

**LEGAL ANALYSIS ON REGULATION OF MINISTER OF ENERGY
AND MINERAL RESOURCES NUMBER 8/2017 IN APPLYING LOCAL
CONTENT SUBSIDIES IN TERMS OF SUBSIDIES AND
COUNTERVAILING MEASURES AGREEMENT**

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ABSTRACT

On 16 January 2017, Ministry of Energy and Mineral Resources enacted the Regulation Minister of Energy and Mineral Resources Number 8 of 2017 concerning Gross Split. By virtue of this law, the profit split of oil and gas production will be adjusted according to variable & progressive component. One of the highlight in this regulation is that one of the variable component meant in this regulation is the percentage of utilization of local content by contractors, which means additional profit split will be given by government for the contractors that use more local content in their field developing program according to Production Sharing Contract signed. It must be noted that one of the Agreements of the WTO, SCM Agreement prohibits the practice of local content subsidies through article 3.1 (b) of aforementioned agreement. In regards to Regulation Minister of Energy and Mineral Resources Number 8 of 2017 concerning Gross Split, the additional profit split given by government as a result of Contractor's local content utilization may considered as local content subsidies meant by article 3.1 (b) of SCM Agreement. This legal research purposed to examine how this additional profit split provision is violates SCM Agreement.

The research method that is used in this legal research is normative legal approach. This approach on normative research includes library study through an analytical approach on relevant legal instruments, journals, and books. The method of data analysis on this legal research uses qualitative methods. After the data was collected, the related problem in this legal research will be analyzed.

From the research conducted, can be found that the additional split given by government as provided in Regulation of Minister of Energy and Mineral Resources Number 8 of 2017 violated article 3.1 (b) SCM Agreement. Moreover, the implementation of aforementioned regulation is also give impact to increasing the use of local content since the regulation has been enacted.

Keywords: Local Content, Subsidy, SCM Agreement, WTO, Gross Split

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