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RECONCILIATION REPORT

EITI INDONESIA REPORT

2015





**COORDINATING MINISTRY FOR ECONOMIC AFFAIRS
OF THE REPUBLIC OF INDONESIA**

**EITI INDONESIA REPORT 2015
RECONCILIATION REPORT**

VOLUME THREE

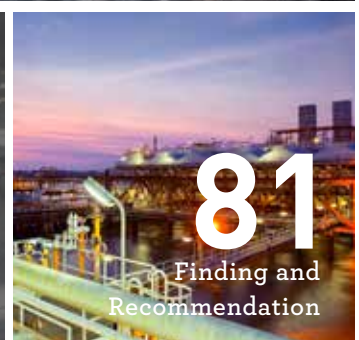
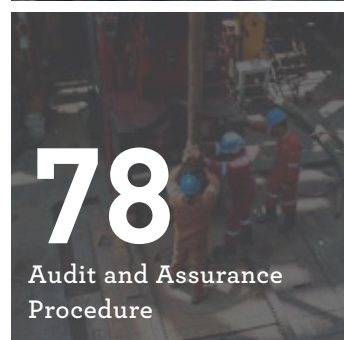
KAP HELIANTONO & REKAN



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LIST OF ABBREVIATIONS AND DEFINITIONS

Accrual Basis	An accounting method in recognizing income and or expense when it is earned and it occurs, not when the cash is received or disbursed by the company/reporting entity	Cost Recovery	A return on operating costs incurred by the PSC contractor out of the production (in kind) derived from related work areas, in accordance with the provisions of the PSC and related regulations
AMDAL	Analysis on the Environmental Impact	CSR	Corporate Social Responsibility
APBN	<i>Anggaran Pendapatan dan Belanja Negara</i> /The Indonesia State Budget	Dana Pascatambang/ Post-mining Funds	Funds provided by mining companies as guarantees for carrying out the activities of recovering natural environment and social functions in accordance to local conditions throughout the entire mining area
ASR	Abandonment and Site Restoration	DBH SDA	<i>Dana Bagi Hasil Sumber Daya Alam</i> /Revenue Sharing Funds from Natural Resources
Bagi Hasil	Represents the production available to be split (Lifting) between the government and the PSC contractor after deducting FTP (First Tranche Petroleum), investment credit (if any) and cost recovery	Development Bonus	Bonus that will be paid by PSC contractor to the government at the time of first commercial development of a working area in accordance with the PSC
Barel	Unit for oil and condensate equivalent to 42 US gallons or 158.99 liters at 60°F (sixty degrees Fahrenheit)	DHPB	<i>Dana Hasil Penjualan Batubara</i> , obligation that must be paid by mining companies to the State in the amount of 13.5% of the sales value of coal regardless level of coal calorie
BPK	<i>Badan Pemeriksa Keuangan</i> /Indonesia Audit Board	Ditjen Minerba	<i>Direktorat Jenderal Mineral dan Batubara</i> /Directorate General of Mining and Coal, Ministry of Energy and Mineral Resources
BPKP	<i>Badan Pengawasan Keuangan dan Pembangunan</i> /Financial and Development Supervision Agency	Ditjen Migas	<i>Direktorat Jenderal Minyak dan Gas Bumi</i> /Directorate General of Oil and Gas, Ministry of Energy and Mineral Resources
BUMN	<i>Badan Usaha Milik Negara</i> , a business entity which share capital is wholly or partially owned by the state	Ditjen Pajak	<i>Direktorat Jenderal Pajak</i> /Directorate General of Taxation, Ministry of Finance
Cash Basis	An accounting method in recognizing income and or expense when cash is disbursed by company/reporting entity		
Corporate & Dividend Tax	Income Tax and Dividend Tax owed by a taxpayer on taxable income in a tax year plus the dividend tax in accordance with the applicable tax provisions		

Dit. PNB	<i>Direktorat Penerimaan Negara Bukan Pajak</i> /Directorate of Non-Tax Revenue, Directorate General of State Budget, Ministry of Finance	FTP	First Tranche Petroleum is a certain amount of crude oil and/or gas produced from a working area in a calendar year, which can be taken and received by the Regulatory Body and/or PSC Contractor in each calendar year, before deducting cost recovery and own use
Dividend	Profit sharing of net income generated by the company within a certain period to shareholders entitled under the Annual General Meeting of Shareholders	FQR	Financial Quarterly Report is a report that must be submitted by PSC Contractor to SKK Migas on quarterly basis, which presents information about activities of the PSC Contractor including: <ol style="list-style-type: none"> 1. Total Lifting of Oil and Gas 2. First Tranche Petroleum 3. Investment credit 4. Cost recovery 5. DMO at ICP 6. DMO Fees 7. Profit sharing between Government and PSC Contractor 8. Taxes on income related to the PSC
DJA	<i>Direktorat Jenderal Anggaran</i> /Directorate General of State Budget, Ministry of Finance	Gas/Natural Gas	Hydrocarbon resulting from natural processes, which in the atmospheric pressure and temperature is in the form of gas phase, obtained from oil and gas extraction. Natural gas can be processed into piped gas, LNG and LPG
DJPb	<i>Direktorat Jenderal Perbendaharaan</i> /Directorate General of State Treasury	IA	Independent Administrator, appointed to prepare the EITI Report Year 2015
DJPK	<i>Direktorat Jenderal Perimbangan Keuangan</i> /Directorate General of Fiscal Balance	ICP	Indonesia Crude Price – the price of Indonesian crude oil/condensate established by the Government of Indonesia with a certain formula for the implementation of the PSC and sale of Government share of crude oil/condensate resulting from the carrying out of the PSC
DMO	Domestic Market Obligation – obligation of delivery from PSC Contractor’s/company’s share in the form of oil, gas or coal to fulfill domestic requirement	IDR	Rupiah (Rp), currency of the Republik of Indonesia
DMO Fee	Compensation to be paid by the government to PSC Contractor on the delivery of oil and/or gas to meet domestic requirement using prices set by the minister whose duties and responsibilities Oil and Gas business activities	IFRS	International Financial Reporting Standard
Dry Hole	Drilling exploration wells where there is no discovery of proved oil and gas reserve	IMB	<i>Izin Mendirikan Bangunan</i> /Building Permit
EITI	Extractive Industries Transparency Initiative		
Entitas Pelapor/ Reporting Entity	In the context of this Report, the reporting entity is a company/PSC Contractor and Government Agency		
ESDM	<i>Energi dan Sumber Daya Mineral</i> /Energy and Mineral Resources		

Investment Credit	Investment incentives in the form of a certain amount of additional refund of capital cost directly related to production facilities, granted as incentive for the development of a certain oil and/or gas field	KKKS	<i>Kontraktor Kontrak Kerja Sama/</i> PSC Contractor, a Business Entity or Permanent Business Entity established to conduct exploration and exploitation in an oil and gas working area based on a PSC with the Regulatory Body
IUP	<i>Izin Usaha Pertambangan/</i> Mining Business Permit	KKS	<i>Kontrak Kerja Sama/</i> Production Sharing Contract (PSC), a form of cooperation contract in upstream oil and gas business activities based on production sharing principle
IUPK	<i>Izin Usaha Pertambangan Khusus/</i> Special Mining Business Permit is a permit to carry out mining business in a special area	Kondensat/ Condensate	Gas oil, naphtha and other relatively light hydrocarbons (with some dissolved hydrocarbon gas such as butane and propane) that remain liquid at normal temperature and pressure. Derived mainly from the gas reservoir, condensate is very similar to light crude oil, stabilized and used as feed stock for refineries and other petrochemical industries
Iuran Tetap/ Landrent	Contributions to be received by the State in return of the opportunity granted for General Survey, Exploration or Exploitation in a working area	KPPN	<i>Kantor Pelayanan Perbendaharaan</i> Negara/State Treasury Service Office
Jaminan Reklamasi/ Reclamation Indemnity	Funds provided by IUP or IUPK holders as guarantees for reclamation activities carried out throughout the mining business stages to organize, restore and improve the quality of the environment and ecosystem	LAKIP	<i>Laporan Akuntabilitas Kinerja</i> Instansi Pemerintah/Performance Accountability Report of Government Agencies
JOA	Joint Operating Agreement	Lifting	A number of crude oil and/or gas sold or shared at the point of delivery (custody transfer point)
JOB	Joint Operating Body, a joint operating entity formed between a subsidiary of PT Pertamina Hulu Energi and PSC Contractor to carry out upstream oil and gas operations in a working area	LKPP	<i>Laporan Keuangan Pemerintah</i> Pusat/Financial Statements of the Government of the Republic of Indonesia
Joint Lifting	Lifting activities carried out jointly between the PSC Contractor and the Government using the same vessel/ pipeline, where the result is shared based on provisional entitlement	LNG	Liquified Natural Gas is natural gas converted into liquid form through refrigeration process for easy transport
KAP	<i>Kantor Akuntan Publik/</i> Public Accountant Firm	LPG	Liquified Petroleum Gas is gas (usually butane and propane) stored and transported as pressured liquid. Unlike LNG, LPG does not require refrigeration process to be liquified
KK	An agreement between the Government of the Republic of Indonesia with an Indonesian legal entity in the frame of foreign investment to carry out mineral mining operation		
KP	<i>Kuasa Pertambangan/</i> Mining Authority, an authority granted to an entity/individual to carry out mining operation		

MSCF	Thousands Standard Cubic Feet. The amount of gas needed to fill the room of 1 (one) cubic feet, with a pressure of 14,73 psi (fourteen and seven three-tenths of a pound per square inch) or 14,696 psi (fourteen and six nine six per hundred pounds per square inch) and at 60°F (sixty degrees Fahrenheit) in dry condition	PDRD	<i>Pajak Daerah dan Retribusi Daerah/</i> Regional Taxes and Retributions
MSG	Multi Stakeholder Group - see <i>Tim Pelaksana/Implementing Team</i>	Pemerintah/ Government	The Government of the Republic of Indonesia
NTB	<i>Nomor Transaksi Bank/Bank</i> Transaction Number	PHT	Penjualan Hasil Tambang/Sale of Mining Proceeds is the obligation of PKP2B license holders set out in a separate contract. PHT is the difference between DHPB (13.5% of coal sales value) deducted by royalty (3%-7% of coal sales value, depend on coal calories)
NTPN	<i>Nomor Transaksi Penerimaan Negara/State Revenue</i> Transaction Number	PKB	<i>Perjanjian Kerjasama Batubara/</i> Coal Contract is a scheme of agreement involving a company in a coal mining area
Partner	Holder of participating interest in a PSC other than the PSC Operator	PKP2B	<i>Perjanjian Kerjasama Pengusahaan Pertambangan Batubara/Coal</i> Contract of Work (CCoW) is an agreement between the Government of the Republic of Indonesia with an Indonesian legal entity in the frame of foreign investment or domestic investment to carry out coal mining operation
Offshore	Oil operations over the mainland	PNBP	<i>Penerimaan Negara Bukan Pajak/</i> Non-Tax State Revenue
Onshore	Oil operations in the mainland	PNBP penggunaan kawasan hutan/ Forestry PNBP	PNBP derived from the use of forest areas for development purposes other than forestry activities, in lieu of land compensation
Operator	Contractor, or in the case of the Contractor consists of several participating interest holders, one of the participating interest holder designated as the representative by the other participating interest holders in accordance with the PSC	PP	<i>Peraturan Pemerintah/Government</i> Regulation
Over/(Under) Lifting	Over Lifting is excess oil and natural gas lifting by one party more than its entitlement based on the PSC within a certain period. Under Lifting is a shortage of oil and natural gas lifting by one party less than its entitlement based on the PSC within a certain period	PPK	<i>Pejabat Pembuat Komitmen/</i> Commitment Signing Officer
Pajak Penghasilan (PPh) Badan/ Corporate Income Tax	Income tax payable by a corporate taxpayer on the taxable income within a fiscal year in accordance with prevailing tax regulations	PPN	<i>Pajak Pertambahan Nilai/Value</i> Added Tax
PBB	<i>Pajak Bumi dan Bangunan/Land</i> and Building Tax is tax calculated based on the area of land and buildings built on it. PBB shall be paid by the taxpayer according to the Tax Payable Notice issued by the Tax Office	Production Bonus	A bonus that will be paid by the PSC Contractor to the Government after reaching accumulation and/or a certain level of production in accordance with the PSC
		PSC	Production Sharing Contract - see KKS

Reconciliation	Process of comparing financial information and volume reported by the company/PSC Contractor and the relevant government agencies as well as explanation of the resolvable differences and identification of unresolvable differences	STP	<i>Surat Tagihan Pajak</i> /Letter to collect tax and/or administrative sanctions in the form of interest and/or penalty
RKUN	<i>Rekening Kas Umum Negara</i> /State General Treasury Account	SSBP	<i>Surat Setoran Bukan Pajak</i> /Non-Tax Payment Slip
Royalty	Exploration and Exploitation Fees is production contribution that must be paid by the holder of mining licenses on the proceeds of exploration/exploitation opportunities	Tahun/ Year 2015	In this Report, refers to Calendar Year 2015
SAK	<i>Standar Akuntansi Keuangan</i> /Financial Accounting Standards	Tim Pelaksana/ Implementing Team	Multi Stakeholder Group (MSG) is the implementer of EITI, where its membership is in accordance with Clause 10 of Presidential Regulation No. 26/2010
SAT	<i>Standar Atestasi</i> /Attestation Standards	Tim Teknis/ Technical Team	A smaller team that represents the Implementing Team
SDA	<i>Sumber Daya Alam</i> /Natural Resources	TOR	Terms of Reference, the agreed-upon procedures applied in the implementation of EITI project in Indonesia
Secretariat	Secretariat of EITI Indonesia Team	USD or US Dollar	Currency of the United States of America
Signature Bonus	Bonus that must be paid to the Government within 30 days upon signing of a PSC		
SIMPONI	<i>Sistem Informasi PNBPN Online</i> /Online PNBPN Information System to facilitate payment of PNBPN and receipt of non budgetary payments		
SKK Migas	<i>Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi</i> /Special Task Force for Upstream Oil and Gas Business Activities Republic of Indonesia		
SKPKB	<i>Surat Ketetapan Pajak Kurang Bayar</i> /Tax Assessment that specifies the amount of principle tax amount, tax under payment, administrative penalty and total tax payable		
SKPKBT	<i>Surat Ketetapan Pajak Kurang Bayar Tambahan</i> /Additional Tax Assessment that specifies the additional amount to the specified tax payable		
SOE	State Owned Enterprise - see BUMN		

REPORT OF INDEPENDENT ACCOUNTANTS ON THE IMPLEMENTATION OF AGREED-UPON PROCEDURES

(Laporan No.15/12/002/04/KAP-13/17 tanggal 5 Desember 2017)

To the Head of Extractive Industry Transparency Implementing Team
Coordinating Ministry for the Economic Affairs

We have performed the procedures agreed with you solely to assist you based on our Contract Agreement No. PKK-20/PPK-EITI-IA/8/2017, dated August 16, 2017 with respect to information disclosed in the reporting templates of some identified companies in the sector of extractive industries and their related government agencies in Indonesia, for the year of 2015 . Our engagement was undertaken in accordance with Indonesian Standard on Related Services, SJT. Section-4400, Engagements to Perform Agreed Upon Procedures Regarding Financial Information, published by The Indonesian Institute of Certified Public Accountants (IAPI). The relevancy or sufficiency of such procedures will be the responsibility of the user of this report. Accordingly, we will not give any representation about the relevancy or sufficiency of such agreed-upon procedures for this report or for any other purposes (The Terms of Reference/TOR/ or Agreed-Up On Procedures is presented in the appendices of this report).

The agreed-upon procedures (or TOR) as presented in the appendices of this report were performed in accordance with the implementation of the Extractive Industries Transparency Initiative (EITI) in Indonesia, and are ultimately the preparation of the Financial Reconciliation Report between the payments reported by some identified companies in the sector of extractive industries, and the related revenues reported by their related government agencies in Indonesia, for the year of 2015.

Our actual findings from this engagement were presented in the appendices of this report. We do not perform any audit or review procedures in accordance with Indonesian auditing and review standards on the reporting templates. Because the procedures do not constitute either an audit or a review made in accordance with Indonesian Standards on Auditing and Review engagements, we do not express any assurance on the information detailed in the reporting template based on the said standards. Had we performed additional procedures, or had we performed an audit or review procedures on the financial information as reported in the reporting template in accordance with such audit or review standards, other matters might have come to our attention that would have been reported to you.

Our report is intended solely for the purpose set forth in the first paragraph of this report and for your information only, and is not to be used for any other purpose or to be distributed to any other parties. In addition, this report relates only to information disclosed in the reporting templates submitted by some identified companies in the sector of extractive industries and their related government agencies in Indonesia, and does not extend to the financial statement of each entity taken as a whole.

Jakarta, December 5, 2017

Ade Ikhwan
(Registered Public Accountant No. AP. 0916)

TERMS OF REFERENCE

1. Background

The Extractive Industries Transparency Initiative (EITI) is a globally developed standard that promotes transparency and accountability of extractive industry sector activities (petroleum, natural gas, minerals and coal). This standard aims to create conditions of transparency and accountability that are a manifestation of good governance practice.

The initiative has a robust yet flexible methodology for disclosing and reconciling company payments and government revenues in the EITI implementing countries.

EITI implementation has two core components:

- **Transparency:** their payments to the government, and the government opens the receipts' information. The figures are reconciled by an Independent Administrator, and published in annual Transparency Reports alongside other contextual information about the extractive industry sector.
- **Accountability:** a multi-stakeholder group with representatives from government, companies and civil society is established to oversee the process and communicate the findings of the EITI Report, and promote the integration of EITI into broader transparency efforts in the EITI implementing countries.

The EITI standard encourages multi-stakeholder groups to explore innovative approaches in order to extend the implementation of EITI; encouraging EITI reports to be more extensive and complete; encouraging public understanding of extractive sector revenue; and promotes high standards of transparency and accountability in the public eye, in government operations, as well as in the business world.

One of the EITI requirements is that a multi-stakeholder group (MSG) approves the Terms of Reference-TOR for the Independent Administrator (Requirement 1.4 EITI Standard), drawing on objectives and agreed scope of the EITI as set out in the workplan.

EITI requires that the Independent Administrator must be a credible, trustworthy, and technically competent public consultant (Requirement 4.9 of the EITI Standard). MSG and Independent Administrator should address any concerns regarding conflicts of interest. The EITI report prepared by Independent Administrator will be submitted to the Implementing Team for approval and made publically available.

EITI implementing countries follow the procedures and requirements set forth in the EITI Standards.

EITI Implementation in Indonesia

Indonesia was ratified as the EITI candidate country in October 2010. Since becoming a member of EITI International, Indonesia has published 4 EITI Indonesia reports, the first report of the calendar year 2009, the second report of the calendar year 2010-2011, the third calendar year 2012-2013, and the fourth report calendar year 2014. This fourth report of EITI Indonesia officially submitted to the EITI International Council in Oslo, Norway and published on the EITI Indonesia website: www.eiti.ekon.go.id on February 28, 2017.

EITI in Indonesia is implemented based on Presidential Regulation No. 26/2010 on Transparency of State Revenue and Regional Income derived from Extractive Industries. The provisions of Article 3 paragraph (1) of Presidential Regulation 26/2010 states that extractive industry transparency is implemented by a Transparency Team consisting of a Steering Committee and an Implementation Team consisting of representatives of government; representatives of oil & gas and mining companies; representatives of local governments; as well as representatives of civil society (MSG).

2. Objectives of the assignment

On behalf of the Government of Indonesia and the Transparency Implementation Team, the Coordinating Ministry for Economic Affairs seeks a competent and credible firm, free from conflicts of interest, to provide Independent Administrator services in accordance with the EITI Standard. The objective of the assignment is to produce an EITI Report for calendar year 2015 (the 5th EITI Report) in accordance with the EITI International Standard (2016 EITI Standard).

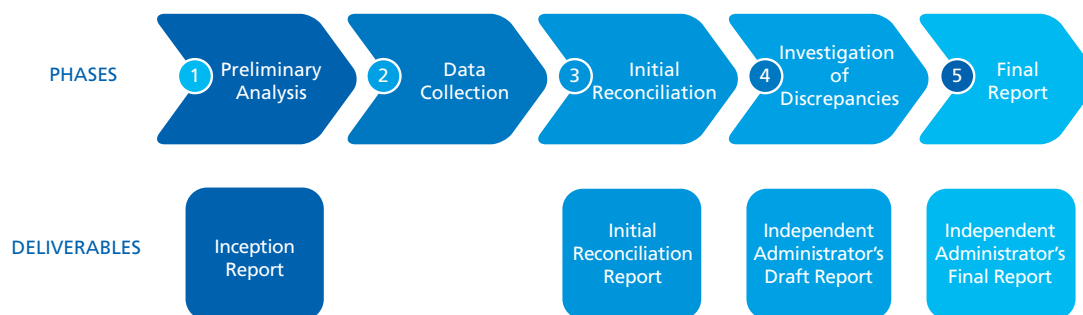
3. Name and Organization of the Official in Charge of Making Commitments

The Official in Charge of Making Commitments (Pejabat pembuat Komitmen - PPK) of EITI Indonesia activities is Agus Haryanto, Head of Extractive Industries of Mineral, Keasdepan Extractive Industries, the Deputyship of Energy and Mineral Resources in the Coordinating Ministry for Economic Affairs.

4. Scope of services, tasks and expected deliverables

The Implementing Team provides that the scope of the 2015 EITI Report includes a) Contextual Information on extractive industry governance and b) Reconciliation of state revenues from extractive industries.

Figure 1 - Five Stages of Report Preparation Process and Output



The work of the Independent Administrator (IA) has five phases shown in Figure 1.

Every phase and activity of the meeting which is attended by Independent Administrator, IA Party is obliged to make recordings and minutes of the meeting result and deliver the result to the Secretariat of EITI Indonesia.

This EITI Standard can be downloaded at the following link <http://eiti.ekon.go.id/the-eitistandard/>

4.1 Phase 1 – Preliminary analysis and Inception Report

- a. The Inception Report includes relevant basic information on the governance of extractive industries in Indonesia, including the results of the EITI Indonesia 2015 Scope Report study, which has been defined in the previous report of EITI Indonesia prepared by the Secretariat of EITI Indonesia.
List of documents and relevant information can be seen in the “Study Results Scope of EITI Report of 2015”.
- b. The Independent Administrator prepares procedures and analysis of contextual information as well as other non-revenue information for the Inception Report. Procedures must be approved by the Implementing Team. The procedure should ensure that the information is clearly sourced and attributed. Such information as well as the specific duties which will be performed by the Independent Administrator are included in Appendix “Study Results Scope of EITI Report of 2015”.
- c. Independent Administrators need to review “Study Results of Scope of EITI Report 2015” as approved by the Implementing Team taking into account the following points:
 - i. Identify all payment and revenue that will be included in the EITI Indonesia report in accordance with requirements for the EITI implementing countries point 4 along with the corporate and government entities required to report as approved by the Implementing Team.
 - ii. Assisting the Implementing Team in understanding audit procedures for government entities and participating companies in reporting. Includes explaining the applicable laws and regulations, and the reforms that are planned or being undertaken by the government. The report should also discuss the findings of previous EITI Reports that MSG should follow up as improvements to extractive industry governance.
 - iii. Identify and list related authorized government agencies over the data and information required for the data collection and reconciliation process.
 - iv. Identify any barriers to full government disclosure of total revenues received from each of the benefits streams agreed in the scope of the EITI report, including revenues that fall below agreed materiality thresholds.
 - v. Review and provide advice regarding the Scoping Study result report form to MSG regarding the revenue stream and the reporting entity. IA may revise and amend the reporting form through the approval of the Implementing Team.
 - vi. Declare the position of the Implementing Team regarding disclosure and payments reconciliation to and from the SOE companies.
 - vii. Declare the position of the Implementing Team regarding materiality related to the deposit from the company to the local government.
 - viii. Declare the position of the Implementing Team regarding materiality related to transfers to local governments.
- d. In this regard, IA is required to create an Inception Report which contains information such as:
 - i. Clear definitions of materiality, acceptance thresholds and revenue streams to be incorporated into reports as agreed upon by MSG. (Requirement 4.1).
 - ii. The proceeds from the sale of the production of the government part, the volume and value of sales of oil, gas, mineral and coal (in kind)

- which has been agreed by the Implementing Team. (Requirement 4.2).
- iii. Provisions related to infrastructure and exchange agreements of goods or services by exploration and production of oil, gas and mining products. (Requirement 4.3)
 - iv. Transport revenue from the transportation of oil, gas and mining products that have significant or material value. (Requirement 4.4)
 - v. Roles and transactions related to state-owned enterprises (SOEs) including business relationships of oil, gas and other mining companies operating in Indonesia with SOE, and transfers from/to other SOEs. (Requirement 4.5)
 - vi. Direct payments by companies to local governments, e.g. local taxes regulated in local regulations. (Requirement 4.6)
 - vii. Level of data disaggregation. The published EITI report is expected to include information up to the smallest or detailed units so as to produce a thorough analysis of the extractive sector. (Requirement 4.7)
 - viii. Quality and validity of data. The published EITI report should refer to international audit standards from data collection, reconciliation and presentation of data in reports. (Requirement 4.9)

4.2 Phase 2 – Data Collection

- a. The Independent Administrator is assigned by the Implementing Team to distribute the reporting templates after the form has been finalized by the Implementation Team (see item 1.5); collect the completed forms and associated supporting documentation, as well as any other contextual or other information requested to be collected by the International EITI Standards. The collection is conducted directly from the Reporting Entity. The Government will provide contact details for the reporting entities to ensure that all reporting entities participate fully.
- b. The Independent Administrator should propose a mechanism of data collection to ensure the integrity of information transmitted to the Independent Administrator by reporting parties. The mechanism should be written in the form of template distribution and collection guidelines. The national EITI Secretariat, when required, will assist with template distribution and data collection.
- c. The Independent Administrator is tasked with preparing a form-filling guide for the Reporting Entity, including data requests and additional information required.
- d. The Independent Administrator is authorized by the Coordinating Ministry for Economic Affairs to contact the reporting entities directly to obtain clarity on information gaps or discrepancies.

- e. Independent Administrator in consultation with the Implementing Team shall prepare contingency plans to anticipate reporting entities that are unable or unwilling to complete or return the reporting form in a timely manner.
- f. Independent Administrators must assess and apply international professional standards in carrying out the procedures to provide a sufficient basis for the preparation of comprehensive and reliable reports.

4.3 Phase 3 – Initial reconciliation and Initial Reconciliation Report

- a. The Independent Administrator shall prepare a database, may be a spreadsheet, containing the data and information provided by the Reporting Entities.
- b. The Independent Administrator undertakes a thorough reconciliation of the information disclosed by the Reporting Entity, identifying any discrepancies (including offset differences in accordance with the agreed scope).
- c. The Independent Administrator prepares an Initial Reconciliation Report based on data and information from the Reporting Entity pursuant to point b above for discussion by the Implementing Team.
- d. The Independent Administrator shall identify any difference above the margin of error against a certain percentage of total revenue, as agreed by the Implementing Team. Total revenue is the total amount of extractive industry revenues reported to EITI Indonesia by either the industry reporters or government agencies.
- e. If there are other data collected by the Independent Administrator or given to the Independent Administrator by the government or Reporting Entities, the Independent Administrator will compile the data and prepare an initial report in a clear and understandable format by the Implementing Team.

4.4 Phase 4 - Verify the differences and draft of the Independent Administrator Report

- a. The Independent Administrator is mandated to contact the Reporting Entities in an attempt to seek clarity on the difference or discrepancies that arise in the reported data.
- b. The Independent Administrator shall prepare a Third Stage Report which thoroughly contains the reconciliation of data and information of the Reporting Entities, identifies any discrepancies, and reports on contextual information and other matters as determined by the Implementing Team.
- c. The draft of Independent Administrator Report shall include the following:

- i. A description of the methodology adopted in reconciling corporate deposits with government revenues, and an explanation of the application of international professional standards.
 - ii. Description of each revenue stream, related materiality definition and threshold (Requirement 4.1).
 - iii. An assessment of the extent and completeness of the data presented, including an informative summary of the work performed by the Independent Administrator along with the limitations of the assessment provided.
 - iv. The scope of reconciliation activities is based on government data on total revenue.
 - v. Assessment of whether all companies and government agencies included in the scope have provided the requested data and information. Any discrepancies in the delivery of information to the Independent Administrator should be written down in the report, including names of entities that failed to comply with the agreed procedures, and an assessment of whether such conditions will have a material impact on the extent of the completeness of the report.
 - vi. Documentation of the Reporting Entities is one that has audited 2015 financial statements. If the audited financial statements of the reporting entity have been published, it should be submitted on how to access the audit report.
- d. If previous EITI Reports have recommended corrective actions and reforms, the Independent Administrator should comment on the progress in implementing those measures. The Independent Administrator should make recommendations for strengthening the reporting process in the future.
 - e. The Independent Administrator is encouraged to make recommendations on strengthening the template Terms of Reference for Independent Administrator services in accordance with the EITI Standard for the attention of the EITI Board in the future.

4.5 Phase 5 – Final Report

- a. The Independent Administrator shall revise the recommendations of the Implementing Team on the draft report.
- b. The report should be written in two languages, Indonesian and English. If there is any difference, then the reference version is a report in the Indonesian language.
- c. The Independent Administrators must create electronic data files that can be published together with the Final Report. The Independent

Administrators must submit files that can be processed by machine readable and/or reportable code and data files that can be processed in computer machine (using Excel format (.xlsx) and CSV format (Comma Separated Value), and according to the format of the data portal extractive managed by the EITI Secretariat and the template format determined by the International EITI Secretariat.

- d. The report is considered complete when it has been approved by the Implementing Team.
- e. If another party wishes to provide a response or opinion to the report, then the source should be clearly written.
- f. After the Implementing Team approves the Final Report, the Independent Administrator is required to submit electronic report summary data to the International EITI Secretariat based on the standard reporting format provided by the International EITI Secretariat

Materials/Equipment/Personnel from PPK

To carry out the assignment, the materials / equipment / personnel to be provided by EITI Indonesia's PPK include:

- a. Administrative support and payment verification;
- b. Scoping study result that has been approved by the Implementing Team, which will also include draft reporting templates that should be verified and revised if necessary, and then distributed according to number 4.2 above.

5. Qualifications for the Independent Administrator

The reconciliation of company payments and government receipts must be undertaken by the Independent Administrator applying international professional standards (Requirement 4.9). EITI requires the Implementing to appoint the Independent Administrator who is credible, trustworthy and has technical competence.

The Independent Administrator must have the following qualifications:

- Expertise in accounting, auditing and financial analysis and experience in the oil, gas and mining sectors in Indonesia, within the last three years.
- Broad knowledge of individual companies in the extractive industries in Indonesia, as well as the flow of funds for state revenues from extractive industries, and government entities that collect and manage those revenues.
- Broad knowledge of extractive industry governance in Indonesia and internationally, current issues and challenges facing extractive industries, openness demands, governance improvements and extractive industries' contribution to the welfare of the people.

Bidders must follow the appropriate professional standards for the reconciliation/agreed-upon-procedures work in preparing their report.

In order to ensure the quality and independence of the exercise, Independent Administrators are required, in their proposal, to disclose any actual or potential conflicts of interest. This should be stated in the proposal, including a statement of how the conflict of interest can be overcome, and if so, how it can be anticipated.

Estimated qualification and minimum number of experts required, as follows:

- Two (2) Partners (one person as the main partner), with a minimum of an undergraduate education; and at least 15 years working experience in the accounting, auditing, and/or financial analysis, and at least one Partner is experienced in extractive industry governance;
- Two (2) Managers, with a minimum of an undergraduate education; at least 10 years working experience in accounting/auditing/financial analysis, and development economics especially in extractive industry governance;
- Three (3) Senior Staffs, with a minimum undergraduate education, and 7 years working experience in accounting/audit/financial analysis, and development economics especially extractive industry governance;
- Three (3) Staffs, with minimum undergraduate education, and 4 years working experience in accounting/auditing/financial analysis, and development economics especially extractive industries.

6. Reporting Requirements and Time Schedule for Deliverables

6.1 Inception Report

The Introduction report contains the following information:

- a. Contextual information on governance arrangements and tax and levy policies in the oil and gas sector as well as mineral and coal mining, with reference to the study results of the Indonesian EITI Report Scope of the Year 2015;
- b. Review of the conclusions and recommendations of the EITI Indonesia 2014 Report;
- c. The definition of materiality and thresholds, and the resulting revenue streams to be included in accordance with Requirement 4.1(b).
- d. The sale of the state's share of production or other revenues collected in-kind in accordance with Requirement 4.1(c).
- e. The coverage of infrastructure provisions and barter arrangements in accordance with Requirement 4.1(d).
- f. The coverage of social expenditure in accordance with Requirement 4.1(e).
- g. The coverage of transportation revenues in accordance with Requirement 4.1(f).
- h. The level of the detail of the EITI Report in accordance with Requirement 5.2(e).
- i. List of the companies that make material payments (significant) to the state and which is designated as the Reporting Entities, in accordance with Requirement

4.2(a), that is elaborated in brief profile of reporting companies, including types of contract/license, ownership (shareholders and group, if any), production volume, province and district of production, particular condition (e.g: onshore/offshore);

- j. List of the government entities that receive and/or record material payments and which is designated as the Reporting Entities report in accordance with Requirement 4.2(a) that is elaborated in brief profile of central government reporting entities who recorded and/or collect the revenue streams from extractive companies;
- k. The barriers to full government disclosure of total revenues received for each of the benefit streams agreed in the scope of the EITI report, including revenues that fall below agreed materiality thresholds (Requirement 4.2(b)).
- l. The Implementing Team's position on disclosure and reconciliation of payments to and from state owned enterprises (SOE) in accordance with Requirement 4.2(c).
- m. The Implementing Team's position of the materiality and inclusion of sub-national payments in accordance with Requirement 4.2(d).
- n. The Implementing Team's position on the materiality and inclusion of sub-national transfers in accordance with Requirement 4.2(e).
- o. Reporting templates based on the agreed benefit streams, to distribute.
- p. Provisions relating to safeguarding of confidential information
- q. Other unresolved or possible obstacles in the effective implementation of transparency, and possible solutions to such barriers.

6.2 Data Collection and Initial Reconciliation Report

The Data Collection and Initial Reconciliation Report comprises the following:

- a. Data Collection Report
 - i. Description of method of data collection used to ensure the integrity of information;
 - ii. List of technical persons in charge and contact persons from each company and government entity that filled out the reporting templates, in the form of a spreadsheet that includes: names, street addresses, phone and fax numbers, and e-mail addresses;
 - iii. Lists of entities which have reported and fully completed templates, entities that have reported, but not provided fully completed templates, and entities that have not reported at all
 - iv. Statement signed and stamped by the company; and a statement sheet from the company's external auditor, if any;
 - v. Description of complications and difficulties encountered in the distribution and collection of templates, and steps being taken to address the challenge posed by companies or government entities that decline to report;

b. Initial Reconciliation Report

- i. Tables that consist of recapitulations of figures reported by all reporting entities, in Excel format;
- ii. Tables including, but not limited to:
 - Tables that consist of figures for each revenue stream reported by each company compared with figures reported by corresponding government entities; the amount of discrepancy between each pair of figures; adjustments to one or both sides after a verification process has taken place; any remaining unreconciled discrepancies; a short explanation how each discrepancy was solved, or if any, the short explanation why it was not solved.
 - Tables for each oil and gas production unit on the value of government lifting, of over/under lifting, and of the Domestic Market Obligation (DMO) fee; the columns that consist of any discrepancies found between the reports of these two government agencies, any adjustment made after inquiring into these discrepancies; any remaining unreconciled discrepancies; and a short explanation of how each discrepancy was solved, or why it was not solved.
 - Tables that consist of recapitulation of production volumes of oil, gas, minerals and coal for each reporting company;
 - Tables recapitulating oil and gas deductions for each production unit;
 - Relevant tables according to points 4.3.a to 4.3.e above for each SOE
 - Relevant tables according to: (a) Requirement 4.1(c) of the sale of the state's share of production or other revenue collected in-kind; (b) Requirements 4.1(e) on social expenditures (including CSR funds); (c) Requirement 4.2(c) of SOE; and (d) Requirements 4.2(d) of deposits to regions;
 - Tables of revenues originating from each oil, gas, mineral and coal reporting unit that were subsequently shared with each provincial and district government, via the central government's revenue sharing mechanism;
 - Tables of local revenues paid by companies to entities at the local level including Local Government.
 - All information relating to oil and gas, mining and coal industry governance as required by EITI Standard 2016, additional information identified in the Study Results of the Scope of the EITI Report of 2015 and other information set out in the meeting of the Implementation Team.

6.3 Independent Administrator's Draft Report

The draft report, as point out in 4.4.c above, should include the following:

- a. Describe the methodology adopted for the reconciliation of company payments and government revenues, and explanation about the application of

international professional standards; Deskripsi setiap aliran pendapatan, definisi materialitas dan ambang batas (*Requirement 4.1*).

- b. Include a description of each revenue stream, related materiality definitions and thresholds (*Requirement 4.1*).
- c. Include an assessment on the comprehensiveness and reliability of the data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.
- d. The scope of reconciliation activities is based on government data on total revenue as per *Requirement 4.2(b)*.
- e. Include an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report for 2012 and 2013, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness of the report (*Requirement 5.3(d)*).
- f. Documentation of the reporting companies and government entities is one that has audited 2015 financial statements. If the audited financial statements have been published, This Report should include information on how to access the audit report (*Requirement 5.3(e)*).
- g. Recommendations for strengthening the reporting process in the future, including any recommendations regarding audit practices and reforms needed to bring them in line with international standards.
- h. Recommendations to the International EITI Board to strengthen the template Terms of Reference for Independent Administrator services in accordance with the EITI Standard.
- i. Result of analysis and descriptive explanation of all contextual information as required in EITI Standard 2016, Scope of EITI Indonesia 2015 Report and decision of Implementation Team Meeting

6.4 Final Independent Administrator's Report

The final report should:

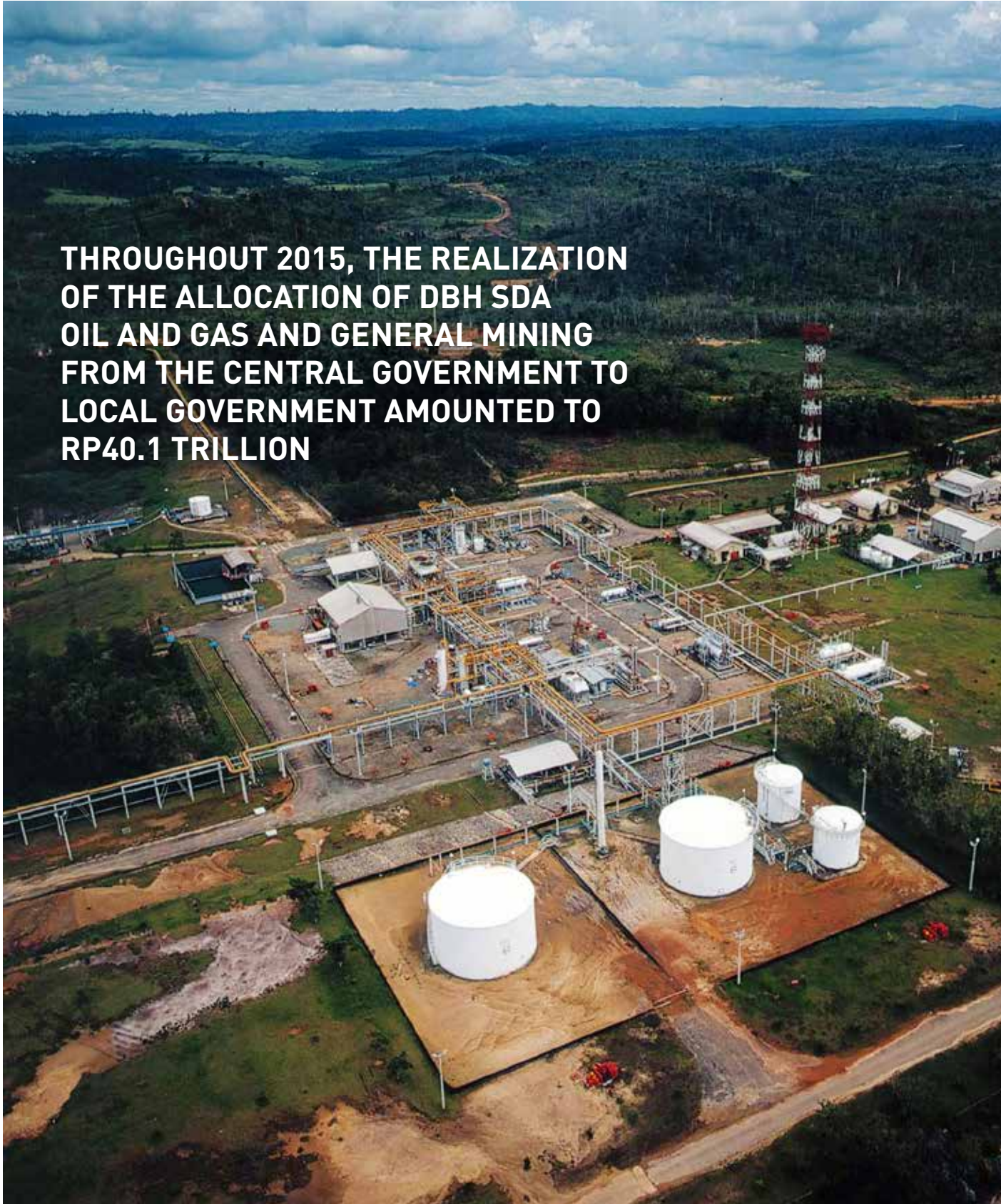
- a. Include revisions of the draft as recommended by the Implementing Team;
- b. Be approved by the Implementing Team;
- c. Make an easy-to-read executive summary
- d. Be written in two languages, Indonesian and English. The authoritative version is the report in the Indonesian language.
- e. Be in the form of electronic data files, 5 (five) compact disks, and 5 (five) hardcopies and 25 (twenty-five) sets of hard copy of Complete Report, consisting of 20 (twenty) sets of complete report books in Indonesian language version, 5 (five) sets of complete report book in English version, and 150 (one hundred and fifty) hardcopy books of executive summary, consisting of 120 executive summary books in Indonesian language version and 30 executive summary books in English version.

- f. The final report file consists of two formats: Word (.docx) and PDF (.pdf). Particularly for parts that contain data, files are created in machine-readable formats such as Excel format (.xlsx) and CSV (.csv); and files are also created in a format that is ready to print (In-design).
- g. Collecting reconciliation report data and creating reconciliation report data in compliance with extractive industry portal template data format, and International EITI Standard template.
- h. Contains data summaries based on the standard reporting format provided by the International Secretariat (Requirement 5.3 (b)). A summary of this data will be sent electronically to the International Secretariat;
- i. The report will have a single color map or series of color maps showing the location of each oil and gas production unit, and mineral and coal unit.
- j. Other things such as Layout format, paper size, paper type, font size, margin, image etc. in the report book must be approved by the EITI Secretariat of Indonesia.

6.5 Reporting completion and time schedule for deliverables

This assignment is expected to last for 4 (four) months beginning in August 2017, and ends after the finalization is expected until December 2017.

THROUGHOUT 2015, THE REALIZATION OF THE ALLOCATION OF DBH SDA OIL AND GAS AND GENERAL MINING FROM THE CENTRAL GOVERNMENT TO LOCAL GOVERNMENT AMOUNTED TO RP40.1 TRILLION





EXECUTIVE SUMMARY

The Extractive Industries Transparency Initiative (EITI) is a global standard for improving transparency in the extractive industry sector (oil, gas, mineral and coal sectors). This standard aims to create conditions that are transparent and accountable as a manifestation of good governance practices.

The two components of EITI implementation are transparency and accountability. Transparency is to disclose payments from oil and gas and mining companies to the government, and the government discloses its receipt. The number is reconciled by the Independent Administrator and published in the Transparency Report annually along with other contextual information about the extractive industry sector, while accountability is the formation of multi-stakeholder groups with representatives of government, corporations and civil society to oversee the process and communicate the findings of the EITI Report, and encourage EITI integration into broader transparency efforts in EITI implementing countries.

The EITI standard serves as a tool to improve the management of the oil, gas and mining sectors in the countries that implement them.

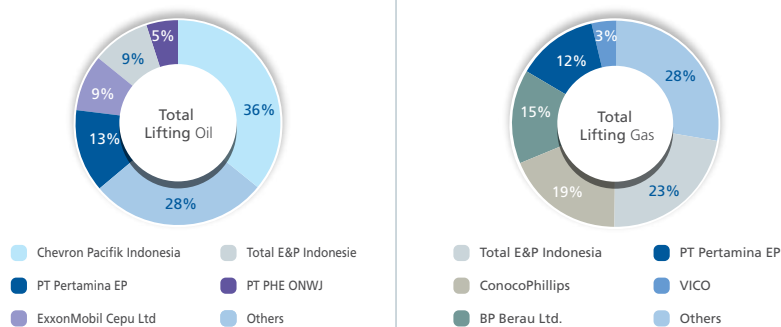
Proportion of State Revenue

The state revenue that is focused in this report is revenue derived from the extractive industry, especially from the oil and gas sectors and the minerals and coal sectors.

In Central Government Financial Report (LKPP) 2015, state revenues from oil and gas and mineral and coal sectors contributed Rp224.24 trillion or 15% of total state revenues, consisting of oil and gas revenues of Rp161.76 trillion (11%) and revenues from mineral and coal sector amounting to Rp62.48 trillion (4%). The revenue decreased from the previous year, which contributed 27% of total state revenues, consisting of oil and gas revenues of Rp341.25 trillion (22%) and revenues from mineral and coal sector amounting to Rp69.97 trillion (5%).

In the oil and gas sector, the largest revenue in 2015 is derived from the oil lifting and natural gas lifting generated by Chevron Pacific Indonesia with 36% lifting share of oil and Total E & P Indonesia with 23% lifting share of gas.

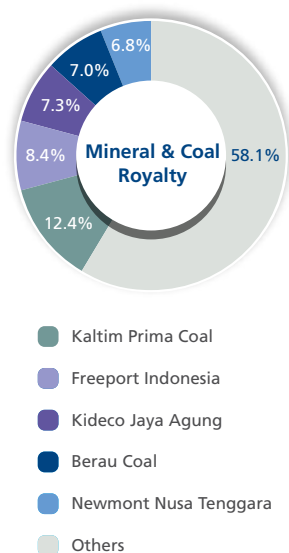
Figure 2 - Largest Oil and Gas Companies Contributor to Total Lifting Year 2015



Source: EITI Data 2015

In the mineral and coal sector, 5 companies became the largest royalties contributor with contributions of 42% of total royalty payments during 2015, as shown in the figure below.

Figure 3 - Largest Mineral and Coal Mining Companies Contributor to Royalty Year 2015



Source: EITI Data 2015

Component of Reconciliated State Revenue

The component of reconciliated state revenue according to TOR and Scoping study of the EITI Report 2015:

- Corporate income tax (including income tax article 26 on dividend (oil and gas sector))
- Government lifting and DMO received in kind (oil and gas sector)
- Signature Bonus and Production Bonus (oil and gas sector)
- Royalty, Sales Revenue Share (PHT), Land Rent and Dividend paid in cash (mineral and coal sector)
- SOE transportation services received by SOE (mineral and coal sector)

In accordance with the Indonesian EITI Scoping Study 2015, the materiality of reconciliated state revenue is above 1% of the total state revenue of each extractive industry sector approved by the Implementing Team, and for the search for reconciliation differences, the limit is 5%, so that if there is a difference of 5% then it will be analyzed and explained.

The results of reconciliation between the government and companies engaged in the extractive sector show the ending difference at a range of 0.00% to 55.06% after reconciliation.

In the oil and gas sector, the biggest difference is in the state revenue component of Oil and Gas Income in the form of Over / (Under) Oil Lifting of US\$29,494 thousand or 55.06% of total Over / (Under) Oil Lifting reconciliated caused by dispute related to different interpretation of

contract in calculating the production share. However, since the amount of Over / (Under) Oil Lifting covers only 0.87% of the total Reconciliated Oil Revenues (Government Lifting and Over/(Under) Lifting), the final difference does not have a significant impact on the outcome of the reconciliation of state revenues from oil and gas sector as a whole. Another difference is in the income tax of oil and gas of Cooperation Contract Contractor (KKKS) Operator amounting to US\$58,794 thousand or 2.48% of the total reconciliated income tax of oil and gas of KKKS operator. The difference cannot be analyzed because until the specified deadline the reporting entity does not provide confirmation or explanation of the difference.

For the mineral and coal sector, the difference in the state revenue from Income Tax Article 25/29 (Corporate Income Tax) amounts to Rp225,711 million or 1.39% of total reconciliated Corporate Income Tax. The difference cannot be analyzed because the reporting entity does not provide confirmation of the difference up to the given deadline. The difference in non-tax state revenue (PNBP) amounted to Rp78,299 million or 0.3% of total reconciliated PNBP. The biggest contributor to the difference of non-tax revenue is PHT with a difference of Rp57,771 million. The difference cannot be analyzed because the reporting entity does not provide confirmation of the difference up to the given deadline.

Component of Non-Reconciliated State Revenue and Information

The component of non-reconciliated state revenue according to TOR and Scoping study of the EITI Report 2015:

Oil and gas sector

- a. Deduction Factor reported by the Directorate General of Budget:
 - Land and Building Tax (PBB) of oil and gas
 - Value Added Tax (PPN) of oil and gas
 - Local Tax and Retribution (PDRD)
- b. Signature Bonus and Firm Commitment for the signing of new contracts reported by DG Oil and Gas
- c. CSR reported by KKKS
- d. Transportation fees paid by KKKS to Pertamina

Mineral and coal sector

- a. Land and Building Tax reported by companies
- b. Local Tax and Retribution reported by companies
- c. Direct payment to Local Government reported by companies
- d. CSR reported by companies
- e. The provision of infrastructure reported by companies
- f. The utilization of Forest Area reported by companies
- g. DMO of Coal reported by companies

In the mineral and coal sector, the results of the Socialization and Completion Confirmation of Data Meeting dated October 18, 2017 recommends that other Payments to SOEs be included in the EITI Indonesia 2015 reporting form and only side of the company is reported. Based on the recommendations contained in the Scoping Study of Indonesia EITI Report 2015, information on the Reclamation Guarantee and Post-Mining Funds shall be included in the Indonesia EITI Report 2015 and reported only from side of the company.

Infrastructure Provision and Barter Arrangement

In the oil and gas sector as well as in the mineral and coal sector, in general, there is no requirement for the provision of infrastructure by the government with respect to cooperation contracts or mining licenses. However, based on the production sharing system in the oil and gas sector, all assets purchased and imported by KKKS in Indonesia used in operational activities are belong to the state, including the infrastructure used in the operational process.

In general, Indonesian extractive sector does not recognize barter arrangement concept.

Corporate and Social Responsibility (CSR)

The presence of a company should also benefit local communities. With that in mind, the government has issued several regulations to ensure the performance of corporate responsibilities. Companies demonstrate their commitment to community and the environment through community empowerment programs.

In reporting CSR programs, this report refers to program classification in the 2012 Accountability Report of Government Agency Performance from the Ministry of EMR:

1. Community Relations – religious, social, cultural, sports activities
2. Community Service – disaster relief and donation/charity/philanthropy
3. Community Empowerment – health, education, economy, and agriculture
4. Infrastructure Development – places of worship, public facilities, health facilities, and so forth
5. Environmental management

Total payments made by extractive companies included in the coverage of this report in 2015 amounted to Rp508.72 million and US\$121.36 thousand.

ASR, Reclamation Guarantee and Post-Mining Fund

Based on the recommendations contained in the Scoping Study of the Indonesia EITI Report 2015, information on the Reclamation Guarantee and Post-Mining Fund shall be included in the EITI Report 2015 and included in the EITI Indonesia 2015 reporting form. The Reclamation Guarantee and Post-Mining Fund reported on side of the company only.

In the oil and gas sector, the total Abandonment and Site Restoration (ASR) funds that have been deposited in 2015 amounts to US\$22,669 thousand.

Total reclamation guarantee and post-mining fund payments by mineral and coal companies included in the coverage of this report in 2015 is amounting to Rp389,432 million and US\$61,584 thousand for reclamation guarantee and amounting to Rp49,837 million and US\$12,710 thousand for post-mining fund.

Transportation

PT Pertamina (Persero) received transportation fees (toll fee) from KKKS, PT Perusahaan Gas Negara (Persero) / PGN and other companies for the transmission of oil and gas through pipe network owned by PT Pertamina (Persero). In 2015, the total toll fee obtained is US\$111,755 thousand, of which the amount does not reach 1% of the total state revenue from oil and gas sector, so that no reconciliation is required.

In the mineral and coal sector, based on data collected, the cost of coal transportation that PT Bukit Asam (Persero) Tbk paid to PT Kereta Api Indonesia (Persero) in total was over 1% of the total state revenues in the mining sector. As this constituted significant revenues, this report reconciled the amount. The total amount paid by PT Bukit Asam (Persero) Tbk to PT Kereta Api Indonesia (Persero) in 2015 is amounting to Rp1.70 trillion and US\$72.37 million.

State-Owned Enterprise (SOE) in the Extractive Industry

There are 4 extractive SOEs in Indonesia, namely PT Pertamina (Persero), PT Aneka Tambang (Persero) Tbk., PT Bukit Asam (Persero) Tbk. and PT Timah (Persero) Tbk.

PT Pertamina (Persero) is the only SOE in the oil and gas sector and is the second largest lifting of oil and gas contributor in the country (see Figure 2).

In addition to PT Pertamina (Persero), there is a subsidiary of PGN engaged in oil and gas sector, namely PT Saka Energi Indonesia, which its parent company (PGN) is engaged in different industries, these are transportation and trading of natural gas.

Direct Payment to the Local Government

Direct payments from companies to local governments are based on local regulations (Perda) and based on commitments between companies and local governments.

In the oil and gas sector, the PDRD is paid by the central government to the local government based on the concept of assume and discharge or paid by the oil and gas companies, but can be calculated as the cost recovery component and then will be a deduction factor of oil and gas natural resources (SDA) PBNP, whereas for the mineral and coal company, PDRD is paid directly by the company.

In the mineral and coal sector companies, direct payments to local governments based on formal agreements paid by the company during 2015 amounting to Rp436,934 million and US\$1,810 thousand. A list of companies making direct payments to the local governments can be seen in Table 16.

Entities within Scope of Reconciliations

This report identified extractive companies based on the share of contribution of each company to total state revenues from extractive industry.

In the oil and gas sector, the coverage rate of the reporting companies is 100%, whereby all KKKS operators and KKKS partners who have entered the exploitation and producing stage are the reporting companies. In accordance with the Scoping Study of Indonesia EITI Report 2015 the number of oil and gas companies reporting in 2015 is 167 companies from 61 oil and gas working areas, consisting of 69 KKKS Operator and 98 KKKS Partners.

In the mineral and coal sector, in accordance with the Scoping Study of Indonesia EITI Report 2015, mineral and coal companies participating in the Indonesia EITI Report 2015 are contributing to the PHT, royalties and land rents more than 14 billion rupiah. Using this limit of materiality, the total amount of EITI reporting companies in 2015 is 123 companies consisting of 35 coal companies with PKP2B contracts, 7 mineral companies with KK contracts and 81 mineral and coal companies under IUP contracts. These reporting companies contributed 93.61% of the total mining non-tax revenue, comprising royalty revenue amounts to 56.47%, PHT revenue amounts to 40.33% and land rent revenue amounts to 3.2%.

Government entities covered in the reconciliation report are DG Tax, DG Budget, DG Oil and Gas, DG Minerals and Coal and SKK Migas. State revenues component presented unilaterally (not included in the reconciliation process) are from DG Fiscal Balance, Riau Provincial Government, East Kalimantan Provincial Government and East Java Provincial Government.

Non-Complying Companies

In the oil and gas sector, out of 167 oil and gas companies expected to report, there are 14 companies do not report consisting of 5 KKKS operators and 9 KKKS partners. Of the 5 KKKS operators, 2 KKKS of which have been declared bankrupt by the court. Based on reports from SKK Migas and DG Budget, the total Government Lifting and Over / (Under) Lifting of Oil and Gas from non-reporting companies is 0.63% of total Government Lifting and Over / (Under) Lifting of Oil and Gas in 2015.

In the mineral and coal sector, out of 123 companies that are expected to report, there are 38 companies do not report. Hence, no information on how much royalty, PHT, land rent and Income Tax Article 25/29 (Corporate Income Tax) paid to the State Treasury can be obtained. Of the 38 companies, 5 companies are no longer producing and 3 companies are in unknown locations.

Based on the decision of the Implementation Team Meeting dated November 23, 2017, 38 non-reporting companies, including 5 non-producing companies and 3 unknown location companies are excluded from the scope of the reconciled company.

Using PNB data obtained from DG Mineral and Coal, the amount of non-tax revenues of 30 companies that do not report amounted to Rp1,774,572 million or 6.33% of the total reconciled non-tax revenues. While the amount of PNB data from 8 companies that do not produce and locations are not known is amounting to Rp328,167 million or 1.17% of the total amount of reconciled PNB data.

Revenue Sharing Fund (DBH)

The calculation of the allocation of DBH SDA follows the scheme set forth in the Government Regulation 55/2005. DBH SDA is calculated from PNB data received by the central government and reported in the LKPP, then divided into local governments with a certain percentage rate based on the producing region to fund the needs of the region in the context of decentralization implementation.

Throughout 2015, the realization of the allocation of DBH SDA Oil and Gas and General Mining from the Central Government to Local Government amounted to Rp40.1 trillion.

01 BACKGROUND

Natural resources, such as oil, gas, coal, metals and minerals, belong to people of a country. The extraction of these resources can lead to economic growth and social development, but poor management often results in corruption and even conflict. To ensure that these resources can benefit all citizens, the transparency on how a country manages its natural resources is required.

Extractive activities are exploration for and discovery of natural resources at their sources, namely crude oil, natural gas, minerals, and coal. Extractive industry is broadly categorized into two sub-sectors: upstream and downstream.

Upstream sector includes activities that focus on exploration and exploitation. Exploration activities are series of activities to obtain geological information in

order to identify and estimate the volume of deposits. Exploitation activities are series of activities to produce oil, gas, coal, and other minerals, which include drilling/mining, construction of transport facilities, storage, processing, and separating, and refining.

In the meantime, activities in the downstream sector mostly deal with the process of refining, quality enhancement, development of added value, transporting, storing, and/or trading.

Current EITI Standard focuses on upstream activities so that this report is prepared with a focus on upstream business activities. This report only covering oil, gas, mineral and coal mining in accordance with the definition of the extractive industry in Presidential Regulation Number 26 Year 2010.

1.1 EITI Overview

The Extractive Industries Transparency Initiative (EITI) is a global standard for improving transparency in the extractive industry sector (oil, gas, mineral and coal sectors). This standard aims to create conditions that are transparent and accountable as a manifestation of good governance practices.

The EITI standard requires information along the extractive industry chain from the point of extraction, how revenue goes through the government, to how it benefits society. Such information includes how licenses and contracts are allocated and registered, who the beneficial ownership of the operation is, how the fiscal and legal rules, how many products are produced, how much they are paid, where the income is allocated, and how much it contributes to the economy, including employment¹.

The EITI implementation has two main components²:

1. **Transparency:** companies engaged in the extractive industry disclose their payments to the Government and the Government discloses its revenue. The figures are reconciled by the Independent Administrator Team which is subsequently reported and published in the Annual Report of EITI along with a contextual report of extractive industry.
2. **Accountability:** The establishment of the Multi-Stakeholder Group (MSG) consisting of government representatives, representatives of companies and representatives of non-governmental organizations,

who are required to engage in supervising the process and communicating the findings in the EITI report. The existence of MSG Team is expected to enhance integrity into wider transparency effort in EITI implementing countries.

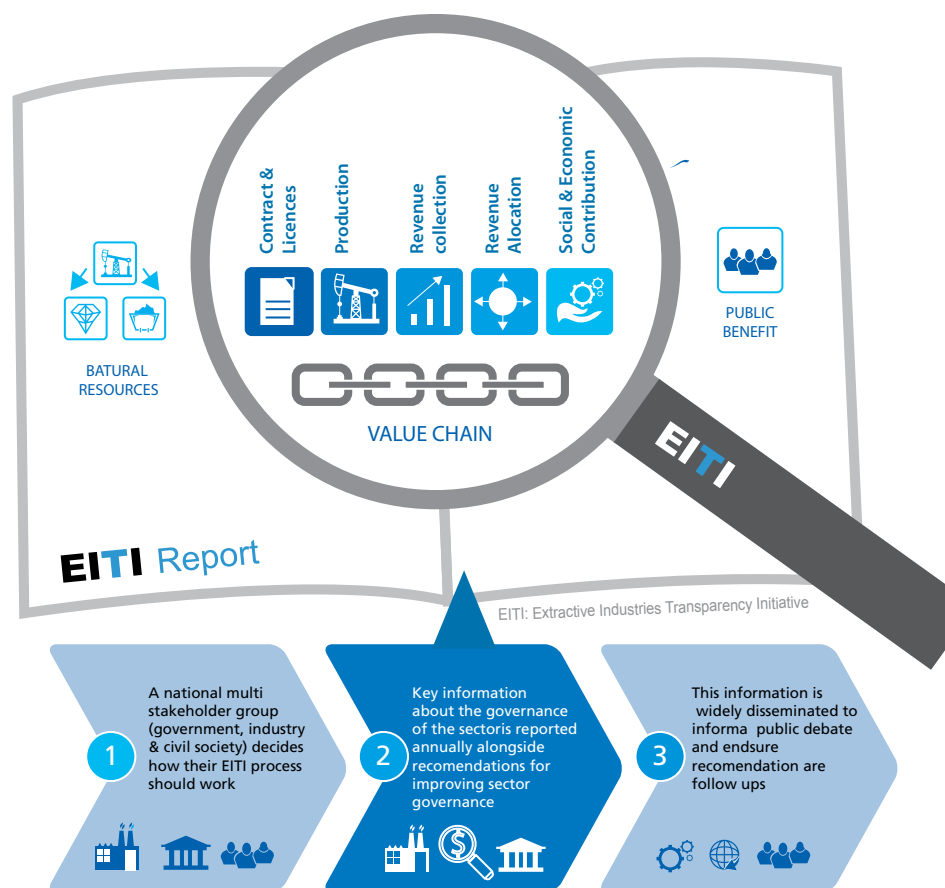
EITI standard is implemented in EITI implementing countries. This standard serves as a tool for these countries to improve the management of the oil, gas and mining sectors.

The EITI Standard implementation is controlled by an international board consisting of 21 members, who is the representatives from the government of EITI implementing countries, supporting countries, non-governmental organizations, industry and institutional investors.³ EITI board decides the status of implementing countries based on EITI standard and develop policies.

Countries that have intention to improve the management of their natural resources can apply to become an EITI implementing country.

The country must meet 5 (five) registration requirements before becoming an EITI candidate country, ie government commitment, corporate and civil society engagement, formation of multi-stakeholder groups and EITI work plan agreements. To become an EITI compliant country, the first EITI Report must be published within 18 months and

Figure 4 - EITI Process



Source:
EITI Standard

¹ <https://eiti.org>

² Terms of Reference Independent Administrator Extractive Industries Transparency Report Indonesia Year 2015 Calendar Coordinating Ministry for Economic Affairs Republic of Indonesia

³ <https://eiti.org/about/board>

the validation process should commence within 2.5 years since the date of the acceptance of candidate country. Based on the EITI website in October 2017 there are 52 EITI implementing countries around the world.

EITI Standard 2016 can be obtained from <https://eiti.org/document/standard#r1>

1.2 EITI Implementation in Indonesia

Implementation of EITI in Indonesia was initiated by Mrs. Sri Mulyani Indrawati, who served as Minister of Finance in 2007. She expressed her support to Transparency International Indonesia representative. Finally, in 2010 the President of the Republic of Indonesia, Susilo Bambang Yudhoyono signed the Presidential Regulation No. 26 Year 2010 on Transparency of National/Local Extractive Industry Revenues.

Indonesia officially became an EITI candidate in October 2010 and has published four EITI reports. Indonesia became an EITI compliant country in October 2014 and become the first ASEAN country to obtain compliant status based on EITI Standard 2011 (applicable until 2015 assessment). With the change of the EITI Standard in 2016, Indonesia currently is waiting for the assessment based on EITI Standard 2016.

1.3 Transparency of National and Local Revenues Generated from Executive Industry

Information transparency on national and local revenues for revenue streams from the extractive industry is specifically stipulated under Presidential Regulation 26/2010, which defines extractive industry and state and subnational extractive revenues, formation of Transparency Team, and the structure and responsibilities of Transparency Team.

The Transparency Team is tasked to implement transparency in the management of national and local extractive revenues. To perform this responsibility, the Team may seek information, additional data, input, and/or consult with agencies of the central and subnational government as well as extractive companies.

Transparency Team consists of Steering Committee and Implementing Team. Steering Committee is chaired by Coordinating Minister for Economic Affairs who reports at least annually to the President. Members of Steering Committee are:

1. Minister of Energy and Mineral Resources (Minister of EMR);
2. Minister of Finance;
3. Minister of Home Affairs;
4. Head of Financial and Development Supervision Agency (*Badan Pengawas Keuangan dan Pembangunan/BPKP*);
5. Prof. Dr. Emil Salim

Steering Committee formulates general policies, provides direction to Implementing Team, establishes the work plan of Transparency Team, and evaluates transparency with regards to national and local extractive revenues.

Meanwhile, the MSG as Implementing Team consists of representatives from the Coordinating Ministry for Economic Affairs, MoEMR, Ministry of Finance, Ministry of Home Affairs, BPKP, Special Unit for Upstream Oil and Gas Business Activities in Indonesia (SKK Migas), PT Pertamina (Persero), local government representatives, representatives from associations of mining and oil and gas companies, and NGO representatives. Implementing Team reports to the Steering Committee.

Implementing Team is tasked to develop 3-year work plan of Transparency Team, develops reporting format, selects persons to perform reconciliation, disseminates result of reconciliation, and formulates Steering Committee report to the President, and other tasks from the Steering Committee. Implementing Team reports to the Steering Committee.

02

SCOPE OF RECONCILIATION

THE STATE REVENUES TO BE REVIEWED IN THIS REPORT ARE REVENUES DERIVED FROM EXTRACTIVE INDUSTRIES ESPECIALLY FROM THE OIL AND GAS SECTOR AND THE MINERALS AND COAL SECTOR

The scope of reconciliation includes information on reconciled state revenues, non-reconciled national/local revenues and companies engaged in oil and gas sector and mineral and coal sector that are material to be reconciled. The purpose of this reconciliation is to meet the EITI Standard 2016 Requirements 4 on Revenue Collection.

2.1 State Revenue

The state revenue in LKPP consists of Tax Revenue and Non-Tax State Revenue (PNBP). The state revenues to be reviewed in this report are revenues derived from extractive industries especially from the oil and gas sector and the minerals and coal sector. Oil and gas company is a company engaged in exploration and production of oil and gas mining products, while mineral and coal company is engaged in mineral mining (copper, gold, silver, nickel and others) and coal.

According to LKPP 2015, state revenues from the oil and gas sector and mineral and coal sector accounted for 15% of total state revenues, declining from the previous year that amounted to 27% of total state revenues.

Revenue from oil and gas sector in 2014 amounting to Rp 341.25 trillion contributed 22% of total state revenues. This contribution decreased significantly in 2015 with the amount of oil and gas sector revenue amounting to Rp 161.76 trillion which contributes 11% of the total state revenue.

Revenue from mineral and coal sector in 2014 amounting to Rp69.97 trillion contributed 4.51% of total state revenues. This contribution decreased in 2015 with the amount of mineral and coal sector revenue amounting to Rp62.48 trillion which contributes 4% of the total state revenue.

2.1.1 Reconciled State Revenue Components

In the Presidential Regulation No. 26/2010, a transparency mechanism is established, whereby the Government, Local Government, Regulatory Agency for Upstream Oil and Gas (BP Migas, now SKK Migas), and Companies engaged in the Extractive Industry in this case companies in the oil and gas sector and mineral and coal sector submit report on state revenues to the Transparency Team through the Implementation Team for reconciliation.

Table 1 - State Revenues Year 2014 and 2015 for Oil and Gas Sector

Revenue Streams	2014	2015
	(in Trillion IDR)	(in Trillion IDR)
TAX REVENUES		
Corporate Income Tax (PPh)	87	49
Land & Building Tax	20	25
NON-TAX REVENUES		
Crude Oil Revenue	139	47
Natural Gas Revenue	77	30
Upstream Activities Revenue	16	8
TOTAL OIL & GAS REVENUE	341	161
TOTAL STATE REVENUE	1,550	1,508
Revenue Ratio	22%	10%

Source: LKPP 2015

Table 2 - State Revenues Year 2014 and 2015 for Mineral and Coal Mining Sector

Revenue Streams	2014	2015
	(in Trillion IDR)	(in Trillion IDR)
TAX REVENUES		
Mining Income Tax (PPh)*	34	32
Other Taxes	-	-
NON-TAX REVENUES		
Royalty	18	16
Land Rent	-	-
Sales Revenue Share (PHT)	16	11
TOTAL MINERAL & COAL REVENUE	69	62
TOTAL STATE REVENUE	1,550	1,508
Revenue Ratio	4%	4%

(*) Consist from Corporate Income Tax of coal and lignite mining, metal ore mining, mining and other excavation along with mining services.

Source: LKPP 2015

EITI Standard 2016 Requirement 4.1.a requires that prior to the reporting process, multi-stakeholder groups must determine the types of payment and revenue that are material and should be disclosed, including appropriate materiality definition and thresholds. Therefore, based on the Scoping Study of EITI Indonesia Report 2015 which has been approved by the Implementation Team, it has been determined that the reconciled revenue from the extractive industry is the type of revenue that is material, which is above 1% of the total of each type of revenue of oil and gas sector and mineral and coal sector. The limit of difference is 5%, which means that the difference of 5% and more will be analyzed and explained.

The types of revenue from the oil and gas sector and mineral and coal sector both tax revenues and non-tax revenues that are reconciled are as follows: (EITI Standard 2016 Requirement 4.1.b):



Table 3 - Material State Revenues & Reconciled Information of Oil and Gas Sector

Materiality State Revenues (in line with MA's code)	Reconciled Information – EITI Indonesia Reporting Template 2015	Reporting Entity
42111 – Crude Oil Revenue	<ul style="list-style-type: none"> · Total Lifting of Oil & Condensate · Government Lifting of Oil & Condensate · Over/(Under) Lifting of Oil 	KKKS, DG Oil & Gas, DG Budget, SKK Migas
42121 – Natural Gas Revenue	<ul style="list-style-type: none"> · Total Lifting of Gas · Government Lifting of Gas · Over/(Under) Lifting of Gas 	KKKS, DG Oil & Gas, DG Budget, SKK Migas
423133 – Crude Oil Revenue (DMO)	<ul style="list-style-type: none"> · DMO Oil / DMO Fee 	KKKS, SKK Migas
423139 – Other Revenues from Oil & Gas Upstream Activities	<ul style="list-style-type: none"> · Signature Bonus – Renewal Contract 	KKKS, DG Oil & Gas
423132 – Sales Revenue from Oil & Gas Upstream Activities	<ul style="list-style-type: none"> · Production/Development/ Compensation Bonus 	KKKS, DG Oil & Gas
41111 – Corporate Income Tax	<ul style="list-style-type: none"> · Corporate and Dividend Tax 	KKKS, DG Budget, DG Tax

Source: Scoping EITI's Indonesia Report, 2015

In 2015, there is a change in the procedure of depositing and reporting of Oil and gas income tax, which pursuant to the Regulation of Minister of Finance No. 70 / PMK.03 / 2015 on Amendment to Regulation of the Minister of Finance No. 79 / PMK.02 / 2012 concerning Procedure of Depositing and Reporting State Revenue from Upstream Oil and / or Gas Business Activities and Income Tax Calculation for the Need of Payment of Oil and Gas Income Tax in the form of Volume of Oil and / or Gas. Oil and gas income tax previously paid by KKKS to the account of the Ministry of Finance Number 600,000411980 at Bank

Indonesia and reported to the Directorate General of Tax after validated by the Directorate General of Budget. Since July 2015, tax payment is deposited to State Treasury at Foreign Currency Perception Bank managed by the DG of Tax and the payment is validated if it has obtained NTPN (State Revenue Transaction Number) and NTB (Bank Transaction Number). This change resulted in the reconciliation of oil and gas income tax in January-June 2015 is conducted between KKKS and Directorate General of Budget while reconciliation for July-December 2015 is conducted between KKKS and Directorate General of Tax.

Table 4 - Material State Revenues & Reconciled Information of Mineral and Coal Mining Sector

Material State Revenues (in line with MA's code)	Reconciled Information – EITI Indonesia Reporting Template 2015	Entitas Pelapor
421312 - Production Fee Revenue/ Mineral & Coal of Royalty	Royalty/Production Fee	Company, DG Mineral & Coal
423113 - Sales Revenue Share	Sales Revenue Share	PKP2B Company, DG Mineral & Coal
421311 - Mineral & Coal of Landrent Revenue	Landrent	Company, DG Mineral & Coal
41126 - Corporate Income Tax Article 25/29 (combine with other sector)	Corporate Income Tax (Article 25 and 29)	Company, DG Tax
42212 - Profit State-Owned Enterprises Non-Banking Revenue	Dividend to Government	Company, DG Budget
Transportation Payment- to the Federal Government	Transportation Fee Payment	PT Bukit Asam (Persero) Tbk and PT Kereta Api Indonesia

Source: Scooping EITI's Indonesia Report, 2015

2.1.2 Unreconciled State Revenue Components and Information

In addition to reconciled state revenues, there are different types of national / local revenues and other information from the oil and gas sector and mineral and coal sector reported by one side only of either government or company and not reconciled. Types of non-reconciled state revenues and other information have been set forth in the Implementation Team Meeting, as follows:

Table 5 - Flow of State/Local Revenues & Unreconciled Information of Oil and Gas Sector

Kind of Revenue Stream State/ Region	Unreconciled Information	Reporting Entity
411316 - Land and Building Tax of Oil & Gas	· Land and Building Tax of Oil & Gas	DG Budget - DG Tax
411211 - Domestic Value Added Tax Revenue (Combine with Value Added Tax from other sector)	· Value Added Tax Revenue of Oil & Gas	DG Budget
423139 - Other Revenues from Oil & Gas Upstream Activities	· Signature Bonus - Renewal Contract · Firm Commitment	DG Oil & Gas
Local Tax and Levies	· Local Tax and Levies	DG Budget
Social Payment	· Corporate Social Responsibility	KKKS
Transportation Payment (only State- Owned Enterprises)	· Transportation Service	PT Pertamina (Persero)
ASR	· ASR	KKKS

Source: Scooping EITI's Indonesia Report, 2015

Table 6 - Flow of State/Local Revenues & Unreconciled Information of Mineral and Coal Mining Sector

Kind of Revenue Stream State/Region	Unreconciled Information – EITI Indonesia Reporting Template 2015	Entitas Pelapor
Land and Building Tax	· Land and Building Tax	Mineral & Coal Company
Local Tax and Levies	· Local Tax and Levies	Mineral & Coal Company
Other Revenue Stream to Region Government except Local Tax and Levies	· Direct Payment to the Local Government	Mineral & Coal Company
Social Payment- direct to public	· CSR	Mineral & Coal Company
Infrastructure Provision – to Region Government or public	· Infrastructure Provision	Mineral & Coal Company
42144 – Forestry Fee Revenue	· Forestry Fee	Mineral & Coal Company
Other Payment to State-Owned Enterprises/Government	· Other Payment to State-Owned Enterprises/Government	Mineral & Coal Company
DMO Coal	· DMO Coal	Mineral & Coal Company
Reklamation Guarantee Fund	· Reklamation Guarantee Fund	Mineral & Coal Company
Post Mining Fund	· Post Mining Fund	Mineral & Coal Company

Source: Scoping EITI's Indonesia Report, 2015 and Socialization and Confirmation Meeting of Data Completion dated October 18, 2017

In the mineral and coal sector, the result of the Socialization and Completion of Data Meeting dated October 18, 2017, recommends other Payments to SOEs are included on the EITI Indonesia 2015 reporting form and only one side of the company is reported. And based on the recommendations contained in the Scoping Study 2015 the information on the Reclamation Guarantee and Post-mining Funds in the 2015 shall be included and reported on one side of the company. National and local revenue as well as non-reconciliated information in mineral and coal sector can be seen in Table 6.

2.1.3 State Revenues from Extractive Industries

EITI Standard 2016 Requirements 4.2 requires the reporting of sales from in-kind revenue of government. The production-sharing scheme for the oil and gas sector in Indonesia applies the in kind revenue sharing in the form of oil and gas natural resources PNB (Government Lifting) and other non-tax revenues, that is crude oil (DMO – Domestic Market Obligation). Meanwhile, in the mineral and coal sector, all state revenues are cash.

Oil and Gas Sector

State revenue from the oil and gas sector consists of tax revenues and non-tax state revenue (PNBP) which can be seen in the following table:

Table 7 - State Revenues from Oil and Gas Sector

Budget Line Code	EITI's Indonesia Report
Tax Revenue	
41111 – Corporate Income Tax of Oil & Gas Revenue	· Corporate and Dividend Tax
Non Tax Revenue – Natural Resources of Oil & Gas	
42111 – Crude Oil Revenue	·Government Lifting of Oil & Condensate
	·Over/(Under) Lifting of Oil
42121 – Natural Gas Revenue	·Government Lifting of Gas
	·Over/(Under) Lifting of Gas
Deduction Factor:	
411211 – Domestic Value Added Tax Revenue	· Value Added Tax of Oil and Gas
411316 – Land and Building Tax for Oil & Gas Sector	· Land and Building Tax of Oil and Gas
Local Tax and Levies	· Local Tax and Levies
Non Tax Revenue – Others	
423132 - Crude Oil Revenue (DMO)	·DMO Oil / DMO Fee
423139 - Other Revenues from Oil & Gas Upstream Activities	·Signature Bonus

Source: Scoping EITI's Indonesia Report, 2015

1. Tax Revenue

The tax revenue on the oil and gas sector is derived from taxes deposited by oil and gas companies (KKKS - Contractors of Cooperation Contracts) to the State Treasury, consisting of Corporate Income Tax and Income Tax Article 26 on dividends.

Corporate Income Tax is levied on the contractor's share of oil and / or gas revenues using the tax rate in accordance with the rates stated in the Cooperation Contract, whereas Income Tax Article 26 of the dividends is charged at the rate of 20% on net income after deducting the corporate income tax.

For contracts signed after the enactment of the Government Regulation No. 79/2010, Corporate Income Tax and Income Tax Article 26 shall be imposed on oil and / or gas revenues of the contractor and other income outside the cooperation contract in the form of: (a) uplift, (b) income from transfer of participating interest. The tax rate used to calculate Corporate Income Tax and Income Tax Article 26 is the tax rate determined in accordance with the laws and regulations regarding income tax.

2. Non-Tax State Revenue (PNBP)

PNBP from oil and gas sector consists of 2 types, namely: (a) oil and gas natural resources PNBP and (b) Other PNBP from Upstream Oil and Gas Activities.

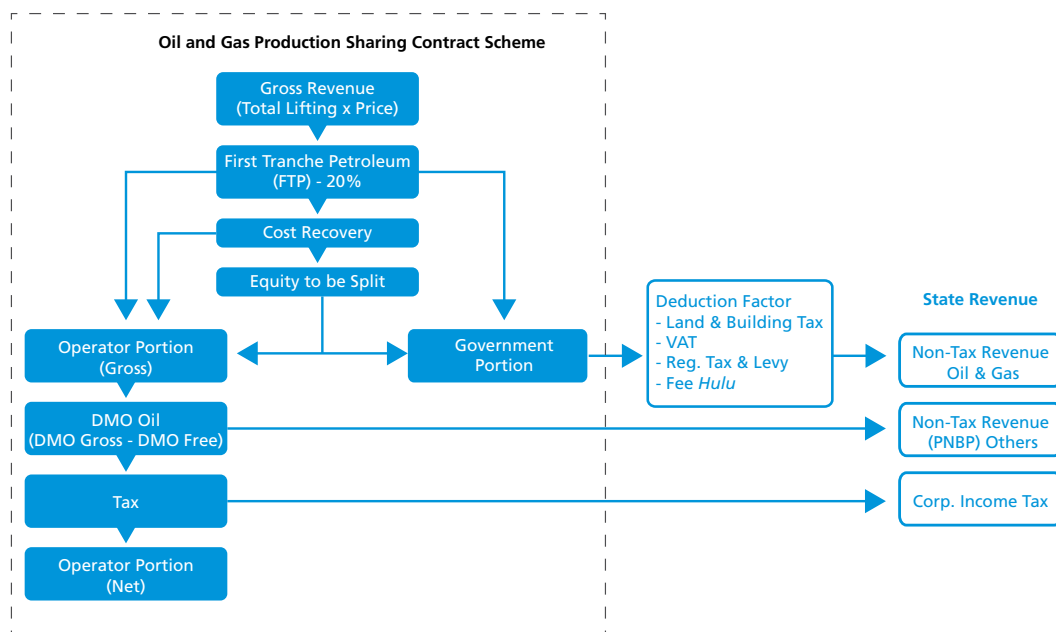
Oil and Gas Natural Resource PNBP

Oil and gas companies that already produce and do lifting have contributed to state revenue managed by Directorate General of Budget - Directorate of PNBP pursuant to the Law no. 20/1997. In this case the Special Unit for Upstream Oil and Gas (SKK Migas) serves as a controller of operational management through the approval of work plans and budgets of oil and gas companies, field development plans and supervision of the realization of the plan.

Oil and gas natural resources PNBP in the form of in kind is obtained from the government's lifting of oil and gas (Government Lifting). To obtain the oil and gas PNBP, Government Lifting is added / deducted by Over / (Under) Lifting which is excess / (shortage) of oil and gas taken by oil and gas company (Contractor), and then reduced by Deduction Factor ie payment of oil and gas PBB and PDRD from central government to the local government with the concept of assume and discharge (further explanation can be seen in Section 5.1), reimbursement of oil and gas PPN to oil and gas company, and Upstream Fee, which is a fee given to PT Pertamina (Persero) (Pertamina) on sales of oil and gas of government.

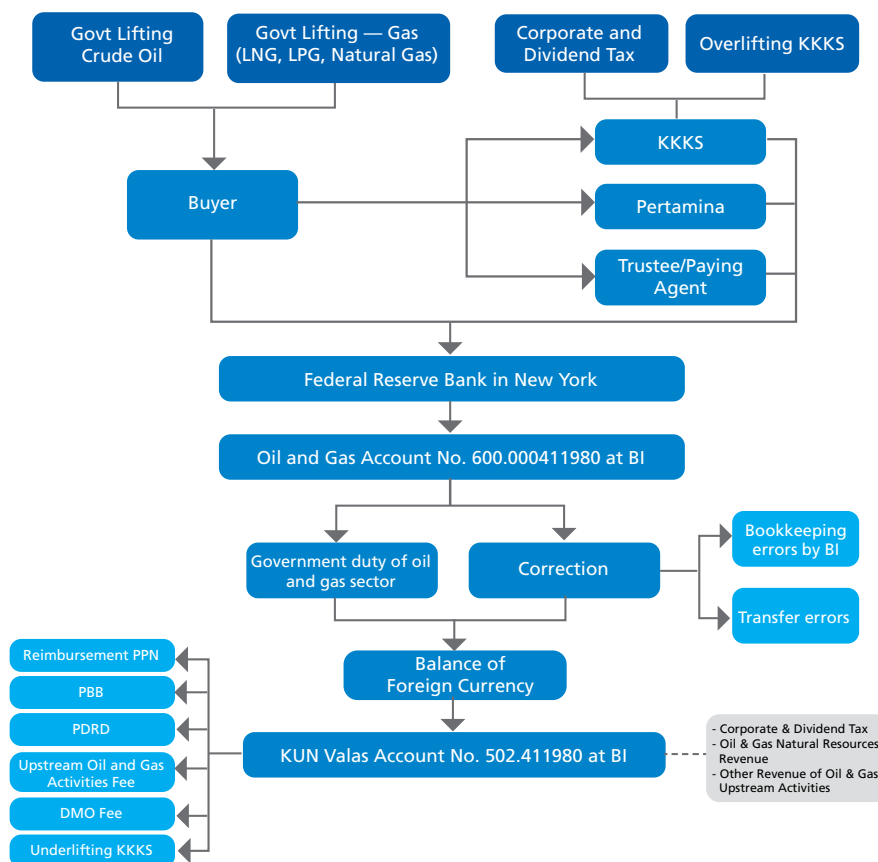
The correctness of the calculation for the government's share and the recoverable costs of the oil and gas in production sharing scheme is determined by the government auditor, namely

Figure 5 - Chart of State Revenues from Oil and Gas Sector



Source: EITI Data 2015

Figure 6 - Flow of Oil and Gas Revenue Sharing Funds Received in US Dollar Currency

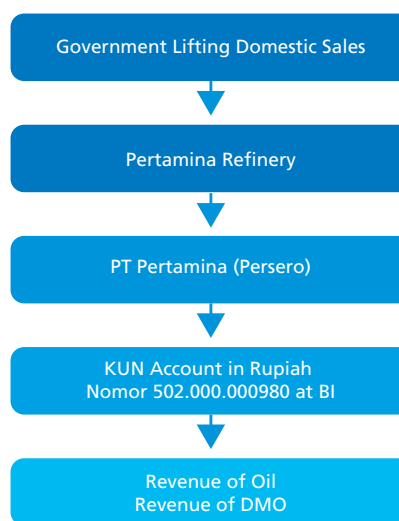


Source: EITI Indonesia Oil and Gas Sector Reconciliation Report, 2014

SKK Migas, the Supreme Audit Agency (BPK), the Financial and Development Supervisory Board (BPKP) and the Directorate General Tax (DG). The tax calculation is checked by the examiner of the Directorate General of Tax. If there is a shortage in the tax payments, SKPKB will be issued. The mechanism of the payment is direct deposit into the account of the Directorate General of Tax.

All Government Lifting payments in US Dollar are deposited through the Federal Reserve Bank in New York to an account at Bank Indonesia with account number 600.000411980 (USD) under the name of the Ministry of Finance / Oil Production of Production Sharing Contract. The proceeds are used to pay government obligations in the oil and gas sector, such as under lifting of KKKS (if any), DMO Fee and Deduction Factor. The remaining balance is put into the account of State Treasury with account number 600.502.411980 (USD) at Bank Indonesia.

Figure 7 - Flow of Oil and Gas Revenue Sharing Funds Received in Rupiah Currency



Source: EITI Indonesia Oil and Gas Sector Reconciliation Report, 2014

Government Lifting payment denominated in Rupiah is derived from government oil and DMO shipment to Pertamina's domestic refinery. Pertamina pays to the government through State Treasury account number 502.000.000980 at Bank Indonesia.

Lifting Gas Bumi and Liquefied Natural Gas (LNG)

Lifting of natural gas and LNG is generally done through joint lifting mechanism, in which the lifting value is based on the price stated in the contract and divided between KKKS and the government.

The management of two LNG refineries operating in Indonesia, the Bontang LNG Refinery in East Kalimantan and the Tangguh LNG Refinery in West Papua, uses upstream schemes, by integrating the investment of LNG refinery with upstream operations. The management of LNG refinery with upstream schemes is conducted with consideration of providing maximum benefits to the country compared to downstream schemes, in which the state control of shipped gas reaches up to the point of delivery to the buyer.

LNG sales proceeds are paid through a trustee mechanism. The distribution of such LNG proceeds is prioritized to settle debt service for the construction of an LNG refinery and refinery operating expenses. Further, the remainder shall be recognized as "net back" lifting revenue that distributed to the Contractor and the Government on their respective contractual basis, through instructions given to the LNG trustee.

Over / (under) lifting will be determined annually based on actual cost recovery for LNG operation activity. If the KKKS is in an overlifting position at the end of the year, the settlement of over / (under) lifting is done through an instruction issued to the LNG trustee to be accounted with the sale of LNG in the first quarter of the following year, to reflect the additional government share of the proceeds. Furthermore, the government's share will be transferred directly by the trustee to the State Treasury account at Bank Indonesia, vice versa if the KKKS is in an underlifting position. This method of over / (under) lifting settlement is known as the cargo mechanism settlement.

For lifting related to the sale of natural gas other than LNG, which uses the services of a bank trustee / paying agent, such as gas sales to PT Perusahaan Listrik Negara (PLN), PGN, or to consumers in Singapore, the mechanism of settlement of over / (under) lifting generally through cash settlement.

Mineral and Coal Sector

State revenue in the mineral and coal sector comes from tax revenues and non-tax state revenues deposited to the State Treasury in both USD and / or Rupiah.

1. Tax Revenue

The tax revenue of the mineral and coal sector includes the Corporate Income Tax paid by the mineral and coal company to the State Treasury. For IUP holders, the payment of the tax in accordance with tariff requirements under applicable tax laws, while KK and PKP2B holders use the tax rates at the time the contract is signed.

2. Non-Tax State Revenue (PNBP)

Royalty

Royalties are imposed on PKP2B, KK and IUP holders in connection with the mineral and coal that have been produced. Royalties are calculated on a percentage of the FOB per ton or kilogram value of the metal sold or exported, or contained within the exported material concentrate.

Based on the Government Regulation No. 9 Year 2012 on the types and tariffs of non-tax state revenues from mineral and coal companies, royalty rates for commodity types produced by mineral company that is KK and IUP holders, unless otherwise specified in the contract, can be seen in the following table:

Table 8 - Rate of Royalty for Mineral Mining Companies

Commodity	Unit	Royalty
Nickel	Per Ton	5% of selling price
Tin	Per Ton	3% of selling price
Copper	Per Ton	4% of selling price
Bauxite	Per Ton	3.75% of selling price
Gold	Per Kilogram	3.75% of selling price
Iron ore	Concentrate	3.75% of selling price
Silver	Per Kilogram	3.25% of selling price

Source: Government Regulations No. 9, 2012

Meanwhile, royalty rate based on calorie type for coal company holder of PKP2B and IUP contract can be seen in following table:

Table 9 - Rate of Royalty for PKP2B and IUP

Calories	Unit	Open Cut Mining Operation	Under Ground Mining Operation
≤ 5,100	Per Ton	3% of selling price	2% of selling price
> 5,100 – 6,100	Per Ton	5% of selling price	4% of selling price
> 6,100	Per Ton	7% of selling price	6% of selling price

Source: Government Regulations No. 9, 2012

Sales Revenue Share (PHT)

Sales Revenue Share (PHT) is imposed on PKP2B holders. The formula to calculate PHT is 13.5% of Coal Production Fund Contribution (DHPB) less royalty tariff. The state's share according to PKP2B consists of coal PHT tariff ranges between 6.5%-8.5% and royalty between 5%-7%, depending on calorific content. The total of PHT and royalty is 13.5%.

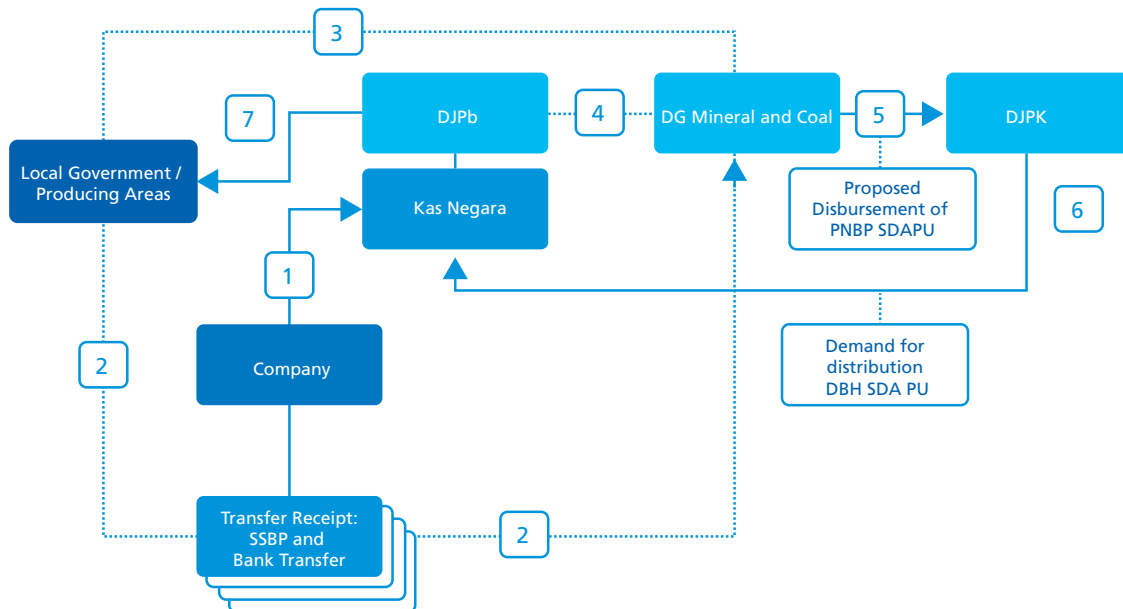
Land Rent

Land rent apply in areas managed by the company under contracts of PKP2B, KK and IUP. The tariff depends on the stage of mining activity in each mining right.

In accordance with the Government Regulation No. 9 Year 2012, land rent tariff for mineral and coal mining business of IUP and IUPK at the exploration activity stage is US\$2 per hectare / year. While land rent tariff for mineral and coal mining business of IUP and IUPK at production operation stage is US\$4 per hectare / year. As for the types of contracts of PKP2B and KK, the amount of tariff follows the contract or agreement.

The non-tax state revenue stream is as follows:

Figure 8 – Non-Tax Revenue Receipt Mechanism in Mineral and Coal Mining Sector (in foreign exchange and rupiah)



Source: EITI's Report 2010-2011

The flow can be explained as follows:

1. Based on the Circular Letter of the Director General of Mineral and Coal No. 04E/84/DJB/2013 concerning the Optimization of Non-Tax State Revenues, the company deposits general mining natural resources PNPB in the form of land rent, royalty and sales revenue share (PHT) directly to the State Treasury.

PNBP denominated in Rupiah for land rent, Royalty and PHT are deposited using Non-Tax Deposit Letter (SSBP) through Perception Bank / Post with account code as follows:

- a. Land rent: 421311
- b. Royalty : 421312
- c. PHT : 423113 (PKP2B)

PNBP denominated in United States Dollar (US\$) for land rent, royalty and PHT paid to Commercial Banks by transfer order to the State General Treasury Account (RKUN) in US\$ Forex with account number 600.502411980 at Bank Indonesia Jakarta;

2. The Company shall deliver copies of SSBP / proof of deposit (transfer receipt, proof of transfer) along with supporting data to the Director of Mineral and Coal Program Development - Directorate General of Mineral and Coal of the Ministry of Energy and Mineral Resources, with copies letter to:
 - a. Director of Coal Business Development/ Director of Mineral Business Development
 - b. Head of Finance Bureau of the Ministry of EMR
 - c. Head of Mining and Energy Office of related province
 - d. Head of Mining and Energy Office of related regency/city
 - e. Head of Local Revenue Office of related province
 - f. Head of Local Revenue Office of related regency/city;
3. Reconciliation of general mining natural resources PNPB data between DG Mineral and Coal of the Ministry of EMR and Local Government/producing area on quarterly basis;
4. Reconciliation of general mining natural resources PNPB data recorded by DG Mineral and Coal of the Ministry of EMR and data recorded by State Treasury (Directorate of Accounting and Financial Reporting and Directorate of State Treasury Management, DG Treasury) on monthly basis;
5. Secretary General of the Ministry of EMR on behalf of the Minister of EMR submits a transfer proposal to the Minister of Finance c.q Director General of Fiscal Balance in accordance with PMK 165 / PMK.07 / 2012 on a quarterly basis;
6. DG Fiscal Balance submits a request for distribution of general mining natural resources Revenue Sharing Fund (DBH) to DG Treasury;
7. DG Treasury transfers general mining natural resources DBH to Local Government/Producing Area.

2.1.4 Infrastructure Provision and Barter Arrangement

EITI Standard 2016 Requirement 4.3 requires Implementation Team and IA to examine whether contracts addressed goods and services provision (including loans, grants and infrastructure provision), either partially or completely in exchange of oil, gas or exploration or mining product concession or physical delivery of these commodities.

In general, there is no requirement of infrastructure provision in cooperation contract or mining license in both oil and gas sector and mineral and coal sector. However, all oil and gas contracts in Indonesia apply Production Sharing Contract (PSC) mechanism, whereby all assets of KKKS in Indonesia used in operational activities owned by state, including the infrastructure used in operational process.

Out of all companies covered in reconciliation report 2015 in mineral and coal sector, there is no company that applied under infrastructure provision stipulated in mining contract/ permit.

In principle, extractive industry in Indonesia does not apply barter arrangement.

2.1.5 Corporate Social Responsibility (CSR)

CSR is inseparable from companies' activities, manifesting the commitment and responsibilities of companies to stakeholders (direct and indirect) as well as surrounding environment. CSR activities are implemented directly by companies and sustainably, having the purpose of maintaining the economic, social, and environmental balance.

Initially, CSR cost in oil and gas sector was included in cost recovery. However, GR No.79/2012 stipulates as follows:

- Cost of community empowerment programs executed by KKKS at exploration stage may be calculated in cost recovery.
- Cost of community empowerment programs executed by KKKS at exploitation stage cannot be calculated in cost recovery.

Social responsibility obligations are stipulated in Law No. 40/2007 on Limited Liability Company, although the amount of funds allocated for community empowerment programs are not specified. CSR obligations are also stated in Government Regulation No. 47 Year 2012. The regulation states that social and environmental responsibility is an obligation for a company that conducts its business activities in the field and / or related to natural resources based on law.

CSR programs captured in this report refer to program classification of the Minister of EMR Government Agency Performance Accountability Report (LAKIP) 2012, which are

1. Community relations programs - religious, social, cultural, sports, youth programs;

2. Community services programs – aid/ donation to communities impacted by disasters or communities in need;
3. Community empowerment programs – programs aimed to enhance livelihood and quality of education and health;
4. Social infrastructure projects – construction of houses, places of worship, hospitals, roads, bridges, and other facilities;
5. Environmental maintenance activities.

Based on Scoping Study of EITI Indoensia Report 2015 and decision of Implementation Team, CSR funds are not reconciliated and reported unilaterally by the companies. This decision drew upon the fact that the definition of CSR in Indonesia is too broad and not yet clear cut, in addition to beneficiaries of CSR that can be communities or community institutions.

CSR activities reported by oil and gas companies and mineral and coal companies during 2015 can be seen in the tables below:

Table 10 - CSR of Oil and Gas Companies Year 2015

Activity the Year 2015	USD (in Thousand)
Public Relation	4,208
Community Service	238
Community Empowerment	6,380
Infrastructure Development	4,586
Environment	1,335
TOTAL	16,747

Source: EITI Data 2015

Table 11 - CSR of Mineral and Coal Mining Companies Year 2015

Activities	Rupiah (in Million)	USD (in Thousand)
Public Relation	120,863	33,044
Community Service	51,549	28,313
Community Empowerment	145,784	27,534
Infrastructure Development	177,974	15,414
Environment	12,548	304
TOTAL	508,718	104,609

Source: EITI Data 2015

Detailed report on CSR funds of each company covered by this report is presented under Appendix 5.2 for oil and gas sector and Appendix 5.3 for mining sector.

2.1.6 ASR, Reclamation Guarantee and Post-mining Fund

In the oil and gas sector, activities to stop the operation of Production Facilities and other supporting facilities permanently and to eliminate their ability to be re-operated and to restore the environment in upstream oil and gas business activities are known as Abandonment and Site Restoration (ASR). The implementation of the ASR refers to the Working Guidelines of Oil and Gas Regulation No. 40 issued in 2010, whereby KKKs are required to deposit the funds reserved for ASR activities into Joint Accounts of SKK Migas and KKKs at designated management banks. In 2015, the total amount of ASR funds paid is US\$22,669 thousand.

In mineral and coal sector, in accordance with Regulation of Minister of Energy and Mineral Resources Number 7 Year 2014, reclamation guarantee is fund provided by holders of IUP or IUPK as guarantee for reclamation activities, conducted throughout mining stages to arrange, restore and improve the quality of environment and ecosystem in order to functioning again according to its designation. While post-mining funds are funds provided by mining companies as guarantees to conduct post-mining activities that are planned, systematic and continuous activities after the end of part or all of the mining business activities to restore the function of the natural environment and social according to local conditions throughout the mining area.

Of the 123 minerals included in the 2015 reconciliation scope, there are 38 companies reporting their payments for the Reclamation Guarantee and 11 companies reporting their payments of the Post-Mining Fund during 2015.

Table 12 - Reclamation Guarantee and Post-mining Funds of Mineral and Coal Mining Companies in 2015

Type of Fund	Rupiah (in Million)	USD (in Thousand)
Reclamation Guarantee Fund	389,432	61,584
Post-Mining Fund	49,837	12,710

Source: EITI Data 2015

2.1.7 Transportation

Requirement 4.4 of EITI Standard 2016 requires the disclosure of transportation-related revenues generated by commodity transportation services received by SOEs as transport provider. This disclosure includes types of transported commodity, route, and name of SOEs as well as applicable taxes, transport fees, and commodity volume. In accordance with the Scoping Study of EITI Report 2015, the transportation income received by state-owned enterprises from mineral and coal companies will be reconciled while transportation revenue received from oil and gas companies is reported only from the side of income-generating state-owned enterprises.

Oil and Gas Sector

PT Pertamina (Persero) received transportation fees (toll fee) from KKKS, PT Perusahaan Gas Negara (Persero) / PGN and other companies for the transmission of oil and gas through pipe network owned by PT Pertamina (Persero). In 2015, the total toll fee obtained is US\$111,755 thousand, of which the amount does not reach 1% of the total state revenue from oil and gas sector. Hence, no reconciliation is required.

Table 13 - Oil and Gas Transportation Fees

Company	USD (in Thousand)
CRUDE OIL	
KSO PT Samudra Energy BWP Meruap	5,468
Montd'Or Oil Tungkal Ltd	3,123
Tately N.V.	2,177
PBMS	1,448
INSAN	618
KSO PT Geo Minergi	580
TAC Akar Golindo	37
NATURAL GAS	
Kangean Energy Indonesia Ltd.	69,088
PUSRI	9,846
PT. PKT	9,329
PGN	9,321
Medco EP Indonesia	720
TOTAL	111,755

Source: EITI Data 2015

Mineral and Coal Sector

Transportation revenue is revenue received by SOE, or PT Kereta Api Indonesia (Persero) in this context, generated from the transportation of coal produced by PT Bukit Asam (Persero), Tbk.

PT Bukit Asam (Persero), Tbk entered into coal transport agreement with PT Kereta Api Indonesia (Persero) for two transport routes:

1. Tanjung Enim Baru - Tarahan.

PT Kereta Api Indonesia (Persero) agrees to transport coal of PT Bukit Asam (Persero) Tbk from coal loading terminal in Tanjung Enim to coal port in Tarahan, Lampung. Pursuant to agreement signed on 14 December 2011, transport tariff applied in 2015 is Rp428 (full amount)/ton/ kilometer exclusive of VAT.

2. Tanjung Enim Baru - Kertapati.

PT Kereta Api Indonesia (Persero) agrees to transport coal of PT Bukit Asam (Persero) Tbk from coal loading terminal in Tanjung Enim to coal port in Kertapati, Palembang. Pursuant to agreement signed on 14 December 2011, transport tariff applied in 2015 is Rp563 (full amount)/ton/kilometer exclusive of VAT.

PT Kereta Api Indonesia (Persero) applies 10% VAT in addition to agreed tariff.

The coal volume of PT Bukit Asam (Persero) Tbk which is transported by PT Kereta Api Indonesia (Persero) for 2015 and 2014 is 15,622,180 tons and 14,724,575 tons, respectively. Meanwhile, the revenue of PT Kereta Api Indonesia (Persero) for coal transportation services of PT Bukit Asam (Persero) Tbk in 2015 amounted to US\$72 million and Rp1.7 trillion. As for 2014, the revenue obtained by PT Kereta Api Indonesia (Persero) amounted to US\$69 million and Rp1.5 trillion.



The coal volume of PT Bukit Asam (Persero) Tbk which is transported by PT Kereta Api Indonesia (Persero) in 2015 has increased. The increase in volume is followed by an increase in the revenue of transportation services obtained by PT Kereta Api Indonesia (Persero) compare to the previous year. The increase of revenue is not only due to the increase of coal volume transported but also due to increased tariffs of transportation services by 2015 compared to 2014.

Table 14 - Transportation Fees Received by PT. Kereta Api Indonesia (Persero) in 2015

Company	Rupiah (in Million)	USD (in Thousand)
PT. Bukit Asam (Persero) Tbk.	1,709,841	72,368
PT Kereta Api Indonesia (Persero)	1,709,841	72,368
Difference	-	-

Source: EITI Data 2015

After the numbers were reconciled, IA found no discrepancies between transport fees payments made and received by PT Bukit Asam (Persero), Tbk. and PT Kereta Api Indonesia (Persero).

2.1.8 Extractive SOEs

Requirement 4.5 of EITI Standard 2016 requires the report to explain roles of SOEs in the flow of state revenues.

Governed by Law No.19/2003 on SOE, SOE is a business entity that is wholly owned by the state, or with majority ownership of the state, through direct equity placement from the state's capital. SOE's management and operations comply with Law No. 40/2007 on Limited Liability Companies, Capital Market Law and its implementing regulations – specifically for listed SOEs, State Finances Law, and Examination and Oversight Law.

Pursuant to Law No.19/2003 on SOE, an SOE is established with the following goals and purposes:

- to contribute to the national economic growth in general and particularly to state revenue;
- to seek profit;
- to deliver public benefits in the form of the procurement of quality and adequate goods and/or services to fulfil public needs;

- to be the pioneer of business activities that cannot be implemented by the private sector and cooperatives;
- to actively participate in providing guidance and support for smallscale companies, cooperatives and communities.

SOE Law also categorizes SOE into two types:

- Public Companies (Perum)**
Public companies are 100% owned by the government, not divided into shares. None of the state-owned companies engaged in the extractive sector are public companies.
- Liability Companies (Persero)**
BUMN Over 50% or all of the shares of a liability, state-owned company is owned by the government. Liability, state-owned companies seek profits. .

Given the context of this report, there are four extractive SOEs covered by this report, namely PT Pertamina (Persero), PT Aneka Tambang (Persero) Tbk., PT Bukit Asam (Persero) Tbk., and PT Timah (Persero) Tbk.

PT Pertamina (Persero) is the only SOE in the oil and gas sector and is the second largest lifting of oil and gas contributor in the country with total oil lifting amounted to 72,065,168 barrels and total gas lifting amounted to 438,140,104 mscf in 2015. PT Pertamina (Persero) is also the largest dividend contributor among other SOEs. In 2015, Pertamina paid Rp6.25 trillion of dividend. In the list of companies included in the scope of reconciliation there are several subsidiaries of PT Pertamina (Persero), namely PT Pertamina Hulu Energi, PT Pertamina EP and PT Pertamina EP Cepu which contributes revenue for government lifting of oil and gas and corporate & dividend tax amounting to US\$2.12 billion or 17.1% of the total value reconciled in oil and gas sector in 2015.

In addition to PT Pertamina (Persero), there is a subsidiary of PGN engaged in oil and gas sector, namely PT Saka Energi Indonesia, which its parent company (PGN) is engaged in different industries, these are transportation and trading of natural gas.

Payment from mining SOEs in this report consisted of royalty, income tax, land and building tax, land rent, transport fee, and forestry fee as detailed in the table below.

Table 15 - Payments from Mineral and Coal Mining Sector SOEs to State Treasury in 2015

Type of Payment	PT Bukit Asam (Persero)		PT Antam (Persero)		PT Timah (Persero)	
	Rupiah (in Million)	USD (in Thousand)	Rupiah (in Thousand)	USD (in Thousand)	Rupiah (in Million)	USD (in Thousand)
Royalty	791,529	-	-	10,152	19	15,697
Corporate Income Tax	481,514	-	-	-	168,517	
Land Rent	-	218	16,353	260	3,115	2,371
Transportation Fee	1,709,842	72,368	-	-	-	-
Dividend	486,234	-	-	-	124,404	-
Land and Building Tax	29,507	-	17,607	-	70,003	-
Forestry Fee	25,326	-	10,423	902	580	-
TOTAL	3,523,952	72,586	44,383	11,314	366,638	18,068

Source: EITI Data 2015

Information regarding the role of SOEs in state revenues as defined in EITI Standard 2016 Requirement 4.5 includes other payments to state-owned enterprises with material amount from oil and gas companies and mineral and coal companies. In the EITI Report 2015, other payments to SOEs are included in the reporting form for mineral and coal sector, but only reported unilaterally by the company. Out of the 123 companies included in the reconciliation scope, only one company, PT Trisensa Mineral Utama, submitted other payment to state-owned. The amount reported is US\$186 thousand.

2.1.9 Direct Payment to Local Government

EITI Standar 2016 Requirement 4.6 requires disclosure of direct payments to local government.

Payments made directly by companies to local government are categorized into:

1. Payments stipulated by Local Regulation (Perda)

Payments to local government in the form of local taxes are mandatory contribution by individuals or companies. Other form of payments is regional tax retribution as imposed on services or certain permits. The law No.28/2009 governs the types of taxes imposed by Provincial and Regency/City government. Local government is prohibited from imposing taxes other than stipulated by law.

Taxes applicable in extractive industry are Ground Water Tax, Rod Lighting Tax, and Specific Permit Retribution. The following tariff applies pursuant to Law No.28/2009

- Ground water tax, maximum 20% and enforced by Local Regulation.
- Road lighting tax, maximum 10%. For power utilization generated by other sources by industry and mining sector, 3% tariff applies.
- Specific permit retribution, namely for Building Construction Permit (IMB).

Oil and gas companies pay PDRD to the central government and payment is transferred to local government based on 'assume and discharge' concept or paid directly by oil and gas companies but can be calculated as a component of cost recovery (detailed explanation in Section 5.1). Meanwhile, mineral and coal companies pay PDRD directly to local government (see Appendix 5.3).

2. Payments resulting from agreement between companies and local government

Payments made directly to local government refer to commitments that have been made by mining companies. These payments reflected companies' participation and contribution to sustainable regional development.

Direct payments to local governments refer to commitments paid by mineral and coal companies in 2015 amounting to Rp436,934 million and US\$1,810 thousand. The amount does not exceed 1% of state revenue from the mineral and coal sector so it does not need to be reconciled, and only reported unilaterally by the company. Out of 123 minerals included in the reconciliation scope, 11 companies made direct payments to local governments. A list of companies making direct payments to the local government can be seen in Table 16.

Table 16 - Direct Payments from Mineral and Coal Mining Companies to Local Governments in 2015

Company	Total		Local Government
	Rupiah (Million)	USD (Thousand)	
Adaro Indonesia	17,688	-	South Kalimantan Province
			Central Kalimantan Province
			Balangan Regency
			Tabalong Regency
			South Barito Regency
			East Barito Regency
Kideco Jaya Agung	-	365	East Kalimantan Province
			Paser Regency
Arutmin Indonesia	970	-	Tanah Laut Regency
			Tanah Bumbu Regency
			Kotabaru Regency
			South Kalimantan Province
Bukit Asam Persero Tbk	46,858	-	South Sumatera Province
			Lampung Province
			Lahat Regency
			Muara Enim Regency
Tunas Inti Abadi	2,183	-	Tanah Bumbu Regency
Freeport Indonesia	154,407	-	Mimika Regency
			Papua Province
Newmont Nusa Tenggara	19,750	1,444	West Sumbawa Regency
Vale Indonesia Tbk	40,222	-	East Luwu Regency
Nusa Halmera Mineral	146,743	-	North Maluku Province
			North Halmahera Regency
J Resources Bolaang Mongondow	9	-	East Bolaang Mongondow Regency
			Kotamobagu City
Aneka Tambang	8,105	-	East Halmahera Regency
Total	436,935	1,809	

Source: EITI Data 2015

2.1.10 Other State Revenues

The following part lists state revenue streams from extractive companies covered by this report, but not reconciliated, other than ASR, reclamation guarantee and post-mining fund. The amount and payment value of each company are available in Section 4 and Appendices 2.17, 5.1, 5.2, and 5.3.

1. Land and Building Tax (PBB)

Pursuant to tax legislation, PBB is imposed on land and building where tax object is located. In the oil and gas sector, PBB of oil and gas is paid by the central government to the local government based on the concept of assume and discharge or paid directly by oil companies but can be considered as a cost recovery component (see discussion in sub-section 5.1), then it will be a deduction factor of oil and gas natural resources PBNP (see the explanation in Chapter 2.1.3).

2. **Valued-Added Tax (VAT) in oil and gas sector**
VAT is imposed on the purchase of goods and services by KKKS. This payment can be reimbursed to the Directorate of PNBP and is taken into account as a deduction factor of state revenues.
3. **Signature Bonus from new contract signing**
Bonus paid to the government subsequent to signing of KKS for exploration activities.
4. **Firm Commitment**
Penalty received by the state from KKKS that violate agreed firm commitment.
5. **Forest Utilization Fee**
All non-forestry companies operating in areas that the government has delineated as forest area (pursuant to GR No. 2/2008), must pay Forest Resources Provision (PSDH) and Reforestation Fund (DR). Around 90% of revenues from these streams came from mining companies.

2.2 Scoped of Companies

To select extractive companies for the purpose of this report, the team assessed contribution of each company to total state revenues generated from extractive industry. The selection of companies was also aligned with Scoping Study of EITI Indonesia Report 2015 and approved by the Implementation Team (EITI Standard 2016 Requirement 4.1.c).

In oil and gas sector, all oil and gas companies in production phase are covered by and asked to participate in this report.

Based on the Scoping Study of EITI Indonesia Report 2015, not all mineral and coal companies that contribute to state revenue are the reporting companies for the purposes of this reconciliation. Mineral and coal companies participating in the EITI Indonesia Report 2015 are contributing to the sales revenue share (PHT), royalty and land rent more than 14 billion rupiah. With this materiality limit, the reporting company of EITI 2015 amounted to 123 companies. These reporting companies contributed 93.61% of the total non-tax state revenues with a composition of 56.47% of total royalty revenue, 40.33% of total PHT revenue and 3.2% of land rent revenue.

According to the Scoping Study of EITI Indonesia Report 2015 which is further verified by IA and the Implementation Team, the number of companies included in the scope to be reconciled for 2015 is 167 oil and gas companies (consisting of 69 Operators and 98 Partners). As for mineral and coal sector, there are 123 companies consisting of 19 mineral companies and 104 coal companies included in the reconciliation.

Government entities covered in the reconciliation report are DG Tax, DG Budget, DG Oil and Gas, DG Mineral and Coal and SKK Migas. State revenues presented unilaterally (not included in the reconciliation process) are from DG Fiscal Balance, Riau Provincial Government, East Kalimantan Provincial Government and East Java Provincial Government.

Complete list of companies in this report is presented under Appendix 1.

2.2.1 Oil and Gas Companies

Total number of companies included in reconciliation process in 2015 is 167 companies consisting 69 Operators and 98 Partners with 61 working areas.

Table 17 - Distribution of KKKS by Working Area

Working Area	Operator
Aceh Province	2
Jambi Province	4
Riau Province	9
Kepulauan Riau Province	3
North Sumatera Province	1
South Sumatera Province	9
DKI Jakarta Province	2
Central Java Province	1
East Java Province	10
North Kalimantan Province	2
East Kalimantan Province	7
South Kalimantan Province	1
Central Sulawesi Province	1
South Sulawesi Province	1
Maluku Province	2
West Papua Province	5
Indonesia*	1
TOTAL	61

(* PT Pertamina EP operated in almost all over areas within Indonesia's border, through own operational scheme and various partnership cooperation.

Source: EITI Data 2015



Since several partners shall report as operators, the total number of working area (61 working areas) is not the same with the total number of operators (69 operators). List of partners that report as operators as follow:

1. PT Pertamina Hulu Energi (7 companies) - reporting as Operator given its 50% ownership over JOB/JOA working area and sharing between government and contractor, i.e. 32.7731 % for the government and 67.2269% for PHE contractor.
2. INPEX Corporation (1 company) - provided report as Operator over 50% of Inpex's share in Mahakam field and 50% of Inpex' share in Attaka field pursuant to Pertamina Letter No.1911/Keu/BKKA/77 dated 10 May 1977.

2.2.2 Mineral and Coal Mining Companies

The total number of mineral and coal companies included in the reconciliation process for 2015 is 123 companies consisting 35 PKP2B holders, 7 KK holders and 81 IUP holders with operating areas located in 15 provinces.

Table 18 - Mineral and Coal Mining Companies within the Scope of Reconciliation

Year/Contract	PKP2B	KK	IUP	Total
2015	35	7	81	123

Source: Scoping EITI's Indonesia Report, 2015

Table 19 - Distribution of Mineral and Coal Mining Companies by Operations Area in 2015

Operations Area/Contract	PKP2B	KK	IUP	Total
North Sumatra Province	-	1	-	1
South Sumatra Province	1	-	7	8
Bangka Belitung Province	-	-	7	7
Bengkulu Province	-	-	3	3
West Java Province	-	-	1	1
South Kalimantan Province	10	-	19	29
Central Kalimantan Province	4	-	2	6
East Kalimantan Province	19	-	33	52
North Kalimantan Province	1	-	5	6
Central Sulawesi Province	-	-	1	1
Southeast Sulawesi Province	-	1	-	1
North Sulawesi Province	-	2	-	2
North Maluku Province	-	1	2	3
Nusa Tenggara Barat Province	-	1	-	1
Papua Province	-	1	-	1
N/A*	-	-	1	1
Total	35	7	81	123

(*)The companies unknown operations area

Source: EITI Data 2015

03

METHODOLOGY

3.1 Reconciliation Method

IA gathered and reconciled data of payment made and received by business entities and the government. Reconciliation process is undertaken in five of the following sequence:

1. Preliminary data analysis and procedure - entailing planning of entity scope, reporting format design, and identifying procedures that would be employed when executing reconciliation
2. Information dissemination, data collection (including circulating reporting template to all reporting entities), data request, and data acceptance according to template and within established timeline
3. Reconciliation - comparing information from two sides of the entities, i.e. companies and government entities.
4. Confirmation - verifying and tracking data to related entities to clarify gaps and differences. Data compilation, compilation process of all data in both monetary and volume units
5. Result analysis and formulation of IA reconciliation report.

Communications between IA and reporting entities - companies as well as government agencies - in order to conduct further inquiries to clarify differences of numbers are appropriately documented and have been agreed by both parties. This measure is taken to ensure that information and/or data presented and/or reconciled in this report are genuine and accurate (complying with EITI standard 2016 Requirement 4.9.b). IA gathered details on data or complementing documents by employing various means of communications - phone/email, or meeting and visits (if necessary) to relevant reporting entities.

In details, the flow of Reconciliation Report development is as follows:

1. IA verifies reporting template provided in TOR and Scoping Study 2015 in accordance to EITI Standard and consultation with Technical Team (Implementing Team).
2. Verified reporting template submitted for approval from Implementing Team.
3. Implementing Team distributes reporting template to reporting entities.
4. Reporting entities return EITI's reporting template to Implementing Team, addressed to Transparency Team Secretariat.
5. IA compiles and analyzes reports, followed with reconciliation process.
6. Result of reconciliation is captured in Reconciliation Report.
7. Clarified discrepancies with reporting entities.
8. Re-compiles and re-analyzes clarification provided by reporting entities.
9. Result of compilation and analysis grouped into 'uniformed data' and 'data with discrepancies' which are complemented with explanation.
10. Presentation of reconciliation result.

3.2.1 Preparation of Reporting Format

In order to determine appropriate reporting template, IA has reviewed the template presented in Scoping Study 2015 and makes a number of adjustments to comply with EITI Standard. Template adjustments are consulted with relevant agencies and submitted to Implementing Team for approval on 22 August 2017.

Adjustments made for oil and gas sector template are:

1. Part I (Company Identity Information)
Information regarding working area coordinate is eliminated
2. Part II (Working Area Ownership Information)
Information regarding Tax Identification Number (NPWP) of Participating Interest holder is added
3. Part III (Human Resources Information)
Information explaining that reported data is as of end 2015 is added
The following information is added:
 - Permanent Employees of Indonesian Citizen are hired based on work contract with the company (Direct)
 - Locals are workers employed in the site/field
 - Headquarter employees are workers employed in the headquarter office
4. Part IV (Reconciled Information)
 - The unit of Total lifting of Gas - Natural Gas is changed from mmscf to mscf
 - The unit Total lifting of Gas - LPG is changed from mmscf to barrels
 - Information regarding Government Lifting of Oil and Condensate, Government lifting of

Gas - Natural Gas and Government lifting of Gas - LPG in USD is added

- The unit of Government lifting of Gas - Natural Gas is changed from mmscf to mscf
 - The unit of Government lifting of Gas - LPG is changed from mmscf to barrels
 - Information in Over/(Under) Lifting section is changed from Month to Billing ID Number, the currency is changed from Rupiah and USD to USD only and the amount is separated between Oil and Gas
 - NTPN number and amount in Rupiah are eliminated from the information regarding Signature Bonus
 - Information in Production/Development/Compensation Bonus section is changed from Type to Payment Order Number and amount in Rupiah is eliminated
 - Information in Corporate Tax and Dividend Tax section is changed from Tax Period to Month, separated into Oil and Gas and Penalties as well as amount in Rupiah are eliminated
5. Part V (Non-reconciled Information)
Information regarding direct payment to local government in Rupiah is eliminated
Amount in Rupiah in CSR section is eliminated and following classification is added:
 - a. Community relations programs (religious, social, cultural, sports, youth programs)
 - b. Community services programs (aid/donation to communities impacted by disasters or communities in need)
 - c. Community empowerment programs (programs aimed to enhance livelihood and quality of education and health)
 - d. Social infrastructure projects (construction of houses, places of worship, hospitals, roads, bridges, and other facilities)
 - e. Environmental maintenance activities
Information related to Infrastructure provision is eliminated and information related to Billing ID number, Date of Disbursement and the amount of ASR (Abandonment and Site Restoration) in USD are added.
 6. Part VI (Statement Letter)
The sentence "I certify that the contents of the above information are true, complete and reconcilable, independent and consistent with the mechanism set forth in the production sharing contract and have been reported in the final Financial Quarterly Report (FQR) and audited financial statements by the public accounting firm or independent auditor" is changed to "I certify that the contents of the above information are true, complete and reconcilable, independent, and consistent with the mechanism set forth in the production sharing contract and have been reported in the final Financial Quarterly Report (FQR)."

7. Part VII (Authorization Sheet for Opening Tax Data and Information)
This Authorization Sheet does not exist in the initial reporting form format.

Changes and additions in EITI Reporting format 2015 for mineral and coal sector are as follows:

1. Part I (Company Identity Information)
Information regarding mining location: "Mining Area", "Province and "Regency" is added in part I (Company Identity Information)
2. Part II (Ownership Information),
To comply with EITI Standar Requirement 2.5
 - One column is added to the table in part IIA (Share Ownership Information) to include information on Position of Shareholder in the Company"
 - One table, Table IIB, is added in part II to accommodate the information regarding the organizational structure of the company. This table consists of 4 columns (Name, Position, Address, Email/Telp/Fax)
3. Part IV (Reconciled Information)
 - Based on the conclusions of the meeting and the approval of the Implementation Team on April 20, 2017 it is agreed that the land rent should be reconciled, so that a table for land rent consisting of 5 columns (Date of Payment, NTPN, Area, SK Number, Value (Rp / USD)) is added in Part IV (reconciled information).
 - One column is added to the table of royalty and PHT (PKP2B) to accommodate the information regarding level of calories (for coal companies) and type of mineral (for mineral companies).
 - Four columns are added to the table of product transportation payment to SOE transportation provider. These columns contain Date of payment, Route, Volume of Coal and Transportation Fee.
4. Part V (Non-Reconciled Information)
 - Based on the conclusions of the meeting and the approval of the Implementation Team on April 20, 2017 it is agreed that the land rent should be reconciled, so that the land rent table is excluded from the non-reconciled section.
 - To facilitate the identification of CSR activities that have been implemented by the company, the "Activity" column in the CSR table is replaced by "Program" column, with the type of program that has been determined by its classification based on LAKIP of Ministry of Energy and Mineral Resources 2012 consisting of 5 types of programs:
 - a. Community Relations
 - b. Community Services
 - c. Community Empowerment
 - d. Social Infrastructure
 - e. Environmental Maintenance

In addition, one column of "Program Location" is added to the CSR table to contain the information regarding the location of CSR activities held by the company.

- To comply with EITI Standard Requirement 4.1:
 - a. One table for reporting Forest Area Utilization Fee is added. This table consists of 4 columns, namely Cost Component, NTPN, Date of Payment, Value).
 - b. Table of Reclamation Guarantee Fund payment which consists of 3 columns (Account Name, Date of Payment, Value) is added.
 - c. Table of Post-Mining Fund payment which consists of 3 columns (Account Name, Date of Payment, Value) is added.
- To comply with EITI Standard Requirement 4.5, table of Other Payment to SOE which consists of 5 columns (Month of Payment, Date of Payment, Service Providers (SOE), Type of Service, Value) is added. Other Payment to SOE is the payment done by mineral and coal companies to mining-related SOE other than transportation fees, such as rental fees for government port, boat guide services from PT Pelindo, etc.).
- 5. Additional Part
 - To comply with EITI Standard Requirement 6.1, one table is added to accommodate information regarding the availability of environmental impact assessment (AMDAL) document for companies with royalty payment over than Rp500 billion.

Socialization of EITI 2015 reporting format for oil and gas and mineral and coal is implemented in two phases, namely Phase I on August 29, 2017 and Phase II on September 6, 2017.

The number of participants who attend Phase I socialization activities is 91 participants who represent 120 companies, while the number of participants who attended Phase II socialization activities is 7 participants representing 6 companies. So that the number of participants who attend socialization activities for oil and gas companies phase I and phase II is 98 participants representing 126 companies or 75% of the number of reconciled companies.

The number of participants who attend Phase I socialization activities for mineral and coal companies is 55 participants representing 44 companies, while the number of participants who attend Phase II socialization activities is 20 participants representing 18 companies. So that the number of participants who attend the socialization activities for phase I and phase II for mining companies is 75 participants representing 62 companies or 50% of the number of minerals companies included in the scope of reconciliation.

3.2.2 Distribution of Reporting Format to Companies and Government Agencies

To distribute reporting formats, IA shall obtain corporate address information, corporate email, phone number and Person in Charge by:

- Requesting SKK Migas and DG Mineral and Coal
- Searching the information in the company website
- Searching the information from previous year's extractive industry annual report
- Requesting data from Local Government
- Requesting data from operators for partner companies for the oil and gas sector
- Visiting the company directly

DG Tax may provide tax data and information of government entities if it has received an authorization sheet for the opening tax data and information from the company. IA submits the authorization sheet gradually to speed up the reconciliation process.

Following the Implementation Team meeting held on 22 August 2017 which approves the reporting format, IA together with the EITI Secretariat prepares letters for the distribution of reporting formats to companies and government entities. On August 25, 2017, a cover letter from the Coordinating Ministry for Economic Affairs attached with the EITI 2015

reporting form is distributed to companies within the scope of reconciliation. The deadline to return the form is 20 September 2017 for both oil and gas sector and mineral and coal sector. Meanwhile, the EITI reporting form for government entities is sent on September 7, 2017 with the deadline to return the form of October 6, 2017.

On October 12, 2017, since there are many mineral and coal companies that have not submitted EITI reporting, the EITI Secretariat re-invited mineral and coal companies for the third meeting with the agenda of data completion for EITI reporting 2015. The meeting is attended by 30 participants representing 24 companies.

On October 13, 2017, the Coordinating Ministry for Economic Affairs issues a warning letter to oil and gas and mineral and coal companies that have not submitted EITI reports with a copy of letter to the Corruption Eradication Commission (KPK), in the hope that the company will promptly submit EITI reports by 26 October 2017.

Tables 20 and 21 below show the progress of returning the reporting format until the last deadline set by the Implementation Team, which is November 20, 2017.

Table 20 - Progress of Reporting Format Submission for Oil and Gas Sector

Progress Status of Government Entities as of	Reporting Entities	Report Submitted	Delayed	Submission percentage
6 Oktober 2017	9	1	8	11.11%
26 Oktober 2017	9	7	2	77.78%
20 November 2017	9	9	-	100.00%

Source: EITI Data 2015

Progres Status of KKKS Holders Operators as of	Reporting Entities	Report Submitted	Delayed	Submission percentage
20 September 2017	69	38	31	55.07%
26 Oktober 2017	69	64	5	92.75%
20 November 2017	69	64	5	92.75%

Source: EITI Data 2015

Progress Status of Partners as of	Reporting Entities	Report Submitted	Delayed	Submission percentage
20 September 2017	98	36	62	36.73%
26 Oktober 2017	98	88	10	89.80%
20 November 2017	98	89	9	90.82%

Source: EITI Data 2015

Table 21 - Progress of Reporting Format Submission for Mineral and Coal Mining Sector

Progress Status of Government Entities as of:	Reporting Entities	Report Submitted	Delayed	Submission percentage
6 Oktober 2017	9	1	8	11.11 %
26 Oktober 2017	9	7	2	77.78 %
20 November 2017	9	9	-	100.00 %

Source: EITI Data 2015

Progress Status of Companies as of:	Reporting Entities	Report Submitted	Delayed	Submission percentage
20 September 2017	123	32	91	26.02 %
26 Oktober 2017	123	81	42	65.85 %
20 November 2017	123	85	38	69.11 %

Source: EITI Data 2015

The submission progress of mineral and coal sector until 20 November 2017 for government entities reaches 100% which means all 9 government entities have submitted EITI reporting form.

As for company, there are 85 companies or 69% out of a total of 123 companies included in the scope of reconciliation that have submitted the reporting form. Number of companies that have not submitted reporting form is 38 companies. List of mineral and coal companies that have not submitted reporting form can be seen in Table 23.

3.2.3 List of Non Reporting Companies

For reconciliation report, out of 167 oil and gas companies expected to report, 14 companies do not report consisting of 5 KKKS operators and 9 KKKS partner. Of the 5 KKKS operators, 2 KKKS of them, namely PT Sumatera Persada Energi and Petroselat Ltd. have been declared bankrupt by court, while 3 other KKKS, namely PT EMP Tonga, EMP Malacca Strait S.A. and EMP (Bentu) Ltd. are subsidiaries of Energi Mega Persada Group which is unable to report due to internal problems of the company.

Based on comparison of state revenues, the amount of Government Lifting and Over / (Under) Lifting from non-reporting companies is not significant and does not affect the results of reconciliation with a total percentage of 0.63% which are listed in the following table.



Table 22 - List of Non Reporting PSC Contractors

(in Thousand USD)

	Name	Working Area	SKK Migas				Total
			Government Lifting Oil	Government Lifting Gas	Over/(Under) Lifting Oil	Over/(Under) Lifting Gas	
KKKS Operator							
1	PT SUMATERA PERSADA ENERGI	WEST KAMPAR	569	-	-	-	569
2	PT EMP TONGA	TONGA FIELD	-	-	128	-	128
3	PETROSELAT, LTD.	SELAT PANJANG, ONS. RIAU	589	-	-	-	589
4	EMP MALACCA STRAIT S.A	MALACCA STRAIT	11,031	4,029	5,537	672	21,269
5	EMP (BENTU) LTD.	BENTU SEGAT, ONS. RIAU	-	32,218	-	(1,225)	30,993
Partner KKKS							
1	Oilex (West Kampar) Ltd.	WEST KAMPAR	Value Government Lifting and Over/(Under) Lifting be found at KKKS Operator				
2	Kencana Surya Perkasa, PT	TONGA FIELD					
3	Petross Exploration Production, PT	TONGA FIELD					
4	EMP ONWJ Ltd.	NORTHWEST JAVA SEA, OFF.					
5	Fuel-X Tungkal Ltd.	TUNGKAL, ONS. JAMBI					
6	Golden Spike Energy Indonesia, PT	RAJA&PENDOPO BLOCK					
7	Imbang Tata Alam, PT	MALACCA STRAIT BLOCK					
8	Prime Natuna Energy Inc. (dh Chevron South Natuna B Inc.)	SOUTH NATUNA SEA BLOCK "B".					
9	LION International Investment, Ltd	SERAM NON BULA					
TOTAL			12,189	36,247	5,665	(553)	53,548
TOTAL PNBPOIL & GAS			5,527,753	3,196,090	(47,904)	(168,720)	8,507,219
PERCENT			0.22%	1.13%	-11.83%	0.33%	0.63%

Source: EITI Data 2015

Nine oil and gas partner companies that do not report can be classified as follows:

1. Four companies of Energi Mega Persada Group (EMP) can not report due to internal problems.
2. Five oil and gas partner companies, until this report is made, have not submitted their reporting form

For the mineral and coal sector, out of 123 companies that are expected to report, there are 38 companies that do not report. Hence, IA cannot get information on the amount of royalty, PHT, land rent and corporate income tax payments that have been deposited to the State Treasury by those companies.

38 mineral and coal companies that do not report can be classified as follows:

1. Company that is no longer producing
Based on information from the relevant Provincial Energy and Mineral Resources Office and result of visit to the reporting companies, it is found that there are 5 companies that are no longer producing:
 - a. PT Anugerah Tujuh Sejati (South Kalimantan Province), the company stop producing since 2016
 - b. PT Anugerah Borneo Community (South Kalimantan Province), the company stop producing since May 2017.
 - c. PT Beringin Jaya Abadi (Kutai Kartanegara - East Kalimantan Province), the company stop producing since the end of 2016
 - d. PT Rinjani Kartanegara (Kutai Kartanegara - East Kalimantan Province), the company stop producing since June 2017
 - e. PT Rekasindo Guriang Tandang (Bengkulu Province), the company stop producing since May 2015.
2. Company with unknown address and/or mining area
 - a. PT Andhika Raya Semesta.
The company's address searching process has been conducted through visits to the Office of Energy and Mineral Resources of

South Kalimantan Province, East Kalimantan, South Sumatra and Bengkulu, as well as through Directorate General of Mineral and Coal - Area Directorate and Directorate of Business Services

- b. PT Putra Parahyangan Mandiri (South Kalimantan Province)
The search has been conducted through a visit to the company in the South Kalimantan Province as well as seeking information through the Office of EMR of South Kalimantan Province.
 - c. PT Central Mining Resources (East Kalimantan Province)
The search has been conducted through a visit to the company in the area of East Kalimantan Province and seeking information through the Office of EMR of East Kalimantan Province
3. Company that exceeds the deadline for reporting.
There are 30 companies that have not yet submitted their reports up to the deadline.

The amount of royalty, PHT and land rent payments from companies included in the reconciliation scope that do not report can be seen in Table 23. This information is obtained from the DG Mineral and Coal.

Table 23 - List of Non Reporting Mineral and Coal Mining Companies

(in million Rupiah)

No.	Company Name	Contract	Operation Area	Reason for Not Reporting	DG Mineral & Coal Reported (Royalty, Sales Revenue Share, Landrent)
1	Baturona Adimulya	PKP2B	South Sumatera	Until the specified deadline	67,024
2	Kalimantan Energi Lestari	PKP2B	South Kalimantan	Until the specified deadline	171,878
3	PD Baramarta	PKP2B	South Kalimantan	Until the specified deadline	211,497
4	Aman Toebillah Putra	IUP	South Sumatera	Until the specified deadline	16,108
5	Artha Pratama Jaya	IUP	East Kalimantan	Until the specified deadline	16,002
6	Astri Mining Resources	IUP	South Kalimantan	Until the specified deadline	70,457
7	Bara Alam Utama	IUP	South Sumatera	Until the specified deadline	64,164
8	Bara Anugerah Sejahtera	IUP	South Sumatera	Until the specified deadline	16,411
9	Bara Kumala Sakti	IUP	East Kalimantan	Until the specified deadline	67,323
10	Baramega Citra Mulia Persada	IUP	South Kalimantan	Until the specified deadline	15,505
11	Berau Usaha Mandiri	IUP	East Kalimantan	Until the specified deadline	15,866
12	Cahaya Energi Mandiri	IUP	East Kalimantan	Until the specified deadline	20,345
13	Fazar Utama	IUP	East Kalimantan	Until the specified deadline	19,593

No.	Company Name	Contract	Operation Area	Reason for Not Reporting	DG Mineral & Coal Reported (Royalty, Sales Revenue Share, Landrent)
14	Firman Ketaun	IUP	East Kalimantan	Until the specified deadline	39,108
15	Gane Permai Sentosa	IUP	North Maluku	Until the specified deadline	38,121
16	Indoasia Cemerlang	IUP	South Kalimantan	Until the specified deadline	47,293
17	Kaltim Jaya Bara	IUP	East Kalimantan	Until the specified deadline	64,419
18	Kayan Putra Utama Coal	IUP	East Kalimantan	Until the specified deadline	290,561
19	Khotai Makmur Insan Abadi	IUP	East Kalimantan	Until the specified deadline	36,016
20	Kusuma Raya Utama	IUP	Bengkulu	Until the specified deadline	30,789
21	Lamindo Inter Multikon	IUP	North Kalimantan	Until the specified deadline	15,765
22	Lembu Swana Perkasa	IUP	East Kalimantan	Until the specified deadline	19,223
23	Multi Sarana Avindo	IUP	East Kalimantan	Until the specified deadline	153,967
24	Pipit Mutiara Jaya	IUP	North Kalimantan	Until the specified deadline	94,581
25	Prolindo Cipta Nusantara	IUP	South Kalimantan	Until the specified deadline	42,141
26	Semesta Centramas	IUP	South Kalimantan	Until the specified deadline	26,442
27	Usaha Baratama Jesindo	IUP	South Kalimantan	Until the specified deadline	20,036
28	Welarco Subur Jaya	IUP	East Kalimantan	Until the specified deadline	31,521
29	Tinindo Inter Nusa	IUP	Bangka Belitung	Until the specified deadline	31,915
30	Venus Inti Perkasa	IUP	Bangka Belitung	Until the specified deadline	20,503
31	Anugerah Tujuh Sejati	IUP	South Kalimantan	No Production	19,854
32	Beringin Jaya Abadi	IUP	East Kalimantan	No Production	32,687
33	Rinjani Kartanegara	IUP	East Kalimantan	No Production	46,803
34	Rekasindo Guriang Tandang	IUP	Bengkulu	No Production	15,865
35	Anugerah Borneo Community	IUP	South Kalimantan	No Production	17,941
36	Andhika Raya Semesta	IUP	-	Unknown address	32,939
37	Central Mining Resources	IUP	East Kalimantan	Unknown address	75,417
38	Putra Parahyangan Mandiri	IUP	South Kalimantan	Unknown address	86,663
Total PNBP of unreported companies because exceed deadline (30 companies)					1,774,574
Total PNBP of unreported companies because no production and unknown address (8 companies)					328,169
Total PNBP of 123 companies post reconciliation					28,023,788
Percent PNBP of unreported companies because exceed deadline					6.33%
Percent PNBP of unreported companies because no production and unknown address					1.17%

Source: EITI Data 2015

Based on the decision of the Implementation Team Meeting dated November 23, 2017, 38 non-reporting companies, including 5 non-producing companies and 3 unknown location companies are excluded from the scope of the reconciled company.

Using PNBP data obtained from DG Mineral and Coal, the amount of non-tax revenues of 30 companies that do not report amounted to Rp 1,774,572 million or 6.33% of the total reconciled non-tax revenues. While the amount of PNBP from 8 companies that do not produce and locations are not known is amounting to Rp328,167 million or 1.17% of the total amount of reconciled PNBP.

The amount of the reconciled tax revenue from mineral and coal sector is as follows:

- a. Based on Scoping Study of EITI Indonesia Report 2015, the total amount of tax revenues from companies engaged in the mining and quarrying sector, including oil and gas sector and mineral and coal sector is Rp102 trillion as stated in LKPP 2015.
- b. Based on the result of data confirmation from the Directorate General of Tax, the amount of Income Tax Article 25/29 (Corporate Income Tax) from mineral and coal mining companies in 2015 amounted to Rp22.4 Trillion.

Based on the information from the Directorate General of Tax, the amount of Income Tax Article 25/29 revenues for the 123 companies included in

the reconciliation is Rp16.5 trillion. The amount is gross revenues received through the deposit of State Receipt Module (MPN). Mineral and coal companies that have submitted reports is amounting to 85 companies. Out of the 85 reporting companies, only 75 companies that submit the authorization sheet for the opening of tax data and information, while 10 companies do not submit the authorization sheet. The total amount of Income Tax Article 25/29 from 75 companies after the reconciliation process amounting to Rp 16.18 trillion or 98.07% of total income tax Article 25/29 from 123 mineral and coal companies.

3.2.4 Reconciliation Process

The purpose of reconciliation conducted by IA was not to perform audit. Information completeness and accuracy was gathered based on statement made by senior management from reporting entities (declared in written and signed). Section 6 on Audit Procedure discussed this process in more details.

Assessing the data that came in from government and business entities, IA would take followup inquiries for any discrepancies found by requesting for details and supporting data from reporting entities. To that end, IA would contact the entities via email and telephone, or make a visit to the entities' offices.

For the purpose of reconciliation and data collection, IA visited a number of government and business entities, detailed in the following table:

Table 24 - Record of Visits to Reporting Entities

Oil and Gas	Time
Pre-Reconciliation	
Visited Government entities , e.g DG Oil & Gas and DG Budget	October 2017
Post Reconciliation	
Visited Government entities SKK Migas, DG Oil & Gas	October 2017
Invited and Visited DG Budget - Dir. PNBP	October 2017
Mining	Time
Pre-Reconciliation	
Visited Government entities DG Tax and DG Mineral & Coal	September 2017
Post Reconciliation	
Visited Government entities, e.g. Mining and Energy Office Province South Kalimantan, Province East Kalimantan, Province South Sumatera, Province Bengkulu and Local Revenue Office Province East Kalimantan.	September 2017
Visited company offices in Jakarta, South Kalimantan, East Kalimantan , South Sumatera and Bengkulu.	September 2017
Visited Government entities DG Tax and DG Mineral & Coal	October 2017
Visited Government entities Province East Java : Regional Secretariat, Mining and Energy Office, Local Revenue Office.	November 2017

Source: EITI Data 2015

3.2.5 Obstacles in Data Collection

IA has difficulty in collecting data, especially in relation to the existing bureaucracy in government agencies. After the Implementation Team meeting on 22 August 2017 approves the EITI 2015 reporting format, the report format is distributed on September 7, 2017 with reporting deadline of 6 October 2017. However, until the specified time limit, there is only 1 (one) government entity that submit the reporting form from each sector.

In addition to procedural challenges, the voluntary nature of report submission by reporting entities also had a downside for IA, specifically in terms of data collection, where there was no formal penalty mechanism in place for companies that did not return reporting templates.

IA has several difficulties in collecting data from reporting entity:

1. Company entity:
 - The information about company database containing company address, mining area, corporate email, person in charge and phone number is incomplete and not up to date.
 - The Company is not familiar about EITI and the process of filling out the EITI form due to a change of person in charge handling the EITI form in the company or due to the company is a new reporting company.
 - The EITI reporting is voluntary in nature which means that company will not accept any legal sanctions even the company do not complete and submit the report.
2. Government entity
 - EITI form submission by Directorate General of Oil and Gas encounters difficulties in different reporting data sources, where KKKS fills EITI report based on data in FQR while Directorate General of Oil and Gas fills the report form based on data from Report AO SKK Migas (Report AO is report of lifting recapitulation and DMO made by SKK Migas every month based on lifting and DMO invoice) per Working Area and then processed into data per producing region to become the basis of allocation of Oil and Gas DBH, so that the data owned by Directorate General of Oil and Gas have to be re-processed to adjust to EITI report format.
 - In local government entities, the related responses to the EITI forms are constrained by the bureaucracy disposition of EITI filling letters in internal institutions.
 - EITI Reporting from the company is not maximal due to lack involvement of Provincial Energy and Mineral Resources Office in every province where the mining area is located.

3.2.6 Confidentiality of Data

Article 34 under General Taxation Law (KUP) stipulated concerning confidentiality of taxpayer's data. In the interest of data collection required for this report, this policy hampered data gathering process on mining companies – specifically tax-related data.

DG Tax, with consideration to the law, required for original authorization letter from companies and copy of company deed to be submitted to enable data disclosure. This procedure slowed data provision from DG Tax given the time needed to gather the documents. In addition, some companies declined to provide the necessary requirements.

3.2.7 Sanctions for Non Reporting Companies

Company participation in EITI reporting is voluntary in nature, and failure to provide data would not result in any penalties. Some companies, particularly from mining sector, used this as an excuse especially since there was no institution in mining sector that had the power to enforce EITI report submission.

04 RECONCILIATION REPORT



When the initial reconciliation process was started, by comparing the total state revenue recorded by government entities for values reported by corporate entities, there were significant differences because:

- Incomplete reporting form filling.
- Form filling is inconsistent with the data in FQR Final.
- Filling by JOB or JOA contractor is inconsistent with the Contractor's FQR, eg JOB fills in 100% including PHE share of 50% and JOA contractor fills in only its share, not included its partner's share.
- Error in classifying the Contractor's share and the State's share
- Error in filling basis, cash basis section is filled with accrual basis and vice versa.
- Unit filling that is inconsistent with the form filling instructions, such as mscf is filled with mmscf or mmbtu, or USD is filled with thousands of USD
- Companies have not reported, among other things: payment of legal products (tax collection letter (STP), tax underpayment assessment letter (SKPKB), additional tax underpayment assessment letter (SKPKBT), period Income Tax and / or Income Tax Article)
- Error in filling the payment currency
- Error in filling between royalty and PHT sharing
- Directorate General of Mineral and Coal has not yet allocated royalty payments and PHT to each company because the information in the proof of deposit is lack of information
- Directorate General of Mineral and Coal has not recorded the royalty and PHT because it has no proof of deposit.

The differences were addressed through confirmation and discussions with, and visits to government and corporate entities. Table 25 – 28 (oil and gas), table 30, 32 – 35 (mineral and coal) show the final results after reconciliation with explanation about the causes of the differences.

4.1 Oil and Gas Company

4.1.1 Reconciliation between Oil and Gas Contractors (KKKSs) and SKK Migas

A summary of reconciliation is available from Appendices 2.1 to 2.5.

In general, the initial differences shown in Table 25 are caused by the following reasons:

- Rounding
- Incomplete or incorrect initial reporting form filling
- Form filling is inconsistent with the data in FQR Final
- Error in classifying the Contractor's share and the State's share.
- Companies using cash basis data before final review process of FQR 2015 conducted by SKK Migas
- Total Tengah fill in its share only, which is amounting to 22,50%, whereas SKK Migas fill in the number according to JOA between Total Tengah and Pertamina which is amounting to 50% for both Total and partner.

General causes of post-reconciliation differences shown in Table 25:

Explanation	Number of Companies	Appendix	Thousand USD
Differences due to MUDI condensate correction for the period 2004 - 2008	1	3.1/15	(2,043)
The difference arise because there was a dispute of contract interpretation in calculating profit sharing between KKKS and SKK Migas (until the date of reporting, this dispute is still in the process of completion)	1	3.1/60	(38,851)
TOTAL	2		(40,892)

Table 25 - Reconciliation between PSC Contractors and SKK Migas Year 2015

In Thousand USD

State Revenues	Pre-Reconciliation			Post-Reconciliation			%
	KKKS	SKK Migas	Initial Difference	KKKS	SKK Migas	Unreconciled Difference	
	(1)	(2)	(3) = (2)-(1)	(4)	(5)	(6) = (5)-(4)	
Total Lifting - Oil	13,839,986	13,743,781	(96,205)	13,743,781	13,743,781	-	0.00%
Total Lifting - Gas	17,014,741	17,014,742	1	17,014,741	17,014,742	1	0.00%
Domestic Market Obligation Fee	443,280	428,191	(15,089)	439,590	428,191	(11,399)	-2.66%
Over/(Under) Lifting - Oil	20,248	(97,085)	(117,333)	(24,075)	(53,569)	(29,494)	55.06%
Over/(Under) Lifting - Gas	(205,438)	(171,407)	34,031	(168,335)	(168,335)	-	0.00%
Total	31,112,817	30,918,222	(194,595)	31,005,703	30,964,810	(40,892)	-0.13%

Source: EITI Data 2015

Post-reconciliation difference on the Over / (Under) Oil Lifting amounted to US\$29,494 thousand or 55.06% of the total Over / (Under) Reconciled Oil Lifting caused by the dispute related to the difference of contract interpretation in calculating production sharing between SKK Migas with KKKS CNOOC SES Ltd. in the South East Sumatra Work Area resulting in differences in Over / (Under) Oil Lifting data and DMO obligations and DMO Fees. However, since the amount of Over / (Under) Oil Lifting covers only 0.87% of the Reconciled Oil Revenue in the form of Government Lifting and Over / (Under) Lifting, the post-reconciliation difference in Over / (Under) Lifting Oil does not have any significant impact towards the outcome of reconciliation of state revenues from the oil and gas sector as a whole.

The reconciled numbers between KKKS and SKK Migas in Table 25 above do not include numbers for companies that do not report the ORT. Based on data from SKK Migas, PNB of oil and gas from companies that do not report the ORT can be seen in Table 22 in Section 3.2.3, in which the total PNB of oil and gas from the companies that do not report the ORT is only covers 0.63% of the total reconciled PNB, so it has no significant impact.

A summary of reconciliation is available from Appendices 2.6 to 2.8.

In general, the initial differences shown in Table 26 are caused by the following reasons:

- Rounding
- Error in unit
- Form filling is inconsistent with the data in FQR Final
- Incomplete or incorrect initial form filling

Table 26 - Reconciliation between PSC Contractors and SKK Migas Year 2015 (Volume)

State Revenues	Pre-Reconciliation			Post-Reconciliation			%
	KKKS	SKK Migas	Initial Difference	KKKS	SKK Migas	Unreconciled Difference	
	(1)	(2)	(3) = (2)-(1)	(4)	(5)	(6) = (5)-(4)	
Government Lifting - Oil (Barrel)	114,166,053	114,584,935	418,882	114,584,927	114,584,928	1	0.00%
Government Lifting - Gas (MSCF)	587,042,987	523,099,852	(63,943,136)	506,699,434	506,699,436	2	0.00%
Domestic Market Obligation (Barrel)	21,099,864	20,009,110	(1,090,754)	20,280,963	20,896,667	615,704	2.95%

Source: EITI Data 2015

General causes of post-reconciliation differences shown in Table 26:

Explanation	Number of Companies	Appendix	Value	Volume Unit
Differences due to MUDI condensate correction for the period 2004 - 2008	1	3.1/15	(28,642)	Barrel
The difference arise because there was a dispute of contract interpretation in calculating profit sharing between KKKS and SKK Migas (until the date of reporting, this dispute is still in the process of completion)	1	3.1/60	644,345	Barrel
Rounding			2	Barrel
			2	MSCF
TOTAL	2		615,707	Barrel

4.1.2 Reconciliation between Oil and Gas Contractors (KKKSs) and the Directorate General of Oil and Gas (DG Oil and Gas)

Table 27 - Reconciliation between PSC Contractors and Ditjen Migas Year 2015

State Revenues	Pre-Reconciliation			Post-Reconciliation			%
	KKKS	DG Oil & Gas	Initial Difference	KKKS	DG Oil & Gas	Unreconciled Diff.	
	(1)	(2)	(3) = (2)-(1)	(4)	(5)	(6) = (5)-(4)	
Total Lifting - Oil (Barrel)	284,415,367	285,066,009	650,642	285,163,627	284,906,518	(257,109)	-0.09%
Total Lifting - Gas (MSCF)	1,954,550,548	-	(1,954,550,548)	2,368,467,026	2,368,467,032	6	0.00%
Signature Bonus - Renewal Contract (USD'000)	-	-	-	-	-	-	-
Production Bonus (USD'000)	8,750	8,750	-	8,750	8,750	-	0.00%

Source: EITI Data 2015

A summary of reconciliation is available from Appendices 2.9 to 2.12.

In general, the initial differences shown in Table 27 are caused by the following reasons:

- Incomplete or incorrect initial form filling
- Value of Tengah is included in TEPI and INPEX Mahakam
- The difference exists because DG Oil and Gas calculate oil lifting of Kampar amounted to 489,076 Bbls.
- The difference of Petronas Ketapang oil exists because number provided by DG Oil and Gas amounted to 1,318,102 Bbls is KKKS's share only, whereas number provided by SKK Migas is a total lifting.

General causes of post-reconciliation differences shown in Table 27:

Explanation	Number of Companies	Appendix	Value	Volume Unit
Tengah Block's value included in TEPI and INPEX Mahakam. The 197 BBLs is a free water claim September 2014 which is corrected in A0 2016 Report, while the data in SKK Migas (FQR) has been corrected in 2015	2	3.1/04	197	Barrel
		3.1/54	198	Barrel
The difference is caused by the FQR registering 10% Suban portion (-3,981 BBLs), 80% Sukowati (-1,257 BBLs) and 50% Wakamuk (-2,729 BBLs) while A0 Report is recorded based on actual lifting	1	3.1/15	7,966	Barrel
The difference is due to FQR registering 50% Sukowati portion, while A0 Report is recorded based on actual lifting.	2	3.1/23	(628)	Barrel
		3.1/52	(628)	Barrel
The difference is caused by the correction in A0 2015 Report over the 2014 Lifting of 20,985 BBLs and the correction over the 2015 Lifting of 5,174 BBLs, which will be recorded in the year of 2016	1	3.1/29	(15,811)	Barrel
The DG Oil & Gas value are the total lifting from A0 Report October - December which is recorded as PHE NSB while in the A0 Report January - September is recorded as EMOI. The difference of 236,515 BBLs is a correction of lifting in 2014 and will be corrected on the lifting of 2015 as 5,174 BBLs in 2016 A0 Report	1	3.1/30	(241,689)	Barrel
A0 Report recorded as per actual lifting while FQR recorded in accordance with portion 50% : 50%	2	3.1/31	114,160	Barrel
		3.1/48	(114,161)	Barrel

Explanation	Number of Companies	Appendix	Value	Volume Unit
The difference arise because the DG Oil & Gas does not record the Lifting Oil of Grissik Mix (Gelang Unitization) of 4,745 BBLs and because FQR records Lifting Oil JM Condensate of 1,452 BBLs as per 50% JOB portion, while AO Report is recorded based on actual lifting	2	3.1/32	(3,293)	Barrel
		3.1/49	(6,197)	Barrel
The difference is due to the FQR registering as per 50% Wakamuk portion, while AO Report is recorded based on actual lifting	1	3.1/37	(2,729)	Barrel
The difference arise because FQR recorded in accordance with the unitization agreement on Field Suban (3,891 BBLs) and Gelam Field (9,491 BBLs), while AO Report is recorded based on actual lifting	1	3.1/59	5,510	Barrel
Rounding			(5)	Barrel
			7	MSCF
TOTAL	13		(257,103)	Barrel

The reconciled Production Bonus in Table 27 above does not include data from companies that do not report. Based on data from the Directorate General of Oil and Gas, Production Bonus from non-reporting companies is US\$1 million or 10% of total reconciled Production Bonus.

Due to the obstacles in the reconciliation of Total Lifting of Oil and Total Lifting of Gas between KKKS and Directorate General of Oil and Gas, then in accordance with the agreement generated in the Implementation Team Meeting on November 23, 2017 reconciliation will be assisted by SKK Migas, including the conversion of Total Lifting of Gas in the report of Directorate General of Oil and Gas from mmbtu to msfc.

A summary of reconciliation between SKK Migas and DG Oil and Gas is available from Appendices 2.9A to 2.10A.

4.1.3 Reconciliation between Oil and Gas Contractor (KKKS) and the Directorate General of Budget (DG Budget) and Directorate General of Tax (DG Tax)

As explained in Sub Section 2.1.1, with the change of procedure of depositing and reporting of oil and gas income tax since July 2015, the reconciliation of oil and gas income tax for January-June 2015 is done between KKKS and Directorate General of Budget, while reconciliation for July-December 2015 is done between the KKKS and the Directorate General of Tax.

A summary of reconciliation is available from Appendices 2.13 to 2.14.

In general, the initial differences shown in Table 28 are caused by the following reasons:

- Form filling using an accrual basis
- Incomplete or incorrect initial form filling
- Companies have not reported, among others are: payments of legal products (STP, SKPKB, SKPKBT, Period income tax and/or Income tax article 29)

Table 28 - Reconciliation between PSC Contractors and Ditjen Anggaran & Ditjen Pajak Year 2015

In Thousand USD

State Revenues	Pre-Reconciliation			Post-Reconciliation			%
	KKKS	DG Budget & DG Tax	Initial Difference	KKKS	DG Budget & DG Tax	Unreconciled Difference	
	(1)	(2)	(3) = (2)-(1)	(4)	(5)	(6) = (5)-(4)	
Corp. Income & Dividend Tax - Operator	2,433,608	2,368,328	(65,280)	2,433,277	2,374,484	(58,793)	-2.48%
Corp. Income & Dividend Tax - Partner	1,157,288	1,148,211	(9,077)	1,157,681	1,148,211	(9,470)	-0.82%
Total	3,590,896	3,516,539	(74,357)	3,590,958	3,522,695	(68,263)	-1.94%

General causes of post-reconciliation differences shown in Table 28:

Explanation	Number of Companies	Appendix	Thousand USD
The reporting template fulfillment is using accrual basis	6	3.1/02	2
		3.1/14	898
		3.1/37	276
		3.1/38	4,164
		3.1/43	(2,544)
		3.1/43	130
		3.1/55	1,771
		3.1/58	4,625
		3.1/59	27,839
		3.1/59	5,238
		3.1/60	3,612
		3.1/67	24,720
Until the specified deadline, the reporting entities do not provide confirmation or explanation of the difference	51	3.1/01	642
		3.1/01	(668)
		3.1/02	(14)
		3.1/02	(6)
		3.1/02	5
		3.1/06	(124)
		3.1/06	(7,417)
		3.1/06	(3,434)
		3.1/12	(176)
		3.1/14	6,382
		3.1/17	399
		3.1/20	(838)
		3.1/22	7,221
		3.1/23	(222)
		3.1/24	(825)
		3.1/26	(14)
		3.1/28	(180)
		3.1/29	4,437
		3.1/30	3,502
		3.1/32	(273)
		3.1/40	(7,907)
		3.1/43	(5,586)
		3.1/43	(1,548)
		3.1/43	(24)
		3.1/43	(278)
		3.1/49	(20)
		3.1/60	1,942
		3.1/60	(60)
		3.1/62	(26,637)
		3.1/63	935
		3.1/65	5,400
		3.1/66	(6,301)
3.1/66	(7,127)		
3.1/67	(109)		
3.1/68	(71,380)		
3.1/68	(30,130)		
3.1/68	28		
3.1/69	1,410		
Rounding			1
TOTAL	57		(68,263)



The reconciled oil and gas income tax in Table 28 exclude data from companies that do not complete the Authorization Sheet to disclose tax data (LO). They are 10 companies of KKKS Partners as listed in Table 29 below. Based on data reported by the reporting companies, the total income tax paid by companies that do not complete the LO (excluding non-reporting companies) amounted to US\$69,557 thousand or 1.94% of the total Income Tax reported by the companies, so it has no significant impact.

Table 29 - List of Oil and Gas Companies Not Completing Authorization Letter to Open Tax Data

No.	Companies which do not submit Authorization Letter of Tax (LO)	Corp. Income Tax (thousand USD)
1	Opicoil Houston Inc.	19,530
2	Virginia International Co. LLC.	16,309
3	Universe Gas & Oil Company Inc.	4,295
4	Opicoil Energy	-
5	Japan CBM Ltd.	-
6	Merangin B.V.	-
7	Kufpec Indonesia (ONWJ) BV	4,991
8	Ampolex (Cepu) PTE. Ltd.	20,409
9	Talisman (Ogan Komering) Ltd.	1,680
10	Kufpec Indonesia (SES) B.V.	2,344
	Total Oil and Gas Corp. Income Tax which do not submitted the LO	69,557
	Total Corporate Income Tax	3,590,958
	Percentage	1.94%

Source: EITI Data 2015



4.1.4 State Revenue Managed by SKK Migas and Received by DG Budget

Table 30 - Reconciliation between SKK Migas and DG Budget Year 2015

In Thousand USD

State Revenues	Pre-Reconciliation			Post-Reconciliation			%
	SKK Migas	DG Budget	Initial Difference	SKK Migas	DG Budget	Unreconciled Difference	
	(1)	(2)	(3) = (2)-(1)	(4)	(5)	(6) = (5)-(4)	
Government Lifting – Oil							
• Export	247,101	5,193,857	(346,673)	247,101	5,527,753	-	0%
• Domestic	5,293,429			5,280,652			
Government Lifting – Gas							
• Export	1,403,817	3,114,031	(83,548)	1,403,817	3,196,090	-	0%
• Domestic	1,793,762			1,792,273			
Total	8,738,109	8,307,888	(430,221)	8,723,843	8,723,843	-	0%

Source: EITI Data 2015

A summary of reconciliation is available from Appendices 2.15 to 2.16.

In general initial differences shown in Table 30 are caused by the following reasons:

- Net off between Inpex Corp. and Total Mahakam
- DG Budget has not included the export data
- Incomplete or incorrect initial form filling

4.1.5 Non-Reconciled Information

Table 31 - Non-Reconciled Information of Oil and Gas Sector Year 2015

Unreconciled Information	Total			% against Oil and Gas Revenue
	Rupiah (in million)	USD (in thousand)	Equivalent Rupiah (in million)	
Deductible Factor:				
- Oil and gas Land and Building Tax	25,087,739	-	25,087,739	15.51%
- Oil and gas VAT	8,064,839	-	8,064,839	4.99%
- Local Tax and Retribution (PDRD)	52,078	-	52,078	0.03%
Total Deductible Factor	33,204,656	-	33,204,656	20.53%
Other Unreconciled Information				
- Signature Bonus - new contract	-	9,000	120,528	0.07%
- Firm Commitment	-	-	-	0.00%
- CSR:				
1. Community Relation	-	4,208	56,358	0.03%
2. Community Empowerment	-	238	3,194	0.00%
3. Community Services	-	6,380	85,442	0.05%
4. Infrastructure	-	4,586	61,414	0.04%
5. Environmental Management	-	1,335	17,878	0.01%
Total CSR	-	16,748	224,286	0.14%
Total Other Unreconciled Information	-	25,748	344,814	0.21%
Oil and gas revenue (LKPP 2015)	-	-	161,759,679	100.00%

Exchange rate: Rp 13,392 (rate used in LKPP 2015)

Source: EITI Data 2015

A summary of deductible factor for each company is available at Appendix 2.17.

A summary of Signature Bonus from new contracts of KKKS-Exploration for each company is available at Appendix 5.1.

A summary of CSR for each company is available at Appendix 5.2.

4.2 Mineral and Coal Company

4.2.1 Reconciliation between Mining Companies and Directorate General of Mineral and Coal (DG Mineral and Coal)

Table 32 - Reconciliation between Mineral and Coal Mining Companies and DG Mineral and Coal Year 2015

In million IDR and thousand USD

State Revenues	Pre-Reconciliation			Post-Reconciliation			%
	Mining Company	DG Mineral & Coal	Initial Difference	Mining Company	DG Mineral & Coal	Unreconciled Difference	
	(1)	(2)	(3)=(2)-(1)	(4)	(5)	(6)=(5)-(4)	
1. Reported in USD							
Royalty	835,743	829,288	(6,455)	866,990	866,582	(408)	-0.05%
PHT	723,896	741,884	17,988	758,995	761,208	2,213	0.29%
Land Rent	6,790	14,847	8,057	7,651	7,668	17	0.22%
Total in USD	1,566,429	1,586,019	19,590	1,633,636	1,635,458	1,822	0.11%
2. Reported in IDR							
Royalty	2,156,350	13,482,142	11,325,792	2,249,311	2,246,140	(3,171)	-0.14%
PHT	1,614,814	11,850,821	10,236,007	1,707,873	1,765,644	57,771	3.27%
Land Rent	23,876	209,806	185,930	21,004	20,282	(722)	-3.56%
Total in IDR	3,795,040	25,542,769	21,747,729	3,978,188	4,032,066	53,878	1.34%
IDR Equivalent	24,772,657	46,782,735	22,010,078	25,855,841	25,934,119	78,278	0.30%

Exchange rate: Rp 13,392 (rate used in LKPP 2015)

A summary of reconciliation is available from Appendices 2.18 to 2.20.

In general, the initial differences shown in Table 32 are caused by the following reasons:

- Incomplete or incorrect initial reporting form filling
- Incorrect payment currency
- Incorrect in dividing between royalty and PHT.
- Form filling with an accrual basis
- Failure to allocate royalty and PHT payments by the DG Mineral and Coal to each company due to the lack of information in the proof of deposit
- Failure by the DG Minerals and Coal to record revenue from royalties and PHTs due to the absence of the proof of deposit.

General causes of post-reconciliation differences shown in Table 32:

ROYALTY

No	Explanation	Number of Companies	Appendix	Thousand USD	Million IDR
a	Until the specified deadline, the reporting entities do not provide confirmation or explanation of the difference	16	3.2/008 3.2/026;033 3.2/033;034 3.2/042;057 3.2/044;060 3.2/047;071 3.2/057;074 3.2/075;084 3.2/079 3.2/104	1,482 (860) (91) (130) (244) (14) 233 (45) (240) (496)	9,318 (1,890) 35 (3,113) (4,277) (866) 909 56
b	Timing difference (The company deposits at the end of the year while DG Mineral & Coal records at the beginning of the following year	5	3.2/005;052 3.2/009 3.2/014 3.2/024	114 45 148 16	(472)
c	The allocation of Royalty, PHT and Land Rent in Mining Company is different from the Company Report	5	3.2/012;001 3.2/076;056 3.2/077	(53) (12) (261)	245 1,500 (4,616)
	TOTAL	26		(408)	(3,171)

SALES REVENUE SHARE (PHT)

No	Explanation	Number of Companies	Appendix	Thousand USD	Million IDR
a	Until the specified deadline, the reporting entities do not provide confirmation or explanation of the difference	4	3.2/008 3.2/026;033 3.2/033;034 3.2/034	3,153 (1,626) (186) (5)	63,244 (1,650) (235)
b	Timing difference (The company deposits at the end of the year while DG Mineral & Coal records at the beginning of the following year	5	3.2/002 3.2/005 3.2/009 3.2/014 3.2/024	236 194 77 137 27	-
c	The allocation of Royalty, PHT and Land Rent in Mining Company is different from the Company Report	1	3.2/001	224	(3,588)
d	Less recorded by The Company and/or DG Mineral & Coal's bookkeeping	1	3.2/003	(18)	-
	TOTAL	11		2,213	57,771

LANDRENT

No	Explanation	Number of Companies	Appendix	Thousand USD	Million IDR
a	Until the specified deadline, the reporting entities do not provide confirmation or explanation of the difference	1	3.2/060	-	(77)
b	The allocation of Royalty, PHT and Land Rent in Mining Company is different from the Company Report	1	3.2/077	17	-
c	The allocation of Royalty, PHT and Land Rent in Mining Company is different from the Company Report	2	3.2/057 3.2/104	-	(126) (519)
	TOTAL	4		17	(722)

4.2.2 Reconciliation between Mineral and Coal Companies and Directorate General of Tax (DG Tax)**Corporate Income Tax**

Table 33 - Reconciliation between Mineral and Coal Mining Companies and DG Tax Year 2015

In million IDR and thousand USD

State Revenues	Pre-Reconciliation			Post-Reconciliation			%
	Mining Company	DG Tax	Initial Difference	Mining Company	DG Tax	Unreconciled Difference	
	(1)	(2)	(3)=(2)-(1)	(4)	(5)	(6)=(5)-(4)	
1. Reported in USD							
Corp. Income Tax	974,337	712,478	(261,859)	1,022,303	1,024,138	1,835	0.18%
Total in USD	974,337	712,478	(261,859)	1,022,303	1,024,138	1,835	0.18%
2. Reported in IDR							
Corp. Income Tax	2,506,635	2,475,923	(30,712)	2,271,625	2,472,763	201,138	8.13%
Total in Rupiah	2,506,635	2,475,923	(30,712)	2,271,625	2,472,763	201,138	8.13%
IDR Equivalent	15,554,956	12,017,428	(3,537,528)	15,962,307	16,188,019	225,712	1.39%

Exchange rate: Rp 13,392 (rate used in LKPP 2015)

A summary of reconciliation is available at Appendix 2.21.

In general, the initial differences shown in table 33 are caused by the following reasons:

- Form filling using an accrual basis.
- Incomplete or incorrect initial reporting form filling
- Companies have not reported, among others are: payments of legal products (STP, SKPKB, SKPKBT, period income tax and/or Income tax article 29)
- Incorrect payment currency

General causes of post-reconciliation differences shown in Table 33:

CORPORATE INCOME TAX

No	Explanation	Number of Companies	Appendix	Thousand USD	Million IDR
a	Until the specified deadline, the reporting entities do not provide confirmation or explanation of the difference	12	3.2/006;047 3.2/052 3.2/056 3.2/071 3.2/075 3.2/076 3.2/082 3.2/086 3.2/102 3.2/104 3.2/122	1,835	155,144 4,118 7 15,733 15,315 458 1,737 258 4,746 2,231 1
b	The Company has not yet input other legal products (STP, SKPKB, SKPKBT, Income Tax and/or Income Tax Art. 29)	2	3.2/077 3.2/083	-	1,256 134
	TOTAL	14		1,835	201,138

4.2.3 Reconciliation between Mineral and Coal Mining Companies and Directorate General Budget (DG Budget)

Dividend

Table 34 - Reconciliation between Mineral and Coal Mining Companies and DG Budget Year 2015

In million IDR and thousand USD

State Revenues	Pre-Reconciliation			Post-Reconciliation			%
	Mining Company	DG Budget	Initial Difference	Mining Company	DG Budget	Unreconciled Difference	
	(1)	(2)	(3)=(2)-(1)	(4)	(5)	(6)=(5)-(4)	
1. Reported in USD							
Dividend	-	-	-	-	-	-	0%
Total in USD	-	-	-	-	-	-	0%
2. Reported in Rupiah							
Dividend	506,044	610,638	104,594	610,638	610,638	-	0%
Total in IDR	506,044	610,638	104,594	610,638	610,638	-	0%

A summary of reconciliation is available at Appendix 2.22.

In general, the initial differences shown in Table 34 are caused by incomplete or incorrect initial reporting form filling.

4.2.4 Reconciliation between PT Bukit Asam (Persero), Tbk and PT Kereta Api Indonesia (Persero)

Table 35 - Reconciliation between PT Bukit Asam and PT Kereta Api Indonesia Year 2015

In million IDR and thousand USD

State Revenues	Pre-Reconciliation			Post-Reconciliation			%
	PT Bukit Asam	PT KAI	Initial Difference	PT Bukit Asam	PT KAI	Unreconciled Difference	
	(1)	(2)	(3)=(2)-(1)	(4)	(5)	(6)=(5)-(4)	

1. Reported in USD

Transportation Fee	73,002	72,368	(634)	72,368	72,368	-	0%
Total in USD	73,002	72,368	(634)	72,368	72,368	-	0%

2. Reported in IDR

Transportation Fee	1,709,842	1,709,842	-	1,709,842	1,709,842	-	0%
Total in IDR	1,709,842	1,709,842	-	1,709,842	1,709,842	-	0%
Equivalent Rupiah	2,687,484	2,678,994	(8,490)	2,678,994	2,678,994	-	0%

Exchange rate: Rp 13,392 (rate used in LKPP 2015)

A summary of reconciliation is available at Appendix 2.23. In general, the initial differences shown in Table 35 are caused by incomplete or incorrect initial reporting form filling.

4.2.5 Non-reconciled State Revenue

Based on the Scoping Study of Indonesia EITI Report 2015 and the Implementation Team's decision, the state revenue below should not be reconciled, only need to be shown from one side of the company.

Table 36 - Non-reconciled State Revenues and Information of Mineral and Coal Mining Sector Year 2015

State Revenues	Total			% of Total State Revenue from mineral and coal sector*	Volume (in million Ton)
	Rupiah (in million)	USD (in thousand)	Equivalent Rupiah		
Land and Tax Building	576,706	2,077	604,521	0.97%	
Local Tax and Retribution	405,899	38,921	927,127	1.48%	
Direct Payment to Local Government	436,934	1,810	461,170	0.74%	
Infrastructure Provision	-	-	-	-	
Operating in Forest Areas	745,240	918	757,538	1.21%	
CSR:					
1. Community Relation	120,863	33,044	563,384	0.90%	
2. Community Development	51,549	28,313	430,710	0.69%	
3. Community Services	145,784	27,534	514,524	0.82%	
4. Infrastructure	177,974	15,414	384,403	0.62%	
5. Environmental Management	12,548	304	16,614	0.03%	
Total CSR	508,718	104,609	1,909,635	3.06%	
Other Payments to SOE	-	186	2,495	0.00%	
Reclamation Warranty Funds	389,432	61,584	1,214,165	1.94%	
Post-Mining Funds	49,837	12,710	220,049	0.35%	
Coal's DMO					34,954
Total	3,112,766	222,815	6,096,701		34,954

(*) The total state revenues from mineral and coal sector in 2015 are amounting to Rp62,4 trillion

(**) Exchange rate: Rp 13,392 (rate used in LKPP 2015)

Source: EITI Data 2015

Table 37 - Mineral and Coal Mining Production and Sales Year 2015

Commodities	Volume (million Ton)		Sales Value	
	Production	Sales	Rupiah (in million)	USD (in thousand)
Domestic				
Coal	2,522	111	27,541,761	2,633,732
Mineral	764	414	3,011,205	1,368,896
Total	3,286	525	30,552,966	4,002,628
Overseas				
Coal	-	215	5,134,947	9,439,718
Mineral	-	455	6,858,263	4,316,746
Total	-	670	11,993,210	13,756,464

Source: EITI Data 2015

05

SHARING REVENUE FUND FROM THE EXTRACTIVE INDUSTRY FROM THE NATIONAL TO LOCAL GOVERNMENTS

THE RECONCILIATION RESULT IS REPORTED IN THE RECONCILIATION NOTES WHICH WILL BE A BASIS FOR OIL AND GAS REVENUE SHARING DISBURSEMENT TO THE TREASURY ACCOUNT OF THE PROVINCE/ REGENCY/CITY THAT RECEIVES THE OIL AND GAS REVENUE SHARING

EITI Standard 2016 Requirement 5.2 stipulates that transfer of income resulted from the extractive industry from the national to local governments governed by laws must be elaborated in EITI reporting.

For the scope of this report, there are two types of revenue the local government received from the national government, namely:

1. Payment of taxes in which local government has an authority to collect them, comprising Land and Building Tax (PBB) and Regional Tax and Retribution (PDRD).
2. Revenue Sharing Fund (DBH) allocation from oil and gas sector and mineral and coal sector..

5.1 Land and Building Tax (PBB) and Local Tax and Retribution (PDRD) Payments from Central Government to Local Government

These PBB and PDRD payments only apply to the oil and gas sector. Before the issuance of GR No. 79/2010 on Cost Recovery and Income Tax Treatment in the Upstream Oil and Gas Business Activities, the ‘assume and discharge’ concept is applicable, in which both PBB and PDRD are paid by the national government that are taken from Non-Tax State Revenue to be allocated to local government. The list of oil and gas companies whose direct taxes are paid by the national government is presented in Appendix 2.17.

For oil and gas cooperation contracts signed after GR No. 79/2010, payments of PBB of oil and gas and PDRD done by oil and gas companies, but can be calculated as cost recovery component. PBB payments are made through a designated perception bank, and at the end of the concerned day the perception bank shall delegate revenue of PBB of oil and

gas to the account of SUBRKUN KPPN at Bank Indonesia. Provisions on the calculation of revenue sharing funds (DBH) allocation of oil and gas to local government based on the Regulation of the Minister of Finance No. 250 / PMK.07 / 2014 are as follows:

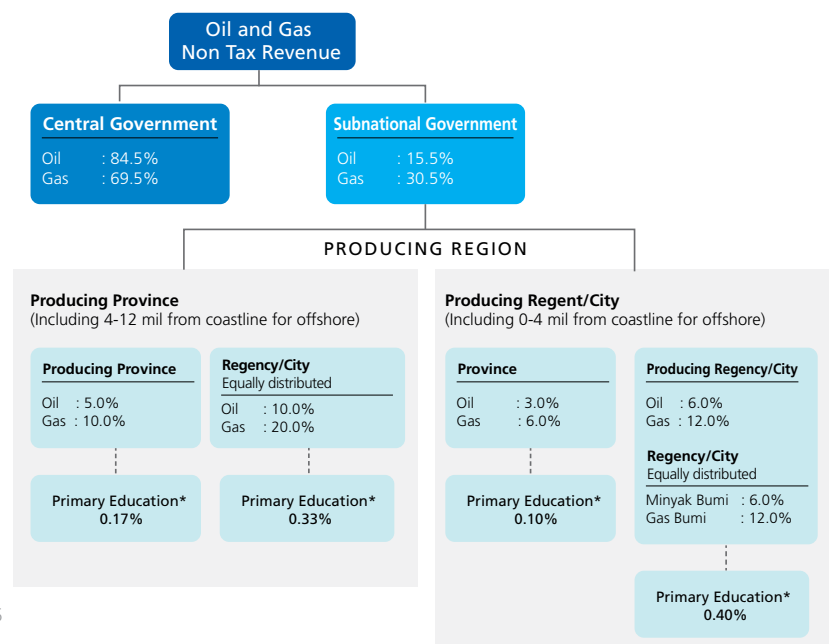
1. PBB of onshore oil and gas: divided based on the location and position of the tax object.
2. PBB of offshore oil and gas and PBB of Earth Body:
 - Formula for PBB of oil and gas paid by the Government:
 $PBB \text{ per regency/city} = (20\% \times \text{population ratio} + 10\% \times \text{area ratio} + 5\% \times \text{inverse ratio of PAD} + 65\% \times \text{oil and gas liftings ratio}) \times \text{PBB offshore and PBB of earth body for oil and gas}$
 - Formula for PBB of oil and gas paid directly by oil and gas company to perception bank:
 $PBB \text{ per regency/city} = \text{oil and gas liftings ratio} \times \text{PBB offshore and PBB of earth body for oil and gas}$
3. Calculation of oil and gas PBB offshore and Earth Body of each district / city from oil and gas PBB paid by the government:
 - 10%: using the formula above
 - 90%: divided proportionally with the prognosis of oil and gas PBB realization in the previous budget year

5.2 Revenue Sharing Fund from the National Governments to Local Governments

5.2.1 The Oil and Gas Revenue Sharing Scheme

The following is a scheme for the calculation of revenue sharing from oil and gas:

Figure 11 - Scheme of Oil and Gas Revenue Sharing Funds



Source:
UU No 33/2004 and PP No 55/2005

Table 38 -Revenue Sharing Scheme of Special Autonomy Region

Commodity	% For Region under special autonomy arrangement	Additional share for special autonomy province	Province as producing region		Regency / city as producing region		
			Province	Regency/ Other city Provinces	Province	Producing Regency/ City	Regency/ Other city Provinces
Crude Oil	70%	55%	5%	10%	3%	6%	6%
Natural Gas	70%	40%	10%	20%	6%	12%	12%

Oil and gas DBH scheme mirrors the scheme stipulated by Law No. 33/2004 and GR No. 55/2005. From oil and gas non-tax revenue (PNBP), 15% from oil and 30% from gas are transferred to local (subnational) government as oil and gas DBH. The PNBP shared to local government is only PNBP from blocks operating within 12 miles from the coastline, while PNBP generated by operations located more than 12 miles from the coastline is entirely allocated to central government. Shared PNBP is further divided to producing regions - province or regency/ city- as illustrated by Figure 11.

Specific Allocation (Earmarked) for Certain Programs

Additional 0.5% oil and gas DBH can be provided for specific allocation (earmarked), i.e. primary education funding in that region.

Sharing Scheme Pursuant to Special Autonomy Law

Pursuant to Special Autonomy Law, there are two provinces granted with status as Special Autonomy Region, namely Aceh, Papua and West Papua⁴. These provinces are entitled to higher percentage of oil and gas share compared to other regions⁵.

The share of oil and gas non tax revenue of those provinces is 30% for central government and 70% for local/subnational government. Hence, provinces under special autonomy receive additional of 55% from oil non tax revenue and the remaining 15% is distributed according to scheme in figure above. Meanwhile for gas non tax revenue, provinces under special autonomy receive additional of 40% and the remaining 30% distributed in according to scheme in Figure 11. Oil and gas DBH for special autonomy regions summarize in Table 37.

Article 36 of the Law No. 21/2001 required Papua and West Papua Provinces to allocate oil and gas DBH minimum of 30% for education and minimum of 15% for health and nutrition improvement.

Meanwhile Aceh Province required to allocate minimum of 30% oil and gas DBH for education..

5.2.2 The Mining Revenue Sharing Scheme

Subnational share from royalty and land rent is 80%. The share for producing regions and non-producing regions is presented in the following table:

Table 39 - Revenue Sharing Scheme of General Mining

Type of Revenue Sharing from General Mining	% For Region	Share (%)		
		Provinces	Producing Regency/City	Regency/ Other City in Provinces
A. Landrent in Producing District/City	80	16	64	-
B. Landrent in Producing Provinces	80	80	-	-
C. Royalties in Producing District/City	80	16	32	32
D. Royalties in Producing Provinces	80	26	-	54

Source: UU No 33/2004 and PP No 55/2005

⁴ Currently oil and gas resources is only available in West Papua in accordance with the information from the Head of Sub Directorate General of Financial Balance in the Workshop Jurnalists EITI, Bogor September 7, 2015

⁵ Presentation of Head of Sub Directorate General of Financial Balance, natural resources Revenue Sharing Fund (DBH) Policy. Workshop Jurnalists EITI, Bogor, September 7, 2015. Karena migas hanya terdapat di Papua Barat

5.2.3 DBH Disbursement Process

Revenue-sharing fund reports were obtained from the DG Fiscal Balance, the Ministry of Finance, the Republic of Indonesia, containing data on the allocation and realisation of revenue sharing from oil, gas, and general mining. This data was presented from one perspective and not reconciled.

Revenue sharing fund is disbursed quarterly. Disbursement in the first and second quarters is based on estimation, while in the third and fourth

quarters the disbursement is based on realisation numbers. Indonesia's EITI Report does not show the amount transferred every quarter, but only annual oil and gas revenue sharing realisation numbers in 2015.

The disbursement is based on oil and gas revenue estimation and realisation in the ongoing year, every quarter as shown in the Table below. The revenue shared is disbursed through transfer from the national government's account to each subnational government's account.

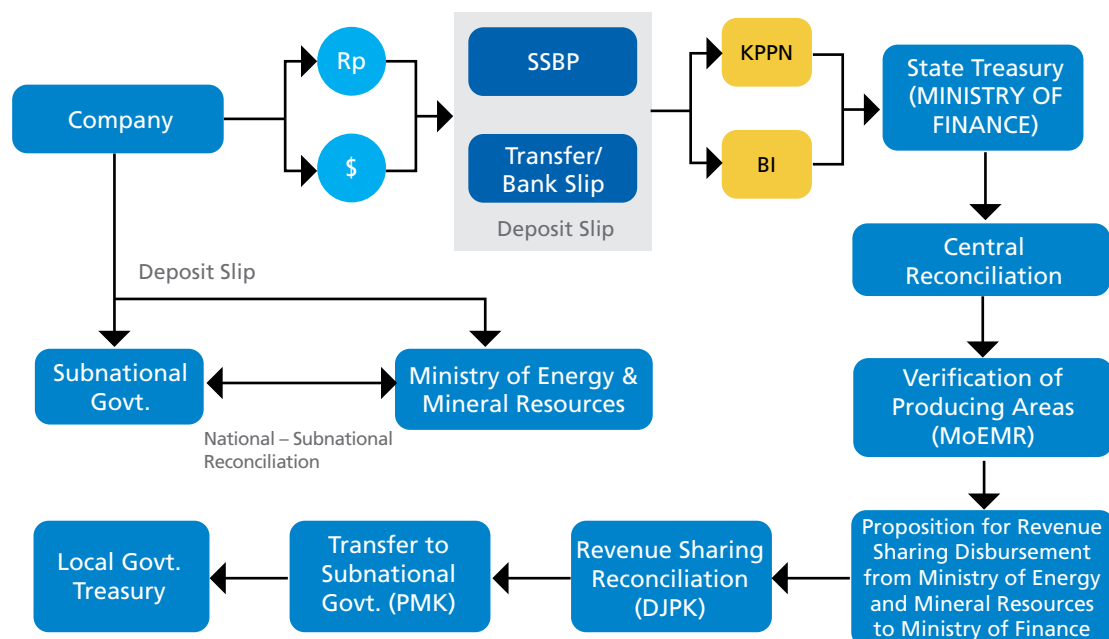
Table 40 - Allocation Pattern of Oil and Gas Revenue Sharing Funds

Quarter	Realisation Period	Share Disbursed	Disbursement Time
I	Not Considering Realisation	20% of the estimated allocation	March
II	Not Considering Realisation	20% of the estimated allocation	June
III	December - May	Realisation minus disbursement of TW I and TW II	September
IV	December - August	Realisation minus disbursement of TW I s/d TW III	December
V	December - November	Realisation minus disbursement of TW I s/d TW IV	February (the next year)

Source: Directorate General of Fiscal Balance

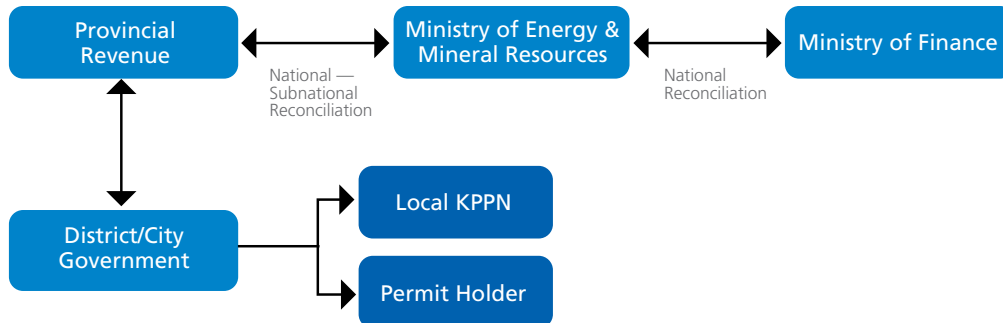
Mechanisms for depositing and proposing revenue sharing are as follows:

Figure 12 - Flow Mechanism of Transfer and Proposal of Revenue Sharing Funds



Source: EITI'S Indonesia Reconciliation Report 2012-2013

Figure 13 -Reconciliation Flow of Revenue Sharing Funds from Mineral and Coal Mining



Source: EITI'S Indonesia Reconciliation Report 2012-2013

After oil and gas revenue sharing that will be disbursed to each province/regency/city has been calculated, the data set from the government (represented by BP Migas, the Ministry of Home Affairs, the DG Oil and Gas, the DG Budget and the DG Fiscal Balance) and that from the producing area are reconciled. This is in line with the mandate of Article 28 of GR No. 55/2005 stipulating that natural resource revenue sharing realisation is calculated quarterly through data reconciliation between the government and the producing areas. The reconciliation result is reported in the reconciliation notes which will be a basis for oil and gas revenue sharing disbursement to the treasury account of the province/regency/city that receives the oil and gas revenue sharing.

Explanation about Oil and Gas Revenue Sharing in Appendix 6

Numbers resulted from the calculation of oil and gas non-tax state revenue to be shared by producing area in Appendix 6 are calculation realisation numbers for each area based on non-tax state revenue realisation for 2015. Furthermore, numbers in the subnational treasury are the realisation of natural resource revenue sharing disbursement in 2015, and thereby it is possible for differences to exist, called 'overdisbursement/ underdisbursement'.

The aforementioned differences are classified as follows:

- Overdisbursement in the previous years covered for underdisbursement in 2015, including potential deduction from the disbursed amount due to overdisbursement of other types of revenue sharing in the previous year
- The underdisbursed amount in the previous years is disbursed in 2015.
- The fifth quarter realisation or the 2014 escrow account is disbursed in first quarter of 2015
- Underdisbursed natural resource revenue sharing in 2015 is disbursed in the next years.

A summary of receiving provinces/regencies/cities is available at Appendix 4.1.

5.2.4 Producing Area

Based on a meeting held by the implementing team, three provinces have been selected as samples for producing areas that reported their revenues from the extractive industry. They are East Kalimantan, East Java, and Riau.

Table 41 - Realization of Year 2015 Allocation of Revenue Sharing Funds from Natural Resources

In billion Rupiah

Year	Crude Oil	Natural Gas	General Mining	Total Allocation
2014	24.114	18.795	16.426	59.335
2015	11.049	8.973	20.094	40.116

Source: Directorate General of Fiscal Balance 2015

The following table records the natural resources' revenue for 3 (three) province samples. This revenue is reported from the government's one side and thereby does not need to be reconciled:

Table 42 - Producing Areas

In million rupiah

State Revenues	East Kalimantan Province	East Java Province	Riau Province
Natural Resources' Revenues:			
DBH - Crude Oil	303,850	398,399	1,048,999
DBH - Natural Gas	1,045,952	57,682	2,661
DBH - Royalty	1,760,315	741	12,480
DBH - Land Rent	29,861	252	2,817
PBB - Oil and Gas	615,027	-	537,867
PBB - Mineral and Coal	45,660	-	2,042
PBB P3	-	-	-
Total Natural Resources' Revenues	3,800,665	457,074	1,606,866
Revenues Local Origin (PAD)	1,194,485	12,673,768	44
Revenues Agreement Based	-	-	-
GRAND TOTAL	4,995,150	13,130,842	1,606,910

Source: Data Dispenda Propinsi 2015

A summary of each province's reporting shown in Table 42 is available from Appendices 6.1 to 6.3.

06

AUDIT AND ASSURANCE PROCEDURE

THE AUDIT STANDARDS THAT ARE APPLICABLE IN INDONESIA AND ARE APPLIED BY INDEPENDENT AUDITORS, SUBSTANTIALLY IN ACCORDANCE WITH INTERNATIONALLY ACCEPTED AUDITING STANDARDS

Reporting companies

- Article 14 paragraph 2c of Presidential Regulation No. 26/2010 stipulates that report/information provided by companies for the purpose of EITI reporting shall be based on the companies' financial statements audited by independent auditor
- The information produced by companies in EITI report on signature bonus, production bonus, royalty, PHT, dividend and corporate and dividend tax was presented using cash basis approach, and accrual approach for other information.
- Companies operating Indonesia have applied Indonesia Financial Accounting Standards (SAK) since 2009. SAK adopted International Financial Reporting Standard/IFRS, in which case financial statements of extractive companies were presented using accrual basis approach.

In the oil and gas sector, since January 1, 2015 in the preparation of financial statements in the form of a Financial Quarterly Report (FQR), KKKS operators have implemented Working Guidelines Number PTK-059 / SKKO0000 / 2015 / So on Accounting Policies of Cooperation Contract for Upstream Oil and Gas Business Activities issued by SKK Migas as the basis of accounting.

There is a significant difference between the KKS accounting bases, Indonesian SAK and IFRS primarily in the accounting treatment of intangible costs of exploration and development as well as well development costs in the case of dry holes.

Oil and Gas Lifting and cost recovery are important parts of KKS to determine the Government's share and Contractor's share of FTP, production sharing on oil and gas and ultimately determining the taxable income for KKS contractors.

- Financial statements of companies in operating in Indonesia that fit one of the following categories must be audited by independent auditors::
 1. Managing total assets of above Rp25 billion - stipulated by Industry and Trade Minister Regulation
 2. Managing total assets of minimum Rp50 billion - stipulated by Limited Liability Company Act (the Law Number 40 Year 2007)
 3. Engaged in the banking, insurance, stock brokerage, fund management, and pension fund management sectors as well as listed companies or bonds issuing companies (Capital Market and Financial Institution Supervisory Agency/Bapepam - LK and Indonesia Stock Exchange Authority).

The audit standards that are applicable in Indonesia and are applied by independent auditors, substantially in accordance with internationally accepted auditing standards.

SKK Migas and government auditors (BPKP, BPK, and DG Tax) conduct annual audits on KKSs that are already in production stage. The scope of the audit includes oil and gas lifting and cost recovery aspects, including compliance with accounting policies and other policies in accordance with KKS, compliance with statutory provisions relating to cost recovery, and compliance with regulations relating to upstream oil and gas operations

Government Agencies/Institutions

Article 14 paragraph 2a and 2b in Presidential Regulation Number 26 of 2010 regarding data and information stipulated that: (2a) the Government, Oil and Gas Upstream Business Activities Regulatory Body shall refer to Central Government Financial Statements (LKPP) reviewed by the Financial and Development Supervision Agency (BPKP); and (2b) Local Government shall refer to Local Government Financial Statements (LKPD) reviewed by the BPKP as internal auditor of the government.

Financial statements of government agencies/institutions followed cash basis approach, i.e. it matched the flow of revenues and expenditure for the year.

The Indonesia Audit Board (BPK) examines financial statements of government agencies/institutions using State Finances Auditing Standards (SPKN), while BPKP applies Audit Standards of Government Functional Supervisory Officers. Both standards also include opinions on compliance with applicable laws and regulations as well as internal control.

Based on the above considerations, the conclusions are:

- The results of audit conducted by SKK Migas and government auditors over annual report of KKSs are able to provide adequate assurance and determine the government's share over lifting as well as corporate and dividend tax.
- The results of review conducted by BPKP over financial statements of government's agencies are recommendations.
- In general, mineral and coal companies that are identified as samples in this EITI report (see Appendix 1) are large and medium-scale companies with royalty payments of over Rp14 billion. These companies are in the category that required their financial statements to be audited by independent auditor. This is seen as a positive aspect and is conducive to provide adequate assurance on financial information provided by extractive companies in their Reporting template submitted to EITI's Implementing Team and IA for reconciliation.

In addition, large and medium-scale extractive companies have been audited by top local Public Accountant's Office (KAP) affiliated with international KAPs for the purpose of financial statements consolidation with their holding companies (the majority of which are international companies). These

companies, subject to audit by independent auditors, in general have also implemented good corporate governance in their operations.

- There are differences between audit standards applied by BPK, BPKP, SKK Migas with the International Auditing Standards. Nevertheless, the standards of BPK, BPKP, and SKK Migas are still, to some extent, coherent with the International Standards. The audit standards have been designed to accommodate specific audit needs that might differ from audit on public companies. In some aspects, these standards were more extensive than the international standards, while varying in other aspects.
- The Implementing Team requires the reporting entities to submit more detailed information and written statement (attestation) in relation to the audit standards applied to the financial statements referred to in the delivery of financial information / data in the EITI report.
- In the case of differences between audit standards implemented by BPK, BPKP and SKK Migas and international audit standards, the Implementing Team express that they are not in positions / capacities that may order BPK, BPKP and SKK Migas to make their auditing standards equal to the international audit standards.

Data Assurance

For the 2015 EITI reporting, statement (attestation) on the reporting form as follows:

KKS Operator

"I certify that the contents of the above information are true, complete and reconcilable, independent and consistent with the mechanism set forth in the production sharing contract and have been reported in the final Financial Quarterly Report (FQR)"

KKS Non-Operator

"I certify that the contents of the above information are true, complete and reconcilable, independent and consistent with the mechanism set forth in the production sharing contract and have been reported in the final Financial Quarterly Report (FQR)"

SKK Migas

"I certify that the content of the above information is true and has been consistent with the standard of government audit procedures"

DG Oil and Gas and DG Mineral and Coal – Ministry of EMR, DG Non-Tax State Revenue – DG Budget – Ministry of Finance, DG Tax – Ministry of Finance

"I certify that the content of the above information is true and has been consistent with the standard of government audit procedures"

Mineral and Coal Companies

"I certify that the contents of the above information are true, complete and reconcilable referring to the financial statements audited by the public accounting firm or an independent auditor"

07

FINDING AND RECOMMENDATION

Pursuant to EITI Standard 2016 Requirement 7.4.a.iii, IA is required to prepare recommendations for the purpose of enhancing the preparation process of the future report, including auditing practices referring to international standard. IA is also required to comment on the implementation of recommendation made from the previous report.

Previous reports apply EITI Standard 2013, whereas the reporting in 2015 applies EITI Standard 2016.

The following table lists the recommendations made for Indonesia EITI Reconciliation Report 2014 and the implementation of recommendations in EITI Report 2015.

Table 43 - Recommendation in EITI Indonesia Reconciliation Report Year 2014

Report Review	Recommendation	Implementation in 2015
There is no standardized measurement of impact related to social, economic and environmental responsibility	<p>Adding the following information into the 2015 report template / form to be filled in by the Company:</p> <ul style="list-style-type: none"> • Corporate Social Responsibility (oil and gas & mineral and coal) and infrastructure provision. • The number of permanent / contracted / local / Indonesian / foreign workers. • Specifically for oil and gas companies and companies that is material over Rp500 billion, submit environmental and social impact assessment reports 2015 or the year before. 	<ul style="list-style-type: none"> • Information regarding Corporate Social Responsibility (CSR) and infrastructure provision have been added into the 2015 report template/form • Information regarding the number of permanent / contracted / local / Indonesian / foreign workers have been added into the 2015 report template/form • Submission of Environmental Impact Assessment (AMDAL) report in 2015 reporting only mentioning the ownership of the company's AMDAL document (exist or not exist) and mentioning the date of AMDAL report approval
Company data such as address information, email, phone numbers are not updated	<ul style="list-style-type: none"> • The Independent Administrator compiles the directory from the data submitted by companies. • The EITI Secretariat shall always update the contact data of reporting companies based on the final outcome of the EITI Report. 	The Independent Administrator has updated data on contact person, address information, email and phone number of companies.
Template reporting takes place at the same time as the company's external audit process	Takes into account the schedule for the preparation of the Indonesia EITI Report for the following period.	IA agrees with the recommendation.
<p>The guidelines for filling the form and the reporting form are not updated</p> <ul style="list-style-type: none"> • Limitations of the state depository recording system that is only based on cash transactions. • The difference of conversion rate from MMBTU to MSCF between company and Directorate General of Oil and Gas as well as different quality / grade of gas in each company. 	<ul style="list-style-type: none"> • The guidelines for filling the form will be prepared based on FQR • An agreement on a transaction basis is required. However, it is advisable to continue using the cash base, following the government system. • An agreement on oil and gas volume unit is required. 	<ul style="list-style-type: none"> • The transaction using cash basis and accrual basis have been separated in the reporting form. • The volume unit of oil and gas used in the reporting form is MSCF
The provincial sample of DBH data is always the same, that is East Java, Riau and East Kalimantan	Additional province requires an MSG agreement.	IA agrees with the recommendation.

Finding and Recommendation in 2015 reporting

This section covers the issues encountered during the reconciliation process and the recommendations outlined in relation to the improvement in the implementation of reconciliation and the preparation of the Indonesia EITI report in the following period.

These recommendations are expected to serve as a reference for the Steering Committee, Implementation Team and IA in the preparation of the EITI report as well as the basis for reference and discussion among the public, including corporate entities and related government agencies, and thus expected to influence the change of the extractive industry governance to a better direction.

1. Transactions with SOEs outside the extractive industry have not been accommodated

Background:

EITI Standard 2016 Requirement 4.5 requires reporting on Transactions with SOEs and / or Government, while this reporting has not accommodated those information in the EITI 2015 reporting form as the proposal from the reporting company regarding these matters has only been submitted at the time as the socialization of the EITI 2015 reporting form filling which later accommodated by the Implementation Team.

Observation:

Through the approval in the Implementation Team Meeting, Other Payment to SOEs and/or Government Reporting form is added to the EITI 2015 reporting template for mineral and coal sector and delivered via email to the reporting companies.

Implication:

Since the submission of forms to the reporting companies is an additional, most reporting companies are unaware of how to fill it and have limited time to provide the data so that the majority of companies do not fill in Other Payment to SOEs and / or Government forms.

Recommendation:

The Implementation Team is expected to conduct a study on the need to accommodate the reporting of Other Payments to SOEs and / or Government. If the result of the study shows that reporting is deemed necessary, then the Other Payment to SOE and / or Government form is added to the following period EITI Reporting.

2. Reconciliation of oil and gas lifting volume data between KKKS and DG Oil and Gas

Background:

The total volume of oil and natural gas lifting data is a component of state revenue of oil and gas sector, which is reconciled between KKKS and DG Oil and Gas.

Observation:

Based on the explanation of the Directorate General of Oil and Gas, sources of data used for EITI reporting are different, in which KKKS reports the total lifting volume based on FQR, which is a quarterly report of KKKS to SKK Migas with the unit of gas lifting volume using mscf for gas / LNG and MT for LPG, whereas DG Oil and Gas reports the number based on the monthly Lifting Realization Report from KKKS in which the figures for gas lifting volume are entirely using mmbtu unit.

Implication:

Since the data sources used and the unit volume are different then there is difficulty in tracing the difference.

Recommendation:

Reconciliation of the total oil lifting volume and total gas lifting volume should be done between KKKS and SKK Migas using the same data source, that is FQR.

3. Change of Participating Interest ownership in Cooperation Contract of Oil and Gas

Background:

Due to the high risk factors in the oil and gas mining industry, KKS operation is managed and funded by more than one corporate entity for the purpose of risk sharing. Therefore, the change of partners and ownership of Participating Interest becoming common for oil and gas KKS.

Observation:

During the return period of the EITI 2015 reporting form, it was found that in 2017 the ownership of Participating Interest had changed, both in KKKS operators and KKKS partners, in which EITI forms had been sent to the old Participating Interest owners.

Implication:

The distribution of the EITI forms to the old Participating Interest owners will obstruct the return of the forms as the data has moved to the new Participating Interest owners and thus the reconciliation process will take a longer time because the forms must be submitted to the new owners.

Recommendation:

For future EITI reporting, the EITI Secretariat is recommended to obtain Participating Interest owner data, both KKKS operators and KKKS partners, in the comparison format between owners in the EITI reporting scoping year and owners in the reporting year. The data are obtained before the forms are distributed to the companies.

4. The Need of Further Socialization to the Oil and Gas Sector Companies related to the Completeness of Authorization Sheet to Open the Tax Data

Background:

Since July 1, 2015, the payment of oil and gas income tax previously paid into the account of Oil and Gas Revenue managed by the Directorate General of Budget is transferred to the State Treasury managed by the Directorate General of Tax, so that the government entity reporting the data of oil and gas income tax for 2015 is divided into two institutions, namely DG Budget and DG Tax. .

Observation:

The Directorate General of Tax may only disclose the data on the payment of oil and gas income tax if the company has submitted the Authorization Sheet (LO) to Open the Tax Data. Since EITI reporting in previous years do not have requirement of tax data opening through LO, there are a lot of oil and gas companies have not submitted LO according to the requirements of DG Tax.

Implication:

IA cannot obtain data on the income tax paid by companies that have not submitted an LO in accordance with the requirements of the Directorate General of Tax, so that the reconciliation process cannot cover all data of reconciled oil and gas income tax

Recommendation:

The need of emphasizing the importance of LO and its requirements in socialization to the oil and gas sector companies. In addition, the requirements for the completeness of the LO need to be clarified in the EITI form, such as stamp duty, company stamp and supporting documents concerning LO signing identity, either as company directors or tax attorneys.

5. Socialization Process of Filling the EITI Reporting Form to Mineral and Coal Companies should involve the Provincial Energy and Mineral Resources Office where the Mining Area is Located

Background:

The basis for submitting EITI reporting form by the reporting company is the Presidential Regulation No. 26 Year 2010, so there is no sanction for companies that do not submit the reports.

Observation:

Socialization activities on EITI reporting and form filling have not involve all Provincial Energy and Mineral Resources Offices in which the mining area is located.

Implication:

The percentage of report submission of mineral and coal companies is relatively low. In addition, visitations conducted by the Independent Administrator to the reporting companies are not accompanied by the relevant Provincial Energy and Mineral Resources Office, so the effectiveness of the visit is not yet optimal.

Recommendation:

In the future EITI socialization activities, the EITI Secretariat should contact and invite all Provincial Energy and Mineral Resources Offices in which the mining area is located to obtain a similar perception of EITI and for the purpose of coordination at the time of the visit to the reporting companies.

6. Non-Tax State Revenue (PNBP) Reconciliation for Mineral and Coal Sector is Conducted between Mineral and Coal Companies and Directorate General of Treasury, Ministry of Finance.

Background:

Government entities participating in the 2015 EITI reporting for PNBP reconciliation are DG Mineral and Coal, Ministry of EMR and DG Treasury, Ministry of Finance.

Observation:

The process of reconciliation of Non-Tax State Revenues (PNBP) of mineral and coal sector shall be made between the PNBP according to the records of the reporting companies and the PNBP according to the records of the Directorate General of Mineral and Coal, while the Directorate General of Mineral and Coal is not the entity that receive the PNBP.

The PNBP payment mechanism to the State Treasury is facilitated by SIMPONI application and upon the deposit, the company will obtain a state revenue transaction number (NTPN). Most companies start using the SIMPONI application from November to December 2015.

Implication:

If there is a difference in PNBP data according to the reporting company's record with Directorate General of Mineral and Coal record, the tracing process of the difference in DG Mineral and Coal will take a long time.

Recommendation:

PNBP reconciliation should be conducted between the reporting company and the Directorate General of Treasury, Ministry of Finance as a government entity that directly receive PNBP, so that the tracing process will be easier.

7. The Need of Database Information (address, email, mining area) Periodic Updating of the Reporting Companies, especially for Mineral and Coal Companies

Background:

Address, contact person, company email address information is not up-to-date.

Observation:

In the early stages of the process of preparing EITI report, Independent Administrators experience obstacles in the delivery of information to the reporting company, because the information about address, contact person and email address is not accurate, there are even companies that do not have address information.

Implication:

The process of sending a letter of invitation for the socialization of EITI reporting templates filling to the reporting companies becomes obstructed, especially if the template form contains new information, or if the company is not an EITI reporting company in the previous year. This led to delays in the return of EITI reporting form by the reporting company, so that Independent Administrator only have limited time to conduct reconciliation and confirmation.

Recommendation:

The EITI Secretariat is constantly updating the databases of EITI reporting companies, through coordination with related institutions (Associations, DG Mineral and Coal and Provincial EMR Offices).

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