

**RAHMAD PRIBADI : THE ADJUSTMENT OF NATURAL GAS PRICES
TO SUPPORT NATIONAL FOOD SECURITY**

Number : 56/SP/PG/VII/2020
Day & Date : Thursday, 30 July 2020
Place : Jakarta
Event : The signing of Letter of Agreement (LoA)

Petrokimia Gresik is Agroindustry Solutions company and holding member of Pupuk Indonesia, signed all Letters of Agreement (LoA) with natural gas providers from May to July 2020. This is a form of implementation of natural gas price adjustments based on the Decree of the Minister of Energy and Mineral Resources of the Republic of Indonesia No. 89K/10/MEM/2020.

The signing with Husky-CNOOC Madura Limited (HCML) on today was done virtually and witnessed by the Minister of Energy and Mineral Resources Arifin Tasrif and Head of the Special Task Force for Upstream Oil and Gas Business Activities, Dwi Soetjipto in Jakarta, Thursday (30/7).

Previously, Petrokimia Gresik had also signed an LoA with other Cooperation Contract Contractors namely Kangean Energy Indonesia (KEI) and Pertamina Hulu Energi - West Madura Offshore (PHE WMO).

President Director of Petrokimia Gresik, Rahmad Pribadi conveyed that the gas price adjustment policy of the Ministry of Energy and Mineral Resources would increase the competitiveness of national industries, including the fertilizer industry. Because natural gas is an important raw material for producing subsidized fertilizers, Urea, NPK, and ZA.

"Even the gas costs component has a portion of up to 70% in the structure of Urea fertilizer production costs. So that with the gas price adjustment the impact will certainly support national food security," Rahmad said.

The adjustment of natural gas prices is set for 7 (seven) sectors, one of which is the fertilizer industry, where prices at the user gate point (plant gate) are set at a price range of US \$6 per MMBTU (Million British Thermal Units).

"With this latest gas price adjustment, we are projecting that Petrokimia Gresik can save Rp743.97 billion in costs," Rahmad said.

Rahmad explained that adjusting gas prices helped increase the efficiency of companies in dealing with global competition. This efficiency is in line with the Business Transformation program run by Petrokimia Gresik since 2019 through improvements and enhancing the efficiency of the value chain.

"If the value chain reaches the most effective and efficient stages, of course the cost of goods which is sold by Petrokimia Gresik can be more competitive, so that it can increase competitiveness in the global market," he said.

Rahmad said that this year, Petrokimia Gresik will also transform from a Single Industry Firm to a Related Diversified Industry by continuing to product downstreaming.

"Therefore, we will also study downstream products based on natural gas which have great added value," Rahmad added.

One of them is Soda Ash, which will utilize 174 thousand tons of side product of CO₂ from the Ammonia Factory. Through this downstreaming program it is hoped that Petrokimia Gresik will be able to increase profitability as part of a state-owned company.

Rahmad explained that the gas price adjustment would greatly help the company in facing global competition. This efficiency is in line with the Business Transformation program run by Petrokimia Gresik since 2019 through improvements and enhancing the efficiency of the value chain.

"If the value chain reaches the most effective and efficient stages, of course the cost of goods sold by Petrokimia Gresik can be more competitive, so that it can increase competitiveness in the global market," he said.

The price adjustment of gas, also has a positive impact on streamlining the subsidy funds paid by the government through the state budget. Through this efficiency, the government has the option to increase the quantum of subsidized fertilizer production for farmers. This efficiency can also be used to improve the quality of products and services from Petrokimia Gresik.

"So that in the end the gas price adjustment policy will be felt by farmers throughout the Indonesia archipelago," Rahmad said.

Rahmad further explained that in 2020, Petrokimia Gresik was responsible with the allocation of distribution of subsidized fertilizers of 4.7 million tons or 59% of the total national allocation (7.9 million tons) which was the responsibility of the holding company PT Pupuk Indonesia (Persero). In addition, Petrokimia Gresik also provides non-subsidized fertilizer to anticipate the surge in demand for farmers, especially during the growing season.

At the end, Rahmad reconciled that the agriculture sector became one of the pillars of safety for the Indonesian people in facing Covid-19 outbreak. Agriculture production must continue to run even more encouraged to meet the community's need for healthy food, in order to maintain and enhance the immune system.

"Therefore, agriculture production facilities, including fertilizers, must always be guaranteed in terms of quantity and quality," concluded Rahmad.

PT Petrokimia Gresik

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