



# **Indonesia's Oil and Gas Industry and the Resistance to Transnational Companies**

**by : Jatam , Indonesia  
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# The facts of Indonesian Oil and Gas

- The Economy depends on Oil and Gas. For 32 years during the Soeharto regime until the current president Megawati, Indonesia has continually faced an economic crisis.
- The government has undertaken several unsustainable projects that have resulted in the exploitation of its natural resources. Support for these projects has come from the international financial community: IMF, WB, ADB.
- These institutions have placed Conditionality, such as trade liberalization including the privatization of foundations, utilities, the National Bank, and the reform of laws regarding oil and gas, transportation, and water.
- There are serious environmental and social impacts, including destroying local community livelihoods.
- Militarization and Human Rights abuses. In communities that are rich in natural resources, human rights abuses and increased militarization is a fact of life. Communities are often not able to hold demonstrations for fear of the reaction from the security forces.

# Indonesian Oil and Gas until 2003

Since 1977, Indonesia has exported approximately 473 million tons of liquid natural gas (LNG), valued at \$ 89.5 million. The state-owned Pertamina company has entered into contracts with foreign investors through a Sharing Production Contract (KPS).

In 2002, the total oil production for the country was 1.25 million barrels per day. The government earned \$ 3 million. By 2005, the oil production capacity will decrease to less than 1 million barrels per day.

2003 was really the last prosperous year for the oil and gas industry. After 32 years of exploiting its resources, Indonesia must now become an oil importing country. The legacy of this industry is mudslides, communities in proximity to old pipelines, pollution in towns, and people forced to live in "ghost towns".

# Indonesian Oil and Gas in 2003

# Oil production is not sufficient to meet the needs of the country. Indonesia needs 1 million barrels/day, since 2003, Indonesia will import 250,000 barrels/day.

# The earnings from the oil industry is sharply decreasing (in 2002, the total oil production for Indonesia was 1.25 million barrels/day. The government earned approximately \$3 million. By 2005, the capacity for the oil production in Indonesia will decrease to 1 million barrels/day.

# Because of this decrease in production, the government is offering its gas at a “sale” price because the reserves of gas are 3 times that of its oil reserves (January 2002), approximately 176,6 TCF ( ± 30,3 BBOE )

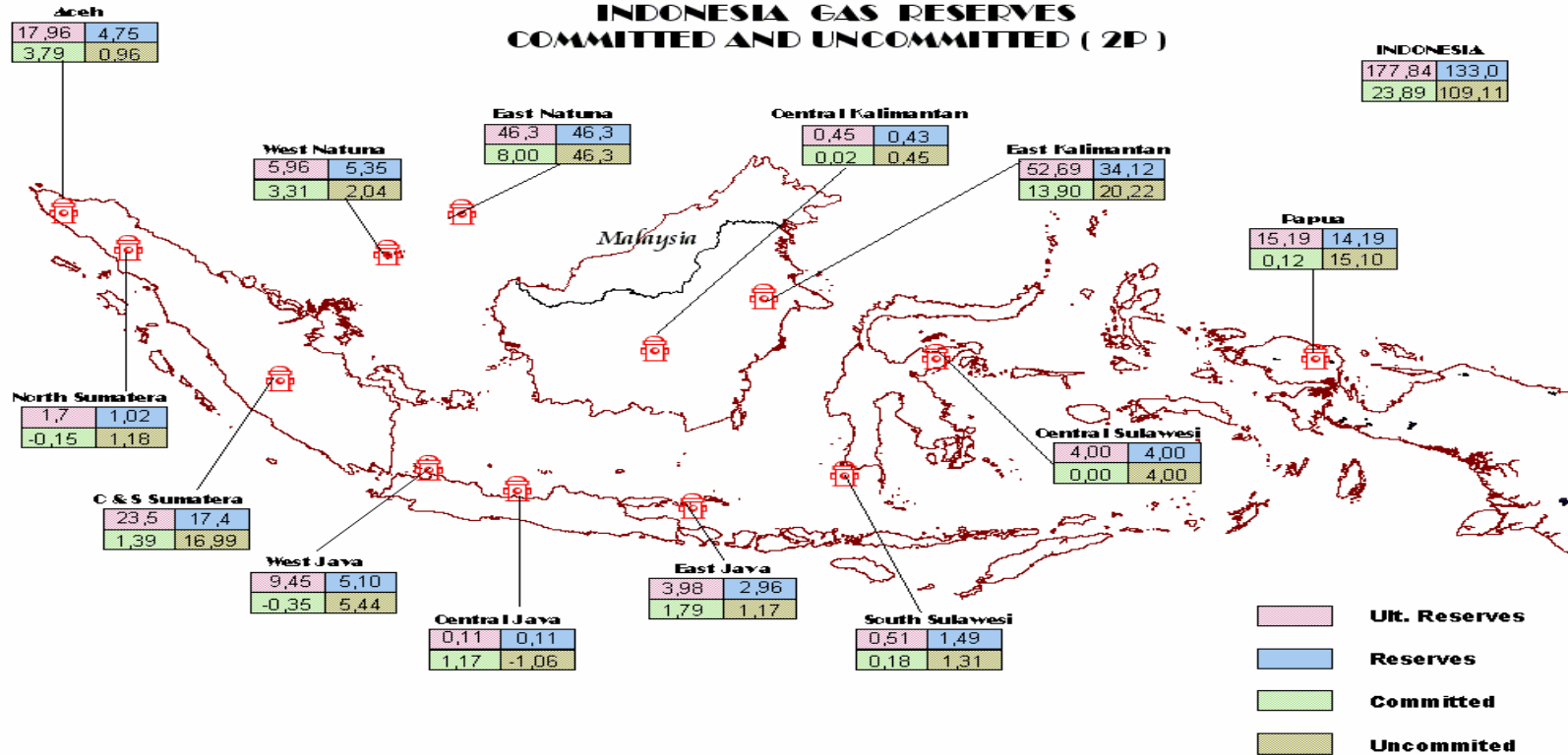
# Oil and Gas Act 22/2001 introduced a “New Dynasty”. An aggressive program of liberalization, supported by the WB, IMF, and ADB have meant many of the public utilities have been privatized.

# The state-owned company Pertamina has not developed or been involved in the trade of natural gas. The benefactors of the liberalization program have been foreign companies, such as Badan Pelaksana Migas, through the KPS contract agreements. Privatization of the state-owned company has decreased domestic power in this sector.

# Oil and gas

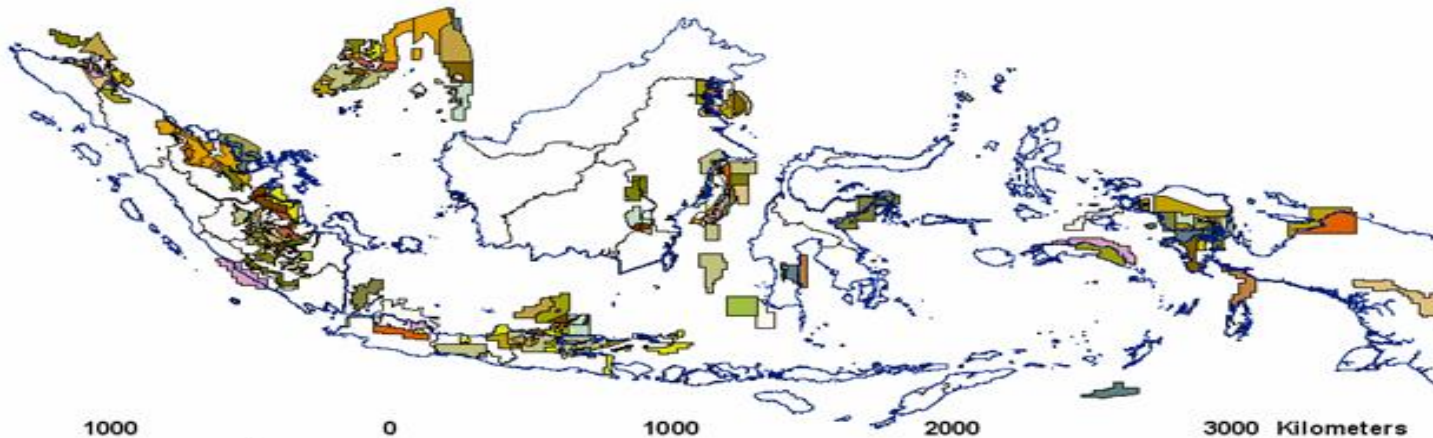
- # Exploration of oil and gas resources in all areas of Indonesia
- # A Pipelines project that will export gas from South Sumatra and Natuna.
- # The Tangguh project: Exploitation of gas in Bintuni Bay, Papua.
- # The Senoro project: Exploration and exploitation of Gas in Central Sulawesi.
- # Dependence on the gas market, Indonesia is forced to sell its gas very cheaply
- # Development and sale of natural gas (LNG) is controlled by foreign companies
- # Intervention of international monetary institutions such as IMF, ADB, WB to Indonesian policies
- # Support from international funding agencies for oil and gas projects in Indonesia

## INDONESIA GAS RESERVES COMMITTED AND UNCOMMITTED ( 2P )



Resources : GIS JATAM, 2003

## Peta Wilayah Kerja Pertambangan MIGAS Di Indonesia



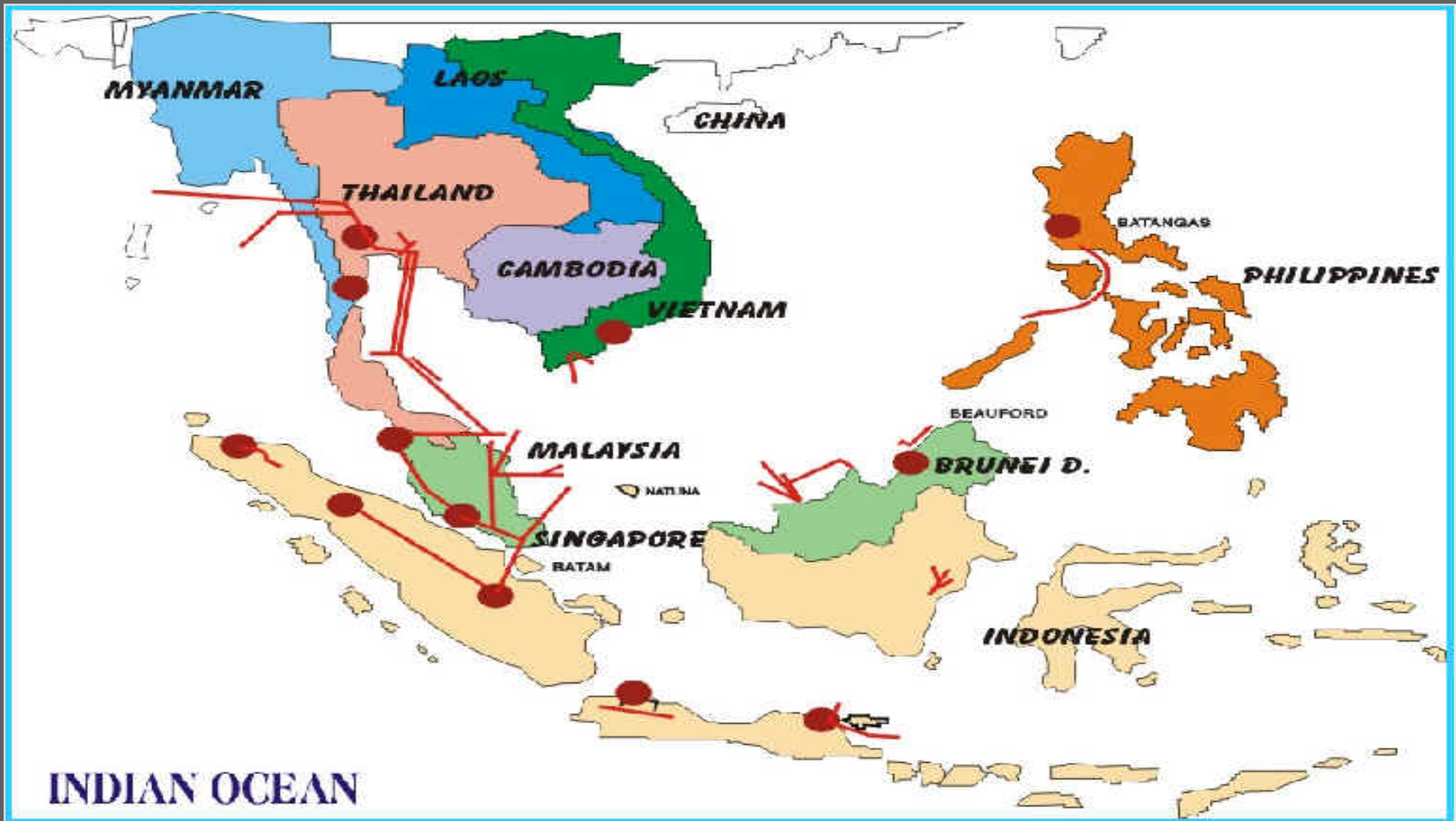
### Legenda

-  Wilayah Kerja (Blok) Pertambangan MIGAS
-  Garis Pantai
-  Batas Provinsi



Referensi:  
- Dasar Perencanaan & Pelaksanaan Kegiatan, 2000  
- RDE Wilayah Kerja: Data B2DM, Setahu NIS 2003  
- Lay Out: JATAM, 02/08/03

## Existing Gas Pipelines in ASEAN





# Resistance to Oil and Gas Transnational Companies

- Riau communities opposed to Caltex (USA) ,
- The communities of Marangkayu of Delta Mahakam opposed to Unocal (USA), Vico (USA), Total (France)
- Communities in Aceh and Central Java opposed to Exxon Mobile
- Central Sulawesi opposed to Medco – Expan
- South Sulawesi opposed to Unocal
- Communities in Papua opposed to Beyond Petroleum (England)
- Communities in East Java opposed to Exxon, BP, Amerada Hess, etc

This opposition is in complete imbalance to the power exerted by the most powerful Transnational companies in the world.

The demands of communities are protection of their environment, assertion of their human rights, and survival of their traditional livelihoods, and ultimately to force these companies out of their regions.



# Global scheme and the destruction of Communities

## 1. International Financial Institutions (IFI's)

### West Seno Unocal project, East Kalimantan.

Serious conflicts between the company and the community came to a head when the local people formed a blockade in 2000. Unocal's operations left the community with no clean water and polluted lands. Funding for this project came from OPIC and was a 'reward' to Indonesia for the commitment by Megawati to support Bush's "Global War on Terror", ECA: OPIC, 2/2/02

### Pertamina natural gas project, Bontang, East Kalimantan.

Funding support from JBIC, this location has also been the site of serious environmental problems for the community. ECA: JBIC

## 2. Global Development Alliance

A capital alliance with international donor agencies (DFID, USAID, UNDP, BP) that formed a Steering Committee whose purpose is to promote multinational companies to be accountable for development programs in Papua.

## 3. The Agenda of ASEAN Energy

The consolidated agenda of energy producing countries of ASEAN. The Plan of Action for Energy Cooperation 1999-2004 matched with the actions from the World Summit of Sustainable Development (WSSD) in Johannesburg. An agreement was reached between the delegates from ASEAN countries to form concrete cooperation, including the expansion of energy laws.

# **Jatam response to oil and gas issues in Indonesia**

- # Strengthen the network of advocacy at the village, regional , national and international levels
- # Strengthen the base of knowledge around oil and gas issues (Database and GIS)
- # Campaign on specific oil and gas cases (Kaltim, Papua, Aceh and South Sumatera)
- # Distributing Data – Information sharing with the network and Constituents
- # Investigation ( Oil and Gas project investigation in Central Sulawesi)
- # Supplying Campaign Material : The Unocal Story in East Kalimantan, comparative study of one community affected by mining, oil and gas
- # Plans for Indonesian Oil and Gas Workshop for 2004 (Overview and Strategic Planning)