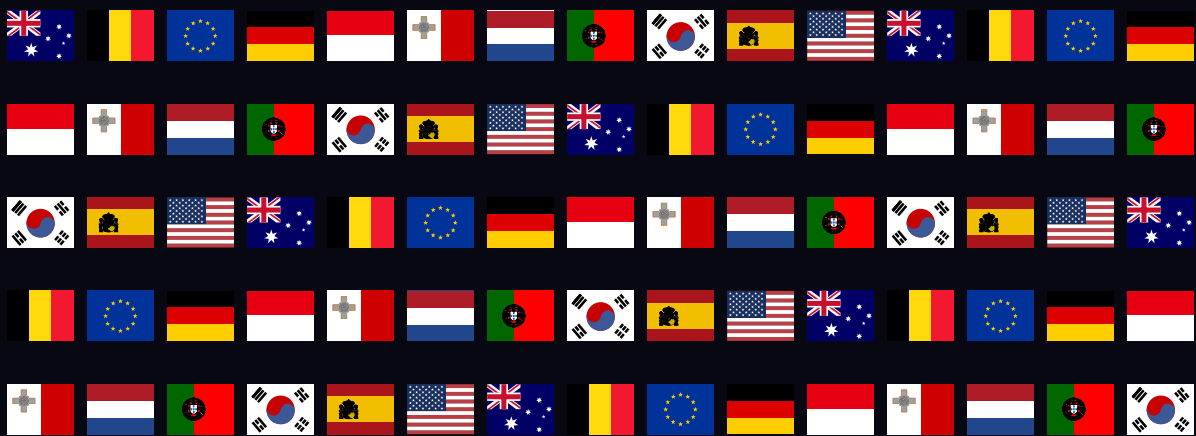


# ENVIRONMENT

## Indonesia



# Environment

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Quick reference guide enabling side-by-side comparison of local insights, including legislation and main environmental regulations; regulation of hazardous activities and substances; environmental aspects in M&A, public procurement and other transactions; environmental impact assessment; regulatory authorities; judicial proceedings; applicable international treaties and institutions; and recent trends.

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## LEGISLATION

### Main environmental regulations

What are the main statutes and regulations relating to the environment?

Law No. 32 of 2009 regarding Management and Protection of the Environment, as amended by Law No. 11 of 2020 regarding Job Creation (Job Creation Law) (together, the Environment Law), is the main regulation in Indonesia pertaining to the environment. The Environment Law covers broad aspects of environment utilisation and protection, including pollution control, environmental damage, administrative sanctions, the affirmation of environmental rights as part of human rights or civil liability, particularly strict liability for environmental damage, and criminal enforcement for perpetrators of environmental crimes.

There is a separate regulation, Law No. 23 of 2014 regarding regional governments, as amended by the Job Creation Law, that grants regional governments the autonomy to enforce environmental protections in accordance with the Environment Law.

In addition, there are laws that are more narrowly focused to regulate specific areas or sectors of the environment, such as forest management and natural resources management. These laws include Law No. 41 of 1999 regarding Forestry, as last amended by the Job Creation Law (the Forestry Law); Law No. 5 of 1990 regarding Natural Resources and Ecosystem Conservation (Law 5/1990); and Law No. 18 of 2013 regarding Prevention and Eradication of Forest Damage, as amended by the Job Creation Law.

Other government regulations, such as those on the management and protection of the environment and peatland protection and management, as well as implementing regulations issued by Indonesia's Ministry of Environment and Forestry (MOEF), should also be taken into account.

### Integrated pollution prevention and control

Is there a system of integrated control of pollution?

Indonesia has an integrated pollution control system. The MOEF recently issued MOEF Regulation No. 13 of 2021 regarding Continuous Industrial Emission Monitoring Information System (MOEF Regulation 13/2021). This regulation obliges all businesses or activities that are mandated to monitor their emissions using the Continuous Emissions Monitoring System to integrate their data into the Information on Continuous Industrial Emission Monitoring System (SISPEK) no later than 1 January 2023. The MOEF will manage and oversee SISPEK. There are 10 industries required to use SISPEK. They are:

- iron and steel smelting;
- pulp and paper;
- synthetic fibre (rayon);
- carbon black;
- oil and gas;
- mining;
- thermal waste treatment;
- cement;
- thermal power generation; and
- fertiliser and ammonium nitrate.

The MOEF also has other systems to monitor environment quality standards in Indonesia, eg, the Air Pollution Standard Index (ISPU) and the Wastewater Quality Monitoring System (SPARING), among others.

## Soil pollution

### What are the main characteristics of the rules applicable to soil pollution?

There are two types of soil pollution under the Environment Law, namely toxic and hazardous waste (B3 Waste) and non-B3 Waste. B3 Waste is categorised based on level of hazard: (1) Category 1 B3 Waste, which has acute and direct effects on humans and the environment, and (2) Category 2 B3 Waste, which has sub-chronic or chronic and indirect effects on humans and the environment.

To determine levels of contamination and whether the waste is categorised as B3 Waste or non-B3 Waste, the following waste characteristic tests can be conducted:

- characteristic test for explosivity, ignitability, reactivity, infectivity or corrosivity;
- characteristic test for toxicity using the LD50 Toxicity Test;
- characteristic test for toxicity using the Toxicity Characteristic Leaching Procedure; and
- characteristic test for toxicity using the Sub-chronic Toxicity Test.

The list of contaminants and toxicity parameters is provided in Government Regulation No. 22 of 2021 regarding Implementation of Environmental Protection and Management (GR 22/2021).

Anyone who carries out activities related to B3 Waste and where the activities have caused environmental pollution is obliged to carry out restoration or remediation of the contaminated land as well as make certain compensation. There is no statute of limitation applicable to environmental pollution or damage attributable to a business activity that uses, produces or manages B3 Waste. In addition, anyone who assigns its business to another party or changes the nature of the business activities remains responsible for any environmental pollution.

## Regulation of waste

### What types of waste are regulated and how?

Law No. 18 of 2008 regarding Waste Management (the Waste Law) defines waste as the remnants of daily human activities and/or natural processes in solid form. There are three types of waste:

- household waste is defined as waste that originates from daily household activities, which does not include faeces and specific waste;
- waste similar to household waste, defined as household waste that originates from commercial areas, industrial areas, special areas, social facilities, public facilities or other facilities; and
- specific waste, defined as waste that due to its nature, concentration or volume requires special management.

In general, the management of household 'waste' and 'waste similar to household waste' is mainly regulated under Government Regulation No. 81 of 2012 regarding Management of Household Waste and Waste Similar to Household Waste (GR 81/2012). GR 81/2012 governs that every waste producer has the legal obligation to reduce and handle waste. The Indonesian central government and regional governments have the overall obligation to ensure that waste management and handling are well implemented and environmentally sound in accordance with the objectives of

waste management.

'Waste similar to household waste' and 'specific waste', which can be categorised as B3 Waste, requires the parties who use or produce B3 Waste, or both, to conduct waste management and obtain a waste-related licence for each waste-related activity (eg, storage, collection, transportation, utilisation, processing, landfilling and dumping of B3 Waste).

## Regulation of air emissions

### What are the main features of the rules governing air emissions?

Air emissions are governed under GR 22/2021, which defines emissions as air pollutants resulting from human activities that are introduced or included in the air, that may or not potentially cause air pollution. GR 22/2021 divides emissions into movable and immovable emissions. Other provisions regulate 'nuisance' emissions (in the form of sounds, smells or vibrations) separately from air emissions. Immovable emissions are defined as permanent, non-moving or from a fixed source, including factory chimneys, industrial areas, water processing areas, housing, plantations and forestry. Whereas movable emissions are defined as non-permanent emissions originating from non-road and road-based means of transportation. Movable emissions sources include business and/or activities in the automotive industry, land transportation and heavy equipment.

To ensure products in the automotive sector fulfil the quality standard for air emissions, they shall be tested by a laboratory that is accredited by the National Accreditation Committee or an accreditation agency that has signed a mutual recognition agreement with the Asia Pacific Accreditation Cooperation or the International Laboratory Accreditation Cooperation. For non-road-based land transportation and heavy equipment the testing shall be carried out by personnel who have obtained a certificate issued by a certification agency in accordance with the provisions of laws and regulations governing the standardisation and conformity assessment sector.

The government controls air quality through the MOEF, which shall stipulate quality standards for both movable and immovable emissions (ie, limits on how much of certain pollutants can be emitted into the air). The MOEF may also issue technical approvals for certain emissions or pollutants for which quality standards have not been stipulated for certain businesses or activities, or both. These stipulated quality standards and technical approvals will then serve as guidance to be observed by businesses or activities in emitting emissions into the air. The technical approvals will generally contain, among other things, parameters and limits for air quality standards, as well as specific obligations and prohibitions. Typical obligations include the obligation to have an air emission control device, the obligation to observe air emission concentration and quality standards regularly, and air pollution control reporting obligations through an information system maintained by the MOEF. Standard prohibitions include the prohibition on direct emissions or sudden release and the disposal of non-fugitive emissions without using a chimney. In addition to obligations and prohibitions, a technical approval also will contain provisions on human resources competency standards, facilities and infrastructure, as well as the environmental management system adopted for emissions control.

In addition to the observance of quality standards and technical approvals issued by the government, GR 22/2021 introduced an obligation for all businesses or activities to internalise costs for managing air quality standards in their operations. These costs include for air pollution control, development of low-emissions technology, use of clean fuel, human resources development, and other activities to support air pollution control.

The government has also envisioned energy efficiency through Government Regulation No. 70 of 2009 regarding Energy Conservation (GR 70/2009). This regulation provides a general mandate to all stakeholders (governments and private parties) to conduct energy conservation. However, the precise contours of the obligations are not further outlined in GR 70/2009, which mostly contains aspirational language. For business actors, the relevant responsibilities are to conserve energy in every business process, utilise energy-efficient technology and/or produce energy-efficient



goods and services.

Under GR 70/2009, users with energy consumption equal to or more than 6,000 tonnes of oil equivalent are mandated to conserve energy through 'energy management', which includes regular energy audits conducted by an internal auditor or an accredited body certified by the Ministry of Energy and Mineral Resources. We note that more stringent implementing regulations have been enacted by sectoral ministries such as the Ministry of Industry and the Ministry of Energy and Mineral Resources, as well as regional governments. At the provincial level, the DKI Jakarta government has implemented DKI Jakarta Governor Regulation No. 38 of 2012 regarding Green Buildings, obliging new buildings with a floor area of more than 5,000sqm to adopt green building concepts and existing buildings to perform an energy audit every five years.

## Protection of fresh water and seawater

### How are fresh water and seawater, and their associated land, protected?

The treatment and use of fresh water and seawater is regulated mainly by Law No. 17 of 2019 concerning Water Resources, as amended by the Job Creation Law (Law 17/2019). According to article 5 of Law 17/2019, water resources are controlled (but not owned) by the state and used for the greatest prosperity of the community. This regulation signifies the state asserting a public authority in regulating and controlling water resources, but not owning them as a property of the state. The state asserts its control by regulating the management and utilisation of water resources to ensure the people's rights to water usage, and also by issuing licences and supervisory authority for the utilisation of water resources to business actors and third parties. According to article 7 of Law 17/2019, water resources cannot be owned or controlled by individuals, community groups or business entities. Under those circumstances, the central government or regional governments, in accordance with established norms, standards, procedures and criteria issued by the central government, are given the task and authority to regulate and manage water resources.

In issuing authorisations to business actors to utilise water resources, the government has a priority list based on purpose of usage. The top priorities for water usage are people's daily needs (religious, sanitation, washing and other needs), farming and daily consumption through the provision of drinking water. When these basic needs have been fulfilled, business actors are allowed to use water, with non-business activities having a public purpose taking priority over business activities. A licence to utilise water resources for business activities may be granted to state-owned enterprises, regional government-owned enterprises, village-owned enterprises, cooperatives, private parties, and individuals. The granting of a water resources utilisation licence for business purposes to private parties shall be carried out under certain and strict conditions under the principles of Law 17/2019 and as long as there is still available water. Law 17/2019 does not specifically set a limit on water source extraction, but the limit will be stipulated in each water utilisation licence, as applicable.

Water quality protection and management in connection with discharge to water resources is regulated by GR 22/2021. The Minister of Environment and Forestry, governors, regents or mayors shall prevent marine pollution or damage, or both, originating from land or sea. Under article 242(3).c. of GR 22/2021, specific licences for dumping or wastewater disposal are required to carry out the otherwise prohibited action of marine waste disposal.

## Protection of natural spaces and landscapes

### What are the main features of the rules protecting natural spaces and landscapes?

Indonesian laws regulate the designation of certain protected spaces and landscapes in the context of protecting biological diversity. Under Law 5/1990, there are several types of protected natural spaces, including nature reserve,

nature preserve, wildlife sanctuary, biosphere reserve, national park and forest park. These conservation zones and areas are determined by scientific criteria such as native flora and fauna, natural conditions, special characteristics and conservation value, as regulated in Government Regulation No. 28 of 2011 regarding Management of Natural Reserves and Natural Conservation Areas, as amended by Government Regulation No. 108 of 2015 (GR 28/2011). GR 28/2011 further provides that these protected spaces may be subdivided into different blocks such as protection blocks and utilisation blocks. Specifically for national parks, designated areas include core zone and utilisation zone, which connote different levels of protection status.

Outside the scope of the above, the government of Indonesia does not specifically regulate the protection of natural spaces and landscapes. Land and spaces in Indonesia are classified into forestry areas and non-forestry areas. Forestry areas are under the jurisdiction of the MOEF and non-forestry areas are subject to the authority of the Ministry of Agrarian and Spatial Layout Affairs. Land titles for non-forestry areas may be granted to individuals and legal entities. Forestry areas are further categorised by the government into protected forest, conservation forest or productive forest, which have different levels of protection as their names suggest. For non-forestry land, the newly enacted Government Regulation No. 18 of 2021 regarding Right to Manage, Land Titles, Multistorey Housing Units and Land Registration, which concerns land titles (GR 18/2021), regulates that land title owners are obliged to preserve and maintain the sustainability of the environment, maintain the conservation function of any bodies of water or other conservation functions. For a specific land title, that is, Hak Guna Usaha or Right to Cultivate, GR 18/2021 regulates that any areas of high conservation value within Hak Guna Usaha land shall not be subject to exploitation and should be preserved. Although the language of these regulations concerning land titles may seem aspirational, the government may have the grounds to revoke a party's land rights for certain environmental violations pursuant to the regulatory provisions.

## Protection of flora and fauna species

What are the main features of the rules protecting flora and fauna species?

Article 20 of Law 5/1990 states that flora and fauna species are classified into protected species and unprotected ones. Protected species are subdivided into two categories, namely: (1) endangered flora and fauna close to extinction; and (2) flora and fauna with rare populations. The list of protected flora and fauna species is included in the appendix of MOEF Regulation No. P.20/MENLHK/SETJEN/ KUM.1/6/2018 regarding Protected Flora and Fauna, as lastly amended by MOEF Regulation No. P.106/MENLHK/SETJEN/KUM.1/12/2018.

The law does not elucidate different protection status for 'protected species' of flora and fauna, but rather a general prohibition. Article 21(1) of Law 5/1990 regulates that any party shall be prohibited from cutting down, taking, owning, damaging, destroying, keeping, transporting and commercialising protected flora or its parts, either dead or alive. Protected fauna shall be protected from being captured, injured, killed, stored, owned, kept, transported or sold, dead or alive.

## Noise, odours and vibrations

What are the main features of the rules governing noise, odours and vibrations?

Noise, odours and vibrations are regulated as 'nuisance' emissions and regulated as part of air pollution prevention. Pursuant to article 208 of GR 22/2021, every business or activity emitting nuisance into the air must undergo a nuisance test performed by a lab registered with the MOEF or personnel who have been certified by certification agencies. Similar to air emissions, the MOEF shall stipulate quality standards for nuisance (ie, the tolerable limit under which such nuisance can be emitted into the air).

Environmental quality standards for noise are regulated under MOEF Decree No. 48 of 1996 on Noise Quality Standards. This decree regulates the tolerable noise decibel levels for different designated areas. The details concerning noise levels are attached in its appendices, which consist of the Noise Quality Standard and Noise Level Measurement, Calculation and Evaluation. In the same vein, the vibration quality standards are regulated under MOEF Decree No. 49 of 1996 on Vibration Quality Standards. It regulates the tolerable threshold of vibrations based on possible damage, impact, safety and comfort, and shockwave level, and based on type of building and other similar criteria for vibrations. Finally, odour quality standards are regulated under MOEF Decree No. 50 of 1996 on Odor Quality Standards, which provides maximum permissible odour content in the air that does not interfere with human health and environmental comfort, covering both odour of single odorant and odour of mixed odorants.

According to GR 22/2021, quality standards for nuisance emissions (vibrations, noise or odours) shall be formulated and stipulated by the MOEF. Under the above MOEF decrees pertaining to the quality standards for vibrations, noise and odours, the governor of each province has the right to determine stricter quality standards than those regulated in the decrees. If stricter standards are not regulated at the provincial level the provision in the appendixes of the MOEF decrees will apply. If the environmental impact assessment (AMDAL) for a business or activity requires that the quality standard be stricter than the provisions in the appendixes to those decrees, the stricter standards under the environmental impact assessment will apply.

## **Liability for damage to the environment**

### **Is there a general regime on liability for environmental damage?**

The Environment Law defines 'environmental damage' as a direct or indirect change to the physical, chemical or biological characteristics of the environment that exceeds the standard criteria for environmental damage. There are three potential liabilities due to unlawful actions causing environmental damage, namely civil liability, criminal liability or administrative sanctions, as follows.

### **Civil liability**

Any qualified claimants (ie, community or environmental organisations, individuals and government institutions, both at the central and regional level) can file a civil lawsuit against any activities that have had an adverse impact on the environment. The Indonesian Environment Law adopts the principle of strict liability in respect of B3 Waste management. Pursuant to article 88 of the Environment Law, a party whose action, business or activity:

- includes the use of hazardous and toxic material or B3 Waste;
- reduces or manages B3 Waste; and/or
- poses a serious threat to the environment

shall be held strictly liable for any resulting loss from damage to the environment without any requirement to prove fault.

Sub-paragraph (3) makes it clear that strict liability is imposed even if B3 Waste is not involved, if that party's 'action, business and/or activity' poses a serious threat to the environment. Therefore, based on article 88 of the Environment Law, any business that poses a serious threat to the environment shall be held strictly liable for the resulting loss without any requirement to prove fault.

Further, with respect to civil liability, the Environment Law stipulates that any person responsible for a business or activity that pollutes or damages the environment and that causes loss to a third party shall be liable to pay

compensation or take remedial actions.

### **Criminal liability**

Any person who causes environmental damage is subject to imprisonment and imposition of fines. The Environment Law defines the specific environmental damage and the corresponding duration of imprisonment and the amount of fines. For instance, any person who produces B3 Waste and does not conduct proper waste management is subject to imprisonment of one to three years and fines from one billion to three billion rupiah.

In addition to the Environment Law, other related laws (ie, the Forestry Law and the Natural Resources and Ecosystem Conservation Law) also regulate criminal provisions for any violations of the regulations thereof.

The Environment Law regulates corporate criminal liability. If the environmental crime is committed by, for or on behalf of the business entity, the criminal offence and penalty shall be imposed on the business entity or any person giving an order to do such criminal activity or any person acting as a leader in such crime.

### **Administrative liability**

Any person who does not comply with the administrative obligations to conduct its business operations (eg, having the required licence and violating its obligations) is subject to administrative sanctions in the form of warning letter and coercive measures by the government (ie, temporary suspension of business activity, administrative fines, suspension of business licence or revocation of business licence).

### **Environmental taxes**

Is there any type of environmental tax?

An environmental tax is imposed under Government Regulation No. 46 of 2017 regarding environmental economic instruments, as last amended by GR 22/2021 (GR 46/2017), to provide incentives or disincentives for sustainable environmental actions. Under GR 46/2017, an environmental tax is imposed on the activities of extracting and using ground water, surface water, bird nests, non-metals and minerals, motor vehicle fuel and motor vehicles, and other activities that surpass the environmental impact criteria of natural resources depreciation, environmental pollution and environmental damage.

In addition to the foregoing, the government recently enacted Law No. 7 of 2021 regarding the harmonised tax law, which regulates a carbon tax on carbon emissions that have a negative impact on the environment.

### **Environmental reporting**

Are there any notable environmental reporting requirements (eg, regarding emissions, energy consumption or related environmental, social and governance (ESG) reporting obligations)?

Under the Environment Law and GR 22/2021, every business licence holder, who presumably will already have completed and obtained their environmental approval, shall be obliged to periodically report to the MOEF, governor, regent or mayor with regard to its environmental requirements or obligations related to its environmental approval. The specific content and contours of the reporting obligation may differ from one party to another, noting that the environmental approval for different types of business activities may result in different obligations and fulfillments. Similar to the above, there also may be additional reporting requirements under separate regulations, such as GR 70/2009, which mandates users with energy consumption equal to or more than 6,000 tonnes of oil equivalent to

conserve energy through 'energy management', which includes regular energy audits conducted by an internal auditor or an accredited body certified by the Ministry of Energy and Mineral Resources.

As for ESG standards, we understand that compliance by Indonesian companies has been more voluntary in nature, in the absence of specific laws obliging ESG practices. But certainly, awareness of ESG practices and principles has risen in the past few years, presumably because they are attractive to both foreign and domestic investors.

## Government policy

How would you describe the general government policy for environmental issues? How are environmental policy objectives influencing the legislative agenda?

The current government policy for environmental issues in Indonesia has its primary focus on increasing the ease of doing business by streamlining environmental approval requirements and documents, whose progress has been manifested in the amendment to the Environment Law by the Job Creation Law, along with the issuance of implementing regulations. Another main focus of the Indonesian government is to reduce greenhouse gas emissions, particularly due to Indonesia's international commitment under the Paris Agreement to reduce its greenhouse gas emissions by 29 per cent (41 per cent with international support) by 2030, by various efforts in the forestry, energy, waste and other sectors. Overall, the government's stance on environmental issues can be described as trying to balance environmental conservation on one hand and the ease of doing business and development on the other hand.

## HAZARDOUS ACTIVITIES AND SUBSTANCES

### Regulation of hazardous activities

Are there specific rules governing hazardous activities?

Yes, anyone who engages in hazardous activities as well as uses or produces hazardous substances is required to conduct waste management and obtain a waste-related licence for each waste-related activity (eg, storage, collection, transportation, utilisation, processing, landfilling and dumping of B3 Waste). Each activity thereof will require a different technical environmental licence, referred to as a Technical Approval and/or Operational Feasibility Letter. The technical environmental licence is in addition to the environmental assessments (ie, AMDAL, Environmental Management and Monitoring Measures or Statement of Environmental Monitoring and management (SPPL)) each business is required to obtain.

Waste management companies whose main activities are to collect, treat, and/or manage waste sourced from other industries will be required to obtain an additional waste management business licence.

### Regulation of hazardous products and substances

What are the main features of the rules governing hazardous products and substances?

Hazardous substances are regulated by Government Regulation No. 74 of 2001 on the Management of Hazardous and Toxic Substances (GR 74/2001). This regulation defines hazardous substances as substances that, due to their properties, concentration or amount, whether directly or indirectly, may pollute or damage the environment, or may endanger the environment, health, human survival and other living organisms. There is no specific definition of 'hazardous product' under Indonesian law.

Generally, a product is categorised as a 'hazardous product' if it contains hazardous ingredients. Article 5 of GR 74/2001 classifies hazardous substances as follows:

- explosive;
- oxidizing;
- extremely flammable;
- highly flammable;
- flammable;
- extremely toxic;
- highly toxic;
- moderately toxic;
- harmful;
- corrosive;
- irritant;
- dangerous to the environment;
- carcinogenic
- teratogenic; or
- mutagenic.

Hazardous substances are further divided into three categories, namely hazardous substances that may be utilised, are of limited usage or are banned. There are different treatments for hazardous substances according to their categorisation.

As the name suggests, banned hazardous substances are prohibited from being imported and used. Substances in the 'usable' or 'limited usage' category may be available for import and/or use subject to the fulfillment of certain requirements. GR 74/2001 requires any person or company that produces or imports hazardous substances into the territory of the Republic of Indonesia for the first time to submit an application for the registration of the substances with the Directorate General of Hazardous Substances, which is under the auspices of the Ministry of Environment and Forestry (MOEF). Registration of hazardous substances is required for usable hazardous substances and limited use hazardous substances (article 6 of GR 74/2001). Further information on the registration and notification procedure is set out in MOEF Regulation 36/2017 on Registration and Notification Procedures for Hazardous and Toxic Substances.

Restrictions or prohibitions on the use of hazardous substances exist for specific products or substances, such as fertilisers, polychlorinated biphenyls (PCBs) and mercury. For instance, Minister of Agriculture (MOA) Regulation No. 43 of 2019 concerning Pesticides (MOA Reg. 43/2019) stipulates that pesticides can be classified based on their hazard level, which are further divided into prohibited and non-prohibited hazardous pesticides. Prohibited pesticides cannot be used as determined by their active ingredients or additives or based on test results. The prohibitions and standard tests also refer to international criteria such as those set out by the Food and Agriculture Organization, the International Agency for Research on Cancer, the World Health Organization Joint Meeting on Pesticide Residues and the Stockholm Convention (article 10 (2) of MOA Reg. 43/2019).

Both PCBs and mercury are classified as hazardous and toxic substances that must be reduced or eliminated. There is no applicable regulation to make these marketable. Provisions related to PCBs and mercury are contained in MOEF Regulation No. P.29/MENLHK/SETJEN/PLB.3/12/2020 of 2020 regarding the Management of Polychlorinated Biphenyls and Presidential Regulation No. 21 of 2019 on the National Action Plan for Mercury Reduction and Elimination, respectively.

Another obligation applicable to products containing hazardous chemicals is regulated in Minister of Industry (MOI) Regulation No. 87/M-IND/PER/9/2009 of 2009 regarding the Globally Harmonized System of Classification and Labelling of Chemicals, as amended by MOI Regulation No. 23/M-IND/PER/4/2013 of 2013 regarding Amendments to Minister of Industry Regulation No. 87/M-IND/PER/9/2009 (MOI Reg. 87/2009). MOI Reg. 87/2009 regulates the application of the Globally Harmonized System of Classification and Labeling of Chemicals (GHS) on the labels and

Material Safety Data Sheets (MSDS) of products. MOI Reg. 87/2009, along with GR 74/2001, essentially obliges business actors that produce hazardous chemical substances to label these products and to create MSDS for their chemicals. These obligations are especially relevant for chemical manufacturing companies manufacturing plastic, cement or other products derived from chemical substances.

## Industrial accidents

### What are the regulatory requirements regarding the prevention of industrial accidents?

The principal regulatory requirements for the prevention of industrial accidents are contained in Law No. 1 of 1970 on Occupational Safety (Occupational Safety Law). First, an employer is obliged to inspect the physique, mental condition and physical capability of employees pursuant to the type of occupation and industry standards, which may be under sector-specific regulations.

In addition to the Occupational Safety Law, each industry will usually have its own regulations on the prevention of industrial accidents. For instance, the oil and gas industry has specific guidelines from SKK Migas on coordination and communication in emergency situations. In another example, the Ministry of Industry's regulations on the chemical industry require safety procedures related to chemical substances and hazard labelling.

A workplace manager is further obliged to show and explain to every new employee:

- possible hazards in the work environment;
- every piece of safety and protective equipment obligatory in the work environment;
- personal protective equipment; and
- safety methods and attitude in conducting work.

A workplace manager is also obliged to comply with all terms and conditions applicable depending on the type of work and the work area. Under the Occupational Safety Law, a workplace manager is also required to:

- ensure all occupational safety requirements are placed in easily visible locations and are legible, according to the directions of the occupational safety expert or employee supervisor;
- display easily understood posters of occupational safety obligations and all other guidance materials in easily visible places, according to the directions of the occupational safety expert or employee supervisor; and
- provide (without cost) all personal protective equipment required for all employees and for individuals entering the work area, as well as necessary signs according to the directions of the occupational safety expert or employee supervisor.

## ENVIRONMENTAL ASPECTS IN TRANSACTIONS AND PUBLIC PROCUREMENT

### Environmental aspects in M&A transactions

#### What are the main environmental aspects to consider in M&A transactions?

Typically, the main environmental aspect to consider in the context of a share acquisition is to assess the necessary environmental documents of the target company. The key is to identify the required environmental permits and related licences in reference to the target company's business activities. For instance, a chemical company or a construction company will be subject to more strenuous environmental licensing requirements than a clothing wholesale or retail company. It also is necessary to assess if waste management licences are required, such as for dumping, transporting or storing B3 or non-B3 waste. Such requisite licences will need to be identified during the due

diligence stage. If the target company's requisite licences have not yet been issued or already have expired, certain representations and warranties on the non-existence of governmental sanctions and further covenants to obtain such licences will usually be required.

For the acquisition of assets, the main environmental concerns will depend on the type of asset being acquired. Buyers will have to check whether the target asset, for example, land, building or concessions, is subject to certain environmental standards and whether those standards have been met. For example, if the target asset is a building, the buyer will want to determine if the building is required to have a certain amount of green open space, and if so whether that requirement has been fulfilled. To use another example, if the asset is a manufacturing factory, a more strenuous environmental site assessment will be needed to ensure there is no on-site contamination. In such an asset acquisition, buyers will also need to check if there are any outstanding environmental liabilities.

### **Environmental aspects in other transactions**

#### **What are the main environmental aspects to consider in other transactions?**

For IPOs, the main environmental aspect is similar to in a share acquisition. The company must disclose its environmental permits or licences (if any and as applicable) as part of its prospectus, which will then be submitted to the Indonesian Financial Services Authority as a part of the IPO process and subject to public scrutiny. Usually, companies planning a public offering obtain a legal opinion on whether there are any material issues, including related to their environmental permits or documents.

For financing transactions, while lenders do not specifically scrutinise the environmental documents of borrowers, they will usually seek a covenant that borrowers will continue to do business as usual with due authorisation and no material changes. Indirectly, the borrowing company must maintain its proper business and environmental licences to maintain compliance with the facility agreement.

As for real-estate transactions and bankruptcy proceedings or similar debt payment suspension proceedings, there is no generally applicable environmental aspect that is material to consider.

### **Environmental aspects in public procurement**

#### **Is environmental protection taken into consideration by public procurement regulations?**

Yes, there may be a criterion for awarding contracts, for instance as tender qualification. Presidential Regulation No. 16 of 2018 regarding Procurement of Goods/Services by the government, amended by Presidential Regulation No. 12 of 2021, provides a normative foundation that the government procurement of goods or services shall need to pay attention to environmental aspects, 'including reducing negative impacts to health, air, soil and water quality, and utilising resources in accordance with the laws and regulations'. Specific qualification standards or prerequisites (including environmental protection and management) may be imposed by the particular governmental institution as the procuring entity. Also, public procurement rules applicable to state-owned entities (SOEs) also provide that each SOE board of directors may determine its own procedures for the procurement of goods or services.

## **ENVIRONMENTAL ASSESSMENT**

### **Activities subject to environmental assessment**

#### **Which types of activities are subject to environmental assessment?**

As a rule of thumb, business activities associated with different risk levels are subject to different types and degrees of



environmental assessment. Based on the Environment Law and its implementing Ministry of Environment and Forestry (MOEF) regulations, any planned business or activity likely to have a significant impact is required to have an AMDAL. On a milder level, businesses or activities with a less significant impact on the environment are required to have an UKL-UPL. And businesses with a far lower risk are required only to have a self-declaring statement on its ability to conduct environmental monitoring and management (SPPL) as its environmental assessment.

To implement the above rule, the MOEF recently stipulated a list of business activities that are obliged to have an AMDAL or Environmental Management and Monitoring Measures (UKL-UPL), under MOEF Regulation No. 4 of 2021. The list of businesses or activities requiring an AMDAL includes not only businesses of an industrial nature, but also 'high-risk' ones such as construction, metal refinery, petrochemical, power plant operations, mining and forestry, as well as non-business activities such as river water extraction, reclamation, dredging and others. The complete list of businesses and activities subject to the AMDAL or UKL-UPL requirement can be found in the appendices of MOEF Regulation No. 4 of 2021. Currently, businesses or activities that do not require an AMDAL or UKL-UPL require an SPPL.

An AMDAL, UKL-UPL or SPPL does not in itself act as a licence. Rather, they are a prerequisite step to obtain the environmental approval that is an integral part of a business licensing application.

## Environmental assessment process

### What are the main steps of the environmental assessment process?

There are three types of environmental assessments (ie, AMDAL, UKL-UPL and SPPL), which depend on the degree of risk associated with the relevant business activity. The process for each type of environmental assessment is also different, with AMDAL having the most elaborate process.

The main steps in an AMDAL assessment involve the preparation of the environmental assessment document, public consultation, assessment by the authorities, including any revisions, and finally the issuance of a clearance in the form of an 'environmental approval,' which is an integral document for a company to obtain its business licensing. These processes are now governed by GR 22/2021.

For an AMDAL, the process begins with the preparation of the AMDAL document (consisting of a framework form, environmental impact analysis and environmental monitoring and management measures), which can be done by the business applicant itself or outsourced to a certified environmental consultant. During this stage, involvement of the community is mandated, which can be done through an announcement and public consultation initiated by the applicant.

According to GR 22/2021, the 'directly impacted' community can only submit their input or comments on the business plan within 10 business days since the public announcement. Subsequently, the MOEF, coordinating with the relevant ministry(ies) that have authority over the applicant's business sector, shall provide a Framework Form for the applicant to complete (via the environmental document information system or manually). The drafting of the AMDAL will follow the guidance in the provided Framework Form. Under GR 22/2021 there are three types of AMDAL (ie, category A, B, and C, depending on the complexity and nature of the business concerned). It further regulates the time limit for the preparation of the AMDAL document (ie, 180 days for type A AMDAL, 120 days for type B and 60 days for type C). However, the applicant may apply to the MOEF, governor, mayor or regent for an extension of these deadlines.

The AMDAL document is then submitted to the MOEF, governor, mayor or regent, along with additional technical licences such as compliance with water pollution quality standards, traffic impact analysis or other licences related to B3 and non-B3 waste, as may be applicable, in order to obtain Environmental Approval. Indonesia's reformed business licensing system now integrates any additional environmental-related licensing into the AMDAL assessment process. Before the introduction of risk-based licensing, the AMDAL environmental assessment to obtain environmental approval was a stand-alone process, and business actors would sometime also have to obtain additional technical

environmental licences (eg, waste storage, transportation or dumping). Now, the environmental licensing processes has been streamlined into a single process to obtain the Environmental Approval.

The AMDAL will be assessed by the MOEF, governor, regent or mayor through an environmental worthiness assessment team (Team). At each level, the Team, after its assessment, shall convey its recommendation to the MOEF, governor, regent or mayor, which will later serve as basis for the respective authority to issue an Environmental Approval for the business applicant. The authority to issue an Environmental Approval is parallel to the issuing authority for the relevant business licensing. For instance, if the applicant's business activity licence is subject to the governor's authority, the Environmental Approval shall also be subject to the governor's authority.

Pursuant to GR 22/2021, this assessment process must take place within 50 business days of the submitted application being deemed completed. This timeframe is inclusive of further revisions that may be requested during the assessment process by authorities. However, given how recently this regulation was issued, we have not yet seen whether this provision is strictly implemented.

Finally, the MOEF, governor, regent or mayor will issue the Environmental Approval, which will also be made public through an environment information system that the MOEF reportedly plans to put in place but at the time of writing is still unavailable, or through the mass media. This shall be done within five working days of the Environmental Approval issuance.

The UKL-UPL process is generally the same as with the AMDAL, involving the preparation of a form and analysis and documentation of environmental management and protection efforts, which is then assessed by the relevant authorities (ie, the MOEF, governor, regent or mayor), with an Environmental Approval issued following a successful assessment. The SPPL process is much simpler, requiring only a self-declaration by the application of its willingness and capability to manage and protect the environment. The SPPL is integrated directly into a company's business identification number.

## REGULATORY AUTHORITIES

### Regulatory authorities

Which authorities are responsible for the environment and what is the scope of each regulator's authority?

The Environment Law confers authority to both the central government (ie, the MOEF) and regional governments (governors, regents or mayors) in protecting and managing the environment and ensuring the compliance of businesses with environmental standards. Depending on the type of environmental approval or business licensing, either the MOEF or governors, regents or mayors will issue the licence based on the division of authority stated in the regulations.

As for the authority to issue administrative sanctions, the general rule is that sanctions are imposed by the issuing authority of the respective environmental approval or business licensing. For instance, the MOEF will issue sanctions related to environmental approvals that it issued, and governors will issue sanctions for approvals they issued. Nonetheless, the Environment Law also provides that in certain instances, the MOEF may 'step in' and take over the authority of the regional government if it deems that there has been a serious violation by a business actor whose licensings was issued by the regional government.

Aside from the MOEF and regional government officials, there are also sector-specific institutions such as the MOEF-formed Security and Law Enforcement Unit for the Environment and Forests, set up to combat interference, threats, and violations of environmental and forestry law; the Environmental Funds Management Agency, responsible for managing funding and economic instruments related to environmental protection and management; the National Water Resources Agency, which formulates policies and strategies for water resource management and provides

considerations and evaluations for river areas and groundwater basins; and the AMDAL Appraisal Commission, which is responsible for appraising environmental documents and providing input to ensure the environmental feasibility of business activities. There also are independent government agencies (outside the MOEF) overseeing other specific sectors (eg, the Peatland Restoration Agency, which is mandated to rehabilitate peatlands in Indonesia).

## Investigation

### What are the typical steps in an investigation?

In cases of environmental crimes, the Environment Law stipulates that the police and civil servant investigators in charge of environmental protection may be authorised to conduct investigations. For instance, the Security and Law Enforcement Unit for the Environment and Forests (a specific unit under the Directorate General on Environment and Forestry Law Enforcement under the auspices of the MOEF), may be given the authority to, among other actions, conduct investigations related to environmental violations, supervise, evaluate and report on forestry or environmental licences. Under the mandate of the Environment Law, the scope of powers granted is quite wide, including collecting preliminary evidence to clarify the existence of a legal event and form the basis for further examination. Authorities are also then able to carry out interrogations, examine records and documents, inspect places, seize materials and goods, conduct searches, seek assistance from specialists, and arrest and detain suspected perpetrators. In exercising such powers, the civil servant investigators would work alongside officers of the Indonesian National Police Force.

## Administrative decisions

### What is the procedure for making administrative decisions?

State administrative decisions may be in the form of permits, orders, prohibitions and dispensations. The MOEF, governors, regents or mayors, and environmental agencies at the regency or municipal level are authorised to issue administrative decisions in the environmental sector, based on their exercise of discretion. Applications for environmental approvals may be submitted to the relevant state administrative official depending on the location of the business. The requirements differ depending on the type of environmental approval.

The process of assessing environmental documents as part of the environmental approval decision-making process also involves public consultations and evaluations by the authorities. Therefore, project proponents or elements of the public do have a right to be heard during the decision-making stage, particularly for environmental approvals. In other instances, such as the imposition of administrative sanctions, the authorities usually will issue a warning letter (usually three times), in response to which the relevant party may submit a reply or explanation. However, in more severe cases, the law provides that the MOEF has the right to directly impose more stringent sanctions without prior warning (eg, revocation of licence or imposition of administrative fines).

## Sanctions and remedies

### What are the sanctions and remedies that may be imposed by the regulator for violations?

The Environment Law stipulates different sanctions for different violations, ranging from administrative sanctions to criminal sanctions and civil liability, to be proven within and outside court proceedings.

For violations related to the Environmental Approval and business licensing, the central or regional government (through the MOEF, provincial, regency and municipal governments) may impose administrative sanctions. These sanctions range from written warnings to coercive actions (ie, suspension of production or business activities, cessation of production facilities, closure of wastewater or emission disposal tunnels, confiscation of goods that may

lead to environmental violations, demolition) and suspension or revocation of business licensing. The court may also oblige the parties to recover or remediate (if possible) the damages caused to the environment.

### **Appeal of regulators' decisions**

To what extent may decisions of the regulators be appealed, and to whom?

The current, amended version of the Environment Law no longer provides explicit provisions on the right of appeal for decisions on Environmental Approvals. However, as stipulated by Law No. 5 of 1986 regarding Administrative Court Proceedings, decisions issued by state administrative officials that are concrete, individual and final may be subject to administrative court review, for instance, due to formality irregularities or maladministration.

## **JUDICIAL PROCEEDINGS**

### **Judicial proceedings**

Are environmental law proceedings in court civil, criminal or both?

Environmental law proceedings can be in both civil and criminal courts. Disputes relating to class actions, litigating rights of environmental organisations or litigating rights of the government may be settled in civil courts. Offences related to violations of environmental quality standards and corporate crime may be brought to criminal court. Decisions by state administrative officials can also be challenged in administrative courts.

### **Powers of courts**

What are the powers of courts in relation to infringements of environmental law?

The courts of general jurisdiction have the authority to examine, adjudge and decide both criminal and civil law cases. The courts have the power to decide which party is liable for damage and the method of punishment and the appropriate compensation for the loss and environmental damage. They may also determine the payment of coercive money for each day of delay in the execution of court decisions.

### **Civil claims**

Are civil claims allowed regarding infringements of environmental law?

Yes. This is provided in the Environment Law. Recently, the Central Jakarta District Court granted a lawsuit filed by a group of DKI Jakarta citizens who sued the government based on unlawful action (a non-contractual basis, similar to tort under Common Law) for the failure of the government to maintain clean air in the Indonesian capital.

In addition, as regulated in Decree of the Chief Justice of the Supreme Court No. 134/KMA/SK/IX/2011 on Environmental Judge Certification, environmental claims include civil violations in the field of environmental management, which includes but is not limited to the fields of forestry, plantations, mining, coastal and marine environment, spatial planning, water resources, energy, industry and natural resource conservation.

### **Defences and indemnities**

## What defences or indemnities are available?

The Environment Law provides a strict liability provision that applies to parties involved in business or activities using, producing or managing B3 Waste or activities that cause serious threat to the environment. They could be held entirely liable for any damages incurred without the plaintiff needing to prove that the other party is at fault. The official elucidation of article 88 of the Environment Law provides that strict liability thereunder does not require a plaintiff to prove the element of 'guilt' or 'fault'.

For other types of business activities, general principles of civil liability and damages shall apply. Allocation of liability, several and joint liability among the wrongful parties are also possible based on general civil and civil procedural law principles and basis of claims (ie, unlawful action or tort). The Environment Law also contains a provision that liable parties who committed tort may also be ordered by the court to conduct certain remedial actions other than paying for damages. The court may also fix an amount of enforcement money, which is a daily imposed fine for failure to implement the court's order.

The Environment Law does not regulate a different statute of limitation other than the general provision under the Indonesian Civil Code, which is 30 years. However, such statute of limitation is not applicable to environmental pollution or damage attributable to a business activity that uses, produces or manages B3 Waste.

In terms of limitation of liability, the MOEF enacted MOEF Regulation No. 7 of 2014 regarding Compensation for Contamination and/or Damages to the Environment as a guideline for calculating compensation and remedial action in environmental damage cases. In theory, the amount of liability may increase due to the calculation of externalities in environmental damages, taking into account the irreversible nature of the damage, social costs to the communities affected and the degree and duration of damage.

In civil proceedings, a defence of force majeure may be applicable in exempting oneself from liability. Based on article 501(5) of GR 22/2021, a person may be relieved of strict liability if the environmental damage is caused by any of (1) natural disaster or war; (2) force majeure beyond human capabilities; or (3) result of other polluting or damaging parties. Based on publicly available information, the infamous Sidoarjo mud flow, in Indonesia's East Java province, is an example of a natural gas drilling accident case that was not punishable because the House of Representatives and the Supreme Court found that the incident was a natural disaster and did not meet the provisions for such disaster to be recognised as a criminal act pursuant to article 116(1) of the Environment Law.

## Directors' or officers' defences

### Are there specific defences in the case of directors' or officers' liability?

The Environment Law provides that when an environmental crime is committed by, for, or on behalf of a corporation, criminal prosecutions and sanctions can be imposed on the corporation or the person who gave the order or acted as the leader of the crime. If the crime was carried out by a person within the scope of their employment, criminal sanction shall be given to the person who gave the order or led the crime, regardless of whether the crime was committed together or individually. The Environment Law also refers the perpetrator of a corporate crime as a 'functional perpetrator'. The elucidation states that prosecution should be aimed at the leader of the corporation who authorised and accepted the crime. Sanctions for individuals can come in the form of imprisonment and fines, and additional penalties can be imposed on the corporation.

Looking at past cases in Indonesia, the courts appear to be inclined to shift liability from corporations to individuals acting as corporate officers. In Republic of Indonesia v PT Adei Plantation & Industry (PT API), the court found that PT API was guilty and liable for environmental crimes. The court also stated that if PT API did not pay the fine, then the

director, even if he was not a defendant, should be imprisoned for five months in exchange. In *Republic of Indonesia v Kosman Siboro*, although the court said they were unsure of the director's role in the crime, they still found him liable due to his position as director of the corporation. In specific cases, the director of a company that specialises in handling environmental, health and safety (EHS) matters can usually use the defence that they took all prudent and necessary actions and thus cannot be sued personally due to having acted as a prudent director under the Indonesian Company Law. If a director commits gross negligence or wilful misconduct that causes environmental harm, they may then be personally liable for the resulting damage, for instance, due to failure to comply with the standards and operational procedures related to EHS. There are past court cases where a company failed to obtain the necessary B3 waste licensing for its business activities, which was then brought to court but it was the director who was sentenced.

## Appeal process

What is the appeal process from trials?

The Indonesian court system comprises district courts at the first instance, high courts for appeal and the Supreme Court for cassation. Parties can appeal district court decisions 14 days after the date of the decision, and appeals cannot be filed against final and binding decisions. Then, the high court decision can be further appealed to the Supreme Court. The decision of the Supreme Court is mostly binding but can be brought to further judicial review in some instances.

## INTERNATIONAL TREATIES AND INSTITUTIONS

### International treaties

Is your country a contracting state to any international environmental treaties, or similar agreements?

Indonesia has ratified several international environmental agreements, such as the Convention on Biological Diversity (CBD), the United Nations Convention to Combat Desertification, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), Basel Convention on the Control of Transboundary Movements of Hazardous Wastes, the United Nations Convention on the Law of the Sea, Comprehensive Nuclear-Test-Ban Treaty, Vienna Convention on the Protection of Ozone Layer, International Convention for the Prevention of Pollution from Ships, International Tropical Timber Agreement, and the Ramsar Convention on Wetlands of International Importance Especially as Waterfowl Habitat.

### International treaties and regulatory policy

To what extent is regulatory policy affected by these treaties?

Indonesia has adopted various the treaties into its national laws. For instance, Indonesia ratified the CBD through Law No. 5 of 1994 and created bodies such as the Biodiversity Action Plan for Indonesia and the Indonesian Biodiversity Strategy and Action Plan to pursue CBD goals in biological diversity, sustainable use and equitable sharing of benefits of genetic resources.

In another example, after Indonesia's ratification of CITES in 1978, Indonesia enacted Law No. 5 of 1990 on Conservation of Natural Resources and Their Ecosystems and implementing regulations for the convention. The regulations implemented licensing systems for species listed in CITES and the MOEF and the Ministry of Maritime Affairs and Fisheries have been appointed as national authorities.

## UPDATE AND TRENDS

### Key developments of the past year

Are there any emerging trends or hot topics in environment law in your jurisdiction?

The Job Creation Law's amendment of the Environment Law, along with the changes it introduced in the form of the new risk-based business licensing system, has been the hot topic in environmental law in Indonesia.

Notable changes include lessened community involvement in the context of the environmental impact assessment (AMDAL) drafting and preparation stage, with the amended Environment Law limiting the involvement of the community to those 'directly impacted' by a proposed business activity. This is a significant change from the previous definition of community, which included not only affected persons and communities, but also environmental activists and other parties affected by all types of decisions in the AMDAL process.

Another significant change was the revocation of a provision that allowed the cancellation of a company's environmental permit through a state administrative court lawsuit. GR 22/2021, an implementing regulation for the Environment Law, has also sparked debate, particularly its amendments on waste management. Three types of waste (ie, fly ash, bottom ash and spent bleaching earth) were delisted from the B3 Waste category and are now categorised as non-B3 waste. Some parties have raised the concern that this decision could be a setback to proper waste management and public health.

Looking past possible controversies and setbacks, positive trends include the simplification and streamlining of certain required environmental documents under the risk-based licensing approach. For instance, low-risk businesses shall no longer require a separate environmental document, which is now directly integrated into their Business Identification Number. This change will especially benefit micro, small and medium-sized enterprises. Businesses that engage in activities classified as medium to high risk for the environment still require an environmental monitoring and management efforts document (UKL-UPL) or an AMDAL, depending on the type of business and how it is regulated.

Aside from the Environment Law reform and the streamlining of business licensing, a topic of much discussion in the third quarter of 2021 was the recent victory in a lawsuit filed by a group of DKI Jakarta citizens, who sued the Indonesian President, the governor of DKI Jakarta and several ministers over air pollution in DKI Jakarta. The Central Jakarta District Court found that five public officials had committed an unlawful action and were at fault over air pollution in the Indonesian capital. The five public officials who were found guilty to have committed such unlawful action are Indonesian President Joko Widodo, DKI Jakarta Governor Anies Baswedan, Minister of Health Budi Gunadi Sadikin, Minister of Home Affairs Tito Karnavian and Minister of the Environment and Forestry Siti Nurbaya.

## Jurisdictions

	<b>Australia</b>	Johnson Winter & Slattery
	<b>Belgium</b>	Industrious Law
	<b>European Union</b>	Allen & Overy LLP
	<b>Germany</b>	Enderle Environmental Law
	<b>Indonesia</b>	SSEK Legal Consultants
	<b>Malta</b>	Camilleri Preziosi
	<b>Netherlands</b>	Van der Feltz attorneys
	<b>Portugal</b>	Uría Menéndez
	<b>South Korea</b>	Kim & Chang
	<b>Spain</b>	Uría Menéndez
	<b>USA</b>	Beveridge & Diamond PC