

LNG imports: A threat to Indonesia's energy sovereignty or a crucial lifeline?

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Minister Bahlil's stance on LNG import

Bahlil Lahadalia, Minister of Energy and Mineral Resources (MEMR), on Energy Mineral Forum 2025:

"I have already been "**approached**" regarding this issue, but I made it clear: for the sake of our motherland, we must never compromise or be swayed by irresponsible actors trying to undermine our energy sovereignty."

- In his keynote speech, emphasized a recent and significant revelation made by him and his team: the LNG import issue currently faced by the country is, in fact, "by design." This implies that certain entities are profiting from the excess LNG imports, even though the ministry asserts that Indonesia is actually capable of fulfilling part or all of the imported volume domestically, without incurring high import costs.
- Bahlil also urged all stakeholders to accelerate oil and gas projects in order to boost production as soon as possible. This included issuing a warning to INPEX, the majority stakeholder in the Masela Block. Without a serious commitment to execute these projects, operators risk having their licenses revoked.



Domestic demand from industries

- The Ministry of Industry has considered importing gas for industrial use amid concerns over high costs and limited supply. Recently, Minister of Industry, Agus Gumiwang Kartasasmita, spoke at the Industrial Estate Association (HKI) National Conference recently, acknowledged the challenges in securing affordable gas for industries.
- "To ensure a continuous supply, importing gas for industrial use may be necessary, especially if national supply falls short or pricing does not align with regulations," Minister Agus stated.
- The potential for importing gas was highlighted as an option to alleviate the pressure on industries that are facing challenges with supply shortages and high gas prices. Minister Agus emphasized that any decision to proceed with gas imports would require thorough discussions to balance domestic supply and demand. "If national gas supply is deemed insufficient, and the prices do not meet the regulatory standards, industries and industrial zones should be given the flexibility to source gas from other countries," he added.
- Some industries have also voiced complaints regarding the pipeline gas managed by PGN, where the supply is sometimes unreliable and the prices are swinging high.



Domestic demand from power generation

- Even though PLN is aware that the cost of generating electricity using natural gas is 2.1 times more expensive than coal, it projects a significant increase in LNG usage by 2034 to meet the growing gas demand in the power sector. The shift is driven by rising electricity consumption and a projected decline in domestic pipeline gas supply. PLN anticipates an average annual growth in gas demand for power generation of around 5.3%. By 2034, the company estimates its gas requirements will reach 2,611 billion British thermal units per day (BBTUD), up from 1,635 BBTUD in 2025.
- According to a senior PLN executive familiar with the matter, recently said contracted supply from domestic pipeline gas will steadily decline over time. In 2025, pipeline gas is expected to account for 804 BBTUD, or 49.17% of total demand. This will fall to 672 BBTUD (35.96%) in 2026, and further to just 133 BBTUD—approximately 5%—by 2034.





Pipeline gas supply in Java and LNG availability.

Cirebon-Semarang Gas Pipeline and SSWJ.

Currently, the Cirebon-Semarang gas pipeline is under construction, but until it is completed, excess gas in East Java will not reach major gas users, particularly industries located in Central and West Java. On the other side, gas supply from the Corridor Block that are naturally will continue to decline, and PGN, as the operator of the SSWJ pipeline, is working to meet the industrial gas needs in Banten and West Java by increasing gas supply through LNG shipments from Bontang and Tangguh, which face fluctuating prices and high toll fees.





Clsem Pipeline: Red dash line Image source: MEMR

SSWJ Pipeline Image source: PT. PGN

Pipeline gas supply in Java and LNG availability (cont'd).

- Despite Indonesia's substantial gas reserves (54.7 TSCF as of early 2025), the country still faces structural issues in the upstream sector, compounded by operational challenges. In East Java, a major gas producer reported losing up to 40 MMSCFD from a clay-plugged well and experiencing sand production issues across four open-hole directional wells. Meanwhile, Jambaran-Tiung Biru (JTB), expected to supply 190 MMSCFD, was shut down due to a propylene compressor failure exacerbated by H₂S and impurities.
- For liquified gas, recently, SKK Migas stated that there are actually LNG cargoes available for the domestic market, totaling 4.4 cargoes in July, indicating that natural gas is indeed available from producers.



Note: There are changes in the energy landscape in the industrial sector including update to biomass, gas, and oil data and the elimination of the use of "traditional biomass" in the HEESI published by MEMR in 2024 (MEMR, 2024a).

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Arun LNG: From exporter to domestic struggles

After decades of stable operations up to 2014, gas from ExxonMobil's North Sumatra Offshore (NSO) fields had declined so steeply that Arun's 6 export trains (~1.5 million tpa) were shut down, and PIM was left without feedstock. A 2021 restart effort, supported by Medco's Blok A gas (48-54 BBTUD), briefly revived PIM's operations that needs 51 BBTUD, but the revival was short-lived. By 2022, upstream maintenance and dwindling flow reduced deliveries below PIM's minimum threshold. Again, production stopped. Arun had shifted to a regasification terminal, but its role as a secure domestic anchor was already in question.

Recently, PIM operates intermittently, while PLN's latest 2025-2034 RUPTL shows plans to expand 240 MW of gas-fired plants (PLTMG Arun) using Arun regas (from Tangguh LNG plant), but without clear guarantee of supply, these plans may mirror PIM's fate.



Pupuk Iskandar Muda plant



Arun LNG Terminal

Bontang LNG and East Kalimantan's industrial drift

Bontang LNG, once a global export hub with 8 processing trains at its peak, as production from surrounding fields like Mahakam and Sanga-Sanga has declined, only 2-3 trains were reported to remain operational. Declining supply from mature gas fields has left the terminal struggling to maintain both export and domestic obligations.

While export obligations are still met in part, recently including volumes from ENI's Merakes field, Bontang now increasingly serves local demand (surrounding fertilizer, petrochemicals, and gas-fired power plants). With tightening supply, many face difficult choices: curbing output, paying higher LNG prices, or considering relocation.



Bontang LNG Terminal

Some industries are eyeing Kawasan Industri (KI) Bintuni, closer to promising future supplies like Abadi and Kasuri, and also listed down as future demand site in PLN's 2025-2034 RUPTL. But relocation costs are massive, timelines long, and infrastructure uncertain. Transitioning a gas-dependent ecosystem takes more than a map, it requires coordinated national investment, policy clarity, and a robust supply chain planning.

For now, Bontang survives through stopgap supply from fields like Merakes. But questions loom: Can the government accelerate new feed development (such as Geng North)? Will industries survive long enough to justify staying in East Kalimantan? Or is Bintuni the new frontier?



Bontang-Bintuni

The anticipated dwindling production and growing demand.

As of May 2025, Indonesia's domestic gas output has declined by 22% over the past decade, while demand increased by 39% (IESR, 2024).



Source: IESR analysis using IESR IETO Model, KEN Draft (DEN) for projection comparison, HEESI (ESDM) for historical



HGBT policy: Status and changes

The Indonesian government has decided to extend the HGBT (Special Gas Price Policy) until the end of 2025, with gas prices set depending on the user sector. The seven industrial sub-sectors that will continue to receive this special pricing include: fertilizers, petrochemicals, oleochemicals, steel, ceramics, glass, and rubber gloves. However, there are price adjustments—for instance, PLN (the state electricity company) will be charged US\$7 per MMBTU, while other industries will pay US\$6.5 per MMBTU. This adjustment responds to rising global gas prices.

Sector	Price (HGBT)
Power generation (PLN)	USD 7.00 per MMBTU
Seven sub-sectors (e.g., Fertilizer & Feedstock)	USD 6.50 per MMBTU
Other industry users	Above USD 8.00 per MMBTU (market price)

HGBT: One policy, too many price

Despite the HGBT policy favoring the industry demand, inconsistency remains:

- PGN pricing varies across regions; "floating" contracts outside HGBT rules create uncertainty.
- Ceramic and petrochemical industries in West Java report difficulties due to **unstable pricing**.
- Even priority sectors haven't received full implementation of the policy.

"In some industrial sectors, **disruptions are also caused by the aggregator, namely PGN**, which applies its own pricing schemes outside of the HGBT framework. As a result, supply is disrupted, there is no certainty, and they impose special pricing based on their own schemes, which include maximum and minimum charges.", Achmad Widjaja, Vice Chairman of FIPGB (Natural Gas Industry User Forum)

Even industries in gas-rich regions are affected. In West Java, users reportedly beg for supply at premium prices due to scarcity, while priority off-takers like Pupuk Kujang remain shielded. This uneven access and pricing, combined with declining field performance in East Java, highlight how disconnected policy is from actual field realities.

The HGBT policy has led to a decline in state revenue amounting to IDR 29.39 trillion during the 2021–2022 period, along with a 3% decrease in tax revenues from industries receiving the incentive in 2021 compared to 2019. This raises concerns regarding the efficiency of energy subsidy allocations and the long-term sustainability of fiscal policy.



Pupuk Kujang

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How can Indonesia deliver domestic gas at reasonable price?

Djoko Siswanto, Head of SKK Migas, stated that Indonesia has enough gas refers to aggregate availability, not regional accessibility. Indonesia has gas, but not in the right place, volume, or form. Here's what needs to happen:

- 1. Unlock domestic delivery bottlenecks
 - Speed up the expansion of inland pipeline networks for Java and Sumatra (Cisem-2 and Dusem). However, existing gas wells are increasingly underperforming due to aging infrastructure and overstressing. Infrastructure expansion like Cisem-2 will only solve part of the problem if field health and engineering constraints aren't tackled concurrently.
 - Follow-up from the "Gas Swap" initiative → Recalculation of the economic price point for building a Small-Scale LNG (SS-LNG) and transport cost from Tangguh, Bontang, and Donggi Senoro plants.
 - Continuous advocation of major Final Investment Decisions (FIDs) for offshore fields like Abadi LNG, Eni IDD, and Tangguh Ubadari are scheduled from this year (2025) onwards, and are expected to meet 75% of Indonesia's mid-term gas investment flow.
- 2. A reform of National Gas Aggregator (PGN)
 - Push a transparent full implementation of HGBT via the national gas aggregator (PGN) to allocate gas efficiently across power (PLN), industries, and city gas networks.
 - The need of government political will to make the gas distribution an anchor to achieve energy sovereignty (*ketahanan energi*) first prior to energy independence (*swasembada energy*).



Djoko Siswanto



Cisem-2 Project

What regulations will help the reform?

1. Gas Domestic Market Obligation (DMO) and Pricing Regulations

- Gas DMO pricing at USD 4–6 per MMBTU disincentivizes upstream investments. A market-reflective but capped model is needed, with clear subsidy corridors for key sectors.
- Field economics remain precarious. In upstream, smaller PSCs like in Central Java are being called in for underperformance (e.g., Butonas summoned in Dec 2024), while aging fields like Pangkah require six-month downtime just to fix pipeline leaks. Such realities must inform DMO pricing. Otherwise, upstream disincentives will perpetuate dependence on LNG.
- Incentivize the stakeholders involved in "Gas Swap" to expedite the process of converting exports to domestic fulfillment while remain vigilant in the whole initiative's commercialization.

2. Coordination on Permitting and Harmonize Local Authority Roles

- As per IESR and LPEM UI, fragmented permitting (especially for regas terminals and pipelines) delays delivery by 2–3 years.
- Stay true to the idea of cutting unnecessary permits, streamline every process with just governing.

3. HGBT Sustainability

- HGBT has caused state revenue losses of IDR 29.4 trillion (2021–2022) and tax collection has not improved among beneficiary industries.
- At the same time, industry players needs assurance of the gas supply stability at least for the next 5 years. Therefore, a more decisive regulations on gas supply allocation for longer term is needed.



Butonas Petrochemical Factory





- While the increasing scrutiny of LNG imports is justified, it is important to recognize that these imports still play a
 relevant and strategic role in safeguarding national energy security, at least for now. In the absence of sufficient
 infrastructure, consistent domestic supply, and effective coordination, cutting off LNG imports prematurely could
 lead to energy instability, undermining industrial productivity and jeopardizing the very goal of energy sovereignty.
- However, if Indonesia is able to unlock and optimize its vast natural gas reserves through faster POD approvals, efficient aggregation, pricing reforms, and integrated infrastructure. Only after all of these, then the dependence on LNG imports could be significantly reduced or even eliminated over time. Thus, LNG imports should be treated as a transitional mechanism, not a long-term default.
- Field-level disruptions, from well sanding to condensate impurities, are not theoretical risks. They are already hampering output today. LNG imports, though costly, are still covering gaps that the current domestic supply chain cannot bridge quickly. Until upstream recovery (e.g., Abadi, IDD, Ubadari FIDs) materializes and gas distribution becomes truly reliable, **LNG imports must be viewed not as a failure, but as a pragmatic lifeline.**

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End.