Political Policy on Oil and Gas Law in the Indonesian House of Representatives

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The focus of this study is an interaction in reality, namely in the political process of oil and gas law in the House of Representatives, Commission VII. The research is a qualitative study. It is limited to activities in Commission VII and the Legislature, and certain actors involved in the discussion of the Oil and Gas Law. In addition, this study is a detailed study of a work unit for a certain period of time. The results showed: 1) delays in the preparation stage, especially in the preparation of the initial draft of the bill and academic texts or the terms of reference; 2) The encouragement of political motives has removed representation of the people's aspirations from the priorities of members of the House of Representative, in every decision especially as related to the submission of the Oil and Gas Law which should be based on the interests of the people, not those of political parties; 3) House of Representative members cannot provide sufficient time for their work in the Legislative Body, because other parliamentary tasks in each Commission consume a lot of time and energy; 4) Sub-optimal access to information on the development of discussion on the Oil and Gas Law, hampering community participation in input to the law.

\textbf{Key words:} Political Process-Oil and Gas Law-DPR RI (House of Representatives of the Republic of Indonesia).

\textbf{Introduction}

Energy has become increasingly important and a concern for all parties today. Oil, natural gas, coal, nuclear, and various other energy sources are becoming a “struggle” and their ownership must be controlled from upstream to downstream. Therefore it is not uncommon
that energy causes conflicts between business people, and between countries. The primary problems in the energy sector are mainly related to security of supply, which consists of access to energy (the ability to obtain energy in an affordable amount and price), as well as continuity of supply or maintaining supply from a variety of disturbances. The growth of energy demand is very large, especially in new industrial countries (China and India), which has not been accompanied by the discovery of sufficient new sources and greater production. That is not to mention the added threats and potential conflicts in several regions threatening the security of energy supply, from countries possessing large energy resources to countries that import energy (Knittel, 2012); (Abdul Wahab, 1999); (Abdul Wahab, 2001); (Alwasilah, 2002); (Aryani dan Ariyanti, 2012).

A country is said to have energy security if able to maintain its supply at the required price within reasonable limits, to support sustainable economic and community growth. Energy security is very important for developed and developing countries, especially for energy importing countries. Energy security is not guaranteed if there is a lack of supply. This has often happened especially for petroleum, for example: in the first oil crisis due to an embargo by Saudi Arabia, a second oil crisis due to the Iran-Iraq war, the Gulf crisis following the Iraqi invasion of Kuwait, and subsequently the Gulf War, and oil prices continuing to soar as a result of the American invasion of Iraq. Natural disasters such as Hurricane Katrina in the United States cause fluctuations in world oil prices due to disruption, in 2005 of a number of oil infrastructures in the Gulf of Mexico (Atamasmita, 2003); (Azhary, 1995); (Azhary, 1992); (Aryani, 2012).

The Government of Indonesia is well aware of the importance of energy security. That is so in terms of access to energy, namely the ability to obtain energy in an affordable amount and price. It is also true in the sense of sustaining supply or maintaining supply from a variety of disturbances. This can be seen in the political will of the government and Parliament in 2001 to compile and enact Law No.22 of 2001 concerning Oil and Gas. It was a revision of Law Number 44 Prp. 1960 concerning Oil and Gas Mining, Law Number 15 of 1962 concerning the Establishment of Government Regulations Substituting Law Number 2 of 1962 concerning Obligations of Oil Companies to Meet Domestic Needs. It also revised Law of Number 8 of 1971 concerning Oil Mining Companies and State Natural Gas, which is considered to be no longer in line with the development of the oil and gas mining business.

Three main considerations were the basis of the executive and legislative power, at the compilation and enactment of Law No.22 of 2001. First, national development must be directed towards the realization of people's welfare, by reforming all aspects of national and state life based on Pancasila and the 1945 Constitution. Second, oil and natural gas are non-renewable strategic natural resources controlled by the state. They are vital commodities that control the lives of many people and possess an important role in the national economy.
Thus, their management must be able to provide maximum prosperity and welfare for the people. Third, oil and gas business activities have an important role in tangibly adding value to national economic growth which is increasing and sustainable (Auer, 2011); (Attamimi and Hamid, 1990); (Belajar, 2016); (Bte Mohamed and Bekhet, 2016).

However, very high energy consumption has turned Indonesia (PT. Pertamina), originally an oil exporting country, into an oil importing country. Thus, at the same time Law No.22 of 2001 “needed to be evaluated”, to meet the dynamics of domestic energy needs. Reform of energy companies was also needed, to make their management more efficient, through an instrument or policy scenario. This, among other factors, encourages efforts to revise Law No.22 of 2001 concerning Oil and Gas, including the new RRU on Oil and Gas in the relevant national legislation program (Prolegnas).

The issue of oil and gas has fulfilled the requirements as a public problem. Therefore it has been included as an agenda of the Government and Parliament, to be discussed through Prolegnas. That is ironic however. Over a period of up to 12 years, discussions for the formulation and determination of amendments to Law Number 22 Year 2001 concerning Oil and Gas, have not yet met common ground. There has not even been a serious discussion at the time the law is included in the Prolegnas agenda (Bungin, 2003); (Busroh and Busro, 1983); (Cochran, 2011); (Considine, 1996).

To harmonize the development model in the oil and gas sector (Oil and Gas) in Indonesia, it is necessary to look at three main necessities, namely: the development of a new, sustainable paradigm of Oil and Gas; technology transfer for development activities and national progress; and the political will for an Oil and Gas policy that is democratic and transparent. In a broader context, a further step in the world of Oil and Gas is to make it the main issue balanced with political, economic, social and legal issues. Therefore it requires comprehensive, objective, and wise thinking. As stated previously, to achieve the country's goals for societal welfare, effective and efficient management of natural resources is needed. Their arrangements must go through an inclusive law, covering the interests of all stakeholders in a fair manner. However, what happened in the process of drafting and revising the Oil and Gas Law from 2001 to 2016 has never been resolved because of the many interests in the process. Political will is the main key in the process of drafting the Law. That is the background which sets out the importance of this research, which is to, among other matters, examine in depth and comprehensively the political process in the discussion of the Oil and Gas Bill (Demirbasa et al., 2004); (Deutch, 2011); (Dye, 1987); (Denzin and Yvonna, 2009); (Dunn and Rita, 1992).

**Methodology**
This research is a study of the political process in the formulation of public policies, especially the Draft of Law on Amendments to Law No.22 of 2001 concerning Oil and Gas, better known as the Oil and Gas Law in the Indonesian House of Representatives.

This research was conducted at the House of Representatives, especially in Commission VII, where the Legislative Body's work unit was located. This work unit was chosen as a place of research because it has the function of public policy formulation, which deals with: (1) the political process, in the form of data and information collection in the context of drafting the Oil and Gas Bill; and (2) the first level discussion process, namely: discussion in Commission Meetings, Joint Commission Meetings, Legislative Body Meetings, Budget Board Meetings or Special Committee Meetings (Dunn and Rita, 2003); (Dryzek, 1982); (Fadjar, 2004); (Fahmi, 2013); (Farida dan Soeprapto, 1998).

The key informants for this research are the Chairperson of Commission VII of the Regional House of Representatives (DPRD) of the Republic of Indonesia, the Chairperson of the Legislative Body, and the Secretary of the Chairperson of Commission VII and the Secretary of the Chairperson of the Legislative Body. Other informants were staff from the Ministry of Law and the Human Rights Office, members of Commission VII, and members of the Legislative Body. The selection of research informants used purposive sampling based on participation criteria in commission meetings or joint commission meetings, or participation in activities related to the planning and discussion of the Oil and Gas Bill. In addition, the researcher also selected informants using judgment sampling technique, specifically for staff from the Ministry of Law and Human Rights, staff from the Secretariat of Commission VII, and staff from the Legislative Body Secretariat, based on consideration of “ownership” of information related to the planning and discussion process of the Oil and Gas Bill.

Data collection in this study was carried out through observation, interviews and document searches (documentation technique). In the process of collecting data, a humane approach between the researcher and the data source (informant) became the main instrument. By using informants as research subjects, “data collection” refers to the assumption that data sources can provide responses in the form of signs, adjustments, and responses to the environment (Flinn, 2016); (Graham et al., 2016); (Guess and Paul, 2011); (Howlett and Ramesh, 1995); (Howlett and Ramesh, 1998).

Presentation of data is the arrangement of a set of information that allows conclusions to be generated and action to be taken. It helps in understanding what happened and to do something, including deeper analysis or taking action based on understanding. If, in the data that has been presented, verified and concluded, it is felt that there are still irregularities, duplications and internal asynchronocity, then the data condensation stage will be resumed. In this study the data presented was synchronized or adjusted to the research problem, and to
ensure its coherence. It was detailed in accordance with the research focus (Hammond and Spence, 2016); (Huda, 2005); (Insan, 2011); (Islamy, 2000); (Islamy, 2001).

Discussion

Oil and natural gas is one of the strategic, non-renewable natural resources controlled by the state. It is also a vital commodity that controls the livelihoods of many people and has an important role in the national economy. Thus, its management must maximise prosperity and welfare for the people. Article 33 paragraph (2) and paragraph (3) of the 1945 Constitution stipulates that production branches which are important for the state, and which control the livelihoods of the public, are controlled by the state. Likewise the earth, water and natural resources contained therein are controlled by the state, and used as much as possible for the prosperity and welfare of the people.

The implementation of oil and gas resource management is directed only to investment and exports. That indicates the legal politics of oil and gas sales, and no strategy to reserve oil and gas resources for future people's needs (Mining Advocacy Network Magazine, 2005). This can be seen in the development of production sharing contracts as oil and gas management contracts in Indonesia, a country which has several generations and each generation has a different principle. Production sharing contract system consist of various, very exploitative principles. Oil and gas management only emphasizes dredging. It is not accompanied by protection of the rights of local communities, mitigating their impacts. Other evidence is based on research data obtained by the Mining Advocacy Network (Jatam). In 1998 the Suharto presidential government spent 75% of Indonesia's oil reserves (Mining Advocacy Network Magazine, 2005) (Jones, 1997); (Katalog 2016); (Kelsen, 1995); (Knoepfel, 2007); (Kusumohamidjojo, 1999).

The enactment of Law No. 22/2001 on Oil and Gas also does not change the oil and gas management system. The contract system used by Law Number 22 Year 2001 with Law Number 8 Year 1971 concerning Pertamina is the same. The production-sharing contract system as stipulated in Article 1 number 19 of Law Number 22 Year 2001 concerning Oil and Gas (Lindblom, 1959); (Lindblom, 1980); (Lubis, 2007); (Mas’oed, 1999); (McJeon et al., 2016).

The replacement of several state administrators who hold state authority does not at all reflect a cessation of oil and gas liberalization. At present the exploitation of oil and gas has become increasingly insurmountable, rules are issued for the sake of investment benefits only. Indonesia as one of the colonies of energy resources and the consumption market has inevitably been shifted to globalism and imperialism. Energy is one of the biggest contributors to the State Budget (APBN), especially oil and gas in the control of
globalization. With the project of market opening, privatization and intervention of energy consumers, in this context mega state projects are no longer in the politics of development law as was the case under Suharto's administration. Rather, they are in the occupation of the economy of natural resources, vital assets of the economy and control of the local market by foreign companies. This is where the importance of discussion on the legal politics of oil and gas management will impact on Indonesia's readiness in dealing with the free market of oil and gas management, especially in terms of the rule of law. In the midst of the chaotic conditions of the oil and gas infrastructure and business, it is highly unlikely that Indonesia will be able to compete competitively in a free market. This includes normative regulation through the Oil and Gas Law on management.

Thus, it cannot be denied that the Oil and Gas Law has an important role in regulating all aspects of Oil and Gas management, without exception, from upstream to downstream. Several aspects must be immediately resolved in the Oil and Gas Law, including that the state's position in the utilization of natural resources must be strong. In other words, ownership rights to Oil and Gas are in the state and the state itself must obtain benefits. However, state profits should not be derived from factors that harm investors. Furthermore, changes to the Oil and Gas Law must aim to increase production. In addition, the new rules in the oil and gas sector can attract investors to invest their capital in Indonesia; not the other way, which scares investors. The provisions contained in the revision of the Oil and Gas Law are related to forestry, the environment, shipping, taxation, central and regional financial balance, and investment; not a longer and complicated contractual procedure. The complexity of the problem and the many parties and sectors involved in it have made the preparation of the Oil and Gas Law very laden with political content and interests that greatly affect the prosperous achievement of oil and gas management for the people.

In general, the process of drafting a law goes through a long political process as explained above. Since 2000, the House of Representatives and the Government have stated their program indicators in the so-called National Development Program (Law No. 25 of 2000). In the National Development Program (Propenas) there are indicators for the development of the legal sector; one of the indicators is the stipulation of around 120 items of legislation. From these points Propenas compiled what is called the National Legislation Program (Prolegnas), in which approximately 200 laws are planned for completion in five years. Then from Prolegnas an annual priority bill is made which will be discussed by the Government and the Parliament, called the Annual Development Plan (Repeta).

The National Legislation Program itself is prepared, through coordination between the DPR represented by the Legislature and the Government represented by Bappenas. Then the discussion process is the same as the discussion of the law, only involving all representatives of the Commission in the DPR. The preparation of the Repeta is carried out by the Government (represented by the Minister of Justice and Human Rights) and the Legislative
Body after obtaining input from the Faction and the Commission, as well as from the Secretariat General. The informant of this research, AT, states as follows:

“We know what is called Propenas or the National Legislation Program in which there are approximately 200 laws that are planned to be completed in five years. Then from Prolegnas an annual priority bill is made which will be discussed by the Government and the Parliament, called the Annual Development Plan (Repeta). Whereas Prolegnas is prepared through coordination between the DPR which is represented by the Legislature and the Government is represented by Bappenas. Then the process of discussion is the same as the process of discussing the law, only involving all representatives of the Commission in the DPR. The preparation of the Repeta is carried out by the Government (represented by the Minister of Justice and Human Rights) and the Legislative Body after obtaining input from the Faction and Commission and from the Secretariat General” (Interview, 23 April 2017).

The interview showed the role of the Commission and the Legislative Body in the process of drafting bills in the DPR. In connection with the formation of the Commission and the Commission's tasks, the informant of this study (GIP, from Commission VII), stated as follows (Mahfud, 1999); (Mahfud, 2001); (Miles et al., 2014); (Mitchell and Gibson, 2011); (Nugroho, 2014):

“The composition and membership of the Commission is determined by the DPR in the plenary meeting according to the balance and even distribution of the number of members of each faction, at the beginning of the DPR membership period and at the beginning of the Session Year. Every Member, except the Chair of the MPR and the DPR, must be a member of one of the Commissions”.

Furthermore, the DPR-RI Commission is including several criteria in the Repeta for the compilation of matters in the Draft Bill: (1) ordered directly by law; (2) stipulated by MPR Decree; (3) related to the national economy; and (4) related to the protection of economic and social life. To respond to social conditions that occur in society, there is a tolerance limit of 10-20 percent, in discussing bills beyond those stipulated in Repeta. Submission of a bill by the Parliament or the Government is then based on the Repeta (Olsen and Mjelde, 2015); (Parsons, 1997); (Purbacaraka and Soekanto, 1989); (Per Ove, 2012); (Ranggawidjaja, 1998).

The political process occurred because of the many tug-of-war interests in its preparation. For example, see the Decision of the Constitutional Court Case Number 002 / PUU-I / 2003 on 21 December 2004. It cancelled Article 12 paragraph (3), Article 22 paragraph (1), and Article 28 paragraph (2) and paragraph (3) of Law Number 22 Year 2001 concerning Oil and Gas, because it contradicted Article 33 paragraph (2) and paragraph (3) of the 1945 Constitution of the Republic of Indonesia (1945 Constitution). Therefore the annulled articles
no longer have binding legal force. The Court also decided upon judicial review regarding Law Number 2 of 2001 concerning Oil and Gas, through its Decision No. 36 / PUU-X / 2012. The Court, among others, cancelled Article 1 number 23, Article 4 paragraph (3), Article 41 paragraph (2), Article 44, Article 45, Article 48 (1), Article 59 letter a, Article 61, and Article 63 of the Oil and Gas Law. Further, the Constitutional Court cancelled the following phrases: “with the Implementing Body in Article 11 paragraph (1)”, the phrase “through the Implementing Agency in Article 20 paragraph (3)”, the phrase “based on consideration of the Implementing Body and in Article 21 paragraph (1)”, the phrase “Implementing Body and in Article 49 of Law Number 22 Year 2001 concerning Oil and Gas”. This is consistent with what was said by SY (the informant is a Member of the Commission), as follows:

“…the drafting of the bill and the oil and gas law can be said to be a political process because it is very tough because there are many tug-of-war interests in the drafting. The Oil and Gas Law has been revised many times and entered the Constitutional Court courtroom. Many provisions have been cancelled and revised by the Constitutional Court. However, the revision never finished. However, since 2010 the Oil and Gas Law has always been a priority in the national legislation program. I personally acknowledge that the revision process of the Oil and Gas Law is indeed quite tough because several things affect the toughness of the discussion of this one bill, including oil and gas as a strategic non-renewable natural resource which is a vital commodity that controls the lives of many people. Therefore, according to him, the formulation of rules must be sought so that its management can be optimal for the greatest prosperity and welfare of the people ... on the other hand oil and gas business activities tend to lead to liberalization. As a result, the formulation of rules on oil and gas becomes a tangent to many aspects of the economy. Oil and gas management must be able to bring a positive impact on people's welfare, namely that the oil and gas sector is not only a source of state revenue, but must be able to encourage national economic growth”. (Interview, 20 January, 2017) (Ransford, 2011); (Simon, 2004); (Soejadi, 1999); (Syihabuddin, 2003); (Schacht, 1979).

Procedurally, the formation of a law (one of which is the Oil and Gas Law) is a stage of activities carried out on an ongoing basis. This process begins with the formation of an idea about the need for regulation of a problem, which is then continued by the activity of preparing a draft law either by the House of Representatives, the Regional Representative Council, or by the Government. Subsequently there is discussion of the draft law in the House of Representatives to obtain mutual agreement, proceed with endorsement, ending with enactment.

Along with the dynamics of change that occur in society, the process of drafting a bill requires community participation. That has two meanings, process and substance. The process is a mechanism in the formation of laws. It must be done transparently so that the
community can provide input in managing an issue. The substance is the material to be regulated. It must be aimed at the interests of the wider community, so as to produce a democratic, responsive and populist character. In other words, the enactment of laws is not only determined by formal legal rules and the political will of the legislators, but also takes into account the interests of the community (participating interest), for the welfare of the community and local government. This is as regulated in Government Regulation No. 35/2004 concerning Upstream Oil and Gas Business Activities, in Articles 34 and 35.

The strong debate in the revision of the Oil and Gas Law derives from being inefficient cost recovery in upstream oil and gas operations. This is because there has never been an audit of the price of fuel (BBM) and the basic costs of oil and natural gas production, either for national Indonesia oil company (Pertamina), nor foreign corporations such as Exxon Mobil, Chevron, Shell, British Petroleum, and others. Until now, what is known has only been the comparative price or the price difference between the domestic fuel price and the world oil price, especially the prevailing fuel prices in Singapore. Therefore, the determination of the price of fuel, which is marketed domestically, is largely determined by the price mechanism based on MOPS plus Alpha.

Law No. 22/2001 concerning Oil and Gas has also reduced national sovereignty in contracts which tend to place the state and the contractor in an equal position. Energy policy in the future should prioritize the development of new energy as a substitute for oil and gas energy. The new energy referred to is the development of fuel energy derived from agricultural products, such as plants. To develop this energy, it is necessary to support long-term funds (petroleum funds), in addition to policy support. Therefore, in the bill of oil and gas law it is necessary to regulate funds for the development of renewable fuel energy as a substitute for oil and gas reserves (Setiyo et al., 2016); (Siagian, 1981); (Sugiyono, 2005); (Suharto, 2012); (Thaib, 1999).

In the 2009-2014 DPR membership period, the Government and DPR attempted to express political will, in a Bill on Oil and Gas (RUU Migas) in accordance with the 2009-2014 National Legislation Program. But it has not yet been approved as law. In 2014-2019 the Oil and Gas Bill was re-entered into the National Legislation Program, and became a priority in 2015 as a DPR proposal. Based on various problems that occurred, relating to the management of oil and gas in Indonesia, one way to improve the national petroleum system was to improve its policy basis, namely Law Number 22 of 2001 concerning Oil and Gas.

**Implication**

The political process of preparing the Oil and Gas Law occurs in stages; planning, drafting and discussion. Politically the planning of the Oil and Gas Law comes from several sources,
namely: (1) the Bill of the President; (2) Bill from the DPR; and (3) Bill from the DPD. The political process in the process of planning, drafting and discussing the Oil and Gas Law takes place because this Law originated from the executive’s initiative, and entered into the National Legislation Program, which included many interests in developing its drafting process.

The Oil and Gas Law is historically planned and compiled, based on executive initiatives which were then included in the National Legislation Program. It has not been resolved until now, because the priority of its discussion is based on the needs of what is urgent law at the time, especially when it involves certain political interests. Therefore Prolegnas always fails to meet its targets, when the plans made in Prolegnas are compared with their realization each year. The long political process of formulating public policies in the DPR began with the registration of input from factions, commissions, and the community. It was then determined as a decision of the Legislative Body. Next, the decision of the Legislative Body is a matter of consultation with the Government. The results of the consultation with the Government are subsequently reported to the Plenary Meeting to be set (Winkler, 2005); (Winardi, 1990); (Wolde-Ghiorgis, 2002); (Yin, 1996).

A good model of public policy-making in a representative institution (DPR) has the following characteristics: 1) Transparency in planning, monitoring, and evaluating the results of Prolegnas. Mainly, the DPR does this as the coordinator of the National Legislation Program, in formulating public policies. In the future preparation of Prolegnas it is important to consider several things. Better methods and mechanisms in preparing Prolegnas must be made. Further, the level of participation must be made more effective, by broader stakeholder identification, the provision of adequate information, and sufficient time for enactment. In addition, it is important to note that the DPD must be involved more substantively, in relation to its role as a regional representative. 2) Consistency in Prolegnas’ criteria, prioritised previously, so as to create certainty in Prolegnas. Prolegnas as compiled by the Government must be more focused and professional in its management.
REFERENCES


