

FOLLOWING BP MIGAS BEING DISBANDED, THE GOVERNMENT ESTABLISHES SKK MIGAS

Feb 11, 2013

On 13 November 2012, the Constitutional Court (Mahkamah On 13 November 2012, the Constitutional Court (Mahkamah Konstitusi or “MK”) dissolved BP Migas through Decision No. 26/PUU-X/2012 on the judicial review of the oil and Gas Law (Law No. 22 of 2001). In response, the President issued Presidential Regulation No. 95 of 2012 on the Transfer of the Duties and Functions of the Upstream Oil and Gas Activity Agency (BP Migas) (“Regulation 95”). Following the issuance of Regulation 95, the Minister of Energy and Mineral Resources (“ESDM”) issued Decree No. 3135K/08/MEM/2012 regarding the Transfer of the Duties, Functions and Organizational Structure of the Upstream Oil and Gas Activity Agency (“Decree 3135”). Regulation 95 and Decree 3135 govern the employees of BP Migas, BP Migas’ counterparts under Production Sharing Contracts (PSCs) and the PSCs themselves, and BP Migas’ duties are now assigned to the ESDM.

To follow up on the above, the President recently issued Presidential Regulation No. 9 of 2013 regarding The Management of Upstream Oil and Gas Activities (“Regulation 9”). Regulation 9 establishes a government unit called The Special Work Unit for Upstream Oil and Gas Activities (Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi or “SKK Migas”) which assumes BP Migas’ duties until the issuance of the new oil and gas law.

The assets of BP Migas will be utilized by SKK Migas. The same applies to the employees, ie the BP Migas employees now work for SKK Migas.

Although Regulation 9 is silent on BP Migas’ counterparts under Production Sharing Contracts or PSCs, Regulation 95 states that all contracts signed by BP Migas will remain valid until their date of expiry. To control, supervise and evaluate work done by SKK Migas, Regulation 9 establishes a Supervisory Commission (Komisi Pengawas) led by the Minister of ESDM as its Chairman.