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By: THE PRESIDENT OF THE REPUBLIC OF INDONESIA
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Reference: LN 2004/124; TLN NO. 4436
Title: OIL AND NATURAL GAS DOWNSTREAM BUSINESS ACTIVITIES

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering:

Whereas, in implementation of the provisions in Article 8 paragraph (1), Article 30, Article 43 and Article 49 of Law Number [22 Year 2001](#) Regarding Oil and Natural Gas, it is imperative that the Government enacts this Government Regulation Regarding Oil and Natural Gas Downstream Business Activities;

In view of:

1. Article 5 paragraph (2) of the 1945 Constitution as amended by the Fourth Amendment of the 1945 Constitution;
2. Law Number 22 year 2001 Regarding Oil and Natural Gas (State Gazette of 2001 Number 136, Supplement to State Gazette Number 4152);
3. Government Regulation Number [67 year 2002](#) Regarding Regulatory Body for Supply and Distribution of Fuel Oil and Natural Gas and Business Activities of Transporting Natural Gas Through Pipelines (State Gazette of 2002 Number 141, Supplement to State Gazette Number 4253);

HAS DECIDED:

To Stipulate:

A GOVERNMENT REGULATION ON OIL AND NATURAL GAS DOWNSTREAM BUSINESS ACTIVITIES.

CHAPTER I GENERAL

Article 1

In this Government Regulation:

1. The terms Crude Oil, Natural Gas, Oil and Natural Gas, Upstream Business Activities, Downstream Business Activities, Processing, Transportation, Storage,

Trading, Business Entity, Permanent Establishment, Business License, Central Government, Regional Government, Regulatory Body and Minister, shall have the meanings prescribed to them in Law Number 22 year 2001 Regarding Oil and Natural Gas;

2. Gas Fuel shall mean fuel to be used in transportation activities that originates from Natural Gas, among others, Compressed Natural Gas (CNG) and/or processed products of Oil and Natural Gas, i.e. Liquefied Petroleum Gas (LPG) and Liquefied Natural Gas (LNG);
3. Other Fuel shall mean those fuels in the form of liquid or gas originating from other than Crude Oil, Natural Gas and Processed Products;
4. LPG shall mean hydrocarbon gas which is liquefied under pressure for ease of storage, transportation and handling; which basically comprises propane or butane or a combination of the two;
5. LNG shall mean Natural Gas, which mostly consists of methane liquefied at an extremely low temperature (approximately minus 160° C) and is maintained in a liquefied state for ease of transportation and storage;
6. Processed Products shall mean the results and/or products other than Fuel Oil and/or Gas Fuel produced from Oil and Natural Gas Processing activities either in the form of end products or intermediary products, which comprise of high octane mogas component (HOMC), residues, naphtha, lube-base oil, asphalt, and/or all other processed products except for lubricants and petrochemical products;
7. Crude Oil Strategic Reserves shall mean a certain quantity of Crude Oil reserves stipulated by the Government which must be available from time to time to meet domestic demand for raw material for Processing in order to support domestic supplies and distribution of Fuel Oil;
8. National Fuel Oil Reserves shall mean a certain quantity of Fuel Oil reserves stipulated by the Government in order to support the domestic supply of Fuel Oil;
9. Field Processing shall mean processing activities as continuing and/or a series of Oil and Natural Gas exploitation and exploration activities as long as not intended to obtain benefits and/or profits or for commercial purposes;
10. Transportation of Natural Gas Through Pipeline shall mean the activities of distributing Natural Gas through pipelines, consisting of activities of transmission and/or transmission and distribution through distribution pipelines and equipment that is operated and/or performed as one integrated system;
11. National Natural Gas Transmission and Distribution Network Master Plan shall mean the document concerning the plans for the development and construction of a Natural Gas transmission and distribution network within the territory of the Unitary State of the Republic of Indonesia, which can be adjusted annually;
12. Transmission Internode shall mean a certain part of the Natural Gas transmission network that is part of the National Natural Gas Transmission and Distribution Network Master Plan;

13. Distribution Network Area shall mean certain areas of the Natural Gas distribution network that are part of the National Natural Gas Transmission and Distribution Network Master Plan;
14. Special Right shall mean the right granted by the Regulatory Body to Business Entities to operate the Transportation of Natural Gas Through Pipelines in Transmission Internodes and/or in the Distribution Network Area based on a tender;
15. Tariff shall mean the fee to be collected in connection with the Transportation of Natural Gas Through Pipelines;
16. Wholesale Business Activity shall mean business activities of sale, purchase, export and import of Fuel Oil, Gas Fuel, Other Fuel and/or Processed Products on a large scale that controls or own storage facilities and infrastructures and are entitled to distribute to all end users by using certain trademarks;
17. Limited Trading Business Activity shall mean business activities of sale, purchase, export and import of Fuel Oil, Gas Fuel, Other Fuel and/or Processed Products on a large scale that do not control or own storage facilities and infrastructure and can only distribute to users who own/control port facilities and infrastructure and/or receiving terminals;
18. Fuel Oil Shortage shall mean a condition where the public demand for Fuel Oil in a particular area cannot be satisfied for a certain period of time;
19. Remote Area shall mean an area which is difficult to access, and has limited transportation facilities/infrastructure and where the people's economy is underdeveloped resulting in a high cost being required for distribution of Fuel Oil.

CHAPTER II IMPLEMENTATION OF DOWNSTREAM BUSINESS ACTIVITIES

Article 2

Downstream Business Activities shall be carried out by a Business Entity possessing a Business License issued by the Minister and shall be performed through a mechanism of fair, healthy and transparent business competition.

Article 3

The Government shall regulate, develop and supervise the implementation of Downstream Business Activities as referred to in Article 2.

Article 4

The regulation and development referred to in Article 3 shall be implemented by the Minister and shall consist of:

- a. Business Licenses issued to Business Entities;
- b. types, standards and quality of Fuel Oil, Natural Gas, Gas Fuel, Other Fuel and Processed Products;
- c. guarantee of availability and smoothness of distribution of Fuel Oil throughout the territory of the Unitary State of the Republic of Indonesia;

- d. utilization of Natural Gas to meet domestic needs;
- e. Crude Oil Strategic Reserves to support the availability of domestic supply of Fuel Oil;
- f. Policy on National Fuel Oil Reserves;
- g. National Natural Gas Transmission and Distribution Network Master Plan;
- h. techniques of work health and safety as well as environmental management and development of local community;
- i. mechanism and/or formulation of price of Gas Fuel and certain types of Fuel Oil during the period prior to the price being determined by the mechanism of fair and healthy business competition;
- j. business administration of certain types of Fuel Oil;
- k. increase of national potential capacity;
- l. utilization of domestic goods, services, technology and engineering and design capability.

Article 5

The regulation as referred to in Article 4 points c, d, f, h, and i shall consider suggestions from the Regulatory Body and related agencies.

Article 6

The supervision as referred to in Article 3 shall be implemented by the Minister and shall consist of:

- a. types, standards and quality of Fuel Oil, Natural Gas, Gas Fuel, Other Fuel and Processed Products;
- b. work health and safety and environmental management;
- c. employment of expatriates and development of Indonesian manpower;
- d. the utilization of domestic goods, services, technology and design and engineering capability;
- e. development of local community and environment;
- f. acquisition, development and application of technology in Oil and Natural Gas;
- g. implementation of Business Licenses;
- h. good engineering practice;
- i. use of measuring device equipment and system in Downstream Business Activities.

Article 7

The Regulatory Body shall undertake the regulation and supervision of the implementation of supply and distribution of Fuel Oil and Transportation of Natural Gas Through Pipelines carried out by Business Entities possessing Business Licenses issued by the Minister.

Article 8

- (1) The regulation on the implementation of the supply and distribution of Fuel Oil as referred to in Article 7 shall consist of:
 - a. stipulation of the obligations of Business Entities which will be granted or already possess Business Licenses from the Minister to supply and distribute Fuel Oil stipulated by the Government throughout the territory of the Unitary State of the Republic of Indonesia;

- b. stipulation of the obligations of Business Entities which will be granted or already possess Business Licenses from the Minister to supply and distribute Fuel Oil to areas where there is no market mechanism and to Remote Areas for the purpose of securing the availability of Fuel Oil supplies throughout the territory of the Unitary State of the Republic of Indonesia;
 - c. Determination of allocation of the Fuel Oil Reserve from each Business Entity in accordance with the Business License to satisfy National Fuel Oil Reserve;
 - d. Stipulation of joint utilization including the mechanism for determination of the tariff for Fuel Oil Transportation and Storage facilities as well as the supporting facilities owned by Business Entities in extremely necessary conditions, should there be a Fuel Oil shortage, and/or to support the optimization of Fuel Oil supply and distribution in Remote Areas;
 - e. Calculation and determination of the amount of fees payable by Business Entities conducting business activities in the supply and distribution of Fuel Oil in accordance with the volume of Fuel Oil traded based on the formula stipulated in the Government Regulation;
 - f. Settlement of any dispute arising related to Fuel Oil Trading business activities.
- (2) In the event that the dispute settlement conducted by the Regulatory Body referred to in paragraph 1 (f) cannot be accepted by the Business Entity or the parties, the Business Entity or the parties may file an objection through the District Court of Central Jakarta.

Article 9

- (1) The regulation on the implementation of the Transportation of Natural Gas Through Pipelines as referred to in Article 7 shall consist of:
- a. stipulation of Transmission Internodes and Distribution Network Area based on technical and economic considerations, to be auction to Business Entities which possess a Business License for the Transportation of Natural Gas through Pipelines;
 - b. granting of Special Right for the Transportation of Natural Gas Through Pipelines in the Transmission Internodes and in the Distribution Network Area by auction based on the National Natural Gas Transmission and Distribution Network Master Plan;
 - c. determination of the tariff based on technical and economic principles;
 - d. stipulation of the prices of Natural Gas for households and small customers by considering the economic value of the Business Entities as well as the public's capability and purchasing power;
 - e. stipulation and application of the business information and accounting system for Business Entities carrying out business activities of Transportation of Natural Gas Through Pipelines;

- f. calculation and stipulation of the fees payable by Business Entities carrying out business activities of Transportation of Natural Gas Through Pipelines in accordance with the Natural Gas which is transported and distributed based on the formula stipulated by Government Regulation;
 - g. settlement of disputes arising against the holders of Special Rights for Transportation of Natural Gas Through Pipelines and/or in connection with the implementation of Transportation of Natural Gas Through Pipelines.
- (2) In the event that the dispute settlement conducted by the Regulatory Body as referred to in paragraph 1 (g) cannot be accepted by the Business Entity or the parties, the Business Entity or the parties may file an objection to the District Court of Central Jakarta.

Article 10

- (1) Supervision of the supply and distribution of Fuel Oil and Transportation of Natural Gas Through Pipelines as referred to in Article 7 shall be applied to Business Entities.
- (2) Supervision by the Regulatory Body as referred to in paragraph (1) shall consist of:
- a. undertaking of supply and distribution of Fuel Oil and/or Transportation of Natural Gas Through Pipelines;
 - b. implementation of joint utilization of facilities for transportation and storage of Fuel Oil and Transportation of Natural Gas Through Pipelines as well as the supporting facilities owned by the Business Entities;
 - c. implementation of the Special Rights for the Transportation of Natural Gas Through Pipelines;
 - d. Natural Gas price for households and small-scale customers.
- (3) Supervision as referred to in paragraph (2) points a and b shall consist of conveying considerations to the Minister in stipulating the sanctions for violations of Business Licenses by the Business Entities.

Article 11

Further regulations on the implementation of Article 8, Article 9, and Article 10 shall be further regulated in the Decision and Guidelines of the Regulatory Body.

CHAPTER III BUSINESS LICENSE

Article 12

Downstream Businesses Activities shall consist of:

- a. Processing Activities which consist of activities of refining, fractionating, quality upgrading, increasing the value of Oil and Natural Gas to produce Fuel Oil, Gas Fuel, Processed Products, LPG and/or LNG but not including Field Processing;
- b. Transportation Activities which consist of the transportation of Crude Oil, Natural Gas, Fuel Oil, Gas Fuel and/or Processed Products by land, water and/or air, including Transportation of Natural Gas Through Pipelines from one place to another for commercial purposes;
- c. Storage Activities which consist of activities of receiving, collecting, stockpiling and releasing Crude Oil, Fuel Oil, Gas Fuel and/or Processed Products at such locations above and/or below ground level and/or water level, for commercial purposes;
- d. Trading Activities which consist of activities of purchasing, selling, exporting and importing Crude Oil, Fuel Oil, Gas Fuel and/or Processed Products, including Natural Gas through pipelines.

Article 13

- (1) Downstream Business Activities as contemplated in Article 12 shall be carried out by Business Entities after obtaining Business Licenses from the Minister.
- (2) The Minister may delegate his authority to issue Business Licenses for certain business activities as referred to in paragraph (1), which shall be further stipulated in a Ministerial Decree.

Article 14

- (1) Applications for and issuance of Business Licenses as referred to in Article 13 paragraph (1) are stipulated as follows:
 - a. for Processing activities to produce Fuel Oil, Gas Fuel and/or Processed Products, the application shall be submitted to and the Business License shall be granted by the Minister;
 - b. for Transportation activities of Crude Oil, Fuel Oil, Gas Fuel and/or Processed Products, including Transportation of Natural Gas Through Pipelines, the application shall be submitted to and the Business License shall be granted by the Minister;
 - c. for Storage Activities of Crude Oil, Fuel Oil, Gas Fuel and/or Processed Products, the application shall be submitted to and the Business License shall be granted by the Minister;
 - d. for Trading of Crude Oil, Natural Gas, Fuel Oil, Gas Fuel and/or Processed Products, the application shall be submitted to and the Business License shall be granted by the Minister.
- (2) Copies of the applications to obtain the Fuel Oil Processing Business Licenses, Business Licenses for the Transportation of Natural Gas Through Pipelines, Fuel Oil Storage Business Licenses, Natural Gas Trading Business Licenses and Fuel Oil Trading Business Licenses, as referred to in paragraph (1) points a, b, c and d shall be sent to the Regulatory Body.

- (3) Business Licenses as referred to in paragraph (1) point d shall consist of Wholesale Business License and Limited Trading Business License.

Article 15

- (1) In order to obtain the Business Licenses as referred to in Article 13, Business Entities shall submit their applications to the Minister, accompanied by all administrative and technical requirements, at least consisting of:
 - a. name of the organizer;
 - b. type of business applied;
 - c. obligation to adhere to the implementation of the business;
 - d. information regarding the plan and technical requirements related to the business activity.
- (2) The Minister shall further stipulate provisions on the requirements and guidelines for implementation of the Business Licenses referred to in paragraph (1).

Article 16

- (1) In the event the Business Entity carries out Processing activities together with Transportation, Storage and/or Trading activities as a continuation of its Processing business activities, then such Business Entity shall only be required to possess a Processing Business License.
- (2) In the event the Business Entity as referred to in paragraph (1) carries out Wholesale Business Activities then it shall first obtain a Wholesale Business License.
- (3) In the event the Business Entity carries out Processing Business Activities which also include Transportation, Storage and Trading activities not as a continuation of its Processing business activities, then such Business Entity shall obtain the Processing Business License, Transportation Business License, Storage Business License and Wholesale Business License or Limited Trading Business License separately.

Article 17

In the event that the Business Entity carries out the business activities of Transportation of Natural Gas Through Pipelines in Transmission Internodes or in the Distribution Network Area, the Business Entity must obtain a Special Right from the Regulatory Body.

Article 18

- (1) If a Business Entity carries out Storage activities as well as Transportation activities as a supporting activity for the Storage activities, then such Business Entity shall only be required to obtain a Storage Business License and no Transportation Business License shall be required.
- (2) If a Business Entity carries out Storage activities as well as Transportation activities that are not supporting activities for its Storage activities, then such Business Entity shall be obligated to obtain both a Storage Business License and/or a Transportation Business License separately.

Article 19

- (1) If a Business Entity carries out Trading activities as well as Storage and/or Transportation activities which support its Trading activities, then such Business Entity shall be granted a Trading Business License and no Storage Business License or Transportation Business License shall be required.
- (2) If a Business Entity carries out Trading activities as well as Storage and/or Transportation activities that are not supporting activities for its Trading activities, then such Business Entity shall be obligated to obtain a Wholesale Business License or Limited Trading Business License, Storage Business License and/or a Transportation Business License separately.

CHAPTER IV PROCESSING

Article 20

Any Business Entity carrying out Processing activities on Crude Oil, Natural Gas and/or Processed Products shall be obligated to obtain a Processing Business License from the Minister.

Article 21

In the course of conducting its Processing activities, the Business Entity shall ensure work health and safety as well as environmental management and local community development, and shall ensure that the final products will meet the standards and quality in accordance with the prevailing laws and regulations.

Article 22

A Business Entity holding a Processing Business License shall submit reports to the Minister and the Regulatory Body regarding the annual plan schedule, monthly implementation realization and cessation of operation for maintenance of the Processing facilities and infrastructure in order to ensure the availability of Fuel Oil.

Article 23

- (1) In carrying out Processing business activities, the Business Entity shall consider the national interest in relation to the domestic supply of Fuel Oil and Gas Fuel.
- (2) In the event of a Fuel Oil supply shortage as contemplated in paragraph (1), the Minister may appoint and instruct a certain Business Entity to increase the production of Fuel Oil by taking into consideration the technical and economic aspects of the Business Entity.

Article 24

- (1) The Processing of Natural Gas into LNG, LPG and Gas To Liquefied (GTL) shall fall within and/or constitute Downstream Business Activities insofar as such activities are profit and/or revenue-oriented and are not a continuation of Upstream Business Activities.

- (2) The Natural Gas Processing business activities as referred to in paragraph (1) shall be conducted by the Business Entity upon obtaining a Business License from the Minister.

Article 25

The provisions regulating the Processing of Crude Oil, Natural Gas and/or Processed Products to produce lubricants and petrochemical products shall be stipulated and implemented jointly by the Minister and the minister in the industry sector.

CHAPTER V TRANSPORTATION

Article 26

A Business Entity that will carry out Transportation activities on Crude Oil, Natural Gas, Fuel Oil, Gas Fuel and/or Processed Products shall be obligated to obtain a Transportation Business License from the Minister.

Article 27

A Business Entity may carry out activities of Transportation of Natural Gas Through Pipelines after obtaining a Special Right from the Regulatory Body.

Article 28

In carrying out Transportation business activities, the Business Entity shall ensure that work health and safety, environmental management and local community development are in accordance with the prevailing laws and regulations.

Article 29

Business Entity in carrying out Transportation business activities which use land transportation facilities other than pipelines shall prioritize use of transportation owned by cooperatives, small-scale enterprises and/or national private business entities through selection.

Article 30

Each month or whenever required, a Business Entity holding a Transportation Business License shall submit reports to the Minister with a copy to the Regulatory Body regarding the plan and realization of its business activities, including the type, quantity and operational activities.

Article 31

- (1) The Business Entity shall provide an opportunity to other parties to jointly utilize its facilities and infrastructure in the Transportation of Natural Gas Through Pipelines with consideration of technical and economic aspects.
- (2) In the event of a Fuel Oil Shortage and in Remote Areas, in order to minimize distribution costs, the Business Entity shall allow other parties to jointly use its Transportation facilities and infrastructure with consideration of technical and economic aspects.

- (3) Such joint utilization of Transportation facilities and infrastructure as set forth in paragraphs (1) and (2) above shall be further stipulated, regulated and supervised by the Regulatory Body with consideration of technical and economic aspects.

Article 32

Each month or whenever required, a Business Entity holding a transportation Business License shall submit reports to the Regulatory Body with a copy to the Minister regarding the plan and realization of the implementation of operational activities of Transportation of Natural Gas Through Pipelines, including use of facilities and infrastructure for the Transportation of Natural Gas Through Pipelines.

Article 33

The regulation, stipulation and supervision of the Tariff shall be conducted by the Regulatory Body with consideration of the economic calculation of the Business Entity and the interests of users and consumers.

Article 34

- (1) In conducting the business activities of Transportation of Natural Gas Through Pipelines, the Business Entity shall conform with the National Natural Gas Transmission and Distribution Network Master Plan.
- (2) The National Natural Gas Transmission and Distribution Network Master Plan shall be stipulated by the Minister with consideration of the advice from the Regulatory Body and Business Entities as well as with due observance to the Government's interest in developing the domestic market.
- (3) The Regulatory Body shall issue a Special Right for the Transportation of Natural Gas Through Pipelines in Transmission Internodes and in the Distribution Network Area to the Business Entity, based on the National Natural Gas Transmission and Distribution Network Master Plan.

Article 35

Business Entities which have carried out business activities for Transportation of Natural Gas Through Pipelines may increase the capacity of their transportation facilities and infrastructure after obtaining adjustments to the Special Right.

Article 36

- (1) Natural Gas Transportation activities within Upstream Business Activities that are used by the contractor concerned to transport the Natural Gas and that are not profit and/or revenue-oriented business activities shall constitute Upstream Business Activities that do not require a Business License.
- (2) Natural Gas Transportation activities which are profit and/or revenue-oriented and/or are jointly used with other parties by charging a fee or rent or where the cost is shared commercially, shall constitute Downstream Business Activities and shall be obligated to obtain a Business License and Special Right.

CHAPTER VI STORAGE

Article 37

Business Entities carrying out Storage activities for Crude Oil, Natural Gas, Fuel Oil, Gas Fuel and/or Processed Products shall be obligated to obtain a Storage Business License issued by the Minister.

Article 38

In carrying out its Storage activities, a Business Entity is required to ensure the work health and safety as well as environmental management and local social development in accordance with the prevailing laws and regulations.

Article 39

Once every 3 (three) months or whenever required, Business Entities holding Storage Business Licenses shall submit reports to the Minister with a copy to the Regulatory Body concerning their plan and realization of their Storage business activities containing the type, quantity and/or quality of the commodities to be stored.

Article 40

- (1) Business Entities shall provide opportunities to other parties to jointly use their Storage facilities with consideration of technical and economic aspects.
- (2) In areas facing Fuel Oil Shortage and in Remote Areas, Business Entities shall provide opportunities to other parties to jointly use their Storage facilities with consideration of technical and economic aspects.
- (3) Such joint utilization of Storage facilities as set forth in paragraphs (1) and (2) above shall be further regulated and stipulated by the Regulatory Body.

Article 41

- (1) Business Entities already carrying out Storage activities may supplement and increase the capacity of their Storage facilities and infrastructure upon obtaining adjustments to their Business License.
- (2) Adjustments to the Business License as set forth above in paragraph (1) shall first require a recommendation from the Regulatory Body.

Article 42

- (1) Business Entities carrying out LNG Storage activities shall be obligated to have an LNG Storage Business License.
- (2) The Minister shall stipulate the requirements and guidelines for the issuance of the Business License as set forth in paragraph (1).

CHAPTER VII TRADING

Article 43

Business Entities that will carry out Trading activities for Crude Oil, Natural Gas, Fuel Oil, Gas Fuel, LPG and/or Processed Products shall be obligated to obtain a Trading Business License issued by the Minister.

Article 44

In carrying out its Trading activities, a Business Entity shall be obligated to do the following:

- a. continuously ensure the availability of Fuel Oil, Gas Fuel and LPG throughout its Trading distribution network;
- b. continuously ensure the availability of Natural Gas Through Pipelines throughout its Trading distribution network;
- c. guarantee that sale prices for Fuel Oil, Gas Fuel and LPG shall remain at reasonable rates;
- d. guarantee the availability of sufficient Trading facilities;
- e. guarantee the standards and quality of Fuel Oil, Gas Fuel, LPG and/or Processed Products as set forth by the Minister;
- f. guarantee and be responsible for the accuracy and measuring device system used;
- g. guarantee use of equipment in compliance with the prevailing standards.

Article 45

Each month or whenever required, Business Entities holding a Trading Business License are required to submit a report to the Minister with a copy to the Regulatory Body concerning the implementation of the Trading activities.

Article 46

- (1) Business Entities carrying out Trading business activities for Fuel Oil, Gas Fuel, Other Fuel and/or Processed Products as referred to in Article 43 may be granted a Wholesale Business License or a Limited Trading Business License.
- (2) Business Entities holding a Wholesale Business License as referred to in paragraph (1) may carry out trading activities to serve certain (large) consumers.

Article 47

- (1) Business Entities holding a Wholesale Business License shall be obligated to own and/or control the storage facilities and infrastructure as well as have a supply guarantee from domestic and/or overseas sources.
- (2) The Minister shall stipulate the minimum capacity of the storage facilities as referred to in paragraph (1) that must be realized by the Business Entities.

- (3) The Regulatory Body shall give its considerations to the Minister in relation to the stipulation of the minimum capacity of the storage facilities as referred to in paragraph (2).
- (4) The Business Entities as referred to in paragraph (2) may start their Trading business activities after fulfilling the minimum Operational Reserves obligation stipulated by the Regulatory Body.

Article 48

- (1) Business Entities holding Wholesale Business Licenses when supplying Fuel Oil, Gas Fuel and LPG to small-scale users, small customers, transportation and households shall be obligated to supply them through distributors appointed by the Business Entities through selection.
- (2) The appointment of distributors as set forth in paragraph (1) shall prioritize the use of cooperatives, small-scale entrepreneurs and/or national private business entities integrated with the Business Entity based on a cooperation agreement.
- (3) Distributor as referred to in paragraph (1) may only market certain types of Fuel Oil, Gas Fuel and LPG with trademarks that are used or owned by Business Entities holding a Wholesale Business License.
- (4) Distributor as referred to in paragraph (1) shall obtain a license in accordance with the provisions of the prevailing laws and regulations.
- (5) Business Entities holding a Wholesale Business License shall be responsible for the standard and quality up to the distributor level.
- (6) Business Entities Shall be obligated to submit report to the Minister and the Regulatory Body regarding appointment of distributors as intended in paragraphs (1), (2), and (3).

Article 49

- (1) Business Entities holding a Wholesale Business License may carry out retail activities for Fuel Oil with the types of gasoline and diesel directly to transportation users through the facilities and infrastructure that they operate and/or own.
- (2) The direct retail activities at the facilities and infrastructure owned by the Business Entities as referred to in paragraph (1) may only be implemented up to a maximum of 20% (twenty percent) of the total infrastructure and facilities for the retail activities that are operated and/or owned by the Business Entities.
- (3) For retail activities at infrastructure and facilities which are operated and/or owned by Business Entities other than as referred to in paragraph (2), their operation may only be conducted by cooperatives, small-scale entrepreneurs and/or national private business entities.
- (4) Cooperatives, small-scale entrepreneurs and/or national private business entities may own and operate their own facilities and infrastructure through cooperation with Business Entities holding a Wholesale Business License.

- (5) The implementing provisions for the stipulation referred to in paragraph (2) shall be stipulated by the Minister after obtaining considerations from the Regulatory Body.

Article 50

- (1) Direct users who own or control port and/or receiving terminal facilities may directly import Fuel Oil, Gas Fuel, Other Fuel and/or Processed Products for their own use after obtaining a recommendation from the Minister.
- (2) Direct users as referred to in paragraph (1) shall not market and/or trade the Fuel Oil, Gas Fuel, Other Fuel and/or Processed Products.
- (3) Direct users who market and/or trade the Fuel Oil, Gas Fuel, Other Fuel and/or Processed Products as referred to in paragraph (2) shall face criminal sanctions and fines in accordance with the prevailing laws and regulations.

Article 51

- (1) Business Entities holding a Trading Business License that carry out LPG trading activities shall be obligated to own or control the facilities and infrastructure for LPG storage and bottling plants.
- (2) Business Entities holding a Trading Business License as referred to in paragraph (1) shall be obligated to have and use certain trademarks.
- (3) Business Entities holding a Trading Business License shall be responsible for the standard and quality of LPG, LPG bottle, the facilities and infrastructure of the storage and bottling plant.

Article 52

- (1) Business Entities carrying out Natural Gas Trading business activities consist of Business Entities that own Natural Gas distribution network facilities and Business Entities that do not own Natural Gas distribution network facilities.
- (2) Natural Gas Trading business activities carried out by Business Entities that own distribution network facilities as referred to in paragraph (1) shall be performed after obtaining a Natural Gas Trading Business License and acquiring a Special Right for the Distribution Network Area.
- (3) Natural Gas Trading business activities carried out by Business Entities that do not own distribution network facilities as referred to in paragraph (1) may only be carried out through the Natural Gas distribution network facilities of a Business Entity that has obtained a Special Right for the Distribution Network Area and shall be performed after obtaining a Natural Gas Business License.

Article 53

In implementing a Trading business activities, Business Entities shall guarantee work health and safety, environmental management and local community development in accordance with the prevailing laws and regulations.

Article 54

- (1) The Minister shall stipulate the technical standards for the Gas Fuel and LPG bottles as well as facilities for the Gas Fuel and LPG bottling plant of Business Entities holding a Trading Business License for Gas Fuel and LPG.
- (2) The Minister shall stipulate the minimum technical standards for the facilities and infrastructure for the activities of distributors.

Article 55

The sale of Fuel Oil and Gas Fuel which are inseparable products resulting from or which are part of the Upstream Business Activities shall not require a Trading Business License.

CHAPTER VIII CRUDE OIL STRATEGIC RESERVES

Article 56

- (1) The Government shall provide Crude Oil Strategic Reserves which can be obtained from domestic production and/or imports.
- (2) The Government may instruct a Business Entity to provide the Crude Oil Strategic Reserves as referred to in paragraph (1).
- (3) The Minister shall regulate and stipulate the Crude Oil Strategic Reserves in terms of quantity, types and storage locations and the use of Crude Oil Strategic Reserves.
- (4) The amount of such Crude Oil Strategic Reserves shall be determined in accordance with the demand for Fuel Oil and its types shall be adjusted to the configuration of domestic Processing facilities that will use the Crude Oil Strategic Reserves.

Article 57

In order to support the domestic supply of Fuel Oil, the use of Crude Oil Strategic Reserves shall be determined by the Minister when the supply of Crude Oil is affected.

Article 58

The regulation, implementation and supervision of Crude Oil Strategic Reserves shall be further regulated by the Minister.

CHAPTER IX NATIONAL FUEL OIL RESERVES

Article 59

- (1) The Minister shall determine the policies concerning the quantity and types of National Fuel Oil Reserves.
- (2) The types of National Fuel Oil Reserves referred to in paragraph (1) shall comply with the standards and quality stipulated by the Minister.

- (3) The Minister may appoint Business Entities holding a Processing Business License, Business Entities holding a Storage Business License and Business Entities holding a Trading Business License, which produce the types of Fuel Oil referred to in paragraph (2), to provide National Fuel Oil Reserves.
- (4) The National Fuel Oil Reserves from each Business Entity as referred to in paragraph (3) shall be regulated and stipulated by the Regulatory Body.
- (5) Supervision over the supply of National Fuel Oil Reserves as referred to in paragraph (4) shall be performed by the Regulatory Body.

Article 60

- (1) The National Fuel Oil Reserves referred to in Article 59 paragraph (1) shall only be used during a Fuel Oil Shortage, the regulation and stipulation of which shall be implemented by the Regulatory Body.
- (2) When the Fuel Oil Shortage has been overcome, the National Fuel Oil Reserves shall be restored to their original condition.

Article 61

- (1) Business Entities appointed as referred to in Article 59 paragraph (3) are required to report every month to the Regulatory Body, with a copy to the Minister, regarding the condition of their Operational Reserves as part of the National Fuel Oil Reserves, including the location, quantity and type.
- (2) If a Business Entity fails to make available its National Fuel Oil Reserves when required as referred to in Article 59 paragraph (3), the Minister may impose administrative sanctions and/or a fine on the Business Entity in accordance with a recommendation given by the Regulatory Body.

CHAPTER X STANDARDS AND QUALITY

Article 62

- (1) The Minister shall determine the types, standards and quality of Fuel Oil, Gas Fuel, Processed Products and/or Other Fuel in the form of finished products to be sold in the domestic market.
- (2) The standards and quality of Fuel Oil, Gas Fuel and/or Processed Products to be marketed domestically must meet the standards and quality set forth by the Minister, as referred to in paragraph (1) above.
- (3) In determining the standards and quality referred to in paragraph (1) above, the Minister must take into account technological developments, the producers' capabilities, consumers' capacity and demand, work health and safety and environmental management.

Article 63

- (1) Business Entities carrying out Processing activities which produce Fuel Oil, Gas Fuel, and/or Processed Products are required to have accredited test lab facilities for testing the quality of their processed products against such standards and quality as set forth by the Minister.
- (2) Business Entities carrying out Storage business activities that perform blending activities to produce Fuel Oil and/or Processed Products are required to have a testing facility to test that the quality of the results of blending accord with the standards and quality as set forth by the Minister.
- (3) If a Business Entity as referred to in paragraph (2) fails to provide its own testing facility, it may use accredited laboratory testing facilities owned by other parties.

Article 64

- (1) Fuel Oil, Gas Fuel, and/or Processed Products in the form of finished products that are imported for direct sale in the domestic market shall meet the standards and quality as set forth by the Minister.
- (2) The standards and quality for exported Fuel Oil, Gas Fuel and/or Processed Products shall be determined by the producers concerned in accordance with the demand from consumers.
- (3) The standards and quality of specially ordered Fuel Oil, Gas Fuel and/or Processed Products may be separately determined and must be reported to the Minister.

Article 65

The Minister shall regulate and stipulate the procedures for monitoring the standards and quality of Fuel Oil, Gas Fuel, Processed Products and/or Other Fuel that are domestically marketed as referred to in Article 62 paragraph (1) above.

CHAPTER XI SUPPLY AND DISTRIBUTION OF CERTAIN TYPES OF FUEL OIL

Article 66

- (1) In order to secure the availability and distribution of certain types of Fuel Oil, Trading business activities shall be performed through a fair, sound and transparent business competition mechanism, to be implemented gradually.
- (2) The gradual implementation referred to in paragraph (1) shall be stipulated in a Presidential Decree.
- (3) The Presidential Decree referred to in paragraph (2) shall regulate provisions on the sales plan and provisions on the export and import of Fuel Oil.
- (4) If fair, sound and transparent business competition mechanism is not accomplished in implementation of Trading business activities as referred to in paragraph (1), administration of Fuel Oil trading shall be applied.
- (5) The trading administration referred to paragraph (3) shall only apply to Business Entities holding Wholesale Business Licenses for Fuel Oil.

Article 67

- (1) The Minister shall stipulate the Fuel Oil Trading Business Areas for certain types of Fuel Oil within the country.
- (2) The Fuel Oil Trading Business Areas for certain types of Fuel Oil referred to in paragraph (1) shall consist of Fuel Oil Trading Business Areas where a market mechanism has been established, Fuel Oil Trading Business Areas where no market mechanism has been established, and Fuel Oil Trading Business Areas in Remote Areas.
- (3) The Regulatory Body shall provide considerations to the Minister in relation to the stipulation of the Fuel Oil Trading Business Areas for certain types of Fuel Oil as referred to in paragraph (1).

Article 68

- (1) The Regulatory Body shall stipulate the distribution area for the Trading of certain types of Fuel Oil as well as the procedure for Business Entities holding Trading Business Licenses.
- (2) The Regulatory Body shall stipulate the joint utilization of transportation and storage facilities including supporting facilities for the supply and distribution of certain types of Fuel Oil especially in areas where a market mechanism has not been established and in Remote Areas.
- (3) If necessary, in the Fuel Oil Trading Business Area for certain types of Fuel Oil where a fair, sound and transparent business competition mechanism has not been and/or cannot be established, the Government can stipulate retail price restrictions for certain types of Fuel Oil.
- (4) The retail price of certain types of Fuel Oil as referred to in paragraph (3) shall comprise of the price at the Wholesale business activities level plus the distribution cost and retail margin as well as taxes.
- (5) The Government shall stipulate the price restrictions referred to in paragraph (3) based on input from the Regulatory Body in line with the calculation of economic value.

Article 69

- (1) Business Entities holding a Wholesale Business License that carry out Trading activities for certain types of Fuel Oil to transportation users shall give an opportunity to distributors appointed by the Business Entity through selection.
- (2) Distributors as referred to in paragraph (1) shall be cooperatives, small-scale entrepreneurs and/or national private business entities whose business is integrated with the Business Entity under a cooperation agreement.
- (3) Distributors as referred to in paragraph (2) may only distribute certain types of Fuel Oil under trademarks that are used or owned by a Business Entity holding a Wholesale Business License.

- (4) Distributors as referred to in paragraph (2) are required to obtain all the necessary licenses in accordance with the prevailing laws and regulations.
- (5) Business Entities are required to submit reports to the Regulatory Body, a copy of which shall be sent to the Minister, regarding the appointment of a distributor pursuant to paragraphs (1), (2) and (3) above.

Article 70

- (1) Business Entities holding a Wholesale Business License that carry out Trading activities of Fuel Oil of the type kerosene for households and/or small consumers are required to do so through distributors appointed by the Business Entity through selection.
- (2) Distributors as referred to in paragraph (1) shall be cooperatives, small-scale entrepreneurs and/or national private business entities whose business is integrated with the Business Entity based on a cooperation agreement.
- (3) Distributors as referred to in paragraph (2) may only act as distributors for Fuel Oil of the type kerosene with trademarks that are used or owned by the Business Entity holding a Wholesale Business License.
- (4) Distributors as referred to in paragraph (2) shall obtain all the necessary licenses in accordance with the prevailing laws and regulations.
- (5) Distributors as referred to in paragraph (2) shall only distribute to households users and or small businesses and may not act distribute to other types of users.
- (6) Business Entities are required to submit reports to the Regulatory Body, a copy of which shall be sent to the Minister, regarding the appointment of a distributor pursuant to paragraphs (1), (2) and (3) above.

Article 71

- (1) In order to support Trading business activities for certain types of Fuel Oil carried out by distributors, Business Entities holding a Wholesale Business License are required to prioritize use of transportation business owned by cooperatives, small-scale entrepreneurs and/or national private business entities through selection.
- (2) The transportation business as referred to in paragraph (1) must be conducted integrated with the Business Entity through a cooperation agreement.
- (3) The transportation business as referred to in paragraph (1) shall obtain the necessary licenses in accordance with the provisions of the prevailing laws and regulations.

CHAPTER XII PRICE OF FUEL OIL AND PRICE OF NATURAL GAS

Article 72

- (1) The price of Fuel Oil and Natural Gas, excluding Natural Gas for households and small customers, shall be determined by a fair, sound and transparent business competition mechanism.
- (2) The price of Natural Gas for households and small customers as referred to in paragraph (1) shall be regulated and stipulated by the Regulatory Body with due consideration of the technical and economic aspects of Natural Gas supply and in accordance with pricing policy stipulated by the Government.
- (3) The Regulatory Body shall monitor the prices of Fuel Oil and Natural Gas as referred to in paragraphs (1) and (2) above.

Article 73

The domestic Fuel Oil retail price shall comprise of the price at the level of Business Entities holding a Wholesale Business License, plus the distribution cost and retail margin as well as taxes.

Article 74

The imposition of taxes as referred to in Article 73 above shall be carried out in accordance with the prevailing laws and regulations.

CHAPTER XIII DISTRIBUTION OF FUEL OIL TO REMOTE AREAS

Article 75

The Minister shall determine Remote Areas based on consideration of the location, preparedness for the establishment of a market, and the strategic value of each area concerned, with due observance to the considerations from the Regulatory Body.

Article 76

- (1) Distribution of Fuel Oil to Remote Areas shall be further regulated and stipulated by the Regulatory Body.
- (2) In implementing the distribution of Fuel Oil to Remote Areas as referred to in paragraph (1), Business Entities may cooperate with regional-owned companies, cooperatives, small-scale entrepreneurs and/or national business entities which have an existing distribution network in the Remote Area concerned, with due consideration of technical and economic aspects.
- (3) The types of Fuel Oil products that must be distributed to Remote Areas as referred to in paragraph (1) shall be gasoline, diesel and kerosene in accordance with the needs of the area concerned.

CHAPTER XIV WORK HEALTH AND SAFETY, ENVIRONMENTAL MANAGEMENT AND LOCAL COMMUNITY DEVELOPMENT

Article 77

Business Entities carrying out Processing, Transportation, Storage and Trading activities shall be obligated to ensure and comply with the provisions on work health and safety, environmental management and local community development

Article 78

Provisions regarding work health and safety, environmental management and local community development as referred to in Article 77 in Processing, Transportation, Storage and Trading activities shall be regulated in accordance with the provisions of the prevailing laws and regulations.

Article 79

- (1) Business Entities carrying out Processing, Transportation, Storage and Trading activities shall participate in the development of the local environment and community in order to establish a relationship with the local community.
- (2) The obligations of a Business Entity in the development of the local environment and community as referred to in paragraph (1) shall mean participation by the Business Entity in developing and utilizing the potential capacity of the local community, among others by employing workers of a certain quantity and quality in accordance with the competency required, as well as improving the community's living environment to create harmony between the Business Entity and the local community.

Article 80

- (1) Activities conducted by a Business Entity to develop the local environment and community shall be conducted in coordination with the Regional Government.
- (2) Activities to develop the local environment and community as referred to in paragraph (1) shall be prioritized for the community surrounding the area where the business activities are conducted.

CHAPTER XV UTILIZATION OF DOMESTIC GOODS, SERVICES, ENGINEERING AND DESIGN CAPABILITY AND HUMAN RESOURCES

Article 81

Utilization of goods and equipment in Downstream Business Activities shall comply with the prevailing standards in accordance with the prevailing laws and regulations.

Article 82

- (1) Business Entities carrying out Downstream Business Activities shall prioritize the utilization of local goods, equipment, services, technology, engineering and design capability in a transparent and competitive manner.
- (2) Preference shall be given to utilization of local goods, equipment, services, technology, engineering and design capability as referred to in paragraph (1) only if such goods, equipment, services, technology, engineering and design capability are already produced or available domestically and conform with quality, delivery timeline and competitive prices.

Article 83

- (1) Business Entities carrying out Downstream Business Activities shall prioritize the employment of Indonesian manpower in all fields and types of work available and shall prioritize the employment of local manpower.
- (2) Business Entities carrying out Downstream Business Activities may employ expatriates only for areas of work and positions that Indonesian workers are currently not capable of handling, in accordance with the prevailing regulations.
- (3) The procedures for employing expatriates as referred to in paragraph (2) shall be in accordance with the prevailing laws and regulations.

Article 84

Provisions on employment relations, work protection, and working requirements, as well as the assignment of some of the work performed to other parties shall be governed in accordance with the prevailing laws and regulations on manpower.

Article 85

In order to improve the ability of Indonesian manpower to fulfill work competency standards and position qualifications, Business Entities shall conduct education and training program activities for Indonesian workers.

Article 86

Guidance and development of Indonesian manpower shall be conducted in accordance with the prevailing laws and regulations.

CHAPTER XVI MANAGEMENT AND SUPERVISION

Article 87

The Minister shall manage and supervise the implementation of the Processing, Transportation, Storage and Trading activities in accordance with this Government Regulation.

Article 88

The supervision associated with the supply and distribution of Fuel Oil and Transportation of Natural Gas Through Pipelines shall be carried out by the Regulatory Body.

Article 89

- (1) Provisions regarding management and supervision as referred to in Article 87 shall be further regulated by the Minister.
- (2) Provisions regarding supervision as referred to in Article 88 shall be further regulated by the Regulatory Body.

CHAPTER XVII SANCTIONS

Article 90

- (1) The Minister shall issue a warning letter to any Business Entity violating any of the terms contained in the Processing Business License, Transportation Business License, Storage Business License and/or Trading Business License issued by the Minister.
- (2) If a Business Entity which has received a warning letter as referred to in paragraph (1) repeats the violation, the Minister may suspend the Processing, Transportation, Storage and/or Trading activities.
- (3) If, during the suspension period referred to in paragraph (2), the Business Entity concerned fails to meet the requirements set forth by the Minister, the Minister may freeze the Processing, Transportation, Storage and/or Trading activities.
- (4) The Regulatory Body shall stipulate and impose sanctions in relation to a violation of the Special Right of Transportation of Natural Gas Through Pipelines.
- (5) The Regulatory Body shall stipulate and impose sanctions in relation to a violation of the obligation of a Business Entity in the supply and distribution of Fuel Oil.
- (6) Sanctions as referred to in paragraph (4) and paragraph (5) shall take the form of warning letters, fines, suspension, freezing and revocation of the right to supply and distribute Fuel Oil as well as revocation of the Special Right for Transportation of Natural Gas Through Pipelines.
- (7) Provisions on the imposition of the sanctions as referred to in paragraph (6) shall be further regulated by the Regulatory Body.

Article 91

- (1) Upon issuance of the warning letter, suspension and freezing of the activities referred to in Article 90, the Business Entity concerned is given an opportunity to remedy the violation committed or satisfy the requirements no later than 60 (sixty) days after the effective date of such freeze.
- (2) If after the lapse of the 60 (sixty)-day period referred to in paragraph (1), the Business Entity concerned fails to remedy the violation or satisfy the requirements, the Minister shall thereupon have the right to revoke the Business License of the Business Entity concerned.

Article 92

The Minister may impose sanctions consisting of warning letters, fines, suspension, freezing or revocation of the Business License on a Business Entity that violates the obligations referred to in Article 90.

Article 93

All losses resulting from such warning letters, fines, suspension, freezing or revocation of the Business License as referred to in Articles 90, 91 and 92 shall be borne by the Business Entity concerned.

Article 94

- (1) Any person or Business Entity carrying out Processing, Transportation, Storage and/or Trading activities without a Business License as referred to in Article 12 shall be subject to sanctions in accordance with the prevailing laws and regulations in the Oil and Gas sector.
- (2) Any person imitating or falsifying Fuel Oil, Gas Fuel, Processed Products and/or Other Fuel shall face imprisonment for a maximum of 6 (six) years and a maximum fine of Rp.60,000,000,000 (sixty billion Rupiah).
- (3) Any person or Business Entity that abuses the Transportation and/or Trading of Fuel Oil subsidized by the Government shall face imprisonment for a maximum of 6 (six) years and a maximum fine of Rp.60,000,000,000 (sixty billion Rupiah).

CHAPTER XIX OTHER PROVISIONS

Article 95

Business Entities shall be obligated to use the measuring device system stipulated by the Minister for Processing, Transportation, Storage and Trading activities that are related to Oil and Natural Gas Downstream Business Activities.

Article 96

- (1) In the case of a Fuel Oil Shortage as the result of security instability and/or the occurrence of a force majeure event, the Minister may take whatever actions are necessary to overcome such Fuel Oil Shortage.
- (2) In case the prices of Fuel Oil and Gas Fuel of the type LPG become unstable or fluctuate, causing a very heavy burden on consumers, the Government may take action to stabilize the prices with consideration of the interests of the users, consumers, and Business Entities.

Article 97

Any person and/or Business Entity that knows of the occurrence of or reasonably suspects there has been a violation by a Business Entity relating to the implementation of the Business License as referred to in Article 7 may report the matter in writing to the Regulatory Body.

Article 98

The procedure for submitting reports as referred to in Article 102 shall be further regulated and stipulated by the Regulatory Body.

CHAPTER XX CLOSING

Article 99

With the enactment of this Government Regulation, all implementing regulations related to Downstream Business Activities shall remain valid as long as they are not contrary to this Government Regulation.

Article 100

This Government Regulation takes effect on the date of its stipulation.

For public cognizance, this Government Regulation shall be placed in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta
on October 14, 2004
PRESIDENT OF THE REPUBLIC OF INDONESIA,

signed
MEGAWATI SOEKARNOPUTRI

Enacted in Jakarta
On October 14, 2004
STATE SECRETARY OF THE REPUBLIC OF INDONESIA,

signed
BAMBANG KESOWO

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2004 NUMBER 124

Issued as a true copy
Deputy Cabinet Secretary of Law and Legislation

signed/stamped
Lambock Nahattands

ELUCIDATION OF GOVERNMENT REGULATION OF THE REPUBLIC OF INDONESIA NUMBER 36 OF 2004

REGARDING OIL AND NATURAL GAS DOWNSTREAM BUSINESS ACTIVITIES

GENERAL

Law Number 22 Year 2001 regarding Oil and Natural Gas, which was approved and promulgated on November 23, 2001, marked the historical momentum which facilitated the legal basis for the transformation and restructuring steps of Oil and Natural Gas business activities, which consist of Upstream Business Activities and Downstream Business Activities.

Downstream Business Activities are expected to be more able to support the continuation of national development in order to increase the prosperity and welfare of the people. The objectives of Oil and Natural Gas Downstream Business Activities are, among others, to support and develop the nation's capacity for improved competitiveness, to create employment opportunities, improve the environment and improve the welfare and prosperity of the people.

In order to create Oil and Natural Gas Downstream Business Activities which are independent, reliable, transparent, competitive, efficient and environmental preservation-oriented as well as to encourage the development of the national potential and role, legal grounds are required for Downstream Business Activities consisting of Processing, Transportation, Storage and Trading based on a fair, sound and transparent business competition mechanism.

Founded on such need for a legal basis for the implementation of Downstream Business Activities, regulation is needed by way of a Government Regulation that takes into account the implications thereof. This Government Regulation regulates Oil and Natural Gas Downstream Business Activities, covering, among others, provisions on the implementation of Downstream Business Activities, including their development and supervision, Business License issuance mechanism, activities of Processing, Transportation, including Transportation of Natural Gas Through Pipelines, Storage and Trading, Crude Oil Strategic Reserve, National Fuel Oil Reserve, Standard and Quality, Fuel Oil and Gas Fuel Trading Regulations, Fuel Oil Price and Gas Fuel Price, Distribution of Fuel Oil in Remote Areas, Oil and Natural Gas Operational Safety, Utilization of Local Goods, Services, Engineering and Design Capability, as well as Manpower and Sanctions for Downstream Business Activities.

ARTICLE BY ARTICLE

Article 1

Self-explanatory

Article 2

Downstream Business Activities may be conducted only by virtue of a Business License that will be granted only to those Business Entities that fulfill the stated administrative and technical requirements.

Business Entities that carry out Upstream Business Activities are not allowed to carry out Downstream Business Activities, and similarly, Business Entities conducting Downstream Business Activities are not allowed to carry out Upstream Business Activities, except when they establish a separate legal entity or act as holding companies.

Article 3

Self-explanatory

Article 4

Letter a

Self-explanatory

Letter b

Self-explanatory

Letter c

Self-explanatory

Letter d

Self-explanatory

Letter e

Self-explanatory

Letter f

Self-explanatory

Letter g

Self-explanatory

Letter h

Self-explanatory

Letter i

Certain Fuel Oil shall mean Gasoline, Diesel Fuel and Kerosene and/or other types of Fuel Oil.

Letter j

Self-explanatory

Letter k

Self-explanatory

Letter l

Self-explanatory

Article 5

Self-explanatory

Article 6

Self-explanatory

Article 7

Self-explanatory

Article 8

Paragraph (1)

Letter a

Self-explanatory

Letter b

Self-explanatory

Letter c

Self-explanatory

Letter d

The purpose of said regulations and stipulations is to require the Business Entities to provide an opportunity for joint utilization, and the Regulatory Body shall consider and take into account the technical and economic aspects so that the operational activities

of Business Entities that own and/or control the facilities for storage and transportation of Fuel Oil are not affected.

Letter e

Fee shall be an amount of money that must be paid by a Business Entity engaging in Fuel Oil supply and distribution activities.

Letter f

Self-explanatory

Paragraph (2)

Stipulation by the District Court of Central Jakarta as the authority to settle disputes handled by the Regulatory Body is based on the location of the Regulatory Body, which is currently in Jakarta.

Article 9

Letter a

Self-explanatory

Letter b

Self-explanatory

Letter c

In order not to harm the interests of or burden Business Entities and consumers, the Regulatory Body must consider the interests of the owner of the Natural Gas, the owner of the pipelines, and consumers when stipulating the Tariff.

Letter d

The stipulation of the Natural Gas price shall only apply to households and small customers who use Natural Gas at a certain scale of consumption.

Letter e

Self-explanatory

Letter f

Fee shall be an amount of money that must be paid by a Business Entity engaging in Transportation of Natural Gas Through Pipelines.

Letter g

Self-explanatory

Paragraph (2)

Stipulation by the District Court of Central Jakarta as the authority to settle disputes handled by the Regulatory Body is based on the location of the Regulatory Body, which is currently in Jakarta.

Article 10

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Paragraph (3)

The written considerations shall consist of, among others, violations by the Business Entities, impact/assessment of the technical and economic aspects as well as suggestions on the type of sanctions to be imposed.

Article 11

Self-explanatory

Article 12

Self-explanatory

Article 13

Paragraph (1)

Self-explanatory

Paragraph (2)

The delegation of authority for the issuance of a Business License for certain activities is meant to facilitate business actors in the framework of efficiency in order to prevent a high-cost economy, and in consideration of the capacity and capability of business actors, including the consideration of foreign share ownership and/or the use of capital investment facilities. The delegation of authority for the issuance of a Business License for certain activities can be granted to the Regional Government, related institutions and/or certain entities whose responsibilities cover capital investment.

Article 14

Paragraph (1)

Letter a

Self-explanatory

Letter b

Business Entities carrying out business activities in Transportation of Natural Gas Through Pipelines shall carry out their business under the unbundling principle, and can only be granted a specific Transportation Internode and/or Distribution Network Area. This is intended to create fair and sound business competition and enhance efficient use of facilities and quality of services.

Letter c

Self-explanatory

Letter d

Business Entities carrying out business activities in Natural Gas Trading shall carry out their businesses under the unbundling principle, and can only be granted a specific Distribution Network Area. This is intended to help create fair and sound competition and enhance the efficient use of facilities and the quality of services. The division of Trading areas shall be conducted with consideration of technical, economic, safety and security aspects.

Paragraph (2)

Self-explanatory

Paragraph (3)
Self-explanatory

Article 15
Paragraph (1)
Self-explanatory

Paragraph (2)
The requirements and implementing guidelines for Business Licenses shall be stipulated in a Ministerial Decree and shall contain, among others, the following:

- a. establishment deed of the company and its amendments which have been approved by the authorized institutions;
- b. company profile;
- c. Taxpayer Registration Number;
- d. Company Registration Certificate;
- e. company's domicile certificate;
- f. a letter containing information on financing sources;
- g. a statement letter stating ability to comply with operational safety, work health and environmental management aspects;
- h. a statement letter stating ability to comply with all obligations in accordance with the prevailing regulations;
- i. principal approval from the Regional Government regarding the location where the facilities and infrastructure will be constructed.

Article 16
Paragraph (1)
Continuing Processing business activities means a Business Entity undertaking transportation, storage and/or trading activities that support and are directly related to Processing business activities and are not intended to obtain profits and/or revenues.

Paragraph (2)
Self-explanatory

Article 17
Self-explanatory

Article 18
Self-explanatory

Article 19
Self-explanatory

Article 20
Self-explanatory

Article 21
Self-explanatory

Article 22
Self-explanatory

Article 23

Paragraph (1)

Self-explanatory

Paragraph (2)

In this provision, referred to as technical considerations means that should there be excess capacity in the Processing facilities, which excess capacity can be used by other parties without affecting the operational activities of the owner of the facilities.

While the reference to economic considerations means that other parties who will utilize the Processing facilities should consider the economic interest of the owner of the facilities, among others things the rate of return on investment.

Article 24

Self-explanatory

Article 25

Based on this provision, this regulation shall apply to the lubricant business, while the business licenses for blending lubricants and/or processing used lubricants will be issued by the minister responsible for the industry sector upon obtaining a recommendation from the Minister. As for the stipulation of the standard and quality of the lubricants and their management and supervision, this shall be conducted by the Minister.

Article 26

Referred to as 'Transportation Business License from the Minister' shall mean the Business License issued by the Minister to a Business Entity to move, supply and/or distribute Crude Oil, Natural Gas, Fuel Oil, Gas Fuel and/or Processed Products by land, water and/or air including Transportation of Natural Gas Through Pipelines from one place to another for commercial purposes, given that these commodities are strategic and vital and have a direct impact on the interest of society. The Business Entity concerned is still obligated to obtain business licenses in accordance with the prevailing laws and regulations on transportation.

Article 27

Self-explanatory

Article 28

Self-explanatory

Article 29

Transportation that can be carried out by cooperatives, small-scale entrepreneurs and/or national private business entities shall be transportation using land transportation facilities other than trains, with the intention to empower the capacity of the cooperatives, small-scale entrepreneurs and/or national private business entities to participate in the transportation activities of Fuel Oil at the retail level, which appointment shall be made by the Business Entity through selection. The selection and stipulation of the criteria for the national private business entities shall be based on domestic or local companies or individuals with 100% local capital ownership or share holding.

Article 30

Self-explanatory

Article 31

Paragraph (1)

In this provision what is referred to as technical considerations shall mean that if there is excess capacity in the facilities for Transportation of Natural Gas Through Pipelines, then this excess capacity can be used by other parties without affecting the operational activities of the owner of the facilities.

While the reference to economic considerations shall mean that other parties who will utilize the facilities for Transportation of Natural Gas Through Pipelines should consider the economic interest of the owner of the facilities, among others things concerning the rate of return on investment.

Paragraph (2)

Self-explanatory

Paragraph (3)

Self-explanatory

Article 32

Self-explanatory

Article 33

Self-explanatory

Article 34

Self-explanatory

Article 35

Self-explanatory

Article 36

Self-explanatory

Article 37

Self-explanatory

Article 38

Self-explanatory

Article 39

Self-explanatory

Article 40

Paragraph (1)

In this provision, what is referred to as technical considerations shall mean that if there is an excess capacity in the Storage facilities, then this excess capacity can be used by other parties without affecting the operational activities of the owner of the facilities.

While the reference to economic considerations shall mean that other parties who will utilize the Storage facilities should consider the economic interest of the owner of the facilities, among others things concerning the rate of return on investment.

Paragraph (2)
Self-explanatory

Paragraph (3)
Self-explanatory

Article 41
Self-explanatory

Article 42
Self-explanatory

Article 43
The obligation to possess a Business License shall also apply to a Business Entity appointed to sell the Government's share of Crude Oil and Natural Gas, which is not a continuation of the Upstream Business Activities and is not related to a Cooperation Contract.

Article 44
Letter a
Self-explanatory

Letter b
Self-explanatory

Letter c
Referred to as reasonable sale price for Fuel Oil shall mean that the price is economically reasonable with due consideration for fair profit for the Business Entity while not burdening consumers.

Letter d
Self-explanatory

Letter e
Self-explanatory

Letter f
Self-explanatory

Letter g
Self-explanatory

Article 45
Self-explanatory

Article 46
Paragraph (1)
A Business License must be possessed by a Business Entity carrying out Limited Trading business that does not have Trading facilities or infrastructure. The requirements for obtaining a Limited Trading Business

License are different from the requirements for obtaining a Wholesale Business License with Trading facilities and infrastructure.

Paragraph (2)
Self-explanatory

Article 47

Paragraph (1)
Self-explanatory

Paragraph (2)
The reference to the determination of capacity in this provision means the minimum Storage facility that must be provided by the Business Entity for its activities in accordance with the stipulated minimum storage facility capacity for Fuel Oil.

Paragraph (3)
Self-explanatory

Paragraph (4)
Self-explanatory

Article 48

Paragraph (1)
Self-explanatory

Paragraph (2)
Self-explanatory

Paragraph (3)
Self-explanatory

Paragraph (4)
Self-explanatory

Paragraph (5)
The responsibility for standards and quality shall not only be charged to the Business Entity holding a Wholesale Business License but must be jointly shared by distributors up to the level of consumers.

Paragraph (6)
Self-explanatory

Article 49

Paragraph (1)
Self-explanatory

Paragraph (2)
Self-explanatory

Paragraph (3)
Self-explanatory

Paragraph (4)

Reference to operation by cooperatives, small-scale entrepreneurs and/or national private business entities shall mean that the operation shall be carried out through selection and integrated with a large-scale Trading Business Entity that has a Wholesale Business License.

Paragraph (5)
Self-explanatory

Article 50
Self-explanatory

Article 51
Self-explanatory

Article 52
Self-explanatory

Article 53
Self-explanatory

Article 54
Self-explanatory

Article 55
Self-explanatory

Article 56
Paragraph (1)
Self-explanatory

Paragraph (2)
The reference here to an instruction to supply Crude Oil Strategic Reserve shall only be instructed or shall only be obligatory for a Business Entity carrying out Processing business activities that owns and/or controls refinery facilities and infrastructure.

Paragraph (3)
Self-explanatory

Paragraph (4)
Self-explanatory

Article 57
Self-explanatory

Article 58
Self-explanatory

Article 59
Paragraph (1)
The Fuel Oil Reserves referred to herein shall be Fuel Oil that is available at all times in a certain quantity and type which may be utilized at any time, and which, if not available and/or not procured in a timely manner, will cause problems and certainly harm the national economy.

Paragraph (2)
Self-explanatory

Paragraph (3)
Self-explanatory

Paragraph (4)
Self-explanatory

Paragraph (5)
Self-explanatory

Article 60
Self-explanatory

Article 61
Self-explanatory

Article 62
Self-explanatory

Article 63
Self-explanatory

Article 64
Self-explanatory

Article 65
With due consideration of the people's needs, operational safety, work health and environmental management, and in order to protect consumers of Fuel Oil, Gas Fuel, Processing Products and/or any Other Fuel, the Government through the Minister shall regulate and stipulate standards and quality, including the supervisory procedures. In setting up such standards and quality, the Minister shall take into account advancements in machine technology as well as international standards and quality.

Article 66
Paragraph (1)
Self-explanatory

Paragraph (2)
The reference to gradual arrangement in this Presidential Decree [sic] shall means the regulation on the stages in connection with the undertaking of Trading of certain types of Fuel Oil, covering the sales plan of the Business Entity based on the annual needs of each Fuel Oil Trading Business Area, the mechanism for the transfer of right of sale to other Business Entities, provisions on export and import procedures, including recommendation with consideration of the consumers' interest.

Paragraph (3)
The reference to the sales plan means a certain number of types of Fuel Oil proposed to be used by the Business Entity in its supply and distribution of Fuel Oil in the Trading Business Area for certain types of Fuel Oil which has been stipulated and approved by the Regulatory Body.

Paragraph (4)
Self-explanatory

Paragraph (5)
Self-explanatory

Article 67

Paragraph (1)
The stipulation of the Fuel Oil Trading Business Area for certain types of Fuel Oil is made in order to ensure the smoothness of the supply and distribution of Fuel Oil.

Paragraph (2)
The determination of the division of Fuel Oil Trading Business Areas for certain types of Fuel Oil shall be based on consideration of the needs, location, preparation for market establishment and strategic value of the area concerned.

Paragraph (3)
Self-explanatory

Article 68
Self-explanatory

Article 69
Self-explanatory

Article 70
Self-explanatory

Article 71
Self-explanatory

Article 72
Paragraph (1)
Provisions on the prices of LPG type Gas Fuel are to be determined by the market mechanism only when there has been competition or an LPG market has been created or if there are at least 2 (two) Business Entities/business actors engaging in LPG Trading business activities.

Paragraph (2)
Self-explanatory

Paragraph (3)
Supervision on the sale price of Gas Fuel and Crude Oil shall refer to the fair market price, a price that is in accordance with the economy by considering the appropriate profit for Business Entities and which does not burden consumers.

Article 73
Self-explanatory

Article 74
Self-explanatory

Article 75
Self-explanatory

Article 76
Self-explanatory

Article 77
Self-explanatory

Article 78
Self-explanatory

Article 79
Self-explanatory

Article 80
Self-explanatory

Article 81
Self-explanatory

Article 82
Paragraph (1)
In prioritizing the use of domestic goods and services, technical aspects,
quality, prompt delivery and pricing requirements must be considered.

Paragraph (2)
Self-explanatory

Article 83
Self-explanatory

Article 84
Self-explanatory

Article 85
Self-explanatory

Article 86
Self-explanatory

Article 87
Self-explanatory

Article 88
Self-explanatory

Article 89
Self-explanatory

Article 90
Self-explanatory

Article 91
Self-explanatory

Article 92
Self-explanatory

Article 93
Self-explanatory

Article 94
Self-explanatory

Article 95
The reference to stipulation by the Minister means provisions in connection with the planning, construction, operation and maintenance as well as the technical inspection of the measuring device system.

Article 96
Paragraph (1)
The reference to Government action shall mean the methods or measures used by the Government to overcome Fuel Oil Shortage, through release of the Operational Reserves kept by the Business Entities or through increased imports of Fuel Oil, by providing facilities and incentives, the implementation of which shall be coordinated with the Regulatory Body.

Paragraph (2)
The reference to Government action shall mean the methods or measures used by the Government to stabilize the price of Fuel Oil, through stipulation of the highest retail sale price by the Minister and related ministers after consultation with the President.

Article 97
Self-explanatory

Article 98
Self-explanatory

Article 99
Self-explanatory

Article 100
Self-explanatory

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Notes

Source: LOOSE LEAF STATE SECRETARIAT YEAR 2004