

THE LATEST DRAFT OIL AND GAS BILL

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The draft bill on oil and gas is one of the most anticipated regulations to be passed by the House. The following are some of the features of the draft bill:

Government Control

The government will be responsible for the management and supervision of the distribution and transportation of oil and gas through issuance of regulations on, amongst others, policies on oil and gas utilization, reserves and the distribution of oil fuel (Bahan Bakar Minyak – BBM), national BBM reserves, etc.

Natural Oil and Gas Business Agency (Badan Pengusahaan Minyak dan Gas Bumi)

Referred to as the Business Agency (Badan Pengusahaan) in the draft bill, it will obtain its legal establishment status under a law and will be a public legal entity. It will be responsible to the President for supervising upstream oil and gas activities.

Domestic Market Obligations (DMO)

Compared to the current oil and gas law, the draft bill increases the DMO to at least 25% to meet domestic demand. The current law limits DMO to 25%.

Cooperation Contracts

A cooperation contract remains an option under the draft bill with some adjustments. A contract will be valid for 30 years, extendable by the business entity or permanent establishment subject to certain requirements such as approval from the DPR, opening a new area and obtaining at least 30% of current production, and applying more advanced technology or secondary recovery efforts. Extension periods are not specified in the draft bill and therefore might be at the discretion of the DPR.

Cost Recovery

Operating costs to be recovered should cover at least: exploration costs; exploitation costs; gas transportation costs from the production point to the delivery point; and post upstream

activity costs.