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Changes In The Scheme From Production Sharing Contracts To Gross Split For Upstream Oil And Gas Investments In Indonesia

Jody Rabbani Hidayat¹, Utji Sri Wulan Wuryandari², Fahmi Ardhi Djaelani³

¹Pancasila University, Jakarta, Indonesia, email: jodyhidayat20@gmail.com

²Pancasila University, Jakarta, Indonesia, email: utji.wuryandari@univpancasila.ac.id

³Pancasila University, Jakarta, Indonesia, email: fahmi.dj3123005@univpancasila.ac.id

*Corresponding Author: email¹ jodyhidayat20@gmail.com

Abstract: This study analyzes the impact of the change in contract scheme from production sharing to Gross Split on investment in Indonesia's upstream oil and gas sector using a normative juridical approach. This policy transformation represents the government's response to the administrative complexity and uncertainty inherent in conventional production sharing contract schemes that have been in place for more than five decades. The research method uses content analysis of laws and regulations, policy documents, and related literature to evaluate the effectiveness of the Gross Split scheme implementation. The results show that the implementation of Gross Split has succeeded in creating a simpler, more transparent, and more predictable regulatory framework compared to the previous system. The elimination of complex cost recovery mechanisms has reduced regulatory uncertainty and accelerated investment decision-making. An evaluation of the investment climate indicates increased exploration activity, improved cash flow predictability, and enhanced access to financing for contractors. However, challenges remain in adaptation challenges, the complexity of split factors, and market acceptance that require continuous improvement. The study recommends the development of a systematic review mechanism, strengthening of regulatory infrastructure, and increasing scheme flexibility to optimize Indonesia's competitiveness in attracting global oil and gas investment. The Gross Split scheme has the potential to become a leading model for sustainable upstream oil and gas sector management.

Keywords: Gross Split, Oil and Gas Investment, Profit Sharing Contract

INTRODUCTION

The oil and gas industry is a strategic sector that plays a vital role in the Indonesian economy. (Basuki, 2021) As a country with abundant hydrocarbon reserves, Indonesia has long relied on the oil and gas sector as a primary source of foreign exchange and a significant contributor to state revenue. In the context of managing these natural resources, the Indonesian government has developed various cooperation contract schemes with foreign and domestic investors to optimize oil and gas exploration and exploitation in Indonesia. Since independence, Indonesia has undergone a long evolution in its oil and gas industry management system. Starting with the concession system during the Old Order, it then evolved into the

Production Sharing Contract system, introduced in 1966. This production sharing contract system has been Indonesia's leading model in attracting foreign investment in the upstream oil and gas sector for more than five decades. The success of this model has even been adopted by various other developing countries as a reference in managing their natural resources.(Dirani & Ponomarenko, 2021).

Production Sharing Contracts have unique characteristics where the contractor bears all exploration risks and operational costs, while ownership of the resources remains in the hands of the state.(Subadi, 2021)Under this scheme, contractors are compensated through a share of production after deducting operational costs and taxes. This model is considered beneficial for Indonesia because it provides certainty of state revenue while transferring technical and financial risks to the contractor. Furthermore, this scheme also allows for the transfer of technology and expertise from multinational companies to domestic workers and industry. However, over time, the production-sharing contract system has faced various challenges and criticisms. Administrative complexity, lengthy audit processes, and the potential for disputes in cost recovery calculations are some of the issues that frequently arise. Fluctuations in global oil prices also affect the attractiveness of investment in production-sharing contracts, especially when low oil prices make marginal projects uneconomical. This situation has prompted the government to seek alternative contract schemes that are more efficient and attractive to investors.(Savluk et al., 2025).

Responding to these dynamics, the Indonesian government through the Ministry of Energy and Mineral Resources introduced a new contract scheme known as Gross Split in 2017.(Pratama et al., 2020)The Gross Split scheme is an innovation in the oil and gas cooperation contract system that aims to simplify administration, increase efficiency, and accelerate investment decision-making. In this scheme, contractors directly receive a share of gross production without going through a complex cost recovery mechanism like in a production sharing contract system. The implementation of the Gross Split scheme brings fundamental changes in the incentive structure and risk sharing between the government and contractors. Contractors in the Gross Split scheme can no longer claim cost recovery for their operational expenses, but are instead compensated through a fixed percentage of gross production adjusted for various factors such as location, water depth, infrastructure, and local content levels. This change is expected to accelerate contractor cash flow and provide greater certainty in long-term investment planning.(Fajri, 2020).

The transition from production sharing contracts to Gross Split not only impacts technical and administrative aspects, but also has significant implications for the investment climate in Indonesia's upstream oil and gas sector.(Suherman & Rahayu, 2020)Investors need to reevaluate their project portfolios, field development strategies, and projected returns on investment in the context of the new contract scheme. These changes also impact the project financing structure, risk allocation, and mitigation strategies that oil and gas companies must implement. From a macroeconomic perspective, these changes to the contract scheme are expected to increase Indonesia's competitiveness in attracting oil and gas investment amidst increasingly fierce global competition. Other oil and gas producing countries also continue to innovate in offering attractive terms and conditions to international investors. Therefore, the effective implementation of the Gross Split scheme is key to maintaining Indonesia's position as an attractive investment destination in the global energy sector.(Prasetya, 2021).

Evaluation of the impact of changes to this contract scheme is very important to understand the extent to which the policy has achieved its intended objectives.(Sabaris et al., 2020)An in-depth analysis of changes in investment patterns, exploration activity levels, marginal field development, and contributions to national production is necessary to provide a comprehensive picture of the effectiveness of the Gross Split scheme. This research is expected to contribute to policy evaluation and recommendations for improving the oil and gas contract

system in Indonesia. The complexity of the shift from production sharing contracts to Gross Split requires a comprehensive and in-depth study to understand all dimensions of its impacts. This research is relevant not only for policymakers in the energy sector, but also for investors, industry practitioners, and academics interested in the development of the Indonesian oil and gas industry. A thorough understanding of the dynamics of this change will provide a strong foundation for developing more effective policies in the future.(Adityawarman et al., 2020).

The fundamental shift from a Production Sharing Contract (PSC) to a Gross Split in Indonesia's upstream oil and gas industry has created new dynamics affecting various aspects of investment and operations in the oil and gas sector. This policy transformation raises fundamental questions about the effectiveness of the new scheme in achieving the goal of increasing national oil and gas investment and production. The key issue that needs to be examined is how the shift from a Production Sharing Contract (PSC) to a Gross Split affects investment decisions, capital allocation patterns, and upstream oil and gas project development strategies in Indonesia. Furthermore, an in-depth analysis of the impact of the contractual change on Indonesia's investment attractiveness compared to other oil and gas producing countries is also necessary, as well as how domestic and international investors respond to the implementation of the Gross Split scheme. An analysis of the changes in incentive structures, risk sharing, and their implications for the economic viability of oil and gas projects is also an important aspect that needs to be explored to provide a comprehensive picture of the effectiveness of this policy in the short and long term.

This study aims to comprehensively analyze the impact of the change in contract scheme from production sharing to Gross Split on the investment climate in Indonesia's upstream oil and gas sector. The main objective of the study is to evaluate the effectiveness of the Gross Split scheme implementation in increasing investment attractiveness, accelerating oil and gas field development, and optimizing the oil and gas sector's contribution to the national economy. This study also aims to identify changes in investor behavior patterns in response to the new contract scheme and analyze the factors influencing the success of Gross Split implementation. Specifically, this study also aims to provide constructive policy recommendations for the government in optimizing the Gross Split scheme and increasing Indonesia's competitiveness in the global oil and gas investment market. Through a comparative analysis between the era of production sharing contracts and the implementation of Gross Split, this study is expected to provide in-depth insights into the trade-offs that occur and strategies that can be taken to maximize the benefits of this change in contract scheme for the development of the national energy sector.

This research is expected to significantly contribute to the development of knowledge in the field of energy economics and oil and gas sector policy, particularly in the context of the evolution of production contract systems in developing countries. The results of this study will enrich the academic literature on natural resource management and can serve as a reference for similar research in other countries facing similar challenges in optimizing oil and gas sector management. Furthermore, the methodology and analytical framework developed in this study can be adapted for evaluating similar policies in the energy and other natural resource sectors. From a practical perspective, this research will provide direct benefits to policymakers at the Ministry of Energy and Mineral Resources, oil and gas sector regulators, and related institutions in evaluating and refining the implementation of the Gross Split scheme. The results will also be useful for investors, both domestic and international, in understanding the dynamics of Indonesian oil and gas investment and optimizing their investment strategies. For industry practitioners, this research will provide valuable insights into the operational and strategic adaptations necessary to address changes in contracting schemes, thereby improving the effectiveness and efficiency of their operations in Indonesia's upstream oil and gas sector.

RESEARCH METHODS

Research Approach

This research employs a normative juridical approach that focuses on the analysis of legal norms, laws, and policies governing the change in contract schemes from production sharing to Gross Split in Indonesia's upstream oil and gas sector. The normative juridical approach was chosen because this research focuses on the legal and regulatory aspects that form the basis for changes in oil and gas contract policies, as well as their implications for the investment framework in the sector. This method allows researchers to analyze the consistency, effectiveness, and suitability of existing regulations with the desired policy objectives. In the context of this research, the normative juridical approach will be used to deeply examine the substance of the laws and regulations governing the Gross Split scheme, compare them with previous regulations governing production sharing contracts, and analyze the legal impact of these changes. This approach will also enable the identification of gaps or weaknesses in regulations that may affect the effectiveness of the Gross Split scheme's implementation in attracting investment in Indonesia's upstream oil and gas sector.

Types of research

This research falls into the analytical descriptive category, aiming to provide a comprehensive overview of changes in oil and gas contract schemes from a legal and regulatory perspective. The descriptive nature of this research will detail the characteristics, structure, and mechanisms of both contract schemes, Production Sharing Contracts and Gross Split, based on the applicable legal basis. The analytical aspect will be used to examine the causal relationship between regulatory changes and their impact on the investment climate and to evaluate the effectiveness of the policy from a legal perspective. This research is also comparative in nature because it compares two different contract schemes over consecutive time frames. The comparison is made not only from a technical operational perspective, but primarily from the perspective of the legal basis, regulatory structure, and the resulting legal implications. Through this comparative approach, the research can identify the strengths and weaknesses of each scheme from the perspective of legal certainty and investment protection.

Data source

The primary data sources in this study consist of laws and regulations governing the Indonesian upstream oil and gas sector, including Law Number 22 of 2001 concerning Oil and Gas and its amendments, Government Regulations, Regulations of the Minister of Energy and Mineral Resources that specifically regulate the implementation of the Gross Split scheme, and related regulations that support the operationalization of both contract schemes. Primary data also includes cooperation contracts that have been signed under both schemes, official reports from the Special Task Force for Upstream Oil and Gas Business Activities, and other policy documents issued by authorized agencies. Secondary data sources include scientific journals, textbooks, academic articles, research reports, and official publications of international institutions that discuss the evolution of the oil and gas contract system in Indonesia and other countries. Secondary data also includes analysis and commentaries from energy law experts, industry practitioners, and research institutions that have studied the implementation of the Gross Split scheme. Comparative literature from other countries that have implemented similar systems will also be used as comparative material to enrich the research analysis.

Method of collecting data

Data collection was conducted through library research, which included searching all relevant laws and regulations available in official legal databases such as the National Legal

Documentation and Information Network and the official websites of relevant ministries and institutions. A search was also conducted of contract archives and policy documents publicly available through public information disclosure mechanisms. This method ensures that the collected data has high validity and reliability because it is sourced from official documents with legal force. Secondary data collection was conducted through searches of international and national academic databases, digital libraries, and repositories of higher education institutions and research institutions. A snowball sampling technique was also used in the literature search to identify additional relevant references from previously discovered sources. The data collection process was carried out systematically using predetermined keywords and clear inclusion-exclusion criteria to ensure the data's relevance to the research focus.

Data Analysis Techniques

Data analysis was conducted using content analysis techniques on the collected laws and regulations and policy documents. This technique involves identifying, categorizing, and interpreting regulatory substance to understand the characteristics, objectives, and implications of each contract scheme. The content analysis was conducted qualitatively, focusing on the normative aspects, legal structure, and internal and external consistency of the regulations under review. The coding and categorization processes were conducted based on a predetermined theoretical framework. Comparative analysis techniques were also used to compare regulatory substance between the Production Sharing Contract and Gross Split schemes and to identify significant changes. The comparative analysis was conducted on various aspects such as incentive structure, risk sharing, oversight mechanisms, and investment protection. The results of the analysis were then synthesized to produce comprehensive research findings regarding the impact of changes in contract schemes on the legal framework for investment in Indonesia's upstream oil and gas sector.

Conceptual Framework

This research's conceptual framework is based on international investment law theory and economic regulatory theory relevant to the natural resources sector. The key concepts used include legal certainty, regulatory stability, investment protection, and efficient resource allocation within the context of contractual relationships between the state and private investors. The conceptual framework also integrates the principles of good governance in natural resource management, including transparency, accountability, and participation in the policy-making process. These concepts will serve as analytical lenses for evaluating the effectiveness of changes to contractual schemes. Furthermore, the conceptual framework encompasses theories on the evolution of contractual systems in the extractive industry, explaining the dynamics of change from more traditional systems to more modern and efficient ones. The concepts of risk sharing, fiscal regimes, and competitive advantage within the oil and gas industry are also integral to the research's conceptual framework. This framework will assist in analyzing the rationale for policy changes and predicting their impact on the investment climate and national energy sector development.

Research Limitations

This research is limited to a study of the legal and regulatory aspects of changes to oil and gas contract schemes, thus not including an in-depth analysis of the operational technical aspects, company microeconomics, or environmental impacts of the implementation of both contract schemes. The temporal limitation of the research is the period from the introduction of the Gross Split scheme in 2017 to the latest regulations governing its implementation. The geographical limitation of the research is the jurisdiction of Indonesia, although comparisons with practices from other countries will be used for limited comparative analysis. This research also does not include an analysis of the specific financial performance of companies operating

under both contract schemes, but rather focuses on the regulatory framework that enables or limits such performance. The political economy aspects of the policy-making process are also not the primary focus of the research, except to the extent that they are reflected in the substance of the resulting regulations. These limitations are intended to maintain the research's focus on the normative legal aspects in accordance with the chosen methodology.

RESULTS AND DISCUSSION

Evolution of the Legal Basis for Indonesia's Oil and Gas Contract Scheme

The legal basis for managing Indonesia's upstream oil and gas sector has undergone significant transformation since the enactment of Law Number 22 of 2001 concerning Oil and Gas.(Intaniasari, 2020)This law serves as the primary foundation granting the government the authority to establish various cooperation contract schemes with investors, including production sharing contracts, which have long been a mainstay of Indonesia. Over time, derivative regulations, such as Government Regulations and Ministerial Regulations, have undergone various revisions and refinements to accommodate the dynamics of the global oil and gas industry and domestic investment needs. Regulation of the Minister of Energy and Mineral Resources Number 8 of 2017 concerning Gross Split Production Sharing Contracts marks a significant milestone in the regulatory evolution of the Indonesian oil and gas sector. This regulation formally introduces a new alternative to the conventional production sharing contract scheme that has dominated the upstream oil and gas industry. This regulation is then reinforced by various implementing regulations and technical instructions that provide detailed guidance on the implementation of the Gross Split scheme, including the split factor calculation mechanism and project eligibility criteria.(Ariyon et al., 2020).

An analysis of the substance of the regulation shows that this change is not only of an administrative technical nature, but also reflects a shift in the philosophy of natural resource management from a cost recovery approach to a simpler revenue sharing approach.(Yun et al., 2020)The Gross Split regulation provides greater legal certainty through a transparent and predictable distribution structure, unlike the previous scheme, which often led to disputes in cost recovery audits. This regulatory clarity is expected to reduce the potential for disputes and expedite the investment decision-making process. Harmonizing the Gross Split regulation with other laws and regulations also demonstrates the government's consistency in creating a legal ecosystem that supports investment in the oil and gas sector. Integration with taxation, employment, and environmental regulations has been considered in the development of the Gross Split legal framework. This demonstrates a holistic approach to oil and gas sector regulatory reform that focuses not only on the technical aspects of contracts but also considers the broader implications for the investment climate and national economic development.(Setyadi et al., 2020).

Comparison of Profit Sharing and Gross Split Contract Structures

Conventional production-sharing contract structures are built on the cost recovery principle, where the contractor first recovers all investment and operational costs before sharing production with the government. This mechanism provides high risk protection for the contractor, as all reasonable and auditable expenses can be claimed as cost recovery.(Arifin & Hidayat, 2021)However, the complexity of the audit and cost recovery verification process often leads to timeline uncertainty and potential disputes between contractors and the government. This structure also creates a moral hazard risk, as contractors may be less efficient in managing costs due to the cost recovery guarantee. In contrast, the Gross Split structure adopts a simpler approach by directly providing the contractor with a share of total production without going through a cost recovery mechanism. The contractor directly receives a certain percentage of gross production, the amount of which is determined based on a base split, which

is then adjusted for various factors such as location, water depth, infrastructure, risk level, and local content. This structure transfers the operational cost risk entirely to the contractor, but provides certainty about profit sharing that can be calculated immediately from the start of the project. This approach also promotes operational efficiency because the contractor bears all costs without the possibility of cost recovery.(Wahyunita et al., 2021).

From a cash flow perspective, the Gross Split structure provides faster and more predictable cash flow to the contractor compared to conventional profit sharing schemes.(Arifin, Hidayat, & Halimahtussakdiah, 2021)In a production-sharing scheme, contractors must wait for a cost recovery audit process, which can take years, before receiving their share of the profits. Meanwhile, in a Gross Split scheme, contractors immediately receive a share of each barrel of production based on a predetermined percentage. This speed of cash flow is crucial for project viability, especially for marginal fields with relatively short production profiles. Transparency is also a significant difference between the two contract structures. The Gross Split scheme offers greater transparency because the profit share can be directly calculated based on actual production and factors stipulated in the contract. This contrasts with a production-sharing scheme, which is often hampered by the complexity of cost recovery calculations and the potential for differing interpretations of cost items. This greater transparency not only benefits contractors in financial planning but also facilitates the government's monitoring and evaluation of contract performance.(Rahman & Damayanti, 2021).

Impact of Changes on the Investment Climate in the Upstream Oil and Gas Sector

The implementation of the Gross Split scheme has had a positive impact on investor perceptions regarding regulatory certainty and predictability of investment returns in Indonesia's upstream oil and gas sector.(Arifin, Hidayat, & Arifin, 2021)Investor surveys show that the simplicity of the Gross Split structure and the elimination of the complexity of cost recovery audits have increased confidence in investment decision-making. Investors believe this scheme reduces regulatory risk and administrative burden, which have been major concerns in Indonesian oil and gas investment. The certainty of profit sharing, which can be calculated from the outset of the project, also facilitates investors in financial modeling and securing financing from financial institutions. In terms of exploration activity, data shows an increasing trend in the number of commitment wells drilled by Gross Split contractors compared to the previous period. This indicates that the new scheme has successfully encouraged investors to be more active in the search for new reserves. This increase in exploration activity is also supported by the incentive structure in Gross Split, which provides bonuses for exploratory effort and infrastructure development. Investors tend to be more willing to take exploration risks due to the clearer reward structure and the lack of dependence on lengthy audit processes.(Prasetio & Kumalasari, 2021).

However, the impact on investment in marginal fields has been mixed. On the one hand, some marginal fields that were previously uneconomical under a profit-sharing scheme have become viable under Gross Split due to the elimination of complicated cost recovery.(Mardiana et al., 2020)On the other hand, fields with a high cost structure face challenges due to the lack of a cost recovery safety net. Data shows that investors tend to be more selective in selecting projects and focus on fields with high operational efficiency. This encourages technological innovation and operational excellence, which in the long term can increase the competitiveness of the Indonesian oil and gas industry. The project financing aspect has also undergone a significant transformation with the implementation of Gross Split. Financial institutions have shown a higher appetite for financing Gross Split projects due to more predictable and transparent cash flows. The financing structure has become more straightforward because there is no uncertainty related to cost recovery disputes that can affect project returns. This opens

wider access to various financing instruments, including project finance, corporate lending, and even capital market instruments. This improved access to financing can, in turn, accelerate the development timeline and increase the overall investment attractiveness of the Indonesian oil and gas sector.(Muarofah & Falianty, 2020).

Analysis of the Effectiveness of the Gross Split Scheme Implementation

Evaluation of the effectiveness of the implementation of the Gross Split scheme shows positive results in several key performance indicators of the upstream oil and gas sector.(Sujatmoko et al., 2020)Data from the Special Task Force for Upstream Oil and Gas Business Activities shows that the average time to sign new contracts has decreased significantly since the implementation of Gross Split. The negotiation process has become more efficient because key parameters have been established in regulations, allowing discussions to focus more on technical and operational aspects rather than complex fiscal terms. This process efficiency is also reflected in reduced transaction costs experienced by both the government and investors. From a revenue generation perspective for the state, the Gross Split scheme demonstrates competitive performance compared to previous schemes. Although the government take may be lower in some cases than in profit-sharing schemes, the certainty and predictability of payments provide significant added value. The elimination of cost recovery disputes also reduces substantial administrative and legal costs. Data shows that the collection rate and timeliness of government share payments have experienced notable improvements, which in turn increases the government's cash flow from the oil and gas sector.(Buehler, 2020).

The operational efficiency aspect also shows measurable improvements since the implementation of Gross Split.(Tambunan & Togatorop, 2021)Contractors tend to focus more on cost optimization and operational excellence because they bear full operational risk without cost recovery backup. This encourages the adoption of new technologies, best practices, and innovative solutions that can reduce operational costs. Productivity data shows that wells developed under the Gross Split scheme have better average production performance, indicating improved reservoir management and production optimization. However, the evaluation also identified several areas for improvement in the implementation of the Gross Split scheme. The complexity of calculating split factors for certain edge cases still requires clarification and better standardization. Several investors also proposed the need for a periodic review mechanism for split factors to accommodate changing economic and technological conditions. Furthermore, coordination between government agencies in monitoring and evaluating implementation still needs to be strengthened to ensure policy consistency and effectiveness in the field. (Cahyono et al., 2020).

Challenges and Obstacles to Implementing the Gross Split Scheme

One of the main challenges in implementing the Gross Split scheme is the adaptation challenge faced by existing contractors who previously operated in a profit sharing scheme.(Santosa et al., 2020)The shift from a cost-plus mentality to an efficiency-driven approach requires significant organizational adjustment and capability building. Many contractors must restructure internal processes, upgrade systems, and retrain personnel to operate effectively under the new scheme. These transition costs are substantial in some cases and impact short-term profitability, although the expected long-term benefits of Gross Split are quite promising. The complexity of determining split factors also presents challenges in implementation. Although regulations have established various factors and scoring methodologies, in practice, interpretative issues and subjective assessments remain, which can lead to disputes. The verification and validation process of supporting data for split factor determination requires considerable resources and time. Some investors are also concerned

about potential future changes in split factors that could impact project economics, although regulations provide certain stability provisions.(Azizurrofi & Buana, 2021).

In terms of regulatory infrastructure, there are still gaps in supporting regulations and technical guidelines needed for smooth implementation(Manan et al., 2020)Some specific situations or edge cases are not fully covered by existing regulations, requiring case-by-case interpretations that can lead to inconsistencies. Capacity building within regulatory institutions is also ongoing, particularly in the monitoring and evaluation of Gross Split implementation. Coordination mechanisms between relevant agencies also need to be strengthened to ensure an integrated approach to policy implementation. Market acceptance and industry readiness are also challenges in implementing the Gross Split scheme. Several major international oil companies still prefer proven schemes such as traditional PSCs due to their familiarity and established systems. Educational efforts and confidence-building measures are still needed to increase market acceptance of this new scheme. Furthermore, the availability of supporting services and infrastructure compatible with Gross Split operational requirements is still developing, which can affect the implementation timeline and costs for some projects.(Perdana et al., 2020).

Implications for Regional and Global Competitiveness

The implementation of the Gross Split scheme has placed Indonesia in a more competitive position in the regional energy investment landscape.(Nonci et al., 2020b)Comparative analysis with ASEAN countries shows that Indonesia now has a more attractive and streamlined fiscal regime than some of its traditional competitors. The simplicity and transparency of the Gross Split scheme provide a significant competitive advantage, especially for investors who prioritize regulatory certainty and operational efficiency. Regional benchmarking studies show that Indonesia has successfully improved its ranking in various investment attractiveness indices for the upstream oil and gas sector. However, global competition to attract upstream investment is increasingly intense, with various countries offering innovative fiscal terms and investment incentives. Several African and Latin American countries have introduced highly competitive fiscal regimes that, in certain cases, can provide higher returns than Indonesia. Therefore, Indonesia needs to continuously monitor and evaluate the competitiveness of the Gross Split scheme vis-à-vis international alternatives. The potential for further optimization and fine-tuning of split factors also needs to be considered to maintain a competitive edge in the global market.(Ginting et al., 2021).

Geopolitical aspects and strategic considerations also influence Indonesia's competitiveness in attracting international investment.(Hasanudin et al., 2020)Political stability, regulatory consistency, and the rule of law are increasingly important factors for international investors in making long-term investment decisions. Indonesia's track record in honoring contracts and providing a stable regulatory environment provides an additional competitive advantage that complements the fiscal attractiveness of the Gross Split scheme. This is particularly relevant in the current global context, where geopolitical risks are increasingly becoming a major consideration in international energy investments. Technological advancements and energy transition trends also have implications for the long-term competitiveness of the Gross Split scheme. With the growth of renewable energy and clean technology investments, upstream oil and gas investments face increasing scrutiny and competition for capital. Indonesia needs to consider integrating sustainability elements and carbon considerations into the future evolution of the Gross Split scheme to maintain relevance and attractiveness in the changing global energy landscape. The scheme's adaptability and flexibility are key success factors in addressing uncertain future energy scenarios.(Jumiati et al., 2020).

Recommendations for Scheme Development and Improvement

Based on an in-depth analysis of the implementation of the Gross Split scheme, several strategic improvements are needed to optimize the effectiveness and attractiveness of the scheme. (Benedikta & Sukarno, 2020) First, establish a systematic review mechanism for split factors that can accommodate technological advancements, economic changes, and industry best practices evolution. This review mechanism should be conducted periodically, involving industry stakeholders and independent experts, to ensure the fairness and competitiveness of split factors. A transparent consultation process and clear criteria for factor adjustments will increase investor confidence and predictability in long-term planning. Second, develop comprehensive supporting infrastructure and institutional capacity for monitoring and evaluating Gross Split implementation. This includes upgrading technology systems for real-time monitoring of production and revenue sharing, strengthening audit capabilities to verify split factor compliance, and enhancing coordination mechanisms between regulatory institutions. Investment in human capital development is also crucial to ensuring consistent and professional implementation across different regions and project types. Clear standard operating procedures and decision-making protocols will reduce implementation inconsistencies and potential disputes. (Nonci et al., 2020a).

Third, the introduction of flexibility mechanisms that can accommodate special circumstances or extraordinary situations that may arise in project implementation. (Faisal, 2020) This can take the form of contingency provisions for force majeure situations, adjustment mechanisms for significant economic changes, or special provisions for strategic projects of national importance. This flexibility must be balanced with maintaining scheme integrity and preventing moral hazard, which could undermine overall effectiveness. Fourth, strengthening integration between the Gross Split scheme and broader national energy policy objectives such as energy security, local content development, and environmental sustainability. This integration can be achieved through the introduction of additional incentives for projects that contribute significantly to national priorities, or through penalty mechanisms for non-compliance with national standards. Alignment with international best practices in environmental and social governance will also increase the scheme's attractiveness to responsible investors and support Indonesia's commitment to sustainable development goals. (Septina, 2020).

CONCLUSION

The shift from a production sharing to a Gross Split contracting system in Indonesia's upstream oil and gas sector represents a fundamental and strategic policy transformation in the management of national energy resources. From a normative legal perspective, the implementation of the Gross Split scheme has successfully created a simpler, more transparent, and more predictable regulatory framework compared to the conventional production sharing contract system. The elimination of complex cost recovery mechanisms and their replacement with a direct revenue sharing system has been proven to reduce regulatory uncertainty, accelerate the investment decision-making process, and improve administrative efficiency for both the government and contractors. An evaluation of the legal basis shows that the Gross Split regulation has been harmoniously integrated with other laws and regulations, creating a legal ecosystem that supports investment certainty and protects investor rights while maintaining state sovereignty over natural resources. The impact of the Gross Split scheme implementation on the investment climate in Indonesia's upstream oil and gas sector has shown positive and significant results, although several challenges remain to be addressed. Increased exploration activity, improved cash flow predictability, and enhanced access to financing indicate that this new scheme has successfully increased Indonesia's investment attractiveness in the global market. However, continuous improvements are needed through the development

of a systematic review mechanism, strengthening the supporting regulatory infrastructure, and increasing the scheme's flexibility to accommodate the ever-changing industry dynamics. The study's key recommendations include the need to establish a periodic review mechanism for split factors, strengthen institutional capacity for monitoring and evaluation, and strengthen integration between the Gross Split scheme and broader national energy policy objectives. With these recommendations implemented, the Gross Split scheme has the potential to become a leading model for managing the upstream oil and gas sector, maintaining and enhancing Indonesia's competitiveness in attracting energy investment at the regional and global levels.

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