



# IDSS COMMENTARIES (73/2006)

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## **Energy Industry and Terrorism in Indonesia**

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AFTER MUCH protracted wrangling, the latest high-profile energy industry dispute in Indonesia has come to an end. It was between the world's largest oil corporation, ExxonMobil and Pertamina, the state oil company over the allocation of rights to a massive oil discovery in Cepu, Indonesia's largest oil discovery in decades. It is estimated to have recoverable reserves of as much as 600 million barrels of high quality reserves and two billion barrels of lesser-quality reserves. The field is also estimated to hold 11 trillion cubic feet of natural gas. The dispute was resolved on 15 March 2006 after the government's intervention, with ExxonMobil awarded the leading role in the contract. The Cepu Block disagreement attracted much attention, including from the local Islamists who pushed a generally nationalist argument.

### **Terrorist Threat in International Energy Industry**

Globally, terrorist targeting of the energy sector is not new. The industry has been targeted as a quick and symbolic means to pressure both national and foreign governments as well as multinational corporations to change policies. Interestingly it is only recently that the full economic implications of terrorist disruptions to pricing have been understood. The so-called practice of incorporating "terrorism premium" in basic price of oil has developed. This is in anticipation of terrorist attacks on oil industry infrastructure that will disrupt oil production, resulting in the increase of the price of oil.

Targeting energy facilities has been an explicit part of Al Qaeda's strategy in recent years. But Osama bin Laden was initially reluctant to use energy as a weapon. In August 1996 Osama released a fatwa urging the Mujahidins to protect oil and not include it in their battles. He reversed that position only a few years ago when he saw such attacks as an integral part of the strategy to weaken the US and western economies. However, he ruled out attacks on oil wells and called for attacks on the infrastructure needed for refining and transporting oil, such as pipelines and refineries; employees of non-Muslim oil companies, ocean-going tankers and sea ports. As Asia's primary energy producer, and a member of the Organization of Petroleum Exporting Countries (OPEC), it is reasonable for Indonesia to be concerned over this global development.

The 2002 attack on the SS Limburg was the first effort to disrupt the oil transportation system. The full development of this strategy appeared with the Abqaiq attack in Saudi Arabia on 24 February 2006, which was said to have been ordered by Osama. The foiled

attack was against the world's largest oil processing facility. Two days following the attack, Al-Qaeda claimed responsibility and threatened similar attacks in the future.

### **Domestic Threat in Indonesia**

What are the implications for Indonesia? The negative reaction to ExxonMobil's winning the Cepu block case illustrates the dangerous potential of such issues as both Islamists and non-Islamists joined to protest the decision. Both parties couched their objections on nationalist grounds, opposing foreign involvement in such an important national industry. The only divergence was the more active playing of the US issue by the Islamists.

Organisations such as Hizbut Tahrir Indonesia (HTI), Majelis Mujahidin Indonesia (MMI), Front Pembela Islam (FPI), Brigade Hizbullah and Gerakan Pemuda Islam (GPI) held demonstrations in front of the US embassy in Jakarta, the American Presence Post (APP) in Medan and the US Consulate in Surabaya, against ExxonMobil's involvement in the management of Cepu block. The Islamists also conducted massive media campaigns in the internet where they describe in their websites the US pressuring the Indonesian government in order to expand their imperialism agenda.

The question now is whether such campaigns would increase the terrorist threat against the energy industry in Indonesia. The strong reactions from organisations like HTI do not necessarily amount to a terrorist threat as the aforementioned groups have declared themselves to be 'political parties' with an Islamic Ideology. In that sense, they are different from known terrorist organisations in Indonesia such as the Jemaah Islamiyah (JI). Therefore their protests should be seen as non-violent action.

Islamist terrorist groups however need religious justification for their actions. The fatwa or religious edicts made by international or local spiritual figureheads might influence them and provide the cause for the more radical Islamists to conduct attacks against the energy industry infrastructures in Indonesia.

### **JI's Aborted Plan**

In early 2005 Noordin Mohamad Top plotted to attack the Paiton Power plant in eastern Java. The plan was disclosed by the two JI members who were tried for harbouring Noordin. Noordin targeted the plant because it is operated by foreign companies from the US, Japan, and Britain. The attack was intended to cause a large-scale blackout on Java island, creating panic in the region. The attack was eventually aborted because JI could not make bombs powerful enough to disable the plant.

JI is also believed to be planning terrorist attacks in Indonesia similarly to those carried out against non-Muslims in Iraq. The dependence of Indonesia on the energy sector and the necessary involvement of foreign expertise create a potentially dangerous mix. The Cepu block dispute illustrates the potential for tactical alliances and the possibility of JI regaining a degree of popular support through attacking "foreign" targets that at the same time undermine the national government, without killing large numbers of Indonesians. But as the Paiton operation illustrated, destroying the infrastructure is not an easy task.

The Indonesian energy industry sector presents an additional level of operational difficulty as it is largely going to be offshore. But the threat remains as judging from the past, JI has

shown the intent and capability to attack foreign and economic interests. It currently only lacks the opportunity to do so in the energy industry sector. The open question is whether the opportunity will present itself.

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