

SUITABLE FUEL TERMINAL PERTAMINA PULAU SAMBU BUSINESS AND MARKETING STRATEGY FACING THE IMPACT OF PERMANENT ESTABLISHMENT TAXATION POLICY IN OIL & GAS STORAGE TERMINAL BUSINESS

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Abstract

Singapore's declaration to participate as a pioneering country in the energy shift and become the first Southeast Asian country to implement a carbon pricing scheme on January 1, 2019, by imposing a carbon tax, has led several major players in this business to divest their terminal or refineries in the Singapore area or shift their businesses to green energy, such as Shell and Advorio. This phenomenon, however, does not eliminate dependence on fossil fuels. Therefore, demand for storage tank rental and bunkering services will remain and continue to increase, especially in the Strait of Malacca. This creates an opportunity for Pulau Sambu Fuel Terminal, to become an alternative storage location, strengthened by its strategic location in the Singapore Strait and its currently unutilized condition. Regulatory challenges related to tax regulations directly impact to the competitiveness of Pulau Sambu, becomes less attractive when compared to existing terminals in Singapore and Malaysia.

This research uses a mixed methods approach, combining qualitative methods as well as analysis of secondary data. This research is structured using several analytical frameworks such as PESTLE analysis, Porter's Five Forces, VRIO, and SWOT-TOWS matrix, to obtain a comprehensive picture of internal and external conditions as part of an effort to obtain precise business and marketing strategies. Finally, this research gives a clear visual across both academic literature and industrial practices. For practitioner, the findings offer a blueprint for a phased business model, uniting investment strategies along with government engagement.

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1. Introduction

The Singapore Strait area is one of the world's busiest shipping routes connecting the Indian Ocean and the Pacific Ocean. The strategic location of the Singapore Strait is passed by more than 100,000 ships per year, this what makes Singapore one of the market leaders in the bunker business and oil storage business become unavoidable.

The conditions mentioned above are clearly seen as a business opportunity for storage provider players, but this actually does not work according to the theory of supply and demand where demand will control the amount of supply. The number of oil storage providers that are shifting their business to clean energy business since the last 5 years, or more popularly known as green energy, has caused the amount of oil storage availability to decrease drastically. Some big players such as SHELL, Advorio, and Oil Tanking have started selling their oil storage assets in several countries, especially Asia, indicating that the hydrocarbon trading trend is shrinking for the next 20 years. However, it cannot be denied that traditional fossil fuels are still the main source of energy in several

countries for the next few decades, including Japan and Indonesia. Therefore, it is inevitable for the oil and gas industry to adapt and increase agility response to address this phenomenon (Loya, 2021)

The vacancy of such players in the presentation above is a great opportunity for PT Pertamina Energy Terminal as a new player in the storage provider business to be able to take advantage that can not only provide solutions to fuel oil management needs, but also provide efficient distribution network, especially for bunker businesses in the Malacca Strait area, specifically Pulau Sambu Fuel Terminal.

Unfortunately, uncertain government policies and regulations on taxation, 11% VAT on storage lease business, and corporate income tax for business duration more than 3 months that been imposed as the consequence on the obligation create/establish a company with a legal entity of the Republic of Indonesia / Permanent Establishment (Indonesia, 2015), has created huge obstacle regarding the competitiveness in pricing. In other hand high infrastructure investment that should done to overcome the demand need, has become mandatory key word for all the success global player, where idle possibility when downturn on demand occur.

The urgency of the condition of Pulau Sambu Fuel Terminal to immediately get a market is a priority for the management of PT Pertamina Energy Terminal, especially in 2025 considering the effect of impairment with a significant value due to idle status, even though business exploration with several consumers in the Singapore area and its surroundings has been carried out. In addition, the effect of operational expenses that must be borne by the company every year up to \pm IDR 64 billion causes a sustainable erosion of profits.

2. Method

This research uses a mixed methods approach, combining qualitative methods obtained through interviews with PET's top management including commercial and business development managers, oil trader management, and cargo owner company management, as well as analysis of secondary data. This research is structured using several analytical frameworks such as PESTLE analysis, Porter's Five Forces, VRIO, and SWOT-TOWS matrix, to obtain a comprehensive picture of internal and external conditions as part of an effort to obtain business and marketing strategies that are in accordance with macro environmental conditions, competitive dynamics, and internal resource capabilities. The primary data collection gathered through semi-structured fashion interview, these included PET's senior management, such as the Chief Executive Officer and Operation Director, commercial and business development managers, as well as oil traders, and cargo owners who actively operate in Singapore and Southeast Asian markets. These interviews were held to capture the gap between the internal perspectives of PET leaders and the requirements of oil traders and cargo owners as external parties that represent the business need. Interview transcripts were analysed thematically using axial coding to identify repeating issues, a generally accepted opinion, and points of concern.

Secondary data were obtained from internal company reports including market analyses that conducted internally and regulatory correspondences. All the documentary evidence provided quantitative backing for the qualitative insights gathered from interviews and allowed for triangulation of findings. Additional data were sourced from industry publications, consultancy reports, and government documents relevant to the oil and gas storage sector in Southeast Asia.

The research offers a structured methodology for strategic prioritization that combines stakeholder voice with structured decision frameworks. A PESTLE analysis was conducted to provide an analysis in the early stages of political, economic, social aspects, the influence on the use of advanced technology, environmental regulations, and legality aspects. The VRIO framework was used in order assessing whether Pulau Sambu Fuel Terminal's internal resources and capabilities can be a source of sustained competitive advantage. PET may determine what makes its assets valuable and how hard it is for rivals to replicate or acquire them by looking at the factors of Value, Rarity, Imitability, and Organization. While the SWOT-TOWS matrix was carried out to identify internal strengths and weaknesses, as well as opportunities and threats from outside.

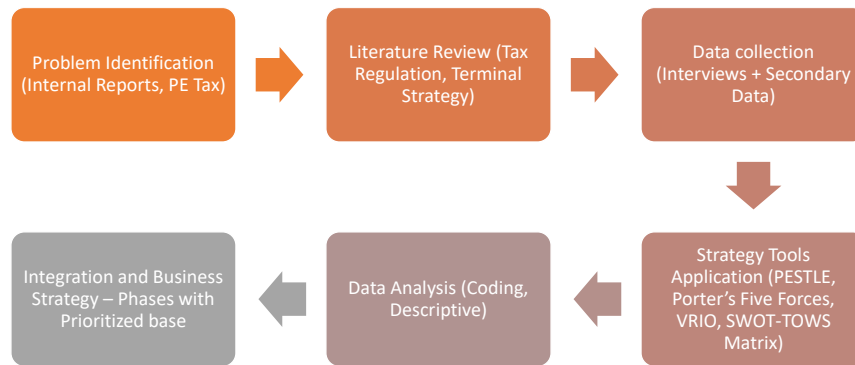


Figure 1. Research Design Process

3. Result and Discussion

Internal Analysis and Resource Assessment

The strategic location of Pulau Sambu Fuel Terminal that being right on the edge of the Singapore Strait provides its own advantages, which is a busy shipping lane between the Indian and Pacific Oceans. Around 100,000 ships pass through this route every year, making it one of the busiest shipping lanes in the world. The terminal is close to Singapore, which is the regional hub, and is located on major shipping routes. This fact can provide a very clear picture of the ease of gaining access to a number of potential customers, such as oil traders or bunker operators, most of whom are currently looking for alternative supply points (outer supply points) due to the overcrowding of terminals in the Singapore area. In addition, the limited land area and plans to implement high carbon-related taxes have caused some major terminal players to cancel their expansion plans. However the terminal's current facilities were primarily designed for domestic use and lack the flexibility, automation, and blending capabilities, that all required to attract high-tier traders and international partners. The VRIO analysis highlighted that Pulau Sambu's location and expansion potential are both valuable and rare but are not fully inimitable or organizationally leveraged due to regulatory barriers and bureaucratic inertia. While being state-owned confers political support and potential access to capital, it also introduces decision-making delays and limits commercial agility. The lack of international brand recognition and absence of PLATTS registration further reduce the terminal's attractiveness to large-scale global buyers.

Resource/Capability	Valuable	Rare	Inimitable	Organized	Competitive Implication
Strategic Malacca location	Yes	Yes	Yes	Partial	Temporary advantage
Bonded zone status	Partial	No	No	No	Competitive parity
Land Availability for Expansion	Yes	Yes	Yes	Partial	Temporary advantage
State-Backed Ownership (Pertamina - PET Integration)	Yes	No	No	No	Competitive parity
Operational Capability for Value-Added Services	Yes	No	No	No	Competitive disadvantage

Table 1. VRIO Table Interpretation

Market Segmentation and Strategic Options

Customer and market feedback gathered through interviews revealed a clear segmentation in demand. Terminal infrastructure design, operational flexibility, regulatory certainty, and meet with international standards are key concerns for major oil traders. The current terminal design and taxation system at Pulau Sambu Fuel Terminal are not considered attractive, due to its impact on pricing.

Conversely, the terminal can make a steady stream of money by focusing on the low-tier market, such as small and medium-sized oil companies and specifically national companies (Indonesian legal entity company) that have type “distribution”. This way, it doesn't have to compete directly with larger, higher-capacity companies

Strategic Phasing and Business Model Innovation

The SWOT-TOWS analysis led to the formulation of a phased strategic approach. In the short term, business plan is needed to provide a rescue solution for the Sambu Fuel Terminal. Partnerships with third-tier companies who is act as “Distribution” or newcomers were taken as a strategic step to build a business portfolio in the initial stages, that could create sustain short-term contract. This business strategy is becoming strong way out to address the urgent need for the immediate utilization of Pulau Sambu Fuel Terminal, as there has been no resolution regarding the issue of Permanent Establishment taxation and facing limitations in the existing infrastructure. Meanwhile, intensive approaches to government institutions, especially those related to the taxation and customs sectors, were simultaneously carried out.

The medium-term strategy involves incremental investment in infrastructure upgrades, focusing on bunker facilities to enter the 100 Kt Fuel oil market for bunkering, making it attractive to middle-tier oil traders who require greater operational flexibility but are less demanding than top-tier players.

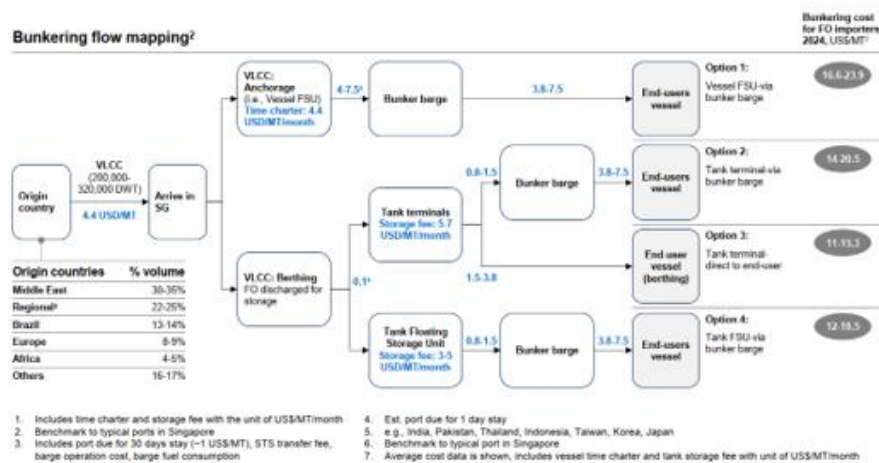


Figure 1. Bunkering Flow Mapping

In the long term, the vision is to establish Pulau Sambu as a regional crude oil storage and bunkering hub, placing Pulau Sambu as one of the major players in the Asian oil and gas market, with the capability to serve oil business players from small to large scale.

Alignment with National Policy and Industry Trends

A recurring theme throughout the research was the critical importance of government alignment. As a critical point, this study underscores the need for alignment of government policies and support with the business climate for the oil & gas storage business, otherwise Pulau Sambu will never be able to compete with other terminals in the region.

4. Conclusion

Pulau Sambu has clear strengths which are, a strategic location less than 2 nautical miles from the Singapore Strait, expansion space, idle tank capacity, and the trust and capital backing of Pertamina. For small-to-medium oil traders and companies with the type of Distribution, the existing infrastructure that Pulau Sambu has including the design is attractive enough, its value flexibility, valuable access to reach the market, and reliable. This will be more attractive, particularly if idle tanks are revamped and basic infrastructure is upgraded. However, for high-

tier traders and big international cargo owners, Pulau Sambu's current design fails to meet the expectation. There are wide gaps not only in term of jetty and tank capacity but further in blending capability, and digitalization. The biggest barrier, though, is not physical, it's regulatory: the 11% VAT and 22% PE tax make the terminal uncompetitive against Singapore and Malaysia, especially for global players who see tax predictability as critical.

on marketing strategy and business resilience as the answer what marketing strategy should be used in term of Pulau Sambu Fuel Terminal, to overcome the volatility of oil and gas business including bunker market. As the result the analysis shows that a phased, flexible approach is needed (Singh, 2010). In the short term, Pulau Sambu should focus on the low-tier market and distribution companies. They should use short-term contracts to build trust, use, and cash flow. This "sweetener" segment keeps the terminal running and helps establish a reputation. In the mid-term, after targeted infrastructure investment (blending, tank upgrades, pig able piping, bunker barge setup), Pulau Sambu can move up to serve middle-tier traders, especially those squeezed out of Singapore due to congestion or cost or looking for niche blending options. The last phase that should be taken after this is become full-scale hub for crude oil and bunkering that can serve VLCCs and top-tier traders. To do this, however, the need of huge investments, change the rules (ideally get SEZ status or VAT relief), and set world-class operational standards, should mandatory be carried out.

The conclusion is that Pulau Sambu's design is "fit for purpose" for the lower and middle segments, but not yet compelling for the upper market without further upgrades and regulatory shifts. The right marketing strategy is one that matches these phases build a strong base, move up the value chain, and push for regulatory change as a parallel effort. Success will depend on the ability to gain government support and tax reform, just as it does on technical improvements

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