

LAW NO. 22/2001 DATED NOVEMBER 23, 2001
PETROLEUM AND NATURAL GAS

BY GRACE OF THE GOD ALMIGHTY
THE PRESIDENT OF THE REPUBLIC OF INDONESIA

Considering :

- a. that the national development must be directed to creation of people's welfare by reforming all aspects of national and state life on the basis of the state ideology Pancasila and the Constitution of 1945;
- b. that since petroleum and natural gas are non-renewable strategic natural-resources controlled by the state and vital commodities controlling life of public at large and play important role in the national economy, the exploitation of petroleum and natural gas must be capable of contributing maximally to the people's prosperity and welfare;
- c. that petroleum and natural gas related business activities play important role in proving real added value for the national economic growth which is increasing and sustainable;
- d. that Law No. 44 Prp./1960 on petroleum and natural gas mining, Law No. 15/1962 on the stipulation of Government Regulation in lieu of Law No. 2/1962 on the obligation of oil companies to meet the domestic need and Law No. 8/1971 on state-owned oil and gas mining companies are no longer suitable to developments of petroleum and natural gas mining businesses;
- e. that by continuously observing national and international developments, it is necessary to amend legislation on petroleum and natural gas mining so as to be capable of creating independent, reliable, transparent, competitive, efficient and environmental friendly petroleum and natural gas business activities as well as boosting the growth of national potential and role;
- f. that base on the considerations as meant in letters a, b, c, d and e as well as to provide legal basis for steps of renewal and arrangement of petroleum and natural gas exploitation, it is necessary to promulgate a law on petroleum and natural gas;

In view of :

1. Article 5 paragraph (1), Article 20 paragraphs (1), (2), (4) and (5), Article 33 paragraphs (2) and (3) of the Constitution of 1945 as already amended by the Second Amendment to the Constitution of 1945;
2. Stipulation of the People's Consultative Assembly of the Republic of Indonesia No. XV/MPR/1998 on the realization of regional autonomy; regulation, sharing and exploitation of national resources on the basis of the principle of justice; as well as financial equilibrium between the central government and regional governments in the framework of the Unitary State of the Republic of Indonesia.

With the collective approval of
THE HOUSE OF REPRESENTATIVES OF THE REPUBLIC OF INDONESIA

DECIDES :

To stipulate :

LAW ON PETROLEUM AND NATURAL GAS.

CHAPTER I
GENERAL PROVISION

Article 1

1. Petroleum shall be a result of the natural process in the form hydrocarbon in a pressure condition and at atmosphere temperature which constitutes liquid or solid material, including asphalt, mineral candle or

ozokerit and bitumen obtained from a mining process, excluding coal and sediments of other hydrocarbon in the form of solid material obtained from activities not connected with petroleum and natural gas-related business activities.

2. Natural gas shall be a produce of the natural process in form of hydrocarbon in a pressure condition and at an atmosphere temperature that in the form of gas, which is obtained from a petroleum and natural gas mining process.
3. Petroleum and natural gas shall be natural oil and gas.
4. Fuel oil shall be fuel derived and/or processed from petroleum.
5. Mining concession shall be the authority delegated by the state to the government to manage exploration and exploitation activities.
6. General survey shall field activities covering the collection, analysis and presentation of data connected with information on geological condition to predict the location and potential of petroleum and natural gas resources outside the working area.
7. Upstream business activities shall be business activities focused or based on exploration and exploitation business activities.
8. Exploration shall be activities aimed at obtaining information on geological condition to find and obtain the estimated reserves of petroleum and natural gas in the working area stipulated.
9. Exploitation shall be a series of activities aimed at producing petroleum and natural gas from the working area stipulated, consisting of drilling and completion of wells, the building of transport, storage and processing facilities to separate and purify petroleum and natural gas in the field as well as other activities supporting the exploitation.
10. Downstream business activities shall be business activities focused or based on processing, transport, storage and/or commercial business activities.
11. Processing shall be activities to purify, obtain parts, increase the quality and added value of petroleum and/or natural gas, excluding on-sight processing.
12. Transport shall be activities to move petroleum, natural gas and/or their processed products from the working area or storage and processing places, including the transport of natural gas through transmission and distribution pipeline.
13. Storage shall be activities to receive, collect, store and release petroleum and/or natural gas.
14. Commerce shall be activities to purchase, sell, export and import petroleum, natural gas and/or their processed products, including commerce of natural gas through pipeline.
15. The Indonesian mining jurisdiction shall be all Indonesian mainland, waters and continental shelf territories.
16. Working area shall be a certain region within the Indonesian mining jurisdiction used for the exploration and exploitation.
17. Business entities shall be companies in the form of statutory body which undertake businesses permanently, continuously and are established in accordance with laws in force as well as operate and are domiciled in the territory of the Unitary State of the Republic of Indonesia.
18. Permanent establishments shall be business entities established and being in the form of statutory body outside the territory of the Unitary State of the Republic of Indonesia that undertake activities in the territory of the Unitary State of the Republic of Indonesia and are obliged to comply with legislation in force in the territory of the Unitary State of the Republic of Indonesia.
19. Joint cooperation contract shall be a production sharing contract or other models of joint cooperation contract in exploration and exploitation activities, which is better in favor of the state and whose output is maximally used for improving people's welfare.
20. Business license shall be a license granted to a business entity to process, transport, store and/or trade for obtaining a benefit and/or profit.
21. The central government hereinafter called the government shall be the element of the Unitary State of the Republic of Indonesia consisting of the President and ministers.
22. The regional government shall be the head of the region along with other elements of autonomous region as the regional executive board.
23. Executing agency shall be an agency established to control upstream business activities in the petroleum and natural gas sector.

24. Regulatory board shall be a board established to regulate and supervise the supply and distribution of fuel oil and natural gas as well as the transport of natural gas through pipeline in the downstream business activities.
25. Minister shall be the minister in charge of petroleum and natural gas business activities.

CHAPTER II
PRINCIPLE AND OBJECTIVE
Article 2

The implementation of petroleum and natural gas-related business activities stipulated in this law shall be based on the principles of populist economy, integration, benefit, balance, equitable distribution, collective prosperity and public welfare, security, safety and legal certainty as well as the environmentally friendly principle.

Article 3

The implementation of petroleum and natural gas-related business activities shall aim at :

- a. guaranteeing the effective implementation and control over business activities of effective, efficient, highly competitive and sustainable exploration and exploitation of state-owned petroleum and natural gas which are strategic and not renewable through an open and transparent mechanism;
- b. assuring the effective implementation and control over the accountable processing, transport, storage and commercial businesses executed through a mechanism of reasonable, fair and transparent business competition;
- c. guaranteeing the efficient and effective supply of petroleum and natural gas as both a source of energy and material for the domestic need;
- d. supporting and promoting the national capacity so as to be more capable of competing nationally, regionally and internationally;
- e. increasing state income to contribute maximally to the national economy and developing as well as strengthening the position of Indonesian industry and trade;
- f. creating job opportunities, enhancing the public welfare and prosperity fairly and equitably as well as continuously maintaining the conservation of the environment.

CHAPTER III
CONTROL AND CONCESSION
Article 4

- (1) Petroleum and natural gas as non-renewable strategic natural-resources contained in the Indonesian mining jurisdiction shall constitute national assets controlled by the state.
- (2) The control by the state as meant in paragraph (1) shall be executed by the government as the holder of mining concession.
- (3) The government as the holder of mining concession shall establish the executing agency as meant in Article 1 point 23.

Article 5

Petroleum and natural gas-related business activities shall consist of :

1. Upstream business activities composed of :
 - a. exploration;
 - b. exploitation.
2. Downstream business activities comprising :
 - a. processing;
 - b. transport;
 - c. storage;

d. commerce.

Article 6

- (1) The upstream business activities as meant in Article 5 point 1 shall be executed and controlled through the joint cooperation contracts as meant in Article 1 point 19.
- (2) The joint cooperation contracts as meant in paragraph (1) shall at least contain the following requirements :
 - a. the ownership of natural resources is still on the hand of the government up to the delivery point;
 - b. the control over the operational management lies on the executing agency;
 - c. capital and risks are wholly borne by business entities or permanent establishments.

Article 7

- (1) The downstream business activities as meant in Article 5 point 2 shall be executed by the business licenses as meant in Article 1 point 20.
- (2) The downstream business activities as meant in Article 5 point 2 shall be realized through a mechanism of reasonable, fair and transparent business competition.

Article 8

- (1) The government shall prioritize to the exploitation of natural gas for the domestic need and have the task of preparing strategic petroleum reserves to support the supply of fuel oil in the country, which is further stipulated by a government regulation.
- (2) The government shall guarantee the availability and smooth distribution of fuel oil being a vital commodity and controlling the life of public at large throughout the territory of the Unitary State of the Republic of Indonesia.
- (1) The implementation of transport business activities of natural gas through pipeline connected with public interests shall be regulated so that its utilization is open for all users.
- (2) The government in this case a regulating agency shall be responsible for the regulation and supervision over the business activities as meant in paragraphs (2) and (3).

Article 9

- (1) The upstream and downstream business activities as meant in Article 5 point 1 and 2 shall be executed by :
 - a. state-owned enterprises;
 - b. regional administration-owned companies;
 - c. cooperatives, small-scale businesses;
 - d. private business entities.
- (2) Permanent establishments shall only be allowed to undertake upstream business activities.

Article 10

- (1) Business entities or permanent establishments undertaking upstream business activities shall be prohibited from executing downstream business activities.
- (2) Business entities undertaking downstream business activities shall be disallowed to execute upstream business activities.

CHAPTER IV UPSTREAM BUSINESS ACTIVITIES Article 11

- (1) The upstream business activities as meant in Article 5 point 1 shall be executed by business entities or permanent establishments on the basis of joint cooperation contracts with the executing agency.
- (2) Every joint cooperation contract already signed shall contain at least the following principal provisions :
 - a. state revenue;
 - b. working area and reversion;
 - c. obligation to disburse funds;
 - d. transfer of ownership of production results of petroleum and natural gas;
 - e. period and conditions of the extension of contract;
 - f. settlement of any dispute;
 - g. obligation to supply petroleum and/or natural gas to meet the domestic need;
 - h. expiration of contract;
 - i. post-mining operation obligations;
 - j. working safety and security;
 - k. environmental management;
 - l. transfer of right and obligation;
 - m. necessary reporting;
 - n. plan for the development of field;
 - o. prioritization of the use of domestic goods and services;
 - p. development of surrounding communities and guarantee for rights of communal society;
 - q. prioritization of recruitment of Indonesian workers.

Article 12

- (1) The working area to be offered to business entities or permanent establishments shall be stipulated by the minister after consulting with the regional government.
- (2) The offering of the working area as meant in paragraph (1) shall be done by the minister.
- (3) The minister shall stipulate business entities and permanent establishments authorized to undertake exploration and exploitation business activities in the working area as meant in paragraph (2).

Article 13

- (1) Every business entity or permanent establishment shall be given only one working area.
- (2) In the case of a business entity or permanent establishment managing more than one working areas, separate statutory body shall be established in every working area.

Article 14

- (1) The validity period of the joint cooperation contracts as meant in Article 11 paragraph (1) shall be 30 (thirty) years at the maximum.
- (2) Business entities or permanent establishments can apply for the extension of the validity period of the joint cooperation contracts as meant in paragraph (1) to another term of 20 (twenty) years at the maximum.

Article 15

- (1) The validity period of the joint cooperation contracts as meant in Article 14 paragraph (1) shall consist of the period of exploration and period of exploitation.
- (2) The period of exploration as meant in paragraph (1) shall be 6 (six) years and extendible to only another term of 4 (four) years at the maximum.

Article 16

Business entities or permanent establishments shall be obliged to revert gradually part or all of their working areas to the minister.

Article 17

Business entities or permanent establishments already securing the first approval of development of field in a working area but not realizing their activities for the maximum period of 5 (five) years as from the date of expiration of the exploration period shall be obliged to return their working areas wholly to the minister.

Article 18

Guidances, procedures and requirements for the joint cooperation contracts, stipulation and offering of working areas, alteration and extension of joint cooperation contracts as well as the reversion of the working areas as meant in Articles 11, 12, 13, 14, 15, 16 and 17 shall be further stipulated in a government regulation.

Article 19

- (1) General survey executed by or under a license of the government shall be done to support the preparation for the working area as meant in Article 12 paragraph (1).
- (2) Procedures and requirements for the implementation of the general survey as meant in paragraph (1) shall be further stipulated by a government regulation.

Article 20

- (1) Data obtained from the general survey and/or exploration and exploitation shall be the state property controlled by the government.
- (2) Data obtained by business entities or permanent establishments in their working areas can be used by the relevant business entities or permanent establishments for the validity period of the joint cooperation contracts.
- (3) In the case of the joint cooperation contracts expiring, business entities or permanent establishments shall be obliged to give up the whole data obtained during the period of the joint cooperation contracts to the minister through the executing agency.
- (4) The secrecy of the data obtained by business entities or permanent establishments in their working areas shall be effective for a specified period.
- (5) The government shall regulate, manage and utilize the data as meant in paragraphs (1) and (2) to plan the preparation for the opening of working areas.
- (6) The implementation of the provisions on ownership, period of the use, secrecy, management and utilization of the data as meant in paragraphs (1), (2), (3), (4) and (5) shall be further stipulated by a government regulation.

Article 21

- (1) The plan for the first time development of field to be used for production activities in a working area shall secure the approval of the minister on the basis of considerations of the executing agency after consulting with the relevant provincial government.
- (2) In developing and producing petroleum and natural gas fields, business entities or permanent establishments shall be obliged to optimize and utilize them or on accordance with good technical norms.
- (3) Provisions on the development of field, production of petroleum and natural gas reserves and provisions on the technical norms as meant in paragraphs (1) and (2) shall be further stipulated by a government regulation.

Article 22

- (1) Business entities or permanent establishments shall give up maximally 25% (twenty five percent) of their portion resulting from the production of petroleum and natural gas to meet the domestic need.
- (2) The implementation of the provisions as meant in paragraph (1) shall be further stipulated by a government regulation.

CHAPTER V
DOWNSTREAM BUSINESS ACTIVITIES
Article 23

- (1) The downstream business activities as meant in Article 5 paragraph (2) can be executed by business activities after securing business licenses from the government.
- (2) The business licenses needed for the implementation of the petroleum and/or natural gas-related business activities as meant in paragraph (1) shall be distinguished by :
 - a. processing business license;
 - b. transport business license;
 - c. storage business license;
 - d. commercial business license.
- (3) Every business entity can be given more than one business licenses as long as the licensing does not contravene provisions of laws in force.

Article 24

- (1) The business licenses as meant in Article 23 shall at least contain :
 - a. name of operator;
 - b. kind of business granted;
 - c. obligations in the implementation of the operation;
 - d. technical requirements.
- (2) Every business license already granted as meant in paragraph (1) only can be used in accordance with its designation.

Article 25

- (1) The government can issue a written warning, suspend activities, freeze activities or revoke the business licenses as meant in Article 23 on the basis of :
 - a. violation against any of the requirements mentioned in business licenses;
 - b. repetition of violation against requirements for business licenses;
 - c. failure to meet the requirements stipulated on the basis of this law.
- (2) Before revoking the business licenses as meant in paragraph (1), the government shall firstly open opportunity for business entities to abolish the violation already committed of fulfill the stipulated requirements in a specified period.

Article 26

Activities of field processing, transport and sales of production as the continuation of exploration and exploitation executed by business entities or permanent establishment shall not need the separate business licenses as meant in Article 23.

Article 27

- (1) The minister shall stipulate the national master plan for transmission and distribution of natural gas.
- (2) Only certain transport segments can be granted to business entities holding business licenses to transport natural gas through pipeline.

- (3) Only certain commercial regions can be granted to business entities holding business licenses to transport natural gas through pipeline.

Article 28

- (1) Fuel oil and certain processed products marketed in the country to meet the public need shall comply with the standards and quality stipulated by the government.
- (2) Prices of fuel oil and natural gas shall be entrusted to the mechanism of fair and reasonable business competition.
- (3) The implementation of the pricing policy as meant in paragraph (2) shall not reduce the social responsibility of the government for certain groups of communities.

Article 29

- (1) In regions facing scarcity of fuel oil and remote areas, the transport and storage facilities, including their supporting facilities can be utilized in cooperation with other parties.
- (2) The utilization of the facilities as meant in paragraph (1) shall be regulated by the executing agency by continuously observing technical and economic aspects.

Article 30

Provisions on the processing, transport, storage and commercial businesses as meant in Article 23, 24, 25, 26, 27, 28 and 29 shall be further stipulated by a government regulation.

CHAPTER VI STATE REVENUE Article 31

- (1) Business entities or permanent establishments undertaking the upstream business activities as meant in Article 11 paragraph (1) shall pay state revenue in the form of taxes and non-tax state receipts.
- (2) The state revenue in the form of taxes as meant in paragraph (1) shall consist of :
 - a. taxes;
 - b. import duty, and other levies on the import and excise;
 - c. regional taxes and levies.
- (3) The non-tax state receipts as meant in paragraph (1) shall consist of :
 - a. state portion;
 - b. state levies in the form of permanent contribution and exploration and exploitation contributions;
 - c. bonuses.
- (4) Joint cooperation contracts shall mention that the obligation to pay the taxes as meant in paragraph (2) is executed in accordance with :
 - a. provisions of taxation laws effective upon the signing of the joint cooperation contracts;
 - b. provisions of taxation laws in force.
- (5) Provisions on the stipulation of amounts of the state portion, state levies and bonuses as meant in paragraph (3) as well as procedures for remitting them shall be further stipulated by a government regulation.
- (6) The non-tax state receipts as meant in paragraph (3) shall be the revenue of the central government and regional governments, which is shared in accordance with provisions of laws in force.

Article 32

Business entities undertaking the downstream business activities as meant in Article 22 shall pay taxes, import duty and other levies on the import, excise, regional taxes and regional levies as well as other liabilities in accordance with laws in force.

CHAPTER VII
RELATIONS BETWEEN PETROLEUM AND NATURAL GAS-RELATED
BUSINESS ACTIVITIES AND LAND TITLE

Article 33

- (1) The petroleum and natural gas-related business activities as meant in Article 5 shall be executed in the Indonesian mining jurisdiction.
- (2) Rights to working areas shall not cover rights to land being earth surface
- (3) Petroleum and natural gas-related business activities cannot be executed in :
 - a. cemeteries, places considered sacred, public places, public facilities and infrastructures, nature preserve, cultural preserve as well as land belonging to communal society;
 - b. state defense fields and buildings as well as surrounding land;
 - c. historic building and state symbols;
 - d. buildings, residences or factories along surrounding yard land, except under a license from government institutions, approval of communities and individuals with regard to the said matter.
- (4) Business entities or permanent establishments planning to undertake their activities can remove the buildings, public places, public facilities and infrastructures as meant in paragraph (3) letters a and b after securing prior licenses from the authorized government institutions.

Article 34

- (1) In the case of business entities or permanent establishments planning to use land attached to a right or state land in their working areas, the relevant business entities or permanent establishments shall firstly make a kind of settlement with the right holder or users of the state land in accordance with the right holder or users of the state land in accordance with laws in force.
- (2) The settlement as meant in paragraph (1) shall be done under a way of deliberation to reach a consensus by means of transactions, granting a reasonable compensation, recognition or other forms of compensation to the right holder or users of the state land.

Article 35

Holders of land title shall be obliged to allow business entities or permanent establishments to carry out exploration and exploitation on the relevant land if :

- a. before activities start, business entities or permanent establishments firstly show joint cooperation contracts or their legitimate copies as well as notify the objective and place of activities to be executed;
- b. business entities or permanent establishments firstly make the settlement or a guarantee for the settlement approved by the right holder or users of the state land as meant in Article 34.

Article 36

- (1) Business entities or permanent establishments being already given working areas shall be granted a right to use land plots used directly for petroleum and natural gas-related business activities and their safety areas in accordance with the provisions of laws in force and be obliged to maintain and keep the land plots.
- (2) In the case of the granted working areas as meant in paragraph (1) covering a wide area on the state land, land plot not used for petroleum and natural gas-related business activities can be given to other parties by the minister in charge of the agrarian affairs or land affairs by prioritizing local communities after securing recommendation from the minister.

Article 37

Provisions or procedures for the settlement of the use of land title or state land as meant in Article 35 shall be further regulated by a government regulation.

CHAPTER VIII
FOSTERING AND SUPERVISION

Part One
Fostering
Article 38

The government shall foster petroleum and natural gas-related business activities.

Article 39

- (1) The fostering as meant in Article 38 shall cover :
 - a. the implementation of government affairs in the field of petroleum and natural gas-related business activities;
 - b. the stipulation of policies on petroleum and natural gas-related business activities on the basis of reserves and potentials of petroleum and natural gas which are owned, production capacity, domestic need for fuel oil and natural gas, technology mastery, environmental aspect and conservation of the environment, national capacity and development policies.
- (2) The fostering as meant in paragraph (1) shall be applied carefully, transparently and fairly to the implementation of petroleum and natural gas-related business activities.

Article 40

- (1) Business entities or permanent establishments shall guarantee the effective standard and quality in accordance with provisions of laws in force as well as apply good technical norms.
- (2) Business entities or permanent establishments shall guarantee working safety and security as well as the environmental management and abide by provisions of laws in force in the petroleum and natural gas-related business activities.
- (3) The environmental management as meant in paragraph (2) shall be in the form of obligations to prevent and overcome pollution as well as to restore the environmental damages, including obligation of post-mining operation.
- (4) Business entities or permanent establishments undertaking the petroleum and natural gas-related business activities as meant in Article 5 shall prioritize to the use of local manpower, goods and services as well as domestic design and engineering capacities transparently and competitively.
- (5) Business entities or permanent establishments undertaking the petroleum and natural gas-related business activities as meant in Article 5 shall be responsible for the development of the environmental and local communities.
- (6) Provisions on working safety and security as well as the environmental management as meant in paragraphs (1) and (2) shall be further stipulated by a government regulation.

Part Two
Supervision
Article 41

- (1) Responsibility for activities of supervision over jobs and the implementation of petroleum and natural gas-related business activities with regard to the compliance to provisions of laws in force shall be at the ministry whose tasks and authority cover petroleum and natural gas-related business activities and other ministries concerned.
- (2) The supervision over the implementation of upstream business activities based on joint cooperation contracts shall be executed by the executing agency.

- (3) The supervision over the implementation of downstream business activities based on business licenses shall be executed by the executing agency.

Article 42

The supervisions as meant in Article 41 paragraph (1) shall include :

- a. conservation of resources and petroleum and natural gas reserves;
- b. management of data on petroleum and natural gas;
- c. application of good technical norms;
- d. kind and quality of processed products of petroleum and natural gas;
- e. allocation and distribution of fuel oil and raw materials;
- f. working safety and security;
- g. environmental management;
- h. utilization of domestic goods, services and design and engineering capacities;
- i. development of Indonesian manpower;
- j. development of the environmental and local communities;
- k. mastery, development and application of petroleum and natural gas technology;
- l. other activities in the field of petroleum and natural gas related business activities as long as they are connected with public interests.

Article 43

Provisions on the fostering and supervision as meant in Articles 38, 39, 41 and 42 shall be further stipulated by a government regulation.

CHAPTER IX EXECUTING AGENCY AND REGULATING AGENCY Article 44

- (1) The supervision over the implementation of joint operation contracts of the upstream business activities as meant in Article 5 point 1 shall be executed by the executing agency as meant in Article 4 paragraph (3).
- (2) The executing agency as meant in paragraph (1) shall have the function of supervising the upstream business activities so that the exploitation of petroleum and natural gas resources belonging to the state can give a maximal benefit and revenue to the state for increasing the public welfare maximally.
- (3) The executing agency as meant in paragraph (1) shall have the following tasks :
 - a. giving considerations to the minister with regard to the minister's policies on the preparation and offering of working areas as well as joint cooperation contracts;
 - b. signing joint cooperation contracts;
 - c. assessing and conveying plans for the development of fields for the first time to be used for production activities in a working area to the minister for securing approval;
 - d. approving plans for the development of fields other than those mentioned in letter c;
 - e. approving working plans and budgets;
 - f. monitoring and reporting the implementation of joint cooperation contracts to the minister;
 - g. appointing sellers of petroleum and/or natural gas being the state portion which can produce a maximum profit to the state.

Article 45

- (1) The executing agency as meant in Article 4 paragraph (3) shall constitute a state-owned statutory body.
- (2) The executing agency shall consists of managerial elements, experts, technical personnel and administrative personnel.

- (3) The head of the executing agency shall be appointed and relieved by the President after consulting with the House of Representatives of the Republic of Indonesia and be responsible to the President in executing his/her tasks.

Article 46

- (1) The regulating agency as meant in Article 8 paragraph (4) shall supervise the supply and distribution of fuel oil and transport of natural gas through pipeline.
- (2) The regulating agency as meant in paragraph (1) shall function to regulate so that the supply and distribution of fuel oil and natural gas stipulated by the government can be guaranteed throughout the territory of the Unitary State of the Republic of Indonesia as well as the domestic use of natural gas increases.
- (3) The regulating agency as meant in paragraph (1) shall have the tasks of regulating and stipulating the following matters :
 - a. supply and distribution of fuel oil;
 - b. national fuel oil reserves;
 - c. utilization of fuel oil transport and storage facilities;
 - d. tariff of transport of natural gas through pipeline;
 - e. selling price of natural gas to households and small-scale customers;
 - f. operation of natural gas transmission and distribution.
- (4) The tasks of the executing agency as meant in paragraph (1) shall also cover the supervision over the fields as meant in paragraph (3).

Article 47

- (1) The structure of the regulating agency as meant in Article 8 paragraph (4) shall consist of a committee and a division.
- (2) The committee as meant in paragraph (1) shall comprise one chairman concurrently member and 8 (eight) members, originating from professionals.
- (3) The chairman and members of the committee of the regulating agency as meant in paragraph (1) shall be appointed and relieved by the President after securing the approval of the House of Representative of the Republic of Indonesia.
- (4) The regulating agency as meant in Article 8 paragraph (4) shall be responsible to the President.
- (5) The establishment of the regulating agency as meant in Article 8 paragraph (4) shall be stipulated by a presidential decree.

Article 48

- (1) The budget of operational costs of the executing agency as meant in Article 45 shall be based on the fee of the government in accordance with laws in force.
- (2) The budget of operational costs of the regulating agency as meant in Article 46 shall be based on the State Budget of Revenue and Expenditure and contributions from business entities which are regulated in accordance with laws in force.

Article 49

Provisions on organizational structures, status, function, tasks, personnel, authority and responsibility as well as working mechanism of the executing agency and the regulating agency as meant in Article 41, 42, 43, 44, 45, 46, 47 and 48 shall be further stipulated by a government regulation.

Article 50

- (1) In addition to investigators of the Police of the Republic of Indonesia, certain civil servant officials within the ministry in charge of petroleum and natural gas-related business activities shall be authorized specially to act as the investigators as meant in Law No. 8/1981 on the criminal code to investigate crimes in petroleum and natural gas-related business activities.
- (2) Civil servant investigators shall be authorized to :
 - a. examine the truth of reports and information on crimes in petroleum and natural gas-related business activities;
 - b. investigate persons or statutory bodies allegedly committed crimes in petroleum and natural gas-related business activities;
 - c. summon persons for testifying and investigating as witnesses or suspects in petroleum and natural gas-related business activities;
 - d. raid place and/or facilities allegedly used for committing crimes in petroleum and natural gas-related business activities;
 - e. inspect facilities and infrastructures of petroleum and natural gas-related business activities and stop the use of equipment allegedly used for committing crimes;
 - f. sealing and/or confiscating equipment of petroleum and natural gas-related business activities used for committing crimes as evidences;
 - g. invite necessary experts in connection with the investigation of crimes in petroleum and natural gas-related business activities;
 - h. stop investigating crimes in petroleum and natural gas-related business activities.
- (3) The civil servant investigators shall notify the commencement if investigation into crimes to police officials of the Republic of Indonesia in accordance with the provisions of laws in force.
- (4) The investigators as meant in paragraph (1) shall be obliged to stop the investigation in the case of the events as meant in paragraph (2) letter a having no sufficient evidence and/or the events being not a crime.
- (5) The exercise of the authority as meant in paragraph (2) shall be done in accordance with provisions of laws in force.

CHAPTER XI CRIMINAL PROVISION Article 51

- (1) Everyone who undertakes the general survey as meant in Article 19 paragraph (1) without right shall be subjected to one-year imprisonment or a fine of Rp. 10,000,000,000.00 (ten billion rupiahs) at the maximum.
- (2) Everyone who sends or gives up or transfers the data as meant in Article 20 without right in whatever from shall be subjected to one-year imprisonment or a fine of Rp. 10,000,000,000.00 (ten billion rupiahs) at the maximum.

Article 52

Everyone who undertake exploration and/or exploitation without the joint cooperation contracts as meant in Article 11 paragraph (1) shall be subjected to 6 (six)-year imprisonment or a fine of Rp. 60,000,000,000.00 (sixty billion rupiahs) at the maximum.

Article 53

Everyone who undertakes :

- a. the processing as meant in Article 23 without a processing business license shall be subjected to 5 (five)-year imprisonment or a fine of Rp. 50,000,000,000.00 (fifty billion rupiahs) at the maximum.
- b. the transport as meant in Article 23 without a transport business license shall be subjected to 4 (four)-year imprisonment or a fine of Rp. 40,000,000,000.00 (forty billion rupiahs) at the maximum.

- c. the storage as meant in Article 23 without a storage business license shall be subjected to 3 (three)-year imprisonment or a fine of Rp. 30,000,000,000.00 (thirty billion rupiahs) at the maximum.
- d. the commerce as meant in Article 23 without a commerce business license shall be subjected to 3 (three)-year imprisonment or a fine of Rp. 30,000,000,000.00 (thirty billion rupiahs) at the maximum.

Article 54

Everyone who imitates or falsify fuel oil and natural gas and the processed products as meant in Article 28 paragraph (1) shall be subjected to 6 (six)-year imprisonment or a fine of Rp. 60,000,000,000.00 (sixty billion rupiahs) at the maximum.

Article 55

Everyone who abuses the transport and/or commerce of fuel oil subsidized by the government shall be subjected to 6 (six)-year imprisonment or a fine of Rp. 60,000,000,000.00 (sixty billion rupiahs) at the maximum.

Article 56

- (1) In the case of the crimes as meant in this chapter being committed for and on behalf of business entities or permanent establishments, charges and sentence shall be imposed on the business entities or permanent establishments and/or their executives.
- (2) In the case of the crimes being committed by business entities or permanent establishments, sentence imposed on the said business entities or permanent establishments shall be a fine as high as the maximum fine of the crimes plus one thirds of the fine.

Article 57

- (1) The crimes as meant in Article 51 shall be violations.
- (2) The crimes as meant in Articles 52, 53, 54 and 55 shall be crimes.

Article 58

In addition to the criminal provisions as meant in this Chapter, the additional sentence shall be the revocation of right or seizure of goods used for and obtained from crimes in petroleum and natural gas-related business activities.

CHAPTER XI TRANSITIONAL PROVISION

Article 59

With the enforcement of this law :

- a. the executing agency shall be established not later than one year;
- b. the regulating agency shall be established not later than one year

Article 60

With the enforcement of this law :

- a. the status of Pertamina shall be changed into a state limited liability company (Persero) by a government regulation not later than 2 (two) years;
- b. as long as the state limited liability company as meant in paragraph (1) is not established yet, Pertamina which was established on the basis of Law No. 8/1971 (Statute Book of 1971 No. 76, Supplement to Statute

- Book No. 2971) shall be obliged to undertake petroleum and natural gas-related business activities as well as regulate and manage assets, personnel and other important matters needed;
- c. upon the establishment of the new state limited liability company, the obligation of Pertamina as meant in letter b shall be transferred to the relevant company.

Article 61

With the enforcement of this law :

- a. Pertamina shall continue executing the task and function of supervision over the operation of exploration and exploitation contractors, including production sharing contractors up to the establishment of the executing agency;
- b. upon the establishment of Persero as the substitute to Pertamina, the state-owned enterprise shall be obliged to make a production sharing contract with the executing agency to continue exploration and exploitation in ex-mining concession areas of Pertamina and be considered already securing the business licenses as meant in Article 24, needed for the implementation of processing, transport, storage and commercial businesses.

Article 62

Upon the enforcement of this law, Pertamina shall continue executing the task of supplying and serving fuel oil for the domestic need for a period of no later than 4 (four) years.

Article 63

With the enforcement of this law :

- a. following the establishment of the executing agency, all rights, obligations and consequences resulting from the production sharing contracts between Pertamina and other parties shall transfer to the executing agency.
- b. following the establishment of the executing agency, other contracts connected with the contracts as meant in latter a between Pertamina and other parties shall shift to the executing agency.
- c. all contracts as meant in letters a and b shall be declared to remain effective up to the expiration of the relevant contracts;
- d. rights, obligations and consequences resulting from the contracts, agreements or commitments other than those mentioned in letters a and b shall continue to be exercised by Pertamina up to the establishment of Persero set up for the purpose and shift to Persero afterwards;
- e. the implementation of dealings or negotiations between Pertamina and other parties in the framework of joint cooperation in exploration and exploitation shall shift to the minister.

Article 64

With the enforcement of this law :

- a. state-owned enterprises other than Pertamina, which undertake petroleum and natural gas-related businesses shall be considered already securing the business licenses as meant in Article 23;
- b. the development which is being executed by the state-owned enterprises as meant in latter a upon the enforcement of this law shall continue to be executed by the state-owned enterprises;
- c. not later than one year, the state-owned enterprises as meant in letter a shall be obliged to establish business entities set up for undertaking their business activities in accordance with the provisions of laws in force;
- d. contracts or agreements between the state-owned enterprises as meant in letter a and other parties shall continue to remain effective up to the expiration of the period of the relevant contracts or agreements.

This law shall apply to petroleum and natural gas-related business activities other than those mentioned in Article 1 points 1 and 2, as long as they are not yet or are not regulated by other laws.

CHAPTER XIV
CONCLUSION
Article 66

- (1) With the enforcement of this law, the following laws :
 - a. Law No. 44 Prp/1960 on petroleum and natural gas mining (Statute Book of 1960 No. 133, Supplement to Statute Book No. 2070);
 - b. Law No. 15/1962 on the stipulation of government regulation in lieu of a law No. 2/1962 concerning the obligation of oil companies to meet the domestic need (Statute Book of 1962 No. 80, Supplement to Statute Book No. 2505);
 - c. Law No. 8/1971 on state-owned oil and gas mining company (Statute Book of 1971 No. 76, Supplement to Statute Book No. 2971) as well as the whole amendments, amended the latest by Law No. 10/1974 (Statute Book of 1974 No. 3045);
- (2) All technical directives for Law No. 44 Prp/1960 on petroleum and natural gas mining (Statute Book of 1960 No. 133, Supplement to Statute Book No. 2070) and Law No. 8/1971 on state-owned oil and gas mining company (Statute Book of 1971 No. 76, Supplement to Statute Book No. 2971) shall remain effective as long as they do not contravene or are not yet replaced by new regulations on the basis of this law.

Article 67

This law shall come into force as from the date of promulgation.

For public cognizance, this law shall be promulgated by placing it in Statute Book of the Republic of Indonesia.

Ratified in Jakarta
On November 23, 2001

THE PRESIDENT OF THE REPUBLIC OF INDONESIA
sgd.
MEGAWATI SOEKARNOPUTRI

Promulgated in Jakarta
On November 23, 2001

THE SECRETARY OF STATE
sgd.
BAMBANG KESOWO

**ELUCIDATION ON LAW NO. 22/2001
CONCERNING
PETROLEUM AND NATURAL GAS**

GENERAL

Article 33 paragraphs (2) and (3) of the Constitution of 1945 affirms that the state controls production branches important for the state and dominating the life of public at large. The state also controls the earth and water as well as natural resources contained inside the earth and water and uses them maximally for increasing the people's prosperity and welfare. In view of the fact that petroleum and natural gas are non-renewable strategic natural resources controlled by the state and vital commodities playing important role in the provision of raw materials for industries, fulfillment of the domestic need for energy as well as a important source of foreign exchange earnings, they must be managed optimally so that they can be used maximally for the people's prosperity and welfare.

In the framework of complying with the provisions of the Constitution of 1945, and following the enforcement of law No 44/Prp/1960 on petroleum and natural gas mining and law No 8 /1971 on state-owned oil and natural gas mining company over four decades, various obstacles are found in the implementation of the laws because their materials substances are no longer suitable to the current and future developments.

In order to face the global need and challenges in the future, petroleum and natural gas-related business activities are demanded to be more capable of supporting the sustainability of the national development in the framework of improving the people's prosperity and welfare.

Based on the above mentioned matters, it is necessary to formulate a law on petroleum and natural gas to provided the legal foundation for steps of renewal and rearrangement of petroleum and natural gas-related business activities.

The formulation of law aims at :

1. exploiting and controlling petroleum and natural gas as natural and development resources which are strategic and vital;
2. supporting and driving up national capacity so as to be more competitive;
3. in creasing the state revenue and contributing maximally to the national economy, developing and strengthening Indonesia's industries and trade;
4. creating job opportunities, improving the environment and increasing the people's prosperity and welfare.

This law makes out a principal substance of the provision that petroleum and natural gas as strategic natural resources contained in the Indonesian mining jurisdiction constitute national assets controlled by the state and the control is executed by the government as the holder of mining concession in the upstream business activities, while the downstream business activities are executed after securing business licenses from the government.

In order to ensure the more efficient execution of the function of the government as the regulator, fostering agency and supervisor, the executing agency is established in the upstream business activities, while in the downstream business activities, the regulatory board is set up.

ARTICLE BY ARTICLE

Article 1 up to Article 3
Sufficiently clear

Article 4

Paragraph (1)

Base on the gist of Article 33 paragraph (3) of the Constitution of 1945, petroleum and natural gas as strategic natural resources deposited in the earth of the Indonesian mining jurisdiction constitute national assets controlled by the state. The above mentioned control by the state is meant to ensure that the state assets can be utilized maximally for the welfare of the whole Indonesian people. Therefore, individuals, communities and business people having a right to a land plot on the surface have not right to control or own petroleum and natural gas contained inside the land.

Paragraph (2) and (3)

Sufficiently clear

Article 5

Point 1

Sufficiently clear

Point 2

Referred to in this provision as commerce includes natural gas commerce through both transmission and distribution pipelines.

Article 6

Paragraph (1)

Besides fulfilling the laws in force, business entities or permanent establishments also must abide by certain obligation in executing their business activities.

Paragraph (2)

The model of the joint cooperation contracts in this provision is production sharing contracts and other exploration and exploitation contracts more beneficial to the state.

Hereinafter referred to as :

1. The delivery point is the selling point of petroleum and natural gas.
2. The control over the operational management is the approval of working plans and budget, field development plans as well as supervision over the realization of the said plans.
3. The capital and risks wholly borne by business entities or permanent establishment is that in the joint cooperation contracts, the government through the executing agency on the basis of this law is not allowed to invest in bear financial risks of joint cooperation contracts.

Article 7

Paragraph (1)

Sufficiently clear

Paragraph (2)

The realization through a mechanism of reasonable, fair and transparent business competition does not mean that the social responsibility of the government is ignored.

Article 8

Paragraph (1)

The government regulation as the implementation of this provision contains, among others, principal substances : priority of natural gas exploitation, quantity, kind and locations of strategic petroleum reserves.

Paragraph (2)

The government is obliged to ensure the sufficient supply of fuel oil throughout the country, including remote areas, the availability of a national stock at a sufficient quantity for as certain period.

Paragraph (3)

Since the petroleum pipeline networks constitute naturally monopolistic facilities, their utilization needs to be regulated and supervised in the framework of guaranteeing the equal treatment of services for all users. Referred to public interest in this provision is interests of producers, consumers and other communities connected with the transport of natural gas.

Paragraph (4)

Sufficiently clear

Article 9

Paragraph (1)

This provision is meant to open widest opportunities for large, medium and small-scale business entities to undertake the upstream business activities with the operational scale on the financial and technical capacity of the relevant business entities.

Paragraph (2)

Most of the highly-risky upstream business-activities (2) are executed by international companies having a broad range of international networks . In order to create an investment climate conducive to investments, including foreign investment, the opportunities to not establish business entities is provided.

Article 10

Paragraph (1)

Since the upstream business activities are activities of exploration of non-renewable natural resources being the state assets, the state must obtain the maximal benefit for the people's prosperity in the said activities.

The downstream business activities constitute activities of the business characteristics in general, in which the production costs and possible risks cannot be charged (consolidated) to the costs of upstream business activities. The prohibition of consolidation of the cost of upstream and downstream business activities also aims at ensuring the clear sharing of revenue between the central government and regional government as meant in Article 31 paragraph (6)

In the case of business entities undertaking upstream and downstream activities at the same time, they must establish separate statutory bodies, among others, by holding company.

Paragraph (2)

Sufficiently clear

Article 11

Paragraph (1)

The government mentions obligations in joint cooperation contracts so that the government can control the joint cooperation contracts through requirements for the said contracts and the legislation in force as meant in Article 6 paragraph (1)

Paragraph (2)

The copy of every joint cooperation contract already approved collectively and signed by the two parties must be sent to the commission of the house of Representatives of the Republic of Indonesia in charge of petroleum and natural gas affairs.

Paragraph (3)

This provision is meant to provide legal certainty for parties committed themselves to joint cooperation contracts.

Article 12

Paragraph (1)

Consultation with the regional government is done to give explanations and obtain information on plans for the offering of certain regions deemed potential to contain petroleum and natural gas resources to become working areas.

The consultation with the regional government is done with the governor leading the administration of the regional government in accordance with provisions of the regional administration laws.

Paragraph (2)

In its implementation, the minister coordinates with the executing agency.

Paragraph (3)

In its implementation, the minister coordinates with the executing agency

Article 13

Paragraph (1)

Sufficiently clear

Paragraph (2)

This provision is meant to avoid the consolidation of encumbrance and/or return of costs of exploration and exploitation of a working area by other working area.

This provision also aims at preventing the unclear sharing of revenue between the central government and the respective regional governments connected with the said working areas.

Article 14

Sufficiently clear

Article 15

Paragraph (1)

Sufficiently clear

Paragraph (2)

If business entities or permanent establishments found no petroleum and/or natural gas reserves which can be produced during the exploration period, they must return their working areas wholly.

Article 16

This provision is meant to ensure that part and/or the whole of working areas not used can be offered to other parties as new working areas.

Therefore, the government can obtain optimal results from the utilization of potentials of natural resources in a working area.

Article 17

Sufficiently clear

Article 18

The government regulation as technical directives for this provision contains, among others, principal substances : provisions and requirements for joint cooperation contracts, requirements and procedures for stipulation and offering of working areas, extension of joint cooperations contracts and stipulation and intake of working areas.

Article 19

Paragraph (1)

Sufficiently clear

Paragraph (2)

The government regulation on the general survey contains, among others, principal substances : the execution of general survey, kinds of activities, timetable of implementation, procedures for implementation and processing of data resulting from the survey.

Article 20

Paragraph (1) up to paragraph (3)

Sufficiently clear

Paragraph (4)

Data or information on the underground condition resulting from investments made by business entities or permanent establishments cannot be opened directly for the public to protect their investment interests.

Data can be declared opened after a certain period and interesting parties can use the said data.

The period of secrecy of data is dependent on kinds and classifications of data.

Paragraph (5)

Sufficiently clear

Paragraph (6)

The government regulation as technical directives for this provision contains, among others, principal substances : authority and responsibility of the government, kinds of data, classifications and periods of secrecy, administration and maintenance of data as well as periods of utilization and re-delivery of the data.

Article 21

Paragraph (1)

The approval of the minister in this provision is needed because the development of the first field in a working area determines whether the operation of the working area is returned or continued by the executing agency or permanent establishments

The approval of plans for the development of the subsequent fields in the working area will be granted by the executing agency .

The consultation with regional governments as meant in this provisions is needed for ensuring that the proposed plans for development of fields can be coordinated with regional governments of provinces especially for regional lay-out plans and plans for regional revenue from petroleum and natural gas in the regions in accordance with laws in force

Paragraph (2)

This provision is meant to ensure that business entities or permanent establishments in exploiting petroleum and natural resources observe optimization and conservation of petroleum and natural gas resources and implement them in accordance of good technical norms.

Paragraph (3)

The government regulation as technical directives for this provision contains, among others, principal substances :

Kinds and plans for developments of fields, technical norms, reporting obligations as well as procedures for the approval of plans for developments of fields.

Article 22

Paragraph (1)

This provision is meant to provide a guarantee for the availability of supply of petroleum and natural gas resulting from the Indonesia mining jurisdiction to meet the domestic need for fuel. The delivery as high as 25% (twenty five percent) at the maximum of their portion resulting from the production of petroleum and/or natural gas in this provision is meant to ensure that if a working area produces petroleum and natural gas, business entity or permanent establishment is obliged to give up maximally 25% (twenty five percent) of its portion from the petroleum production and maximally 25% (twenty five percent) of its portion from the natural gas production.

Paragraph (2)

The government regulation as meant in this provision contains, among others, principal substances : condition of the domestic need, mechanism of implementation and provision of price as well policies on the granting of incentives connected with the exercise of obligation of the delivery of petroleum and/or natural gas being portion of business entities or permanent establishments from their production.

Article 23

Paragraph (1)

Business licenses are licenses granted by the government to business entities in accordance with their respective scopes of authority to undertake processing, transport storage and/ or commercial business activities after fulfilling the necessary requirements.

In the case of matters being connected with regional interests, the government issues business licenses after the said business entities secure recommendations from the regional governments.

Paragraph (2)

This provision is meant to ensure the more effective supervision and control over business entities operating in processing, transport, storage and / or commercial fields.

The government is obliged to approve or reject applications for business licenses submitted by business entities in a certain period in accordance with laws in force.

Paragraph (3)

Sufficiently clear

Article 24

Sufficiently clear

Article 25

Paragraph (1)

Sufficiently clear

Paragraph (2)

Based on considerations, among others that the downstream business activities deal with commodities controlling the life of public at large and huge investment, the central government and regional government according to their respective scopes of authority can open opportunity for business entities to eliminate the violations committed before their business licenses are revoked . In addition to the violations, business licenses also can be revoked based on requests of holders of the business licenses.

Article 26.

In view of the fact that in activities of fields processing, transport and sales of petroleum and natural gas in the framework of the continuation of exploration and exploitation , facilities which are built are not destined to obtain benefits and /or profits from the activities, business licenses are not needed.

This provisions is not effective if facilities owned by business entities or permanent establishments are used collectively with other parties by collecting a cost or rental fee so as to obtain benefits and / or profits, so that the business entities or permanent establishment must secure business licenses.

Article 27

Paragraph (1)

The master plan stipulated by the government will be used as an investment reference to the development and building of natural gas transmission and distribution network by the interesting business entities.

Paragraph (2)

This provision is meant to encourage fair business competition and enhance efficiency in the use of infrastructure as well as the quality of service.

The segments of transport businesses are distributed by considering technical, economic, security and safety aspects.

Paragraph (3)

This provision is meant to encourage fair business competition and enhance efficiency in the use of infrastructures as well as the quality of service.

Article 28

Paragraph (1)

This provision is meant to protect interests of consumers, health of communities and the environment.

Paragraph (2)

Sufficiently clear

Paragraph (3)

The government can grant special aid as the substitute to subsidy to certain consumers for certain kinds of fuel oil. The government stipulates the natural gas pricing policy for the need of households and small-scale consumers as well as other certain users.

Article 29

Paragraph (1)

This provision is meant to open opportunity for other parties to use collectives facilities belonging to a business entity on the basis of a joint agreement in the framework of ensuring the optimal use of the facilities and the efficient operation to reduce distribution costs, particularly in the case of the shortage of supply of fuel oil in a region and relatively isolated area.

Paragraph (2)

Sufficiently clear

Article 30

The government regulation as technical directives for this provision contains, among other, principal substances : kinds of business activities, procedures for submission of applications and implementation of business licenses, standards and quality, obligations of business entities, classifications of violations, procedures for warning, cancellation, freezing and revocation of business licenses and the authority of regional governments connected with business licensing.

Article 31

Paragraph (1)

Since the provision as meant in this article is based on the understanding that upstream business activities in the form of exploration and exploitation are activities of intake of non-renewable natural resources being the state assets, business entities or permanent establishments are obliged to give up non tax state revenue consisting of the portion of the state, state levies and bonuses, besides paying taxes, import duty and other liabilities.

Paragraph (2)

Letters a and b

Sufficiently clear

Letter c

Besides paying regional taxes, business entities or permanent establishments are also obliged to pay regional levies.

Paragraph (3)

Letter a

The state portion of production given up by business entities or permanent establishments to the state as the owner of petroleum and natural gas resources.

Letter b

This provision is based on the understanding that business entities or permanent establishments are obliged to pay a regular contribution in accordance with the size of working areas as a compensation for the opportunity to undertake exploration and exploitation activities.

The exploration and exploitation contributions are imposed on business entities or permanent establishments as a compensation for the intake of non renewable petroleum and natural gas resources. State levies being a revenue of the central government constitute non-tax state revenue (PNBP) in accordance with the provisions of law in force.

Letter c

Referred to in this provision as bonuses are data, signature and production bonuses based on the accomplishment of a certain cumulative production level.

Paragraph 4

The provision article is meant to enable business entities or permanent establishment to alternatives for taxation regulations which will be enforced to joint cooperation contracts. The opening of the opportunity constitutes freedom of business entities of permanent establishments to choose taxation provisions in accordance the feasibility of their business because exploration and exploitation are long – term businesses, need huge capital and are highly risky.

Paragraph (5)

The government regulation as technical directives for this provision contains, among other, principal substances : regulation of amount of the state portion based on net production percentage, and state levies consisting of regular contribution per unit of working area, exploration and exploitation levies per production volume, bonuses and regulation of certain requirements for joint cooperation contracts.

Paragraph (6)

Referred to in this provision as “which is shared in accordance with provisions of law in force” is in accordance with provisions on the financial equilibrium between the central government and regional administration.

Article 32

Given the downstream business activities in the form of the processing, transport, storage and commerce are not business activities directly connected with the intake of non-renewable natural resources, the obligations to pay taxes, import duty and other liabilities to the state as like industrial and/or trading business activities in general apply.

Article 33

Paragraph (1) and (2)

Sufficiently clear

Paragraph (3)

Principally, all petroleum and natural gas related business activities executed in a location need a license from the government institution.

Yet, in certain places before securing license from the government institution, the businesses must secure prior approval from communities and/ or individuals

Letter a

Referred to as public places, public facilities and infrastructures are facilities provided by the government for interests for the public at large and having social functions, such as road, market, cemetery, park and worship places.

Letter b up to letter d

Sufficiently clear

Paragraph (4)

Since public places, facilities and infrastructures, defense fields and buildings constitute facilities built by the government for the public or defense interests, licenses from the government institutions concerned are needed, by observing suggestions of communities.

Article 34

Paragraph (1)

Sufficiently clear

Paragraph (2)

Referred to in this provision as recognition is the recognition to communal rights of traditional communities in a region so that their settlement can be done through deliberation and consensus on the basis of the relevant communal law.

Article 35

Sufficiently clear

Article 36

Paragraph (1)

In view of the fact that a right to working area does not cover a right to land surface, business entities or permanent establishments do not automatically have a right to use land plots in the working area. In the case of business entities directly using the land plots, the right to use the land must be exercised in accordance with provisions of law in force.

Paragraph (2)

Sufficiently clear

Article 37

The government regulations as technical directives for this provision contains, among other, principal substances : procedures for the settlement or negotiation rights and obligations of the respective parties, guidances on the amount of compensations and technical; provisions on the settlement pattern of land use.

Article 38

The fostering executed by the government in petroleum and natural gas- related business activities is based on the state control over natural resources and production fields controlling the life of public at large.

Article 39

Paragraph (1)

Letter a

The implementation of government affairs in the field of petroleum and natural gas-related business activities include, among others, the dissemination of information, education, training, technological research and development, enhancement of added value of products, application of standardization, accreditation, fostering of supporting industrial/business activities, fostering of small/medium-scale businesses, the utilization of domestic goods and services, maintenance of working security and health, environmental conservation, creation of a conducive business climate as well as maintenance of security and orderliness.

Letter b

Sufficiently clear

Paragraph (2)

Sufficiently clear

Article 40

Paragraph (1) up to paragraph (3)

Sufficiently clear

Paragraph (4)

This provision is meant to support and drive up the national capacity so as to be more capable of competing.

Paragraph (5)

Referred to in this provision as being responsible for the development of the environment and local communities is the involvement of business entities or permanent establishment in the development and utilization of potentials and capacities of local communities, among others by means of employing workers in certain quantity and quality as well as improving the resettlement of communities to create the harmony between business entities or permanent establishments and surrounding communities.

Paragraph (6)

The government regulations as technical directives for this provision contains, among others, principal substances covering the following obligations of business entities or permanent establishments :

- a. in the field of working safety and security, which covers safety and health of workers, conditions and requirements for working places and environment and standards of installation and equipment;

- b. in the field of the environmental management which covers prevention and overcoming of environmental pollution and restoration of environmental damages during and after joint cooperation contracts.

Article 41

Sufficiently clear

Article 42

Letter a up to letter g

Sufficiently clear

Letter h

In its implementation, the utilization continues to observe economic values in the respective projects or activities.

Letter i

In the use of foreign manpower, procedures in force and requirements in accordance with the need must be observed.

Letter j up to letter m

Sufficiently clear

Article 43

The government regulation as technical directives for this provision contains, among others, the principal substances as mentioned in elucidation on article 39 paragraph (1) letter a

Article 44

Sufficiently clear

Article 45

Paragraph (1)

The state-owned statutory body as meant in this provision has the status of a civil law subject and constitutes a non profit institution and is managed professionally.

Paragraph (2)

Referred to in this provision as the managerial elements are the head and vice head as well as deputies . technical personnel are functional personnel having expertise in their fields.

Paragraph (3)

The consultation aims at testing the capability and feasibility of prospective head of the executing agency by the House of Representatives of the Republic of Indonesia in this case the commission in charge of petroleum and natural gas affairs.

Article 46

Paragraph (1)

This provision is meant to protect interests of consumers in the continuous supply and distribution of fuel oil throughout Indonesia.

The supervision over the transport of natural gas through pipeline is done to optimize and prevent monopoly in the utilization of transmission, distribution and storage pipe facilities by certain business entities.

Paragraph (2)

The government is responsible for the sustainability of stocks and service as well as avoiding the scarcity of fuel oil throughout Indonesia.

Paragraph (3)

Referred to in this provision as the utilization of fuel oil transport and storage facilities is prioritized to certain regions or remote areas whose market mechanism cannot run so that the existing transport and storage facilities need to be regulated to be usable for achieving an optimal result and a lowest price.

Household is every consumer utilizing natural gas for the household purpose.

The operation of gas transmission and distribution is regulated by the regulatory board connected with business aspects of the said natural gas distribution and distribution activities.

Paragraph (4)

Sufficiently clear

Article 47

Paragraph (1)

Sufficiently clear

Paragraph (2)

Referred to in this provision as professionals are parties having necessary expertise, experience and knowledge in the oil , environmental, law, economics and social fields as well as having high integrity in executing their tasks and obligations.

Paragraph (3)

The regulatory board is independent and since its tasks and functions deal with interests of the public at large, the appointment and relief of its personnel need to secure the approval of the House of Representatives of the Republic of Indonesia.

Paragraph (4)

In view of the fact that the tasks and functions of the regulatory board is directly connected with commodities badly needed by the public at large so as to be very influential to the national economy and able to cause a board impact of vulnerability in the society as well as having inter-sectoral regulation, the regulatory board is responsible to the President.

Paragraph (5)

Sufficiently clear

Article 48

Paragraph (1)

Every state revenue resulting from business entities or permanent establishments which undertake upstream business activities is directly remitted to the state cash. In controlling joint cooperation contracts with business entities or permanent establishments, the regulatory board earns a fee as the managerial wage received from the government for activities which are executed.

Paragraph (2)

The operational cost of the regulatory board originating from the State Budget of revenue and Expenditure (APBN) is meant as the authorized capital of the regularity board. Subsequently, the operational cost of the regulatory board are obtained from contributions of business entities that the board regulates.

Article 49 up to article 54

Sufficiently clear

Article 55

Referred to in this provision as the abuse is activities intended to obtain benefits of individuals or business entities by means harmful to interests of the public at large and the state, such as illegal mixing of fuel, deviation from the allocation of fuel oil. Transport and sales of fuel oil to other countries.

Article 56 up to article 59

Sufficiently clear

Article 60

Letter a

The status of limited liability company as meant in this provision is the status of company mentioned in law on state-owned enterprises.

Letter b and c

Sufficiently clear

Article 61

Letter a

Sufficiently clear

Letter b

The joint cooperation contracts as meant in this provision contain payment liabilities to the state whose amount is in accordance with provisions in force in Pertamina's mining concession areas so far by including CHAPTER V.

Article 62

Sufficiently clear

Article 63

In order to implement this provision, joint cooperation contracts connected with parties making contracts are changed/amended without altering conditions and requirements for the contracts.

Letter b and c

Sufficiently clear

Letter d

Referred to in this provision as contracts, agreements or commitments include selling contracts of liquefied natural gas.

Letter e

Sufficiently clear

Article 64

Letter a

State-owned enterprises other than Pertamina, which undertake petroleum and natural gas-related businesses include PT Perusahaan Gas Negara (Persero) established on the basis of Government Regulation No 37/1994.

Letter b and c

Sufficiently clear

Article 65

Referred to in this provision as petroleum or natural gas is oil and gas resulting from artificial process (instead or results of natural process)

Article 66 and 67

Sufficiently clear

