP Indonesia | Board of Directors - Secretary |
| 2. Hazli Sham B. Kassim | Petronas Carigali | Company Member |
| 3. Tumbur Parlindungan | Saka Indonesia Pangkah Ltd | Company Member |
| 4. Luca De Caro | Eni Indonesia | Company Member |



This year, out of 52 members companies only 43 company members were eligible to participate and vote in this year's election as a result of non-payment of annual membership fees.

In line with the Election Notification announcement and schedule sent to all Company Members on 19 October 2015, the voting for the election of the 2016 IPA Board of Directors was closed on Friday, 6 November 2015.

The counting and verification of the votes as well as certification of the results by the Election Committee was conducted on 9 November 2015.

Out of 43 Company Members eligible to vote, **37 Company Members (86%)** participated in this year's election with all incoming votes considered as valid.

The results of the elections for the 2016 IPA Board of Directors are as follows :

| NO | NAME | COMPANY | TOTAL |
|----|----------------------|------------------------------------|-----------|
| 1 | Christina Verchere | BP Indonesia | 36 |
| 2 | Erec S. Isaacson | CONOCOPHILLIPS Indonesia Inc. Ltd. | 33 |
| 3 | Lukman Mahfoedz | MEDCO Energi Internasional Tbk, PT | 33 |
| 4 | Charles A. Taylor | CHEVRON Indonesia Company | 32 |
| 5 | Gunung Sardjono Hadi | PERTAMINA (Persero), PT | 32 |
| 6 | Tenny Wibowo | SANTOS (Sampang) Pty. Ltd. | 32 |
| 7 | Sammy Hamzah | EPHINDO Energy Private Ltd. | 31 |
| 8 | Jon M. Gibbs | EXXONMOBIL Indonesia Inc. | 31 |
| 9 | Hardy Pramono | TOTAL E & P Indonesie | 31 |
| 10 | Luca De Caro | ENI Indonesia | 30 |
| 11 | Craig Stewart | OPHIR Indonesia (Bangkanai) Ltd. | 28 |
| 12 | Shunichiro Sugaya | INPEX Corporation | 26 |
| 13 | Hazli Sham B. Kassim | PETRONAS Carigali Muriah Ltd. | 22 |

The 13 (thirteen) elected Board of Directors will meet to elect the President and Officers of the association for 2016.

B. EXTERNAL

1 RELATIONS WITH THE GOVERNMENT

The IPA Board continues to be engaged and maintain an active and open dialogue with the Government authorities. In line with past practices, the IPA Board continues to conduct regular consultations and meetings with the Ministry of EMR, Ministry of Finance and its related agencies, MIGAS and SKK MIGAS on the current issues affecting the industry.

- **Meeting with O&G Management Reform Team**

- On 18 February 2015, the IPA Board met with Pak Faisal Basri and members of the Oil and Gas Management Reform Team.

At this meeting, the IPA conveyed its concerns and issues to the team which included:

- › Bureaucracy and the role of SKK Migas
 - › Slow decision making on critical issues (tenders, PSC approvals etc.)
 - › Issuance of new regulations eroding the PSCs (LBT, Min.of Trade 04/2015 etc.)
 - › The urgency to increase exploration activities
 - › Gas allocation and related issues
 - › Criminalization of the PSC
 - › Local government and local community issues
- Through the discussions, it was clear that Pak Faisal and his team were well aware of the issues faced by the oil and gas industry. Benefits and differences between the Tax Royalty System vs. PSC system were also discussed. At the end of the meeting, Pak Craig extended an invitation to Pak Faisal to be a speaker at a Plenary Session of the upcoming IPA Convention in May. Pak Faisal accepted the invitation but told us that it would be pending the extension of his mandate as Head of the Reform Team which is scheduled to expire in May.

- **Meeting with SKK Migas on MOT Regulation No. 04/2015**

- On 6th March 2015, the IPA Board met with the Chairman of SKK Migas to provide further clarifications on the objections raised by the industry on MOT Regulation No. 04/2015 and to discuss the necessary followup required to request exemption from this regulation regarding the use of L/C for oil and gas export.
- The Chairman of SKK Migas requested IPA to send him a letter providing strong justifications for SKK Migas to request to Minister of Trade for overall exemption from MR 4/2015 for the oil and gas export and to provide additional explanations that would take into consideration the objectives of this MOT regulation. Following this meeting, the IPA letter was sent to SKK Migas on 11 March 2015.

- **Breakfast Meeting with Coordinating Minister for Maritime Affairs.**

- On 6 May 2015, the IPA hosted a breakfast meeting for Pak Indroyono Soesilo, Coordinating Minister for Maritime Affairs that was also attended by 4 Deputies from the Ministry.
- This meeting was held at the specific request of the Coordinating Minister who wished to be briefed and learn about the current conditions of the oil and gas industry in Indonesia. As we know, Pak Indroyono is scheduled to open the IPA Convention (in lieu of the Minister of ESDM) and will be a Keynote Speaker for Plenary Session 2.
- At this meeting, the IPA presented a slide on the numbers of permits required to be obtained from each government agency to conduct oil and gas operations. Pak Indroyono, who oversees the Ministries of ESDM, Transportation and Forestry & Environment Ministry, was committed to simplify and reduce the number of these permits with the objective to orient them through BKPM in line with the “One door, one stop policy” initiated by the government. He requested IPA to provide the list of the

permits as well as the duration required for each specific permit so that his Ministry can follow-up with the Ministries concerned.

- **Meeting with Chairman of SKK Migas**

- Following an invitation received from the IPA Board, a meeting was held on 1st June 2015 between Pak Amien Sunaryadi, Chairman of SKK Migas, and the IPA Board at the IPA office.
- This meeting was the occasion for Pak Amien visit the IPA office and to know better IPA's organization and activities, as well as to discuss current issues affecting the industry.
- Included on the agenda of the meeting were discussions on IPA key issues with the Ministry of Finance, the current status of the new Oil & Gas Law, the newly established National Exploration Committee, the follow up to IPA letter sent to SKK Migas regarding the proposal to suspend exploration period for PSC CBM, and a report on the results of the 39th IPA Convention & Exhibition by the Convention Chairman.
- Pak Amin also emphasized that he would like SKK Migas have a full control of data in the next 2 years and increase the low level of exploration activities.
- At the end of the meeting, we all agreed that this was Pak Amien's first visit to the IPA office, but that it would certainly not be his last.

- **Meeting with Minister of Finance (MOF)**

- On 23 September 2015, The IPA Board met with Bapak Bambang Brodjonegoro, the Minister of Finance, Director of Taxation, Director of Tax Regulation and his assistants.
- The objective of the meeting is to share and seek for solution on some significant taxation issues and disputes in the industry.
- Discussions among others were:
 - A. Current Industry Concerns on Oil and Gas Operation in Indonesia
 - B. Significant Taxation Issues and Disputes in the Industry
 - I. VAT Reimbursement – PMK218/2014
 - II. Land and Building Tax ("LBT")
 - III. PCO (Parent Company Overhead), Technical Services, and Charges from Head Office
 - IV. Facility/Cost Sharing
 - V. DGT Audit related to Cost Recovery BPKP outstanding items.
- The meeting provides an "awareness" to the Ministry of Finance that there are still an ongoing taxation issues in the oil and gas industry that need to be resolved.

- **Meeting with Minister Energy and Mineral Resources (MEMR)**

- On 9 October 2015, the IPA Board met with Bapak Sudirman Said, the Minister of Energy and Mineral Resources. The meeting was an occasion for IPA to address the industry concerns on the new draft Oil and Gas Law and Gas Aggregator initiative. IPA conveyed that the new law should be able to facilitate and promote an attractive

business environment, uphold contract sanctity; and adopt policies to expedite the approval and regulatory processes at all stages of project approvals.

– **New Oil and Gas Law**

- IPA shared the industry's key issues with the MEMR which included:
 - 1) Role of MEMR
 - 2) Role of BUMN-K
 - 3) Certainty of Upstream Granting Instrument
 - 4) Criminalization of Civil Matters
 - 5) Clarity on Upstream vs Downstream
 - 6) Terms of Extension of Upstream Business License
 - 7) Gas Aggregator
 - 8) Contractor's Production Entitlement
 - 9) Fiscal Terms
 - 10) Incentives
- During the meeting the Minister stated that MEMR is simultaneously working on their own new Oil & Gas draft Law, although DPR may already have their own draft. The final completion of the new Oil and Gas law is targeted for next year.
- The Minister was in line with IPA suggestion that:
 - all regulation should be under MEMR and the current industry situation and condition regulations should be reformed.
 - cost recovery including Work Program and Budget should be separated from the state budget.
- The Minister suggested the IPA to contact and discuss with Bapak Darmin Nasution, the Coordinating Minister of Economics of Indonesia.
- Other subjects that are being considered by MEMR team is an additional stimulus for exploration activities.

– **Gas Aggregator**

- The IPA expressed the industry concern regarding Gas Aggregator concept because:
 1. may reduce attractiveness of investment in Indonesia.
 2. some problems can still be handled by proper application of existing regulations
 3. the complexity of gas industry in Indonesia, compared to Singapore and Korea which already apply this concept, requires more caution in applying Gas Aggregator concept.
- Transparency, open access, unbundling and elimination of monopolies are essential elements for a successful system. All parties must be aligned including small scale entrepreneur used gas.
- MEMR responded that gas aggregator concept is still evolving and not finalized yet.

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- IPA concluded by expressing appreciation for the minister’s continuous support of the oil and gas sector; The IPA believe, that together with MEMR, we can pursue effective ways to address the challenges that the country is facing in the energy sector.
 - **IPA Finance and Tax Committee Meeting with Pak Ego Syahrial (Head of Planning and Cooperation Bureau-MEMR)**
 - As a follow-up to the meeting with Minister of Energy and Mineral Resources, on 27th October 2015, IPA F&T Committee led by Pak Nizar Halim (Chairman) met with Ego Syahrial to discuss about PMK 218 and VAT reimbursement. Pak Ego requested IPA to send 5-10 biggest outstanding VAT to be discussed with the minister.

2 RELATIONS WITH EXTERNAL ORGANIZATIONS AND THE MEDIA

- **Meeting with Canadian Trade Commissioner**
 - On 12 December 2014, the IPA Executive Director met with the Canadian Trade Commissioner Ms Tracy Diehl to who wished to discuss about current issues related to the oil and gas industry and the recent changes that have taken place.
 - During the meeting, she mentioned that Canada will support an ASEAN Next-Gen CSR Forum in Bali from February 3-6, 2015. This initiative will bring together +250 private and public sector leaders & stakeholders to engage on how CSR can contribute to a more inclusive, profitable, and sustainable ASEAN community post-2015. Issues to be addressed include anti-corruption and business integrity, sustainable agriculture, and an extractive sector management dialogue that will examine the pros and cons of licensing, contracting and fiscal reforms leveraging global case studies. In conclusion, she strongly encouraged IPA and its member companies to participate in this forum.
- **IPA participation in GE panel discussion**
 - On 11 January 2014, the IPA President was invited to participate in a panel discussion on” O&G New Challenges and Impact for Indonesia” organized by GE. Also participating in this panel was Pak Widhyawan Prawiraatmadja, Special Staff of the Minister ESDM.
- **Interviews:**
 - a. **IPA interview with Arthur D. Little**
 - The Arthur D. Little consultancy firm is working with Japanese Ministry of Economy, Trade and Industry (MITI) to understand the national development direction and policies of Indonesia under the new government. The objective is to explore the best way for the Japanese government to assist Indonesia during its critical stage of development.
 - In this context, they requested an interview with IPA President was held on 15 January 2015 to request IPA views about :
 - › the recent reform in petroleum industry by the new government

-
- › the prospect for the industry players in the next 5 years and what are the challenges
 - › the impact of the plunging crude oil price to the petroleum industry in Indonesia
 - › A copy of the study summary will be sent to IPA as a token of their appreciation
- b. Interview of IPA President by **Oxford Business Group** on 2nd April 2015
 - c. Interview of IPA President by **Katadata** an online media organization on 7th April 2015
 - d. Interview of Executive Director by **Gatra magazine** on 31 March 2015
 - e. On 9 July 2015, interview of the IPA Executive Director for an article "**Inside Oil & Gas Indonesia**" that Focus Reports, a UK based publisher of industry reports, is currently compiling to be twin-published in leading publications from the Houston-based PennWell group: the Oil and Gas Financial Journal (OGFJ) and Offshore Magazine.
 - f. **Interview by TOGY**
 - On 11 August 2015, the IPA President was interviewed by TOGY (The Oil & Gas Year) for the Indonesia edition of the Oil & Gas Year 2015. This is the third time the IPA is contributing to the production of this Indonesia edition that will be sent out to all stakeholders in Indonesia and abroad and contribute to present Indonesia as an attractive place for investments in the energy sector.
 - We can recall that in 2013, Ibu Elisabeth Proust, IPA President in 2012, was presented with the "Woman of the Year" award by TOGY.

- **EITI Meeting**

Date: October 26th 2015

Lead by: Andi Novianto (Deputy Assistant Productivity Energy - Coordinating Ministry of Economic Affairs), on:

- Contextual report recommendation
- Reconciliation report recommendation (Tax, Over/Under Lifting, DMO fees, Bonus, Volume)
- EITI report
- Scoping study plan

3. IPA PARTICIPATION IN SEMINARS AND BUSINESS FORUMS :

Throughout 2015, the IPA received invitations from several organizations to participate and make presentations on the current issues and challenges faced by the upstream oil and gas industry:

- a. On 20 January 2015 at a conference titled; "**Indonesia 2015 Oil & Gas Outlook Conference**" organized by Petromindo that was held at the Shangri-La Hotel. The IPA was represented by Pak Craig in a panel with the theme " Issues on Exploration: What Should be Done?".
- b. On 20 January 2015 to a talk show program "**Economic Challenges**"on Metro TV with the theme " Licenses to smoothen Investments"(Izin Pelicin Investasi) . In this talk show, the

-
- IPA was represented by Pak Sammy that was also participated by Pak Franky Sibarani, Chairman of BKPM and Pak Said Didu, former Secretary General of the Ministry of State Enterprises (BUMN).
- c. On 29 January 2015 at the **IndoGas 2015** organized by Indonesian Gas Society (IGS) that was held at the Jakarta Convention Center. The IPA was represented by Pak Erec in a panel discussion with the theme “ A Perspective from Professional Organization: The Future Energy is Gas”.
 - d. On 5 February 2015, to a discussion forum organized by **“Resources”** magazine with the theme “Implication and Implementation of GR 101/2014 regarding the Management of Hazardous Waste for the Mining, Oil and Gas and Energy, Pulp and Paper industries and the readiness of entrepreneurs” . In this discussion forum, the IPA was represented by the Chairman of the Environment & Safety Committee.
 - e. On 6 February 2015, the IPA was invited by the Canadian Embassy to participate in the Extractive Sector Governance Programme under the framework of the ASEAN Next-Gen CSR Forum that was held in Bali. In the Open Dialogue session with the theme **“Finding the Right Balance in the O&G and Mining Sectors”**, the IPA was represented by Pak Craig. Also participating in this forum were the DG of O&G, the DG of Mining, Coal and Geothermal, representatives of SKK Migas, Indonesian Coal Mining Association and Indonesian Mining Association.
 - f. On 25th March 2015, the IPA was invited by the NRGi and Tempo Magazine to be a panelist at a panel discussion on “The Impacts of Oil Price Decline on Indonesia’s Reform Agenda. The organizers of this event are Tempo Magazine and the NRGi (National Resource Governance Institute) an NGO operating in several countries and headquartered in New York. The IPA was represented by Pak Roberto who made a presentation on **“Oil and Gas Investment Climate”**.
 - g. On 8 June 2015, the IPA was invited by the UK Trade & Investment of the British Embassy to be a speaker at a briefing session for an oil and gas industry delegation from Scotland visiting Indonesia on 8-9 June 2015. This mission was lead by the Scottish Development International and the investment and trade promotion agency of the Scottish Government. The IPA was represented by the Executive Director who made a presentation on **“Overview of the Indonesian Upstream Oil and Gas Industry”**. Also invited to this meeting were representatives of SKK Migas who presented “Supply Chain and Local Content” and an Australian law firm making a presentation on “How to do business in Indonesia”.
 - h. On 6 August 2015, the IPA Executive Director was invited to a panel discussion organized by the JFCC (Jakarta Foreign Correspondent Club) with the theme **“State of Indonesia’s oil sector, production and exploration”**. Also invited to this panel attended by more than 60 journalists was Dr Kurtubi, member of Commission VII DPR and Sacha Winzenried from PWC Indonesia
 - i. On 12 November 2015, IPA President, Pak Craig Stewart, was invited to participate the in the TOGY Oil and Gas Year Indonesia 2016 - Strategic Roundtable at Bimasena. The panel

included Amien Sunaryadi, Chairman of SKK Migas, Lukman Mahfoedz, President Director & CEO, PT Medco Energi Internasional and IPA Vice President and Ari Soemarno, President Commissioner, Samudra Energy.

- j. 18 November 2015 - A roundtable discussion on “**Negotiating the Regulatory Framework in Indonesia**”, To provide the Australian delegates with insights into how foreign resources related companies navigate their business around the current regulatory framework in Indonesia
- k. 25 November 2015 – the IPA was invited by SKKMigas to be a speaker at a “**Forum Akademisi Mengenai Hulu Migas**” (An Academical Forum on the oil and gas Upstream Sector) at University of Indonesia, Depok. At the request of SKKMigas, the IPA/Marjolijn Wajong made a presentation on “Kendala pada Industri Hulu Migas” (Obstacles/Challenges in the oil and gas Upstream industry).

CONCLUDING REMARKS

Finally, I would like to thank my colleagues on the IPA Board, the Secretariat, the Committees and the General Membership for all their work and support and also to industry colleagues in ESDM, MIGAS, SKK Migas and other Government ministries and agencies for their continued cooperation throughout the year as we pursue our common goals and objectives.

Craig D. Stewart
President IPA
December 2015



SECTION 2

FINANCIAL REPORT

2015

by

Marjolijn Wajong

Executive Director

INDONESIAN PETROLEUM ASSOCIATION



Financial Executive Summary

For Year 2014 and Highlights 2015

For Year 2014

The IPA's audited Statements of Revenues and Expenditures for the year ending December 31, 2014 shows a surplus of Rp 6.0 billion before Corporate Income Tax (CIT) of Rp 1.7 billion. Total 2014 surplus after CIT is Rp 4.3 billion.

The 2014 income is from the annual membership fees of Company and Associate Members, activities of the Professional Division and the IPA Convention which exceed expenditures of the association related to the activities of the IPA Committees, General & Administrations Expenses and CSR program "Purchase of 14 unit Garbage Trucks" for DKI Government & "Empowering Emerging Universities in Indonesia". The surplus mostly come from Professional Division and the IPA Convention and exhibition.

The opening balance of cash flow for the year 2014 was Rp 9.4 billion. During the year 2014, adjustments made for depreciation and other changes in assets and liabilities resulted in cash and cash equivalent of Rp 4.5 billion. Such adjustments contributed to an increase of cash and cash equivalent ending balance 2014 to Rp 13.9 billion as indicated in the audited cash flow.

Financial Highlights 2015

In 2015, there is a decrease in revenues compared to 2014. This is due to the cancellation of some professional division activities as well as the decrease of revenues from the convention & exhibition activities. Both were impacted by the low oil price.

YTD October 31, 2015 indicates a surplus before tax of Rp 5.3 billion. However latest estimate for December 31, 2015 (Full Year) shows a disbursement of Rp 1 billion primarily because of an Exploration Incentive Study, IPA social investment programs, and consultant fee for drafting a new type of Unconventional Contract.

Indonesian Petroleum Association
2014 Net Surplus/ (Deficit)
(in million Rp)

| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
|-------------------------------|---------------|---------------|-----------------|
| Revenues | 30.410 | 25.331 | (5.079) |
| Expenses | 24.360 | 19.880 | (4.480) |
| Operating Surplus / (Deficit) | 6.050 | 5.451 | (599) |
| Corporate Income Tax | (1.697) | 0 | 1.697 |
| Net Surplus After CIT | 4.353 | 5.451 | 1.098 |

Indonesian Petroleum Association
2014 Cash Flow
(in million Rp)

| | |
|--|---------------|
| Balance per January 1, 2014 | 9.392 |
| Operating Surplus/ (Deficit) before Corporate Income Tax | 6.050 |
| Allowance for impairment losses | 419 |
| Depreciation | 157 |
| Net (Decrease) / Increase in cash and cash equivalent | (2.143) *) |
| Balance per December 31 , 2014 | 13.876 |

| | |
|--|----------------|
| Notes : *) - Account Receivables and Prepayments | (1.844) |
| - Employee service entitlement expenses | 185 |
| - Employee loans receivables | 36 |
| - Inventory | 0 |
| - Deposits | 0 |
| - Account Payables and accrued liabilities | 2.506 |
| - Tax payables | (239) |
| - Payment for employee service entitlements | 0 |
| - Corporate income tax paid | (2.714) |
| - Purchase of fixed assets | (72) |
| | (2.143) |

**Indonesian Petroleum Association
2014 Revenues
(in million Rp)**

| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
|------------------------------------|---------------|---------------|-----------------|
| Company and Associate Company Dues | 7.581 | 6.670 | 911 |
| Professional Division Revenues | 11.856 | 10.511 | 1.345 |
| Bank Interest, Other | 2.973 | 150 | 2.823 |
| Convention Surplus | 8.000 | 8.000 | - |
| | 30.410 | 25.331 | 5.079 |

Indonesian Petroleum Association 2014 Expenses (in million Rp)

| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
|-----------------------------------|---------------|---------------|-----------------|
| Professional Division Committee | 8.523 | 7.871 | 652 |
| Communication Committee | 1 | 425 | (424) |
| Environmental Affairs Committee | 12 | 60 | (48) |
| Finance Committee | 15 | 90 | (75) |
| Human Resource | 11 | 10 | 1 |
| Scholarship | 0 | 575 | |
| University Assistance Committee | 55 | 50 | 5 |
| Supply Chain Management Committee | 6 | 15 | (9) |
| LNG and Gas Sales Committee | 10 | 15 | (5) |
| Regulatory Affair Committee | 5 | 25 | (20) |
| Exploration Committee | 4 | 5 | (1) |
| Unconventional Committee | 157 | 30 | 127 |
| Service Company Committee | 4 | 5 | (1) |
| Data Management Committee | 0 | 5 | (5) |
| Special Projects | 0 | 1.150 | (1.150) |
| CSR | 6.056 | 1.150 | 4.906 |
| General and Administrative | 7.693 | 4.329 | 3.364 |
| Salaries and Benefits | 3.506 | 4.070 | (564) |
| | 26.058 | 19.880 | 6.178 |

Indonesian Petroleum Association
2014 General & Administrative Expenses
(in million Rp)

| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> |
|--|---------------|---------------|-----------------|
| Office Rent | 2.132 | 1.860 | 272 |
| Office Maintenance and Repairs | 89 | 0 | 89 |
| Telephone and Facsimile | 32 | 32 | 0 |
| Photocopy Machine | 77 | 54 | 23 |
| Stationaries and Other Supplies | 205 | 118 | 87 |
| Printings and Reproductions | 215 | 270 | (55) |
| Postages and Mailings | 39 | 48 | (9) |
| Transportations | 96 | 82 | 14 |
| Meetings | 738 | 589 | 149 |
| Information Technology | 284 | 215 | 69 |
| Bank Charges | 45 | 32 | 13 |
| (Gain) or Loss on Exchange Rate | (222) | (969) | 747 |
| Audit and Tax Service Fees | 398 | 413 | (15) |
| Legal Services | 0 | 0 | 0 |
| Accounting Systems Dev | 777 | 777 | 0 |
| Tax | 1.697 | 0 | 1.697 |
| Depreciation | 157 | 300 | (143) |
| Other Expenses | 933 | 508 | 425 |
| Sub -T o t a l G & A | 7.693 | 4.329 | 3.364 |
| Sub-Total Salary & Benefit | 3.506 | 4.070 | (564) |
| Total G & A and Salary Expenses | 11.199 | 8.399 | 2.800 |

Indonesian Petroleum Association
CASH FLOW
December 31, 2014 and YTD October 31 , 2015
(in million Rp)

| | Dec. 31, 2014 | | YTD Oct. 31, 2015 | |
|---|-----------------|----------------|-------------------|----------------|
| | Actual | | Actual | |
| | Rp (million) | US\$ (‘000) | Rp (million) | US\$ (‘000) |
| Cash Flow From Operating Activities | | | | |
| Excess revenue over expenditure before Corporate Income Tax | 6.050 | 486 | 5.331 | 399 |
| Allowance for impairment losses | 419 | 34 | 0 | 0 |
| Depreciation expenses | 157 | 13 | 136 | 10 |
| Employee entitlement expenses | 185 | 15 | 0 | 0 |
| Changes in assets and liabilities | | | | |
| Account Receivables | (1.844) | (148) | 2.217 | 166 |
| Employee loan receivables | 36 | 3 | 39 | 3 |
| Prepayments | 0 | 0 | (1.825) | (137) |
| Inventory | 0 | 0 | 0 | 0 |
| Account Payables and accrued liabilities | 2.506 | 201 | (3.391) | (254) |
| Deposits | 0 | 0 | 0 | 0 |
| Liability for severance payments | 0 | 0 | 0 | 0 |
| Tax payables | (239) | (19) | 0 | 0 |
| Corporate Income Tax paid | (2.714) | (218) | 0 | 0 |
| NET CASH PROVIDED BY (used In) OPERATING ACTIVITIES | 4.556 | 366 | 2.507 | 188 |
| Cash Flow From Investing Activities | | | | |
| Purchase of fixed assets | (72) | (6) | (32) | (2) |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | (72) | (6) | (32) | (2) |
| TOTAL OF NET CASH PROVIDE (USED) IN THIS PERIOD | 4.484 | 360 | 2.475 | 185 |
| CASH AND CASH EQUIVALENT AT BEGINNING OF PERIOD | 9.392 | 755 | 13.876 | 1.038 |
| TOTAL OF CASH AND CASH EQUIVALENT AT END OF PERIOD | 13.876 | 1.115 | 16.351 | 1.223 |

Exchange Rate 2014 : 1 US\$ = 12,440

Exchange Rate October, 31 2015 : 1 US\$ = 13,369

Indonesian Petroleum Association
STATEMENT OF REVENUE AND EXPENDITURES
October 31, 2015
(in million Rp)

| | YTD OCT 31, 2015 ACTUAL (1) | AVG. YTD 2015 BUDGET (2) | Variance (3 = 2 - 1) |
|---|--------------------------------------|-----------------------------------|-------------------------|
| <u>REVENUES</u> | | | |
| Company and Associate Company Dues | 7.357 | 6.630 | (727) |
| Professional Division Revenues | 4.161 | 10.288 | 6.126 |
| Convention | 5.500 | 7.000 | 1.500 |
| Other Revenues | 56 | 67 | 11 |
| TOTAL REVENUE | 17.074 | 23.984 | 6.910 |
| <u>EXPENDITURES</u> | | | |
| Professional Division Committee | 2.864 | 8.892 | 6.028 |
| Communication Committee | 10 | 333 | 324 |
| Environmental Affairs Committee | 11 | 190 | 179 |
| Finance and Tax Committee | 23 | 600 | 577 |
| Human Resources Committee | 3 | 13 | 10 |
| - Scholarship | 450 | 500 | 50 |
| - University Assistance | 0 | 50 | 50 |
| Supply Chain Mngmt Improvement | 9 | 8 | (0) |
| LNG and Gas Committee | 13 | 13 | (1) |
| Regulatory Affair Committee | 5 | 8 | 4 |
| Associate Members Committee | 0 | 4 | 4 |
| Data Management | 2 | 8 | 7 |
| Unconventional Gas Committee | 208 | 167 | (42) |
| Exploration Committee | 7 | 4 | (2) |
| Special Projects | 0 | 1.000 | 1.000 |
| IPA CSR (Universities) | 453 | 1.000 | 548 |
| General and Administration | 4.011 | 3.976 | (35) |
| Salaries and Benefits | 3.677 | 3.334 | (343) |
| TOTAL EXPENDITURES | 11.744 | 20.100 | 8.356 |
| Net Surplus / (Deficit) Before Tax | 5.331 | 3.884 | (1.446) |

Indonesian Petroleum Association
STATEMENT OF REVENUE AND EXPENDITURES
L.E. December 31, 2015
(in million Rp)

| | OCT 31, 2015 YTD ACTUAL (1) | DEC 31, 2015 L.E. (2) | FY 2015 BUDGET (3) | VARIANCE (4 = 3 - 2) |
|---|-----------------------------------|-----------------------------|--------------------------|-------------------------|
| <u>REVENUES</u> | | | | |
| Company and Associate Company Dues | 7.357 | 7.357 | 7.956 | 599 |
| Professional Division Revenues | 4.161 | 4.610 | 12.345 | 7.735 |
| Convention Surplus / (Deficit) | 5.500 | 5.500 | 7.000 | 1.500 |
| Other Revenues | 56 | 61 | 80 | 19 |
| TOTAL REVENUE | 17.074 | 17.528 | 27.381 | 9.853 |
| <u>EXPENDITURES</u> | | | | |
| Professional Division Committee | 2.864 | 3.684 | 10.670 | 6.986 |
| Communication Committee | 10 | 15 | 400 | 385 |
| Environmental Affairs Committee | 11 | 112 | 228 | 116 |
| Finance and Tax Committee | 23 | 33 | 720 | 687 |
| Human Resources Committee | 3 | 5 | 15 | 10 |
| - Scholarship | 450 | 600 | 600 | 0 |
| - University Assistance | 0 | 0 | 60 | 60 |
| Supply Chain Mngmt Improvement | 9 | 11 | 10 | (1) |
| LNG and Gas Committee | 13 | 15 | 15 | 0 |
| Regulatory Affair Committee | 5 | 10 | 10 | 0 |
| Associate Members Committee | 0 | 0 | 5 | 5 |
| Data Management | 2 | 10 | 10 | (0) |
| Unconventional Gas Committee | 208 | 618 | 200 | (418) |
| Exploration Committee | 7 | 2.205 | 5 | (2.200) |
| Special Projects | 0 | 0 | 1.200 | 1.200 |
| IPA CSR (Universities) | 453 | 1.294 | 1.200 | (94) |
| General and Administration | 4.011 | 5.559 | 4.771 | (788) |
| Salaries and Benefits | 3.677 | 4.365 | 4.001 | (364) |
| TOTAL EXPENDITURES | 11.744 | 18.534 | 24.119 | 5.586 |
| NET SURPLUS / (DEFICIT) BEFORE TAX | 5.331 | (1.006) | 3.262 | 4.267 |

Indonesian Petroleum Association
BALANCE SHEETS
DECEMBER 31, 2014 AND 2013
(in million Rp)

| | <u>Audited</u> <u>Dec. 31, 2014</u> | <u>Audited</u> <u>Dec. 31, 2013</u> |
|---|--|--|
| <u>ASSETS</u> | | |
| Current Assets | | |
| Cash and Cash Equivalent | 13.877 | 9.392 |
| Account Receivable and Prepayments | 4.744 | 3.319 |
| Employee Loans Receivable | 18 | 54 |
| Inventory | 0 | 0 |
| Total Current Assets | 18.639 | 12.765 |
| Non Current Assets | | |
| Fixed Assets, net | 199 | 284 |
| Deposits | 477 | 477 |
| Deferred Tax Assets | 218 | 201 |
| Total Non Current Assets | 894 | 962 |
| TOTAL ASSETS | 19.533 | 13.727 |
| <u>LIABILITIES AND ACCUMULATED SURPLUS</u> | | |
| LIABILITIES | | |
| Current Liabilities : | | |
| Account Payable and Accrued Liabilities | 4.216 | 1.710 |
| Tax Payables | 491 | 1.642 |
| Total Current Liabilities | 4.707 | 3.352 |
| Non Current Liabilities | | |
| Provision for Employee Service Entitlements | 546 | 448 |
| Deferred tax liability | 0 | 0 |
| Total Non Current Liabilities | 546 | 448 |
| TOTAL LIABILITIES | 5.253 | 3.800 |
| Accumulated Surplus | 14.280 | 9.927 |
| TOTAL LIABILITIES AND ACCUMULATED SURPLUS | 19.533 | 13.727 |

Indonesian Petroleum Association
BALANCE SHEETS
OCTOBER 31, 2015 AND DECEMBER 31, 2014
(in million Rp)

| | <u>Unaudited</u> <u>Oct.31, 2015</u> | <u>Audited</u> <u>Dec. 31, 2014</u> |
|--|---|--|
| ASSETS | | |
| Current Assets : | | |
| Cash and Cash Equivalent | 16.351 | 13.877 |
| Account Receivable and Prepayments | 4.293 | 4.744 |
| Employee Loan Receivables | 39 | 18 |
| Inventory | 0 | 0 |
| Total Current Assets | 20.683 | 18.639 |
| Non Current Assets | | |
| Fixed Assets, net | 95 | 199 |
| Deposits | 477 | 477 |
| Deferred Tax Assets | 218 | 218 |
| Total Non Current Assets | 790 | 894 |
| TOTAL ASSETS | 21.473 | 19.533 |
| LIABILITIES AND ACCUMULATED SURPLUS | | |
| LIABILITIES | | |
| Current Liabilities | | |
| Account Payables and Accrued Liabilities | 1.175 | 4.216 |
| Tax Payable | 0 | 491 |
| Total Current Liabilities | 1.175 | 4.707 |
| Non Current Liabilities | | |
| Provision for Employee Service Entitlements | 546 | 546 |
| Deferred Tax Liability | 0 | 0 |
| Total Non Current Liabilities | 546 | 546 |
| TOTAL LIABILITIES | 1.721 | 5.253 |
| Accumulated Surplus | 19.752 | 14.280 |
| TOTAL LIABILITIES AND ACCUMULATED SURPLUS | 21.473 | 19.533 |

Indonesian Petroleum Association
STATEMENT OF REVENUES AND EXPENDITURES
DECEMBER 31, 2013 AND 2014
(in million Rp)

| | Audited Dec, 31 2014 | Audited Dec, 31 2013 |
|--|-------------------------|-------------------------|
| REVENUE: | | |
| Company members | 6.364 | 4.602 |
| Associate members | 1.216 | 815 |
| Professional division members | 296 | 268 |
| Course revenue | 10.281 | 9.712 |
| Convention Fees Revenue | 8.000 | 7.268 |
| Field trip revenue | 801 | 1.088 |
| Luncheon meeting revenue | 122 | 233 |
| Sales of publications - professional division | 268 | 239 |
| Bank interest | 95 | 70 |
| Other income | 2.966 | 575 |
| Total revenues | 30.410 | 24.871 |
| EXPENDITURES: | | |
| Technical course expenses | 7.600 | 6.648 |
| Salaries and benefits expenses | 3.197 | 3.883 |
| Office rent expenses | 2.132 | 1.661 |
| Professional fees expenses | 1.196 | 1.250 |
| Special project expenditure | 6.056 | 1.100 |
| Field trip expenses | 509 | 1.050 |
| Meeting expenses | 949 | 769 |
| Printing and stationery expenses | 685 | 636 |
| Publication committee expenses | 1 | 544 |
| Education and support expenses | 321 | 396 |
| Employee service entitlements expenses | 185 | 314 |
| Luncheon meeting expenses | 185 | 297 |
| Office and IT maintenance expenses | 350 | 270 |
| Depreciation expenses | 157 | 179 |
| Medical expenses | 124 | 120 |
| Postage and bank charges expenses | 84 | 93 |
| Transportation expenses | 96 | 83 |
| Telephone expenses | 32 | 35 |
| Foreign exchange loss/(gain) - net | (222) | (1.853) |
| Other expenses | 723 | 451 |
| Total expenditures | 24.360 | 17.927 |
| Excess of revenues over expenditures - before tax | 6.050 | 6.944 |
| Corporate income tax expense - current | 1.715 | 1.926 |
| Deferred tax benefit | (17) | (37) |
| Total corporate income tax expense | 1.697 | 1.889 |
| Excess of revenues over expenditures | 4.353 | 5.055 |

SECTION 3

ASSOCIATE MEMBERS COMMITTEE

2015 ACTIVITIES REPORT

AND

2016 WORK PROGRAM

CHAIRMAN

Shannon Slocum

(Halliburton Indonesia, PT)



ASSOCIATE MEMBERS COMMITTEE

Report of 2015 Activities and 2016 Focus Activities

COMMITTEE MEMBERS:

| POSITION | NO | NAME | COMPANY |
|-----------------------------|----|---------------------|---------------------------------------|
| Chairman | 1 | Shannon Slocum | Halliburton |
| Vice Chairman | 2 | Phil Ward | Schlumberger |
| | 3 | Simon Cornel | Baker Hughes |
| | 4 | Tanu Wijaya | Imeco |
| | 5 | Sonny Harahap | Weatherford |
| | 6 | Simon Irwin | Petroprima Geo Servis Nusantara (PGS) |
| | 7 | Suhardono | Halliburton |
| | 8 | Gadis Nurhidayah | Price Water House Coopers |
| SUB-COMMITTEE MEMBERS LEGAL | | | |
| | 1 | Martha Hutabarat | Baker Hughes |
| | 2 | Ganetta Sari Mirana | Weatherford |
| | 3 | Evavalona Tarigan | Halliburton |
| | 4 | Tatyana Koshina | Schlumberger |
| | 5 | Mark Jenkinson | Petroprima Geo Servis Nusantara (PGS) |
| | 6 | Yasin Mochdie | Baker Huges |

2015 ACCOMPLISHMENT

- Reestablished the Service company sub-committee
- Additional service company representation
- Agreement across committee on top issues
- General alignment on Rupiah issue and necessary steps

FOCUS ACTIVITIES FOR 2016:

- Better understanding of how service companies can push our top agenda items within IPA
- Further engagement with IPA board
- Create a forum in our recurring meetings to discuss regulatory issues that impact our industry.

SECTION 4

**COMMUNICATIONS & SOSIAL INVESTMENT
COMMITTEE**

2015 ACTIVITIES REPORT

AND

2016 WORK PROGRAM

COMMUNICATIONS-VICE CHAIRPERSON

Ferita Kanter - (Chevron Indonesia Company)

And

SOSIAL INVESTMENT-VICE CHAIRPERSON

Mohammad Berli - (Total E&P Indonesia)



COMMUNICATIONS & ENGAGEMENT SUB-COMMITTEE

2015 Activities Report and 2016 Proposed Work Program

COMMITTEE MEMBERS:

| POSITION | NO | NAME | COMPANY |
|------------------|----|--------------------|---------------------------|
| Vice-Chairperson | 1 | Ferita Kanter | Chevron Indonesia Company |
| Members | 2 | Mahal Mark Rivero | IPA |
| | 3 | Michael Putrawenas | Shell Upstream Indonesia |
| | 4 | Adra Janitra | ConocoPhillips Indonesia |
| | 5 | Eri Sistiana | Chevron Indonesia Company |
| | 6 | Rizka Laksmi | ExxonMobil Indonesia |
| | 7 | Adelina Novianti | Repsol |
| | 8 | Eka Soerono | PHE Nunukan |

KEY ACTIVITIES IN 2015

Activity of the committee in 2015 is the continuation of direction set forth in 2014, as below:

- **Issues Advocacy**

- Collaborate with IPA's Special Task Force on New Oil and Gas law in meeting related Gol stakeholders such as: Minister of Energy and Mineral Resources, Sudirman Said and his senior staffs on October 9, 2015.
- Collaborate with Finance and Tax Committee on PMK 218 in meeting Senior EMR official, Ego Syahril on October 27, 2015.
- Collaborate with LNG & Gas Committee on Gas Aggregator issue.
- Provide talking points for IPA Board in engaging high-level government officials.

- **Engagement and Communications with Governments and Institutions**

- Engagement with Coordinating Minister with Economic Affairs, Coordinating Minister for Maritime Affairs, Act. KPK Chairman, Minister of Finance, Chairman of Commission VII DPR, Chairman of Oil and Gas Governance Reform Team, Chairman of National Exploration Committee, Director General of Oil and Gas, Chairman of SKKMIGAS, State Secretary Office to facilitate discussion with IPA Board and in conjunction with 39th IPA Convention and Exhibition 2015.

- **Media Relations and Educations**

- Collaborate with 39th IPA Convention and Exhibition Communication Committee to prepare press release and other media material.
- Collaborate with Social and Investment Committee in preparing press release to expose 2015 IPA Social Investment Program.
- Conducted 2 media visits, where IPA BoD meets Chief Editor and editorial team of 2 national media: Kompas and the Jakarta Post



-
- Provide talking points for IPA Board engagement with the media: IPA Breaking the fast event.
 - Support the preparation of various IPA's press releases
 - **Supporting the 39th IPA Convention & Exhibition:**
 - Support the Publicity and Marketing Sub-committees in preparing, and reviewing communication materials: advertorial, press releases, targeted marketing, etc.
 - Support Plenary Committee in securing meeting/appointment with Plenary Speakers (including senior high ranking government officials).

2016 FOCUS AREA

In 2016, we expect the new Oil and Gas Law to be discussed intensively - alongside multiple other regulatory issues (gas aggregator, PSC extension, tax issues, GR 79 etc.). Therefore, it is crucial for the IPA to be perceived as advocating the interest of the country as well as the industry. A proactive advocacy will only be successful if the IPA reputation warrants the trust from the key stakeholders including media and public at large.

In the effort to build and maintain the trust, Communications & Engagement Sub-Committee will execute programs within the following focus area:

- **Government & Institution Engagement and Issue Management**
 - Regular engagement the expanding stakeholders, beyond MoMR and SKK Migas
 - IPA Board Breakfast meeting with influential leaders and experts
 - Provide update on political dynamic to IPA Board
 - Provide talking points for IPA Board in meeting with High-Ranking Government Officials.
 - Proactively proposes IPA's recommendation/position to government
 - Collaborate with RAC, F&T and other committee to help resolve industry issues.
 - Explore potential institutions within and outside oil and gas sector for public awareness and joint advocacy purposes.
- **Public and Media Engagement**
 - Conduct IPA/oil and gas industry reputation audit
 - Conduct media mapping to identify effective media engagement
 - Balanced information about the industry by providing positive narrative through op-ed, advertorial and selected interviews.
 - Media Engagement and Educations
 - Increasing public awareness through series of popular publications
 - Develop strategic partnership with select media
 - Activate social media engagement
 - Expose IPA Social Investment Program
 - Expose 40th IPA Convention and Exhibition.
- **Internal Communications**
 - Member engagement and services, not only Company member.
 - Information management
 - Improvement of IPA's website and Newsletter
 - Provide IPA Circular announcement

SOCIAL INVESTMENT & PARTNERSHIP SUB - COMMITTEE

2015 Activities Report and 2016 Proposed Work Program

COMMITTEE MEMBERS:

| POSITION | NO | NAME | COMPANY |
|------------|----|-----------------------|--------------------------|
| Vice-Chair | 1 | Mohammad Berli | Total E&P Indonesia |
| Members | 2 | Wawan Koswara | Statoil Indonesia |
| | 3 | Aldi Muhammad Alizar | PT Medco E&P Indonesia |
| | 4 | M. Adjie Suryaningrat | ConocoPhillips Indonesia |
| | 5 | Miko Asih Soenarsih | Total E&P Indonesia |
| | 6 | Puri Meinari | INPEX Corporation |
| | 7 | Hidayat Al-Hamid | BP Indonesia |

VISION & MISSION

IPA has established a Social Investment & Partnership (SI&P) Committee with a vision to promote oil and gas industry and contribute to improving social condition where it's present in particular at Jakarta city & its surroundings.

The general framework of the Social Investment & Partnership Programs:



KEY ACTIVITIES IN 2015

Below are 2015 key events of Social Investment & Partnership Committee:

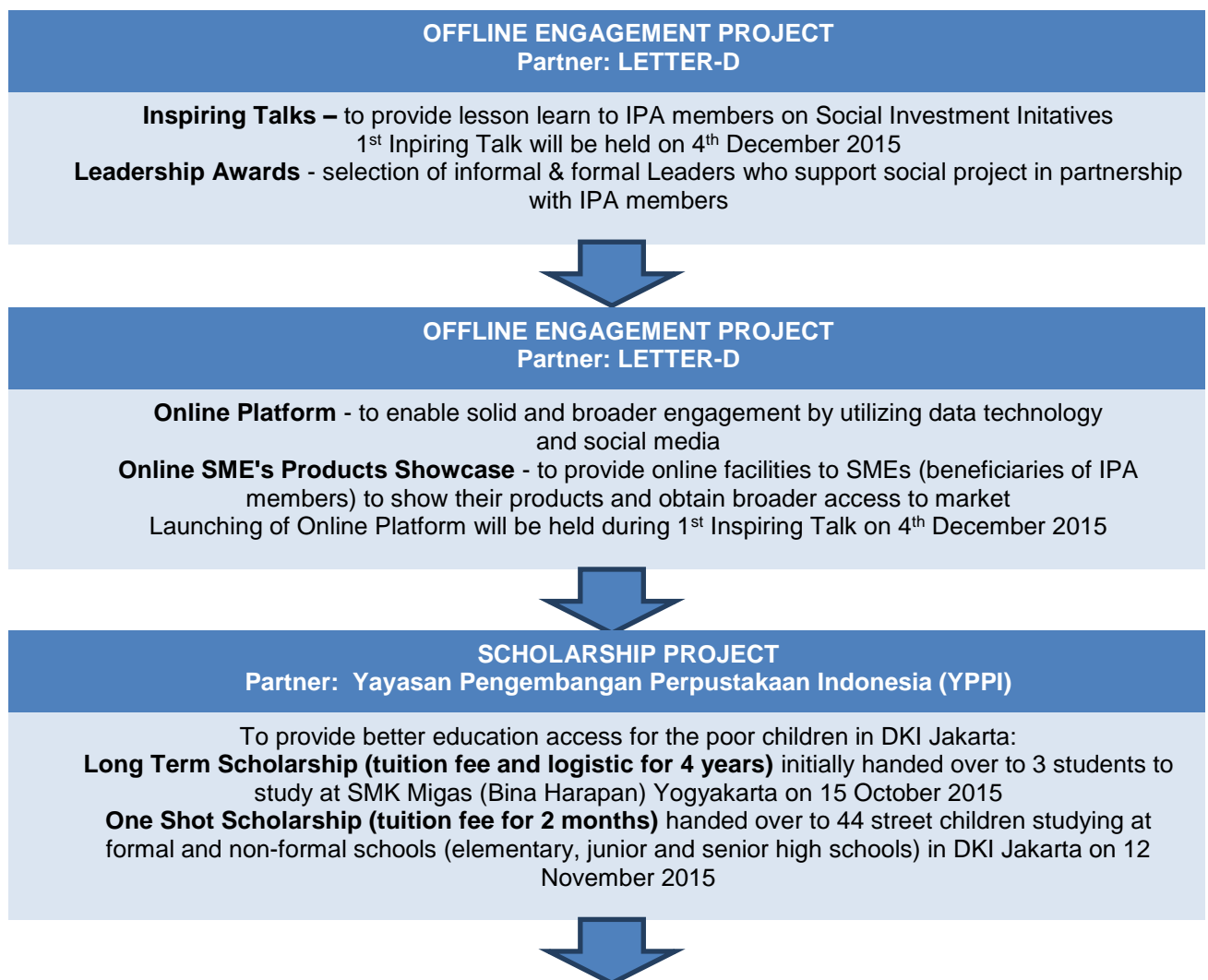
- April : Support IPA EducAid Emerging Universities Programs in Indonesia
The Education Support Project was given in kind among other things; infrastructure (class room construction), equipments (medical, computer and drilling laboratories, library support, books and computers) with a total amount IDR 1,769,726,300.

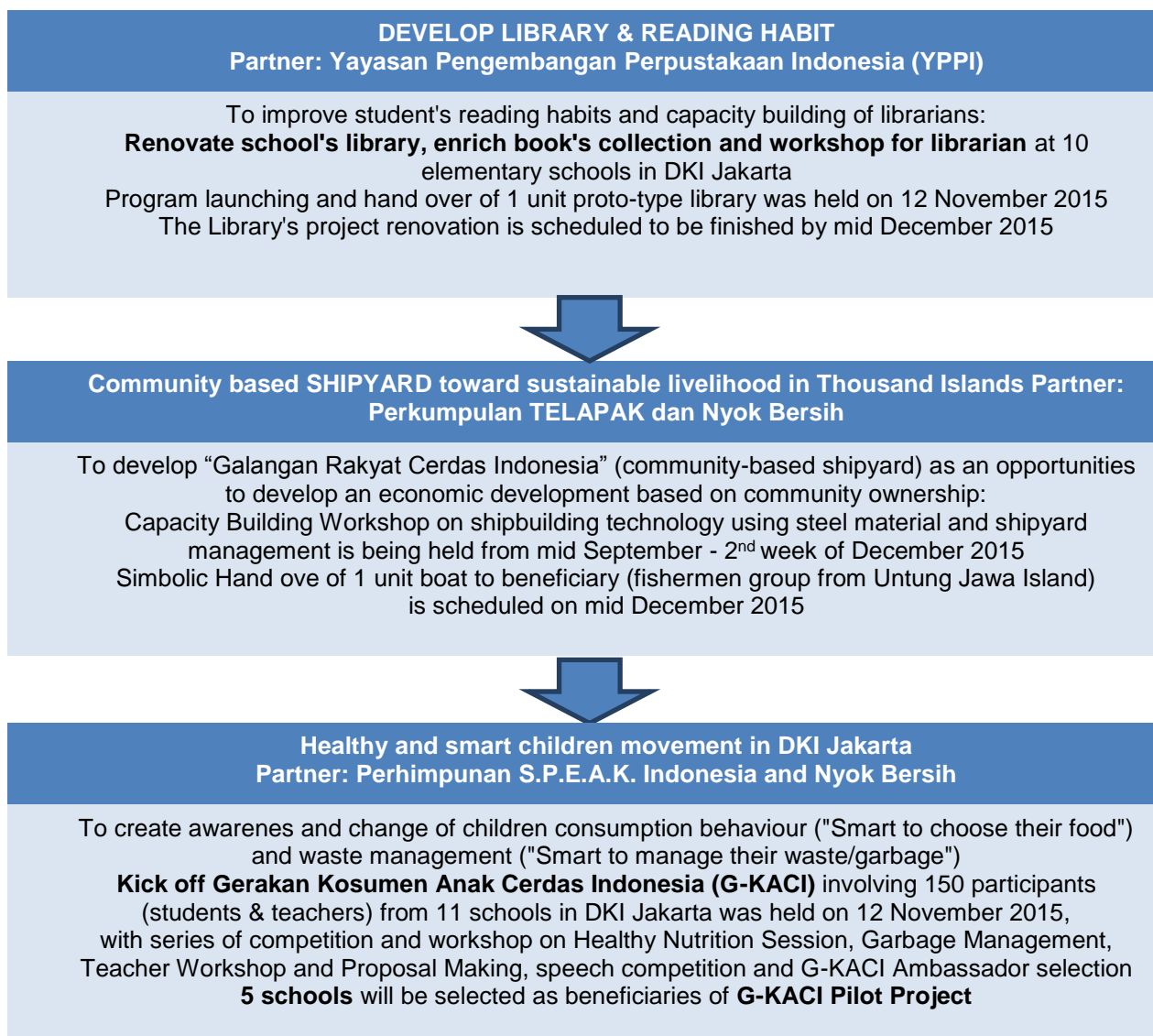
- The beneficiaries are 9 universities located in Aceh, Jambi, South Sumatera, East Kalimantan, Central Sulawesi, and Papua.
- May : Mapping social programs of IPA and way forwards. Present social framework & SI programs to the Board of IPA
 - June : Identify and select social programs and method of engagement
 - July : Presentation of SI Programs to the Board of IPA
 - August : Discuss contracts, budget and revise programs with SI partners. Finalization of SI work program & budget
 - September : Presentation of SI Programs for the Board of IPA approval.

SIGNING COOPERATION AGREEMENT BETWEEN IPA – NGO'S

On 15 September 2015

SI&P Committee has engage with several qualified partners to implement SI Programs in 2015 :





2016 PROPOSED WORK PROGRAM

After monitoring the on-going programs, SI&P Committee has concluded to continue its partnership in implementing the existing SI programs in 2016 with estimated budget of IDR. 500.000.000,-.

In principal, in 2015, we were establishing a sustainability foundation of those social investment programs, which are:

1. Engagement platform, both online and offline, to enhance IPA outreach its members and non-members plus its beneficiaries;
2. Collaborative work platform with Partners:
 - a. Telapak Foundation, Bersih NYOK movement, Universitas Indonesia and Juragan Kapal (social enterprise) – investing in Appropriate technology platform for fisheries in Thousand Island
 - b. SPEAK Foundation and GEMASS movement – inveting in initial awareness and select students' health champions.

SI Programs will focus more on the sustainability livelihood with several proposed programs:

OFFLINE ENGAGEMENT

Partner: LETTER-D & CONVEX CONSULTANT

Inspiring Talks – to provide lesson learn to IPA members on Social Investment Initiatives
2nd Inspiring Talk will be held on Mid January 2015
Leadership Awards – Announce the winners of Leaders Award in 2016 Convention & Exhibition



ONLINE ENGAGEMENT

Partner: LETTER-D & Business Development Service

Online Platform – to use social media to promote SIP projects & develop platform to communicate
Online SME's Products Showcase – to create a social business center, promote SMEs to broaden access to market with guidance of partners
January - August 2016



SCHOLARSHIP PROJECT

Partner: Yayasan Pengembangan Perpustakaan Indonesia (YPPI)

Monitor development of 3 students engage in long term scholarship (2015-2019)
At SMK Migas (Bina Harapan) SLEMAN in Q1 - 2016



IPA READING & WRITING COMPETITION

Partner: Yayasan Pengembangan Perpustakaan Indonesia (YPPI)

To evaluate the development of students in IPA - 10 foster schools:
Competition held during the National Education Day - 2 May 2016
and/or National Awakening Day on 20 May 2016



DEVELOP FISHING BOAT MANAGEMENT & ORGANIZATION CAPACITY

Partner: Perkumpulan TELAPAK dan Nyok Bersih

To increasing community welfare, the local fishermen cooperative will be in charge to review boat safety standards, seek partners, develop fishing charter business with possibility to transport tourists and logistics to surrounding island
Periode: January - August 2016



IPA CONTRIBUTE G-KACI TUTORIAL ON-LINE

Partner: Perhimpunan S.P.E.A.K. Indonesia and Nyok Bersih

Gerakan Kosumen Anak Cerdas Indonesia (G-KACI) aim is to create awareness and change of children consumption behaviour ("Smart to choose their food") and waste management ("Smart to manage their waste/garbage")

1 out of 5 schools will be selected as **G-KACI Pilot and Shared ON-LINE**
TARGET: MAY 2016

MONITORING & EVALUATION IPA SOCIAL INVESTMENT PROGRAMS 2015

| No | PARTNER | PROJECT | OCTOBER | NOVEMBER | DECEMBER |
|----|--|--|---|--|---|
| 1 | Perhimpunan S.P.E.A.K Indonesia | <i>Gerakan Konsumen Anak Cerdas Indonesia (GKA-CI)</i> | (1) School assessment, | (2) Launching GKAC-I Program on (12 Nov 15 - approx 150 participants) (3) Partners attended: KLHK, BPPOM, CSO-Nyok Bersih; | (4) Implementation: workshop at pilot project 5 schools (3 SD, 1 SMP, 1 SMA), event companion, on-site monitoring (5) Evaluation, publication sharing to other schools |
| 2 | Yayasan Pengembangan Perpustakaan Indonesia (YPPI) | <i>Beasiswa 3 anak di SMK Migas & Panas Bumi Sleman</i> | (1) Identify several potential candidates & select 3 marginalised-students to commence their study at SMK Migas on 15 Oct; (2) Three students started to study at 19 Oct - for 4 years; | | (3) SI&P Committee to visit 3 students in Sleman for monitoring effort |
| | | <i>Educational scholarship to poor students in DKI Jakarta</i> | (1) Identify potential candidates and select 44 students; (2) Handover scholarship to SEKAR foundation who organised this assistance program. | (3) Program completed. | |
| 3 | Yayasan Pengembangan Perpustakaan Indonesia (YPPI) | <i>Rehab Perpustakaan 10 Unit: 400 Buku, 2 Meja, dan 2 Bangku di DKI Jakarta</i> | (1) Library assessment of 12 schools was conducted (7 schools at North Jakarta; 5 schools at West Jakarta). (2) Make-over of one (1) prototype library & book's delivery at Penjaringan - finished 30 October. | (3) Launching the program and 1 pilot library was establish-ed on 12 Nov; (4) Library make-overs for 9 schools on going | (5) Target 9 libraries and book's delivery completed (6) SI&P Committee to visit libraries on mid-Dec |
| 4 | PT Engkel Jaya Pratama (Letter D) | <i>On-line & Off-line engagement :</i> 1. <i>Inspiring Talk</i> 2. <i>Awards</i> 3. <i>Develop SI Web</i> | (1) Live Program On-line IPA on 16 Oct. Feed backs received on 21 Oct. during SI&P com.meeting (2) MEDCO & TEPI were provided their UKM products as Demonstration pilot UKM online products. | (3) Demonstration products were gathered and put online; (4) Preparatory works for 1st Inspiring Talk & TOR of Leadership award 1st Inspiring Talk and official launching of Online | (5) Program to be scheduled on 1st week of Dec.- Venue : Pendopo room (Energy Building) (6) Preparatory works for 2nd Inspiring Talk plan to be held on 3rd week of Jan 16 or on Jan '16 |
| 5 | Perkumpulan Telapak | Program Galangan Rakyat Cerdas : 1. Pelatihan 2. Pembuatan Kapal 3. Pembentukan Koperasi Kapal | (1) Boat Workshop was organised: Early stage on Sept, Introduction & assembling stages on Oct; (2) Workshop participants : 3 pax (1 from Kep. Seribu bag. Utara & 1 from bag. Selatan, 1 from Sub-Dinas Kelautan) | (3) Boat Workshop is on going : Finishing stage on Nov-1st week Dec (4) Procurement of Community Shipyard Equipment (5) SI&P Committee visit the workshop on 20 Nov | (6) Boat workshop will be completed 2nd week of Dec (7) Tentative launching and hand-over ceremony by IPA BoD on mid-Dec => 1 unit boat plan to be officially handed over to Fishermen Group from Kep. Seribu (name tbc). => The beneficiary selection was recommended by the fishermen groups Kep.Seribu and Sub-Dinas Kelautan |

SECTION 5

CONVENTION COMMITTEE

2015 ACTIVITIES REPORT

AND

2016 WORK PROGRAM

CHAIRMAN of IPA CONVEX 2015

Yanto Sianipar - (Chevron Indonesia Company)

And

CHAIRMAN of IPA CONVEX 2016

Marudut Manullang - (Ophir Indonesia (Bangkanai) Limited)



CONVENTION COMMITTEE

Summary of 2015 Activities and 2016 Planned Activities

SUMMARY OF 2015 ACTIVITIES

I. INTRODUCTION

The 39th IPA Convex 2015 was successfully held on 20th - 22nd May 2015 at the Jakarta Convention Center. The theme of the Convex was “Working Together to Accelerate Solutions in Facing Indonesia’s Energy Crisis”. The Convention was participated by prominent figures, speakers, government officials, opinion makers, media and participants from both national and international to discuss recent issues and potential solution for the future. The strong array of panelists and speakers and the exceptional media turnout as well as the highest number of participants and visitors resulted the 39th IPA Convex be considered a success by most reasonable metrics.

II. HIGHLIGHTS

- The opening ceremony was opened by His Excellency, Indroyono Soesilo - Coordinating Minister for Maritime Affairs of the Republic of Indonesia and His Excellency, Sudirman Said - Minister of Energy and Mineral Resources of the Republic of Indonesia.
- Over 24,000 visitors have visited the 3-days event, including 2,742 delegates from 24 countries and 638 journalists from 315 media.
- The Exhibition participated by 180 companies with total booths of 194.
- The Technical Program presented a total of 134 professional papers and 28 student papers which are presented in 36 sessions.
- About 1,500 participants participated at the IPA 5K and 10K Run on 17 May 2015.

III. PROGRAM SUMMARY

A comprehensive platform that consists of variety of activities including exhibition, Plenary Session, Special Session, Technical Program, and several social events are:

1. PLENARY SESSIONS

Three (3) Plenary Sessions were held on 20 and 21 May 2015 :

- **Plenary Session 1**
 - **Theme: “Indonesia’s Energy Crisis in the New Global Energy Landscape”**
Indonesia’s current rate of energy consumption is exceeding its rate of production growth. Exploration results in recent years have not found significant new hydrocarbon resources. New and renewable energy sources growing are not in line with the demand. In the meantime, a shortage of energy supply is appearing in the shape of long queues for



motor fuels and occasional electricity blackouts, even in Java. All of this is happening in a volatile global energy landscape experiencing plunging oil prices to global capital constraints for major energy projects.

- Keynote speaker: H.E. Bambang Brodjonegoro - Minister of Finance R.I.
- Speakers:
 1. I Gusti Nyoman Wiratmadja – Director General of Oil and Gas, Ministry of Energy and Mineral Resources
 2. Dwi Soetjipto – President Director & CEO of Pertamina
 3. Craig McMahon – Head of Asia Pacific Research, WoodMackenzie
 4. Craig Stewart – IPA President
- Moderator: John McCreery - Bain and Company

- **Plenary Session 2**

- **Theme: “Reforming Oil & Gas Governance towards Achieving National Goals”**

Revenues from the oil and gas sector continue to be a crucial element to fuel Indonesia’s economic growth and development. This plenary session will focus on the key measures decided by the New Government to reform governance in the oil and gas sector to achieve the national goals. Increasing production, simplifying bureaucracy, enhancing exploration, as well as legal and regulatory reforms are the focus areas to impact and advance Indonesian upstream oil and gas industry’s competitiveness. Energy investors, both foreign and domestic, are anticipating solid business foundations to be built from a stable and transparent implementation of regulations, which includes making breakthroughs for accelerating the approval of oil and gas mega projects that are needed immediately to minimize the demand and supply gap. It is vital for the government to ensure that the regulations provide better business assurance to attract investor interests.
- Keynote Speaker: H.E. Indroyono Soesilo - Coordinating Minister for Maritime Affairs R.I.
- Speakers:
 1. Kardaya Warnika – Chairman of Commission VII DPR (House of Representatives)
 2. Amien Sunaryadi – Chairman of SKK Migas
 3. Faisal Basri – Chairman of the Oil and Gas Governance Reform Team
 4. Chuck Taylor – Managing Director of Chevron IndoAsia Business Unit (IPA Board Member)
- Moderator: Kania Sutisnawinata

- **Plenary Session 3**

- **Theme: “Sectoral Collaboration in Advancing the National Oil and Gas Sector”**

The oil and gas sector continues to be a priority sector for the Indonesian Government. Yet, the oil and gas investors continue to experience overwhelming problems to conduct their operations. The bureaucracy, overlapping laws and regulations, numbers of permits required, security issues, conflicts with local communities, central versus local government policies are all impediments that hamper oil and gas investment. All these challenges highlight the importance of strong coordination and relationships between all levels of the government, central as well as regional, the operating firms, the local communities, academia, supporting industries and a broad array of other stakeholders to advance the national oil and gas sector. The oil and gas sector cannot move on its own, especially in today’s ever-connected landscape.
- Keynote Speaker: H.E. Sofyan Djalil - Coordinating Minister for the Economy R.I.

-
- Speakers:
 1. H.E. Siti Nurbaya – Minister of Environment and Forestry R.I.
 2. Azhar Lubis – Deputy of Investment and Implementation Control of Indonesia Investment Coordinating Board (BKPM)
 3. Taufiqurrahman Ruki – Act. Chairman of KPK
 4. Arsyadjuliandi Rahman – Acting Governor of Riau
 5. Jon M. Gibbs – President & GM ExxonMobil Indonesia (IPA Board Member)
 - Moderator: Dewi Fortuna Anwar

2. SPECIAL SESSIONS

Three (3) Special Sessions are:

- **Special Session on 22 May 2015**

- **Theme: “Impact of Energy Sector as Engine of Growth of National Development”**

The oil and gas sector contribution to national development agenda has been primarily seen in delivering energy to fuel growth and generating substantial government revenues to the state budget. In reality, the industry’s impact to national development is far reaching and has created a significant multiplier effect. After decades of oil and gas exploration and production, hundreds of thousands, if not millions of Indonesian oil and gas professionals have been developed – many of which are competitive globally. Millions of jobs and billions of value have also been created in the supporting industries – ranging from state-of-the-art drilling rigs, aviation, R&D to local services catering to thousands of oil and gas projects nationally. Advancing the oil and gas sector also means advancing its supporting industries as well – and in return, enhancing the national economic resilience and boosting growth.
- Speakers:
 1. Rita Widayarsi – Regent of Kutai Kartanegara, East Kalimantan
 2. Handry Satriago – CEO of GE
 3. Prof. Dr. Kadarsah Suryadi – Rector of ITB
 4. Tri Mumpuni – Yayasan Institut Bisnis dan Ekonomi Kerakyatan (NGO)
 5. Dharmawan Samsu – Head of Country, British Petroleum (BP)
- Moderator: Ahmad Yuniarto

- **Sharing Session on 21 May 2015**

- **Theme: “Sustainability Reporting in Oil & Gas Industry” - by: SKK MIGAS**
- Speakers:
 1. Ali Darwin – Chairman of National Committee for Sustainability Reporting
 2. Prof. Sarwono Kusumaatmadja – Former Minister of Environment
 3. Marjolijn Wajong – President & CEO of Santos Indonesia (IPA Board Member)
 4. Hendi Santoso – President Director of PGN

Moderator: Parulian Sihotang, Deputy Chairman of Financial Control – SKK Migas

- **Special Dialogue Session on 22 May 2015**

- **Dialogue Session with Minister of Energy and Mineral Resources R.I., H.E. Sudirman Said**
- Moderator: Yanto Sianipar

3. TECHNICAL PROGRAM

During the 3-days convention there were total of 119 oral presentations and 46 poster presentations. A total of 68 chairpersons confirmed and populated in 37 sessions with 6 parallel rooms. A total of 150 professionals participated as judges for the papers (oral and poster presentations).

Details of the Technical Program presentations are:

- Professional Oral Presentations : 99 Presenters
- Professional Poster Presentations : 38 Posters
- Student Oral Presentations : 20 Presenters
- Student Poster Presentations : 8 Posters

Winners of the Technical Program Presentations are:

- **Student Best Paper & Poster**
 1. Student – Geoscience : Dwiky Perdana Susanto from UGM
 2. Student – Engineering : Achmad Akbari from ITB
 3. Student - Best Poster : Yulia Nur Fajrina from ITS
- **Professional Best Paper & Poster**
 1. Professional HSE & Commercial: Moektianto Soeryowibowo from BP
 2. Professional Geophysic 3rd : Bastian Hutahayan from CGG
 3. Professional Geophysic 2nd : Ed Hager from Polarcus
 4. Professional Geophysic 1st : Didiek Budi P from TOTAL E&P INDONESIA
 5. Professional Geology 3rd : Albertus Ditya from Exxonmobil
 6. Professional Geology 2nd : Benyamin Sapiie from ITB
 7. Professional Geology 1st : Fikril Hakiki from Exxonmobil
 8. Professional Engineering 3rd : Karyadi Junedi from PHE ONWJ
 9. Professional Engineering 2nd : Nicolas Bianchi from LR Senergy
 10. Professional Engineering 1st : Ibrahim Kunto from VICO Indonesia
 11. Professional Poster : Prihatin Tri Setyobudi from GDA Consulting
 12. Professional Overall : Christopher Birt from BP

4. EXHIBITION

Located at Assembly Hall, Main Hall, Cenderawasih Hall and Hall A

- Total booths of this year IPA Convex are 271 booths – participated by 180 companies.
- Total Exhibitors were 255
- Surface of the exhibition is 7,688 sqm.
- Winners of the best booth Exhibition are:

| CATEGORY | BEST DESIGN | BEST CONTENT |
|-------------------------------------|-------------------|---------------------|
| Platinum (size>100m ²) | Chevron Indonesia | Total E&P Indonesia |
| Gold (size 50-99 m ²) | ENI Indonesia | Trakindo |
| Silver (size 25-49 m ²) | Geolog Indonesia | South Quater |
| Bronze (size>100m ²) | HoneyWell | Exterran Indonesia |

5. AUDIO VISUAL THEATER AND COMMUNITY EMPOWERMENT ZONE

- **Audio Visual Theater**
 - Located at Hall B, the Audio Visual Theater (used to be called: IPA CONVEX Cinema Hall) had an additional presentation function facility for companies that would like to do some promotion and marketing or wish to invite their clients.
 - Two movies were played rotationally which are: *Asal Usul Minyak dan Gas Bumi* (Origins of Oil & Gas) and *Pulau Bintang* (Bintang Island).
 - Companies who makes use of this additional function hall were: Jakarta Alarm, Chevron, Elnusa, INPEX, Medco.

- **Community Empowerment Zone - Theme: Desa Nusantara**
 - Decorated with modern ethnic minimalist look, the Community Empowerment Zone or previously known as CSR zone brought the Five Pillars of CSR as its theme this year. The Five Pillars of CSR consist of Macro Finance, Health, Education, Infrastructure, and Environment.

6. PRE CONVENTION SHOURT COURSES

Five (5) courses were held on 18-19 May 2015 at the Mulia Hotel, Jakarta which are:

- Petroleum Potential in Frontier Areas of Indonesia: Opportunities, Risks, and Ways of Exploration
Instructor : Awang Harun Satyana – Executive Advisor, SKKMIGAS (18-19 May 2015)
- The Sedimentary Geology of Java
Instructor: Peter Lunt (19 May 2015)

7. PRE CONVENTION : IPA CHARITY 5K & 10K FUN RUN

- The Fun Run was held on Sunday, 17 May 2015 morning at the fX Lifestyle, Jl. Sudirman.
- The event was held to raise awareness that the 39th IPA Convex is going to be held in next 5 days besides boosting enthusiasm that running is part of a healthy lifestyle in an enjoyable and relaxed environment.
- The event has generated 1.500 participants from IPA members, professionals in the oil and gas industry, and members of the public.
- The winners categories are divided into the IPA members and Public.
- Details are as follows:

| CATEGORY | 1 st WINNER | | 2 nd WINNER | | 3 rd WINNER | |
|--------------------|------------------------|----------|------------------------|----------|------------------------|----------|
| IPA MEMBERS | | | | | | |
| 5 K – Women | Meiliani | 00:25:35 | Unverified | 00:32:40 | Putri Wiryawan | 00:33:03 |
| 5 K – Men | Ade Kumaen | 00:19:53 | Jon M. Gibbs | 00:23:15 | Salwan S. | 00:23:50 |
| 10K – Women | Tia N. Ardianto | 00:49:59 | Emeria | 00:57:54 | Maulidia Novita U | 00:59:36 |
| 10 K – Men | Wisnu A | 00:36:22 | Hendra | 00:36:44 | Christovic H.S. | 00:40:05 |
| PUBLIC | | | | | | |
| 5 K – Women | Rieke Febriyanti | 00:18:58 | Anjasari Dewi | 00:19:44 | Nengsih Samadi | 00:22:32 |



| | | | | | | |
|-------------|--------------------|----------|---------------|----------|------------------|----------|
| 5 K – Men | Khamid Soiman | 00:15:44 | Asep Saefudin | 00:15:59 | Fahmi Kilwouw | 00:16:03 |
| 10K – Women | Jackline Nzivo | 00:33:22 | Odekta Vina | 00:33:42 | Supriyati Sutono | 00:34:21 |
| 10K – Men | Charles Kipkorir K | 00:28:53 | Abdul Haris | 00:29:33 | Dennis Isika | 00:30:37 |

8. PHOTO COMPETITION

- Photography competition took “Working Together” as theme of photography competition in the 39th IPA Convention & Exhibition 2015.
- On the judging process, Kristupa Saragih, Arbain Rambey dan Geri Achsan as judges, received 138 photographs and finally selected 3 photographs as the winners.
- Photography competition winners were:
 - 1st Winner:** Lowering Gas Pipeline Arun-Belawan – Photo by Ares Jonekson Saragi (Bogor)
 - 2nd Winner:** Lifted For the Price – Photo by Putra Bustami (Padang)
 - 3rd Winner:** Bersama Membangun Bangsa – Photo by Temmy Rahadipoetra (Jakarta)
 - Best Photo:** Bekerjasama Memadamkan Api – Photo by Sofyan Efendi

9. WRITING COMPETITION

The writing competition was displayed at Hall B and has 2 categories winners:

- Journalist Category**
 - Theme: “Working Together to Accelerate Solutions in Facing Indonesia’s Energy Crisis” which focuses on three pillars: **Working Together, Accelerate Solutions, and Energy Crisis.**
 - Judges: Rudianto Rimbono, Head of Humas SKK Migas; Yanto Sianipar, Chairman of 39th IPA Convex 2015; Ari Junaedi, Dosen of Universitas Indonesia.
 - Winners for Journalist Writing Competition are:

| PLACE | NAME | MEDIA |
|-------|----------------|-----------------|
| I | Iis Zatnika | Media Indonesia |
| II | Aries Prasetyo | Kompas |
| III | Retno Ayu | Investor Daily |

- Students Category (18-25 years old students)**
 - Theme: “Solutions In Facing Energy Crisis”
 - Judges: Sammy Hamzah (IPA), Bruce Edmond (Speak Magazine), and Alex Ginting (Petromindo).
 - Total of essays received 56 essays, with 10 finalists.
 - Winners of this category is as follow:

| PLACE | NAME | UNIVERSITY |
|------------|--------------------------|-------------------------------|
| FIRST | Dwi Menur Mandriati | Univeritas Padjajaran |
| SECOND | Fano Alfian Ardyansyah | Universitas Gajah Mada |
| THIRD | Listina | Universitas Wiralodra |
| RUNNERUP 1 | Dias Nurazna Pramukusuma | Institut Teknologi Bandung |
| RUNNERUP 2 | Muh. Nana Aviciena | Universitas Negeri Yogyakarta |

10. INDUSTRIAL DINNER

- Decorated in Jakarta Old Times Look (Jakarta Tempo Dulu), the event was held on Thursday 21 May 2015, at 18.30-21.30 at the Plenary Hall of the Convention Center.
- Theme: *Harmony in One Spirit*.
- Performance of Kahitna made the evening a very festive event.

IV. CONCLUSION

- **The 39th IPA Convention and Exhibition 2015** has received positive feedbacks and achieved new records in terms of the exhibition size, convention participants as well the visitor's numbers. However despite the significant achievements and outcomes, there are noticeable improvement that needs to be delivered for the next IPA Convention and Exhibition in 2016.
- It is also critical to highlight that adequate time of planning will resolve on better execution.
- Below are several activities and issues that needs to be improved for the next 40th IPA Convention and Exhibition 2016, particularly:
 1. More socialization is needed to boost reservation numbers of companies presenting at Audio Visual Theater.
 2. Better organization for the registration and race pack distribution for 5K & 10K Fun Charity Run
 3. Confirmation and protocol handling from VIP with lots of last minute changes.

Appendix A –

COMMITTEE MEMBERS – 2015 IPA CONVEX

| COMMITTEE | POSITION | NAME | COMPANY |
|--|-------------------------------------|----------------------------|-----------------------------|
| CHAIRMAN | | Yanto Sianipar | Chevron |
| | Finance | Silvy Agustina | Chevron |
| Sponsorship | Chairperson | Novie Hernawati | Schlumberger |
| | Vice-Chairperson | Novitri Lilaksari (Chichi) | PHE ONWJ |
| Secretariat | Secretary - 1 | Henny Farida Thomas | Chevron |
| | Secretary - 2 | Nevi Septianti | IPA |
| General Affairs & Registration | Chairperson | Wursitaningari (Sita) | IPA |
| | Exhibition - Registration | Amir Hamzah | IPA |
| | Members | IPA Staff | IPA |
| Communication | Chairperson | Budiman Moerdijat | BP Indonesia |
| | Vice-Chairperson - Marketing | Moshe Rizal Husin | Ephindo |
| | Member | Evelyna Sitinjak | Ephindo |
| | Vice-Chairperson - Advocacy | Azi N. Alam | ExxonMobil |
| | Member | Fanny Hapsari Utomo | INPEX |
| | Member | Jeanny Simanjuntak | Chevron |
| | Member | Tantri Yuliandini | BP Indonesia |
| | Member | Doty Damayanti | Donggi - Senoro LNG |
| VICE CHAIRMAN CONDUCT COMMITTEE | | Alvin Anwari | Santos |
| Exhibition | Chairperson | Mandra Yudiantara | Chevron |
| | Vice-Chairperson | Fitrika | Total E&P Indonesia |
| | Member | Cynthia Watung | Murphy Oil |
| | Member | Sakkan Abram Siahaan | INPEX |
| | Member | Corry Triwardani | Chevron |
| 5K & 10K CHARITY RUN | Chairperson | Novie Hernawati | Schlumberger |
| Security | Chairperson | Awan Suryanada | JOB Pertamina - Simenggaris |
| | Vice-Chairperson | Lalu Yusvianto Hidayat | INPEX |
| | Member | Danang Agung W. | JOB Pertamina - Simenggaris |
| Protocol | Chairperson | Adra Janitra Hendrawan | ConocoPhillips |
| | Vice-Chairperson | Eri Sistiana | Chevron |
| | Member | Hendarsyah | Medco |
| Reception & FB | Chairperson | Najmiah Sabil | INPEX |
| | Vice-Chairperson | Bina Yuanita | Vico Indonesia |
| | Member | E. Susantiningih (Santi) | Energi Mega Persada (EMP) |
| | Member | Achmad Firaldi | Star Energy (Kakap) Ltd. |
| VICE CHAIRMAN TECHNICAL COMMITTEE | | Nico Muhyiddin | INPEX |
| Plenary Session | Chairperson | Ferita Kanter | Chevron |
| | Vice-Chairperson | B. Eka Putra Soerono | PHE Nunukan Company |
| | Member | Bidi Subagio | Salamander Energy |
| | Member | Michael Putra Wenas | Shell Indonesia |
| | Member | A. Rizqi Darsono | Sugih Energy |
| Technical Program | Chairperson | Antonius Aji | GE Oil & Gas |
| | Vice-Chairperson 1 | Peter Adam | Energi Mega Persada (EMP) |
| | Vice-Chairperson 2 | Bob Wikan | Pertamina EP - CEPU |
| Short Courses | Chairperson | Anna Sulistyaningsih | IPA |
| | Member | Maydy Rahmadani | IPA |

2016 PLANNED ACTIVITIES

- **The 40th IPA Convention and Exhibition 2016 will be held:**

Date : **25 – 27 May 2016**
Day : Wednesday – Friday
Venue : Jakarta Convention Center
Website : www.ipaconvex.com

- The Core Committees are:

Chairman : Marudut Manullang - Ophir Energy
Vice Chairman Conduct : Novie Hernawati - Schlumberger
Vice Chairman Technical : Ferita Kanter - Chevron Indonesia Company

- Highlights of the 40th IPA Convention & Exhibition 2016:

1. Theme: “**Shifting Paradigms in Indonesia - Supplying Energy in the New Reality**”

2. Technical papers:

- Invitation to submit abstract for Technical Papers has been published in September 2015 and as per 25 November 2015 the Committee has received 81 abstracts from professionals and 11 abstracts from students.
- The Technical Sessions include: Geology and Geophysics, Reservoir Engineering, Production Optimization, Drilling and Completions, Business and Commercial and Community Development and Social Responsibility

3. Plenary Sessions

4. Exhibition

5. A Charity event : Walk and Fun Run 5K/10K

SECTION 6

ENVIRONMENT AND SAFETY COMMITTEE

2015 ACTIVITIES REPORT

AND

2016 WORK PROGRAM

CHAIRMAN

Ibrahim Arsyad

(Medco Energi Internasional Tbk, PT)



ENVIRONMENT AND SAFETY COMMITTEE

Report of 2015 Activities and 2016 Work Program

I. OVERVIEW

The IPA ESC is a working committee and serves as a bridge between oil and gas operators and regulatory bodies, creates open dialogue between all stakeholders and provides a platform for the Government and the upstream oil & gas industry (mainly) to address opportunities and future challenges relating to environmental issues and safety compliance to support Sustainable Development. The committee role is to support the IPA member companies and operators to comply with applicable regulations, to promote the beyond compliance effort and to share best practices in safety and environmental management. The committee therefore actively participates in providing necessary feedback and comments to the Government during related regulatory development to ensure that the issued regulations are applicable & sensible for the industry without sacrificing the environmental and safety standards that are an integral part of oil and gas operations within Indonesia.

For the past few years, the IPA ESC have been very actively involved in regulatory advocacy from the industry and professional perspective and have been influencing government to revisit regulations which are not practical to achieve sustainability.

II. ENVIRONMENT & SAFETY COMMITTEE (ESC) MEMBERS

The ESC members in 2015 are shown below:

| POSITION | | NAME | COMPANY |
|--------------------------|----|---------------------|----------------------------|
| Chairman | : | Ibrahim Arsyad | Medco Energy Internasional |
| Deputy Chairman | : | Dadang Purnama | INPEX Masela Ltd. |
| Secretary | : | Mega Nainggolan | Energi Mega Persada |
| Environment Subcommittee | | | |
| Lead | 1 | Lidia Ahmad | BP Indonesia |
| | 2 | Arrayati Ramadhani | ConocoPhillips Indonesia |
| | 3 | Dwita S. Prihantono | Chevron Indonesia Company |
| | 4 | I Nyoman Adi | CNOOC SES |
| | 5 | Julfrida Nababan | Vico Indonesia |
| | 6 | Sugiarto S.C. | Mont D'Or Petroleum |
| | 7 | TP. Pasaribu | PT. PHE WMO |
| | 8 | Rossi Yuliani | PT. PHE ONWJ |
| | 9 | Pipi Pujiani | BP Indonesia |
| Safety Subcommittee | | | |
| Lead | 10 | Agung Sihwahyudi | INPEX Masela Ltd. |
| | 11 | Arudji Wahyono | Chevron Indonesia Company |

| | | | |
|--|----|-----------------------|--------------------------|
| | 12 | Satrio Pratomo | Mubadala Petroleum |
| | 13 | Krishna Ismaputra | Eni Indonesia |
| | 14 | Roy Witarsa | Total E&P Indonesia |
| | 15 | Moh. Wilman Meidiarta | Medco E&P Indonesia |
| | 16 | Novita S. Khanim | ExxonMobil Oil Indonesia |

Since its establishment in 1990, the Committee chairpersonship has changed during the period, with the honorary chairpersons of the committee listed below for information:

HONORARY CHAIRPERSONS

- | | | |
|-----|-----------------------|--------------------------|
| 1. | Krishna Ismaputra | Eni Indonesia |
| 2. | Satrio Pratomo | Mubadala Petroleum |
| 3. | Agustanzil Sjahroezah | Energi Mega Persada |
| 4. | Arudji Wahyono | Chevron |
| 5. | Jusuf R. Odang | Vico |
| 6. | Otong S. Adisapoetra | Repsol YPF |
| 7. | Benky Bagoes Oka | ARCO Indonesia |
| 8. | I Made Surya Kusuma | Caltex Pacific Indonesia |
| 9. | Steve Massey | Mobil Oil Indonesia |
| 10. | Michael Bradey | Lasmo Oil |

III. 2015 HIGHLIGHTS ISSUES AND ACHIEVEMENT

IPA ESC in 2015 continued to be a trusted partner of regulatory bodies, particularly of the Ministry of Environment and Ministry of Energy and Mineral Resources (MIGAS) and SKK Migas in developing implementable environmental guidelines and regulations which applies to the oil and gas Industry.

Following the issuance of the Government Regulations 101 in 2014 concerning hazardous and toxic waste management, ESC throughout 2015 have been actively promoting Industry's best-practices as part of advocacy during the development of implementing ministerial regulations.

IV. 2015 ENVIRONMENT & SAFETY WORK PROGRAMS AND ACHIEVEMENTS

The IPA-ESC in 2015 having a routine monthly meeting every second Friday of the month. Various issues are discussed in these meetings, focusing on regulatory advocacy and member's capacity building. Beside of regular meeting, the member of IPA-ESC also intensively conduct non regular meeting to response the issue and also the expectation from the key stakeholder.

1. Continue the advocacy on the development of Government Regulations
 - Provide feedback and necessary comments to the Government on the draft implementing regulation on Management Toxic and Hazardous Material, Toxic and Hazardous Waste and Dumping to Sea. The main concerns being proposed in this

-
- draft implementing regulation are de-listing of used mud & cutting from the list of Toxic and Hazardous Waste (*Limbah B3*), determination of dumping location shall be based on environmental impact assessment and simplification and transparency in obtaining permit.
- Engaged with prominent experts in the field of toxicology, oceanography and hydro-oceanography simulations in order to obtain scientific point of view and align with ESC advocacy efforts in the development of Government Regulations.
 - Actively engage with SKK Migas and MIGAS to ensure the continuous perception on the related issue especially in environment management and impact of this regulation.
2. Continue involvement in competency development on Health, Safety and Environmental Professionals
- Continue the cooperation in professional certification training on NEBOSH (National Examination Board of Occupational Safety and Health) with special privilege for participants registering through the IPA.
 - Provided knowledge and expertise during Ditjen Migas Workshop on flaring reduction in September 2015.
 - Actively supported SKK Migas-KKKS workshop of Operations Control in September 2015.
 - Actively supported Ditjen Migas during Environmental Communication forum in October 2015.
 - Provided knowledge and expertise in panel discussions between SKK Migas and KKKS forum of emergency preparedness and crisis management in November 2015.
3. To promote the improvement of HSE performance of Oil and Gas Industry
- Engagement with HSE professionals within the oil and gas Industry in Indonesia, to promote the role of IPA and communicate out current and new regulatory development. The gathering will be conducted at the end of November 2015 or early December 2015.

CHALLENGES

Advocacy with relevant regulatory body concerning the prerequisite of environmental license and permit with aim to be more efficient and transparent with a degree of assurance to promote oil and gas exploration and development activities.

V. 2016 ENVIRONMENT & SAFETY WORK PROGRAMS

In 2016, IPA-ESC will continue its activities that need follow up such as advocacy, capacity building and experience sharing with authorities such as with Ministry of Environment and Forestry, SKK Migas, and Directorate General of Oil and Gas EMR (Ditjen Migas ESDM). Routine monthly meetings will be maintained to discuss various environmental and social issues.

Following are targets to achieve in 2016:

-
- Continue the advocacy efforts on emerging issues on the development of various government regulations facilitated through working teams assigned with relevant government agencies.
 - Continue the planned capacity building through partnerships with Ministry of Environment and Forestry through seminars concerning Environmental Permits in several selected areas that have been identified with potential issues.
 - Continue involvement in competency development of health, safety and environmental professionals by organizing professional certifications through National Examination Board on Occupational Safety and Health of UK.
 - ESC will seek to become a recognized Indonesia chapter of the American Society of Safety Engineers (ASSE).

In more specific, IPA-ESC in 2016 will have following periodical activities:

- Quarterly Environment & Safety Expert Discussion.
- Monthly Meeting.
- External Publication/Workshop.

SECTION 7

EXPLORATION COMMITTEE

2015 ACTIVITIES REPORT

AND

2016 WORK PROGRAM

CHAIRMAN

Moektianto Soeryowibowo

(BP Indonesia)



EXPLORATION COMMITTEE

Report of 2015 Activities and Propose Objectives for 2016

Report of 2015 Activities

The Exploration Committee has been established and monthly meetings are held on the third Tuesday of each month. The list of company representatives is as follows:

| POSITION | NO | NAME | COMPANY |
|---------------|----|-------------------------|---------------------|
| Chairman | 1 | Moektianto Soeryowibowo | BP Indonesia |
| Vice Chairman | 2 | Christian Zwach | Statoil |
| | 3 | Sonny T. Sampurno | Mitra Energy |
| | 4 | Marco Barassi | Eni Indonesia |
| | 5 | Walter Ziza | AWE |
| | 6 | Hendry Manur | Star Energy |
| | 7 | Henry Banjarnahor | INPEX |
| | 8 | Noor Syarifuddin | Total E&P Indonesia |
| | 9 | Chris Newton | Risco Energy |
| | 10 | Dave Taber | Chevron |
| | 11 | Chandra Suria | Medco |
| | 12 | Gadjah Eko Pireno | KrisEnergy |
| | 13 | Mark Boyd | ConocoPhillips |
| | 14 | Bill Ashby | Santos |

Activities for this year primarily focus on developing proposal to the Government of Indonesia to improve exploration activities in the country. In order to do this, the Exploration Committee has been active to share its opinion through participation in meetings, seminars and workshops.

During such participations the Exploration Committee suggested to the Government of Indonesia to address two issues:

1. Regulatory framework: to remove the existing difficulties in executing exploration project.
2. Fiscal: to improve fiscal terms in order to attract future exploration investment

A fiscal study with HIS is conducted to support the proposal. The aim of the study is to come up with quantitative analysis of the existing fiscal terms under the Production Sharing Contract, to identify which element of the fiscal that could provide big impact in the economics of exploration project which in turn would attract exploration investment and generate new discoveries for the country. An intensive interaction between IHS and IPA (represented by Exploration Committee and Finance and Tax Committee) has produced detailed quantitative analysis. The result of the study is in the progress to be shared to Komite Eksplorasi Nasional, Directorate General Oil and Gas, SKK Migas as well as the Ministry of Energy and Mineral Resources.

Together with the Finance and Tax Committee, we continue to voice the important for the Government of Indonesia to seriously address the 2012/2013 Land and Building Tax which being judged in the Tax Court. As the result of previous effort to convince Gol that LBT assessment is not the right thing to do, Gol has issued two regulations (Peraturan Direktur Jenderal Pajak No. 45 tahun 2013 to address LBT on surface and Peraturan Menteri Keuangan No. 267 tahun 2014 to address LBT on subsurface) to fix such mistakes. However, these regulations only applicable point forward and did not resolve the 2012/2013 LBT assessment.

As mandated by IPA Board of Directors, the Exploration Committee actively involved in the Task Force team to review the draft of Oil and Gas Law revision. The Task Force team has followed up with the Ministry of Energy and Mineral Resources to finalize the detail wording from IPA. However, the progress of the revision of the Oil and Gas Law is still uncertain due to political tug of war between the Government and the Parliament.

The Exploration Committee has been providing support and actively provides feedback to the team formed by the President Staff Office. The team primarily consists of staff from Directorate General Oil and Gas and SKK Migas. The Exploration Committee involved in two meetings, i.e. in Hotel Aston, Bogor, and in Hotel Tentrem, Yogyakarta. As part of the Nawacita (President Joko Widodo's aspiration), the President Staff Office is taking responsibility to develop an executable plan to address issues related to energy security. One aspect that has been identified is the poor performance of exploration during the last decade. The team is in charged to develop a proposal to improve the investment climate to attract investment in exploration.

Two of the Exploration Committee, Moektianto Soeryowibowo and Chandra Suria, are appointed as the member of the Komite Eksplorasi Nasional (KEN). KEN is a committee formed by the Minister of Energy and Mineral Resources and is led by Dr. Andang Bachtiar. KEN is charged to develop recommendation which could address issues related to the poor performance of exploration as well as to attract exploration in the future.

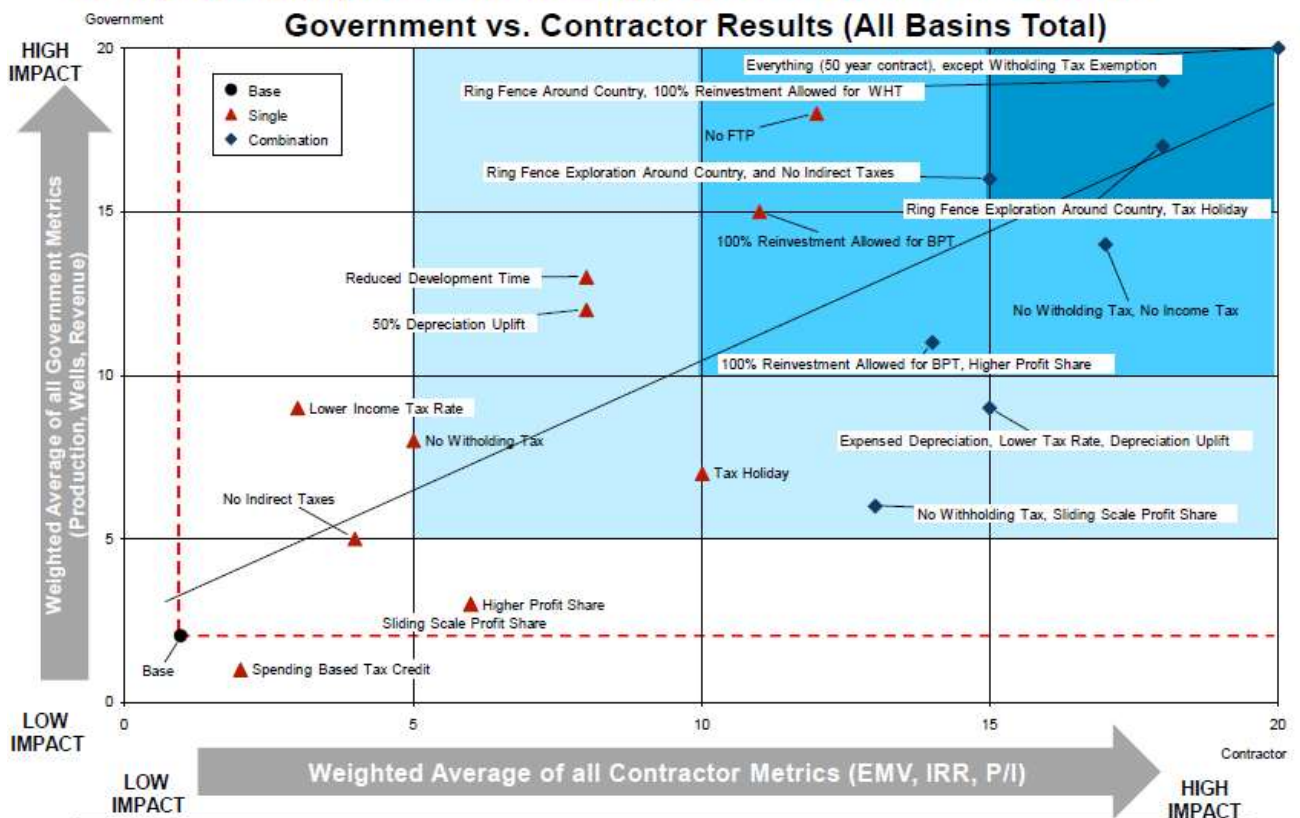
Key meetings which involved the Exploration Committee in 2015 are:

1. 22nd April 2015, Hotel Aston, Bogor, organized and host by Directorate General Oil and Gas. Agenda: 1) Feedback and discussion on developing strategy to boost exploration oil and gas; 2) Synchronize permits related to oil and gas activities
2. 9th June 2015, Hotel Aston, Bogor, organized and host by the Team formed by the President Staff Office. Brainstorm issues related to upstream oil and gas activities
3. 31st August 2015, Hotel Tentrem, Yogyakarta, organized and host by SKK Migas. Follow up of the June meeting in Bogor: Proposal of fiscal policy to support oil and gas exploration.
4. 12th November 2015, Hotel Hilton, Bandung, organized by Directorate General Oil and Gas and Jakarta Scout Check. Oil and Gas Investment Forum. Invited as speaker on panel discussion along with Upstream Director of DG Oil and Gas, Chairman Komite Eksplorasi Nasional, Deputy of SKK Migas, Upstream Director of Pertamina.

The proposed objectives of the Exploration Committee for 2016 are:

1. Continue to socialize the result of the fiscal study. Ensure good acceptance by various institutions, i.e. DG Oil and Gas, SKK Migas, Komite Eksplorasi Nasional, Ministry of Energy and Mineral Resources and Ministry of Finance
2. Continue to provide support to, and collaborate with, IPA committees to finalize input for the revision of Oil and Gas Law and in addressing issues associated with exploration activities and the overall oil and gas business in Indonesia.

On average, Government and Investor interests are aligned:
 No FTP, ring-fencing operations around country, and 100% re-investment allowed for WHT



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A plot to summarize the impact of fiscal elements that would impact to both investor and Government of Indonesia (result of the fiscal study by IHS).



SECTION 8

FINANCE AND TAX COMMITTEE

2015 ACTIVITIES REPORT

AND

2016 WORK PROGRAM

CHAIRMAN

Nizar Halim

(Total E&P Indonesia)



FINANCE AND TAX COMMITTEE

Report of 2015 Activities and 2016 Work Program

| | | |
|----------------------------|----------|-----------------------------------|
| Chairman | : | Nizar Halim (Total) |
| Vice Chairman | : | Hendra Halim (BP) |
| Coordinator Tax | : | Zahra Mulachella (Premier) |
| Coordinator Audit | : | Edwinsjah Iskandar (CNOOC) |
| Coordinator Finance | : | Hendri (Chevron) |

2015 Activities Report

Tax

- 1) The Committee had been working closely with the government and attained 2 (two) Minister of Finance Regulations being issued:
 - a. The Minister of Finance Regulation No.267/2014, issued on 31 December 2014, granting an exemption on subsurface area of Land & Building Tax.
 - b. The Minister of Finance Regulation No.142/2015, issued on 24 July 2015, expanding Value Added Tax (“VAT”) facility on import, not only for exploration stage but as well as exploitation/production PSC.

- 2) In addition to that, the committee has been advocating existing major tax issues to National Exploration Committee, Directorate General of Tax, Fiscal Coordination Body, Executive Office of The President Republic Indonesia, Minister of Finance, Minister of Energy and Mining, and other relevant government institutions, including communicating thru the Media, for :
 - a. Land and Building Tax dispute for fiscal year 2012 and 2013 which currently at the Tax Court,
 - b. Tax on Parent Company Overhead (PCO),
 - c. Tax on Facility sharing,
 - d. Tax audit on cost recovery, and
 - e. VAT reimbursement procedure of PMK 218

Finance

- 3) Lead and coordinate the advocacy to GOI Stakeholders (SKK Migas, ESDM, BI) in resolving the issue. With strong IPA BOD's support and the spirit of partnership during the engagement with GOI Stakeholders, a win-win resolution is progressing very well. A clear support was given by the Ministry of ESDM and SKK Migas to obtain an exemption from PBI 17 Regulation. Bank of Indonesia is now agree to classify the transaction into 3 different categories, i.e. transaction must use Rupiah (effective 1 October 2015), transaction which need to be further discussed on whether to use Rupiah or foreign currency (effective 1 January 2016) and the transaction that must use foreign currency (to refer to the relevant authorities).
- 4) Actively support the LNG & Gas Committee in addressing the Letter of Credit (L/C) issues to obtain a full exemption of the requirement to use L/C on oil and gas product export as required by Minister of Trade Decree no. 4/2015. The supports given to the Committee were focus on having

clear process of L/C, potential negative business impact and investment climate, advocate the issues to GOI stakeholders as well as mitigate the issues. Minister of Trade Decree no. 67/2015 has finally issued which exempted export of oil and gas product from using L/C.

Audit:

- 5) Rakorwas Tax Audit – joint agreement within stakeholders: We actively participate in the preparation (i.e. provide input) and also discussion on this Rakor (Coordination Meeting) lead by SKKMIGAS PBN Division.
- 6) Advocacy on “Right to Audit” PTK 007 rev2: In coordination with SKKMIGAS UPI (Internal Audi), the Audit group held several discussions in drafting the clause. This is a new clause which provides rights for SKK MIGAS to perform audit to vendors on issues relating to FCPA, UK AB Act and Tipikor.

General:

- 7) The Committee, together with RAC and other relevant committees, to provide industry’s key aspiration from fiscal perspective to be included in the new draft of Oil and Gas Law. IPA provides a few inputs around: (a) Principle of Promoting Investment; (b) Certainty on Upstream Business License; (c) Clarity on Upstream vs. Downstream; (d) Privilege of Pertamina; (e) Fiscal Terms inc. reinstatement of assume and discharge principle; (f) Criminalization of Civil Matters; (g) Transitional Principles; (h) Unconventional Resources.
- 8) Provide input and participate actively in the fiscal study conducted by the Exploration Committee on how to promote and increase exploration activity in Indonesia by benchmarking with other countries.
- 9) Building a new network with the Executive Office of the President Republic of Indonesia and National Exploration Committee (KEN) and continue to maintain a good relationship with the key government stakeholders such as Ministry of Finance, Ministry Energy and Natural Resources, Directorate General of Taxes, SKK Migas, ESDM, Coordination Fiscal Body, etc.
- 10) Supporting IPA BoD to engage various key stakeholders and act as a sounding board for IPA members in relation to Finance and Tax related issues to get consistency and alignment within the industry.
- 11) Conducting regular meetings, discussion forums, and/or teleconferences with the Committee’s members to share knowledge, to discuss issues and agree on the strategic action point to progress on the resolution.

2016 Work Program

Tax:

- 1) Pursuing Tax Facilities on:
 - a. Land and Building Tax exemption to be extended to exploitation PSC,



-
- b. Income Tax and V.A.T exemption on facility sharing,
 - c. Tax exemption on Parent Company Overhead (PCO).
- 2) Pursuing amendment or revocation of the new VAT reimbursement procedure of PMK218/2014 to be in line with the PSC principles as well as pursuing for a better efficiency in the administration process requirement.
 - 3) Continue working with the audit committee to explain to Directorate General of Tax (DGT) that the cost recovery audit dispute is a commercial/contractual dispute between Contractor and SKK Migas and it's not a tax dispute. Hence, any tax assessment should not be issued to such dispute.

Finance:

- 4) Monitor and provide feedback as needed upon the implementation of PBI 17/3.
- 5) Further assessment on the draft revision Non-Tax State Revenue Law and develop advocacy plan and path forward engagement with GOI Stakeholders.

Audit:

- 6) Continue to monitor the execution of "Right to Audit" and provides feedback on this regulation.
- 7) To build further communication and sharing with audit group in the industry on current major issues.

General:

- 8) Continue working with RAC committee to support the review and provide finance and tax related feedback on the draft oil and gas law.
- 9) Supporting the Exploration Committee to socialize the result of IHS study on fiscal study for exploration to various key external government stakeholders.
- 10) Continue working with the relevant key stakeholders including with the Executive Office of the President Republic of Indonesia to seek opportunity to revise/revoke PP79/2010 as well as realizing the above tax facilities.
- 11) To strengthen the relationship and networking with internal stakeholder by having a solid and trusted relationship with the IPA Board, Officers and the relevant IPA committees such as Regulatory Committee and Communication Committee. Supporting IPA BoD in engaging various stakeholders of oil and gas industry and act as a sounding board for IPA members in relation to Finance and Tax related issues to get consistency and alignment within the industry.
- 12) Conducting regular meetings and/or teleconferences with the Committee's members to share knowledge, to discuss issues and agree on the strategic action point to progress the issues.

SECTION 9

HUMAN RESOURCES COMMITTEE

2015 ACTIVITIES REPORT

AND

2016 WORK PROGRAM

CHAIRMAN

Aryoko Dwinanto

(ExxonMobil Oil Indonesia Inc.)



HUMAN RESOURCES COMMITTEE

Report of 2015 Activities and 2016 Plans

A. ORGANIZATION

| POSITION | NAME | COMPANY |
|---------------|-----------------------|--------------------------|
| Chairman | Aryoko Dwinanto | ExxonMobil Oil Indonesia |
| Vice Chairman | Andi Iwan Uzamah | Talisman Indonesia |
| Secretary | Anna Suherman | Schlumberger |
| | Wahono Hardi Sukardjo | Chevron Indonesia |
| Members | Arividya Noviyanto | Total E&P Indonesia |
| | Budi Mumandari | BP Indonesia |
| | Darmawan Utomo | CNOOC SES Ltd |
| | Evita Najuan | ConocoPhillips Indonesia |
| | M.H. Manullang | Ophir Indonesia |
| | Maryke Pulunggono | PetroChina |
| | Mohammad Hermawan | Santos |
| | Umar Chatab | Premier Indonesia |

B. PURPOSE & SCOPE

PURPOSE

- IPA Company members forum to discuss, interpret, clarify and communicate all human resources and industrial relations related issues in oil and gas sector.
- To represent the oil and gas sector in the advocacy efforts directly to various government institutions or via other associations such as APINDO (Employers Association) to ensure that the concerns of the IPA Company members or the oil and gas sector are properly addressed.
- To share knowledge, experience and practices in the employees development and to synergize where possible and permissible under applicable laws and regulations.

SCOPE

- Strategic government engagement and advocacy on human resources related regulations, policies and processes with the following key focus areas :
- Continue to build respectful relationship and address any concerns with a right balance between industry effectiveness and aligned with government objectives.
- Continuous improvement on “simplification, bureaucracy reduction, adding value and enhancing efficiency and effectiveness”.
- Consistent and streamlined regulation, requirement and review processes will increase process effectiveness and efficiency, which in turn leading to higher productivity of the Industry.
- In view on the above, the HR Committee is actively engage with 4 sub working groups whose work closely with related government institutions, including SKK Migas, MIGAS,

Ministry of Manpower, and Immigration, to strategically and tactically work issues and engagement on the following :

- Sub-Working Group I focuses on expatriate utilization related regulations
- Sub-Working Group II focuses on national employees related regulations, industrial relations and Compensation & Benefits
- Sub-Working Group III focuses on people training and development
- Sub-Working Group IV focuses on medical related matters

C. 2015 ACTIVITIES

1. Regular Quarterly meeting conducted
2. Engaged with SKK Migas and other related government agencies:
 - Advocacy on new Ministry of Manpower decree on concerns on stringent regulations on business visitors
 - Input on Ministry of Finance bill on funded severance
 - Input on Ministry of Finance regulations no. 258/2011 on Expatriate Compensation.
 - Input on the proposal of Definite-term Employment (PKWT) implementation for Oil & Gas industry
 - Alignment in managing implementation of new National Social Security System (SJSN) by Social Security Administrators (BPJS)
3. Monitor implementation of 2012 outsourcing regulation, implemented in 2013.
4. Participated in 2015 SKK Migas workshop and Indonesia HR Summit
5. Strengthen the coordination between HR IPA committee and sub working groups and provide guidance to sub working groups to ensure alignment for inputs to SKK Migas and support the sub working group program.

D. 2016 PLANS

1. Conduct quarterly HR Committee meeting
2. Support implementation of BPJS Health Care and Employment to include advocacy on BPJS Employment for expatriate employees.
3. With “simplification, macro management and value adding” approach to enhance efficiency and effectiveness leading to higher productivity of the industry, provide advocacy and input on :
 - Minister Decree No. 31/2013 on expatriate regulations
 - The upcoming Ministry of Finance bill on funded severance
 - Ministry of Finance regulations no. 258/2011 on expatriate compensation
 - The upcoming revision for PTK018/2008 Rev 1
4. Conduct focused industry study on preparation to anticipate AFTA, AEC, and SKKNI
5. Participate in SKK Migas 2015 Annual Workshop and Indonesia HR Summit
6. Strengthen the coordination between HR IPA committee and sub working groups and provide guidance to sub working groups to ensure alignment for inputs to SKK Migas and support the sub working group program.

SECTION 10

IT & DATA MANAGEMENT COMMITTEE

2015 ACTIVITIES REPORT

AND

2016 WORK PROGRAM

CHAIRMAN

Agus Wicaksono

(Chevron Indonesia Company)



IT & DATA MANAGEMENT COMMITTEE

Report of 2015 Activities and 2016 Work Program

COMMITTEE MEMBERS:

| POSITION | NO | NAME | COMPANY |
|---------------------------|----|----------------------|----------------------------|
| Chairman | 1 | Agus Wicaksono | Chevron Indonesia Company |
| Vice Chairman | 2 | Taufik Rachman Sidik | Medco Energi Internasional |
| General Affairs | 3 | Tutuko Resihadi | Chevron Indonesia Company |
| Data Management | 4 | Zuki Harahap | ConocoPhillips Indonesia |
| Governance & Policy | 5 | Suryadilaga | ExxonMobil Indonesia |
| Emerging Technology | 6 | Dwi Nugroho | BP Indonesia |
| Cyber Security | 7 | Khoruddin Rohman | Total E&P Indonesia |
| Nat. IT Capacity Building | 8 | Rizal Purwanto | Vico Indonesia |

2015 HIGHLIGHT

COMMITTEE CONSOLIDATION

In order to address a bigger landscape considering the current technology development, the previous Data Management committee was extended to cover IT related matters to become IT & Data management committee. The newly-extended committee is broken down into 5 (five) Focus Areas:

- a. Governance & Policy
- b. Emerging Technology
- c. Cyber Security
- d. National IT Capacity Building
- e. Data Management

Consolidation was completely done to re-staff the new committee with a wider membership from various IT functions within PSC, in addition to the existing Data Management working group from various function disciplines.

Governance & Policy

1. Inventoried all applicable IT related regulations and summarized the impact and potential issues related to Oil & Gas.
2. Continued addressing concerns over localization versus corporate direct charges on IT related support and services. SKK Migas was requesting PSCs to have zero corporate direct charges by 2015. The issue is still outstanding amidst various discussions and concerns addressed to with SKK Migas. A study team from ITB, UI, and Pajajaran University, appointed by SKK Migas, is still working to come up with a mechanism and

approach to dealing with cost recoverable corporate direct charges. Discussions with the study team are continuing progressing.

Cyber Security

Participated in and provided inputs and feedbacks to the National Cyber Security Symposium held by the Coordinating Ministry of Politics, Law, and Defense.

Data Management

1. Conceptually reorganized data repository for IPA secretariat. A draft of metadata, identifying type, attributes, purposes, format, access permission, - has been established. By having clear understanding of data structure, it can improve data accessibility, reliability and security. The data map diagram is ready for implementation planned for having a good operational database in 2016.
2. Secured initial agreement with IHS for continuing providing high-level E&P data and with Ernst & Young to help with analysis in order to produce a Briefing Paper for IPA.

Knowledge Sharing and Sessions

Several sessions for knowledge sharing on various topics have been conducted among IT & Data management community of practice, including inviting external subjects matter experts.

1. SKK Migas driven system of Integrated Operation (SOT)
2. Data submission to PUSDATIN
3. Localization and corporate direct charges
4. Cyber Security Awareness by Gildas Deograt Lumy, Deputy Director Coordination and Mitigation Group, Coordinating Ministers for Politics, Justice & Security Republic of Indonesia
5. Emerging Internet of Things Technology
6. Running Lean – IT: Self-Efficient, More Business Enabling

2016 PROGRAM

General

1. Continue providing advocacy over issues and concerns related to regulations that impact the way PSCs manage data and information, and might hinder adoption of effective and efficient IT in supporting the business,
2. Establish a good partnership with all relevant parties (SKK Migas and other government institutions, educational institutions, cross-industry IT community, and third party services) to smooth out all required approval and compliance processes, and continue seeking creative IT solutions to better support business performance,
3. Continue sharing knowledge and best practices in order to increase understanding & awareness among members of PSC on various aspects of IT and Data Management, and other relevant topics.

Data Management

1. Assist IPA Secretariat in Implementing new system/ tool to have a good operational database for internal IPA purposes.
2. Provide Briefing Paper to IPA Board of Directors regularly.

-
3. Deliver documents which summarize all issues related with PSC data submission to PUSDATIN including the latest status and the final proposal to solve the issues once for all.

Information Technology

1. Ensure a consistent approach toward a closure on issues over localization versus corporate charges of IT support and service.
2. Identify new promising IT technologies in the market for their applicability and possible adoption,
3. Improve awareness on all mandatory compliances imposed by any (new) regulations and as required by SKK Migas for the smooth operation of Information Technology in Oil and Gas.

SECTION 11

LNG AND GAS COMMITTEE

2015 ACTIVITIES REPORT

AND

2016 WORK PROGRAM

CHAIRMAN

Taufik Ahmad

(ConocoPhillips Indonesia Inc. Ltd)



LNG AND GAS COMMITTEE

Report of 2015 Activities and 2016 Plan

I. ORGANIZATION

| POSITION | NO | NAME | COMPANY |
|---------------|----|---|----------------------------|
| Chairman | 1 | Taufik Ahmad | Conocophillips |
| Vice Chairman | 2 | Arifin / Nicholas Dendy | Vico |
| Secretary | 3 | Marusaha Lumban Gaol | INPEX |
| Members | 4 | Maeritta Putri / Ira Hartojo | BP Indonesia |
| | 5 | Renita Zahar / Teddy Abrian | Chevron |
| | 6 | Giacomo Cammarata / Mayang Pramadhani | Eni Indonesia |
| | 7 | M. Nurdin / Wulan Nurindah | ExxonMobil |
| | 8 | Hiroshi Kato | INPEX |
| | 9 | Ratih Hupudio | KrisEnergy |
| | 10 | Femi Satrena / Salmar Ngadikan | Medco |
| | 11 | Didik Sasongko Widi / Rudolf F. Doloksaribu | Pertamina |
| | 12 | Kemal Rachmaputra / Ricky A. Syarif | Premier |
| | 13 | Mira Latifa Delima / Reza Sunarya | Repsol |
| | 14 | Peter Wijaya / Callista Tenggara | Star Energy |
| | 15 | Jean-Francois Capelle / Rakhmad Dewanto | Total E&P Indonesie |
| | 16 | Gadang Marpaung | ConocoPhillips |
| | 17 | Iqbal Asaat | Triangle Pase |
| | 18 | Femi Sastrena / Salmar Ngadikan | Medco Energi Internasional |

II. 2015 ACTIVITIES

The LNG and Gas Committee focuses on issues, studies and regulations regarding or impacting the LNG and Gas business in Indonesia. Members and alternate members of the Committee represent 15 IPA company members.

Key activities of the Committee during 2015 include:

- 1. Advocacy on Minister of Trade Regulation No. 03 Year 2015 regarding the Export and Import of Oil, Gas and Other Fuels and Minister of Trade Regulation No. 4 Year 2015 on Provisions to Use Letter of Credit (L/C) for Export of Certain Goods**

On January 2015, Minister of Trade issued Regulation No. 03/2015 and No. 04/2015 which introduces additional requirements for oil and gas export such as additional surveyor (per Regulation No. 3) and letter of credit (LC) as payment method (per Regulation No. 4).

A special task force of LNG & Gas Committee (as the lead), the Regulatory Affairs Committee and the Finance & Tax Committee was formed to advocate to several ministries and SKK Migas for exemption for oil & gas industry. Minister of Trade issued Regulation No. 26 in April regarding temporary deferral of the LC requirement for oil and gas export and then in August, Minister of Trade issued Regulation No. 67 excluding oil and gas exports from the LC requirement.

The issue related to the additional/duplicate surveyors under MOT Regulation No. 03 is still ongoing and IPA will continue to advocate.

2. Engagement with various Government offices on the input to Presidential Regulation draft on Gas Governance

As part of the Economic Policy package, Government planned to issue Presidential Regulation on Gas Governance. Gas Aggregator, a new concept to Indonesian Gas industry was introduced in the draft Presidential Regulation. LNG & Gas Committee, together with Regulatory Affairs Committee, participated in several forums and discussion with related stakeholders such as in Focus Group Discussion hosted by Gajah Mada University on 10-11 September 2015, discussion with DEN (National Energy Board) on 7 October 2015, discussion with Migas on 16 October, and Migas Gas Forum on 2 November. In the Migas Gas Forum, it was mentioned that Energy Minister Regulation no. 37 year 2015 regarding gas allocation, utilization and pricing has been issued (note: it was subsequently known that it was signed on October 13) to replace Regulation no. 3 year 2010. IPA and other associations were not aware of this new regulation and therefore, did not have the opportunity to provide comments. Some provisions of this regulation are similar to the draft Presidential Regulation on Gas Governance that the industry players have some concerns.

3. Engagement with Migas on the new MOEMR Regulation No. 37 Year 2015 regarding the Provisions for Gas Allocation, Utilization and Pricing

The LNG & Gas Committee heard about this new regulation in November after it was signed/issued in October. This regulation replaces MOEMR Regulation No. 3 Year 2010 regarding Gas Allocation and Utilization but more detailed and more prescriptive. The provisions that caused concern in the draft Presidential Regulation on Gas Governance were apparently included in this regulation. The main concern is on how upstream production will be allocated mostly, if not all, to the State Owned Enterprises (SOE) and Region Owned Enterprises (ROE), a significant change from the current law and regulations on 25% DMO for gas.

Following the meeting hosted by Migas on November 19, companies were requested to send input on the concerns related to the regulation for potential revision of the regulation.

4. Engagement with Migas on Potential Revision of ICP

Migas asked IPA input on October 16 for potential change of ICP formula from the current formula based on 50% Platts + 50% RIM to a formula based on Dated Brent + Alpha, where

Dated Brent: monthly average of Dated Brent of the applicable month based on Platts publication

Alpha: one of the following 2 options:

Option-1: the differential between (a) the monthly average of the Benchmark Indonesia Crude Price (determined based on 50% Platts + 50% RIM) and (b) Dated Brent, or

Option-2: the differential between (a) the monthly average of the Benchmark Indonesia Crude Price (determined based on Platts only) and (b) Dated Brent

IPA sent a letter to Migas on October 26 stating that the current formula which has been used for 108 months is balanced and fairly reflect market value and that it is important to refer to 2 publications instead of 1 and any other method to be used must consider long term perspective, market value and stability.

The Committee will continue this engagement on this in 2016.

5. 3rd Economic Package – Special Gas Price for Fertilizer

The policy package, announced in October , included special gas price for fertilizer industry at \$7 per mmbtu to be effective 1 January 2016. Implementing regulations are awaited. Issues and concerns:

- Need clarity whether:
- The special price is at fertilizer plant gate or at upstream wellhead/meter and whether it is fixed during the contract period or is escalated
- The special price is for all sales volume or only for GOI entitlement volume
- If the special price is delivered price at fertilizer plant gate and it covers both GOI and Contractors' share, it impacts upstream economic significantly
- If the special price is only for GOI entitlement, will impact the PSC entitlement mechanics and need legal certainty for future audits

The LNG & Gas Committee will advocate to get clarity of this economic package and mitigate the impact to the upstream.

6. Other engagements led by other IPA Committees where the LNG and Gas Committee also participated are as follow:

- With MOEMR and Migas on the input to Oil and Gas Law draft

The LNG & Gas Committee participated as member of the IPA Special Task Force team, led by the Regulatory Affairs Committee, which actively provides input to the draft of Oil and Gas Law prepared by Government / Parliament. After submission of High Level inputs by IPA to MOEMR, discussion with MOEMR Legal Bureau was held on 28 July regarding IPA inputs. This followed by submission of detail inputs to MOEMR on 16 September and another discussion with Migas on 15-16 October 2015.

- **With SKK Migas, Migas and Central Bank BI on PBI No. 17/2015.**

The LNG & Gas Committee joined the Finance and Tax Committee, Regulatory Affairs Committee and Supply Chain Management Committee in a task force to address the issues related to issuance of PBI 17/2015 which requires all transaction within Indonesia territory to use Indonesian Rupiah as the currency. LNG & Gas Committee mainly involves in the revenue stream where sales to domestic will be impacted by this new regulation. Several meetings have been conducted including with Bank of Indonesia, DG Migas, SKK Migas and also coordination meetings among PSCs. Advocacy will be continued for the rest of 2015 and in 2016.

- **With External Consultant (IHS) on Exploration Incentives Study**

The LNG & Gas Committee joined the IPA team, led by Exploration Committee, in a study for exploration incentives in Indonesia in order to boost exploitation activities.

III. 2016 PLANS

The LNG & Gas Committee will continue the advocacy efforts on the upstream gas business in Indonesia for 2016 which will include the following:

1. Minister of Trade Regulation No. 3 related to the export requirements to eliminate duplicate surveyors requirements.
2. Draft Presidential Regulation on Gas Governance (Gas Aggregator) to modify the provisions impacting the PSC economics and terms.
3. Potential revision on MOEMR Regulation No. 37 Year 2015 regarding Gas Allocation, Utilization and Pricing to modify provisions impacting the PSC economics and terms.
4. Implementing regulation of the 3rd economic package on special gas price for fertilizer.
5. Revision of SKK Migas PTK 029 regarding Gas Commercialization process;
6. Potential revision of the ICP formula.
7. Supporting other Committees led efforts which include the Oil and Gas Law revision, PBI 17 on the use of IDR and Exploration Incentives Study.
8. Continue engagements with other stakeholders in the gas business (SKK Migas, MIGAS, BAPENAS, IGA, IGS, other Government offices and other gas players/users).

SECTION 12

PROFESSIONAL DIVISION COMMITTEE

2015 ACTIVITIES REPORT

AND

2016 WORK PROGRAM

CHAIRMAN

Dharmawan Samsu

(BP Indonesia)



PROFESSIONAL DIVISION COMMITTEE

January 2015 - December 2015

CHAIRMAN'S REPORT

Dharmawan Samsu (BP INDONESIA)

The Professional Division Committee of the IPA continues to focus its activities in supporting the development of members' capability on the upstream oil and gas methodology, techniques, and new initiatives in Indonesia. The target recipients of our program are the circa 1500 Professional Division members of the IPA and those from oil and gas industry in general.

In summary, throughout 2015 two (2) luncheon talks were held in Jakarta with more than 150 professionals attending; nine (9) short courses were held and were well received by a total of 91 attendees from local and overseas organizations; and two (2) educational field trips were completed.

These numbers are significantly lower compared to previous years. While the committee had intended to expand the training courses, including courses on non-technical areas, but we have seen several cancellations on our training courses and field trip due to this year's challenging low oil price environment. On the bright side, 2015 has provided the opportunity for the committee to strengthen its 2016 plan. Some changes in the contracting strategy with course lecturers, course providers, venues and other logistical arrangements were evaluated and implemented. This has successfully maintained the Professional Division's positive balance sheet to date. With such interventions we expect the committee to have a stronger baseline for 2016 deliveries.

In 2015, the committee continues to strengthen its technical agenda for 2016 by planning to organize an International Technical Symposium in the Exploration theme. The symposium will focus on lessons learned from the Indonesian exploration activities during the last decade and future opportunities. This is planned for 4Q 2016.

The Publications Committee continues to push forward new ways of adding value to the existing publications database including possible new ventures with both AAPG and Elsevier as well as keeping AAPG up to date with yearly conference proceedings. The plan to provide digital IPA publications online, hosted on the IPA website, has progressed and should be available early in 2016.

The committee was able to maintain its traditional IPA Membership Directory for 2015, in time and with high quality; and maintains its consistency in providing direct support towards the technical program of the 2015 IPA Convention and Exhibition. On the other hand, our support toward universities and student activities decreased, and mostly provided in the form of in-kind support.

With the departure of Pak Stephen Scott for his new role in the Middle East, **Pak Walter Ziza** has now taken the role of Vice Chairman, while **Pak Bernhard Seubert** has excitedly joined the Committee to manage our Newsletter & Homepage. **Anna Sulistiyaningsih** has taken the role as the secretary replacing Ibu Audrey who retired early this year. We also appreciate the IPA executive office for allowing **Maydy Rahmadani** to support the Continuing Education subcommittee.



I would like to express my sincere appreciation to all of the Professional Division Committee members for their volunteerism, dedication and commitment in delivering the 2015 program. I would also express my sincerest appreciation toward the IPA executive office for the outstanding and continued assistance to the committee activities throughout the year. It has been a very challenging year on which our One Team spirit has proven to play a big role in sustaining our contribution to the IPA.

The Professional Division Committee at the end of 2015 is as follows:

| NO | POSITION | NAME | COMPANY |
|----|-----------------------|------------------------|---------------------------|
| 1 | Chairman | Dharmawan Samsu | BP Indonesia |
| 2 | Vice Chairman | Walter Ziza | AWE Limited |
| 3 | Advisor | Ron Noble | Agra Energi Indonesia, PT |
| 4 | Secretary | Anna Sulistiyarningsih | IPA Secretariat |
| 5 | Treasurer | Freddy | Bukit Energy |
| 6 | Continuing Education | Leonardus S. Tjahjadi | BP Indonesia |
| 7 | | H.L. Ong | ITB |
| 8 | | Maydy Rahmadani | IPA Secretariat |
| 9 | Field Trips | <i>Vacant</i> | |
| 10 | Newsletter & Homepage | Bernhard Seubert | Petropep |
| 11 | | Amir Hamzah | IPA Secretariat |
| 12 | Luncheon Talks | Paulus T. Allo | Statoil |
| 13 | Membership | Sugembong C.F. | Independent |
| 14 | Publications | Andy Livsey | Horizon |
| 15 | Student Liaison | Redo Waworuntu | ConocoPhillips |
| 16 | Riau Chapter | Syaiful Ma'arif | Chevron |
| 17 | Balikipapan Chapter | Berlian Neswari | Chevron |

TREASURER'S REPORT

Chairman: Freddy (BUKIT ENERGY)

During the year 2014 total surplus achieved is Rp. 3.3 billion, which was derived from revenue of Rp. 11.8 billion and expenditure of Rp. 8.5 billion. This exceeds the 2014 budget expectation of Rp. 0.7 billion.

Financial results for 2015 are still in progress. As shown in the table below, as of October 31, 2015 surplus was Rp. 1.3 billion. The surplus was derived from revenue of Rp. 4.2 billion and expenditure of Rp. 2.9 billion.

| PROFESSIONAL DIVISION FINANCIAL PERFORMANCE YTD 31 OCTOBER 2015 IN MILLION Rp | | | |
|--|----------------|--------------------|--------------------------|
| Type Of Activities | Revenue | Expenditure | Surplus (Deficit) |
| Short Courses | 3,010 | 2,043 | 967 |
| Field Trips | 529 | 587 | (58) |
| Luncheon Talks | 73 | 159 | (86) |
| Publications & Others | 201 | 75 | 126 |
| Individual Memberships | 223 | - | 223 |
| Exchange Rate Gain/(Loss) | 125 | - | 125 |
| TOTAL | 4,161 | 2,864 | 1,297 |

The surplus was mainly contributed by short courses Rp. 0.97 billion, individual membership Rp. 0.22 billion, and publications and others Rp. 0.11 billion.

By the end of December 2015, we forecast a surplus of Rp. 0.9 billion. This surplus is derived from revenue of Rp. 4.6 billion and expenditure of Rp. 3.7 billion. The surplus of Rp. 0.9 billion forecasted above is below the 2015 budgeted expectation of Rp. 1.7 billion. Lower forecasted surplus than budget of Rp. 0.8 billion is mainly contributed by the decrease of surplus derived from short courses, field trips, and lunch talk revenues.

CONTINUING EDUCATION SUB-COMMITTEE

Chairman: Leonardus S. Tjahjadi (BP INDONESIA)

The Continuing Education continues deliver short courses during 2015; seven regular courses have been conducted in various places in Indonesia as well as 2 pre-convention short courses.

Since 2013, we held the Communication course which got excellent acceptance by the members. We will continue to put more colors to our curriculum in the coming years.

This year, the participation of short course was decrease very significantly, several course need to be cancelled due to lack of participation which reflected on the financial.

A list of the short courses and the names of the instructors is provided in Appendix A. A total of approximately 91 participants attended the courses from local and overseas. In general, all short courses were attended just enough to cover the cost. We will continue to support our members with high quality of training with more affordable cost.

FIELDTRIP SUB-COMMITTEE

Chairman: Walter Ziza (AWE LIMITED)

The Fieldtrip Professional Sub Committee arranges educational fieldtrips for IPA members across the Indonesian archipelago. These fieldtrips are designed to provide educational training for individuals and petroleum companies working within Indonesia. During 2015 our field trips visited Borneo and Misool Island.



Two fieldtrips were scheduled during the course of the 2015.

The first trip of the year was entitled: From Turbidities, through the Shelf, to the Deltaic Deposits: The Modern and Ancient Mahakam Delta Sedimentology - A Technical Field Trip for Geoscientists. The trip was run on February 28 – March 6, with a total of 9 attendees. The leader of this field trip is Irfan Cibaj (Total E&P Indonesia) a well-known professional of the oil and gas industry and a great supporter of IPA. We appreciate the assistance of Total E&P Indonesia in making this trip possible.

The second trip was the Mesozoic Geology of Eastern Indonesia (Characteristic Structures and Mesozoic Stratigraphy of Misool Island with Implications of Petroleum System of Eastern Indonesia Region), which was run on April 4-11, with a total of 4 attendees. The leader of this Field Trip was Benyamin Sapiie, Ph.D of Institute of Technology Bandung.

Unfortunately two other field trips have been cancelled due to the lack of the minimum number of participants.

A list of the Field Trips and the names of the instructors is provided in Appendix B.

LUNCHEON TALKS SUB-COMMITTEE

Chairman: Paulus Tangke Allo (STATOIL)

Luncheon Talks are an important focal point for members of the IPA and we are continually on the lookout for talks that are relevant and of interest to the IPA membership. In 2015 we were able to host two very good presentations during the March through May period. A wide range of topics were covered by the various speakers. In March 2015 Pak Amin Sunaryadi, Chairman of SKK Migas, presented a very well attended talk titled "Achievement of the Oil and Gas Activities in 2014 and Outlook for 2015". Representatives of several O&G companies presented the remaining talks. In addition we had the privilege of hosting a Society of Exploration Geophysicists 2015 Pacific South Honorary Lecturer as one of our guests.

A full listing of all talks and attendance is attached as Appendix C. Total attendance was 154 members throughout the year.

MEMBERSHIP SUB-COMMITTEE

Chairman: Sugembong C.F. (INDEPENDENT)

The total for 2015 IPA Professional Division Membership is 1164. It represents a decrease of twenty percent (20%) compare to the last year. The breakdown of members is as follows: Jakarta 1122, Riau 2, Balikpapan 2, and Overseas 38. Please see the detail membership by area in the table below.

| Years | Jakarta & Others | Riau | Balikpapan | Overseas | Total |
|--------------|-----------------------------|-------------|-------------------|-----------------|--------------|
| 2014 | 1,343 | 7 | 19 | 84 | 1,453 |
| 2015 | 1,122 | 2 | 2 | 38 | 1,164 |

PUBLICATIONS SUB-COMMITTEE

Chairman: Andy Livsey (HORIZON)

The Publications Sub-Committee has continued to explore new ideas to develop the publications database of the IPA.

AAPG Datapages has been updated with IPA Convention Proceedings up to 2015 and continues to generate significant revenue for the IPA. The move to put the IPA publication abstracts online via the IPA website has continued and it has now been determined that it is possible for the full publications to be made available online to members for free with a link through to Datapages for guests to purchase these. This initiative is expected to be complete early in 2015 now that the new IPA website is up and running.

Talks are underway with both AAPG and Elsevier to add value to these publications by adding contained maps to GIS databases such as GIS-UDril and Geofacets in order to provide greater access to the publications and generate further sales of the publications. Marketing of GIS databases through

Little progress has been made on the proposed Seismic Atlas of Indonesian Basins but this will be pursued further in 2016.

STUDENT ACTIVITIES LIAISON

Chairman: Redo Waworuntu (CONOCOPHILLIPS)

In December 20 - 21, 2014, IPA Professional Division was invited to give seismic interpretation workshop for Geophysical student of Brawijaya University (Malang). There were 25 participants attended these two days workshop that focused on seismic interpretation exercise and group discussion. Seismic data was provided by TGS therefore participants had a chance to work on real data and presented among them.

One of the regular IPA Professional Division programs is to offer technical training courses to industry professionals. With the purpose of sharing the latest technology, and update the best practices of oil and gas industry, IPA feels the need to involve academics to participate in the training program. Due to lack of participant during 2015 courses, this year we were unable to invite lecture joining IPA training.

In 2016, student program will continue support academic lecturer attend IPA technical courses, conduct student lecture on core/petrophysics, seismic interpretation and rig visit.

RIAU CHAPTER

Chairman: Syaiful Ma'arif (CHEVRON)

None

BALIKPAPAN CHAPTER

Chairman: Berlian Neswari (CHEVRON)

None



APPENDIX A
SHORT COURSES – 2015

- 1. Title : 3-D Seismic Interpretation Techniques**
Instructor : Alistair R. Brown - Consulting Reservoir Geophysicist, USA
Dates : February 23-27 (5 days)
Venue : CONRAD BALI, Tanjung Benoa, Bali - Indonesia
Cost : US\$ 3,800 (IPA Member); US\$ 4,000 (Non-IPA Member)
Participant : 21
- 2. Title : Petroleum Geochemistry: Essential Concepts and Methods for Exploring and Producing Conventional and Unconventional Hydrocarbons**
Instructor : Awang Harun Satyana – Executive Advisor, SKK Migas
Dates : April 6-10 (5 days)
Venue : EASTPARC Hotel, Yogyakarta - Indonesia
Cost : US\$ 2,800 (IPA Member); US\$ 3,000 (Non-IPA Member)
Participant : 10
- 3. Title : Corporate Communications in the Indonesian Petroleum Industry**
Instructor : Hendi H. Kiswanto – Talisman Energy, Indonesia
Dates : April 27-29 (3 days)
Venue : CONRAD BALI, Tanjung Benoa, Bali - Indonesia
Cost : US\$ 1,950 (IPA Member); US\$ 2,150 (Non-IPA Member)
Participant : 10

Short Courses in conjunction with 39th Annual IPA Convention and Exhibition (2015)

- 4. Title : Petroleum Potential in Frontier Areas of Indonesia: Opportunities, Risks, and Ways of Exploration**
Instructor : Awang Harun Satyana – Executive Advisor, SKKMIGAS
Dates : May 18-19 (2 days)
Venue : Hotel Mulia Senayan - Jakarta
Cost : US\$ 1,070 (IPA Member); US\$ 1,270 (IPA-Non Member)
Participant : 5
- 5. Title : The Sedimentary Geology of Java**
Instructor : Peter Lunt
Date : May 19 (1 day)
Venue : Hotel Mulia Senayan - Jakarta
Cost : US\$ 1,000 (IPA Member); US\$ 1,200 (Non – IPA Member)
Participant : 3

- 6. Title : Applied Subsurface Geological Mapping**
Instructor : Robert “Bob” Shoup - Subsurface Consultants & Associates, LLC - USA
Dates : August 31-September 4 (5 days)
Venue : Hotel Hilton, Bandung, Indonesia
Cost : Rp. 52.000.000 (IPA Member); Rp. 55.000.000 (IPA-Non Member)
Participant : 9

7. Title : Petroleum System Analysis: Essential Concepts and Methods for Increasing Exploration Success and Assessing Risks of Plays and prospects

Instructor : Awang Harun Satyana – Executive Advisor, SKK Migas
Dates : September 14-18 (5 days)
Venue : Hotel Hilton, Bandung - Indonesia
Cost : Rp. 32.000.000 (IPA Member); Rp. 35.000.000 (IPA-Non Member)
Participant : 13

8. Title : Evaluating Reservoir Quality and Seal Potential

Instructor : Prof. John G.Kaldi – University of Adelaide
Dates : October 5-9 (5 days)
Venue : EASTPARC Hotel, Yogyakarta - Indonesia
Cost : Rp. 36.000.000 (IPA Member); Rp. 39.000.000 (IPA-Non Member)
Participant : 9

9. Title : The Geological Application of Well Logs

Instructor : Jenny Garnham - Independent Consultants, UK
Dates : October 26-30 (5 days)
Venue : EASTPARC Hotel, Yogyakarta – Indonesia
Cost : Rp. 42.000.000 (IPA Member); Rp. 45.000.000 (Non-IPA Member)
Participant : 11

APPENDIX B FIELD TRIPS - 2015

1. Trip Title : From Turbidities, through the Shelf, to the Deltaic Deposits: the Modern and Ancient Mahakam Delta Sedimentology - A Technical Field Trip for Geoscientists

Dates : February 28-March 6
Trip Leader : Irfan CIBAJ - TOTAL E&P INDONESIA
Cost : US\$ 2,800 (IPA Prof. Div. Member)
US\$ 3,000 (Non IPA Prof. Div Member)
Participants : 9

2. Trip Title : The Mesozoic Geology of Eastern Indonesia

Dates : April 4-11
Trip Leader : Ir. Benyamin Sapiie, Ph.D. – ITB
Cost : US\$ 4,050 (IPA Prof. Div. Member)
US\$ 4,250 (Non IPA Prof Div Member)
Participants : 4



APPENDIX C
LUNCHEON TALKS – 2015

1. Title : **Achievement of the Oil and Gas Activities in 2014 and Outlook for 2015**
Date : March 4
Speaker : Bapak Amin Sunaryadi, Chairman SKKMIGAS
Venue : The Dharmawangsa Hotel, Jakarta
Cost : Rp. 450.000 (IPA Prof. Div. Member)
Rp. 525.000 (Non IPA Prof. Div. Member)
Participant : 141
2. Title : **Some Interesting Concepts Associated with Seismic Seafloor Acquisition**
Date : May 4
Speaker : Dr. Greg Beresford, On-Line Geophysics Pty., Ltd.,
Armidale, N.S.W., Australia
Venue : Le Meridien Jakarta
Cost : Rp. 425.000 (IPA Prof. Div. Member)
Rp. 525.000 (Non IPA Prof. Div. Member)
Participant : 13

SECTION 13

REGULATORY AFFAIRS COMMITTEE

2015 ACTIVITIES REPORT

AND

2016 WORK PROGRAM

CHAIRMAN

Debbie Maja Chastity

(ConocoPhillips Indonesia Inc, Ltd.)



REGULATORY AFFAIRS COMMITTEE

2015 Activities and 2016 Objectives

COMMITTEE MEMBERS:

| POSITION | NO | NAME | COMPANY |
|-----------------|----|----------------------|---------------------|
| Chairman | 1 | Debbie Maja Chastity | ConocoPhillips |
| Deputy Chairman | 2 | Hardi Hanafiah | BP Indonesia |
| Members | 3 | Trinzy S. Ginting | ConocoPhillips |
| | 4 | Heike Butar Butar | Chevron |
| | 5 | Peter Dumanauw | Chevron |
| | 6 | Natasha Nababan | ExxonMobil |
| | 7 | Anton Latief | Total E&P Indonesie |
| | 8 | Prana Raditya | INPEX |
| | 9 | Imansyah Syamsoeddin | Medco E&P |
| | 10 | Noki L. Saefullah | Santos |
| | 11 | Ali Nasir | Premier |
| | 12 | Indri Khrisnavari | Total E&P Indonesie |
| | 13 | Fransiscus Rodyanto | SSEK |
| | 14 | Andi Ismail Mackulau | Medco E&P |
| | 15 | Darren Murphy | Jones Day |
| | 16 | Daniel Kohar | PWC |
| | 17 | Dewi Mayang Sari | Salamander |
| | 18 | Ray Amalia | Santos |
| | 19 | Marlina Tambunan | Talisman |
| | 20 | Ridha Saad | Saka Energi |
| | 21 | Nurul Setyorini | Vico Indonesia |
| | 22 | Vini Siregar | BP Indonesia |

PRIMARY EFFORTS IN 2015

Draft Oil and Gas Law

The IPA has formed a Task Force, which is under the supervision of RAC, to primarily advise the IPA Board on the potential changes to the existing Oil and Gas Law that are currently being considered by the Government as well as to become the primary interface between the IPA and the Government on all discussions relating to the draft oil and gas law. Other than members of the RAC, the Task Force also consists of members from F&T and Commercial Committees.

The Government has prepared its own version of the new oil and gas law and sent it to the IPA for feedback. The Task Force had conducted a thorough review of the draft and had multiple discussions with the Government on IPA's concerns and feedback. There remain a number of issues that need to be further discussed and resolved and as such, the engagement with the Government will continue through 2016.

Draft Regulation on Contract Extension

The regulation on Contract Extension was issued by the Government early this year. Even though the Government did not incorporate all IPA's comments into the final version but there are a number of comments that were incorporated. All in all, the regulation does provide certain clarities on the extension process which were welcomed by the industry.

PBI 17 on the Use of IDR currency

RAC continues to lend support to the F&T and SIC Committees in their effort to mitigate any impact from the issuance of PBI 17. The collaboration between the committees provided positive outcome for the industry in which BI issued certain clarification on the implementation of PBI 17 which still provide opportunities for certain transactions to be exempted. Subsequently, a task force has been formed which consist of a number of PSC companies and SKK Migas to conduct a review of all transactions within the oil and gas industry which will be further classified into 3 categories under PBI 17. The work of the task force is still ongoing and will continue through 2016.

Draft Regulation on Gas Management

RAC continues to lend support to LNG & Gas Committee in its work relating to the proposed draft regulation on Gas Management.

Revised PTK 007 and Cabotage

RAC continues to lend support to SIC Committee in its discussion with SKK Migas relating to the audit rights and statement letter under PTK 007 as well as SIC's works relating to cabotage.

2016 OBJECTIVES

The IPA RAC's objectives for 2016 are predominantly consistent with its activities in 2015. RAC will continue to perform an active advocacy role in educating key stakeholders with respect to IPA's key regulatory issues. The revision of the Oil and Gas Law and the draft regulation on Gas Management will likely to be a focus in 2016. RAC will continue to support the IPA Board and other IPA committees in responding to prospective and new laws and regulations including proposed amendments to existing laws and regulations.

SECTION 14

SUPPLY CHAIN MANAGEMENT IMPROVEMENT COMMITTEE

2015 ACTIVITIES REPORT

AND

2016 WORK PROGRAM

CHAIRMAN

Boby Tjahjana

(Premier Oil Indonesia)



SUPPLY CHAIN MANAGEMENT IMPROVEMENT COMMITTEE (SIC)

Report of 2015 Activities and 2016 Objectives

I. The organization:

| POSITION | NAME | COMPANY |
|------------------|---------------------|---------------------------|
| Chairperson | Boby Tjahjana | Premier Oil |
| Vice Chairperson | Iwan Kristiantono | EMP |
| Secretary | Penny Setiadi | Ophir Energy |
| Active Members | Tungga Dewa | Chevron Indonesia Company |
| | Lies Widyaningsih | PHE ONWJ |
| | Trisnadi Sutrisna | BP Indonesia |
| | Budi Lukman | ConocoPhillips |
| | Dewi Puspa | ExxonMobil Oil Indonesia |
| | Ivonny Desilva | Mubadala |
| | Bambang Setiawan | CNOOC |
| | Subandi | Eni |
| | Affan Farid | PHE WMO |
| | Pudji S. Subyantoro | Petronas |
| | Gandy Budhiman | Saka |
| | Nofa Fatima | Petronas |
| | Lita Myrosa | Total E&P Indonesia |

I. Overview

It has been a challenging year for SIC during 2015. The launching of PTK 007 Book 2 Revision 3 with its various pros and cons have consumed significant amount of time of SIC to review, discuss, and negotiate with SKK Migas. In addition, the recently announced PBI 17/3/2015 by Bank of Indonesia also creates another serious concerns from the IPA members, in which various meetings and negotiation to resolve the issues had to take place, including engaging non routine external stakeholders such as Finance Ministry, and Bank of Indonesia. The yearly issue of Cabotage matter adds another effort to be considered. Short term solution on Cabotage matter is preferred at this stage as the longer term solution would require more significant efforts, commitment and resources from various stakeholders. Some of the above matters may not be completed by the end of the year, and expectedly the task of SIC in 2016 will be as challenging

II. 2015 Activities

SIC normally meets once a month discussing various issues from members participation, 2015 target setting, 2015 targets achievement progress, and any other relevant new issues such as the newly issued PBI 17/3/2015. The activities also involve various involvements in discussions and/or meeting organized by or with SKK Migas and Associate Members particularly in area of SCM.

SIC 2015 key targets cover:

1. **Target:** Review PTK 007 Book 2 Revision 3 (“PTK 007”) (for compliance obligation and process streamlining), and as appropriate produce improvement recommendations to SKK Migas.

Status: PTK 007 has been reviewed in depth. Summary of concerns have been produced and submitted to SKK Migas Procurement Task Force 2 for consideration. SIC members also participate in such Task Force 2 to ensure concerns are being addressed as much as possible. Many of the inputs are currently being discussed by Task Force 2 (including SKK Migas Management to some extent) which currently is being considered to be included in the PTK 007 Book 2 Revision 4.

Two key concerns of PTK 007 have been raised to the IPA Board. A letter containing concerns and recommendations to SKK Migas has been sent during June 2015. Followed-up discussions with SKK Migas at various levels have also taken places in order to find a workable solution. No common agreement has been reached up to this point in time (November 2015). More efforts need to be made in order to close these key outstanding issues.

2. **Target:** Review and produce a working and proven “master list” process approval which is compliance and timely – Q2 2015.

Status: Socialization by one PSC conducted to SIC members on how formalities requirement processes were conducted without the involvement of third party agent. It was demonstrated that the processes were conducted in compliance to business ethics and also faster in comparison to using the third party service. Presentation materials have been shared for reference. No further action is considered required.

3. **Target:** Review the exposure of Transportation Minister PM 48 Year 2011 (and PM 10 2014), and propose a workable solution to SKKMIGAS and/or other Government Bodies (Joint effort with Communication and Regulatory Affair Committee).

Status: PM 10 2014 has been amended by PM 10 2015. SIC review also included the later. Inputs from various PSCs, Associate Members International Association of Drilling Contractors (IADC) and SKK Migas have been gathered. Based on the review outcome, a letter of recommendation from IPA was sent to SKK Migas during October 2015 raising the key concerns and recommendations. It is understood that SKK Migas has subsequently also sent similar letter to the Ministry of Transportation.

Sea Transportation Directorate (HubLa) has also gathered feedbacks from PSCs and SKK Migas in November 2015. Currently these feedbacks are being discussed between the Ministry of Transportation, SKK Migas and INSA. It is expected that exception will be granted before the year end.

4. **Target:** Conduct sharing sessions amongst IPA members on Contract Renegotiation Strategy and market behaviour.

Status: Sharing sessions amongst IPA regarding contract renegotiation strategy were conducted in several occasions (while respecting confidentiality between PSCs and Contractors). IPA also conducted sharing session at SKK Migas SCM meeting which supports the issuance of letter from SKK Migas to PSCS allowing and legalizing contracts to be renegotiated. Presentation materials have been shared amongst SIC members. No further action is considered required

5. **Target:** Observe and work closely with SKK Migas SCM Task Force 4 in relation to providing feedback to the revision of the PTK 007 Book 3 Revision 2 (Asset Management).

Status: SIC has conducted review and feedback has been submitted to SKK Migas SCM Task Force 4. SIC needs to continuously monitoring and working together with the Task Force to ensure concerns and/or recommendations are considered.

In addition, in relation to the newly introduced BI Government Regulation (“PBI 17/3/2015) in March 2015, SIC is participating in the SKK Migas Task Force in seeking exceptions from BI. SIC feedback on the “cost stream” Category 1 received good support from SKK Migas and approved by BI, while feedbacks on Category 2 and Category 3 also received good support from SKK Migas and currently being discussed with BI. SIC needs to continuously active and monitor the progress of exception proposal to BI on Category 1 and Category 2.

III. 2016 Objectives

For 2016, SIC needs to continue to focus on the critical outstanding work from 2015 and initiate continuous improvement efforts in particular in the area of SCM.

Currently identified work objectives for 2016 should include:

1. Continue the outstanding work on PTK 007 Book 2 Revision 3 concerns
2. Continue the outstanding work on cabotage matter if remains, otherwise propose a longer term solution to the overall cabotage issue including simplification in the procurement process
3. Continue the outstanding work on PTK 007 Book 3 Revision 2
4. Continue monitoring and participating the progress on PBI 17/3/2015 matters if remains, and consider how it is best incorporated under the PTK 007
5. Stay alert, participate and be prepared for the PTK 007 Book 2 Revision 4

SECTION 15

UNCONVENTIONAL GAS COMMITTEE

2015 ACTIVITIES REPORT

AND

2016 WORK PROGRAM

CHAIRMAN

Chandra Daud Tiranda

(Bukit Energy Indonesia)

UNCONVENTIONAL GAS COMMITTEE

2015 Activities Report and 2016 Work Program

COMMITTEE MEMBERS:

| POSITION | NO | NAME | COMPANY |
|---------------------------|----|--------------------------|------------------------|
| Chairman | 1 | Chandra D. Tiranda | Bukit Energy Indonesia |
| Deputy Chairman | 2 | Achmadi Kasim | Vico Indonesia |
| Deputy Chairman | 3 | Unggul Setyatmoko | Dart Energy |
| | 4 | Stuart Smith | Lion Energy |
| | 5 | Heri Suryanto | Pacific Oil & Gas |
| | 6 | Dave Taber | Chevron |
| | 7 | Darmawan | Medco |
| | 8 | Wahyu Danumulyo | INPEX |
| | 9 | Pedro Nermalceff | Cooper Energy |
| | 10 | Minter Silalahi | Energi Mega Persada |
| | 11 | Yudie Iskandar | Total |
| | 12 | Sekar Sakti Hastasari | Pertamina (Persero) |
| | 13 | Tonny Supriadi Priantono | PHE |
| | 14 | Erica Listiani | Santos |
| | 15 | Walter Ziza | AWE |
| | 16 | Yong Wah Kee | NuEnergy Gas Ltd. |
| | 17 | Indra Hudaya | Sugih Energy |
| | 18 | Dini Sunardi | ConocoPhillips |
| | 19 | Rusli | Sugico |
| Alternate Vico | 20 | Mutia Djaafar | Vico Indonesia |
| Alternate Cooper Energy | 21 | Vladimir Caicedo | Cooper Energy |
| Alternate Pertamina | 22 | Henry Ardiyanto | Pertamina |
| Alternate Ephindo | 23 | Moshe Husin | Ephindo |
| Alternate Pacific Oil&Gas | 24 | Darwin | Pacific Oil & Gas |
| Alternate Bukit Energy | 25 | Bayu Harimurti | Bukit Energy Indonesia |

SUMMARY REPORT OF 2015 ACTIVITIES

| | | |
|---|-----------|--|
| 1 | January 8 | Finalizing Draft of Policy Paper on Accelerating Development of CBM Industry in Indonesia. |
|---|-----------|--|

| | | |
|---|--------------|---|
| 2 | January 23 | LITBANG and IPA Unconventional Group (MNK) meeting to form FGD (Focus Group Discussion) on MNK. |
| 3 | January 29 | Submission of Policy Paper on “Accelerating Development of CBM Industry in Indonesia”. |
| 4 | February 4 | IPA MNK Unconventional Group meeting with LITBANG to draft a Policy Brief for MNK. |
| 5 | May 12, 2015 | LEMIGAS FGD on Development of Shale Hydrocarbon and CBM Rig Pilot Project and CBM Development. |
| 6 | May 22, 2015 | Three MNK Blocks signed: Palmerah MNK, Sakakemang MNK and Selat Panjang MNK. |
| 7 | July 28 | FGD CBM meeting with Director General MIGAS on “Accelerating the Development of CBM Industry in Indonesia”. |
| 8 | Nov. 2 | <ul style="list-style-type: none"> - Announcement of the approval of Minister Decree 38/2015 to allow CBM and MNK to choose three type of contracts: Regular PSC, PSC Sliding Scale and Gross PSC Sliding Scale - Announcement of three MNK Blocks thru Direct Offer Tender: MNK Blora, MNK Batu Ampar, and MNK Central Bangkanai - Pre-FGD Research Tim Meeting on MNK (Shale Gas, Shale Oil, Tight Sand Gas) by KEN (National Exploration Committee) |

Ministerial Regulation No.38/2015

“EXPEDITING THE EXPLOITATION OF NON CONVENTIONAL OIL AND GAS”

On Monday Oct 26th at a conference in Bali to launch a new bid round for unconventional blocks Migas (the oil and gas division of the Ministry of Energy & Mineral Resources) announced that the Government will offer 3 kinds of arrangement for CBM exploration and exploitation. This was formalised with the release of a new Ministerial Regulation (MR 38/2015) on 2 Nov 2015.

Per the new MR, the three kinds of unconventional (ie. CBM, shale, tight gas, methane hydrate) cooperation contract from which the contractor (ie. oil and gas company) can choose are:

1. Production Sharing Contract ie. traditional PSC as we have now
2. Sliding Scale PSC with progressive sharing based on annual cumulative production level with cost recovery system
3. Gross Split Sliding Scale PSC with progressive sharing based on annual cumulative production level without cost recovery

Other finer points of the MR:

- a) The Director General of Migas has the duty to “formulate as well as implement policies and technical standardization in oil and gas sector”.
- b) SKK Migas will continue to be the regulator “administering the management of upstream business activities in oil and gas sector based on Cooperation Contract under the stewardship, coordination, and supervision of the Minister”.

- c) Instead of a Performance Bond the contractor will have to put up 10% of the cost the Firm Commitment or US\$1.5mil into an escrow account. The good news is that these funds can then be drawn upon the execute the work program.
- d) Plan of Development (POD) approval still required, assuming 100% of P1 and 70% of P2 reserves, however certification of such reserves is not required. Approval of 1st POD is from the Minister and subsequent from SKK.
- e) Oil and gas production prioritised for domestic consumption.
- f) Pre-POD sales permitted without FTP or Cost Recovery.
- g) Holders of existing CBM PSC's may convert to a new cooperation contract upon completion of 60% of the Firm Commitment under their existing PSC. Remaining firm commitment to be rolled into the new contract. The basic terms & conditions of the new contract shall be determined by the Minister.

The exact splits for the new options 2 and 3 were not included in the MR. It remains unclear if there will be a fixed set of sliding scales for all contracts or if this will be determined on a case by case basis. However, at the Bali conference Migas put up the following slide that gives some hint on the significant extent of the improvement to the contract take under the two new options:

| SUBJECT | PSC | Net PSC SS | Gross PSC SS | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------------------------|---|--|---|-----|----------------|----|------|---|------|----|--------------------|-------|---|----|-------|----|----|--------|----|----|------|----|----|---|------------|-----|----------------|----|---|----|------|----|----|-------|------|------|--------|----|----|------|----|----|
| Commercialization | Tax: according to current regulation Split before tax: GOI : PSC contractor 25 : 75 | Tax: according to current regulation Indicative Split before tax <table border="1"> <thead> <tr> <th>Prod (BCF)</th> <th>GOI</th> <th>PSC Contractor</th> </tr> </thead> <tbody> <tr><td><1</td><td>1</td><td>9</td></tr> <tr><td>1-10</td><td>3</td><td>97</td></tr> <tr><td>10-20</td><td>5</td><td>95</td></tr> <tr><td>20-50</td><td>10</td><td>90</td></tr> <tr><td>50-100</td><td>15</td><td>85</td></tr> <tr><td>>100</td><td>25</td><td>75</td></tr> </tbody> </table> | Prod (BCF) | GOI | PSC Contractor | <1 | 1 | 9 | 1-10 | 3 | 97 | 10-20 | 5 | 95 | 20-50 | 10 | 90 | 50-100 | 15 | 85 | >100 | 25 | 75 | Tax: according to current regulation Indicative Split before tax <table border="1"> <thead> <tr> <th>Prod (BCF)</th> <th>GOI</th> <th>PSC Contractor</th> </tr> </thead> <tbody> <tr><td><5</td><td>5</td><td>95</td></tr> <tr><td>5-20</td><td>15</td><td>85</td></tr> <tr><td>20-50</td><td>17.5</td><td>82.5</td></tr> <tr><td>50-100</td><td>20</td><td>80</td></tr> <tr><td>>100</td><td>25</td><td>75</td></tr> </tbody> </table> | Prod (BCF) | GOI | PSC Contractor | <5 | 5 | 95 | 5-20 | 15 | 85 | 20-50 | 17.5 | 82.5 | 50-100 | 20 | 80 | >100 | 25 | 75 |
| | Prod (BCF) | GOI | PSC Contractor | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <1 | 1 | 9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1-10 | 3 | 97 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10-20 | 5 | 95 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 20-50 | 10 | 90 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 50-100 | 15 | 85 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| >100 | 25 | 75 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Prod (BCF) | GOI | PSC Contractor | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <5 | 5 | 95 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5-20 | 15 | 85 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 20-50 | 17.5 | 82.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 50-100 | 20 | 80 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| >100 | 25 | 75 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| FTP % | 10 Non-sharable | <table border="1"> <thead> <tr> <th>Prod (BCF)</th> <th>FTP</th> </tr> </thead> <tbody> <tr><td><5</td><td>3</td></tr> <tr><td>5-50</td><td>6</td></tr> <tr><td>>100</td><td>10</td></tr> </tbody> </table> | Prod (BCF) | FTP | <5 | 3 | 5-50 | 6 | >100 | 10 | FTP Not Applicable | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Prod (BCF) | FTP | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <5 | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5-50 | 6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| >100 | 10 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bonus | Signature Bonus Equipment and Services Prod. Bonus: USD 1MM @ 250 BCF USD 2MM @ 500 BCF USD 4MM @ 1000 BCF Based on reserve potential | Signature Bonus Equipment and Services Prod. Bonus: USD 100M @ 100 BCF USD 250M @ 250 BCF USD 500M @ 500 BCF USD 1000M @ 1000 BCF | Signature Bonus Equipment and Services Prod. Bonus: USD 100M @ 100 BCF USD 250M @ 250 BCF USD 500M @ 500 BCF USD 1000M @ 1000 BCF USD 2000M @ > 1000 BCF | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

2016 WORK PROGRAM

- Continue external law firm engagement to draft the new contract of Gross Split Sliding Scale
- Engaging Ditjen Migas and SKK Migas to discuss on the implementation of Gross Split Sliding Scale
- Further evaluation of KEN's proposal in funding the MNK wells.
- Continue participation in FGD MNK Technical supported by LITBANG and KEN.

CONCLUSION:

- Policy Paper on Accelerating Development of CBM Industry in Indonesia was submitted in end of January 2015.
- Government signed three MNK Blocks during IPA in May 2015, Palmerah MNK, Selat Panjang MNK and Sakakemang MNK.
- Government issued Ministerial Regulation 38/2015 which included the proposed Gross PSC Sliding Scale for both CBM and MNK. Additional contract type, PSC Sliding Scale is also proposed by government.
- To draft new contract of Gross Split PSC Sliding Scale thru external lawyers.
- Government announced MNK Direct Offer Tender for three MNK blocks: MNK Bloro, MNK Batu Ampar, and MNK Central Bangkanai.
- KEN's proposal of funding MNK wells is being studied/evaluated by existing MNK operators (members of IPA Unconventional Group).

SECTION 16

**LIST OF
COMPANY MEMBERS
AND
ASSOCIATE MEMBERS**



INDONESIAN PETROLEUM ASSOCIATION

COMPANY MEMBERS

1. AWE (North Madura) NZ Limited
2. BP Indonesia
3. Bukit Energy Indonesia
4. Bunga Mas International Company
5. Central Sumatra Energy Inc.
6. Chevron Indonesia Company
7. CITIC Seram Energy Limited
8. CNOOC SES Ltd.
9. ConocoPhillips Indonesia Inc. Ltd.
10. Dart Energy Indonesia
11. Energi Mega Persada
12. Eni Indonesia
13. Ephindo Energy Private Limited
14. ExxonMobil Oil Indonesia Inc.
15. GDF SUEZ Exploration Indonesia BV
16. Genting Oil Kasuri Pte. Ltd.
17. Harpindo Mitra Kharisma, PT
18. Husky Anugerah Limited
19. Husky-CNOOC Madura Limited (HCML)
20. INPEX Corporation
21. JAPEX Co., Ltd.
22. Kalrez Petroleum (Seram) Ltd.
23. Kangean Energy Indonesia Limited
24. KrisEnergy Ltd.
25. Lapindo Brantas Inc.
26. Lundin Oil & Gas B.V.
27. Mandiri Panca Usaha, PT
28. Medco Energi Internasional Tbk., PT

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29. Mitra Energy Ltd.
 30. Mubadala Petroleum Indonesia
 31. NuEnergy Gas Limited
 32. Ophir Indonesia (Bangkanai) Limited.
 33. OPIC Indonesia
 34. Pacific Oil & Gas (Kisaran) Limited
 35. PetroChina In'l Companies In Indonesia
 36. Petronas Carigali Muriah Ltd.
 37. Premier Oil Indonesia
 38. PT Pertamina (Persero)
 39. PTTEP South Mandar Limited
 40. Ranhill Jambi Inc. Pte. Ltd
 41. Saka Indonesia Pangkah Limited
 42. Samudra Energy
 43. Santos (Sampang) Pty. Ltd.
 44. Shell Indonesia, PT
 45. Star Energy (Kakap) Ltd.
 46. Statoil Indonesia Halmahera II AS
 47. Sugih Energi, Tbk., PT
 48. Talisman Energy Inc.
 49. Tately N.V.
 50. Total E&P Indonesie
 51. Triangle Pase Inc.
 52. VICO Indonesia

INDONESIAN PETROLEUM ASSOCIATION

ASSOCIATE MEMBERS

1. Abhitech Matra Indah, PT
2. Alamjaya Makmur Sejahtera, PT
3. Altus Logistics Services Indonesia, PT
4. Apexindo Pratama Duta Tbk., PT
5. Archer Well Company (Malaysia) Pte. Ltd.
6. Armada Gema Nusantara, PT
7. Armindo Prima, PT
8. Badak LNG, PT
9. Bain & Company, Inc.
10. Baker Botts L.L.P.
11. Baker Hughes Indonesia
12. Bank Negara Indonesia (Persero) Tbk., PT
13. Baruna Raya Logistics, PT
14. BGP Indonesia, PT
15. Binder Indonesia, PT
16. BMT Asia Pacific Indonesia, PT
17. Bureau Veritas Indonesia, PT
18. Cameron Systems, PT
19. CARSURIN, PT
20. CGG Services Indonesia, PT
21. China Petroleum Technology & Dev't Corp.
22. CIC Environmental Services, PT
23. Citra Tubindo Tbk., PT
24. Citrabuana Indoloka, PT
25. Corelab Indonesia, PT
26. Deloitte Petroleum Services
27. Denvegraha (DNV GL), PT

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28. Donggi-Senoro LNG, PT
 29. Dowell Anadrill Schlumberger, PT
 30. EagleBurgmann Indonesia, PT
 31. EJJV Consultancy Indonesia
 32. Elnusa Tbk., PT
 33. Ernst & Young
 34. EXLOG Sarana Indonesia, PT
 35. Expro Indonesia, PT
 36. Fluor Daniel Indonesia, PT
 37. Future Pipe Industries, PT
 38. Gaffney, Cline & Associates
 39. GE International Operations Company, Inc
 40. Geokinetics Indonesia, PT
 41. Geolog Indonesia, PT
 42. Geoprolog Intiwijaya, PT
 43. Geoservices, PT
 44. GSM Konsep Internasional, PT
 45. Halliburton Indonesia, PT
 46. Hitek Nusantara Offshore Drilling, PT
 47. Horizon Geoconsulting, PT
 48. IADC Southeast Asia Chapter
 49. Iceland Drilling Indonesia, PT
 50. Iliadi Cipta Energi, PT
 51. Imeco Inter Sarana, PT
 52. Institut Sains & Teknologi AKPRIND
 53. Institute of Technology Bandung
 54. Institute of Technology Medan
 55. Institute of Technology Sepuluh Nopember
 56. Integrated Petroleum Services, PT
 57. Intertek Utama Services, PT
 58. Islamic University of Riau
 59. Istech Resources Asia, PT

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60. Jala Fero Kencana, PT
 61. JGC Corporation
 62. Jones Day
 63. Kaliraya Sari, PT
 64. KAP Siddharta & Widjaja
 65. Korosi Specindo, PT
 66. KPMG Siddarta Advisory, PT
 67. Leighton Contractors Indonesia, PT
 68. Lerindro International, PT
 69. Linklaters Singapore Pte. Ltd.
 70. LWP in Association with Clifford Chance
 71. Managed Pressure Operations, PT
 72. McDermott Indonesia, PT
 73. McKinsey & Company
 74. M-I Production Chemical Indonesia, PT
 75. Mitra Energi Gas Sumatera, PT
 76. Mitsubishi Corporation
 77. Mutiara Biru Perkasa, PT
 78. Oentoeng Suria & Partners
 79. Offshore Works Indonesia, PT
 80. OPAC Barata, PT
 81. Osco Utama, PT
 82. P2 Energy Solutions
 83. Panyu Chu Kong Steel Pipe Co., Ltd.
 84. Perforindo Teknik NUSANTARA, PT
 85. Petratama Abdi Nusa (PetraNusa), PT
 86. Petros Technologies Indonesia, PT
 87. Petrosea Tbk., PT
 88. PGS Nusantara, PT
 89. PPPTMGB "LEMIGAS"
 90. Precision Energy Service Indonesia, PT
 91. PricewaterhouseCoopers

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92. Pundi Stratejasa Indonesia, PT
 93. Pusdiklat "Migas"
 94. Risco Energy Investments Pte. Ltd.
 95. Schlumberger Geophysics Nusantara, PT
 96. Scomi Oiltools, PT
 97. SGS Indonesia, PT
 98. Slickbar Indonesia, PT
 99. Smith Tool Indonesia, PT
 100. STTNAS Yogyakarta
 101. Sucofindo, PT
 102. Sudjaca Palembang, PT
 103. Sumber Daya Kelola, PT
 104. Supraco Indonesia, PT
 105. Susandarini & Partners
 106. Tenaris-Seamless Pipe Indonesia Jaya, PT
 107. The Lantau Group
 108. Thies Contractor Indonesia, PT
 109. Trans Nusantara Multi Construction, PT
 110. Transocean Indonesia, PT
 111. Tripatra Engineering, PT
 112. Tugu Pratama Indonesia, PT
 113. University of Brawijaya
 114. University of Diponegoro
 115. University of Gadjah Mada
 116. University of Hasanuddin
 117. University of Indonesia
 118. University of Lambung Mangkurat
 119. University of Lampung
 120. University of London
 121. University of Padjadjaran
 122. University of Pakuan
 123. University of Petroleum

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124. University of Sriwijaya
 125. University of Trisakti
 126. UPN "Veteran"
 127. Wahana Sugih, PT
 128. Weatherford Indonesia, PT
 129. Welltekindo Nusantara, PT
 130. Westerngeco Indonesia, PT
 131. Widyawan & Partners
 132. Wira Insani, PT
 133. Wood Mackenzie