



# POTEN TANKER OPINION



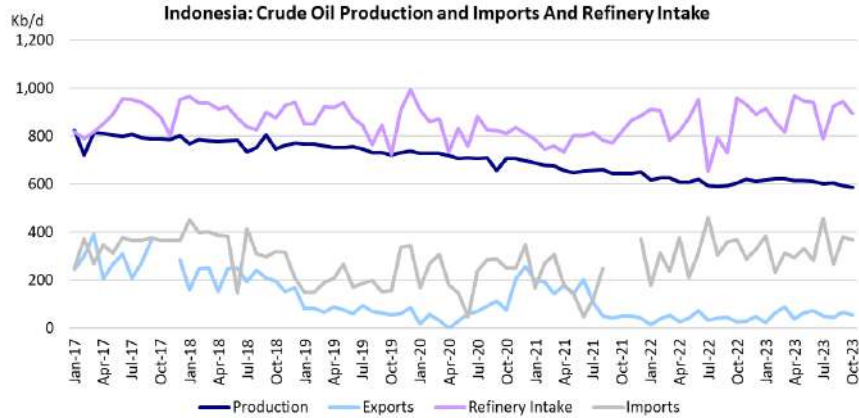
## A Sleeping Giant

### Changes in Indonesia's oil balances should benefit tankers

On Wednesday February 14, Indonesia, Asia's third most populous country and its second largest democracy after India went to the polls to elect a new president. The winner appears to be Prabowo Subianto, the country's defense minister and former general who has the support of the popular outgoing president Joko Widodo. Indonesia is a resource-rich country: It is the world's fourth-largest producer of coal and Southeast Asia's biggest gas supplier. The country is also one of the largest producers of biofuels in the world. Indonesia was once a major crude oil producer and exporter, but growing demand and declining production turned it into a net importer of crude oil. The country has 18,000 islands, of which 6,000 are inhabited and the total population is estimated to be around 275 million people. Indonesia is of great strategic importance to both the United States and China. It also plays an important role in the region's crude oil and product tanker markets.

Indonesia's crude oil production has been gradually declining since its peak of 1.67 Mb/d in 1991. It now stands at 600,000 b/d (January 2024). Indonesia became a member of OPEC in 1962. The country suspended its membership in 2009, reactivated it again in January 2016, but decided to suspend its membership once more in November 2016. As domestic oil demand continued to rise, Indonesia transitioned to become a net crude oil importer in 2004. Since Indonesia emerged from the Covid pandemic and domestic demand recovered, the country exports only limited quantities of crude oil (around 50-60,000 b/d), mostly to countries in the region, with Thailand taking almost 50% of total. Almost all of the exports are done on smaller crude oil tankers (up to Aframax). Crude oil imports have picked up over the years, ranging between 300 and 400,000 b/d in 2023. Nigeria, Saudi Arabia and Angola have been the top suppliers of crude to the country. All Saudi barrels are delivered on VLCCs, while Nigeria is a mix of Suezmaxes and VLCCs, with the occasional Aframax cargo mixed in. Angola uses both Suezmaxes and VLCCs to transport their crude to Indonesia, although Suezmaxes have dominated the trade since mid-2023.

Indonesia's oil demand is estimated to be around 1.6 Mb/d. This is well in excess of the country's refining output of around 800 - 900,000 b/d. This means that Indonesia is a significant refined product importer. Between 600 and 800,000 b/d of refined products are imported, about 52% of which is gasoline and another 20% diesel. Singapore is the major supplier with a 40% market share. Malaysia counts for 20% of the imports. Saudi Arabia, India, China and South Korea are smaller providers. Handy's and MR's are the main vessel classes used.



Source: Jodi / Vortexa

Indonesia is also a significant exporter of products, in particular biofuels. More than one-third of global seaborne biofuels trade originates from Indonesia, more than double the volume of the second largest exporter, Malaysia.

Since January 2021, Indonesia exported an average of 650,000 b/d of clean petroleum products, of which 590,000 b/d (90%) was biofuels (palm oil, vegetable oil, etc.). Almost 50% of Indonesia's biofuel exports go to four countries: China, India, Pakistan and Malaysia. Smaller volumes make its way to the United States and various European countries. The vast majority of the biofuels are exported on small chemical/oil tankers.

Since Indonesia is a vast archipelago of thousands of islands, there is significant movement of oil and oil products within the country. In the period from January 2021 to January 2023, an average of 850,000 b/d of oil was moved between Indonesia's islands. Of this total, about 300,000 b/d was crude oil, mostly moved on Aframaxes. The remaining 550,000 b/d was mostly gasoline and biofuels, utilizing smaller chemical/oil tankers.

Indonesia's oil demand is expected to continue to increase, driven by economic growth and an expanding population. Refining capacity is stable, so more product imports are needed. This will benefit handysize and MR product tankers. Crude oil imports are expected to increase as well due to the steady decline of Indonesia's domestic production. If current supply patterns are maintained, this will benefit both VLCCs and Suezmaxes.