

MINISTRY OF ENERGY AND MINERAL RESOURCES OF THE REPUBLIC OF  
INDONESIA

REGULATION OF DIRECTOR GENERAL OF MINERAL AND COAL  
NUMBER: 579.K/32/DJB/2015

CONCERNING  
PRODUCTION COST TO DETERMINE REFERENCE PRICE OF COAL

DIRECTOR GENERAL OF MINERAL AND COAL

In Considering

- a. That in order to keep up with the progress of technical condition and other factors that can affect the national average production cost as determinant of base price of coal for fuel of Mine-mouth coal-fired power plant (PLTU) as in accordance with Article 8 of Ministerial Decree number 10 year 2014;
- b. That in order to determine the price of other coal based on the parameter of production cost;
- c. That based on the consideration as cited in letters a and b, it shall be necessary to enact a Decision of Director General of Mineral and Coal on production cost to determine the price of coal;

As 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 Electricity (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 number 23 year 2010 on the implementation of activities of mineral and coal mining (State Gazette of the Republic of Indonesia Year 2010 Number 29, Supplement to State Gazette of the Republic of Indonesia number 5111), as having been revised for three times and the latest revision by Government Regulation number 77 year 2014 on the third revision of Government Regulation

number 23 year 2010 on the implementation of activities of mineral and coal mining (State Gazette of the Republic of Indonesia Year 2014 Number 263, Supplement to State Gazette of the Republic of Indonesia number 5597);

5. Government Regulation number 14 year 2012 on business activities to supply electricity (State Gazette of the Republic of Indonesia Year 2012 Number 28, Supplement to State Gazette of the Republic of Indonesia number 5281), as having been revised by Government Regulation number 23 year 2014 on Revision or Amendment of Government Regulation Number 14 Year 2012 on business activities to supply electricity (State Gazette of the Republic of Indonesia Year 2014 Number 75, Supplement to State Gazette of the Republic of Indonesia number 5530);
6. Presidential Decree number 5 year 2006 dated 25 January 2006 on National Energy Policy;
7. Ministerial Decree of Energy and Mineral Resources number 34 year 2009 on Priority to meet the need of mineral and coal supplies in the country (State Gazette of the Republic of Indonesia Year 2009 Number 546);
8. Ministerial Decree of Energy and Mineral Resources number 17 year 2010 on procedure to determine reference price of mineral and coal sales;
9. Ministerial Decree of Energy and Mineral Resources number 18 year 2010 on organization and work procedure of Indonesian Ministry of Energy and Mineral Resources (State Gazette of the Republic of Indonesia Year 2010 Number 552) as having been revised by Ministerial Decree of Energy and Mineral Resources Number 30 year 2014 on Revision of Ministerial Decree of Energy and Mineral Resources Number 18 year 2010 on organization and work procedure of Ministry of Energy and Mineral Resources (State Official Report of the Republic of Indonesia year 2014 number 1725);
10. Ministerial Decree of Energy and Mineral Resources number 10 year 2014 on Procedure to supply coal and determine the price of coal for mine-mouth coal-fired power plant (PLTU);

DECIDES:

- To enact                    DECISION OF DIRECTOR GENERAL OF MINERAL AND COAL CONCERNING PRODUCTION COST TO DETERMINE REFERENCE PRICE OF COAL.
- First                        Director General shall determine the reference cost of production as cited in the Appendix, which is an inseparable part of this Decision of Director General.
- Second                    The reference cost of production as cited in the First Dictum shall be determined for the purposes as follows:
- a. To determine the base price of coal for the calculation of coal price for mine-mouth coal-fired power plant;
  - b. To calculate the price of coal for other purposes and the determination shall be based on production cost.
- Third                      Mining company that applies an open-pit mining system shall follow and use the reference cost of coal production as cited in the First Dictum.
- Fourth                    Coal price calculated based on the cost of production as cited in the First Dictum shall follow revision of stripping ratio, distance of delivery of overburden and distance of coal delivery on an annual basis.
- Fifth                        In regard that an underground mining system is applied the mining company shall be allowed to submit a plan on production cost to Director General of Mineral and Coal for his/ her evaluation and approval.
- Sixth                      The denomination of foreign exchange used in the calculation of production cost as cited in the First Dictum shall be US dollar (USD) at exchange rate of USD against Rupiah shall be based on average mid rates as published by Bank Indonesia in the period from January 1 through December 31 of the previous year.
- Seventh                    Retribution of production/ Royalty shall be set up at 35.5 percent of coal price. The coal price for the purpose of calculation of production retribution/ Royalty shall be the total cost of production plus a 25-percent margin.
- Eighth                    This Decision of Director General shall be retroactively and effectively implemented as of January 1, 2015.
- Ninth                      With the effectiveness of this Decision of Director General of Mineral and Coal the Decision of Director General of Mineral and Coal Number 466.K/ 32/ DJB/ 2015 shall be declared no longer effective.

Enacted in Jakarta  
Dated: 20 April 2015  
DIRECTOR GENERAL OF MINERAL AND COAL  
THE REPUBLIC OF INDONESIA

R. SUKHYAR

## Appendix

Decision of Director General of Mineral and Coal

The republic of Indonesia

Number : 579.K/ 32/ DJB/ 2015

Date : 20 April 2015

### REFERENCE COST OF COAL PRODUCTION UNDER OPEN-PIT MINING SYSTEM

No.	Type of Cost	Unit	Cost
<b><u>Direct cost of production</u></b>			
1	Stripping of overburden	USD/ bcm	2.41
2	Delivery or removal of overburden	USD/ bcm/ km	1.74
3	Exploitation or excavation of coal	USD/ ton	1.70
4	Coal delivery from location of mine to location of processing	USD/ bcm/ km	0.28
5	Coal delivery from the location of processing to the stockpile of PLTU	USD/ ton	As agreed by mining company and the holder of IUPTL
<b><u>Indirect cost of production</u></b>			
6	Processing of coal	USD/ ton	1.98
7	Amortization, land release/ land compensation and depreciation	USD/ ton	6.88
<b><u>General and Administrative costs</u></b>			
8	<ul style="list-style-type: none"><li>Monitoring and management of environment, reclamation, and post-mine activity</li><li>Work safety and health</li><li>Development and empowerment of community</li></ul>	USD/ ton	0.55
9	Overhead	USD/ ton	2.07
10	Land rent	USD/ ton	0.11
11	Assumption of retribution of production/ Royalty	USD/ ton	20.3%
12	Margin	USD/ ton	25%

Note:

- The coal price or base price of coal is the total cost of production plus a margin
- The total cost of production is the sum of costs from point 1 through point 12

- c) The cost of delivery of overburden is the cost of point 2 multiplied by the distance of delivery in kilometers.
- d) The cost of coal delivery from location of mine to location of processing is the cost of point 4 multiplied by the distance of delivery in kilometers.
- e) The assumption of retribution of production is 20.3% of the sum of costs from point 1 through point 10.
- f) The margin is 25% of the sum of costs from point 1 through point 11.

Director General of Mineral and Coal  
The Republic of Indonesia

R. Sukhyar