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**SECTION 14**

**SUPPLY CHAIN MANAGEMENT IMPROVEMENT COMMITTEE**

**2015 ACTIVITIES REPORT**

**AND**

**2016 WORK PROGRAM**

**CHAIRMAN**

**Boby Tjahjana**

**(Premier Oil Indonesia)**



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# 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

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## 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.

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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