Strategy

Key Blueprint On Energy Self-Sufficiency

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Highlights

- **Indonesia's energy self-sufficiency strategy is centred on supply diversification,** upstream production growth, biofuel expansion, and renewable energy development, supported by a more attractive investment framework to strengthen long-term energy security.
- **We remain OVERWEIGHT on oil & gas** as idle-well reactivation, 118 new exploration blocks, major gas projects, and supportive PSC reforms should drive a multi-year investment cycle across upstream and gas infrastructure.

Analysis

- **A three-pillar resilience blueprint.** Pillar 1 (supply mitigation) focuses on fuel/liquefied petroleum gas (LPG) demand management, import-source diversification, domestic supply and refinery optimisation, and new bilateral partnerships (eg Russian crude and Japanese LPG). Pillar 2 (oil & gas production) targets 610 MBOPD in 2026, supported by 118 new exploration blocks, broader opportunities for technology and operating partners, and the Geliga major discovery. Pillar 3 (investment climate) introduces field-risk-based production sharing contract (PSC) profit splits, greater contract flexibility through cost-recovery/gross-split options, and a dedicated production-acceleration task force.

  While a US$100/bbl oil-price scenario could lift Indonesia's energy subsidy and compensation burden to Rp309t (~US$17b), the impact may be partly offset by an estimated US$7b increase in upstream state revenue, Rp30t-35t/year (US$1.7b-2.0b) of additional non-tax revenue from revised mineral benchmark pricing (HMA/HPM) for gold, copper, tin and nickel ore, as well as broader fiscal-efficiency measures.
- **Import diversification reduces Middle East/Hormuz exposure.** ESDM is rerouting supply away from the Strait of Hormuz: For crude, Saudi Arabia (~16% of supply) is being supplemented by West African barrels (Nigeria, Angola, Gabon) and Kazakhstan. For fuels, Singapore (62%) and Malaysia (35%) dominate. Lastly, in LPG the UAE (~29%) is being diversified towards the US and Australia. This lowers single-chokepoint risk but keeps Indonesia structurally short of refined products and LPG.
- **Scaling up biofuel mandate.** The government plans to accelerate B50 biodiesel following the successful rollout of B40, with B50 expected to reduce diesel consumption by around 4m kL annually and save around 300,000 bpd of crude and refined product imports. In parallel, Indonesia is exploring B70 and expanding bioethanol blending (E5-E20 by 2028) to curb rising gasoline import dependence, supported by diversified feedstocks including corn, sugarcane, cassava, sorghum, and aren. We view this as positive for long-term domestic biofuel demand and energy security.
- **Upstream revival gaining traction through idle-well reactivation, new acreage and major gas discoveries.** Indonesia has 47,161 oil and gas wells, of which 10,457 are currently idle, with around 7,345 still holding hydrocarbon potential. Following the reactivation of 792 wells in 2025, approximately 5,771 wells remain available for partnership, while the 2026 work programme targets a further 744 reactivations. Production enhancement efforts are centred on fracking, Enhanced Oil Recovery and horizontal drilling across existing fields.

  Meanwhile, the prospective upstream portfolio has expanded to 118 blocks, with 25 already awarded (including eight at IPA Convex 2026) and around

50 additional areas currently offered or under evaluation. The Geliga-1 discovery in the Ganal PSC (Eni 82%, Sinopec 18%) contains an estimated 5 Tcf of gas and 300m bbl of condensate, with first production targeted for 2029/30 (~1,000mmscfd of gas and 80,000 boepd of condensate). In addition, the Abadi LNG project in Masela, which holds around 10.7 Tcf of gas reserves and 225m bbl of condensate, is expected to commence the ground-breaking in Jul 26 and start production in 2029/30, providing another significant source of long-term domestic gas supply.

- **LPG and gas substitution remain a fiscal pressure point.** National LPG output (1.91m MT) covers only around 22.4% of subsidised consumption (8.52m MT), with imports (7.47m MT) filling the gap a persistent drain on the subsidy bill. The policy response combines electric-stove conversion, compressed natural gas as an LPG alternative, and wider gas-network rollout, alongside optimisation of gas-fired generation.
- **Renewables support further energy diversification.** The EBT (renewables) mix is targeted at 17.00-21.00% by 2026 (from 15.75% in 2025). Long-term renewable development will be driven by a 100GW solar push, floating PV/hydro with the Public Works ministry, geothermal clusters (geothermal power plant as EBT baseload for Halmahera nickel down streaming, North Sulawesi as a geothermal economic centre), and EV conversion.

Action

- **Maintain OVERWEIGHT on oil & gas.** The government's push to reactivate idle wells, offer 118 new blocks, and develop Geliga should drive a multi-year upstream investment cycle, supported by more flexible PSC terms and faster permitting. We favour **ELSA, ENRG, BIPI, MEDC, RAJA, and WINS** as key beneficiaries of higher upstream and gas infrastructure activity. Meanwhile, **MOLI and SRSN** could benefit from the planned bioethanol blending rollout (E5-E20).

Peer Comparison

Company	Ticker	Rec	Price 26 Jun 26 (Rp)	Market Cap (US$m)	3M Avg Turnover (US$m)	-------- PE ------- 2026F (x)	2027F (x)	----- EV/EBITDA ----- 2026F (x)	2027F (x)	ROE 2026F (%)	Div. Yield 2026F (%)	2027F (x)	Net Gearing (%)
Elnusa	ELSA	BUY	530	216	1.9	4.5	3.7	0.6	0.5	13.6	8.2	9.1	(39.9)
Energi Mega Persada	ENRG	BUY	1,055	1,566	10.1	12.1	10.1	4.7	4.2	11.1	-	-	44.4
Astrindo Nusantara Infrastructure	BIPI	BUY	127	452	13.0	1.1	0.3	16.4	20.4	(0.5)	-	-	45.9
Medco Energi Internasional*	MEDC	N.R	1,065	1,496	8.0	2.9	0.2	2.9	2.7	7.0	3.4	5.1	137.3
Rukun Raharja*	RAJA	N.R	3,790	895	7.5	27.4	26.0	14.5	13.7	14.2	-	-	24.3
Wintermar Offshore Marine*	WINS	N.R	525	133	0.1	6.1	n.a	4.0	n.a	13.9	-	-	(0.5)
Madusari Murni Indah*	MOLI	N.R	252	38	0.1	7.1	n.a	4.0	n.a	7.9	-	-	(3.9)
Indo Acidatama*	SRSN	N.R	69	23	0.3	4.3	n.a	3.0	n.a	12.2	-	-	12.2

** Consensus*
Source: Bloomberg, UOB Kay Hian