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TRADE PERMIT

Govt to finish simplifying import process soon

Marchio Irfan Gorbiano
THE JAKARTA POST/JAKARTA

The government is seeking to finish trimming the list of prohibited and restricted imported goods soon, in a move to cut dwell time and speed up customs clearance at the country's major import gates.

The current administration aims to slash the long list of the goods, locally known as *lartas*, such as rice, sugar and meat, to only 20.8 percent of the total 10,826 goods classified under Harmonized System Code in the Customs Tariff Book (BTKI) from 48.3 percent currently.

The process to shorten the list is 80 percent complete, with only two ministries, namely the Energy and Mineral Resources Ministry and the Agriculture Ministry left to expedite the goods under their authority, said Coordinating Economic Minister Darmin Nasution.

The listed imported goods are subject to checks by the customs authority at the customs entry points, namely airports and seaports. Importers must also seek permits issued by related institutions to bring the goods out of the customs gateways.

Meanwhile, goods exempted from the list can immediately be brought out of the points, but will be checked outside the customs territory under a process technically known as post-border monitoring.

"If the goods are not considered dangerous, they should not be stored in ports. If the goods are deemed dangerous, they should then be checked at the [customs] border," Darmin said recently.

Each of the 18 government institutions, including ministries, were set to issue their own decrees as a legal basis to exempt a number of goods from the *lartas* list, Finance Minister Sri Mulyani Indrawati said. Relevant institutions were expected to finish shortening the list by early February, she added.

A wide range of goods, including forestry products, products under the auspice of the Food and Drug Monitoring Agency (BPOM), such as cosmetics, health supplements, processed foods and processed horticulture products have been excluded from the list since late last year.

A number of other items, including steel and iron products, are set to follow suit starting from Feb. 1.

In the long term, slashing the prohibited and restricted imported goods would help cut dwell time, resulting in cost-savings as well as improved efficiency for importers, said Heru.

"If all the requirements are fulfilled [by importers], the goods can be immediately directed to the warehouses," he said.

Indonesian Iron and Steel Industry Association (IISIA) executive director Hidayat Triseputro voiced concerns of some of the group members on whether the list amendment, particularly iron and steel products, would lead to a decline in illegal import practices.

"Many members think there is still a lot of illegal steel entering [Indonesia] with the existing regulation, yet the government wants to relax the [prevailing] regulation," he wrote in a text message on Thursday.

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RI braces for swelling coal production

Viriya P. Singgih
THE JAKARTA POST/JAKARTA

Goal to cut coal production gradually is difficult to achieve

Govt to ensure sustainable mining activities

Indonesia has thrown in the towel on its plan to set a coal production cap starting in 2019, as domestic production has kept soaring from one year to the next amid the government's need to boost non-tax state revenues (PNBP).

Through its 2015-2019 strategic plan, the Energy and Mineral Resources Ministry initially planned to gradually decrease the country's annual coal production from 419 million tons in 2016 to 413 million tons in 2017 and 406 million tons in 2018.

Then, the ministry aimed to limit coal production to a maximum of 400 million tons per year starting in 2019, so it could prioritize it for domestic use, especially considering the development of various coal-fired power plants in the country.

In fact, the realized domestic coal production stood at 456 million tons in 2016 and 461 million tons last year.

Bambang Gatot Ariyono, the Energy and Mineral Resources Ministry's mineral and coal director general, said it was difficult to prevent all holders of coal mining permits (IUP), particularly ones that have conducted feasibility studies or have started the construction process at the mining sites, from entering the production stage.

"The production figure also determines a miner's return on investment [ROI]," Bambang said on Thursday.

"Therefore, the government will only be able to restrain the production quota of each miner. For 2018, we can only tolerate a 5 percent increase in domestic coal production to around 485 million tons."

Despite the increase in production, Bambang said the ministry would try its best to ensure sustainable mining activities in the country, though he acknowledged that thousands of miners had yet to make deposits into the reclamation-guarantee fund, which is supposed to be used for post-mining rehabilitation.

At present, only around 50 percent of 6,565 mining permit holders in the country have made deposits to the administrations of regions in which they operated for post-mining reclamation.

On the other hand, the increase in coal production has played a role in boosting the government's PNBP collection.

Throughout 2017, the PNBP from the mineral and coal sector reached Rp 40.6 trillion (US$2.84 billion), surpassing the full-year target of Rp 32.7 trillion.

Of the total production last year, the government exported 364 million tons of coal, down slightly from 365.5 million tons in 2016.

Meanwhile, domestic coal consumption reached 97 million tons last year, up from 90.5 million tons in 2016 but still far below the original 2017 target of 121 million tons.

Bambang said the government was unable to meet the 2017 consumption target due to delays in the completion of several coal-fired power plant projects, in addition to slowing industrial activities. Nonetheless, he was upbeat the country could increase the domestic consumption figure to 114 million tons in 2018.

State electricity firm PLN has previously projected that coal demand for electricity generation will soar by 18.4 percent to 90 million tons in 2018 following an increase in the capacity factor of its power plants in certain regions, including Sumatra.

The increase in capacity factor, which is the ratio of the total actual energy produced by a power plant to its maximum generation capacity, is based on the assumption that PLN's electricity sales will grow more than 5 percent next year.

As of 2017, Indonesia operated power plants with a total capacity of 60.1 gigawatts (GW), 57.22 percent of which were coal-fired facilities.

Indonesian Coal Companies Association (APBI) executive director Hendra Sinadia said each 1 MW of electricity produced by coal-fired power plants would need around 3,500 to 4,000 tons of coal.

"By 2024, domestic coal demand for power generation might increase to 150 million tons," he said. "It might be better for the government to formulate a series of policies to boost exploration activities in order to extend the lifeline of the country's coal reserves."

Indonesia had coal resources amounting to 128.06 billion tons and coal reserves of 28.46 billion tons by the end of 2016, located mostly in Kalimantan and Sumatra.

Sinking measures take toll on industry

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Safrin La Batu
and Stefani Ribka
THE JAKARTA POST/JAKARTA

Susi criticized for putting too much focus on sinking vessels

Fisheries exports decline due to mismanagement

The Maritime Affairs and Fisheries Ministry has insisted on continuing its policy of sinking foreign vessels found poaching over Indonesian waters despite a growing chorus of critics who say the ministry needs to shift focus toward revitalizing the country's dwindling fisheries industry.

The policy on sinking has been in the spotlight since Vice President Jusuf Kalla and Coordinating Maritime Affairs Minister Luhut Binsar Pandjaitan recently requested that Maritime Affairs and Fisheries Minister Susi Pudjiastuti end the policy and instead focus on increasing exports of fisheries products.

But the request went unheeded as Susi insisted on continuing the policy, arguing that sinking was instructed by prevailing laws and regulations and that ministry data did not indicate a decline in exports.

Given the mounting criticism from the higher officials, Susi's subordinates defended the policy in a three-hour press conference on Thursday.

"We are only going to comply with the order of President Joko "Jokowi" Widodo," Nilanto Perbowo, the ministry's acting director of marine and fisheries resources surveillance (PSDKP), said on Thursday.

Jokowi commented on the debate surrounding the policy, saying Wednesday that sinking illegal foreign vessels was needed to deter other foreign vessels from fishing over the country's waters.

However, Jokowi also said he had instructed Susi during a Cabinet meeting to focus her attention on exporting fisheries products.

"I requested that *Bu* Susi concentrate today on revitalizing the fisheries processing industry, particularly as it can increase exports because our exports have declined," Jokowi said.

Several studies suggest that Susi's move to clamp down on illegal, unreported and unregulated fishing (IUUF) has yielded a rise in fish resources after decades of overfishing, garnering the minister domestic and international praise.

Her unique charisma and resilience in protecting the marine ecosystem has made her a popular minister.

However, Susi's penchant for sinking vessels and enforcing the use of environmentally friendly catching devices has not been accompanied by a rise in the prosperity of fishermen.

Tens of thousands of fishermen and unskilled laborers have been left unemployed, particularly on the northern coast of Java, as they are no longer allowed to fish because their devices are not environmentally friendly, and the ministry has moved at a snail's pace in equipping them with sustainable fishing tools.

Despite the increase in fish stocks as a result of the stern fight against IUUF, fisheries exports have also declined in the past three years.

According to the Central Statistics Agency (BPS), fisheries exports in 2014 reached 1.3 million tons, but declined to 1.1 million tons in 2015, 1.07 million tons in 2016 and an estimated 1 million tons last year.

The government initially expected to rake in US$7 billion in exports last year, but the number is estimated to be around $4 billion. In comparison, Vietnam's fisheries exports reached $8.3 billion last year despite the country having fewer fish resources.

The ministry blamed the country's low export figure on a lack of access to foreign markets.

Nilanto said the ministry approached key markets, such as the European Union and Japan, over allowing Indonesia to enjoy privileges similar to the ones given to the likes of Timor Leste, the Philippines, Fiji and Papua New Guinea.

The four countries trade with a zero-import duty for seafood products to the EU and lower tariffs to Japan, while Indonesia pays up to 20 percent in tariffs to the EU.

Indonesia's top export commodities include shrimp, tuna, skipjack, crab, squid, octopus and seaweed.

"The ministry has been intensively communicating with EU trade and fisheries commissioners to let us have the same privilege. Our achievement in combating IUUF in the past three years should have led them to consider giving incentives," he said.

Since late 2014, the ministry has sunk a total of 363 illegal vessels, mostly from Vietnam.

Sjarief Widjaja, the ministry's fish catchment director general, said the ministry opted to destroy the foreign vessels rather than hand them over to small fishermen in the country because of an international regulation stating that vessels belonging to illegal poachers were to be destroyed.

"The regulation requires vessels [belonging to poachers] to never be used again," Sjarief said.

Sjarief said foreign vessels were not "suited" for local fishermen because they were normally large and their manuals were typically written in a foreign language, such as Mandarin. Furthermore, he said since the vessels were large, to operate them would be costly. **(srs)**

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Sri Mulyani offers help to manage ships

JAKARTA: Finance Minister Sri Mulyani has offered Maritime Affairs and Fisheries Minister Susi Pudjiastuti help in managing confiscated fishing ships if they are turned into state assets rather than destroyed.

"We will fully support the management [of the ships]," said Sri Mulyani in Jakarta on Thursday in response to controversy about the policy of the Maritime Affairs and Fisheries Ministry to sink fishing vessels used for poaching — a policy Susi considers in line with Law No. 45/2009 on fisheries.

Sri Mulyani said she was now waiting for Susi's policy ideas on how to deal with the confiscated ships.

So far, Susi has been ordering the destruction of all confiscated fishing vessels if their crew members were found guilty of catching fish illegally in Indonesian waters. More than 360 ships have been destroyed since the tough measure was introduced in 2015.

Both Vice President Jusuf Kalla and Coordinating Maritime Affairs Minister Luhut Pandjaitan have called on Susi to stop the sinking policy.

Sri Mulyani said the confiscated ships would be of greater use to the country if they became state assets, particularly to help fishermen imcrease their production. — *JP*

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Social forestry program to tackle forest, land fires

Moses Ompusunggu
THE JAKARTA POST/JAKARTA

Social forestry program aims to improve local economy, tackle forest, land fires

Local management of peatland can reduce greenhouse gases

President Joko "Jokowi" Widodo's social forestry program, which grants specific communities the right to manage state forests, is expected to not only help improve local economies, but also tackle forest and land fires.

Granting locals permits to manage forests, especially peat swamp forests, could generate more income for them and, at the same time, prevent fires from occurring as a result of sustainable and eco-friendly practices.

Peatland Restoration Agency (BRG) official Myrna Safitri said the institution had identified that fires were likely to occur on open-access land, which refers to concession areas without day-to-day management.

"If those degraded lands are being used for social forestry, locals who participate in the social forestry scheme will automatically be responsible for protecting the area," said Myrna.

Degradation of peat swamp forests began in the late 1960s when then president Suharto allowed businesses to access the land and destroy forests for timber, plantation and mining activities.

Wide-scale land conversion is the main driver of forest fires in Indonesia, leading to a long-term increase in carbon emissions from peatland, which, in pristine condition, naturally stores huge amounts of carbon in its soil and biomass.

"Peatland management by locals, including through social forestry, will significantly contribute to a reduction in greenhouse gases," said Association for Community and Ecology-based Law Reform (HuMa) program coordinator Yustisia Rahman.

Along with the land reform program, which mainly seeks to provide tenure certainty for small-holder farmers, the social forestry program, as part of the Jokowi administration's pledges to reduce social and economic inequalities, looks to grant locals permits to manage 12.7 million hectares of land.

The BRG mapped out around 905,989 ha of peatland in seven provinces that could be used for the social forestry program. These lands are located in conservation areas, protected forests and degraded areas previously designated for concessions.

Myrna said managing peatland through the social forestry scheme was also in line with "purposes of peatland protection regulations," which encourage the planting of local agricultural commodities without depleting peatland of resources such as rubber, rattan and pepper.

In addition to agricultural benefits, the program also allows locals to establish ecotourism businesses in protected forest areas, Myrna said.

Myrna said the BRG was working closely with the Environment and Forestry Ministry to expedite the process of granting forest management permits in peat swamp forests, including by providing locals with training and assistance so that they could form the proposals needed to apply for the permits.

However, many problems could hinder the initiative to grant social forestry permits on peatland, such as land conflicts involving locals and companies, Myrna said.

The Bogor-based Center for International Forestry Research (CIFOR) said in its 2016 study that weak and unclear land tenure regulations had led to overlapping land claims among individuals, communities and companies. Peatland, it said, "now represent a contested frontier region."

Rahmat Sulaiman, a coordinator at Konsorsium Geodata Nasional (GDN), an NGO supporting local and indigenous communities, said locals had limited access to peatland amid the expansion of timber, plantation and mining companies.

The statement was based on a recent study jointly carried out by GDN and HuMa that assessed tenure conditions in four peatland-rich regencies in Sumatra and Kalimantan.

ELECTRICITY

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PLN to extend deadline for power projects

Grappling with lower-than-expected electricity sales, state-owned firm PLN has finally decided to extend the deadline to begin the operation of contracted power plants under the flagship 35,000-megawatt (MW) program.

President Joko "Jokowi" Widodo's administration has planned to procure electricity amounting to 35,847 MW by 2019 from various types of power plants in order to achieve a 30 percent surplus in the domestic electricity reserve margin, namely the gap between the capacity and peak demand. The surplus level is considered healthy and would result in more efficient operational costs.

Of the total figure, PLN hopes to build power facilities with a capacity of 8,866 MW on its own, while independent power producers (IPP) will develop the remaining 26,981 MW.

Nevertheless, the country's sole electricity offtaker had estimated its power sales only grew by around 4.1 percent throughout 2017. That is only half of the 8.3 percent annual increase of national electricity sales assumed in the development plan of these power plants.

PLN's regional business director for eastern Java, Bali and Nusa Tenggara Djoko Rahardjo Abumanan conceded that the firm would revise the timeline for commencing operation of the designated power plants.

"As the growth was not as high as initially expected, we've decided to reschedule the COD [commercial operation date] of contracted power plant projects," Djoko said on Wednesday.

As of last November, PLN had signed contracts with engineering, procurement and construction (EPC) contractors and sealed power purchase agreements (PPAs) with IPPs for power plant projects covering an overall capacity of 30,456 MW. Of the figure, only 3 percent have already started commercial operation.

Djoko said PLN would suffer from the take-or-pay clause in its purchase deals with IPPs if it insisted on moving forward with the original deadline to finish the mega power projects.

As stipulated by the clause, PLN must pay for the electricity supplied by IPP-built power facilities even if it does not need it.

Consequently, PLN is adjusting the COD in line with current electricity consumption, Djoko added.

"We predict that the total capacity of power plants operational by 2019 will be only 22,000 MW," he said.

The extended deadline may affect, among other plants, the Indramayu II coal-fired power plant in West Java worth US$4 billion. The construction of the 2,000 MW power facility is projected to begin in 2019 at the earliest, after initially being scheduled for last October.

Furthermore, PLN also plans to postpone the construction of 1,700 MW power plants, some of which it will build on its own. It will, however, kick off the projects before 2019.

"It may only take six months to construct these plants as they are [mostly] gas-fueled facilities," Djoko said.

In addition to the power plants, PLN also aims to develop 46,760 kilometers of transmission circuits and 1,375 substation units, equivalent to 108,789 mega volt amperes (MVA) by 2019.

According to an estimate, PLN will need to disburse Rp 585 trillion (US$43.75 billion) for the development of the entire electricity infrastructure, including Rp 200 trillion for its fully-owned power plants and the rest for transmission circuits and substation units.

Nevertheless, as of last August, the electricity firm had only managed to secure financing commitments worth Rp 117 trillion, including ones from the World Bank and the Asian Development Bank (ADB). Of the figure, just Rp 62 trillion of debt had been disbursed.

In the first nine months of 2017, PLN's net profit plummeted by 72.2 percent year-on-year to Rp 3.04 trillion, while its total liabilities grew 11.2 percent annually to Rp 429.3 trillion.

Institute for Essential Services Reform (IESR) executive director Fabby Tumiwa has previously thrown his support behind PLN's plan to amend the timeline of the power projects under the 35,000 MW program.

"If the plan remains unchanged, there will likely be an oversupply that threatens PLN's financial health," he said.

—JP/ Viriya P. Singgih

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RI to finalize Freeport contract in H1

JAKARTA: Indonesia hopes to finalize contract talks with Freeport McMoRan Inc. over the Grasberg copper mine by June, although divestment issues are still unresolved, a mining ministry official said on Thursday.

Indonesia and Freeport formed a framework agreement in August to transfer the company's rights to Grasberg to a new mine license system from an existing contract of work. Under the change, Freeport promised to divest 51 percent of its Indonesian unit to the government.

However, details of the divestment still need to be ironed out by Freeport, the State Owned Enterprises Ministry and the Finance Ministry, Bambang Gatot, the Coal and Minerals Director General at the Energy and Mineral Resources Ministry, told reporters at a briefing.

"The main issue that hasn't been resolved yet is divestment," Gatot said.

Other issues under consideration include the development of another domestic copper smelter, an investment stability agreement and the extension of Freeport's operations up to 2041, he said.

State-owned mining holding company PT Inalum has been appointed by the government to acquire the Freeport stake.

A Jakarta-based spokesman for Freeport declined to comment.

Grasberg is the world's second-biggest copper mine and is located in the eastern Indonesian province of Papua.

The divestment may involve liquidation of a joint venture that Freeport Indonesia (PTFI), operator of Grasberg, formed with Rio Tinto in 1996.

Under that venture, Rio has a 40 percent interest in PT-FI's Grasberg contract, which entitles them to a 40 percent share of all production after 2022. Rio has held talks with Indonesia about a possible exit to the venture. — *Reuters*

Ban lift brings traffic jams, policy talk

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Transportation agency to establish motorcycle lanes

Police suggest implementation of odd-even policy

As motorcyclists have started to crowd Jl. MH Thamrin and Jl. Medan Merdeka Barat, Central Jakarta, following the revocation of a ban preventing them from accessing the city's thoroughfares, authorities are considering implementing new traffic policies to prevent congestion.

"The revocation of the ban definitely affects traffic conditions along the roads. But we should follow the rules. What we can do is organize those roads with a new system, especially since those roads represent the face of Jakarta," Jakarta Transportation Agency head Andri Yansyah told *The Jakarta Post* on Thursday.

Andri said related agencies, including the Greater Jakarta Transportation Agency (BPTJ) and the Jakarta Police's traffic unit (Ditlantas), as well as experts had discussed ways to prevent worsening congestion.

"To avoid unorganized traffic, the Jakarta Transportation Agency will introduce new road marks indicating separate lanes for motorcycles and cars along the roads. We will start marking the roads [on Thursday night]," he said.

In addition to creating motorcycle lanes, the agency is planning to deploy extra personnel to manage traffic.

"We expect there to be many motorcyclists, including *ojek* [motorcycle taxi] [drivers] who park on the side of the road. We will deploy extra personnel to discipline them or even fine them," said Andri.

Ditlantas head Adj. Sr. Comr. Budiyanto said they would propose an odd-even traffic system for all vehicles passing through the roads, including motorcycles.

"If we can apply the odd-even system to cars, I am sure we can apply the system to motorcycles too," Budiyanto told the *Post* on Thursday, arguing the system could reduce traffic count by up to 50 percent.

In line with the motorcycle ban revocation, the Jakarta Police is anticipating an increase in traffic accidents involving motorcycles on Jl. MH Thamrin and Jl. Medan Merdeka Barat.

Based on Ditlantas data, the motorcycle ban had decreased the number of accidents involving motorcyclists in Jakarta. In 2017, the agency recorded 3,132 accidents, a decrease from 5,797 accidents in 2014.

BPTJ head Bambang Prihartono said the lifting of the ban acted as a stimulus for the city's mass transportation projects, such as the light rapid transit (LRT) and MRT systems.

"As heavy congestion on those roads might return, we should push for the operation of mass transportation as soon as possible," said Bambang.

"In the past, people from Bekasi, for instance, might have ridden on a Transjakarta bus to pass Jl. Thamrin but now, they would probably ride their motorcycles. So the revocation of the ban does not encourage people to use mass transportation and instead increases the risks associated with traveling long distances by motorbike," he added.

Indonesia Transportation Society (MTI) transportation expert Djoko Setijowarno said the updated policy would only create new problems.

"The ban revocation will worsen the Jakarta transportation system. The imposition of the ban had brought positive impacts, such as a reduction in pollution, traffic congestion and road accidents," Djoko said on Thursday, adding that many metropolitan cities worldwide enforced a ban on motorcycles on their main roads.

Djoko said the proposed measures from the agencies would not fully solve the city's traffic problems.

"Traffic arrangements such as an odd-even system or motorcycle lanes will not bring a huge impact. If the administration has to remove the ban, the only better solution is to provide an improved mass transportation system for the people to use," he said.

After app-based *ojek* drivers Yuliansyah Hamid and Diki Iskandar filed a petition in September 2017 to review a 2014 gubernatorial decree on motorcycle restrictions, the Supreme Court ruled on Nov. 21 to revoke the motorcycle ban on the basis that the regulation contravened the 1999 Human Rights Law, which stipulates that roads should be accessible to all. **(roi)**

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PetroChina to invest $300m in Indonesia's blocks

The Jakarta Post
JAKARTA

Investment to support operation of current blocks among other things

PetroChina to increase production of major block by 9.1% to 60,000 boepd

Oil firm PT PetroChina International Indonesia plans to invest at least US$300 million this year to further boost production in its oil and gas blocks in Java and Sumatra.

PetroChina chairman Gong Bencai said the investment would support the operation of existing blocks, including the Jabung block in Jambi, the Tuban block in East Java and Selat Panjang in Riau.

In addition to maintaining the production of the blocks, it would also be used to drill 16 new wells and finance the workovers of 17 active wells.

"For the past two years, we generally put an investment of around $300 million annually. It's safe to say that at least $300 million will be invested to support the operation of our current blocks," Bencai told reporters in a press briefing on Wednesday.

PetroChina, a subsidiary of China's state-owned petroleum giant China National Petroleum Corporation, began operation in Indonesia in 2002. Indonesia was PetroChina's destination for its first overseas project.

PetroChina has already poured more than $5 billion in investment into the country and claimed to have paid $3 billion in taxes.

In total, it produces about 100,000 barrels of oil equivalent per day (boepd). Of the figure, the Jabung block, its largest operating block, generates 55,000 boepd.

The company expected output from the Jabung block to increase by 5,000 boepd year-on-year (yoy) to 60,000 boepd this year, Bencai said.

He said he hoped 2018 would be the harvest year for PetroChina because a number of wells drilled last year would begin their production.

"We call 2017 an effort year, while 2018 is a harvest year and 2019 a take-off year," Bencai said.

With such planning, PetroChina would be able to "move forward at high speed" in 2020 and bring in around 80,000 barrels of oil per day (bopd) and around 600 million standard cubic feet per day (mmscfd) of gas.

Besides exploring new wells, the company will also reactivate a number of small blocks that have been abandoned because of their economic unviability, such as the Bangko block in Jambi.

"Under the new management, we will restart work on the Bangko block this year," said Jabung's general manager Yu Guoyi.

PetroChina expects to produce about 600 bopd from four old workover wells, and 5 to 10 mmscfd of gas.

Bencai added that PetroChina also intended to join the East Natuna project along with state-owned oil and gas company Pertamina following the withdrawal of United States oil giant ExxonMobil from the gas block last year.

"We actually have new technology in our research center, which can be used for the East Natuna block. As for this year, we will conduct a technology test on our Jabung Block, and we expect to see the results in the next few years," he said.

In response to the implementation of the new production-sharing contract program, namely the gross-split program, PetroChina said it was quite enticing for investors given the tax relaxation and the flexibility for companies to make decisions on their own.

"However, I hope the Indonesian government will improve the licensing process as it can take a year to obtain approval for one well," said Bencai.

Under the gross-split scheme, oil and gas contractors will get a tax waiver during exploration stage, while also seeing operational costs of the exploration deducted from their income tax. **(fny)**