

Executive Summary

Southeast Asia will increasingly depend on oil imports because of rising demand and sluggish production. Rising import dependency – along with external factors such as geopolitical tensions in the Middle East, the major supplying region – is a concern for the supply security of oil in Southeast Asia.

Government intervention in oil stockpiling is justified since oil is the largest part of the energy mix in Southeast Asia and major supply disruption could have devastating economic, social, and political consequences for the region. However, oil stockpiling is inadequately institutionalised in Southeast Asia. None of the four countries in this study – Indonesia, Malaysia, Singapore, and Thailand – has government stockpiling. Indonesia and Malaysia do not have a stockpiling obligation, and the extent of stockpiling in Singapore and Thailand lags the International Energy Agency (IEA) standard.

Singapore pursues its oil supply security as the regional oil refinery and trading hub. The governments of Indonesia, Malaysia, and Thailand are aware of the need for stockpiling, but struggle to prioritise stockpiling over other policy issues. Since stockpiling alone does not create a commercial return, oil companies are often reluctant to accept a stockpiling obligation. As a result, these countries – especially Indonesia, with its lack of tank capacity and the largest demand in the region – are vulnerable to supply disruption.

Several stockpiling options are available. The traditional approach, which obliges industry to maintain stocks followed by institutionalised government stockpiling, will be the main path for stockpile development mainly because of national security concerns. However, low-cost options such as tickets and/or investments from third parties (tank companies and crude exporters) could expand tank capacity. Given domestic financial (budget) constraints, it is necessary to tap into the dynamics and capability of third parties by creating a favourable investment environment. It is critical for governments in the region to address oil stockpiling with a portfolio of traditional and low-cost approaches to expand storage capacity and institutionalise oil stockpiling.