

NATIONAL ENERGY POLICY
(Presidential Regulation No. 5/2006 dated January 25, 2006)

WITH THE GRACE OF THE ALMIGHTY GOD
THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

To stipulate:
PRESIDENTIAL REGULATION ON NATIONAL ENERGY
POLICY.

Considering:

- a. that, to ensure sufficiency of domestic energy supply and to support sustainable development, it is necessary to stipulate National Energy Policy as guidelines for national energy management;
- b. that, based on the considerations as meant in paragraph a, it is necessary to stipulate Presidential Regulation on National Energy Policy;

In view of:

1. Article 4 paragraph (1) of Constitution of 1945;
2. Law No. 11/1967 on General Rules on Mining Affairs (Statute Book of 1967 No. 22, Supplement to Statute Book No. 2831);
3. Law No. 15/1985 on Electricity (Statute Book of 1985 No. 74, Supplement to Statute Book No. 3317);
4. Law No. 10/1997 on Nuclear Power (Statute Book of 1997 No. 23, Supplement to Statute Book No. 3676);
5. Law No. 22/2001 on Oil and Gas (Statute Book of 2001 No. 136, Supplement to Statute Book No. 4152) as already amended by Decision of the Constitutional Council No. 002/PUU-1/2003 dated December 21, 2004 (State Gazette of the Republic of Indonesia No. 1/2005);
6. Law No. 27/2003 on Geothermal Power (Statute Book of 2003 No. 115, Supplement to Statute Book No. 4327);
7. Law No. 25/2004 on National Development Planning System (Statute Book of 2004 No. 104, Supplement to Statute Book No. 4421);

D E C I D E S :

CHAPTER I
GENERAL PROVISIONS

Article 1

Hereinafter referred to as:

1. Energy is power exploited to do various activities consisting of electricity, mechanics, and heat.
2. Source of Energy is part of natural resources, amongst others, oil and gas, coal, water, geothermal, peat moss, biomass, etc, directly or indirectly exploited as energy.
3. Certain sources of alternative energy are certain sources of energy as substitutes of oil fuel.
4. New Energy is energy produced by new technology, whether from renewable energy or unrenovable energy, amongst others, hydrogen, coal bed methane, liquefied coal, gasified coal, and nuclear.
5. Renewable Energy is source of energy produced from energy sources, which will not naturally be used up and sustainable if managed properly, amongst others, geothermal, biofuel, river flow, solar heat, wind, biomass, biogas, sea waves, and sea-depth temperature.
6. Energy Diversification is diversification of supply and exploitation of various sources of energy in the framework of energy supply optimization.
7. Energy Conversion is exploitation of energy efficiently and rationally without reducing exploitation of important energy, which is really needed.
8. Energy Elasticity is ratio between energy consumption and economic growth.
9. Economic Price is cost of production of per unit of energy including cost of environment and cost of margin.

CHAPTER II
PURPOSES AND TARGETS OF
NATIONAL ENERGY POLICY

Article 2

- (1) The goal of the National Energy Policy is to direct efforts to the creation of sufficiency of domestic energy supply.
- (2) Targets of the National Energy Policy are:
- a. Achievement of energy elasticity of less than one (1) in 2005;
 - b. Creation of mix (printer) energy optimally in 2020, namely the role of each type of energy in national energy consumption:
 - 1) Oil becomes less than twenty percent (20%);
 - 2) Gas becomes less than thirty percent (30%);
 - 3) Coal becomes less than thirty-three percent (33%);
 - 4) Biofuel becomes more than five percent (5%);
 - 5) Geothermal becomes more than five percent (5%);
 - 6) Other new energy and renewable energy, particularly biomass, nuclear, hydropower, solar power, and wind power becomes more than five percent (5%);
 - 7) Liquefied coal becomes more than two percent (2%).

CHAPTER III
POLICY STEPS

Article 3

- (1) The targets as meant in Article 2 paragraph (2) shall be achieved through main policy and supporting policy.
- (2) The main policy as meant in paragraph (1) consists of:
- a. Energy supply, by:
 - 1) Assurance of availability of domestic energy supply;
 - 2) Optimization of energy production;
 - 3) Realization of energy conversion.
 - b. Energy exploitation, by:
 - 1) Energy exploitation efficiency;
 - 2) Energy diversification.

- c. Stipulation of policy on energy price adjusted toward economic price in consideration of the ability of small enterprises and aid to the poor within a certain period.
- d. Environmental conservation by application of sustainable development principles.

- (3) The supporting policy as meant in paragraph (1) consists of:
- a. Development of energy infrastructure including increase of consumers access to energy;
 - b. Partnership between government and business world;
 - c. Social empowerment;
 - d. Development of research and development and education and training.

Article 4

- (1) The Minister of Energy and Mineral Resources shall stipulate National Energy Management Blueprint after being discussed in the National Energy Coordinating Board.
- (2) The National Energy Management Blueprint as meant in paragraph (1) shall at least contain:
- a. Policy regarding assurance of sufficiency of domestic energy supply;
 - b. Public service obligation policy;
 - c. Management of energy sources and the exploitation thereof.
- (3) The blueprint as meant in paragraph (1) shall become foundation for arrangement of policy for development and exploitation of each kind of energy.

CHAPTER IV
ENERGY PRICE

Article 5

- (1) Price of energy shall be adjusted gradually until a certain time toward its economic price.
- (2) The gradual adjustment of price as meant in paragraph (1) must create an optimal effect on energy diversification.

(3) Further provisions regarding energy price as meant in paragraphs (1) and (2) and support to low-economic society as meant in Article 3 paragraph (2) clause c shall be realized pursuant to the applicable laws.

CHAPTER V
FACILITIES AND INCENTIVES

Article 6

(1) The Minister of Energy and Mineral Resources shall decide certain alternative energy sources.

(2) The government may give facilities and incentives to operators of energy conservation and developers of certain alternative energy sources as meant in paragraph (1).

(3) Further provisions regarding the giving of facilities and incentives as meant in paragraph (2) will be stipulated in regulations of the relevant Ministers.

CHAPTER VI
CLOSING PROVISIONS

Article 7

This Regulation shall be valid from the date it is stipulated.

Stipulated in Jakarta

On January 25, 2006

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

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DR. H. SUSILO BAMBANG YUDHOYONO

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