Experience the Progress.

**Against All Odds**

Miners keep operating cautiously amid coronavirus pandemic

---

**Liebherr’s Advanced Bucket & GET Solution**

- Engineered design for increased bucket fill factors and better performance
- Self-sharpening system and sophisticated material properties provide extended lifetime
- Safety-first through a truly hammerless system
- Symmetrical design allows interchangeability, meaning reduced parts inventory

---

PT. Liebherr Indonesia Perkasa
Jl. Malaka 9, Kapsel, East Kaiman, Indonesia
Tel: +62 542 252 4215
Fax: +62 542 270 3235
E-mail: info@liebherr.com
Internet: www.liebherr.com

Katarina Siburian Hardono, Senior Manager Corporate Communications of PT Agincourt Resources
Indonesia’s Electricity Power Supply Business Plan 2019-2028

DESCRIPTION
The Ministry of Energy and Mineral Resources (ESDM) has recently issued Ministerial Decree No. 39 K/20/MEM/2019 on the Legalization of Business Plan of PT PLN (Persero) on Rencana Usaha Penyediaan Tenaga Listrik or RUPTL for 2019-2028, to guide PLN in developing national power infrastructure.

The RUPTL is based on detailed calculations of electricity demand and the subsequent transmission and distribution requirements during the period. The proposed new RUPTL will adopt economic growth assumption at 6.45% with electricity demand projected by an average of 6.42% per year. During the period the sector is anticipated to build a total of 56.4 GW of power generation, 29,593 km of transmission network with a total of 122,541 MVA of station transformers: 472,795 km of medium-to-low voltage lines; and a total of 35,730 MVA of substation transformers.

This publication is aimed at disseminating information regarding PLN’s electricity RUPTL 2019-2028 to international community, who need to know them in English as well as for investors wishing to get involved in Indonesian electricity projects.

HOW TO ORDER
Fill out the form and send it back to us together with a copy of transfer receipt from the bank.

DELIVERY COSTS
For delivery outside Jakarta you will be charged for shipment costs. Please e-mail to: marketing@petromindo.com to get details

PAYMENT METHOD

☐ Cash on Delivery (For Jakarta only)

☐ Wire transfer:

- Payment via bank transfer to:
  Bank Naga Indonesia
  Holder: PT. Bina Cipta Mandiri Consultant
  Acc. No.: 0222 5326 70 (IDR)
  0222 5328 96 (USD)
  Swift Code: BINENIA

- Payment via bank transfer to:
  Bank Naga Indonesia
  Holder: PT. Bina Cipta Mandiri Consultant
  Acc. No.: 0222 5326 70 (IDR)
  0222 5328 96 (USD)
  Swift Code: BINENIA

PLEASE NOTE
*Please submit this FORM via marketing@petromindo.com. We will contact you for confirmation.

Petromindo.Com
INDONESIAN OIL, MINING AND ENERGY NEWS
Jl. Pancoran Raya No.14, Jakarta Selatan 12410 – INDONESIA
Phone: +62-21-22458787
E-mail: marketing@petromindo.com
www.petromindo.com/bookstore/
Quality Engineered Systems
Your goals, our experience

To succeed in a competitive marketplace, machinery is pushed to its maximum productivity level. Installing quality engineered systems in lubrication, fire suppression and liquid flow will ensure minimum down-time and maximum assets protection - increasing productivity and maximizing profits.

Our strength comes from highly efficient distribution networks, which provide installation, service, technical support and product training in Indonesia and its surrounding regions.

Lubrication Management | Flow Management | Fire Suppression

PT JSG International | sales@ptjsg.co.id | www.ptjsg.co.id
Against all odds

A decade ago, Katarina Siburian Hardono would have never imagined jumping into a completely different world: Mining. But then, she has been fighting against all odds in the male-dominated industry.
SAFER. SIMPLER. SMARTER.

LET US BREAK IT DOWN FOR YOU.

FEEDING // CRUSHING // SAMPLING // DEWATERING // SCRUBBING

Supra

Mclanahan

pt suprabakti mandiri // beltcare.com
info@beltcare.com
021-658 33666
RI’s minerals production unaffected by Coronavirus outbreak

The country’s minerals production remains stable and has yet to be affected by the current Coronavirus outbreak, the government said.

MAIN STORY
Miners keep operating cautiously amid coronavirus pandemic

The country’s coal miners continue to operate normally, but implement cautious and preventive measures at the jobsites amid the Coronavirus outbreak. Miners also forbid any outside visitor to enter the mine sites and improve medical check-ups and hygiene workplace.
THE DEFINITION OF TOUGH

PT. LIUGONG MACHINERY INDONESIA
Jl. Boulevard Utara Raya Blok QJ5 No.25 & 26
Kelapa Gading Barat, Jakarta Utara 14240
email: liugongindonesia@liugong.com
tel: +62 21 4528952

www.liugong.com

Powerful and nimble. A full line of tough machines with uncompromised versatility and proven reliability to complete tasks of any size in even the most extreme environments.

TOUGH WORLD. TOUGH EQUIPMENT.
IDX-listed coal firm PT Bukit Asam Tbk (PTBA) said it will reduce the production volume of high calorific value coal this year to 2.3 million from 3.5 million tons in 2019. PTBA exports high calorific value coal to premium markets such as Taiwan, Japan and the Philippine.
PT. GEOSERVICES
Since 1971

MAPPING • GEOLOGY • GEOPHYSICS
CORE DRILLING • GEOTECHNIQUE LAB
ANALYTICAL LABORATORIES FOR:
COAL, MINERAL, ENVIRONMENT
CARGO INSPECTION & CERTIFICATION
TRAINING COURSES

Head Office:
Jl. Setiabudi 79-81, Bandung
Tel. +62 (022) 203 1316
+62 (022) 203 5433

Offices and Laboratories in:
Jakarta, Bandung, Balikpapan, Banjarbaru, Padang,
Palembang, Tanjung Redeb, Sangatta, Asam-asam.

Please find addresses and contact numbers at:
www.geoservices.co.id
We welcome opinions articles from experts, executives on coal industry. The article, either in Indonesian or English, should be sent to coalasia@petromindo.com and has between 1,000 and 1,500 words.

### Indonesian Nickel Report

The year 2019 could be described as one of the most dramatic for the nickel industry in Indonesia. In August, the Indonesian government through the Ministry of Energy and Mineral resources (ESDM) suddenly released Ministerial Regulation No 11/2019, which effectively bans the export of nickel ores starting 1st January 2020, sooner than the initial schedule of 2022.
Introducing a new product jointly developed by Indeks Komoditas Indonesia and CoalAsia

INDONESIAN COAL REPORT

ICR is a monthly issued report covering the entire chain of Indonesian coal mining business. ICR includes production analysis, export import data, market news and policy impacts, foreign markets dynamics, coal based power plants, provincial production analysis and companies stories. This report is a comprehensive guide for your coal business decision that you cannot miss.

Further Information, Contact Us
Telephone: +62-21-22458787
E-mail: marketing@petromindo.com
Coronavirus and the mining sector

The government said in a statement issued on February 2, 2020 that the recent outbreak of Coronavirus or Covid-19 has not yet created a significant impact on the Indonesian mining sector, particularly coal.

Indonesia is the world’s largest exporter of thermal coal with most of the country’s annual production ship to among others China, India, Japan and countries in Association of Southeast Asian Nation (ASEAN). Most of Indonesia’s export destination countries of coal have also hit by the outbreak of Coronavirus.

Director General of Mineral and Coal, Bambang Gatot Ariyono, in a hearing with members of Commission VII of House of Representatives (February 2, 2020) said that so far, the government has not received any reports on disruption of Indonesia-China trade in mineral and coal sector due to Covid-19.

The Covid-19 coronavirus was first identified in China’s Hubei province in December 2019 and has since become a global health threat, impacting 140 countries and triggering the World Health Organisation (WHO) to declare it a global pandemic.

The country’s coal miners continue to operate normally, but implement cautious and preventive measures to help avoid coronavirus contagion at the jobsites. Miners also forbid any outside visitor from entering the mine sites and improve medical check-ups and hygiene at workplace. Another preventive measure is spraying disinfectant to all the buildings, workshops, stores, mosques, buses, mini bus, aircraft and airport.

Dileep Srivastava, Director and Corporate Secretary of IDX-listed coal giant PT Bumi Resources Tbk said that PT Kaltim Prima Coal (KPC) issued an internal memo on March 17, 2020 that instructs no visitors allowed to enter the KPC mine operational area except with the approval of mine manager. It also postponed all official overseas and domestic travels.

Ahmad Zaki Natsir, Corporate Secretary of IDX-listed coal mining services firm PT Samindo Resources Tbk, also said the company’s operations at the mine sites are still running but clients have locked down the jobsites for two weeks which means no outsiders can enter mine areas.

Meanwhile, the construction of domestic smelter projects is reported to have been hampered by the Coronavirus outbreak as many of the projects are developed by Chinese firms employing Chinese workers.

Bambang recently said that one of the affected projects is a stainless-steel smelter being developed by China’s Virtue Dragon Nickel Industry in Konawe, Southeast Sulawesi, as about 300-400 Chinese workers employed by the project could not yet return to Indonesia following the recent Lunar Year holiday amid the Coronavirus outbreak.

CoalAsia runs the main story of exploring the impact of Coronavirus on the country’s mining sector.

We also proudly announce the official launching of a monthly Indonesian Nickel Report jointly produced by PT Indeks Komoditas Indonesia (IKI), Petromindo and CoalAsia Magazine.

Happy reading

Adianto P. Simamora
Editor in Chief
If you are a coal mining company, services company, equipment supplier, trading company or user operating in Indonesia or supporting Indonesian coal industry, and want to have your company profile published in the “Indonesian Coal Book 2020/2021” please send the materials to: datacenter@petromindo.com.

As well as the previous edition, this most anticipated publication will provide a rare opportunity for your company to gain a greater exposure to the national as well as international coal community as they have been using this book series as reference for many years. Make sure your company will gain maximum exposure beyond your competitors on this publication. Please contact: marketing@petromindo.com to reserve your ad space today!
OMNIBUS BILL – LIKELY BIG CHANGES AHEAD FOR MINING INDUSTRY

Introduction
The Omnibus Bill on Job Creation proposes major changes to the existing regulatory regime for the Indonesian mining industry as well as to the existing regulatory regimes for numerous other industry sectors.

The future, however, of the Omnibus Bill is very uncertain owing to its complexity and the numerous objections that have been raised to different aspects of the same.

In this article, the writer will review the main provisions of the Omnibus Bill that deal with the mining regulatory regime before highlighting some of the associated areas of uncertainty as to what is actually intended by the Government with regard to the mining regulatory regime.

Background
As part of its endeavour to encourage more investment in Indonesia and improve the country’s rate of economic growth, the Government has proposed at least four so-called “Omnibus Bills” dealing with (i) job creation, (ii) taxation, (iii) the new capital city initiative and (iv) the pharmaceutical industry.

To date, two of the proposed Omnibus Bills, dealing with job creation and taxation, have already been submitted to the House of Representatives (“DPR”) for its review and consideration.

Despite its title, the Omnibus Bill on Job Creation actually deals with many issues wholly unrelated to job creation or manpower including mining.

Notwithstanding that the Omnibus Bill on Job Creation is still very much a “work in progress”, the changes the Omnibus Bill on Job Creation would make, to the existing mining regulatory regime if and when it becomes law, are already attracting a lot of interest.

Analysis and discussion
1. Overview of proposed changes
The proposed changes to the mining regulatory regime are set out in Chapter 3, Part IV, Paragraph 5 (“Chapter 3”) of the Omnibus Bill on Job Creation.

If and when it becomes law in substantially its current form, the Omnibus Bill on Job Creation will amend or delete altogether numerous articles of the 2009 Minerals & Coal Mining Law.

The mining provisions of the Omnibus Bill particularly benefit Coal Contract of Work (“CCoW”) holders.

The Omnibus Bill also encourages the integration of metal ore production/coal getting with metal ore processing and refining/coal utilization and development in an endeavor to promote local value-added activity.

Finally, the Omnibus Bill on Job Creation seeks to eliminate existing differences between the licensing of mining businesses/projects and the licensing of other types of businesses/projects.

2. Proposed changes in detail
2.1 General Investigation rather than Survey: Mining business activities will continue to be broken down into (i) exploration and (ii) production operation.

The first stage of exploration, however, will be restyled as “general investigation” rather than as “survey” while leaving the definition substantially unchanged from that which previously applied to “general survey”.

It is unclear to the writer why this proposed change is considered necessary.

1. Bill Sullivan, Senior Foreign Counsel with Christian Teo & Partners and Senior Adviser to Stephenson Harwood LLP.
3. Copyright in this article belongs to Bill Sullivan and Petromindo.
4. This article may not be reproduced for commercial purposes without the prior written consent of both Bill Sullivan and Petromindo.
or even desirable. The proposed change does not address any of the concerns previously articulated by industry bodies regarding the need to recognize that exploration and mining are completing different activities such that exploration should not be regarded as a mining business activity at all.

2.2 Business Licenses rather than Mining Licenses: Mining business licenses, whether mining business licenses (“IUPs”), special mining business licenses (“IUPKs”) or community mining business licenses (“IPRs”), will be replaced with business licenses to be issued through the OSS System in the same manner as the licenses for any other type of business/project.

This proposed change is, presumably, part of the Government’s initiative to simplify the business/project licensing process by doing away with the existing separate licensing system for mining businesses/projects.

2.3 Increased Central Government Control: The Central Government will be given substantially exclusive control of the minerals and coal mining sector. More particularly, only the Central Government will have the authority/power to issue business licenses for mining.

This proposed change will effectively eliminate the existing residual authority of Provincial Governments to issue business licenses for mining in the case of mining concessions (i) falling wholly within the boundaries of a particular province or regency and (ii) where the applicant is not a PMA Company (i.e., no foreign investors are involved).

The existing residual authority of the Provincial Governments over certain already issued IUPs, IUPKs and IPRs will be transferred to the Central Government. Eliminating altogether the authority of Provincial Governments to issue and administer business licenses for mining may be seen as the logical conclusion of a process, that started some years ago, to re-centralize the process of licensing for mining business/projects. The impetus for re-centralizing licensing for mining business/projects has its origins in the abject failure of regional autonomy to deliver transparent and corruption-free licensing for mining projects. The resulting legal uncertainty created enormous problems for investors generally in the local mining industry and especially for foreign investors.

2.4 Life of Mine for Integrated Mining Projects: The standard production operation license term for metal minerals and coal, of a maximum of 20 years plus the possibility of two extensions of 10 years each, will be varied to become “life of mine” in the case of metal mineral and coal mining projects where:

(a) metal ore mining activities are
“integrated” with processing and refining activities; or (b) coal getting activities are “integrated” with “coal development and utilization activities”.

Where (a) or (b) above applies, the initial production operation license term will be a maximum of 30 years plus the possibility of successive 10 year extensions up to the end of the commercial life of the relevant mine.

Unfortunately, the Omnibus Bill on Job Creation does not make clear just (i) what is an “integrated” activity or (ii) what is “coal development and utilization”.

With regard to “integrated” activities, does this mean that (i) the same company must carry on both the metal ore mining activities/coal getting activities and the processing and refining activities/coal development and utilization activities (“Alternative 1”) or (ii) is it sufficient if one company carries on the metal ore mining activities/coal getting activities while an affiliated or related company (i.e., a subsidiary or other company in the same group of companies) carries out the processing and refining activities/coal development and utilization activities (“Alternative 2”)?

Some indication that “integrated” refers to Alternative 1, not Alternative 2, may be found elsewhere in the Omnibus Bill on Job Creation where it is provided that holders of business licenses for metal mineral production operation activities/coal production operation activities may “collaborate” with other parties for the purpose of carrying out processing and refining activities/coal development and utilization activities and thereby satisfy their local value added obligations. “Collaboration” is apparently not the same thing as “integration”. Accordingly, if “collaboration” necessarily involves two separate parties, there would seem to be a strong argument the Government intends that “integration” necessarily involves one party only.

Which of Alternative 1 or Alternative 2 is correct has very important implications for foreign-owned mining companies (i.e., PMA Companies). This is because, if Alternative 1 is correct, it means that, in order to obtain the benefit of the life of mine license term, foreign-owned mining companies will have to accept that the widely abhorred 51% divestiture obligation applies to both their metal ore mining activities/coal getting activities and their processing and refining activities/coal development and utilization activities. At the moment, this unfavorable outcome is easily avoided by ensuring that the company which carries on the processing and refining activities/coal development and utilization activities is not the same as the company which carries on the metal ore mining activities/coal getting activities.

Assuming Alternative 1 is correct, it remains to be seen whether PMA Companies will regard the possibility of a life of mine license term as being sufficiently attractive to justify giving up majority ownership of the metal ore processing and refining activities/coal development and utilization activities as well as majority ownership of the metal ore mining activities/coal getting activities.

In the case of “coal development and utilization”, does this expression only include coal gasification or does it also include the supply/utilization of coal for coal fired power plants owned/operated by the company carrying on coal getting activities or by an affiliate or related party of that company? If the supply/utilization of coal, for coal fired power plants owned/operated by companies carrying on coal getting activities, is sufficient to constitute “coal development and utilization”, this will make it very easy for many coal producers to establish that their coal getting activities and their coal development and utilization activities are, indeed, “integrated”. After all, it is very common for large and even medium-sized coal producers to have mine mouth power plants utilizing the coal produced from their coal mining concessions.

2.5 Removal of Certain Area Limits on WIUPKs: The (i) existing 25,000Ha limitation on special mining business license areas (“WIUPKs”) for metal mineral production operation activities and (ii) existing 15,000Ha limitation on WIUPKs for coal production operation activities will be dropped. Instead, the WIUPKs for both metal mineral production operation activities and coal production operation activities will now be determined by the Central Government on a case by case basis and having regard to:

“… the results of the Central Government’s evaluation of the work plan for the entire area proposed by the special mining business.”

The Government has artfully sought to “muddy the waters” as to the real objective of this proposed change by purporting to treat both metal mineral producers and coal producers equally when it comes to the allowed WIUPKs for production operation activities. Astute readers will recall, however,
that the existing 15,000Ha limitation on WIUPKs for coal production operation activities provided the legal basis for the claim by the former Minister of State Owned Enterprises (“SOEs”) that when CCoW holders converted their CCoWs into IUPKs, (i) they were only entitled to WIUPKs with a maximum area of 15,000Ha and (ii) SOEs had a priority right to all former coal contract areas in excess of 15,000Ha (“SOE Priority Right”). CCoW holders bitterly and vociferously opposed the SOE Priority Right. It would be singularly naïve to be under any doubt that the real objective of this proposed change is anything other than to (i) eliminate the claimed legal basis for the SOE Priority Right and (ii) thereby make it possible for CCoW holders, subsequently converting their CCoWs into business licenses, to receive WIUPKs of the same size as their previous contract areas.

Simultaneously removing the previous 25,000Ha limitation on WIUPKs for metal mineral production operation activities is really just a “smoke-screen” and largely irrelevant. This is because, unlike the CCoW holders, all the former holders of metal mineral Contracts of Work (“CoWs”) have already converted their CoWs into IUPKs. As such, it is only CCoW holders that really stand to benefit from this proposed change.

The reference to determining WIUPKs having regard to evaluation of the “work plan for the entire area proposed by the special mining business” effectively leaves it up to former CCoW holders to submit work plans covering the entirety of their former contract areas now that the previous 15,000Ha limitation is to be removed. It remains to be seen how diligently or otherwise the Central Government reviews both (i) the feasibility/viability of work plans submitted by CCoW holders and (ii) how the actual work carried out during production operation compares with the proposed work set out in the work plans of former CCoW holders. It will only be if there are material adverse consequences for those former CCoW holders, not carrying out production operation activities in the entirety of the area proposed in their work plans, that the Government’s proposed reliance on work plans, for the purpose of determining WIUPKs, will amount to any sort of effective limitation on the size of WIUPKs received by former CCoW holders.

2.6 Promotion of Local Value-Added Activity: The existing requirement for coal producers (as well as metal mineral producers) to carry out local value-added activity is to be strengthened by specifying that coal producers must carry out “coal development and utilization”. Likewise, it is proposed to make clear (for the first time) that producers of non-metal minerals and rocks must also carry out local value-added activity.

As already pointed out in 2.4 above, however, the Omnibus Bill on Job Creation does not make clear (i) just what is “coal development and utilization” and (ii) more particularly, whether or not “coal development and utilization” includes coal gasification only or both coal gasification and
the supply/utilization of coal for coal
fired power plants owned/operated by
companies carrying on coal getting
activities or by affiliates or related
parties of those companies.

In another potential “win” for
the coal industry, it is proposed that
coal producers carrying out “coal
development and utilization” (whatever
exactly this may mean) will no longer
be subject to the so-called Domestic
Market Obligation (“DMO”). The DMO
has become a major financial burden
for large coal producers given that it
can involve supplying coal to the State
Electricity Company (“PLN”) at below
market price and thereby, indirectly,
subsidizing PLN’s loss-making
electricity supply activities.

It is also proposed that companies
carrying out local value-added activity
(whether in respect of coal, metal
minerals, non-metal minerals or rocks)
may be given financial benefits/
incentives/rewards in the form of
“certain treatment with regard to the
state revenue obligation”. Just what this
means, however, is unclear.

Interestingly, in the case of coal
producers only, carrying out local
value-added activity, the applicable coal
production royalty may be reduced to
“0%”. The question might reasonably be
asked as to why such generous treatment
is not also to be offered to producers of
metal minerals, non-metal minerals and
rocks which carry out local value-added
activity?

Self-evidently, the Omnibus Bill on
Job Creation makes clear the Central
Government’s intention to encourage
and prioritize local value-added activity.
This may well reflect the Central
Government dissatisfaction with what
has been achieved to date, in terms of
local value-added activity, in other than
the case of certain metal minerals such
as nickel.

2.7 Expansion of Investigating Officials’
Powers: It is proposed to expand the
powers of so-called “Certain Civil
Servant Investigation Officials”
in connection with the conduct of
criminal investigations into alleged
wrongdoing in the mining industry.

The Certain Civil Servant
Investigation Officials are now to be
given additional power to among other
things:
(a) arrest and detain persons suspected
of committing criminal offences in
the mining industry; and
(b) take people’s fingerprints.

It is also proposed to make clear that
the Certain Civil Servant Investigation
Officials are subject to co-ordination and
supervision by the Police.

The further “blurring of the lines”
between the Certain Civil Servant
Investigation Officials and the Police
will surely be a source of concern for
many mining industry participants
understandably worried by the increased
potential for administrative “overreach”
on the part of opportunist government
officials.

2.8 Conversion of CCoWs: The
Omnibus Bill on Job Creation
proposes some particularly
significant changes in respect of the
conversion of CCoWs.

It is proposed that:
(a) CCoWs holders, which have not
obtained any extension of their
CCoWs (“Category 1”), may have
the CCoWs extended to become
first extension Special Business
Licenses (Perizinan Berusaha
Pertambangan Khusus or “PBPKs”)
(i) as a continuation of their existing
operations, (ii) without auction, (iii)
after the expiration of the relevant
CCoWs and (iv) taking into account
the need for an “increase in state
revenue”; while
(b) CCoWs holders, which have already
obtained first extensions of their
CCoWs (“Category 2”), may obtain
further extensions of their PBPKs
to become second extension PBPKs
(i) as a continuation of their existing
operations, (ii) without auction, (iii)
after the expiration of the relevant
first extension CCoWs and (iv)
taking into account the need for an
“increase in state revenue”.

All CCoW holders currently fall into
Category 1.

Category 2 will, however, become
very relevant once CCoW holders
receive PBPKs. Category 2 is closely
linked to the life of mine concept in the
case of CCoW holders/former CCoW
holders which carry out “integrated”
coal getting/coal development and
utilization – see 2.4 above.

The conversion/extension of
CCoWs into PBPKs and the subsequent
extension of PBPKs are to be tied, in
some not very clear way, to the “need
for an increase in state revenue”.

The Omnibus Bill on Job Creation
provides that the “increase in state
revenue” is to be/may be carried out by
way of:
(a) readjustment of the existing tax and
non-tax state revenue arrangement;
(b) granting of WIUPKs to PBPK
holders in accordance with the
production operation areas that have
already been approved by the central
Government prior to the Omnibus
Bill becoming law; and/or 
(c) imposition of an obligation to 
increase the added value of coal.

It is far from clear what is the intended meaning of:
“granting of WIUPKs to PBPK holders in accordance with the production operation areas that have already been approved by the central Government prior to the Omnibus Bill becoming law”.

The writer strongly suspects, however, that this somewhat oblique wording is intended to facilitate the granting to former CCoW holders of WIUPKs covering the entirety of their former contract areas. This is something that will have been made possible by the Omnibus Bill on Job Creation’s proposed removal of the existing 15,000Ha limitation on the maximum WIUPK for production operation activities in respect of coal – see 2.5 above.

Assuming that the possible intention outlined in the previous paragraph is correct, it is also far from clear (at least to the writer) just what is the connection between the need to increase state revenue and the granting to former CCoW holders of WIUPKs covering the entirety of their former contract areas. The only explanation the writer can readily think of is that the Central Government wishes to imply that, existing CCoW holders are such efficient coal producers that state revenue collection will be imperiled if the existing CCoW holders are not allowed to keep, as WIUPKs, the entirety of their former contract areas once they convert their CCoWs to become PBPKs. This explanation would also seem to necessarily imply that SOEs cannot realistically be expected to operate coal mines as efficiently as former CCoW holders with the result that there would be an inevitable decline in state revenue from coal mining if the existing 15,000Ha limitation on the maximum WIUPK for production operation activities in respect of coal was retained and all former CCoW areas in excess of 15,000Ha were given to SOEs in recognition of the SOE Priority Right as claimed by the former SOE Minister.

It should go without saying that the above explanation does not rest easily with the already much-expanded role of SOEs in the metal ore mining sector. After all, if the entirely realistic and understandable concerns about SOE operational efficiency make it imprudent for the Central Government to allow SOEs to have an expanded role in coal mining, how can it be prudent for the Central Government to have already allowed SOEs to have a much-expanded role in metal ore mining? Is it in the least bit likely that SOEs will be more efficient metal ore producers than they would be coal producers?

The net effect of the proposed changes to the rights and obligations of CCoW holders may be summarized as follows:
(a) each CCoW holder can, at the time of conversion, expect to receive a
PBPK that at a minimum:
  - is in respect of a WIUPK that may cover as much as all of its former contract area depending upon the work plan of the relevant CCoW holder and the Central Government’s approval of the same;
  - has an initial term of 20 years; and
  - can be renewed twice for 10 years each time; but

(b) if a CCoW holder carries out “integrated coal getting/development and utilization of coal” (whatever exactly this may mean), then that CCoW holder can, at the time of conversion, expect to receive a PBPK that:
  - is in respect of a WIUPK that may cover as much as all of its former contract area depending upon the work plan of the relevant CCoW holder and the Central Government’s approval of the same;
  - has an initial term of 30 years; and
  - can be renewed for successive periods of 10 years each until such time as the coal mining potential of its WIUPK is fully exhausted (i.e., a “life of mine” term).

3. Resolution of Land Rights Issues:
   It is proposed that the Central Government will have exclusive authority to resolve land rights/land use issues affecting mining business activities.

   Where the land rights/land use issue relates to “overlaps” involving (i) mining and forestry areas, (ii) spatial planning, (iii) business licensing/approvals and/or (iv) land rights, the overlaps will be dealt with in a Presidential Regulation.

   This proposal would do away with the existing unsatisfactory system for resolving “overlaps” whereby the overlap is (i) first, sought to be resolved by negotiations under the auspices of the relevant Regional Government, (ii) second, sought to be resolved by negotiations under the auspices of the relevant Provincial government and (iii) finally, sought to be resolved by negotiations under the auspices of the Central Government.

3.1 Further Government Regulations:
   Chapter 3 of the Omnibus Bill on Job Creation is very much lacking in detail when it comes to the proposed changes to the mining regulatory regime. Important proposed changes are only outlined in quite “broad brush” terms in Chapter 3 of the Omnibus Bill on Job Creation.

   The intention is that the details of the proposed changes will be set out in subsequent Government Regulations.

   Chapter 3 of the Omnibus Bill on Job Creation, in fact, contains not less than seven references to the need for subsequent Government Regulations to explain the details of various proposed changes to the mining regulatory regime.

   Just when these subsequent Government Regulations will be issued is anyone’s guess. Presumably, however, the drafting of the various Government Regulations, needed to explain the detail of the proposed mining regime changes, will not even begin until such time as the Omnibus Bill on Job Creation becomes law.

   While entirely consistent with normal Indonesian legislative practice, the reliance on subsequent Government Regulations, to explain the details of the proposed changes to the mining regulatory regime, is a huge limitation on what can be reasonably be expected to be achieved, in the near term, by Chapter 3 of the Omnibus Bill on Job Creation. More particularly, to the extent the Omnibus Bill on Job Creation in general and Chapter 3 in particular is intended by the Central Government to be a catalyst for substantial new investment in the local mining industry, that new investment is not likely to materialize any time soon and even assuming that the proposed changes to the mining regulatory regime are, on balance, viewed by the investment community as being very positive. It is inevitable that many potential investors in the local mining industry will simply choose to wait until the contemplated Government Regulations are issued before making a decision whether or not to proceed with new or additional investments. This is, of course, entirely understandable given the unfortunate track record of the Central Government in issuing inadequately considered and poorly drafted regulations that only serve to confuse investors as to what is the Central Government’s real intention.

3.2 Interaction between Omnibus Bill and New Mining Law: It has been widely reported that the Central Government and the DPR are in the advanced stages of planning for a new Mining Law in 2020 or 2021. It has even been suggested that the DPR’s consideration of a draft of the proposed new Mining Law is actually more advanced than is the DPR’s consideration of Chapter 3 of the Omnibus Bill on Job Creation. Assuming this is correct, the intended interaction between Chapter 3 of the Omnibus Bill on
Job Creation and the proposed new Mining Law is potentially confusing to say the least. If there is to be a new Mining Law in the near future, why is Chapter 3 of the Omnibus Bill on Job Creation necessary or even desirable at all? Would it not have been better to deal with all the changes deemed to be necessary or desirable to the mining regulatory regime in a single legislative initiative rather than making some changes in Chapter 3 of the Omnibus Bill on Job Creation and then making additional changes in a subsequent new Mining Law?

The most likely explanation for the apparent two-step approach outlined in the previous paragraph seems to be that the Central Government has succumbed to pressure from Indonesia’s major coal producers for a “quick fix” to the legal certainty problem currently surrounding the continuing right of CCoW holders to operate once their CCoWs expire. This explanation is very much consistent with the obvious focus of much of Chapter 3 of the Omnibus Bill on Job Creation on the position of CCoW holders and, more particularly, on giving CCoW holders the right to convert/extend their CCoWs into PBPKs (i) with long terms and renewal options as well as (ii) covering WIUPKs that may, if certain conditions are satisfied, be substantially the same as their existing contract areas.

3.4 Future of Omnibus Bill: The President initially indicated that he expected the Omnibus Bill on Job Creation to be passed by the DPR within one hundred days or by about May 2020. In light, however, of the widespread opposition to various provisions of the Omnibus Bill on Job Creation, this ambitious timetable appears to stand no chance of being realized. Late 2020 at the earliest would seem a more realistic projection.

There is also no guarantee that, even if the DPR eventually passes the Omnibus Bill on Job Creation in some form, it will not exercise its prerogative to make substantial changes to the Omnibus Bill on Job Creation as originally submitted by the Government. Indeed, material changes seem highly likely given the number of objections that have already been raised by different parties to one or more provisions of the Omnibus Bill on Job Creation.

Finally, it may prove to have been a serious strategic mistake, on the Central Government’s part, to include so many different and unrelated issues in the Omnibus Bill on Job Creation. The large number of issues increases the likelihood of almost every DPR member finding some aspect of the Omnibus Bill on Job Creation to which he objects. No doubt, the Central Government’s intention was to “crash through” the “roadblock” of multiple issues holding back investment in Indonesia by dealing with them all in a single piece of legislation. Unfortunately, however, the alternative to “crashing through” is simply to “crash” without making any progress at all.

Summary and conclusions
Chapter 3 of the Omnibus Bill on Job Creation proposes important changes to the mining industry regulatory regime.

The most important proposed changes are to the rights of CCoW holders which currently face major legal certainty issues regarding their long-term operating rights. CCoW holders will, unquestionably, be the “big winners” if and when the Omnibus Bill on Job Creation becomes law in its current form.

It may be a long time, however, before the Omnibus Bill on Job Creation becomes law. It will surely be an even much longer time that we have the multiple supporting Government Regulations that are intended to provide the details of how the proposed changes to the mining regulatory regime will be implemented.

The Government should not be surprised if existing and potential investors in the local mining industry adopt a “wait and see” approach, preferring to have available all of the contemplated supporting Government Regulations before making any investment decisions on the basis of Chapter 3 of the Omnibus Bill on Job Creation alone once it becomes law.

This article has been contributed by Bill Sullivan, Senior Foreign Counsel with Christian Teo & Partners and Senior Adviser to Stephenson Harwood LLP. Christian Teo & Partners is a Jakarta based, Indonesian law firm and a leader in Indonesian energy, infrastructure and mining law and regulatory practice. Christian Teo & Partners operates in association with international law firm Stephenson Harwood LLP which has ten offices across Asia, Europe and the Middle East: Beijing, Dubai, Hong Kong, London, Paris, Piraeus, Seoul, Shanghai, Singapore and Yangon. Readers may contact the writer at email: bsullivan@cteolaw.com; office: 62 21 5150280; mobile: 62 815 85060978
APLSI suggests business specialization in electricity industry

By Tri Subhki R. & Adianto P Simamora

Affordable and reliable electricity is a primary requirement for economic development and fueling industry growth in a country, including Indonesia. The government stated that the electrification ratio has increased by 14.54 percent from 84.35 percent in 2014 to 98.89 percent in 2019.
However, Arthur Simatupang, Chairman of the Independent Power Producers Association of Indonesia (Asosiasi Produsen Listrik Swasta Indonesia/APLSI), said to *CoalAsia* in a recent interview that business specialization between power producers, and power transmission and distribution company is highly required.

Arthur also encourages for the development of renewable energy to increase its contribution in the national energy mix, and voices his concern about the low electricity consumption per capita in Indonesia compared with neighboring countries in Southeast Asia region.

Arthur also voiced his concern about the coal price cap mechanism that should be reviewed. The excerpt of the interview is as follows:

**CoalAsia: How is the review of electricity industry in 2019 and the outlook for this year?**

Arthur: As private entities, we focus on the power generation as Independent Power Producers (IPPs) play important role in generating electricity. The electrification ratio improved in 2019, reaching 98.3 percent across Indonesia. The Java-Bali system has the most reliable electricity supply, if not oversupply, but some regions still need more improvement.

We also partner with (state-owned electricity firm) PT PLN (Persero) in providing affordable electricity for the public. We fully understand the position of PLN and we want to help PLN as a long term partner. We do not want to give additional burdens for PLN which is currently under difficult financial condition.

**What factors that may provide incentives for electricity industry to grow this year?**

We suggest a specialization and focus between IPP and PLN. Since we may not deal with transmission and distribution business, PLN should focus its investment and capital expenditure for transmission and distribution business. By improving PLN’s distribution system, it may expand the customers base.

It would be great if PLN focuses on the transmission and distribution business, instead of developing its own power plants. The interconnection of power systems is the key for PLN. Meanwhile, IPP focuses on power generation business.

Based on the current Power Purchase Agreement (PPA), we try to find any available solution. For example, PLN plans to increase renewable energy contribution up to 23 percent of total national energy mix. The electricity tariff of renewable energy may be higher compared with coal-fired power plant. But if compared with diesel-fuel power utilities in eastern Indonesia, the fuel cost is much higher approximately Rp3,000/kwh.

If we can provide more competitive tariff by developing renewable energy in the areas, it means PLN can do two agendas at the same time, namely complying with the Paris Agreement and improve cost efficiency as well.

We also suggest about more investment-friendly climate in the electricity industry which may attract more long-term investors in the industry. As we know, power generation is a long-term investment that shareholders realize there will be no profit during first five years of development stage.

APLSI is an association of national IPPs that really wants to support domestic economic and industries.

**What about the development of global financial institutions that avoid new financing for coal related projects?**

APLSI is not only focusing on coal-fired power plant but also renewable energy. We work based on the current RUPTL (PLN’s electricity procurement business plan) which stated that almost 50 percent (28 GW) of total 56 GW power generation plan is contributed by coal-fired power plants. So, it is inevitable that most of power projects are coal-fired power plants.

But the global trend shows that advanced economies, such as European countries and some Asian countries, are phasing out fossil fuels. However, coal-fired power plants still offers the
most competitive tariff despite some environmental concerns.

The key is reliable electricity supply. Coal-fired power plants provide more reliable base load electricity supply. On the other hand, renewable power generation is intermittent. So, it is impossible to replace all fossil-fueled power generation with renewable energy for now.

Promising renewable energy generation in Indonesia is, in fact, hydropower projects, particularly large-scale project. North Kalimantan has huge potential at Kayan River which can generate up to 4,000 MW. But it requires massive investment and there is a supply-demand mismatch in the region.

Yes, we aware about the current global trend that global financial institutions avoid financing new fossil-related projects compared with five to ten years ago. There are some national banks, Chinese banks and other Asian banks that provide funding, but other global banks are mainly moving away from fossil-related projects.

**The government recently issued new Ministry of Energy and Mineral Resources Decree No 261/2019 about Domestic Market Obligation (DMO) which stated about coal price cap for PLN. What are your opinions about it?**

We support the DMO policy in terms of securing domestic coal supply since domestic demand is expected to keep increasing. Indonesia is one of major coal exporters but has very limited coal reserves. So, APLSI sees the policy is very important in regards of national energy security.

But in terms of pricing, we see that market mechanism is the best practice. We think that the price cap mechanism will not provide benefit for the government. Price cap mechanism only creates by-product such as quota transfer that may not be productive. So, we suggest the pricing mechanism should be reviewed.

**How is the trend of renewable energy in Indonesia?**

Renewable energy is going to increase while coal-fired power plant will decrease eventually. Previously, coal contributed 55 percent to the energy mix, but now coal is estimated to account for 48 percent of the total energy mix. But unfortunately the renewable energy mix is not improving.

It is due to the double-digit power tariff generated by renewable energy, while PLN has to deal with financial challenges. But we will get there eventually as the technology of renewable energy keeps improving.

We wait for more investment-friendly policies and fiscal incentives in renewable energy. For example, we want simpler tender mechanism in developing renewable energy and do not have to wait too long because we have to deal with cost of investment.

**Talking about Coronavirus outbreak, what are the impacts of the pandemic to the development of electricity industry?**

The Coronavirus outbreak, if prolonged, may heavily impact various sectors. If the pandemic stays for a while, it may cause snowball-effect including export-import activities, travel bans for workers and credit default.
Geo’s subsidiary further repurchases additional notes

SGX-listed coal firm Geo Energy Resources Ltd, which owns coal mines in Indonesia’s South Kalimantan Province, said its wholly-owned subsidiary, Geo Coal International Pte. Ltd. (GCI) had further repurchased an additional US$31.8 million aggregate principal amount of the notes due in 2022, following repurchases made in the fast several days.

The company said in a statement that the aggregate amount paid for the repurchased notes including the accrued interest was $17.17 million.

Based on the group’s unaudited consolidated financial statements for the financial year ended 31 December 2019, the group had about $139 million cash and bank balances as at 31 December 2019.

The repurchased notes will be cancelled by GCI in accordance with the terms of the notes and the indenture governing the notes.

Following the cancellation of all the repurchased notes, the aggregate principal amount of notes outstanding is $189,139,000.

Geo said earlier on Tuesday that CGI had on 13 and 16 March repurchased an additional $44 million in aggregate principal amount of the 2022 notes. The aggregate amount paid for the repurchased notes including the accrued interest was $25.61 million.

On 5 and 6 March 2020 GCI repurchased an additional $19 million in aggregate principal amount of the notes due in 2022.

PTBA increases coal exploration budget

IDX-listed coal giant PT Bukit Asam Tbk (PTBA) has decided to allocate higher budget this year of Rp 70.8 billion for exploration, compared to Rp 63.35 billion allocated last year.

“The exploration budget is made in accordance with the requirement of the company,” said PTBA Corporate Secretary Hadis Surya Palapa to news portal Kontan.co.id. He said that exploration is important to help ensure sustainability of the company’s mining operations. “There won’t be additional resources or reserves without exploration,” he said.

As such, Hadi said the company supports the government’s plan to issue a new regulation aimed at pushing mining companies in the country to ramp up exploration activities.

As previously reported, mining companies operating in the country will be required to allocate funds for exploration activities in a bid to find new coal and mineral reserves.

Director General of Mineral and Coal at the Ministry of Energy and Mineral Resources Bambang Gatot Ariyono said recently that that the obligation to allocate the exploration funds has yet to be officially stipulated in a policy.

He said that the obligation to allocate funds for exploration will be stipulated in the upcoming new mining law. The House of Representatives and the government are in the process to revise the mining law. “Each (mining) firms must allocate budget for exploration in accordance with their respective capacities and coverage areas,” he said.

Bambang said that in the coal mining sector, current production rate is not in line with additional proven reserves. Going forward, he said, the government will push junior miners to carry out exploration activities to find new reserves.
Cokal seeks production license for TBAR project

ASX-listed coking coal mining firm Cokal Limited said it is seeking to upgrade the IUP exploration license of its 75 percent-owned coking coal subsidiary Tambang Benua Alam Raya (TBAR) into a production and operation IUP mining business license.

“Cokal is finalizing its efforts to acquire regulatory approval for the IUP (exploration license) upgrade process application to a production and operation IUP, equivalent to a mining license, (for the TBAR project),” the company said in a statement recently.

Cokal said that outcrop mapping of four seams over 17-km strike length indicates potential for a substantial resource of high-grade coking coal in this deposit.

No exploration activity was conducted by Cokal during the half-year. “An exploration drilling program for TBAR is being formulated to be undertaken as soon as BBM mine development is underway,” the company said.

The 18,850-ha TBAR project is located near Cokal’s main BBM coking coal mine project in Indonesia’s Central Kalimantan Province.

Coal miners failing to meet DMO face penalty of up to $1.5/ton

Coal miners in the country failing to meet their respective coal domestic market obligation (DMO) quota may have to pay financial penalty of up to US$1.5 per ton to the government.

Irwandy Arif, special advisor to the Minister of Energy and Mineral Resources for Mineral and Coal Governance Acceleration, said that the Ministry of Energy and Mineral Resources is currently drafting a new ministerial regulation on the financial penalty, which replaces the previous production cut sanction.

“There will be a new (ministerial regulation) on compensation (financial penalty). If I’m not mistaken, for (coal miners producing) low calorie (coal), the (financial) penalty is $0.5 per ton … For medium calorie the compensation (penalty) is $1 per ton, and for high calorie coal is $1.5 per ton,” he said at a seminar on “Mining Economics” in Jakarta.

Under existing regulation, coal miners are required to allocate at least 25 percent of their annual production for the domestic market including for power plants and other industries. Under the previous policy, coal miners failing to meet the DMO quota would see their coal production volume in the following year reduced by the government.

Minister of Energy and Mineral Resources Arifin Tasrif issued a new decree late last year, replacing the production cut sanction with financial penalty, but there were no details yet on the size of the financial penalty that must be paid by coal miners which are unable to meet the DMO quota.

Director General of Mineral and Coal at the ministry, Bambang Gatot Ariyono said in January the government decided to change the sanction to financial penalty as imposing a production cut is much more difficult considering the various consequences including impact on government revenue and social problem.
**Batulicin Nusantara raises Rp73.5b from IPO**

PT Batulicin Nusantara Maritim Tbk, a coal shipping company, (IDX:BESS) has raised Rp73.5 billion from initial public offering (IPO).

The company sold 700 million units of shares, or equals to 20.59 percent of the company’s enlarged capital. It sold the shares at Rp105 per unit with nominal value of Rp50 per unit.

On March 9, 2020, the company made its debut trading on the Indonesian Stock Exchange (IDX), which is the 16th company that that have listed on the IDX so far this year.

The company said 45.15% of the IPO proceeds will be used to strengthen its working capital, 39.5 percent will be used to repay its debts and the remaining 15.35 percent will be used to strengthen its fleet, by buying new vessels.

At present the company operates 15 sets of tug boats and barges as well as one unit of landing craft tank with an average age of below three years.

**RI’s 2-month coal output exceeds 94m tons**

Indonesia’s coal production so far this year remains in normal condition, and has not yet been affected by the global Coronavirus pandemic, the government said, while indicating that coal miners may be allowed to make upward revision in their initial production target soon.

Director General of Mineral and Coal at the Ministry of Energy and Mineral Resources Bambang Gatot Ariyono told the media that coal output as per 6 March 2020 reached 94.72 million tons, or 17.22 percent of the full-year target of 550 million tons.

Of the first two-month realized coal production, about 16.73 million tons were absorbed by the domestic market, while 30.24 million tons exported.

Bambang said that of the full-year production target of 550 million tons, about 395 million tons are expected to be exported, and 155 million to be allocated for the domestic market.

He added that of the full-year target of 550 million tons, about 340 million tons, or 62 percent, will come from coal miners whose operation permits were issued by the central government, while 210 million tons (38%) from miners holding permits issued by provincial governments.

Coal miners holding permits from central government include PKP2B coal miners (projected to have production of 286 millions this year), and state-owned mining firms holding IUP permits (24 million tons), and foreign investment scheme (PMA) mining firms holding IUP permits (30 million tons).

The 2020 coal production target of 550 million tons is lower than realized production of 610 million tons last year. The government said earlier that the lower production target is expected to help stabilize coal price. Indonesia is a major exporter of thermal coal.

Bambang, however, said that the full-year coal production target may be later revised (with possibility of upward revision in the 2020 production target) when the ministry reviews the work and budget plan (or known as RKAB) of the coal mining companies, taking into account among others the coal market and price condition, and performance of coal miners with regards to fulfilling their obligations.

While the RKAB revision normally takes place in the middle of the year, as stipulated under Ministerial Regulation No 11/2018, Bambang said that the ministry is considering to revise the regulation to allow for the RKAB revision to take place as early as the first quarter of the year.

Bambang stressed that revision of the RKAB will only be made once in a year, but added that the ministry will be “more flexible” in accommodating coal miners’ request for revising the RKAB (2020 production plan).
DEWA reports higher January coal delivery, OB volume

IDX-listed coal mining contractor PT Darma Henwa Tbk (ticker: DEWA) delivered solid operating performance during January of this year despite heavy rainfall.

DEWA said that during January 2020, the company’s operations in all coal mining sites faced heavy rainfall both in frequency and intensity up to 390 mm, resulting in available production hours and limited coal expose due to pre-strip mining process.

However, DEWA’s coal delivery increased significantly by 59.22 percent to 1.70 million tons compared to January 2019, the company said on Friday in a monthly production report for three coal mining projects for the period ending 31 January 2020.

DEWA said January overburden (OB) removal volume was recorded at 11.07 million bcm. Several factors that impacted DEWA’s overburden removal were heavy rainfall and muddy material. DEWA said it could raise its overburden removal by 21.58 percent compared to January 2019.

Mining strip ratio in January was 4.19 for Asam Asam Coal Project (in South Kalimantan Province), 7.98 for Bengalon Coal Project (in East Kalimantan) and 10.79 for Satui Coal Project (in South Kalimantan).

March HBA increases again

The government sets its coal reference price (HBA) for March 2020 at US$67.08 per ton FOB, a slight increase from $66.89 per ton. This is a second increase so far this year after a 1.45 percent rise last month.

Ministry of Energy and Mineral Resources Spokesman Agung Pribadi said that the rise in March HBA was in line with rising coal price in the international market due to weaker supply from mines in China which have yet to resume optimum production following the Lunar Year Holiday and the Coronavirus outbreak.

He said that slight increase in demand from India, Japan, and South Korea also help lifted coal price.

The coal reference price is based on coal with CV (GAR) of 6,322 kcal/kg, total moisture of 0.8 percent, and ash 15 percent. It is calculated based on the previous monthly average of four international coal indices: Indonesian coal index/ICI 1, Platts 5900, New Castle Export Index, and Newcastle Global Coal Index.

The HBA had been under pressure last year, which averaged at $77.92 per ton, compared to $98.96 per ton in 2018, $85.91 per ton in 2017, and $61.83 in 2016.
DX-listed coal major PT Adaro Energy Tbk saw lower revenue last year, despite higher sales volume, due to weaker coal price.

The company said in a statement that revenue last year fell by 4 percent to US$3.46 billion compared to previous year as average selling price (ASP) dropped 13 percent.

Adaro said the decline in ASP was offset by a 9 percent increase in coal sales year-over-year (y-o-y) to 59.19 Mt. “We recorded 7 percent increase in production volume to 58.03 Mt, higher than our guidance of 54-56 Mt. Strong operations performance and solid demand for our coal supported the improvement,” the company said in a statement.

The company said cost of revenue increased by 3 percent y-o-y to US$2.49 billion, largely driven by higher production volume in 2019. Its blended strip ratio for the period was 4.69x, slightly higher than the guidance of 4.56x.

Coal cash cost per ton (excluding royalty) decreased by 4 percent y-o-y as the company recorded higher production, lower strip ratio, and lower fuel cost y-o-y. “We continued to maintain efficiency along our vertically integrated coal supply chain,” Adaro said.

Total fuel consumption increased by 5 percent following the increase in production volume y-o-y. Meanwhile, fuel price per liter went down by 5 percent y-o-y.

Royalties to the Government of Indonesia increased slightly by 1 percent y-o-y to $383 million due to higher sales volume y-o-y.

Adaro said operating expenses increased 20 percent to $233 million for FY19, compared to $194 million in the same period last year, mainly due to higher employee costs and higher professional fee.

Operational EBITDA in 2019 was $1.21 billion, a 14 percent decrease from $1.41 billion in 2018, and slightly higher than 2019 operational EBITDA guidance of $1-$1.2 billion. Operational EBITDA margin remains healthy at 35 percent, the company said. “We excluded US$68.6 million of loss on disposal of fixed assets, and loss on derivative financial instruments and impairment in investments in joint ventures related to our investment in a low CV coal asset in East Kalimantan totaling to US$34.5 million. Both items are one-time, non-operational expense.”

Adaro said underlying core earnings in 2019 was $635 million, 13 percent lower y-o-y. “We were able to achieve solid core earnings amid the global pressure on coal prices, a testimony to the resilient performance of our core business and operational excellence.”

Total assets of $7,217 million were 2 percent higher compared to the same period last year. Current assets increased by 32 percent to $2.11 billion, while non-current assets decreased by 6 percent to $5.11 billion y-o-y. At the end of 2019, cash balance was $1.58 billion.
Delta Dunia plans to issue $750m global bonds

IDX-listed coal mining contractor PT Delta Dunia Makmur Tbk plans to issue global bonds worth up to US$750 million to refinance debts.

According to a prospectus issued by the company, Delta plans to issue global bonds with maximum coupon of 10 percent, and maturing in 2027 at the latest.

The proceeds will be used to refinance part or entire debts. As per end of last year, Delta Dunia’s debts totaled $709.9 million. Its main operating subsidiary PT Bukit Makmur Mandiri Utama issued in February 2017 senior notes worth $350 million, registered in Singapore, which will mature in 2022.

The issuance of the global bonds will allow Delta Dunia to use internal cash to finance its business operations.

Delta Dunia Head of Investor Relations Regina Korompis confirmed to Bisnis Indonesia that the company was planning to issue global bonds as part of financing options including for refinancing debts.

The company plans to hold an extraordinary shareholders meeting on 8 April in relation to the planned bond offering.

Court rules in favor of Bayan coal subsidiaries

IDX-listed coal firm PT Bayan Resources Tbk said that two separate courts have ruled in favor of its two coal subsidiaries in relation to land dispute cases with plantation firm PT Sasana Yudha Bhakti (SYB) in East Kalimantan Province.

Bayan said that its coal subsidiary PT Tiwa Abadi (TA) has received a copy of the Jakarta High State Administrative Court (PTTUN Jakarta) ruling, annulling an earlier ruling made by the Samarinda State Administrative Court (PTUN Samarinda).

TA has previously filed a lawsuit with PTUN Samarinda, demanding the Land Office of the Kutai Kartanegara Regency to cancel the issuance of a land use certificate in 2007 for SYB which had caused an overlapping with the concession of TA in Buluksen Village, Tabang District, Kutai Kartanegara Regency, East Kalimantan Province.

The PTUN Samarinda initially rejected the lawsuit filed by TA. But TA then field an appeal with the PTUN Jakarta, which then annulled the PTUN Samarinda’s ruling and accepted TA’s lawsuit, Bayan said.

Elsewhere, Bayan said that its coal subsidiary PT Brian Anjat Sentosa (BAS) has received a copy of the Samarinda District Court ruling, rejecting a lawsuit filed by SYB.

SYB has earlier filed a lawsuit against BAS, the East Kalimantan Provincial Administration, and the East Kalimantan Investment Office for the issuance of production operation mining license for BAS in 2018, which led to overlapping of concession between the two companies.

According to a previous statement issued by Bayan, BAS obtained in 2006 mining license from the Kutai Kartanegara regency administration in East Kalimantan over 4,025-ha coal concession. However, the regency administration in 2007 issued HUG land use certificate to SYB.

This has resulted in an overlapping of concession problem between BAS and SYB over an area of around 961.37 ha also in Kutai Kartanegara, which led to the legal dispute.
ITMG’s coal output up 5.88%
IDX-listed coal mining company PT Indo Tambangraya Megah Tbk (ITMG) saw coal production last year increased by 5.88 percent to 23.4 million tons compared to 22.1 million tons in the previous year.
IMTG Head of Investor Relations, Yulius Gozali was quoted by Kontan as saying that the main challenge for the company’s production activity last year was the heavy rainfall particularly in the fourth quarter.
ITMG reported earlier that revenue last year fell by 14.5 percent to US$1.72 billion from $2 billion in the previous year, amid declining trend in the price of the commodity. Net profit dropped by 50.59 percent to $129.43 million, year-on-year.
Yulius said that the weak coal price environment and bad weather condition, specifically in the first quarter of this year, will continue to affect the company’s 2020 coal production plan. He, however, did not say the coal production target for this year.
But A.H. Bramantya, ITMG Director, told Petromindo.com late last year that the company was looking at flat production target for 2020, or relatively the same as last year’s target of 23.5 million tons.
ITMG produces coal from a number of coal concessions in Kalimantan, namely PT Indomindo Mandiri, PT Trubaindo Coal Mining, PT Bharinto Ekatama and PT Jorong Barutama Greston.
ITMG saw revenue last year fell by 14.5 percent to US$1.72 billion from $2 billion in the previous year.
ITMG did not disclose the reason for the lower 2019 revenue, at a time when coal price had been in a weakening trend. The company, which set 2019 coal production target of 23.5 million tons, also did not disclose the realized production and sales volume for the full-year.
The company said in a statement obtained that cost of revenue last year was recorded at $1.34 billion, lower than $1.42 billion in 2018.
As such, the company booked a gross profit of $326.69 million last year, down from $584 million in the previous year.
Net profit attributed to parent entity last year dropped by 50.6 percent to $129.43 million compared to $261.95 million in the previous year.

ABM’s 2019 coal output up 10%
IDX-listed integrated coal mining firm PT ABM Investama Tbk saw coal output last year increased by 10 percent to 11 million tons from 10 million tons in the previous year despite declining trend in the price of the commodity.
The realized coal output was in line with the company’s target. ABM Director Adrian Erlangga was quoted by news portal Kontan.co.id as saying that the weaker coal price environment had not affected the company’s coal production activity during the year.
As has been previously reported, Adrian said that ABM aims to increase coal production this year to 15 million tons. “We have long-term plan of keep increasing coal output from year to year,” he said. The company also plans higher capital expenditure (capex) this year of US$90 million, compared to realized capex last year of $60 million.
ABM, which mostly exports its coal to India, has a combined 7,714-ha of coal concessions located in Aceh and South Kalimantan provinces. As per 2018, coal reserves stood at 410 million tons with calorific value of 3,400-4,200 kcal/kg.
UT reports higher coal sales volume

IDX-listed heavy equipment and mining firm PT United Tractors Tbk (UT) said that its mining subsidiary PT Tuah Turangga Agung (TTA) delivered higher coal sales volume last year of 8.5 million tons compared to 7 million tons in the previous year.

UT said in a statement that its mining business revenue increased by 6 percent to Rp 10.7 trillion last year from Rp 10 trillion in 2018.

TTA owns three coal mining subsidiaries including PT Asmin Bara Baronang (ABB), PT Telen Orbit Prima (TOP), and PT Suprabari Mapanindo Mineral (SMM), a Central Kalimantan-based coking coal producer which started commercial production in late 2017.

UT said that the 2019 coal output comprised of 1.2 million tons of coking coal from SMM, 5.7 million tons of thermal coal from ABB and TOP, and 1.6 million tons from coal trading business.

JOGMEC, PTTER sign MOU to improve coal operations in RI

Coal firm PTT Energy Resources Company Limited (PTTER) has signed an agreement with Japan Oil, Gas and Metals Corporation (JOGMEC) for cooperation to improve PTTER’s coal mining operations in Indonesia amid growing attention over environmental issues.

JOGMEC said in a statement that the two companies had on 18 February signed an MOU on the comprehensive cooperation.

PTTER is a wholly-owned subsidiary of Thailand’s PTT Public Company Limited (PTT) and is engaged in coal and mining business along with Sakari Resources, and other subsidiary of PTT Group (SAR).

“JOGMEC will work in comprehensive cooperation with PTTER and SAR to improve operations of their coal mines capitalizing on both knowhow and to seek for opportunities to have Japanese companies involved in their businesses such as JV agreement,” JOGMEC said in the statement.

SAR exports high quality thermal coal to Asian countries including Japan from existing two coal mines in Indonesia, and have acquired new two undeveloped coal concessions in Indonesia in 2019.

Indonesia has been very important and indispensable sources of high quality thermal coal for Japan since Indonesia provides less expensive coal with lower ash and sulfur, which are harmful for the environment, and at the same time, good alternatives for us to avoid risk against suspension of coal shipments from Australia due to natural disasters such as hurricanes, bush fires.

“Considering more attentions on environmental issues these days for coal-fired power plants, environmental friendly Indonesian coal possibly gains more importance in the future,” JOGMEC said.
DX-listed coal firm PT Alfa Energi Investama Tbk said that coal sales volume last year reached 1.8 million tons.

Alfa’s Corporate Secretary Lyna Elvira was quoted by news portal Kontan.co.id as saying that the 2019 sales volume was twice the sales volume made in the previous year.

She is optimistic that the higher sales volume would translate to better 2019 financial results. The company has yet to report the full-year financial results.

As per end September of last year, the company saw revenue soared by 104.67 percent to Rp 1 trillion year-on-year on coal sales volume of 1.5 million tons. Meanwhile, net profit jumped to Rp 13.53 billion, compared to a net loss of Rp 5.22 billion in the corresponding period of last year.

Alfa’s coal production comes from its subsidiary PT Alfara Delta Persada (ADP), which operates a 2,089-ha coal mine in Angga, Kutai Kartanegara Regency, East Kalimantan, with mineable reserves estimated at around 6.58 million tons and resources of 21 million tons. The company produces low to medium rank coal with CV of 3,500, 4,200, and 4,500 kcal per kg. The coal contains 0.6 percent sulfur, and 8 percent ash, with water content of 30-42 percent.

Alf sells its coal to both the domestic and export markets. Lyna said that for this year, the company plans a lower sales volume target of 1.5 million tons due to the declining trend in the price of the commodity. “We’re prioritizing stability and look for more profitable market opportunities,” she said, adding that the company this year will focus on optimizing domestic market potential.

She said that export market will be ramped up once coal price has improved.

Lyna said that Alfa plans to allocate US$2 million for capital expenditure this year to support coal operations of ADP including for preparations to start production at the Block N, one of the mining blocks owned by subsidiary ADP.

Aside from ADP, Alfa holds another coal subsidiary called PT Berkat Bara Jaya, in Kutai Barat, but has yet to start production.
Timah sets aside Rp100b for buying back shares

IDX-listed tin miner PT Timah Tbk (IDX:TINS) has decided to set aside Rp100 billion to buy back the company’s shares from the market as a move to increase shareholders value.

The decision is made on the back of sharp volatility of the market on concerns on the impact of the corona virus outbreak on the global economy.

The company said in a statement that the total volume of shares to be bought back is set at maximum of 20 percent of paid-in capital.

The company said the shares buyback will be carried out in stages within three months from March 17, 2020 until June 16, 2020. The company has appointed brokerage firm PT Danareksa Sekuritas for the shares buyback program.

It said the funds to buy back the company’s shares will be taken from retained profit in the previous year.

The company said it expects the buyback program will have no negative impact on the company’s operation as the company has solid working capital.

As of September, Timah has asset value of Rp20.77 trillion and equity of Rp6.06 trillion.

Antam to set aside Rp100 billion for share buyback

IDX-listed nickel and gold miner PT Aneka Tambang Tbk (IDX:ANTM) announced on Monday (16/03) over the company’s plan to conduct shares buyback program following a significant fluctuating of market condition.

Antam said it will allocate a maximum of Rp100 billion for the shares buyback transaction that will be undertaken in the period of March 17, 2020 until June 16, 2020. The funds include transaction costs, brokerage fees and other costs associated with the company’s share buyback transaction. The plan is also intended to enhance company’s shareholders value, it said in a statement.

Antam said in carrying out the plan, it will comply with the capital market regulation as stipulated in the Indonesian Financial Services Authority (OJK) Regulation No. 2/POJK.04/2013 dated August 23, 2013 concerning Buyback of Shares Issued by Issuers or Public Companies in Significantly Fluctuating Market Conditions.

It will also comply with the OJK Circular No. 3/SEOJK.04/2020 dated March 9, 2020 concerning Other Conditions as Significantly Fluctuating Market Conditions in the Implementation of Shares Buyback issued by Issuers or Public Companies.

Antam has appointed PT Mandiri Sekuritas as brokerage firm for the transaction. Pursuant to the OJK Regulation No. 2/POJK.04/2013, Antam prohibits members of the company’s Board of Commissioners, Board of Directors and employees as well as other related parties.

Investment in smelter projects seen to reach US$20.4b until 2023

Ministry of Energy and Mineral Resources (MEMR) estimates investment to reach US$20.4 billion from now until 2023 that will be used to develop up to 52 smelter plants.

“The total investment is estimated to reach US$20.4 billion,” said Director General for Mineral and Coal of MEMR, Bambang Gatot Ariyono, said in Jakarta on Thursday (12/03).

At present, there are 17 smelters that have been developed, consisting of 11 nickel smelter, two bauxite smelter, one iron ore smelter, two copper smelter, one manganese smelter and four zinc smelters.

Bambang said his office expects there will be additional smelters that will be developed until 2023, consisting of 18 nickel smelters, seven bauxite smelter, three iron smelters, two copper smelter, one manganese smelter and four zinc smelters.

Investment to build bauxite smelter is expected to reach US$7.95 billion, US$7.62 billion in nickel smelter, US$4.69 billion for copper smelter, US$67.9 million in iron smelter, S$35.9 million in zinc smelter and US$23.9 million in manganese smelter.

The largest copper smelters are developed by PT Freeport Indonesia and PT Amman Mineral Nusa Tenggara. 
ORDER FORM

Please tick ☑ and specify number of copy(s)

BOOKS

☐ Indonesian Coal Book 2020/2021 US$200
☐ Oil & Gas Book 2018 US$200
☐ RIPTL 2019-2020
☐ English Version US$410
☐ Indonesia Version US$196
☐ Compilation of Indonesian Regulations on Electricity (MI)
☐ Indonesian Electricity Book 2017 US$250
☐ Indonesia’s National Electricity Master Plan (RUKN) for 2019-2038
☐ Indonesia’s National Electricity Master Plan (RUKN) for 2019-2038 English Version
☐ PLN’s Guidelines for Procurement of Goods / Services (Indonesia-English)
☐ Indonesian Gas Development Plant Series 2018
☐ Compilation Of Indonesian Regulations On Mineral And Coal Mining (2018 - March 2019)
☐ Indonesian Minerals Book 2019/2020
☐ Government Regulation No. 81/2019 regarding the Types and Tariffs of the Non-Tax State Revenues (PNBP)
☐ Indonesia Coal Report (12 months subscription)
☐ Indonesia Nickel Report (12 months subscription)

MAPS

COAL MAPS

☐ Kalimantan (2019) US$500
☐ Sumatra (2019) US$500
☐ Indonesian Coal Industry (2019) US$500
☐ West Sumatra (2019) US$500
☐ Riau (2019) US$400
☐ Jambi (2019) US$400
☐ Bengkulu (2019) US$400
☐ South Sumatra (2019) US$400
☐ South Kalimantan (2019) US$400
☐ Central Kalimantan (2019) US$400
☐ West Kalimantan (2019) US$400
☐ East Kalimantan (2019) US$400
☐ North Kalimantan (2019) US$400
☐ Lampung (2019) US$400
☐ Papua (2019) US$400

UNCONVENTIONAL OIL & GAS MAP

☐ Indonesian (2018) US$200
☐ Sumatra (2019)(Zoom) US$200
☐ Kalimantan (2019)(Zoom) US$200

CONVENTIONAL OIL & GAS MAPS 2019

☐ Indonesian (2019) US$300
☐ Sumatra (2019)(Zoom) US$300
☐ Natuna (2019)(Zoom) US$300
☐ Jawa (2019)(Zoom) US$300
☐ Kalimantan (2019)(Zoom) US$300
☐ Papua (2019)(Zoom) US$300

REGIONAL MINERALS MAPS 2019

☐ Sumatra Minerals Map US$500
☐ Jawa Minerals Map US$500
☐ Kalimantan Minerals Map US$500
☐ Sulawesi Minerals Map US$500
☐ Maluku Minerals Map US$500
☐ Nusa Tenggara Minerals Map US$500
☐ Papas Minerals Map US$500

PROVINCIAL MINERALS MAPS 2015

☐ Aceh US$400
☐ North Sumatra US$400
☐ Riau Islands US$400
☐ Riau US$400
☐ West Sumatra US$400
☐ 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
☐ South East Sulawesi US$400
☐ South Sulawesi US$400
☐ Maluku US$400
☐ North Maluku US$400
☐ West Papuan US$400
☐ Papua US$400
☐ Indonesian Hydro Power (2017) US$150
☐ Seaborne Coal Exports (2014) US$150
☐ Seaborne Ore Exports (2014) US$150
☐ Indonesian Geothermal (2019) US$200
☐ Indonesian Electricity (2019) US$300

HOW TO ORDER

Fill out the form and send it back to us together with a copy of transfer receipt from the bank.

DELIVERY COSTS

For delivery outside Jakarta you will be charged for shipment costs. Please e-mail to marketing@petromindo.com to get details.

PAYMENT METHOD

☐ Cash on Delivery (For Jakarta only)
☐ We accept Visa
☐ Payment via bank transfer to:
  Bank Negara Indonesia
  Holder : PT, Bina Cipta Mandiri Consultant
  Acc. No. : 0222 5126 70 (IDR)
  0222 5126 96 (USD)
  Swift Code : BNIINDJA

Petromindo.Com

INDONESIAN OIL, MINING AND ENERGY NEWS
Address: Jl. Puskesmas No.9A Kelapa Gading Timer Jakarta Utara 14240 – INDONESIA
Phone : +62-21-22458787
E-mail: marketing@petromindo.com
www.petromindo.com

Please submit this FORM via email to marketing@petromindo.com
Sihayo seeks forestry permit for gold exploration in N. Sumatra

ASX-listed Sihayo Gold Limited said it continues to advance its permit application to undertake exploration drilling at the Hutabargot Julu gold target in North Sumatra Province.

The company said in a statement that although located within protected forest area, the project has been included in the 13 mining companies that are permitted to conduct mining within the contract of work (CoW) area.

Documents for the forestry exploration permit (or IPPKH Explorasi) outside the Sihayo project area were submitted to the Ministry of Forestry in September 2019 for approval. “The process is expected to be completed early in 2020,” Sihayo said.

According to Sihayo website, the Hutabargot Julu Prospect is located at the company’s Pungkut Gold Project in North Sumatra.

The Hutabargot Julu prospect is located on the south eastern portion of the 11.5km long Sihayo-Hutabargot mineralised trend. The prospect is about 10km southeast from the Sihayo-Sambung JORC Compliant Mineral Resource. In the future, an access road could be constructed linking the Hutabargot Julu prospect to the Sambung JORC Resource.

Sihayo owns a 75 percent interest in PT Sorikmas Mining, which holds the Sihayo-Pungkut 7th Generation Contract of Work (CoW). IDX-listed mining firm PT Aneka Tambang Tbk (Antam) is the company’s joint venture partner in the CoW with a 25 percent interest.

PEFINDO affirms “idA” ratings for PT J Resources Asia Pasifik Tbk and its bond

PEFINDO has affirmed its “idA” ratings for PT J Resources Asia Pasifik Tbk (PSAB) and its Shelf Registered Bond I of maximum of IDR3.0 trillion. The outlook for the corporate rating is “stable”.

An obligor rated idA has a strong capacity to meet its long-term financial commitments relative to that of other Indonesian obligors.

However, the obligor is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated obligors.

The corporate rating reflects PSAB’s sizeable mining reserves and resources, expectation on a lower cash cost, and the high demand for gold. The rating is constrained by its aggressive capital structure, exposure to the fluctuation of gold prices and unfavorable weather, and risks related to the development of new mines.

The rating may be raised if PSAB improves its capital structure, as indicated by a debt to EBITDA ratio below 2.0x on a sustained basis, while maintaining its profitability margin and low cash cost position. This should also be supported by a sustained increase in its mining reserves and gold production volume. The rating will be lowered if it delays the project construction in Dong site which could result in significantly lower than projected production volume. Its rating could also be lowered if it aggressively finances the expansion with substantially larger debt than projected, without being compensated by stronger revenue and/or EBITDA. A significant drop in the price of gold may also trigger a rating downgrade, as this could adversely affect its financial profile.

PSAB was established in 2002 under the name PT Pelita Sejahtera Abadi, and started mining operations in 2012 after acquiring assets from Avocet Mining. Its operations cover the exploration, mining, and processing of gold. It has a geographically diverse portfolio of assets across Indonesia and Malaysia - in Penjom, Malaysia; Seruyung, North Kalimantan; and Bakan, Lanut, Pani, Doup, Bolanggitang, and Bulagidun in North Sulawesi. As of December 31, 2019, it had three producing mines, two mines in the development stage, and two in the exploration stage. As of September 30, 2019, its shareholders were Jimmy Budiarto (92.50%), William Surnata (1.56%), Budikwanto Kuesar (1.52%), and the public (4.42%).
Miners will be required to allocate funds for exploration

Mining companies operating in the country will be required to allocate funds for exploration activities in a bid to find new coal and mineral reserves.

Director General of Mineral and Coal at the Ministry of Energy and Mineral Resources Bambang Gatot Ariyono said that that the obligation to allocate the exploration funds has yet to be officially stipulated in a policy.

He said that the obligation to allocate funds for exploration will be stipulated in the upcoming new mining law. “Each (mining) firms must allocate budget for exploration in accordance with their respective capacities and coverage areas,” he said.

Bambang said that in the coal mining sector, current production rate is not in line with additional proven reserves. Going forward, he said, the government will push junior miners to carry out exploration activities to find new reserves.

Indonesia’s coal reserves currently account for 3.5 percent of global proven reserves, he said, meaning that Indonesia lags behind the US, Australia, China and India.

PTFI, AMNT await for new copper export permit

Gold and copper giants PT Freeport Indonesia (PTFI) and PT Amman Mineral Nusa Tenggara (AMNT) are currently waiting for approval from the Ministry of Energy and Mineral Resources (MEMR) for renewal of their copper concentrates export permits which have expired on 8 March 2020.

The two companies said that they had applied with the ministry for the export recommendation letter, which will be used by the Ministry of Trade to renew the one-year export permit.

Vice President for Corporate Communication at PTFI Riza Pratama told news portal Kontan.co.id that the company had submitted the request for renewal of the export permit in early March. “We have submitted (the request) for new (export permit), it’s still being processed at MEMR,” he said.

Riza said that although the company has yet to get the new export permit, this has not affected the company’s production activity as it does not have export shipment schedule in near future.

Head of Corporate Communication at AMNT Kartika Oktaviana told the news portal that the company has also submitted last month the request for the renewal of its export permit.

She added that although the new export permit has yet to be issued, it has not disturbed the company’s operations. “In making the export shipment schedule, we have taken into account the buffer time to process the export permit,” she said.

Both PTFI and AMNT are seeking to get higher export quota volume under the new export permit.

Riza said that PTFI is hoping for higher export volume as the company aims to increase production of copper concentrates this year. “We have applied for higher (export quota) compared to last year, but we could not yet disclose the figure,” he said.

On 8 March 2019, PTFI obtained a one-year export permit with export quota of 198,282 wet metric tons (wmt). But in mid-September 2019, the company obtained extra quota of about 500,000 wmt.

AMNT obtained export quota of 336,100 wmt under the export permit which expired on 8 March this year.

Meanwhile, Director of Mineral Development and Management at MEMR, Yunus Saefulhak said that the ministry is still in the process of evaluating the requests made by PTFI and AMNT. If the administrative requirements are complete, the evaluation process could be concluded within two weeks at the most.

He added that among of the factors being considered in evaluating the export quota requested by the miners include size of reserves, production capacity, and the work and budget program (RKAB) of the companies, as well as construction progress of their domestic smelter projects.
Darma Henwa wins $23.50m contract from Dairi Prima

IDX-listed mining contractor PT Darma Henwa Tbk has won a US$23.50 million contract to provide services including earthworks, civil/construction work, and mechanical and electrical installation at a lead and zinc mine in North Sumatra Province owned by PT Dairi Prima Mineral (DPM).

Darma said in a statement that the project period is for 12 months after the signing of the contract, and work is expected to start in June 2020.

The company said it has also obtained additional work for developing gabion retaining wall, mine road, and site leveling at the DPM lead and zinc mine.

Darma said it will initially start with the gabion retaining wall and slope protection, to be followed with developing the mining road and site leveling.

“The company is currently in the process of discussion with DPM in relation to commercial, technical and legal aspects of the project,” Darma said.

Kapuas Prima targets higher production this year

IDX-listed lead and zinc mining firm PT Kapuas Prima Coal Tbk targeted production and revenue this year to increase by 20-25 percent compared to last year.

“We try to increase (revenue and production) by 20-25 percent but of course will also look into the price condition of lead and zinc in the global market,” Kapuas Finance Director Hendra William told news portal Kontan.co.id.

Last year, the company produced 476,000 tons of ores, or a 39.40 percent increase from 341,541 tons in 2018.

Hendra said that the Central Kalimantan-based company will continue to monitor the development of the lead and zinc price in the global market.

He said that the company will allocate US$60 million-$70 million for capital expenditure over the next two years to support production activities this year and next year, develop new mining infrastructure facilities, and add heavy equipment.

Gulf’s director resigns

ASX-listed Gulf Manganese Corporation Limited said that Andrew Wilson has resigned as a Non-Executive Director of the company.

Gulf said in a statement that Andrew was leaving the company to further pursue, among other things, his active involvement in supporting the disability community in Australia.

Gulf’s Chairman, Craig Munro, said Andrew has provided a significant contribution to the board since his election in February 2016.

Gulf is focused on developing a ferromanganese smelting business in West Timor, Indonesia to produce and sell low carbon ferromanganese alloy. Once fully operational, the Kupang Smelting Hub will produce up to 155,000 tpa of manganese alloy, directly supplying high-demand Asian markets.

Waskita inaugurates steel plant

PT Waskita Karya Infrastruktur, a subsidiary of IDX-listed engineering and construction firm PT Waskita Karya Tbk, inaugurated its steel plant located at the Modern Cikande Industrial Park in Serang, Banten Province.

President Director of Waskita Infrastruktur, Eko Widianto was quoted by news portal Kontan.co.id as saying that the steel plant is targeted to produce 40,000-50,000 tons of steel products this year.

He said that the steel products can support various infrastructure projects including bridges in toll road project, and transmission towers in the development of 500 kV transmission lines in Sumatra.

Waskita spent Rp 238 billion for the new steel plant, about 70 percent of which was financed via loans from PT Bank Pembangunan Jawa Barat and Banten Tbk, with the remaining from equity.
Newcrest finalizes sale of Gosowong gold mine

ASX-listed Newcrest Mining Limited said it has finalized the sale of 100 percent of Newcrest Singapore Holdings Pte Ltd (NSH) to Indotan Halmahera Bangkit (Indotan) for US$90 million, of which $60 million has already been received and the remaining $30 million payable in 18 months.

NSH owns a 75 percent interest in PT Nusa Halmahera Minerals (PTNHM), which operates the Gosowong gold mine in North Maluku Province.

“All conditions precedent have been satisfied and economic ownership has transferred with an effective date of 31 December 2019,” Newcrest said in a statement.

The company said that the sale of NSH follows a strategic review of the asset by Newcrest and to comply with the amended PT NHM Contract of Work which required at least 51 percent of PT NHM to be owned by Indonesian parties by 30 June 2020.

Inalum reaches production of 8 mln tons of aluminum

PT Indonesia Asahan Aluminium (Inalum), the country’s largest aluminium producer and state-run mining holding company, has reached production level of 8 million tons of aluminium at its 44th anniversary.

The record production was marked by an official ceremony at the company’s aluminium smelter plant in Kuala Tanjung.

Executive Director of Inalum, Oggy Achmad Kosasih, called on all of the company’s employees to carry on the hard-work to maintain high-quality products.

Executive Director for Operation and Production of Inalum, Rainaldy Harahap, said the production achievement was attained on the back of subdued global economic growth, which was a quite challenging period for the company.

Inalum was established on Jan. 6, 1976. On Jan. 6, 2020, it celebrated its 44th anniversary. Since its establishment, the company has recorded average annual production of 250,000 tons of aluminium per year.

It operates its aluminium smelting by with the support of electricity generated from Asahan River. Inalum was first established as a joint venture company between Indonesian government and Nippon Asahan Aluminium Co., Ltd., a consortium of Japanese companies.

The Indonesian government fully acquired by the government in 2013. The government then transformed Inalum into a mining holding company, whose members are consisting of PT Aneka Tambang Tbk, PT Bukit Asam Tbk, and PT Timah Tbk. In August 2019, the holding company renamed as MIND ID, acronym of Mining Industry Indonesia.
GEAR to soon complete acquisition of Australia gold mine

SGX-listed energy and mining firm Golden Energy and Resources Ltd (GEAR), which is part of the Indonesian well-diversified Sinar Mas group with coal mining operations in the country, said that the acquisition of Ravenswood gold mine in Australia is expected to be completed by the end of March 2020.

GEAR said in a statement obtained that Ravenswood is an existing operation with significant expansion potential to become a large scale, low cost and long-life producer.

It added that the mine produced approximately 54,000 ounces of gold for the year ended 31 December 2019 and has a total gold resource of 5.9 million ounces and total gold reserve of 2.7 million ounces as at 30 June 2019. “The transaction is expected to be completed by 31 March 2020,” GEAR said, without providing details.

GEAR and its partner EMR Capital, a specialist resources private equity manager, signed an agreement in January to acquire the Ravenswood gold mine from Resolute Mining Limited.

GEAR said in a statement at the time that the EMR-GEAR consortium has agreed to upfront consideration of A$100 million comprising A$50 million of cash, A$50 million of deferred consideration via the issue of a promissory note which attracts interest at 6 percent per annum, and up to A$200 million in contingent upside instruments linked to the average gold price and the investment outcomes of Ravenswood for the EMR GEAR consortium.

Under the terms of the agreement, the effective economic interest will transfer to the EMR GEAR consortium from the completion date. This will be EMR’s third mining operation in Queensland. EMR owns the Capricorn copper mine near Mt Isa and, with partners Adaro and Mitsui, the Kestrel coking coal mine near Emerald in the Bowen Basin.

GEAR also has strategic investments in leading gold and coking coal producers in Australia via Westgold Resources Limited and Stanmore Coal Limited.

PT Vale to complete FID of two smelter projects end 2020

IDX-listed integrated nickel mining firm PT Vale Indonesia Tbk hopes to be able to make the final investment decision (FID) over two proposed nickel projects in Sulawesi later this year.

PT Vale Finance Director Bernardus Irmanto was quoted by news portal bisnis.com as saying that the company is currently in the process of completing the various requirements for the FID including technical and licensing aspects as well as key documents.

“Regarding the investment figure for the two projects, (we) will wait for the FID later. We’ll also announce the name of our partners once the FID has been completed,” he said.

As has been previously reported PT Vale is planning to partner with Sumitomo to develop a high pressure acid leaching (HPAL) nickel smelter in Pomalaa, Southeast Sulawesi Province, to process nickel ores into mixed sulphide precipitate, a key material to produce electric vehicle battery.

The company is also planning to develop a ferronickel smelter in Bahodopi, Central Sulawesi.
Ministry to regulate domestic nickel trade

The Ministry of Energy and Mineral Resources is expected to issue at the end of March a new ministerial decree to regulate domestic nickel trade system. *Bisnis Indonesia* quoted ministry’s Director of Mineral Development and Management Yunus Saefulhak as saying that the new ministerial decree will stipulate the use of the mineral reference price (or HPM) as the base price for domestic nickel transaction.

He added that the new decree will also set the floor price of the HPM to be used in the nickel transaction.

The government has started implementing nickel ore export ban since early this year, forcing miners to sell their ores to domestic smelter operators. But as export has been shut down, some miners have complained about the low price of the ores demanded by the domestic smelter operators, urging the government to intervene in the nickel trade.

Secretary General of the Indonesia Nickel Miners Association (APNI), Meidy Katrin Lengkey welcomes the planned new policy. “We’re now a little happy with the government’s decision to accommodate the nickel miners by regulating the domestic nickel trade, particularly for domestic nickel price to follow the HPM.”

The government sets the HPM every month, based on the development of international indices. The HPM has been mainly used by the government to determine the royalty payment of the country’s mineral miners as regulated under Minister of Energy and Mineral Resources Regulation No 7/2017.

Antam told to start construction of nickel smelter in W. Papua

Coordinating Minister for Maritime Affairs and Investment, Luhut Panjaitan urged state-controlled mining firm PT Aneka Tambang Tbk (Antam) to quickly realize construction of a planned nickel smelter at the Sorong Special Economic Zone (SEZ) in West Papua Province.

“Three years ago, I pushed Antam to develop (nickel) smelter here (in the Sorong SEZ). But I don’t understand why it has yet to be realized. I will continue to push this because they (Antam) have promised it,” Luhut said in a statement, issued following a visit on Thursday to the Sorong SEZ where he discussed with other ministers and local government officials on ways to resolve obstacles to investment at the SEZ.

He also asked nickel companies at the Sorong SEZ to develop downstream industries such as stainless steel, and lithium battery.

Antam said in April of last year that it hoped to start construction of the proposed nickel smelter in Sorong in 2020 once the feasibility study, bankable feasibility study, and selection of the EPC contractor have been completed.

Antam was also hoping to be able to get a partner in the Sorong nickel smelter project, which would get the required nickel ores supply from Antam’s subsidiary PT Gag Nikel, which owns a nickel concession on Gag Island, West Papua.
Kingsrose resumes deep drilling program at Talang Santo mine

ASX-listed Kingsrose Mining Limited said it has started the phase 2 deep drilling program at the Talang Santo underground gold mine project in Lampung Province.

The company said in a statement that the phase 2 drilling program aims to increase confidence in the resources as a basis for the probable reserve estimate, which will in turn be central to the underground feasibility study, and to identify extensions to known high grade mineralization to be targeted for future resource expansion.

Kingsrose initiated the phase 2 program in light of the positive results of the conceptual study on a potential resumption of underground mining at Talang Santo and the encouraging results of phase 1 drilling program, which was completed in November 2019.

Results of this phase 2 program, in conjunction with an assessment of appropriate underground mining methodologies, will enable the company to further assess the potential for underground mining at Talang Santo.

It is anticipated that a total of nineteen surface holes for approximately 7,500 meters will be drilled. It is expected that this drilling campaign will take approximately four months to complete using four to five rigs.

“The results will inform the underground mine feasibility and an updated Mineral Resource Estimate for the Talang Santo Mine,” Kingsrose said.

Merdeka, Tsingshan plan smelter project

IDX-listed gold mining firm PT Merdeka Copper Gold Tbk has signed an MOU with China’s Eternal Tsingshan Group Co Ltd to form a joint venture company that would develop and operate a smelter in Central Sulawesi Province.

Merdeka Corporate Secretary Adi Adriansyah Sjoekri was quoted by news portal bisnis.com as saying that the proposed smelter will process copper ores from the company’s Wetar copper project in Maluku Province to produce acid sulphate and high content iron ore pellet.

He said that the smelter project (called the Morowali Acid Iron Metal/AIM project) will be located at the Indonesia Morowali Industrial Park (IMIP), Central Sulawesi, where Tsingshan has also been developing smelter industry, which requires acid sulphate.

Adi said that in the initial phase, the proposed smelter will have installed production capacity of 1 million tons of acid sulphate per year, to be supplied to other Tsingshan ventures at IMIP under long-term contract.

He added that feasibility study for the proposed joint venture smelter project is expected to be completed in the third quarter of 2020.
Agincourt’s gold sales volume down 10%
IDX-listed heavy equipment and mining firm PT United Tractors Tbk (UT) said that its subsidiary PT Agincourt Resources Tbk, which operates the Martabe gold mine in Tapanuli Selatan Regency, North Sumatra Province, booked lower gold sales volume last year despite solid operating performance.

UT said in a statement that the total sales volume of gold equivalent was recorded at 410 thousand ounces, down 10 percent compared to 453 thousand ounces in 2018, and recorded net revenue of Rp 7.9 trillion (no comparative figure for 2018 revenue was provided).

The average realized selling price for gold increased to US$1,369 per ounce, compared to $1,267 per ounce in 2018.

UT said that Agincourt achieved strong operational performance last year. The processing facility achieved an annual throughput of 6.04 million tons, up 8 percent from 5.57 million tons in the previous year.

The average milling throughput rate was 725 tons per hour, higher than 2018 annual average of 698 tons per hour, and 29 percent higher than the initial design throughput of 563 tons per hour. Total ore mined reached 5.9 million tons, up 4 percent from 5.7 million tons in 2018.

UT said exploration results also remained solid. The continued development of Martabe gold mine was also supported by Agincourt’s success in obtaining all the approvals needed to mine Tor Ulu Ala deposit and a potential sulfide target testing program at depth.

The exploration and resources development leads to new reserves finding. Hence, gold reserve at the end of 2019 were similar to 2018 and resulted in extension of mine life. As of December 2019, Martabe mineral resources reached 7.8 million ounces of gold with an estimated gold reserve of 4.5 million ounces.

UT through its subsidiary completed the acquisition of 95 percent ownership of Agincourt.

Metso provides grinding technology for Agincourt
Metso, a Finnish industrial machinery company focusing on providing technology and services among others for mining industry, said that Indonesia’s gold miner PT Agincourt Resources (PTAR) has chosen its grinding technology to be used at the company’s Martabe gold mine in North Sumatra Province.

The MetsoVertimill® VTM-4500 stirred mill is the largest of its kind to be installed in Indonesia, Metso said in a statement Tuesday.

“The Martabe gold mine has utilized Metso crushers and additional equipment in their production process, and the Vertimill® is an excellent choice for further increasing their comminution circuit’s output,” said Ben Weetman, Vice President, Asia Pacific, Metso.
Indika signs agreement to increase stake in Awak Mas gold project

DX-listed integrated energy company PT Indika Energy Tbk through its subsidiary PT Indika Mineral Investindo (IMI) has entered into a share subscription agreement with ASX-listed Nusantara Resources Limited and PT Masmindo Dwi Area in relation to the Awak Mas gold project in South Sulawesi Province.

Indika said in a statement that this development is a confirmation of the non-binding term sheet that was signed in December 2019.

With this share subscription agreement, Indika Energy will invest up to US$40 million into Nusantara’s wholly-owned subsidiary PT Masmindo Dwi Area (project company), which owns the Awak Mas gold mine, in two tranches subject to satisfactory conditions.

In tranche 1, Indika Energy will subscribe 25 percent shares in Masmindo for the amount of US$15 million which shall be subject to conditions, among others, (a) approval by the Nusantara’s shareholders meeting which is scheduled to be done in April 2020 and (b) the Ministry of Energy and Mineral Resources.

Subject to satisfactory of conditions, in tranche 2, Indika Energy will subscribe up to 15 percent shares in Masmindo Dwi Area (project company) for the amount of up to US$25 million.

“Upon closing, Indika Energy will own direct and indirect up to 52.6 percent interest in the project company,” said Indika, which owns 21.04 percent shares in Nusantara.

In addition to the share subscription agreement, Indika Energy and mining and oil and gas contractor subsidiary PT Petrosea Tbk also signed options agreements, respectively, with Nusantara for the following:

1. Granting 10 million share options by Nusantara to Indika Energy that are exercisable until 1 December 2022 at a price of A$0.61 per share
2. Granting of 10 million share options by Nusantara to Petrosea which will be granted in two tranches, being (i) 3 million share options that are exercisable until July 2022 at a price of A$0.45 per share and (ii) 7 million share options that are exercisable until July 2024 at a price of A$0.45 per share.

Beside this option agreement, Indika Energy still maintain the initial option on a 1 to 2 pro rate basis to the share subscription that can be exercisable on or before 30 November 2020 at a price of A$0.35 per share.

“This development is further affirming our strategic investment in Nusantara, as one of our diversification investment into non-coal sector. The involvement of our subsidiary Petrosea in this investment will further strengthening the synergy within Indika Energy group,” Indika Energy Managing Director and CEO Azis Armand said in the statement.

The Awak Mas gold project is located 45km by road from Belopa on the east coast of South Sulawesi Province. Ore Reserve of 1.1 Moz gold within a 2.0 Moz Mineral Resource. The Definitive Feasibility Study (DFS)1 completed in late 2018 confirms a robust, long-life and low cost gold project. The DFS supports an initial 11-year project producing ~100,000 oz per year. The Project is held under a 7th Generation Contract of Work (CoW) until June 2050 and is owned 100 percent by PT Masmindo Dwi Area.
**Bumi Resources Minerals process dore bullion into gold**

IDX-listed miner PT Bumi Resources Minerals Tbk (BRMS) said on Feb 18, 2020, its subsidiary PT Citra Palu Minerals (CPM) delivered the first shipment of dore bullion from its Poboya processing plant in Palu, Central Sulawesi to the Logam Mulia Smelter in Jakarta.

"The 679 grams dore bullion (83 percent gold content) was successfully processed into 565 grams fine gold at the Logam Mulia Smelter in Jakarta. This proves that our processing plant and trained employees can produce high quality dore bullion," Haris Yusuf, CPM’s Project Manager, said in statement.

Suseno Kramadibrata, BRMS’ CEO, further added, following this first shipment of dore bullion to the Smelter in Jakarta, the company is now confident that all equipment can work for 24 hours to achieve the production level of 500 ton of ore per day at the company’s Poboya plant.

As part of the trial production process, BRMS is shipping only a small amount of dore bullion to be processed into Fine Gold at the Logam Mulia Smelter in Jakarta.

This is only to prove that the bullion can be successfully processed into Fine Gold. BRMS' subsidiary, CPM has estimated reserves of 3.9 millions tons of ore and resources of 7.9 millions of tons ores with gold grade of 4.3 g/t, the company said.

BRMS owns 96.97 percent shares in CPM which operates 85,180 hectares of gold mining concession in Central and South Sulawesi. As part of the concession, the Poboya mine site is estimated to have ore reserves of 3.9 million tons and ore resources of 7.9 million tons, with more than 4 g/t gold grade.

As previously disclosed, BRMS plans to produce around 100,000 tons of ores in year 2020 and 180,000 tons of ores in 2021. The produced dore bullions will be sent to the Logam Mulia smelting facility in Jakarta to be processed into gold bars in February 2020.

**Vale Indonesia sets slightly lower capex in 2020**

IDX-listed nickel miner PT Vale Indonesia Tbk (INCO) said it sets capital expenditure (capex) slightly lower than realized capex in 2019.

In 2019, the realized capex reached US$166.6 million, increased 99 percent from realized capex in 2018 at US$83.3 million.

Finance Director Bernardus Irmanto said that most of the capex for 2020 will be channeled to fund the redevelopment of smelting furnaces and nickel ore processing 4.

"The allocation of capex for 2020 is not different with last year. It would be slightly below last year (realized capex)," Bernardus Irmanto was quoted by Investor Daily as saying Sunday.

In 2019, most of the capex was spent to complete the construction of the Larona Canal Lining.

This year, Bernardus said, the company will focus on completing the requirements needed for making the final investment decision (FID) for the development of smelter in Bahodopi, Central Sulawesi and Pomalaa, Southeast Sulawesi.

The company targets to finalize all the technical and permit aspect as well as preparing all key documents which are needed before move ahead to kick of the projects constructions.

PT Vale produces nickel in matte at its integrated mining and processing facilities near Sorowako on the island of Sulawesi.
Kliring Berjangka teams up with PT Timah in utilizing SRG

PT Kliring Berjangka Indonesia (KBI) has agreed to cooperate with tin miner PT Timah Tbk to utilize Warehouse Receipt System (SRG) as a move to stabilize stocks and the price of tin bar in the world market.

President Director of KBI Fajar Wibhyanadi said KBI encourages PT Timah to utilize SRG in order to assure that the tin price will gradually increase.

KBI said Indonesia has great potential in tin commodity, therefore Indonesia should also play a significant role in determining the world’s tin price. “With this partnership, KBI will conduct purchases and resale with collateral in the form of PT Timah Tbk’s Warehouse Receipt,” Fajar Wibhyanadi said in a statement.

Indonesia is currently the largest tin exporter in the world.

Vale unit to develop world-class copper-gold mining project

PT Sumbawa Timur Mining (STM) plans to develop a world-class copper and gold mining operation in Hu’u District, Dompu Regency, West Nusa Tenggara Province, after the company found gold and copper deposits at its concession.

STM is a joint venture between Eastern Star Resources Pty Ltd (80% interest) and IDX-listed mining firm PT Antam Tbk (20%). Eastern Star is a fully-owned subsidiary of Vale SA.

“The finding of the potential resources reflects the value and opportunity of the Hu’u project. The Hu’u project is currently at the stage of exploration and we hope to be able to continue the project with the aim of developing a world-class mining operation in Indonesia,” said Bede Evans, President Director of STM in a statement.

STM said in the statement that it has found copper and gold deposits at the Hu’u concession following exploration activities that have started since 2010.

The deposits were first found in August 2013, and since then 64 drilling holes have been made to determine the size, extent and characteristics of the mineral resources, the statement said.

STM will continue exploration activities within and around the Hu’u deposit area to determine the delineation and continuity of the mineralization zones.

According to mineral resources estimated made by STM as per end 2019, the designated mineral resources are 0.76 billion tons @ 0.93% copper and 0.56 g/t gold, and total inferred mineral resources of 0.96 billion tons @ 0.87% copper and 0.44 g/t gold.

The figures are equal to 1.7 billion tons @ 0.89% copper and 0.49 g/t gold. Aside from the aforementioned mineral resources, STM has also determined the exploration target around the area of 0.6-1.7 billion tons @ 0.2-0.7% copper and 0.1-0.3 g/t gold.

STM had in May of 2019 concluded the amendment of its mining contract of work, which becomes the basis for the company to continue with the exploration work to determine the resources and reserves at the Hu’u project.
A decade ago, Katarina Siburian Hardono would have never imagined jumping into a completely different world: Mining. But then, she has been fighting against all odds in the male-dominated industry.

In year 2010, Katarina started her career with PT Agincourt Resources, the operator of Martabe Gold Mine in North Sumatra Province, as Senior Manager of Corporate Communications. “It was not easy during the initial period,” she admitted.

Working in a male-dominated and completely new environment did not make Katarina back down easily. In fact, all challenges had made her more motivated to break the glass-ceiling between male and female workers in the mining industry, particularly in Martabe Gold Mine.

“Working in a male-dominated industry, you do feel like you have to work a little bit harder to get where you are, but it’s worth it in the end. Female and male are by nature, physically different; female has reproductive body-parts, with monthly periods and giving births, but it should not be used as an excuse for female to be less productive. Female has so much more to offer to enhance performance and productivity,” Katarina, 50, said to CoalAsia recently.

Katarina has strong commitment in promoting gender diversity in Martabe Gold Mine, where today some 28 percent of total workforces are female. The company targeted 45 percent of those female workers should have important role as Superintendents and Managers.
“Clearly Agincourt’s management team fully supports the gender diversity initiative,” she said.

In fact, according to Katarina, different backgrounds amongst Martabe’s management team members has enriched the perspectives, and brought a more dynamic and lively discussions in decision-making process. One of the key factors of the success of Martabe Mine so she believed.

Agincourt believes that the full support from all the stakeholders, including the local communities, may ensure the long term and sustainable operations of Martabe Gold Mine, which commenced its first commercial operation in 2012.

Martabe Gold Mine started the commercial production on July 24, 2012 and owns 7.8 million ounce of gold and 64 million ounce of silver resources as of Dec. 31, 2019. The production capacity of Martabe Gold Mine is 6 million tons of ore per year to produce in excess of 350,000 ounces of gold and 2-3 million ounces of silver per year.

PT Agincourt Resources employs more than 2,600 employees and contractors, in which 98 percent of them are Indonesian citizens and more than 70 percent are local people from the surrounding villages. In late 2018, Astra group took over the mine from EMR, and the national vital object has finally become a domestic capital investment.

Back to the early period in Martabe, Katarina and the rest of the management saw the importance and the urgent need to establish communication and to develop a good network with all the stakeholders, including the governments, local communities, NGOs and the media. “The first two years, we constantly strived to develop harmonious relationship and communication with all the stakeholders. Hard work eventually pays off,” she said.

Currently, Katarina manages Corporate Communications where media, academics, and NGOs are its main stakeholders, ranging from local, provincial to the national levels. The Department also serves and supports other departments in dealing with the governments and the community surrounding the mine. In her capacity, she has constantly made the efforts to spread clear information about how ideally a mining should be developed, operated and closed in a responsible manner. The majority were a group of important local key people that knows nothing about the mining industry. “The media community now plays a key role as our partner and has become our watchdog,” she said.

Coming from different professional background, Katarina was expected to bring new approach and modern method in developing communication approach and strategies for the gold mining company in South Tapanuli, North Sumatra Province. “I came from consumer goods, financial institution, IT and international NGO backgrounds and did not have sufficient knowledge about the mining industry,” Katarina, who regularly takes heavy physical exercises, admitted.

Yet Katarina was fully confident that she could fulfill the management’s expectation that in her capacity, she would be able to identify and take all the necessary steps to prepare the ground communication during pre-production, construction and the production phases until today.

She saw the lack of understanding and knowledge of the local media people on the industry. And instead of building barriers and avoiding the interaction, she considered that opening the communication even wider and gradually increasing their knowledge would help bridge the gap, while she consistently invested the time and the energy to build the relationship. During her period with the mine, she and her solid team have initiated and exercised various programs catered for this purpose, and the results were tremendous.

Social challenge

As a Batakese who works in a mine located in Tapanuli, Katarina is also required to encourage and empower local employees, particularly female. However, she admitted that there was a real challenge to change the mindset of working females, not just in the mining industry but across industries in North Sumatra.

“Batak people adopt patriarchal social system where males are considered to
take more prominent roles than females,” Katarina said. Yet Katarina provides a success story about how a Bataknese female can also achieve every success when she really works hard and smart.

Katarina is inspired by her mother who teaches her about the gender equality in a patriarchal social system. She recalled how her mother continued to work while she struggled raising five children, four females and one male, under social pressures. “Back in the late 1970s, my mother were so persistent to take all her children to higher education when people around her thought female children may not need such privilege and even pushed her to just find male relatives to marry and take the responsibility of the females,” she said.

As the oldest child, Katarina had the responsibility to help her mother raising her sisters and brother. When she was a college student, Katarina also took part time jobs to help fund her study and support her parents.

Today, Katarina, a wife and a mother of a 20-year old son, wants to share her experience, expertise and her spirit to other female workers of Martabe Gold Mine in achieving everything they want regardless their social, education and professional backgrounds. She strongly believes that all females should want to be successful and pave their own way to realize their dreams.

A Perfectionist

A perfectionist may be the best description of Katarina. Katarina always makes sure every detail and step is correctly and properly done. “I am a really focused person, when I set a goal, it must be a very specific one,” she said.

Katarina, unlike common people, had her very own dream. When other people dreamed of becoming a doctor or engineer, she set her goal that by the age of 21 she would buy a blue-colored 7-seater Suzuki jeep; and that before the age of 40 she would own a house with a private bathroom and a walking closet located in Bukit Cinere area. “And I had it, exactly as I dreamed of,” Katarina said. Now, she has set new goals to achieve with her beloved husband after their retirement. “I want to have a small 2-bedroom villa with a beautiful view overlooking the valley in Dago Pakar, where we can spend our quiet, peaceful retirement time. And then I also want the two of us to travel around the world and go wherever we like for a whole year, no detailed plans and worry free,” she smiled.

The way Katarina sets her goals and achievements are strictly implemented to her daily activities. “I really do not appreciate surprises and unexpected outcomes, so I always try to prepare and monitor everything thoroughly to minimize such things,” she said. That is why Katarina always pays close attention to every detail and makes no room for mistakes.

Some people questioned Katarina why she is pushing herself so hard. Katarina admitted that all the things she is doing with perfection are aimed to achieve the best standards. “I want to continuously improve myself and the standards of people around me,” she said.

Take risk

In Martabe Gold Mine, Katarina always encourages female workers to achieve more than what they already have now. She realizes that there are many female workers capable to improve but decided to stay where they are now. “Do not stay in the comfort zone, dare to take the risks!” Katarina said.

Katarina wants local female workers to have strong motivation to improve their skills and capabilities and not be too complacent on what they already have now. She said that Martabe Gold Mine would not last forever. “They should have skillsets and capabilities that can be used elsewhere, they need to be more competitive,” she said.

Related to the mining industry, Katarina takes an example of female geologists. She encourages them to improve their skills and capabilities other than researching and analyzing rocks. “You should widen your horizon and learn new knowledge, deal and interact more with people from different backgrounds,” she said.

Katarina also shows an example of a number of top management team members in various mining companies who are no longer from mining background. “You should not just deal with rocks for the rest of your life,” she said.

Taking risks and accepting new challenges, Katarina clearly does not want to be in her comfort zone. “Taking risks has shown me that if I want things to work out to my benefit, I need to be an active participant in creating opportunities for myself, it will help me grow by shaking me into action and stimulating results,” Katarina said. “I focus to climb the ladder and to achieve so much more in my lifelong career. It may not be in the mining business, who knows, it can be something else. I stay positive almost all the times and I’m excited to welcome every opportunities,” she added.
Indonesia Regional Minerals Maps 2019

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 (AO) glossy paper (250 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.

Map Specifications:
- Format: WALL MAP; LAMINATED
- Size: 1189 X 841MM (AO)
- Printing: FULL COLOR
- Packaging: ROLLED + DRAWING TUBE
- Price: US$500.00
- Release Date: DECEMBER 2019
- Code: RMM05L

Yes, I / We want to order
- Sumatra Minerals Map
- Java Minerals Map
- Kalimantan Minerals Map
- Sulawesi Minerals Map
- Nusa Tenggara Minerals Map
- Maluku Minerals Map
- Papua Minerals Map

Ordered By: ____________________________
Date: ____________________________

Contact Person: ____________________________
Position: ____________________________
Address: ____________________________
Postcode: ____________________________
Country: ____________________________
Phone: ____________________________
Fax: ____________________________
E-mail: ____________________________

Sent back this FORM photo via email to marketing@petromindo.com; we will contact you for confirmation.

How to Order
Fill out the form and send it back to us together with a copy of transfer receipt from the bank.

Delivery Costs
For delivery outside Jakarta you will be charged for shipment costs. Please e-mail to: marketing@petromindo.com to get details.

Payment Method
We accept

Payment via bank transfer to:
Bank Negara Indonesia
Holder: PT. Bina Cipta Mandiri Consultant
Acc. No.: 0222 5326 70 (IDR)
0222 5326 96 (USD)
Swift Code: BNIIDIA

Petromindo.com
Indonesian Oil, Mining and Energy News
Jl. Puskesmas No.9A Kelapa Gading Timur Jakarta
Utara 14240 - Indonesia
Phone: +62-21-22458787
www.petromindo.com
Miners keep operating cautiously amid coronavirus pandemic

By Tri Subhki R.

The country’s coal miners continue to operate normally, but implement cautious and preventive measures at the jobsites amid the Coronavirus outbreak. Miners also forbid any outside visitor to enter the mine sites and improve medical check-ups and hygiene workplace.

“So far mining operations are running normal,” Dileep Srivastava, Director and Corporate Secretary of IDX-listed coal giant PT Bumi Resources Tbk said to Petromindo.com. Bumi produces coal through subsidiaries PT Kaltim Prima Coal (KPC) and PT Arumin Indonesia.

KPC issued ab internal memo on March 17, 2020 that instructs no visitors allowed to enter the KPC mine operational area except with the approval of mine manager. It also postponed all official overseas and domestic travels.

Ahmad Zaki Natsir, Corporate Secretary of IDX-listed coal mining services firm PT Samindo Resources Tbk, also said the company’s operations at the mine sites are still running. “But our clients have locked down the jobsites for two weeks which means no outsiders can enter mine areas,” he said.

Samindo owns four mining services subsidiaries namely PT SIMS Jaya Kaltim, PT Samindo Utama Kaltim, PT Trasindo Murni Perkasa and PT Mintec Abadi. Samindo mainly works for PT Kideco Jaya Agung, a coal mine company owned by PT Indika Energy Tbk.

IDX-listed integrated coal mining firm PT ABM Investama Tbk, which owns IUP holders PT Tunas Inti Abadi in East Kalimantan and PT Media Djaya Bersama in Aceh Province, has also forbid outside visitors to enter the jobsites.

“As of now, there is no significant impact on operations at jobsites. We are forbidding external parties to come to the jobsites,” Rindra Donovan, Corporate Secretary of ABM, said.

PT Pamapersada Nusantara, a subsidiary mining contractor of IDX-listed PT United Tractors Tbk, also stated that it operates normally. “Operations at the jobsites run normally by implementing health check-up,
hygiene and safety protocols in all jobsites,” Sara K. Loebis, Corporate Secretary of United Tractors, said.

Pamapersada is the largest mining contractor by volume in Indonesia which works for a number of mining companies in South Kalimantan, Central Kalimantan, East Kalimantan, South Sumatra and North Sumatra Provinces.

Preventive measures
Dileep Srivastava said that Bumi has implemented a number of preventive measures to help avoid coronavirus contagion at the jobsites. “We also spray disinfectant to all the buildings, workshops, stores, mosques, buses, mini bus, aircraft and airport,” he said.

Srivastava also mentioned that the company has also informed all employees and contractor’s staff about the dangers of coronavirus and how to mitigate the risk including by broadcasting the information through all FM radio all channels, including contractors’ radio, with notices posted on all notice boards in all buildings at the mine sites.

Ahmad Zaki of Samindo stated that the priority is now to keep the working area away from any coronavirus contagion. “Mining activities involve many people, so the possibility of contagion is quite fast,” he said. Samindo has also cancelled all business trips.

PT Bukit Asam Tbk, a state-owned energy and mining company, has already been implementing limitation for outside visitors to enter the jobsites. “We canceled site visit for foreign buyers and we do video conference to communicate,” Adib Ubaidillah, Director of Commerce and acting Director of Operations of PT Bukit Asam, said recently.
The country’s minerals production remains stable and is not to be affected by the current Coronavirus outbreak, the government said.

Director General of Mineral and Coal at the Ministry of Energy and Mineral Resources Bambang Gatot Ariyono said that minerals production as per 6 March 2020 is still in line with the full-year target.

He was quoted by news portal Kontan.co.id as saying that copper cathode production this year is targeted at 291,000 tons, up from 176,400 tons last year. As per 6 March copper cathode production reached 1,255 tons.

He said that the country’s copper cathode production is greatly affected by the production of gold and copper giant PT Freeport Indonesia, which is in the transition process into underground mining operations. But he said that PT Freeport’s copper cathode production is expected to be higher this year, and reaching the ideal peak production volume in 2022.

Gold production this year is targeted at 120 tons, up from 108.2 tons last year. As per 6 March, output has reached 3.15 tons, or 2.5 percent of the full-year target.

Silver production is targeted at 290 tons, down from last year’s 481.5 tons. Realized output as per 6 March stood at 3.42 tons, or 3.21 percent of the full-year target.

Tin production is targeted at 70,000 tons, down from last year’s 76,100 tons. As per 6 March, realized output was 6,059 tons, or 9.3 percent of the full-year target.

Meanwhile, nickel in-matte production is targeted at 78,000 tons, higher than last year’s 71,000 tons. As per 6 March, production stood at 12,869 tons, or 16.5 percent of the full-year target.

Processed nickel production (including ferronickel and nickel pig iron) is targeted to reach 2.02 million tons this year, higher than last year’s 1.79 million tons. As per 6 March, realized ferronickel production stood at 178,436 tons, or 32.24 percent of the target, while nickel pig iron output reached 69,912 tons, or 17.48 percent of the full-year target.
Bambang said that the higher processed nickel production is in line with the operation of a number of new nickel smelters, and the government’s policy to accelerate the export ban of nickel ores to 1 January this year from the previous target of January 2022.

Bambang said that realized nickel ore production last year was 60.95 million tons, increased significantly from 22.14 million tons in 2018. Nickel ore export last year was 30.19 million, compared to 20.07 million tons in the previous year.

He said that nickel ore production this year is projected at around 30 million tons, while realized production as per February was 3.89 million tons. “The production increase in 2019 was situational, and was 3.77 million tons, of which 2.54 million tons were exported.

Bambang said that realized copper concentrates production last year was 1.64 million tons, lower than 2.52 million tons were exported. As per February this year, realized bauxite ore production was 3.77 million tons, of which 2.54 million tons were exported.

Bambang said that realized copper concentrates production last year was 1.64 million tons, lower than 2.52 million tons in 2018. Copper concentrates export last year stood at 707,216 tons, down from 1.66 million tons in 2018.

As per February this year, copper concentrates production has reached 149,508 tons, of which 33,513 tons were exported.

Smelter projects

Construction of domestic smelter projects have been hampered by the current Coronavirus outbreak as many of the projects are developed by Chinese firms employing Chinese workers.

Bambang said that one of the affected projects is a stainless-steel smelter being developed by China’s Virtue Dragon Nickel Industry in Konawe, Southeast Sulawesi.

Bambang, who recently visited the project, said that about 300-400 Chinese workers employed by Virtue Dragon could not yet return to Indonesia following the recent Lunar Year holiday amid the Coronavirus outbreak, thus hampering the construction of the project.

He feared that other smelter projects are also suffering from similar problems as many of them are being developed by Chinese companies.

Bambang said that the operation of smelters which have been completed so far has not been disturbed by the Coronavirus outbreak, but those which are still under construction are feared to have been disrupted.

Director of Mineral Development and Management at the ministry, Yunus Saefulhak said, however, that despite the disruption, so far no company has reported to the ministry for a delay in the operational target of the smelter project.

Without disclosing the identity, Yunus said that aside from Virtue Dragon, there’s another company whose smelter project has also been disrupted.

Five smelter projects are expected to be completed this year including ferronickel smelter owned by PT Aneka Tambang Tbk in Halmahera Timur, North Maluku Province; nickel iron smelter developed by PT Arthabumi Sentra Industri in Morowali, Central Sulawesi Tengah; lead smelter developed by PT Kapuas Prima Coal in Kotawaringin Barat, Central Kalimantan; manganese smelter developed by PT Putra Indonesia Jaya in Kupang, East Nusa Tenggara; and nickel smelter developed by PT Elit Kharisma Utama in Cikande, Banten.

The government expects that through 2024, there will be 52 smelters operating in Indonesia. So far, only 17 smelters have been in operation.

HPE of mineral commodities

The export reference price (or better known as HPE) of most mineral commodities, which are subject to export tax, for the period of March 2020 declined compared to February.

The Ministry of Trade said in a statement that the lower HPE comes amid declining trend in the price of commodities in the wake of the Coronavirus outbreak.

“The HPE of most mining products for the period of March 2020 declines including for iron, copper, bauxite, zinc, rutile, and lead. This is caused by among others by the Coronavirus outbreak affecting several countries including China, thus affecting China’s export and import,” said Director General of International Trade at the ministry Indrasari Wisnu Wardhana.

Compared to February, the March HPE of most mining products decline. Copper concentrates (Cu ≥ 15%) decline by 2.63 percent to $2,409.79 /wmt; iron concentrates (hematite, magnetite) (Fe ≥ 62% and ≤ 1% TiO2) down 4.63 percent to $44.74 /wmt; laterite iron concentrates (guitite, hematite, magnetite) (with purity of Fe ≥ 50% and Al2O3 + SiO2 ≥ 10%) down 4.63 percent to $38.29/wmt; lead concentrates (Pb ≥ 56%) down 1.52 percent to $778.18/wmt; zinc concentrates (Zn ≥ 51%) down 6.82 percent to $546.06/wmt; iron sand concentrate (lamella magnetite-ilmenite) (Fe ≥ 56%) down 6.82 percent to $44.74/wmt; rutile concentrates (TiO2 ≥ 90%) down 3.01 percent to $393.94/wmt; and washed bauxite (Al2O3 ≥ 42%) down 3.3 percent to $23.26/wmt.

Meanwhile, March HPE of iron sand pellet (lamella magnetite-ilmenite) (Fe ≥ 54) is unchanged at $117.98/wmt.
Coal exporters have a bit sigh of relief after a statement by the Coordinating Minister for Maritime and Investment that the Government has cancelled the implementation of the policy that requires export of coal and crude palm oil (CPO) to use national owned shipping company. It appears that such announcement was made after the decision reached in the limited cabinet meeting. Despite the encouraging news, coal exporters are waiting for the official regulation by the MoT that cancel/revoke the implementation of the policy, of which in this article such policy is referred to as beyond cabotage. Although the policy designed to support local insurance and shipping industry but in reality the implementation of the regulation is not in line with the spirit of the policy. Worse, the writer views the policy is an unnecessary and over-enforced which would damage coal export especially during these times when we are all united to battle the impact of the COVID-19 outbreak.

Background
The regulation which triggers controversies since it enactment on October 2017 is the MoT Regulation No. 82 of 2017 on the Obligation to Use National Insurance and National Shipping Company for the Export of Certain Commodities and Import of Certain Commodities issued on 26 October 2017. The regulation is mandated under the Economic Package Policy XV Series on the Business Development and Improvement of Competitiveness of Domestic Logistic Providers. The regulation was supposed to take effect on 27 April 2018 or 6 months after the issuance. But after the series of discussion with the stakeholders, the government decided to postpone the policy 1st of May 2020 (specifically for the provision to use national shipping). Meanwhile, for the provision of the use of national insurance provider, the implementation took effect on July 2019 after two times postponement due to the lack of preparation from the regulators side.

An over-enforced policy
The writer observes that such policy is somewhat an over-enforced policy due to the fact the export scheme mostly using free-on-board (FoB), lack of capacity of national-owned vessels, not in line with the long-term national energy plan, and may contradict to the WTO principles as among other reasons. In addition, the requirement would certainly affecting coal long-term export contracts made before the issuance of the regulation.

Export of coal mostly use the FoB scheme, whereby obligation to use shipping and cargo insurance should be the responsibility of importer (buyer). The title ownership of the goods (coal) is automatically transferred from the supplier to the buyer at the selling point agreed upon by the parties (in most cases in transhipment point or called as FoB vessels). Conversely, cost n freight (CnF) or cost-insurance-freight (CIF) scheme used in the case of exporters agree to utilize cargo insurance and/or shipping provider provided by themselves. If it

Beyond cabotage – An unnecessary and over-enforced policy
forcefully switched to CIF or CNF, then the exporter will bear the burden of higher costs which will ultimately affecting the competitiveness of our coal FoB prices. In the current oversupply market situation, Indonesian suppliers have to compete with countries such as Russia, Australia, or even the US to enter into China or far east countries such as Korea, Japan, and Taiwan of which their coal demand gradually declining.

From the onset, when the policy is drafted, the policy planners should have known well that the capacity of Indonesian-owned vessel is extremely not sufficient. An official data from the MoT and even INSA acknowledged that Indonesian-owned vessel only serve less than 2% of coal shipments to overseas. Majority of the national owned ships are tugboat, while there few of handymax vessels (capacity 35,000-50,000 DWT). While many shipments to coal export destination countries use big vessels like Panamax which could handle 60,000 to 80,000 DWT or even ultra vessel like Cape Size with capacity of more than 150,000 DWT. And bear in mind that China and the far east countries have strong ship building industries and wide shipping networks as well which enable them to offer more competitive freight costs.

The MoT policy to encourage development of national shipping company to serve lucrative export markets is not in line with the long-term outlook of our coal export. Under the National Energy Plan (RUEN) signed by President Joko Widodo under the Presidential Regulation No. 22 of 2017, coal export is projected to decline as domestic coal demand increases. Under RUEN’s most optimistic scenario, in the next 25 years (2046) our coal export volume would be zero as domestic demand reached 400 million tonne mark. With the substantial increase of domestic demand in the next decades, this will essentially provide good opportunity for national shipping company to serve the market as our maritime law has adopted the cabotage principles. Thus it would be wiser for the policy planner to support development of national shipping industry to anticipate the potential higher demand ahead.

Another critical issue that should have been cleared from the beginning is the compliance to international maritime practices. Foreign shipping industry represented by International Chamber of Shipping (ICS) that represent over 80% of world merchant fleet argues such policy may constitute a form of discriminative cargo reservation which ICS claims would be contrary to accepted international practice and maritime free trade principles that are adhered to by Indonesia’s trading partners. Further ICS claims cargo reservation is also contrary to the obligations which Indonesia has accepted as a member of the World Trade Organization (WTO) and the commitments that the government have made under the “Model Maritime Schedule” as part of the ongoing Doha Round.

**Damage has happened**

Sadly even before the effective implementation on 1st of May 2020, some coal suppliers have suffered from cancellation of few shipments in period of April and May 2020. The uncertainties and concern that the implementation of the policy may disrupt the coal export and add more unnecessary costs to exporter trigger some buyer to reconsider their coal purchase plan. The MoT plans to allow foreign shipping companies to serve coal export but they have to cooperate with Indonesian shipping companies which have the shipment permit issued by the Ministry of Transportation.

The scheme is quite similar to the implementation of the use of national insurance provider whereby foreign insurance provider can still able to offer the cargo insurance protection if they have their own local subsidiary or cooperate with local insurance providers. In this arrangement coal exporters have no option rather than buying “unnecessary” local insurance premium even though the cargoes have already been insured by the buyer under the FoB scheme.

For the use of foreign vessel the obligation for the foreign vessels to cooperate with local owned shipping company would bring no benefit to the development of the national shipping industry as expected under the Economic Package Policy. The proposed scheme will benefit brokers at the expense of coal exporters who will bear the additional costs from the arrangement. Consequently the export costs increase and the potential revenues to the state will be affected as well. Therefore, for the betterment of the export sector especially in this critical situation, the immediate issuance of the new regulation that cancel the implementation of the beyond cabotage policy is urgently needed.
PTBA to reduce high CV coal production this year

By Tri Subhki R.

IDX-listed coal firm PT Bukit Asam Tbk (PTBA) said it will reduce the production volume of high calorific value coal this year to 2.3 million from 3.5 million tons in 2019. PTBA exports high calorific value coal to premium markets such as Taiwan, Japan and the Philippines.

PTBA has been producing and selling high calorific value (CV) coal since 2018 to help offset the impact of the lingering weak coal price environment as high CV coal commands premium price. The company produced 985,000 tons of high CV coal in 2018 and grew up significantly to 3.5 million tons in 2019.

“The volume target this year is set based on coal price index and the profitability factors,” Adib Ubaidillah, Director of Commerce and acting Director of Operations, said on Wednesday. Adib said that the high CV coal price is also on the downward trend.

However, Adib added that PTBA, in fact, has capability to produce up to 4 million tons of high CV coal per year.
since the company has approximately 50 million tons of mineable reserves of high CV coal. “We will see the baseline of the price. If we only need to produce 1.5 million tons, maybe we should produce at that level,” he said.

PTBA’s coal product ranges from 4,800 kcal/kg to 6,100 kcal/kg which are utilized for coal-fired power plants and smelter industries. In 2019, PTBA produced 29.1 million tons of coal, or 10.2 percent increase compared to the previous year. It sold 27.8 million tons of coal in 2019 or 13 percent increase compared to the previous year.

“For 2020, we plan production volume at 30.3 million tons, or 10 percent increase compared to the previous year,” Arviyan Arifin, President Director of PTBA, said on Wednesday. Arviyan also stated that PTBA plans to increase coal sales up to 29.9 million tons which comprises of 21.6 million tons for domestic market and 8.3 million tons for export markets.

Adib said that PTBA has contracted about 90 percent of the coal sales for this year. “The remaining 10 percent is available for spot market,” he said.

Adib also mentioned the Coronavirus outbreak has not affected PTB’s coal shipment overseas. “We currently use video conference with foreign buyers who usually have site visits from mine site to port,” he said.

In 2020, PTBA focuses on coal downstream projects namely coal-to-DME in Peranap, Riau Province and 2x620 MW Sumsel-8 mine mouth power plant in Muara Enim, South Sumatra Province. PTBA sets Rp3.8 trillion capital expenditure for development projects.

Higher revenue

PTBA reported higher revenue last year on stronger sales volume despite lower coal price environment. Net profit, however, was lower.

PTBA said in a statement that operating revenue last year increased by 3 percent to Rp 21.8 trillion from Rp 21.2 trillion in the previous year.

The company said that coal sales at home accounted for 57 of the total revenue, while coal export accounted for 41 percent, with the remaining came from other activities such as electricity sales.

PTBA said that coal sales volume last year increased by 13 percent to 27.8 million tons compared to previous year. The higher sales volume was driven export to potential markets of Japan, Hongkong, Vietnam, Taiwan and the Philippines as well as sales to new markets such as Australia, Thailand, Myanmar and Cambodia. “The company also sold medium to high calorie coal to premium markets,” PTBA said.

PTBA said that production volume last year rose by 10.2 percent to 29.1 million tons compared to previous year. Coal railway capacity increased by 7 percent to 24.2 million tons.

The company said net profit last year stood at Rp 4.1 trillion, while EBITDA reached Rp 6.4 trillion. The company did not provide comparative figures, but according to a March 2019 report, net profit in 2018 reached Rp 5.2 trillion.

PTBA’s higher sales volume apparently had been undermined by the weaker coal price environment last year. The company said that Newcastle index fell by 28 percent to US$77.77 per ton by December of last year compared to $107.34 per ton in the same period of 2018. Meanwhile, the Indonesia coal index (ICI, GAR 5000) weakened by 17 percent to $50.39 per ton in December 2019 from $60.35 per ton in the same period of the previous year.

Meanwhile, PTBA said that investment this year is projected to reach Rp 4 trillion, mostly for development investment.

The company said in a statement that about Rp 3.8 trillion will be allocated for development investment, and the remaining Rp 200 billion for routine investment.

As has been previously reported, the company plans coal production this year to increase by 4 percent to 30.3 million tons compared to 29.1 million tons last year.

Sales volume is targeted to increase by 8 percent to 29.9 million tons from 24.7 million tons last year. About 21.6 million tons will be allocated for domestic market, and 8.3 million tons for the export market, supported by a 2.3 million tons export of high calorific value coal.

PTBA also said that it will reduce the production volume of high calorific value coal this year to 2.3 million from 3.5 million tons in 2019. PTBA exports high calorific value coal to premium markets such as Taiwan, Japan and the Philippines.

PTBA said that coal transport via railway this year is expected to increase to 27.5 million tons from 24.2 million tons.

Indirect subsidiary

PTBA had signed an agreement to provide loan for its indirect coal mining services subsidiary PT Satria Bahana Sarana (SBS).

PTBA said in a statement that the one-year loan carries an interest rate of 7.25 percent per year. The company did not disclose the amount of loan for SBS. The loan is to help finance working capital and operations of SBS.

PTBA indirectly owns SBS via its 99.99 percent subsidiary PT Bukit Multi Investama, which holds a 95 percent stake in SBS, which is engaged in coal mining services and heavy equipment rental.
Geo Energy plans modest increase in coal output amid weak price

GX-listed coal firm Geo Energy Resources Limited, which owns coal mines in Indonesia, said that it plans coal production of only 8 million tons this year, a modest increase compared to realized output of 7.4 million tons last year, amid the lingering weak price of the commodity.

Geo, however, said in a statement obtained recently that if price recovers, the company will seek for government approval to revise upward the 2020 coal production target at its South Kalimantan coal mines operated by subsidiaries PT Sungai Danau Jaya (SDJ) and PT Tanah Bumbu Resources (TBR).

“If the coal prices improve, the group will apply to increase SDJ and TBR’s Work Plan and Budget (or RKAB) production quota by 4 million tons in second half of 2020, subject to obtaining the relevant Indonesian Government regulatory approvals,” Geo said in the statement.

Last year, Geo produced 7.4 million tons of coal from SDJ and TBR mines, up from 7.1 million tons in 2018. The company, however, said that it recorded a lower revenue of US$249.1 million and incurred a net loss of $37.8 million last year, driven among others by weaker coal prices.

Meanwhile, Geo Energy recorded a lower revenue of US$249.1 million and incurred a net loss of $37.8 million last year, driven by weaker coal prices, demurrage charges, write-off of stock and impairment of the PT Bumi Enggang Khatulistiwa (BEK) mining property in East Kalimantan.

Geo said in a statement that coal sales volume last year totaled 7.4 million tons from the PT Sungai Danau Jaya (SDJ) coal mine in South Kalimantan Province and PT Tanah Bumbu Resources (TBR) coal mine in South Kalimantan. This was higher compared to sales volume of 7.1 million tons in 2018.

“The group’s revenue continued to be adversely impacted by the weaker coal prices in 2019,” the company said in the statement.

Average Selling Price (ASP) for 2019 was $33.67 per ton, down from $42.08 per ton in 2018.

Revenue for 2019 was reduced by $50.1 million to $249.1 million from $299.2 million in 2018 and cash profit from coal mining reduced to $31.0 million in 2019 as compared to $80.1 million in 2018.

The group’s coal sales of 7.4 million tons comprised 2.4 million tons from its SDJ coal mine and 5.0 million tons from its TBR coal mine. The group achieved the full year Domestic Market Obligations (DMO) requirement in 2019.

Cash profit for coal mining in 2019 averaged $4.19 per ton compared to an average of $11.28 per ton in 2018, mainly driven by the lower ASP as a result of the lower coal prices. EBITDA was $23.0 million for the year.

Production cash costs are maintained at around $29 per ton after the group’s renegotiation with suppliers for lower costs tied to lower coal prices in 2019.

Geo repurchased $16.1 million in aggregate principal amount of the $300 million 8 percent senior notes due 2022 in December 2019 to support the senior notes price in the market and a recorded a gain of $5.3 million.
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

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.

Specifications:
- Format: Softcover
- Size: A4 (210 x 297 mm)
- Pages: 350 (approx.)
- Printing: Black & White
- Price: Rp 2,500,000
- Release: Mid-January 2020
- Code: PNB01H

Contact Us
Phone: +62-21-22458787
E-mail: marketing@petromindo.com
www.petromindo.com
Moody’s Investors Service has downgraded the corporate family rating (CFR) of Geo Energy Resources Limited to Caa1 from B3. In addition, Moody’s has downgraded to Caa1 from B3 the senior unsecured guaranteed notes issued by Geo Coal International Pte. Ltd., a wholly-owned subsidiary of Geo Energy.

The outlook on these ratings remains negative.

Ratings rationale
“The downgrade reflects Geo Energy’s weak credit metrics and deteriorating liquidity given its declining cash balance, and the heightened uncertainty around its ability to increase its coal reserves, which is needed to prevent triggering a put option on its US dollar notes by April 2021,” says Maisam Hasnain, a Moody’s Assistant Vice President and Analyst.

In the fourth quarter of 2019, Geo Energy’s cash balance declined considerably to $139 million at 31 December from around $184 million at 30 September. The decline was primarily due to a $32.5 million prepayment on its coal offtake agreements with Titan Infrastructure Energy (TIE), and a $10.7 million payment to redeem part of its US dollar notes.

Geo Energy’s cash has declined by a further $12.6 million in March 2020 as it redeemed an additional $19 million in principal on its US dollar notes.

The cash decline reduces Geo Energy’s liquidity buffer to acquire additional coal mines, and weakens its ability to manage volatility in its operations, which remain highly susceptible to changes in coal prices given the company’s small scale.

Geo Energy’s liquidity risk is further exacerbated by uncertainty around its coal reserves, which are crucial in preventing a put option from being triggered on its US dollar notes by April 2021.

The deadline for the company’s pending investment in two coal mines in South
Sumatra from TIE, has been extended twice, most recently to 31 March 2020.

Without this investment, Geo Energy is unlikely to have the 80 million tons of minimum coal reserves it needs by 4 April 2021 to avoid triggering the put option on its notes. This will lead to elevated liquidity and refinancing risk because Geo Energy’s cash would be insufficient to fully redeem its US dollar notes.

“Even if the South Sumatra mine investments are completed within the deadline, we estimate Geo Energy’s adjusted leverage will be 7x -- 9x over the next 12-18 months. Such high leverage, if continued, points towards an untenable capital structure, which increases the likelihood of a distressed exchange on Geo Energy’s US dollar notes,” adds Hasnain, also Moody’s Lead Analyst for Geo Energy.

On 9 March, Geo Energy spent around $12.6 million to repurchase $19 million in principal on the notes. This is the company’s second notes buyback since it spent $10.7 million to repurchase $16.1 million in principal on the notes in December 2019. The notes continue to trade at a considerable discount to par value.

Moody’s definition of distressed exchanges, which it sees as a default, captures cumulative losses for investors. Incremental discounted notes repurchases, should they occur, could be treated as a distressed exchange when viewed in combination with its completed buybacks.

The ratings also consider Geo Energy’s exposure to environmental, social and governance (ESG) risks as follows:

First, Geo Energy faces elevated environmental risks associated with the coal mining industry, including carbon transition risks as countries seek to reduce their reliance on coal power. However, the risk is somewhat mitigated as Geo Energy’s customers are primarily located in Asia, a region with growing energy needs. Also, Geo Energy has off-take agreements with global commodity traders to purchase Geo Energy’s coal for export.

Geo Energy’s two operating mines are adjacent in South Kalimantan and vulnerable to adverse weather. For example, operations at one of its mines were temporarily halted for around a week in June due to prolonged flooding. However, the company’s planned mine acquisitions in South Sumatra will reduce such operational concentration.

Second, Geo Energy is exposed to social risks associated with the coal mining industry, including health and safety, responsible production, and societal trends. The company has implemented an Environmental and Social Management System, which seeks to address issues such as workplace health and safety procedures, and local community development.

Finally, with respect to governance, Geo Energy’s ownership is concentrated in its promoter shareholders, who own around 39% of the company. Governance risks considered also include financial policies around tolerance for high leverage and uncertainty around further discounted bond buybacks.

The outlook is negative, reflecting Geo Energy’s weak credit metrics and uncertainty over its current ability to prevent the put option on its US dollar notes from being triggered in April 2021, which if triggered would lead to elevated liquidity and refinancing risk.

Upward pressure on Geo Energy’s ratings is unlikely, given the negative outlook.

Nevertheless, Moody’s could stabilize the outlook if Geo Energy materially improves its financial profile, and effectively executes its plan to acquire new mines to ramp up production and improve its mine reserve life, effectively removing risk from the bondholder put option.

On the other hand, Moody’s could further downgrade the ratings if Geo Energy’s operating performance does not materially improve, or if it fails to acquire coal assets that improve its credit profile in the near term and eliminate the risk of its put option being triggered in April 2021.

In addition, an inability to extend the licenses on its current mining concessions at substantially similar terms would likely lead to a rating downgrade.

The principal methodology used in these ratings was Mining published in September 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Established in 2008 and listed on the Singapore Stock Exchange, Geo Energy Resources Limited is a coal mining group with mining concessions in South and East Kalimantan. Its promoter shareholders, including Charles Antonny Melati and Huang She Thong own around 39% of the company.
By Tri Subhki R.

**VOLVO CE READY FOR B50 FUEL**

Volvo Construction Equipment, the manufacturer of Volvo heavy equipment, claimed that all Volvo’s machines are ready to apply B50 fuel without compromising the engine performance. The government mandates the use of B30 fuel this year and is expected to apply B50 fuel by the end of 2020.

“Volvo has a heritage of caring for the environment so we are proud to meet the proposed B50 mandate one full year ahead,” said Gerrit Lambert, Director for Volvo CE Indonesia, said recently. “The mandate aligns with Volvo’s core values and will help reduce emissions from industrial equipment.

Volvo CE is at the forefront of developing technologies to enhance environmental care. Since 1999, Volvo CE engines have been compatible with renewable fuel.

“The use of higher percentages of bio-fuel will not impact the proven performance of Volvo CE machines. Maintenance and service intervals can be maintained,” said Nino Putra, Aftermarket and Customer Solution Director for Volvo CE Indonesia.

Machines that use 50 percent of bio-fuel will require a thorough inspection program upon introduction that will warrant suitability of the specific bio-fuel grade. “Biodiesel is more sensitive to bacteria and water contamination than distillate diesel fuel, so more regular maintenance checks may be vital to ensuring maximum uptime,” Nino said.

Shorter maintenance intervals and more frequent checks may be required if the bio-fuel does not meet certain quality grade standards. “The government has set quality standard of biofuel,” Nino said.

Nino added that Volvo CE upgrades the Volvo’s engine to adapt with B50 by improving the rubber system. “We improve our rubber system, such as hose, in all engines,” he said.

Volvo CE provides a wide range of heavy equipment for industrial sectors, including mining. For mining segment, Volvo offers some mining solutions among others A60H articulated hauler, R60D rigid hauler and EC950E crawler excavator.

The A60H and R60D off-road haulers from Volvo CE share common components and functions but deliver different performances on mine sites.

“Operators often say the A60H articulated hauler can create its own road in any weather, even on job sites with tight corners and poor grounds. While the R60D rigid hauler is pushing the production capacity for haulers in the 60-ton class,” said Erwin Budi, Key Account Director, Volvo CE Indonesia.

While the A60H and R60D are suitable for different working environment applications, both enable mine owners to boost production while saving operating costs. “The fuel consumption is 20 percent more efficient,” Erwin said.
GX-listed energy and mining firm Golden Energy and Resources Limited (GEAR), which is part of Indonesian conglomerate the Sinar Mas Group, said that it achieved a record revenue of US$1.1 billion for the financial year ended 31 December 2019, and coal production volume of 30.8 million tons.

GEAR said in a statement that the Coal Mining division reported a revenue of $1.1 billion in FY2019, an increase of 11.4 percent from $943.2 million in FY2018.

During the year, the average selling price, which tracks the Indonesia Coal Index 4 closely, decreased by 15.5 percent from $41.39 per ton in FY2018 to $34.99 per ton in FY2019.

The decrease in average selling price was offset by an increase in sales volume from 22.8 million tons in FY2018 to 30.0 million tons in FY2019.

GEAR’s coal production volume for FY2019 increased by 8.2 million tons or 36.1 percent to 30.8 million tons from 22.6 million tons in FY2018.

Golden said the group continues to focus on controlling its production cost to mitigate the impact of the challenging coal price environment. Supported by lower fuel rates, lower strip ratios and contractor rates, cash cost (excluding royalty) from Coal Mining division decreased from $27.42 per ton in FY2018 to $24.11 per ton in FY2019.

Golden said the Coal Trading division reported a decrease in revenue by $40.3 million or 38.9 percent from US$103.6 million in FY2018 to $63.3 million in FY2019, mainly due to lower sales volume and average selling price as compared to FY2018.

The group’s Non-coal business reported an increase in revenue by $5.3 million to $6.9 million in FY2019, mainly due to dividend income from the group’s investment in Stanmore Coal.

In line with the increase in coal sales volume from the Coal Mining division, the group’s selling and distribution expenses increased by $34.1 million or 22.5 percent from $151.3 million in FY2018 to $185.4 million in FY2019 mainly due to increase in freight and stockpile expenses.

Overall, the group turned in a net profit of $32.9 million in FY2019, a year-on-year decrease of 55.3 percent, mainly attributable to higher selling and distribution expenses arising from the higher coal sales volume from the Coal Mining division and increase in finance costs.

“While we continue to be impacted by the weaker coal prices, we remain focused on keeping our cash cost under control and ramping up production to maintain our profitability,” said Executive Director and CEO of GEAR, Fuganto Widjaja in the statement.

“Despite the shift towards renewable energy, thermal coal remains an important source of fuel for developing countries in Asia, and we remain well-positioned to benefit from the growing demand.”

“To create additional value for our shareholders, we recently made our second investment in gold in Australia, together with our strategic partner, EMR Capital, with the acquisition of the Ravenswood Gold Mine.

The acquisition provides us with an opportunity to own an established gold producing asset with great potential in scalability, exploration and aggregation upside. As part of our business strategy to enhance our overall portfolio and geographical presence, we will continue to explore strategic investments to expand our coal mining operations and diversify our product suite.”

GEAR through its Indonesian subsidiary IDX-listed PT Golden Energy Mines Tbk operates coal mines in Indonesia.

GEAR also has strategic investments in leading gold and coking coal producers in Australia, via Westgold Resources Limited and Stanmore Coal Limited, both of which are listed on the Australian Stock Exchange.
INDONESIAN NICKEL REPORT
Indonesian Nickel Business Downstream

The Issues

The year 2019 could be described as one of the most dramatic for the nickel industry in Indonesia. In August, the Indonesian government through the Ministry of Energy and Mineral resources (ESDM) suddenly released Ministerial Regulation No 11/2019, which effectively bans the export of nickel ores starting 1st January 2020, sooner than the initial schedule of 2022.

Director General of Coal and Mineral at ESDM Bambang Gatot Ariyono said the decision to accelerate the nickel export ban is needed to help preserve the country’s nickel ore reserves to meet rising future domestic demand particularly as 36 nickel smelters will be fully operating in 2022.

He also said that although Indonesia has abundant nickel deposits, however, with the current mineable reserves of only around 700 Mt, the government estimates that it could only support the domestic smelters for eight years.

Coordinating Minister for Maritime Affairs and Investment Luhut Panjaitan said that with the export ban policy, the government expects investment in the nickel sector will increase as nickel is considered as vital commodity in the future.

The Indonesia Nickel Miners Association (APNI) opposed the new export ban regulation, saying the ban will cause huge losses for the miners as the current price of domestic nickel ore is far below the export price, which in turn may hamper the ongoing construction of domestic smelters by some miners as they will lose income from export.

APNI also claimed that the ban on nickel ore export will reduce government income by around US$ 261 million per year. Head of Indonesia Young Entrepreneurs Association (HIPMI), Bahlil Lahadalia in August 2019 said the association had also opposed the policy to accelerate the export ban as it would cause many Indonesian miners to go bankrupt. Bahlil also said that the new ministerial regulation on the export ban contradicted with other government
The year 2019 could be described as one of the most dramatic for the nickel industry in Indonesia. In August, the Indonesian government through the Ministry of Energy and Mineral resources (ESDM) suddenly released Ministerial Regulation No 11/2019, which effectively bans the export of nickel ores starting 1st January 2020, sooner than the initial schedule of 2022.

Director General of Coal and Mineral at ESDM Bambang Gatot Ariyono said the decision to accelerate the nickel export ban is needed to help preserve the country’s nickel ore reserves to meet rising future domestic demand particularly as 36 nickel smelters will be fully operating in 2022.

He also said that although Indonesia has abundant nickel deposits, however, with the current mineable reserves of only around 700 Mt, the government estimates that it could only support the domestic smelters for eight years.

Coordinating Minister for Maritime Affairs and Investment Luhut Panjaitan said that with the export ban policy, the government expects investment in the nickel sector will increase as nickel is considered as vital commodity in the future.

The Indonesia Nickel Miners Association (APNI) opposed the new export ban regulation, saying the ban will cause huge losses for the miners as the current price of domestic nickel ore is far below the export price, which in turn may hamper the ongoing construction of domestic smelters by some miners as they will lose income from export.

APNI also claimed that the ban on nickel ore export will reduce government income by around US$ 261 million per year. Head of Indonesia Young Entrepreneurs Association (HIPMI), Bahlil Lahadalia in August 2019 said the association had also opposed the policy to accelerate the export ban as it would cause many Indonesian miners to go bankrupt. Bahlil also said that the new ministerial regulation on the export ban contradicted with other government regulations. However, IKI noticed that Bahlil later support the ban after having been appointed as Head of the Investment Coordinating Board (BKPM).

Complaint over this regulation also came from the Ombudsman, as one of Ombudsman member, Laode Ida said that the export ban have raised concern about legal uncertainty in the nickel industry, as the government had initially scheduled to start the export ban in 2022.

In November 2019, the European Union (EU) protested the export ban policy, saying it will reduce their access to nickel ore and other mineral ores. The EU, which accused the Indonesian government of committing unfair trade practices, then challenged the export ban policy with the World Trade Organization (WTO).

Meanwhile, other industry players such as integrated nickel mining firm PT Vale Indonesia Tbk supports the new export ban policy.

Vice President of PT Vale Indonesia Febriany Eddy said that the nickel ore export ban will benefit Indonesia in the future and will also support government program in developing electric vehicle industry. Febriany also hoped the export ban will give support on increasing nickel price in the future.

Meanwhile, state-controlled mining firm PT Aneka Tambang Tbk (Antam) said that the export ban will reduce the company’s income and so to compensate, the company will focus on increasing income from smelters and processing activities.

However, within a week after the new cabinet of President Joko Widodo was inaugurated, the government suddenly released a statement that nickel ore export would be stopped on 29 October 2019 amid suspicion that some exporters have breached the required conditions including exporting nickel ores with purity of more than 1.7 percent,
and exceeding the export quota as set by the Ministry of Energy and Mineral Resources.

Head of BKPM, Bahlil, claimed that the move was supported by the industry players and miners.

The Indonesian government then re-opened export in the second week of November 2019.

All the issues about the nickel industry is reviewed by PT Indeks Komoditas Indonesia (IKI) in this month’s report.

**Background**

As mandated by the new mining law (Law No 4/2009) the Indonesia government must change its mining paradigm from exporting mineral ore commodities to exporting finished or semi-finished materials through processing and purifying of the ores or called as added value activities. And one of the government policies to support the added value programs was by imposing restriction on export of ore materials, which also included nickel ore, in 2014.
However, in the mid of 2017 the government revoked the ban on nickel ore export by giving a reason of the slow progress in the construction of domestic nickel smelters as some companies had raised the issue of financial difficulties to the government in developing the smelters. The government expected that by revoking the export ban it would help improve the finances of the miners and in turn help accelerated the smelter construction.

The policy of allowing miners to resume ore export was stipulated under Minister of Energy and Mineral Resources Regulation No 5/2017. However, this regulation stated that miners would only be given export quota until 2022 if they have implemented processing activity.

However, IKI found out that the export quota in 2017 was also given to nickel mining firms which had yet to have smelters, as shown on table below.

### Table 1. Nickel Ore Export Quota

<table>
<thead>
<tr>
<th>No</th>
<th>Nama perusahaan</th>
<th>Development progress (%)</th>
<th>Date of recommendation</th>
<th>Export quota (t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aneka Tambang</td>
<td>100</td>
<td>31-Mar-17</td>
<td>2,716,948</td>
</tr>
<tr>
<td>2</td>
<td>Fajar Bhakti Lintas Nusantara</td>
<td>100</td>
<td>31-Mar-17</td>
<td>1,065,215</td>
</tr>
<tr>
<td>3</td>
<td>Ceria Nugraha Indotama</td>
<td>0.03</td>
<td>04-Jul-17</td>
<td>2,300,000</td>
</tr>
<tr>
<td>4</td>
<td>Trimegah Bangun Persada</td>
<td>100</td>
<td>21-Jul-17</td>
<td>1,559,799</td>
</tr>
<tr>
<td>5</td>
<td>Gane Permai Sentosa</td>
<td>100</td>
<td>21-Jul-17</td>
<td>519,933</td>
</tr>
<tr>
<td>6</td>
<td>Mulia Pacific Resources</td>
<td>100</td>
<td>21-Aug-17</td>
<td>700,000</td>
</tr>
<tr>
<td>7</td>
<td>Itamatra</td>
<td>100</td>
<td>18-Sep-17</td>
<td>118,827</td>
</tr>
<tr>
<td>8</td>
<td>Aneka Tambang Ekspansi</td>
<td>8.83</td>
<td>23-Oct-17</td>
<td>1,219,945</td>
</tr>
<tr>
<td>9</td>
<td>Fajar Bhakti Lintas Nusantara expand</td>
<td>0</td>
<td>10-Oct-17</td>
<td>4,024,581</td>
</tr>
<tr>
<td>10</td>
<td>Wanatiara Persada</td>
<td>5.34</td>
<td>25-Oct-17</td>
<td>2,200,000</td>
</tr>
<tr>
<td>11</td>
<td>Ifishdeco</td>
<td>39</td>
<td>30-Oct-17</td>
<td>992,000</td>
</tr>
<tr>
<td>12</td>
<td>Sambas Mineral Mining</td>
<td>3.22</td>
<td>31-Oct-17</td>
<td>2,970,000</td>
</tr>
<tr>
<td>13</td>
<td>Surya Saga Utama</td>
<td>39.44</td>
<td>23-Nov-17</td>
<td>3,000,000</td>
</tr>
<tr>
<td>14</td>
<td>Modern Cahaya Makmur</td>
<td>76.38</td>
<td>23-Nov-17</td>
<td>298,359</td>
</tr>
</tbody>
</table>

**Total** | **23,685,607**

Source: ESDM
And to avoid legal problems, the ESDM then issued another Ministerial Regulation No 25/2018 which stated that export quota may also be given to companies which are in the progress of constructing domestic smelters, with obligation that the companies must report the progress of their smelter projects to the government. IKI have tried to ask for the export quota data for 2018 – 2019 to ESDM, but until this report went to the print the ministry has yet to respond. IKI finds this matter as very interesting as the government was able to change the regulation to support companies which had not even started smelter construction as shown on table 1.

However, in August 2019, the government changed its plan (again), accelerating the nickel export ban to 1st Januari 2020 as per some reasons IKI has quoted above. In the latest forum group discussion attended by IKI, ESDM estimated that all nickel smelter projects will be completed through 2021, which will need around 81 Mt of nickel ore per annum, and with the current ore reserves the ESDM predicted that by 2029 nickel ore reserves will be depleted.

Therefore, to avoid faster reserves depletion, the ban on export was accelerated to 2020. To support its assumption about this matter, ESDM said that in 2017, when nickel ore ban was lifted, total ore production jumped significantly by 120% y-o-y to 37.1 Mwt, while, metal production slumped 29% y-o-y. However, in 2018 ore production increased by double digit of almost 18% y-o-y, while metal production increased significantly by 122%.

IKI believes the significant increase in metal production in 2018 was not because of the lifting of the export ban, but most likely because of the completion of some smelters, as shown on table 4.
**IKI Comments**

ESDM’s claim of the country’s low nickel deposit has led IKI to find out about the current nickel deposit, as shown on table below.

<table>
<thead>
<tr>
<th>Deposit</th>
<th>Nickel Grade (Ni%)</th>
<th>Resources (Mt)</th>
<th>Reserve (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Inferred</td>
<td>Indicated</td>
</tr>
<tr>
<td>Low (&lt;1.7%)</td>
<td></td>
<td>3.293</td>
<td>1.604</td>
</tr>
<tr>
<td>Hi (&gt;1.7%)</td>
<td></td>
<td>785</td>
<td>662</td>
</tr>
<tr>
<td>No Data</td>
<td></td>
<td>70</td>
<td>263</td>
</tr>
</tbody>
</table>

*Source: Perhapi 2019, worked by IKI*

The above data shows that in 2019 mineable reserve stood at around 600 Mt, however IKI notice that Indonesia has abundant reserve of more than 3.4 Bwt. Based on our communication with geologists, IKI notice that the major factor on converting probable to mineable reserve was only on the economical matter like the infrastructure and the marketing (price), and thus needed further exploration to know how many of the probable can be converted to proven reserve. However, IKI thinks that due to the abundant probable reserve there are big possibilities that the mineable reserve can be increased significantly. USGS also made similar indication as it classified Indonesia to have the 6th biggest nickel deposit in the world. So the ESDM claim on the country’s low reserve is questionable.

The table above also shows that the majority Indonesia nickel reserve is categorized as low grade ore or we may said limonite. Meanwhile, based on IKI findings we notice that at this moment the majority of nickel smelters prefer to use the high grade ore.
Table 4. Existing Nickel Smelters

<table>
<thead>
<tr>
<th>No</th>
<th>Nama Perusahaan</th>
<th>Status</th>
<th>Product</th>
<th>Ore feed</th>
<th>Production capacity (t)</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PT Vale Indonesia</td>
<td>COW</td>
<td>Matte</td>
<td>High grade</td>
<td>80,000</td>
<td>1978</td>
</tr>
<tr>
<td>2</td>
<td>PT Aneka Tambang (Pomaala)</td>
<td>IUP OP</td>
<td>FeNi</td>
<td>High grade</td>
<td>90,000</td>
<td>2010</td>
</tr>
<tr>
<td>3</td>
<td>PT Indoferro</td>
<td>IUI</td>
<td>NPI</td>
<td>High grade</td>
<td>25,000</td>
<td>2012</td>
</tr>
<tr>
<td>4</td>
<td>PT Cahaya Modern Metal Industri</td>
<td>IUI</td>
<td>NPI</td>
<td>High grade</td>
<td>22,677</td>
<td>2014</td>
</tr>
<tr>
<td>5</td>
<td>PT Sulawesi Mining Investment</td>
<td>IUP OPK</td>
<td>FeNi</td>
<td>High grade</td>
<td>300,000</td>
<td>2015</td>
</tr>
<tr>
<td>6</td>
<td>PT Gebe Industry Nickel</td>
<td>IUP OPK</td>
<td>NiOH</td>
<td>Low grade</td>
<td>21,601</td>
<td>2015</td>
</tr>
<tr>
<td>7</td>
<td>PT. Fajar Bhakti Lintas Nusantara</td>
<td>IUP OP</td>
<td>NPI</td>
<td>High grade</td>
<td>120,000</td>
<td>2016</td>
</tr>
<tr>
<td>8</td>
<td>PT Megah Surya Pertiwi</td>
<td>IUP OPK</td>
<td>FeNi</td>
<td>High grade</td>
<td>264,211</td>
<td>2016</td>
</tr>
<tr>
<td>9</td>
<td>Century Metalindo</td>
<td>IUI</td>
<td>FeNi</td>
<td>High grade</td>
<td>50,000</td>
<td>2016</td>
</tr>
<tr>
<td>10</td>
<td>Indonesia Guang Ching Nikel and Stainless Steel</td>
<td>IUI</td>
<td>NPI</td>
<td>High grade</td>
<td>100,000</td>
<td>2016</td>
</tr>
<tr>
<td>11</td>
<td>PT COR Industri Indonesia</td>
<td>IUP OPK</td>
<td>NPI</td>
<td>High grade</td>
<td>92,400</td>
<td>2017</td>
</tr>
<tr>
<td>12</td>
<td>Virtue Dragon</td>
<td>IUP OPK</td>
<td>FeNi</td>
<td>High grade</td>
<td>200,000</td>
<td>2017</td>
</tr>
<tr>
<td>13</td>
<td>PT Surya Saga Utama</td>
<td>IUP</td>
<td>NPI</td>
<td>High grade</td>
<td>57,000</td>
<td>2017</td>
</tr>
<tr>
<td>14</td>
<td>PT Bintang Timur Steel</td>
<td>IUI</td>
<td>FeNi</td>
<td>High grade</td>
<td>43,800</td>
<td>2017</td>
</tr>
<tr>
<td>15</td>
<td>PT TsingshanSteel Indonesia</td>
<td>IUP</td>
<td>NPI</td>
<td>High grade</td>
<td>507,000</td>
<td>2018</td>
</tr>
<tr>
<td>16</td>
<td>Wanatiara Persada</td>
<td>IUP OP</td>
<td>FeNi</td>
<td>High grade</td>
<td>161,740</td>
<td>2019</td>
</tr>
</tbody>
</table>

Source: ESDM and various sources. worked by IKI

The table shows only one smelter that requires low-grade ore meanwhile other smelters prefer high-grade ore. This matter has caused much of the low-grade nickel ore that has been mined cannot be sold because the government has closed exports. Therefore, the reason given by ESDM to close exports because smelters can now consume low-grade nickel ore is questionable.

IKI also thinks that the government’s argument of lifting the nickel export ban in 2017 because of slow progress in domestic smelter construction as the investors faced financial difficulties were not completely correct, as IKI believes all the serious investors had already prepared the budget for the projects. IKI calculates that with export quota of around 2 million wet ore, the income will
be less than 5% from total values of the projects. The table 4 also shows that in 2014 – 2017 there were 11 new smelters completed construction, compared to 2018-2019 of only 2 smelters completed. Recently the government also confirmed the IKI assumption by saying that it has slashed down the projected number of smelters to be completed in the future. So the government now estimates that only 29 smelters will be operating by 2022, instead of 41 as announced in 2018. Based on this fact, IKI may conclude that the government’s policy of lifting the ore export ban in 2017 has caused “reduction” in the number of smelter project instead of increasing it.

IKI also found out that the government’s claim on huge illegal nickel ore exploitation as actual export was far above the export quota was not correct, as ESDM said that ore export in 2019 reached 30.2 Mwt, or only 97.7% of the total export quota set by the government. IKI believes the same also happened in 2017 and 2018. IKI also thinks the government’s claim on the illegal mining activities was not correct as IKI believes it will be very difficult for the miners to sell their “illegal” cargo to export market if they don’t have proper licenses especially on the nickel commodity of which many “eyes” and “interest” are focused on it. Therefore, IKI concludes government claims on both illegal mine activity and over exploitation nickel ore are questionable.

What Next?

Government said that ban on nickel ore export is final and at this moment the government are trying to improve domestic trading system on nickel ore. as there are some news in the market said that the current domestic price of nickel ore was not make any profit to the miners. APNI in the recent FGD which attended by IKI also said with the current domestic price and export ban, there are some indication will cause local miners will close the mine. And they think that in the future the nickel mine will own also by the smelters.

IKI Conclusion

The government’s behavior of switching “button on-off” of the nickel ore export policy arbitrarily has been contested by the EU, which had filed complaint with the WTO in November 2019. Both parties (EU and the Indonesian government)
were expected to have a consultation meeting on 30th Jan 2020, and at this moment IKI could not get any information about the meeting’s results. However, IKI considers it very interesting that the EU submitted the complaint to WTO in November instead of September 2019, or October 2019. IKI believes that the EU action could be driven by the government’s action of suddenly stopping export in late October 2019. This is also strengthened by the fact that when Indonesia banned nickel ore export in 2014, IKI found out that there was no complaint from EU, except one from Japan but which later on canceled its plan to bring this case to WTO.

IKI finds this case as very interesting as we believe the EU understands and respects Indonesia’s move to conserve its natural resources, as similar action has also been made by other countries. However, there are some points which IKI thinks has triggered the EU to bring the case to WTO.

1. Government Consistency
As we mentioned above the EU has challenged the Indonesian government’s export ban policy. However, IKI suspects that the EU’s major concern was not merely related to the nickel supply and demand issues, as we noticed that nickel price in November had actually slumped by almost 11.2% m-o-m compared to the September price level of around US$ 17,000/t, as shown on chart XXX on price section. IKI thinks the EU’s major concern is more likely on the government’s action of “pushing the on-off button” of the export ban very easily, as this kind of behavior will create uncertainty in the market which may affect price movement, and there’s also suspicion that this policy is intended to make profit for some parties.
2. Legal Consistency
The government said that the nickel ore export ban was based on the ESDM Ministerial Regulation No 11/2019, which was issued about 1.5 years after the export relaxation.

IKI has made some rechecks on this regulation and we’re unable to find wording which clearly mention nor said about government policies to stop export. IKI can only find words which said: “…….export quota for nickel ore which is given before and after this ministerial regulation is valid until 31 December of 2019 …..”

The clause above can cause a lot of perceptions and uncertainties about whether the government will stop export permanently. IKI predicts another ministerial regulation will be issued, which will allow export in the future as such case had happened in the past.

IKI recommendation
IKI thinks that the recent government behaviors, which had caused lots of reactions and rejections, not only from the domestic industry players but also the international market, has once again shown the weak legal certainty in the Indonesian mining sector, thus making future investment in the Indonesian mining sector to be less attractive.

IKI also noticed there are many big reputable mining companies in the world which have left Indonesia due to this issues.

And for the Indonesian nickel industry, if the government is really committed to its nickel ore export ban policy to help preserve the country’s nickel reserves, then IKI suggests the government should release a higher hierarchy regulation on the export ban instead of a mere ministerial regulation.

IKI could not find the status of the ministerial regulation nor its position in the Indonesian hierarchy of legislation, which IKI may conclude that the ministerial regulation is considerably a very weak regulation.
ESDM has set nickel price reference (HMA) for January 2020 at around US$ 13875.68/dmt, or a decrease of 13.9% m-o-m but increased by almost 27.4% y-o-y. IKI thinks the decrease happened mostly because of low demand of nickel from China market due to Lunar Year holiday coupled with high stock of nickel inventory in the international market which was relatively steady at the level of 170 Kt – 180 Kt or lower than previous month inventory of around 110 Kt. IKI noticed there were plenty of news reports which said that nickel performance in 2019 was above other metals price due to sentiment over tight supply following Indonesia’s ore export ban policy and also increased demand from China.

The same was also said by ESDM in our latest discussion about mining commodities price, as ESDM claimed that the planned ban on export of nickel ore has triggered an increase in the price of nickel up to US$ 17000/t, as shown on the chart above. However, from the chart above also IKI has calculated that
Nickel Price | Forecast 2020

the overall HMA in 2019 only increased 2.7% y-o-y to US$ 13558/dwt, which meant that the sentiment over tight supply was only temporary as we saw that in Dec 2019, LME price reversed back to its normal level of US$ 13800/dwt due to low demand of steel from the market together with increase nickel inventory.

IKI predicted nickel price in Feb 2020 will be relatively stable or may further decrease due to low demand from stainless steel industry especially in China. Following the Coronavirus outbreak, IKI predicts China’s economic growth will slow in February.

In India market, it is said that nickel price was expected to increase due to increased demand for stainless steel. From the supply side, the Indonesian ban on ore export would not cause much effect to the market as Indonesia also increased its metal export. The Philippines ore supply was expected to decrease due to rainy season and also environmental issues, However, this would not much affect the price due to high stock of nickel inventory in the international market of around 200 Kt.

Price forecast 2020

Several institutions expected nickel price will increase in 2020 due to strong demand for stainless steel and increasing demand for electric cars. The same was also mentioned in the last nickel forum group discussion attended by IKI, as almost all participants said that nickel price was expected to increase driven by rising demand for electrical vehicle battery. However, IKI thinks that their assumption on increased demand for nickel from the electric vehicle (EV) industry probably came from news reports which said that in 2018 sales of EV had increased by almost double than in 2017. However, IKI believes nickel consumption for EV in the short and medium term will remain low, compared to consumption by the stainless steel industry. At this moment demand for nickel from the EV sector stands at only around 3% of total demand.
Table 5. Nickel Price Forecast

<table>
<thead>
<tr>
<th>No</th>
<th>Institution</th>
<th>Price</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ABN AMRO</td>
<td>US$/t</td>
<td>14,042</td>
<td>14,817</td>
<td>16,265</td>
<td>NA</td>
</tr>
<tr>
<td>2</td>
<td>Australia department of Industry</td>
<td>US$/t</td>
<td>14,050</td>
<td>15,795</td>
<td>16,500</td>
<td>NA</td>
</tr>
<tr>
<td>3</td>
<td>Macquarie</td>
<td>US$/t</td>
<td>14,200</td>
<td>15,700</td>
<td>16,380</td>
<td>18,500</td>
</tr>
<tr>
<td>4</td>
<td>Merrill Lynch</td>
<td>US$/t</td>
<td>14,190</td>
<td>17,375</td>
<td>20,000</td>
<td>NA</td>
</tr>
<tr>
<td>5</td>
<td>National Australia Bank</td>
<td>US$/t</td>
<td>14,100</td>
<td>14,500</td>
<td>12,050</td>
<td>NA</td>
</tr>
<tr>
<td>6</td>
<td>Scotiabank</td>
<td>US$/t</td>
<td>14,330</td>
<td>16,534</td>
<td>17,637</td>
<td>NA</td>
</tr>
<tr>
<td>7</td>
<td>UBS</td>
<td>US$/t</td>
<td>13,200</td>
<td>15,500</td>
<td>17,200</td>
<td>17,600</td>
</tr>
<tr>
<td>8</td>
<td>World bank</td>
<td>US$/t</td>
<td>13,914</td>
<td>13,990</td>
<td>14,033</td>
<td>14,066</td>
</tr>
</tbody>
</table>

Source: company presentation, worked by IKI

From the table above we saw that almost all of the financial institutions forecast nickel price to increase in 2020 with majority of the institutions expect price will increase by more than 10% y-o-y. Merrill Lynch, UBS and Scotia bank forecast price this year will increase respectively by 22%, 17% and 15% than in 2019. All these institutions expected market inventory in 2020 will be in deficit as demand will increase more than supply. UBS predicts nickel inventory will be reduced due to Indonesia export ban, which is estimated to reduce nickel supply by around 8%. Meanwhile, demand of the stainless steel industry in Asia will grow. Merrill Lynch that nickel demand will increase driven by increased demand from electric vehicle battery makers.

Meanwhile, National Australia Bank (NAB), ABN and World bank forecast slower pace of price increase, respectively by 2.8%, 5.5% and 0.5% y-o-y, IKI noticed that NAB also mentioned that nickel price in 2020 could decrease due to geopolitical situation and slower growth of the global economy.

IKI predict nickel price in 2020 will be increase slightly as the “threat” on tight supply due to Indonesian will be faded as we saw in 2014 when Indonesia on the first time ban nickel export, the market reaction was only happened in some months and within February 2015 onward the market back again to normal, as showed on the chart 2.
From the table above we saw that almost all of the financial institutions forecast nickel price to increase in 2020 with majority of the institutions expect price will increase by more than 10% y-o-y. Merrill Lynch, UBS and Scotia bank forecast price this year will increase respectively by 22%, 17% and 15% than in 2019. All these institutions expected market inventory in 2020 will be in deficit as demand will increase more than supply. UBS predicts nickel inventory will be reduced due to Indonesia export ban, which is estimated to reduce nickel supply by around 8%. Meanwhile, demand of the stainless steel industry in Asia will grow. Merrill Lynch that nickel demand will increase driven by increased demand from electric vehicle battery makers.

Meanwhile, National Australia Bank (NAB), ABN and World bank forecast slower pace of price increase, respectively by 2.8%, 5.5% and 0.5% y-o-y, IKI noticed that NAB also mentioned that nickel price in 2020 could decrease due to geopolitical situation and slower growth of the global economy.

IKI predict nickel price in 2020 will be increase slightly as the “threat” on tight supply due to Indonesian will be faded as we saw in 2014 when Indonesia on the first time ban nickel export, the market reaction was only happened in some months and within February 2015 onward the market back again to normal, as showed on the chart 2.

Meanwhile, demand for nickel in 2020 will mostly come from the stainless steel industry, which is expected to increase in slow pace due to the global economic situation. The first phase of trade agreement between China and the US has given positive sentiment over global economic growth, however, with the recent condition in the China market, which consumes more than half of total global nickel production, IKI thinks the Chinese demand will only increase slightly. Meanwhile demand from EV industry is also expected to increase at slower pace as IKI heard that last year EV sales in China declined by more than 50% y-o-y.
Market Review

1. Indonesian Ore Price

IKI calculate in December 2019, the average Indonesian nickel ore prices in international market was valued at the level of US$ 38.9/wt on FOB mother vessel basis, or a decrease by almost 6.1% m-o-m. The sudden export ban by the government in October to early November of 2019 has triggered panic in the market, causing significant increase in price as shown on the chart 3 above. However, the price then reversed back in December 2019, which leads IKI to conclude that market response over the Indonesian ban in January 2020 was only temporary.

IKI noticed the average nickel price in 2019 was around US$ 33.88/wt or a slight increase of 6.6% y-o-y. IKI also found out that the highest nickel ore price was for North Maluku ore with price average of US$ 33.45/wt. Meanwhile the lowest price was for Central Sulawesi ore at US$ 29.7/wt. Based on the chart above IKI concludes that news reports saying that the price of Indonesian ore in the export market stood at more than US$ 35/wt was incorrect.
2. Philippine ore price

In contract with Indonesia ore, IKI calculates that average price of Philippines ore in November 2019 had decreased by more than 7% m-o-m to US$ 22.3/wt FOB mother vessel. IKI notice the decrease occurred due to decrease in demand for low-grade nickel from China market as China preferred to buy Indonesian ores, which have better quality, for restocking because of the Lunar Year and also in the anticipate of ban export.

However, from the chart 4 above IKI may conclude the increase in the price of Indonesia high grade ore had also caused an increase in the price of the Philippines medium-high grade ore to Japan by almost 35% m-o-m and 59% y-o-y. Overall in 2019, IKI notices that the price of the Philippines ore averaged around US$ 18.8/wt, or an increase of only around 4.4% y-o-y.
3. China buying ore price

IKI calculated in December 2019, the China market valued Indonesia ore at the level of US$ 85.5/wt CIF basis, or a decrease of 3.24% m-o-m. Philippine ore was valued at US$ 61.53/wt CIF basis, a decrease of 2.27% m-o-m. However, IKI noticed that New Caledonia ore price jumped significantly by around 13% m-o-m to US$ 94.6/wt CIF basis. IKI also noticed that the average price of Indonesia ore in 2019 in the China market was around US$ 69.8/wt, an increase of almost 9% y-o-y, meanwhile the average of Philippine ore valued US$ 50.2/wt, an increase of 6.8% y-o-y. However, New Caledonia average ore price in 2019 decreased by 0.6% y-o-y to US$ 64.4/wt. From the chart above we may conclude that Indonesia and New Caledonia supply ore with quality that’s likely the same, while Philippine may supply low grade ore to China market.

From the charts below IKI concluded there were different nickel ore selling prices at loading port and at the discharging port, with differences of Indonesian ore and Philippine ore were around US$ 36/wt and 31/wt. IKI predicts the same also happened to the New Caledonia ore price. Based on this, we may thus conclude that price mechanism for nickel ore mostly depends on the
customer rather than supply and demand mechanism. IKI noticed the same also happened in the Japan market. Therefore, APNI's demand for domestic nickel ore price determination must follow HMA or international price is not correct, as IKI believes they also cannot ask for the same thing to both China and the Japan markets.

4. Japan buying ore price

The majority of nickel ore supply in Japan came from the Philippines and New Caledonia, meanwhile IKI noticed Indonesia only supplied ore in small quantity in 2019 of around 50 Kt. From the chart below IKI may conclude that the Philippines supplied medium grade ore to Japan, meanwhile high grade ore was supplied by New Caledonia. IKI estimated the average price of the Philippine ore in the Japan market for 2019 was around US$ 46.9/wt CIF basis or a decrease of 6.1% y-o-y, and New Caledonia ore was valued at US$ 64.9/wt CIF basis, or a decrease of also 6.4% y-o-y. IKI also noticed in 2019 there was price difference between of the Philippines ores which were sold at load port and ores sold at discharging port by more than US$ 19.7/wt, which IKI thinks probably was attributed to the freight cost. However, the difference was not higher compared to the China price.
Metal price

1. Indonesia Metal

From the chart above IKI noticed Indonesian metal price in 2019 showed the same trend with the ore price especially since the second half of 2019. In December 2019, price for nickel matte, ferronickel and NPI decreased respectively by 11.1%, 11.8% and 25.1% m-o-m to US$ 9390/t, US$ 1950/t and US$ 295/t. IKI calculated that the average price for nickel matte in 2019 was US$ 8500/t, or an increase of 2.8% y-o-y. However, price for ferronickel and NPI stood respectively at around US$ 1600/t, US$ 950/t, or a decrease of 4% and 32% y-o-y.
2. China Ferronickel

Chart 8. China Ferronickel Price by Country (US$/t)

Source: China government, worked by IKI

Indonesia is the biggest ferronickel supplier to China market among other countries, however, in terms of price IKI noticed that Indonesia price together with South Korea price were the lowest compared to other suppliers, which probably because of its low nickel content. In December 2019 IKI noticed China buying price of ferronickel import declined due to low demand from stainless steel making as the market prepared for lunar holiday. Ferronickel from Indonesia, New Caledonia, Colombia and Brazil were valued at the level of US$ 1650/t, US$ 4090/t, US$ 3640/t and US$ 3330/t, or a decrease respectively by 4.7%, 19.9%, 34% and 20.7% m-o-m.

IKI calculated overall China buying price in 2019 for Indonesia ferronickel US$ 1600/t or increase 7.4% y-o-y, however different trend happened to ferronickel price from New Caledonia, Colombia and Brazil which decreased respectively by 12%, 5.7% and 17.9% y-o-y to US$ 4240/t, US$ 4080/t, and US$ 3430/t.
Production | Production Boost

Metal Production

ESDM temporary data show metal production in December 2019 decreased m-o-m, with NPI and ferronickel production fell respectively by around 58% and 11.5% m-o-m to 23 Kt and 79 Kt. Meanwhile production nickel matte increased more than 4% m-o-m to 6.9 Kt.

<table>
<thead>
<tr>
<th>No</th>
<th>Metal</th>
<th>Dec-19</th>
<th>Nov-19</th>
<th>Growth</th>
<th>FY 2019</th>
<th>FY 2018</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ferronickel</td>
<td>78,816</td>
<td>89,008</td>
<td>-11.5%</td>
<td>1,100,065</td>
<td>754,575</td>
<td>45.8%</td>
</tr>
<tr>
<td>2</td>
<td>NPI</td>
<td>23,216</td>
<td>56,078</td>
<td>-58.6%</td>
<td>692,428</td>
<td>284,007</td>
<td>143.8%</td>
</tr>
<tr>
<td>3</td>
<td>Nickel matte</td>
<td>6,912</td>
<td>6,636</td>
<td>4.2%</td>
<td>72,015</td>
<td>75,708</td>
<td>-4.9%</td>
</tr>
</tbody>
</table>

Table 6. Nickel Production

Source: ESDM, worked by IKI

The ESDM in the media claimed that nickel metal production in 2019 had increased significantly with total ferronickel, NPI and nickel matte production increased respectively by 92%, 114%, and 13% y-o-y to 1.1 Mt, 0.69 Mt and 65 Kt. IKI noticed there were differences between ESDM data and what it said in the media, especially regarding nickel matte production and also with the rate of increase of all metals as shown in the table above. IKI’s production numbers both for ores and metals were also different with that of the ESDM’s.

- Ore production
ESDM in the media also claimed that total nickel ore production in 2019 around 52.76 Mwt or increase more than 138% y-o-y, with 30 Mwt from total production went to export market. IKI also have tried to calculate nickel ore production, and we think that ore production in 2019 was around 74 Mwt.

As per table above showed that the differences between ESDM and IKI production number have almost been relatively constant since 2015, with only small gap over the years, but huge gap in 2019.
Production Boost

Metal Production

ESDM temporary data show metal production in December 2019 decreased m-o-m, with NPI and ferronickel production fell respectively by around 58% and 11.5% m-o-m to 23 Kt and 79 Kt. Meanwhile production nickel matte increased more than 4% m-o-m to 6.9 Kt.

<table>
<thead>
<tr>
<th></th>
<th>Dec-19</th>
<th>Nov-19</th>
<th>Growth</th>
<th>FY 2019</th>
<th>FY 2018</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ferronickel</td>
<td>78,816</td>
<td>89,008</td>
<td>-11.5%</td>
<td>1,100,065</td>
<td>754,575</td>
<td>45.8%</td>
</tr>
<tr>
<td>NPI</td>
<td>23,216</td>
<td>56,078</td>
<td>-58.6%</td>
<td>692,428</td>
<td>284,007</td>
<td>143.8%</td>
</tr>
<tr>
<td>Nickel matte</td>
<td>6,912</td>
<td>6,636</td>
<td>4.2%</td>
<td>72,015</td>
<td>75,708</td>
<td>-4.9%</td>
</tr>
</tbody>
</table>

Table 6. Nickel Production

Source: ESDM, worked by IKI

The ESDM in the media claimed that nickel metal production in 2019 had increased significantly with total ferronickel, NPI and nickel matte production increased respectively by 92%, 114%, and 13% y-o-y to 1.1 Mt, 0.69 Mt and 65 Kt. IKI noticed there were differences between ESDM data and what it said in the media, especially regarding nickel matte production and also with the rate of increase of all metals as shown in the table above. IKI’s production numbers both for ores and metals were also different with that of the ESDM’s.

• Ore production

ESDM in the media also claimed that total nickel ore production in 2019 around 52.76 Mwt or increase more than 138% y-o-y, with 30 Mwt from total production went to export market. IKI also have tried to calculate nickel ore production, and we think that ore production in 2019 was around 74 Mwt.

As per table above showed that the differences between ESDM and IKI production number have almost been relatively constant since 2015, with only small gap over the years, but huge gap in 2019.

This probably happened because of differences in the interpretation of the NPI and ferronickel production data. IKI noticed in 2019 ESDM claimed huge increase in the production of NPI by more than 100% y-o-y. However, based on our research on export we noticed that ferronickel output in 2019 was around 1.6 Mt, and increase of 88.1% y-o-y, meanwhile NPI output despite having huge increase of more than 101%, the total was only 0.1 Mt. as shown on the chart below.

Chart 9. ESDM and IKI Ore Production (Mwt)

Source: ESDM, IKI

Chart 10. Metal Export (Mt)

Source: Government institution, worked by IKI
IKI also have been making recheck with major importing countries and we found out their import of ferronickel and NPI from Indonesia was almost likely the same with the chart above and contradicted the ESDM export figure (please refer to export section). IKI also had also made discussion with one official of NPI smelter in Indonesia who said that at this moment almost all his company’s production was sold to export market. He added that metal production would be likely the same with sales/export. At this moment IKI could not find any NPI consumer in Indonesia.

Nickel Ore Mining Cost

Negotiation between government, miners, and smelter operators have continued to determine the price of ores in domestic market, as the government regulation on setting ore price (HPM) based on HMA had not been followed by the smelter operators. ESDM said that it’s aware of the situation and ESDM also said that the HPM had not been followed because there’s no regulation to ensure compliance.

APNI also claimed that current price of ore which is being set by the smelter operators is below the HMA and far below the price in the export market. APNI has given an example that nickel ore with grade of 1.7% Ni content price for domestic smelters only around US$ 15/wt with the term FOB barges, meanwhile the same ore can be sold to the export market with price of US$ 30/wt on FOB mother vessel basis, which means there’s a gap of more than 100%. Meanwhile,
head of BKPM, Bahlil Lahadalia claimed that there had been agreement between the parties that price of ore for domestic market until December 2019 would be limited at US$ 30/t. However for the price in 2020 it will be reviewed later on.

IKI had discussed this matter with smelter operators, and they said that the HPM price of around US$ 30/wt as mentioned by Bahlil was considerably high for them. The smelter operators said that when developing the processing plants they had to spend huge capital not only for the construction of the smelters but also for the development of infrastructure facilities such road, ports and power plants. These caused their operating costs to inflate, which forced them to decrease their buying price for ores.

At a discussion forum about nickel ores which was also attended by IKI, APNI said that the current price set by the smelter operators was far above the miner’s mining cost, and with the government’s export ban policy, it would cause huge losses for the miners, which in turn would cause them to shut down mining operations and layoff many employees. APNI claimed that at this moment mining cost US$ 15.26/wt as showed on the table below.

<table>
<thead>
<tr>
<th>No</th>
<th>Parameters</th>
<th>APNI (US$/wt)</th>
<th>Mine A (US$/wt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Loading hauling dumping</td>
<td>4.55</td>
<td>1.67</td>
</tr>
<tr>
<td>2</td>
<td>Supporting unit</td>
<td>0.37</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Fuel</td>
<td>2.69</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Site support</td>
<td>0.95</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Personnel</td>
<td>2.42</td>
<td>2.30</td>
</tr>
<tr>
<td>6</td>
<td>Transhipment + PBM</td>
<td>3.6</td>
<td>1.74</td>
</tr>
<tr>
<td>7</td>
<td>Others</td>
<td>0.68</td>
<td>5.01</td>
</tr>
<tr>
<td></td>
<td><strong>Total cost</strong></td>
<td><strong>15.26</strong></td>
<td><strong>10.72</strong></td>
</tr>
</tbody>
</table>

Source: APNI, company presentation, worked by IKI
APNI also said total cost CIF basis for domestic smelters will be around US$ 26/wt, therefore APNI strongly suggested domestic price of around US$ 30/wt, which was then agreed by BKPM at price level of US$ 27 – 30/wt. IKI found out there were lots of confusions regarding the APNI mining cost estimate as follows:

1. Transshipment cost
From transshipment cost on table 7 above, IKI concludes that total cost of US$ 15.26 will be FOB vessel basis. However, IKI found out that when APNI breaks down the cost for CIF basis, it still used the total cost above which included transshipment cost (US$ 3.6/t), thus leading to double counting. And IKI has calculated that transshipment cost for a nickel miner which produced about 1 Mwt in 2019 was only US$ 1.74/wt.

2. Hauling, loading, dumping
Based on the above parameters, IKI concludes that APNI cost of US$ 4.5/t is cost for transportation, and IKI thinks this cost was considerably very high for transportation as based on our conversation with some miners the distance from mine to the port is only around 30 Km maximum, meanwhile cost for transportation of a nickel mine is only around US$ 1.67/wt.

3. Total cost
IKI than calculated total mining cost of the nickel mine which only around US$ 10.72/wt as per table above or only around 70% from total APNI cost. IKI than recalculated again the cost for CIF basis by using APNI parameters for CIF basis and we found the total maximum cost is only around US$ 19/wt or $ 6 less than APNI calculation. And we think the cost could be reduced further as we found some parameters which we think still indicate double counting.

Based on the above, IKI calculated that total cost for a nickel ore mine which was only US$ 10.72/wt and around US$ 19/wt on CIF basis. However, IKI concludes that mining cost only cannot be used to justify what will be the price of the ore as price mechanism is mostly driven by negotiation between parties. Therefore IKI will release nickel price for domestic market which will be based on the price set by the miners, smelters and also traders.
Market news

- Antam said that ore production in 2019 decreased by around 7% y-o-y to only 8.69 Mwt, however the firm’s ferronickel production increased slightly by more than 3.4% y-o-y to 25,713 Mt. In 2020 Antam said it will increase production of ferronickel as its new smelter is expected to start production in 2020.
- IKI calculated that total Hengjaya nickel ore production until third quarter of 2019 reached around 0.4 Mwt, meanwhile the company’s NPI production in the same period reached around 0.12 Mt.

Meanwhile Central Omega Resources said that its total ore production until third quarter of 2019 was around 0.88 Mwt, or an increase of 184% y-o-y.

- PT Ifishdeco said its ore production target in 2020 is around 2.3 Mwt, or a slight increase of 1.8% y-o-y. Ifishdeco also said its smelter will start production this year to produce NPI and ferronickel.

- The Ministry of Energy and Mineral Resources said three nickel smelter projects are expected to start operations this year. PT Integra Mining Nusantara in Konawe Selatan will have a smelter with input capacity of 923,760 tons and output (nickel pig iron/NPI) capacity of 285,220 tons per year. PT Macika Mineral Industri in Konawe will start the operation of its smelter with input capacity of 1,105,056 tons per year and NPI output capacity of 276,264 tons per year, while PT Aneka Tambang Tbk in Halmahera Timur would have a smelter input capacity of 1,219,945 tons and output capacity (FeNi) of 64,655 tons.

- Nickel Mines Ltd obtained higher nickel metal output from its nickel pig iron (NPI) smelters in Indonesia’s Central Sulawesi Province during the quarter ending December 2019. The NPI smelters, known as the Hengjaya Nickel and Ranger Nickel projects produced a combined nickel metal output of 10,968 tons during the quarter.
Nickel Export

A. Indonesia Nickel

Ore Export

IKI calculated in December 2019, Indonesia exported nickel ore of around 3.04 Mt, increased by more than 12.7% from November. IKI thinks the increase happened due to government plan to stop export starting 2020 and stockpiling activities in China market during the Lunar holiday.

From the chart above IKI noticed that huge increase in export occurred in October, by almost 200% y-o-y to near 6 Mt as the market reacted to the government plan to stop export. However, in November export slumped by almost 54% m-o-m as the government banned export temporarily until the second week of November.

In November 2019, ore export decreased significantly by more than 54% y-o-y. IKI thinks the decrease was due to government temporary ban in export in third
Nickel Export

week of November. The chart above shows that price in November increased significantly by almost 10% m-o-m to US$ 41.5/wt due to market sentiment on decreasing supply as Indonesia would stop ore export. In total in 2019, IKI calculated that Indonesia exported around 32.4 Mt of ore, or an increase by more than 63.8% y-o-y. At a media conference, the ESDM claimed total nickel ore export in 2019 was around 30.2 Mt, or an increase of 50.42% y-o-y. From the chart below IKI noticed that almost 96% of ore were sold to China market and the rest sold to Ukraine (3.8%) and Japan (0.2%).

![Chart 12. Ore Export by Countries (%)](chart)

Source: Indonesian government, worked by IKI

However IKI noticed the share of export to Ukraine increased by almost 2% y-o-y with total ore sold of around 1.2 Mwt as the country’s demand for high grade ore increased significantly. Interesting cases occurred in the Japan market as IKI noticed that ore sales to this country was relative stable y-o-y. IKI opines that Japan preferred buying ore from New Caledonia than Indonesia.
Metal Export

1. Nickel matte

IKI calculated in 2019, Indonesia exported around 90 Kt of nickel matte, or a decrease by around 3.4% y-o-y. IKI thinks the decrease occurred due to suspension of production at PT Vale plants for maintenance activities. From the chart above we noticed that in the third quarter of 2019 export increased by almost 10% y-o-y due to increased demand in Japan market. Meanwhile, ESDM said nickel matte export in 2019 was around 64 Kt, or a decrease of almost 15.2% y-o-y. However, IKI noticed in the ESDM data that export of nickel matte was around 71 Kt, or a slight decrease of around 6% y-o-y.

2. Ferronickel

IKI calculates that total ferronickel export in 2019 was around 1.6 Mt, a significant increase of more than 88% y-o-y driven by increased demand of ferronickel for stainless steel in China market together with production from new smelters which started operations in 2019. ESDM said that total export of ferronickel in 2019 was around 1 Mt, doubling from 2018. IKI noticed, however, that the ESDM data showed export in 2019 reached 1.1 Mt, an increase of 46% y-o-y.
IKI calculates that total ferronickel export in 2019 was around 1.6 Mt, a significant increase of more than 88% y-o-y driven by increased demand of ferronickel for stainless steel in China market together with production from new smelters which started operations in 2019. ESDM said that total export of ferronickel in 2019 was around 1 Mt, doubling from 2018. IKI noticed, however, that the ESDM data showed export in 2019 reached 1.1 Mt, an increase of 46% y-o-y.

<table>
<thead>
<tr>
<th>No</th>
<th>Province</th>
<th>2018</th>
<th>2019</th>
<th>Growth (y-o-y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Jakarta</td>
<td>0.03</td>
<td>0.07</td>
<td>101.1%</td>
</tr>
<tr>
<td>2</td>
<td>East Java</td>
<td>0.07</td>
<td>0.08</td>
<td>11.0%</td>
</tr>
<tr>
<td>3</td>
<td>Central Sulawesi</td>
<td>0.15</td>
<td>0.42</td>
<td>186.3%</td>
</tr>
<tr>
<td>4</td>
<td>South Sulawesi</td>
<td>0.01</td>
<td>0.04</td>
<td>472.3%</td>
</tr>
<tr>
<td>5</td>
<td>South East Sulawesi</td>
<td>0.38</td>
<td>0.75</td>
<td>95.4%</td>
</tr>
<tr>
<td>6</td>
<td>North Maluku</td>
<td>0.20</td>
<td>0.23</td>
<td>14.6%</td>
</tr>
</tbody>
</table>
The table 8 shows that the huge increase in export was due to increased output from Central Sulawesi, South Sulawesi, and Jakarta. Central Sulawesi sales in 2019 increased by almost double as a number of new smelters started production such as Wanatiara, Hengjaya and others. IKI thinks the same also occurred in South Sulawesi. Meanwhile, for Jakarta, IKI thinks the increase was attributed to higher production by smelters due to better price.

The chart above shows that the huge jump of ferronickel sales in 2019 was driven by the increased demand from China market as the China market shares in 2019 rose to 87%. However, for India despite export increase by almost 25% y-o-y, the market’s share fell to only 6.6%. IKI noted that the share of Korea and Taiwan markets decreased to 4.9% and 1% as export to both countries slumped by 7.5% and 79% y-o-y, respectively.
The table 8 shows that the huge increase in export was due to increased output from Central Sulawesi, South Sulawesi, and Jakarta. Central Sulawesi sales in 2019 increased by almost double as a number of new smelters started production such as Wanatiara, Hengjaya and others. IKI thinks the same also occurred in South Sulawesi. Meanwhile, for Jakarta, IKI thinks the increase was attributed to higher production by smelters due to better price.

The chart above shows that the huge jump of ferronickel sales in 2019 was driven by the increased demand from China market as the China market shares in 2019 rose to 87%. However, for India despite export increase by almost 25% y-o-y, the market’s share fell to only 6.6%. IKI noted that the share of Korea and Taiwan markets decreased to 4.9% and 1% as export to both countries slumped by 7.5% and 79% y-o-y, respectively.

IKI calculated total NPI export in 2019 was around 0.1 Mt, or an increase of more than 85% y-o-y due to increased sales from Central Sulawesi and Banten. IKI also noticed that almost all of the NPI output were sold to China. Meanwhile, ESDM said total NPI export was around 0.13 Mt, or a drop of 59.8% y-o-y. However, ESDM data showed NPI export of 0.6 Mt, or an increase of 140% y-o-y.
B. Philippine nickel

IKI calculated total Philippine ore export until November 2019 was around 31.5 Mt, or an increase more than 18% y-o-y, with export to China jumped significantly by almost 19.6% y-o-y to 30 Mt. Meanwhile, export to Japan decreased 6% y-o-y to only 1.t Mt.

The chart above shows that news reports over Indonesia's export ban plan had significant effect in reducing the Philippines' export, especially in the last quarter of 2019, as China preferred to buy and stockpile Indonesian ore. In October 2019, export fell significantly by 47.7% m-o-m, and export in November dropped even further to only 0.68 Mt.

C. China Nickel

• Ore
IKI estimates that in 2019, China imported more than 56 Mwt of nickel ore, or an increase of more than 19.4% y-o-y. The Philippines, Indonesia and New Caledonia were still the biggest ore suppliers to China, with share respectively 53%, 42% and 4%.

Table above also shows an increase in the share of Indonesia ore in China market by almost 11% y-o-y. IKI believes that the increase occurred not only because of Indonesia's better quality ores than that of other countries, but also because of the Indonesian government policy to start export ban in 2020, which caused China to boost their intention to buy Indonesian ore as shown in the chart below.
B. Philippine nickel

IKI calculated total Philippine ore export until November 2019 was around 31.5 Mt, or an increase more than 18% y-o-y, with export to China jumped significantly by almost 19.6% y-o-y to 30 Mt. Meanwhile, export to Japan decreased 6% y-o-y to only 1 Mt.

The chart above shows that news reports over Indonesia’s export ban plan had significant effect in reducing the Philippines’ export, especially in the last quarter of 2019, as China preferred to buy and stockpile Indonesian ore. In October 2019, export fell significantly by 47.7% m-o-m, and export in November dropped even further to only 0.68 Mt.

C. China Nickel

• Ore

IKI estimates that in 2019, China imported more than 56 Mwt of nickel ore, or an increase of more than 19.4% y-o-y. The Philippines, Indonesia and New Caledonia were still the biggest ore suppliers to China, with share respectively 53%, 42% and 4%.

Table above also shows an increase in the share of Indonesia ore in China market by almost 11% y-o-y. IKI believes that the increase occurred not only because of Indonesia’s better quality ores than that of other countries, but also because of the Indonesian government policy to start export ban in 2020, which caused China to boost their intention to buy Indonesian ore as shown in the chart below.

Table 9. Ore Import by Countries (Mwt)

<table>
<thead>
<tr>
<th>No</th>
<th>Country</th>
<th>2019</th>
<th>2018</th>
<th>Change (y-o-y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Philippines</td>
<td>29.99</td>
<td>30.01</td>
<td>-0.1%</td>
</tr>
<tr>
<td>2</td>
<td>Indonesia</td>
<td>23.86</td>
<td>15.02</td>
<td>58.9%</td>
</tr>
<tr>
<td>3</td>
<td>New Caledonia</td>
<td>1.70</td>
<td>1.18</td>
<td>44.1%</td>
</tr>
<tr>
<td>4</td>
<td>Australia</td>
<td>0.21</td>
<td>0.15</td>
<td>46.0%</td>
</tr>
<tr>
<td>5</td>
<td>South Africa</td>
<td>0.16</td>
<td>0.13</td>
<td>25.1%</td>
</tr>
<tr>
<td>6</td>
<td>Russian</td>
<td>0.08</td>
<td>0.13</td>
<td>-42.1%</td>
</tr>
<tr>
<td>7</td>
<td>Others</td>
<td>0.12</td>
<td>0.38</td>
<td>-67.6%</td>
</tr>
<tr>
<td>8</td>
<td>Total</td>
<td>56.12</td>
<td>46.99</td>
<td>19.4%</td>
</tr>
</tbody>
</table>

Source: China government, worked by IKI

Chart 18. Monthly Ore Import by Major Countries (Mwt)

Source: China government, worked by IKI
From the chart 18 we saw that China’s demand for Indonesia ore in 2019 was relatively stable m-o-m, however since September China increased its purchase by more than 55%, while reducing import from the Philippines since October 2019. From the chart above IKI may thus conclude that the increase occurred due to Indonesian government plan on ore export ban, which was announced in August 2019, prompting China to shift its source of ore supply “temporarily” from the Philippines to Indonesia, or in this case we may said that the Indonesian government has “significant contribution” on causing the huge export increase in 2019.

Table 10. China Ferronickel Import by Major Countries (Mt)

<table>
<thead>
<tr>
<th>No</th>
<th>Country</th>
<th>2019</th>
<th>2018</th>
<th>Change (Y-o-y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Indonesia</td>
<td>1.4</td>
<td>0.5</td>
<td>149.9%</td>
</tr>
<tr>
<td>2</td>
<td>New Caledonia</td>
<td>0.2</td>
<td>0.1</td>
<td>11.8%</td>
</tr>
<tr>
<td>3</td>
<td>Colombia</td>
<td>0.1</td>
<td>0.1</td>
<td>44.6%</td>
</tr>
<tr>
<td>4</td>
<td>Brazil</td>
<td>0.1</td>
<td>0.0</td>
<td>103.4%</td>
</tr>
<tr>
<td>5</td>
<td>Others</td>
<td>0.3</td>
<td>0.1</td>
<td>257.5%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2.0</td>
<td>0.9</td>
<td>126.2%</td>
</tr>
</tbody>
</table>

Source: China government, worked by IKI

- **Metal**

IKI estimated that in 2019 China’s total import of nickel metal including ferronickel, nickel in-matte and NPI respectively reached around 1.95 Mt, 17.7 Kt and 1.05 Mt. For ferronickel IKI counted the increase of China’s import was more than 125% y-o-y, with Indonesia as the biggest supplier to China accounting for 69.7%, followed by New Caledonia, Colombia and Brazil, respectively 7.7%, 5.5% and 3.8%.

For the nickel in-matte, IKI counted that China’s imports in 2019 declined by more than 4.7% y-o-y, with import from Finland and Germany fell by more than 60% and 61% y-o-y, however import from Russia increased by more than 6 times than in 2018.
From the chart 18 we saw that China’s demand for Indonesia ore in 2019 was relatively stable m-o-m, however since September China increased its purchase by more than 55%, while reducing import from the Philippines since October 2019. From the chart above IKI may thus conclude that the increase occurred due to Indonesian government plan on ore export ban, which was announced in August 2019, prompting China to shift its source of ore supply “temporarily” from the Philippines to Indonesia, or in this case we may said that the Indonesian government has “significant contribution” on causing the huge export increase in 2019.

Table 10. China Ferronickel Import by Major Countries (Mt)

<table>
<thead>
<tr>
<th>No</th>
<th>Country</th>
<th>2019</th>
<th>2018</th>
<th>Change (Y-o-y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Indonesia</td>
<td>1.4</td>
<td>0.5</td>
<td>149.9%</td>
</tr>
<tr>
<td>2</td>
<td>New Caledonia</td>
<td>0.2</td>
<td>0.1</td>
<td>11.8%</td>
</tr>
<tr>
<td>3</td>
<td>Colombia</td>
<td>0.1</td>
<td>0.1</td>
<td>44.6%</td>
</tr>
<tr>
<td>4</td>
<td>Brazil</td>
<td>0.1</td>
<td>0.0</td>
<td>103.4%</td>
</tr>
<tr>
<td>5</td>
<td>Others</td>
<td>0.3</td>
<td>0.1</td>
<td>257.5%</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>2.0</td>
<td>0.9</td>
<td>126.2%</td>
</tr>
</tbody>
</table>

IKI estimated that in 2019 China’s total import of nickel metal including ferronickel, nickel in-matte and NPI respectively reached around 1.95 Mt, 17.7 Kt and 1.05 Mt. For ferronickel IKI counted the increase of China’s import was more than 125% y-o-y, with Indonesia as the biggest supplier to China accounting for 69.7%, followed by New Caledonia, Colombia and Brazil, respectively 7.7%, 5.5% and 3.8%.

For the nickel in-matte, IKI counted that China’s imports in 2019 declined by more than 4.7% y-o-y, with import from Finland and Germany fell by more than 60% and 61% y-o-y, however import from Russia increased by more than 6 times than in 2018.

China import of NPI in 2019 increased significantly by almost 8 times than in 2018, with import from Russia was the biggest, accounting for around 41% of total import, or almost 433 Kt, followed by import from Indonesia, Brazil and Ukraine, with share respectively of 11%, 10.8% and 10.6% or around 115 Kt, 113 Kt and 110 Kt.
D. Japan nickel

IKI calculated that Japan nickel ore import in 2019 increased slightly by around 5% y-o-y to 3.8 Mt, driven by increased buying of ore from New Caledonia by more than 12% y-o-y, meanwhile import of Philippine ore decreased slightly by around 2.5% y-o-y to only 1.7 Mt.

From the chart 21 above IKI noticed that Japan was not very interested in buying Indonesian ore, despite of its high grade nickel content, as we noticed in 2019 Japan only bought 50 Kt from Indonesia, or less than 1.5% of its total import.

<table>
<thead>
<tr>
<th>No Port</th>
<th>Dec-19</th>
<th>Nov-19</th>
<th>m-o-m</th>
<th>FY 2019</th>
<th>FY 2018</th>
<th>y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Gebe</td>
<td>0.18</td>
<td>0.16</td>
<td>11.5%</td>
<td>1.45</td>
<td>4.96</td>
<td>-70.7%</td>
</tr>
<tr>
<td>2 Kendari</td>
<td>1.25</td>
<td>1.04</td>
<td>19.6%</td>
<td>9.02</td>
<td>3.29</td>
<td>173.7%</td>
</tr>
<tr>
<td>3 Kolonedale</td>
<td>0.05</td>
<td>0.06</td>
<td>-9.3%</td>
<td>3.47</td>
<td>0.56</td>
<td>515.4%</td>
</tr>
<tr>
<td>4 Obi</td>
<td>1.31</td>
<td>1.22</td>
<td>7.9%</td>
<td>11.93</td>
<td>5.48</td>
<td>117.8%</td>
</tr>
<tr>
<td>5 Pomalaa</td>
<td>0.25</td>
<td>0.11</td>
<td>126.7%</td>
<td>5.83</td>
<td>5.41</td>
<td>7.7%</td>
</tr>
<tr>
<td>6 Others</td>
<td>0.00</td>
<td>0.11</td>
<td>0.67</td>
<td>0.06</td>
<td>1107.2%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3.04</td>
<td>2.70</td>
<td>12.7%</td>
<td>32.38</td>
<td>19.76</td>
<td>63.84%</td>
</tr>
</tbody>
</table>

Source: Indonesia government, compiled by IKI

Chart 21. Japan Ore Import by Countries (%)
Infrastructure | Power Supply

Ore export by port

<table>
<thead>
<tr>
<th>No</th>
<th>Port</th>
<th>Dec-19*</th>
<th>Nov-19</th>
<th>m-o-m</th>
<th>FY 2019</th>
<th>FY 2018</th>
<th>y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gebe</td>
<td>0.18</td>
<td>0.16</td>
<td>11.5%</td>
<td>1.45</td>
<td>4.96</td>
<td>-70.7%</td>
</tr>
<tr>
<td>2</td>
<td>Kendari</td>
<td>1.25</td>
<td>1.04</td>
<td>19.6%</td>
<td>9.02</td>
<td>3.29</td>
<td>173.7%</td>
</tr>
<tr>
<td>3</td>
<td>Kolonedale</td>
<td>0.05</td>
<td>0.06</td>
<td>-9.3%</td>
<td>3.47</td>
<td>0.56</td>
<td>515.4%</td>
</tr>
<tr>
<td>4</td>
<td>Obi</td>
<td>1.31</td>
<td>1.22</td>
<td>7.9%</td>
<td>11.93</td>
<td>5.48</td>
<td>117.8%</td>
</tr>
<tr>
<td>5</td>
<td>Pomalaa</td>
<td>0.25</td>
<td>0.11</td>
<td>126.7%</td>
<td>5.83</td>
<td>5.41</td>
<td>7.7%</td>
</tr>
<tr>
<td>6</td>
<td>Others</td>
<td>0.00</td>
<td>0.11</td>
<td></td>
<td>0.67</td>
<td>0.06</td>
<td>1107.2%</td>
</tr>
<tr>
<td>7</td>
<td>Total</td>
<td>3.04</td>
<td>2.70</td>
<td>12.7%</td>
<td>32.38</td>
<td>19.76</td>
<td>63.84%</td>
</tr>
</tbody>
</table>

Source: Indonesia government, compiled by IKI

In December 2019, IKI estimated output from all nickel ports increased due to high demand from China for stockpiling activities coupled with Indonesian policy on re-opening of export activities in November 2019. However, export from ports like Kolonedale port decreased m-o-m, while Obi port export only grew slightly, which IKI thinks was probably because of revoked export quota of some companies in November 2019. IKI noticed that for total export in 2019, huge increase of export occurred at all ports except Pomalaa and Gebe ports. Export from Pomalaa only increased slightly by 7.7% compared to other ports which probably because of reduced ore production from PT Antam. IKI opines that reduced export from Gebe port by almost 71% was due to reduced demand of low grade nickel coupled with the start of production of a number of nickel smelters in North Maluku.

Government predicts that in 2022 there will be 52 mineral smelters operating, consisting of 29 nickel smelters, 9 bauxite, 4 copper, 4 Iron, 4 zinc, 4 Lead, and 2 manganese smelters. Ministry of ESDM said the 52 smelters will need electricity supply of around 4.8 GW, of which almost 3 GW will be supplies to nickel smelters. ESDM said that electricity is vital component to support the smelter industry projects as in the past...
there had been delays in the completing construction of smelters due to problem in the power supply. PLN said that supplying power for smelters projects is quite challenging as almost all smelters are located in remote areas and far from the current PLN power generator. PLN said they will able to supply power demand for all project smelters as mentioned by the government and at this moment they will calculate and include all the power demand in the PLN business electricity supply plan (RUPTL) 2020 – 2029,

<table>
<thead>
<tr>
<th>No</th>
<th>Company</th>
<th>COD</th>
<th>Product</th>
<th>Location</th>
<th>Province</th>
<th>Power (MW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PT Ceria Nugraha Indotama</td>
<td>2021</td>
<td>FeNi</td>
<td>Kolaka</td>
<td>South East Sulawesi</td>
<td>350</td>
</tr>
<tr>
<td>2</td>
<td>PT Fajar Bhakti Lintas Nusantara</td>
<td>2021</td>
<td>FeNi</td>
<td>Halmahera</td>
<td>North Maluku</td>
<td>300</td>
</tr>
<tr>
<td>3</td>
<td>PT Bintang Smelter Indonesia</td>
<td>2021</td>
<td>NPI</td>
<td>Konawe</td>
<td>South East Sulawesi</td>
<td>107.5</td>
</tr>
<tr>
<td>4</td>
<td>PT Sambas Minerals Mining</td>
<td>2021</td>
<td>NPI</td>
<td>Konawe</td>
<td>South East Sulawesi</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>PT Asia Mining Minerals</td>
<td>2021</td>
<td>NPI</td>
<td>Kolaka</td>
<td>South East Sulawesi</td>
<td>25.5</td>
</tr>
<tr>
<td>6</td>
<td>PT Surya Saga Utama</td>
<td>2021</td>
<td>Feni</td>
<td>Bombana</td>
<td>South East Sulawesi</td>
<td>39.6</td>
</tr>
<tr>
<td>7</td>
<td>PT Integra Mining Nusantara</td>
<td>2020</td>
<td>NPI</td>
<td>Konawe</td>
<td>South East Sulawesi</td>
<td>4</td>
</tr>
<tr>
<td>8</td>
<td>PT Genba Multi Mineral</td>
<td>2021</td>
<td>NPI</td>
<td>Morowali</td>
<td>Central Sulawesi</td>
<td>700</td>
</tr>
<tr>
<td>9</td>
<td>PT Macika Mineral Industri</td>
<td>2020</td>
<td>NPI</td>
<td>Konawe</td>
<td>South East Sulawesi</td>
<td>3</td>
</tr>
<tr>
<td>10</td>
<td>PT Sulawesi Resources</td>
<td>2021</td>
<td>FeNi</td>
<td>Morowali</td>
<td>Central Sulawesi</td>
<td>60</td>
</tr>
<tr>
<td>11</td>
<td>PT SBC Prime Metal</td>
<td>2021</td>
<td>FeNi</td>
<td>Konawe</td>
<td>South East Sulawesi</td>
<td>120</td>
</tr>
<tr>
<td>12</td>
<td>PT Adhikara Cipta Mulia</td>
<td>2021</td>
<td>MHP</td>
<td>Konawe</td>
<td>South East Sulawesi</td>
<td>1.1</td>
</tr>
<tr>
<td>13</td>
<td>PT Angkasa Jaya Mulia</td>
<td>2021</td>
<td>FeNi</td>
<td>Tanah Bumbu</td>
<td>South Kalimantan</td>
<td>3</td>
</tr>
<tr>
<td>14</td>
<td>PT Halmahera Persada Lygend</td>
<td>2021</td>
<td>MHP</td>
<td>Halmahera</td>
<td>North Maluku</td>
<td>60</td>
</tr>
<tr>
<td>15</td>
<td>PT AngAnd Fang Brother</td>
<td>2021</td>
<td>FeNi</td>
<td>Morowali</td>
<td>Central Sulawesi</td>
<td>110</td>
</tr>
</tbody>
</table>

Table 12 Nickel Smelter Projects

Source: Indonesia government, worked by IKI
There had been delays in completing construction of smelters due to a problem in the power supply. PLN said that supplying power for smelting projects is quite challenging as almost all smelters are located in remote areas and far from the current PLN power generator. PLN said they will be able to supply power demand for all projects as mentioned by the government and at this moment they will calculate and include all the power demand in the PLN business electricity supply plan (RUPTL) 2020–2029.

### Table 12 Nickel Smelter Projects

<table>
<thead>
<tr>
<th>No</th>
<th>Company</th>
<th>COD</th>
<th>Product</th>
<th>Location</th>
<th>Province</th>
<th>Power (MW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>PT Smelter Nikel Indonesia</td>
<td>2021</td>
<td>MHP</td>
<td>Tangerang</td>
<td>Banten</td>
<td>2</td>
</tr>
<tr>
<td>17</td>
<td>PT Teka Mining Resources</td>
<td>2021</td>
<td>NPI</td>
<td>Halmahera</td>
<td>North Maluku</td>
<td>14</td>
</tr>
<tr>
<td>18</td>
<td>PT. Makan Asri Sejahtera</td>
<td>2021</td>
<td>NPI</td>
<td>Kolaka</td>
<td>South East Sulawesi</td>
<td>3</td>
</tr>
<tr>
<td>19</td>
<td>PT Artha Mining Industry</td>
<td>2021</td>
<td>NPI</td>
<td>Bombana</td>
<td>Central Sulawesi</td>
<td>1.5</td>
</tr>
<tr>
<td>20</td>
<td>PT Sinar Deli Bantaeng</td>
<td>2021</td>
<td>NPI</td>
<td>Banteng</td>
<td>Sulsel</td>
<td>23</td>
</tr>
<tr>
<td>21</td>
<td>PT CMMI Cikande</td>
<td></td>
<td>FeNi</td>
<td>Cikande</td>
<td>Banten</td>
<td>25</td>
</tr>
<tr>
<td>22</td>
<td>PT First Pasific Mining</td>
<td>2021</td>
<td>NPI</td>
<td>Halmahera</td>
<td>North Maluku</td>
<td>0</td>
</tr>
<tr>
<td>23</td>
<td>PT. Kinlin Nickel Industri</td>
<td>2021</td>
<td>NPI</td>
<td>Konawe</td>
<td>Central Sulawesi</td>
<td>8</td>
</tr>
<tr>
<td>24</td>
<td>PT Aneka Tambang</td>
<td>2020</td>
<td>FeNi</td>
<td>Halmahera</td>
<td>North Maluku</td>
<td>96</td>
</tr>
<tr>
<td>25</td>
<td>PT Aneka Tambang</td>
<td>2021</td>
<td>NPI</td>
<td>Halmahera</td>
<td>North Maluku</td>
<td>27.75</td>
</tr>
<tr>
<td>26</td>
<td>PT Virtue Dragon Nickel Industry</td>
<td>2021</td>
<td>NPI</td>
<td>Konawe</td>
<td>South East Sulawesi</td>
<td>525</td>
</tr>
<tr>
<td>27</td>
<td>PT Wanxiang Nickel Indonesia</td>
<td></td>
<td>FeNi</td>
<td>Morowali</td>
<td>South East Sulawesi</td>
<td>150</td>
</tr>
<tr>
<td>28</td>
<td>PT Heng Tai Yuan Indonesia</td>
<td></td>
<td>FeNi/NPI</td>
<td>Cilegon</td>
<td>Banten</td>
<td>12</td>
</tr>
<tr>
<td>29</td>
<td>PT Mahkota Konaweeka</td>
<td></td>
<td>NPI</td>
<td>Kendari</td>
<td>South East Sulawesi</td>
<td>3</td>
</tr>
<tr>
<td>30</td>
<td>PT Arthabumi Sentra Industri</td>
<td></td>
<td>NPI</td>
<td>Morowali</td>
<td>Central Sulawesi</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Indonesia government, worked by IKI

Table above shows 30 nickel projects which were listed in ESDM electricity program in December 2019, however, according to latest information IKI obtained the number of the nickel smelting projects has been reduced from 30 projects to only 18 Projects. Until this report went to print, IKI was unable to find which projects have been removed from the ESDM list. IKI will review about the projects later in our next report.
Alert on the overlapping research law 11/2019

Introduction.

The Jakarta Post recently reported a story “Enthusiasts deported for illegal research in NTT”. It seems some foreign sailing enthusiasts were planning to see if it was possible for early man to raft from Indonesia to Australia. However, the authorities deemed this to be an illegal research project, as per the National System of Science and Technology Law of 11/2019, (Research Law). The Jakarta Post went on; - “They did not have the appropriate permits and were deported under articles of the immigration law”. The newspaper reports that “the requirements for a research permit is detailed in Government Regulation No. 41/2006. A research permit guidebook released in 2016 also stipulates that foreign researchers must acquire a limited stay visa to conduct research in Indonesia. The process of obtaining a research permit can be long and complex, requiring approval from 10 different agencies”.

This is a typically unfortunate case of complex regulations forming a speed bump for the advancement of research on Indonesia. It may be interesting to note that the new Research Law is yet to fully develop its implementing regulations. In the meantime, those implementing regulations for the replaced law of 84 / 2002 are to apply, so long as they do not conflict with the new law. So only a few specialist lawyers may begin to understand what applies here.

The exploration and mining industry are advancing full steam ahead with Industry 4.0, and all sorts of inventions and innovative applications. So how does this Research Law impact upon the exploration and mining industry in Indonesia?

Law 11/ 2019 – Law on National System of Scientific Knowledge and Technology (Research Law)

This 53-page Law (plus 30 pages of clarification) is dated 13 August 2019, and has 2 years to complete implementing regulations. The following is based on a simple Google translation of the Research Law. The Research Law starts off with a number of simple definitions, including Research, Innovation, Technology transfer, Intellectual property etc. Much of the Research Law looks at the scholastic and government research aspects, including articles on retirement age for scientists etc. Going forward, implementation is to be managed under the direction of a Master Plan, that is supervised by a new body of National Research Flagship Program (NRFP) to be implemented in 2020. The NRFP will come under the Ministry of Science, Technology and Higher Education, and is aimed at promoting synergy and cooperation across the many research agencies and universities.

A few of the articles pertinent to Exploration and Mining industry include (but not limited to): - Article 4 covers “non-biological resources”. Article 10 b. specifies “natural resource potential” comes within the Master Plan. Article 12, and other articles confirm that business entities can play a part in the field of scientific research, innovation and application of technology. Article 18, the Central Government guarantees independence and freedom in the conduct of scientific research. Article 21 Research and Development results must be published and disseminated, unless otherwise stated by regulation. Article 40 The Central Government mandates all primary data and output is saved. Article 56 Central Government determines professional qualifications. Article 63 that business funding from science
organizations is allowed, and may be incentivized through tax reductions. Article 72 Institutional elements of science and research can be done with overseas partners. Article 75 foreigner related science and technology must obtain a permit from the Government. Article 76 lists requirements for foreign related research, including having a written agreement for the movement or transfer material in physical or digital form. Article 93 Foreigners breaking this research law may be subject to administrative sanctions, or be fined up to Rp 4 billion and face up to 5 years in jail. Article 94 sets penalties for transporting specimens (physical or digital) overseas (maximum 2 years jail and Rp 2 billion fine). Article 96 for breaking this research law, business entities may also have their permits revoked.

The Law has a jingoistic thread running through it. It is clear that there are good intentions, but there is also a potentially darker authoritarian side.

Omnibus Draft Law
A word search of the Research Law partial title of “Science and Technology” (ilmu pengetahuan dan teknologi) found this term occurred nine times in the draft Omnibus Law. Proposed amendments related to Spatial Planning, Environment, Agriculture, Animal Husbandry, Narcotics and Higher Education wherein each reference applied the term in that science and technology is a tool to be used. This casual review suggests that the draft Omnibus law does not look for further improvements in the Research Law.

The Indonesian mining scientific knowledge experience
Research, innovation, technology transfer and dissemination of information (defined in the Research Law) are key aspects to global and Indonesian exploration, mining, processing and smelting industries. The mining industry continues to provide revenue for the state, jobs and incentives for its workers, and
continue to deliver broad benefits to the people of Indonesia. These industries are heavily reliant upon progressive technology. Dissemination of such scientific knowledge are frequently undertaken through a variety of seminars and conferences. A few examples are outlined below that show how scientific research in Indonesia is impacting upon the local mining sector:  

20 June 2019. The Indonesian Economic Geological Society (MGEI) held a special discussion about “The Indonesian REE Update; Where we are at and where to”. Rare Earth Elements (REE). Some research points included:  

• PT. Timah has developed bench top pilot plant studies of using monazite (2015 & 2017).  

• There has been very limited research into Indonesian commercial uses of REE products. There are inadequate marketing studies that look at selling REE on the open market.  

• REE deposits are being researched are a) primary monazite-based deposits, b) secondary laterite REE (or clay type), c) primary oxide deposits (Bastnaesite ores) and d) per alkaline igneous rocks. It was further noted that geochemical analysis in Indonesia for REE is a major concern, with many Indonesian laboratory instruments not working properly due to limited skilled operators and maintenance support.  

September 2019. The 11th annual conference of the Indonesian Society of Economic Geologists (MGEI) was an excellent platform to present a number of geological research papers. Much geological research is presently aimed towards better mapping and more detailed understanding of geological sites, often with a view to explore for commodities. There is an array of available sophisticated tools in Indonesia that can look deeply into the rock and mineral properties. Some of these new tools are more affordable for mining companies, research units and universities. The MGEI Conference showed some examples of geophysical surveys, approach geological modelling and particularly new paths to mineral processing / smelting. This ability to tackle complex deposits (including wall rocks and tailings) is providing new incentive and direction to revive exploration, mining and research.  

11 December 2019. Tambang Magazine held a full day seminar “Indonesia Mining Outlook for 2020 – Minera and coal mining new policies and strategic issues in 2020”.  

• Energy & Natural Resources, SAP Southeast Asia presented on “Making Mining More Agile and Transparent with Intelligent Technology”. This talk outlined SAP’s outlook and approach to providing consulting services of digital transformation in mining. The business models include the concepts of 1) making mining more predictable and safer, 2) collaborating with customers, suppliers and workers, 3) enhance operational and commercial agility, and 4) increase productivity through automation.  

November 2017. The Indonesian association of economic geologists (MGEI) undertook its 9th annual convention in Jogjakarta with the theme of “Geo-metallurgy”. Some research and innovation papers included:  

• “Optimizing resource extraction through geo-metallurgy studies; case studies at porphyry and HSE”. Short case studies were presented on the Batu Hijau flotation plant, and the Bakan & Seruyung HSE gold heap leach operations. New techniques included mineralogical studies focussed on the copper minerals, changes of ore type with depth, sieve analysis to further define clay content, etc  

• “Ore petrography and its modern-day potential use in geo-metallurgy”. This was an excellent presentation on advances in reflected light petrology, combined with computer linked tools to determine the mineralogy of ores and gangue.  

• “Spatial data for optimal geo-metallurgy” being a case study on Batu Hijau. Following in house geological research, systems were installed to trace ore from blast holes to stockpiles, and trace blending of hardness & ore from stockpile to mill.  

• “Geo-Metallurgy application at Grasberg open pit mine”. Ore is not homogenous and needs to be characterized spatially on geology, mining and processing aspects. Studies on the open pit mining further defined some zones that were not adequately addressed in the Feasibility Studies. These included some more detailed definition of clay (sericite), rock breakage and high pyrite areas that generated new models to guide production, including waste management.  

• “Characterization of Indonesian copper concentrates – A study”. A number of samples from a wide range of copper locations were tested using XRF, ICP-MS, XRD, SEM-EDS. As input for developing process flow sheets.  

• “Geo-metallurgy in case of nickel laterite ore processing by pyrometallurgical route”. Comparisons of the Indonesian pyrometallurgical plants of Rotary Kiln with Electronic Furnace
(RKEF) and Blast Furnace (BF) using coke types were presented. Some research is encouraged to see if other elements (Mg) can be separated from the slag.

- “Hydrometallurgy process on radioactive and Rare Earth Elements extraction from Monazite”. BATAN has built a pilot plant to extract the uranium, thorium and rare earths, along with the phosphates. BATAN hope to conduct further studies.

The pace of research and innovation

The 5th drill and blast conference was an eye opener into the pace of research in the mining sector. Sandvik have office-based teams in the USA developing algorithms and software to improve their drill & blasting models etc. At 5pm they go home, but then the team in Europe pick up where they left off and continue, this is later handed over to teams in India, and then back to USA when they arrive for work the next day – “Follow the sun” working habit. This 24-hour multi continent approach reflects a new dimension of Industry 4.0 working model. A challenging environment for Indonesian graduates and experts to participate and compete in this Industry 4.0 world. Sandvik are enthused by the top young Indonesian engineers that are eager to learn new technology & skills.

Photogrammetry or LIDAR data, collected by drones, can download their raw data to the internet, process it offshore, and respond within hours with products such as topographic maps etc. Most geophysical data surveys, and some modelling and statistical packages follow this fast (hours) processing and reporting route that globally centralizes processing. Indeed, this follows the pattern of our daily use of Google to research information etc.

What is research?

It may appear that the plan to raft from Timor to Australia was simply some adventurers, that may have later written up their story for a magazine article. How will this impact on other activities, such as a tourist dining out at traditional Bali restaurants and then blogging about it – could that be misconstrued as research on Bali cooking?

A geologist undertaking the exploration activities certainly uses “scientific methodology” to record stream sediment geochemistry, map outcrops, undertake petrology and geochemistry, followed by systematic drilling to end up with a scientific based exploration target or resource report. Will such regular geological, mining, processing and metallurgical studies be subject to this Research Law, and its implementing regulations?

Opinions

One on-line commentators consider that some elements of the Research Law, which require compulsory submission of the research result to the government, seemingly hinder the interest of potential partners to established research collaboration.

Informal talks with one person familiar with this regulation suggest that it seems those charged with administering the Research Law are not presently looking at registered
work practices that comply with other ministries – such as development of resources & reserves under Minerba. It seems those charged with this research law are focussing on their prime target to improve coordination between the various research bodies that are under so many different ministerial bodies. This coordination is also aimed at rationalization, and better direction, of state research funds. Other priorities seem to include getting a firmer hold on the administration of foreign parties undertaking research in Indonesia, and to restrict the export of scientific material (particularly biological samples). The Research Law also ups-the-anti by introducing criminal charges (with jail terms) and increasing fines.

Casual talks with senior staff from the Directorate for the Management of Intellectual Property [Direktorat Pengelolaan Kekayaan Interlektual], indicated:

- The implementation of Research Law is under the Ministry of Science, Technology and Higher Education. The Testing and Application body [Badan Pengkajian dan Penerapan Teknologi (BPPT)] and other branches / organizations are waiting for the new National Research and Innovation body to be formed, and the development of new implementing regulations, before being confident in enforcing all aspects of the new Research Law. The development of implementing regulations will go through a consultative process, including input and discussion with other ministries and various academic, research and industry bodies. It is acknowledged that many aspects of the Research Law are subject to multi-interpretation, and possible overlap with other ministries.

- One factor in interpreting the law is the perceived outcome of the activity in question. It seems if there is a profit, or academic credits involved, then the research law is involved. If no profits or credits are involved, then compliance with other ministries regulations may be sufficient. This profit aspect spills across onto what visa a foreigner should obtain in coming to Indonesia. If the foreigner is attending, speaking at a conference, seminar or such, and does not receive any fee, then a visa 211 is sufficient for short stays. However, if the foreigner is paid, even for 1 or 2 hours, then a different visa C312 is required. For longer stays up to 1 year, then another type of visa (C315) may be required. Note that this article does not comprise legal / immigration advice, and those coming to Indonesia should undertake appropriate separate advice and checks on visa requirement. It seems if an Indonesian is participating in various ways at seminars etc, then no permit is required for the Indonesian.

- A ministry concern over the restrictions of exports of rocks and bulk samples (typically for mineral processing tests etc), is that Indonesia does not want to release any biological microbes and such that may be clinging to the earth / rocks.

- The issue of foreign funding for a mining company appears to be overlapping with this Research Law, and will be left for the new body and implementing regulations to sort out.

- Clarification on the issue of sending out digital scientific information is to be left to the future new body and implementing regulations to sort out.

**Recommendation**

The Jakarta Post news report of Research Law being used to stop a few people from attempting to raft from Indonesia to Australia is a clear warning that this Research Law has the capacity to become another overlapping law to impede and complicate aspects of the exploration, mining and processing industries.

The Research Law has set aside two years (till 13 August 2021) to develop implementing regulations. The Mining industry may take this opportunity to make submissions, and engage with the government, to develop implementing regulations that are more compatible with the mining industry, and their professional associations.
Successful farmins and farmouts

“Successful Farmins and Farmouts, for oil and gas professionals” is a 150-page soft cover book, written in English by Peter Cockroft and Dr. David Waghorn. Although written for the oil and gas industry, it equally applies to various forms of joint ventures, acquisitions or bidding for new tenements in the minerals and coal sector. The style is simple and straightforward, and reflects many years of hands-on experience. The main chapters are Overview, The Farmout, Joint ventures and Operating Agreements, The Role of Non-Operating partner, Deal Options, Earn-Ins and Swaps, Economics, Geological Checklist and Pitfalls. The perspective of both Farmin and Farmout parties are presented without bias.

Most of the style is simple and straightforward, such as one excerpt from the Physical Data Room as “A member of the technical team to be in the data room, if not at the time, at least on a regular basis to answer queries, direct questions to seller’s technical personnel, and to make decisions about what data can be copied”. Occasionally the authors throw in a little bit of home wisdom and foresight, such as “One can argue that one of the most serious limits to growth of the oil industry is lack of opportunities, not shortage of capital. We simply don’t know how to grow faster. This inability to generate enough opportunities suggests that the industry is talent limited.” Another insight is “Quite a good simple indicator of an operators competence is the time it takes to respond to a partners query; an operator that is lazy in this regard is probably lazy in most other regards too, The operator’s GM should, therefore, require his people to respond to any partner query within 48 hours, even if only to acknowledge the query and to give a date by which a full answer will be sent”.

This book is essential reading for the CEO, but also for the professional geologist, miner (or other) who wants to develop an understanding on how the mining business develops, and may evolve over the life of a project. It is also good background reading when considering bidding on the issuance of a new tenement. See the great section on data rooms, the finer points of setting up a JV document and more.

This book can be obtained through Amazon [https://www.bookdepository.com/Successful-Farmins-Farmouts-Peter-Cockcroft/9781978491151] for Rp 441,100.
Indonesia’s Electricity Power Supply Business Plan 2019-2028

DESCRIPTION
The Ministry of Energy and Mineral Resources (ESDM) has recently issued Ministerial Decree No. 39 K/20/MEM/2019 on the Legalization of Business Plan of PT PLN (Persero) on Rencana Usaha Penyediaan Tenaga Listrik or RUPTL for 2019-2028, to guide PLN in developing national power infrastructure.

The RUPTL is based on detailed calculations of electricity demand and the subsequent transmission and distribution requirements during the period. The proposed new RUPTL will adopt economic growth assumption at 6.45% with electricity demand projected by an average of 6.42% per year. During the period the sector is anticipated to build a total of 50.6 GW of power generations, 27,953 km of transmission network with a total of 122.541 MVA of station transformers: 472,795 km of medium-to-low voltage lines; and a total of 33,730 MVA of substation transformers.

This publication is aimed at disseminating information regarding PLN’s electricity RUPTL 2019-2028 to international community, who need to know them in English as well as for investors wishing to get involved in Indonesian electricity projects.

HOW TO ORDER

☐ Yes, I / We want to order

☐ Indonesia’s Electricity Power Supply Business Plan 2019-2028 _______ copies

Ordered By: 
Company: ____________________________
Contact Person: ______________________
Position: ______________________________
Address: ______________________________
Postcode: _____________________________
Country: ______________________________
Phone: ________________________________
Fax: _________________________________
E-mail: ______________________________

PAYMENT METHOD

☐ Cash on Delivery
☐ Payment via bank transfer to:
Bank Naga Indonesia
Holder: PT Bina Cipta Mandiri Consultant
Acc. No.: 0022 5320 70 (IDR)
0222 5320 70 (USD)
Swift Code: BINCIID

Please submit this FORM via marketing@petromindo.com. We will contact you for confirmation.

*Please submit this FORM to marketing@petromindo.com*
Experience the Progress.

Liebherr’s Advanced Bucket & GET Solution

- Engineered design for increased bucket fill factors and better performance
- Self-sharpening system and sophisticated material properties provide extended lifetime
- Safety-first through a truly hammerless system
- Symmetrical design allows interchangeability, meaning reduced parts inventory

AGAINST ALL ODDS
MINERS KEEP OPERATING CAUTIOUSLY AMID CORONAVIRUS PANDEMIC

VOLUME 112 | MARCH 25 - MARCH 25, 2020