

FOREIGN MINISTRY

## RI should live up to status as great country: Jokowi

Agnes Anya  
and Dian Septiari

THE JAKARTA POST/JAKARTA

Indonesia should be holding its hand up to give help, not holding it out to ask for it, says President Joko "Jokowi" Widodo.

"We are in the G20, which means that we are a great country. No one should think that we are inferior, or even a small country. I have told the foreign minister and all ministers we should not look for assistance. We should be giving, giving and giving."

Jokowi on Monday gave a briefing to 134 Indonesian ambassadors, consuls general, consuls and permanent representatives stationed overseas, whom he had called back to the country for a four-day meeting. In the opening ceremony, themed Diplomacy for the Now Age, Jokowi said with the satisfying economic growth, representatives "must not feel inferior".

"We are a large country, why do we continue feeling short of [power]?" he asked.

Indonesia was ranked last year in third or fourth place among the G20 group of major economies, said Jokowi. With such an achievement, he said, Indonesian representatives overseas must be confident in boosting the great-country image by, among other things, giving aid to others.

"If we still feel small, we tend to be happy with aid. No! Now we must help needy countries. [We must] allocate aid," said Jokowi, adding that Indonesia had helped Pacific countries.

Jokowi said the representatives must also use diplomacy to boost economic ties, particularly with non-traditional countries, like Pakistan and Bangladesh.

"We must not rely on traditional markets. We must be more persistent and serious about exploring non-traditional markets," he said. Pakistan and Bangladesh,

he said, must not be underestimated because they offer promising markets for Indonesia with, respectively, 210 million and 160 million people and 7 percent and 7.2 percent economic growth.

"We also have yet to touch African countries," said Jokowi. "The markets are large and the growth is high. We have never seriously explored the opportunities."

He said the envoys must team up with relevant parties in Indonesia, like the Trade Ministry, and join business expos held by other countries. He even urged them to not only deploy one or two stalls in an expo but "five to six stalls placed near the entrance."

"I demand [they] must not be placed at the corner, near a toilet," Jokowi said. "We are a large country [...] we must be near the entrance. That is an image."

Nonetheless, the envoys must conduct market intelligence to determine suitable products for the target countries, he added. Such measures, he said, are expected to foster Indonesia's exports, which currently are less competitive compared to those of Malaysia, Thailand and the Philippines because of a lack of innovation in seeking opportunities.

"There are only two keys for economic growth: increasing investment and increasing exports. Your role is to play for these aspects," Jokowi told the envoys.

Jokowi also called on them to respond to the world's rapid dynamics. "Do not let the handling time of documents, like passports or visas, take weeks or even months. It is not that kind of era anymore," he said. "We want our embassies to take care of such documents within hours or even minutes. The world has changed."

In the occasion, he also praised the Indonesian Embassy in Singapore for its application, Smart Embassy, which provides services for economic diplomacy and citizen protection.

## INVESTMENT

## Govt simplifies regulations on oil, gas industry

**Rachmadea Aisyah**

THE JAKARTA POST/JAKARTA

The Energy and Mineral Resources Ministry is continuing to revamp and simplify its tangled regulations especially on the oil and gas sector, which has come to President Joko 'Jokowi' Widodo's attention as revenues from the industry have been declining in recent years.

Energy and Mineral Resources Minister Ignasius Jonan announced on Monday that a series of regulations, for the industry's upstream and downstream sectors, have been either revoked or merged.

As many as 11 decrees under the ministry's Directorate General of Oil and Gas and three regulations under the Upstream Oil and Gas Regulatory Special Task Force (SKKMigas) are being annulled. Meanwhile, 11 more decrees under the directorate general were also revoked last week, totaling 25 regulations on the oil and gas sector that have been removed this year.

"We decided to reduce or revoke many of the regulations thought to hamper investment in accordance with directives from President Jokowi," Jonan told reporters at a press conference on Monday at the ministry.

The action is in line with the ministry's ambitious target of restoring the industry's heyday, with US\$17.04 billion targeted in oil and gas lifting in 2018. The figure is similar to the 2014 and 2015 results of \$20.72 billion and \$17.38 billion, respectively.

This year's target is 67 percent higher than the 2017 figure of \$10.17 billion, which is the lowest result recorded in the past four years.

Jonan said the ministry anticipated more rule revocations in the upcoming weeks. "With all these revocations, we hope the flexibility [of the energy sector] can improve," he said.

The 25 revoked regulations include several related to work safety, development of marginal oil blocs, foreign workers' permits, management of the state's facilities in the upstream activities, fuel distribution, equipment imports and auction and appointment of oil and gas working areas.

Many of the regulations were annulled or renewed as they were issued years ago and therefore, were no longer fitting to the development of the industry, with some decrees dating back as far as 2006, said Jonan.

The ministry's acting director-general of oil and gas Ego Syahril described the rule annulments as highly efficient, claiming that with the decision, a company that wanted to set up an oil refinery could now simply apply for one certificate of operational eligibility.

"Before the revocations, they might need as many as 3,000 certificates before they could be given a permit to build a refinery," Ego said on the sidelines of the event.

The ministry would also no longer determine a refinery's design feasibility nor conduct safety inspections as such assessments would be left up to the companies themselves, he added.

In addition to slashing the red tape, the ministry is also currently forming several new regulations for the sector. One of them is expected to be used to regulate idle abandonment and site restoration (ASR) funds under SKKMigas.

On Feb. 7, SKKMigas deputy for control and procurement Djoko Siswanto said there was approximately \$1 billion worth of ASR funding awaiting a new decree before it could be utilized to manage abandoned refineries.

"In the near future, the regulation will set up a common account containing the ASR funding for government agencies to use in priority projects," said Djoko.

# Tax office sets eyes on big fish

**Marchio Irfan Gorbiano  
and Anton Hermansyah**

THE JAKARTA POST/JAKARTA

Taxpayers with balances of more than Rp 1 billion (US\$70,000) in their accounts with banks or financial services will now be under the gaze of the tax authority's tight monitoring as part of a global initiative to fight tax avoidance and evasion.

The global Automatic Exchange of Information (AEOI) agreement, enacted under the supervision of the Organization for Economic Co-operation and Development (OECD), has set the deadline for Indonesia to submit data on its taxpayers for June this year.

As part of the AEOI's implementation, the Finance Ministry's Directorate General of Taxation recently issued Directorate General of Taxation Regulation No. 4/2018, which details the mechanism by which banks and financial institutions are to submit data on their domestic customers before the end of April.

In addition to banks, traditional financial institutions like insurance and securities firms and pension funds, as well as non-traditional financial institutions like financial technology (fintech) companies, are among those also required to submit data on their customers who have balances of more than Rp 1 billion per account.

Banks and financial institutions are expected to register themselves at the tax office before the end of February, either electronically or manually, as stipulated in the new regulation.

Finance Minister Sri Mulyani Indrawati said the government would fully guarantee the secrecy

**Tax office to monitor taxpayers with balances of more than Rp 1 billion per account**

**Govt guarantees data secrecy: Finance minister**

of the data and comply with the AEOI's guiding principles on data handling.

"We will conduct a [public] dissemination of information step-by-step, so the financial sector can understand and not view the reporting as a burden," she said at the Presidential Palace on Monday.

The same due dates applied for foreign individuals and entities who were customers of non-traditional financial institutions, said tax office spokesman Hestu Yoga Saksama.

As for foreign customers of traditional financial institutions, he said their data should be submitted to the Financial Services Authority (OJK) on Aug. 1 at the latest and afterward the financial regulator would submit its reports to the tax office by Aug. 31.

Bankers have said they were prepared for the data submission as the tax office had begun discussing the AEOI implementation last year.

"The registration deadline [before the end of February] should pose no problem [for Bank OCBC NISP] as we will follow the administrative procedures," said Parwati Surjaudaja, president director of Bank OCBC NISP.

The Global Forum on Transparency and Exchange of Information — a segment of the OECD that supervises the AEOI — categorizes Indonesia as only "partially com-

pliant" with AEOI standards because of bank secrecy clauses in several laws, including the Banking Law.

The global forum set a timeline requiring partially compliant countries and jurisdictions to meet its standards by June 2017 if they wished to fully implement the AEOI agreement by September 2018.

Responding the OECD's assessment of Indonesia, President Joko "Jokowi" Widodo issued Presidential Regulation in Lieu of Law (Perppu) No. 1/2017 on financial information access for taxation purposes last May, giving tax officers full freedom to directly access financial accounts owned by both Indonesian citizens and foreigners for tax purposes.

Sri Mulyani may have made many assurances on data secrecy in the AEOI, but Hariyadi Sukamdani, chairman of the Indonesian Employers Association (Apindo), said many concerns remained, regarding the government's protection of taxpayers' information, which would be automatically exchanged between tax authorities.

"[The question is] how to safeguard data secrecy, while also ensuring the data won't be used [by tax officers] to intimidate taxpayers?" he said, calling on the tax office to prudently utilize the data as violations could potentially reduce the public's trust in the tax authority.

Meanwhile, Shinta Widjaja Kamdani, deputy chairwoman for international relations at the Indonesian Chamber of Commerce and Industry (Kadin), suggested that the government seek out new potential taxpayers rather than only focusing on existing ones.

# Govt takes more time over stricter emissions rule

Viriya P. Singgih

THE JAKARTA POST/JAKARTA

The government is working on revisions to a ministerial regulation that will impose stricter emission rules on the country's coal-fired power plants in a bid to curb air pollution.

The stricter emissions rule would affect power plant operators, and several industry players have filed objections because they would be required to spend significant amounts of money on air pollution control equipment. Because of arguments over the issue, the government needs more time for negotiation.

"We previously set a target to complete the revision in last December. However, we are still having some tough discussions with relevant stakeholders, as industry players say the new standards are too strict, while environmentalists say the opposite," the Environment and Forestry Ministry's air pollution control director Dasrul Chaniago told *The Jakarta Post* on Friday.

"Hopefully, we can all come to a consensus soon."

Environment and Forestry Ministerial Regulation No. 21/2008 on stationary sources of air pollutants, which is undergoing revision, currently sets rela-

Stricter emission rules will force power plant firms to spend on control device

Govt told to provide leeway for power plants

Around 57% of power plants are coal-fired

tively low emissions standards for coal-fired power plants. The lower the emissions standard, the less environmentally friendly it is.

Regulation No. 21/2008 sets different standards for old and new coal-fired power plants. Old plants that were already operational before the regulation was issued on Dec. 1, 2008, are allowed to emit a maximum of 750 milligrams per cubic meter (mg/Nm<sup>3</sup>) of sulfur dioxide (SO<sub>2</sub>), 850 mg/Nm<sup>3</sup> of nitrogen oxide (N<sub>2</sub>O) and 150 mg/Nm<sup>3</sup> of particulate matter.

The standards for new power plants are 750 mg/Nm<sup>3</sup> for SO<sub>2</sub> and N<sub>2</sub>O, and 100 mg/Nm<sup>3</sup> for particulate matter.

In the upcoming revision, the Environment and Forestry Ministry plans to divide the emissions standards into three categories.

The first category, which will apply to old power plants operational before Dec. 1, 2008, sets a maximum level of 550 mg/Nm<sup>3</sup>

for SO<sub>2</sub> and N<sub>2</sub>O, as well as 75 mg/Nm<sup>3</sup> for particulate matter.

"Based on our assessment, about 80 percent of the country's coal-fired power plants that were operational before December 2008 are already able to meet the standards in the first category. There are just several plants that need to add air pollution control devices to meet the standards," Dasrul said.

The second category, which will apply to power plants that commence operations between Jan. 1, 2009, and Dec. 31, 2020, sets a maximum level of 400 mg/Nm<sup>3</sup> for SO<sub>2</sub>, 300 mg/Nm<sup>3</sup> for N<sub>2</sub>O and 50 mg/Nm<sup>3</sup> for particulate matter.

In the third category, power plants that begin operating after Jan. 1, 2021, will only be allowed to emit a maximum of 100 mg/Nm<sup>3</sup> of both SO<sub>2</sub> and N<sub>2</sub>O, as well as 30 mg/Nm<sup>3</sup> of particulate matter.

Meanwhile, Indonesian Private Electricity Plants Association (APLSI) chairman Ali Herman Ibrahim said it would be costly for investors to install new air pollution control devices to meet the planned standards. According to a study by environmental consultant Bruce Buckheit, the installment of air pollution control for Java-Bali grid could cost US\$6 billion.

PLN spokesperson I Made Suprateka also urged the govern-

ment to provide leeway for coal-fired power plants, which he said would still play a big role in Indonesia's power generation in decades to come.

As of 2017, Indonesia operated various power plants with a total capacity of 60,491 megawatts (MW), 57.22 percent of which were coal-fired facilities.

Through its electricity procurement business plan (RUPTL) for the 2017-2026 period, PLN has envisioned the development of new coal-fired power plants with a combined capacity of 31,900 MW.

"We feel there should be some kind of relaxation for coal-fired power plants as we still heavily rely on them. Without them, we wouldn't be able to electrify all regions across the country, and electricity prices would certainly increase," Made said.

Margaretha Quina, head of the pollution control division at the Jakarta-based Indonesian Center for Environmental Law (ICEL), said the scope of the first emissions standards category in the upcoming policy was too broad, as it would also apply to old power plants built in the 1980s.

"The government should just shut down such old coal-fired power plants instead of forcing them to install the air pollution control devices," she said.

# Govt to accelerate eco-friendly fishing

Gemma Holliani Cahya

THE JAKARTA POST/JAKARTA

The government is ready to collect data on the ownership of *cantrang* (seine nets), fishing equipment considered unsustainable and not environmentally friendly, as it aims to speed up Indonesian fishermen's shift to eco-friendly fishing.

The Maritime Affairs and Fisheries Ministry said together with other related institutions, it had established a special task force led by former Indonesian Military (TNI) commander Adm. (Ret.) Widodo AS that would carry out steps toward full implementation of sustainable fishing practices in the country.

The team has started its task by registering the owners of *cantrang*-equipped vessels in Rembang and Tegal, both in Central Java. The registration will later be expanded to other areas in the northern part of Java, namely Batang, Juwana, Lamongan and Pati.

For the time being, fishermen on the north coast of Java will still be able to use *cantrang* as much as they like, but Maritime Affairs and Fisheries Minister Susi Pudjiastuti asserted this would not last forever.

"We are still allowing them to use *cantrang* for now, but this is only for a limited time," Susi said.

*Cantrang*, along with trawls, are banned under two regulations issued by the Maritime Affairs and Fisheries Ministry in 2015 and 2016. Under these two regulations,

Govt speeds up shift to eco-friendly fishing

Fishermen on north coast of Java temporarily permitted to use 'cantrang'

*cantrang*-equipped vessels may not be used after the end of 2017.

"As of Jan. 1, 2018, *cantrang* are not allowed to be used in Indonesia," said Maritime Affairs Ministry secretary general Rifky Efendi Hardijanto in a statement in December last year.

The plan to ban *cantrang* was received with a string of protests from fishermen, who said the policy would affect their income. The ministry later decided on Jan. 17 that it would still allow fishermen living on the north coast of Java to use the fishing equipment.

There is still no exact date for when the government will impose a total ban on the use of *cantrang*. Susi herself is still standing her ground that environmentally destructive fishing equipment must be prohibited in the near future.

Information gathered by the eco-friendly fishing acceleration team shows that most *cantrang*-equipped vessels operating in Rembang and Tegal are large fishing vessels with a volume capacity of more than 30 gross tonnage (GT).

"This is the first time we have received such data. We can see that all this time most ship owners have marked down data on their vessel capacity. Don't you dare think that *cantrang* vessels

are small. They are large vessels. From our data, most of them have a capacity of around 60 to 70 GT and some of them are even 130 GT," said Susi.

By giving false information, the minister said, the vessel owners were able to get subsidized diesel. They also did not have an obligation to pay non-tax state revenues (PNBP), which are actually aimed at helping small-sized vessel owners, she went on.

The team found that 75 percent of documents held by vessel owners in Rembang that state that their ships are under 30 GT, are not in accordance with the actual capacity.

"Out of 331 vessels registered in Rembang, 259 of them are above 40 GT," said Susi.

In Tegal, 229 owners of registered *cantrang*-equipped vessels have agreed that they will use more environmentally friendly fishing equipment. Meanwhile, 111 other owners have not agreed to the idea, forcing the team to prohibit them from fishing.

To get a fishing permit, owners of *cantrang*-equipped vessels must register their vessels with the team, which will interview them on their willingness to shift to eco-friendly fishing. The fishermen must also be willing to pay PNBP and buy a vessel monitoring system (VMS) used by country governments to monitor commercial fishing activities.

A fishing permit will be issued for *cantrang* fishermen only after they have met all prerequisites.

# Deals struck over Aceh economic zone

Stefani Ribka

THE JAKARTA POST/JAKARTA

Development of the Arun Lhokseumawe special economic zone (SEZ) is on track with the signing Monday of five business agreements, as witnessed by the provincial administration.

The five business cooperation deals cover various sectors, including gas refineries, palm oil, plywood processing and cement logistics.

The Office of the Coordinating Economic Minister's SEZ board secretary, Enoh Suharto, said the processing of palm oil was already ongoing and operations for it were expanding, while development in gas, palm oil and cement was still in the construction stage, with a launch of operations in the sectors expected by mid-year.

"The values of the investments aren't big — around Rp 100 billion [US\$7.3 million] to Rp 400 billion each. But they mark significant progress in the SEZ," Enoh told reporters after the signing ceremony at the ministry building.

Aceh Governor Irwandi Yusuf, who witnessed the signing along with Coordinating Economic Minister Darmin Nasution, said he hoped to see the official inauguration of the SEZ in the second

Development on track with five business deals

Industrial estate set to expand

Inauguration expected in second half of 2018

half of this year, sooner than the previous target of 2020.

The Arun SEZ, which was initiated on Feb. 5, 2017, is expected to attract investors focused on business in the agro-industry, paper, petrochemicals, oil and gas exports as well as liquefied petroleum gas (LPG) and liquefied natural gas (LNG) distribution.

The economic zone is managed and developed by PT Patriot Nusantara Aceh (Patna), a company set up by a consortium comprising state oil and gas firm Pertamina, state port operator Pelindo I, fertilizer producer PT Pupuk Iskandar Muda (PIM) and Aceh administration-owned infrastructure firm Perusahaan Daerah Pembangunan Aceh (PDPA). The consortium was the initiator of the SEZ.

Within the 2,600-hectare economic zone, there are 900 ha of unoccupied land, 540 ha of which is owned by PT Arun-Natural Gas

Liquefaction, which had shut down operations, while 81 ha is owned by Pertamina and 17 ha by Pelindo I. The land has been designated clean and clear.

The SEZ is practically an expansion project from existing industry in the area, where PT Asean Aceh Fertilizer and cement bag producer PT Kertas Kraf Aceh operate.

Pelindo I signed Monday an agreement to allow four companies to utilize its unoccupied land. They are palm oil processor PT Aceh Makmur Bersama, plywood processor PT Sinergi Tangguh Alam Raya, cement logistics provider PT Prosperity Building Material and gas firm PT East Continent Gas.

Another agreement was made between PT Patna and State Asset Management Agency (LMAN) on attracting investors to operate the latter's idle LPG and LNG refineries.

The government aims to secure a total investment of \$3.8 billion by 2021 in the area and make it a gas distribution center. Some petrochemical investors with Rp 6.5 trillion in total capital are applying for investment permits.

To accelerate construction of new businesses and attract more investors, Irwandi said better co-

operation among the consortium members was essential.

"We need to work faster in the field, including by having Pertamina and PT Pelindo I provide PT Patna with capital injection so the latter can move faster," he said during the signing ceremony.

PT PIM would also need to allow PT Patna to manage the former's land inside the SEZ, while the appointed international consultant would need to swiftly finish the Arun SEZ business plan.

The central government, meanwhile has been urged to construct an international airport and national roads near the area.

PT Patna itself acts as a one-stop service center for investors in the SEZ looking to apply for business permits, which are often necessary for dealing with regencies and municipalities in Aceh and the provincial administration.

Darmin lauded the progress and urged administrations to cooperate with private developers to accelerate construction of the SEZs in Bitung, North Sulawesi; Tanjung Api-Api, South Sumatra; and Morotai, North Maluku. Indonesia has 12 planned SEZs in total.

MD3 LAW

## Fears law will allow House to silence critics

Nurul Fitri Ramadhani  
and Kharishar Kahfi

THE JAKARTA POST/JAKARTA

Lawmakers have passed a contentious amendment that critics fear will stifle democratic debate in the country.

Through an amendment to the 2014 Legislative Institutions Law, also known as the MD3 Law, passed during a House of Representatives plenary session on Monday, the House agreed to the creation of an additional authority activists believe will enable lawmakers to silence their critics.

The revised law allows the House Ethics Council (MKD) to take legal action against individuals, groups of people and legal entities that "disrespect the dignity" of the House as an institution and the lawmakers themselves. The law, however, does not detail what actions constitute such violations.

The House Legislative Body (Baleg), which was tasked with discussing the bill with the government, has said the new provision was part of an effort to protect the House from any attempts at "contempt of parliament".

"The MKD will have the right to report all groups or people who insult or spread smear campaigns against the House or its members," Baleg member Lukman Edy of the National Awakening Party (PKB) said recently.

The MKD, a House body responsible for ensuring that all lawmakers behave ethically, has long lost the public's trust because of its perceived lack of action in response to ethical breach allegations leveled at lawmakers. A number of alleged ethical violations filed to the MKD by civil society groups, including one centering on former House speaker Setya Novanto, who is now a graft defendant, remain unresolved.

Constitutional Law expert Feri Amsari said the move showed that the House was opposed to criticism and that this could hinder public participation in acting as a check and balance, a role crucial to a functioning democracy.

"The House members have been given the power by the people to criticize the government. How can they not allow the people to criticize them?" he said.

Lukman, however, believed the MKD would show prudence in its exercise of the new power.

Asked how the MKD would differentiate between criticism and insults, Lukman said that everyone would "have to believe that the MKD is capable of providing an objective [judgement]".

The revision will also allow an additional seat in the House leadership, which lawmakers have said would lead to a more balanced distribution of power and improve its performance.

The slot has been secured for the ruling Indonesian Democratic Party of Struggle (PDI-P), while the Golkar Party currently holds the House speaker position.

PDI-P has struggled to gain a seat on the speakership board since 2014 when the House decided to give the posts to members of the government's opposition, which dominated the House at the time, including to Golkar and the National Mandate Party (PAN). The two parties, however, have since switched sides to support President Joko "Jokowi" Widodo's PDI-P-led coalition in recent years.

Lawmakers of two pro-government parties, the NasDem Party and the United Development Party (PPP), decided to walk out of Monday's session on the grounds that the speakership provision only accommodated certain interests.

REGIONAL ELECTIONS

# Candidates qualify for polls

The Jakarta Post  
JAKARTA

The General Elections Commission (KPU) announced on Monday all the candidates who qualified for the upcoming regional elections, also known as Pilkada.

According to the KPU website, as of 11 p.m., 381 candidates out of 569 qualified to run in the municipal, regional and provincial elections. Three candidates failed to pass because of administrative problems. Polling day for the simultaneous elections will take place on June 27 in 171 regions.

"[The outcome] is in accordance with our expectations. However, we are still waiting for information from the KPU's local office (KPU D) in Papua," Ilham Saputra, a KPU commissioner, said.

West Java has announced all four gubernatorial candidates. Bandung Mayor Ridwan Kamil and his partner Uu Ruzhanul Ulum have been backed by four parties, namely the NasDem Party, the National Awakening Party (PKB), the United Development Party (PPP) and Hanura Party.

They face tough competition from current West Java Deputy Governor Deddy Mizwar and his partner Dedi Mulyadi, the current Purwakarta regent. They are backed by the Golkar Party and Democratic Party.

Ruling Indonesian Democratic Party of Struggle (PDI-P) candidates Tubagus Hasanuddin and Anton Charliyan, who have a military and police background respectively, also qualified.

Central Java will see only two candidate pairs for the gubernatorial election, namely Gerindra-PAN-PKS-PKB backed Sudirman Said and Ida Fauizah, executive of the PKB, versus current Governor Ganjar Pranowo and running



Edy Rahmayadi  
Djarot Saiful Hidayat

**NORTH SUMATRA**



Ganjar Pranowo  
Sudirman Said

**CENTRAL JAVA**

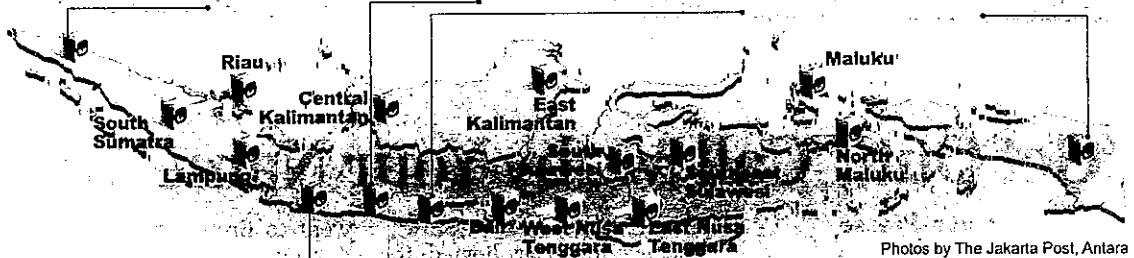


Khoffah Indar Parawansa  
Saifullah "Gus Ipul" Yusuf

**EAST JAVA**

The announcement of candidates has been postponed, pending verification of the candidates by the Papua People's Assembly (MPR).

**PAPUA**



Photos by The Jakarta Post, Antara

**WEST JAVA**



Sudrajat  
Deddy Mizwar  
Ridwan Kamil  
Tubagus Hasanuddin

mate Taj Yasin, son of noted Nahdlatul Ulama (NU) figure Maimun Zubair. The latter are supported by the PDI-P, Democratic Party, PPP and NasDem.

East Java KPUD has named two candidate pairs. They are Khoffah Indar Parawansa and Emil Elestianto Dardak — who are backed by the Democratic Party, NasDem, Hanura, Golkar, PPP and PAN — and pair Saifullah "Gus Ipul" Yusuf and Puti Guntur Soekarno, backed by Gerindra, the PDI-P, PKB and PKS.

Khoffah and "Gus Ipul" are well-known NU members and experts have predicted that their candidacy will fire up the election.

The North Sumatra gubernatorial candidate announcement has thrown up an unexpected result as one of the three candidate pairs failed to qualify because of an issue with a high school diploma.

The candidates who qualified

are Edy Rahmayadi, a former army general, and Musa Rajekshah. They are both endorsed by Golkar, Nasdem, Hanura, Gerindra, PAN and the PKS. They will face former Jakarta governor Djarot Saiful Hidayat and Sihar Sitorus, who are backed by the PDI-P and PPP.

North Sumatra KPUD said JR Saragih, the current Simalungun regent, and his partner Ance Selian failed to qualify after copies of Saragih's high school diploma were not deemed as legal documents by the Jakarta Education Agency.

"We will file a lawsuit over this decision," Saragih said while crying during the announcement.

KPUD official Saputra said the office had checked the diploma with the Jakarta Education Agency and found that copies of Saragih's diploma were not considered legal documents as required by the KPU.

All gubernatorial candidates for West Nusa Tenggara and South Sulawesi qualified, with each province having four candidates.

The KPU urged all candidates to register their request for leave before Feb. 14 when campaigning begins.

Ngada Regent Marianus Sae, who is eyeing the East Nusa Tenggara (NTT) governor post, is still eligible to run for the election despite having been arrested by the Corruption Eradication Commission on Sunday on graft charges.

Coordinating Political, Legal and Security Affairs Minister Wiranto said it was common to see a heated situation ahead of the elections. He urged the public to cast their votes and avoid any disturbances.

"We must work hand-in-hand to ensure the regional elections take place peacefully so that the result will be positive for all of us." (srs)

GANUG NUGROHO, ARYA DIPA, RIZAL HARAHAP, SUHERDJOKO, MARKUS MAKUR, APRIADI GUNAWAN, PANCA NUGRAHA, ANDI HAJRAMURNI, DJEMI AMNIFU, MARGUERITE AFRA SAPIE AND WAHYOE BOEDIWARDHANA CONTRIBUTED TO THE STORY



Feb. 13. 2018  
J. Post

## BUSINESS DISPUTE

# PGN to take Petronas to arbitration over gas delivery fees

Viriya P. Singgih

THE JAKARTA POST/JAKARTA

State-owned gas distributor Perusahaan Gas Negara (PGN) will take its dispute with Petronas to international arbitration if the Malaysian energy company refuses to pay fees for gas delivery through the Kalimantan-Java (Kalija) I pipeline.

Petronas previously signed a gas transportation agreement (GTA) with PT Kalimantan Jawa Gas (KJG) for the delivery of gas using the latter's Kalija I pipeline from Petronas' Kepodang field to the Tambak Lorok combined-cycle power plant, both in Central Java, for a 12-year period in August 2015.

KJG is a joint venture between PGN and investment company PT Bakrie & Brothers, with 80 percent and 20 percent ownership, respectively.

PGN infrastructure and technology director Dilo Seno Widagdo said that from the first year of the agreed period, the volume of gas transported through the Kalija I pipeline had never met the volume that was initially agreed.

Dilo said that as there was a ship-or-pay clause in the agreement, Petronas was still obliged to pay certain fees even though there was no gas delivered from its Kepodang field. However, he said Petronas had never met its obligation.

"We have sent letters to Petronas several times, reminding the company to make the payment. We last sent one on Jan. 7 and gave Petronas a month to respond. But as of today there has been no word from the company," Dilo said on Monday.

Dilo said PGN would ask the Downstream Oil and Gas Regulatory Agency (BPH Migas) to help mediate the dispute with Petronas. "But if BPH Migas still fails to settle this dispute, we will take it to international arbitration," he said.

Petronas initially committed to transmit 116 million standard cubic feet per day (mmscfd) of gas from its Kepodang field within the first five years of the agreement period with a fee of US\$2.32 per million standard cubic feet. The volume would then gradually decrease to 110 mmscfd in

2020, before reaching 9 mmscfd in 2026.

Meanwhile, the ship-or-pay volume stated in the agreement stands at 104 mmscfd of gas within the first five years, before gradually decreasing to 99 mmscfd in 2020 and 8 mmscfd in 2026.

In fact, Petronas was only able to supply an average of 86.06 mmscfd of gas in 2015. The figure climbed to 90.37 mmscfd in 2016, before falling once again to 75.64 mmscfd last year. This situation might have been triggered by the critical condition of the Kepodang field.

In July last year, Petronas announced force majeure at its Kepodang field, which is projected to run out of gas reserves in 2019, seven years earlier than previously estimated.

Dilo said, indeed, as stated in the agreement, Petronas was allowed to declare force majeure status if there was a permanent depletion from the Kepodang field. But he said it was not "depleted" if the volume of gas transported through the Kalija I pipeline had been small since the beginning of the agreement.

According to PGN, Petronas has only paid for the actual gas transported through the Kalija I pipeline in the 2015-2017 period.

However, Petronas has never paid for the deficit between the actual transported gas and the ship-or-pay volume stated in the agreement, which amounted to \$1.9 million in 2015, \$8.8 million in 2016 and \$21.5 million last year.

Dilo said state electricity firm PLN was the one paying for the ship-or-pay volume deficit in 2015 because, at that time, PLN was not ready to fully operate the Tambak Lorok combined-cycle power plant. "But Petronas is the one who should pay for the deficit in the 2016-2017 period," he said.

Petronas declined to comment on the matter.

Meanwhile, BPH Migas head Fanshurullah Asa said his side had invited both PGN and Petronas to meet and settle their dispute through mediation.

"We will gather all parties involved, because according to the agreement, Petronas should pay for the ship-or-pay volume deficit," Fanshurullah said.

# Constitutional Court's dignity in jeopardy

**T**hat public faith in the Constitutional Court has declined to the lowest level is undeniable. It all happened after the Court's ethics board found Court chief Arief Hidayat guilty of breaching the code of ethics for the second time.

In the most recent case, the board discovered Arief had lobbied House of Representatives politicians prior to his selection as Court justice for a second term last December, which should have made him unfit for his current post. Previously in 2016, the board had convicted him of committing an ethics violation for sending a letter to the Attorney General asking for special treatment for his relative who works in the Attorney General's Office.

Analogous to a soccer game, a player who receives a second yellow card in a match will automatically get his marching orders. Additionally, the player will automatically receive a one-match ban. If the fouls are deemed serious the ban may be extended to two or three matches.

However, this is not the case of the Constitutional Court. As in the first case, the ethics board only imposed a light sentence, a formal reprimand, defying mounting demands from Muhammadiyah and

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corruption watchdogs GAK, Madrasah Anti Korupsi and ICW for Arief to be dismissed as both Court chief and justice for undermining the Court's dignity.

The lenient punishment only reveals a lack of legal framework within Constitutional Court law when dealing with ethical violations allegedly committed by Court justices. In this sense, there is no clear mechanism as to whether a justice, who is found guilty of violating the code of ethics, must quit the Court or not. As in the Arief case, the board did not require him to step down simply because the law does not ask it to do so.

However, in coping with violations of ethics we, including state actor, civil society and private sector, cannot only depend on and comply with existing regulations. Moral standards, integrity values and ethical norms should be an inseparable part of public institutions and officials with or without regulations.

For the Constitutional Court, its dignity matters because of its

duty as the guardian of the Constitution. Court justices, who are entrusted to protect the Constitution as the foundation of democracy and state principles, must therefore be morally clean.

It does mean that even a small breach of code of ethics will render a justice no longer eligible to perform the job. In addition, in their conduct each Court justice has to display his or her vast horizon and knowledge.

The combination is a basic requirement for Constitutional Court justices. The question now is having been twice found guilty of code of ethics violations does Arief still deserve the Constitutional Court chief post? The answer is clear, a big NO.

Actually, the Constitutional Court has lost its main capital, namely public trust, to carry out its main duty as guardian of the Constitution as a result of the moral defect of its chief. People may now doubt the Court's capability to render justice.

To make matter worse, the Court also has a constitutional mandate of adjudicating disputes involving candidates contesting regional and national elections. The fact that Arief escaped serious punishment discloses a huge gap between reality and the public's high expectations for the

Court to take the fairest decision for disputing parties.

Because lobbying was involved prior to Arief's re-election there are fears the practice will be replicated when he takes part in the adjudication of electoral disputes. The lobby itself has reduced Arief's qualification from a statesman to politician.

The ignorant attitude towards the importance of upholding the ethics of public officials provides an opportunity for political adventurers to lobby the Constitutional Court to decide in their favor. It is likely the Court will handle a lot disputes over election results.

The Court's dignity has been torn down after its former chief, Akil Mochtar, and former justice Patrialis Akbar were arrested and eventually convicted of graft. Before it is too late and the Court's reputation diminishes further, it is better for the rest of the justices to file a motion of no confidence in Arief. Perhaps such move will force him to step down from his position, which will provide a momentum to restore public confidence in the Court.

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coordinator of Indonesia  
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