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Confrontation Analysis on Overlapping Energy Conversion Target Market in an Energy Business Group

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Abstract - **With the rise of customer's awareness to find more competitive and cleaner energy source, a conflict can appear in form of overlapping target market in a business group. The dilemmas faced by PT Gasco (the subholding) with PT Omni Co (the holding) to decide the best way to proceed on its client, PT Smelting Corp, whether to proceed the existing MFO or switch to natural gas business, put the business group in conflict situation. Another conflict also arises because PT Smelting Corp keeps negotiating the MFO contract and natural gas contract simultaneously. In studying the dynamics of conflict on inter-organizational relationship, the combination of drama theory principles, confrontation analysis, and methods for strategy generation, options, and evaluation can offers a method for conflict resolution and provide guidance to create appropriate and workable decisions. It is proposed a strategy that combine an effort to induce PT Smelting Corp's to support PT Gasco's regasified natural gas proposal and attempt to encourage PT Omni Co to develop fuller commitment to support the development of PT Gasco as its subholding.**

Keywords - **conflict, conflict resolution, confrontation analysis, dilemma, drama theory II, organizational relationship**

I. INTRODUCTION

PT Gasco's core business is on the transportation and distribution of natural gas, with the mission to run the gas business value chain on the midstream, downstream, and other supporting businesses, to increase value for all stakeholders. PT Gasco's existing business focused on Java and Sumatra region, with customer segments consist of household customers, small customers, and commercial and industrial customers.

The majority shares of PT Gasco's are owned by the government, with portion around 55%, while the rests are owned by public through Initial Public Offering being made in early 2000s. As a State-Owned Enterprise (SOE), PT Gasco's corporate decisions will also be influenced by government's strategic view in oil and gas governance. One of government's expectation is to realize integrated oil and gas governance by consolidation of SOEs within the sector.

In 2018, the government made major milestone for Indonesia's oil and gas sector through the decision to transform PT Omni Co as national oil and gas holding business entity. PT Omni Co is an SOE that focus on entire value chain of oil and gas, from upstream to downstream, and it shares are fully owned by the government. As national oil and gas holding, PT Omni Co will lead several operating subholdings which consist of: upstream, gas, refinery and petrochemical, commercial and trading, power, and shipping.

The government was transferred its shares in PT Gasco to PT Omni Co, and this action made PT Omni Co as majority shareholder of the company. The transfer of shares also marked a new beginning for PT Gasco's role as national gas subholding and part of the PT Omni Co business group. The transformation of PT Gasco as national gas subholding is expected to result in effectiveness, efficiency, and flexibility on development and operation of natural gas projects.

As a leading player in the natural gas industry, with robust natural gas infrastructure business on the island of Sumatra and Java, PT Gasco is targeting for new market development in Indonesia. The eastern part of Indonesia is considered promising region for potential natural gas demand, especially with the presence of an energy-consuming sectors in the region, such as electricity and smelters. Sulawesi, where estimated as home for abundance of nickel reserves, is one of islands in eastern part of Indonesia that attracts several major smelter players in Indonesia.

PT Smelting Corp and other smelters located in eastern part of Indonesia, offer a promising energy consumption profile that suitable to be positioned as anchor customer for PT Gasco's business. Role of anchor customers are very important for the development of the natural gas infrastructure, because their large demand volume can create strategic advantage, not only for the viability of project economics but also for the optimization of LNG shipping logistic scheme.

In 2016, PT Smelting Corp converted its power plant diesel engine to dual fuel of gas and MFO, with the objective to be more efficient and cleaner in energy consumption. To fulfil the fuel needs of its dual fuel power plant, PT Smelting Corp held a procurement tender of LNG supply and infrastructures development, which awarded PT Gasco as the winning bidder.

However, one year after the tender award, PT Gasco and PT Smelting Corp had not succeeded in signing the gas supply agreement due to pressure on crude oil price had worsen and affected MFO price movement to be in nearly similar level compared to natural gas price offered in the tender. As far as the two parties had not agreed on

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the gas supply agreement, PT Smelting Corp continued to use MFO, which was supplied by their existing supplier, PT Omni Co.

In 2018, when government transferred their shares portion in PT Gasco to PT Omni Co as a strategic decision to transform PT Omni Co to be national oil and gas holding, an evaluation was carried out regarding PT Gasco's energy conversion proposal for PT Smelting Corp. The evaluation objective was to decide the preferred product to be proceeded on the PT Smelting Corp account. PT Omni Co finally chose to stay with MFO portfolio to be offered to PT Smelting Corp.

PT Gasco's holding decision to prioritize MFO sales for PT Smelting Corp rather than continue PT Gasco's natural gas proposal is the business issue that focused on this paper. The gas company objective to establish LNG hub terminal to support PT Smelting Corp and open new market in eastern part of Indonesia confronted with PT Omni Co existing market of MFO. Therefore, the paper will explore the confrontation in overlapping target market between PT Gasco and its holding MFO business.

II. METHODOLOGY

The theoretical framework in the paper refer is follow a five-step path of conflict resolution [5] which combine the framework of drama theory with methods for strategy generation, options, and evaluation can offers a method for conflict resolution for managerial level and provide guidance to create appropriate and workable decisions.

A. *Drama Theory*

The drama theoretic process of conflict resolution consists of a six-phase model, where interacting characters communicate and exchange messages to reach an agreement [5]. The six-phase consist of:

1) Scene-setting is an expression of the idea that the interaction develops because of internal pressures and exchange information among characters.

2) Build-up is the creation of common reference frame through characters communication about aspirations, options, and determination. In this phase, if all characters reach strong equilibrium, then the situation is dramatically resolved. If not, the situation moves to the next phase, where characters interact to encounter various kinds of paradoxes or dilemmas, to reach a moment of truth [6].

3) Collaboration is the situation that resulted by mutual compatibility of desires and intentions.

4) Confrontation is the situation that present one or more parties with emotion-generating dilemmas.

5) Commitment is when each party decides whether to carry out or not the threats or promises that they show to other characters.

6) Denouement is when the new situation is shaped those results from the taking of irreversible decisions by all characters.

B. *Confrontation Analysis*

The core of confrontation analysis is based upon assessment that the characters make of each other's preferences for different results under consideration or what is known as Dilemma Analysis [1]. The dilemmas emerged in diverse conditions, the moment of truth, which happen Build-up phase of Drama Theory. The first version of Dilemma Analysis, the DT1, had introducing six dilemmas. DT1 was simplified and element of "doubts" considered as element of analytical framework instead of using preference [4]. The new reformulation and simplification of was called DT2. This paper will apply DT2 to analyze dilemmas in characters interaction.

DT2 distincts dilemmas into three types, which can be expressed as follows in the context of a two characters interaction between A and B [2]:

1) 'Rejection Dilemma' of A with B if A's Intention flouts B's Position but B doubts A's Intention. The dilemma in 'threat mode' if it is a threat that A needs to make credible, and in 'position mode' if it is A's rejection of B's Position that A needs to make credible.

2) 'Persuasion Dilemma' of A with B if B's Intention flouts A's Position and A does not doubt B's Intention. The dilemma in 'threat mode' if it is a threat from which B needs to be dissuaded, and in 'position mode' if B needs to be dissuaded from its position.

3) 'Trust Dilemma' of A with B if B's Intention is compatible with A's Position but A doubts B's Intention.

C. *Conflict Resolution*

1) Conflict framing: identify the main characters, their options, and their threat; assess the consequences of the characters' position; make sure the options and consequences are objective; and identify the specified character position, the other characters' positions and threatened future. The deliverable of this step is the common reference frame table, which shows a shared understanding of "what is going on" and the sharing comes about through communication between characters which enables them each to understand the others' aspirations, proposals, and potential for getting their own way [1].

2) Dilemma identification: identify the dilemmas the specified character and the other characters are experiencing. The deliverable of this step is dilemma analysis table of characters interaction. The table is checked to identify whether it represents a conflict point or a collaboration point, by comparing the Stated Intentions column with each character's position [1]. The Stated Intentions column depicts a disagreement if there are any instances where the intended actions are contradictory (ignore any comparison involving an option that is "left open"), which can be found in form of Rejection and Persuasion Dilemmas. If there are no disagreement found, then the Stated Intentions depicts an agreement, however there may still be Trust Dilemmas. The search for dilemmas is made row-by-row.

3) Generation of solution to dilemmas faced: identify generic solutions for each dilemma the specified

character is experiencing; brainstorm specific solutions for each dilemma; and assess the consequences of the solutions to the conflict. The deliverable of this step is Strategic Choice Board.

4) Choice of strategy for conflict resolution: source the preferred specific solutions; combine the preferred solutions into an integrated, consistent, and sequential strategy; enrich the strategy choosing the right emotional tone. The deliverable of this step is Tactic Selection matrix.

5) Strategy evaluation: assess the consistency of the selected strategy based on lists of criteria for the evaluation of generic strategies.

D. Business Situation

PT Gasco is targeting for new market development in Sulawesi, as one of islands in eastern part of Indonesia that attracts several major smelter players in Indonesia. To support new market development plan in Sulawesi, PT Gasco needs to develop an LNG supply chain as virtual gas pipeline solution due to the geographical challenge to connect between gas well supply and potential demands. In terms of target market, the gas company requires anchor customers with at least 15 MMscfd gas consumption and above 90% operational availability per year, to make the LNG project economically viable.

PT Smelting Corp is a mining company whose main activities include exploration, exploitation, processing, refining, and marketing of nickel and ferronickel ore. PT Smelting Corp plans to use natural gas as fuel for diesel power plant for their nickel smelter in Sulawesi, replacing the MFO fuel they have been using. The use of natural gas as substitute fuel is expected to reduce ferronickel production costs. PT Smelting Corp's nickel smelter energized by 10 diesel power plants with maximum capacity of 15 MW per unit. The fuel system for the diesel power plan is dual fuel system technology, which currently uses MFO as the main fuel. To use natural gas as the main fuel to replace MFO, PT Smelting Corp is planning a retrofit engine program (engine conversion) which will be executed in June 2015 and targeted for completion in August 2016.

PT Smelting Corp’s MFO consumption has been supplied for many years by PT Omni Co and one of the anchor customers with an absorption of 10% - 12% of the total MFO production of PT Omni Co. Large MFO consumption level of PT Smelting Corp's has made the customer as an integral part for PT Omni Co in terms of MFO portfolio management and supply chain management from upstream to downstream business.

In January 2015, PT Smelting Corp held a beauty contest for natural gas procurement with the concept of LNG regasification for the Sulawesi smelter. The procurement scope of work included: LNG supply procurement, LNG receiving and regasification terminal facility development, with the natural gas delivery point at the plant gate of the PT Smelting Corp’s power plant. The contract period for the procurement of regasified natural gas was 20 years, with the minimum volume required per day of 20 MMscfd. In October 2015, PT Gasco's proposal succeeded achieving highest score and the procurement committee declared PT Gasco as the winning bidder. PT Gasco and PT Smelting Corp then began discussing the draft of Gas Sales Agreement in January 2016.

PT Smelting Corp’s fuel conversion plan will fully replace the MFO consumption portion for power plant to natural gas. The key success parameter in the conversion is the amount of cost efficiency that can be delivered by natural gas when compared to MFO. In terms of MFO commercialization in 2015, PT Smelting Corp received MFO discount price from PT Omni Co, with a range of 8% to 12%. However, compared to the MFO discount price, the natural gas price based on offered natural gas price formula from PT Gasco, was still more competitive in 2015.

E. Complicated Negotiation Situation

During the procurement process of regasified natural gas which began in January 2015, PT Smelting Corp also negotiated with PT Omni Co for additional MFO discount price. The price movement between MFO and regasified natural gas has been increasingly coinciding since the end of 2015, and at some periode the MFO price is lower compared to its competitor. The price of regasified natural gas, when compared to the MFO price in 2015, resulted in an average efficiency of around 16%, even though the MFO price had already been discounted by 8% to 12%. However, in December 2015, MFO price was lower than the regasified natural gas price.

PT Gasco estimates that since the third quarter of 2016, MFO discount has reached 20% and subsequently increased to 25%. The increase in MFO discount will affect cost efficiency that targeted by PT Smelting Corp by conversion to regasified natural gas, and this will also affect the commercial negotiation process between the smelter owner with PT Gasco.

In March 2016, PT Smelting Corp requested for a decrease in the minimum contract volume from 20 MMscfd to 12 MMscfd, with gas price formula remained the same as PT Gasco’s bid proposal. The background of the minimum contract reduction request was to mitigate electricity oversupply risk due to the operation of PT Smelting Corp’s coal fired power plant in 2017. The minimum contract reduction at the same price formula would expose investment risk for PT Gasco, because the estimated project’s revenue could not cover the costs.

In March 2017, PT Smelting Corp negotiated for another challenging request to PT Gasco regarding the procurement process of regasified natural gas. Continuing the request for minimum contract decrease to 12 MMscfd in 2016, the mining company then asked for natural gas price formula reduction as well as more flexible commercial contract terms compared to the bid proposal.

PT Gasco responded to the dynamics of negotiations and request of PT Smelting Corp through two approaches:

1) engaged the mining company to jointly submit a request for special LNG price for the project to the government; and

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2) optimized and reassessed the technical and commercial solution that previously offered in bid proposal as cost reduction effort and obtained more competitive price.

PT Gasco's effort to finalize the negotiation and secure the Gas Supply Agreement with PT Smelting Corp continued until 2018, and entered a new chapter with the transformation of PT Gasco as the national gas subholding of PT Omni Co. The negotiation dynamics of MFO compared to natural gas between PT Gasco and PT Smelting Corp developed into internal strategic issue of newly established national oil and gas holding due to overlapping target markets for PT Omni Co and PT Gasco. In the third quarter of 2018, PT Omni and PT Gasco organized a joint study to decide the best way to proceed on PT Smelting Corp account, also with the fact that until that moment PT Smelting Corp had not decided yet when to totally convert to regasified natural gas. The study can be an initial consideration that act as an enabler for future alignment on the same business overlapping case under PT Omni Co business group.

The joint study resulted the following suggestions:

1) replacing MFO portfolio with LNG portfolio for PT Smelting Corp project, will resulting in consolidated loss at PT Omni Co holding level.

2) to cover the loss, PT Omni Co should explore potential option to sell excess MFO, after substituted by LNG, to the export market or other market. The level of profitability will depend on the excess MFO selling price at export or local market.

3) One of the prompt options to sell excess IFO is through export market, but the average historical export price of MFO always under MOPS level, thus will be unprofitable for PT Omni Co group.

PT Gasco's plan to develop their first small scale LNG hub terminal in the eastern part of Indonesia has not been able to be realized in 2018, with the decision of the national oil and gas holding dropped the gas proposal and stayed with MFO portfolio for PT Smelting Corp account. At the end of 2018, PT Smelting Corp also cancelled the procurement process of regasified natural gas for their smelter in Sulawesi.

Based on the Analysis of business and negotiation situation, a problem picture can be drawn in form of fish bone diagram to analyze interaction among essential factors of the problem.

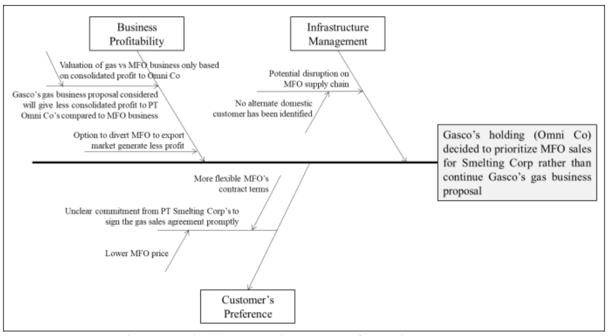

Fig. 1. Fishbone Diagram of Business Issue

III. RESULTS

The Business Solution is analyzed based on Conflict Resolution framework that follows a five-step path [5]: (1) conflict framing; (2) dilemma identification; (3) generation of solution to the dilemmas; (4) selection of strategy for conflict resolution; (5) strategy evaluation. The elaboration of Conflict Resolution is focus on the conflict situation that occurred in the 2018 period, when the national oil and gas holding was established and a joint study between PT Omni Co and PT Gasco was carried out to decide the best way to proceed on the PT Smelting Corp account. The analysis is conducted from the perspective of PT Gasco working team that involved in the interaction with other characters.

A. Conflict Framing

The main characters who involved in the conflict situation consist of: (1) PT Gasco; (2) PT Smelting Corp; and (3) PT Omni Co. Options available for each main characters are derived from business and negotiation situation in previous section, as follows:

1. PT Gasco
   - proceed the bid negotiation process
   - keep the gas price formula
   - seek for government support for special LNG price
2. PT Smelting Corp
   - ask for lower gas price formula
   - ask for lower MFO price
   - seek for government support for special LNG price
   - proceed the gas procurement
3. PT Omni Co
   - give more MFO discount
   - search for alternative MFO market
   - proceed the gas proposal

Position taken by each character and stated intention are described according to the identification in business and negotiation situation is as follows:

1. PT Gasco's position is that:
   a) they would proceed the bid negotiation process; would keep the gas price formula; would seek for government support for special LNG price
   b) PT Smelting Corp should not ask for lower gas price formula; should seek for government support for special LNG price; should proceed the gas procurement
   c) PT Omni Co should not give more MFO discount; should search for alternative MFO market; should proceed the gas proposal (doubted by PT Gasco)
2. PT Smelting Corp's position is that:
   a) they would ask for lower gas price formula; would ask for lower MFO price; would seek for government support for special LNG price; would proceed the gas procurement (doubted by PT Gasco)
   b) PT Gasco should proceed the bid negotiation process; should not keep the gas price formula; should seek for government support for special LNG price

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   c) PT Omni Co should give more MFO discount; should proceed the gas proposal
3. PT Omni Co's position is that:
   a) they would not give more MFO discount; would search for alternative MFO market; would proceed the gas proposal (doubted by PT Gasco)
   b) PT Gasco should proceed the bid negotiation process; should seek for government support for special LNG price
   c) PT Smelting Corp should not ask for lower gas price formula; should not ask for lower MFO price; should seek for government support for special LNG price
4. If the stated intention is carried out, then:
   a) PT Gasco will proceed the bid negotiation process; will not keep the gas price formula; will seek for government support for special LNG price
   b) PT Smelting Corp will ask for lower gas price formula; will ask for lower MFO price; will seek for government support for special LNG price; will proceed the gas procurement (doubted by PT Gasco)
   c) PT Omni Co will not give more MFO discount (doubted by PT Gasco); will search for alternative MFO market (doubted by PT Gasco)

The summary of characters, positions, and stated intentions as shown in Common Reference Frame table below. On the left side, the characters are listed with their options, which are: PT Gasco, PT Smelting Corp; and PT Omni Co. The columns are displayed the stated intention and position that offered by each character. In stated intention or position columns, a tick represents an option that adopted by the respective character. Meanwhile, a cross represents a position that rejected by the respective character. A tilde means that option is kept open, not adopted or rejected by the characters. A question mark indicates that the respective option of one character's position is doubted, at least, by one other character.

	SI	G	S	O
Gasco				
proceed the bid negotiation process	v	v	v	v
keep the gas price formula	x	v	x	-
seek for government support for special LNG price	v	v	v	v
Smelting				
ask for lower gas price formula	v	x	v	x
ask for lower MFO price	v	-	v	x
seek for government support for special LNG price	v	v	v	v
proceed the gas procurement	v?	v	v?	-
Omni				
give more MFO discount	x?	x	v	x
search for alternative MFO market	v?	v	-	v
proceed the gas proposal	-	v?	v	v?

Fig. 2. Common Reference Frame

B. Dilemma Identification

Based on the Common Reference Frame or after communicating position and doubt, the three characters deal with two types of climaxes, confrontation, and collaboration. Confrontation climax means that their positions are conflicting each other, meanwhile in Collaboration climax their position are compatible, but they have difficulty in trusting each other [4].

	Position				Dilemma		
	SI	G	S	O	G	S	O
Gasco							
proceed the bid negotiation process	v	v	v	v			
keep the gas price formula	x	v	x	-			
seek for government support for special LNG price	v	v	v	v			
Smelting							
ask for lower gas price formula	v	x	v	x	G per(p) with S		O per(p) with S
ask for lower MFO price	v	-	v	x			O per(p) with S
seek for government support for special LNG price	v	v	v	v			
proceed the gas procurement	v?	v	v?	-	G tru with S		
Omni							
give more MFO discount	x?	x	v	x	G tru with O	S per(p) with O	
search for alternative MFO market	v?	v	-	v	G tru with O		
proceed the gas proposal	-	v?	v	v?			

Fig. 3. Dilemmas In Characters Interaction

1. PT Gasco's Dilemma

PT Gasco has three kinds of dilemmas, which are: Gasco Per(p) with Smelting; Gasco Tru with Smelting; and Gasco Tru with Omni. In the Persuasion Dilemma in position mode, PT Gasco is in no doubt that PT Smelting Corp will ask for lower gas price formula which conflicts with PT Gasco's own wishes, and the gas company can see no way of persuading the mining company to consider its position. The Trust Dilemmas that happen with PT Smelting Corp and PT Omni Co are identified in three different situations. First, in situation where PT Gasco harbour suspicions about PT Smelting Corp's sincerity to proceed the gas procurement, because PT Smelting Corp negotiated the MFO discount price and gas price formula simultaneously, to acquire fuel price as low as possible for both fuels.

Second, PT Gasco doubts PT Omni Co's intention that it will not give more MFO discount to PT Smelting Corp. This happens because the fact that PT Smelting Corp account contributed around 10% to 12% of domestic sales portfolio and the industrial fuel business team remained discounted the MFO up to 25% even during the joint study process (to decide the best way to proceed on PT Smelting Corp account).

Third, PT Gasco also doubts PT Omni Co's intention to search for alternative MFO market, because insignificant probability to acquire new domestic customers who have similar consumption amount as PT Smelting Corp. The electricity sector as possible alternative market for MFO diversion even plan to replace the MFO with other cleaner fuel. On the other hand, the export market could not provide profitable solution because of low average historical export price of MFO compared to the MOPS level.

2. PT Smelting Corp's Dilemma

PT Smelting Corp has a Persuasion Dilemma in position mode or Smelting Per(p) with Omni because the mining company is in no doubt that PT Omni Co will not give more MFO discount, and PT Smelting Corp can see no way of persuading the oil and gas holding company to retract its position.

3. PT Omni Co's Dilemma

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PT Omni Co has two kinds of Persuasion Dilemmas and both with PT Smelting Corp. The first, Persuasion Dilemma in position mode with Smelting Corp that happens because PT Omni Co is in no doubt that PT Smelting Corp will ask for lower gas price formula and the oil and gas holding company cannot persuade the mining company to retract its position. Second, the Persuasion Dilemma in position mode with Smelting Corp also happens because PT Omni Co has no hope of persuading PT Smelting Corp to consider its position to ask for lower MFO price.

C. Generation of Solution to the Dilemmas

The analysis of dilemmas solutions is focused on PT Gasco regarding its dilemma of Persuasion in position mode with PT Smelting Corp, Trust Dilemma with PT Smelting Corp, and Trust Dilemma with PT Omni Co. The analysis is based on Strategic Choice Board described in [5] with adjustment input form DT2 method in [2].

1. Handling PT Gasco Per(p) with PT Smelting Corp

The option for PT Gasco to abandon its Position by accept PT Smelting Corp's request to lower the gas price formula, will increase the investment risk of new LNG infrastructure development for the mining company or even disrupt the project economics viability. Second option that available for PT Gasco by threatening to withdraw from the bid negotiation process, can result in worst consequence in form of escalation of conflict with PT Smelting Corp or even cancellation of the procurement process of regasified natural gas, because PT Smelting Corp can continue to consume MFO for its dual fuel diesel engine power plant.

The third generic solution that consist of proposal of joint management in LNG hub terminal or tiering concept of gas commercialization based on MFO price range can open further opportunity for PT Gasco to maintain the discussion perpetuity with PT Smelting Corp. The trade-off collaboration as consequence of this option is that PT Gasco will provide participation right in LNG hub terminal business so that PT Smelting Corp should not ask for lower gas price formula. While if PT Gasco takes the solution to propose tiering concept of gas price formula based on MFO price range, then the gas company should prepare for another hard-line negotiation with PT Smelting Corp because the main background of interaction between them is remain on the win-lose approach in terms of price negotiation.

Dilemma Experienced	Generic Solution	Specific Solution	Consequences
Gasco Per(p) with Smelting	Owner abandoning its Position	Gasco shifts to support Smelting's position to ask for lower gas price formula	• More exposure in investment risk of new LNG infrastructure • Project economics become unviable
	Owner ratcheting up for the other character the costs of not support Owner's Position	Gasco threaten to withdraw from the bid negotiation process	• Escalation of conflict • The procurement cancelled
	Attempting to induce the other character to support Owner's Position	Propose joint management in LNG hub terminal	Trade-off collaboration
		Propose tiering concept of gas price formula based on MFO price range	Hard line negotiation

Fig. 4. Strategic Choice Board for PT Gasco Persuasion Dilemma with PT Smelting Corp

The possibilities of Persuasion Dilemma handling are shown in below diagram as explained in [2].

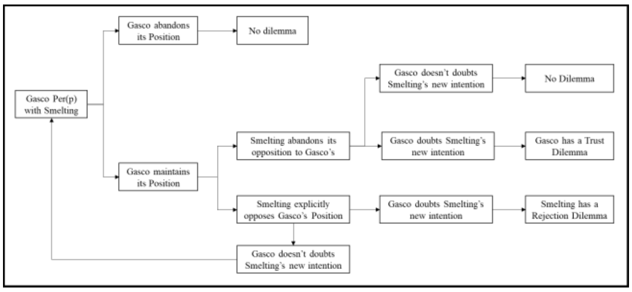

Fig. 5. Persuasion Dilemma Handling Possibilities for PT Gasco

2. Handling PT Gasco Tru with PT Smelting Corp

The Trust Dilemma between PT Gasco and PT Smelting Corp has three possibilities as the generic solution which shown in following figure:

Dilemma Experienced	Generic Solution	Specific Solution	Consequences
Gasco Tru With Smelting	The doubting character abandoning its Position	Gasco shifts its Position to withdraw from the gas procurement process	The procurement cancelled or retendered
	The doubter trying to encourage the other character to develop fuller commitment to their agreement	Propose joint management in LNG hub terminal	• Open door to renegotiate Position • Strengthened relationships
	The doubted character abandoning or amending its Position	Smelting shifts its Position to cancel the gas procurement	Gasco will experience a Persuasion Dilemma

Fig. 6. Strategic Choice Board for PT Gasco Trust Dilemma with PT Smelting Corp

First possibility, PT Gasco can abandon its Position by withdraw from the gas procurement process with the consequence is cancellation of the procurement process. Second, PT Gasco can attempt to encourage PT Smelting Corp for further commitment to finalize the procurement process of regasified natural gas, by a proposal of joint management in LNG hub terminal. This solution option can open negotiation for participation right concept in the LNG hub terminal business as a basis for a strategic partnership scheme. Third possibility that can happen is PT Smelting Corp shifts its Position and cancel the regasified natural gas procurement, because the mining company confronted by PT Gasco's distrust and perceive unable to maintain its promise. The consequence of this situation will put PT Gasco in Persuasion Dilemma.

3. Handling PT Gasco Tru with PT Omni Co

Three possibilities of solution regarding PT Gasco Trust Dilemma with PT Omni Co are shown in the following Strategic Choice Board:

Dilemma Experienced	Generic Solution	Specific Solution	Consequences
Gasco Tru With Omni	The doubting character abandoning its Position	Gasco shifts its Position to "Open"	Possible worse outcome
	The doubter trying to encourage the other character to develop fuller commitment to their agreement	Propose strategic partnership scheme with other Omni Co's sub-holding to develop the LNG project	Strengthened relationships
	The doubted character abandoning or amending its Position	Omni shifts its Positions to "would give more MFO discount" and "would not search alternative MFO market"	Gasco will experience a Persuasion Dilemma

Fig. 7. Strategic Choice Board for PT Gasco Trust Dilemma with PT Omni Co

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PT Gasco can shift its Position and leave open, but on the other hand this option dilutes PT Omni Co's attention for PT Gasco's natural gas proposal because no urgent concern for the oil and gas holding to identify the scenario of MFO portfolio business reposition to other potential market. PT Gasco can also choose another option which is trying to encourage PT Omni Co to keep the commitment of developing its gas subholding business, by proposing a strategic partnership scheme between PT Gasco and other member of oil and gas holding to develop the LNG project for PT Smelting Corp.

This second option of solution can provide alternative for PT Omni Co in evaluating and comparing the value of regasified natural gas and MFO business in PT Smelting Corp account, which is basically estimated from consolidated profit of each fuel business for the oil and gas holding. The initial method is less preferrable for the regasified natural gas because it only considers 55% of total regasified natural gas profit to be consolidated, which refers to the share portion of PT Omni Co in PT Gasco. While through the strategic partnership scheme with other operating subholding of PT Omni Co, the added value for the oil and gas holding can be enlarged because the scheme can generate opportunity not only for the gas subholding, but also for other subholding which will be involved. If PT Omni Co is successfully persuaded through this option, then the relationship in this newly established oil and gas holding group can be strengthened.

PT Gasco to have a Trust Dilemma with PT Smelting Corp or PT Omni Co because the gas company doubts the other character promise over their option. PT Gasco can abandon its own Position on the option and will eliminate the dilemma, or on the other hand try to encourage the doubted character to keep its promise or suggest sanctions that PT Gasco may impose on the doubted character if it does not. If the doubted character is successfully persuaded to maintain its Intention and PT Gasco believes its sincerity, then the dilemma is eliminated, but it PT Gasco remains skeptical doubted character's reliability then the initial Trust Dilemma will persist. However, in the situation that, confronted by PT Gasco's distrust, the doubted character felt unable to maintain its commitment and retreated either to leave its Intention open or to express that the doubted character is unable to support PT Gasco's Position, then the gas company will face a Persuasion Dilemma. The possibilities of Trust Dilemma handling are shown in below diagram:

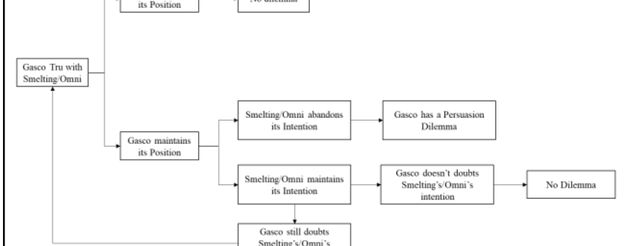

Fig. 8. Trust Dilemma Handling Possibilities for PT Gasco

D. Selection of Strategy for Conflict Resolution

The strategy for conflict resolution is a combination of tactics leading to the resolution of one, several, or all the dilemmas experienced in a conflict [5]. The selection of preferred specific solutions or tactics for each dilemma are taken from the list in Strategic Choice Board and selected based on the parameter of tactic's appropriateness in supporting the objective of PT Gasco to establish LNG hub terminal for PT Smelting Corp and open new market in eastern part of Indonesia.

Dilemma Experienced	Tactic	Consequences	Support The Objective
Gasco Per(p) with Smelting	Gasco shifts to support Smelting's position to ask for lower gas price formula	• More exposure in investment risk of new LNG infrastructure • Project's economics become unviable	No
	Gasco threaten to withdraw from the bid negotiation process	• Escalation of conflict • The procurement cancelled	No
	Propose joint management in LNG hub terminal	Trade-off collaboration	Yes
	Propose tiering concept of gas price formula based on MFO price range	Hard line negotiation	Yes
Gasco Tru With Smelting	Gasco shifts its position to withdraw from the gas procurement process	The procurement cancelled or retendered	No
	Propose joint management in LNG hub terminal	• Open door to renegotiate Positions • Strengthened relationships	Yes
	Smelting shifts its Position to cancel the gas procurement	Gasco will experience a Persuasion Dilemma	No
Gasco Tru With Omni	Gasco shifts its Position to "Open"	Possible worse outcome	No
	Propose strategic partnership scheme with other Omni Co's sub-holding to develop the LNG project	Strengthened relationships	Yes
	Omni shifts its Positions to "would give more MFO discount" and "would not search alternative MFO market"	Gasco will experience a Persuasion Dilemma	No

Fig. 9. PT Gasco's Tactic Selection

The tactics that support PT Gasco's objective are reflected from the consequences of solution that positively correlated with the accomplishment of the objective. Based on Tactic Selection table above, the preferred tactics that can be selected by PT Gasco are:

1) for the dilemma with PT Smelting Corp, PT Gasco can decide to propose tiering concept of gas price formula based on MFO price range as Plan A and to propose joint management in LNG hub terminal as Plan B. The proposal of tiering concept as Plan A will require less cost of proposal preparation because it remains on the same framework as initial bid proposal of PT Gasco, but the Plan B will require additional cost of proposal preparation for the commercialization formulation concept of joint management LNG hub terminal.

2) for the dilemma with PT Omni Co, PT Gasco can propose strategic partnership scheme with other operating subholding of PT Omni Co in development of the LNG project.

A precise time sequence of strategy delivery, that will be decided by PT Gasco, should be emphasized in the initiation of two key success factors which are commitment from PT Smelting Corp to finalize the procurement process and acceptance of PT Omni Co to proceed internal approval process of PT Gasco's proposal to the mining company.

As an opening tactic, PT Gasco needs to strengthen the relationship with its holding by initiating the discussion of possible strategic partnership scheme, whether in form of investment, joint operation partner, or

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existing infrastructure utilization sharing. The discussion focus is to identify the optimum value creation that can be generated from the partnership throughout the value chain of LNG business in connection with PT Smelting Corp project. It will be beneficial also if PT Gasco can involve other operating subholding, who share the same perspective in value creation concept, to join the discussion with PT Omni Co. In line with the discussion of value creation for oil and gas holding, PT Gasco can attempt to induce PT Smelting Corp to support the gas company Position by proposing tiering concept of gas price formula based on MFO price range. In principle, the negotiation focus is to identify optimum value for PT Smelting Corp on cost efficiency and for PT Gasco on project viability throughout the agreement period.

The next step is to assemble those tactics into a coordinated set of actions, dressed up with the right emotional tone for consistency [5]. The importance of emotions in the drama-theoretic analysis provides further guidance on creating consistent and appropriate tactics. The emotional tones that best fit with the strategy are:

1) for dilemma with PT Smelting Corp, PT Gasco can start with sympathy for deterred commitment to reacting a settlement messed. Show that the gas company also has goodwill, cooperativeness, and sympathy to support PT Smelting Corp the decision on the retrofit engine program (engine conversion).

2) for dilemma with PT Omni Co, PT Gasco should show determination in goodwill, cooperativeness, and sympathy to create the most optimum value creation for the business group.

The emotions that associated to each strategy are described below refer to explanation as in [2] and [5]:

Dilemma Experienced	Generic Solution	Specific Solution	Emotions
Gasco Per(p) with Smelting	Owner abandoning its Position	Owner shifts from initial Position by: adopt the other character's position; take opposite Position from the previous; take completely new Position; or take Open view on the Position	Resignation, guilt, sorrow, practical realism
	Owner ratcheting up for the other character the costs of not support Owner's Position	Introducing more punitive Stated Intention	Demonstration, resentment, indignation, anger
	Attempting to induce the other character to support Owner's Position	Increasing the benefits of co-operating in implementing Owner's solution	Sympathy
		Conciliating and threatening	Deterred commitment to reacting a settlement messed with sympathy
Gasco Tru With Smelting / Omni	The doubting character abandoning its Position	The doubting character shifts from initial Position by: adopt the other character's position; take opposite Position from the previous; take completely new Position; or take Open view on the Position	Resignation, sorrow, practical realism
	The doubter trying to encourage the other character to develop fuller commitment to their agreement	The doubter offering some resources unilaterally	Goodwill, cooperativeness, sympathy
	The doubted character abandoning or amending its Position	The doubted character shifts from initial Position by: adopt the other character's Position; take opposite Position from the previous; take completely new Position; or take Open view on the Position	Detachment, scepticism, uninvolvement

Fig. 10. Emotional Tones Based on Tactic

E. Strategy Evaluation

The strategy-generation process is further complemented with a method for the evaluation of the selected strategy to ensure its consistency, based on a list of self-assessment questions [5].

1) to what extent will the chosen strategy help achieve the preferences in the conflict? The selected strategy is not only focus on PT Gasco's objective, but it also offers a solution for PT Smelting's concern on cost efficiency and PT Omni Co's on business profitability and sustainability.

2) to what extent will the chosen strategy appropriate for the context in which it is going to be applied? The selected strategy for PT Gasco focuses to ensure long term business sustainability for the company. The solution of tiering concept of gas price formula creates flexibility and fair comparison with dynamic movement of MFO price. While strategic partner scheme with other operating sub-holding of PT Omni Co able to initiate stronger foundation of relationship and trust and share the same objective to create sustainable added value for the business group.

3) how eligible the chosen strategy is? The selected strategy is considered eligible to be implemented because its valuable benefit can be delivered with the available resources in terms of strategy preparation and implementation. PT Gasco's tiering concept of gas price formula proposal to PT Smelting Corp will require organization's competence in LNG portfolio management, operation, and market intelligence and development. On the other side, the strategic partnership proposal to PT Omni Co will involve business competences and physical facilities as the resources.

4) when is the best time to apply the strategy? Once decided, the implementation of selected strategy need to be monitored on weekly basis for at least six months duration.

5) what are the foreseeable consequences at implementing your strategy? The consequences already identified in possibility of dilemma handling.

6) what will be the other character's reactions to the strategy? The other characters reactions as identified in possibility of dilemma handling.

7) Does the company prepare a backup plan? The backup plan for dilemma with PT Smelting Corp is to propose joint management in LNG hub terminal. This option only decided when conciliate and threat tactic has failed and followed by another hard-line negotiation. While for the Trust Dilemma with PT Omni Co, PT Gasco can invite another operating sub-holding to join the interaction with its holding. PT Gasco must first ensure that the new character share the same view with the gas sub-holding regarding collaboration to create value creation for national oil and gas holding's business.

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IV. DISCUSSION

PT Gasco can increase its success probability in achieving the objective to establish LNG hub terminal for PT Smelting Corp and open new market in eastern part of Indonesia through focus on value creation for business group first and followed by intensive negotiation with PT Smelting Corp to agree the proposal of regasified natural gas. The two key success parameters to be focused by PT Gasco are the signing of joint development agreement with other sub-holding in the business group and gas sales agreement with PT Smelting Corp. To prepare and implement the selected strategy, PT Gasco can optimize the available resources such as: organization's competence in LNG portfolio management, operation, market intelligence and development, and physical facilities. The commitment from all members of the business group and an effective communication forum is needed to define comprehensive value creation for the national oil and gas holding.

V. CONCLUSION

This paper provides further application of Drama Theory II to explain the dynamics of confrontation in the overlapping target market situation of energy conversion case from MFO to gas. The confrontation analysis on interaction between PT Gasco with PT Omni Co and PT Smelting Corp, shows that the gas company has three kinds of dilemmas. First, PT Gasco has Persuasion Dilemma in position mode with PT Smelting Corp that related with request to lower the gas price formula. Second, PT Gasco has Trust Dilemma with PT Smelting Corp that associated with the mining company's sincerity to proceed the gas procurement. The last dilemma that faced by PT Gasco is Trust Dilemma with PT Omni Co about MFO discount policy for PT Smelting Corp and effort to search for alternative market for MFO.

The strategic choice board and tactic selection matrix of PT Gasco shows that PT Gasco can decide to implement two tactics as a specific solution for dilemma with PT Smelting Corp and PT Omni Co. The gas company can propose tiering concept of gas price formula based on MFO price range for dilemma handling with PT Smelting Corp, and propose a strategic partnership scheme of LNG project development for dilemma handling with PT Omni Co. The consequence for former tactic is potential hard line negotiation situation, while the latter tactic can create a catalyst to strengthened relationship.

The strategy evaluation indicates that the selected strategy is intrinsically strong to support PT Gasco's effort in acquiring commitment from PT Smelting Corp to finalize the procurement process and obtaining acceptance of PT Omni Co to proceed internal approval process of PT Gasco's proposal to the mining company. The evaluation is based on criteria that consist of: internal consistency, consistency with environment, appropriateness related with available resources, appropriate time horizon, and workability.

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