

# OIL AND GAS DOWNSTREAM BUSINESS

(Government Regulation No. 36/2004 dated October 14, 2004)

PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering:

that, to enforce the provisions of Articles 8 paragraph (1), 30, 43, and 49 of Law No. 22/2001 on Oil and Gas, it is necessary to stipulate Government Regulation on Oil and Gas Downstream Business.

In view of:

1. Article 5 paragraph (2) of the 1945 Constitution as amended by Fourth Amendment to the 1945 Constitution (BN No. 6806 p. 17A-19A and so forth);
2. Law No. 22/2001 on Oil and Gas (Statute Book of 2001 No. 136, Supplement No. 4152);
3. Government Regulation No. 67/2002 (BN No. 6912 p. 22A-29A) on Agency for the Regulating of Oil Fuel Provision and Distribution and Transportation of Oil and Gas By Pipe (Statute Book of 2002 No. 141, Supplement No. 4253).

## D E C I D E S :

To stipulate:

GOVERNMENT REGULATION ON NATURAL OIL AND GAS  
DOWNSTREAM BUSINESS

### CHAPTER I GENERAL PROVISIONS

#### Article 1

Hereinafter referred to as:

1. Oil, Gas, Oil and Gas, Oil Fuel, Upstream Business, Downstream Business, Processing, Transportation, Storage, Trade, Corporate Body, Permanent Establishment, Business License, Central Government (hereinafter is called "Government"), Regional Government, Regulating Agency, and Minister are as stipulated in Law No. 22/2001 on Oil and Gas.
2. Gas Fuel is fuel used in transportation originating from Gas and/or output of processing Oil and Gas.

3. Other Fuel is fuel in liquid or gas form originating from sources other than Oil, Gas, and Processing Output.

4. LPG is hydrocarbon gas liquefied by pressure to enable storage, transportation, and handling, which, basically consists of propane, butane, or a mix of propane and butane.

5. LNG is Gas consisting mainly of methane liquefied at a very low temperature (around minus 160°C) and maintained in liquid form to enable transportation and loading.

6. Processing Output is the output and/or product other than Oil and/or Gas Fuel acquired from Oil and Gas Processing business, either in the form of finished or intermediary products, except lubricant and petrochemical products.

7. Strategic Oil Deposit is a specific quantity of Oil as determined by the Government which must be available at any time for raw materials needed by domestic Processing to support availability and distribution of Oil Fuel domestically.

8. National Oil Fuel Reserve is a specific quantity of Oil Fuel to support the availability of Oil Fuel domestically.

9. Field Processing is the activity of processing of self production output as a continuation and/or a series of activities of exploration and exploitation of Oil and Gas as far as it is not intended to obtain gain and/or profit or for commercial purpose.

10. Transportation of Gas By Pipe is the activity of channelling of Gas by pipe which consists of transmission and/or transmission and distribution through channelling pipe and tools operated and/or managed as an integrated unit of system.

11. Mother Plan on National Gas Transmission and Distribution Network is a document on plan on development and construction of Gas transmission and distribution network in the Unitary State of the Republic of Indonesia adjustable every year.
12. Transmission Segment is a specific segment of Gas transmitting pipe network which is part of the Mother Plan on National Gas Transmission and Distribution Network.
13. Distribution Network Area is a certain area of Gas distribution network which is part of the Mother Plan on National Gas Transmission and Distribution Network.
14. Privilege is a right granted by the Regulating Agency to a Corporate Body to Transport Gas By Pipe on Transmission Segment and/or Distribution Network Area based on tender.
15. Tariff is the cost collected in relation to Transportation Gas By Pipe.
16. Wholesale Trading is the business of selling, purchasing, exporting, and importing of Oil Fuel, Gas Fuel, other Fuels and/or Processing Output in large quantity which controls or has storage facility and means and is entitled to distribute to all final users using a specific trademark.
17. Trading is the business of selling, purchasing, exporting, and importing of Oil Fuel, Gas Fuel, Other Fuels and/or Processing Output in large quantity, which does not control or have any storage facility and means and may only distribute to users having/controlling seaports and/or receiving terminals.
18. Oil Fuel Scarcity is a condition of unfulfilled need of the society for Oil Fuel in certain areas and at certain times.
19. Remote Area is an area which is difficult to be reached with limited transportation means/infrastructure and which economy of the society has not been developed so that it requires high cost to distribute Oil Fuel.

## CHAPTER II

### OPERATION OF DOWNSTREAM BUSINESS

#### Article 2

Downstream Business shall be operated by a Corporate Body which has obtained Business License issued by the Minister based on a fair, healthy, and transparent competition.

#### Article 3

The Government shall do the regulating, development, and supervision over the operation of Downstream Business as referred to in Article 2.

#### Article 4

The regulating and development, as referred to in Article 3, implemented by the Minister consist of:

- a. Business Licenses granted to Corporate Bodies;
  - b. Type, standard, and quality of Oil Fuel, Gas, Gas Fuel, Other Fuels, and Processing Output;
  - c. Guarantee of availability and smooth distribution of Oil Fuel across the Unitary State of the Republic of Indonesia;
  - d. Exploitation of Gas for domestic need;
  - e. Strategic Oil Deposit to support the availability of Oil Fuel domestically;
  - f. Policy on National Oil Fuel Reserve;
  - g. Mother Plan on National Gas Transmission and Distribution Network;
  - h. Techniques of work safety and health, environmental treatment, and development of the local society.
- Mechanism and/or formulation of prices of Gas Fuel and certain Oil Fuels before those prices are assigned to fair and healthy competition;
- j. Availability and distribution of certain types of Oil Fuel;
  - k. Improvement of national capacity;
  - l. Utilization of local commodities, services, technology, and engineering and design capacity.

#### Article 5

The provisions as set forth in Article 4 paragraphs c, d, f, h, and l shall be in accordance with inputs of the Regulating Agency and/or related institution.

#### Article 6

Supervision, as referred to in Article 3, implemented by the Minister, consists of:

- a. Type, standard, and quality of Oil Fuel, Gas, Gas Fuel, Other Fuels, and Processing Output;
- b. Work safety and health and environmental treatment;
- c. Employment of foreign workers and development of Indonesian workers;
- d. Utilization of local commodities, services, technology, and engineering and design capacity;
- e. Improvement of the environment and local society;
- f. Mastery, development, and application of Oil and Gas technology;
- g. Enforcement of Business License in addition to the supervision implemented by the Regulating Agency;
- h. Good technical rules;
- i. Utilization of measuring tools and system in Downstream Business.

#### Article 7

The Regulating Agency shall implement regulating and supervision over provision and distribution of Oil Fuel and transportation of Gas by Pipe operated by Corporate Bodies which have obtained Business License from the Minister.

#### Article 8

- (1) The regulating of the provision and distribution of Oil Fuel, as referred to in Article 7, includes:
- a. Determining of obligations of Corporate Bodies which will obtain or have obtained Business License from the Minister so that the availability and distribution of Oil Fuel as stipulated by the Government can be guaranteed across the Unitary State of the Republic of Indonesia;
  - b. Determining of obligations of the Corporate Bodies which will obtain or have obtained Business License from the Minister to provide and distribute Oil Fuel in areas which market mechanism has not been running well and in Remote Areas in the framework of regulating of availability of Oil Fuel across the Unitary State of the Republic of Indonesia;
  - c. Determining of allocation of Oil Fuel Reserve of each Corporate Body according to Business License to fulfil National Oil Fuel Reserve;
  - d. Determining of joint exploitation including mechanism of determining of tariff of Oil Fuel Transportation and Storage facilities including their sup-

porting facilities owned by Corporate Bodies, especially in very necessary conditions where Oil Fuel is scarce and/or to support optimal provision and distribution of Oil Fuel in Remote Areas;

- e. Calculating and determining of amount of contribution of Corporate Bodies organizing business in the provision and distribution of Oil Fuel according to the volume of Oil Fuel which is traded based on the formula as stipulated in Government Regulation;
- f. Settling of disputes arising relating to Oil Fuel Trading.

- (2) In case that the dispute settlement conducted by the Regulating Agency, as referred to in paragraph (1) clause f is unacceptable to the Corporate Body or the parties, the Corporate Bodies or the parties may file a petition to the Lower Court of Central Jakarta.

#### Article 9

- (1) The regulating of transportation of Gas by pipe, as referred to in Article 7, includes:
- a. Determining of Transmission Segment and Distribution Network Area based on technical and economic aspects to be sold in tender to Corporate Bodies having License to Transport Gas By Pipe;
  - b. Granting of privilege in transportation of Gas by pipe on Transmission Segment and in Distribution Network Area in a tender based on the Mother Plan on National Gas Transmission and Distribution Network;
  - c. Determining of tariff according to techno-economic principle;
  - d. Determining of prices of Gas for household and retail consumers according to the economic value of the Corporate Body and people's purchasing capacity and power;
  - e. Determining and applying of system of information of management and regulating account of Corporate Bodies transporting Gas by pipe;
  - f. Calculating and determining of the amount of contribution of Corporate Bodies operating Transportation of Gas by pipe according to the transported and distributed Gas based on the formula as stipulated in Government Regulation;

- g. Settling of disputes arising against holders of privilege in and/or relating to transportation of Gas by pipe.

(2) In case that the dispute settlement conducted by the Regulating Agency, as referred to in paragraph (1) clause g, is unacceptable to the Corporate Bodies or the parties, the Corporate Bodies or the parties may file petition to the Lower Court of Central Jakarta.

#### Article 10

(1) Supervision over the provision and distribution of Oil Fuel and transportation of Gas by pipe, as meant in Article 7, shall be done on Corporate Bodies.

(2) The supervision performed by the Regulating Agency, as referred to in paragraph (1), includes:

- a. Provision and distribution of Oil Fuel and/or transportation of Gas by pipe;
- b. Joint exploitation of facilities of Oil Fuel transportation and storage and transportation of Gas by pipe and supporting facilities of the Corporate Bodies;
- c. Enforcement of Privilege in transportation of Gas by pipe;
- d. Prices of Gas for household and small consumers.

(3) The supervision, as referred to in paragraph (2) clauses a and b, includes giving of opinion to the Minister in determining sanctions on breaches against Business License committed by Corporate Bodies.

#### Article 11

Further provisions on enforcement of Articles 8, 9, and 10 will be stipulated in Decree and Guidelines of the Regulating Agency.

### CHAPTER III

### BUSINESS LICENSE

#### Article 12

Downstream Business includes:

- a. Processing business, which consists of activities of purifying, acquiring of parts, improving of quality, and increasing of added value of Oil and Gas producing Oil Fuel, Gas Fuel, Processing Output, LPG and/or LNG (but not including Field Processing);

- b. Transportation business, which consists of activities of transporting of Oil, Gas, Oil Fuel, Gas Fuel and/or Processing Output, either by land, water and/or air, including Transportation of Gas by Pipe from one place to another for commercial purpose;

- c. Storage business, which consists of activities of receiving, collecting, accommodating, and releasing of Oil, Oil Fuel, Gas Fuel, and/or Processing Output at the location on top of and/or below land surface and/or water surface for commercial purpose;

- d. Trading business, which consists of activities of purchasing, selling, exporting, and importing of Oil, Oil Fuel, Gas Fuel, and/or Processing Output, including Gas transported by pipe.

#### Article 13

(1) Downstream Business, as referred to in Article 12, shall be operated by Corporate Bodies after obtaining Business License from the Minister.

(2) The Minister may assign the authority of grant of Business License for certain businesses, as referred to in paragraph (1) as will be further stipulated in Decree of the Minister.

#### Article 14

(1) The submission and grant of Business License, as referred to in Article 13 paragraph (1), are decided as follows

- a. Processing business producing Oil Fuel, Gas Fuel, and/or Processing Output shall be submitted to and granted by the Minister;
- b. Transportation of Oil, Oil Fuel, Gas Fuel, and/or Processing Output including transportation of Gas by pipe shall be submitted to and granted by the Minister;
- c. Storage of Oil, Oil Fuel, Gas Fuel, and/or Processing Output shall be submitted to and granted by the Minister;
- d. Trading of Oil, Gas, Oil Fuel, Gas Fuel, and/or processing Output shall be submitted to and granted by the Minister.

(2) Carbon copies of the License to Process Oil Fuel,

License to Transport Gas by Pipe, License to Store Oil Fuel, License to Trade Gas, and License to Trade Oil Fuel, as referred to in paragraph (1) clauses a, b, c, and d shall be furnished to the Regulating Agency.

- (3) The Business License, as referred to in paragraph (1) clause d, consists of Wholesale Trading Business License and Trading Business License.

#### Article 15

- (1) To obtain the Business Licenses, as referred to in Article 13, a Corporate Body must submit an application to the Minister by enclosing administrative and technical requirements, which, at least, contain:
- Name of operator;
  - Line of business proposed;
  - Obligation to comply with operational procedure;
  - Information regarding plan and technical requirements relating to the business.
- (2) The Minister will further stipulate terms and guidelines for the implementation of the Business Licenses, as meant in paragraph (1).

#### Article 16

- (1) In case that a Corporate Body operates Processing business with transportation, storage, and/or trading businesses secondary to its Processing business, the said Corporate Body shall only be obliged to have Processing Business License.
- (2) In case that the Corporate Body, as meant in paragraph (1), operates Wholesale Trading business, it must obtain a Wholesale Trading Business License, in advance.
- (3) In case that the Corporate Body operates Processing business with transportation, storage, and trading businesses not secondary to its Processing Business, the Corporate Body must obtain Processing Business License, Transportation Business License, Storage Business License, and Wholesale Trading Business License or Trading Business License.

#### Article 17

In case that the Corporate Body operates trans-

portation Gas by pipe on Transmission Segment or Distribution Network Area, it must have Privilege from the Regulating Agency.

#### Article 18

- (1) In case that the Corporate Body operates Storage business with transportation business to support its Storage business, it will be given a Storage Business License, and Transportation Business License is not required.
- (2) In case that the Corporate Body operates Storage business with Transportation business not secondary to its Storage business, it must obtain Storage Business License and/or Transportation Business License.

#### Article 19

- (1) In case that the Corporate Body operates Trading Business with storage and/or transportation business secondary to its Trading business, it will be granted Trading Business License, and Storage Business License and/or Transportation Business License are not required.
- (2) In case that the Corporate Body operates Trading business with storage and/or transportation business not secondary to its Trading business, it must obtain Wholesale Trading Business License or Trading Business License, Storage Business License and/or Transportation Business License.

### CHAPTER IV PROCESSING

#### Article 20

Corporate Body that will operate business of Processing of Oil, Gas, and/or Processing Output must have a Processing Business License from the Minister.

#### Article 21

In operating Processing business, the Corporate Body must guarantee work safety and health, environmental treatment, and development of local society and must guarantee that the finished products meet the standard of quality pursuant to the laws in force.

#### Article 22

A Corporate Body being holder of Processing Business License must submit report to the Minister and the Regulating Agency on annual plan, monthly realization, and cease of operation to maintain Processing facilities and means in the framework of maintaining of availability of Oil Fuel.

#### Article 23

(1) In operating Processing business, the Corporate Body has to observe national interest relating to fulfilment of need for Oil Fuel and Gas Fuel domestically.

(2) In case of shortage in the fulfilment of need for Oil Fuel, as referred to in paragraph (1), the Minister may appoint and assign a certain Corporate Body to increase production of Oil Fuel according to technical and economic aspects of the Corporate Body.

#### Article 24

(1) Processing of Gas into LNG, LPG, and Gas to Liquefied (GTL) is classified as and/or construed as Downstream Business as long as it is intended to acquire gain and/or profit and is not secondary to Upstream Business.

(2) The business of Processing of Gas, as referred to in paragraph (1), shall be operated by a Corporate Body after obtaining Business License from the Minister.

#### Article 25

The Processing of Oil, Gas, and/or Processing Output to produce lubricant and petrochemical products will be stipulated and operated jointly by the Minister and the minister of industry.

### CHAPTER V TRANSPORTATION

#### Article 26

Corporate Body which will operate business of Transportation of Oil, Gas, Oil Fuel, Gas Fuel, and/or Processing Output must have a Transportation Business License from the Minister.

#### Article 27

Transportation of Gas by pipe shall be operated

by a Corporate Body after receiving a Privilege from the Regulating Agency.

#### Article 28

In operating Transportation business, the Corporate Body must guarantee work safety and health, environmental treatment, and development of local society in accordance with the laws in force.

#### Article 29

The Corporate Body, in operating Transportation business by means of land transportation in addition to pipes, shall prioritise the utilization of transports owned by cooperatives, small enterprises and/or national private enterprises through selection process.

#### Article 30

A Corporate Body being holder of Transportation Business License must submit report to the Minister once a month regarding plan and realization of its business, which includes, type, quantity, and operation, or at any time if necessary, with a carbon copy to the Regulating Agency.

#### Article 31

(1) The Corporate Body must give an opportunity to another party to share the utilization of facilities and means of transportation of Gas by pipe owned by it according to technical and economic aspects.

(2) In case of Scarcity of Oil Fuel, and in Remote Areas, to reduce cost of distribution, the Corporate Body must give an opportunity to another party to share the utilization of facilities and means of Transportation owned by it according to technical and economic aspects.

(3) The joint utilization of facilities and means of Transportation, as meant in paragraphs (1) and (2) will be further stipulated, ruled, and supervised by the Regulating Agency in accordance with technical and economic aspects.

#### Article 32

A Corporate Body being holder of Transportation Business License must submit report to the Regulating Agency on plan and realization of transportation of

Gas by pipe including utilization of facilities and means of transportation of Gas by pipe every month, or if necessary with a carbon copy to the Minister.

#### Article 33

The regulating, designation, and supervision over Tariff shall be conducted by the Regulating Agency in accordance with economic calculation of the Corporate Body and users' and consumers' interests.

#### Article 34

- (1) In operating business of transportation of Gas By Pipe, the Corporate Body must comply with the Mother Plan on National Gas Transmission and Distribution Network.
- (2) The Mother Plan on National Gas Transmission and Distributions Network shall be stipulated by the Minister according to inputs of the Regulating Agency and the Corporate Body and in observance of Government's interest in enhancing the domestic market.
- (3) The Regulating Agency shall grant Privilege for the transportation of Gas By Pipe on Transmission Segment and Distribution Network Area to the Corporate Body based on the Mother Plan on National Gas Transmission and Distribution Network.

#### Article 35

A Corporate Body operating business of transportation of Gas by Pipe may increase the capacity of its facilities and means of transportation after obtaining Privilege adjustment.

#### Article 36

- (1) Transportation of gas which is not classified as Upstream Business and is used to transport gas produced by the contractor and is not construed as a business intended to acquire gain and/or profit, is construed as Upstream Business, and Business License is not required.
- (2) The business of transportation of gas intended to acquire gain and/or profit and/or used jointly with another party by collecting fee or lease or joint imposi-

tion of cost commercially, is construed as Downstream Business and must obtain Business License and Privilege.

### CHAPTER VI

#### STORAGE

##### Article 37

A Corporate Body operating business of Storage of Oil, Gas, Oil Fuel, Gas Fuel, and/or Processing Output must obtain Storage Business License from the Minister.

##### Article 38

In operating Storage business, the Corporate Body must guarantee work safety and health, environmental treatment, and development of local society in accordance with the laws in force.

##### Article 39

A Corporate Body being holder of Storage Business License must submit report to the Minister on plan and realization of Storage business including type, quantity, and/or quality of commodities stored once in every 3 (three) months or at any time required with a carbon copy to the Regulating Agency.

##### Article 40

- (1) The Corporate Body must give an opportunity to another party to share the utilization of Storage facility owned by the Corporate Body according to technical and economic aspects.
- (2) In areas where Oil Fuel is scarce and in Remote Areas, the Corporate Body must give an opportunity to another party to share the utilization of Storage facility owned by the Corporate Body according to technical and economic aspects.
- (3) The joint utilization of the Storage facility, as referred to in paragraphs (1) and (2), will be further ruled and stipulated by the Regulating Agency.

##### Article 41

- (1) A Corporate Body which operates Storage business may add and increase capacity of the facilities and means of Storage after obtaining adjustment of its Business License.

- (2) The adjustment of Business License, as referred to in paragraph (1), must obtain recommendation from the Regulating Agency, in advance.

#### Article 42

- (1) A Corporate Body operating business of Storage of LNG must have License to Store LNG.
- (2) The Minister shall determine terms and guidelines on grant of the Business License, as referred to in paragraph (1).

### CHAPTER VII

#### TRADING

##### Article 43

A Corporate Body which will Trade Oil, Gas, Oil Fuel, Gas Fuel, Other Fuels, and/or Processing Output must have a Trading Business License from the Minister.

##### Article 44

In operating Trading business, a Corporate Body must:

- a. Guarantee the availability of Oil Fuel, Gas Fuel, Other Fuels, and/or Processing Output constantly in its Trade distribution network;
- b. Guarantee the availability of Gas by pipe constantly in its Trade distribution network;
- c. Guarantee the selling prices of Oil Fuel, Gas Fuel, Other Fuels, and/or Processing Output at a fair rate;
- d. Guarantee the provision of adequate Trade facility;
- e. Guarantee the standard and quality of Oil Fuel, Gas Fuel, Other Fuels, and/or Processing Output as determined by the Minister;
- f. Guarantee and responsible for the accuracy of the measurement system used;
- g. Guarantee the utilization of qualified tools.

##### Article 45

A Corporate Body being holder of Trading Business License must submit report to the Minister on realization of Trading business once a month or at any time if required with a carbon copy to the Regulating Agency.

##### Article 46

- (1) To the Corporate Body operating business of Trading

of Oil Fuel, Gas Fuel, Other Fuels, and/or Processing Output, as referred to in Article 43, may be granted a Wholesale Trading Business License or Trading Business License.

- (2) The Corporate Body being holder of Wholesale Trading Business License, as referred to in paragraph (1), may operate trading business to serve certain consumers (big consumers).

##### Article 47

- (1) A Corporate Body being holder of Wholesale Trading Business License must have and/or control facilities and means of storage and security of supply from domestic and/or foreign sources.
- (2) The Minister may determine the minimum capacity of storage facility, as referred to in paragraph (1), which must be realized by the Corporate Body.
- (3) The Regulating Agency shall give consideration to the Minister with regard to the determining of minimum capacity of storage facility, as meant in paragraph (2).
- (4) The Corporate Body, as referred to in paragraph (2), may start its Trading business after fulfilling the required minimum capacity for storage facility.

##### Article 48

- (1) A Corporate Body being holder of Wholesale Trading Business License, in distributing Oil Fuel, Gas Fuel, and LPG for small-scale users, small consumers, transportation, and household, must distribute those fuels through a distributor appointed by the Corporate Body through selection process.
- (2) The appointment of distributor, as referred to in paragraph (1), must prioritise cooperatives, small enterprises and/or national private enterprises integrated with the Corporate Body based on an association contract.
- (3) The distributor, as referred to in paragraph (1), may only market Oil Fuel, Gas Fuel, and LPG with the trademark used or possessed by the Corporate Body being holder of Wholesale Trading Business License.



(4) The distributor, as referred to in paragraph (1), must possess the licenses in accordance with the laws in force.

(5) The Corporate Body being holder of Wholesale Trading Business License shall be responsible for standard and quality up to distributor level.

(6) The Corporate Body must submit report to the Minister and the Regulating Agency regarding appointment of distributor, as referred to in paragraphs (1), (2), and (3).

#### Article 49

(1) A Corporate Body being holder of Wholesale Trading Business License of Oil Fuel may distribute directly to transportation users using the facilities and means managed and/or owned by the Corporate Body.

(2) The direct distribution of the facilities and means owned by the Corporate Body, as referred to in paragraph (1), may only be done for not exceeding 20% (twenty percent) of total facilities and means of distribution managed and/or owned by the Corporate Body.

(3) Distribution using the facilities and means managed and/or owned by the Corporate Body, in addition to that as set forth in paragraph (2), may only be operated by cooperatives, small enterprises and/or local corporate bodies.

(4) Cooperatives, small enterprises, and/or local corporate bodies may own and operate facilities and means owned by self based on cooperation with the Corporate Body being holder of Wholesale Trading Business License.

(5) Provisions on the enforcement of the provision of paragraph (2) will be stipulated by the Minister after obtaining consideration from the Regulating Agency.

#### Article 50

(1) A direct user who have or control seaport and/or receiving terminal may import Oil Fuel, Gas Fuel, Other Fuels, and/or Processing Output directly for self-util-

ity after obtaining recommendation from the Minister.

(2) The direct user, as referred to in paragraph (1), shall not market and/or sell and purchase Oil Fuel, Gas Fuel, Other Fuels, and Processing Output.

(3) On direct user who markets and/or sells & purchases Oil Fuel, Gas Fuel, Other Fuels, and/or Processing Output, as referred to in paragraph (2), will be imposed with penalty and monetary charge pursuant to the laws in force.

#### Article 51

(1) A Corporate Body being holder of Trading Business License operating business of trading of LPG must have or control facilities and means of storage and bottling of LPG.

(2) The Corporate Body being holder of the Trading Business License, as referred to in paragraph (1), must have and use a certain trademark.

(3) The Corporate Body being holder of Trading Business License shall be responsible for the standard and quality of LPG, LPG bottle, and facilities and means of storage and bottling.

#### Article 52

(1) Corporate Bodies operating business of Trading of Gas consist of those having Gas distribution network facility and those who do not.

(2) The business of Trading of Gas operated by the Corporate Body having distribution network facility, as referred to in paragraph (1) shall be operated after obtaining License to Trade Gas and Privilege for Distribution Network Area.

(3) The business of trading of Gas operated by a Corporate Body not having distribution network facility, as referred to in paragraph (1), may only be implemented through distribution network facility of Corporate Body that has obtained Privilege for Distribution Network Area and after obtaining License to Trade Gas.

#### Article 53

In operating Trading business, a Corporate Body must guarantee work safety and health, environmental treatment, and development of local society in accordance with the laws in force.

#### Article 54

- (1) The Minister shall determine technical standard for Gas Fuel and LPG bottles and Gas Fuel and LPG bottling facilities of Corporate Bodies being holders of License to Trade Gas Fuel and LPG.
- (2) The Minister shall determine minimum technical standard for facilities and means of distribution.

#### Article 55

On sale of Oil and Gas as production output which is classified or construed as Upstream Business, Trading Business License is not required.

### CHAPTER VIII

#### STRATEGIC OIL DEPOSIT

##### Article 56

- (1) Strategic Oil Deposit provided by the Government can be acquired from domestic production and/or imported.
- (2) The Government may assign a Corporate Body to provide Strategic Oil Deposit as referred to in paragraph (1).
- (3) The Minister shall rule and determine Strategic Oil Deposit in relation to quantity, type, and location of storage and exploitation of Strategic Oil Deposit.
- (4) The quantity of Strategic Oil Deposit shall be determined based on need for Oil Fuel and so forth adjusted to the configuration of domestic Processing facilities that will exploit Strategic Oil Deposit.

##### Article 57

The exploitation of Strategic Oil Deposit will be determined by the Minister upon disturbance of Oil supply to support the provision of Oil Fuel domestically.

##### Article 58

The regulating, implementation, and supervision

over Strategic Oil Deposit will be further stipulated by the Minister.

### CHAPTER IX

#### NATIONAL OIL FUEL RESERVE

##### Article 59

- (1) The Minister shall stipulate policy on quantity and type of National Oil Fuel Reserve.
- (2) Type of the National Oil Fuel Reserve, as referred to in paragraph (1), must meet the standard and quality as determined by the Minister.
- (3) The Minister may appoint a Corporate Body being holder of Processing Business License, Corporate Body being holder of Storage Business License, and Corporate Body being holder of Trading Business License producing and/or yielding type of Oil Fuel, as referred to in paragraph (2), to provide National Oil Fuel Reserve.
- (4) The National Oil Fuel Reserve of each of the Corporate Bodies, as referred to in paragraph (3), will be ruled and stipulated by the Regulating Agency.
- (5) Supervision over the provision of National Oil Fuel Reserve, as referred to in paragraph (4), shall be executed by the Regulating Agency.

##### Article 60

- (1) The National Oil Fuel Reserve, as referred to in Article 59 paragraph (1), shall only be utilized upon Scarcity of Oil Fuel which will be regulated and stipulated by the Regulating Agency.
- (2) In case that Scarcity of Oil Fuel has been solved, the National Oil Fuel Reserve shall be returned to the original condition.

##### Article 61

- (1) The appointed Corporate Body, as referred to in Article 59 paragraph (3), must report the condition of Oil Fuel as part of the National Oil Fuel Reserve consisting of location, quantity, and type of which to the Regulating Agency with a carbon copy submitted to the Minister every month.

- (2) In case that the Corporate Body does not fulfil the National Oil Fuel Reserve when needed, as set forth in article 59 paragraph (3), the Minister may impose administrative sanction and/or monetary charge on the Corporate Body according to recommendation of the Regulating Agency.

## CHAPTER X STANDARD AND QUALITY

### Article 62

- (1) The Minister shall determine type, standard, and quality of Oil Fuel, Gas Fuel, Other Fuels, and/or Processing Output in the form of finished products that will be marketed domestically.
- (2) The standard and quality of Oil Fuel, Gas Fuel, and/or Processing Output marketed domestically must comply with the standard and quality as determined by the Minister as referred to in paragraph (1).
- (3) In determining the standard and quality, as referred to in paragraph (1), the Minister must observe technological development, capacity of producer, consumer's financial condition and need, work safety and health, and environmental treatment.

### Article 63

- (1) A Corporate Body operating Processing business which produces Oil Fuel, Gas Fuel, and/or Processing Output must have an accredited laboratory to perform test into quality of processing output according to the standard and quality as determined by the Minister.
- (2) The Corporate Body operating Storage business which does blending to produce Oil Fuel and/or Processing Output shall provide facility of testing into quality of blending output according to the standard and quality as determined by the Minister.
- (3) In case that the Corporate Body, as referred to in paragraph (2), is unable to provide a self-owned laboratory, it may utilize the facility of an accredited laboratory owned by another party.

### Article 64

- (1) Oil Fuel, Gas Fuel, and/or Processing Output in the

form of finished products which are imported or directly marketed domestically must comply with the standard and quality as determined by the Minister.

- (2) On Oil Fuel, Gas Fuel, and/or Processing Output which will be exported, the standard and quality of which may be determined by producer at consumers' request.
- (3) On Oil Fuel, Gas Fuel, and/or Processing Output with special demand, the standard and quality of which may be determined and must be reported to the Minister.

### Article 65

The Minister shall regulate and stipulate procedure of supervision over standard and quality of Oil Fuel, Gas Fuel, Other Fuels, and/or Processing Output marketed domestically as set forth in Article 62 paragraph (1).

## CHAPTER XI AVAILABILITY AND DISTRIBUTION OF CERTAIN TYPES OF OIL FUEL

### Article 66

- (1) To guarantee the availability and distribution of certain types of Oil Fuel, Trading Business shall be operated based on a fair, healthy, and transparent competition, which, in practice, is implemented gradually.
- (2) The gradual implementation, as referred to in paragraph (1), will be stipulated in a Presidential Decree.
- (3) The Presidential Decree, as referred to in paragraph (2), shall set forth provisions on certain types of Oil Fuel, selling plan, and export and import of Oil Fuel.
- (4) In case that the operation of the trading business, as meant in paragraph (1), has not achieved a fair, healthy, and transparent competition, rules on provision and distribution of certain types of Oil Fuel will be applied.
- (5) The rules, as meant in paragraph (4), shall only be applicable for Corporate Bodies being holders of Wholesale Trading Business License for Oil Fuel.

#### Article 67

- (1) The Minister shall designate Area of Trading of certain types of Oil Fuel domestically.
- (2) The Trading Area for certain types of Oil Fuel, as referred to in paragraph (1) includes Area of Trading of Oil Fuel which market mechanism has been effective, Area of Trading of Oil Fuel which market mechanism has not been effective, and Area of Trading of Oil Fuel in Remote Areas.
- (3) The Regulating Agency shall give consideration to the Minister in relation to the designation of Area of Trading of certain types of Oil Fuel, as meant in paragraph (1).

#### Article 68

- (1) The Regulating Agency shall designate Trade distribution area for certain types of Oil Fuel for Corporate Bodies being holders of Trading Business License including the procedure of which.
- (2) The Regulating Agency shall determine joint utilization of transportation and storage facilities including its supporting facilities in the provision and distribution of certain types of Oil Fuel, particularly in areas which market mechanism has not been effective and in Remote Areas.
- (3) If necessary, in Areas of Trading of certain types of Oil Fuel which have not been and/or are unable to establish fair, healthy, and transparent competition mechanism, the Government may determine the limit of retail prices for certain types of Oil Fuel.
- (4) The retail prices of certain types of Oil Fuel, as referred to in paragraph (3), consist of price at Wholesale level plus cost of distribution, retailer's margin, and tax.
- (5) The Government shall determine limit of the price, as referred to in paragraph (3), based on input of the Regulating Agency according to calculation of its economic value.

#### Article 69

- (1) A Corporate Body being holder of Wholesale Trading Business License which operates trading of certain types of Oil Fuel to transportation users, must give an opportunity to the distributor appointed by the Corporate Body through selection process.
- (2) The distributor, as referred to in paragraph (1) includes cooperatives, small enterprises, and/or national private enterprises integrated with the Corporate Body based on an association contract.
- (3) The distributor, as meant in paragraph (2), may only distribute certain types of Oil Fuel with the trademark used or owned by Corporate Body as holder of Wholesale Trading Business License.
- (4) The distributor, as meant in paragraph (2), must obtain the licenses in accordance with the laws in force.

- (5) The Corporate Body must submit report to the Regulating Agency with a carbon copy to the Minister regarding appointment of the distributor, as referred to in paragraphs (1), (2), and (3).

#### Article 70

- (1) A Corporate Body being holder of Wholesale Trading Business License which operates business of Trading of Oil Fuel in the form of kerosene for household and/or small enterprises must do it through a distributor appointed by the Corporate Body through selection process.
- (2) The distributor, as referred to in paragraph (1), includes cooperatives, small enterprise, and/or national private enterprise integrated with the Corporate Body based on an association contract.
- (3) The distributor, as referred to in paragraph (2), may only distribute Oil Fuel in the form of kerosene with trademark used or owned by the Corporate Body as holder of Wholesale Trading Business License.
- (4) The distributor, as referred to in paragraph (2), must obtain the licenses in accordance with the laws in force.

(5) The distributor, as meant in paragraph (2), may only distribute to household users and/or small enterprises and may not distribute to other users.

(6) The Corporate Body must submit report to the Regulating Agency with a carbon copy to the Minister regarding appointment of the distributor as referred to in paragraphs (1), (2), and (3).

#### Article 71

(1) In the framework of supporting of business of Trading of certain types of Oil Fuel operated by distributor and Corporate Body being holder of Wholesale Trading Business License, the use of transportations owned by cooperatives, small enterprises, and/or national private enterprises through selection process, must be prioritised.

(2) The transportation business, as referred to in paragraph (1), must be operated integrally with the Corporate Body pursuant to an association contract.

(3) The transportation business, as referred to in paragraph (1), must obtain the licenses in accordance with the laws in force.

### CHAPTER XII

#### PRICES OF OIL FUEL AND GAS

##### Article 72

(1) Prices of Oil Fuel and Gas, except Gas for household and small consumers, shall be assigned to a fair, healthy, and transparent competition.

(2) Price of Gas for household and small consumers, as referred to in paragraph (1), shall be ruled and stipulated by the Regulating Agency according to technical and economic aspects of the provision of Gas and price policy determined by the Government.

(3) The Regulating Agency shall perform supervision over prices of Oil Fuel and Gas, as referred to in paragraphs (1) and (2).

##### Article 73

Retail price of Oil Fuel domestically consists of

price at the level of Corporate Body being holder of Wholesale Trading Business License plus cost of distribution, retailer's margin, and tax.

##### Article 74

Tax, as referred to in Article 73, shall be imposed pursuant to the laws in force.

### CHAPTER XIII

#### DISTRIBUTION OF OIL FUEL TO REMOTE AREAS

##### Article 75

The Minister shall issue policy for Remote Areas based on location, market establishment preparedness, and strategic value of the area concerned according to the consideration of the Regulating Agency.

##### Article 76

(1) The distribution of Oil Fuel to Remote Areas will be further ruled and stipulated by the Regulating Agency.

(2) In the distribution of Oil Fuel to Remote Areas, as referred to in paragraph (1), the Corporate Body may cooperate with Regional Enterprises, cooperatives, small enterprises, and/or national corporate bodies, which have had distribution network in Remote Areas in accordance with technical and economic aspects.

(3) Oil Fuel that must be distributed to Remote Areas, as referred to in paragraph (1), is in the form of gasoline, diesel fuel, and kerosene adjusted to the needs of the respective areas.

### CHAPTER XIV

#### WORK SAFETY AND HEALTH, ENVIRONMENTAL TREATMENT, AND DEVELOPMENT OF LOCAL SOCIETY

##### Article 77

Corporate Bodies operating Processing, Transportation, Storage, and Trading Businesses must guarantee and comply with provisions regarding work safety and health, environmental treatment, and development of local society.

##### Article 78

Provisions regarding work safety and health,

environmental treatment, and development of local society, as referred to in Article 77, in Processing, Transportation, Storage, and Trading businesses will be ruled pursuant to the laws in force.

#### Article 79

(1) Corporate Bodies, in operating Processing, Transportation, Storage, and Trading businesses shall be responsible for development of the environment and local society in the framework of entering into relationship with the surrounding society.

(2) Responsibility of Corporate Bodies in developing the environment and local society, as referred to in paragraph (1), means participation in developing and utilizing potentiality of local society, among other things, by employing workers in certain quantity and quality in accordance with the required competence and improving residential environment of the society to create harmony between the Corporate Bodies and the surrounding society.

#### Article 80

(1) Development of the environment and local society by the Corporate Body shall be implemented in coordination with the Regional Government.

(2) Development of the environment and local society, as referred to in paragraph (1), shall be prioritised for society around area of operation.

### CHAPTER XV

#### UTILIZATION OF LOCAL GOODS, SERVICES, AND ENGINEERING AND DESIGN CAPACITY AND EMPLOYMENT OF WORKERS

#### Article 81

The utilization of goods and tools in Downstream Business must fulfil the applicable standard pursuant to the laws in force.

#### Article 82

(1) A Corporate Body operating Downstream Business must prioritise the utilization of local goods, tools, services, technology, and engineering and design capacity transparently and competitively.

(2) The prioritising of utilization of local goods, tools, services, technology, and engineering and design capacity, as meant in paragraph (1), shall be implemented if those goods, tools, services, technology, and engineering and design capacity have been yielded or available domestically and have complied with quality, time of delivery, and competitive price.

#### Article 83

(1) In fulfilling the need for workers, a Corporate Body operating Downstream Business must prioritise the employment of Indonesian workers in observation of utilization of local workers according to the required standard of competence.

(2) A Corporate Body operating Downstream Business may employ foreign workers for certain occupations and expertise which have not been able to be fulfilled by Indonesian workers according to the required occupational competence.

(3) Procedure on employment of foreign workers, as referred to in paragraph (2), shall be implemented pursuant to the laws in force.

#### Article 84

Provisions regarding employment relation, employment protection, and terms and delivery of part of work to another party will be ruled pursuant to the labor laws in force.

#### Article 85

To improve the capacity of Indonesian workers to be able to meet standard of competence and occupational qualifications, Corporate Bodies must arrange development and educational & training programs for Indonesian workers.

#### Article 86

The development and improvement of capacity of Indonesian workers shall be implemented pursuant to the laws in force.

### CHAPTER XVI

#### DEVELOPMENT AND SUPERVISION

#### Article 87

The Minister shall implement development and supervision over the operation of Processing, Transportation, Storage, and Trading businesses pursuant to this Government Regulation.

#### Article 88

Supervision relating to the provision and distribution of Oil Fuel and transportation of Gas By Pipe shall be executed by the Regulating Agency.

#### Article 89

- (1) Provisions on development and supervision, as referred to in Article 87, will be further stipulated by the Minister.
- (2) Provisions on supervision, as referred to in Article 88, will be further stipulated by the Regulating Agency.

### CHAPTER XVII

#### SANCTIONS

#### Article 90

- (1) The Minister shall deliver written reminder to a Corporate Body which breaches one of the terms of the Processing Business License, Transportation Business License, Storage Business License, and/or Trading Business License issued by the Minister.
- (2) In case that the Corporate Body, after receiving written reminder, as referred to in paragraph (1), still repeats such breaches, the Minister may postpone the Processing, Transportation, Storage, and/or Trading businesses.
- (3) In case that the Corporate Body does not comply with the requirements as stipulated by the Minister during the period of postponement, as referred to in paragraph (2), the Minister may freeze the Processing, Transportation, Storage, and/or Trading businesses.
- (4) The Regulating Agency shall determine and impose sanction relating to breaches of Privilege relating to the business of transportation of Gas by pipe.
- (5) The Regulating Agency shall determine and impose

sanction relating to breaches of obligations of the Corporate Body in the provision and distribution of Oil Fuel.

- (6) The sanctions, as referred to in paragraphs (4) and (5), are in the form of written reminder, monetary charge, postponement, freeze, and annulment of Rights in the provision and distribution of Oil Fuel and annulment of Privilege in transportation of Gas by pipe.

- (7) Provisions regarding imposition of sanctions, as referred to in paragraph (6), will be further stipulated by the Regulating Agency.

#### Article 91

- (1) In case that after the imposition of written reminder, postponement, and freeze of business, as referred to in Article 90, the Corporate Body will be given an opportunity to recover the breaches or to fulfil the requirements within a period of not later than 60 (sixty) days since the decision on freeze of business.
- (2) In case that after expiration of the 60(sixty)-day period, as meant in paragraph (1), the Corporate Body has not recovered the breaches and has not fulfilled the requirements, the Minister may nullify the Business Licenses concerned.

#### Article 92

The Minister may impose written reminder, postponement, freeze of business, and nullification of Business Licenses to Corporate Bodies committing breaches, as set forth in Article 90.

#### Article 93

All damages arising as a result of delivery of written reminder, monetary charge, postponement, freeze of business, and nullification of Business Licenses, as set forth in Articles 90, 91, and 92, shall be borne by the respective Corporate Bodies.

#### Article 94

- (1) Every person or Corporate Body operating Processing,

Transportation, Storage, and/or Trading Businesses without the Licenses, as meant in Article 12, will be penalized pursuant to laws on Oil and Gas.

(2) Every person who duplicate or falsify Oil Fuel, Gas Fuel, Processing Output, and/or Other Fuels, will be penalized with imprisonment of maximum 6 (six) years and monetary charge of maximum Rp. 60.000.000.000,00 (sixty billion Rupiah).

(3) Every person or Corporate Body misusing Transportation and/or Trading of Oil Fuel subsidized by the Government will be penalized with imprisonment of maximum 6 (six) years and monetary charge of maximum Rp. 60.000.000.000,00 (sixty billion Rupiah).

#### CHAPTER XVIII OTHER PROVISIONS

##### Article 95

On Processing, Transportation, Storage, and Trading businesses related to Downstream Business, the Corporate Body must use the measurement system as determined by the Minister.

##### Article 96

(1) In case of Scarcity of Oil Fuel resulting in security disturbance and/or Force Majeure, the Minister will take the necessary actions to solve this problem.

(2) In times where prices of Oil Fuel and Gas Fuel (in the form of LPG) are unstable or fluctuate causing very heavy burden to consumers, the Government may take actions to stabilize prices in observance of interests of users, consumers, and Corporate Bodies.

##### Article 97

Every person or corporate body who has known the occurrence of or are properly assumed to know about breaches by Corporate Bodies in relation to the enforcement of the Licenses as meant in Article 7 may submit report, in writing, to the Regulating Agency.

##### Article 98

Procedure of submission of the report, as referred to in Article 97, will be further ruled and stipulated by the Regulating Agency.

#### CHAPTER XIX CLOSING PROVISIONS

##### Article 99

Upon the enforcement of this Government Regulations all enforcement regulations regarding Downstream Business shall be declared applicable as long as those regulations have not been amended and/or are not in contradiction with this Government Regulation.

##### Article 100

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

For public cognisance, this Government Regulation shall be enacted by placing it in the Statute Book of the Republic of Indonesia.

Stipulated in Jakarta

On October 14, 2004

PRESIDENT OF THE REPUBLIC OF INDONESIA

Sgd

MEGAWATI SOEKATNOPUTRI

Enacted in Jakarta

On October 14, 2004

STATE SECRETARY THE REPUBLIC OF INDONESIA

Sgd

BAMBANG KESOWO

STATUTE BOOK OF THE REPUBLIC OF INDONESIA OF  
2004 NO. 124



**ELUCIDATION  
OF  
GOVERNMENT REGULATION  
NO. 36/2004  
ON  
OIL AND GAS DOWNSTREAM BUSINESS**

**GENERAL**

Law No. 22/2001 on Oil and Gas which was ratified and enacted on 23 November 2001 is a historical point in giving a legal base for steps of renewal and re-arrangement of Oil and Gas Businesses consisting of Upstream and Downstream Businesses.

Downstream Business is demanded to be more capable to support the sustainability of national development in the framework of improvement of prosperity and welfare of the people. The operation of Oil and Gas Downstream Business is intended, among other things, to support and improve the national capacity to be more capable to compete, to create employment opportunities, to repair the environment, and to improve people's welfare and prosperity.

In the framework of creating of an independent, reliable, transparent, competitive, efficient Oil and Gas Downstream Business based on the point of view of environmental function conservation and encouraging of improvement of national potentiality and role, a legal base is necessary for the Downstream Business consisting of Processing, Transportation, Storage, and Trading businesses according to the mechanism of fair, healthy, and transparent competition.

Based on the need for legal base for the operation of Downstream Business, rules in a Government Regulation are required in observance of the impact that may possibly arise. This Government Regulation rules about Oil and Gas Downstream Business, which, among other things, includes regulations on development and supervision, grant of Business License, Processing, Transportation (including Transportation of Gas by Pipe), Storage and Trading, Strategic Oil Deposit, National Oil Fuel Reserve, Standard and Quality, Availability and Distribution of certain types of Oil Fuel, Prices of Oil Fuel and

Gas, Distribution of Oil Fuel to Remote Areas, Work Safety and Health, Environmental Treatment, Development of Local Society, Utilization of Local Goods and Services, Domestic Engineering & Design Capacity, Utilization of Workers, and Sanctions in relation to Downstream Business.

**ARTICLE BY ARTICLE**

**Article 1**

Sufficiently clear.

**Article 2**

Downstream Business shall be operated with Business License which shall only be granted to Corporate Bodies after meeting of the necessary administrative and technical requirements.

Corporate Bodies operating Upstream Business shall not operate Downstream Business and Corporate Bodies managing Downstream Business shall not operate Upstream Business, except by establishing an independent corporate body or Holding Company.

**Article 3**

Sufficiently clear.

**Article 4**

Paragraphs a up to h

Sufficiently clear.

**Paragraph i**

"Certain Types of Oil Fuel" include, amongst others, Gasoline, Diesel Fuel, Kerosene, and/or other types of Oil Fuel.

**Paragraphs j up to l**

Sufficiently clear.

**Articles 5 up to 7**

Sufficiently clear.

**Article 8**

Paragraph (1)

Clauses a up to c

Sufficiently clear.

Clause d

"The Regulating and Determining" are intended so that the Corporate Body will give an opportunity for joint utilization and the Regulating Agency must observe and consider technical and economic aspects so that the operation of the Corporate Body having and/or controlling facilities of storage and transportation of Oil Fuel will be undisturbed.

Clause e

"Contribution" means an amount that must be paid by the Corporate Bodies providing and distributing Oil Fuel.

Clause f

Sufficiently clear.

Paragraph (2)

Decree issued by the Lower Court of Central Jakarta as an institution authorized to settle disputes handled by the Regulating Agency is because the Regulating Agency, at present, only exists in Jakarta.

Article 9

Paragraph (1)

Clauses a and b

Sufficiently clear.

Clause c

So that it will not harm and burden Corporate Bodies and consumers, in determining the Tariff, the Regulating Agency must observe the interests of Gas owners, pipe owners, and consumers.

Clause d

The designated price of Gas shall only be applicable for household and small consumers utilizing Gas with a certain scale of consumption.

Clause e

Sufficiently clear.

Clause f

"Contribution" means an amount that must be paid by Corporate Bodies Transporting Gas by Pipe.

Clause g

Sufficiently clear.

Paragraph (2)

Decree issued by the Lower Court of Central Jakarta as an institution authorized to settle disputes

handled by the Regulating Agency is because the Regulating Agency, at present, only exists in Jakarta.

Article 10

Paragraphs (1) and (2)

Sufficiently clear.

Paragraph (3)

"The giving of opinion, in writing" includes, amongst others, breaches committed by the Corporate Body, impact/analysis from technical and economic points of view, and proposal on sanctions that will be imposed.

Article 11 and 12

Sufficiently clear.

Article 13

Paragraph (1)

Sufficiently clear.

Paragraph (2)

"The assignment of authority of grant of Business License for certain businesses" is intended to enable business performers and in the framework of efficiency to prevent high-cost economy and in observance with the capacity and capability of business performers including in observance of ownership of stocks by foreign parties and/or utilization of investment facility. This authority may be assigned to the Regional Government, related institution, and/or certain agency which duty and responsibility are in investment affairs.

Article 14

Paragraph (1)

Clause a

Sufficiently clear.

Clause b

A Corporate Body operating Transportation of Gas by Pipe shall manage its business based on unbundling business system and may only be given a certain Transmission Segment and/or Distribution Network Area. This is to encourage a fair and healthy competition and to improve efficiency in the utilization of infrastructure and quality of service.

Clause c

Sufficiently clear.

Clause d

A Corporate Body Trading Gas by Pipe shall manage its business based on unbundling business system and may only be given a certain Distribution Network Area. This is to encourage a fair and healthy competition and to improve efficiency in the utilization of infrastructure and quality of service. The division of Trading area shall be done according to technical, economic, security, and safety aspects.

Paragraphs (2) and (3)

Sufficiently clear.

Article 15

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The terms and guidelines for the implementation of Business License will be stipulated in a Ministerial Decree, which, among other things, contains:

- a. Deed of establishment and its amendments which have been ratified by the authorized institution;
- b. Company profile;
- c. Taxpayer's Register Number (NPWP);
- d. Company Registration Certificate (TDP);
- e. Certificate of domicile;
- f. Statement on Source of Funding;
- g. Written Statement on commitment to fulfil operational safety and health and environmental treatment;
- h. Written Statement on commitment to fulfil obligations pursuant to the laws in force;
- i. Approval from the Regional Government on location requiring construction of facilities and means.

Article 16

Paragraph (1)

"Secondary To Its Processing Business" means that the Corporate Body, in operating Transportation, Storage, and/or Trading businesses which are construed as secondary and directly related to its Processing business and is not intended to acquire gain and/or profit.

Paragraphs (2) and (3)

Sufficiently clear.

Articles 17 up to 22

Sufficiently clear.

Article 23

Paragraph (1)

Sufficiently clear.

Paragraph (2)

"Technical Aspect" means that a Processing facility with exceeding capacity may be utilized by another party without disturbing the operation of the facility's owner.

And, "Economic Aspect" means that the other party who will utilize the Storage facility must consider economic interest of the facility owner, among other things, the rate of return.

Article 24

Sufficiently clear.

Article 25

Based on this provision, for lubricant shall be applied the laws in force setting forth that the grant of license to blend lubricant and/or processing of used lubricant shall be granted by the minister for industrial affairs after obtaining written consideration from the Minister. And, the designation of standard and quality of lubricant and development and supervision of which shall be implemented by the Minister.

Article 26

"Transportation Business License from the Minister" is a License granted by the Minister to a Corporate Body to transport, channel, and/or distribute Oil, Gas, Oil Fuel, Gas Fuel, other Fuels, and/or Processing Output by land, water, and/or air including Transportation of Gas by Pipe for commercial purpose considering that those commodities are strategic and vital and have a direct impact on the interest of the society at large. The respective Corporate Body is still obliged to complete its licenses pursuant to the laws on transportation affairs.

Articles 27 and 28

Sufficiently clear.

Article 29

Transportation which may be operated by

cooperatives, small enterprises, and/or national private enterprises by means of land transportation, except train, with the purpose to empower the capacity of cooperatives, small enterprises, and/or national private enterprises to take part in the transportation of Oil Fuel to retailers which appointment shall be done by the Corporate Body through selection process. The selection and the determining of criteria of national private enterprise shall be implemented based on national, local, or individual company with a total ownership of domestic capital or stocks of 100% (one hundred percent).

#### Article 30

Sufficiently clear.

#### Article 31

##### Paragraph (1)

"Technical Aspect" means that facility of Transportation of Gas by Pipe with an exceeding capacity may be utilized by another party without disturbing the operation of the facility's owner.

And, "Economic Aspect" means that the other party who will utilize the facility of Transportation of Gas by Pipe must consider economic interest of the facility's owner, among other things, the rate of return.

##### Paragraphs (2) and (3)

Sufficiently clear.

#### Articles 32 up to 39

Sufficiently clear.

#### Article 40

##### Paragraph (1)

"Technical Aspect" means that facility of Storage with an exceeding capacity may be utilized by another party without disturbing operation of the facility's owner. And, "Economic Aspect" means that the other party who will utilize the Storage facility must consider economic interest of the facility's owner, amongst others, the rate of return.

##### Paragraphs (2) and (3)

Sufficiently clear.

#### Articles 41 and 42

Sufficiently clear.

#### Article 43

The obligation to obtain Business License is also applicable for Corporate Bodies appointed to sell part of Oil and Gas owned by the Government which is not secondary to Upstream Business and is not related to Association Contract.

#### Article 44

##### Paragraphs a and b

Sufficiently clear.

##### Paragraph c

"Selling Price of Oil Fuel at a Fair Rate" means the selling price of Oil Fuel according to its economic value by considering fair gain for the Corporate Body and shall not burden consumers.

##### Paragraphs d up to g

Sufficiently clear.

#### Article 45

Sufficiently clear.

#### Article 46

##### Paragraph (1)

Business License must be possessed by a Corporate Body operating Trading Business and not having Trading facility and means. Requirements to obtain Trading Business License shall be differentiated with requirements to obtain Wholesale Trading Business License having Trading facility and means.

##### Paragraph (2)

Sufficiently clear.

#### Article 47

##### Paragraph (1)

Sufficiently clear.

##### Paragraph (2)

"Determine the Minimum Capacity" means the minimum storage facility that must be provided by the Corporate Body for its operation according to the required minimum capacity for facility of storage of Oil Fuel.

##### Paragraphs (3) and (4)

Sufficiently clear.

Article 48

Paragraphs (1) up to (4)

Sufficiently clear.

Paragraph (5)

The Responsibility for Standard and Quality shall not only be imposed on Corporate Bodies being holders of Wholesale Trading Business License, but is the joint responsibility of distributor up to consumer level.

Paragraph (6)

Sufficiently clear.

Article 49

Paragraphs (1) up to (3)

Sufficiently clear.

Paragraph (4)

"Operation by Cooperatives, Small Enterprises, and/or National Private Enterprises" means that the operation shall be based on selection and shall be integrated with a Corporate Body operating Wholesale business and possessing Wholesale Trading Business License.

Paragraph (5)

Sufficiently clear.

Articles 50 up to 55

Sufficiently clear.

Article 56

Paragraph (1)

Sufficiently clear.

Paragraph (2)

"The Obligation to Provide Strategic Oil Deposit" may only be assigned or obliged to Corporate Bodies operating Processing business and having and/or controlling facility and means of refinery.

Paragraphs (3) and (4)

Sufficiently clear.

Articles 57 and 58

Sufficiently clear.

Article 59

Paragraph (1)

"Type of National Oil Fuel" means Oil Fuel which is always available in certain quantity and type and may be utilized at any time, and, if it is unavailable and/or delayed to be utilized, will cause disturbance and very much affect the national economy.

Paragraphs (2) up to (5)

Sufficiently clear.

Articles 60 up to 64

Sufficiently clear.

Article 65

According to society's need, work safety and health, environmental treatment, and protection of consumers of Oil Fuel, Gas Fuel, Other Fuels, and/or Processing Output, the Government, through the Minister, shall rule and determine the standard and quality of the foregoing including procedure of supervision of which. The Minister, in determining the standard and quality, shall also observe development of machine technology and international standard and quality.

Article 66

Paragraph (1)

Sufficiently clear.

Paragraph (2)

"Gradual Implementation" means rules on arrangement of stages relating to the Trading of certain types of Oil Fuel which includes Corporate Body's selling plan based on yearly need of each Area of Trading of Oil Fuel and mechanism of assignment of right to sell to another Corporate Body and rules on procedure of export and import including recommendation of which in observance of interest of the consumers society.

Paragraph (3)

"Selling Plan" means the quantity of certain types of Oil Fuel submitted to be managed by a Corporate Body in the provision and distribution of Oil Fuel in the Area of Trading of certain types of Oil Fuel and to obtain decree and approval of the Regulating Agency.

Paragraphs (4) and (5)

Sufficiently clear.

Article 67

Paragraph (1)

"Area of Trading of Oil Fuel" means a specific area based on geographic borders given to a Corporate Body being holder of Wholesale Trading of Oil Fuel to provide and distribute certain types of Oil Fuel.

Paragraph (2)

The division of Area of Trading of certain types of Oil Fuel shall be determined based on need, location, market establishment preparedness and strategic value of the respective Area.

Paragraph (3)

Sufficiently clear.

Articles 68 up to 71

Sufficiently clear.

Article 72

Paragraph (1)

Prices of Gas Fuel in the form of LPG shall be assigned to market mechanism after the availability of competition/establishment in LPG market or there are at least 2 (two) Corporate Bodies/business performers Trading LPG.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Supervision over selling prices of Oil Fuel and Gas shall be based on fair prices, prices according to economic value by considering fair gain for the Corporate Body and shall not burden consumers.

Articles 73 up to 81

Sufficiently clear.

Article 82

Paragraph (1)

In prioritising the utilization of local goods and

services, technical requirements, quality, timely delivery, and price must be considered.

Paragraph (2)

Sufficiently clear.

Articles 83 up to 94

Sufficiently clear.

Article 95

"Determined by the Minister" means provisions relating to planning, construction, operation, maintenance, and technical inspection of measurement system.

Article 96

Paragraph (1)

"Actions of the Minister" are methods and/or steps to solve Scarcity of Oil Fuel through release of National Oil Fuel Reserve of the Corporate Bodies or through increase of import of Oil Fuel by giving of facility and incentive which implementation is coordinated with the Regulating Agency.

Paragraph (2)

"Actions of the Government" means methods or steps to stabilize prices of Oil Fuel by determining of the highest selling price jointly by the Minister and the related minister after consultation with the President.

Articles 97 up to 100

Sufficiently clear.

SUPPLEMENT TO STATUTE BOOK OF  
THE REPUBLIC OF INDONESIA NO. 4436