

INDONESIA DEEPWATER INVESTMENT

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AGENDA

- Supply Chain Investment
- Indonesia Deepwater Megaprojects
- Sample of Deepwater Services Investment
- Sample of Challenges & Government Support
- Simultaneous Investment Readiness
- Company Representation
- Q & A

SUPPLY CHAIN INVESTMENT



Operators arrange the financing, licensing, and organisation of a project. They vary in size and in-house capability, and thus in how they use the supply chain.

This sector provides support and services directly to both operators and contractors. This can range from the specific (e.g. offshore catering and specialist training) to the generic (e.g. recruitment and IT support)

Services and products provided to the upstream oil and gas industry can generally be segregated into five sectors. It should be noted that many multi-service companies straddle more than one category.

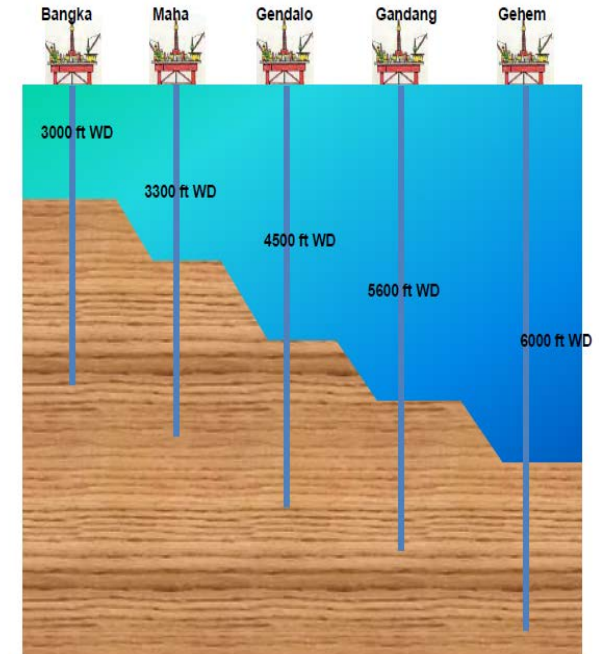
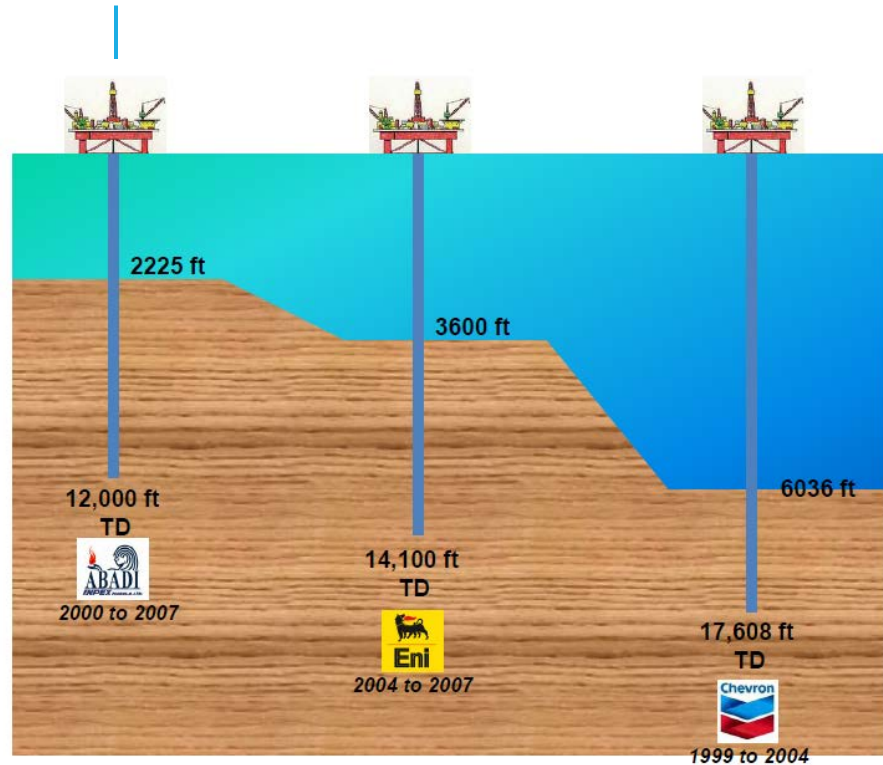
The supply chain includes all companies involved in a project including the end user (e.g. the operator). The nomenclature typically refers to the operator as tier 1, the main contractors as tier 2 and sub-contractors as tier 3. Companies can straddle more than one tier.

Tier 2 Main contractors and consultancies

Tier 3 Products and services suppliers, components sub-contractors and sub-suppliers

Operators (Tier 1)				Support & Services
Reservoirs	Wells	Facilities	Marine and Subsea	
All types of exploration, development and production companies: integrated majors, large and small independents, energy utility companies, non-operating companies, exploration companies.				
Reservoir engineering / management consultancies Seismic data acquisition & processing contractors	Wells services contractors Drilling contractors Well engineering consultancies Cement contractors	Engineering, operation, maintenance and decommissioning contractors Engineering consultancies Structure and topsides design and fabrication	Marine / subsea contractors Heavy lift contractors Pipelay contractors Floating production storage units	Catering / facility management Sea / air transport Warehouse / logistics Communications Recruitment Training Health, safety and environment services Medical services Banking / finance Legal Insurance Accountancy Energy consultancies
Geoscience consultancies Data interpretation consultancies Seismic instrumentation Data storage IT hardware / software	Drilling & well equipment design and manufacture Drilling tubulars Laboratory services	Machinery / plant design and manufacture Engineering support contractors Specialist engineering services Inspection services Specialist steels and tubulars	Subsea manifold / riser design and manufacture Marine / subsea equipment Subsea inspection services	

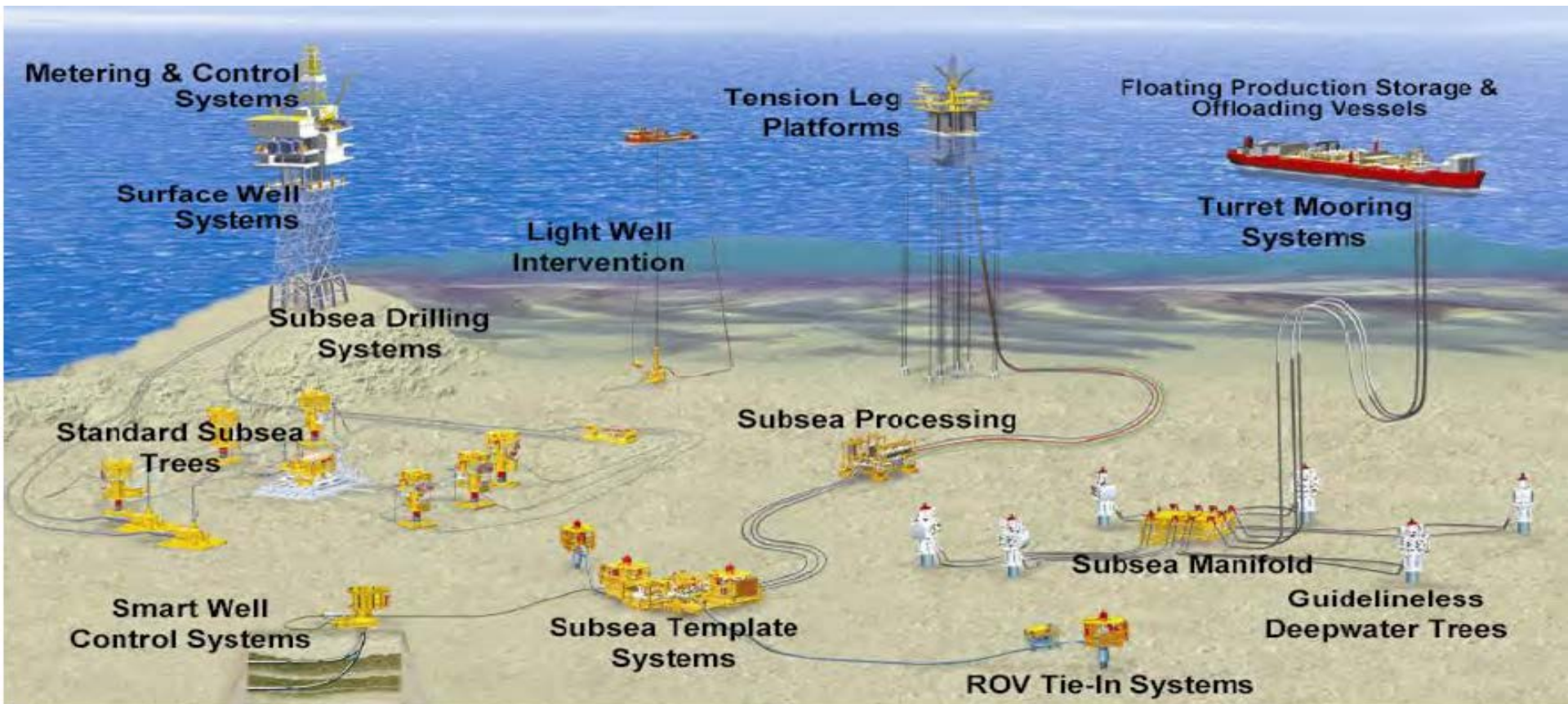
INDONESIA DEEPWATER MEGAPROJECTS



- Presidential Instruction by law to maintain & accelerate gas production
- Efficiency & optimize production facilities i.e reactivate suspended wells PSC sharing facilities
- Accelerate new fields development & marginal fields
- Shifting activities from onshore to offshore
- Explore & develop from western to eastern Indonesia
- Acceleration of Deepwater activities

SAMPLE OF DEEPWATER SERVICES INVESTMENT

- Vessels support & installation i.e transportation barges & tug boats, drilling vessels, pipe & umbilical laying, heavy lifts
- Offshore Support Vessel/OSV (RoV Intervention & Interface)
- Subsea Manifolds, Pipeline Ends & In-Line Structures, Subsea Connections & Jumpers, Subsea Wellhead & Trees, URF
- Offshore Technical Inspection & Manpower Supply
- Subsea Structures & Equipment.....and other technology providers as below



SAMPLE OF CHALLENGES & GOVERNMENT SUPPORT

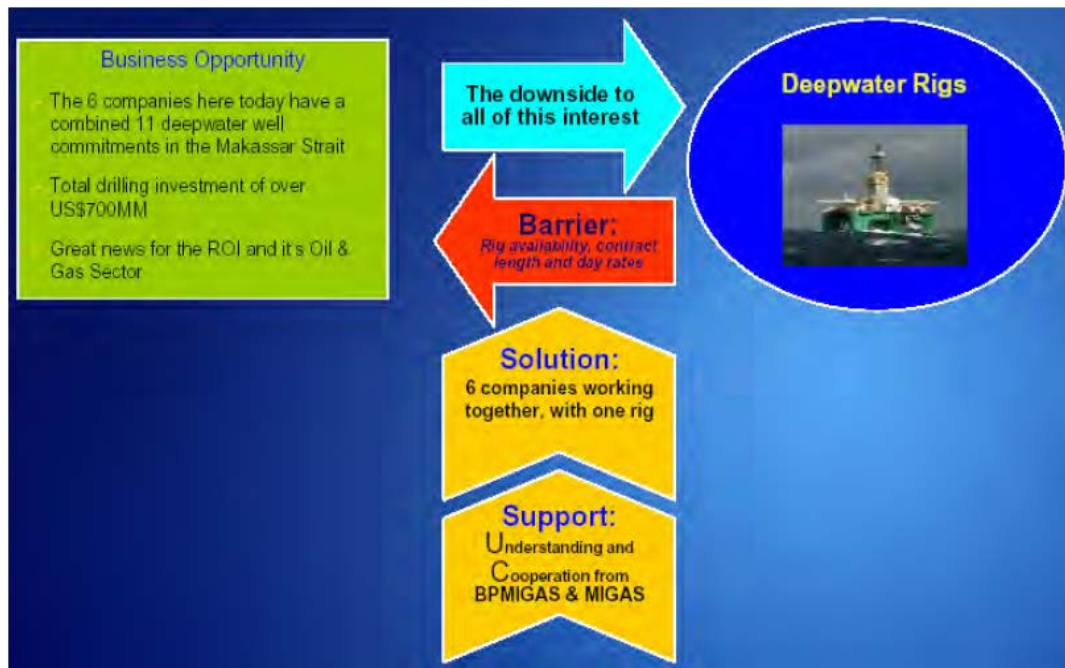
1. Worldwide Supply Scarcity

- No deep water units available locally
- Supplies availability > 2 years onwards
- Major deep water upgrade is not feasible
- Limited subsea deep water expertise

2. Changing Deepwater Market

- Typical 30 days services availability
- Only prioritize for long term contract (> 3 years)
- Tight competition among contractors
- Indonesia rigid procurement process

Real-Case Solution: Makassar Strait PSC Contracting Strategy



GOVERNMENT RECOGNITION

- Risks & challenges acknowledgement
- Working group establishment
- Multiple PSCs contracting strategy

JOINT SOLUTION

- Binding PSC rig sharing agreement
- One rig tender package
- One PSCs drilling schedule
- Joint cooperation of PSCs & Regulatory Bodies

SIMULTANEOUS INVESTMENT READINESS

PSC PROJECT PROFILES

- Oil & Gas Book 2015
- PSC & OGSC* Visits
- Indonesia PSC Tender Websites
- SKKMigas Project Management & Megaproject Acceleration Units (IDD, Masela, Muara Bakau, etc)
- SKKMigas Website
<http://skkmigas.go.id/index.php/info.lelang.kkks>

INVESTMENT REQUIREMENTS

- Company structure ownership
- Entity establishment
- Basic company permits
- Special business permits
- Operational permits
- Association membership
- Business plan

TENDER PREQUALIFICATION

- Compliance to PTK 007 Rev. III
- Indonesia entity establishment
- Products/services deliverability
- 3% bid bond guarantee
- Company local bank account
- Local content commitment
- QHSE commitment
- Business consortia

LOCAL CONTENT REQUIREMENTS

- Local content template calculation
- Local content audit by SKKMigas
- Flexibility to work with local partner(s)
- Local availability of products & services
- Local content certificate
- APDN** registry books

TENDER & CONTRACTING

- Tender > Open, Direct Selection & Direct Appointment, Self-Management
- Lump sum or reimbursable
- PSC Contract Award recommendation
- SKKMigas Contract Award approval
- 5% Performance Bond guarantee
- Kick off meeting
- Evaluation & close out

STAKEHOLDERS MANAGEMENT

- Production Sharing Contract (PSC)
- SKKMigas, MIGAS, ESDM
- Government Bodies
- Local community
- Main/Sub Contractors
- Company business partners

* OGSC = Oil & Gas Service Companies

**APDN = Domestic Products Appreciation

COMPANY REPRESENTATION

DIRECT INVESTMENT

(1)

- Foreign shareholders majority
- Max. foreign shareholding 51%
- Refer to investment negative list
- Prequalify as National Company
- Level III Local Content
- Foreign company management control & liabilities

AGENCY APPOINTMENT

(2)

- Appointment of Indonesia partner by Power of Attorney
- Majority shareholding: Indonesian
- Waived from investment negative list
- Prequalify as Domestic Company
- Level II/I Local Content
- Shared management & liabilities

LOCAL BRANCH SETUP

(3)

- New branch company setup
- Company management: Indonesian
- Majority shareholding: Indonesian
- Waived investment negative list
- Prequalify as Domestic Company
- Level I Local Content
- Cascaded management & liabilities

BRIDGING REFERENCES

Business Licenses & Special Enterprise Permits

Investment Negative List

Company Establishment & Shareholding Composition

Company Profiling i.e Populated Working Experiences

Local Content (Product & Services > 35%)

PSCs Vendor List Registration


Procurement regulatory compliance (PTK 007 Revision III)

Contracting Strategy & Tender Requirements

Due Diligence of Local Partner(s)

Business Development, Marketing & Operation



A close-up photograph of a person's hand holding a small, rectangular, yellow sticky note. The note is held between the thumb and index finger, with the other fingers slightly curled. The text 'Thank You' is written on the note in a black, cursive, handwritten font. The background is a soft, out-of-focus light gray, suggesting an indoor setting. The lighting is even, highlighting the texture of the skin and the paper of the note.

Thank
You