

Investing in Indonesia Shale Gas and CBM: Regulatory, Taxation & Commercial Guide



Faculty Directors



Shamim Razavi

Foreign Legal Counsel

Susandarini and Partners in association with Norton Rose Fulbright Australia

Legal & Regulatory Lead



Ichwan Sukardi

Head of Corporate Tax

PT Medco Energi International TBK

Tax Lead



Peter Cockcroft

Non-Executive Director

NuEnergy Gas Limited

Commercial Lead

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FACULTY DIRECTOR



Shamim Razavi

Foreign Legal Counsel

Susandarini and Partners in association with Norton Rose Fulbright Australia

Shamim Razavi has extensive experience advising foreign investors in Indonesia. His industry expertise includes the acquisition of oil, gas and mining assets and the establishment of joint ventures with Indonesian entities, both private and state-owned. He has advised on some of the largest recent transactions in the oil and gas sector in Indonesia, including on the disposal of Exxon's PT Arun assets. Shamim's practice incorporates the provision of legal advice to resources operations companies and investment entities on matters ranging from general corporate organisation to employment, financial compliance, and management of relations with Indonesian regulators. His clients include offshore private equity houses, hedge funds, international banks, energy production interests, and offtakers. He is noted for his client focus and delivery of commercial results dependably and on time.

He is a graduate of Oxford University and his recent relevant experience includes:

- Advising a holder of several Indonesian PSCs on its day-to-day operations and relationship with BPMIGAS.
- Advising an acquiror on all aspects of its proposed acquisition of the NW Natuna PSC and holding company from Genting Oil.
- Advising on the asset quality, transaction structure and documentation for the acquisition of Exxon's PT Arun assets.
- Advising the United Nations on energy security aspects of the secession of South Sudan.
- Advising an international retail major on its entry into the Indonesian market (ongoing).
- Advising a major private equity fund on the acquisition of a company with a range of Joint Study approvals and on further funding for that company as it moves towards drilling and production.
- Advising a foreign investor on the acquisition of a strategic stake in a number of Indonesian earlystage oil exploration and production companies.
- Advising SINOPEC on its Indonesian investment strategy

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FACULTY DIRECTOR



Ichwan Sukardi

Head of Corporate Tax
PT Medco Energi International TBK

Since October 2012, Ichwan has been the Head of Corporate Tax of PT Medco Energi International TBK (www.medcoenergi.com), the Indonesian largest oil and gas listed company in the country. His role is to ensure the holding company and its onshore & offshore subsidiaries to comply with the tax regulations. In addition to managing tax compliances of 140 subsidiaries, he is also responsible for tax planning and M&A structuring. Prior to this, Ichwan served as a Tax – Partner within KPMG Indonesia focusing on the Energy and Natural Resources (“ENR”) sector. Since 1996, Ichwan has provided tax consulting and tax compliance services to a wide range of multi-national and domestic companies in a variety of industries. A partner in KPMG since 2008, Ichwan was the head of ENR practice (Audit, Tax and Advisory) of KPMG in Indonesia. He is the ASPAC board members representing Indonesian practice for ENR sector.

Further, Ichwan is recognized as the oil and gas expert by KPMG and therefore he was appointed as a Subject Matter Expert (SME”) of oil and gas practice representing Asia Pacific region within KPMG global. His role included contributing thought leadership publications and spot “hot topics” in the global oil and gas arena for publication. Ichwan has always a strong client focus having been Lead Tax Partner for large multinational clients including BP, Chevron, Shell, CNOOC, Pertamina, eni, ConocoPhillips, Talisman, Siam Cement Group, PTT, Amway, etc. Ichwan is a member of the Indonesian Tax Consultant Association, International Fiscal Association, and Indonesian Petroleum Association. He regularly speaks around Indonesia and the region on taxation of oil and gas, mining, investments, transfer pricing, and other general and international tax issues. Ichwan holds a Master degree in International Tax Law (LL.M) from the International Tax Centre, Leiden University, Netherlands (2005) as well as a Bachelor of Law focusing on Business Law (1995) and a Bachelor Tax Administration degree (1993), both awarded by the University of Indonesia.



Peter Cockcroft

Non-Executive Director
NuEnergy Gas Limited

Peter Cockcroft is a well known international oil industry executive with a proven track record for successfully managing international energy businesses in various countries, including entrepreneurial project identification, management and implementation (including financing), both in the petroleum and power sector. He has held management and executive positions in many countries with companies such as Shell, BHP, Premier Oil and others. Peter has also worked with the national oil companies of Indonesia and South Korea, and as a special advisor to the Prime Minister of Timor-Leste. Peter recently advised the Indonesian authorities on the formation of a coal bed methane fiscal regime.

Peter is internationally recognised as a Distinguished Lecturer on Risk for the Society of Petroleum Engineers, Life Member of SPE, Life Member of South East Asian Petroleum Exploration Society, Graduate of AICD Mastery program, Certified Petroleum Geologist, and a Member of the Institute of Directors in the UK. He has previously held board positions in Australia, Indonesia, India, Kuwait and USA. Peter has authored in excess of thirty papers in the energy sector.

Program Details

PROGRAM SUMMARY

Program:	Investing in Indonesia Shale Gas and CBM: Regulatory, Taxation & Commercial Guide	Early Bird 1 (Register & pay by 12 Aug 2013):	US\$1,950
Dates:	7 & 8 October 2013 (2 days program)	Early Bird 2 (Register & pay by 9 Sep 2013):	US\$2,150
Location:	Shangri-La Hotel, Jakarta, Indonesia	Regular Tuition Fee:	US\$2,250

For limited time only by 9th September 2013, register 3 participants and the 4th participant will receive a complimentary seat (only one discount scheme applies).

Program Essence:	Indonesia's moves to encourage development of its estimated unconventional gas reserves such as shale gas and coalbed methane (CBM) through tenders for exploration and production has focused oil & gas industry attention on commercial viability of its unconventional gas resources. This two-day executive program is designed to provide current and potential investors with a comprehensive understanding of the potential as well as legal, tax & commercial considerations for more successful unconventional gas plays in Indonesia.
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KEY HIGHLIGHTS

A recent government study estimates that Indonesia has potential shale gas reserves of around 574 trillion cubic feet (Tcf), with the potential to boost Indonesia's decreasing oil & gas production.

As Indonesia looks to offer more unconventional gas blocks for tender in a bid to improve its energy security amidst expanding energy needs, it will be timely for industry stakeholders to have a better understanding of the potential opportunities as well as practical considerations for a successful unconventional gas PSC contract bid and development.

Unconventional gas such as CBM and shale are still in its infancy stages in Indonesia with the potential to grow and avoid the development pitfalls experienced by more matured markets such as the US & Australia. Indonesia's unique geography, market factors and an evolving regulatory framework make it essential for stakeholders to be able to effectively determine and grasp the long term commercial potential for CBM & shale plays.

This executive program will provide a venue for companies and potential investors to equip themselves with a working understanding of the legal, tax and commercial considerations for potential investments into unconventional gas exploration & development in Indonesia (*namely shale gas and CBM*), in order to make the right judgement calls and minimize potential investment risks.

This uniquely structured and interactive 2-day program will be led by 3 highly regarded industry practitioners with significant on-the-ground expertise in Indonesia's upstream and unconventional gas industry.

Program Details

WHO WILL BENEFIT MOST

This program is designed specifically for all C-level, Directors, Head of Departments, Managers & Executives dealing with:

- Energy / Oil & Gas
- Unconventional
- Upstream
- Exploration
- New Ventures
- Legal
- Tax / Corporate Tax
- Finance
- Investments
- GCommercial
- Operations
- Strategy
- Business Development
- Mergers & Acquisitions / Joint Ventures

LEARNING OBJECTIVES

- **Gain** a well-rounded view of both the legal and non-legal considerations for making more informed decisions about unconventional gas plays in Indonesia
- **Understand** your legal and regulatory obligations as a foreign investor making investments into Indonesia's unconventional gas sector
- **Review** PSC contractual considerations for unconventional gas investments in Indonesia
- **Assess** your recourse for dispute resolution and mediation for ensuring the security of your unconventional gas investments in Indonesia
- **Examine** the taxation structures in place for unconventional gas investments
- **Manage** commercial considerations and minimize operational risk challenges when accessing new unconventional exploration and production business in Indonesia
- **Improve** how you source and work with domestic joint venture partners in Indonesia's unconventional gas industry
- **Avoid** common pitfalls and mistakes of unconventional gas investments and operations in developing markets like Indonesia

Program Outline & Agenda

Day 1 – 7th October 2013, Monday

Morning (09:00 – 12:30) – Legal & Regulatory Considerations



Shamim Razavi

Foreign Legal Counsel

Susandarini and Partners in association with Norton Rose Fulbright Australia

Regulatory Policies in Force for Unconventional Oil & Gas Investments that Investors Must Comply with

- Overview of the Indonesia Unconventional Oil & Gas Industry, with focus on recent developments for Shale Gas
- Who are the main stakeholders involved? - Main stakeholders, relevant regulator, governmental bodies/organizations, main domestic & foreign players in unconventional oil & gas sector to date
- What regulations/policies in force for (a) foreign investment, and (b) unconventional oil & gas industry - legislation to date on Indonesia oil & gas sector
- The approval and regulatory process for all stages
- Relationship between investor / exploration company and host government
- Fiscal Regime in Indonesia for unconventional gas
- Legal responsibilities and liabilities, transparency
- Enforcement of unconventional oil & gas regulations
- Production sharing contracts
- Conditions for Oil & Gas Investments and Compliance obligations
- Issues related to inwards remittances and outward remittances - what is allowed and what is still under sanctions / not permitted
- Policies/Regulations related to Environment and sustainability in oil & gas investments
- Investment licensing - How to receive investment permit in Indonesia
- Licensing of oil & gas projects

Understand the Foreign Direct Investment Law in Indonesia and How it Impacts Your Potential Investments into Unconventional Oil & Gas Industry

- Foreign Direct Investment Law requirements for overseas oil & gas sector investors
 - o Percentage of ownership for foreign firms in projects for exploration, accessing and transporting and processing unconventional oil & gas
 - o Minimum investment values
 - o Guarantees against nationalization
 - o Local Partner and levels of control for partner

Program Outline & Agenda

Day 1 – 7th October 2013, Monday

Afternoon (13:30 – 17:00) – Legal & Regulatory Considerations



Shamim Razavi

Foreign Legal Counsel

Susandarini and Partners in association with Norton Rose Fulbright Australia

PSC Contractual Considerations for Indonesia Unconventional Oil & Gas Investments

- Unconventional Production Sharing Contracts in Indonesia
- Main areas of difference between conventional and unconventional gas PSCs
- Expected government take from unconventional gas such as shale gas and CBM
- Shale gas working acreage
- Capital decisions, operating practices and contract extensions
- Legal, tax & cost recovery aspects of farm-ins and farm-outs
- Contract renegotiation, tax treaty renegotiations
- Service contracts
- Unconventional gas pricing and potential domestic supply requirements
- Management of unconventional PSCs in Indonesia - how to speed up exploration operations cycle time and cut costs
- What is expected to be the unconventional PSC Extension Process in Indonesia

Dispute Resoultion, Mediation and Towards Ensuring the Security of Your Unconventional Oil & Gas Investments

Legal certainty and contract sanctity - sanctity of existing contracts to support the capital intensive long-life nature of unconventional oil and gas projects (such as shale gas & CBM) and provide the certainty that the investor requires

- Risk management, prevention of fraud and proper governance
- Due diligence tips for improving the security of your shale gas / unconventional oil & gas industry investments
- Dispute resolution, arbitration clauses for unconventional gas contracts
- How to avoid disputes
- Land issues
- Local Participation
- Learning from the mistakes of others

Program Outline & Agenda

Day 2 – 8th October 2013, Tuesday

Morning (09:00 – 12:30) – Taxation Considerations



Ichwan Sukardi
Head of Corporate Tax
PT Medco Energi International TBK

What Are The Taxation Frameworks In Place For Unconventional Oil & Gas Investments in Indonesia?

- Introduction to the taxation of Oil and Gas under the Production Sharing Contract in Indonesia
 - o Overview of the old law;
 - o Taxation provision of the PSC;
 - o 2001 Oil and Gas Law;
 - o Taxation provision PSC model for unconventional gas.
- Government Regulation No. 79 concerning “Cost Recovery and Provisions on Income Tax in Oil and Gas Activities”
 - o Scope of the regulation and application;
 - o PSC provisions included under the regulation;
 - o Negative list of cost recovery;
 - o Tax treatment of income outside the contract, such as Transfer of Participating Interest;
 - o Tax incentives and facilities under the regulation;
 - o Administrative and audit issues;
 - o New government authority over contracts – *new risks for investors*
- Investment considerations and tax planning
 - o Tax structuring for entry into Oil and Gas investment;
 - o Tax structuring for divestment of Oil and Gas investment;
- Current taxation issues of oil and gas industries
 - o Branch Profit Tax (BPT);
 - o Interest recovery;
 - o Head office cost allocation;
 - o PSC company as a VAT collector;
 - o Tax audit of PSC company;
 - o Import facility – import of goods for O&G activities;
 - o Transfer of PSC interest;
 - o VAT reimbursement;
 - o Land and Building Tax.
 - o Taxation of transfer of Participating Interest

Program Outline & Agenda

Day 2 – 8th October 2013, Tuesday

Afternoon (13:30 – 17:00) – Commercial Considerations



Peter Cockcroft
Non-Executive Director
NuEnergy Gas Limited

Political and Economic Outlook for Unconventional Investments in Indonesia

Conducting a Risk Analysis for Your Unconventional Gas Investment

Walkthrough of Processes for Investing into Unconventional Oil & Gas in Indonesia

- Walkthrough of steps necessary for unconventional oil & gas investments
 - Define your intended business activity
 - Identify the relevant ministries/authorities in charge of the business sector/activity
 - Establish contact with the relevant ministries/authorities (need for endorsement/no-objection for the investment applications)
 - Determine the appropriate entity to be established in Indonesia (wholly foreign owned entity allowed for investments / Joint Venture; sourcing for local partners ahead of time critical)
- Understanding the tendering/bidding process for unconventional oil & gas blocks in Indonesia
- How are unconventional oil & gas blocks (such as shale gas and CBM) generally awarded in bid rounds in Indonesia?
- Any key differences in bidding process for shale gas vs CBM that you need to be aware of
- Moving effectively through the contract negotiations phase

Financial Considerations for Unconventional Gas Investments in Indonesia

- Fund raising for unconventional gas investments such as shale gas and CBM - Risk and rewards on unconventional gas investments
- What are stakeholders options for early stage E&P of unproven reserves as exist in unconventional gas?
- Requirements from financiers – how project financing for unconventional gas can be structured?
- Realistic valuations for your unconventional investment

Considerations when Working with Domestic Indonesian Partner / Joint Venture Partners

Expected Key challenges for Unconventional Gas JVs in Indonesia:

- Sourcing for appropriate domestic partners for unconventional gas in Indonesia
- Conducting due diligence
- Structuring the unconventional oil & gas joint venture agreement – what are restrictions on direct acquisition of shares in wholly Indonesian-owned local companies; and onshore versus offshore developments
- Rights and obligations in unconventional oil & gas contracts in Indonesia
- Dispute resolution and arbitration clauses - what is your recourse for dispute resolution and enforcement of JV contracts

Unconventional Gas in Indonesia – Potential HR Issues that You Need to be Aware of

Issues and Trends Impacting Ability to Access New Unconventional E&P Business in Indonesia

- Access to data and information in Indonesia
- How are regulators incentivizing exploration and reserves growth for unconventional resources like shale gas and CBM
- Transparency considerations in Indonesia for the investor

REGISTRATION PAGE

Booking Contact (Approving Manager) Mr/Mrs/Ms: _____
 Job Title: _____ Department: _____
 Telephone: _____ Fax: _____
 Email: _____
 Organization: _____
 Address: _____
 _____ Postal Code: _____

I would like to receive more information on hotel accommodation using Clariden Global corporate rate.

Please Register the following participant(s) for this Program:

1st Participant Name (Mr/Mrs/Ms): _____
 Job Title: _____ Department: _____
 Telephone: _____ Fax: _____
 Email: _____ Date of Birth: _____

2nd Participant Name (Mr/Mrs/Ms): _____
 Job Title: _____ Department: _____
 Telephone: _____ Fax: _____
 Email: _____ Date of Birth: _____

3rd Participant Name (Mr/Mrs/Ms): _____
 Job Title: _____ Department: _____
 Telephone: _____ Fax: _____
 Email: _____ Date of Birth: _____

4th Participant Name (Mr/Mrs/Ms): _____
 Job Title: _____ Department: _____
 Telephone: _____ Fax: _____
 Email: _____ Date of Birth: _____

PROGRAM FEES

- 1ST EARLY BIRD FEE: US\$1,950**
(Registration and payment must be received by 12 August 2013)
- 2ND EARLY BIRD FEE: US\$2,150**
(Registration and payment must be received by 9 September 2013)
- REGULAR FEE: US\$2,250**
- GROUP DISCOUNT:** For 2 registrations from the same company and billing source, the 2nd participant enjoys a 10% discount.
- For registrations of 3 from the same company and billing source, the 4th participant receives a complimentary seat. One discount scheme applies per company.
- Important Notice: Payments are required with registration and must be received prior to the Course to guarantee your place.

PAYMENT METHODS

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BY TELEGRAPHIC TRANSFER TO:

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 Bank code: **7144**
 Branch code: **001**
 Bank Address: **6 Battery Road, #01-01, Singapore 049909**
 Bank Account No: **0107775042**
 Bank Account name: **CLARIDEN GLOBAL INTERNATIONAL LIMITED**
 SWIFT Code: **SCBLSGSG**

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4 WAYS TO REGISTER



Email: admissions@claridenglobal.com



Fax: +65 6567 4328



Call: +65 6899 5030



Website: www.claridenglobal.com

DATE AND LOCATION

This executive program will be held at:

Shangri-La Hotel, Jakarta, Indonesia

7 – 8 October 2013

Kota BNI JL. Jend. Sudirman Kav. 1, Jakarta, 10220, Indonesia

Tel : +62 21 2922 9999

Fax : +62 21 2922 9900

Website : <http://www.shangri-la.com/jakarta/shangrila/>

The fee for this two-day executive program includes all written materials, lunch and refreshments.

HOW TO REGISTER AND PAY

An invoice and registration confirmation will be sent within 7 days, please contact us if you have not heard from us within 7 days. Payment can be made by credit card, by bank transfer or by cheque made payable to "Clariden Global International Limited". **ALL PAYMENTS MUST BE RECEIVED IN ADVANCE OF THE EVENT.**

ACCOMMODATION

Accommodation is not included in the program fee but you will be entitled to use our corporate rate for your accommodation. Information will be sent along with your registration confirmation.

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