

Cabotage in Oil and Gas

IADC SEA Chapter Event Presentation

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Cabotage in a Nutshell

1. First enacted in 2008, implemented in 2011
2. Applies to sea vessel. What constitutes a vessel?
3. Port-to-port sea transportation - or more?
4. Aimed initially to boost national shipping industry
5. Is creeping into oil and gas business too

Cabotage in Oil and Gas

1. Offshore drilling rig is a vessel
2. Was exempted from 2010 - 2015
3. How did/does the exemption work - SIOPSUS
4. New development - the end of 2015

Latest Change?

1. PM 200 of 2015 (the 4th exemption since 2010)
2. Exemption is still there, however is subject to conditions
3. Condition to conduct 1 round of tender before exemption is granted
4. Followed by Minister of Transport (and the team) approval

Latest Change? (2)

1. Preference given to local players
 - Indonesian flagged vessels; and
 - “Foreign flagged vessels purchased by Indonesian National or Indonesian Company that is financed by a financing company (*leasing*) evidenced by:
 - Financing agreement (*leasing*) between the **subsidiary** and the financing company (*leasing*)
 - AoA of the **subsidiary** that is 100% owned by Indonesian or Indonesian Company”

What does it mean?

1. Ownership by Indonesian Shipping Company
2. 49%-51% ownership
3. SIUPAL
4. Indonesian flagged vessel
5. Registered under Indonesian registry
6. Classified under BKI

Potential Hurdles

1. Difficulty in finding 51% local partners
2. Asset becomes co-owned
3. Retrieval of asset?
4. Financing rarely readily available
5. Requirement to use local crew members
6. Is this part of PTK 007?

Potential Hurdles (2)

1. Potential higher insurance premium?
2. Closed registry of Indonesian flagging system
3. Indonesian Shipping Company specific business line vs Drilling Company business line
4. Dualism in technical permits - SKT vs SIUPAL
5. Dualism in foreign shareholding requirements

How To's : Rethinking Strategy

1. How to retain maximum control over the asset?
2. How to help finance the Indonesian partner?
3. How to secure the asset?
4. How to operate the business?

BEWARE: Nominee arrangement is a big legal no no
WHY?

Way Forward

1. High level – discussion involving SKK, Migas and Ministry of Transport – understanding each of the authority’s position. Exemption is still possible!
2. Practical level – adaptability is key. Finding the right partner and getting the right deal – critical

Way Forward (2)

1. With PSC Contractors – understanding the PTK 007 against the PM 200/2015 – is this a disqualifying aspect of tender?

Questions?

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Thank you!

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