

THE PRICING OF NATURAL GAS

(Regulation of the President of the Republic of Indonesia No. 40/2016 dated May 3, 2016)

BY THE GRACE OF ALMIGHTY GOD

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering :

That to boost the economic growth at a faster pace, improve the competitive edge of the national industry through the use of natural gas, and ensure an efficient and effective natural gas pipeline system, it is necessary to stipulate Presidential Regulation concerning the Pricing of Natural Gas.

In view of :

1. Article 4 paragraph (1) of the Constitution of the Republic of Indonesia of 1945;
2. 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);
3. Law No. 30/2007 concerning Energy (Statute Book of the Republic of Indonesia of 2007 No. 96, Supplement to Statute Book of the Republic of Indonesia No. 4746);
4. Law No. 3/2014 concerning Industry (Statute Book of the Republic of Indonesia of 2014 No. 4, Supplement to Statute Book of the Republic of Indonesia No. 5492);
5. 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 twice amended the latest by Government Regulation No. 55/2009 (Statute Book of the Republic of Indonesia of 2009 No. 128, Supplement to Statute Book of the Republic of Indonesia No. 5047);
6. 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 (Statute Book of the Republic of Indonesia of 2009 No. 59, Supplement to Statute Book of the Republic of Indonesia No. 4996).

DECIDES :

To stipulate :

PRESIDENTIAL REGULATION CONCERNING THE PRICING OF NATURAL GAS.

Article 1

Referred to in this Presidential Regulation as :

1. Natural gas is the result of natural process in the form of hydrocarbon under atmosphere pressure and temperature in the form of gas phase obtained from natural oil and gas mining process.
2. Natural gas price is a gas price set by the Minister used as the basis for the calculation of production sharing in a cooperation contract and the basis for the calculation of natural gas originating from the realization of natural oil and gas cooperation contract.
3. Certain natural gas price is a natural gas price set by the Minister for natural gas users engaged in the industrial field according to provisions in this Presidential Regulation.
4. Contractor is a corporate body or permanent business establishment appointed to conduct exploration and exploitation in a working area based on a cooperation contract with the Upstream Oil and Gas Regulatory Special Task Force.
5. Natural gas commercial business permit holder is a corporate body holding a natural gas commercial business permit to engage in natural gas commercial business in a certain commercial zone to make profit.
6. Minister is the minister in charge of carrying out administrative affairs in the oil and gas field.
7. Upstream Oil and Gas Regulatory Special Task Force, hereinafter called SKK Migas, is a body in charge of regulating upstream oil and gas business activities based on a cooperation contract under the guidance, coordination and supervision of the Minister.

Article 2

- (1) To use natural gas, the Minister shall set natural gas prices.
- (2) The Minister shall set the natural gas prices as referred to in paragraph (1) by taking into account :
 - a. economic element in the field;
 - b. domestic and international natural gas prices;
 - c. purchasing power of domestic natural gas consumers; and
 - d. added value from the domestic use of natural gas.

- (3) The procedure of natural gas pricing as referred to in paragraphs (1) and (2) shall be stipulated by the Minister.

Article 3

- (1) If the natural gas prices as referred to in Article 2 cannot meet the industrial economic factor of natural gas users and are higher than US\$6/MMBTU, the Minister can set certain natural gas prices.
- (2) The certain natural gas prices as referred to in paragraph are set by taking into account :
- natural gas supplies for industries using natural gas; and
 - national economic growth through the use of natural gas to increase added value that can be given by the industries using natural gas as referred to in letter a.

Article 4

- (1) The certain natural gas prices set as referred to in Article 3 are intended for natural gas users engaged in :
- fertilizer industry;
 - petrochemical industry;
 - oleochemical industry;
 - steel industry;
 - ceramic industry;
 - glass industry; and
 - rubber glove industry.
- (2) A change in natural gas users entitled to certain natural gas prices as referred to in paragraph (1) shall be decided by the Minister after coordinating with the minister in charge of government affairs in the industrial field.

Article 5

- (1) Certain natural gas prices for natural gas users as referred to in Article are set by adjusting the prices of natural gas bought from contractors.
- (2) The adjustment of the prices of natural gas bought from contractors as referred to in paragraph (1) is made to natural gas bought by natural gas users:
- directly from contractors; or

- b. through natural gas commercial business permit holders.
- (3) Natural gas commercial business permit holders shall adjust the prices of natural gas sold to natural gas users according to the adjusted prices of natural gas bought from contractors as referred to in paragraph (2).

Article 6

- (1) Certain natural gas prices set as referred to in Article 3 do not affect the amount of revenues that constitute contractors' portion.
- (2) The Chief of SKK Migas shall calculate state revenues as a result of certain natural gas prices by coordinating with the Minister and the minister in charge of government affairs in the field of state finance.
- (3) The amount of state revenues as referred to in paragraph (2) is based on certain natural gas prices after calculating the amount of revenues that becomes the contractor's portion.

Article 7

- (1) The Minister shall endorse a list of certain natural gas users as referred to in Article 4 paragraph (1) after receiving a recommendation from the minister in charge of government affairs in the industrial field.
- (2) The procedure of endorsing certain natural gas users contained in the list as referred to in paragraph (1) is to be provided for in a regulation of the Minister.

Article 8

- (1) In setting certain natural gas prices, the Minister shall endorse tariffs for the distribution of natural gas covering costs arising from liquefaction cost, compression cost, cost of transportation through transmission and distribution pipes, transportation of liquefied natural gas and transportation of compressed natural gas, storage, regasification, and/or commerce and fair margin.
- (2) Further provisions on the procedure of setting natural gas distribution tariffs as referred to in paragraph (1) are to be provided for in a regulation of the Minister.

Article 9

- (1) The Minister shall evaluate certain natural gas prices every year or any time by taking into the condition of the domestic economy.
- (2) In evaluating certain natural gas prices as referred to in paragraph (1), the Minister shall set up a coordina-

tion team comprising representatives from the ministry in charge of coordinating government affairs in the field of economy, the ministry in charge of government affairs in the field of energy and mineral resources, the ministry in charge of financial affairs and the ministry in charge of government affairs in the industrial field.

Article 10

This Presidential Regulation shall come into force as from the date of promulgation and be made retro-active as of January 1, 2016.

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

Stipulated in Jakarta,

On May 3, 2016

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

sgd.

JOKO WIDODO

Promulgated in Jakarta,

On May 10, 2016

THE LAW AND HUMAN RIGHTS MINISTER OF

THE REPUBLIC OF INDONESIA,

sgd.

YASONNA H. LAOLY

STATUTE BOOK OF THE REPUBLIC OF INDONESIA

OF 2016 NO. 89

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