

Inconsistent fuel-price policy slammed

Stefanno Reinard Sulaiman
THE JAKARTA POST/JAKARTA

The government's inconsistency in its policy on retail fuel prices has been lambasted, with critics saying the politically motivated moves sent negative signals to the public and business players.

The inconsistency centers on the government's flip-flops on retail fuel prices in the past three months.

In April, Energy and Mineral Resources Minister Ignasius Jonan issued a ministerial regulation on fuel prices that basically required all gasoline companies to get approval from the ministry before increasing their fuel prices, except for jet fuel and industrial fuel.

Govt flip flop fuel policies have spark condemnation

Govt says public can make choices from available fuels

The fuel policy was seen as an attempt to achieve fuel price stability ahead of the fasting month of Ramadhan, a time when consumer spending increases and fuel price hikes would be a sensitive issue.

The policy was also designed to maintain the purchasing power of the people during the Idul Fitri festivities.

A week after Idul Fitri, which this year fell in June 15 to 16, the energy minister issued another

regulation reversing the previous fuel-price policy and dropping the requirement for gasoline companies to get government approval before raising fuel prices.

A week after the revision was enacted on June 22, almost all gasoline distributors, namely state-energy giant Pertamina and three private firms, Total, Shell and Vivo, increased their fuel prices, with margins of up to 5 percent on the previous prices.

For Total and Shell, the increase was the second one in the past two months.

Pertamina and Shell told reporters the main cause of the increase was the upward trend in global oil prices.

As of Thursday, the price of

global benchmark Brent crude reached US\$77.78 per barrel. In June 2017, the price had fallen to \$44.82 per barrel.

Agus Pambagio, a public policy expert from PH&H Lobby Firm, said the government's inconsistency on fuel prices could have a boomerang effect on the government giving President Joko "Jokowi" Widodo's political opponents an electoral advantage.

Last Tuesday, Fadli Zon, a lawmaker from opposition party Gerindra, berated the government for the recent fuel-price increase, especially for Pertamina, the RON92 branded gasoline from Pertamina.

"It shows that the government is not with the people when actually it should ease the burden on

the people," Fadli said.

Energy and Mineral Resources Ministry Oil and Gas Director General Djoko Siswanto said the government had decided to allow gasoline companies to increase the high-grade fuel price as the lower grade fuel, Pertamina's Premium brand, was widely available in the market.

"We have ensured Premium availability on Java, Madura and Bali, so people have choices. Also with the fluctuating [global] oil price, we can't prevent the [gasoline] companies any longer [from increasing prices]," he said.

Deputy energy minister Arcandra Tahar concurred saying last Tuesday that Premium's availability was the reason that the

ministry had scrapped the approval policy.

It is not the first time that government policy has been condemned as having a negative impact on the country's energy sector.

In February, Canadian think tank Fraser Institute published the "Annual Survey of Mining Companies: 2017", which ranked Indonesia as the 10th least attractive jurisdiction for investment in the mining sector based on policy-perception ranking.

In 2017, Indonesia ranked 84th out of 91 countries surveyed, with some respondents indicating that trade barriers and regulatory duplication were the downsides to investing in Southeast Asia's largest economy.

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Govt accused of 'wasting money' over WTO dispute

Marguerite Afra Sapiie
THE JAKARTA POST/JAKARTA

The government "wasted" money from the state budget by challenging Australia's plain tobacco packaging law in a recent trade dispute at the World Trade Organization (WTO), critics claim.

Commenting on the dispute, in which Indonesia suffered a defeat, the critics, including the Indonesian Consumer Foundation (YLKI), said the government's complaint filed with the WTO had accommodated the interest of the tobacco industry at a time when the international community was intensely campaigning for stricter tobacco control.

YLKI chairman Tulus Abadi said the WTO's decision to reject the complaint filed by Indonesia and three other countries, namely Cuba, Honduras and the Dominican Republic, against Australia was foreseeable.

"The Indonesian government's complaint is heavy in the interest of the tobacco industry, reflecting none of the interest of the country's people," Tulus added on Thursday.

"The case incurred financial

Govt complaint accommodated interest of tobacco industry, says consumer activist.

Critics laud WTO's historical decision in favor of Australia.

losses [to Indonesia] because the government spent money from the state budget to hire an international lawyer."

The consumer protection activist called on the Supreme Audit Agency and the Corruption Eradication Commission (KPK) to audit the state budget.

In its decision last week, the WTO concluded that the Australian government's policy did not violate fair trade rules and instead, it helped reduce tobacco use.

In their complaint, the four countries argued that Australia's plain packaging policy had violated the trademark and intellectual property rights of tobacco companies.

Plain tobacco packaging is part of a global tobacco control campaign that aims to deter smoking. It requires all branding to be re-

moved from cigarette packs and mandates health warnings and standardized packaging.

The Southeast Asia Tobacco Control Alliance applauded the historical decision.

The alliance's executive director, Bungon Ritthiphakdee, said in a statement released on June 29: "Evidence shows that plain packaging works to reduce tobacco use by diminishing the attractiveness of tobacco products and eliminating the use of tobacco packaging as a form of advertising and promotion."

Australia became the first country to introduce the plain cigarette packaging law, which it enacted in 2011.

Tobacco products in Australia must now be packaged in monotonous greenish-brown packets with large pictorial health warnings and brand names printed in standardized fonts.

Several other countries, namely France, Hungary, Ireland, New Zealand, Norway, Slovenia and the United Kingdom, have since followed suit.

Tulus said the defeat at the WTO should serve as a lesson for Indonesia, one of the countries with the highest prevalence of

smoking, to apply a stricter tobacco control policy.

According to WHO data, about 40 percent of Indonesians above the age of 15 are smokers.

In December 2016, the Supreme Court annulled the Industry Ministry's tobacco road map, which aimed to increase cigarette production by 5 to 74 percent per year, from 2015 to 2020.

As of today, Indonesia has not yet ratified the WHO's Framework Convention on Tobacco Control (FCTC) because the government feels it should consider the livelihood of tobacco farmers and workers in the industry first.

The Trade Ministry's director general for foreign trade, Oke Nurwan, recently told *The Jakarta Post* that the government had yet to decide whether to appeal against the WTO's decision, saying that it would wait and see what the impact would be before deciding the next approach.

Cigarette producer PT HM Sampoerna, Clove cigarette maker Djarum and the Indonesian Cigarette Producers Association either refused to comment or failed to respond to calls and messages left by the *Post*. (sau/ris)

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BUREAUCRACY

Online licensing in limbo amid resistance

**Marchio Irfan Gorbiano
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THE JAKARTA POST/JAKARTA

Plush sofas and officials behind desks welcomed businesspeople visiting the Online Single Submission (OSS) Lounge, a new room on the first floor of the Ali Wardhana Building in Central Jakarta, which is also the office of Coordinating Economic Minister Darmin Nasution.

The OSS is a new IT system that will integrate various business permits into a single web-based application. It is intended to cut red tape in an effort to lure more investment to the country.

Starting operation on Monday, the lounge was open to businesspeople wanting to try out the new licensing system or seeking answers to any inquiries related to business licensing, said Muwasik M. Noor, preparatory team leader for the OSS.

"The OSS Lounge has started its operation, but the system is still waiting inauguration from the President [Joko "Jokowi" Widodo]; we're still waiting for the [launch] schedule," he told *The Jakarta Post* on Thursday.

Darmin previously said the Office of the Coordinating Economic Minister would assume the role of OSS operator, while the Investment Coordinating Board (BKPM) prepared its resources to

eventually handle day-to-day operation of the system.

However, the OSS faces an uncertain future as the House of Representative's Commission VI, which oversees trade and investment, has called for the government to annul Government Regulation (PP) No. 24/2018, the legal basis for the operation of the system as a single business-licensing platform in the country.

Commission VI chairman Teguh Juwarno, a National Mandate Party (PAN) politician, argued that the regulation was not in line with Law No. 25/2007 on capital investment, which gives the BKPM the authority to handle all procedures related to capital investment in the country.

"One of the main [issues] is about institutions mandated to conduct coordination and provide services on capital investment," he wrote in a text message on Thursday. "In Law No. 25/2007, this is clearly under the BKPM's authority, while PP No. 24/2018 mandates the OSS [role] in the Office of the Coordinating Economic Minister."

Teguh expressed his concerns that investors, particularly those who are still processing their permits, were being left in uncertainty as PP No. 2014/2018 had taken effect, adding that lawmakers had been receiving complaints that

business-licensing processes had become "slow and unclear".

Meanwhile, a discussion on the OSS at a gathering held by the Indonesian Employers Association (Apindo) on Thursday afternoon saw heated debate between senior government officials, witnessed by dozens of businesspeople.

During the forum, BKPM chairman Thomas "Tom" Lem-bong expressed his puzzlement as to why PP No. 24/2018 did not explicitly mention his office as operator of the OSS and instead referred to an unclear body referred to as "a non-ministerial institution that organizes government matters regarding investment". Currently, the BKPM is the only body in Indonesia responsible for such tasks.

Tom said the changes had led to a complete halt in investment permit issuances by the BKPM.

Manpower Minister Hanif Dhakiri, who was also present at the forum, responded to Tom by saying that the government's hastiness was simply part of the President's desire to improve business licensing.

"Technically, it [the OSS] will definitely need some adjustments and transition, especially in its integration. But we should just take a 'troubleshooting' approach to its implementation; spot a problem, solve it," Hanif said.

Gerindra allies look to Anies

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Nurul Fitri Ramadhani

THE JAKARTA POST/JAKARTA

Gerindra Party leader Prabowo Subianto's presidential bid is now at serious risk, with two Muslim-based parties critical to his nomination chances reportedly pushing for Jakarta Governor Anies Baswedan to take his place.

Gerindra has nominated Prabowo as its presidential candidate, but the party does not have enough seats in the House of Representatives to go it alone in next year's presidential election.

The party has sought to form a coalition with the Prosperous Justice Party (PKS) and the National Mandate Party (PAN), including by offering to pair Anies as vice-presidential candidate with Prabowo.

But the PKS and PAN are reportedly having second thoughts about Prabowo's chances and are currently considering nominating Anies, who potentially has a stronger chance of defeating President Joko "Jokowi" Widodo.

"Anies is an extraordinary figure. He is young and ready to develop the country," PKS executive Mardani Ali Sera told reporters on Thursday.

On Wednesday, PKS chairman Sohibul Iman claimed that given his current standing, it was not appropriate to nominate Anies as merely a vice-presidential candidate. "It would be better for him to be the presidential candidate," he said.

It is believed that PAN and the PKS are losing confidence in Prabowo's ability to beat Jokowi, with his electability rating failing to come close to Jokowi's in the past few months.

Sources within the two parties said that supporting Prabowo would only benefit Gerindra, as it was the party associated with the candidate and thus the most likely to enjoy the down-ballot effects of his candidacy.

Anies has been in the spotlight over the past few days as political bigwigs scramble to create strong alliances ahead of the opening of the registration period for presidential candidates on Aug. 4.

The former education and culture minister was spotted car-pooling with Vice President Jusuf Kalla for the second time on Tuesday. Speculation has been rife that the two were talking about the 2019 presidential election, particularly as Kalla was reportedly the one who proposed Anies as a gubernatorial candidate to Prabowo in 2017.

On Thursday, Anies visited PAN chairman Zulkifli Hasan, who is also the People's Consultative Assembly (MPR) speaker, at the latter's office at the House of Representatives.

Although Anies claimed that his meeting with Zulkifli was to discuss the Jakarta Bay reclamation, he did not deny also talking about the election.

"As to the presidential election,

PAN, PKS consider nominating Anies as presidential candidate

Gerindra needs to form coalition to field Prabowo in 2019

just let Zulkifli, Prabowo and Sohibul handle it. My main responsibility now is Jakarta," he said.

He only smiled when asked if the three party leaders had offered him the chance to be either a vice presidential or presidential candidate.

A recent survey by the Jakarta-based Saiful Mujani Research Institute (SMRC) shows that Anies ranks among the top five potential presidential candidates for electability, although his rating is still only 0.5 percent, far below Jokowi at 38.9 percent and Prabowo at 10.5 percent.

Anies' position in the survey was also below Democratic Party chairman Susilo Bambang Yudhoyono with 1.4 percent and former Indonesian Military (TNI) chief Gatot Nurmantyo with 0.8 percent.

Anies, however, would have ample time to boost his electability if he were officially nominated as a presidential candidate, with the election to be held in April next year.

His chances have only grown stronger with the Democratic Party, which is seeking an alternative to Jokowi and Prabowo, now open to the possibility of pairing Anies with Agus Harimurti Yudhoyono, the political heir of Democratic Party leader and former president Susilo Bambang Yudhoyono.

Also on Thursday, PAN's Zulkifli met with Yudhoyono at the latter's residence in Mega Kuningan, South Jakarta. Meanwhile, Democratic Party deputy chairman Syarif Hasan held a meeting with Prabowo at his residence in Kertanegara, also in South Jakarta.

If Yudhoyono were to nominate Anies as a presidential candidate with Agus as his running mate, the door would be closed for Gerindra to field Prabowo.

Yudhoyono and Prabowo would meet in the near future, Gerindra deputy chairman Ferry Juliantono said on Thursday.

The party responded coolly to the possibility of handing the presidential nomination to Anies, saying that such a decision rested on Prabowo alone.

"He [Anies] can decide whether to contest or stay on as Jakarta governor. But whether he can run or not, that also depends on Prabowo. I'm sure that Anies will respect Prabowo," Ferry said.

If Anies runs in the election, it would be the second time that a Jakarta governor backed by Prabowo has ended up becoming his rival in a presidential election.

In 2014, then-governor Jokowi successfully ran against Prabowo for the presidency.

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Anies replaces all mayors, regent amid presidential bid talk

Ivany Atina Arbi

THE JAKARTA POST/JAKARTA

Amid lobbying in and among political parties to name candidates for the 2019 presidential election, Jakarta Governor Anies Baswedan, who has been touted as a potential challenger to President Joko "Jokowi" Widodo's reelection, replaced the heads of all of the capital region's municipalities and of its only regency on Thursday.

The major shake-up comes after the leaders of parties in opposition to Jokowi — the Gerindra Party and the Prosperous Justice Party (PKS) — named the former education minister as a uniting figure that may bind together a coalition of parties in next year's poll.

The transfer of leadership at the top level in the city administration ends the tenure of officials that had been appointed by the previous administration led by Jokowi and his allies Basuki "Ahok" Tjahaja Purnama and Djarot Saiful Hidayat.

Jokowi and Djarot are members of the Indonesian Democratic Party of Struggle (PDI-P), which has a majority in the House of Representatives.

One of the new mayors is Rustam Effendy, who has been appointed mayor of West Jakarta.

Rustam had been the mayor of North Jakarta until he resigned from his post in 2016 after Ahok had blamed him for flooding in North Jakarta.

Ahok also said Rustam had failed to carry out an eviction of residents in the Pasar Ikan area planned by the administration.

The outspoken Ahok also accused Rustam of conspiring with the former law and human rights minister and then-Jakarta governor hopeful Yusril Ihza Mahendra to block city programs.

In November, not long after taking office, Anies brought Rustam back to City Hall by making him a special staff member to handle residents' complaints and problems. The governor said Rustam was a well-experienced person that could speed up problem-solving efforts.

Rustam replaced Anas Effendi, who was infamous for his habit of sleeping during official events. In December last year, Anas, who sat next to Anies, was seen falling asleep during the commemoration of the International Day of Persons with Disabilities in Kalideres, West Jakarta.

The governor also inaugurated former Central Jakarta deputy mayor Bayu Megantara as Central Jakarta mayor, replacing Mangara Pardede.

Former Jakarta Employment Agency head Syamsudin Lologau was inaugurated as North Jakarta mayor, replacing Husein Murad, who became the regent of Thousand Islands.

The East Jakarta deputy mayor, M. Anwar, was promoted to mayor of the municipality, and the city's undersecretary for tourism, Marullah Matali, was installed as South Jakarta mayor, replacing Tri Kurniadi.

Anies dismissed political motives behind the shake-up. He said the reshuffle could bring "fresh air" to the administration and the newly installed officials could improve public services.

"God willing, the [reshuffling] will make the Jakarta administration's work more solid and mature," he said.

Political party leaders and pollsters have named Anies among potential candidates to run in next year's election, along other figures like Gerindra Party chairman Prabowo Subianto, former Indonesian Military (TNI) chief Gatot Nurmantyo and former president Susilo Bambang Yudhoyono's son Agus Harimurti Yudhoyono.

If political parties agree to name Anies, he will follow the path of Jokowi, who ran for the country's top post after serving as Jakarta governor.

A political expert from the State Islamic University (UIN) Syarif Hidayatullah, Pangsi Syarwi Chaniago, said the inauguration of new Jakarta mayors and a new Thousand Islands regent on Thursday could be a move by Anies to secure support in the capital should he run in the 2019 election.

The expert said the regent and mayors were the ones who interacted directly with the community, "the ones who own the public". Therefore, the officials could be a big help for Anies to secure votes in the capital, which is home to 10 million people, Pangsi added.

Anies has always played down speculation of him running in the election, saying he would focus on leading Jakarta. However, he did not explicitly dismiss the possibility.

Anies said on Thursday that he could register as a presidential candidate if the three parties that had supported him in last year's gubernatorial election — namely the PKS, Gerindra and the National Mandate Party (PAN) — asked him to do so.

"The matter of presidential candidacy is the domain of the political parties," Anies said.

The registration for presidential candidates will open in early August.

New political parties embrace graft-convict ban

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THE JAKARTA POST/JAKARTA

As registration opens for candidates for the 2019 legislative elections, the political establishment remains reluctant to fully comply with the recent General Elections Commission (KPU) regulation banning parties from nominating former corruption convicts. Newer political parties, however, have expressed full support for the policy.

The regulation, which stipulates the technical mechanisms of the candidacy process, prohibits political parties from registering legislative candidates convicted of sexual assault on children, drug dealing or corruption. A similar regulation also affects regional representative candidates.

Sixteen parties are set to compete in the 2019 elections, including four newcomers: the United Indonesia Party (Perindo), the Indonesian Solidarity Party (PSI), the Berkarya Party, and the Garuda Party.

The 10 parties that currently have seats in the House of Representatives were critical of the regulation when the KPU first drafted it in December, claiming that it was in violation of the 2017 General Elections Law, which states that former convicts can still run as long as they "openly and honestly" announce their status to the public.

House Commission II, which oversees home affairs, went so far as to threaten to launch a formal inquiry if the KPU went forward with the regulation.

The regulation was finally signed by Law and Human Rights Ministry Law and Regulations Director General Widodo Ekatjahjana on Tuesday, after Minister Yasonna Hamonangan Laoly, an Indonesian Democratic Party of Struggle (PDI-P) member, had previously refused assent.

House Speaker and Golkar Party member Bambang Soesa-



Candidate list: Officials of the General Elections Commission (KPU) prepare documents for the 2019 elections in Jakarta on Thursday after the commission opened registration for legislative members.

Registration for legislative candidates opens

KPU regulation bans corruption convicts from running in elections

tyo said political parties could simply register all their legislative candidates with the KPU. While waiting for the KPU to verify the registration documents, anyone who opposed the regulation could file for a judicial review at the Supreme Court.

"We respect the political right of every citizen to vote and stand for election," Bambang said after closed-door negotiations with the commission, Election Supervisory Agency (Bawaslu) chairman Abhan, Yasonna and Home Minister Tjahjo Kumolo on Thursday.

Golkar and the Gerindra Party are among the parties that will be affected should the regulation

stand. Golkar executive Nurdin Halid, who may contest the 2019 legislative election after failing to win the South Sulawesi gubernatorial election, was sentenced to two-and-a-half years in prison for a customs violation on the import of rice from Vietnam in 2005. Gerindra politician and Jakarta Council deputy speaker Muhammad Taufik, who is also said to be running next year, was convicted of corruption 12 years ago.

The four new parties, on the other hand, have embraced the regulation.

Perindo secretary-general Ahmad Rofiq said his party was fully in support of the ban, saying that it was in line with Perindo's commitment to combating corruption.

"Our party has completely rejected any candidates that have a past graft conviction as we do not want one bad apple to spoil the barrel," he said.

PSI executive board chairman Tsamara Amany echoed Ahmad's sentiments, saying the PSI had been in support of the regulation since it was first announced. "We are of the view that there is no shortage of good people in Indonesia, so why should we nominate people who have betrayed the mandate that has been given to them," she said.

Leaders of Berkarya and Garuda have also previously declared their support for the policy.

Meanwhile, KPU chairman Arief Budiman said the commission would accept all registration documents submitted by parties, but whether or not they would pass the verification process would be another matter.

"We won't miss a thing in the registration process," he said.

ARYA DIPA IN BANDUNG,
APRIADI GUNAWAN IN MEDAN AND
RUSLAN SANGADJI IN PALU
CONTRIBUTED TO THE STORY

Graft prompts Irwandi's swift fall from grace

Kharishar Kahfi
and Hotli Simanjuntak

THE JAKARTA POST/JAKARTA/
BANDA ACEH

In his speech shortly after being inaugurated as governor of Aceh for a second time on July 5, 2017, Irwandi Yusuf called on members of the public to support his campaign promises, which included bureaucratic reform to create good governance in the country's westernmost province.

"You must stop or warn us if we divert from the path of righteousness," Irwandi said during the inauguration ceremony, which was attended by President Joko "Jokowi" Widodo and Home Minister Tjahjoe Kumolo.

While in office, Irwandi also popularized the slogan "*hana fee*" (no fee), to discourage government officials from demanding illicit payment from private contractors wanting to get government contracts.

On Tuesday, on the eve of the anniversary for his first year in office, Irwandi was arrested by Corruption Eradication Commission (KPK) investigators for allegedly doing exactly what he campaigned against — collecting fees from private contractors.

Together with three other suspects, Irwandi is accused of scheming to embezzle Rp 8 trillion (US\$557 million) in special autonomy funds. One of the suspects in the case, Bener Meriah Regent Ahmadi, allegedly planned to give Irwandi Rp 500 million as a fee for an infrastructure project.

Prior to the arrest, Irwandi was known as a figure who contributed to the province's development, as well as being the first governor directly elected by the people.

The arrest could spell the end for a figure that many in Aceh have seen as someone capable of leading the province, which despite generous financial aid from the central government continues to struggle with poverty.

During his first term in office between 2007 and 2012, Irwandi



Antara/Reno Esnir

In a pickle: Aceh Governor Irwandi Yusuf reacts in a car after undergoing questioning at the Corruption Eradication Commission (KPK) building in Jakarta on Thursday.

Irwandi's pledge to stamp out corruption marred after arrest

Aceh governor accused of accepting fees from private contractors

rolled out some of his signature programs, including a free health-care program called Jaminan Kesehatan Aceh (Aceh Health Insurance), which allows residents to get free healthcare services by showing their ID.

His administration has also been generous in providing scholarship programs for poor students as well as financial support for small businesses.

The effort has borne fruit, with the poverty rate dropping from 9.8 percent in 2005 to 7.4 percent in 2011. The province's child mortality rate also declined in the span of six years from 2005 to 2011, from 42 deaths to 26 deaths per 1,000 live births.

Despite the achievement, Irwandi, who is known as a media-savvy politician thanks to his stint

with the Free Aceh Movement (GAM), failed to get reelected in the 2012 gubernatorial election. He was beaten by Zaini Abdullah, his senior in GAM who was nominated by the Aceh Party, a political machine set up by members of the former rebel group.

In 2016, he decided to run again and succeeded with support from the Nangroe Aceh Party, which he had founded, and a number of national political parties. His strongest opponent in the race was Muzakir Manaf, Zaini's deputy from 2012 to 2017.

Irwandi's election was seen as a repudiation of the widespread corruption that had taken place under his predecessor's watch.

Despite rampant corruption in Aceh, legal scholars and activists said there had been little in the way of law enforcement.

Irwandi's case was only the seventh handled by the KPK in the province, with six other corruption cases being probed by the antigraft body between 2004 and 2017.

The latest case that the KPK handled involved construction firms PT Nindya Karya and PT

Tuah Sehati being named suspects for making illicit gains from the construction of a loading dock in Sabang.

Irwandi has been implicated in the case, and KPK investigators have questioned him as a witness, although he denied having anything to do with the incident which caused Rp 116 billion in state losses.

Local antigraft watchdog the Aceh Anti-Corruption Movement (GeRAK Aceh) said the Acehnes had lost faith in the graft-busting effort because of the small number of people arrested by the KPK.

"The arrest can now be a new hope for the people to trust an support future KPK moves in the region," said GeRAK Aceh coordinator Askalani.

Meanwhile, Aceh Deputy Governor Nova Iriansyah said in a press briefing on Thursday that the government was running normally despite the arrest. "All of our programs laid out the vision of 'Aceh Hebat' [Malay: Aceh Great] will carry on. People should not be worried about what will happen in the future," he said.

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DISPUTE

PGN-Petronas arbitration set for end of July

State-owned gas distributor Perusahaan Gas Negara (PGN) will bring its dispute with Petronas to an international arbitration in Hong Kong at the end of July as the Malaysian energy giant failed to pay fees for gas delivery using PGN's facilities.

The Indonesian company has tried using mediation to settle the dispute but to no avail. Hence, arbitration is seen as the best option.

PGN infrastructure and technology director Dilo Seno Widagdo said the state company had appointed a consultant to assist them in court.

Dilo explained the company had opted to settle the case through arbitration as it is included in the contract when it failed financially.

"Arbitration is stipulated in the contract when an agreement goes south," he said on Tuesday.

The agreement refers to a gas transportation agreement (GTA) between Petronas and PT Kalimantan Jawa Gas (KJG) for gas delivery from Petronas' Kepodang field to the Tambak Lorok combined-cycle power plant in Central Java using the latter's Ka-

lija I pipeline.

The deal inked in August 2015 is effective for 12 years.

Petronas initially committed to transmitting 116 million standard cubic feet per day (mmscfd) of gas from the Kepodang field within the first five years with a toll fee of US\$2.32 per million standard cubic feet. The volume would then gradually decrease to 110 mmscfd in 2020, before only reaching 9 mmscfd in 2026.

Meanwhile, the ship-or-pay volume stated in the GTA 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 reality, 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 a force majeure at its Kepodang field, which is projected to run out of gas reserves in 2019, or seven years sooner than

previously estimated.

According to PGN, force majeure status might be declared if there is permanent depletion from the Kepodang field. In this case, Dilo stated previously it was not "depletion" because the gas volume delivered through the Kalija I pipeline had been small since the beginning of the agreement.

Yet Petronas has failed to pay 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.

The company has only paid for the actual gas transported through the Kalija I pipeline in the 2015 to 2017 period, PGN further recorded.

The ship-or-pay clause in the agreement binds Petronas to pay certain fees, even though no gas was delivered from its Kepodang field.

"There is no payment yet, even when it was PLN that was paying for the ship-or-pay [volume deficit] in 2015. In 2016 it was Petronas that failed to transmit, hence it should pay the ship-or-pay deficit," he said on Tuesday.

In 2015, PLN was not ready to fully operate the Tambak Lorok combined-cycle power plant.

Before ending up in arbitration, the case went through a mediation, which was set up by the Downstream Oil and Gas Regulatory Agency (BPH Migas) in the first quarter of this year.

However, PGN president director Jobi Triananda Hasjim said on Tuesday the mediation had also failed to put both parties on the same page. "We only do what we should as stipulated in the contract, which is first mediation, but as you know that failed," he said.

Petronas Carigali corporate affairs and administration manager Andiono Setiawan told *The Jakarta Post* on Wednesday the discussion between both parties was ongoing.

"[...] We will seek a solution that can be accepted by all parties," he said briefly.

Responding to the case, Deputy Energy and Mineral Resources Minister Arcandra Tahar said the government had tried all options to settle the case, hence leaving both parties to choose the best conclusion.

—JP/ STEFANNO REINARD SULAIMAN