
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.

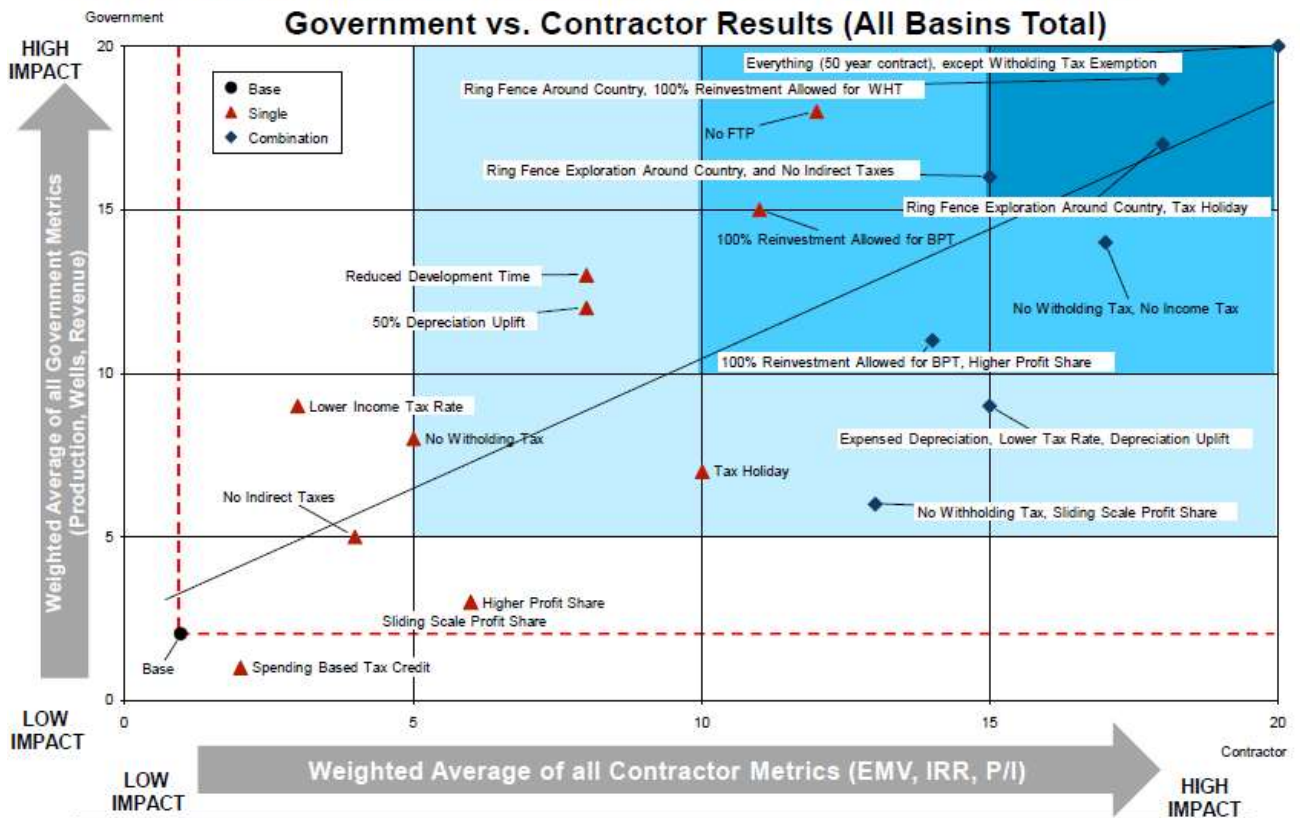
Key meetings which involved the Exploration Committee in 2015 are:

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).

