

EITI Commodity Trading Indonesia Pilot

Presentation to Indonesia MSG

July 2017

EITI 2016 Standard on trading

4.2 Sale of the state's share of production or other revenues collected in-kind.

Where the sale of the state's share of production or other revenues collected in-kind is material, the government, including state-owned enterprises, are required to disclose the volumes sold and revenues received. The published data must be disaggregated by individual buying company and to levels commensurate with the reporting of other payments and revenue streams (4.7). Reporting could also break down disclosures by the type of product, price, market and sale volume. Where practically feasible, the multistakeholder group is encouraged to task the Independent Administrator with reconciling the volumes sold and revenues received by including the buying companies in the reporting process.

Elements of Indonesia Pilot

- Commissioned by the EITI Global Secretariat in Oslo
- Inception Study
- Develop Trial Reporting Formats
- (Attempt pilot collection of data according to reporting format)
- Evaluation of pilot approach
- Report back to MSG

Inception Report

- Engage with stakeholders
 - SKK Migas
 - Pertamina-ISC
 - Indonesia MSG
 - Coordinating Ministry for Economic Affaris
 - Companies
- Definition of “First Trades” in Indonesia
- Analyse the definition of the Indonesian Crude Price
- Develop map of SOE oil and gas sales
 - Exports
 - Domestic Consumption
- Establish degree of granularity in reporting
 - Disaggregated by company / cargo
 - Lag time (general EITI maximum of 24 months)

the First Trade concept

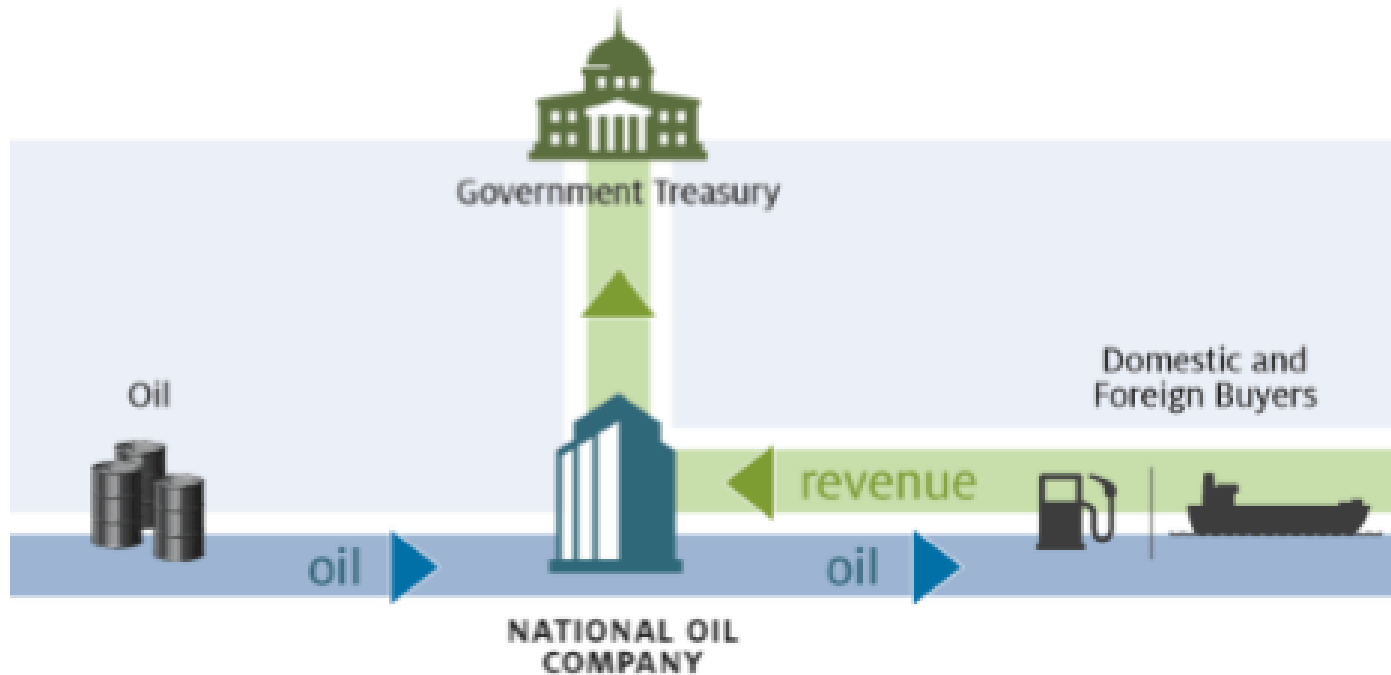


Figure 1. A depiction of the 'first trade'. Image credit: NRGi.

Indonesia oil and gas trading flows

	Crude Oil	Fuel Products	Gas
Production	800k	1,000k	2.5 Tcfy
Exports	- 300k	small	1.1 Tcfy
Imports	+500k	+600k	
Consumption	1,000k	1,600k	1.4 Tcfy

First Trade Examples in Indonesia

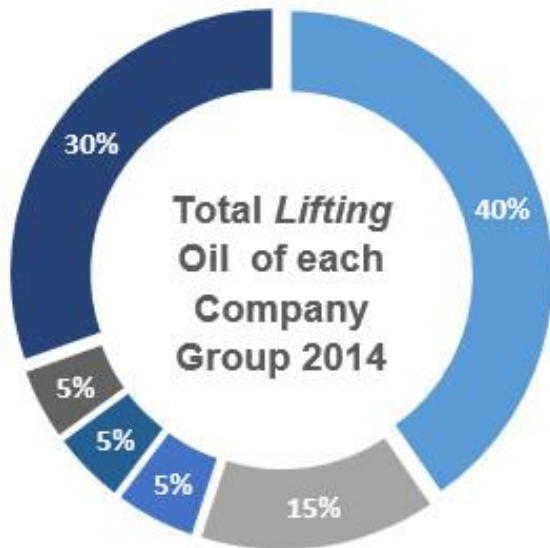
Generic Category	Buyer	Seller
Foreign SOE	Singapore Power Co - gas	Pertamina-ISC
IOC trading arm	??	
Int'l Commodities trader	??	
Domestic traders	Bayu Buana Gemilang - gas	Perusahaan Gas Negara
Domestic Refineries	TPPI - crude	Pertamina-ISC
NOC Refineries	6 Pertamina Refinery Units (RU) - crude	Pertamina-ISC
National Power Generation	Perusahaan Listrik Negara	Perusahaan Gas Negara / Pertagas

Indonesia Crude Price

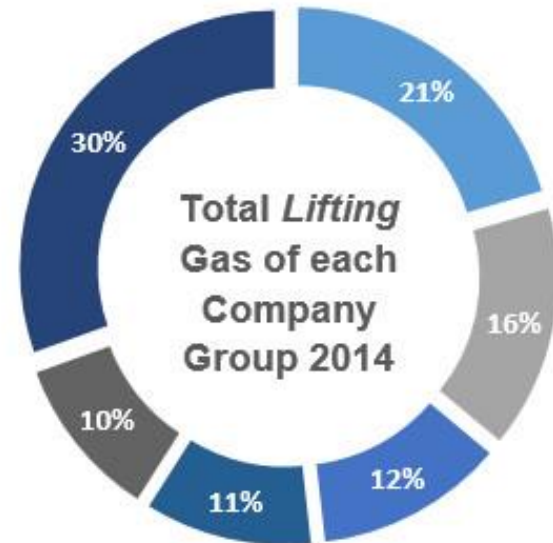
- Historic Definition (up to July 2016)
 - Evolution of crudes in the basket
 - Weighting of crudes in the basket
 - Performance against Brent
- New definition (since July 2016)
 - How is the “alpha” defined?
 - Applied in practice to individual grades
- Scope
 - Internal sales of crude
 - Valuation of exports for revenue purposes
 - Budget forecasting
 - Guidance on remaining subsidy policies
 - Term in term gas and LNG contracts?
- Setting Mechanism
 - Physical comparison with Brent (API grades etc)

Mapping major lifting sources

Figure 2 Total *Lifting* Oil and Gas Year 2014

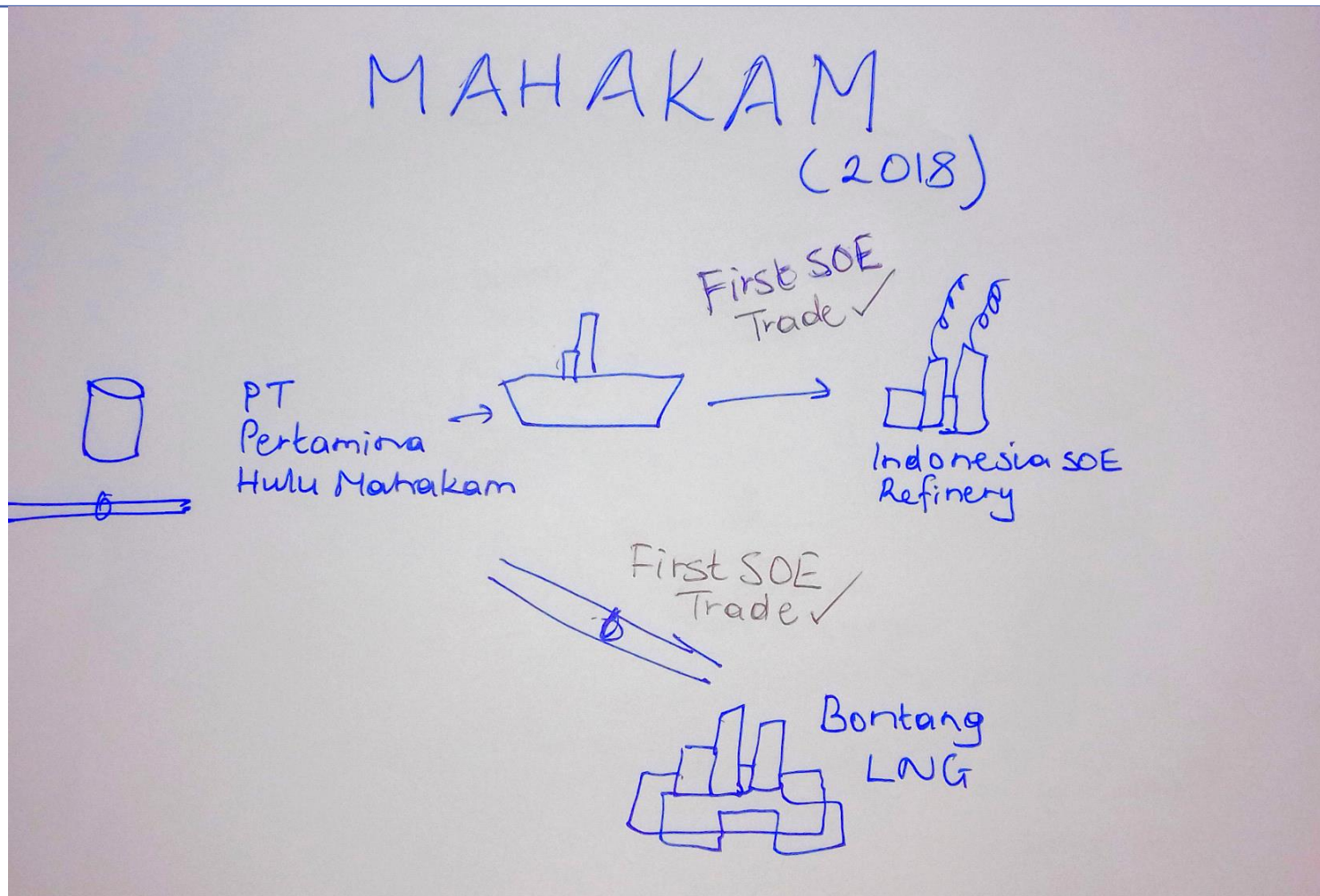


- Chevron
- Pertamina EP
- PHE ONWJ
- ConocoPhillips
- INPEX Petroleum Ltd.
- Others

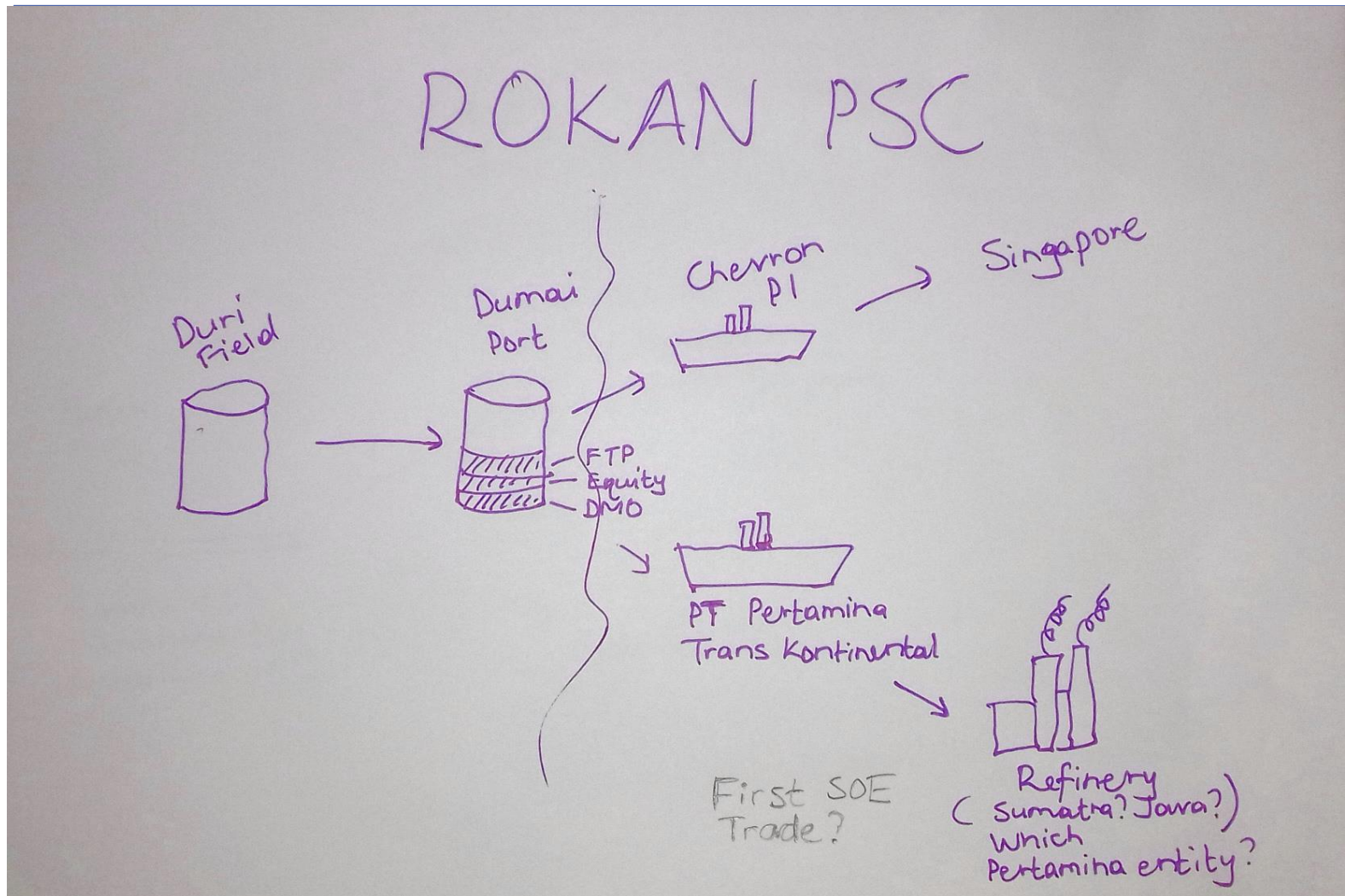


- ConocoPhillips
- BP
- Pertamina EP
- INPEX Petroleum Ltd.
- Total E&P Indonesia
- Others

Example 1: Mahakam – sole control



Example 2: Rokan PSC

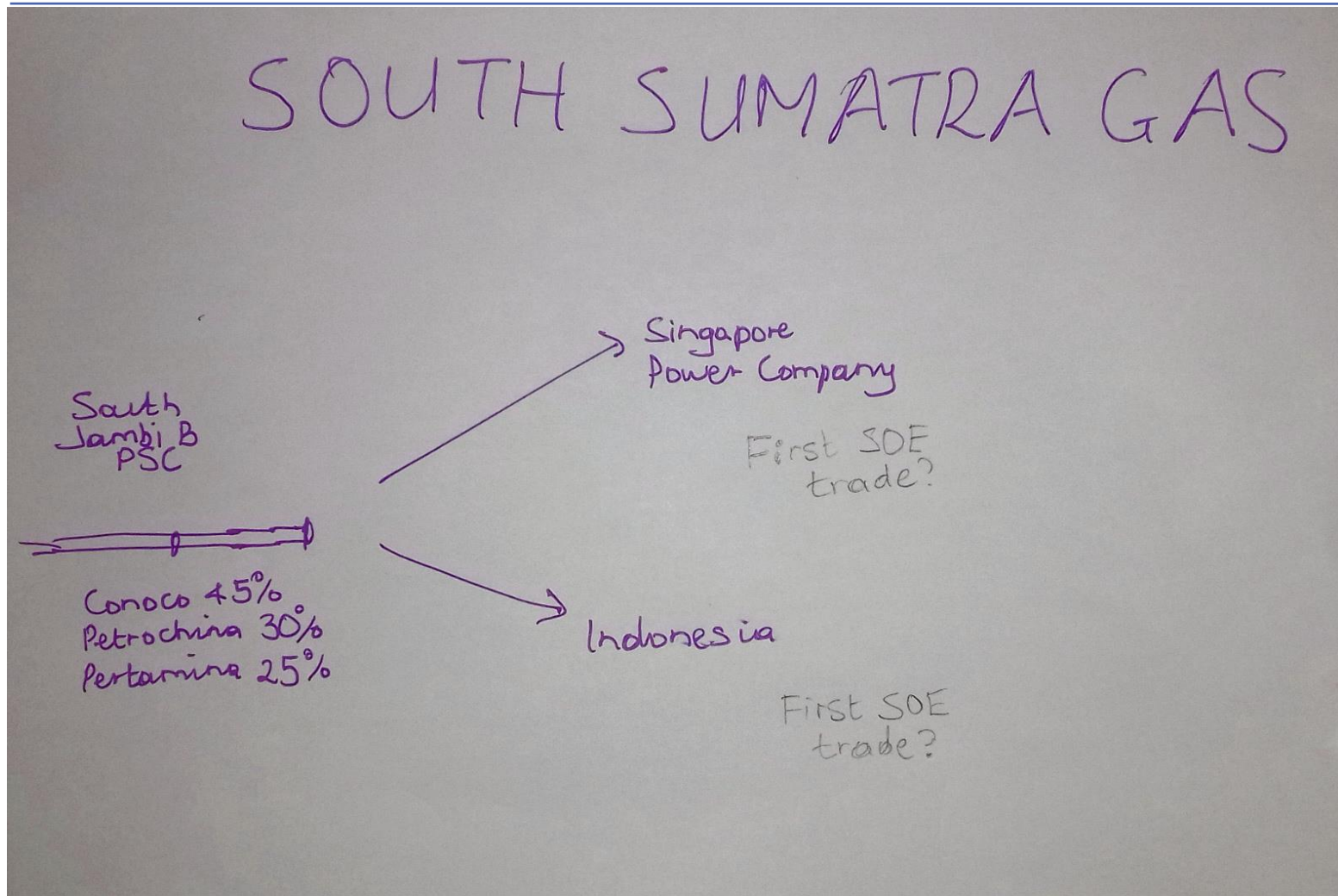


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Example 3: S. Jambi – no SOE trade?



Scope and Granularity of EITI Reporting

- Materiality
 - Value of each trade?
 - Indonesian EITI materiality for normal reconciliation
- Time Lag
 - Normal maximum EITI time lag reporting
 - Term trades?
 - ICP definition different to each month's alpha
- Reporting Modalities
 - Full reconciliation
 - Single side SOE seller – for random audit

Consultations with MSG stakeholders

Three of the government or SOE representatives on the MSG with which we have not yet lined up meetings, and with whom we would greatly appreciate the opportunity to meet are:

- Ministry of Energy and Mineral Resources, DG Oil and Gas, Directorate of Planning
- Ministry of Finance, DG of Budget, Directorate of Non-Tax Revenues
- Pertamina Persero, ISC Unit

Our remaining available times are:

- Tuesday, 9am to 1pm
- Wednesday, lunch only
- Thursday, 10am onwards
- Friday, any time

Thank you for your time!

johnny.west@openoil.net