

REPORT OF EITI INDONESIA 2018 CONSTEXTUAL (FLEXIBLE REPORT)





MINISTRY OF ENERGY AND MINERAL RESOURCES
REPUBLIC OF INDONESIA

REPORT OF EITI INDONESIA 2018
CONTEXTUAL (*FLEXIBLE REPORT*)

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KEYNOTE

Praise and gratitude to Allah SWT, for the publication of the Extractive Industries Transparency Initiative Report (EITI) in the midst of the Pandemic Covid-19, as well as the transition process of institutional transformation of extractive industry management in Indonesia. This report is the eighth report of EITI since Indonesia becoming one of the EITI Implementing Countries, which includes data and information regarding the activities and policies of Indonesia's extractive industry in 2018-2019.

The legal basis for implementing EITI in Indonesia is Presidential Regulation Number 82 of 2020 concerning the Establishment of the 2019 Corona Virus Disease Management (Covid-19) Committee and National Economic Recovery. In accordance with the Presidential Regulation, the management of the Extractive Industries is returned to the technical unit, namely the Ministry of Energy and Mineral Resources and the Ministry of Finance in accordance with their duties and functions. In connection with the Covid-19 conditions, the EITI International Secretariat provides guidelines for the preparation of a flexible report where there are no reconciliation activities. The content of the Eighth EITI Indonesia Report is only focuses on the aspect of state revenue, but covers the entire extractive industry value chain, starting from the aspects of licensing, production operations, state revenues, allocation mechanisms, extractive industry sector policies, and flash reports on the role of extractive industries. in the covid-19 pandemic. This report also continues to collect data from companies as a standard that is maintained but no reconciliation activities are carried out.

This report was prepared by the EITI Secretariat Team of the Ministry of Energy and Mineral Resources which is supervised by the Implementing Team based on Presidential Decree No. 26/2010. The report preparation process began at the end of October 2020 and was completed on February 22, 2021. All stages in the report preparation process were supervised by the Executive Team for Extractive Industry Transparency through Implementing Team meetings as well as Technical Team meetings. This EITI Indonesia Eighth Report received approval for publication from the Extractive Industry Transparency Implementation Team through a meeting held on March 19, 2021. The main purpose and objective of the publication of this report is to provide a complete explanation of the implementation of extractive industry activities in Indonesia in order to further enhance understanding and common perceptions of EITI stakeholders in Indonesia. We realize that the success of EITI implementation in Indonesia will be largely determined by the common understanding and perceptions of all stakeholders.

Finally, we would like to thank the Steering Committee, members of the Implementation Team, the EITI KESDM Secretariat Team, and all EITI Indonesia stakeholders who have contributed to the smooth implementation of EITI Indonesia activities. We also do not forget to thank the Coordinating Ministry for Economic Affairs, the Coordinating Ministry for Maritime Affairs and Investment, the Implementing Team and the EITI Secretariat Team based on Presidential Decree No. 26/2010 in supporting the transition process for the EITI management institution.

Secretary General of MEMR

As Chairman of the Extractive Industry Transparency Implementation Team

Ego Syahrial



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CHAPTER I INTRODUCTION

1.1. Background

Extractive Industries Transparency Initiative (EITI) is a global standard for transparency in the extractive industry (which includes oil, gas, mineral, and coal). The standard has a goal to create transparency and accountability as a manifestation of good governance. The key part of this standard is a process which compares payment made by companies in this sector to the government and government revenue. The result of the process is a published report. EITI seeks to open information to the public to strengthen the system and foster trust, to both the government and the related companies.

This initiative has a reliable methodology that adopts the EITI Standard to disclose government revenue from the extractive industry sector in EITI implementing countries. There are two main components for EITI implementation:

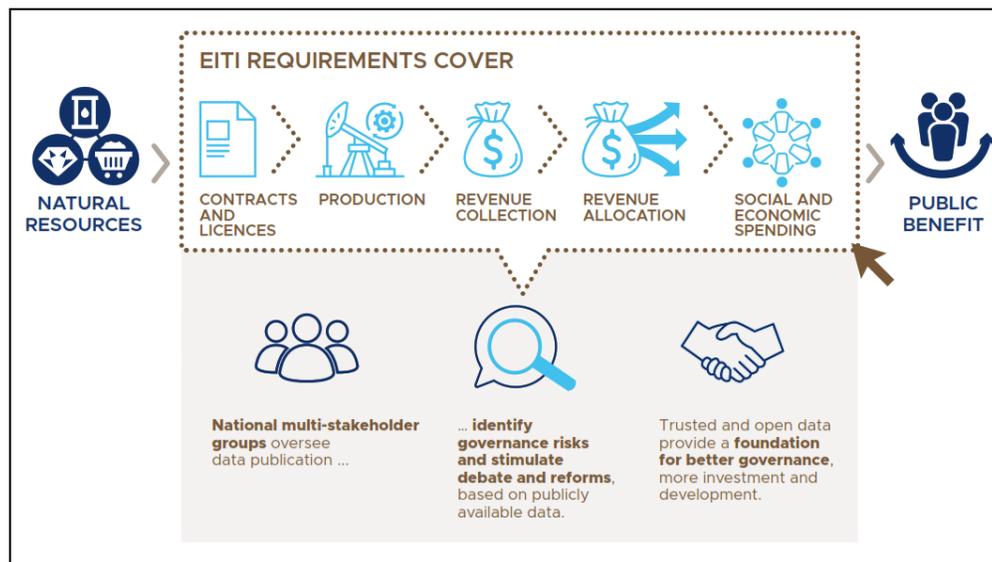
- **Transparency:** disclosure of government revenues from oil and gas (migas) and mineral and coal (minerba) sectors which can be accessed freely by the public. In addition, regulations and governance system of the extractive industry must also be accessible to enable input that will improve governance in this sector.
- **Accountability:** formation of a multi-stakeholder group which consists of representatives from the government, companies, and civil society to supervise the process and communicate the findings of the EITI Report and encourage the integration of EITI into broader transparency efforts in the EITI implementing country.

The EITI standard supports the multi-stakeholder group to explore innovative approaches to expand EITI implementation, supports the EITI report to be more extensive and complete, encourages public understanding about extractive sector revenues, and supports a high standard for transparency and accountability in the eyes of the public, government operation, and the business world.

Special for the report published in 2020, due to the Covid-19 pandemic, EITI implementing countries follow the procedures and requirements set by the EITI Board. The EITI Board has expressly agreed on a flexible report for 2020. This report does not require the reconciliation of data on government revenues and company payments to governments in the extractive industry sector. The report also supports analysis of the impacts of the Covid-19 pandemic on the migas and minerba sectors in Indonesia. For Indonesia, the 2020 report is for calendar year 2018.

This EITI Report covers fiscal year 2018, disclosure of data on production and exports of oil, gas, mineral and coal until 2019, and information of the 2020 flexible report with a cut-off date of

August 2020, which discusses the impacts of the Covid-19 pandemic on the extractive industry. This EITI report must refer to the 2019 EITI standard, which has been in effect since January 1, 2020, for EITI implementation guideline. For the record, Indonesia still used the 2016 EITI Standard for the previous EITI report. A significant difference between the 2016 and the 2019 EITI standards is that all EITI implementing countries must show new contracts and permits in the migas and minerba sectors. The 2019 EITI Standards also include obligation to publish company's financial reports related to environmental issues required by laws and regulations, labor data to encourage gender equality in EITI implementation, and commodity trading transparency, which includes sales and purchases in the migas and minerba sectors. **Figure 1** shows how EITI works and what its impacts are.



Source: 2019 EITI Standards

Figure 1. Diagram of 2019 EITI Standards

In **Figure 1** there are two boxes. The first box (outer part) explains EITI principles that the use of natural resource wealth must be carried out appropriately for sustainable economic growth, and the management of natural resources wealth is for the benefit of the people and in the interest of national development. The second box (inner part) explains how, as an EITI implementing country, a government must prepare an EITI report supported by a Multi-Stakeholder Group (MSG). The report follows the extractive industry value chain, that is, Contracts and Licenses, Production, Revenue Collection, Revenue Allocation, and Social and Economic Spending. Identification of unresolved problems is then made based on publicly available data and recommendations are offered to resolve those problems. Transparency by the government and companies in the extractive industry is a form of good governance. Therefore, it can increase investment and national development.

Since the World Health Organization (WHO) announced the SARS Cov-2 virus as a pandemic in mid-March 2020, most countries in the world have been significantly affected by the Covid-19 pandemic. The pandemic has adversely affected activities in the oil, gas, mineral and coal

mining, and consequently the implementation of the EITI process globally. The core activities of the EITI process, such as stakeholders gathering and information dissemination, have been hard to do. Under current conditions, most activities are carried out virtually, and it is challenging to do normal processes that worked well before the pandemic. Based on these considerations, the EITI Board has decided to adopt flexible EITI reporting and to require a contextual report only. A reconciliation report is not required in this year's EITI reporting process.

A flexible EITI report must contain the following information:

- a) Information on sector developments and industry prospects for 2020 and beyond concerning the impacts of Covid-19, pressure on commodity prices, and the potential for a long-term decline in demand for mining commodities.
- b) Unilateral disclosure of information by the government or companies that meets EITI Requirements 2, 3, 4, 5, and 6, except for data quality and assurance (Requirement 4.9b).
- c) Disclosure of data on production, export, and revenue which covers fiscal years 2018 and 2019. Countries are also encouraged to provide data for early 2020, where possible.
- d) A complete description of the data disclosed.
- e) Assessment by the Multi Stakeholders Group (MSG) about the completeness and reliability of the data disclosed, identifying any weaknesses in reporting.

The EITI Board agrees that the Covid-19 pandemic is an "extraordinary situation" for all EITI member countries. Still, EITI reporting must comply with the 2019 EITI Standards.

To maintain the assessment and meet the requirements of EITI International to publish reports on the extractive industry activities before the end of 2020 as well as to reactivate the EITI MSG Team formed under Presidential Decree No. 26/2010, the Ministry of Energy and Mineral Resources (MEMR) held virtual meetings and invited MSG to discuss the scoping of EITI reporting, work plans, and technical assistance from Secretariat of the EITI International.

EITI implementing countries comply with the requirements for flexible EITI reporting and the procedures and provisions set out in the 2019 EITI Standards.

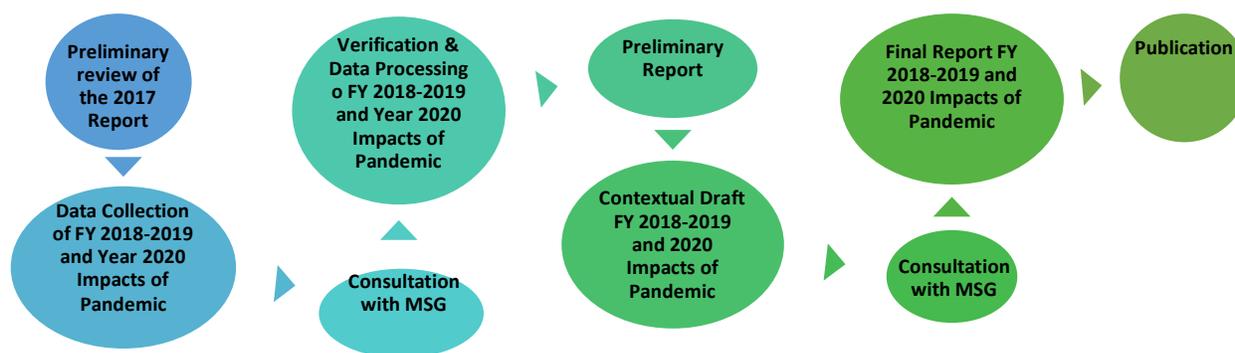
1.2. Purpose of Contextual Report

The purpose of the 2020 EITI Report is to produce a Contextual Report that refers to the 2018 fiscal data, the 2019 production and export data, and a flexible report for 2020 related to the Covid-19 pandemic. This report is Indonesia's 8th EITI Report under EITI International Standards.

1.3. Scope

The scope of this EITI report is only the contextual information on extractive industry governance. The report discloses data from fiscal year 2018, production and export data of 2019, and information of a flexible report of 2020 with data cut-off in August 2020, which will discuss the impacts of the Covid-19 pandemic on the extractive industry.

In each stage of work implementation, work groups will be divided according to the needs. **Figure 2** shows the flow of report preparation.



Source: Ministry of Energy and Mineral Resources

Figure 2. EITI Report Preparation Flow

1.4. Reporting Process Methodology

The EITI Contextual Report is Indonesia's 8th EITI Report to be submitted to EITI International. This report deals with matters related to the extractive industry activities (oil, gas, mineral and coal) in terms of regulation and implementation.

The previous EITI report consisted of 12 chapters, while this EITI report consists of 9 chapters. Chapter 1 covers Introduction to the report, Chapter 2 Main overview of extractive industry activities, Chapter 3 Legal framework for extractive industry management, Chapter 4 Implementation of extractive industry in Indonesia, Chapter 5 Impacts of the Covid-19 pandemic on extractive industries, Chapter 6 State revenue and allocation, Chapter 7 Integrated information technology systems, Chapter 8 Social and environmental responsibility, and Chapter 9 Extractive industry policy reform.

Several items in this report are different from those in the previous EITI contextual reports, namely:

- The implementation of the extractive industries in Indonesia is discussed in Chapter 4, with subchapters on licensing, extractive industry contribution, and State Owned Enterprises (SOEs) contribution. In the previous report, the same subject was discussed

in two chapters, namely in Chapter 4 about implementation of extractive industry licensing and Chapter 5 about the implementation of extractive industry contribution. The subject of extractive sector SOEs was detailed in Chapter 7 in the previous EITI report, while in this EITI report, it comes up in Chapter 4.

- An addition about the impacts of the Covid-19 pandemic on extractive industries is discussed in Chapter 5.
- In the previous EITI report, recommendations on extractive industry policy were detailed in Chapter 10. In this report, extractive industry policy reforms are offered in Chapter 9.
- This report does not discuss the 2019 EITI standard because it was covered in the previous EITI report.

Preparation of the Contextual Report is made in the following stages:

Stage 1 - Data Collection

The collection of data and information needed to prepare a contextual analysis of the extractive industry governance is carried out by Center for Data and Information Technology of Ministry of Energy and Mineral Resources (MEMR). Next, the information required by EITI is reviewed and approved by the MSG to be included in the reporting. Additional information is gathered directly from the government and the companies as the reporting entities to close gaps in the reporting.

Data that is accessible from public sources are then reviewed and compiled. Under the division of work agreed by the MSG, information disclosed by the government and companies is checked, while additional data is collected from reporting entities. Based on the review on the accessible information, other information is gathered from the reporting entities to address any gaps identified.

Stage 2 - Verification or Data Processing

The stage aims to analyze the collected information so as to meet the reporting objectives set by the MSG. The analysis of the information is done to ensure that the reporting will meet the agreed goals.

The information is then reviewed for completeness and reliability of the financial data to be included in the reporting as agreed by the MSG. Any gaps or weaknesses in the reporting are identified. The MSG must examine the audit procedure and assurance of government entities and companies that participate in the EITI reporting.

Stage 3 - Preparation of Draft Report

Draft EITI Report must explain information collection, preparation, and analysis process, indicate the scope of the report, and assess information completeness and reliability. Any gaps or weaknesses identified must be disclosed in the report, including the naming of the

entities that did not submit information according to the EITI Standards (Requirement 2-6) and assessment of the possible impacts on the report completeness. The source of information in the report must be clear. If the information has been systematically disclosed, the report must clearly state where the public can access the data.

If a previous EITI Report or Validation has recommended corrective actions and reforms, the report can outline the progress of those efforts. The MSG can approve recommendations to strengthen regular, timely, and comprehensive disclosure of information by government entities and companies in the future. The recommendations can include audit practices and reforms necessary to align with international standards and, where appropriate, suggestions for other reforms in the extractive sector that are related to improvement of natural resources governance.

Stage 4 - Preparation of Final Report

This stage ensures that any records by the MSG about disclosure of information at the initial stage or in the draft report are reflected in the final report. The MSG can also consider the best method to disseminate and share data with the relevant stakeholders due to the health and safety challenges posed by the Covid-19 pandemic. The final report must include an assessment by the MSG about the completeness and reliability of the data disclosed and identify any gaps or weaknesses in the reporting.

Stage 5 – Publication

The EITI Report is sent after receiving approval from the MSG. The MSG will support the report before the publication and supervise the publication. The identity of the report author must be clearly recognized. If the Covid-19 pandemic poses a challenge for the MSG to hold meetings, the national secretariat and the MSG must take all reasonable steps to obtain the advice and approval of the MSG.

A summary of the information disclosure is submitted electronically to the International Secretariat in the standard reporting format.

1.5. Implementation of EITI in Indonesia

In Indonesia, the initiative for transparent reporting of state revenues from extractive industries began in 2007 when the then Minister of Finance, Sri Mulyani, expressed support for EITI to the representatives of Transparency International Indonesia. Deputy Chair of the KPK, Erry Riyana Hardjapamekas, and KPK Deputy for Prevention, Waluyo, then reviewed the legal basis for the reporting implementation. The Ministry of Energy and Mineral Resources (MEMR) was assigned to prepare a presidential regulation on EITI. The following year, the then Coordinating Minister for Economic Affairs, Boediono, chaired a coordination meeting on EITI, and finally in 2010, the President of the Republic of Indonesia, Susilo Bambang Yudhoyono, signed Presidential Regulation No. 26/2010 on the Transparency of State Revenues and Regional Revenues from

Extractive Industries. In 2014, Indonesia became the first ASEAN country to meet the requirements of the EITI International standard. In 2015, however, Indonesia was suspended from the compliance status because the country failed to meet the requirements of the EITI. In 2016, the suspension was revoked and Indonesia got the compliance status again.

Since becoming a member of the EITI International, Indonesia has published seven EITI Indonesia reports. The first report was for calendar year 2009, the second report for calendar years 2010-2011, the third for 2012-2013, the fourth for 2014, the fifth for 2015, the sixth for 2016, and the seventh report for calendar year 2017. In 2019, the seventh EITI Indonesia report was officially submitted to the EITI International Board in Oslo, Norway, and later published on the EITI Indonesia website. The 2017 report received a title "Meaningful Progress."

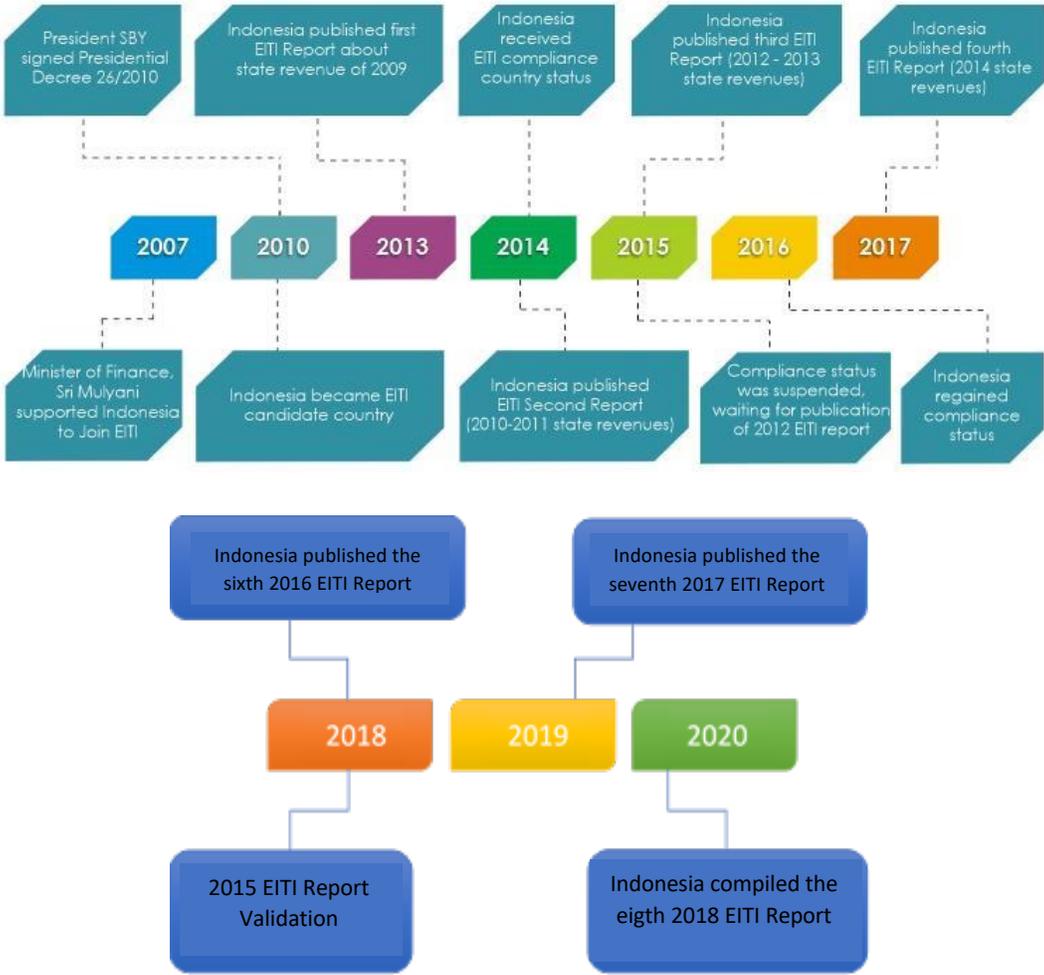


Figure 3. Timeline for Indonesia's participation in the EITI

Indonesia's participation in the implementation of EITI shows that Indonesia has implemented good governance in the extractive industry. By implementing EITI, the Government of Indonesia is committed to disclosing all taxes, royalties, and fees received from the oil, gas, and mining sectors.

Article 3 section 1 of Presidential Regulation No. 26/2010 states that the extractive industry transparency is carried out by the Transparency Team, which consists of a Steering Committee and an Implementing Team. The Implementing team is made up of representatives from the government, oil and gas companies, mineral and coal companies, local governments, and civil society, all of whom are members of the MSG. The Transparency Team reports directly to the President.

In the context of Covid-19 handling and national economic recovery, Presidential Regulation No. 82/2020 was issued. Article 19 section 1 of the presidential regulation states that the Extractive Industry Transparency Team formed under Presidential Regulation No. 26/2010 is disbanded. In addition, Article 19 section 3 of the regulation states that the duties and functions of the Extractive Industry Transparency Team are carried out by the Ministry of Energy and Mineral Resources and the Ministry of Finance according to the respective duties and functions.

1.6. EITI Institutional Restructuring in Indonesia

Presidential Regulation No. 67/2019 on Restructuring of the Duties and Functions of State Ministries of the 'Indonesia Maju' Cabinet for the 2019-2024 period, the government shifted the duties and functions of several state ministries/institutions. One of the shifts was made to Indonesia's initiative in the Extractive Industries Transparency Initiatives (EITI), from the Coordinating Ministry for Economic Affairs to the Coordinating Ministry for Maritime Affairs and Investment to ensure sustainable transparency in state and regional revenues from extractive industries.

During the transition period, which was the first quarter of 2020, the composition of the Steering Committee and the Implementation Team was changed through the revision of Presidential Decree No. 26/2010 on Transparency of State Revenues and Regional Revenues Received from Extractive Industries.

At the end of July 2020, the Indonesian Government issued Presidential Regulation No. 82/2020 on the Committee for Handling Coronavirus Disease 2019 (Covid-19) and National Economic Recovery. Article 19 section 1 of the regulation states that the Extractive Industry Transparency Team, which was formed under Presidential Decree No. 26/2010, is disbanded. Meanwhile, Article 19 section 3 of the same regulation states that the duties and functions of the Transparency Team, which was formed under Presidential Decree No. 26/2010, are carried out by the Ministry of Energy and Mineral Resources and the Ministry of Finance according to the respective duties and functions, and finally, the letter of Secretary of Coordinating Ministry for Economic Affairs on behalf of the Coordinating Minister for Economic Affairs No. 410/SES.M.EKON/08/2020 dated August 18, 2020 on the delegation of duties and functions in the implementation of the Extractive Industries Transparency Initiative (EITI) states that the implementation of the duties and functions of the Transparency Team formed under Presidential Decree No. 26/2010 are carried out by the Ministry of Energy and Mineral Resources and the Ministry of Finance according to the respective duties and functions.

To follow up to the provision of Article 19 section 3 of Presidential Decree No. 82/2020, the Ministry of Energy and Mineral Resources had taken the initiative to hold an internal meeting on the transformation of tasks in the extractive industry transparency as well as meetings with the Coordinating Ministry for Economic Affairs, the Coordinating Ministry for Maritime Affairs and Investment, and the Ministry of Finance.

Indonesia has received a "Meaningful Progress" title for the validation in 2019. Further validation will be made for topics not yet receiving satisfactory results. Indonesia seeks to get a "Satisfactory Progress" title for further validation.

Indonesia must publish the EITI report at the end of 2020. Therefore, the Ministry of Energy and Mineral Resources held a Consultation Meeting with the Multi-Stakeholder Group (MSG), which was formed according to Presidential Decree No. 26/2010, on September 4, 2020, to reactivate the MSG Forum and to accelerate the preparation of the EITI - 8 Report of 2018. The Ministry of Energy and Mineral Resources (MEMR) has also prepared a draft Ministerial Regulation on Guidelines for State Revenue and Regional Revenue from Extractive Industries. For operational purposes, an EITI Reporting Team was formed as the EITI Secretariat based on EMR Ministerial Decision No. 728.K/73/SJN/2020. The team consists of representatives from the Ministry of Energy and Mineral Resources, Ministry of Finance, Coordinating Ministry for Economic Affairs, and Coordinating Ministry for Maritime Affairs and Investment to perform operational activities.

Furthermore, the Ministry of Energy and Mineral Resources also coordinated with the EITI International and the World Bank to fulfill the requirements of the EITI standard in preparing the 2018 EITI report. The schedule of the EITI - 8 reporting process is shown in **Table 1**:

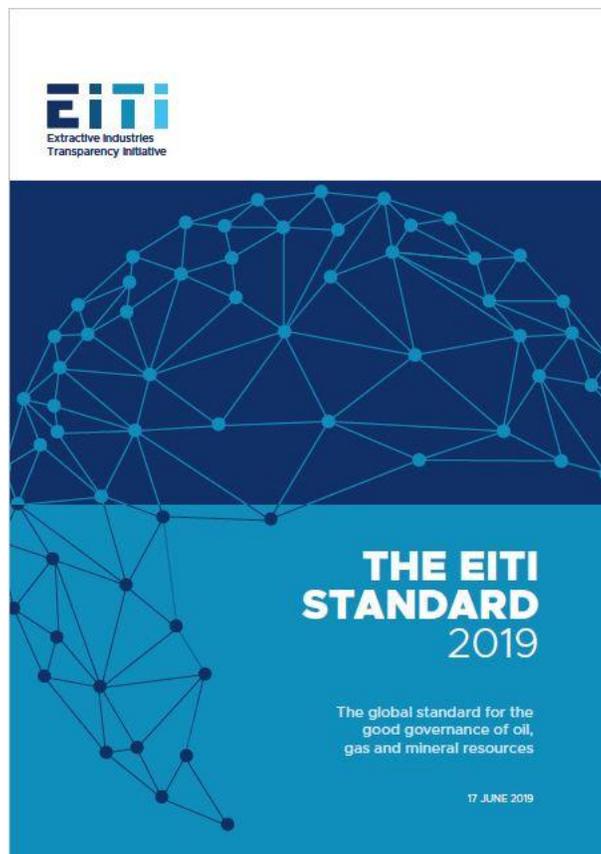
Table 1. Schedule of the 8th EITI Report Preparation Processes in 2020 and Extension to Quarter 1 of 2021

No	Explanation	Month (2020)												Month (2021)																			
		August				September				October				November				December				January				February				March			
		I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
1	MEMR internal meeting to follow up on the transformation of EITIs reporting tasks and functions	■																															
2	Inter-ministerial meetings to follow up on the transformation of EITIs task and reporting functions		■																														
3	Initial consultation meeting and activation of MSG members				■	■																											
4	Discussion on the draft Regulation of the Minister of Energy and Mineral Resources concerning Guidelines for the Implementation of Transparency of State and Regional Revenue from Extractive Industries						■	■							■																		
5	Consultation meetings and board meetings with EITI International and the World Bank				■	■	■				■																						
6	Discussion on the work plan for the 8th EITI report in 2018						■																										
7	Completion of extractive industry company data forms (oil and gas, minerals and coal)								■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
8	Compilation of the 8th EITI report																																
9	MSG consultation meeting to discuss the scoping of the 8th EITI report								■																								
10	Submission of an extension of the finalization and publication of the EITI report												■																				
11	MSG consultation meeting to discuss the draft of the 8th EITI report																■				■				■				■				■
12	Finalization of the 8th EITI Report																																
13	Publication of the 8th EITI Report																																■

Note: With the reactivation of the MSG Forum, which consists of representatives from the Ministry of Energy and Mineral Resources, the Coordinating Ministry for the Economic Affairs, and the Coordinating Ministry for Maritime Affairs and Investment, as well as representatives from civil society and extractive industry associations, it is hoped that the transition process in EITI Indonesia

management in 2020 remains transparent and accountable, and the report complies with the 2019 EITI International Standard, and Indonesia can fulfill the obligation to publish the EITI - 8 Report of Year 2018 by the end of December 2020.

1.7. The EITI Standard 2019



The EITI Standard 2019: on April 30, 2019, the EITI Board approved the transition for the adoption of the EITI Standard 2019 by implementing countries. The approval for the changes in the EITI Standard was ratified at the EITI Global Conference held in June 2019 in Paris and attended by representatives of EITI implementing countries worldwide. The EITI Standard 2019 outlines the requirements applicable to EITI implementing countries.

A significant difference between the 2016 and 2019 EITI standards is the obligation of all EITI implementing members to disclose new oil and gas (migas) and mineral and coal (minerba) contracts and permits data or those amended in 2021. The 2019 standard also requires implementing countries to publish company finances related to environmental issues as required by laws and regulations, labor data to encourage gender equality in the implementation of EITI, and transparency of commodity trading which includes sales and purchases of oil, gas, mineral, and coal.

The EITI Standard 2019 sets out a number of provisions to be carried out by the implementing countries in the EITI Final Report of 2018. The provisions include the following:

1. Supervision by a multi-stakeholder group

The EITI implementation requires supervision by a multi-stakeholder group which consists of the government, companies, and independent and active civil society. The main requirements related to multi-stakeholder supervision include:

- (1.1) Government involvement;
- (1.2) Industry Engagement;
- (1.3) Civil Society Engagement;
- (1.4) Formation of a Multi-Stakeholder Group (MSG); and
- (1.5) Approval for Work Plans according to the EITI Implementation with the Timeline and Deadline Determined by the EITI Board.

2. Legal and Institutional Framework

EITI requires disclosure of information related to the rules for managing the extractive industry sector. Thus, the stakeholders need to understand the laws and procedures, from how exploration and production permits are granted, the applicable laws, regulations, and contractual frameworks in the extractive sector, to state institutions that play a role in managing this sector. The EITI requirements relating to the legal framework of the extractive industry include:

- (2.1) Legal Framework and Fiscal Regime;
- (2.1) License Allocation;
- (2.3) License List;
- (2.4) Contracts;
- (2.5) Beneficial Ownership (BO); and
- (2.6) State Participation in Extractive Industries.

3. Exploration and Production

EITI requires disclosure of information related to exploration and production, thus enabling stakeholders to understand this sector's potential. The EITI Requirements related to transparency in exploration and production activities include:

- (3.1) Information on Exploration Activities;
- (3.2) Production Data;
- (3.3) Export Data; and
- (3.4) Domestic Sales Data.

4. State Revenues from Extractive Industries

State revenue information must be published even without the reconciliation process in the flexible reporting. Therefore, requirement (4.9) regarding data assurance is not essential. However, the data must be credible.

- (4.1) Comprehensive Information on Tax and Revenue Data;
- (4.2) Sales by the State or Other Revenue for the State;
- (4.3) Regulations regarding Infrastructure and the Barter System;
- (4.4) Transportation Revenue;
- (4.5) Transactions by SOEs;
- (4.6) Payments by Local Governments;
- (4.7) Degree of Disaggregation;
- (4.8) Timekeeping Data.

5. Allocation of State Revenue

EITI requires disclosure of information regarding state revenue allocation, which allows stakeholders to understand how revenues are recorded at the national and local levels. The EITI requirements relating to revenue allocation include:

- (5.1) Distribution of Income;
- (5.2) Regional Transfers; and
- (5.3) Income and Expense Management.

6. Social and Economic Expenditure

EITI requires the disclosure of information related to social expenditure and the impacts of the extractive industry on the economy. The disclosure helps stakeholders to assess whether or not the extractive industry has significant social and economic impacts. The EITI requirements relating to social and economic expenditure include:

- (6.1) Social Expenditures by Companies;
- (6.2) Quasi-fiscal expenditure of SOEs;
- (6.3) Supervision related to the Contribution of Extractive Industries to the Economy; and
- (6.4) Environmental Impacts

7. Outcomes and Impacts

The stakeholders can use data related to extractive industries, data understanding, and public debate to effectively implement EITI. The EITI requirements regarding outcomes and impacts ensure that stakeholders are involved in the discussions on the management of natural resources revenues. The EITI Report leads to the fulfillment of the EITI Principles through more intensive public debates, which explain lessons learned during implementation, differences identified in the EITI Report, and problem solving to achieve a stable EITI implementation. EITI

data is also open to the public and can be used as a reference for policy analysis in the extractive industry sector.

8. Compliance and Deadline for the Implementing Countries

The EITI Board must establish a defined time frame that includes the timeline of the EITI Report Publication. The timeline outlines the consequences of non-compliance with deadlines and requirements for EITI implementing countries according to the applicable regulations. The publication of the 2018 EITI report is before the turn of 2020.

CHAPTER II

OVERVIEW OF EXTRACTIVE INDUSTRY ACTIVITIES

The overview of extractive industry activities explains the activities and agencies involved in managing the extractive industry in the oil and gas (migas) and the mineral and coal (minerba) sectors.

2.1. Extractive Industry Activities

Extractive industry activities in Indonesia, especially in the oil and gas (migas) and the mineral and coal (minerba) sectors, are divided into two main stages: upstream and downstream stages. The upstream stage include exploration and production operations of natural resources. Meanwhile, the downstream stage is related to the processing, refining, transportation, and sales of natural resources. In addition to these two main stages, extractive industry activities also involve mine closure (reclamation and rehabilitation) and post-mining stages.

2.1.1. Oil and Gas Sector

The oil and gas industry business is divided into two stages, namely the upstream and the downstream stages. The upstream stage consists of exploration and exploitation activities. Meanwhile, the downstream stage consists of processing, transportation, and sales to consumers, especially the community.

Exploration activities are activities to find hydrocarbon reserves, and exploitation activities are activities to produce hydrocarbons. The purpose of production is to move hydrocarbons from below the ground to the surface.

Processing activities are activities to process hydrocarbons obtained from exploration into commodities ready for consumption such as LPG, Premium and Pertamina gasoline, and Solar diesel. Transportation activities are activities to distribute hydrocarbons for processing or processed hydrocarbon for public consumption.

In Indonesia, upstream and downstream business activities in the oil and gas sector are regulated in Law No. 22/2001. Article 10 of the Law sets out provisions related to business entities that carry out activities in the oil and gas sector, namely:

- (1) Business Entities or Permanent Establishments that conduct Upstream Business Activities must not carry out Downstream Business Activities.
- (2) Business Entities that conduct Downstream Business Activities must not carry out Upstream Business Activities.

If a business entity wishes to carry out upstream and downstream activities simultaneously, it can form a holding company that has separate upstream and downstream businesses. Business Entities (BU) and Permanent Establishments (BUT) must obtain approval from the Ministry of Energy and Mineral Resources.

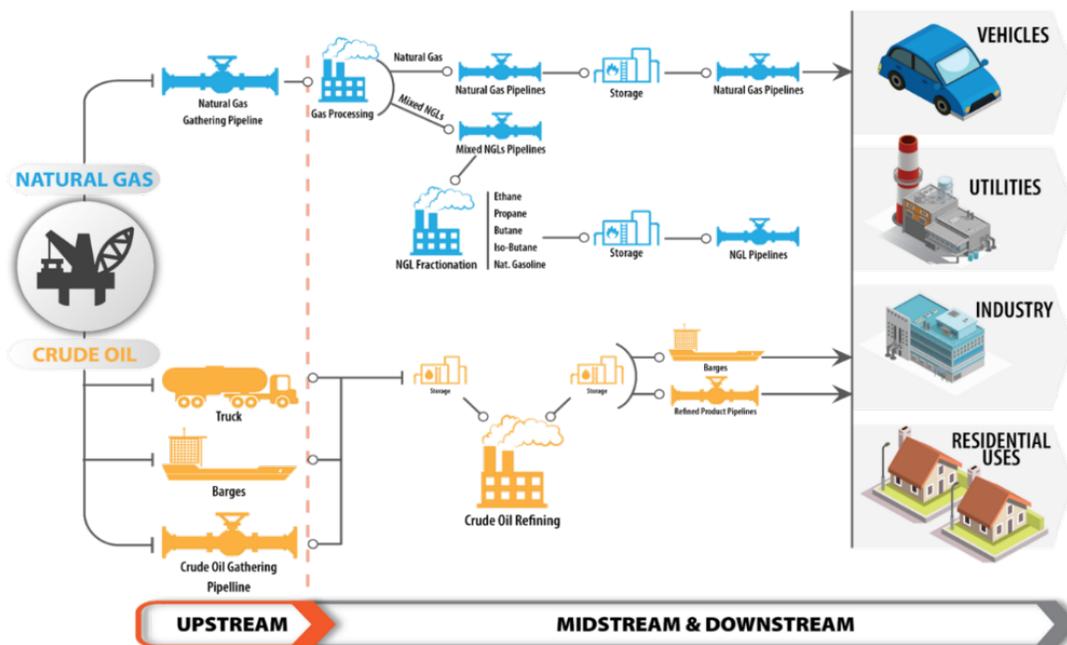


Figure 4. Upstream, Midstream, and Downstream Oil and Gas Activities

Upstream Oil and Gas Activities

Upstream oil and gas activities start the oil and gas business. Upstream activities begin with exploration which includes geological studies, geophysical studies, seismic surveys, and exploration drilling. Exploration aims to find new oil and gas reserves. If the exploration activities discover oil and gas reserves that are economical enough to be developed, the exploration will continue with exploitation. Exploitation refers to a series of activities, namely well drilling and completion, construction of transportation, storage, and processing facilities for separation and refining of oil and gas, and performance of other supporting activities.

Downstream Oil and Gas Activities

The core activities in downstream oil and gas business are processing, transportation, storage, and commerce.

a. Processing

Refers to refining, obtaining derivative products, enhancing quality, and increasing the added value of crude oil and natural gas, but excluding field processing.

b. Transportation/distribution

Refers to the transfer of petroleum, natural gas, and processed products from a Work Area (WK) or storage and processing sites. Transportation/distribution also includes the transfer of natural gas through transmission and distribution pipelines. Oil and gas or their processed products can be transported to direct users (industries), installations/depots, or gas stations using rail tank wagons, pipelines, tankers, or transport trucks.

c. Storage

Refers to the receiving, collecting, storing, and releasing of petroleum and natural gas, oil fuels, gas fuel, and processed products from locations above or below ground for commercial purposes, for example to depots and floating storage tanks. The oil and gas storage business in Indonesia has been developed by both private companies and State-Owned Enterprise (SOE) to ensure adequate supply of oil fuels and gas in each region.

d. Commerce

Refers to the purchase, sales, export, import of petroleum and/or processed products, including the trade of natural gas through pipelines. Commercial business activities are divided into two groups:

1. General trading business (wholesale) is the purchase, sales, export, import of oil fuels, gas fuel, other fuels, and processed products on a large scale. A wholesaler controls or owns commercial facilities, and has the right to distribute their products to end users under a particular brand.
2. A limited trading business (trading) refers to a business that sells oil and gas products in the forms of petroleum, oil fuels, gas fuel, other fuels, processed products, and natural gas that does not have facilities and with limited right to trade LNG.

2.1.2. Mineral and Coal Sector

Law No. 3/2020 on Amendments to Law No. 4/2009 on Mineral and Coal Mining states that 'mining is part or all of the stages of activities to manage and exploit minerals or coal which includes general surveys, exploration, feasibility studies, construction, mining, processing and/or refining or development and/or utilization, transportation and sales, and post-mining activities.

The Mineral and Coal Mining Law divides mining activities into two stages, namely, exploration and production operations. The mineral and coal exploration is aimed to obtain the amount and value of resources (hypothetical-inferred-indicated-measured) and reserves (probable-proven). If the results meet some feasibility criteria (especially technical and economic criteria), the

process is continued with production operations. During the production operation, minerals and coal are extracted. In the exploration stage, reclamation is carried out periodically after the completion of each activity.

Meanwhile, the processing business to increase minerals added value is a secondary (downstream) business. The first added value is when minerals are extracted to create raw materials for downstream industries.

The outcome of coal mining is thermal (steam) coal to fuel power plants, cement industry, and other industries. Additionally, coal mining also produces coking (metallurgical) coal as the raw material for the steel industry. A brief explanation of the mineral and coal is as follows:

a. General Surveys (Prospecting)

A general survey is aimed to determine geological conditions and mineralization indications to define the region's potential for minerals and/or coal resources and/or reserves.

b. Exploration

Exploration is a stage in the mining business which aims to obtain detailed and accurate information about the location, quantity, dimension, distribution, quality, and measured resources of minerals and coal. It also gathers information on the social and environmental conditions.

Exploration is carried out after prospecting or discovery of mineral or coal deposit. It aims to obtain certainty about the deposit, including the shape, quantity, position, quality or grade, and physical characteristics. Exploration also includes sampling of the deposit and overburden, which is why exploration stage plays a critical role in the later reclamation stage. Through the exploration, all components of the ecosystem that have existed before can be discovered and recognized.

In general, exploration is grouped into two classes, namely initial or preliminary exploration and detailed exploration. In the preliminary exploration, the accuracy level is low, so it uses small-scale maps (1: 50,000 to 1: 25,000).

If the preliminary exploration shows that the existing mineral or coal deposit has good prospects, detailed exploration will be carried out. The main activity in the detailed exploration is sampling with a closer distance or more dense sample locations. The sampling is done by increasing the number of test wells or boreholes to obtain more accurate data about the distribution and thickness of deposit (volume of the deposit) and the distribution of grade/quality horizontally or vertically.

c. Feasibility Study

A feasibility study is carried out to obtain detailed information about the deposit to determine the economic and technical feasibility to carry on a mining business. A feasibility study also includes an analysis of environmental impacts and post-mining planning.

A feasibility study ensures whether or not mining activity is feasible. The considerations include technical and economic concerns about current technology as well as work safety and environmental conservation. Thus, a feasibility study generally reports issues such as basic information about the condition of the area, geological feature and mineral deposit; mine planning, processing/refining, transportation, stockpiling, production, marketing; plans for energy and equipment use, investment needs, and health, safety, and environmental (HSE) management. If the feasibility study reports that mining is not or not yet feasible, the data will be archived.

d. Construction

Construction refers to the activity to build all production operation facilities, including those that control environmental impacts. The work includes construction of roads, ports, offices, workshops, employee housing, communication facilities, and power plants for the mining business and the facilities to process extracted minerals.

e. Mining

Mining is an activity to produce minerals and/or coal and associated minerals from the ground to the surface. Mining is classified into three types, namely open pit, underground mining, and underwater mining. Open pit mining consists of quarry strip mines, open cut, alluvial mines, and spray mines. Underground mining consists of room and pillar, longwall, caving, open stope, supported stope, and shrinkage. Mining with a dredger can be classified into underwater mining, although the depth is relatively shallow.

f. Processing and Refining

Processing and refining are carried out for minerals, while development or utilization is done for coal.

Processing is efforts to improve minerals quality to produce minerals with the same physical and chemical properties as those of the original, unprocessed minerals. Processed minerals are used for refining or industrial raw materials. Next, refining is done to improve minerals quality through physical and chemical processes. Refining processes produce minerals with different physical and chemical properties from their original properties. Refined minerals come out as metals to be used as industrial raw materials.

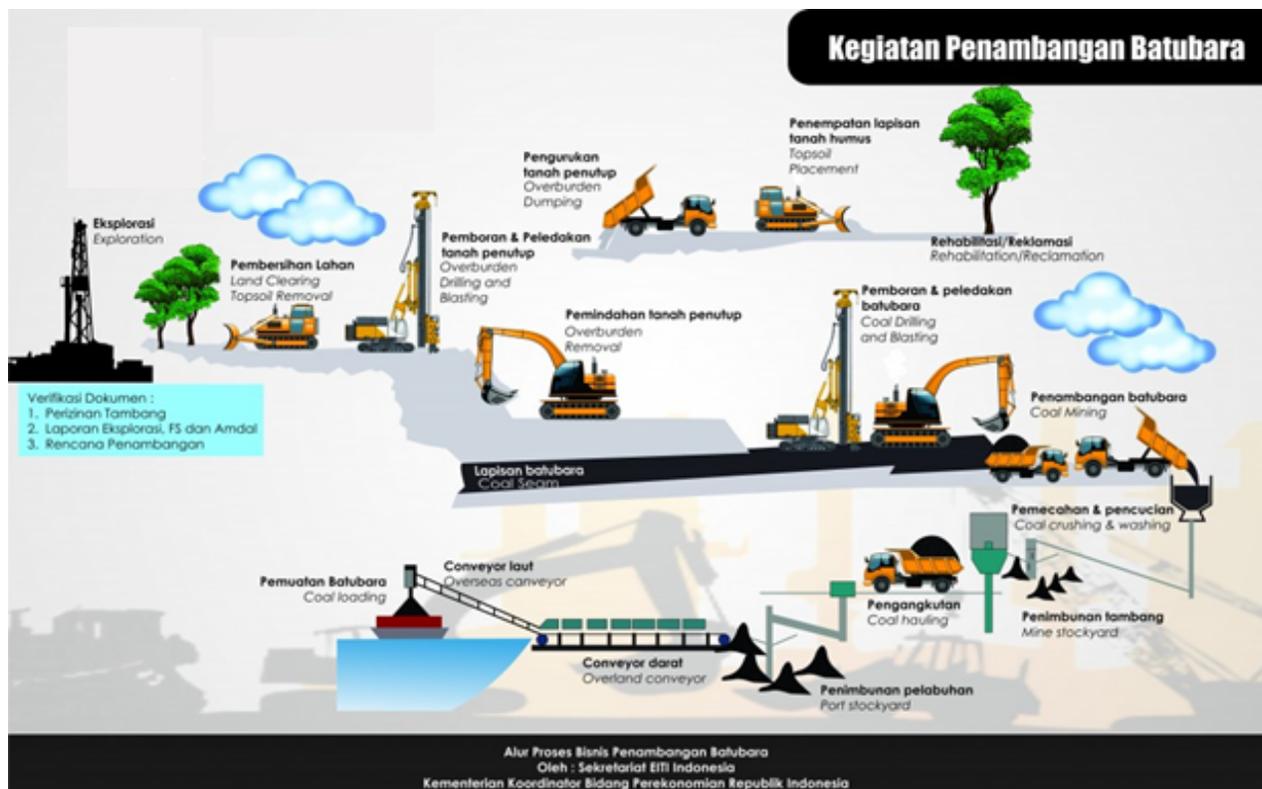
Meanwhile, coal is developed and/or utilized to improve its quality with or without changing the physical or chemical properties.

g. Transportation and Sales

After processing and refining, the next stage is transportation and sales to consumers, both domestic and overseas (export). Transportation refers to the transfer of minerals and/or coal from the mining area and/or processing and/or refining sites to the place of delivery. Sales refers to sale of mineral or coal products. In general, mining companies and their consumers are bound by long-term contracts and short-term (spot) sales.

h. Mine Closure and Post-mining

Mine closure and post-mining activities, hereinafter referred to as post-mining, are planned, systematic, and continuous actions to restore the natural environment and social functions to the former, local conditions across the mining area. In each stage of mining, reclamation can be done simultaneously. Reclamation is an activity to organize, restore, and improve the quality of the environment and ecosystem so that they function optimally. Reclamation is carried out by replanting or reforesting an ex-mined area. Reclamation needs to be done because mining can change the physical, chemical, and biological environments such as landforms and soil conditions, water quality and flow, dust, vibrations, vegetation patterns, and fauna habitats. These changes must be managed to avoid adverse environmental impacts such as erosion, sedimentation, poor drainage, entry of weeds/pests/plant diseases, and contamination of surface water/groundwater by toxic materials. Reclamation consists of two activities, namely restoration of the ex-mined area to restore disturbed land and preparation of the ex-mined area that has been restored ecologically for further utilization.



Source: <http://eiti.ekon.go.id> (accessed in October 2020)

2.2. Government Agencies related to Extractive Industries

The Ministry of Energy and Mineral Resources (MEMR) manages the extractive industry sector in Indonesia. The management is set out in several laws, namely:

- Law No. 22/2001 on Oil and Gas;
- Law No. 30/2007 on Energy;
- Law No. 3/2020 on Amendments to Law No. 4/2019 on Mineral and Coal Mining; and
- Law No. 30/2009 on Electricity.

The extractive industry business is a multisectoral activity. Within the administration of President Joko Widodo and Vice President Ma'ruf Amin, also known as the Indonesia Maju (Indonesia Onward) Cabinet, two coordinating ministries are related to the extractive industry, namely:

1. Coordinating Ministry for Maritime Affairs and Investment: the related coordination function is carried out by the deputy in charge of investment and mining coordination.
2. Coordinating Ministry for Economic Affairs: the coordination functions are carried out by seven deputies, namely:
 - a. Deputy for Macroeconomic and Financial Coordination
 - b. Deputy for Food and Agribusiness Coordination
 - c. Deputy for Business Development Coordination of State-Owned Enterprises (SOEs, Research and Innovation)
 - d. Deputy for Coordination of the Digital Economy, Manpower, and Micro, Small and Medium Enterprises (MSMEs)
 - e. Deputy for Trade and Industry Coordination
 - f. Deputy for Regional Development and Spatial Planning Coordination
 - g. Deputy for International Economic Cooperation Coordination

Until 2019, when the EITI Report of fiscal year 2017 was prepared, the Coordinating Ministry for Economic Affairs was in charge of the coordination. In 2020, with the issuance of Presidential Regulation No. 67/2019 on the Structuring of the Duties and Functions of State Ministries in the Indonesia Maju Cabinet for the 2019-2024 period and a letter from the Coordinating Minister for Maritime Affairs and Investment to the Coordinating Minister for the Economic Affairs No. B-1408/MENKO/MARVES/HM.02.00/VI/2020, the responsibility to coordinate the preparation of annual financial reports was shifted to the Coordinating Ministry for Maritime Affairs and Investment. Moreover, under Presidential Regulation No. 82/2020, especially Article 19 section 3, the implementation of extractive industry activities is carried out by the Ministry of Energy and Mineral Resources and the Ministry of Finance according to the respective duties and functions. To fulfill the mandate of the regulations and the obligations to EITI International, the Ministry of Energy and Mineral Resources coordinates the EITI reporting for fiscal years 2018-2019.

According to Regulation of Minister of Energy and Mineral Resources No.13/2016 on the Organization and Duties and Functions of the Ministry of Energy and Mineral Resources, the Ministry of Energy and Mineral Resources is assigned to carry out government affairs in the energy and mineral resources sector to assist the President in national governance. In carrying out its assignment, the Ministry of Energy and Mineral Resources performs the following functions:

- formulating and stipulating policies needed to assist, control, and supervise activities in oil and gas, electricity, minerals and coal, new energy, renewable energy, energy conservation, and geology subsectors;
- implementing the policies needed to assist, control and supervise activities in oil and gas, electricity, minerals and coal, new energy, renewable energy, energy conservation, and geology subsectors, as well as managing non-tax state revenues in the energy and mineral resources sector according to the provisions of laws and regulations;
- providing technical guidance and supervision of policy performance to assist, control, and manage the oil and gas, electricity, minerals and coal, new energy, renewable energy, energy conservation, and geology subsectors;
- conducting research and development in energy and mineral resources;
- developing human resource in energy and mineral resources;
- providing substantive support to all units within the Ministry of Energy and Mineral Resources;
- fostering and providing administrative support within the Ministry of Energy and Mineral Resources;
- managing state property/assets under the responsibility of the Ministry of Energy and Mineral Resources; and
- supervising task implementation within the Ministry of Energy and Mineral Resources.

The Ministry of Energy and Mineral Resources consists of:

1. Secretariat General
2. Directorate General of Oil and Gas
3. Directorate General of Electricity
4. Directorate General of Mineral and Coal
5. Directorate General of New, Renewable Energy and Energy Conservation
6. Inspectorate General
7. Geological Agency
8. Research and Development Agency for Energy and Mineral Resources
9. Human Resources Development Agency for Energy and Mineral Resources
10. Expert Staff for Strategic Planning
11. Expert Staff for Investment and Infrastructure Development
12. Expert Staff for Natural Resources Economics
13. Expert Staff for Environment and Spatial Planning
14. Center for Data and Information Technology for Energy and Mineral Resources, and
15. Center for State Assets Management

The Minister of Energy and Mineral Resources is also assisted by a Special Staff for the Acceleration of Mineral and Coal Mining Governance, who works in coordination with the Directorate General of Mineral and Coal.

Two directorates general are responsible for the extractive industry activities. The Directorate General of Oil and Gas is responsible for oil and gas subsector, while the Directorate General of Mineral and Coal is responsible for mineral and coal subsector.

2.2.1. Oil and Gas Sector

The Directorate General of Oil and Gas of Ministry of Energy and Mineral Resources is responsible for policies and technical standardization in the oil and gas subsector. For example, it issues calculation of oil and gas lifting and sharing between the national and regional governments, fuel subsidies reduction policies, and tender of new exploration and production oil and gas blocks.

Besides the Directorate General of Oil and Gas, other state institutions also play a role in the oil and gas industry, namely Special Task Force for Upstream Oil & Gas Activities (SKK Migas) and Downstream Oil & Gas Regulatory Agency (BPH Migas). A new agency named Aceh Oil and Gas Management Agency (BPMA) has duties and functions similar to SKK Migas but limited to Aceh Province only. These institutions are directly responsible to the Ministry of EMR.

A. Special Task Force for Upstream Oil and Gas Activities (SKK Migas)

SKK Migas oversees upstream oil and gas activities and organizes oil and gas contractors on behalf of the Indonesian Government through cooperation contracts. The institution was formed under Presidential Regulation No. 9/2013 on Implementation of Management of Upstream Oil and Gas Business Activities as last amended by Presidential Regulation No. 36/2018 on Amendment to Presidential Regulation No. 9/2013 on Implementation of Management of Upstream Oil and Gas Business Activities. The Indonesian Constitutional Court in 2012 decided that the formation of Upstream Oil and Gas Implementing Body (BP Migas) under Law No. 22/2001 contradicted the 1945 Constitution. In response to the decision, Minister of Energy and Mineral Resources issued Ministerial Regulation No. 53/2017 on Amendment to Regulation of Minister of Energy and Mineral Resources No. 17/2017 on Organization and Administration of Special Task Force for Upstream Oil and Gas Business Activities.

B. Downstream Oil & Gas Regulatory Agency (BPH Migas)

BPH Migas has the primary function of supervising downstream oil and gas business activities. Law No. 22/2001 Articles 46 and 47 set out that BPH Migas is required to ensure sufficient supply of domestic fuels and natural gas. BPH Migas also ensures the safety of oil and gas production operations, which include refining, storage, transportation, distribution of products through pipelines by business entities, and sales and purchase activities (including export and

import) of oil and gas. Government Regulation No. 36/2004 describes the areas to be developed and managed by BPH Migas.

C. Aceh Oil and Gas Management Agency (BPMA)

BPMA is a government agency under the Minister of Energy and Mineral Resources. It has to report to the Governor of Aceh and the Minister of Energy and Mineral Resources. It implements, controls, and supervises cooperation contracts in upstream oil and gas business and manages onshore and offshore oil and gas resources within the jurisdiction of Aceh provincial government so as to provide maximum benefits and revenues for the state and the people. BPMA was formed in 2015 under Government Regulation No. 23/2015 on the Collaborative Management of Oil and Gas Natural Resources in Aceh. GR 23/2015 implements the provisions of Article 160 section 5 of Law No. 11/2006 on the Government of Aceh.

BPMA has the following functions:

1. To negotiate and prepare oil and gas cooperation agreements which are carried out jointly by the national government and the Aceh provincial government;
2. To sign cooperation contracts;
3. To assess the development plan of a field which will produce for the first time in a Work Area;
4. To deliver to the Minister the assessment results of the development plan of a field which will produce for the first time in a Work Area following approval by the Aceh Governor;
5. To give approval for further field development plans;
6. To give approval for the work plan and budget of Business Entities/Permanent Establishments;
7. To monitor and report the implementation of cooperation contracts to the Minister and Aceh Governor; and
8. To provide recommendations to the Minister on sellers of crude oil and natural gas derived from the joint management, following approval by the Aceh Governor, which can provide maximum benefit for the state.

2.2.2. Mineral and Coal Sector

The mineral and coal (minerba) mining sector is also managed and supervised by several related government agencies. Since 1999, Indonesia has recognized a decentralized system in which local governments have powers as stipulated by laws and regulations. Law No. 4/2009 sets out that the management of mineral and coal mining is delegated to local governments (regencies/cities).

Within the Ministry of Energy and Mineral Resources, several agencies are responsible for mining activities, namely:

- Directorate General of Mineral and Coal, which consists of five directorates, namely Directorate of Mineral and Coal Program Development, Directorate of Mineral Business Development, Directorate of Coal Business Development, Directorate of Engineering & Environment for Mineral and Coal, and Directorate of Mineral and Coal Revenue. The directorates are responsible for the formulation and implementation of policies to foster, control, and supervise mineral and coal mining. Directorate General of Mineral and Coal also issues exploration and mining licenses at the national level.
- Geological Agency, which is responsible for conducting surveys, investigations, and services in the fields of geological resources, volcanology, geological disaster mitigation, groundwater, geological environment, and geological surveys. The Geological Agency also decides Mining Business License Areas (WIUP) for tender to the mining industry.
- The Energy and Mineral Resources Research and Development Agency (Balitbang ESDM), which performs leading R&D activities to answer the challenges in the energy and mineral resources sector, increase community/industry participation, and increase institutional capacity building.
- The Human Resources Development Agency for Energy and Mineral Resources (BPSDM ESDM), which organizes human resource development in oil and gas, electricity, minerals and coal, new energy, renewable energy, energy conservation, and geology.

Meanwhile, at the regional (provincial) level, two government agencies are responsible for the mining sector administration, namely:

- Governor, who is in charge of granting mining licenses according to the authority delegation by the Minister.
- Energy and Mineral Resources Service Office, which assists the Governor in carrying out government affairs in energy and mineral resources according to the regional authority and other supporting administration duties delegated to the region.

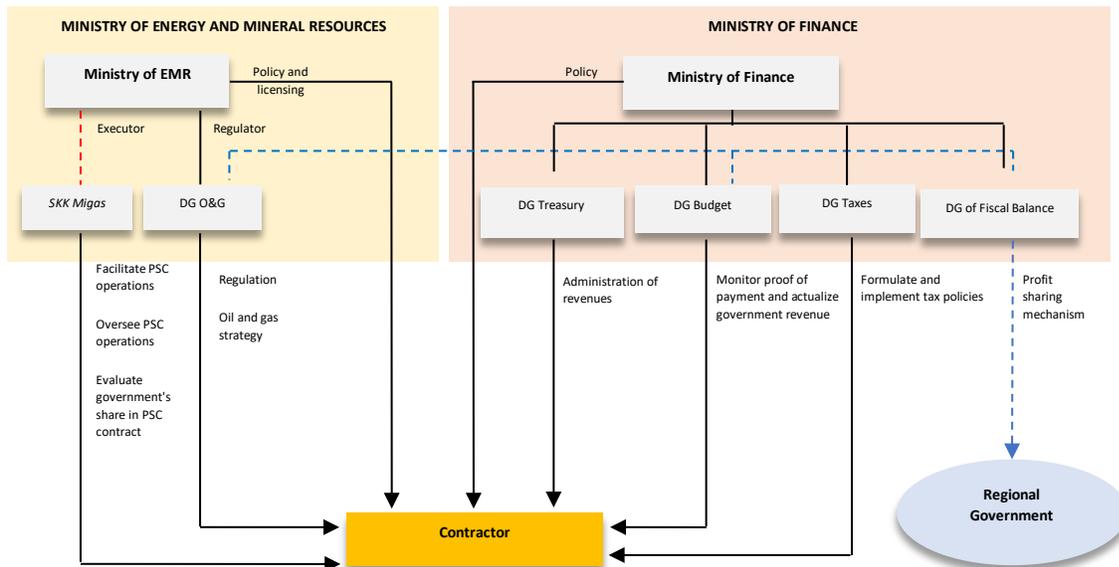
2.2.3. State Agencies with Important Roles in Oil-Gas and Mineral-Coal Sectors

1. Ministry of Finance (MoF)

The Ministry of Finance manages all state finance, including that in the extractive industry. According to Government Regulation No. 28/2015 on Ministry of Finance and Regulation of the Minister of Finance (PMK) No. 212/PMK/01/2017 on Amendment to PMK No. 234/PMK/01/2015 on Organization and Duties and Functions of Ministry of Finance, the Ministry of Finance has the functions to formulate, determine, and implement policies in the fields of budgeting, tax, treasury, financial balancing, and fiscal. The ministry has several units that play a role in the extractive industry:

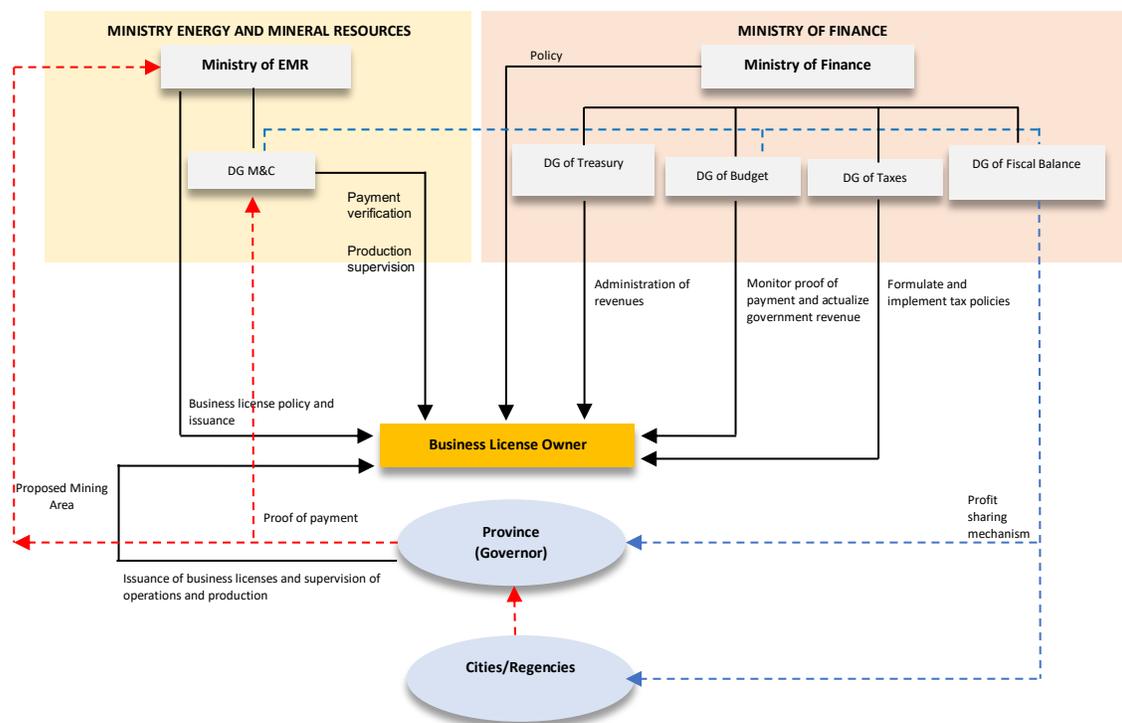
- Fiscal Policy Agency (BKF) has the duties to formulate, stipulate, and provide policy recommendations in fiscal and financial sectors according to the provisions of laws and regulations;

- Directorate General of Taxes (DJP) is in charge of formulating and implementing policies in the taxation sector;
- Directorate General of Budget (DJA) is responsible for preparing and implementing policies in the budgeting sector. This directorate monitors and manages state revenues, including those from the extractive industry;
- Directorate General of Fiscal Balance (DJPK) is in charge of formulating and implementing policies in the allocation and management of balance funds and transfers to regions, regional taxes, and regional levies. According to Law No. 33/2004 on Financial Balance between the Central Government and the Regional Governments, DJPK and Regional Governments determine the mechanism and allocation of revenue-sharing funds (DBH) with the Central Government; and
- Directorate General of Treasury is in charge of formulating and implementing policies in budget execution, cash and investment management, financial management fostering of Public Service Bodies, and government accounting and financial reporting. This directorate administers all state revenues.



Source: EITI, 2016

Figure 6. Relations between Ministry of Energy and Mineral Resources and Ministry of Finance in Oil and Gas Industry



Source: EITI, 2016

Figure 7. Relations between Ministry of Energy and Mineral Resources and Ministry of Finance in Mineral and Coal Industry

2. Ministry of Environment and Forestry (KLHK)

Extractive industries are closely related to environmental and/or forestry management. Therefore, the roles and functions of Ministry of Environment and Forestry are vital in the extractive industry.

Based on Regulation of Minister of Environment and Forestry No. P.18/MenLHK-II/2015 on Organization and Duties and Functions of Ministry of Environment and Forestry, the roles of KLHK in the extractive industry are to formulate, implement, coordinate, and monitor policies in the fields of Environmental Impact Analysis (AMDAL), Environmental Management and Environmental Monitoring (UKL-UPL), environmental permits, and audits related to environment and forestry.

Additionally, Ministry of Environment and Forestry issues Borrowing and Use of Forest Areas Permits (IPPKH) for extractive industry business that uses forest areas. KLHK also supervises forest use for non-forestry activities in regions designated as forest areas. IPPKH holders must pay non-tax state revenues (PNBP) as regulated in Government Regulation No. 33/2014 on Types and Tariffs of Non-tax State Revenues Derived from the Use of Forest Areas for Purposes other than Forestry Activities Applicable at Ministry of Forestry.

3. Ministry of Home Affairs

The functions of Ministry of Home Affairs are to foster, implement technical activities, and supervise government affairs and regional development. This means that the ministry supervises mineral and coal licensing done by regional government. Therefore, license holders make reports to Ministry of Home Affairs about the implementation of mining permits.

4. Ministry of Public Works and Public Housing

The functions of Ministry of Public Works and Public Housing are to formulate, determine, and implement policies in the fields of water resources management; road administration; wastewater, drainage, and solid waste management; and construction services fostering. The functions are related to the extractive industry when the extraction activities are located on land.

5. Investment Coordinating Board (BKPM)

In 2015, the Indonesian Government began to operate one-stop licensing service at BKPM, including that in the extractive industry sector. This does not mean to eliminate the roles of Ministry of Energy and Mineral Resources in permission granting. Because the one-stop licensing services uses the concept of Under Operation Control (BKO), Ministry of Energy and Mineral Resources assign its employees to work at BKPM, with a special job to handle permit requests. Based on Presidential Decree No. 97/2014 on Integrated One-Stop Licensing, BKPM must complete a permit application in seven working days maximum.

6. Ministry of Industry

The relation of Ministry of Industry with the extractive industry has a legal basis in Regulation of Minister of Industry No. 49/2009 on the Use of Domestic Products. This regulation also applies to extractive industry commodities. Additionally, the role of Ministry of Industry is vital in downstream extractive industry, especially in connection with processing and refining, where the leading players are manufacturing and processing factories. In this regard, Ministry of Industry issues Industrial Business Permits (IUI) for companies wishing to build mineral and coal processing and refining plants (smelters).

7. Ministry of Transportation

The roles of Ministry of Transportation in the extractive industry are evident in products transportation by land, sea, and air. Regulations related to the extractive industry include Law No. 17/2008 on Shipping, Law No. 22/2009 on Traffic & Road Transportation, Government Regulation No. 69/2001 on Ports, and Regulation Minister of Transportation No. 71/2005 on Transportation of Goods/Cargo between Sea Ports within the Country.

8. Ministry of Trade

Ministry of Trade regulates export/import mechanism, including the issuance of Registered Exporter (ET) identity and Export Approval Letter (SPE). These regulations/policies can affect the export of oil, gas, mineral, and coal, for example in the mandatory use of national sea transportation and insurance set out in Regulation of Minister of Trade No. 40/2020.

9. Ministry of National Development Planning (Bappenas)

Bappenas sets mineral and coal production targets and oil and gas lifting in the Medium-Term Development Plan (RPJM) every five years. Additionally, Bappenas is the focal point of the Indonesian Government that ensures the achievement of Sustainable Development Goals (SDGs), which are also related to mineral and coal production plans.

10. Ministry of Manpower

Labor factor determines whether or not extractive industry activities run smoothly. Therefore, Ministry of Manpower is one of the state ministries with indirect links to the extractive industry. Ministry of Manpower also decides which mineral and coal business activities are included in core activities and which ones are non-core activities for the purpose of business activities outsourcing.

11. Ministry of Agrarian Affairs and Spatial Planning/National Land Agency (ATR/BPN)

In connection with national spatial planning, the Ministry of ATR/BPN prepares and performs the review of the national, islands, and strategic area spatial planning, including that of national border zones. National spatial planning also includes the spatial planning of regions to be used as special areas/zones for extractive industry activities. Coordination with the Ministry of ATR/BPN is made to ensure that the extractive industry work areas do not overlap with areas for other designation/uses.

The extractive industry makes huge contributions to state revenue; therefore, auditors are needed to oversee state finances to prevent unwanted incidents. Indonesian state financial auditors are organized under the Financial and Development Supervisory Agency (BPKP) and the Supreme Audit Agency (BPK), both of which also oversee finances originating from the extractive industry.

12. Financial and Development Supervisory Agency (BPKP)

BPKP is an internal audit body that reports directly to the President. As mandated by Government Regulation No. 60/2008 on Government Internal Control System, BPKP carries out internal supervision of state financial accountability for certain activities, which include:

- a. cross-sectoral activities;
- b. activities of state general treasury based on the decision by Minister of Finance as State General Treasurer; and
- c. other activities in accordance with the assignments from the President.

Government Regulation No. 192/2014 on Financial and Development Supervisory Agency states that BPKP has the duty to organize government affairs in state/regional financial supervision and national development.

13. Supreme Audit Agency (BPK)

The BPK is an external audit agency whose job is to examine the management and accountability of state finances (Law No. 15/2006 on Supreme Audit Agency). The BPK presents the results of its examination to the Parliament (DPR), Regional Representatives Council (DPD), and Regional People's Representative Assembly (DPRD) according to their respective authorities.

CHAPTER III

LEGAL FRAMEWORK FOR EXTRACTIVE INDUSTRY MANAGEMENT

This chapter discusses topics that make up the legal framework for extractive industry management, namely constitutional basis for extractive industry governance, regulations on extractive industries based on extractive industry value chains, and regulations on State-Owned Enterprises (SOEs).

3.1. Constitutional Basis for Extractive Industries Governance

The extractive industries governance in Indonesia is rooted in the 1945 Constitution. Under Article 33 of the 1945 Constitution, the state controls the oil and gas sector. The Indonesian Government carries out the oil and gas operations in collaboration with business entities. SKK Migas supervises the management of upstream oil and gas business activities to ensure that the extraction of state-owned oil and gas natural resources provides maximum benefits and revenues for the state and the people. At the same time, BPH Migas supervises downstream oil and gas operations.

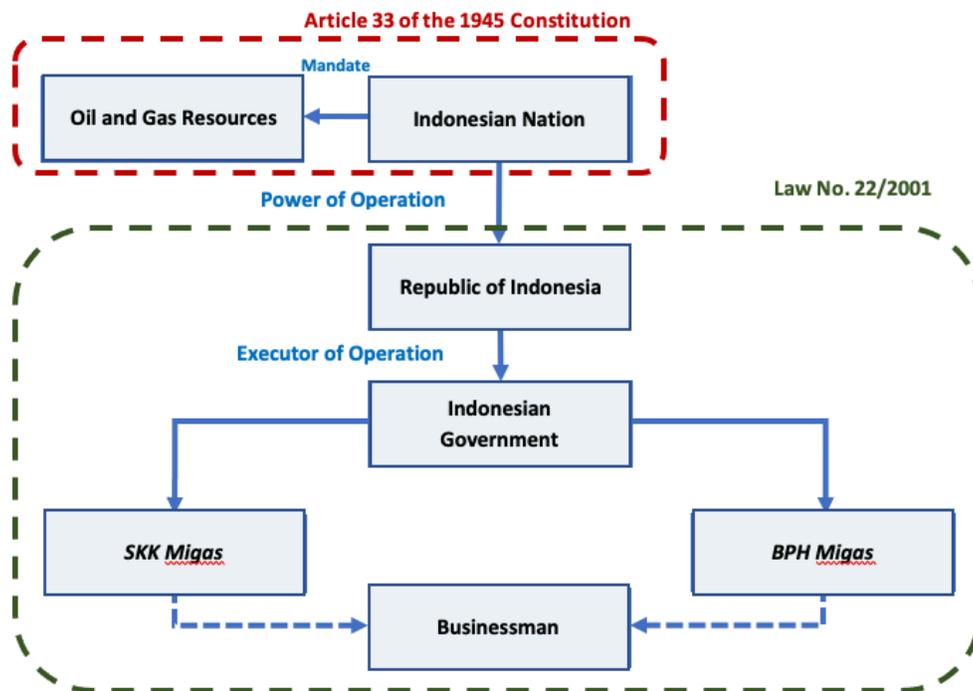


Figure 8. Oil and Gas Control in Indonesia

According to Article 33 section 1 of the 1945 Constitution, the foundation of Indonesia's economy is kinship. This means that Indonesia's economy is implemented on the principles of togetherness, efficiency, justice, sustainability, environmental insight, independence, and advancing the country's economy. The country's economy includes state control over production branches which significantly impact people's lives. In this context, the production branches refer to natural resources. Article 33 section 3 clearly states that "Earth, water and natural resources

contained therein are controlled by the state and used for the people's greatest prosperity." The mandate of Article 33 of the 1945 Constitution becomes the basis for natural resources management policies, as evident in Law No. 22/2001 on Oil and Gas and Law No. 4/2009 on Mineral and Coal as amended by Law No. 3/2020.

The hierarchy of Indonesian laws and regulations is set out in Law No. 12/2011. Article 11 of the Law arranges that the level of importance from highest to lowest is as follows: the 1945 Constitution, Provisions of People's Consultative Assembly (MPR), Law, Government Regulation in lieu of Law (Perpu), Government Regulation, Presidential Regulation (Perpres), and Regional Regulation (Perda).

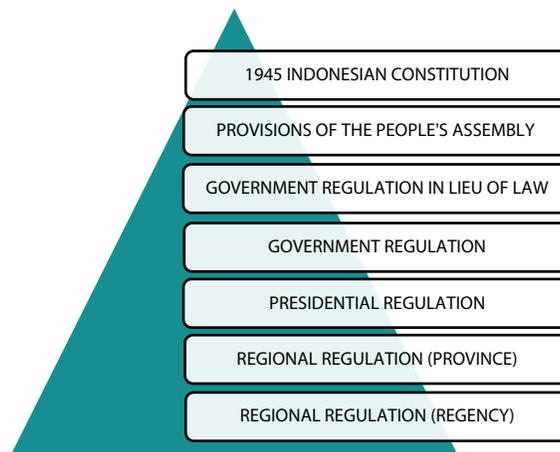


Figure 9. Indonesian Legislative Hierarchy

However, there are other regulations on extractive industry management, namely Ministerial Regulations (Permen), Ministerial Decision (Kepmen), and Director General Decision (SK Dirjen) issued by the Ministry of Energy and Mineral Resources and other relevant ministries.

A brief explanation of the regulations and technical rules for its implementation in the oil and gas sector and the mineral and coal sector in Indonesia is as follows:

3.1.1. Oil and Gas Sector

Oil and gas sector activities in Indonesia are regulated by Law No. 22/2001. Currently, the Government and the Parliament (DPR) are still discussing revision to the Oil and Gas Law. The government is reviewing Problem Inventory List (DIM) of draft Oil and Gas Law before consulting with the DPR.

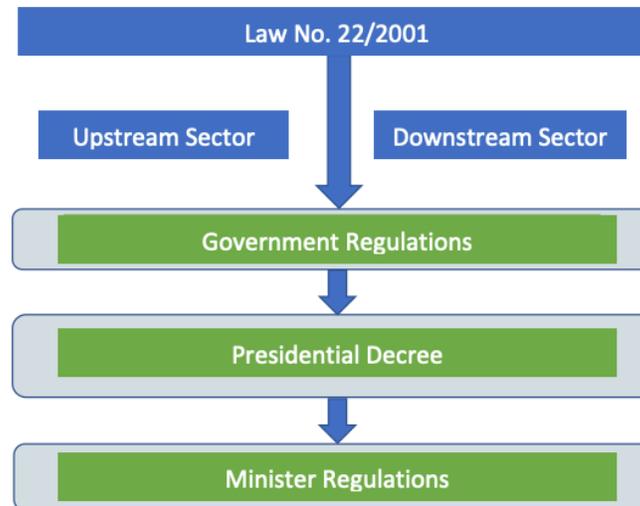


Figure 10. Legal Hierarchy of Oil and Gas Industry

3.1.2. Mineral and Coal Sector

Based on Article 33 of the 1945 Constitution of the Republic of Indonesia, as regards the mineral and coal sector, the Authority Right over mining materials is in the hands of the state, while the Mineral Rights to mining materials are in the hands of the Indonesian people. Therefore, the people give the state power to regulate, manage, and utilize natural wealth for the people's greatest prosperity. The utilization of natural resources is closely related to the concept of economic rights held by business entities. The government can exercise the authority right to utilize natural resources in cooperation with business entities. However, the business entities are only the economic right holder, while the authority remains in state's hands.

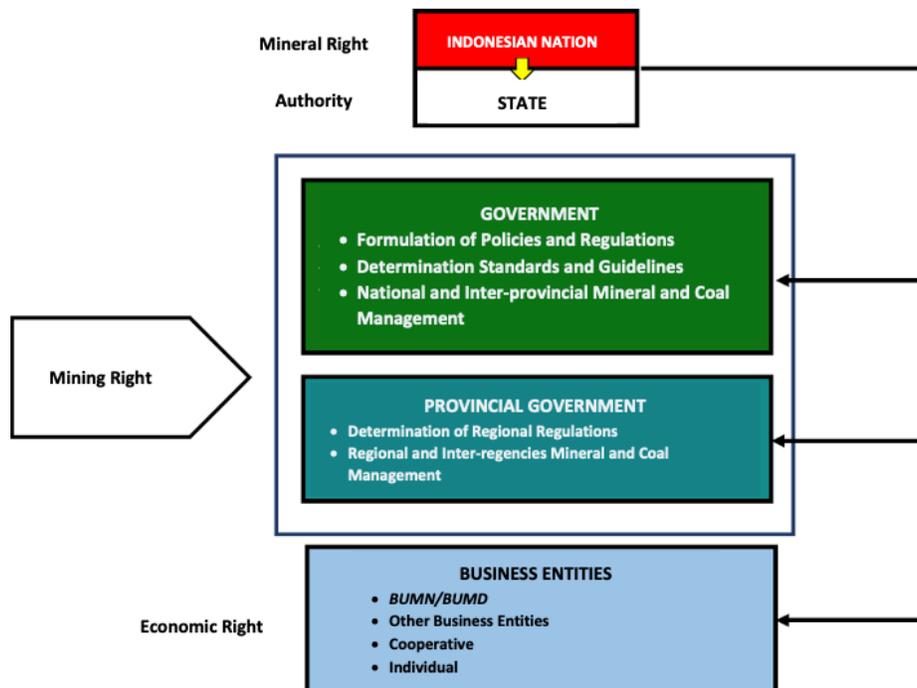


Figure 11. Mineral and Coal Control in Indonesia

The latest regulation regarding mineral and coal management in Indonesia is Law No.3/2020 on Amendment to Law No. 4/2009 on Mineral and Coal Mining, signed on June 10, 2020. Law No. 3/2020 is the government's effort to provide more legal and investment certainty for IUP, IUPK, KK, and PKP2B holders related to mining industry activities.

Background and objectives of the issuance of Law No. 3/2020 on Amendment to Law No. 4/2009 on Mineral and Coal Mining are as follows:

1. Some provisions had not been implemented or were experiencing problems:
 - a. There were still cross-sectoral problems that had not been resolved, such as licensing issues with the Ministry of Environment and Forestry and with the Ministry of Marine Affairs and Fisheries, and overlapping licenses with the Ministry of Industry (between Operation Productions License Special for Processing and/or Refining and Industrial Business Permits);
 - b. The need to regulate the forms of small-scale rock exploitation and for specific purposes (infrastructure);
 - c. Policies to increase the added value of minerals and coal; and
 - d. Arrangements regarding the adjustment/extension of contracts into licenses.
2. The need to adjust to Law No. 23/2014 related to mining management authority and to Constitutional Court decisions, including:
 - a. Transfer of mining management authority from regencies/cities to the provincial government and the central government;

- b. Elimination of minimum size in Area of Mining Business License (WIUP) of exploration; and
- c. Ministerial decision on mining areas made after governor determination of a region.

Law No. 3/2020 was issued because Law No. 4/2009 was unable to answer developments, problems, and legal needs in mineral and coal mining operations. Changes are needed to provide a legitimate basis for effective, efficient, and comprehensive mining operations.

Law No. 3/2020 regulates several essential things, for example, the authority to manage mineral and coal in terms of issuance of IUPs, which was previously delegated to local governments, is now in the hands of the central government. Law No. 3/2020 is also expected to encourage the increase in value-added of minerals and coal.

Chapters 2 through 7 of this report still refer to Law No. 4/2009 because those chapters are part of a conventional, contextual report that discusses extractive industries in Indonesia in 2018-2019. Therefore, a flexible report is available in Chapter 8.

Below is a diagram that shows the legal hierarchy of the mineral and coal industry in Indonesia. Because Law No. 3/2020 was signed on June 10, 2020, currently there has been no government regulation derivatives of the Law. Existing government regulations still refer to Law No. 4/2009.

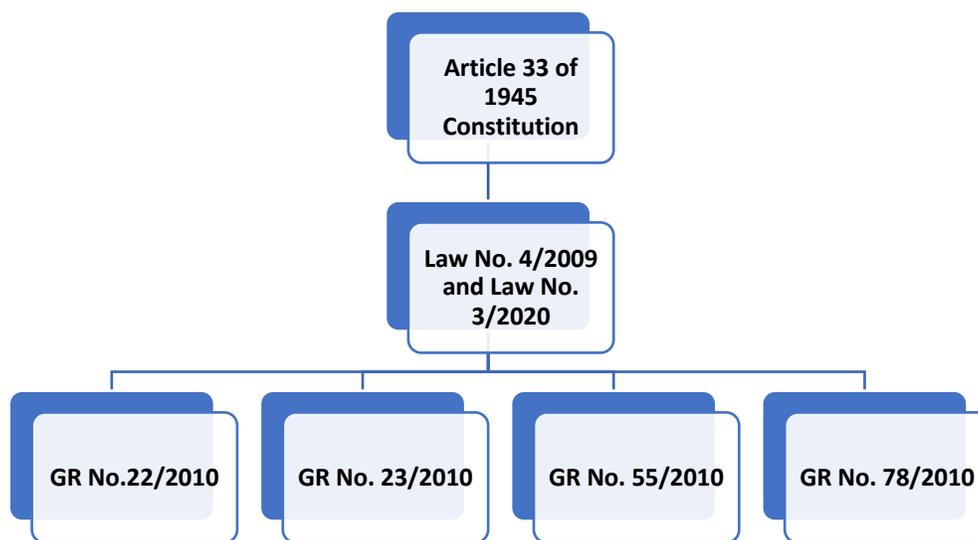


Figure 12. Hierarchy of Mineral and Coal Industry Regulations

- Law No.3/2020 on Amendment to Law No. 4/2009 on Mineral and Coal Mining, provisions not amended in Law No. 3/2020 are still valid.
- Government Regulation No. 22/2010 on Mining Areas.
- Government Regulation No. 23/2010 on Implementation of Mineral and Coal Mining Business Activities, which has been amended five times, last by Government Regulation No. 8/2018.
- Government Regulation No. 55/2010 on Fostering and Supervision of the Management and Implementation of Mineral and Coal Mining Business.

- Government Regulation No. 78/2010 on Reclamation and Post-Mining.

To implement Law No. 4/2009, the government issued several government regulations and several regulations of Minister of Energy and Mineral Resources. To implement the ministerial regulations, a number of ministerial decisions had been issued, too.

Table 2. Regulations related to the Mining Sector

Government Regulation (GR)	Regulation of Minister of Energy and Mineral Resources (Permen)	Decision of Minister of Energy and Mineral Resources (Kepmen)
<p>GR No. 23/2010 on Implementation of Mineral and Coal Mining Business Activities</p>	<p>Permen No. 11/2018 as amended by Permen No. 7/2020 on Procedures for Granting Areas, Licensing, and Reporting of Mineral and Coal Mining Activities</p>	<p>Kepmen No. 1796 K/30/MEM/2018 on Guidelines for Application, Evaluation, and Issuance of Licenses in Mineral and Coal Mining</p>
		<p>Kepmen No. 1801 K/30/MEM/2018 on Price Calculation Formula to Compensate for Data and Information for Mining Business License Area and Special Mining Business License Area</p>
		<p>Kepmen No. 1805 K/30/MEM/2018 on Compensation for Data, Information and Land Use Information for Mining Business License Area and Special Mining Business License Area of 2018 Period</p>
		<p>Kepmen No. 1806 K/30/MEM/2018 on Guidelines for Preparation, Evaluation, Approval for Work Plans and Budget, and Report in Mineral and Coal Mining Business Activities</p>
		<p>Kepmen No. 24 K/30/MEM/2019 amendment to Kepmen No. 1798/K/30/MEM/2018 on Guidelines for Preparation, Determination and Granting of Mining Business License Area and Special Mining Business License Area</p>
		<p>Kepmen No. 181 K/30/MEM/2019 on Mining Business License Areas and Special Mining Business License Areas of 2019 Period</p>
	<p>Permen No. 11/2020 on third amendment to Permen No. 7/2017 on Procedures for Decision of Sales Benchmark Price for Metallic Minerals and Coal</p>	<p>Kepmen No. 1925 K/30/MEM/2018 on second amendment to Kepmen No. 1395 K/30/MEM/2018 on Coal Sales Price for Electricity Generation for Public Interest</p>

	<p>Permen No. 11/2019 on second amendment to Permen No. 25/2018 on Mineral and Coal Mining Businesses</p>	<p>Kepmen No. 261 K/30/MEM/2019 on Fulfillment of Coal Domestic Needs of 2020</p> <p>Kepmen No. 1823 K/30/MEM/2018 on Guidelines for Imposition, Collection, and Payment/Deposit of Non-Taxes State Revenues of Mineral and Coal</p> <p>Kepmen No. 1824 K/30/MEM/2018 on Guidelines for Implementation of Community Development and Empowerment</p> <p>Kepmen No. 1825 K/30/MEM/2018 on Guidelines for Installation of Boundary Marks for Mining Business License Area or Special Operation-Production Mining Business License Area</p> <p>Kepmen No. 1826 K/30/MEM/2018 on Guidelines for Application, Evaluation, and Approval for Recommendation of Exports of Processed Metallic Minerals and Metallic Minerals with Specific Criteria</p> <p>Kepmen No. 1952 K/84/MEM/2018 on the Use of Domestic Banking or Recommended Overseas Indonesian Banking for the Sales of Minerals and Coal Overseas</p> <p>Kepmen No. 78 K/30/MEM/2019 on Minimum Percentage of Coal Sales for Domestic Market in 2019</p> <p>Kepmen No. 210 K/30/MEM/2019 on amendment to Kepmen No. 154 K/30/MEM/2019 on Guidelines for Imposition of Administrative Fines for Delays in Development of Processing and Refining Facilities</p> <p>Kepmen No. 261 K/30/MEM/2019 on Fulfillment of Coal Domestic Needs of 2020</p>
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	<p>Permen No. 43/2018 on amendment to Permen No. 9/2017 on Procedures for Shares Divestment and Mechanism to Determine the Price of Divested Shares in Mineral and Coal Mining Business Activities</p>	
	<p>Permen No. 43/2015 on Evaluation Procedures for Issuance of Mineral and Coal Mining Business Licenses</p>	
	<p>Permen No. 42/2017 on Supervision of Operations of Energy and Mineral Resources Business Activities</p>	
<p>GR No. 22/2010 on Mining Areas</p>	<p>Permen No. 11/2018 as amended by Permen No. 7/2020 on Procedures for Area Granting, Licensing, and Reporting in Mineral and Coal Mining Business Activities</p>	<p>Kepmen No. 23/K/30/MEM/2019 on amendment to Kepmen No. 1802/K/30/MEM/2018 on Mining Business License Areas and Special Mining Business License Areas of 2018 Period</p>
		<p>Kepmen No. 24/K/30/MEM/2019 on amendment to Kepmen No. 1798/K/30/MEM/2018 on Guidelines for Preparation, Determination, and Granting of Mining Business License Areas and Special Mining Business License Areas</p>
		<p>Kepmen No. 80 K/32/MEM/2020 on Price Calculation Formula to Compensate for Data and Information of Mining Business License Area and Special Mining Business License Area</p>
<p>GR No. 55/2010 on Fostering and Supervision of Management and Implementation of Mineral and Coal Mining Businesses</p>	<p>Permen No. 26/2018 on Implementation of Good Mining Practices and Supervision of Mineral and Coal Mining</p>	<p>Kepmen No. 1827 K/30/MEM/2018 on Guidelines for Implementing Good Mining Principles.</p>
		<p>Kepmen No. 1828 K/30/MEM/2018 on Work Guidelines for Designated Officials</p>

GR No. 78/2010 on Reclamation and Post-mining		
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The Indonesian Government also issued Presidential Regulation No. 105/2016 on Amendment to Presidential Regulation No. 68/2015 on the Ministry of Energy and Mineral Resources, which also regulates the implementation of mining activities. Permen No. 13/2016 on Organization and Duties and Functions of the Ministry of Energy and Mineral Resources was issued as a follow up to Presidential Regulation No.105/2016.

In practice, the mining industry is closely related to other sectors. As a result, there are several regulations from other sectors that also regulate mining, as shown in the table below:

Table 3. Agencies and Regulations related to Extractive Industries

No	Agency	Regulation	Subject
1	Ministry of Home Affairs	Law No. 9/2015	Regional Government
		Law No. 28/2009	Regional Taxes and Fees
2	Ministry of Environment and Forestry	Law No. 32/2009	Environment
		Law No. 41/1999	Forestry
3	Ministry of Agrarian Affairs and Spatial Planning	Law No. 17/2019	Water Resources
		Law No. 26/2007	Spatial Planning
		Law No. 05/1960	Basic Agrarian Regulations
4	Ministry of Manpower	Law No. 01/1970	Work Safety
		Law No. 13/2003	Employment
5	Ministry of Trade	Law No. 07/2014	Trade
6	Ministry of Transportation	Law No. 17/2008	Shipping
		Law No. 22/2009	Traffic and Road Transport
7	Ministry of Finance	Law No. 12/1994	Property Tax
		Law No. 33/2004	Financial Balance
		Law No. 17/2006	Customs
		Law No. 36/2008	Income Tax
		Law No. 42/2009	Value-added Tax
		Law No. 09/2018	Non-tax Revenue
8	Ministry of Industry	Law No. 03/2014	Industry
		Law No. 25/2007	Capital Investment

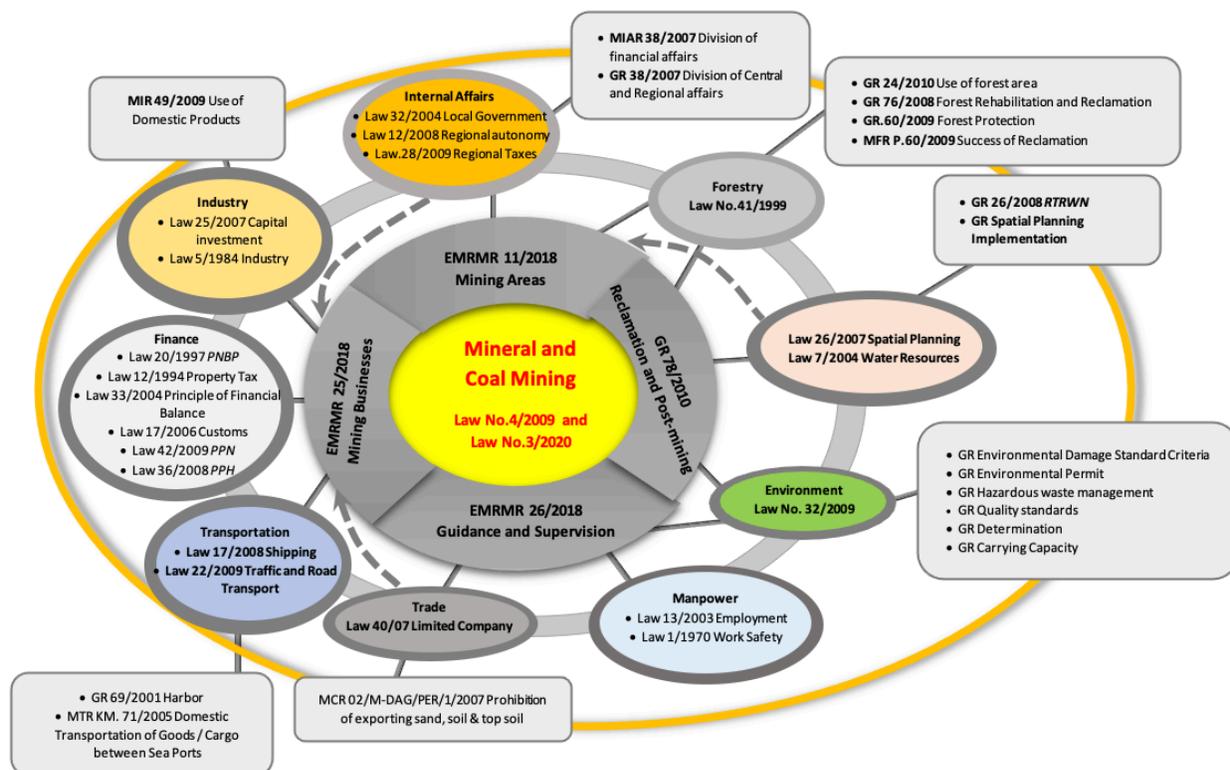


Figure 13. Diagram of Mineral and Coal Regulations Linkage

3.2. Extractive Industry Regulation Based on Value Chains

This section explains regulations in the extractive industry from each value chain.

3.2.1. Value Chain I: Contracts and Licenses

3.2.1.1. Oil and Gas Sector

The table below lists several Government Regulations (GR) and Regulations of Minister of Energy and Mineral Resources Ministerial Regulations (Permen) related to licenses and contracts in the oil and gas industry.

Table 4. Regulations related to Oil and Gas Industry Governance

Topic	Related Laws and Regulations	Description
Controlling and Exploitation	<p><u>Law No. 22/2001 Articles 3 through 30</u></p> <p><u>Upstream</u></p> <ul style="list-style-type: none"> • Presidential Decree No. 9/2013 on Management of Upstream Oil and Gas Business Activities • GR No. 35/2004 on Upstream Oil and Gas Business Activities as amended by GR No. 	Regulating the upstream oil and gas sector; the control of oil and gas remains with the state and the government as the state administrator and the authority holder; SKK Migas is appointed as supervisor. Special for Aceh

	<p>55/2009 on Second Amendment to GR No. 35/2004 on Upstream Oil and Gas Business Activities</p> <ul style="list-style-type: none"> ● Presidential Decree No. 95/2012 on Transfer of Duties and Functions of Upstream Oil and Gas Business Activities ● GR No. 23/2015 Oil and Gas in Aceh <p><u>Downstream</u></p> <ul style="list-style-type: none"> ● GR No. 30/2009 on Second Amendment to GR No. 36/2004 on Downstream Oil and Gas Business Activities ● Presidential Decree No. 86/2002 on Establishment of BPH Migas ● Permen No. 4/2018 on Natural Gas Venture in Downstream Oil and Gas Business Activities 	<p>Province, a separate management body is formed.</p> <p>Regulating downstream oil and gas business activities, which include processing, transportation, storage, and trading; BPH Migas is appointed as supervisor.</p>
<p>Work Area which contract has expired</p>	<p>Permen No. 28/2018 on Amendment to Permen No. 23/2018 on Management of Oil and Gas Work Areas which Cooperation Contracts will Expire</p> <p>Permen No. 3/2019 on Second Amendment to Permen No. 23/2018 on Management of Oil and Gas Work Areas which Cooperation Contracts will Expire.</p> <p>Permen No. 20/2019 on Second Amendment to Permen No. 08/2017 on Gross Split Production Sharing Contract</p>	<p>When the cooperation contract of a Work Area (WK) expires, the current contractor can extend the contract, or the WK can be managed by Pertamina, or both the current contractor and Pertamina jointly manage the WK.</p> <p>Additional provisions: (7a) Firm Commitment is investment made by a contractor to increase reserves and/or production in the first five years of Exploration and Exploitation period based on a Cooperation Contract. (14A) In managing oil and gas WK which cooperation contract expires, PT Pertamina (Persero) can partner with a Business Entity and/or a Permanent Establishment other than the previous contractor according to standard business practices. (15) PT Pertamina (Persero) must maintain a participating interest of at least 51% (fifty-one percent) from the time of its appointment as WK manager.</p> <p>If a new contract is extended under a gross-split scheme from an old contract under a cost-recovery scheme, the cumulative production calculation starts from 0 (zero) from</p>

		the effective date of the new cooperation contract.
Licensing	<p>Permen No. 52/2018 on Amendment to Permen No. 29/2017 on Licensing in Oil and Gas Business activities</p> <p>Permen No. 40/2017 on Delegation of Authority to Grant Licenses for Oil and Gas Business Activities to Head of BKPM</p>	<p>This regulation was issued to make oil and gas licensing more simple, transparent, effective, efficient, and accountable. From the former 42 licenses applicable in 2016, licenses had been reduced to six, namely two upstream oil and gas licenses (general survey and utilization of oil and gas data) and four downstream licenses (processing, storage, transportation, and commerce).</p> <p>This regulation was issued to delegate the authority to grant licenses for oil and gas activities in the framework of one-stop integrated services to Head of BKPM.</p>

Determination of Work Areas

The procedures for determining oil and gas Work Area have not changed from the previous 2017 EITI report. The regulations related to the determination of work area are:

- GR No. 22/2010 on Mining Areas
- Permen No. 40/2006 on Procedures for Determining Work Areas
- Permen No. 35/2008 on Procedures for Determining and Offering Oil and Gas Work Areas

Directorate General of Oil and Gas puts forward Work Areas originating from open areas through regular tender and direct offer.

Figure 14. Oil and Gas Work Areas Offer

Before deciding on a work area from the two types of offers, the Minister and the Directorate General of Oil and Gas will consult with the regional government.

WK offer is carried out by first forming a Tendering Team (for regular tender) and an Assessment Team (for direct offer). Both teams consist of representatives from the Ministry of EMR and SKK Migas with competencies in technical, economic, legal, and other fields as needed and experts from universities with appropriate competencies.

A tender process begins with tender announcement and issuance of tender documents for each work area. Companies that purchase tender documents will be recorded as potential bidders.

Companies that wish to continue with the tender process must submit bid documents no later than 120 days (for regular tender) or 45 days (for direct offer) from the announcement date.

Assessment is carried out based on the technical, financial, and performance competencies received by the Tendering Team/Assessment Team. Details of assessment parameters can be found in the 2016 EITI report (page 47, Table 16). The tender process for oil and gas work areas are carried out online through <http://ewkMigas.esdm.go.id>.

3.2.1.2. Mineral and Coal Sector

This section explains determination of mining areas, contracts, and licenses in mining business activities. The mining area determination is governed by Law No. 3/2020 on Amendment to Law No. 4/2009 on Mineral and Coal Mining.

Determination of Mining Areas (WP)

WP determination is the key and first action done in mineral and coal mining licensing. Mining Jurisdiction is all land, sea, including the area underground, which form a unitary territory of the Indonesian archipelago, land underwaters, and continental shelf. A Mining Area (WK) is an area that has the potential for mineral or coal, is not bound by government administrative boundaries, and is part of the national spatial planning.

WP is prepared in two stages, namely: WP Planning and WP Determination. WP Planning is made up of inventory of mining potential and formulation of a WP plan. Inventory aims to collect data and information on mining potential to formulate a WP plan.

A WP plan is reviewed by the central government after consideration by provincial government according to its authority and consultation with the Parliament (DPR). The Minister investigates and studies the WP plan and later determines a WP. WP can take the forms of mining business areas (WUP), people's mining areas (WPR), reserved state territory (WPN), and special mining business area (WUPK). The following figure shows types of mining areas.

Figure 15. Mining Area Types

According to the above figure, Mining Areas are classified into:

a. Mining Business Area (WUP)

To determine a WUP, the minister and the governor can conduct exploration to obtain data and information from geological, geochemical, and geophysical maps; mineral and coal rock formations maps, and estimate of mineral and coal resources and reserves. A WUP can be one of these types:

- WUP for radioactive minerals,
- WUP for metallic minerals,
- WUP for coal,
- WUP for non-metallic minerals, and/or
- WUP for rocks.

A WUP must meet the following criteria:

- have distribution of carrier rock formations; have indication, resources and/or reserves data of mineral and/or coal;
- have one or more mineral types, including associated minerals and/or coal;
- not overlap with WPR, WPN, or WUPK;
- be an area that can be used for sustainable mining activities;
- be a former mining business license (IUP) area that has been terminated or revoked; or
- be an area resulting from relinquishment or return of IUP area.

b. People's Mining Areas (WPR)

Regents/mayors must make public announcements about WPR plans. The following are criteria for WPR based on Law No. 4 of 2009 Article 22 as amended by Law No. 3 of 2020 Article 22.

Table 5. WPR Criteria

Law No. 4/2009	Law No. 3/2020
Have secondary mineral reserves found in rivers and/or between banks and riverside	Same as Law No. 4/2009
Have primary metallic or coal reserves with a maximum depth of 25 meters	Have primary metallic or coal reserves with a maximum depth of 100 meters
Terraces, floodplains, and ancient river deposits	Same as Law No. 4/2009
The maximum area of the people's mining is 25 hectares	The maximum area of the people's mining is 100 hectares
State the type of commodity to be mined; and/or	Same as Law No. 4/2009
Be an area or site of people's mining activities for at least 15 years	Fulfill the criteria for spatial and area utilization for mining business activities under laws and regulations.

c. Reserved State Territory (WPN)

A WPN can be partly or wholly mined following DPR (Parliament) approval. The status of a utilized WPN then changes to WUPK.

A WPN must meet the following criteria:

- a. have carrier rock formation of metallic minerals and/or coal according to geological maps or data;
- b. have metallic minerals and/or coal resources and/or reserves;
- c. be used for conservation of metallic minerals and/or coal; and/or

- d. be used for conservation purposes, that is, to maintain the balance in ecosystem and environment.

Following are points to consider when changing the status from WPN to WUPK based on Law No. 4/2009 Article 28 as amended by Law No. 3/2020 Article 28 section 1.

Table 6. Consideration Points when Changing WPN to WUPK

Law No. 4/2009	Law No. 3/2020
Fulfillment of industrial raw materials and energy in the country	Same as Law No. 4/2009
Source of foreign exchange	Same as Law No. 4/2009
Regional conditions are based on limited facilities and infrastructure	None
Potential to be developed as a center of economic growth	Same as Law No. 4/2009
None	Change of area status
Environmental capacity	None
Use of high technology and large investment capital.	Same as Law No. 4/2009

A WUPK can come from:

- ex WIUP which according to the evaluation of the minister needs to be stipulated as WUPK; or
- ex WIUPK, KK or PKP2B areas which according to the evaluation of the minister needs to be re-assigned as WUPK.

Contracts and Licensing

Law No. 4/2009 on Mineral and Coal Mining and Law No. 3/2020 on Amendment to Law No.4/2009 are regulations that control mineral and coal contracts and licenses. The derivative regulations of Law No. 4/2009 are GR No. 23/2010 on Implementation of Mineral and Coal Mining Business Activities, as amended five times, last by GR No. 8/2018, and GR No. 22/2010 on Mining Areas which focuses on the determination and explanation of mining areas.

Based on the GR, the Ministry of Energy and Mineral Resources issued Regulation of Minister of Energy and Mineral Resources (Permen) No.7/2020 on Procedures for Area Granting, Licensing, and Reporting of Mineral and Coal Mining Business Activities, which shows Indonesia's commitment to reducing carbon emissions of 29 percent by 2030.

To implement the Permen, there are a number of Ministerial Decisions (Kepmen) which explains in more detail mineral and coal mining licenses and contracts in Indonesia, namely:

- Kepmen No. 23/K/30/MEM/2019 on Amendment to Kepmen No. 1802/K/30/MEM/2018 on Mining Business Licenses Areas and Special Mining Business Licenses Areas for the Period of 2018.
- Kepmen No. 24/K/30/MEM/2019 on Amendment to Kepmen No. 1798/K/30/MEM/2018 on Guidelines for Preparation, Determination, and Granting of Mining Business Licenses Areas and Special Mining Business Licenses Areas.
- Kepmen No. 181/K/30/MEM/2019 on Mining Business Licenses Areas and Special Mining Business Licenses Areas for the Period of 2019.

Types of Mineral and Coal Licenses

Before the issuance of Mineral and Coal Law No.4/2009, foreign companies (investors) wishing to develop mineral and/or coal business used a contractual agreement system with the Government of Indonesia under Law No. 11/1967 on General Provisions for Mining. The contracts are known as a Contract of Work (KK) for mineral mining and a Coal Mining Work Agreement (PKP2B) for coal mining. However, the Mineral and Coal Law No. 4/2009 only recognizes a license system for mining activities. KK and PKP2B are still valid until the expiry of the contract/agreement as regulated in the Transitional Provisions of Article 169A of Law No. 4/2009.

Based on Law No. 3/2020, mining businesses are carried out based on Business Licensing from the Central Government through the granting of business identification numbers, standard certificates, and licenses. These licenses consist of:

- a. Mining Business License (IUP), a license to carry out mining business.
- b. Special Mining Business License (IUPK), a license to carry out mining business in a special mining license area.
- c. Special Mining Business License (IUPK) to continue contract/agreement operations, a business license granted to KK or PKP2B that expires.
- d. People's Mining License (IPR), a license to carry out mining business in community mining areas with a limited area size and investment amount.
- e. SIPB, a license granted to carry out certain rock types mining business or for specific purposes which authority is delegated to provincial governments.
- f. Assignment License
- g. Transport and Sales License, a business license granted to companies to buy, transport, and sell mineral or coal mining commodities.
- h. Mining Service Business License (IUJP), a license granted to carry out core services in mining activities related to the stages and/or parts of mining business activities.
- i. IUP for Sales. This license is mandatory for business entities that are not engaged in mining operations but wish to sell the excavated mineral and coal.

The following are the validity periods for each mineral and coal mining license in Indonesia.

Table 7. Validity Period of Mineral and Coal Mining Licenses in Indonesia

Activity	License Type	Validity period	Maximum Number of Extensions	Validity period per extension
Exploration	IUP Metallic Minerals	8 Years	-	-
	IUPK Metallic Minerals		-	-
	IUP Coal	7 Years	-	-
	IUPK Coal		-	-
	IUP Specific Non-metallic Minerals		-	-
	IUP Non-metallic Minerals	3 Years	-	-
	IUP Rocks		-	-
Production Operation (OP)	IUP Metallic Minerals	20 Years	twice	10 Years
	IUPK Metallic Minerals			
	IUP Coal			
	IUPK Coal			
	IUP Specific Non-metallic Minerals			
	IUP Non-metallic Minerals	10 Years	twice	5 Years
	IUP Rocks	5 Years	twice	5 Years
Processing and Refining	IUPK	30 Years	Many times	10 Years
Transportation and Selling	IUPK	5 Years	Many times	5 Years
Mining Services	IUJP	5 Years	Many times	5 Years

Source: Permen No. 7/2020 and Law No. 3/2020

WIUP and WIUPK tender process

Permen No. 7/2020 regulates tender for Mining Business License Area (WIUP/WIUPK). The Permen sets out that announcement of tender plans for metallic mineral and coal WIUP/WIUPK must be made at least one month before the tender.

Following is tender preparation process according to Kepmen No. 24 K/30/MEM/2019 on Guidelines for Preparation, Determination, and Granting of Mining Business License Areas and Special Mining Business License Areas for Mineral and Coal:

1) Announcement of WIUP/WIUPK Tender Plan

Announcement is made in print media, ministry offices or provincial government offices, and/or through the website of the Ministry of Energy and Mineral Resources or the Directorate General, which contains:

- a list of WIUP/WIUPK ready for tender, that includes at least Block Name, Location, and Size (in hectares);
- time of tender of WIUP/WIUPK

2) Announcement of WIUP/WIUPK Tender Schedule

Announcement is made in print media, ministry offices or provincial government offices, and/or through the website of the Ministry of Energy and Mineral Resources or the Directorate General, which contains:

- WIUP/WIUPK put out to tender, complete with area size, maps, and coordinates;
- amount of Data and Information Compensation (KDI) and land use information;
- bidder requirements;
- WIUP/WIUPK tender schedule

3) Registration and Collection of Tender Documents

A list of bidders is obtained in this process. WIUP/WIUPK bidders can be:

- for WIUP area \leq 500ha:
 1. Business Entities (local Regional Government-Owned Enterprises (BUMD) and local national private business entities)
 2. cooperatives; and
 3. individuals (natural person, limited partnership, *firma* (commercial) partnership).
- for WIUP area $>$ 500ha:
 1. Business Entities (SOEs, BUMD, national private enterprises, foreign investment in private companies); and
 2. cooperatives
 3. for WIUPK: Private Business Entities

4) Submission of Prequalification Documents

At this stage, prequalification documents are submitted in closed and sealed envelopes. If only one bidder submits the prequalification documents, the tender will proceed to the next stage. If no bidder submits the prequalification documents, stages 2 and 3 are repeated.

5) Evaluation of Prequalification Documents

At this stage, an Official Report on Tender Evaluation is issued, which contains:

- List of bidders
- Results of administrative and financial evaluation
- Results of technical assessment

6) Announcement of Prequalification Results

Prequalification results are sent to provincial government offices and announced in the websites of the Ministry of Energy and Mineral Resources, the Directorate General, or the provincial government. A letter is sent to bidders who pass prequalification, attached with a form detailing price offer, time, and venue to submit the bid.

7) Submission of Bids and Opening of Bids

An Official Report on the Opening of Bid is issued at this stage. The report contains the bid amount of each bidder, signed by representatives of the tender committee and bidders.

8) Evaluation of Assessment Results and Ranking

At this stage, an Official Report of Tender Results is issued, containing the ranking of bidders signed by the Tender Committee Chair and attached with an attendance list of tender committee members. At least 50%+1 person of the tender committee members must be present at the evaluation.

9) Announcement of Winner

Announcement of winning bidder is sent to provincial government offices, and/or announced in the websites of the Ministry of Energy and Mineral Resources, the Directorate General, or the provincial government. The announcement contains at least:

1. tender results;
2. objection period

10) Objection Period

An objection letter is sent to the Minister, or in this case, Director General or Governor, attached with evidence that procurement procedure has been violated and a copy of the objection letter is sent to the Tender Committee.

11) Evaluation and Answer to Objection

An answer to the Objection is offered by the Minister, or in this case, Director General or Governor.

12) Determination of Tender Winner

At this stage, a letter is signed by the Minister, or in this case, Director General or Governor, containing:

- Determination of tender winner; and

- A payment order of KDI within 5 (five) working days after receipt of the tender winner determination letter.

3.2.2. Value Chain II: Production

Value Chain II: Production covers exploration to sales of oil, gas, mineral and coal.

3.2.2.1. Oil and Gas Sector

a. Exploration

Permen No. 30/2017 regulates exploration in the oil and gas industry. This Permen stipulates that signature bonus must be paid before the production sharing contract is signed. Payment can be made in two ways: cash payment or disbursement of signature bonus guarantee.

The signature bonus is applied to winners of Oil and Gas Work Area (WK) tenders, Contractors who have been given production sharing contract extension, and subsidiaries of PT Pertamina (Persero) or its affiliates appointed by the Government to manage an Oil and Gas WK.

Additionally, this Permen stipulates the payment of firm commitment performance bond for exploration when a KKKS contract period for an Oil and Gas WK has expired. Following the Minister's approval, SKK Migas issues a demand letter on terminated contracts that have not paid the firm commitment bond. Contractors must pay the financial obligation no later than 30 days from receipt of the first demand letter.

b. Exploitation and Production

Regulations related to the exploitation and production in the oil and gas industry are:

- Permen No. 06/2010 on Guidelines for Increasing Oil and Gas Production
- Permen No. 01/2008 on Guidelines for Oil Mining Business of Old Wells
- Permen No. 03/2008 on Guidelines and Procedures to Return Parts of Work Areas Not Utilized by KKKS in the Context of Increasing Oil and Gas Production

c. Sales

Regulations related to sales in the oil and gas industry include rules regarding the formulation of oil and gas selling prices, allocation of oil for domestic needs, and allocation of gas for industry, as follows:

1. Kepmen No 2556 K/12/MEM/2017 on Determination of Indonesia Crude Oil Price for the period July 2017 - June 2018 and Kepmen No. 1907 K/12/MEM/2018 on Determination of Indonesian Crude Oil Price Formula for the period July 2018 - June 2019

Indonesian Crude Price (ICP) is the average price of Indonesian crude oils on the international market, used as an indicator for the calculation of oil production sharing in Indonesia. The ICP is determined monthly and evaluated every semester by the Minister and the pricing team. Based on the characteristics and quality, there are 56 types of Indonesian crude oils, with a different price each. The 56 types of ICP are divided into two groups, namely:

- a. The eight main crude oils (SLC, Cinta, Widuri, Duri, Attaka, Belida, Arjuna, and Senipah Condensate): the prices are calculated based on the ICP formula, which refers to International Dated Brent price.

- b. For 48 other crude oils: the prices are calculated based on a formula that refers to the eight ICP main crude oils mentioned above.

The ICP formula is applied to calculate Indonesia's eight main crude oils/condensate. For other types of Indonesian crude oils, the price determination is based on the indexation of the Main Crude Oil Price and / or its derivative products which are in accordance with the ICP formula.

In Kepmen 2556 K/12/MEM/2017, the price formula of leading crude oils for July 2017-June 2018 was calculated based on the publication of Dated Brent+Alpha. While in Kepmen No. 1907 K/12/MEM/2018, the price formula of leading crude oils was calculated based on the publication of Dated Brent ± Alpha for the period July 2018-June 2019.

In this new formula, Dated Brent is calculated based on the average publication during the month. In comparison, Alpha is calculated based on the average publication during the current month and the previous month. The Alpha calculation is done by considering three points: suitability of crude oil quality, global oil price developments, and national energy security.

2. Permen No. 40/2016 on Natural Gas Pricing for Specific Industries

This Permen stipulates the provisions of natural gas prices with specific considerations for particular industries. If natural gas price is higher than USD 6/MMBTU, a lower gas price can be set for fertilizer, petrochemical, oleochemical, steel, ceramics, glass, and rubber hand industries.

3. Permen No. 42/2018 on Priority for the Use of Petroleum to Meet Domestic Needs.

Article 3 stipulates that a Contractor or its Affiliate is obliged to offer (first privilege) the Contractor's share of petroleum to PT Pertamina (Persero) and/or Business Entities Holding Petroleum Processing Business License.

4. Other regulations

- Permen No. 36/2016 on the Acceleration of One Price Policy for Certain Fuel Types & Specially Assigned Fuel Types Nationally.
- Permen No. 6/2016 on Provisions and Procedures for Determining the Allocation and Utilization and the Price of Natural Gas.
- Permen No. 45/2017 on Utilization of Natural Gas for Power Generation.

3.2.2.2. Mineral and Coal Sector

a. Exploration

Regulations regarding exploration in Indonesia's mineral and coal sector still refer to Kepmen No. 1806 K/30/MEM/2018 on Guidelines for Preparation, Evaluation, Approval of Work Plans, Budget, and Reports in Mineral and Coal Mining Business Activities. This Kepmen implements Permen No. 11/2018, which has been replaced by Permen No. 7/2020. Permen No. 11/2018 is a derivative of GR No. 23/2010, has been amended for five times, last with GR No. 8/2018. After the issuance of Law No. 3/2020, there are changes in mineral and coal exploration.

Based on Law No. 3/2020 Article 112A, Holders of IUP or IUPK at Production Operation stage must provide reserve resilience funds to search for new reserves of mineral and coal. Further

provisions regarding the allocation of the reserve resilience funds are regulated in Government Regulation. Moreover, additional requirements regarding advanced exploration procedures and reserve resilience funds are regulated in Ministerial Regulation. Additionally, in the context of mineral and coal conservation, IUP or IUPK holders at Production Operation stage must carry out advanced exploration activities every year and provide a budget. Advanced exploration refers to activities to increase the confidence status of geological data and information in terms of resources and/or reserves during the Production Operation stage.

b. Production operation

Regulations governing production operations in the mineral and coal sector are the following:

1. Permen No. 26/2018 on the Implementation of Good Mining Practices and Supervision of Mineral and Coal Mining. This regulation provides guidelines for the implementation of good engineering principles in mining as mandated in the Mineral and Coal Law Article 95 section a and Article 96 and implements the provisions of Article 35 of GR No. 55/2010 on Guidance and Supervision of Mineral and Coal Mining Business Management. In addition to regulating good mining principles, this Ministerial Regulation also governs Processing and/or Refinery, Occupational Health and Safety, and Operational Safety.
2. Permen No. 11/2019 on Second Amendment to Permen No. 25/2018 on Mineral and Coal Mining Business, which regulates, among other things, the obligation to increase mineral added value through domestic processing and/or refining.

c. Sales

The products of mineral and coal mining are sold domestically and abroad (exports). GR No. 23/2010, Chapter VII explains that a holder of a Production Operation IUPK may export after fulfilling the commodity's domestic demand. Next, Permen No. 25/2018, which has been amended twice, last by Permen No. 11/2019, explains in more detail the minimum limits for processing and refining that are allowed for export. There is also Kepmen No. 1826 K/30/MEM/2018 on Guidelines for Application, Evaluation, and Approval of Recommendations for Export of Processed Metallic Minerals and Metallic Minerals with Certain Criteria.

Regarding domestic sales, the government regulates the obligation to fulfill domestic needs or known as Domestic Market Obligation (DMO) to realize energy independence and security that supports sustainable national development as set out in Articles 5 and 6 of GR No. 79/2014 on National Energy Policy (KEN). The government also issued Presidential Regulation No. 22/2017 on National Energy Master Plan (RUEN) as the implementing regulation of KEN. RUEN regulates the increase in the use of coal in the country and gradual reduction of coal exports.

The regulation that determines mineral and coal sales prices is Permen No. 11/2020 on Third Amendment to the Permen No. 7/2017 on Procedures for Determining Sales Benchmark Price of Metallic Minerals and Coal. Holders of Production Operation IUP for Metallic Minerals, Production Operation IUP for Coal, Production Operation IUPK for Metallic Mineral, and Production Operation IUPK for Coal, must refer to the Mineral Benchmark Price (HPM) or Coal Benchmark Price (HPB) in selling metallic minerals or coal.

The HPM formula is the base for HPM determination. The HPM formula is based on several variables, such as metallic minerals content, constant, Metallic Minerals Reference Prices (HMA), corrective factor, treatment cost and refining charges, and/or payable metal. The value

of HMA is determined by the Minister every month by referring to the price of metallic minerals issued by the London Metal Exchange, London Bullion Market Association, Asian Metal, Indonesia Commodity and Derivatives Exchange, and other publications used in selling metallic minerals, both in the country and overseas in accordance with the provisions of laws and regulations.

HPB for Steam (Thermal) Coal or Coking (Metallurgical) Coal is determined based on the formula for HPB Steam (Thermal) Coal or Coking (Metallurgical) Coal. The HPB Steam (Thermal) Coal formula is based on several variables, namely the calorific content of coal, Steam Coal Reference Prices (HBA), water content, sulfur content, and ash content. Meanwhile, the HPB for Coking (Metallurgical) Coal formula is based on Coking Coal Reference Prices (HBA), Coke Strength after Reaction, fly substance content, water content, sulfur content, and ash content. The HBA value is determined by the Minister every month by referring to coal price indexes such as the Indonesian Coal Index/Argus Coalindo, New Castle Export Index, Globalcoal New Castle Index, Platts Index, Energy Publishing Coking Coal Index, and/or IHS Market Index.

Both HPM and HPB are determined by the Minister every month and can be reviewed periodically every six months or at any time if needed.

There are other ministerial decisions regulating the sales of mineral and coal, including:

- Kepmen No. 1924 K/30/MEM/2018 on Amendment to Kepmen No. 23 K/30/MEM/2018 on Determination of the Minimum Percentage of Coal Sales for Domestic Interest in 2018
- Kepmen No. 1925 K/30/MEM/2018 on Second Amendment to Kepmen No. 1395 K/30/MEM/2018 on the Selling Price of Coal for the Provision of Electricity for Public Interest
- Kepmen No. 78 K/30/MEM/2019 on Determination of the Minimum Percentage of Coal Sales for Domestic Interest in 2019
- Kepmen No. 1952 K/84/MEM/2018 on the Use of Domestic Banking or Overseas Indonesian Banking for the Sales of Mineral and Coal Abroad

3.2.3. Value Chain III: Revenue Collection

This section explains regulations related to revenue collection from the oil and gas sector and the mineral and coal sector.

3.2.3.1. Oil and Gas Sector

The year 2017 was a milestone in Indonesia's oil and gas industry, especially in the upstream sector, due to the enactment of the Gross Split PSC (non-cost recovery) contract to replace the cost recovery PSC contract that had been in effect since 1964. The new system is marked with issuance of Permen No. 8/2017 on the Gross Split PSC Contract, which was then amended by Permen No. 52/2017 and amended again by Permen No. 20/2019. The government also issued GR No. 53/2017 on tax rules of Gross Split PSC.

The Ministry of Energy and Mineral Resources has also issued Permen No. 12/2020 on Third Amendment to Permen No. 8/2017 on Gross Split Production Sharing Contracts. The regulation

sets out that new working areas from WK bidding process and WK whose contract period will expire, whether or not extended, have an option to use either cost recovery, gross split or other contract types with consideration of level of risk, investment climate, and benefits to the state.

Permen No. 08/2017 on Gross Split Production Sharing Contracts has undergone three changes. The first change was through Permen No. 52/2017 which changed the parameters for gross split and corrected the split of ten variable components and three progressive components. The provision about additional revenue sharing for field commercialization was changed to depending on field's economy. The second amendment was through Permen No. 20/ 2019, which improved the variable components of Domestic Component Level (TKDN) and the progressive components of cumulative production. The third amendment was made through Permen No. 12/2020, which affirmed cooperation forms and flexibility in choosing either gross split or cost recovery contract form.

Table 8. Regulations Related to Fiscal Regime in the Oil and Gas Sector

Topic	Law and Regulation	Description
Upstream Oil and Gas Contracts	<p>Law No. 22/2001: Article 1, Article 6</p> <p>PSC Contract</p> <p>GR No. 27/2017 on Amendment to GR No. 79/2010 on Operation Costs that can be Recoverd and Treatment of Income Tax in the Upstream Oil and Gas Business Sector</p> <p>Gross Split PSC Contract Permen No. 8/2017, Permen No. 52/2017, Permen No. 20/2019, Permen No. 12/2020 on Gross Split Production Sharing Contracts</p>	<p>Arranges cooperation contracts in upstream business activities based on the principle of production sharing after cost recovery. The share of Government and Contractor after tax is 85:15 for oil and 70:30 for natural gas.</p> <p>Regulate the terms of profit-sharing between the Government and the Contractor under a gross split scheme</p>
Cost Recovery	<p>Law No. 22/2001 Article 13 and Articles 31-32</p> <p>GR No.27/2017 on Amendment to GR No. 79/2010 on Operation Costs that can be Recovered and Treatment of Income Tax in the Upstream Oil and Gas Business Sector</p> <p>Permen No. 46/2018 on Third Amendment to Permen No. 26/2017 on the Mechanism of Returning Investment Costs in Upstream Oil and Gas Business Activities</p>	<p>Regulate provisions for cost recovery incurred by the Contractor in carrying out exploration and exploitation, other permitted costs, and calculation of PSC taxes that are different from general tax calculations.</p> <p>This regulation provides legal certainty for investment cost recovery in upstream oil and gas business activities at the end of the cooperation contract period.</p>

Topic	Law and Regulation	Description
Taxes	<p>Law No. 22/2001 Articles 31-32 GR No.27/2017 on Amendment to GR No. 79/2010 on Operation Costs that can be Recovered and Treatment of Income Tax in the Upstream Oil and Gas Business Sector</p> <p>GR No. 53/2017 on Tax Treatment in Upstream Oil and Gas Business Activities under a Gross Split Production Sharing Contract</p> <p>Minister of Finance Regulation (PMK) No. 122/PMK.03/2019</p> <p>PMK No. 116 /PMK.04/2019</p>	<p>Set the PSC tax calculation that is different from the general tax calculation.</p> <p>The amount of tax on the Gross Split PSC Contract follows general taxation rules and provides tax loss carry forward compensation for ten years.</p> <p>Facilities for Value Added Taxation or Value Added Tax and Sales Tax on Luxury Goods, Land & Building Tax, and Tax Treatment for Charging of Operation Costs of Joint Facility and Indirect Expenditures of Head Office</p> <p>Providing relief or exemption from value-added tax on goods imported in the framework of coal work contract or work agreement</p>
Prioritization of Domestic Interests (DMO)	<p>Law No. 22/2001 Articles 8 and 22</p> <p>GR No. 27/2017</p> <p>PMK No. 118/PMK.02/2019 on Procedures for Payment of DMO Fee, Contractor Over Lifting and/or Contractor Under Lifting in Upstream Oil and Gas Business Activities</p>	<p>Determine Contractor's obligation to submit a certain amount of oil and natural gas produced for domestic consumption (Domestic Market Obligation) throughout the production period at a maximum of 25% of the Contractor's share of lifting. The terms of price and payment system are also stipulated in this regulation.</p>
Ring-fencing	GR No.35/2004 Article 6 Par 3	<p>Determines that one Oil and Gas Work Area belongs to one Business Entity or Permanent Establishment and has one NPWP or taxpayer's ID number ("Ring Fencing" principle).</p>
State Property from terminated contracts	PMK No.89/PMK.06/2019 on Management of State asset Deriving from Cooperation Contracts for Upstream Oil and Gas Business	<p>Determines the Management of State asset Originating from Upstream Oil and Gas Cooperation Contracts</p>

Topic	Law and Regulation	Description
	Activities	
Joint Audit	PMK No 34/2018 on Guidelines for Joint Audit on Cost Recovery Production Sharing Contracts in the Upstream Oil and Gas Business Sector	Establishes procedures and guidelines for Joint Audits conducted by SKK Migas, BPKP, and the Directorate General of Taxes

3.2.3.2. Mineral and Coal Sector

Law No. 4/2009 states that IUP or IUPK holders must pay state and regional revenue. State revenue includes tax revenue and non-tax state revenue (PNBP). Regional revenue includes regional taxes, regional levies, and other regional revenues.

Based on Law No. 3/2020 on Amendment to Law No. 4/2009 on Mineral and Coal Mining, holders of IUP, IUPK, IPR, or SIPB are required to pay state and regional revenues. State revenue includes tax revenue and non-tax state revenue (PNBP). Regional revenue includes regional taxes, regional levies, community mining fees, and other regional revenues.

State revenue

1. Tax Revenue

Tax revenue consists of taxes that fall under the authority of the central government (PPH, PPN, and PPB) as regulated in Law No. 16/2009 on general provisions and procedures for taxation, as well as import duties and excise as regulated in Law No. 17/2006 on Customs.

- Income Tax (PPH) is set out in Law No. 36/2008 on Income Tax. Mineral and coal mining business must pay income tax for the following:
 - Law No. 36/2008 Article 4 section 2: construction services and land lease
 - Law No. 36/2008 Article 15: transportation services by water
 - Law No. 36/2008 Article 21: employee salaries
 - Law No. 36/2008 Article 23: supporting services in mining activities

The bookkeeping of PPh must refer to PMK No.123/PMK.03/2019 on Procedures for Maintaining Books and Records Using Foreign Languages and Currency Units Other than Rupiah and the Obligation to Submit Annual Income Tax Returns for Corporate Taxpayers. This regulation provides legal certainty for taxpayers who run business in the mineral and coal mining sector. It applies to PKP2B, KK, and PKP2B-turned-IUPK OP, which have maintained the books and records in English and US dollars. To accommodate developments in the criteria for taxpayers who can maintain books and records in foreign languages and units of currency other than Rupiah, it is necessary to adjust the provisions concerning bookkeeping procedures using foreign languages and currency units other than Rupiah and the obligation to submit annual income tax return for corporate taxpayers.

- Value Added Tax (VAT) is regulated by Law No. 42/2009 on Value Added Tax for Goods and Services and Value Added Tax for Luxury Goods. To implement Law No. 42/2009, the Ministry of Finance issued PMK No.166/PMK.03/2018, which states that IUPK-OP

holders are appointed as collectors of PPN or of PPN and Sales Tax on Luxury Goods. The amount of VAT on luxury goods imposed on IUPK-OP holders is 10% multiplied by Tax Base, calculated from the total selling price, replacement, or other value used. IUPK-OP is also subject to Sales Tax in the amount of the tariff of applicable Sales Tax on Luxury Goods multiplied by Tax Base. This policy also applies to mining companies whose license is changed from KK to IUPK before the contract expires.

- Land and Building Tax (PBB) is set out in Law No. 12/1994 on Land and Building Tax. The Law states that if the tax object is land and/or buildings, the tax subject is the person or entity with a right to the land and/or the building, and/or who gets benefits from the land and/or the building, and/or who owns, controls and/or benefits from the land and/or the building. The tax subject must pay taxes.
- Customs and Excise: to implement the provisions of Law No. 17/2006 Article 26 section 1, Ministry of Finance issued PMK No. 116/PMK.04/2019 on Exemption or Relief on Import Duty and/or Exemption from Value-Added Tax on Goods Imported in the Context of KK and PKP2B. The exemption or reduction of import duty and the exemption of value-added tax show better services in tax and customs in the mining sector due to changes of KK or PKP2B to IUPK.

2. Non-Tax State Revenue (PNBP)

Non-Tax State Revenue (PNBP) is all revenue of the central government that does not come from taxation revenue. PNBP consists of fixed fees, exploration fees, production fees, compensation for data and information. PNBP is regulated by Law No. 9/2018 on PNBP. Types and rates of PNBP in the extractive industry sector are regulated in GR No. 81/2019. Meanwhile, detailed PNBP in the mineral and coal sector is controlled in EMR Ministerial Decision (Kepmen) No. 1823 K/30/MEM/2018 on Guidelines for Imposition, Collection, and Payment/Deposit of Mineral and Coal Non-Tax State Revenues.

- Fixed Fee: a type of non-tax revenue in the form of permanent fee, imposed on holders of IUP, IUPK, KK, or PKP2B that own WIUP, WIUPK, KK areas, and PKP2B areas. GR No. 81/2019 sets out fixed fee for Mining Businesses who hold IUP and IUPK exploration for metallic minerals and coal is IDR 30,000 per ha per year, IUP and IUPK Production Operation for metallic minerals and coal is IDR 60,000 per ha per year, IUP Exploration for non-metallic minerals and rocks is IDR 20,000 per ha per year, IUP Production Operation for non-metallic minerals and rocks is IDR 40,000 per ha per year, IPR for non-metallic minerals and rock is IDR 10,000 per ha per year, while IPR for metallic minerals and coal is IDR 20,000 per ha per year.
- Production Fee/Royalty: a type of PNBP in the form of production fees/royalties which is imposed on metallic minerals, diamond and granite from KK holders, and on coal. The amount of royalties charged to companies is regulated in GR No. 81/2019. Table 1 shows royalty rates for minerals and coal.
- Compensation for Data and Information is a type of PNBP in the form of payment for data and information on WIUP of metallic minerals or coal that will be put out to tender

and the data and information on WIUPK metallic minerals or coal that will be awarded based on priority or through tender.

Table 9. Coal Royalty Rates Based on GR No. 81/2019

No	Commodity		Unit	Tariff (of the sales price)
1	Coal (Open Pit)	Calorie Level ≤ 4,700 kcal/kg, GAR	per tonne	3%
		Calorie Level > 4,700 – 5,700 kcal/kg, GAR	per tonne	5%
		Calorie Level ≥ 5,700 kcal/kg, GAR	per tonne	7%
2	Coal (Underground)	Calorie Level ≤ 4,700 kcal/kg, GAR	per tonne	2%
		Calorie Level > 4,700 – 5,700 kcal/kg, GAR	per tonne	4%
		Calorie Level > 5,700 kcal/kg, GAR	per tonne	6%
3	Peat		per tonne	3%
4	Asphalt		per tonne	4%

Table 10. Royalty Rates for Main Minerals Based on GR No. 81/2019

No	Commodity		Unit	Tariff (of the sales price)
1	Gold	Gold Selling price ≤ USD 1,300	per ounce	3.75%
		USD 1,300 < Selling price ≤ USD 1,400	per ounce	4%
		USD 1,400 < Selling price ≤ USD 1,500	per ounce	4.25%
		USD 1,500 < Selling price ≤ USD 1,600	per ounce	4.50%
		USD 1,600 < Selling price ≤ USD 1,700	per ounce	4.75%
		Selling price > USD 1,700	per ounce	5%
2	Silver		per ounce	3.25%
3	Copper	Copper Ore	per tonne	5%
		Copper Concentrate	per tonne	4%
		Copper Cathode	per tonne	2%

4		Tin Metal	per tonne	3%
5		Nickel Ore	per tonne	10%
	Nickel Refinery Products	Nickel Pig Iron (NPI)	per tonne	5%
		Nickel Matte	per tonne	2%
		Ferro Nickel (FeNi)	per tonne	2%
		Nickel Metal	per tonne	1.50%
6		Bauxite	per tonne	7%
	Bauxite Refinery Products	Chemical Grade Alumina	per tonne	3%
		Smelter Grade Alumina	per tonne	3%
		Aluminum Metal	per tonne	2%
		Iron Oxide (Hematite)	per tonne	2%
		Magnesium Oxide	per tonne	2%
		Gallium Oxide	per tonne	1%

Regional revenue

Regional revenue includes regional taxes, regional levies, and other regional revenues. Regional taxes and levies are regulated in Law No. 28/2009.

1. Regional Taxes

Regional Taxes are obligatory contribution to region owed by individuals or entities that is enforced by the law, without the individuals or entities receiving a direct reward, and is used by the region for the greatest prosperity of its people. To implement the provisions of Law No. 28/2009, GR No. 55/2016 on General Provisions and Procedures for Collecting Regional Taxes was issued. The types of taxes collected are determined by the regional head or paid by the taxpayer independently and consist of provincial taxes and regency/city taxes.

- Provincial Taxes: provincial taxes collected based on determination of the Regional Head consists of Motor Vehicle Tax, Motor Vehicle Title Transfer Fee, and Surface Water Tax. Meanwhile, provincial taxes paid independently according to taxpayers' calculation include Motor Vehicle Fuel Tax and Cigarette Tax.
- Regency/City Taxes: regency/city taxes collected based on determination of the Regional Head consist of Advertising Tax; Groundwater Tax; and Rural and Urban Land and Building Tax. Regency/city taxes that are paid independently based on taxpayers' calculation consist of Hotel Tax, Restaurant Tax, Entertainment Tax, Street Lighting Tax, Non-Metallic Mineral and Rock Tax, Parking Tax, Swallow-nest Tax; and Fees for Acquisition of Rights on Land and Buildings.

2. Regional Levies

Regional levies are payments for services or granting of specific permits provided and/or given by regional governments that benefit individuals or entities. Based on Law No. 28/2009, the objects of regional levies consist of general services, business services, and individual permits.

- Public Services:** The objects of Public Service Levies are services provided by regional government to the interest and benefit of the public and those which can be enjoyed by private persons or entities. Public service levies consist of Health Service Levy; Garbage/Cleaning Services Levy; Reimbursement for Printing of Identity Cards and Civil Registry Deeds; Funeral and Cremation Services Levy; On-street Parking Services Levy; Market Services Levy; Motor Vehicle Testing Levy; Fire Extinguisher Inspection Levy; Reimbursement for Map Printing Costs Levy; Toilet Provision and/or Sewage Disposal Levy; Wastewater Treatment Levy; Calibration/Recalibration Services Levy; Education Services Levy; and Telecommunication Tower Control Levy.
- Business Services:** The objects of Business Services Levies are services provided by regional government that adhere to principles of commercial services. The business services use/utilize regional assets that have not been optimally utilized and/or services provided by regional government to the extent that these services have not been provided adequately by the private sector. Business service levies include Levy for the Use of Regional Assets; Wholesale Markets and/or Shopping Complex Levy; Auction Sites Levy; Terminal Levy; Special Parking Areas Levy; Lodging/Boarding House/Villa Levy; Slaughterhouses Levy; Port Services Levy; Recreational and Sports Places Levy; Water Crossings Levy; and Levy on Sales of Regional Government Business Products.
- Individual Permit:** The objects of Individual Permit Levies are permit services by regional government for private persons or entities. The levies are intended to regulate and supervise the use of space, natural resources, goods, infrastructure, and facilities, in order to protect public interest and conserve the environment. Individual permit levies include Building Permit Levy; Permit for Sales of Alcoholic Drinks Levy; Disturbance Permit Levy; Route Permits Levy; and Fishery Business Permit Levy.

3.2.4. Value Chain IV: Revenue Allocation

One form of state revenue distribution from the extractive industries in Indonesia is the Revenue Sharing Fund (DBH). The fund is shared with regions based on certain percentage set out by laws and regulations to meet regional needs in implementing decentralization. The legal bases of DBH are as follows:

- Law No. 33/2004 on Financial Balance between Central Government and Regional Governments
- GR No. 55/2005 on Fiscal Balance Funding
- PMK No. 35/PMK.07/2020 on Management of Transfers to Regions and Village Funds for Fiscal Year 2020 in the Context of Handling the 2019 Corona Virus Disease (Covid-19) Pandemic or Facing Threats to the National Economy

3.2.5. Value Chain V: Social and Economic Contribution

This section explains the social and economic contribution of extractive industries in the oil and gas sector and the mineral and coal sector to implement Social and Environmental Responsibility.

In principle, Corporate Social Responsibility (CSR) is of voluntary nature. However, for the extractive industry in Indonesia, CSR is mandatory and regulated by laws and regulations. Based on Law No. 40/2007 on Limited Company, Article 74 section 1 requires companies related to extractive industries to implement CSR. Next, Law No. 25 /2007 on Investment, Article 15 letter b stipulates that every investor must carry out social responsibility. Finally, Law No. 32/2009 on Protection and Management of the Environment regulates environmental management responsibility of corporation.

3.2.5.1. Oil and Gas Sector

Law No. 22/2001 on Oil and Gas sets out that when upstream oil and gas activities are stopped, the KKKS must carry out reclamation or decommission or commonly known as ASR (Abandonment and Site Restoration). The Ministry of Energy and Mineral Resources issued Ministerial Regulation (Permen) No. 15/2018 on Post-Operational Activities in Upstream Oil and Gas Business Activities as the latest guidelines to implement Law No. 22/2001.

3.2.5.2. Mineral and Coal Sector

In terms of social and environmental responsibility of extractive industries in the mineral and coal sector, Law No. 4/2009 Article 108 section 1 requires IUP and IUPK holders to prepare community development and empowerment programs (PPM). Law No. 4/2009 also requires those conducting mining business to restore the natural environment and social functions by carrying out reclamation and post-mining activities. Law No. 3/2020, which is the amendment to Law No. 4/2009, still states the same obligation to implement social and environmental responsibility by extractive industry in the mineral and coal sector.

Community Development and Empowerment (PPM)

PPM implementation for mining companies is regulated in GR No. 23/2010. To implement the provisions of GR No. 23/2010, which has been amended by GR No. 77/2014, the Ministry of Energy and Mineral Resources issued Permen No. 25/2018 on the Management of Mineral and Coal Mining Business which states that Mining Business Entities must prepare a PPM Master Plan. Permen No. 25/2018 has been explained further by Ministerial Decision (Kepmen) No. 1824 K/30/MEM/2018 on Guidelines for Implementation of Community Development and Empowerment.

Kepmen No. 1824 K/30/MEM/2018 contains two main points, namely Guidelines for Preparation of a PPM Blueprint and Guidelines for Preparation of a PPM Master Plan. According to the Ministerial Decision, before making a PPM master plan, a blueprint is drawn up by governor by taking into account the results of Planning and Development Conference (Musrembang), National and Regional Medium-Term Development Plans (RPJM), and National and Regional Spatial Plans (RTRW). The mutually agreed draft Blueprint is then submitted to the Director General of Mineral and Coal for technical considerations. The governor will then determine the blueprint based on technical reviews from the Director General. The blueprint can be evaluated

and modified every five years. Next, IUP/IUPK holders will make a PPM master plan based on the PPM blueprint that has been determined by the governor.

Annual PPM consists of the following main programs:

1. Education;
2. Health;
3. Real income level;
4. Economic independence;
5. Social and cultural issues;
6. Creation of opportunities in environmental management to local communities;
7. Establishment of community institutions to support PPM;
8. Infrastructure.

The budget for PPM programs depends on the capabilities of each company. No regulation has been issued to determine how much funds private companies must set aside for the PPM program. For SOEs, however, there is SOE Ministerial Regulation No. PER-09/MBU/07/2015 on the Partnership Program and the Community Development Program for State-Owned Enterprises, which was amended by SOE Ministerial Regulation PER-02/MBU/7/2017. The ministerial regulation sets out the obligation of SOEs to implement partnership and community development programs with funds amounting to a maximum of 4% of net profit after tax from the previous financial year.

In some regions, the locals are involved in community mining activities. However, not all community mining activities have an IPR permit. Many mining activities are still carried out without a permit, or commonly referred to as PETI, which means mining without a permit. The legal basis for Community Mining is the Mineral and Coal Mining Law, GR No. 22/2010 on Mining Areas, and GR No. 23/2010 on the Implementation of Mineral and Coal Mining Business Activities, as amended five times last by GR No. 8/2018. Meanwhile, PETI activities are categorized as illegal activities.

Reclamation and Post-mining

Reclamation and Post-mining are regulated in GR No. 78/2010. To implement the government regulation, the Minister of Energy and Mineral Resources issued Regulation No. 26/2018 on the Implementation of Good Mining Principles and Supervision of Mineral and Coal Mining. The key points in the ministerial regulation include the following:

- Holders of Exploration IUP and Exploration IUPK must:
 - submit reclamation plan for the exploration stage in accordance with Environmental Documents;
 - deposit Reclamation Guarantee for the exploration stage in accordance with decision of the Minister or Governor according to the respective authority;
 - carry out reclamation for the exploration stage;
 - report the implementation of reclamation for the exploration stage;
 - submit Reclamation Plan for the production operation stage when applying for Production Operation IUP or Production Operation IUPK license; and
 - submit Post-mining Plan when applying for Production Operation IUP or Production Operation IUPK.

- Holders of Production Operation IUP and Production Operation IUPK must:
 - deposit Reclamation Guarantee for the production operation stage and Post-mining Guarantee in accordance with the decision of the Minister or Governor according to the respective authority.
 - submit Reclamation Plan for the production operation stage on a periodic basis.
 - carry out reclamation for production operation stage and post-mining; and
 - report the implementation of reclamation for the production operation stage and post-mining.

3.3. Regulations Related to State Owned Enterprises (BUMN)

Based on Law No. 19/2003, an SOE is a business entity which all or most of its capital is owned by the state through direct participation from separated state assets. This Law is the legal basis for the formation of SOE in Indonesia. SOE plays an essential role in implementing the national economy to create public welfare. Therefore, professional supervision and organization of state-owned enterprises are crucial. Based on Law No. 19/2003, the objectives of SOE formation are as follows:

1. To contribute to the development of national economy in general and state revenues in particular;
2. To earn profit;
3. To provide public benefit by offering goods and/or services of high quality and with sufficient quantity to protect the livelihoods of many people;
4. To become a pioneer in business activities that are not yet conducted by the private sector and cooperatives;
5. To participate actively in providing guidance and assistance to economically weak entrepreneurs, cooperatives, and the community.

Law No. 19/2003 explains that a SOE can be one of the following two corporate forms, namely:

- 1) Limited Company (Persero): a state-owned company in the form of a Limited Company whose capital is divided into shares; at least 51% of the shares are owned by the state and is formed to seek profit;
- 2) Public Business Entities (Perum) is 100% owned by the state and is formed to serve public interests.

In addition to Law No. 19/2003, another legal basis for SOE in Indonesia is Law No. 40/2007 on Limited Companies. Law No. 40/2007 regulates provisions relating to the operation of Limited Companies in Indonesia. A limited company is defined as a legal entity that is a partnership of capital, established based on an agreement, conducts business activities with authorized capital which is entirely divided into shares, and meets the stipulated requirements. Persero, a form of SOE, is also bound by the provisions of the Limited Company Law.

Several GRs that regulate the operation of SOE engaged in extractive industry in Indonesia as per the end of 2017 include the following:

Table 11. Government Regulations Related to Extractive Industry SOEs

Subject	Regulation	Description
The Role of the State in SOEs	GR No. 44/2005	Procedures for Investment and Administration of State Capital in State-Owned Enterprises and State Capital Limited Company
	GR No. 72/2016	Amendment to GR No. 44/2005 on Procedures for Investment and Administration of State Capital in SOEs
Oil and Gas SOEs	GR No. 37/1994	Transformation of State Gas Public Company (Perum) to Limited Company (Persero)
	GR No. 31/2003	Transformation of State Oil and Gas Mining Company (Pertamina) to a Limited Company (Persero)
Mineral and Coal SOEs	GR No. 26/1974*	Transformation of Aneka Tambang State Company to a Limited Company (Persero)
	GR No 3/1976*	Transformation of Tin Mining State Company to a Limited Company (Persero)
	GR No 42/1980*	Investment of State Capital of the Republic of Indonesia for the establishment of Tambang Batubara Bukit Asam (Persero)
	GR No.26/2014	Determination of PT Indonesia Asahan Aluminum as a Limited Company (Persero)
	GR No. 47/2017	Addition of Capital Investment of the Republic of Indonesia to the Capital of PT Indonesia Asahan Aluminum

* revoked since enactment of GR No. 47/2017 in November 2017

3.4. Other Regulations Related to Extractive Industries

a. Energy and Electricity

Electricity is closely related to energy sources in the extractive industry. Currently, the Indonesian Government is working on the 35,000 MW National Electricity Program, most of which (50%) uses coal as fuel because coal is still the cheapest and widely available primary energy source. Therefore, there are several ministerial decisions that regulate extractive industry commodities for electricity needs and focus on allocation and sales of commodities for power generation. The following are ministerial decisions that regulate Energy and Electricity:

- Kepmen No. 1395 K/30/MEM/2018 on the Selling Price of Coal for the Provision of Electricity for Public Interest
- Kepmen No. 1925 K/30/MEM/2018 on Second Amendment to Kepmen No. 1395 K/30/MEM/2018 on the Selling Price of Coal for the Provision of Electricity for Public Interest

- Kepmen No. 1790 K/20/MEM/2018 on Amendment to Kepmen No. 1750 K/20/MEM/2017 on Determination of the Allocation and Utilization of Natural Gas for the Provision of Electricity by PT Perusahaan Listrik Negara (Persero)
- Kepmen No. 1410 K/30/MEM/2018 on Amendment to Kepmen No. 1395 K/30/MEM/2018 on the Selling Price of Coal for the Provision of Electricity for Public Interest
- Kepmen No. 91 K/12/MEM/2020 on Price of Natural Gas in Power Plants
- Kepmen No.89 K/10/MEM/2020 on Natural Gas Users and Prices in the Industrial Sector

b. Environmental and Forestry

The extractive industry is closely related to the environment and forestry because its operations change a region's environmental order and structure. Therefore, extractive industry licensing also requires permits from the Ministry of Environment and Forestry. One requirement to get extractive industry licenses is to make an Environmental Impact Analysis (AMDAL) as explained in Article 36 section 1 of Law No. 32/2009 on Protection and Management of the Environment.

The types of activities required to have an AMDAL are described in Minister of Environment Regulation (Permen LH) No. 05/2012 on Types of Business Plans and/or Activities that Require an Environmental Impact Analysis. The AMDAL document is made up of a number papers, namely Terms of Reference (KA), Environmental Impact Analysis (AMDAL), Environmental Management Plan (RKL), and Environmental Monitoring Plan (RPL). After the AMDAL is approved, the Ministry of Environment and Forestry issued an environmental permit. GR No. 27/2012 on Environmental Permits explain in detail about the permits. The objectives of issuance of environmental permits are to avoid land uses overlap and to prevent environmental damage due to extractive industrial activities.

An Environmental Document consists of AMDAL document, UKL-UPL form, and Statement of Capability for Environmental Management and Monitoring (SPPL). The documents are regulated in detail in Permen LH No. 16/2012 on Guidelines for the Preparation of Environmental Document.

Extractive industries operating in forest areas must also have a Borrowing and Use of Forest Area Permit (IPPKH). This permit is needed for companies to use forest areas for activities other than forestry activities and without changing the forest function and designation. IPPKH is set out in Permen LH No P.27/MENLHK/SETJEN/KUM.1/7/2018 on Guidelines for Borrowing and Use of Forest Areas which was amended by Permen LH No P.7/MENLHK/SETJEN/KUM.1/2/2019. IPPKH holders must also carry out watershed rehabilitation as stipulated in Permen LH No P.89/MENLHK/SETJEN/KUM.I/11/2016 on Guidelines for Planting Trees for Holders of Borrowing and Use of Forest Areas Permit in the Context of Watershed Rehabilitation.

c. Divestment of shares and transfer of Participating Interest (PI)

To date, several regulations regarding divestment and transfer of PI include:

- Permen No. 43/2018 on Amendments to Permen No. 09/2017 on Procedure for Share Divestment and Mechanism for Pricing of Divestment Shares in Mineral and Coal Mining Business Activities.

- GR No. 35/2004 and GR No. 48/2017 which state that the Transfer of PI must be approved by the Minister of Energy and Mineral Resources following consideration by SKK Migas.
- Permen No. 37/2016 sets out the provision that a 10% participating interest (PI) must be offered to Regional Government-Owned Enterprises where the Oil and Gas Work Area is located from the approval of plan of development (POD) for the first field by the Minister of Energy and Mineral Resources. Oil and gas producing regions are facilitated to obtain 10% PI because the 10% investment may be borne by the KKKS.

d. Public service

The extractive industry sector is inseparable from public services. According to Article 1 section 1 of Law No. 25/2009 on Public Services, Public Services are activities or is a series of activities to fulfill the services needed by every citizen of goods, services, and/or administrative services provided by public service providers.

A derivative regulation of the Law is GR No. 96/2012 on the Implementation of Law No. 25/2009. Public service activities are aimed at meeting the basic needs and welfare of the people. Every public service provider must fulfill several standards designed to provide the public the widest possible access to information, which enables them to get essential services. These service standards are also aimed to minimize unwanted actions such as corruption. Public services are bound by information disclosure as regulated in Law No. 14/2008 on Openness of Public Information. A form of public service in the extractive industry public the integrated information system of Oil, Gas, Mineral, and Coal.

e. Employment

Workforce highly affects the performance of extractive industry. The extractive industry always develops and innovates, so the industry needs many human resources to run, design, and operate its business activities. Regulations that control labor in Indonesia, including that in the extractive industry, are Law No. 13/2003 on Manpower and Law No. 1/1970 on Work Safety. The laws set out the rights, obligations, and employment procedures to create suitable conditions for work activities.

f. Information Openness

The EITI report has two key principles, namely transparency and accountability. These principles are the mandate of Article 28 F of the 1945 Constitution, as explained in section 3.1, "Transparency" of this report and Law no. 14 of 2008 concerning Freedom of Information and Constitutional Court Decisions in force in the Republic of Indonesia

CHAPTER IV EXTRACTIVE INDUSTRY IMPLEMENTATION IN INDONESIA

4.1 Licensing for Extractive Industries (2018-2019)

4.1.1. Oil and Gas Sector

4.1.1.1 Types of License and Contracts

The upstream oil and gas business is managed in a Production Sharing Contract (PSC). This Contract places the state as the owner and holder of right to oil and gas resources, while companies act as contractors. The main principle is that the production of oil and gas (in-kind) is shared, but not the result of oil and gas sales (revenue). Both the Government and the Contractor are free to take and bring their respective portions of oil and gas to the destination of each party after the point of delivery. Before 2017, Production Sharing Contracts in Indonesia used a mechanism where oil and gas production is shared after operation cost is deducted from gross revenue (cost recovery).

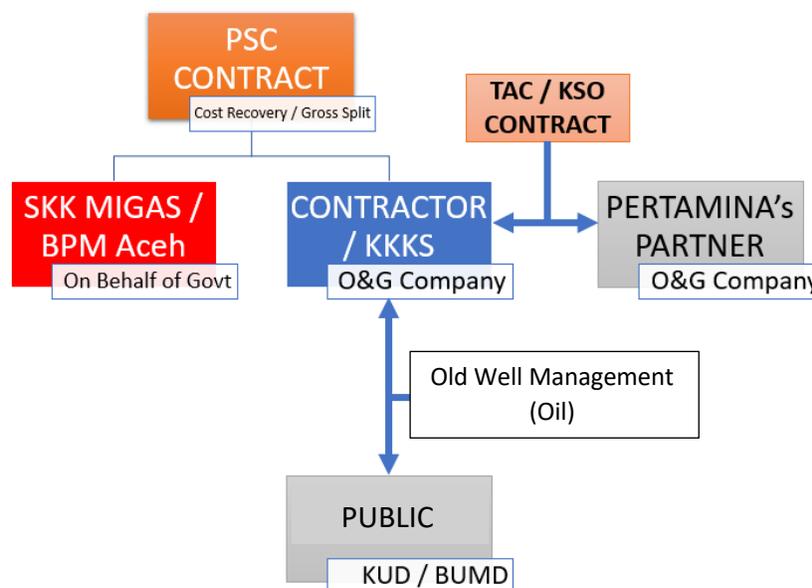


Figure 16. Structure of Oil and Gas Contracts in Indonesia

In 2017, the Indonesian Government began to implement the Gross Split Production Sharing Contract for new contracts. In this contract type, oil and natural gas production (Gross Production) is directly split based on a certain percentage for the Government and the Contractor. The Contractor's share of the split already calculates the operation costs incurred by the Contractor.

The current structure of oil and gas contracts in Indonesia between Contractors and the Indonesian Government (represented by SKK Migas) offers 2 (two) types of contracts, namely PSC with refund of operation costs (Cost Recovery PSC) and PSC without operation cost refund (Gross Split PSC).

Additionally, one Contractor, namely Pertamina, is given the opportunity by the Government to collaborate with other Contractors (KKKS), Regional Government-Owned Enterprises ('BUMD'), and the community (through Village Unit Cooperatives/'KUD') in managing Pertamina's Working Area (WK). Pertamina's cooperation schemes with any third parties are grouped into the following:

1. Joint Operating Body (JOB)
2. Joint Operation (JO)
3. Technical Assistance Contract (TAC)

Since 2007, PT Pertamina EP had eliminated the TAC scheme and replaced it with the JO scheme. The JO scheme allows an Exploration JO, while the TAC scheme did not. Based on GR No.35/2004, TAC scheme remains valid until the end of the existing contract period, after it ends, the TAC is no longer allowed in accordance with Article 104 PP 35/2004.

With the above structure of oil and gas contracts, both large and small companies and even the community through KUD can enter the upstream oil and gas industry according to their capacity and the level of risk they would like to take.

The following is a summary of PSC types carried out in the upstream oil and gas sector to date.

Table 12. Summary of Upstream Oil and Gas Contracts in Indonesia

Description	Cost Recovery	Gross Split	Joint Operation	Old Well
Contract with	Government (SKK Migas)	Government (SKK Migas)	KKKS/PT Pertamina	KKKS/PT Pertamina
Government Share	Available	Available	Available	Not Available
Signature bonus	Yes, Signature bonus for Government	Yes, Signature bonus for Government	Yes, Opportunity Cash Payment for PT Pertamina	No
Cost Recovery	Available	No Available	Available	Not Available
Exploration	Available	Available	Available	Not Available
Investment Cost	Large	Large	Medium	Small
DMO	Available	Available	Available	Not Available
ASR	Available	Available	Available	Not Available
Business Entities	PMDN/PMA/Foreign	PMDN/PMA/Foreign	PMDN/PMA/Foreign	BUMD/KUD

1. Cost Recovery Production Sharing Contract

Cost Recovery PSC is a form of Cooperation Contract in the Upstream Business. The total investment expenditure that has been paid in advance by the Contractor will be returned through a cost recovery mechanism from the results of commercial production produced in a Work Area.. The following figure illustrates cash flow of the Contractor and the Government under the cost recovery PSC scheme.

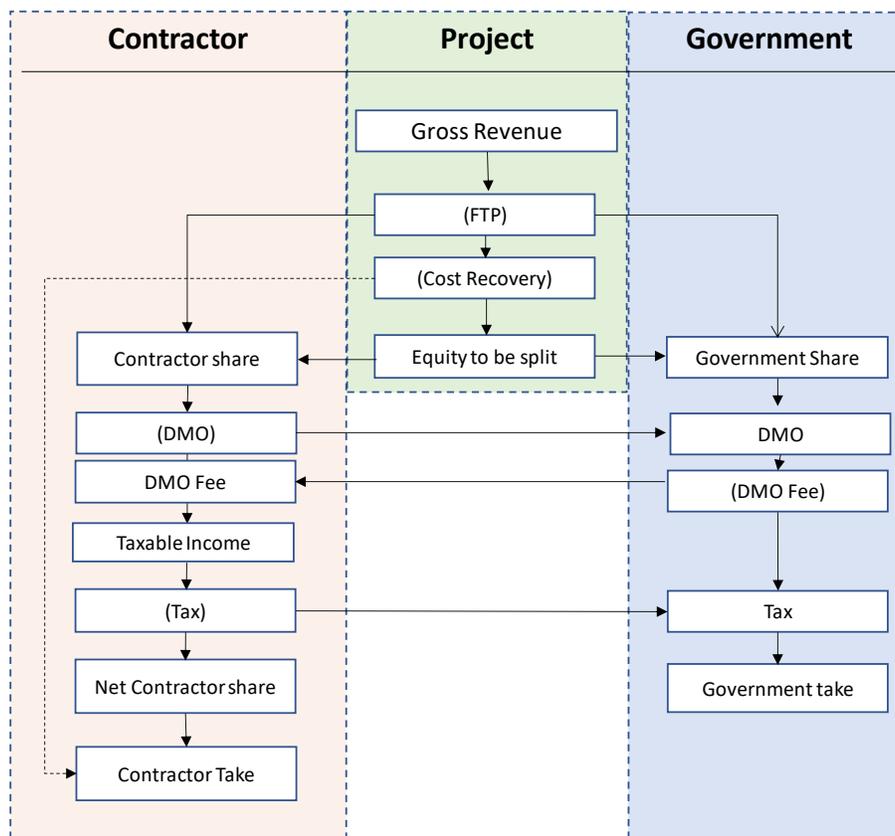


Figure 17. Cost Recovery PSC Scheme

Government’s in-kind revenue according to the cost recovery PSC scheme is derived from First Tranche Petroleum (FTP), Equity to be Split (ETBS), DMO (Domestic Market Obligation) and taxes.

FTP is a certain amount of crude oil and/or natural gas produced from a working area in a calendar year, collected and received by SKK Migas and/or KKKS each calendar year, before return of operating costs and production handling (own use) are deducted.

ETBS is the product available to be shared between SKK Migas and KKKS after deducting FTP, investment incentives (if any), and return of operating costs.

DMO is the obligation of KKKS to submit part of its rights in the form of oil and/or natural gas to meet domestic needs.

DMO Fee is a reward paid by the Government to the Contractor for the delivery of oil and / or natural gas to meet domestic needs by using the price set by the minister whose duties and responsibilities include Oil and Gas business activities.

2. Gross Split Production Sharing Contract

Gross Split PSC uses a mechanism to split gross production. The profit-sharing split consists of the initial profit sharing (base split), the variable component (variable split), and the progressive component (progressive split) as stipulated in the Gross Split PSC, without refund of operation costs. The Contractor's net revenue (net contractor share) in the Gross Split PSC is the Contractor's share after deducting operating expenses and income tax. Meanwhile, the state revenue (Government share) consists of state's share, bonuses, and Contractor's income tax. The following figure illustrates cash flow of the Contractor and the Government using the Gross Split PSC scheme.

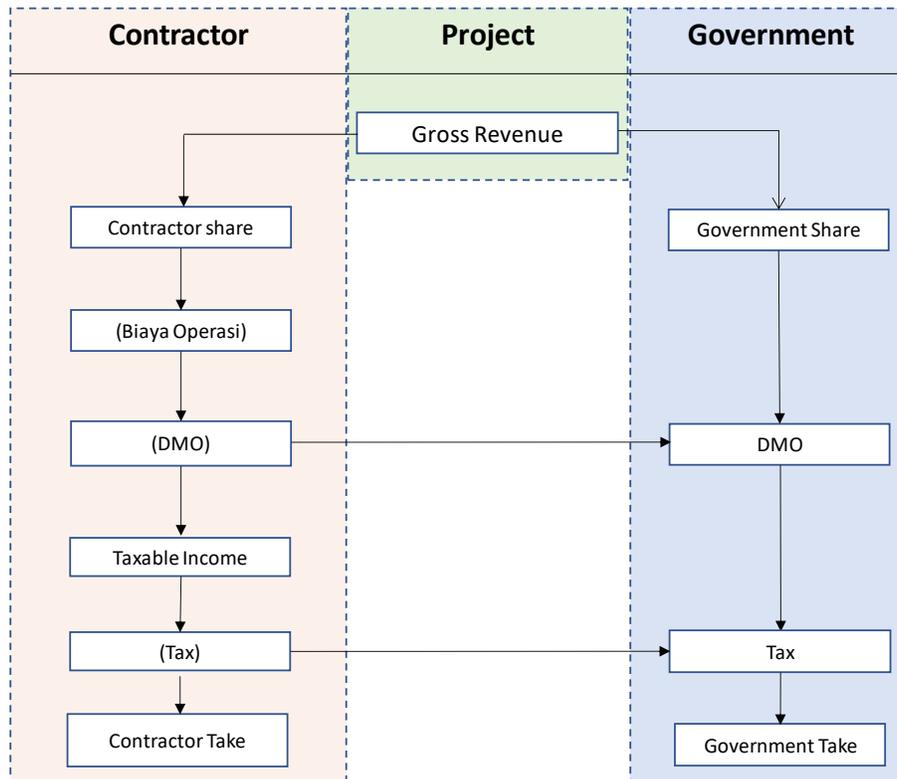


Figure 18. Gross Split Contract Scheme

There are three components for gross revenue split, namely base, variable, and progressive. Permen No. 52/2017 sets out detailed criteria and quantities for each component, as shown in the following table.

Table 13. Criteria and Quantities for the Gross Split Component

Component	Criteria and Quantities	
Base split	Oil, Government: 57%; Contractor: 43% Natural Gas, Government: 52%; Contractor: 48%	
Variable split	Infrastructure	Reservoir Type
	Well Developed 0.0%	Conventional 0.00%
	New Frontier Offshore 2.0%	Non Conventional 16.00%
	New Frontier Onshore 4.0%	CO2 Contents, %
	Development Field Status	<5 0.00%
	POD I 5.0%	5≤x<10 0.50%
	POD II 3.0%	10≤x<20 1.00%
	No POD 0.0%	20≤x<40 1.50%
	Reservoir Depth, m	40≤x<60 2.00%
	≤2500 0.00%	x≥60 4.00%
	>2500 1.00%	H2S Contents, ppm
	Production Phase	<100 0.0%
	Primary 0.0%	100≤x<1000 1.0%
	Secondary 6.0%	1000≤x<2000 2.0%
	Tertiary 10.0%	2000≤x<3000 3.0%
	Field location	3000≤x<4000 4.0%
	Onshore 0%	x≥4000 5.0%
Offshore (0<h<20m) 8%	API, Deg	
Offshore (20<h<50m) 10%	<25 1.00%	
Offshore (50<h<150m) 12%	≥25 0.00%	
Offshore (150<h<1000m) 14%	TKDN %	
Offshore (>1000m) 16%	30≤x<50 2.0%	
	50≤x<70 3.0%	
	70≤x<100 4.0%	
Progressive split	PROGRESIVE SPLIT	
	Oil Price:	(85-ICP) x 0.25%
	Gas price (US\$/mmbtu) :	
		< 7 : (7 - gas price) x 2.5%
		7 - 10 : 0
		> 10 : (10 - gas price) x 2.5%
	Cumm Production	MMBOE
	<30 10.0%	0
	30≤x<60 9.0%	30
	60≤x<90 8.0%	60
90≤x<125 6.0%	90	
125≤x<175 4.0%	125	
≥175 0.0%	175	

3. Joint Operating Body (JOB) Contracts

JOB is a cooperation contract conducted jointly between Pertamina and KKKS. At least three parties, namely the Indonesian Government, Pertamina, and KKKS, will sign the JOB contract.

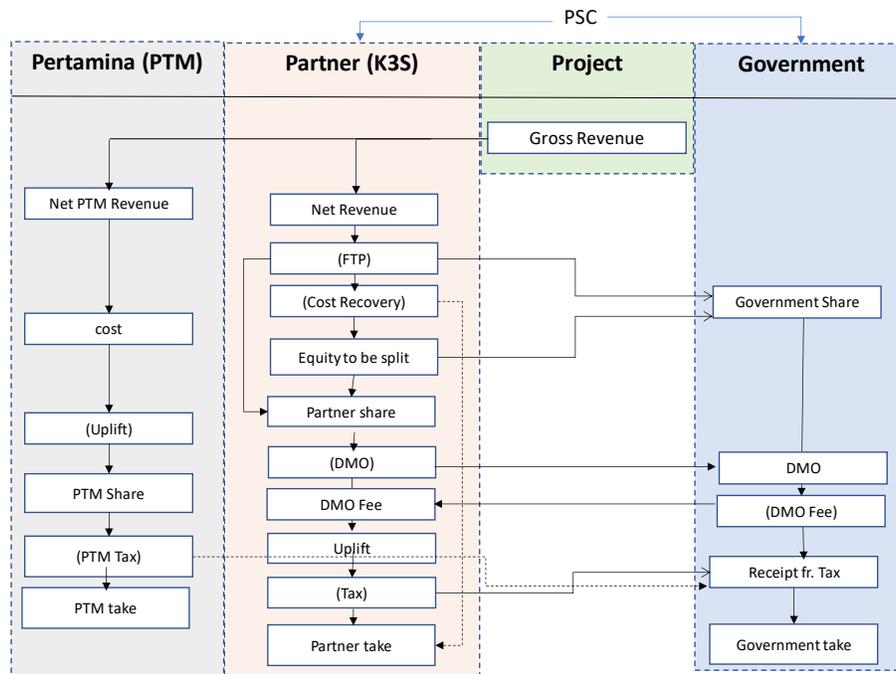


Figure 19. JOB Contract Production Sharing Scheme

In implementation, Pertamina and KKKS will form a consortium led by representatives from Pertamina. SKK Migas will supervise the performance of its operations, like it does to companies with PSC contracts.

Like a Cost Recovery PSC, the Government's share in the JOB contract comes from First Tranche Petroleum (FTP) and Equity to be Split as well as taxes from Pertamina and the Contractor.

4. Joint Operation Contract (JO)

A JO contract is a production sharing contract given by Pertamina to KKKS to manage Pertamina's old fields. In this case, the KKKS works as Pertamina's Contractor, while Pertamina is the one having a contract with the Government. In a JO contract, the Government's share comes from non-shareable oil/gas, Equity to be Split, and taxes from the Contractor and Pertamina.

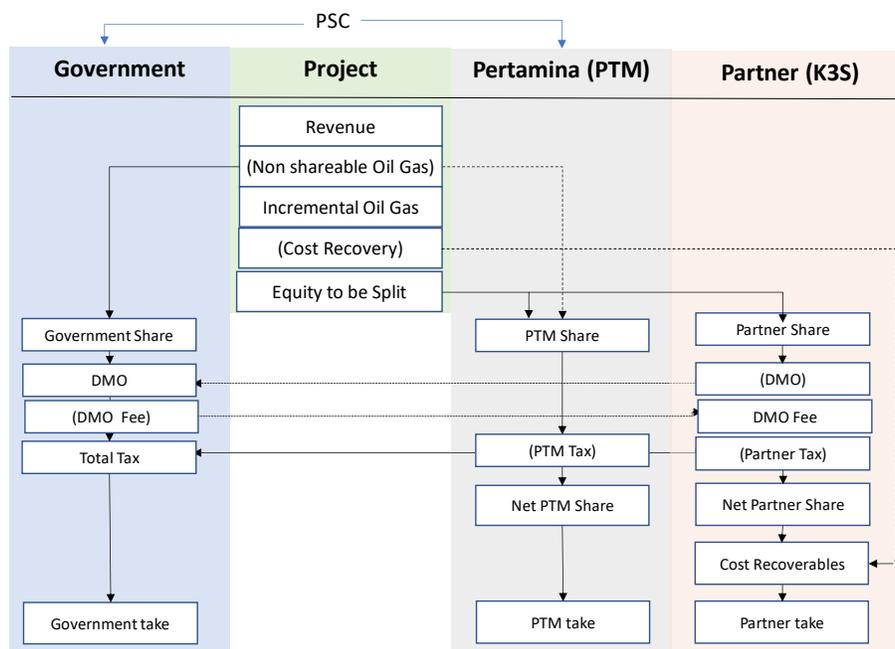


Figure 20. Production Sharing Scheme of the JO Contract

To qualify as Pertamina partner candidates in JO, a company must meet the following requirements:

- i. Must be a business entity or permanent establishment conducting business in oil and gas;
- ii. Must have experience and reputation in oil and gas exploration and production for at least six years as proven by company profiles and financial reports for the last three years (audited, except the final year may be unaudited);
- iii. Must have financial, technical, and Human Resources (HR) capabilities in upstream oil and gas business.

Inexperienced prospective partners may qualify if they can meet the following requirements:

- i. If the prospective partner has a parent company with experience in the upstream oil and gas sector: the parent company must provide a corporate guarantee letter made in notarial deed explaining that the parent company meets the requirements specified by Pertamina EP.
- ii. If the prospective partner does not have a parent company with experience in the upstream oil and gas sector: the prospective partner must cooperate with other companies with experience in the upstream oil and gas sector. The other companies must have a good reputation in the sector as evidenced by a legally binding document made in an authentic deed by a notary public.

The flexible requirements as a prospective partner is an excellent opportunity for companies wishing to enter the upstream oil and gas industry through Production Operations JO, which financing and risk level are relatively lower than those of the PSC contracts. Companies can enter exploration blocks because JO contracts offer Exploration JO or Production Operation JO.

Comparison between Cost Recovery PSC and Gross Split PSC

In some Oil and Gas Work Areas (WK), a gross split PSC is very profitable for the Contractor. There are more than 40 Gross Split PSC that have been signed to date. Some of these are conversion from the previously Cost Recovery PSC. The Government's effort to implement Gross Split PSC is a method to increase upstream oil and gas investment because there was no oil and gas work area awarded during 2016–2017 due to lack of demand.

The implementation of the KBH Gross Split aims to increase the efficiency and effectiveness of the profit-sharing pattern for Oil and Gas Production. To maintain the economics of the field for the Contractor, the field structures in the Work Areas that are different from each other will have different profit-sharing splits through the variable split component. In addition, the profit sharing split also adjusts to fluctuations in oil and gas prices.

In the event that a Work Area has received an additional profit sharing split from the variable split and progressive split components but it has not reached a certain economic value, the Contractor can submit a discretion to the Minister of Energy and Mineral Resources in the form of an additional profit share split

Table 14. Number of KKKS with Cost Recovery (CR) and Gross Split (GS) PSC 2018-2019

	2018			2019		
	GS	CR	Total	GS	CR	Total
Exploration KKKS	10	118	128	13	89	102
Exploitation KKKS	7	99	106	16	93	109
Total	17	217	234	29	182	211

Source: SKK Migas

4.1.1.2 WK Offer 2018-2019

From work area tender process during 2018-2019, nine contracts were signed, namely six contracts from bidding in 2018 and three contracts from 2019. The results show a positive indication that investors have started to receive the gross split contract after tender in 2016-2017 resulted in no winner.

Table 15. List of Blocks from 2018 Tender Process

Stage I 2018 (Direct Offer)	Stage II 2018 (Regular Bidding)
<ul style="list-style-type: none"> ● Citarum, West Java ● East Ganal, Makassar Strait ● East Seram, Maluku ● Southeast Jambi 	<ul style="list-style-type: none"> ● Banyumas, West Java – Central Java mainland ● Southeast Jambi B

Table 16. List of Blocks from 2019 Tender Process

NO	WORK AREAS	KKKS	SIGNATURE BONUS	FIRM WORK COMMITMENT/FIRM COMMITMENT
1	Anambas	Kufpec Indonesia (Anambas) BV	\$2,500,000	G&G, 600 Km ² 3D Seismic (license repro), 1 Well \$35,200,000
2	Salat Panjang	PT. Sumatra Global Energi-Zamatra Bakau Straits Ltd	\$5,000,000	G&G, 200 Km ² 3D Seismic, 500 Km ² 2D Seismic, 6 Well \$74,000,000
3	West Ganal	ENI West Ganal Limited-PT Pertamina Hulu West Ganal-Neptune West Ganal BV	\$30,000,000	G&G, 600 Km ² 3D Seismic, 600 Km ² 2D Seismic, 4 Well \$159,300,000

4.1.1.3 Transfer of Participating Interest (PI)

Issues related to the transfer of PI of a block include:

1. The PI transfer must be approved by the Minister of Energy and Mineral Resources following consideration of SKK Migas.
2. The Contractor cannot transfer PI to other parties other than its affiliates during the first three years of the exploration period.
3. Data disclosure to other parties in the context of PI transfer must obtain a permit from the Minister of Energy and Mineral Resources through SKK Migas.
4. Based on Permen ESDM No. 37/2016 article 16:
 - a. BUMD or PPD and / or BUMN shareholders who receive the 10% PI are prohibited from transferring their shares to other parties
 - b. BUMD or PPD and / or BUMN who receive the 10% of PI are prohibited from transferring their interest to other parties
5. Contractor's income tax from PI transfer is subject to final income tax on gross value with the following rates:
 - c. 5% for WK at exploration stage
 - d. 7% for WK at development/production stage

The list of PI transfers during 2018 approved and reported by the Directorate General of Oil and Gas are as follows:

Table 17. List of PI transfers during 2018

No	Approval Letter No.	Date of Transfer	Work Areas	Contractors transferring interest	Contractor receiving interest	Operator	% Transfer	Transfer Value Equivalent
1	SKK MIGAS LETTER NO.SRT-0324/SKKMA0000/2018/S0	-	Jabung	PT Pertamina (Persero)	PT Pertamina Hulu Energi Jabung	Petrochina International Jabung Ltd.	14.2857	-
2	MINISTER EMR LETTER NO. 15123/13/MEM.M/2018 OF 15 FEB 2018	1 August 2017	Sakakemang	Sakakemang Petroleum Ltd.	Talisman Sakakemang B.V.	Talisman Sakakemang B.V.	10	USD 2,000,000
3	MINISTER EMR LETTER NO 3085/13/MEM.M/2018 OF 5 NOV 2018	22 May 2018	Sakakemang	Talisman Sakakemang B.V.	Pc Sakakemang B.V.	Talisman Sakakemang B.V.	45	USD 17,280,000
4	MINISTER EMR LETTER NO 3085/13/MEM.M/2018 OF 5 NOV 2018	27 August 2018	Sakakemang	Talisman Sakakemang B.V.	Moeco Sakakemang B.V.	Talisman Sakakemang B.V.	10	USD 6,415,000
5	MINISTER EMR LETTER 2290/13/MEM.M/2018 OF 12 MAR 2018	-	Sanga-Sanga	Lasmo Sanga-Sanga Ltd.	Pt Karunia Utama Perdana	Virginia Indonesia Company (Vico), Llc	26.25	USD 35,632,876
6	MINISTER EMR LETTER NO 2899/12/MEM.S/2018 OF 10 JUL 2018	25 May 2018	Sanga-Sanga	Universe Gas & Oil Company	Triangle Energy Investment Pte., Ltd.	Virginia Indonesia Company (Vico), Llc	4.375	-
7	MINISTER EMR LETTER NO. 2740/10/MEM.M/2018 OF 20 APR 2018	28 December 2017	Seram Non Bula	Kufpec (Indonesia) Limited	PT Petro Indo Mandiri	Citic Seram Energy Ltd.	30	USD 10,022,277
8	MINISTER EMR LETTER NO. 2740/10/MEM.M/2018 OF 20 APR 2018	6 March 2018	Seram Non Bula	Citic Seram Energy Ltd.	PT GHJ Seram Indonesia	Citic Seram Energy Ltd.	10	USD 3,800,000
9	MINISTER EMR LETTER 2803/13/MEM.M/2018 OF 17 MAY 2018	-	Offshore North West Java	PT Pertamina Hulu Energi Offshore North West Java	PT Migas Hulu Jabar Offshore North West Java	Pt Pertamina Hulu Energi Offshore North West Java	10	-
10	MINISTER EMR LETTER NO.2935/13/MEM.M/2018 OF 30 JUL 2008	31 May 2018	South Natuna Sea Block "B"	Medco South Natuna Sea Ltd.	PT Medco Daya Natuna	Medco E&P Natuna Ltd.	35	USD 124,420,774.90
11	MINISTER EMR LETTER NO 1723/14/MEM.M/2018 OF 22 FEB 2018	-	Southeast Sumatra	Kufpec Indonesia (Ses) B.V.	PT GHJ Ses Indonesia	CNOOC Ses Ltd.	5	USD 5,902,868
12	MINISTER EMR LETTER NO.3063/13/MEM.M/2018 OF 15 OCT 2018	27 May 2018	Lemang	Eastwin Global Investment Ltd.	Mandala Energy Lemang Pte. Ltd.	Mandala Energy Lemang Pte. Ltd.	34	-
13	MINISTER EMR LETTER NO.2816/13/MEM.M/2018 OF 30 MAY 2018	16 September 2017	Lemang	PT Hexindo Gemilang Jaya	Mandala Energy Lemang Pte. Ltd.	Mandala Energy Lemang Pte. Ltd.	15	USD 11,000,000

Source: SKK Migas

Transfer of 10% PI to Regional Government-Owned Enterprises (BUMD)

Permen No. 37/2016 on Provisions for Offering 10% Participating Interest in Oil and Gas Work Areas requires KKKS to offer 10% PI to BUMDs from the approval of development plan for the first field production onshore and/or offshore of up to 12 nautical miles. For the 10% PI owned by the BUMD, the KKKS pays the amount of BUMD's financial obligation in advance. The BUMD pays back its loan from its share in the oil and/or natural gas production according to the cooperation contract without interest.

The Ministry of Energy and Mineral Resources also issued Permen No. 23/2018 on Management of Oil and Natural Gas Work Areas which Cooperation Contract will Expire. The Permen clearly requires Contractors who wish to apply for cooperation extension to accommodate BUMD participation with a maximum PI of 10% after the signing of the cooperation contract. In addition, it is suggested that there are limitations to the transfer of PI to non-affiliates for the first 5 years of the Working Areas of Exploitation.

The 10% PI transfer to BUMD resulted from the issuance of Permen No. 37/2016 are:

- PT. Pertamina Hulu Energi (PHE) has signed a Transfer and Management Agreement for 10% Participating Interest (PI) in Offshore North West Java (ONWJ) block with PT. Migas Hulu Jabar ONWJ (MUJ ONWJ) representing West Java Provincial Government
- PT Pertamina Hulu Mahakam (PT PHM) has signed a Transfer and Management Agreement of 10% Participating Interest (PI) in Offshore Mahakam block with PT Migas Mandiri Pratama Kutai Mahakam (PT MMPKM) representing East Kalimantan Provincial Government and Kutai Kartanegara Regency Government.

4.1.1.4 Contract Termination

According to the latest data from SKK Migas, throughout 2018, there were six Work Areas (WK) whose management was officially taken over by Pertamina. The six WK are Sanga-Sanga, East Kalimantan, and Attaka blocks; South East Sumatra (SES), Tuban, Ogan Komering, and North Sumatra Offshore (NSO). It has been estimated that production of the six terminated WKs is to reach 617 Million Barrels of Oil Equivalent (MMBOE).

In the first semester of 2019, there were two WK whose full management rights were officially held by Pertamina, namely the Jambi Merang block and the Raja and Pendopo blocks. These two WKs have a total production of 114 MMBOE.

In mid-2019, Pertamina again received a big task from the Indonesian Government to manage the natural gas block named the Corridor Block in Musi Banyuasin Regency, South Sumatra Province, together with Conoco Phillips and Repsol. Before fully operating the Corridor Block in 2026, Pertamina will increase its PI in the work area to 30% by December 19, 2023.

The legal bases to evaluate extension and/or transfer of management of cooperation contracts are EMR Ministerial Regulation (Permen) No. 23/2018 on Management of Oil and Gas Work Areas which Cooperation Contract will Expire. and EMR Permen No. 28/2018 on Amendment to Regulation of Permen No. 23/2018 on Management of Oil and Gas Work Areas which Cooperation Contract will end. There are 30 Cooperation Contracts that expire in 2018-2026. In 2019, there were 5 work areas which extension or transfer of management was processed, namely:

Table 18. Work Areas which Extension or Transfer of Management was Processed in 2019

NO	WORK AREAS	CONTRACTOR	COOPERATION CONTRACT	
			SIGNED	EFFECTIVE
1	Rokan	PT Pertamina Hulu Rokan (100%)	9 May 2019	9 August 2021
2	Rimau	PT Medco E&P Rimau (95%) Perusahaan Daerah Pertambangan dan Energi (5%)	14 February 2019	23 April 2023
3	Corridor	Conoco Phillips (Grissik) Ltd (46%) PT Pertamina Hulu Energi Corridor (30%) Talisman (Corridor) Ltd (24%)	11 November 2019	20 December 2020
4	Pangkah	Saka Indonesia Pangkah Limited (65%) Saka Indonesia Pangkah BV (25%) Saka Pangkah (10%)	18 October 2019	8 May 2026
5	Masela	Inpex Masela Ltd. (65%) Shell Upstream Overseas Services (I) Limited (35%)	10 October 2019	16 November 2035

4.1.1.5 Management of State Assets from Terminated Cooperation Contracts

Broadly speaking, the management of state assets from terminated cooperation contracts fall into three categories, namely:

1. State assets in the forms of capital goods, inventory items, and land: utilized by new/successor Contractor under a lease mechanism.
2. State assets in the form of supplied material: can be utilized by new/successor Contractor by making a deposit into state treasury account in the amount of the supplied materials.
3. State assets which are no longer used: the assets will be scrapped according to the prevailing regulations.

The Indonesian Government has issued Minister of Finance Regulation (PMK) No.89/PMK.06/2019 on Management of State Assets Originating from Upstream Oil and Gas Business Cooperation Contracts. According to this ministerial regulation, utilization of state assets from terminated cooperation contracts can be done through lease, using the terminated area, transfer, or borrowing by regional governments.

However, from the implementation point of view, oil and gas business players see this regulation as adding to the bureaucratic chains, starting from planning, budgeting, procurement, maintenance, and elimination of state assets that involve ministries other than the Ministry of Energy and Mineral Resources as the technical ministry.

Also, this regulation requires gross split contractors to observe new procurement regulations issued by the Government. It is not in line with the principle of gross split contracts where Contractors have the freedom to procure goods and services.

The other problems faced by Contractors are the imposition of fees for the utilization of state assets from terminated contract and compensation for remaining spare parts inventory, which

will be reused when the extension contract has been signed. In addition to the costs, the fees and compensation will become economic burden on the extension contract. The amount of rental or compensation rates paid by Contractor is unclear at the time the extension contract is signed because the amount has to be discussed with the Directorate General of State Assets of Ministry of Finance.

In terms of lease rates on state assets from terminated contract, even though the same equipment is used in the old and the new extension contracts, the economic implications are not necessarily the same if rental costs are equal. If an oil and gas work area is marginal, the same rental fee will have a harmful impact.

Another issue is that if only part of the state assets from terminated contract is to be reused, what about the rest of the state assets not to be reused? Coordination is needed between the Ministry of Energy and Mineral Resources and the Ministry of Finance about state assets from terminated contracts. If state assets must be disposed of, it is necessary to lay out strict criteria to determine which state assets in the upstream oil and gas business that can be sold directly or which ones through tender.

The provisions of Oil and Gas Upstream State Asset management have a very strategic influence on the investment climate as well as oil and gas exploration and exploitation activities. Upstream oil and gas industry players really hope that the provisions of Oil and Gas Upstream State Asset management can support the creation of a good oil and gas investment climate in achieving the target of 1 MBOPD oil production and 12 BSCFD gas production by 2030. In line with this, to increase investment interest in the upstream industry oil and gas according to Presidential Instruction Number 7 of 2019 dated November 22 2019 concerning the Acceleration of Ease of Doing Business and in line with efforts to optimize state revenues through increasing production and lifting of oil and gas, the Ministry of Finance at the end of September 2020 issued PMK 140 of 2020 which at the same time revoked PMK 89 of 2019. In the newly issued PMK, the provisions for leasing fees for BMN Ex Termination have been removed and the use Oil and Gas Upstream State Asset, ex-terminated Contractors, can be carried out by the transfer of management contractor after obtaining the determination of the Technical Minister for the Approval of the Terms and Conditions of the Work Area.

4.1.1.6 Old Well Management

In the management of old wells, Regional Government-Owned Enterprises (BUMD) or Cooperatives (KUD) must submit an application for exploitation and production of petroleum to the Contractor with a copy sent to the Minister of Energy and Mineral Resources and the Director General of Oil and Gas. The application is attached by administrative and technical documents such as deed of establishment of the KUD or BUMD and its amendments, Company Registration Certificate (STDP), Taxpayer Identification Number (NPWP), and Certificate of Domicile (SKD).

Old well drilling can be carried out at the work area of a Contractor by BUMD or KUD after permission is obtained from the Minister of Energy and Mineral Resources, especially the Director General of Oil and Gas. Old well drilling is divided into two main activities, namely lifting and transporting. Lifting refers to the transfer of oil from below the ground to the surface, while transport is the carrying of net-oil to the point of sales delivery. In old well exploitation and production, the business entities are not allowed to do well work.

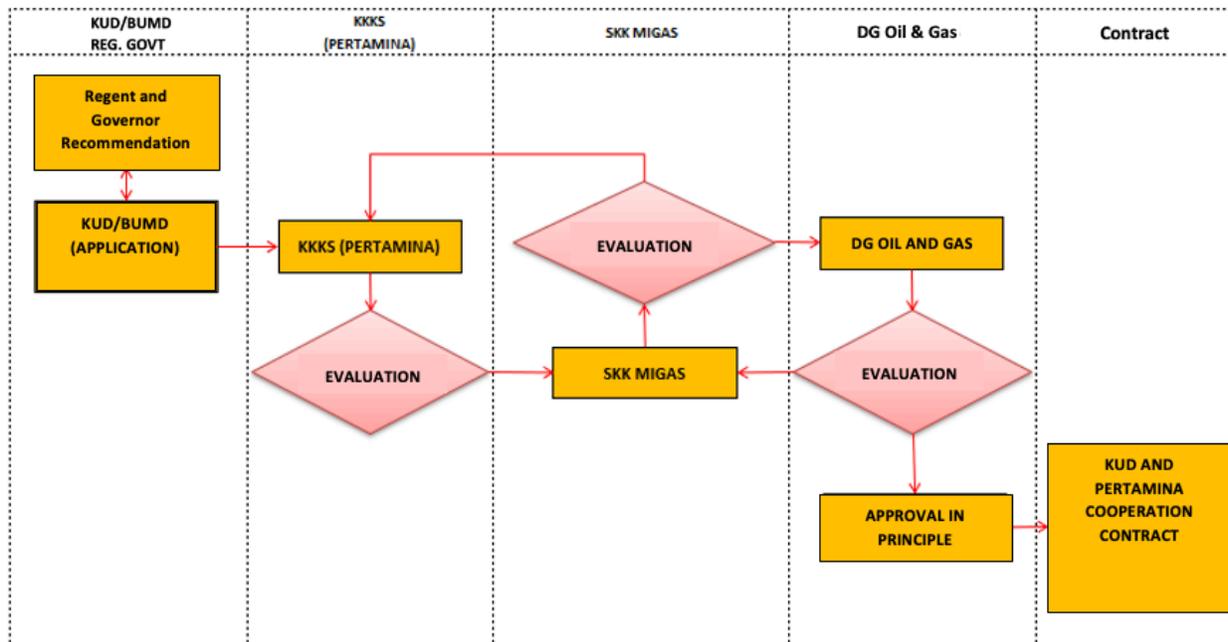


Figure 21. Scheme of Application for Old Well Management Permit

In practice, KUDs formed by people who live near old well locations do not have sufficient capacity to operate old wells based on Permen No. 01/2008, both in terms of getting recommendation letter and the fund to exploit old wells. The exploitation of old wells by the community is usually financed by investors who provide the funding. Thus, the Government needs to make a formula that enables the community to operate old wells without depending on capital owners. The Ministry of Energy and Mineral Resources has previously made a regulation about 10% Participating Interest for BUMDs that requires BUMD to be independent of capital addition from investors.

Still, another issue that needs to be considered is the inconsistency of Permen No. 1/2008 with Law No. 23/2014 on Regional Government. In Permen No.1/2018, old wells management can be carried out by KUD or BUMD by submitting a request letter to the Contractor which is attached with recommendation by Regency/City Government and approval by Provincial Government. Meanwhile, Article 14 section 3 of Law No. 23/2014 states that government affairs in the energy and mineral resources sector especially when related to oil and natural gas management are the authority of the Central Government. For this reason, there is the need to amend Permen No. 1/2008 to adjust with rules about the power of Regional Government.

Until now, approval for old well production has been issued by the Director General of Oil and Gas on behalf of the Minister of Energy and Mineral Resources to 2 (two) KUDs, KUD Wargo Tani Makmur in Bayubang field and KUD Unggul in Cipluk field . Approval was also given to six BUMDs, namely PT. Blora Patra Energi in the Petak field; PT. Blora Patra Energi in the Ledok and Semanggi fields; PT. Bojonegoro Build Facilities in Wonocolo field, Dandangilo, Ngrayong; PD. Aneka Tambang in the Gunung field; PD. Purwa Aksara at the Gabus field; PT. Petromuba at the Babat and Kukui fields..

In 2020, the Government issued approval for 2 BUMDs to produce petroleum from old wells. The BUMDs that received approval are BUMD Petro Muba with 565 old wells in Musi

Banyuasin Regency, South Sumatra Province, and BUMD Blora Patra Energi with 267 old wells in Blora Regency, Central Java Province. The daily production of both BUMDs reaches 150-700 BOPD. There are 8 KUD/BUMD that manage old oil wells in Indonesia in the areas belonging to PT Pertamina EP. These wells are located in South Sumatra, Central Java, and East Java Provinces.

It is necessary to carry out guidance and supervision of old well operation. Accidents have occurred in several regions in Indonesia where drilling are carried out by illegal drillers who do not understand wells condition and the dangers of technical errors in oil production.

The Government can guide these illegal miners with the following aims:

1. To provide a comprehensive understanding of the security and safety elements and the various potential hazards in oil and gas exploitation.
2. To explain the official routes that may be taken by the locals to optimize old, marginal wells as their economic resources.
3. To assist the locals to legally comply with the rules about old wells management so that they can live independently.

Professional management of old wells is expected to create positive impacts on the area including:

1. Reducing Illegal Drilling:

Every year, illegal drilling claims a large number of victims. Successful management of old wells by obeying applicable regulations will set an example for the local community and attract them to join in safe, legal drilling operation.

2. Repairing Damaged Environment:

Old well management is regulated by the principles of Safety, Health, and Environmental Protection. Damaged environment will recover gradually, while workers safety is guaranteed.

3. Employing Local Communities:

Old well operations involve local communities during land preparation and production. Thus, it absorb labor and reduce unemployment rate in the area.

4. Direct Use of Products:

Under the production-sharing system, the locals can enjoy the products directly and increase their income.

5. Increased Investment in Producing Regions:

Investment by the locals is made in the producing area and by the local communities (from the community, by the community, and for the community principle).

4.1.2. Mineral and Coal Sector

This section explains extractive industry licensing in the mineral and coal sector in 2018-2019, based on Law No. 4/2009 on Mineral and Coal Mining.

4.1.2.1 Determination of Mining Areas (WP)

In mineral and coal mining licensing, determination of Mining Area (WP) is the first and key thing to do. WP is an area with mineral or coal potential, on ground or underground, onshore or offshore, and not bound by government administrative boundaries, that is part of national spatial plan. WP consists of Mining Business Areas (WUP), People Mining Areas (WPR), and State Reserved Areas (WPN), set out in a map that can be accessed systematically in accordance with the Indonesian National Base Map index. The WUP becomes the basis for the Minister and Governor, according to their respective authority, to determine mining business license area (WIUP). A WUP status can be changed into WPN or WUPK. WPR is the basis to issue people mining licenses, while WPN is the basis for the Minister to determine Special Mining Business Area (WUPK). The WUPK becomes the basis for the Minister to determine WIUPK.

The Minister of Energy and Mineral Resources have issued several ministerial decisions (Kepmen) on WP determination. The determination can be changed once every five years according to the provisions of laws and regulations. There has been no change and addition of new WP in 2018-2019. WP determination for each island in Indonesia and the maps are listed below:

- Kepmen No. 3669K/30/MEM/2017 on Determination of Sumatra Island Mining Areas
- Kepmen No. 3670K/30/MEM/2017 on Determination of Kalimantan Island Mining Areas
- Kepmen No. 3671K/30/MEM/2017 on Determination of Maluku Islands Mining Areas
- Kepmen No. 3672K/30/MEM/2017 on Determination of Java and Bali Islands Mining Areas
- Kepmen No. 3673K/30/MEM/2017 on Determination of Sulawesi Island Mining Areas
- Kepmen No. 3674K/30/MEM/2017 on Determination of Nusa Tenggara Islands Mining Areas
- Kepmen No. 3675K/30/MEM/2017 on Determination of Papua Island Mining Areas

Figure 22 to Figure 28 show the map of mining areas in each island.



Figure 22. Map of Sumatra Island Mining Areas

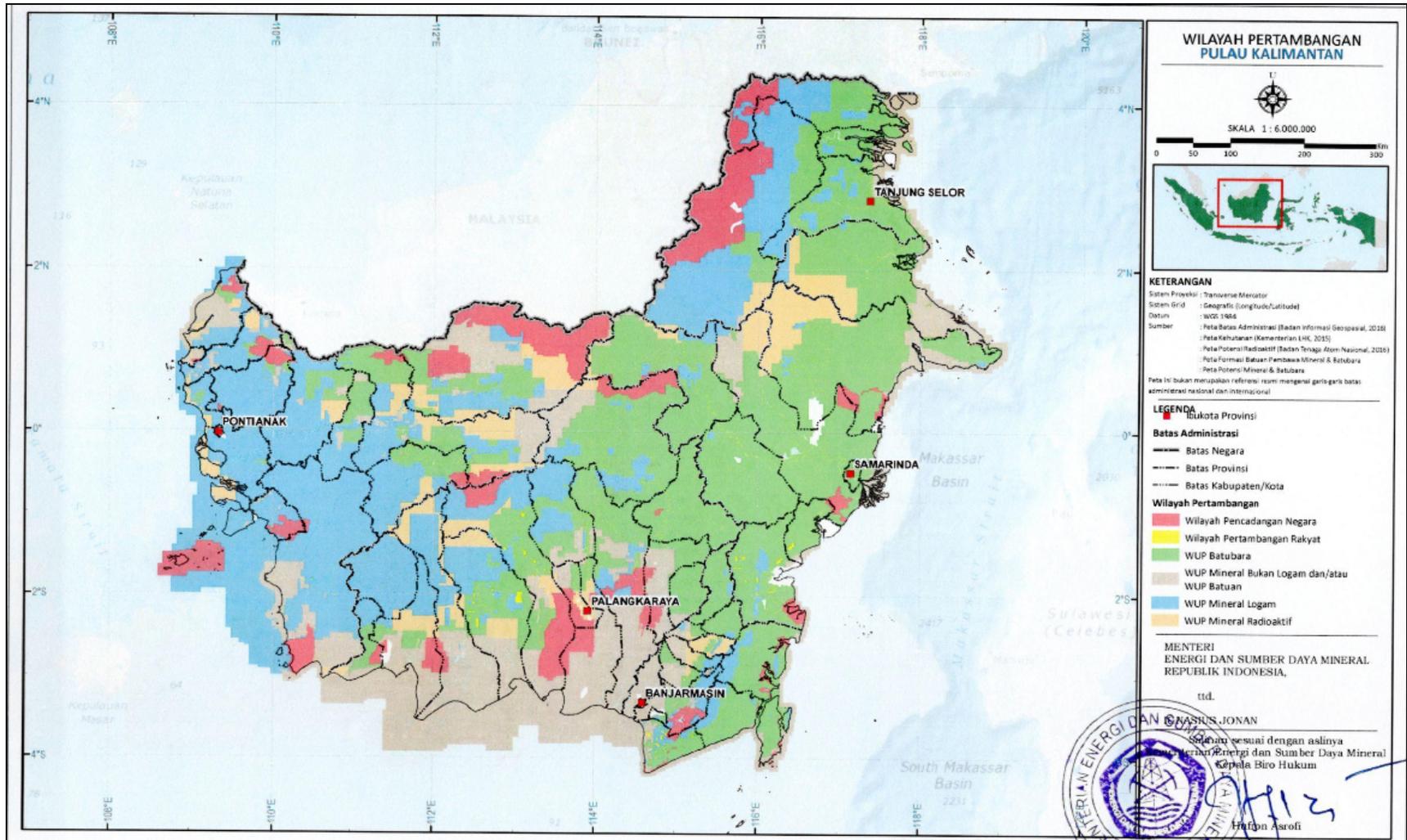


Figure 23. Map of Kalimantan Island Mining Areas

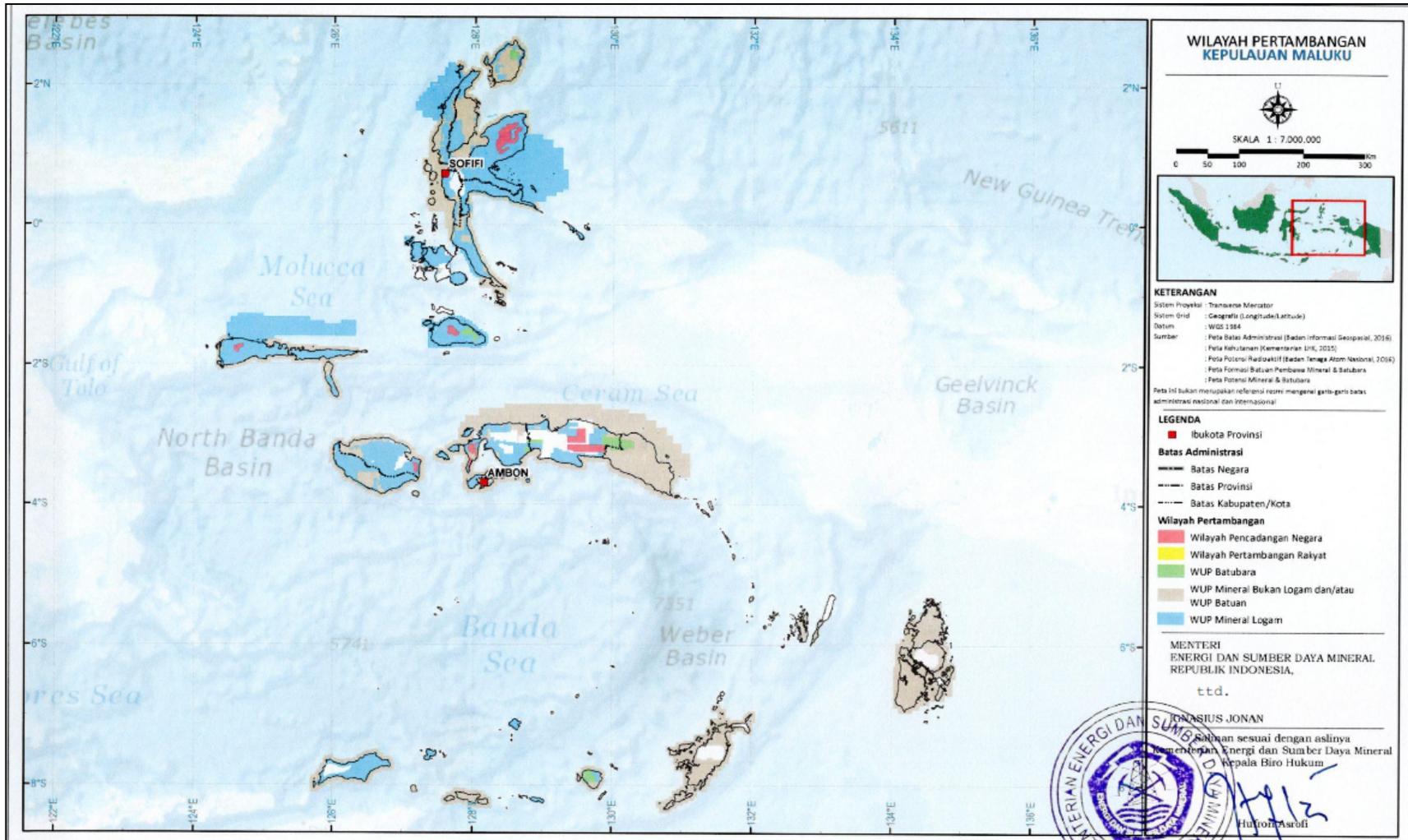


Figure 24. Map of Maluku Islands Mining Areas



Figure 25. Map of Java and Bali Mining Areas

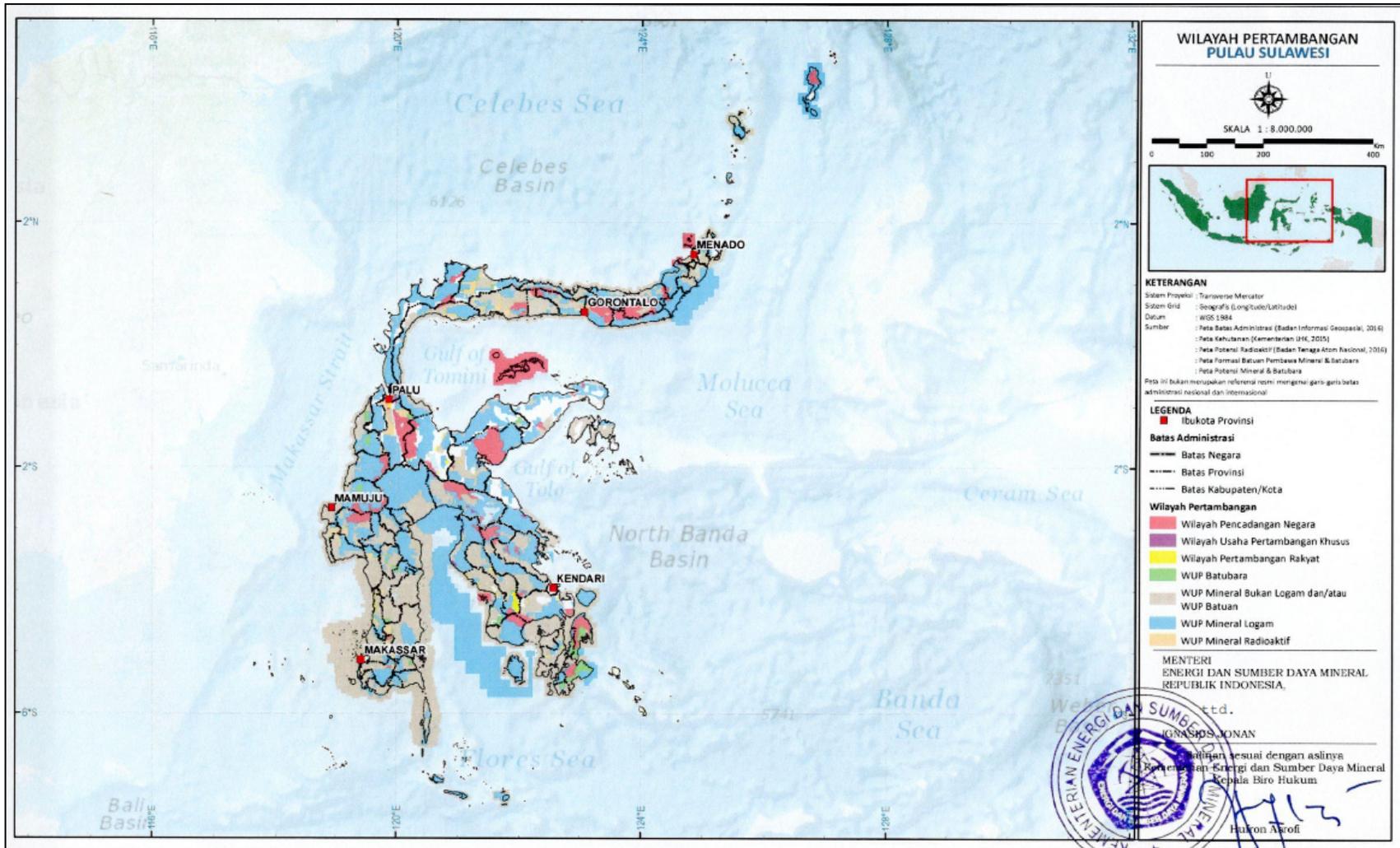


Figure 26. Map of Sulawesi Island Mining Areas



Figure 27. Map of Nusa Tenggara Islands Mining Areas

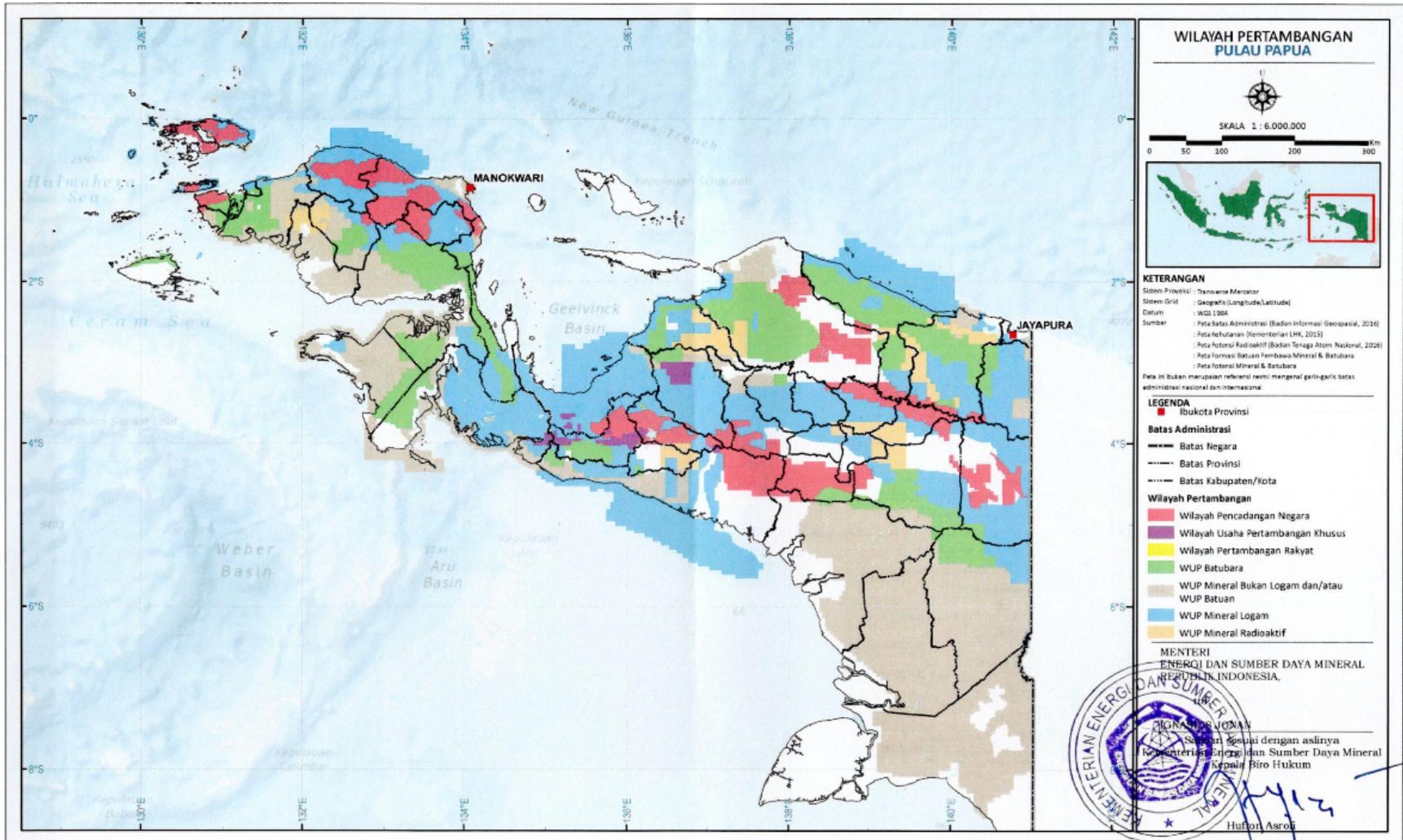


Figure 28. Map of Papua Island Mining Areas

4.1.2.2 Contracts and Licenses

There are two systems in mineral and coal exploitation in Indonesia, namely Contract and licenses systems. Before the issuance of the Mineral and Coal Law, mining operations in Indonesia for foreign companies (investors) used a contract system known as Contract of Work (COW) for mineral mining and Coal Mining Business Work Agreement (PKP2B) for coal mining, which was based on Law No. 11/1967 on General Mining Provisions. However, Law No. 4/2009 on Mineral and Coal Mining states that mining business activities are carried out under a licensing system which consists of mining business license (IUP), people mining license (IPR), and special mining business license (IUPK). COW and PKP2B can extend their activities after the contract period expire, but they will have to convert their status into Production Operation Special IUP (IUPK). Meanwhile, Mining Authority (KP) must be adjusted to become IUP or IPR.

Changes in Mining Contract Status

Law No. 4/2009 on Mineral and Coal Mining determines changes in the status of mining contracts (COW and PKP2B) to a license (IUPK). One of the considerations underlying this change is because the COW and PKP2B management systems may create problems in the concept of state control over Indonesia's natural resources. A mining contract is defined as an agreement between the Government of Indonesia and an Indonesian legal entity in which has been formed as a vehicle for foreign investment to carry out minerals and coal mining business.

For investors, the contract system is more desirable because it can guarantee long-term mining investment. Companies can ensure fiscal stabilization under the contract system because the types and rates of taxation follow the types and tax rates applicable at the time of the signing of the contract/agreement and are valid until the expiry of the contract/agreement period.

Since the issuance of Law No. 4/2009, IUP licenses for metallic minerals and coal have been issued through a tender process, not the application process. The first tender for IUP area was done in 2018. In the period 2009-2018, the Indonesian Government had focused on sorting out permits that had been issued by Regional Governments. The number of IUP decreased during this period, which is a logical consequence because no new licenses were issued. At the same time, several permits had expired, been revoked and/or not been extended.

The Ministry of Energy and Mineral Resources (MEMR) had approved the application for changes in the mining business of PT Freeport Indonesia (FI) and PT Amman Mineral Nusa Tenggara (AMNT) into Special Mining Business Licenses (IUPK) of Production Operation for Metallic Minerals through Ministerial Decision (Kepmen) No. 414 K/30/MEM/2017 of February 10, 2017. Previously, PT FI applied for a change in its business into Production Operation IUPK through a letter of its President Director No. 564/OPD/I/2017 dated January 26, 2017, regarding Application for Change in the Form of Mining Business. Meanwhile, PT AMNT submitted its application through a letter of the Board of Directors No. 239/PD-RM/AMNT/I/2017 dated February 9, 2017, regarding Application for Special Mining Business License of Production Operations of PT Amman Mineral Nusa Tenggara.

Holders of IUP and IUPK in the context of foreign investment must divest 51% of the shares to national parties. The divestment process of PT Freeport was completed on December 21, 2018, after about two years of negotiation. The transfer of shares was officially marked by a payment process and issuance of Special Mining Business License of Production Operation (IUPK-OP)

as a substitute for PT Freeport's Contract of Work, which contract was terminated after the IUPK-OP was issued.

Two COWs (PT Freeport and PT AMNT) were converted into IUPK in 2017, while one COW ended in 2018, namely COW of PT Karimun Granit, because the contract expired. Moreover, two PKP2Bs were terminated in 2017. The PKP2B of Asmin Koalindo Tuhup (AKT) was unilaterally terminated by the Indonesian Government on October 19, 2017 because AKT violated a clause in the contract. Next, the PKP2B of Eksatya Yanatama was terminated by the Government on June 22, 2017 because the company did not submit its Work and Budget Plan (RKAB) and mandatory fixed fees.

Additionally, the PKP2B of PT Tanito Harum in Kutai Kartanegara Regency, East Kalimantan Province, terminated on January 14, 2019. The contract had expired and not been granted extension by the Government.

In 2018, Provincial Governments and the Directorate General of Mineral and Coal reconciled IPR data. The data was synchronized between the IPR registered at the Directorate General of Mineral and Coal and the IUP and IPR registered, valid, and submitted by District/City governments to Provincial government as regards the transfer of authority set out in Law No. 23/2014. District/City governments did not submit data on expired IPR, so the data was omitted from the database. In 2019, 16 IPR were registered and valid. Table 19 shows the number of contracts and licenses in the mineral and coal sector in 2015-2019.

Table 19. Number of Mineral and Coal Contracts and Licenses 2015–2019

No	Contract/License Type	2015	2016	2017	2018	2019
1	IUP	10,092	9,144	8,449	5,560	3,161
2	IUPK	-	-	2	2	2
3	KK	34	34	34	32	31
4	PKP2B	75	74	70	68	67
5	IPR	230	159	179	112	16

Source: Directorate General of Mineral and Coal, 2020

From the number of contracts that are still valid today, several PKP2B of generation I and generation I+ will expire in the period between 2020 and 2025 (Table 20). The licenses for PKP2B which contracts will expire are being processed at the Ministry of Energy and Mineral Resources according to the provisions of the current Mineral and Coal Law.

Table 20. List of PKP2B Generation I that Will Expire in Period 2020–2025

No	Company	Area (Ha)	End of Term	Location
1	PT Arutmin Indonesia	57,107	1-Nov-20	South Kalimantan
2	PT Kendilo Coal Indonesia	1,869	13-Sep-21	East Kalimantan
3	PT Kaltim Prima Coal	84,938	31-Dec-21	East Kalimantan
4	PT Multi Harapan Utama	39,972	1-Apr-22	East Kalimantan
5	PT Adaro Indonesia	31,380	1-Oct-22	East Kalimantan
6	PT Kideco Jaya Agung	47,500	13-Mar-23	East Kalimantan
7	PT Berau Coal	108,009	26-Apr-25	East Kalimantan

Source: Ministry of Energy and Mineral Resources

Clean and Clear (CnC) and Non-CnC for IUP

In the mineral and coal licensing system, there is the concept of Clear and Clean (CnC) for IUP. CnC is actually a form of IUP Moratorium adopted to sort out mineral and coal mining permits as set out by Permen No. 43/2015 on Procedures to Evaluate the Issuance of Mineral and Coal Mining Business Licenses. Article 25 of Permen No. 43/2015 states that a CnC recommendation by the Governor must be sent to the Directorate General of Mineral and Coal at least 90 days after the Permen No. 43/2015 is issued. After this period, no CnC recommendation will be received. However, Article 112 of Permen No. 11/2018 states that any IUP granted after Permen No. 11/2018 was issued do not require CnC status. Thus, the Indonesian Government has simplified licensing in the mineral and coal sector.

People Mining and Mining Without Permits (PETI)

People Mining and Mining Without Permits (PETI) are usually carried out by local people living around mining areas. People Mining has its legal bases on Law No. 4/2009 on Mineral and Coal Mining, GR No. 22/2010 on Mining Areas, GR No. 23/2010 on Implementation of Mineral and Coal Mining Business Activities as amended five times, last by GR No. 8/2018. Meanwhile, PETI is not regulated by any regulations, and declared illegal. There are 16 People Mining Licenses (IPR) officially registered at the Directorate General of Mineral and Coal (Table 21).

Table 21. Number of People Mining Licenses by Province in 2019

Province	IPR
West Sumatra	5
Riau Island	1
East Java	3
Banten	1
West Nusa Tenggara	2
East Nusa Tenggara	2
Gorontalo	2
TOTAL	16

4.1.2.3 WIUP and WIUPK Tenders

Based on Law No. 4/2009, the tender process for Mining Business License Areas (WIUP) is carried out according to the authority of Regional Governments. In contrast, the Central Government carries out Special Mining Business License Areas (WIUPK) by prioritizing SOE and Regional Government-Owned Enterprises (BUMD). If no SOE or BUMD is interested, the Government will organize an open tender involving the private sector. The regulation that governs the tender for Mining Business License Areas is EMR Ministerial Regulation (Permen) No. 7/2020, which states the plan to put WIUP for metallic minerals and coal out to tender must be announced no later than one month before the tender. The tender process is governed by EMR Ministerial Decision (Kepmen) No. 24 K/30/MEM/2019 on amendment to Kepmen No. 1798 K/30/MEM/2018 on Guidelines for Preparation, Determination, and Granting of WIUP and WIUPK.

The areas put out to tender will be announced in the websites of Ministry of Energy and Mineral Resources and the Directorate General of Mineral and Coal, and in the e-tender website. Business entities wishing to participate in the tender must register by submitting all required documents.

Tender winners must pay Compensation for Data and Information (KDI), which amount is set in a ministerial decision. High KDI cost is considered a burden for companies because they still have to put additional investment for exploration activities. The KDI for WIUP or WIUPK is based on the Formula to Calculate Compensation for Data and Information, as follows:

$$\text{KDI WIUP} = P1 + P2 + P3 + P4$$

and

$$\text{KDI WIUPK} = (K1 \times P1) + P2 + P3 + P4$$

P1: Area Block Price (Rupiah)

P2: Deposit Type Block Price (Rupiah)

P3: Region Status Block Price (Rupiah)

P4: Distance to Loading/Transshipment Point Block Price (Rupiah)

K1: Area Size (Hectare)

Table 22 shows a list of WIUPK that were tendered by the Central Government in 2018, and **Table 23** shows a list of WIUP that were tendered by the Provincial Government in 2019.

Table 22. List of WIUPK Tenders in 2018

No	Block	Province	Commodity	Area (Ha)	KDI Price (Billion Rp)	Status
1	Latao	Southeast Sulawesi	Nickel	3,148	414.8	No enthusiast. Re-tender
2	Suasua	Southeast Sulawesi	Nickel	5,899	984.85	No enthusiast. Re-tender
3	Matarape	Central Sulawesi	Nickel	1,681	184.05	Won by PT Antam Tbk
4	Kolonodale	Central Sulawesi	Nickel	2,180	209	Applicants not qualify. Re-tender
5	Bahodopi Utara	Central Sulawesi	Nickel	1,896	18.,8	Won by PT Antam Tbk
6	Rantau Pandan	Jambi	Coal	2,826	352.6	Applicants not qualify. Re-tender

Source: Ministry of Energy and Mineral Resources

Table 23. List of WIUP Tenders in 2019

No	Block	Province	Commodity	Area (Ha)	KDI Price (Billion Rp)	Status
1	Mulya Agung	Central Kalimantan	Iron Ore	97,144	225	No enthusiast.
2	Waringin Agung	Central Kalimantan	Gold	98,820	225	No enthusiast.
3	Tumbang Karanei	Central Kalimantan	Gold	96,719	225	No enthusiast.
4	Silo	East Java	Gold	4,023	150	Canceled at the request of Regent.
5	Sribatara	Southeast Sulawesi	Asphalt	743	115	Not yet held
6	Natai Baru	Central Kalimantan	Coal	6,674	190	No enthusiast.
7	Tumbang Nusa	Central Kalimantan	Coal	7,169	190	No enthusiast.
8	Baronang I	Central Kalimantan	Coal	3,226	165	No enthusiast.
9	Baronang II	Central Kalimantan	Coal	455	90	No enthusiast.
10	Piner	Central Kalimantan	Coal	9,750	190	No enthusiast.

Source: Ministry of Energy and Mineral Resources

4.2 Extractive Industry Contribution

This section describes exploration activities in the extractive industries, resources and reserves, production and sales activities, and the contribution of the extractive industries to the country's economy in terms of GDP, exports, and employment.

4.2.1 Oil and Gas Sector

4.2.1.1 Expenditure and Activities of Oil and Gas Exploration

Based on Indonesia's geological conditions, the potential to find oil and gas reserves is still very high, especially in eastern Indonesia. However, the difficulty level is getting higher, too, because most of these reserves are located offshore. Oil and gas exploration can be done at producing or exploration blocks.

Figure 29. Realized Amount of Oil and Gas Exploration (Billions of US Dollars)

In 2018, the realized amount of oil and gas exploration costs picked up from the previous year. This increase was due to higher world's oil prices, certainty of extension of Production Sharing Contract (PSC) received by several KKKS, and the start of exploration activities by several gross split KKKS according to the firm commitment set out in their PSC. In 2019, however, the realized amount of oil and gas exploration costs decreased.

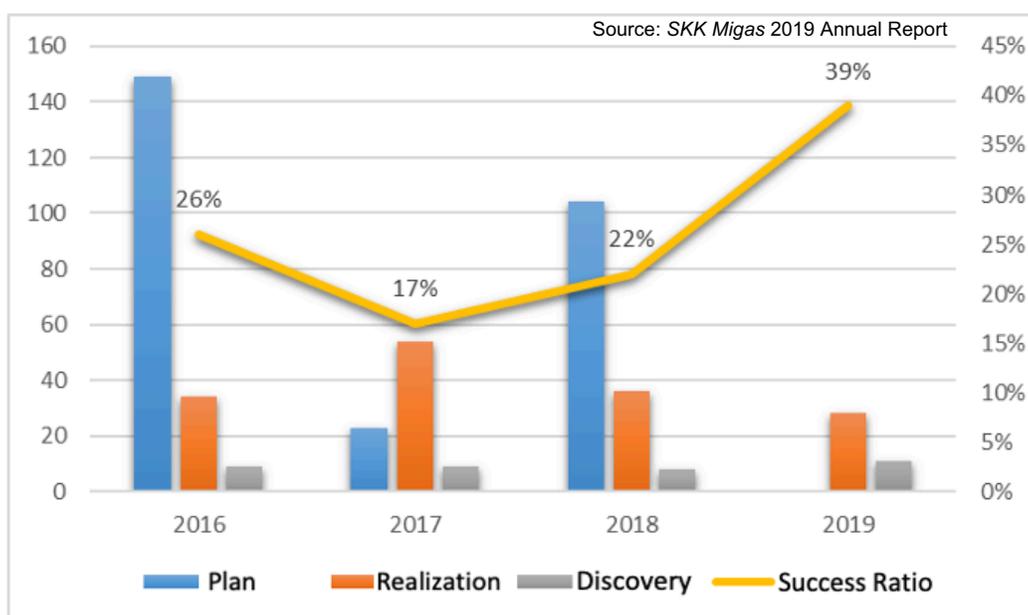


Figure 30. Oil and Gas Exploration Drilling of 2015–2019

A positive trend in exploration activities can be seen from the number of wells drilled in 2019, which inched up from 2018. With the positive trend in 2019, enthusiasm in exploration activities can grow so that the success ratio of new reserves discovery is expected to increase.

4.2.1.2 Realization of Investment in the Oil and Gas Sector

In 2019, investment in the upstream oil and gas sector was recorded at USD 11.8 billion, an increase of 7% compared to realization in 2018. When the world's oil prices were still low, the

rise in upstream oil and gas investment in 2018-2019 indicated that investment climate was improving. The funds were invested in exploration, well development, and administration costs, with a value of USD 0.6 billion (5%), USD 8.7 billion (73%), and USD 0.7 billion (6%), respectively. It is clear from this composition that most investment in the upstream oil and gas sector was made on production and development activities, which reached USD 10.4 billion or 86% of the total investment in upstream oil and gas business activities in 2019.

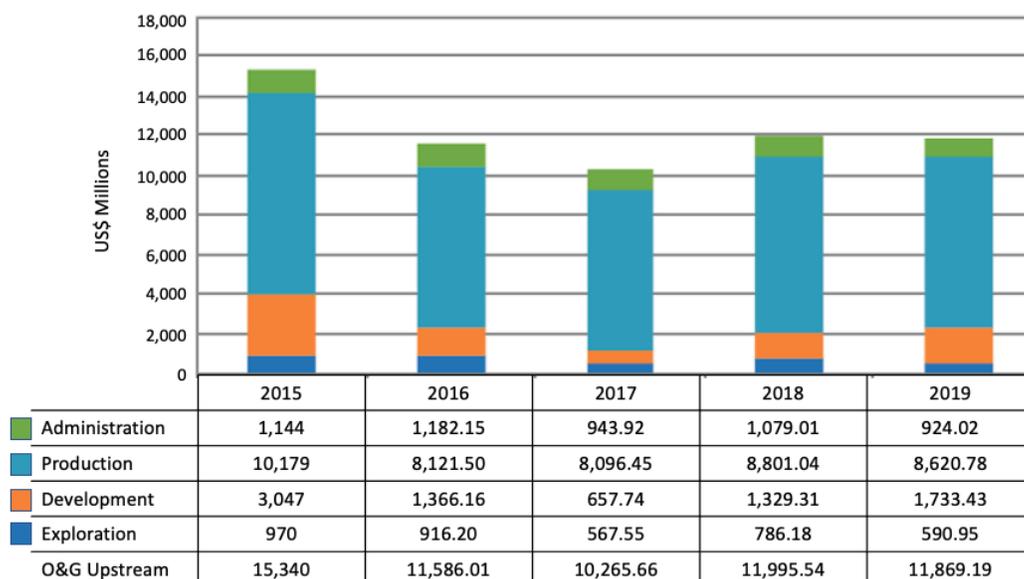


Figure 31. Upstream Oil and Gas Investment 2015–2019

4.2.1.3 Oil and Gas Resources and Reserves in Indonesia

Indonesia's potential for oil and gas resources spread from Sumatra in the west to Papua in the east of the country. As of January 1, 2020, the potential for oil resources reached 61 billion barrels, and natural gas of up to 206 Trillion Cubic Meters (TCF).

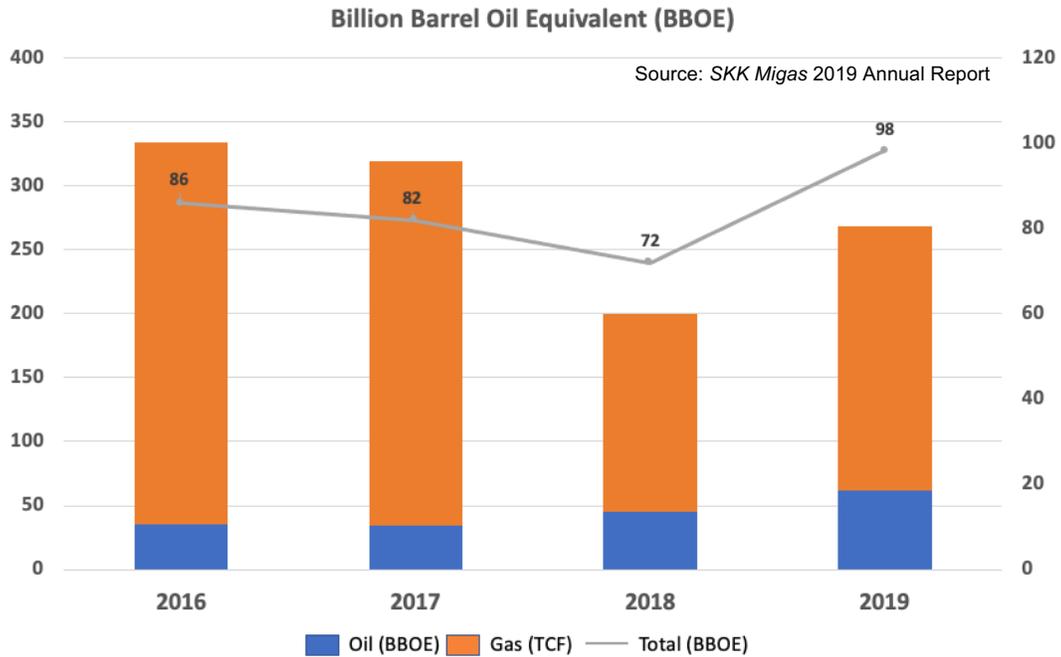


Figure 32. Potential Oil and Gas Resources 2015–2019

In terms of reserves, as of January 1, 2020, Indonesia's oil reserves amounted to 3,770 million barrels, consisting of 2,480 million barrels of proven reserves and 1,290 million barrels of potential reserves.

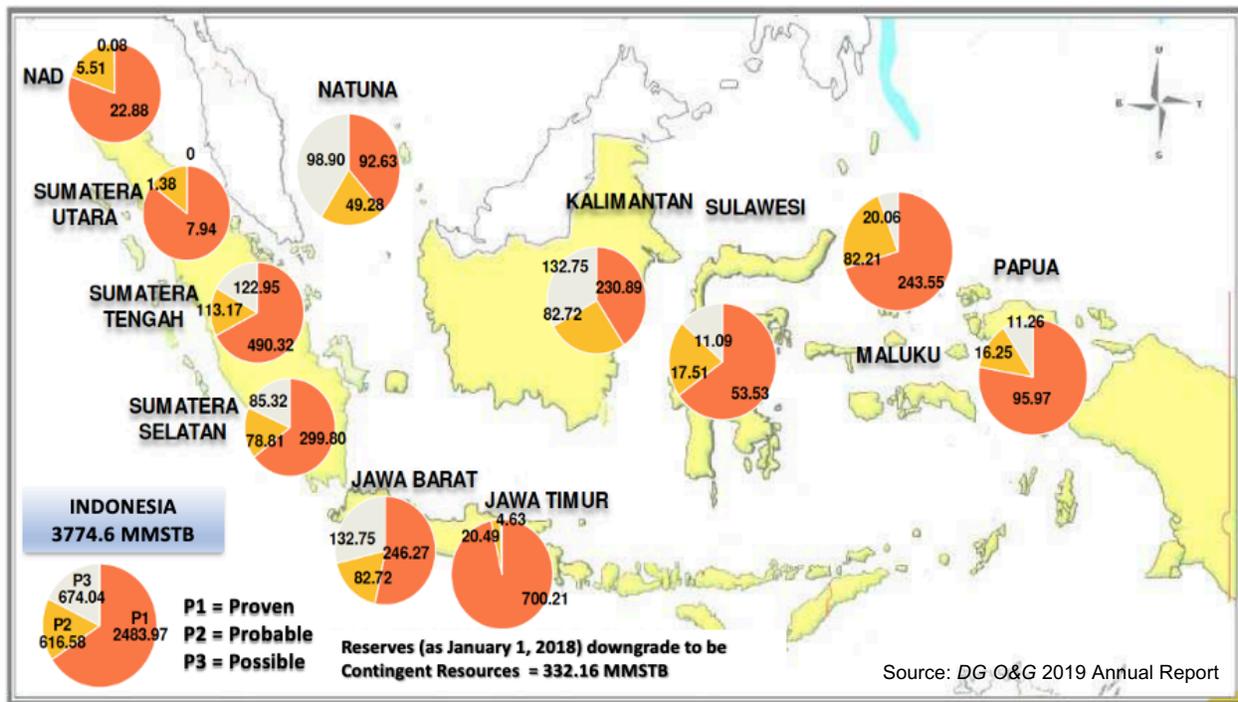


Figure 33. Map of Indonesia's Oil Resources Potential

Since 2016, proven oil reserves have shown a downward trend, but the trend is compensated for by potential reserves.

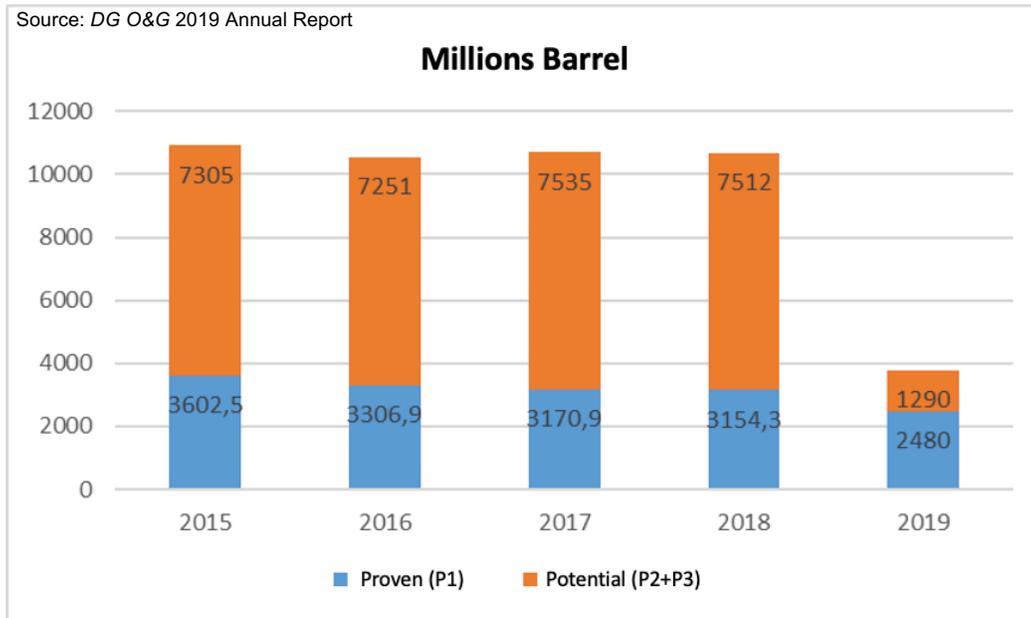


Figure 34. Oil Reserves 2016–2019

As of January 1, 2020, Indonesia's natural gas reserves amounted to 77.29 TCF, consisting of 49.74 TCF of proven reserves and 27.55 TCF of potential reserves.

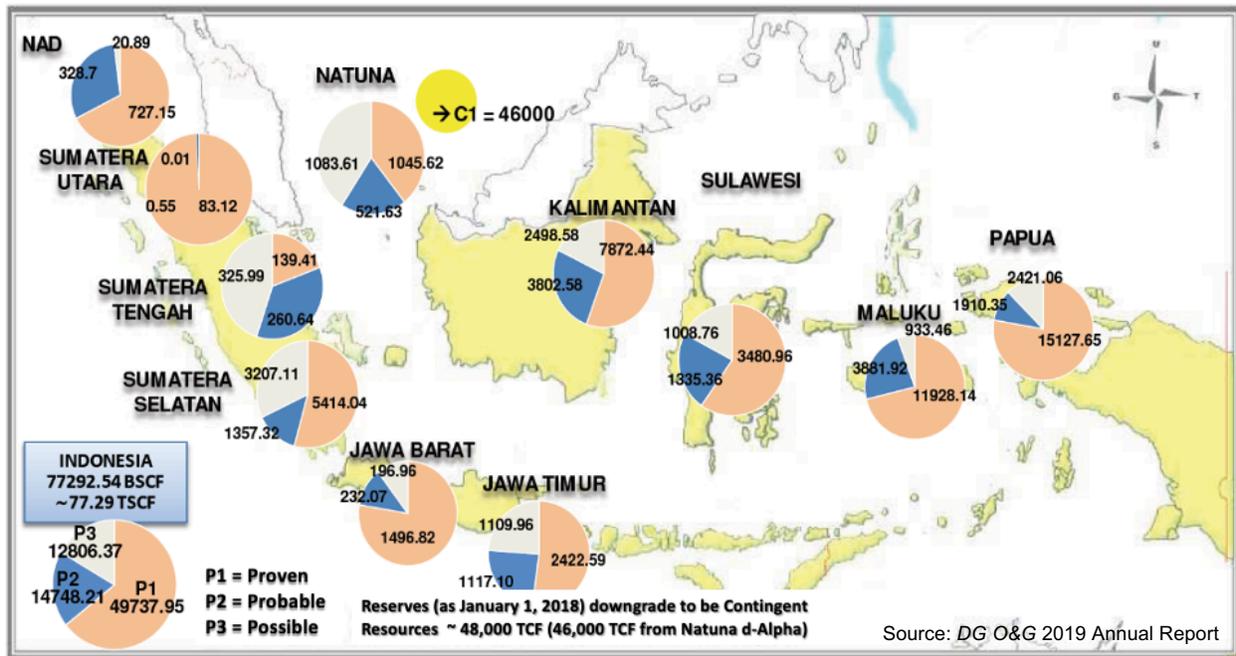


Figure 35. Map of Potential Natural Gas Resources of Indonesia

Since 2016, there has been a downward trend in the number of gas reserves. Many potential gas reserves have been discovered but these are not yet productive due to the absence of gas

buyers. For the record, gas reserves can only be categorized as proven reserves if there is already a buyer.

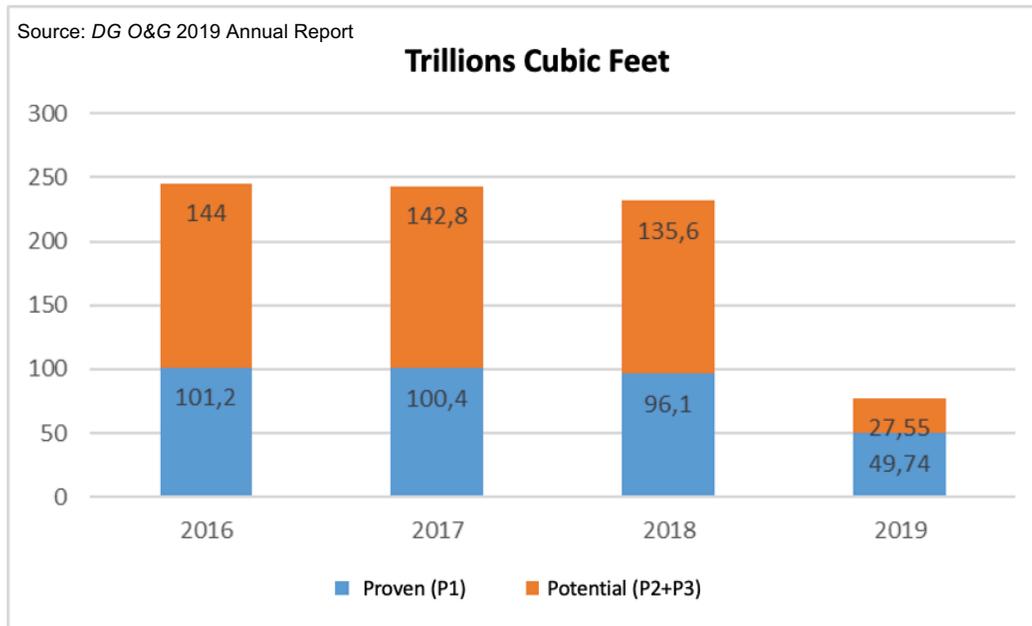


Figure 36. Natural Gas Reserves 2016–2019

4.2.1.4 Oil and Gas Production in Indonesia

Oil Sector

National Oil Production and Lifting Volume

Figure 37 shows that from 2016 to 2019, oil and gas production experienced a relative decline. The decline was due to drilling, rework, and well maintenance that were off target; field decline rates that failed the estimates, huge loss of potential oil (LPO) because of unplanned shutdowns, and project onstream that was shifted slightly from planned time. In 2018, the contracts of eight work areas (WK) expired, namely the NSB, Tuban, Ogan Komering, Sanga-Sanga, Southeast Sumatra, Central, NSO, and East Kalimantan. The eight WKs contributed 8% to oil and condensate production and 6% to natural gas production. The management transfer process had indirectly impacted the work program proposed by the KKKS for the termination WK, because in general, the KKKS will reduce investment in the few years before the WK ends. As a result, development drilling activities to curb the decline in natural production have lowered.

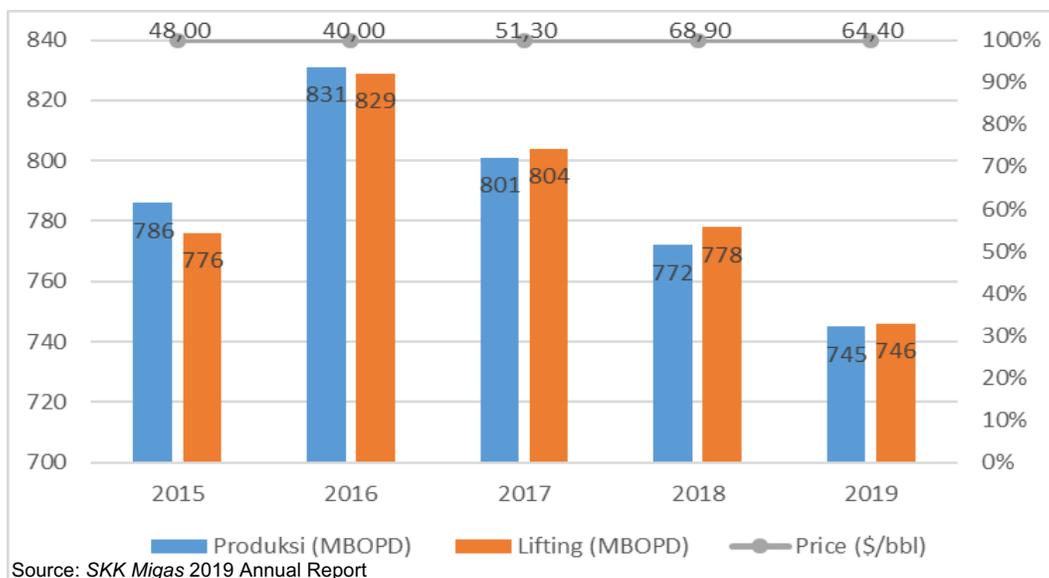


Figure 37. Oil Production and Lifting 2015-2019

Oil Lifting Volume and Value by Main Work Area

Figure 38 shows 15 main work areas, which account for around 89.7% of national oil lifting. In 2019, the Cepu Block, managed by ExxonMobil Cepu Ltd., was the largest contributor to Indonesia's oil production. The Cepu Block had lifting of 79 million barrels, which was 29.2% of total oil lifting in 2019. Chevron Pacific Indonesia ranked second in the largest contributors to oil production and lifting. Chevron's Rokan oil lifting totaled 69 million barrels or 25% of the total national lifting in 2019. The next position was held by Indonesia Block, managed by PT Pertamina EP, with lifting of 30 million barrels in 2019, 11% of total national oil production and lifting.

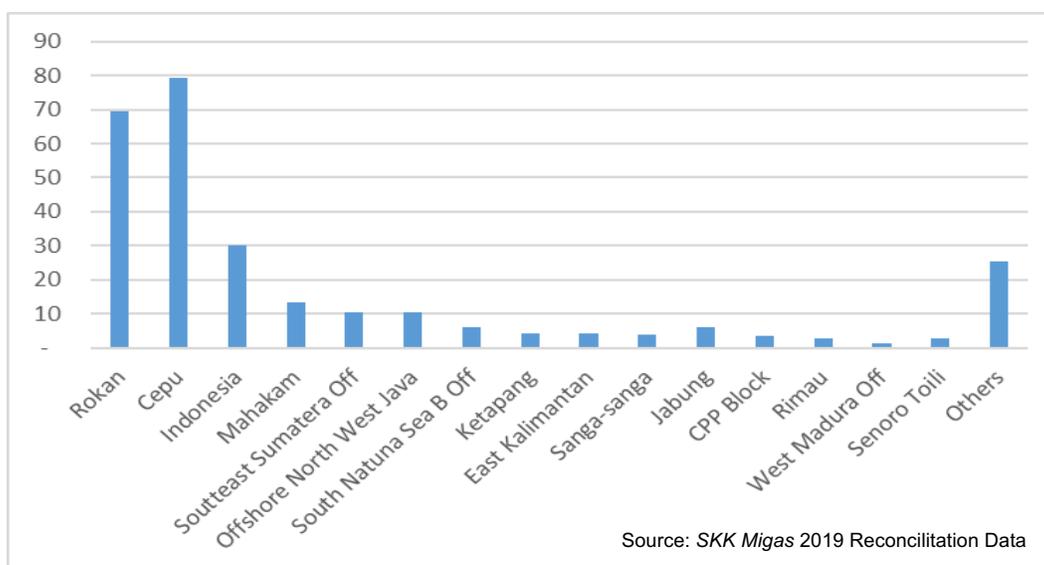


Figure 38. Oil Lifting by 15 Main Work Areas (in millions of barrels)

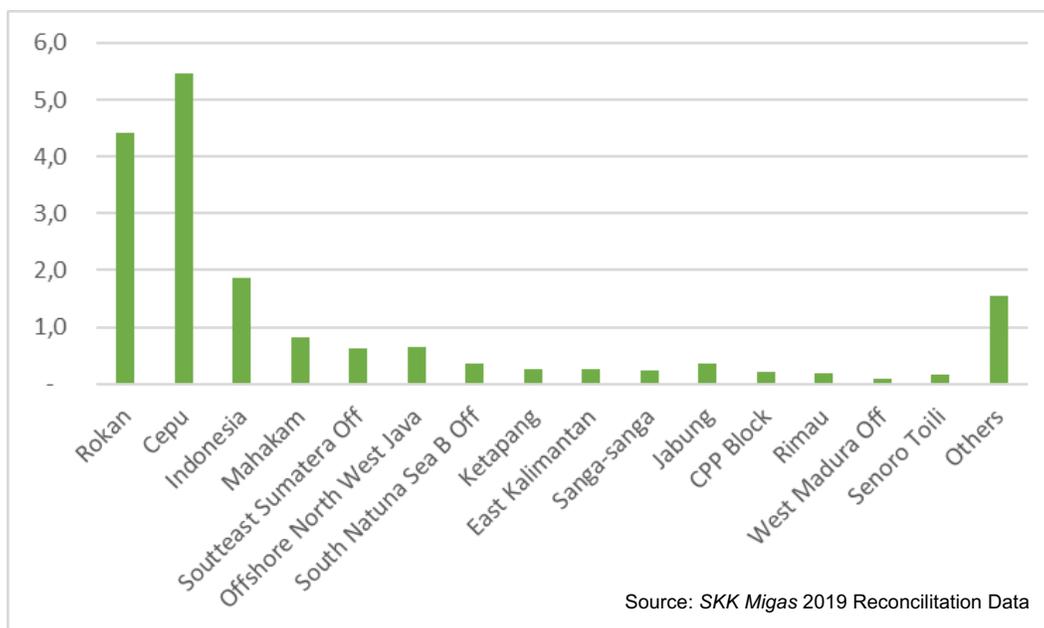


Figure 39. Petroleum Lifting Value by 15 Main Work Areas (in billions of USD)

Figure 39 shows 15 main work areas based on the value of oil lifting in 2019. The Cepu Block was in the first place with a value of USD 5.5 billion or 31.1% of the total. Next, the Rokan Block and the Indonesia Block occupied the second and third positions with values of USD 4.4 billion and USD 1.9 billion, respectively, or 25.1% and 10.6% of total value in 2019.

Natural Gas Sector

Natural Gas Production and Lifting Volume

Figure 40 shows that gas production and lifting between 2015-2019 were relatively stable. The majority of production came from the Muara Bakau Field (ENI Muara Bakau B.V.) and the Vorwata Field (BP Berau Ltd.).

Source: SKK Migas 2019 Annual Report

Figure 40. Production and Lifting of Natural Gas 2015-2019

Natural Gas Lifting Volume and Lifting Value by Main Work Areas

Figure 41 shows the main blocks, which account for 84.8% of the national gas lifting volume. The Corridor Block, managed by ConocoPhillips (Grissik) Ltd, became the largest contributor to natural gas lifting in 2019, with total lifting of 308 million MSCF or 14.8% total volume of national natural gas lifting production. The second position was held by the Indonesian Block managed by PT Pertamina EP with natural gas lifting volume of 271 million MSCF or 13% of the total national gas lifting volume in 2019. Next, the Berau Block, managed by BP Berau Ltd, was in position three in the largest contributors to natural gas lifting in 2019 with lifting volume of 260 million MSCF, 12.4% of the total national natural gas lifting.

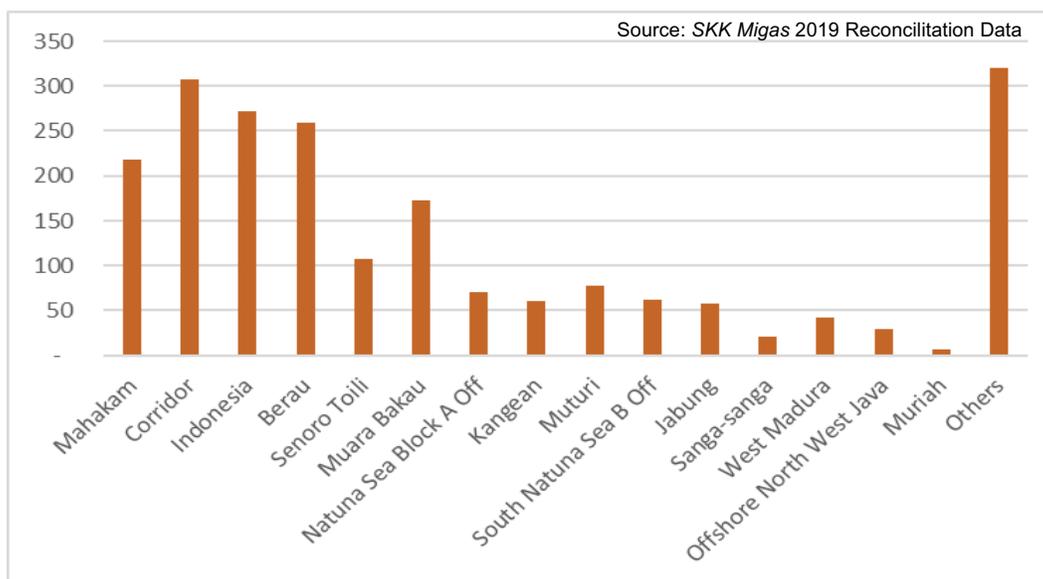


Figure 41. Natural Gas Production and Lifting by 15 Main Work Areas (in MSCF)

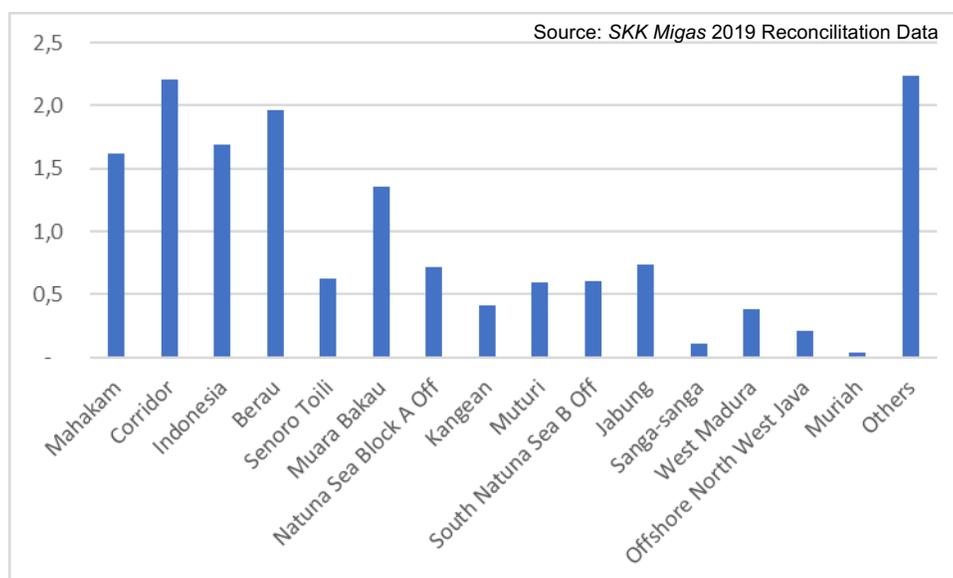


Figure 42. Value of Natural Gas Lifting by 15 Main Work Areas (in billion \$)

Figure 42 shows 15 main work areas based on the value of natural gas lifting in 2019. The Corridor Block occupied the first position with a value of USD 2.2 billion or 14.2% of the total national gas lifting value. Next, the Berau Block and the Indonesia Block were in the second and third positions with lifting values of USD 2 billion and USD 1.7 billion, respectively, or 12.7% and 10.9% of the total value of national natural gas lifting in 2019.

4.2.1.5 Oil and Gas Exports

The oil and gas exports has experienced a downward trend because of channeling of national production to domestic refineries, thus reducing fuel imports to support national energy security. The following table shows the oil and gas commodity exports and their contribution to national exports for the 2017-2019 period.

Table 24. Value of Oil and Gas Exports in Million USD

Sector	Oil and Gas Export Value (Million USD)		
	2017	2018	2019
Crude Oil	5,354.9	5,151.9	1,726.6
Oil Products	1,643	1,642.6	1,801.5
Gas	8,746.4	10,377.3	8,261.1
Total Oil & Gas Exports	15,744.4	17,171.7	11,789.3

Source: Central Bureau of Statistics

Figure 43 shows the contribution of oil and gas exports (crude oil, oil products, and gas) value to the total national exports in the 2017-2019 period.

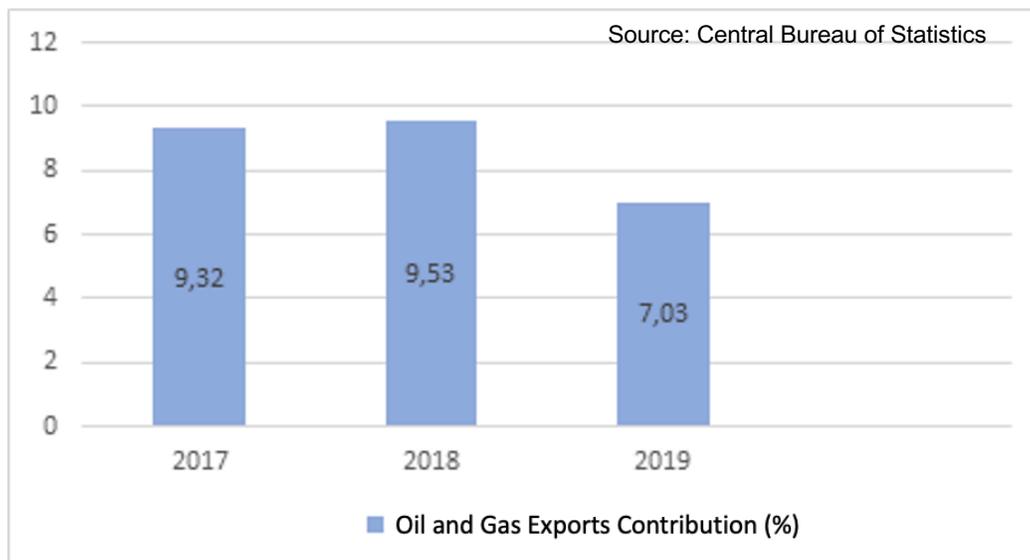
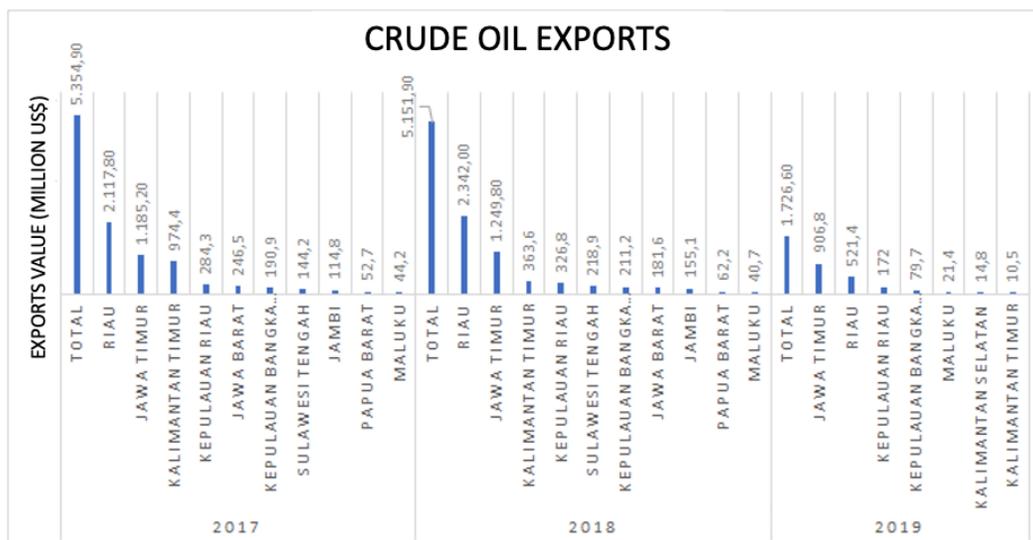


Figure 43. Contribution of Oil and Gas Sector to National Exports (%)

Export of Crude Oil and Oil Products by Province of Loading

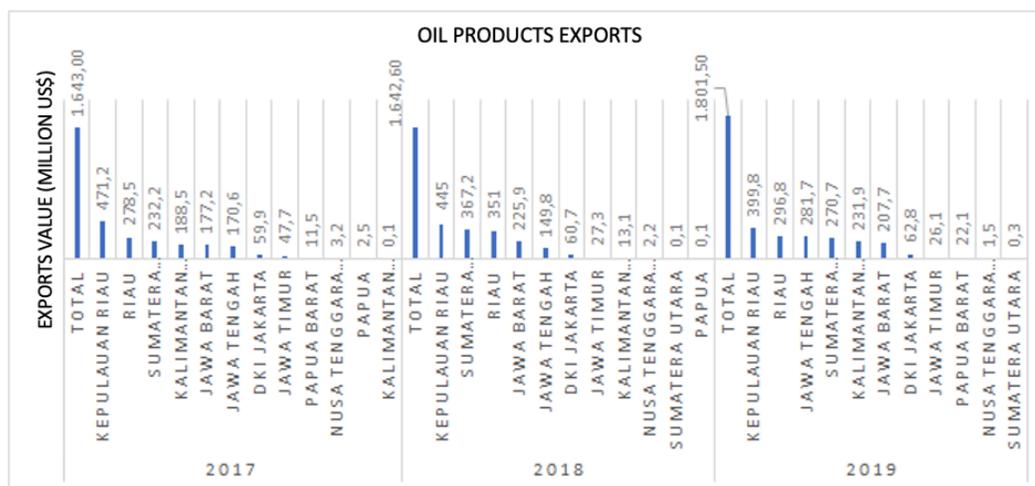
Based on the Province of loading, the largest oil exporter in 2017 and 2018 was Riau Province, with an export value of USD 2.11 billion in 2017 and USD 2.34 billion in 2018. Meanwhile, East Java and East Kalimantan provinces were oil products exporters number two and number three with export values of USD 1.24 billion and USD 363 million, respectively, in 2018. In 2019, East Java Province became the largest oil and gas exporter, with an export value of USD 906 million. Riau and Riau Islands provinces sat second and third with export values of USD 521 million and USD 172 million, respectively.



Source: Central Bureau of Statistics

Figure 44. Crude Oil Exports by Province of Loading 2017–2019

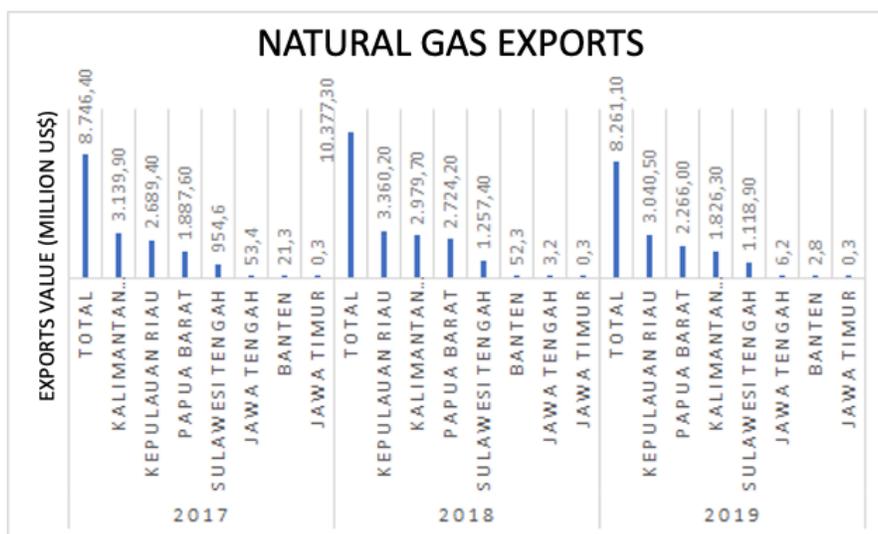
For export of oil products, Riau Islands Province ranked first with an export value of USD 445 million in 2018 and USD 399 million in 2019. South Sumatra sat second in 2018 with an export value of USD 367 million, while Riau Province sat second in 2019 with an export value of USD 296 million.



Source: Central Bureau of Statistics

Figure 45. Export of Oil Products by Province of Loading 2017–2019

For natural gas exports, the figure below shows the export value of each loading province. In 2019, the first position was held by Riau Islands Province with an export value of USD 3.04 billion. The provinces of West Papua and East Kalimantan were in the second and third positions with export values of USD 2.26 billion and USD 1.82 billion, respectively.



Source: Central Bureau of Statistics

Figure 46. Export of Natural Gas by Province of Loading 2017–2019

4.2.2 Mineral and Coal Sector

This section focuses on five leading mineral commodities, namely copper, nickel, gold, tin, and bauxite, plus coal as an energy commodity, to map the contribution of the mineral and coal sector.

Indonesia has a wealth of mineral resources that are scattered throughout the archipelago. As a result, the mining industry is one of the supporting sectors in Indonesia's national and regional development. Compared with the total world's mineral reserves and production in 2018 and 2019, Indonesia was in the world's top ten rankings, as shown in Table 25. In preparing this report, all reserve data will refer to data collected by the Indonesian Geological Agency, while production data from the Directorate General of Mineral and Coal. Data from the USGS will be used as a reference to compare the amount of Indonesia's reserves with total global reserves.

Table 25. Ranking of Indonesia's Reserves and Production in the World

Commodity	Reserves		Production	
	World Ranking	World Ranking	World Ranking	World Ranking
	2018	2019	2018	2019
Copper	5	7	10	10
Nickel	1	1	1	1
Bauxite	7	7	6	6
Tin	2	2	2	2
Gold	5	4	7	6

Source: US Geological Survey

4.2.2.1 Mineral and Coal Exploration Investment

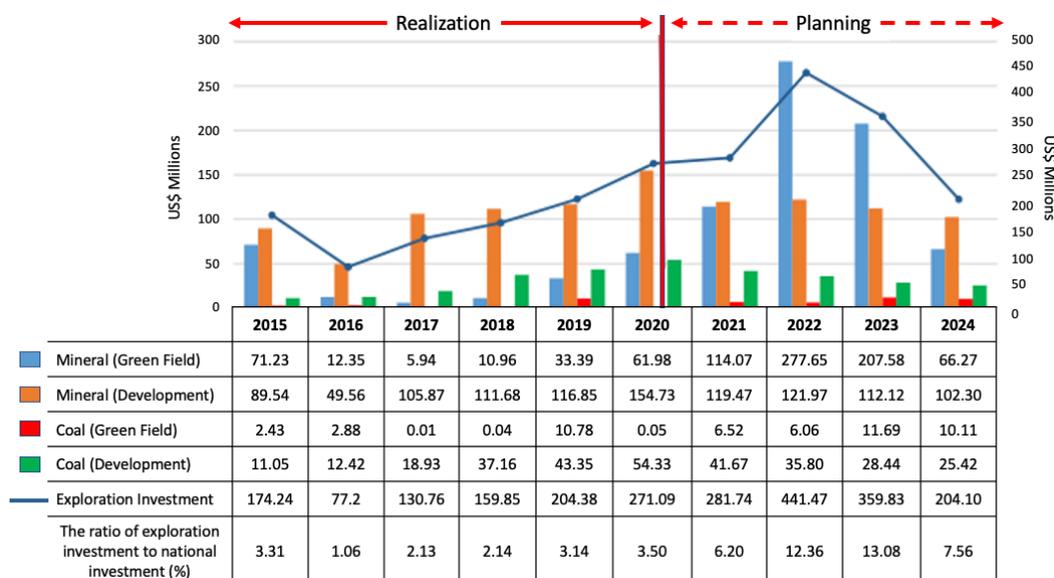
Exploration is the first stage that has to be done to make the extractive industry contribute to state revenues. Exploration consists of greenfield exploration and development exploration. Greenfield exploration refers to exploration carried out in an area that has never been explored, so greenfield exploration depends on the predictive strength of ore genesis model to find mineral deposits. Meanwhile, development exploration is carried out near/adjacent to mines currently operating or ones that have finished operating. Greenfield exploration is riskier because it is carried out in areas where no geological data is available and thus, needs higher investment than development exploration that can use previous data.

Table 26. Mineral and Coal Investment Target and Realization

Year	Investment Target (Billion USD)	Investment Realization (Billion USD)	Ratio of Realization to Target
2015	6.14	5.26	86%
2016	6.51	7.28	112%
2017	6.9	6.1	88%
2018	7.42	7.49	101%
2019	6.18	6.52	106%

Source: Ministry of Energy and Mineral Resources, 2020

As shown in **Table 26**, the ratio of investment realization to investment targets in 2018 and 2019 exceeded 100%; in other words, realization exceeded target. However, the amount of investment in mineral and coal exploration did not reach 5% of the total investment in the mineral and coal sector, as shown in Figure 48.



Source: Ministry of Energy and Mineral Resources, 2020

Figure 47. Investment in Greenfield and Development Exploration of Mineral and Coal

Figure 47 shows that although investment in coal greenfield exploration in 2018 increased significantly compared to that in 2017, the increase was still lower than investment in 2019. In 2019, investment in coal greenfield exploration was USD 10,780,000, soaring from USD 40,000 in 2018. The reason was likely due to increased coal demand, encouraging companies to undertake greenfield exploration. Additionally, per 2020 there are 2 PKP2Bs whose exploration period will end in 2021-2022. In 2019, companies whose exploration stage would end were motivated to carry out greenfield exploration in order to make feasibility studies and report resource data.

In 2018, investment in development exploration for coal increased significantly, almost double that of 2017. In 2019, investment increased by 16.65% from 2018. The reason was likely due to higher prices of coal commodities in 2018 compared to average prices of coal commodities in 2019. There is a strong correlation between exploration investment and commodity price volatility by looking at these data. The following is a list of PKP2B companies carrying out coal greenfield and development exploration in 2018 and 2019.

Table 27. PKP2B Companies Conducting Greenfield and Development Exploration in 2018 and 2019

2018	Province	2019	Province
Antang Gunung Meratus	South Kalimantan	Adaro Indonesia	South Kalimantan
Arutmin Indonesia	South Kalimantan	Antang Gunung Meratus	South Kalimantan

Asmin Bara Bronang	Central Kalimantan	Arutmin Indonesia	South Kalimantan
Astaka Dodol	South Sumatra	Asmin Bara Bronang	Central Kalimantan
Bangun Banua Persada	South Kalimantan	Astaka Dodol	South Sumatra
Bara Pramulya Abadi	South Kalimantan	Banjar Intan Mandiri	South Kalimantan
Baramarta	South Kalimantan	Baramutiara Prima	South Kalimantan
Baramutiara Prima	South Kalimantan	Barasentosa Lestari	South Sumatra
Barasentosa Lestari	South Sumatra	Batubara Duaribu Abadi	Central Kalimantan
Batubara Duaribu Abadi	Central Kalimantan	Baturona Adimulya	South Sumatra
Baturona Adimulya	South Sumatra	Berau Coal	East Kalimantan
Bharinto Ekatama	East Kalimantan/ Central Kalimantan	Bharinto Ekatama	East Kalimantan/ Central Kalimantan
Borneo Indobara	South Kalimantan	Borneo Indobara	South Kalimantan
Delma Mining Corporation	North Kalimantan	Delma Mining Corporation	North Kalimantan
Firman Ketaun Perkasa	East Kalimantan	Firman Ketaun Perkasa	East Kalimantan
Indexim Coalindo	East Kalimantan	Indexim Coalindo	East Kalimantan
Indominco Mandiri	East Kalimantan	Indominco Mandiri	East Kalimantan
Insani Bara Perkasa	East Kalimantan	Insani Bara Perkasa	East Kalimantan
Jorong Barutama Greston	South Kalimantan	Jorong Barutama Greston	South Kalimantan
Kaltim Prima Coal	East Kalimantan	Kadya Caraka Mulia	South Kalimantan
Karya Bumi Baratama	Jambi	Kaltim Prima Coal	East Kalimantan
Kideco Jaya Agung	East Kalimantan	Karya Bumi Baratama	Jambi
Lahai Coal	Central Kalimantan	Kendilo Coal Indonesia	East Kalimantan
Lanna Harita Indonesia	East Kalimantan	Kideco Jaya Agung	East Kalimantan
Mandiri Inti Perkasa	North Kalimantan	Lanna Harita Indonesia	East Kalimantan
Maruwai Coal	East Kalimantan/ Central Kalimantan	Mahakam Sumber Jaya	East Kalimantan
Multi Harapan Utama	East Kalimantan	Mandiri Inti Perkasa	North Kalimantan

Perkasa Inakakerta	East Kalimantan	Mantimin Coal Mining	South Kalimantan
Pesona Khatulistiwa Nusantara	North Kalimantan	Marunda Graha Mineral	Central Kalimantan
Selo Argodedali	South Sumatra	Maruwai Coal	East Kalimantan/ Central Kalimantan
Selo Argo Kencono Sakti	South Sumatra	Multi Harapan Utama	East Kalimantan
Singlurus Pratama Coal	East Kalimantan	Multitambang Jaya Utama	Central Kalimantan
Sumber Kurnia Buana	Central Kalimantan	Pendopo Energi Batubara	South Sumatra
Suprabari Mapanindo Mineral	Central Kalimantan	Perkasa Inakakerta	East Kalimantan
Tambang Damai	East Kalimantan	Sarwa Sembada Karya Bumi	Jambi
Tanjung Alam Jaya	East Kalimantan	Selo Argodedali	South Sumatra
Teguh Sinar Abadi	East Kalimantan	Singlurus Pratama Coal	East Kalimantan
Trubaindo Coal Mining	East Kalimantan	Suprabari Mapanindo Mineral	Central Kalimantan
Bumi Laksana Perkasa	East Kalimantan	Tambang Damai	East Kalimantan
Juloi Coal	Central Kalimantan	Tanjung Alam Jaya	South Kalimantan
		Trubaindo Coal Mining	East Kalimantan
		Wahana Baratama Mining	South Kalimantan
		Bumi Laksana Perkasa	East Kalimantan
		Juloi Coal	Central Kalimantan
		Kalteng Coal	Central Kalimantan
		Sumber Barito Coal	Central Kalimantan

Source: Ministry of Energy and Mineral Resources, 2020

Similar to coal greenfield exploration, investment in mineral greenfield exploration in 2018 increased significantly from the previous year, although the increase was not as large as that in 2019. Greenfield exploration investment in 2018 was almost double that of 2017, while in 2019, investment tripled from 2018. On the other hand, development exploration for minerals in 2018 and 2019 increased only slightly, by 5.4% and 4.6%, respectively. Higher investment in greenfield and development exploration has been supported by improved regulation for exploration conducted in forest areas (through issuance of Environment and Forestry Ministerial Regulation No. P.27/MENLHK/SETJEN/KUM.1/7/2018 on Guidelines for Borrowing and Using of Forest Areas), facilitation of removal of exploration constraints in forest areas, and the start of exploration performance measurement. The following is a list of companies that carried out greenfield and development exploration in 2018 and 2019.

Table 28. Companies Conducting Greenfield and Development Exploration in 2018 and 2019

Company	Exploration Type	License Type
PT Antam	Greenfield	IUP
PT Bengkulu Utara Gold	Greenfield	IUP
PT Bolmong Timur Primanusa Resources	Greenfield	IUP
PT Conch Maros South Mine Sulawesi Selatan	Greenfield	IUP
PT Fanya Mining Investment	Greenfield	IUP
PT Gayo Mineral Resources	Greenfield	IUP
PT Jelai Cahaya Minerals	Greenfield	IUP
PT Lautan Mineral Persada	Greenfield	IUP
PT Linge Mineral Resources	Greenfield	IUP
PT Prosperity Abadi Mining	Greenfield	IUP
PT Selatan Arc Minerals	Greenfield	IUP
PT Sinosteel Indonesia Mining	Greenfield	IUP
PT Mindoro Tiris Emas	Greenfield	KK
PT Pasifik Masao Minerals	Greenfield	KK
PT Sumbawa Timur Mining	Greenfield	KK
PT Tambang Mas Sangihe	Greenfield	KK
PT Kalimantan Surya Kencana	Greenfield	KK
PT Pelsart Tambang Kencana	Greenfield	KK
Adidaya Tangguh	Development	IUP
Antam	Development	IUP
Batutua Kharisma Permai	Development	IUP
Bumi Konawe Minerina	Development	IUP
Genba Indo Resources	Development	IUP
Indotan Lombok Barat Bangkit	Development	IUP
Karyatama Konawe Utara	Development	IUP
Konutara Sejati	Development	IUP
Meliau Ratu Abadi	Development	IUP
Position	Development	IUP
Rimba Kurnia Alam	Development	IUP
Sulawesi Cahaya Mineral	Development	IUP
Tamindo Mutiara Perkasa	Development	IUP
Tayan Alumina Abadi	Development	IUP
Timah Babel	Development	IUP
Timah Kepri	Development	IUP
Wanatiara Persada	Development	IUP
Suma Heksa Sinergi	Development	IUP
Agincourt Resources	Development	KK
Amman Minerals NT	Development	KK
Citra Palu Mineral	Development	KK
Dairi Prima Minerals	Development	KK
Ensbury Kalteng Mining	Development	KK
Freeport Indonesia	Development	KK
Gag Nickel	Development	KK
Galuh Cempaka	Development	KK

Gorontalo Sejahtera Mining	Development	KK
Indo Muro Kencana	Development	KK
J Resources B. M.	Development	KK
Jogja Magasa Iron	Development	KK
Kalimantan Surya Kencana	Development	KK
Kasongan Bumi Kencana	Development	KK
Masmindo Dwi Area	Development	KK
Meares Sopotan Mining	Development	KK
Natarang Mining	Development	KK
Nusa Halmahera Minerals	Development	KK
Paragon Perdana Mining	Development	KK
Sorikmas Mining	Development	KK
Tambang Tondano N	Development	KK
Vale Indonesia	Development	KK
Weda Bay Nickel	Development	KK
Gorontalo Mineral	Development	KK

Source: Ministry of Energy and Mineral Resources, 2020

S&P Global Market Intelligence of 2020 shows that global exploration investment in 2019 was USD 9.8 billion. In other words, the USD 204 million of exploration investment in Indonesia only made up 2% of the world's exploration investment. The figure is small because domestic exploration investment has to face several challenges, such as delays in exploration activities due to regional problems, lack of continued exploration at the production operation stage because existing reserves can still meet production targets, and fluctuations in mineral and coal prices that affect exploration performance.

The challenges are expected to be resolved because government policies to increase exploration and attract investors are available in Law No. 3/2020. The policies can resolve these challenges in the following ways:

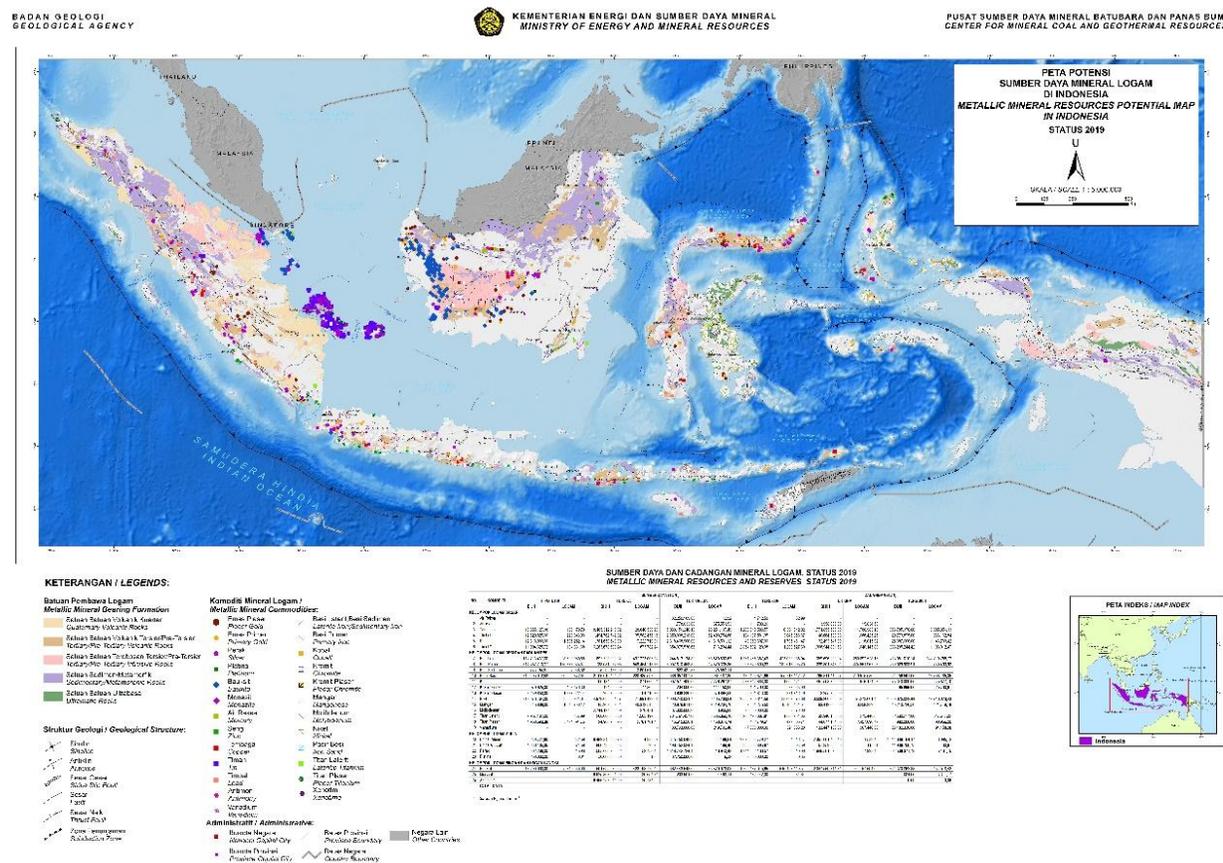
- a. By encouraging junior mining companies to work on assignment areas of survey and research, participate in WIUP tenders, carry out exploration at WIUP, and then transfer the IUP exploration to other companies with capability to carry out the IUP production operation;
- b. By requiring the provision of reserve resilience funds to encourage companies exploring all WIUP; this is done by conducting tighter and more measurable guidance and supervision using exploration performance indicators, namely Budget Exploration from Revenue Ratio (BERR), Coverage Area (CA), and Reserve to Replacement Ratio (RRR);
- c. By giving a guarantee on area and zone utilization for mining activities and synchronizing and optimizing of the same spatial use with other sectors;
- d. By utilizing information technology to manage the results of exploration activities; and
- e. By providing the opportunity to extend the exploration phase with predetermined technical criteria.

These efforts are expected to increase the amount of exploration investment in the coming years with a target of national exploration investment of 4%-5% of global exploration investment.

4.2.2.2 Mineral and Coal Resources and Reserves in Indonesia

Mineral

Geographically, Indonesia is located between two continental plates: the Australian and the Eurasian Plates, and between two oceanic plates, namely the Pacific and the Philippine Plates. The position forms a relatively complex and dynamic tectonic framework suitable for the deposition of metallic minerals across the region. The following is map of distribution of metallic minerals resource potential in Indonesia.



Source: Geological Agency, 2020

Figure 48. Map of Metallic Minerals Resource Potential of Indonesia 2019

The following is the amount of mineral resources and reserves, both ore and metal, in Indonesia as of 2019. The amount of metal resources and reserves are obtained by multiplying the amount of ore resources and reserves by their metal content, as shown in Table 29.

Table 29. Total Mineral Resources and Reserves in 2019

No	Commodity	Ore		Metal	
		Resources	Reserves	Resources	Reserves
1	Besi	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000
2	Alumina	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000
3	Emas	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000
4	Perak	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000
5	Timah	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000
6	Mercuri	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000
7	Vanadium	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000
8	Yodium	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000
9	Barium	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000
10	Strontium	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000
11	Antimon	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000
12	Vanadium	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000
13	Yodium	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000
14	Barium	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000
15	Strontium	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000
16	Antimon	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000
17	Vanadium	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000
18	Yodium	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000
19	Barium	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000
20	Strontium	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000

1	Copper (Million Tonne)	14,795.66	2,631.64	63.69	23.79
2	Nickel (Million Tonne)	11,784.28	4,594.59	170.02	71.99
3	Cobalt (Million Tonne)	2,996.05	724.84	4.15	1.07
4	Lead (Million Tonne)	4,000.51	76.44	91.35	2.02
5	Bauxite (Million Tonne)	3,877.78	2,868.94	1,356.24	740.29
6	Manganese (Million Tonne)	146.85	108.62	66.05	49.68
7	Tin (Million m ³)	10,784.64	2,292.15	2.89*	2.233*
8	Zinc (Million Tonne)	3,756.01	57.88	62.53	2.26
9	Primary Gold (Million Tonne)	14,963.73	3,565.70	13.33	0.005
10	Alluvial Gold (Million m ³)	1,737.72	63.30	393*	145.92**
11	Silver (Million Tonne)	7,569.20	2,851.07	0.08	0.013

Source: Ministry of Energy and Mineral Resources, 2020

*In million tonne

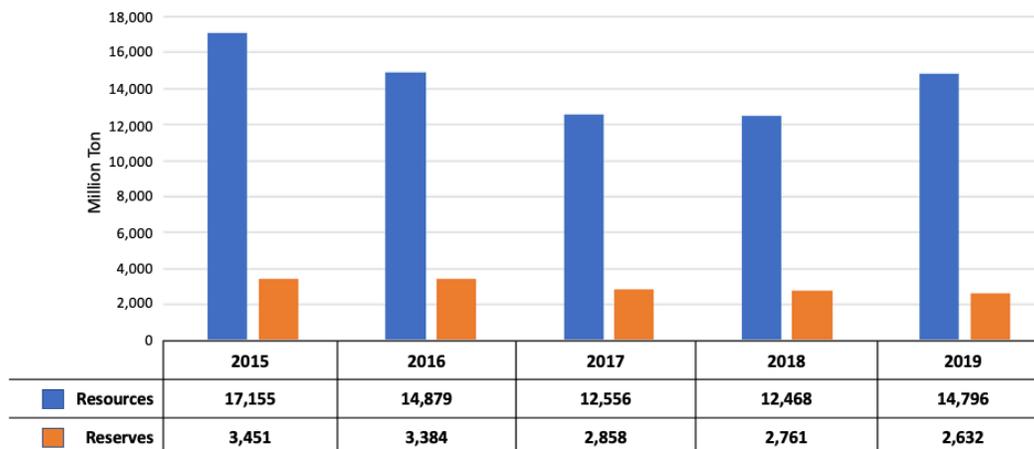
**In tonne

Since 2018, there has been an increase in data originating from reconciliation of IUP issued by Provincial Governments. As a result, data on copper, nickel, bauxite, tin, and gold resources and reserves has increased, too. The rise in several commodity prices has also affected resources and reserves data.

The following is the development of resources and reserves for five leading mineral commodities in Indonesia from 2015 to 2019:

Copper: Copper ore resources in 2018 and 2019 increased because of resource data from IUP exploration activities. On the other hand, copper reserves declined in 2018 and 2019, which was influenced by the end of PT FI's Grasberg Open Pit mining operation. The decrease in the number of reserves was also caused by resources that cannot be converted into reserves.

Copper Resources and Reserves 2015 - 2019

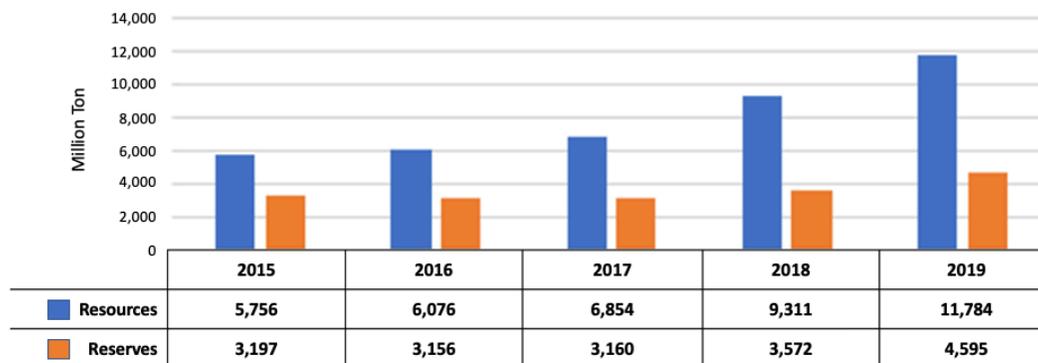


Source: Geological Agency, 2020

Figure 49. Copper Ore Resources and Reserves 2015-2019

Nickel: From 2015 to 2019, nickel resources and reserves had continued to increase. Nickel resources in 2019 doubled that of 2015. The rise in nickel resources and reserves had been influenced by data from IUP holders resulting from resource and reserve data reconciliation conducted since 2017. A large number of general exploration, advanced exploration, and feasibility studies were carried out during the period. Data increase was also driven by the rise in the world’s average nickel price from 2016 to the present, caused by increasing demand for nickel.

Nickel Resources and Reserves 2015 - 2019

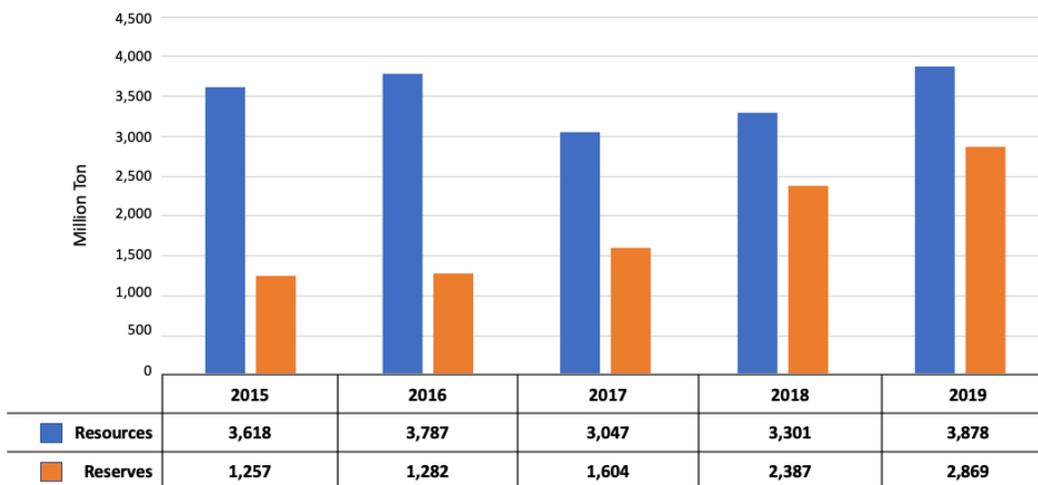


Source: Geological Agency, 2020

Figure 50. Nickel Resources and Reserves in 2015–2019

Bauxite: Bauxite resources and reserves in 2018 and 2019 relatively increased, which was influenced by the increase in data from IUP as a result of resource and reserve data reconciliation. The results of companies' exploration activities could be directly obtained in the reconciliation.

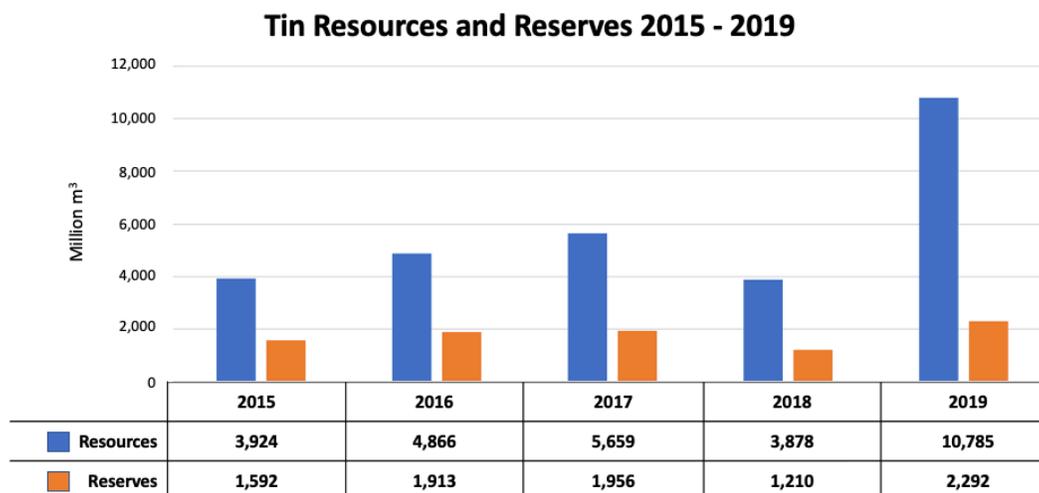
Bauxite Resources and Reserves 2015 - 2019



Source: Geological Agency, 2020

Figure 51. Bauxite Resources and Reserves in 2015–2019

Tin: From 2015 to 2019, PT Timah had begun to carry out significant exploration activities, which resulted in increased tin resources and reserves. However, resources and reserves declined in 2018. As it turned out, the 2017 data did not include ore unit and grade. Data entry was made according to the company's spreadsheet. In 2018, PT Timah had included data on concentrate, grade, and metal, so the 2017 data was corrected and normalized. However, some data in 2018 was not corrected, contributing to lower resources and reserves amounts in 2018 than those in 2017. The resources and reserves reports from PT Timah significantly affect the amount of tin resources and reserves in Indonesia because PT Timah still dominates tin IUP (80%), while remaining 20% IUP belongs to non-PT Timah.

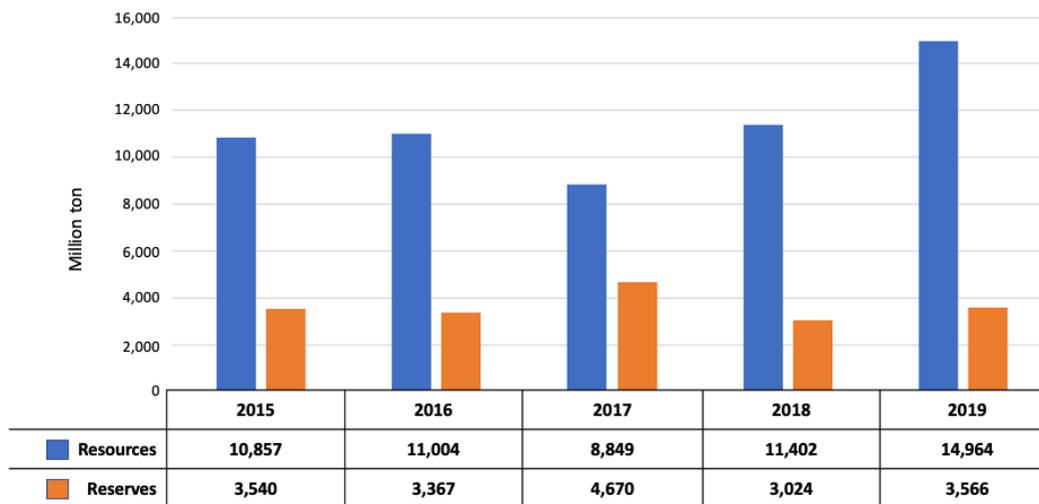


Source: Geological Agency, 2020

Figure 52. Tin Resources and Reserves in 2015–2019

Gold: Gold resources in 2018 and 2019 increased due to additional data from several IUP. Meanwhile, gold reserves in 2018 declined in line with increased production which was not matched by added reserves in several locations, especially at Grasberg Open Pit. In 2019, there were additional reserves because data from several prospect locations became available. The decrease or increase in reserves is also influenced by resource grade, making reserves amount not always proportional to an increase in resources amount.

Gold Resources and Reserves 2015 - 2019

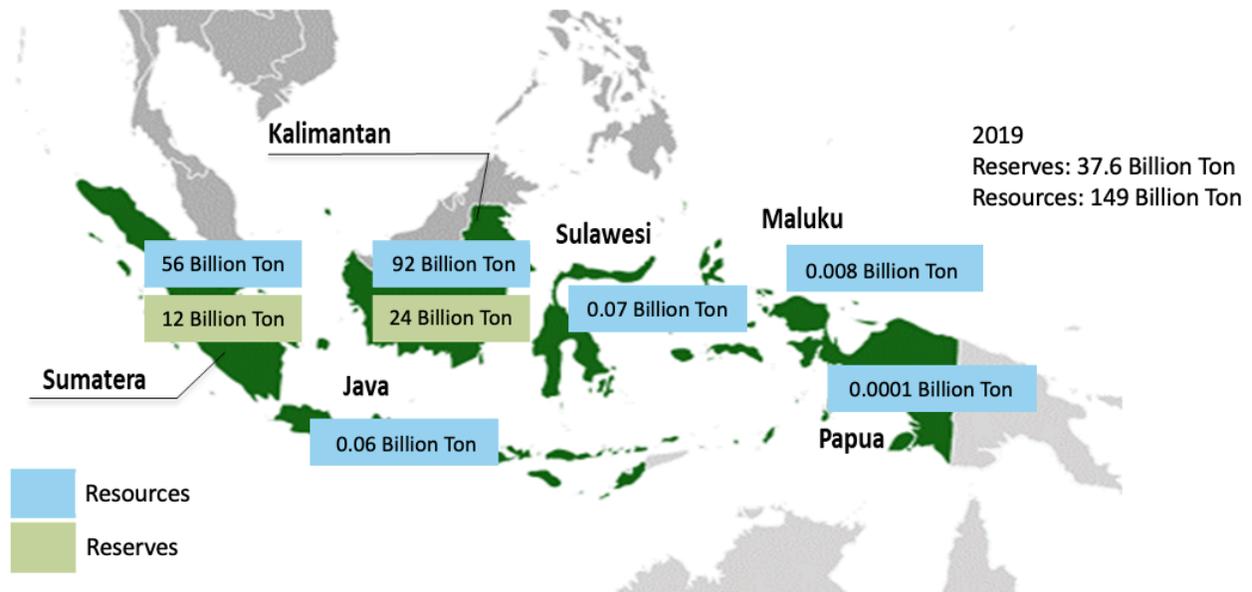


Source: Geological Agency, 2020

Figure 53. Gold Resources and Reserves in 2015–2019

Coal

Indonesia has become the world's largest thermal coal exporter in terms of volume in recent years. In terms of value, Australia is larger because Australian coal is mostly high-calorie thermal coal. For coking coal, Australia is the world's largest coking coal exporter. The following is a map of coal resources and reserves in Indonesia by 2019.

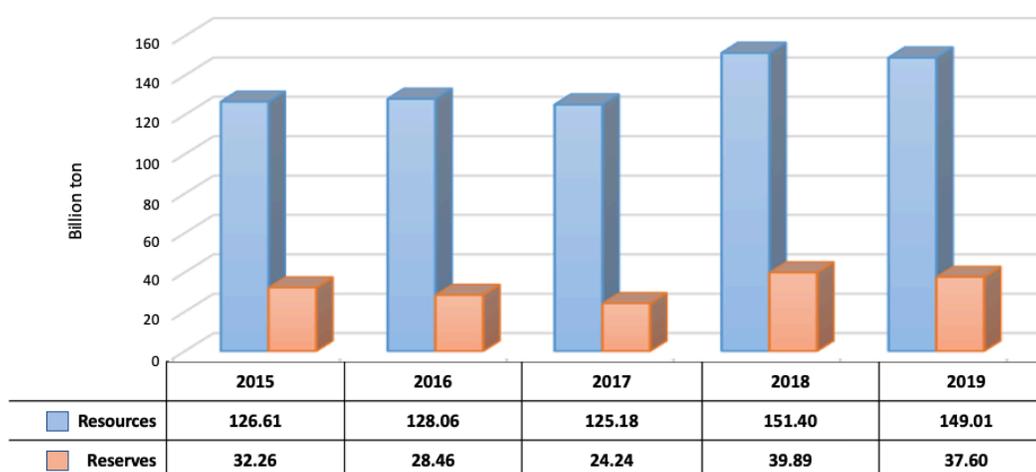


Source: Geological Agency, 2020

Figure 54. Map of Indonesia's Coal Resources and Reserves 2019

Indonesia's coal resources and reserves have been calculated for coal located in a depth of about 100 meters or mines that use an open-pit method. The data was obtained from 67 PKP2B (100% of total PKP2B), 62 Foreign Investment (PMA) IUPs (100% of total PMA IUP), 815 Domestic Investment (PMDN) IUP with CnC status (75% of total PMDN IUP CnC), 335 Non-CnC IUP and 184 locations surveyed by the Indonesian Geological Agency. All reserves data had been obtained from CnC Business Entities. Of the total 1,463 resource and reserve data points, 184 points were verified by the Geological Agency, 57 points by Competent Person (CP) of PKP2B, 35 points by CP of IUP PMA, and 216 points by CP of PMDN IUP. Calculation of resources and reserves not verified by a CP had followed the requirements of the SNI 13-5012-1998.

Coal Resources and Reserves 2015 - 2019



Source: Geological Agency, 2020

Figure 55. Coal Resources and Reserves in 2015–2019

Based on **Figure 55**, the national coal resources and reserves have been on the increase. In 2017, coal resources were 125.18 billion tonnes and reserves 24.24 billion tonnes. In 2018, resources grew to 151.40 billion tonnes and reserves 39.89 billion tonnes, while in 2019 resources dropped slightly to 149.01 billion tonnes and reserves 37.60 billion tonnes.

The increase has been contributed by greenfield exploration activities in new areas. In 2018, resources added by 21%, from 125.18 billion tonnes in 2017 to 151.40 billion tonnes in 2018. The increase had occurred because data reconciliation was carried out nationally in 2018. It turned out that data on exploration results in provinces had not been recorded at the national level. In 2019, coal resources decreased by 2.4 billion tonnes, to 149.01 billion tonnes, because of revalidation of the 2018 coal resources data. Resource data from IUPs not registered at the national database and those not using standardized estimation was excluded from calculation.

National coal reserves increase year by year even though coal production also increases. The increase is due to exploration development to convert resources into reserves. In 2018, reserves increased by 64%, from 24.24 billion tonnes in 2017 to 39.89 billion tonnes in 2018. In 2019, coal reserves decreased by 2.2 billion tonnes, to 37.60 billion tonnes.

Table 30. Coal Resources in Each Island in 2018 and 2019

Island	Resources (Billion Tonnes)		Reserves (Billion Tonnes)	
	2018	2019	2018	2019
Sumatra	53.72	56.18	13.89	12.85
Java	0.06	0.06	0.007	0.0002
Kalimantan	97.41	92.55	25.99	24.75
Sulawesi	0.06	0.07	0.002	0.003
Maluku	0.008	0.008	-	-
Papua	0.0001	0.0001	-	-

Source: Ministry of Energy and Mineral Resources, 2020

Based on **Table 30**, most of Indonesia's coal resources and reserves are found in Sumatra and Kalimantan, especially in South Sumatra, East Kalimantan, and South Kalimantan provinces.

Table 31. Coal Resources and Reserves by Quality

Quality	Resources per 2019 (Million Tonnes)					Reserves per 2019 (Million Tonnes)			Percentage (%)
	Hypo- thetical	Inferred	Indicated	Measured	Total	Probable	Proven	Total	
Low Calorie	418.03	17,721.30	17,057.80	18,471.8	53,668.92	7,521.13	6,942.88	14,464.01	38.7
Medium Calorie	3,288.04	20,721.84	26,272.17	29,617.80	79,899.84	8,247.94	12,094.96	20,342.90	54.5
High Calorie	598.08	5,865.63	2,988.46	3,508.33	12,960.51	1,070.89	1,305.02	2,375.91	4.8
Very High Calorie	2.06	891.73	931.26	655.27	2,480.32	227.08	194.76	421.84	2
Total	4,306.21	45,200.51	47,249.69	52,253.17	149,009.59	17,067.04	20,537.62	37,604.66	100
Low Calorie	Medium Calorie		High Calorie		Very High Calorie				
<5100 Cal/gr	5100 – 6100 Cal/gr		6100 – 7100 Cal/gr		>7100 Cal/gr				

Source: Ministry of Energy and Mineral Resources, 2020

Data on total resources is obtained from exploration by the Geological Agency and by Business Entities with CnC status (as verified by CP). Data on total reserves was verified by CP and obtained from exploration by Business Entities with CnC status. Coal quality has been set according to calorific value on air-dried basis as stipulated in Presidential Decree No. 13/2009 (renewed by GR No. 45/2010). Based on Table 31, from a calorie perspective, most coal reserves are medium calorie coal (the sub-bituminous coal category) and low calorie (lignite) or <5,000 gross air-received (GAR). About 93% of the national coal reserves are coal with calories below 6,100 cal/gr.

4.2.2.3 Mineral and Coal Production in Indonesia

Mineral

Indonesia is a country rich in natural resources, especially minerals. It is one of the world's largest mineral producers.

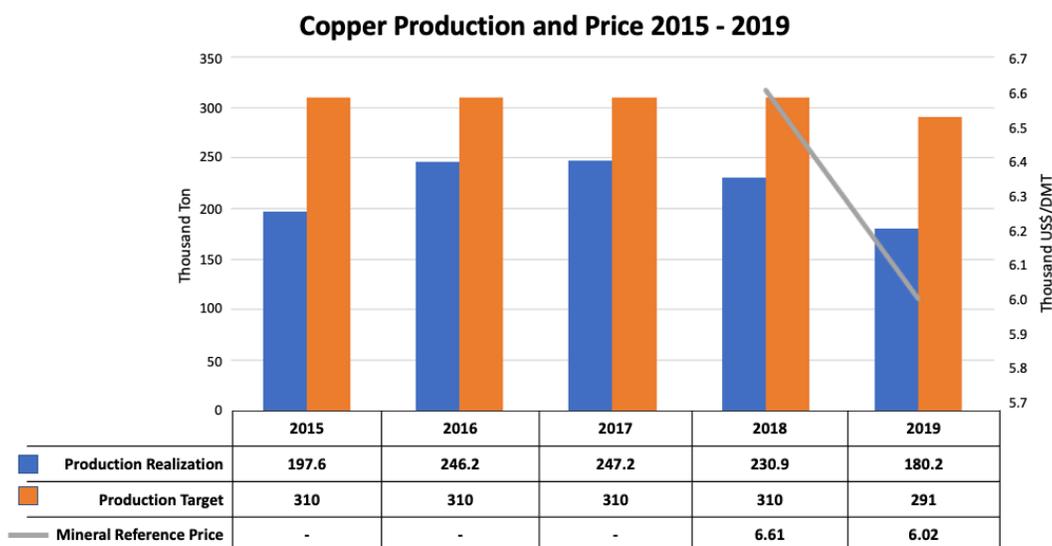
Based on the Performance Report of Ministry of Energy and Mineral Resources, increased production of mining commodities such as coal, nickel, and copper as well as higher revenue from the mineral and coal sector have encouraged investment in the sector. **Table 32** below contains production data for several strategic minerals in Indonesia from 2015-2019.

Table 32. Production of Strategic Minerals

No	Mineral	Unit	2015	2016	2017	2018	2019
1	Copper Cathode	Thousand Tonnes	197.6	246.2	247.2	230.9	180.2
2	Gold Metal	Tonnes	97.4	91.1	101.5	135.0	109.0
3	Silver Metal	Tonnes	319.6	322.6	328.8	308.7	487.8
4	Tin Metal	Thousand Tonnes	70.1	62.9	78.1	83.0	76.4
5	Nickel Matte	Thousand Tonnes	82.4	78.7	78.0	75.7	72.0
6	Ferronickel	Thousand Tonnes	97.1	89.4	314.6	573.2	1,151.7
7	Nickel Pig Iron (NPI)	Thousand Tonnes	271.1	770.7	542.1	324.0	781.0
8	Chemical Grade Alumina (CGA)	Thousand Tonnes	72.3	348.7	61.6	7.0	105.1
9	Smelter Grade Alumina (SGA)	Thousand Tonnes	-	110.0	855.5	835.5	1,043.3
10	Nickel Ore	Million Tonnes	10.1	14.8	26.0	22.1	61.0
11	Bauxite Ore	Million Tonnes	1.0	1.3	4.9	13.2	16.6

Source: Ministry of Energy and Mineral Resources, 2020

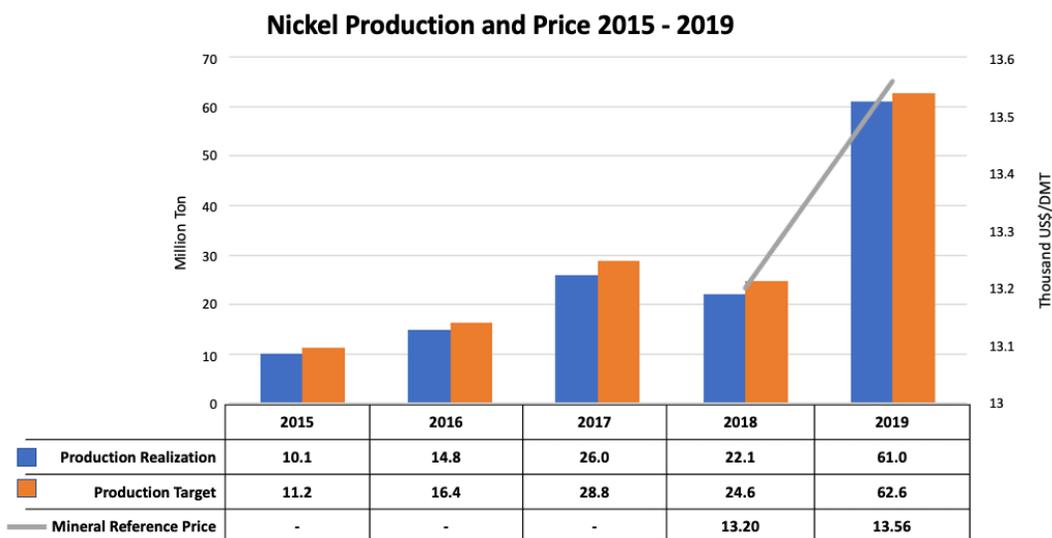
Following is targets and production realization of 5 leading mineral commodities in Indonesia from 2015 to 2019.



Source: Ministry of Energy and Mineral Resources, 2020

Figure 56. Copper Production and Price in 2015–2019

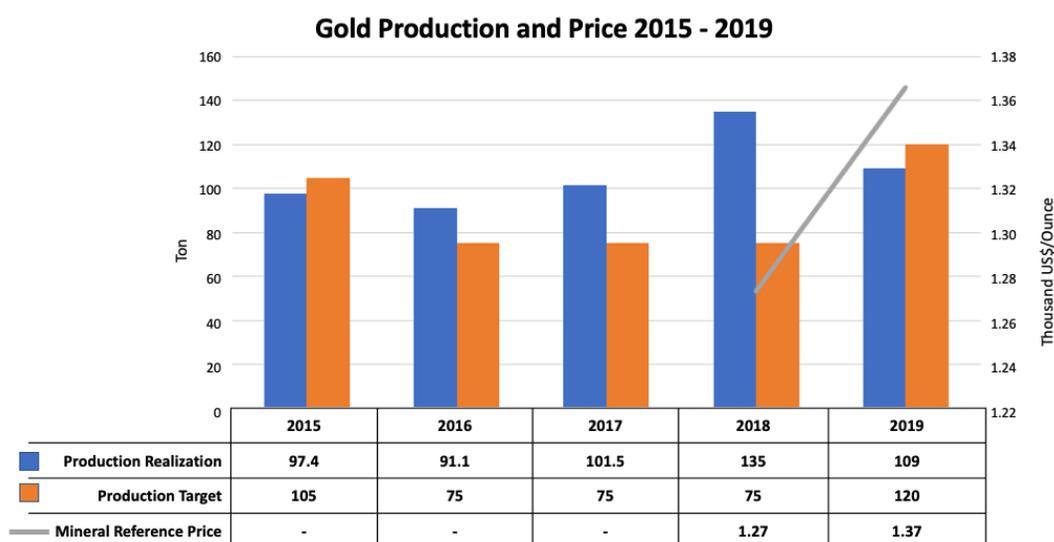
Copper: For the copper commodity, there are three companies, namely PT Freeport Indonesia (PTFI), PT Amman Mineral Nusa Tenggara (formerly PT Newmont Nusa Tenggara), and PT Batutua Tembaga Raya, which produce copper concentrate. Copper production from 2015 to 2018 had been on the increase. In 2019, however, copper production decreased by 22% from production in 2018 because of lower prices. The decline in copper production was also caused by the fact that the year 2019 was a transition period for PTFI, from open pit mining to underground mining. The transition was very influential because PTFI contributes around 70% of copper production in Indonesia.



Source: Ministry of Energy and Mineral Resources, 2020

Figure 57. Nickel Production and Price in 2015–2019

Nickel: In 2018 and 2019, Indonesia became the world's largest nickel producer. Nickel production in Indonesia from 2015 to 2019 had relatively increased. In contrast to copper, although nickel production in 2019 increased almost three times from production in 2018, nickel prices were relatively stable. The increase in nickel production in 2019 was due to several nickel smelter facilities that became on line, and these smelters needed nickel ore supply. The increase was also attributable to a policy that allowed export of nickel ore with a grade of <1.7% Ni for companies that were or had finished building refinery or smelter facilities. The limited export was meant as an incentive for business entities that were serious about building smelters. The issuance of Permen No. 11/2019 advanced the deadline for nickel ore exports to December 31, 2019. As a result, companies with export recommendations increased their production to optimize export quotas in 2019.



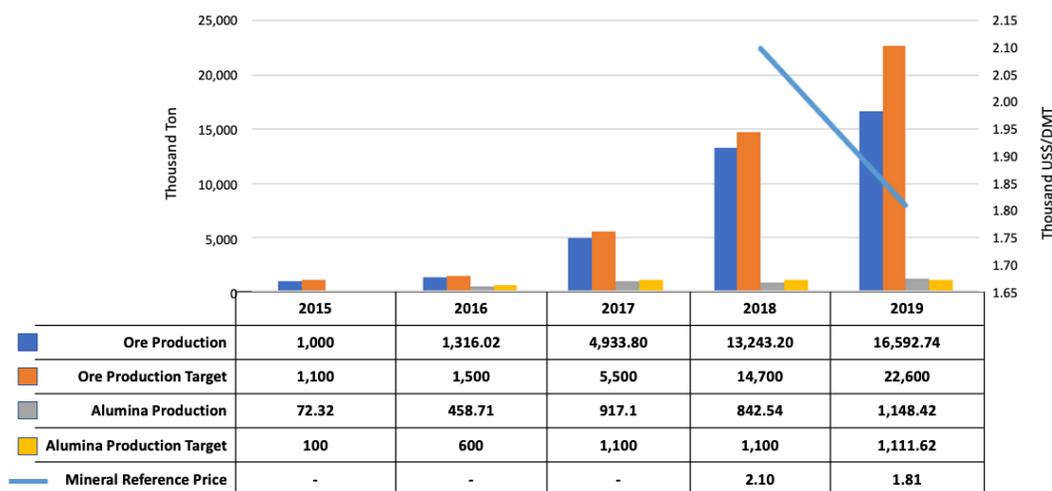
Source: Ministry of Energy and Mineral Resources, 2020

Figure 58. Gold Production and Price in 2015–2019

Gold: Gold is produced by copper concentrate miners, where gold is an associated mineral produced in copper mining. PT Aneka Tambang operates gold refining facility in Indonesia. Gold production is calculated based on production by gold mining companies (IUP and Contract of Work) and the gold content in copper concentrate of PT Freeport Indonesia and PT Amman Mineral Nusa Tenggara. Both companies pay royalties on gold metal. Between 2015 and 2019, gold production had been on the increase overall, although production declined to 91 tonnes in 2016. Peak production occurred in 2018, at 135 tonnes.

In 2019, gold production decreased by 19% but price increased by 8%. The decline in output was attributable to lower production by PT Freeport Indonesia, which was undergoing a transition from open pit mining to underground mining in 2019. Decrease or increase in gold production is also affected by grade level: if recovery is good, gold production increases, and vice versa.

Bauxite Production and Aluminum Price 2015 - 2019

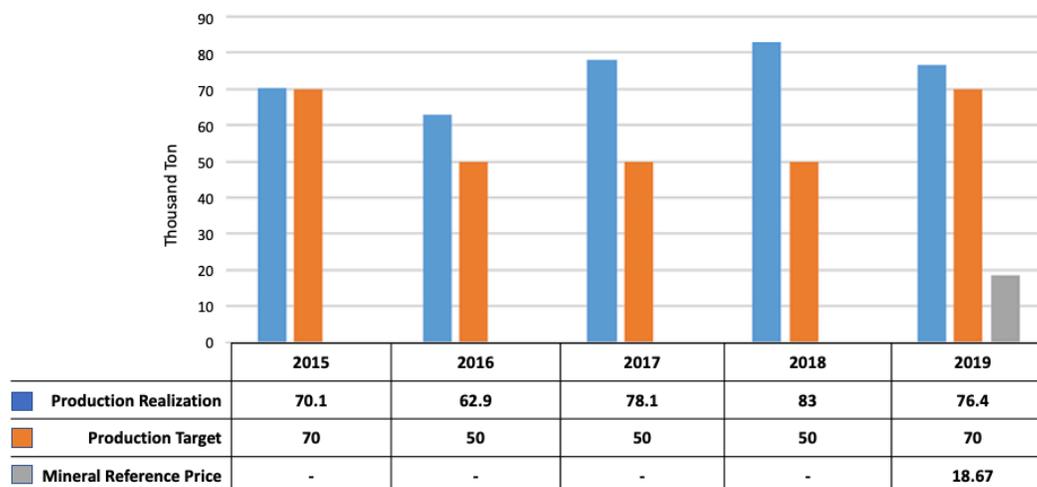


Source: Ministry of Energy and Mineral Resources, 2020

Figure 59. Bauxite Production and Aluminium Price in 2015–2019

Bauxite: Between 2015 and 2019, bauxite ore production had shown a positive trend. Alumina output had increased likewise. Meanwhile, the price of aluminum in 2019 decreased by 13.8% from the 2018 price. Although prices dropped, bauxite and alumina production in 2019 increased by 25.3% and 36.3%, respectively. Because deadline for nickel ore export was put forward to December 31, 2019, there were widespread rumors that bauxite export ban would soon be imposed. As a result, business actors chose to optimize their export quota in 2019 by increasing their bauxite production. Alumina production in 2019 had increased too, because the smelters of PT Indonesia Chemical Alumina had started production again after plant maintenance in the period 2017–end of 2018. Another factor was that the alumina smelter of PT Well Harvest Winning Alumina Refinery had completed construction in 2018 and production was optimized in 2019.

Tin Production and Price 2015 - 2019



Source: Ministry of Energy and Mineral Resources, 2020

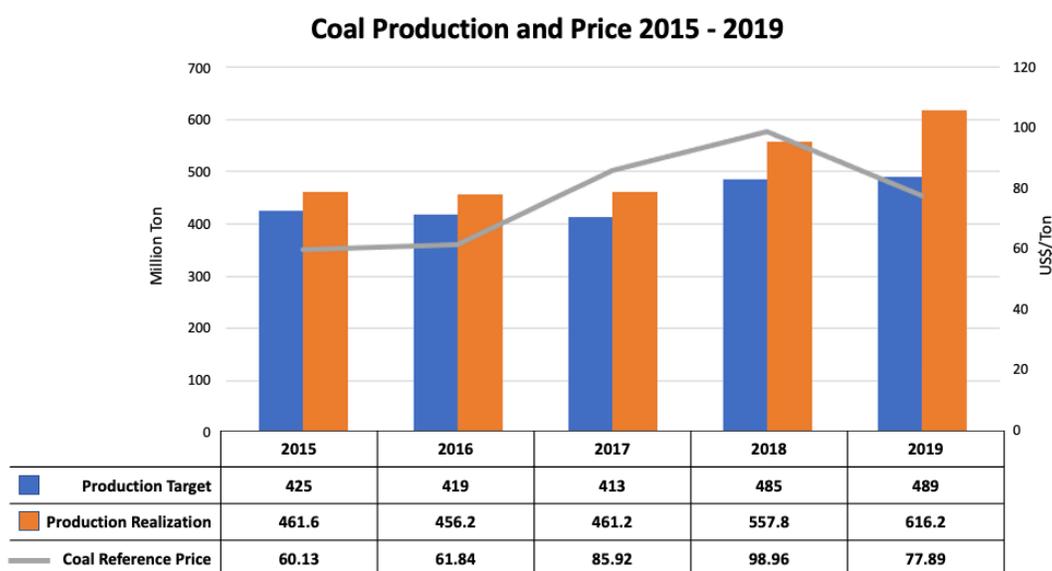
Figure 60. Tin Production and Price in 2015–2019

Tin: In 2018, tin production increased by 6% from production of the previous year. In 2019, tin production decreased by 8.6% but production target was still met. Production increased significantly in 2018 because demand for export increase in 2017- 2018. The world's market prices were attractive, while production and exports from competing countries such as Malaysia, Brazil, etc. decreased significantly.

Coal

Indonesia ranked 4th in the world's coal producing countries in 2018 and 2019. In 2018, Indonesia's coal production increased by 20.94% from production in the previous year, to 557 million metric tons. Coal prices on the global market affect Indonesia's coal demand and supply. At the beginning of 2018 until the third quarter, coal commodity prices had continued to rise. Higher coal prices as driven by a growing demand from China at the beginning of the year had provided an excellent opportunity for the mining industry to improve its performance. This is of course a boon to Indonesia because better prices will increase state income.

Since August 2018, the Indonesian coal reference price (HBA) had only increased three times. The average HBA in 2019 was USD 77.89 per tonne, while the average HBA in 2017 and 2018 were USD 85.92 per tonne and USD 98.96 per tonne respectively. In August 2018, the HBA was at the highest level, at USD 107.83 per tonne. From September to December 2018, the HBA had continued to decline, to USD 92.51 per tonne. At the end of 2019, the HBA dropped to USD 66.3 per tonne.



Source: Ministry of Energy and Mineral Resources, 2020

Figure 61. Coal Production and Price in 2015–2019

Coal production increased by 21% to 557.8 million tonne in 2018 and by 10.5% to 616.2 million tonne in 2019. The increase in coal production in 2018 and 2019 was due to several factors, among others:

- a. Issuance of Kepmen No. 1924.K/30/MEM/2018 dated August 7, 2018, on Amendment to Kepmen No. 30.K/30/MEM/2018 on Determination of Minimum Percentage of Coal Sales for Domestic Interests in 2018. Kepmen No. 1924.K contains the following changes:
 - Coal production for 2018 is set at 485 million tonnes.
 - Additional production for overseas sales for 2018 is set at a maximum of 100 million tonnes, so total coal production for 2018 is set at 585 million tonnes.
 - The additional 100 million tonnes production is not subject to mandatory domestic sales (Domestic Market Obligation, DMO).
- b. The Indonesian Government opened the opportunities to companies that had fulfilled DMO to increase national coal production of up to 100 million tonnes in an effort to increase Indonesia's foreign exchange. In the first semester of 2018, companies holding PKP2B, IUP BUMN, and IUP PMA which licenses were under the authority of the Central Government submitted production revision of \pm 21 million tonnes.
- c. A number of coal miners had just upgraded their status to a production-operation stage;
- d. Several coal miners, such as PT Borneo Indobara, had applied for higher production targets;
- e. Production increase was a strategy adopted by mining companies to compensate for falling prices so as to get sufficient revenue to maintain company's cash flow;
- f. Coal is one of Indonesia's primary export commodities; in 2018 and 2019, coal was among the commodities expected to increase export earnings and improve the trade balance;
- g. PNB target from mineral and coal for 2015-2019 had been increased, from Rp31.7 trillion in 2015 to Rp43.2 trillion in 2019;
- h. Increase in the number of actively producing Production-Operation IUPs;
- i. Production plan set by governors for IUP OP PMDN exceeded provincial production quota set by the Central Government.

Excess supply of coal in the global market creates a decline in coal prices. Besides global economic downturn that was caused by, among other things, the US and China trade war, coal price decline was due to lower demands from China and India, the two largest importing countries of the world's thermal coal. China has reduced imports of low-calorie coal in line with its commitment to reducing dependence on fossil energy sources and adhering to environmental management. For the record, most of Indonesia's coal exports to China are low-calorie coal. At the same time, China's coal production capacity has increased as a result of better domestic transportation infrastructure through wider railroad access. China is expanding its coal production to meet the country's domestic needs.

4.2.2.4 Development of Mineral and Coal Sales

Besides meeting domestic needs, most minerals and coal are exported. Factors that can affect mineral and coal sales include mineral and coal supply and demand, both home and overseas; mineral and coal production level, and mineral and coal price volatility. The following is developments in mineral and coal sales in Indonesia.

Mineral

The total export volume of mineral and coal mining products from 2015 to 2019 can be seen in the table below.

Table 33. Export Volume of Mineral and Coal Mining Products

No	Commodity	Unit	2015	2016	2017	2018	2019
1	Copper Cathode	Thousand Tonnes	95.48	146.22	173.27	148.08	176.32
2	Copper Concentrate	Million Tonnes	1.72	1.76	1.45	1.28	0.67
3	Gold Metal	Tonnes	75.23	73.95	71.07	73.98	65.12
4	Silver Metal	Tonnes	261.42	290.15	240.91	206.18	225.96
5	Tin Metal	Thousand Tonnes	70.07	62.88	78.07	83.02	67.06
6	Nickel Matte	Thousand Tonnes	81.92	78.97	76.74	75.71	71.34
7	Ferronickel	Thousand Tonnes	92.62	89.43	243.42	573.16	1,080.66
8	Nickel Pig Iron (NPI)	Thousand Tonnes	271.11	770.68	192.56	323.99	167.01
9	Chemical Grade Alumina (CGA)	Thousand Tonnes	72.32	348.71	874.27	842.54	51.54
10	Smelter Grade Alumina (SGA)	Thousand Tonnes					1,061.36
11	Nickel Ore	Million Tonnes	-	-	4.94	20.07	30.19
12	Bauxite Ore	Million Tonnes	-	-	1.82	8.71	16.11

Source: Ministry of Energy and Mineral Resources, 2020

Copper: The export of copper concentrate had decreased in 2018 and 2019 by 11.7% and 47.65% respectively. In addition to the decline in PTFI production due to transition from open-pit mining to underground mining at its Grasberg mine, the decline was also caused by higher domestic consumption by the smelter of PT Smelting. In 2018, the export of copper cathodes rose by 14.5% from export in the previous year, then in 2019 export rose again by 19% compared to 2018. In 2019, cathode export grew even though concentrate production dropped because copper price was relatively attractive. There was also the possibility that additional concentrate stock was available from producers (PTFI and PT AMNT), which PT Smelting processed into copper cathodes. PT Smelting, located in Gresik, East Java, exported all its copper cathode products in 2019.

Gold: Export of gold metal in 2018 picked up by 4.1% from export in 2017, and then export decreased by 11.98% in 2019. Gold prices, production levels, and recovery in 2018 were higher than those in 2019, so that gold exports in 2018 were better than in 2019.

Tin: Similar to gold metal, the export of refined tin in 2018 picked up by 6.3% but decreased by 19.2% in 2019. Factors contributing to the fluctuation were tin contents and production rates in 2018.

Nickel: Since the relaxation of raw mineral export constraints, the export of nickel ore quadrupled in 2018 and again inched up by 50% in 2019. There was a widespread rumor that an export ban would be imposed after December 31, 2019, which prompted nickel miners to maximize their nickel ore export quotas.

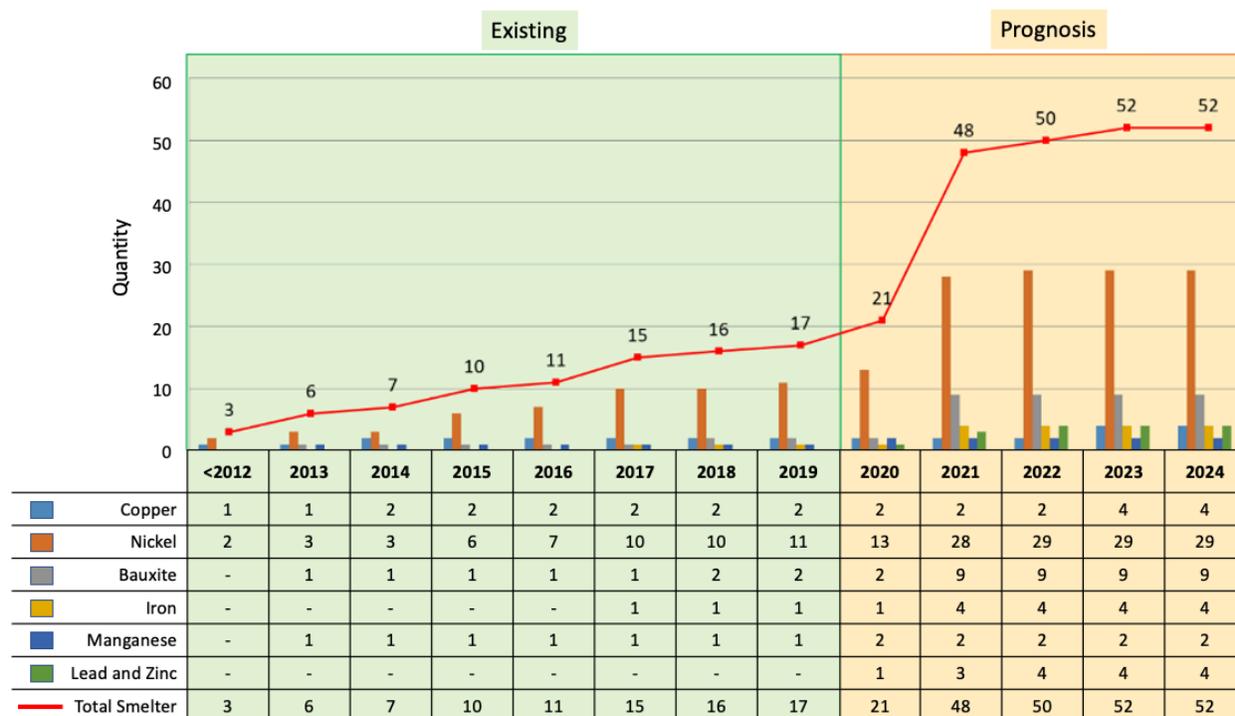
Increased export also occurred in FeNi, which doubled in 2018 and almost doubled in 2019. High production of nickel ore affected FeNi production; as a result, FeNi export had spike.

NPI export almost doubled in 2018 but decreased twofold in 2019. NPI is one of the components in steelmaking. When demand for steel in Indonesia is increasing, limiting NPI export is necessary because NPI is a raw material in domestic steel industries.

Ni Matte export had continued to decline from 2016 to 2019 because PT Vale Indonesia is the only producer of Ni Matte and it sells its product to a single buyer in long-term contracts.

Bauxite: Similar to nickel ore, since the relaxation of raw mineral export constraints, bauxite ore exports in 2018 soared almost five times from export in 2017. Export rose again in 2019, nearly doubling from export in 2018. It was due to a widespread rumor that the ban on raw nickel ore would also be applied to bauxite ore, so miners chose to optimize their export quota for bauxite ore before December 31, 2019.

Besides exported, mining commodities are also sold in the country. In an effort to promote downstream mineral business, processing and refining facilities have been built. It is expected that the downstream business will encourage domestic production chain to grow.



Source: Ministry of Energy and Mineral Resources, 2020

Figure 62. Development of Processing and Refining Facilities

Figure 62 shows that in 2019, mineral processing and refining in Indonesia were still dominated by nickel processing facilities. Meanwhile, copper processing and refining plants had not added in the last five years.

Table 34. Processing and refining plants in 2019

No	Name of Facility	Commodity	Year
1	PT Antam Tbk. (Pomala)	Nickel	2010
2	PT Fajar Bhakti Lintas Nusantara	Nickel	2015
3	PT Sulawesi Mining Investment	Nickel	2015
4	PT Gebe Industry Nickel	Nickel	2015
5	PT Megah Surya Pertiwi	Nickel	2016
6	PT Megah Surya Pertiwi (Ekspansi)	Nickel	2017
7	PT COR Industri Indonesia	Nickel	2017
8	PT Century Metalindo	Nickel	2013
9	PT Tsingshan Steel Indonesia	Nickel	2017
10	PT Wanatiara Persada	Nickel	2019
11	PT Well Harvest Winning	Bauxite	2016
12	PT Indonesia Chemical Alumina	Bauxite	2013
13	PT Sumber Baja Prima	Iron Sand	2017
14	PT Premier Bumidaya Industri	Manganese	2013
15	PT Batutua Tembaga Raya	Copper	2014

16	PT Vale Indonesia	Nickel	2000
17	PT Smelting (IUI)*	Copper	2000

Source: Ministry of Energy and Mineral Resources, 2020

Table 34 shows processing and refining factories built in Indonesia until 2019 based on commodities and year of establishment. Additionally, plans for construction of other processing and refining facilities and the progress are shown in **Table 35**.

Table 35. Development of Mineral Processing and Refining Plants

No	Smelter Company	Commodity	Location	Progress as per 2019 (%)*	Completion *
1	PT Freeport Indonesia	Copper	Gresik, East Java	3.21	2023
2	PT Amman Mineral Industri	Copper	West Sumbawa, West Nusa Tenggara	18.65	2023
3	PT Smelting	Copper	Gresik, East Java	100,00	2000
4	PT Batutua Tembaga Raya	Copper	Southwest Maluku, Maluku	100.00	2014
5	PT Sebuku Iron Lateritic Ores	Iron	Kotabaru, South Kalimantan	83.39	2021
6	PT Sumber Baja Prima	Iron Sand	Sukabumi, West Java	100.00	2017
7	PT Kapuas Prima Citra	Lead	West Kotawaringin, Central Kalimantan	99.28	2020
8	PT Kobar Lamandau Mineral	Zinc	West Kotawaringin, Central Kalimantan	58.50	2021
9	PT Gulf Mangan Grup	Manganese	Kupang, East Nusa Tenggara	49.23	2020
10	PT Premier Bumidaya Industri	Manganese	Pasuruan, East Java	100.00	2013
11	PT Ceria Nugraha Indotama	Nickel	Kolaka, Southeast Sulawesi	43.35	2021
12	PT Bintang Smelter Indonesia	Nickel	Konawe Selatan, Southeast Sulawesi	27.85	2021
13	PT Macika Mineral Industri	Nickel	South Konawe, Southeast Sulawesi	25.18	2021
14	PT Sulawesi Resources	Nickel	Morowali, Central Sulawesi	17.05	2022
15	PT Halmahera Persada Lygend	Nickel	South Halmahera, North Maluku	79.02	2021
16	PT Ang And Fang Brother	Nickel	Morowali, Central Sulawesi	22.40	2021
17	PT Smelter Nikel Indonesia	Nickel	Tangerang, Banten	44.01	2021
18	PT Teka Mining Resources	Nickel	Central Halmahera, North Maluku	40.74	2021
19	PT Mapan Asri Sejahtera	Nickel	Kolaka, Southeast Sulawesi	61.80	2021
20	PT Artha Mining Industry	Nickel	Bombana, Southeast Sulawesi	24.13	2021
21	PT CMMI Cikande	Nickel	Cikande, Banten	21.36	2021
22	PT Aneka Tambang (P3FH)	Nickel	East Halmahera, North Maluku	97.22	2020
23	PT Aneka Tambang Niterra Haltim	Nickel	East Halmahera, North Maluku	37.57	2021
24	PT Virtue Dragon Nickel Industry	Nickel	Konawe, Southeast Sulawesi	59.21	2021
25	PT Wanxiang Nickel Indonesia	Nickel	Morowali, Central Sulawesi	22.01	2021

26	PT Mahkota Konaweaha	Nickel	Kendari, Southeast Sulawesi	21.28	2021
27	PT. Arthabumi Sentra Industri	Nickel	Morowali, Central Sulawesi	86.95	2021
28	PT Sinar Deli Bantaeng	Nickel	Bantaeng, South Sulawesi	22.56	2021
29	PT Weda Bay Nickel	Nickel	Central Halmahera, North Maluku	100.00	2020
30	PT Aneka Tambang	Nickel	Kolaka, Southeast Sulawesi	100.00	2010
31	PT Wanatiara Persada	Nickel	South Halmahera, North Maluku	100.00	2019
32	PT Fajar Bhakti Lintas Nusantara	Nickel	Central Halmahera, North Maluku	100.00	2015
33	PT Megah Surya Pertiwi	Nickel	Central Halmahera, North Maluku	100.00	2016
34	PT Megah Surya Pertiwi (Ekspansi)	Nickel	Central Halmahera, North Maluku	100.00	2017
35	PT CORII	Nickel	North Morowali, Central Sulawesi	100.00	2017
36	PT Gebe Industry Nickel	Nickel	Gresik, East Java	100.00	2015
37	PT Vale Indonesia	Nickel	East Luwu, South Sulawesi	100.00	2000
38	PT. Century Metalindo	Nickel	Serang, Banten	100.00	2013
39	PT Tsingshan Steel Indonesia	Nickel	Morowali, Central Sulawesi	100.00	2017
40	PT Sulawesi Mining Investment	Nickel	Morowali, Central Sulawesi	100.00	2015
41	PT Dinamika Sejahtera Mandiri	Bauxite	Sanggau, West Kalimantan	14.32	2021
42	PT Laman Mining	Bauxite	Ketapang, West Kalimantan	20.36	2021
43	PT Kalbar Bumi Perkasa	Bauxite	Sanggau, West Kalimantan	35.17	2021
44	PT Borneo Alumina Indonesia	Bauxite	Mempawah, West Kalimantan	16.79	2021
45	PT Well Harvest Winning Alumina Refinery (expansion)	Bauxite	Ketapang, West Kalimantan	44.67	2021
46	PT Parenggan Makmur Sejahtera	Bauxite	East Kotawaringin, Central Kalimantan	21.22	2021
47	PT Indonesia Chemical Alumina	Bauxite	Tayan, West Kalimantan	100.00	2013
48	PT Well Harvest Winning Alumina Refinery	Bauxite	Ketapang, West Kalimantan	100.00	2018

Source: Ministry of Energy and Mineral Resources, 2020

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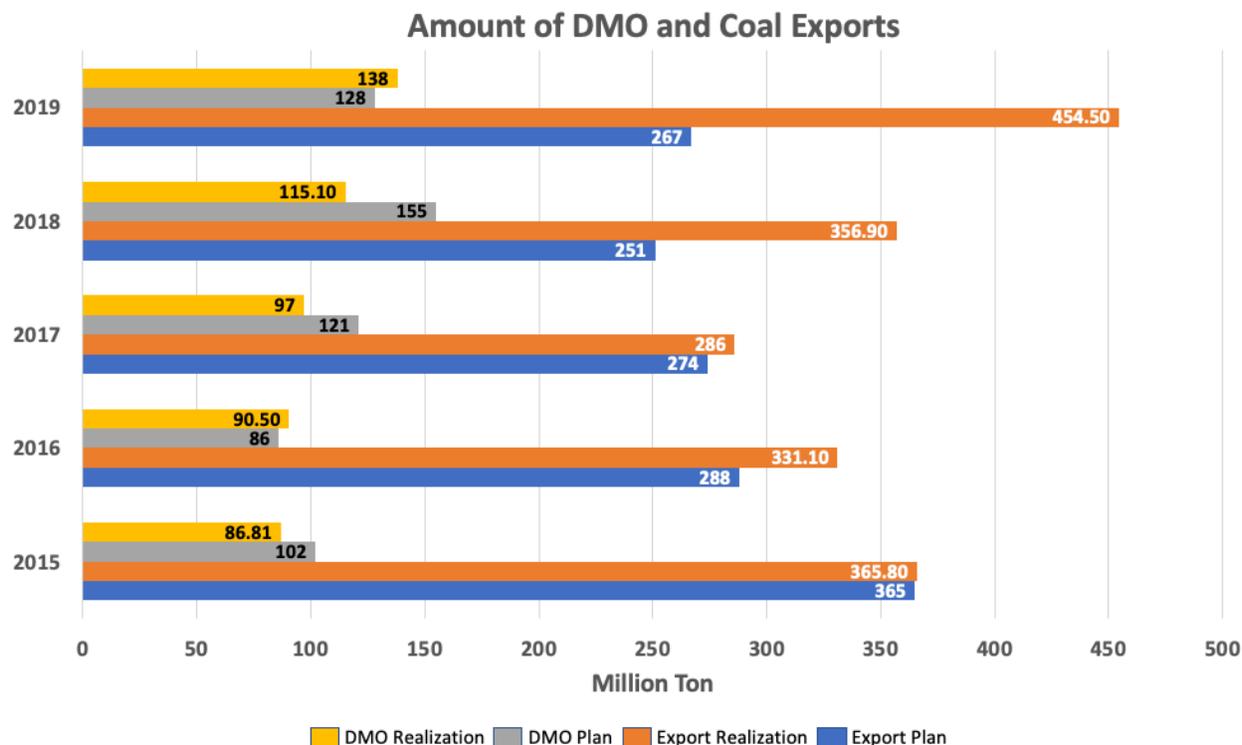
*Development progress is based on verification of physical construction progress.

**Completion plan is based on verification of project plan before the Covid-19 pandemic.

Coal

To maintain reasonable electricity prices for the public, the Indonesian Government in early 2018 issued a policy on mandatory domestic coal supply (Domestic Market Obligation, DMO). All coal producers must sell 25% of their production in the country with a selling price set at USD 70 per tonne (based on the price reference for 6.32 kcal GAR). The legal basis for the policy is GR No. 8/2018, the fifth amendment to GR No. 23/2010. Ministry of EMR also issued several rules about the coal DMO, including EMR Ministerial Decision No. 1410/2018 on a

special Coal Reference Price (HBA) for public interest, a Circular Letter of Minister of Energy and Mineral Resources on transfer of quotas and sanctions for non-compliance with the DMO, and EMR Ministerial Regulation (Permen) No. 25/2018 on obligation to fulfill the 25% DMO.



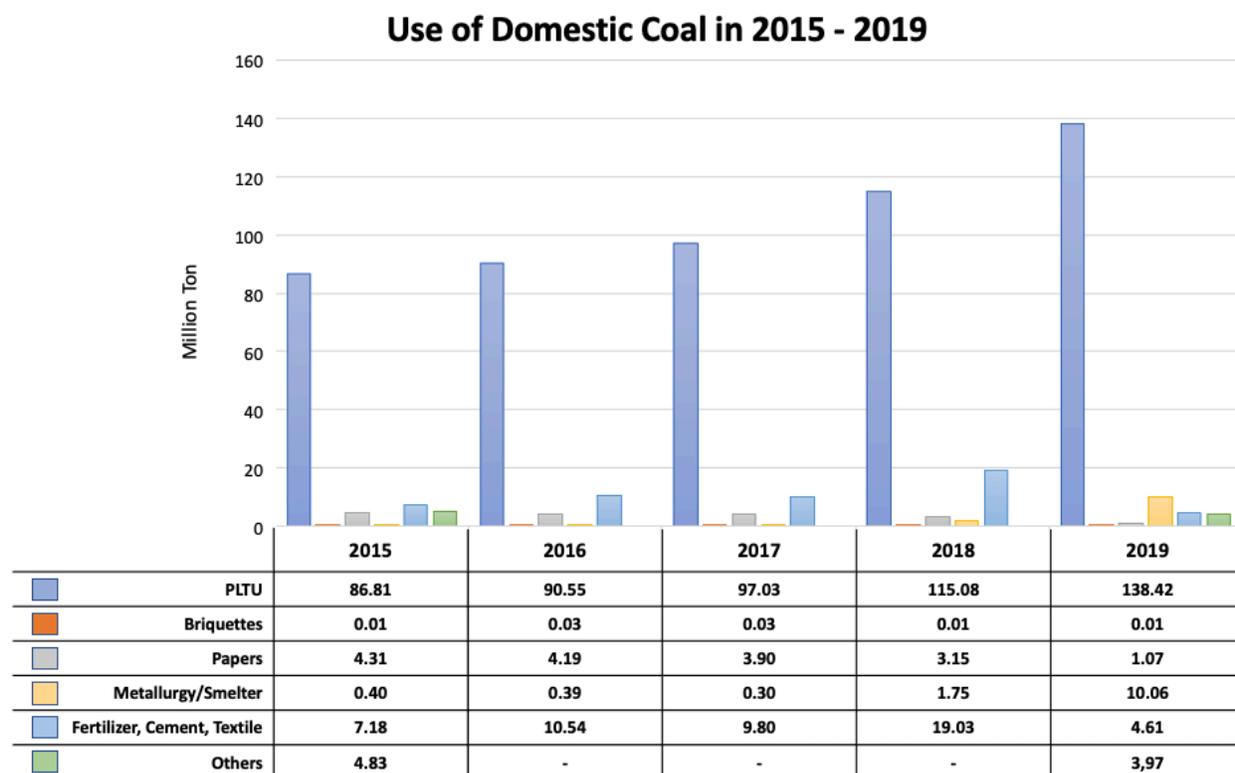
Source: Ministry of Energy and Mineral Resources, 2020

Figure 63. Total Exports and DMO of Coal in 2015-2019

As shown in **Figure 63**, realization of coal DMO had continued to increase between 2015 and 2019. In 2019, domestic coal demand was the highest because several steam-fired power plants (PLTU) have entered Commercial Operation Date (COD) and are on target to complete construction.

Coal DMO realization has been on the increase in line with rising coal consumption by domestic industries. Rising coal consumption has been caused by additional electricity production capacity. Based on the electricity procurement plan (RUPTL) of state electricity company PT PLN for 2017–2026, additional power plant capacity for 2017–2026 reaches 77.9 GW, with 31.9 GW from PLTU.

Coal is used to ensure primary energy sources. This is evident from the increased demands from PLTU; cement, textile, and fertilizer industries; paper factories, and smelters.



Source: Ministry of Energy and Mineral Resources, 2020

Figure 64. Realization of Domestic Coal Utilization

As shown in **Figure 64**, 65% of domestic coal supply in 2018 was absorbed by PLN, while in 2019, the state electricity company used 76.8% of coal supply. Increasing coal consumption was caused by higher electricity demand in the country. Factors contributing to higher electricity demand included the program to accelerate a higher electrification ratio and the village electrification program across Indonesia, especially outside Java Island. Coal still made up 62% of the energy mix in 2018, and 54% in 2025.

A significant increase in coal demand in 2018 was made by fertilizer, cement, and textile industries, which made up 10.8% of total DMO. In the fertilizer industry, a food self-sufficiency program by giving subsidized fertilizers had driven plans to increase fertilizer production. In the cement industry, plans to construct infrastructure and property and to improve cement export had pushed the cement industry to increase production. Finally, plans to increase textile export had prompted the textile industry to increase production, too.

In 2019, a significant increase in coal demand was made by the smelter/refining industry, making up 6% of total DMO. Many metallurgical/smelter facilities had started operation and increased their production capacity.

4.2.2.5 Contribution to National and Regional Economy

In terms of state revenue, the mineral and coal industry makes an essential contribution to Indonesia's Gross Domestic Product (GDP). The contribution can be in the forms of taxes and Non-Tax State Revenues (PNBP). State revenue from extractive industry taxes comes from

corporate income tax (PPH), PPh article 21, individual PPh, withholding tax, VAT, and other taxes regulated by law. Meanwhile, PNPB comes from royalty payments (production fees) and land rent (fixed fees) regulated by government regulations.

In 2018 and 2019, the mining sector industry contributed to the Indonesian economy by 4.5% and 5%, respectively, of total GDP. The increase in GDP occurred because of increased demand for several commodities, especially coal and nickel, and by rising prices of coal and several other commodities.

Table 36. GDP of Mining Industry in Indonesia Based on Current Prices

Industry	GDP in Billion Rupiah	
	2018	2019
Coal and Lignite Mining	368,891	401,277
Metallic Ore Mining	96,825	111,321
Other Mining and Excavations	244,596	226,219
Total	710,311	738,817

Source: Central Bureau of Statistics, 2020

In addition to GDP, the mining sector also contributes to employment in Indonesia. During the 2015-2017 period, Indonesian labor (TKI) absorption in the mining sector increased significantly. In 2018 and 2019, however, absorption of TKI in the mining sector decreased. Fluctuations in absorption of TKI in this sector are inseparable from world economic growth, particularly related to the supply and demand for various mining commodities.

Table 37. Recapitulation of Labor Absorption in Mining Sector

Workers Nationality	Year				
	2015	2016	2017	2018	2019
Foreign workers (TKA)	2,601	2,767	2,984	3,348	1,142
Indonesian workers (TKI)	183,258	208,846	230,928	221,749	133,400
Total	185,859	211,613	233,912	225,097	134,542

Source: Ministry of Energy and Mineral Resources, 2020

In 2018, the number of TKI in the mining sector decreased by 4%, but the number of foreign workers increased (TKA) by 13%. However, in 2019 the number of TKI and TKA decreased by 39.8% to 133,400 and 65.8% to 1,142, respectively.

Table 38. Indonesian Labor Absorption

Year	Indonesian Manpower Data						Total
	KK	PKB2B	IUP Mineral	IUPK Mineral	IUP Coal	IUJP	
2017	20,607	14,912	619	-	727	194,063	230,928
2018	18,393	13,501	1,536	-	641	187,678	221,749
2019	10,000	14,566	8,680	9,703	511	89,940	133,400

Source: Ministry of Energy and Mineral Resources, 2020

Based on Table 38, the most significant change occurred in 2019, when there was a transition from KK (PTFI and PT AMNT) workers to IUPK Mineral workers. Also, workforce of mining business service companies or IUJP in 2019 was not reported yet to the Government, so the data presented had decreased drastically. Meanwhile, the increase in the workforce of Mineral IUPs was due to the rise in the number of companies that held nickel IUP.

Table 39. Absorption of Foreign Workers

Year	Data of Foreign Workers						Total
	KK	PKB2B	IUP Mineral	IUPK Mineral	IUP Coal	IUJP	
2017	242	100	14	-	18	2,610	2,984
2018	279	88	134	-	21	2,826	3,348
2019	308	94	134	212	8	386	1,142

Source: Ministry of Energy and Mineral Resources, 2020

Based on **Table 39**, the most significant change also occurred in 2019. Similar to TKI, foreign workers were also shifted, from workers of KK to workers of IUPK Mineral. Next, the increase in the number of foreign workers in mineral IUPs was due to the rise in the number of IUP. Meanwhile, the drastic decrease in the number of foreign workers at IUJP was due to a change in cooperation contracts, namely foreign workers whose contracts had expired would not be given contract extension because of government directives about empowering TKI, especially from local communities. The decline in the number foreign workers in 2019 was also because foreign workers had transferred their knowledge and because foreign workers with positions as directors and commissioners were not included in the list.

The decrease in the number TKI and TKA of IUJP was also due to the change in labor data, from previously reporting by IUJP holders to reporting by IUP holders. Reporting by IUJP holders included the total workforce at head office and IUP PMDN. In contrast, reporting by IUP holders only listed workers at mine site and at IUP under minister's authority. Additionally, reporting compliance had also resulted in the decrease in the number of TKI and TKA.

Compared to the national workforce, the mining sector absorbs a relatively small number of employees. It is understandable because this sector is considered capital-intensive.

Meanwhile, gender mainstreaming in the mining industry in Indonesia is an effort to embrace man and woman's perspectives in the planning and implementation of a policy so as to ensure that the policies and programs benefit men and women equally. Gender mainstreaming can be one solution to increase equality between women and men in the mining industry. For example, based on a survey on national labor force in 2019, the proportion of female workers in the Indonesian mining industry did not reach 10% of this sector's total workforce. This low representation raises concerns that women and men do not receive equal benefits from Indonesia's mining industry.

In mining communities, women are often seen more vulnerable to work at every mining phase, from exploration to mine closure. Mining jobs are generally still considered very risky for women. This perspective is based on community's stance on women's role so that the impacts of mining activities are different on men and women.

Presidential Instruction No. 9/2000 mandates gender mainstreaming to be included in all economic development processes. To date, gender equality is one of the national mainstreaming agenda items included in the National Medium-Term Development Plan (RPJMN) 2020-2024.

4.3 Extractive Industry SOEs

State-Owned Enterprises (SOE) are business entities whose capital is wholly or partly owned by the state through direct investment from separated state assets as regulated by Law No. 4/2003 on SOE. The extractive industry is an industry engaged in the extractive sector, which includes oil, natural gas, minerals, and coal. The extractive industry SOE can be defined as a business entity in the extractive industry whose capital is wholly or mostly owned by the state.

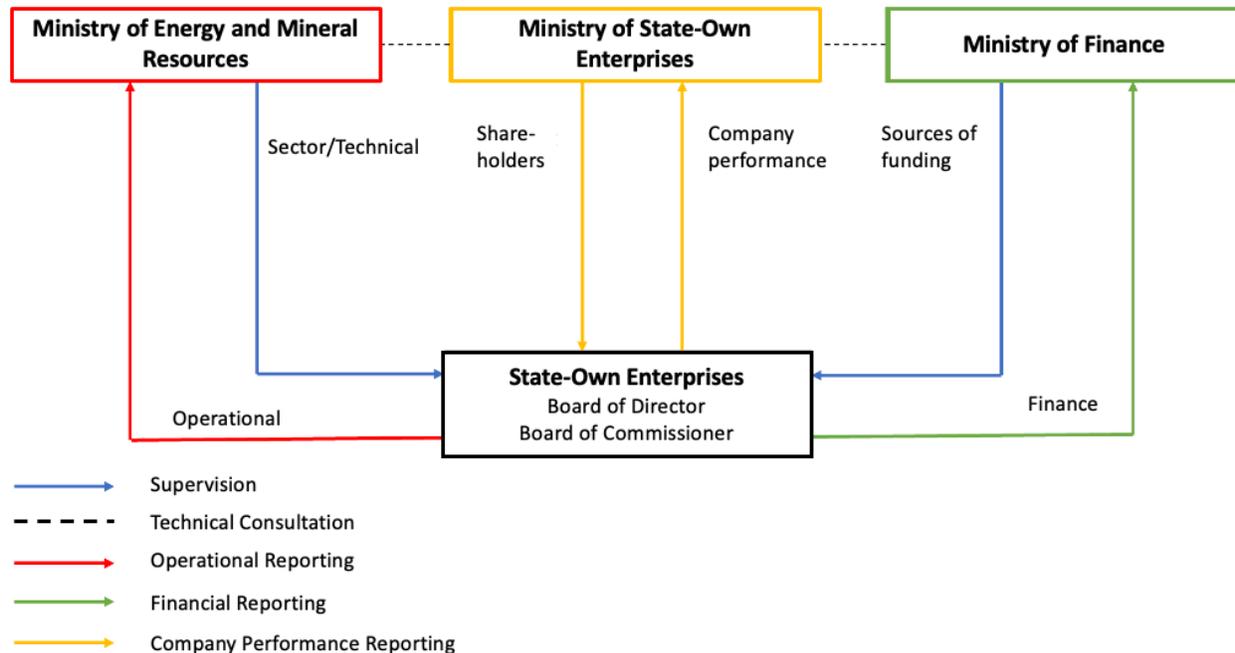
The role of SOE is quite significant in the extractive industry sector in Indonesia. In the oil and gas sector in 2018, total contribution of Pertamina Group to the State Budget reached Rp120.8 trillion, consisting of 93 percent of tax deposits and 7 percent of dividends. The dividends came from performance by Pertamina in 2017 that was paid in 2018. In 2019, total tax and dividend payments increased by 13% to Rp136.6 trillion, consisting of 93 percent of tax payments and 7 percent of dividends.

Meanwhile, the contribution of mineral and coal SOEs to the state is made, among others, through royalties. Mineral and coal mining SOEs paid royalties of Rp1.75 trillion in 2018 and Rp2.25 trillion in 2019. The amounts were 6% of the Central Government's total royalties in 2018 and 9% in 2019.

4.3.1 Financial Relations between SOE and Government

SOEs and the government have functional relations. The government act as the regulator, and SOEs as business entities that apply the principles of good corporate governance and set the direction for carrying out public service obligations.

In the government and SOE's financial relationship, the authority of the Government includes Participation of State Capital in SOE, payment of dividends, participation of capital and loans to SOEs by the private sector, passing on Government soft loans to SOEs, and auditing of SOEs financial statements. SOEs must report their activities and be accountable to the Government as the shareholders.



Source: 2012-2013 EITI Scope Report in the 2017 EITI Report

Figure 65. Relationship between SOEs and Government

Figure 65 illustrates the authority of the Government, as follows:

- As a shareholder, the Ministry of SOE has the authority to handle operational/managerial affairs of SOE and to appoint directors, commissioners, and supervisory boards at General Meeting of Shareholders.
- As the state assets manager, the Minister of Finance has the authority over the government's capital, which is one of the sources of SOE funding.
- The Minister of Energy and Mineral Resources can formulate, determine, and impose policies in the energy and mineral and coal resources.

State Capital Participation

State Capital Participation is the separation of State assets from the State Revenue and Expenditure Budget (APBN) or determination of company reserves or other sources to be used as capital for SOE and other Limited Companies and the management of SOEs or companies as corporations. GR No. 72/2016 on amendment to GR No. 44/2005 regulates provisions regarding state capital participation and administration procedures in the framework of establishment or participation in SOEs and limited companies where the state owns parts of the shares. Participation of State Capital originating from state assets in the forms of state-owned shares to SOE or *Perseroan* Company shares to SOE or other Limited Companies, is carried out by the Central Government without having to comply with the APBN mechanism, as regulated by Article 2 of GR No. 72/2016 on amendment to GR No. 44/2005.



Source: GR No. 72/2016

Figure 66. Flow of State Capital Participation

The amount of State Capital Participation in SOEs is presented as a permanent investment in the balance sheet of the Central Government's Financial Statements. All or at least 51% of the capital of an SOE in the form of a limited company must be owned by the Government.

Procedure and Mechanism to Determine Retained Profits and Dividend Payment

Law No. 40/2007 on limited companies requires companies to set aside a certain amount of net income for reserves until the funds are at least 20% of their total capital. All net income after deducting the budget for reserves is paid to shareholders as dividends. SOEs must pay dividends to the government based on the Payout Ratio (POR), that is, a certain percentage of dividends paid out compared to SOE's net profit. The POR value is determined annually by the General Meeting of Shareholders (GMS) according to the financial capacity and the capital needs projections of the SOE. Determination of the POR value is also made according to suggestions of Board of Directors, Government policies, proposals from Commission VI of the Parliament (DPR), and negotiations between the Ministry of SOE and the SOE concerned.

Dividends are paid to the government within one month after GMS determines the dividends. Dividends are deposited into state accounts under the provisions of Minister of Finance Regulation No. 5/PMK.02.2013.

Capital Participation and Loans from Private Sector

The mechanism for capital participation from the private sector, such as through privatization, is regulated in GR No. 59 of 2009 on Amendment to GR No. 33/2005 on Procedures for Privatization of Government-Owned Enterprises of *Persero*. Privatization can be done by:

- Sale of shares according to capital market regulations
- Direct sale of shares to investors
- Sale of shares to the management and/or employees of the *Persero*.

If funding for SOE is secured from loans, especially from foreign private creditors, Regulation of Minister of Finance (PMK) No. 214/PMK.08/2019 outlines the procedures for procurement of finance, from selection of prospective creditors to signing of loan agreement.

Passing on Government Soft Loans to SOEs

For projects that are strategic for national development activities, domestic or foreign soft loans may be offered to SOEs under criteria and procedures stipulated in PMK No. 108/PMK.05/2019 on amendment to PMK No. 108/PMK.05/2016. The ministerial regulation states that the assets or revenue of SOEs from projects/activities financed by domestic or foreign soft loans is

collateral for the loans. SOEs must pay of the soft loan under certain requirements according to the loan's validity period.

Audit of SOE's Financial Statements 2018-2019

The financial statements of SOEs for fiscal year 2018-2019 had been audited by independent auditors. The public can access the financial statements of each SOE via the following links:

Table 40. Financial Statements of SOEs

Company	Financial Statements Link
PT Indonesia Asahan Aluminium (Persero)	https://www.inalum.id/id/about/hub-investor
PT Aneka Tambang Tbk	https://www.antam.com/en/reports/financial-reports
PT Bukit Asam Tbk	http://www.ptba.co.id/id/laporan-perusahaan/laporan-audit-keuangan
PT Timah Tbk	http://www.timah.com/v3/ina/laporan-laporan-keuangan/
PT Freeport Indonesia	https://drive.google.com/file/d/1y1DNQFffwQ3LKZfFF_mPRlbcdSmj1S5K/view
PT Pertamina	https://www.pertamina.com/id/laporan-keuangan
PT Perusahaan Gas Negara Tbk	https://ir.pgn.co.id/financial-information

Source: Websites of relevant companies

PT Freeport Indonesia (PTFI) became an SOE as of December 2018 because it had officially transferred most of its shares to the Indonesian Government. However, the company had not published its financial statements until 2019.

The public can access the financial statements of these SOEs to obtain information about their financial conditions and transactions, such as company acquisitions, receivables from private parties as well as short-term and long-term loans.

4.3.2 Social and Environmental Responsibility of Extractive Industry SOEs

According to Article 74 of Law No. 40/2007 on Limited Companies, companies that carry on business in the field of and/or related to natural resources must carry out social and environmental responsibility programs. Regulation of Minister of SOE No. PER-09/MBU/07/2015 on Partnership Program and Community Development Program for State-Owned Enterprises, amended by SOE Ministerial Regulation No. PER-02/MBU/7/2017, imposes the obligations of SOEs to implement partnership and community development programs with funds from a maximum of 4% of net profit after tax of the previous financial year.

Extractive Industries SOEs and Establishment of SOE Holding Company

In early 2017, there were five extractive industry SOEs in Indonesia: two SOEs of the oil and gas sector, i.e. PT Pertamina (Persero) and PT Perusahaan Gas Negara Tbk (PT PGN), and three SOEs of the mineral and coal sector, i.e. PT Aneka Tambang Tbk (PT ANTAM), PT Timah Tbk (PT Timah) and PT Bukit Asam Tbk (PTBA). From December 2017 to the year 2019,

however, a state-owned holding company in the extractive industry had been formed. GR No. 72/2016 regulates the process, with the transfer of the Government-owned shares in the SOEs to an SOE that became the holding company. The transfer Government-owned shares, which constitute State Capital Participation in SOEs, are carried out by the central government without having to comply with the mechanism of State Revenue and Expenditure Budget (APBN).

The formation of SOE holding in the mineral and coal sector took place in December 2017 through GR No. 47/2017, with PT Indonesia Asahan Aluminum (Persero) becoming the holding company of PT ANTAM, PT Timah, and PTBA. The establishment of SOE holding in the oil and gas sector took place in April 2018 through GR No. 6/2018 with PT Pertamina (Persero) becoming the holding company of PT PGN. Both GRs also regulate revocation of a *Persero* status of PT ANTAM, PT Timah, PTBA, and PT PGN. Based on GR No. 72/2016, these companies are still treated in the same way as other SOEs are even though their *Persero* status had been revoked. The subsidiaries of an SOE holding will receive the same treatment when they wish to (1) obtain government assignments or carry out public services; and/or (2) obtain special policies of the state and/or government, including to manage natural resources with special treatment received by SOEs.

In the shareholder structure of extractive industry SOEs, the shares of the Indonesian Government, commonly known as Dwi Warna Series A share, have special authority in the corporation management. This authority is stated in the attachment to letter of the Ministry of SOE No. S-163/MBU/03/2017 dated March 10, 2017, on Draft Standards of Articles of Association of BUMN Tbk in the Non-Banking Sector. The privileges of the Dwi Warna Series A shares include:

1. The right to agree in the GMS on the following matters:
 - a. Approval of amendment to the Articles of Association
 - b. Approval of changes in capital
 - c. Approval of appointment and dismissal of members of Board of Directors and Board of Commissioners
 - d. Agreement related to merger, consolidation, acquisition, separation, and dissolution
 - e. Approval of remuneration of members of Board of Directors and Board of Commissioners
 - f. Approval of transfer of assets which according to the Articles of Association requires approval from the GMS
 - g. Approval of participation and reduction in the percentage of capital participation in other companies which according to the Articles of Association requires GMS approval
 - h. Approval of use of profit
 - i. Approval regarding long-term investment and financing of non-operational nature which according to the Articles of Association requires approval from the GMS.
2. The right to propose candidates for members of Board of Directors and candidates for members of Board of Commissioners
3. The right to propose the agenda for the GMS
4. The right to request and access company's data and documents

In addition to Dwi Warna Series A share, the Indonesian Government also has series B standard share. These shares are the same with those held by the public. These shares are the ones transferred to the SOE holding company.

Thus, the Indonesian Government has two types of authority over SOE subsidiaries, namely:

- Directly, through the ownership of Dwi Warna Series A share.
- Indirectly, through the SOE holding company which whole shares are owned by the Government.

4.3.2.1 Oil and Gas SOE Holding

The Indonesian Government formed an oil and gas SOE holding company in April 2018. The formation of the SOE holding is regulated in GR No. 6/2018 on Addition of Participation of State Capital of the Republic of Indonesia to the Share Capital of PT Pertamina (Persero) by Transferring the Rights to the Shares of the Republic of Indonesia at PT Perusahaan Gas Negara Tbk.

The aims of the formation of the Oil and Gas SOE holding are to i) synergize capital costs due to infrastructure consolidation, ii) avoid conflicts about gas allocation that often occur between Pertamina and PGN, and iii) achieve a uniform price scheme.

The benefits of the formation of the Oil and Gas SOE holding include:

1. Increasing investment efficiency, for example by avoiding construction overlap of gas infrastructure development.
2. Increased leveraging capacity and financial improvements, namely the ability to blend prices and cost efficiency, such as:
 - a. Pricing policy
The Oil and Gas Holding will have the flexibility to determine price according to consumer types, enabling gas supplier to get a reasonable return.
 - b. Optimization of gas flows nationwide
The Oil and Gas Holding can optimize development of gas distribution networks by using the national gas network plan, consisting of a combination of distribution by pipeline and by shipping.
 - c. Reduction in production and distribution costs
The Oil and Gas Holding can reduce sales costs by optimizing production infrastructure and gas distribution networks already owned by Pertamina and PGN, so investment in massive infrastructure is not required.



Figure 67. Structure of Oil and Gas SOE Holding

1. PT Pertamina (Persero) and its subsidiaries

PT Pertamina (Persero) became a limited company (*perusahaan perseroan*) based on GR No. 31/2003. This company operates both by itself and through cooperation schemes with partners, namely Operational Cooperation (KSO), Joint Operation Body (JOB), Technical Assistance Contract (TAC), and Indonesia Participating/Pertamina Participating Interest (IP/PPI). Self-operation is conducted in five areas of Pertamina EP (PEP), namely Asset 1 (Aceh, North Sumatra, and Riau), Asset 2 (South Sumatra), Asset 3 (West Java), Asset 4 (Central Java and East Java) and Asset 5 (Kalimantan and Papua).

Ownership

The Government of Indonesia has 100% ownership of PT Pertamina.

Subsidiaries

Based on the financial statements of 2018, PT Pertamina has 28 subsidiaries, four associate companies, and eight joint ventures. The following is a list of ten subsidiaries and one joint operation company engaged in oil and gas exploration and production that operate in the Indonesian territory.

Table 41. List of Subsidiaries of PT Pertamina (Persero) in 2018-2019

Subsidiary	Ownership Type	Business Fields	Ownership Percentage (%)	
			2018	2019
PT Pertamina EP	Subsidiary	Oil and gas exploration and production	PT Pertamina (Persero) 99.99% PT Pertamina Pedeve Indonesia 0.01%	PT Pertamina (Persero) 99.99% PT Pertamina Pedeve Indonesia 0.01%

PT Pertamina Hulu Energi	Subsidiary	Oil and gas exploration and production	PT Pertamina (Persero) 98.72% PT Pertamina Pedeve Indonesia 1.28%	PT Pertamina (Persero) 98.72% PT Pertamina Pedeve Indonesia 1.28%
PT Pertamina EP Cepu	Subsidiary	Oil and gas exploration and production	PT Pertamina (Persero) 99.00% PT Pertamina Pedeve Indonesia 1.00%	PT Pertamina (Persero) 99.00% PT Pertamina Pedeve Indonesia 1.00%
PT Pertamina EP Cepu Alas Dara & Kemuning	Subsidiary	Oil and gas exploration and production	PT Pertamina (Persero) 99.00% PT Pertamina Pedeve Indonesia 1.00%	PT Pertamina (Persero) 99.00% PT Pertamina Pedeve Indonesia 1.00%
PT Pertamina Internasional Eksplorasi & Produksi	Subsidiary	Oil and gas exploration and production	PT Pertamina (Persero) 99.999998% PT Pertamina Pedeve Indonesia 0.000002%	PT Pertamina (Persero) 99.999998% PT Pertamina Pedeve Indonesia 0.000002%
PT Pertamina Hulu Indonesia	Subsidiary	Oil and gas exploration and production	PT Pertamina (Persero) 99.93% PT Pertamina Pedeve Indonesia 0.07%	PT Pertamina (Persero) 99.93% PT Pertamina Pedeve Indonesia 0.07%
PT Pertamina Hulu Rokan	Subsidiary	Oil and gas exploration and production	PT Pertamina (Persero) 99.87% PT Pertamina Pedeve Indonesia 0.13%	PT Pertamina (Persero) 99.87% PT Pertamina Pedeve Indonesia 0.13%
PT Pertamina East Natuna	Subsidiary	Non-active	PT Pertamina (Persero) 99.90% PT Pertamina Pedeve Indonesia 0.10%	PT Pertamina (Persero) 99.90% PT Pertamina Pedeve Indonesia 0.10%
Pertamina E&P Libya Ltd	Subsidiary	Non-active	PT Pertamina (Persero) 100%	PT Pertamina (Persero) 100%
PT Pertamina Geothermal Energy	Subsidiary	Oil and gas exploration and production	PT Pertamina (Persero) 90.06% PT Pertamina Pedeve Indonesia 9.94%	PT Pertamina (Persero) 91.09% PT Pertamina Pedeve Indonesia 8.91%
PT Pertamina Drilling Service Indonesia	Subsidiary	Oil and gas exploration and production	PT Pertamina (Persero) 99.89% PT Pertamina Pedeve Indonesia 0.11%	PT Pertamina (Persero) 99.89% PT Pertamina Pedeve Indonesia 0.11%
PT Elnusa Tbk	Subsidiary	Oil and gas exploration and production, and other fields	PT Pertamina (Persero) 41.10% Dana Pensiun Pertamina 14.90% Public < 5% 44.00%	PT Pertamina (Persero) 41.10% Dana Pensiun Pertamina 14.90% Public < 5% 44.00%
PT Pertamina Lubricants	Subsidiary	Oil and Gas Processing	PT Pertamina (Persero) 99.95% PT Pertamina Pedeve Indonesia 0.05%	PT Pertamina (Persero) 99.95% PT Pertamina Pedeve Indonesia 0.05%
PT Nusantara Regas	Subsidiary	Oil and gas exploration and production	PT Pertamina (Persero) 60.00% PT Perusahaan Gas Negara, Tbk 40.00%	PT Pertamina (Persero) 60.00% PT Perusahaan Gas Negara, Tbk 40.00%
PT Perusahaan Gas Negara Tbk	Subsidiary	Processing, Gas Procurement, and Other Fields	PT Pertamina (Persero) 56.96% Public 43.04% 1 Dwi Warna series A share	PT Pertamina (Persero) 56.96% Public 43.04% 1 Dwi Warna series A share

Source:

PT

Pertamina

(Persero)

The Role of PT Pertamina (Persero) in the Sale of Crude Oil/Condensate for the Government

According to the work procedures (PTK) of BP Migas regarding the sale of the state's share of crude oil/condensate, BP Migas can make direct appointments for the sales of crude oil or condensate to be processed by domestic refineries. PT Pertamina (Persero) received a direct appointment to be the seller of state's share of crude oil/condensate for domestic refinery based on decision of Head of BP Migas No. KEP-0131/SKKO0000/2015/S2 dated August 13, 2015 on Appointment of PT Pertamina (Persero) as the seller of all state share of Crude Oil and / or Condensate . The government will send its share of petroleum lifting with suitable specifications to PT Pertamina's refinery.

The Role of PT Pertamina (Persero) as Buyer of Crude Oil/Condensate of Contractor's Share

According to Permen No. 42/2018, the Government requires Contractors or their affiliates to offer the Contractor's share of petroleum to Pertamina and/or business entities that hold petroleum processing business permits.

Soft Loans Passed on by the Government to PT Pertamina (Persero) and Government Guarantee for Company Loans

The following is soft loans by foreign private sector to the Indonesian Government and passed on to PT Pertamina (Persero) for the 2018 fiscal year.

Table 42. Loans Passed on to PT Pertamina (Persero) 2018

Lender	Purpose of Loan	Total Loan (Original Currency)	Loan Period	Interest rate	Balance per Dec 31, 2018 (Eq. USD)
Corporate Loan					
The Bank of Tokyo-Mitsubishi UFJ, Ltd (Syndicated Loan)	Investment	USD 789,300,000	5 Years	LIBOR + 1.1%	522,265,000
	Investment	USD 710,700,000	5 Years	LIBOR + 1.2%	482,735,000
Sumitomo Mitsui Banking Corporation Singapore Branch (Syndicated Loan)	Investment	USD 77,769,900	9 Years	LIBOR + 1.0%	60,487,704
	Investment	USD 13,724,100	7 Years	LIBOR + 1.2%	9,802,928
The Bank of Tokyo-Mitsubishi UFJ, Ltd (Syndicated Loan)	Operational	USD 600,000,000	5 Years	LIBOR + 1.5%	595,353,494
Citigroup Singapore (Syndicated Loan)	General Purposes	USD 55,250,000	5 Years	3,6708%	55,250,000
The Bank of Tokyo-Mitsubishi UFJ Jakarta Branch	Investment	USD 15,935.000	5 Years	LIBOR 1M + 1.35%	14,150,280

Source: PT Pertamina (Persero)

Retained Earnings and Dividends

The following is the dividends and retained profits of PT Pertamina (Persero) in 2018.

Table 43. Dividends and Retained Profits of PT Pertamina (Persero) in 2018

Item	Amount (USD)
Dividends paid to shareholders	614,939,000
Dividends paid to the Government	614,939,000
Dividend profit paid to other shareholders	0
Appropriated retained earnings	8,796,357,000
Unappropriated retained earnings	2,526,772,000

Source: PT Pertamina (Persero)

PT Pertamina (Persero) Social Responsibility Programs

The fund for social responsibility programs carried out by PT Pertamina (Persero) are spent on corporate social responsibility program, and the Partnership and Community Development Program (PKBL). The following is the realization of PT Pertamina (Persero) CSR funds in 2018-2019.

Table 44. Realization of PT Pertamina (Persero) Social Responsibility in 2018–2019

Realization of Social Responsibility	Expenditure (Million Rp)	
	2018	2019
Activities		
Corporate Social Responsibility	126,466	65,940
Community Development	322,010	108,129
TOTAL	448,476	174,069

Source: PT Pertamina (Persero)

Oil and Gas Import and Export

Indonesia is one of EITI member countries which has become a pilot country in transparency commodity trading. Disclosure of information is carried out at countries that receive revenue from in-kind material. It complies with requirements 4.2 of EITI standard, which requires disclosure of government revenues information, including that of State-Owned Enterprises (SOE), from in-kind material. Disclosure includes opening of volume sold and income received. The “requirements” had been set out due to the fact that in many countries, SOEs play essential roles in production to sales processes on behalf of the government. The physical income in SOE ownership can be seen in production license shares or when companies make payments with physical commodities. SOEs then sell these resources and make transfers to the government.

The Indonesia Commodity Trading report was published in 2018. The report only contains export data from SKK Migas, but there were urgent demands to open import data from PT Pertamina, too. PT Pertamina had become more transparent by presenting import data of 2019

at <https://pertamina.com/id/laporan-pengadaan-impor-periode-2019>. The link contains information on imports of crude oil, fuel oil, and LPG. Information about Pertamina's chartered ships can be accessed at <https://pertamina.com/id/informasi-kapal>.

Table 45. Oil and Gas Imports

Import (2019)	Volume	Value
Crude Oil	87,063,238 BBL	USD 5,724,858,623
Fuel Oil	128,423,638 BBL	USD 8,878,341,202
LPG	5,844,919 MT	USD 2,721,150,775

Source: <https://pertamina.com/id/laporan-pengadaan-impor-periode-2019>

Table 46. Oil and Gas Exports

Oil Export				
Buyer	Destination Country	Value		Remark*
		Rp	USD	
Vitol	Singapore		51,924,476	PHE
BP Singapore PTE LTD	Singapore		2,503,775	PHE
Trafigura Pte Ltd	Singapore		5,095,317	PEP
Trafigura Pte Ltd	South Korea		2,411,027	PEP
Petro Summit Pte Ltd	Thailand		3,455,620	PEP
Petro Summit Pte Ltd	Singapore		4,694,852	PEP
Chevron Singapore Branch	Singapore		73,048,624	(PIREP) Basrah Heavy
Chevron Singapore Branch	Singapore		64,646,546	(PIREP) Basrah Heavy
TOTAL			207,780,236	
Natural Gas Export				
Buyer	Destination Country	Value		Remark*
		Rp	USD	
Gas Supply Pte Ltd.	Singapore		109,620,384	PHE
Star Energy (Kakap) Ltd.	Singapore		5,575,386	PHE
WNTS	Singapore		75,796,270	PHE
BP SINGAPORE PTE LTD.	Singapore		158,676,257	PHE

JERA CO INC.	Japan		212,425,248	PHI
KANSAI ELECTRIC	Japan		105,308,329	PHI
KANSAI ELECTRIC & OSAKA GAS	Japan		44,083,842	PHI
KYUSHU ELECTRIC POWER CO.INC	Japan		67,408,683	PHI
OSAKA GAS	Japan		74,715,654	PHI
PETROCHINA INTL	China		18,583,376	PHI
PPT ET	Singapore		51,990,561	PHI
TOHO GAS CO.LTD	Japan		32,633,864	PHI
ENGIE Energy	Singapore		27,841,035	PHI
GSPL	Singapore		14,838,264	PEP
Sonatrach	Algeria		5,161,144	(PAEP) LPG Algeria Sales 2018
Sonatrach	Algeria		5,800,250	(PAEP) Condensate Algeria Sales 2018
Petronas	Malaysia		8,046,100	(PMEP) Bintulu Condensate Sales 2018
TOTAL			1.018.504.646	

Source: PT Pertamina (Persero)

2. PT Perusahaan Gas Negara Tbk

GR No. 37/1994 changed the status of PT Perusahaan Gas Negara Tbk to a *Persero* company. It also broadened the company's business scope: from natural gas trading only to also include transmission, where PT Perusahaan Gas Negara Tbk acts as a transporter. Since 2003, PT Perusahaan Gas Negara Tbk has been a public company listed on the Indonesia Stock Exchange. In 2018, PT Perusahaan Gas Negara Tbk officially became a subsidiary of PT Pertamina (Persero) under a holding mechanism.

PT Perusahaan Gas Negara (Persero) Tbk is currently the largest gas transporter in Indonesia. Its subsidiary in the upstream sector is PT Saka Energi Indonesia, while subsidiary in the downstream sector is PT Gagas Energi Indonesia.

Shareholder Composition

The following is a list of shareholders and their share ownership in 2018.

Table 47. List of shareholders of PT Perusahaan Gas Negara Tbk

Shareholder	Ownership Portion
-------------	-------------------

PT Pertamina	56,96%
Public	43,04%

Source: PT Perusahaan Gas Negara's 2018 Annual Report

The Indonesian Government invested Dwi Warna Series A share in PT Perusahaan Gas Negara Tbk.

Subsidiary

Based on the 2018 annual report, the subsidiary of PT Perusahaan Gas Negara Tbk which is engaged in the extractive industry is PT Saka Energi Indonesia. PT Saka Energi carries on upstream business with 99.9% shares owned by PT Perusahaan Gas Negara Tbk.

Loan Guarantee from the Government and PT Perusahaan Gas Negara's Guarantee for Other Company Loans

PT Perusahaan Gas Negara Tbk does not get a loan guarantee from the Government and is not a guarantor for other companies, as stated in the 2018 financial statements.

Transmission Length owned by PT Perusahaan Gas Negara Tbk within Indonesian Territory in 2018

Until 2018, the transmission length owned by PT Perusahaan Gas Negara Tbk within Indonesian territory was 6,443 KM of distribution and transmission pipelines, and 3,473 KM of its subsidiaries' pipelines.

Contribution to State

PGN's share ownership had been transferred from the government to PT Pertamina as of April 11, 2018. Thus, the majority shareholder of PGN is Pertamina, with 56.96% shares, while the public owns the remaining 43.04%. However, in 2018, PGN continued to pay dividends, taxes, and fees to BPH Migas, the downstream oil and gas regulatory agency. In 2018, the company's total contribution to the state was USD 448,961,822, decreasing by 4.2% compared to contribution of the previous year of USD 468,483,274.

Table 48. PGN's Contribution to the State

Contribution Type	2018 (Million USD)	2017 (Million USD)
Dividend	31.34	77.89
Tax	403.73	375.15
Contribution to BPH Migas	13.89	15.44
Total Contribution	448.96	468.48

Source: PT Perusahaan Gas Negara's 2018 Annual Report

Social Responsibility Program of PT Perusahaan Gas Negara (Persero)

PT Perusahaan Gas Negara Tbk has implemented an Environmental Development Program to help the Government carry out more equitable development and improve people's welfare. The

fund for the community development program is obtained from the company's budget with a total of IDR 85.9 billion. The details are as follows:

Table 49. Social responsibility programs of PT Perusahaan Gas Negara Tbk (Rupiah)

Program	CSR	Community Development			Total
		Company Costs	Profit Allocation	Sum	
Community Development Program					
Aid to Natural Disaster Victims	737,595,504	927,756,559	0	927,756,559	1,665,352,063
Education and/or Training Assistance	2,084,582,777	13,490,192,480	0	13,490,192,480	15,574,775,257
Health Improvement Assistance	21,626,008,720	7,717,317,320	0	7,717,317,320	29,343,326,040
Development Assistance for Public Infrastructure and/or Facilities	3,276,496,275	6,913,192,383	0	6,913,192,383	10,189,688,658
Worship Facilities Assistance	984,233,120	20,295,322,501	0	20,295,322,501	21,279,555,621
Nature Conservation Assistance	374,474,484	2,034,552,900	0	2,034,552,900	2,409,027,384
Poverty Alleviation Assistance	1,559,811,130	3,901,075,601	0	3,901,075,601	5,460,886,731
Assistance for Development Partners	-	-	-	-	-
Number of Community Development Program Realizations	30,643,202,010	55,279,409,744	0	55,279,409,744	85,922,611,754

Source: PT Perusahaan Gas Negara's 2018 Annual Report

4.3.2.2 Mineral and Coal SOE Holding

Formation of mineral and coal SOE Holding was motivated by the desire to increase control of Indonesia's vast mineral and coal reserves and resources, including those managed by the mineral and coal SOEs. The formation has been targeted to increase optimization of added value management of minerals, equitable distribution of mineral resources in Indonesia, and investment capacity related to downstream processing. The main objective is to develop a large, healthy, and agile mining company that has strong competitiveness.

PT Indonesia Asahan Aluminum (Persero) was officially appointed as a holding company for the mineral and coal sector SOEs in November 2017. The holding includes three SOEs, namely PT Aneka Tambang Tbk, PT Timah Tbk, PT Bukit Asam Tbk, and one limited company, PT Freeport Indonesia (PTFI). The appointment was marked by issuance GR No. 47/2017 on November 13, 2017. On August 17, 2019, the Mining Industry Holding was transformed into MIND ID (Mining Industry Indonesia). Until the end of 2019, the Indonesian Government owned 65% shares in PT Antam, 65% in PT Timah, 65.93% in PTBA, and 51.23% in PTFI. MIND ID is also in the final stage to purchase the divestment shares of PT Vale Indonesia Tbk (PT VI). The state continues to control ownership in the three members of MIND ID through Dwi Warna series A shares.

After approximately two years of intensive negotiation process involving the Indonesian Government, PT INALUM (Persero) Mining Industry Holding, Freeport McMoRan Inc. (FCX), and Rio Tinto, on December 21, 2018, the transfer of majority shares (divestment) of PT

Freeport Indonesia (PTFI) to PT INALUM officially occurred. PT INALUM purchased part of FCX's shares and the participation interest of Rio Tinto in PTFI. Thus, PT INALUM's share ownership in PTFI increased from 9.36% to 41.24%, which consists of 26.24% of PT INALUM shares and 15% owned by PT INALUM through PT Indonesia Papua Metal and Mineral (IPMM). PT IPMM itself has 25% of shares in PTFI. 60% of the shares of IPMM is owned by PT INALUM, while the Regional Government of Papua will own 40% of IPMM's shares through a BUMD. With the structure of shares ownership, the Indonesian parties own 51.24% of shares in PTFI, that is, 41.24% of shares of PT INALUM and 10% of shares of Papua BUMD. Regarding the 10% shares of the Papua BUMD, further discussions are currently being carried out by the Papua Regional Government.



Source: Directorate General of Mineral and Coal

Figure 68. SOE Holding Structure for Mineral and Coal Sector

PT Indonesia Asahan Aluminum (Persero)

PT Indonesia Asahan Aluminum (Persero) is a company engaged in the processing and refining industry. It officially became an SOE in 2014 under GR No. 26/2014. Basically, this company is involved in downstream minerals and coal sector. However, in 2017, the Indonesian Government issued an initiative to form a holding for the mineral and coal sector. Under GR No. 47/2017, PT Indonesia Asahan Aluminum (Persero) officially became the holding company of PT Aneka Tambang Tbk, PT Bukit Asam Tbk, PT Timah Tbk, and PT Freeport Indonesia.

Shareholder Structure

In 2018–2019, the Government of Indonesia took hold 100% shares of PT Indonesia Asahan Aluminum (Persero).

Subsidiaries

The following is a list of PT Indonesia Asahan Aluminum (Persero) subsidiaries engaged in the extractive industry in 2018-2019.

Table 50. List of PT Indonesia Asahan Aluminum (Persero) Subsidiaries in the Extractive Industry Sector 2018–2019

Ownership Type	Company	Business fields
Child entity	PT. Freeport Indonesia	Gold, silver, copper mining
	PT Aneka Tambang Tbk	Gold, bauxite, nickel mining
	PT TIMAH TBK	Tin mining
	PT Bukit Asam Tbk	Coal mining

Source: PT Indonesia Asahan Aluminum (Persero) Annual Report, 2018 & 2019

Retained Earnings and Dividends

The following is dividends (with POR 33% for payment year 2018 and 10% for payment year 2019) paid out to shareholders and retained earnings for PT Indonesia Asahan Aluminum (Persero) Tbk for 2018 - 2019.

Table 51. Dividends and retained earnings for PT Indonesia Asahan Aluminum (Persero) 2018–2019

Description	Payment Year	
	2018	2019
Dividends paid out	USD1,919,750 Million	USD1,087,496 Million
Appropriated retained earnings	Rp601,440 Million	Rp7,797,659 Million
Unappropriated retained earnings	Rp1,592,774 Million	Rp11,294,581 Million

Source: PT Indonesia Asahan Aluminum (Persero) Annual Report, 2018 & 2019

Social and Environmental Responsibility Programs of PT Indonesia Asahan Aluminium (Persero)

PT Indonesia Asahan Aluminium (Persero) has allocated its CSR budget into three key programs:

1. Partnership Program (PK), which includes a capital strengthening program for Micro, Small, and Medium Enterprises (MSME) with loans from INALUM, and a coaching, marketing, and training program for MSME with INALUM grants. The PK program in 2019 was given to MSMEs in the fields of Industry, Services, Trade, Agriculture, and Animal Husbandry.
2. Community Development Program (BL), which includes assistance to repair places of worship, education program, donations for natural disaster victims, repair of public facilities, health program, nature conservation, and social assistance for poverty alleviation.
3. Other CSR programs, such as sports, youth, arts, culture programs, celebration of religious and national holidays, sponsorship for NGOs, mass organizations, student organizations, etc.

Table 52. Social and Environmental Responsibility Programs of PT Indonesia Asahan Aluminum (Persero) in 2018–2019

Activity	2018	2019
Partnership Program (PK)	Rp1,085 Million	Rp767 Million
Community Development (BL)	Rp22.82 Billion	Rp34.93 Billion
Other CSR	Rp8.29 Billion	Rp11.07 Billion

Source: PT Indonesia Asahan Aluminum (Persero) Annual Report, 2018 & 2019

PT Aneka Tambang Tbk

In 1974, PT Antam officially became a Persero company through GR No. 26/1974. In 1997, PT Antam made a public offering of 35% of its total shares on the Indonesia Stock Exchange. In 1999, PT Aneka Tambang Tbk listed its shares in Australia as a foreign exempt entity, and in 2002, the company upgraded the status to ASX Listing, which has more stringent requirements. PT Antam is a diversified and vertically integrated mining company with an export-oriented business. With its Mining Business License Areas spread across Indonesia, PT Antam carries out exploration, mining, processing, and marketing of nickel ores, ferronickel, gold, silver, bauxite, and coal. Given the size of its mining areas and the large amount of reserves and resources it owns, PT Antam has formed several joint ventures with international partners to turn existing reserves into profitable mines. The formation of a mining SOE holding has made the SOE status of PT Antam fade and turned it into a subsidiary.

Shareholder Structure

The Indonesian Government indirectly owns share capital of PT Aneka Tambang Tbk through PT Inalum with 15,619,999,999 series B shares and directly through a Dwi Warna series A share. The public hold series B shares in a total of 8,410,764,725 shares.

Table 53. List of Shareholders of PT Aneka Tambang Tbk in 2018–2019

Shareholder	Ownership Portion
PT Indonesia Asahan Aluminium	65%
Public	35%

Source: PT Aneka Tambang Tbk Annual Report 2018 & 2019

Change of Ownership (Acquisition and Divestment)

Based on the 2018-2019 annual report, PT Antam acquired PT Indonesia Chemical Alumina (PT ICA) on December 28, 2018. PT Antam was the only shareholder in PT ICA after PT ICA transferred all its shares to PT Antam. Next, PT Antam divested its shares in PT ICA to PT IMC. The object of the transaction is the sale and purchase and the transfer of three shares owned by PT Antam in PT ICA to PT IMC.

Subsidiaries

The following is a list of subsidiaries of PT Antam which are engaged in the extractive industry in 2018-2019.

Table 54. List of Subsidiaries of PT Aneka Tambang Tbk in Extractive Industry Sector 2018–2019

Ownership Type	Company	Business Type
Child Entity	Direct Ownership	
	PT Indonesia Coal Resources	Trade, transportation, and coal mining services
	PT Antam Resourcindo	Exploration and mine operator
	PT Mega Citra Utama	Construction, trade, industry, agriculture, and mining
	PT Borneo Edo International	Construction, trade, industry, agriculture, and mining
	PT Dwimitra Enggang Khatulistiwa	Exploration and mine operator
	PT Cibaliung Sumberdaya	Exploration, construction and mine development, mining, production, processing and refining, transportation, and sales in gold industry
	PT Indonesia Chemical Alumina	Processing and refining of bauxite mining products into alumina products, transportation, trading, and distribution of alumina products
	Non-Direct Ownership	
	PT GAG Nikel (via APN)	Exploration and mine operator
	PT Citra Tobindo Sukses Perkasa (via ICR)	Exploration and coal mine operator
	(via MCU)	Construction, trade, industry, agriculture, land transportation, services, mining, and printing
	PT Nusa Karya Arindo (via ARI)	Mineral and coal mining services
PT Sumberdaya Arindo (via ARI)	Mineral and coal mining services	
Associated Entity	PT Nusa Halmahera Minerals	Operates an underground gold mine in North Halmahera Regency, North Maluku Province
	PT Nikel Halmahera Timur	Engaged in nickel mining in North Halmahera Regency, North Maluku Province. NHT was founded in 2014
	PT Nasional Hijau Lestari	NHL (previously PT Panca Mitra Limbah Indonesia) is engaged in mine waste processing services
	PT Antam Niterra Haltim	Engaged in mineral mining

Source: PT Aneka Tambang Tbk Annual Report 2019

Loan Guarantee from the Government and PT Aneka Tambang Tbk's Guarantee for Other Company Loans

Based on its Annual Report of 2018-2019, PT Aneka Tambang Tbk does not receive loan guarantees from the Government and does not give loan guarantee to other companies.

Retained Earnings and Dividends

The following is dividends (with POR 35%) paid out to shareholders and retained earnings for PT Antam in 2018-2019.

Table 55. Dividends and retained earnings for PT Aneka Tambang Tbk in 2018–2019

Description	Year of Payment	
	2018	2019
Dividends paid	Rp47.777.373 Thousand	Rp306.048.761 Thousand
Appropriated retained earnings	Rp480.615.295 Thousand	Rp480.615.295 Thousand
Unappropriated retained earnings	Rp7.667.769.136 Thousand	Rp7.432.160.733 Thousand

Source: PT Aneka Tambang Tbk Annual Report 2019

Social and Environmental Responsibility Programs of PT Aneka Tambang Tbk

In 2018–2019, PT ANTAM carried out social responsibility programs in the forms of Partnership Program and Community Development Programs. The Community Development Program included projects that supported nature conservation, education & training, and repair and improvement of public facilities and infrastructure. These programs were carried out at Business Units and Corporate Headquarters.

Table 56. Social and Environmental Responsibilities of PT Aneka Tambang Tbk's in 2018 - 2019

Activity	2018	2019
Partnership Program (PK)	Rp22,61 Billion	Rp34,22 Billion
Community Development (BL)	Rp1,02 Billion	Rp19,10 Billion
Community Development Program	Rp118,67 Billion	Rp88,41 Billion
Management of the environment	Rp125,53 Billion	Rp145,82 Billion

Source: PT Aneka Tambang Tbk Annual Report 2018 & 2019

PT Bukit Asam Tbk

PT Bukit Asam Tbk (PTBA) was officially transformed from a *Perum* company to a *Persero* company based on GR No. 42/1980. On December 23, 2002, PTBA officially became a public company listed on the Indonesia Stock Exchange under stock code "PTBA". PTBA is engaged in the coal mining industry. PTBA divested shares to PT Inalum as the SOE holding in the mineral and coal sector through GR No. 47/2017.

Shareholder Structure

In 2018, the Indonesian Government owned share capital of PTBA indirectly through PT Indonesia Asahan Aluminum (Persero) with 7,490,437,495 series B shares and directly through five Dwi Warna series A shares. The public own 3,049,938,250 series B shares. PTBA also has 980,283,500 Treasury Shares. In 2019, it transferred 649,987,500 treasury shares, which 105,213,200 were purchased by PT Inalum and the rest by the public. As a result, the Indonesian Government in 2019 owned share capital indirectly through PT Indonesia Asahan

Aluminum (Persero), totaling 7,595,650,695 Series B shares and directly in the form of five Dwi Warna series A shares. Shares held by the public include series B shares of 3,594,712,550. PTBA still has part of treasury shares, totaling 330,296,000 shares.

Table 57. List of Shareholders of PT Bukit Asam Tbk in 2018–2019

Shareholder	Percentage (%)	
	2018	2019
PT Indonesia Asahan Aluminium (Persero)	65,02	65,93
PT Bukit Asam Tbk Treasury Share	8,51	2,87
Public	26,47	31,20

Source: PT Bukit Asam Tbk Annual Report 2018 & 2019

Change of Ownership (Acquisition and Divestment)

Based on the 2018–2019 annual report, PT Bukit Asam Tbk did not make acquisitions and/or divestments of other companies.

Subsidiaries

PTBA has direct ownership and indirect ownership in subsidiaries. The following is a list of subsidiaries of PTBA engaged in the extractive industry in 2018–2019.

Table 58. List of subsidiaries of PT Bukit Asam Tbk in 2018–2019

Company	Business Activity
Subsidiaries through direct ownership	
PT Batubara Bukit Kendi	Coal mining
PT Bukit Asam Prima	Coal mining
PT Internasional Prima Coal	Coal mining
PT Bukit Asam Metana Ombilin	Coalbed methane mining
PT Bukit Asam Metana Enim	Coalbed methane mining
PT Bukit Asam Metana Peranap	Coalbed methane mining
PT Bukit Asam Banko	Mining and trade
Subsidiaries through indirect ownership	
PT Internasional Prima Cemerlang	Coal trade
Anthrakas Pte. Ltd	Coal trade
PT Satria Bahana Sarana	Mining and rental services

Source: PT Bukit Asam Tbk Annual Report 2018 & 2019

Loan Guarantee from the Government and PT Bukit Asam Tbk Guarantee for Other Company Loans

PT Bukit Asam Tbk does not receive loan guarantees from the Government and does not provide loan guarantees for other companies based on PT Bukit Asam's 2017 Annual Report.

Retained Earnings and Dividends

The following is dividends and retained earnings for PT Bukit Asam Tbk for fiscal year 2018–2019 fiscal year.

Table 59. Dividends and retained earnings for PT Bukit Asam Tbk in 2018-2019

Description	Year of Payment	
	2018	2019
Dividends paid	Rp3,357,332,790,583	Rp3,767,959,262,485
Appropriated retained earnings	Rp12,474,414 Million	Rp13,730,400 Million
Unappropriated retained earnings	Rp4,340,286 Million	Rp3,326,649 Million

Source: PT Bukit Asam Tbk Annual Report 2019

Social and Environmental Responsibility Programs of PT Bukit Asam Tbk

PTBA's CSR programs are integrated into the “PTBA CSR General Guidelines” which consist of Partnership Program, Community Development Program, and Regional Development Program, in the fields of:

- Economy,
- Environment,
- Social affairs (human rights, labor, product responsibility, and society issues).

Through the Partnership Program, Community Development Program, and Regional Development Program, PTBA holds various activities to empower socio-economic potential and create a better quality of life for the community and the surrounding environment. The social and environmental responsibility programs are governed by Regulation of Minister for State-Owned Enterprises and the Limited Company Law.

Table 60. Social and Environmental Responsibility Programs of PT Bukit Asam Tbk in 2018–2019

Activity	2018	2019
Partnership Program	Rp14,519 Million	Rp40,360 Million
Community Development Program	Rp131,097 Million	Rp115,168 Million
Regional Development	Rp40,193 Million	Rp100,622 Million

Source: PT Bukit Asam Tbk Annual Report 2019

PT Timah Tbk

PT Timah Tbk is the largest tin company in Indonesia and even in the world. PT Timah is located in Bangka Belitung Province, where its mining business license area (WIUP) covers Bangka Belitung and Riau Islands Provinces. PT Timah has secondary operations in South Kalimantan, Southeast Sulawesi, Banten, and DKI Jakarta. It carries out integrated tin mining, from exploration, mining, processing, refining (smelting), and marketing.

Shareholder Structure

The government owns share capital of PT Timah indirectly through PT Inalum with 4,841,053,951 series B shares and directly through Dwi Warna series A share. Shares held by the public are series B shares totaling 2,606,699,502.

Table 61. Composition of PT Timah Tbk Shareholders in 2018–2019

Shareholder	Ownership Portion
PT Indonesia Asahan Aluminium	65%
Public	35%

Source: PT Timah Tbk Annual Report 2018 & 2019

Change of Ownership (Acquisition and Divestment)

Based on the 2018–2019 annual report, PT Timah Tbk does not make acquisition of other companies. However, in 2019 PTBA divested its shares. Through its subsidiary PT TIM, PT Timah Tbk signed a preliminary agreement to sell shares to its sub-subsidiary, PT TBBE.

Subsidiaries

The following is a list of PT Timah subsidiaries engaged in the extractive industry in 2018-2019.

Table 62. List of Subsidiaries of PT Timah Tbk in 2018–2019

Company	Business Activity
Direct Ownership	
PT Timah Investasi Mineral	Exploration and Mineral Mining Other than Tin, and Coal Marketing
PT Tanjung Alam Jaya	Coal Mining
PT Kutaraja Tembaga Raya (Under liquidation)	Mineral Exploration
Indirect Ownership	
PT Truba Bara Banyu Enim	Coal Mining
PT Tim Nikel Sejahtera	Nickel Mining
PT Tim Indotama Mineral	Transportation and Sales of Mining Products

Source: PT Timah Tbk Annual Report 2019

Loan Guarantee from the Government and PT Timah Tbk Guarantee for Other Company Loans

PT Timah Tbk does not receive loan guarantees from the Government and does not provide loan guarantess for other companies based on PT Timah Annual Report of 2018–2019.

Retained Earnings and Dividends

The following is dividends paid out to shareholders and retained earnings for PT Timah for the 2018–2019 fiscal year.

Table 63. Dividends and retained earnings for PT Timah Tbk in 2018–2019

Description	Year of Payment	
	2018	2019
Dividends paid	Rp185,975,724,901	Rp175,845,846,090
Appropriated retained earnings	Rp5,206,531 Million	Rp5,551,914 Million
Unappropriated retained earnings	Rp541,191 Million	Rp601,452 Million

Source: PT Timah Tbk Annual Report 2019

Social and Environmental Responsibility Programs of PT Timah Tbk

Throughout 2018–2019, the costs incurred by PT Timah Tbk in social and environmental responsibility programs are as follows:

Table 64. Social and Environmental Responsibility Programs of PT Timah Tbk in 2018–2019

Activity	2018	2019
Partnership Program	Rp30,050 Million	Rp12,335 Million
Community Development	Rp11,874,713,662	Rp12,897,091,498
Community Empowerment Program	Rp12,883,480,444	Rp33,651,674,635

Source: PT Timah Tbk Annual Report 2018 & 2019

PT Freeport Indonesia

PT Freeport Indonesia explores, mines, and processes ores containing copper, gold, and silver on the highlands of Mimika Regency, Papua Province.

Shareholder Structure

The Indonesian Government owns share capital indirectly through PT Inalum and PT Indonesia Papua Metal and Mineral, each with a share value of USD 9,947,200 and USD 9,478,800, while the share value still held by Freeport McMoran Inc. amounting to USD 18,489,000. The following is PTFI shareholders' composition for 2018-2019 based on the approval letter for the change in share ownership No. 3156/30/MEM.B/2018 dated 18 December 2018.

Table 65. Composition of PTFI Shareholders in 2018–2019

Shareholder	Ownership Portion
Freeport McMoran, Inc.	48.76%
PT Indonesia Asahan Aluminium	65%
Public	35%

Source: Ministry of Energy and Mineral Resources

Change of Ownership (Acquisition and Divestment)

During 2018–2019, PTFI did not make any acquisitions. However, PTFI divested shares to PT Inalum as the SOE holding in the mineral and coal sector. The value of the divestment shares was USD 19,426,000 and all shares were taken over by PT INALUM and PT IPMM.

Subsidiary

To date, PTFI has no subsidiary.

Loan Guarantee from the Government and PT Freeport Indonesia Guarantee for Other Company Loans

PTFI does not received loan guarantees from the Government and does not provide loan guarantees for other companies.

Retained Earnings and Dividends

The following is dividends paid out to shareholders and retained earnings for PTFI for 2018–2019.

Table 66. PTFI's dividends and retained earnings for 2018–2019

Description	Year of Payment	
	2018	2019
Dividends paid	USD 180,304,500	-
Appropriated retained earnings	USD 6,346,591 thousand	USD 6,554,565 thousand

Source: PTFI's Financial Report

Social and Environmental Responsibility Programs of PT Freeport Indonesia

In the last ten years, PTFI had contributed to community development activities with an average fund of USD 51.6 million, and PMAK of 1% of its Revenue with an average fund of USD 47.2 million, through the following activities:

- Improvement of educational facilities
- Improvement of health services
- Increase in community income and economic independence through development of local businesses
- Strengthening of institutional capacity of local communities
- Improvement of public facilities and social facilities in villages around mine sites
- Optimization of the use of domestic labor

During 2018–2019, the costs incurred by PTFI to finance its social and environmental responsibility programs are as follows:

Table 67. Realization of PTFI Social and Environmental Responsibility Programs in 2018

Program	Activity Name	Beneficiaries		Program Location	Value	
		Organi- zation / Group	Number of people		Cash (USD)	in-kind (USD)
Utilization of Company Facilities and Infrastructure for community needs	-	-	-	-	-	-
Community Empowerment by Expanding the Economy of the Locals	-	-	-	Mimika Regency, Papua Province	61,665,203	8,059,036
Community Services (Natural Disaster Relief and Donation/Charity/Philanthropy)	-	-	-	Mimika Regency, Papua Province & Outside Papua	-	23,359,006
Improvement of Educational Quality of the Locals (Providing scholarships for outstanding students, providing support for educational facilities and infrastructure)	-	-	-	Mimika Regency, Papua Province & Outside Papua	-	5,731,305
Development of Public Facilities, e.g., Places of Worship, Healthcare Facilities, Markets	-	-	-	Mimika Regency	-	4,139,654
TOTAL					61,665,203	41,289,001

Table 68. Comparison of PTFI Social and Environmental Responsibility Programs in 2018 and 2019

2018	2019
USD 61,665,203	USD 67,323,450

Source: Ministry of Energy and Mineral Resources

4.3.3 Quasi-fiscal Indonesian Extractive Industry

Quasi-fiscal activities are activities carried out by state-owned banks and companies. Private sector companies can also carry out quasi-fiscal activities at the direction of the government, where the prices charged are less than usual or less than the “market level.” Expenditures that must be made by SOEs and governed by Law, thus causing the transfer of fiscal functions from the Government to SOEs, are also classified as quasi-fiscal.

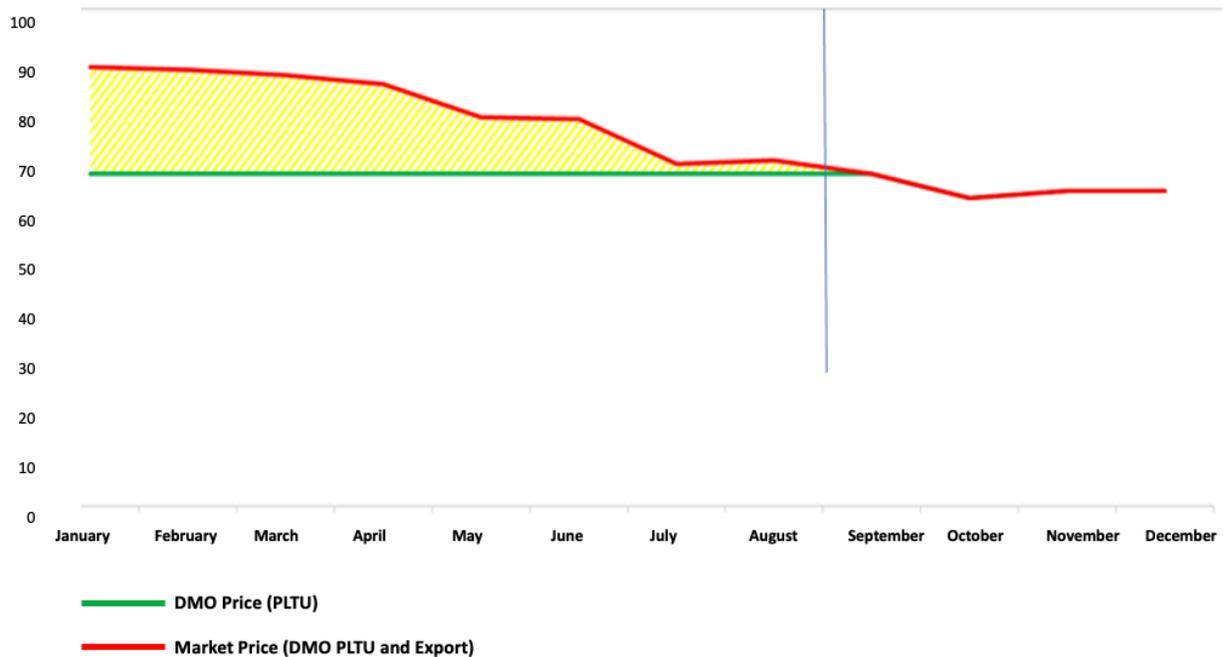
The International Monetary Fund has outlined types of quasi-fiscal activities. Fiscal activities carried out by the extractive industry fall in the category of operations related to the commercial enterprise sector, such as:

- Charging less than commercial prices, where state-owned enterprises may provide, for example, electricity at a subsidized price for some or all consumers.
- Provision of non-commercial services, where state-owned enterprises may provide some services at less than full cost (subsidized).
- Paying suppliers above market prices, where local suppliers may be paid above market price as a form of protection for their industry.
- Pricing for budget revenue purposes, where state-owned enterprises may be in a monopoly position and so may be able to charge prices above what a competitive market might set to increase revenue for the government.

Quasi-fiscal spending by extractive industry SOEs has never explicitly been mandated by the Indonesian Government. The Government has only mandated SOEs, including extractive industry SOEs, to make expenditure for the Partnership and Community Development Program (PKBL), which is not a quasi-fiscal expenditure, but is instead a form of corporate CSR.

The PKBL program is governed by Regulation of Minister of SOE No. PER-02/MBU/7/2017 on Second Amendment to Regulation of Minister of SOE No. PER-09/MBU/07/2015 on Partnership Program of SOEs and Community Development, while projects in the PKBL program are published on the webpage <http://infopkbl.bumn.go.id>.

For the upstream oil and gas sector, an example of a quasi-fiscal is DMO enforced in a PSC contract where the Contractor is Pertamina. According to the PSC contract, if a field has been producing for five years, the oil DMO will be priced at a certain percentage lower than the market price. The difference between the market price and the oil DMO price borne by Pertamina as a Contractor can be considered as quasi-fiscal expenditure.



Source: Directorate General of Mineral and Coal

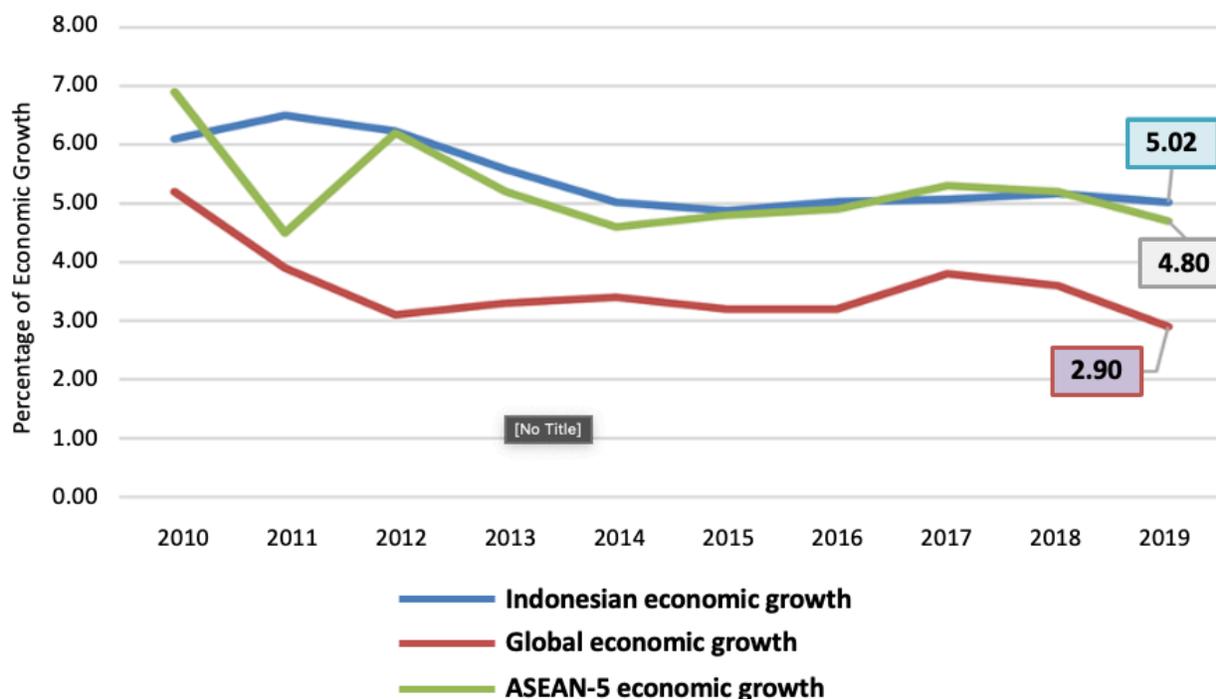
Figure 69. Coal DMO as Quasi-Fiscal Expenditure 2019

One form of quasi-fiscal in the mining sector is Coal Domestic Market Obligation (DMO), imposed on PT Bukit Asam in supplying coal-fired power plants (PLTU). According to Decision of Minister of Energy and Mineral Resources No. 1395 K/30/MEM/2018, the Government sets a Reference Coal Price (HBA) specifically for public interests, in this case, sales to power plants, pegged at USD 70/ton. However, since September 2019, the market price has been lower than the DMO price, so there is no longer a quasi-fiscal for the mineral and coal sector.

CHAPTER V

STATE REVENUE AND REVENUE ALLOCATION

State revenues from the extractive industry sector are closely related to commodity prices, which are very much affected by global economic activities. The following figure shows Indonesia's economic growth rate compared to the international and ASEAN-5 economic growth rates (in percent, y-o-y) from 2015 to 2019.



Source: Central Bureau of Statistics (BPS), International Monetary Fund in the 2019 Performance Report of Central Government

Figure 70. Indonesia's Economic Growth Rate Compared to Global and ASEAN-5 Economic Growth Rates (in percent, y-o-y)

The global economy in the 2018–2019 weakened, with global economic growth in 2018 averaged at 3.60%. In 2019, global economic growth was averaged at 3.30%. The decline in the global economy was partly due to trade wars between the US and China, the two largest world's economies. China's economic growth was averaged at 6.10% in 2019, decreasing from the 2018 average of 6.75%. China's economic slowdown has created negative impacts on many countries, including Indonesia, because China is the leading export destination for mineral and coal commodities.

The decline in the global economic growth also lowered the economic growth of ASEAN member countries in 2018–2019, but Indonesia's economic growth in the period was relatively better than that of other ASEAN countries. Indonesia's economic growth in 2019 was 5.02%, slightly declining from growth in 2018 which was 5.17%. This is a positive signal that the country's economy is stable even though the growth rate is below the government's target.

The allocation of state revenue from the extractive industry is affected by government system and political will. Regulation about state revenue and state revenue allocation is an integral part of state financial system, originating from the State Revenue and Expenditure Budget (APBN) established by the Parliament.

There was no change in the APBN Preparation Cycle in the 2018–2019 period. The seventh EITI Report described the APBN Preparation Cycle. The following are basic assumptions for preparing the 2018–2019 State Budget:

Table 69. Basic Macroeconomic Assumptions for 2018–2019

Indicator	2018		2019	
	APBN	Realization	APBN	Realization
Economic Growth (%)	5.40	5.17	5.30	5.02
Inflation (%)	3.50	3.13	3.50	3.13
3-month SPN Interest Rate (%)	5.20	5.00	5.30	5.62
Exchange rate (Rp/USD)	13,400	14,247	15,000	14,146
Indonesian Crude Oil Price (USD/barrel)	48.00	67.50	70.00	62.37
Oil Lifting (thousand barrel per day)	800	778	775	746
Gas Lifting (thousand barrels of oil equivalent per day)	1,200	1,145	1,250	1,057

Source: BPS, Bank Indonesia, Ministry of Finance, SKK Migas

Table 70. Macroeconomic Indicators for 2018–2019

Indicator	Realization	
	2018	2019
Export (billion USD)	167.50	180.01
Import (billion USD)	170.73	188.71
Foreign exchange reserves (billion USD)	129.18	120.65
Indonesia's balance of payments (billion USD) surplus/(deficit)	4.68	(7.13)
Bank Indonesia 7-day RR Rate (%)	5.00	6.00
Government Securities (SBN) -10 years interest rate (%)	7.08	8.00
Composite Stock Price Index (end of period)	6,299.54	6,194.50

Source: BPS, Bank Indonesia, Ministry of Finance, SKK Migas

The details of revenue and allocation of income (expenditure) are regulated in the State Revenue and Expenditure Budget (APBN) established by the Indonesian Parliament, which has a budgeting function as mandated in the 1945 Constitution of the Republic of Indonesia.

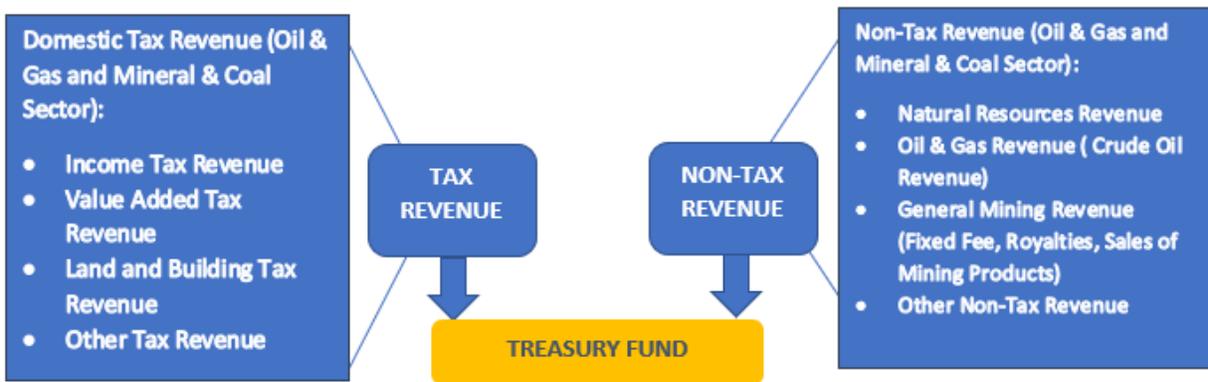
5.1 State Revenues from Extractive Industries

Based on the state revenue target set in the APBN, the relevant ministries/agencies formulate policies/regulations that are intended to, among others, meet the target. The state revenue target is part of Key Performance Index (KPI) of every state ministry/agency, including the ministries related to the extractive industry. State revenue consists of domestic revenue and grants. Domestic state revenue is divided into tax revenues and PNBP.

State revenue is inseparable from developments in the global and domestic economy. From the external side, national revenue is influenced by trade volume and world commodity prices. Domestic economic activities also contribute to state revenue.

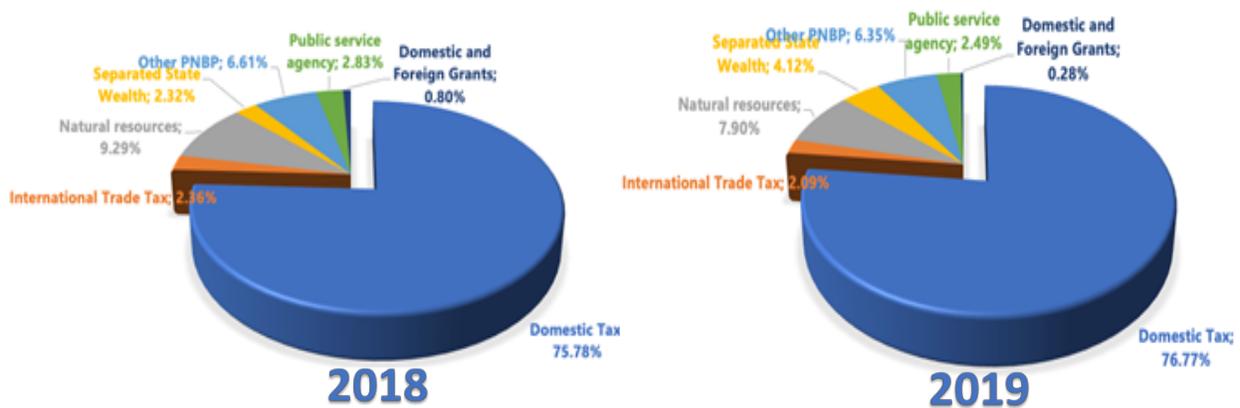
Based on the 2018 Performance Report of the Central Government, state revenue grew by 16.60%. The growth is better than rates in 2016 and 2017, which were 3.20% and 7.10%, respectively.

State revenues in the 2016–2019 grew at an average of 8.0% per year. The amount of state revenues in 2016 was Rp1,555,934.2 billion, and it increased to Rp1,960,633.6 billion in 2019. Most of the revenue came from tax revenues. Contribution of each revenue source in 2018 and 2019 can be seen in Figures 72.



Source: Central Government Performance Report, 2018

Figure 71. Revenue Stream of Extractive Industries



Source: Central Government Performance Report, 2018 & 2019

Figure 72. Composition of State Revenue in 2018 and 2019

Table 71. State Revenue 2016–2019 (Trillion Rupiah)

Description	2016	2017	2018	2019
I. Domestic Revenue	1547	1654.7	1928.1	1955.1
1. Tax Revenue	1285	1343.5	1518.8	1546.1
a. Tax revenue	1106.0	1151.0	1313.3	1332.7
1. Income Tax Revenue	666.2	646.8	750	772.3
2. Value Added Tax Revenue	412.2	480.7	537.3	531.6
3. Land and Building Tax Revenue	19.4	16.8	19.4	21.1
4. Excise Revenue	143.5	153.3	159.6	172.4
5. Other Taxes Revenue	8.1	6.7	6.6	7.7
b. International Trade Tax Revenue	35.5	39.2	45.9	41.1
1. Import Duty Revenue	32.5	35.1	39.1	37.5
2. Export Duty Revenue	3	4.1	6.8	3.5
2. Non-tax Revenue	262	311.2	409.3	409.0
a. Natural Resources Revenue	64.9	111.1	180.6	154.9
b. Revenue from Separated State Assets	37.1	43.9	45.1	80.7
c. Other PNBP	118	108.8	128.6	124.5
d. BLU Revenue	41.9	47.3	55.1	48.9
II. Receipt of Grants	9	11.6	15.6	5.5
State Revenue	1556	1666.4	1943.7	1960.6

Source: State Budget Financial Note 2021, 2020

A. Tax Revenue

Tax revenue consists of taxes which according to taxation laws fall under the government's authority. The tariffs and payment methods of tax revenue are regulated by the laws. **Table 72** summarizes the policies for income tax (PPh), Value Added Tax (PPN), and Land and Building Tax (PBB).

Table 72. Taxation Policies

Types of Taxes	Regulation	Description
Income Tax (PPh)	Law No. 36/2008 Article 17	<ul style="list-style-type: none"> Tariff of income tax of employees with a salary \leq IDR 50,000,000 per year is 5% of taxable income Tariff of corporate income tax is 25% of taxable income.
Value Added Tax (PPN)	Law No. 42/2009 Article 7	<ul style="list-style-type: none"> Tariff of value-added tax is 10%. Raw minerals that are not processed further are not subject to VAT.
Land and Building Tax (PBB)	Law No. 12/1994 Article 6	<ul style="list-style-type: none"> Basis of tax calculation is Taxable Sales Value, which is set at minimum 20% and maximum 100% of sales value of tax object.

		<ul style="list-style-type: none"> A government regulation determines the percentage of Taxable Sales Value by considering national economic conditions.
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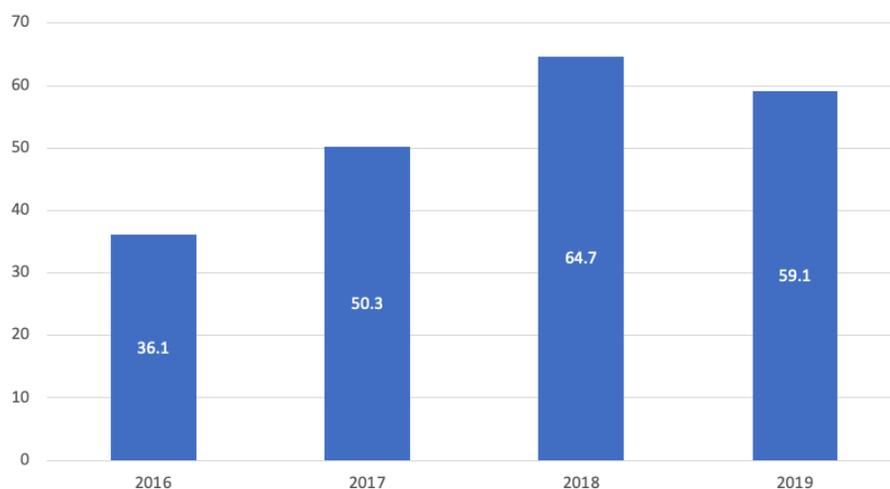
Source: Relevant taxation laws

Tax revenues in the 2016–2019 period increased, from Rp1,284,970.1 billion in 2016 to Rp1,546,141.9 billion in 2019, or growing by 6.4% per year on average. The highest growth occurred in 2018 at 13%, which was in line with the growing prices of world's oil and mineral commodities. In 2019, tax growth was down to 1.8%.

The extractive industry has also made substantial contribution to Indonesia's tax revenues, as follows:

GR No.27/2017 on Amendment to GR No. 79/2010 on Operation Costs that can be Recovered and Treatment of Income Tax in the Upstream Oil and Gas Business Sector regulates taxes in the oil and gas sector. It governs the calculation of PSC taxes that is different from general tax calculation. Additionally, GR No. 53/2017 on Tax Treatment in Upstream Oil and Gas Business Activities under a Gross Split Production Sharing Contract calculates taxes in a Gross Split PSC in accordance with the general provisions in taxation and provides compensation in the form of tax loss carryforward for ten years.

The realized PPh of the oil and gas sector in 2019 was Rp59.1 trillion, or 89.3 percent of targeted Rp66.2 trillion. PPh growth rate contracted to 8.7 percent, while in the previous year, it grew by 28.6 percent. The contraction was partly due to the decrease in the average selling price of oil in 2019. The ICP in 2019 was only USD 62/barrel, far from the USD 70/barrel assumption. Lower oil demand contributed to such decrease.



Source: Ministry of Finance

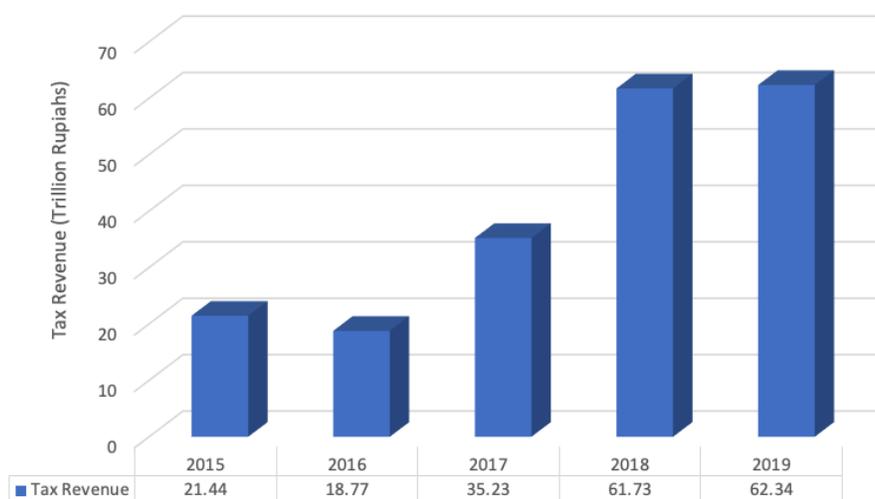
Figure 73. PPh from Oil and Gas in 2016–2019 (Trillion Rupiah)

GR No. 37/2018 governs tax treatment in the mineral and coal sector. Special tax treatment for coal mining business was being drafted by the government at the time of reporting.

Table 73. Mineral and Coal Sector Tax Revenues in 2018–2019 (Trillion Rupiah)

Year	2018	2019
Tax Revenue	61.73	62.34

Source: Directorate General of Taxation



Source: Directorate General of Taxation

Figure 74. Development of Mineral and Coal Tax Revenue in 2015–2019

The realized tax revenue from the mineral and coal in 2018 increased by 75% from the previous year. In 2018, the dollar exchange rate spiked. The dollar exchange rate in 2017 was only Rp13,480 (buying rate as of December 31, 2017), then it soared to Rp14,409 (buying rate as of December 31, 2018).

Increased tax revenue from the mineral and coal sector in 2018 was also due to rising prices of coal, from USD 85.92 per tonne to USD 98.96 per tonne. The average HBA in 2018 was the highest in the last few years. In addition, coal production rose from 461.2 million tonnes in 2017 to 557.8 million tonnes in 2018.

In 2019, coal production increased to 616.2 million tonnes, but the average HBA was weaker compared to that of 2018. As a result, tax revenues increased by 1% only. In 2019, the average HBA was USD 77.89 per ton, while the average HBA in 2018 was USD 98.96 per ton.

B. Non-Tax State Revenue (PNBP)

Non-tax state revenue is the second-largest source of state revenue. In general, PNBP in 2015–2019 grew at an average of 10.90% per year. PNBP comes from the use of natural resources, provision of services, and management of state assets.

In the 2015–2019 period, the realized PNBP tended to increase, particularly from both oil and gas and non-oil and gas resources. Natural resources revenue contributed significantly to the realized PNBP as a whole, of 9.29% in 2018 and 7.90% in 2019.

The oil and gas PNBP is governed by Regulation of Minister of Finance No. 61/PMK.02/2020 on Technical Guidelines for Accounting for Non-Tax State Revenues from Upstream Oil and Gas Business Activities.

Based on PMK No. 61/PMK.02/2020, the oil and gas PNBP consists of:

- 1) Revenue from oil sales
 - a. Oil revenue from Pertamina refineries; and
 - b. Oil revenue from non-Pertamina refineries
- 2) Revenue from natural gas sales
 - a. LNG revenue
 - b. LPG revenue
 - c. Natural Gas revenue
 - d. Coal Bed Methane (CBM) revenue
- 3) Revenue from Contractors' over-liftings: if the Oil and Gas Account still holds funds that can be transferred to the general State Treasury account, the funds will be recognized as oil and gas PNBP.

Other PNBP Revenues from Oil and Gas

Other PNBP Revenues from Oil and Gas refer to revenues from state rights in upstream oil and gas business activities as regulated in contracts or the provisions of laws and regulations.

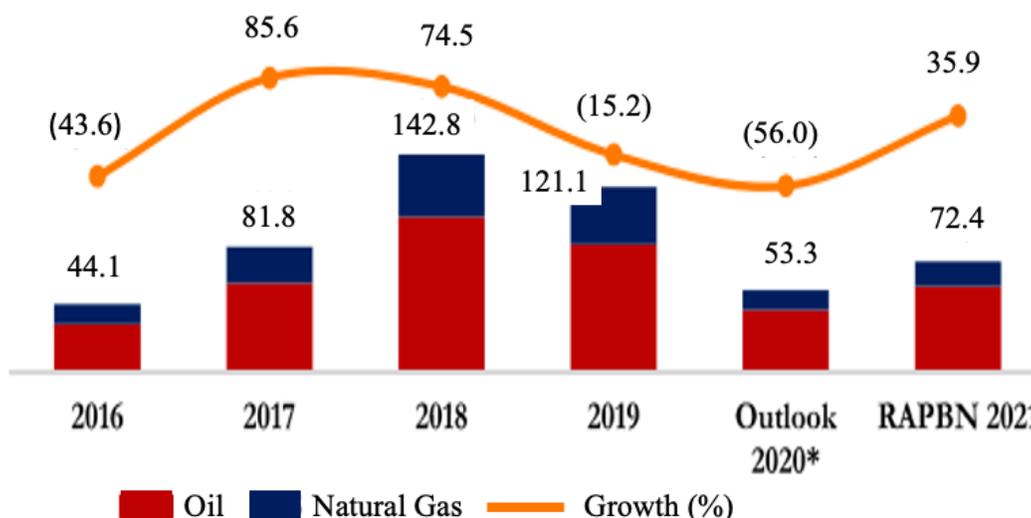
- 1) Revenue from Crude Oil DMO
- 2) Revenue from Fines, Interest, Penalties in Upstream Oil and Gas Business Activities
- 3) Other Revenues from Upstream Oil and Gas Business Activities

Crude Oil DMO Revenue comes from the proceeds of the sale of Contractor's share of petroleum which is handed over to the state to meet domestic needs as stipulated in the contract and the provisions of laws and regulations. To be recognized as revenue in the Budget Realization Report, the sales amount must first be calculated with the government's obligation of DMO Fee.

Meanwhile, Other PNBP Revenues outside Crude Oil DMO are, in principle, revenues with a complete earning process so that there is no need to consider other elements. Most of the payment is not made into the Oil and Gas Account, but instead to State Treasury through perception banks. Other PNBP Revenues outside Crude Oil DMO include the following:

- 1) Revenue from production bonus deposited by Contractors
- 2) Revenue from asset transfer deposited by Contractors
- 3) Revenue from fines, interest, and penalties deposit related to upstream oil and gas business activities
- 4) Other Revenues from Upstream Oil and Gas Business Activities according to contracts and provisions of laws and regulations

However, there is also revenue from fines for late payment of the proceeds of oil and gas sales of state's portion which payment is made into the Oil and Gas Account. The payment is attached to the principal value of the sales proceeds or the Contractor's over-lifting value. To recognize the revenue in the Budget Realization Report, the book-entry process is still carried out from the Oil and Gas Account to the Treasury Account.



*GR No. 72/2020

Source: Ministry of Finance

Figure 75. Development of Oil and Gas PNBP 2016-2021 (Trillion Rupiah)

The Oil and Gas PNBP moved fairly dynamically in the 2016–2020 period. The oil and gas revenue follows the ICP trend pattern. When the ICP reaches its peak in a certain period, the revenue also reaches its peak. In 2018, the ICP reached a peak of USD 67.5 per barrel, and the Oil and Gas PNBP reached a peak of Rp142,789.2 billion. The Oil and Gas PNBP in 2020 as set out in Presidential Decree No. 72/2020 is estimated at Rp53,294.9 billion. Thus, the oil and gas grew positively in the 2016–2020 period by 10% per year on average.

The 2021 Draft State Budget has set a target for Oil and Gas PNBP at Rp72,442.1 billion, consisting of oil revenues of Rp56,010.9 billion and natural gas revenues Rp16,431.1 billion. The Oil and Gas PNBP target is up by 35.9 percent from the 2020 outlook. The increase is mainly influenced by the ICP set at USD45 per barrel and natural gas lifting at 1,007 MBOEPD in the 2021 Draft State Budget.

The mineral and coal PNBP is regulated in GR No. 81 of 2019. The Government is preparing special tax treatment for coal mining business at the time of this reporting.

Based on the Performance Report of Directorate General of Mineral and Coal, state revenues from the mineral and coal sector include fixed fees, production fees/royalties, sales of mining products, and services and information.

1) Fixed Fee

The fixed fee is a type of PNBP imposed on IUP, IUPK, KK, or PKP2B for work on WIUP, WIUPK, KK area, and PKP2B area (Kepmen No. 1823 K/30/MEM/2018, Attachment II CHAPTER A section 2). Fixed fee is calculated according to the tariffs at an exploration or production-operation stage as regulated in the provisions of laws and regulations regarding the types and tariffs of PNBP applicable to the Ministry of Energy and Mineral Resources (Kepmen No. 1823 K/30/MEM/2018 Attachment II CHAPTER B section 2).

If the holder of an IUP, IUPK, KK, or PKP2B increases its work from an exploration stage to a production-operation stage in a current year, fixed fee is calculated by adding the difference in the tariff of fixed fee at the production-operation stage with the tariff of fixed fee at the exploration stage based on the number of months the production-operation stage takes place until the end of the year. Part of a month is calculated as a full month.

2) Production Fees/Royalties

Production fees/royalties are imposed on mining commodities and paid by holders of Production-Operation IUP and Production-Operation IUPK (Kepmen No. 1823 K/30/MEM/2018 Attachment II CHAPTER A section 3).

Production fees/royalties are calculated according to the tariffs stipulated in the provisions of laws and regulations regarding the types and tariffs of PNBP applicable to the Ministry of Energy and Mineral Resources (Kepmen No. 1823 K/30/MEM/2018 Attachment II CHAPTER B section 3).

The amount outstanding for PNBP in the form of production fees/royalties or Coal Production Funds (DHPB) must be deposited directly to State Treasury before mineral and coal are loaded on a transport vehicle for sale.

3) Sales of Mining Products

The sales of mining products are part of DHPB, namely the government's portion from the coal production of PKP2B holders. DHPB also includes royalties (Kepmen No. 1823 K/30/MEM/2018 Attachment II CHAPTER A paragraph 4).

DHPB is set at 13.5%, while royalties at 3% to 7%. The sales of mining products are the difference between DHPB and royalties. Royalty rates depend on coal calories.

4) Services and Information

PNBP for the provision of information and data services is imposed on business entities, cooperatives, or individuals utilizing information and data of mineral and coal. The PNBP is calculated according to the tariffs stipulated in the provisions of laws and regulations regarding the types and tariffs of PNBP applicable to the Ministry of Energy and Mineral Resources (Kepmen No. 1823 K/30/MEM/2018 Attachment II CHAPTER B section 1).

The PNBP which is charged for the search of mining area information and for printing of mining areas maps is calculated and collected by the Revenue Treasurer of Directorate General.

The PNBP which is charged for WIUP reservation and issuance and for printing of WIUP maps of non-metallic minerals and rocks is calculated by the recipient of the services.

The attachment of GR No. 81/2019 lists all types and tariffs of PNBP from fixed fees, production fees/royalties, and mineral and coal data and information services.

Table 74. Types and Tariffs of PNBP for Mineral and Coal Mining Businesses

No	Description	Unit	Tariff
Fixed Fee Rates			
1.	Exploration Mining Business License (IUP) and Special Mining Business License (IUPK) for Metallic Minerals and Coal	per ha per year	Rp30,000
2.	Production-Operations IUP and IUPK for Metallic Minerals and Coal	per ha per year	Rp60,000
3.	Exploration IUP for Non-Metallic Minerals and Rocks	per ha per year	Rp20,000
4.	Production-Operation IUP for Non-Metallic Minerals and Rocks	per ha per year	Rp40,000
5.	People's Mining License (IPR)		
	a. Non-Metallic Minerals and Rocks	per ha per year	Rp10,000
	b. Metallic Minerals and Coal	per ha per year	Rp20,000

Tariffs of Production Fees/Royalties				
a. Coal Royalty Tariffs				
1.	Coal (Open Pit)	Calorie Grade ≤ 4,700 kcal/kg, GAR	per tonne	3.00% from selling price
		Calorie Grade > 4,700 - 5,700 kcal/kg, GAR	per tonne	5.00% from selling price
		Calorie Grade ≥ 5,700 kcal/kg, GAR	per tonne	7.00% from selling price
2.	Coal (Underground)	Calorie Grade ≤ 4,700 kcal/kg, GAR	per tonne	2.00% from selling price
		Calorie Grade > 4,700 - 5,700 kcal/kg, GAR	per tonne	4.00% from selling price
		Calorie Grade > 5,700 kcal/kg, GAR	per tonne	6.00% from selling price
3.	Peat		per tonne	3.00% from selling price
4.	Asphalt		per tonne	4.00% from selling price
b. Primary Mineral Royalty Tariffs				
1.	Gold	Selling price ≤ USD 1,300/ounce	per ounce	3.75% from selling price
		USD 1,300/ounce < Selling price ≤ USD 1,400/ounce	per ounce	4.00% from selling price
		USD 1,400/ounce < Selling price ≤ USD 1,500/ounce	per ounce	4.25% from selling price
		USD 1,500/ounce < Selling price ≤ USD 1,600/ounce	per ounce	4.50% from selling price
		USD 1,600/ounce < Selling price ≤ USD 1,700/ounce	per ounce	4.75% from selling price
		Selling price > USD 1,700/ounce	per ounce	5.00% from selling price
2.	Copper	Copper Ore	per tonne	5.00% from selling price
		Copper Concentrate	per tonne	4.00% from selling price
		Copper Cathode	per tonne	2.00% from selling price
3.	Tin Metal		per tonne	3.00% from selling price
4.	Refined Nickel	Nickel Ore	per tonne	10.00% from selling price
		Nickel Pig Iron (NPI)	per tonne	5.00% from selling price
		Nickel Matte	per tonne	2.00% from selling price
		Ferro Nickel (FeNi)	per tonne	2.00% from selling price
5.	Refined Bauxite	Nickel Metal	per tonne	1.50% from selling price
		Bauxite	per tonne	7.00% from selling price
		Chemical Grade Alumina	per tonne	3.00% from selling price
		Smelter Grade Alumina	per tonne	3.00% from selling price
		Aluminum Metal	per tonne	2.00% from selling price
		Iron Oxide (Hematite)	per tonne	2.00% from selling price
Magnesium Oxide	per tonne	2.00% from selling price		
Gallium Oxide	per tonne	1.00% from selling price		

Information System Services for Mineral and Coal Mining Areas			
WIUP Reservation Services			
a. WIUP Reservation for Non-metallic Minerals			
1.	Area size < 10 ha	per WIUP	Rp2,500,000
2.	Area size > 10 - 100 ha	per WIUP	Rp5,000,000
3.	Area size > 100 - 500 ha	per WIUP	Rp7,500,000
4.	Area size > 500 - 5,000 ha	per WIUP	Rp15,000,000
5.	Area size > 5,000 - 10,000 ha	per WIUP	Rp25,000,000
6.	Area size > 10,000 - 25,000 ha	per WIUP	Rp60,000,000
b. WIUP Reservation for Rocks			
1.	Area size < 10 ha	per WIUP	Rp2,500,000
2.	Area size > 10 - 100 ha	per WIUP	Rp5,000,000
3.	Area size > 100 - 500 ha	per WIUP	Rp7,500,000
4.	Area size > 500 - 1,000 ha	per WIUP	Rp15,000,000
5.	Area size > 1,000 – 5,000 ha	per WIUP	Rp35,000,000
c. WIUP Reservation for Certain Non-metallic Minerals			
1.	Area size < 10 ha	per WIUP	Rp0,000,000
2.	Area size > 10 - 100 ha	per WIUP	Rp20,000,000
3.	Area size > 100 - 500 ha	per WIUP	Rp40,000,000
4.	Area size > 500 - 5,000 ha	per WIUP	Rp50,000,000
5.	Area size > 5,000 - 10,000 ha	per WIUP	Rp60,000,000
6.	Area size > 10,000 - 25,000 ha	per WIUP	Rp70,000,000
d. Printing of WIUP Reservation Map, which authority is under the central government		per sheet	Rp2,000,000
Printing of Mining Areas Information Maps			
1.	Map Size A0	per sheet	Rp3,000,000
2.	Map Size A1	per sheet	Rp2,500,000
3.	Map Size A3	per sheet	Rp2,000,000
4.	Map Size F4 for Licensing Documents	per 3 sheets	Rp3,000,000
5.	Digital Map of Mining Areas (Raster Format)	per CD	Rp5,000,000
Downloading of Mining Areas Information Maps		per index	Rp5,000,000

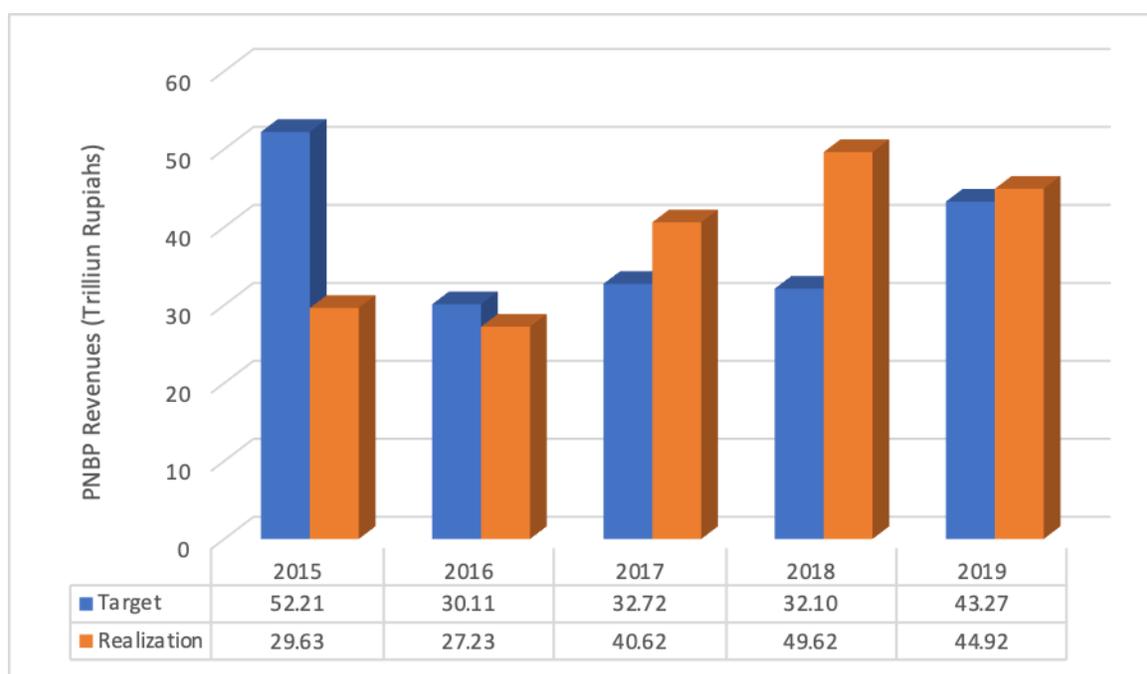
Source: GR No.81/2019

The following table shows State Revenues from the Mineral and Coal 2018–2019.

Table 75. Realized PNBP from the Mineral and Coal Sector in 2018-2019 (Trillion Rupiah)

Revenues Description	Year	
	2018	2019
Fixed Fees Revenue	0,54	0,45
Royalties Revenue	29,77	25,89
Selling of Mining Products	19,31	18,58
Total	49,62	44,92

Source: Performance Report of Central Government, 2020



Source: Performance Report of Central Government, 2020

Figure 76. Development of Mineral and Coal PNBP 2015–2019

The realized PNBP from the mineral and coal sector in 2018 amounted to Rp49.62 trillion or increasing by 22% from the previous year. Factors contributing to such increase included a stronger rupiah's exchange rate against dollar until the end of the year, namely at Rp14,409 per US dollar (buying rate as of December 31, 2018), and higher prices and production of mining commodities, especially coal. Coal mining has contributed to around 75%-80% of PNBP from the mineral and coal sector in recent years. In 2019, the realized PNBP decreased by 9.47% to Rp44.92 trillion due to lower coal commodity prices. However, the realized PNBP in the mineral and coal sector in 2019 reached its target.

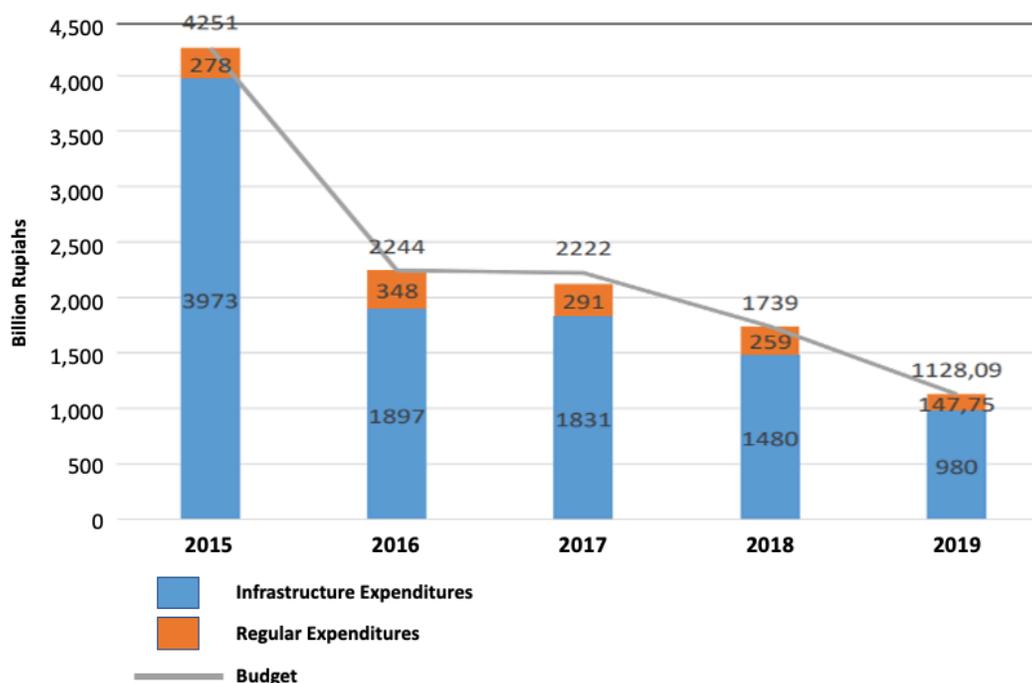
5.2 Allocation of State Revenues from Extractive Industries

Funds collected in State Treasury will be allocated for the duties of the central government and the financial balance between the central and regional governments as regulated in Law No. 17/2003 on State Finance.

A. Performance of Central Government Duties

The Oil and Gas Sector. Based on Regulation of Minister of Energy and Mineral Resources No. 13/2016 on Organization and Work Procedure of Ministry of Energy and Mineral Resources, the Directorate General of Oil and Gas has the duties to formulate and implement policies, make norms, standards, procedures, and criteria; provide technical guidance and supervision, evaluate and report as well as control and manage oil and gas programs development.

The budget ceiling of Directorate General of Oil and Gas tended to decline in the period 2015-2019. The following figure shows development of budget ceiling of Directorate General of Oil and Gas from 2015 to 2019.



Source: Performance Report of Directorate General of Oil and Gas 2019

Figure 77. Budget of Directorate General of Oil and Gas 2015–2019

In early 2019, Directorate General of Oil and Gas received a budget of Rp1.12 trillion in accordance with the 2019 Budget Implementation List (DIPA).

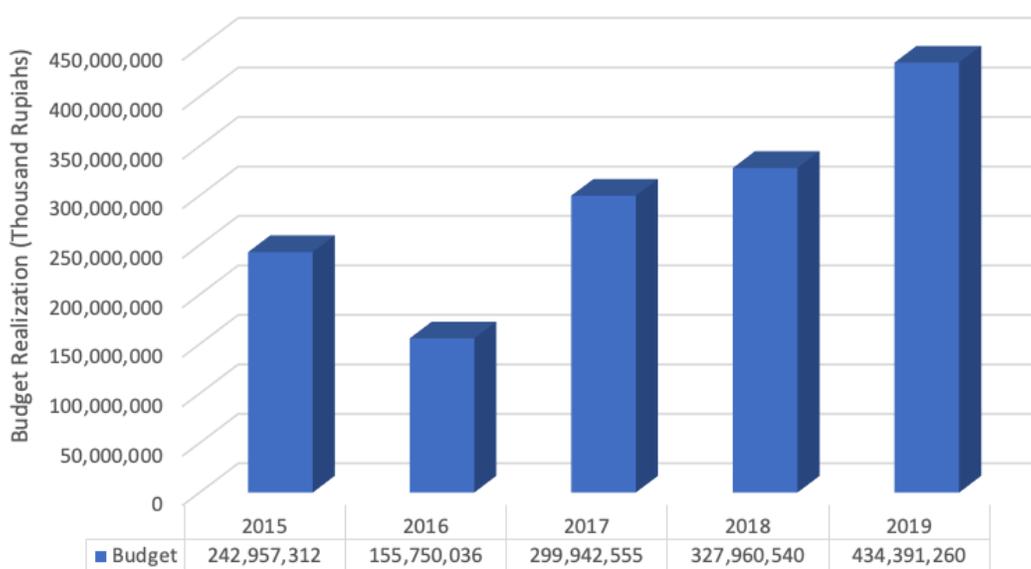
The budget is allocated for the following activities:

- a. Physical Public Spending (Infrastructure Spending) of Rp980.34 billion. The fund is spent on activities which directly benefit the public such as construction of city gas networks, distribution of converter kits for fishermen, distribution of LPG cylinders in the context of

conversion from kerosene to LPG, review on FEED/DEDC of gas networks, and infrastructure services.

- b. Spending on Government Apparatus and Non-Physical Public Activities of Rp147.79 billion. Government apparatus spending includes all activities which do not directly benefit the public/stakeholders, such as payment of government employees' salaries and office operations. Non-physical public spending consists of all activities which directly benefit the public/stakeholders, such as monitoring, data reconciliation, and drafting of laws and regulations.

The Mineral and Coal Sector. Directorate General Mineral and Coal allocates its budget for personnel, goods, and capital expenditure to ensure that various programs/activities can run well.



Source: Directorate General of Mineral and Coal, 2020

Figure 78. Realized Budget of Directorate General of Mineral and Coal between 2015 and 2019 (Thousand Rupiah)

The realized budget of Directorate General of Mineral and Coal in 2019 increased by 32.45% from the 2018 budget. The increase was due to rising costs of its programs/activities.

**Table 76. Realized Budget of Directorate General of Mineral and Coal 2018–2019
(Thousand Rupiah)**

Activity/Program	Year	
	2018	2019
Formulation of Policies and Programs and Evaluation of Policy Implementation in the Mineral and Coal Sector	12,827,952	16,424,247
Fostering of Environmental Protection Engineering and Mineral and Coal Supporting Businesses	23,607,221	33,930,608
Management and Technical Support of Directorate General of Mineral and Coal	240,716,991	306,355,293
Coal Fostering and Business	19,971,287	21,616,268
Mineral and Business	19,376,486	25,941,631
Management of Mineral and Coal State Revenue	11,460,603	30,123,213
Total	327,960,540	434,391,260

Source: Directorate General of Mineral and Coal, 2020

The increase in the costs of DG Mineral and Coal activities/programs is aimed to improve services in the sector. The highest increase is shown by management and technical support programs. There were two additional sub-programs in the forms of draft law and regulations and internal facilities and infrastructure services in 2019 that were not budgeted in 2018. The cost for the internal facilities and infrastructure services reached Rp50,109,361,471, consisting of the cost for facilities and infrastructure to be used by mine inspectors and the cost to renovate Directorate General's office.

B. Financial Balance between Central and Regional Governments

The principles of the fiscal balance policy as set out by Law No. 33/2004 are as follows:

- The fiscal balance between the central government and the regional governments is a subsystem in the State Finance which results from division of duties between the central government and the regional governments.
- The handing of state financial resources to regional governments in the context of decentralization is based on delegation of duties of the central government to regional governments by taking into account fiscal stability and balance.
- The fiscal balance between the central government and the regional governments is a comprehensive system in the funding of decentralization, de-concentration, and co-administered duties.

Balance Funds consist of Shared Revenue Fund, General Allocation Fund, and Special Allocation Fund (Law No. 33/2004 Article 10). However, Balance Funds from the Extractive Industries in the form of Shared Revenue Fund (DBH) is allocated to regions based on a certain percentage in order to finance regional needs in implementing decentralization.

Law and regulations that govern the implementation of DBH consist of:

- Law No. 33/2004 on Fiscal Balance between the Central Government and the Regional Governments
- GR No. 55 of 2005 on Balance Funds
- Regulation of Ministry of Finance No. 50/PMK.07/2017 on Management of Transfers to Regions and Village Fund

Table 77. Percentage of DBH Between Central, Province, and Regency/City (R/C) Governments

No	Types of Shared Revenue	Law No. 33/2004				
		Central	Province	Producing R/C	Collection Fees	Sharing with other R/C
I.	TAX					
1.	PPH Article 21 and 25/29	80	8	12		
2.	Property Tax	10	16.2	64.8	9	
3.	Tobacco Excise	98	0.6	0.8		0.6
II.	NATURAL RESOURCES					
1.	Forestry					
a.	IIUPH	20	16	64		
b.	PSDH	20	16	32		32
c.	Reforestation Fund	60	40			
2.	Mineral and Coal					
a.	Fixed Fee (Land-rent)					
	Land and Sea < 4 mil	20	16	64		
	4 mil < Sea < 12 mil	20	80			
b.	Production Fee (Royalty)					
	Land dan Sea < 4 mil	20	16	32		32
	4 mil < Sea < 12 mil	20	26			54
c.	From Forestry Area					
3.	Fishery	20				80
4.	Oil					
	Land and Sea < 4 mil	84.5	3.1	6.2		6.2
	4 mil < Sea < 12 mil	84.5	5.17			10.33
5.	Natural Gas					
	Land and Sea < 4 mil	69.5	6.1	12.2		12.2
	4 mil < Sea < 12 mil	69.5	10.17			20.33
6.	Geothermal	20	16	32		32

Source: Directorate General of Mineral and Coal, 2020

According to PMK No. 50/PMK.07/2017, DHB is calculated and determined four times in one year. The allocation of DBH per region is determined in state revenue plan, divided in the APBN Law based on a certain percentage, and decided in a Presidential Decree regarding details of the APBN. Revenue allocation changes are made if there are any changes in state revenue in the APBN Law.

Based on data from Directorate General of Fiscal Balance, there were five provinces and five regencies that received the largest oil, gas, mineral and coal DBH in the 2018–2019 period. Data on realized DBH and the allocation are integrated and can be accessed from the

Information System for the Transfer to Regions and Village Fund (Simtrada) at <http://www.djpk.depkeu.go.id/simtrada/>.

The oil and gas sector. DBH from oil and gas revenues is allocated to regions based on a certain percentage in order to finance regional needs in implementing decentralization. The basic data needed to calculate DBH are the lifting data from Directorate General of Oil and Gas, Ministry of Energy and Mineral Resources, and the PNPB data from Directorate General of Budget, Ministry of Finance. Calculation and determination of DBH allocation are then made by Directorate General of Fiscal Balance, Ministry of Finance.

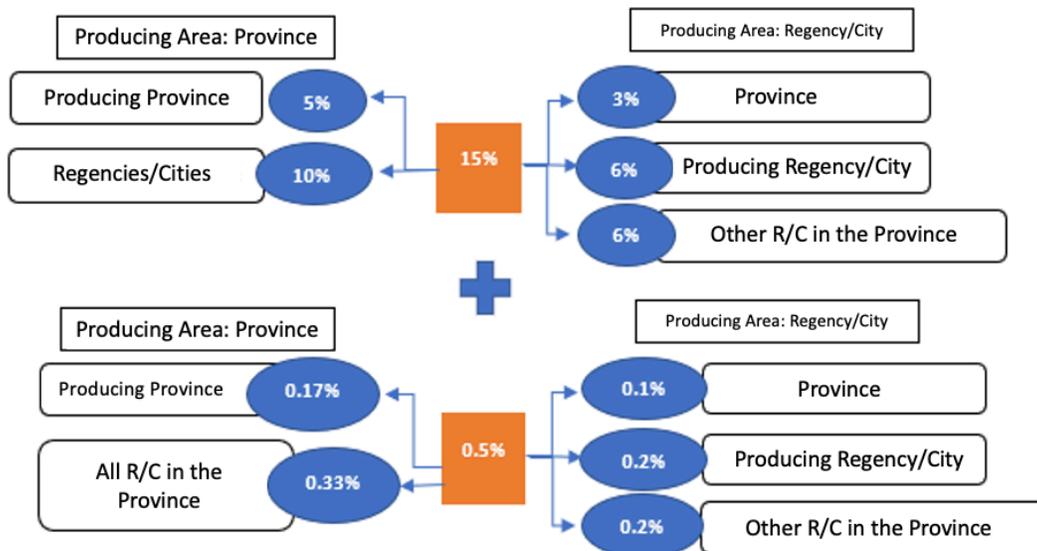


Figure 79. Portion of Oil DBH Distribution

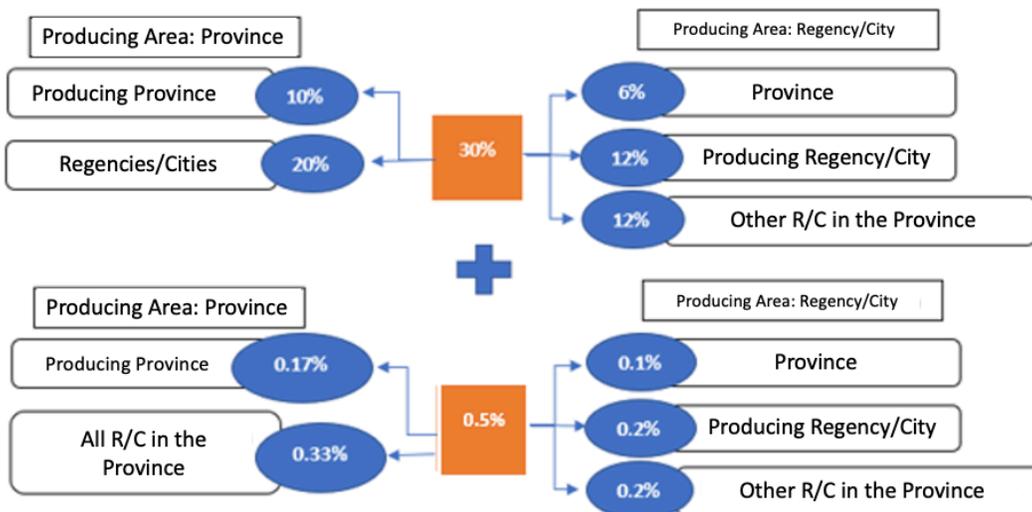


Figure 80. Portion of Natural Gas DBH Distribution

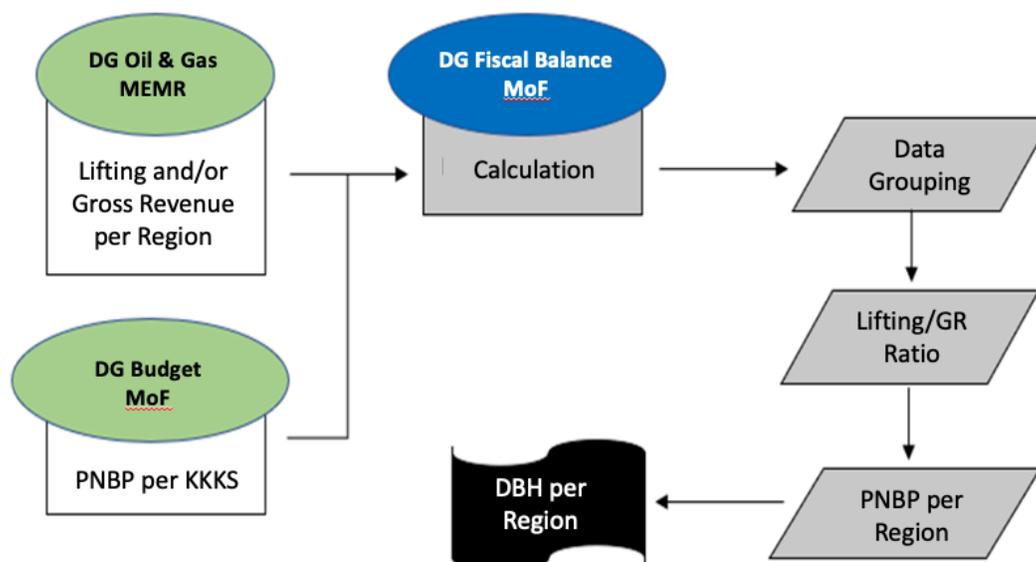


Figure 81. Mechanism for Calculating Oil and Gas DBH

There are four stages in the calculation process of oil and gas DBH:

1. Data Grouping.
2. Calculation of Ratio and Portion of Oil and Gas Revenue per Producing Region
 The PNBP data is received in the form of PNBP per KKKS. The data is converted into PNBP amount per region, using a distribution pattern which is close to the distribution of PNBP per KKKS to each producing area. A lifting ratio is used to calculate allocation estimate. Meanwhile, a gross revenue ratio is used to calculate realization because the realized PNBP per KKKS is made in the form of currency units.
2. DBH calculation based on the percentage set by Law and Government Regulation.
3. Distribution to regions.

There are five provinces and regencies that received the largest oil and gas DBH allocation in Indonesia based on data from Directorate General of Fiscal Balance, as follows:

Table 78. Five Provinces Receiving Largest Oil and Gas DBH in 2018–2019

Oil and Gas DBH (in Rupiah)			
No	Province Name	2018	2019
1	West Papua	777,073,953,664	5,070,119,954,987
2	East Java	1,216,758,323,213	1,306,727,140,710
3	East Kalimantan	767,002,309,449	1,315,667,860,445
4	Riau	831,382,387,655	830,205,204,441
5	South Sumatra	638,170,845,020	639,313,392,586

Source: Ministry of Finance

Table 79. Five Regencies Receiving Largest Oil and Gas DBH in 2018–2019

Oil and Gas DBH (in Rupiah)			
No	Regency Name	2018	2019
1	Bojonegoro	2,278,912,140,859	4,234,678,001,915
2	Musi Banyuasin	1,060,673,956,273	788,118,233,100
3	Kutai Kartanegara	714,355,064,568	579,203,126,150
4	Bengkalis	807,066,987,924	725,234,963,750
5	Teluk Bintuni	490,390,588,610	255,938,144,000

Source: Ministry of Finance

The data refer DBH distribution in the RKUD in 2018–2019, consisting of distribution of Regular DBH and underpaid DBH. The five provinces and regencies that receive the largest Oil and Gas DBH are the largest producing regions of oil and gas in Indonesia.

Mineral and Coal sector. Based on GR No. 55/2005 on Balance Funds, Mineral and Coal DBH originates from mineral and coal revenue in the forms of fixed fees (land rent) and exploitation/exploration fees (royalties).

Table 80. Percentage of DBH in General Mining

No.	Revenues	Central	Province	Producing R/C	Neighboring R/C	Total
I.	Mining Business License (IUP)					
	1) Producing Regency/City					
	- Fixed Fees	20%	16%	64%	-	100%
	- Production Fees	20%	16%	32%	32%	100%
	2) Producing Province					
- Fixed Fees	20%	80%	-	-	100%	
- Production Fees	20%	26%	-	54%	100%	
II.	Contract of Work					
	- Fixed Fees	20%	16%	64%	-	100%
	- Production Fees	20%	16%	32%	32%	100%
III.	PKB2B					
	- Fixed Fees	20%	16%	64%	-	100%
	- Coal Production Fund (13,5%)					
	1. Royalties (3% to 7%)	20%	16%	32%	32%	100%
	2. Sales of Mining Products 13,5% minus (3% to 7%)	100%	-	-	-	100%

Source: Ministry of Energy and Mineral Resources by GR No. 55/2005

There are five provinces and regencies that received the largest mineral and coal DBH in Indonesia in 2018-2019, as shown in **Table 81** and **Table 82**.

Table 81. Five Provinces Receiving the Largest Mineral and Coal DBH in 2018–2019

Mineral and Coal DBH (in Rupiah)			
No	Province Name	2018	2019
1	East Kalimantan	1,376,416,405,134	1,529,206,339,390
2	South Kalimantan	755,187,580,493	945,634,689,805
3	Papua	608,904,254,879	379,551,368,827
4	South Sumatra	290,587,611,086	349,953,449,242
5	Bangka Belitung	155,723,973,336	203,335,026,519

Source: Ministry of Finance

Table 82. Five Regencies Receiving the Largest Mineral and Coal DBH in 2018–2019

Mineral and Coal DBH (in Rupiah)			
No	Regency Name	2018	2019
1	East Kutai	1,195,877,049,023	1,775,907,819,689
2	Kutai Kartanegara	948,716,678,779	1,599,776,830,287
3	Mimika	1,215,658,954,826	998,378,923,978
4	Berau	658,026,589,288	1,035,846,368,239
5	West Kutai	544,597,393,309	885,347,033,100

Source: Ministry of Finance

The data refer to DBH distribution in the RKUD in 2018-2019, consisting of distribution of Regular DBH and underpaid DBH. The five provinces and regencies that received the largest mineral and coal DBH are the largest mineral and coal producing areas in Indonesia.

CHAPTER VI

INTEGRATED INFORMATION TECHNOLOGY SYSTEMS

6.1 Development of Information Technology in Oil and Gas

Building good governance in the oil and gas sector requires managing resources, including data. Indonesia faces the challenge of having different contract schemes, namely cost-recovery PSC and gross-split PSC. To face this challenge, the Indonesian Government has made an effort by creating an integrated, cross-sectoral online platform to accommodate data related to payment by extractive industries to the state.

A. Online Oil and Gas Data

To facilitate access for oil and gas investors, the Ministry of Energy and Mineral Resources in August 2019 issued Permen No. 7/2019 on Management and Utilization of Oil and Gas Data. This ministerial regulation amended Permen No. 27/2006 on Management and Utilization of Data obtained from general surveys, exploration, and exploitation of oil and gas.

Permen No. 7/2019 mandates improvement in data governance, including in procedures and systems of data management that must be obeyed by the government and other data stakeholders. One of the provisions in the regulation is that oil and gas data management must apply international standard technologies which are open and generally accepted in the oil and gas industry. The open format should prevent vendor lock and support data interoperability.

Permen No. 7/2019 has made the oil and gas data as exploration infrastructure and set out that the use of oil and gas data is carried out under a Membership System. The Membership System is determined in Article 25 of Permen No. 7/2019 and spelled out in Decision of Minister of Energy and Mineral Resources No. 33K/03/MEM/2020 on Membership System for Utilization of Upstream Oil and Gas Data.

The Membership System divides data users into:

- a. Members, consisting of:
 - i. Mandatory Member;
 - ii. Non-Mandatory Member.
- b. Non-Members.

Members have the right to use all basic data as well as processed and interpreted data that are not confidential, while non-members can only use non-confidential basic data. Mandatory members are KKKS and affiliates, while non-mandatory members are business entities, permanent establishments, universities, and implementing units within the Ministry of EMR. Non-members refer to other data users.

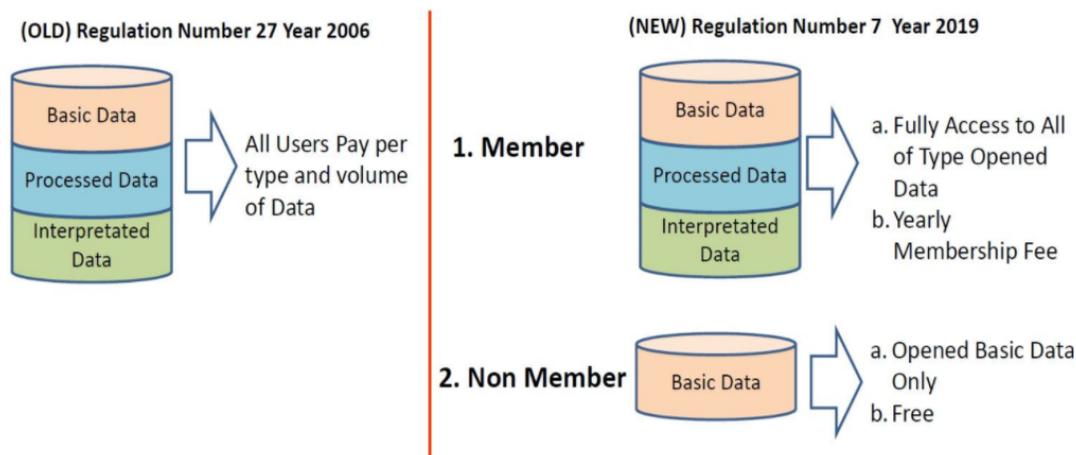


Figure 82. Utilization of Oil and Gas Data

To support the utilization of oil and gas data according to Permen No. 7/2019, an application called the Oil and Gas Data (Migas) Repository (MDR) was built. MDR is Indonesian national management and service for oil and gas data. Users can access MDR online at <https://datamigas.esdm.go.id/>.

Both Members and Non-Members can access MDR according to their access limitations. Members have access to all oil and gas data and supporting data, including spatial data, metadata. They also have the right to request, view, and download data. Non-members can only access spatial data and metadata, and request basic data. Meanwhile, general users called as Observers will be given access to oil and gas data availability through spatial data and metadata, but they cannot make use of the data.

Table 83. Access to Oil and Gas Data

Type	MDR Access Rights/Restrictions				
	Spatial	Metadata	Request Data	View Data	Download Data
Observer	√	√	×	×	×
Non-Member	√	√	√	×	×
Member	√	√	√	√	√

B. ESDM Online Licensing Application

The Ministry of Energy and Mineral Resources in August 2019 also launched the ESDM Online Licensing Application. The application is integrated with data on natural resources, operations, production, marketing/sales of each type of energy and minerals. The application can speed up license processing and allow any relevant units and business entities that apply for licenses to know at which stage their application is. There are nine licenses at Directorate General of Oil and Gas that can be applied for through the application:

- Oil and Gas General Survey License.
- Oil and Gas Data Utilization License.
- Oil and Gas Processing Business License.
- Oil and Gas Transportation Business License.
- Oil and Gas Storage Business License.
- Oil and Gas Trading Business License.
- Export and Import Recommendation of Oil and Gas Processing.
- Export and Import Recommendation of Oil and Gas Trading.
- Explosives Warehouse License.

These licenses need around seven working days to complete. However, some licenses take about 14 days to complete because field checks need to be done, depending on the business process.

The ESDM Online Licensing Application is integrated with 56 out of 70 licenses that must be prepared. It is also integrated with the Online Single Submission (OSS) and the Taxpayer Status Confirmation (KSWP) of the Directorate General of Taxation. The use of this application shows the commitment of the Ministry of Energy and Mineral Resources to meeting the National Strategy for the Prevention of Corruption (Stranas PK), especially action item of improving services and compliance in the licensing and investment processes.



Figure 83. esdm.go.id licensing

C. Integrated Operation Center (IOC) of SKK Migas

In September 2018, SKK Migas issued a regulation about guidelines for work procedure of the Integrated Operating Center (IOC) revised 01. The basic concept of IOC is optimized reporting process of KKKS by using Information and Communication Technology (ICT). SKK Migas and KKKS benefit from the IOC; for example, both parties obtain transparent data and information, while the reporting process has been simplified.

The IOC can carry out day-to-day monitoring of upstream oil and gas operations in real time. The IOC enables SKK Migas to access data from any KKKS as the operators of certain oil and gas work areas.

Using the IOC, SKK Migas can carry out more effective supervision and provide KKKS with preventive actions during operations before incidents occur that can hamper oil and gas production targets. The IOC includes several performance management systems that are connected to KKKS. SKK Migas can monitor production, facility management, drilling activities as well as oil and gas lifting operations in real-time and online. The data source that KKKS use in the IOC refers to the same data source used in the reporting to the management and the headquarters of KKKS.

Services and applications available in the IOC are as follows:

- Production Dashboard
- Oil and Gas Lifting Dashboard
- Stock Management Dashboard
- Plant Information Management System (PIMS)
- Facility Maintenance and Project Monitoring
- Vessel Tracking Information System (VTIS)
- Real-Time Drilling Operation
- Emergency Response Center (ERC)

The system implemented by KKKS is connected to SKK Migas through media channels and interface so that the reporting process can run automatically. Each KKKS flows various types of data and information in the standard format required by SKK Migas.

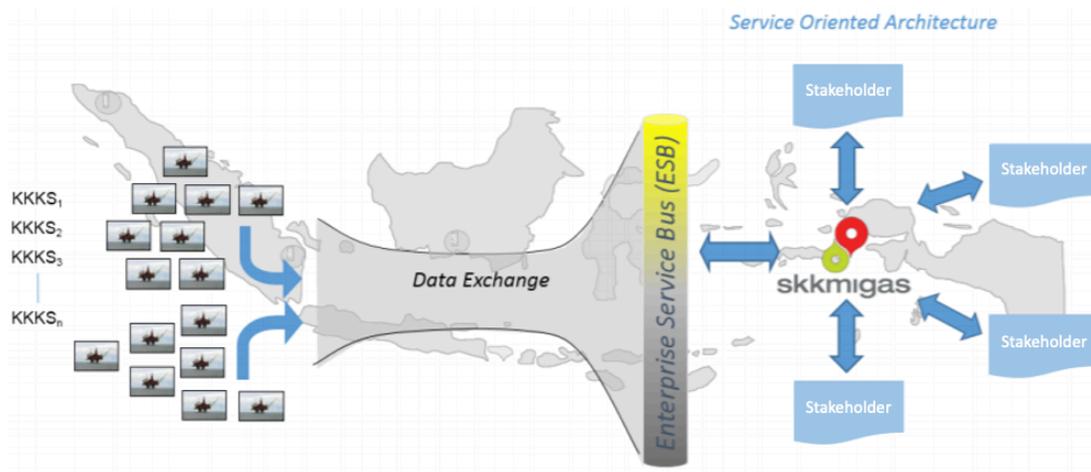


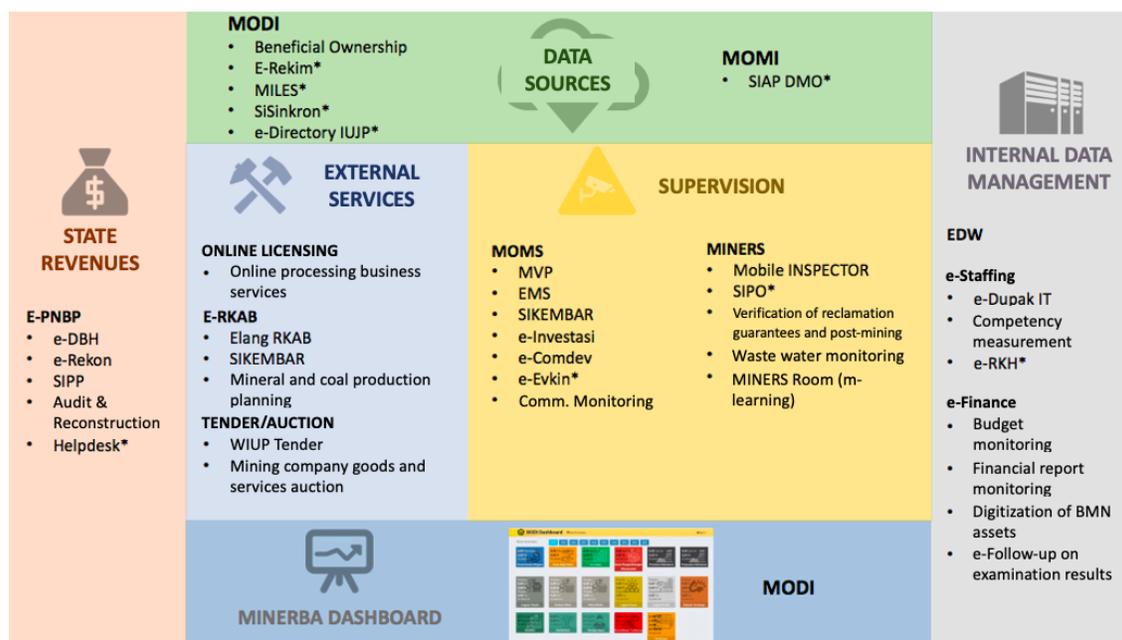
Figure 84. Illustration of IOC System and KKKS

6.2 Development of Information Technology in Mineral and Coal

A government that is supported by electronic-based systems is expected to be capable of realizing clean, effective, transparent, and accountable governance as well as quality and reliable public services. This is in line with the principles contained in the EITI Standard. In application, a regulatory tool that is supported by an adequate information technology system is required. Therefore, the Indonesian Government issued Presidential Regulation No. 95/2018 on Electronic-Based Government Systems. In 2019, another regulation was issued, namely Presidential Regulation No. 39/2019 on One Data Indonesia, which aims to obtain accurate, up-to-date, integrated, accountable, easily accessible and disseminated data.

To carry out the presidential regulations, Directorate General of Mineral and Coal has prepared and implemented an online mineral and coal information system. The system consists of 2 (two) main aspects:

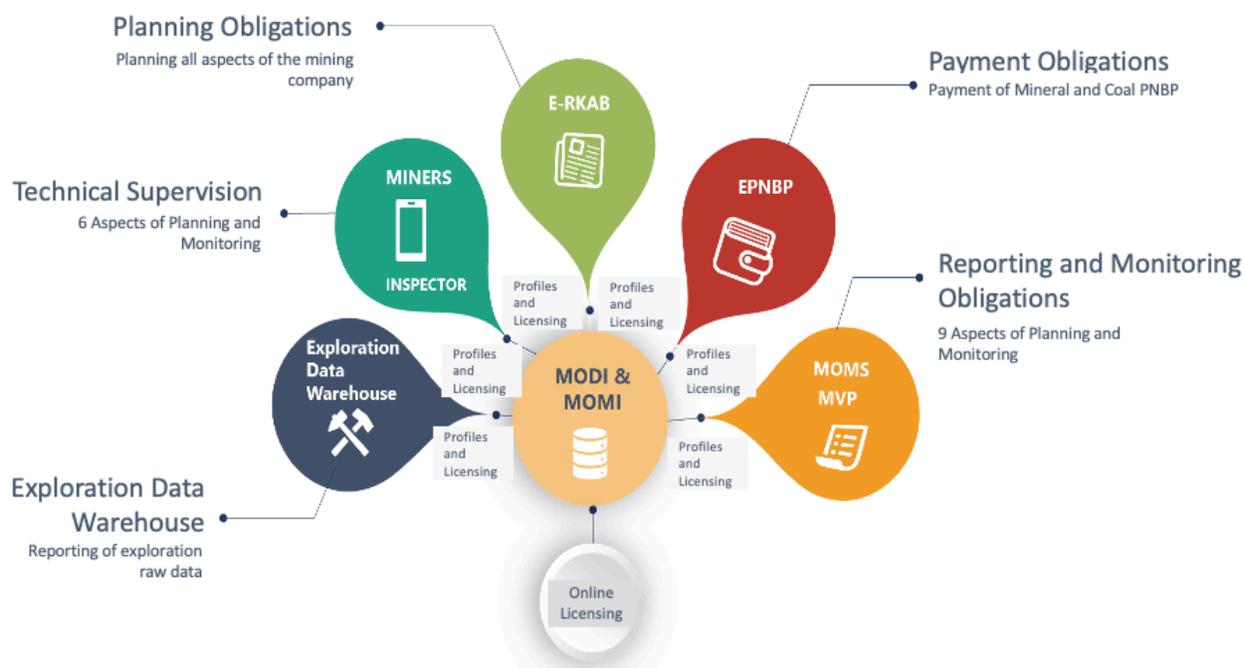
1. Service Aspect
 - Mineral and Coal One Map Indonesia (MOMI)
 - Mineral and Coal One Data Indonesia (MODI)
 - Online Licensing
2. Development and Supervision Aspect
 - Mineral and Coal Online Monitoring System (MOMS) and Sales Verification Module (MVP)
 - E-PNBP and Receivables Recording Information System (SIPP)
 - Exploration Monitoring System and Exploration Data Warehouse
 - Mineral and Coal Integrated Engineering and Environmental Reporting System (MINERS), SIKEMBAR, e-Lelang, SIMBARA, RKAB Online



Source: Ministry of Energy and Mineral Resources, 2020

Figure 85. Grouping of Mineral and Coal Online Applications

The online mineral and coal applications are designed to speed up the licensing process and ensure that mineral and coal management is transparent and accountable. The online applications make it easier for business actors to report their various obligations to the government electronically, thereby limiting direct interaction which often slows down and even hinders smooth administrative process. Directorate General of Mineral and Coal introduced the innovation to welcome Industry 4.0. It tries to create a conducive business and investment climate by minimizing existing barriers. These application systems are expected to be integrated, as seen in **Figure 86** below.



Source: Ministry of Energy and Mineral Resources, 2020

Figure 86. Application Systems at Directorate General of Mineral and Coal

Integration of the application systems starts with Online Licensing, which is integrated with MODI and MOMI. MODI and MOMI are the primary sources of mineral and coal applications. They contain the profile and licensing data of business entities, which are the master data for all applications in the online mineral and coal system. Using these applications, it is expected that mining activities will be integrated completely, from activity planning, reporting, to PNPB payments. Business entity’s planning is reported through e-RKAB, reporting and supervision through MOMS and MVP, payment through E-PNPB, technical supervision through MINER Inspector, and exploration data through Exploration Data Warehouse.

Table 84 below shows the matrix of existing information technology systems as of 2019.

Table 84. Matrix of Mineral and Coal Online Systems

System	MOMI	MODI	MOMS	e-PNBP	MVP	EMS	EDW
Owner	DBPMB		DBMB	DBN	DBMB		
Company	PKP2B, KK, IUP Ex, IUP Op, IUP OPK OM & AJ		PKP2B, KK, IUP Ex, IUP Op	PKP2B, KK, IUP Ex, IUP Op	Surveyor & IUP OPK AJ	PKP2B, KK, IUP Ex, IUP Op	
Data	Spatial Data WIUP/ WIUPK	WIUP/ WIUPK (Area Size)	Mineral and Coal Resources and Reserves	Tariff	LHV	Competent Person	Drilling Activity
	Forest Area	IUP/KK/ PKP2B Profile	- Production Plan (per block per month) - Production Realization (per block per day)		Sales Destination	Exploration Performance	
	Thematic Maps (Smelter, Mining Concession)	Location	- Sales Plan (Export, Domestic per month) - Sales Realization (CoW, CoA, Selling price, export and domestic buyers)		Commodity Sources		
		Activity Stage	Inventory Stock				

Annotation:

DBPMB : Directorate of Mineral and Coal Program Development

DBMB : Directorate of Mineral and Coal Business Fostering

DBN : Directorate of Mineral and Coal Revenue

OM : Processing and Refining

AJ : Freight and Sales

Source: Directorate General of Mineral and Coal, 2020

A. Mineral and Coal One Map Indonesia (MOMI)

Mineral and Coal One Map Indonesia is a web-based Geographic Information System for Mining Areas. It was formed in the spirit of transparency, accountability, and collaboration. By using MOMI, the Indonesian Government, mining stakeholders, and the public work together in mining management in Indonesia. MOMI can be accessed at <https://momi.minerba.esdm.go.id>.

MOMI has been designed to integrate data from other subsectors/sectors such as coal-fired power plants (PLTU) maps, forest area maps, administrative boundary maps, special sea terminal maps, oil and gas block maps, and other thematic maps. The data in MOMI consist of:

- Oil and gas blocks maps from the Directorate General of Oil and Gas;
- Geothermal Working Areas (WKP) maps from the Directorate General of New and Renewable Energy and Energy Conservation (EBTKE);
- Maps of WP and WIUP (KK, PKP2B, and IUP/IPR) from the Directorate General of Mineral and Coal;
- Geological formation maps from the Geological Agency;
- Forest areas maps from Ministry of Environment and Forestry (KLHK);
- Administrative boundary maps from Geospatial Information Agency (BIG);

- Special sea terminals and coal terminals maps from the Directorate General of Sea Transportation;
- Electricity networks maps and PLTU location from Electricity State Company (PLN)/Directorate General of Electricity;
- Smelter location maps from the Directorate General of Mineral and Coal;
- Map of Air and Seaports from the Ministry of Transportation (Additional Integration Plan);
- BIG's high-resolution satellite imagery maps (follow-up integration plan);
- Maps of plantation permits from the Directorate General of Plantation (Supplementary Integration Plan);
- Forestry Permits Maps from KLHK (Additional Integration Plan);
- Spatial maps from the Ministry of Agrarian Affairs and Spatial Planning (ATR)/ National Land Agency (BPN) (Additional Integration Plan);
- Mining progress maps from IUP/PKP2B/KK (Additional Integration Plan).

In 2018–2019, the main page of MOMI was redesigned, while its application data was integrated with other applications through map/web service. The applications that were integrated with MOMI in 2018–2019 are ESDM Geoport and MODI. There were no additional maps or data integration with other agencies in 2018–2019.

MOMI has been designed to integrate spatial data of state ministries/agencies in one interface. Location of mining activities that overlaps with other maps can be seen in one single view. Other maps include, among others, maps of forest areas, maps of administrative boundaries, maps of geological formations, special sea terminals maps, etc.

Currently, almost all of spatial data in the energy and mineral resources sector is available in the ESDM GEOPORTAL, such as geological potential (mineral, coal, geothermal, solid bitumen, and Coal Bed Methane/CBM), mining business license areas, oil and gas working areas, geothermal working areas, upstream oil and gas data (wells, refineries, 2D seismic and 3D seismic), forest areas, and electricity infrastructure (generators, substations, transmission networks, and distribution networks). ESDM Geoport is also expected to be integrated with spatial data from other state ministries or agencies, such as the Ministry of Environment and Forestry; Meteorology, Climatology, and Geophysics Agency (BMKG), Center for Hydrography and Oceanography of the Indonesian Navy (Pushidros TNI AL), and Geospatial Information Agency (BIG).

The launch of MOMI is a manifestation of the objectives of the Mineral and Coal Coordination and Supervision activities handled by the Ministry of Energy and Mineral Resources and supported by the Corruption Eradication Commission (KPK). The MOMI application is also part of the Ministry of Energy and Mineral Resources' efforts to build an integrated data system and implement the national One Map Policy. The One Map of the Energy and Mineral Resources (ESDM) implements Phase VIII of the Economic Policy Package and Presidential Decree No. 9/2016 on Accelerated Implementation of the One Map Policy at an accuracy level of 1:50,000.

With the MOMI system, territorial disputes over mining permits issued by local governments, such as permit to enter conservation areas, license overlap between two commodities or different commodities, and administrative boundaries, are easier to identify and resolve. MOMI is also expected to be used as a reference by the central government, regional governments, and stakeholders in planning and managing the mining sector.

MOMI has significantly assisted Directorate General of Mineral and Coal in collecting data and information. In fact, provincial/regency/city governments can see what Mining Business Licenses (IUP) exist in their respective regions. Thus, the Government can prevent overlap with other Mining Business Licenses (IUP) and evaluate IUPs and Geothermal Working Areas in forest areas.

B. Mineral and Coal One Data Indonesia (MODI)

Directorate General of Mineral and Coal launched Mineral and Coal One Data Indonesia (MODI) in 2017. The MODI dashboard contains "summary data" of mineral and coal mining activities. The data is made up of annual historical data including production, sales, permits, investment, number of workers, number of accidents in mining, reclamation, number of smelters, community development funds, proposed profit-sharing funds, and state revenue. The general public can access all information available in MODI.

As a database of company and licensing data, MODI does not only contain data resume. It also provides a single id (WIUP CODE) for companies to make reports in other applications within Directorate General of Mineral and Coal, including MOMS and E-PNBP. The following are the number of licenses registered in the MODI application in 2018 and 2019.

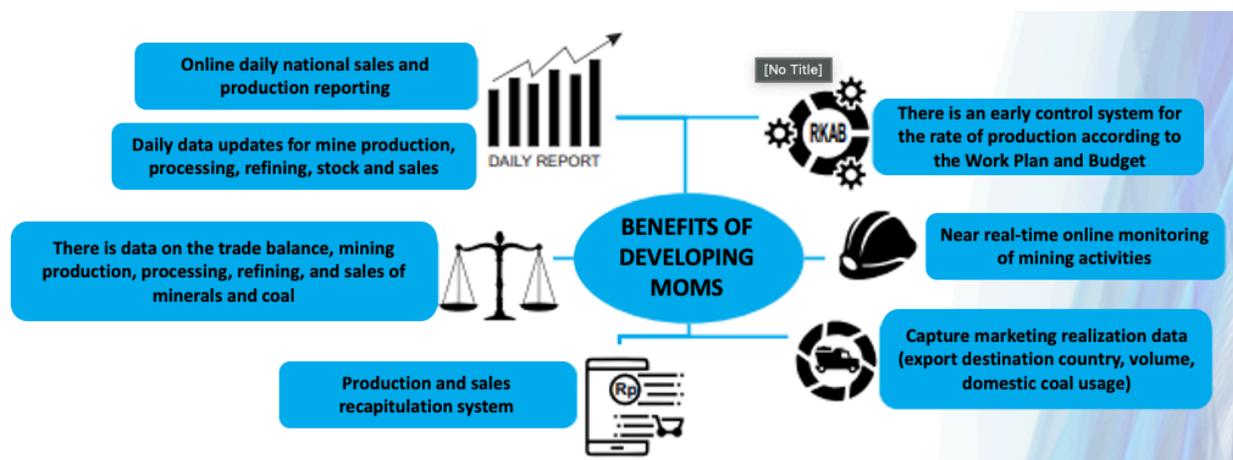
Table 85. Number of Licenses in the MODI Application in 2018-2019

License Type	2018	2019
IUP	5,560	3,161
PKP2B	68	67
KK	32	31
IUJP	619	619
IUPOPK Refinery	20	51
IUPOPK Transportation	478	718
IUPK	2	2
IPR	112	16

Based on **Table 85** above, there has been a decrease in the number of licenses in 2019, especially IUPs, because of reconciliation in 2018. Licenses that expired or had not been extended were removed from the database. MODI stores mining company data, including company name, mining business license code (WIUP code), address, shareholders and directors' names, Tax ID (NPWP), production, non-tax state revenue, contract date, mining license history and stage of activity, area, plan history, and production. Almost all operational data at Directorate General of Mineral and Coal can be accessed through MODI. The data is also updated regularly.

C. Mineral and Coal Online Monitoring System (MOMS)

In 2018, the Indonesian Government introduced a web-based application system called Mineral and Coal Online Monitoring System (MOMS). MOMS is an application that monitors production and sales of mineral and coal in real-time and accurately. Using the application, the Indonesian Government can control and supervise national production and sales of mineral and coal and compare them with approved plans. Both internal and external high-level officials can access this application.



Source: Ministry Energy and Mineral Resources, 2020

Figure 87. Benefits of MOMS Application

In the MOMS application, the Indonesian Government gets real-time, daily reports, such as daily online reporting, daily updates from mineral and coal companies, daily updates on national mineral balance (strategic dashboard), and recapitulation of production, sales, and warnings to regulate production rates. Business entities can use this application to monitor mining activities through the company dashboard contained in the MOMS application. MOMS facilitates companies in preparing data and reporting their performance to the Government.

In 2018, there were only five mineral-mining companies registered with MOMS because the system was still in testing period. In 2019, there were 513 registered companies. All companies whose licenses are issued by the Central Government are 100% registered with MOMS, while companies whose licenses are issued by regional authorities are not yet 100% registered.

For coal commodities, in 2018, 98 companies were registered with the MOMS application. At the end of 2019, 749 companies were registered with the MOMS application but companies holding mining licenses in the production-operation stage were not 100% registered with the MOMS application.

Mining data in the MOMS system consists of:

1. Approval of RKAB
 - a. Resources and reserves
 - b. Production (mining, processing, and refining)
 - c. Sales

2. Daily Production Realization
 - a. Mine
 - b. Processing
 - c. Refining
3. Realization of Daily Sales
 - a. Domestic Sales
 - b. Export Sales

Detailed data: port of origin, port of destination, country of destination, type of purchasing industry, product quantity and quality, selling price, and currency.

D. Electronic - Non-Tax State Revenue (E-PNBP)

Besides MOMS, the Indonesian Government in 2018 issued another application called e-PNBP for Mineral and Coal. The Mineral and Coal E-PNBP application is a web-based application that can produce accurate calculations of company liabilities with functions for payment and settlement of mineral and coal PNBPs. E-PNBP is integrated with the SIMPONI application of the Ministry of Finance, where companies can pay e-PNBP duties. E-PNBP is expected to ensure that mining companies have fulfilled their obligations before selling the commodities. Thus, the amount of PNBPs will be more accurate because the calculation has been integrated with the data and information contained in the contract and the production reporting.

Before E-PNBP came on line, the following was characteristics of mining company activities:

1. Based on Self-Assessment, a company deposited its financial obligation directly into the State Treasury (via SIMPONI);
2. Timeliness and compliance with payment obligation were not maximum (often late);
3. Actual calculation of company's liabilities was unknown. The Government only accepted deposit amount;
4. Administration was weak;
5. Receivables were high due to underpayment and late fees; and
6. Audit coverage ratio was only around 2%, so that state revenue was not optimum.

With the E-PNBP application:

1. Mineral and Coal PNBPs will be verified accurately according to the provisions of laws and regulations;
2. Notification of financial obligation will be sent automatically;
3. There is no need of face-to-face interaction because payment is made online; company's obligations are calculated in accordance with applicable rules;
4. 100% verification can be done via E-PNBP;
5. There is remote possibility for underpayment (which become receivables) because calculation has been done accurately; and
6. Directorate General of Mineral and Coal can monitor revenue movement in real-time.

E. Online Licensing System

The Mineral and Coal Online Licensing can be accessed at <https://perizinan.esdm.go.id>. This innovation by Directorate General of Mineral and Coal is aimed to create quality, clean, accountable, effective, and efficient public services. Using this online system, Directorate General of Mineral and Coal cuts bureaucratic chains and offers equal treatment in the licensing process. With clean and accountable services, public trust in government public services will increase and investment, especially in the mineral and coal sector, will grow.

Both the government and the private sector can make use of the online licensing system. The government can use it to evaluate, issue, and monitor mining licenses. At the same time, mineral and coal companies and business players no longer have to deal with piles of documents when applying for licenses and permits. Companies have a data repository that can be accessed from any place and at any time for license application.

For companies, the online licensing system offers the following benefits:

1. Repository of prerequisite documents for licensing is always stored in the system and can be used to apply for any licenses and permits;
2. License/permit application can be drafted and sent online from any place and at any time;
3. Companies can monitor and receive direct notification from the system on the progress of the license/permit application;
4. Companies only need to access one portal to apply for any licenses at Directorate General of Mineral and Coal and at Investment Coordinating Board (BKPM);
5. Data is secured and confidential;
6. Companies get equal treatment;
7. Stakeholders can verify validity of license document online.

For Directorate General of Mineral and Coal, the online licensing system will:

1. facilitate evaluation of applications;
2. improve control and facilitate evaluation of licensing service performance;
3. simplify bureaucracy between units within the Ministry of Energy and Mineral Resources and with the Investment Coordinating Board (BKPM);
4. facilitate Directorate General of Mineral and Coal in adjusting license products in terms of requirements, process flow, standard input forms, and license format if there are any policy developments;
5. Central and regional governments can use the online licensing system to verify validity of mineral and coal licenses.

F. Mineral and Coal Investment System (SIMBARA)

SIMBARA is a system developed by Directorate of Mineral and Coal Program Fostering of Directorate General of Mineral and Coal with the intention of answering the challenge of managing mineral and coal investment data online, in real-time, and an integrated manner. SIMBARA has been built using an open-source system and can be synchronized with Mineral and Coal One Map Indonesia (MOMI) and Mineral and Coal One Data Indonesia (MODI).

Before SIMBARA came on line, validity and completeness of investment data were low, while data submission was not done uniformly (either via e-mail or in hardcopy). As a result, it took a long time to evaluate and analyze investment realization every month. After SIMBARA came on line in early 2018, the central government and regional governments can monitor and assess mineral and coal investment realization online and in real-time by province, license type, commodity type, and investment component. The central government and regional governments use the evaluation results to prepare strategic steps and policies that will create a more conducive investment climate for business actors.

SIMBARA has been created with the objectives to accelerate the provision of mineral and coal investment data, facilitate investment data evaluation, and discover any constraints and obstacles faced by companies. The investment data is used by the central government and regional governments to prepare recommendations for future investment policies in order to improve and foster a more inclusive climate for mineral and coal investment.

SIMBARA can be accessed at <https://invest.minerba.esdm.go.id/>. Using this application, Business Entities report monthly investment plans and realization as well as annual realization. Investment component consists of buildings, infrastructure, machines, equipment, ships, vehicles and means of transportation, tools and furniture, exploration, intangible assets, and service business investment. Currently, 90% of IUP under the authority of the central government have updated their investment data. SIMBARA is integrated with MODI, which holds company's profile data. To offer Quantity Assurance, SIMBARA will be integrated with E-RKAB and other applications within the Ministry of Energy and Mineral Resources or application from other related state agencies. Standardization about KBLI is needed between Directorate General of Mineral and Coal and Investment Coordinating Board (BKPM).

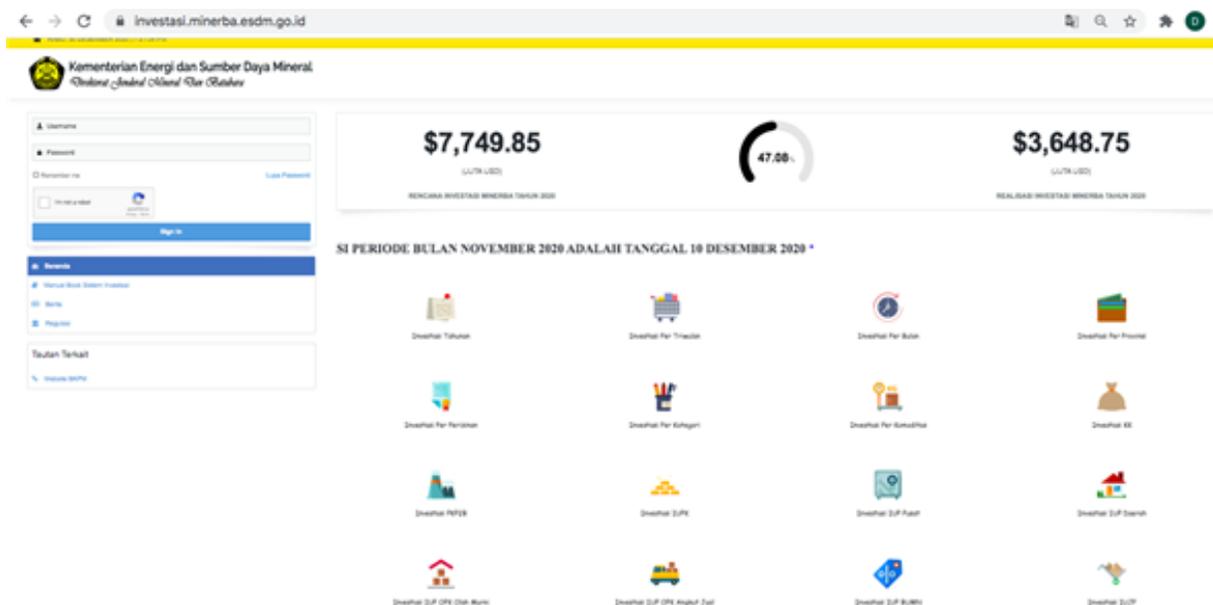


Figure 88. Dashboard of Mineral and Coal Investment System (SIMBARA)

6.3 Mainstreaming

Technological advances have been put to good use in achieving transparency in Indonesia. EITI implementing countries have provided information required by the EITI Standard through government and company reporting in the forms of databases, websites, annual progress reports, portals, etc.

Mainstreaming refers to a system that requires governments and companies to integrate or systematically disclose public information. Systematic disclosure means that government agencies and companies that are required to provide information to EITI in the form of reports can start to disclose information in their publications and websites.

Mainstreaming has an objective to provide space for governments and companies to report data, especially data on income, through an online system. If there are differences in data entered by the government and by companies, the differences can be detected and analyzed quickly. Mainstreaming also facilitates reporting and monitoring systems.

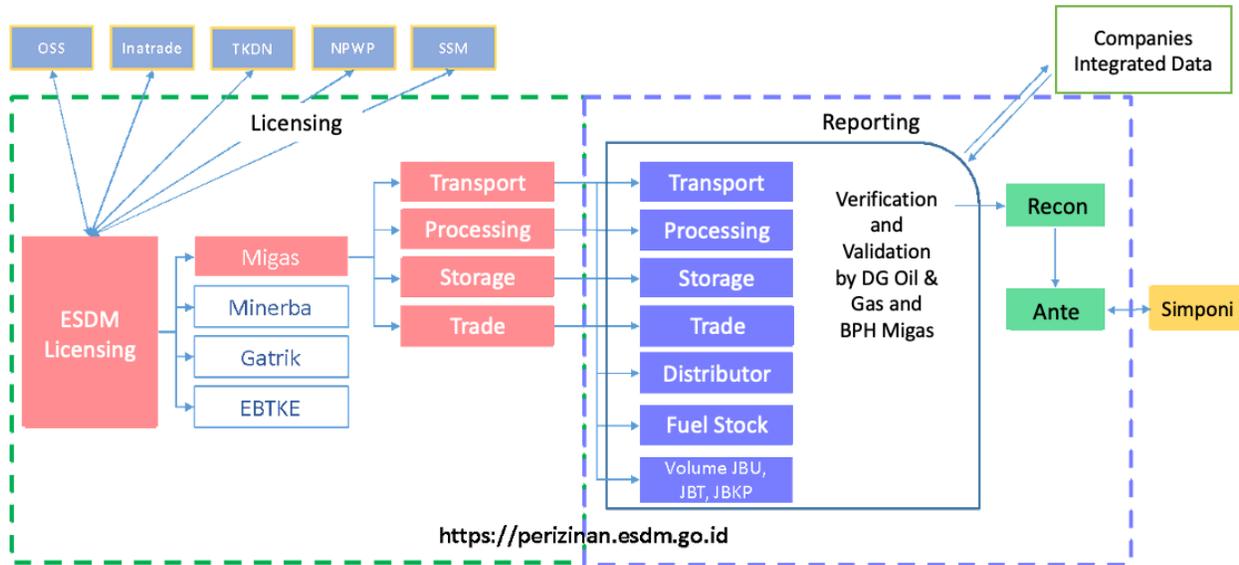
Applications that have come on line since 2018 include online mining licensing, MOMI, MODI, MOMS, and e-PNBP. In 2019, new applications came on line, most of which are stand alone, including eRKAB, Sikembar, EMS, EDW, MVP, SIPP, eRekon, eDBH, Miners Inspector, eLelang, MOMS Dashboard, Beneficial Ownership (BO).

To achieve transparency and accountability while simplifying the reporting and monitoring system for mineral and coal mining activities, three application systems, i.e., MVP, EMS, and EDW, were launched on December 2, 2019, as part of MOMS. The digital data system will assist the Ministry of Energy and Mineral Resources to:

1. Manage exploration and mining areas
2. Improve reserve replacement ratio
3. Monitor greenfield and brownfield exploration budget.

The new MOMS is designed to update the old one. The Ministry of Energy and Mineral Resources can monitor and manage exploration and production of mineral and coal more efficiently and effectively. The new MOMS synchronizes various fields within the Ministry of Energy and Mineral Resources and across other state ministries. Some parts of the new MOMS are open to the public, while others are restricted to government echelons or for approved requests for information. If a party is not registered with MOMS, then the party will not have access to the new system and cannot operate in Indonesian mineral and coal industry. The three new systems (MVP, EMS, EDW) started to operate on January 1, 2020.

The Indonesian government has started mainstreaming in the extractive industry sector by implementing a one-stop reporting system and simplifying business licensing. An Online Single Submission (OSS) has been put into use. The OSS integrates all business licensing under the authority of Ministers/Heads of Institutions, Governors, or Regents/Mayors electronically.



Source: Ministry Energy and Mineral Resources, 2020

Figure 89. One-Stop Reporting System

Additionally, to implement Presidential Regulation No. 95/2018 on Electronic-based Government System (SPBE) and Presidential Regulation No. 39/2019 on One Data for Indonesia, Ministry Energy and Mineral Resources in 2018-2019 carried out the Development of ESDM Data Enterprise. ESDM Data Enterprise integrates applications from the oil and gas (Migas) sector, the mineral and coal (Minerba) sector, the new and renewable energy (EBTKE) sector, the Electricity (Ketenagalistrikan) sector, and Geological (Geologi dan Kebencanaan) sector, as follows:

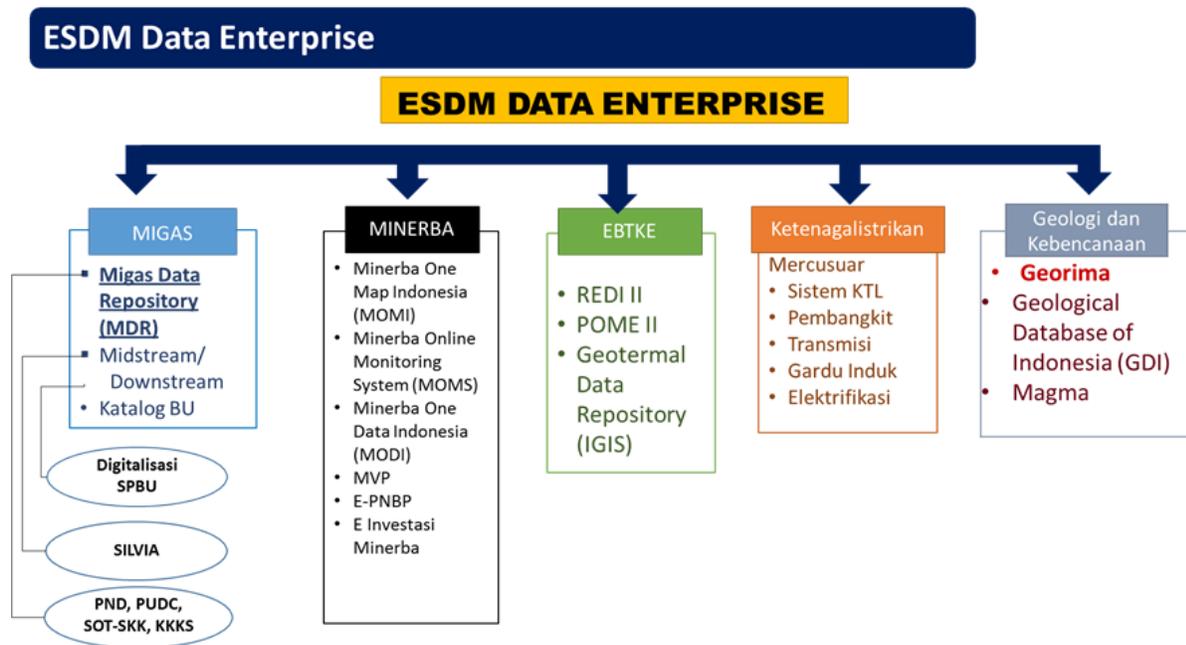


Figure 90. ESDM Data Enterprise System

ESDM Data Enterprise is expected to offer the following benefits:

- Establishment of one data in the Energy and Mineral Resources sector.
- More accurate and accountable data behind the principle of Single Source of Truth (SSOT).
- More updated data.
- Easier presentation of data (tabular, graphic, spatial).
- Data producers can access all data.
- More optimum service of external data.

CHAPTER VII

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

7.1 Social Responsibility

Company's obligation to carry out social and environmental responsibility (SER) is regulated in Article 74 of Law No. 40/2007 on Limited Companies. Social and environmental responsibility is an inherent part of a business activity where a company needs social license support from the community to conduct its business activities. Corporate Social Responsibility (CSR) is voluntary; thus, the amount of funds released is not regulated.

Table 86. CSR Programs

Field	Program Contents
Infrastructure	Road construction, clean water supply, and construction of social facilities such as sports halls, government halls, mosques/churches, and village electricity facility.
Economic	Small-scale business support, capital assistance for micro businesses, plant seeds or livestock assistance.
Education	Scholarships, training for teachers, assistance with teaching facilities, cultural programs.
Health	Medical supply assistance, surgery assistance, health campaigns and education, construction of health centers.
Environment	Environmental education, environmental conservation campaigns, waste management.
Donation	Emergency relief donation, donation for religious events, revolving funds program, and allowing communities to use corporate facilities.

Source: International Mining for Development Centre, 2013

7.1.1 Oil and Gas Sector

In the upstream oil and gas industry, Social Responsibility Activities (SRA) develop programs that show concern for communities in the operation area. SRA is intended to create a balance between efforts to increase state revenues, make profit for KKKS, carry out social functions, and maintain the environment, as shown in Table 88.

Table 87. Social Responsibility Activities (SRA)

Regulation on Social Responsibility in Oil and Gas Sector	Description
Law No. 22/2001 on Oil and Gas, Article 11 Section 3	Upstream business activities carried out under a Cooperation Contract (KKS) with the Implementing Agency (SKK Migas) must contain basic provisions on development of surrounding

	communities and guarantee of the rights of indigenous peoples.
Law No. 22/2001 on Oil and Gas, Article 40 Section 5	Business Entities/Permanent Establishments that carry out oil and gas business activities, both upstream and downstream, are responsible for developing the environment and local communities.
Government Regulation No. 35/2004 on Upstream Oil and Gas Business Activities, Articles 72, 74, and 76	In carrying out their activities, contractors are responsible for developing the environment and local communities. Contractors must allocate funds to SRA in annual work plan and budget. In performing SRA, KKKS must also coordinate with the local governments.

Sociologically, the upstream oil and gas industry is a “sensitive” extractive industry that cannot be equated with other sectors. Although a company utilizes the natural resources in a region on behalf of the state, communities that have long lived around the operation area will naturally have attachment to the natural resources. In the end, community turmoil will result in demands for social justice through improved welfare, employment, etc. If the turmoil is not handled appropriately through SRA, smooth upstream oil and gas operation will potentially be hindered.

Referring to the above regulations, SKK Migas and KKKS carry out SRA through Community Development Program (CDP). The fields include education, health, economy, social/public facilities (infrastructure), and the environment.

The principles behind CDP for the upstream oil and gas industry are contained in Work Guidelines (PTK) No. 017/SKKO0000/2018/S0 on Public Relations Book Three Community Development for KKKS in the Upstream Oil and Gas Business Activities, as follows:

- KKKS is committed to community and environmental development in its operation area and surrounding areas (directly affected areas).
- The program is given in-kind.
- The program is prioritized according to community needs and can provide sustainable benefits.
- The success of a program must be measured.
- The program should be in synergy with those of the local government.
- The program must not be oriented towards SARA (Ethnicity, Religion, Ancestry, and Group of People) issues.

Whereas the location of PPM Upstream Oil and Gas Industry activities refers to Chapter III, Article 1 Paragraph 1.3, PTK-017 / SKKO0000 / 2018 / S0 concerning Public Relations Book Three Community Development

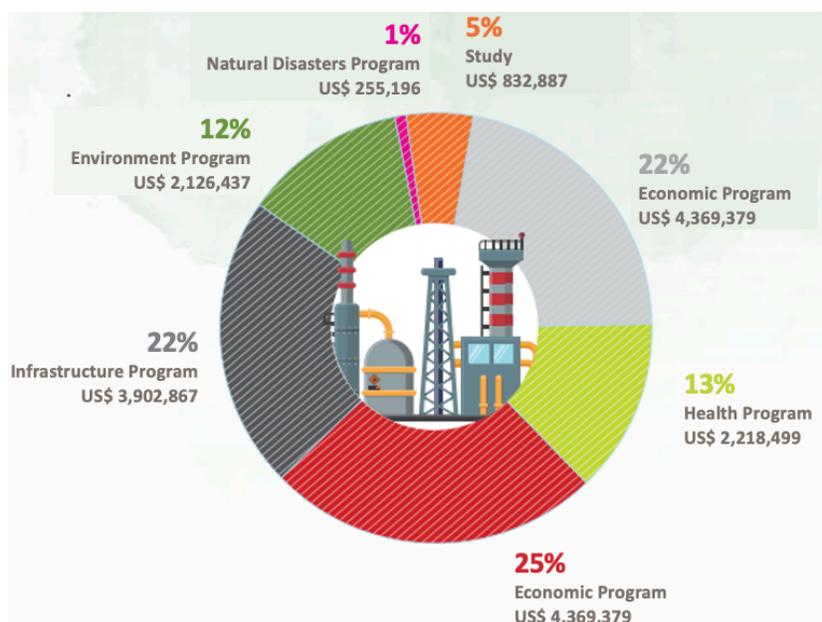
In 2019, the upstream oil and gas CDP spent a total budget of up to USD 17.49 million. It consisted of 998 programs with more than 1.37 million people as CDP beneficiaries (excluding beneficiaries in 7 regencies in Papua and Maluku).



Source: SKK Migas Sustainability Report 2019

Figure 91. Realization of Upstream Oil and Gas CDP in 2019

By category, the economic program spent the largest CDP budget at 25%, followed by infrastructure and education programs, at 22% each.



Source: SKK Migas Sustainability Report 2019

Figure 92. Realization of Upstream Oil and Gas CDP in 2019 by Category

If the CDP program implemented by KKKS is excellent and able to meet the needs of local communities, KKKS can register the program with the Company Performance Rating Assessment (PROPER) in Environmental Management awards organized by the Ministry of Environment and Forestry (LHK).

In 2019, five GOLD PROPER awardee KKKS conducted social mapping in villages in the Ring 1 and Ring 2 areas. Based on the mapping results, most of the affected village’s had received CDP benefits.

Table 88. Percentage of Affected Villages Implementing CDP from 5 KKS that Won PROPER 2019

KKKS Name	Number of Affected Villages	Number of Affected Villages Receiving CDP Benefits	% of Affected Villages Receiving CDP Benefits
PHE Jambi Merang	22	22	100%
PEP Asset 3 Subang Field	51	41	80%
PEP Asset 1 Jambi Field	11	8	73%
PEP Asset 1 Rantau Field	21	18	86%
PEP Asset 3 Tambun Field	29	21	72%

Source: SKK Migas Sustainability Report 2019

The provisions on the costs to organize CDP activities are stipulated in Government Regulation No. 27/2017 on Amendment to GR No. 79/2010 on Operation Costs that can be Recovered and

Treatment of Income Tax in Upstream Oil and Gas Businesses. Article 12 GR No. 27/2017 sets out that operation costs that can be recovered must meet a number of requirements, for example, the costs must be spent on community and environmental development programs during exploration and exploitation. The table below shows total investments in CDP made by five KKKS who won GOLD PROPER in the period 2017–2019.

Table 89. Investment in CDP by 5 GOLD PROPER Awardees in 2017-2019 (Million Rupiah)

KKKS Name	2017	2018	2019
PHE Jambi Merang	5,106.89	4, 237.78	5,832.40
PEP Asset 3 Subang Field	1,000.86	1,930.20	3,878.30
PEP Asset 1 Jambi Field	58.90	205.01	1,150.38
PEP Asset 1 Rantau Field	2,110.44	1,562.97	2,190.67
PEP Asset 3 Tambun Field	1,887.31	1,456.07	1,321.85

Source: SKK Migas Sustainability Report 2019

Table 90 shows some of the leading CDP by several KKKS in 2018–2019.

Table 90. CDP Excellence by Several KKKS in 2018–2019

KKKS Name	Details of Activities	Location	Year
PHE Jambi Merang	<p>Cinta Bumi Village is a community empowerment program through various activities, including forming 'Ketan Adem' (Mendis Village Fire Response Group) as a driver of awareness of forest fire hazard.</p> <p>Anak Dalam Tribe Development Program is a collaboration effort to empower coastal communities and to improve river environment. A Floating School was founded, so that Suku Anak Dalam communities become literate and gain knowledge.</p>	Jambi	2018-2019
PT Pertamina Hulu Energi – Offshore North West Java (PHEONWJ)	<p>Reduce, Reuse, Recycle, Resale, Re-Share (5R++) is a program that focuses on empowerment and enabling of street children. The activities include teaching on how to create recycled products from old wooden pallets, launch of 'car of change', and formation of waste banks.</p> <p>Eco-Edutourism Mangrove Pasir Putih is a program to develop environmentally-based educational tourism areas located in coastal areas.</p>	Jakarta Karawang, West Java	2018
PT Medco EP & Rimau	'Boomerang' Program (Cultivation of Meringue Mushroom) offers economic advancement and	Musi Banyuasin,	2018

	overcomes environmental issues through the use of oil-palm empty bunches. PT Medco EP & Rimau chose a mushroom distributor in Musi Banyuasin region as its cooperation partner. The beneficiaries of the program were farmers in North Lais, Lais, and Teluk Villages in South Sumatra.	South Sumatra	
PT Pertamina EP Asset 5 Tarakan Field	<p>Development of Micro, Small, and Medium Enterprises (MSMEs) in coastal areas is one of the flagship programs of PT Pertamina EP Tarakan Field. The program successfully empowered 872 seaweed farmers.</p> <p>‘Tapal Batas’ (Border Areas) School Education Program built dormitories for students. The dormitories provide accommodation for students while studying at the Tapal Batas School.</p>	Tarakan, East Kalimantan	2018
PT Pertamina EP Asset 3 Subang Field	HIV-AIDS Anti-Transmission Force (PANTURA) is a program that focuses on health. Initiated in 2017, the program disseminated the dangers of HIV & AIDS transmission.	Subang, West Java	2018-2019
PT Pertamina EP Asset 1 Jambi Field	Batik Eco-Friendly Development Program focused on applying an innovation at wastewater treatment plant (IPAL) in batik production process named ‘JLAMPRANG’ (Environmentally Friendly, Practical, and Safe Waste Trap). Overall, the utilization of JLAMPRANG IPAL can reduce negative environmental impacts, minimize spending on production process, and save electricity consumption.	Jambi	2019
PT Pertamina EP Asset 1 Rantau Field	Ujung Tamiang Ecotourism Program is an empowerment program that aims to improve the community's economy without damaging the environment. It started off as marine conservation and then developed into community capacity building through the formation of a Tourism Awareness Group (POKDARWIS) Pusung Kapal.	Aceh Tamiang, Aceh	2018-2019
PT Pertamina EP Asset 1 Tambun Field	<p>Berdikari Coastal Program is an economic empowerment program consisting of three activities: cultivation of seaweed with a polyculture system in Tambaksari and Sedari Villages, manufacture of fish feed from seaweed waste in Sedari Village, and manufacture of seaweed processed food in Pisangsambo Village.</p> <p>Family Medicinal Plant Program is an environmental</p>	Bekasi, West Java	2019

	conservation program through the cultivation of medicinal plants. The activities include planting of medicinal plants as well as caring and processing of medicinal plants into a wide range of products.		
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7.1.2 Mineral and Coal Sector

GR No. 23/2010 on the Implementation of Mineral and Coal Mining Activities requires mining companies to conduct Community Development and Empowerment Program (CDEP) as a manifestation of social responsibility. The implementing regulation of CDEP is Minister of Energy and Mineral Resources Regulation No. 25/2018 on Mineral and Coal Mining Management. Permen No. 25/2018 sets out companies obligation to draw up a master plan of CDEP based on a blueprint determined by governor. The master plan must contain a program plan for community development and empowerment during the production-operation period until the post-mining stage.

CDEP is an effort to improve the economy, education, socio-culture, health, and environment of communities around mine sites, both individually and collectively, so that their level of life is better and more independent. Kepmen No. 1824 K/30/MEM/2018 sets out the guidelines for the implementation of CDEP. Programs included in the CDEP of mining companies are as follows:

- Education
- Health
- Real income level
- Economic self-reliance
- Social and cultural issues
- Opportunities for local communities to manage the environment
- Establishment of community institutions to support CDEP
- Infrastructure

Cost allocation for the CDEP program from KK, PKP2B, IUP, and IUPK companies increased 2018–2019.

Table 91. Cost of Mineral and Coal Sector CDEP in 2018–2019 (Billion Rupiah)

Year	Plan	Completion	%
2018	1,878.00	2,117.47	112,75
2019	2,044.00	3,010.19	147,27

Source: MODI MEMR



Source: MODI MEMR

Figure 93. Cost of Mineral and Coal Sector CDEP in 2015–2019 (Billion Rupiah)

CDEP costs increased significantly in 2019, rising by 42% from CDEP costs in 2018. The increase was partly due to the significant increase in nickel ore production in 2019 because a ban on nickel ore export would become effective as of December 31, 2019. As a result, nickel companies tried to maximize their production. Additionally, under the provisions of Article 38 section 6 of Permen No. 25/2018, holders of IUP Production-Operation and IUPK Production-Operation who wish to increase their production capacity must raise the costs of CDEP.

Table 92. Mineral and Coal CDEP in 2018–2019

Company Name	Activity Description	Location	Year
PT Antam (Persero) Tbk	Demonstration plot (Deplot) of coffee plantation and production house located in Buli Agro Geltoli Village, Maba District, East Halmahera Regency	North Maluku	2018
PT Freeport Indonesia	Drinking water treatment plant in Timika with a capacity of 200 liters per second; has two reservoirs and other supporting facilities	Papua	2018
PT Minemex Indonesia	Forming of 'houses of skills' for villages under by PT MMI assistance; provision of sewing training and facilities to help villagers develop financial independence	East Sumatra	2018
PT Antam (Persero) Tbk	UBPN North Maluku: a. Laying the foundation stone of school building (School Development Program) b. Programs to increase farmers' income and	North Maluku	2019

	independence (through coffee cultivation)		
PT Vale Indonesia	<ul style="list-style-type: none"> a. Launch of the Independent Rural Areas Development (PKPM) program; nine areas were developed in collaboration with Ministry of Village Development, South Sulawesi Provincial Government, and East Luwu Regency Government b. Launch of MSME center IN East Luwu c. Launch of organic rice (Metano rice organic) d. Presentation of Independent Village Partner Program (PMDM) awards (7 categories) 	Central Sulawesi and South Sulawesi	2019
PT J Resources Bolaang Mongondow	<ul style="list-style-type: none"> a. renovation of Mapusi Village Hall b. renovation of Bakan Village Hall and Office c. construction of solar power plant 	North Sulawesi	2019
PT Agincourt Resources	<p>Aek Pahu Eco-Farming Park</p> <p>Several other programs will be added, including hydraulic ram (hydram) pumps irrigation.</p>	North Sumatra	2019
PT Freeport Indonesia	Sixteen education, health, economy, etc. infrastructure was built.	Papua	2019
PT Meares Soputan Mining	Construction of infrastructure in 10 villages near mine site	North Sulawesi	2019

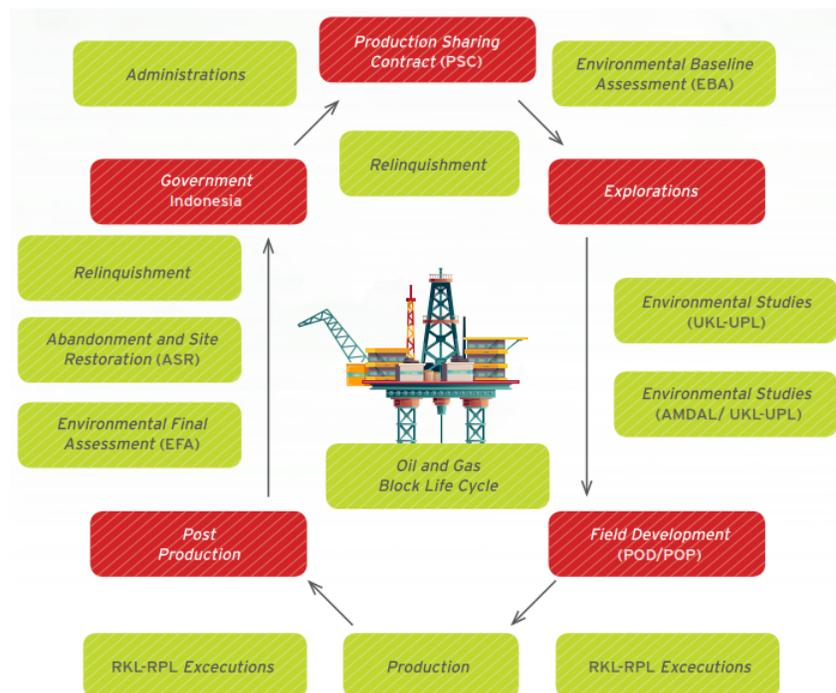
7.2 Environmental Responsibility

7.2.1 Oil and Gas Sector

Law No. 32/2009 on Environmental Protection and Management is the basis for the implementation of environmental responsibilities. Environmental Protection and Management, according to Article 1 section 2 of Law No. 32/2009, refer to a systematic and integrated effort to conserve the functions of the environment and prevent pollution and/or environmental damage. Environmental Protection and Management include planning, utilization, control, maintenance, supervision, and law enforcement.

Environmental protection is a main concern in the upstream oil and gas industry. Poor governance in the exploration and production process will cause financial loss and damage the environment and its carrying capacity. With full control of the state, environmental management activities in the upstream oil and gas sector—from exploration, production, and post-operation—are supervised and controlled by SKK Migas.

Environmental management in the upstream oil and gas sector covers a whole series of upstream oil and gas investment activities. It starts immediately after the signing of Cooperation Contracts or Production Sharing Contracts (PSC), then continues to the exploration phase (in the form of Environmental Baseline Assessment—EBA—studies), to Work Area development, to oil and gas production, to post-operation, and ends when the work area is returned by KKKS to the state.



Source: SKK Migas Sustainability Report 2019

Figure 94. Environmental Management in Upstream Oil and Gas Sector

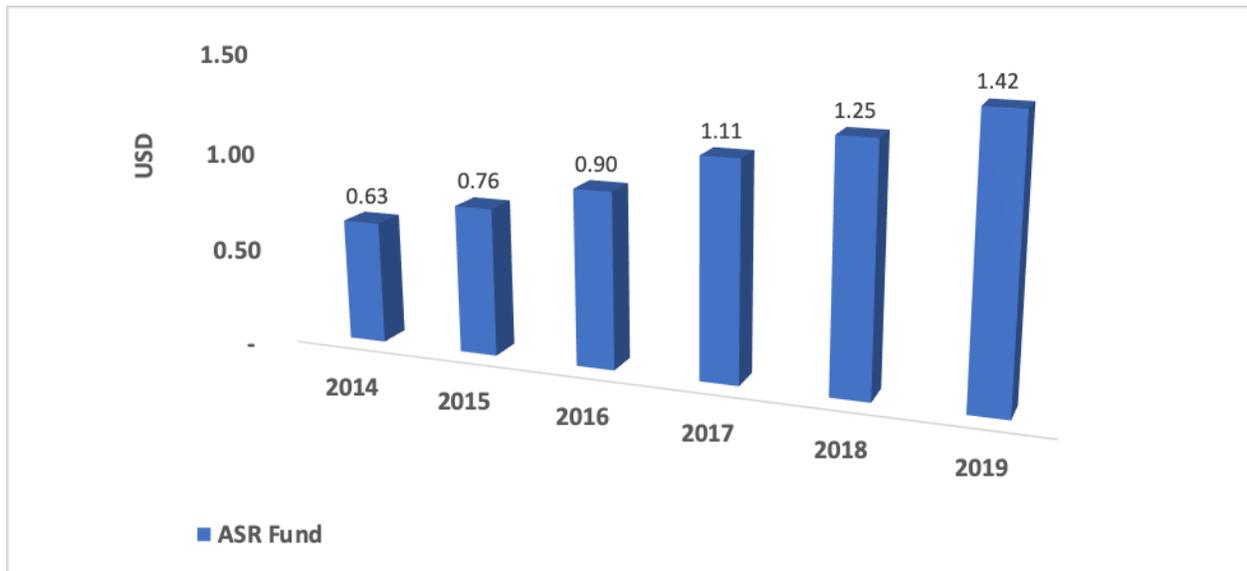
Various technical documents on environmental management are needed throughout the series, as follows:

Table 93. Technical Documents for Environmental Management in Upstream Oil and Gas

Exploration Stage	Production Stage	Post-Operation Stage
<ul style="list-style-type: none"> - Environmental Baseline Assessment (EBA) - Environmental Study on Exploration Activities (UKL-UPL Seismic/Drilling) 	<ul style="list-style-type: none"> - Environmental Study on Field Development (UKL-UPL/AMDAL) - Environmental Permits refer to approved RKL-RPL - Integrated Environmental Management System 	<ul style="list-style-type: none"> - Environmental Final Assessment - Recovery of Environmental Functions/Abandonment and Site Restoration (ASR)

Oil and gas companies must set aside reserve funds for Abandonment and Site Restoration (ASR). The reserve funds are used to permanently end the operation of production facilities and other supporting facilities, prevent the re-operation of such facilities, and restore the environment in the activity area. KKKS are obliged to carry out site restoration. The areas must be returned to their original conditions before upstream oil and gas activities took place.

The ASR implementation refers to SKK Migas Work Procedure Guidelines No. 40 issued in 2010 and revised in 2018. KKKS must deposit reserve funds for ASR activities into the Joint Account of SKK Migas and KKKS at an appointed bank. In 2018, Minister of Energy and Mineral Resources issued Permen No. 15/2018 on Post-Operational Activities in Upstream Oil and Gas Business. Based on Permen No. 15/2018, Contractors are obliged to finance post-operation activities and submit plans of post-operation activities to SKK Migas. The reserve funds set aside by KKKS for post-operation activities must be kept in a joint account between SKK Migas and Contractor, in the amount according to the estimated costs of post-operation activities. Until 2019, the total ASR reserve funds collected were USD 1.42 billion.



Source: Central Government Performance Report and SKK Migas

Figure 95. Balance of ASR Funds in 2014–2019

Every KKS is obliged to carry out environmental management and conservation programs. **Table 94** shows the amount of environmental management and conservation funds by KKKS that won GOLD PROPER awards in 2019.

Table 94. Environmental Management and Conservation Funds of KKKS who won GOLD PROPER awards in 2017–2019 (Million Rupiah)

KKKS Name	2017	2018	2019
PHE Jambi Merang	17,584.98	17,386.23	21,127
PEP Asset 3 Subang Field	6,902.64	7,726.59	8,329.18
PEP Asset 1 Jambi Field	2,314.52	3,329.35	3,051.76
PEP Asset 1 Rantau Field	3,893.24	3,408.00	8,640.83
PEP Asset 3 Tambun Field	2,463.66	2,916.24	1,725.51

Source: SKK Migas Sustainability Report 2019

7.2.2 Mineral and Coal Sector

Mining activities can potentially change the landscape and environmental quality. To avoid the negative impacts of a changed landscape, the government as regulator requires companies to carry out environmental management, such as through reclamation and post-mining activities.

In the mineral and coal sector, reclamation and post-mining activities are included in mining activity series/stages. Reclamation and Post-mining activities are regulated in GR No. 78/2010 on Reclamation and Post-Mining. GR No. 78/2010 requires IUP and IUPK holders to provide reclamation and post-mining guarantees. The reclamation guarantee must cover all costs to implement reclamation, while the post-mining guarantee must cover all costs to carry out post-mining work.

Reclamation refers to activities carried out throughout the stages in mining business aimed to organize, restore, and improve the quality of the environment and the ecosystem so that they function effectively. Post-mining refers to planned, systematic, and continuous activities after part or all mining activities have ended in order to restore the natural environment and social functions according to local conditions throughout the mining area.

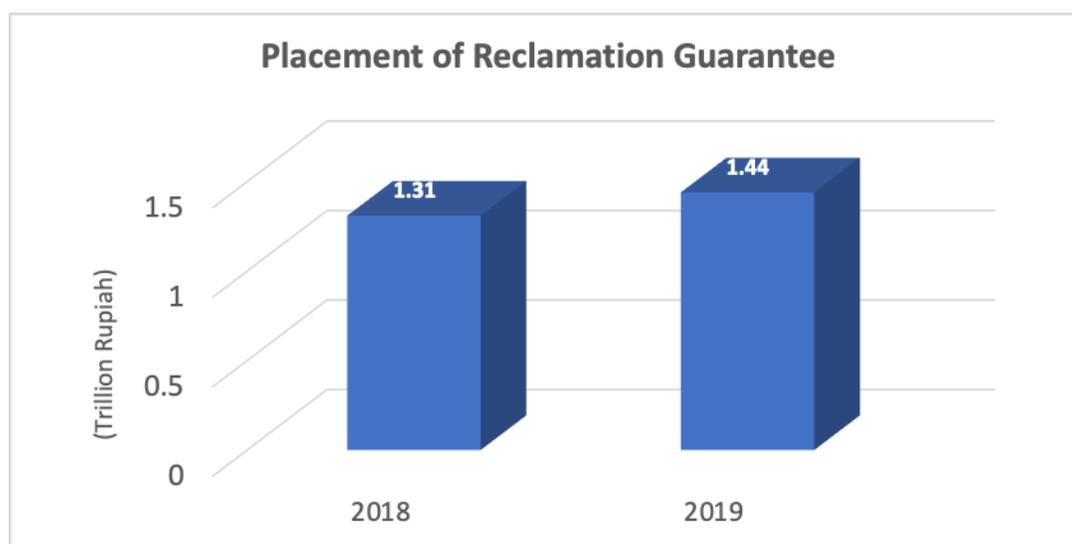
To implement the provisions of GR No. 78/2010, Ministry of EMR issued Permen No. 26/2018 on the Implementation of Good Mining Practices and Supervision of Mineral and Coal Mining. Permen No. 26/2018 sets out that placement of reclamation guarantee for exploration stage, reclamation guarantee for production-operation stage, and post-mining guarantee is stipulated by minister or governor according to their respective authority.

Table 95 shows placement of reclamation guarantees in 2018–2019, while **Table 96** shows guarantees in 2018 – 2019 in Table 98.

Table 95. Placement of Reclamation Guarantee in 2018 – 2019

Amount of Placement	
2018	2019
Rp1.313.565.164.394	Rp1.435.416.513.193

Source: Ministry of Energy and Mineral Resources

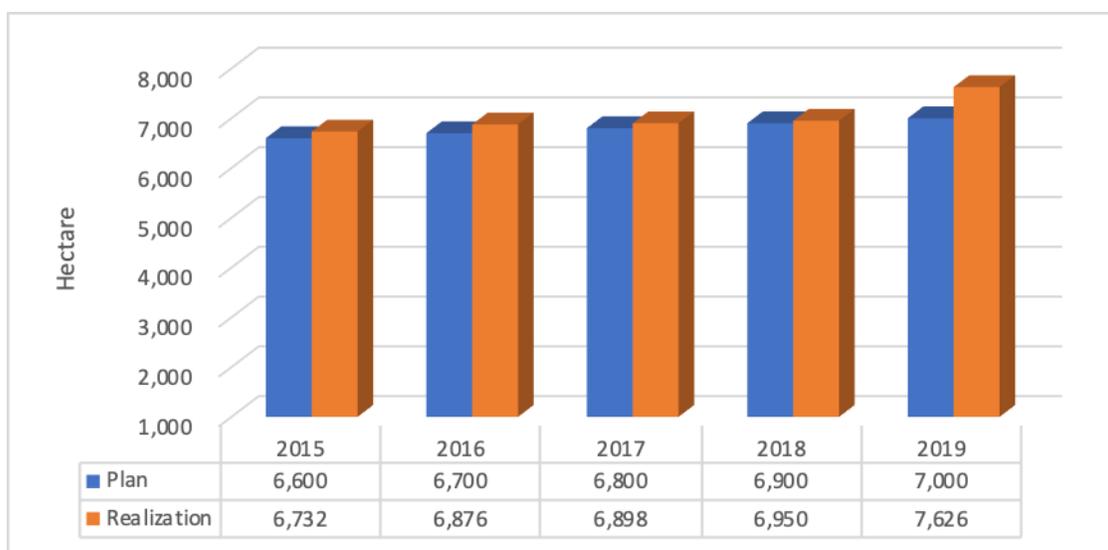


Source: Ministry of Energy and Mineral Resources

Figure 96. Placement of Reclamation Guarantee**Table 96. Size of Reclamation Area in 2018– 2019**

Year	Target (Ha)	Realization (Ha)	%
2018	6,900	6,950	100.7
2019	7,000	7,626	108.9

Source: Performance Report of Directorate General of Mineral and Coal, 2019



Source: Performance Report of Directorate General of Mineral and Coal, 2019

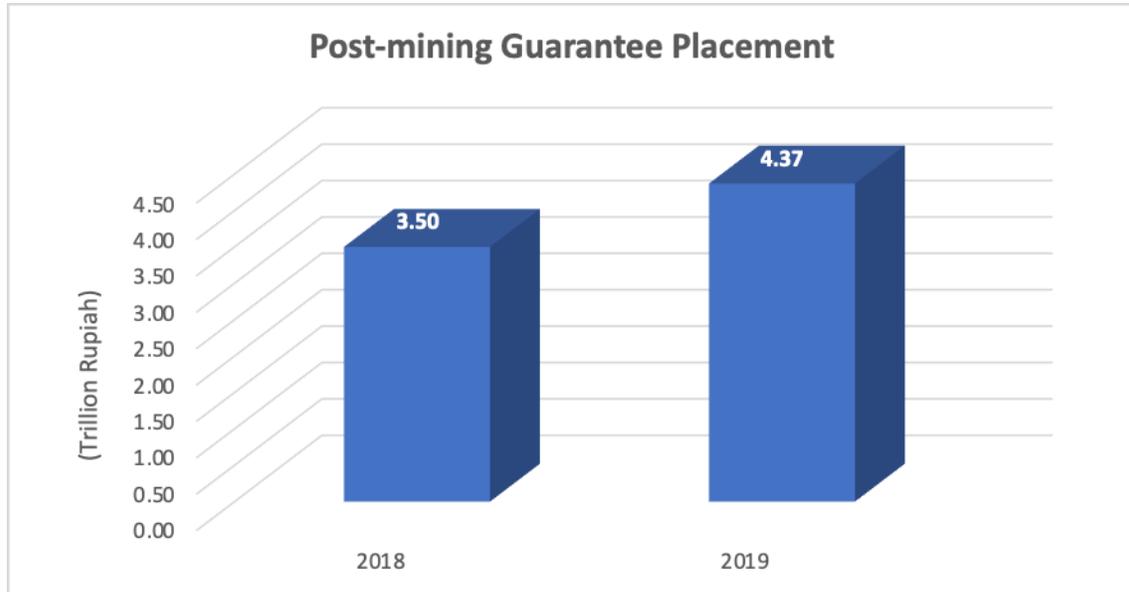
Figure 97. Size of Reclamation Areas in 2015-2019

There is an increase in the size of reclamation areas in 2019 (Table 97, Figure 102) because many ex-mines were ready for rehabilitation. Additionally, several mining companies had approached their post-mining stage so that these companies could carry out more optimum reclamation. The increase is positive and proves that mining activities can conserve the environment and create sustainable development.

Table 97. Placement of Post-Mining Guarantee in 2018–2019

Amount of Placement	
2018	2019
Rp3.499.182.662.534	Rp4.371.934.971.367

Source: Ministry of Energy and Mineral Resources



Source: Ministry of Energy and Mineral Resources

Figure 98. Placement of Post-mining Guarantee

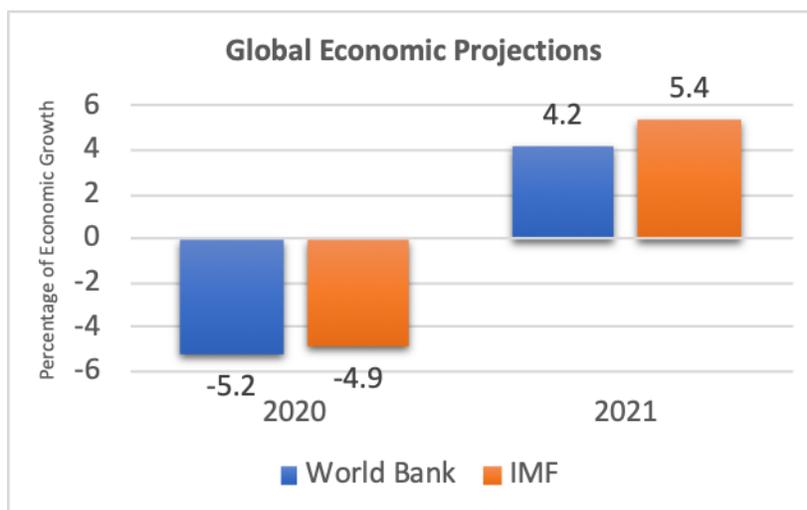
CHAPTER VIII

IMPACTS OF COVID-19 PANDEMIC ON EXTRACTIVE INDUSTRIES

8.1 Global Economy during the COVID-19 Pandemic

8.1.1 Economic Development of the World and Industrial Countries

On March 11, 2020, the World Health Organization (WHO) officially announced the SARS-Cov-2 (COVID-19) as a global pandemic. The pandemic has contributed to a decline in the global economy, which has weakened since 2018 due to the US and China trade war. Economic recession hit almost all countries in the world. Some parties have even said that the global economic conditions because of the COVID-19 pandemic were the worst since the Great Depression in 1929. The spread of the COVID-19 has forced many countries to implement tight restriction policies, including lockdowns, on both national and subnational levels. China and India, the two important export destination countries of Indonesian mineral and coal commodities, have also imposed restrictions.



Source: International Monetary Fund (IMF), World Bank

Figure 99. Estimates of World's Economic Growth

In terms of economic growth, the World Bank and the International Monetary Fund (IMF) have made projections about world's economic growth, as shown in Figure 104. Based on these data, the global economic growth in 2020 was minus (contracted) by -5.2%, and -4.9%. Meanwhile, projection for global economic growth in 2021 shows a positive growth of 4.2%, and 5.4%.

Many countries have recorded contraction in economic growth in the first quarter of 2020, especially China as the epicenter of the COVID-19d. China's economic growth fell to a negative 6.8% rate, the first time since the 90s. Likewise, the US, Indonesia, and India recorded growth that was far below previous expectations.

As increasingly tighter restrictions, even lockdowns, were imposed by these countries, the economy got even worse in the second quarter of 2020. The World Bank has projected that more than 150 countries will experience recession in 2020, the worst in the last 150 years.

Almost all large economies experienced deep economic contraction, while some countries have technically experienced recession due to negative growth in two consecutive quarters. On the list of countries with large GDP, China was the only country that grew positively in the second quarter of 2020. China was the first country hit by the COVID-19 pandemic but it was also the first to become normal—contracting in the first quarter but rebounding in the second quarter.

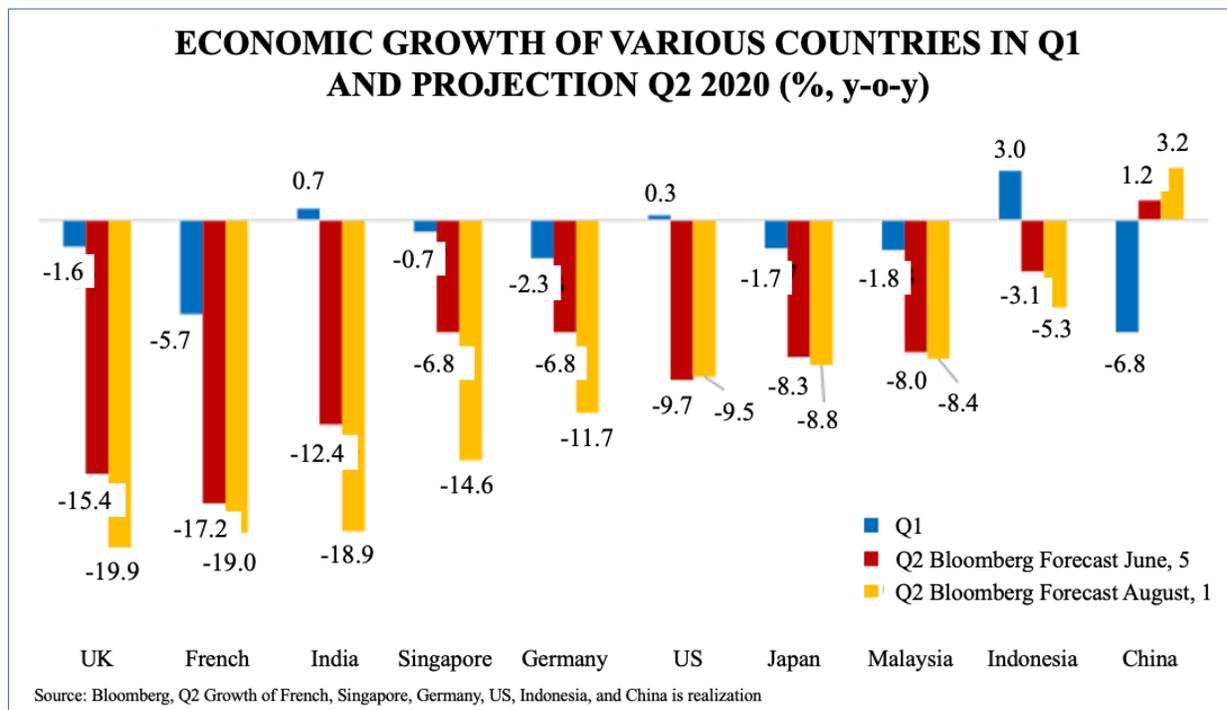


Figure 100. Economic Growth of Various Countries in Q1 and Projection for Q2 2020 (% y-o-y)

The negative impacts of the COVID-19 pandemic on the global economy were strongly felt in the second quarter of 2020. Restrictions, or even lockdowns, paralyzed nearly all business sectors. Economic growth improved slightly in the third quarter in line with the easing of restrictions. However, most countries experienced recession during the second and third quarters.

Prices of food commodities (palm oil and soybeans) and mining commodities (tin, iron ore, and copper) on the international market in Q3-2020 strengthened compared to Q2-2020 as the global economy began to recover. Meanwhile, prices of oil and gas commodities have increased on a q-to-q basis compared to 2019, but decreased on a y-on-y basis compared to 2019.

Meanwhile, the economic growth of several trading partner countries of Indonesia such as Korea, Singapore, and Hong Kong—except China—in the third quarter of 2020 still contracted (negative), but not as deep as the contraction in the second quarter of 2020, as can be seen in **Figure 101** below.



Source: Statistics Official News of BPS, 2020

Figure 101. Economic Growth of Indonesia's Trading Partners y-on-y

The main export destination countries of Indonesian mineral and coal commodities, such as India, Malaysia, the Philippines, and Thailand, also experienced contraction in the second and third quarters of 2020. India's economic growth in Q2-2020 was -23.9% and in Q3-2020 was -7.5% due to a lockdown policy that was implemented nationally from April to June 2020. Meanwhile, Malaysia's economy grew by -2.7% in Q3-2020, higher than a -3.2% forecast, after contracting 17.1% in Q2-2020.

The economic growth of the Philippines was -11.5% in Q3-2020 after a record low -16.9% growth in Q2-2020. Thailand experienced negative economic growth of -6.4% in Q3-2020, which was a slight improvement after -12.1% growth in Q2-2020. Thailand's economic growth in Q3-2020 was better than growth forecast of -8.6%.

In the East Asia region, Indonesia's export destination countries include South Korea, Japan, and Taiwan. South Korea recorded positive economic growth of 2.1% in Q3-2020, which exceeded forecast of 1.7%, after growth in Q2-2020 plunged by -3.2%. Japan's economy grew by -5.3% in Q3-2020, inching up from -8.3% in Q2-2020. Finally, Taiwan experienced economic growth of 3.92% in Q3-2020 from 0.58% growth in Q2-2020. The economic improvement in East Asian countries was partly due to successful containment of the COVID-19 virus. Taiwan is one of the countries considered the most successful in controlling the spread of the COVID-19 virus.

8.1.2 National Economic Development

In Indonesia, the government officially announced the COVID-19 pandemic as a national disaster through Presidential Decree No. 12/2020 on the Determination of Non-Natural Disaster of the Spread of Coronavirus Disease 2019 (COVID-19) as a National Disaster, which was issued on April 13, 2020.

To overcome the pandemic, the Indonesian Government has issued several policies, for example fiscal policy. Fiscal policy in the form of economic stimulus has been developed to reduce the impacts of the pandemic on the economic sector. The policy has affected state finances (APBN 2020), which experienced a deficit of approximately Rp1,039.22 trillion or 6.34% of GDP. The widening deficit was caused by increasing funds to counter COVID-19.

To anticipate the impacts of COVID-19 on state finances, the Indonesian Government issued Presidential Regulation (Perpres) No. 54/2020 on Changes in State Budget Posture and Details of Fiscal Year 2020 on April 3, 2020. The presidential regulation aims to implement policies and

measures required to handle the COVID-19 pandemic and/or to deal with threats that endanger National Economy and/or financial system stability.

On May 11, 2020, the Indonesian Government issued a National Economic Recovery (PEN) program to overcome economic downturn due to the COVID-19. The PEN program is set out in GR No. 23/2020 on the Implementation of National Economic Recovery Program in Support of State Financial Policy for Handling the 2019 Coronavirus Disease (COVID-19) Pandemic and/or Facing Any Threats that Endanger the National Economy and/or Financial System Stability and the National Economy Rescue.

On June 25, 2020, the Indonesian Government issued Presidential Regulation No. 72/2020 on Amendment to Presidential Regulation No. 54/2020 on Changes in State Budget Posture and Details of Fiscal Year 2020. Perpres No. 72/2020 was issued to maintain the quality and sustainability of the 2020 State Budget in meeting the needs for handling the COVID-19 pandemic and facing threats that endanger the national economy and financial system stability because Perpres No. 54/2020 could not fully answer the challenge.

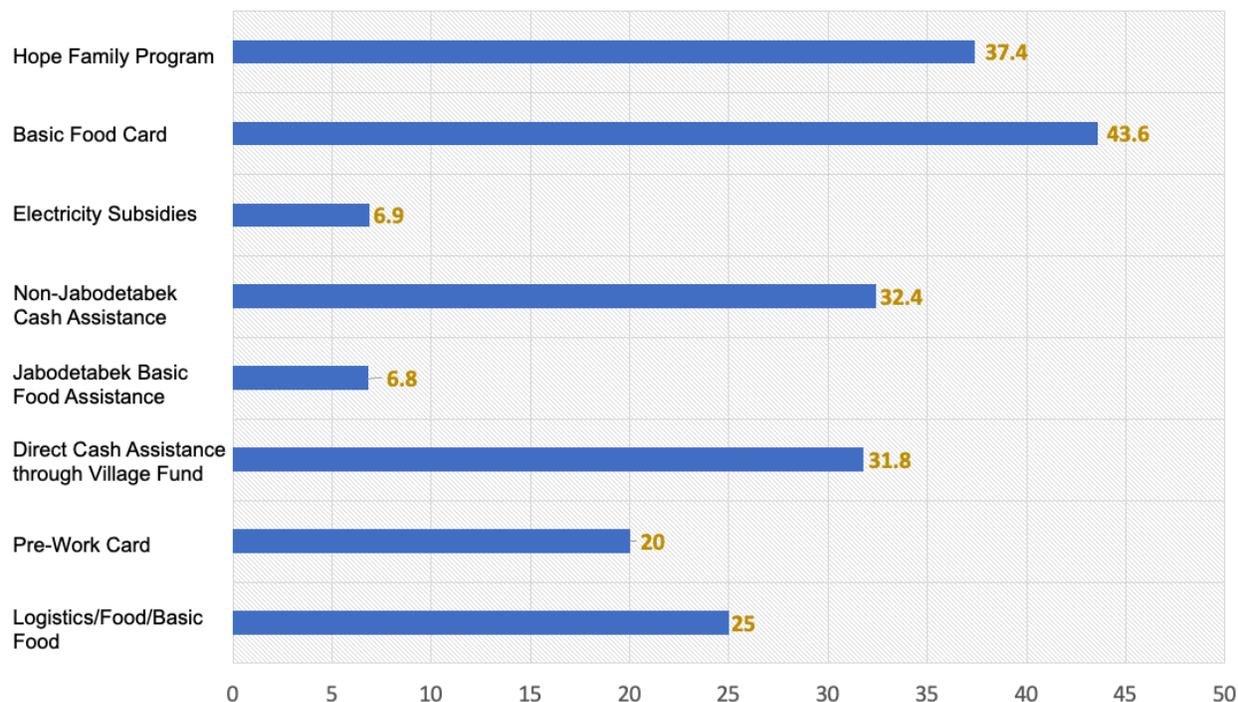
Table 98. Posture of Revised State Budget of Fiscal Year 2020

Description	In Billion Rupiah		
	APBN	APBN-P 1 (Perpres No. 54/2020)	APBN-P 2 (Perpres No. 72/2020)
State Revenue Budget	2,233,196	1,760,883	1,699,948
1. Tax Revenue	1,865,702	1,462,629	1,404,507
2. Non-Tax Revenue	366,995	297,755	294,140
3. Grants Revenue	498	498	1,300
State Expenditure Budget	2,540,422	2,613,819	2,739,851
1. Central Government Expenditure Budget	1,683,477	1,851,101 (including for the handling of the COVID-19 pandemic of Rp255,110 billion)	1,975,240 (including for the handling of the COVID-19 pandemic of Rp358,880 billion)
2. Budget Transfer to Regions and Village Funds	856,945	762,718	763,925 (including for the handling of the COVID-19 pandemic of Rp5,880 billion)
Primary Balance	-12,012	-517,779	-700,433
Surplus/(DEFICIT) Budget	-307,225	-852,935	-1,039,217
% Budget Deficit to GDP	-1.76	-5.07	-6.34
Budget Financing	307,225	852,935	1,039,217

Source: Attachments to each relevant Perpres

The Government increased the expenditure allocation in the 2020 State Budget. A fund of Rp695.20 trillion was budgeted to finance the National Economic Recovery (PEN) program. The PEN budget as stipulated in Perpres No. 54/2020 consisted of several components: corporate financing and assistance to local governments, state ministries/agencies and local governments assistance, health budget, social protection budget, business incentives, and MSME assistance. On the list of PEN's total budget, Rp203.90 trillion was allocated for social protection.

Of the Rp203.90 trillion budget allocated for social protection programs, the Hope Family Program was allocated Rp37.40 trillion, the Staple Foods Card Rp43.60 trillion, Electricity Subsidies Rp6.90 trillion, Non-Jabodetabek Cash Assistance Rp32.40 trillion, the Jabodetabek Staple Foods Assistance Rp6.80 trillion, Direct Cash Assistance through Village Funds Rp31.80 trillion, the Pre-Work Card Rp20 trillion, and Logistics/Food/Staple Foods Rp25 trillion.

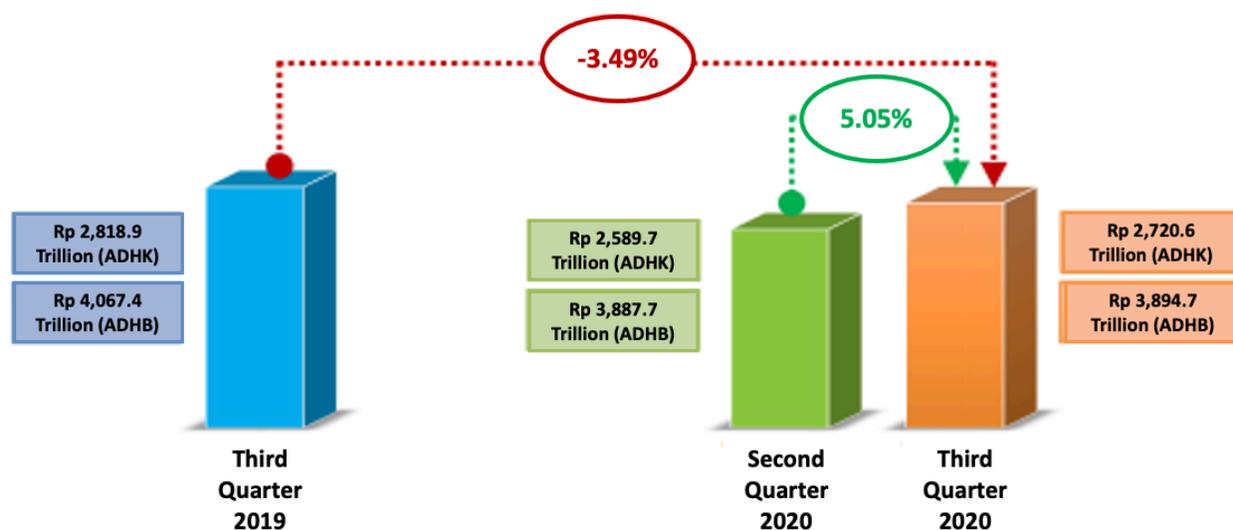


Source: Ministry of Finance, 2020 (quoted from a report by the Research Center of the Indonesian Parliament's Expertise Agency)

Figure 102. Allocation of Social Protection to Handle Impacts of COVID-19

The 2020 state budget deficit was also caused by a decrease in income because of less economic activities since March 2020. At the same time, government spending boosted dramatically, particularly for health and social sectors. The Government also needed to push domestic economy.

Before the announcement of the COVID-19 pandemic as a national disaster in April 2020, Indonesia's economic growth weakened in the first quarter of 2020 due to global economic downturn. The country's growth only reached 2.97% y-on-y compared to the same period in 2019. Economic growth in the second quarter was -5.32% on a y-on-y basis, which was the lowest in economy since 1998. Cumulatively, Indonesia's economic growth in quarters I to III of 2020 contracted by 2.03% compared to quarters I to III of 2019.

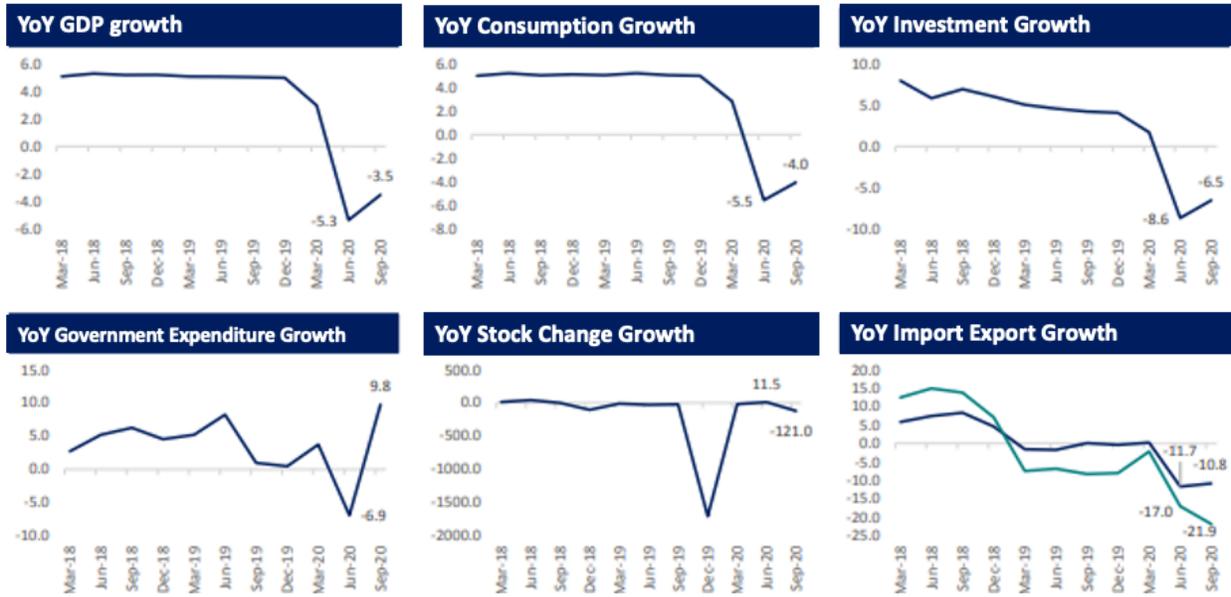


Note: Value for money is GDP (Gross Domestic Product)
 Source: Statistics Official News of BPS, 2020

Figure 103. Indonesia’s National Economic Growth

In general, Indonesia’s economy in 2020 plunged into recession for the first time since 1998 because of negative growth in quarters II and III. Growth in third quarter of 2020 was better than in the second quarter as shown in Figure 108, but y-on-y growth decreased from 2019. Car production in quarter III-2020 reached 113,563 units, or an increase of 172.78% (q-to-q) and a decrease of 68.47% (y-on-y). In comparison, wholesale sales of cars (sales to dealers) in quarter III-2020 reached 111,114 units, or an increase of 362.17% (q-to-q) and a decrease of 59.30% (y-on-y). Wholesale sales of motorcycles in the third quarter of 2020 reached 911,865 units, or increasing by 190.75% (q-to-q) and decreasing by 46.14% (y-on-y).

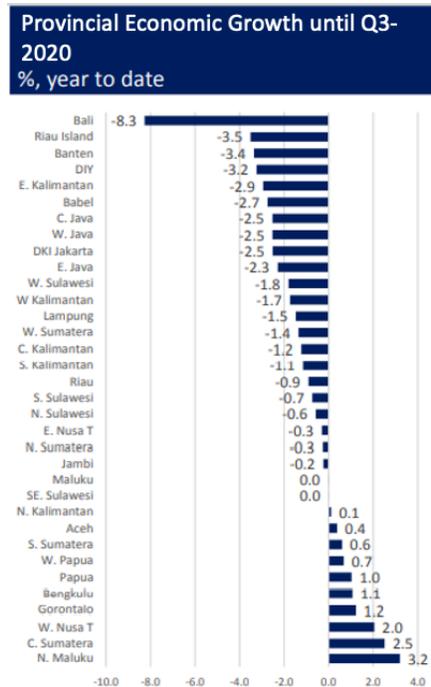
Meanwhile, cement production in the third quarter of 2020 was recorded at 18.01 million ton, up by 42.09% (q-to-q) and down by 8.57% (y-on-y). Domestic procurement of cement in quarter III-2020 amounted to 17.52 million tonnes, or an increase of 39.80% (q-to-q) and a decrease of 10.83% (y-on-y). The number of foreign tourists to Indonesia in quarter III-2020 was 474.62 thousand people, a reduction of 1.25% (q-to-q) and a decrease of 89.18% (y-on-y).



Source: BPS as processed by CReco Consulting, 2020

Figure 104. Indonesia’s Economy in Q3-2020

Figure 110 below shows that economic contraction mostly occurred in provinces that rely on tourism, trade, manufacture, and constructions. Meanwhile, provinces whose economies are primarily supported by extractive industry are in relatively better condition.



Source: BPS as processed by CReco Consulting, 2020

Figure 105. Provincial Economic Growth until Q3-2020

8.1.3 National Extractive Industry Condition

8.1.3.1 Oil and Gas Sector

The COVID-19 pandemic has exerted significant impacts on the oil and gas industry in Indonesia. As a net oil importer country, low oil prices will benefit the economy in general. However, low oil prices will harm the upstream oil and gas sector, which requires government intervention for it to survive. Government revenue from the oil and gas sector is estimated to decline, but subsidies will also decrease if prices remain low.

Indonesian Crude Oil Price (ICP) follows developments in the world's crude oil prices. The ICP is an important indicator because it affects calculation of state revenues from the oil and gas sector and allocation of subsidies. The ICP formula relies on Brent crude oil price to make the ICP more competitive because most global crude oil prices refer to Brent. In general, crude oil prices are influenced by supply and demand as well as non-fundamental factors, such as geopolitical factor and weather disturbances.

After falling deeply in 2015, the world's crude oil prices increased again in early 2016. Throughout 2018, Brent crude's price had moved higher than that in 2017, even touching USD86 per barrel in October 2018. The trend was influenced by political tension between the US and Iran and Syria as well as domestic conflicts in several producing countries in Africa.

The decline in global crude oil prices occurred at the end of 2018 and continued into 2019. Sluggish global economic condition in 2019 pushed the ICP to a level of USD62 per barrel, slightly lower than the ICP in 2018.

The world's crude oil prices declined again in mid-January 2020 in line with the spread of the COVID-19 pandemic. China's economic activities decreased, reducing global demand for crude oil. Prices fell sharply as the COVID-19 pandemic hit various countries. Economic activities collapsed as lockdowns were imposed by many countries.

The low price condition was further worsened by the oil price war between Saudi Arabia and Russia because Russia initially rejected OPEC's request to increase production cuts. The COVID-19 pandemic caused a drop in oil prices in first quarter of 2020. In mid-April 2020, the price of Brent crude plummeted to USD20 per barrel.

In mid-2020, oil prices slowly increased because of OPEC+ policy response, easing of lockdown policies, and economic improvements in several countries. However, the world's crude oil prices remained at around USD40 per barrel (Figure 111). The condition was influenced by global demand which had started to improve but was still overshadowed by high number of positive cases of COVID-19 and concerns about re-imposition of lockdowns.

**DEVELOPMENT OF WORLD MAIN CRUDE OIL PRICES BASED ON PLATT'S PUBLICATION
2019 - 2020**

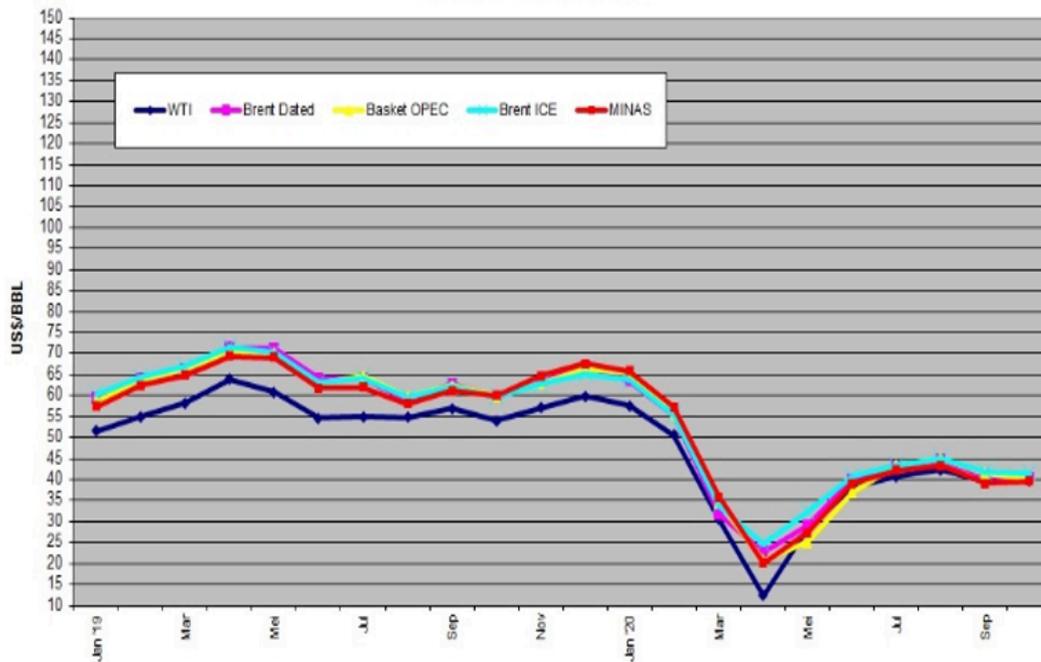


Figure 106. Development of Major World's Crude Oil Prices

**DEVELOPMENT OF INDOONESIAN CRUDE OIL PRICES
2019 - 2020**

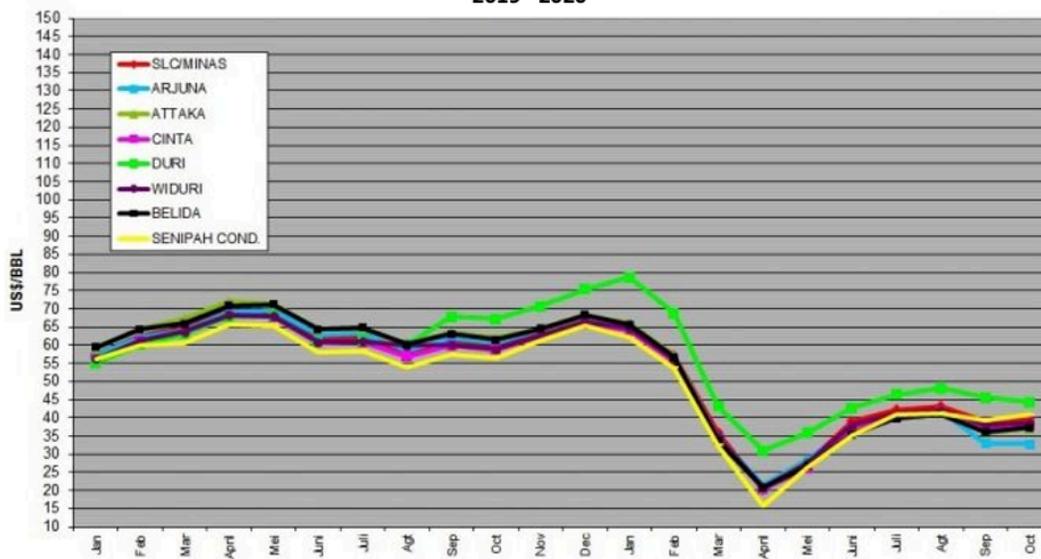


Figure 107. Development of Indonesian Crude Oil Prices

8.1.3.2 Mineral and Coal Sector

The spread of COVID-19 globally has increased uncertainty and lowered performance of global financial markets. The outlook for world's economic growth has also declined due to disruption in global supply chains, limited world's demand, and low confidence among economic actors. It has estimated that the economy will begin to recover gradually in 2021, and in 2022 global economic growth is predicted to approach the level before the COVID-19 pandemic.

According to Bank Indonesia, the spread of COVID-19 has also lowered domestic economic growth. Special for the mining sector, the consultancy agency PwC Indonesia stated that Indonesia's top 40 mining companies have so far managed to overcome the impacts of the COVID-19 pandemic. Most operational activities are running normally. The Indonesian Government also recognizes the ability of these 40 companies to survive the difficult time, underlining that mining will be one of the sectors that will play a positive role in economic recovery.

8.2 Regulations during the COVID-19 Pandemic in Indonesia

In the face of COVID-19 pandemic, the Indonesia Government has prioritized public health issues by controlling the spread of the virus and restoring the economy. To formulate a strategy towards a productive and safe COVID-19 society, the Government issued macro-policies in the forms of Government Regulations (GR), Government Regulations in Lieu of Laws (Perppu), Presidential Decree (Keppres), and Presidential Instruction (Inpres), as follows:

- Keppres No. 9/2020 on Amendment to Keppres No. 7/2020 on the Task Force for the Acceleration of Handling of Coronavirus Disease 2019 (COVID-19), issued on March 20, 2020.
- Inpres No. 4/2020 on Refocusing of Activities, Reallocation of Budget, and Procurement of Goods and Services in the Context of Accelerating the Handling of Coronavirus Disease 2019 (COVID-19), issued on March 20, 2020.
- Keppres No. 11/2020 on the Determination of the Coronavirus Disease 2019 (COVID-19) as Public Health Emergency, issued on March 31, 2020.
- GR No. 21/2020 on Large-Scale Social Restrictions in the Context of Accelerating the Management of Coronavirus Disease 2019 (COVID-19), issued on March 31, 2020.
- Perppu No. 1/2020 on State Financial Policy and Financial System Stability for the Handling of the 2019 Coronavirus Disease Pandemic (COVID-19) and/or in the Context of Facing Threats that Endanger National Economy and/or Financial System Stability, issued on March 31, 2020.
- Law No. 2/2020 on Stipulation of Government Regulation in Lieu of Law No. 1/2020 on State Financial Policy and Financial System Stability for the Handling of the Corona Virus Disease 2019 (COVID-19) Pandemic and/or in the Context of Facing Threats that Endanger National Economy and/or Financial System Stability to become Law, adopted on May 16, 2020.

8.2.1 Oil and Gas Sector

To increase investment and reduce the impacts of the COVID-19 pandemic on the oil and gas sector, the Indonesian Government issued some regulations, including:

A. Regulation of Minister of Energy and Mineral Resources No. 12/2020 on Third Amendment to Regulation of Minister of Energy and Mineral Resources No. 8/2017 on Gross-Split Production Sharing Contract

Permen No. 12/2020 was released to provide legal certainty for the profit-sharing scheme and stimulate oil and gas investment amid low oil prices in a pandemic situation.

Production sharing contracts (gross split) are not mandatory. If investors feel gross-split unsuitable, they are allowed to choose a cost-recovery scheme. Flexibility is offered as a stimulus so that investors are enthusiastic about investing in the oil and gas sector during the COVID-19 pandemic.

Permen No. 12/2020 was signed by Minister of Energy and Mineral Resources on July 15, 2020, and promulgated on July 16, 2020. Investors can choose either gross-split and cost-recovery contract scheme. This policy is expected to drive investment flow into the oil and gas sector amid the COVID-19 pandemic. This regulation explains changes about gross split rules. At least four provisions were changed or deleted.

Article 2 states that (1) Minister of Energy and Mineral Resources determines the form and main provisions of a cooperation contract in one working area by considering level of risk, investment climate, and maximum benefits for the country.

Article 2 section (2) explains that determination of the form and main provisions of the cooperation contract as referred to in section (1) may use the form of gross-split profit-sharing contract. In addition to the gross-split scheme, investors can choose a profit-sharing contract scheme under a cost recovery mechanism or other cooperation contracts.

The Ministry of Energy and Mineral Resources also removed provisions about the model of work area management, which expires and is not extended. Previously, the government would automatically apply a gross-split contract for the next term. Thus, flexibility is provided if cost-recovery scheme will be applied in the work areas. The government had earlier postponed the tender of several oil and gas blocks to ensure that regulations which allow investors to choose a cooperation scheme were enforced beforehand.

B. Circular on Oil and Gas Safety during the COVID-19 Pandemic

The application of oil and gas safety rules have experienced some obstacles because of the COVID-19 pandemic, such as Large-Scale Social Restrictions (PSBB) which caused transportation restrictions, reduced world's oil prices, and installations or equipment that has passed their design life. To keep the oil and gas operations running, Directorate of Oil and Gas Engineering and Environment has issued several circulars. One of these circulars is Circular No. 2471/18/DMT/2020 dated March 24, 2020, on the Extension of validity of Operations Worthiness Approval (APO) for APOs which validity period expires within the emergency state of disease outbreak due to COVID-19.

Directorate of Oil and Gas Engineering and Environment also issued other circular letters, such as Circular of Head of Inspection Section No. 2258/18/DMT/2020 dated March 13, 2020, on Anticipation of COVID-19 Transmission, Circular of Head of Inspection Section No. 4.E/18/DMT/2020 dated April 28, 2020, on Prioritizing Safety in Emergency Conditions, and Circular of Head of Inspection Section No. 4478/10/DMT/2020 dated May 29, 2020, on Data Collection of Worker Status related to COVID-19.

These Circulars show the commitment of the government to creating a healthy and safe work environment for workers' safety, the general public, installations, and the environment, especially during the COVID-19 pandemic.

8.2.2 Mineral and Coal Sector

The COVID-19 pandemic has created different impacts on the supply and demand of the mineral and coal mining industry. From the supply side, mineral and coal mining businesses have been running normally since the COVID-19 spreads. Most companies continue to carry out their business activities to meet the targets set out in the Work Plan and Budget approved by the government. Only a few companies have temporarily closed their business activities for several weeks in anticipation of the COVID-19 spread in their business environment. In general, business activities are normal even though companies implement strict protocol to prevent COVID-19.

Even though several companies have reported cases of employees contracting COVID-19, in general, the spread of COVID-19 in the mineral and coal sector is under control. The fact is inseparable from the strong commitment made by mining companies to implementing occupational safety and health principles within their business environment. Additionally, several mining companies have implemented effective prevention systems after previous experience with the SARS virus around 2003-2004 and the MERS virus in 2011.

Moreover, good cooperation between the Indonesian Government and business actors plays a role in suppressing the spread of COVID-19 in the work environment of mineral and coal companies. Directorate General of Mineral and Coal issues some circulars (SE) which make an appeal to mineral and coal mining companies, as follows:

- SE of Director General of Mineral and Coal Number 02.E/04/DJB/2020 dated March 23, 2020, on the Prevention and Management of Corona Virus Disease 2019 (COVID-19).
- SE of Director General of Mineral and Coal Number 451/30/DJB/2020 dated April 13, 2020, on the Prevention and Management of Corona Virus Disease 2019 (COVID-19).
- SE of Director of Engineering and Environment/Head of Mining Inspector No. 797/37.04/DBT/2020 dated March 12, 2020, on Efforts to Prevent COVID-19 Transmission in Workplace.
- SE of Director of Engineering and Environment/Head of Mining Inspector No. 982/37.04/DBT/020 dated April 13, 2020, on Collection of Data on ODP, PDP, and Positive COVID-19 Workers (the categories have now been changed to Close Contact, Suspect Case, Probable, Confirmation).
- SE of Director of Mineral Business Development No. 393/04/DBM.HK/2020 dated March 27, 2020, on Call for Increased Vigilance for COVID-19.

In essence, the circulars request the following issues:

1. To implement efforts to prevent the transmission of COVID-19 as stated in Circular of Head of Mining Inspector No. 797/37.04/DBT/2020 dated March 12, 2020.

2. To increase awareness and preparedness for COVID-19, such as by assessing and controlling COVID-19, limiting gathering activities, cultivating clean and healthy lifestyles, sterilizing and cleaning the environment, implementing an early detection system, providing health service facilities, implementing management emergency for COVID-19, and conducting COVID-19 testing if necessary. At present, testing includes Rapid Test and/or PCR/Swab Test.
3. To allocate additional resources of budget, facilities, and medical and non-medical personnel to prevent and handle COVID-19.
4. To continue carrying out company obligations as usual, according to the given time, arrange duties so as to minimize office activities, and carry out working from home (WFH) protocols.
5. If an employee has a fever above 38°C, runny nose/cough/sore throat/shortness of breath, he/she must immediately contact health workers.
6. To implement health protocols as set out in Circular of Minister of Health No. HK.02.01/MENKES/199/200 on Communication about the Handling of Coronavirus Disease 2019 (COVID-19).
7. To take the best possible effort not to dismiss any employees for any reasons, including a decrease in production. If there is a policy where employees are furloughed or asked to work at home, the employees must be compensated for according to the provisions of regulations.

So far, there has been no regulation issued by the Ministry of Energy and Mineral Resources to specifically respond to the impacts of the COVID-19 pandemic on the mineral and coal sector. However, there are several regulations issued by related state ministries/agencies that regulate general issues, for example:

- Presidential Regulation (Perpres) No. 72/2020 on Amendment to Perpres No. 54/2020 on Changes in Posture and Details of the State Revenue and Expenditure Budget of Fiscal Year 2020;
- Regulation of Minister of Finance (PMK) No. 35/PMK.07/2020 on Management of Transfers to Regions and Village Funds for Fiscal Year 2020 in the Context of Handling the 2019 Corona Virus Disease (Covid-19) Pandemic or Facing Threats to the National Economy;
- PMK No. 101/PMK.07/2020 on Distribution and Use of Transfers to Regions and Village Funds for Fiscal Year 2020 to Support the Handling of the Covid-19 Pandemic and the National Economic Recovery.

Although mineral and coal mining operations are only partially hampered by the spread of COVID-19, mineral and coal companies are under pressure due to weak commodity prices from low domestic and export demands and high operation costs. Operation costs are higher because companies have to allocate extra budget to obey the COVID-19 prevention protocols, such as strict swab tests and quarantine for field employees, or purchase of PCR devices.

Company's operation margins have been squeezed, and as a result, some companies choose to temporarily stop their business activities. To respond to this, mining business actors have submitted requests for relaxation of several regulations/policies as follows:

- a. Exemption from Income Tax Article 22 on Sales of Mining Commodities under the following considerations:

- Coal prices (HBA) until August 2020 had shown a downward trend of 23.65% (price in January was USD65.93/tonne, while price in August was USD50.34/tonne); there was a high potential that companies would miss their profit target.
 - There is a potential for overpayment of corporate income tax (PPH Badan) due to lower prices of mining commodities, especially coal, which can block companies' cash flow.
- b. Special royalty tariffs to support company's investment in downstream coal projects such as coal gasification projects, and exemption from Value Added Tax and Import Duty in the context of coal downstream projects under the following considerations:
- Downstream projects are capital-intensive; thus, these projects should be given relief or should not be imposed additional capital costs in the forms of import duty, VAT, and import income tax.
 - Processing costs are substantial due to weight loss (the output of upgraded coal and semi-cokes is always smaller than the input, with a yield of around 50%-65%).
 - Royalty, especially that of low-calorie coal from PKP2B, is expected to be lowered because PKP2B must pay 13.5% of DHPB while the contribution of low-calorie coal to production costs is significant.
- c. Determination of coal supplies to Processing IUP as DMO, because the determination ensures downstream companies can always get coal, their primary raw material.

In response to the request for relief, the Indonesian Government has provided incentives for mineral and coal companies whose business and investment activities were affected by the COVID-19 pandemic, as follows:

1. Ease of mining licensing, including (temporary) suspension, and issuance of recommendations on the impacts of COVID-19, if needed;
2. The time limit for smelter completion is adjusted to the provisions about force majeure set out in Permen No. 25/2018, so that the deadline for smelter completion will exceed January 11, 2022;
3. Smelter construction progress has been adjusted to at least 90%, so that export is allowed according to export approval without companies being subject to a 20% late penalty. However, nickel export is prohibited according to Regulation of Minister of Energy and Mineral Resources No.11/2019;
4. A benchmark price for nickel ore is applied as the floor price for domestic sales;
5. Coal exports on foreign ships are allowed because of postponement of the provisions of Regulation of Minister of Trade No. 82/2017, which has been amended by Regulation of Minister of Trade No. 65/2020;
6. Sales transactions of mining products can use foreign currencies;
7. Permit to import Personal Protective Equipment (PPE) can be granted to prevent the spread of COVID-19 in mining, processing, and refining activities;
8. PPM funds can be shifted for activities related to the handling of COVID-19 around mining areas.

Besides incentives, the government has provided fiscal stimulus in connection with the impacts of the COVID-19 pandemic, as follows:

- a. Income Tax Article 21, in the form of six-month relaxation for processing industry workers;

- b. Income Tax Article 23 (Final Income Tax), in the form of six-month relaxation of final income tax set out in GR No. 23 of 2018;
- c. Income Tax Article 22, in the form of six-month relaxation of Import Income Tax Article 22;
- d. Income Tax Article 25, in the form of Income Tax Reduction by 30% for six months;
- e. Reduction in corporate income tax from 25% to 22% in 2020, and to 20% in 2022;
- f. VAT with the concept of coal as a taxable item, so that Input VAT can be credited with Output VAT (previously VAT was a cost item, but it is no longer a cost item), and relaxation in the form of accelerated VAT refunds for six months.

The government had introduced these regulations and incentives to ensure the mineral and coal sector industry survived the COVID-19 pandemic in 2020.

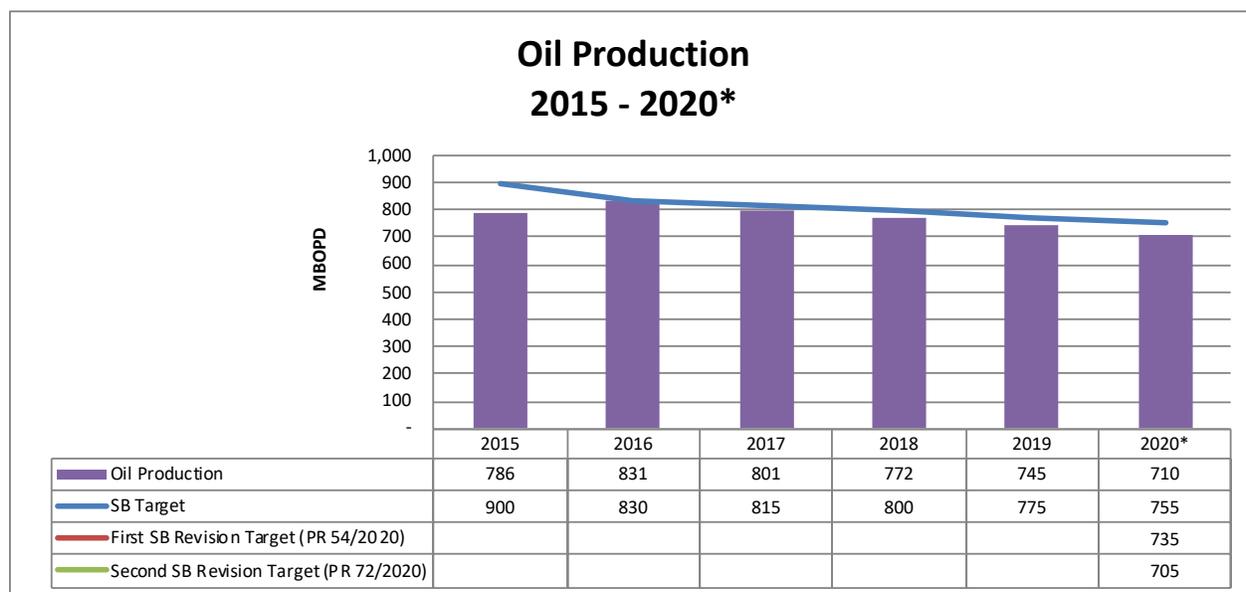
8.3 Contribution of Extractive Industry during the COVID-19 Pandemic

8.3.1 Oil and Gas Sector

8.3.1.1 Oil and Gas Expenditure and Exploration Activities

Petroleum still forms the mainstay of state revenue in Indonesia, so the State Budget (APBN) always sets the oil production target. In the 2020 State Budget, the oil production target was previously set at 755,000 barrels of oil per day (BOPD). Due to the COVID-19 pandemic, the oil production target had been lowered twice, to 735,000 BOPD and 705,000 BOPD, respectively.

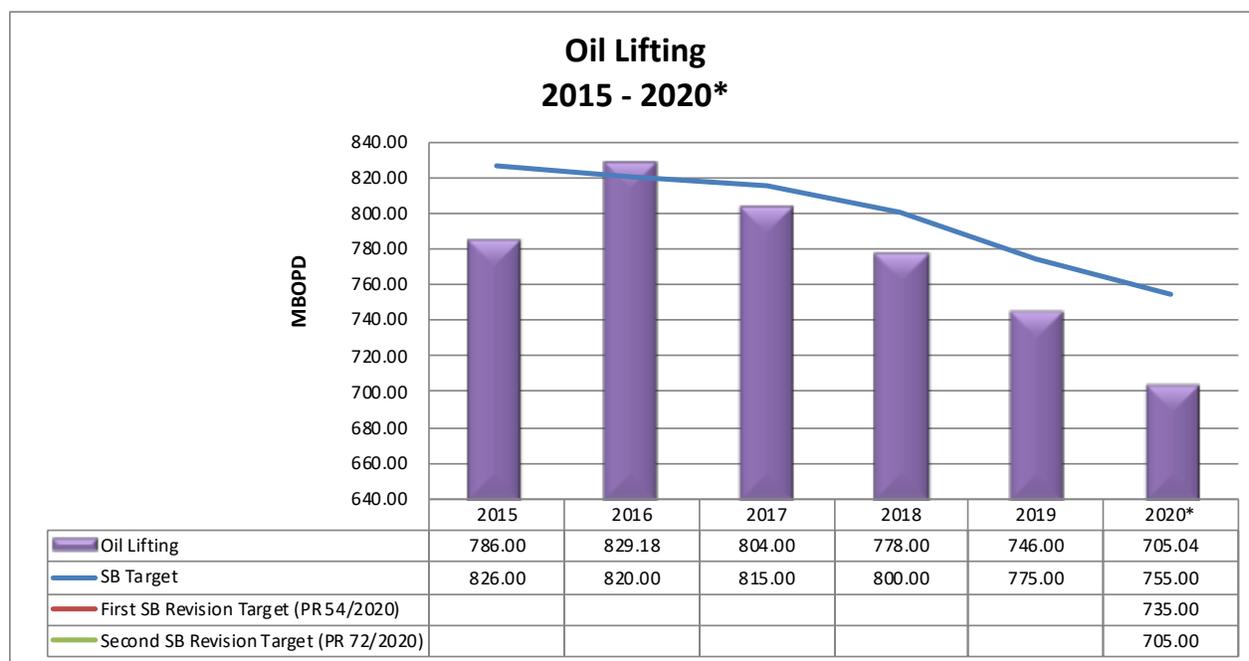
Until October 2020, petroleum production reached 710,000 BOPD, which was above the average oil production target listed in the Second Revision of State Budget (APBN-P2) of 705,000 BOPD. Oil production declined in the second quarter, with the lowest production in May 2020 at 708,000 BOPD. Factors that contributed to the decline in oil production was the COVID-19 outbreak and low world's oil prices.



* until October 2020, Source: Directorate General of Oil and Gas, Ministry of Energy and Mineral Resources

Figure 108. Petroleum Production 2015–2020

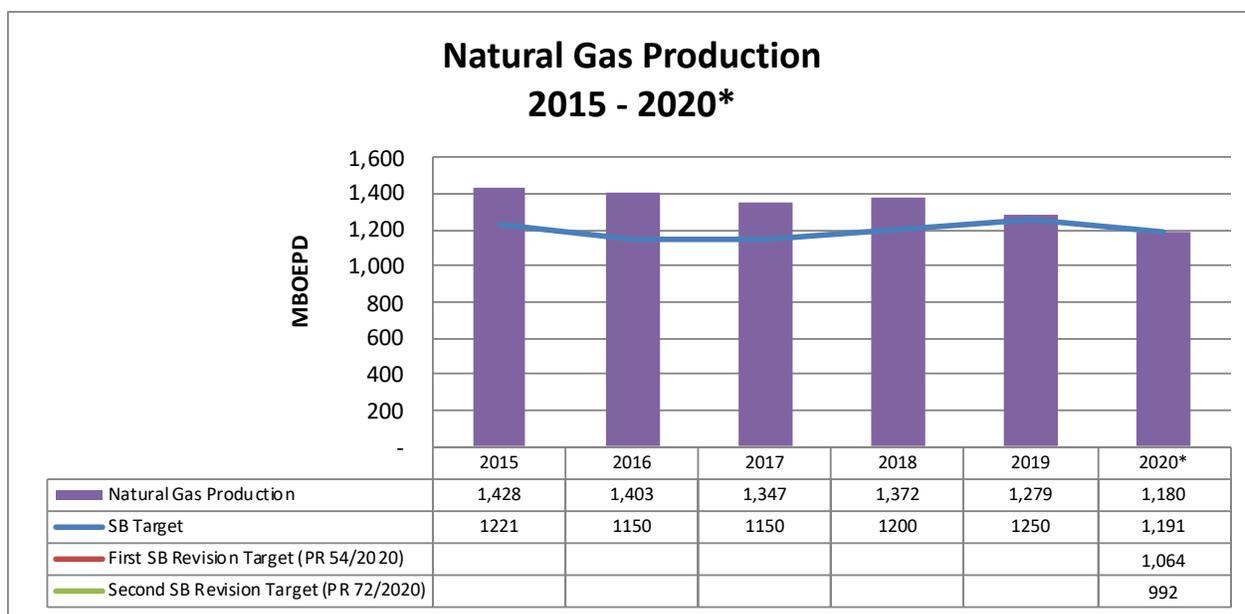
Indonesia's upstream oil and gas industry was able to meet the revised target in the third quarter of 2020, despite low world's oil prices and the COVID-19 pandemic had limited field activities. Until September 2020, oil and gas lifting was 1,689,000 barrels of oil equivalent per day (BOEPD) with oil lifting of 705,040 barrels of oil per day (BOPD). The amount had exceeded the target set in APBN-P2 at 705,000 BOPD. The realized ICP in APBN-P2 was USD42/barrel, or higher than the ICP set in the APBN-P at USD38/barrel. State revenue amounted to USD6.99 billion or 119% of target USD5.86 billion in Revised budget. The second wave of COVID-19 has been estimated to push down ICP to an average of USD40/barrel annually, so that the outlook for state revenues from the upstream oil and gas sector at the end of 2020 is USD7.21 billion.



* until September 2020, Source: Directorate General of Oil and Gas, Ministry of Energy and Mineral Resources

Figure 109. Oil Lifting 2015–2020

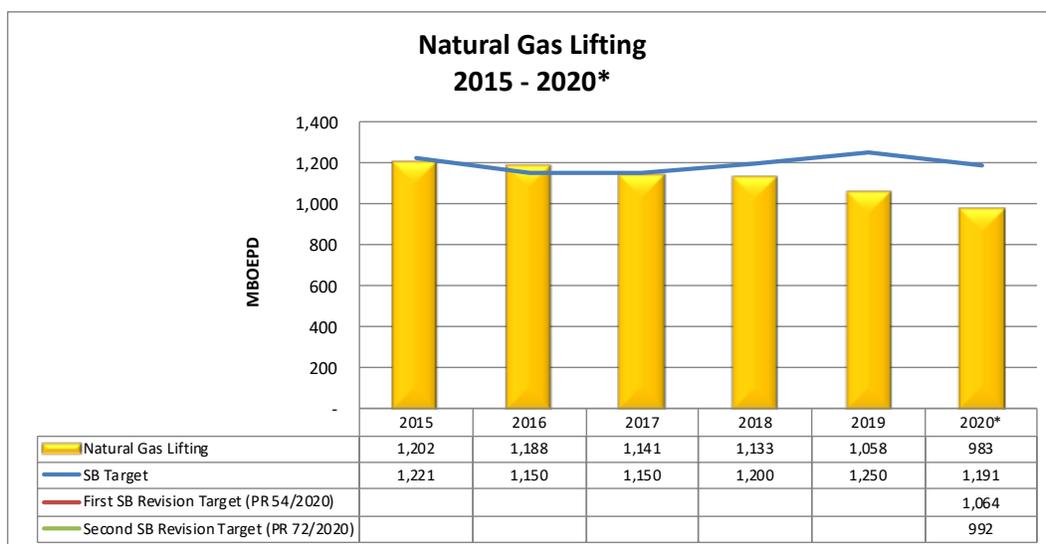
The production target for natural gas in the State Budget (APBN) was 1,191 MBOEPD, 1,064 MBOEPD in APBN P-1, and 992 MBOEPD in APBN-P2. When COVID-19 pandemic first hit, natural gas production decreased. The decrease was prompted by declining activities by industries, the largest end-users of domestic natural gas. As of October 2020, natural gas production reached 1,180 MBOEPD, exceeding the target in the APBN-P2 of 992 MBOEPD.



* until October 2020, Source: Directorate General of Oil and Gas, Ministry of Energy and Mineral Resources

Figure 110. Natural Gas Production 2015–2020

Natural gas lifting until September 2020 was 983 MBOEPD, almost meeting the APBN-P2 target of 992 MBOEPD.



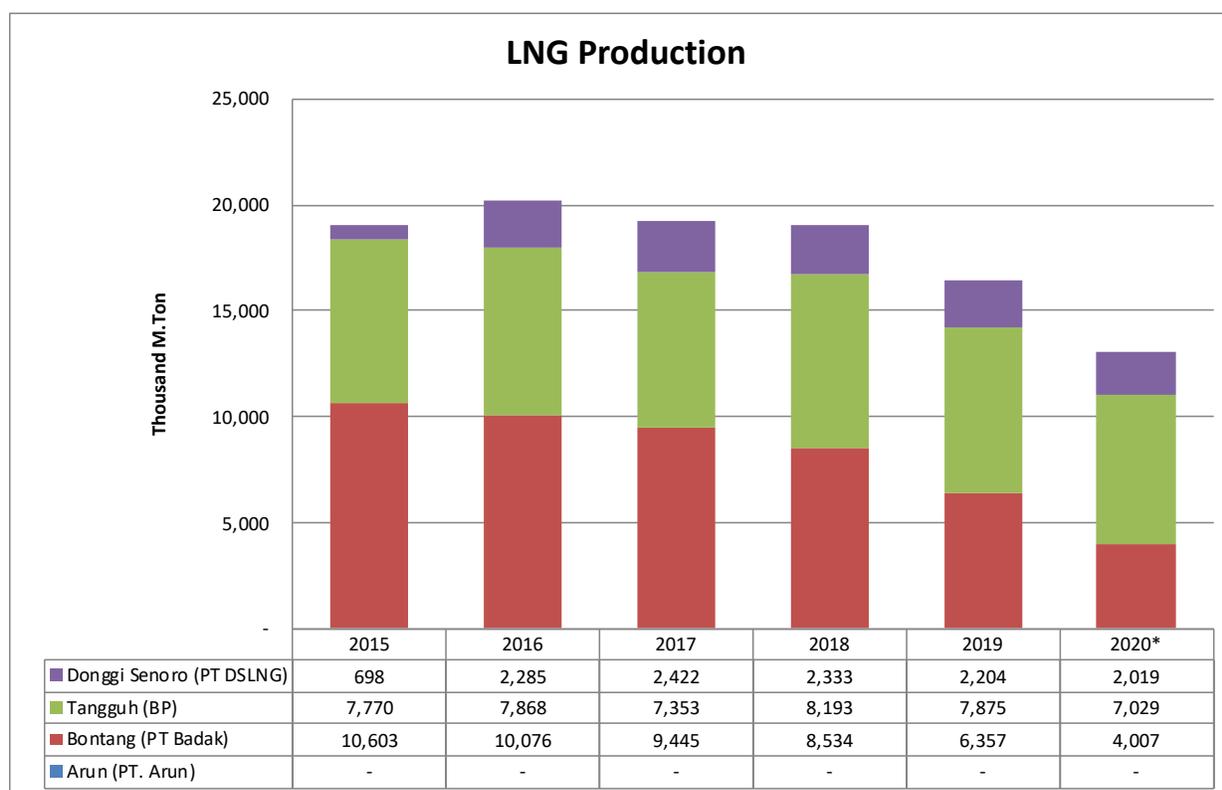
* until September 2020, Source: Directorate General of Oil and Gas, Ministry of Energy and Mineral Resources

Figure 111. Natural Gas Lifting 2015–2020

Domestic LPG production from oil refineries and gas refineries showed a downward trend as influenced by refinery input. Until the beginning of semester 2 of 2020, the total LPG production reached 942,000 tonnes.

8.3.2 LNG

LNG production from three refineries, i.e. Bontang, Tangguh (BP), and Donggi Senoro, decreased in the first semester of 2020 compared to the first semester of 2019. Except for Donggi Senoro refinery which production was relatively stable, LNG production from Bontang and Tangguh refineries had experienced a decline during the first semester of 2020. Uncommitted cargo and low LNG prices on the spot market contributed to the decline in LNG production at Bontang and Tangguh.



* until September 2020, Source: Directorate General of Oil and Gas, Ministry of Energy and Mineral Resources

Figure 112. LNG Production 2015–2020

8.3.3 Mineral and Coal Sector

8.3.3.1 Mineral and Coal Expenditure and Exploration Activities

In November 2020, realized investment in exploration activities reached 53.27% of target. The half realization was caused by companies having set investment targets but were unable to carry out exploration until November 2020. Factors contributing to the blockage included IPPKH for exploration had not been approved and prospect areas were located in Protected Forests. The target for exploration investment in 2020 was USD271.09 million, while realization was USD144.41 million.

8.3.3.2 Mineral and Coal Production in Indonesia

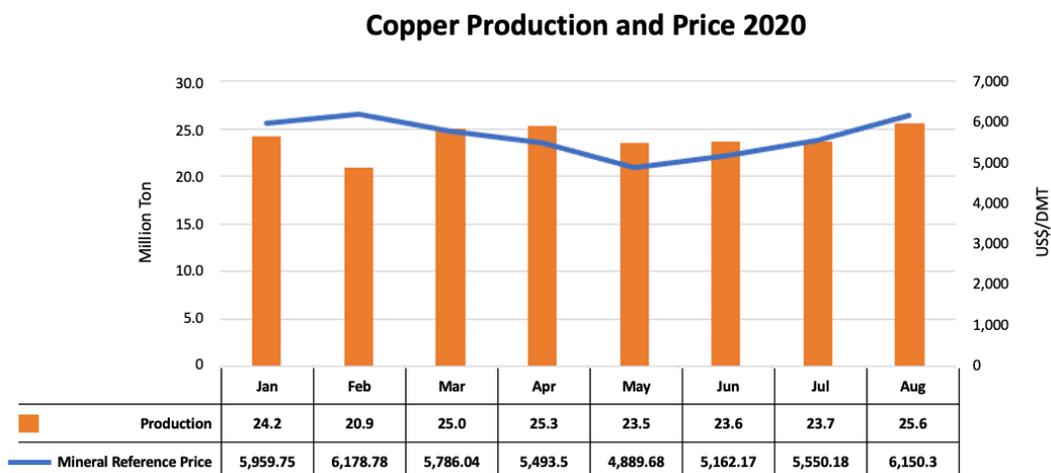
This section focuses on the production of five leading mineral commodities (copper, gold, tin, nickel, and bauxite) and coal in 2019 and 2020. The target and realized production of each commodity as of August 2019 and August 2020 can be seen in **Table 99** below.

Table 99. Mineral and Coal Production in 2020

Commodity	Unit	Realized Production as of August 2019	Production Target for 2019	Realized Production Percentage as of August 2019	Realized Production as of August 2020	Production Target for 2020	Realized Production Percentage as of August 2020
Copper	Thousand Tonne	115.7	291	39.76%	191.8	291	65.91%
Gold	Tonne	70.2	120	58.50%	42	70.6	59.49%
Tin Metal	Thousand Tonne	51.8	70	74.00%	39.3	70	56.14%
Nickel Ore	Million Tonne	44.6	62.6	71.25%	24.6	19.3	127.46%
Nickel Matte	Thousand Tonne	44.4	78	56.92%	63.0	71.7	87.87%
Ferronickel	Thousand Tonne	720.6	860	142.86%	931.0	1302.4	71.48%
Nickel Pig Iron (NPI)	Thousand Tonne	508			565.9	628.4	90.05%
Bauxite Ore	Million Tonne	10.5	22.6	46.46%	18.1	26.7	67.79%
Chemical Grade Alumina (CGA)	Thousand Tonne	64.7	111.6	57.97%	62.4	150	41.60%
Smelter Grade Alumina (SGA)	Thousand Tonne	693.6	1000	69.36%	720.0	1200	60.00%
Coal	Million Tonne	408.5	489.1	83.52%	374.6	550	68.11%

Source: Ministry of Energy and Mineral Resources, 2020

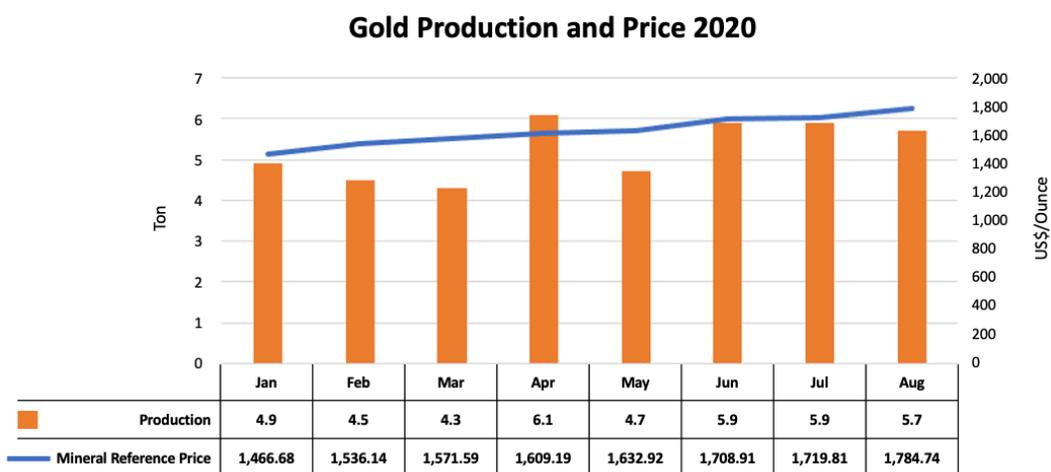
Copper: Referring to Table 100, the percentage of realized production in 2020 increased from 2019. As discussed in Chapter 4, there was a production decline in 2019 because the year was the transition period for PT FI from Open Pit to Underground mining. In 2020, the production of PT FI and PT AMNT was still on target and only faced a challenge in copper price, which fell between March and May, as shown in **Figure 113**.



Source: Directorate General Mineral and Coal, 2020

Figure 113. Copper Production and Prices in 2020

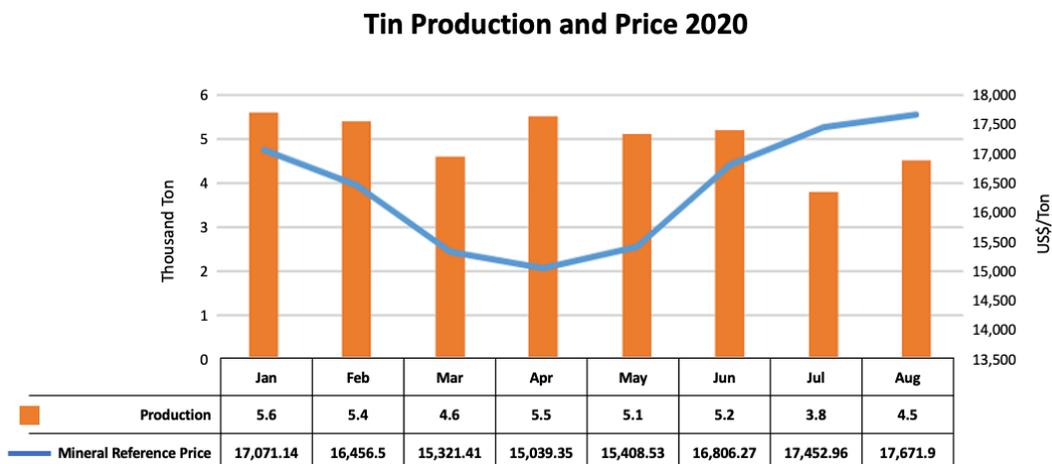
Gold: As shown in **Table 99**, realized production until August in 2020 was almost the same as in 2019. Even though the price of gold continued to increase, as shown in **Figure 114**, in general the price increase did not affect the production level of gold mining companies. However, the realized production of several companies was below target because these companies were mining reserves with lower gold content.



Source: Directorate General Mineral and Coal, 2020

Figure 114. Gold Production and Prices in 2020

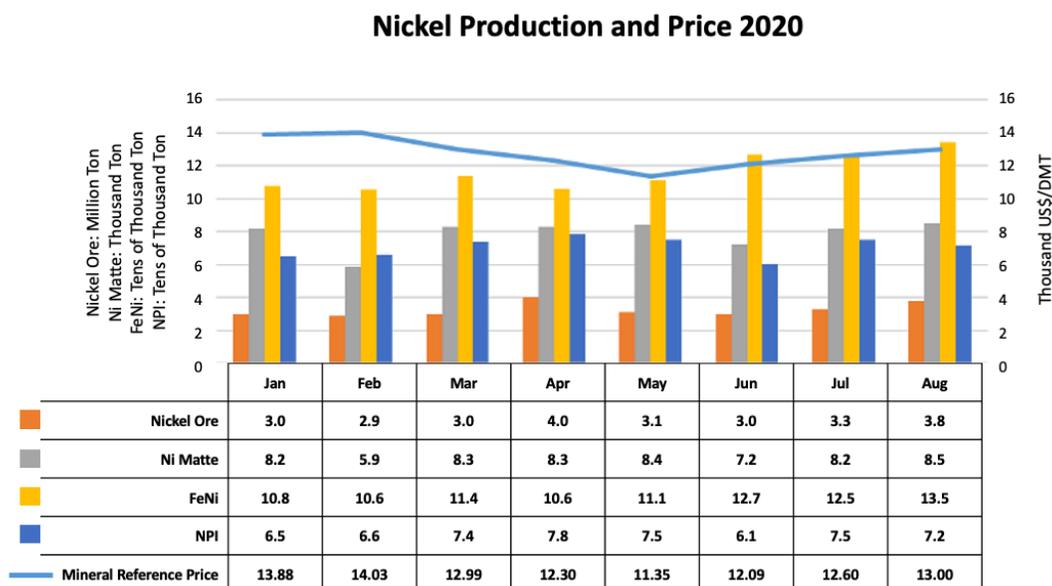
Tin: Realized production in 2020 decreased by 17.86% from 2019 while production targets in both years were the same, as shown in Table 100. However, **Figure 115** shows that tin production was relatively stable despite price decline between February and April. Increased price in July and August was not followed by higher production because of extreme weather (heavy rains and high waves).



Source: Directorate General Mineral and Coal, 2020

Figure 115. Tin Production and Prices in 2020

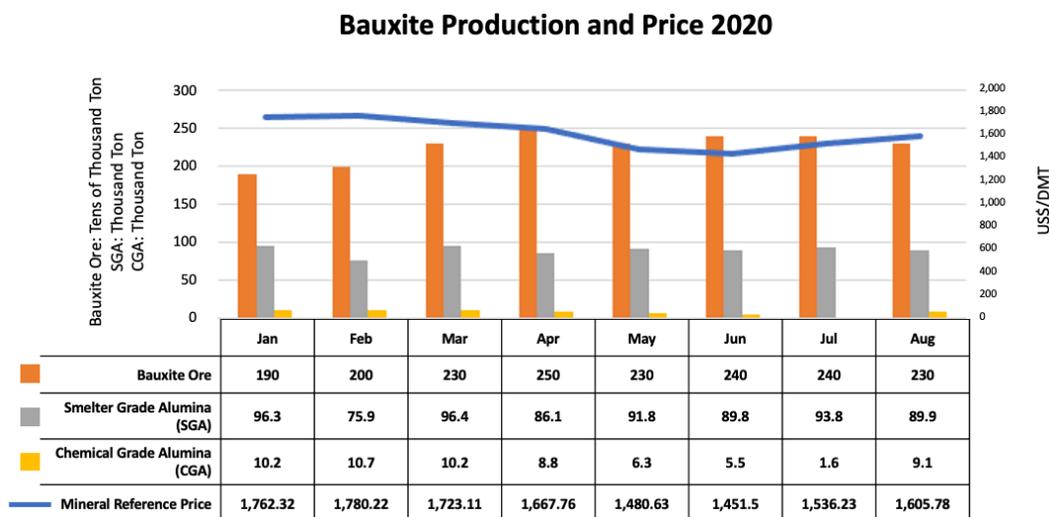
Nickel: As can be seen in **Table 99** and **Figure 116**, the realized production of nickel ore and its processed products in August 2020 mostly increased. Some products even met their production target even though the price had decreased, though not significantly.



Source: Directorate General Mineral and Coal, 2020

Figure 116. Nickel Production and Prices in 2020

Bauxite: As shown in **Figure 117**, production of bauxite ore and SGA was relatively stable in 2020 even though price declined between March and June. On the other hand, CGA production was relatively stable until June, decreased significantly in July, and then increased dramatically in August. The fluctuation had been caused by maintenance, production adjustments, and low sales.



Source: Directorate General Mineral and Coal, 2020

Figure 117. Bauxite Production and Prices in 2020

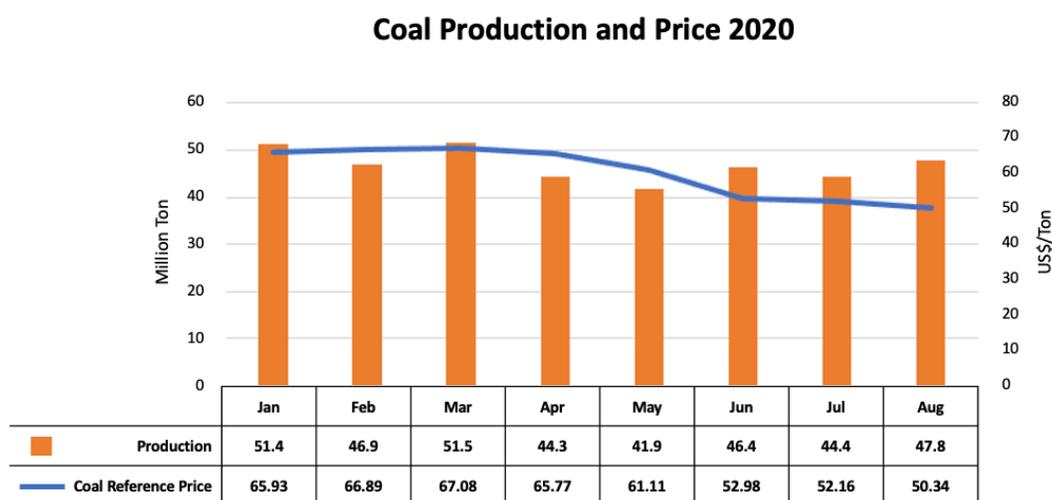
Coal: As shown in **Table 99**, the realized production of coal between January and August 2020 decreased by 15.41% from the previous year. The production decline in 2020 was due to weak demand for both exports and domestic consumption. The production target for 2020 was set lower than the realized production in 2018 and 2019. Based on data from Ministry of EMR, the realized production of coal in 2018 and 2019 were 609 million tonnes and 616 million tonnes, respectively. The Government's targets for 2018 and 2019 were 560 million tonnes and 580 million tonnes. Meanwhile, the target for 2020 was 550 million tonnes. The target was set by considering the National Energy General Plan and the Medium-Term Development Plan.

In the early days of the outbreak of the COVID-19 virus in China in January until the announcement of the COVID-19 virus as a global pandemic by WHO in mid-March 2020, coal commodities prices were still at a positive level. In quarter-I 2020, prices were even better than those in quarter-I 2019. China's domestic coal supply was reduced due to restriction and lockdown policies because Chinese coal producers could not operate optimally. As a result, China increased its coal imports, thus pushing prices up.

After the announcement of the COVID-19 as a pandemic in March 2020, commodity prices remained positive in April. However, price movements began to weaken in the rest of Q2 as stockpiles in China started to accumulate in line with the gradual recovery of mining operations in the country. Because its stockpile increased, China implemented a policy to limit coal imports. The policy pushed prices down in the second quarter, touching a record low level similar to that in 2016.

Besides the China impact, the Indian government's policy of implementing lockdowns from April to the end of June pushed prices even lower. Demand for coal from other countries, such as South Korea, the Philippines, and Japan, also decreased. Simultaneously, supplies from Australia and Indonesia were relatively high, which caused markets to experience global coal oversupply. The international data information agency IHS Markit had predicted that demand for coal import would be corrected to reach 100 million tonnes in 2020 due to the COVID-19 pandemic, which has resulted in a decrease in coal prices on the international market.

In line with the improving economy of several countries especially China, which recorded positive growth in the third quarter, coal prices in 2021 and 2022 are predicted to increase. The gradual recovery in the global economy has prompted an increase in energy demand to compensate for economic slowdown and to organize many international events that were postponed in 2020.



Source: Directorate General Mineral and Coal, 2020

Figure 118. Coal Production and Prices in 2020

8.3.3.3 Development of Mineral and Coal Sales

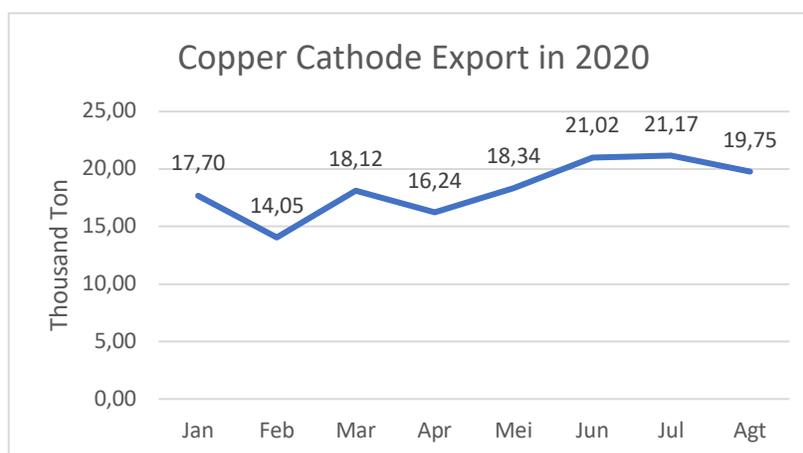
After the announcement of the COVID-19 as a pandemic by WHO in mid-March 2020, the economic downturn spread globally due to restriction and lockdown policies in many countries which weakened demand. Supplies were still relatively good, though. Several commodities, such as copper cathode, nickel matte, and ferronickel, were not affected. Demand for these commodities tended to be stable. The volume of mineral and coal export in 2020 can be seen in Table 101.

Table 100. Mineral and Coal Export Volume in 2020

Commodities	Unit	2019 (until August)	2020 (until August)
Copper Cathode	Thousand Tonnes	112.04	146.39
Gold Metal	Tonnes	43.32	28.03
Tin Metal	Thousand Tonnes	45.35	44.56
Nickel Matte	Thousand Tons	43.41	56.12
Ferronickel	Thousand Tonnes	720.18	734.35
Nickel Pig Iron (NPI)	Thousand Tonnes	56.71	223.07
Bauxite Ore	Million Tonnes	10.29	16.80
Chemical Grade Alumina (CGA)	Thousand Tonnes	34.49	30.45
Smelter Grade Alumina (SGA)	Thousand Tonnes	712.15	601.87
Coal	Million Tonnes	301.01	267.09

Source: Directorate General Mineral and Coal, 2020

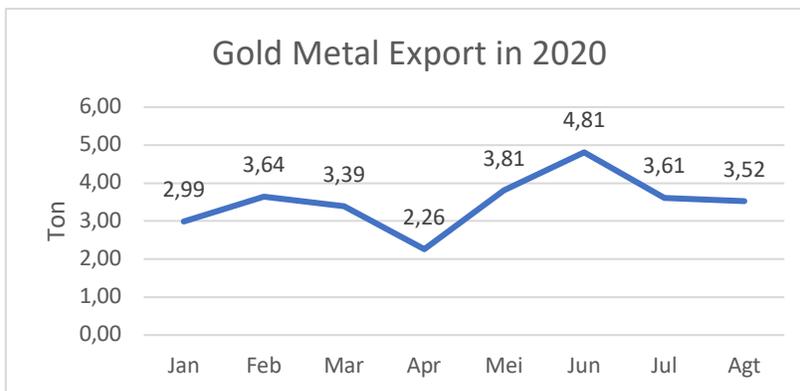
Copper: Overall, the volume of copper cathode export in 2020 increased from the previous year, as shown in **Table 100**. Copper sales still went as planned. However, in **Figure 119**, copper exports declined in February and April 2020. The decline in February was due to lower demand from China because of the Chinese New Year, while decline in April was due to lockdowns in Malaysia.



Source: Directorate General Mineral and Coal, 2020

Figure 119. Copper Cathodes Export in 2020

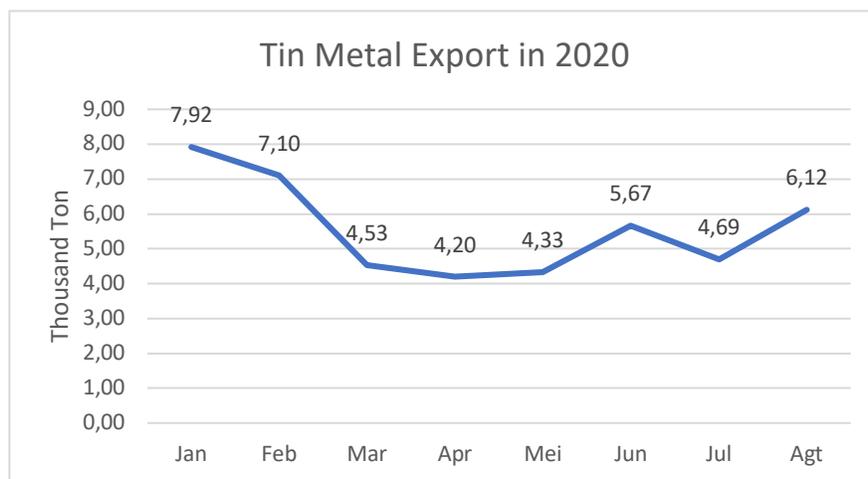
Gold: As seen in **Figure 120**, the gold metal export between March and April decreased. Refining of dore bullion into gold at Antam's Precious Metals facility stopped from March 27 to April 5, 2020, due to the COVID-19 pandemic lockdown. The facility started limited operations on April 6, 2020, but dore bullion could be refined into 99.99% Au. As a result, the company only sold a limited stock. Meanwhile, export decline in July was due to lower demand.



Source: Directorate General Mineral and Coal, 2020

Figure 120. Gold Metal Export in 2020

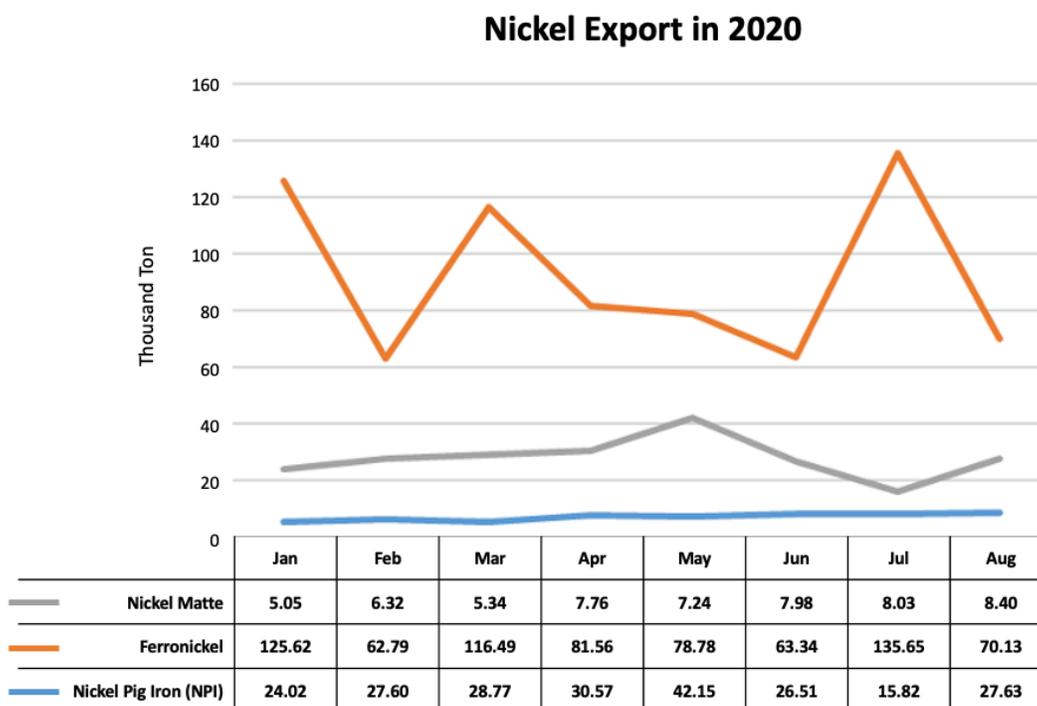
Tin: Overall, tin metal exports in 2020 were almost the same as in 2019 until August. The smelters of PT Timah, the largest tin producer, was running normally, so sales and delivery of tin ingots ran according to long-term contracts. In **Figure 121**, however, tin metal exports declined between March and May. The decline was caused by unstable demand due to the COVID-19 pandemic.



Source: Directorate General Mineral and Coal, 2020

Figure 121. Tin Metal Export in 2020

Nickel: After the export ban started to apply in 2020, companies do not export nickel ore anymore but instead they export nickel matte, ferronickel, and Nickel Pig Iron (NPI). Overall, the export of these processed products in 2020 increased from the previous year. The reason was because Antam's smelter operations at Pomalaa ran normally, as did operations in Morowali (Central Sulawesi), Konawe (Southeast Sulawesi), and Obi Island (North Halmahera). Sales and delivery of ferronickel ran normally. However, **Figure 122** shows the total export of FeNi decreased quite sharply in February and then increased significantly in March and July. This was due to unstable world's economic conditions, so demand and supply still depended on consumers' stocks in the short term. Additionally, the total export of NPI increased in May and then decreased in June because of increased demand from consumers in May.

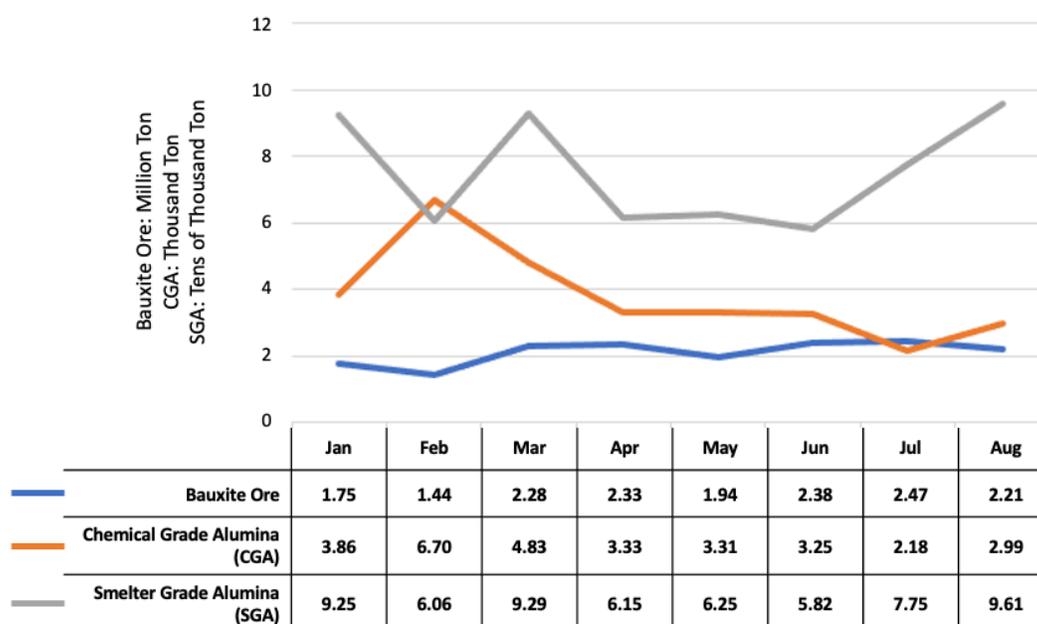


Source: Directorate General Mineral and Coal, 2020

Figure 122. Nickel Export in 2020

Bauxite: The export ban on low-grade ore only impacted export of low-grade nickel ore (below 1.8%). The ban does not apply to bauxite ore, so companies still exported bauxite ore in 2020. Overall, the export of processed bauxite (SGA and CGA) in 2020 decreased compared to the previous year. This was probably due to weak demand, especially from China which is the largest importer, because the country imposed a lockdown policy. As shown in **Figure 123**, the export of CGA increased in February, and declined from March to August. Consumers held back on CGA purchases due to unstable economic conditions, thus hampering production.

Bauxite Export in 2020



Source: Directorate General Mineral and Coal, 2020

Figure 123. Bauxite Export in 2020

Besides upsetting the export of several mineral commodities, the COVID-19 pandemic has also altered investment plans and the construction progress of mineral processing and refining facilities. Investment plans for the construction of processing and refining facilities are shown in **Table 101**.

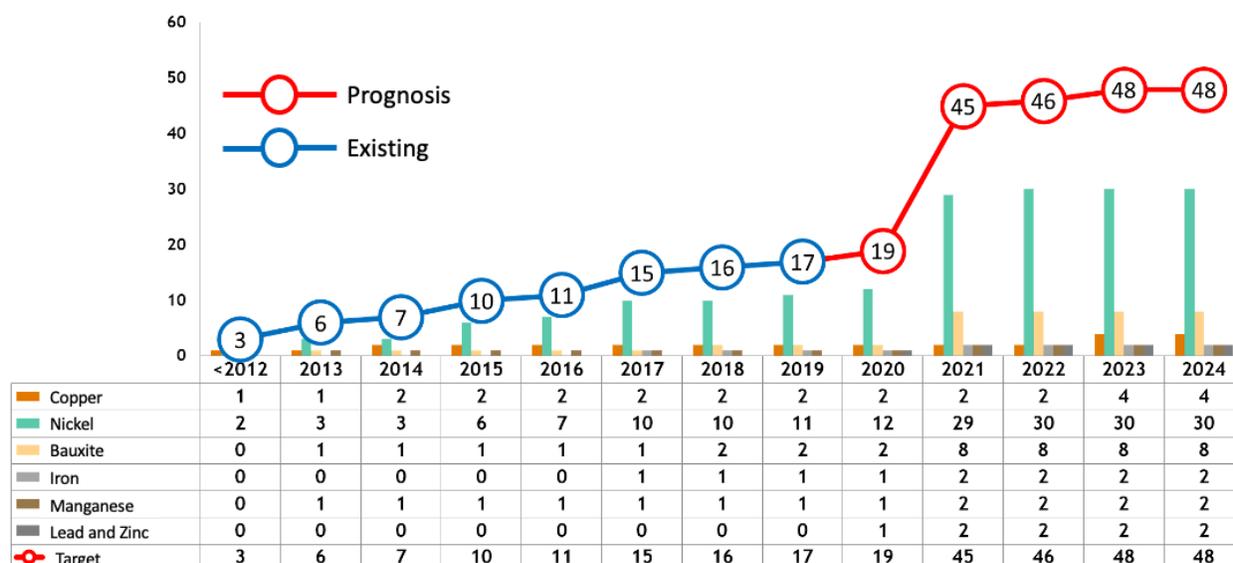
Table 101. Investment Plans for Construction of Processing and Refining Facilities

No	Commodities	Investment (USD)					
		Realization until 2018	Realization of 2019	2020 Plan	2021 Plan	2022 Plan	2023 Plan
1	Nickel	4,486,887,085	728,261,925	884,272,395	1,222,235,620	297,673,664	-
2	Bauxite	2,148,192,007	490,452,546	2,205,287,401	2,923,703,017	178,561,741	-
3	Iron	41,326,724	8,144,568	8,832,289	9,119,509	495,717	-
4	Copper	917,524,816	174,948,274	652,624,627	607,173,778	1,515,821,172	825.194.589
5	Manganese	4,478,796	8,048,176	6,039,496	5,346,500	-	-
6	Lead and Zinc	14,271,877	7,456,068	6,419,451	5,707,315	2,056,265	-
Total		7.612.681.304	1,417,311,557	3,763,475,659	4,773,285,738	1,994,608,559	825,194,589

Source: Directorate General Mineral and Coal, 2020

The investment plan table above presents a scenario assuming that if the COVID-19 pandemic continues until the end of 2020, investment worth of USD3.7 billion is likely to be transferred to the 2021 budget. Other factors, such as investment climate will improve and the impacts of the COVID-19 pandemic will significantly lessen in 2021, are considered constant.

Progress on the processing and refining facilities construction has not changed significantly, as shown in **Figure 124**.

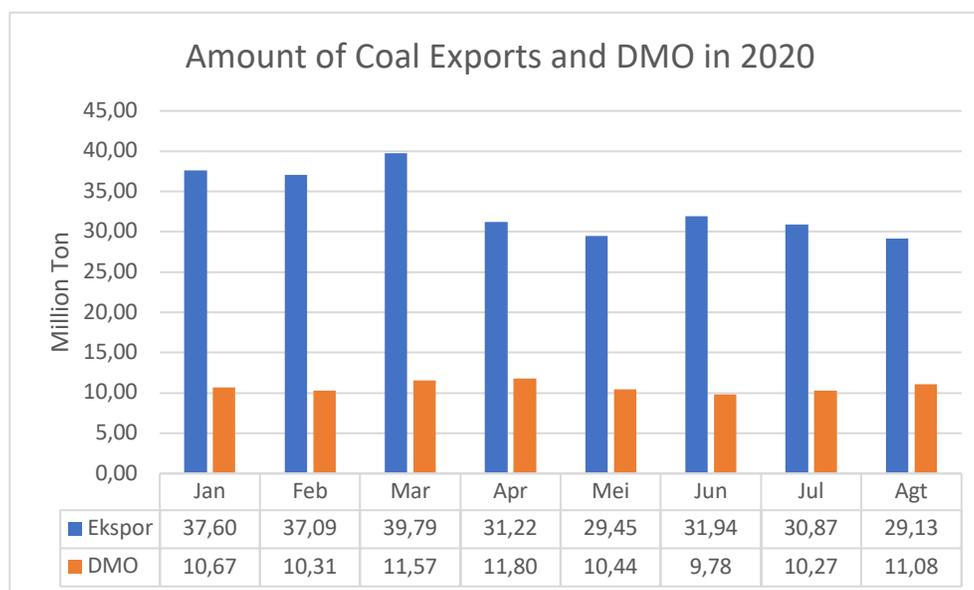


Source: Directorate General Mineral and Coal, October 2020

Figure 124. Progress on Processing and Refining Facilities Construction

Coal: As shown in **Table 100**, coal exports in 2020 decreased from 2019 of the same period (until August). The export decrease began in April and continued into the third quarter due to lockdown policy imposed by several importers of Indonesian coal, especially China, India, and the Philippines. More than 60% of Indonesian coal is exported to these countries. The lockdown policy in China blocked the country’s domestic coal supply. As a result, the second-largest economy in the world increased its coal imports so that prices were relatively high in the first quarter.

After China stopped the lockdown policy, its domestic coal supply began to run smoothly. Stockpiles in China started to accumulate, so imports decreased drastically. At the same time, India implemented national lockdowns, but the country reduced imports and prioritized its domestic coal supply while increasing the use of renewable energy. As shown in **Figure 125**, coal exports began to decline in April, while domestic coal consumption started to decrease in May due to the Large-Scale Social Restrictions (PSBB) in a number of provinces in Indonesia.



Source: Directorate General Mineral and Coal, October 2020

Figure 125. Coal Exports and DMO in 2020

8.3.2.4 Employment

The COVID-19 pandemic has limited access to and from mining areas due to the isolation policy of the region/company. The policy has been enforced on both foreign and Indonesian workers, and affected the mobility and rotation of employees. It has also added operational costs of mining companies or mining service companies. Besides isolation for roster employees, company must implement tight physical restrictions on field to prevent COVID-19 from spreading in work environment. The following is the number of workers in the mineral and coal sector in 2020 until quarter-III.

Table 102. Labor Absorption in the Mineral and Coal Sector in 2020

Labor	2019	2020		
		Quarter-I	Quarter-II	Quarter-III
Foreign Workers	1,142	2,688	2,680	1,472
Indonesian Workers	133,400	174,074	174,971	182,222

Source: Directorate General Mineral and Coal, 2020

In the oil and gas sector, the number of KKKS workers in 2019 totaled 22,640 Indonesian workers and 260 foreign workers. Meanwhile, until November 2020, the number of KKKS workers was 21,590 Indonesian workers and 220 foreign workers. The COVID-19 pandemic has limited KKKS operations due to tight physical restrictions on field. Access to and from Indonesia is also limited for foreign workers. To overcome these obstacles, SKK Migas coordinated with governors of KKKS's work areas, the Ministry of Foreign Affairs, and the Ministry of Law and Human Rights to provide assistance to enable mobilization of upstream oil and gas workers while paying attention to work safety during the pandemic.

Table 103. Labor Absorption in the Oil and Gas Sector in 2020

Labor in the KKKS	2019	2020*
Foreign Workers	260	220
Indonesian Workers	22,640	21,590

* Until November 2020, Source: SKK Migas

8.4 Revenue and Allocation of State Revenue during the COVID-19 Pandemic

8.4.1 Oil and Gas Sector

8.4.1.1. Revenue and Allocation of State Revenue from the Oil and Gas Sector during the COVID-19 Pandemic

The COVID-19 pandemic, which has lowered the world's crude oil prices and various other sectors, prompted the Indonesian Government to revise the state revenue target from the oil and gas sub-sector from Rp192.04 trillion to Rp100.16 trillion. This change was made on the assumptions that oil lifting was 735,000 barrels per day, natural gas lifting 1,064,000 barrels of oil equivalent per day, ICP USD38 per barrel, and an exchange rate Rp17,500 per US dollar.

Previously, the target for oil and gas revenues in the State Budget 2020 was set at Rp192.04 trillion, consisting of Oil and Gas Income Tax (PPH Migas) of Rp57.53 trillion, Non-Tax State Revenue (PNBP) of Rp127.31 trillion, and other oil revenues of Rp7.3 trillion. The assumptions were that oil lifting reached 755,000 barrels per day, natural gas lifting 1,191,000 barrels of oil equivalent per day, ICP USD63 per barrel, and exchange rate is Rp14,400 per US dollar.

However, as the COVID-19 hit various parts of the world and impacted oil and gas business activities, the target for oil and gas revenue was revised through Presidential Regulation (Perpres) No. 54/2020 to Rp100.16 trillion. The target consisted of PPH Migas Rp43.75 trillion, PNBP Rp53.29 trillion, and other oil revenues Rp3.12 trillion. Finally, Perpres No. 72/2020 again revised the oil and gas revenue target to Rp88.32 trillion, consisting of PPH Migas Rp31.85 trillion, PNBP Rp56.47 trillion, and other oil revenues Rp3.11 trillion.

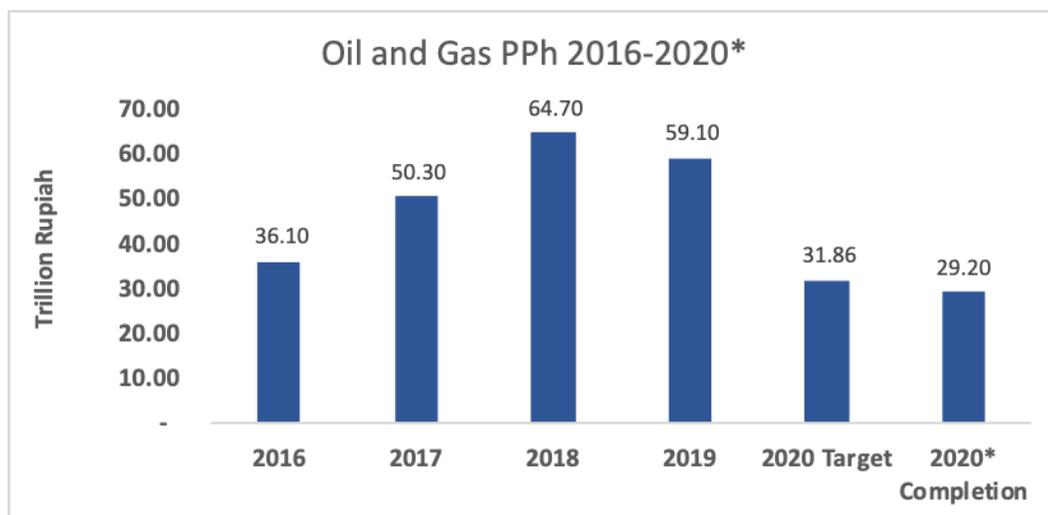
Table 104. Target and Realization of Oil and Gas Sector in 2020 * (Trillion Rupiah)

Oil and Gas Sector	Target	Realization	%	Portion
Oil and Gas PNBP	56.470	65.795	117%	74%
Oil and Gas PPh	31.859	29.2	74%	26%
Total	88.329	94.995	107%	100 %
PNBP from Oil and Gas Resources	Target	Realization	%	Portion
PNBP from Oil and Gas Resources	53.295	65.006	122%	98.80%
PNBP from Non-Oil and Gas Resources	0.56	0.51	91%	0.08%
Other PNBP	3.119	0.737	24%	1.12%

* Until November 2020 (Target of Perpres 72/2020), Source: Ministry of Energy and Mineral Resources and Ministry of Finance

Realized income tax from oil and gas (PPH Migas) was under a negative trend as the oil and gas prices fluctuated throughout 2020, at a level below the government's assumptions. The decline was also worsened by lower oil and gas lifting compared to assumptions in the 2020

State Budget and last year's realization. The decline in PPh Migas had started in February 2020 due to falling world's oil prices. The global crisis due to the COVID-19 pandemic worsened the condition. PPh Migas until November 2020 amounted to Rp29.2 trillion, decreasing by 44.8% compared to realization in the same period last year of Rp52.8 trillion.



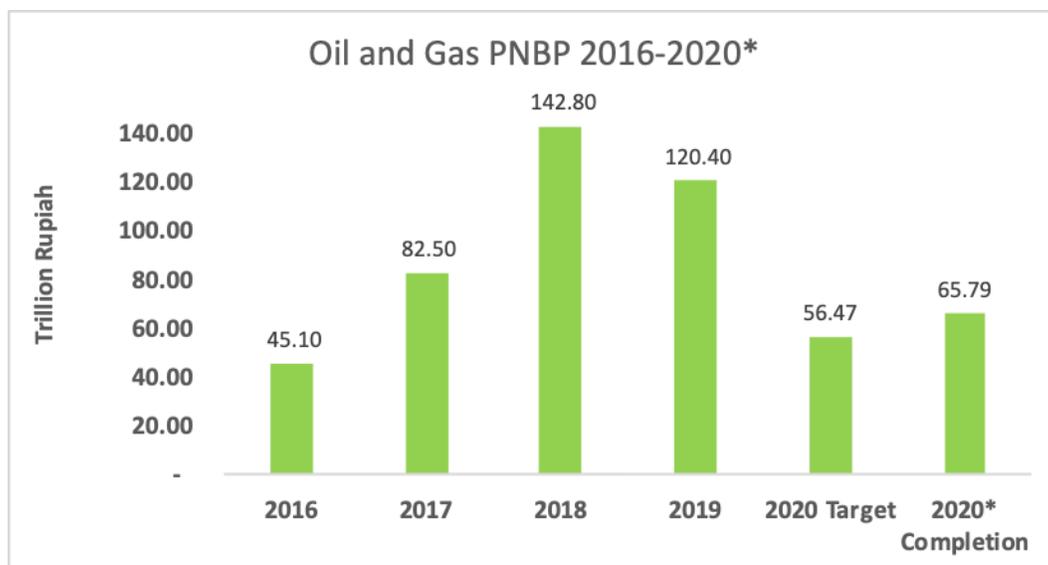
* until November 2020 (Target of Perpres No. 72/2020 Target), Source: Ministry of Energy and Mineral Resources and Ministry of Finance

Figure 126. Oil and Gas PPh in 2016-2020

Meanwhile, Non-Tax State Revenue from Oil and Gas Resources (PNBP SDA Migas) in the 2016-2020 period moved fairly dynamically. The PNBP SDA Migas follows the trend of the Indonesian Crude Price (ICP), so that when the ICP reaches its highest point during, the PNBP SDA also reaches its peak. In 2018, ICP reached its highest point of USD67.5 per barrel, and PNBP SDA Migas peaked at Rp142.8 trillion.

In early 2020, the ICP slumped due to weak demand because of COVID-19 and the oil price war between Saudi Arabia and Russia. The ICP's lowest level occurred in April 2020 at USD20.7 per barrel. From May 2020, prices had increased due to additional demand as lockdown policies in various countries ended. In semester I of 2020, the average ICP reached USD39.8 per barrel. Meanwhile, the realization of oil lifting in January-May 2020 was 702 thousand barrels per day (TBPD) on average, and gas lifting 987 thousand barrels of oil equivalent per day (TBOEPD).

Oil and Gas Non-Tax State Revenue (PNBP Migas) of 2020 was targeted at Rp 56.47 trillion as set out in Perpres No. 72/2020. This target was revised from the previously Rp127.31 trillion because of the outbreak of the COVID-19 pandemic. Until November 2020, the realization of PNBP Migas amounted to Rp65.79 trillion or 107% of the target in Perpres. The contributing factor was ICP of USD42/barrel, or higher than the ICP assumption used in Perpres at USD38/barrel.



* until November 2020 (Target of Perpres No. 72/2020), Source: Ministry of Energy and Mineral Resources

Figure 127. Oil and Gas PNBP in 2016-2020

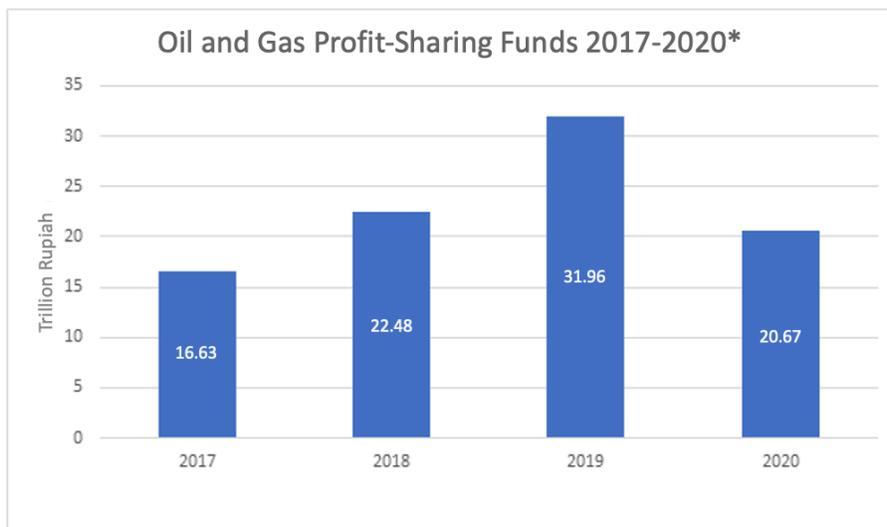
8.4.1.2. Profit-Sharing Funds (DBH) before and after the COVID-19 Pandemic

Minister of Finance issued Regulation of Minister of Finance (PMK) Number 19 of 2020 on Distribution and Use of Profit-Sharing Funds, General Allocation Funds, and Regional Incentive Funds for Fiscal Year 2020 in the Context of COVID-19 Handling. The PMK states that local governments are required to set a budget on health for prevention of COVID-19.

Profit-sharing funds from natural resources (DBH SDA) in quarters II and III (until September 2020) was distributed under the condition that regional governments submitted Performance Report in Health Sector to prevent and handle COVID-19, which showed the implementation of such activities.

DBH has fluctuated due to the increase/decrease in state revenue to be shared and the government policy in settling underpayment of DBH. In 2020, the realization of DBH was affected by a decline in state revenue due to the COVID-19 pandemic. As funds originating from state revenue are returned to regions with a certain percentage, the DBH amount depends very much on the revenue of the current year.

Until September 2020, the realization of the DBH Migas reached Rp20.67 trillion, which was influenced by oil and gas revenues in 2020. Based on Law No. 33/2004, oil and gas DBH for local governments is 15.5% of crude oil revenues, and natural gas DBH for local governments is 30.5% of natural gas revenues.

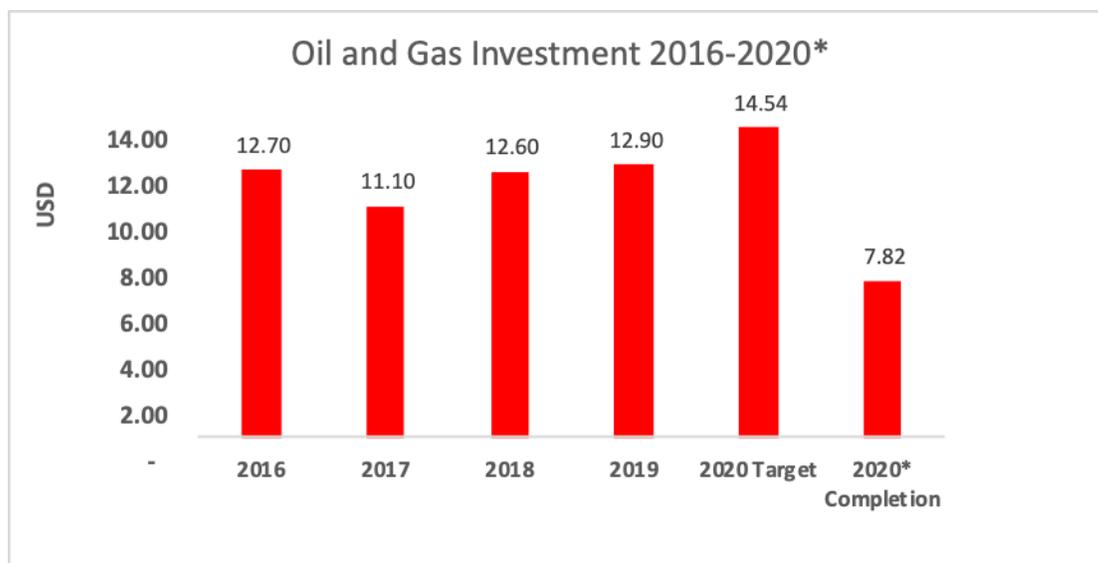


* until September 2020, Source: Ministry of Energy and Mineral Resources

Figure 128. Realization of Oil and Gas Profit-Sharing Funds in 2017-2020

8.4.1.3. Oil and Gas Investment before and after COVID-19 Pandemic

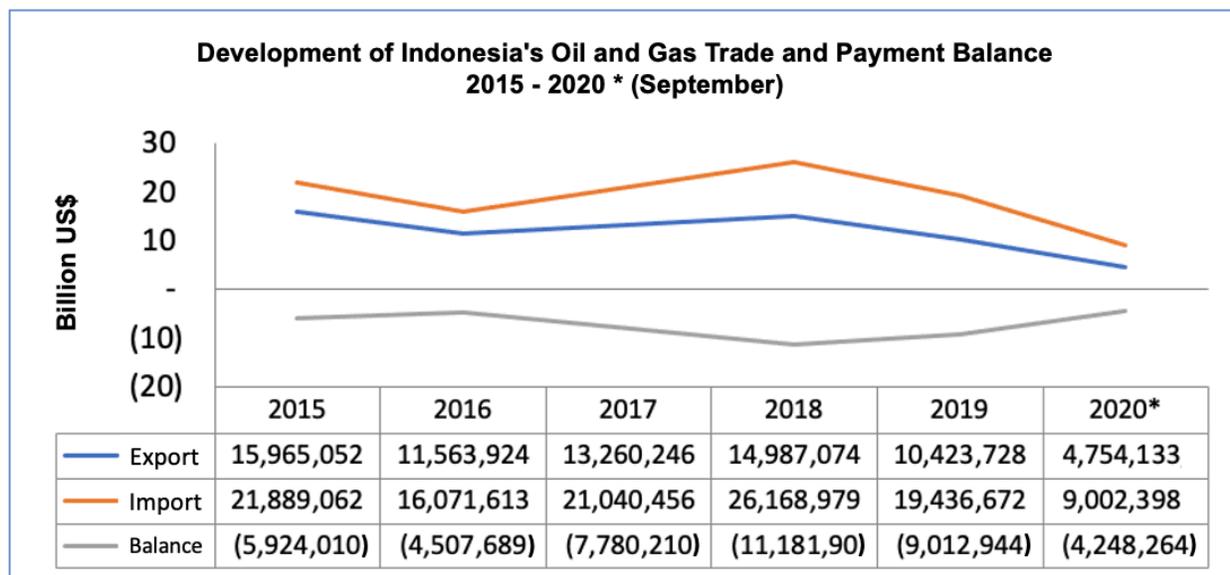
The Indonesia Government has continued to carry out regulatory reforms to improve the investment climate amid global uncertainty due to the COVID-19 pandemic. Currently, the upstream oil and gas industry is facing several challenges, among others, reduced demand for oil and gas due to the COVID-19 pandemic, declining proportion of oil and gas in the global energy structure due to shift to renewable energy, lower oil prices, and technological developments enabling production of shale oil. Investment in the oil and gas sector declined in 2020. Until the third quarter of 2020, the realized investment in oil and gas had only reached USD7.82 billion, far below investment target for 2020 of USD14.54 billion.



* until September 2020, Source: Ministry of Energy and Mineral Resources

Figure 129. Oil and Gas Investment in 2016–2020

Meanwhile, Indonesia's oil and gas trade balance & payment has begun to improve since 2018 in line with issuance of government's policy through Regulation of Minister of EMR (Permen) Number 42 of 2018 on Priority on the Use of Petroleum to Meet Domestic Needs. Article 2 of Permen 42 of 2018 sets out that PT Pertamina (Persero) and Business Entities that Hold Petroleum Processing Business Licenses must prioritize petroleum supply from domestic sources. In 2020, however, the oil and gas trade and payment showed a downward trend, as did other energy due to the COVID-19 pandemic.



* until September 2020, Source: Directorate General of Oil and Gas, Ministry of Energy and Mineral Resources

Figure 130. Indonesia's Oil and Gas Trade & Payment Balance 2015–2020

8.4.2 Efforts to Reduce the Impacts of COVID-19

The Indonesian Government provided an incentive to Cooperation Contract Contractors (KKKS) by postponing the Abandonment and Site Restoration (ASR) funds of 2020. The government expected KKKS were able to maintain their financial and operational stability during the pandemic, and thus, increase oil and gas production in 2020.

To improve the investment climate of the upstream oil and gas industry during the pandemic, the Ministry of Energy and Mineral Resources, Ministry of Finance, and SKK Migas have implemented five fiscal policies to support the performance of short-term and long-term activities.

The fiscal policies implemented by the government are:

- 1) **Postponement of post-operation or Abandonment and Site Restoration (ASR) reserve funds.** The COVID-19 pandemic has weakened many strategic sectors, including the oil and gas sector. The pandemic has forced oil and gas companies to reorganize their budget strategies. Responding to the situation, SKK Migas temporarily postponed the payment of post-operation reserve funds in 2020.

- 2) **Exemption on LNG VAT through the issuance of GR No. 48/2020 on Import and/or Delivery of Certain Strategic Taxable Goods which are Exempted from VAT.** On August 24, 2020, the Government of Indonesia issued Government Regulation No. 48/2020 on Amendment to Government Regulation No. 81/2015.
- 3) **Exemption from rental fees for state assets to be used for upstream oil and gas activities.** On September 28, 2020, Minister of Finance issued Ministerial Regulation No. 140/2020 on Amendment to Regulation of Minister of Finance No. 89/2019. The government will soon formulate technical guidelines to implement this regulation.
- 4) **Application of Excess Gas volume (Over Supply) is sold at a market price for schemes above Top or Pay or Daily Contract Quantity.** In order to respond to the current weakening global economic conditions and in an effort to maintain national natural gas lifting which will have an impact on state revenues, it is necessary to have flexibility in the gas sale and purchase agreement by applying a market price for volumes above Take or Pay or Daily Contract Quantity. This policy is mainly considered for export contracts, especially for gas supplies that have no alternative buyers and cannot yet be absorbed by the domestic market.
- 5) **The application of tax incentives and incentives for upstream activities is in accordance with PP No. 27/2017 and PMK No. 122/2019.** Tax incentives in the form of exemption from PBB and taxes - indirect taxes according to the criteria in GR 27/2017 and PMK No 122/2019 and incentives for upstream activities including accelerated depreciation of DMO Holiday, investment incentives in accordance with PP No.27 / 2017 to maintain an economic value of Working Areas.

8.4.3 Mineral and Coal Sector

State revenue from extractive industries can be in the forms of tax and non-tax (Non-Tax State Revenue/PNBP). Tax revenue is regulated by tax laws, while the implementing regulations are made by Ministry of Finance. Meanwhile, PNBP is formulated by each state ministry and set out in government regulations (GR).

8.4.3.1 State Revenues from Extractive Industries

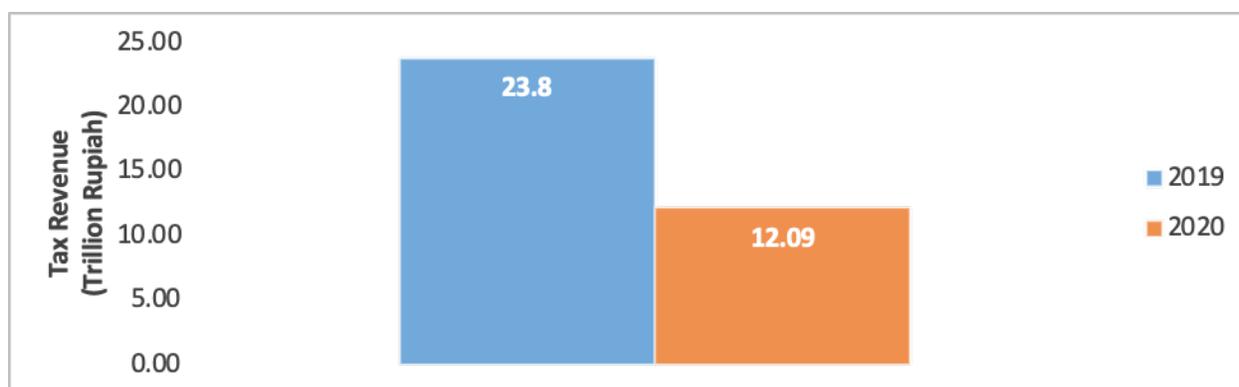
A. Tax Revenue

The following is a comparison of tax revenue from the mineral and coal sector in 2019 and 2020 (January to August):

Table 105. Tax Revenues from the Mineral and Coal Sector in 2019 and 2020 (January to August) (Trillion Rupiah)

Year	2019	2020
Tax Revenue	23.80	12.09

Source: Ministry Energy and Mineral Resources



Source: Ministry Energy and Mineral Resources

Figure 131. Tax Revenues from the Mineral and Coal Sector in 2019 and 2020 (January to August)

Lower tax revenues from the mineral and coal mining sector in 2020 was caused by, among others, falling sales of mineral and coal due to less demand and weaker commodity prices due to the pandemic. Additionally, the government provided a number of fiscal stimuli. For example, the government relaxed Income Tax (PPH) Article 21 on the Sales of Mining Commodities for six months, PPh Article 23 (Final Income Tax) for six months, and PPh Article 22 (Imports) for six months. The government also reduced PPh Article 25 (income tax paid in installments) by 30% for six months, and Corporate Income Tax from 25% to 22%.

The Government gave the fiscal stimuli to help companies with their cash flow. For coal miners, the coal prices (HBA) until August 2020 had decreased by 23.65% (price was USD65.93/tonne in January, USD 50.34/tonne in August), distancing company's profit target.

B. Non-Tax State Revenue (PNBP)

The changes in the posture and details of the 2020 State Budget had also changed the state revenue target in all sectors, including mineral and coal sector. **Table 106** shows the changes in the target of the non-tax state revenue from the mineral and coal sector in 2020.

Table 106. Changes in PNBP Target from the Mineral and Coal Sector in 2020

Description	Target in APBN	Target in APBN-P2 (GR No. 72/2020)
PNBP	Rp44.40 trillion	Rp31.41 trillion

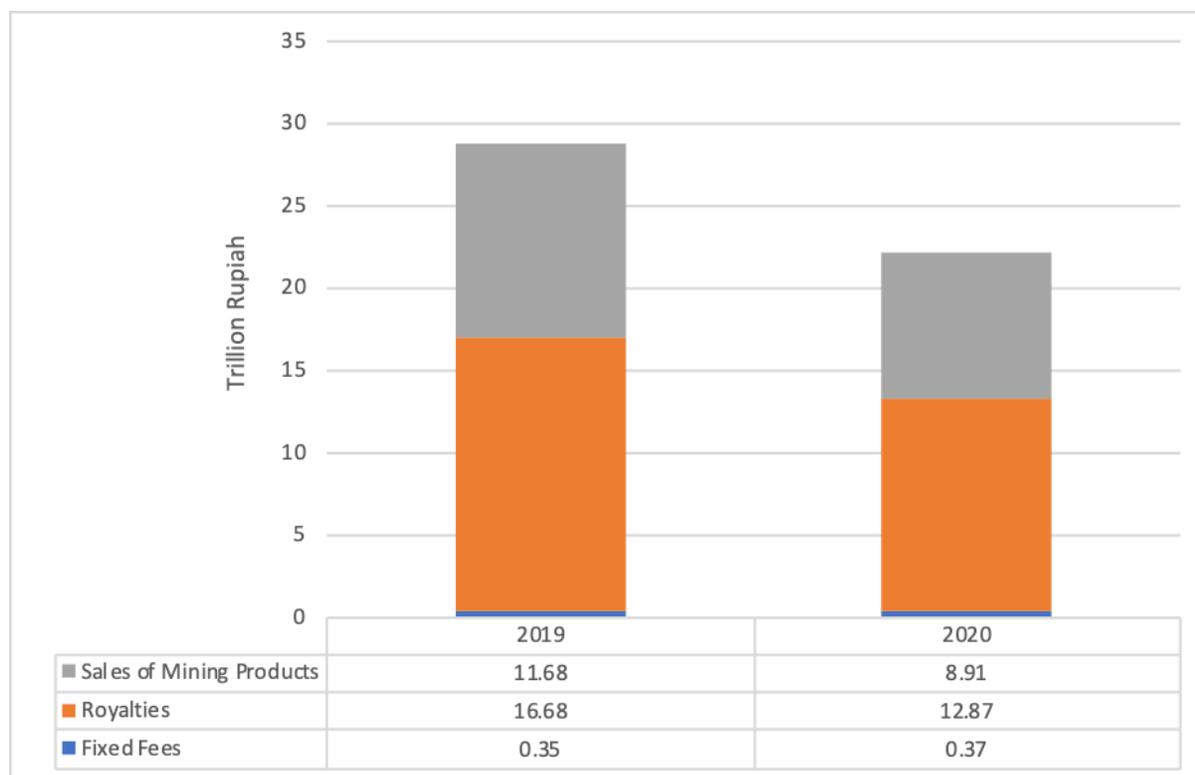
Source: Directorate General of Mineral and Coal

The following is a comparison of Non-Tax State Revenues (PNBP) from the mineral and coal sector in 2019 and 2020 (January to August):

Table 107. Non-Tax State Revenue from Mineral and Coal Sector in 2019 and 2020 (January to August)

Description	2019 (Trillion Rupiah)	2020 (Trillion Rupiah)
Non-Tax State Revenue	28.72	22.15

Source: Directorate General of Mineral and Coal



Source: Directorate General of Mineral and Coal

Figure 132. Non-Tax State Revenues from the Mineral and Coal Sector in 2019 and 2020

The PNBP from the mineral and coal sector in January to August 2020 decreased by 23% from PNBP in the same period in 2019. Because PNBP from coal contributes 75%-80% to total PNBP from the mineral and coal sector, it is clear that lower PNBP had been caused by a weakening price of coal commodity. Sales (exports) of coal in January to August 2019 were 301.01 million tonnes, while sales in January to August 2020 decreased to 207.09 million tonnes. Coal prices (HBA) until August 2020 decreased by 23.65%. As explained in Chapter V, coal mining had contributed around 75%-80% to the total PNBP from the mineral and coal sector in the last few years.

8.4.3.2 Allocation of State Revenues from Extractive Industries

Funds collected through State Treasury will be allocated to carry out the duties of the central government and to implement fiscal balance between the central and regional governments as set out in Law No. 17/2003 on State Finance.

Based on Presidential Regulation No. 54/2020 on Changes in Posture and Details of the State Budget for the 2020 Fiscal Year, the budget of the central government is prioritized to the handling of the COVID-19 pandemic and/or the counter of threats that endanger the national economy and/or financial system stability. The budget is allocated for health spending, social safety net, and economic recovery. Meanwhile, the Village Funds can be used for, among others, social safety net in the form of direct cash assistance to the poor and health spending to handle the COVID-19 outbreak in villages.

A. Performance of Central Government Duties

The changes in the posture and details of the 2020 State Budget described above also changed the budget of Directorate General of Mineral and Coal. The following is the budget of Directorate General of Mineral and Coal for 2020 (January to August).

Table 108. Budget of Directorate General of Mineral and Coal for 2020 (January to August)

Description	Target in APBN-2 (GR No. 72/2020)	Realization
Budget	Rp0.45 trillion	Rp0.25 trillion

Source: Directorate General of Mineral and Coal



Source: Directorate General of Mineral and Coal

Figure 133. Budget of Directorate General of Mineral and Coal for 2020 (January to August)

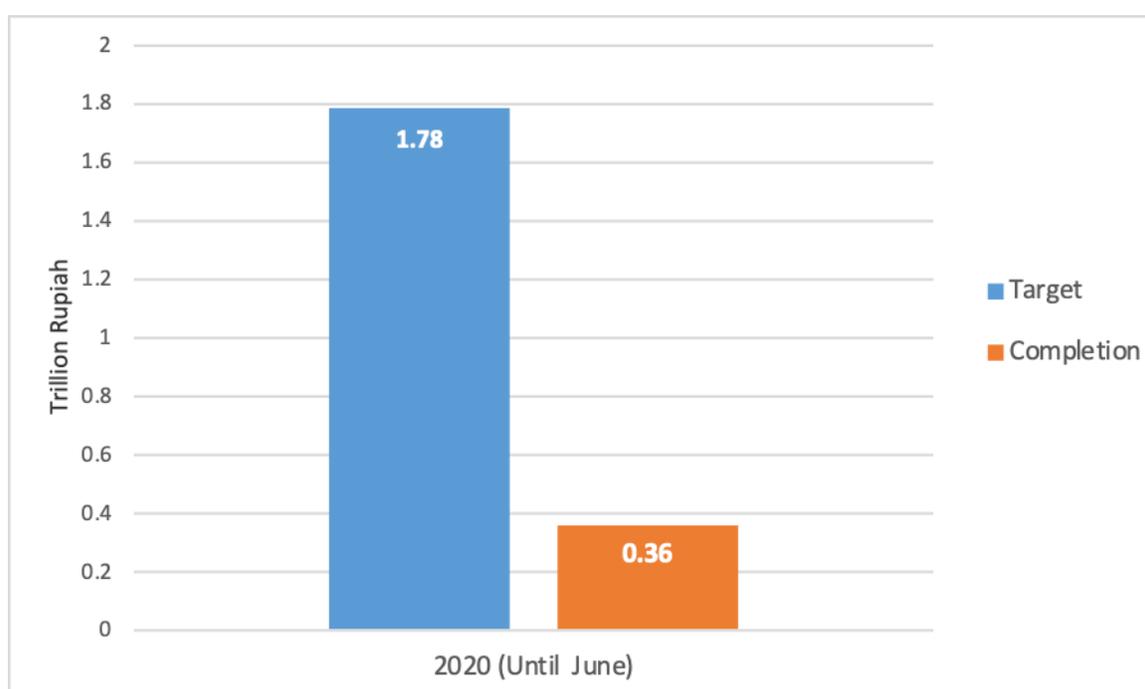
The realized budget of Directorate General of Mineral and Coal was only 55.5% of the target set in Presidential Regulation No. 72/2020 on Amendment to Presidential Regulation No. 54/2020 on Changes in Posture and Details of the State Budget for the 2020 Fiscal Year, because the state revenue was allocated for handling the impacts of the COVID-19 pandemic.

Meanwhile, the realized budget of Directorate General of Oil and Gas until June 2020 was only Rp0.36 trillion of Rp1.78 trillion in the budget plan. The low absorption of budget was mainly due to payment procedures for infrastructure such as gas networks construction and converter kits for fishers and farmers. Payment of infrastructure development is usually made in the fourth quarter of the year. In the fourth quarter, budget realization will be large.

Table 109. Budget of Directorate General of Oil and Gas for 2020 (January to June)

Description	Target in APBN (Trillion Rupiah)	Realization (Trillion Rupiah)
Budget	1.78	0.36

Source: Ministry of Energy and Mineral Resources

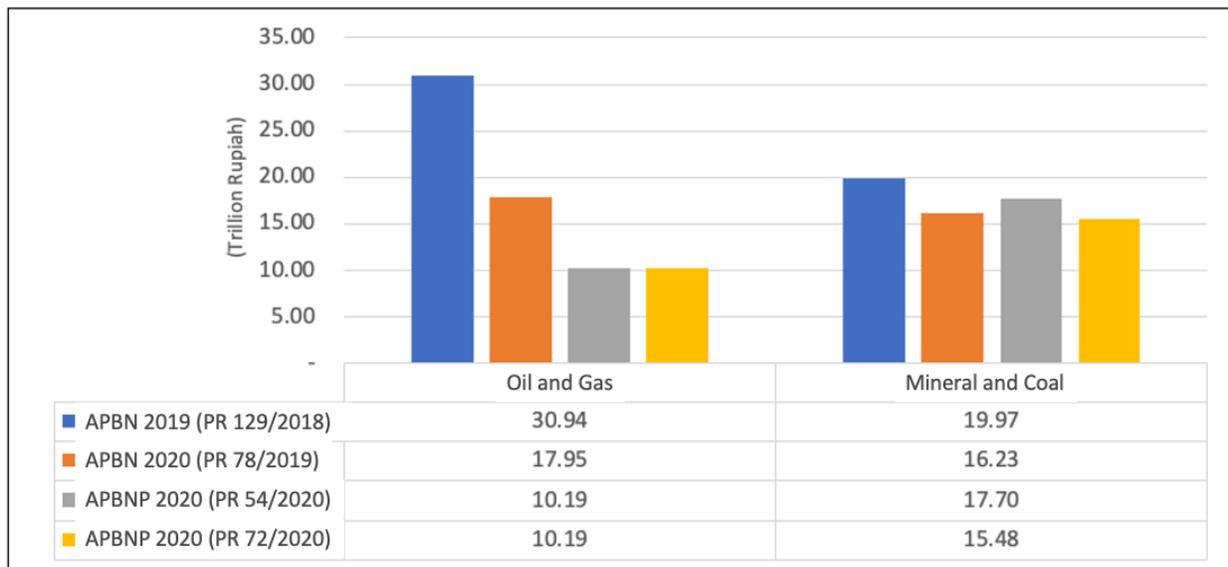


Source: Ministry of Energy and Mineral Resources

Figure 134. Budget of Directorate General of Oil and Gas for 2020 (January to June)

B. Financial Balance between Central and Regional Governments

The 2020 State Budget was changed twice: through Presidential Regulation No. 54/2020 on Changes in Posture and Details of the State Budget for the 2020 Fiscal Year, and Presidential Regulation No. 72/2020 on Amendment to Presidential Regulation No. 54/2020 on Changes in Posture and Details of the State Budget for the 2020 Fiscal Year. Because of these changes, the allocation ceiling for Natural Resources Profit-Sharing Funds (DBH SDA) from oil, gas, mineral, and coal has modified, as follows:

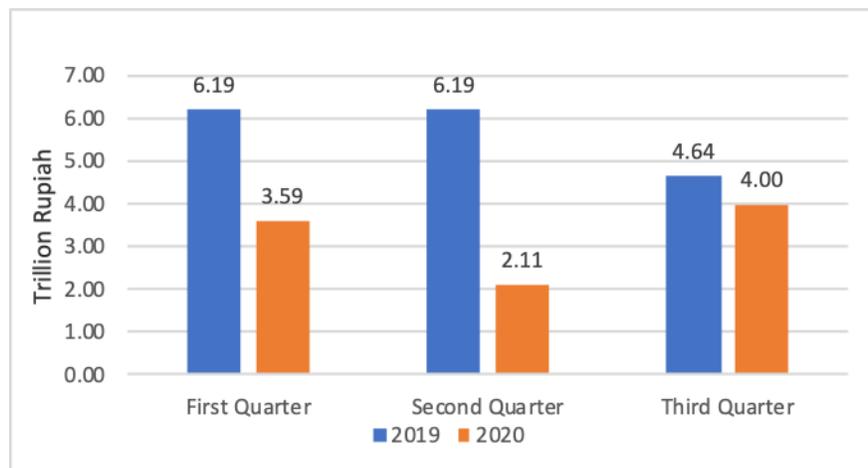


Source: Ministry of Finance

Figure 135. Allocation of DBH SDA Migas and DBH SDA Minerba in 2019-2020

Based on Presidential Regulation No. 78/2019, the allocation ceiling for the profit-sharing funds from oil and gas (DBH SDA Migas) for 2020 amounted to Rp17.95 trillion or decreasing by 41.9% from allocation ceiling in FY 2019 which was Rp30.94 trillion. Meanwhile, the allocation ceiling for the profit-sharing funds from mineral and coal (DBH SDA Minerba) for 2020 amounted to Rp16.23 trillion, or decreasing by 18.7% from allocation ceiling in FY 2019 which was Rp19.97 trillion. The ceilings had been adjusted to respond to reduced state revenue due to the COVID-19 pandemic.

In 2019 and 2020, the Government implemented a policy to postpone distribution of DBH of the fourth quarter, which was used to complete the KB DBH of the previous fiscal year. DBH distribution is carried out quarterly with a percentage set in regulation of Minister of Finance.



Source: Ministry of Finance

Figure 136. Realization of DBH SDA Migas in 2019-2020



Source: Ministry of Finance

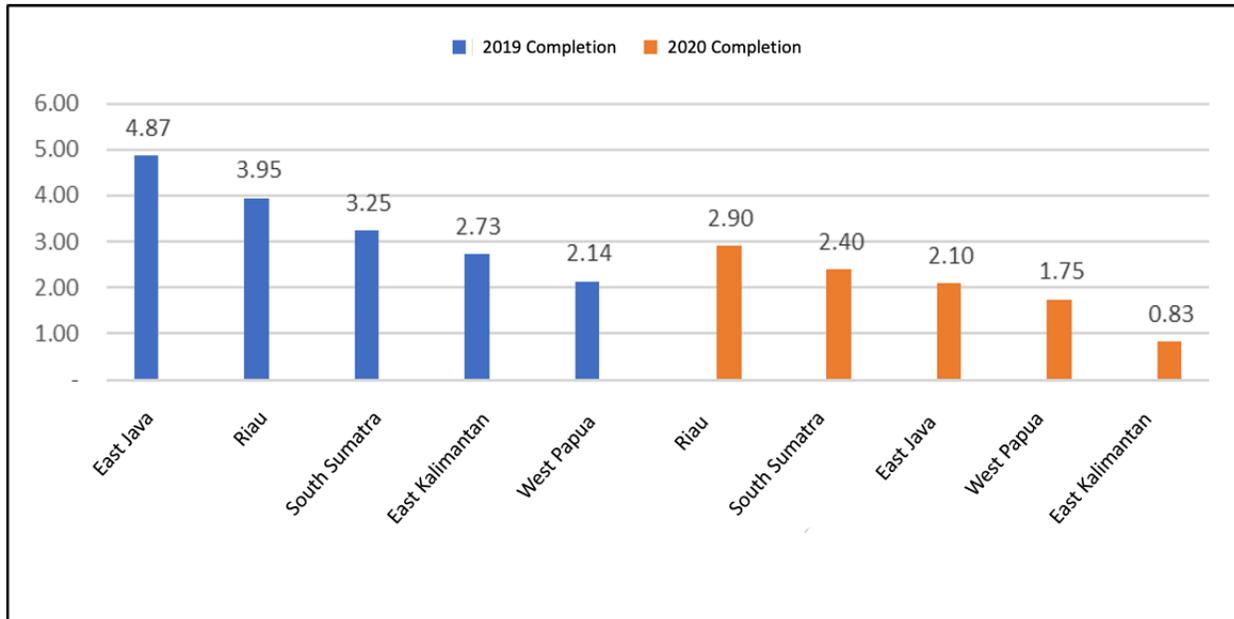
Figure 137. Realization of DBH SDA Minerba in 2019-2020

Based on Regulation of Minister of Finance (PMK) No. 139/2019 on the Management of Profit-Sharing Funds, General Allocation Funds, and Special Autonomy Funds, regional governments must submit an environmental sanitation report per semester as a precondition for distribution of profit-sharing funds from oil and gas (DBH Migas) and profit-sharing funds from mineral and coal (DBH Minerba).

Because of the COVID-19 pandemic and based on PMK No. 35/2020 on Management of Transfers to Regions and Village Funds for the 2020 Fiscal Year in the Context of Handling the 2019 Corona Virus Disease (COVID-19) Pandemic and/or Facing Threats that Endanger the National Economy, the environmental sanitation report was replaced with a report on the handling and prevention of COVID-19. The report contains performance of activities in the health sector and provision of social and economic assistance to communities affected by COVID-19.

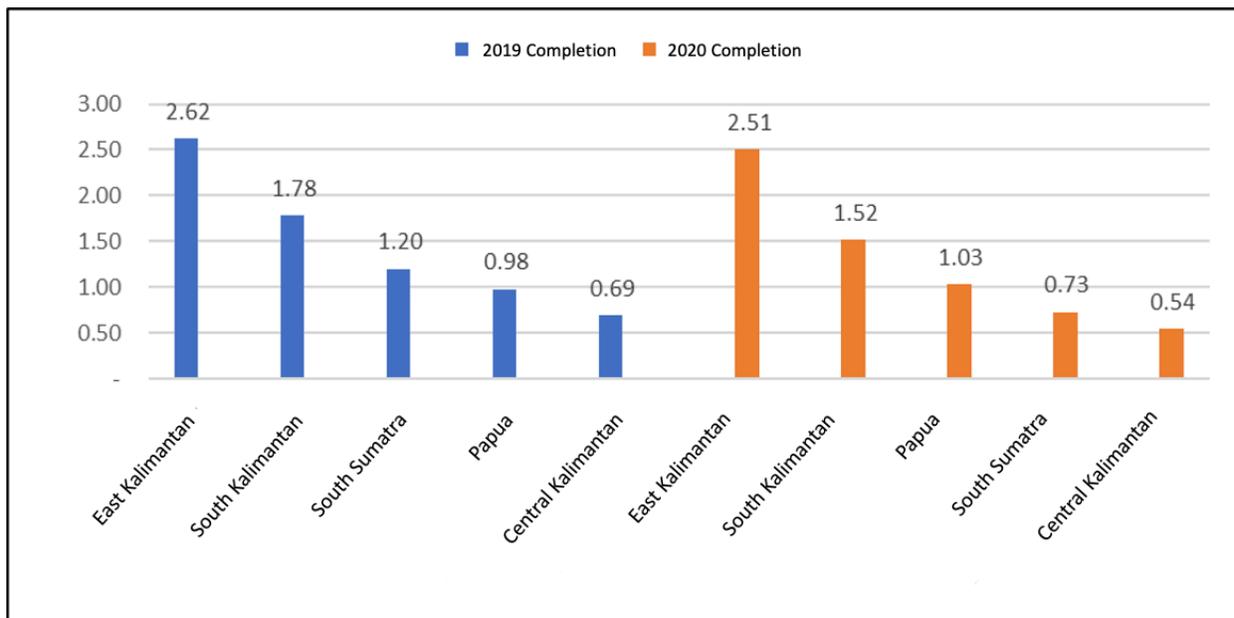
To facilitate distribution of funds needed for handling COVID-19, the central government relaxed the precondition for distribution of profit-sharing funds in quarter III. PMK No. 101/2020 on the Distribution and Use of Transfers to Regions and Village Funds for the 2020 Fiscal Year to Support the Handling of the 2019 Corona Virus Disease (COVID-19) Pandemic and National Economic Recovery sets out that a report on the handling and prevention of COVID-19 is no longer a precondition for distribution. With the relaxation, the profit-sharing funds from oil and gas mining (DBH Migas) and those from non-oil and gas mining can be distributed according to the rights of the regions from the first to the third quarters.

The realization of DBH SDA Migas in the first to third quarters of 2019 totaled Rp17.01 trillion, with East Java Province receiving the largest portion of the DBH at Rp4.87 trillion. Meanwhile, the realization of DBH SDA Migas in the first to third quarters of 2020 was Rp9.7 trillion, and Riau Province received the largest amount of DBH at Rp2.9 trillion.



Source: Ministry of Finance

Figure 138. Top 5 Realization of DBH SDA Migas in 2019-2020

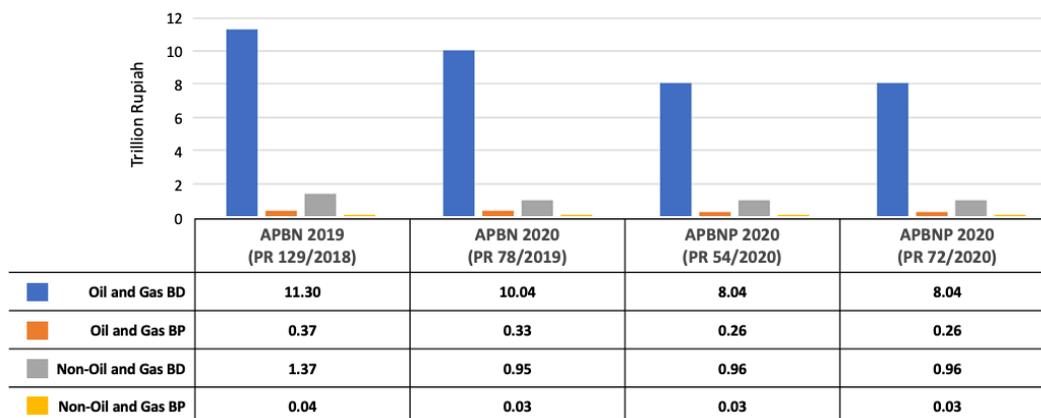


Source: Ministry of Finance

Figure 139. Top 5 Realization of DBH SDA Minerba in 2019-2020

In 2019, the realization of DBH SDA Minerba in the first to the third quarters amounted to Rp13.97 trillion, with East Kalimantan Province receiving the largest DBH at Rp2.62 trillion. Meanwhile, the realization of DBH SDA Minerba in the first to the third quarters in 2020 was

Rp13.09 trillion, and East Kalimantan Province was still the province receiving the largest portion at Rp2.51 trillion.

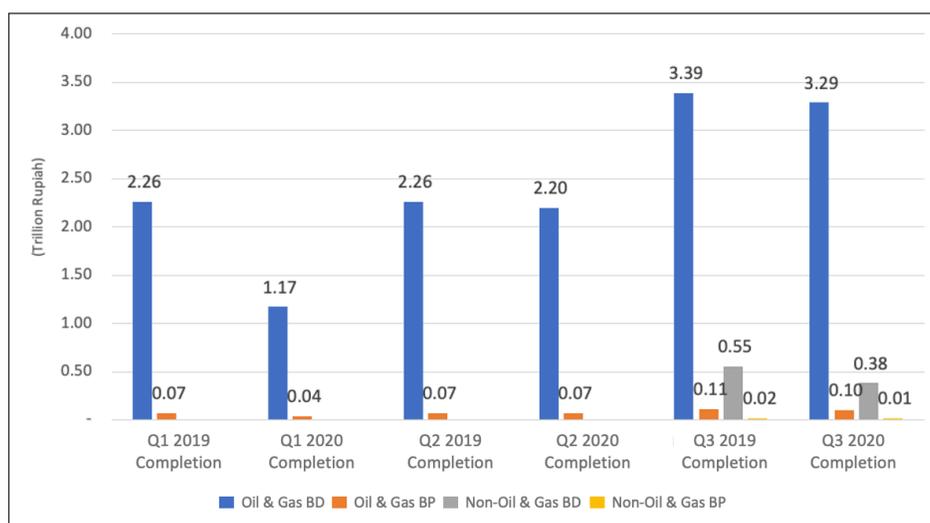


Source: Ministry of Finance

Figure 140. Allocation of DBH PBB Migas and DBH PBB Non-Migas in 2019-2020

Similar to DBH SDA Migas and DBH SDA Minerba, the allocation ceiling for the profit-sharing funds from oil and gas land and building tax (DBH PBB Migas) and the profit-sharing funds from non-oil and gas land and building tax (DBH PBB Non-Migas) decreased by 13.22%, from Rp13.08 trillion in 2019 to Rp11.35 trillion in early 2020. A lower allocation ceiling was contributed by a significant decrease in the estimated state revenue.

In response to declining state revenue due to the COVID-19 pandemic, an adjustment was made to the allocation ceiling of the 2020 State Budget. The allocation ceiling for DBH PBB Migas dan DBH PBB Non-Migas decreased by 18.15%, from Rp11.35 trillion to Rp9.26 trillion.

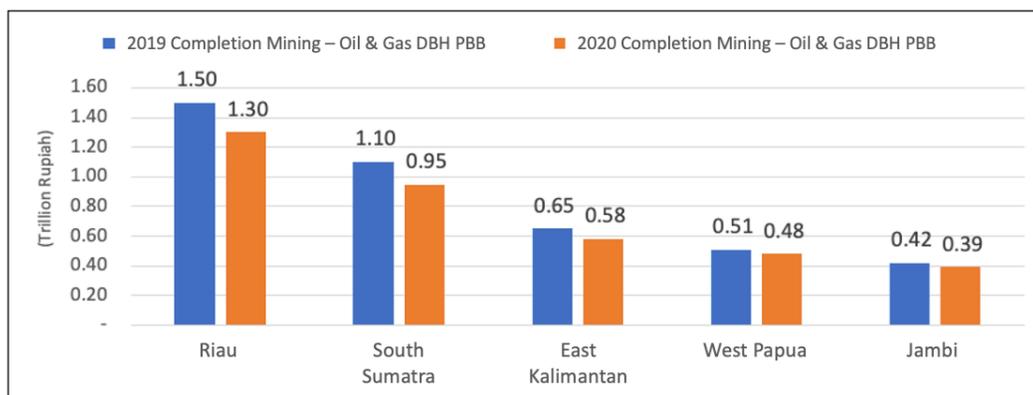


Source: Ministry of Finance

Figure 141. Realization of DBH PBB Migas and DBH PBB Non-Migas in 2019-2020

Meanwhile, **Figure 141** shows the realization of DBH PBB Migas and DBH PBB Non-Migas in 2019-2020. The realization in the first to the third quarters of 2019 amounted to Rp8.74 trillion, while the realization in the first to third quarters of 2020 amounted to Rp7.29 trillion. The

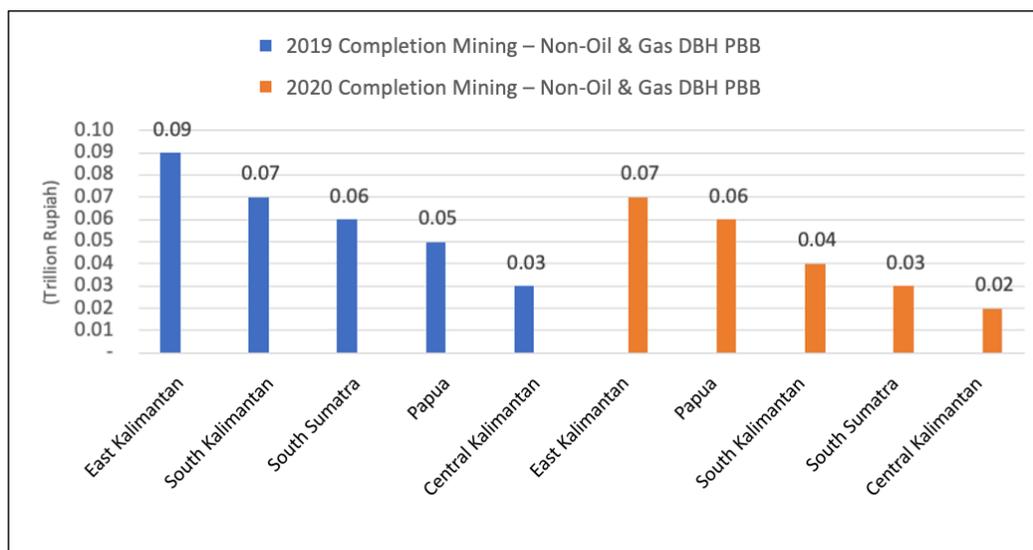
quarterly realization fluctuated, depending on the completeness of the required documents submitted by regional governments.



Source: Ministry of Finance

Figure 142. Top 5 Realization of DBH PBB Migas FY 2019-2020

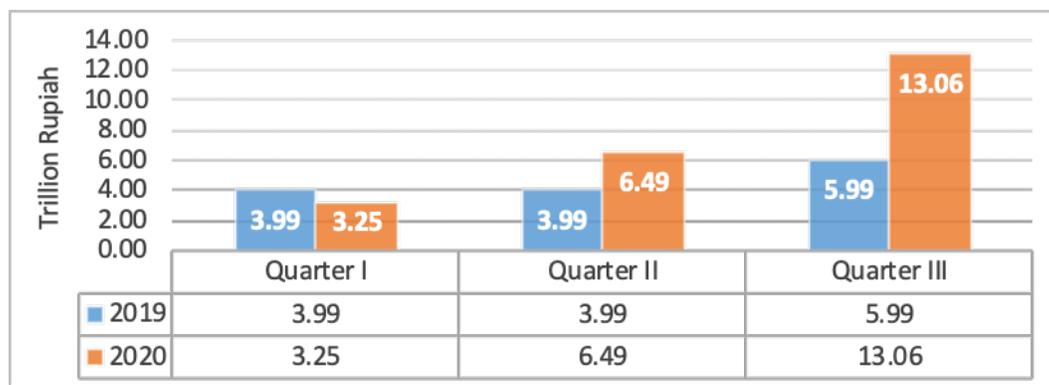
Five provinces that received the largest DBH PBB Migas in the first to the third quarters of 2019-2020 were Riau, South Sumatra, East Kalimantan, West Papua, and Jambi Provinces. Riau Province received the largest DBH, at Rp1.5 trillion in 2019 and Rp1.3 trillion in 2020.



Source: Ministry of Finance

Figure 143. Top 5 Realization of DBH PBB Non-Migas FY 2019-2020

The largest recipient of DBH PBB Non-Migas in the first to the third quarters of 2019-2020 was East Kalimantan Province, at Rp98.7 billion in 2019 and Rp76 billion in 2020.



Source: Directorate General of Mineral and Coal

Figure 144. DBH from the Mineral and Coal Sector in 2019 and 2020 (Quarters I to III)

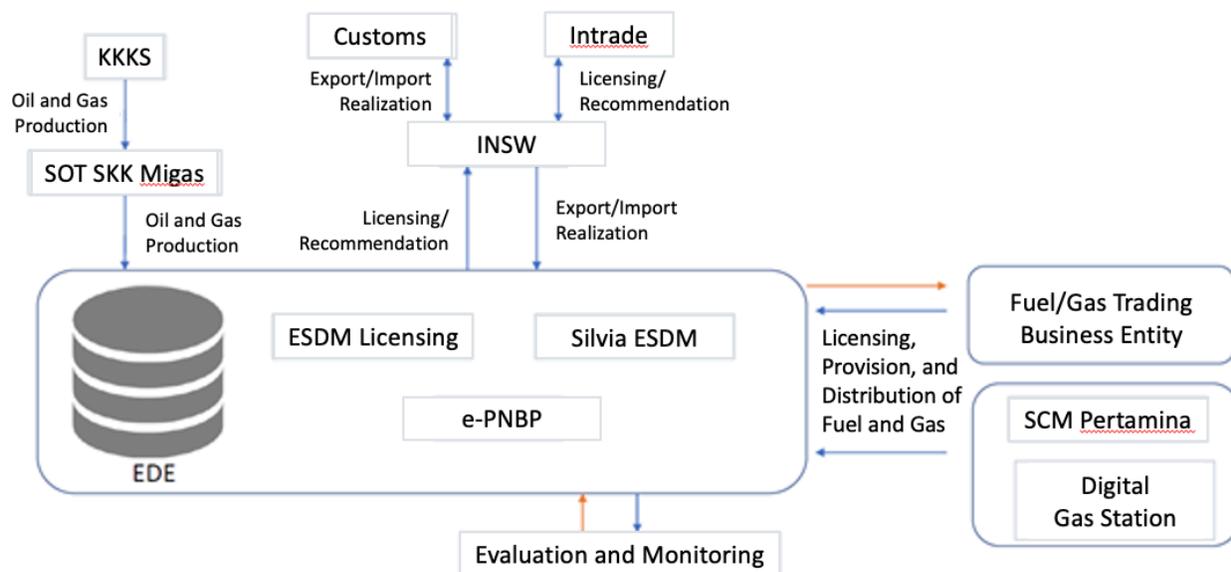
The realization of DBH from the mineral and coal sector in 2020 increased by 63% from realization in 2019. This increase occurred in Quarter II and Quarter III of 2020 because of the COVID-19 Pandemic.

8.5 Information Technology Systems

Presidential Regulation No. 39/2019 on One Indonesian Data was issued on June 12, 2019. One Data Indonesia is a Government data management policy to produce accurate, up-to-date, integrated, and accountable data that are easily accessible and shared. Data generated by data producers must be based on the principles of complying with data standards, having metadata, fulfilling data interoperability rules, and using reference codes and/or master data.

8.5.1 Oil and Gas Sector

The advancement of digital technology supports data improvement. For this reason, it is necessary to build an integrated system so that credible data can be accessed more efficiently. The Ministry of Energy and Mineral Resources (MEMR) has prepared integration between data from state ministries/agencies involved in the oil and gas sector and applications such as ESDM Licensing, Silvia ESDM, and e-PNBP. These applications connect data from several ministries/institutions such as the Ministry of Finance, SKK Migas, PT Pertamina, etc. MEMR will continue to monitor and evaluate data integration to develop a better system.



Source: Ministry of Energy and Mineral Resources

Figure 145. Oil and Gas Data System Flowchart

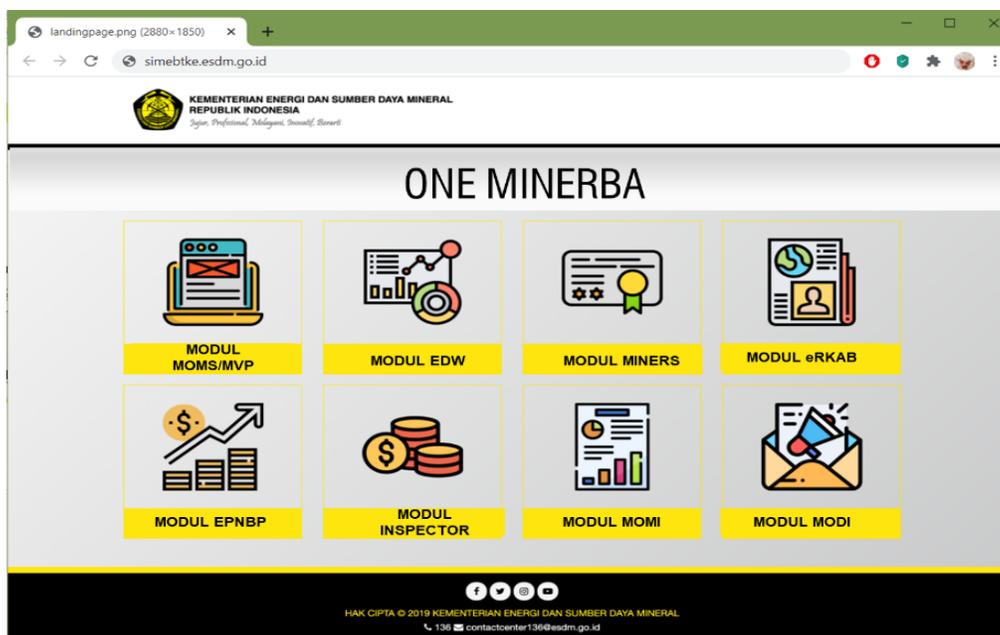
8.5.2 Mineral and Coal Sector

The Directorate General of Mineral and Coal has initiated efforts to implement a digital system since 2017. The mineral and coal digital system is aimed to facilitate the licensing process for the public and business entities and to increase efficiency, productivity, transparency, and accountability. Using this system, license approval will be given online. Thus, it is necessary to decide which documents can be completed through the system and which ones must be replied to in physical letters.

Based on the results of a meeting led by Director General of Mineral and Coal on October 15, 2020, data entry must be made digitally, not by uploading a scanned pdf file, so that the data can be processed. Identification of obstacles in the licensing application must also be made to ensure that services run more quickly and efficiently and to avoid repetition in data entry.

Directorate General of Mineral and Coal is a role model of digital system usage at the Ministry of Energy and Mineral Resources. The Ministry of Energy and Mineral Resources itself is among top 5 state ministries/agencies and regional governments on the Indonesian Electronic-Based Government System (SPBE) Index with a score of 3.8 (very good). However, the Ministry's ICT Governance score is still low because the ministry has yet to improve the integration between applications.

One portal should be created to contain all applications within the mineral and coal sector. An example of such portal is oneminerba.esdm.go.id, which includes MOMS, EPNBP, MINERS, ERKAB, etc. as shown in **Figure 146**.



Source: Ministry of Energy and Mineral Resources

Figure 146. Home page of oneminerba.esdm.go.id

8.6 Social and Environmental Responsibility during the COVID-19 Pandemic

8.6.1 Social Responsibility

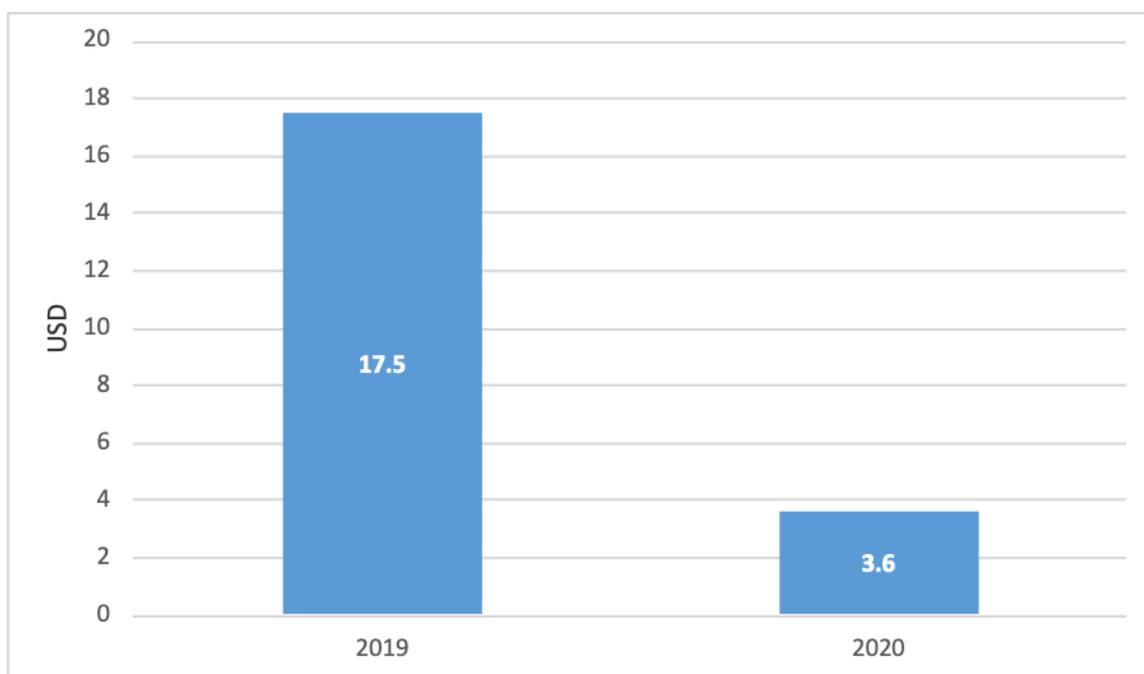
8.6.1.1 Oil and Gas Sector

The social responsibility of KKKS is carried out through the Community Development and Empowerment Program (CDEP). The following compares the realization of CDEP carried out before the COVID-19 pandemic hit (2019) and during the pandemic (2020).

Table 110. Realization of CDEP in the Oil and Gas Sector

Description	2019 (Million USD)	2020 (Million USD)
Realization of CDEP	17.5	3.6

Source: SKK Migas



Source: SKK Migas

Figure 147. Realization of CDEP in the Oil and Gas Sector in 2019 and 2020

CDEP realization in the oil and gas sector in 2020 declined significantly. In 2019, CDEP realization was USD 17.5 million, but in 2020 it decreased to USD 3.6 million. The main reason was the impacts of the COVID-19 pandemic. Many KKKS have had to reschedule their CDEP activities. Additionally, limitation on gathering activities, social restrictions, and implementation of Work from Home (WFH) policy has postponed many CDE programs. CSR activities other than the CDEP are the initiatives of KKKS, and the costs are not covered by the Production Sharing Contract (PSC).

8.6.1.2 Mineral and Coal Sector

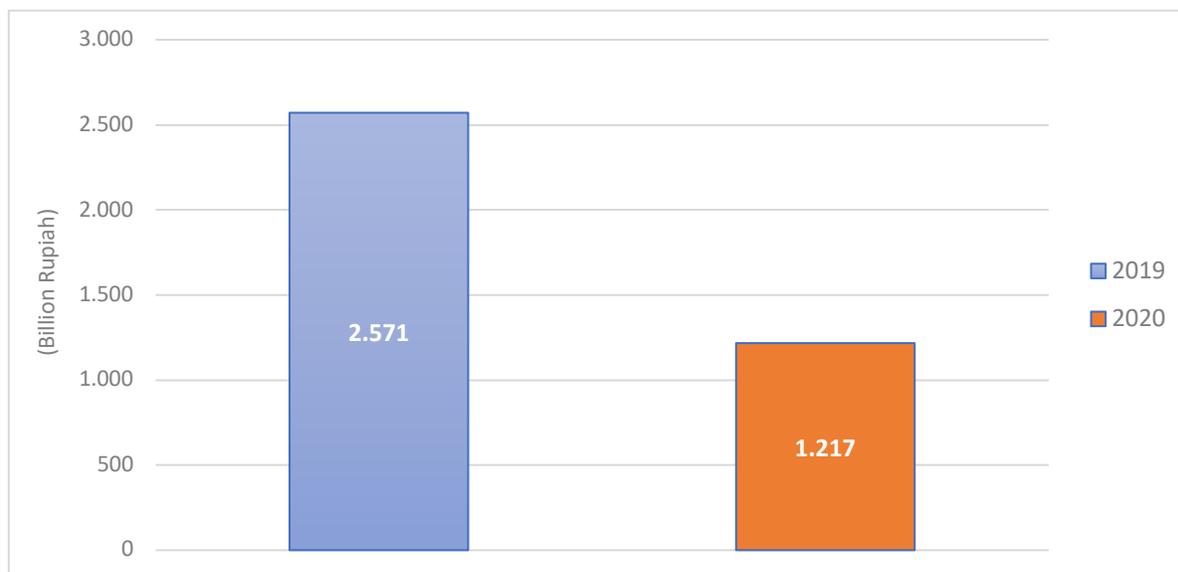
The corporate social responsibility of mineral and coal miners is carried out by implementing the Community Development and Empowerment Program (CDEP) described in Chapter VII.

The following compares CDEP costs in the mineral and coal sector in 2019 and 2020 (Quarter I to Quarter III).

Table 111. Realization of CDEP in the Mineral and Coal Sector (Q1 to Q3)

Description	2019 (Billion Rupiah)	2020 (Billion Rupiah)
Realization of CDEP	2,571	1,217

Source: Directorate General of Mineral and Coal



Source: Directorate General of Mineral and Coal

Figure 148. Realization of CDEP in the Mineral and Coal Sector in 2019 and 2020 (Q1 to Q3)

The realization of CDEP in the mineral and coal sector in quarters I to III of 2020 decreased by 52.66% from the realization of CDEP in the same period in 2019. The main reason was that companies had to postpone or reschedule CDEP because they had to use the budget to help the government deal with the impacts of the COVID-19 pandemic. Additional reasons included limitation on gathering activities, social distance policy, and implementation of WFH program. CDEP could not be carried out or had to be postponed. This, however, shows that companies are still committed to the CDEP even though they have to face a number of obstacles during the pandemic.

8.6.2 Environmental Responsibility

8.6.2.1 Oil and Gas Sector

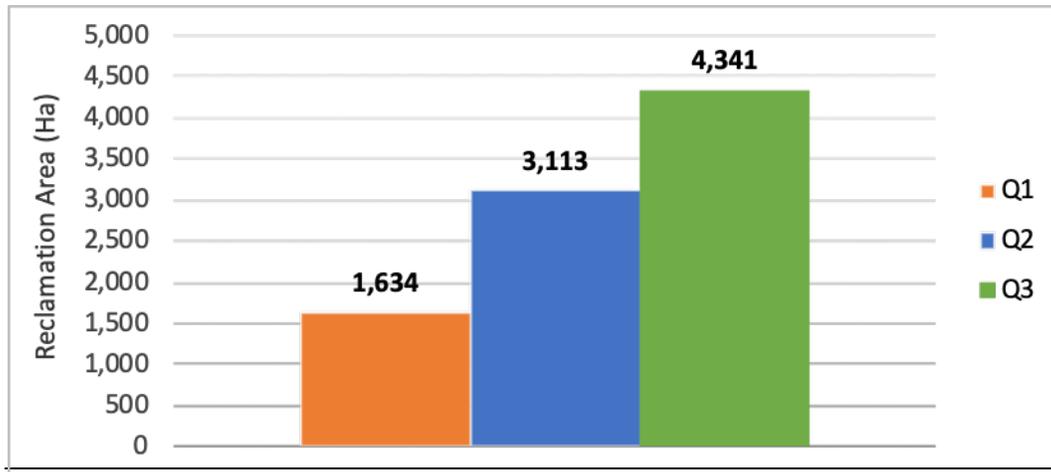
Oil and gas companies must set aside reserve funds for Abandonment and Site Restoration (ASR). ASR reserve funds are used to permanently stop the operation of production facilities and other supporting facilities, remove the facilities' ability for re-operation, and restore the environment in the activity area. KKKS are obliged to carry out site restoration. Areas that were part of upstream oil and gas business activities must be returned to their original conditions before exploration took place. Until 2019, the total ASR funds collected were USD 1.42 billion.

In 2020, the COVID-19 pandemic forced many strategic sectors, including the oil and gas sector, to weaken. The Indonesian Government adopted a policy to postpone payment of ASR funds in 2020. The postponement of the ASR funds payment was only applicable for 2020. The postponed ASR funds would then be charged in full in Semester I of 2021, plus the ASR funds amount of 2021. Until the end of Semester 1 of 2020, 30 KKKS had stated that they would take the ASR postponement. The postponed ASR funds in Semester 1 of 2020 reached USD26

million, while the total postponed funds at the end of 2020 has been estimated at USD66.6 million.

8.6.2.2 Mineral and Coal Sector

During the COVID-19 pandemic in 2020, reclamation of mineral and coal areas were still carried out. Until September 2020, reclamation had been carried out on 4,341 Ha of land. This proves that mining companies continue to pay attention to environmental management despite difficult conditions.



Source: Directorate General of Mineral and Coal, October 2020

Figure 149. Post-Mining Reclamation in Q1 to Q3 of 2020

CHAPTER IX

EXTRACTIVE INDUSTRY POLICY REFORM

9.1 Extractive Industry Policy Based on Value Chain

In recent years, the Indonesian Government has reformed the policies in the extractive industries to improve governance, especially related to accountability and transparency in the oil and gas sector and the mineral and coal sector. This chapter discusses the policy reforms based on the value chain.

Transparency: discloses payment by oil, gas, mineral, and coal mining companies to the government, and then the government opens the information to the public. The amount of companies' payment is then reconciled by an Independent Administrator (IA) and published in an annual Transparency Report along with other contextual information about the extractive industry sector.

Accountability: A multi-stakeholder group consisting of representatives from the government, companies, and civil society are formed to oversee the process, communicate the findings of the EITI report and encourage the integration of EITI into broader transparency efforts in the EITI implementing countries.

9.1.1 Oil and Gas Sector

The Indonesian Government continues to make various regulatory improvements to increase investment, transparency, and accountability in the oil and gas sector. The oil and gas industry is full of uncertainty, so the government must reduce the uncertainty in order to attract investment and increase production. Sources of uncertainty can be external, such as oil price fluctuations, or internal such as complex regulations and licensing, incentive support, and transparency. The Indonesian Government made several policy improvements to increase investment and improve governance in the oil and gas sector, among others:

9.1.1.1 Simplification of Oil and Gas Licensing

The Ministry of Energy and Mineral Resources (MEMR) seeks to simplify oil and gas licensing in order to make the licensing process transparent, effective, efficient, and accountable. Based on Regulation of Minister of Energy and Mineral Resources No. 29/2017, most licensing processes in the oil and gas sector have been delegated to the One-Stop Investment Licensing Service at the Indonesia Investment Coordinating Board (PTSP-BKPM).

The licensing services of the MEMR at the PTSP are offered in the so-called 3-hour MEMR licensing services (ESDM3J). The licenses include business licenses of electricity supply, petroleum storage, processed products/CNG storage, LPG storage, petroleum processing, natural gas processing, petroleum/fuel general trading, and processed products general trading.

To synchronize the licensing in oil and gas business activities, the MEMR issued EMR Ministerial Regulation (Permen) No. 40/2017 on Delegation of Authority for Licensing of Oil and Gas Business Activities to Head of Investment Coordinating Board. The Minister of Energy and Mineral Resources delegates the authority to grant licenses in oil and gas activities for implementing the One-Stop Investment Licensing Services.

In the oil and gas subsector, only six licenses (2 Upstream and 4 Downstream licenses) and four non-licenses (e.g. fiscal and non-fiscal facilities, information about investment) that are still handled by the Ministry of Energy and Mineral Resources. Permen No. 29/2017 sets out that the licenses include Survey License, Oil and Gas Data Utilization License, Oil and Gas Processing Business License, Oil and Gas Storage Business License, Oil and Gas Transportation Business License, and Oil and Gas Commercial Business License.

The six licenses are simplification of 104 oil and gas licenses. In the upstream oil and gas, a survey license is a combination of several licenses, namely licenses for conventional oil and gas general survey, non-conventional oil and gas general survey, conventional oil and gas out-of-work-area survey, non-conventional oil and gas out-of-work-area survey. An oil and gas data utilization license is a combination of licenses to send data from general survey, exploration, and exploitation out of the country and to use data from general survey, exploration, and exploitation.

In the downstream oil and gas, a processing business license is valid for the processing of petroleum, natural gas, processed products, and other raw materials. A storage business license covers the storage of crude oil, fuel oils, LPG, LNG, CNG, and processed products. A transportation business license is applicable for crude oil, fuel oils, gas through pipelines, LPG, LNG, CNG, processed products, and other fuels. A commercial business license covers the trading of petroleum, fuel oils, gas through pipelines, gas through dedicated pipes, gas through pipelines with FSRU, LPG, LNG, CNG, and processed products.

9.1.1.2 Provision and Disclosure of Oil and Gas Data

a. Online Oil and Gas Data

To facilitate access to oil and gas data by investor, the Ministry of Energy and Mineral Resources in August 2019 issued Ministerial Regulation (Permen) No. 7/2019 on the Management and Utilization of Oil and Gas Data. Permen No. 7/2019 is a revision of Permen No. 27/2006 on Management and Utilization of Data from general surveys, exploration, and exploitation of oil and gas. According to Permen No. 7/2019, data on oil and gas management and utilization can be accessed online through <https://datamigas.esdm.go.id/>.

Both members and non-members can access data. Members can access all data, including open and confidential data. Open data includes general data, raw data, processed data, and interpretation data which confidentiality period has expired. In contrast, confidential data is data bound by a contract.

Data utilization is regulated in Article 25 of Permen No. 7/2019 and Decision of Minister of Energy and Mineral Resources No. 33K/03/MEM/2020 on Membership System in Upstream Oil and Gas Data Utilization. The membership is divided into mandatory members, i.e. KKKS and affiliates, and non-mandatory members, i.e. business entities, permanent establishments, universities, and implementing units within the Ministry of EMR. Data utilization is valid for a maximum of one year. For KKKS, business entities, permanent establishments, and universities, the validity period starts at the time the payment of membership fee is received, while for non-members, the validity period starts from the time registration is approved.

b. Oil and Gas Import Data

PT Pertamina has been more transparent in data disclosure by presenting import data in 2019 at <https://pertamina.com/id/laporan-pengadaan-impor-periode-2019>. The information includes data on imports of crude oil, fuel oils, and LPG. Information about chartered vessels can be accessed at <https://pertamina.com/id/informasi-kapal>.

In 2019, Pertamina imported 87,063,238 barrels of crude oil, or equivalent to USD5.72 billion. There were twelve countries supplying crude oil to Pertamina, with Saudi Arabia and Nigeria the top two suppliers. Saudi Arabia supplied Arabian Light Crude with a volume of 35,683,321 barrels. Other supplying countries included Malaysia, New Zealand, Papua New Guinea, Sudan, Australia, United Arab Emirates, Norway, Vietnam, and the United States. Pertamina also imported Diesel/HSD/MGO/ADO fuel with a volume of 816,622 barrels from Malaysia. Overall, the total procurement of gasoline or crude oil products reached 128,423,637.73 barrels with a value of USD8.87 billion.

For LPG imports in 2019, Pertamina supplier countries include the United States, United Arab Emirates, Algeria, Angola, Saudi Arabia, Kuwait, Nigeria, Qatar, Bahrain, and Australia. Total imported LPG in 2019 reached 5,844,919 Metric Tons (MT), with a value of USD2.27 billion.

9.1.1.3 Fiscal System Flexibility

Permen No. 12/2020, signed by Minister of Energy and Mineral Resources on July 15, 2020 and promulgated on July 16, 2020, offers Gross-Split and Cost-Recovery contract schemes to investors. The regulation is a follow up to the recommendation in the 2017 EITI Report, suggesting that KKKS can choose a contract with the government, either a cost-recovery PSC or gross-split PSC.

The ministerial regulation was also released to provide legal certainty for the revenue-sharing schemes and stimulate oil and gas investment amidst low oil prices due to the pandemic.

The Ministry of Energy and Mineral Resources also removed the provision about the management of work areas which contracts have expired and not renewed. Previously, the government automatically imposed a gross-split contract on the work areas. The government now offers flexibility on such work areas, so investors can apply for a cost-recovery or a gross-split scheme. The Indonesian Government had delayed the tenders for several oil and gas blocks to ensure that the rules for choosing a cooperation scheme were put in place first.

9.1.1.4 Fiscal Stimulus

To improve and enhance investment climate in the upstream oil and gas industry especially during the pandemic, the Ministry of Energy and Mineral Resources, Ministry of Finance, and SKK Migas have implemented five fiscal policies to support the implementation of short-term and long-term activities.

The five stimuli include postponement of post-operation or Abandonment and Site Restoration (ASR) funds in 2020, exemption on LNG VAT through the issuance of GR No. 48/2020 on Import and/or Delivery of Certain Strategic Taxable Goods which are Exempted from VAT Liability, exemption from rental fees for state assets to be used for upstream oil and gas activities, a discounted gas price for sales volume above "Take or Pay" and Daily Contract Quantity, and investment incentives such as accelerated depreciation, temporary split change, and full price DMO.

Through the issuance of GR No. 48/2020, the government has decided that Liquefied Natural Gas (LNG) is Taxable Goods which import and delivery are exempted from value-added tax (PPN). GR No. 48/2020 revises the previous GR No. 81/2015. A VAT-free certificate is not required to get VAT exemption when importing or delivering LNG.

Meanwhile, the exemption from rental fees for state assets to be used for upstream oil and gas activities is a follow-up to the recommendations of the 2017 EITI Report. The 2017 EITI Report recommends regulatory and policy reforms in the management of upstream oil and gas state assets and better implementation on field. On September 28, 2020, Minister of Finance issued Regulation of Minister of Finance No. 140/2020 to amend Regulation of Minister of Finance No. 89/2019. Regulation No. 140/2020 is expected to drive better, more transparent, and more accountable management of the upstream oil and gas state assets.

The regulation sets out that state assets in upstream oil and gas operations or those that are still used for exploitation and exploration fall under the authority of SKK Migas and the Aceh Oil and Gas Management Agency (BPMA). This way, decision for the sharing, borrowing between contractors, and transfer of state assets will not be too long to make. The government will also waive rental fees for state assets that will be used in upstream oil and gas activities, but it still formulates the technical guidelines for the waiver.

9.1.2 Mineral and Coal Sector

In the last few years, the government has carried out policy reforms in the extractive industry to improve mining governance, particularly on accountability and transparency. This section discusses the government's policy reforms for the extractive industries in the mineral and coal sector based on the value chain.

- **Transparency:** discloses payment from oil and gas companies as well as mineral and coal companies to the government, and then the government opens the revenue information to the public.
- **Accountability:** A Multi-stakeholder Group (MSG) with representatives from the government, companies, and civil society was formed to oversee the process, communicate the findings of the EITI Report, and integrate EITI into broader efforts towards transparency in the EITI implementing country.

Based on the value chain of the mineral and coal sector, the government has carried out policy reforms to increase transparency and accountability. The policy reforms in the mineral and coal sector according to stages in the value chain are as follows:

9.1.2.1 Value Chain I: Contracts and Licensing

This section discusses determination of mining areas, types of licenses, and tender mechanisms for mining business license areas (WIUP) and Special WIUP.

Determination of Mining Areas (WP) according to Laws and Regulations

Law No. 4/2009 gives authority to the central and regional governments to grant mining business licenses. In implementation, the law has prompted the issuance of thousands of mining business licenses (IUP), most of which are problematic. Based on data from coordination and supervision in the mineral and coal sector facilitated by the Corruption Eradication Commission (KPK), more than half of the IUPs are problematic because they do not pass the clear and clean requirements or the license overlaps with other license(s) or with other land use.

The previous EITI Report recommended that the government make policy changes to minimize license overlap. For this reason, the government has reformed the policies by shifting the authority to issue business licenses through one door only (the central government). The central government can, however, delegate the authority to regional (provincial) governments in accordance with the provisions of laws and regulations. All these issues are governed in Law No. 3/2020 on Amendment to Law No. 4/2009 on Mineral and Coal.

Contracts and Licensing

Law No. 4/2009 on Mineral and Coal Mining was the basis for regulations on contracts and licenses in the mineral and coal mining sector. One of the key issues in Law No. 4/2009 was that if KK/PPK2B would be extended, it had to be converted into IUPK. The conversion created uncertainty about business continuity of KK/PPK2B holders. The previous EITI Report stated

that there was no legal basis for the extension or conversion procedures. Therefore, the previous EITI Report recommended there should be policy changes to provide certainty for the long-term investment by KK/PKP2B holders.

One of the significant milestones in the mineral and coal policy reforms is Law No. 3/2020 on Amendment to Law No. 4/2009 on Mineral and Coal Mining. Law No. 4/2009 provides the legal certainty and ensures long-term investment for holders of KK, PKP2B, and IUP. Articles 169A, 169B, and 169C of Law No. 4/2009 clearly state the guarantee for KK/PKP2B extension, including the obligations and requirements for the extension.

Licensing Types in the Prevailing Regulations

The mechanism for changing the status of a Domestic Investment IUP into a Foreign Investment IUP is regulated in EMR Ministerial Regulation (Permen) No. 11/2018 on Procedures for the Granting of Areas, Licensing, and Reporting of Mineral and Coal Mining Business Activities. In implementation, business actors considered the procedures were complicated. To overcome this, the government changed the policy by issuing Permen No. 7/2020 on Procedures for the Granting of Areas, Licensing, and Reporting of Mineral and Coal Mining Business Activities. There is no fundamental difference between Permen No. 11/2018 and Permen No. 7/2020. The gist is as follows:

Permen No. 11 of 2018	Permen No. 7 of 2020
<p>Governor is obliged to submit documents of Exploration IUP, Production Operation IUP, Production Operation IUP for processing and/or refining, Production Operation IUP for transportation and sales, and IUJP which status had been changed from domestic investment into foreign investment to Minister.</p>	<p>Minister adjusts Exploration IUP, Production Operation IUP, Production Operation IUP for processing and/or refining, Production Operation IUP for transportation and sales, and IUJP from domestic investment into foreign investment after the requirements set out by laws and regulations are fulfilled.</p> <p>Guidelines for adjusting a domestic investment IUP into a foreign investment IUP are stipulated in a Ministerial Decision.</p>

The time to apply for an upgrade from an Exploration IUP to a Production Operation IUP or IUPK as regulated in Permen No. 11/2018 on Procedures for the Granting of Areas, Licensing, and Reporting of Mineral and Coal Mining Business Activities was amended by the provisions of Permen No. 7/2020 on Procedures for the Granting of Areas, Licensing, and Reporting of Mineral and Coal Mining Business Activities.

Permen No. 11 of 2018	Permen No. 7 of 2020
<p>A license holder must apply for an upgrade to a Production Operation IUP or a Production Operation IUPK to Minister or Governor according to their respective authority at least:</p> <ol style="list-style-type: none"> 6 (six) months before the expiration of Exploration IUP for Metallic Minerals, Exploration IUP for special types Non-Metallic Minerals, Exploration IUP for Coal, Exploration IUPK for Metallic Minerals, or Exploration IUPK for Coal; or 3 (three) months before the expiration of Exploration IUP for Non-Metallic Minerals or Exploration IUP for rocks. 	<p>A license holder must apply for an upgrade to a Production Operation IUP or a Production Operation IUPK to Minister or Governor according to their respective authority at least:</p> <ol style="list-style-type: none"> 1 (one) month before the expiration of Exploration IUP for Metallic Minerals, Exploration IUP for special types Non-Metallic Minerals, Exploration IUP for Coal, Exploration IUPK for Metallic Minerals, or Exploration IUPK for Coal; or 1 (one) month before the expiration of Exploration IUP for Non-Metallic Minerals or Exploration IUP for rocks.

WIUP and WIUPK Tender

Investors considered the calculation formula for Data and Information Compensation (KDI) as regulated in EMR Ministerial Decision (Kepmen) No. 1801 K/30/MEM/2018 too high, as stated in the 2017 EITI Report. A high KDI price had discouraged investors from submitting bids for WIUP and WIUPK tenders. To overcome this, the government made an initiative to change the KDI calculation formula by issuing Ministerial Decision No. 80 K/32/MEM/2020 on Formula to Calculate Compensation Price for Data and Information of Mining Business Licenses Areas and Special Mining Business Licenses Areas. The change aims to attract investors to participate in the WIUP and WIUPK tender.

The following is a matrix that compares the two regulations:

Kepmen No. 1801 K/30/MEM/2018	Kepmen No. 80 K/32/MEM/2020
$\text{KDI WIUPK} = (K1 \times P1) + P2 + P3 + P4$ $\text{KDI WIUP} = P1 + P2 + P3 + P4$ <p>Notes:</p> <ol style="list-style-type: none"> KDI: Compensation Price for Data and Information; sums all prices of data types (in rupiah) K1: potential area size P1: potential area price P2: deposit type price P3: region status price 	$\text{KDI WIUP/WIUPK} = (K1 \times P1) + \dots + (Kn \times Pn)$ <p>Notes:</p> <ol style="list-style-type: none"> KDI: Compensation Price for Data and Information; sums all prices of data types (in rupiah) K: data type P: price per data type n: amount of data

6. P4: loading distance/transshipment prices	
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Tenders for regions (blocks) determined in 2018 and 2019 will be re-evaluated using the new KDI formula. At the time of the writing of this report, the government was drafting new rules regarding the KDI price of each block.

Even though there is currently no new decision about the KDI price of each block, the new calculation formula will lower the KDI of WIUPK and WIUP. The new formula focuses more on data and information, while the old formula has more calculation elements.

In principle, the KDI price will be lower in the new formula, so it is expected that exploration activities will increase. The exploration activities are expected to be done by existing companies (existing investors) and new investments (prospective investors) by junior mining companies.

9.1.2.2 Value Chain II: Production

This section discusses exploration, production, and sales of minerals and coal.

Exploration

Lack of exploration activities often limit the efforts to increase new resources and reserves in the mineral and coal mining sector. Exploration activities are actually the main foothold to maintain the continuity of the mining business.

To overcome low exploration activities, Article 112A section 1 of Law No. 3/2020 on Amendment to Law No. 4/2009 on Mineral and Coal Mining sets out an obligation of the holders of Mining Business License (IUP) or Special Mining Business License (IUPK) to set aside Mineral and Coal Exploration Reserve Funds. This policy emphasizes state control over exploration activities. Through this policy, the government wants to encourage mineral and coal exploration activities.

Production

The government has not made any policy changes to mineral and coal production, so regulations on production and operation in the mineral and coal sector still refer to Permen No. 26/2018 on the Implementation of Good Mining Practices and Supervision of Mineral and Coal Mining, and Permen No. 11/2019 on Second Amendment to Regulation of Minister of EMR No. 25/2018 on Mineral and Coal Mining Business.

Sales

The government has set a Mineral Reference Price (HPM) in Permen No. 7/2017 on Procedures for Establishing Benchmark Prices for Mineral and Coal Sales. Based on the regulation, mineral smelters (companies holding Processing and Refining IUPK) cannot buy nickel under the Metal HPM. However, recently there has been a polemic between miners (nickel IUP holders) and nickel smelters over the Metal HPM.

The Metal HPM set in Permen No. 7/2017 is only based on market mechanisms and/or generally accepted prices on the international market, where the Metal HPM does not consider the interests of the smelters. Purchase by smelters are considered lower than the Metal HPM, so miners feel that they make less profit.

To overcome the situation, the government added considerations in the pricing of the Metal HPM, namely the increase in mineral-added value in the country and/or implementation of good mining practices. These considerations are included in Permen No. 11/2020 on Third Amendment to Permen No. 7/2017. The change aims to provide impartiality between miners and smelter companies. Permen No. 11/2020 states that if a smelter company does not meet or violate the HPM provisions, the Minister of Energy and Mineral Resources can submit recommendations to the minister who is in charge of the industrial sector to impose administrative sanctions.

Another issue in mineral and coal sales is about different data on the quantity and the quality of the coal sold. There are no guidelines to verify coal quantity and quality in Permen No. 7/2017 on Procedures for Establishing Benchmark Prices for Mineral and Coal Sales.

To resolve this issue, the government issued Permen No. 11/2020 on Third Amendment to Permen No. 7/2017, which regulates the obligation of holders of Production Operation IUP and Production Operation IUPK to verify the quantity and the quality of coal by surveyors appointed by Director General of Mineral and Coal. The verification aims to create transparency in data reported by business entities to the government.

The government also regulates Coal DMO in Ministerial Decision (Kepmen) No. 261K/30/MEM/2019 on Fulfilment of Domestic Coal Needs in 2020. The Ministerial Decision states that if a coal company does not meet the minimum percentage of coal DMO sales, it must compensate for the shortages of domestic coal needs. The government imposes a strict sanction so that holders of mining business license (IUP) fulfill their coal DMO obligations. The sanction is stricter than the one in the previous regulation which only imposed a cut in production quota.

9.1.2.3 Value Chain III: State Revenue

The divestment obligation is regulated in EMR Ministerial Regulation (Permen) No. 9/2017 as amended by Permen No. 43/2018. Permen No. 9/2017 sets out that divestment must be made after five years of commercial operation, while the amount of divestment reaches 51% after ten years of operation. The divestment provision after five-year production is not feasible to implement because miners have to consider aspects such as mining characteristics, investment scale, and the economies of scale of a mineral and coal business, which differ from business to business. A divestment obligation is one of the considerations taken into account by investors/companies before they make an investment. The obligation to divest after five years of commercial production may be uneconomical in certain mining investment, especially if investors have to divest when they have not recouped the investment.

Based on the recommendations put forward in the EITI Report of the previous year, the government changed the divestment period. Law No. 3/2020 on Amendment to Law No. 4/2009 on Mineral and Coal Mining states that a company carries out divestment of 51% shares in stages. Further provisions about the procedures for the implementation and period of share divestment will be set out in government regulations. However, the implementing regulations have not been issued at the time of writing. The draft government regulations will detail the stages and amount of divestment, which will vary according to mine conditions and the progress of downstream processing by license holders. Hence, divestment will be feasible to be carried out by mining companies.

There is also an additional regional revenue in the form of People's Mining Fees (IPERA) set out in Law No. 3/2020, which is different from Law No. 4/2009, as follows:

Law No. 4/2009	Law No. 3/2020
Regional revenue consists of: <ol style="list-style-type: none"> a. local tax; b. regional levy; and c. other legal income based on the provisions of laws and regulations. 	Regional revenue consists of: <ol style="list-style-type: none"> a. local tax; b. regional levy; c. people's mining fees; and d. other legal regional income based on the provisions of laws and regulations.

The imposition of people's mining fees is designed to better manage people's mining. Further provisions about people's mining fees will be set out in government regulations to implement Law No. 3/2020.

9.1.2.4 Value Chain IV: Allocation of State Revenues

The Indonesian Government has not made any fundamental changes of fiscal balance between the central and regional governments as regulated in Law No. 33/2004 on Central and Regional Fiscal Balance. The allocation of state revenue from extractive industries still refers to Law No. 33/2004.

The principles of fiscal balance as set out in Law No. 33/2004 are as follows:

- The fiscal balance between the central government and the regional governments is a subsystem of the State Finance due to the division of duties between the central government and the regional governments.
- The transfer of the state financial resources from the central government to the regional governments in the context of Decentralization has been based on the delegation of duties of the central government to the regional governments by taking into account fiscal stability and balance.

- The Fiscal Balance between the central government and the regional governments is a comprehensive system to finance the implementation of Decentralization, Deconcentration, and Assistance Duties.

9.1.2.5 Value Chain V: Social and Environmental Responsibility

Social and environmental management is an integral part of mining activities. This section discusses social and environmental responsibilities in the mineral and coal sector. Provisions about social and environmental responsibilities of mineral and coal companies are set out in Law No. 25/2007 on Investment, Law No. 32/2009 on Protection and Management of the Environment, and Law No. 4/2009. Article 108 section 1 of Law No. 4/2009 requires IUP and IUPK holders to prepare Community Development and Empowerment Programs (CDEP). The same Law requires parties carrying on mining businesses to restore the natural environment and social functions by carrying out reclamation and post-mining activities.

Reclamation and post-mining activities have not done optimally. A number of mining companies, especially IUP companies in remote regions, do not carry out their obligations thoroughly or even completely ignore their responsibilities to carry out reclamation and post-mining. There are still ex-mine openings (voids) not managed appropriately. This condition was a hot issue in the public during the presidential campaign in 2019. To overcome the problem, imposition of stricter sanctions is emphasized in Law No. 3/2020 on Amendment to Law No. 4/2009 on Mineral and Coal Mining.

Article 161B of Law No. 3/2020 states the following:

- 1) Every person whose IUP or IUPK is revoked or expires and who does not implement:
 - a. Reclamation and/or Post-mining; and/or
 - b. Placement of Reclamation guarantee funds and/or Postmining guarantee funds,
 shall be imprisoned for a maximum of 5 (five) years and fined for a maximum of Rp100,000,000,000.00 (one hundred billion rupiah).
- 2) In addition to the criminal sanctions as referred to in section (1), former holders of IUP or IUPK may be subject to an additional penalty in the form of payment of funds in the context of implementing the Reclamation and/or Post-mining obligations.

Stricter sanctions against non-performance of reclamation and post-mining in the new Mining Law aim to improve environmental management. With better environmental management, the negative impact of mining activities on the environment can be minimized.

9.2 National Strategy for Prevention of Corruption

The National Strategy for the Prevention of Corruption (Stranas PK) is a national policy that contains the focus and targets of corruption prevention. It is used as reference by state ministries, agencies, regional governments, and other stakeholders to implement corruption prevention actions in Indonesia. Meanwhile, the Corruption Prevention Actions (Aksi PK)

elaborate the focus and targets of the Stranas PK in concrete programs and activities. To organize the Stranas PK, a National Team for Corruption Prevention (Timnas PK) was formed.

The Aksi PK is determined every 2 (two) years by the Timnas PK. In preparing the Aksi PK, the Timnas PK coordinates with the relevant state ministries, agencies, regional governments, and other stakeholders. The Timnas PK also harmonizes the policies of the central government, regional governments, and the Corruption Eradication Commission (KPK).

9.2.1 Regulation on the National Strategy for Prevention of Corruption

The Indonesian Government has always been committed to the prevention and eradication of corruption. It has made various efforts, such as structuring of policies and regulations, improvement of government management, improvement of public service processes, and improvement of transparency and accountability of state finance management, which among others include the rescue of state finances/assets.

Presidential Regulation No. 55/2012 on the National Strategy for the Prevention and Eradication of Corruption for a Medium-Term Plan of 2012-2014 and a Long-Term Plan of 2012-2025 is considered no longer in line with developments in corruption prevention. To overcome the problem, the government issued Presidential Regulation No. 54/2018 on the National Strategy for Corruption Prevention. The differences between the two presidential regulations are as follows:

Presidential Regulation No. 55/2012	Presidential Regulation No. 54/2018
Coordinated by: National Development Planning Agency and Ministry of Home Affairs	Coordinated by: National Team for Corruption Prevention (Timnas PK)
A Secretariat is not mandated	A National Secretariat is mandated and has its domicile at the KPK
Consists of 6 Strategies: <ol style="list-style-type: none"> 1. Prevention 2. Law Enforcement 3. Harmonization of Prevailing Laws and Regulations 4. International Cooperation and Asset Recovery 5. Education and Anti-Corruption Culture 6. Monitoring and Reporting 	Combining all initiatives to prevent corruption with 3 sectors to focus on: <ol style="list-style-type: none"> 1. Licensing and Commerce 2. State Finance 3. Law Enforcement and Bureaucratic Reform

Presidential Regulation No. 54/2018 on the National Strategy for Corruption Prevention contains the focus and targets of corruption prevention so that stakeholders can carry out corruption prevention in a more focused and measured manner and with direct impacts in order to create fair, prosperous, and wealthy society. Based on the Presidential Regulation, the Stranas PK focuses on three sectors: licensing and commerce, state finance, and law enforcement and bureaucratic reform, all considered to have many indications to corruption. The focus of the Stranas PK is further elaborated in the Corruption Prevention Actions (Aksi PK).

Furthermore, Leaders of the Corruption Eradication Commission, Minister for National Development Planning/Head of National Development Planning Agency, Minister of Home Affairs, Minister of State Apparatus Empowerment and Bureaucratic Reform, and Presidential Chief of Staff prepared and determined a **Joint Decision on Corruption Prevention Actions (Aksi PK) of 2019-2020**.

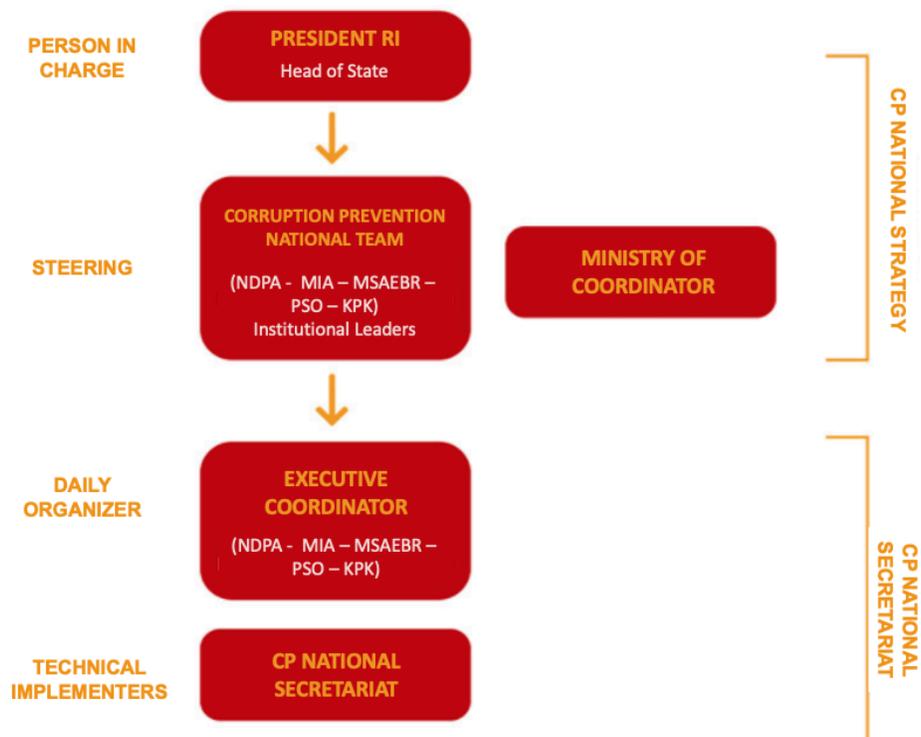
Table 112. Aksi PK of 2019–2020

<p style="text-align: center;">Focus 1 Licensing and Commerce</p>	<p style="text-align: center;">Focus 2 State Finance</p>	<p style="text-align: center;">Focus 3 Law Enforcement and Bureaucratic Reform</p>
<p>Action 1: Improvement of Services and Compliance in Licensing and Investment Processes</p> <ul style="list-style-type: none"> • Sub-Action 1: Acceleration of Online Single Submission (OSS) • Sub-Action 2: Elimination of Business Domicile Certificate – Nuisance Permit (SKDU-HO) 	<p>Action 6: Integration of Electronic-Based Planning and Budgeting Systems</p> <ul style="list-style-type: none"> • Sub-Action 9: Integration of Electronic-Based Planning and Budgeting 	<p>Action 9: Strengthening the Implementation of Bureaucratic Reform</p> <ul style="list-style-type: none"> • Sub-Action 19: Acceleration of Merit System • Sub-Action 20: Development of Integrity Zones • Sub-Action 21: Strengthening the Government's Internal and Supervisory Apparatus (APIP) • Sub-Action 22: Right-Sizing • Sub-Action 23: Acceleration of Electronic-Based Governance System (SPBE)
<p>Action 2: Improving Data Governance and Compliance in Extractive, Forestry and Plantation Sectors</p> <ul style="list-style-type: none"> • Sub-Action 3: Implementation of One Map Policy • Sub-Action 4: Forest Area Mapping • Sub-Action 5: Strengthening and Utilization of Beneficial Ownership Database 	<p>Action 7: Improving Professionalism and Modernizing Procurement of Goods and Services</p> <ul style="list-style-type: none"> • Sub-Action 10: Establishment of Goods and Services Procurement Work Unit (UKBPJ) • Sub-Action 11: E-Catalog Implementation • Sub-Action 12: Improvement of Provider Performance Information System (SIKAP) • Sub-Action 13: 	<p>Action 10: Implementation of Strategic Grand Design of Village Financial Supervision</p> <ul style="list-style-type: none"> • Sub-Action 24: Implementation of Grand Design of Village Financial Supervision Strategy

	Procurement Consolidation <ul style="list-style-type: none"> • Sub-Action 14: Procurement Centralization 	
Action 3: Utilization of Population Master Number to Improve Governance of Social Assistance and Subsidies <ul style="list-style-type: none"> • Sub-Action 6: Utilization of Population Master Number (NIK) for social assistance (Bansos) 	Action 8: Optimization of State Revenues from Tax and Non-Tax Revenues <ul style="list-style-type: none"> • Sub-Action 15: Tax Reform & PNBP • Sub-Action 16: Optimization of Taxpayer Status Confirmation (KSWP) • Sub-Action 17: Implementation of Base Erosion and Profit Shifting (BEPS) • Sub-Action 18: Implementation of the National Repository (NDR) 	Action 11: Improving the Governance of the Integrated Criminal Justice System <ul style="list-style-type: none"> • Sub-Action 25: Implementation of the integrated criminal justice system (SPPT) • Sub-Action 26: Implementation of Investigation Commencement Notice (SPDP) Online • Sub-Action 27: Drafting of Prosecution Guidelines
Action 4: Integration and Synchronization of Strategic Food Import Data <ul style="list-style-type: none"> • Sub-Action 7: Integration of Food Import Data 		
Action 5: Implementation of Anti-Bribery Management in the Government and Private Sector <ul style="list-style-type: none"> • Sub-Action 8: Anti-Bribery Management Information 		

9.2.2 National Team for Corruption Prevention

To organize the Stranas PK, a National Corruption Prevention Team (Timnas PK) was formed. The Timnas PK consists of ministers who administer government affairs in the fields of national development planning, domestic sector, state apparatus management; head of non-structural agency that provides support to the President and Vice President in the control of national priority programs and management of strategic issues, and leaders of the Corruption Eradication Commission. The Timnas PK has the authority to formulate the policies to solve challenges and obstacles in implementing the Aksi PK or the corruption prevention actions. In exercising its authority, the Timnas PK coordinates with state ministries, agencies, regional governments, and other relevant stakeholders.



Source: stranaspk.kpk.go.id (for abbreviation, please see Figure 156)

Figure 150. Structure of the Stranas PK

The implementation of the duties and authority of the Timnas PK does not reduce the authority and independence of the Corruption Eradication Commission (KPK) in carrying out its responsibilities and functions according to the provisions of laws and regulations.

The Timnas PK has the following duties:

- Coordinate, synchronize, monitor, and evaluate the implementation of the Stranas PK by state ministries, agencies, regional governments, and other stakeholders;
- Submit reports on the progress of the Stranas PK performance by state ministries, agencies, regional governments, and other relevant stakeholders to the President; and
- Publish the reports on the achievements of the Aksi PK to the public.



Source: stranaspk.kpk.go.id

Figure 151. Five agencies that are members of the National Team for Corruption Prevention

To support the smooth operation of the Timnas PK, a National Secretariat for Corruption Prevention (Setnas PK) was formed. The Setnas PK has a domicile at the KPK. It consists of one Daily Coordinator, fifteen Experts, twenty-eight Technical Team members representing the five members of the Timnas PK, and four administrative personnel. The Setnas PK has a duty to assist the Timnas PK in ensuring that the Aksi PK which falls under the responsibility of state ministries/agencies/regional governments are implemented according to the agreed target.

The Setnas PK coordinates meetings and discussions with the technical work units of the state ministries/agencies/regional governments that carry out the Aksi PK, corruption prevention actions. The venue of the meetings is the office of the Corruption Eradication Commission (KPK) as the domicile of the Setnas PK. Mentoring is carried out through formal and non-formal coordination meetings between the experts of the Setnas PK and state ministries, agencies and regional governments that carry out the Aksi PK. The Aksi PK is also carried out in cooperation and collaboration with the work units within KPK such as Research and Development, Education and Community Service, Network Development and Cooperation between Commissions and Agencies, Regional Coordinator, and Information and Data Processing.

9.2.3 Realization of Corruption Prevention Actions

State ministries, agencies, and regional governments carried out the Corruption Prevention Actions (Aksi PK) in the 2019-2020 period, and the performance of the Aksi PK had to be reported quarterly. The score that the state ministries, agencies, and regional governments got

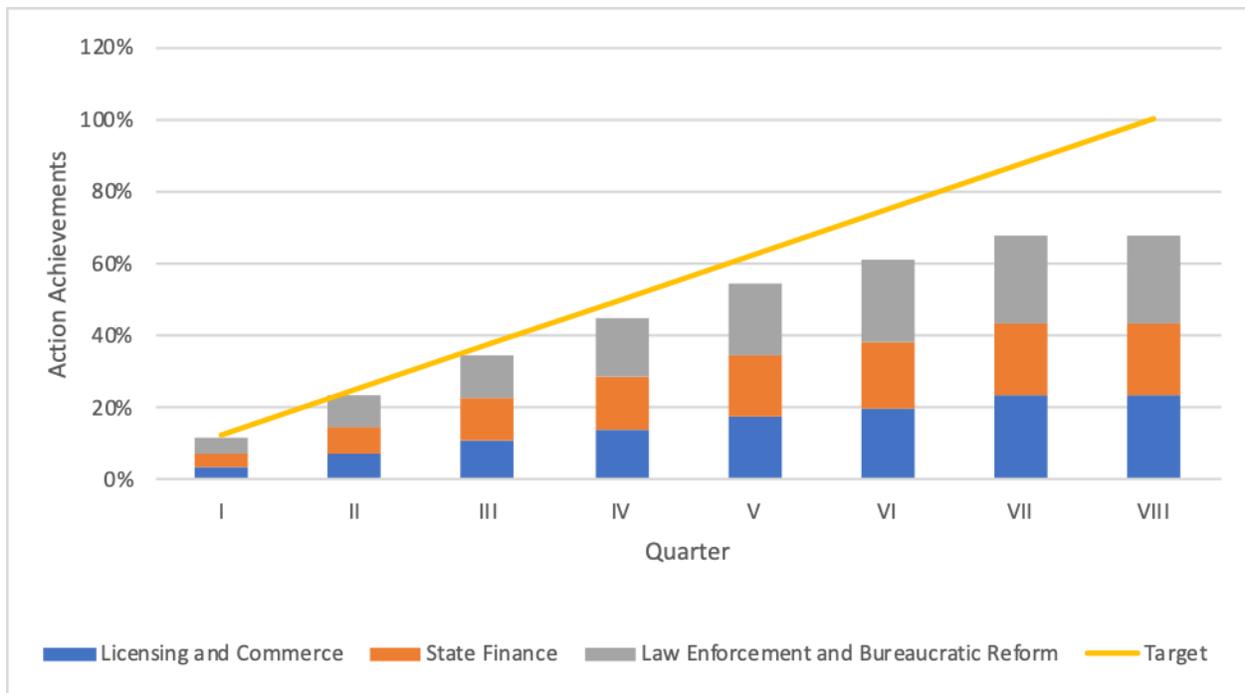
in each quarter would be accumulated with a maximum target score of 100% in Quarter-VIII. The target and realization of the Aksi PK in the 2019-2020 period can be seen in Table 114 and Figure 157.

Table 113. Target and Realization of Aksi PK in 2019–2020

Period	Aksi PK in 2019–2020	
	Target	Realization
Quarter-I	13%	11%
Quarter-II	25%	23%
Quarter-III	38%	35%
Quarter-IV	50%	45%
Quarter-V	63%	55%
Quarter-VI	75%	61%
Quarter-VII	88%	68%
Quarter-VIII	100%	68%*

Source: stranaspk.kpk.go.id

* To be updated as of December 31, 2020



Source: stranaspk.kpk.go.id

Figure 152. Targets and Realization of Aksi PK in 2019-2020

Figure 152 shows the realization of the Aksi PK in Quarters VI and VII was below the set target. Based on Q6 and Q7 Quarterly Reports, this decline was caused by the outbreak of the Covid-19 pandemic since early March 2020, which hampered all activities due to social distancing and/or Large-Scale Social Limitations. The realization of Quarter-VIII is still the same as that of Quarter-VII because the update on the Aksi PK realization would be carried out on December 31, 2020.

9.2.4 Implementation of the Stranas PK in the Extractive Industry Sector

The Ministry of Energy and Mineral Resources (MEMR) won an award as a state ministry that has best improved the governance of corruption prevention. The award was presented by Minister of National Development Planning, also Head of National Development Planning Agency, when announcing the evaluation of the Stranas PK, national strategy for corruption prevention, for the 2019-2020 period.

The Aksi PK carried out by the MEMR in 2019-2020 are as follows:

Table 114. Aksi PK by MEMR for 2019–2020

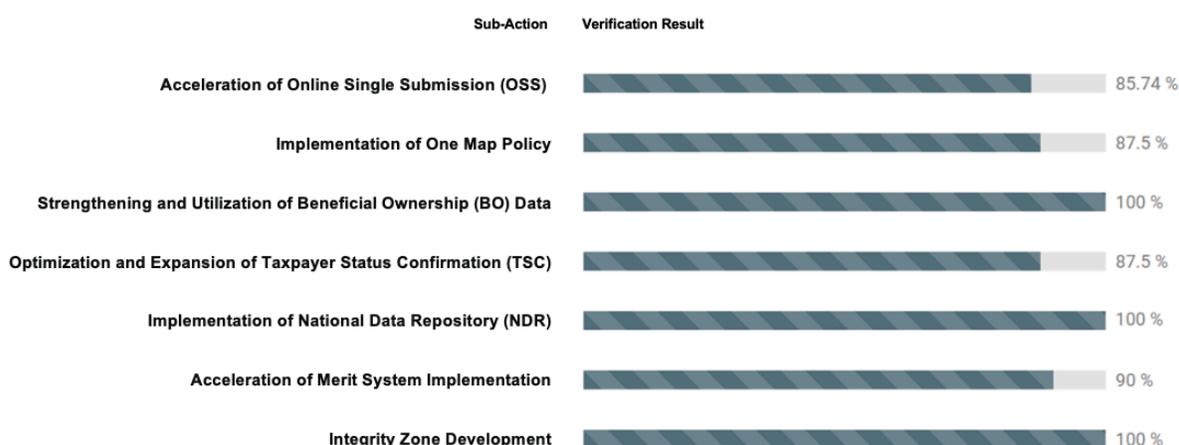
3 Focuses	4 Actions	7 Sub-Actions
1. Licensing & Commerce	1. Improvement of Services and Compliance in Licensing and Investment Processes	1. Acceleration of Online Single Submission (OSS)
	2. Improving Data Governance and Compliance in Extractive, Forestry, and Plantation Sectors	2. Implementation of One Map Policy
		3. Strengthening and Utilization of Beneficial Ownership (BO) Data
2. State Finance	3. Optimization of State Revenues from Tax and Non-Tax Revenues	4. Optimization and Expansion of Taxpayer Status Confirmation (KSWP)
		5. Implementation of National Data Repository (NDR)
3. Law Enforcement & Bureaucratic Reform	4. Strengthened Implementation of Bureaucratic Reform	6. Integrity Zone Development
		7. Acceleration of Merit System Implementation

Source: Ministry of Energy and Mineral Resources, 2020

The Ministry of Energy and Mineral Resources was able to achieve the following Aksi PK (corruption prevention actions):



Ministry of Energy and Mineral Resources



Source: Ministry of Energy and Mineral Resources, 2020

Figure 153. Achievements of Aksi PK in 2019–2020

Based on evaluation of its Stranas PK (national strategy for corruption prevention), the Ministry of Energy and Mineral Resources made a total score of 87% in the first to the seventh quarters, above average 80%. Detailed achievements of the Aksi PK of the Ministry EMR are as follows:

Table 115. Achievements of Corruption Prevention Actions by the Ministry of Energy and Mineral Resources 2019–2020

No	Sub-Action	Achievements (%)							
		B03	B06	B09	B12	B15	B18	B21	B24
1	Acceleration of OSS	x	100	100	100	100	100	100	√
2	Implementation of One Map Policy	100	100	100	100	100	100	100	√
3	Strengthening and Utilization of BO Data	x	100	100	50	50 ^{*)}	91.67 ^{**)}	100	x
4	Optimization and Expansion of TSC	100	100	100	100	100	100	100	√
5	Implementation of NDR	100	100	100	100	100	x	100	x
6	Acceleration of Merit System Implementation	x	x	x	x	x	100	80 ^{***)}	√
7	Integrity Zone Development ^{****)}	100	100	100	100	x	x	x	x

^{*)} : 2 targets with an average achievement value of 50% (2 targets @ 50%)

^{**)} : 3 targets with an average achievement value of 91.67% (2 targets @ 100%, 1 target 75%)

^{***)} : 2 targets with an average achievement value of 80% (1 target of 100%, 1 target of 60%)

^{****)} : Fully fulfilled and completed in period B12

x : No action targets in that period

√ : There are action targets in that period
Source: Ministry of Energy and Mineral Resources, 2020

The success of Ministry of Energy and Mineral Resources could not be separated from simplification and integration of licensing into online services. Detailed targets and achievements of the above sub-actions can be seen in **Table 116** to **Table 122**.

Table 116. Targets and Achievements of OSS Acceleration Action

Period	Target	Achievements (%)
B06	Integration of licensing applications at Ministry of Environment and Forestry (KLHK), Ministry Energy and Mineral Resources (MEMR), Ministry of Public Works and Public Housing (PUPR), Ministry of Agrarian Affairs/National Land Agency (ATR/BPN), Ministry of Agriculture (Kementan), Ministry of Health (Kemenkes) with the OSS.	100
	Standardized business processes in priority ministries/agencies (MEMR, KLHK, PUPR, ATR/BPN, Kementan, Kemenkes).	100
	Identification of all permits, recommendations, certificates, and the like in the Ministry of Energy and Mineral Resources.	100
B09	Establishment of Technical Team/licensing coordination in MEMR.	100
B12	Report on the integration of licensing applications at state ministries/agencies with OSS.	100
B15	Appointment and placement of liaison officers from state ministries/agencies in Investment Coordinating Board (BKPM).	100
	Proposed revision of the Indonesian Business Field Standard Classification (KBLI) of related sectors to Statistics Indonesia (BPS).	100
B18	Integrated, online business licensing systems of state ministries/agencies.	100
B21	Development of licensing systems of state ministries/agencies in accordance with Draft Job Creation Law.	100
	Classification of business licensing by level of risk (high, medium, low) and business licensing processes are submitted to Coordinating Ministry for Economy.	100
	Risk-Based Approach (RBA) supervision standards for every business activity are submitted to Coordinating Ministry for Economy.	100
B24	Reports on licensing transactions (Recap of Business Identification Number (NIB) received and issued through OSS).	Will be assessed as of December 31

Source: Ministry of Energy and Mineral Resources, 2020

Table 117. Targets and Achievements of One Map Policy Implementation Action

Period	Target	Achievements (%)
B03	Compilation I of Thematic Geospatial Information (TGI) on mining business licenses in East Kalimantan, West Sulawesi, Riau, and Papua Provinces.	100
	Correction of TGI on mining business licenses in Central Kalimantan Province.	100
B06	Compilation II of TGI on mining business licenses in East Kalimantan, West Sulawesi, Riau, and Papua Provinces.	100
B09	Implementation of 20% of recommendations for issue of overlapping.	100
B12	Correction of TGI on mining business licenses in East Kalimantan, West Sulawesi, Riau, and Papua Provinces.	100

	Implementation of 40% of recommendations for issue of overlapping in Central Kalimantan Province.	100
B15	Integration of TGI on mining business licenses in Papua, East Kalimantan, West Sulawesi, and Riau Provinces.	100
B18	Implementation of 20% of recommendations for issue of overlapping TGI in Central Kalimantan Province.	100
B21	Implementation of 50% of recommendations for issue of overlapping TGI in Central Kalimantan Province.	100
B24	Implementation of 100% of recommendations for issue of overlapping TGI in Central Kalimantan Province.	Will be assessed as of December 31

Source: Ministry of Energy and Mineral Resources, 2020

Table 118. Targets and Achievements of Strengthening and Using BO Data Action

Period	Target	Achievements (%)
B06	Issuance of Memorandum of Understanding and cooperation agreement between Ministry of Law and Human Rights and Ministry of Energy and Mineral Resources regarding the use of BO data.	100
B09	Issuance of policies/regulations requiring corporations to submit beneficial ownership data as a precondition for license application.	100
B12	Accurate BO data disclosed in license application process. *)	50
B15	Accurate BO data disclosed in license application process (B12 Cont.) Utilization of beneficial ownership data.	50 50
B18	Accurate BO data disclosed in license application process (B12, B15 Cont.) Utilization of beneficial ownership data (B15 Cont.) Evaluation of beneficial ownership data utilization.	75 100 100
B21	Accurate BO data disclosed in license application process (B12, B15, B18 Cont.).	100

Source: Ministry of Energy and Mineral Resources, 2020

Table 119. Targets and Achievements of KSWP Optimization and Expansion Action

Period	Target	Achievements (%)
B03	Report on KSWP Implementation for certain public services, especially evaluation of effectiveness of KSWP implementation (barriers, solutions, and synchronization between KSWP implementation rules with services that have been delegated to other parties such as regional governments, BKPM, OSS agency, etc.) for 2018.	100
	Data on permits application made by KSWP has been submitted to Directorate General of Taxes periodically (permit issued in 2018).	100
B06	Report on Evaluation of KSWP Implementation for 2018.	100
	Expansion of specific public services based on issued regulations, optimization of KSWP implementation, and presentation of reports as a follow-up to evaluation results.	100
B09	Draft regulation on expansion, performance optimization, and report of KSWP as a follow-up to evaluation results is submitted to Ministry of Law and Human Rights for harmonization.	100
	Data on permit applications made by KSWP has been submitted to Directorate General of Taxes periodically (Semester I of 2019).	100
B12	Report on Evaluation of KSWP Implementation for first semester of 2019.	100

	Issuance of regulation on expansion, performance optimization, and report of KSWP as a follow-up to evaluation results.	100
B15	Data on permit applications made by KSWP has been submitted to Directorate General of Taxes periodically (Semester II of 2019).	100
	Implementation of KSWP for certain public services in 2019.	100
B18	Evaluation of KSWP implementation for the second semester of 2019.	100
B21	Data on permit applications made by KSWP has been submitted to Directorate General of Taxes periodically (Semester I of 2020).	100
B24	Evaluation of KSWP implementation for the first semester of 2020.	Will be assessed as of December 31

Source: Ministry of Energy and Mineral Resources, 2020

Table 120. Targets and Achievements of NDR Implementation Action

Period	Target	Achievements (%)
B03	Strengthened commitment to establishing a National Data Repository (NDR) through the revision of Regulation of Minister of Energy and Mineral Resources No. 27/2016 on Management and Utilization of Data Obtained from General Surveys, Exploration, and Exploitation of Oil and Gas.	100
B06	Establishment of a work unit that manages National Data Repository (NDR).	100
B09	Issuance of regulation on National Data Repository (NDR) which requires Quantity Assurance.	100
B12	Dissemination of Quantity Assurance policy to business entities.	100
	Dissemination of NDR policy to relevant state ministries/agencies and regional governments.	100
B15	Integration of NDR and SOT systems between SKK Migas, Pertamina, Center for Data and Information on Energy and Mineral Resources (Pusdatin ESDM) to update data on national oil and gas reserve.	100
B21	Expansion of Quantity Assurance policy (stakeholders have implemented transparency and accountability in production operations reporting by implementing QA policy to optimize state revenues from the upstream oil and gas sector in accordance with resource potential.	100

Source: Ministry of Energy and Mineral Resources, 2020

Table 121. Targets and Achievements of Merit System Acceleration Action

Period	Target	Achievements (%)
B18	Progress of merit system implementation in State Civil Apparatus management is reported through SiPinter application; assessment of merit system is based on 8 aspects.	100
	Mapping of SIMPEG Integration Readiness has been carried out through https://sscndashboard.bkn.go.id/kuesioner/ .	100
	Reconciliation of personnel data recorded at each state ministry/agency with national personnel data recorded at National Civil Service Agency (BKN) using independent data reconciliation	100
B21	Report on the Performance Assessment of Civil Servants for 2019, with at least 50% of total number of civil servants in each state ministry/agency.	60
	Identification of discrepancies and problems between data on the Personnel Information System of each state ministry/agency and data on BKN system.	100

B24	Report on Performance Assessment of Civil Servants for 2019 with at least 50% of total number of civil servants in each state ministry/agency (B21 Cont.).	Will be assessed as of December 31
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Source: Ministry of Energy and Mineral Resources, 2020

Table 122. Targets and Achievements of Integrity Zone Development Action

Period	Target	Achievements (%)
B03	Issuance of a Circular on gratification control within each state ministry/agency and strengthening of Gratification Control Unit (UPG).	100
B06	Report on acceptance or rejection of gratuities by employees/officials.	100
	Establishment of a Gratification Control Unit (UPG) and internalization of UPG rules.	100
B09	Monitoring of gratification control.	100
	Statement of accepting or not accepting gratuities from officials (Echelon II and above, and employees with strategic positions: treasurer) during the first semester.	100
B12	Report on acceptance or rejection of gratuities by employees/officials.	100
	Statement of accepting or not accepting gratuities from officials (Echelon II and above, and employees with strategic positions: treasurer) during the second semester.	100

Source: Ministry of Energy and Mineral Resources, 2020

9.3 Beneficial Ownership

The legal basis for transparency of Beneficial Ownership (BO) in Indonesia has finally been issued after a long process. Presidential Regulation (Perpres) No. 13/2018 on the Principles to Recognize Beneficial Owners of Corporations in the Context of Prevention and Eradication of Money Laundering and Terrorism. The regulation was enacted on March 5, 2018. The EITI played a significant role in encouraging the creation of government policies that require BO reporting in Indonesia.

The government issued the regulation to prevent money laundering and tax evasion by beneficial owners (BO) of corporations. The presidential regulation explains that beneficial owners (BO) of a corporation are individuals who can appoint or dismiss the board of directors, the board of commissioners, the management, the advisory board, and the supervisory board of the corporation; have the powers to control the corporation, and are entitled to, and/or receive benefits from the corporation directly or indirectly. Beneficial owners of corporation that must be reported are those who own shares, voting rights, and profit-sharing of more than 25% in the corporation.

The presidential regulation results from the collective work by several state ministries and agencies with the same efforts in BO transparency. It is also supported by Indonesia's commitment to various global initiatives. As a member of the G-20, Indonesia has agreed on the importance of BO transparency which accurate and can be accessed by authorized institutions. Indonesia must also have domestic regulations that comply with the FATF (Financial Action Task Force) Standards to prevent money laundering practices.

Concerning taxation, BO's disclosure is part of the principle of anti-income minimizing and profit transfer, or commonly known as Base Erosion and Profit Shifting (BEPS). The push for information disclosure has occurred worldwide with the aim of pursuing taxpayers who shift their tax obligations to tax havens. World countries have agreed to fight against tax avoidance and evasion. Indonesia has committed to an automatic exchange of information, which started in September 2018.

In the Extractive Industries sector (oil, gas, minerals, and coal), Indonesia's Extractive Industries Transparency Initiative (EITI) seeks to disclose BO information by publishing a road map which is divided into three stages. The first stage was carried out in 2017-2018, which determined BO definition and conducted BO studies. The study results were used as a basic guideline to decide which a person/group meets the requirements as BO, the most effective way for data management, and how to collect data about BO. The second stage, which was also carried out in 2017-2018, developed institutional and legal frameworks for BO transparency. The second stage determined which state ministries/agencies would be responsible for BO reporting, which regulations supported/hindered BO implementation, the legal framework for BO transparency, and socialization of BO transparency rules in the extractive industry. The third stage was carried out in 2019 and implemented BO transparency in the extractive industry sector. In the third stage, efforts were made to ensure data accuracy and develop a reporting system.

In accordance with the Circular Letter of Director General of Mineral and Coal No. 16.E/30/DJB/2017, the beneficial ownership (BO) principle requires mineral and coal mining companies to submit the following information when applying for a license:

- i. Attaching data on board of directors and board of commissioners and any amendment to the boards, and list of final beneficiaries in the forms of legal entities and individuals;
- ii. If the final beneficiaries are domiciled in Indonesia, the company must submit the taxpayer ID number (NPWP) of the company and the NPWP of the shareholders in the forms of legal entities and individuals;
- iii. If the final beneficiaries are domiciled outside Indonesia, the company must attach certificate of Permanent Establishment and the NPWP (if any);
- iv. Submitting a statement letter from the company's director saying that final beneficiary data is accurate; and
- v. If the final beneficiary data is inaccurate, approval may be revoked.

Information on Beneficial Ownership (BO) of several mineral and coal mining companies submitted to Directorate General of Mineral and Coal in 2018 can be seen in **Table 123** and **Table 124**.

Table 123. Share Ownership

Company Name	Shareholder Name	Type	Ownership Percentage
PT Freeport Indonesia	Freeport McMoran, Inc.	Business entity	48.76%
	PT Indonesia Asahan Aluminium	Business entity	26.24%

	PT Indonesia Papua Metal dan Mineral	Business entity	25.00%
PT Amman Mineral Nusa Tenggara	Amman Mineral Internasional	Business entity	82.2%
	Pukuafu Indah	Business entity	17.8%
PT Vale Indonesia Tbk	Vale Canada Limited	Business entity	58.73%
	Public	Public Shareholders	20.49%
	Sumitomo Metal Mining Co Ltd	Business entity	20.09%
	Vale Japan Limited	Business entity	0.54%
	Sumitomo Corporation	Business entity	0.14%
PT Adaro Indonesia	PT Alam Tri Abadi	Business entity	54.106%
	PT Viscaya Investments	Business entity	29.194%
	EGAT International Company Limited	Business entity	11.533%
	PT Dianlia Setyamukti	Business entity	5.165%
	Coaltrade Services International Pte Ltd	Business entity	0.002%
PT Agincourt Resources	PT Danusa Tambang Nusantara	Business entity	95%
	PT Artha Nugraha Agung	Business entity	5%

Source: Ministry of Energy and Mineral Resources, 2018

Table 124. Composition of Company Management

Company Name	Management Name	Position at company
PT Freeport Indonesia	Clayton Allen Wenas	President Director
	Orias Petrus Moedak	Vice President Director
	Achmad Ardianto	Director
	Jenpino Ngabdi	Director
	Robert Charles Schroeder	Director
	Mark Jerome Johnson	Director
PT Amman Mineral Nusa Tenggara	Rachmat Makkasau	President Director
	Aditya Sasmito	Director
	David A Gibbs	Director
	Naveen C Lal	Director
	Alexander Ramlie	Director
	Irwin Wan	Director
PT Vale Indonesia Tbk	Eduardo Bartolomeo	President Commissioner
	Mark James Travers	Vice President Commissioner
	Robert Morris	Commissioner
	Nobuhiro Matsumoto	Commissioner
	Raden Sukhyar	Commissioner
	Mahendra Siregar	Commissioner
	Nicolas D Kanter	President Director
	Febriany Eddy	Director
	Bernardus Irmanto	Vice President Commissioner
	Lovro Paulic	Director
PT Adaro Indonesia	Chia Ah Hoo	President Director
	Budi Rachman	Director
	Hendri Tamrin	Director
	Ari Hariadi	Director
	Djohan Nurjadi	Director
	Heri Gunawan	Director
	Garibaldi Thohir	President Commissioner
	Christian Ariano Rachmat	Commissioner
	Mohammad Syah Indra Aman	Commissioner
	Lie Luckman	Commissioner
	Julius Aslan	Commissioner
	Puvada Trishnananda	Commissioner
PT Agincourt Resources	Muliady Sutio	President Director
	Timothy John Vincent Duffy	Vice President Director
	Noviandri	Director
	Edward John Conney	Director
	Linda Helena Darmalina	Director
	Washington Tambunan	Director

Source: Ministry of Energy and Mineral Resources, 2018

REPORT OF EITI INDONESIA 2018 CONTEXTUAL (FLEXIBLE REPORT)

The legal basis for implementing EITI in Indonesia is Presidential Regulation Number 82 of 2020 concerning the Establishment of the 2019 Corona Virus Disease Management (Covid-19) Committee and National Economic Recovery. In accordance with the Presidential Regulation, the management of the Extractive Industries is returned to the technical unit, namely the Ministry of Energy and Mineral Resources and the Ministry of Finance in accordance with their duties and functions. In connection with the Covid-19 conditions, the EITI International Secretariat provides guidelines for the preparation of a flexible report where there are no reconciliation activities.

The content of the Eighth EITI Indonesia Report is only focuses on the aspect of state revenue, but covers the entire extractive industry value chain, starting from the aspects of licensing, production operations, state revenues, allocation mechanisms, extractive industry sector policies, and flash reports on the role of extractive industries. in the covid-19 pandemic. This report also continues to collect data from companies as a standard that is maintained but no reconciliation activities are carried out.