

***** OFFICIAL ANNOUNCEMENT *****

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GENERAL

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THE GOVERNMENT OF THE REPUBLIC OF INDONESIA**PRESIDENTIAL DECREE OF THE REPUBLIC OF INDONESIA
NO. 76/2000 ; DATED : MAY 31, 2000****RE****OPERATION OF GEOTHERMAL RESOURCES FOR
POWER GENERATION****THE PRESIDENT OF THE REPUBLIC OF INDONESIA,**

Considering : a. that in line with the policy of diversification and conservation of energy, it is necessary to make efforts to better encourage the use of geothermal resources as energy for power generation in a efficient and competitive manner;

b. that on the basis of the above consideration and in order to obtain a proper price of electricity and balance in the ratio of risks between purchasers and suppliers, it is necessary to renew the regulation of the operation of geothermal resources for power generation;

**Bearing
in mind**

- :
1. Article 4 paragraph (1) and Article 33 paragraph (3) of the Constitution of 1945;
 2. Law No. 15/1985 on Electricity (State Gazette No. 74/1985, Supplement to State Gazette No. 3317);
 3. Law No. 20/1997 on Non-tax State Receipts (State Gazette No. 43/1997, Supplement to State Gazette No. 3687);
 4. Law No. 23/1997 on Environmental Management (State Gazette No. 68/1997, Supplement to State Gazette No. 3699);
 5. Law No. 22/1999 on Regional Administration (State Gazette No. 60/1999, Supplement to State Gazette No. 3839);
 6. Law No. 25/1999 on Financial Balance Between the Central Government and Regional Administration;
 7. Government Regulation No. 27/1999 on Analysis on Environmental Impacts (State Gazette No. 59/1999, Supplement to State Gazette No. 3838);

8. Presidential Decree No. 7/1998 on Cooperation Between the Government and Private Business Companies in Infrastructural Construction and or Management;
9. Presidential Decree No. 166/1999 on Restructuring and Rehabilitation of PT (PERSERO) Perusahaan Listrik Negara.

HAS DECIDED :

To stipulate : PRESIDENTIAL DECREE CONCERNING THE OPERATION OF GEOTHERMAL RESOURCES FOR POWER GENERATION

**CHAPTER I
GENERAL PROVISION
Article 1**

Referred to in this Presidential Decree as :

1. the operation of geothermal resources shall be a series of activities encompassing the activities of exploration, exploitation and power generation;
2. exploration shall be the activities of geological, geo-chemical and geophysical prospecting, and a slope of temperature which, upon their integration in a geothermal area, may produce steam or fluid through drilling of exploration wells in order to find out the level of unexpected deposit, the level of possible deposit and the level of proven deposit;
3. exploitation shall be activities encompassing drilling of production wells and injection in order to reach a production capacity target, the construction of geothermal field facilities for power generation;
4. an operational area shall be a particular area for the activities of exploration, exploitation and power generation whose area boundaries and requirements shall be stipulated by a regional head;
5. exploitation contribution fees shall be the fees paid to the state on the outcome obtained from the operation of geothermal resources;
6. an operational license shall be a license granted by a regional head to a business company for the activities of developing geothermal resources for power generation for one's own interest in one's operational area;
7. enterprises shall be state-owned enterprises as the holder of proxy over power affairs (PKUK), cooperatives and statutory private enterprises set up and established on the basis of the Indonesian law;
8. the Minister shall be the minister responsible in the areas of geothermal resources and electricity affairs;
9. the government shall be the ministry of mines and energy, in this case, the units responsible in the area of geothermal resources;

10. a National Electricity General Plan (RKUN) shall be a plan for a national need for electricity stipulated by the Minister.

CHAPTER II EXPLORATION Article 2

- (1) Exploration of geothermal resources can be undertaken by the government, cooperatives and private enterprises.
- (2) Exploration of geothermal resources by the government shall be based geothermal prospects and the need for electricity.
- (3) Exploration of geothermal resources by the government as meant in paragraph (2) can be undertaken until a deposit discovery can be proved.
- (4) The data resulting from the exploration of geothermal resources as meant in paragraph (1) shall become the government's property.
- (5) Exploration of geothermal resources by cooperatives and private enterprises as meant in paragraph (1) shall be undertaken for power generation for one's own interest.
- (6) Exploration as meant in paragraph (5) shall be allowed a maximum time limit of 3 (three) years as from the date of issuance of the date of operational license until the time when the discovery of a deposit is proved and if necessary it can be renewed twice at most for a period of 1 (year) each time.
- (7) The provision on the procedure and requirements for exploration shall be stipulated further by the Minister

CHAPTER III EXPLOITATION Article 3

- (1) An enterprise undertaking exploitation for power generation for public interest must draw up an exploitation plan.
- (2) Exploitation of geothermal resources by cooperatives and private enterprises for power generation for public interest shall be undertaken on the basis of cooperation with PKUK through a bidding process.
- (3) In the event that the exploration as meant in Article 2 paragraph (3) does not reach a proven discovery of deposit, the business enterprise may undertake further exploration and exploitation for power generation.
- (4) Further exploration and exploitation for power generation as meant in paragraph (3) by private enterprises and cooperatives shall be undertaken on the basis of cooperation with PKUK through a bidding process.
- (5) Exploitation of geothermal resources undertaken by a business enterprise for power generation for public interest shall be based on RUKN.

- (6) Cooperatives and private enterprises taking part in the bidding process as meant in paragraph (2) and paragraph (4) shall be obligated to possess financial capability, operational techniques and good performance assessment.
- (7) Exploitation of geothermal resources undertaken by cooperatives and private enterprises for power generation of one's own interest shall bind the government or PKUK for the purchase of the power generated.
- (8) The procedure and requirements for the bidding requirements as meant in paragraph (6) shall be further stipulated by the Minister.

**CHAPTER IV
POWER GENERATION
Article 4**

The construction and operation of power generating installations shall be undertaken on the basis of the laws in the electricity area.

**CHAPTER V
LICENSING
Article 5**

- (1) The operation of geothermal resources other than those undertaken by the government and or by PKUK at the level of exploration can be undertaken only on the basis of an operational license.
- (2) The operation of geothermal resources as meant in paragraph (1) shall be undertaken by means of financing without a guarantee and without any obligation on the part of the government in respect of the capital invested.
- (3) A license for the operation of geothermal resources for power generation can be granted only to private enterprises and cooperatives already fulfilling the administrative, technical and financial requirements.
- (4) Regional heads, in accordance with their respective authority, shall grant a license for the operation of geothermal resources for power generation for one's own interest in their own business areas for a maximum period of 90 (ninety) calendar days upon receipt of the application for the license in complete order.
- (5) In the event that an application for a license fails to obtain approval, the regional head shall give a written reply along with the reason for rejection.
- (6) An enterprise shall be obligated to implement exploitation and construct a power generation installation up to the operation of electricity at the latest 5 (five) years as from the date of issuance of the operational license.
- (7) A regional head may revoke or cancel an operational license, in the event that private enterprises and cooperatives:
 - a. transfer the operational license to another party without the approval of a regional head; or

- b. fail to perform their obligation as meant in paragraph (6).
- (8) The procedure for the operation of geothermal resources for power generation shall be stipulated by the Minister.

**CHAPTER VI
RIGHTS
Article 6**

Holders of operational licenses shall be entitled to undertake the exploration and or exploitation activities along with power generation activities in operational area as long as the operational licenses are still valid.

**CHAPTER VII
OBLIGATIONS
Article 7**

- (1) The government, PKUK or holders of operational license must first notify the local regional administrations before implementing exploration and or exploitation as well as power generation activities.
- (2) In the event that in the business area there are parts of land controlled by holders of the land title or land users, prior to the commencement of their activities, business enterprises shall be obligated to settle the said land problems pursuant to the laws in the land areas.
- (3) In the event that in the operational area there is communal plot of land and the like owned by the customary law-based community, the settlement of the title on land in the said operational area shall be undertaken by the enterprises along with the customary-law-based community concerned in accordance with the agreement reached by both parties.
- (4) The acquisition of the plots of land as meant in paragraphs (2) and (3) may be undertaken by means of an agreement on use, the transfer of title, the relinquishing of the title or cooperation.
- (5) The acquisition of the plots of land as meant in paragraph (4) shall be undertaken only with respect to the land used directly in the interest of the enterprises concerned.
- (6) The acquisition of the land as meant in paragraph (5) shall be undertaken in manner most profitable to both parties.

Article 8

- (1) Holder of operational licenses shall, in undertaking the activities of exploration and or exploitation and power generation, prioritize local manpower in accordance with their expertise.
- (2) Holders of operational licenses shall be obligated to submit working plans and budget to the regional head and shall be responsible for all the consequences arising from the implementation of the license owned.
- (3) Holders of operational licenses shall be obligated to report every plan of change related to the activities of exploration and or exploitation to the regional head.

CHAPTER VIII
DETERMINATION AND RETURN OF AREAS
Article 9

The boundaries and extent of areas for the activities of exploration, exploitation and power generation shall be determined by the regional head on the basis of technical considerations and those of the local conditions and shall be mentioned in the letter of operational license.

Article 10

- (1) In the event that the exploration as meant in Article 2 paragraph (6) has been completed, the enterprise shall be obligated to return the entire area which is no longer used.
- (2) In the event that the exploitation has been completed and that the conservation of the environmental function has been implemented, the enterprise shall be obligated to return in writing the entire area which is no longer used to the regional head with a copy to the Minister, at the latest 90 (ninety) calendar days after the generation activities have begun.
- (3) The return of the areas as meant in paragraphs (1) and (2) shall be valid after a written approval has been obtained from the regional head on the basis of technical evaluation and recommendation from the local regional administration in implementing the conservation of the functions of the environment.
- (4) A regional head shall stipulate an approval at the latest within a period of 30 (thirty) calendar days after receiving an application for the return of area.

Article 11

- (1) If an enterprise has returned part or all of the operational area to the government, the enterprise concerned shall be exempted to all obligations related to the control and use of land in the said land which is returned.
- (2) If part or all of the operational area has been returned, the enterprise concerned shall be obligated to surrender to the Minister all pictures, land measurements and other geothermal data in the analog and digital forms related to the implementation of the operation of geothermal resources.

CHAPTER IX
STATE RECEIPTS
Article 12

- (1) An enterprise undertaking the operation of geothermal resources shall be obligated to deposit an exploitation contribution fee to the state treasury.
- (2) Receipts from exploitation contribution fees shall constitute state receipts which shall be divided in accordance with the ratio between the portion of the central government and that of a regional administration pursuant to the prevailing laws.
- (3) Receipts of exploitation contribution fees constituting the portion of the central government shall be non-tax state receipts.
- (4) The tariffs, procedure for imposition, collection and use of exploitation contribution fees

shall be stipulated pursuant to the prevailing laws.

Article 13

- (1) An enterprise undertaking the operation of geothermal resources shall be obligated to fulfill the tax provisions pursuant to the prevailing laws.
- (2) An enterprise undertaking investment in the area of geothermal resources operation may be granted tax facilities pursuant to the prevailing laws.

CHAPTER X THE SELLING PRICE OF ELECTRICITY

Article 14

- (1) The price of the electricity that an enterprise sells to consumers shall be expressed in rupiah.
- (2) The procedure and requirements for power transaction shall be stipulated further by the Minister.

CHAPTER XI OCCUPATIONAL AND ENVIRONMENTAL SAFETY

Article 15

- (1) Workers conducting activities in the operation of geothermal resources shall be obligated to use instruments and equipment in conformity with the needs and in fulfillment of the requirements for occupational health and safety.
- (2) Everyone permitted to enter the area where the activities of operation of geothermal resources are conducted must be accompanied by an authorized officer and must use occupational safety equipment.
- (3) Work sites, roads and buildings in the area of operation must be completed with signs containing prohibitions, warnings and recommendations which are not only clear but are also easily understood and placed at strategic locations.

Article 16

The government, PKUK and holders of operational licenses shall be obligated to maintain the sustainability of the functions of the environment.

Article 17

- (1) PKUK and holders of operational licenses shall be obligated to make available instruments for prevention and management of environmental pollution, among others;
 - a. a water-resistant mud pit with an adequate capacity and a strong power to absorb pollutants so that the quality of the waste flowing outside may fulfill the stipulation laid down in the prevailing laws;
 - b. noise absorbers so that the level of noise found in housing and settlement areas shall be lower than the threshold value of 55 dB and that found in a green open

space shall be below 50 dB.

- (2) PKUK and holders of operational licenses shall be obligated to:
 - a. prevent and manage environmental pollution resulting from the operation of geothermal resources; and.
 - b. prevent from occurring soil erosion resulting from the operation of geothermal resources.
- (3) In preparing the location for drilling, PKUK and holders of operational licenses must take the following into account:
 - a. to make drainage along the new road and around the drilling location;
 - b. to ensure that there is only a minimum land clearance for roads and drilling locations;
 - c. to ensure that water collection for drilling purposes must take into account the interests of other parties;
- (4) PKUK and holders of operational licenses shall be obligated to close down all exploration drilling wells which are no longer used in order to avoid occurrence of uncontrollable spewing of vapor and gas harmful to the surroundings.
- (5) PKUK and holders of operational licenses shall be obligated to manage exploration and or exploitation drilling wells which may cause uncontrollable spewing of gas.

Article 18

- (1) PKUK and holders of operational licenses shall be obligated to prevent and manage environmental contamination caused by exploitation of geothermal resources.
- (2) PKUK and holders of operational licenses shall be prohibited to dump solid waste, liquid waste and gas emission which may lead to environmental contamination.
- (3) PKUK and holders to operational licenses must possess equipment to manage waste (solid, liquid, and emission gas) fulfilling the following technical requirements:
 - a. having a capacity to process waste (solid waste <toxic and hazardous materials/B3 and non-B3>), liquid and exhaust gas) concerned.
 - b. being able to lower the content of hazardous waste (solid, liquid and emission gas);
 - c. enabling the collection of waste (solid, liquid and emission gas) sample.

Article 19

PKUK and holders of operational licenses must fulfill the quality standard of air and liquid waste as follows :

- a. the quality standard of ambient air shall not exceed 365 ug/Nm³ in the case of SO₂; 10,000 ug/Nm³ in the case of CO and 150 ug/Nm³ in the case of NO;

- b. the quality standard of emission air shall not exceed 800 mg/m³ in the case of SO₂ , 100 mg/m³ in the case of NO₂ , 35 mg/m³ in the case of H₂S and 0,5 mg/m³ in the case of ammonia (NH₃);
- c. the quality standard of liquid waste, namely that dumped water shall not exceed 38° C in temperature, 30 NTU in turbidity, 2000 mg/l of dissolved solid, 80 mg/l of solid suspension, 6-9 of PH, 50 mg/l of BOD, 100mg/l of COD, 1 mg/l of free chlorine (Cl₂), 0,02 mg/l of cyanide (CN), 0,1 mg/l of arsenic (As) and 0,05 mg/l of sulfide (H₂S).

Article 20

The operation of geothermal resources for power generation must not be conducted in nature reserves, nature conservation areas and cultural of reserve areas.

CHAPTER XII SANCTIONS

Article 21

- (1) Holders of operational licenses violating the provisions as meant in Article 7, Article 8, paragraph (2) and paragraph (3), Article 10 paragraph (1) and paragraph (2), Article 12 paragraph (1) and paragraph (2), Article 13 paragraph (1), Article 14 paragraph (1), Article 15 and Article 17 shall be subjected to the imposition of sanctions by the regional head in the form of :
 - a. temporary revocation of the operational licenses, or
 - b. revocation of the operational licenses.
- (2) The sanctions as meant in paragraph (1) shall be meted out after a written warning has first been given.

CHAPTER XIII PERIOD OF TIME AND TERMINATION

Article 22

- (1) An operational license shall be valid for a maximum period of 30 (thirty) years under the following provisions:
 - a. in the event that the operation of geothermal resources is conducted by cooperatives and private operational companies for power generation in their interest as meant in Article 2 paragraph (5), an operational license shall be valid as from the commencement of the stage of exploration;
 - b. in the event that the operation of geothermal resources is conducted by cooperatives and private operational companies for power generation in the interest of the public as a follow-up to the exploration undertaken by the government as meant in Article 3 paragraph (2), an operational license shall be valid as from the commencement of the stage of exploitation.
- (2) At the latest 6 (six) months after the period of time of an operational license expire, an operational license expires, an operational company shall be obligated to return the operational areal to the head of the region.
- (3) After the expiration of the period of time as meant in paragraph (2), all assets connected

with the operation of geothermal resources shall become state's property.

- (4) The head of a region shall stipulate an agreement on the termination of operation after an operational company undertakes the conservation and restoration of the functions of the environment at the location of geothermal resources operation stated by the local regional administration.

Article 23

- (1) A license for the operation of geothermal resources for power generation may be renewed with a license from a the head of a region.
- (2) The head of region shall issue the renewal of an operational license as meant in paragraph (1) on the basis of the evaluation made by authorized experts.

CHAPTER XIV FOSTERING AND SUPERVISION Article 24

- (1) The Minister and the head of a region, in accordance with their respective functions, shall be undertake fostering of and supervision over the implementation of the operation of geothermal resources.
- (2) Fostering and supervision as meant in paragraph (1) shall encompass the continuity in power supplies, electrical power safety which shall encompass the safety of the geothermal well installation as well as power installation, occupational safety, public safety, protection of the function of the environment and the achievement of standardization.

CHAPTER XV TRANSITIONAL PROVISIONS Article 25

- (1) Contracts on the operation of geothermal resources and or contracts on cooperation in the operation of geothermal resources already signed prior to the stipulation of this presidential decree shall remain valid and shall continue to be subject to the regulation on taxation on the basis of Presidential Decree No. 49/1991 until the cooperation contracts concerned expire, unless otherwise stipulated on the basis of the outcome of re-negotiation of contracts by the Team for Restructuring and Rehabilitation of state limited liability company of electricity PT (Persero) Perusahaan Listrik Negara pursuant to Presidential Decree No. 166/1999 on the Team for Restructuring and Rehabilitation of state limited liability company of electricity PT (Persero) Perusahaan Listrik Negara.
- (2) The power of proxy and working areas for the operation of geothermal resources granted by Pertamina prior to the stipulation of this Presidential Decree shall remain valid for 2 (two) years as from the enforcement of this Presidential Decree and Pertamina shall be obligated to make adjustment in its activities on the basis of this Presidential Decree.
- (3) Pertamina shall be obligated to surrender to the Minister documents on Exploration and exploitation in the operations of geothermal resources which have already been undertaken as meant in paragraph (1) and which shall be undertaken in the remaining time of the period of 2 (two) years as meant in paragraph (2).

CHAPTER XVI
CLOSING PROVISION
Article 26

With the stipulation of this Presidential Decree, Presidential Decree No. 22/1981 as already amended by virtue of Presidential Decree No. 45/1991 and Presidential Decree No. 49/1991 on the treatment of the income tax, the value added tax and other levies with respect to the exercise of the proxy for and the implementation of the license for the operation of geothermal resources for electrical power/energy generation shall be declared null and void.

Article 27

The implementation of this Presidential Decree shall be stipulated further in a Ministerial Decree.

Article 28

This Presidential Decree shall take effect as from the date of stipulation.

Stipulated in Jakarta
On May 31, 2000

PRESIDENT OF THE REPUBLIC OF INDONESIA

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ABDURRAHMAN WAHID

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