

SIMPLIFICATION OF OIL AND GAS SUPPORTING BUSINESS REQUIREMENT



Beside the above purposes, as an adjustment to the current condition where some regulations are not relevant to the current conditions also, apart from revoking 11 (eleven) regulations in the oil and gas sector, MEMR has also amended 7 (seven) MEMR regulations and cut out 19 (nineteen) licenses and recommendations through the issuance of MEMR Regulation 6 of 2018 concerning Revocation of MEMR Regulations, Minister of Energy and Mining Regulations, and MEMR Decrees with regard to Oil and Gas Business.

Specific to the oil and gas supporting business, after 10 years sticking to MEMR Regulation No. 27 of 2008 concerning Oil and Gas Supporting Business ("MEMR Regulation 27/2008"), the GOI has finally revoked this regulation by the issuance of MEMR Regulation No. 14 of 2018 concerning Oil and Gas Supporting Business, which came into effect on 21 February 2018 ("MEMR Regulation 14/2018").

Simplification of Business Classifications

MEMR Regulation 14/2018 simplifies the supporting oil and gas business activities into 13 (thirteen) subsections. Some of the business activities that were separated before in the MEMR Regulation 27/2018 has been merged into 1 (one) classification, such as (i) seismic survey service that previously categorized as 1 (one) separate activity is now merged into geology and geophysics services classification (ii) drilling services and operation of well drilling services that were previously separated

For efficiency and to stimulate the investment climate in the oil and gas sector, the Government of the Republic of Indonesia ("GOI") through the Minister of Energy and Mineral Resources ("MEMR") has been urged to cut out bureaucracy.

is now merged into 1 (one) classification which is drilling services only, or (iii) inspection services and testing services that were previously separated is now merged into 1 (one) classification which is inspection and testing services.

Consultancy Services for Oil and Gas Construction ("Consultation Service") and Technical Inspections and Testing Services

Consultancy services of Oil and Gas Construction and Technical Inspection and Testing businesses that were not have specific requirements under the MEMR 27/2008 are now must fulfill all of the following requirements:

- a. Consultancy Services
This business is only allowed for engineering companies with the following criteria:
 - i. local or national companies with Indonesian controlling management;
 - ii. companies having and implementing certified quality management;
 - iii. companies having competent and qualified expertise; and
 - iv. having their own equipment and/or, facilities in the form of software for design review, risk analysis, or life extension assessment works.
- b. Technical Inspection and Testing
This business is only allowed for inspection companies with the following criteria:

- i. local company;
- ii. companies having SNI ISO/IEC 17020 Type A from an accredited certification institution;
- iii. companies having competent and qualified expertise; and
- iv. companies having standards and equipment in inspection business.

Revocation of SKT Migas Requirement and SKUP

One of the simplifications made by MEMR is revoking the Oil and Gas Registration Certificate (*Surat Keterangan Terdaftar Minyak dan Gas Bumi* or SKT Migas) requirement for oil and gas supporting business companies which were issued before the enactment of MEMR Regulation 14/2018.

An oil and gas supporting business company only needs to obtain a Certificate of Capability of Supporting Business (*Surat Kemampuan Usaha Penunjang Minyak dan Gas Bumi* or "SKUP") that can be applied for online system. This SKUP will show the rank for each business classification where the assessment shall be made by the MEMR through the Directorate General of Oil and Gas ("DGOG") based on:

- a. business and financial status, which includes the establishment legality of the company, legality of the appointment of the directors and commissioners of the company, taxation, financial statement, and legality of the business status;
- b. capability and capacity of the services, which includes the equipment and employees;
- c. experiences, either experiences of the company and the personals;
- d. quality management system, which includes the standard and product certification;

- e. health, safety, and environment implementation, which includes standard and qualification of the work and the environment;
- f. marketing and supply chain scale, either local, national, or international; and
- g. services quality, which includes the quality of serve and after sales services.

With the above assessment, each company will then be ranked and get the SKUP with the following classification:

- a. lower than 40 (forty) points is classified as not capable;
- b. 40 (forty) up to 60 (sixty) points is classified as one star (*);
- c. 60 (sixty) up to 80 (eighty) points is classified as two stars (**); and
- d. more than 80 (eighty) points is classified as three stars (***)

The SKUP holder must submit the bi-annual reports on its business activities. The DGOG will then conduct a compliance audit on the SKUP holder with regard to the (i) domestic component level, (ii) investment value, (iii) equipment, experience, employees, (iv) products and certifications, (v) technology experts, (vi) corporate social responsibility, and (viii) occupational health and safety.

Please also note that failure to comply with the provisions on the fulfillment of terms and conditions and the correctness of submitted documents when obtaining the SKUP, will attract administrative sanctions as follows: (i) written warning; (ii) suspension of SKUP; and (iii) revocation of SKUP.

Without prejudice to the foregoing explanation, basically MEMR Regulation 14/2018 does not clearly make obtaining an SKUP compulsory.

However, as verbally confirmed by a DGOG officer, the project owner of the oil and gas supporting business activity will usually provide an SKUP as one of the bid requirements in procurement. Therefore, it would be more beneficial for any oil and gas supporting business company to have an SKUP in performing its activities.

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