



UPDATE ON INDONESIAN CABOTAGE RULES

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Background – Indonesian Flag

Indonesia has a “closed” ship registry, so Indonesian flag vessels can only be owned by Indonesian individuals or Indonesian legal entities including foreign capital investment (or “PMA”) companies. The registration of vessels under Indonesian flag can be conducted at the head office of the Directorate General of Sea Communication of the Ministry of Communication (“Seacom”) in Jakarta or at the Harbour Master’s Office at any one of 51 ports located throughout Indonesia.

Establishment of a PMA shipping company

With regard to the establishment of a PMA shipping company, foreigners may only own up to 49% of the shares of a PMA shipping company and, following the enactment of Government Regulation No. 31 of 2021, Indonesian companies holding at least 51% of the shares of a PMA shipping company should hold a valid shipping business licence (*Surat Izin Usaha Perusahaan Angkutan Laut* or SIUPAL). There is an additional requirement that a PMA shipping company must own at least one Indonesian flag vessel of minimum GT 5,000 (and we understand that the current draft of the second amendment to the Indonesian Shipping Law which is being considered by the Indonesian Parliament contemplates that the figure of GT 5,000 will be increased to GT 50,000).

Indonesian Cabotage Rules

Pursuant to Indonesian cabotage rules, foreign flag vessels are, generally, prohibited from operating in Indonesian waters. However, pursuant to Minister of Communication Regulation No. PM 2 of 2021 which revoked Minister of Communication Regulation No. PM 92 of 2018 as amended by Minister of Communication Regulation No. 46 of 2019, certain types of vessels (including FSOs and FPSOs) may be granted approval to operate in Indonesian waters. It should, however, be noted that :-

- foreign flag vessels will only be granted approval to operate in Indonesian waters if no suitable Indonesian flag vessels are available;



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- the approval to operate in Indonesian waters will only be granted for up to six (6) months (but the approval can be extended if certain requirements are met); and
- if the foreign flag vessel has a contract for more than two (2) years then, in order to operate in Indonesian waters, the vessel must be registered under Indonesian flag.

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