



Indonesia in focus

BKPM's integrated services for oil and gas licenses

October 2015

Under MEMR Regulation No. 23 of 2015 dated 31 July 2015 ("**Oil/Gas Delegation Regulation**"), the Minister of Energy and Mineral Resources ("**MEMR**") has effectively delegated his power to issue various permits and licenses in the oil and gas sector to the Investment Coordinating Board ("**BKPM**"). This is part of the Indonesian government's attempt to consolidate licensing powers in BKPM, as opposed to having them spread among a number of different government agencies and ministries.

There are 42 oil and gas recommendations, licenses, and permits in total; 10 of these have been delegated to the BKPM since 1 August 2015 and 20 since 1 September 2015. These are, among others, registration certificates for construction planning, construction implementation, construction supervision, and integrated construction. The balance of the licenses will be delegated on 1 October 2015. The complete list of the delegated recommendations, licenses and permits can be found at the end of this article.

The delegation of licensing power from MEMR to BKPM is part of the Indonesian Government's attempt to integrate business/operational license issuance process in various government agencies for numerous industries in one institution, namely BKPM. Aimed at curbing red tape, reducing corruption and boost investments, the Indonesian President has instructed 21 ministries and government institutions to delegate or transfer all licensing powers relating to investments to BKPM by 31 December 2015. This instruction is documented in the Presidential Instruction No. 4 of 2015 dated 16 March 2015 regarding the Administration of the Integrated One-Stop Service in BKPM. Now, at least 80 representatives from the ministries and government agencies, including those from the Directorate General of Oil and Gas, are

stationed in BKPM. They are tasked to assist in solving licensing issues and provide the necessary consultation on the licensing process.

In addition to delegating powers, the Government intends to streamline the licensing process by reducing the number of permits and licenses. Prior to the issuance of the Oil/Gas Delegation Regulation, there were 52 oil and gas licenses issued by MEMR; and currently there is a discussion to further reduce the number to 28. It was reported that the overall number of permits and licenses issued by MEMR in four sectors (oil and gas, minerals and coal, power, and renewable energy) has dropped by 129, from 222 to 93 permits and licenses.

The delegation of the licensing power to BKPM is not a new phenomenon - in December last year, 10 power sector licenses were delegated to BKPM from MEMR. The same thing occurred in the minerals and coal sector; MEMR's 11 licenses have been processed in BKPM as of 13 August this year. These include the permits to conduct mining exploration, production, transportation and sale, and processing and refining activities.

Under President Joko Widodo's administration, the integrated one-stop licensing service is the second breakthrough made by BKPM in the context of investment services provided to the public. The first one was the launching of online facility in December 2014 which allows investors, both local and foreign, to submit their license applications online.

At the regional level, the one-stop licensing facility is currently only available in five provinces and 12 districts. The aim is that to integrate 24 provinces and 120 districts into the system by the end of 2015.

Oil and Gas related licenses that were delegated to BKPM as of 1 August 2015:

1. Recommendation for steel importer producer
2. Recommendation for lubricant importer producer
3. Recommendation for the utilisation of chemicals
4. Registration certificate (SKT) for construction planning (architectural)
5. Registration certificate (SKT) for construction implementation (architectural, civil, mechanical, electrical, environmental)
6. Registration certificate (SKT) for construction supervision (technical inspection service, project management service, integrated engineering service)
7. Registration certificate (SKT) for integrated construction (civil and non-civil infrastructure)
8. Registration certificate (SKT) for non-construction (education and training, consultancy service, employment service, data communication and internet telecommunication service, electronic data storage and administration service, document storage and archive management, document administration service, travel service, etc.)
9. Registration certificate (SKT) for supporting industry
10. Representative office recommendation

Oil and Gas related licenses that were delegated to BKPM as of 1 September 2015:

1. Approval for export of data on general survey result, exploration and coal bed methane (CBM)
2. Recommendation for the utilisation of work area for other activities
3. License for the utilisation of oil and gas exploitation data
4. General survey license
5. Permit to conduct survey outside of the oil/gas and CBM work area
6. License for the utilisation of data on the general survey result, exploration and CBM
7. LPG storage business license
8. Oil processing business license
9. Natural gas processing business license
10. Processed product processing business license
11. Transportation business license for website-based land transportation of oil, oil fuel and processed product
12. Transportation business license for website-based sea transportation of oil, oil fuel and processed product
13. Oil fuel distributor explanation letter
14. LPG distributor explanation letter
15. Oil, oil fuel, processed product general business licenses
16. Oil, oil fuel, processed product limited business licenses
17. Oil, oil fuel, processed product storage business licenses
18. Registered lubricant number (NPT)
19. Offshore piping
20. Permit to use explosive warehouse

Oil and Gas related licenses that will be delegated to BKPM as of 1 October 2015:

1. Recommendation for the permit to utilise foreign manpower (IMTA)
2. CNG storage business license
3. Recommendation for oil fuel and oil import for direct use
4. Recommendation for LPG/CNG/LNG/natural gas/processed product import
5. Recommendation for oil and oil fuel export
6. Recommendation for LPG/CNG/LNG/natural gas/processed product export
7. Recommendation for oil and oil fuel import
8. Recommendation for LPG/CNG/LNG/natural gas/processed products import for direct use
9. LNG storage business license
10. Approval for oil production in old wells
11. Recommendation for export of upstream oil and gas products
12. Consideration recommendation for postponement of payment by way of Letter of Credit

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