

INDONESIA ISSUES NEW PRESIDENTIAL REGULATION AND GUIDELINES ON CARBON CAPTURE STORAGE (CCS)

As means to achieve the Nationally Determined Contributions (NDC) commitment and Net Zero Emissions by 2060, Carbon Capture and Storage (“CCS”) plays a key role in reducing carbon emissions. As the basis of CCS operation, the government recently issued Presidential Regulation No. 14 of 2024 on Operation of CCS (“**PR 14/2024**”), which came into force on 30 January 2024. Earlier, in 12 January 2024, the Special Task Force for Upstream Oil and Gas Business Activities (SKK Migas) issued a Work Procedure Guideline No. PTK-070/SKKIA0000/2024/S9 on the Operation of Carbon Capture Storage (CCS) and Carbon Capture Utilization Storage (CCUS) in Contractor Working Area based on Cooperation Contract (“**Guideline**”).

PR 14/2024 provides 13 (thirteen) chapters relates to provisions on schemes of CCS, implementation and operational of CCS activities based on cooperation contracts and exploration and storage operation permits, closing of CCS activities, monetization and business scheme, carbon cross border transportation, measurement reporting and verification (“**MRV**”), carbon economic value (NEK), safety, environment and emergency response, supervisory and administrative sanctions.

With respect to the Guideline, it contains 9 (nine) chapters encompassing the provisions of, among others, planning and operation of CCS and/or CCUS, monitoring, MRV, health, occupational safety and environment as well as closure of CCS and/or CCUS, and monetization. Below are the key points of PR 14/2024:

Classification of CCS

PR 14/2024 sets out two classification of CCS activities, (a) first, CCS carried out by upstream oil and gas contractors in the working area based on cooperation agreement (detail procedure of conducting CCS has been determined in the abovementioned Guideline); and (b) second, CCS carried out by the holder of Exploration Permit and Storage Operation Permit (collectively, “**Permits**”) in the determined carbon storage permit area (*i.e.* open areas, mining working areas, and/or oil and gas working areas), which either they are prepared by the relevant Ministry of Energy and Mineral Resources (“**MEMR**”) or proposed by the Indonesian business entities (“**Business Entity**”) or a foreign business entity which conducts business activity in Indonesia (“**Permanent Establishment**”).

Procedure to Determine Carbon Storage Permit Area and Permits Holders

With respect to carbon storage permit area, MEMR will offer the Carbon Storage Permit areas through limited tender (selection) or public tender. Limited tender is carried out for the areas proposed by the Business Entity or Permanent Establishment whereas, for public tender, it is carried out for the areas prepared by MEMR.

The winning bidder of the limited tender or public tender will be granted an Exploration Permit after they meet administration, technical, environmental and financial requirements. Exploration Permit may be granted to Business Entity or Permanent Establishment.

Exploration Permit holder must apply for having an approval for commitment implementation work plan to explore Injection Target Zone (“**ZTI Exploration**”), before commencing any exploration work. If it can be proven that ZTI Exploration has potential capacity for carbon storage, the Exploration Permit holder then must obtain an approval for development and operation at injection target zone plan (“**ZTI Development Plan Approval**”).

Storage Operation Permit is granted to Exploration Permit holders that have obtained ZTI Development Plan Approval and the holder shall be in form of Indonesian Business Entity. Prior to commencing carbon storage operation, the Storage Operation Permit holder must obtain an approval for annual work plan.

CCS Implementation

Carbon transportation are carried out by Business Entities or Storage Operation Permit holder, after securing a Carbon Transportation Permit from MEMR. Such requirement is exempted for Contractors where the transportation is in the same working area or from one working area to another working area. The contractor and Storage Operation Permit holder shall reserve 70% of the carbon storage capacity for domestic. The monetization of CCS operation may also involve the storage fee revenue.

Tax Incentives

In efforts of supporting CCS operation, PR 14/2024 stipulated that contractors, Exploration Permit, Carbon Transportation Permit, and Storage Operation Permit holders may be given both tax incentives and non-tax incentives.

It is anticipated that the implementing regulations of PR 14/2024 are to be issued in due course.

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