Australian Government
Australian Trade Commission

Mining to Indonesia.

Trends and opportunities

The market

Mining

Australia is already a prominent supplier in the Indonesian mining industry of:

- pumps
- drilling equipment
- crushing equipment
- mine pit software
- conveyor systems
- a wide range of spare parts and consumables

The mining sector's contribution to the Indonesian economy has slightly decreased due to factors, such as the weakened world prices of coal, copper and tin; a new mining law; and the reduction of new investments in the sector despite the increase in mining production of these minerals.

The level of exploration activity has also declined. This was largely a combination of the prolonged economic crisis and unstable political and social environments in Indonesia, in addition to global mining industry trends including weak metal prices and the consolidation of major mining corporations.

Oil and gas

The change in oil and gas law has brought a decline in the oil and gas sector. Without major new discoveries and technology advances, such as enhanced oil recovery and deep water exploitation, sustaining current levels of oil production will be difficult and Indonesia will most likely become a net importer. Although some international oil and gas companies have left Indonesia, others from the regional Asian countries including China, Thailand and Malaysia have entered the Indonesian market.

Indonesia's gas reserves are estimated to be approximately 27 billion barrels of oil. Currently, Indonesia is still the world largest exporter of liquefied natural gas (LNG). **The natural gas processed to LNG and liquefied petroleum gas (LPG) is especially important for Indonesia's trade.** The trend is toward natural gas exports overtaking crude oil exports. The main producers of gas in Indonesia include TotalFina&Elf (29 per cent), Exxon-Mobil (16 per cent), Vico (15.6 per cent), BP-Amoco (10 per cent), Pertamina (9.8 per cent) and Unocal (5.7 per cent).

Foreign or local private companies' participation in oil and gas extraction in Indonesia must be through the production sharing contract (PSC) system. The contract is applied to green field areas, where prior exploration has never been carried out. Most foreign companies operate in Indonesia under the PSC system. In addition to the PSC system, Indonesia has a variety of contractual arrangements that are designed for areas that have previously been explored and/or areas that have previously been worked on. The contracts include Technical Assistance Contract (TAC), Enhanced Oil Recovery Contracts (EOR), and Join Operating Agreements (JOA).

Opportunities

There are opportunities in the Indonesian mining sector for:

- Consultancy and engineering services
- Conveying and stockpiling equipment
- Coal beneficiation/preparation plants
- Instrumentation and monitoring
- Control systems

In addition to mining products and equipment, the start-up of new mines in the future is likely to offer a wide range of opportunities for Australian companies. **There will be infrastructure needs such as communications systems, captive power plant and safety equipment**. Both existing operations and new developments (when they re-commence) will require a wide range of consumables including minor tools and equipment, clothing, food and transport.

There are some opportunities available in the oil and gas sector:

- Products — drilling, piping, electrical and instrumentation equipment; machinery (rotary) equipment including pumps and turbines; and environmental protection
- Services — engineering consultants, drilling and weld services, legal and medical services, and training and education

Competitive environment

Australia's major competitors in the oil and gas sector are USA, Europe (British, French and Spanish), Japan and China. The other minor competitors are from Malaysia, Thailand and Indonesia.

The largest producer of oil in Indonesia is Caltex, which produced around half of Indonesia's crude and condensate output. Other major companies include Repsol YPF (9 per cent), TotalFina&Elf (5.5 per cent), BP-Amoco (4.7 per cent), Conoco (4.3 per cent), and Unocal (4.2 per cent).

More information

For further information please contact Austrade on 13 28 78 or email info@austrade.gov.au

(Last updated: February 2006)

Call Austrade on 13 28 78 or Email us