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ICMA INITIATES ENERGY TRANSITION PUSH

RED-CARPET FOR NICKEL-BASED ECOSYSTEM

Pandu P Sjahrir, Chairman of Indonesia Coal Mining Association (APBI-ICMA)

Indonesia Nickel Map 2020

Nickel is a silvery-white metal that is used mainly to make stainless steel and other alloys stronger and better able to withstand extreme temperatures and corrosive environments. Nickel is also essential to many battery chemistries from nickel metal hydride to innovative.

Indonesia has the world's largest nickel ores deposits, with total resources of 12.7 billion tons of ores and total reserves of 4.6 billion tons ores, according to the Geology Agency's executive summary of Indonesia's mineral resources in 2019.

Sulawesi is home to the country's largest nickel producer, the nickel resources and reserves spread across the provinces of South Sulawesi, Central Sulawesi to Southeast Sulawesi, while in North Maluku province, the nickel deposit was found in Islands of Obi, Gebe and Halmahera.

The government has continued to push for the development of domestic processing and refining industry in a bid to generate greater value from the country's mineral resources, instead of merely exporting raw commodities. So far, only the nickel processing industry, which has shown encouraging development. As of the end of 2019, there were 72 nickel smelters plants/projects in Indonesia comprising of 25 smelters in operation, 35 in construction and 12 in planning stage.

Indonesia Nickel Map 2020 is a must-have for companies / professionals who's involved / interested in nickel related businesses in Indonesia. The map outlined at the scale of approximately 1:1,200,000 on an 1189 x 841mm heavy paper stock and laminated for durability.

Map Specifications

Format	: Wall map; Laminated
Size	: 1189x841 mm (A0)
Printing	: Full color
Packaging	: Rolled + Drawing Tube
Price	: US$400.00
Release	: October 2020
Code	: INM01L

Map Features

- Nickel concessions (KKs and IUPs) in Sulawesi and North Maluku and their status of operation.
- Location of 72 nickel smelter projects/plants with their processing method, capacity, product, status and schedule of operation (COD)
- Existing/planned power projects/plants [PLN and IPPs]
- Basic features: Provinces, Cities, Regencies, Towns with administrative boundaries.

Further Information

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LIEBHERR

OPINION | Singgih Widagdo

National production and the anticipation going forward

Target of national coal production for 2021 was 550 million tons. However, Decree of the Minister of Energy and Mineral Resources (ESDM) No.66.H/HK.02/MEM.B/2021 of 6 April 2021 has revised the initial decision by adding 75 million tons into the national production.

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Indonesian Conventional Oil & Gas Map 2020

INDONESIAN CONVENTIONAL OIL & GAS MAP is a must-have for company / professionals who's involved / interested in Indonesian oil and gas related businesses. The map outlined at the scale of approximately 1:3,000,000 on a 1821 x 852 mm glossy paper (260 gr) and laminated for durability.

Format	: Wall map; Laminated
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Map Features:

- Active oil & gas blocks (PSCs, JOB-PSCs, new GS PSCs Pertamina areas), their status of operation and operatorship
- Key Upstream Oil & Gas statistics.
- The working areas are appeared in different colors so that you can find the ones easily.
- Oil & gas infrastructures: Oil Refineries; LNG Plants/Projects; LPG Plants; Transmission Pipelines; Gas-fueled Power Plants and Industrial Users.
- Basic features: Name of Rivers, Bays, Capes, Provinces, Cities, Regencies, Towns with administrative boundaries.

Also available zoom version with the same features:

- Sumatra Conventional Oil & Gas Map
- Java Conventional Oil & Gas Map
- Kalimantan Conventional Oil & Gas Map
- Papua Conventional Oil & Gas Map

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9th EDITION INDONESIAN COAL BOOK 2020/2021

IN OUR STORES NOW

Description

"Indonesian Coal Book 2020/2021", which is the ninth edition of the Indonesian Coal Book series, is the most comprehensive source of information on coal mining industry in Indonesia. It is an invaluable source of information on more than 300 coal mining companies operating in Indonesia, including maps of their locations, mining methods, production activities and coal specification and business plans. It also contains information about the existing common-user coal terminals, statistical data on the sector and directories of industry and government contacts.

This full color book provides a comprehensive and easy-to-use reference containing detailed and up-to-date information on Indonesian coal industry. This edition is definitely a must-buy reference book for not only business executives, prospective coal investors, players, but also research centers and consultants.

Content

- Profiles of more than 300 coal mining companies
- Profiles of services companies, Government, Provincial and Organization contacts
- Indonesian coal statistics: Coal Resources/Reserves; Production; Domestic Sales; Export;
- Updated list of PKP2Bs; coal IUPs 'clean and clear' (concession holder, location, area, status)

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[PUBLISHER'S LETTER]

Mining Investment

Petromindo.com and *CoalAsia* magazine in cooperation with PT Indeks Komoditas Indonesia (IKI) have jointly organized a series of webinars on nickel and smelting industry outlook as well as investment opportunities in nickel projects.

The webinars come as Indonesia, home to the world's largest nickel reserves, is seeking to increase investment in the country's energy and mining sector next year by luring both domestic and foreign investors, including in nickel mining and EV battery manufacturing.

Secretary General of the Ministry of Energy and Mineral Resources Ego Syahrial told a recent webinar that the government is trying to increase investment by 15.51 percent to US$40.2 billion next year from this year's target of $34.8 billion by providing red carpet to investors.

Of this target, the country's mineral and coal sub-sector is projected to contribute $5.6 billion, electricity sub-sector $5.6 billion, and renewables $4.4 billion.

Among of the policies to help boost investment is by simplifying licensing and ease of doing business, integrated electronic licensing services, and providing more open access. Indonesia is expected to remain the world's main driver of nickel supply with the planned production of more than 900,000 tons of NPI in 2021, or surpassing China's NPI output at around 400,000 tons this year.

The government projected a total of 53 smelters will be in operation by 2023, mainly nickel smelters. As of the end of 2020, 19 smelters have already been in operation and 34 smelters are under construction and planning phases.

Nikhil Shah, Principal Analyst of CRU Group, said in a webinar hosted by CoalAsia Magazine that nickel demand is expected to rebound in 2021 and rise by 11 percent as reflected by strong recovery in the stainless steel and electric vehicle (EV) sectors. The government has also recently established PT Indonesia Battery Corporation (IBC) that will spearhead the development of domestic nickel-based ecosystem as part of global electric vehicle (EV) supply chain.

Sugeng Mugiyanto, Director of Mineral Development and Management at the Ministry of Energy and Mineral Resources said that the office would help smelter developers to get project financing including by promoting the projects at international business events overseas starting the second half of this year.

The government, according to Sugeng, will propose the smelter projects to be part of the National Strategic Projects (PSN) in a bid to minimize bureaucratic hurdles.

CoalAsia Magazine runs article on investment opportunities in the country's nickel industry as the main story. We also publish analysis and opinion articles by noted experts in the mining industry to enrich knowledge of the country's mining industry.

Happy reading

Adianto P. Simamora
Editor in Chief

2nd INDONESIAN MINERALS BOOK 2019/2020

The mining industry has been one of the key sectors supporting Indonesia's economic growth for a number of years. The sector makes a significant contribution to Indonesian GDP, exports, government revenues, employment, and perhaps most importantly, the economic development of the remote regions where mining operations are located. The country has long been a major producer of minerals for international markets.

According to the Central Statistics Agency (BPS), the mining industry accounted for approximately 8% of Indonesia's Gross Domestic Product (GDP) in 2018 of Rp 14,837.4 trillion, with minerals and related products contributing 16.25% of the country's total exports of about US$180.22 billion.

"Indonesian Minerals Book 2019/2020" is the most comprehensive source of information on minerals mining industry in Indonesia. It is an invaluable source of information on minerals mining companies operating in Indonesia, including maps of their locations, mining methods, production activities, product specification and business plans. It also contains information about regulatory frame work in the industry, statistical data, and directories of industry and government contacts.

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OPINION

By Singgih Widagdo *- Indonesian Coal Observer*

National production and the anticipation going forward

Target of national coal production for 2021 was 550 million tons. However, Decree of the Minister of Energy and Mineral Resources (ESDM) No.66.H/HK.02/MEM.B/2021 of 6 April 2021 has revised the initial decision by adding 75 million tons into the national production.

Producers of the additional 75 million tons of coal are exempted from the Domestic Market Obligation (DMO) to set aside part of their production for domestic sales.

We really understand the condition of the national economy due to the Covid-19 pandemic pushing the government to reconsider projections of the national coal production. The government needs to increase the foreign exchange earnings and the Non-tax National Revenue (PNBP). This condition has pushed the government to increase the coal production limit from 550 million tons to 625 million tons in 2021.

Increasing the production by 75 million tons would be easily accommodated by the mining business actors. Considering the mining capacities and the Coal Processing Plan (CPP), companies holding the Coal Contract of Works (PKP2B) and Mining Business License in Production Operation (IUP OP) would be able to accommodate such demand. The space for such addition can also be immediately secured in the latest Work and Budget Plan (RKAB) as its revisions are scheduled to be done in April this year.

However, increasing production is not just about revising the numbers. Such addition would determine the condition of the global market as Indonesia is the world's biggest coal exporter country. An increase of 75 million tons is not a small volume. Observing the demands of various importer countries of Indonesian coal, the additional 75 million tons is expected to be absorbed to the China market, as the Indian market is relatively under pressures, due to the most-recent, high-increasing Covid-19 victims.

Export, the only option

Up to now, it is never easy to increase coal absorbtion for the domestic usage. Domestic Market Obligation (DMO) of 2021 has absorbed just 137.5 million tons of coal, which has a bit of an increase from that of the previous year of 132 million tons. To expect a fast increase of domestic demand, building new coal power plants (PLTU) would be a good option. But with the current condition, it would not be easy for the government to construct such power plants. The construction plan would relate to, not only the emission and energy mix, but also loans from the international banking system. These would be significant problems the government needs to attend to.

In executing the plan to increase the domestic use through improvements of the downstream coal industry, the government (ESDM authority) still needs to solve several problems. Law No.3/2020 on MINERBA (Minerals and Coal) imposes the added-value increase only on companies holding Coal Contract of Works (CCOW) processing an upgrade into Special Mining Business License (IUPK). Based on the grand strategy of the National Energy Council (DEN), the government expects to have a significant increase of coal absorbtion as a strategy to reduce imports of Liquified Petrolium Gas (LPG).

By 2039, the government has projected there would be nine companies holding the IUPK licenses (after the CCOW contract extension) that would choose Dimethyl Ether (DME) as their option of added-value increase in their submision of proposals of contract extension. By 2039, these companies are expected to produce approximately 12 million tons of coal per year, and add some 50 million tons of products per year for the domestic use. Up to 2030, six companies extending their CCOW contracts are expected to execute their DME projects. By the year, there would be additional domestic coal absorbtion of around 35 million tons.

Based on the 2030 projection established by the state-owned electricity company (PLN), the entire domestic demand (of PLN and Independent Power Producers or IPP) would absorb some 167.37 million tons.

PLN's power plants are projected to use some 60.04 million tons of coal, while the IPPs would use 98.32 million tons. In 2021, all PLN's power plants and IPPs would absorb around 113 million tons. The increase of the domestic coal demand within the next five years (2021 to 2025) of the entire PLN's power plants (PLTUs) and IPPs would be 12.55 million tons, considering they are projected to absorb only 125.55 million tons by 2025.

Based on the projection map of the domestic coal demand, it is very clear that up to 2025, the maximum domestic demand would reach only around 160 million tons. With that level of domestic demand, it is clear that the strategy to increase national production should be aimed at the export markets. So far, almost 54 percent demand of Indonesian coal exports come from China and India. As the result, the plan to increase national production would require projections on how China and India play their coal-related policies regarding their domestic products as well as targets of additional imports.

Based on the conditions of the energy mix in other coal importer countries like Malaysia, Thailand, Vietnam, and South Korea, as well as their import increases; it would not be easy to replace the export markets of India and China if they reduce their imports in the future. We can say that the growth of coal imports outside India and China would not be significant. Counting it would take less than two fingers of your hand.

Our past experience of having the over supply should become a lesson learned for Indonesia as the world's biggest steam coal exporter country. The decision to restrict the national production to 550 million tons, basically, has been based on the projection of the national coal demand and potential exports at the time. Similarly, the 550 million ton limit has had positive responses from coal mining companies.

We have to accept the fact that increasing the production limit by 75 million tons is a political decision. It is obvious that the government is in a difficult financial situation due to the ongoing Covid-19 pandemic that has yet to see the end. The foreign exchange and state revenues, especially the National Non-tax Revenue (PNBP) are expected to improve along with the decision to increase the national production. However, the decision to add 75 million tons into the national production should not put pressure on the coal price going forward. We should not let that happen. The Energy and Mineral Resources (ESDM) authority still has to solve the problem over how to apply adequate control. The experience has taught us that without a strict control, the national production can go far over the 625 million ton limit.

We have to admit that managing the national coal production is not an easy task. Law No. 3 of 2020 that hands over the issuance of all mining permits (except the Community Mining Permit or IPR and the Rock Mining Permit) from the provincial governments to the central government still has to wait for the subordinate regulation in the form of a Presidential Regulation (Perpres) before taking effect. The issuance of IUP OP (Mining Business License in Production Operation stage) that has been withdrawn into the hands of the central government is not fully acceptable to many provincial governments, even with the assurance that the amount their Regional Original Revenues (PAD) would not be altered. The local governments still have the view that they have lost the authority and special access to the mining companies in their areas, though in

the national scope, the hand-over of responsibility is a very strategic move because coal is energy, not merely an export commodity. Therefore, all decisions related to energy should be made in the interest of the nation.

The experience of the past years shows that the actual national production is always higher than the government's target. In 2020, in the midst of pressures against the volume and price, the actual production reached 561 million tons, swerved from the target of 550 million tons. With the current price that stays quite high, some companies in IUP OP stage preparing for more infrastructure facilities surely want to start production. Similarly, companies under IUP OP licenses already in operation for quite some time would also want to pursue some additional production.

With the number of companies holding the Mining Business License (IUP) reaching 1,171 in 2020, 1,163 of which in the Production Operation (IUP OP) stage, and 68 holding the Coal Contract of Works or PKP2B (63 of which in Production Operation stage), it would be difficult for the ESDM authority to restrict the total production on the national scope. As they are legally operated companies already having huge investments in explorations and infrastructure including coal processing plants (CPP) and port facilities, it is just reasonable that they want some return investments through production speed up. Production restriction on the provincial level is doable, but it should start with intensive communication because at times, restriction on the provincial level is not acceptable to the companies under IUP OP, each of which has its own business calculation and production targets.

Confirming the Production Limit

It would not be right to determine the amount of national coal production based on only a single year development. Policies on development of our coal-fueled power plants (PLTU) and those of importer countries on energy should be observed years before that. At the moment, Indonesia should carefully "read" the plans of various importer countries to reduce emision to be able to project the growth of the coal markets going forward, and at the same time, calculate adequate coal production limit on the national scale.

Though the map shows the amount of 1.07 billion tons of the entire world's coal trade, we can be sure that there would be a relatively very slow growth of coal trade in the next five years. China, already having an established plan of the country's coal development for the next five years (2021-2025), would reach their peak of coal utilization in 2025. After that, they would restrict the imports and even reduce their domestic utilization. However, a close observation on the growth of China's economy of 18.3 percent in the first quarter of 2021 allows us to see a possible increase of the country's coal demand for the first five years ahead.

With a relatively high economic growth, it is just reasonable that the National Development and Reform Commission (NDRC) continue to strengthen and improve the national coal stock. The China government has managed to store 120 million tons of coal in several large mining and power plant sites. The additional 400 million tons is kept in the commercial storage, 200 million tons in other power plant sites, and the remaining 100 million tons in the circulation links.

In deciding the production limit going forward, the Indonesian government basically has to take into account, not just the China government's steps to mitigate their coal industry, but also how the country, starting 2026, would actually restrict their domestic coal utilization. China would restrict their coal utilization to a maximum amount of 4.2 billion tons in 2025, up from 4.1 billion tons by the

end of 2020. China would even continue to suppress its coal energy mix to 56.8 percent, down from 68 percent during the previous decade.

The China government's outlook on the industry is affirmed by President Xi Jinping in his speech during the recent Leaders Summit on Climate held in the US. The president confirmed that his government would closely monitor the increase of the country's coal demand throughout 2021 to 2025, and subsequently reduce the supply in the period between 2025 and 2030. Xi Ping's plan should commence within periods of five years, considering Indonesia has 1,082 coal-fueled PLTUs spreading throughout the country, not to mention the 92 PLTUs in construction stages, and 135 others in pre-construction phases. Moreover, there is the commissioning of 38.4 gigawatt PLTUs to replace the old ones.

In the same summit, South Korean President Moon Jae-in said that South Korea would stop its financial supports on all projects related to coal-fueled PLTUs outside the country. Japan also declared they would take similar steps, and at the same time, accelerate the measures to achieve the target of domestic emission of 40 percent by 2030. South Korea and Japan have taken measures to follow China's footsteps, regarding the coal industry. Therefore, we can be sure there will be no more coal-fueled power plants after 2025. This reflects the condition that the domestic coal demand would stay stagnant, as the growth of industries other than those on electricity power would not be significant.

Observing various policies of coal importer countries related to coal industry, the government should consider not only the coal utilization, but also the finance of developing coal-fueled power plants (PLTUs) in deciding the amount of total national production. The steps to establish an integrated map on the growth of companies under IUP OP licensing, facilities to ensure adequate capacities of mines under Coal Contract of Works (PKP2B), and the amount of absorbtion of either export or domestic coal markets should become the parameters immediately and seriously accommodated. Decision on the amount of national production should not overlook the macro conditions of the international market, which could bring back out-of-control declines of production in the future. This would cause environmental damages due to the halt of mining operations without the process of scheduled mining closure as required.

Closing

Finally, we have to admit that many parameters have to be taken into account in deciding the total national production. The goal of increasing the state revenue should be supported by all stakeholders, but it should be achieved by considering the real condition of the international coal market. Moreover, succeeding the export market is the only way to increase the national production.

Some of the measures to achieve the expected are elaborated below:

It is important to apply adequate control over the national coal production going forward for the sake of the nation's energy security in the long run. As the world biggest coal exporter country, Indonesian coal trade influences the price index in the global market. Therefore, the National Energy Council (DEN) should immediately revise RUEN (the National Energy General Planning) in relation to restrictions over the total amount of national coal production.

Before revising RUEN, and considering RUEN as the long-term policy, the Energy and Mineral Resources (ESDM) authority should ensure an established map integrating the global trade, Domestic Market Obligation (DMO) growth, conditions of companies under PKP2B (Coal Contract of Works) and IUP (Mining Business License) to provide a more real and comprehensive overview on the total national coal production for the interests of DMO or investors in projecting their business going forward.

For a long time, decisions on the amount of production and DMO percentage are based on the yearly RKAB (the Work and Budget Plan). Going forward, RKAB should be established for a period of five years, but the monitoring and control over technicalities and the environment should be conducted every year. With a five-year RKAB, it would be easy for the stakeholders to establish a long-term production plan for the interests of the national energy and the state income. It would also be convenient for the investors to establish mine-plans and other plans for infrastructure investments.

In deciding the limit for national production in the long run for companies under IUP OP (Mining Business License in Production Operation), the authority should include the mining environment as a parameter. Making such decisions based on just the market condition would not be fair nor objective. It often lead to unnecessary debates. Production limits should take into acount the size of the concession, the condition of the coal seams, also the mining pattern and condition. There should be scientific calculation that can be accepted without debates. Good mining practice can be applied within the IUP OP mining scale. C

OPINION

By Bill Sullivan
Christian Teo & Partners (in asscociation with Stephenson Harwood LLP)

Indonesian sovereign wealth fund – Bold but uncertain experiment

Introduction

The establishment of the Indonesian Sovereign Wealth Fund is one of the most interesting initiatives introduced as part of the 2020 Omnibus Law.

The Indonesian Sovereign Wealth Fund unquestionably has the potential to become a major investment force and help the Government overcome the capital constraints it faces in financing critical infrastructure projects as well as other areas of the economy that the Government wants to prioritize but which areas of the economy sometimes struggle to attract sufficient private sector investment interest.

There are early indications that the architects of the Indonesian Sovereign Wealth Fund may also not be averse to pursuing projects, in areas of the economy, that are attractive to private sector investors as well.

Helping Indonesia's numerous State-owned enterprises better utilize their productive assets is clearly going to be another major focus of the Indonesian Sovereign Wealth Fund. Given the already dominant role of State-owned enterprises in many parts of the Indonesian economy, including the construction, energy and mining sectors, existing domestic and foreign investors in these sectors should be paying particular attention to the "roll-out" of the Indonesian Sovereign Wealth Fund and what it means for them.

Whether or not the Indonesian Sovereign Wealth Fund is ultimately a positive development or a negative development for Indonesia and its international reputation will depend very much on how well it is managed and the extent to which, if at all, it reduces the "space" for private sector investors in the Indonesian economy. This is certainly a bold "experiment" for Indonesia but one with a very uncertain outcome.

In this article, the writer will review the already issued regulations and other available material on the Indonesian Sovereign Wealth Fund in order to give readers a better understanding of what the Government is seeking to achieve with the establishment of the Indonesian Sovereign Wealth Fund, what exactly is the Indonesian Sovereign Wealth Fund and if there is any good reason for private sector investors to be concerned about its establishment.

Background

There are some forty-five countries in the world that have sovereign wealth funds, with the five largest sovereign wealth funds being those of China, the United Arab Emirates, Norway, Saudi Arabia and Singapore, with assets ranging from US$703 billion to US$2,244.4 billion. Accordingly, there is nothing unusual about Indonesia establishing a sovereign wealth fund as such.

With initial Government provided capital of Rp15 trillion or approximately US$1 billion and the intention to increase that capital to Rp75 trillion or approximately US$5 billion by the end of 2021, the Indonesian Sovereign Wealth Fund (to be known as the "Indonesia Investment Authority" or "INA") will be one of the world's smaller sovereign wealth funds although by no means the smallest.

The establishment of INA is mandated by Chapter 10 of Law No. 11 of 2020 re Job Creation ("Omnibus Law").

There are now three implementing regulations for Chapter 10 of the Omnibus Law being (i) Government Regulation No. 73 of 2020 re Initial Capital of Indonesian Sovereign Wealth

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3.
4.

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Fund, (ii) Government Regulation No. 74 of 2020 re Indonesian Sovereign Wealth Fund ("GR 74/2020") and (iii) Government Regulation No. 49 of 2021 re Taxation Treatment of Transactions Involving Investment Management Institutions and/or their Owned Entities.

Analysis and discussion

1. Rationale for INA

The Omnibus Law itself is largely silent on the rationale for the establishment of INA and merely describes its purpose as being to:

"improve investment and strengthen the economy to support strategic policies in job creation."

The Omnibus Law goes on to provide that the objectives of INA are to:

a. obtain economic benefits, social benefits and other predetermined benefits;
b. provide funds for the development of the national economy in general and state revenue in particular;
c. generate profits; and
d. facilitate the realization of public benefits including but not limited to the creation of job opportunities.

Far more revealing, in terms of the actual rationale for the establishment of INA, is GR 74/2020. The Elucidation (i.e., explanatory notes) to GR 74/2020 is surprisingly forthright in stating that:

"The limited fiscal capacity of the Government and the limited funding of BUMNs [i.e., State-owned enterprises] and financial sector institutions indicate that domestic capacity is not sufficient to meet all development financing needed to support economic growth.

With regard to the above-mentioned problems, it is necessary to fulfill national development financing that involves foreign investors, particularly through foreign direct investment (FDI). Based on World Bank data, Indonesia's FDI has fluctuated every year, and the amount of Indonesian FDI in the last five years has tended to be stagnant. In addition, the percentage of Indonesia's FDI to Gross Domestic Product is also far below other ASEAN countries.

The Government has made efforts to improve the investment climate and ease of doing business to increase FDI entering Indonesia. In addition, efforts to increase FDI to Indonesia also need to pay attention to the perspectives and appetite of foreign investors. Thus, at this time it is necessary to have an institution that is able to become a strategic partner for these investors, has a strong legal and institutional foundation, as well as applies international practices and standards, and may act as an intermediary for investors in placing investment or FDI in Indonesia."

INA will differ significantly from the sovereign wealth funds of China, the United Arab Emirates, Norway, Saudi Arabia, Singapore and most (but not all) other countries which are primarily concerned with managing and investing the excess assets/revenues of these countries rather than with seeking to attract investment funds from foreign investors. As the Elucidation to GR

74/2020 makes clear, attracting foreign investors to INA and in order to make up for the shortfall in Indonesian assets/revenues, having regard to the country's pressing investment needs, is very much one of the key reasons the Government wants to establish a sovereign wealth fund for Indonesia. In this regard, INA is to be more like the sovereign wealth fund of India which also seeks to attract foreign investors. Accordingly, this places INA in the distinct minority of sovereign wealth funds which are not focused on finding worthwhile investments for excess domestic assets/revenues (usually but not always generated from minerals, oil & gas and other commodities) but, rather, on trying to make up for the shortfall in domestic assets/revenues by bringing in foreign investors.

The Minister of Finance has suggested that potential foreign investors might actually be more "comfortable" investing in Indonesia indirectly, through the medium of INA, rather than directly. Presumably, the Minister of Finance was intending to acknowledge the well-known problem of investment protection and security that foreign investors have traditionally faced in Indonesia owing to, among other things, the country's ever changing and unpredictable legal and regulatory environment as well as it's erratic and non-transparent court system.

A recent presentation by INA highlighted the extent to which the Government is relying on the INA to increase the country's economic growth and encourage job creation, something that has been a major preoccupation of President Jokowi Widodo since he first took office in 2014 but which the President has largely failed to deliver on so far. INA is projecting that every 1% increase in investment will increase economic growth by 0.3% and result in average job creation of 0.16% or the absorption of 33,000 additional workers. This serves very well to make apparent the direct link between the establishment of INA and the hoped-for realization of what may well be the President's overriding objective of his two terms in office; namely, finding a way to eventually solve Indonesia's endemic problem of unemployment or at least chronic underemployment.

The fact that the Government is willing to publicly acknowledge (i) Indonesia needs more foreign investment and (ii) the connection between the realization of more foreign investment and reduced unemployment for Indonesians should be regarded as being a very positive development. It seems that foreign investment has finally been recognized, by the Government, for what it is; namely, a potential ally of Government policy rather than a potential enemy of Government policy. Indonesia's strident resource nationalists should take careful note of this seemingly major shift in Government thinking.

2. Understanding what ina is and how it will operate

2.1 Legal Status of INA: INA is a so-called "sui generis" (i.e., special or unique) legal entity which is (i) wholly owned by the Government and (ii) directly responsible to the President (Article 2 of GR 74/2020).

Although INA has many features in common with companies, associations, cooperatives and foundations (i.e., yayasans) (see 2.4 below), it is most definitely not a company, an association, a co-operative, a foundation or any other type of legal entity commonly found in Indonesia. It really is a "one-off" creation and, accordingly, it is important to avoid making assumptions about INA, what it is and how it is intended to operate based on experience in dealing with other types of Indonesian legal entity.

Although INA is definitely not a BUMN, the fact that INA is to be wholly owned by the Government gives rise to an obvious parallel with BUMNs which are also wholly owned by the Government or, more technically, the State. One might legitimately ask whether or not its ownership by the Government inevitably exposes INA to the risk of the very same problem of political interference in respect of the management and operation of INA that has long been encountered in respect of the management and operation of BUMNs.

2.2 INA's Capital: The capital of INA is to come from:

(a) State equity participation in the form of:
   1. cash;
   2. State-owned property;
   3. State receivables from BUMNs or companies; and
   4. State-owned shares in BUMNs or companies; and

(a) other sources (Article 3 of GR 74/2020).

"Other sources" is clearly a generic description so vague as to, potentially at least, include substantially anything from anywhere.

2.3 Authority of INA: In carrying out its functions and duties (which are explained in 1 above), INA is given the authority to:

(a) make placements of funds in the form of financial instruments;

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(b) carry out asset management activities;
(c) collaborate/cooperate with other parties including:
   1 investment managers including trust fund entities;
   2. investment partners;
   3. BUMNs;
   3. Government agencies and institutions; and
   4. other entities both inside and outside of Indonesia;

(d) determine prospective investment partners;
(e) make and receive loans; and
(f) "administer" assets (Article 7 of GR 74/2020).

2.4 Structure of INA: INA is managed by a board of directors ("BoD") of 5 members, all of whom are meant to be "professionals" appointed and supervised by a board of supervisors ("BoS") of 5 members comprising the Minister of Finance, the BUMN Minister and 3 "professionals".

INA's BoD may be supported by an advisory board ("BoA") providing investment advice while INA's BoS is to be supported by a secretariat and a committee(s) with oversight of audit, ethics and remuneration/human resources (Articles 8 to 36 of GR 74/2020).

It is, presumably, the mandated professional background of INA's BoD and BoS members that is intended to ensure that INA does not become just a "de facto" BUMN in terms of how it is managed and carries out its operations. The Government has certainly got off to a very good start in this regard by appointing professional members of INA's BoD and BoS who are of the highest calibre.

2.5 INA and Good Governance: The Government has committed itself to ensuring that INA will carry out its asset management activities based on the principles of good governance, accountability and transparency. The realization of these laudable principles is to be facilitated by, among other things, (i) prohibiting members or officials of political parties, felons, bankrupts and declared "reprehensible individuals" in the investment sector and other fields from serving as BoD or BoS members, (ii) imposing a duty of confidentiality on BoD and BoS members as well as other INA employees and (iii) requiring disclosure of conflicts of interest (Articles 10, 27, 35, 40, 69 and 70 of GR 74/2020).

Intriguingly, however, there is no express prohibition on members or officials of political parties from serving as BoA members while the prohibition on members or officials of political parties serving as BoD or BoS members is likely to be easily circumvented. A well-timed "strategic" resignation from a

political party is, most probably, all that is required in this regard as the BoD and BoS membership prohibition appears to only apply to current members or officials of political parties and not to former members or officials of political parties. In practice, it will almost certainly be very difficult to prevent Indonesia's always opportunistic and money-orientated political parties from, directly or indirectly, influencing (or at least trying to influence) the activities of INA.

2.6 INA and Investment Funds: INA may either:

(a) establish and manage its own investment funds; or

(b) participate in investment funds established and managed by other parties and with or without some management participation by INA.

2.7 Investment funds may be in the form of (i) joint venture companies, (ii) mutual funds, (iii) collective investment contracts or (iv) "other forms" (Articles 41 and 42 of GR 74/2020).

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A recent presentation by INA indicates that it is giving serious consideration to adopting an investment participation structure that will involve:

INA establishing a so-called "Master Fund" (i) with capital contributed by INA and Government-related sources and (ii) managed by a fund manager or investment committee;

the Master Fund will, in turn, establish a number of individual Investment Funds, with each individual Investment Fund focusing on a particular sector such as (i) toll roads, (ii) airports, (iii) seaports and (iv) other possible sectors including healthcare, digital infrastructure, geothermal, tourism, hotels etc.; and

pension funds and other private sector parties will then be invited to participate in the individual Investment Fund having a focus relevant to the interest or investment profile of a particular pension fund or other private sector party wanting to invest with INA.

Utilization of INA's Profits: INA is obliged to allocate (i) at least 10% of its profits, if any, each year to reserves until such time as the accumulated reserves amount to 50% of INA's capital and (ii) the balance of its profits, if any, each year to retained earnings (to be used for investment purposes) until such time as the accumulated retained earnings have exceeded 50% of INA's capital.

It is only once INA's accumulated retained earnings exceed 50% of its capital that the Government is entitled to receive a share of INA's profits, if any, which share is to be limited to a maximum of 30% of INA's profits in any year unless the Minister of Finance mandates a higher Government profit share in any year (Article 50 of GR 74/2020).

The obvious intention of these restrictions, on the utilization of INA's profits, is to ensure that INA is conservatively and prudentially managed such that INA builds up substantial reserves and retained earnings over time that can be available in the event INA's investment and asset management activities encounter serious

financial reversals. Of course, however, if INA never earns a profit, then the emphasis on building up INA's reserves and retained earnings will be of no use whatsoever.

2.8 Loss of INA Capital: In the event that INA's accumulated losses (after utilization of retained earnings and reserves if any) exceed 50% of its initial capital, the Government may increase INA's capital (Article 51 of GR 74/2020).

Dealing with potential losses of INA capital is a "tricky" issue for the Government. On the one hand, the Government wants to assure private sector parties, contemplating investing in cooperation with INA, that (i) the Government "has INA's back" in the event things go seriously wrong for INA and (ii) INA will not be left to fail due to serious depletion of its capital. On the other hand, the Government does not want to be legally obliged to always make up losses of INA capital as this could serve as a material disincentive for INA to be sufficiently zealous in carrying out its investment and asset management activities on a suitably conservative and prudential basis. The clear intention is to deal with this "tricky" issue by mandating strict reserve and retained earnings requirements for INA and with a view to INA always having substantial reserves and retained earnings to draw on in the event of financial reversals as explained in 2.7 above. Capital "top ups" from the Government then become the "avenue of last resort" and something that is discretionary only so far as the Government is concerned.

2.9 INA and State/BUMN Assets: State assets and BUMN assets may be transferred to INA so long as they are not State assets involving the management of (i) centres of production that are important and affect the lives of many people and (ii) of the earth, water and the natural resources contained therein (Article 55(1) and (2) of GR 74/2020). This "carve out" undoubtedly has its basis in Article 33(2) and (3) of the Constitution which mandates that the State shall own and manage assets falling into these two categories for the benefit of the people as a whole. It is important to note, however, that this "carve out" does not prevent BUMN assets, in the nature of mining rights and/or oil & gas rights, from being transferred indirectly to INA as explained below.

State assets may be transferred directly to INA such that they then become/represent Sate equity participation in INA (Article 56 of GR 74/2020).

BUMN assets are to be transferred to a joint venture company established by INA (Article 57 of GR 74/2020).

INA is given an express "preferential right" to acquire BUMN assets. The exercise of INA's preferential right is to be conducted "commercially" and so as to "prioritize the principle of fairness through the fair price assessment of assets" (Article 58 of GR 74/2020). INA's "preferential right" is to be understood as being in the nature of a "right of first refusal" that applies if and when a BUMN wants to dispose of any of its assets. The "commerciality" requirement is probably intended to indicate that

transfers of BUMN assets must be conducted on arms-length commercial terms while the "fair price" requirement is almost certainly a reference to "fair market value".

While both State assets and BUMN assets may be transferred, directly or indirectly, to INA by (i) sale and purchase or (ii) "any other legitimate means", it is only transfers of BUMN assets (not transfers of State assets) that are expressly required to be "conducted commercially" and on a "fair price" basis. This suggests there is greater flexibility, as to the applicable terms of transfer, when it comes to the transfer of State assets than there is when it comes to the transfer of BUMN assets.

The probable reason for both the "commerciality" requirement and the "fair price" requirement, in the case of transfers of BUMN assets only, is that transferred State assets are to be owned by INA directly whereas transferred BUMN assets are to be owned by joint venture companies which "may cooperate with private sector parties". Presumably, the Government wants private sector parties "co-operating with" (i.e., investing in) joint venture companies, established by INA to hold transferred BUMN assets, to be confident that the transferred BUMN assets in which they are indirectly investing have been acquired at fair market value and otherwise on arms-length commercial terms.

INA is expressly authorized to both (i) convert its assets into other forms at "fair value" and (ii) transfer its assets to other parties at "fair value" (Articles 62 and 63 of GR 74/2020). Again, it is obvious that the intended purpose of these "fair value"/"fair price" requirements is to address the understandable concerns of private sector parties, thinking about co-operating with INA established joint

venture companies, that they might be paying a price for any investment in such joint venture companies that does not reflect the value of the underlying assets of these joint venture companies. It remains to be seen how much "comfort" private sector parties will derive, in practice, from these assurances.

2.10 Insulating INA BoS and BoD Members against Personal Liability: INA undertakes to provide legal assistance to past and present BoS and BoD members, as well as to past and present INA employees, in the event that they are the subject of criminal prosecutions or civil law suits that may result in personal liability or other personal legal consequences and which liability or other legal consequences arise out of decisions or policies taken or implemented by them on behalf of INA. These decisions and policies, however, must have been taken or implemented in good faith and otherwise in accordance with the relevant BoD/BoS member/ other INA employee's duties and responsibilities.

INA further undertakes to pay, on behalf of past and present BoS and BoD members as well as on behalf of past and present INA employees, any compensation they are ordered to pay by the courts in respect of any loss so long as (i) the loss is not due to their fault or negligence, (ii) they have carried out their supervisory and management duties in good faith, with prudence, for the interests of and in accordance with INA's investment objectives, (iii) there was no conflict of interest, (iv) there was no illegal personal gain and (v) they have taken reasonable measures to prevent the occurrence or continuation of declines in investment values (Article 71 of GR 74/2020).

Any investment activity carries with it the risk of loss. As INA is going to be managing, in part, the investment of State assets and BUMN assets, this activity carries with it the added risk, in Indonesia, of BoD/BoC members/other INA employees being prosecuted for "corruption" on the basis of causing losses to the State. There is also the more general risk that private sector parties, investing alongside INA, might be inclined to commence civil law suits against INA, its BoS and BoD members and/or its other employees if INA's investment and asset management activities generate large losses rather than large profits as hoped for. Accordingly and to the extent the Government wants INA to be active and innovative in its approach to investment and asset management, the Government clearly has an incentive to ensure that the potential for personal liability, in respect of losses on investment and asset management activities, does not discourage an "appropriate" level of risk taking by INA. In this regard, it is notable that the risk of being held liable for causing losses to the State is often cited as one of the reasons for the lack of dynamic decision making at BUMNs.

2.11 INA and the Threat of Bankruptcy: The circumstances in which INA may be declared bankrupt are strictly limited to it being proven, on the basis of an insolvency test administered by an independent institution appointed by the Minister of Finance, that INA is indeed insolvent. In other words, the standard Indonesian requirements for a declaration of bankruptcy; namely, the existence of at least two creditors, one of which creditors is owed a debt that is due and unpaid, do not apply in the case of INA (Article 72 of GR 74/2020).

It is, of course, entirely understandable that Government should be very concerned to ensure that INA cannot be easily declared bankrupt given INA will be, in part, investing and managing the investment of Sate provided funds as well as State assets and BUMN assets. INA is also being treated substantially the same as banks, pension funds, BUMNs and other special entities which are not subject to the same bankruptcy declaration criteria, under Indonesia's Bankruptcy Law, as apply to private sector companies and individuals.

3. INA and potential threat to private sector

Whether or not the establishment of INA represents a material threat to the private sector, in the sense of the potential or otherwise of INA's activities to reduce the opportunities for private sector investment, is a complicated issue that is not easily resolved but which certainly warrants careful consideration.

When the proposal to establish INA was first publicly discussed, it seemed that the focus of INA's investment and asset management activities was going to be exclusively on traditional infrastructure projects such as toll roads, airports, seaports and railways. The rationale for this focus was clearly the difficulty the Government was experiencing in interesting private sector investors in Indonesia's much needed infrastructure development

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projects given the large capital investment required, the long payback period involved and the uncertainty of a sufficiently attractive return on investment. It made sense then for INA to take the lead role in traditional infrastructure development as the required investment was not otherwise going to come from anywhere else.

While traditional infrastructure projects clearly remain a major focus of INA now that it has been established, there is increasing talk of INA also looking at investment in sectors other than traditional infrastructure. As a recent presentation by INA makes clear, INA may well consider setting up individual investment funds focusing on investment in non-traditional infrastructure sectors such as healthcare, digital infrastructure, geothermal, tourism and hotels etc. Some, at least, of these other sectors are of great interest to private sector investors as they are recognized as offering potential opportunities for good investment returns. Given (i) the financial resources INA will have at its disposal and (ii) the fact that INA is owned by the Government, it is unrealistic to expect that private sector investors will ever be able to successfully compete against INA in pursuing investment opportunities that are of interest to both INA and the private sector. Put simply, INA will always be in a position to out-bid private sector investors for any investment opportunity it is interested in pursuing. Likewise, the Government will, inevitably, favour INA (as a wholly owned entity of the Government) over private sector investors in awarding the right to develop projects of interest to the Government and INA.

It is true that INA is actively seeking private sector participation in its investment funds and is otherwise open to “co-operating” with private sector investors. As such, it will be open to private sector parties, interested in a particular investment opportunity that is also of interest to INA, to seek to co-operate with or invest alongside INA in pursuing that investment opportunity. It would, however, surely be naïve to imagine that this “cooperation” will be anything other than co-operation on INA’s terms and with INA “firmly in the driving seat”. As such, private sector investors, wanting to co-operate with or invest alongside INA, cannot realistically expect to ever be anything other than very junior “partners” of INA in connection with the investment opportunities they pursue together.

Competition is definitely good in principle. Accordingly, it might be thought that it is not necessarily a bad thing that private sector investors may find themselves competing with INA for the same investment opportunities. This, however, will definitely not be competition between equals or “level playing field” competition; rather, it will be competition between a “whale” (i.e., INA) and comparative “minnows” (i.e., private sector investors) on a “playing field” that is very much “slanted” in favour of INA. The outcome of this type of competition is usually very easy to predict, at least when the outcome is to be solely determined by which party can offer the highest price for a particular investment opportunity.

INA will also enjoy preferences and privileges not available to private sector investors at all. INA’s preferential right to acquire all assets that BUMNs want to divest is particularly relevant in this regard. It is widely recognized that

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BUMNs have many very valuable but underperforming assets. If and when these valuable and underperforming assets are offered for sale, INA's preferential right will ensure that it is only those BUMN assets that INA has no interest in whatsoever that private sector investors can realistically look to acquire in their own right and without co-operating with INA.

Summary & conclusions

The Government has gone to considerable lengths to give INA legal, management and operating structures that, at least on the surface, seem to "tick all the boxes" in terms of what is required for a well-run sovereign wealth fund.

Foreign investors will certainly be interested and intrigued by the opportunity they are being offered to invest alongside INA and, hopefully, thereby avoid many of the "pitfalls" that foreign investors have long faced when making independent investments in Indonesia. It remains to be seen, however, whether or not foreign investors will be sufficiently convinced by how INA is being "packaged" for them to be willing to commit, to INA, the sort of funds that the Government is clearly looking for as a way to increase foreign direct investment in Indonesia. It is notable that, to date, only the United Arab Emirates' sovereign wealth fund has expressed a willingness to invest with INA.

The greatest risk to INA's success must be that Indonesia's political parties and individual politicians will see INA as just another opportunity to exploit State assets and BUMN assets for their own benefit. Despite its promising "appearance", long-time observers of Indonesia will, inevitably, wonder whether INA is destined to end up just being a "turbo charged", de facto BUMN. Of course, we must all hope that this is not the case and the Government's present commitment to ensure that this does not happen cannot be seriously doubted.

The potential for INA to "crowd out" the private sector, in terms of pursuing investment opportunities of interest to both INA and private sector investors, is also a real concern now that it seems INA will not necessarily be confining itself to traditional infrastructure projects. Just as BUMNs have unquestionably limited the opportunities for private sector investors in many sectors of the Indonesian economy including construction, energy, mining and oil & gas, is INA likely to be any different? If "no", then the establishment of INA could ultimately represent another setback for the private sector in Indonesia.

INA certainly represents a bold "experiment" for Indonesia but the outcome of this "experiment" is far from certain. Only time will tell whether INA comes even close to delivering on the Government's expectations. C

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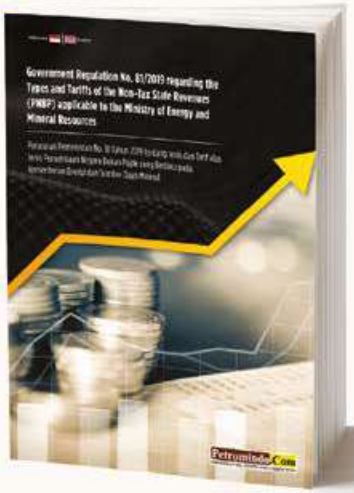
Indonesia | English

Government Regulation No. 81/2019 regarding the Types and Tariffs of the Non-Tax State Revenues (PNBP) applicable to the Ministry of Energy and Mineral Resources

Peraturan Pemerintah No. 81 Tahun 2019 tentang Jenis dan Tarif atas Jenis Penerimaan Negara Bukan Pajak yang Berlaku pada Kementerian Energi dan Sumber Daya Mineral

New Release



In order to implement the 2018 Law No. 9 on Non-Tax State Revenue (PNBP), the Government has recently issued Government Regulation No. 81/2019 (PP 81) regarding the types and tariffs of PNBP applicable to the Ministry of Energy and Mineral Resources (Oil & Gas, Mineral and Coal, Electricity, New and Renewable Energy, Geological Agency, Human Resource Development Agency (BPSDM), and Research & Development Agency). This new regulation replaces Government Regulation No. 9/2012.

PNBP are all Government receipts received in the form of revenues from natural resources, service provided by the relevant government divisions or agencies and revenues from Public Service Agency (BLU).

This publication is aimed at disseminating information regarding the new regulation to international community, who need to know them in English as well as for investors wishing to get involved in Indonesian energy and mining related industries. The narrative is presented in dual language with Bahasa Indonesia and English versions appearing side-by-side on each page.

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Pandu Sjahrir re-elected as APBI Chairman

Pandu P. Sjahrir was re-elected on Friday as Chairman of the Indonesia Coal Mining Association (APBI/ICMA) for the period of 2021-2024 as the industry faces the challenge of energy transition amid global drive to cut down greenhouse gas emissions.

"Energy transition is inevitable and we must change ourselves, otherwise others will change us," Pandu said to petromindo.com.

Pandu said that ICMA will have new nomenclature that accommodates energy transition issues in the organization structure. He also mentioned about the government's goal for the country to achieve carbon neutral by 2050 in which ICMA will also actively be involved in the efforts.

For the next six months, according to Pandu, he will focus on educating and socializing the energy transition issues in the coal industry.

"We will talk about the potential of carbon credit for coal industry," he said.

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Astrindo's Q1 coal handling volume down slightly

IDX-listed coal logistics provider PT Astrindo Nusantara Infrastruktur Tbk said that coal handling volume in the first quarter of this year slightly declined to 18.4 million tons from 18.9 million tons in the corresponding period of last year.

Corporate Secretary Kurniawati Budiman told Petromindo.com that its subsidiary PT Mitratama Perkasa (MP) saw coal handling volume of 4.9 million tons in the January-March period of this year, while another subsidiary PT Nusa Tambang Pratama (NTP) recorded coal handling volume of 13.5 million tons.

In the three-month period of last year, MP's coal handling volume was 5.8 million tons, while NTP was 13.1 million tons.

Kurniawati said that despite of the weaker performance in the first quarter of this year, the company is still on track to meet the full-year coal handling volume target of 73 million tons, which is lower than last year's volume of 82.11 million tons.

She added that the upward revision by the government in the country's coal production target this year to 625 million tons from the initial target of 550 million tons should bode well for the company's performance this year.

Astrindo, through subsidiaries MP and NTP, operates coal logistic facilities in East and South Kalimantan including coal ports, crushers, loading facilities, and conveyors. Its clients include major coal miners PT Arutmin Indonesia and PT Kaltim Prima Coal.

Transcoal bags $32m coal shipment contracts

IDX-listed coal transporter PT. Transcoal Pacific Tbk reported that it has secured contracts to transport coal from an undisclosed coal mine in East Kalimantan to three power plants in Java and Bali with a total contract value of Rp. 472.8 billion (US$ 32 million).

Under the contracts, Transcoal will to transport coal to Buleleng power plant in Bali for 58 months with value of Rp.332.5 billion, to East Java for 11 months (Rp.92.3 billion) and to Cilegon in Banten for 3 months (Rp.48 billion).

Transcoal's biggest clients are South Kalimantan-based coal miner PT Arutmin Indonesia and East Kalimantan-based coal miner PT Kaltim Prima coal (KPC), which accounted for more than 90 percent of the company's transport volume. The company has provided services for Arutmin since 2007 and for KPC since 2014 under long-term contracts. C

Regional Coal: South Korea ends new funding for coal plants overseas

South Korea will stop state-backed funding for new coal-fired power plant projects overseas, President Moon Jae-in said at a virtual climate summit hosted by US President Joe Biden, as part of efforts to fight climate change.

Moon said he was expanding a decision at home to phase out coal, the dirtiest form of energy. "Korea will end our public financing for overseas, coal-fired power plants," he said.

"It is imperative for the world to slow down coal-fired power plants, although developing countries that will struggle due to the heavy dependence on coal should be given due consideration and proper support," he said.

Moon said that Asia's fourth largest economy was committed to going carbon neutral by 2050 and would "aim to enhance" its goals by 2030.

Environmentalists widely expect that South Korea will announce actions when it hosts its own gathering on climate next month.

South Korea had been a major source of funds for coal power plant projects in Asia. A Greenpeace study said that South Korea pumped around $5.7 billion into overseas coal plants between January 2013 and August 2019. AFP reported. Other major financiers are China and Japan.

MBSS plans much lower capex this year

IDX-listed sea logistics and transshipment services company PT Mitrabahtera Segara Sejati Tbk (MBSS) plans a much lower capital expenditure (capex) this year, after its coal transport business was badly affected by the Covid-19 pandemic last year.

MBSS Director Burhan Sutanto was quoted by Kontan as saying that capex for this year is budgeted at US$6.9 million, primarily to be used for vessel maintenance.

He added that the planned capex will be entirely financed via internal funds.

He did not provide comparative figure for last year's capex. But in February of last year, an MBSS official was quoted as saying that the company was planning capex of $14.6 million for 2020, up from $11.7 million in 2019. Burhan told a public expose in December 2020 that realized capex as per end of September 2020 was $10.1 million.

MBSS saw revenue last year dropped by 29.52 percent to $54.86 million from $77.84 million in the previous year, and it suffered a net loss of $14.99 million compared to profit of $1.59 million in 2019.

Burhan said that the Covid-19 pandemic, which had prompted governments to impose lockdowns last year, had affected its coal transport business. "Most of our coal shipment is destined for export markets," he said. C

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GEMS's Q1 coal sales volume up slightly

IDX-listed coal miner PT Golden Energy Mines Tbk (GEMS) saw coal sales volume in the first quarter of this year increased slightly by 4.5 percent to 9.3 million tons compared to 8.9 million tons in the corresponding period of last year.

GEMS President Director Bonifasius said at a public expose meeting that about 43 percent of the first quarter sales went to domestic market, China 38 percent, India 16 percent, and the remainders to other export markets in East and Southeast Asia.

He said that the stronger sales performance was due to higher demand and China's ban on Australian coal, triggering a rise in the price of the commodity.

He added that coal price in the second quarter is expected to remain strong, and demand to also remain solid throughout the year, although it would also depend on efforts to curb the resurgence of Covid-19 pandemic.

GEMS plans to produce up to 34 million tons of coal this year, slightly higher than realized output of 33.2 million tons last year. GEMS Corporate Secretary Sudin SH said recently that coal output in the first quarter of this year increased by 6 percent to 8.9 million tons compared to year earlier same period.

UT reports lower Q1 revenue, higher net profit

IDX-listed heavy equipment and mining firm PT United Tractors Tbk (UT) reported a 2 percent decline in first quarter 2021 consolidated revenue of Rp17.9 trillion from Rp18.3 trillion in the same period of 2020.

UT said in a statement, however, that lower selling expenses combined with reduced finance cost and other expenses resulted in an increase of the company's net profit by 2 percent to Rp1.9 trillion compared to Rp1.8 trillion in 2020.

Overall, to the company's consolidated net revenue, Mining Contracting business segment recorded net revenue of Rp7.0 trillion, down by 15 percent from Rp8.2 trillion in the same period of 2020, Construction Machinery segment recorded the same revenue with the first quarter of 2020 amounting to Rp4.3 trillion, Coal Mining segment recorded a 18 percent increase in revenue to Rp4.0 trillion, Gold Mining segment recorded net revenue of Rp2.2 trillion or increased by 15 percent from Rp2.0 trillion and Construction Industry reported net revenue of Rp380 billion compared to Rp475 billion in the same period of 2020.

MIP to ramp up coal production in 2021

South Sumatra coal producer PT Mutiara Indah Permai (MIP),a subsidiary of IDX-listed energy company PT Adaro Energy Tbk, will ramp up coal production to around 2 million tons in 2021.

MIP, which started commercial production in 2019, produced 1.31 million tons of coal last year, a 328 percent jump from previous year.

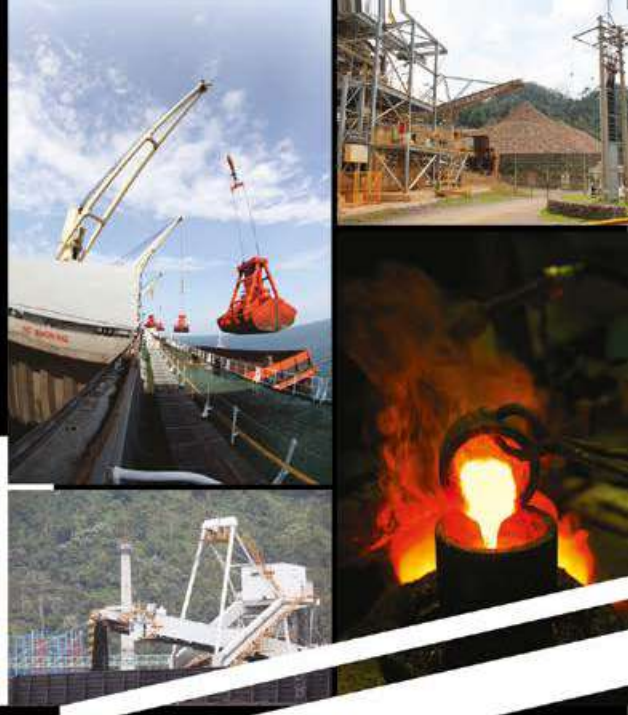
"We expect to produce 2 million tons in 2021 and we keep developing the infrastructure in MIP in a bid to produce more than 2 million tons," Lie Luckman, Chief Financial Officer of Adaro Energy, said in a virtual press conference.

MIP has total estimated coal resources of 307 million tons and coal reserves of 213 million tons of 4,269 kcal/kg (GAR) coal. MIP's coal shares similar low-pollutant traits as Adaro Energy's flagship Envirocoal product with relatively low sulfur and ash content.

Adaro sells the MIP's coal to domestic markets among others to independent power producers (IPPs), state electricity firm PT PLN and cement plants. "The production of MIP increased significantly following the growth of customer demand. For domestic sales, we supply coal for PLN, IPP and other industries such as cement plants," Febriati Nadira, Head of Corporate Communication Division of Adaro Energy, said. C

Indonesia | English

UNDANG-UNDANG NOMOR 3 TAHUN 2020
TENTANG
PERUBAHAN ATAS UNDANG-UNDANG NOMOR 4 TAHUN 2009 TENTANG PERTAMBANGAN MINERAL DAN BATUBARA



LAW NO. 3 OF 2020
REGARDING
AMENDMENT OF LAW NO. 4 OF 2009 REGARDING MINERAL AND COAL MINING

President Joko Widodo has recently enacted the long-awaited new mining law, which is an amendment to Law No. 4 of 2009 regarding Mineral and Coal Mining, introducing significant changes to the mining sector and how the players operate in Indonesia.

Key points in the new Law No. 3 of 2020 regarding Amendment of Law No. 4 of 2009 Regarding Mineral and Coal Mining include: centralizing permit issuance, nationalizing resources, profit sharing with local administrations, guarantee on continued operations of Coal Contract of Work/PKP2B, expanding mining reserves, and developing downstream industries. This new law has been in force since June 10, 2020.

This publication is aimed at disseminating information regarding the new law to the international community, who needs to know them in English as well as for investors wishing to get involved in Indonesian energy and mining related industries. The narrative is presented in dual language with Bahasa Indonesia and English versions appearing side-by-side on each page.

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Adaro seek new loans, prepares for renewal of operating permit

IDX-listed coal mining firm PT Adaro Energy Tbk (AE) has been engaged with a number of banks to get fresh loans for the refinancing of existing debt owed by its coal mining subsidiary PT Adaro Indonesia.

AE Chief Financial Officer Lie Luckman said that the Adaro Indonesia's debt worth US$400 million is slated to mature in the middle of this year. "For this purpose, we're trying to seek loans from a number of banks for the refinancing of the debt for the next five years," he said.

AE President Director Garibaldi Thohir claimed that there was strong response from the banks to the request for new loans.

Regional Coal: J-Power cancels coal power plant project

Japan's leading coal power producer J-Power has decided to cancel construction of its coal power plant project among others due to growing global pressure to cut down greenhouse gas emissions.

Yamaguchi-Ube Power Generation Co., Ltd, a joint venture between J-Power (90% interest) and Japan's chemical manufacturer Ube Industries, planned to develop a 600 MW coal-fired power plant in Ube city, Yamaguchi prefecture, Japan.

"However, in the western Japan area where this plant would be located, electricity demand is expected to remain flat and the introduction of renewable energy is expanding. As a result of comprehensive judgment based on the business environment including these factors, the company has decided to cancel this plan," J-Power said in a statement over the weekend.

Carbon-intensive coal has encountered increasing headwinds as Japan and other leading economies ramp up their fight against climate change. Japan aims to achieve net-zero carbon emissions by 2050.

Fitch has assigned BBB-1 rating for Adaro Indonesia.

Elsewhere, Lie said that Adaro is finalizing required documents to submit to the Ministry of Energy and Mineral Resources request for an extension of the operating permit of Adaro Indonesia.

The current first generation coal contract of work of Adaro Indonesia is set to expire on 1 October 2022. According to existing regulation, Adaro's current first generation coal contract of work will have to be converted into special IUP mining business license upon renewal of the operating permit.

Adaro Indonesia operates a combined 31,380-ha coal concessions located in South and Central Kalimantan provinces.

Adaro ramps up met coal production

IDX-listed coal mining giant PT Adaro Indonesia expects its metallurgical coal production from its Adaro Metcoal Project (AMP) in Central Kalimantan to reach 2.5 million this year, significantly higher than last year's production of 1.5 million tonnes.

CFO Lie Luckman said that the company has completed a number of infrastructures including a 120-km haul road which will support production increase. Lie said Adaro is seeking to further ramping up production to more than 3 million tonnes per annum in 2-3 years.

Lie said that the company is currently looking for new steel mills buyers from India, China and Japan to support production expansion plan.

AMP covers seven Coal Contract of Work (CCoW) holders, including the Maruwai concession, which are located in Central Kalimantan and East Kalimantan Provinces. AMP owns cumulatively 868 million tons resources and 85 million tons reserves of metallurgical coal. C

Indonesia Regional Minerals Maps 2019

New Release

As of August 2019, there are a total of 1,438 registered minerals mining concessions (KKs and IUPs) throughout Indonesia, of which about 1,403 concessions are in production operation production stage, while the remaining 35 concessions are still in exploration stage, according to the Directorate General of Mineral and Coal at the Ministry of Energy and Mineral Resources.

Indonesian Regional and Provincial Minerals Maps are a must-have for company/professional who's involved/ interested in minerals related businesses in Indonesia. These maps feature location of coal mining concessions which have been granted 'clean & clear' status; location of existing and proposed smelting plants. The concession areas are appeared in different colors according to deposit type so that you can find the ones easily.

This full-colored map outlined on a 1189 mm x 841 mm (A0) glossy paper (260 gr) and laminated for durability.

Map Features

- Location of 'clean & clear' minerals concessions (KKs and IUPs) and their status of operation.
- Location of existing/proposed Minerals Processing/Smelter Projects.
- Basic features: Name of Rivers, Bays, Capes, Provinces, Cities, Regencies, and Towns with administrative boundaries.

Also available Provincial Minerals Map: Aceh, Riau, Bangka Belitung, West Kalimantan, Central Sulawesi, South Sulawesi, Southeast Sulawesi, North Maluku, etc..

MAP SPECIFICATIONS :				
	FORMAT	: WALL MAP; LAMINATED	PRICE	: US$500.00
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Asmin Bara's 2-month coal sales at 40% of full-year target

IDX-listed heavy equipment and mining firm PT United Tractors Tbk (UT) said that its Central Kalimantan coal unit PT Asmin Bara Bronang had realized coal sales volume of about 2 million tons in the first two months ending February this year.

UT Corporate Secretary Sara Loebis told Petromindo.com recently that Asmin Bara is targeted to have coal sales volume of 5 million tons this year, or about the same with last year's realized sales volume.

Sara said that PT Tuah Turangga Agung, Asmin Bara's parent is targeted to have coal production of about 9.4 million tons this year, slightly higher than last year's 9.2 million tons. About 5 million tons will be contributed by Asmin Bara, 2.3 million tons from Suprabari Mapanindo, another 2.3 million tons from Telen Orbit Prima, and the remaining from off-take deals.

Timah's high CV coal production hampered by bad weather

IDX-listed tin miner PT Timah Tbk said that production at its South Kalimantan coal subsidiary PT Tanjung Alam Jaya (TAJ) had been hampered by bad weather during the first quarter of this year. Timah Finance Director Wibisono Sony told Petromindo.com that TAJ's high CV coal output during the January-March period of this year stood at only 21,000 tons.

He said that TAJ will try to ramp up production going forward in a bid to help meet the full-year output target of about 500,000 tons. In the first half of this year, TAJ is expected to realize only about 42 percent of the full-year target.

"The heavy rains and floods in the first quarter was quite a challenge for TAJ in maintaining production level," Wibisono said. TAJ produces coal with calorific value of 6,200 kcal/kg, which are entirely dedicated for the export market including China, the Philippines, and Vietnam, Wibisono said previously.

Baramulti to increase coal output by nearly 24%

IDX-listed coal miner PT Baramulti Suksessarana Tbk said that coal production this year is targeted to increase by 23.83 percent to 13.89 million tons from realized production of 10.58 million tons last year

Baramulti said in a statement that coal sales volume this year is also targeted to increase to 13.89 million tons from 10.73 million tons.

The company said that sales revenue this year is projected to increase by 41.79 percent to US$469.97 million from realized sales of $331.46 million last year. Operating profit is targeted to increase to $83.16 million from $41.29 million.

The company operates two mines via subsidiaries PT Baramulti Suksesssarana in Loa Janan, Kutai Kartanegara, East Kalimantan Province; and PT Antang Gunung Meratus (AGM) in Hulu Sungai Tengah regency, South Kalimantan. Currently around 80 percent of the company's coal production comes from AGM, which produces coal with CVs of 3,700, 4,200 and 4,600 kcal/kg (GAR). C

Hitachi sets new heavy equipment parts remanufacturing plant in Indonesia

Japanese heavy equipment maker Hitachi Construction Machinery Co., Ltd. announced that it has established a new parts remanufacturing plant for medium to large-sized hydraulic excavator on the premises of Cibitung 1 Factory of P.T. Hitachi Construction Machinery Indonesia.

The new plant will start operation in June 2021. By collecting and remanufacturing used parts and building a supply network in the Southeast Asian region, Hitachi will contribute to reduction of CO2 emissions and industrial waste and realization of a circulating society. It will also enable customers to reduce costs and lead time for purchasing remanufactured parts.

Hitachi's parts remanufacturing business involves collecting, disassembling and repairing customers' used genuine parts, such as hydraulic cylinders, hydraulic pumps and travel device, and then providing for reuse as remanufactured parts with the same function warranty as new parts. Parts remanufacturing business in the Southeast Asian region has been remanufacturing used parts and supplying to Indonesia, mainly for mining products, but transportation costs and turnaround were a problem due to the need to route the supply of remanufactured parts for medium to large-sized hydraulic excavator to countries and regions other than Indonesia via Japan.

The new component remanufacturing plant will be an important base for supplying remanufactured parts for medium to large-sized hydraulic excavators to the Southeast Asian region. Including the volume of parts remanufactured in the Southeast Asia region, Hitachi Construction Machinery Group aims to reduce CO2 emissions by 23,800 tons and industrial waste by 9,500 tons* overall in FY2022.

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Blackgold cancels strategic alliance plan with Indian firm

SGX-listed firm Blackgold Natural Resources Limited said that it was in the process of terminating proposed strategic collaboration with Indian firm S Lad Group following Blackgold's decision to pursue S$ 1 billion acquisition of Mongolian coal miner and power plant developer Tengri Coal and Energy Pte.

BlackGold on June 27, 2020 signed an LoI with S Lad Group for the proposed strategic collaboration on the BlackGold's mining assets and an acquisition of the company.

BlackGold's main asset is PT Samantaka Batubara, a producing coal mining in Riau province. Blackgold is controlled by Indonesian businessman Johannes Kotjo.

S Lad Group is an Indian company with businesses in key industry verticals - mining, real estate, agriculture, technology & turnkey solutions. C

ABM to revise up 2021 coal output target

IDX-listed integrated coal firm PT ABM Investama Tbk plans to revise up its initial coal production target this year amid rising trend in the price of the commodity.

ABM Director Adrian Erlanggan said that the company will later submit to the Ministry of Energy and Mineral Resources revision of the company's 2021 work plan and budget (or RKAB), raising the initial coal production plan by "less than 10 percent." "ABM plans to add (the initial) production (plan set in the RKAB) by less than 10 percent," he told news portal *kontan.co.id*.

As has been previously reported, ABM has initially set its coal production target this year at 13 million tons, up from 11.5 million tons realized last year.

The Ministry of Energy and Mineral Resources announced Tuesday that it has revised upward the country's coal production target this year to 625 million tons from the original plan of 550 million tons, with the additional output to be entirely dedicated for the export market.

The Indonesian Coal Mining Association has also anticipated higher production from the country's coal miners this year than originally planned amid rising trend in the price of the commodity.

RI raises coal production target for export market

The Ministry of Energy and Mineral Resources has revised upward the country's coal production target this year to 625 million tons from the initial plan of 550 million tons.

According to ministerial decree No 66.K/HK.02/MEM.B/2021 seen on Tuesday, the additional output of 75 million tons will be entirely dedicated for the export market.

"… the additional production in 2021 of 75 million tons (are dedicated) for overseas sales so that total coal production for 2021 is 625 million tons," the ministerial decree says.

The upward revision in the country's coal production target this year comes amid rising trend in the price of the commodity since the fourth quarter of last year.

The Indonesian Coal Mining Association said earlier that the country's coal production this year is expected to exceed the government's original target as coal miners are expected to revise upward their original coal output plans amid rising price trend.

The country's coal production in the first three months ending March of this year reached 136.92 million tons, according to data from the Ministry of Energy and Mineral Resources.

Realized export volume in the three-month period reached 63.91 million tons. The ministry has set coal domestic market obligation (DMO) volume for this year at 155 million tons. Realized DMO volume as per end March was 19.50 million. C

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Road construction forges ahead at Cokal's BBM Project

Central Kalimantan metallurgical coal miner Cokal Limited reported that equipment has been mobilised to secure the road to access Cokal's Bumi Barito Mineral (BBM) coal mine pits. The first 5 km of the forest clearing has been completed ahead of schedule.

According to the company, 52 kms of the 98 kms road to BBM is already in use and has full operational status. This part of the road will be shared with others. The remaining 46kms of a former forestry road has Forest clearing was required for the first 5km from the intersection with the existing road at km 52. In the week since the equipment started operation good progress has been made with a total of 6km completed to km 58, including the 5km of forest clearing.

The initial task in road construction is to provide access for the mining contractor to mobilise. Where an old road is available the team will clear recent vegetation and move ahead as quickly as possible. As soon as the access is clear the team will follow up with culvert repair, step by step along the way, until they reach Pit 3. Then, while site facilities are being developed by the mining contractor, the access road will be developed into an all-weather road.

BBM is Cokal's most advanced project - a high quality metallurgical coal project located within a mining lease area of 14.980ha in Central Kalimantan. The project is expected to produce at a rate of two-million tonnes a year of saleable coal from its third year of production. Production from BBM may start as early as this year.

PKN revises up coal output target

North Kalimantan coal miner PT Pesona Kathulistiwa Nusantara (PKN) plans to revise upward its 2021 coal production target amid rising trend in the price of the commodity.

PKN Director Rayendra Pradipta told petromindo.com that the company plans to have coal output volume of 3.5 million tons this year, higher than the initial output quota of 3.3 million tons as set under the company's 2021 work plan and budget (RKAB).

He said that the company will later submit the proposed revision of the 2021 RKAB to the Ministry of Energy and Mineral Resources for approval. Last year, PKN produced 3.1 million tons of coal. In the first quarter of this year, output reached 837,642 tons, of which 305,880 tons came from the company's Kelubir mine and another 531,763 tons from the Sekayan mine.

Bumi confirms total $341.7m payment against Tranche A

IDX-listed PT Bumi Resources Tbk, Indonesia's largest coal miner by output, confirmed of having paid US$6.9 million on 12 April 2021 representing interest for Tranche A, a debt restructuring instrument.

The company said in a statement that with this 13th quarterly payment on Monday, the company has now paid approximately $341.7 million in cash consisting of Tranche A principal of $195.8 million and interest of $145.9 million including accrued and back interest.

The next quarterly payment for Tranche A is due on July 2021.

PIK Coupons from 11 April 2018 till 12 April 2021 on Tranches B and C are also being capitalized. C

UT plans higher metallurgical coal sales this year

IDX-listed heavy equipment and mining firm PT United Tractors Tbk (UT) plans to increase sales of metallurgical coal this year to 2.3 million tons 1.9 million tons last year amid rising price trend.

UT produces met coal used in steel making through its indirect subsidiary PT Suprabari Mapanindo Mineral (SMM), which operates a 23,940-ha coal concession in Barito Utara Regency, Central Kalimantan Province.

"Looking at this year, SMM will increase sales (volume) because it was impossible last year due to technical obstacles," said UT President Director Frans Kesuma to petromindo.com on Friday.

Frans said that given the current rising trend in the price of metallurgical coal, the company wants to increase the sales volume.

However, he said that the key to sales was not in production but in logistics. The transportation route through the river is said to depend on the river water level. According to him, barge can only operate if the water draft is at least 3.5 meters and optimal at 4 meters. He said the 4-meter figure does not last throughout the year.

In 2019 SMM had succeeded in producing 2.3 million tons of coking coals, making it one of the biggest coking coal producers in Indonesia. UT and its indirect subsidiary PT Tuah Turangga Agung acquired 80.1 percent share sin SMM in March of 2017. ICRA SMM Pty Ltd owns the remaining 19.9 percent shares.

CK estimates higher 1Q OB removal volume, coal output

PT Cipta Kridatama (CK), a coal mining contractor and subsidiary of IDX-listed PT ABM Investama Tbk, estimated higher overburden (OB) removal and coal production volume in the first quarter (1Q) of this year.

CK's OB removal volume in the first quarter of 2021 is estimated at 42.5 million bank cubic meters (bcm) or 53 percent higher than 27.8 million bcm in the same period of 2020.

CK's oal getting volume in the first three months of this year is estimated at 7.4 million tons or 25 percent higher than realized volume of 5.9 million tons in the corresponding period of last year.

"The supporting factor of these increases in the first quarter 2021 was the number of fleet has reached its peak compared to the first quarter 2020 for some relatively new major clients," Feriwan Sinatra, President Director of PT Cipta Kridatama, said to petromindo.com.

The relatively new major clients of CK are PT Multi Harapan Utama (MHU), PT Binuang Mitra Bersama (BMB), and PT Kuansing Inti Makmur (KIM).

"For the second quarter this year, CK plans 45.2 million bcm of OB removal and 8.5 million tons of coal," Feriwan said.

In 2021, CK plans to remove 175 million bcm of OB and 35 million tons of coal getting volume.

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Petrosea signs mining services agreement

IDX-listed mining contractor PT Petrosea Tbk and its subsidiary PT Karya Bhumi Lestari (KBL) have signed mining services agreement with PT Kartika Selabumi Mining (KSM) and PT Palm Mas Asri within the KSM mining area located in Kota Bangun, Kutai Kartanegara Regency, East Kalimantan Province.

Petrosea said in a statement that under the mining services agreement, Petrosea as the party that manages the project and KBL as the contractor, has an estimated production target of 78.28 million bank cubic meters of overburden removal volume and 3.95 million tons of coal for a duration of seven years until 31 December 2027 with contract value estimated at Rp 2.70 trillion.

Karya Bhumi Lestari is a 100 percent owned subsidiary of Petrosea that focuses on supporting the company in the mining and construction sector, particularly heavy equipment procurement. C

Global coal production expected to rise by 3.5% in 2021

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Global coal output is estimated to have declined by 2 percent in 2020 due to Covid-19-related lockdowns and restrictions, with significant reductions observed in the US (23.6%), Indonesia (13.1%), Russia (8.1%) and Australia (5.5%), UK-based data analytics and consulting firm GlobalData Plc said.

These were only partially offset by increases in China (4%) and India (0.7%). Additionally, during the last year, there was an estimated 3.5 percent reduction in the global thermal coal demand, while the world's metallurgical coal demand fell by 5.9 percent.

However, global coal production is set to recover by 3.5 percent to 8 billion tons in 2021, GlobalData said.

With the US coal industry already challenged by high production costs and low natural gas prices, the country's output was severely impacted by the Covid-19 pandemic, with key companies halting their operations as part of preventive measures. Additionally, a decline in domestic demand as well as export market demand affected output from Indonesia and Russia.

Global coal production is expected to grow at a compound annual growth rate (CAGR) of 2.3 percent between 2021 and 2025 to reach 8.8 billion tons (bnt) in 2025. While thermal coal production is expected to have a relatively marginal 2 percent CAGR to reach 7,549.6 million tons, metallurgical coal is forecast to register stronger growth of 4.2 percent per year, to reach 1,216.9 million tons (Mt) in 2025.

"India will be the largest contributor to this growth. Its production is expected to increase from 777.7Mt in 2020 to 1.2bnt in 2025. This will be followed by China, Indonesia, Australia and South Africa, whose combined production is expected to increase from an estimated 5bnt in 2021 to 5.43bnt in 2025. Other countries that are anticipated to bounce back strongly during 2021 include the US (9.3%) and Russia (8.4%). In contrast, production from Australia is expected to decline by around 4% in 2021, mainly because of concerns over the future of China-Australia trade," said Vinneth Bajaj, Associate Project Manager at GlobalData.

Looking ahead, 2.5 percent growth is expected in China in 2021, supported by the commencement of projects including Dahaize and Xinjiang Zhundongs.

In addition, India, which, after flagging coal as an essential commodity, reported 0.7 percent growth in 2020, is expected to deliver 9 percent growth in output to reach 827.8Mt in 2021. The commercial auction of coal mines in India is expected to be a key production booster for the world's second-largest coal producer. In early 2020, the Indian Government gave clearance to begin operations for 10 coal projects that included Kusmunda (62.5Mt at full capacity) in Chhattisgarh, and Rajmahal (24Mt) and Lakhanpur (21Mt) in Jharkhand. C

Record global coal plant retirements offset by China coal boom

Record global coal plant retirements last year was offset by steep increase in new coal plants development in China, according to a report.

The Global Energy Monitor (GEM) said in its new report that China commissioned 38.4 GW of new coal plants in 2020 while the rest of the world retired a record-tying 37.8GW.

The development of that scale led to the first increase in global coal capacity since 2015, the report said.

The findings of the report indicate that in total, China was home to 85 percent of the 87.4GW of proposed new coal plants in 2020.

The global coal plant retirements were led by the US and the EU, respectively with 11.3 GW and 10.1GW of capacity retirements.

Petrosea, Maruwai Coal reach amicable settlement

IDX-listed mining contractor PT Petrosea Tbk said it has reached an amicable settlement with Central Kalimantan metallurgical coal producer PT Maruwai Coal to resolve disputes including in connection with the call on the Guarantee Bond by Maruwai.

"On 5 April 2021, the company and PT Maruwai Coal have amicably resolved their disputes by executing a Settlement Agreement, and this includes the disputes in connection with the call on the Guarantee Bond by PT Maruwai Coal," Petosea said in a filing with the Indonesia Stock Exchange.

The company added that the terms of the amicable settlement are confidential. No further details were provided.

The dispute emerged following demand made by Maruwai on a Guarantee Bond issued in favor of the coal company for the Lampunut Road, Bridge and Earthworks Construction project at Murung Raya Regency.

Petrose said in a 27 January press statement that on 18 December 2020 it received an invoice from Maruwai Coal which demanded payment of a sum of Rp 60,014,385,000 (approximately US$ 4.25 million) within 30 days. Petrosea vigorously disagreed with the invoice and had already explained to Maruwai its objections to the invoice.

However, on 25 January 2021, Petrosea received a notification from PT Bank Mandiri (Persero) Tbk that the monies under the Guarantee Bond had been paid out to Maruwai in the amount of Rp 60,014,385,000.

"This event resulted in a poor record of the company's performance at the bank as the facility provider, especially so when the company disputes the basis for the invoice in the first place. The company strongly disagrees with the demand made by Maruwai Coal, and will take all necessary steps to challenge the demand made and to protect its interests," Petrosea said in the 27 January statement.

RMK Energy transports higher Q1 coal volume

PT RMK Energy, a coal logistic provider via railway in South Sumatra Province, transported 1.5 million ton of coal in the first quarter 2021, higher than 1.3 million tons in the same period of last year.

"Realized coal transport in the first quarter of 2021 was 1.5 million tons. Compared to first quarter 2020, there was more volume of 300,000 tons as the coal transport (volume) in the first quarter of 2021 was 1.2 million tons," Tony Saputra, President Director of RMK Energy, said to petromindo.com.

RMK aims to double its coal transport volume via railway to 10 million tons this year compared to the realized volume of 5.1 million tons in 2020.

In the second quarter, according to Tony, RMK will have additional coal volume from two new customers namely PT Bara Manunggal Sakti (BMS) and PT Truba Bara Banyu Enim (TBBE).

"BMS will transport 500,000 tons per year, and TBBE will start transporting in July this year of as much as 500,000 tons by the end of this year," he said. C

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Harum Energy's coal sales drops 31.7% in 2020

IDX-listed coal producer PT. Harum Energy Tbk reported that its production and sales reached 2.8 million tons in 2020 or 31.7 percent lower than previous year of 4.1 million tons due to weaker global economy amid Covid-19 pandemic.

The company's overall average sales price (ASP) of coal for the full year of 2020 decreased by 13.3 percent to US$53.1 per ton from US$61.2 per ton in 2019.

For the full year, the company's revenues declined to US$157.8 million or 39.9 percent lower from the US$ 262.6 million recorded in 2019 as a result of lower sales volume and lower ASP.

For the full year, the Gross Profit Margin for 2020 increased to 27.4 percent from 25.7 percent in the previous year from a combination of lower stripping ratio (SR) which offset the lower ASP.

The company's EBITDA (earnings before interest, taxes, depreciation and amortization) declined 42.1 percent to US$21.9 million from US$37.9 million in 2019. This was translated to an EBITDA Margin of 13.9 percent in 2020, compared to 14.4 percent in 2019.

For 2020, the company recorded a profit attributable to the Owners of the parent entity of US$59.0 million, or 218.9 percent higher from US$18.5 million recorded in 2019, partly due to foreign exchange gains.

Last year, the company recorded net foreign exchange gain of US$8.8 million, which helped lift the company's net profit.

The currency translation gain came from the comlany's non-USD denominated cash and cash equivalent balances which was held at the end of the reporting period.

Global economy

The slow-down of economic activities had led to lower energy consumption, sharply pushing down the price of major energy commodities, including coal.

Entering 2Q 2020, thermal coal prices began a declining trend as the market became awash with supply due to many major coal importing countries going into lockdown mode.

As the year progressed, the GC Newcastle index fell to a low of $48 in August 2020, its lowest level in the last four years.

As prices continued to weaken, the company made strong effort to push down its mining costs to protect its margins.

Through reduction of overburden volume, logistic costs, and overhead expenses, the company managed to lower its production costs quarter-on-quarter consistently since the start of the year. C

3Q2020			4Q2020	Q-o-Q change	FY2019	FY2020	Y-o-Y change
Sales volume	(MT)	0.7	0.4	-40.8%	4.1	2.8	-32.0%
Average Sales Price	(USD/tonne)	44.4	47.1	6.0%	61.2	53.1	-13.3%
Revenues	(USD million)	33.6	21.7	-35.5%	262.6	157.8	-39.9%
EBITDA	(USD million)	1.1	(1.1)	-195.4%	37.9	21.9	-42.1%
Net profit attributable to the Owners of the parent Company	(USD million)	3.8	33.3	773.1%	18.5	59.0	218.9%

RI's coal miners expected to revise upward 2021 output target

The country's coal miners are expected to revise upward their initial coal production plans this year amid rising trend in the price of the commodity.

Executive Director of the Indonesia Coal Mining Association (ICMA) Hendra Sinadia was quoted by Bisnis Indonesia as saying that coal price has been increasing until April and is expected to continue the rally in the second quarter of this year due to a combination of limited supply amid bad weather and stronger demand particularly from China which has banned coal import from Australia.

"Coal miners should take advantage of this opportunities, this is a golden period that must be utilized. The revision of the RKAB to capitalize on the rising price is normal," he said referring to the work plan and budget of coal miners.

Coal miner's annual production plan is set in the RKAB that must be approved by the Ministry of Energy and Mineral Resources. The miners are allowed to revise their respective original RKABs in the middle of the year, which must also be approved by the ministry.

Upward revision of the original RKAB production plans would cause the country's coal production this year to exceed the government's target of 550 million tons.

Hendra, however, said that coal production until May of this year is expected to remain subdued due to bad weather condition. Output will ramp up in the third and fourth quarter of this year, he added.

Kideco's revenue drops 20.6%

East Kalimantan coal miner PT Kideco Jaya Agung saw revenue last year decreased by 20.6 percent to US$1.25 billion from $1.57 billion in the previous year due to lower sales volume and price.

IDX-listed integrated energy firm PT Indika Energy Tbk, the parent of Kideco, said that sales volume last year declined by 5.4 percent to 33 million tons from 34.9 million tons in 2019.

The company's average selling price last year fell 16.1 percent to $37.8 per ton from $45.1 per ton in the previous year.

Kideco, which operates a 50,921-ha coal concession in Paser Regency, East Kalimantan, produced 33 million tons of coal last year, down 3.7 percent from 34.3 million tons in 2019.

The company, which holds the first generation coal contract of work that is valid until 2023, produces a range of sub-bituminous coal containing low levels of sulfur, ash and nitrogen, making it environmentally friendly for use in coal-fired power plants, according to Indika website.

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Ministry sets higher April coal reference price

The Ministry of Energy and Mineral Resources has set the coal reference price (or HBA) for April at US$86.68 per ton, up from $84.49 in March following rising trend in the global price of the commodity as trade war between Australia and China intensified.

"The heating up of the trade war between Australia and China affected a number of global commodity prices, including coal," said ministry Spokesman Agung Pribadi in a statement.

He said that the trade war has triggered higher demand for Indonesian coal from China, which has banned Australian coal. "This has become the main trigger for an increase in the April HBA by $2.19 per ton to $86.68 from March," he said, adding that higher demand from Japan and sentiment over weaker global supply than demand had also affected in strengthening price of the commodity.

The HBA is determined based on the average of four international coal price indexes, namely the Indonesia Coal Index (ICI), Newcastle Export Index (NEX), Globalcoal Newcastle Index (GCNC), and Platt's 5900 in the previous month.

After having been under pressure since the start of early last year due to the Covid-19 pandemic, the HBA entered a rally period from October 2020 through February 2021, but weakened in March 2021. C

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PTBA to double coal output to 50m tons in 'near future'

IDX-listed coal mining company PT Bukit Asam Tbk (PTBA) will double coal production capacity to 50 million tons per year in the "near future."

Newly-appointed President Director of PTBA, Suryo Eko Hadianto was quoted by Bisnis Indonesia as saying that the company is seeking to increase production to raise funds to help finance the development of its coal gasification project.

Last year, PTBA produced 24.8 million tons of coal, and this year the company is planning coal output of 29.5 million tons.

"The development of (coal) downstream (project) requires quite huge amount of funds. We want to increase existing production capacity soon toward … production of 50 million tons to be realized in the near future," he said.

Suryo explained that the sooner the company could realize the higher production plan, PTBA could quickly obtain funds including from external sources to help finance the coal gasification project.

PTBA and partners state-owned oil and gas firm PT Pertamina and US-based Air Products & Chemicals Inc are planning to develop a coal gasification project worth US$2.1 billion in Tanjung Enim, South Sumatra Province, to process coal into dimethyl ether (DME) that can be used to substitute LPG, thus allowing the country to cut down import of the cooking fuel. The 1.4 mtpa DME plant is targeted to start production in 2024.

Newly-appointed Director of Business Development at PTBA Fuad Iskandar said that the company is expanding its coal transport capacity to help realize the higher production target of 50 million tons per year.

Bumi plans higher coal output amid rising price

IDX-listed coal producer PT Bumi Resources Tbk plans higher coal production this year amid rising trend in the price of the commodity.

Bumi Director and Corporate Secretary Dileep Srivastava said that the company's original coal production guidance for this year is set at 85 million-90 million tons, higher than realized output of 83 million tons last year.

Bumi Director Ido Hutabarat told a public expose meeting late last year that the company's coal production guidance for 2021 was the same as the 2020 guidance of 82 million-85 million tons.

Dileep said the company is quite upbeat about the outlook of the coal price this year amid economic recovery and post Covid-19 vaccination prospect.

"Price is expected to remain in the US$90 range over second quarter and hopefully at around this level for much of full year 2021," Dileep told petromindo.com on Monday.

Dileep stated that estimated coal production in the first quarter of this year was 20 million tons. "(Coal output) was around 20 million tons, roughly the same as (in the corresponding period of) last year," he said.

Bumi produces coal from its subsidiaries namely PT Kaltim Prima Coal (KPC) and PT Arutmin Indonesia (AI). Bumi has contracted 90 percent of the coal sales target for 2021 under long term agreement, while 10 percent is allocated for spot market. C

OPINION

*By **Hendra Sinadia** | Executive Director of APBI-ICMA*

Coal development and utilization to support energy security

Coal is facing intense challenges as leaders of the World's major economies unveiled their countries aggressive target for carbon neutral. The non-renewable commodity is Indonesia's most primary energy sources and projected to remain dominant sources to support the energy security. The Government's long-term goal is to reach full energy security and independence to support the country's economic development sustainability. However, Indonesia's reliance on liquified petroleum gas (LPG) importation is challenging the government's energy security goals as the trade deficit widens. To minimize the trade deficit and to substitute LPG, the Government is encouraging coal miners to produce dimethyl ether (DEM). But given the market and economic assessment, utilization of coal as electricity source through the electrification of household cooking stoves could be a viable option to consider.

Trade deficit, coal development and utilization

In energy security, coal as Indonesia's primary energy source has met the 4As indicators (availability, affordability, acceptability, and accessibility) to achieve the country full energy security. According to the data from the Geological Agency, the national coal reserve is around 36 billion ton, of which mostly lignite and sub-bituminous. Technically with the reserve amount, our coal is sufficient to support the national energy security for at least until the next 5-6 decades. This project time line is beyond 2060, the year Indonesia expects to become a carbon neutral country. However, global coal demand of thermal coal is projected to decline, albeit not too significant, in the next 1-2 decades.

Indonesia as the world's biggest thermal coal export by volume will be affected as the overseas demand projected to decline. In the future, domestic coal consumption is the priority. To support Indonesia's economic development sustainability the Government of Indonesia (GoI) is to promote the development of coal to produce dimethyl ether (DEM). This is triggered by the urgency to minimize huge trade deficit of LPG imports. In 2019, import of LPG contributed roughly IDR 4.5 trillion trade deficit to the national economy. The deficit from LPG import is offset by a large export revenue from coal thanks to strong commodity price and demand.

Under the National Energy Plan (RUEN), issued by virtue of Presidential Regulation No. 22 of 2017, coal is primarily used as development capital and therefore not solely for revenue driven. In the RUEN, the Government aims to develop local production of coal-derived substitutes for products that are heavily imported (incl. LPG and methanol). It also states a target of replacing 1 million ton of LPG imports by 2025 and 1.9 million ton by 2050. The Government aims major coal producers, holders of CCoW 1st generation and a state-owned enterprise to take the lead in producing DME as substitute of LPG.

To support the energy security, Law No. 3 of 2020 stipulates coal development in seven form including coal liquefaction and coal gasification. Whereas building own mine-mouth coal-fired power plant is part of coal utilization. According to the Law, holders of IUPK as a continuation of CCoW that have fulfilled its obligations coal development and/or utilization in an integrated manner in the country as planned development of the entire concession area approved by the Minister of Energy and Mineral Resources will be given an extension for 10 years after each extension meet the requirements in accordance with the existing laws and regulations. Meanwhile the Job Creation Law (Law No. 11 of 2020) provides special royalty tariff of zero percent for coal miners building coal gasification projects.

Several coal producers, holders of CCoW and IUPK OP as well as a state-owned mining enterprise, have taken the opportunity to study/invest in coal development which could produce DME and methanol. However, successful implementation of coal development and utilization is depended upon the economic feasibility. It is widely recognized that coal gasification is hugely expensive and become more challenging as funding for coal related projects are getting more difficult. Therefore, careful market and economic assessment of coal-derived products will be the key factor. In this respect, APBI-ICMA as the Government partner,

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working on an analysis/study on market and economic assessment of the coal-derived products.

Market and economic assessment of coal-derived products

The reduction in the LPG trade deficit through substitution with domestically produced DME (through coal gasification process) or electricity has the potential to generate both economic benefits and costs for the nation. In the Study that yet to be published, below are excerpts on the assessments which are summarized by stakeholders:

- Domestic producers: both pathways would generate additional revenues for Indonesian coal industry. Despite more negative sentiment, coal demand relatively strong at least until the next few years.
- Work force: both pathways support employment creation for Indonesian workers. However, it appears that production of DME to less labor intensive than electric generation;
- Consumers: both DME and electricity compete against a heavily subsidized LPG price. In the study, it is presumed that DME is introduced to households on a cost-neutral basis. If the LPG subsidy was removed for upper-middle class Indonesians, who are likely to be the first adopters of induction stoves and who do not need the subsidy, the equivalent electricity consumed is indeed cheaper than the LPG it replaces.
- Environment: both options will increase greenhouse gas (GHG) emissions in Indonesia, albeit to different levels. The DME production process results in approximately 30% more GHG emissions than electricity generation. This is partly due to the higher levels of coal feedstock required. The production process of DME involves both heat generation of gasification, and the gasification itself to produce syngas which would create GHG emissions as they occur. Additional GHG emissions are also released upon use of the final product – i.e. combustion of DME when used for cooking.
- Government: both options provide the opportunity for the Government to reduce the LPG subsidies that it currently pays. However, for DME, this saving is somewhat offset by the value of the proposed incentives for DME producers (largely in the form of foregone tax and royalty revenues).

Overall, the analysis has found that both DME and electricity will provide overall benefit to the Indonesian economy. The key issue for the Government to consider is whether the value of proposed fiscal incentives for DME producers, which largely represent foregone tax revenue, deliver value-for-money-for Indonesia when there is an alternative substitution pathway in the form of electricity (coal utilization) that offers a number of key benefits compared to DME. Use of electricity would:

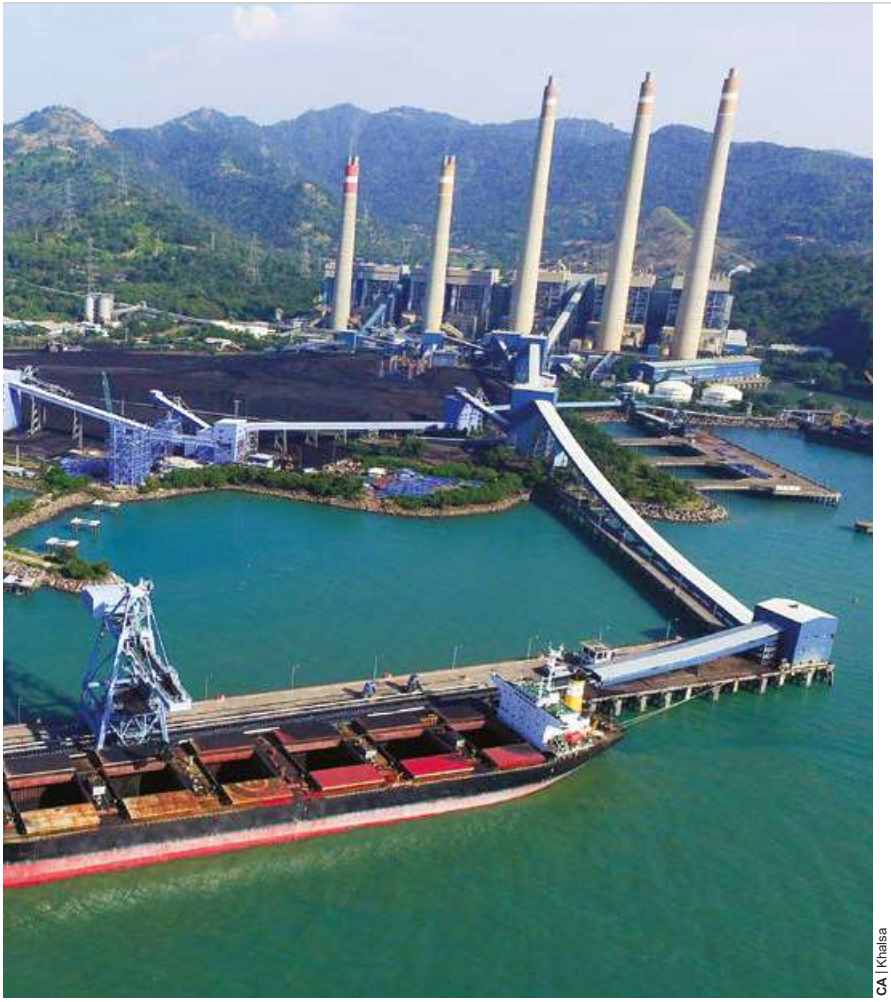
Help to maximize the utilization of Indonesian's power plants which at the present have around 30% over (excess) capacity;

- Generate additional revenue for PLN, which would reduce the government subsidy;
- Provide an ongoing source of taxation and royalty revenue for the government;
- Potentially pave the way for more sustainable forms of energy (e.g. large scale solar energy) to be used in households as they become more available in the country.

According to APBI-ICMA, the purpose of this assessment is to evaluate the quality of such a strategy, by looking at the economics of DME process and whether it is a logical pathway for the government to deal with the trade deficit issue caused by LPG importation. It also considers another potential solution, by substituting LPG with electricity use, through the electrification of household cooking stoves, and compares the two available alternatives.

A potential benefit of the electricity pathway is that large scale conversion of cooking stoves from gas to induction technology paves the way for greater use of renewable energy, such as solar generated electricity, as the generation capacity in Indonesia increases over time. As such, it presents a more sustainable pathway to substitute LPG imports than DME does. A key factor that will influence price is the extent of competition among DME producers. As it is not clear yet whether the market offers significant enough scope for multiple players, it is possible that DME production will be a monopolized industry. There is also lack of certainty around the price that DME would be sold at.

As coal miners are expected to carry out the "mission" to achieve full energy security through coal development and utilization, full support from the Government is crucial. Fiscal and non-fiscal intensive should be provided to ensure that the economic feasibility of the both pathways. Such support is highly needed as coal demand is projected to decline amidst increase pressure of the energy transition. In this circumstance, the new regulations on taxation which regulates royalty tariff for coal miners and implementing regulations of the Law No. 3 of 2020 will likely affect the future of investment on coal development and coal utilization. C



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IBC aims to become global player in EV battery industry

State-owned Indonesia Battery Corporation (IBC) aims to become a global player in the EV battery ecosystem as it has set ambitious goals of not only to become a major producer of key materials and battery cells, but also to be engaged in EV manufacturing.

Agus Tjahjana Wirakusumah, head of the government team for the acceleration of EV battery industry development, said that the domestic battery industry is expected to start operations in 2025.

He said that IBC aims to become global producer of nickel sulfate with annual production target of about 50,000-100,000 tons to meet domestic demand and for export.

He added that the second goal is to become global producer of the intermediate materials for battery production, namely precursor and cathode with annual production target of 120,000-240,000 tons.

The third gold is to become regional player of the downstream industry, engaged in the production of the battery cell and manufacturing of EVs for the Southeast Asia market, Agus said.

IBC, which was set up in March of this year to spearhead the development of integrated domestic EV battery industry, is equally owned by four state firms including mining holding company MIND ID, mining firm PT Aneka Tambang Tbk, oil and gas firm PT Pertamina, and power company PT PLN.

To help realize the goals, IBC will team up with foreign companies. He said that so far, IBC through the aforementioned state firms have signed deals with South Korea's LG Chem Ltd and China' CATL. The company is currently in the process of seeking other foreign partners including with firms from the US and Japan.

Agus said that IBC is also still open for partnership with other domestic firms. "In principle, we're still open for cooperation with domestic industries, both for developing the industry and as an off-taker for the products produced. We also still need support to supply other components outside the cathode such as anodes, separators, electrolytes, casing, and others," he said.

Pertamina sets up EV charging station at Soekarno-Hatta Airport

State-owned oil and gas firm PT Pertamina has set up an electric vehicle charging station (known here as SPKLU) of the fast charging type at the Soekarno-Hatta International Airport in Banten Province.

Pertamina said in a statement Friday that the new EV charging station was set up in cooperation with ride-hailing company Grab, which has committed to expand its fleet of electric vehicles.

Pertamina President Director Nicke Widyawati said that the EV infrastructure facilities developed by the company forms part of its contribution to reduce greenhouse gas emission and to support government's program to accelerate the development of domestic EV industry.

She added that Pertamina has so far developed six EV charging stations of the fast charging type located in Jakarta and Banten. C

Adaro's giant coal plant to start ops end 2021 or early 2022

The giant 2x1000 MW coal-fired power plant project in Batang, Central Java Province, is now expected to start operations at the end of this year or early next year.

"Construction progress has reached more than 94 percent. We expect it to start operation at the end of 2021 or early 2022," said Lie Luckman, Chief Financial Officer of IDX-listed PT Adaro Energy Tbk.

The Batang coal power plant project is owned by PT Bhimasena Power Indonesia (BPI), a consortium comprising of Adaro Energy's subsidiary PT Adaro Power (34 percent interest), Itochu (32 percent), and Electric Power Development Co., Ltd. (34 percent). The consortium officially started in June of 2016 construction of the estimated US$4.2 billion project after signing loan agreement with a number of international lenders. It has signed a 25-year Power Purchase Agreement (PPA) with state owned electricity firm PT PLN.

The project was previously targeted to start operation in June 2020 for unit 1 and November 2020 for unit 2, but suffered delays due to the Covid-19 pandemic situation.

Luckie said that Adaro will start coal supply to the power plant end of this year for the testing of the plant. Adaro will supply about 5-7 million tons of coal to the plant next year, he added.

Luckie is optimistic that the ongoing vaccination progress will continue to accelerate economic recovery process which in turn will increase power demand in the country. "The timing (of the operation schedule of the Batang coal plant) is quite fitting with the (expected) economic recovery," he said.

PLN targets additional capacity of 13 GW in Jamali region until 2026

State-owned electricity firm PT PLN said that until 2026 there will be additional power plant capacity of 13 GW in the Java, Bali and Madura (Jamali) region.

The bulk 9.9 GW of the additional capacity has been assigned to be developed by independent power producers (IPPs) and the remainder by PLN.

"Quite plenty are targeted to start operation this year, about 6,364 MW, of which 1,604 MW are owned by PLN and 4,760 MW by IPPs," said Rustamaji, Executive Vice President for Planning and Control of the Java, Bali and Madura Region.

He said a number of power plants owned by PLN are targeted to start operation this year, namely the Jatigede 2x55 MW hydro power plant (PLTA), Java Bali 1 combined-cycle power plant (PLTGU) with a capacity of 779 MW, PLTGU Muara Karang Peaker Block 3 with a capacity of 200 MW, Muara Tawar Block 2 PLTGU with a capacity of 200 MW, and the Lontar Expansion 315 MW coal-fired power plant (PLTU).

Meanwhile, power plant projects owned by IPP that will start operation this year are PLTU Jawa Tengah (Batang) 1,000 MW, PLTU Jawa 4 (Tanjung Jati B) 2,000 MW, and PLTGU Jawa 1 (Cilamaya) with a capacity of 1,760 MW.

According to Rustamadji, other power plant projects are the PLTGU Muara Tawar Add on Blok 3-4 (450 MW) which is scheduled to start operation in 2022, PLTA Cisokan (1,040 MW) in 2025, PLTU Jawa 1 / Cirebon (924 MW) in 2022, PLTU Jawa 3 / Tanjung Jati A (1,320 MW) in 2025-2026, and PLTU Jawa 9-10 / Suralaya (2,000 MW) in 2025-2026. C

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PLN said coal inventories at power plants have improved

State-owned electricity firm PT PLN said that coal inventories at its coal-fired power plants have now improved to sufficient levels following drastic drop late in January due to supply disruption amid floods in key coal producing province of South Kalimantan.

PLN Primary Energy Director Rudy Hendra Prastowo said that the coal stock has now increased to an average level of more than 15-day supply, compared to the condition in late January when stock was only enough for about 5-day supply.

He said that coal inventories at its coal plants are relative, but acknowledged that the ideal inventory level is 22-day supply.

Heavy rain and flooding late in January of this year in South Kalimantan had disrupted coal shipment from coal miners the province including from the giant PT Arutmin Indonesia to PLN's power plants in Java, triggering fears of potential power supply disruption in the country's most populated island. PLN and the Ministry of Energy and Mineral Resources scrambled to push independent power producers, which normally have higher inventory levels, to optimize production at their power plants, and also to increase production of gas-fired plants as well as prepared option to utilize diesel plants.

Govt targets higher investment in energy, mining sector next year

The government is seeking to increase investment in the country's energy and mining sector next year by luring both domestic and foreign investors.

Secretary General of the Ministry of Energy and Mineral Resources Ego Syahrial told a webinar that investment in the energy and mining sector next year is projected to increase by 15.51 percent to US$40.2 billion from this year's target of 34.8 billion.

He said that of the investment target next year, the oil and gas sub-sector is projected to contribute $22.6 billion.

Meanwhile, the mineral and coal sub-sector is projected to contribute $5.6 billion, the electricity sector also $5.6 billion, and the renewables sector $4.4 billion.

Ego said the government is trying to realize the increase in investment by providing red carpet to investors.

He said the policy to increase investment is by promoting and offering investment opportunities to domestic and foreign investors, simplifying licensing and ease of doing business, integrated electronic licensing services, and providing more open access.

Starvo to expand number of EV charging station to 5,000 units

Privately-held PT Starvo Global Energi aims to expand the number of its electric vehicle (EV) battery charging stations to 5,000 units over the next five years through 2025 in the Java-Bali region in anticipation of rising demand.

Starvo Director Rachman Elly said in a statement that the company, which currently operates 20 EV charging stations in Jakarta and Tanggerang, plans to operate 1,000 units in Jakarta-Bali region this year.

"In 2021, we are targeting for 1,000 locations in Java-Bali, and proposed additional 1,000 units each year until 2025," he said.

He added that in the second five-year plan, the company will develop more EV charging stations in other regions in Sumatra and Papua.

The EV charging stations will be developed in housing areas, hotels and resorts, shopping centers, golf courses, campuses, apartments, government building areas, and superblock areas. C

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PLN completes power infrastructures to support nickel smelters

State-owned electricity firm PT PLN had on 7 April started operation of its new 150 kV incomer high voltage elevated transmission line (also known here as SUTT) and 150 kV power substation (or GI) in Kolaka, Southeast Sulawesi, to facilitate power supply for large customers in the region including nickel smelters.

Defiar Anis, a general manager at PLN's Sulawesi regional office, was quoted by news portal bisnis.com as saying Sunday that the SUTT in Kolaka has total length of 7.5 circuit kilometers with 7 towers, while the GI has a capacity of 30 MVA with eight bay lines, two of which will be directed for PT Ceria Nugraha Indotama (CNI), which is a developing RKEF and HPAL smelter projects in Kolaka.

He said that construction of the transmission line and substation started in the middle of 2019 with total investment of Rp 147 billion.

Meanwhile, Deputy Director of CNI Djen Rizal said that the company had in 2019 signed power purchase and sale agreement with PLN to provide electricity for its new nickel smelters in Kolaka.

He said that the rotary kiln electric furnace (RKEF) smelter and the high pressure acid leaching (HPAL) smelter are targeted to be completed in 2024.

According to the latest amendment to the Power Purchase and Sale Agreement (SPJBTL) between PLN and CNI, the latter will require a power supply of 412 Mega Volt Amper (MVA) to be distributed in four stages. The first stage of 118 MVA will be made in September 2022, the second and third stage of 68 MVA in April and September 2023, while the last stage of 158 MVA in December 2024. C

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S'pore battery swapping start up seeks $100m for expansion

Oyika, a Singapore-based developer of battery swapping technology for electric vehicles (EVs), announced on Thursday that it is raising $100 million for its energy-share business in Southeast Asia.

The funds will be spent on the company's expansion in Vietnam and the rolling out of the company's battery-swap service for electric motorbikes in Indonesia, where it has an order book of 30,000 power subscription plans, news portal businessstimes.com.sg reported. Besides the transportation sector, Oyika also targets off-grid households in rural communities.

Oyika also plans to bid for a contract to build and install charging stations for electric vehicles in Singapore, which plans to phase out cars that run on petrol by 2040. These plans come on the back of the successful trials of Oyika's battery-swap service in Cambodia and Indonesia.

"Our mission is to lower the barriers to electric vehicle adoption in developing countries. With our subscription plans, the 2S0 million motorcyclists in Southeast Asia now have the opportunity to switch from their ICE (internal combustion engine) motorbikes to electric models at a lower cost," said Lee Jinsi, CEO and co-founder of Oyika.

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He added that Southeast Asia has the highest density of motorbikes in the world, representing up to 85 percent of the vehicle population, and less than 0.39/0 of them are electric.

With Indonesia and Vietnam being the third and fourth largest motorcycle markets globally after India and China, converting just a fraction of motorbikes to electric versions will significantly reduce carbon emissions and help tackle global warming. Oyika is also innovating another energy-share service in Indonesia, this time in rural communities where it is bringing electricity to households that do not have access to the national grid. Under its plan, getting electricity at home will simply involve placing the battery into an Oyika home docking system and connecting electrical appliances to it.

Oyika was founded in May 2018 by the same group of entrepreneurs, Lee and Carl Wong, who built Postkid, an online education startup in the early 2000s, before selling it to Singapore Mainboard-listed Horizon Education and Technologies.

Lee was previously the head of international markets at Singapore's largest clean energy provider Sunseap and championed a 10-megawatt solar farm, a first in Cambodia, as well as a 140-megawatt solar farm in India, the largest by a Singapore consortium at the time. Oyika's shareholders include two Sunseap co-founders, CEO Frank Phuan, and president Lawrence Wu who invested through Trirec, an investment firm with a focus on renewable energy and clean technology projects. C

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Commercial operation of Tanjung Jati B coal plant delayed to 2022

IDX-listed heavy equipment and mining firm PT United Tractors Tbk (UT) said that commercial operation of the 2x1,000 MW PLTU Tanjung Jati B coal-fired power plant project in Central Java has been delayed to early 2022 from the initial plan of 2021 due to the pandemic situation.

"Currently it is expected the Tanjung Jati B (project) will start operation in early 2022," said UT Finance Director Iwan Hadiantoro to Petromindo.com on Friday. "We expect a six-month delay from the initial target."

Iwan said that the delay is due to the pandemic situation. "We're currently in negotiation with PLN to determine the operational date," he said.

Construction progress of the coal plant project had reached 97 percent as per end of last year.

UT through subsidiary PT Unitra Persada Energi owns a 25 percent interest in PT Bhumi Jati Power (BJP), the developer and owner of the Tanjung Jati B unit 5 and 6 coal-fired power plant project. Other shareholders of BJP are Sumitomo Corp (50%) and Kansai Electric Co (25%).

The project (also known as the PLTU Jawa 4 project) is located near the Tanjung Jati B unit 1,2,3 and 4 with combined capacity of 4x660 MW.

Once completed and starts operation, the PLTU Tanjung Jati B will have a combined capacity of 4,640 MW, one of the largest in Asia.

BJP had in 2015 signed a 25-year power purchase agreement with state power firm PT PLN for the project to be developed under a built, operate and transfer (BOT) scheme. The Tanjung Jati B unit 5&6 project will use the ultra-super critical technology.

Iwan said that PLTU Tanjung Jati B unit 5&6 project will consume about 7.5 million tons of coal per year. BJP has already appointed the coal suppliers including UT's coal unit PT Tuah Turangga Agung which will supply about 2 milion-2.5 million tons per year.

Indika sets up EV business subsidiary

IDX-listed coal mining firm PT. Indika Energy Tbk reported on Wednesday that it has established on April 5, 2020 a subsidiary PT. Electra Mobilitas Indonesia (EMI) to be involved in electric vehicle business.

According to the company's report filed with the IDX, the new company's line of business will be conducting general trading for auto-parts and accessories for two-wheelers and cars.

The new company has a paid up capital of Rp 40 billion (US$ 2.7 million).

Shell launches EV battery charging station in RI

Shell Indonesia introduced on Monday its first public electric vehicle battery charging station (also known here as SPKLU) in the country.

The company said on Monday that Shell Recharge forms part of Shell Indonesia's commitment to provide cleaner energy for the public.

Shell Recharge is currently available at the Shell Pluit 1 gasoline station in North Jakarta, with a fast charging power capacity of 50kW. The power charging process from 0-80 percent can be done in approximately 30 minutes, the company said.

The government of Indonesia is seeking to push for the development of domestic integrated EV battery industry to help realize its ambition of turning Indonesia into a key player in the global EV industry supply chain as the country holds the world's largest nickel reserves and plenty of other raw materials for EV battery production, and has huge domestic vehicle market.

The government last week set up the Indonesia Battery Corporation (IBC), which is equally owned by four state firms, to spearhead the development of the domestic EV battery industry in partnership with international firms.

The investment in Indonesia's integrated EV battery industry from upstream to downstream is estimated to reach US$17 billion by 2030, with a battery cell production target of around 140 GWh. C

Freeport: Ramp-up of underground mines advancing on schedule

The ramp-up of underground production at the Grasberg minerals district in Indonesia operated by gold and copper giant PT Freeport Indonesia (PT-FI) continues to advance on schedule, US-based Freeport McMoRan Inc said in a statement.

The statement said that first-quarter 2021 highlights include:

- Production approximated 75 percent of the projected ultimate annualized level.
- A total of 50 new drawbells were constructed at the Grasberg Block Cave and Deep Mill Level Zone (DMLZ) underground mines, bringing cumulative open drawbells to over 420.
- Combined average production from the Grasberg Block Cave and DMLZ underground mines approximated 98,500 metric tons of ore per day.

Freeport owns nearly 49 percent shares in PT-FI, while Indonesian state-owned mining holding company PT Inalum (or also known as MIND ID) holds more than 51 percent stake.

"The successful completion of this ramp up is expected to enable PT-FI to generate average annual production for the next several years of 1.55 billion pounds of copper and 1.6 million ounces of gold at an attractive unit net cash cost, providing significant margins and cash flows," Freeport said in the statement.

PT-FI expects production for the year 2021 to approximate 1.3 billion pounds of copper and 1.3 million ounces of gold, which is nearly double 2020 levels, the statement said.

PT-FI's estimated annual capital spending on underground mine development projects is expected to average approximately US$0.9 billion per year for the two-year period 2021 through 2022, net of scheduled contributions from Indonesia's state-owned PT Indonesia Asahan Aluminium (Persero) (PT Inalum, also known as MIND ID).

In accordance with applicable accounting guidance, aggregate costs (before scheduled contributions from PT Inalum), which are expected to average $1.1 billion per year for the two-year period 2021 through 2022, will be reflected as an investing activity in FCX's cash flow statement, and contributions from PT Inalum will be reflected as a financing activity, Freeport said.

ZINC seeks $110m loan

IDX-listed mining firm PT Kapuas Prima Coal Tbk (ZINC) reported that it has secured shareholders' approval to obtain a Rp. 1 trillion (US$ 110 million) loan from banking sector through the Extraordinary General Meeting of Shareholders (EGMS) held recently in Jakarta.

The loan proceeds will be used to accelerate the increase of ZINC's production capacity, it said. The company is processing galena into lead and zinc concentrate as well as mining iron ore from its mines in Central Kalimantan.

ZINC is currently in the process of completing its lead and zinc smelter projects in Pangkalan Bun, Central Kalimantan. C

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REGIONAL MINERALS MAPS 2019	Price	Copy(s)
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☐ North Sumatra	US$400	.....
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☐ Riau	US$400	.....
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☐ Bengkulu	US$400	.....
☐ Jambi	US$400	.....
☐ South Sumatra	US$400	.....
☐ Bangka Belitung	US$400	.....
☐ Lampung	US$400	.....
☐ Banten	US$400	.....
☐ West Java	US$400	.....
☐ Central Java	US$400	.....
☐ Yogyakarta	US$400	.....
☐ East Java	US$400	.....
☐ West Nusa Tenggara	US$400	.....
☐ East Nusa Tenggara	US$400	.....
☐ West Kalimantan	US$400	.....
☐ Central Kalimantan	US$400	.....
☐ East Kalimantan	US$400	.....
☐ South Kalimantan	US$400	.....
☐ North Sulawesi	US$400	.....
☐ Gorontalo	US$400	.....
☐ Central Sulawesi	US$400	.....
☐ West Sulawesi	US$400	.....
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☐ South Sulawesi	US$400	.....
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BRMS raises Rp1.60 trillion from rights issue

IDX-listed mineral producer PT Bumi Resources Minerals Tbk (IDX:BRMS) said it has completed its rights issue process and managed to raise Rp1.60 trillion from the corporate action.

All of the shareholders that were registered in the company's shareholders ist as per March 30, 2021 (Cum Date) exercised their rights to purchase the newly issued shares under the rights issue the transaction, the company said in a statement. The company's total shares post the rights issue transaction have also increased to 93.9 billion shares.

"Our successful rights issue transaction means that we have earned the trust from our company's shareholders. We shall uphold this trust and work hard to optimize the shareholder's value. As mentioned earlier, we are using around $23 million from the rights issue proceed to drill several gold prospects in Poboya, Palu (Sulawesi)," Suseno Kramadibrata, BRMS' CEO & President Director said.

"We hope to discover around 15 to 20 million tons of gold ores reserves & resources within the area. The drilling results will be reported in the fourth quarter of this year, and again in the second quarter of next year," he said.

The company, he added, is also allocating around $5.25 million from the rights issue proceed to drill a few gold prospects and develop the gold mine site in Motomboto, Gorontalo, Sulawesi.

Suseno further said the company will also use around $48 million from the rights issue proceed to build a new gold ore processing plant with the 4,000 tons of ores per day capacity in Poboya, Palu.

The construction will commence in mid-2022 and is expected to be completed and fully operational in the first quarter 2024. Meanwhile, we are currently constructing another facility to increase our current processing capacity from 500 to become 4,500 tons of ores per day in Poboya, Palu which is to be operational in the 2nd quarter of 2022.

BRMS expansion plan funded by the rights issue proceeds & investment credit facility: Suseno noted the new processing plants would increase our Gold Production, Sales, and Net Profit. The additional discovery of gold ore reserves & resources would also increase our productive mine life.

Herwin Hidayat, BRMS' Director & Chief Investor Relations Officer, added, "On top of the positive news about our successful RI transaction, BRMS is currently finalizing its consolidated financial report for the period that ends on the 31st of December 2020. We hope to announce the positive QoQ and YoY growth in production & key financial results by end of this month." C

Working period	Asset	Financing scheme	Estimated cost
Jun 2020 – Mar 2022	2nd Plant (4,000 tons / day) Supporting Infrastructures.*	Investment credit facility	$65 - 70 million
May 2021 – Nov 2021	Drilling 1 gold prospect (Poboya, Palu) Estimated + 5 million ton ore** reserves & resources.	Rights issue fund	$23 million
May 2021 – May 2022	Drilling 4 gold prospects (Poboya, Palu) Estimated + 15 million ton ore** reserves & resources.		
May 2021 – May 2022	Drilling 2 gold prospects (Motomboto, Gorontalo) Estimated + 5 million ton ore** reserves & resources.	Rights issue fund	$5.25 million
Jun 2022 – Feb 2024	3rd Plant (4,000 tons / day)	Rights issue fund	$48 million

* supporting infrastructures include tailing storage facility, power plant, integrated plant facilities, etc.

** subject to successful drilling and 3rd party consultant's estimate (JORC, KCMI, etc).

PLN: Renewables support power supply for smelters in Sulawesi

State-owned electricity firm PT PLN said it has sufficient power reserves to support the operations of industries particularly nickel smelters in Sulawesi.

PLN President Director Zulkifli Zaini said in a statement that the southern part of Sulawesi System (Sumbagsel System), which supplies electricity in four provinces including South Sulawesi, West Sulawesi, Southeast Sulawesi and Central Sulawesi, currently has power reserves of 664 MVA.

"PLN is quite ready to serve the demand (of investors) through power infrastructure in the four provinces, especially for smelter industry and to support the development of (EV) battery industry in the country," he said during a visit to a power plant project in Southeast Sulawesi.

He added that renewable-based power plants provide significant contribution to power supply in the Sumbagsel System. He pointed out on a number of renewable-based power plants in the region including the 315 MW PLTA hydro power plant, PLTA Bakaru 126 MW, PLT Bayu Sidrap wind farm 60 MW, and PLT Bayu Tolo 70 MW. The renewables account for nearly 30 percent of the energy mix in the Sumbagsel System, which has total capacity of 861.42 MW.

He said that the PLTA Malea project is expected to start commercial operation in the near future.

Zulkifli said that PLN also continues to improve the capacity the power grid in the region to improve power supply reliability for the smelters.

Meanwhile, PLN said in the statement it has increased the capacity of power transmission line which serves nickel smelting company PT Huadi Nickel Alloy Indnesia (HNI) in Bantaeng, South Sulawesi, to facilitate higher power supply demand of the company.

HNI's power requirement is currently served with existing 40 MVA installed capacity. PLN said it is set to fulfill HNI's request for additional capacity 170 MVA as it expands the smelter capacity. PLN will start supplying the first 80 MVA in May and 90 MVA in July of this year.

Martabe gold sales volume up in Q1

IDX-listed heavy equipment and mining firm PT United Tractors Tbk (UT) said that its Martabe gold mine in South Tapanuli, North Sumatra Province, saw a slight increase in gold sales volume in the first quarter ending March of this year.

UT said in a statement that total sales volume of gold equivalent from the Martabe mine, operated by indirect subsidiary PT Agincourt Resources (PTAR), was recorded at 95.3 thousand ounces, slightly up by 1 percent compared to 94.8 thousand ounces in the same period of last year.

The company said that its Gold Mining segment recorded net revenue of Rp2.2 trillion or increased by 15 percent from Rp2.0 trillion. C

Freeport reports soaring copper, gold production, sales

US copper giant Freeport-McMoRan Copper Inc (FCX) reported on Thursday that first quarter 2021 copper and gold production from its Indonesian unit PT Freeport Indonesia (PT-FI) increased sharply to 298 million pounds and 294,000 ounces, respectively from 140 million pounds and 152,000 ounces in the same quarter last year.

PT-FI's consolidated sales of 258 million pounds of copper and 256 thousand ounces of gold in first-quarter 2021 were higher than first-quarter 2020 consolidated sales of 127 million pounds of copper and 139 thousand ounces of gold, primarily reflecting higher mining rates and ore grades. Consolidated sales volumes from PT-FI are expected to approximate 1.34 billion pounds of copper and 1.3 million ounces of gold for the year 2021, compared with 804 million pounds of copper and 0.8 million ounces of gold for the year 2020.

Following is summary consolidated operating data for Indonesia mining

Assuming an average gold price of $1,750 per ounce for the remainder of 2021 and achievement of current sales volume and cost estimates, unit net cash costs (including gold and silver credits) for PT-FI are expected to approximate $0.21 per pound of copper for the year 2021. PT-FI's average unit net cash costs for the year 2021 would change by approximately $0.08 per pound for each $100 per ounce change in the average price of gold for the remainder of 2021.

PT-FI operates one of the world's largest copper and gold mines at the Grasberg minerals district in Papua. PT-FI produces copper concentrate that contains significant quantities of gold and silver. FCX has a 48.76 percent ownership interest in PT-FI and manages its mining operations. Under the terms of the shareholders agreement, FCX's economic interest in PT-FI approximates 81 percent through 2022. C

	Three Months Ended March 31			
	2020		2019	
Copper (millions of recoverable pounds)				
Production		298		140
Sales		258		127
Average realized price per ounce	$	4.00	$	2.28
Gold (thousands of recoverable ounces				
Production		294		152
Sales		256		139
Average realized price per ounce	$	1,713	$	1,606
Unit netcash costs per pound of copper[a]				
Site production and delivery, excluding adjustments	$	1.48	$	2.68
Gold and silver credits		(1.79)		(1.85)
Treatment charges		0.25		0.30
Export duties		0.11		0.03
Royalty on metals		0.24		0.15
Unit net cash costs	$	0.29	$	1.31

[a]. For a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in FCX's consolidated financial statements, refer to the supplemental schedules, "Product Revenues and Production Costs," beginning on page X.

Kingsrose appoints new CFO

ASX-listed gold mining firm Kingsrose Mining Limited on Wednesday announced the appointment of Mark Smith as Chief Financial Officer effective 26th April 2021. Mark replaces Chloe Lam who, after 10 years with the Company, will step down from the CFO role.

Mark Smith is an experienced executive with more than 20 years in financial and operational roles within the mining industry. Previous roles include CFO and Group Financial Controller for Centamin PLC , a company listed on the LSE and TSX stock exchanges. He has also held the positions of Commercial Manager for Endeavour Mining Ltd and Lihir Gold Ltd both of which operated producing gold assets in West Africa.

He holds a Bachelor of Business (Accountancy) from the University of Queensland, is a Fellow of the Australian Society of Certified Practicing Accountants, and a Chartered Company Secretary.

Kingsrose's main asset is the Way Linggo gold project in Lampung province. The mine ceased production in 2020 and is stepping up exploration programs to recommence gold production.

Nickel Mines completes further acquisition of Angel nickel project

ASX-listed nickel miner Nickel Mines Limited announced that it has completed the acquisition of a further 20% interest in Angel Capital Private Limited, the Singaporean holding company and ultimate 100% owner of the Angel Nickel project comprising four next generation RKEF lines and a 380MW power station currently under construction within the Indonesia Weda Bay Industrial Park (IWIP) on Halmahera Island in North Maluku province.

The Company now holds a 50% interest in the Angel Nickel project, having acquired its initial 30% interest in February 2021, and has the right to further increase its interest in Angel to 80% by 31 December 2021. The project when completed will have an annual nameplate production capacity of 36,000 tonnes of equivalent contained nickel in nickel pig iron (NPI) .

The acquisition of the 20% interest in Angel was agreed with the Company's partner, Shanghai Decent Investment Group Co., Ltd, whereby the second stage acquisition of a further 50% of Angel has been split into two parts,:

• Part A being 20% for payment of US$137.6M by 30 June 2021; and • Part B being 30% for payment of US$210.0M by 31 December 2021.

Based on the assumptions in the Independent Expert Valuation Report, the value of 100% of the Angel Nickel project ranges from US$1.4 billion to US$1.5 billion.

"The Directors are also pleased to advise that construction of the Angel Nickel project is well progressed with all material earthworks and plant footings now largely completed together with the commencement of fabrication of key long lead items including boilers, turbines and generators," it said.

Gold miner GBU resumes operations

Gold miner PT. Gemala Borneo Utama (GBU) has resumed operations at its concession in Romang Island, Maluku province after being shut down in 2017 due to conflict with locals.

Director Yoseph Swamidharma said earlier this month that operation resumption was authorized by Maluku Governor after the company managed to mend relationship with the locals.

Yoseph said that this year the company will resume mining development study, construct temporary jetty and building hauling road.

He did not give further detail about the planned gold production.

GBU is controlled by Indonesian tycoon Anthony Salim. C

PT Vale reports lower 1Q production

IDX-listed integrated nickel mining firm PT Vale Indonesia Tbk announced lower first quarter 2021 (1Q21) output of 15,198 metric tons of nickel in matte compared to earlier year period.

PT Vale said in a statement that due to maintenance activities, production in 1Q21 was about 8 percent and 14 percent lower than production in the 4Q20 and 1Q20, respectively. Production target for 2021 is around 64,000 t as the company plans to rebuild one of the electric furnaces.

"In the first quarter of 2021, the company continued to maintain its operational reliability as our response to the Covid-19 pandemic is more rigorous now. We are grateful for this achievement," said Nico Kanter, CEO and President Director of the company.

Production Highlights

	1Q21	4Q20	1Q20
Nickel in matte production (t)	15,198	16,445	17,614

Hexagon Mining awarded significant project at Indonesian gold mine

US digital mining solution Hexagon's Mining announced has been awarded a multi-solution project at Toka Tindung gold mine in North Sulawesi. The phased deployment will see Hexagon systems for fleet management, operator alertness, blast monitoring and enterprise analytics implemented by the company's Indonesian staff at the mine between now and October 2021.

Toka Tindung is operated by subsidiaries of PT Archi Indonesia, one of the largest gold producers in Indonesia and Southeast Asia. The company has produced more than eight tons of gold per year for the past three years. Toka Tindung began commercial development in April 2011 and is in the process of expanding to increase capacity.

"We look forward to building our relationship with PT Archi Indonesia as it further develops the potential of Toka Tindung," said Shane Boak, Business Manager & General Manager Sales, Hexagon's Mining division. "Like PT Archi, Hexagon firmly believes in safety and efficiency, which makes this partnership all the more exciting."

Ian Wraight, Fleet Management Systems Advisor for PT Archi, said: "In following management's 'Technology Transformation Project' outline, Hexagon's suite of integrated products and industry-proven technology solutions played a major part of the decision-making process."

Hexagon is a global leader in sensor, software and autonomous technologies. The company is putting data to work to boost efficiency, productivity, and quality across industrial, manufacturing, infrastructure, safety, and mobility applications. C

Sihayo provides geological interpretation of Hutabargot Julu prospect

ASX-listed Sihayo Gold Limited provided an update of current geological interpretation of the Hutabargot Julu gold prospect, in Indonesia's North Sumatra Province, and follow up targets following the recent completion of scout drilling and surface sampling across the prospect.

The company said in a statement that data returned from scout drilling and recent surface sampling results confirm the potential for both bulk-tonnage stockwork epithermal gold-silver mineralisation and more discrete higher-grade gold-silver vein targets at varying depths over a large zone of anomalous alteration.

Sihayo said high priority near surface high-grade vein and bulk-tonnage stockwork targets exist on the western side of the prospect.

On the eastern side of the prospect, hydrothermal breccia targets are exposed and there is potential for high-grade veins and stockwork mineralisation deeper below surface.

The first priority follow-up target is "Sihorbo," which has been identified as an undertested high-grade epithermal vein target in the west of the Hutabargot Julu prospect, with a 10-hole drilling program recently commenced.

The second priority target is the "Penatapan" which is considered to have good potential for bulk-tonnage and associated high-grade gold- silver mineralization, the company said.

Govt seeks foreign lenders to help finance smelter projects

The government is seeking to invite foreign lenders including from the US, Europe and Asia to help finance domestic smelter projects.

Sugeng Mugiyanto, Director of Mineral Development and Management at the Ministry of Energy and Mineral Resources, said that efforts to woo the foreign lenders include by attending international events where the government will make presentation about the various domestic smelter projects.

"We will start market sounding … in the second half of this year by attending international business events abroad," he said at a webinar hosted by petromindo.com.

The government has been pushing for the development of domestic smelters in a bid to generate greater value from the country's mineral commodities. The government has banned export of unrefined nickel ores since early 2020 and will start banning the export of other mineral ores in 2023.

So far 19 smelters have been operating, mostly nickel smelters. Another 34 smelter projects are either under construction or planning stage.

The ministry, according to Sugeng, will help smelter developers to find project financing by proposing the projects to get National Strategic Project (PSN) status so as to cut bureaucratic hurdles.

Adjie Harisandi, a mining analyst at PT Bank Mandiri Tbk, stated that the quality of bank loans to the base metal industry is quite poor, with relatively high non-performing loan ratio of about 9.5 percent in December 2020.

He added that there are also concerns over poor environmental record of nickel mining activities. "ESG (standard) financing will increase in the future," Adjie said, referring to the acronym of environmental, social and governance. C

Hitachi sets new heavy equipment parts remanufacturing plant in Indonesia

Japanese heavy equipment maker Hitachi Construction Machinery Co., Ltd. announced that it has established a new parts remanufacturing plant for medium to large-sized hydraulic excavator on the premises of Cibitung 1 Factory of P.T. Hitachi Construction Machinery Indonesia.

The new plant will start operation in June 2021.

By collecting and remanufacturing used parts and building a supply network in the Southeast Asian region, Hitachi will contribute to reduction of CO2 emissions and industrial waste and realization of a circulating society. It will also enable customers to reduce costs and lead time for purchasing remanufactured parts.

Hitachi's parts remanufacturing business involves collecting, disassembling and repairing customers' used genuine parts, such as hydraulic cylinders, hydraulic pumps and travel device, and then providing for reuse as remanufactured parts with the same function warranty as new parts. Parts remanufacturing business in the Southeast Asian region has been remanufacturing used parts and supplying to Indonesia, mainly for mining products, but transportation costs and turnaround were a problem due to the need to route the supply of remanufactured parts for medium to large-sized hydraulic excavator to countries and regions other than Indonesia via Japan.

The new component remanufacturing plant will be an important base for supplying remanufactured parts for medium to large-sized hydraulic excavators to the Southeast Asian region. Including the volume of parts remanufactured in the Southeast Asia region, Hitachi Construction Machinery Group aims to reduce CO2 emissions by 23,800 tons and industrial waste by 9,500 tons* overall in FY2022.

Merdeka reports lower 2020 revenue

IDX-listed gold and copper miner PT Merdeka Copper Gold Tbk saw operating revenue last year declined by 19.94 percent to US$321.86 million from $402.04 million in the previous year.

The company said in a 2020 financial report that cost of revenue last year fell to $207.74 million from $246.59 million. Gross profit last year was $114.12 million, lower than $155.44 million in 2019.

Profit attributable to shareholders of parent entity dropped by 48.89 percent to $36.20 million last year from $70.83 million in the previous year.

Merdeka said in early February that gold production at its Tujuh Bukit mine in East Java Province last year stood at 157,175 ounces, 29.53 percent lower compared to 223,042 oz in the previous year, following heap leach subsidence in September 2020.

Merdeka said that at the Wetar Copper Mine in Maluku, mining operations at Partolang pit commenced in October 2020, with full-year copper output of only 5,377 tons.

Following are transactions with value of more than 10 percent of net sales (in US$). C

December 2020		December 2019	
Precious Metals Global Markets (HSBC)	267,766,031	312,392,346	Precious Metals Global Markets (HSBC)
YLG Bullion Singapore Pte. Ltd.	48,642,927	-	YLG Bullion Singapore Pte. Ltd.
Total	316,408,958	312,392,346	Total

AMNT to soon select EPC contractor for smelter project

Gold and copper miner PT Amman Mineral Nusa Tenggara (AMNT) reiterates commitment to complete its copper smelter project in West Sumbawa, West Nusa Tenggara Province, in 2023 as required by the government.

AMNT President Director Rahmat Makkasau said in a statement that the company is currently finalizing selection process of the EPC contractor for the copper smelter project, and hopes to announce the winning bidder in the near future.

"Amman is targeting to complete the process of determining the winner of the EPC tender in the near future. The licensing process related to construction, logistics and buildings will also continue to be carried out in parallel with the support of the local government," he said.

Mineral miners including copper in the country have been required to develop domestic smelters as part of conditions to be allowed to continue export until 2023 when the government starts banning export of unrefined ores. The government has already banned export of nickel ores since early 2020. Independent auditors are assigned to audit the smelter projects every six months, of which the construction progress must reach at least 90 percent of the six-month progress target set by the government. Miners failing to meet the progress target may risk their one-year export permit revoked.

Rachmat said that based on the audit of the last six-month period ending January 2021, progress of the AMNT's copper smelter project has reached 26.7 percent, or 99.35 percent of the government's target of 26.7 percent.

AMNT, which operates the Batu Hijau mine in West Sumbawa, announced earlier it April it has obtained a new one-year permit for export of copper concentrates valid until 2022, with export quota of 579,444 wet metric tons (wmt), higher than the 373,626 wmt quota set under the earlier export permit.

Rachmat said that due to the Covid-19 pandemic challenges, the company has scaled down the input capacity of the smelter project to 900,000 tons per year from initial plan of 1.3 million tons per year.

"The adjustment in the capacity is due to the Covid-19 challenges," he said. "With a lower capacity, the project completion schedule target (in 2023) can be achieved."

WIKA plans to invest in nickel smelter next year

IDX-listed engineering and construction company PT Wijaya Karya Tbk (WIKA) plans to invest in nickel smelters next year to produce materials for the production EV battery.

WIKA President Director Agung Budi Waskita was quoted by state news agency Antara as saying that while the company has been engaged as EPC contractor for the development of smelter projects owned by other companies, going forward WIKA wants to also invest in RKEF and HPAL nickel smelters.

"Of course we have aspirations not only to work on or build a (nickel) smelter, but WIKA wants to contribute to being able to invest in a nickel smelter with RKEF (Rotary Kiln-Electric Furnace) and HPAL (High Pressure Acid Leaching) technology (to produce) materials (for EV) battery, " said Agung in an online seminar in Jakarta, Wednesday, but di did not provide further details about the new investment plan.

He said that in 2024, WIKA will transform its business from engineering and construction to also include energy and battery assembling.

In November of last year, Southeast Sulawesi-based nickel miner and smelter operator PT Ceria Nugraha Indotama (CNI) assigned WIKA as the EPC contractor for the development of its new nickel smelter and cobalt refinery projects in the province. C

R&I Affirms BBB-, Stable: PT. Smelting

PT. Smelting (PTS) is a copper smelter and refinery company in Indonesia. It is a 60.5% owned consolidated subsidiary of Mitsubishi Materials Corp. (Issuer Rating: A-). Other shareholders are PT Freeport Indonesia (25%, PTFI), Mitsubishi Corp. RtM Japan Ltd. (9.5%) and JX Nippon Mining & Metals Corp. (5%). A 75% stake in the company is thus held by Japanese shareholders.

PTS and its shareholders have signed various support contracts to allow the company to conduct business operations and financial activities smoothly. Such support is anticipated above all from Mitsubishi Materials, which effectively takes control of PTS, and will underpin the creditworthiness of PTS.

PTS has a capacity to produce 300,000 tons of copper cathode per year. Its copper cathode is mainly sold in Indonesia or exported to Southeast Asia, with sales support provided by Japanese shareholders.

The company can stably sell by-products from the production process in Indonesia, as evidenced by the fact that it supplies sulfuric acid and copper slag to an adjacent fertilizer plant and cement plant, respectively. Most of the necessary copper concentrates are supplied by PTFI. Though the economy of scale is limited, PTS's production structure allows it to achieve certain levels of profits and cash flow if its smelter and refinery operate stably.

Pursuant to the new mining law, which obliges mining companies to add high value to Indonesia's raw minerals before exporting, PTFI is required to build a new copper smelter by the end of 2023. After the completion of the construction, PTS will no longer be the only copper smelter in Indonesia.

In R&I's view, it is unlikely that these moves will lead to a drastic review of transaction terms between PTS and PTFI and cause other changes, but careful attention should be paid to future developments. In addition, PTS is exposed to risks inherent to business activities in Indonesia, including the foreign currency restrictions which require settlement in rupiah for domestic trades, as well as tax and labor-related issues. R&I's evaluation factors in the possibility that such risks may affect its stable business activities and financial position.

The primary rating methodologies applied to this rating are provided at "R&I's Basic Methodology for Corporate Credit Ratings" and "R&I's Analytical Approach to Parent and Subsidiary Companies". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating. C

RI's two-month tin export value declines 18.38%

Indonesia's refined tin export value fell by 18.38 percent in the first two-month of this year ending February compared to the same two-month period of last year due primarily to sharp drop in export volume, according to Ministry of Trade data.

Export value in the January-February period of this year declined to US$199.08 million compared to $243.92 million in the corresponding two-month period of last year.Export volume in January-February of this year dropped by 42.07 percent to 8,458.21 tons compared to 14,601.76 tons in the corresponding period of last year.

The ministry said that the average price of tin ingot in February of this year increased by16.80 percent to US$25,347.82 per ton compared to January.

Timah to complete tin smelter project end of this year

IDX-listed tin giant PT Timah expects its tin smelter project, or also known as top submerged lance (TSL) Ausmelt furnace, in Muntok, Bangka Barat Regency, Bangka Belitung Islands Province, to be completed by end of this year, with commissioning early next year.

"(Construction) progress of the TSL Ausmelt Furnace (project) has reached 44 percent as per February, which exceeds the 40 percent target. Looking at this condition, we're optimistic commissioning can be implemented in January 2022," Timah President Director M. Riza Pahlevi in a statement.

EPC contractor of the Rp 1.2 trillion tin smelter project is IDX-listed PT Wijaya Karya Tbk, which teams up with Outotec Pty Ltd.

Timah Corporate Secretary M. Zulkarnaen said in October of last year that completion of the smelter project would be delayed to 2022 due to the Covid-19 pandemic.

Pahlevi said that TSL Ausmelt technology marks a new technology transformation in tin processing as the advanced technology would allow for reduced production cost and is more environmentally friendly.

The TSL Ausmelt furnace can process tin ore concentrates with minimum purity of ≥ 40% Sn, and has capacity of 40,000 tons of crude tin per year, or 35,000 tons of tin ingot per year. C

China ENFI plans copper smelter project in W. Papua

China ENFI Engineering Corporation plans to develop a copper smelter in Fakfak Regency, West Papua Province, that will process copper concentrates produced by gold and copper giant PT Freeport Indonesia (PTFI) in neighboring Papua Province.

Chairman of the Indonesia Investment Coordinating Board (BKPM) Bahlil Lahadalia said that his office would help facilitate the required incentives and permitting process to allow ENFI to be able to realize the project as soon as possible.

BKPM and ENFI had on Monday signed MOU on cooperation to realize the cooper smelter project. "After this memorandum of understanding is signed, I ask not to take a long time to implement the process. BKPM will help with matters relating to licensing and fiscal incentives, as long as the proposal from China ENFI is the best and benefits Freeport, China ENFI, and Indonesia," said Bahlil in a statement.

According to the statement, ENFI will engage PTFI and Indonesia's state-owned mining holding company MIND ID, which owns more than 51 percent shares in PTFI, in the proposed copper smelter project that will have total production capacity of 400,000 tons of copper cathode per year.

Bahlil said that the government of Indonesia is quite serious in supporting the copper smelter project and will ensure the supply raw material of up to 800,000 tons of copper concentrates per year.

Minister of Energy and Mineral Resources Arifin Tasrif also expressed his support for the proposed copper smelter project. Meanwhile, ENFI President Director Liu Cheng expressed his appreciation to the government of Indonesia support for the realization of the project.

"After this, we will complete the preliminary study as soon as possible so that the project can be completed quickly. We will also engage Freeport and MIND ID to work together in this project," said Liu Cheng in the statement, adding that ENFI will visit Indonesia in the near future to discuss technical matters related to the project.

ENFI is a subsidiary of China's state-owned MCC Group, engaged in the province of smelter technology and construction of industrial smelter particularly copper, nickel, aluminum, and other non-iron metals.

PTFI has been required by the government to develop domestic copper smelter as part of conditions for continuing export activity that must be completed in 2023. The company has started process to develop the smelter in Gresik, East Java Province, but has been offered by China's Tsingshan Steel to develop the copper smelter at its Weda Bay nickel industrial area in North Maluku Province. Indonesian top officials said previously that talks between PTFI and Tsingshan were expected to be concluded in March 2021. Tsingshan is said to provide much of the financing for the project, thus easing the financial burden of PTFI, which had complained of the huge financial requirement and slim margin of the copper smelter project. C

Inalum teams up with China firm to modernize furnaces

State-owned aluminum producer PT Indonesia Asahan Aluminium (Inalum) is seeking to increase its aluminum production capacity through technology upgrade and modernization of furnaces at its smelting facility in North Sumatra Province.

To realize the project, Inalum is cooperating with three companies including Shenyang Aluminum & Magnesium Engineering & Research Institute (SAMI, a unit of China's alumina giant Chinalco), Indonesia's state-owned engineering firm PT Waskita Karya and private firm PT Unefeco. The cooperation agreement was signed recently.

"With the technology upgrade at the potline 1 of as many as 17 furnaces, the production capacity of Inalum is expected to increase by 25,000 tons per annum," said Inalum Executive Director Sophia Issabella Watimena in a statement, without providing further details about the project.

Inalum has allocated US$318 million of capital expenditure this year including to finance the pot upgrading project.

Govt targets higher investment in energy, mining sector next year

The government is seeking to increase investment in the country's energy and mining sector next year by luring both domestic and foreign investors.

Secretary General of the Ministry of Energy and Mineral Resources Ego Syahrial told a webinar on Monday that investment in the energy and mining sector next year is projected to increase by 15.51 percent to US$40.2 billion from this year's target of 34.8 billion.

He said that of the investment target next year, the oil and gas sub-sector is projected to contribute $22.6 billion.

Meanwhile, the mineral and coal sub-sector is projected to contribute $5.6 billion, the electricity sector also $5.6 billion, and the renewables sector $4.4 billion.

Ego said the government is trying to realize the increase in investment by providing red carpet to investors.

He said the policy to increase investment is by promoting and offering investment opportunities to domestic and foreign investors, simplifying licensing and ease of doing business, integrated electronic licensing services, and providing more open access.

PLN completes power infrastructures to support nickel smelters

State-owned electricity firm PT PLN had on 7 April started operation of its new 150 kV incomer high voltage elevated transmission line (also known here as SUTT) and 150 kV power substation (or GI) in Kolaka, Southeast Sulawesi, to facilitate power supply for large customers in the region including nickel smelters.

Defiar Anis, a general manager at PLN's Sulawesi regional office, was quoted by news portal bisnis.com as saying Sunday that the SUTT in Kolaka has total length of 7.5 circuit kilometers with 7 towers, while the GI has a capacity of 30 MVA with eight bay lines, two of which will be directed for PT Ceria Nugraha Indotama (CNI), which is a developing RKEF and HPAL smelter projects in Kolaka.

He said that construction of the transmission line and substation started in the middle of 2019 with total investment of Rp 147 billion.

Meanwhile, Deputy Director of CNI Djen Rizal said that the company had in 2019 signed power purchase and sale agreement with PLN to provide electricity for its new nickel smelters in Kolaka.

He said that the rotary kiln electric furnace (RKEF) smelter and the high pressure acid leaching (HPAL) smelter are targeted to be completed in 2024.

According to the latest amendment to the Power Purchase and Sale Agreement (SPJBTL) between PLN and CNI, the latter will require a power supply of 412 Mega Volt Amper (MVA) to be distributed in four stages. The first stage of 118 MVA will be made in September 2022, the second and third stage of 68 MVA in April and September 2023, while the last stage of 158 MVA in December 2024. C

UT plans higher gold sales, capex in 2021

IDX-listed heavy equipment and mining firm PT United Tractors Tbk (UT) plans higher gold sales from its Martabe gold mine as the company also seeks to expand the gold processing capacity.

UT Iwan Hadiantoro said in a virtual press conference on Friday that gold sales volume from the Martabe mine in North Sumatra Province, operated by indirect subsidiary PT Agincourt Resources, is targeted to increase to 340,000 ounces this year from 320,000 ounces last year amid improve economic condition.

"In 2020, we sold 320,000 ounces of gold, we expect the gold sales target this year is 340,000 ounces," he said.

Iwan said that the company plans to expand the Marabe gold plant processing capacity from the current 6 million tons per year to 6.5 million tons.

He said that UT plans capital expenditure of US$290 million this year, higher than last year's $162 million. About $120 million will be allocated for the expansion of the Martabe gold processing capacity.

"For Martabe gold mine, we allocate $120 million mainly for expanding the capacity of the gold processing plant, which currently has full capacity of 6 million tons, and we will expand it to 6.5 million tons," he said.

Frans Kesuma, President Director of UT, said that the expansion plan aims to increase the gold recovery rate from the processing plant. He mentioned that the gold ore grade of Martabe gold Mmine has been decreasing which consequently lowers the gold recovery rate. "One of our strategies is increasing the throughput from 6 million tons to 6.5 million tons," he said.

Another $143 million of the planned capex this year will be allocated for UT's mining contractor business, particularly for replacement of heavy equipment.

Frans said that the company has to change the corporate policy following the current business improvement. "We previously tried to limit the capital expenditure, such as avoiding heavy equipment replacement, but now we have to change it," he said, adding that the company may increase the number of manpower this year.

Chinese firm plans $243m nickel smelter in Morowali

Chinese battery material manufacturer CNGR Advanced Material Co., Ltd announced on Thursday that it has signed a JV with Singapore-based company Rigqueza International Pte. Ltd. to develop a 30,000 TPA nickel matte smelter in central Sulawesi.

The project, according to the statement filed with the Shenzhen Stock Exchange, will be located in Indonesia Morowali Industrial Park which is owned and operated by stainless steel giant Tsingshan. CNGR said total investment for the project is about US$ 243 million with first phase development that will produce 10,000 TPA of nickel matte will require investment of $ 81 million.

CNGR will hold 70 percent stake in the company that will be named PT ZhongTsing New Energy, with Rigqueza holding the remaining 30%..

The company did not give detail about the smelter's development completion target.

According to CNGR, Rigqueza and its related parties own more than 53,000 hectares of nickel ore resources in Central Sulawesi. C

Analysts expect another nickel surplus this year

Analysts expect another nickel metals surplus in the market this year, with Indonesia remaining as the main driver of supply growth.

Indonesia is expected to produce more than 900,000 tons of NPI in 2021, or surpassing China's NPI output at around 400,000 tons this year.

"We had surplus of 130,000-140,000 tons last year, and we expect this year the surplus will be about 50,000 tons," Nikhil Shah, Principal Analyst of CRU Group, said in a webinar hosted by petromindo.com.

Shah noted that the nickel demand is expected to rebound in 2021 and rise by 11 percent as reflected by strong recovery in the stainless steel and electric vehicle (EV) sectors. China's Shanghai Metals Market (SMM) noted that China produced 595,000 tons of NPI in 2019, while Indonesia only produced 357,000 tons on NPI.

In 2020, according to SMM, China's NPI output was 515,000 tons, and Indonesia's NPI output was 600,000 tons. However, SMM estimates that the China's NPI output to decrease to 400,000 tons this year, while Indonesia will surge to 900,000 tons.

Total supply from Indonesia and China is estimated at 1.22 million tons of NPI in 2021, while total demand from both countries is estimated at 1.19 million of NPI. "The supply side exceeds the demand, or there is supply-demand imbalance," Lingying Zhang, an analyst of Shanghai Metals Market, said on the same occasion.

However, Zhang mentioned that the current surplus of NPI is only a relative surplus, since the nickel element in stainless steel still has a large part from scrap steel and FeNi. "Absolute surpluses are unlikely to exist for the next two years," she said.

Silkroad completes 1st ore shipment to Tsingshan

SGX-listed lateritic nickel miner Silkroad Nickel Ltd. reported that it has on 3 April 2021, completed the delivery of its first shipment of 7,582 metric tonnes of nickel ore for the month of March 2021 under the new offtake agreement with PT Ekasa Yad Resources, a Tsingshan Group company.

"The Group will continue to increase its production capacity from April 2021 onwards in order to meet its commitment under the Agreement to deliver a minimum of 50,000 metric tonnes of nickel ore per month with an average nickel content grade of 1.70%," the company said.

Under the deal, Silkroad will supply an aggregate of 2.7 million metric tonnes of high grade nickel ore from March 2021 to December 2022, with a minimum quantity of 50,000 metric tonnes per month with an estimated contract value of over US$90 million based on the benchmark price for nickel ore set by the Indonesian Government.

Silkroad operates a nickel mine covering approximately 1,301 hectares located in Morowali, Central Sulawesi. Based on the standards of the JORC Code 2012, the independent qualified person's report dated 30 September 2019 estimated the mineral resources covering the mining concession area to be 146.6 million wet metric tonnes including an estimated 56.8 million wet metric tonnes.

Antam restructures board of directors

Shareholders of IDX-listed mining firm PT Aneka Tambang Tbk (Antam) held on Wednesday an annual shareholders meeting, which among others structured the company's board of directors.

Antam said in a statement that Aprilandi Hidayat Setia and Hartono (one name) have been dismissed respectively as the company's director of commerce, and director of operation and production.

The company also changed the nomenclature of two posts within the board of directors, changing the finance director post into director of finance and risk management, and the director of operation and production into director of operation and business transformation.

Following is the new composition of Antam's board of directors.

- President Director: Dana Amin
- Director of Finance and Risk Management: Anton Herdianto
- Director of Human Resources: Luki Setiawan Suardi
- Director of Operation and Business Transformation: Risono C

Antam to export bauxite ore to China

IDX-listed mining company PT Aneka Tambang Tbk (Antam) will export bauxite ore to China as the company has received permit from the government to export up to 1.89 million wet metric tons (wmt) of washed bauxite ore for the period of 2021-2022.

"The bauxite ore sales target this year is 2.73 million wmt, and the production target is 3 million wmt, export will be destined to China," Kunto Hendropawoko, Senior Vice President (SVP) Corporate Secretary of Antam, said in a virtual press conference.

Antam has permit to export washed bauxite ore with Al2O3 content of ≥42% as an incentive from the government in developing Smelter Grade Alumina Refinery (SGAR) in Mempawah, West Kalimantan, in partnership with state-owned aluminum maker PT INALUM (Persero).

Besides exporting bauxite ore to China, Antam also supplies bauxite ore to its chemical grade alumina (CGA) smelter in Tayan, West Kalimantan. Antam through subsidiary PT Indonesia Chemical Alumina (ICA) produced 93,000 tons of alumina per year from the CGA smelter.

The bauxite ore production target of 3 million wmt in 2021 is 93 percent higher than realized production of 1.55 million wmt in 2020. Antam will double bauxite ore sales target this year to 2.73 million wmt from realized sales of 1.23 million wmt in 2020.

Krakatau Steel plans IPO of infrastructure sub-holding

IDX-listed steel maker PT Krakatau Steel Tbk plans to group its infrastructure subsidiaries into a sub-holding company, which will later sell its shares via initial public offering (IPO).

The infrastructure units include power producer PT Krakatau Daya Listrik (KDL), water provider PT Krakatau Tirta Industri (KTI), port operator PT Krakatau Bandar Samudera (KBS), and industrial estate firm PT Krakatau Industrial Estate Cilegon (KIEC).

President Director of state-controlled Krakatau Steel, Silmy Karim said on Tuesday that the sub-holding infrastructure is expected to be established at the end of May this year, and the planned IPO to be realized next year. He did not provide details of the planned IPO including the proceeds target.

But Silmy hoped that the IPO proceeds will be "quite huge," considering that the infrastructure units each has large assets. As per September 2020, total assets of KDL are recorded at US$ 245.38 million, KBS $224.91 million, KTI $98.42 million, and KIEC $178.46 million.

The four company had combined sales of Rp 2.4 trillion, and net profit of Rp 420 billion in 2020.

Silmy said that the four infrastructure units have various domestic and multinational customers including high profile firms such as Semen Indonesia, Holcim, Pupuk Indonesia, Posco, Nippon Steel, PT Timah, Asahimas, Lotte Chemical, Chandra Asri, Indofood, Charoen Pokphand, Japfa, Astra International, and Indonesia Power. C

Nickel Mines announces settlement of $175m offering of notes

ASX-listed Nickel Mines Limited announced the successful settlement of the issue of US$175 million of Senior Unsecured Notes, maturing 1 April 2024.

The company said in a statement that the notes had been listed on the Singapore Stock Exchange Securities Trading Limited on 5 April 2021.

Nickel Mines announced on 30 March the completion of the $175 million inaugural offering of the notes, the proceeds of which will be applied, along with the company's existing cash reserves and future earnings from existing operations, to fund the US$350 million second stage acquisition of an additional 50 percent interest in the Angel Nickel Project in Indonesia, taking the company's aggregate equity interest in Angel Nickel to 80 percent.

Cita expects 2021 export quota to remain unchanged

IDX-listed bauxite miner and alumina smelting firm PT. Cita Mineral Tbk expects its 2021 metallurgical grade bauxite export quota for 2021 to remain unchanged from previous year's

The company secured an export quota of 8.3 million tons of MGB in 2019 and 2020, respectively.

"In 2021, the export quota is predicted to remain the same in line with the built-in capacity of SGA refinery in associate company PT. Well Harvest Winning (WHW)," the company said in its 2020 Annual Report released last week.

WHW is producing smelter grade alumina refinery with capacity of 1 million tons per year. The phase two expansion which is expected to be completed by year-end will double the plant's capacity.

The government is allowing companies which build refineries to export their raw production.

In 2020 Cita produced 11 million tons of MGB from its mine in West Kalimantan, up from 9.1 million in 2019.

Timah sets lower production, sales volume target

IDX-listed tin giant PT Timah Tbk plans lower tin ore production of 30,000 tons and metal production of 34,000 tons this year.

Timah Finance and Risk Management Director, Wibisono said that tin sales volume this year is also targeted lower at 31,000 tons.

Timah's tin ore production last year reached 39,757 tons, dropped by 51.79 percent from 82,460 tons in the previous year. Tin metal output last year was 45,698 tons, down from 76,389 tons in 2019.

Tin metal sales volume last year declined 17.61 percent to 55,782 tons from 67,704 tons in the previous year.

About 71 percent of the tin ore output last year came from onshore mines, and the remainder from offshore mining operations.

Wibisono said that for this year, the company will increase its offshore tin ore production to account for 40 percent of total output.

As has been previously reported, Timah saw revenue last year fell by 21.33 percent to Rp 15.22 trillion from Rp 19.34 trillion in the previous year due to lower sales volume and price.

Timah, however, said net loss attributable to shareholders of parent entity last year was lower at Rp 340.60 billion compared to net loss of Rp 611.28 billion in the previous year.

In 2020, the gross profit margin was 7.36 percent, an improvement from the previous year's 5.91 percent. Net profit margin was minus 2.24 percent compared to minus 3.16 percent in 2019. C

Minister meets CATL over EV battery project

Minister of State Owned Enterprises Erick Thohir met with China Contemporary Amperex Technology Ltd (CATL) in a bid to help accelerate the realization of EV battery industry in Indonesia.

Erick said that CATL will team up with the state-owned Indonesia Battery Corporation (IBC) in realizing the proposed battery project that is expected to bring in investment of around US$5 billion.

"My meeting with CATL is to ensure that the cooperation with the IBC can go well. More specifically, we hope that the realization of this cooperation can be accelerated," he said said at a virtual press conference.

He added that the ministry and the Indonesia Investment Coordinating Board (or BKPM) will facilitate the cooperation process between the two companies including to help resolve potential hurdles.

The government set up the IBC last month that will spearhead the development of domestic EV battery industry as the government wants Indonesia, which has the world largest of nickel reserves and plenty of other raw materials for EV battery production, to play key role in the global EV supply chain.

IBC is equally owned by four state firms including mining hodlign company MIND ID, mining firm PT Aneka Tambang Tbk, oil and gas firm PT Pertamina, and power firm PT PLN. The state firms have signed MOU with South Korea's LG Solution to develop an integrated EV battery industry in Indonesia.

April HPE of most mineral commodities up

The Ministry of Trade has set higher export reference price (or better known as HPE) of most mineral commodities for April of this year compared to March in line with rising international price of the commodities.

"The commodities of copper concentrate, iron concentrate, laterite iron concentrate, iron sand concentrate, manganese concentrate, zinc concentrate, ilmenite concentrate, rutile concentrate, and bauxite that have been washed, for example, have increased compared to the last month period. This is partly due to increasing world demand. Meanwhile, the lead concentrate commodity price has decreased, while iron sand concentrate pellets have not changed,"said the Director General of Foreign Trade of the Ministry of Trade, Didi Sumedi in a statement.

Compared to the previous month, mining products with higher HPE in April 2021 are copper concentrate (Cu ≥ 15%) with an average price of US$3,253.14 /wmt or an increase of 5.06 percent; iron concentrates (hematite, magnetite) (Fe ≥ 62% and ≤ 1% TiO2) with an average price of $152.12 /wmt or an increase of 5.48 percent; laterite iron concentrates (gutite, hematite, magnetite) with levels (Fe ≥ 50% and (Al2O3 + SiO2) ≥ 10%) with an average price of $77.73 / wmt or an increase of 5.48 percent; and manganese concentrate (Mn ≥ 49%) with an average price of $213.63 /wmt or an increase of 2.58 percent.

As for zinc concentrate (Zn ≥ 51%) with an average price of $760.96/wmt or an increase of 4.42 percent; iron sand concentrate (lamella magnetite-ilmenite) (Fe ≥ 56%) with an average price of $90.83/wmt or an increase of 5.48 percent; ilmenite concentrate (TiO2 ≥ 45%) with an average price of $405.63/ wmt or an increase of 10.57 percent; rutile concentrate (TiO2 ≥ 90%) with an average price of $1,088.40 /wmt or an increase of 3.75 percent; and washed bauxite (Al2O3 ≥ 42%) with an average price of $29.32 /wmt or an increase of 7.15 percent.

Meanwhile, product with lower April HPE compared to March is lead concentrate (Pb ≥ 56%) with an average price of $827.49 /wmt or down 2.12 percent. The April HPE of iron sand concentrate (lamella magnetite-ilmenite) pellets (Fe ≥ 54) was unchanged at $117.98 /wmt. C

Inalum returns to profit despite lower revenue

State-owned aluminum maker PT Indonesia Asahan Aluminium (or Inalum) saw revenue last year fell by 17.44 percent to Rp 66.59 trillion from Rp 80.63 trillion in the previous year.

According to the company's financial report, cost of revenue declined to Rp 54.97 trillion last year from Rp 66.13 trillion in 2019. Gross profit fell to Rp 11.94 trillion from Rp 14.50 trillion.

The company, however, managed to return to the black last year with profit attributable to shareholders of parent entity of Rp 698.17 billion compared to a net loss Rp 1.20 trillion in the previous year.

Inalum last year enjoyed a net profit share of Rp 2.1 trillion from gold and copper giant PT Freeport Indonesia, compared to a loss of Rp 576.2 billion in the previous year. Inalum owns more than 51 percent shares in PT Freeport.

Inalum, which is also the state mining holding company, enjoyed a net profit share of Rp 1.9 trillion from associate entities last year compared to a net loss of Rp 87.17 billion in the previous year.

Inalum said on 23 March that production of aluminum ingots, billets, and foundry alloys last year totaled 245,000 tons, or a slight 1 percent higher than the 242,000 tons target as set in the company's revised 2020 work plan and budget. No further details were provided.

Archi to double gold production

Gold mining firm PT. Archi Indonesia is planning to more than double production capacity of its North Sulawesi mine in 2025.

Deputy CEO Rudy Suhendra was quoted by Antara as saying that the company will ramp up ore processing capacity to 8 million tons per annum in 2025 from 3.6 million tons currently to increase production to 450,000 ounces from 200,000 ounces currently.

The company is operating two adjacent mines in North Sulawesi through its subsidiaries PT. Meares Soputan Mining and PT. Tambang Tondano Nusajaya.

The company is planning to launch an IPO at the Indonesian Stock Exchange. Archi Indonesia is controlled by Indonesian tycoon Peter Sondakh, who operates his businesses under Rajawali Group.

AMNT obtains new export permit with greater quota

Gold and copper miner PT Amman Mineral Nusa Tenggara (AMNT) has obtained a new one-year permit for export of copper concentrates valid until 2022.

AMNT said in a statement that following recommendation made by the Ministry of Energy and Mineral Resources on 31 March 2021, the Ministry of Trade issued the new export permit with export quota of 579,444 wet metric tons (wmt), higher than the 373,626 wmt quota set under the earlier export permit.

The company said that the higher quota indicates the company's improving productivity this year.

President Director of AMNT Rachmat Makkasau said that the new export quota is in line with the company's 2021 work plan and budget (RKAB).

The company said that the new export permit was issued by the government as construction of AMNT's copper smelter project has made progress that is line with target.

AMNT is developing a copper smelter in Sumbawa Barat Regency, West Nusa Tenggara Province, with input capacity of 900,000 tons per annum, lower than the initial plan of 1.3 million tpa, which is targeted to be completed in 2023 when the government starts banning export of mineral concentrates. The downward revision in the input capacity was made due to the Covid-19 pandemic situation.

The government has allowed miners to continue export of unrefined minerals, except nickel ore, until 2023 on the condition they build domestic smelter, whose progress is audited every six months. C

FINI expects higher export of NPI, stainless steel this year

Indonesia Nickel Industry Forum (FINI), a nickel smelter association, expects export value of processed nickel products such as NPI and stainless steel produced by its members this year to increase to US$14 billion, compared to $10 billion last year.

"We estimated that all our members exported about $10 billion last year. This year, I think, we can reach about $14 billion of NPI and stainless steel export," Alexander Barus, CEO of PT Indonesia Morowali Industrial Park (IMIP) and Chairman of FINI, said in a webinar hosted by petromindo.com.

FINI has 23 nickel smelter operators with total capacity of 5.42 million tons of NPI per year as members and two stainless steel producers, of which one is located at IMIP in Central Sulawesi, and another which is Virtue Dragon in North Konawe, Southeast Sulawesi.

In anticipation of rising future demand for EV battery, there's also a plan to develop a plant at IMIP that will produce cathode for lithium-ion battery production with total capacity of 240,000 tons of Ni per year

"However, the main challenge is that since the past two years, there is no solution yet to (the issue of the) tailing (placement)," he said. Alexander stated while that deep-sea tailing placement is not permitted, land-based tailing dump will reduce the product competitiveness as it requires much higher costs.

IMIP, according to Alexander, also plans to develop a 20,000 metric ton per year capacity of used lithium battery recycling industry. "But it requires green light from the government regarding the tailing," he said.

PP Presisi obtains nickel mining services contract

IDX-listed construction services and heavy equipment rental company PT PP Presisi Tbk has at the end of the first quarter of this year obtained a nickel mining services contract in Morowali, Central Sulawesi.

President Direct of PP Presisi Rully Noviandar said that through this new contract the company will obtain revenue of at least Rp 445 billion for three years.

"This is our first nickel mining service contract. Previously, we also obtained a nickel mining infrastructure development contract in the form of a hauling road project at one of the largest nickel mines in Indonesia, located in Halmahera, Maluku, with a contract value of more than Rp 125 billion, "said Rully Noviandar in a statement Wednesday, adding that the company is hopeful to grab new contracts, both for coal and nickel mining services, going forward.

He said that the company is targeting for mining services business segment to account for 10-20 percent of the company's total revenue this year.

Rully said that as part of the company's strategy, PP Presisi over the next three years will focus on getting nickel mining services contracts amid growing nickel industry in the country.

PP Presisi has allocated Rp 336 billion for capital expenditure this year, the majority of which will be used to acquire new heavy equipment. The company's heavy equipment fleet currently stands at 2,816 units.

PP Presisi has previously obtained coal transport contracts from PT Bayan Resources Tbk and PT Jasa Tambang Nusantara.

In February of this year, PP Presisi said it will team up with PT Antam Resourcindo, a subsidiary of IDX-listed nickel and gold miner PT Antam Tbk, to develop mining infrastructure such as hauling road and other supporting facilities.

"The (business) potentials that can be explored with this MoU is huge given strategic role of infrastructure in supporting the downstream mining industry development in Mempawah, West Kalimantan," the firm said in a statement. At present Antam is developing smelter in Mempawah, West Kalimantan. C

Fitch Affirms Golden Energy and Resources at 'B+'; Outlook stable

Fitch Ratings has affirmed the Long-Term Issuer Default Rating (IDR) on Golden Energy and Resources Limited (GEAR) at 'B+'. The Outlook is Stable. The agency also affirmed GEAR's senior unsecured US dollar bond at 'B+' with a 'RR4' Recovery Rating, which reflects average recovery prospects for bondholders.

The affirmation reflects the strong business profile of GEAR's key thermal coal mining subsidiary, PT Golden Energy Mines Tbk (GEMS, B+/Stable). GEMS' production volumes rose, and it maintained its profitability in spite of coal price weakness in 2020. GEAR's rating also benefits from its diversification via investments in metallurgical coal and gold in Australia. The acquisitions are expected to enhance the group's credit profile over the medium term, although contribution to GEAR's cash flow is likely to remain minimal over the next two years.

GEAR's rating is based on the credit metrics with proportionate consolidation of 62.5%-owned GEMS, as we assess GEAR's linkage with GEMS as moderate, and full consolidation of Stanmore Coal after adjusting for minority leakages. GEAR's standalone holding company credit metrics are moderate, mitigating structural subordination risk.

Key rating drivers

Cost Flexibility: We expect GEMS' flexibility to manage its costs in line with coal price movements and its low-cost structure with life-of-mine strip ratio of 4.2x to support its operating cash flows. GEMS EBITDA per tonne improved modestly to USD4.4 in 2020 from USD4.0 in 2019, driven by its ability to meaningfully curtail cash costs by reducing the strip ratio and cutting contract mining rates to third-party contractors, and the benefits from declining fuel costs. Fitch expects GEMS to maintain its EBITDA per tonne a USD4-5 after peaking at USD5.5 in 2021.

Increasing Production Scale: We expect GEMS's production to increase to close to 40 million tonnes (mt) in 2022 (2021E: 35mt, 2020: 34mt), in line with management expectations, subject to regulatory approval of the production quota. Fitch believes GEMS' strong compliance with requirements, including domestic market obligations (DMO), mitigate the regulatory risk. GEMS needs minimal capex on infrastructure to support rising volumes, and will spend USD20 million-25 million annually over the next three years to upgrade the

capacity of hauling roads, coal handling plants and barge loading facilities.

Robust Financial Profile: We expect GEAR's consolidated financial profile to improve as EBITDA contribution from Stanmore Coal increases after operations ramp up at its new mining area. GEAR raised its effective stake in Stanmore Coal, an Australian metallurgical coal-mining company, to 60% in 2020, which supports GEAR's efforts to diversify its business profile.

We expect GEAR's consolidated group leverage, measured by net debt/EBITDA, to remain at or below 1x from 2021 (2020: 1.5x). We also expect GEAR's holding company standalone interest cover to improve to about 2.8x in 2021, after weakening in 2020 to around 1.2x (excluding final dividend of 2020); assuming the company refinances its maturing loan facility.

Acquisitions Support Diversification: We expect acquisition of the Stanmore Coal stake and a 50% stake in the Ravenswood gold mine to support GEAR's business diversification. We expect Stanmore Coal to contribute to 20%-25% of the group's EBITDA starting 2022. However, dividends from the acquisitions will remain minimal over the next two years in light of their own large capex plans.

GEMS' Limited Mine Diversity: The PT Borneo Indobara (BIB) mine accounts for more than 90% of GEMS' total production and 67% of its proven and probable (2P) reserves. BIB's production ramp-up plans mean the contribution from GEMS' other mines will remain small over the next four years. The reserve concentration risk is partly offset by the geographical spread, with about 30% of 2P reserves outside of Kalimantan. Operational risk is mitigated by agreements with leading Indonesian mining contractors, such as PT Saptaindra Sejati, a subsidiary of PT Adaro Energy Tbk, and PT Putra Perkasa Abadi.

Long Reserve Life: GEMS has one of the largest reserves among coal-mining peers in Indonesia. GEMS' reserves are the fourth-largest in Indonesia, with proven reserves of around 807mt at end-2020 (proven and probable reserves: 1,033mt), or a reserve life of 20.2 years based on its target annual production of 40mt. GEMS' BIB mine accounts for 72% of the proven reserves at 589mt, with a second-generation licence valid until 2036.

Moderate Linkages: Fitch maintains its assessment of moderate linkages between GEAR and GEMS under our Parent and Subsidiary Linkage Rating Criteria, with moderate legal and operational ties GEAR has majority representation on GEMS' board, and is involved in managing the operation. GEAR's standalone operations are not significant and it depends on dividends from its subsidiaries, primarily GEMS, to service its debt.

An agreement with GEMS' shareholders ensures that the company will maximise profit distribution by paying at least 80% of its free cash flow as dividends. However, GMR Coal Resources Pte. Ltd, which owns 30% of GEMS, has also appointed key management personnel to the company and has veto power in major corporate transactions.

Derivation summary

The ratings on GEAR are based on the financial metrics of the group, and factor in the group's adequate financial profile, large reserve base of its key assets, the low-cost position of GEMS, and the limited but improving scale of operations.

PT Indika Energy Tbk (BB-/Negative) has more integrated operations across the thermal coal value chain, but GEAR benefits from improving diversification after acquiring Stanmore Coal, although the latter's contribution to cash flow will be minimal in the next two years. The expected ramp-up in thermal coal production of GEAR's key subsidiary - GEMS - should result in its volumes reaching those of Indika in 2021. Indika's larger scale in terms of EBITDA and well-established operations justify the one-notch difference in their IDRs, as GEAR's key assets, GEMS and Stanmore, are still ramping up production. The Negative Outlook on Indika reflects the limited headroom in its rating because of our expectations of weakening financial profile with high leverage.

Compared with PT Bayan Resources Tbk (BB-/Stable), GEAR's business profile benefits from diversification into hard coking coal. While GEMS now has larger scale in terms of volume, Bayan's better profitability from its stronger energy-adjusted cost position supports its stronger operating cash flow, explaining the one-notch differential in their ratings. GEAR and Bayan have strong financial profiles.

Key assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer:

- Index coal prices in line with Fitch's mid-cycle commodity price assumptions, adjusted for the difference in calorific value (thermal coal average Newcastle 6,000 kcal/kg, free on board (FOB): USD72/tonne in 2021, USD66/tonne in 2022 and 2023, and USD63/tonne thereafter) and hard coking coal (Australia premium spot, FOB: USD 135/tonne in 2021 and 2022, and USD 140/tonne thereafter).

- GEMS' total volume of coal sales to be at 34.9mt in 2021; thereafter increasing by 3mt-5mt a year until 2024.
- Capex incurred by GEMS at USD20 million in 2021, USD25 million-27 million a year during 2022-2023 before declining to USD12 million in 2024
- Outflow of USD50 million in 2021 at GEAR for the equity injection to acquire stake in Ravenswood gold mine.
- Metallurgical coal sales volumes of 2.1mt-2.3mt per year in 2021-2024, and EBITDA contribution of around USD16 million-75 million per year from Stanmore Coal in 2021-2024.
- Stanmore Coal capex of USD35 million-45 million a year during 2021 and 2022, declining to USD12 million and USD8 million in 2023 and 2024, respectively.

Rating sensitivities

- Factors that could, individually or collectively, lead to positive rating action/upgrade:
- GEAR's holding company's standalone EBITDA/interest cover of above 2.5x on a sustained basis (2020: 1.2x)
- Sustainable improvement in the scale of operations for the group;
- Net adjusted debt/EBITDA of less than 2x, based on a proportionate consolidation of GEMS and full consolidation of Stanmore Coal after adjusting for minority interests.
- Factors that could, individually or collectively, lead to negative rating action/downgrade:
- GEAR's holding company's standalone EBITDA/interest cover of below 2.0x;
- Net adjusted debt/EBITDA of more than 3x, based on a proportionate consolidation of GEMS and full consolidation of Stanmore Coal after adjusting for minority interests.

Best/worst case rating scenario

International scale credit ratings of Non-Financial Corporate issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit https://www.fitchratings.com/site/re/10111579.

Liquidity and debt structure

Adequate Liquidity: GEAR's healthy cash flow generation and well-spread debt maturities underpin the group's adequate liquidity. The group had USD380 million of debt at end-2020 (end-2019: USD320 million), which includes USD110 million of short-term debt, of which USD58 million is a revolving working-capital facility at GEMS. In comparison, it had cash and cash equivalents of USD275 million. The debt increased primarily to fund the investment in Stanmore Coal.

The group's debt, at GEMS and the holding-company level, has a gradual repayment structure except for the bond repayment in 2023. We expect the group to require partial refinancing of the bond, before 2023. We regard the refinancing risk as low, after taking into account GEAR's adequate credit profile and access to banks and capital markets.

References for substantially material source cited as key driver of rating

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg. C

Adaro ventures into green business

By **Tri Subhki R.**

Energy transition agenda to cut carbon footprint has been implemented across the globe both by governments and corporates. Jumping on the green bandwagon, IDX-listed energy producer PT Adaro Energy Tbk has planned to soon launch its ninth business pillar called Adaro Green Initiative, as part of its transformation into more environmentally friendly company.

"Adaro has to diversify into more green business. So, we are developing the ninth pillar that we call Adaro Green Initiative," Garibaldi Thohir, President Director & Chief Executive Officer (CEO) of Adaro Energy said recently.

Adaro currently has eight business pillars, including Adaro Mining, Adaro Power and Adaro Logistics. Garibaldi stated that coal still offers prospective business for the next decade, but he fully understands that the company has to reform into more environmentally friendly entity.

Adaro Energy, according to Garibaldi, considers any type of renewable energy development in the future such as biomass, solar power, hydropower and wind turbine.

"We are very serious and will only develop large scale projects through the ninth pillar," Garibaldi said, adding that Adaro Energy will soon realize the Adaro Green Initiative this year.

Adaro Energy owns some major customers, such as Japan, that have same commitment to reduce carbon emission in the future. The company plans to leverage the good relationship with the existing customers to develop renewable energy projects. "We see opportunity to develop biomass power plant, such as wood pellet," said Garibaldi.

He added that Adaro Energy will focus on an organic development but he did not rule out any possibility for a non-organic development, such as takeover or joint venture with other entities.

Adaro Energy, through Adaro Power, is finalizing contract for capacity expansion of its solar PV in Kelanis Dedicated Coal Terminal, which be increased from 130 kWp to 597 kWp. Adaro Energy also plans to develop water treatment and forestry for carbon capture opportunities.

He also mentioned about carbon credit opportunity in the future as Adaro Energy develops ecosystem rehabilitation at its largest jobsite, PT Adaro Indonesia, South Kalimantan Province.

As part of Adaro Green Initiative, Adaro Energy also eyes hydrogen fuel opportunity in the future amid the growing demand of electric vehicle (EV). "Both battery and hydrogen EV will grow in the future," he said.

Coal pillar

However, Garibaldi suggested that coal remains the most reliable and the most competitive energy source to fuel power generation for the next decade. He said that coal related businesses will be Adaro Energy's main business pillar.

Garibaldi suggested that the coal export from Indonesia will be solid in the next few years, particularly to China, as the China-Australia political tension lingers.

Despite optimism of coal market in recent months, Adaro Energy remains conservative in setting operational and financial guidance as uncertainties remain. Adaro Energy's coal production target of 52-54 million tons in 2021 is 0.98 percent to 5 percent lower than that of 2020 year-on-year.

He confirmed that Adaro Energy may not change the indicative targets of 2021 following the government's decision to add 75 million tons of coal for export. "We do not want the coal prices drop due to more coal supply," he said. C

United Tractors gears up this year

By **Tri Subhki R.**

After year of unprecedented turbulence due to COVID-19 pandemic in 2020, IDX-listed and diversified mining and mining service provider PT United Tractors Tbk gears up amid improving commodity prices, such as coal and gold.

United Tractors allocate US$290 million of capital expenditure in 2021, mainly for mining contractor and the expansion of Martabe Gold Mine's gold processing plant. In 2020, United Tractors spent $162 million of capital expenditure.

Frans Kesuma, President Director of United Tractors, confirmed that the company has to change the corporate policy following the current business improvement.

"We previously tried to limit the capital expenditure, such as avoiding heavy equipment replacement, but now we have to change it," he said. Frans also added that the company may increase the number of manpower this year.

Frans also added that United Tractors expects increasing demand for coal mining contracting this year following the improving coal prices. "Our plan is how to increase the production volume of PAMA for the existing customers," he said.

As of March 2021, PAMA recorded net revenue of Rp7.0 trillion, down by 15 percent from Rp8.2 trillion. PAMA recorded 4 percent decrease in coal production from 28.0 million tons to 26.9 million tons, and 10 percent decrease in overburden removal volume, from 212.7 million bcm to 191.0 million bcm.

Iwan Hadiantoro, Director of United Tractors, stated that $143 million of capital expenditure for mining contractor business segment will mainly allocate for heavy equipment replacement by purchasing new heavy equipment and replacing depreciated assets.

"For Martabe Gold Mine, we allocate $120 million mainly for expanding the capacity of the gold processing plant, which currently has full capacity of 6 million tons, and we will expand it to 6.5 million tons," he said.

Frans Kesuma added that the expansion plan aims to increase the gold recovery rate from the processing plant. He mentioned that the gold ore grade of Martabe Gold Mine keep decreasing which consequently lowering the gold recovery rate.

"One of our strategies is increase ing the throughput from 6 million tons to 6.5 million tons," he said.

Martabe Gold Mine, a gold mine asset owned by diversified mining and mining service provider PT United Tractors Tbk, sets gold sales target at 340,000 ounces in 2021, a higher target than realized gold sales of 320,000 ounces in 2020.

The increasing gold sales target is supported by the improving mining operations amid the COVID-19 pandemic situation. Martabe Gold Mine, located in North Sumatra Province, is operated by United Tractors' indirect subsidiary PT Agincourt Resources. "In 2020, we sold 320,000 ounces of gold, we expect to realize our gold sales target this year at 340,000 ounces," Iwan said.

Focus on coal

PT Pamapersada Nusantara or PAMA, a mining contractor and subsidiary of United Tractors, may not tap nickel mining contracting prospect since nickel mining requires much smaller heavy equipment fleets. "Currently, we do not have any plan to tap nickel mining contracting prospect since there is a huge difference between coal and nickel mining," Frans said.

Frans stated that PAMA operates mostly huge size heavy equipment, such as 100 tons capacity dump trucks, and understands that nickel mining generally is operated by mining contractors which are already familiar with the nickel mining activities.

PAMA provides mining services for a number of big coal mines, which include those owned by namely PT Adaro Indonesia, PT Bukit Asam Tbk, PT Indominco Mandiri, PT Kideco Jaya Agung, PT Kaltim Prima Coal and PT Jembayan Muarabara. C

Antam focuses on mineral processing business

By **Tri Subhki R.**

IDX-listed state-owned mining company PT Aneka Tambang Tbk or Antam has unveiled its plan to focus on developing nickel smelters and boost the output of nickel ore this year, capitalizing on the rise of nickel prices as well as a growing nickel demand from domestic market as more nickel smelters will come online this year.

In order to support the above plan, Antam has decided to allocate Rp2.84 trillion of capital expenditure this year, which will be mostly spent for business development, particularly the completion of ferronickel smelter in East Halmahera and smelter grade alumina refinery (SGAR) Mempawah in West Kalimantan.

"This year, we focus on the mineral processing business in line with an improvement of domestic market demand for nickel and the increased number of nickel smelters that will start commercial operation," Kunto Hendropawoko, Senior Vice President (SVP) Corporate Secretary of Antam, said recently.

Kunto stated that the construction progress of East Halmahera ferronickel smelter has reached 98 percent. The company expects the new ferronickel smelter to contribute to Antam revenues in the immediate future driven by bright outlook of nickel prices.

"Once the new smelter starts operation, it may add 13,500 tons of FeNi production capacity, which means that Antam's total ferronickel production capacity would reach 40,500 tons of Feni," he said.

Kunto also mentioned that Antam is committed to supply raw materials for the Indonesia Battery Corporation (IBC), a nickel-based ecosystem and part of electric vehicle value chain. The EV battery supply chain starts from the nickel processing, production of precursor and cathode to battery cell and battery pack.

Antam also focuses on the completion of its smelter grade alumina refinery (SGAR) project in Mempawah in collaboration with PT Inalum.

The government provides washed bauxite export permit for Antam as the company is developing the SGAR. "The bauxite ore sales target this year is set at 2.73 million wmt, and the production target is set at 3 million wmt. The product sales will be mostly destined to China," Kunto said. Antam has obtained the permit to export washed bauxite ore with Al2O3 content of ≥42 percent.

Besides exporting bauxite ore to China, Antam also supplies bauxite ore to Chemical Grade Alumina (CGA) smelter Tayan, West Kalimantan. Antam, through its subsidiary PT Indonesia Chemical Alumina (ICA), produced 93,000 tons of alumina from CGA Tayan.

The company's bauxite ore production in 2021 is targeted to reach 3 million wet metric tons (wmt), which is 93 percent higher than the realized production in 2020 at 1.55 million wmt. Antam doubles bauxite ore sales target this year to 2.73 million wmt from realized sales of 1.23 million wmt in 2020. C

Antam's operational guidance 2021

Product	Volume	
	2020	2021
Ferronickel (TNi)	25,970	26,000
Nickel ore (million wmt)	4.76	8.44
Gold (troy oz)	53,756	44,175
Silver (troy oz)	385,552	351.536
Bauxite ore (million ton)	1.55	3
Alumina (thousand ton)	92	9

Antam

ICMA initiates energy transition push

By **Tri Subhki R.**

Amid the increasing global pressure on energy transition toward a more environmentally friendly actions both for governments and corporates across the world, industry players are increasingly aware that the trend is inevitable and they have to adapt.

As one of industry players, Indonesia Coal Mining Association (APBI-ICMA) fully understands that the global trend of energy transition should be adopted sooner than later.

"Energy transition is inevitable and we must change ourselves, otherwise others will change us," Pandu P Sjahrir, newly re-elected Chairman of ICMA, said to *CoalAsia* Magz, recently. Pandu will chair ICMA for 2021-2024 period after two consecutive chairmanships.

Pandu was re-elected as the industry faces the challenge of energy transition amid global drive to cut down greenhouse gas emissions.

After being re-elected, Pandu said that he will take swift actions to realize the ICMA's commitment on energy transition. As an association of coal producers with up to 75 percent of total domestic coal production, ICMA has responsibility both for domestic and global societies.

"We remain the major contributor to national interest by providing most efficient energy source for the next decade. Yet, we also have responsibility to international societies," Pandu said.

The government of Indonesia has ambitious plan to be a carbon neutral country by 2050 by among others promoting the development of renewable energy and reducing the use of fossil fuels, including coal.

In 2020, according to National Energy Council data, coal contributed about 38.04 percent of to the national energy mix and is expected to be slashed to 30 percent by 2025. Oil consumption is estimated to be lowered to 25 percent of the energy mix, compared to 31.60 percent in 2020. However, natural gas use is expected to rise up to 22 percent by 2025 from 19.16 percent in 2020.

On the other hand, the government aims to boost the renewable energy share up to 23 percent by 2025, while the realized capacity in 2020 was 11.2 percent.

Pandu mentioned about the government's goal for the country to achieve carbon neutral by 2050 in which ICMA will also actively be involved in the efforts. ICMA will have new nomenclature that accommodates energy transition issues in the new organization structure.

"We will invite young leaders in mining industry to be part of this energy transition committee," Pandu said adding that it is part of ICMA's fundamental transformation for the next three years.

For the next six months, as the first step, Pandu said that he will mainly focus on educating and socializing the energy transition issues in the coal industry as this is a relatively new issue for domestic coal industry. "We will talk about the potential of carbon credit for coal industry," he said.

ICMA will cooperate with carbon credit experts regarding the huge potential of carbon credit and benefits for coal producers in Indonesia. "There is hundreds million tons of potential

carbon from all industries, including coal, and we want to create carbon credit market here," Pandu said.

Currently, ICMA is studying the particular potential of carbon trading in coal industry and will offer all the commercial benefits in implementing energy transition for domestic coal producers.

"It will be mostly related with reclamation whether it may be reforestation, mangrove development or other alternatives," Pandu said.

To further pushing the energy transition initiative, Pandu who is also Commissioner of Indonesia Stocks Exchange (IDX), plans to mandate listed companies, including coal producers, to provide annual ESG reporting starting from next year.

There are some examples of listed

coal producers that already have been implementing energy transition agenda in their business lines. are Among them include others PT Indika Energy Tbk, PT Adaro Power Tbk and PT TBS Energi Utama Tbk, who which are developing renewable energy, particularly solar power plants.

Coal markets

ICMA provides coal supply for both domestic and export markets, which but mostly of current coal production is destined for export markets. The government initially planned to produce 550 million tons of coal this year, where 395 million tons will be exported. Recently, the Decree of Minister of Energy and Mineral Reserves (MEMR) No 66.K/HK.02/MEM.B/2021 adds 75 million tons of coal for exports this year.

Pandu stated that Indonesia should focus on some key export markets such as China, Japan, Taiwan and India. "But we expect that there will be decreasing demand in the future following the coal phase-out trend," he said.

Global pressure on coal phase-out reflects the intensifying demand to reduce burning coal. It gives major blow for coal-fired power plant developers across the globe since increasing number of global lenders avoid or reluctant to provide financing for coal-related projects.

"The global pressure requires us to switch to other than coal, and we must recognize it because it also relates with our domestic coal utilization for power generation," Pandu said.

Regarding domestic coal utilization, ICMA will also lead the implementation of coal downstream coal projects and applauds two ICMA's members that have been developing coal gasification projects namely coal-to-methanol and coal-to-DME.

"Two of our members namely PT

Kaltim Prima Coal (KPC) and PT Bukit Asam Tbk have been developing coal gasification projects," Pandu said.

To accelerate the development of coal gasification projects, Pandu mentioned about the importance of government's supports for project developers, for instance fiscal incentives in a bid to improve the economic scale of these projects.

KPC collaborates with Itchaca Ithaca Group and Air Products in developing coal-to-methanol in Bengalon, East Kalimantan Province which is estimated to start commercial operation in 2024. It will absorb 5-6 million tons of coal per annum to produce 1.8 million tons of methanol per annum.

PTBA, Pertamina and Air Products develop coal-to-dimethyl ether in Tanjung Enim, South Sumatra Province which is estimated to start commercial production in 2025. It will absorb 6 million tons of coal per annum and produce 1.4 million tons of DME per annum.

Next achievement

Pandu stated that energy transition is ICMA's next achievement for the next three years. ICMA previously has reached some major achievements, which include among others the implementation of Mining Law No 3/2020, the coal sales agreement with China amounting to 200 million tons, the utilization of fly ash bottom ash (FABA) and the implementation of Domestic Market Obligation (DMO).

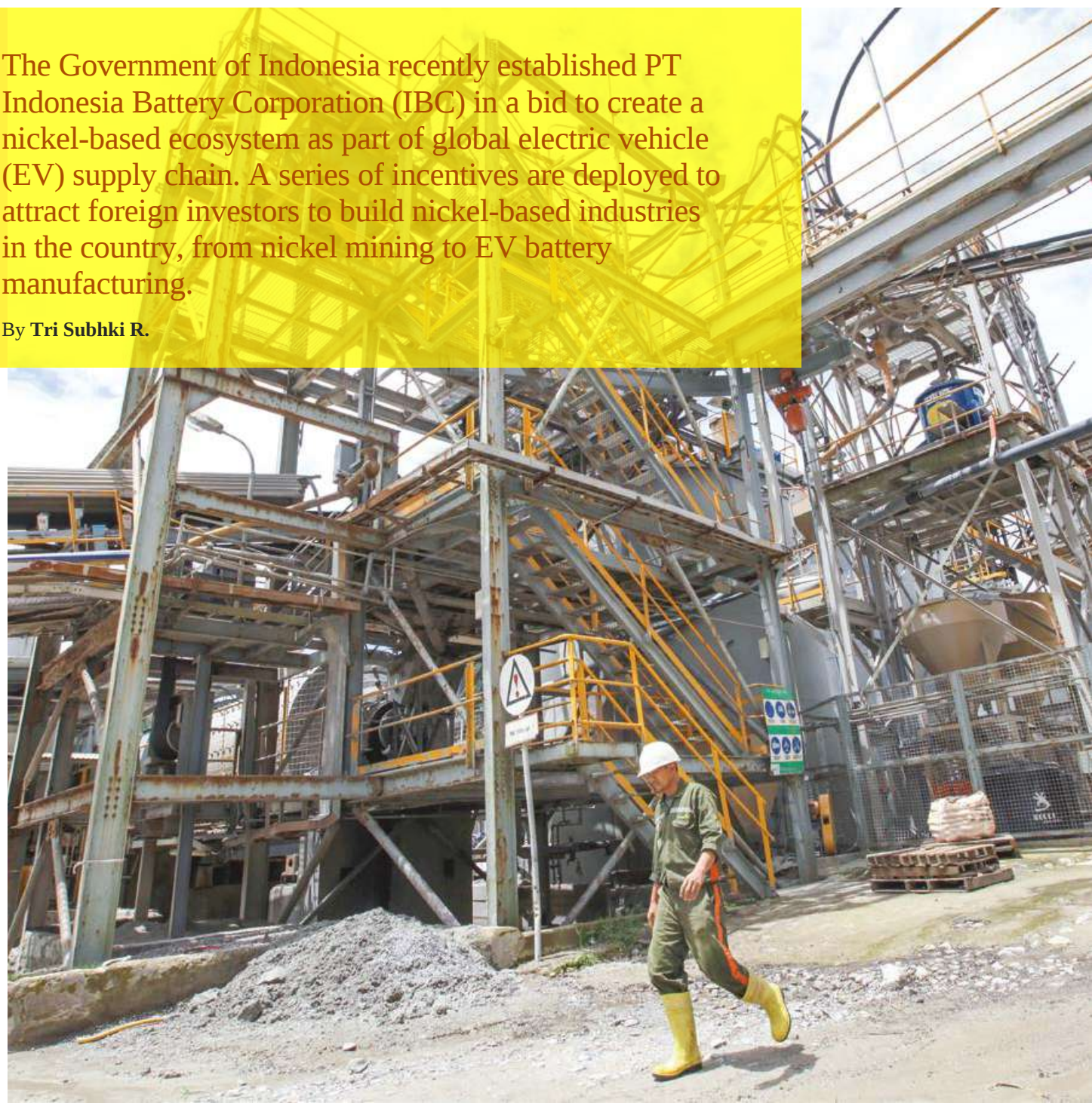
"We achieved those targets and this is our next target," Pandu said referring to the ICMA's energy transition push. He added that ICMA should have indicative KPI (Key Performance Indicator) in achieving the energy transition targets for next three years.

Eventually, Pandu aims ICMA should be at the forefront in implementing environmentally friendly initiatives and associated with green development in Indonesia. C

RED-CARPET FOR NICKEL-BASED ECOSYSTEM

The Government of Indonesia recently established PT Indonesia Battery Corporation (IBC) in a bid to create a nickel-based ecosystem as part of global electric vehicle (EV) supply chain. A series of incentives are deployed to attract foreign investors to build nickel-based industries in the country, from nickel mining to EV battery manufacturing.

By **Tri Subhki R.**



However, some key challenges need to be addressed to accelerate the development of nickel-based ecosystem, among others the environmental and financial aspects.

The government has set a plan launch market sounding in the second half of this year to attract foreign lenders for domestic smelter development. The government aims to attract investors from United States of America, European Union (UE) and Asian countries.

The government sets target a total of 53 smelters will be in operation by 2023, mainly nickel smelters. As of the end of 2020, 19 smelters have already been in operation and 34 smelters are under construction and planning phases.

"We will start the market sounding in second half of this year by attending international business events abroad," Sugeng Mugiyanto, Director of Mineral Development and Management at ESDM, said recently.

The government, according to Sugeng, will help smelter developers to find project financing by proposing the smelters development as part of the National Strategic Projects (PSN) in a bid to minimize bureaucratic hurdles.

Based on Presidential Decree Number 10/2021 regarding Business Sector engaging in Capital Investment, base metal industry is one of the 17 priority industries which are eligible to get both fiscal and non-fiscal incentives, in the form of tax holidays, tax allowances and investment allowances incentives.

Moreover, the government also offers lean bureaucracy by introducing the Online Single Submission (OSS) Risk-Based Approach (RBA) which will be implemented in early June this year.

Aries Indanarto, Special Advisor to the Chairman on Investment Priority Sector Development at the Indonesia Investment Coordinating Board (BKPM), said that BKPM will handle the OSS-RBA to facilitate investors who are willing to invest in nickel-based ecosystem in Indonesia. "The process will be more transparent, simpler and faster," he said recently.

The OSS-RBA categorizes business sector based on the risk factors, namely low risk, medium-low risk, medium-high risk and high risk. "Smelter is categorized as high risk," Aries said.

The government have invited foreign investors to cooperate with state-owned enterprises (SOE) under IBC to develop nickel-based ecosystem. There are four global EV players who have stated their commitment to invest, with an stimated total investments, as follows:

COMPANY	INDUSTRY	INVESTMENT
LG	integrated battery industry	US$9.8 billion
CATL	integrated battery industry	US$5.2 billion
BASF	precursor and cathode industry	-
Tesla	EV battery industry	-

Not only EV battery industry, but the government also moves to attract investors to develop manufacturers that are not available in the nickel-based industry tree. “We invite industry players to invest in the white branches in a bid to help us in creating an integrated upstream to downstream industries,” Sugeng said.

Opportunities

Indonesia is blessed with competitive advantage compared to other nickel producers across the globe, where Indonesia’s limonite (low grade nickel ore) has both nickel and cobalt contents. The country has 1.4 billion tons of measured resources and 223.9 million tons of proven reserves of limonite or representing 23.7 percent of world’s nickel reserves, the world’s largest nickel reserves.

EV Battery represents 35 percent of the EV components, in which nickel has 80 percent of EV battery components.

Susiana Ekasari, Associate, Energy and Utilities of Oliver Wyman, said that apart from abundant nickel reserves, Indonesia also has several advantages in global nickel value chain.

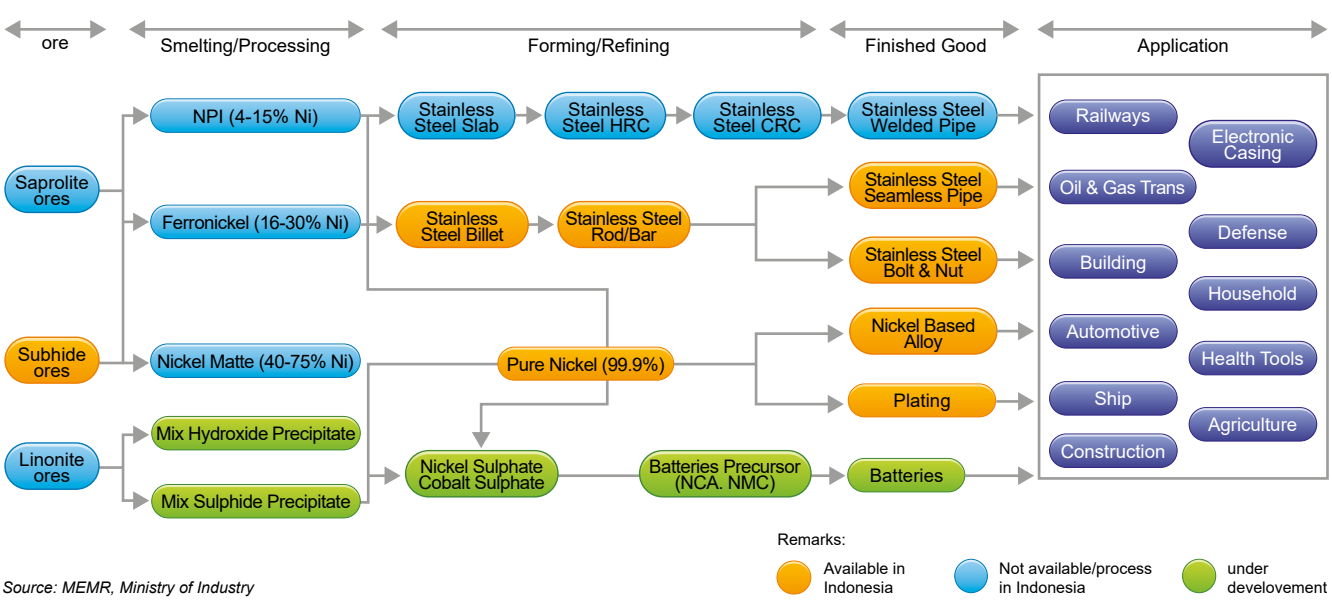
“Indonesia is located in direct nautical trade routes to major EV manufacturers in Japan and China,” she said. In addition, Indonesia owns large pool of low cost workers, totaling about 134 million labour force and relatively cheap electricity rates in the region.

The existing nickel-based industries in Indonesia, produces NPI and ferronickel which are mainly utilized by the stainless-steel industry. Indonesia Nickel Industry Forum (FINI), a nickel smelter association, is expected to increase the export value of nickel processed products, such as NPI and stainless steel, up to US$14 billion in 2021, or higher than estimated export realization of $10 billion in 2020.

“We estimated that all our members were exported about $10 billion last year. This year, I think, we can reach about $14 billion of NPI and stainless-steel export,” Alexander Barus, CEO of PT Indonesia Morowali Industrial Park (IMIP) and Chairman of FINI, said at a webinar hosted by Petromindo.com on Thursday (22/04).

FINI currently has 23 members of nickel smelter developers which have a combined production capacity of 5.42 million tons of NPI per year. The association also has two stainless steel producers as member, namely IMIP and Virtue Dragon in North Konawe.

NICKEL VALUE CHAIN



Source: MEMR, Ministry of Industry

> The nickel ore demand is expected to increase up to 60 million tons this year as 3 nickel smelters start operating this year,"
>
> **Meidy Katrin Lengkey**, *Secretary General of the Indonesian Nickel Miners Association (APNI)*

From the upstream perspective, Indonesian Nickel Miners Association (APNI) stated that the nickel ore demand is projected to improve this year, supported by some nickel smelters which starts operating this year. APNI estimates the domestic nickel ore consumption will reach 60 million tons in 2021 or higher than 46 million tons in 2020.

"The nickel ore demand is expected to increase up to 60 million tons this year as 3 nickel smelters start operating this year," Secretary General of the Indonesian Nickel Miners Association (APNI) Meidy Katrin Lengkey, told petromindo.com on Monday (19/4).

Based on the approved the Work Plan & Budget (RKAB), Meidy added, the nickel ore production in 2021 is targeted to reach about 120 million tons or relatively flat nickel ore output compared to last year.

Challenges

In anticipating the future demand of battery for electric vehicle (EV), Alexander also mentioned that IMIP plans to develop cathode for lithium-battery factory with total capacity 240,000 of Ni metric ton per year.

"However, the main challenge is that there has been no solution over the tailing (problem) since two years ago," he said. Alexander stated that deep-sea tailing is not permitted, however, land-based tailing dump will reduce the product's competitiveness as it requires much higher costs.

IMIP, according to Alexander, also plans to develop a used lithium battery recycling industry with a production capacity of 20,000 metric tons per year. "However, it requires green light from the government regarding the tailing," he said.

Environmental issues are one of major hurdles in the nickel-based industry development in Indonesia. Most of the nickel mining and processing activities are considered to have caused negative environmental impacts such as carbon footprint and tailings.

Environmental issues lead to a financing challenge as the increasing a number of global lenders are also assessing the environmental, social and governance (ESG) standard as part of the requirements before providing project financing.

In addition, Adjie Harisandi, an analyst at the Mining Sector of the Office of Chief Economist PT Bank Mandiri Tbk, stated that the quality of domestic banking sector loan portfolio to base metal industry is quite poor.

"The non-performing loans (NPL) of base metal industry stood at 9.5 percent in December 2020. It is quite high compared to the overall banking sector NPL," he said.

Adjie also confirmed that lenders are increasingly considering environmental impacts when providing lending, and that there are indications that nickel mining in Indonesia has yet to perform environmentally friendly-mining activities.

"ESG financing will increase in the future," Adjie said referring to Environmental, Social and Governance (ESG) standards. C

By Ian Wollff
The author is an expatriate principal geologist of about 30 years' experience in the Indonesian exploration and mining industry. The authors' web site is www.ianwollff.com

Webinars point to the future of Indonesian Mining

The webinar has taken off as the principal way to communicate some new government policy, new mining methods, a geological theory, a new product, along with education components in many geoscience fields. Webinars are conducted by Indonesian mining professional association [PERHAPI], geological association [IAGI, MGEI, FOSI etc] along with various industry associations (coal, nickel etc) and industry media [Petromindo.com / Coal Asia Magazine, Tambang Magazine] along with universities, government departments, a range of service industries [HIS Markit] and even with foreign trade missions. Indonesians are treated to several webinars a week, with some even being held in the evening or on weekends. The depth of speakers is amazing, drawing upon experienced professionals, Indonesian and international professors.

The convenience of working from home, plus the ease and low cost to hold a webinar will likely see webinars continue as a strong form of media, even after the passing of the restrictions surrounding the corona19 pandemic. Webinars are a great unifier; wherein large numbers of people can tune in or participate from the comfort of their home or office from anywhere in Indonesia. Most webinars are free, wherein sponsors and limited advertisements allow the promoter to cover costs or make a profit.

This article looks at a number of mining industry webinar topics that may provide further stimulus for discussion on the ongoing developments of the mining industry.

The future of new technology in mining

An earlier PERHAPI conference opened our eyes into the development of electric underground heavy mobile mining equipment. This 2021 PERHAPI conference was a great platform for seeing the advances in this, and other new technologies that are clearly defining the future of mining. There are many advances in all sorts of technology for open pit and underground mining that are being developed around the globe by many creative players. Indonesia miners are keen to take up these technologies to stay in the competitive front of the global mining industry.

An interesting discussion topic may be: How can the Mines Department, and other government agencies, keep up with the introduction of new technologies, and so ensure the safe and registered application of these new technologies?

The future direction of coal

The government policy to find ways to add value to the coal industry [hilirisasi] has been directed at coal gasification (underground or in surface factories), along with various schemes to process coal into other products. The various forms of technology are well known, and numerous technical and feasibility studies have been carried out, along with attempts to find serious investors. Several recent webinar presentations by Mines Department officials on hilirisasi were preceded by a statement acknowledging this hilirisasi program is championed by the President. This might be interpreted as the Mines Department starting to distance itself from this policy. Several show-case projects around Indonesia appear show little progress, and there seems to be no broad uptake of the programs across the industry. The long-term predictions of low coal and oil prices, limited supportive infrastructure, regulatory uncertainty, concern over future environmental, social and

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governance trends, and difficulties around financial viability are a number of limiting factors impacting on these hilirisasi programs. There is a growing realization by industry and the Mines Department that the momentum towards these goals is stalling.

There are signs from industry that the hilirisasi program for coal and minerals does not work for "one size fits all", and that the goal posts are moving.

The concept of hilirisasi of coal was seen as a policy linked to conserving Indonesian coal resources for the long-term national development, and to offset shrinking domestic oil & gas production. Indonesia signed the Paris climate action plan, and has been under international pressure to effectively shrink, or terminate, its coal industry. Indonesia's stated long term formal strategy is to continue to limit coal production, but changes in Indonesia's economic situation, along with the verification of abundant coal supplies, now changes Indonesian practice to expand coal exports to support the broader economy. It is understood that President Jokowi recently made a significant international announcement on enacting climate change initiatives, effectively; "Indonesia will do it in its own way, and in its own time frame". This is widely reflected in the webinar discussions wherein the long-term use of coal shall continue. For example, some state power industry executives have mentioned in webinars that coal represents the cheapest reliable source for large power plants, and that alternative energy sources should compete on this cost bases, rather than have power prices rise to allow alternative energy source to be competitive. It is understood that the state power company [PLN] is now developing a plan to look for alternative energy sources for hundreds of small diesel power plants scattered throughout remote parts of Indonesia, and that there are plans to introduce rooftop solar panels in 70 government institutions for a budget of Rp 210 bill ($ 14.5 mill). The Adaro coal mine is supporting research into alternative energy, through running a trial roof top solar power system to replace one of its isolated diesel generators, wherein this long-term study may be helpful for PLN's broader ambitions.

Indonesia's main coal producing competitors [Australia, South Africa] are largely reliant upon underground coal mining of immense reserves, rail systems and highly productive ports for large ships. Indonesia is strongly

competitive with plentiful open pit coal reserves, sophisticated mines, cheap barging and well managed off-shore ship loaders. The export of Indonesian coal has a significant role in subsidizing the consumption of domestic coal – through economies of scale, along with various industry support requirements. Indonesia has developed a special low heating value (CV) export market in Asia. Australia, Russia and others focus on the higher heating value coal market segment, in part due to the relative shipping cost and the types of coal mined in these countries. Indonesia has some high heating value coals, that could compete in these international markets, but open pit reserves are shrinking. Indonesia has some underground coal resources and a few underground coal mines.

Perhaps we can now have a discussion to switch the focus from trying to turn coal into something else, to emphasizing research into the next generation of underground coal mines.

The future of ore exports

The old cold war policies of strategic minerals are re-emerging, as kicked off by the West's reliance on China for certain Rare Earth Elements (REE). The enthusiasm over new batteries has stimulated global exploration to find and develop alternative sources of REE and other minerals. Indonesia is caught up in this frenzy to find REE, and its position as a significant source of tin and nickel is also caught up in this frenzy. Webinars show that Indonesia's policy to ban raw nickel and tin ore exports is working well, and reflects well upon the forward-looking government policy.

The introduction of the raw ore export policy started formally with the 2009 mining law that adopted a "one size fits all" approach. This program has rightly been amended to adjust to some economic realities, such as allowing Aneka Tambang to continue some raw nickel ore exports. More recently the ministry has adjusted its schedule of allowing raw ore exports, in conjunction with smelter construction, to be extended as impacted by the corona19 virus restriction on development. This one-size-fits-all policy of raw ore export ban has not worked well in the area of complex base metals and other minerals, with many mining projects stalled, and thus unable to deliver any benefit to the Indonesian people.

In response to the virus negative impact on the global economy, Indonesia further needs to stimulate the economy along with national and local development. New mining projects are a proven way to achieve such development ambitions. Perhaps this is a good time to discuss further revisions to the raw ore export policy.

The future of marketing Indonesian commodities

Marketing forces for commodities are always on the change. Recently there is a global shift towards protectionism.

Indonesian nickel products are amongst the cheapest in the world, with some leading protectionist policies from China and Europe. One example is that the European Union [EU] is now looking to impose a carbon import tax on Indonesian nickel products, reflecting the coal power used in smelting such nickel products. This EU protectionist policy has previously been seen in other commodities. The EU previously encourage the use of bio-fuels as an environment friendly alternative to fossil fuels. When it was found that European farmers production of bio fuel was more expensive than imported biofuel from Indonesian palm oil, then the European lobby to protect its farmers was developed around banning Indonesian palm oil based on claims of restricting deforestation.

Webinars show us that Vale uses hydro-electricity, and Aneka Tambang and others are looking at developing hydro power, but this direction to hydropower is not certain and will take many years.

The Indonesian foreign service, with its global network of embassy's, has been encouraged to emphasize the development of international trade. Perhaps broader and deeper discussion on marketing of Indonesia's mineral commodities could be a discussion topic.

The future of key minerals

Several industry presentations have looked at the future for Indonesian strategic minerals, using the standard criteria on risk to supply, and use in industry. Indonesian discussions have centred around such examples of finding REE to sell into world markets. Another approach may be to see what minerals Indonesia can develop domestically to offset imports. The simplest example may be salt for the food and chemical industry. Other examples of chromium and manganese were identified in a recent webinar, to support the Morowali stainless steel industry, as local supplies were found to be unreliable and insufficient. The recent Coal Asia article identified that Indonesia imports around $ 1 billion per year of phosphate products, principally for the fertilizer and food additive industries.

This is certainly an opportune time to discuss how the Mines Department and industry can work together to stimulate the exploration and development of such "key" minerals, in support of the balance of payments and grow domestic industries.

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The future of Exploration

Numerous webinars are in agreement that mineral exploration could, and should, be far more active. The Mines Department has crunched the numbers and found some commodities like coal, nickel, bauxite have long term resource / reserve potential. Webinars indicate that even these plentiful minerals need to further examine quality parameters, and turn resources into reserves. Changing global outlook over toxic trace elements, processing and a range of environmental, social and governance concerns may undermine some of Indonesia's established resources / reserves.

The moratorium on issuing new metal mineral tenements, new regulations on processing, ownership etc has made greenfield exploration less attractive, even for Indonesian industry giants. The Mines Department recognizes the importance of the exploration sector, and has introduce a range of measures that seem to be relatively ineffective in stimulating the exploration industry. The oil & gas sector is experiencing the same downturn in exploration that is predicted to eventually lead to an end of the industry. Some recent oil & gas webinars have called out the regulators, in that it is now too late for incremental changes, wherein radical change in exploration and development policy is the best way to revive the failing oil & gas industry. Perhaps much of the mineral and coal industry is not yet facing its "sunset", but the warning signs are there.

Every day is a good time to discuss how to meaningfully reinvigorate exploration in all sectors of the mineral industry.

Conclusion

The ongoing spate of fantastic webinars has highlighted Indonesia's wealth of mature industry talent, and are well connected to experts around the world. The Mines Department, and related government departments, also have well qualified and highly knowledgeable experts that understand the working of the industry. Webinars provide transparent input from a wide variety of industry advocates to the policy makers. The bottom-up call for progress is loud and strong. What is hoped for is the top-down elite to listen, and be brave to change policies to allow the mining industry to grow optimally.

These webinars show us the global mining industry is constantly changing, and can impact Indonesia in a positive or negative way. Ongoing discussions between the Mines Department, industry and stake holder groups are an essential part of socializing and adapting to change.

The webinars are a great stimulus tool, opening our eyes to many facets of the mining industry, ultimately making the mining industry a more exhilarating profession. C

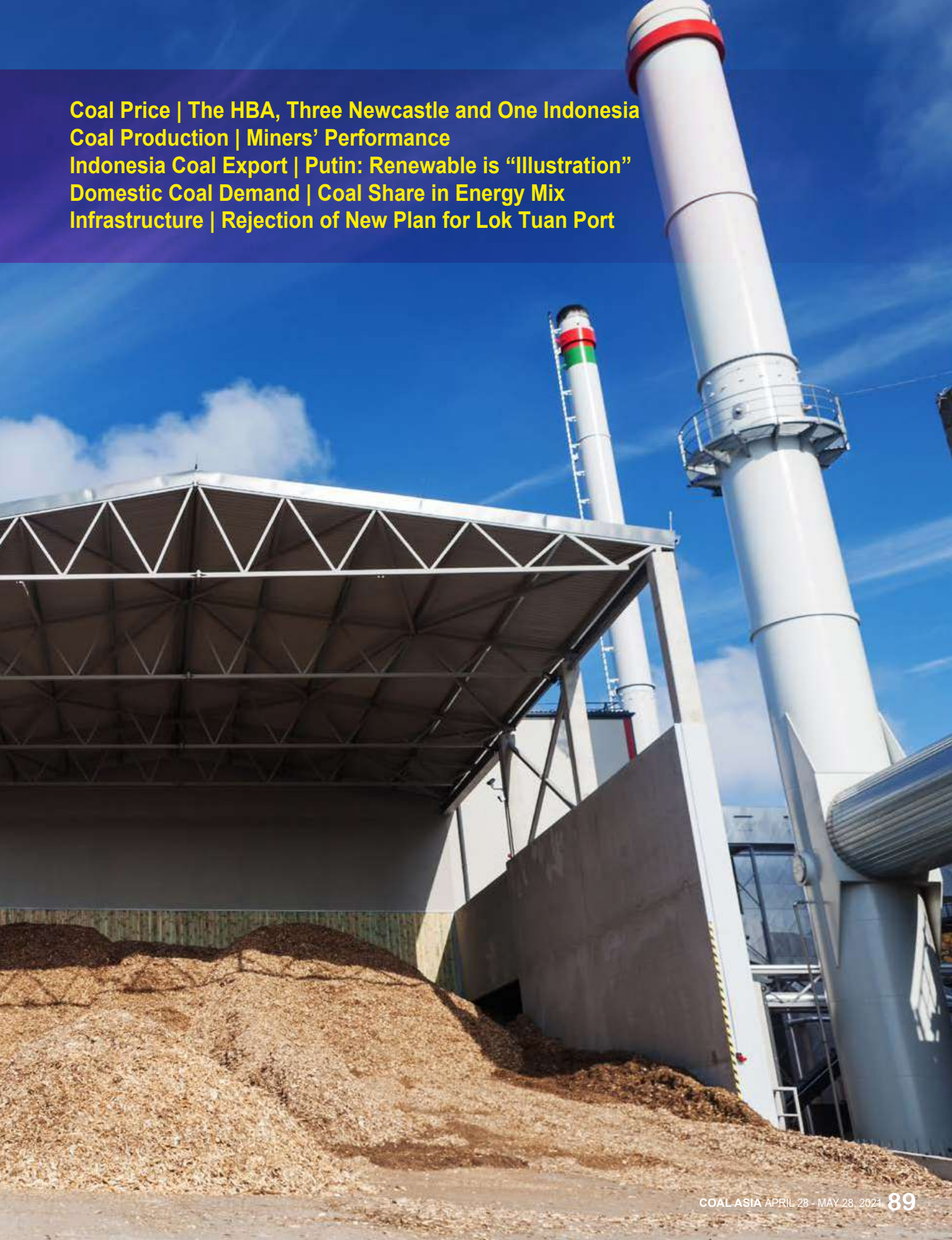
PROVIDED BY IKI - COALASIA

INDONESIAN COAL REPORT

HIGHLIGHT | PLN CO-FIRING

A "GIFT" TO THE COAL INDUSTRY?

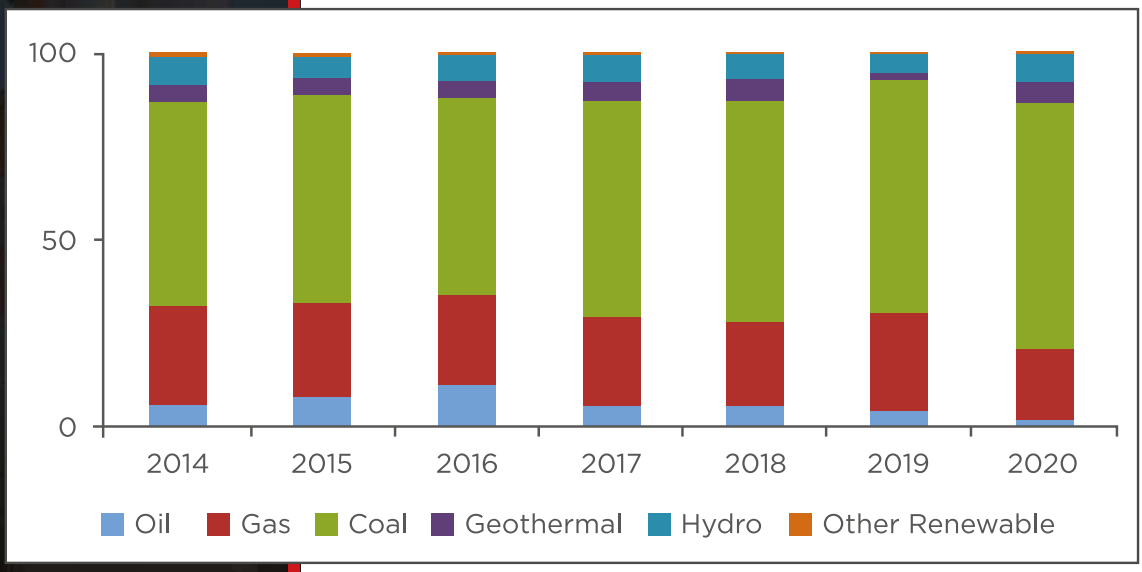
Coal Price | The HBA, Three Newcastle and One Indonesia
Coal Production | Miners' Performance
Indonesia Coal Export | Putin: Renewable is "Illustration"
Domestic Coal Demand | Coal Share in Energy Mix
Infrastructure | Rejection of New Plan for Lok Tuan Port



◆ The Issues

PT Indeks Komoditas Indonesia (IKI) notices the idea of implementing co-firing program in coal power plants has intensified recently in order to support the government's target for renewables to account for 23% of Indonesia's energy mix in 2025 onward based on the Paris agreement. ESDM said at this moment the share of renewables in the energy mix is only 11.5%, and one of the government's programs to accelerate the 2025 renewables is by increasing power production from renewable-based fuels by 10% - 15% per annum which can be achieved by increasing renewable-based power plants capacity up to 16 GW either by building new solar plants or increasing the number of geothermal plants. But the government admitted that it will be difficult to find new investors to build new geothermal plants due to the high risk and also high investment cost, and the government also faces difficulties to make new solar farms due to high investment requirement and unstable production, and power price from solar plants can increase by more than two times than coal plants if using batteries.

Chart 1 Indonesia power mix (%)



Source: PLN, ESDM, worked by IKI

ESDM also said that the government is currently drafting a new law on renewable energy to encourage investment in renewable-based power plants by simplifying licenses, government support in the infrastructure availabilities, and clauses about energy transition. ESDM explains after the issuance of the renewable energy law then the government will issue presidential regulation about re-adjustment of renewable power price to make the power price from renewables more attractive than price from coal plants. But ESDM admitted it will take time before these regulations can give effect to investment activities, therefore their first strategy to increase renewable share in the power mix is by doing co-firing at coal plants as this program will not require investment cost from the power producers and will not make any changes to the existing power plant technology.

◆ About Co-firing

PLN said co-firing is the method to produce power in coal plants by mixing coal with biomass products such as palm shells, wood pellets, sawdust, wood chips and solid waste at certain volume as at this moment using 100% biomass will make the power price higher by almost three times than power price of coal plants. PLN claims that it has started the co-firing program project since 2017, and in 2019 it had done trial at PLTU Paiton in East Java by mixing 1,000 tons – 1,500 tons of sawdust per month and the result is good and the power unit can still operate normally, and PLN also plan to increase the sawdust consumption volume in this plant up to 5,000 tons per month to replace 1.5% of coal consumption PLN said that by January 2021, co-firing program has been implemented in 32 coal plants in Indonesia, of which seven coal plants have already entered the commercial stage of operation such as PLTU Paiton, PLTU Jeranjang, PLTU Ketapang, PLTU Sanggau, PLTU Pacitan, PLTU Suralaya and PLTU Anggrek. PLN has set a target for co-firing trial to be applied at 52 coal plants Indonesia with combined capacity of 18.15 GW, and it hopes co-firing at 32 coal plants to have reached commercial phase of operation by 2024. IKI has done research, and lists some of the coal plants which have already implemented co-firing trials as shown on the table 1 below.

Table 1 Co-firing in coal plants

No	Power Plants	Capacity (MW)	Location	Type	Trials	Biomass
1	PLTU Paiton	2x400	East Java	PC	2019	Sawdust
2	PLTU Rembang	2x300	Central Java	PC	2019	Wood pellet
3	PLTU Indramayu	3x330	West Java	PC	2020	Wood pellet
4	PLTU Ketapang	2x10	West Kalimantan	CFB	2020	Palm shells
5	PLTU Tenayan	2x100	Riau	CFB	2020	Palm shells
6	PLTU Belitung	2x16.5	Bangka Belitung	CFB	2020	Palm shells
7	PLTU Anggrek	2x25	Gorontalo	CFB	2020	Woodchip
8	PLTU Kaltim	2x110	East Kalimantan	CFB	2020	Palm shells
9	PLTU Pacitan	2x300	East Java	PC	2020	Sawdust
10	PLTU Suralaya	4x400	Banten	PC	2020	Sawdust
11	PLTU Ropa	2x7	East Nusa Tenggara	Stocker	2020	Organic pellet
12	PLTU Paiton 9	1x660	East Java	PC	2020	Sawdust
13	PLTU Bolok	2x16.5	West Nusa Tenggara	CFB	2020	Woodchip
14	PLTU Tembilahan	2x7	Riau	Stocker	2020	Woodchip
15	PLTU Pulang Pisau	2x 60	Central Kalimantan	CFB	2020	Woodchip
16	PLTU Asam - Asam	1 x 65	South Kalimantan	CFB	2020	Sawdust
17	PLTU Sanggau	2x7	West Kalimantan	CFB	2020	Palm shells
18	PLTU Jeranjang	3x25	West Nusa Tenggara	CFB	2020	Waste
19	PLTU Kendari	3x10	Southeast Sulawesi	Stocker	2021	Palm shells
20	PLTU Tidore	2x7	North Maluku	Stocker	2021	Coconut shells
21	PLTU Bangka	2x30	Bangka Belitung	CFB	2021	Woodchip
22	PLTU TJA	2x350	East Java	PC	2021	Sawdust
23	PLTU Amurang	2x25	North Sulawesi	CFB	2021	NA
24	PLTU Ampana	2x3	Central Kalimantan	Stocker	2021	NA

Source: PLN, ESDM worked and compiled by IKI

PLN also said its co-firing target at this moment is only to replace 1.0% - 5.0% of the total coal consumption which will require biomass supply of around 9.0 Mt – 12.0 Mt per annum, and if this is successful then the share will be increased to 10.0% - 20% with the assumption that power plants with stocker type boilers can consume biomass up to 100%.

◆ Co-firing advantage

ESDM said it has been conducting co-firing trials in several coal plants by making combination between coal – wood pellets, and coal – saw dust with the specification as shown on the table 2 below.

Table 2 fuel specification

Commodity	Unit	Coal - Bit	Coal - Sub-Bit	Wood pellet	Palm shells	Saw dust	woodchip
Proximate/ Basis		Ar	Ar	Ar	Ar	Ar	Ar
TM	%	24.32	35.4	4.5	12.21	41.74	9.32
AC	%	7.66	2.96	1.27	0.74	2.01	0.5
VM	%	34.43	30.97	79.87	68.7	46.25	83.1
FC	%	33.59	30.24	14.36	18.4	10	16.35
TS	%	0.63	0.11	0.13	0.05	0.07	0.09
GCV	Kcal/Kg	4897	4199	4449	4343	2694	4140
AFT (red)	Celcius	1180	1200	1240	1180	1210	1500
Ultimate							
Carbon	%	48.61	43.82	48.51	48.01	28.96	49.03
Hydrogen	%	3.75	3.37	3.19	5.51	3.17	6.03
Nitrogen	%	1.09	0.68	0.24	0.18	0.15	0.22
Oxygen	%	13.95	13.22	41.26	33.3	24.8	44.12

Source: PLN, worked by IKI

ESDM claims that this program can decrease production of greenhouse gas emission such as SO2, NOx, particulate matter, and also mercury from coal plants, as it found that 20% of co-firing can reduce CO2 production up to 32% or 696 gram/Kwh, and if the co-firing is increased up to 40% then CO2 production is reduced further to only 418 gram/Kwh or a decline by almost 52% than production from normal coal plants. ESDM also said that applying co-firing of 5% woodchip will make production of SO2 and NOx to decrease respectively 11.97% and 29.60% than zero co-firing or 472 mg/Nm3 and 298.8 mg/Nm3, and if using 5% sawdust then the emission of SO2 and NOx can be reduced by almost 50% and 37% or only 285 mg/Nm3 and 267.4 mg/Nm3. ESDM concludes that using 5% woodchip or 5% sawdust can make SO2 and NOx gas emission from coal plants to be lower than the maximum limit set by the Ministry of Environment that the production of SO2 and NOx from power plants at around 550 mg/Nm3 respectively. PLN also said using 5% saw dust can reduce production of particulate matter until zero but if using 5% woodchip then production of particulate matter will increase to 30.9 mg/Nm3 but still below the limit set by the Ministry of Environment at 100 mg/Nm3.

PLN claims the co-firing program can be also used to increase its income as result of co-firing trial at PLTU Paiton shows that co-firing can reduce fuel cost by around IDR 21.30 billion per annum, and PLN also claims the co-firing by using 1.0% palm shells in PLTU Ketapang and PLTU Tenayan can reduce expenses respectively by around IDR 0.71 billion and IDR 5.84 billion per year from fuel procurement only, and it expects further cost reduction can be made in the future as it found that using biomass of around 30% can reduce temperature profile of its boilers from 894 °C to 858 °C. And ESDM added that this program can be also used to increase income for the local government as biomass fuel like saw dust and solid waste can be produce by the local people.

ESDM also said it is currently drafting drafting regulation about co-firing in order to attract power producers especially IPPs to apply co-firing at their coal plants, and this regulation will include clauses like on biomass specification, pricing mechanism of biomass and supervision of the pricing mechanism, and this regulation will be also mention about government incentives for ensuring biomass supply such as making facilities to produce biomass fuel from municipal wastes, and many more. Meanwhile, the House of Representatives (DPR) said it supported this program as co-firing will help increase renewable's share in the power mix and accordingly will reduce coal consumption of power plants in the future, but DPR has given a note that the government must guarantee sustainability of the biomass supply to help ensure stability of the power production. The Indonesia National Energy Council (DEN) also expressed its support to the program as it will increase the share of renewables in the energy mix. However, it said the government must also provide some incentives and facilities to encourage the industry's participation in this program such as with regards to price mechanism and also by imposing carbon pricing for coal plants which will force the coal plants to reduce their gas emissions.

◆ Comment from Industry

Adaro Energy said it is currently conducting co-firing trial at its power plant in South Kalimantan in support of the government program, but it hopes that the government does not make mandatory of the biomass fuel type as each coal plants has its own criteria of biomass consumption. Meanwhile, Indika Energy also said it supported this program as co-firing can increase renewables consumption, but it also expressed concerns about this program such as biomass specification and availability issue. Indonesia private power producers association (APLSI) expressed its support to the co-firing program, but it hopes this program will not disturb/interfere with the investment commitment which have been agreed to by the government as coal plants have different boiler specifications and also different technology.

The Institute for Essential Services Reform (IESR) said that this program is one of the government's plans to increase the share of renewables in the energy mix, but it predicts that a 3% co-firing will only increase the share of renewables in the power mix by 2%, thus will not cause much effect to the government's

target of 23% in 2025. IESR also calculates that co-firing programs by PLN at its 18.5 GW coal plants and IPPs will increase demand for biomass from 9 Mt – 12 Mt per annum to 18 Mt – 24 Mt which will in turn increase the price of the feedstock and thus power production cost as some of the biomass products such as woodchips and wood pellets are also exported. Therefore, it hopes that the government will ensure sustainability of the biomass supply.

Greenpeace Indonesia said the government co-firing program is not in-line with the government's program on clean and renewable energy as raw material needs for the co-firing such as palm shells and wood chips come from plantation industry which is not environmentally friendly. Greenpeace also believes that this program will have less effect in reducing greenhouse gas emission as it estimates a 5% co-firing will reduce gas emission by only 5.4%, and it added that this program will not be economical for coal plants because applying a 5% co-firing will need around 25 Mt of wood pellet or 3.6 Mt of waste pellet which will produce more pollution to the air, and to reduce it then the coal plants must implement retrofitting to its air pollution control system.

The Institute for Energy Economics and Financial Analysis (IEEFA) said co-firing technology has been invented by other countries since late 90's, but until today the application of this technology in power plants is the least than other technologies due to the high price of biomass, difficulties in creating continues supply chain, and also because of many technical problems which happened to the power plants, and it claims that all of these challenges have made both the US and China governments not able to develop and apply this technology in large scale of production although both countries have abundant biomass potential, huge coal plants capacities, and also advantages in the power plant technology. IEEFA believes that PLN will also face the same issues in developing this technology especially in terms of price and supply sustainability, and it also predicts that this technology will create more pressure to the PLN financial condition as operation cost will increase as the effect of decrease in fuel cost efficiencies, increase in ash deposition in the boiler and corrosives which increases cost for maintenance. Therefore, it suggests the government to do more study about this technology especially on economic feasibility, biomass supply chain and its specifications, and it also hopes the government to provide some policies and incentives to support this technology like determination of feed-in-tariff and also make the portfolio standards in the renewable consumption.

◆ Conclusion

IKI notices that in 2020 the share of renewables in the power mix jumped to 13.1% which was driven by increased production from geothermal and hydro plants by 3.6% and 2.0% y-o-y, and the power production from other renewable types such as solar, wind and biomass plants also increased but accounted for only 0.33% of the total power production, and IKI believes the huge increase in the renewables' share in 2020 was mostly caused by decrease in power demand due to Covid-19 which then made power producers in Indonesia to

decrease production from fossil fuel especially gas plants due to price, but increased production from coal plants which IKI thinks happened to overcome high power price from geothermal plants. And based on the 2020 situation, IKI then thinks that in order to increase renewables' share to 23% within the next five years then the government must increase power production from renewable-based plants by around 15.0% per annum which will be difficult due delay in the completion of renewable-based projects due to Covid-19 coupled with the government plan to cut power plant projects including renewables in the PLN's new RUPTL 2021 – 2030, and the decrease in power plant projects was also caused by high power reserves margin and also because of PLN's financial condition especially its debts structure (please go to previous IKI report for details).

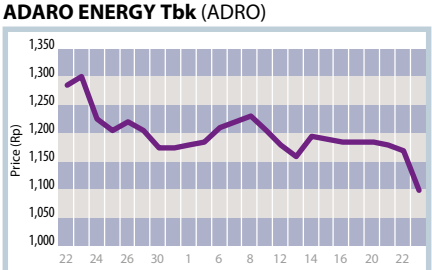
In IKI's opinion the above condition is the major reason which made the government to propose the co-firing application at coal plants, not only to increase the share of renewables but also to increase utilization of the coal plants. IKI has made "rough" estimate based on the numbers given by PLN, as quoted by IKI in this article, that the government must apply biomass co-firing of almost 18% to PLN's 18.5 GW coal plants to help achieve the target for renewables to account for 23% of the power mix by 2025, and this rate will be more difficult to achieve as almost all coal plants with large capacity are using PC boiler as shown on table 1 above which means that maximum allowance for co-firing is only 5% or even only 3%, which IKI thinks happen because of the power plants age. But, on the other side IKI believes this co-firing could also become a "gift" for the coal industry as **it means that the government is trying to increase the coal plants operating life**.

SHARESPERFORMANCE

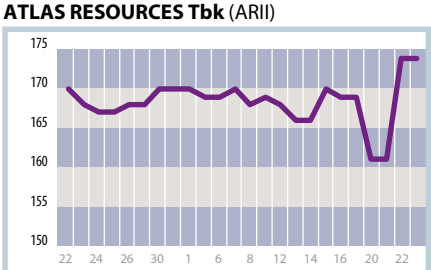
IDX-Listed coal miners shares performance

No	Company	MARCH 2021				APRIL 2021							
		22	24	26	30	1	6	8	12	14	16	20	22
1	ADARO ENERGY Tbk (ADRO)	1,285	1,225	1,220	1,175	1,180	1,210	1,230	1,180	1,195	1,185	1,185	1,170
2	ATLAS RESOURCES Tbk (ARII)	170	167	168	170	170	169	168	168	166	169	161	174
3	BAYAN RESOURCES Tbk (BYAN)	12,500	12,475	12,475	12,475	12,500	12,475	12,500	12,275	12,025	12,300	12,150	12,600
4	BORNEO LUMBUNG ENERGI & METAL Tbk (BORN)												
5	BUMI RESOURCES Tbk (BUMI)	68	68	65	60	60	60	63	60	60	61	62	65
6	GOLEN ENERGY MINES Tbk (GEMS)	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550
7	HARUM ENERGY Tbk (HRUM)	5,275	4,980	5,200	5,025	4,960	5,350	5,600	4,990	4,970	4,930	4,920	4,870
8	INDIKA ENERGY Tbk (INDY)	1,680	1,595	1,595	1,480	1,460	1,450	1,530	1,415	1,415	1,425	1,465	1,420
9	INDO TAMBANGRAYA MEGAH Tbk (ITMG)	12,450	12,075	12,200	11,850	11,700	12,575	12,575	11,900	12,075	11,925	12,250	12,075
10	RESOURCES ALAM INDONESIA Tbk (KKGI)												
11	TAMBANG BATUBARA BUKIT ASAM (Persero) Tbk (PTBA)	2,770	2,740	2,700	2,630	2,650	2,520	2,540	2,460	2,420	2,380	2,420	2,360
12	ALFA ENERGI INVESTAMA TBK (FIRE)	640	610	605	550	515	478	505	492	476	555	535	520

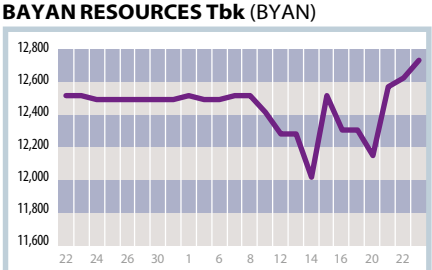
ADARO ENERGY Tbk (ADRO)



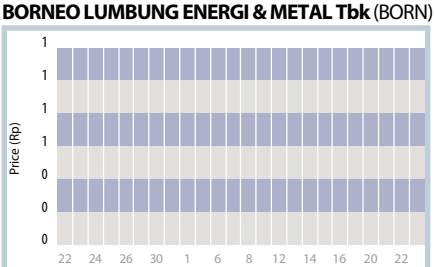
ATLAS RESOURCES Tbk (ARII)



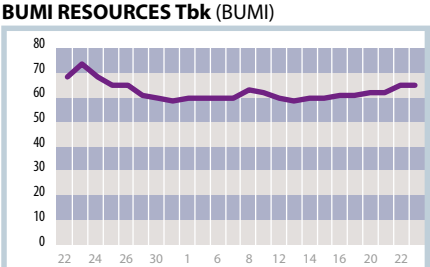
BAYAN RESOURCES Tbk (BYAN)



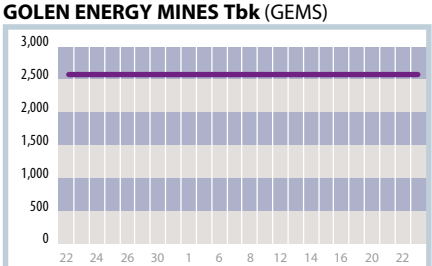
BORNEO LUMBUNG ENERGI & METAL Tbk (BORN)



BUMI RESOURCES Tbk (BUMI)



GOLEN ENERGY MINES Tbk (GEMS)



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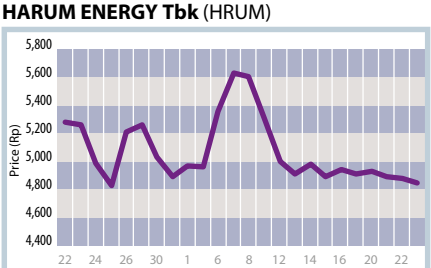
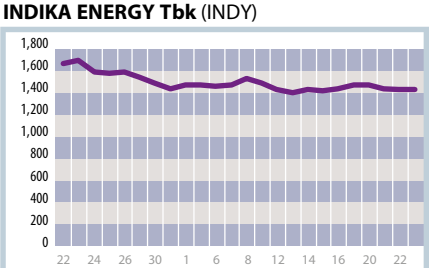
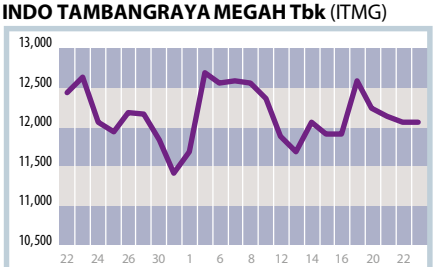


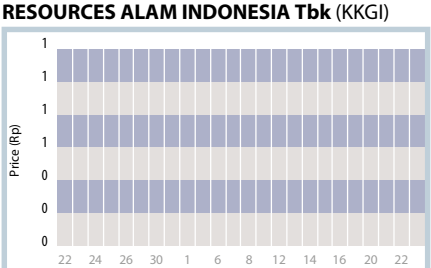
INDIKA ENERGY Tbk (INDY)



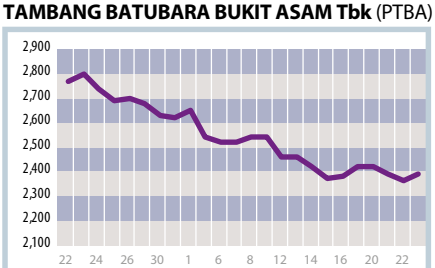
INDO TAMBANGRAYA MEGAH Tbk (ITMG)



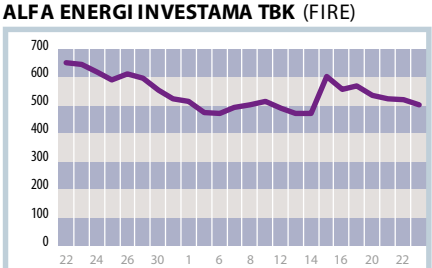
RESOURCES ALAM INDONESIA Tbk (KKGI)



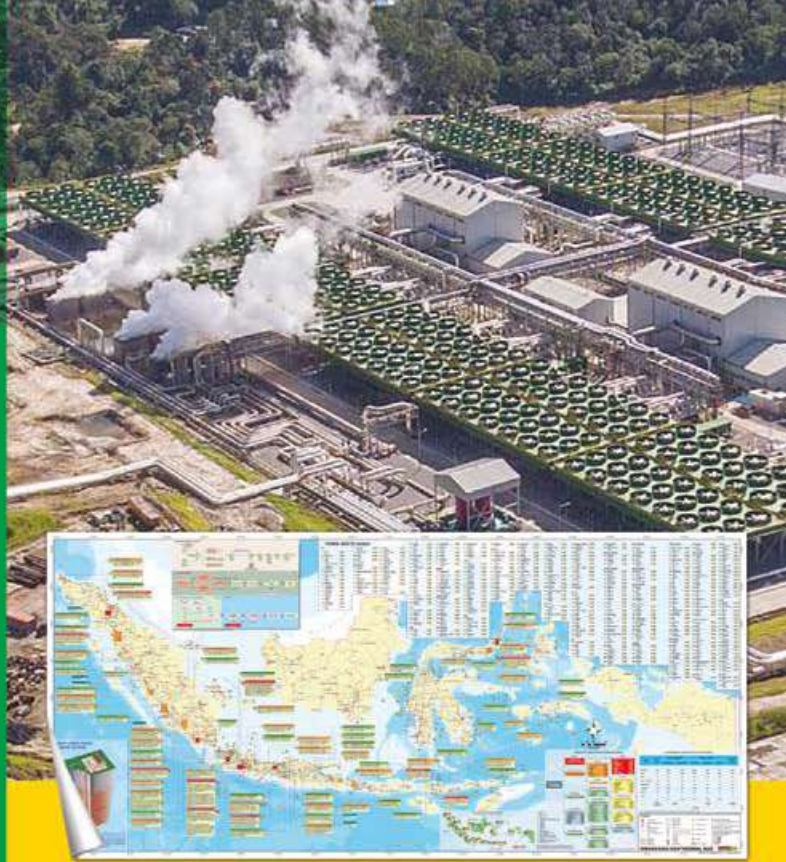
TAMBANG BATUBARA BUKIT ASAM Tbk (PTBA)



ALFA ENERGI INVESTAMA TBK (FIRE)



INDONESIAN GEOTHERMAL MAP 2019



Indonesia has the largest geothermal potentials in the world with reserves of about 17,506 MW and resources of around 11,073 MW. In 2018, the utilization of geothermal reached 1,924.5 MW and put the country in second place in the world after the United States in utilizing geothermal power.

The installed geothermal power generation capacity in Indonesia is expected to increase by 95 MW in the near future with additional capacity to come from the 55 MW Lumut Balai Unit 1 and the 40 MW Sorik Marapi geothermal power plants.

The capacity of geothermal power plants will continue to be increased to reach 7,200 MW by 2025 in a bid to achieve the target of the 2025 energy mix where the portion of renewable energy has been set at 23%.

Indonesian Geothermal Map 2019 is a must-have for company/ professional who's involved/ interested in geothermal related businesses in Indonesia. The map features the location of geothermal potential areas (331 of 342 locations identified by the Government), existing/ proposed Working Areas (75 WKPs), existing/proposed Geothermal Power Plants (PLTPs), Transmission and Distribution Networks, and Station and Substations (GI or Gardu Induk).

This full-colored map is outlined at a large-scale on a heavy paper stock and laminated for durability.

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