

An LDI Training Course

Understanding Indonesian Production Sharing Contracts

From the Past to the Present

INTRODUCTION

In Indonesia, the production sharing contract (PSC) is a contract signed by the government of Indonesia and an oil company that allows the company to explore and produce oil and gas in Indonesia.

This contract specifies the percentage of oil and gas production each party will receive after the participating parties have recovered a specified amount of costs and expenses.

The Indonesian PSC system has been evolving since its birth in 1966. Besides the common form of PSC, Indonesia has several other forms of agreements that allow oil companies to operate in Indonesia.

In this course, participants will:

Learn the various forms of oil and gas contracts

Know the changes in the Indonesian production sharing contracts from the past until the present.

Understand the basic philosophy and concepts of the PSC system

Know the benefits and risks of PSC

Be able to evaluate and select the best form of contracts

Course Content

Introduction to Oil and Gas Industry

- What:
Access to oil and gas resources, ownership and licensing
- Why:
Commercial realities, resources, and reserves, objectives of host countries
- How:
Negotiation framework and strategy, geological and fiscal regimes, contractual system

Type of Oil and Gas Contract

Role of government and contractors, contractual terms and conditions, commercial terms in licensing

Concession
Service Contract
PSC

History of Indonesian PSC and Its Commercial Elements

Pre-PSC

Colonial Era
Post-Independence Era

Production Sharing Contracts

First Generation (1966 – 1975)

Government/Pertamina and contractor, production split, taxes, ceiling cost recovery, DMO, bonuses

Second Generation (1976 – 1988)

IRS - Tax issues, no ceiling cost recovery (GAAP), modified DMO, production split impacts due to taxes issues, Investment Credit (IC), Depreciation

Third Generation (1989 – 2016)

FTP, ceiling cost recovery due to FTP, IC, export price for DMO, incentive packages

Fourth Generation (2017 – present)

PSC Gross split

Who Should Attend

Anyone who needs to know and understand the Indonesia PSC system.

For more information on the course, please visit lditraining.com or contact LDI Training at lditrain@indo.net.id.

LDI's Outline /Understanding Indonesian PSC: Past and Present/