



# COAL POLICY IN INDONESIA

**Presentation of Director General of Mineral and Coal  
“The Workshop on APEC Coal Supply Security”**

**TOKYO, 20 MARCH 2015**

**DIRECTORATE GENERAL OF MINERAL AND COAL  
MINISTRY OF ENERGY AND MINERAL RESOURCES**

# TABLE OF CONTENT

---

- I. BACKGROUND
- II. CURRENT CONDITION
- III. POLICY DIRECTION
- IV. FUTURE DIRECTION
- V. CLOSING REMARKS

# I. BACKGROUND



# BACKGROUND

1. Referring to the Constitution, coal right is held by the state and the coal is utilised for the most of the people's prosperity. It also implies that the state must increase the value and benefit for the people at most.
2. The Mining Law No. 4/2009 mandates the Government should manage the resources through conserving and increasing value added of mineral and coal for the purpose of creating sustainable economic development.
3. Contribution of coal in the future energy mix will be greater to replace the role of oil.
4. There are some issues regarding management of coal mining such as data collection of licences, coal contract renegotiation, tax and royalty optimalization, added value and coal allocation for domestic uses.

# BACKGROUND

## 1. Domestic Market Obligation (DMO):

- a. **Overcoming** the problem lack of domestic coal supply;
- b. **Preventing** the lack of domestic coal supply;
- c. **Securing** sustainability of domestic coal supply.

## 2. Coal Production Control:

- a. To **comply** with **environmental** aspects;
- b. To **conserve** the coal **resources**;
- c. To **control** the price of coal / coal **price stability**;
- d. To **meet** the needs of **domestic coal supply**.

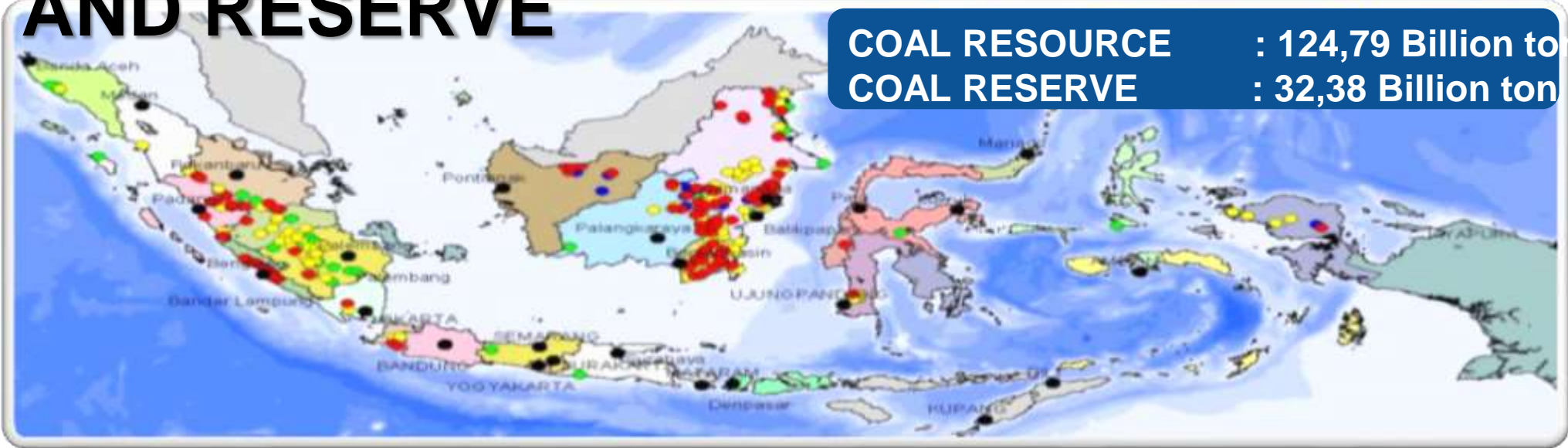
## 3. Added Value of Coal:

- a. Coal mining business activities have important role in **providing real added value** to the national economic growth and regional development sustainably;
- b. Added value of coal by **utilization of low rank coal**:
  - **Mine-mouth Power Plant**
  - **Upgrading Brown Coal (UBC)**
  - Coal Gasification
  - Coal to liquid
  - Coal Water Mixture (CWM)

## II. CURRENT CONDITION



# 2.1 INDONESIA COAL RESOURCE AND RESERVE



- Very High ( > 7.100 kal/gr )
- High ( 6.100 – 7.100 kal/gr )
- Medium ( 5.100 – 6.100 kal/gr )
- Low ( < 5.100 kal/gr )

COAL QUALITY	RESOURCE (Million tons)					PERCENTAGE	RESERVE (Million tons)		
	Hypothetic	Inferred	Indicated	Measured	Total	%	Probable	Proven	Total
Low rank	1,755.29	8,904.23	10,299.52	11,406.36	32365.39	25.93	5,660.67	3,532.53	9,193.20
Medium rank	16,808.73	23,832.02	16,507.93	24,521.63	81670.31	65.44	16,403.63	4,289.00	20,692.63
High rank	874.78	2,485.34	2,082.74	3,201.87	8644.72	6.93	505.76	1,047.97	1,553.73
Very high rank	13.61	1,289.22	421.28	392.21	2116.32	1.70	769.85	175.33	945.18
<b>TOTAL</b>	<b>19,452.40</b>	<b>36,510.80</b>	<b>29,311.47</b>	<b>39,522.07</b>	<b>124,796.74</b>	<b>100.00</b>	<b>23,339.91</b>	<b>9,044.83</b>	<b>32,384.74</b>

Source : Geology Agency ,2014

# 2.2 COAL MINING BUSINESS LICENSE

## RECAPITULATION

Coal Contract of Work (CCoW/PKP2B)

	Year	Total	Termination	Active	PU	Exploration	Feasibility Study	Construction	Production
Generation I	1980-1990	10	1	9	0	0	0	0	9
Generation II	1994	18	6	12	0	0	0	0	12
Generation III	1997-2000	113	59	54	0	3	6	9	36
<b>Total</b>		<b>141</b>	<b>66</b>	<b>75</b>	<b>0</b>	<b>3</b>	<b>6</b>	<b>9</b>	<b>57</b>

### Mining Business Licence (IUP)

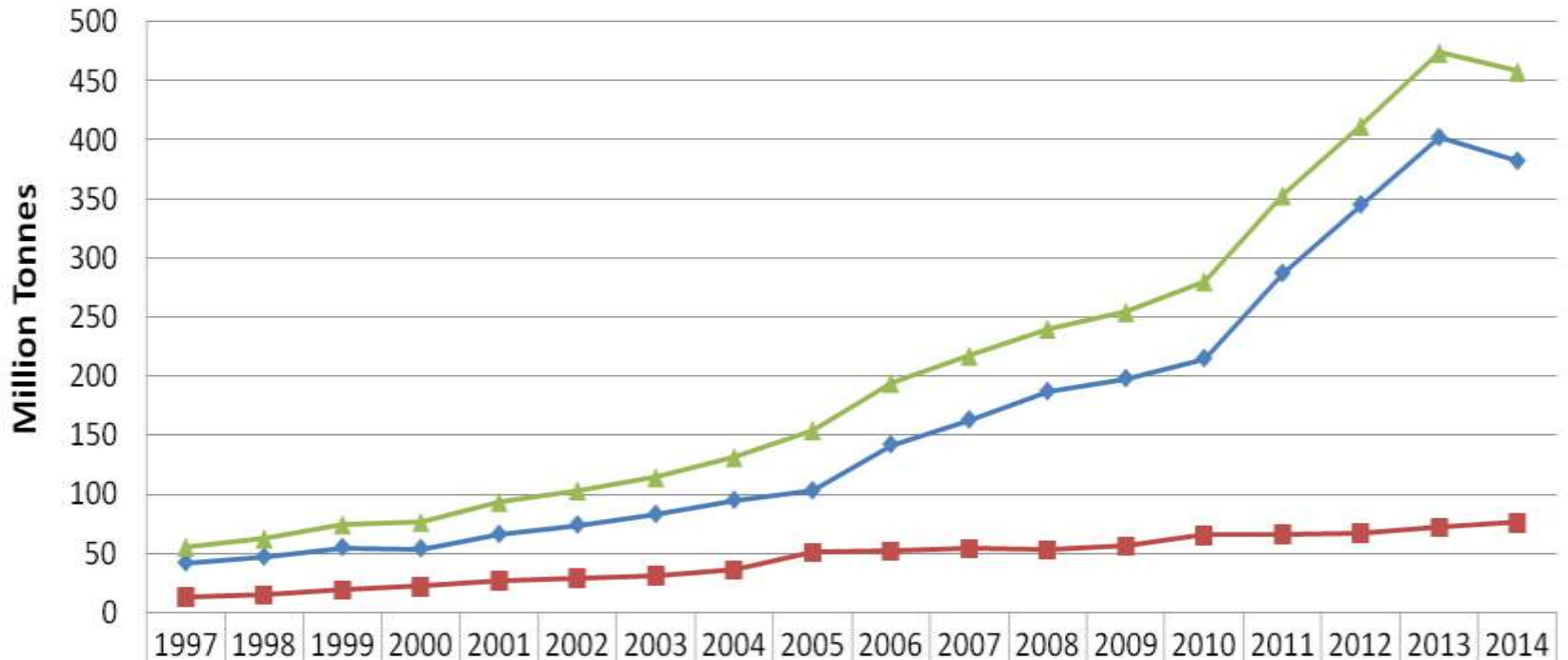
STATUS	COAL		TOTAL
	Exp	OP	
CNC	1,394	<b>1,042</b>	<b>2,436</b>
NON CNC	981	369	1,350
<b>TOTAL</b>	<b>2,375</b>	<b>1,411</b>	<b>3,786</b>





# 2.3 INDONESIAIAN ACTUAL COAL

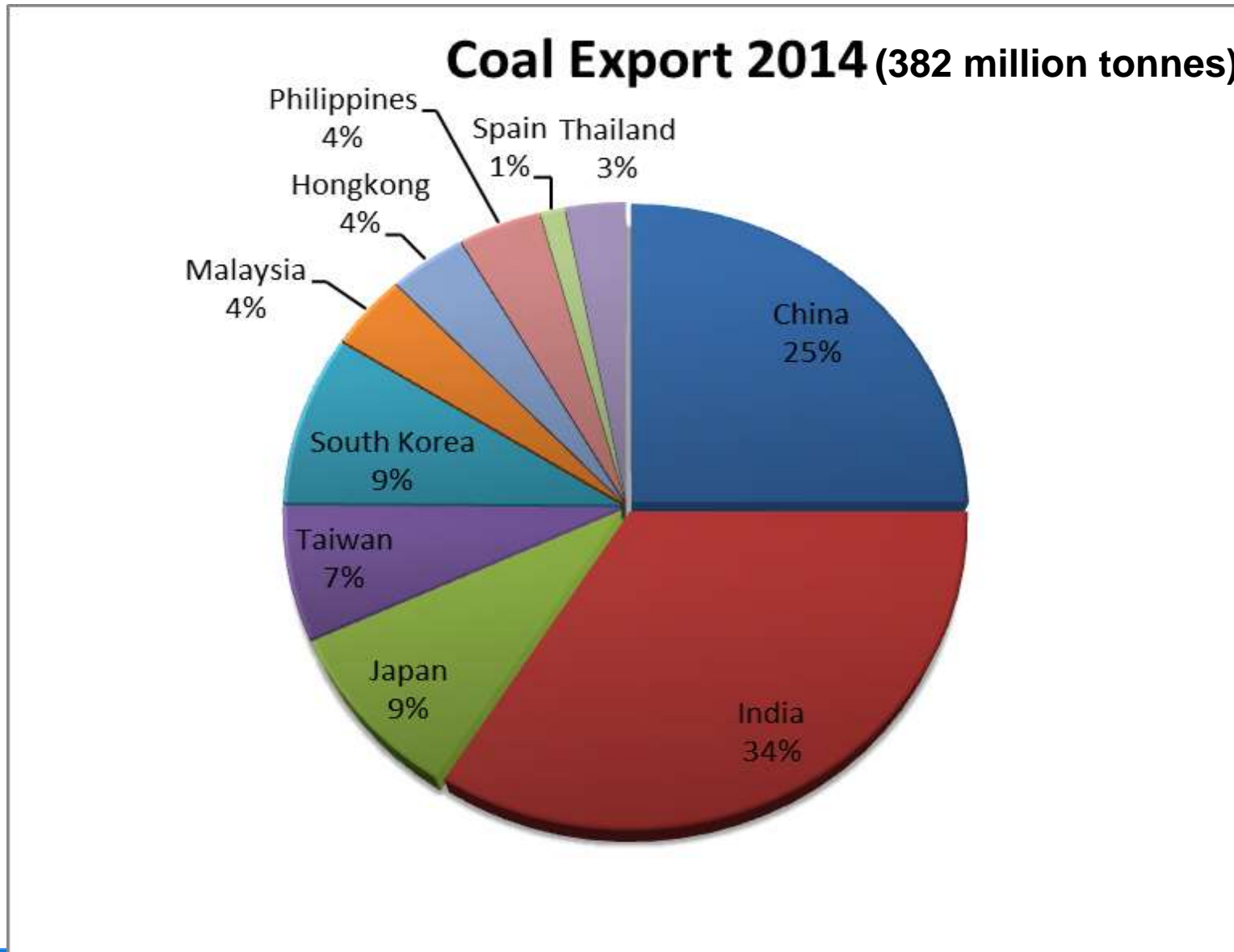
National Actual Coal Production



◆ Export (Million tonnes)	42	47	55	54	66	74	83	95	103	142	163	187	198	215	287	345	402	382
■ Domestic (Million tonnes)	13	15	19	22	27	29	31	36	51	52	54	53	56	65	66	67	72	76
▲ Production (Million tonnes)	55	62	74	76	93	103	114	131	154	194	217	240	254	280	353	412	474	458

- Coal production growth about 14% per year
- Domestic coal consumption about 16-23% of coal production, the growth 4% per year
- \* Update data January 2015

# 2.4 COAL EXPORT DESTINATION (2014)



## 2.5 DOMESTIC COAL UTILIZATION (2014)

NO.	END USER	PERCENTAGE (%)	PLAN (MT)	REALIZATION (MT)
1.	Power Plant	82.37	78.7	65.975
	State Company (PLN)	80.07	57.4	47.435
	Indepedent Producer	20.84	19.91	17.583
	Freeport Indonesia	1.45	1.39	0.555
	Newmont Nusa Tenggara			0.403
2.	Cement	10.26	9.8	7.187
	Semen Indonesia	10.26	9.8	7.187
3.	Metalurgy	3.38	3.23	0.298
	Vale Indonesia	3.38	3.23	0.149
	Aneka Tambang			0.149
4.	Textile, Fertilizer and Pulp	4.00	3.82	2.722
	Textile	2.16	2.06	1.458
	Fertilizer	1.21	1.16	0.400
	Pulp	0.63	0.6	0.864
<b>Total</b>		100.00	95.55	<b>76.183</b>
<b>Overall Achievement</b>				<b>79.73</b>

# III POLICY DIRECTION



# 3.1 POLICY DIRECTION

## POLICY DIRECTION

1

Implement fulfillment priority of coal for domestic needs

2

Provide certainty and transparency in the activities of mining (Mining Law supporting regulations, sanctions violations, etc.)

3

To implement supervision and guidance

4

To encourage the increase of investment and revenue

5

To encourage the development of value added products of mining commodity (eg processing, refining, local content, local expenditure, labor and CSR)

6

To maintain environmental sustainability through environmental management and monitoring (including reclamation and post-mining)

# 3.2 NATIONAL ENERGY POLICY

## (Article 3, Government Regulation No.79/2014)

### MAIN POLICY:

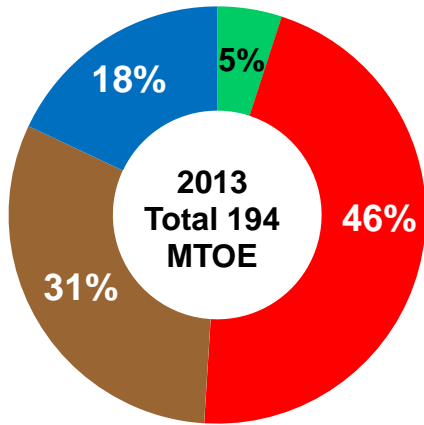
1. Energy Availability
2. Priority on Energy Development
3. Utilization of National Energy Resources
4. National Energy Reserve

### SUPPORTING POLICY:

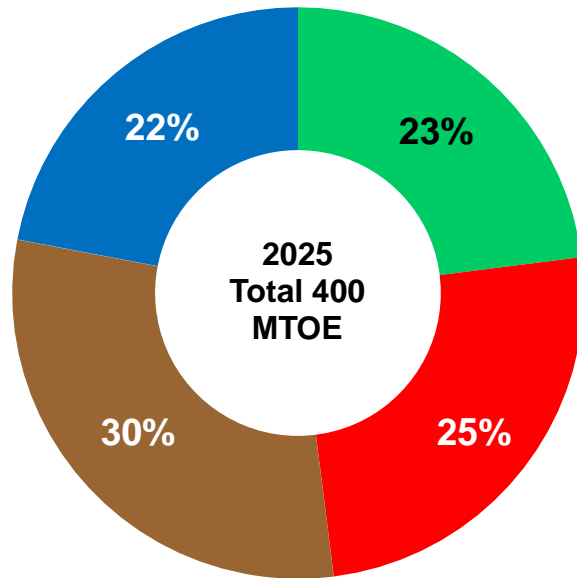
1. Conservation and Diversification
2. Environment and Safety
3. Price, Subsidy, and Incentive
4. Infrastructure and Energy Industry
5. Research and Development
6. Institution and Funding

# 3.3 ENERGY MIX PLAN UNTILL 2050

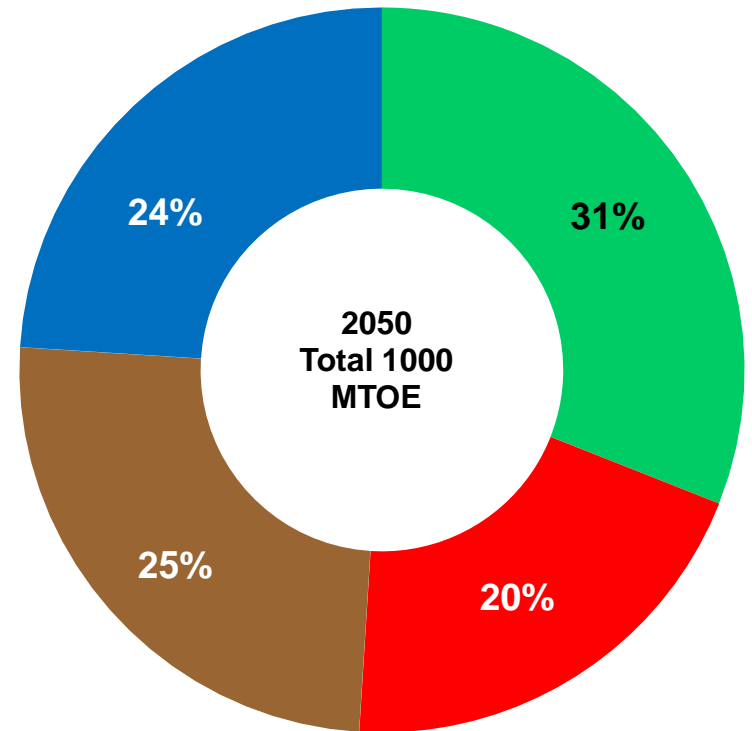
(Article 8 & 9, Government Regulation No. 79/2014)



Power Plant: 51 GW  
Energy Consumption: 0.8 TOE/kap  
Electric Consumption: 776 KWh/kap

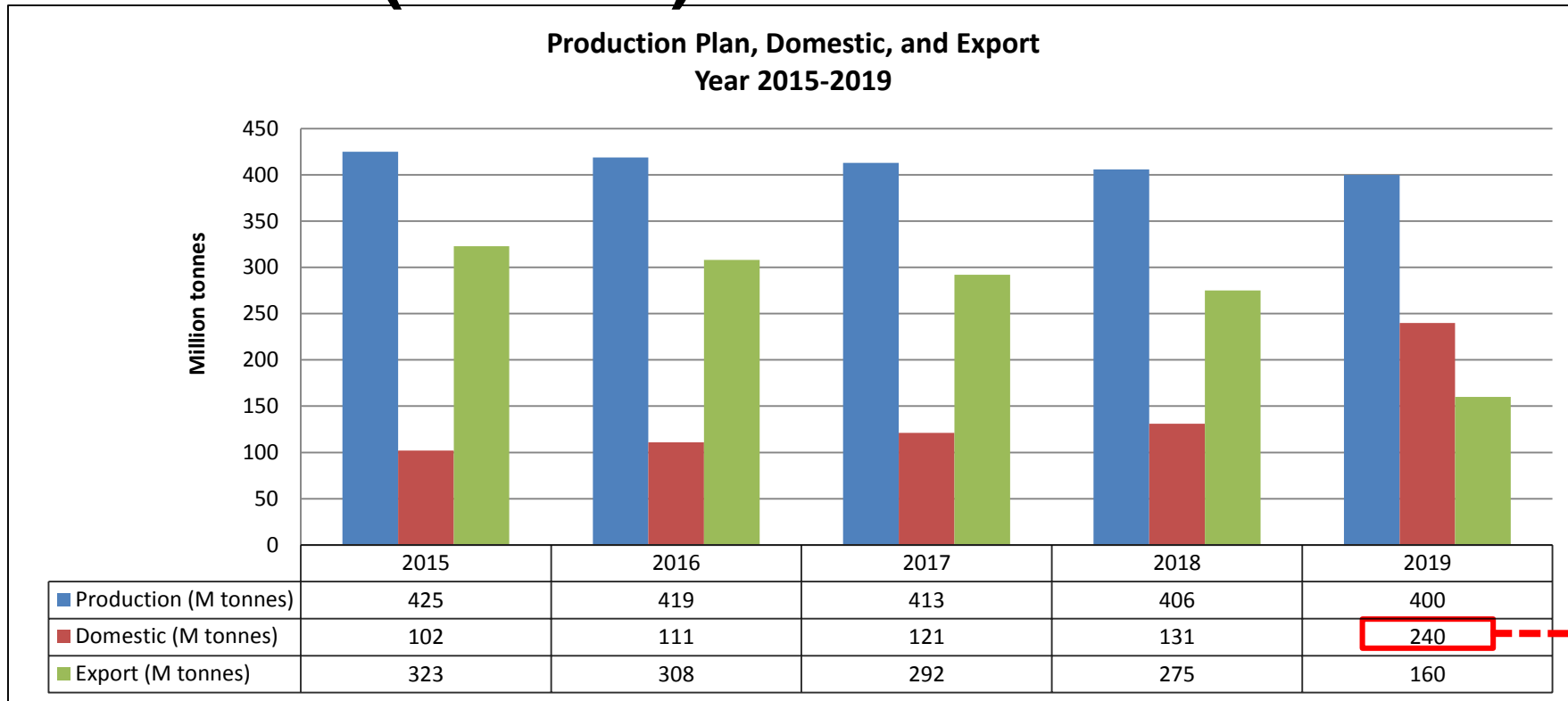


Power Plant: 115 GW  
Energy Consumption: 1,4 TOE/kap  
Electric Consumption: 2500 KWh/kap



Power Plant: 430 GW  
Energy Consumption: 3,2 TOE/kap  
Electric Consumption: 7000 KWh/kap

# 3.4 NATIONAL COAL PRODUCTION, DMO, AND SALE PLAN (RPJMN)



**DMO  
60%**

Based on Medium-Term Development Plan (RPJMN) for 2015-2019 (President Regulation No. 2 Year 2015):

- Production plan in 2015 about 425 Million tonnes and decreases to 400 Million tonnes in 2019
- Percentage of domestic coal consumption to national coal production (DMO) is 24% in 2015 and increase to 60% in 2019



# 3.5 DOMESTIC COAL CONSUMPTION & COAL CONTRIBUTION FOR 35 GW PROJECT

No	End User	Year					Quality (Kkal/Kg)
		2015	2016	2017	2018	2019	
1a.	Existing Powerplant	74.000.000	76.200.000	76.200.000	76.200.000	76.200.000	3800 - 6150
b.	Powerplant Program 35 GW		16.600.000	18.300.000	32.500.000	89.900.000	
2	Metalurgi	3.582.000	4.648.000	4.648.000	4.648.000	4.648.000	4200 -7400
a.	PT Krakatau Steel & Group :						
1.	PT Krakatau Steel	222.000	968.000	968.000	968.000	968.000	
2.	PT Krakatau Posco	2.195.000	2.195.000	2.195.000	2.195.000	2.195.000	
3.	Meratus Jaya Iron & Steel	400.000	400.000	400.000	400.000	400.000	
b.	PT. Antam	565.000	885.000	885.000	885.000	885.000	
c.	PT. Vale	200.000	200.000	200.000	200.000	200.000	4200 - 4910
3	Fertilizer	1.305.700	1.980.200	1.995.200	6.875.200	11.075.200	
a.	PT Pupuk Sriwijaya	30.500	705.000	720.000	3.710.000	4.900.000	
b.	PT Pupuk Iskandar Muda	0	0	0	450.000	560.000	
c.	PT Pupuk Kujang Cikampek	0	0	0	450.000	560.000	
d.	PT Petrokimia Gresik	475.200	475.200	475.200	475.200	475.200	
e.	PT Pupuk Kalimantan Timur	800.000	800.000	800.000	1.790.000	4.580.000	4900 - 6499
4	Cement	10.542.300	12.039.831	13.990.161	15.604.904	16.372.105	
a.	PT. Semen Holcim	1.700.000	1.850.000	1.850.000	1.850.000	1.850.000	
b.	PT. Semen Indonesia	5.999.295	6.189.831	7.140.161	7.754.904	8.522.105	
c.	Semen Lainnya	2.843.006	4.000.000	5.000.000	6.000.000	6.000.000	4200 - 5600
5	Textile	2.200.000	2.390.000	2.590.000	2.790.000	3.020.000	
6	Pulp/paper	650.000	700.000	760.000	820.000	880.000	4500 - 5500
7	Briquette	30.000	30.000	30.000	30.000	30.000	>3800
	Strategic Plan	92.310.000	114.588.031	118.513.361	139.468.104	202.125.305	
	Long Term Plan	102.000.000	111.000.000	121.000.000	131.000.000	240.000.000	
	Gap (Longterm plan-Strategic plan)	9.690.001	(3.588.031)	2.486.639	(8.468.104)	37.874.695	

# 3.6 POLICY REGARDING TO ADDED VALUE

Law No. 4 Year 2009 Article 95 Letter (c), 102, and 103 verse (1):

## AND DMO

- Article 95 Letter C

Holder of IUP and IUPK is **obligatory**:

(c) to increase **added value of mineral and/or coal** resources;

- Article 102

Holder of IUP and IUPK is **obligatory** to improve added value of mineral and/or coal resources in mining, processing and refinery, as well as utilization of mineral and coal.

- Article 103 verse (1)

(1) Holder of IUP and IUPK for Production Operation is **obligatory** to conduct **processing** and **refinery within the country**

## Article 5 Law No 4 Year 2009:

- 1) **For national interest**, the government upon consulting with the House of Representatives may enact the mineral and/or coal policy on preference for domestic interest.
- 2) The national interest as referred to in paragraph (1) can be **conducted by production and export control**.
- 3) In implementing the control as referred to in paragraph (2), **the government** has the authority to **determine total production of each commodity** per year for each province.

# 3.7 REGISTERED EXPORTERS OF COAL

Regulation:

1. Minister of Trade Regulation No. 39 / M-DAG / PER / 7/2014 regarding the export of Coal and Coal Products, as amended by Regulation of the Minister of Trade No. 49 / M-DAG / PER / 8/2014, and
2. Director General of Mineral and Coal No. 714.K / 30 / DJB / 2014 regarding Procedures and Requirements Referral Registered Exporter of Coal;

Purposes:

- improving supervision on coal export sales to comply with rules
- optimization of state revenue from coal export

# IV. FUTURE DIRECTION

---



# 4.1 FUTURE DIRECTION

- Development of Mine mouth power plant (GR MEMR 10/2014) :  
**COAL PRICE = COST + 25% MARGIN**
- Establishing Coal Main Port for Coal Export
- Improving role of surveyor witness
- Control of Coal Production
- Priority of coal for domestic need
- Increasing Royalty for IUP
- **Authority to issue local mining permit was transferred from Regent/Mayor to Governor**

# 4.2 COAL MAIN PORT FOR COAL

## EXPORT

- Transshipment only can be done around the coal main port and can be directly seen from the port (maximum of about 2 km from land).
- Coal Main Port concept has been applied in various countries, such as Australia, South Africa etc.
- Coal main port owned by private or state-owned companies/enterprises must comply with standard determined by Director General/Minister.
- Coal export through coal main port only.
- Need inter-department evaluation involving DG Custom, DG Foreign Trading, DG Marine Transportation, and DG Mineral and Coal.
- Existing private ports will be equipped with necessary facilities for representative officer from related institution

## 4.3 ADJUSTMENT ROYALTY FOR IUP

1. Coal royalty :
  - For IUP is proposed to be 7% - 13,5%, increased from 3%, 5%, and 7%.
  - Windfall profit royalty will be applied whenever price reaches or higher than \$ 90/ton.
2. Type and tariff of non tax Government revenue with considering of some aspect:
  - Business type (open pit mine and underground mine)
  - Production level
  - Coal price (coal quality and market price)

# 4.4 DIVESTMENT OBLIGATION

## 1. Government Regulatory No. 24/2012

### Regarding Second Revision of Government Regulatory No. 23/2010

#### Article 97

- (1) Holders of IUP and IUPK in the context of foreign investment, after 5 (five) years of production must be divested in stages, so that by the tenth year of its shares at least 51% (fifty one percent) of participants Indonesia.
  - (1a) Ownership of Indonesian participants referred to in paragraph (1), in each year after the end of the fifth year since production can not be less than the percentage as follows:
    - a. sixth year of 20% (twenty percent);
    - b. seventh year 30% (thirty percent);
    - c. eighth year of 37% (thirty-seven percent);
    - d. ninth year of 44% (forty-four percent);
    - e. tenth year of 51% (fifty one percent),  
of the total shares.
- (2) Divestment of shares referred to in paragraph (1) made to the Indonesian participants consisting of government, provincial government, local government or district / city, state, enterprises, or private entities nationwide.

## 2. Minister of Energy and Mineral Resources Regulation No. 27/2013

#### Article 13

- Divestment price decided based on replacement cost for capital expenditure
- This regulation will be revised : valuation using replacement cost of fair value





# 4.5 POLICY TO FOSTER EXPLORATION ACTIVITY

1. General survey in the frontier area mainly will be conducted by Government Agency (i.e. Geological Agency of MEMR).
2. Coal Contract of Work encourage to conduct deep drilling activity.
3. IUP holders obliged to submit exploration report to the government
4. Intergration of subsurface information of oil and gas and coal to understanding underground coal resources.
5. Strengtening cooperation with develop country in underground mining development and operation

# V. CLOSING REMARKS



# CLOSING REMARK

1. There is a need to maintain national long term coal supply to fulfill demand for energy.
2. Production and export control policies need to be taken to meet the coal requirement plan in the domestic.
3. Strengthen coordination between government institution to increase domestic need of coal and state's revenue.
4. Coal industry still requires substantial investment for many years to come, particularly in power generation. Government considers the need of a fiscal incentive for coal upgrading and coal conversion such Coal to Liquid (CTL).
5. There are still a number of short term issues that need to be handled, such as: IUP reconciliation, contract renegotiation, obligation to improve added value, etc.



**Thank You**  
***[www.minerba.esdm.go.id](http://www.minerba.esdm.go.id)***