

# Cost Management Initiative



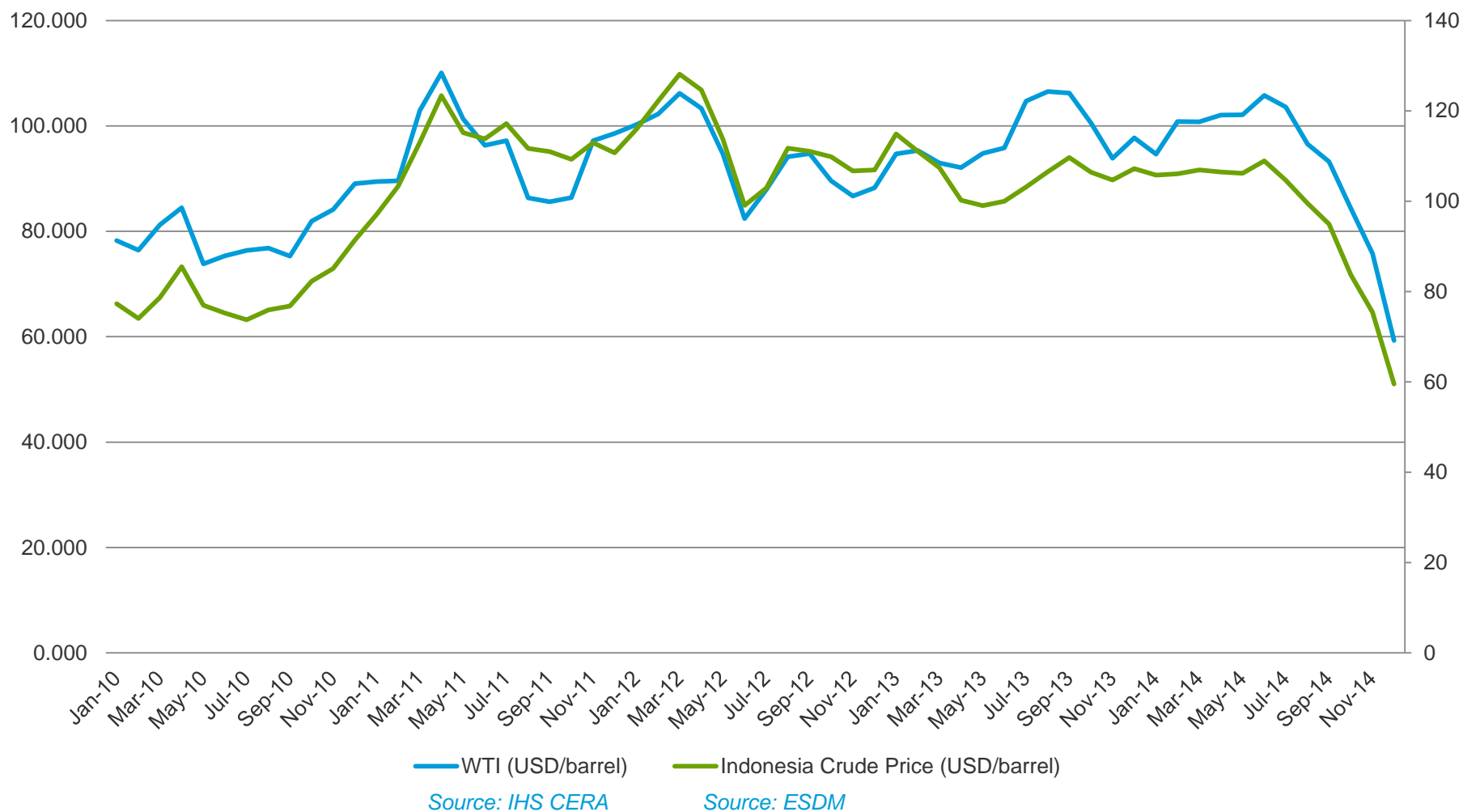
Presented at ISD Dialogue Series III - Services Role in the Energy Sector

By Hamid Batubara  
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# Rapid & Dramatic Decline of Crude Oil Price



## Crude Oil Price 2010 – 2014



# Projected Key O&G Commodity Price Decline

## -Based on Credible 3rd Party Indices



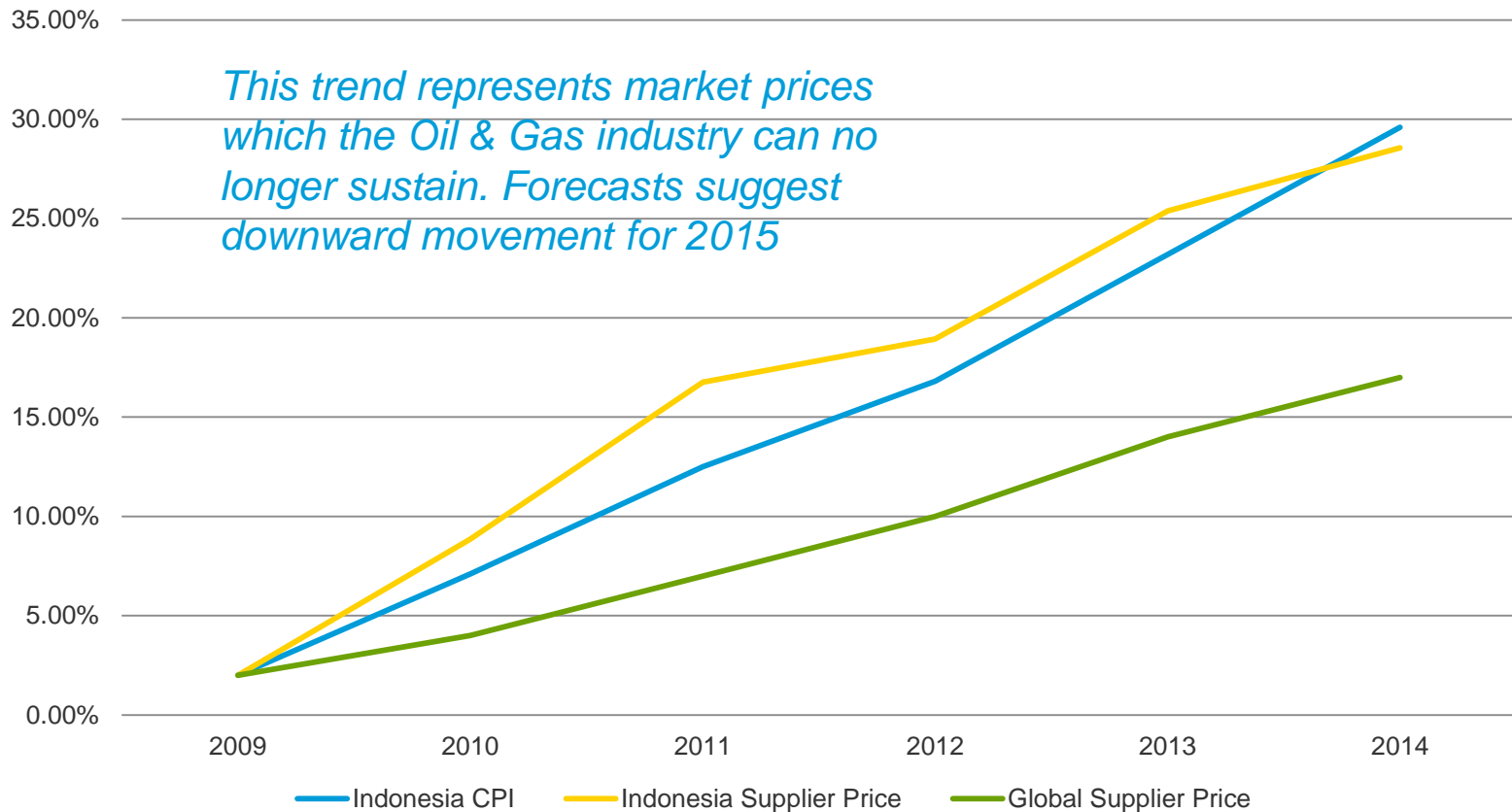
Commodity (Baseline Year 2000 = 100)	2011	2015 Forecast	Forecast Decline / Deflation	Source
<b>Diesel Fuel</b> - Indonesia	213	189	11.3%	IHS CERA (Q4/'14)
<b>Pipe</b> - Asia	355	252	29%	IHS CERA (Q4/'14)
<b>Steel</b> - Asia	303	244	19.5%	IHS CERA (Q4/'14)
<b>Saraline</b> - Malaysia	100 (2012)	90 ('14 Actual)	10%	Platts
<b>Potassium Chloride</b> -China	179	123 ('14 Actual)	31.3%	China Bureau of Statistics
<b>Nickel</b> - LME	265	200	24.5%	London Metals Exchange
<b>Barite</b> – FOB China	124 (2012)	105('14 Actual)	15.3%	Industrial Minerals
<b>Ferrochrome</b> - Global	307	287	6.5%	London Metals Exchange
<b>Molybdenum</b> - Global	506	395	21.9%	London Metals Exchange

*Key Oil & Gas commodity forecasts demonstrate the appropriateness of Chevron's request for price reductions*

# Supplier Price Growth both Globally and Locally



## Composite Supplier's Price Growth from Credible 3<sup>rd</sup> Party Indices



Source: Statistics  
Indonesia - PPI

Source: IHS CERA

# Partnership Approach to Cost Management

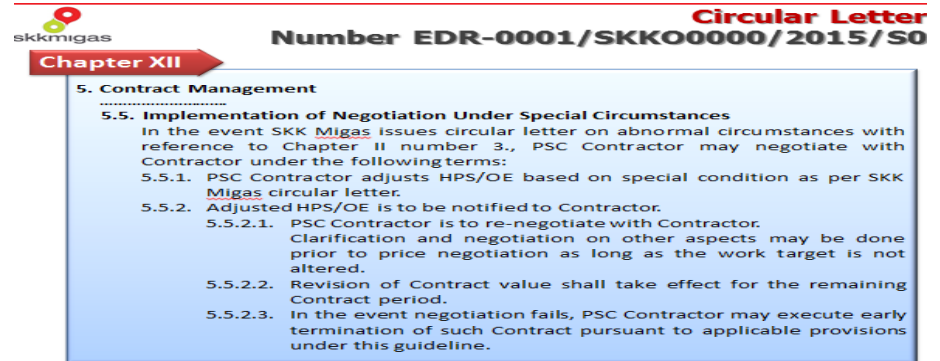


- The sharp decline in oil prices will affect Chevron's activity level in 2015. Improving our cost structure will help mitigate the impact.
- Historically, Chevron and its business partners have worked together for mutual benefit and have overcome challenges.
- Chevron wishes to maintain these established partnerships, however together we must deliver on better management of costs.
- It is important for both Chevron and its business partners to create immediate impact by means of price reductions.

# Expectations

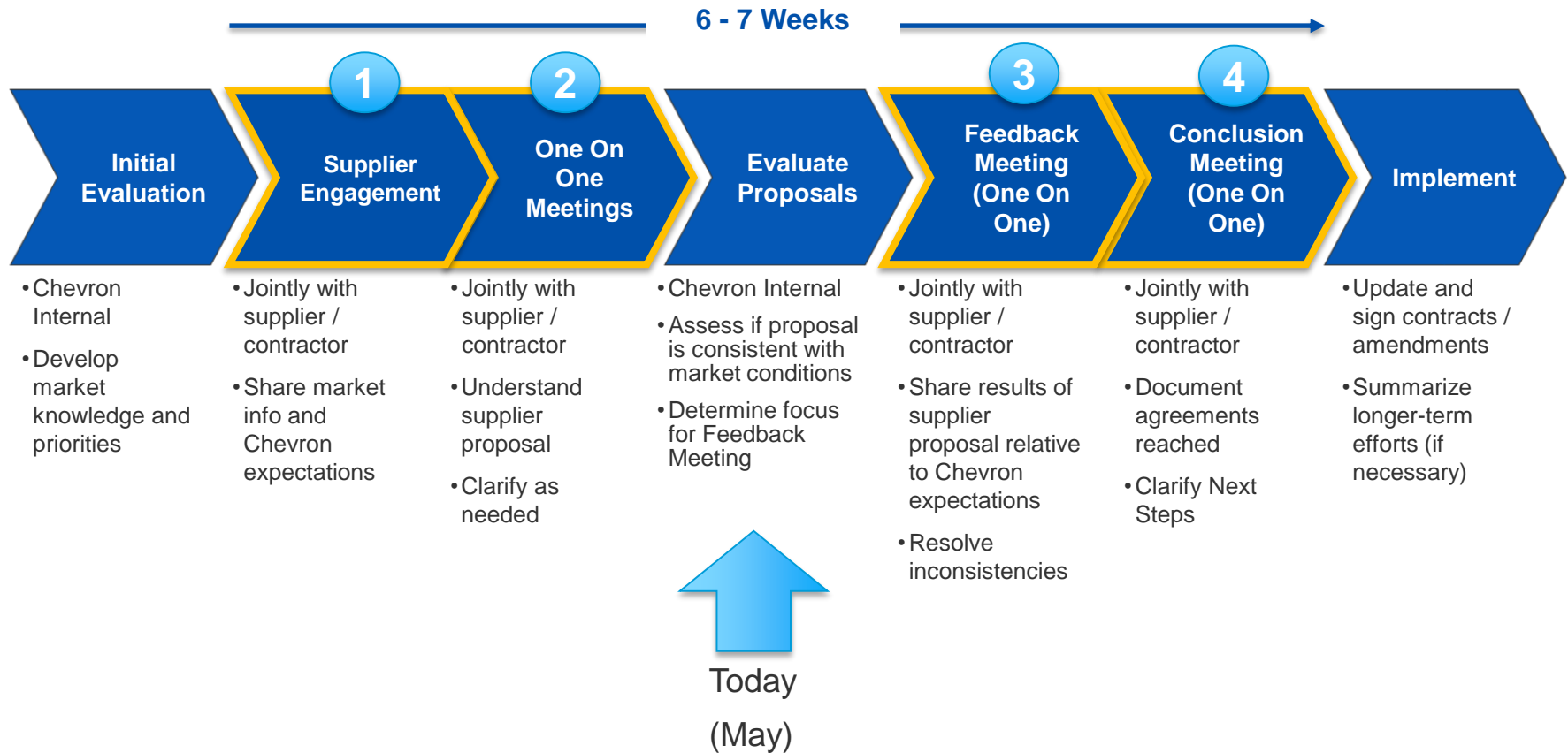


- Oil price declines combined with increased supplier pricing has significantly affected our base business and upcoming projects.
- Our regulator SKK Migas has directed us to pursue “special circumstance” negotiations.
- Overall activity levels for 2015 will be impacted, the extent depends on the ability to improve costs for short term and long term expenditures.
  - You represent companies that are business partners with the opportunity to add value, thus we have engaged you first on this critical matter
  - All Chevron suppliers will be requested to contribute



# Next Steps / Timeline

## – Four meeting types with suppliers



# Conclusion



- Understanding accurate market condition is a key to “fair” renegotiation of existing contracts
  - Some time going up
  - Some time going down
- Partnership with Suppliers plays significant role in a “win-win” Cost Management
- Support from regulators will ensure the renegotiation is within legal framework



END



Terima kasih  
Thank You

# Crude Oil

## WTI (NYMEX) Price

End of day Commodity Futures Price Quotes for Crude Oil WTI (NYMEX)

