

THE USE OF NATURAL GAS FOR ELECTRICAL POWER PLANTS

**(Regulation of the Energy and Mineral Resources Minister of
the Republic of Indonesia No. 11/2017
dated January 27, 2017)**

BY THE GRACE OF GOD ALMIGHTY
THE ENERGY AND MINERAL RESOURCES MINISTER OF
THE REPUBLIC OF INDONESIA,

Considering :

- a. that to increase the use of natural gas in energy mix for electrical power plants as well as to ensure the supply of natural gas at reasonable and competitive prices for the electricity sector, it is necessary to stipulate provisions on the use of natural gas for electrical power plants;
- b. that based on the consideration as referred to in letter a, it is necessary to stipulate a regulation of the Energy and Mineral Resources Minister concerning the Use of Natural Gas for Electrical Power Plants;

In view of :

1. Law No. 22/2001 concerning Natural Oil and Gas (Statute Book of the Republic of Indonesia of 2001 No. 136, Supplement to Statute Book of the Republic of Indonesia No. 4152);
2. Law No. 30/2009 concerning Electricity (Statute Book of the Republic of Indonesia of 2009 No. 133, Supplement to Statute Book of the Republic of Indonesia No. 5052);
3. Government Regulation No. 23/1994 concerning Change in the Model of Electricity Public Corporation (Perum) into State Limited Liability Company (Persero) (Statute Book of the Republic of Indonesia of 1994 No. 34);
4. Government Regulation No. 35/2004 concerning Upstream Oil and Gas Business Activities (Statute Book of the Republic of Indonesia of 2004 No. 123, Supplement to Statute Book of the Republic of Indonesia No. 4435) as already several times amended the latest by Government Regulation No. 55/2009 concerning the

- Second Amendment to Government Regulation No. 35/2004 concerning Upstream Oil and Gas Business Activities (Statute Book of the Republic of Indonesia of 2009 No. 128, Supplement to Statute Book of the Republic of Indonesia No. 5047);
5. Government Regulation No. 36/2004 concerning Downstream Oil and Gas Business Activities (Statute Book of the Republic of Indonesia of 2004 No. 124, Supplement to Statute Book of the Republic of Indonesia No. 4436) as already amended by Government Regulation No. 30/2009 concerning Amendment to Government Regulation No. 36/2004 concerning Downstream Oil and Gas Business Activities (Statute Book of the Republic of Indonesia of 2009 No. 59, Supplement to Statute Book of the Republic of Indonesia No. 4996);
 6. Government Regulation No. 14/2012 concerning Power Supply Business (Statute Book of the Republic of Indonesia of 2012 No. 28, Supplement to Statute Book of the Republic of Indonesia No. 5281) as already amended by Government Regulation No. 23/2014 concerning Amendment to Government Regulation No. 14/2012 concerning Power Supply Business (Statute Book of the Republic of Indonesia of 2014 No. 75, Supplement to Statute Book of the Republic of Indonesia No. 5530);
 7. Government Regulation No. 79/2014 concerning National Energy Policy (Statute Book of the Republic of Indonesia of 2014 No. 300, Supplement to Statute Book of the Republic of Indonesia No. 5609);
 8. Presidential Regulation No. 68/2015 concerning the Energy and Mineral Resources Ministry (Statute Book of the Republic of Indonesia of 2015 No. 132) as already amended by Presidential Regulation No. 105/2016 concerning Amendment to Presidential Regulation No. 68/2015 concerning the Energy and Mineral Resources Ministry (Statute Book of the Republic of Indonesia of 2016 No. 289);
 9. Regulation of the Energy and Mineral Resources Minister No. 19/2009 concerning Natural Gas Business Activities through Pipelines (State Gazette of the Republic of Indonesia of 2009 No. 274);
 10. Regulation of the Energy and Mineral Resources Minister No. 06/2016 concerning Provisions and Procedures of Setting Allocation, Use and Price of Natural Gas (State Gazette of the Republic of Indonesia of 2016 No. 316);
 11. Regulation of the Energy and Mineral Resources Minister No. 13/2016 concerning the Organization and Work Procedure of the Energy and Mineral Resources Ministry (State Gazette of the Republic of Indonesia of 2016 No. 782);

DECIDES :

To stipulate :

REGULATION OF THE ENERGY AND MINERAL RESOURCES MINISTER CONCERNING THE USE OF NATURAL GAS FOR ELECTRICAL POWER PLANTS.

CHAPTER I

GENERAL PROVISIONS

Article 1

Referred to in this Ministerial Regulation as :

1. Natural gas is the result of natural process in the form of hydrocarbon which is in pressure condition and atmosphere temperature in the form of natural gas phase and is obtained from oil and gas mining process.
2. PT Perusahaan Listrik Negara (Persero), hereinafter called PT PLN (Persero), is a state-owned company which was set up based on Government Regulation No. 23/1994 concerning Change in the Model of State Electricity Public Corporation (Perum) into State Limited Liability Company (Persero).
3. Contractor is a corporate body or permanent business establishment which is appointed to conduct exploration and exploitation in a working area based on a cooperation contract with a special working unit of upstream oil and gas business operator.
4. Cooperation contract is a production sharing contract or other model of cooperation contract in exploration and exploitation which is more beneficial to the state and the outcome is used for the greatest benefit of the people's prosperity.
5. Gas commercial permit-holding corporate body is a gas commercial permit-holding corporate body which is engaged in gas commerce in a certain commercial area with the aim of making profit.
6. Electrical power plant corporate body is an electrical power producer other than PT PLN (Persero) which signs an electrical power sales purchase agreement with PT PLN (Persero).
7. Liquefied Natural Gas, hereinafter abbreviated into LNG, is natural gas which primarily consists of methane which is liquefied at very low temperature (around minus 160°C) and is kept in liquefied condition to facilitate its transportation and hoarding.
8. Compressed Natural Gas, hereinafter abbreviated into CNG, is gas fuel which is derived from natural gas

with methane (C1) as its main element compressed, maintained and stored in vessel with special pressure to facilitate its transportation and hoarding.

9. Minister is the minister in charge of carrying out government affairs in the fields of energy and mineral resources.
10. Special Task Force for Upstream Oil and Gas Business, hereinafter called SKK Migas, is the operator of upstream oil and gas management in the oil and gas sector based on a cooperation contract under the guidance, coordination and supervision of the Minister. .

Article 2

This Ministerial Regulation carries provisions on the use of natural gas for electrical power plants owned by PT PLN (Persero) and electrical power corporations in the electrical power system.

CHAPTER II

ALLOCATION OF NATURAL GAS FOR ELECTRICAL POWER PLANTS

Article 3

- (1) The allocation and use of natural gas for electrical power plants are set as part of the effort to meet the domestic supply of electrical power.
- (2) The allocation of natural gas for electrical power plants can directly be given to PT PLN (Persero) or electrical power corporation.
- (3) In addition to the natural gas allocation obtained as referred to in paragraph (2), , PT PLN (Persero) or electrical power corporation can buy natural gas from gas commercial permit-holding corporate body receiving natural gas allocation, provided the corporate body provides natural gas facilities or infrastructure.

CHAPTER III

PERIOD OF NATURAL GAS SALE PURCHASE AGREEMENT

Article 4

- (1) To build an electrical power plant, PT PLN (Persero) and electrical power corporation shall ensure the allocation/supply of natural gas in accordance with the age of the electrical power plant for 20 (twenty) years.
- (2) The allocation/supply of natural gas as referred to in paragraph (1) shall preferably come from a contractor.

- (3) If the allocation/supply of natural gas comes from a contractor as referred to in paragraph (2), the contractor shall ensure the fulfillment of a natural gas sales purchase agreement in accordance with the period of the natural gas sales purchase agreement.
- (4) If the allocation/supply of natural gas from the contractor as referred to in paragraph (2) does not reach 20 (twenty) years, PT PLN (Persero) and electrical power corporation can meet the shortage of allocation/supply of natural gas from other sources.

CHAPTER IV

DEVELOPMENT OF ELECTRICAL POWER PLANTS USING WELLHEAD NATURAL GAS

Article 5

- (1) To use wellhead natural gas for electrical power plant, the procurement of electrical power plant can be done through :
 - a. direct appointment; or
 - b. public tender.
- (2) The procurement of electrical power plant using wellhead natural gas through the direct appointment as referred to in paragraph (1) letter a, is done on condition :
 - a. the highest natural gas price is 8% (eight percent) ICP/MMBTU at electrical power plant (plant gate);
 - b. there is sufficient allocation/supply of natural gas in accordance with the period of natural gas sales purchase agreement;
 - c. investment cost of electrical power plant is depreciated for at least 20 (twenty) years and
 - d. efficiency of electrical power plant with specific fuel consumption (SFC) is equal to high speed diesel (HSD) at 0,25 (zero point twenty) liter/kWh.
- (3) The procurement of electrical power plant using wellhead natural gas through a public tender as referred to (1) letter b, is done if the price of natural gas is higher than 8% (eight percent) ICP/MMBTU.
- (4) The electrical power interconnection point for electrical power plant in wellhead is located at the nearest main relay station.

CHAPTER V

PRICE OF NATURAL GAS

Article 6

- (1) To use natural gas for the domestic supply of electrical power, the Minister shall set the price of natural gas for electrical power plants.
- (2) The price of natural gas as referred to in paragraph (1) is set by taking into account:
 - a. field economy;
 - b. the prices of natural gas at domestic and international markets;
 - c. the purchasing power of domestic gas consumers; and
 - d. value added of the domestic use of natural gas.

Article 7

- (1) The price of natural gas for electrical power plants is calculated based on the field economic value of natural gas without escalation.
- (2) If the price of natural gas as referred to in paragraph (1) needs escalation, it shall be set based on an agreement.

Article 8

- (1) If there has been downstream natural gas infrastructure at electrical power plant, the valid price shall be the price at the electrical power plant (plant gate).
- (2) The price of natural gas at electrical power plant (plant gate) as referred to in paragraph (1) covers upstream natural gas price and natural gas distribution cost.
- (3) If the delivery point of natural gas sales is other than electrical power plant (plant gate), it shall be done as follows:
 - a. contractor shall distribute natural gas until the delivery point; and
 - b. PT PLN (Persero), electrical power corporate body or commercial permit-holding corporate body shall sign a contract for the distribution of natural gas from the delivery point to the electrical power plant (plant gate) with the owner of the pipes.
- (4) If there has not been downstream natural gas infrastructure at electrical power plant, the valid price is the upstream natural gas price..

Article 9

- (1) PT PLN (Persero) or electrical power corporate body can buy natural gas at the highest price of 11.5% (eleven point five percent) ICP/MMBTU if electrical power plant is not in the wellhead.
- (2) If the price of natural gas exceeds 11.5% (eleven point five percent) ICP/MMBTU, PT PLN (Persero) or electrical power corporate body can use LNG.
- (3) The price of LNG for electrical power plant is calculated based on the field economic value and uses a formula agreed upon at free on board (FoB) price..
- (4) If the price of domestic LNG as referred to in paragraph (3) is higher than 11.5% (eleven point five percent) ICP/MMBTU (parity to oil) free on board (FoB), PT PLN (Persero) or electrical power corporation can import LNG, provided the price of LNG to be imported is a maximum of 11.5% (eleven point five percent) ICP/MMBTU at the regasification terminal of buyer (landed price) in accordance with the law and regulation.
- (5) If the price of LNG to be imported is above 11.5% (eleven point five percent) ICP/MMBTU (landed price), PT PLN (Persero) or electrical power corporation can buy pipe gas at a price of more than 11.5% (eleven point five percent) ICP/MMBTU (parity to oil) or buy domestic LNG at a price of higher than 11.5% (eleven point five percent) ICP/MMBTU (parity to oil) free on board (FoB).

CHAPTER VI

TARIFFS FOR THE DISTRIBUTION OF NATURAL GAS

Article 10

- (1) The distribution of natural gas can be done through :
 - a. natural gas pipeline; or
 - b. mode of distribution of natural gas other pipes.
- (2) The distribution of natural gas through the mode of distribution of natural gas other than pipes as referred to in paragraph (1) letter b can cover ship, barge, truck or other modes of transportation other than natural gas pipelines.

Article 11

- (1) The tariff for the distribution of natural gas through gas pipelines as referred to in Article 10 paragraph (1) letter a is set in accordance with the law and regulation. .

- (2) The tariff for the distribution of gas through mode of transportation other than pipelines as referred to in Article 10 paragraph (1) letter b is calculated based on the economic or competitive market value.

CHAPTER VII

GUARANTEE

Article 12

- (1) Natural gas commercial permit-holding corporate body shall provide guarantee in the form of :
- a. reliable supply/allocation of natural gas; and
 - b. reliable transportation of natural gas.
- (2) PT PLN (Persero) or electrical power corporation in the capacity as natural gas buyer shall guarantee punctual payment.

CHAPTER VIII

NATURAL GAS SALES PURCHASE AGREEMENT

FOR ELECTRICAL POWER AGREEMENT

Article 13

- (1) To distribute natural gas for electrical power plants, PT PLN (Persero) or electrical power corporation as a natural gas buyer shall sign a natural gas sales purchase agreement with contractor or natural gas commercial permit-holding corporate body as a natural gas seller.
- (2) The natural gas sales purchase agreement as referred to in paragraph (1) shall at least contain:
- a. source of supply;
 - b. volume and specification;
 - c. natural gas price;
 - d. contract period;
 - e. price review;
 - f. mechanism of distributing natural gas; and
 - g. rights and obligations of natural gas buyer and seller.
- (3) Sale purchase agreement for natural gas in the form of LNG and CNG for electrical power plants shall be realized based on the review of daily volume and merit order from electrical power plant which will join the

electrical power network system.

- (4) To realize the merit order as referred to in paragraph (3) PT PLN (Persero) or electrical power corporate body can provide infrastructure to convert natural gas into CNG.
- (5) Natural gas sales purchase agreement for PT PLN (Persero) can be multi-destinations or can be intended for units of electrical power plant owned by PT PLN (Persero) in any location.

CHAPTER IX

TRANSITIONAL PROVISIONS

Article 14

- (1) The allocation and price of natural gas for electrical power plants which have been decided and/or agreed upon before this Ministerial Regulation takes effect shall remain valid until the decision or agreement ends.
- (2) Application for the designation of allocation and price of natural gas already filed before this Ministerial Regulation is promulgated can be processed to receive approval or rejection of location and price of natural gas.

CHAPTER X

CONCLUSION

Article 15

This Ministerial Regulation shall come into force as from the date of stipulation.

For public cognizance, this Ministerial Regulation shall be promulgated by placing it in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta

On January 27, 2017

THE ENERGY AND MINERAL RESOURCES MINISTER

OF THE REPUBLIC OF INDONESIA,

sgd.

IGNASIUS JONAN

Promulgated in Jakarta

On January 30, 2017

THE DIRECTOR GENERAL OF
LAWS AND REGULATIONS OF
THE LAW AND HUMAN RIGHTS MINISTRY OF A
THE REPUBLIC OF INDONESIA,

sgd.

WIDODO EKATJAHJANA

STATE GAZETTE OF THE REPUBLIC OF INDONESIA
OF 2017 NO. 188

(S)