



**THE MINISTER OF ENERGY AND MINERAL RESOURCES
REPUBLIC OF INDONESIA**

REGULATION OF THE MINISTER OF ENERGY AND MINERAL RESOURCES OF
THE REPUBLIC OF INDONESIA
NUMBER 11 YEAR 2017
ON
THE UTILIZATION OF NATURAL GAS FOR ELECTRICAL POWER
GENERATION

BY THE GRACE OF GOD ALMIGHTY

THE MINISTER OF ENERGY AND MINERAL RESOURCES
OF THE REPUBLIC OF INDONESIA

- Considering:
- a. that in the framework of increasing the utilization of natural gas in the energy mix for electrical power generation and to ensure the supply availability of natural gas at a fair and competitive price in the electrical power sector, it is deemed necessary to regulate the utilization of natural gas for electrical power generation;
 - b. that in view of the considerations as referred to in letter a, it is necessary to enact the Regulation of the Minister of Energy and Mineral Resources on the Utilization of Natural Gas for Electrical Power Generation;

- In view of:
1. Law Number 22 Year 2001 on Oil and Gas (State Gazette of the Republic of Indonesia Year 2001 Number 136, Supplement to the State Gazette of the Republic of Indonesia Number 4152);
 2. Law Number 30 Year 2009 on Electrical Power (State Gazette of the Republic of Indonesia Year 2009 Number 133, Supplement to the State Gazette of the Republic of Indonesia Number 5052);

3. Government Regulation Number 23 Year 1994 on the change from State Electricity Public Company (Perum) to become a Limited Liability Company (Persero) (State Gazette of the Republic of Indonesia Year 1994 Number 34);
4. Government Regulation Number 35 Year 2004 on Upstream Oil and Gas Business Activities (State Gazette of the Republic of Indonesia Year 2004 Number 123, Supplement to the State Gazette of the Republic of Indonesia Number 4435) as amended several times, last by Government Regulation Number 55 Year 2009 on the Second Amendment to Government Regulation Number 35 Year 2004 on Upstream Oil and Gas Business Activities (State Gazette of the Republic of Indonesia Year 2009 Number 128, Supplement to the State Gazette of the Republic of Indonesia Number 5047);
5. Government Regulation Number 36 Year 2004 on the Oil and Gas Downstream Business Activities (State Gazette of the Republic of Indonesia Year 2004 Number 124, Supplement to the State Gazette of the Republic of Indonesia Number 4436) as amended by Government Regulation Number 30 Year 2009 on the Amendment to Government Regulation Number 36 Year 2004 on Downstream Oil and Gas Business Activities (State Gazette of the Republic of Indonesia Year 2009 Number 59, Supplement to the State Gazette of the Republic of Indonesia Number 4996);
6. Government Regulation Number 14 Year 2012 on the Electrical Power Supply Business Activities (State Gazette of the Republic of Indonesia Year 2012 Number 28, Supplement to the State Gazette of the Republic of Indonesia Number 5281) as amended by Government Regulation Number 23 Year 2014 on the Amendment to Government Regulation Number 14 Year 2012 on the Electrical Power Supply Business Activities (State Gazette of the Republic of Indonesia Year 2014 Number 75, Supplement to the State Gazette of the Republic of Indonesia Number 5530);

7. Government Regulation Number 79 Year 2014 on National Energy Policy (State Gazette of the Republic of Indonesia Year 2014 Number 300, Supplement to the State Gazette of the Republic of Indonesia Number 5609);
8. Presidential Regulation Number 68 Year 2015 on the Ministry of Mines and Natural Resources (State Gazette of the Republic of Indonesia Year 2015 Number 132); as amended by Presidential Regulation Number 105 Year 2016 on the Revision to Presidential Regulation Number 68 Year 2015 on the Ministry of Energy and Mineral Resources (State Gazette of the Republic of Indonesia Year 2016 Number 289);
9. Minister of Energy and Mineral Resources Regulation Number 19 Year 2009 on the Business Activities of Natural Gas Through Pipeline (State News of the Republic of Indonesia Year 2009 Number 274);
10. Minister of Energy and Mineral Resources Regulation Number 06 Year 2016 on the Regulation and Procedures for the Determination of Natural Gas Allocation and Utilization as well as Natural Gas Price (State News of the Republic of Indonesia Year 2016 Number 316);
11. Minister of Energy and Mineral Resources Regulation Number 13 Year 2016 on the Organization and Work Procedures of the Ministry of Energy and Mineral Resources (State News of the Republic of Indonesia Year 2016 Number 782);

HAS DECIDED:

To Enact: **THE REGULATION OF THE MINISTER OF ENERGY AND MINERAL RESOURCES ON THE UTILIZATION OF NATURAL GAS FOR ELECTRICAL POWER GENERATION.**

CHAPTER I

GENERAL PROVISIONS

Article 1

In this Minister Regulation the following meanings apply:

1. Natural Gas is the result of a natural process in the form of hydrocarbon which at atmospheric pressure and temperature is in the natural gas phase obtained from the mining process of oil and natural gas.
2. PT Perusahaan Listrik Negara (State Electricity Company) (Limited Liability Company) hereinafter abbreviated as PT PLN (Persero) is a state owned enterprise established based on Government Regulation Number 23 Year 1994 on the Transition from State Electricity Public Company (Perum) to become a Limited Liability Company (Persero).
3. Contractor means a business entity or a permanent business establishment which has been determined to conduct exploration and exploitation in a working area based on cooperation contract with the special task force for upstream oil and gas business
4. Cooperation Contract means a production sharing contract or other schemes of cooperation contract in exploration and exploitation activities that are more favorable to the State, and the profits utilized for the greatest welfare of the people.
5. The Natural Gas Trading Licensee Business Entity is the Natural Gas trading licensee business entity that conducts Natural Gas trading in a certain trading area with the objective of gaining benefit or profit.
6. The Electrical Power Generation Business Entity is an electrical power producing company, other than PT PLN (Persero), which enters into an electricity power purchase agreement with PT PLN (Persero).

7. Liquefied Natural Gas hereinafter abbreviated as LNG is Natural Gas consisting primarily of methane liquefied at very low temperatures (around minus 160⁰ C) and maintained in a liquid state to facilitate transportation and storage.
8. Compressed Natural Gas hereinafter abbreviated as CNG is Natural Gas fuel originating from Natural Gas with methane (CI) as the main element which has been compressed, maintained and stored in a special pressure vessel to facilitate transportation and storage.
9. Minister means the minister who administers government affairs in the area of energy and mineral resources.
10. The Special Task Force for Upstream Oil and Gas Business Activities hereinafter abbreviated as SKK Migas means the task force that carries out the management of the upstream oil and gas business activities based on Cooperation Contracts under the guidance, coordination and oversight of the Minister.

Article 2

This Minister Regulation regulates the provision regarding the utilization of Natural Gas for the electrical power plants owned by PT PLN (Persero) as well as by the Electrical Power Generation Business Entity on the electrical power system.

CHAPTER II

NATURAL GAS ALLOCATION FOR THE ELECTRICAL POWER PLANT

Article 3

- (1) The allocation and utilization of Natural Gas for electrical power plants is determined as an effort to fulfill the domestic supply of electrical power.
- (2) The allocation of Natural Gas for electrical power plants may be appointed directly to PT PLN (Persero) or the Electrical Power Generation Business Entity.

- (3) Besides obtaining the allocation of Natural Gas as referred to in article (2), PT PLN (Persero) or the Electrical Power Generation Business Entity may purchase Natural Gas from a Natural Gas Trading Licensee Business Entity which has obtained a Natural Gas allocation as long as that business entity provides Natural Gas facilities or infrastructure.

CHAPTER III

TIME PERIOD OF NATURAL GAS PURCHASE AGREEMENT

Article 4

- (1) In the construction of the electrical power plant, PT PLN (Persero) and the Electrical Power Generation Business Entity must ensure they have an allocation/supply of Natural Gas in line with the life of the electrical power plant for a duration of 20 (twenty) years.
- (2) The allocation/supply of Natural Gas as referred to in paragraph (1) is prioritized to be obtained from the Contractor.
- (3) In the case of the Natural Gas allocation/supply originating from the Contractor as referred to in paragraph (2), Contractor must guarantee executing the fulfillment of the Natural Gas purchase agreement in line with the time period of the Natural Gas purchase agreement.
- (4) In the case of the Natural Gas allocation/supply from the Contractor as referred to in paragraph (2) not achieving 20 (twenty) years, PT PLN (Persero) and the Electrical Power Generation Business Entity may fulfill the shortage of Natural Gas allocation/supply from other sources.

CHAPTER IV

DEVELOPMENT OF THE ELECTRICAL POWER PLANT WITH
NATURAL GAS FUEL AT THE WELLHEAD

Article 5

- (1) To utilize Natural Gas at the wellhead for electrical power plants, the procurement of the electrical power plant may be done through:
 - a. direct selection; or
 - b. general tender.
- (2) The procurement of electrical power plant with Natural Gas fuel at the wellhead through direct appointment as referred to in paragraph (1) letter a, is done with the provisions:
 - a. the Natural Gas price is no higher than 8% (eight percent) ICP/MMBTU at the electrical power plant (plant gate);
 - b. a guarantee of adequate allocation/supply of Natural Gas in line with the time period of the Natural Gas purchase agreement;
 - c. the investment cost calculation for the electrical power plant is depreciated at 20 (twenty) years; and
 - d. the efficiency of the electrical power plant is of a specific fuel consumption (SFC) equivalent to diesel oil (High Speed Diesel/HSD) in the amount of 0.25 (zero point two five) liter/ kWh.
- (3) The procurement of electrical power plant with Natural Gas fuel at the wellhead through general tender as referred to in paragraph (1) letter b, is done when the Natural Gas price is higher than 8% (eight percent) ICP/MMBTU.
- (4) The electrical power interconnection point for the electrical power plant at the wellhead is the nearest electrical main station.

CHAPTER V
PRICE OF NATURAL GAS

Article 6

- (1) In the framework of Natural Gas utilization to fulfill the domestic supply of electricity, the Minister determines the Natural Gas price for electrical power plants.
- (2) The determination of Natural Gas price as referred to in paragraph (1) is done by considering:
 - a. the economics of the field;
 - b. the domestic and international Natural Gas price;
 - c. the purchase power of Natural Gas' domestic consumers; and
 - d. the added value from the domestic utilization of Natural Gas.

Article 7

- (1) The Natural Gas price for the needs of electrical power plants is calculated based on the economic value of the Natural Gas field with no escalation.
- (2) In the case of the Natural Gas price as referred to in paragraph (1) requiring escalation, the amount of escalation is determined based on mutual agreement.

Article 8

- (1) In the case of Natural Gas downstream infrastructure already in place, the Natural Gas price applies at the electrical power plant (plant gate).
- (2) The Natural Gas price at the electrical power plant (plant gate) as referred to in paragraph (1) includes the upstream Natural Gas price and the Natural Gas transportation cost.
- (3) In the case of the Natural Gas custody transfer sale point being other than at the electrical power plant (plant gate), the implementation is determined as follows:

- a. Contractor must transport the Natural Gas up to the custody transfer point; and
 - b. PT PLN (Persero), the Electrical Power Generation Business Entity or the Natural Gas Trading Licensee Business Entity must enter into a Natural Gas transportation agreement from the custody transfer point to the electrical power plant (plant gate) with the owner of the pipeline.
- (4) In the case of no Natural Gas downstream infrastructure available at the electrical power plant, the prevailing price is the upstream Natural Gas price.

Article 9

- (1) PT PLN (Persero) or the Electrical Power Generation Business Entity may purchase Natural Gas at a price no higher than 11.5% (eleven point five percent) ICP/ MMBTU if the electrical power plant is not located at the wellhead.
- (2) In the case of the Natural Gas price exceeding 11.5% (eleven point five percent) ICP/ MMBTU, PT PLN (Persero) or the Electrical Power Generation Business Entity may utilize LNG.
- (3) The LNG price for the needs of electrical power plants is calculated based on the field economic value and utilizing a formula agreed at free on board (FoB) price.
- (4) In the case of the domestic LNG price as referred to in paragraph (3) being greater than 11.5% (eleven point five percent) ICP/ MMBTU (parity to oil), free on board (FoB), PT PLN (Persero) or the Electrical Power Generation Business Entity may import LNG as long as the price of imported LNG is no higher than 11.5% (eleven point five percent) ICP/ MMBTU at the buyer's regasification terminal (landed price) in accordance with the provisions in the laws and regulations.

- (5) In the case of the import LNG price being higher than 11.5% (eleven point five percent) ICP/ MMBTU (landed price}, PT PLN (Persero) or the Electrical Power Generation Business Entity may buy pipeline gas at a price higher than 11.5% (eleven point five percent) ICP/ MMBTU (parity to oil) or buy domestic LNG at a price higher than 11.5% (eleven point five percent) ICP/ MMBTU (parity to oil), free on board (FoB).

CHAPTER VI

NATURAL GAS TRANSPORTATION TARIFF

Article 10

- (1) Natural Gas can be transported through:
 - a. Natural Gas pipeline; or
 - b. Natural Gas transportation modes other than pipeline.
- (2) Natural Gas transportation through Natural Gas transportation modes other than pipeline as referred to in paragraph (1) letter b may include ships, barges, trucks or transportation means other than Natural Gas pipeline.

Article 11

- (1) The tariff for Natural Gas transportation through pipeline as referred to in Article 10 paragraph (1) letter a is determined in accordance with the provisions in the laws and regulations..
- (2) The tariff for Natural Gas transportation Natural Gas transportation modes other than pipeline as referred to in Article 10 paragraph (1) letter b is calculated in accordance with the economic value or the competitive market.

CHAPTER VII
GUARANTEE

Article 12

- (1) The Natural Gas Trading Licensee Business Entity must provide guarantees for:
 - a. the supply reliability of the Natural Gas allocation; and
 - b. the transportation reliability of the Natural Gas.
- (2) PT PLN (Persero) or the Electrical Power Generation Business Entity as Natural Gas buyers must provide a guarantee of prompt payment.

CHAPTER VIII
NATURAL GAS PURCHASE AGREEMENT FOR
ELECTRICAL POWER PLANT

Article 13

- (1) In the framework of Natural Gas transportation for electrical power plants, PT PLN (Persero) or the Electrical Power Generation Business Entity as Natural Gas buyers sign a Natural Gas purchase agreement with the Contractor or the Natural Gas Trading Licensee Business Entity as Natural Gas sellers.
- (2) The Natural Gas purchase agreement as referred to in paragraph (1) must include at the least:
 - a. the source of supply;
 - b. the volume and specification;
 - c. the natural gas price;
 - d. the contract period;
 - e. the price review;
 - f. the mechanism for Natural Gas transportation; and
 - g. the rights and obligations of Natural Gas sellers and buyers.
- (3) The Natural Gas purchase agreement of LNG and CNG for electrical power plants is conducted based on a review of the electrical power plant's merit order's daily volume amount which will enter the electrical power grid.

- (4) In executing the merit order as referred to in paragraph (3) PT PLN (Persero) or the Electrical Power Generation Business Entity may provide the infrastructure to process Natural Gas into CNG.
- (5) The Natural Gas purchase agreement with PT PLN (Persero) may include multiple destinations or may be directed to a PT PLN (Persero) electrical power plant unit in any location.

CHAPTER IX TRANSITIONAL PROVISIONS

Article 14

- (1) The allocation and price of Natural Gas for electrical power generation which has been determined and/or agreed before the enactment of this Minister Regulation are deemed to remain in effect until the determined or agreed time period.
- (2) Requests for the determination of allocation and price of Natural Gas which have been submitted before the enactment of this Minister Regulation may be processed to receive either a determination or a denial for the natural gas allocation and price.

CHAPTER X CLOSING PROVISIONS

Article 15

This Minister Regulation shall come into force on the date of promulgation.

For public cognizance, this Minister Regulation shall be promulgated in the Official Gazette of the Republic of Indonesia.

Enacted in Jakarta

On 27 January 2017

MINISTER OF ENERGY AND MINERAL RESOURCES
REPUBLIC OF INDONESIA,

(signed)

IGNASIUS JONAN

Promulgated in Jakarta

On 30 January 2017

DIRECTOR GENERAL OF
REGULATORY LEGISLATION
MINISTRY OF LAW AND HUMAN RIGHTS
REPUBLIC OF INDONESIA,

(signed)

WIDODO EKATJAHJANA

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2017 NUMBER 188

Copy in accordance with the original

MINISTRY OF ENERGY AND MINERAL RESOURCES

Head of Legal Bureau,

(signed and stamped)

Hufron Asrofi