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The Cilacap project is part of a wider deal with Aramco to potentially upgrade a number of the country's refineries. Above, the Cilacap refinery. Bay Ismoyo / AFP

Saudi Aramco US\$5bn JV with Pertamina awards first oil refinery contract

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[Saudi Aramco](#) and Indonesia's state oil company Pertamina have awarded the first contract in their US\$5 billion joint venture to upgrade Indonesia's largest oil refinery, a strategically important project for both parties.

The British multinational consultancy, engineering and project management company [Amec Foster Wheeler](#) has won the engineering and project management services contract to conduct the basic engineering design study for the upgrade of Cilacap refinery in central Java, with the upgrade scheduled to be completed by 2022.

The project has been under negotiation for years and the two parties finally agreed terms in November to raise capacity at Cilacap by about 6 per cent, to 370,000 barrels per day, and enable it to process more sour crude oil grades and produced a wider slate of products, such as fuels that meet European Union Euro IV standards, some basic petrochemicals and lubricants.

The Pertamina chief executive, Dwi Soetjipto, said on Monday that the deal will mean that Aramco will supply 270,000 barrels per day of crude to Cilacap.

The Cilacap project is part of a wider deal with Aramco to potentially upgrade a number of the country's refineries and is in line with Aramco's strategy to diversify its downstream business, especially in Asia, as the company transforms toward a more balanced integrated operation in preparation for part privatisation.

"Saudi Aramco takes a long-term view on such investments and partnerships, where we seek projects that will bring mutual benefits to the partners and countries that will last for many decades," Said Al Hadrami, Saudi Aramco's head of international operations, said in Jakarta.

For Pertamina, the deal is a step toward the \$25bn refining development

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master plan (RDMP) the government set out last year as part of its overhaul of the energy sector, which previously had been beset by corruption and inefficiency.

The [Indonesia](#) president Joko Widodo last year made sweeping reforms that included the replacement of the entire board of Pertamina, as well as rejoining Opec after a seven-year hiatus.

Although Indonesia has been a net importer of crude oil since 2004, as its domestic demand outstripped its declining production, the country was allowed to rejoin Opec because its geography means that it still is a significant crude oil exporter as well as an importer.

The Opec membership is aimed partly at cementing supply deals with long-term partners, according to Wiratmaja Puja, the director general of Indonesia's ministry of energy.

Saudi Arabia is the source of about 25 per cent of Indonesia's current crude imports.

The RDMP aims to double Indonesia's domestic refining capacity to 1.68 million bpd by 2025, as well as adding significant storage capacity.

The plan aims to more than triple petrol output from Indonesia's refineries to 630,000 bpd, more than double diesel output to 770,000 bpd, and nearly triple jet fuel to 120,000 bpd, as well as increase refinery output of polyethylene, propylene, polypropylene, and paraxylene.

Aramco has agreed to evaluate three refineries for upgrade, which include the 170,000 bpd Dumai facility in Riau, east Java, and the 125,000 bpd Balongan plant in west Java, as well as Cilacap.

Also as part of Indonesia's RDMP, deals were signed with Sinopec to collaborate in upgrading the 118,000 bpd Plaju refinery in south Sumatra, and with JX Nippon to revamp the 260,000 bpd Balikpapan refinery in East Kalimantan.

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