

REGULATION OF THE MINISTER OF ENERGY AND MINERAL RESOURCES OF THE RI

No.07 YEAR 2017

CONCERNING

THE METHOD OF DETERMINING THE STANDARD SELLING PRICE OF METALLIC  
MINERAL AND COAL

BY THE GRACE OF GOD THE ALMIGHTY

THE MINISTER OF ENERGY AND MINERAL RESOURCES,

Considering : that to implement the provision of Article 85 sub-article (4) and Article 111 Government Regulation No.23 Year 2010 concerning The Realization of Mineral and Coal Mining Business Activities as several times amended lastly by Government Regulation No.1 Year 2017 concerning the Fourth Amendment to Government Regulation No.23 Year 2010 concerning the Realization of Mineral and Coal Mining Business Activities, it is deemed necessary to establish The Regulation of the Minister of Energy and Mineral Resources concerning The Method of Determining the Standard Selling Price of Metallic Mineral and Coal;

In view of : 1. Law No.4 Year 2009 concerning Mineral and Coal Mining (State Gazette of the RI of 2009 No.4, State Gazette Supplement of the RI No.49);

2. Law No.23 Year 2014 concerning Regional Government (State Gazette of the RI of 2014 No.244, State Gazette Supplement of the RI No.5587) as several times amended lastly by Law No.9 Year 2015 concerning the Second Amendment to Law No.Law No.23 Year 2014 concerning Regional Government (State Gazette of the RI of 2015 No.58, State Gazette Supplement of the RI No.5679);

3. Government Regulation No.23 Year 2010 concerning The Realization of Mineral and Coal Mining Business Activities (State Gazette of the RI of 2010 No.29, State Gazette Supplement of te RI No.5111) as several times amended lastly by Government Regulation No.1 Year 2017 concerning the Fourth Amendment to Government Regulation No.23 Year 2010 concerning The realization of Mineral and Coal Mining Business Activities (State Gazette of the RI of 2017 No.4, State Gazette Supplement of the RI No.6012);

4. Government Regulation No.55 Year 2010 concerning Nurturing and Supervising Mineral and Coal Mining Business Management (State Gazette of the RI of 2010 No.85, State Gazette Supplement of the RI No.5142);

5. Presidential Regulation No.68 Year 2015 concerning The Ministry of Energy and Mineral Resources (State Gazette of the RI of 2015 No.132, as amended by Presidential Regulation No.105 Year 2016 concerning The Amendment to Presidential Regulation No.68 Year 2015 concerning The Ministry of Energy and Mineral Resources (State Gazette of the RI of 2016 No.289);

6. Regulation of the Minister of Energy and Mineral Resources No.13 Year 2016 concerning the Organization and Work Arrangement of the Ministry of Energy and Mineral Resources (State Bulletin of the RI of 2016 No.782);

#### HAS DECIDED

To Establish : THE REGULATION OF THE MINISTER OF ENERGY AND MINERAL RESOURCES CONCERNING THE METHOD OF DETERMINING THE STANDARD SELLING PRICE OF METALLIC MINERAL AND COAL.

#### CHAPTER I

#### GENERAL PROVISION

#### Article 1

In this Ministerial Regulation:

- 1.Mineral refers to inorganic compound formed in nature , which has a certain physical and chemical characteristic as well as regular crystalline structure or its compound which forms rocks, either in loose or solid form.
- 2.Metallic Mineral refers to Minerals whose main element contains metal, has metallic lustre, and generally a good heat and electric conductor in nature.
- 3.Coal refers to sedimentation of organic carbonate compound formed naturally from the remains of plants.

4. Thermal Coal refers to coal used as fuel in power plants and steam engine in industry.
5. Coking (Metallurgical) Coal refers to coal used in metal smelting industry or metallurgy.
6. The Standard Price of Metallic Mineral hereinafter referred to as HPM *Logam* refers to the price of metallic mineral determined at sale point Free on Board for each Metallic Mineral mining commodity.
7. Metallic Mineral Price Reference hereinafter abbreviated to HMA refers to the price obtained from the average Metallic Mineral price publication of the previous month or the price on the same date of transaction in accordance with price quotation from Metallic Mineral price publication.
8. Coal Standard Price hereinafter abbreviated to HPB refers to the price of coal determined at sale point Free on Board.
9. Coal Price Reference hereinafter abbreviated to HBA refers to the price obtained from the average Coal price index in the previous month.
10. Work Plan and Cost Budget refers to a document concerning work plan and cost budget for 1 (one) year ahead in compliance with the provision of laws and regulations.
11. Production Operation Mining Business License hereinafter referred to as Production Operation IUP refers to a business license given after completing- the realization of Exploration Business License to carry out the stage of production operation activities.
12. Special Production Operation Mining Business License hereinafter referred to as Production Operation IUPK refers to a business license given after completing the realization of the Special Exploration Mining Business License to carry out the stage of production operation activities in a specific mining business license area.
13. Contract of Work hereinafter abbreviated to KK refers to an agreement between the government of the Republic of Indonesia and companies of Indonesian legal entity in the framework of foreign capital investment to carry out business activities in mineral mining.
14. Coal Contract of Work hereinafter abbreviated to PKP2B refers to an agreement between the government of the Republic of Indonesia and companies of Indonesian legal entity to carry out business activities in coal mining.
15. Affiliate refers to a business entity that has direct share ownership with the holder of Mining Business License, Special Mining Business License, KK or PKP2B.
16. Minister refers to the Minister administering governance affairs in the field of mineral and coal mining.

17. Director General refers to the Director General who has the task of undertaking the formulation and implementation of policy in the field of nurturing, control, and supervision of mineral and coal activities.

## Article 2

- (1) The holder of Metallic Mineral Production Operation IUP, Coal Production Operation IUP, Metallic Mineral Production Operation IUPK, and Coal Production Operation IUPK, in selling Metallic Mineral or Coal produced should be guided by HPM Logam or HPB.
- (2) The obligation to be guided by HPM Logam or HPB as referred to in sub-article (1) is also valid for the holder of Metallic Mineral Production Operation IUP, Coal Production Operation IUP, Metallic Mineral Production Operation IUPK, and Coal Production Operation IUPK in selling Metallic Mineral or Coal produced to their Affiliates.
- (3) HPM Logam or HPB as referred to in sub-article (1) and sub-article (2) is determined based on market mechanism and/or according to the price generally prevails in international market.

## Article 3

HPM Logam and HPB as referred to in Article 2 constitute a floor price in calculating the obligation to pay production fee by the holder of Metallic Mineral Production Operation IUP, Coal Production Operation IUP, Metallic Mineral Production Operation IUPK and Coal Production Operation IUPK.

## Article 4

- (1) Determining HPM Logam or HPB is calculated in rupiah and US dollar currencies.
- (2) In making the equivalent of rupiah to US dollar, the middle value of Bank Indonesia's exchange rate valid on the date and period determined based on agreement between the holder of Metallic Mineral Production Operation IUP, Coal Production Operation IUP, Metallic Mineral Production Operation IUPK or Coal Production Operation IUPK and buyers of Metallic Mineral or Coal, is used

## CHAPTER II

### HPM LOGAM

#### Article 5

- (1) HPM Logam is determined by the Director General on behalf of the Minister for each type of Metallic Mineral commodity.
- (2) HPM Logam as referred to in sub-article (1) may in the form of HPM Logam for the following commodities:
  - a. nickel, may in the form of:
    1. nickel ore;
    2. ferronickel;
    3. mixed hidroxyde presipitate;
    4. mixed sulfide presipitate;
    5. nickel metal shot;
    6. nickel pig iron;
    7. nickel ingot; and/or
    8. nickel-matte
  - b. cobalt, may in the form of:
    1. cobalt ore;
    2. cobalt concentrate;
    3. cobalt ingot; and/or cobalt sulfide.
  - c. lead, may in the form of:
    1. lead ore;
    2. lead concentrate;
    3. lead ingot; and/or
    4. lead bullion.
  - d. zinc, may in the form of:
    1. zinc ore;
    2. zinc ingot;
    3. zinc concentrate; and/or
    4. zinc oxide.
  - e. bauxite, may in the form of:
    1. bauxite ore;
    2. aluminum ingot;
    3. chemical grade alumina; and/or
    4. smelter grade alumina.
  - f. iron, may in the form of:

1. iron ore;
  2. iron concentrate;
  3. iron sand;
  4. iron sand pellet;
  5. sponge iron; and/or
  6. pig iron.
- g. gold, in the form of gold metal;
- h. silver, in the form of silver metal;
- i. tin in the form of tin ingot;
- j. copper, may in the form of:
1. copper ore
  2. copper conceentrate and/or
  3. copper metal.
- k. manganese, may in the form of:
1. manganese ore; and/or
  2. manganese concentrate.
- l. chromium, may in the form of:
1. chromium ore; and/or
  2. chromium metal.
- m. titanium, may in the form of:
1. ilmenite concentrate; and/or
  2. titanium concentrate.
- n. Other certain Metallic Minerals.

## Article 6

- (1) Determining HPM Logam as referred to in Article 5 is decided based on HPM Logam formula.
- (2) HPM Logam formula as referred to in sub-article (1) is determined based on the following variables:
  - a. value/content of Metallic Mineral;
  - b. constent;
  - c. *HMA*;
  - d. Corrective factor;
  - e. treatment cost and refining charges, and/or
  - f. payable metal.
- (3) Value/content of Metallic Mineral as referred to in sub-article (2) letter a is determined according to the certificate of analysis.

- (4) The size of *HMA* as referred to in sub-article (2) letter c is determined by the Director General on behalf of the Minister, every month.
- (5) The size of *HMA* as referred to in sub-article (4) is determined referring to Metallic Mineral price publication issued by among others:
  - a. London Metal Exchange;
  - b. London Bullion Market Association;
  - c. Asian Metal; and/or
  - d. Indonesian Commodity and Derivatives Exchange.
- (6) HPM Logam formula as referred to in sub-article (1) and sub-article (2) may be reviewed periodically every 6 (six) month or from time to time if necessary.

### CHAPTER III

#### HPB

##### Article 7

- (1) HPB is determined by the Director General on behalf of the Minister.
- (2) HPB as referred to in sub-article (1) may be HPB for:
  - a. Steam (Thermal) Coal; and
  - b. Coking (Metallurgical) Coal.

##### Article 8

- (1) Determining HPB for Steam (Thermal) Coal or Coking (Metallurgical) Coal as referred to in Article 7 is determined based on HPB Steam (Thermal) Coal or Coking (Metallurgical) Coal formula.
- (2) HPB Steam (Thermal) Coal formula as referred to in sub-article (1) is determined based on the following variables:
  - a. calorific value of Coal;
  - b. HBA of Steam (Thermal) Coal;
  - c. moisture content;
  - d. sulphur content; and
  - e. ash content.
- (3) Coking (Metallurgical) Coal HPB formula as referred to in sub-article (1) is determined based on the following variables:
  - a. Coking (Metallurgical) Coal HBA;

- b. Coke Strength after Reaction;
  - c. volatile matter;
  - d. moisture content;
  - e. sulphur content; and
  - f. ash content
- (4) Calorific value, volatile matter, moisture content, sulphur content and ash content of coal as referred to in sub-article (2) letter a, letter c, letter d, and letter e as well as sub-article (3) letter c up to letter f, are determined according to the certificate of analysis.
- (5) The size of HBA as referred to in sub-article (2) letter b and sub-article (3) letter a is determined by the Director General on behalf of the Minister every month.
- (6) The size of HBA as referred to in sub-article (5) is determined by referring to the coal price index issued by among others:
- a. Indonesian Coal Index/Argus Coalindo;
  - b. Newcastle Export Index;
  - c. Globalcoal Newcastle Index;
  - d. Platts Index;
  - e. Energy Publishing Coking Coal Index; and/or
  - f. IHS Market Index.
- (7) HPB formula as referred to in sub-article (1), sub-article (2) and sub-article (3) may be reviewed periodically every 6 (six) months or from time to time if necessary.

#### Article 9

- (1) The holders of Coal Production Operation IUP and Coal Production Operation IUPK may sell a certain type of coal Coal and Coal for certain purpose below HPB based on the formula determined by the Director General on behalf of the Minister.
- (2) The certain type of coal as referred to in sub-article (1) may in the form of:
- a. fine coal;
  - b. reject coal; and
  - c. Coal with certain impurities.
- (3) Coal for certain purpose as referred to in sub-article (1) may in the form of:



a. Coal utilized by a company for own purpose in the process of coal mining.

b. Coal utilized by a company in the framework of increasing added value of coal carried out at mine mouth; and

c. Coal for developing left behind areas around the mine.

(4) The holder of Coal Production Operation IUP and Coal Production Operation IUPK may sell coal to mine mouth power plant at a price according to the provision in the Ministerial Regulation that arranges the method of supplying and coal pricing for mine mouth power plant.

## CHAPTER IV

### REPORTING

#### Article 10

The holder of Metallic Mineral Production Operation IUP, Coal Production Operation IUP, Metallic Mineral Production Operation IUPK, and Coal Production Operation IUPK, should submit every sale contract of Metallic Mineral or Coal to the Minister through the Director General or governor in accordance with his/her competence.

#### Article 11

- (1) The holder of Metallic Mineral Production Operation IUP, Coal Production Operation IUP, Metallic Mineral Production Operation IUPK, and Coal Production Operation IUPK should submit a report on the realization of selling Metallic Mineral or Coal every month no later than 5 (five) calendar days after the end of every calendar month to the Minister through the Director General or governor in accordance with his/her competence.
- (2) The report on the sale of Metallic Mineral or Coal as referred to in sub-article (1) at least contains selling price, sale volume, delivery point of sale, and country or region of sale destination.

- (3) The report on the sale of Mineral or Coal as referred to in sub-article (1) and sub-article (2) should be completed with supporting document/proof at least containing:
- a. invoice on the sale of Metallic Mineral or Coal;
  - b. bill of lading or airway bill and certificate of weight;
  - c. certificate of analysis;
  - d. time sheet of shipment;
  - e. invoice and/or contract, cost insurance freight for delivery point of sale; and
  - f. notification on export of goods and surveyor's report for export if Metallic Mineral or Coal is sold to buyers abroad.

## CHAPTER V

### ADMINISTRATIVE SANCTION

#### Article 12

- (1) The holder of Metallic Mineral Production Operation IUP, Coal Production Operation IUP, Metallic Mineral Production Operation IUPK, and Coal Production Operation IUPK who does not meet or violates the provision as referred to in Article 2 sub-article (1) or sub-article (3), Article 10, Article 11 sub-article (1) is imposed with administrative sanction.
- (2) The administrative sanction as referred to in sub-article (1) may in the form of:
- a. written warning;
  - b. temporary halting of a part or the entire mining business activities; and/or
  - c. revocation of Production Operation IUP or Production Operation IUPK.
- (3) The administrative sanction as referred to in sub-article (2) is given by the Director General on behalf of the Minister or governor in accordance with his/her competence.

#### Article 13

Warning as referred to in Article 12 sub-article (2) letter a is given 3 (three) times at the most with a time span of 10 (ten) calendar days for each warning.

#### Article 14

- (1) In the case the holder of Metallic Mineral Production Operation IUP, Coal Production Operation IUP, Metallic Mineral Production Operation IUPK, and Coal Production Operation IUPK who receive the sanction of written warning, after the end of the time span of warning as referred to in Article 13 have yet to meet their obligation, are imposed with administrative sanction in the form of temporary halting of a part or the entire mining activities as referred to in Article 12 sub-article (2) letter b.
- (2) The administrative sanction in the form of temporary halting a part or the entire Mining activities as referred to in sub-article (1) is imposed for a time span of no more than 60 (sixty) calendar days

#### Article 15

The administrative sanction in the form of revocation of Production Operation IUP or Production Operation IUPK as referred to in Article 12 sub-article (2) letter c is imposed on the Holders of Metallic Mineral Production Operation IUP, Coal Production Operation IUP, Metallic Mineral Production Operation IUPK or Coal Production Operation IUPK who do not carry out their obligation up to the end of the time span the administrative sanction is imposed in the form of temporary halting of a part or the entire mining activities as referred to in Article 14.

### CHAPTER VI

#### OTHER PROVISIONS

#### Article 16

In the case HMA or HBA in the running month have yet to be determined, HMA or HBA determined for the previous month are declared to remain valid.

#### Article 17

- (1) In the case Coal is sold on a term basis, the HBA used as referene in determining the price of Coal in the sale contract is calculated based on the formula of 50 (fifty) percent HBA on

the month of contract signing plus 30 (thirty) percent HBA 1 (one) month prior to the signing of contract plus 20 (twenty) percent HBA 2 (two) months prior to the signing of contract.

- (2) In the case Coal is sold to domestic end users, on a term basis, the HBA used as reference in determining the price of Coal in the sale contract, is calculated based on the formula of 50 (fifty) percent HBA on the month the contract is signed plus 30 (thirty) percent HBA 1 (one) month prior to the signing of the contract plus 20 (twenty) percent HBA 2 (two) months prior to the signing of contract and may be reviewed in no less than 3 (three) months).

## CHAPTER VII

### TRANSITIONAL PROVISION

#### Article 18

At the time this Ministerial Regulation becomes effective, the Holder of KK and PKP2B signed before this Ministerial Regulation becomes effective in carrying out sale activities of Metallic Mineral and Coal, should follow the provisions in this Ministerial Regulation.

## CHAPTER VIII

### CONCLUDING PROVISION

#### Article 19

At the time this Ministerial Regulation becomes effective, the Regulation of the Minister of Energy and Mineral Resources No.17 Year 2010 concerning The Method of Determining the Standard Selling Price of Mineral and Coal (State Bulletin of the RI of 2010 No.463) as long as it regulates the standard price of mineral and coal, is revoked and declared null and void.

#### Article 20

This Ministerial Regulation becomes effective on the date of its promulgation.

In order that it may be known to all, the promulgation of this Ministerial Regulation is ordered to be published in the State Bulletin of the RI.

Established in Jakarta

On January 11, 2017

MINISTER OF ENERGY AND MINERAL RESOURCES OF THE RI

signed

IGNASIUS JONAN

Promulgated in Jakarta

On January 11, 2017

THE DIRECTOR GENERAL

OF LAWS AND REGULATIONS

MINISTRY OF JUSTICE AND HUMAN RIGHTS

Signed

WIDODO EKATJAHJANA

STATE BULLETIN OF THE RI YEAR 2017 No. 100

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MINISTRY OF ENERGY AND MINERAL RESOURCES

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