

RECENT DEVELOPMENTS

Bank Indonesia to launch e-money payment system in June

Medan, N Sumatra (ANTARA News) - Bank Indonesia said it will start introducing transactions with an electronic money (e-money) system of payments next month.

"The launch of the program and product of financial inclusion, payments using an e-money system will begin as an experiment in six provinces including North Sumatra," Communication Division Director of Bank Indonesia Peter Yakub said.

The pilot project will also be launched in South Sumatra, East Java, Central Java, East Kalimantan and Bali, Peter said.

The program will make it easier to carry out transactions and minimize financial crime and circulation of counterfeited money, he said.

He said crimes in the financial sector are growing, such as money counterfeiting.

Until March 2013, counterfeit money worth Rp29.265 million was discovered in North Sumatra alone, he cited

He said in the launch of the e-money program would begin in cooperation with three cellular phone operators - Telkomsel, Indosat and XL.

Meanwhile, Bank Indonesia is conducting a communication program to introduce the program to the public and to reduce the possibility of crime in the use of the system.

Bank Indonesia's deputy director of Area IX, Mikael Budisatrio, said the communication program would be intensified, including among traders.



Update on Geothermal Regulations

by Adeleine

Indonesia has 40 percent of the world's geothermal potential and is thus potentially one of the largest geothermal energy producers in the world. In order to afford legal certainty and to promote investment in development, the Indonesian government has issued Geothermal Law No. 27 of 2003. However, many view that the law does not provide comprehensive regulations; as a result, the Government is preparing Geothermal Bill 2012 ("**Bill**") as a draft amendment. The House of Representatives is currently discussing the Bill, and it is part of the 2013 National Legislation Program.

In general, the Bill clearly divides geothermal business activities into two main classifications, i.e. direct use and indirect use. Unlike the current Geothermal Law, the Bill divides the activities for indirect use as follows: exploration stage, exploitation stage and utilization stage. Under the Bill, to use geothermal energy directly, a business must obtain a Direct Use License (*Izin Pemanfaatan Langsung*) and for indirect use, it use must obtain a Geothermal License (*Izin Panas Bumi*).

Another interesting issue in the Bill is the attempt to cease using the term "mining" for geothermal activities. However, the Bill clarifies that if the geothermal activities take place in a forest area, then the Geothermal License holder will be obliged to obtain an approval from the Minister of Forestry.

In practice, the geothermal industry in Indonesia faces many obstacles, especially from the regulatory aspect, as there is a lack of synchronization between regulations. Thus, the government has issued a new long-awaited joint regulation on the ownership status of the geothermal assets originating from joint operation contracts. The Minister of Energy and Mineral Resources, Minister of Finance and Minister of State-Owned Enterprises issued a Joint Regulation (*known as Minister of Energy and Mineral Resources Regulation No. 14 of 2013, Minister of Finance Regulation No. 33/PMK.06/2013, and Minister of State-Owned Enterprises Regulation No. PER-01/MBU/2013*) on 8 February 2013 which came into force on the same date.

Basically, the parties related to this Joint Regulation are (i) Pertamina, (ii) its subsidiary company engaged in the field of geothermal energy (known as Pertamina Geothermal Energy or PGE) and (iii) Pertamina's contractors in the geothermal energy projects under a Joint Operation Contract.

The Joint Regulation stipulates that there are two categories of geothermal assets originating from a Joint Operation Contract, i.e. upstream assets and downstream assets. This regulation also sets out the ownership of assets and their status; in addition, there will be a collective calculation for the value of the assets as the state's capital participation.

Uncertainty regarding the ownership status of the assets that occurred prior to enactment of this regulation has caused worries for related parties, specifically for the financing party. Under the Joint Regulation, Pertamina (Persero) must transfer the ownership rights of geothermal assets to PGE without waiting for the determination on the value of state's capital participation. Further, for the purpose of financing a geothermal project, Pertamina (Persero) or its subsidiary company may transfer the ownership of the assets and/or put downstream assets into security. Nevertheless, this regulation remains silent on taxation issues for the transfer of such assets.

DISCLAIMER

Articles in this newsletter are purely informational in nature and should in no way be construed as constituting legal advice.