

REPORT OF EITI INDONESIA 2018

**EXECUTIVE  
SUMMARY**  
(FLEXIBLE REPORT)





MINISTRY OF ENERGY AND MINERAL RESOURCES  
REPUBLIC OF INDONESIA

REPORT OF EITI INDONESIA 2018  
**EXECUTIVE SUMMARY (*FLEXIBLE REPORT*)**

1

## EXECUTIVE SUMMARY

The 8<sup>th</sup> EITI report of 2018 is for the transparency of state revenues from the extractive industry sector to the public while at the same time fulfilling the EITI 2020 reporting obligations to EITI International. This EITI report discusses extractive industry governance based on the 2019 EITI standard and also the requirements in the 2020 flexible report.

The purpose of this EITI Report is to produce reports that refer to 2018 fiscal and production data, 2019 exports data, and flexible reports for 2020 related to the impact of the Covid-19 Pandemic on extractive industry activities in Indonesia. The data cut-off time limit is until August 2020.

The 2018 EITI Indonesia Report consists of three books: Executive Summary, Contextual, and Appendix

**The first book** contains an executive summary that includes an overview of all EITI Indonesia reports for 2018.

**The second book** contains contextual information from the extractive industry sector in Indonesia. The contextual information provides an overall picture of the legal framework and governance mechanisms for the oil and gas and mineral and coal sector, the types of contracts/permits and licensing processes that exist, and payments and profit-sharing schemes between companies and the central and regional Government. This book also presents the Covid-19 Pandemic impact on Indonesia's extractive industry from effects on production and state revenues. It also shows the Government's efforts to overcome the impact of the Covid-19 Pandemic on the extractive industry.

**The third book** contains reports on data collection results from EITI reporting companies related to state revenues in 2018. This revenue concerns tax and non-tax revenues.

### Contextual Reports

The contextual report or the second book in the EITI Report introduces the background, objectives, scope, methodology, and implementation of EITI in Indonesia. The EITI is defined as a global standard for transparency in the extractive sector (including oil, gas, minerals, and coal). EITI aims to provide information transparency to the public to strengthen the system and increase trust, both in the Government and related companies.

The 2018-2019 contextual report and the 2020 flexible report consist of 9 (nine) chapters, which can be essential references for the wider community (stakeholders) to understand the implementation of extractive industry transparency in Indonesia. The discussion on EITI reporting also includes governance, licensing and contracts, extractive industry contributions from the oil, gas, mineral, and coal sector. State-Owned Enterprises (SOEs) participation, social and environmental responsibility, and state revenue from extractive industries and information technology systems. The Flexible Report discusses the Covid-19 Pandemic impact on the Extractive Industries in Indonesia and Reform and Policy. The stages of making a Contextual Report include data collection, data verification or processing, draft report preparation, draft final report preparation, then publication.

**The first chapter** provides the background for preparing the 2018 EITI Contextual Report, outlining an overview of project preparation objectives, reporting methodology, and a description

of the discussion include in the following chapters. Government policies influence EITI implementation in Indonesia in handling Covid-19 and restoring the national economy. In this case, the Government issued GR No. 82/2020 concerning the Committee for Handling the Corona Virus Disease 2019 (COVID-19) for the National Economic Recovery, among other things, disbanded the Extractive Industry Transparency Team was formed based on Presidential Decree No. 26/2010. The management is handed over to the Ministry of Energy and Mineral Resources and the Ministry of Finance following their respective duties and functions.

Until 2019, when the Seventh EITI Report for Fiscal Year 2017 was prepared, coordinating the Annual Report's preparation lies with the Coordinating Ministry for Economic Affairs based on Presidential Regulation No. 26/2010. However, since 2020, with Presidential Regulation No. 67/2019 concerning Structuring of Duties and Functions of State Ministries of the Advanced Indonesian Cabinet between 2019 and 2024 and a letter from the Coordinating Minister for Maritime and Investment Affairs to the Coordinating Minister for Economic Affairs No. B-1408/MENKO/MARVES/HM.02.00/VI/2020, then the Coordinating Ministry for Maritime and Investment Affairs is responsible for coordinating the preparation of annual fiscal reports. Based on Presidential Regulation No. 82/2020, the Ministry of Energy and Mineral Resources was appointed to coordinate the EITI Report's preparation for the 2018 fiscal year.

The implementation of EITI in Indonesia at the end of 2019 has achieved a Validation assessment by reaching *Meaningful Progress* in the 7<sup>th</sup> EITI Report of 2017. In fulfilling the obligation to compile the 8<sup>th</sup> EITI reporting year 2018, scheduled for completion at the end of December 2020, the Ministry of Energy and Mineral Resources activated the old MSG established by the Presidential Decree No. 26/2010. The EITI Report Preparation Team was formed through the Minister of Energy and Mineral Resources Decree Number 728.K/73.SJN/2020.

**The second chapter** provides a basic overview of extractive industry activities, explaining the actions and agencies involved in managing the extractive industry in the oil and gas and mineral and coal sectors. The main description of extractive industry activities includes extractive industry activities and government agencies related to the extractive industry. Indonesia's extractive industry activities are divided into two main stages, namely upstream and downstream activities. Upstream activities relate to exploration activities and production operations of natural resources. Meanwhile, downstream activities are activities related to processing, refining, transporting, and selling natural resources. Apart from these two main stages, the reclamation and rehabilitation and post-mining implementation stages are also an integral part of extractive industry activities.

**The third chapter** describes the legal framework for extractive industry management by defining the extractive industry sector regulations. The legal framework for extractive industry management consists of a constitutional basis for extractive industry governance, laws governing extractive industries based on the extractive industry value chain, and SOE regulations. This section is useful for the general public to understand how the extractive industry regulation and management system currently applies in Indonesia.

The constitutional foundation for implementing the extractive industry is based on the 1945 Constitution, which in Article 33 is the primary legal basis for extractive industry policy in Indonesia. Then, at the implementation level, laws and regulations are issued, namely Law No. 3/2020 concerning Amendments to Law No. 4/2009 concerning Mineral and Coal Mining. As for Law No. 3/2020, until the time this report is prepared, the government regulation has not been promulgated. Meanwhile, Indonesia's oil and gas sector activities are regulated by Law No 22/2001. The Revision of the Oil and Gas Law is currently being discussed between the Government and the DPR. The Oil and Gas Law regulates the separation between governance regulations in the upstream and downstream oil and gas sectors. This section also explains the

extractive industry's regulations from each extractive industry value chain regarding contracts and permits, production, revenue collection, revenue allocation, and social and environmental responsibility.

In the oil and gas sector, licensing begins with a Working Area Offer (WK). The procedure for determining the Oil and Gas Working Area (WK) is regulated in GR No. 22/2010 concerning Mining Areas, EMRMR No. 40/2006 concerning Procedures for Designating Working Areas, and EMRMR No. 35/2008 regarding Procedures for Determining and Offering Oil and Gas Working Areas. WK's proposal is made by the Directorate General of Oil and Gas, which comes from open areas and is offered through tender and direct offers. Bidding for WKs is carried out by the Directorate General of Oil and Gas by forming an auction team (for auction WKs) and an assessment team (for direct bid WKs).

The regulation related to the Oil and Gas industry's contribution at the exploration stage is EMRMR No. 30/2017. This regulation stipulates that the company must pay a signature bonus before signing the production sharing contract. The company can make payments in two ways, namely cash payment or bidding collateral disbursement. This EMRMR stipulates the expense of a firm commitment for exploration when the KKKS contract period for the Oil and Gas WK has ended. Meanwhile, regulations related to the contribution of the Oil and Gas industry in the exploitation and production stages are EMRMR No. 06/2010 concerning Guidelines for Increasing Oil and Gas Production, EMRMR No. 01/2008 concerning Guidelines for Petroleum Mining Exploitation at Old Wells, and EMRMR No. 03/2008 regarding Guidelines and Procedures for Returning Parts of Working Areas Not Utilized by KKKS in the Context of Increasing Oil and Gas Production.

In collecting state revenues from the oil and gas sector, 2017 was a milestone in the change in the oil and gas industry's governance. Especially in the upstream sector, namely the enactment of the PSC Gross Split (non-cost recovery) contract to replace the PSC cost recovery contract that had been in effect for a long time since 1964. It was marked by the issuance of Ministerial Regulation No. 8/2017 concerning the Gross Split PSC Contract before being renewed by EMRMR No. 52/2017 and with EMRMR No. 20/2019 was followed by the issuance of Government Regulation No. 53/2017 concerning the tax rules of the Gross Split PSC Contract.

The Ministry of Energy and Mineral Resources has also issued Regulation of the Minister of Energy and Mineral Resources No. 12/2020 concerning the Third Amendment to the EMRMR No. 8/2017 concerning Gross Split Production Sharing Contracts. With this regulation's issuance for new working areas (WKs), which the operation is carried out through the tender process, and for WKs whose contract period will end, whether they will be extended or not extended, there is an option to use the cost recovery, gross split, or other forms of contracts. It also considers the level of risk, investment climate, and benefits for the country.

Regarding responsibility for the environment in the oil and gas sector, in Law No. 22/2001 concerning Oil and Gas, when the upstream oil and gas activities are closed, the KKKS is obliged to carry out reclamation or decommissioning or what is known as ASR (Abandonment and Site Restoration). In this case, the Government has issued EMRMR No. 15/2018 concerning Post Operation Activities in Upstream Oil and Gas Business Activities as the latest revision of the Law's implementation guidelines.

Whereas in the mineral and coal mining license, the mining area (WP) determination is the basis for issuing the licenses. The mining area's determination refers to Law No. 3/2020 concerning Amendments to Law No. 4/2009 concerning Mineral and Coal Mining. Before the issuance of the

Law, the form of exploitation in the mineral and coal mining sector was known as a permit in the form of a Mining Authority (KP) and a contract system, namely Contract of Work (KK) and Coal Mining Concession Work Agreement (PKP2B). The Government of Indonesia signs the contract system with companies based on Law No. 11/1967 concerning General Mining Provisions. After the Mineral and Coal Mining Law issuance, the form of exploitation is mining business licenses (IUP) and community mining licenses. However, KK/PPK2B itself is still valid until the contract/agreement period ended. The regulation that regulates the tender of Mining Business Licenses is EMRMR No. 7/2020, which states the announcement of the plan to tender metallic mineral and coal WIUP no later than one month before the auction.

Discussion of production-related regulations covers every activity stage starting from the exploration to sales. The rule regarding exploration in Indonesia still refers to the Minister of Energy and Mineral Resources Decree No. 1806 K/30/MEM/2018 concerning Guidelines for Preparation, Evaluation, Approval of Work Plans and Budget, as well as Reports on Mineral and Coal Mining Business Activities. It acts as implementers of EMRMR No. 11/2018, which renew by EMRMR No. 7/2020. The EMRMR is an implementing regulation for GR No. 23/2010, which has been amended for the fifth time with GR No. 8/2018. However, after the issuance of Law No. 3/2020, there is a change regarding exploration in the mineral and coal sector, namely the obligation to provide mineral and coal reserve resilience funds to discover new reserves. The regulation that regulates production operations is EMRMR No. 26/2018 concerning Implementation of Good Mining Practices and Supervision of Mineral and Coal Mining, and EMRMR No. 11/2019 concerning the Second Amendment of EMRMR No. 25/2018 concerning Mineral and Coal Mining Exploitation. The companies can sell the mining products of mineral and coal commodities domestically or abroad (export) as stipulated in GR No. 23/2010.

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

One form of state revenue distribution from extractive industries in Indonesia is the Revenue Sharing Fund (DBH), allocated to regions based on percentage figures under statutory regulations to fund regional needs in implementing decentralization. The implementation of DBH is based on Law No. 33/2004 concerning Financial Balance between the Central Government and Regional Governments, GR No. 55/2005 concerning Balancing Funds, and MFR No. 35/PMK.07/2020 concerning 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 social and economic contribution of the extractive industry in Mineral and Coal sectors in terms of implementing Social and Environmental Responsibility states in Law No. 4/2009 article 108 paragraph 1, which obliges IUP and IUPK holders to formulate community development and empowerment programs. Law No. 4/2009 also requires parties running mining businesses to restore natural environmental and social functions by carrying out reclamation and post-mining activities.

**The fourth chapter** reports implementing governance of the oil and gas sector and the mineral and coal sector. The extractive industry's implementation includes licensing, the extractive industry's contribution, and SOE extractive industries' performance.

In the oil and gas sector, the management of upstream oil and gas business activities is regulated in a production sharing contract, known as a Production Sharing Contract (PSC). This contract places the state as the owner and right holder of oil and gas resources, while the company acts as a contractor. In Indonesia's oil and gas contract structure, the Cooperation Contract (KKS) is carried out between the PSC Contractors and the Government is represented by SKK Migas, namely PSC Cost Recovery and PSC Gross Split. EMRMR No. 12/2020, enacted on July 16, 2020, frees investors to choose PSC Gross Split and PSC Cost Recovery contract schemes. Especially for the Aceh region, the Government is represented by BPMA. In addition to the contracts above, the Contractor, in this case, Pertamina, is given the opportunity by the Government to cooperate with KKKS, regional companies (Regional Owned Enterprises/BUKD), and the community (Village Unit Cooperative/KUD) in managing Pertamina's Working Area (WK). Cooperation schemes carried out by Pertamina with third parties include a Joint Operating Body (JOB), Joint Operation (JO), and a Technical Assistance Contract (TAC).

This chapter also discusses the 2017-2019 Working Area Offer (WK), Transfer of Participating Interest (PI), and the transfer of 10% PI to BUKD. The analysis of data related to Contract Termination and Transfer of Old Well is also discussed in this chapter. Apart from that, oil and gas reserves, oil and gas production, and oil and gas exports are also presented in this chapter.

In the WK Migas tender process during 2018 - 2019, 9 KKS were signed, namely six KKS bidding results in 2018 and three KKS bidding results in 2019. The tender results provide a positive indication that the gross split contract has begun to be accepted by investors after previously not there is a winner of the WK Migas tender in the 2016 - 2017 period.

For oil and gas reserves, Indonesia can potentially provide oil and gas resources from Sumatra to Papua. As of January 1, 2020, petroleum resources' potential is 61 billion barrels, and natural gas is up to 206 Trillion Cubic Meters (TCF). Meanwhile, since 2016, there has been a tendency to decrease the number of gas reserves. Many potential gas reserves have been discovered but are not yet productive because there are no gas buyers. For the record, gas reserves certification can be categorized as proven gas reserves if there is already a buyer.

For oil and gas production, from 2016 to 2019, it has relatively decreased. Due to drilling, rework, and maintenance of wells not on target, field decline rates that are not following estimates, high loss of potential oil (LPO) due to unplanned shutdowns, and onstream projects are slightly shifted the planned time. As for natural gas, gas production and lifting between 2015 - 2019 were relatively stable. The dominance of output comes from the Muara Bakau Field (ENI Muara Bakau B.V.) and the Vorwata Field (BP Berau Ltd.).

The oil and gas sector's contribution to national exports in 2017-2019 has experienced a downward trend due to national energy security support. All efforts are made to distribute the entire national production to Domestic Refineries to reduce fuel imports. The total national oil and gas exports in 2019 amounted to US\$ 11,789.3 million, down from US\$ 17,171.7 million in 2018.

Meanwhile, in the mineral and coal sector, the implementation of extractive industry licensing in 2018-2019, which is based on the value chain, includes determining mining areas, contracts and permits, and the auction of WIUP and WIUPK. Several decrees of the Minister of Energy and Mineral Resources have defined the WP, and it can be changed once within five years by the provisions of the laws and regulations. There are no changes and the addition of new WPs in 2018-2019. The auction was held for the first time in 2018, wherein the period 2018-2019 was focused on structuring licenses that local governments have issued.

In 2018, some of KK's mining concessions changed the status into IUPK and several KK and/or PKP2B whose contracts have expired. It was also an IPR reconciliation between the provincial Government and the Directorate General of Mineral and Coal. The result of the reconciliation was the synchronization of the IPR list registered at the Directorate General of Mineral and Coal with valid IUP and IPR submitted by the regency/city government to the provincial Government due to the transfer of authority as stated in Law No. 23/2014. There are 16 People Mining Licenses (IPR), which are officially registered at the Directorate General of Mineral and Coal. In mineral and coal licensing, there is a Clear and Clean IUP (CnC) system. The EMRMR No. 11/2018 article 112 states that IUPs issued after this regulation's promulgation do not require CnC status. Only IUPs with CnC status previously registered at the Directorate General of Mineral and Coal are registered in the database.

The auction process for Mining Business License Areas (WIUP) is carried out under the Regional Government's authority. In contrast, the Central Government carries out the Special Mining Business License Area (WIUPK) tender by prioritizing BUMN and BUMD. If the BUMN/BUMD is not interested, an open auction process will be involving the private sector. The auction winner must pay a compensation price for Data and Information (KDI), the Minister of Energy and Mineral Resources Decree determined the compensation price. The high value of KDI for mining areas auctioned by the Government is considered burdensome for companies that still have to invest additional investments for exploration activities.

This section also discusses the extractive industry's contribution based on the value chain 2018-2019 contextual report. The EITI reporting discussion covers the development of greenfield extractive industry exploration up to 2019, resources and reserves, production and sales activities, exports, and the extractive industry's contribution to the country's economy to GDP and employment for 2019. This section focuses on five leading mineral commodities: copper, nickel, gold, tin, bauxite, and the contribution from coal, which is also an energy commodity.

In 2018, greenfield mineral and coal exploration in Indonesia experienced a significant increase compared to 2017, but the increase was still not as significant as in 2019. Coal development exploration in 2018 experienced a considerable increase, almost double from 2017 compared to 2019, which was only experienced a rise of 16.65% from 2018. Meanwhile, exploration for mineral development in 2018 and 2019 only experienced a slight increase, namely 5.4% and 4.6%, respectively.

Since 2018, there has been an increase in the amount of data on IUP holders originating from the reconciliation of companies holding mining business licenses (IUP) issued by the Provincial Government. It impacts increasing the amount of data on resources and significant reserves on copper, nickel, bauxite, tin, and gold. The number of resources and reserves was also affected by price increases in several commodities. Meanwhile, there has been an increase in national coal resources from year to year, which is also due to, among other things, greenfield exploration activities in several new areas.

Based on data on reserves and production in 2019, Indonesia is a country with abundant natural resources, mainly minerals, one of the largest producers of several mineral commodities globally. Indonesia is the largest nickel producer in the world. Indonesia is ranked 4<sup>th</sup> as the world's largest thermal coal producer in 2018 and 2019. To encourage downstream minerals through the construction of domestic processing and refining facilities, smelter development's progress until 2019 is 17 of the 52 units. Meanwhile, to maintain the affordability of electricity prices for the general public, on January 1, 2018, the Government issued a policy of mandatory domestic coal

supply (DMO), which is applied at 25% to all coal producers with a selling price of US\$ 70.00 per ton, based on the calorie benchmark of 6,322 kcal GAR.

The extractive industry's contribution in the mineral and coal sector to the national and regional economies in 2018-2019 was 4.5% and 5% of total GDP, respectively. Indonesia's total mining GDP based on the current price in 2018 amounted to 710,311 billion rupiahs, and in 2019 738,817 billion rupiahs. Apart from GDP, the mining sector also contributes to employment in Indonesia. The absorption of labor in the mining sector for 2015-2018 has increased, and in 2019 has decreased. Domestic workers' ups and downs in the mineral and coal sector are inseparable from world economic growth, particularly those related to the supply and demand for various mining commodities.

This section also discusses extractive industry SOEs defined as business entities in the extractive sector (including oil, gas, minerals, and coal) whose capital is wholly or mostly owned by the state. The role of SOEs is quite significant in the extractive industry sector in Indonesia. SOEs in the mineral and coal sector make contributions to the country, one of which is through the payment of royalties. Mineral and coal mining SOEs contributed royalties of 1.75 trillion rupiahs in 2018. It increased to 2.25 trillion rupiahs in 2019, 6% of the Central Government's total royalties in 2018, and 9% in 2019. In the oil and gas sector, in 2018, Pertamina Group's total contribution to the State Budget reached 120.8 trillion rupiahs consisting of 93 percent of tax payments and 7 percent of dividend. Pertamina pays the 2018 dividend as Pertamina's 2017 performance. Meanwhile, in 2019, total tax and dividend payments increased by 13 percent to 136.6 trillion rupiahs.

The Government and SOEs' financial relationship consists of the Government's authority in state capital participation in SOEs, dividend payments, equity participation, SOEs loans by the private sector, Government loans that lend to SOEs, and auditing SOEs financial statements. On August 17, 2019, the Mining Industry Holding was transformed into MIND ID (Mining Industry Indonesia). Until the end of 2019, government-owned shares in PT Antam (65%), PT Timah (65%), PTBA (65.93%), and PTFI (51.23%). The Government also formed the Oil and Gas SOE holding company in April 2018. The formation of the Oil and Gas SOE holding is regulated in GR No. 6/2018 concerning the Addition of the State Capital Participation of the Republic of Indonesia to the Share Capital of the Company PT Pertamina (Persero) by transferring the Rights to the State Shares of the Republic of Indonesia in PT Perusahaan Gas Negara Tbk.

**The fifth chapter** describes the state revenue and allocation of state revenue, including state income from domestic payment and receipt of grants. Domestic revenue is divided into tax revenues and non-tax revenues. Most of the state revenues come from tax revenue.

Natural Resources Revenue in 2018 contributed 9.29% of total state revenue. Meanwhile, revenues from natural resources in 2019 contributed 7.90% to total state revenues. However, state revenue from natural resources not just comes from the oil and gas sector and mineral and coal sectors. It also comes from the forestry, fisheries, and geothermal sectors. In 2018, state revenue from the oil and gas sector was 142.8 trillion rupiahs, while in 2019, it was 121.08 trillion rupiahs. Meanwhile, state revenues from the mineral and coal sector in 2018 amounted to 30.31 trillion rupiahs. In 2019 amounted to 26.34 trillion rupiahs.

The details of each revenue are shown in the table below:

Description	FY 2019 (Audited) (Trillion Rupiahs)	FY 2018 (Audited) (Trillion Rupiahs)
Oil Revenue	83.62	101.49
Natural Gas Revenue	37.47	41.30
Mineral and Coal Mining Revenue	26.34	30.31
Forestry Revenue	5.01	4.76
Fisheries Revenue	0.52	0.45
Geothermal Revenue	1.93	2.28
<b>Total</b>	<b>154.89</b>	<b>180.59</b>

Source: 2018 and 2019 Central Government Performance Report

In the 2016-2019 period, tax revenues grew by an average of 6.4% per year. The extractive industry has also played an essential role in contributing to tax revenues in Indonesia. In the oil and gas sector, the realization of PPh for oil and gas in 2019 was 59.1 trillion rupiahs, or 89.3 percent of the target of 66.2 trillion rupiahs. The oil and gas PPh sector experienced a contraction of 8.7 percent, even though in 2018, the growth of oil and gas PPh reached 28.6 percent. The realization of the decline in oil and gas PPh revenue was partly due to the decrease in oil's average selling price in 2019. ICP in 2019 reached US\$ 62 per barrel, far from the assumption of US\$ 70 per barrel. This price decline was due to lower world oil demand.

Meanwhile, the development of oil and gas SDA PNBP during the 2016-2020 period experienced a fairly dynamic movement. The trend of oil and gas natural resources revenue follows the Indonesian Crude Price (ICP) trend pattern. When ICP reaches its highest point during that period, SDA revenue also reaches its peak at the same time. In 2018, ICP reached its highest point of US\$ 67.5 per barrel, and oil and gas SDA PNBP reached a peak of 142.79 trillion rupiahs. In 2019 has decreased to 121.1 trillion rupiahs. Meanwhile, oil and gas SDA PNBP in 2020 as stipulated in Presidential Decree No. 72/2020 is estimated at 53.29 trillion rupiahs.

For the mineral and coal sector, the tax treatment is regulated in GR No. 37/2018. When this report is being prepared, the Government is preparing a special tax treatment for coal mining business activities. The realization of the mineral and coal sector tax revenue in 2018 increased by 75% from the previous year.

As the second-largest state income after-tax revenue, Non-Tax State Revenues (PNBP) during 2015-2019 experienced an average growth of 10.90% per year. This income comes from natural resources, the provision of services, and revenue from the Government's management of assets. Revenue from natural resources contributed significantly to the realization of PNBPs as a whole, reaching 9.29% in 2018 and 7.90% in 2019. The mineral and coal sector regulates rates and types of PNBPs in GR No. 81/2019. Based on the Directorate General of Mineral and Coal's Performance Report, state revenue from the mineral and coal sector includes fixed fees, production fees/royalties, sales of mining products, services, and information. The realization of PNBPs in the mineral and coal sector in 2018 also increased by 22% from the previous year. The coal mining sub-sector has contributed around 75% to 80% of PNBPs in the mineral and coal sector in recent years. Based on 2019 data from the Ministry of Finance, the five most significant profit-sharing fund provinces for oil and gas in 2017 - 2019 are West Papua, East Java, East

Kalimantan, Riau, and South Sumatra. Meanwhile, the five most significant profit-sharing fund provinces for mineral and coal in 2017 - 2019 are East Kalimantan, South Kalimantan, Papua, South Sumatra, and Bangka-Belitung.

**The sixth chapter** describes the integrated information technology system. This system is implemented to realize a clean, effective, transparent, and accountable government and enhance public services quality and reliability. The information technology system in the oil and gas sector, namely Online Oil and Gas Data, where KKKS can access data online, both as members and non-members. KKKS who register as members can access all data, including confidential and open data. In addition to Online Oil and Gas Data, other information technology systems in the oil and gas sector are the ESDM Online Licensing Application, the SKK Migas Integrated Operating System (SOT), and the BPH Migas Oil and Gas Supply and Distribution Supervision Information System (SIPPP BBM).

In the mineral and coal sector, the online mineral and coal information technology system consists of two main parts, **Service Aspects**: Mineral and Coal One Map Indonesia (MOMI); Mineral and Coal One Data Indonesia (MODI) and Online Licensing; and **Development and Supervision Aspects**: Mineral and Coal Online Monitoring System (MOMS) and Sales Verification Module (MVP); E-PNBP and Receivables Recording Information System (SIPP); Exploration Monitoring System (EMS) and Exploration Data Warehouse (EDW); MINERS, SIKEMBAR, eLelang, and RKAB Online. In December 2019, three online mineral and coal applications were launched: MVP, EMS, and EDW Application, to improve supervision of mineral and coal sector business entities' activities.

Mainstreaming is a system that requires the Government and companies to integrate or disclose systematically public information. The purpose of this mainstreaming is to provide space for the Government and companies to be able to report data, especially related to income, through an online system. Applications that have existed since 2018 are online mining licensing, MOMI, MODI, MOMS, and E-PNBP. In 2019 new applications emerged, most of which were still not-integrated, including eRKAB, Sikembar, EMS, EDW, MVP, SIPP, eRekon, eDBH, Miners Inspector, eLelang, MOMS Dashboard, and Beneficial Ownership (BO).

Mainstreaming in the extractive industry sector has begun to be carried out by the Government by implementing a one-stop reporting system and simplifying business licensing. Also, in the context of Implementing Presidential Regulation No. 39/2018 concerning Indonesia One Data and Preparation of Mainstreaming in the Extractive Industry sector, the Ministry of Energy and Mineral Resources develop the ESDM Data Enterprise, which integrates upstream-downstream applications in the oil and gas, mineral and coal, renewable energy, and electricity sectors.

**The seventh chapter** reports on social and environmental responsibility. Mineral and coal mining companies carry out Community Development and Empowerment Programs (CDEP) to manifest social responsibility. CDEP is an effort to encourage the improvement of the economy, education, socio-culture, health, and the community's environment around the mine, both individually and collectively, so that the community's level of life around the mine becomes better and independent. Realization of CDEP costs experienced a significant increase in 2019, an increase of 42% from the realized CDEP costs in 2018.

Mining activities have the potential to change the landscape and environmental quality. Therefore, to avoid the negative impacts of changes in the landscape, the Government as the regulator, requires companies to carry out environmental management, one of which is to carry out reclamation and post-mining activities. The 2015-2019 period saw an increase in the number of ex-mining lands reclamation, which is a positive message for the public and proof that mining

activities can continue to preserve the environment and create sustainable development. The total area of the reclamation in 2018 was 6,950 Ha (100.7%) of the target of 6,900 Ha, and in 2019 it was 7,626 Ha (108.9%) of the target of 7,000 Ha.

In the oil and gas sector, the provisions for the cost of implementing CDEP activities are regulated in Government Regulation No. 27/2017 concerning amendments to GR No. 79/2010 concerning Refundable Operating Costs and Treatment of Income Tax in the Upstream Oil and Gas Business Sector. In the regulation, Article 12 states that the Government can reimburse the operational costs if they meet the requirements. One requirement is the funds for community and environmental development incurred during the exploration and exploitation period. During 2019, upstream oil and gas CDEP realized a total budget of up to US\$ 17.49 million for 998 programs with more than 1.37 million people as CDEP beneficiaries (not including beneficiaries in 7 districts in Papua and Maluku regions).

As for the environment, KKKS must carry out Abandonment and Site Restoration (ASR) reserves. ASR reserves are used in activities to permanently stop the operation of production facilities and other supporting facilities and eliminate their ability to be re-operated and restore the environment in the upstream oil and gas business 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 activities began.

The ASR implementation refers to the SKK Migas Work Procedure Guidelines No. 40 issued in 2010 and revised in 2018. In 2018, the Minister of Energy and Mineral Resources issued EMRMR No. 15/2018 concerning Post-Operational Activities in the Upstream Oil and Gas Business Activities. Based on this regulation, the Contractor is obliged to fund post-operation activities and submit a post-operation activity plan to SKK Migas. Funds for activities after operation reserved by the KKKS must be kept in a joint account between SKK Migas and the Contractor, following the estimated costs of post-operation activities. Until 2019, the total ASR Funds collected were US\$ 1.42 billion.

**The eighth chapter** describes the impact of the Covid-19 Pandemic on extractive industry activities in Indonesia. This EITI report discusses the flexible report for 2020 with cut-off data until August 2020 or until the third Quarter of 2020. On March 11, 2020, the World Health Organization (WHO) officially announced the SARS-Cov-2 (Covid-19) virus outbreak as a global pandemic. These conditions caused the global economy to weaken. The negative impact of the Covid-19 Pandemic on the global economy was strongly felt in the Second Quarter of 2020 due to restrictions or even lockdown policies that almost paralyzed almost all business sectors. Then growth improved slightly in the Third Quarter in line with the easing of restriction policies. However, most countries experienced a recession with negative growth respectively during the second and third quarters.

Indonesia overcame the economic downturn as a result of the Covid-19 Pandemic by issuing a National Economic Recovery policy through Government Regulation No. 23/2020 concerning Implementation of the National Economic Recovery Program in Support of State Financial Policy for Handling the 2019 Corona Virus Disease (Covid-19) Pandemic and/or Facing Threats That Endanger the National Economy and/or Financial System Stability as well as Save the National Economy. The Government realizes that mining will be a sector that plays a positive role in economic recovery.

In the face of the Covid-19 Pandemic, the Republic of Indonesia has prioritized public health problems by controlling the virus's spread and restoring the economy. To formulate a strategy

towards a productive and safe society for Covid-19, the Government issued a Macro policy in the form of a Government Regulation (GR) and Government Regulation in Lieu of a Law (Perpu).

The Covid-19 Pandemic has a significant impact on the oil and gas industry in Indonesia. As a net importer of petroleum, low oil prices will benefit the economy in general. However, they will harm the upstream oil and gas sector, which requires government intervention to survive. Government revenue from the oil and gas sector is expected to decline, but subsidies will also decrease if prices remain low.

Indonesia Crude Oil Price (ICP) moves to follow the development of world crude oil prices. ICP is an important indicator because it affects the calculation of state revenues from the oil and gas side and allocating the number of subsidies. In general, crude oil prices are influenced by supply and demand conditions and non-fundamental factors, such as geopolitical factors and weather disturbances.

In 2020, the world crude oil price decreased in mid-January in line with the spread of the Covid-19 Pandemic. China's economic activity has decreased, reducing global demand for crude oil. Prices fell sharply in line with the spread of the Covid-19 Pandemic in various countries, which impacted decreasing economic activity and the implementation of lockdowns.

In mid-2020, oil prices slowly increased, supported by the OPEC + policy response, easing lockdown policies and economic improvement signals in several countries. Even so, the world crude oil price remained at around US\$ 40 per barrel. This condition is influenced by global demand, which is starting to improve but is still overshadowed by the high number of positive cases of Covid-19 and concerns about the re-imposition of lockdowns.

Petroleum is still one of the mainstays of state revenue in Indonesia, so the production target is always stated in the state budget. In the 2020 State Budget, the oil production target is 755,000 barrels of oil per day (BOPD), but due to the Covid-19 Pandemic, the oil production target has been lowered to 735,000 BOPD and 705,000 BOPD, respectively.

Until October 2020, petroleum production reached 710,000 BOPD, which is above the average oil production target listed in the APBN-P2, 705,000 BOPD. Oil production decreased in the Second Quarter, with the lowest figure in May at 708,000 BOPD. One of the main factors that caused the decline in oil production was the Covid-19 outbreak and low world oil prices.

Indonesia's upstream oil and gas industry's performance in the Third Quarter of 2020 reached the revised target, despite the low world oil prices and the Covid-19 Pandemic pressing activities in the field. 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) and had exceeded the APBN-P2 target of 705,000 BOPD. The realization of the ICP was US\$ 42 per barrel, or higher than that used when the APBN-P was set at US\$ 38 per barrel, resulting in state revenue of US\$ 6.99 billion or 119%, exceeding the Revised Budget target of US\$ 5.86 billion.

Meanwhile, in the mineral and coal sector, although the implementation of mineral and coal mining business activities is partly not hampered by the spread of Covid-19. Mineral and coal companies are experiencing pressure due to weak commodity prices due to weakening domestic and export demand and increasing operating costs. The company's operational costs are higher due to implementing the Covid-19 prevention protocol. Therefore, the Government provides incentives for mineral and coal companies whose business and investment activities were affected by the Covid-19 Pandemic. The Government has also offered fiscal stimulus in connection with the

conditions of the Covid-19 Pandemic. The Government gave these regulations and incentives so that the mineral and coal sector industry can survive the Covid-19 Pandemic in 2020.

Overall, the amount of investment in exploration activities as of November 2020 has reached the investment target for exploration activities in 2020. With the development of copper production, the percentage of achievement in 2020 has increased from 2019. The accomplishment of gold production until August in 2020 is almost the same as the achievement in 2019. Achievement of tin production in 2020 has decreased by 17.86% from 2019 with the same number of production targets. The accomplishment of nickel ore production and its processed products until August 2020 has mostly increased. Bauxite and SGA production was relatively stable in 2020. CGA production was also relatively stable until June but experienced a significant decline in June, then significantly increased in August. The realization of coal production from January to August 2020 decreased by 15.41% from the previous year. The decline in product realization in 2020 is due to weak demand for both exports and domestic consumption.

After determining the Covid-19 Pandemic by WHO in mid-March 2020, the global economic downturn was widespread due to restriction and lockdown policies in many countries, which weakened demand, while supply was still relatively good. Several commodities have not been affected, for example, Copper Cathode, Matte Nickel, and Ferro Nickel. It is possible, in addition to the performance of processing production to get good results, the demand for these commodities tends to be stable.

Apart from affecting the export volume of several mineral commodities, the impact of the Covid-19 Pandemic also affected investment plans and the process of building mineral processing and refining facilities. The investment plan worth US\$ 3.7 billion is likely to be transferred to the 2021 budget, with other factors in the process of building processing and refining facilities considered constant. It is projected that the investment climate will improve, and the impact of the Covid-19 Pandemic will decrease significantly in 2021. The Covid-19 Pandemic effect has hampered the Smelter Construction Program, which is expected to be completed in 2023, and the number has reduced to 48 smelters. The Covid-19 Pandemic has also hindered labor entry and exit mining concessions due to the area/company isolation, employee rotation, and strict physical restrictions.

#### Mineral and Coal Export Volume in 2020

Commodity	Unit	2019 (until August)	2020 (until August)
<b>Copper Cathode</b>	Thousand Ton	112.04	146.39
<b>Gold Metal</b>	Ton	43.32	28.03
<b>Tin Metal</b>	Thousand Ton	45.35	44.56
<b>Nickel Matte</b>	Thousand Ton	43.41	56.12
<b>Ferro Nickel</b>	Thousand Ton	720.18	734.35
<b>Nickel Pig Iron (NPI)</b>	Thousand Ton	56.71	223.07
<b>Bauxite Ore</b>	Million Ton	10.29	16.80
<b>Chemical Grade Alumina (CGA)</b>	Thousand Ton	34.49	30.45
<b>Smelter Grade Alumina (SGA)</b>	Thousand Ton	712.15	601.87
<b>Coal</b>	Million Ton	301.01	267.09

Source: Directorate General Mineral and Coal

The Covid-19 Pandemic has had a significant impact on various sectors. To overcome this, the Government has issued several policies, one of which is the fiscal policy described above. Fiscal

policy for economic stimulus has been issued to reduce the Pandemic's impact on the financial sector. As a result, this policy affects the 2020 state budget, which can experience a deficit of approximately 1,039.22 trillion rupiahs or 6.34% of GDP. The widening debt was due to the increasing need for Covid-19 countermeasures funds.

On June 25, 2020, the Government issued Presidential Decree No. 72/2020 concerning Amendments to Presidential Decree No. 54/2020 concerning Posture Changes and Details of the State Budget for the 2020 Fiscal Year. Presidential Decree No. 72/2020 is determined based on considerations to maintain the quality and sustainability of the 2020 State Budget in the context of meeting the needs for handling the Covid-19 Pandemic and/or facing threats that endanger the national economy and/or financial system stability, due to Presidential Decree No. 54/2020 is not fully able to answer this.

The Government has increased the 2020 State Budget's expenditure allocation, namely a fund of 695.20 trillion rupiahs is budgeted to finance the National Economic Recovery program. The program budget as stipulated in Presidential Decree No. 54/2020 consists of several components: corporate financing and assistance to local governments, assistance from ministries/institutions and local governments, health budgets, social protection budgets, business incentives, and MSME assistance. Of the total program budget, 203.90 trillion rupiahs were allocated for social protection to handle the impact of Covid-19.

Regarding state revenue from the oil and gas sector, the Covid-19 Pandemic, which impacted the decline in world crude oil prices and various other industries, prompted the Government to revise the state revenue target from the oil and gas 192.04 trillion rupiahs to 88.32 trillion rupiahs. Initially, the Government in the 2020 State Budget targeted oil and gas revenues of 192.04 trillion rupiahs consisting of Oil and Gas Income Tax (PPH Migas) of 57.53 trillion rupiahs, PNBP of 127.31 trillion rupiahs, and other revenues from the oil of 7.3 trillion rupiahs. With notes, oil lifting is 755,000 barrels per day, natural gas lifting is 1,191,000 barrels of oil equivalent per day, ICP is US\$ 63 per barrel, and the exchange rate is 14,400 rupiahs per US dollar. However, with the Covid-19 Pandemic in various parts of the world, which also impacted oil and gas business activities, the oil and gas revenue target was revised through Presidential Regulation No 54/2020 to 100.16 trillion rupiahs. The oil and gas revenue target was then modified to 88.32 trillion rupiahs through Presidential Decree No. 72/2020. The Oil and Gas PPh was targeted at 31.85 trillion rupiahs, Oil and Gas SDA PNBP 53.29 trillion rupiahs, and other revenues from oil 3.11 trillion rupiahs.

#### Target and Realization of Oil and Gas Sector in 2020\* (Trillion Rupiah)

<b>Oil and Gas Sector</b>	<b>Target</b>	<b>Realization</b>	<b>%</b>	<b>Portion</b>
Oil and Gas PNBP	56.470	65.795	117%	74%
Oil and Gas PPh	31.859	29.2	74%	26%
<b>Total</b>	<b>88.329</b>	<b>94.995</b>	<b>107%</b>	<b>100 %</b>
<b>PNBP Oil and Gas</b>	<b>Target</b>	<b>Realization</b>	<b>%</b>	<b>Portion</b>
Oil and Gas SDA PNBP	53.295	65.006	122%	98.80%
Non-SDA PNBP	0.56	0.51	91%	0.08%
Other PNBP	3.119	0.737	24%	1.12%

\* Until November 2020 (Presidential Decree No. 72/2020 Target), Source: Ministry of Energy and Mineral Resources and Ministry of Finance

Meanwhile, the mineral and coal mining sector's Tax Revenues experienced a decline in 2020 due to lower sales results from mineral and coal companies due to weak demand and weaker

commodity prices due to the Pandemic. It is also affected by the existence of Government policies that provide fiscal stimulus. The realization of PNBP in the mineral and coal sector from January to August 2020 also experienced a 23% decline in the same period in 2019. Given that the portion of the PNBP contribution from the coal mining sub-sector is around 75-80%, much larger than the mineral sub-sector, the decline in PNBP realization was strongly influenced by the weakening of coal commodity prices and coal sales (exports).

Based on Presidential Decree No. 54/2020 concerning Posture Changes and Details of the State Budget for the 2020 Fiscal Year, the Central Government Budget is prioritized in the context of handling the Covid-19 Pandemic and/or facing threats that endanger the national economy and/or financial system stability with a focus on health spending, social safety net, and economic recovery. The Village Fund Budget can be used, among others, for social budgeting networks in the village in the form of direct cash assistance to the poor and activities to handle the Covid-19 outbreak. The realization of profit-sharing funds for the Mineral and Coal Sector in 2020 increased by 63% from the completion of profit-sharing funds in 2019.

Based on the results of a meeting on digital mineral and coal led by the Director-General of Mineral and Coal on October 15, 2020, the digital system is aimed at making it easier for people and business entities and increasing efficiency, productivity, transparency, and accountability of work in mineral and coal. With this digital system, applications for approval will be given online so that it is necessary to discuss the sorting out of the completion of letters that can be completed through the system and letters that need to be answered officially by the authorized official. Therefore, that soon, a large portal will be created that contains all mineral and coal applications. Example: [oneminerba.esdm.go.id](http://oneminerba.esdm.go.id), which includes MOMS, EPNBP, MINERS, ERKAB, and other modules. After the passing of Law No. 11/2020 concerning Job Creation, Mineral and Coal online licensing will be integrated with Investment Coordinating Board through the Online Single Submission (OSS) application.

Meanwhile, in the oil and gas sector, digital technology advances also support increased data use. For this reason, it is necessary to build an integration between systems so that we can access credible data more efficiently. The Ministry of Energy and Mineral Resources has prepared data integration between ministries/agencies in the oil and gas sector to several applications such as ESDM Licensing, Silvia ESDM, and e-PNBP. The application will be connected to data sources from many ministries/institutions such as the Ministry of Finance, SKK Migas, PT Pertamina, etc. The implementation of data integration will continue to be monitored and evaluated to produce better data integration.

Regarding social responsibility, the realization of CDEP in the mineral and coal sector in Quarter I to Quarter III of 2020 decreased by 52.66% from the same period in 2019. The budget is prioritized to help the Government deal with the impact of the Covid-19 Pandemic. The Government policies limits gathering, implementing social distancing and carrying out Work from Home (WFH) activities, not encouraging the companies to carry out the CDEP activities. Its implementation is postponed. The total area of ex-mining land that has been reclaimed from January to August 2020 has also decreased compared to the same period in 2019.

Regarding the Revenue Sharing Fund (DBH) during the Covid-19 Pandemic, based on MFR No. 139/2019, the local Government must send environmental sanitation reports per semester as a condition for the distribution of Oil and Gas DBH and Mineral and Coal DBH. Due to Covid-19 Pandemic, based on MFR No. 35/2020, the environmental sanitation report was replaced with a report on the handling and prevention of Covid-19 Pandemic in the form of a health performance

report and a report for providing social and/or economic assistance to people affected by Covid-19 Pandemic.

The 2020 FY State Budget has undergone two changes through Presidential Decree No. 54/2020 and No. 72/2020. In this amendment, the Oil and Gas SDA DBH allocation ceiling has decreased by 43.7% from the initial allocation ceiling, which has initially been 17.95 trillion rupiahs to 10.19 trillion rupiahs. Meanwhile, the Mineral and Coal DBH allocation ceiling has also decreased by 4.6% from the initial allocation ceiling, which was initially 16.23 trillion rupiahs to 15.48 trillion rupiahs. This decrease was caused by an adjustment in the ceiling in response to the decline in state revenue shared due to the Covid-19 Pandemic.

**The ninth chapter** reports on the reform of extractive industry policies in Indonesia. The Government, in recent years, has made some improvements in extractive industry governance. The Government continues to complete various regulatory improvements to increase investment and increase transparency and accountability in the oil and gas sector. The oil and gas industry is full of uncertainty, so to attract investment to increase production, the Government must reduce tension. Sources of uncertainty can be external factors such as fluctuations in oil prices or internal factors such as complex regulations and permits, incentive support, or transparency.

One of the improvements in the oil and gas sector's policies is simplifying licensing. The oil and gas licensing arrangement is intended to make licensing simpler, more transparent, effective, efficient, and accountable. Based on the EMRMR No. 29/2017, most of the oil and gas permits have been delegated to One-Stop Integrated Licensing under the Investment Coordinating Board (PTSP - BPKM). Ministry of Energy and Mineral Resources licensing services include 3 hours of ESDM licensing services (ESDM3J) for temporary business licenses covering electricity supply, petroleum storage, storage of processed products/CNG, LPG storage, petroleum processing, natural gas processing, general petroleum/fuel trading, and general commercial processed products.

Another policy improvement is the more disclosure of oil and gas governance information to the public. To make it easier for investors to access oil and gas data, the Ministry of Energy and Mineral Resources in August 2019 issued EMRMR No. 7/2019 concerning Management and Utilization of Oil and Gas Data. This regulation is a revision of EMRMR No. 27/2006 related to the Management and Utilization of Data obtained from general surveys, exploration, and exploitation of oil and gas. In the new regulation, data regarding the management and utilization of oil and gas are opened online for public access through <https://datamigas.esdm.go.id/>. PT Pertamina has been more transparent in disclosing data by presenting import data for 2019 at <https://pertamina.com/id/leport-pengadaan-impor-periode-2019>. The weblink contains information on imports of crude oil, imported fuel, and imported LPG. We can also access information about chartered ships at <https://pertamina.com/id/informasi-kapal>.

The fiscal system's flexibility is also regulated through EMRMR No. 12/2020, signed by the Minister of Energy and Mineral Resources on July 15, 2020, then promulgated on July 16, 2020. Gross split, and cost recovery contract schemes are now options for investors. It is a follow-up to the 2017 EITI Report's recommendations, which recommends KKKS can freely choose the type of contract made with the Government, namely the PSC cost recovery or PSC gross split. The Ministry of Energy and Mineral Resources also removed the provisions regarding the working area (WK) management model, which expires and is not extended. Previously, the Government automatically imposes a gross split for the next term. So, there is flexibility in these WKs to continue implementing the cost recovery scheme.

During the Covid-19 Pandemic, the Government also provided five (5) fiscal stimuli for the oil and gas sector to reduce the impact of the Pandemic: 1) postponement of post-operation activity cost reserves or Abandonment and Site Restoration (ASR) in 2020, 2) exclusion of LNG VAT through the issuance of GR No. 48/2020 concerning Import and/or Delivery of Certain Strategic Taxable Goods Exempted from VAT Obligations, 3) exemption of rental fees for state-owned goods to be used for upstream oil and gas activities, 4) application of a discounted gas price for sales volume above "Take or Pay" and Daily Contracts Quantity, and 5) application of investment incentives such as accelerated depreciation, temporary split change, and full-price DMO.

In recent years, in the mineral and coal sector, the Government has carried out policy reforms to improve mining governance, particularly accountability and transparency. This section discusses the Government's policy reforms for the extractive industry in the mineral and coal sector based on the value chain.

Currently, the authority to manage the issuance of business licenses is only through one gate, namely the central Government. However, the central Government can delegate the authority to issue business licenses to regional (provincial) governments under laws and regulations. It is stated in Law No. 3/2020 concerning amendments to Law No. 4/2009 concerning Mineral and Coal Mining. Articles 169A, 169B, and 169C also clearly state the guarantee for extending the KK/PPK2B with the obligations and requirements. There is also a policy reform regarding the mechanism for changing IUP PMDN to IUP PMA, which is regulated in EMRMR No. 11/2018 concerning Procedures for Granting Areas, Licensing, and Reporting on Mineral and Coal Mining Business Activities. The Government has also changed the formula for calculating compensation for data and information (KDI) by issuing the Minister of Energy and Mineral Resources Decree No. 80 K/32/MEM/2020 concerning the Compensation Price Calculation Formula for Data and Information Mining Business Licenses Areas and Special Mining Business Licenses Areas. The change aims to attract investors to participate in the WIUP and WIUPK auction.

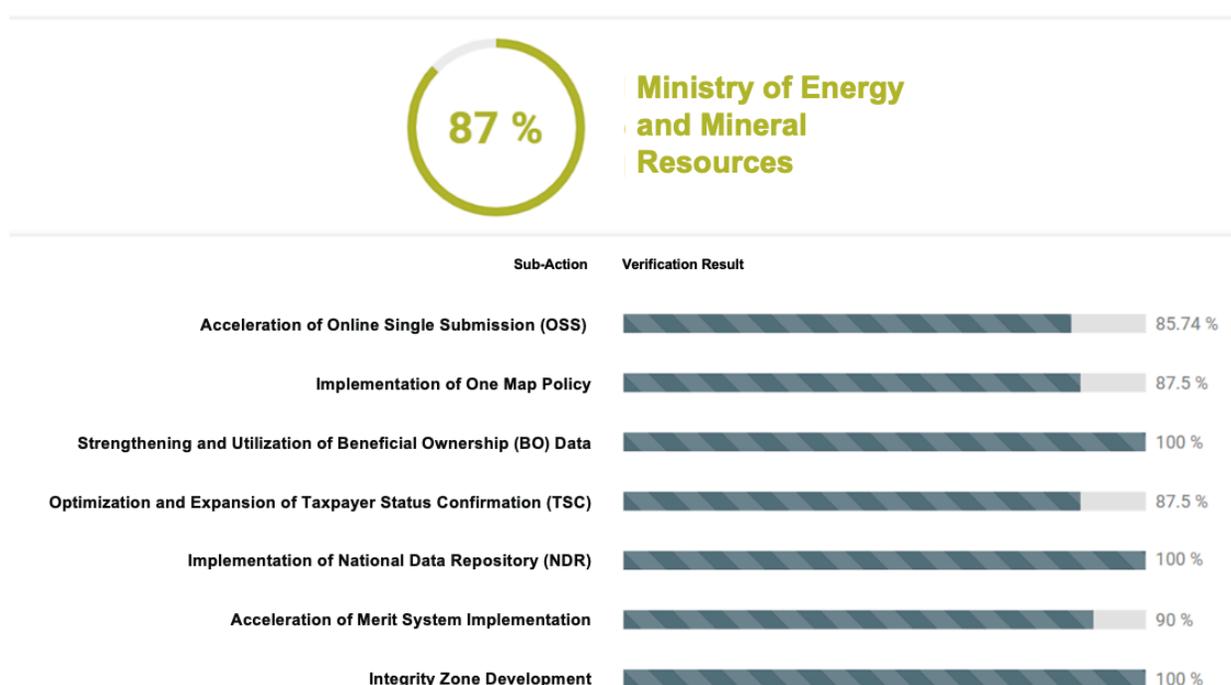
To overcome the low exploration activity in the mineral and coal mining sector, Law No. 3/2020 concerning amendments to Law No. 4/2009 concerning Mineral and Coal Mining, Article 112A Paragraph 1, state the Government establishes policies related to the obligations of Mining Business License (IUP)/Special Mining Business License (IUPK) holders to provide Mineral and Coal Reserves Resilience Funds. So far, the Government has not made any policy changes related to mineral and coal production. The Government added the consideration in determining Metal Reference Price in EMRMR No. 11/2020 concerning the Third Amendment to EMRMR No. 7/2017 aims to provide fairness between the miners and the smelter company. The Government also regulates Coal DMO in the Ministerial Decree No. 261K/30/MEM/2019 concerning the Fulfillment of Domestic Coal Needs in 2020.

The Government made changes regarding the divestment period in Law No. 3/2020 concerning Amendments to Law No. 4/2009 concerning Mineral and Coal Mining. The Law states that the divestment of 51% shares will be carried out in stages. There is also an additional type of regional income in the form of People Mining Fees. So far, the Government has not made any fundamental policy changes related to central and regional governments' financial balance. The application of heavier sanctions for mineral and coal mining companies that do not carry out reclamation and post-mining activities is confirmed in Law No. 3 of 2020.

The National Strategy for Prevention of Corruption referred to as the Stranas PK is a national policy direction containing the focus and target of corruption prevention used as a reference for ministries, institutions, local governments, and other stakeholders in implementing corruption prevention actions in Indonesia. Efforts to prevent corruption by the Government have not

synergized optimally, therefore Presidential Regulation No. 55/2012 concerning the National Strategy for the Prevention and Eradication of Corruption in the Medium Term 2012 - 2014 and the Long Term 2012 - 2025 are deemed no longer in line with the development of the need for corruption prevention. Previous Presidential Regulation replaces by new regulation No. 54/2018 concerning the National Strategy for Corruption Prevention, which is more focused, measured, and directly impacted to create a fair, wealthy, and prosperous society. Based on the regulation, the Stranas PK focuses on three sectors: 1) licensing and trade administration, 2) state finance, 3) law enforcement, and bureaucratic reform, which are considered to have the most indications of corruption.

The Ministry of Energy and Mineral Resources won the best category as a government agency in improving corruption prevention governance. It was conveyed directly by the Minister of National Development Planning, who is also the Head of National Development Planning Agency when announcing the evaluation of the implementation of the National Strategy for Corruption Prevention for the 2019-2020 period. Based on the strategic assessment in 2020, the Ministry of Energy and Mineral Resources has an above-average score.



Source: Ministry of Energy and Mineral Resources, 2020

The legal basis for covering the transparency of Beneficial Ownership (BO) in Indonesia is Presidential Regulation No. 13/2018 concerning the Principles of Recognizing Beneficial Owners of Corporations in the Context of Prevention and Eradication of Money Laundering and Terrorism. The Government formed the regulation to prevent money laundering and tax evasion from Beneficial Ownership (BO) of a corporation.

In the Extractive Industries sector (oil, gas, minerals, and coal), Indonesia's Extractive Industries Transparency Initiative (EITI) seeks to disclose BO information. Following the Circular Letter of the Director-General of Mineral and Coal No. 16.E/30/DJB/2017, mineral and coal mining companies are obliged to attach beneficial ownership (BO) information. In 2018, several mineral

and coal mining companies had submitted Beneficial Ownership (BO) data to the Directorate General of Mineral and Coal, and every year the BO data is updated.

REPORT OF EITI INDONESIA 2018

# EXECUTIVE SUMMARY

(FLEXIBLE REPORT)

Laporan EITI ke 8 tahun 2018 ini untuk transparansi penerimaan negara sektor industri ekstraktif kepada publik, sekaligus memenuhi kewajiban pelaporan EITI tahun 2020 kepada EITI Internasional. Laporan EITI ini membahas mengenai tata kelola industri ekstraktif berdasarkan standar EITI 2019 dan juga persyaratan dalam flexible report tahun 2020.

Tujuan Pelaporan EITI ini adalah untuk menghasilkan laporan yang mengacu pada data fiskal 2018, dan data produksi, ekspor 2019 dan flexible report tahun 2020 yang terkait dampak dari pandemi Covid-19 bagi kegiatan Industri ekstraktif di Indonesia. Adapun batas waktu data yang dibahas (cut off) data hingga bulan Agustus tahun 2020.

[www.esdm.go.id](http://www.esdm.go.id)

ENERGI DAN SUMBER DAYA MINERAL  
KEMENTERIAN ENERGI DAN SUMBER DAYA MINERAL  
REPUBLIK INDONESIA