

Transforming the Masela Block from Resource Extraction to Sustainable Policy

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Article Info	ABSTRACT
Article history: Received May 30, 2026 Revised June 10, 2026 Accepted June 26, 2026 Keywords: Archipelagic Indonesia, Local content policy, Masela Block, Public policy instrument, Regional development, Resource curse, Sustainable development.	The Masela Block, home to the Abadi liquefied natural gas (LNG) field in the Arafura Sea off Maluku Province, is one of Indonesia's largest single energy investments and a designated National Strategic Project. Discovered in 1998 and redesigned repeatedly over nearly three decades, the project is now advancing toward a final investment decision, with a planned production capacity of 9.5 million tonnes of LNG per year and an estimated investment of approximately US\$20 billion. Yet the regency hosting the field, Southwest Maluku, records the lowest Human Development Index in Maluku Province, well below the national average, raising the question of whether a megaproject of this scale will translate into durable regional welfare or repeat the "resource curse" pattern documented in other Indonesian extractive regions. This paper applies a qualitative document and policy-analysis method, drawing on government regulations, corporate and regulator disclosures, national statistics, and comparative evidence from Bojonegoro Regency's local content regime, to examine how the Masela Block could be deliberately reimagined as a public policy instrument rather than a purely commercial gas project. It proposes a four stage policy framework combining statutory local content rules, a transparent regional endowment fund, a carbon capture based value chain, and stronger archipelagic connectivity, and offers concrete, actionable recommendations for national and regional policymakers.

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1. INTRODUCTION

Indonesia's development geography is defined by its archipelagic form: more than seventeen thousand islands spread across a vast maritime territory, with an economic center of gravity that has historically concentrated in Java. Decades of Java centric growth have left the eastern regions Maluku, Papua, Nusa Tenggara, and the outer islands behind on almost every measure of economic capacity, education, health, and connectivity [11]-[13]. Successive national programs, from the Nawacita agenda to the Global Maritime Fulcrum vision and the Sea Toll (Tol Laut) shipping program launched in 2015, have tried to narrow this gap by lowering logistics costs and integrating outer islands into the national economy, but independent evaluations describe the impact as positive yet only partial, constrained by port performance, route design, and a still uncompetitive eastern shipping market [14]-[15]. It is against this backdrop that the Masela Block and its Abadi gas field take on a significance well beyond ordinary upstream oil and gas development. Located in the Arafura Sea, roughly 150–180 kilometers off the Tanimbar Islands within the Wallacea biodiversity region, the block was won by INPEX Corporation of Japan through an open bid in 1998, and its Production Sharing Contract has since been extended to run until 2055 [2]-[18]. Over nearly three decades the project has been redesigned repeatedly: a shift from floating to onshore liquefaction in 2016, an initial Plan of Development approved in 2019, Shell's announced exit and eventual divestment of its 35% stake to Pertamina (20%) and Petronas (15%) between 2020 and 2023, and a revised Plan of Development approved in December 2023 that, for the first time in Indonesian upstream history, integrates Carbon Capture and Storage (CCS) into the project design from the outset [1]-[9]. The project is now in Front End Engineering Design, targeting a final investment decision around 2027 and first commercial production between 2029 and 2030. At full scale it is expected to produce 9.5 million tonnes of LNG per year equivalent to more than a tenth of Japan's annual LNG imports together with 150 million standard cubic feet per day of pipeline gas and up to 35,000 barrels of condensate daily, on an estimated investment of roughly US\$20 billion, with a CO₂ storage capacity reported by SKK Migas at up to 3 gigatons [4]-[8]. Few single investments in Indonesia's history combine this scale of capital, energy-security relevance, and decarbonization ambition.

Yet the regency hosting the field's nearest coastline, Southwest Maluku (Maluku Barat Daya, MBD), records a Human Development Index of only 62.37 as of 2022 the lowest in Maluku Province and Maluku Province as a whole records a poverty rate of around 16%, roughly double the national average, and was one of only two provinces where poverty rose rather than fell between September 2024 and March 2025 [17]-[36]. Academic observers have already framed the project explicitly as a question of “blessing and curse” for the indigenous communities of the Tanimbar Islands and Southwest Maluku, and local intellectuals have publicly asked SKK Migas and INPEX to revisit environmental assessments that, in earlier versions, failed even to recognize MBD as a distinct administrative region [18]. Land acquisition disputes in Tanimbar over compensation values for the LNG terminal site add a further, concrete illustration of the social risk that accompanies the project's technical and fiscal promise [19]. This tension is not unique to Masela. A substantial literature on Indonesia's decentralized natural resource revenue sharing system (Dana Bagi Hasil, DBH) shows mixed results: some studies find that resource rich districts suffer an “enclave economy” effect, in which capital intensive extraction fails to absorb local labor and revenue windfalls are spent on consumption rather than productive investment, while other studies find a positive statistical association between resource dependence and local income, suggesting that governance quality not resource wealth itself determines the outcome [21]-[26]. Bojonegoro Regency's experience

with a home grown local content regulation offers one of Indonesia's most cited attempts to convert oil and gas extraction into broader regional development, albeit with its own unresolved challenges of intra regency disparity and informal worker protection [22]-[31]. Much of the existing commentary on Masela treats it primarily as an energy engineering story or, more recently, as a decarbonization and CCUS showcase [9]. Comparatively little attention has been paid to designing the project, ex ante, as a deliberate regional transformation policy instrument for one of Indonesia's poorest archipelagic peripheries. This paper addresses that gap. It reconstructs the project's governance timeline, benchmarks the host region's welfare indicators against national baselines, maps resource curse risk factors identified in the literature, distills comparative lessons from Bojonegoro, and proposes an integrated policy framework with concrete recommendations for turning the Masela Block from a resource extraction project into an instrument of sustainable regional transformation.

2. METHOD

This study uses a qualitative document and policy analysis method rather than primary fieldwork. Three categories of secondary data were collected and triangulated: (i) official project and regulatory documentation, including disclosures from INPEX Corporation, SKK Migas, and Indonesian energy sector news outlets describing the Masela Block's timeline, technical specifications, and governance structure; (ii) national and provincial statistics published by BPS Statistics Indonesia on the Human Development Index and poverty rate, used to benchmark Maluku Province and its constituent regencies against national averages; and (iii) peer reviewed and grey literature studies on Indonesia's resource curse dynamics, fiscal decentralization (DBH), and local content policy, with Bojonegoro Regency's experience serving as the primary comparative case because of its documented, multi decade attempt to regulate local content in an onshore oil producing district. Data collection was conducted through structured web based search of government publications, corporate disclosures, academic databases, and reputable news media, current as of July 2026. The analysis proceeds in five steps: (1) reconstructing the Masela Block's project and governance timeline; (2) benchmarking host region socio economic indicators against national baselines; (3) mapping resource curse risk factors identified in the literature against conditions observed in Maluku; (4) synthesizing comparative lessons from Bojonegoro's local content regime; and (5) constructing an integrated policy framework and a corresponding set of recommendations. A key limitation of this method is the absence of primary fieldwork or interviews with Tanimbar and Southwest Maluku communities; the recommendations proposed here are therefore indicative and should be validated through participatory consultation with local stakeholders before adoption.

3. RESULTS AND DISCUSSION

3.1. The Masela Block as a National Strategic Project: Timeline and Governance

Table 1 reconstructs the key milestones in the Masela Block's governance history. The pattern that emerges is one of a project whose technical design has been revised at almost every stage in response to changing government priorities from floating to onshore facilities, from a conventional gas project to a CCS integrated one, and from a wholly foreign-operated consortium to one with substantial Indonesian (Pertamina) and regional Southeast Asian (Petronas) participation [7]. Each redesign has also reset the project's development timeline, which matters directly for regional planning: host communities and

regional governments have had to recalibrate expectations repeatedly over more than two decades without a stable delivery date until the current FEED phase, initiated in August 2025 [8]-[10].

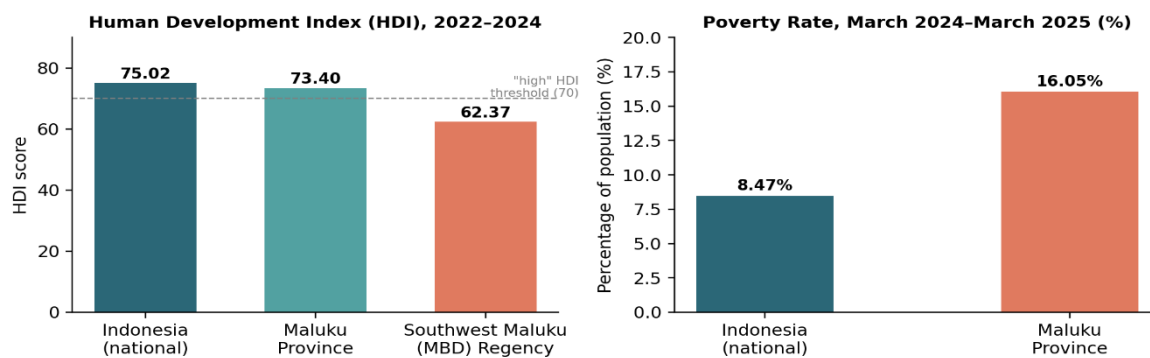
Table 1. Key Governance Milestones of the Masela Block / Abadi LNG Project (1998–2030)

Year	Milestone	Policy / Governance Significance
1998	INPEX wins an open bid and acquires a 100% interest in the Masela Production Sharing Contract (PSC)	Establishes the operator that has held the block for over 25 years [2]
2016	Government mandates a shift from a floating LNG design to an onshore liquefaction plant	First major redesign; adds onshore land, port, and community-interface requirements [2]
Jun–Sep 2017	Designated a National Strategic Project (PSN) and priority infrastructure project	Elevates the project's political priority and streamlines permitting [3]
2017	PSC term extended from 2028 to 2055	Lengthens the fiscal and institutional planning horizon for host regions [2]
2019	Initial Plan of Development (POD) approved	First government-approved development pathway [1]
Jul 2020	Shell announces intent to exit and divest its 35% stake	Introduces ownership uncertainty and delay risk [7]
Apr–Dec 2023	Revised POD (POD II) submitted and approved, integrating Carbon Capture and Storage (CCS)	Reframes the project as a decarbonization-linked investment [5]-[9]
Oct 2023	Shell's stake transferred to Pertamina (20%) and Petronas (15%); INPEX retains 65%	Strengthens state and regional (ASEAN) participation in project governance [3]-[6]
Aug 2025	Front-End Engineering Design (FEED) commences for FPSO, SURF, pipeline, and onshore plant	Moves the project from planning to detailed technical design [8]
Early 2026	Environmental and social impact assessment (AMDAL) clearance obtained	Formal regulatory precondition for construction [3]
2026–2027	Land preparation and groundbreaking activities in Tanimbar Islands; FID targeted for 2027	Direct interface with host communities; land compensation disputes surface [4], [10]-[19]
2029–2030	Targeted start of commercial production	The point at which regional-transformation instruments must already be operating [4]-[6]

The current phase is decisive for the argument of this paper: because FID is targeted for 2027 and first production for 2029–2030, the institutional and fiscal instruments needed to convert extraction into regional transformation must be designed now, during FEED and pre-FID land and social preparation, rather than retrofitted after production begins [10].

3.2. Economic and Fiscal Potential versus the Regional Development Gap

The scale of the Masela Block's economic potential is substantial by any national measure: an estimated US\$20 billion investment, financed in part through export credit agencies, international commercial banks, and Indonesian banks, is expected to be one of the largest single project financings in the country's energy history [7]-[9]. Yet Figure 1 shows the scale of the development gap in the region that will host this investment. Maluku Province's Human Development Index reached 73.40 in 2024, itself several points below the national figure of 75.02, while Southwest Maluku Regency among the districts geographically closest to the Abadi field recorded an HDI of only 62.37 in 2022, still within the “medium” rather than “high” development category [32]-[33]. Maluku's poverty rate of 16.05% as of March 2024 is roughly double the national rate, and the province was one of only two in Indonesia, alongside Papua, where poverty increased rather than decreased between September 2024 and March 2025 [36].



Source BPS Statistics Indonesia (2024, 2025); BPS Maluku Province (2024, 2025); Jakarta Globe (2025) [32]-[37]-[43].

Figure 1. Socio Economic Disparity Between National Indonesia and The Masela Block's Host Region, Maluku Province

This disparity is consistent with the “enclave economy” hypothesis found throughout the Indonesian resource curse literature: offshore to onshore LNG development is capital and technology intensive, and unless local content is deliberately mandated, the great majority of skilled jobs, procurement contracts, and downstream value tend to flow to Java based firms, foreign contractors, and migrant skilled labor rather than to host communities [21]-[22]. Without a specific policy correction, the historical pattern documented for Indonesia's other resource-rich but persistently poor districts in which fiscal transfers rise but broad based welfare improves only slowly, if at all has every reason to repeat itself in Maluku Barat Daya and Kepulauan Tanimbar.

3.2. The Resource Curse Risk in Maluku's Periphery

Indonesia's post decentralization revenue sharing system channels a portion of oil and gas revenue back to producing regions through DBH (Dana Bagi Hasil). Empirical findings on whether this system helps or harms producing regions are genuinely mixed and should be reported evenhandedly. Several district-level studies find that resource dependent regions in Sumatra and elsewhere show slower poverty reduction than non resource regions, attributing this to an enclave economic structure, weak absorption of low skill labor, and neglect of non extractive sectors such as agriculture and small industry [21]-[24]. A national index of “regional resource curse” intensity constructed from DBH dependency and other indicators similarly finds that some, though not all, resource rich

provinces show curse-like symptoms [23]. By contrast, other panel studies using district level Gross Regional Domestic Product find a robust positive statistical association between oil and gas revenue dependence and real per capita income growth, and note that natural resource revenue sharing funds have had a significant positive effect on local government infrastructure investment in many districts [25]-[26]. The balance of evidence in the literature suggests that governance quality transparency, absorptive capacity, and the presence (or absence) of patronage politics is the decisive mediating factor, rather than resource wealth or dependence as such [24]-[26]. For Maluku specifically, two documented episodes illustrate why governance quality cannot be assumed. First, the environmental and social impact assessment (AMDAL) originally prepared for the Masela Block in 2016 reportedly failed to recognize Maluku Barat Daya as a distinct administrative region at all, treating it as still merged with the former Southeast Maluku district an omission that the Chairman of the Southwest Maluku Intellectual Association and a professor at Pattimura University have publicly asked SKK Migas and INPEX Masela to correct [17]. Second, land acquisition for the LNG terminal port at Nustual Island in South Tanimbar has been contested, with local communities rejecting a Supreme Court ruling on compensation values they consider inadequate [19]. Both episodes are precisely the kind of early governance failure that the broader literature associates with weaker, rather than stronger, regional transformation outcomes from resource extraction [18]-[24].

3.4. Comparative Lessons from Bojonegoro's Local Content Regime

Bojonegoro Regency in East Java offers Indonesia's most frequently studied attempt to regulate an oil and gas project for regional benefit. Following the discovery of the Banyu Urip oil field, the regency issued Regional Regulation No. 23/2011 and related bylaws mandating local business partnerships and local workforce absorption, and later explored an oil and gas endowment fund modeled loosely on sovereign wealth fund practice [22]-[27]-[28]. The regency's own government has explicitly framed its aim as reducing reliance on a non-renewable resource and building a people based economy through transparent, participatory regional development planning [27]. Table 2 summarizes the comparison between Bojonegoro's more mature governance regime and the Masela Block's still forming one.

Table 1. Comparing Bojonegoro's Local Content Regime with the Masela Block's Current Governance Stage

Dimension	Bojonegoro Regency (onshore oil, operating since 2001)	Masela Block / Abadi LNG (offshore onshore gas, pre-FID)
Local content regulation	Regional Regulation No. 23/2011 and related bylaws mandate local business partnership and workforce use [22]-[28]	No dedicated regional local content regulation yet; commitments so far are administrative statements [20]
Revenue management	DBH funded regional budget with efforts toward transparency and an oil-and-gas endowment fund proposal [27]-[29]	Standard PSC/DBH framework; no ring fenced regional development fund proposed to date
Documented challenges	Intra-regency disparity, informal worker protection gaps, uneven benefit distribution outside the city center [29]-[31]	Environmental justice concerns (MBD omitted from earlier AMDAL), unresolved land compensation disputes [17], [19]

Dimension	Bojonegoro Regency (onshore oil, operating since 2001)	Masela Block / Abadi LNG (offshore onshore gas, pre-FID)
Transferable lesson	Local content must include capacity building and knowledge transfer, not only capital or job quotas [22]	Apply the same principle ex ante, before FID, rather than retrofitting it after production begins

Even in Bojonegoro, however, results have been mixed: studies document persistent disparity between the regency's urban center and its more remote villages, informal workers in the extractive sector remaining outside social protection coverage, and continuing calls to improve transparency and accountability in DBH management [29]-[31]. The key transferable lesson for Masela is therefore not that local content regulation alone guarantees regional transformation, but that it is a necessary though not sufficient condition, and that it works best when paired with capacity building (skills and knowledge transfer, not only capital sharing or hiring quotas) and with sustained transparency in how resource revenue is spent [22]-[29]. Encouragingly, Maluku's provincial government has already signaled awareness of this lesson, publicly committing to prioritize local labor absorption, local agricultural and fisheries procurement for project operations, and community-oriented corporate social responsibility programs in discussions with the Tanimbar community forum ahead of groundbreaking [20]. The task now is to convert these administrative commitments into binding, monitorable regulation before FID, following Bojonegoro's model.

3.5. Reimagining Masela as a Policy Instrument: A Proposed Framework

Building on the timeline, disparity data, resource curse risk mapping, and comparative lessons above, Figure 2 sets out a four-stage policy framework for reimagining the Masela Block explicitly as a public policy instrument for archipelagic regional transformation, rather than treating regional development as an incidental by product of a purely commercial gas project.

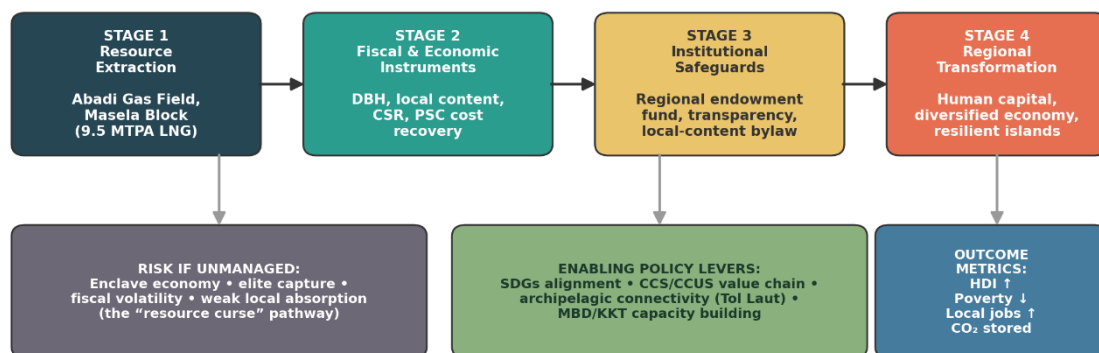


Figure 2. Proposed Policy Framework: Reimagining the Masela Block as a Public Policy Instrument for Regional Transformation

Sorce: authors' construction, adapted from local content and resource governance literature [12]-[30] and INPEX/SKK Migas Project Documentation [4]-[8]

On the basis of this framework, six concrete, actionable recommendations follow for national and Maluku provincial/regency policymakers ahead of the targeted 2027 final investment decision: First, enact a Masela Tanimbar Maluku local content regional regulation, modeled on Bojonegoro's Regional Regulation No. 23/2011 but adapted to the offshore to onshore LNG context, with phased local workforce and local goods/services

targets tied explicitly to skills training milestones rather than to quotas alone [22]-[28]. Second, establish a transparent Maluku regional resource endowment or development fund that ring-fences an agreed share of DBH and other project linked non tax state revenue for human-capital investment (education and health in Kepulauan Tanimbar and Maluku Barat Daya) and for diversifying the non oil economy particularly fisheries, agriculture, and tourism following the productive-allocation recommendations made for other Indonesian resource regions [24]-[27]. Third, position the project's CCS/CCUS infrastructure not merely as an emissions-reduction feature but as an industrial policy anchor for a regional carbon management and circular economy hub, generating skilled monitoring, verification, and downstream carbon utilization jobs, consistent with SKK Migas's own framing of Masela as a decarbonization laboratory for the region [9]. Fourth, integrate port and logistics infrastructure built for the LNG plant at Saumlaki/Tanimbar into the national Sea Toll (Tol Laut) network, so that connectivity assets financed for the project also reduce inter island price disparities and strengthen eastern Indonesia's broader maritime economy, directly addressing the route-design and port performance weaknesses identified in existing Tol Laut evaluations [11]-[15]. Fifth, resolve outstanding social and environmental-justice issues before FID, including formal, corrected recognition of Maluku Barat Daya and Kepulauan Tanimbar stakeholders in AMDAL documentation and a transparent, negotiated land compensation mechanism for the Nustual terminal site, to prevent the kind of grievance already raised by local academics and communities from escalating once construction begins [17]-[19]. Sixth, adopt Sustainable Development Goals aligned monitoring and evaluation indicators regional HDI, poverty rate, share of local employment, tonnes of CO₂ stored, and a revenue-transparency score with periodic public reporting, so that the Masela Block's success is measured as a verifiable development outcome for Maluku, not solely as a production or export milestone for the national energy balance [12]-[23].

4. CONCLUSION

The Masela Block's ultimate significance for Indonesia's archipelagic regions will not be decided by its LNG output or its carbon capture capacity alone, but by whether the surrounding fiscal, institutional, and social safeguard architecture is deliberately designed before first gas flows. The evidence assembled in this paper a governance timeline marked by repeated redesign, a stark and in some respects worsening development gap in the host province, a resource-curse literature that finds outcomes contingent on governance quality rather than resource wealth itself, and comparative lessons from Bojonegoro showing both the promise and the limits of local content regulation points toward the same conclusion. If national and regional policymakers act during the current pre FID window to enact binding local-content rules, ring fence revenue for productive regional investment, anchor a genuine CCUS based industrial policy, integrate the project into archipelagic connectivity planning, and resolve social and environmental justice concerns transparently, the Masela Block can become a demonstration case for converting frontier resource extraction into lasting regional transformation. If these steps are deferred until after production begins, the project risks becoming another instance of the enclave pattern already documented across Indonesia's resource-rich peripheries. Future research combining participatory fieldwork in Kepulauan Tanimbar and Maluku Barat Daya with ex post evaluation once production begins would help test, refine, and hold accountable the policy framework proposed here.

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