

## DISCOURSE ON PROFIT SHARING FUND POLICY BETWEEN CENTRAL GOVERNMENT AND REGIONAL GOVERNMENT IN OIL AND GAS MINING SECTOR IN INDONESIA

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### ABSTRACT

*Revenue Sharing Fund (DBH) in the oil and gas sector is one of the important instruments in regulating the distribution of revenue between the central government and producing regions in Indonesia. This DBH policy is designed to ensure fair revenue sharing between the center and regions. However, its implementation often encounters various problems, such as delays in distribution, unfairness in distribution, and the impact of fluctuations in world oil and gas prices. The type of research used is normative legal research with a prescriptive juridical approach to understand the discourse on oil and gas DBH policies in Indonesia. The results of the study show that there is a discourse on the Revenue Sharing Fund policy in the oil and gas sector in Indonesia showing that this policy still faces a number of serious challenges, such as delays in distribution, unfairness in distribution, lack of transparency, and the impact of fluctuations in global oil and gas prices. To improve this policy, reforms are needed in the distribution mechanism, revision of the distribution formula, increased transparency, and economic diversification in producing regions.*

**Keywords:** Policy Discourse; Government; Mining.

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### INTRODUCTION

Indonesia as a country based on law, such principles are emphasized in Article 1 paragraph (3) of the 1945 Constitution of the Republic of Indonesia (UUD NRI 1945), which states that Indonesia is a country based on law. This principle shows that every government action must be carried out based on legitimate rules, not on the basis of power alone.

Within the framework of the rule of law, there are rules regarding the hierarchy of legal regulations. This system is regulated by the adage *Lex Superiori Derogat Lex Inferiori*, which means that lower-ranking regulations must not contradict higher-ranking regulations. For example, laws must be in line with the constitution, and regional regulations must not contradict national laws. With this hierarchy, Indonesian law has a clear and orderly structure, thus preventing chaos or contradictions between the various levels of regulations.

According to the principles contained in Article 33 paragraph (3) of the 1945 Constitution, Oil and Natural Gas as strategic natural resources, which are found within the legal jurisdiction of Indonesia's mining areas, are national wealth controlled by the state. The state's control is aimed at ensuring that this national wealth is utilized for the greatest prosperity of all Indonesian people. Therefore, individuals, communities, and businesses, even if they have rights to the land on the surface, do not have the right to control or own the Oil and Natural Gas found beneath it.

That one of the special production branches for the country and which controls the livelihood of many people is the Oil and Gas (Oil and Gas) sector, which is one of the strategic non-renewable Natural Resources (SDA) and is an important commodity related to the welfare of society in general which is controlled by the state and has an important role in the national economy, so that its management must provide maximum prosperity and welfare for the people.<sup>1</sup>

Based on Law Number 1 of 2022 concerning Financial Relations between the Central and Regional Governments ( HKPD Law ), Non-Tax State Revenue (PNBP) from Oil and Gas Natural Resources is a type of PNBP that is distributed to regions through the Revenue Sharing Fund (DBH) mechanism. In the HKPD Law, DBH is part of the transfer to regions that is allocated based on a percentage of certain revenues in the APBN and certain performance, which is distributed to producing regions with the aim of reducing fiscal disparities between the Government and Regions, as well as to other non-producing Regions in order to overcome negative externalities and/or increase equity in one region. DBH is intended to improve vertical fiscal balance (differences in fiscal capacity and fiscal needs between the center and regions).<sup>2</sup>

Natural resources, especially oil and gas (Oil and Gas), are one of the main contributors to Indonesia's state revenue. Revenue from this sector plays an important role in supporting the state budget, both at the central and regional levels. In order to realize fiscal justice and support regional development, the Indonesian

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<sup>1</sup> Indah Dwi Qurbani, "Prinsip Hukum Perimbangan Dana Bagi Hasil Minyak dan Gas Bumi", *Yuridika*, No. 1 Vol. 29, Januari-April 2014, hlm. 114.

<sup>2</sup> Direktorat Jendral Anggaran Kementerian Keuangan, Dampak Kebijakan terhadap Dana Bagi Hasil Migas, Diakses dari <https://anggaran.kemenkeu.go.id/in/post/dampak-kebijakan-terhadap-dana-bagi-hasil-migas>. On Monday, September 18, 2023 at 20.00 WIB.

government has implemented a Revenue Sharing Fund (DBH) policy, where part of the state revenue from the oil and gas sector is allocated to producing regions.<sup>3</sup>

The concept of fiscal decentralization in Indonesia is rooted in post-New Order political and economic reforms. One of the goals is to encourage regional autonomy in managing natural resources, including oil and gas. Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments (HKPD Law) is the main legal basis governing the distribution of DBH. The HKPD Law stipulates that revenues from natural resources, including oil and gas, must be shared between the central government and producing regions according to a predetermined formula.

The theory of fiscal decentralization is closely related to the decentralization of political and fiscal power from the central government to the regions. According to *Oates*, fiscal decentralization can increase the efficiency of resource allocation because local governments are considered to be more aware of local needs.<sup>4</sup> This theory argues that regions producing natural resources, such as oil and gas, have the right to obtain an adequate portion of the results to meet the needs of development and public services in their regions.

Fiscal decentralization implemented through the DBH policy should ensure that oil and gas producing regions can use the funds to finance infrastructure development, education, health, and public welfare.<sup>5</sup> However, in reality, producing regions often feel that the portion of DBH they receive is not commensurate with their contribution to the national economy.<sup>6</sup> According to the theory of fiscal decentralization, inadequate fiscal distribution can hamper development efficiency in the regions, especially in areas that are highly dependent on revenues from the oil and gas sector. Therefore, a revision of the DBH distribution formula needs to be carried out to reflect the principle of fiscal efficiency.

DBH is intended to strengthen regional autonomy and accelerate development in oil and gas producing regions, especially in areas that have significant contributions to the national economy. However, this policy often causes polemics. Various challenges, including delays in distribution, unfairness in distribution, and the impact of global oil and gas price fluctuations, have emerged in the discourse between the central and regional governments.<sup>7</sup> Therefore, this

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<sup>3</sup> Kementerian Keuangan Republik Indonesia. *Panduan Dana Bagi Hasil Sektor Migas*. Jakarta: Kementerian Keuangan. 2024. p.45

<sup>4</sup> Oates, W. E. *Fiscal Federalism*. New York: Harcourt Brace Jovanovich. 1972. dalam Indah Indah Dwi Qurbani, "Prinsip Hukum Perimbangan Dana Bagi Hasil Minyak dan Gas Bumi", *Yuridika*, No. 1 Vol. 29, Januari-April 2014, p. 114.

<sup>5</sup> Kementerian Keuangan Republik Indonesia. *Panduan Dana Bagi Hasil Sektor Migas*. Jakarta: Kementerian Keuangan. 2022. p.32

<sup>6</sup> Sukmawati, R. Fluktuasi Harga Minyak Dunia dan Pengaruhnya Terhadap Penerimaan DBH Daerah. *Jurnal Ekonomi Daerah*, 11(4).2020. pp.98-107

<sup>7</sup> Setiawan, B., & Wibowo, A. Problematika Dana Bagi Hasil Migas di Indonesia. *Jurnal Ekonomi Daerah*, 10(2), 123-134. 2018.

study aims to dig deeper into the problems of oil and gas DBH policy in Indonesia and provide solutions to these problems.

In the context of oil and gas, the distribution of DBH is based on the volume of production and state revenue from the sector. The central government stipulates that 15.5% of total oil revenue and 30.5% of natural gas revenue are allocated to the regions.<sup>8</sup> However, this distribution is often debated because it is considered disproportionate to the contribution of producing regions to national production. In order to better understand the concept of the profit sharing policy between the Central and Regional Governments in the oil and gas mining sector in Indonesia, a more in-depth scientific study will be conducted regarding the direction of the profit sharing policy for the oil and gas mining sector in Indonesia .

## METHOD

This type of research is normative legal research with a prescriptive legal approach. Prescriptive legal is to find the truth of coherence to examine whether there are legal rules in accordance with legal norms and whether there are norms in the form of commands or prohibitions in accordance with legal principles, and whether a person's actions ( *acts* ) are in accordance with legal norms (not only in accordance with legal rules) or legal principles.<sup>9</sup> The nature of the research used in this study is prescriptive analysis, namely studying the purpose of law, values of justice, validity of legal rules, legal concepts, and legal norms.<sup>10</sup> The research approach in this scientific paper uses a statutory approach , namely research on legal systematics that can be carried out on certain laws and regulations or written laws.<sup>11</sup>

## DISCUSSION

### **Regulation of Profit Sharing Funds from the Perspective of Legislative Regulations in Indonesia**

Article 18A paragraph (2) of the 1945 Constitution of the Republic of Indonesia mandates that financial relations, public services, natural resources, and other resources between the Central Government and Regional Governments are regulated and implemented fairly and in harmony based on the law.<sup>12</sup> This article then became the philosophical and constitutional basis for the formation of Law Number 1 of 2022 concerning Financial Relations between the Central Government

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<sup>8</sup> *Op.Cit* . p.47

<sup>9</sup> Peter Mahmud Marzuki, *Penelitian Hukum*, (Jakarta: Prenada Media Group, 2014 ), p . 47.

<sup>10</sup> Peter Mahmud Marzuki, *Penelitian Hukum*, (Jakarta: Kencana, 2010), p. 22.

<sup>11</sup> Ronny Hanitijo Soemitro, *Metodologi Penelitian Hukum dan Jurimetri*, (Jakarta: Ghalia Indonesia, 1990), p. 23

<sup>12</sup> Indah Dwi Qurbani, "Principle of Law on the Balance of Funds for Oil and Gas Revenue", *Yuridika*, No. 1 Vol. 29, January-April 2014. P.114

and Regional Governments (Financial Balance Law), which also regulates the distribution of Oil and Gas Revenue Sharing Funds (DBH).<sup>13</sup>

DBH as regulated in Article 288 of the Regional Government Law together with Article 106 point (a) of the Law on Financial Relations between the Central Government and Regional Governments, derives from taxes and natural resources. Financial resources from DBH sourced from natural resources are very important in supporting the financial income of the Region, considering the potential that Regions have from natural resources. To increase the financial income of the Region, Regions do not only rely on Local Revenue (PAD) derived from regional levies, regional taxes, or the management of separated regional wealth or other legitimate PAD, but DBH from the Balance Fund is very important in the success of Regional Autonomy implementation, especially for Regions that have natural wealth sources such as Oil and Gas.

There are three main reasons for the importance of DBH for the implementation of Regional Government, namely:<sup>14</sup> first, to increase the income sources of the Region, second, to meet excessive needs or limited income from certain areas, and third, to enhance specific programs and insert control over them. However, sometimes rules regarding Oil and Gas Revenue Sharing Funds become problematic, as the percentage obtained by the Producing Regions is considered unfair.

The distribution of DBH is regulated in Law Number 1 of 2022, the Revenue Sharing Fund which is part of the Region is distributed based on the realization of revenues for the current budget year. However, there is a limitation, namely the realization of DBH distribution originating from the oil and gas sector does not exceed 130% (one hundred and thirty percent) of the basic assumption of oil and gas prices in the current year's APBN. The distribution of DBH with a deviation above 130% must go through a change to the APBN. This is also consistent with the economic indicators which are one of the criteria in preparing changes to the APBN. Technically, the distribution of DBH has been regulated in Government Regulation of the Republic of Indonesia Number 37 of 2023 concerning Management of Transfers to Regions. Tax DBH is distributed by means of transfer from the State General Cash Account to the Regional General Cash Account.

Law Number 1 of 2022 provides significant changes in the management of fiscal relations between the central and regional governments, including the DBH distribution mechanism. One of the important innovations of this law is strengthening the DBH distribution planning, implementation, and supervision system through the use of more advanced information technology, including the preparation of an online distribution system to accelerate fund transfers.

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<sup>13</sup> Article 117 Paragraph (4) and Paragraph (5) of Law Number 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments.

<sup>14</sup> M. Khoirul Muluk, *Decentralization and Regional Government*, Bayumedia Publishing, Malang, 2007, p. 84.

### **Challenges In The Policy Of Profit Sharing Funds For Oil And Gas Mining In Indonesia**

In Article 118 of Law No. 1 of 2022, the distribution of DBH is designed to be more timely and in accordance with the established schedule, to ensure that the funds can be used by regions in accordance with their budget planning. Previously, delays in the distribution of DBH often occurred due to adjustments to the realization of state revenues that were slower than the initial estimate, which often caused regional governments to have difficulty implementing development programs. This law also encourages periodic evaluations of DBH distribution to ensure efficiency and effectiveness in its implementation.

The delay in DBH distribution is one of the main complaints from regional governments producing oil and gas. The slow distribution process has hampered development programs in the region.<sup>15</sup> Based on the BPK report, this delay is generally caused by complex bureaucracy at the central level, where the budget verification and adjustment process takes a long time.<sup>16</sup> In addition, there is a discrepancy between the estimated revenue from the oil and gas sector and the realization which causes delays in distribution.

One example of the problem of delays in DBH distribution occurred in Riau Province, one of the largest oil and gas producing regions in Indonesia. In 2019, DBH distribution for Riau was delayed for several months, which had an impact on the budget for infrastructure development and public services in the region.<sup>17</sup> To overcome the problem of delays, the central government needs to improve the mechanism for distributing funds by improving the administration system and stricter supervision. The use of digital technology, such as a real-time reporting system, can speed up the distribution process and reduce the potential for delays.<sup>18</sup> Delays in the distribution of Oil and Gas Revenue Sharing Funds (DBH) to regions have a significant impact on economic and development aspects, and are closely related to the legal and regulatory theories underlying regional autonomy.

Based on the perspective of decentralization theory, the division of power and responsibility between the central and regional governments allows regions to manage their own affairs, including the management of natural resources. This theory is in line with the principle of regional autonomy as stipulated in Law No. 23 of 2014 concerning Regional Government. In this context, the delay in the

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<sup>15</sup> Audit Board of the Republic of Indonesia. *Audit Report of Revenue Sharing Funds 2022*. Jakarta: BPK RI.2022.

<sup>16</sup> *Ibid.*

<sup>17</sup> Sukmawati, R. *Tantangan Penyaluran Dana Bagi Hasil Migas di Riau*. *Jurnal Ekonomi Riau*, 12(1), 45-52. 2020.

<sup>18</sup> *Op.Cit.* . Setiawan...,

distribution of DBH can be seen as a violation of the principle of decentralization which should provide flexibility to regions in managing funds.<sup>19</sup>

Second, the theory of justice in law emphasizes the need for fair distribution of resources. DBH Oil and Gas serves as a tool to achieve social and economic justice for producing regions. Delays in distributing DBH result in injustice for regions that should receive a share of the natural resources they produce. This creates a disparity between producing regions and other regions.<sup>20</sup>

The HKPD Law regulates the financial balance between the central and regional governments, explaining how DBH Oil and Gas must be calculated, distributed, and used by the regions. Delays in the distribution of these funds can be considered a violation of the provisions of the law, which regulates the obligation of the central government to provide funds on time to the regions.<sup>21</sup> In addition, Law No. 6 of 2023 regulates the management of natural resources and gives the regions the authority to obtain a share of the results of natural resource management. Uncertainty and delays in the distribution of DBH can hamper the implementation of development programs that have been planned by the regional government.<sup>22</sup>

Another issue that is often debated is the unfairness in the distribution of DBH. Oil and gas producing regions, such as Riau, East Kalimantan, and Aceh, claim that they do not receive a proportional share of oil and gas revenues.<sup>23</sup> Although these regions contribute the majority of national oil and gas production, they feel that this contribution is not reflected in the amount of DBH they receive.

In the implementation of DBH oil and gas in Indonesia, the allocation of a larger portion for the central government (84.5% for oil and 69.5% for gas) is often considered unfair by producing regions. According to the theory of distributive justice, producing regions, which bear the direct impact of natural resource exploitation, should receive a larger share of the proceeds. If this distribution is unfair, dissatisfaction and instability will arise in the relationship between the central and regional governments. DBH policies that follow the principle of distributive justice must take into account the social, economic, and environmental impacts experienced by producing regions.

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<sup>19</sup> M, Rizal. *Desentralisasi dan Pengelolaan Sumber Daya Alam: Tantangan dan Peluang*. *Jurnal Administrasi Publik*, 9 (2), 112-125. 2021

<sup>20</sup> Putra, A. *Analisis Keadilan Distribusi Dana Bagi Hasil Sumber Daya Alam*. *Jurnal Otonomi Daerah*, 15(3), 45-58. 2020

<sup>21</sup> Dewi, R., & Hartono, J. *Dampak Keterlambatan Penyaluran Dana Bagi Hasil Terhadap Pembangunan Daerah*. *Jurnal Keuangan dan Pembangunan Daerah*, 12(1), 34-50. 2022

<sup>22</sup> Sari, E. *Peran Pemerintah Daerah dalam Pengelolaan Sumber Daya Alam: Studi Kasus di Daerah Penghasil Migas*. *Jurnal Ilmu Pemerintahan*, 20(4), 102-118. 2023

<sup>23</sup> Assegaf, M. *Keadilan Fiskal Dalam Kebijakan DBH di Daerah Penghasil Migas*. Jakarta: UI Press 2019. p.23

The theory of distributive justice, pioneered by philosopher *John Rawls*, emphasizes the importance of fair distribution of resources in society. Distributive justice focuses on the distribution of economic benefits generated by natural resources, where every affected party should receive a fair share.<sup>24</sup> In the context of oil and gas DBH policy, this theory is relevant to evaluate whether the distribution of oil and gas revenues between the central and regional governments reflects the principle of justice for all parties.

According to Law No. 33 of 2004, only 15.5% of total oil revenues are allocated to regions, while the remaining 84.5% is managed by the central government.<sup>25</sup> Many parties consider that this division does not reflect justice, especially since the environmental and social impacts caused by oil and gas exploitation activities are felt directly by the producing regions. In Law No. 1 of 2022, the provisions regarding DBH for the oil and gas sector still refer to principles similar to Law No. 33 of 2004, with several modifications related to more flexible allocation. Article 112 and Article 113 of Law No. 1 of 2022 state that the portion of DBH from oil and gas allocated to regions remains 15.5% for oil and 30.5% for gas.

However, this law provides flexibility in regulating the portion received by producing regions, especially related to reserve funds or production bonuses. The central government is given the authority to adjust the portion for producing regions that are directly affected by the exploitation of natural resources, which was previously less considered. In this case, the central government can provide additional fiscal incentives for regions that experience environmental damage or social impacts from oil and gas activities. This is expected to be an initial step to address the injustice that is often felt by producing regions such as Riau and East Kalimantan.

Based on the responsive legal theory, as put forward by *Philippe Nonet and Philip Selznick*, it is emphasized that the law must be able to adapt to social, political, and economic changes in society. The law is not only a tool to regulate, but also to respond to the needs of society.<sup>26</sup> In the context of the oil and gas DBH policy, the responsive legal theory demands that the regulations governing the distribution of oil and gas results between the central and regional governments must reflect current needs and challenges, such as the impact of changes in world

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<sup>24</sup>Rawls, J. *A Theory of Justice*. Cambridge: Harvard University Press. 1971. p.12.

<sup>25</sup> Article 117 of Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments

<sup>26</sup> Nonet, P., & Selznick, P. *Law and Society in Transition: Toward Responsive Law*. New York: Harper & Row. 1978. in Sutadi Pudjo Utomo, *Kedaulatan usaha migas dan production sharingcontract Indonesia*, Reforminer Institute, 2010.

oil prices, environmental degradation, and development disparities between producing and non-producing regions.

One of the critical issues recognized by Law Number 1 of 2022 is transparency in the calculation and distribution of DBH. Article 117 of this law mandates increased transparency through the use of an information system that allows regional governments to access data related to oil and gas revenues more openly. Regional governments now have the right to verify oil and gas production data used by the central government in determining the amount of DBH.

If we move from the theory of natural resource sovereignty, it emphasizes that regions that have natural resources have sovereign rights over these resources and must be given the power to utilize them for the benefit of the local community. According to this theory, local governments are entitled to a fair share of the results of natural resources produced in their area, considering the long-term impact on the environment and the welfare of the local community.<sup>27</sup>

In the Indonesian context, this theory is reflected in the provisions of Law Number 33 of 2004 concerning Financial Balance Between the Central and Regional Governments, as well as in Law Number 1 of 2022 concerning Financial Relations Between the Central and Regional Governments, which recognize regional rights to a portion of oil and gas revenues.<sup>28</sup> However, in practice, regional rights are often neglected due to strong control by the central government in managing the oil and gas sector, both in terms of supervision and distribution of DBH. This theory emphasizes the importance of increasing regional sovereign rights in managing and supervising natural resources, so that regions can utilize these resources for long-term development.<sup>29</sup>

In addition, Law No. 1 of 2022 also provides a greater role for the Audit Board of Indonesia (BPK) in overseeing the implementation and distribution of DBH, including special audits of data reported by oil and gas companies. This aims to minimize the potential for mismatches between production data and financial data, as well as to ensure that DBH calculations are carried out accurately and in accordance with applicable regulations. With this increase in transparency, it is hoped that oil and gas producing regions can be more confident in verifying the amount of DBH they receive. This can also reduce the potential for conflict between the central and regional governments regarding the distribution and calculation of DBH.

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<sup>27</sup>Schrijver, N. *Sovereignty Over Natural Resources: Balancing Rights and Duties*. Cambridge: Cambridge University Press.1997. in Tenti Mrs. "Konflik Dana Bagi Hasil antara Pemerintah Pusat dan Pemerintah Provinsi Kalimantan Timur", *Jurnal Ilmu Sosial dan Ilmu Politik*, No. 1 Vol. 16, July 2012

<sup>28</sup> *Op.Cit.* Setiawan, B., & Wibowo, A. (2018)... ,

<sup>29</sup> *Ibid* .

Transparency in DBH calculations can be improved by involving independent institutions to conduct audits on oil and gas production and price data. In addition, local governments must be given full access to the data used in DBH calculations, so that they can monitor and verify the amount received.

Global oil and gas price fluctuations are also a challenge in DBH policy. Revenue from the oil and gas sector is greatly influenced by world oil prices, which can change drastically in a short time.<sup>30</sup> When oil prices fall, state revenues from the oil and gas sector decline, which has a direct impact on the amount of DBH received by producing regions.

Another issue is related to the Fluctuations in world oil prices have a significant impact on the Oil and Gas Revenue Sharing Fund (DBH) and the management of regional autonomy. In the context of regional autonomy, regional governments are given the rights and authority to manage natural resources in their areas, including oil and gas. This is regulated in laws and regulations that provide a legal basis for the management of these resources.<sup>31</sup>

The impact of oil price fluctuations on DBH Migas can be seen from how this price uncertainty affects regional income. Delays or decreases in DBH due to oil price fluctuations cause regions to have difficulty in meeting the basic needs of the community and implementing important development programs. Regional income that depends on DBH is crucial, and a decrease in income can hamper the implementation of planned programs.<sup>32</sup>

Fluctuations in oil prices also create legal uncertainty in budget planning and management. Delays in DBH distribution can cause conflict between the central and regional governments regarding the rights and obligations of each party. This can disrupt the cooperative relationship that should be established in natural resource management, creating challenges for regional governments in exercising their authority effectively.<sup>33</sup>

Moving on from the fiscal policy perspective, regional income that depends on DBH Oil and Gas requires policy adjustments in dealing with price fluctuations. When oil prices fall, regional governments may have to rationalize budgets and cut non-urgent programs. Legal policies related to regional taxes and levies are very

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<sup>30</sup> Sukmawati, R. *Fluktuasi Harga Minyak Dunia dan Pengaruhnya Terhadap Penerimaan DBH Daerah*. *Jurnal Ekonomi Daerah* 11(4), 2020, pp.98-107.

<sup>31</sup> Gaffar, V. *Pengelolaan Dana Bagi Hasil Sumber Daya Alam dalam Kerangka Otonomi Daerah*. *Jurnal Kebijakan Publik*, 15(2), 123-138. 2021

<sup>32</sup> Marhaeni, A. *Fluktuasi Harga Minyak dan Implikasinya terhadap Pendapatan Daerah: Perspektif Hukum dan Kebijakan*. *Jurnal Ekonomi dan Kebijakan Publik*, 7(3), 45-60. 2022

<sup>33</sup> Arifin, MZ, & Rani, S. *Otonomi Daerah dan Pengelolaan Sumber Daya Alam: Tantangan dan Peluang*. *Jurnal Hukum dan Pembangunan*, 18(1), 98-110. 2023

important to increase Regional Original Income (PAD) so that regions do not rely too much on DBH Oil and Gas.<sup>34</sup>

Fluctuations in oil prices also impact the sustainability of regional development. A decline in revenue from DBH Oil and Gas can hamper infrastructure development projects and social programs that depend on such funding. Therefore, it is important for existing legal policies to support regional economic diversification so that they are not entirely dependent on the oil and gas sector. This includes regulations that encourage investment in other sectors, such as agriculture, tourism, or renewable energy.<sup>35</sup> Facing the impact of oil price fluctuations, local governments need to formulate responsive and adaptive policies. Good legal policies should include mechanisms to deal with the uncertainty of revenue from DBH Oil and Gas, for example by creating emergency funds or better risk management mechanisms. Thus, regions can be better prepared to face the challenges that arise from oil price fluctuations and maintain sustainable development.<sup>36</sup>

Fluctuations in world oil prices have a complex impact on the Oil and Gas Revenue Sharing Fund and the management of regional autonomy. Delays and decreases in DBH due to these fluctuations not only affect regional income, but also create legal uncertainty and challenges in the implementation of regional authority. Adaptive and responsive legal policies are very important to manage these impacts and encourage sustainable development in oil and gas producing regions.

In 2020, world oil prices fell drastically due to the COVID-19 pandemic, which caused a significant decline in DBH revenues by oil and gas producing regions. Regions such as East Kalimantan and Riau experienced a significant decline in revenue, affecting the development budget in the region.<sup>37</sup> To reduce dependence on oil and gas DBH, regional governments producing oil and gas need to develop other economic sectors, such as tourism, agriculture, and the creative industry. Economic diversification will help regions remain stable despite the decline in oil and gas prices on the global market.<sup>38</sup>

## CONCLUSION

The concept of profit sharing funds is of course intended to provide benefits for each region. In connection with revenue sharing funds in Indonesia this is often done, both from oil and gas processing results and others. In principle, it is related to profit sharing funds, which are financial relations between the central and

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<sup>34</sup>Kementerian Energi dan Sumber Daya Mineral. (2023). *Laporan tahunan tentang pengelolaan sumber daya alam dan dampaknya terhadap ekonomi daerah*. Retrieved from <https://www.esdm.go.id>.

<sup>35</sup>*Kebijakan Fiskal Daerah dan Sumber Pendapatan: Studi Kasus Dana Bagi Hasil Migas*. Jurnal Ilmu Administrasi Negara, 9(1), 75-89. 2020

<sup>36</sup>*Ibid.*

<sup>37</sup>*Ibid.*

<sup>38</sup>*Op.cit.* Sukmawati.,

regional governments. Article 18A paragraph (2) of the 1945 Constitution of the Republic of Indonesia as the highest legal basis mandates that financial relations, public services, natural resources and other resources between the Central Government and Regional Governments be regulated and implemented fairly and in harmony based on law. -invite. It can also be seen that the presence of Law No. 1 of 2022 concerning central and regional financial relations has strengthened the concept of profit sharing funds in Indonesia.

In the implementation of the Oil and Gas Sharing Policy (DBH) in Indonesia, regulations governing the management of oil and gas as well as the balance of oil and gas DBH still pose problems in its implementation and enforcement because the current regulations still face protests from various regional governments and communities whose existence feels unprotected by the current regulations. Such as transparency issues in realization, delays in distribution, unfair proportions, and the impact of fluctuating world oil and gas prices. In this case, the government needs to revise regulations that reaffirm the authority of regions in managing finances and natural resources, especially oil and gas, in order to avoid centralizing authority by revising regulations related to both regional government and oil and gas laws.

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