

## GEOTHERMAL BUSINESS ACTIVITY

(Government Regulation No. 59 Year 2007 dated November 5, 2007)

WITH THE BLESSING OF THE ONE AND ONLY GOD,  
THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

**Considering:**

That for exercising provisions of Article 9 sub-article (3), Article 13 sub-article (3), and Article 33 of Law No. 27 Year 2003 concerning Geothermal, it is necessary to stipulate a Government Regulation on Geothermal Business Activities.

**In view of:**

1. Article 5 sub-article (2) of the 1945 (**BN No. 7152 pages 14A-23A**) Constitution of the Republic of Indonesia;
2. Law No. 27 Year 2003 (**BN No. 7018 pages 1A-11A**) concerning Geothermal (Statute Book Year 2003 No. 115, Supplement to Statute Book No. 4327);

**DECIDES:**

**To stipulate:**

**THE GOVERNMENT REGULATION CONCERNING GEOTHERMAL BUSINESS ACTIVITY.**

**CHAPTER I  
GENERAL PROVISIONS**

**Article 1**

In this Government Regulation, what is meant by:

1. Geothermal is the source of heat energy contained in hot water, vapor, and rocks with its tailing minerals and other gases which genetically everything cannot be separated in one Geothermal system and for its utilization, mining process is required.
2. Geothermal Business activity is an activity to find for Geothermal Resources up to its utilization either directly or indirectly.
3. Preliminary Survey is an activity covering the calculation, analysis, and presentation of data related with information on geology, geophysics, and geochemical conditions to estimate the location and the availability of Geothermal Resources and work areas.
4. Exploration is a series of activities covering geology, geophysics, and geochemical examinations, test drillings, and drilling of exploration wells with the purpose of achieving and adding information on sub-surface geology condition to find and to obtain Geothermal potential estimate.
5. Feasibility Study is a stage of a Geothermal mining business activity to get detailed information of all related aspects to determine the feasibility of a Geothermal Business activity, including the drilling of delineation wells or study on the amount of exploitable reserves.
6. Exploitation is a series of activities in a certain Work Area covering drilling of development wells and re-injection wells, construction of field facilities, and production operations of Geothermal Resources.
7. Direct Utilization is an activity to utilize Geothermal energy and/or fluids for non-electricity purposes, either for public interest or own interest.
8. Indirect Utilization for electricity power is an activity to utilize Geothermal energy and/or fluids for electric energy generators, either for public interest or own interest.
9. Business enterprises are any legal entities which can be in the form of State-owned business enterprises, region owned business enterprises, cooperatives, or private enterprises established in accordance with applicable legislation provisions, performing permanent type business continuously, working and positioned within the territory of the Republic of Indonesia.
10. Geothermal Mining Business Permit, hereinafter IUP (Tzin Isaha Pertambangan Panas Bumi), is a permit to perform Geothermal Mining Business.
11. Geothermal Mining Work Area, hereinafter Work Area, is an area stipulated in IUP.
12. Indonesia Geothermal Mining Jurisdiction Area is the totality of land, waters, and continental shelf of the Republic of Indonesia.
13. Bid documents are documents prepared by a Work Area Bid Committee as guidance in the process of making and submission of bid for a Work Area by business enterprises and as guidance on bid evaluation by the Work Area Bid Committee.
14. Bid ....

14. Bid for a Work Area is a tender of a certain Work Area to business enterprises as a series of activities to get JUP.
15. The other party is a business enterprise having the expertise and capability to perform Preliminary Survey in a certain area.
16. The Central Government, hereinafter Government, is the President of the Republic of Indonesia holding the Government of the Republic of Indonesia as meant in the 1945 Constitution of the Republic of Indonesia.
17. Minister is the minister in charge of Government affairs in the field of Geothermal.

## CHAPTER II

### PHASES OF GEOTHERMAL BUSINESS ACTIVITY

#### Article 2

Phases of Geothermal business activities consist of:

- a. Preliminary Survey;
- b. Stipulation of Work Area and Bid of Work Area;
- c. Exploration;
- d. Feasibility Study;
- e. Exploitation;
- f. Utilization.

#### Part One

#### Preliminary Survey

##### Article 3

- (1) The Minister, governor, and/or regent/mayor in accordance with his authority perform Preliminary Survey.
- (2) The Preliminary Survey referred to in sub-article (1) shall be performed through coordination by the Minister, governor, and/or regent/mayor in accordance with his authority.

##### Article 4

- (1) Data collection of the result of the Preliminary Survey referred to in Articles shall be recorded and compiled for each area completed with borders, coordinates, and width of the area with the following arrangements:

- a. The governor compiles the result of the Preliminary Survey for the related provincial area by coordinating with the Government and the services and other related agencies of the provincial government and of the related regency/municipality government;
  - b. The regent/mayor compiles the result of the Preliminary Survey for the regency /municipality area concerned by coordinating with the services and other related agencies of the regency/municipality government concerned.
- (2) Governors and regents/mayors are obliged to submit data of the result of the Preliminary Survey referred to in sub-article (1) letters a and b to the Minister.

#### Article 5

Further provisions on the procedure and requirements for the performance of Preliminary Survey referred to in Article 3 and Article 4 are regulated in a Regulation of the Minister.

#### Article 6

- (1) The Minister is entitled to assign the other party to perform a Preliminary Survey.
- (2) The governor, regent/mayor or the other party may propose to the Minister for a Preliminary Survey assignment on an area.
- (3) The assignment of a Preliminary Survey by the Minister referred to in sub-article (1) and the Preliminary Survey proposed by the governor or regent/mayor referred to in sub-article (2) can be performed through bidding.
- (4) The performance of the Preliminary Survey assignment referred to in sub-article (3) is exercised by the Minister by means of:
  - a. Announcement in printed media, electronic media, and other media; and/or
  - b. Promotion through various forums, either national or international.
- (5) The assignment of a Preliminary Survey by the other party referred to in sub-article (1), sub-article (2) and sub-article (3) is performed on the expense of the other party.
- (6) For the purpose of a Preliminary Survey assignment, the Minister is entitled to stipulate the base price of vapor or of electricity from Geothermal power electric generators.

#### Article 7

- (1) The Preliminary Survey assignment referred to in Article 6 shall be submitted to the Minister with copies to the local governor, regent/mayor by attaching the map of the requested area.
- (2) The Preliminary Survey assignment referred to in sub-article (1) is performed by implementing a system where the first application meeting requirements, receives first priority to get the Preliminary Survey assignment (first come first serve).

#### Article 8

The other party performing the Preliminary Survey assignment referred to in Article 6 and 7 must:

- a. keep and secure data of the result of the Preliminary Survey until the end of the assignment; and
- b. keep confidential data acquired and submit all data to the Minister after the end of the assignment.

#### Article 9

The other party performing a Preliminary Survey assignment referred to in Article 6 and 7 does not receive a Work Area automatically.

#### Article 10

Further provisions on the procedure of Preliminary Survey assignments referred to in Articles 6 through 9 are regulated in the Ministerial Regulation.

#### Part Two

##### Stipulation of Work Area

#### Article 11

- (1) Activities on the exploitation of Geothermal Resources are conducted in a Work Area.
- (2) The Minister plans, prepares and stipulates the Work Area based on a study and processing of data of a Preliminary Survey and/or Exploration.
- (3) Planning of the Work Area referred to in sub-article (2) shall be performed with the following condition:
  - a. Transparent, participative and with full responsibility;
  - b. Integrated, by paying due observance on the national interest, related sector and the community, and shall consider the aspects of economy, ecology, socio-culture, and the environment; and

c. Paying due observance on the specification and aspiration of the area.

- (4) In the preparation and stipulation of the Work Area referred to in sub-article (2), the Minister shall consult with related agencies, provincial Government, and regency / municipality concerned.
- (5) Further provisions on the procedure for the stipulation of the Work Area referred to in sub-article (2) is regulated in the Ministerial Regulation.

#### Article 12

- (1) The Government stipulates the base price of data of the results of the Preliminary Survey and/or Exploration referred to in Article 11 sub-article (2) performed by the governor or regent/mayor.
- (2) The Minister stipulates the amount of compensation of the data of the result of the Preliminary Survey Assignment (awarded compensation) based on the report of the performance and of the financial report of the other party.
- (3) Price of the Work Area data referred to in sub-article (1) and compensation of the data referred to in sub-article (2) is made as reference by the Work Area Bid Committee.
- (4) Further provisions on the procedure for the stipulation of the amount of compensation of the data of the result of the Preliminary Survey Assignment (awarded compensation) referred to in sub-article (2) is regulated in the Ministerial Regulation.

#### Part Three

##### Exploration

#### Article 13

- (1) The Minister is entitled to perform Exploration within the Jurisdiction Area of Indonesia Geothermal Mining.
- (2) The performance of the Exploration referred to in sub-article (1) shall be made coordinated with the governor or regent/mayor concerned.
- (3) Further provisions on Exploration referred to in sub-article (1) and sub-article (2) is regulated in the Ministerial Regulation.

## Article 14

- (1) A business enterprise may perform an exploration in a Work Area after receiving an IUP.
- (2) Business enterprises are obliged to perform Exploration in accordance with good and proper mining technique norms and Geothermal Exploration standard until the Geothermal proven reserve potentials has been uncovered as basis for the issuance of a development commitment.

## Part Four

## Feasibility Study

## Article 15

- (1) IUP Holders may perform Feasibility Studies after completing an exploration and had submitted a detailed Exploration Report to the Minister, governor or regent/ mayor in accordance with its authority.
- (2) In the event the Exploration is performed by the Minister, a business enterprise may perform the Feasibility Study directly after being awarded an IUP.
- (3) Business enterprises are obliged to perform Feasibility Studies in accordance with good and proper mining technique norms and Geothermal Feasibility Study standard.
- (4) The Feasibility Study referred to in sub-article (2) covers studies on:
  - a. Determination of mining feasible reserve in the whole Work Area;
  - b. Implementation of a correct technology for Exploitation and for capturing vapors from production wells;
  - c. Location of production wells;
  - d. Design of production wells and injection wells;
  - e. Design of production well pipings;
  - f. Plan on short term and long term production capacity;
  - g. Electric power generator system and/or direct utilization system;
  - h. Conservation efforts and continuity of Geothermal Resources;
  - i. Plan on work safety and health, environment protection, and Geothermal mining techniques; and
  - j. Temporary post-mining plan.

## Part Five

## Exploitation

## Article 16

- 1) IUP Holders may perform Exploitation after the completion of the Feasibility Study and had received a decision on the feasibility of the environment based on results of analysis study on environmental impacts or an approval of environmental management efforts and environmental monitoring efforts in accordance with provisions of legislations in the field of the living environment.
- (2) Business enterprises are obliged to perform Exploitation in accordance with good and proper mining technique norms and Geothermal Exploitation standard and shall observe environmental aspects and the conservation of Geothermal Resources.

## Part Six

## Utilization

## Article 17

IUP Holders may perform the following activities:

- a. Indirect Utilization for electric power after obtaining permit on electricity business in accordance with provisions of legislations in the field of electricity ; and/or
- b. Direct Utilization where the performance there-of is regulated in a separate Government Regulation.

## Article 18

Guidance on the stipulation of Geothermal vapor price for electricity generator is regulated in the Ministerial Regulation.

## Article 19

To ensure the availability of electricity for the interest of the public, the Government may assign a Proxy of electricity business to buy vapor or electricity originating from Geothermal In accordance with legislation provisions.

## CHAPTER III

## BID OF WORK AREA

## Part One

## General

## Article 20

- (1) In the context of bidding for a Work Area, the Minister is entitled to stipulate the base price of vapor and/or electricity from Geothermal electric power generators.
- (2) The Minister, governor or regent/mayor in accordance with his authority transparently announces the Work Area referred to in Article 11 for tender to business enterprises.
- (3) The Minister, governor or regent/mayor in accordance with his authority performs the bidding of the Work Area referred to in sub-article (1) to business enterprises by using a bid method.
- (4) In performing the bidding on the Work Area referred to in sub-article (1), the Minister, governor or regent/mayor in accordance with his authority has the duty to:
  - a. Form a Work Area Bid Committee whose members consist of odd numbers of at least 5 (five) persons, knowledgeable on Work Area Bid procedure, substance of Geothermal Exploitation including its utilization, legal and other required aspects from within or outside of the agency concerned; and
  - b. To stipulate and legalize the result of the Work Area bidding.
- (5) Duties, authority and obligations of the Work Area Bid Committee referred to in sub-article (4) letter a cover:
  - a. to compile the schedule and to determine the location of the Work Area bid;
  - b. to prepare Bid Documents;
  - c. to announce the bidding of a Work Area;
  - d. to evaluate the qualification of business enterprises through pre-qualification;
  - e. to make evaluations on bids received;
  - f. to propose prospective winners; and
  - g. to make a report on the bidding of the Work Area.
- (6) The Work Area Bid Committee referred to in sub-article (4) letter a consists of:
  - a. Inter- Province Work Area Bid Committee, established by the Minister consists of representatives of the service responsible in the field of energy and mineral resources, the agency concerned, provincial government, and the local regency/municipality government;
  - b. Inter-Regency/Municipality Work Area Bid Committee, established by the governor concerned consisting of representatives of the service responsible in the field of energy and mineral resources, the service concerned, provincial government, Regency/Municipality government, and related regional government agencies;
  - c. Work Area Bid Committee within the area of authority of a Regency/ Municipality is established by the regent/mayor concerned consisting of representatives of the service responsible in the field of energy and mineral resources, the agency concerned, provincial government, regency/municipality government, and related regional government agencies;

#### Part Two

#### Bid Requirements and Procedure

#### Article 21

The Work Area Bid Committee prepares bid documents referred to in Article 20 sub-article (5) letter b covering:

- a. Administrative, technical, and financial requirements;
- b. Methods on the submission of bidding documents;
- c. Methods of bid evaluation; and
- d. Procedure for the determination of a bid winner.

#### Article 22

- (1) Business enterprises entitled to participate in a bid for a Work Area must meet the administrative, technical, and financial requirements referred to in Article 21 sub-article (1) letter a.
- (2) The administrative requirements referred to in sub-article (1) should cover at least:
  - a. IUP application letter to the Minister, governor or regent/mayor in accordance with his authority;
  - b. Identity of applicant / company deed of establishment;
  - c. Company profile;
  - d. Taxpayer Basic Number; and
  - e. Statement letter on ability to pay data compensation, except for the other party awarded Preliminary Survey Assignment.
- (3) The technical requirements referred to in sub-article (1) should cover at least:
  - a. Exploration ...

- a. Exploration or Feasibility Study Technical Plan; and
  - b. Exploration or Feasibility Study Schedule Plan.
- (4) The financial requirements referred to in sub-article (1) should cover at least:
- a. Funding ability; and
  - b. Proof of placement of bid guaranty in a minimum of 2.5% of the first year Exploration cost plan, from a local bank in the name of the Work Area Bid Committee.
- (5) The bid guaranty referred to in sub-article (4) letter b will be returned to business enterprises losers.

#### Article 23

- (1) Method for the submission of bid documents referred to in Article 21 letter b is performed in two phases, namely:
- a. Phase One, covering:
    1. Business enterprises submit administrative, technical, and financial requirements in one envelope;
    2. Address of the Work Area Bid Committee performing the Work Area Bid should be written on the envelope, with the phrase Phase One Work Area Bid Document; and
    3. On the outer envelope of the bid document, the date and time of receipt should be noted by the Work Area Bid Committee. Bid documents received after the submission time limit elapsed, are rejected.
  - b. Phase Two, covering:
    1. Business enterprises participating in a Work Area Bid, declared by the Work Area Bid Committee as having succeeded Phase One evaluation, should insert the price of vapor or electric power in the envelope;
    2. The value of bid price of vapor or electricity should be written clearly in numerals and alphabets;
    3. Bid documents are confidential in nature and shall be sent only to the stipulated addressee; and
    4. on the outer envelope of received bid documents, the date and time of receipt should be noted by the Work Area Bid Committee
- (2) The bid evaluation referred to in Article 21 letter c shall be made based on evaluations of technical quality, financial and the lowest price of vapor or electricity among bid prices.
- (3) Procedure for the determination of the winner of a Work Area Bid shall use the method referred to in Article 21 letter d covering:
- a. Phase One :
    1. Pre-qualification announcement;
    2. collecting pre-qualification documents;
    3. returning pre-qualification documents;
    4. pre-qualification evaluation;
    5. clarification and confirmation on pre-qualification documents;
    6. stipulation of pre-qualification result;
    7. announcement of pre-qualification result;
    8. pre-qualification objection period
  - b. Phase Two :
    1. invitation to successful pre-qualification participants;
    2. collecting Bid Documents;
    3. clarification;
    4. compilation of report on Bid Document clarification and its changes;
    5. submission of the price of vapor or electricity;
    6. opening of bid envelopes;
    7. stipulation of rating;
    8. notification/announcement of winner;
    9. objection period;
    10. clarification on objections; and
    11. appointment of winner.
- (4) Further provisions on the performance of bid evaluation referred to in sub-article (2) shall be regulated in the Ministerial Regulation.

#### Part Three

##### Bid on Work Area as a Result of Preliminary Survey Assignment

#### Article 24

- (1) The Minister, based on data of the Preliminary Survey assignment performed by the other party, stipulates the Work Area.
- (2) The Minister, governor or regent/mayor in accordance with his authority transparently announces the Work Area referred to in sub-article (1) to be tendered to business enterprises.

- (3) The requirements and procedure on the Work Area bid referred to in sub-article (1) is conducted with the bidding procedure referred to in Article 21, Article 22, and Article 23 sub-article (1), sub-article (2) and sub-article (3) letter except for the other party awarded a Preliminary Survey assignment, who is directly declared as being successful in Phase One.

#### Article 25

The procedure for the determination of Work Area bid winner referred to in Article 23 sub-article (3) for a Work Area as a result of a Preliminary Survey assignment is as follows:

- a. The Work Area Bid Committee in Phase Two provides chances to business enterprises being bid participants, that had passed pre-qualification and the other party awarded Preliminary Survey assignment to submit bid price of vapor or electric energy.
- b. The Minister, governor or regent/mayor in accordance with his authority stipulates the Work Area bid winner based on the lowest price of vapor or electric energy, by means of:
  1. stipulation of bid participants' rating is made based on evaluation of technical quality, finance and the lowest price of vapor or electric energy among the bid prices.
  2. In the event the bid price of vapor or electric energy submitted by the other party is higher than the other bid participants, the other party is given the right to make changes to its bid so as to be at least equal to the lowest price of vapor or electric energy submitted by other bid participants.
  3. If the other party is willing to make changes of the Bid price referred to in number 2, the concerned other party is stipulated as the Work Area bid winner by the Minister, governor or regent/mayor in accordance with his authority.
  4. If the other party is not willing to make changes on the Bid price referred to in number 2, the Minister, governor or regent/mayor in accordance with his authority stipulates the business enterprise bidding the lowest price of vapor or electric energy as the Work Area bid winner.
  5. The business enterprises as Work Area bid winner referred to in number 4 shall pay compensation on the data (awarded compensation) to the other party.

#### Part Four Objection Article 26

- (1) Work Area bid participants feeling they had suffered losses individually or severally, may submit objections if it is found out there exists:
  - a. Deviation on the provisions and procedure stipulated in Bid Documents;
  - b. Certain engineering causing unhealthy competition; and/or
  - c. Authority misuse by the Work Area Bid Committee and/or other officials having the authority.
- (2) The objection referred to in sub-article (1) shall be submitted in writing to the Minister, governor or regent/mayor in accordance with his authority five (5) days at the latest from the notification /announcement of the Work Area bid winner.
- (3) The Minister, governor or regent/mayor in accordance with his authority is obliged to response five (5) days at the latest from the receipt of the objection letter.
- (4) In the event the objection referred to in sub-article (2) is found out to be true, the bid on the Work Area should be repeated.

#### Part Five Re-Bid Article 27

- (1) The Work Area bid referred to in Article 21, Article 22, and Article 23 shall be repeated if the number of bid-submitting business enterprises is less than two (2) participants.
- (2) If after a Work Area re-bid as referred to in sub-article (1), the participants is still less than two (2) participants, then the Work Area bid participant meeting the administrative, technical, and financial requirements may be directly appointed.
- (3) A Work Area bid as a result of a Preliminary Survey assignment meant in Articles 24 and 25, in the event there are no other business enterprises submitting a bid, then the other party who was awarded Preliminary Survey assignment, to the extent it meets the administrative, technical, and financial requirements, may be appointed directly.

CHAPTER IV  
IUP (MINING BUSINESS PERMIT)  
Part One  
IUP Award  
Article 28

- (1) The exertion of Geothermal Resources covers:
  - a. Exploration;
  - b. Feasibility Study; and
  - c. Exploitation.
- (2) The exertion of Geothermal Resources referred to in sub-article (1) may be performed by business enterprises only after being awarded an IUP.
- (3) The Minister, governor or regent/mayor in accordance with his authority awards the IUP to business enterprises succeeding as Work Area Bid winner.
- (4) Each business enterprise can only be awarded one (1) Work Area.
- (5) In the event a business enterprise intends to exert more than one (1) Work Area, a separate legal entity should be established for each Work Area.
- (6) In a period of six (6) months at the latest from the IUP stipulation, the IUP Holder referred to in sub-article (3) is obliged to commence activities.

Article 29

- (1) The period to perform the Exploration referred to in Article 28 sub-article (1) letter a is valid for three (3) years at the most from the issuance of IUP, and extendable for two (2) times at the most, for one (1) year respectively.
- (2) Application for an extension should be submitted in writing to the Minister, governor or regent/mayor in accordance with his authority no later than three (3) months before the expiration of the Exploration period.
- (3) The Exploration extension referred to in sub-article (1) may be granted if it meets technical and financial requirements.

Article 30

- (1) If after the performance of an Exploration is completed, the IUP holder is obliged to submit the Feasibility Study Plan as meant in Article 28 sub-article (1) letter b to the Minister, governor or regent/mayor in accordance with his authority.

- (2) The time period to perform the Feasibility Study referred to in Article 28 sub-article (1) letter b is valid for two (2) years at the latest from the completion of the Exploration period.

Article 31

- (1) IUP Holders are obliged to submit a report on the result of the Feasibility Study in writing to the Minister, governor or regent/mayor in accordance with his authority prior to performing an Exploitation by attaching:
  - a. Exploitation short term plan and long term plan covering work plan and budgeting plan; and
  - b. Decision on the feasibility of the environment based on study result of Analysis on Environmental Impacts or an approval of Environmental Management Efforts or Environmental Monitoring Efforts.
- (2) The Exploitation long term plan referred to in sub-article (1) letter a covers:
  - a. Location of development drilling points;
  - b. Production well development activities;
  - c. Funding;
  - d. Preparing production piping channels; and
  - e. Geothermal utilization plan.

Article 32

- (1) The period to perform the Exploitation referred to in Article 28 sub-article (1) letter c is valid for 30 (thirty) years at the most from the expiration of the Exploration period.
- (2) The period to perform Exploitation may be extended for another 20 (twenty) years at the most for each extension.
- (3) In granting an approval for the extension of Exploitation performance period referred to in sub-article (1), the Minister, governor or regent/mayor in accordance with his authority should consider factors of Geothermal potential reserve in the Work Area concerned, potentials, or market certainty/needs, technical feasibility, economy and the environment.

Article 33

IUP holders who had performed Exploitation may execute Geothermal utilization directly or indirectly in accordance with legislation provisions.



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Article 34

IUP Holders have the right for a suspension of Exploitation validity period referred to in Article 32 sub-article (1) from the Minister, governor or regent/mayor in accordance with his authority until it obtain a permit for Geothermal utilization in accordance with legislation provisions.

Part Two

Temporary Cessation

Article 35

- (1) Temporary cessation of the exertion of Geothermal Resources may be granted to IUP holders in the event of force majeure and/or barring situation resulting in the cessation of a part of or the whole activities of Geothermal Mining Business.
- (2) The granting of the temporary cessation of Geothermal Resources exertion referred to in sub-article (1) does not reduce the IUP validity term.
- (3) Application for temporary cessation of Geothermal Resources exertion shall be submitted to the Minister, governor or regent/mayor in accordance with his authority no later than 14 (fourteen) days after the occurrence of the force majeure and/or barring situation resulting in the cessation of a part of or the whole activities of Geothermal Mining exertion.
- (4) The Minister, governor or regent/mayor in accordance with his authority should issue a written decision on whether to accept or reject with reasons there-of, the application referred to in sub-article (3), 30 (thirty) days at the latest from the receipt of the application.
- (5) The period for the temporary cessation due to force majeure and/or barring situation is granted for one (1) year at the latest from the date the application was received by the Minister, governor or regent/mayor in accordance with his authority as meant in sub-article (3) and may be extended once at the most for a period of one (1) year.
- (6) Further provisions on temporary cessation of Geothermal Resources exertion due to force majeure and/or barring situation is regulated in the Ministerial Regulation.

Part Three

Returning the Work Area

Article 36

The width of a Work Area for Exploration referred to in Article 28 sub-article (1) letter a which may be granted to a business enterprise having been awarded an IUP shall not exceed 200,000 (two hundred thousand) hectares.

Article 36 .....

(To be continued)

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## GEOTHERMAL BUSINESS ACTIVITY

(Government Regulation No. 59 Year 2007 dated November 5, 2007)

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### Part Three

#### Returning the Work Area

##### Article 36

The width of a Work Area for Exploration referred to in Article 28 sub-article (1) letter a which may be granted to a business enterprise having been awarded an IUP shall not exceed 200,000 (two hundred thousand) hectares.

##### Article 37

- (1) The width of the Work Area for Exploitation referred to in Article 28 sub-article (1) letter c which can be granted to a IUP holder shall not exceed 10,000 (ten thousand) hectares.
- (2) In order to obtain a Work Area with a width exceeding the provisions referred to in sub-article (1), the IUP holder should firstly receive an approval from the Minister, governor or regent/mayor in accordance with his authority attached with a report on the installed capacity of the geothermal field development.

##### Article 38

- (1) IUP holders may return a part of its Work Area to the Minister, governor or regent/mayor in accordance with his authority before the IUP term expires.
- (2) In the event a IUP holder returns all of its Work Area as meant in sub-article (1), the IUP holder should firstly submit other data and obligations contained in the IUP.

##### Article 39

- (1) If during the term of the Exploration referred to in Article 29, geothermal energy reserve which can be produced commercially is not discovered, the IUP holder had to return the whole Work Area to the Minister, governor, or regent/mayor in accordance with his authority.
- (2) IUP Holders had to return the whole Work Area to the Minister, governor, or regent/mayor in accordance with his authority after the IUP period expired.

### Article 40

- (1) During or before the expiry date of a Feasibility Study period, IUP Holders had to return in phases a portion of the Work Area no longer utilized to the Minister, governor, or regent/mayor in accordance with his authority
- (2) In a period of two (2) years at the latest after the completion of Feasibility Study activities, IUP Holders had to return the Exploration Work Area, hence the Work Area held for Exploitation shall not exceed 10,000 (ten thousand) hectares.
- (3) If the width of the original Work Area for Exploration is less than 200,000 (two hundred thousand) hectares, the IUP Holder can still hold an Exploitation Work Area as of 10,000 (ten thousand) hectares as meant in Article 37 sub-article (1).

### Article 41

- (1) Prior to returning the Work Area meant in Article 38, Article 39 and Article 40, IUP Holders should perform activities on the reclamation and preservation of environmental functions.
- (2) The returning of the Work Area meant in Article 38, Article 39 and Article 40 shall be declared legal after receiving a written approval from the Minister, governor, or regent/mayor in accordance with his authority.
- (3) Further provisions on the procedure and requirements on returning the Exploration Work Area referred to in sub-article (1) in part of or wholly are regulated in the Ministerial Regulation.

### Part Four

#### IUP Termination

##### Article 42

IUP is terminated if:

- a. validity term expires;
- b. returned;
- c. cancelled; or
- d. revoked

#### Article 43

In the event the term stipulated in the IUP expires, and application for the extension of the IUP was not submitted, or an application for an extension of the IUP did not meet requirements, then such IUP is terminated.

#### Article 44

- (1) IUP Holders may return the IUP with a written statement to the Minister, governor, or regent/mayor in accordance with his authority if Exploration results did not yield expected economic values.
- (2) The returning of the IUP referred to in sub-article (1) is declared valid after being approved by the Minister, governor, or regent/mayor in accordance with his authority.

#### Article 45

The Minister, governor, or regent/mayor in accordance with his authority can revoke the IUP if the IUP Holder:

- a. Did not settle the right on land lots, growing plants, and/or buildings damaged due to the exploitation of Geothermal Resources in accordance with legislation provisions;
- b. Did not perform Exploration in a period of six (6) months after the IUP award;
- c. Did not perform Feasibility Study in a period of six (6) months after the IUP award in the event the Exploration is performed under the control of the Minister;
- d. Did not perform Exploitation in a period of two (2) years after the Exploration period ended.
- e. In a period of one (1) year since the IUP Holder received a business permit for the utilization of geothermal did not perform any utilization activities;
- f. Did not pay state revenue in the form of tax and non-tax in accordance with legislation provisions;
- g. Did not meet stipulated requirements in accordance with legislation provisions; or
- h. Did not meet requirements on work safety and health, environmental protection, and Geothermal Mining techniques.

#### Article 46

If the IUP referred to in Articles 43 through 45 is terminated, then all rights of IUP Holders ended.

#### Article 47

- (1) If the IUP referred to in Articles 43 through 45 expired, IUP Holders are obliged to:
  - a. Settle all financial obligations, and fulfill and complete all of its obligations in accordance with legislation provisions;
  - b. Execute all stipulated provisions related with the termination of the IUP;
  - c. Take all security measures on goods and buildings as well as the condition of land in its surrounding likely to endanger public safety;
  - d. In a period of six (6) months at the latest from the termination of the IUP, to remove all goods, buildings and equipment owned that are still existing within its former Work Area, except buildings usable for public interest;
  - e. To return the whole Work Area and to hand-over all data, either in the form of analog or digital related to the performance of the Geothermal Resources exploitation to the Minister, governor, or regent/mayor in accordance with his authority.
- (2) In the event the goods, buildings and equipment referred to in sub-article (1) letter d cannot be removed from the related former Work Area, the Minister, governor, or regent/mayor in accordance with his authority is entitled to award permit to a third party for its removal.
- (3) The returning of the IUP referred to in sub-article (1) letter e is declared valid after the IUP Holder had fulfilled all obligations and had received an approval in writing from the Minister, governor, or regent/mayor in accordance with his authority.
- (4) Further provisions on the security and transfer of ownership referred to in sub-article (1) letter c and letter d is regulated in the Ministerial Regulation.

### CHAPTER IV

#### RIGHTS AND OBLIGATIONS OF IUP HOLDERS

##### Part One

##### Rights of IUP Holders

#### Article 48

- (1) IUP Holders have the rights to:
  - a. carry out Geothermal Mining Business Activities in the form of Exploration, Feasibility Study, and Exploitation within its Work Area after fulfilling legislation provisions;

b. use...

- b. use data and information for the duration of the IUP validity term in its Work Area;
  - c. receive taxation facilities in accordance with legislation provisions.
- (2) In performing Geothermal Mining Business Activities in the form of Exploration, Feasibility Study, and Exploitation referred to in sub-article (1) letter a, IUP Holders have the rights to:
- a. enter and carry out activities in the related Work Area;
  - b. use public facilities and infrastructures;
  - c. utilize Geothermal Resources for direct utilization;
  - d. sell produced Geothermal vapor; and/or
  - e. get an extension of IUP period.

#### Article 49

IUP Holders have the rights to perform all Geothermal Mining business activities referred to in Article 48 continuously after fulfilling requirements on:

- a. work safety and health,
- b. environmental protection, and
- c. geothermal mining techniques.

#### Article 50

In the Exploration phase, IUP Holders have the rights to perform Exploration using good and proper methods and equipment, covering:

- a. geology survey;
- b. geophysics survey;
- c. geochemical survey;
- d. Temperature curve (landaian) drilling; and
- e. Drilling of Exploration wells, and production testing.

#### Article 51

In the Feasibility Study phase, IUP Holders have the rights to make evaluations on reserves and on the feasibility of technical, economical and environmental aspects based on common standards.

#### Article 52

In the Exploitation phase, IUP Holders have the rights to perform all activities pursuant to results of Feasibility Study, including:

- a. development well and re-injection well drilling;

- b. construction of field and production operations facilities of Geothermal Resources;
- c. construction of producing wells;
- d. construction of infrastructures to support Geothermal Exploitation and to capture geothermal vapor.

#### Part Two

#### Obligations of IUP Holders

#### Article 53

(1) IUP Holders must:

- a. understand and obey legislations on work safety and health, environment protection, and fulfill applicable standards, covering:
  1. carrying out business in accordance with permit possessed;
  2. field development and utilization of Exploitation results from each discovered potential;
  3. fulfillment of requirements on work safety and health, environment protection, and Geothermal Mining techniques;
  4. submission of long-term plan of Exploration and/or Feasibility Study covering work plan and budget plan;
  5. submission of Exploitation short term plan and long term plan covering work plan and budget plan; and
  6. compilation of post-mining plan documents.
- b. to manage the living environment covering activities on the prevention and tackling of pollution, restoration of the living environment functions, and performance of reclamation.
- c. to pay state revenue in the form of tax and non-tax in accordance with legislation provisions;
- d. to prioritize the utilization of domestic goods, services, technology and engineering, and design capability transparently and competitively;
- e. to provide support on research and development activities on geothermal science and technology;
- f. to provide support on competence building and development, and the nurturing of human resources in the field of geothermal;

- g. to perform development and empowerment programs for the local community;
- h. to submit periodic written report of work plan and performance of Geothermal Mining Business activities to the Minister, governor, or regent/mayor in accordance with his authority.

(2) The periodic written report referred to in sub-article (1) letter h shall be made in accordance with the following provisions:

- a. For Exploration and Feasibility Study activities, reports to be submitted shall be in the form of monthly, quarterly, and annual reports, and annual work plan; or
- b. For Exploitation activities, reports to be submitted shall be in the form of monthly, quarterly, and annual reports, and annual work plan.

#### Paragraph 1

#### Work Safety and Health

#### Article 54

IUP Holders are obliged to meet work safety and health performance referred to in Article 53 sub-article (1) letter a number 3 covering:

- a. availability of work safety and health organization and personnel including chief of mining techniques;
- b. work safety and health administration management;
- c. the fulfillment of the security of equipment, work environment, work methods and process; and
- d. availability of handling procedure and analysis of work accident and health.

#### Paragraph 2

#### Environmental Protection

#### Article 55

IUP Holders are obliged to fulfill environmental protection performance referred to in Article 53 sub-article (1) letter a number 3, valued from several aspects:

- a. decision on the feasibility of the living environment based on results of analysis study on environmental impacts or an approval of environmental management efforts and environmental monitoring efforts;
- b. fulfillment of all environment quality standard and environment damage standard criteria;

- c. Report on results of the performance of environment management plan and environment monitoring plan, and
- d. Use of environment-friendly technology.

#### Paragraph 3

#### Geothermal Mining Techniques

#### Article 56

IUP Holders are obliged to meet Geothermal Mining technique performance referred to in Article 53 sub-article (1) letter a number 3, consisting of:

- a. performance of good and proper norms of mining technique and Geothermal Exploration or Exploitation standards;
- b. ability to perform Exploration on the whole Work Area;
- c. required fund/investment for Geothermal Exploration and Exploitation;
- d. Procedure to calculate the amount of resources and reserve;
- e. Planning and construction of Geothermal Development; and
- f. Efficiency in the production of Geothermal Resources.

#### Article 57

Further provisions on the performance of work safety and health, environment protection, and mining techniques, shall be regulated in accordance with legislation provisions.

#### Paragraph 4

#### Exploration and Exploitation Long Term Plan

#### Article 58

- (1) Before the start of a fiscal year, IUP Holders are obliged to submit the long term plan of Exploration and/or Feasibility Study activities referred to in Article 53 sub-article (1) letter a number 4, to the Minister, governor, or regent/mayor in accordance with his responsibility, three (3) months at the latest from the start of the Exploration or Feasibility Study phase.
- (2) The Exploration long term plan referred to in sub-article (1) covers activity plan and budget plan.

## Article 59

- (1) Before the start of a fiscal year, IUP Holders are obliged to submit the short term plan and long term plan of Exploitation activities referred to in Article 53 sub-article (1) letter a number 5, to the Minister, governor, or regent/mayor in accordance with his responsibility, one (1) year at the latest from the end of Feasibility Study activities.
- (2) The Exploitation long term plan referred to in sub-article (1) covers activity plan and budget plan including the amount of reserve.

## Article 60

- (1) Adjustments on the Exploration and Exploitation long term plan referred to in Article 58 and Article 59 may be performed each year in accordance with conditions encountered by means of annual work plan and annual budget plan.
- (2) The annual work plan and annual budget plan referred to in sub-article (1) must be submitted to the Minister, governor, or regent/mayor in accordance with his responsibility, two (2) months at the latest before annual work plan and annual budget plan proceed.

Paragraph 5  
Post-Mining Plan

## Article 61

- (1) In a period of two (2) years at the latest before the termination of Geothermal Business Activities, IUP Holders are obliged to compile and submit Post Mining Plan documents referred to in Article 53 sub-article (1) letter a number 6 to the Minister, governor, or regent/mayor in accordance with his responsibility for approval.
- (2) The Post-Mining Plan referred to in sub-article (1) consists of, among others:
  - a. Removal of installations and reclamation plan;
  - b. Handling of the living environment consisting of reclamation plan of post-mining land adjusted to Spatial Layout Detailed Plan when the analysis on environmental impacts had been approved; and
  - c. Handling of community social program during transition periods, and extended development programs.

## Article 62

- (1) IUP Holders are obliged to allocate guarantee fund for Geothermal Resources post-mining activities in a bank.
- (2) The obligation referred to in sub-article (1) should be performed from the commencement of the Exploitation period and carried out through a work and budget plan.
- (3) The placement of the allocated fund referred to in sub-article (1) and in sub-article (2), shall be agreed upon by IUP Holders, the Minister, governor or regent/mayor to function as special reserve for reclamation and post-mining activities in the related Work Area.
- (4) Further provisions on the procedure of depositing, the amount and the liquidation of post-mining guaranty fund, is regulated in the Ministerial Regulation.

Paragraph 6  
State Revenue

## Article 63

- (1) IUP Holders are obliged to pay state revenue in the form of tax and non-tax as referred to in Article 53 sub-article (1) letter c in accordance with legislation provisions.
- (2) The tax state revenue referred to in sub-article (1) consists of:
  - a. Tax;
  - b. Entry duty and other contributions on excise and import; and
  - c. Regional tax and retribution.
- (3) The non-tax state revenue referred to in sub-article (1) consists of:
  - a. State contribution in the form of Constant Contribution and Production Contribution and other state contributions in accordance with legislation provisions; and
  - b. Bonus.
- (4) Further provisions on the contribution and tariff of non-tax state revenue referred to in sub-article (3), is regulated in the Ministerial Regulation.

## Paragraph 7

Utilization of Domestic Goods, Services,  
Technology, And Engineering and Design Capability  
Article 64

- (1) IUP Holders are obliged to prioritize the utilization of domestic goods, services, technology, and engineering and design capability referred to in Article 53 sub-article (1) letter d based on applicable standards in accordance with legislation provisions.
- (2) In the event IUP Holders use services companies either foreign or domestic, it is mandatory to meet the provisions of classification and qualification of Geothermal Mining services companies.
- (3) Further provisions on the operations of Geothermal Mining services companies referred to in sub-article (2) is regulated in the Ministerial Regulation.

#### Article 65

- (1) In the event the goods, services, technology, and engineering and design capability referred to in Article 64 sub-article (1) have not yet been produced domestically, IUP Holders can get facilities to import such goods and services.
- (2) Goods and services referred to in sub-article (1) should meet standard requirements/ quality, efficiency of operations costs, guaranty on delivery time and can assure guaranty on after-sales services.
- (3) Further provisions on the form and procedure on the provision of the facilities referred to in sub-article (1) is regulated in the Finance Ministerial Regulation.

#### Paragraph 8

#### Community Development and Empowerment Program

#### Article 66

- (1) During the Exploitation phase, IUP Holders are obliged to perform local community development and empowerment programs referred to in Article 53 sub-article (1) letter g.
- (2) The development and empowerment programs for the local community referred to in sub-article (1) includes participation in the development and utilization of capability potentials of the local community by means of:
  - a. using local manpower, services and products in accordance with the required competence/specification;
  - b. assisting in community social services;
  - c. assisting in the enhancement of health, education, and training of the community; and/or
  - d. assisting in the development of means and infrastructures.

#### Article 67

In the performance of the development and empowerment program for the local community referred to in Article 66, IUP Holders had to coordinate with the local provincial government or regency/municipality government.

### CHAPTER V

#### GEOHERMAL DATA

#### Article 68

- (1) All data and information acquired in accordance with IUP provisions shall belong to the state, and arrangements on its utilization shall be made by the Minister.
- (2) The Minister stipulates arrangements on the management and utilization of data and information acquired from:
  - a. Preliminary Survey performed under the control of the Minister, governor or regent/mayor and the other party;
  - b. Exploration performed under the control of the Minister and IUP Holders; and
  - c. Exploitation performed by IUP Holders.

#### Article 69

- (1) Management of the data referred to in Article 68 sub-article (2) consists of data acquisition, administering, processing, arranging, storing, maintenance, and disposal.
- (2) Utilization of the data referred to in Article 68 sub-article (2) is for:
  - a. Stipulation of the classification of potentials and Work Area;
  - b. Compilation of National Electricity General Plan and Electric Power Supply Business Plan;
  - c. Planning for Geothermal utilization for direct utilization;
  - d. Determination of potential Geothermal resources and reserve nation-wide; and
  - e. Development of Geothermal science and technology.

#### Article 70

- (1) Sending, giving and/or transferring data acquired from Preliminary Surveys, Explorations and Exploitations referred to in Article 68 sub-article (2) must be with a permit of the Minister.

- (2) The Minister stipulates the types of data which should get the permit referred to in sub-article (1).

#### Article 71

- (1) IUP Holders are entitled to manage data acquired from Exploration and Exploitation activities in its Work Area as meant in Article 69 sub-article (1) for the duration of the validity term of the IUP, except for the disposal of data.
- (2) IUP Holders are obliged to keep the data that are used as meant in sub-article (1) within Indonesia Mining Jurisdiction Area.

#### Article 72

- (1) If the IUP terminates as meant in Articles 42, 43, 44, and 45, IUP Holders are obliged to hand-over all data acquired from Exploration and Exploitation activities to the Minister, governor, or regent/mayor in accordance with his responsibility.
- (2) IUP Holders are obliged to hand-over to the Minister, governor, or regent/mayor in accordance with his responsibility, all of the data acquired from Exploration and Exploitation activities in its Work Area if the Work Area is returned as meant in Articles 38, 39, and 40.
- (3) The Governor and Regent/Mayor are obliged to submit the data received from IUP Holders referred to in sub-article (1) and sub-article (2) to the Minister.

#### Article 73

Further provisions on the management and utilization of data referred to in Articles 69, 70, 71, and 72 are regulated in the Ministerial Regulation.

#### Article 74

Data are classified as follows:

- a. General data are data concerning the identification and geographic location of Geothermal potentials, reserve, and Geothermal Exploitation;
- b. Basic data, i.e. a description or amount of recording or noting results of geological, geophysics, geochemical, temperature curve, Exploration and Exploitation activities;
- c. Processed data, i.e. data acquired from analysis and evaluation results of basic data; and
- d. Interpreted data, i.e. data acquired from interpretation results of basic data and/or processed data.

#### Article 75

- (1) The basic data, processed data, and interpreted data referred to in Article 74 are classified as confidential for a certain period.
- (2) The confidentiality period of the data referred to in sub-article (1) is as follows:
- a. General data is stipulated for four (4) years;
  - b. Basic data is stipulated for six (6) years;
  - c. Interpreted data is stipulated for eight (8) years;
- (3) If a Work Area is returned to the Minister, governor or regent/mayor referred to in Articles 38, 39 and 40, all data of the related Work Area shall no longer be classified as confidential data.

### CHAPTER VI

#### NURTURING AND SUPERVISION

#### Article 76

- (1) The Minister performs nurturing and supervision on the operations of geothermal mining business performed by the governor, regent and mayor.
- (2) The Nurturing and supervision referred to in sub-article (1) covers stipulation of policy execution, guidance, nurturing, facilitation, direction, supervision, monitoring and training in the following matters:
- a. Performance of Preliminary Survey;
  - b. Work Area Bid;
  - c. Permits;
  - d. Nurturing and control on IUP Holders; and
  - e. Management of geothermal data and information.
- (3) Further provisions on the nurturing and supervision referred to in sub-article (2) are regulated in the Ministerial Regulation.

#### Article 77

The Minister, governor, or regent/mayor in accordance with his responsibility perform nurturing and supervision on the performance of geothermal mining business performed by IUP Holders.

#### Article 78

The Nurturing and supervision referred to in sub-article (1) covers:

- a. Exploration, consisting of:
  1. technique norms;
  2. standards;



3. planning;
  4. budget;
  5. performance of activities (timely);
  6. reporting; and
  7. estimated resources and reserve;
- b. Exploitation, consisting of:
1. technique norms;
  2. standards;
  3. planning;
  4. reserve;
  5. production;
  6. performance report; and
  7. optimization of the utilization of geothermal energy.
- c. Finance, consisting of:
1. budget planning;
  2. realization of expenditures;
  3. investments; and
  4. fulfillment of payment obligations.
- d. Processing of Geothermal data, consisting of::
1. resources and reserve;
  2. absorption and outlet area;
  3. injection wells;
  4. production/development wells;
  5. reservoir characteristics; and
  6. production.
- e. Conservation of minerals, consisting of:
1. optimization of the utilization of Geothermal Resources potentials;
  2. utilization of tailing minerals;
- f. Work safety and health, consisting of:
1. Work safety and health organization and personnel, including chief of mining techniques;
  2. management of work safety and health administration;
  3. security of equipment, work environment, work methods and process; and
  4. work accident and health handling procedures and analysis.
- g. Management of living environment and reclamation, consisting of:
1. compilation and performance of analysis on environmental impacts, or environmental management efforts and environmental monitoring efforts; and
  2. performance of reclamation.
- h. Utilization of domestic goods, services, technology, and engineering and design capability.
- i. Development of Indonesian manpower, consisting of:
1. working capability and transfer of technology; and
  2. empowerment and use of local manpower.
- j. Development of the local environment and community, consisting of:
1. integration of community development program;
  2. partnership between IUP Holders and the community;
  3. realization of the use of community development fund.
- k. Command, development and implementation of Geothermal Mining technology, consisting of:
1. Exploration and Exploitation technology;
  2. implementation of technique norms and standards;
  3. calculation of reserve and capacity of Geothermal sources; and
  4. technology to overcome Exploitation constraints.
- l. Other activities in the field of Geothermal Mining business activities to the extent it concerns the public interest, consisting of:
1. Execution of provisions concerning the distance of production drilling to public facilities;
  2. settlement of indemnification on damages caused by Geothermal activities; and
  3. securing public facilities, holy places and cultural preservations.
- m. Geothermal management; and
- n. Implementation of norms of economy and techniques, consisting of:
1. Feasibility analysis procedure;
  2. utilization of new technology;
  3. efficiency, rationality of activities, and operations costs;
  4. analysis of sensitivity of changes; and
  5. Feasibility Study covering planning, analysis on environmental impacts, or environmental management efforts and environmental monitoring efforts, economy, evaluation of reserve; and performance.

## Article 79

Control on the performance of work safety and health, environmental protection and Geothermal Mining technique is performed by the Mining Inspector in accordance with legislation provisions.

## Article 80

The governor, regent, and mayor in accordance with his authority are obliged to report results of the performance of Geothermal Mining business in his area respectively once in every six (6) months to the Minister.

## CHAPTER VII

## ADMINISTRATIVE SANCTIONS

## Article 81

- (1) The Minister, governor, or regent/mayor in accordance with his authority are entitled to impose administrative sanctions to IUP Holders for violations on provisions referred to in Article 28 sub-article (6), Article 30 sub-article (1), Article 41 sub-article (1), Article 38 sub-article (2), Article 39 sub-article (1), sub-article (2), Article 40 sub-article (1), sub-article (2), Article 41 sub-article (1), Article 53 sub-article (1), Article 54, Article 55, Article 56, Article 58 sub-article (1), Article 59 sub-article (1), Article 61 sub-article (1), Article 62 sub-article (1), sub-article (2), Article 63 sub-article (1), Article 64 sub-article (1), sub-article (2), Article 66 sub-article (1), Article 70 sub-article (1), Article 71 sub-article (1), sub-article (2), Article 72 sub-article (1) or sub-article (2).
- (2) The administrative sanction referred to in sub-article (1) is in the form of:
  - a. written warning;
  - b. temporary cessation of all Exploration or Exploitation activities; or
  - c. revocation of permit

## Article 82

- (1) The written warning referred to in Article 81 sub-article (2) letter a is imposed on IUP Holders for violations of the provisions referred to in Article 81 sub-article (1).

- (2) The written warning referred to in sub-article (1) is imposed for a maximum of three (3) times with a warning period of one (1) month respectively.

## Article 83

- (1) In the event IUP Holders imposed of a written warning sanction after the expiration of the third written warning referred to in Article 82 sub-article (2) had not yet executed its obligations, the Minister, governor, or regent/mayor in accordance with his authority shall impose an administrative sanction in the form of temporary cessation of all Exploration or Exploitation activities referred to in Article 81 sub-article (2) letter b.
- (2) The administrative sanction in the form of temporary cessation of all activities referred to in Article 81 sub-article (1) shall be imposed of for a maximum of three (3) months.
- (3) The administrative sanction referred to in sub-article (2) may be revoked if during the sanction imposing period, the IUP Holders fulfilled its obligations.

## Article 84

The administrative sanction in the form of permit revocation referred to in Article 81 sub-article (2) letter c shall be imposed on IUP Holders who is imposed on with the administrative sanction referred to in Article 83 sub-article (2) who did not execute its obligations until the expiry date of the temporary cessation period of all exploration or exploitation activities.

## CHAPTER VIII

## TRANSITIONAL PROVISIONS

## Article 85

When this Government Regulation commences to come to effect, the Authority, Permit for Geothermal Exploitation for Electric Power Generators or Geothermal Resources Exploitation Contracts and/or Vapor or Electric Power Purchase Contracts in a Work Area existing before this Government Regulation comes to effect, remains in force until the expiry date of such Authority, Permit, or Contract, and may be extended by adhering to this Government Regulation.

## Article 86

If in the Work Area referred to in Article 85, Exploitation activities had not yet been performed until October 2010 at the latest, then the Holders of such Authority, Permit and Contract are obliged to return its Work Area to the Government by adhering to this Government Regulation.

## Article 87

The exercise of the authority in the management of Geothermal Mining in the form of Authority, Permit or Contract referred to in Article 85 is performed by the Minister.

## CHAPTER IX

## CLOSING PROVISIONS

## Article 88

This Government Regulation comes to effect from the day of enactment.

For public cognizance, this Government Regulation shall be announced in the Statute Book of the Republic of Indonesia.

Stipulated in Jakarta

On November 5, 2007

PRESIDENT OF THE REPUBLIC OF INDONESIA

Sgd

DR. H. SUSILO BAMBANG YUDHOYONO

Enacted in Jakarta

On November 5, 2007

MINISTER OF LAW AND HUMAN RIGHTS  
OF THE REPUBLIC OF INDONESIA

Sgd

ANDI MATTALATTA

STATUTE BOOK OF THE REPUBLIC OF INDONESIA.

YEAR 2007 NO. 132

ELUCIDATION  
OF GOVERNMENT REGULATION OF THE  
REPUBLIC OF INDONESIA No. 59 Year  
2007  
CONCERNING  
GEOTHERMAL BUSINESS ACTIVITIES

## I. GENERAL

Geothermal Resources is a blessing of the One and Only God providing benefits to support a continuous development, providing total added value, increasing the State revenue and income of the public to motivate national economic growth for the enhancement of the prosperity and welfare of the people.

The State of Indonesia is located on the longest volcanic belt in the world. As a country passed by a volcanic belt, potential geothermal resources spread across from the Island of Sumatra, Java Island, Bali Island, Nusa Tenggara Islands, Maluku Islands, up to the Island of Sulawesi. Considering the large Geothermal Resources potential of Indonesia, the role of geothermal utilization can be increased in line with the national energy policy particularly in the aspects of conservation and diversification of energy, and can be utilized directly for drying farming products, heating of houses/hospitals in cool areas, as recreation and medical areas; hence it is very reasonable if the exploitation of geothermal is determined to be one of the accelerators to increase the prosperity and welfare of the Indonesian people.

On the upstream side, geothermal exploitation is characterized by large investments, high technology and great risk. Therefore, to prevent failure risks in the drilling of Geothermal Exploration, it is necessary for the Government and the Regional Government to perform Preliminary Surveys and/or to increase Exploration activities to data geothermal potentials as a consideration in the preparation and stipulation of a Geothermal Work Area.

Phases of Geothermal Business activity consists of Preliminary Survey, Work Area Stipulation and Work Area Bid, Exploration, feasibility Study, Exploitation, and Utilization activities. These activities may be performed separately and/or integrated. However, all of these activities must be able to provide a certainty in the development of geothermal which for all this time, the main utilization is for electric power, although it cannot be denied that geothermal can still be utilized for other purposes directly.

Due to its uniqueness differing from natural oil and gas and other mining substances where its development is very flexible, geothermal shall possess an economic value only if the upper-stream side is utilized. Therefore, the arrangement of the upper-stream side of geothermal business in line with down-stream activities related with its utilization shall be regulated separately or shall follow legislation provisions.

This Government Regulation regulates geothermal up-stream business activities, covering among others arrangements on the performance of activities in the exploitation of Geothermal Mining, i.e. Preliminary Survey, Vapor Exploration and Exploitation, including nurturing and control, mechanism in the preparation of a Work Area, bid on Geothermal Work Area, Geothermal Mining Business activities (IUP), rights and obligations of IUP Holders, as well as data and information.

To ensure the performance of geothermal exploitation so as to be able to achieve desired goals and targets, the Government and the Regional Government must exercise nurturing and control.

In order to provide a legal basis for the operations of geothermal exploitation activities which adopts the principles of benefit, efficiency, justice, togetherness, optimization of economy in the utilization of resources, achievability, continuity, confidence and reliance on own capability, security and safety, preservation of living environment functions and legal certainty; it is necessary to be stipulated with a Government Regulation.

## II. ARTICLE BY ARTICLE

### Article 1 through Article 3

Self-explanatory

### Article 4

#### Sub-article (1)

What is meant by "service" is the service in charge of geothermal mining matters.

#### Sub-article (2)

Self-explanatory

### Article 5 through Article 10

Self-explanatory

### Article 11

#### Sub-article (1) through Sub-article (3)

Self-explanatory

#### Sub-article (4)

What is meant by "related agency" are Government departments and/or non-department institutions.

Consultation is meant to provide clarifications on borders, coordinates, and plan of a certain Work Area deemed potential to contain geothermal resources as a Work Area.

#### Sub-article (5)

Self-explanatory

### Article 12

#### Sub-article (1)

Data basic price of a Work Area is classified based on the condition of region potentials, essence of Preliminary Survey and/or Exploration data.

#### Sub-article (2) through Sub-article (4)

Self-explanatory

### Article 13

Self-explanatory

### Article 14

#### Sub-article (1)

In the framework of developing under-developed regions, Explorations in such regions may be performed until data on proven reserves has been obtained.

#### Sub-article (2)

Self-explanatory

### Article 15 through Article 18

Self-explanatory

### Article 19

What is meant by "Electricity Business Proxy" is an authority awarded by the Government to state-owned business enterprises assigned with a mission solely to perform business in the supply of electric power for public interest, and provided with a mission to perform electric power supporting business works. What is meant by "legislation provisions" is statutory regulations in the field of electricity.

## Article 20

Sub-article (1) through Sub-article (5)

Self-explanatory

Sub-article (6)

Letter a

What is meant by "related agency" are Government departments and/or non-department institutions.

Letter b and Letter c

Self-explanatory

## Article 21

Self-explanatory

## Article 22

Sub-article (1) through Sub-article (3)

Self-explanatory

Sub-article (4)

Letter a

Funding ability among others is in the form of a submission of an audited financial statement of the latest year.

Letter b

Placement of bid guaranty is a requirement for business enterprises as proof of the seriousness of the business enterprise concerned to follow the Work Area Bid.

Sub-article (5)

Self-explanatory

Article 23 through Article 31

Self-explanatory

## Article 32

Sub-article (1) and Sub-article (2)

Self-explanatory

Sub-article (3)

Considering that geothermal exploitation has a particular characteristic, i.e. great investment, high technology and existing in remote areas, IUP Holders are assured to get an extension of Exploration period if it meets technical, economic and environmental requirements.

Article 33 and Article 34

Self-explanatory

## Article 35

Sub-article (1)

What is meant by "force majeure" among others are war, civil disturbances, rebellion, epidemic, earthquake, flood, fire and other natural catastrophe beyond human capabilities.

What is meant by "barring situation" among others are blockades, strikes, labor conflicts not due to the fault of IUP Holders, and/or legislations issued by the Government obstructing mining business activities that are in progress.

Sub-article (2)

What is meant by "shall not decrease IUP validity term" is that the temporary cessation of IUP is not accounted for in the IUP validity period.

Sub-article (3) through Sub-article (6)

Self-explanatory

Article 36 and Article 37

Self-explanatory

## Article 38

Sub-article (1)

This provision is meant to enable the Minister, governor, and regent/mayor in accordance with his authority respectively, to appoint other business enterprises by tendering a Work Area to exploit a part of a Work Area granted to a IUP Holder, hence the utilization of geothermal resources can be executed optimally.

Sub-article (2)

Self-explanatory

## Article 39

Sub-article (1)

What is meant by commercial production in this provision is the production which commercially yields profit to the State and the business enterprise.

Sub-article (2)

Self-explanatory

## Article 40

Sub-article (1)

This provision is meant so that geothermal fields deemed to be not economical (marginal) by IUP Holders, can be utilized optimally.

Sub-article (2) and Sub-article (3)  
Self-explanatory

Article 41 through Article 44  
Self-explanatory

Article 45

Letter a through Letter f  
Self-explanatory

Letter g

What is meant by "legislation provisions" in this Government Regulation are statutory regulations concerning geothermal.

Article 46

Self-explanatory

Article 47

Sub-article (1)

Letter a through Letter c  
Self-explanatory

Letter d

Buildings usable for public interest, among others are air fields, hospitals, and roads.

Letter e

Self-explanatory

Sub-article (2) through Sub-article (4)

Self-explanatory

Article 48

Sub-article (1)

Self-explanatory

Sub-article (2)

Letter a through Letter d  
Self-explanatory

Letter e

Extension of IUP term is given to ensure the certainty of business and the optimizing of geothermal resources utilization after a business enterprise meets the feasibility of technical, economical and environmental requirements.

Article 49

What is meant by "continuously" is that the activities are performed consecutively from the Exploration phase, Feasibility Study phase, and Exploration phase.

Article 50

Self-explanatory

Article 51

What is meant by "common standard" is Indonesia National Standard

Article 52

Self-explanatory

Article 53

Sub-article (1)

Letter a

Self-explanatory

Number 1

Self-explanatory

Number 2

The development of a geothermal field is performed if a Feasibility Study had been conducted and had met economy aspect and the availability of markets.

Number 3 through Number 6

Self-explanatory

Letter b through Letter h

Self-explanatory

Sub-article (2)

Self-explanatory

Article 54 through Article 57

Self-explanatory

Article 58

Sub-article (1)

The submission of the long term plan of Exploration activities providing information in nature, is meant to align it with the long term development plan of the Government or Regional Government, including inventorying the amount of investments. The submission of the activity plan is not meant to obtain an approval of the Government or Regional Government.

Sub-article (2)

Self-explanatory

Article 59 through Article 61

Self-explanatory

**Article 62****Sub-article (1) and Sub-article (2)**

Self-explanatory

**Sub-article (3)**

The placement of allocated fund shall be deposited in a government bank in the name of the IUP Issuer attn. the IUP Holder.

**Sub-article (4)**

Self-explanatory

**Article 63****Sub-article (1)**

Self-explanatory

**Sub-article (2)****Letter a**

Self-explanatory

**Letter b**

What is meant by "other contributions on excise", e.g. duty stamp.

What is meant by "other contributions on import", e.g. value added tax on luxurious goods.

**Letter c**

Self-explanatory

**Sub-article (3)****Letter a**

What is meant by "constant contribution", are contributions paid to the State as compensation of the opportunity for Exploration, Feasibility Study and Exploration in a Work Area.

What is meant by "production contribution", are contributions paid to the State on yields gained from Geothermal Mining business.

What is meant by "other State contributions", e.g. education and training services, and research and development services.

**Letter b**

What is meant by "bonus" in this provision is the price of data of the Work Area.

**Sub-article (4)**

Self-explanatory

**Article 64**

Self-explanatory

**Article 65****Sub-article (1)**

In prioritizing the use of domestic goods and services, it should still consider requirements on technical, quality, timely delivery, competitive price and guaranty on after-sales services aspects.

**Sub-article (2) and Sub-article (3)**

Self-explanatory

**Article 66****Sub-article (1)**

The local community development and empowerment programs is performed by IUP Holders to assist Government program in enhancing the productivity of the community, and the people's socio-economy capability through the empowerment of regional potentials continuously..

**Sub-article (2)**

Self-explanatory

**Article 67**

Self-explanatory

**Article 68****Sub-article (1)**

Self-explanatory

**Sub-article (2)**

The objective of data management and utilization is to support the stipulation of a Work Area, formulation of technical policies, operations of Government affairs, and supervision in the field of Exploration and Exploitation, execution of Exploration and Exploitation, and socialization of data to users as well as exchange of data.

Article 69.....

( To be continued )

====(D)=====

## GEOHERMAL BUSINESS ACTIVITY

(Government Regulation No. 59 Year 2007 dated November 5, 2007)

[Continued from Business News No. 7651 pages 21A-32A]

Article 69 through Article 75

Self-explanatory

Article 76

Sub-article (1)

Self-explanatory

Sub-article (2)

Policy is a statement of the principle used as basis in the arrangement to achieve targets of Geothermal Mining business operations.

Guidance is a general reference to be further broken down, and may be conformed to the characteristics and capability of the local area related to Geothermal Mining business operations.

Nurturance is exercised on the compilation of procedures and mechanisms of the performance of Geothermal Mining business operations.

Directing is exercised on the formulation of plans, programs, and activities/projects having a nation-wide and regional nature in accordance with its periodicity.

Supervision is performed on the performance of Geothermal Mining business operations.

Training is conducted for the purpose of enhancing the quality of human resources in the form of education and training.

Sub-article (3)

Self-explanatory

Article 77 through Article 84

Self-explanatory

Article 85

What is meant by Proxy and Geothermal Exploitation Permit for Electric Power Generator and Geothermal Exploitation Contract and/or Vapor or Electric Power Purchase Contract in a Work Area, is the Proxy, Permit, Vapor or Electric Power Exploitation and/or Purchase Contract In all areas awarded by the Government to PT. Pertamina (Persero) or PT. Pertamina (Persero) cooperating with Joint Operation Contract Contractors, or the Proxy awarded by the Government to PT. PLN (Persero) or to Private Enterprises for the development of energy/electricity or Permit on Small Scale Geothermal Development to Cooperatives,

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