

Press Release

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FOR IMMEDIATE RELEASE

New Ipsos Business Consulting Study Examines Opportunities for Natural Gas in Indonesian Manufacturing

Jakarta, Indonesia, November 2019 – The Indonesian manufacturing industry continues to rely heavily on oil and coal for its energy needs, yet opportunities exist for significant savings and cleaner production if the country embraces natural gas energy sources, a new study by Ipsos Business Consulting has concluded. The country has until now been slow to make the transition to natural gas, due in large part to the logistic challenges posed by its unusual geographical features.

With much of the country's natural gas resources being in extremely remote areas, Indonesia's islands and mountains increase the difficulty of building natural gas pipelines to connect natural gas distributors to the country's manufacturers. Yet investing in such methods, or alternatives such as a regular shipment-based supply of CNG and LNG throughout the country's manufacturing centres, could result in significant benefits to Indonesia's industrial base.

Report author Ilman Hizbullah, Consulting Manager for Ipsos Business Consulting in Indonesia, points out that Indonesia itself is a net producer of natural gas, but that instead of leveraging this resource to improve its manufacturing profitability, the country instead relies on the oil and coal for more than half of the industry's energy needs.

"One problem is that both oil and coal are fuels that create smog and contribute a greenhouse effect in a world that has come to value environmental responsibility," Mr Hizbullah observes. "But another reason that most countries have started to move away from oil is because the price fluctuates so much over time. Indonesian manufacturers currently spend an average of around 25% of their production costs on energy alone. Natural gas could reduce those costs considerably, if the right delivery methods were put in place – while also helping Indonesian industry join the world's leading economies in the move towards cleaner production."

Colin Kinghorn, Chief Operating Officer for Ipsos Business Consulting and the firm's Regional Head for Southeast Asia finds the study encouraging: "As the paper points out, Indonesian manufacturing represents over 20% of the country's entire GDP. Improving its cost efficiency by switching to dependable natural gas sources could give Indonesian producers a new advantage on the international markets, leading to increased growth in the coming decades," he said.

By way of comparison, Malaysian manufacturers source 32% of their energy needs from natural gas and use far less oil and coal than their Indonesian counterparts. The Ipsos Business Consulting study reveals that Indonesian manufacturers prioritise price and stability of supply above all other factors when selecting an energy source for production.

The report can be downloaded at <http://www.ipsosconsulting.com>

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