

## Enforcement Date

23 February 2018

Energy and Natural Resources

[CLICK HERE](#)  
For Indonesian Version

## • Related ILB

- Procedures for the Management and Governance of State-Owned Assets Within the Upstream Oil-and-Gas Business Sector
- Govt. Reregulates PBB Payment Procedures for Oil-and-Gas and Geothermal Businesses
- Govt. Limits Scope of Recoverable Upstream Investments Costs during Cooperation-Contract Transition Periods
- Ministry Relaxes Supervision of Businesses Operating within the Energy and Mineral-Resources Sectors
- Recovery of Investment Costs During the Cooperation-Contract Transition Period for Upstream Oil-and-Gas Activity

## Post-Operation Activities in Upstream Oil-and-Gas Business Activities

*Contractors are required to reserve funds for the implementation of Post-Operation Activities in accordance with the estimated cost calculations which have been set out in Post-Op Activities plans.*

The Ministry of Energy and Mineral Resources (“**Ministry**”) recently issued Regulation [No. 15 of 2018](#) on Post-Operation Activities in Upstream Oil-and-Gas Business Activities (“**Regulation 15/2018**”), which is an implementation of Article 17 (4) of Government Regulation [No. 79 of 2010](#) on Recoverable Operational Costs and Income-Tax Treatment within the Upstream Oil-and-Gas Business Sector, as amended by Government Regulation [No. 27 of 2017](#)<sup>1</sup>.

Regulation 15/2018 essentially serves as a set of guidelines for oil-and-gas contractors (“**Contractors**”) as regards the implementation of mandatory post-operation activities within the upstream oil-and-gas business sector (“**Post-Op Activities**”). Regulation 15/2018 specifically addresses the following matters:

---

<sup>1</sup> For more information on this regulation, see ILB No. [3158](#)

1. Implementation of Post-Op Activities;
2. Funding for Post-Op Activities; and
3. Supervision.

However, this edition of Indonesian Legal Brief will exclude point (3) above from its discussion.

Previously, similar matters were regulated under Ministry Regulation [No. 1 of 2011](#) on Technical Guidelines for the Removal of Offshore Oil-and-Gas Installations (“**Regulation 1/2011**”). However, the scope of Regulation 1/2011 was limited only to the disassembly activities for offshore oil-and-gas installations.

## Implementation of Post-Op Activities

Pursuant to Regulation 15/2018, Post-Op Activities consist of a series of activities which should be undertaken either prior to or at the time that cooperation contracts end and encompass the following: 1) Disassembly of tools, installations and/or supporting facilities, including the permanent shut down of wells; 2) Location restoration; and/or 3) Removal or termination of tools, installations and/or facilities.<sup>2</sup>

Contractors are required to implement Post-Op Activities through the utilization of funds which have been specifically allocated for said activities.<sup>3</sup> Post-Op Activities are to be executed in the following stages:

1. Planning stage;
2. Initial stage; and
3. Implementation stage.

### Planning Stage

During this stage, Contractors are required to submit their Post-Op Activity plans (“**Plans**”) to the Head of the Special Taskforce for Upstream Oil-and-Gas Business Activities (*Satuan Kerja Khusus Pelaksanaan Kegiatan Usaha Hulu Minyak dan Gas Bumi* – “**SKK Migas**”) either within exploration or exploitation stages.<sup>4</sup>

Within exploration stages, Plans must be submitted as a part of the relevant work and budgeting plan, while within the exploitation stages, Plans must be submitted as a part of the relevant field-development plans.<sup>5</sup>

---

<sup>2</sup> Art. 1 (2), Regulation 15/2018.

<sup>3</sup> Art. 2, Regulation 15/2018.

<sup>4</sup> Art. 3 (1), Regulation 15/2018.

<sup>5</sup> Art. 3 (2-3), Regulation 15/2018.

Note that Plans must at least address the following matters:<sup>6</sup>

1. Identification of equipment, installations and/or facilities which will be disassembled, including wells that will be permanently closed; and
2. Estimated calculation of the costs involved in the implementation of the relevant Post-Op Activities.

### Initial Stage

Prior to implementing Post-Op Activities, Contractors are required to comply with several prerequisites, as follows:<sup>7</sup>

1. Disseminate the relevant Plans to the public and related institutions;
2. Install safety signs around the area which is to be dismantled;
3. Ensure that all infrastructure has been disconnected from the relevant installation;
4. Ensure that all piping systems and other equipment are free from hazardous and toxic materials; and
5. Ensure that the installation is free from hazardous and toxic material waste.

### Implementation Stage

During this stage, Contractors are required to submit proposals relating to the implementation of the relevant Post-Op Activities (“**Proposal**”) along with the relevant approved Plans to the Director General of Oil and Gas (“**Director General**”) via the head of SKK Migas.<sup>8</sup>

The Director General will establish a dedicated Evaluation Team for the purpose of evaluating the Proposal, and this team will comprise of representatives drawn from the Directorate General of Oil and Gas, SKK Migas and/or related institutions.<sup>9</sup> The Evaluation Team is required to submit the results of the relevant evaluation process to the Director General as part of the approval process, which should be completed within 40 calendar days of receipt being taken of a completed Proposal from Contractors.<sup>10</sup>

Once a Proposal has been approved, a Contractor must immediately commence disassembly of the relevant equipment, installations and/or facilities, including the permanent closure of wells and site recovery after the disassembly and dismantling process has been completed.<sup>11</sup> Contractors should then report to the Director General within 30 calendar days of the completion date.<sup>12</sup>

---

<sup>6</sup> Art. 3 (4), Regulation 15/2018.

<sup>7</sup> Art. 9, Regulation 15/2018.

<sup>8</sup> Art. 6 (1), Regulation 15/2018.

<sup>9</sup> Art. 6 (2), Regulation 15/2018.

<sup>10</sup> Art. 6 (3), Regulation 15/2018.

<sup>11</sup> Art. 7 (1), Regulation 15/2018.

<sup>12</sup> Art. 7 (2), Regulation 15/2018.

Note that when implementing any Post-Op Activities, Contractors are required to adhere to the Indonesian National Standard (*Standar Nasional Indonesia/SNI*) and/or a valid international standard, as set out in the relevant approved Plan.<sup>13</sup>

## Funding for Post-Op Activities

Contractors are required to reserve funds for the implementation of Post-Op Activities in accordance with the estimated cost calculations which have been set out in Plans. Note that said funding reserves must comply with the following rules:<sup>14</sup>

1. Funds for Post-Op Activities should be reserved in a gradual manner in accordance with the relevant work plans and budgeting arrangements;
2. An initial deposit of funding reserved for Post-Op Activities must be made during the first year of any commercial production stage; and
3. Two types of treatment are available for the reservation of reserve funding based on the relevant type of cooperation contract, specifically:
  - a. For cost-recovery schemes: the funding reserves are to be calculated as recoverable operational costs; or
  - b. For gross-split schemes: the funding reserves are to be borne by Contractors and classified as the deduction factor for the calculation of income tax, as it relates to any Contractor's income.

Regulation 15/2018 has been in force since 23 February 2018 and repeals and replaces Regulation 1/2011.<sup>ss</sup>

---

<sup>13</sup> Art. 10, Regulation 15/2018.

<sup>14</sup> Arts. 11 (2) and 12, Regulation 15/2018.

RECENTLY PUBLISHED ILB

- *2018 Minimum Wage for the Jakarta Industrial Sector*
- *List of Goods Which Can be Stored in Warehouses and Managed through Warehouse-Receipt Systems Updated*
- *Govt. Simplifies Rules for Distribution of Oil Fuels, Gas Fuels and Liquefied Petroleum Gas (LPG)*
- *Exports of Mining Products for Sample Purposes*

Indonesian Legal Brief is a service of  
PT Justika Siar Publika owner and operator of [www.hukumonline.com](http://www.hukumonline.com),  
[www.hukumpedia.com](http://www.hukumpedia.com), and [en.hukumonline.com](http://en.hukumonline.com)

PT Justika Siar Publika, AD Premier 9th floor  
Jl TB. Simatupang No.5 Ragunan,  
Pasar Minggu, Jakarta Selatan 12550

to subscribe, call +62-21-2270 8910 or  
fax to +62-21 2270 8909 or email  
[marketing@hukumonline.com](mailto:marketing@hukumonline.com)

for feedback email [english@hukumonline.com](mailto:english@hukumonline.com)

**Head of Legal Research and Analysis:** Robert Sidauruk | **Editors:** Simon Pitchforth; Ari  
Pramuditya | **Analyst:** Aditiya Putra; Ricky Pratomo | **Researcher:** Marcell Sihombing |  
**Librarian and Data Coordinator:** Dedi Rosyadi

**Disclaimer:** All data and information contain in this service is compiled from various reliable sources. We have taken every effort to ensure the accuracy and completeness of data and information in these services; however, we are not responsible for any errors or omissions as well as translation mistakes from the source language. Hukumonline English may change, modify, add or remove any errors or omissions on [en.hukumonline.com](http://en.hukumonline.com) without notification. These services are not intended and should not be taken as legal advice or opinion. No action should be taken in reliance of information contained in these services without first seeking professional services. PT JUSTIKA SIAR PUBLIKA 2018, All Rights Reserved.