

# **Focus Group Discussion & Rakernas IKA ITS 2019**

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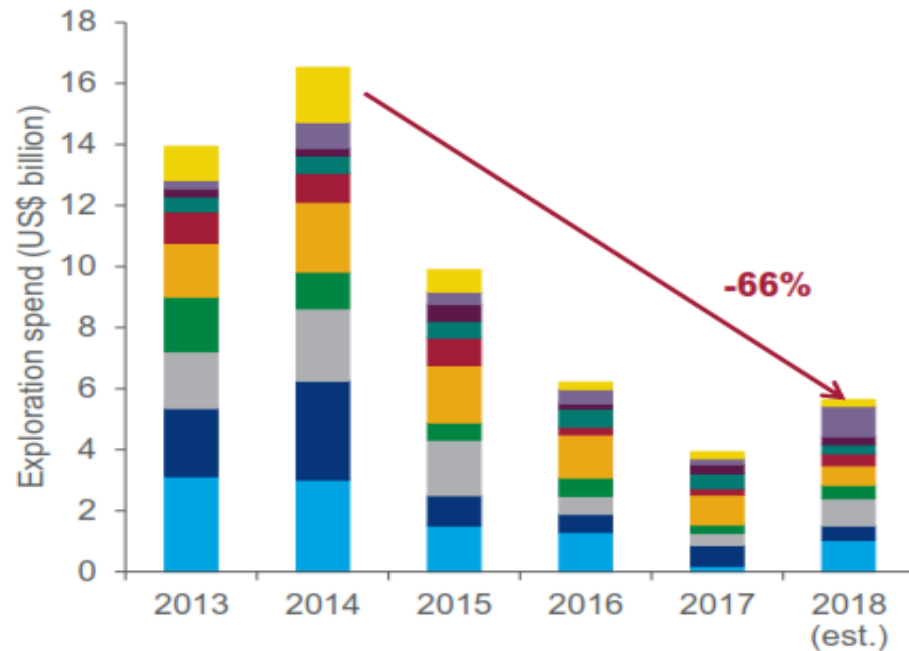
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**16 FEBRUARI 2019**

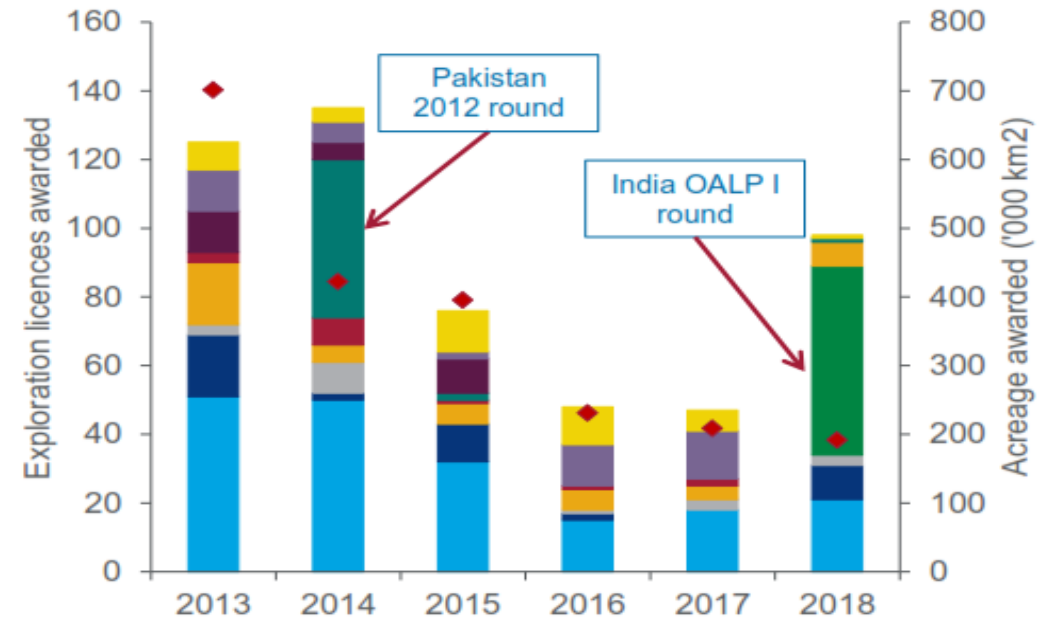
## Exploration and licensing activity fell with the oil price and has yet to recover

Some countries tackle the challenge by introducing new fiscal systems, others improve licensing systems and data coverage

### Exploration investment in the region



### Exploration licence awards in the region



■ Others 
 ■ PNG 
 ■ Myanmar 
 ■ Pakistan 
 ■ Vietnam 
 ■ China 
 ■ India 
 ■ Malaysia 
 ■ Indonesia 
 ■ Australia 
 ◆ Acreage awarded

Low oil prices, competitive global opportunities and basin maturity make it hard to attract investors. But it is in the governments' hands to improve market environment by offering competitive fiscal terms and transparent regulation.

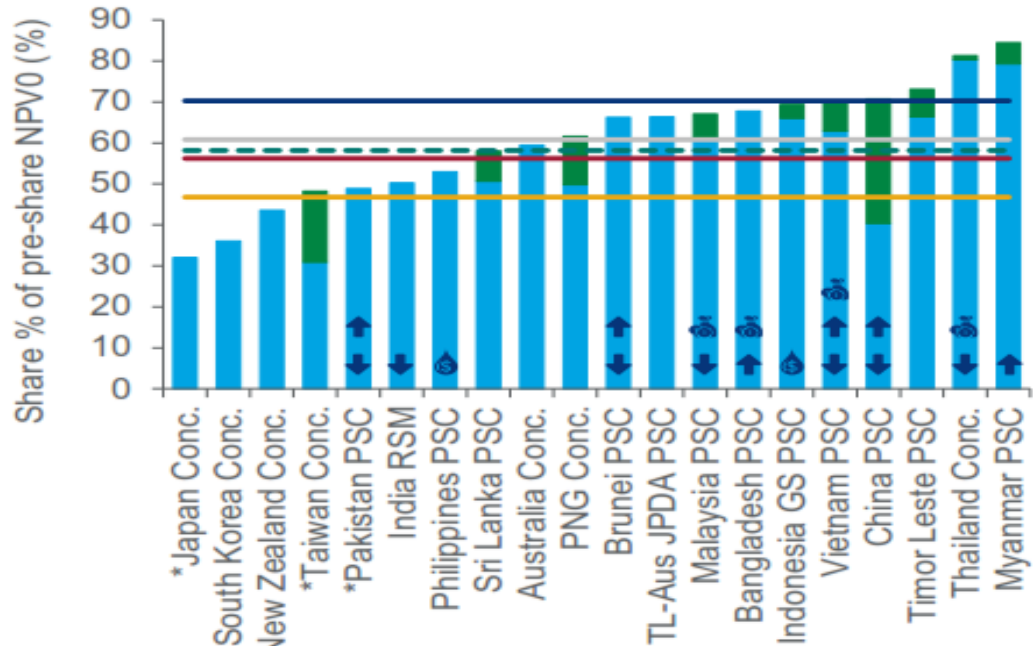
Source: Wood Mackenzie Exploration Service, Upstream Data Tool

## Deepwater terms tend to have the most favourable terms regionally

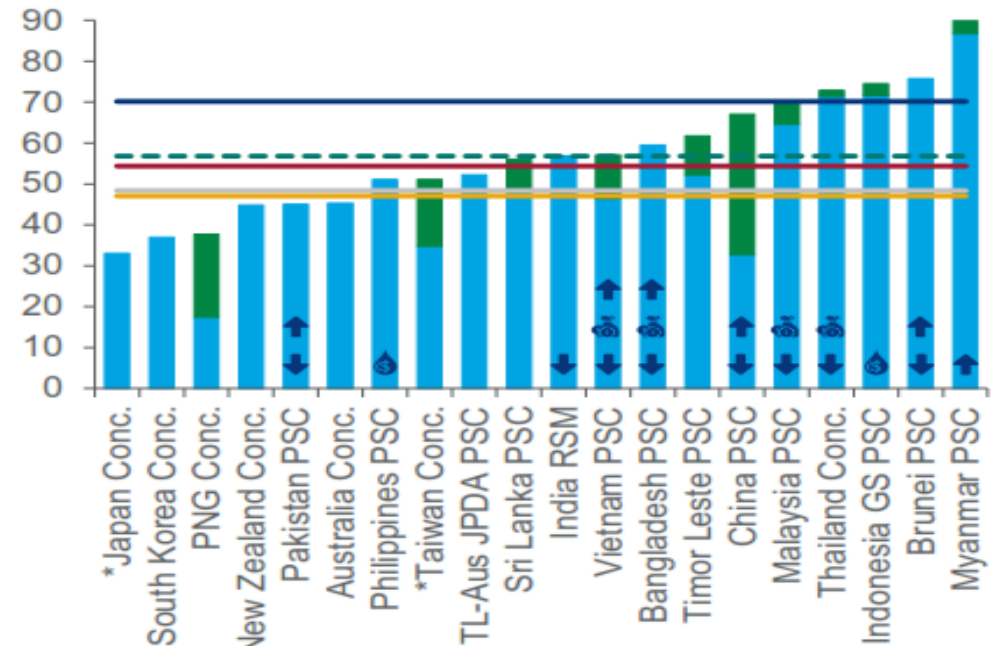
But even with the fiscal tweaks, the state share remains at a high level, which may possibly deter investment in deepwater projects

### State share comparison at US\$60/bbl


Deepwater 200 mmbbl discovery



Deepwater 1 tcf discovery



■ State share  
 ■ Government share  
 — Southeast Asia  
 — Australasia  
 — Eastern Asia  
 — India Sub-Continent  
 - - - Global average

**Deepwater incentives:**
↓ Lower royalty  
 ↑ Higher profit share  
  Additional tax allowance  
  Additional revenue allowance

\*Countries with low licensing, exploration or fiscal activity

Note: Oil: reserves – 200 mmbbl, capex – US\$16.5/bbl, opex – US\$5/bbl; Gas: reserves – 1 tcf, capex – US\$2.2/mcf, opex – US\$0.7/mcf; base year – 2018, discount rate – 0%

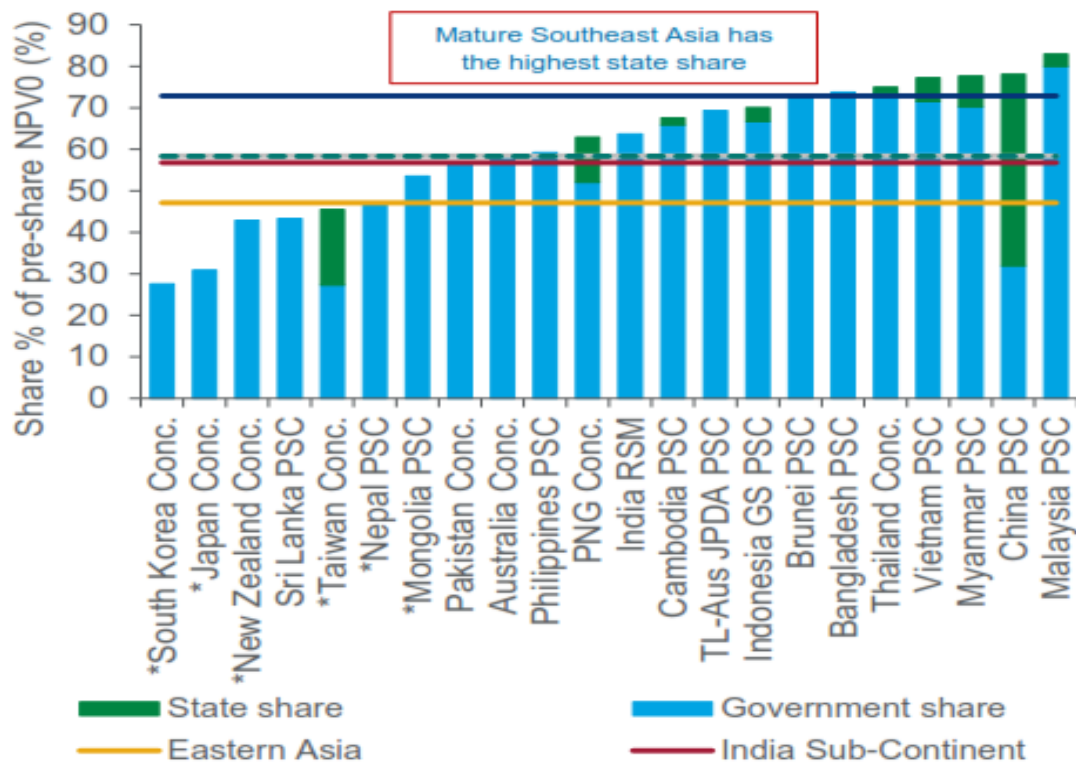
Source: Wood Mackenzie Fiscal Service

## Distribution of onshore terms illustrates the picture as a whole

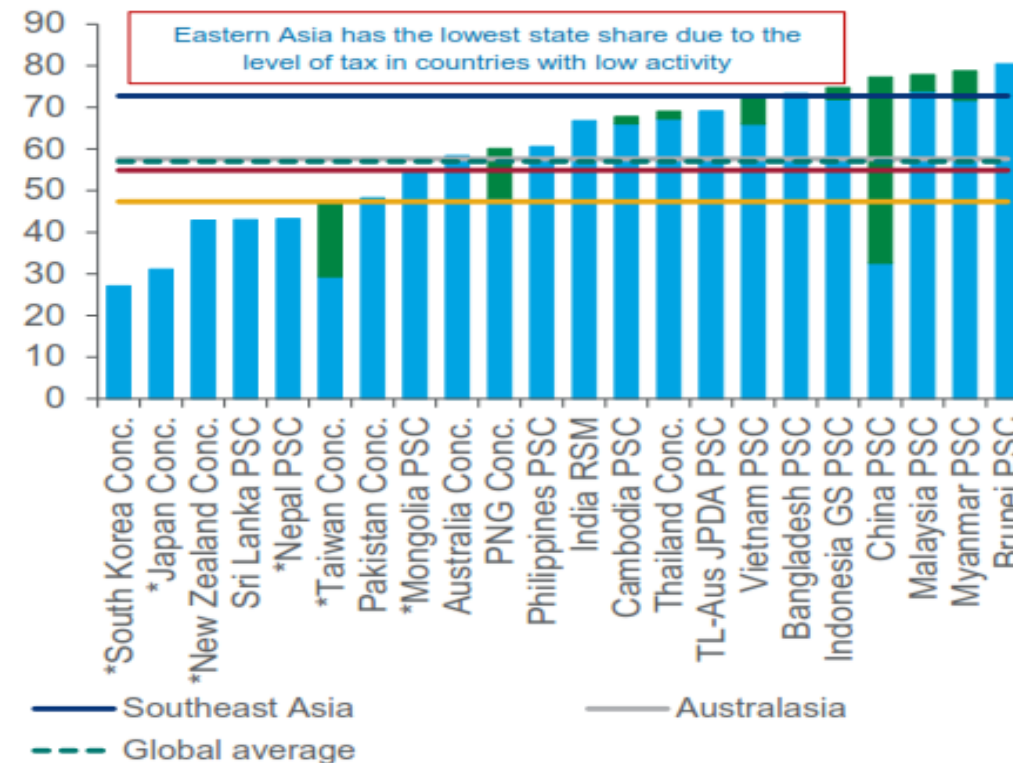
Onshore is much more explored and hard to see specific fiscal changes in the near future

### State share comparison at US\$60/bbl

Onshore 20 mmbbl discovery



Onshore 100 bcf discovery



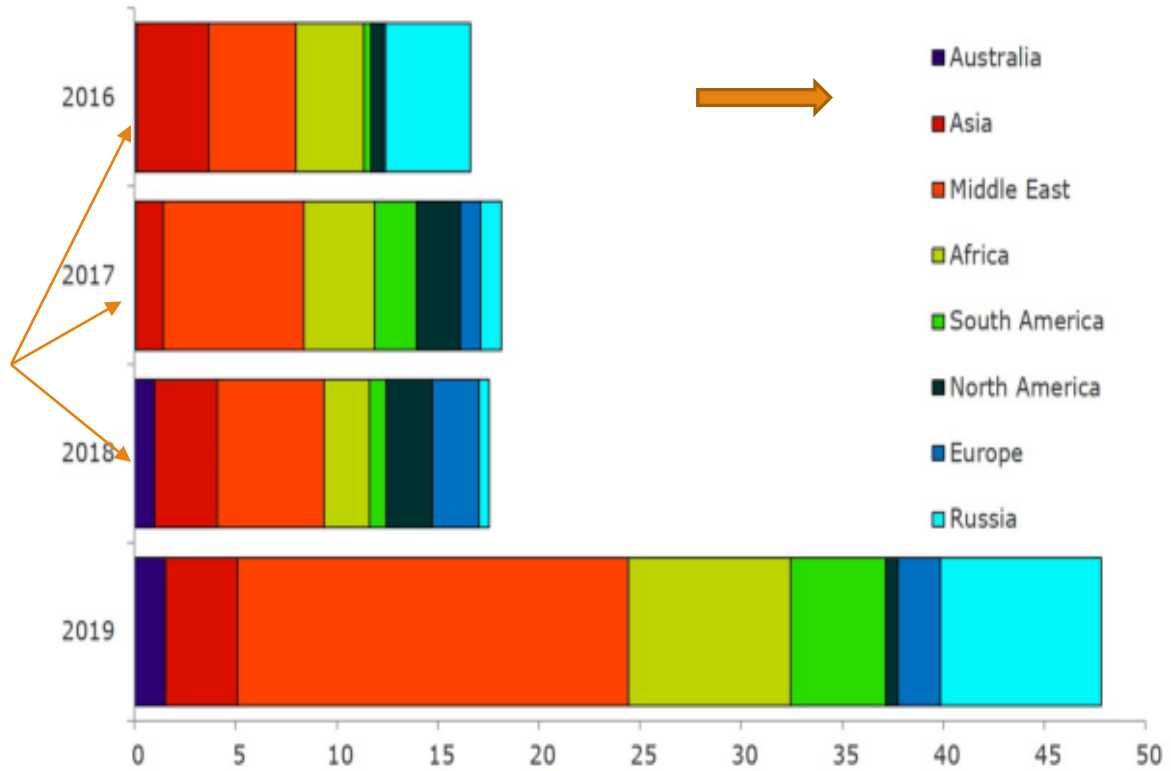
\*Countries with low licensing, exploration or fiscal activity

Note: Oil: reserves – 20 mmbbl, capex – US\$6.9/bbl, opex – US\$3.3/bbl; Gas: reserves – 100 bcf, capex – US\$1.16/mcf, opex – US\$0.55/mcf; base year – 2018, discount rate – 0%

Source: Wood Mackenzie Fiscal Service

**Figure 1: Total volumes of project FIDs, 2016-2019 (excluding shale/tight)**

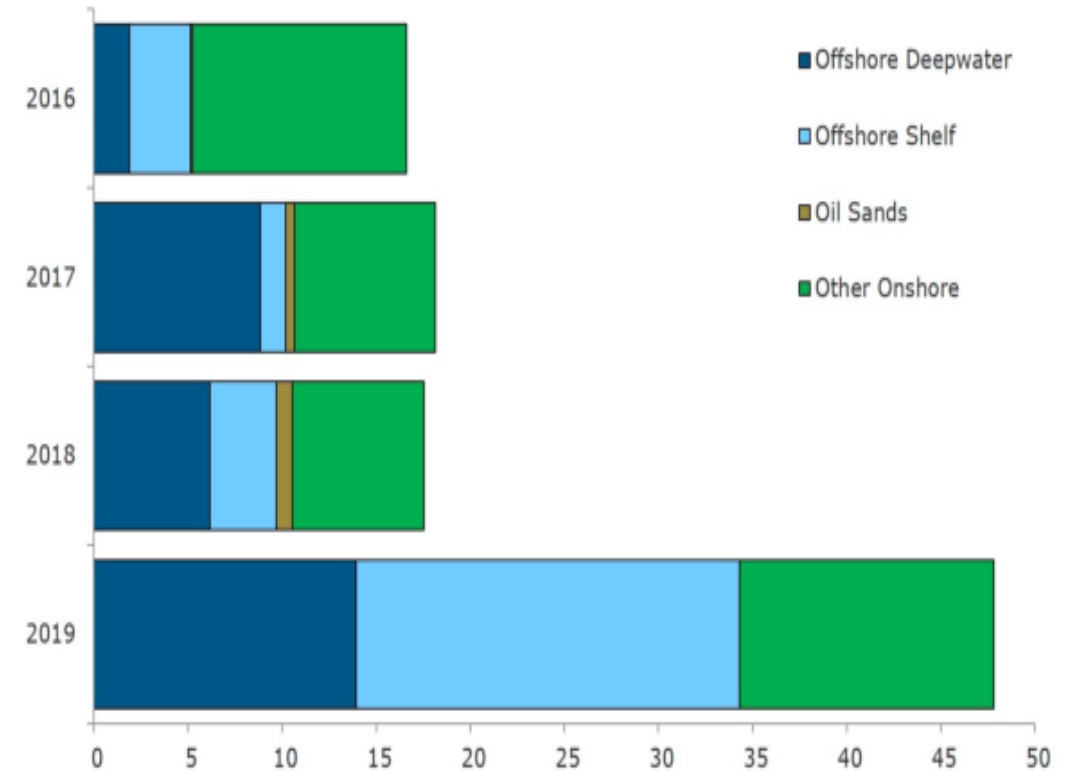
Billion boe



Source: Rystad Energy UCube

**Figure 1: Total volumes of FIDs split by segment group (excl. shale/tight)**

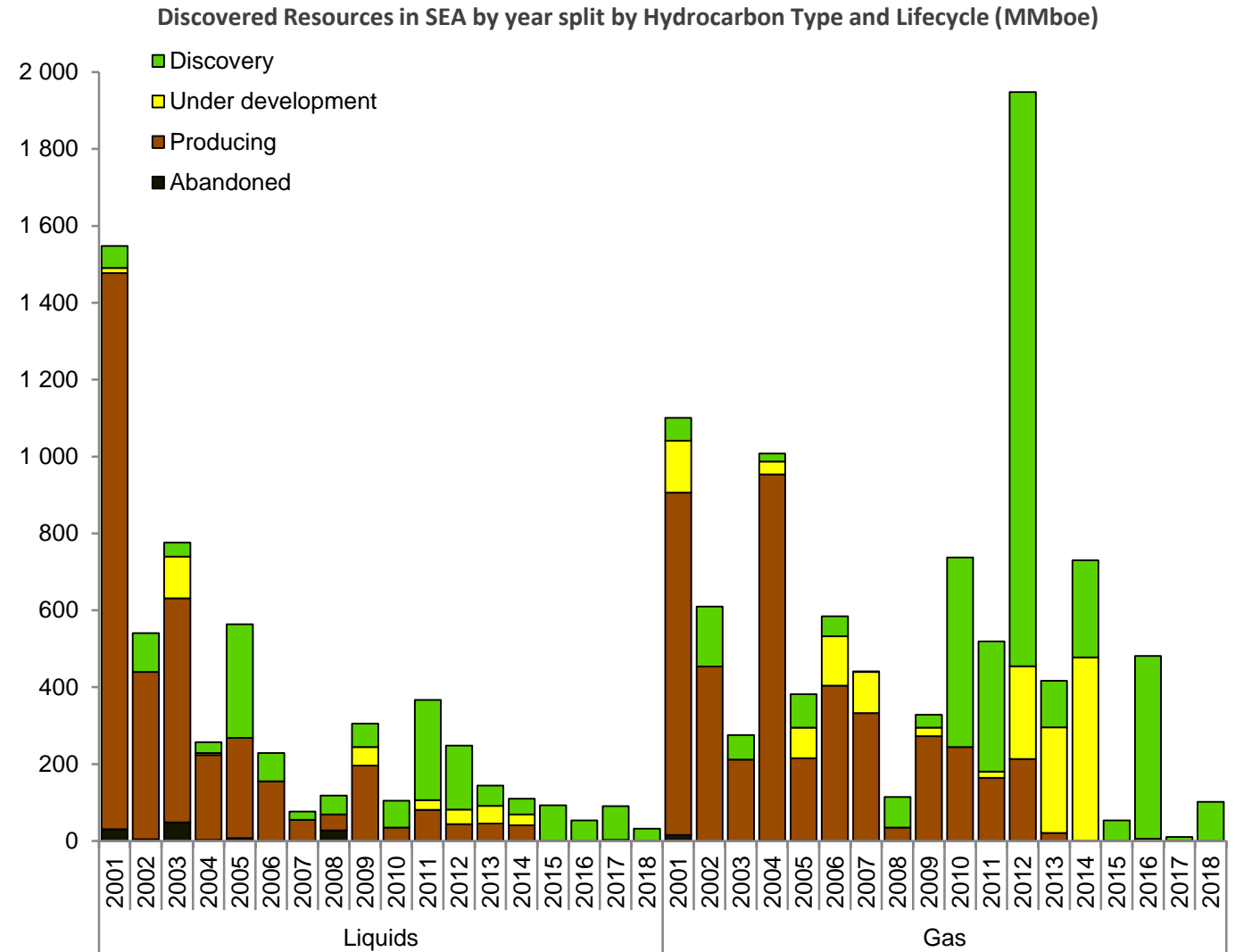
Billion boe



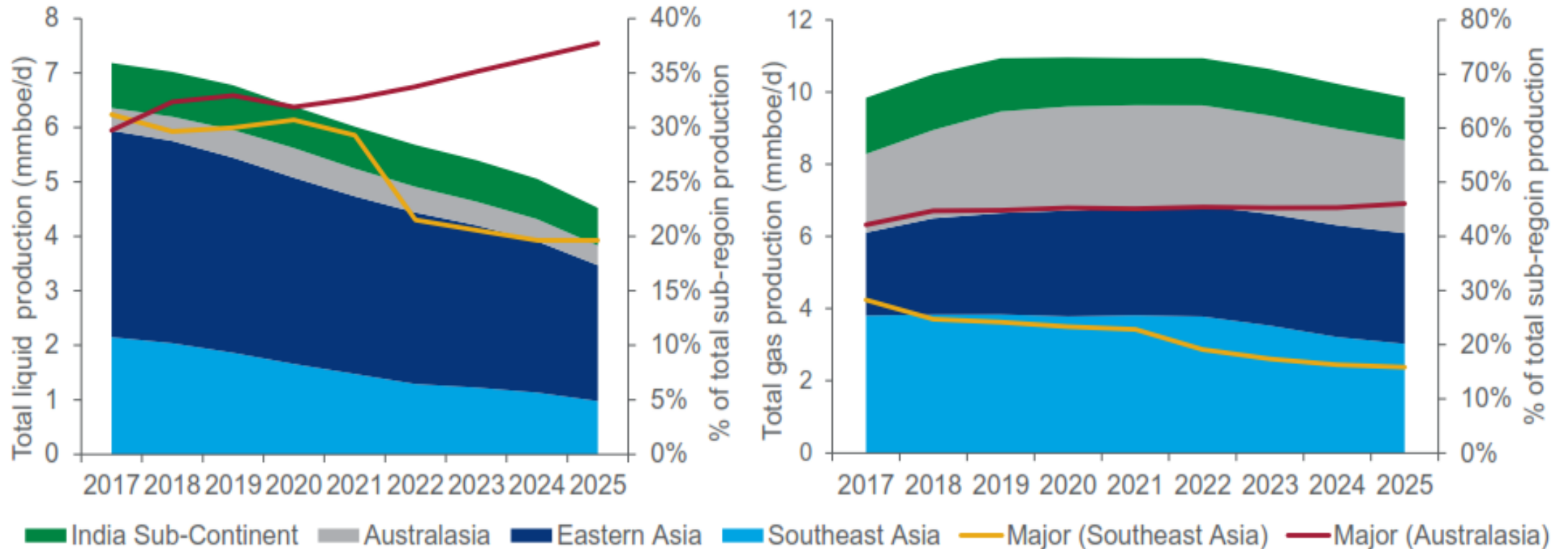
Source: Rystad Energy UCube

# 40% discovered gas reserves and 27% liquid reserves discovered over from 2000-2018 are yet to be sanctioned

- Due to lower investments in exploration side, much lower new resources discovered (mainly in gas) post oil price drop
- More than 60% of both liquids and gas resources discovered over the period 2009-2018 are still in discovery lifecycle due to continued uncertainty in the oil price
- Both these factors have added to the overall decline in production in the region



## Commercial production by region and company type (onstream and under development)



Driving new investment in mature assets, enhanced recovery, gas infrastructure and deepwater exploration should be the focus of future fiscal change. National resource policy and NOC prerogatives in picking the best blocks can exclude international investors, but more effective collaboration between IOCs and NOCs is needed to overturn the decline.