

In a sudden move that surprised industry watchers, the Ministry of Trade Republic of Indonesia (the **MOT**) on April 27, 2022, issued Decree No. 22 of 2022 on Temporary Export Ban on Crude Palm Oil, Refined, Bleached and Deodorized Palm Oil, Refined, Bleached and Deodorized Palm Olein, and Used Cooking Oil (**Decree 22/2022**). The palm oil export ban came into force on April 28, 2022.

Decree 22/2022 sets a temporary indefinite ban of the export of crude palm oil and is expected to drive food prices higher amid global inflationary pressures. Indonesia is the world's largest palm oil supplier and, therefore, the export ban under the Decree 22/2022 has a major impact on the commodities global market. Specifically, the rationale for the moratorium is the increasing scarcity of palm oil products in Indonesia, which comes on the back of earlier decrees by the MOT stipulating the maximum retail price of cooking oil.

It is noteworthy that Decree 22/2022 prescribes sanctions for any exporter who violates the moratorium, which may include the revocation of applicable business licenses. The export prohibition under Decree 22/2022 is subject to monthly review and may be lifted if the issues surrounding the scarcity of palm oil products is resolved.

Potential Legal Issues

The export ban under Decree 22/2022 will have a major impact on the performance of all spectrum of contracts that involve the sale, purchase and trade of palm oil products, and the financing scheme in the Indonesia palm oil sector. These contracts need to be assessed thoroughly to ascertain whether there is a breach in the delay of delivery of the palm oil product or whether it triggers the application of the *force majeure* clause under the contract. Additionally, the export prohibition may trigger the parties to amend the pricing of the contract due to the scarcity of palm oil products.

How Can We Help

We have a dedicated team of commodities and shipping lawyers (including Indonesian-qualified lawyers who speak Bahasa Indonesia) with a track record of dealing with Indonesian legal issues and of successfully advising clients on contracts affected by previous export bans in Indonesia. We are, therefore, well placed to assist clients in assessing the risks and providing solutions as a result of the above prohibition.

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