

MEMR 16/2024: Overview of Carbon Storage Activities in Designated Permit Areas

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On 20 December 2024, Ministry of Energy and Mineral Resources issued Ministerial Regulation No. 16 of 2024 regarding Implementation of Carbon Storage Activities in Designated Storage Areas with respect to Carbon Capture and Storage Activities (“MEMR 16/2024”) which came into force on December 24, 2025. This regulation acts as the implementing regulation of Presidential Regulation No. 14 of 2024 on the Implementation of Carbon Capture and Storage (“CCS”) Activities, providing a detailed framework for carbon storage activities in designated permit areas. The foregoing regulation sets out provisions among others, on (a) policies for preparation, area determination and offering the area permitted for carbon storage, (b) the auction and limited selection procedure, (c) the offering and performance guarantees, (d) licensing to explore, operate the storage, and transport of carbon, (e) closing the operation of carbon storage, (f) post operational undertaking, and (g) sanctions.

Key Highlights:

Establishment of Area Offering Team for Carbon Storage Permit - The Ministry of Energy and Mineral Resources (“MEMR”) has established an intergovernmental specialist team comprising technical, economic, legal and/or other relevant sector specialists.

Carbon Storage Permit Areas – MEMR 16/2024 specifies the areas which are permitted for carbon storage i.e., open areas, mining business permit areas, and working areas where exploration and exploitation of oil and gas are carried out.

Bidding of Carbon Storage Permit Area through Auction and Limited Selection – MEMR will undertake a “selecting event” (i.e., auction or limited selection) to determine the CCS operator. Areas identified by MEMR are offered through public auctions, while limited selection are carried out for areas proposed by a legal entity or permanent business entity (either domestic entities or foreign permanent establishments). Participants in limited selections are limited to; (1) proponent parties; and (2) domestic entities or foreign permanent establishment registered on the short list. Both types of selecting event require participants to submit a Participation Document, accompanied with a bidding guarantee of 100% of the license awarded compensation, as determined by MEMR.

Licensing Sequence – After selecting the winner of the auction or limited selection, the winner must obtain the required licenses and comply with the procedure, as follows:

- 1. ZTI Exploration** – Carbon storage is designated for injection into the Injection Target Zone (*Zona Target Injeksi* or “ZTI”). Initially, a CCS operator conducts an exploration to identify the ZTI’s potential within the designated areas. This activity requires an exploration permit granted to the auction or limited selection winner. The permit may be applied for by domestic entities, foreign permanent establishments, or their consortium. Further, the winner as a permit holder must provide a performance guarantee of exploration commitment amounting 10% of the total commitment or at least US\$ 1,500,000.

If the exploration indicates carbon storage capacity with commercial viability, permit holders will submit a Plan for Development and Operation for MEMR approval. The submission shall also be accompanied by a carbon storage capacity certification that meets the recognized national standards and/or international standards.

- 2. Carbon Storage and Injection** – Upon securing MEMR approval, exploration permit holders will apply for the carbon storage operation permit to carry out storage and injection activities. A foreign permanent establishment must establish a domestic entity and report to MEMR before it can obtain a permit. Prior to permit applications, entities must also provide a performance guarantee amounting to 10% of the budget value for carbon injection wells or at least US\$ 1,500,000. The guarantee will be submitted to the MEMR and verified thereafter.
- 3. Carbon Transportation** – Where a carbon storage operation permit holder carries out carbon transportation, they must also obtain a transportation permit granted by MEMR.

Monetization of Storage Service – CCS operators may with MEMR approval, enter into a commercial contract with carbon producers or third parties to store those parties' carbon emissions. Such service will incur storage fees, namely an accumulated price after deducting the transportation costs on emissions' delivery to the carbon injection location. Further, the storage fees will also be subject to royalties paid to the government.

Ownership of Assets – Following the completion of their respective stages, certain assets provided by exploration and carbon operation storage permit holders will become state property. Under MEMR 16/2024, the handover of certain assets (i.e., well head, well casing, land around the well) will be further determined in the work plan closure between the government and permit holders.

For further assistance regarding the topics covered in this Client Alert herein, please feel free to reach out to us at the following contact information: Ahmad S Djoyosugito, at asd@mkklaw.net and/or Eka Wahyuning Siswani, at ekaws@mkklaw.net