

Strengthening Asian Partnerships - Economic Integration and Energy Management

Forum Day 2
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by

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(Keynote Speaker)

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Distinguished guests, ladies and gentlemen,

A very good morning to all of you, especially to the 28 young people in front of me. I'm truly glad to be standing here in front of you. I hope to share some of my views which hopefully will benefit you to take when you return to your home country.

First of all, I would like to thank the Hitachi Young Leaders Initiative committee for inviting me. It is my honor to share with you in this forum on "Strengthening the Asian Partnerships - Economic Integration and Energy Management".

Distinguished guests, ladies and gentlemen,

Access to energy improvement and the productivities improvement is important to achieve welfare. We try to plot GDP and energy consumption. GDPs are increasing from time to time and the rates are expected to double within 40 years, especially in China and India and what I do believe also, Indonesia - the three big countries with huge populations.

The world will have to find energy supplies, especially by the year 2050, when the global population will have doubled. Nowadays, the growth of electricity consumption is higher than the average energy consumption and even higher than economic growth. In 2050 the global energy consumption will probably be twice or even three times today's electricity consumption, a trend similar to that of energy consumption.

Distinguished guests, ladies and gentlemen,

I noted that there are three different crises', the first in 1973, then in the 1980s and the last is today. Oil prices today are about 140-142 WTI's oil price.

The important things which the world learned from these three economic crises are three policies that will make the consuming countries survive, including Indonesia since it is not only an energy producer but also a consumer country. I would like to disclose the policies as follows:

First, a country that develops alternative energy is a the country that will survive and develop its economy. Brazil, for example, has bio fuel development using sugar cane because it doesn't have oil resources, thus it has no other choice than to develop alternative energy. The Brazilians did a good job, now they have become a country that produces a lot of bio fuel.

The second one is energy efficiency. Energy efficiency in some developing countries is still challenging because it is related to people's awareness. Whatever you do, you can make this energy conservation a success when you work together, when you are together in implementing the policies, not only the government but all of us.

The last one is energy pricing policy which is appropriate with the market mechanism; in some developing countries it is not easy. In a meeting in Jeddah, Saudi Arabia among the oil producer and consumer countries, all ministers had a headache because most of the developing countries had to increase their petroleum product prices. They had no choice. They would not be able to sustain the high oil prices today and high subsidies. But somebody has got to be blamed, as a scapegoat, and it is usually the oil ministers like me.

Distinguished guests, ladies and gentlemen,

As an oil producer country we are glad when oil prices increase, since the higher the oil price is the more state revenue we receive. However, the bad news is we are also an oil consumer country. Therefore, increasing oil prices lead to a larger amount of oil subsidy. We are now moving from price subsidy to direct subsidy, this formula is aimed at avoiding target misses. Price subsidies covered all levels of society, while with direct subsidies, the Government of Indonesia could directly grant a subsidy to a needy society. This formula is seemingly simple and easy to implement, however that is not the case. In most developing countries subsidy implementation might be influenced by political issues.

Now, let me disclose the latest status of our energy resources. Coal is the largest resource that we have, and totals 93.4 billion tons, 18.7 billion tons of which is classified as proven coal reserve. With a production level of 250 million tons a year, it will last 75 years. We are also endowed with 8.4 billion barrels of oil reserves and with annual production of around 348 million barrels, it will last 24 years. Our gas reserves are much higher at around 165 TSCF, and with annual production of 2.7 TSCF, it will last 61 years.



We are also endowed with renewable energy resources potential, including geothermal, hydro power, wind, solar, mini/micro hydro and biomass. Geothermal and hydro powers have been commercially developed although their shares are only 1.4% and 3.4% of our primary energy mix. The utilization of these renewable energies will be accelerated as part of our energy diversification policy. Since we are gradually increasing energy prices to meet their economic value, I believe that renewable energy will play a more important role in the near future, and in accordance with the new Energy Law.

In order to manage and optimize those resources we have, Indonesia has set out a National Energy Policy. As an energy producing country, also an energy consuming country, with the rapidly increasing energy demand, we are urged to shift our paradigm from supply side management to demand side management. For that reason, Indonesia is now starting to intensify the implementation of energy diversification and conservation.

Distinguished guests, ladies and gentlemen,

In the light of energy conservation, it includes every aspect of energy management. Our target by the year 2025 is to reduce oil consumption from 51% today, to 20%. It is to be replaced by gas, coal, and renewable energies, such as bio fuel, geothermal, coal liquefaction, etc. which are to be used for households, transportation, industry and power plants.



Now we are promoting energy conservation and diversification for efficient energy utilization and we already have a team to undertake the energy conservation program. Besides, we try to evaluate if our conservation program really works in the public sector, commercial sector, households and industrial sector.

In order to achieve our target by 2025, we have taken some measures to reduce the use of oil products by replacing premium, kerosene and solar diesel consumption with bio fuel, CNG, natural gas, and LPG. We classify LPG into 3.3 KGs LPG for low level society, 12 KGs LPG for medium level society and 50 KGs LPG for industry.

Distinguished guests, ladies and gentlemen,

The energy mix target also means that we will lower the use of fossil fuels from 95% to 83% in the next two decades, while elevating the role of new and renewable energy from only 5% to 17%. Based on calculations, energy demand in 2025 is estimated to be 1,970.9 MBOE tons and will emit 850.4 million tons

of CO₂. It means that with fossil energy demand up to 1,789.9 MBOE tons, CO₂ emissions will be 789.1 million tons in total.

The amount of emissions resulting from fossil fuel consumption required the Government of Indonesia to perform mitigation undertakings such as controlling energy demand, paying attention to energy supply sustainability, harmonization of prices, and applying appropriate technology to reduce CO₂ emissions, followed up by an effort to allow energy consumers to adapt to any changes to the existing paradigm.

Currently, the Agency of Research and Development for Energy and Mineral Resources has initiated a feasibility study of Carbon Dioxide Capturing and Storage (CCS) with industrial partners such as Pertamina and Medco. Furthermore, Indonesia has joined IEA Greenhouse Gas Reduction Programmes in CCS areas. In other words, we are very open to creating cooperation regarding this specific area.

Distinguished guests, ladies and gentlemen,

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Distinguished guests, ladies and gentlemen,

In view of the access of use of fossil fuels that can promote climate change, the government announces four initiatives as the follow-up to UNFCCC ratification.

1. Promoting the utilization of renewable energy
2. Promoting the utilization of clean energy and energy efficient technology
3. Promoting the efficient use of energy and energy pricing
4. Restructuring energy sector.

Finally, in regard to East Asia cooperation, it is important and beneficial to have cooperation among East Asian countries on energy security which leads to better access to goods and services, share and transfer science and technology, promote energy investment, improve competitiveness on energy, increase the share of renewable energy, and enhance joint research and the development of renewable energy.

I hope this forum will explore every possibility of enhancing our cooperation in the energy sector through fruitful discussions and in a friendly spirit.

Thank you for your attention.