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HD **Asia's Energy Producers Focused on Long Game -- Barron's Asia**

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Shock and awe: that's an apt description of Joko Widodo's approach to shaking up Indonesia's energy industry.

Having warmed the president's chair for less than two months, Joko has moved quickly to stamp his authority on Indonesia's national oil company, Pertamina, as part of the new government's plan to reform the corruption-riddled oil and gas industry and underwrite the energy security of the world's fourth most populous nation.

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The blood-letting has been quick - and brutal. Pertamina's entire board of directors was dismissed, while long-time cement industry executive Dwi Soetjipto has been parachuted in as new chief executive and charged with reviving the fortunes of the national oil company at a time when Indonesia's production of oil and gas has fallen. It's hard to believe that the one-time member of the Organization of Petroleum Exporting Countries (OPEC) has become an increasing larger importer of foreign oil. Having barely settled into the job, Dwi announced plans during the week to build new refineries and upgrade existing facilities to reduce Pertamina's fuel imports to zero by 2019. If successful, Pertamina will play a substantial hand in reining in the country's hefty current account deficit.

But the sharpened focus on energy policy is not unique to Southeast Asia's largest economy. Policymakers across the region are addressing all aspects of energy policy, be it fuel subsidies, the need to boost production of oil and gas, and the embrace of new technologies to bolster energy efficiency and combat pollution. The need to increase oil and gas production remains a focus for many countries in the energy hungry region. While the slump in oil prices to a four-year low has prompted the gnashing of teeth and a lot of handwringing in the Middle East and the U.S. shale industry, many Asian companies - both state-backed and publicly listed - continue to push ahead with projects that will ensure longer term energy security.

Given the forecast for Asia's longer term energy demand, it's little surprise that many Asian companies are continuing to invest despite the weak price environment. The International Energy Agency expects China to overtake the U.S. as the world's largest oil consumer by 2030, with India and Southeast Asia emerging as growing sources of demand. On a shorter term horizon, JPMorgan expects Asian oil demand growth of around 500,000 barrels a day in 2015, a similar level to 2014 as rising demand from China, India and Southeast Asia offsets weaker demand in Japan. The broker is forecasting Chinese demand growth of around 300,000 barrels a day, driven mainly by rising demand for petrol amid increasing car ownership in the world's second largest economy. India's oil demand is expected to grow between 3% and 4% next year.

The robust demand outlook helps explain why many Asia-based producers are pushing ahead with new projects or deals, a stark contrast to the ongoing debate about who will blink first and cut oil production, Middle East oil producers or U.S. shale players. Over the past couple of weeks, we've seen PetroChina (857.HK) and its partners commit to investing over $4 billion to drilling for shale in the China's Southwestern municipality of Chongqing. Meanwhile, the partners in Australia's massive North West Shelf Project liquefied natural gas project have committed $1.2 billion to the development of the Persephone gas field. This is the third major gas development in six years for the country's largest operating oil and gas project. Two of the joint venture partners include BHP Billiton (BHP.AU) and

Woodside Petroleum (WPL.AU), the latter being the operator of the NWS, which has exported LNG to Asia for 25 years.

Meanwhile, India's **Oil** and Natural Gas Corp (500312.IN) is set to extend its reach well beyond the borders of the world's second most populous country. The **company**, which was recently analyzed by Barron's Asia's Thomas Streater, is expected to ink an agreement next week to take a **stake** in two Siberian **oil** fields. Timed to coincide with the visit by Russian president Vladimir Putin to India, the deal involves Rosneft (ROSN.RU) selling a 10% **stake** in the Vankor field, the largest field to have been brought into production in Russia over the past 25 years. The deal comes quickly on the heels of an agreement to sell a 10% **stake** in Vankor to **China**'s CNPC in early November.

But to be clear, not all Asian **energy** producers are immune to the pain being inflicted by low **oil** prices. Malaysia's national **oil company**, Petronas, has delayed a decision on its proposed Pacific Northwest LNG terminal due to concerns about the project's high costs at a time when its revenues are being squeezed by lower **oil** prices. Meanwhile, Australia's Santos (STO.AU), which is developing a major LNG project in the Australian state of Queensland, continues to be brutalized by investors. The stock plumbed to a 10-year low this week after the **company** announced it had pulled a EUR500 **million** hybrid capital raising and said it would review its spending plans for 2015.

While the low price environment will weed out those projects with dubious economics, longer term investments in Asian **energy** make sense given the robust outlook for demand. It is a point well appreciated by the many of the region's **energy** companies, especially those with political masters who see the value in long term **energy** security. **Energy** stocks may be on the nose among investors, but seeking out those producers who can withstand the short term pain of lower prices in order to benefit from the gains provided by strong Asian demand over coming years could reward patient investors over the long term.

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