

Urgency of Oil and Gas Licensing Simplification

Monday, 11 December 2017 WIB, By: Marwati



Department of Politics and Government Studies collaborating with Special Work Unit on Oil and Gas held a focus group discussion (FGD) which raised Simplification of Oil and Gas Upstream Business Licensing as its theme. This discussion was attended by academicians from law, politics, and economic sectors. The event which was held on Tuesday (5/12) at Faculty of Social and Political Sciences UGM was also attended by representatives from two Contractors of Partnership Contract, Chevron Pacific and Total Indonesia.

The difficult licensing process in the oil and gas upstream business causes the uncondusive investment climate in this sector. One of the factors that causes the issue is the inefficiency of administrative procedure, the strong sectorial ego, and the lack of coordination as well as rent-seeking practice in the national institution that has the authority to provide the license.

The identification result which is done by the Special Work Unit as the Oil and Gas Upstream Business Implementer shows there are as many as 373 licensing steps that have to be passed before implementing the oil and gas upstream business.

“Based on the identification by the Special Work Unit on Oil and Gas, the licensing process takes around eight until ten years to start the production,” said Didik Sasono, Head of Formality Division

at Special Work Unit on Oil and Gas.

Rikardo Simarmata, agrarian law expert, responded to the formulation of the licensing document. Rikardo said improvement in licensing procedure is required to reduce licensing fee, improve market distortion, and avoid externalities that emerge due to the short-term action in the utilization of natural resources. From 373 steps, the Special Work Unit provides a simplification in the licensing management in four clusters, those are engineering rules, safety and security, space management, the utilization of resources or other infrastructures, as well as environmental preservation. Through this simplification, the licensing process is expected to take only one to two years.

Responding to the simplification, Cornelis Lay, Chief of Centre for Politics and Government UGM said the formulation of legal regulation is essential and required to be done. However, Cornelis Lay emphasizes the importance of political risk management. This licensing simplification can cause resistance from the actors who have been involved in the long existing process.

“Several actors will be resistant, thus this matter requires a holding institution,” said Cornelis Lay.

On the other hand, Poppy Ismalina, an economic expert from Faculty of Economics and Business UGM, said the licensing management cannot be related to efficiency issue. Poppy emphasizes economic calculation should not be neglected. Poppy also highlighted the importance of regional interest in oil and gas upstream sector.

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