

CERA Consulting

Report highlights

Enhancing oil and gas investment climate in Indonesia: case study insights

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Prepared for:

Indonesian Petroleum Association



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This document provides a high-level summary of the key highlights from the study “Enhancing oil and gas investment climate in Indonesia: case study insights”. It is not intended to provide a comprehensive analysis and should not be interpreted in isolation from the detailed findings, context, and supporting evidence set out in the full study report.

Full copy of the report can be accessed via the QR code.

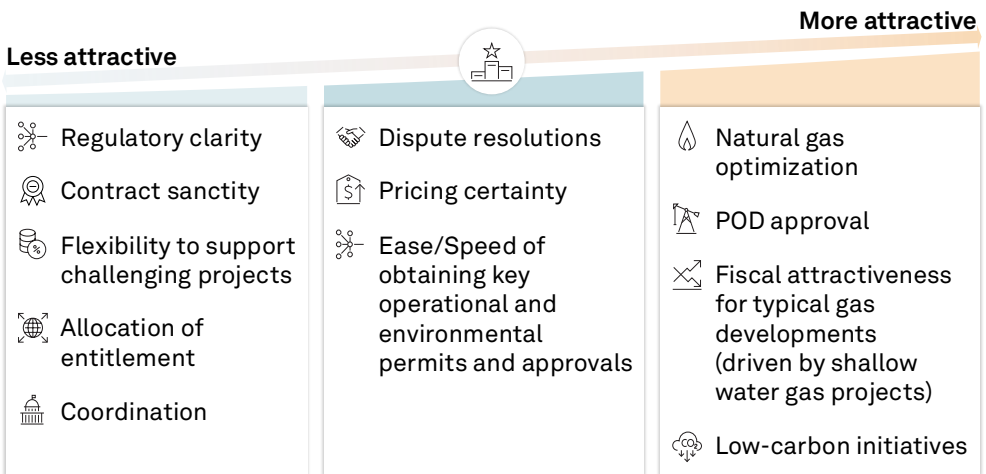


Key findings

Indonesia’s upstream oil and gas sector remains strategically important for national energy security and economic development and is underpinned by significant remaining resource potential and strong long-term domestic gas demand. Recent discoveries, particularly in frontier and deepwater areas, reinforce Indonesia’s geological attractiveness at a time when global competition for upstream capital is high.

From an above-ground perspective, the comparative competitiveness analysis (Figure 1) shows that Indonesia performs relatively well in gas optimization, fiscal terms for standard gas developments, and clarity of Plan of Development submission and approval requirements. At the same time, there appears to be room for improvement in areas such as regulatory clarity, perceptions of contract sanctity, commercialization, fiscal flexibility to incentivise marginal, frontier, or technically complex projects and ease and speed of obtaining key operational approvals and permits.

Figure 1. Indonesia competitiveness positioning



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Compared with other countries from investor’s perspective Indonesia’s regulatory environment is perceived as less predictable and may be seen slower to adapt to evolving project risk. International experience demonstrates that targeted, pragmatic improvements and reforms can materially improve investment attractiveness and sustain upstream investment over the medium to long term.

Indonesia may consider advancing the following key measures to enhance its competitiveness:

- Accelerate structural Oil and Gas Law reform.
- Adopt a broader approach to contract stabilization to protect investors from material negative fiscal and non-fiscal changes.
- Introduce a broader range of flexible dispute resolution mechanisms in future contracts.
- Explore introduction of more progressive elements into the fiscal systems (e.g. dynamic mechanisms linked to profitability) to soften the impact of commodity price shocks.
- Adopt a uniform fiscal framework for challenging projects with pre-defined enhanced incentives.
- Consider options for increased export approval transparency and update crude pricing benchmark methodology to better reflect market fluctuations.
- Consider relaxing export proceeds retention obligations to better accommodate investor cashflow requirements and reduce foreign exchange risk.
- Consider improving regulatory efficiency measures for key permits, approvals: setting binding timelines, strengthening inter-agency coordination.
- Accelerate implementation of existing energy transition policies and provide targeted support for upstream low carbon investments.

The design, sequencing, and timing of adopting improvement options should reflect Indonesia's national objectives, institutional capacity, and energy-security priorities. Together, these measures could enhance Indonesia's ability to attract capital, accelerate resource development, and support its energy security and transition objectives.

Introduction

Indonesia's oil and gas sector plays a strategic role in ensuring national energy security, with the government targeting growth in the sector by 2030 and beyond. Globally, resilient and long-term demand for oil and gas, energy security considerations, and the need to monetize domestic hydrocarbon resources for public revenue are driving governments to reduce investment barriers for exploration and production.

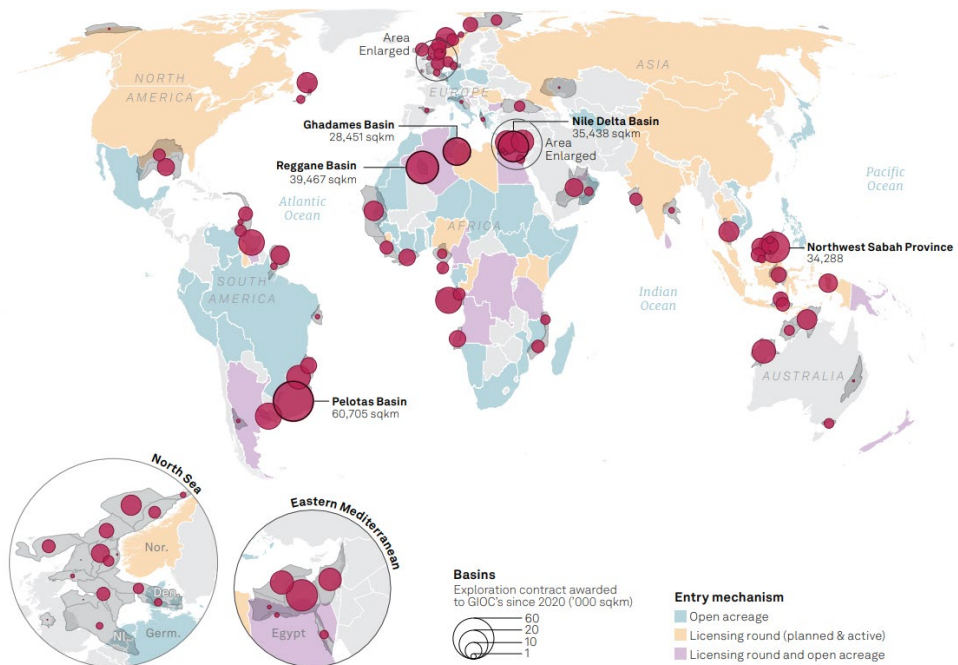
Against this backdrop, Indonesia competes in a globalized and constantly evolving investment environment, characterized by geopolitical uncertainty, high capital mobility and innovative policy solutions to bring in the "marginal barrel" which represents a higher-cost supply.

The energy sector is rapidly shifting its focus from traditional exploration toward accelerated resource conversion with the industry's focus increasingly set on frontier hotspots, where recent significant discoveries are rewriting the rules. Renewed interest in upstream activity is not solely based on geological potential; it is heavily influenced by the regulatory, commercial and political landscape.

Geopolitical shifts and supply-chain localization are likely to increase operators' focus on resilience, making the predictability and adaptability of the investment environment increasingly important. Government support and policy innovation has become the linchpin for the next wave of exploration.

A highly competitive race to transform constrained and technologically challenging opportunities into a pipeline of resilient, high-value molecules is currently taking place among resource nations (Figure 2) with frontier and mature producers in the Atlantic margin leading the charge. Giant discoveries in Guyana, Santos, Côte d'Ivoire and the Orange basins have placed the spotlight on Atlantic margin, from mature producers like Angola and Gabon to frontier and emerging basin host nations such as Guyana, Suriname, Liberia, Sierra Leone, Namibia and Côte d'Ivoire state regulators are expressing pragmatism to court investment for exploration activity and preferred development solutions.

Figure 2 .Potential exploration hotspots 2026



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De-risking license entry, a willingness to negotiate improved terms and potential development pathways (such as proximity to existing infrastructure, LNG linkages, phased FPSO concepts) are critical to enabling progress, while political instability and regulatory capacity remain risks in some areas.

In early 2026, around 40 countries had active or planned upstream licensing rounds, with about one-third introducing net-positive changes to investment terms, including both mature and frontier or early-stage producers offering more flexible terms, reducing exploration commitments and granting early access to data in a bid to lure investment and ignite exploration, development and production operations.

Ultimately, success hinges on how host countries manage above-ground challenges and negotiate terms. From fresh frontiers to seasoned producers, those who get it right stand to unlock their full below-ground potential.

Indonesia's basins are showcasing significant untapped potential, supported by a series of recent world-class discoveries that have revitalized interest in the upstream oil and gas sector. The focus of oil and gas exploration in Indonesia is expanding beyond mature, established hotspots to promising frontier and deepwater regions.

Indonesia's position in this race to convert frontier and challenging opportunities into a pipeline of resilient high-value molecules will depend on its ability to adapt and introduce innovative and pragmatic policy solutions to unlock its oil and gas resource potential.

In this study, CERA Consulting assesses the relative attractiveness of Indonesia's upstream oil and gas sector vis-a-vis other jurisdictions with investment opportunities at various stages of the oil and gas resource development lifecycle and highlights potential options that can improve the sector's competitiveness as a destination for upstream investment in line with the country's objective to increase production and achieve energy security.

Host nation pragmatism paves the way for resurgence in exploration and resource development.

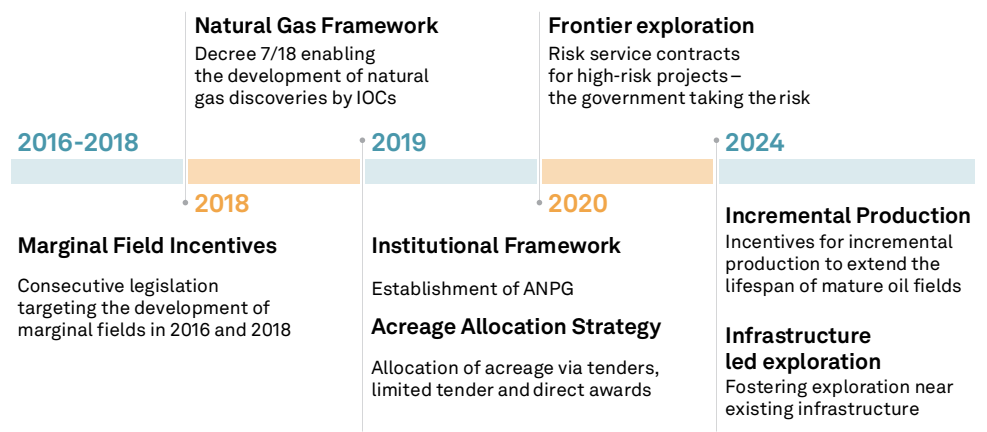
Countries that have been proactive in changing investment terms and show flexibility and pragmatism in attracting capital have reaped the fruits of their efforts and are seeing hundreds of billions of dollars being injected into their oil and gas sector. Among the countries reviewed for this analysis Angola has adopted various approaches targeting different asset types. Angola bears many similarities with Indonesia as it has different types of oil and gas assets at various stages of maturity. Its experience can be illustrative for Indonesia.

Angola, facing a decade-long decline in oil production, is implementing reforms to attract investment and stabilize output

Faced with falling oil prices in 2014-2016, declining drilling activity, and multiple stalled projects, Angola responded with a broad package of institutional and fiscal reforms (Figure 3) aimed at restoring investor confidence in a mature offshore basin. The effort combined institutional clarification, greater licensing predictability, and targeted incentives for the kinds of opportunities most at risk of becoming uneconomic. Angola’s targeted fiscal and contractual initiatives include the following asset types:

- non-associated gas developments - 5% production tax and 25% income tax for predominantly gas fields, with additional incentives for non-associated gas projects
- mature and marginal fields - reduced royalties and income tax by 50% for marginal discoveries (those with less than 300 million barrels of oil equivalent resources) as well as for mature offshore blocks and undeveloped areas
- exploration near infrastructure
- incremental production from aging assets
- frontier deepwater exploration, etc.

Figure 3. Key reforms by Angola



Source: S&P Global

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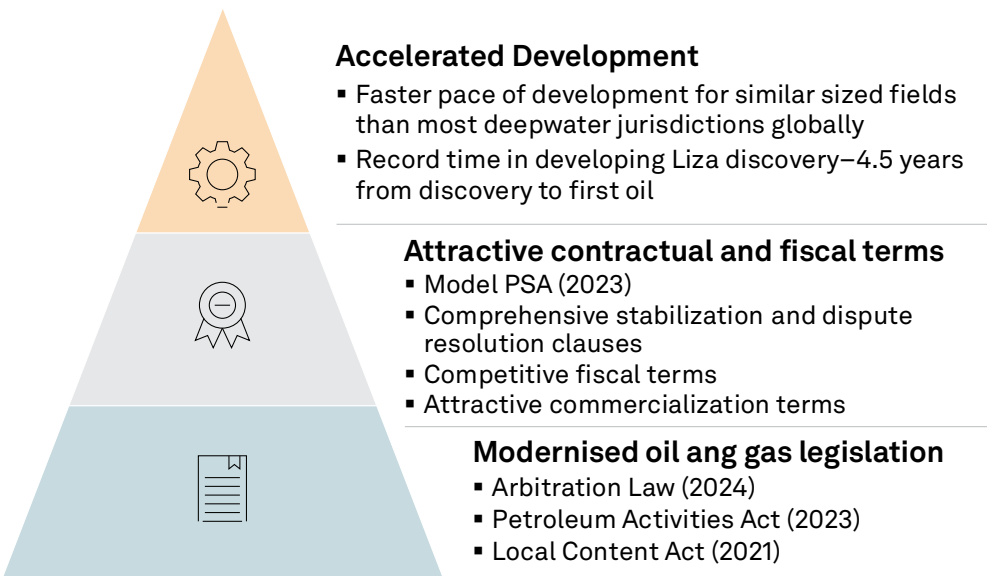
The outcome has been a positive response by major IOCs with renewed focus and commitment in exploration which has resulted in resumption and ramp-up of exploration drilling in 2019 after a 5-year hiatus and recommencement of onshore exploration in 2022 after 27 years.

Emergence of Guyana as a major oil and gas producer

Guyana is one of the biggest success stories of the last five years emerging as an oil and gas producer in 2019 at 15,000 bopd, reaching 900,000 bopd in 2026 and projected to reach 1.2 million bopd by the end of 2027. This success is in large part due to government policies that are focused on expeditious development of the oil and gas resource whilst protecting the environment.

Since its initial discoveries, Guyana has incorporated measures (Figure 4) such as introduction of competitive licensing rounds under updated model PSAs, adoption of modern laws governing the petroleum sector, and improved permitting clarity supported by clear timelines. Clear entitlement allocation and freedom to export have enabled rapid progression from discovery to development.

Figure 4. Competitive features of Guyana's investment environment



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Indonesia's oil and gas investment environment

Indonesia's upstream oil and gas investment climate combines strong fundamentals such as significant untapped resource potential, strong domestic demand, and a substantial policy and regulatory framework in place; however, several areas may benefit from improvement to enhance oil and gas sector competitiveness.

Compared with other countries (Figure 5), Indonesia's performance can be characterized as:

- Relatively attractive in gas optimization, clarity of POD submission and approval requirements and fiscal terms attractiveness for standard gas developments in shallow and deep water.
- Moderately attractive in low-carbon initiatives, pricing certainty, dispute resolution mechanisms, and the ease and pace of key exploration and production and environmental approvals.
- Relatively less attractive in regulatory clarity, perceptions of contract sanctity, fiscal incentives for challenging projects, allocation of entitlement, and institutional coordination.

Figure 5. Indonesia competitive positioning vis a vis other jurisdictions

		Investor Attractiveness					High Low	Not part of analysis or data not available for full analysis		
		Indonesia	Angola	Australia	Brazil	Guyana	Malaysia	USA	Vietnam	
Legal certainty	Contract sanctity									
	Regulatory clarity									
	Dispute Resolution									
Fiscal terms	Relative attractiveness of fiscal terms									
	Challenging projects support									
Commercialization	Pricing certainty									
	Allocation of entitlement									
Ease of doing business	Ease of obtaining key E&P permits and approvals									
	POD approval									
	Coordination									
Energy transition	Low carbon initiatives									
	Natural gas optimization									

Source: S&P Global

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Findings and competitiveness improvement options



Legal certainty

The long-term nature of upstream energy investments, usually spanning decades, leaves investors particularly susceptible to risks emanating from an evolving regulatory environment—whether through direct government action affecting a particular investment (direct impact) or indirectly, through changes to the regulatory landscape or business practices that may create undue impediments in the operating environment. Legal uncertainties can be a drag on investments. Perceived investment risks related to legal certainty may impact investors' strategic decisions about where to invest and the required returns to justify absorbing the perceived risks.

The regulatory system in Indonesia offers investors a degree of fiscal stabilization. Under Art. 53 of the Government Regulation No. 35/2004 (PP35/2004), upstream petroleum contractors have the option to crystallize the tax regime at the time of signing, which would exempt the contractor from future changes, both positive and negative. If this option is not exercised, then a stabilization mechanism may be available if the PSC (Cost Recovery) form of contract is used. Stabilization mechanisms have been constrained by subsequent regulation (e.g. Government Regulation 79/2010, PP79/2010 and amendments) applying non-recoverable indirect taxes.

While the existence of stabilization mechanisms provides a degree of comfort to investors, there are some aspects of Indonesia's practices that investors may consider less favorable, including the limited scope of stabilization (which applies only to tax changes) and the government protection-focus of the clause's operation.

Some regulatory actions in recent years have undermined investor confidence in contract sanctity and have led to multiple disputes, which, while ultimately resolved, required negotiations between the government and investors. Notable examples include disputes related to cost recovery under Government Regulation 79/2010 (PP79/2010), changes in participating interests under Ministry of Energy and Mineral Resources Regulation 37/2016 (Permen ESDM No. 37/2016), withholding tax, VAT, the application of tax treaties, the tax deductibility of royalties, project delays and contract extension rejections.

Indonesia's upstream regulatory framework is extensive and detailed, though at times found to be duplicative, overly burdensome or unclear. The long-stalled progress of the draft Oil and Gas law amplifies investor perception of a lack of regulatory clarity. Sporadic efforts to streamline and clarify aspects of regulations have somewhat improved the investment environment.

Contracts in Indonesia contain reasonably detailed dispute resolution provisions, outlining how disputes may progress to arbitration. These are supported by Indonesia's membership in major international investment protection agreements. Some aspects of model contract provisions may be perceived as less attractive by investors as arbitration may be required to occur in Indonesia using local language and arbitration rules. A previous isolated, but high-profile, instances of criminal prosecution of upstream contractors has served to highlight possible dispute resolution risks in Indonesia. Additionally, investors may prefer access to a wider range of dispute resolution options short of arbitration e.g., expert determination (where appropriate), mediation, and conciliation.

A high-level comparative overview of approaches used to support legal certainty (Figure 6) indicates notable requirements, practices and approaches adopted in other countries compared with Indonesia.

Figure 6. Legal certainty – comparative overview

Highlights of Indonesian practices	Notable observed practices in focus countries
 Regulatory clarity ▪ Comprehensive upstream framework in place but clarity impacted by fundamental issues: –Proposed structural oil and gas law reform stalled –Extent of regulatory burden: excessive permit volume –Reform visibility: limited, inconsistent stakeholder engagement on regulatory reform	 Angola: successful structural reform of 2019 set foundation for institutional clarity and upstream licensing strategy  Australia formalizes reform practices to improve clarity: –Engagement: early, structured stakeholder consultation –Regular streamlining: frequent assessment of compliance burden and scope for improvement
 Contract sanctity ▪ Contract terms may be diluted by regulatory action –retroactive regulation impact: e.g. 2016 imposition of local partner into existing contracts –government practice in granting approvals: e.g. export ▪ Stabilization clauses in place but rebalancing limited to narrow tax changes	 Guyana: rebalancing initiated by broader legal changes, not limited to only income tax changes (2023 model PSA)  Vietnam: stabilization “floor” enables investors to benefit from potential future favourable changes (2023 Model PSA)  Angola: issues contracts by decree – embeds terms in law by issuing finalized contracts in separate official decrees
 Dispute resolution ▪ Limited range of methods available: arbitration is available but no expert determination or mediation ▪ PSC may restrict arbitration location, language to favour Indonesia ▪ Jurisdiction uncertainty: legacy criminal court prosecution of fundamentally civil/commercial issues	 Brazil: multiple dispute resolution options available including expert determination (where appropriate), mediation and conciliation  Guyana: arbitration terms are more investor-friendly e.g., English language, neutral third-party country venue

Source: S&P Global

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The following options as further assessed for possible implementation in Figure 7 can be considered by Indonesia to strengthen different aspects of legal certainty:

Improve Regulatory Clarity

- Accelerate proposed structural reforms: ensure renewed momentum in progressing revisions to the Oil and Gas Law to strengthen the regulatory framework and improve long-term clarity.
- Align regulatory changes with existing contractual commitments: review new regulations against existing contractual obligations and consider explicit carve-outs for existing commitments where appropriate.
- Expand, encourage visibility and stakeholder input on reforms: allow for timely notice of reform proposals to all stakeholders and opportunities for meaningful engagement and consultation.
- Maintain clear distinctions in jurisdiction for contractual and criminal matters to ensure clarity in legal proceedings.

Expand contract stabilization provisions for future contracts

- Adopt a wider approach for recalibration triggers: allow non-tax changes that materially affect a company's position to trigger rebalancing.
- Provide an option for stabilizing minimum investor take but allowing benefit from any additional government incentives that may be passed in the future.

Expand the range and flexibility of dispute resolution mechanisms available under future contracts

- Allow for expert determination for certain technical or commercial disputes where appropriate.
- Consider mediation and conciliation as additional dispute resolution options.
- Allow arbitration to take place in a neutral jurisdiction, under widely accepted international arbitration rules and in English.

Figure 7. Legal certainty options analysis

Key potential competitiveness improvement options	Anticipated impact	Stakeholders and implementation facilitators	Feasibility timeline
Accelerate proposed foundational Oil and Gas reforms Clarify extent of application of reforms to existing investments	● High	Multi stakeholder: Legislative body primarily responsible Foundational issue that informs investor view of risk	●○○ Shorter term
Clarify and implement regulatory jurisdiction across regulatory bodies	● High	Coordination across regulatory bodies required: continuous application of shared approach	●○○ Shorter term
Recalibrate approach to stabilization provisions for future contracts	● High	Primary responsibility with legal/contract team drafting model PSCs for new awards	●○○ Shorter term
Expand, encourage visibility and meaningful input on reform processes	● Medium	Implicates all rule-makers with remit affecting upstream companies. May require the institution of formalized practices or mechanisms	●○○ Shorter term
Expand on existing available dispute resolution options for future contracts	○ Lower	Primary responsibility with legal/contract team drafting model PSCs for new awards	●○○ Shorter term

Source: S&P Global

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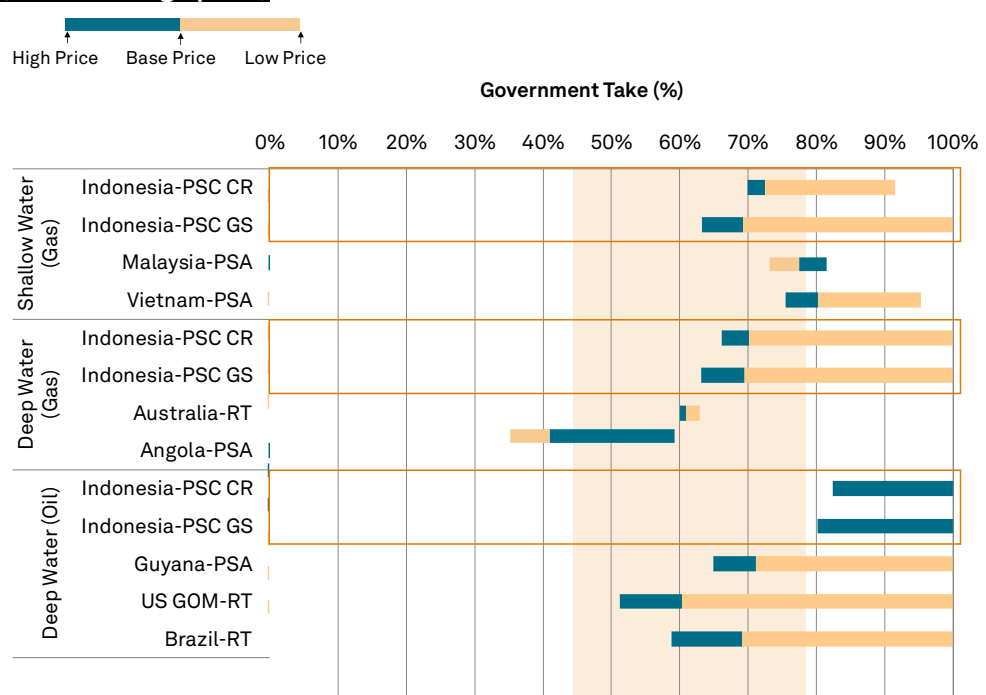
Fiscal terms

Competitive and predictable fiscal terms enhance a country's ability to retain and attract investment into the sector, support exploration and development of technically challenging or higher-cost resources as well as sustain long-term production, while poorly calibrated terms may discourage investment or delay project sanction decisions.

CERA Consulting assessed Indonesia's upstream fiscal regime under the latest available fiscal terms of 2024 through a comparative analysis of generic oil and gas projects in Indonesia and selected countries. The generic projects are representative of future project types expected to commence CAPEX spend within the next 10 years and are designed to capture the most relevant investment opportunities for each jurisdiction over this period. These projects have been selected from areas with the largest projected production volumes within this period. For Indonesia, this encompassed offshore shallow and deep-water gas and deep-water oil projects.

Indonesia’s generic fiscal terms are competitive for offshore gas projects, delivering attractive internal rates of return (IRRs), reasonable payback periods, and a broadly balanced government take (Figure 8). However, offshore oil projects—particularly deepwater clustered developments—exhibit weaker downside resilience. Progressive elements in which contractor profit share is tied to project profitability would better protect government take while encouraging investors.

Figure 8. Government Take (after tax) – Fiscal attractiveness (low/base/high price)



Source: S&P Global

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A separate analysis examined the performance of fiscal incentives applied to a range of marginal, frontier, and technically challenging project archetypes. In Indonesia, such projects were found to remain uneconomic across most price scenarios even after applying special fiscal terms.

Countries address similar challenges to Indonesia through more differentiated and adaptive approaches as further highlighted in Figure 9

- Angola uses targeted incentives to sustain investment in mature basins,
- Malaysia applies pre-defined fiscal packages for different asset types,
- Vietnam has reduced taxes for strategic or marginal projects, and
- Brazil and the US Gulf of Mexico more frequently deploy targeted relief for higher-cost developments to render such projects into economically viable.

Figure 9. Fiscal terms – comparative overview

Highlights of Indonesian practices	Notable observed practices in focus countries
 Fiscal attractiveness ▪ Strong economics for gas terms: assuming no major project delays, Indonesia typical offshore gas fiscal terms are competitive and deliver IRRs above 15% under base and high price cases; shallow gas projects achieve competitive NPV10/BOE versus Malaysia, Vietnam ▪ Deepwater oil challenges: Indonesia's terms are uncompetitive at low prices; struggle to achieve attractive returns even at base prices. ▪ Cash flow instability across project types, price scenarios: –Low prices, deepwater oil, some gas projects fail to generate stable cash flows, resulting in non-meaningful IRRs and no payback reached within the project lifetime.	 Malaysia (and others) apply market downside protection – dynamic mechanisms linked to commodity prices shelter the negative impact of low prices on project economics while balancing the share of revenues under a high price environment e.g., –cost recovery limits that decrease when profitability (R-Factor) increases (Malaysia) –petroleum resource rent tax that is applied only when cash flow becomes positive (Australia)
 Flexibility to support challenging projects ▪ Ineffective incentives for marginal, frontier, and technically challenging projects –Projects remain <u>uneconomic at base prices</u> even after applying special fiscal terms. ▪ Limited flexibility for higher-risk, marginal, or capital-intensive opportunities	 Special fiscal terms improve economics of marginal, frontier, technically challenging developments –Income tax reduction (Angola) –Royalty relief (reductions/temporary suspension, USA) –Improved profit share (Malaysia) –Improved cost recovery (Vietnam)  Blanket incentives for defined categories of marginal investment type simplify multiple license negotiations – e.g., Malaysia late-life assets; Angola frontier basins

Source: S&P Global

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Building on the fiscal analysis, the following improvement options further assessed for implementation in Figure 10 outline targeted measures that could be considered by Indonesia to enhance fiscal flexibility and support investment in the higher-risk and more challenging projects.

Improve downside protection in low price scenarios

- Explore options to introduce more progressive elements into the fiscal framework by developing and adopting dynamic mechanisms linked to profitability, that could shelter the negative impact of low prices on project economics while balancing the share of revenues under a high price environment (Malaysia, Angola)

Strengthen fiscal incentives for challenging projects

- Consider and adopt additional fiscal incentives for challenging projects, such as tax reductions, royalty relief, an increase in contractor share and cost recovery limit.

Introduce a structured framework for differentiated fiscal terms

- Consider and adopt a more structured, differentiated set of fiscal terms for different project types where fiscal terms are pre-defined through a uniform framework.

Figure 10. Fiscal terms options analysis

Key Potential Competitiveness Improvement Options	Anticipated Impact	Stakeholders and Implementation facilitators	Feasibility timeline
Explore options to introduce more progressive elements into the fiscal framework	● High	Requires fiscal policy coordination: Ministry of Finance and ESDM	●○○ Shorter term
Consider additional fiscal incentives for challenging projects	● High	Requires coordination: Ministry of Finance and ESDM	●○○ Shorter term
Explore making blanket fiscal incentives available to broad categories of investment type	● Medium	Requires coordination: Ministry of Finance and ESDM	●○○ Shorter term

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Commercialization

There are various policy and regulatory choices that affect an upstream investor's path to commercializing discoveries. Depending on the jurisdiction and the nature of the upstream contract, commercialization can take very different forms. At one extreme, for instance, where governments contract operators under technical service contracts, a contractor will never receive title to oil and gas or have any role in marketing and commercialization; the state always retains the title, control, and has full commercialization rights and responsibilities. At the other end of the spectrum, as in the case of the United States, contractors have the title to all resources extracted (subject to royalty and tax payments) and are free to dispose of the resources as they see fit, subject to very few restrictions or oversight.

Indonesia's commercialization framework reflects a policy priority focused on domestic energy security. Investors face layers of regulatory processes that prioritize domestic outlets for new discoveries and production. Notably, export approval processes are burdensome with specific export licenses from the Ministry of Trade required for each LNG cargo, under Minister of Trade Regulation 23/2023 (Permendag No. 23/2003), for example. Administrative complexity and government policy around export approval decisions create conditions of commercial uncertainty for investors.

Prices realized by investors are subject to government intervention. Gas pricing certainty in Indonesia is affected by downstream administered gas pricing mechanisms that apply price caps for categories of domestic users. Crude pricing mechanisms in upstream contracts use an Indonesia-specific monthly average benchmark calculated under Ministry of Energy and Mineral Resources Regulation 29/2021 (Permen ESDM No. 29/2021) which is susceptible to divergence from realized prices under spot market movements, creating potential revenue risks for upstream companies.

Investors are also subject to export proceeds retention requirements under Government Regulation 36/2023 (PP 36/2023) which are burdensome for investors.

A high-level comparative overview of commercialization provisions (Figure 11) indicate notable requirements, practices and approaches adopted in other countries compared with Indonesia.

Figure 11. Commercialization – comparative overview

Highlights of Indonesian practices



Pricing certainty

- **Crude pricing mechanism risks eroding investor revenue**
 - PSC pricing (monthly market average) may not align to realised prices (reflecting daily movements); potential mismatches may distort contract entitlements
- **Domestic gas price cap creates indirect risk for upstream producers**
 - Operation of compensation mechanism for upstream producers affected by downstream price caps introduce commercial, administrative risks and delays



Allocation

- **Domestic market obligation may create inefficiencies** e.g., where produced crude quality is incompatible with local refining capacity
- **Sales proceeds domestic retention obligations complicate monetization for investors:** this can reduce cashflow flexibility, increase borrowing costs and expose investors to increased currency exchange risk (Government Regulation No. 36/2023)
- **Export approval processes are burdensome and subject to uncertain outcomes:** multiple regulatory processes lead to final export decision with untransparent criteria, case-by-case decisions.

Notable observed practices in focus countries

-  **USA (and others): pricing is market based with minimal policy or regulatory intervention**
 - markets subject only to competition oversight with no government administered pricing aspects

-  **Australia: proposed new contract domestic reservation to provide certainty on domestic supply, export rights** – export approvals will be dependent on having met DMO
-  **USA: export approval decision transparency** – automatic right to export to free-trade partners; presumed right for non-free-trade partners with refusal only on transparent publicised criteria
-  **Malaysia (and others): investors free to repatriate their share of export sales proceeds** – equivalent of
-  **Indonesia's petroleum export proceeds retention obligation not observed in the examined countries**

Source: S&P Global

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The following options as further assessed in Figure 12 outline targeted measures that can be considered by Indonesia to expand commercialization flexibility and increase investors' certainty.

Review the repatriation of export proceeds

- Improve the repatriation of export proceeds provisions to better accommodate investor cashflow requirements and reduce foreign exchange risk.

Review export approval processes

- Consider options to introduce greater transparency into the administration of export approval processes and more certain outcomes for investors (to the extent compatible with domestic energy policy).

Review crude pricing benchmark methodology

- Examine how updated crude pricing benchmark methodology could allow more frequent adjustment (e.g., daily) to better reflect market fluctuations.

Figure 12. Commercialization options analysis

Key potential competitiveness improvement options	Anticipated impact	Stakeholders and implementation facilitators	Feasibility timeline
Review export approval processes.	 High	Implicates key upstream approval authorities (SKK Migas,ESDM). Ultimately affects key government policy on domestic energy security; may require broad political support	 Shorter term
Review crude pricing benchmark methodology	 Medium	Requires alteration of ESDM Regulation and SKK Migas guidance	 Shorter term
Review repatriation of export proceeds	 Medium	Requires alteration of government regulation Implicates bodies with fiscal function	 Longer term

Source: S&P Global

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Ease of doing business

Upstream operations are subject to multiple licenses, permits and approvals typically granted by different regulatory authorities at both national and local levels. Clarity and ease of permitting and approval processes supported by effective governmental coordination may have significant operational consequences and therefore an impact on perceptions of investment attractiveness.

Indonesia's upstream regulatory framework (e.g., Law 22/2001 as amended, Law 32/2009 as amended, Government Regulation 25/2004 (PP25/2004) as amended, Government Regulation 22/2021 (PP22/2021), Working Procedure Guidelines PTK 38/2015, PTK 037/2018, among others) defines key operational and environmental permits and approvals (e.g., Work Program and Budget, POD, Environmental Impact Assessment (AMDAL)), some of which are supported by detailed SKK Migas guidelines that establish the application approval requirements.

However, the absence of publicly available binding approval timelines, the substantial number of overall permits and approvals, and the sequential rather than parallel process of environmental-and exploration and production review and approval processes create uncertainty and delays in approval timelines, with an impact on project execution.

Figure 13. Timelines for key exploration and production operational and environmental permits and approvals

Country	Exploration	Appraisal	Development	Drilling	Environmental
	Annual Exploratory Work program	Discovery Appraisal Plan	Development Plan	Environmental license	
Brazil	Name				
	Timeline for approval	30 days	60 days	180 days	180-360 days²
	Approval criteria ¹	✓	✓	✓	✓
	Name	N/A ³		Field development plan	Well operations management plans
Australia	Timeline for approval	(however, approval of any well is required)		"As soon as practicable"	30 days
	Approval criteria			✓	✓
	Name	Exploration Plan	N/A	Development Plan	Permit to drill
USA	Timeline for approval	30 days	(delineation/appraisal drilling is considered part of exploration plan)	120 days	45 days
	Approval criteria	✓		✓	✓
	Name	Annual Work Program		General Development and Production Plan	Within the Annual Work Plans
Angola	Timeline for approval	15 days		90 days	30 days
	Approval criteria	✓		✓	✓
	Name	Annual Work Programme and Expenditures	Appraisal Program	Development Plan	Drilling Permit
Guyana	Timeline for approval	45 days	60 days	120 days	N/A
	Approval criteria	✓	✓	✓	✓
	Name	Exploration Plan	Appraisal Plan	General Plan of Development	
Vietnam	Timeline for approval	N/A	50 days	50 days	
	Approval criteria	✓	✓	✓	
	Name	Work programme and budget		Development Plan	N/A
Malaysia	Timeline for approval	30-90 days		N/A	N/A
	Approval criteria	✓		✓	✓
	Name	Annual Work Program		Plan of Development	SARPRAS
Indonesia	Timeline for approval	N/A		N/A	N/A
	Approval criteria	✓		✓	✓

Source: S&P Global

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Formal coordination across government entities and between central and regional authorities in the approval process appears to be limited. While initiatives such as the One Door Service Policy (ODSP) and the Online Single Submission Risk-Based Approach (OSS-RBA) under the Job Creation Law have improved transparency and digitization, they have not yet translated into materially faster or more predictable approvals for upstream oil and gas projects.

A high-level comparative overview of ease of doing business practices (Figure 14) indicates notable practices and different approaches adopted in other countries compared with Indonesia.

Figure 14. Ease of doing business – comparative overview

Highlights of Indonesian practices	Notable observed practices in focus countries
 Ease of key E&P permits, approvals ▪ Clear regulatory framework for E&P activities with comprehensive guidelines for main operational and environmental permits and approvals. ▪ Absence of regulated decision and approval timelines introduces uncertainty, delay risk for operators. ▪ Some successful streamlining initiatives such as consolidated environmental regulations	 USA: clear prescriptive requirements are provided for all key approvals –Clear submission requirements and explicit timelines for approvals processes are outlined  Australia: conducts monitoring of regulator performance on approval processing times – indicative targets timelines are outlined; regulatory performance monitored
 POD processes ▪ POD contents, approval process are clearly outlined in relevant guidelines –SKK Migas Guideline PTK-037 provides clear regulatory engagement processes (e.g. pre-POD technical and economic discussions) and submission contents ▪ POD revision and re-submission scenarios and requirements are not clearly communicated	 USA: POD-equivalent submission process are facilitated by extensive guidance – including clear approval criteria & potential rejection scenarios to guide applicants.  USA: Major approval submission processes are coordinated for creator efficiency – e.g., POD and EIA approval processes are parallel (not sequential)
 Coordination ▪ Indonesia lacks formal coordination mechanisms across agencies with upstream approval remits e.g., between SKK Migas and Ministry of Environment ▪ One-stop-shop, centralized permitting facilitation mechanism is a positive development but has produced limited efficiency gains so far.	 USA (and others) use formal multi-agency cooperation mechanisms to minimize overlapping remits   –Formal regulatory instruments delineate and clarify multi-agency oversight jurisdiction for significant undertakings

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Building on these findings, the following improvement options as further assessed in Figure 15 are focused on streamlining approval and permitting processes, strengthening inter-agency coordination, and improving transparency and predictability in permitting timelines to reduce execution risk for upstream projects can be considered by Indonesia.

Establish binding approval timelines:

- Develop, adopt, and publish binding timelines for reviewing and granting key permits and approvals governing sector by relevant regulators, supported by performance monitoring.
- Monitor performance on adhering with timelines: establish approval monitoring procedures or tracking systems publicly accessible by interested parties to monitor the progress of issuing approvals.

Strengthen inter-agency coordination:

- Develop and apply instruments for efficient multi-agency review of project-specific approval: collaborative MOUs between regulatory bodies e.g., safety, emergency response, permitting across energy, environment, maritime agencies.

Review the single window efficacy:

- Improve one-stop-shop functioning not only as an electronic mechanism for filling and processing, but for effective inter-agency coordination with assigned coordinating duties to specific regulators.

Evaluate potential to streamline multiple review and approval processes:

- Consider POD and environmental impact assessment (AMDAL) approval processes as parallel and not sequential, with separate but simultaneous filing, processing, reviewing and decision-making to streamline POD and EIA approval. This approach may potentially apply to other approvals that require review and consent from multiple government entities.

Figure 15. Ease of doing business options analysis

Key potential competitiveness improvement options	Anticipated impact	Stakeholders and implementation facilitators	Feasibility timeline
Use one-stop shop as an inter-governmental approval and coordination mechanism	● Medium	Implicates multiple rule-makers with remit affecting upstream company operations. May require institution of formalized practices.	●○○ Shorter term
Parallel approval process for POD and EIA and potential other E&P approvals and permits	● Medium	Implicates key upstream approval authorities: SKK Migas, ESDM, Ministry of Environment. May require institution of formalized practices.	●○○ Shorter term
Develop and adopt formal coordination mechanisms to facilitate approval processes	● Medium	Implicates multiple rule-makers with remit affecting upstream company operations. May require institution of formalized practices.	●●● Longer term
Develop and adopt timelines for consideration, approval and granting key permits and approvals and set key performance indicators (KPIs) to track adherence	● Medium	Implicates key upstream approval authorities: SKK Migas, ESDM, Ministry of Environment.	●○○ Shorter term
Create monitoring processes for approvals, transparency and tracking	● Medium	Implicates key upstream approval authorities: SKK Migas, ESDM, Ministry of Environment.	●●● Longer term

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Energy transition

Increased focus on cleaner energy is driven by various policy concerns: recognition of the need for climate change mitigation, enhanced energy security through diversified supply sources, economic development opportunities and job creation. This is accelerated by the increasing competitiveness of renewable energy in terms of cost.

Indonesia has established a policy framework supporting energy transition (e.g. Government Regulation 40/2025 on National Energy Policy (PP 40/2025), including a net-zero commitment by 2060 and joining the global methane pledge in 2021. It set flaring and venting requirements (Minister of Energy and Mineral Resources Regulation 17/2021 (ESDM 17/2021), adopted CCS/CCUS regulations in 2024 (Presidential Regulation 14/2024 (Perpres 14/2024) including SKK Guidelines (Working Procedure Guidelines PTK-070), and laid the foundations for a national carbon market (Presidential Regulation 110/2025, Perpres 110/2025). Importantly, some of these policies explicitly preserve oil and gas sector's license-to-operate, positioning gas as a transition fuel and CCS as one of the key decarbonization pathways.

Most low-carbon policies remain at an early stage of implementation, and current incentive frameworks may not yet be sufficiently robust to support large-scale investment in CCS, methane abatement, or transformative decarbonization projects. Additional regulatory or financial incentives may therefore be needed to facilitate effective implementation and investment.

Indonesia is well-positioned in terms of energy transition policy design with the pace of implementation remaining relatively slow and broadly comparable to that of other developing countries, lagging behind more advanced countries.

A high-level comparative overview of energy transition policies, regulations and practices (Figure 16) indicates notable practices and different approaches adopted in other countries compared with Indonesia.

Figure 16. Energy transition – comparative overview

Highlights of Indonesian practices



Low carbon policies

- **Several low-carbon policies are in place:**
 - 2021 Flaring management regulation, SKK Guidelines,
 - 2024 Carbon capture regulations
 - 2025 ETS and Voluntary Carbon Markets Presidential Regulation incorporate robust, clear MRV requirements.
- **Policies have clear application for the oil and gas sector**
 - supported by SKK Migas low-carbon and sustainability team focusing on CCS/CCUS, methane abatement, flare reduction, and energy efficiency



Natural gas optimization

- **Indonesia has endorsed natural gas as a critical transition fuel and established supportive policies**
 - National Energy Policy: explicitly designates natural gas a transition fuel (to support targeted renewables growth).
 - New regulation allows gas-to-power projects to earn carbon credits by displacing coal

Notable observed practices in focus countries



Australia: comprehensive policy frameworks in place to support low carbon initiatives

- Early government direct support for carbon capture technology now supplanted by mature market mechanisms such as Australia’s carbon market
- Established frameworks to regulate CCUS, Methane emissions, flaring reduction



USA: applied comprehensive incentive framework to facilitate low carbon investments – Inflation Reduction Act applied oil and gas sector specific tax credits (although there is some uncertainty on future applicability)



Australia: clear designation of gas as a transitional fuel

- Future Gas Strategy 2024: endorses natural gas as a transition fuel policy; retains ambitious gas export targets



Malaysia: endorses natural gas to support renewable expansion and has established supportive policies

- National Energy Transition Roadmap (2023): outlines gas role to replace coal and support renewable expansion
- 3rd party infrastructure access regime to support more players in competitive domestic gas market

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Building on this assessment, the following options as further assessed in Figure 17 outline targeted measures to operationalize Indonesia’s energy transition framework and support low-carbon investment.

Support the development and operationalization of the implementation of major low-carbon policies

- Focus on continued implementation of a sound policy framework that integrates gas as a cleaner transition fuel. Continue accelerating key initiatives related to renewable energy deployment, CCS, and the carbon market.
- Consider aspects of low-carbon initiatives in the upstream sector that could be accelerated further through more direct government support through tax incentives or other viable instruments.

Figure 17. Energy transition options analysis

Key potential competitiveness improvement options	Anticipated impact	Stakeholders and implementation facilitators	Feasibility timeline
Explore upstream decarbonization incentive support (e.g. through tax incentives or other viable instruments)	 Medium	Implicates bodies with fiscal responsibilities	 Shorter term
Maintain momentum for low-carbon policy development and implementation	 Lower	No substantive change required	 Shorter term

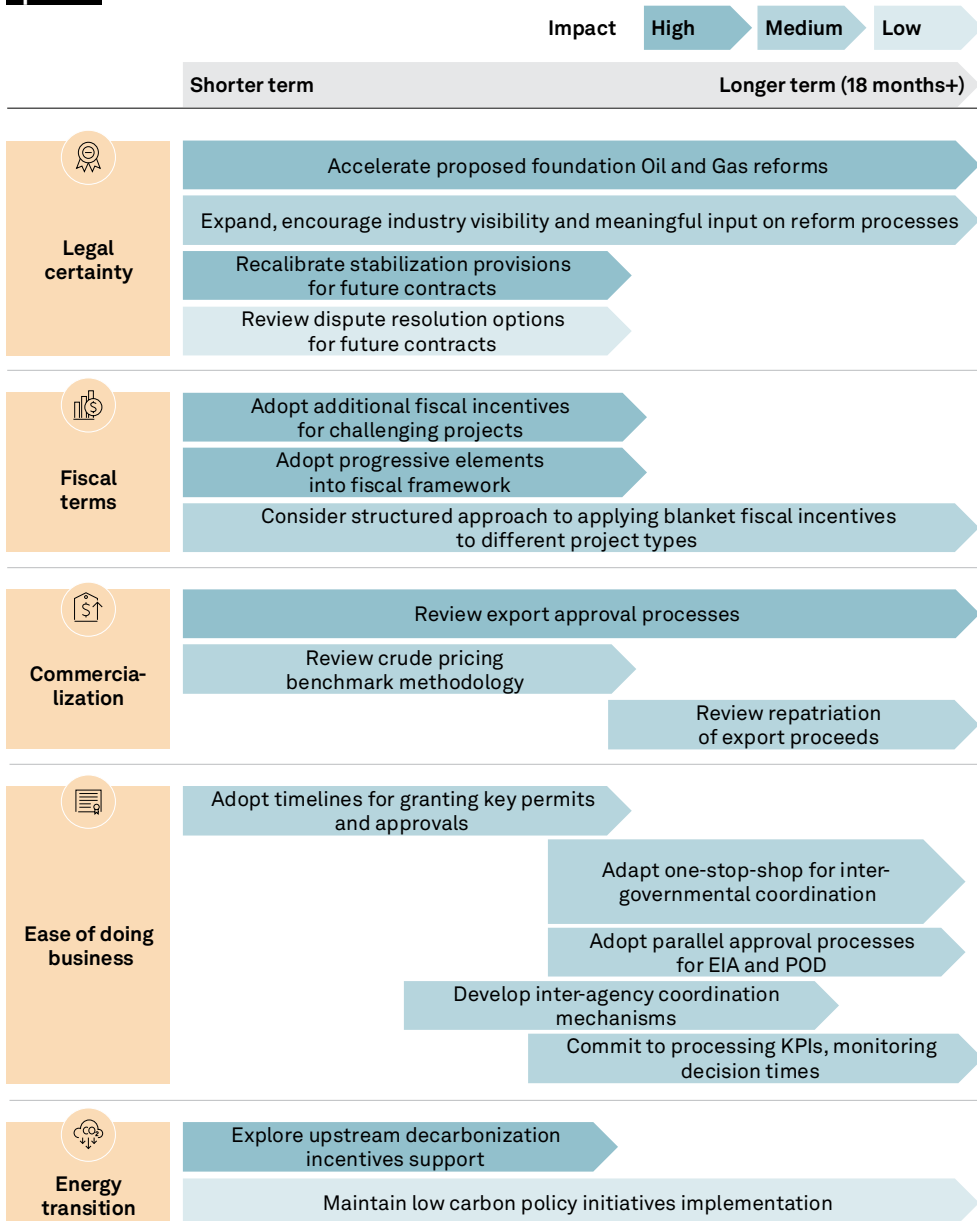
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Roadmap

A high-level roadmap (Figure 18) sets out a structured path for improving competitiveness in Indonesia, informed by practices, policies, and regulatory approaches observed in countries that perform well across the assessed competitiveness dimensions.

Figure 38. High-Level roadmap for identified competitiveness improvement options



Source: S&P Global

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The roadmap is intended to guide ongoing dialogue between industry, government, and regulators in Indonesia, identifying areas where improvements could be considered and progressed, rather than providing a prescriptive set of recommendations.

The stated prioritization, possible sequencing and potential timeframes for adoption are presented as a starting point for such discussions based on the analysis in this report.

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