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Indonesia's Pertamina eyes profit from retail fuel sales in 2016

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JAKARTA, March 30 (Reuters) - Indonesia's state energy firm Pertamina hopes its retail fuel business will move back into profit this year, having made a loss of almost \$1 billion in 2015, its chief executive said on Wednesday.

Southeast Asia's largest economy removed gasoline subsidies and capped diesel subsidies at 1,000 rupiah (\$0.08) per litre at the start of 2015, but prices of low-octane gasoline and diesel are still set by the government every three months.

Prices the government decided for most of 2015 were below Pertamina's production costs and the company had to shoulder a loss of 12 trillion rupiah (\$905 million).

The government will cut prices for RON 88 gasoline and diesel for April-July by about 8 percent, energy minister Sudirman Said said at a press conference on Wednesday, but that still leaves Pertamina with a profit margin, Pertamina CEO Dwi Soetjipto said.

Soetjipto noted prices could be reduced further in April if they were to reflect market changes, but the government has decided to allow the company to enjoy some profits. Pertamina had also made profit from January-March fuel sales.

The profits, which will be audited by the state's Supreme Audit Agency (BPS), could be used to buffer future fuel price volatility, he said. Should auditors think the profit margin is too wide, the company will use the money to cut prices, even if global oil prices move in a different direction.

"When fuel prices fall, transportation costs stay, but when they rise, transport costs also rise instantly. That's why this price mechanism is needed," said Soetjipto, adding he expects global oil prices to range between \$38 and \$42 per barrel for the rest of 2016.

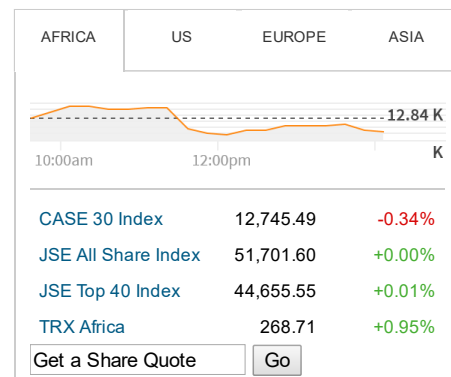
Transport minister Ignasius Jonan said at the same press conference that all transportation tariffs would be cut by 3 percent from April following the fuel price cuts.

In December last year, the government announced a plan for a new levy on fuels, proceeds of which would be used partly to control fuel price volatility, but the plan proved controversial and it was scrapped.

Said last week also said the government may seek parliamentary approval to scrap diesel subsidies in a budget revision for 2016, which it will submit before the second half of this year. (\$1 = 13,265 rupiah) (Reporting by Gayatri Suroyo and the Jakarta bureau; Editing by David Holmes)

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MARKET UPDATE



CURRENCIES

UK £	USD =1.2207
Euro	USD =1.0631
Rand	USD =0.0767

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