

State Regulation and Supervision of Oil and Gas Companies for Regional Revenue and Community Welfare in Luwuk Banggai

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KEYWORDS	ABSTRACT
Keywords: Oil and Gas; Regional Revenue; Community Welfare; Welfare State; Natural Resources. Conflict of Interest Statement: . Copyright © 2026 Vifada Assumption Journal of Law. All rights reserved.	Purpose: This study examines how the state exercises its regulatory and supervisory functions over oil and gas activities, and how the contribution of oil and gas companies to regional revenue and community welfare in Luwuk Banggai, Central Sulawesi, can be optimized. Research Design and Methodology: This descriptive empirical legal study combines normative-juridical and sociological-juridical approaches. Statutes, regulations, and regional planning documents were analyzed together with field observations, in-depth interviews with purposively selected informants (community, company, non-governmental organization, and legal expert representatives), and documentary studies. The data were analyzed descriptively and qualitatively and cross-checked by triangulation. Findings and Discussion: The mining and excavation sector contributed an average of 18.47% to 22.92% of Banggai Regency's GRDP, yet this economic weight is not matched by benefits for affected communities. Corporate social responsibility (CSR) programs under the 2023-2026 cooperation agreements are listed by sector and duration, but without published budgets or outcome indicators, and Government Regulation No. 47 of 2012 directs reporting to company organs rather than to communities. Oil and gas affairs are held by the central government under Law No. 23 of 2014, leaving the regency with limited supervisory authority, while unresolved grievances have led to blockades of production facilities. Implications: The study proposes five legal reforms: minimum content and public disclosure for CSR; disclosure of realized revenue-sharing and participating-interest data; a standing grievance and mediation forum; joint environmental compliance monitoring; and formal coordination between the central oil and gas authority and the regional government. Academically, it grounds these proposals in the welfare-state concept and the distributive-justice theories of Mill and Rawls.

Introduction

Oil and natural gas are strategic, non-renewable natural resources that Indonesia places under state control. Article 33(3) of the 1945 Constitution provides that the earth, the waters, and the natural resources contained therein are controlled by the state and used for the greatest prosperity of the people, and Article 4 of Law No. 22 of 2001 on Oil and Natural Gas confirms that oil and gas are national wealth controlled by the state, which the Government exercises as holder of mining authority. Control, however, is only the starting point: the prosperity promised by the Constitution depends on whether the value extracted is converted into regional revenue and community welfare. Law No. 22 of 2001 therefore requires cooperation contracts to provide for the development of surrounding communities (Article 11(3)(p)) and makes operators co-responsible for developing the local environment and community (Article 40(5)). Corporate social and environmental responsibility

is further regulated by Article 74 of Law No. 40 of 2007 on Limited Liability Companies, Government Regulation No. 47 of 2012, and Article 15(b) of Law No. 25 of 2007 on Investment, while Law No. 1 of 2022 on Financial Relations between the Central Government and Regional Governments governs the revenue that flows back to producing regions.

Luwuk Banggai illustrates why these matters. The 2025-2029 Regional Medium-Term Development Plan (RPJMD) of Banggai Regency records that the mining and excavation sector contributed an average of 18.47% to 22.92% of the regency's Gross Regional Domestic Product (GRDP) over the last five years, driven largely by gas production in the Senoro and Matindok Blocks, in which JOB Pertamina-Medco E&P Tomori Sulawesi is active, and by the DS-LNG refinery.¹ Nevertheless, the contribution of oil and gas activities to regional revenue and community welfare remains below its potential. Cooperation agreements (KSDD) between the Banggai Regency Government and the companies list community empowerment programs for 2023-2026², yet dissatisfaction with the impacts of operations has led local communities to blockade production and refinery facilities.

Previous studies have examined the distributional justice of oil-industry social development projects³, the gap between rhetoric and reality in gas-based community development⁴, the effectiveness of oil companies' corporate social responsibility (CSR)⁵, local participation in resource governance⁶, and transparency and accountability in extractive revenues^{7,8}. In Indonesia, research has addressed CSR in state-owned mining companies⁹, CSR by an oil and gas joint operating body in Tuban¹⁰, reclamation obligations under mining law¹¹, and the resource curse.¹² These strands are, however, generally treated separately. Among the sources reviewed for this study, none connects the state's regulatory and supervisory function, the legal obligations and actual contributions of oil and gas companies, regional revenue, and community welfare within a single oil and gas producing regency. This is the gap the study addresses.

The novelty of the study lies in this integrated legal analysis. It reads the constitutional mandate and the oil and gas, corporate, investment, environmental, social conflict, and regional government statutes together with evidence from Luwuk Banggai, and evaluates them through the welfare-state concept and the distributive-justice theories of Mill and Rawls. Instead of treating regional revenue and community welfare as independent outcomes, it asks whether the legal design, namely who regulates, who supervises, and who reports to whom, allows the value of oil and gas to reach the people of the producing region.

The study therefore addresses two research questions: (1) how the state should exercise its regulatory function, and what reforms of the legal framework governing oil and gas activities are

¹ Pemerintah Kabupaten Banggai, "Rencana Pembangunan Jangka Menengah Daerah (RPJMD) Kabupaten Banggai Tahun 2025-2029" (Luwuk, 2025).

² Pemerintah Kabupaten Banggai.

³ Matthew Fry and Andrew Hilburn, "The Distributional Justice of Oil Industry Social Development Projects and Oil Field Production Activities," *The Extractive Industries and Society* 7, no. 2 (April 2020): 647-59, <https://doi.org/10.1016/j.exis.2020.03.017>.

⁴ Vinay R. Kamat et al., "Natural Gas Extraction and Community Development in Tanzania: Documenting the Gaps between Rhetoric and Reality," *The Extractive Industries and Society* 6, no. 3 (July 2019): 968-76, <https://doi.org/10.1016/j.exis.2019.03.011>.

⁵ Alero Akporiaye, "Evaluating the Effectiveness of Oil Companies' Corporate Social Responsibility (CSR)," *The Extractive Industries and Society* 13 (March 2023): 101221, <https://doi.org/10.1016/j.exis.2023.101221>.

⁶ Nanang Indra Kurniawan et al., "The Role of Local Participation in the Governance of Natural Resource Extraction," *The Extractive Industries and Society* 9 (March 2022): 101029, <https://doi.org/10.1016/j.exis.2021.101029>.

⁷ Hevina S. Dashwood et al., "Ghana's Adoption of the Extractive Industries Transparency Initiative (EITI): The Path from Data Disclosure to Community Accountability," *The Extractive Industries and Society* 10 (June 2022): 101068, <https://doi.org/10.1016/j.exis.2022.101068>.

⁸ Walid El Hamad, Sanja Pupovac, and Lee Moerman, "Transparency and Public Accountability: Does the Nigerian Extractive Industries Transparency Initiative Deliver?," *The Extractive Industries and Society* 19 (September 2024): 101514, <https://doi.org/10.1016/j.exis.2024.101514>.

⁹ Huta Disyon, Widianingsih Widianingsih, and Fildzah Rio, "Corporate Social and Environmental Responsibility in SOE Mining Sector in Indonesia: Commitment of Social-Legal Awareness," *JSW (Jurnal Sosiologi Walisongo)* 6, no. 2 (October 28, 2022): 159-72, <https://doi.org/10.21580/jsw.2022.6.2.12423>.

¹⁰ Muhammad Miftahul Huda, "Implementasi CSR Perusahaan Migas Dalam Pelayanan Kesejahteraan Masyarakat Di Tuban: Studi Implementasi CSR Joint Operating Body Pertamina Petrochina East Java," *Asketik* 3, no. 1 (June 30, 2019): 79-92, <https://doi.org/10.30762/asketik.v3i1.1311>.

¹¹ Nurul Listiyani, M. Yasir Said, and Afif Khalid, "Strengthening Reclamation Obligation through Mining Law Reform: Indonesian Experience," *Resources* 12, no. 5 (April 28, 2023): 56, <https://doi.org/10.3390/resources12050056>.

¹² Rian Hilmawan and Jeremy Clark, "An Investigation of the Resource Curse in Indonesia," *Resources Policy* 64 (December 2019): 101483, <https://doi.org/10.1016/j.resourpol.2019.101483>.

needed, to maximize their contribution to the prosperity and welfare of the people of Luwuk Banggai and Central Sulawesi; and (2) how the contributions of oil and gas companies can be strengthened and optimized to enhance the welfare of communities in the region. Its aim is to provide an academic and legal basis for improving the regulation of oil and gas management so that the benefits of non-renewable resources are shared fairly by present and future generations.

Literature Review

Welfare State, Distributive Justice, and State Control over Natural Resources

The welfare-state concept assigns the state an active responsibility for social protection and for the redistribution of resources, rather than the mere maintenance of order.¹³ In Indonesia this idea has a constitutional expression in Article 33(3) of the 1945 Constitution, which places natural resources under state control for the greatest prosperity of the people. The Constitutional Court has interpreted state control as comprising policymaking, administration, regulation, management, and supervision, and in Decision No. 36/PUU-X/2012 it held the oil and gas implementing body BP Migas unconstitutional because that model weakened the state's control over oil and gas.¹⁴ The body's functions were transferred to a special work unit, SKK Migas, by Presidential Regulation No. 9 of 2013. The four functions examined in this study, namely regulating, administering, managing, and supervising, follow from this interpretation of Article 33.

Distributive justice supplies the normative yardstick. Mill's utilitarian conception of justice directs public policy toward the greatest benefit for society¹⁵, whereas Rawls holds that social and economic inequalities are justified only if they work to the advantage of the least advantaged.¹⁶ Applied to oil and gas, the two lenses ask different questions: whether the aggregate benefit of extraction is maximized, and whether the communities that bear its costs share fairly in its gains.

Corporate Responsibility and Community Development in Extractive Industries

A large body of work evaluates whether corporate community programs deliver what they promise. Akporiaye assesses the effectiveness of oil companies' CSR¹⁷; Isacowitz, Schmeidl, and Tabelin¹⁸ examine how CSR is operationalized in a mining context; and Fry and Hilburn analyze the distributional justice of oil-industry social development projects.¹⁹ Kamat et al. document the gaps between rhetoric and reality in natural gas extraction and community development in Tanzania.²⁰ Furthermore Gergova and Warren study oil and community development in Gamba, Gabon,²¹ while Abe²² examines the pitfalls and potential of corporate-community participatory development in Africa's energy and extractive industries. Work on the social licence to operate examines its criticisms²³, its application in European mining²⁴, and its character as private governance with barriers

¹³ Gosta Esping-Andersen, "The Three Worlds of Welfare Capitalism," 1996.

¹⁴ Mahkamah Konstitusi Republik Indonesia, Putusan Nomor 36/PUU-X/2012 tentang Pengujian Undang-Undang Nomor 22 Tahun 2001 tentang Minyak dan Gas Bumi terhadap Undang-Undang Dasar Negara Republik Indonesia Tahun 1945 (2012).

¹⁵ John Stuart Mill, *Utilitarianism* (London: Parker, Son, and Bourn, 1863).

¹⁶ John Rawls, *A Theory of Justice* (Cambridge, MA: Belknap Press of Harvard University Press, 1971).

¹⁷ Akporiaye, "Evaluating the Effectiveness of Oil Companies' Corporate Social Responsibility (CSR)."

¹⁸ Jenna Jade Isacowitz, Susanne Schmeidl, and Carlito Tabelin, "The Operationalisation of Corporate Social Responsibility (CSR) in a Mining Context," *Resources Policy* 79 (December 2022): 103012, <https://doi.org/10.1016/j.resourpol.2022.103012>.

¹⁹ Fry and Hilburn, "The Distributional Justice of Oil Industry Social Development Projects and Oil Field Production Activities."

²⁰ Kamat et al., "Natural Gas Extraction and Community Development in Tanzania: Documenting the Gaps between Rhetoric and Reality."

²¹ Iva Gergova and Peter Warren, "Oil and Community Development in Gabon: The Case of Gamba," *The Extractive Industries and Society* 17 (March 2024): 101395, <https://doi.org/10.1016/j.exis.2023.101395>.

²² Oyeniyi Abe, "Between Control and Confrontation: The Pitfalls and Potential of CorporateCommunity Participatory Development in Africa's Energy and Extractive Industries," *The Extractive Industries and Society* 11 (September 2022): 101095, <https://doi.org/10.1016/j.exis.2022.101095>.

²³ Robert G. Boutilier, "From Metaphor to Political Spin: Understanding Criticisms of the Social Licence," *The Extractive Industries and Society* 8, no. 2 (June 2021): 100743, <https://doi.org/10.1016/j.exis.2020.05.022>.

²⁴ Pamela Lesser et al., "European Mining and the Social License to Operate," *The Extractive Industries and Society* 8, no. 2 (June 2021): 100787, <https://doi.org/10.1016/j.exis.2020.07.021>.

to community engagement²⁵; Blesia, Dixon, and Lord²⁶ report Indigenous experiences of a mining corporation's community relations and development activities, and Esteves proposes a code of ethics for the social performance profession.²⁷

This literature tends to concentrate on the conduct of the company. It says less about the legal duties that make corporate contributions enforceable and about who in the state verifies them, which is where this study concentrates.

Governance, Participation, and Transparency in Resource-Producing Regions

Governance studies point to institutions as the link between resource wealth and local welfare. Hilman and Clark investigate the resource curse in Indonesia²⁸; García-Estévez, Vargas-Prieto, and Ariza relate the mining-energy boom in Colombia to local institutional capacities²⁹, and Lamas examines governance gaps in socioenvironmental conflicts involving Vale.³⁰ Kurniawan et al., analyze the role of local participation in the governance of resource extraction³¹; and Brock, Reed, and Stewart propose a framework for collaborative environmental decision making among Indigenous peoples, corporate, and public sectors.³² On transparency, Dashwood et al., trace the path from data disclosure to community accountability in Ghana's adoption of the Extractive Industries Transparency Initiative (EITI)³³, while El Hamad, Pupovac, and Moerman ask whether the Nigerian EITI delivers public accountability.³⁴ Byaruhanga and Langer analyze the implementation of local content policies in Uganda's oil and gas sector³⁵; Gyan and Behrends conceptualize embeddedness in Ghana's gold mining sector³⁶; and Ibrahim, Sulista, and Pratama study the struggle among companies, the state, and residents over the Bangka coast.³⁷ The risks and legacies of extraction for communities are addressed by Campbell et al., on risk perceptions of human-induced seismicity³⁸; and by Luke and Evensen on community resilience after unconventional gas development.³⁹

Taken together, the literature supports three propositions that structure the analysis below: benefits depend on enforceable obligations rather than voluntary programs; participation and transparency are conditions of accountability; and the state's capacity to supervise shapes whether obligations are met. What remains underexamined is how these propositions play out in the

²⁵ Kalowatie Deonandan et al., "Social License to Operate (SLO): Private Governance and Barriers to Community Engagement," *The Extractive Industries and Society* 17 (March 2024): 101404, <https://doi.org/10.1016/j.exis.2024.101404>.

²⁶ Jhon Urasti Blesia, Keith Dixon, and Beverley Rae Lord, "Indigenous Experiences and Perspectives on a Mining Corporation's Community Relations and Development Activities," *Resources Policy* 80 (January 2023): 103202, <https://doi.org/10.1016/j.resourpol.2022.103202>.

²⁷ Blesia, Dixon, and Lord.

²⁸ Hilman and Clark, "An Investigation of the Resource Curse in Indonesia."

²⁹ Javier García-Estévez, Amanda Vargas-Prieto, and John Ariza, "Mining-Energy Boom and Local Institutional Capacities: The Case of Colombia," *The Extractive Industries and Society* 17 (March 2024): 101387, <https://doi.org/10.1016/j.exis.2023.101387>.

³⁰ Isabella Alves Lamas, "Governance Gap? Vale's Corporate Action and Socioenvironmental Conflicts in an International Perspective," *The Extractive Industries and Society* 13 (March 2023): 101172, <https://doi.org/10.1016/j.exis.2022.101172>.

³¹ Kurniawan et al., "The Role of Local Participation in the Governance of Natural Resource Extraction."

³² Tegan Brock, Maureen G. Reed, and Katherine J. Stewart, "A Practical Framework to Guide Collaborative Environmental Decision Making among Indigenous Peoples, Corporate, and Public Sectors," *The Extractive Industries and Society* 14 (June 2023): 101246, <https://doi.org/10.1016/j.exis.2023.101246>.

³³ Dashwood et al., "Ghana's Adoption of the Extractive Industries Transparency Initiative (EITI): The Path from Data Disclosure to Community Accountability."

³⁴ El Hamad, Pupovac, and Moerman, "Transparency and Public Accountability: Does the Nigerian Extractive Industries Transparency Initiative Deliver?"

³⁵ Julius Byaruhanga and Arnim Langer, "On the Right Track? An Analysis of the Implementation of Oil and Gas Sector Local Content Policies in Uganda," *The Extractive Industries and Society* 7, no. 2 (April 2020): 302-9, <https://doi.org/10.1016/j.exis.2019.07.006>.

³⁶ Augustine Gyan and Andrea Behrends, "Governing the Ungovernable? Conceptualising Embeddedness in Ghana's Gold Mining Sector," *The Extractive Industries and Society* 19 (September 2024): 101484, <https://doi.org/10.1016/j.exis.2024.101484>.

³⁷ Ibrahim Ibrahim, Sulista Sulista, and Sandy Pratama, "Struggling for Power over the Bangka Coast: Tin amongst the Vortex of Companies, the State, and Residents," *The Extractive Industries and Society* 10 (June 2022): 101055, <https://doi.org/10.1016/j.exis.2022.101055>.

³⁸ Nnenia M. Campbell et al., "Human Induced Seismicity: Risk Perceptions in the State of Oklahoma," *The Extractive Industries and Society* 7, no. 1 (January 2020): 119-26, <https://doi.org/10.1016/j.exis.2020.01.005>.

³⁹ Hanabeth Luke and Darrick Evensen, "After the Dust Settles: Community Resilience Legacies of Unconventional Gas Development," *The Extractive Industries and Society* 8, no. 3 (September 2021): 100856, <https://doi.org/10.1016/j.exis.2020.12.004>.

Indonesian legal architecture, where authority over oil and gas is centralized while its social and environmental consequences are local.

Research Design and Methodology

Research Approach

This study employs a descriptive empirical legal research method that combines a normative-juridical approach and a sociological-juridical approach. The normative-juridical approach examines the legal framework governing oil and natural gas management, particularly the provisions on the state's functions of regulating, administering, managing, and supervising oil and gas activities, and the principles underlying that management: balance, environmental sustainability, public prosperity, and the state's responsibility to direct the utilization of natural resources toward the greatest possible welfare of the people. The sociological-juridical approach examines how these provisions operate in practice, particularly in the relationship among the state, oil and gas companies, local government, and communities in Luwuk Banggai, Central Sulawesi.

Research Location and Informants

The research was conducted in Luwuk Banggai, Central Sulawesi, selected because oil and natural gas activities are present there, including those associated with PT Medco, and because the contribution of these activities to local government revenue and community welfare has not yet been optimal. Informants were selected through purposive sampling on three criteria: knowledge of, involvement in, and relevance to the issues examined. They comprised community representatives, company representatives, representatives of non-governmental organizations, and legal experts.

Data Sources and Data Collection

The data consist primarily of legal materials, supported by information from field research. Primary legal materials include the 1945 Constitution, statutes, government regulations, a presidential regulation, a ministerial regulation, a Constitutional Court decision, and the 2025-2029 Banggai Regency RPJMD. Secondary legal materials include books, academic journal articles, and research findings on oil and gas management, corporate responsibility, regional development, and community welfare. Tertiary legal materials provide supporting explanations of legal concepts and terminology.

Field data were collected through three techniques. Field observation was used to understand conditions surrounding oil and gas activities and their relationship with local communities. In-depth interviews with the informants addressed the issues examined in the study, namely benefit distribution, corporate community programs, social conflict, and the supervision of oil and gas activities. Documentary studies examined legislation, the cooperation agreements (KSDD) between the Banggai Regency Government and the companies, maps, and other supporting documents. The field data complement and test the legal materials obtained through library research.

Data Analysis and Validation

The data were analyzed descriptively and qualitatively in four stages: (1) the relevant legal provisions were inventoried and interpreted; (2) the provisions were related to the legal principles and theories used in the study, namely the welfare state and the distributive justice of Mill and Rawls; (3) the normative framework was compared with the conditions identified through observation, interviews, and documents; and (4) the results were integrated to identify legal weaknesses and the points at which regulation and corporate contributions can be optimized. The analysis considers the balance among economic, social, and environmental interests in the use of non-renewable resources.

Validity was strengthened by triangulation: information from legal materials, field observation, interviews, and documentary studies were compared, and a finding is reported only where it is supported by more than one of these sources or by the legal text itself.

Findings and Discussion

Economic Weight of the Sector versus the Distribution of Benefits

The RPJMD data show how heavily Banggai's economy rests on extraction: the mining and excavation sector contributed an average of 18.47% to 22.92% of GRDP over the last five years.⁴⁰ Yet communities situated directly within the exploitation zones are often marginalized and do not receive benefits commensurate with the loss of control over their own natural resources. Success measured only by investment volume and production quantity is therefore a flawed metric, a caution consistent with the resource-curse literature, which shows that resource wealth does not automatically produce development⁴¹, and with work relating resource booms to local institutional capacities.⁴²

Two limits of the GRDP indicator should be noted. First, a sector's share of GRDP measures value added within the regency; it is not revenue accruing to the regional government or income received by communities, so it cannot by itself show that the constitutional objective of the greatest prosperity of the people has been met. Second, the legal channels through which such value should reach the region are specific: revenue-sharing funds regulated by Law No. 1 of 2022, and the offer of a 10 percent participating interest in oil and gas working areas to regionally owned enterprises under Ministry of Energy and Mineral Resources (MEMR) Regulation No. 37 of 2016. This article does not report realized figures for either channel, and the sources reviewed for this study do not report them; this is itself a finding about transparency (see below) and a limit on what can be concluded about regional revenue.

Through Mill's utilitarian lens, large aggregate value is a necessary but not a sufficient condition of just resource management; through Rawls's lens, the test is whether the least advantaged, here the villages and coastal communities in the operational zones, are better off. Article 33(3) of the 1945 Constitution and Article 4 of Law No. 22 of 2001 make the state the holder of control, and that control is justified only to the extent that it converts extractive value into broad benefit. Optimization therefore means more than increasing revenue: it requires that the revenue and the corporate contributions that accompany it are traceable to the communities affected.

Corporate Social Responsibility: Legal Obligations and Implementation

Corporate obligations toward community's rest on several layers of law. Law No. 22 of 2001 requires cooperation contracts to provide for the development of surrounding communities and guarantees of customary rights (Article 11(3)(p)) and makes operators co-responsible for developing the local environment and community (Article 40(5)). Article 74 of Law No. 40 of 2007 obliges limited liability companies operating in or related to natural resources to carry out social and environmental responsibility, to budget it as a company cost, and to observe appropriateness and reasonableness; under Government Regulation No. 47 of 2012 the work plan and budget are approved by the company's organs and reported in the annual report accountable to the General Meeting of Shareholders. Article 15(b) of Law No. 25 of 2007 adds an obligation on investors to carry out corporate social responsibility, enforceable by the administrative sanctions in Article 34 (written warning, restriction, suspension, or revocation of business activities).

Against this framework, Table 1 lists the programs agreed in the cooperation agreements (KSDD) for 2023-2026.

⁴⁰ Pemerintah Kabupaten Banggai, "Rencana Pembangunan Jangka Menengah Daerah (RPJMD) Kabupaten Banggai Tahun 2025-2029."

⁴¹ Hilmawan and Clark, "An Investigation of the Resource Curse in Indonesia."

⁴² García-Estévez, Vargas-Prieto, and Ariza, "Mining-Energy Boom and Local Institutional Capacities: The Case of Colombia."

Table 1.
Portfolio of Community Empowerment Cooperation in the Oil, Gas, and Industrial Sectors of Banggai (2023-2026)

Year	Corporate Entity	Sector Focus and Program Intervention	Implementation Duration
2023	PT Panca Amara Utama, JOB Pertamina-Medco JOB Pertamina-Medco	Capacity building for farmer groups, "One Million One Yard" initiative (agriculture, animal husbandry, fisheries), and basic/secondary education facilities.	2023-2028
2024		Acceleration of citizen capacity in the integrated tourism sector, specific employment, and environmental landscape restoration.	2024-2026
2025	PT Panca Amara Utama, JOB Pertamina-Medco	Execution of socio-ecological innovations, empowerment of local workforce via job training, and food security programs.	2025-2027
2026	PT Panca Amara Utama	Provision of essential school facilities, regional medical/health worker interventions, and capitalization of Village-Owned Enterprises (BUMDes) operations.	2026-2027

Source: Cooperation agreements (KSDD) between the Banggai Regency Government and the corporate entities listed, 2023-2026.

Read against these obligations, Table 1 shows two things. The commitments are not trivial in scope or duration: they span agriculture, animal husbandry and fisheries, education, tourism, local employment training, food security, health, and the capitalization of Village-Owned Enterprises (BUMDes) and run as far as 2028. However, the table records neither budgets, target beneficiaries, nor outcome indicators, and the legal framework does not require them to be published. Because the plan and budget are approved and reported within the company, accountability runs upward to the shareholders rather than outward to the community. The effectiveness of the programs, the question raised therefore cannot be verified from the documents available.^{43,44,45} Indonesian studies frame the same question as one of implementation: Disyon, Widianingsih, and Rio examine CSR in state-owned mining companies in terms of the commitment of social-legal awareness⁴⁶; and Huda studies how an oil and gas joint operating body implements CSR to serve community welfare in Tuban.⁴⁷ The local resistance recorded in Banggai, from public demands to blockades of facilities, suggests that the programs have not been accepted by communities as an adequate response; CSR packaged as empowerment may function more as a temporary tension damper than as a source of lasting economic independence.

Two legal weaknesses follow. First, Article 74 and Government Regulation No. 47 of 2012 set a general duty with no minimum content, no outcome standard, and no public disclosure requirement. Second, the sanction clause of Article 74(3) refers to other legislation, so that the duty is weakly enforceable. A regional regulation, or a standard clause in the KSDD cooperation agreements, could require the publication of CSR plans, budgets, and annual outcome reports and align programs with the RPJMD and village development plans, without intruding on the central government's authority over oil and gas.

Social Conflict and the Absence of a Grievance Mechanism

The blockades of production and refinery facilities reported in Banggai should not be read merely as a disturbance to company operations. They indicate that the distribution of benefits, the recognition of community interests, or the management of social and environmental impacts is out

⁴³ Akporiaye, "Evaluating the Effectiveness of Oil Companies' Corporate Social Responsibility (CSR)."

⁴⁴ Fry and Hilburn, "The Distributional Justice of Oil Industry Social Development Projects and Oil Field Production Activities."

⁴⁵ Kamat et al., "Natural Gas Extraction and Community Development in Tanzania: Documenting the Gaps between Rhetoric and Reality."

⁴⁶ Disyon, Widianingsih, and Rio, "Corporate Social and Environmental Responsibility in SOE Mining Sector in Indonesia: Commitment of Social-Legal Awareness."

⁴⁷ Huda, "Implementasi CSR Perusahaan Migas Dalam Pelayanan Kesejahteraan Masyarakat Di Tuban: Studi Implementasi CSR Joint Operating Body Pertamina Petrochina East Java."

of balance; when communities perceive that the benefits of exploitation are not accompanied by a proportional improvement in their welfare, dissatisfaction can develop into resistance.^{48,49}

The legal framework for handling such conflict exists but is not specific to oil and gas. Law No. 7 of 2012 on Social Conflict Handling regulates prevention, termination, and post-conflict recovery and favors deliberation. Law No. 22 of 2001 and Government Regulation No. 47 of 2012 contain no grievance mechanism for communities affected by oil and gas operations, so the community's right to be heard depends on voluntary company arrangements or on pressure such as blockades. Kurniawan et al., analyze the role of local participation in the governance of resource extraction⁵⁰; decisions taken without sufficient community participation may create conflict and injustice, so the absence of a formal channel is a legal gap, a practical one.

A practical remedy is a standing multi-stakeholder forum of government, companies, and communities with a written protocol for receiving complaints, mediation within fixed time limits, and referral to the mechanisms of Law No. 7 of 2012 where mediation fails. Such a forum would turn community participation from a procedural formality into an element of resource management.

Environmental Sustainability and Supervision

Law No. 22 of 2001 recognizes the principle of balance and the principle of environmental awareness: Production must be accompanied by conservation, and extraction must minimize harm to the environment. Article 40 of the Law requires operators to ensure occupational safety and health and environmental management, including the prevention and remediation of pollution (Article 40(2)-(3)). Because oil and gas are non-renewable, the interests of future generations must also be considered, and the economic benefits of extraction should not leave long-term environmental costs behind. Practices in Luwuk Banggai indicate that corporate expansion places pressure on coastal ecosystems and productive land.

Law No. 32 of 2009 on Environmental Protection and Management adds that supervision of compliance is a duty of the Minister, governors, and regents or mayors within their competence (Article 71) and that strict liability applies to activities that use or produce hazardous and toxic materials or pose a serious threat to the environment (Article 88). Although licensing of oil and gas is central, environmental supervision is one of the few areas in which the regency can act directly. The comparative literature illustrates what is at stake when supervision is weak: Listiyani, Said, and Khalid argue for strengthening reclamation obligations through mining law reform in Indonesia⁵¹, and Campbell et al.,⁵² and Luke and Evensen⁵³ illustrate the risks and legacies that extraction creates for communities.

The state's supervisory function is therefore essential to prevent the economic interests of companies from becoming dominant over environmental and community interests. Reform should ensure transparency in environmental compliance, guarantee that civil society can take part in ecological decision-making without intimidation, and apply sanctions with a deterrent effect on companies that ignore the limits of Banggai's long-term environmental sustainability.

State Authority, Regulatory Weaknesses, and Oversight

The state's strategic position is at the center of the friction between the extraction of non-renewable natural gas and the living space of the community. Article 33(3) of the 1945 Constitution and Article 4 of Law No. 22 of 2001 place control with the Government as holder of mining authority; after Constitutional Court Decision No. 36/PUU-X/2012, the functions of the dissolved BP Migas were assumed by SKK Migas under Presidential Regulation No. 9 of 2013, including supervision of cooperation contracts. Under Law No. 23 of 2014 on Regional Government, the oil and gas sub-affair

⁴⁸ Ibrahim, Sulista, and Pratama, "Struggling for Power over the Bangka Coast: Tin amongst the Vortex of Companies, the State, and Residents."

⁴⁹ Lamas, "Governance Gap? Vale's Corporate Action and Socioenvironmental Conflicts in an International Perspective."

⁵⁰ Kurniawan et al., "The Role of Local Participation in the Governance of Natural Resource Extraction."

⁵¹ Listiyani, Said, and Khalid, "Strengthening Reclamation Obligation through Mining Law Reform: Indonesian Experience."

⁵² Campbell et al., "Human Induced Seismicity: Risk Perceptions in the State of Oklahoma."

⁵³ Luke and Evensen, "After the Dust Settles: Community Resilience Legacies of Unconventional Gas Development."

is a central-government competence, and the regency's share of the proceeds is governed by Law No. 1 of 2022.

This allocation produces a structural mismatch. The level of government that bears the social consequences, the regency, has the least authority over upstream operations, while the level that holds authority is distant from the affected communities. It is the governance gap that Lamas describes in socioenvironmental⁵⁴, conflicts and the weakness of local institutional capacity discussed by García-Estévez, Vargas-Prieto, and Ariza⁵⁵, here in an Indonesian legal form. It also explains the paralysis of management and supervision functions that practices in Luwuk Banggai indicate, where state authority loses out to corporate expansion, and why the state risks acting as a rubber stamp that merely legitimizes cooperation contracts.

The first research question asks about reform, including deregulation. The analysis suggests that deregulation which merely loosens the investment climate, without strengthening supervision and benefit sharing, would move in the wrong direction. The reform needed is the re-regulation of the interface between central authority and regional interests: minimum standards for the community development obligation in Articles 11(3)(p) and 40(5) of Law No. 22 of 2001; regular, public reporting of realized revenue-sharing and of the status of the participating interest offered to regional enterprises under MEMR Regulation No. 37 of 2016; and a formal role for the regional government in the review and monitoring of work plans by SKK Migas. The RPJMD itself calls for a resilient and inclusive regional economy, which presupposes protection for peripheral areas and respect for natural carrying capacity.

Transparency, Participation, and Accountability

Transparency allows government, communities, and other stakeholders to understand how natural resources are managed and how economic benefits are distributed; without it, the public cannot judge whether the economic value of oil and gas is being transformed into public benefit. The experience of the Extractive Industries Transparency Initiative shows both the promise and the limit of disclosure: Dashwood et al., trace the path from data disclosure to community accountability in Ghana⁵⁶, and El Hamad, Pupovac, and Moerman ask whether the Nigerian initiative delivers public accountability.⁵⁷ The lesson for Banggai is that disclosure must be directed at the community, not only at the regulator or the shareholders, and must be accompanied by a channel through which communities can respond.

Participation is equally important because communities bear the economic, social, and environmental consequences of oil and gas activities. It should be built into the planning, implementation, and evaluation of resource management policies, in line with collaborative decision-making frameworks⁵⁸, rather than limited to consultation after decisions have been made. Accountability, in turn, requires that each actor answer for its role: the government for its regulatory and supervisory functions, and companies for their obligations and contributions to communities and regional development.

Welfare-State Implications and Proposed Legal Reforms

The cumulative effect of limited transparency on regional revenue, insufficient and unverifiable community benefits, social conflict, and environmental concerns is a weakening of the welfare-oriented objective of natural resource management. From the welfare-state perspective, the state must ensure that exploitation does not concentrate benefits while social and environmental costs are borne by local communities, and the welfare state functions as the bridge between exploitation and

⁵⁴ Lamas, "Governance Gap? Vale's Corporate Action and Socioenvironmental Conflicts in an International Perspective."

⁵⁵ García-Estévez, Vargas-Prieto, and Ariza, "Mining-Energy Boom and Local Institutional Capacities: The Case of Colombia."

⁵⁶ Dashwood et al., "Ghana's Adoption of the Extractive Industries Transparency Initiative (EITI): The Path from Data Disclosure to Community Accountability."

⁵⁷ El Hamad, Pupovac, and Moerman, "Transparency and Public Accountability: Does the Nigerian Extractive Industries Transparency Initiative Deliver?"

⁵⁸ Brock, Reed, and Stewart, "A Practical Framework to Guide Collaborative Environmental Decision Making among Indigenous Peoples, Corporate, and Public Sectors."

social justice. The distributive-justice theories point the same way: Mill's principle requires policy oriented toward the greatest benefit for society, and Rawls's perspective requires that the communities directly affected be among those who gain.

Table 2 summarizes the legal weaknesses identified in this study and the reforms proposed in response. The proposals are designed to work within the existing division of authority, so that they can be adopted through regional regulation, standard clauses in cooperation agreements, and implementing regulations under existing statutes, while the more fundamental amendments concern the minimum content of the community development obligation under Law No. 22 of 2001.

Table 2.
Legal Weaknesses and Proposed Reforms in the Governance of Oil and Gas in Banggai

Issue	Legal basis	Weakness identified	Proposed reform
Distribution of regional benefits	1945 Constitution Art. 33(3); Law No. 1 of 2022; MEMR Regulation No. 37 of 2016	GRDP share is high, but realized revenue-sharing and participating-interest data are not published in the sources reviewed	Annual public disclosure of realized revenue-sharing funds and participating-interest status
Corporate social and environmental responsibility	Law No. 22 of 2001 Arts. 11(3)(p), 40(5); Law No. 40 of 2007 Art. 74; Gov. Reg. No. 47 of 2012; Law No. 25 of 2007 Art. 15(b)	General duty: Plan and budget approved and reported within company organs; no minimum content or outcome standard	Minimum content and outcome indicators; public disclosure of plans, budgets, and results; alignment with the RPJMD and village plans
Social conflict	Law No. 7 of 2012	No grievance mechanism specific to oil and gas operations; communities rely on protest	Standing multi-stakeholder forum with a written grievance and mediation protocol
Environmental supervision	Law No. 22 of 2001 Art. 40(2)-(3); Law No. 32 of 2009 Arts. 71, 88	Supervision split between levels of government; limited public information on compliance	Joint compliance monitoring; public environmental compliance reports; deterrent sanctions
Division of authority	Law No. 22 of 2001 Art. 4; Law No. 23 of 2014; Presidential Reg. No. 9 of 2013	The regency bears local impacts but lacks authority over upstream operations	Formal coordination between SKK Migas and the regional government in work-plan review and monitoring

Source: Authors' analysis based on relevant laws and field findings (2026).

The proposed reforms should operate within the allocation of authority established by existing legislation. Under Law No. 22 of 2001, Law No. 23 of 2014, and Presidential Regulation No. 9 of 2013, upstream oil and gas regulation remains a central-government responsibility, with SKK Migas supervising cooperation contracts. Consequently, the Banggai Regency Government cannot independently regulate upstream operations. Instead, regional measures and agreed clauses in the KSDD may support public disclosure of CSR plans, budgets, and outcomes, while binding minimum standards for community development require action by the competent central authorities under Law No. 22 of 2001 and Government Regulation No. 47 of 2012. Disclosure of realized revenue-sharing funds and the status of the 10 percent participating interest should follow Law No. 1 of 2022 and MEMR Regulation No. 37 of 2016 through coordination with the relevant institutions. Similarly, a community grievance forum may complement Law No. 7 of 2012, while joint environmental monitoring must respect the supervisory powers established under Law No. 32 of 2009. Therefore, formal coordination between SKK Migas and the regional government provides a legally feasible mechanism for strengthening oversight, transparency, and community welfare without altering the existing division of authority.

Conclusion

The management of oil and natural gas in Luwuk Banggai reveals a persistent gap between the exploitation of natural resources and the realization of public welfare. The mining and excavation sector contributed an average of 18.47% to 22.92% of Banggai's GRDP, but the sources reviewed

provide no published evidence that this weight is converted into regional revenue and community welfare. CSR commitments for 2023-2026 are listed without budgets or outcome indicators, accountability under Government Regulation No. 47 of 2012 runs to the company's organs, communities have no grievance mechanism specific to oil and gas operations, and the regency bears local impacts without authority over upstream operations.

In answer to the first research question, the state should exercise its regulatory function not by deregulation that loosens the investment climate, but by re-regulating the interface between central authority and regional interests: setting minimum standards for the community development obligation in Articles 11(3)(p) and 40(5) of Law No. 22 of 2001, requiring public reporting of realized revenue-sharing and of the participating interest offered to regional enterprises, and giving the regional government a formal role in the review and monitoring of work plans and in environmental supervision under Law No. 32 of 2009.

In answer to the second research question, the contribution of oil and gas companies can be strengthened by making it measurable and verifiable: CSR plans, budgets, and outcome indicators should be published and aligned with the RPJMD and village development plans; a standing multi-stakeholder forum should receive and mediate community grievances; and environmental compliance should be monitored jointly and reported publicly, with sanctions that deter.

The specific legal recommendations are therefore five. First, set minimum content and outcome indicators for the community development obligation in implementing regulations under Law No. 22 of 2001 and Government Regulation No. 47 of 2012. Second, adopt a regional regulation, and standard clauses in KSDD cooperation agreements, requiring disclosure of CSR plans, budgets, and results. Third, publish annually the realized revenue-sharing funds and the status of the 10 percent participating interest. Fourth, establish a grievance and mediation forum consistent with Law No. 7 of 2012. Fifth, formalize coordination between SKK Migas and the regional government in work-plan review and in environmental compliance monitoring.

This study has limitations. It does not report realized revenue-sharing, participating-interest, or CSR budget figures, so effectiveness is assessed from the legal design and the available documents rather than from quantitative outcomes; the CSR portfolio is drawn from cooperation agreements rather than from an audit of implementation; and the field evidence comes from purposively selected informants in a single regency, so it cannot be generalized. Future research should obtain and analyze realized revenue-sharing, participating-interest, and CSR expenditure data, compare several oil and gas producing regencies, and measure community welfare outcomes directly through household-level data.

Statement on the Use of Generative Artificial Intelligence (AI)

During the preparation of this manuscript, the authors utilized OpenAI and Grammarly solely to refine language, clarity, and overall readability. All AI-generated suggestions were thoroughly reviewed, revised, and validated by the authors, ensuring that scholarly reasoning, data analysis, and interpretative conclusions remained entirely independent. The authors accept full responsibility for the manuscript's originality, accuracy, and overall content compliance with the journal's Generative AI policy.

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