

Ministry of Energy and Mineral Resources of the Republic of Indonesia
REGULATION OF DIRECTOR GENERAL OF MINERAL AND COAL
Number: 480K/30/DJB/2014

Concerning

PROCEDURE TO DETERMINE REFERENCE PRICES OF CERTAIN TYPE OF COAL
AND COAL FOR CERTAIN PURPOSE

DIRECTOR GENERAL OF MINERAL AND COAL

- In considering that in order to uphold the stipulation of Article 12 paragraph (4) of Ministerial Decree Number 17 Year 2010 on the procedure to determine the reference price of sales of mineral and coal, it is deemed necessary to enact a Regulation of Director General of Mineral and Coal concerning the procedure to determine the prices of certain type of coal and coal for certain purpose;
- Referring to in
1. Law Number 30 Year 2007 on Energy (State Gazette of the Republic of Indonesia Year 2007 Number 96, Supplement to State Gazette of the Republic of Indonesia Number 4746);
 2. Law Number 4 Year 2009 on Mineral and Coal Mining (State Gazette of the Republic of Indonesia Year 2009 Number 4, Supplement to State Gazette of the Republic of Indonesia Number 4959);
 3. Law Number 30 year 2009 on Mineral and Coal Mining (State Gazette of the Republic of Indonesia Year 2009 Number 133, Supplement to State Gazette of the Republic of Indonesia Number 5052);
 4. Government Regulation (PP) Number 23 Year 2010 on the Implementation of Mineral and Coal Mining Undertakings (State Gazette of the Republic of Indonesia Year 2010 Number 29, Supplement to State Gazette of the Republic of Indonesia Number 5111);
 5. Presidential Decree/Regulation Number 5 year 2006 on National Energy Policy dated 25 January 2006;
 6. Presidential Decree Number 24 year 2010 on Position, Task, and Function of State Ministry as well as the organizational structure, task and function of echelons I of the State Ministry dated 14 April 2010;
 7. Ministerial Decree of Energy and Mineral Resources number 17 year 2010 dated 23 September 2010 on procedure to determine reference or benchmark price of mineral and coal sales;
 8. Ministerial Decree of Energy and Mineral Resources number 18 year 2010 dated 22 November 2010 on organization and work procedure of Ministry of Energy and Mineral Resources;

9. Regulation of Director General of Mineral and Coal number 515.K/30/DJB/2011 on formula to determine reference price of coal; and

10. Regulation of Director General of Mineral and Coal number 999.K/30/DJB/2011 on procedure to determine the adjustment to reference price of coal as having been revised by Regulation of Director General of Mineral and Coal number 644.K/30/DJB/2011 on Revision of Regulation of Director General of Mineral and Coal number 999.K/ 30/ DJB/ 2011 on procedure to determine the adjustment to reference price of coal;

DECIDES

To Enact

THE REGULATION OF DIRECTOR GENERAL OF MINERAL AND COAL ON THE PROCEDURE TO DETERMINE THE PRICES OF CERTAIN TYPE OF COAL AND COAL FOR CERTAIN PURPOSE.

Article 1

In this Regulation of Director General what is meant by:

1. Reference price of coal, hereinafter referring to HPB, is the reference price of steam (thermal) coal and coking (metallurgical) coal as determined by Director General on behalf of Minister.
2. Coal price is the coal price as agreed by seller and buyer of coal in a certain period of time.
3. Company is the holder of the Authorization of coal mining undertakings (PKP2B), permit of mining undertakings (IUP), or permit of mining undertakings special for coal (IUPK of Coal).
4. Coal production cost is all of the costs of coal mining and processing conducted in the operational area of the holders of IUP and IUPK of Coal.
5. Minister is the Minister who is in charge of governmental administration in coal mining sector.
6. Director General is the Director General whose task and responsibility are in the sector of coal and mineral mining.

Article 2

(1) Coal of certain type includes:

- a. fine coal;
- b. reject coal; and
- c. coal with certain impurities.

(2) Fine coal as cited in paragraph (1) letter a is a by-product of coal mining and its diameter is less than 2 millimeter and sold separately.

(3) reject coal as cited in paragraph (1) letter b is a by-product of coal mining with certain content of impurities due to edging with layer of soil or rock or waste of washing from plant or from other process of production, of which is sold separately but not included in the category of reject coal because of being inadequate under the contract of coal sales.

(4) Coal with certain impurities as cited in paragraph (1) letter c is coal as the main product from coal mining with unusual specifications that makes it unacceptable in the market because of the high contents of sulfur, ashes, and/ or sodium (Na₂O).

Article 3

- (1) Company when calculating the prices of fine coal and reject coal as cited in Article 2 paragraphs (2) and (3) shall use the reference price of coal multiplied by certain factor of deduction.
- (2) Certain factor of deduction as cited in paragraph (1) shall be determined by Director General.
- (3) Formula of calculation of reference price of fine coal and reject coal as cited in paragraph (1) shall be determined as shown in Appendix I of this Regulation of Director General.

Article 4

- (1) Company when calculating the price of coal with certain content of impurities as cited in Article 2 paragraph (4) shall use the reference price of coal with certain content of impurities.
- (2) Formula of calculation of reference price of coal with certain content of impurities shall be determined as shown in Appendix II of this Regulation of Director General.

Article 5

- (1) Certain type of coal used in the country shall be sold at price below the reference price of coal after having been approved by Director General on behalf of Minister.
- (2) Company that sells certain type of coal at price below the reference price of coal as cited in paragraph (1) shall submit a letter of request together with supporting documents to Director General

Article 6

- (1) Coal for certain purpose includes:
 - a. coal used by Company for its own purpose in the process of coal mining;
 - b. coal used by Company in order to increase the value added of coal at mine-mouth location ; and
 - c. coal used for the development of under-developed areas around the mine.
- (2) Coal used by Company in order to increase the value added of coal at mine-mouth location as cited in paragraph (1) letter b includes that of:
 - a. liquefying of coal
 - b. gasification of coal; or
 - c. improvement of coal quality.
- (3) Coal for the development of underdeveloped areas around the mine as cited in paragraph (1) letter c is coal used as fuel for power plant for the sake of the public and the power supply shall be restrictedly used around the location of the power plant.
- (4) Under-developed area as cited in paragraph (1) letter c shall be under-developed region as determined by Minister in charge of development of underdeveloped regions.
- (5) The price of coal used by third party in effort to increase the value added as cited in

paragraph (2) shall be regulated in another Regulation of Director General.

Article 7

(1) Company when calculating the price of coal for certain purpose as cited in Article 6 paragraph (1) letters a, b and c shall use the reference cost of production of coal plus operational margin.

(2) In case that the coal for the sake of development of underdeveloped region around the mine as cited in Article 6 paragraph (1) letter c is sold outside mine-mouth location, the calculation of coal price shall use the reference cost of production of coal plus operational margin and cost of delivery.

(3) Cost of coal delivery as cited in paragraph (2) includes:

- a. cost of delivery by barge;
- b. cost of delivery by truck; and/ or
- c. cost of delivery by railway.

(4) In case the Company wants to sell the coal for the sake of development of underdeveloped areas around the mine as cited in Article 6 paragraph (1) letter c, the Company shall be allowed to sell the coal at price below the reference cost of production plus operational margin as cited in paragraph (1) in regard of community development that has to be conducted by the Company and approved by Director General.

(5) The production cost of coal as cited in paragraphs (1) and (2) shall include:

- a. cost of stripping of overburden;
- b. excavation or exploitation of coal;
- c. coal delivery from mining location to processing location;
- d. processing of coal;
- e. monitoring and management of environment;
- f. reclamation and post-mine activity;
- g. work safety and health;
- h. development and empowerment of community;
- i. land release/ compensation;
- j. overhead;
- k. depreciation and amortization; and
- l. land rent and/ or retribution of production/ royalty.

(6) Production cost of coal as cited in paragraph 5 shall be the maximal cost including tax and other production costs of coal that has yet to include delivery cost of coal from the mine to the stockpile of mine-mouth coal-fired power plant (PLTU) and cost of onshore survey.

(7) Margin as cited in paragraphs (1) and (2) shall be the profit of the company as the seller of coal at 25% of production cost.

(8) The amount of production cost of coal shall be determined by Director General.

(9) The amount of delivery cost of coal as cited in paragraph (2) shall be regulated under the Regulation of Director General of Mineral and Coal on Adjustment Cost of Coal.

(10) The formula of calculation of reference price of coal for certain purpose shall be

determined as cited in Appendix III of this Regulation of Director General.

Article 8

- (1) Reference prices of fine coal and reject coal as cited in Article 3 and coal with certain impurities as cited in Article 4 shall be the lowest prices of coal for the sake of calculation of obligatory retribution of State's non-tax revenue from the company to the Government.
- (2) The selling price of coal based on the production cost plus operational margin as cited in Article 7 paragraphs (1) and (2) shall be the lowest coal price for the sake of calculation of obligatory retribution of State's non-tax revenue from the company to the Government.
- (3) In case that the selling price of coal is higher than the reference price of coal or the production cost of coal plus operational margin as cited in paragraphs (1) and (2), the calculation of obligatory retribution of State's non-tax revenue from the company to the Government shall be based on the actual selling price of coal.
- (4) In case that the company sells the coal at price lower than the reference cost of production plus operational margin as cited in Article 7 paragraph (4), the calculation of obligatory retribution of State's non-tax revenue from the company to the Government shall be based on the production cost plus margin.
- (5) Delivery cost of coal as cited in Article 7 paragraph (3) shall be the highest cost of coal delivery for the calculation of obligatory retribution of State's non-tax revenue from the company to the Government.
- (6) In case that the actual delivery cost of coal is lower than the delivery cost of coal as cited in Article 7 paragraph (3), the calculation of obligatory retribution of State's non-tax revenue from the company to the Government shall be based on the actual delivery cost of coal.

Article 9

Company that breaches the stipulations as cited in Article 3 paragraph (1), Article 4 paragraph (1), Article 7 paragraph (2) and Article 7 paragraph (1) shall be sanctioned based on the prevailing laws and regulations.

Article 10

This Regulation of Director General shall be effective as of the date of enactment.

Enacted in Jakarta
Dated: 30 May 2014
Director General of Mineral and Coal

R. SUKHYAR

APPENDIX I

REGULATION OF DIRECTOR GENERAL OF MINERAL AND COAL
Number: 480K/30/DJB/2014 Concerning THE PROCEDURE
TO DETERMINE REFERENCE PRICES OF CERTAIN TYPE OF COAL
AND COAL FOR CERTAIN PURPOSE

FORMULA ON REFERENCE PRICES OF FINE COAL AND/ OR REJECT COAL

1) Calorific value > 4200 kcal/ kg GAR

$$HPB_{FC/RC} = FP * ((HBA * K * A) - (B + U)) * PS \quad (\text{USD/ ton})$$

Note:

- a. $HPB_{FC/RC}$ = HPB fine coal and/ or reject coal (USD/ ton)
- b. HBA = Reference Price of Coal (USD/ ton)
- c. FP = factor of deduction (fraction)
- d. K = calorific value of coal (fraction)
- e. $A = (100 - \text{water content of coal}) / (100 - 8)$ (fraction)
- f. $B = (\text{sulfur content of coal} - 0.8) * PB$ (USD/ ton)
- g. $U = (\text{ash content of coal} - 15) * PU$ (USD/ ton)
- h. PB = deduction of sulfur content (USD/ ton)
- i. PU = deduction of ash content (USD/ ton)
- j. PS = multiplication of Sodium content (fraction)

2) Calorific value \leq 4200 kcal/ kg GAR

a. TM < 35%

$$HPB_{FC/RC} = FP * ((HBA * K * A) - (B + U)) * PS \quad (\text{USD/ ton})$$

Note:

1. $HPB_{FC/RC}$ = HPB fine coal and/ or reject coal (USD/ ton)
2. HBA = Reference Price of Coal (USD/ ton)
3. FP = factor of deduction (fraction)
4. K = calorific value of coal (fraction)
5. $A = (100 - \text{water content of coal}) / (100 - 8 / FKA)$ (fraction)
6. $FKA = (((100 - 8) / (100 - \text{water content of coal})) * \text{water content of coal}) + (100 - 8)) / 100$ (USD/ ton)
7. $B = (\text{sulfur content of coal} - 0.8) * PB$ (USD/ ton)
8. $U = (\text{ash content of coal} - 15) * PU$ (USD/ ton)
9. PB = deduction of sulfur content (USD/ ton)
10. PU = deduction of ash content (USD/ ton)
11. PS = multiplication of Sodium content (fraction)

b. TM \geq 35%

$$HPB_{FC/RC} = FP * (HBA * K * A) * PS \quad (\text{USD/ ton})$$

Note:

1. $HPB_{FC/RC}$ = HPB fine coal and/ or reject coal (USD/ ton)
2. HBA = Reference Price of Coal (USD/ ton)
3. FP = factor of deduction (fraction)
4. K = calorific value of coal (fraction)
5. $A = (100 - \text{water content of coal}) / (100 - 8/FKA)$ (fraction)
6. $FKA = (((100 - 8)/(100 - \text{water content of coal})) * \text{water content of coal}) + (100 - 8)) / 100$ (USD/ ton)
7. PS = multiplication of Sodium content (fraction)

Deduction of sulfur content

Sulfur content (B)	Adjustment to sulfur content (USD/ton)
1% < B < 2%	5.0
2% < B < 3%	6.0
3% < B < 4%	7.0
B > 4%	8.0

Deduction of ash content

Ash content (U)	Adjustment to Ash content (USD/ton)
U < 15%	0.4
15% < U < 20%	0.45
20% < U < 25%	0.5
25% < U < 30%	0.6
30% < U < 35%	0.8
35% < U < 40%	1.0
U > 40%	1.2

Multiplication of Sodium content

Sodium content (S)	Multiplication of Sodium content
S < 2%	1.0
2% < S < 5%	0.95
S > 5%	0.90

DIRECTOR GENERAL

R. SUKHYAR

APPENDIX II

REGULATION OF DIRECTOR GENERAL OF MINERAL AND COAL Number: 480K/30/DJB/2014 Concerning THE PROCEDURE TO DETERMINE REFERENCE PRICES OF CERTAIN TYPE OF COAL AND COAL FOR CERTAIN PURPOSE

FORMULA OF REFERENCE PRICE OF COAL WITH CERTAIN IMPURITIES

1) Calorific value > 4200 kcal/ kg GAR

$$HPB_{IT} = FP * ((HBA * K * A) - (B + U)) * PS \quad (\text{USD/ ton})$$

Note:

- a. HPB_{IT} = HPB of coal with certain impurities (USD/ ton)
- b. HBA = Reference Price of Coal (USD/ ton)
- c. K = calorific value of coal (fraction)
- d. $A = (100 - \text{water content of coal}) / (100 - 8)$ (fraction)
- e. $B = (\text{sulfur content of coal} - 0.8) * PB$ (USD/ ton)
- f. $U = (\text{ash content of coal} - 15) * PU$ (USD/ ton)
- g. PB = deduction of sulfur content (USD/ ton)
- h. PU = deduction of ash content (USD/ ton)
- i. PS = multiplication of Sodium content (fraction)

2) Calorific value ≤ 4200 kcal/ kg GAR

a. TM < 35%

$$HPB_{IT} = ((HBA * K * A) - (B + U)) * PS \quad (\text{USD/ ton})$$

Note:

1. HPB_{IT} = HPB of coal with certain impurities (USD/ ton)
2. HBA = Reference Price of Coal (USD/ ton)
3. K = calorific value of coal/ 6322 (fraction)
4. $A = (100 - \text{water content of coal}) / (100 - 8 / FKA)$ (fraction)
5. $FKA = (((100 - 8) / (100 - \text{water content of coal})) * \text{water content of coal}) + (100 - 8)) / 100$ (percent)
6. $B = (\text{sulfur content of coal} - 0.8) * PB$ (USD/ ton)
7. $U = (\text{ash content of coal} - 15) * PU$ (USD/ ton)
8. PU = deduction of ash content (USD/ ton)
9. PS = multiplication of Sodium content (fraction)

b. TM ≥ 35%

$$HPB_{IT} = FP * (HBA * K * A) * PS \quad (\text{USD/ ton})$$

Note:

1. HPB_{IT} = HPB of coal with certain impurities (USD/ ton)
2. HBA = Reference Price of Coal (USD/ ton)

3. $K = \text{calorific value of coal}/6322$ (fraction)
 4. $A = (100 - \text{water content of coal}) / (100 - 8/FKA)$ (fraction)
 5. $FKA = (((100 - 8)/(100 - \text{water content of coal})) * \text{water content of coal}) + (100 - 8)/100$ (percent)
 6. PS = multiplication of Sodium content (fraction)

Deduction of sulfur content

Sulfur content (B)	Adjustment to sulfur content (USD/ton)
$B \leq 2\%$	4.0
$1\% < B \leq 2\%$	5.0
$2\% < B \leq 3\%$	6.0
$3\% < B \leq 4\%$	7.0
$B > 4\%$	8.0

Deduction of ash content

Ash content (U)	Adjustment to Ash content (USD/ton)
$U < 15\%$	0.4
$15\% < U < 20\%$	0.45
$20\% < U < 25\%$	0.5
$25\% < U < 30\%$	0.6
$30\% < U < 35\%$	0.8
$35\% < U < 40\%$	1.0
$U > 40\%$	1.2

Multiplication of Sodium content

Sodium content (S)	Multiplication of Sodium content
$S \leq 2\%$	1.0
$2\% < S \leq 5\%$	0.95
$S > 5\%$	0.90

DIRECTOR GENERAL

R. SUKHYAR

APPENDIX III

REGULATION OF DIRECTOR GENERAL OF MINERAL AND COAL
Number: 480K/30/DJB/2014 Concerning THE PROCEDURE
TO DETERMINE REFERENCE PRICES OF CERTAIN TYPE OF COAL
AND COAL FOR CERTAIN PURPOSE

FORMULA OF REFERENCE PRICE OF COAL FOR CERTAIN PURPOSE

$$\text{HPB}_{\text{KT}} = \text{BPr} + \text{M} \quad (\text{USD/ ton})$$

Note:

HPB_{KT} = HPB of coal for certain purpose (USD/ ton)
BPr = Production Cost (USD/ ton)
M = Margin (USD/ ton)

DIRECTOR GENERAL

R. SUKHYAR