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INDONESIA EITI REPORT  
**2012 - 2013**  
CONTEXTUAL  
REPORT



COORDINATING MINISTRY FOR ECONOMIC AFFAIRS  
REPUBLIC OF INDONESIA

**EITI** Extractive  
Industries  
Transparency  
Initiative  
**INDONESIA**





COORDINATING MINISTRY FOR ECONOMIC AFFAIRS  
REPUBLIC OF INDONESIA

INDONESIA EITI REPORT 2012-2013  
**CONTEXTUAL REPORT**

VOLUME TWO



KAP Sukrisno, Sarwoko dan Sandjaja  
KMK RI No.: 665/KM.1/2013





## ➔ PREFACE

Puji dan syukur ke hadirat Allah SWT, atas terbitnya Laporan Ketiga Inisiatif Transparansi Industri Ekstraktif (EITI) Indonesia ini, yang pertama kali disusun dengan mengacu standar EITI yang baru, yaitu Standar tahun 2013. Laporan ini merupakan laporan ketiga EITI Indonesia sejak menjadi negara pelaksana EITI (EITI Implementing Country) yang meliputi data dan informasi mengenai kegiatan dan kebijakan industri ekstraktif Indonesia tahun 2012 dan 2013. Laporan pertama yang disusun dan dipublikasikan pada tahun 2013, dan laporan ke-2 pada tahun 2014 masih mengacu pada EITI Rules tahun 2011 yang isinya berfokus pada aspek rekonsiliasi penerimaan negara dari industri ekstraktif.

Landasan hukum pelaksanaan EITI di Indonesia adalah Peraturan Presiden Nomor 26 Tahun 2010 tentang Transparansi Pendapatan Negara dan Pendapatan Daerah Yang Diperoleh Dari Industri Ekstraktif.

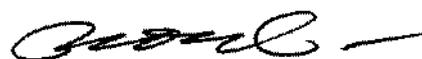
Sesuai dengan persyaratan dalam Standar EITI 2013, isi Laporan Ketiga EITI Indonesia ini lebih komprehensif karena tidak hanya berfokus pada aspek penerimaan negara, tetapi meliputi seluruh rantai nilai (value chains) industri ekstraktif yaitu mulai dari aspek perizinan, operasi produksi, penerimaan negara, mekanisme alokasi, dan kebijakan sektor industri ekstraktif. Penerapan Standar EITI 2013 diharapkan dapat mendekatkan tujuan dari transparansi EITI, yaitu memperbaiki tata kelola industri migas dan tambang.

Laporan ini disusun oleh Administrator Independen dari Kantor Akuntan Publik (KAP) Sukrisno, Sarwoko dan Sandjaja. Proses penyusunan laporan dimulai sejak akhir bulan Mei 2015 dan selesai disusun pada tanggal 24 Oktober 2015. Seluruh tahapan dalam proses penyusunan laporan diawasi oleh Tim Pelaksana Transparansi Industri Ekstraktif melalui rapat-rapat Tim Pelaksana maupun rapat-rapat Tim Teknis. Laporan Ketiga EITI Indonesia ini mendapatkan persetujuan untuk dipublikasi dari Tim Pelaksana Transparansi Industri Ekstraktif melalui rapat yang diselenggarakan pada tanggal 3 November 2015.

Maksud dan tujuan utama dari penerbitan Laporan ini adalah untuk memberikan penjelasan yang lengkap mengenai pelaksanaan kegiatan industri ekstraktif di Indonesia dalam rangka lebih meningkatkan pemahaman dan kesamaan persepsi dari para pemangku kepentingan EITI di Indonesia. Kami menyadari bahwa keberhasilan pelaksanaan EITI di Indonesia akan sangat ditentukan oleh adanya kesamaan pemahaman dan persepsi dari seluruh pemangku kepentingan.

Akhir kata, kami sampaikan terima kasih kepada Tim Pengarah, anggota Tim Pelaksana, Sekretariat EITI, serta seluruh pemangku kepentingan EITI Indonesia yang selama ini telah turut berkontribusi terhadap kelancaran pelaksanaan kegiatan EITI Indonesia. Tidak lupa juga kami sampaikan terima kasih kepada pihak Bank Dunia yang telah memberikan dukungan finansial melalui dana hibah dari beberapa donor (Multi Donor Trust Fund – MDTF) terhadap pelaksanaan kegiatan EITI Indonesia.

Deputi Bidang Koordinasi Pengelolaan Energi  
Sumber Daya Alam dan Lingkungan Hidup  
Selaku Ketua Tim Pelaksana Transparansi  
Industri Ekstraktif



Montty Girianna

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## → ABBREVIATION

AMDAL	<i>Analisa Mengenai Dampak Lingkungan</i> Environmental Impact Assessment	CoW	Contract of Work
APBD	<i>Anggaran Pendapatan dan Belanja Daerah</i> Regional Government Budget	CSR	Corporate Social Responsibility
APBN	<i>Anggaran Pendapatan dan Belanja Negara</i> The Indonesian State Budget	DBH	<i>Dana Bagi Hasil</i> Revenue Sharing Fund
ASEAN	Association of South East Asian Nation	DIPA	<i>Daftar Isian Pelaksanaan Anggaran</i> Budget Executing Document
ASR	Abandonment and Site Restoration	DG	Directorate General
BaU	Business as Usual	DMO	Domestic Market Obligation
BE	Business Entity	DPD	<i>Dewan Perwakilan Daerah</i> Regional Representative Council
BI	<i>Bank Indonesia</i> Indonesia Central Government	DPR	<i>Dewan Perwakilan Rakyat</i> Indonesia's House of Representatives
BIG	<i>Badan Informasi Geospasial</i> Geospatial Information Agency	EITI	Extractive Industries Transparency Initiative
BKPM	<i>Badan Koordinasi Penanaman Modal</i> Indonesia's Investment Coordinating Board	EMR	Energy and Mineral Resources
BP MIGAS	<i>Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi</i> Indonesia Upstream Oil and Gas Regulatory Body	ETBS	Equity To Be Split
BPH MIGAS	<i>Badan Pengatur Hilir Minyak dan Gas Bumi</i> Downstream Oil and Gas Regulatory Body	FPU	Floating Production Unit
BPK	<i>Badan Pemeriksa Keuangan</i> Indonesian Audit Board	FTP	First Tranche Petroleum
BPKP	<i>Badan Pengawasan Keuangan dan Pembangunan</i> Financial and Development Supervision Agency	GDP	Gross Domestic Production
BPS	<i>Badan Pusat Statistik</i> Statistics Indonesia	GIS	Geographical Information System
BPT	Branch Profit Tax	GoI	Government of Indonesia
CA	Contract Area or Working Area	GR	Government Regulation
CCoW	Coal Contract of Work	HBA	<i>Harga Batubara Acuan</i> Indonesia Coal Reference Price
CR	Cost Recovery	HSE	Health and Safety Environment
		IC	Investment Credit
		ICP	Indonesian Crude Price
		IDD	Indonesia Deepwater Development
		IDR	Indonesian Rupiah
		IDX	Indonesia Stock Exchange
		IP	<i>Izin Prinsip</i> Principle License

IPA	Indonesia Petroleum Association	MTEF	Medium-Term Expenditure Framework
IPP	<i>Izin Pinjam Pakai</i> Borrow Use License	NA	<i>Naskah Akademik</i> Academic Script
IPR	<i>Izin Pertambangan Rakyat</i> People's Mining Business Permit	NEC	Indonesia National Energy Council
IUP	<i>Izin Usaha Pertambangan</i> Mining Business Permit	NEP	National Energy Policy
IUPK	<i>Izin Usaha Pertambangan Khusus</i> Special Mining Business Permit	NPWP	<i>Nomor Pokok Wajib Pajak</i> Tax Id
JOB	Joint Operation Body	NSWi	National Single Window for Investment
K/L	<i>Kementerian/Lembaga</i> Ministry/Institution	NTPN	<i>Nomor Transaksi Penerimaan Negara</i> State Revenue Transaction Number
KIP	<i>Komite Informasi Pusat</i> Central Information Committee	OC	Operation Corporation
KPK	<i>Komisi Pemberantasan Korupsi</i> Indonesia Corruption Eradication Comission	OMP	One Map Policy
LAKIP	<i>Laporan Akuntabilitas Kinerja Instansi Pemerintah</i> Government Institution's Performance Accountability Report	PBB	<i>Pajak Bumi dan Bangunan</i> Land and Building Tax
LKPP	<i>Laporan Keuangan Pemerintah Pusat</i> Government of Indonesia Financial Statements	PBF	Performance Based Budgeting
LNG	Liquid Natural Gas	PE	Permanent Establishment
MK	<i>Mahkamah Konstitusi</i> Constitutional Court	PHT	<i>Penjualan Hasil Tambang</i> Sales Revenue Share
MoF	Ministry of Finance	PI	Participating Interest
MoHA	Ministry of Home and Affair	PNBP	<i>Penerimaan Negara Bukan Pajak</i> Non Tax Revenue
MoEMR	Ministry of Energy and Mineral Resources	POD	Plan of Development
MOMI	<i>Minerba One Map Indonesia</i>	POR	Pay Out Ratio
MPN	<i>Modul Penerimaan Negara</i> State Revenue Module	PPID	<i>Pejabat Pengelola Informasi dan Dokumentasi</i> Information and Documentation Manager
MPN G-2	<i>Modul Penerimaan Negara Generasi-2</i> State Revenue Module Generation - 2	PSC	Production Sharing Contract
MSG	Multi-Stakeholder Group	RENSTRA	<i>Rencana Strategis</i> Strategic Plan
		ROE	Regional State Owned Enterprise/ Company ( <i>Badan Usaha Milik Daerah/</i> BUMD)

RPJMN	<i>Rencana Pembangunan Jangka Menengah Nasional</i> National Medium-Term Development Plan	USD	United States Dollar
RPJPN	<i>Rencana Pembangunan Jangka Panjang Nasional</i> National Long-Term Development Plan	UUD	<i>Undang – Undang Dasar</i> Indonesia Constitution
RRR	Reserve Replacement Ratio	WA	Working Area
RUPS	<i>Rapat Umum Pemegang Saham</i> General Meeting of Shareholders	WAP	Weighted Average Price
SCF	Standard Cubic Foot	WIUP	<i>Wilayah Izin Usaha Pertambangan</i> Mining Business Permit Area
SIMPONI	<i>Sistem Informasi Penerimaan Negara Bukan Pajak Online</i> Online Non-Tax State Revenue Information System	WIUPK	<i>Wilayah Izin Usaha Pertambangan Khusus</i>
SKK MIGAS	<i>Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas</i> Special Taskforce for Upstream Oil and Gas Business Activities	WP	<i>Wilayah Pertambangan</i> Mining Area
SOE	State-Owned Enterprise/Company ( <i>Badan Usaha Milik Negara/BUMN</i> )	WP&B	Work Program and Budget
STB	Stock Tank Barel	WPN	<i>Wilayah Pencadangan Negara</i> State Reserve Area
TAC	Technical Assistance Contract	WPR	Wilayah Pertambangan Rakyat
TOE	Tonnes Oil Equivalent	WUP	<i>Wilayah Usaha Pertambangan</i> Mining Business Area
TOR	Term of Reference	WUPK	<i>Wilayah Usaha Pertambangan Khusus</i> Special Mining Business Area
		VAT	Value-added Tax

## ➔ EXECUTIVE SUMMARY



*Production Facility, TOTAL*

Contextual report discusses Indonesian extractive industry within the framework of EITI International Standard. The discussion encompasses governance, mining area allocation process, mining concession bidding process, revenue management, environmental and social responsibility, management of extractive industry, and participation of State-Owned Enterprises (SOE) in extractive industry.

Contextual report is a newly introduced standard from EITI International which is developed in the purpose of providing overview on Indonesian extractive industry so that Indonesian society could understand better EITI reconciliation report and have it as discussion reference in public discourse. This report publication is meant to encourage a more active participation from the society in giving constructive input and feedback to Indonesian extractive industry governance.

According to EITI International Standard point 3, the MSG should first of all agree on the procedures and responsibilities of IA in composing contextual report (point 3.1.). The information must include

summary description on legal framework and fiscal regime that governs Indonesian extractive industry (point 3.2.), an overview on Indonesian extractive industry (point 3.3.), contribution of the extractive industry to Indonesian economy (point 3.4.), relevant production data (point 3.5.), participation of the government (and SOEs) in the development of extractive industry (point 3.6), distribution of revenues from extractive industry and the sustainability of those revenues (point 3.7 and 3.8), cadaster and license registration (point 3.9 and 3.10), relevant regulations and transparent list of beneficial ownership of extractive assets (point 3.11), and lastly disclosure on mining contracts and licenses to the exploitation of oil, gas, minerals and coal (point 3.12).

Contextual report 2012-2013 is divided into 7 (seven) sections that can be the key reference for the general public to understand extractive industry in Indonesia.

**The first section** in the contextual report discusses EITI background and legal framework of public information transparency with respect to EITI

implementation in Indonesia. The overview on EITI includes definition, role, and benefit of EITI compliance for all stakeholders in the extractive industry, i.e. the government, companies, and the society. For the government, EITI promotes improved effectiveness and efficiency of extractive industry governance in countries that implement EITI in order to make sure that the citizens can enjoy revenues of central and local government derived from natural resources. For companies, joining EITI means ensuring transparency, which cultivates public trust on company responsibility to comply with all laws and regulations governing extractive industry. For the society at large, EITI provides reliable information that can be the basis for the people to demand accountability on the management of central and local revenues from extractive industry.

Further, this section also addresses public information transparency in general that has been accommodated in a regulatory framework in Indonesia. Contextual information report also discusses the process of EITI implementation in Indonesia that currently governed by Presidential Regulation (*Peraturan Presiden/Perpres*) No. 26/2010. The regulation stipulates the formation of Transparency Team, which consists of Steering Committee and Implementing Team that are tasked to bring about transparency of state and local government revenues from extractive industry. For the fulfillment of their responsibilities, these teams have the power to seek information, seek additional data, seek input, or consult with central government and local government agencies as well as extractive companies. However, the Perpres No. 26/2010 has not fully adopted the latest EITI International Standard.

**The second section** in the contextual report discloses extractive industry governance that entails regulations governing extractive industry, duties

of government agencies relevant in the extractive industry, licensing system through permits and contracts, and reform of extractive industry governance practices that took place during the formulation of this report. This section is particularly useful for general readers to understand the current governance and management system of the Indonesian extractive industry.

The governance of Indonesian extractive industry refers to the 1945 Constitution of the Republic Indonesia, Article 33 paragraph 3: "The land, the waters and the natural resources within shall be under the powers of the State and shall be used to the greatest benefit of the people." In practice, a number of laws have been in place to govern this sector; today, the governing law is Oil and Gas Law No. 22/2011 and Mineral and Coal Law No. 4/2009. Under both laws, there are provisions that are intended to protect national interest.

There are several issues around the implementation of Mineral and Coal law which include adjustments of mineral and coal mining contracts provisions govern by previous law into the new prevailing law. Currently GOI is in the renegotiation process with the companies that are parties to Contracts of Work (CoW) and Coal Contracts of Work (CCoW). This law also gave Regent/Mayor the authority to issue mineral dan coal license which in its development, with the issuance of Law No. 23/2014 on Regional Government, they do not have the authority to issue Mining Business Permit (*Izin Usaha Pertambangan/IUP*). However, implementing regulations to enforce the law have not been enacted.

Another topic addressed in this section is the efforts of the government to improve extractive industry governance, which include current or on going efforts. In the oil and gas sector, the government and the House of Representatives (*Dewan Perwakilan Rakyat/DPR*) are currently

working to amend oil and gas law, while the central government and Aceh local government are in the transition process with respect to the setting up of Aceh Oil and Gas Management Body (*Badan Pengelola Migas Aceh/BPMA*). In the mining sector, the government is improving and exercising closer supervision on IUP issuance by developing Minerba One Map of Indonesia (MOMI), applying Clean and Clear (CNC) certification, and, through the Corruption Eradication Commission (KPK) carries out coordination and supervision activities in 12 provinces. In terms of improving both sectors governance, the government has improved its State Revenue-Generation Module (MPN) by adding billing system feature, also known as MPN Generation 2. The government also creates single-window integrated services, pooling the services under the Indonesian Investment Coordination Board (BKPM).

**The third section** in the contextual report describes allocation of mining area and bidding process of mining license in Indonesia. This section focuses on the deliberation of mining concession, bidding procedure, and bidding activities in 2012 and 2013. To determine mining area, proposed areas are made based on the recommendations of Directorate General of Oil and Gas (DG Oil and Gas), which then are offered in bidding. An alternative to this process is to have recommendations from investors, based on feasibility study conducted by the investor and DG Oil and Gas, which are then proposed directly to potential partners. The Minister of Energy and Mineral Resources has the power to award the winning party. Meanwhile, in mineral sector, the Minister of Energy and Mineral Resources ratifies the deliberation of a local government following consultation with the House of Representatives.

EITI Standard requires EITI countries to disclose winning parties, transfer of mining concession ownership, bidding criteria, and bidding participants. In 2012-2013, bidding and transfer of ownership only occurred in the oil and gas sector. List of winning parties and transfer of ownership are detailed in Appendix 1 and Appendix 2 in the

Second Volume of EITI Report 2012-2013, while bidding criteria is stipulated by Ministerial Decree 35/2008. Names of bidding participants, however, are never disclosed by the DG Oil and Gas. With regards to the bidding process, the contextual acknowledges a statement from Indonesia State Audit Agency (BPK), which was made in the Summary of Semester II 2014 Audit Findings on revenues from oil and gas sector in 2012 –Semester I 2014. BPK noted that there were winners of block bids that failed to meet financial requirements. Further, there were contractors who had difficulty to meet their requirements and commitments in respect of bidding regulations. This report is available for access on BPK's website.

In addition, EITI standard also regulates disclosure of cadastre system<sup>1</sup>, disclosure of contracts<sup>2</sup>, and disclosure of beneficial ownership<sup>3</sup>. For oil and gas sector, public can access the majority of cadastral information in of oil and gas map from SKK Migas's annual report and for the detail of cadastral information for example coordinates numbers, public can access a paid geographic information system called Inameta, the payment is per one block information. Meanwhile, cadastral information in mining sector is available for interested parties by printing mining business licence map at DG Minerals and Coal's office. The map is available per regency or per mining business licence area for investor having Decision Letter along with the relevant coordinates.

The fourth volume of EITI Report 2012-2013 publishes a list of companies relevant in the period of reconciliation of 2012-2013 along with their cadastral information. In the list of oil and gas companies, published information comprises name of block, province where block is located, name of company (operator and partner), percentage of participation interest, date of contract and expiry date, and produced commodity. In the list of mining companies, information covers name of company, shareholders and its shareholding composition, type of license (contract or IUP), date of license and expiry date, produced commodity, and province.

<sup>1</sup> EITI Standard requires publicly accessible cadastral information. Cadastral information is information regarding: i. license holder(s); ii. coordinates of the license area; iii. date of application, date of award and duration of the license; and iv. in the case of production licenses, the commodity being produced.

<sup>2</sup> EITI Standar encourages that the government disclose the full text of contracts/

licenses, full text of annex or addendum, and full text of contract/license amendment.

<sup>3</sup> EITI Standard recommends that EITI implementing countries maintain a publicly available register of the beneficial owners of the corporate entity(ies) that bid for, operate or invest in extractive assets.

Currently, publicly available contract/license list and benefit owners in extractive assets are not available. General provisions of contract/license are available in EITI report 2012-2013. Companies in the extractive industry sector listed in the Indonesia Stock Exchange (IDX) are required to disclose their ultimate shareholders in financial statements accessible on IDX website. For this section, readers can observe the gap between information transparency in Indonesia and transparency requirement from EITI International.

**The fourth section** in the contextual report discusses management of state revenue from extractive industry. This section focuses on types of state revenue – tax as well as non-tax revenue – from extractive industry. The fourth section put forward information for the general public to have better understanding on calculation of state revenue from extractive industry, allocation of state revenue to local government, and budgeting process of extractive industry, and its revenue forecast.

Non-tax revenue (PNBP) from extractive industry is paid in cash, in the exception of several revenue posts from upstream oil and gas sector where, in accordance to agreed Production Sharing Contract (PSC), the GOI would receive in-kind (production) revenue sharing. The in-kind sharing is in the form of oil and natural gas lifting entitlement for the government and DMO (less DMO fee) as agreed in PSC. In this case, PSCs are managed by SKK Migas. All tax revenue from extractive industry is paid in cash. Overall, all revenues from extractive industry are paid to the state treasury and recorded in the GoI Financial Statements (*Laporan Keuangan Pemerintah Pusat/LKPP*).

Also included in this section is planning and budgeting process, audit, and revenue allocation from the central to local government. Financial notes, LKPP, and audit result of LKPP performed by the State Audit Agency (BPK) are accessible to the public on the Ministry of Finance website and BPK

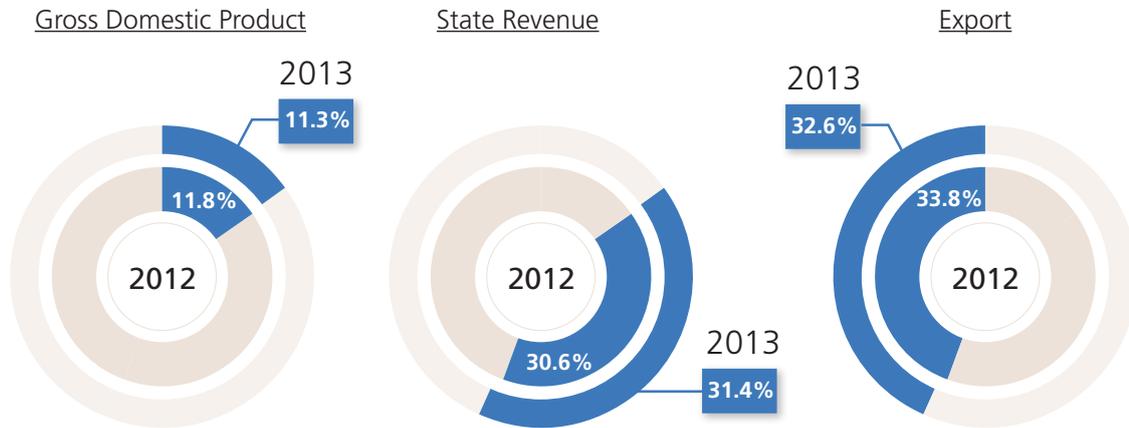
website. Outlook of extractive industry are available in the MoEMR 2015-2019 Strategic Plan published on the MoEMR website and 2013-2050 energy sector outlook is available on the National Energy Council website.

Revenues allocation from the extractive industry, from the central to local government, is exercised under a revenue sharing fund (DBH) mechanism, governed by law No. 33/2004 on Fiscal Balance. Local government is entitled to 15% share from the oil revenue and 30% share from the natural gas revenue as well as 0.5% special allocation (earmarked revenues) for compulsory education. There are also specific DBH schemes for special autonomy regions, i.e. Aceh, West Papua, and Papua provinces that are entitled to 55% and 40% additional sharing from oil and gas revenues, respectively. The local governments in Papua and West Papua provinces are required to allocate at least 30% of the revenues for education and at least 15% for nutrition improvement, while Aceh is required to utilize at least 30% for education. Extractive revenues from general mining distributes to local government amount to 20%. DBH realization and budgeting are available in LKPP attachment or Directorate General of Fiscal Balance website.

**The fifth section** in the contextual report addresses environmental and social responsibilities of extractive companies. Environmental responsibility in the oil and gas sector is governed by Government Regulation (GR) No. 35/2004 on fund allocation for post-operations of upstream businesses, while in MoEMR Regulation No. 7/2014 governs reclamation and post-mining guarantee in the mining sector.

In 2013, BPK conducted audit on the supervision on reclamation activities in mining concessions for 2013 to November 2014 period. The scope of audit was the Mining and Energy Office in the Karimun District. The audit concluded that the performance of supervisory duties on reclamation

**Graphic Extractive Industry Contribution to Indonesia's Economy**



Source: LKPP and Indonesia Statistics/BPS

5

activities carried out by IUP-holding companies have been inadequate to the extent that the progress of reclamation activities against an agreed plan could not be identified<sup>4</sup>. Meanwhile, companies obtaining legal status as Limited Liability Company (*Perseoran Terbatas/PT*) have the obligation to carry out social responsibility, which the amount of funds required has not been regulated. On the other hand, SOEs are required to implement community partnership and environmental development programs with fund allocation maximum 2% of their after tax earnings for each program category.

**The sixth section** in the contextual report discusses extractive industry overview and its contribution to Indonesia's economy. The discussion, among others, describes Indonesia's extractive industry contribution at global level, Indonesia production data and production values, production concentrated areas, development projects in the upstream sector of oil and gas industry, overview on mining exploration activities, extractive industry contribution to the GDP growth, extractive industry contribution to total export, and job creation.

In 2012, extractive industry contributed 11.8% to the total GDP and 11.3% in 2013. In several regions, mining sector plays a prominent role, namely in West Papua, Bangka Belitung, and East Kalimantan Provinces. Extractive industry contributes significantly to state revenues and national export; it contributed 30.6% of total state revenues in 2012, which increased to 31.4% in 2013. In terms of export, extractive industry accounted for 33.8% of the total national export in 2012 and 32.6% in 2013. Job creation in extractive industry contributed to the employment of 1.6 million people (1.4% of the total workforce) in 2012 and 1.5 million people (1.3% of total workforce) in 2013.

This section also takes a look at two studies regarding lost revenue potential, which may be caused by illegal trading and by IUPs that fail to meet Clean and Clear (CNC). The first study is a comparative study, which compares BPS consumption data with MoEMR production data. Drawing on data from a policy paper of a focused group discussion organized by Indonesian Coal Mining Association (*Asosiasi Pertambangan Batubara Indonesia/APBI*),

<sup>4</sup> Indonesia Audit Board, Ikhtisar Hasil Pemeriksaan Semester II tahun 2014, pg. 122

the study noted 56.3 million<sup>5</sup> tonnes of unverified coal production, suspected to be sourced from illegal trade. The second study is from Civil Society Coalition Againsts Mining Corruption that reports Rp1.3 trillion (US\$96 juta)<sup>6</sup> of lost revenue potential. The potential revenue is identified from PNB in 23 provinces due to IUPs failing to meet CNC criteria.

**The seventh section** in the contextual report highlights regulatory framework and practices of SOEs as well as financial relations between the government and SOEs. SOEs mentioned in this report are PT Pertamina (Persero), PT Aneka Tambang (Persero) Tbk., PT Bukit Asam (Persero) Tbk., dan PT Timah (Persero) Tbk. Financial statements of these SOEs are audited by independent auditors and are accessible for the public through their respective websites. This report focuses on concession ownership – for oil and gas and mining – change of ownership (if any), fuel subsidy mandated to Pertamina, and social responsibility of each SOE.

SOEs play fairly significant roles in Indonesian extractive industry. Operational areas operated by PT Pertamina (Persero) contributed an average of approximately 20% of the total national oil and gas lifting in 2012 and 2013. Meanwhile, mining SOEs contributed 7% in 2012 and 6% in 2013 of the total royalties paid to the central government. Moreover, extractive SOEs paid Rp9.2 trillion in dividend to the central government in 2012 which accounts for

30% of the total revenues from total SOE dividend – and Rp9.3 trillion in 2013, or 27% of the total state's revenues derived from SOE dividend. This part aims to provide clarity to the public regarding the role and contribution of extractive SOEs.

All information contained herein is sourced from the Implementing Team. This report also cites information readily and publicly available as well as data provided by the Implementing Team.

To conclude, this contextual report contains a wealth of information produced to give better understanding on Indonesian extractive industry, as background to reconciliation report, and eventually to promote better transparency and accountability of the management of Indonesian extractive industry.

<sup>5</sup> Data was not verified by Independent Administrator  
<sup>6</sup> Idem ditto

# ⇒ 01 OVERVIEW

7

Contextual Report 2015



Offshore - Kangean Energy

**E**xtractive 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. This report focuses on upstream activities and covers on oil, gas, minerals, and coal, which is in accordance to the definition of extractive industry under GR No. 26/2010.

This section describes the fundamental principles of Extractive Industries Transparency Initiative (EITI), background of EITI implementation in Indonesia since 2007, legal framework on information transparency, and transparency of state and subnational revenues from extractive industry.

### 1.1 EITI Overview

Extractive Industries Transparency Initiative (EITI) is a global standard that contains principles to promote transparency and accountability of natural resources management by requiring oil, gas, and general mining companies to disclose their payments to

the government, and the government to disclose the payments they receive from the companies. EITI aims to provide transparent information to the public in order to strengthen the system and increase trust to the government as well as related companies<sup>7</sup>.

EITI has two of the following fundamental concepts as<sup>8</sup> illustrated in Figure 1.

- **Transparency:** Extractive companies disclose their payments to the government and the government disclose what it receives. The numbers are reconciled by an independent team and the result is reported and published in the annual EITI report, complemented with contextual report on extractive industry.
- **Accountability:** a Multi-Stakeholder Group (MSG) comprising government, private company/state-owned enterprise/company (SOE), and civil society representatives is formed. Their involvement is required to oversee reconciliation process and in dialogue to resolve any issues with respect to EITI report findings. MSG is expected to increase transparency and accountability of extractive industry sector in a country.

The EITI International Standard is supervised by an international board that consists of government representatives from EITI implementing countries, supporting countries, civil society, industries, and companies<sup>9</sup>.

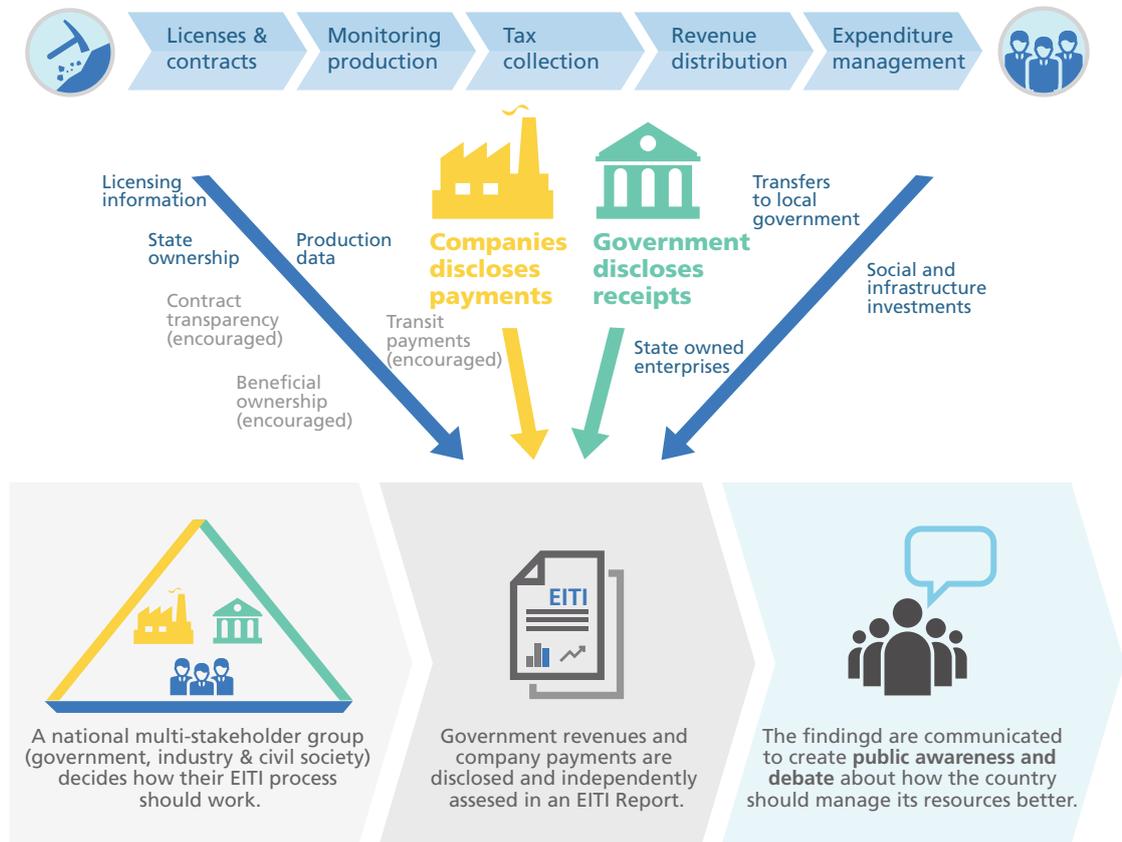
The benefit of EITI for the government is improved effectiveness and efficiency of extractive industry governance, so that all citizens may also gain

<sup>7</sup> <https://eiti.org/eiti>

<sup>8</sup> Coordinating Ministry for Economic Affairs of the Republic of Indonesia, Independent Administrator Appointment Contract, Appendix A, page 1

<sup>9</sup> <https://eiti.org/about/board>

Figure 1 EITI International Standard



Source: EIT Standard

benefit from state and subnational revenues contributed by natural resources. For companies, implementing EITI will give clarity of information and increase public's trust on their responsibilities in complying with all governmental regulations and policies on extractive industry. For communities and society at large, EITI provides reliable information so that public can demand accountable management of revenues from extractive industry.

To be an EITI candidate country, a country needs to go through 4 steps of application and publishes EITI report within 18 months after its acceptance as candidate country. To be an EITI compliant country, a candidate country needs to undergo 2.5 years of validation process. Cited from EITI website, August 2015 data, there are 48 EITI implementing countries, and 31 are EITI compliant countries.

Get more information on EITI Standard on <https://eiti.org/document/standard>

## 1.2 EITI Implementation in Indonesia

The initiative to implement EITI in Indonesia came in 2007 when Minister of Finance at the time, Sri Mulyani, expressed her support to EITI to a representative of Transparency International Indonesia. Having this support, KPK Deputy at the time, Erry Ryana Hardjapamekas, and KPK Deputy for Corruption Prevention, Waluyo, reviewed legal preparation process necessary to implement EITI. The Minister of Energy and Mineral Resources (MoEMR) further discussed Presidential Regulation needed for EITI. In 2010, President of Republic of Indonesia Soesilo Bambang Yudhoyono signed Presidential Regulation 26/2010 concerning transparency of state and subnational revenues from extractive industry.

In October 2010, Indonesia was officially an EITI candidate country after publishing two EITI reports; the first report covered 2009 data and second report covered 2010 and 2011 data. The reports contained details of reconciliation of state revenues paid by extractive companies in Indonesia.

Indonesia became EITI compliant country in October 2014 and was the first ASEAN country to receive the status. Nonetheless, the status is currently being deferred as Indonesia is lagging behind the publication and submission of EITI 2012 report, which was supposed to be published in 2014 in accordance with EITI International Standard point 2.2.

## 1.3 Legal Framework on Public Information Disclosure and EITI Implementation in Indonesia

### 1.3.1 Public Information Disclosure Law

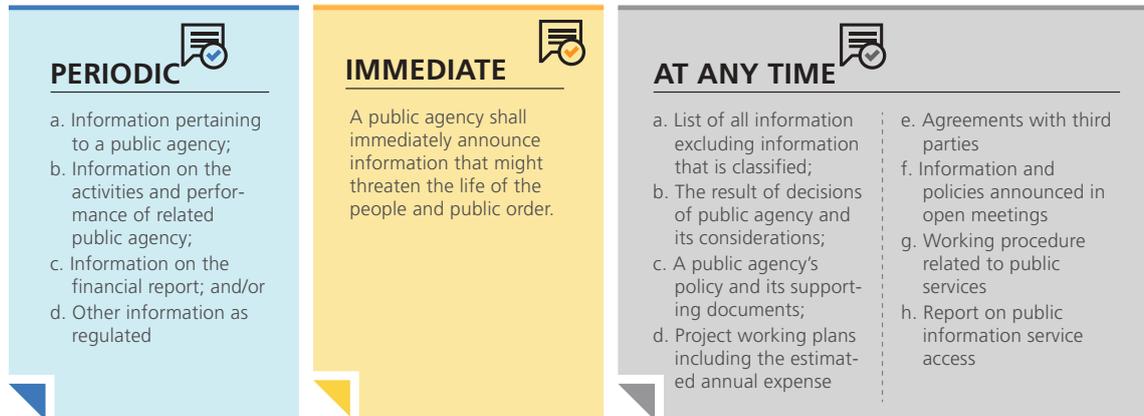
Indonesia promotes active role of public to take part in public policy decision-making processes through Law No.14/2008 concerning public information disclosure. Broadly, this law regulates the obligation of public agencies to provide public information to the society. Public agencies according to this law are executive, legislative, judicative bodies and other agencies funded by the

Figure 2 Milestone of Indonesia EITI Implementation



Source: Data analysis

**Figure 3 Public Information to be Supplied and Published**



Source: Law No. 14/2008

State Budget (*Anggaran Pendapatan dan Belanja Negara/APBN*) and/or the Regional Government Budget (*Anggaran Pendapatan dan Belanja Daerah/APBD*), such as SOEs or Regional-Owned Enterprises/Companies (ROEs), political parties, and other non-governmental organizations.

This Law stipulates the definition or types of information that must be disclosed to the public and information that may not be disclosed to the public (classified information). This law categorizes public information as information provided on periodic basis, information provided immediately, and information provided at any time (see Figure 3).

To support services relating to public information, a Public Agency appoints an officer responsible for the management of

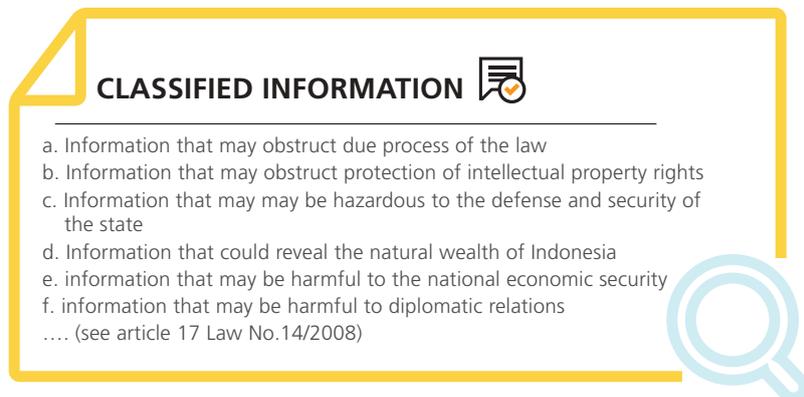
Information and Documentation (PPID). One the duties are to assess the consequence of disclosure to determine which information that needs to be classified (see Figure 4).

The consequence assessment is the assessment on potential results should an information is disclosed to the public.

In reality, disputes on public information dispute between a public agency and the user of public information frequently occur. In such event, the public may request to have the dispute settled with the Information Committee, pursuant to Law No.14/2008. The procedure to make the request is announced and is accessible on the website of Information Committee (<http://www.komisiinformasi.go.id/>)

**Figure 4 Classified Information**

Source: Law No.14/2008



### 1.3.2 Transparency of State and Subnational Revenues from Extractive Industry

Information transparency on state and subnational 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 state and subnational 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, the President's Advisor of Economic and Environmental Affairs, representing the public

Steering Committee formulates general policies, provides direction to Implementing Team, establishes the work plan of Transparency Team, and evaluates transparency with regards to state and subnational 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 Taskforce for Upstream Oil and Gas Business Activities in Indonesia (SKK Migas), PT Pertamina (Persero), subnational 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.

## ⇒ 02

# EXTRACTIVE INDUSTRY GOVERNANCE



*Production Facility - Kangean Energy*

This section covers discussion of governance legal framework that regulates Indonesian extractive industry, the duties and functions of government agencies in the extractive industry, and licensing system applicable in Indonesia extractive industry. In the last part, this section will present reform in extractive governance that was observed during the time this report was developed.

### 2.1 Legal Framework of the Extractive Industry

The 1945 Constitution, as the highest law in the Indonesian hierarchy of law, governs Indonesian natural resources management through Article 33 paragraph 3, which states: **“The land, the waters and the natural resources within shall be under the powers of the State and shall be used to the greatest benefit of the people.”** Pursuant to the verdict of the Constitutional Court (MK) in 2012, this article mandates the state to produce policies, to handle, regulate, manage, and

oversee natural resources and to perform the duties in integrated manner for the optimal welfare of the people.

Article 33 of the 1945 Constitution serves as the legal foundation of a number of laws applicable in the extractive industry, namely Oil and Gas Law 22/2001 and Mining Law 4/2009, and related regulations that will be described briefly below.

### 2.1.1 Legal Framework of Oil and Gas Industry

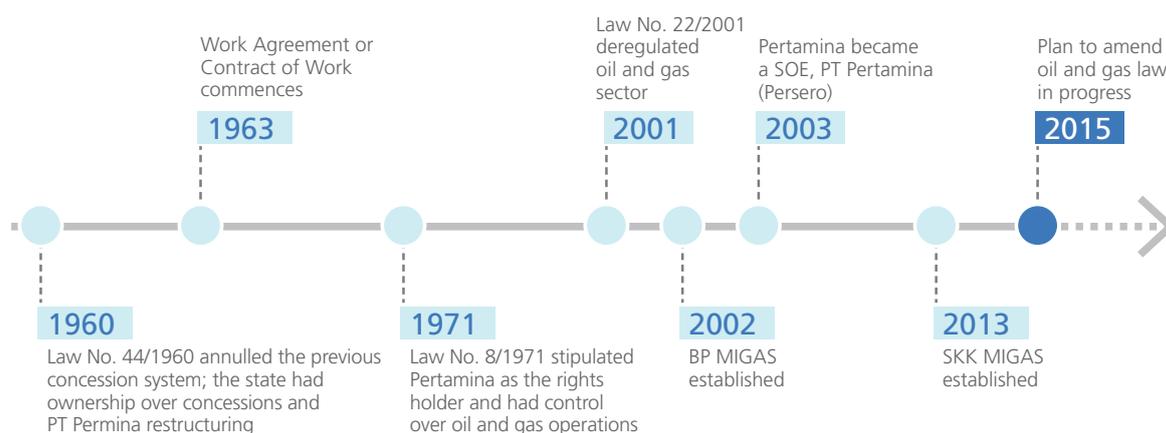
#### Historical Background

The implementation of Article 33 (3) of the 1945 Constitution with regards to oil and gas industry has seen a number of changes, both in terms of its conceptualization in the law and its implementation in the oil and gas business activities (see Figure 5). It started with the enactment of Law No.44/1960 that eliminated the ownership of contractors over concession

rights<sup>10</sup> according to this Law, only the state could explore and exploit the concessions, carried out by state-owned company. This law allowed private companies (including foreign companies) to conduct business activities under Production Contract, starting in 1963. Under Law 44/1960, contractors still had control over the management of oil and gas operations<sup>11</sup>.

Another development took place in Law No.8/1971 concerning State-Owned Oil and Gas Enterprises that strengthened the position of the state-owned company, Pertamina, as the rights holder of oil and gas exploitation. This law introduced Production Sharing Contract (PSC) scheme, where Pertamina owned management of oil and gas operations. Later, the government issued Law No.22/2001 that revoked Law No.44/1960 and Law No.8/1971. Law No.22/2001 is the current applicable law on oil and gas industry and regulates

Figure 5 Milestones of Oil and Gas Law



Source: Data Analysis

<sup>10</sup> At that moment Stanvac, Caltex dan Shell.  
<sup>11</sup> Benny Lubiantara, Ekonomi Migas: Tinjauan Aspek Komersial Kontrak Migas, (Jakarta: Grasindo,2012), pg. 42 .

the transfer of ownership of operational management and oversight from Pertamina to Upstream Oil and Gas Regulatory Body (BP Migas).

In the development, in 2013, Constitutional Court's verdict annulled the provisions concerning BP Migas under Law No.22/2001. Pursuant to the verdict, the government transferred the responsibilities of BP Migas to SKK Migas under the Minister of EMR.

At the moment, Law No.22/2001 is undergoing amendment process (see 2.4.1.1 Oil and Gas Law Amendment).

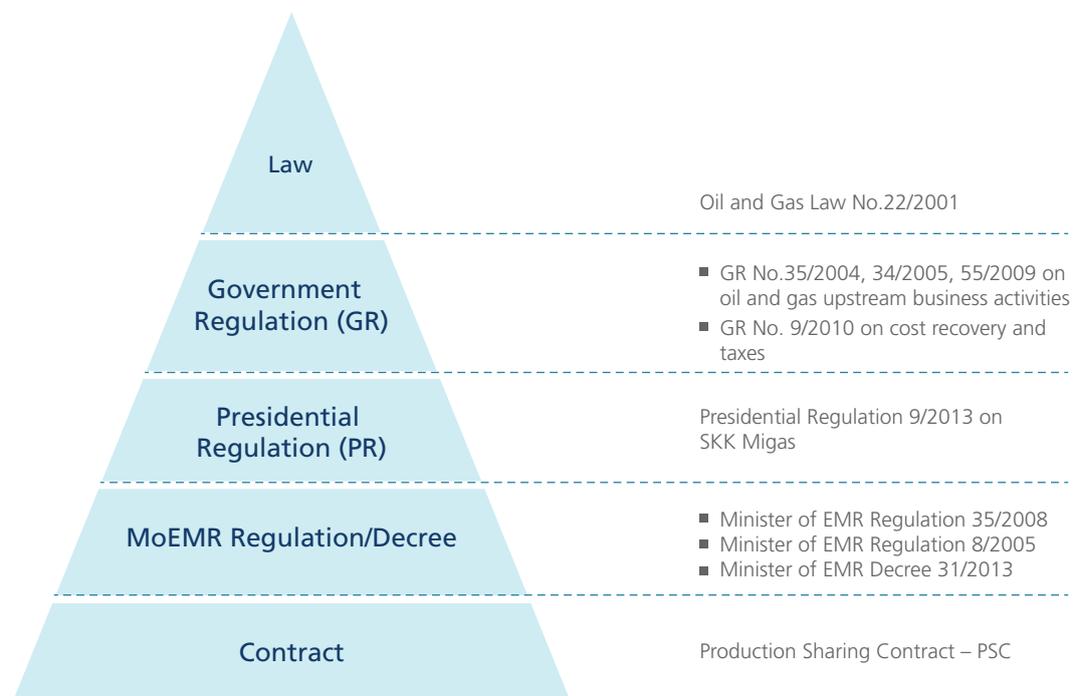
This next section describes provisions under the Law and implementing regulations in the oil and gas business. The hierarchy of the set of law is illustrated in Figure 6 below.

### Oil and Gas Law

Oil and Gas Law No.22/2001 affirms the sovereignty of the state over oil and gas mining activities, in which the operations are carried out by the government as rights holder, represented by an Implementing/Executing Body.

Upstream business activities according this Law include exploration and exploitation activities performed under a joint cooperation contract. Upstream business activities are carried out by a Business Entity or Permanent Establishment upon cooperation contract with Implementing Body. One business entity (BE) or permanent establishment (PE) may operate only 1 (one) working area (WA). BE or PE that operates more than 1 WAs must establish separate juristic entities for each working area (WA).

**Figure 6 Hierarchy of Oil and Gas Legal Framework**



Source: Data Analysis

The Minister of EMR decides which BE or PE that may conduct exploration and exploitation activities in WA.

The characteristics of PSC according to this Law among others are:

- Contract is valid for a maximum 30 years and can be renewed for maximum 20 years. Exploration period is maximum 6 years and can be extended for maximum 4 years;
- Oil and gas produced belong to the government until point of delivery;
- The control of operational management lies with Implementing Body (now SKK Migas);
- Obligation to meet national needs (DMO);
- Contractors bear the capital needs and risks

This Law also regulates a number of key principles that must be stated in a contract, including contract period. Sample of PSC is available at <http://leiti.ekon.go.id/draft-kontrak-pscl>.

### Implementing Regulations of Oil and Gas Law

#### Cost Recovery

Cost recovery is the reimbursement of operating costs for production. Operating cost is costs paid by contractors during exploration and exploitation phases as well as other costs allowed. Government Regulation (GR) No.79/2010 regulates requirements of recoverable cost, namely: 1) costs direct related with operational activities in contractors' operating area; 2) cost reflects reasonable price; 3) operations are carried out in compliance with good business and engineering practices and; 4) operational activities are in compliance with work and budget plan approved by SKK Migas.

Article 13 of GR No.79/2010 stipulates negative list of cost recovery, which contains cost components that do not meet the criteria of cost recovery. Cost recovery is audited by SKK Migas and government auditors (BPK, BPKP, and DG Tax)

#### NON-RECOVERABLE COSTS

- Personal expenses.
  - Formation and development of fund reserves, except mining closure and reclamation.
  - Assets acquired through grants.
  - Administrative penalty – interest, fine, and increase of administrative cost.
  - Biaya penyusutan atas barang dan peralatan yang digunakan yang bukan milik negara
  - Incentive, retirement plan payment, and insurance premium for personal and/or family needs
- .... (see Article 13 GR No.79/2010)



Source: GR No.79/2010

#### Income Tax and Uniformity Principle

One of the things that provisions under GR No.79/2010 emphasize is the concept of uniformity principle. It is an approach in calculating income tax that is based on total revenue and income costs calculation pursuant to provisions in PSC. As the result, income tax calculation of contractors is different than the general tax calculation. The main differences are:

- Revenue recognition is calculated using Indonesia Crude Price (ICP) or contract price for gas;

- Tax deductible costs is same as recoverable cost pursuant to contract and this GR;
- Tax loss from oil and gas sector can be carried forward until termination of contract, while Tax Law stipulates that fiscal loss can only compensated in 5 years.
- Basis of depreciation calculation on recoverable cost can differ than general tax regulations.

**Domestic Market Obligation - DMO**

According to GR No.79/2010, during production phase, contractors must set aside 25% of its share of oil and gas production for domestic market called Domestic Market Obligation (DMO). The government pays the volume of DMO that the contractors deliver at a price determined in PSC.

**Participation of Regional State-Owned Company (ROE)**

Under Article 34 to 35 of GR No.35/2004, contractors must offer 10% participating interest (PI) to ROE in its WA. This requirement

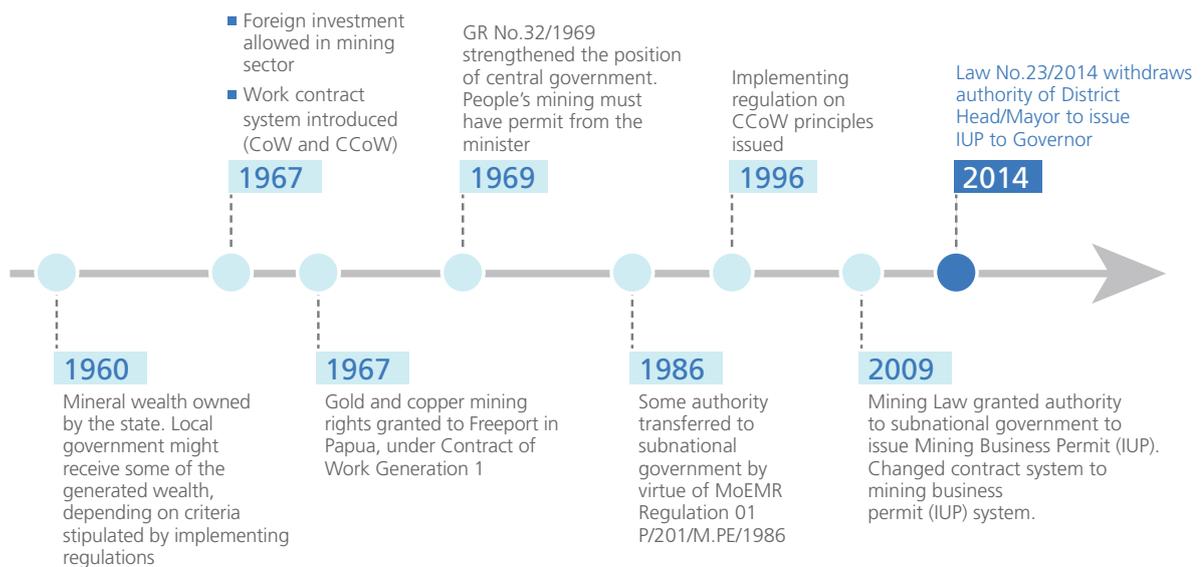
applies since the approval of plan of development (POD) by Minister of EMR. Interested ROE should pay 10% of the investment that contractors have disbursed for that WA. If no ROE comes forward due to financial incapability, contractors must make the offer to national companies.

**2.1.2 Legal Framework of Mining Industry**

**Historical Background**

The implementation of 1945 Constitution Article 33 (3) in the mining sector has experienced a number of changes (see figure 8). The changes started with the enactment of first Mining Law i.e. Law No. 37/1960 that stated that the wealth of mineral resources was national wealth controlled by the state. This Law also stipulated that the opportunity for local government to receive some of that mineral wealth would depend on the criteria put forward in implementing regulations. However, Law No.37/1960 was

**Figure 8 Milestone of Mining Law**



Source: Data Analysis

never enforced, until a new Law No.11/1967 was issued. According to Law No.11/1967, mining business granted to national or foreign companies was under mining rights (instead of concession) and used contract of work (CoW) mechanism, or coal contract of work (CCoW).

Figure 8 illustrates the milestones of regulations concerning mining industry and the dynamic of roles that the local government has been taking in mining sector.

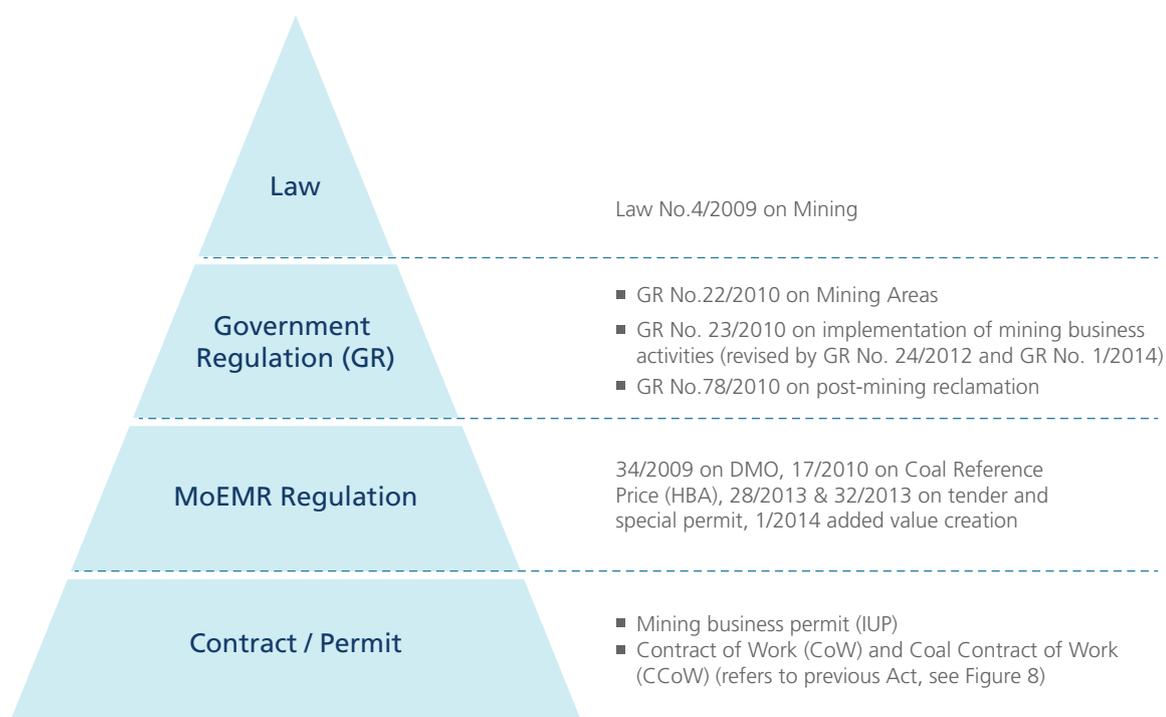
### Mining Law

Law No.4/2009 concerning coal and mineral mining states that minerals and coal are controlled by the state and managed by the government. In order to operate a mining area, a company needs to obtain license

issued by central and subnational government according to their respective authorities. One of the key points under this Law is the change of contract system into mining business permit system (IUP).

This Law also divides authorities of the central and subnational government, and provides more authorities to the subnational government in terms of IUP issuance as well as local policy formulation. These were not accommodated in previous mining laws.

**Figure 9** Hierarchy of Mining Legal Framework



Source: Data Analysis

Provisions under this Law that intend to secure national interest also include the obligation to use local content in mining operations, DMO, and obligation to conduct processing and refining works domestically (to create added value). It is also mandatory for foreign investors to divest their shares to Indonesian entities after five years of production.

Figure 9 illustrates the hierarchy of law and regulations in the mining sector.

### Mining Law Implementing Regulations DMO in Mining

Chapter VII of GR No.23/2010 stipulates on the prioritization of domestic needs for all mining companies. The provisions concerning DMO under the GR determine that:

- Minister of EMR decides the volume of DMO for both refining industry and for direct domestic consumption.
- Holder of Production IUP and Special Production IUP may only export minerals and coal after domestic needs are fulfilled.

### Selling Price Reference

MoEMR Regulation 17/2010 stipulates that the basis of monthly selling price of metal minerals for holders of Production IUP and Special Production IUP is a formula that refers to market mechanism and/or pursuant to the price applicable in the international market.

The government uses this price base as the lower threshold when calculating royalty to be paid to the government. If the selling price is higher than the benchmark price, the government will refer to the selling price. Conversely, if selling price is lower than benchmark price, the government will use benchmark price.

In 2012 and 2013 benchmark price lists published by the government were only available for coal. The benchmark price lists for steam (thermal) coal and cooking (metallurgical) coal are issued on monthly basis by the Mining Directorate General (DG Minerals and Coal), and are accessible on the DG's website (<http://www.minerba.esdm.go.id/>)

### Share Divestment Obligation

GR No.23/2010 mandates foreign investors to divest at least 20% of their shares to Indonesian entities after five years of production. The limit of national ownership has been increased to 51% and is gradually offered throughout the period of five years by virtue of GR No.24/2012. The following table lists minimum ownership of Indonesian entities starting from the sixth to tenth year of production:

**Table 1 Minimum Ownership of Indonesian Entity by Year of Production**

No	Production Year	Minimum limit of ownership of Indonesian entities
1	Year 6	20%
2	Year 7	30%
3	Year 8	37%
4	Year 9	44%
5	Year 10	51%

Source: GR No.24/2012

The share offering must be made by taking into account governmental hierarchy, starting with: central government, provincial or Regency/City government, by bidding to SOE/ROE, and national private companies. In the event that none of the Indonesian entities express their interest, foreign investors must perform the same process with the same parties in the following year.

The share divestment policy applies retroactively, which means it applies both for IUP in production before the issuance of this GR No. and for new IUPs<sup>12</sup>. In the meantime, divestment policy for holders of CoW and CCoW is currently under negotiation<sup>13</sup>.

#### Domestic Processing Obligation and Prohibition of Raw Mineral Export

As mandated by Law No.4/2009, mining companies must carry out their processing and refinement process of raw minerals in Indonesia. This provision aims to create added value of minerals and strengthened by implementing regulation GR No.23/2010 concerning the operations of mining business activities as well as MoEMR Regulation 7/2012 concerning added value enhancement. The regulations intend to improve Indonesia's domestic revenues and to protect the sustainability of mineral production, where only high-grade minerals can be exported without processing as well as limit small-scale mining that in general seek only short-term profit<sup>14</sup>.

However, until today, the government and business players are still negotiating and debating these provisions on domestic processing and refinement. A number of players cite their study results that state that the construction of domestic smelters where processing and refinement take place requires major investment and therefore would not be economically viable<sup>15</sup>. The government accommodated this debate by issuing MoEMR

Regulation 1/2004 that extended the time limit for smelter construction until 2017. It also allowed export for a certain volume and with minimum refinement standard. Complementing this regulation, a fiscal policy (duties and export tariff) was issued, stipulating progressive tax up to 20 to 60% until end of 2016 for raw mineral exporters (see MoF Regulation 6/2014).

### **2.1.3 Laws and Regulations Relating to Extractive Industry**

#### **Forestry Law**

Extractive operations frequently take place in forest area. Based on data cited from the Forestry Ministry, in 2012 there were 920 thousand hectares of forest used for extractive activities and 730 thousand hectares in 2013<sup>16</sup>. The legal basis used for the utilization of forest as mining area is Law No.41/1999 that divides forest utilization into three categories: conservation forest, protected forest, and production forest. This Law stipulates that mining activities can only take place in protected and production forests. However, in protected forest, mining operations are prohibited from carrying out open pit activities.

In order to use forest area, pursuant to GR No.24/2010 a mining company needs to obtain Principle License (IP) before it can acquire Borrow-to-Use License (IPP). IP is valid for two years and can be renewed, while IPP is valid until the end of its determined period or until mining contract terminates. Exploration activities do not require IP and can apply directly for IPP.

IP and IPP are issued by the Forestry Minister. However, if the utilization of forest area is deemed strategic and covers a significant area, the Minister must have approval from the parliament, the Indonesian House of Representatives (DPR). According to Forestry

<sup>12</sup> Rajah & Tann LPP, New Divestment Requirement For The Indonesia Mining Industry, 2012, pg. 2

<sup>13</sup> International Mining for Development Centre, Mining and Development in Indonesia: An Overview of the Regulatory Framework and Policies, <http://im4dc.org/wp-content/uploads/2013/09/Mining-and-Development-in-Indonesia.pdf>, accessed on 10 July 2015, pg. 28

<sup>14</sup> Sujatmiko (MoEMR), Indonesia's Effort In Maintaining Sustainable Mineral Development, presented at Seventh Multi-year Expert Meeting on Commodities and Development Geneva, 15-16 April 2015, pg. 7

<sup>15</sup> *Membangun Smelter Tidak Mudah*, in Halo Vale, April 2014 Edition, pg. 16

<sup>16</sup> Forestry Ministry, Forest Statistics 2013, 2014, pg. 24.

Minister Decree P.18/Menhut-II/2011, a strategic project and project that covers significant scope of area is mining project within Special Mining Business Area (WUPK) under the State Reserve Area (WPN).

Data on the number of IPPs issued for mining exploration and production is accessible under Forestry Statistics document <http://www.dephut.go.id/index.php/news/statistik/kehutanan>.



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Table 2 Type of Forest and Mining Activities

Type of Forest Utilization	Mining Activities	Type of Permit	Permit Issuer
Conservation Forest		Prohibited	
Protected Forest	Prohibited for open-pit mining <sup>17</sup>	- Principle License (exploration phase)	Forestry Minister
Production Forest	Can be utilized according to permit	- Borrow-to-Use License (exploration and exploitation)	- Forestry minister and - DPR, if within WPN

Source: GR No.24/2010

Based on report from Civil Society Against Mining Corruption there are 274 IUPs operating in conservation forest areas and another 274 in protected forest areas. The report also shows that the majority of IUPs in conservation forest are located in Central Sulawesi, 105 IUPs, followed by East Kalimantan with 62 IUPs<sup>18</sup>.

License Moratorium on Forest and Peat Land Utilization

In 2011, the government enacted license moratorium on forest and peat land utilization by virtue of Presidential Instruction 10/2011. The moratorium has been extended two times by virtue of Presidential Instruction 6/2013 and Presidential Instruction 8/2015. However, the moratorium is not applicable for physical activities in the geothermal sector, oil and gas, power, and agricultural utilization of rice and sugarcane.

**Types of Businesses and Foreign Investments in the Extractive Industry**

Types of Businesses in Extractive Industry

For companies to operate in the upstream sector of oil and gas industry, they must have obtained status as juristic person, whether Indonesian or foreign. For foreign companies, they must be permanent establishment according to Indonesian law, while Indonesian companies are commonly limited liability companies (PT).

For mining companies, the legal status is based on Specific Mining Working Area (WIUP) (See Table 13).

<sup>17</sup> Presidential Decree 41/2004 allowed 13 mining companies to operate open pit mining in protected forests.

<sup>18</sup> Civil Society Coalition Againsts Mining Corruption, Indonesia's Mining Sector: Leaking revenues and clearing forests, <http://pvyp-indonesia.org>, accessed on 21 August 2015.

**Regulation on Foreign Investment in Extractive Industry**

Through Presidential Regulation 29/2014, the Gol regulates business sectors closed and open for foreign investors, including businesses under the oil and gas industry, as shown in Table 3.

**Table 3 Types of Oil and Gas Business Activities in Investment Negative List**

Type of Service	Foreign ownership (maximum)
Oil and gas construction services	
Platform	75%
Spherical tanks and subsea pipeline	49%
Production installation and land pipeline installation	Closed
Horizontal/Vertical tanks	Closed
Oil and gas marketing onshore	Closed
Survey	49%
Offshore drilling	75%
Onshore drilling	Closed
Supporting services	Closed

Source: Presidential Regulation 39/ 2014

**Regulation on Foreign Employment in Extractive Industry**

MoEMR Regulation 31/2013 regulates foreign employment for oil and gas upstream activities. This regulation stipulates technology, knowledge, and skill transfer from foreign employee to local hire.

The regulation also stipulates certain positions that may not be held by foreign employees, namely:

- a. Human Resource;
- b. Legal;
- c. Health and Safety Environment (HSE);
- d. Supply Chain Management;

- e. Quality Control, including Inspection;
- f. Positions below the level of superintendent or equivalent levels.

Foreign employee must also have educational background that is compatible with work qualification, has at least 5 years of professional experience, and must be between 30 to 55 years of age, with the exception of employment for the following posts or specific conditions:

- a. Director or Company leader;
- b. Commissioner;
- c. Foreign employee under international employment exchange;
- d. Foreign employee with specific skillset.

The regulation also describes the procedure to submit Foreign Employment Plan (RPTKA) to be approved by the DG of Oil and Gas. If a company fails to carry out this procedure, the costs of employing the foreign worker will not be recoverable.

In mining sector, there is no specific regulation concerning foreign employment. However, IUP holders must submit request of foreign employment to the Minister of EMR (Article 86 GR No.23/2010).

**Environmental Regulations in Extractive Industry**

To prevent adverse impacts of mining activities to the environment, the Government by virtue of Law No. 32/2009 on the environment mandates that all businesses and/or exploitation operations on natural resources to obtain Environmental Impact Assessment document (AMDAL). AMDAL covers Presentation of Environmental Information, Presentation of Environmental Evaluation, and Terms of Reference (TOR) to develop Environmental Evaluation Study. Mining companies are also required to acquire environmental permit issued by Minister, or Governor or Regent/ Mayor in accordance with their respective authorities.

For mining companies, the Mining Law and GR No.78/2010 are the legal instruments that govern and mandate all IUP holders to submit reclamation and post-mining plans. Following the end of exploitation phase, the mining company must execute the plans. To ensure that reclamation and post-mining plans are implemented, IUP holders must also allocated reclamation and post-mining guarantee reserves.

The main goals of reclamation and post-mining activities are to reorganize, restore, and improve the quality of environment and ecosystem in mining areas and their surroundings so that they can regain their functions. The main principles of these activities are protection of surface water quality, groundwater quality, seawater quality, and quality of soil and air in mining areas, which must meet healthy level according to environmental quality standards stipulated by regulations.

For oil and gas companies, Article 36 of GR No.35/2004 regulates the obligation of contractors to set aside fund for upstream activities post-operation. This fund is reserved at the stage of exploration and must be agreed by the contractor and the regulatory body (currently SKK Migas). This obligation is further described in BP Migas Decision Letter Number KEP-0139/BP00000/2010/S0 concerning Operating Procedure of Abandonment and Site Restoration.

### Energy Law and National Energy Council

#### Energy Law No. 30/2007

Energy Law contains provisions concerning the management of energy sector in order to achieve energy security, independent energy management, and environmental sustainability.

This Law also stipulates the establishment of National Energy Council (NEC), which is tasked to, among others, formulate national energy policy and oversee the implementation of cross-cutting energy policies.

#### National Energy Policy

National energy policy has been legally enacted as GR No.79/2014. Its key features are:

- a. Energy availability for national needs;
- b. Energy development priority;
- c. Utilization of national energy sources;
- d. National energy reserves

This GR also regulates the mix of primary energy that Indonesia is aiming for by 2025 and 2050. Figure 2 and 3 illustrate the composition of energy mix.

## 2.2 Duties and Functions of Relevant Government Agencies in Extractive Industry

The following section describes government agencies and their duties and functions in the extractive industry:

### 2.2.1 Ministry of Energy and Mineral Resources (MoEMR)

The MoEMR formulates national, implementation, and oversight policies in energy and mineral resources. Its main duty is to the national ensure energy and mineral security by taking into account environmental sustainability, asset management of energy and natural resources, and to evaluate the performance of this sector<sup>19</sup>.

The MoEMR has four directorates, each focuses on: oil and gas, minerals and coal, electricity, and new and renewable energy, and energy conservation. There are units

<sup>19</sup> MoEMR, Renstra KESDM 2015-2019, pg. 107.

within the organizational structure of MoEMR, namely: General Inspectorate, Geological Unit, Research and Development Unit, and Education and Training Unit.

#### 2.2.1.1 Directorate General of Oil and Gas (DG Oil and Gas)

DG Oil and Gas is responsible to formulate and execute policies as well as to develop technical standardization. It is also responsible to:

- Define lifting plan for the following year by producing areas and governmental administration, and to reconcile/calculate lifting realization on periodical basis together with local producing regions;
- Offer oil and gas WA and award winners;
- Define fuel price subsidy policy.

#### 2.2.1.2 Directorate General of Minerals and Coal (DG of Minerals and Coal)

DG of Minerals and Coal is responsible to formulate and execute policies as well as to develop technical standardization. It is also responsible to:

- Increase national mineral and coal supply to secure availability;
- Promote economic price for coal to develop coal energy;
- Develop national capabilities to process minerals and coal;
- Enhance mineral value.

#### 2.2.1.3 Special Taskforce for Upstream Oil and Gas Business Activities (SKK Migas)

SKK Migas is an institution established by the GoI by virtue of Presidential Regulation 9/2013 concerning the Implementation of Oil and Gas Upstream Activity Management. This institution was formed following MK decision in 2012 that stated that the Regulatory Body of Oil and

Gas Upstream Business Activities (BPMIGAS) under Law No. 22/2001 contradicted the 1945 Constitution. The consequence of this decision was the transfer of BPMIGAS' roles and responsibilities to the Government, or the MoEMR in this regard. SKK Migas is intended as a temporary institution until a permanent body is established and is assured by the law, i.e. the new Oil and Gas Law (see 2.4.1.1 Oil and Gas Law Amendment).

SKK Migas is assigned to manage the upstream oil and gas business activities under a Cooperation Contract. The establishment of this institution is purposed that the exploitation of the state's oil and gas natural resources will be able to generate maximum benefits and revenue to the state for the greatest welfare of the people. In performing those tasks, SKK Migas performs the following functions:

- to provide inputs for the consideration of the Minister of EMR at its discretion in preparing and offering the bidding round of Working Areas and Cooperation Contract;
- to execute Cooperation Contracts;
- to review and submit the plan of field development to be the first production in a Working Area to Minister of EMR for obtaining approval;
- to grant approval for development plan other than as referred to in previous point;
- to grant approval for the work programs and budget;
- to conduct monitoring and to administer report to Minister of EMR on the performance of the Cooperation Contracts; and
- to appoint sellers of oil and/or gas of the state entitlement that may generate maximum profits to the state.

## 2.2.2 Ministry of Finance (MoF)

Policies of the MoF have direct implication on the upstream activities of extractive industry, especially in taxation, customs, and excise. In terms of the managing state wealth and Indonesia state budget, the ministry is responsible to manage state revenues from extractive industry, acts on behalf of the government to stipulate investment policy as well as dividend for and from extractive SOEs, and to manage distribution of natural resources-generated state revenues to subnational government.

### 2.2.2.1 Directorate General of Tax (DG Tax)

The responsibilities and functions of DG Tax are described in the Regulation of the Minister of Finance Number 184/PMK.01/2010. Broadly, DG Tax is responsible to formulate and implement policies as well as technical standardization in taxation, including taxation of extractive industry. At the beginning of fiscal year, DG Tax is also responsible to prepare forecast of tax revenues for DG Budget, endeavor to achieve tax revenue target, monitor calculation and movement of actual revenue against estimate, and to carry out reconciliation at the end of the period. In terms of distributing tax revenues, DG Tax coordinates with DG Fiscal Balance.

### 2.2.2.2 Directorate General of Budget (DG Budget)

DG Budget is mainly responsible to formulate and implement policies as well as technical standardization in budgeting. At the beginning of fiscal year, DG Budget, through one of its sub-directorates namely the APBN Formulation Directorate, coordinates the formulation of revenue and budget projection with related agencies. This process is part of the State Revenue and Expenditure Budget formulation that the government will submit and negotiate

with the DPR. The projection of state revenues include revenues from extractive industry, such as (i) tax revenues from oil and gas and non-oil and gas sectors; (ii) non-tax state revenues (PNBP) from oil and gas and non-oil and gas sectors; and (iii) extractive industry dividend. Expenditure projection also takes into account expenditures of the extractive industry with regards to revenue sharing fund from natural resources. The main role of DG Budget lies in its responsibility to formulate and implement policies as well as technical standardization in budgeting. According to Long-Term Development Plan (RPJM), fiscal policies are focused to balance increase of budget appropriation and fiscal sustainability by augmenting state revenues and maintaining efficiency of expenditures, whilst aiming for reducing budget deficit.

### Directorate of Non-Tax State Revenue, Directorate General of Budget (Dir.Non Tax.- DG Budget)

Dir. Non Tax is one of the directorates under DG Budget. It is responsible to formulate and implement policies as well as technical standardization in non-tax revenue and subsidy. With regards to the extractive industry, this directorate is responsible to prepare planning and realization plan as well as to monitor non-tax revenue and taxes generated by the oil and gas sector under PSC as well as extractive industry-generated dividend. Dir.Non Tax.- DG Budget coordinates with SKK Migas, DG Oil and Gas -MoEMR, and Ministry of SOE in formulating planning and realization plan. This directorate also identifies natural resources-generated non-tax revenue by oil and gas company as data for the DG Fiscal Balance in allocating revenue sharing fund (DBH) from oil and gas resources.



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### 2.2.2.3 Directorate General of Fiscal Balance (DG Fiscal Balance)

DG Fiscal Balance is mainly responsible to formulate and implement policies as well as technical standardization in fiscal balance between central and subnational government. DG Fiscal Balance plays an important role in the process of formulating standards, norms, guidelines, criteria, and procedures of fiscal balance between central and subnational government. In terms of its coordination with MoEMR and DG Budget, DG Fiscal Balance is the party that verifies and reconciles realized revenues as basis to calculate quarterly transfer of remaining funds. Through DG Fiscal Balance, the government expects the technical policies and standardization of central and subnational government fiscal balance are in line with the government's financial roadmap.

### 2.2.2.4 Directorate General of Treasury (DG Treasury)

DG Treasury is responsible to formulate and implement policies as well as standards, norms, guidelines, and procedures with respect to the state's treasury needs. The DG Treasury is the government agency responsible for the

state revenue accounts, including revenues generated from the extractive industry. The money received is confirmed and reconciled with other, related agencies such as the DG Budget, DG Fiscal Balance, and other relevant directorates under the MoEMR as part of the process to monitor realization of extractive industry-generated revenues.

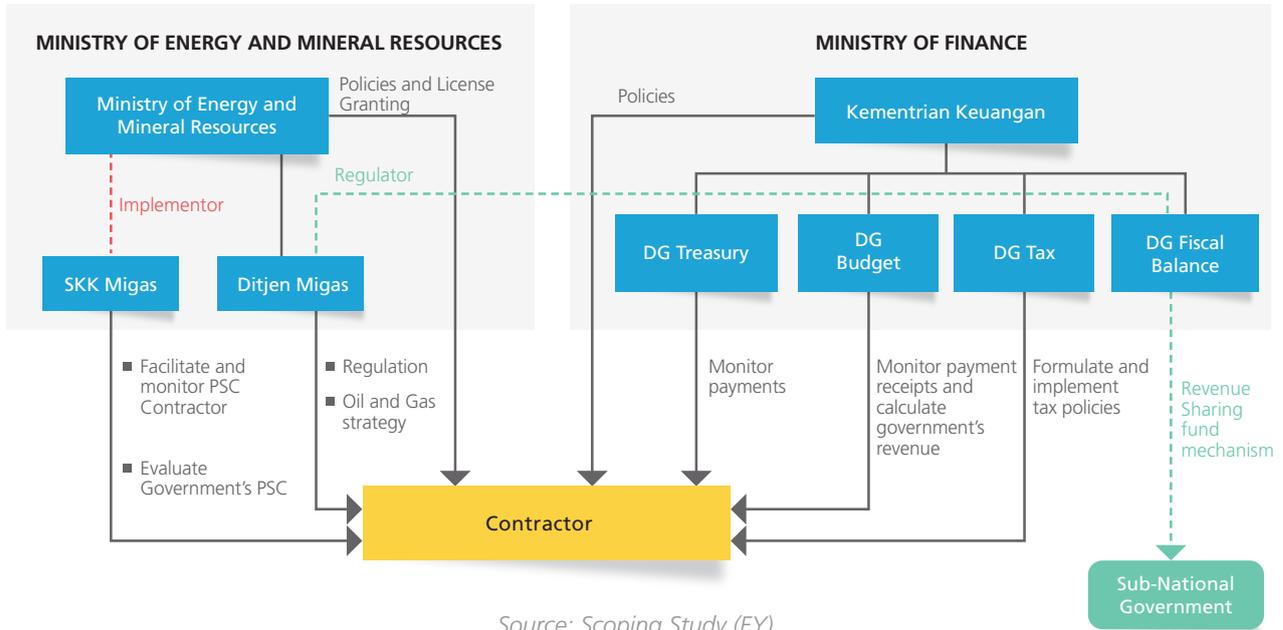
### 2.2.3 Ministry of Environment and Forestry

With regard to the extractive industry, the Ministry of Environment and Forestry has a role to issue exploitation licenses for extractive activities taking place in forest areas. The Ministry is also responsible to manage and control the utilization of forest in that respect.

### 2.2.4 Subnational Government

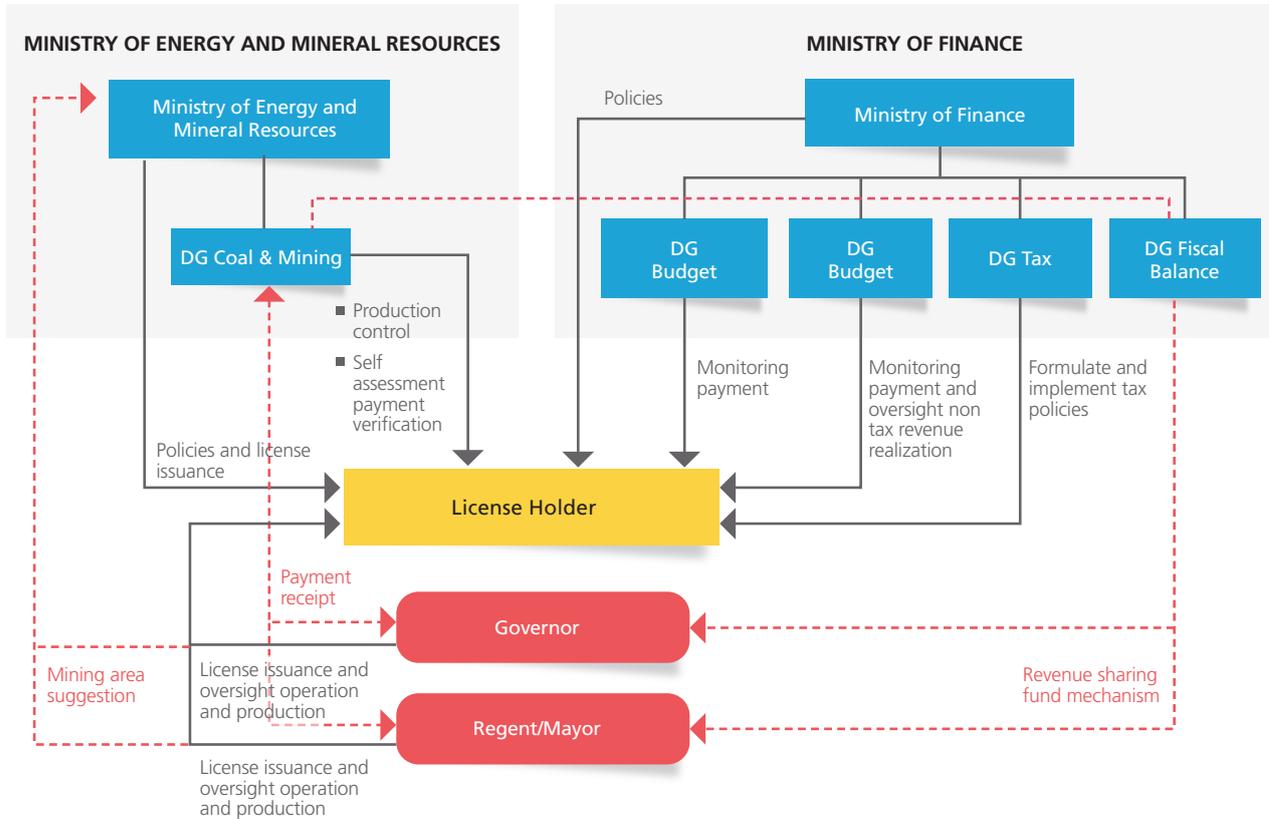
In extractive industry, the role of the subnational government is to manage and regulate licenses of extractive areas. Subnational government also coordinates with DG Fiscal Balance in the allocation of DBH from central government for extractive industry-generated revenues in their respective regions.

Figure 10 Roles and Responsibilities of Government Agencies in Oil and Gas Sector



Source: Scoping Study (EY)

Figure 11 Roles and Responsibilities of Government Agencies in Mining Sector



Source: Scoping Study EY

## 2.3 Extractive Industry Licensing System

### 2.3.1 Contracts in Oil and Gas Sector

#### Production Sharing Contract – PSC

Production Sharing Contract (PSC) is the common contract for upstream business activities in oil and gas sector. Under this contract, the state is the owner and rights holder of oil and gas resources. This contract also stipulates the distribution of production (in-kind) between the GoI and contractor. Contractor bears risks and costs of exploration and development; if the exploration fails to discover oil and gas deposits (dry hole), or discover economically nonviable deposits, all costs incurred during exploration stage are borne by the contractor.

Conversely, if an exploration project is successful, the production will be distributed between the government and contractor. The distribution split is agreed in PSC. Figure 20 illustrates PSC cash flows and describes PSC fiscal instruments. Gross Revenue, i.e. lifting volume of oil/gas is multiplied with oil price (based on ICP)/gas price (based on contract price) less First Tranche Petroleum (FTP, investment credit, and cost recovery. The remainder (“equity to be split”) is divided between the government and contractor according to the split agreed in PSC. In general, the division between government and contractor after tax is 85:15 for oil and 70:30 for gas (Table 16 showcases sharing with different percentage than previous PSC generations). Taking into account DMO, contractor could receive lower value than the percentage stipulated in contract.

#### Joint Operation Body – JOB

A number of applicable PSCs are implemented as Joint Operation Body (JOB-PSC), an agreement between the government and

contractor, i.e. Pertamina and other contractor, whereby Pertamina has 50% ownership in the JOB. Under JOB, a joint operating body that consists of Pertamina and contractor’s representatives performs operational activities. Pertamina and the contractor jointly agree on budget and together they develop work plan as well as rules/policies. At the end of JOB period, the contract can be returned to the government, which will determine the next operator.

PSC is awarded following a bidding round, or can be a result of direct offer in which the Minister of EMR determines the winning party.

### 2.3.2 Licenses in Mining Sector

Pursuant to Law No.4/2009, operations in mining sector are carried out under Mining Business Permit (IUP) system, classified into the following categories based on the area where the operations are performed:

1. **Mining Business Permit (IUP)** granted for mining activities in WIUP, specified into:
  - a. Exploration IUP
  - b. Production Operations IUP
2. **People’s Mining Permit (IPR)** granted for mining activities in people’s mining concessions (WPR), with limited area coverage and investment.
3. **Special Mining Permit (IUPK)** granted for mining activities in special mining concessions (WIUPK).

Pursuant to Law No. 4/2009, the following government agencies have the authority to issue exploration and production IUPs:

**Table 4 Authority to Grant Exploration and Production IUPs Based on Law No.4/2009**

Issuer	Exploration IUP	Operations Production IUP
	Mining Area	Mining Area and Territorial Impact
Minister	Within more than one province	Concession located in and affected more than one province
Governor	Concession located cross-Regency/City in one province	Concession located and affected cross-Regencies/Cities in one province
Regent/Mayor	Concession located in one Regency/City	Concession located and affected one Regency/City

Source: Law No.4/ 2009

Meanwhile, IPR is issued by Regent/Mayor and IUPK by Minister of EMR. IUPK is granted regardless of the geographical location.

With the issuance of Law No.23/2014 concerning Subnational Government, Regent/Mayor no longer has the authority to issue IUP as the table above showcased. According to the new law, the authority to issue IUP now lies with Governor and Central Government. Provincial Government has the authority to delineate Areas for Mining Business Permit (WIUP) in their respective territory, while cross-province mining areas and mining businesses with involvement of foreign capital investment are under the authority of central government, represented by the MoEMR. However, at the time this report is developed, implementing regulations for the new law have not been enacted.

Early 2012, DG Minerals and Coal issued a circular on IUP moratorium by subnational government. In 2012-2013, the Central Government also did not issue any IUP.

Given the situation in mining business permit system, CoW and CCoW as contract instruments under the Mining Law are still applicable until the end of their validity period. CoW and CCoW contracts signed before the enforcement of GR No.23/2010 (as implementing regulation of Law No.4/2009) are also valid until its termination.

CoW and CCoW that have never been renewed or have not undergone second renewal can be renewed into renewed IUP without bidding round (Article 112, GR No.23/2010).

#### Renegotiation of CoW and CCoW

Article 169 of Law No.4/2009 stipulates that the provisions in CoW and CCoW have to be aligned with the current Law. Today, the Gol is still renegotiating CoW and CCoW. Some strategic issues arising in the negotiation are:

**Table 5 List of Strategic Issues in Mining Contract Renegotiation**

Strategic Issue	Description
Working Area	Companies must submit long-term work plan until end of contract period
Continuity of mining operations	Application to continue mining operations must be submitted 2 years before contract ends; application is submitted for IUPK for a period of 2x10 years.
State revenues	Corporate Income Tax nailed down; royalty and other taxes follow prevailing laws and regulations.
Obligation for processing and refining	Companies must conduct their processing and refining operations domestically
Divestment obligation	51% divestment (upstream), 40% divestment (upstream and downstream/refining), 30% divestment (integrated: upstream, downstream/refining, deep pit)
Obligation of local hire and local content of goods and services	Companies to prioritize hiring local employees and to procure local goods and services

Source: DG Minerals and Coal

## 2.4 On Going Reforms in Governance of Extractive Industry

### 2.4.1 Changes of Governance in Oil and Gas Sector

#### 2.4.1.1 Oil and Gas Law Amendment

##### Background

Amendment of Oil and Gas Law has been proposed since 2008 through a decision letter issued by the parliament's Special Inquiry Committee on Fuel. The amendment of this Law has become even more pertinent considering the annulment of a number of articles thereunder by the MK (see section 2.2.1.3 on SKK Migas), resulting in constitutional weaknesses in the management of oil and gas industry.

The last national legislation program has stated that the Oil and Gas Bill was an initiative of the DPR and slated to be completed in 2015. However, this year, the government took the initiative to take over the drafting of the amendment given that DPR has not started to draw up the new Oil and Gas Bill.

##### Main Topics in Oil and Gas Bill (Government-Drafted)

The draft of Oil and Gas Bill that is currently widely circulated in the public is a version of the MoEMR. Some of the key topics covered in this Bill with regards to upstream business activities are:

- a. The government has the ownership over natural resources up to delivery point
- b. Upstream business activities are carried out with upstream business permit from the government;
- c. Establishment of Special SOE – an SOE granted with upstream business permit to cooperate with a third party and to act as the controlling management;
- d. Pertamina's position:
  - Pertamina is entitled to its own upstream business permit. Other entities or Permanent Establishments (PEs) must have cooperation contract with the Special SOE;
  - WA offering shall be performed in tier and the first offer is reserved for Pertamina;
  - WA renewed for the second time will be granted to Pertamina;

- e. Establishment/appointment of an Supporting Business Entity (aggregator), comprising (i) National Oil and gas and Fuel Aggregator; (ii) National Gas Aggregator to fulfill domestic needs;
- f. Pertamina and Special SOE must sell entire oil and gas produced to the Aggregators on the basis of economic prices of field development;
- g. Permit issued by the government is valid for 30 years and can be renewed for another 20 years;
- h. Exploration period is 10 years.

The main provisions above are draft version and it is highly likely to change as the discussion progresses. In June 2015, citing DPR website, the draft was under phase of "Academic Paper preparation and Bill drafting", which means it was still in the phase of garnering feedback, input, and discussions around the substance of the law to formulate, change, or replace the law.

One of the main topics that this Law proposes is to change SKK Migas into Special SOE, and the reasons for this are twofold: first, Special SOE is mandated in MK's verdict to allow the government to carry out direct measures of management in order to generate the greatest benefit for the people. Second, the Government intends the Special SOE to access banking financing to accelerate exploration activities, pledging its asset as collateral<sup>20</sup>. However, according to a number of business players, the presence of Special SOE will limit contractors' role as solely fund and technology providers, while control of operations will lie with the Special SOE as the owner of concessions<sup>21</sup>.

Another issue is the validity period of PSCs signed prior to the amendment of the Act, which have not been stipulated in the draft. At this moment, the government is still compiling

input and suggestions from various related parties, including business players, in order to have business and management perspectives that adhere to 1945 Constitution.

#### 2.4.1.2 Establishment of Aceh Oil and Gas Regulatory Body (BPMA)

In 2015, the central government issued GR No.23/2015 concerning joint management of oil and gas resources in Aceh between the central government and Aceh provincial government. To that end, the central and provincial government plan to establish Aceh Oil and Gas Regulatory Body (BPMA). The status of this body is a governmental body under the minister and reports to the Minister and Governor. It is also a not for profit body, and shall serve the following roles:

- a. Represent Aceh in negotiation of oil and gas contracts in Aceh
- b. As signatory to PSC
- c. Review first plan of development of an operating area
- d. Submit result of review to minister
- e. Authority to approve subsequent development plan
- f. Authority to approve Work and Budget Plan of Business Entity/Permanent Establishment
- g. Monitor and report performance of PSC to the minister and governor
- h. Recommend oil and gas traders that can provide optimum benefit for the state

The structure of BPMA consists of: Head of BPMA, Supervisory Commission, and Implementing Units. The Supervisory Commission consists of 3 persons representing central government, provincial government, and society with competence in oil and gas sector. The implementing units consist of 5 units, each with 3 sub-units at most. The BPMA is to be funded by the State Budget.

<sup>20</sup> Petromindo, OGE Asia, April 30-May 30 2015, pg. 54-55

<sup>21</sup> Kevin O' Rourke, Reformasi Weekly Review, 10 April 2015. h. 11

PSC holders selected to carry out upstream business activities in Aceh must sign contract with BPMA; copy of signed contract will be submitted to central parliament and Aceh local parliament.

State revenues from Aceh's upstream activities are tax and non-tax revenues:

- Share of PNBP: 70% for the central government and 30% for Aceh government.
- Signature bonus from PSC: 50% for the central government and 50% for Aceh government
- Production bonus from PSC: 50% for the central government and 50% for Aceh government

At the time of the enforcement of this PP, SKK Migas is continuing its duties, guiding role, and oversight on contractors in Aceh until BPMA is established. Once BPMA is established, all rights, obligations, and consequences arising from contracts between SKK Migas and PSC Holders in Aceh will be transferred to BPMA.

## 2.4.2 Governance Improvement in Mining Sector

### 2.4.2.1 One Map Policy and Minerba One Map of Indonesia (MOMI)

#### One Map Policy

##### Background

One Map Policy (OMP) initiative was driven by the inconsistency of mapping by ministries/institutions and/or subnational government. The differences are mainly caused by different mapping standards, e.g. classification of geographical object, scale, and geo-reference. In addition, government agencies develop their own thematic maps as they need and as the result there is lack of coordination. Moreover, there are at least 3 ministries that by law can develop thematic maps, namely

Ministry of Forestry, MoEMR, and subnational government.

The result of this inconsistent mapping is overlap of land ownership, overlap of mining licenses, and lack of control over land use change<sup>22</sup>. Without a single map that can provide uniformed reference, grafts perpetrated by Head of subnational governments, such as in the change of land use, may frequently occur.

#### One Map Policy - OMP

Under Law No.4/2011 on geospatial information, OMP is a policy to use single reference, single set of standards, single database, and single map geo-portal for many kinds of land needs – forestry, roads, mining, agrarian, property, to indigenous area mapping. The goal of OMP is to integrate geospatial data between agencies. By using accurate and updated data, effectiveness of public policies is expected to increase. The Geospatial Information Agency (BIG) is appointed as the coordinator of OMP implementation. BIG is to coordinate with all related agencies in terms of land mapping, both with government and private/community institutions.

#### Current Status

Today, BIG has completed small-scale Basic Geospatial Information (IGD) map of 1:250,000. This map accommodates the entire territory of the Republic of Indonesia and contains geodetic control network as well as base map. Meanwhile, large-scale map of 1:25,000 covers only South Sulawesi at the moment. The target for 2015 is to complete Sumatera, Central Kalimantan, North Sulawesi, Central Sulawesi, West Sulawesi, Southeast Sulawesi, Gorontalo, and Papua. Large-scale 1:25,000 map for Java Island has been completed, but requires update<sup>4</sup>. In March 2015, four ministries signed memorandum of

<sup>22</sup> CNN Indonesia, KPK Minta Menteri tertibkan Izin Usaha Lahan, <http://www.cnnindonesia.com/nasional/20141115003841-12-11650/kpk-minta-menteri-tertibkan-izin-usaha-lahan/>. accessed on 21 July 2015.

understanding with BIG concerning Thematic Geospatial Information (IGT). The ministries are: Agrarian and Spatial Planning Ministry, Environment and Forestry Ministry, Agriculture Ministry, and Marine and Fishery Ministry.<sup>7</sup>

### Minerba One Map Indonesia (MOMI)

#### Background

It is estimated that 30% of IUPs issued today have land overlap problems<sup>8</sup> as the result of inconsistent extractive industry geospatial data managed by government agencies at central and subnational level. Data inconsistency is also caused by absence of mining management report from subnational to central level driven by the perception of decentralization in mining sector. Consequently, it is difficult for the central government to access local data and to maintain data consistency due to different reference data on administrative territory.

Considering the issue at hand, a portal of Geographical Information System (GIS) is developed, drawing upon the BIG base map that integrates central and subnational government data.

#### Minerba One Map Indonesia (MOMI)

MOMI is a web-based GIS portal for mining sector, which aims to integrate mining data across all provinces, regencies, and cities in Indonesia. The data is accessible online. Mining companies will be assigned with unique 16-digit ID. This way, stakeholders will be able to look for information such as name of company, taxpayer's number, operating area, number, date, and year of decision letter (SK), area covered, phase of operation, commodity, Clean and Clear status (CNC), CNC certificate, production and sales data, PNPB potential, reclamation guarantee data, and so forth.

Several stakeholders are direct beneficiaries of MOMI. For DG Minerals and Coal, MOMI allows improved database of mining management;

for DG Tax and DG Budget, MOMI becomes the tool to monitor not tax revenue and tax payment; while for KPK, MOMI is an additional tool to monitor mining management practices.

#### Current Status

Today, MOMI is capable to integrate spatial data from several ministries/institutions, namely: Environment and Forestry Ministry (100%), DG Customs and Excise (90%), DG Sea Transport, DG Foreign Trade (50%), Indonesia National Institute of Aeronautics and Space-LAPAN (100%), BIG (100%), and MoEMR (75%). In terms of its accessibility, MOMI is currently accessible from 138 points of subnational government – district and province – and 3 points in the ministries/institutions, i.e. DG Tax, KPK, and DG Land Planning.<sup>9</sup> MOMI will give access right to each subnational government in accordance with their authority.

MOMI system is only accessible by certain agencies that have the relevant authority to do so and will not be available for the public. DG Minerals and Coal plans to integrate MOMI with the Online Non-Tax State Revenue Information System (SIMPONI) of DG Budget and with DG Customs and Excise<sup>23</sup>.

#### 2.4.2.2 Re-organizing IUP through Clean and Clear Certificate and KPK's Coordination and Supervision (Korsup)

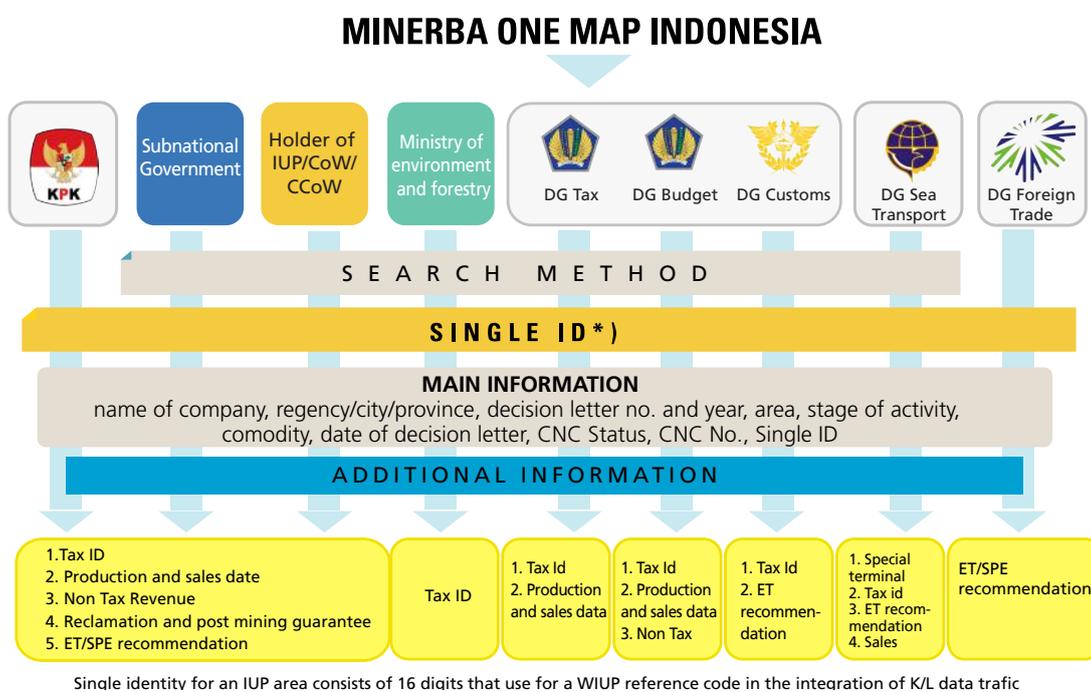
##### Clean and Clear Certification

###### Background

Since the enactment of Law 4/2009 that granted IUP issuance to subnational government, the number of IUP issuance significantly increased. However, in reality, a great number of IUPs issued by the subnational government were problematic; other than IUPs that crossed administrative territories and IUP areas that overlapped with conservation

<sup>23</sup> KPK, presented in "EITI Journalist Workshop". Bogor, 7 September 2015.

Figure 12 Minerba One Map Indonesia



Source: DG Minerals and Coal, MoEMR

and protected forest areas, much of the administrative processes did not abide by the law and regulations.

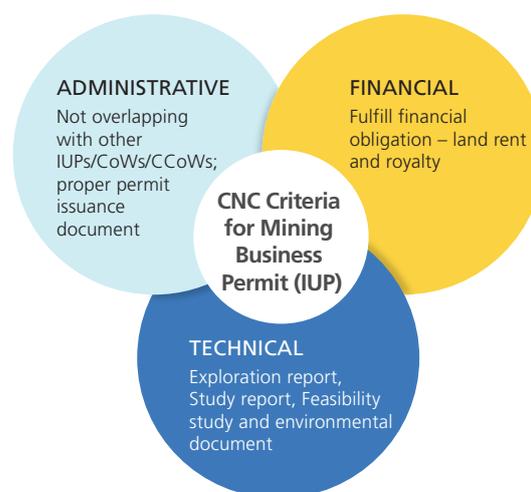
Clean and Clear (CNC) Policy

Addressing this problem, the DG Minerals and Coal issued Clean and Clear (CNC) policy, which is designed to ensure that IUPs: (1) do not overlap with other IUPs, with protected forest, with different commodities, and (2) have gone through the proper administrative process as governed by the law and regulations. In July 2011, DG Minerals and Coal issued the first list of IUPs that have obtained CNC certificate.

One of the benefits of CNC is it provides convenience for potential investors or creditors when they engage one of the mining companies in the list<sup>24</sup>. Moreover, CNC certificate is also a requirement in other regulations that

subsequently issued. For instance, CNC certificate is a requirement for companies that want to obtain recommendation as Registered Exporter in mining commodity export.

Figure 13 IUP CNC Criteria



Source: DG Minerals and Coal, MoEMR

<sup>24</sup> Baker&McKenzie, Client Alert, Government Issue second List of "Clean and Clear" mining concessions.

Table 7 presents status of permit of mining companies per May 2015.

#### Current Status

CNC evaluation process is still on going. Latest announcement on CNC status is accessible on DG Minerals and Coal website [www.minerba.esdm.go.id](http://www.minerba.esdm.go.id)

### Indonesia Corruption Eradication Commission (KPK) Coordination and Supervision (Korsup)

#### Background

The coordination and supervision initiative of the KPK shares the same background with CNC policy. Through this initiative, KPK reviews administration management system of IUP issuance (in accordance with its authority as stipulated in article 14 of Law No.30/2002) and investigates PNBP from land rent and royalty.

#### Process of KPK's Coordination and Supervision

KPK's *Korsup* initiative is implemented by reviewing 12 provinces with strategic role in the mining sector, namely Central Sulawesi, Riau Islands, East Kalimantan, South Kalimantan, Central Kalimantan, South Sumatera, Jambi, West Kalimantan, Bangka Belitung, North Maluku, Southeast Sulawesi, and South Sulawesi<sup>25</sup>.

In February 2014, KPK held cross-agency coordination meeting, attended by 12 governors. The meeting discussed areas under KPK's coordination and supervision with regards to mining management<sup>26</sup>. The meeting was followed up with signing of Action Plan, which contains five key issues:

1. Reorganization of permit: resolving disputes/suspension/temporary termination/revocation of permit
2. Payment obligation: land rent/royalty/taxes/reclamation guarantee/post-mining guarantee/security deposit

3. Production oversight: oversight on Technical and Environmental Annual Plan (RKTTL)/Wok and Budget Plan (WP&B), performance of good mining practices
4. Processing oversight: construction of smelter, performance of processing and refining obligation
5. Sales/shipment oversight: documentation of surveyor report, location/port of shipment

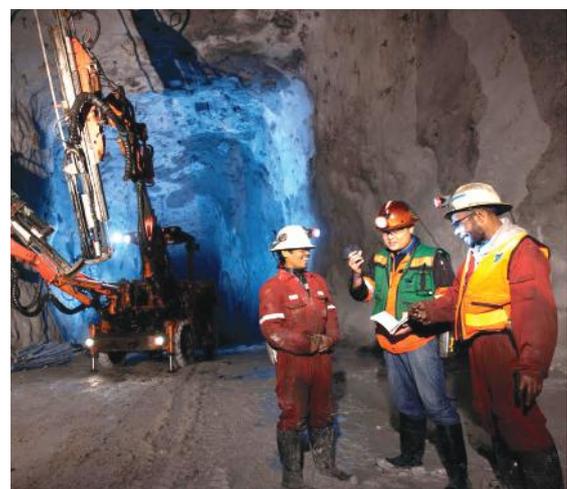
#### Current Status

The results of KPK's coordination and supervision as of August 2014 are:

1. Temporary termination of 62 IUPs for commodity transport and sales
2. Revocation of IUPs in 3 provinces
  - Central Sulawesi : 85 IUPs
  - Jambi : 99 IUPs
  - South Sumatera : 2 IUPs

List of revoked IUPs is accessible on website <http://www.minerba.esdm.go.id/public/38776/paparan/-petal-dll/>

- Improved compliance in terms of royalty payment
- May 2013 (minerals and coal) : Rp 9 trillion
- Mei 2014 (without minerals, due to downstream prioritization policy): Rp 14 trillion



Underground mining - PT Freeport Indonesia

<sup>25</sup> KPK, Korsup Minerba KPK Cabut 400 IUP, <http://kpk.go.id/id/berita/berita-sub/2228-korsup-Minerba-kpk-cabut-400-iup>, accessed on 27 August 2015.

<sup>26</sup> Satyo Naresworo, Koordinasi dan Supervisi Pengelolaan Pertambangan Mineral dan Batubara di 12 Provinsi di Indonesia, *Warta Minerba Majalah Direktorat Jenderal Mineral dan Batubara*, XIX Edition, August 2014, pg. 54

**Table 6 Status of IUP (prior to KPK's Korsup)**

Status	Mineral		Coal		Total
	Exploration	Production	Exploration	Production	
CNC	1,524	2,056	1,473	988	6,041
Non CNC	1,442	1,974	1,063	398	4,877
<i>Sub Total</i>	2,966	4,030	2,536	1,386	
<b>Total</b>	<b>6,996</b>		<b>3,922</b>		<b>10,918</b>
% Non CNC/Sub Total	48%	49%	41%	29%	45%

**Table 7 Status of IUP as of May 2015 (After KPK's Korsup)**

Status	Mineral		Coal		Total
	Exploration	Production	Exploration	Production	
CNC	1,502	2,207	1,349	1,085	6,143
Non CNC	1,240	1,848	849	349	4,286
<i>Sub Total</i>	2,742	4,055	2,198	1,434	
<b>Total</b>	<b>6,797</b>		<b>3,632</b>		<b>10,429</b>
% Non CNC/Sub Total	45%	46%	39%	24%	41%

*Source: Presentation of DG Minerals and Coal, MoEMR, titled "Monitoring and Evaluation on Results of Coordination and Supervision on Minerals and Coal Mining in Maluku, Papua, and West Papua Provinces"*

The process and recent status of KPK's *korsup* are accessible on website <http://acch.kpk.go.id/home>

### 2.4.3 Improvement of Governance Process that Impacts Extractive Industry

#### 2.4.3.1 State Revenue Module (MPN) Generation 2

##### Background

The first generation of State Revenue Module (MPN) is an application managed by DG Treasury, which integrates three state revenue administration systems:

- Revenue System under DG Treasury
- Monitoring on Tax Payment Reporting under DG Tax, and
- Electronic Data Interchange (EDI) under DG Customs and Excise.

However, there were gaps in the first generation MPN; unjustifiable transactions were recorded, such as "Reversal", "Non Recognized", "Partial Match", "MPN Unmatch", and "LKP Unmatch". Eventually, in its 2009-2010 report, BPK stated a disclaimer given substantial doubt over state revenue data generated by MPN<sup>27</sup>.

##### State Revenue Model G2

For the reasons above, the DG Treasury commenced improvement on MPN system by adding billing system in the second generation MPN (MPN G2). With this new system, payments can be made online and will be automatically linked with their corresponding payment codes. Payment data is also integrated with electronic billing system, which will minimize or eliminate non-reconciliated

<sup>27</sup> KPPN – KP

payment data. Notification is sent to taxpayer, containing State Revenue Transaction Number (NTPN) as receipt that validates payment. More information on this system is available on website [www.kemenkeu.go.id/mpng2](http://www.kemenkeu.go.id/mpng2).

In addition, the new application also accommodates shift from manual to online system that reduces human error, transaction in foreign exchange, and all types of revenues – therefore providing real time and accurate data on state revenues.

#### Current Status

The MoF is currently in the process of enhancing the capability of this application and expands the number of participating banks in MPN G2. Application enhancement, among others, is billing code generation via SMS to complement this existing web-based feature, and integration of e-filing and e-SPT. At the moment, there are 38 participating banks and 1 Indonesian Post company. This number is expected to increase.

#### **2.4.3.2 National Single Window for Investment (NSWi)**

##### Background

Ease of Doing Business report showed that it would take 52.5 days to commence a business in Indonesia with 10 procedures<sup>28</sup>. The number of days is relatively longer than the days required to start a business in Pacific and East Asia countries, which in average take 35 days and 7 procedures.

##### NSWi Description and its Current Status

NSWi is a service that integrates registration and incorporation process of businesses online and through a single platform under the Investment Coordinating Board (BKPM). The GoI implemented this initiative in 2010

in order to streamline business registration process that in the past required applicants to go to multiple governmental offices. However, this program did not progress as quickly as expected due to lack of coordination between ministries and related government agencies.

This program was officially launched in January 2015. Today, there are 66 representatives from 19 ministries and government agencies that serve end-to-end permit application process, especially permits applied for power generation, manufacturing, tourism, and agricultural sectors. NSWi plans to integrate representatives from subnational government and is targeted for completion in 2016<sup>29</sup>. Citing BKPM website, at this moment NSWi is facing a number of barriers, i.e. the wide variety of permits in different regions, involvement of various line agencies, and lack of integrated information<sup>30</sup>.

With respect to extractive industry, the MoEMR by virtue of Minister of EMR Regulation No.23/2015 stipulates the delegation of authority, i.e. oil and gas permit issuance from Minister of EMR to Chair of BKPM. This regulation simplifies from 106 types of permit to only 42 types of permit, whilst observing the SOP from DG Minerals and Coal and assigning officials/employees of DG Minerals and Coal in BKPM. The process of authority delegation took place gradually in August 1<sup>st</sup>, September 1<sup>st</sup>, and October 1<sup>st</sup>, 2015<sup>31</sup>.

NSWi is accessible on <http://nswi.bkpm.go.id/wps/portal>

<sup>28</sup> World Bank Group, Doing Business 2015, 12<sup>th</sup> Edition, h. 192

<sup>29</sup> Jakarta Globe, BKPM Takes Licensing Online, <http://thejakartaglobe.beritasatu.com/business/bkpm-takes-licensing-online/>, 15 December 2014, accessed on 6 July 2015.

<sup>30</sup> NSWi, Tentang NSWi, <http://nswi.bkpm.go.id/wps/portal/tentangnswi/>, accessed on 6 July 2015

<sup>31</sup> Minister of EMR Expert Staff for Investment and Production, presented in "Workshop Jurnalis EITI", Bogor 7 September 2015.

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## ⇒ 03

# ALLOCATION AND LICENSING PROCESS IN EXTRACTIVE INDUSTRY



*Offshore - Kangean Energy*

In this chapter, the report discusses licensing process in petroleum and mining sectors, disclose contracts and regulations on contract disclosure, practice of cadastral information, and regulations concerning disclosure of beneficial owners of extractive companies.

### 3.1 Allocation and Licensing Process in Oil and Gas Sector

#### 3.1.1 Establishing Working Area (WA)

Working area is proposed by the DG Oil and Gas and can be offered two ways to investors. A certain working area, based on regional geological data study, general survey, market demand, or new discovery, is offered through a bidding round, or, based on a joint study carried out by an investor and the DG Oil and Gas which is directly offered.

Proposed working area should be open areas, defined as:

- Areas that have not been established as operating areas
- Part of operations areas set aside according to contract, or set aside based according to contractor's/Minister's proposal
- Working area whose contract is no longer valid

Working area established by the Minister of EMR can be offered through bidding and direct offer.

#### Bidding

Working area proposed by the DG Oil and Gas is based on regional geological data study, general survey study, market demands, and new discovery. General survey activities as a requirement to complement WA preparation as stipulated in GR No.35/2004 comprise geological survey, physics survey, geophysics survey, and geochemical survey that a company

can conduct on its own costs and risks, and with permit from the Minister of EMR.

Using data interpretation and evaluation result, the DG Oil and Gas prepares block design and delineates boundary of WA.

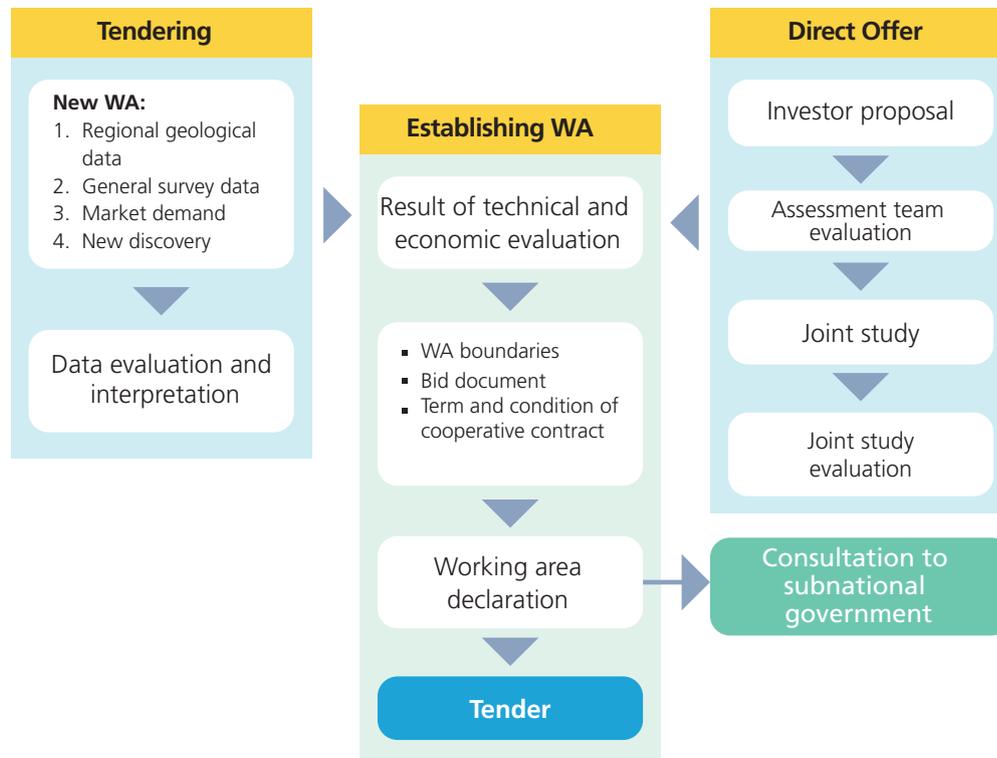
#### Direct Offer

Direct offer of WA comes from WA proposals submitted by Business Entity (BE) or Permanent Establishment (PE). An Assessment Team evaluates this proposal using data or supplementary documents such as boundaries of proposed WA, geological potential, reserve projection, production projection, economic feasibility study of WA, and profile of BE and PE. A company is required to present its proposal to the Assessment Team and within 14 days after the presentation the company must submitted commitment for joint study, timeline, and other prerequisites.

If the offer is accepted, the company is required to conduct a joint study and is given 7 months to complete the study, with possible one time extension for 4 months. The company is liable for all costs and risks incurred. Subsequent to the study result, DG Oil and Gas carries out economical and technical feasibility assessment. The DG may, based on assessment result, propose the joint study area as WA. The company must provide joint study bond in the amount of 1 (one) million US Dollar at the latest 14 days after the issuance of WA direct offer approval. The approval is valid for the same length of time as the joint study.

In order to establish a WA, for both direct offer and bidding, DG Oil and Gas is required to submit WA establishment proposal to the Minister of EMR. Together, Minister and the DG consult with subnational government, and as the last phase the Minister may establish a WA.

Figure 14 Preparing and Offering Working Area



Source: Directorate of Upstream Business Development, MoEMR

### 3.1.2 Tendering Process of Working Area

The process commences with DG Oil and Gas forming a Bidding Team (for WA offered in bidding) and Assessment Team (for WA offered in direct offer). Both teams will consist of representatives from the Ministry and SKK Migas with technical, economic, and legal competence as well as knowledge in other fields as required. The teams also invite academic experts with corresponding skills and expertise.

The bidding round starts with announced invitation and issuance of bidding documents for each WA tendered by the DG Oil and Gas. Companies that purchase the documents will be noted as candidate bidders. Companies who wish to proceed in the bidding will be required

to submit their participation documents at the latest 120 days (for bidding participants) or 45 days (for direct offer participants) since the date of bidding or offer is announced. Bidding/Assessment Team will conduct technical, financial, and performance evaluation based on the submitted documents.

**1. Technical assessment** encompasses:

- Seismic survey commitment consisting of type, crooked lines, survey quantity;
- Quantity commitment of new field wildcat well as well as plan of drilling location based on geological study, geophysics study, and technical justification;
- Reasonable and feasible technical proposal for implementation

**2. Financial assessment** encompasses:

- Value of signature bonus;

- Ability to finance work commitment during the first three years of exploration;
- Budget for firm commitment
- Last three years financial statements audited by public auditor
- Financial statements of holding company audited by public auditor

**3. Performance assessment encompasses:**

- Experience in oil and gas business; and
- Compliance with laws and regulations applicable in Indonesia

There are also a number of **administrative requirements**, namely:

- a. Completed application form
  - b. Company profile
  - c. Last three years financial statements
  - d. Proposed work plan for 6 years of exploration
- e. Commitment statement to pay bonuses
  - f. Statement affirming consortium establishment agreement and operator appointment
  - g. Statement of commitment and ability to perform contract
  - h. Statement from holding company on new entity to sign PSC
  - i. Copy of incorporation deed
  - j. Support letter from holding company to back the commitments
  - k. Original copy of bid bond
  - l. Statement of compliance with bid announcement
  - m. Receipt of bid document purchase
  - n. Data package license
  - o. Statement of compliance with bid announcement

**Figure 15 Oil and Gas Working Area Tendering Process**



Source: Upstream Business Development Directorate, MoEMR

Bid participants and winners must submit the following guarantee:

**Table 8 Guarantee Submitted by Participants Bidding for Oil and Gas Block**

Guarantee (Bank Guarantee)	Amount	Submission deadline	Period of guarantee
Bid bond (bidding participants)	100% of signature bonus	Same day with submission of participation documents	6 months
Performance bond (awarded participants)	a. 10% of firm commitment or >USD1,500,000; and b. 10% of the total budget of first 2 years of exploitation, or > USD1,000,000.	Same day with contract signing	a. 3 years b. 2 years since signing of contract

Source: MoEMR Regulation No. 35/2008

The flow process of WA establishment until contract signing is uploaded on MoEMR website. However, the process on the website still refers to MoEMR Regulation of 2006, while by virtue of Minister of EMR Regulation 35/2008 has updated the procedure to establish and offer oil and gas blocks.

### 3.1.1 WA Tendered in 2012 and 2013

One of the measures that the government takes to increase reserves and production of oil and gas other than accelerating exploration activities from existing contracts is by developing new contracts.

In 2012, the Gol tendered WAs in two stages. In the first stage, the government tendered 19 blocks, followed by 23 blocks in the second stage, where 8 blocks contain coal bed methane (CBM) and 1 shale gas block. Of the total 51 blocks offered, the government announced 36 winners.

In 2013, Gol offered 20 blocks including 2 shale gas blocks. Over 70% of the tendered WAs were situated in the eastern part of the country. However, there were only 6 WAs awarded.

The government announced the tender in print and electronic media including the website of MoEMR ([www.migas.esdm.go.id](http://www.migas.esdm.go.id) or [www.wkmigas.com](http://www.wkmigas.com)).

List of winners is attached to this report as Appendix 1. Announcement of awarded parties in oil and gas bidding was not a common practice of the DG Oil and Gas and we recommend the Implementing Team to encourage the DG Oil and Gas to also disclose list of participants in order to be fully compliant with EITI Standard.

**Table 9** Number of WAs Tendered in 2012 and 2013

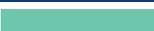
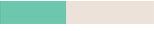
Tender Period (number of WAs)	Date	Conventional WA		Non Conventional- WA, Direct Offer	Total
		Tendered	Direct Offer		
2012		12	30	9	51
2012 (Stage I)	March 2012	5	14	-	19
2012 (Stage II)	October 2012	7	16		25
2012	June 2012			8	8
2012	November			1	1
2013		2	16	2	20
2013 (Stage I)	September 2013	2	16	-	18
2013 (Stage II)	December 2013	-	-	2	2

Source: Oil and Gas Upstream Business Development Directorate, DG Oil and Gas

Table 10 below illustrates that the realization of Oil and Gas PSC signing and number of tendered WAs did not reach their targets both in 2012 and in 2013. In relation to the investment of oil and gas sector in Indonesia, Indonesia Petroleum Association (IPA) annual report in 2014 recommended the government to provide more incentives to stimulate oil and gas exploration activities. In order to meet Indonesian energy demands by

2025, the government needs policies that can serve as incentives for PSC contractors to conduct exploration, such as tax and other fiscal incentives. This is especially important given that many of the exploration blocks are situated in challenging areas, i.e. the deep sea in the eastern side of Indonesia. New technologies and large investment commitment are required to explore these areas for the purpose of fulfilling national energy demand.

**Table 10** Targets and Realization of Investments in EMR Sector, Number of Signed PSC, and Total Tendered WA

No	Description	Unit	Target	Realization	Achievement (%)	Achievement chart
				Achievement	100%	
1	Investment realization in energy and mineral resources sector					
	2012	Billion US\$	36.96	28.78	78%	
	2013	Billion US\$	41.78	27.82	67%	
2	Number of PSCs in energy and mineral resources sector tendered and signed					
	a. Conventional WAs Tendered					
	2012	WA	35	42	120%	
	2013	WA	40	18	45%	
	b. Conventional Oil and Gas PSC Signed					
	2012	PSC	28	13	46%	
	2013	PSC	30	13	43%	

Source: LAKIP MoEMR 2012 and 2013

### 3.1.4 Transfer of Participating Interest (PI)

PI transfer must be approved by Minister of EMR and take into account SKK Migas' considerations as stipulated by Article 33 of GR No.35/2004. During first three years of exploration, contractors may not transfer PI to parties that are not affiliated to the company. If contractors wish to disclose data for the purpose of PI transfer to other parties, the disclosure needs to be approved by the Minister of EMR through SKK Migas.

Contractors are required to offer 10% PI (to replace investments equivalent of 10%) to ROE. ROE may not sell its PI, partially or entirely, for three years since the effective date of participation.

List of PI transfer that took place in 2012-2013 reported by DG Oil and Gas is attached to this report as Appendix 2.

### 3.1.5 Expiring Production Sharing Contract

It is crucial for contractors to have certainty with regards to contract extension so that

contractors can re-calculate investment value required to develop a block. According to GR No.35/2004, request to extend PSC can be submitted 10 years prior to contract expiration date at the earliest and at the latest 2 years. Contractors may submit contract extension earlier considering purchase agreement of gas. However, looking at past events, the Government has been frequently behind in extending PSCs and tended to wait until the end of extension deadline<sup>32</sup>. Pase block experience, for example, showcased this where the government eventually extended the contract two years after expiration date. This kind of uncertainty could hinder and delay oil and gas projects, even threatening national oil and gas production<sup>33</sup>. Indonesia Deepwater Development (IDD) in Makassar Strait Block has been postponed for two years from 2018 to 2020 pending decision of contract renewal<sup>34</sup>. Until 2021, there are around 45% of the total production contracts per 2013 that are expiring (see Table 11).

The following table lists contracts expiring in 2021:

**Table 11** List of Expiring PSCs until 2021

No.	PSC Working Area	End of Contract	Operator
1	Gebang	2015	JOB Pertamina-Costa Int Group Ltd.
2	Offshore North West Java	2017	PHE ONWJ Ltd
3	Lematang	2017	PT Medco E&P Lematang
4	Warim	2017	ConocoPhillips
5	Mahakam	2017	Total E&P Indonesia
6	Attaka	2017	Indonesia Petroleum Exploration Ltd
7	Tuban	2018	JOB Pertamina-Petrochina East Java
8	Ogan Komering	2018	JOB Pertamina-Talisman (Ogan Komering)
9	Sanga-Sanga	2018	Virginia Indonesia Co, LLC
10	Southeast Sumatra	2018	CNOOC SES Ltd
11	Blok B, onshore	2018	Exxonmobil Oil Indonesia Inc.

32 Rambu Energy.com, Indonesia Energy Ministry Says 17 Oil-Gas Contracts Will Expire by 2019, <http://www.rambuenergy.com/2015/01/indonesia-energy-ministry-says-17-oil-gas-contracts-will-expire-by-2019/>, accessed on 24 July 2015.

33 IPA, Uncertainty Over Contract Extension Hampers Production, <http://www.ipa>

[or.id/news/detail/205](http://www.platts.com/news/detail/205), accessed on 11 October 2015

34 Platts, Key Indonesia gas projects face delay due to uncertainty over PSC extensions, <http://www.platts.com/latest-news/natural-gas/jakarta/key-indonesian-gas-projects-face-delay-due-to-27203470>, accessed on 24 July 2015.

No.	PSC Working Area	End of Contract	Operator
12	North Sumatra Offshore (NSO)/ NSO Ext	2018	Exxonmobil Oil Indonesia Inc.
13	Tengah	2018	Total E&P Indonesia
14	East Kalimantan	2019	Chevron Indonesia Company
15	Pendopo - Raja	2019	Pertamina-Golden Spike
16	Bula	2019	Kalrez Petroleum (Seram) Limited
17	Jambi Merang	2019	JOB Pertamina-Talisman (Jambi Merang)
18	Seram Non Bula	2019	CITIC Seram Energy Ltd
19	Malacca Strait, offshore	2020	EMP Malacca Strait S.A.
20	South Jambi "B"	2020	ConocoPhillips (South Jambi) Ltd
21	Makassar Strait, offshore	2020	Chevron Makasar Ltd.
22	Salawati Kepala Burung	2020	JOB Pertamina-Petrochina Salawati
23	Sengkang	2020	Energy Equity Epic (Sengkang) PTY, LTD.
24	Bentu Segat	2021	EMP Bentu Limited
25	Muriah	2021	PC Muriah Ltd.
26	Rokan	2021	PT Chevron Pacific Indonesia
27	Selat Panjang	2021	Petroselat Ltd.

Source: MoEMR Strategic Plan 2015-2019

To give assurance to contractors, in 2015 by virtue of MoEMR Regulation No.15/2015 concerning management of blocks with expired contracts, Minister of EMR must decide to approve or reject contract renewal at least one year prior to contract expiration date. The regulation also stipulates the following:

#### Block Management Subsequent to Contract Expiration

There are three options of block management subsequent to contract expiration according to this regulation:

1. Managed by Pertamina;
2. Contract renewal by one or more existing contractors; and
3. Joint management between Pertamina and contractors

#### Period of Contract Extension and Maximum Validity Period

Submission of contract extension for blocks whose contracts are expiring and the maximum validity period of renewed contracts

are still consistent with provisions under GR No.35/2004. Pertamina and contractors can submit renewal request at the earliest 10 years and at the latest 2 years prior to contract expiration date, while maximum validity period of contract extension is 20 years.

#### Decision Deadline for Minister of EMR

The Minister of EMR must give approval or rejection at least one year prior to expiration date of contract. If the Minister does not issue any decision within the deadline, the request is automatically considered as rejected.

SKK Migas must administer its evaluation and considerations on contract renewal submitted by contractors at the latest 150 days since the request is received.

#### Participation of Pertamina and Subnational Government

In the event that Pertamina and a Contractor applies for the same block:

- i. If the block is awarded to contractor, Pertamina is entitled to maximum 15% PI.

- ii. If the block is awarded to Pertamina, the Minister of EMR will decide on the contract form and provisions, including PI composition.

In both scenarios, ROE can hold at the most 10% PI (given that ROE has no previous participation in the block in question).

### 3.2 Allocation and Licensing Process in Mining Sector

#### 3.2.1 Allocating Mining Business Area

##### 3.2.1.1 Allocating Mining Areas

A mining area (WP) is an area with mineral and/or coal potential that is not bound by government’s administrative boundaries and is part of national spatial planning. An area can be allocated as a WP given the following criteria:

- There is indication of mineral or coal deposits; or
- It has potential of other mining commodity resources

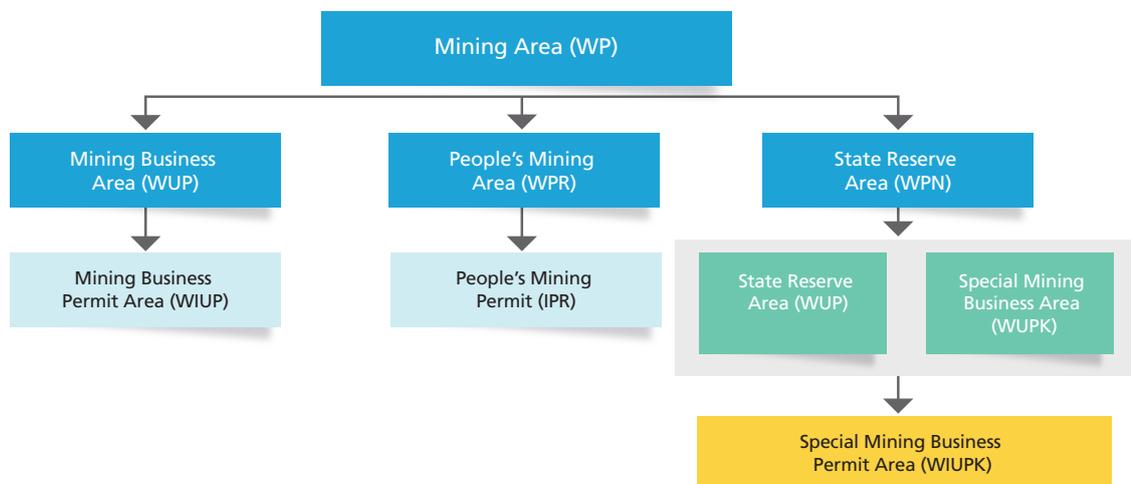
WP is further categorized as commercial Mining Business Area (WUP), People’s Mining Area (WPR), and State Reserve Area (WPN). WUP is part of WP that has data, potential

identification, and/or geological information. WPR is part of WP whereby mining activities are carried out by local communities, while WPN is WP reserved for national strategic interest.

To determine a WP, the central government (with assistance from subnational government) conducts mining investigation and research, which can be delegated to national or local research institution appointed by the government. In certain conditions, and with approval from Minister of EMR, the government may also engage foreign research institution.

Minister of EMR ratifies proposed WP as WP following coordination with subnational government and takes into consideration data provided by both parties. The allocation of WP is administered in written to the DPR. Central government’s authority to establish WP can also be delegated to Provincial Government, pursuant to GR No.22/2010.

Figure 16 Types of Mining Area



Source: Warta Minerba, XV Edition, April 2013

**Allocation of Mining Areas in 2012-2013**

From 2010 to 2013, the government convened nine times with Commission VII of DPR for consultation meetings. In April 2013, Commission VII DPR has recommended WPs to the government. The following table lists of WP by island. The same data, complemented with mining area map, is also accessible on website <http://www.minerba.esdm.go.id/public/38776/paparan/-petal-dll/>

**Table 12 List of Mining Area Established by Island, 2013**

No	Island	Date of Mining Area Establishment
1	Sulawesi	July 5, 2013
2	Kalimantan	December 19, 2013
3	Maluku	December 19, 2013
4	Papua	August 22, 2013
5	Sumatera	September 5, 2013
6	Jawa	September 12, 2013
7	Bali	February 27, 2013
8	Nusa Tenggara	Februari 28, 2013

Source: DG Minerals and Coal, MoEMR

**3.2.1.2 Establishing Mining Business Permit Areas (WIUP)**

Subnational government determines WIUP for metal minerals and coal within one WP and Minister of EMR ratifies this decision. Prior to deciding WIUPs, the target areas must be announced to the public by the subnational

government. If the metal mineral and coal WIUP is situated in forest area, the subnational government needs to coordinate with the Forestry Ministry.

A number of criteria apply in WIUP establishment:

- Geographical location;
- Conservation principles;
- Carrying capacity of the environment;
- Optimization of mineral and/or coal resources; and
- Population density

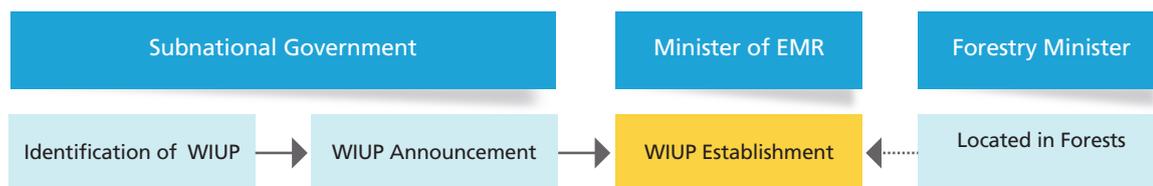
Minister of EMR decides tender base price based on data compensation price and/or recovery of investment costs given the availability of:

- Distribution of metal mineral and coal formation;
- Indication of metal mineral and coal deposits;
- Data on metal mineral and coal potential;
- Metal mineral and coal reserve data;
- Supporting infrastructure

This compensation is recorded as non-tax state revenue.

In terms of permit grant for WIUPK to interested national and regional SOEs, the compensation payment must be made at least 30 days since the parties are established as WIUPK holders. Five days after establishment, national/regional SOEs must submit Exploration IUPK request.

**Figure 17 Flow of Mining Business Permit Area Establishment**



Source: GR No.22/2010

### 3.2.2 Tendering Process of Mining Permit

MoEMR Regulation 28/2013 regulates WIUP tendering procedure. Bidding plan must be announced at least 3 months prior to bidding date. Announcement of WIUPK is made by Minister of EMR, while WIUP can be made by either the Minister or Head of subnational government, depending on certain conditions:

- **Minister of EMR** - for WIUPs that cross provincial boundaries or sea territory over 12 miles from coastline. Head of subnational government needs to endorse the WIUP within five days after receiving request of endorsement. If the

endorsement is not made within the time frame, they are automatically deemed as approving the WIUP.

- **Head of Subnational Government** – for WIUPs within a province or sea territory 4 to 12 miles from the coastline.

To prepare bidding round, Minister of EMR or head of subnational government forms Bidding Committee, comprising of personnel with competence in mining engineering, mining legal system, and mining financial system, with at least 3 years of experience working in MoEMR.

**Figure 18 Mining Concession Tendering Process**



Source: Ditjen Minerba, KESDM

1. Minister or head of subnational government announces tender at least 3 months prior through print media, ministry/government website
2. Following 3 months of announcement, prequalification document needs to be submitted at the latest 30 days since prequalification announcement.
3. Tender committee selects tender participants based on completeness of administrative, technical, and financial requirements, and technical evaluation based on committee's minimum evaluation standard.  
If there is only one participant, the committee must re-announce prequalification round at the latest 5 days since prequalification document submission deadline.
4. Qualification process starts with participants that pass prequalification round to collect tender document within 7 days after the committee announces document collection. The committee will also explain tender process and the condition of potential WIUP.
5. Tender participants are given 5 days since tender explanation minutes of meeting is signed, or after field visit.
6. Tender committee establishes rank of potential winners based on prequalification score (40%) and price bid (60%). Committee reports this rank to the Minister or Head of subnational government in accordance with their authorities.
7. Minister of Head of subnational government decides the winner at the latest 5 days since the rank report is received.

The legal status of bidding participants will determine the scope of WIUP that they can bid for.

**Table 13 Status of Juristic Entity Eligible to Bid by Scope of WIUP**

Status of Juristic Entity	WIUP Area (Hectare)		
	<=1000	1000-5000	>=5000
SOE	-	-	V
ROE	V	V	V
National private company	V	V	V
Cooperative	V	V	-
Individual (person, limited partnership/ CV,Limited Liability partnership /firma)	V	-	-
Foreign Investment Business Entity	-	-	V

Source: MoEMR Regulation 28/2013

In order to participate in the bidding round of WIUP, bidders must meet the following requirements:

**1. Administrative requirements, among others:**

- a. Completed tender document;
- b. Entity's profile and incorporation deed;
- c. Taxpayer's number;

**2. Technical requirements, among others:**

- a. Minimum 3 years business experience in mineral or coal mining; new companies need to have endorsement from holding company, business partner, or affiliated company in mining sector;
- b. Employs at least 1 mining expert and/or geological expert with minimum 3 years of professional experience;
- c. Work and budget plan for 4 years of exploration activities.

**3. Financial requirements, among others:**

- a. Last year financial statements audited by Public Accountant's Firm
- b. Bid bond in cash deposited to government bank in the amount of 10% (ten percent) of compensation value of data and/or investment recovery of WIUP tendering

- c. Statement of willingness to pay for WIUP tender value at least within working days after winner announcement.

**3.2.3 Reorganizing Issued IUP**

Since 2011 until today, the process of reorganizing IUPs issued by subnational government in accordance with its authority is still ongoing. This process refers to Circular (SE) No. 08.E/30/DJB/2012 on the reorganization of IUPs which is addressed to all heads of regions. There is no time limit specified in the SE.

DG Minerals and Coal did not hold any business permit tender in 2012 and 2013 due to administrative, technical and policy factors. The administrative factor included delay of tender procedures that was just issued in 2013 pursuant to MoEMR Regulation No.28/2013. Furthermore, until the date of this report there is no technical procedure on price calculation to pay cost of information/data. Technical factor included recommendation of WIUP proposed by Head of subnational government which was not supported with adequate information and standardized map and report pursuant to Art. 12 GR No.22/2010 on mining area. The map and report that do not meet requirement based

on the abovementioned GR would complicate technical verification and clarification process, especially when determining the price range and location checking by bid winner.

Policy factor includes number of permit issued by regent/mayor that has not met financial obligation to state and environment. In the meantime, number of permit issued for metal mining and coal is not proportionate compared with number of smelter in Indonesia. Based on those conditions, MoEMR has not seen any importance to open tender for metal and coal WIUP, except for commodities that have already had smelter facilities with insufficient supply such as iron and coal for power or smelter supply.

#### 3.2.4 Contract and IUP Transfer

GR No.24/2012 prohibits the transfer of IUP to other parties, except to companies whose 51% of the shares are owned by the IUP holder. The same stipulation applies to contract of work, whereby the contract ownership, partial or in full, may not be transferred to other parties except with written approval from the government.

With restrictions in place for contract or IUP transfer, ownership transfer in reality is performed indirectly, i.e. by transfer of shares from holding company or company above contract or IUP holder. However, share ownership of contracting party is not transferrable before production phase commences without written permit from the government.

### 3.3 Deviation between Licensing Regulations and Its Practice

#### Oil and Gas Sector

The 2014 Audit Report of the Indonesian Audit Board (BPK) revealed that there were winners of working area that did not satisfy financial requirements and that there were contractors who had difficulty to meet their obligations and commitments pursuant to tender regulations. This report is accessible on website [http://www.bpk.go.id/assets/files/ihaps/2014/III/ihaps\\_ii\\_2014\\_1428982182.pdf](http://www.bpk.go.id/assets/files/ihaps/2014/III/ihaps_ii_2014_1428982182.pdf).

#### Mining Sector

The GoI is currently reorganizing mining permits and reviewing permits that are not in compliance with permit procedure regulations. See section 2.4.2.2 on Reorganizing IUP through Clean and Clear Certificate and KPK's Coordination and Supervision for complete discussion on this issue.

### 3.4 Contract Disclosure

#### Contract Disclosure Regulation

At the moment, there are no laws or regulations that prohibit government institutions and companies to disclose contractual provisions. Law No.14/2008 stipulates criteria of public information that must be disclosed by public agencies, and it includes information that may impact the lives of many (Article 10), or contracts between public agencies with third parties (Article 11 paragraph 1.e.). However, in reality, contractual disclosure by the government or companies is highly limited. Disclosure on PSC, for instance, is only to the extent of date of contract, contract period, and amount of company's firm commitment.

Copy of mining business permit is only accessible through formal request stating the purpose of the request to license issuers (e.g. Governor and Regent/Mayor). According to DG Oil and Gas and DG Minerals and Coal, contract is a confidential document because it represents agreement between two parties (Oil and Gas: SKK Migas – Contractor, Mining: Gol and Company).

The following section describes a legal case in Indonesia concerning public demand for disclosure of copy of contract. The demand was made to one of government's agency. This may showcases the practice of contract disclosure in Indonesia.

#### Legal Case: Request for Disclosure of Copy of Extractive Industry Contract

The request for contract disclosure to Central Information Committee (KIP) was submitted by one of the NGOs in 2011. KIP approved this request<sup>35</sup>, and decided that the contract in question could be partially disclosed<sup>36</sup>, i.e. the copy of contract can be announced but omitting any information that revealed the contract location, such as name of village, sub-district, and municipality. The decision of KIP contained the following key considerations:

- Map of operating area, which in general was attached as Appendix B in production sharing contract, shall be considered as public data
- Information can be disclosed as long as not include private information
- Contract information had no consequence of revealing performance and/or financial capacity of the company
- Exemption applies to information on location that specified location names, such as name of village, sub-district, and municipality, which was part of

information pertaining Indonesia's natural resources. This information was exempted and not considered as public information in Appendix B on area map to the contract.

BP Migas (now SKK Migas) submitted petition against KIP's; the South Jakarta District Court decided in favor of BP Migas and annulled KIP's decision. BP Migas argued that contract between BP Migas and the company to the contract was not public information. KIP appealed to the Supreme Court, which eventually turned down the appeal<sup>37</sup>. The Court's ruling was as follows:

- KIP has no capacity to request such document to BP Migas
- BP Migas is not a public agency
- Requested cooperation contract is not public information pursuant to Public Information Law

As per the date this report's issuance, the government has no plan to disclose copies of contracts (PSC/CoW/CCoW) of extractive industry.

The Implementing Team has decided to disclose only general provisions under extractive industry contracts, which are attached as Appendix 2.

### 3.5 Cadastral Information

EITI Standard point 3.9.b requires EITI implementing countries to maintain cadastre system with information for each license (mining permit or contract). The information relates to companies within the scope of EITI: i. license holder; ii. mining concession coordinates; iii. Date of application, date of, date of award and period of license; and iv. commodity being produced (for companies in production stage).

<sup>35</sup> In 2011, Pusat Pengembangan Informasi Publik Foundation requested for copies of contracts between Gol with PT Freeport Indonesia, PT Kalimantan Timur Prima Coal, PT Newmont Mining Cooperation, and PT Chevron Indonesia.

<sup>36</sup> Adjudication Decision Number: 356/IX/KIP-PS-M-A/2011

<sup>37</sup> Supreme Court Decision Number 15K/Pdt.Sus-KIP/2014

## Oil and Gas Sector

As required by EITI, there are various cadastral information sources that the public can access; there are WA maps attached to SKK Migas annual report, or on WA map on EITI secretariat website, appendix 1.1. to 1.2 to the fourth volume of EITI 2012-2013 report, and INAMETA Geographic Information System.

WA maps attached to SKK Migas annual report (<http://www.skkmigas.go.id/publikasi/laporan-tahunan>) are maps of oil and gas blocks and contain information on the location, type of contract (PSC/JOB), operator name, effective date of contract, and operations status (exploration or production). The maps do not contain coordinates nor expiry date of each block.

Appendix 1.1 – 1.2 to EITI's fourth volume of report contain list of blocks within the scope of EITI 2012-2013 report, ownership composition of the blocks' contractors, date of contract, date of expiry, commodity produced, and province where the block is located.

Geographic Information System (SIG)-based application called INAMETA Platinum is a platform of information for investors and contains technical database, such as data on basins, seismic data, G&G report, and other information including cadastral information e.g. owner of block, date of contract, date of expiry, production, and map of operations area. This application is set up in a web portal and data room managed by Patra Nusa Data (PND), a government data management agency under the Center for Data and Information (PUSDATIN) of the MoEMR<sup>38</sup>. As a paid system, members of the public who wish to access the database need to pay certain amount of fee. Payment procedure is accessible on Patra Nusa

Data website <http://www.patranusa.com/index.php/products-services/9-data-access-services>. Appendix 8 to this report provides sample of information accessed from INAMETA Platinum. Further, Patranusa also provides lite version of INAMETA database, called INAMETA Platinum Lite, which contains only map of operations area and other information, such as well location. This database is accessible on <http://product.patranusa.com>.

## Mining Sector

Various sources of cadastral information required by EITI are accessible to the public, e.g information system service of minerals and coal at DG Minerals and Coal's office, which is a paid system, appendix 1.3-1.4 to the fourth volume of EITI 2012-2013 report, and WebGIS Minerba One Map Indonesia (MOMI).

Information system service of minerals and coal is a paid service pursuant to GR No.9/2012 on type and fee of non tax revenue in MoEMR. This service includes printing services for mining business permit area per regency and per mining business permit. To print specific mining business permit, interested party has to show License Number (or Surat Keputusan/SK) and coordinates number. Appendix 8 shows sample of maps include in this service.

Appendix 1.3-1.4 to this EITI report contain list of mining companies within the scope of EITI 2012-2013 report and provide information on company name, period of permit/contract, type of commodity produced, and name of province where the companies operate

The DG Minerals and Coal has digitalized cadastral information into geo-database of Mining Information System called Minerba

<sup>38</sup> <http://www.patranusa.com/index.php/corporate-info/38-preface>

One Map Indonesia (MOMI). MOMI was originally developed to facilitate subnational government to register mining permits in their regions into the geo-database, allowing for easy monitoring and report on IUPs in their respective regions. See also section 2.4.2.1 on the Single Map Policy. However, MOMI is not yet accessible by the public pursuant to DG Minerals and Coal regulation 698.K/30/DJB/2014. Currently, only the government, subnational government have access to MOMI in accordance with their authorities as well as other agencies, such as KPK, Customs, Ministry of Forestry, and DG Tax.

### 3.6 Beneficial Owner

EITI Standard point 3.11 recommends the government to provide list of beneficial owners of extractive industry assets. However, EITI Report 2012-2013 can only provide direct ownership of oil and gas blocks and mining permits. This report is unable to present the data since beneficial ownership information is generally complex, structured with layers, and difficult to obtain.

For EITI 2012-2013 Report, Implementing Team has decided to discuss only regulations pertaining disclosure of beneficial owners applicable in Indonesia. Two regulatory bodies enforce regulations on beneficial ownership disclosure, although they do not specifically address ownership in extractive industry. The regulations are:

1. BAPEPAM regulation Kep-431/BL/2012 requires disclosure of ultimate shareholders in company's annual report for companies listed with the stock exchange. The

public can access annual reports of listed extractive industry companies on Indonesia Stock Exchange website (<http://www.idx.co.id/id-id/beranda/perusahaantercatat/laporankeuangandantahunan.aspx>)

2. DG Tax regulation PER - 62/PJ./2009 on the prevention of misuse of double taxation avoidance agreement identifies criteria of benefit owners that foreign companies must satisfy in order to be eligible to request for the deduction of Income Tax Article 26, which is imposed on interest income, dividend, and royalty (received from Indonesia). However, this data is not publicly accessible.

Therefore, EITI 2012-2013 report presents direct ownership of oil and gas and mining concessions (see Appendix 1 of EITI 2012-2013 fourth volume).

## ⇒ 04 MANAGEMENT OF REVENUE GENERATED FROM EXTRACTIVE INDUSTRY



*Repairment of oil pit - PT Pertamina EP*

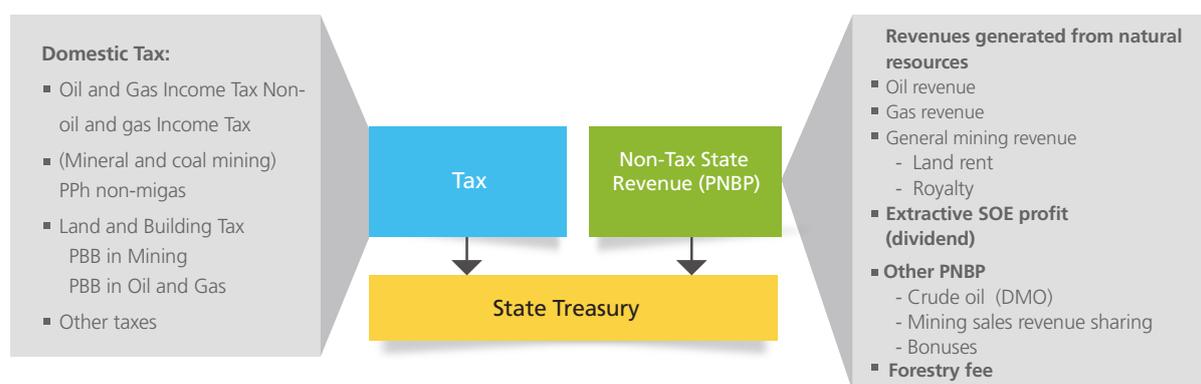
The section on state revenue management includes discussion on state revenue stated in the Central Government financial system, planning process and state budget (APBN) audit, MoEMR strategic plan until 2019, as well as oil and gas revenue sharing fund (DBH) as a mechanism that aims to ensure development equity under a decentralized system.

### 4.1 State Revenues and Fiscal Policy of Extractive Industry

#### 4.1.1 State Revenues from Extractive Industry Managed and Recognized in the Central Government Financial System

Pursuant to the Financial Statements of the Central Government (LKPP), state revenue from extractive industry is broadly generated by tax revenue and non-tax state revenue (PNBP) paid to the state's account – as illustrated

Figure 19 Extractive Industry Generated Revenues Recognized in LKPP



by Chart 19. The state treasury is under the management of the DG Treasury. Law 1/2004 on State Treasury and Ministerial Regulation govern the management practices carried out by the Directorate.

Extractive industry-generated state revenues are stated in the central government’s budget and financial report, accessible on the Ministry of Finance’s website [www.kemenkeu.go.id/pagellaporan-keuangan-pemerintah-pusat](http://www.kemenkeu.go.id/pagellaporan-keuangan-pemerintah-pusat). In 2012 and 2013, other than the stated above, Indonesia did not receive any revenues from the extractive industry that were not recognized in State Budget. Indonesia also did

not own sovereign wealth and development funds or governmental investment institution that managed funds generated from the extractive industry.

#### 4.1.2 Fiscal Policy on Oil and Gas Industry

State revenue streams from oil and gas industry comes in the form of in-kind and cash, as described in the table below.

Table 14 sums up policies of income tax, land and building tax (PBB), and value-added tax (VAT) applicable in the oil and gas industry.

Table 14 Tax Policy on Oil and Gas Industry

Type of Tax	Description
<b>Income Tax</b>	The tariff of income tax follows the tariff that applies at the time the sharing agreement is executed. GR No. 79/2010 specifies taxable income on oil and gas industry, under which Table 15 puts in detail tax tariff from time to time.
<b>Land and Building Tax (PBB)</b>	The object of PBB in the oil and gas sector refers to the conceptual basis that considers the earth (the surface and the interior thereof) and/or structures located within operational concession territory or areas of similar nature relating to the mining of oil and gas. PBB procedure and mechanism are regulated under PER-45/PJ/2013.

Type of Tax	Description
<b>VAT</b>	Oil and gas extracted directly from their sources are exempted from PPN
<b>Dividend Tax</b>	Dividend tax relief (Branch Profit Tax-BPT) causes gap in the sharing to a Contractor and the Government, in which the Government's share becomes inconsistent with the percentage of sharing stated in the sharing agreement (Government's share narrows). Currently, in order to close the gap, PSCs signed after the issuance of GR No.79/2010 generally include a provision to reduce the amount of sharing before tax to a contractor (stabilization clause), provided that the contractor is eligible for dividend tax relief of lower than 20% pursuant to tax treaty. This measure is taken to secure the sharing to government collected after fixed tax of 85% (oil) and 70% (gas), or in the amount as stated in the sharing agreement.
<b>Indirect taxes, e.g. PBB, PPN, Local Tax and Retribution</b>	<ul style="list-style-type: none"> <li>• "Assume and discharge" applies for contracts signed before the issuance of GR No.79/2010, as stipulated thereunder. This approach discharges oil and gas companies from indirect taxes assuming that lifting income shared to the state has included components of the taxes. The state is therefore liable for indirect taxes arising from shared revenue from contractors.</li> <li>• Contracts signed after the issuance of GR No.79/2010 obligated contractors to pay indirect taxes to the state; however, the payments can be recognized as cost recovery.</li> </ul>
<b>Import Duties and Import-Related Taxes</b>	Contractors are discharged from import duties and import-related taxes for equipment used in oil and gas exploration and exploitation activities.
<b>Other Taxes</b>	Follows general tax regulation

**Table 15 Corporate Income Tax Tariff and State's Share by PSC Year**

Effective Year of PSC	Income Tax Tariff – General	Income Tax Tariff - Dividend	Combined	State's share – before tax (Oil)	State's share – after tax (Oil)	State's share – before tax (Gas)	State's share – after tax (Gas)
Before 1984	45%	20%	56%	65.91%	85%	31.82%	70%
1984-1994	35%	20%	48%	71.15%	85%	42.31%	70%
1995-2007	30%	20%	44%	73.21%	85%	46.43%	70%
2008	30%	20%	44%	55.36%	75%	28.57%	60%
2009	28%	20%	42.4%	37.5%	64%	28.6%	58.86%
2010	25%	20%	40%	40%	64%	31.5%	58.86%

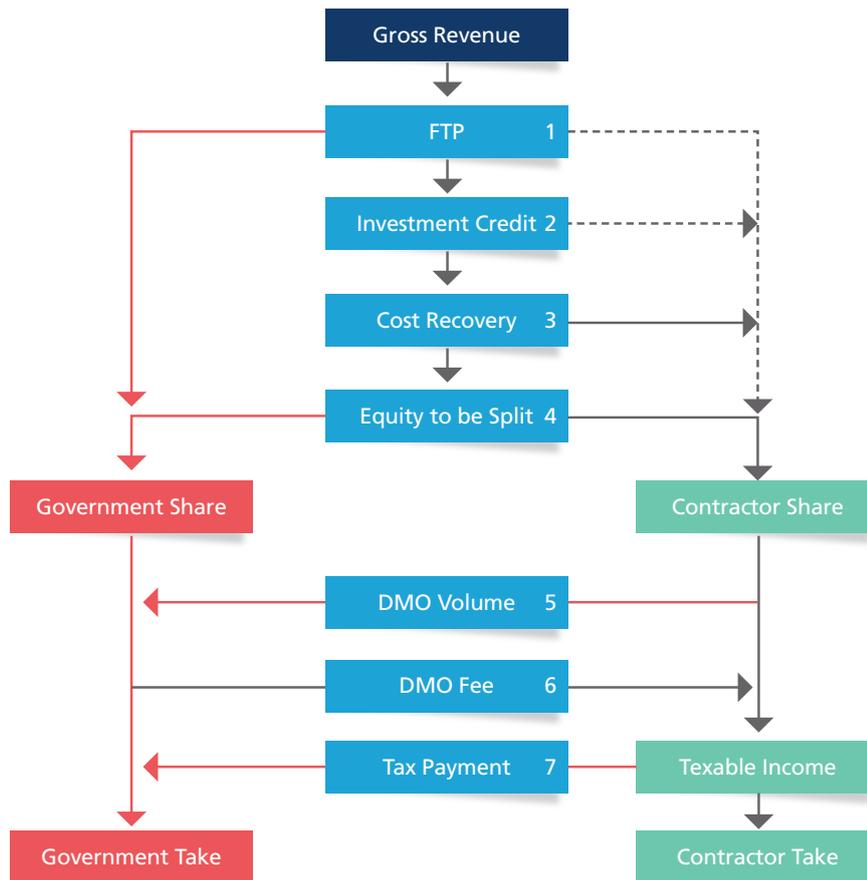
Source: PWC Report, remodeled

There were no changes in income tax tariff from 2011 to 2013.

### Production Sharing Contract Cash Flow

Chart 20 illustrates the cash flow of state revenues according to production sharing contract provisions.

Figure 20 PSC Cash Flow



- 1. First Tranche Petroleum (FTP)** the portion of oil or gas lifting set aside according to contract before cost recovery. FTP is usually divided between government and contractor using share percentage stipulated in contract. A variation may exist, whereby according to some PSCs only the government entitled to FTP.
- 2. Investment Credit (IC)** is government incentive where contractor can recover investment credit from capital cost directly required for developing

production facilities. IC is calculated from total lifting less FTP and before CR.

- 3. Cost Recovery (CR)** is the recovered cost paid from the government to contractor. CR is calculated from lifting volume using Weighted Average Price (WAP). CR consists of unrecovered cost of previous year, operating cost of current year, non-capital cost, general and administrative cost, and depreciation cost. Article 13 of GR No.79/2010 regulates types of

operating cost non-recoverable through CR or income tax.

4. **Equity to be Split (ETBS)** is the total gross lifting less FTP, Investment Credit (if any), and CR. ETBS is shared between the state and contractor based on equity percentage stipulated in PSC
5. **Gross Domestic Market Obligation (DMO)** is contractor's obligation to provide oil and/or gas to fulfill domestic demand<sup>39</sup>.
6. **DMO Fee** is the government's compensation to contractor for fulfilling DMO. The fee is based on a price stipulated by a minister responsible for oil and gas business sector<sup>40</sup>.
7. **Income Tax** is stipulated by taxation laws and regulations applicable at the time of PSC signing.

Pursuant to PSC scheme, the government will also receive in-kind revenues:

- Government's share of FTP
- Equity Share
- DMO net (DMO gross less DMO Fee paid to contractor)

Government's cash revenues according to PSC other than taxes:

- Bonuses (Signature and Production Bonus)

#### Generations of PSC

Fiscal instruments under PSC have experienced a number of changes to follow the dynamic in economy situation. Overall, PSCs can be classified into three "generation" plus one for PSCs signed after the enactment of Law No.22/2001, as presented in Table 16.

**Table 16 Fiscal Provisions Across Generations of PSC**

Fiscal Instrument	First Generation (1965-1976)	Second Generation (1976-1988)	Third Generation (Sejak1988)	Post UU 22/2001
FTP	-	-	20% shareable	10% non-shareable
Cost Recovery Ceiling	40%	-	80% due to FTP	90% due to FTP
DMO of Oil	-----	25% of contractor's share	-----	
DMO of Gas	-----	unspecified	-----	25% of contractor's share
DMO Fee	\$0.2/barrel	Full price for first 60 months and \$0.2/barrel for subsequent months	Full price for first 60 months of production and subsequently 10% of export price	Oil: Full price for first 60 months of production and subsequently using varying percentage (10%-25%). Gas: full price
Equity Split (Government/contractor) – after tax				
Oil	65%:35%	85%:15%	85%:15%	Varies
Gas	N/A	70%:30% 65%:35%	or 70%:30% 65%:35%	or Varies

<sup>39</sup> PP 5/2004

<sup>40</sup> PMK 139/2013

The GoI has designed several incentive packages in order to attract exploration investors to Indonesia. One of these packages is investment credit for WA that is currently available to finance up to 20% with rate of return for contractors estimated to be slightly less than 15% (MoEMR Regulation 8/2005). In addition, to stimulate activities in oil and gas blocks, the Minister has the authority to determine the design and amount of incentive (GR No.79/2010), although the criteria of WA eligible to access investment credit is not yet clear.

#### 4.1.3 Fiscal Policy in Mining Industry

Revenues from mining sector are received entirely in cash by the government.

#### Tax Policies in Mining Industry

Table 17 summarizes policies of income tax, PBB, and VAT applicable in the mining industry

#### Fiscal Policy in Mining License System

The GoI has stipulated a number of fees and charges imposed on IUP holders and contractors of CoW and CCoW:

- a. Land rent
- b. Exploitation/production charge (royalty),
- c. Sales revenue share (PHT),
- d. Forestry fee

#### Land Rent

Land rent is fee imposed on IUP area, effective as of the issuance of IUP. Land rent uses US Dollar basis per hectare of exploitation/ exploration area. The amount of tariff is differentiated based on phase of operations and permit status (renewed or otherwise), or as stipulated in CoW and CCoW.

[Total Area (Hectare) x Tariff (Rp/USD)]

**Table 17 Tax Policies in Mining Sector**

Tax	Description
Income Tax	IUP <ul style="list-style-type: none"> <li>• 25% of taxable income</li> <li>• 5% deduction for listed companies</li> </ul> CoW/CCoW <ul style="list-style-type: none"> <li>• Income tax tariff follows applicable tax regulation at the time of contract signing</li> </ul>
Land and Building Tax (PBB)	The object of mining PBB is the earth and/or structures within operational territory or areas used for mineral and coal mining purposes. PBB object includes the earth and its interior during exploration phase. PBB procedure and mechanism are regulated under PER-32/PJ/2012
VAT	Mining production is discharged from PPN. Processed material is subject to 10% PPN – the same tariff imposed on any other industries.
Other Taxes	Follows applicable tax tariff

The tariff formula follows provision under GR No. 9/2012.

For IUP holders, land rent is paid once every year, at most 30 days since the formal issuance of IUP, or subsequently on the date of IUP issuance. For CoW and CCoW contractors, land rent is paid two times every year, on January and July.

### Royalty

Royalty or exploitation/production fee is charged on mining commodities of holders of Exploration IUP or Production IUP. This fee applies for each commodity sold (transaction/shipment). The amount of royalty is calculated using a certain tariff multiplied with sales volume and selling price. DG Minerals and Coal determines the selling price.

$$[\text{Volume of Sold} \times \text{Tariff Percentage (\%)} \times \text{selling price (USD)}]$$

#### Tariff pursuant to GR No. 9/2012

##### Royalty (Mineral) of CoW and IUP

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: GR No. 9/2012

##### Royalty (Coal) of CCoW and IUP

###### Open cut mining operation

Calorie	Unit	Royalty
≤ 5.100	Per Ton	3% of selling price
> 5.100 – 6.100	Per Ton	5% of selling price
> 6.100	Per Ton	7% of selling price

###### Underground mining operation

Calorie	Unit	Royalty
≤ 5.100	Per Ton	2% of selling price
> 5.100 – 6.100	Per Ton	4% of selling price
> 6.100	Per Ton	6% of selling price

IUP, CoW, and CCoW holders must pay royalty 30 days at the latest, or in accordance with contract provisions (transaction/shipment).

### Sales Revenue Share (PHT)

Sales revenue share (PHT) is fee imposed on CCoW contractors. PHT is 13.5% Coal Production Fund Contribution less royalty tariff.

The state's share of revenue generated from CCoW model consists of coal PHT at between 6.5%-8.5% and royalty between 5%-7%, depending on the calorific value of coal. PHT and royalty amount to 13.5%.

### Forestry Fee

All extractive companies that operate in forest area as established by the government (GR No. 2/2008) must pay forest resources provision (PSDH) and reforestation fund (DR).

Around 90% of revenues from forestry fee are generated from companies in extractive industry.

## 4.2 State Financial Planning, Budgeting, and Audit

### 4.2.1 Budget Planning

Budget planning process in Indonesia starts with the formulation of long-term development plan, which subsequently is broken down into medium and short-term plan. The National Long-Term Development Plan (RPJPN) 2005-2025 is enacted as Law No.17/2007 and is broken down into 4 Medium-Term Development Plan (RPJMN) – each focused on different themes and priorities. RPJMN 2010-2014 is the second RPJMN under Presidential Regulation No.5/2010 and RPJMN 2015-2019 is the third RPJMN under Presidential Regulation No.2/2015. RPJMN documents are accessible to the public on website <http://bpkp.go.id/sesma/konten/2254/Buku-I-II-dan-III-RPJMN-2015-2019.bpkp>.

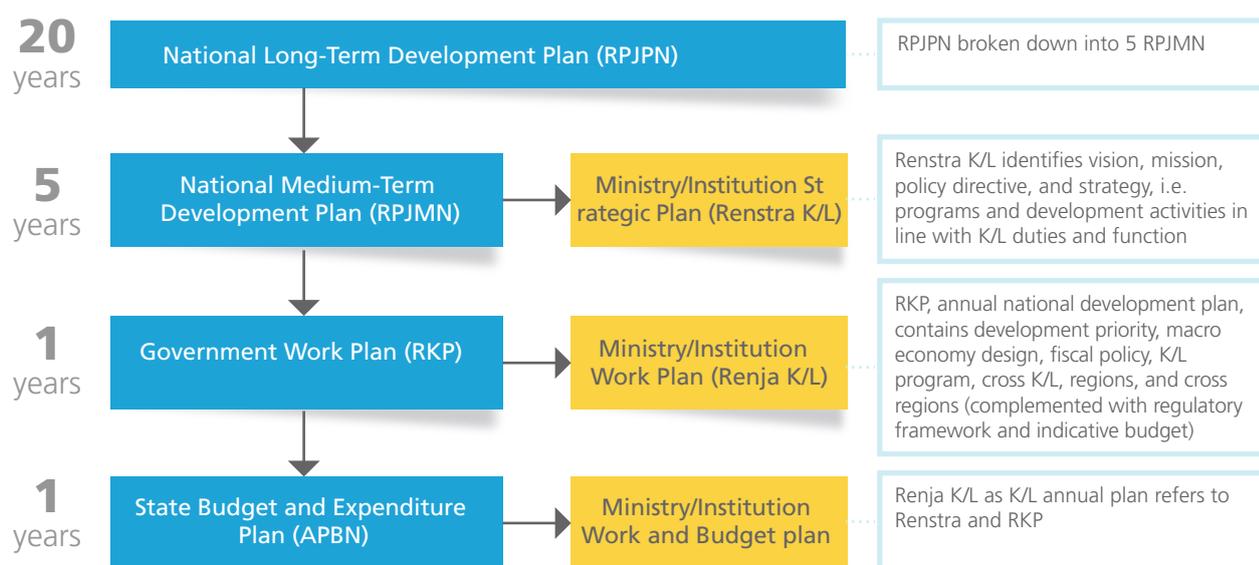
### 4.2.2 National Budgeting System

#### National Budgeting Approach

Indonesia's budgeting system adopts three approaches pursuant to State Finances Law No.17/2003, namely:

- **Unified budget.** Unified budgeting is the integration of all planning and budgeting processes across ministries/institutions. Budget is classified by organization, function, program, type of activity, and type of expenditure. The purpose of unified budgeting is to avoid funding duplication.
- **Medium-term Expenditure Framework (MTEF).** MTEF is policy-based budgeting approach. Ministries/Institutions will be required to translate their RPJMN and *Renstra* programs into annual Work and Budget plan. MTEF aims to ensure sustainable fiscal discipline, as METF proposed by Ministries/Institutions is the plan that projects to one subsequent year.

Figure 21 Link of Development Planning and Budgeting



K/L= Ministry/Institution

Source: DG Budget

- **Performance Based Budgeting (PBB).** PBB approach takes into account funding and funding output as well as expected outcome, including efficiency in achieving outcome and output. PBB refers to performance indicators, cost standard, and performance evaluation. The purpose of PBB is:
  - To emphasize on performance in the process of achieving output and outcome using budget appropriation (input)
  - To develop budget based on certain objectives targeted in one fiscal year according to Ministries/Institutions' strategic plan and/or responsibilities.

#### Process of State Budgeting to State Budget (APBN) Audit

There are number of parties involved in the formulation of APBN, namely central government, Indonesia House of Representatives (DPR), and (recommendations from) subnational government. DPR approves APBN proposed by Central Government. The annual APBN cycle is as follows:

1. First phase: APBN planning and budgeting process. In this phase, the government, BPS, and Indonesia Central Bank prepare macro-economic base assumptions that will be used as reference in formulating budget plan (fiscal capacity) of Central Government. Two key elements in this phase are: activity planning and budgeting.
2. Second phase: APBN consultation. Plan of activities proposed by Ministries/Institutions based on development priority directives from the President is discussed in trilateral meeting. Attending the meeting are Ministries/Institutions as chief operating

officer (COO), Minister of Finance as chief financial officer (CFO), and Minister of National Development Planning (PPN)/Bappenas. The output of this consultation is APBN Bill and Financial Note – submitted to DPR for further consultation. APBN Financial Note presented before the DPR as well as APBN and Revised APBN are accessible on website [www.kemenkeu.go.id/kementerian/keuangan](http://www.kemenkeu.go.id/kementerian/keuangan)

3. Third phase: consultation between Central Government and DPR, taking into consideration recommendations from Regional Representative Council (DPD). Once Central Government and DPR reach an agreement, DPR passes APBN Bill and ratifies the APBN.
4. Ministries/Institutions and State Treasury execute APBN, referring to Budget Execution Document (DIPA).
5. Concurrent with the execution of APBN, Ministries/Institutions and State Treasury develops report and documentation as basis of LKPP, which consists of Budget Realization Report (LRA), Balance Sheet, Cash Flow Report (LAK), and Notes to Financial Statements (CALK). Financial statements are made based on Government Accounting Standards (SAP).
6. BPK audits LKPP submitted by Ministries/Institutions and State Treasury. After audit process is completed, the President, at the latest 6 months after the end of a fiscal year, presents APBN accountability report to DPR. This report will be discussed and ratified by DPR. Audit reports on LKPP are accessible on website <http://www.bpk.go.id/lkpp>

Figure 22 State Budget (APBN) Cycle



Source: APBN and Central Government Financial Statements, available for download on MoF's website.

### 4.3 Outlook of Extractive Industry

The public can access outlook on extractive industry from various sources published by relevant government agencies. The following are two government agencies that publish estimates and projections of extractive industry.

#### MoEMR

Every five years, MoEMR publishes strategic plan ("Renstra") as the guiding document to fulfill the objectives and goals of RPJMN for EMR sector. MoEMR strategic plan identifies next five-year expected condition that the MoEMR aspires to achieve in order to realize all of its goals in the energy

and natural resources sector. *Renstra* also defines measurable goals and performance indicators.

Table 18 presents five-year goals in terms of production, cooperation contract signing, and state revenues, cited from 2015-2019 strategic plan. The full document, including objectives explanation and description on indicators as well as achievement of earlier period, is provided as MoEMR *Renstra* publication, downloadable from website <http://prokum.esdm.go.id/renstra%202015/DATA%20to%20MAIL%20NEW%20REV%20BUKU%20RENSTRA%202015.pdf>.

**Table 18 MoEMR Performance Indicators in Extractive Industry**

No	Performance Indicator	Unit	Target				
			2015	2016	2017	2018	2019
1	Lifting/production of fossil energy	Thousand boepd	6,934	6,799	6,650	6,569	6,595
	a. Oil lifting	Thousand bpd	825	830	750	700	700
	b. Gas lifting	Thousand boepd	1,221	1,150	1,150	1,200	1,295
		mmscfd	6,838	6,440	6,440	6,720	7,252
	c. Coal production	Thousand boepd	4,888	4,819	4,750	4,669	4,600
		Million ton	425	419	413	406	400
2	Oil and gas cooperation contract signing	Contract	8	8	8	8	8
3	Working Area recommendations	Area	39	49	40	41	41
4	Mineral Production	Ton					
	a. Gold		75	75	75	75	75
	b. Silver		231	231	231	231	231
	c. Tin		70,000	70,000	70,000	70,000	70,000
	d. Copper		310,000	310,000	310,000	710,000	710,000
	e. Ferronickel		543,000	543,000	543,000	543,000	543,000
	f. Nickel matte		81,000	81,000	81,000	81,000	81,000
5	Domestic smelter and refiner construction	Unit	12	9	6	2	1
6	State Revenues – EMR Sector	Trillion Rp	349.48	382.82	388.39	393.58	480.15
	a. Oil and Gas		139.38	202.47	205.90	209.33	293.79
	b. Mineral and Coal		208.80	178.80	180.80	182.40	184.40
	c. Others		1.29	1.54	1.69	1.85	1.95

Source: Renstra MoEMR 2015-2019

### National Energy Council (NEC)

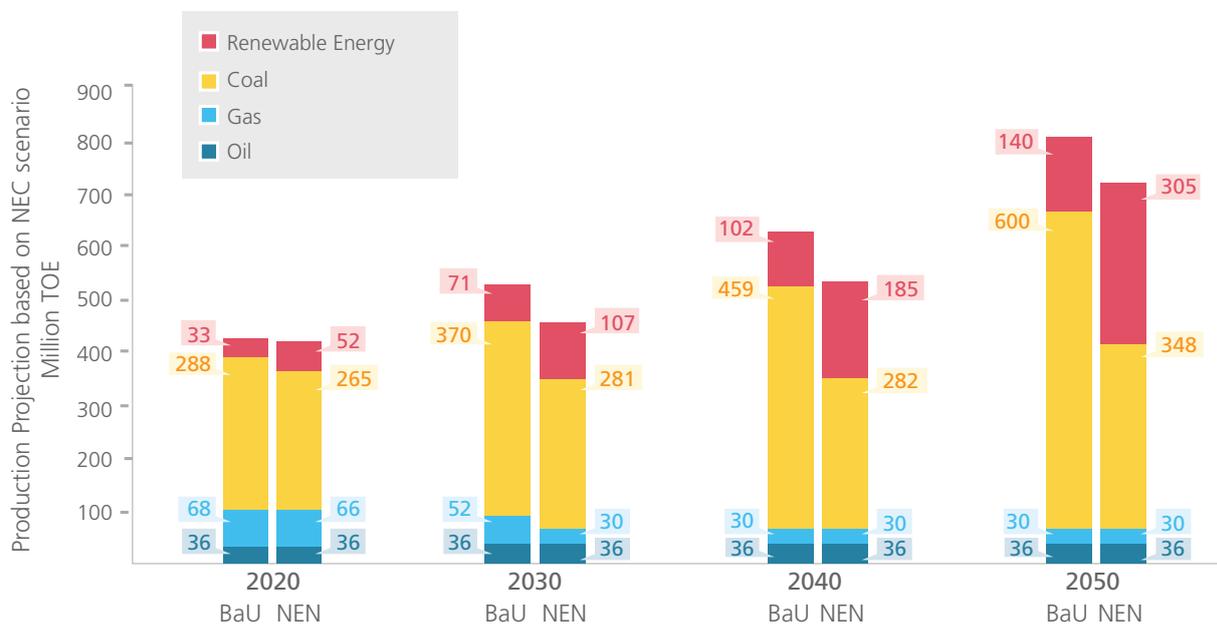
One of NEC's responsibilities is to study Indonesia's energy condition for the period of 2013-2050. NEC observes Indonesia's energy demand compared to energy supply from national production or import. This study will be a source of reference for the government and other parties to forecast Indonesia's energy condition and can be the basis of policy formulation as well as Indonesia's energy development.

NEC uses two approaches to develop its projection, namely Business as Usual (BaU) and National Energy Policy (NEP) approach. In BaU approach, projection uses macro assumption, such as current condition without change of policies and other intervention that could impede consumption rate. Meanwhile, NEP scenario uses assumptions of energy

conservation and efficiency programs, taking into account the decreasing rate of energy consumption as the Government has targeted in its NEP. Assumptions used under these approaches are available in Indonesia Energy Outlook 2014 publication, accessible on website <http://www.den.go.id/index.php/outlookenergi/all>. In its report, NEC projects primary energy production in upcoming years until 2050, summarized as Chart 1 in this report. Go to [www.den.go.id](http://www.den.go.id) to access full projection.

Using NEP approach, NEC expects that primary energy consumption of fossil-based energy (oil, natural gas, and coal), which accounted for 92% in 2013, can be reduced to 77% by 2025 and 69% by 2050. Chart 2 and Chart 3 illustrates comparison of energy mix realization in 2012 and 2013 to energy mix target in 2025 and 2050.

**Chart 1** NEC's Primary Energy Production Projection Based on BaU and NEP Scenarios<sup>41</sup>



Source: NEC – Indonesia Energy Outlook 2014

<sup>41</sup> 1 TOE = 7.33 barrel (BP Statistical 2014)

Chart 2 Energy Mix, 2012 and 2013

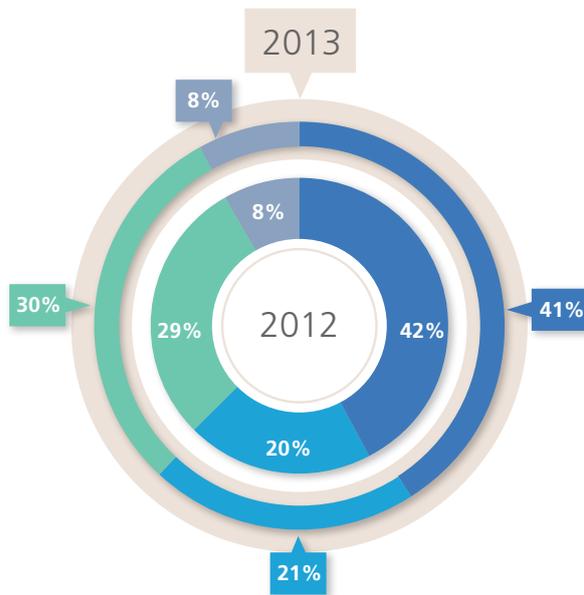
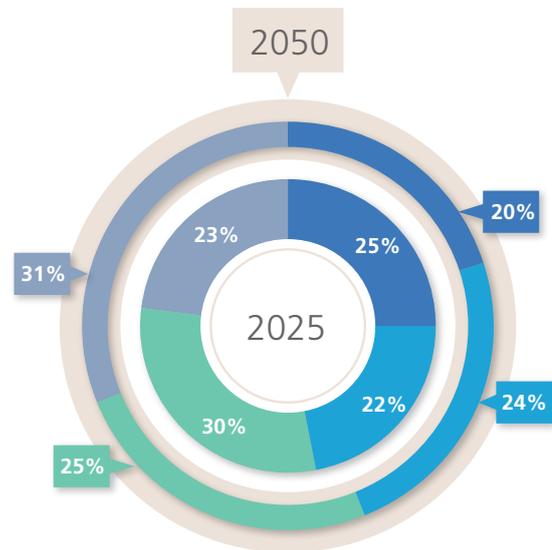


Chart 3 Energy Mix Target, 2025 and 2050



Source: NEC – Indonesia Energy Outlook 2014

#### 4.4 Distribution of Extractive Industry Revenue from Central Government to Subnational Government: Revenue Sharing Fund (DBH)

State revenues from taxes and natural resources are shared with subnational government as balance fund, as stipulated by Law No.33/2004 on fiscal balance between central and subnational government. The fund consists of revenue sharing fund, general allocation fund, and specific allocation fund. Based on its sources, revenue sharing fund is categorized into taxes DBH and natural resources DBH (natural resources: forestry, general mining, fishery, oil and gas, and geothermal). DBH's source of funding is APBN and its distribution to subnational government follows percentage stipulated by Law No. 33/2004.

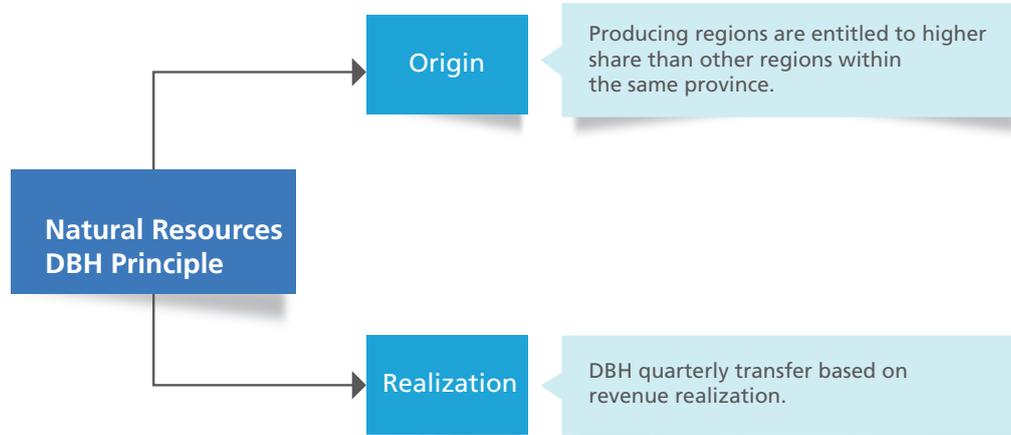
The following section discusses fund allocation of non-tax revenue from extractive industry.

##### Revenue Sharing Fund (DBH) Principle

The allocation of natural resources DBH is based on origin principle (derivative) and realization principle. Both principles must be satisfied in order for the subnational government to receive revenue sharing generated by extractive industry. Derivative principle means there must be oil and gas production activities carried out in that province or Regency/City, or within the region's sea territory (12 kilometers from coastline<sup>42</sup>). Producing province or Regency/City is entitled to a bigger share of the revenue. The other principle, realization principle, means that the revenues are recognized and recorded in State's Treasury.

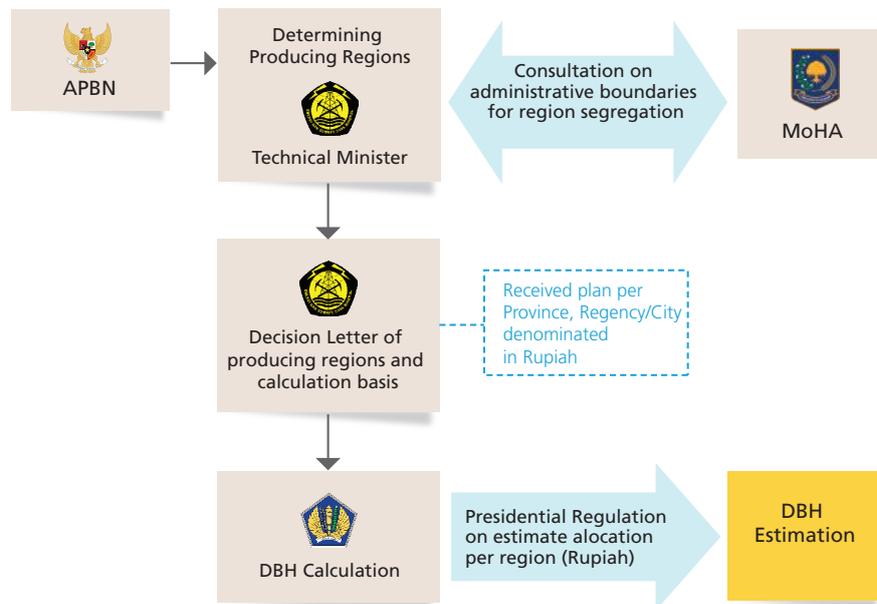
<sup>42</sup> 4 km from coastline is district territory; 4-12 kilometers from coastline is provincial territory, making the province as the producing region.

Figure 23 Revenue Sharing Fund (DBH) Principle



Source: Directorate of Balance Funding, Ministry of Finance

Figure 24 Natural Resources DBH Allocation Estimation Mechanism (GR No. 55/2005)



Source: Directorate of Balance Funding, Ministry of Finance

**Phases Natural Resources DBH Allocation**

Phases to allocate natural resources DBH are:

1. Minister of EMR, in consultation with Minister of Home Affairs, identifies producing regions and basis of natural

resources DBH calculation at the latest 60 days before the start of a fiscal year. The result is submitted to Minister of Finance.

2. Minister of Home Affairs, with advise from Minister of EMR, decides the producing region for natural resources located in

borders or cross more than one territories. This decision must be made at the latest 60 days after line ministry submits its recommendations.

3. Decision of the Minister of Home Affairs in point 2 above will be the basis of natural resources DBH calculation by Minister of EMR.
4. Minister of Finance establishes estimation of DBH allocation for each region, at the latest 30 days after Minister of EMR submits the decisions.
5. Estimation of Oil and/or Gas DBH for each region is issued at the latest 30 days after

Minister of EMR issues the decision (point 1) along with estimation of government's share, and estimation of other deducting components.

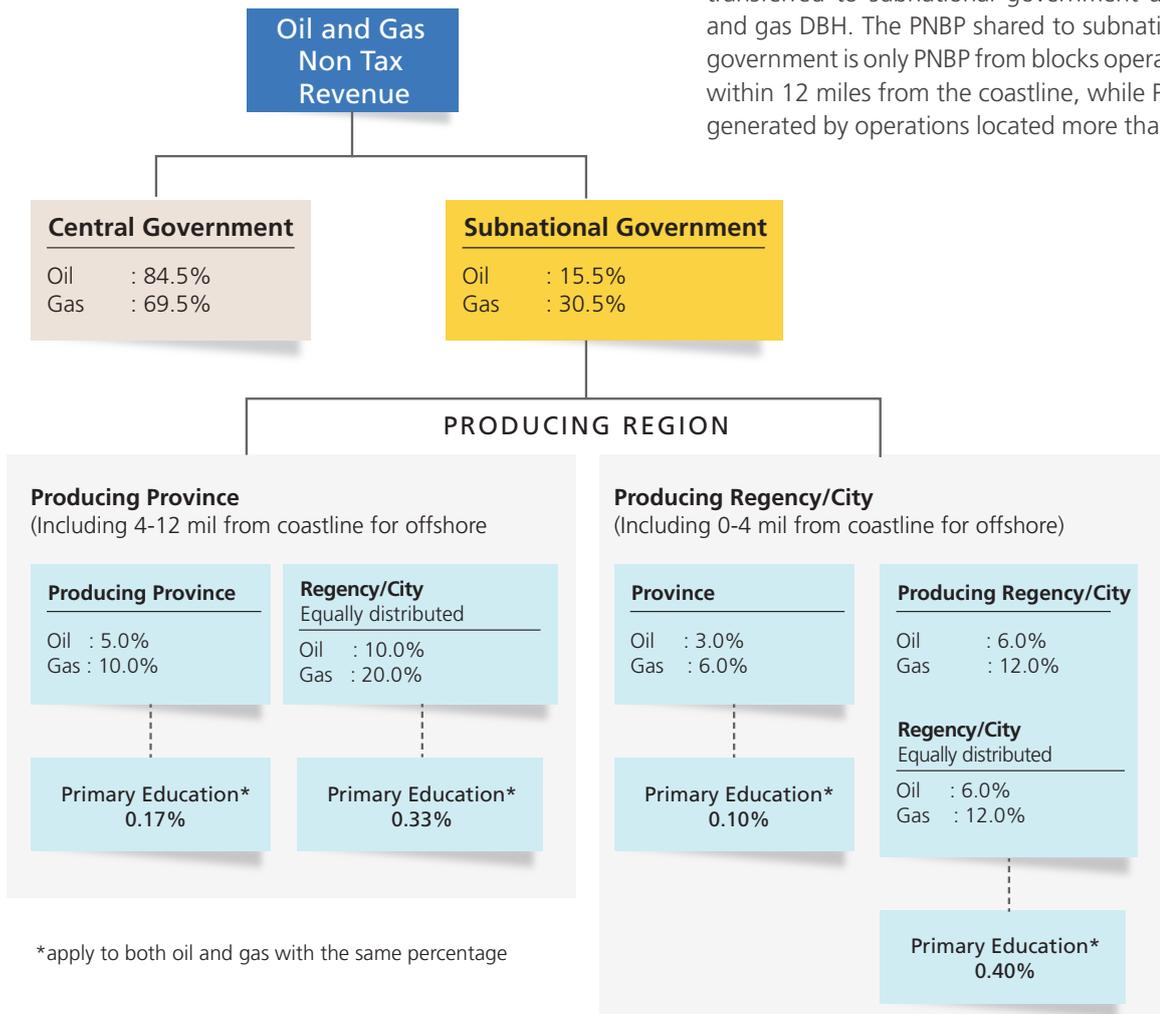
#### 4.4.1 Revenue Sharing Fund (DBH) Scheme for Extractive Industry

##### Oil and Gas DBH

The scheme of DBH calculation from oil and gas and mining sectors is as follows:

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 subnational government as oil and gas DBH. The PNBP shared to subnational government is only PNBP from blocks operating within 12 miles from the coastline, while PNBP generated by operations located more than 12

Figure 25 Oil and Gas DBH Distribution



Source: GR No. 55/2005

miles from the coastline is entirely allocated to central government. Shared PNPB is further divided to producing regions – province or regency/city– as illustrated by Figure 25.

### 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 Papua<sup>43</sup>. These provinces are entitled to higher percentage of oil and gas share compared to other regions.<sup>44</sup>

The share of oil and gas non tax revenue of those provinces is 30% for central government and 70% for 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 25. 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 25. Oil and gas DBH for special autonomy regions summarize in Table 19.

Art. 36 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.

### Mining DBH Scheme

Subnational share from royalty and land rent is 80%. Table 20 presents the share for producing regions and non-producing regions.

**Table 19 Revenue Sharing in Special Autonomy Scheme**

Commodity	% for region under special autonomy arrangement	Additional share for special autonomy province	Province as producing region		Regency/City as producing region		
			Province	Regency/City in the province	Province	Producing Regency/City	Regency/City in the province
Oil	70%	55%	5%	10%	3%	6%	6%
Gas	70%	40%	10%	20%	6%	12%	12%

Source: Directorate of Fiscal Balance, Ministry of Finance

<sup>43</sup> Currently, oil and gas natural resources are only situated in West Papua. Statement cited from Head of Sub-Directorate, Fiscal Balance DG, during EITI Journalist Workshop. Bogor, 7 September 2015.

<sup>44</sup> Presentation of Head of Sub-Directorate, Fiscal Balance DG (Q&A session) on Natural Resources Policy. EITI Journalist Workshop. Bogor, 7 September 2015. Oil and gas shared only to West Papua at the moment.

**Table 20 General Mining Revenue Sharing Fund**

Type of DBH General Mining	Share (%)			
	% for Subnational Government	Province	Producing Regency/City	Other Regency/City in the province
A. Land Rent for producing Regency/City	80%	16%	64%	-
B. Land Rent for producing province	80%	80%	-	-
C. Royalty for producing Regency/City	80%	16%	32%	32%
D. Royalty for producing province	80%	26%	-	54%

Source: Balance Funding Directorate, Ministry of Finance

DBH disbursement process is discussed in reconciliation section of 2012-2013 report.

#### 4.4.2 DBH Accountability and Utilization Efficiency

##### Monitoring and Evaluation

Article 32 and 34 of GR No.55/2005 stipulate monitoring and evaluation responsibility of the Minister of Finance over DBH earmarked for primary education:

1. Minister of Finance monitors and evaluates budget utilization of oil and gas DBH for primary education
2. If, based on the monitoring and evaluation, there is any indication of primary education budget misuse, Minister of Finance shall ask functional monitoring officer to conduct audit.
3. Result of audit can be used as basis of consideration for next fiscal year's DBH allocation.

For non-earmarked DBH, central government monitors idle DBH in regions. If idle money is identified, central government will replace cash transfer to subnational government into State Bonds (SUN). The criterion is 3 months idle money in subnational government account in the amount that exceeds national average<sup>45</sup>.

#### Transparency and Accountability

Fluctuating commodity prices and irreconcilable state revenues from extractive industry hinder public monitoring. Given the situation, it is even more crucial for the central government to provide transparent and detailed information on the quantity of extractive-industry generated revenues as well as calculation formula, to allow public to exercise adequate monitoring.

To simplify basis of DBH calculation, Minister of Finance in its future policy directive will carry out re-formulation of DBH, using end-year prognosis, while realization differences will be calculated in subsequent year<sup>46</sup>.

Currently, the Ministry of Finance only publishes estimate of allocation and realization of DBH. The data is accessible on DG Fiscal Balance website <http://www.djpk.kemenkeu.go.id/litd/> or as attachment to LKPP<sup>47</sup>.

Total DBH allocation from central to subnational government in 2012-2013 is presented in Table 21.

<sup>45</sup> Presentation of Head of Sub-Directorate, Fiscal Balance DG (Q&A session) on Natural Resources Policy. EITI Journalist Workshop. Bogor, 7 September 2015.

<sup>46</sup> Presentation of DJPK, Ministry of Finance, during Community Development Plan Consultation (Musrenbang) concerning East Kalimantan Province Development Plan

<sup>47</sup> Attachment 6 of third volume also provides list of transfer from central to subnational government

**Table 21** Total Extractive DBH Allocation 2012-2013

In million Rupiah

Year	Oil	Gas	Mining	Total Allocation
2012	26,486,848	20,573,996	12,508,311	59,569,155
2013	15,530,937	13,799,052	11,636,719	40,966,708

Source: DG Fiscal Balance, MoF

## ⇒ 05 ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES



*Mangrove Tree Planting- Kangean Energy*

Companies working in the extractive industry have environmental and social responsibilities. Related to those responsibilities, companies working in the extractive industry are required to provide funding for environmental restoration and reclamation. In the oil and gas sector, such funding is called the Abandonment and Site Restoration

(ASR) Fund, while in the mineral and coal sector, it is called the Reclamation Guarantee Fund. Additionally, extractive-sector companies may implement a programme to fulfil the companies' social and environmental responsibilities, known as the Corporate Social Responsibility (CSR).

## 5.1 Oil and Gas : Abandonment and Site Restoration Fund (ASR Fund)

### Relevant Regulations

The ASR fund is an amount of money set aside to fund post-operation site restoration. The amount should be deposited by every contractor to an account co-opened by the Special Task Force for Indonesia Upstream Oil and Gas Business Activities (SKK Migas) and the contractor. The requirement to set aside the funding is regulated in a cooperative agreement, pursuant to GR 35/2004. Contractors are required to allocate the ASR fund from the exploration stage, strengthened in their work plans and budgets. The funding allocation is agreed upon by each contractor and SKK Migas.

ASR funded activities that every contractor must implement include:

1. Engineering design
2. Licensing and compliance with regulations
3. Well closing
4. Dismantling
5. Transportation
6. Storing
7. Site restoration

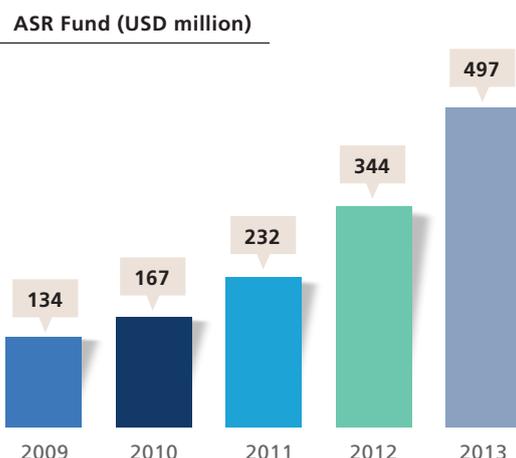
### The ASR Fund Amount

Every contractor deposits the ASR fund every semester to the joint account in USD. The amount of the ASR fund should be calculated as follows:

ASR Fund allocated for a certain year =	$\frac{\text{Estimated ASR Costs} \pm \text{Adjustments} - \text{ASR Fund Balance}}{\text{Remaining time needed to collect ASR fund}}$
---	--

Until 2013, the total ASR fund kept in public sector banks was USD 497 million. SKK Migas has the authority to manage the ASR fund and the responsibility to report to the government, pursuant to the Oil and Gas Law.

Chart 4 ASR Fund in Public Sector Banks (Bank Mandiri, BNI, BRI)



Source: <http://www.skkmigas.go.id/statistik/statistik-asr>

## 5.2 Mining: Reclamation and Post-Mining Guarantees

Mineral and coal mining companies<sup>48</sup> are required to provide two types of guarantees: reclamation (exploration and production operations) and post-mining guarantees, pursuant MoEMR Regulation No.7/2014.

1. **The provision of the reclamation guarantee in the exploration** stage is regulated by the DG Minerals and Coal on behalf of the minister, head of subnational government in accordance with their respective authority. The guarantee should be provided fully and specified in the work plan and budget (WP&B) for initial exploration. After the WP&B has been approved by the DG Minerals and Coal, the exploration license holder must deposit the guarantee in the form of a time deposit no later than 30 days since the WP&B was approved. The time deposit should be made into a joint account co-opened by the DG Minerals and Coal, the relevant governor or district head according to their authority, and the relevant exploration license holder in a public sector bank.

<sup>48</sup> Articles 52 and 53 of Government Regulation 78/2010 regulate retroactive provisions for parties to contracts of work, the CCoV, and license holders to adapt their reclamation and post-mining plans and provide reclamation and post-mining guarantees no later than three months after the government regulation comes into effect.

- 2. The reclamation guarantee in the production operation stage** for the first five years must be provided fully for five years. However, if the mine's life span is less than five years, this reclamation guarantee should be provided for the life span of the mine. Similar to the reclamation guarantee in the exploration stage, this guarantee is regulated by the DG Minerals and Coal on behalf of the Minister, the authorised governor or district head and should be specified in the annual WP&B for production operations. This guarantee may be provided in the form of:
- A deposit into **a joint account** co-opened by the DG Minerals and Coal, the relevant governor or district head, and the relevant production operation license holder in a public sector bank;
  - A time deposit** into an account co-opened by the DG Minerals and Coal, the relevant governor or district head, and the relevant production operation license holder in a public sector bank;
  - A standby letter of credit** issued by a public sector bank or national private sector bank in Indonesia,
  - An accounting reserve** if the production operation license holder is listed in the Indonesia Stock Exchange (with traded shares of more than 40%) and has USD 50 million in paid-up capital.
- 3. The Post-Mining Guarantee** must be fully collected within two years before going to the post-mining stage. The post-mining guarantee is provided in the form of a **time deposit** made into an account co-opened by the DG Minerals and Coal, the authorised governor or district head, and the relevant production operation license holder in a public sector bank. The amount that should be provided is decided by the DG Minerals and Coal on behalf of the Minister and the relevant governor or district head according to their authority.

The MoEMR Regulation No. 2/2013 on The Monitoring of Mining Business Management by Provincial and District Governments stipulates that in order to obtain a small-scale mining license (IPR), reclamation and post-mining plans should be made based on environmental documents, pursuant to laws and regulations.

There is no publicly accessible list on the total amount of reclamation guarantee funding<sup>49</sup> that has been deposited, made available by either the DG Minerals and Coal or local governments. Between 2010 and 2011, BPK conducted an inspection for a particular purpose and found 64 companies that did not have post-mining reclamation plans, and 73 companies that did not provide reclamation guarantee funding. A similar inspection was not conducted in 2012 and 2013. In 2014, BPK inspected the performance of the District Mining and Energy Department of Karimun in monitoring reclamation activities in mining sites from 2013 to November 2014, and concluded that the monitoring of reclamation activities implemented by license holders was not adequate, and thereby information on progress in reclamation activity implementation based on plans that had been made by the license holders could not be obtained<sup>50</sup>.

### 5.3 Corporate Social Responsibility (CSR)

CSR is an inseparable part of a company's activities as the manifestation of its commitments and responsibilities towards communities (related directly and indirectly) and the surrounding environment, through contributions to economic development and social and environmental responsibilities<sup>51</sup>. This social responsibility funding is not a type of revenue listed in the central government's financial report.

<sup>49</sup> BPK, Hasil Pemeriksaan BPK Semester II tahun 2011 atas pengelolaan PNPB dan DBH Sektor Pertambangan, <http://www.bpk.go.id/news/hasil-pemeriksaan-bpk-semester-ii-tahun-2011-atas-pengelolaan-pnpb-dan-dbh-sektor-pertambangan>, accessed August 1, 2015

<sup>50</sup> The Audit Board of the Republic of Indonesia, Ikhtisar Hasil Pemeriksaan Semester II tahun 2014, p. 122

<sup>51</sup> CIFOR, Peraturan saja tidak cukup Pelajaran dari program tanggung jawab sosial dan lingkungan (CSR) di Taman Nasional Kutai dan gagasan perbaikan ke depan, [http://www.cifor.org/publications/pdf\\_files/infobrief/002\\_Brief.pdf](http://www.cifor.org/publications/pdf_files/infobrief/002_Brief.pdf), No. 02, April 2010, accessed August 10, 2015.



Water treatment - PT Medco E&P Indonesia

### Relevant Regulations

The following are laws and regulations requiring extractive companies to implement CSR activities:

- Limited liability companies (PT) are regulated in Article 74 of Law No.40/2007, requiring limited liability companies whose line of business is related to natural resources to fulfill their social and environmental responsibilities which are further regulated in a government regulation. Currently, there is no implementation regulation for this law to regulate the amount of money needed for social responsibility activities.
- License holders are regulated in Articles 108 and 109 of Law No.4/2009, requiring them to plan community development and empowerment activities. License holders are required to consult the government, the relevant local government, and the relevant community for activity and programme planning. This law does not have an implementation regulation

either to regulate the amount of money needed for community development and empowerment activities.

- Oil and gas contractors are regulated in Article 13 of Law No.22/2001.
- State-owned companies are regulated in Regulation of the Minister of State-Owned Companies No. PER-05/MBU/2007, requiring state-owned companies to implement partnership and environmental development programmes, each of which is to the maximum value of 2% of taxed-profits.

### CSR Activities

CSR activities listed in this report are based on classifications referred to in the 2012 Performance Accountability Report (LAKIP) of the MoEMR. Those classifications include:

- Community relations in religious, social, cultural, sport, and youth matters;

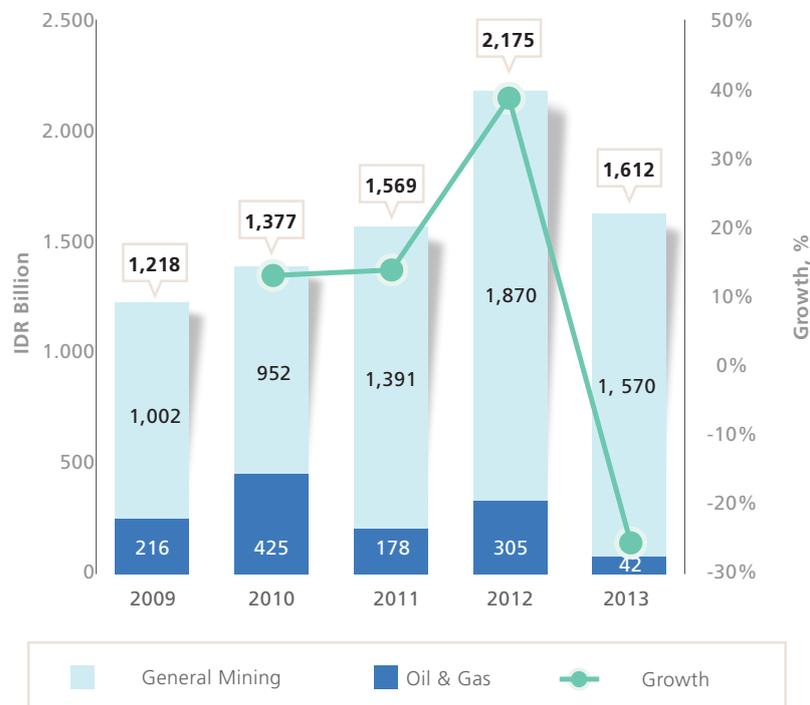
- Community services including donations for communities affected by disasters or those who need them;
- Community empowerment of local communities living in and near business locations to improve their standard of living, economy, education and health;
- Social infrastructure development, including schools, worship places, hospitals, roads, bridges and others<sup>52</sup>;
- Environmental management.

**The amount of money spent by companies for CSR**

Chart 5 illustrates the amount of CSR funding provided by oil and gas companies which is much smaller than that provided by mineral and coal mining companies, because the number of oil and gas companies is smaller. A decrease in the total amount of CSR funding provided by mineral and coal companies in 2013 was caused by a decrease in the overall revenue generated by the mineral and coal sector as the commodity price in the international market decreased.

The usage of the CSR funding and the types of activities funded can be seen in the LAKIP of MoEMR at <http://esdm.go.id/publikasi/lakip-kementerian-esdm.html>.

**Chart 5 CSR Funding from Oil and Gas and Mining Companies, 2009–2013**



Source: LAKIP of the Ministry of Energy and Mineral Resources 2013

<sup>52</sup> Infrastructure development in the context of CSR is not infrastructure development required by the mining contract or license.

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# ⇒ 06 EXTRACTIVE INDUSTRY MANAGEMENT IN INDONESIA

This section provides overviews of Indonesia's extractive industry and its resource distribution and reserves, as well as production/lifting including significant exploration activities. It also discusses the extractive industry's contribution to Indonesia's economy including to GDP, state revenue, export and employment.



Crude Oil Tanker - Santos

## 6.1 Indonesia's Extractive Industry in the Global Context<sup>53</sup>

### Oil and Gas



#### Reserves

**Oil**, ranked 27<sup>th</sup> in the world

**Gas**, ranked 14<sup>th</sup> in the world

#### Production

**Oil**, ranked 23<sup>rd</sup> in the world

**Gas**, ranked 10<sup>th</sup> in the world  
The 4<sup>th</sup> largest LNG exporter

#### Oil

Indonesia has 3.75 billion barrels in proven reserves, ranked 27th for oil reserve contributors, and 23rd for oil producers in the world, contributing around 1% of the global oil production according to data from 2014 BP Statistics.

#### Gas

Indonesia is ranked 14th in the world for proven gas reserves based on 2014 BP Statistics. Indonesia is also ranked 10th in the world for gas production, accounting for 2% of the global gas production. In 2013, Indonesia was the fourth largest LNG exporter in the world<sup>54</sup>.

<sup>53</sup> Data used in the global context is realisation data in 2013, unless otherwise specified.

<sup>54</sup> EIA, Indonesia, <http://www.eia.gov/beta/international/analysis.cfm?iso=IDN>, accessed September 5, 2015

<p><b>Coal</b></p>  <p><b>Reserves</b> Ranked 10th</p> <p><b>Production</b> Ranked 5th</p>	<p><b>Coal</b></p> <p>Indonesia is the fifth largest coal producer – accounting for 5% of the global production – after Australia, and the tenth top coal reserve contributor in the world.</p>
<p><b>Other minerals</b></p>  <p><b>Reserves</b> <b>Gold</b>, ranked 5<sup>th</sup> in the world <b>Lead</b>, ranked 2<sup>nd</sup> in the world</p> <p><b>Production</b> <b>Nickel</b>, ranked 1<sup>st</sup> in the world <b>Tin</b>, ranked 2<sup>nd</sup> in the world <b>Bauxite</b>, ranked 4<sup>th</sup> in the world</p>	<p><b>Other Minerals</b></p> <p>Indonesia plays a significant role in the world's mineral mining. According to a statistic report by the U.S Geological Survey in 2014, Indonesia is ranked 5th and 2nd in the world for its gold and tin reserves, respectively. Indonesia is also in the world's top five nickel, tin, and bauxite producers.</p> <p>Further, Garsberg in Papua is the largest gold mine and the third largest copper mine in the world.</p>

## 6.2 The Oil and Gas Sector

### 6.2.1 Potential Oil and Gas Resources and Reserves

Indonesia's archipelago is geologically divided into two parts: western and eastern. The western part includes Sumatra, Java, Kalimantan and islands between those three large islands, while the eastern part includes Sulawesi, Maluku, Irian Jaya, Arafura Sea, Banda Sea and Timor Sea.

A sedimentary basin is a unit used to measure potential oil and gas resources. Most sedimentary basins in western Indonesia are located onshore and in shallow waters. In eastern Indonesia, most of the sedimentary basins are located deep-sea offshore<sup>55</sup>.

Indonesia has 60 sedimentary basins (the latest study by the Geological Agency identified 128 oil and gas basins<sup>56</sup>) with potential oil and gas reserves. Out of 60 sedimentary basins, only 38 have been explored. Eighteen basins are productive, 75% of the productive<sup>57</sup> basins are located in western Indonesia. In eastern Indonesia, there are 39<sup>58</sup> tertiary and pre-tertiary basins that show promising hydrocarbon richness, but have not been adequately explored.

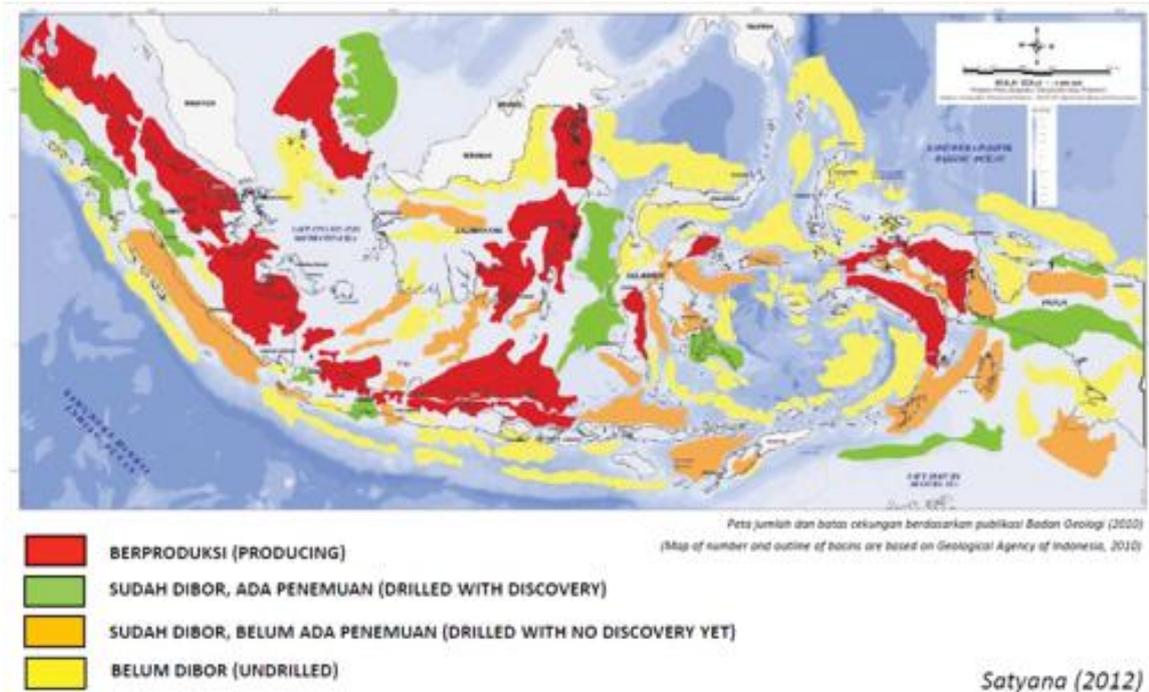
<sup>55</sup> CCOP EPF, Indonesia Petroleum Geology & Potential, [http://www.ccop.or.th/epf/indonesia/indonesia\\_petroleum.html](http://www.ccop.or.th/epf/indonesia/indonesia_petroleum.html), accessed July 8, 2015.

<sup>56</sup> The Ministry of Energy and Mineral Resource of the Republic of Indonesia, Renstra KESDM, p. 66.

<sup>57</sup> The Special Task Force for Upstream Oil and Gas Business Activities of the Republic of Indonesia, Annual Report 2013, p. 24

<sup>58</sup> PWC, Oil and Gas Investment and Taxation Guide, 2014, p. 9.

Figure 26 Sedimentary Basins

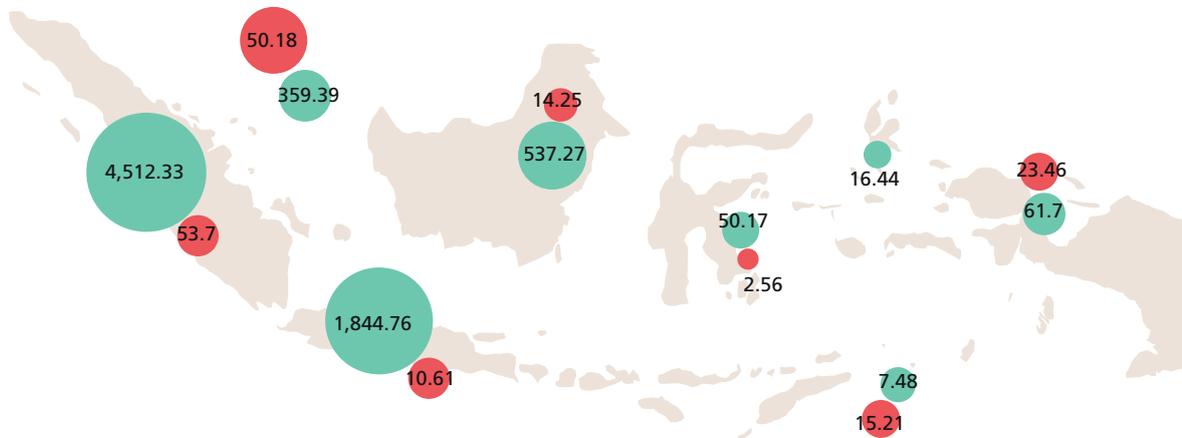


Source: The Geological Agency, the Ministry of Energy and Mineral Resources

In late 2013, Indonesia had 7,390 million stock tank barrels in oil reserves (3Ps) and 150 trillion standard cubic feet in gas reserves (3Ps). Oil reserve concentration in Sumatra and Java was 61% and 25%, respectively, of the national oil reserves, while gas reserves were more spread throughout

Indonesia with 33%, 22% and 16% of Indonesia's gas reserves that could be found in Natuna, Sumatra and Papua, respectively.

Figure 27 Oil and Gas Reserve Distribution in Indonesia



Source: The 2013 Annual Report by SKK Migas

### 6.2.2 Oil and Gas Production/Lifting and the Value

#### Oil Production/Lifting

Charts 6 and 7 illustrate Indonesia's decreasing oil production/lifting, indicating that in the last three years the declining rate of oil production was 4.5%. Between 2012 and 2013, the Reserve Replacement Ratio (RRR) of oil was only around 50%, meaning that the new reserves found could only replace 50% of the produced oil.

This pressure on oil production and the low RRR are caused by several factors such as old wells and infrastructure, difficulty in land acquisition, and the lack of investments in exploration<sup>59</sup>. In addition, according to the MoEMR, pressure on oil production is caused by the large number of new players, accounting for 30% of the total number of players, and the large number of contractors that did not fulfil their exploration commitments, among others<sup>60</sup>.

Oil production from Banyu Urip (the Cepu Block) starting in early 2015 is expected to slow down the decrease in Indonesia's oil production, but only in the medium term because it will not be able to exceed natural decreases in other blocks. The Cepu Block is projected to increase Indonesia's oil production by 165 thousand barrels of oil per day (BOPD).<sup>61</sup>

Chart 6 Oil Production, 2009–2013



Source: SKK Migas

Chart 7 Oil Lifting, 2009–2013



Source: LKPP

<sup>59</sup> EIA, Indonesia, <http://www.eia.gov/beta/international/analysis.cfm?iso=IDN>, accessed September 5, 2015

<sup>60</sup> The Ministry of Energy and Mineral Resources of the Republic of Indonesia, Rencana Strategis 2015-2019, p. 74.

<sup>61</sup> The Special Task Force for Upstream Oil and Gas Business Activities of the Republic of Indonesia, Laporan Tahunan 2013, p. 75.

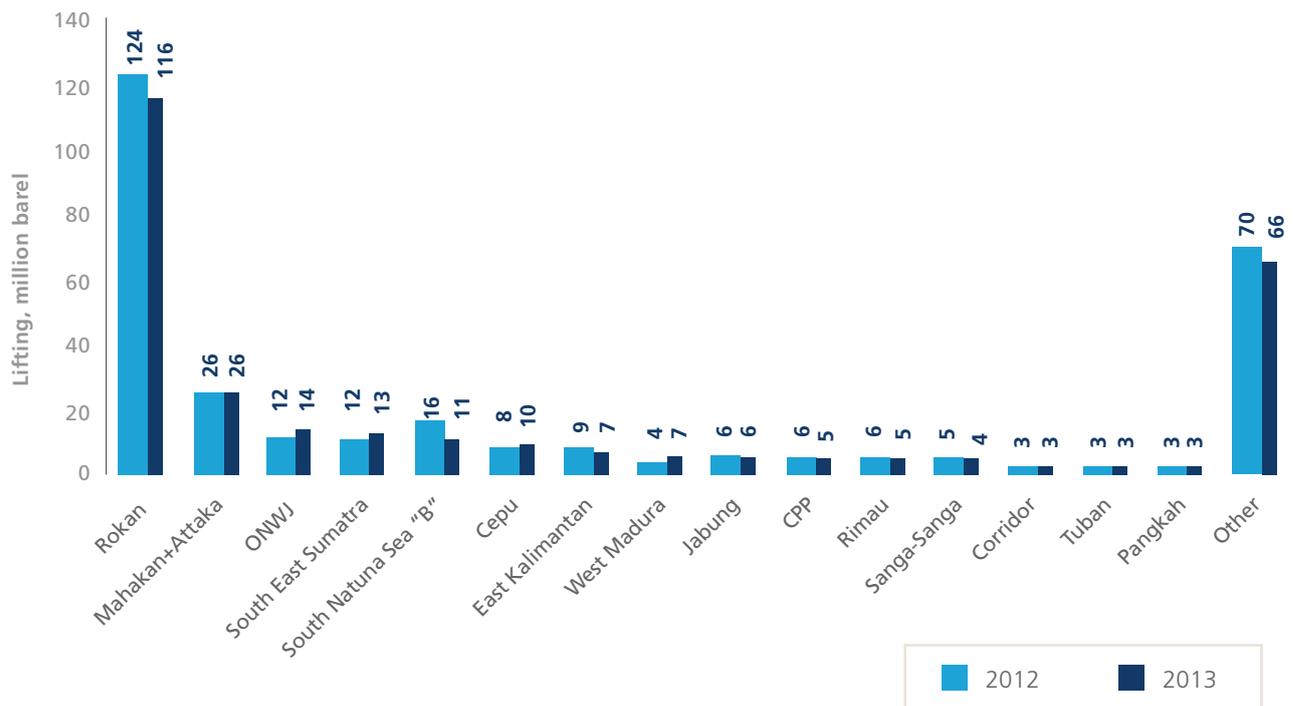
Chart 7 illustrates a considerably significant rise in the average price of oil in 2011 which became quite stable at above USD 100 in 2011–2013.

### Oil Lifting and the Value by Primary Working Area, 2012–2013

Charts 8 and 9 illustrate primary blocks contributing almost 80% of the national oil lifting. In 2012 and 2013, the Rokan Block, in Riau, Sumatra, operated by Chevron was the largest oil lifting contributor in Indonesia,

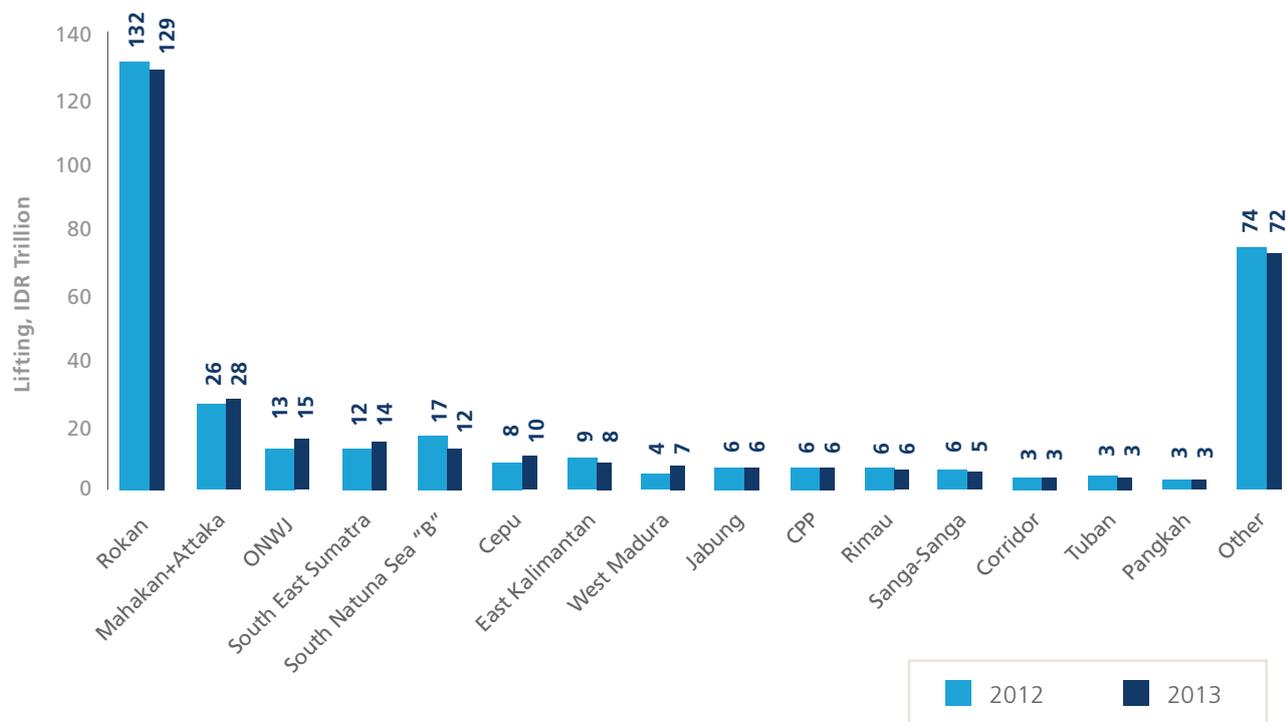
contributing 124 million barrels in 2012 and 116 million barrels in 2013, or 39% of the total oil production in 2012 and 2013. This rank was followed by the Mahakam Block with 26 million barrels of oil lifting in 2012 and 2013, or 8% and 9% of the total national lifting in 2012 and 2013, respectively. The ONWJ Block operated by Pertamina contributed 4% and 5% of the national oil production in 2012 and 2013, respectively.

Chart 8 Oil Lifting in 15 Primary Working Areas



Source: EITI Reconciliation Report, 2012–2013

Chart 9 Oil Lifting Value<sup>62</sup> in 15 Primary Working Areas



Source: EITI Reconciliation Report, 2012–2013

### Gas Production/Lifting

Charts 10 and 11 illustrate that since 2010 Indonesia’s gas production/lifting has been significantly increasing as the termination of the projects in Papua (Tangguh – BP Berau), in Bali (Terang Sirasun Batur – Kangean Energy Indonesia), and in East Kalimantan (Sisi Nubi – the Mahakam Block)<sup>63</sup>. The reserve replacement ratio (RRR) of gas was above 100% in 2010, but started to decrease by 90% in 2013. Within three years, Indonesia’s gas production continuously decreased and in 2013 gas production decreased by 8% compared to the production in 2010.

Several projects relied on to increase gas production in the next five years are the Indonesian Deep Water Development

Chart 10 Gas Production, 2009–2013



Source : SKK Migas

(IDD) field in Bangka- Gendalo-Gehem, the Jangkrik field (the Muara Bakau Block) and Tangguh Train- 3.

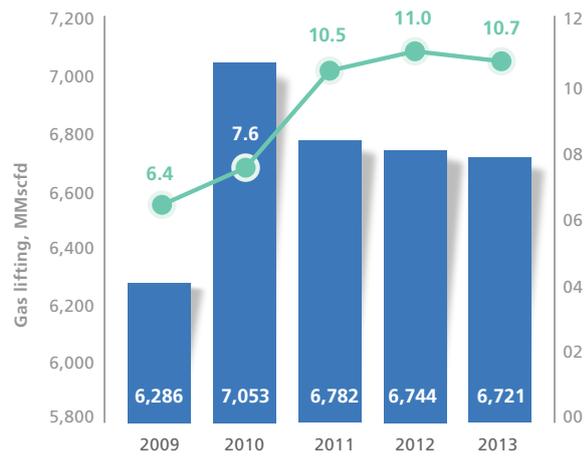
<sup>62</sup> The lifting value uses the average Indonesian crude price (ICP) for one year and the average price of gas, that cannot be used to calculate state revenue because the prices are volatile, and accounting treatment and deduction during the recognition of the state revenue. Further explanation about state revenue treatment in the state treasury is given in volume three : reconciliation report.

<sup>63</sup> The Special Task Force for Upstream Oil and Gas Business Activities of the Republic of Indonesia, Laporan Tahunan 2012, p. 43.

Chart 11 Gas Lifting, 2009–2013

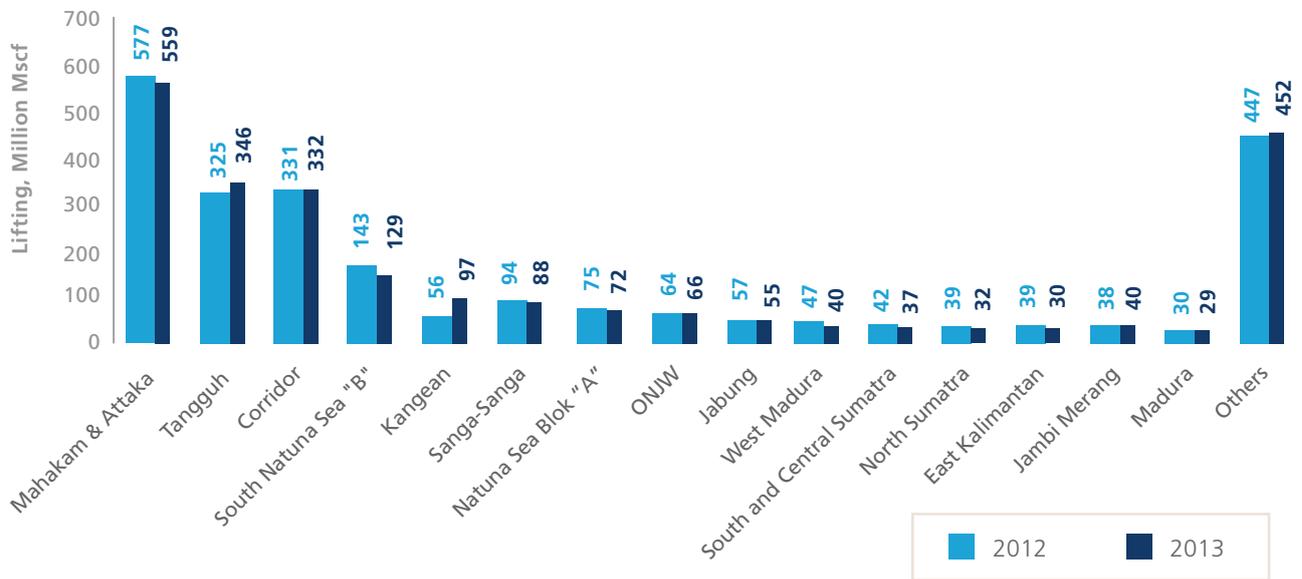
Gas Lifting and the Value by Primary Working Area, 2012–2013

Charts 12 and 13 illustrate primary blocks accounting for 80% of the national gas lifting. The largest gas lifting contributor was the Mahakam Block operated by Total E&P, contributing 577 million Mscf (or 24% of the national gas lifting) in 2012 and 559 million Mscf (or 23% of the national gas lifting) in 2013. This block was followed by the Tangguh and Corridor Blocks, each of which accounted for approximately 14% of the national gas lifting in 2012 and 2013.



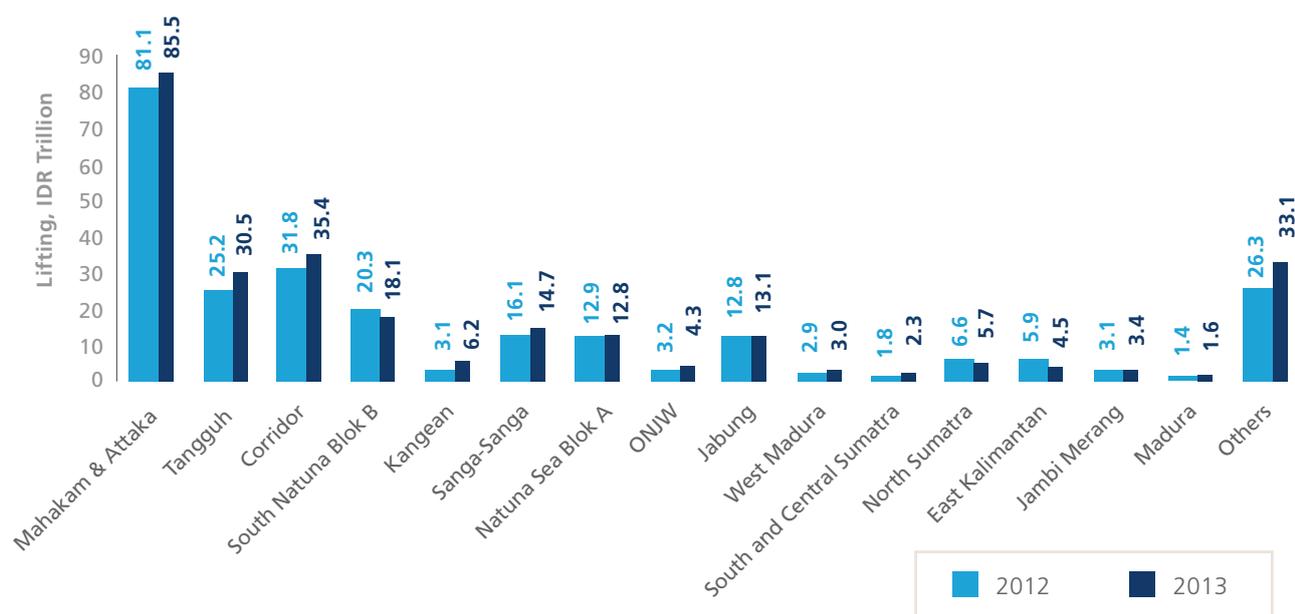
Source : SKK Migas

Chart 12 Gas Lifting in 15 Primary Working Areas



Source: EITI Reconciliation Report, 2012–2013

Chart 13 Gas Lifting Value in 15 Primary Working Areas



Source: EITI Reconciliation Report, 2012–2013

### 6.2.3 Significant Exploration Activities in the Oil and Gas Mining Sector

The Implementing Team has decided that the definition of a significant exploration project is an exploration project that has proven reserves and will go into the exploitation (development) stage. According to reports by SKK Migas in 2012 and 2013, there are five significant development projects in terms of the size of the reserves and the work scope (see Table 22).

The Banyu Urip Project in Cepu (East Java) was started in August 2011. This block is operated by ExxonMobil that has 45% participating interest, in collaboration (a joint venture) with Pertamina (45%) and four local-government-owned companies (10%). This development project has been delayed several times due to problems about land acquisition and licensing<sup>64</sup>. SKK Migas has projected that the peak production of the Cepu Block will be 165 thousand barrels per day, expected to be able to slow down the decrease in the national oil production.

The IDD Project is a joint project of four working areas: Galan, Rapak, Makassar Strait and East Kalimantan, that has established two Floating Production Unit (FPU) hubs and one subsea tie-back<sup>65</sup>. Chevron, Eni, Niko Resources, Statoil, Total, and Hess are companies actively involved in this project.

The Abadi Inpex Masela Project is located in Arafura Sea, Maluku. This block is a block co-operated by Inpex (65%) and Shell (35%). This project was developed under the floating LNG scheme with a capacity of 2.5 tonnes per year (MTPA). The Masela Project is the first project in Indonesia that uses the floating LNG scheme.

The Tangguh train-3 Project is a continuation of Tangguh Block development which already has two trains. Train-3 will be built with a capacity of 3.8 MTPA. This block is operated by the British Petroleum.

<sup>64</sup> EIA, Indonesia, <http://www.eia.gov/beta/international/analysis.cfm?iso=IDN>, accessed September 5, 2015

<sup>65</sup> The Special Task Force for Upstream Oil and Gas Business Activities of the Republic of Indonesia, 2013 Annual Report, p. 76

The Jangkrik Block was established under the floating production unit (FPU) scenario, which can process gas and condensate. This FPU will be connected to gas pipes which already exist in the East Kalimantan Block to flow produced gas to the Bontang LNG plant. This block is co-operated by ENI (55%) and GDF Suez (45%).

**Table 22 Significant Oil and Gas Development Project**

Project	Location	First Production	Estimated Production
Banyu Urip project	Cepu Block, East Java	Jan 2015	165 Mbopd
IDD project development)	(joint Ganai, Rapak, Makassar Strait and East Kalimantan	2020*	Bangka: 120 Mmscfd 4 Mbcpd
			Geham Hub 420 Mmscfd 27 Mbcpd
			Gendalo Hub 700 Mmscfd 20 Mbcpd
Abadi Inpex Masela	Masela Block, Arafura Sea, Maluku	Late 2019	449 Mmscfd 8.4 Mbcpd
Tangguh Train – 3	Tangguh Block, Bintuni, West Papua	2019	709 Mmscfd 3.2 Mbopd
Jangkrik field and North East	Muara Bakau Block, Makassar Strait	2017	Jangkrik 288 Mmscfd 0.5 Mbcpd
			NE Jangkrik 145.5 Mmscfd

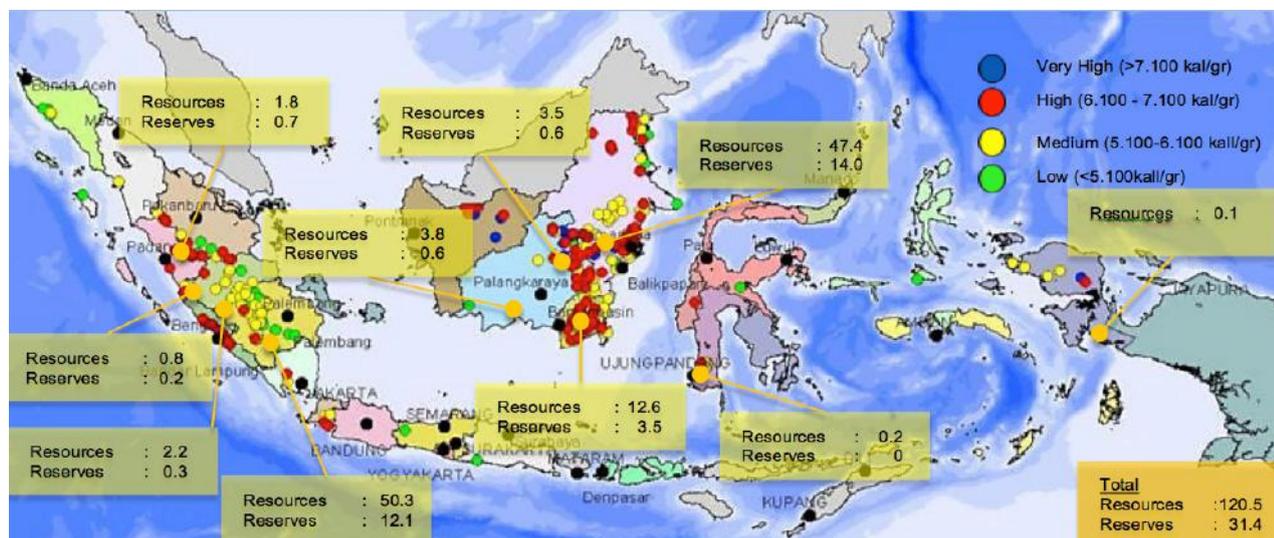
Source: Annual Report by the Special Task Force for Upstream Oil and Gas Business Activities, the Republic of Indonesia, 2013

\*Chevron has submitted a request for project postponement until there is certainty about the extension of the PSC contract. The estimated first production has changed from 2016 to 2020.



Production Facility and Offshore - Total Indonesia

Figure 28 Coal Reserve Distribution



Reserves comprises estimated and proven reserves

Source of coal distribution data: The Geological Agency, the Ministry of Energy and Mineral Resources

### 6.3 Mining Sector

#### 6.3.1 Potential Coal Resources and Reserves

Indonesia’s coal reserves in the end of 2013 were 31.4 billion tonnes, while the coal resources were 120.5 billion. Coal reserve distribution is concentrated in three provinces: East Kalimantan (45%), South Sumatra (39%), and South Kalimantan (11%).

Appendix 7 specifies coal resources and reserves as of December 2013 as listed in the 2013 geological resource balance of the Geological Agency ([http://psdg.bgl.esdm.go.id/index.php?option=com\\_content&view=article&id=1062&Itemid=681](http://psdg.bgl.esdm.go.id/index.php?option=com_content&view=article&id=1062&Itemid=681)).

#### 6.3.2 Coal Production and the Value

##### Coal production

Chart 14 illustrates Indonesia’s coal production in the last five years which has been increasing, in line with the increasing demands for coal. A significant increase was found in 2011 when

the price of crude oil was above USD 100, leading fuel-using industry shifted to coal. Coal production in 2013 was 449 million tonnes, increasing by 16% from the production in 2012.

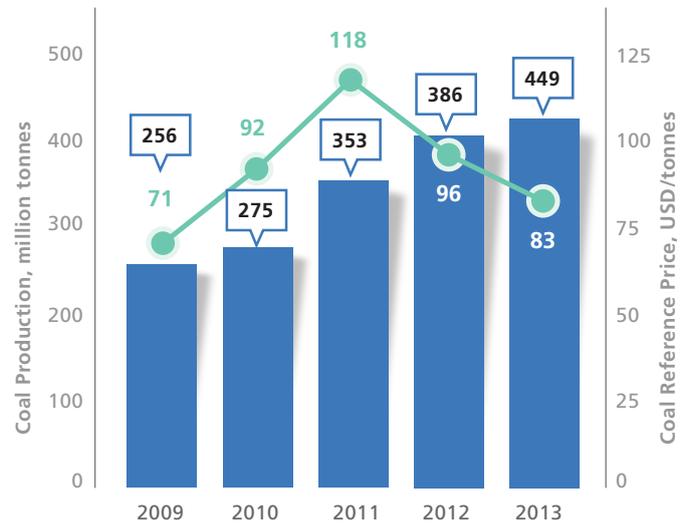
Domestic needs for coal will keep increasing in the near future because around 53% of power plants in Indonesia and the entire first-phase 10,000 MW project use coal.

Between 2012 and 2013, nearly 90% of the total coal production was concentrated in Kalimantan: East Kalimantan (accounting for 50% and 54% of the total national production in 2012 and 2013, respectively), and South Kalimantan (accounting for 37% and 36% of the total national production in 2012 and 2013, respectively). The largest coal producers were:

- PT Adaro Indonesia located in South Kalimantan, producing 12% of the total national production in 2012 and 2013.
- PT Kaltim Prima Coal located in East Kalimantan, producing around 10% of the total national production in 2012, increasing to 12% of the total national production in 2013.
- PT Kideco Jaya Agung located in East Kalimantan, producing around 9% of the total national production in 2012, decreasing to 8% of the total national production in 2013.

The public may access the list of the largest coal producers at <http://www.minerba.esdm.go.id/public/384771/produksi-batubara/>

**Chart 14 Coal Production, 2009–2013**

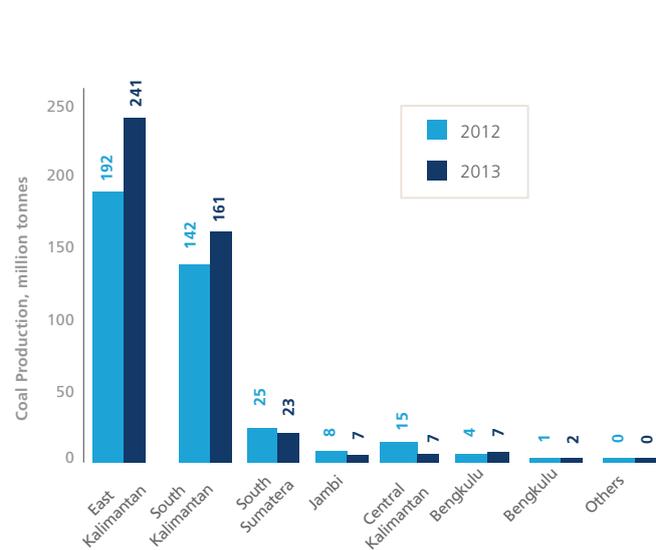


Source: The DG of Minerals and Coal

**The Value of Coal Production<sup>66</sup>**

Chart 16 illustrates the value of coal production by primary area. An increase in the value of coal production in rupiah in 2013 compared to the value in 2012 was caused more by a decrease in the value of Indonesian Rupiah to US Dollar. An increase in coal production by 16% in 2013 did not have a serious implication for the value of coal production in US Dollar due to a decrease in the price of coal by 14% in 2013 compared to the price in 2012.

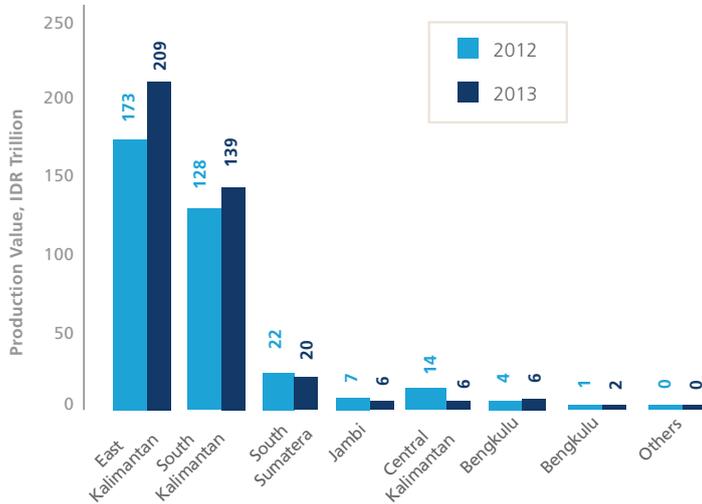
**Chart 15 Coal Production by Province, 2012–2013**



Source: The DG of Minerals and Coal

<sup>66</sup> The Directorate General of Mineral and Coal does not have data on the value of production or the value of coal commodity sales between 2012 and 2013, hence the Implementing Team agreed to use the Coal Reference Prices in 2012 and 2013 to calculate the value of coal production

Chart 16 The Value of Coal Production by Primary Area



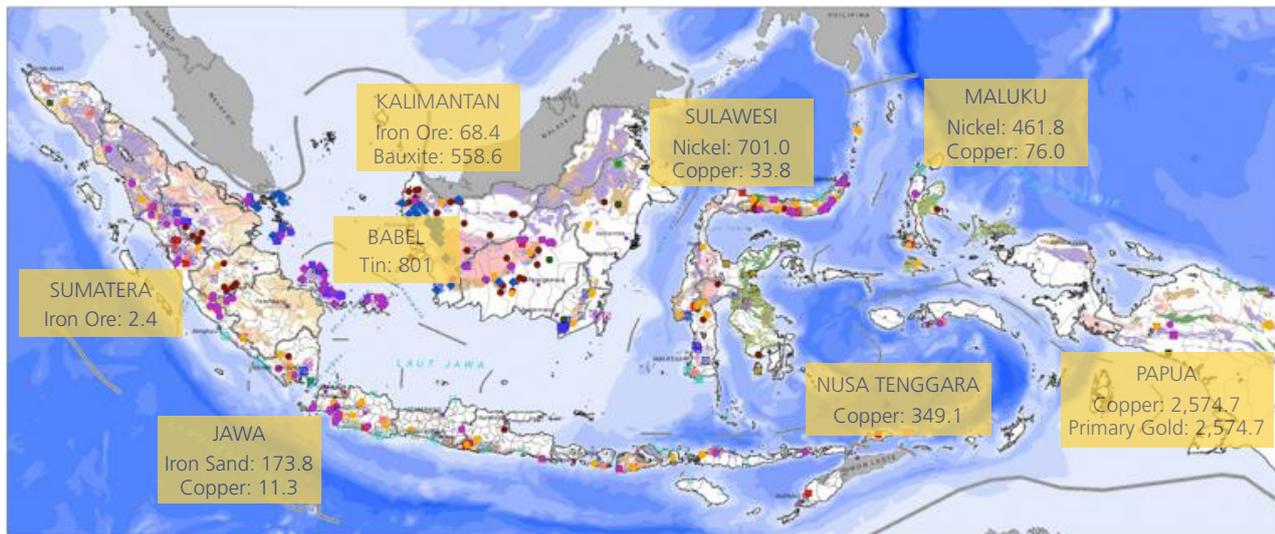
Source: The DG of Minerals and Coal, using the Coal Reference Prices

### 6.3.3 Potential Mineral Resources and Reserves

Geologically, Indonesia's archipelago is located between four plates: the Pacific, Australian, Eurasian and Philippine plates, forming a considerably complex and dynamic frame suitable for metallic-mineral deposition throughout Indonesia. Papua has primary gold, copper and silver reserves, almost 80% of the total national reserves. Nearly all tin reserves are located in Bangka and Belitung. West Kalimantan has many iron and bauxite reserves<sup>67</sup>.

Figure 29 Strategic Mineral Reserve Distribution

In Million Tonnes



**Keterangan :**

<b>Satuan Batuan Pembawa Logam :</b>	<b>Komoditi Mineral Strategis</b>	<b>Emas Primer</b>	<b>Monasit</b>	<b>Seng</b>
Satuan Batuan Vulkanik Kuartier	Bauksit	Kromit	Nikel	Tembaga
Satuan Batuan Vulkanik Tersier/Pra-Tersier	Besi Laterit	Kromit Plaser	Pasir Besi	Timah
Satuan Batuan Terobosan Tersier/Pra-Tersier	Besi Primer	Mangan	Perak	Timbal
Satuan Sedimen/Metamorfik	Emas Plaser	Molibdenum	Platina	
Satuan Batuan Ultrabasa				

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The reserves constitute estimated and proven reserves

Source: The Geological Agency, the Ministry of Energy and Mineral Resources<sup>68</sup>

<sup>67</sup> According to data from the Geological Agency at <http://webmap.psdg.bgl.esdm.go.id/geosain/neraca-mineral-strategis.php?mode=administrasi>

<sup>68</sup> The Directorate General of Mineral and Coal, a presentation during a work meeting at the Ministry of Industry, 2014

The list of resource and reserve distribution by area and commodity is accessible at <http://webmap.psdg.bgl.esdm.go.id/geosain/neraca-mineral-strategis.php?mode=administrasi>

The government has also made the interactive map of resource distribution accessible at [http://webmap.psdg.bgl.esdm.go.id/pmapper/webmap/pmapper-4.2.0/map\\_default.phtml](http://webmap.psdg.bgl.esdm.go.id/pmapper/webmap/pmapper-4.2.0/map_default.phtml)

Appendix 7 specifies metallic-mineral resources and reserves as of December 2013 as included in the Geological Agency *geological resource balance in 2013* ([http://psdg.bgl.esdm.go.id/index.php?option=com\\_content&view=article&id=1062&Itemid=681](http://psdg.bgl.esdm.go.id/index.php?option=com_content&view=article&id=1062&Itemid=681)).

### 6.3.4 Primary Mineral Production and the Value

#### Primary Mineral Production

In 2013, there was a considerably significant increase in mineral ore production because many mining companies increased their production to anticipate the government's plan to ban export and introduce a progressive export duty in early 2014. A regulation on tin exports that must go through the tin exchange caused a decrease in tin production in 2013. A decrease in gold production in 2013 was caused by a decrease in the quality of gold ores from the Garsberg and Batu Hijau mines<sup>69</sup>.

**Table 23 The Volume of Primary Mineral Production, 2009–2013**

Primary mineral	Unit	2009	2010	2011	2012	2013
Tin metal	Thousand tonnes	999	878	543	448	450
Gold	Tonne	104	104	76	75	59
Tin	Thousand tonnes	60	48	42	95	88
Nickel ore	Million tonnes	6	7	32	41	60
Bauxite ore	Million tonnes	5	16	39	30	56
Iron ore and ironsand	Million tonnes	5	4	12	10	19

Source: The Ministry of Energy and Mineral Resources Strategic Plan, 2015–2019

### 6.3.5 Primary Mineral Production Value<sup>70</sup>

The total value of primary mineral production in 2013 was higher than that in 2012, due to an increase in the volume of the relevant mineral production, although there was a decrease in the commodity price in 2013 from the price in 2012. The most significant decreases in the primary commodity prices occurred for nickel - decreasing by 14% - and gold - decreasing 15% - in 2013 from the prices in 2012. Conversely, the price of tin increased by 6% in 2013 from the price in 2012.

**Table 24 The Value of Primary Minerals, 2012–2013**

*in IDR Trillion*

Primary mineral	2012	2013
Copper	33	34
Gold	38	28
Tin	19	21
Nickel	12	16
Bauxite ore	6	14
Iron ore and iron sand	9	21

Source: The Ministry of Energy and Mineral Resources, USGS, the Statistics Indonesia

<sup>69</sup> Petromindo, 2014/2015 Indonesia Minerals Book, p. 5

<sup>70</sup> DG Minerals and Coal does not have data on the value of mineral production or value of sales between 2012 and 2013 hence the Implementing Team agreed to use the reference (metal) prices set by the Directorate General of Mineral and Coal and the average (ore) export prices reported by the Statistics Indonesia. The reference prices we obtained from DG Minerals and Coal were very close to the average prices from the London Metal Exchange.

### 6.3.5 Exploration Activities in the Mineral and Coal Mining Sector

Table 25 presents the number of mines that were implementing detailed exploration activities with more than 50 million tonnes in reserves. More detailed data by commodity and province is accessible on the website of the Geological Agency (<http://webmap.psdg.bgl.esdm.go.id/geosain/neraca-mineral-strategis.php?mode=administrasi>).

**Table 25** The Number of Reserves in the Detailed Exploration Stage with More Than 50 Million Tonnes in Reserves

Commodity/ Province	Number of Locations	Reserves (Million Tonnes)	
		Estimated	Proven
<b>Bauxite</b>			
West Kalimantan	22	223	28
<b>Laterite Iron</b>			
North Maluku	8	53	30
<b>Primary Gold</b>			
West Nusa Tenggara	1	563	0
<b>Nickel</b>			
North Maluku	17	34	17
West Papua	13	262	-
South Sulawesi	3	38	72
Central Sulawesi	1	50	13
<b>Ironsand</b>			
D.I. Yogyakarta	1	140	29
<b>Silver</b>			
West Nusa Tenggara	1	563	0
<b>Copper</b>			
North Maluku	1	-	76
<b>Tin</b>			
Bangka Belitung	2	0	776

Source: The Geological Agency, <http://webmap.psdg.bgl.esdm.go.id>

<sup>71</sup> The Statistics Indonesia, Pengertian Pendapatan Nasional, <http://www.bps.go.id/Subjek/view/id/11>, Accessed July 8, 2015.

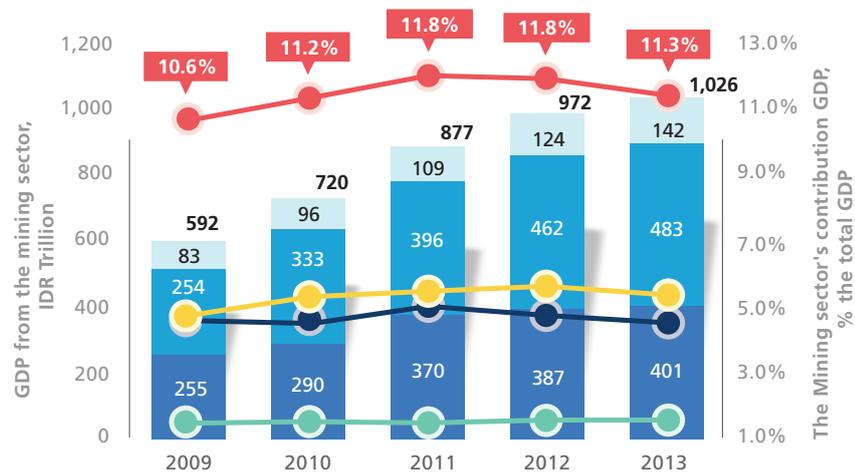
<sup>72</sup> Primary: (a) agriculture, livestock, forestry, fisheries (b) mining and lifting; Secondary: (a) processing industry (b) utility, water, and gas (c) buildings; Tertiary: (a) trade, hotels, and restaurants (b) transportation and telecommunication (c) other services.

## 6.4 Extractive Industry's Contribution to Indonesia's Economy

### 6.4.1 Extractive Industry's Contribution to the National GDP

GDP is the final value of production activities (for either goods or services) implemented by all economic units or an added value produced by all economic units in a country within a given period of time<sup>71</sup>. GDP can, therefore, be used to measure a country's economic growth in monetary value. Using a production approach, the value of GDP calculates the national revenue by totaling added values produced by companies in different sectors<sup>72</sup> in a country's economy.

Chart 17 The Contribution of the Extractive Industry to the National GDP (at the current price)



Quanying	83	96	109	124	142
Non Oil and Gas	254	333	398	462	483
Oil and Gas Mining	255	290	370	387	401
TOTAL	592	720	877	972	1,026
% Oil and Gas Mining	4.5%	4.5%	5.0%	4.7%	4.4%
% Non Oil and Gas	4.5%	5.2%	5.4%	5.6%	5.3%
Quanying	1.5%	1.5%	1.5%	1.5%	1.6%
Total Mining	10.6%	11.2%	11.8%	11.8%	11.3%
<b>Total National GDP, IDR Trillion</b>	<b>5,606</b>	<b>6,447</b>	<b>7,419</b>	<b>8,231</b>	<b>9,087</b>

Source: The Statistics Indonesia (GDP by business sector – oil and gas mining, and non-oil-and-gas mining)

Chart 17 presents an overview of the contribution of Indonesia's mining sector to the national GDP at the current price. The mining share of nominal GDP between 2009 and 2013 kept growing. The growth also increased the contribution of the mining sector to the national GDP, but the mining share of the national GDP started to decrease in 2013.

In 2009, the mining sector accounted for around 10.6% of the national GDP. The share continuously increased and reached its peak at 11.8% of the national GDP in 2011, as a result of an increase in the international prices of various mineral commodities. The share, however, started to decrease in 2013 to 11.3% of the national GDP.

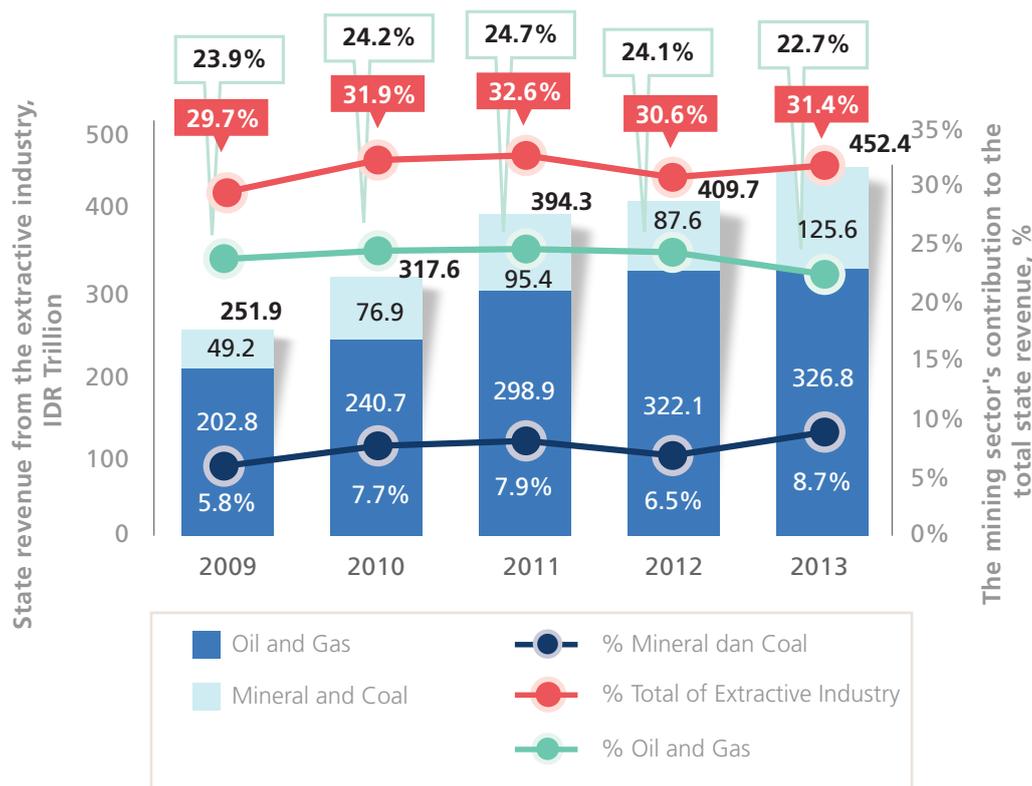
The mining sector's contribution to the national GDP did not seem too significant, ranging from 10 to 11% of the total national GDP. However, the mining sector's contribution played a large role in the regional [economic] GDPs of areas such as Papua, Bangka-Belitung, West Nusa Tenggara and East Kalimantan<sup>73</sup>.

GDP by sector at the current price can be seen on the website of the Statistics Indonesia (<http://www.bps.go.id/linkTabelStatis/view/id/1199>).

<sup>73</sup> PWC, Mining in Indonesia 2013, p. 53

### 6.4.2 Extractive Industry's Contribution to State Revenue

Chart 18 State Revenue from the Oil and Gas, and Mining Sectors



Source: LKPP, The DJP Annual Report

Chart 18 illustrates the significance of state revenue contribution in 2009–2013. Considerably large contribution – approximately 30–33% of the total state revenue – makes this sector highly strategic. The oil and gas sector contributed around 23–25% and the mineral and coal sector contributed around 6–9% of the total state revenue.

Between 2009 and 2013, the nominal value of state revenue from the oil and gas sector kept increasing, and significantly increased in 2011 due to a considerably significant increase in the price

of crude oil from around USD 80/barrel to above USD100/barrel. In 2012 and 2013 the increase in state revenue from oil and gas mining while the lifting was decreasing was more because of the rupiah's depreciation against US dollar. The oil and gas share of the state revenue started to decrease from 24.7% in 2011 to 24.1% in 2012 to 22.7% in 2013.

**Table 26 State Revenue from the Extractive Industry, 2012–2013**

*In IDR Trillion*

Type of Revenue	Oil and Gas		Type of Revenue	Minerals and Coal		TOTAL REVENUE	
	2012	2013		2012	2013	2012	2013
TAX	103.25	109.69	TAX	63.10	96.57	166.35	206.26
Income Tax	83.46	88.75					
Land and Building Tax (PBB)	19.79	20.94					
NON-TAX	218.89	217.09	NON-TAX	24.48	29.00	243.37	246.09
Oil Revenue*	144.72	135.33	Royalty	15.51	18.03		
Gas Revenue*	61.11	68.30	Sales Revenue Share (PHT)	8.14	9.79		
Revenue from Upstream Activities	13.06	13.46	Land rent	0.36	0.59		
-	-	-	Revenue from Forest Utilization	0.47	0.59		
TOTAL OIL AND GAS REVENUE	322.14	326.78	TOTAL MINERAL AND COAL REVENUE	87.58	125.60	409.72	452.38
TOTAL STATE REVENUE	1,338.11	1,438.89	TOTAL STATE REVENUE	1,338.11	1,438.89	1,338.11	1,438.89
Revenue Ratio	24.1%	22.7%	Revenue Ratio	6.5%	8.7%	30.6%	31.4%

*Source: LKPP, The DJP Annual Report, Scoping Study EY*

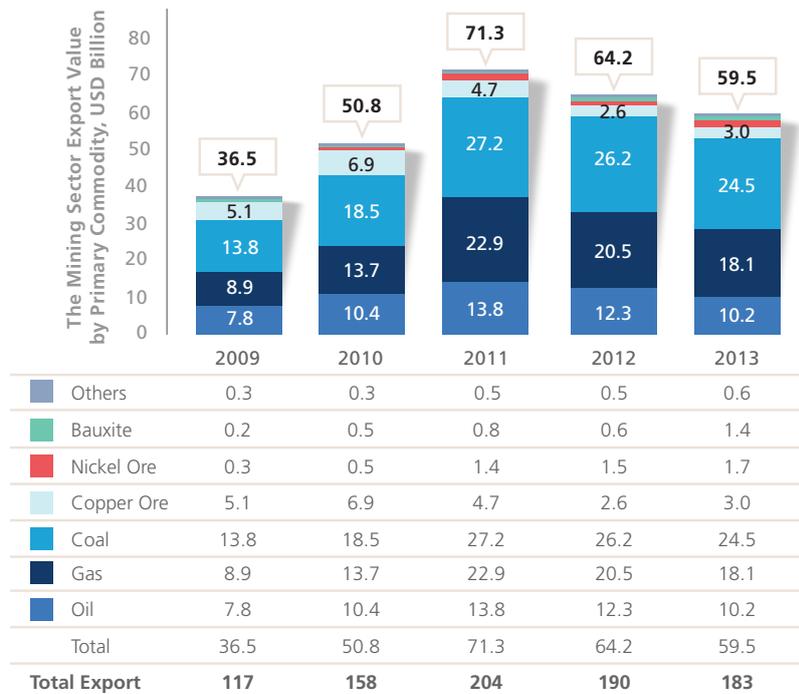
\*revenue from oil and gas constitutes government revenue received in the form of in-kind, in relation to profit-sharing contracts (see section 4.1.2).

Similarly, the nominal value of state revenue from the mineral and coal sector kept increasing between 2009 and 2013. The spike in terms of the nominal value and the share occurred in 2013. The increase in state revenue in 2013 constituted a combination between an increase in coal production and rupiah's depreciation against US dollar.

Table 26 specifies state revenue from the extractive industry between 2012 and 2013.

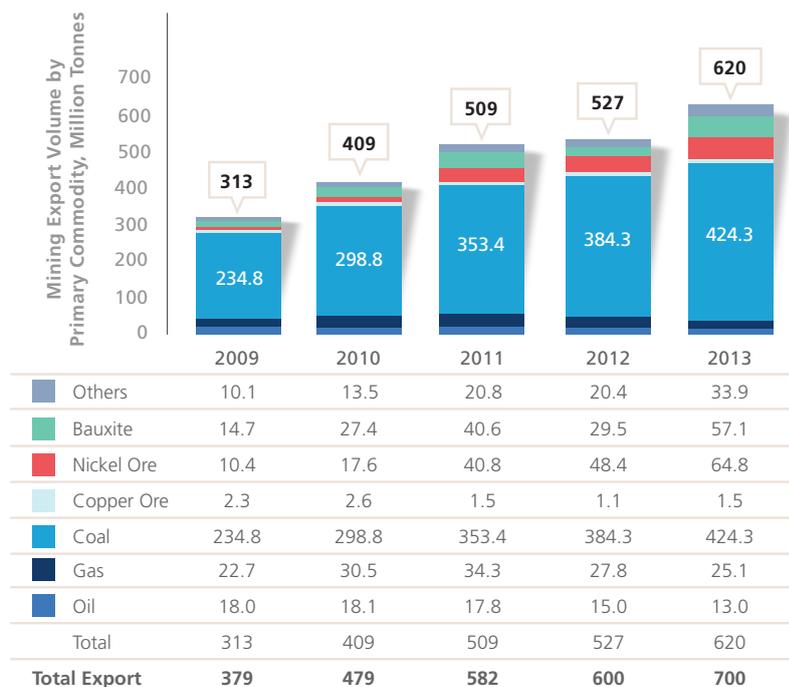
### 6.4.3 Extractive Industry's Contribution to the Total National Export Value

Chart 19 The Extractive Industry Export Value by Primary Commodity, in USD Billion



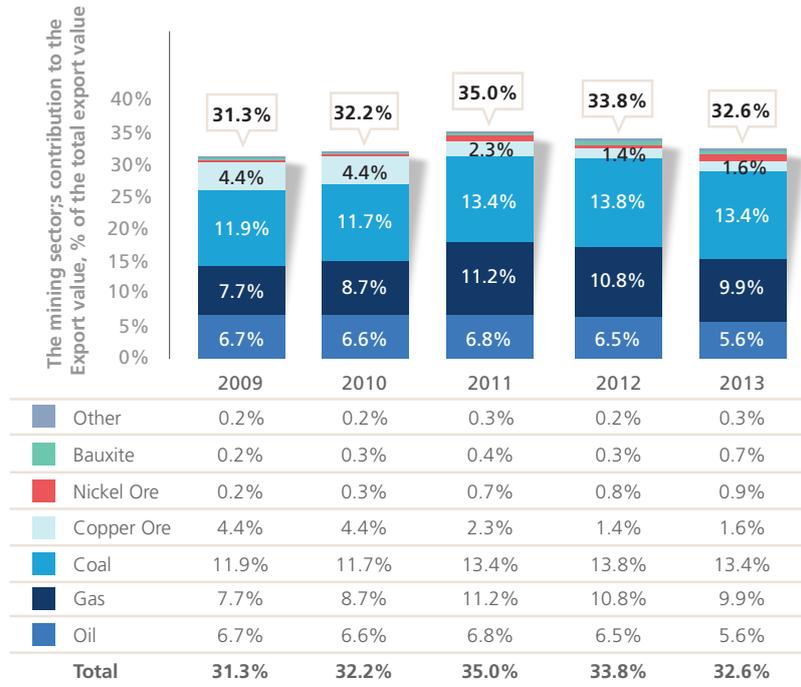
Source: The Statistics Indonesia

Chart 20 The Extractive Industry Export Volume by Primary Commodity, in Million Tonnes



Source: The Statistics Indonesia

**Chart 21** The Extractive Industry's Contribution to the Total Export Value



Source: The Statistics Indonesia

Charts 19-21 illustrate mining commodity exports and their contribution to the national export between 2009 and 2013. The mining export share of the total national export was quite significant, ranging from 31% to 35%. The export value was dominated by oil and gas, and coal exports. Between 2009 and 2013, oil and gas exports accounted for around 14%-18% of the total national export value, while the coal export value reached between 12% and 14% of the total national export value. A spike in the export value occurred in 2011 and the export values of almost all mining sectors increased. It was because of a rise in oil and gas and coal prices in addition to the first LNG delivery from Tangguh Train-1 in 2010. However, there was a downward trend in the mining export value between 2012 and 2013 as a result of a decrease in oil and gas production.

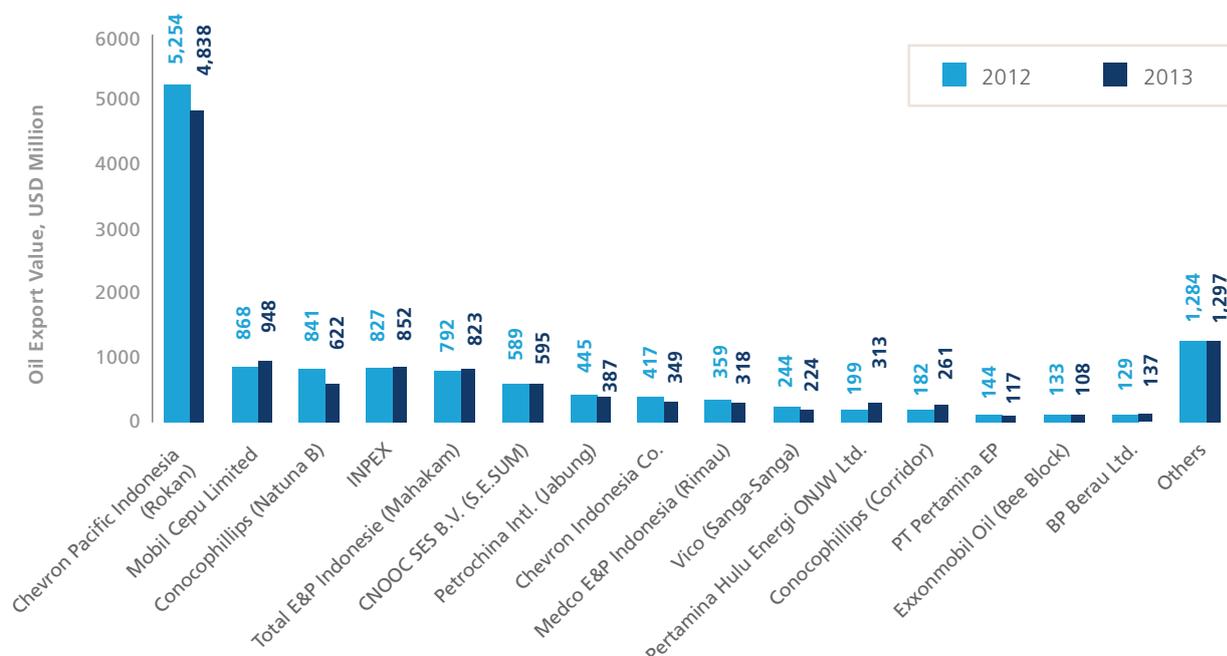
The list of national export values by commodity is accessible on the website of the Statistics Indonesia (<http://www.bps.go.id/Subjek/view/id/8#subjekViewTab3|accordion-daftar-subjek2>).

### 6.4.3.1 Oil and Gas Exports by Contractor

#### Oil Exports by Contractor

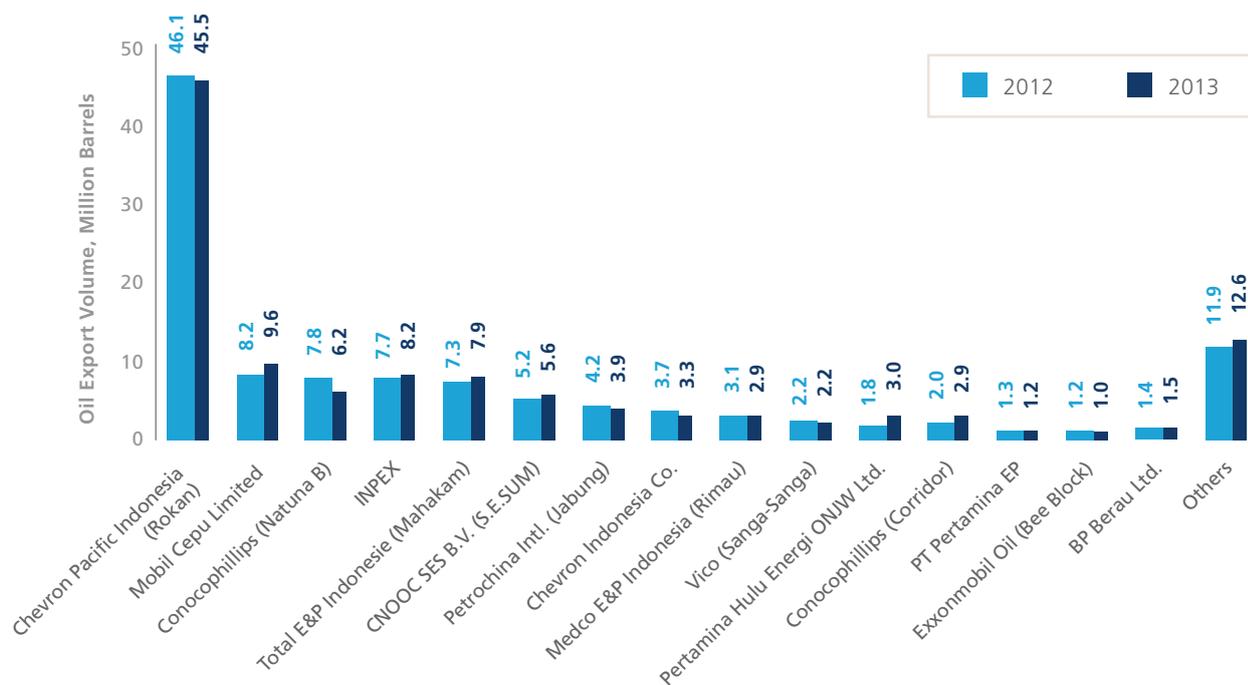
Charts 22 and 23 illustrate export values by main contractor, accounting for around 90% of the total national oil export value. A block that contributed the highest oil export value was the Rokan Block operated by Chevron, contributing 46.1 million barrels (accounting for 41.3% of the total national oil export value) and 45.5 million barrels (accounting for 39.7% of the total national oil export value) in 2013.

Chart 22 Oil Export Values, 2012–2013



Source: SKK Migas

Chart 23 Oil Export Volumes, 2012–2013



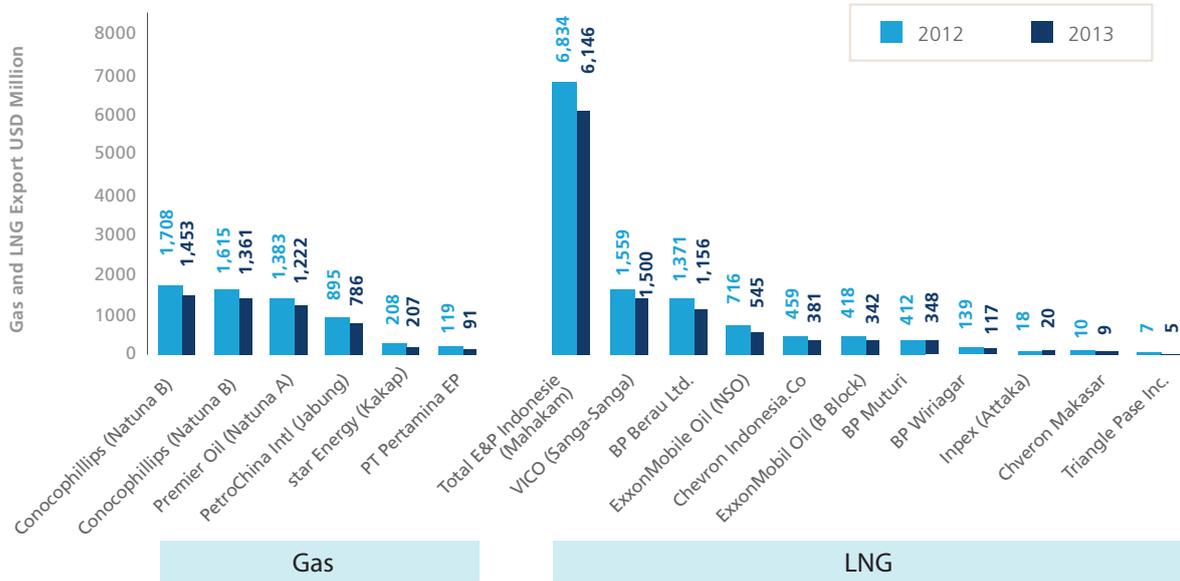
Source: SKK Migas

**Gas Exports by Contractor**

Charts 24 and 25 illustrate gas and LNG exports in 2012 and 2013. The Mahakam Block operated by Total E&P Indonesia contributed the highest gas export value, accounting for 38% and 39% of the total gas and LNG export value in 2012 and 2013, respectively. This was followed by the Natuna B Block operated by

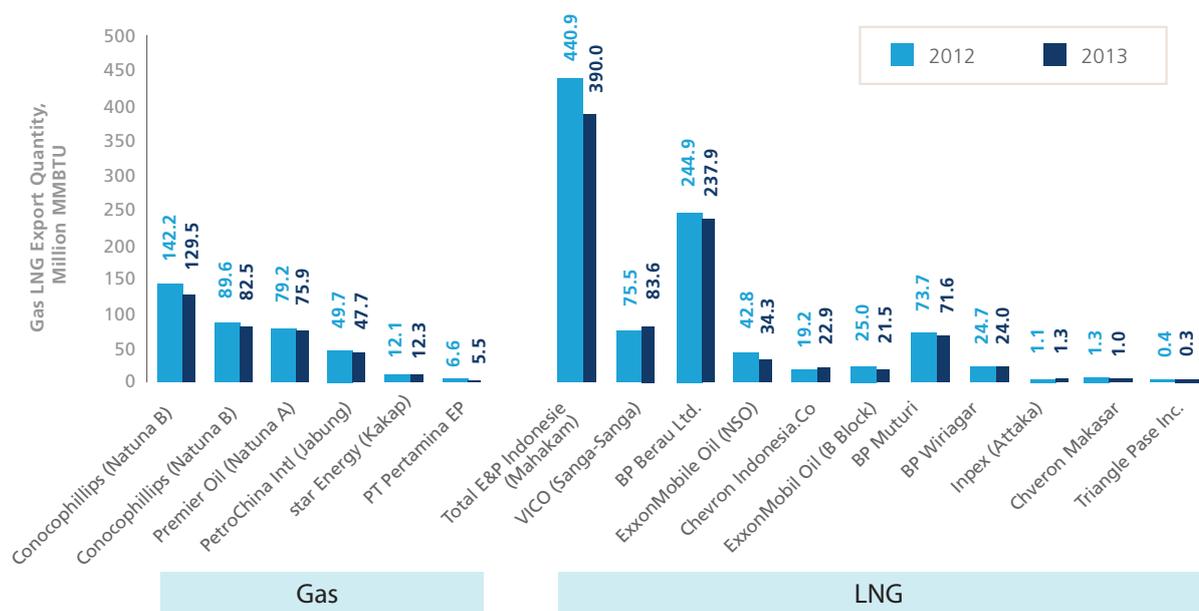
ConocoPhillips, accounting for 10% and 9% in 2012 and 2013, respectively. The Sanga-Sanga Block operated by VICO and the Corridor Block operated by ConocoPhillips contributed between 9% and 10% of the total national production in 2012 and 2013 respectively.

**Chart 24 Gas and LNG Export Values, 2012–2013**



Source: SKK Migas

**Chart 25 Gas and LNG Export Volumes, 2012–2013**



Source: SKK Migas

### 6.4.3.2 Mineral and Coal Exports

#### Coal Exports by Area

Most coal products are exported to the international market, around 78% in 2012 and around 79% in 2013. Chart 26 illustrates exports by operating area. Coal exports from Kalimantan were 284.4 million tonnes in 2012 and 338.6 million tonnes in 2013, accounting for 95% of the total national coal export quantity in 2012 and 2013. Coal exports from East Kalimantan were 166.3 million tonnes (55% of the total national export quantity) in 2012 and 222.3 million tonnes (62% of the total national export quantity) in 2013. Coal exports from South Kalimantan were 106.1 million tonnes (35% of the total national coal export quantity) in 2012 and 106.8 million tonnes (30% of the total national coal export quantity) in 2013. Appendix 4.1 presents a list of exports by company and area for companies operating with a mining business license.

#### Mineral Commodity Exports by Area

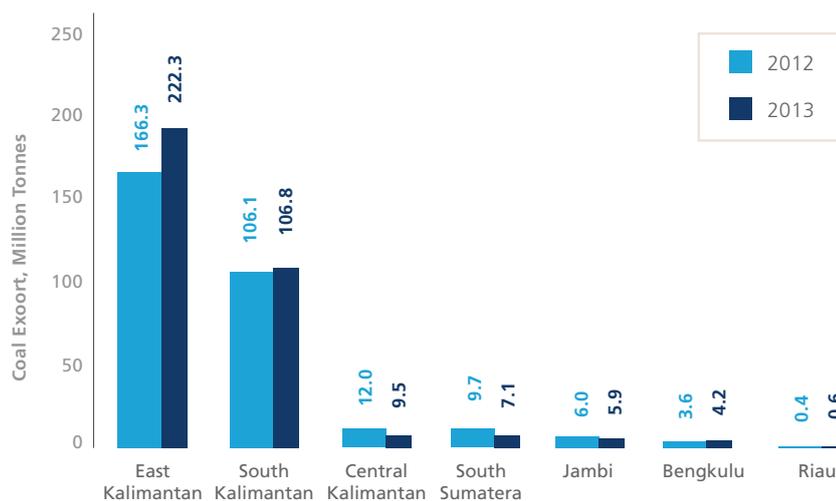
Mineral commodity export volumes by company for state-owned companies and companies with a contract of work, and by area for companies with a mining business license, can be seen in Appendix 4.2.

#### Mineral and Coal Export Values by Area

Between 2012 and 2013, the DG of Minerals and Coal only monitored export volumes and did not monitor export values.

The Implementing Team concluded that data on export values by exporting port was not relevant because in practice export values were monitored based on the exporting ports, but not all locations were supported by exporting port and thereby the companies had to go to a port in nearby location.

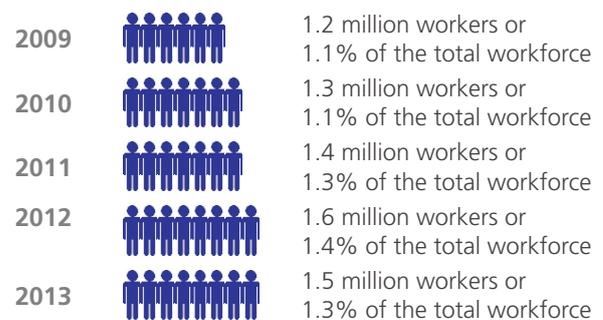
Chart 26 Coal Exports by Area, 2012–2013



Source: The DG of Minerals and Coal

### 6.4.4 Extractive Industry's Contribution to the National Employment

Data from the Statistics Indonesia on this page presents the number of workers in the mining and excavation sectors, which was around 1.6 million people (1.4% of the total workforce) in 2012 and 1.5 million people (1.3% of the total workforce) in 2013. The small number of workers shows that the extractive industry is a technology-intensive sector. Nevertheless, in some areas the mining sector absorbed the largest number of workers, such as in West Papua, Bangka-Belitung, West Nusa Tenggara and East Kalimantan<sup>74</sup>.



Source: The Statistics Indonesia

Data on workers of 15 years old and above by sector is accessible at <http://www.bps.go.id/linkTabelStatis/view/id/970%20>.

### 6.5 Informal Activities in the Extractive Industry

The Implementing Team has decided to discuss studies on informal contribution made by the public in order to meet the EITI standard point 3.4.a on informal contribution. No study on informal contribution from the extractive industry has been found, that comprehensively discusses all informal activities in the extractive industry. Some studies listed below discuss potential losses on state revenue and have not been verified:

**Coal – A Policy Paper presented during a Focus Group Discussion held by APBI-ICMA, titled “Kajian Peningkatan Tarif Royalti dan Penerapan Bea Keluar Batubara tahun 2013”, discussing the many mining activities carried out without licenses and the prevalence of illegal trading**

This policy paper discusses significant possibilities of illegal mining and trading. The methodology used is by comparing data on coal supply, both exported and consumed domestically with data on coal production in 2012, as shown below:

Figure 30 Calculation of Potential Illegal Mining and Trade

Consumption (BPS)		Production (ESDM)	
Export	384.4	PKP2B	261.4
Domestic Consumption	67.5	IUP	134.2
<b>TOTAL</b>	<b>451.9</b>	<b>TOTAL</b>	<b>395.6</b>

Source: Policy Paper, Kajian Peningkatan Tarif Royalti dan Penerapan Bea Keluar Batubara, 2013, APBI-ICMA

<sup>74</sup> PWC, Mining in Indonesia, p. 3

The data comparison above results in the verification of around 56.3 million tonnes of coal which – according to the policy paper – allegedly came from illegal mining activities. This policy paper further estimates USD 340-459 million in losses on state revenue from royalties, institutional income taxes, and VATs (assuming that the coal price was between USD 40–58 per tonne).

**Coal and Minerals – A policy brief entitled “Indonesia’s mining sector: leaking revenues and clearing forests oleh Civil Society Coalition Againsts Mining Corruption”.**

This agency investigated activities in the extractive industry in 26 provinces whereby the public had reported alleged corruption and the misuse of law, leading to potential losses on state revenue.

One of the results of the investigation reported in this report is that the potential losses on state revenue caused by the large numbers of mining business licenses that did not meet CNC criteria (see section 2.4.2.2). According to this report, potential losses on non-tax state revenue in 23 provinces due to the mining business licenses that did not meet the CNC criteria are IDR 1.3 trillion (USD 96 million). Further information on potential losses by province and other findings from this study are accessible at [www.pwyp-indonesia.org](http://www.pwyp-indonesia.org).

## ⇒ 07 STATE-OWNED COMPANIES



Front view - Pertamina headquarter

A state-owned company is a company whose shares are fully or partially owned by the state through direct investment of state assets set aside as regulated in Law No. 19/2003 on State-Owned Companies (SOE). Furthermore, in their business management, state-owned companies must follow Law No. 40/2007 on Limited Liability Companies; the Capital Market Law and its implementation regulations, particularly for state-owned companies registered in the Indonesia Stock Exchange; the State Finance Law; and the Audit and Monitoring Law.

According to Law No. 19/2003 on State-Owned Companies, the establishment of a state-owned company has the following objectives:

- a. to contribute to the national economic growth in general and particularly to state revenue;
- b. to seek profit;
- c. to deliver public benefits in the form of the procurement of quality and adequate goods and/or services to fulfil public needs;
- d. to be the pioneer of business activities that cannot be implemented by the private sector and cooperatives;
- e. to actively participate in providing guidance and support for small-scale companies, cooperatives and communities.

Further, this law regulates two types of legal entities for state-owned companies:

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

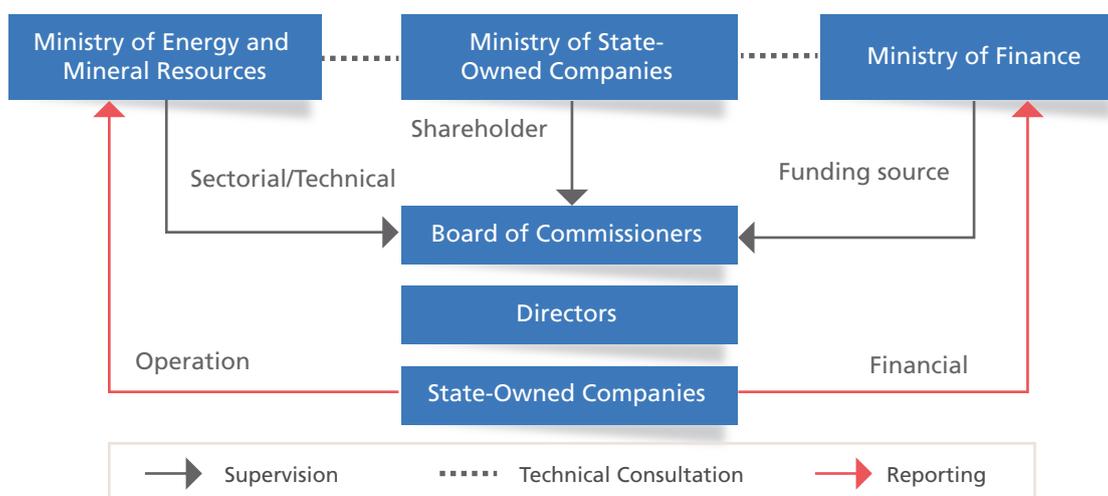
The role of state-owned companies is quite significant in Indonesia's extractive sector. Pertamina contributed 21% in 2012 – increasing to 23% in 2013 – to oil lifting. To gas lifting, Pertamina contributed 18% in 2012, decreasing to 17% in 2013. State-owned, mineral and coal mining companies contributed IDR 1.1 trillion in royalties in 2012 and 2013, accounting for 7% and 6% of the total royalties received by the central government in 2012 and 2013, respectively.

### 7.1 Relationships between State-Owned Companies and the Government

An overview of the relationships between state-owned companies and the national government is presented in Figure 31, illustrating ministerial authority to appoint the directors of a state-owned company, monitor and formulate technical policies.

- The Minister of State-Owned Companies serves as a shareholder in a general meeting of shareholders (RUPS) held by a liability company and is authorised to handle the state-owned company's operational/managerial affairs, including appointing directors based on decree of the Minister of State-Owned Companies.
- The Minister of Finance serves as state asset manager, authorised over public capital as one of state-owned company funding sources.
- The Minister of Energy and Mineral Resources is authorised to formulate, establish and put in place policies on energy and mineral resources.

**Figure 31** Relationships between State-Owned Companies and the Government



Source: Scoping Study EY

### Authority of the General Meeting of Shareholders (RUPS)

According to Article 14 of Law No.19/2003 on State-Owned Companies, the Minister of State-Owned Companies must be involved in general meetings of shareholders, in the event of liability companies whose shares are fully owned by the state and serves as a shareholder in the event of liability and limited liability companies whose shares are partially owned by the state. In general meetings of shareholders, the Minister of State-Owned Companies as a shareholder makes decisions concerning:

- changes in the amount of capital;
- changes in articles of association;
- profit using planning;
- a merger, assimilation, takeover, separation, and dissolution of liability companies;
- investment and long-term financing;
- liability companies' cooperation;
- the establishment of subsidiary companies or investment;
- transfer of assets.

### Procedures and Mechanism for the Determination of Retained Earnings and Payment of Dividends

State-owned companies pay dividends to the government based on the Payout Ratio (POR) – the percentage of net income that state-owned companies pay out as dividends

to shareholders. The POR is decided every year in a RUPS based on the state-owned company's financial capability and future projection of capital needs. The POR can also be decided based on proposition from the directors, government policy, proposition from Commission VI of the Indonesian Parliament and a negotiation between the Ministry of State-Owned Companies and the relevant state-owned company.

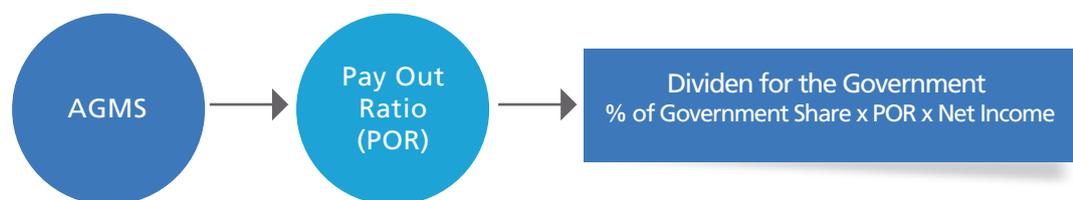
Moreover, Law No. 40/2007 on Limited Liability Companies requires companies to form a general reserve from net income, at least 20% of the amount of issued and fully paid capital. No time limit is set to form the reserve.

Dividends must be paid out to the government within one month after they have been decided during the RUPS. State-owned companies deposit the dividends into a state account in accordance with MoF Regulation No. 5/PMK.02.2013.

### Audit of State-Owned Companies' Financial Reports in 2012 and 2013 by an Independent Auditor

The four SOEs working in the extractive sector were audited in 2012 and 2013 by an independent auditor. The public may access the financial reports in the following websites:

Figure 32 Mechanism for Dividend Payout by State-Owned Companies



Source: DG Budget, Indonesia's State Budget Posture

**Table 27** URLs for the Financial Reports of State-Owned Companies in the Extractive Sector

No.	Company	Registration Status in the Indonesia Stock Exchange	URL for the audited financial report
1	PT Pertamina (Persero)	unregistered	<a href="http://www.pertamina.com">http://www.pertamina.com</a>
2	PT Aneka Tambang (Persero) Tbk	Registered	<a href="http://www.antam.com">http://www.antam.com</a>
3	PT. Bukit Asam (Persero) Tbk	Registered	<a href="http://ptba.co.id/id/investor">http://ptba.co.id/id/investor</a>
4	PT Timah (Persero) Tbk	Registered	<a href="http://www.timah.com">http://www.timah.com</a>

## 7.2 PT Pertamina (Persero)

PT Pertamina (Persero) is a merger of two companies: Pertamina and Permina, that was conducted in 1968. In the energy and petrochemicals sectors, the activities of PT Pertamina (Persero) are divided into upstream and downstream activities, and supported by the activities of its subsidiary companies and joint ventures. In 2003, as a result of the release of PT Pertamina (Persero) from its tasks as the regulator of upstream oil and gas industries, based on GR No. 31/2003, PT Pertamina (Persero) became a liability company.

In domestic and international oil and gas business activities, PT Pertamina (Persero) operates alone and in partnership through Operation Cooperation (KSO), a Joint Operation Body (JOB), Technical Assistance Contracts (TACs), and the Indonesia Participating/Pertamina Participating Interest (IP/PPI).

Oil and gas business activities through independent operations are conducted in Pertamina EP's five assets: Asset 1 covering Nanggroe Aceh Darussalam (NAD), North Sumatra and Riau; Asset 2 (South Sumatra); Asset 3 (West Java); Asset 4 (Central and East Java); and Asset 5 (Kalimantan and Papua).

In managing its working areas, PT Pertamina Eksplorasi & Produksi (EP) adopts a pattern called own operation, and have established several partnerships, including four oil and gas development

projects, seven unitised areas, and 51 cooperative contract areas consisting of 26 technical assistance contracts (TACs), 30 operation cooperation (OC) contracts. Looking at the geographical range, PT Pertamina EP operates in nearly all areas in Indonesia, from Sabang to Merauke.

Until late 2013, the numbers of oil and gas business contracts entered into with partners were 92 contracts, consisting of six JOB-EORs, eight JOB-PSCs, 26 TACs, 34 IPs and two PPIs.

### Share ownership

PT Pertamina (Persero) is 100% owned by the Government of Indonesia.

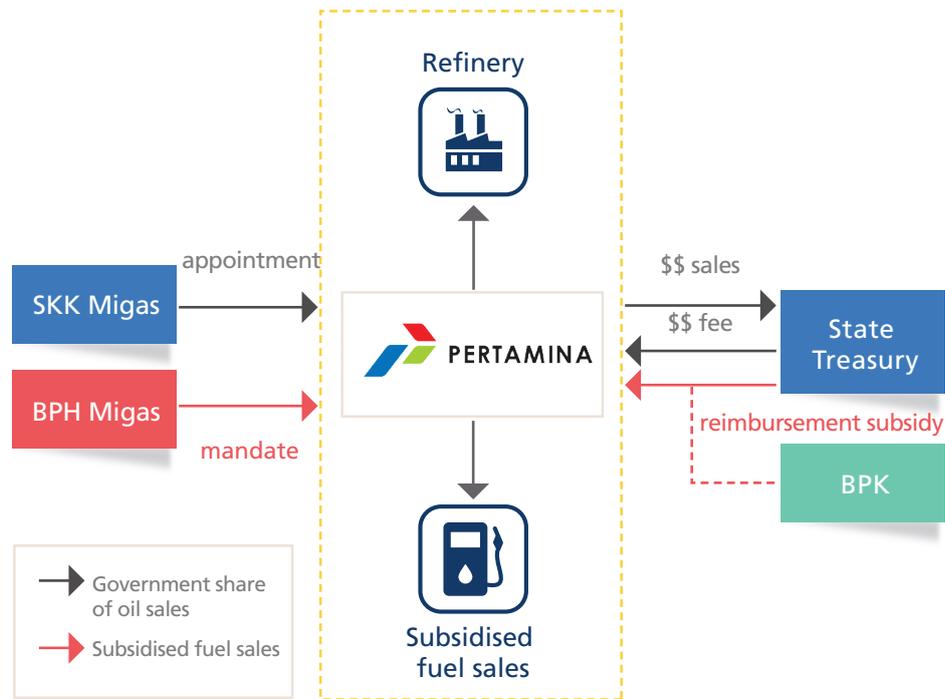
### Dividends

PT Pertamina (Persero) and its subsidiary companies pay out IDR 7,257 billion in dividends – from the 2011 income – to the government in 2012 and IDR 7,795 billion in dividends – from the 2012 income – in 2013.

### Lending collateral from the Government and Pertamina's collateral for other companies' lendings

PT Pertamina (Persero) does not have lending collateral from the government, nor does it provide collateral for other companies.

Figure 33 Cashflow from the Government Share of Oil and Subsidised Fuel Sales



**Other Financial Relations between PT Pertamina (Persero) and the Government**

**Fuel Subsidy Distribution**

The government through the Downstream Oil and Gas Regulatory Body (BPH Migas) has mandated Pertamina to distribute subsidised fuel. The mandate has also determined the quota of subsidised fuel that must be distributed based on the state budget or the

amendment. Every year, the Indonesian Audit Board (BPK) audits the reimbursement of fuel subsidy. Building upon the audit report, the Government pays the reimbursement of the fuel subsidy to Pertamina.

**Subsidy Realisation by PT Pertamina (Persero).**

Table 28 lists the amount of cash subsidy realisation by PT Pertamina (Persero).

Table 28 Fuel and 3-kg LPG Subsidy Realization

No.	Product	2012		2013	
		Volume	IDR Billion	Volume	IDR Billion
1	Premium (million kilolitres)	28.11	103,808	29.27	98,777
2	Kerosene (million kilolitres)	1.18	6,634	1.11	6,911
3	Diesel (million kilolitres)	15.46	65,017	15.88	69,876
4	3-kg LPG (metric tonnes)	3,905,405	29,818	4,402,958	36,727
<b>Total</b>			<b>205,277</b>		<b>212,291</b>

Source: PT Pertamina (Persero)

### Subsidy Reimbursement Received by PT Pertamina (Persero) from the Government of Indonesia

2013 Pertamina's cashflow report shows that Pertamina received cash from the Government related to subsidies and marketing rewards, in the amount of USD 18.4 billion (or IDR 171.9 trillion) in 2012 and USD 21.5 billion (or IDR 224.7 trillion) in 2013.

### Pertamina's role in Selling the Government Share of Crude Oil/Condensate

According to BP Migas' guidelines on selling the state's crude oil/condensate share, BP Migas may directly allocate crude oil or condensate to be processed by a domestic refinery. PT Pertamina (Persero) may directly be appointed to sell the state share of crude oil/condensate for domestic refineries' needs based on decree of the Head of BP Migas Number KEP-0131/BPO0000/2012/S2 dated October 8, 2012.

The government share of lifted oil that matches the specification will be sent to a refinery operated by PT Pertamina (Persero).

### Government-to-Government Lendings Forwarded to Pertamina

#### A Loan for the Construction of an Aircraft Refueling Depot in Ngurah Rai

On 7 May 2007, the government forwarded a loan in the amount of ¥1,172,872,837 (full value) obtained from the Overseas Economic Cooperation Fund (OECF) in Japan to the company to build an aircraft refueling depot in Ngurah Rai based on a letter of loan agreement

dated 29 November 1994. The loan must be paid in 36 installments every semester from May 2007 until November 2024, with an interest rate of 3.1% per year.

#### A Loan for the Construction of Lumut Balai Geothermal Power Plant

On 29 March 2011, a loan agreement number IP-557 was entered into between the Government of Indonesia represented by the Director General of Debt Management, the Ministry of Finance, and JICA, with the company acting as the executing agency and PGE as the implementing agency. The agreement committed a loan in a total amount of ¥26,966,000,000 (full value), disbursed within eight years after the agreement was declared effective.

The payment of the loan is done every six months, every 20 March and 20 September, from 20 March 2021 until March 2051.

The public may access Pertamina's financial reports made available on the website of PT Pertamina (Persero) to see other financial relations between the government and Pertamina.

### Subsidiary Companies

According to the 2012 and 2013 financial reports, PT Pertamina (Persero) had 22 subsidiary companies and 11 association companies (see Appendix 5). Table 29 lists five subsidiary companies and one association company working in the oil and gas exploration and production sectors in Indonesia.

**Table 29** The List of Subsidiary and Association Companies of PT Pertamina (Persero)

No.	Company	% of Shares (2012)	% of Shares (2013)	Sector
1	PT Pertamina Hulu Energi	100%	100%	Oil and gas exploration and production
2	PT Pertamina EP	99.99%	100%	Oil and gas exploration and production
3	PT Pertamina EP Cepu	99.00%	100%	Oil and gas exploration and production
4	PT Pertamina East Natuna	100%	100%	Oil and gas exploration and production
5	PT Pertamina EP Cepu alas dara and Kemuning	-	100%	Oil and gas exploration and production
6	Natuna 2 B.V	-	50%	Oil and gas exploration and production

Source: The 2013 Audited Financial Report of PT Pertamina (Persero)

#### Working Areas that Pertamina had in Indonesia in 2012 and 2013

The number of working areas that PT Pertamina (Persero) had was as follows:

- 26 working areas operated by PT Pertamina EP through Technical Assistance Contracts (TACs),
- 30 working areas through Operation Cooperation (OC) contracts,
- Seven working areas through unitisation agreements.

#### The number Working Areas operated by PHE's subsidiary companies was:

- Six working areas through Indonesian Participation (IP) Arrangements.
- 13 working areas through cooperative contracts after the issuance of Law No. 22/2001 on Oil and Gas.
- 14 working areas through cooperative contracts on coal bed methane after the

issuance of Law No. 22/2001 on oil and gas.

- Eight working areas through joint operating body – production sharing contracts (JOB-PSCs).
- Two working areas through PT Pertamina (Persero) Participating Interests (PPI).
- Two working areas through international oil and gas contracts.

The list of working areas operated by PT Pertamina (Persero) is provided in Appendix 6.

#### Transfer of Working Area Ownership Between 2012 and 2013

Table 30 lists working area acquisition by Pertamina in Indonesia between 2012 and 2013, that can also be found in Pertamina's 2012 and 2013 Annual Reports.

**Table 30** The List of Oil and Gas Working Areas in Indonesia of which the Ownership was Transferred between 2012 and 2013

No.	Block	Seller	Participating Interest (%)	Value (in USD thousand)	Remark
<b>2012</b>					
1	Onshore North West Java	Talisman Resources (North West Java) Limited	5.0295%	39,000	-
2	Ambalat, Bukat, Nunukan Blocks	Anadarko Offshore Holding Company LLC	33.75% (Ambalat Block), 33.75% (Bukat Block), and 35% (Nunukan Block)	49,025	The acquisition by Anadarko Offshore Holding Company LLC of 100% of shares in Anadarko Indonesia Nunukan, Anadarko Ambalat Ltd., and Anadarko Bukat Ltd.
<b>2013</b>					
1	Siak Block, Central Sumatra	Appointed by the Government, as a result of the termination of Chevron's profit sharing contract	100%	Decided by the Government	Based on a circular of the Minister of Energy and Mineral Resources No. 8818/13
2	Southeast Sumatra Block	Fortuna Resources (Sunda) Ltd, Talisman Resources (Bahamas) Ltd and Talisman UK (Southeast Sumatra) Ltd	7.483%	No information	-
3	Babar Selaru Block	Inpex Corporation	15%	No information	-
4	Kalyani Block, South Sumatra	Eurorich Group Ltd	15%	No information	-
5	Natuna Sea Block A	Hess (Luxembourg) Exploration and Production Holding S.A R.L.	23%	328,072	Purchased by PHE Oil and Gas Group and PTTEP Netherlands Holding Cooperatie U.A. through 100% acquisition (50% each) of Natuna 2 B.V.'s shares

Source: Pertamina's 2012 and 2013 Annual Reports

### The Social Responsibility of PT Pertamina (Persero)

Social responsibility expenses incurred by the company include corporate social responsibility and environmental partnership and community development programmes. More information is available on the official website of PT Pertamina (Persero) (<http://www.pertamina.com/social-responsibility/>).

## 7.3 PT Aneka Tambang (Persero) Tbk.

PT Aneka Tambang (Persero) Tbk. was established as a state-owned company in 1968 through a merger of several national mining companies and projects producing one commodity. In 1997, the company publicly offered 35% of its shares in the Indonesia Stock Exchange. In 1999, PT Aneka Tambang (Persero) Tbk. registered its shares in Australia, acquiring the status of a foreign exempt entity which was upgraded to ASX Listing with stricter rules in 2002.

PT Aneka Tambang (Persero) Tbk. is a diversified, vertically-integrated, export-oriented mining company. The company's activities in operation areas rich in minerals throughout Indonesia include nickel ore, ferronickel, gold, silver, bauxite and coal exploration, mining, processing and marketing. Given the vast area of mining concessions and the large numbers of reserves and resources the company has, it has established several joint ventures with international partners to utilise existing reserves through profitable mines.

### Ownership

**Table 31** The Shareholders of PT Aneka Tambang (Persero) Tbk.

Shareholder	Share of Ownership (%)
Government of Indonesia	65%
Public	35%

Source: The Annual Reports of PT ANTAM (persero) Tbk, 2012–2013

The government had shares in PT Aneka Tambang (Persero) Tbk. in the amount of IDR 620 billion in 2012 and 2013. The government also had shares called 'dwiwarna' in PT Aneka Tambang (Persero) Tbk, giving the government the power of veto over the appointment and dismissal of directors and commissioners, issuance of new shares, and a merger or liquidation of PT Aneka Tambang (Persero) Tbk.

Retained Earnings and Dividends

**Table 32** Dividend and Retained Earning Payout by PT Aneka Tambang (Persero) Tbk.

Dividends and retained earnings	2012	2013
Dividends paid out to shareholders	867 billion	449 billion
Dividends paid out to the Government	564 billion	292 billion
Dividends paid out to other shareholders	303 billion	157 billion
Appropriated retained earnings	8.75 trillion	11.3 trillion
Unappropriated earnings	retained 3 trillion	462 billion

Source: The Annual Reports of PT ANTAM (persero) Tbk, 2012–2013

### Guaranteed lendings from the Government and guarantees from PT Aneka Tambang (Persero) for other companies

PT Aneka Tambang (Persero) Tbk. does not have guaranteed lendings from the government, not does it provide guarantees for other companies.

### Subsidiary Companies

According to the 2013 annual financial report of PT Aneka Tambang (Persero) Tbk, the company has a number of subsidiary companies working in the extractive sector. Those subsidiary companies are:

**Table 33** The List of Subsidiary Companies of PT Aneka Tambang (Persero) Tbk Working in the Extractive Sector

No.	Type of Ownership	Company	% of shares (2012)	% of shares (2013)	Sector
1	Direct ownership	Indonesia Coal Resources	99.98%	99.98%	Coal exploration and mining operator
2	Direct ownership	PT Antam Resourcindo	99.98%	99.98%	Exploration and mining operator
3	Direct ownership	PT International Mineral Capital	99.00%	99.00%	Mineral mining
4	Direct ownership	PT GAG Naikel Indonesia	100%	100%	Exploration and mining operator
5	Direct ownership	PT Citra Tobindo Sukses Perkasa	100%	100%	Coal exploration and mining operator
6	Association	PT Nusa Halmahera Minerals	25%	25%	Gold mining

Source: The Annual Reports of PT ANTAM (persero) Tbk, 2012–2013

The complete list of subsidiary and association companies of PT Aneka Tambang (Persero) Tbk. is presented in Appendix 5.

#### Mining Concessions of PT Antam in Indonesia in 2012 and 2013

Mining concessions of PT Aneka Tambang (Persero) Tbk. in Indonesia in 2012 and 2013 can be seen in Appendix 6.

#### Changes in Ownership (Acquisition and Divestment) in 2012 and 2013

Table 34 lists acquisition made by PT Aneka Tambang (Persero) Tbk. in Indonesia in 2012 and 2013, according to the 2012 and 2013 annual reports of PT Aneka Tambang (Persero) Tbk.

**Table 34** Changes in Mining Site Ownership by PT Timah (Persero) Tbk. in Indonesia

No.	Company	Transaction	Share Ownership	Price	Remark
2012					
1	PT Nusa Halmahera Minerals (Operating in Gosowong, North Maluku)	Investment addition	Adding 7.5%, increasing the company's ownership to 25%.	USD130,000,000 and additional payment in the amount of USD30,000,000 (contingency reward), if there is additional (estimated and/or measured) gold resources of 1 million oz until 31 December 2017	On 31 December 2013 PT Aneka Tambang recognised a contingency reward of USD15,000,000

Source: The Annual Reports of PT ANTAM (Persero) Tbk, 2012–2013

The 2012 and 2013 financial reports of PT Aneka Tambang (Persero) Tbk shows a risk of mining business permit and authorisation reductions as a result of mining business permit reform by the government. The public can obtain complete information about this risk in the financial reports of PT Aneka Tambang (Persero) Tbk. made available at <http://www.antam.com>.

### Social Responsibility of PT Aneka Tambang (Persero) Tbk.

PT Aneka Tambang (Persero) Tbk. implements environmental partnership and community development programmes with a view to help the government achieve more equitable development and improve people's welfare.

Environmental partnership and community development programme realisation by PT Aneka Tambang (Persero) Tbk. in 2012 and 2013 was as follows:

**Table 35 Environmental Partnership and Community Development Programme Realisation by PT Aneka Tambang (Persero) Tbk.**

*In IDR Billion*

Activity	Tahun	
	2012	2013
Community Relation	0	0
Community Services	0	0
Community Empowerment	120	81
Infrastructure Development	7	39
Environmental Management	0	0
<b>TOTAL</b>	<b>127</b>	<b>120</b>

*Source: ORT Forms of PT ANTAM (Persero) Tbk, 2012–2013*

More complete information on social responsibility activities by PT Aneka Tambang (Persero) Tbk. is accessible at [www.antam.com/CSRActivities](http://www.antam.com/CSRActivities)

### 7.4 PT. Bukit Asam (Persero) Tbk.

Historically, coal mining by PT. Bukit Asam (Persero) Tbk in Tanjung Enim began in the Dutch colonial period, in 1919, using an open pit mining method in its first operational area: the Air Laya Mine. From 1923 the company adopted the underground mining method until 1940, and started to produce for commercial purposes in 1938. After the Dutch colonisation, the mine was nationalised. In 1950, the Government of the Republic of Indonesia legalised the establishment of Tambang Arang Bukit Asam State Company (PN TABA).

In 1981, PN TABA became a limited liability company named PT Tambang Batubara Bukit Asam (Persero) Tbk. To improve the development of coal industry in Indonesia, in 1990 the government decided to merge Perum Tambang Batubara with the company. In line with the national energy security development programme, in 1993 the government assigned the company to develop coal briquettes. On 23 December 2002, the company registered itself as a public company in the Indonesia Stock Exchange under the code "PTBA".

#### Share Ownership

**Table 36 The Shareholders of PT. Bukit Asam (Persero) Tbk.**

Shareholder	Ownership Share (%)
Government of Indonesia	65.02%
Domestic public	16.18%
Foreign public	18.8%

*Source: Audited Financial Reports of PT. Bukit Asam (Persero) Tbk, 2012–2013*

As a shareholder, the Government also has a golden share, called a 'dwiwarna' share, giving them the power of veto. The government has approximately IDR 750 billion in shares.

### Retained Earnings and Dividends

**Table 37** Dividend and Retained Earning Payout by PT. Bukit Asam (Persero) Tbk.

Dividends and retained earnings	2012 (IDR)	2013 (IDR)
Dividends paid out to shareholders	1,613 billion	1,595 billion
Dividends paid out to the Government	1,049 billion	1,079 billion
Dividends paid out to other shareholders	564 billion	516 billion
Appropriated retained earnings	1.1 trillion	1.3 trillion
Unappropriated retained earnings	-	-

Source: Audited Financial Reports of PT. Bukit Asam (Persero) Tbk, 2012–2013

### Guaranteed Lendings from the Government and Guarantees from PT Bukit Asam (Persero) Tbk. for Other Companies

In 2012 and 2013, PT. Bukit Asam (Persero) Tbk. did not have guaranteed lendings from the government, nor did it provide guarantees for other companies.

### Subsidiary Companies

The 2013 financial report specifies the subsidiary companies of PT. Bukit Asam (Persero) Tbk. working in the extractive sector. They are as follows:

**Table 38** Subsidiary Companies of PT. Bukit Asam (Persero) Tbk. Working in the Extractive Sector

No.	Company	% of Ownership (2012)	% of Ownership (2013)	Sector
1	PT Batubara Bukit Kendi	75%	75%	Coal mining
2	PT Bukit Asam Metana Ombilin	99.99%	99.99%	Methane gas mining
3	PT Bukit Asam Metana enim	99.99%	99.99%	Methane gas mining
4	PT Bukit Asam Metana Peranap	99.99%	99.99%	Methane gas mining
5	PT Bukit Asam Banko	65%	65%	Coal mining
6	PT International Prima Coal	51%	51%	Coal mining

Source: Audited Financial Reports of PT. Bukit Asam (Persero) Tbk, 2012–2013

The complete list of subsidiary and association companies of PT. Bukit Asam (Persero) Tbk. is available in Appendix 5.

### Mining Concessions of PT Bukit Asam in Indonesia in 2012 and 2013

Mining concessions of PT. Bukit Asam (Persero) Tbk in Indonesia in 2012 and 2013 can be seen in Appendix 6.

### Changes in Ownership (Acquisition and Divestment) in 2012 and 2013

Between 2012 and 2013 no changes were made to the ownership status of mines that PT Bukit Asam (Persero) Tbk had.

### Social Responsibility of PT. Bukit Asam (Persero) Tbk

The company's CSR programmes include environmental partnership and community development programmes comprising community development and area development programmes.

The CSR realisation of PT. Bukit Asam (Persero) Tbk. integrated into its environmental partnership and community development programmes (PKBL) in 2012 and 2013 was as follows:

**Table 39 Environmental Partnership and Community Development Programme by PT Bukit Asam (Persero) Tbk.**

*In Billion IDR*

Activity	Year	
	2012	2013
Community Relation	0	0
Community Services	0	0
Community Empowerment	87	26
Infrastructure Development	39	44
Environmental Management	0	0
<b>TOTAL</b>	<b>126</b>	<b>70</b>

*Source: ORT Forms of PT Bukit Asam (Persero) Tbk, 2012–2013*

More information on social responsibility activities implemented by PT Bukit Asam (Persero) Tbk. is accessible at <http://www.ptba.co.id/en/csr>

### 7.5 PT Timah (Persero) Tbk.

PT Timah (Persero) Tbk. was established in 1976, based in Pangkalpinang, Bangka, and has been a publicly listed company in the Indonesia Stock Exchange (BEI) since 1995. PT Timah (Persero) Tbk. is the largest tin producer in Indonesia, integrated into exploration, mining, processing, smelting and marketing operations. Moreover, PT Timah (Persero) Tbk. is the largest tin exporter in the world that is located in Bangka Belitung Province.

The permissible mining sites of PT Timah (Persero) Tbk. include Bangka Belitung and Riau Islands, with a number of secondary operations taking place in South Kalimantan, Southeast Sulawesi, Banten, and Jakarta.

### Share Ownership

**Table 40 Shareholders of PT Timah (Persero) Tbk.**

Shareholder	Ownership Share (%)
Government of Indonesia	65%
Public	35%

*Source: Audited Financial Reports of PT Timah (Persero) Tbk, 2012 and 2013*

The government has a golden share, called 'dwiwarna', allowing the government to have privileges in strategic decision making processes. The shares that the government had is IDR 1.7 trillion in 2012, increasing to IDR 1.9 trillion in 2013. Retained Earnings and Dividends

**Table 41 Dividend and Retained Earning Payout by PT Timah (Persero) Tbk.**

Dividends and retained earnings	2012 (IDR)	2013 (IDR)
Dividends paid out to shareholders	448.39 billion	215.79 billion
Dividends paid out to the Government	291.45 billion	140.26 billion
Dividends paid out to other shareholders	156.94 billion	75.53 billion
Appropriated retained earnings	3.74 trillion	3.95 trillion
Unappropriated retained earnings	431.57 billion	515.08 billion

*Source: Audited Financial Reports of PT Timah (Persero) Tbk, 2012 and 2013*

### Guaranteed Lendings from the Government and Lending Guarantees for Other Companies

PT Timah (Persero) Tbk. does not have lending collateral from the government, nor has it been a guarantor for other companies, as mentioned in the company's 2013 audited financial report.

### Subsidiary and Association Companies

The company's 2013 financial report specifies the company's subsidiary companies working in the extractive sector. They are as follows:

**Table 42 Subsidiary Companies of PT Timah (Persero) Tbk. Working in the Extractive Sector**

No.	Company	% of Shares (2012)	% of Shares (2013)	Sector
1	PT Tambang Timah	100%	100%	Tin and other mineral mining
2	PT Timah Investasi Mineral	99,9%	99,9%	Exploration and mining of non-tin minerals and coal marketing
3	PT Tanjung Alam Jaya	99,95%	99,95%	Coal mining
4	PT Kutaraja Tembaga Raya	100%	100%	Mineral exploration
5	PT Koba Tin	25%	25%	Tin mining

Source: Audited Financial Reports of PT Timah (Persero) Tbk, 2012 and 2013

The complete list of subsidiary and association companies of PT Timah (Persero) Tbk. is available in Appendix 5.

### Mining Concessions of PT Timah had in Indonesia in 2012 and 2013

Mining concessions of PT Timah (Persero) Tbk in Indonesia in 2012 and 2013 can be seen in Appendix 6.

### Changes in Ownership (Acquisition and Divestment) in 2012 and 2013

Between 2012 and 2013 no changes were made to the ownership status of mining sites that PT Timah (Persero) Tbk had.

### The Social Responsibility of PT Timah (Persero) Tbk

A manifestation of the company's concern over the environment, through particularly facility and infrastructure, education, training, religion, sport and other social programmes, integrated into environmental partnership and community development (PKBL) and Corporate Social Responsibility (CSR) programmes.

The PKBL realisation of PT Timah (Persero) Tbk. in 2012 and 2013 was as follows:

### Table 43 Environmental Partnership and Community Development Programme Realisation by PT Timah (Persero) Tbk.

In IDR Billion

Activity	Year	
	2012	2013
Community Relation	29	0
Community Services	1	0
Community Empowerment	0	0
Infrastructure Development	0	0
Environmental Management	0	0
<b>TOTAL</b>	<b>30</b>	<b>0</b>

Source: ORT Forms of PT Timah (Persero) Tbk, 2012 and 2013

More information about social responsibility activities implemented by PT Timah (Persero) Tbk. is accessible at <http://www.timah.com/v3/jina/keberlanjutan/>

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## ➔ GLOSSARY

**Adjudication** is the settlement process of a Public Information Dispute between the parties, and is decided by the Information Committee.

**Business Entity (BE)** is every legal entity that operates and is incorporated based on the Indonesian law and domiciled within the territory of the unitary state of the Republic of Indonesia.

**Barrel** is measurement unit for liquid volume that generally use in petroleum industry perminyakan; 1 barrel is averagely 159 liter.

**Barrel Oil per Day - bopd** is total oil per day produced by well, field, or an oil company.

**Condensate** is 1) gas hydrocarbon in reservoir pressure and temperature but 2) Liquid at normal pressure and temperature 3) a liquid product consisting of mix of light hydrocarbon produced from gas recycle process with expansion and cooling.

**Conservation Forest** is forest area with typical characteristics, with main function to conserve biodiversity and ecosystem thereof.

**Consession** is any grant of right, permit for land from government to company, person or other entities.

**Contractor** is business entity or permanent establishment appointed to conduct exploration and exploitation within a certain contract area based on cooperation contract with Implementing Body

**Crude Oil (Oil)** is unrefined petroleum product composed of hydrocarbon deposits and other organic minerals that maintain liquid after processing.

**Detailed Exploration** is one of exploration phases to delineate in detail in 3-dimension of known mineral dense from sample exposure, drill hole, shaft, and tunnel. Exposure distance is densed hence size, form, distribution, quantity and quality and other identification from mineral dense can be determined with high accuracy. Experiment test from bulk sampling may be required.

**Earmarking** in public financial management is allocation of state revenue for public program or other public services.

**Eksploration** is activities aimed at obtaining information on geological condition to find and obtain the estimated reserves of petroleum and natural gas in the working area stipulated.

**Exploitation** is a series of activities aimed at producing petroleum and natural gas from the working area stipulated, consisting of drilling and completion of wells, the building of transport, storage and processing facilities to separate and purify petroleum and natural gas in the field as well as other activities supporting the exploitation.

**Extractive Industry** is any processes that involve the extraction of raw materials from the earth that includes minerals, coal, oil and gas.

**Final Energy** is energy supplied to final consumer.

**Firm commitment** is contractor work plan and budget pursuant to PSC in first 3 year exploration period.

**Geodatabase** is a database that is optimized to store, query, and manage geographical information and other spatial data.

**Georeference** is the process of associating a physical map or raster image of a map with spatial locations. Georeferenced means in position in physical space according to coordinates syetem being used.

**Golden share - Saham Dwiwarna** is a special share (a golden share) that has previlages comparing to other ordinary shares. Previlage rights primary in directors appointment. In Indonesia capital market, this share owned by Gol for 1 (one) share.

**Information Committee** is an independent institute that functions to implement Law No.14/2008 and its implementing regulation(s), to provide the standard technical directives for Public Information service and to settle Public Information disputes through mediation and/or non-litigation adjudication.

**Joint Study** is activities performed by BE or PE and DG Oil and Gas in order to direct offer of working area by collecting, analyzing and evaluating data to find out oil and gas potential.

**Lifting** is volume of oil/gas sold at delivery point (custody transfer point).

**LNG (Liquefied Natural Gas)** is natural gas (predominantly methane, CH<sub>4</sub>) that has been

liquefied in low temperature and maintain liquid for ease of storage or transport.

**Mineral Resource** is a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. Mineral resource with certain geological confidence could change to reserves after mining feasibility study and meet mining criteria.

**MTPA. (Metric tonnes per annum)** is measurement unit to measure LNG production or capacity.

**National Legislation Program - Program Legislasi Nasional (Prolegnas)** is program outlining list of bills which the DPR and Gol intend to produce.

**Natural Gas (Gas)** is a produce of the natural process in form of hydrocarbon in a pressure condition and at an atmosphere temperature that in the form of gas, which is obtained from a petroleum and natural gas mining process.

**New Energy** is energy from new energy source.

**Open Area** is a certain region within the Indonesian mining jurisdiction that has not yet allocated as working area.

**Permanent Establishment (PE)** is an establishment used by an entity which is established out side Indonesia and is not domiciled in Indonesia conducting business or carrying out activities.

**Primary Energy** is an energy form found in nature that has not been subjected to any conversion or transformation process.

**Protected Forest** is forest area with main function to protect life buffer system to arrange water management, prevent flood, erosion, prevent brine water intrusion, and maintain land fertility.

**Production Forest** is forest area with main function to yield forest produces.

**Public Information** is information that is produced, stored, managed, sent and/or received by a Public Agency relating to the organizer and the organizing of the state and/or the organizer and the organizing of other Public Agencies pursuant to this law and other information pertaining to the interest of the public.

**Planned on Development (POD)** is field development in working area that must be approved by Minister of EMR based on SKK Migas's consideration and regional government consultation.

**Potential Reserves** is petroleum estimated in reservoir.

**Probable Reserves** are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable.

**Proved Reserves** are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations.

**Renewable Energy** is energy from a source that is not depleted when used.

**Reserves** are quantities of petroleum/minerals which are anticipated to be commercially recovered from known accumulations from a given date forward.

**Reserves replacement ratio (RRR)** is ratio between additional reserves and gas or oil production in the same year.

**Scoping study EY** is EITI 2012-2013 scoping study prepared by Ernst & Young as a preliminary study to define scope for EITI 2012 -2013 report.

**State Reserve Area - Wilayah Pertambangan Negara (WPN)** shall be part of a mining area that is reserved for national strategic purposes

**Subnational government** is referring to a second level of government (province) or to a third level (municipalities)

**Wildcat well** is the process of drilling for oil or natural gas in an unproven area, that has no concrete historic production records and has been unexplored as a site for potential oil and gas output.

**Working Area** is a certain region within the Indonesian mining jurisdiction used for the exploration and exploitation

**Quasi fiscal expenditures** is any activities undertaken by state-owned banks and enterprises, and sometimes by private sector companies at the direction of the government, where the prices charged are less than usual or less than the "market rate."

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## APPENDICES

### Appendix 1: List of Offered Work Area and Its Respective Winner

Year 2012

No	Work Area/Block	Offshore/Onshore	Location	Name of Winner
<b>2012 – Conventional – Phase I (March 2012 – September 2012)</b>				
<b>Tender</b>				
1	East Sokang	Offshore	East Natuna	PT Equator Energy
2	West Pelikan	Offshore	West Natuna	No Winner
3	South Sampang	Onshore/Offshore	East Jawa	No Winner
4	Offshore SE Mangkalihat	Offshore	East Kalimantan	No Winner
5	East Aru	Offshore	Maluku	No Winner
<b>Direct Offer</b>				
1	Bireun Sigli	Onshore	Aceh	PT Aceh Energy*
2	Bohorok	Onshore	North Sumatra	Bukit Energy Bohorok Pte Ltd - NZOG Bohorok Pty Ltd - Surya Buana Lestarijaya Bohorok Inc
3	Mahato	Onshore	Riau dan North Sumatra	Texcal Mahato EP Ltd - Bukit Energy Central Sumatra (Mahato) Pte Ltd - Central Sumatra Energy Mahato Ltd
4	Bukit Batu	Onshore	Riau	PT Geo Bukit Batu
5	South Lirik	Onshore	Riau, Jambi, West Sumatra Barat	Indrillco South Lirik Ltd -Texcal South Lirik Ltd - Central Sumatra Energy South Lirik Ltd
6	Bengkulu I - Mentawai	Offshore	Bengkulu	Total E&P Indonesia Mentawai B.V
7	Palangkaraya	Onshore	Central Kalimantan	Petcon Borneo Limited
8	Babai	Onshore	Central Kalimantan	KE Babai Tanjung Limited
9	Telen	Offshore	Makasar Strait	Total E&P Indonesia Telen B.V
10	East Sepinggan	Offshore	Makasar Strait	ENI East Sepinggan Limited
11	Aru	Offshore	West Papua	Niko Resources (Aru) Limited - Statoil Indonesia Aru AS
12	Udan Emas	Onshore	West Papua	Kris Energy (Udan Emas) B.V.
13	Marlin	Offshore	East Natuna	Winner has not yet announced**
14	Tatihuh	Offshore	Maluku	No Winner
<b>2012 - Conventional - Phase II</b>				
<b>Tender</b>				
1	Bengara II	Onshore/Offshore	East Kalimantan	PT Baradinamika Citra Lestari
2	Seringapatam I	Offshore	NTT	PT Equator Energy
3	North East Sepanjang	Offshore	East Jawa	No Winner ***
4	Seringapatam II	Offshore	NTT	No Winner ***
5	West Asri	Offshore	Lampung	No Winner
6	Masalima	Offshore	Makasar Strait	No Winner
7	Wanapiri	Onshore/Offshore	Papua	No Winner

No	Work Area/Block	Offshore/Onshore	Location	Name of Winner
<b>Direct Offer</b>				
1	Merangin III	Onshore	South Sumatra	Cooper Energy Merangin III Ltd.
2	Airsugihan	Onshore	South Sumatra	PT Bintang Berlian Air Sugihan
3	Bima Sakti	Onshore	Lampung	PT Bima Sakti Energi Indonesia
4	West Tuna	Offshore	Natuna	Premier Oil West Tuna Ltd. ****
5	Offshore North X-Ray	Offshore	Jawa Sea	Conrad Petroleum (V) Ltd
6	Sanggau	Onshore	West Kalimantan	PT Bintang Berlian Sanggau
7	Menduwai	Onshore	Central Kalimantan Tengah	Challedon Services Ltd
8	Kahayan	Onshore	Central – South Kalimantan	PT. Mandiri Mahesa Energi
9	West Bangkanai	Onshore	Central-East Kalimantan	Salamander Energy (West Bangkanai) Limited
10	North East Tanjung	Onshore	East Kalimantan	PT Anugrah Trimata Kaltim Energi
11	North East Bangkanai	Onshore	East Kalimantan	Salamander Energy (North East Bangkanai) Limited
12	Offshore Mangkalihat	Offshore	East Kalimantan	Samudra Energy Mangkalihat Limited - Caelus Energy Mangkalihat Pte.Ltd
13	Central Mahakam	Offshore	East Kalimantan	PT Percie Mahakam Petroleum
14	West Sebuku	Offshore	Makassar Strait	Konsorsium MP Indonesia (West Sebuku) Limited -Inpex West Sebuku Ltd
15	South Tanjung	Onshore	Central – South Kalimantan	No Winner ***
16	West Misool	Offshore	West Papua	No Winner
<b>2012 - Non - Conventional</b>				
<b>Tender</b>				
1	GMB Air Ogan I		South Sumatra	No Winner
2	GMB Air Ogan II		South Sumatra	No Winner
3	GMB Melak Mendung II		East Kalimantan	No Winner
<b>Direct Offer</b>				
1	GMB Bontang Bengalon		East Kalimantan	Dart Energy International PTE. Ltd.
2	GMB Belawa		South Kalimantan	PT Belawa Energi Utama
3	GMB Sekayu II		South Sumatra	Ephindo Sekayu 2 Inc. - Star Energy CBM (Sekayu) Ltd.
4	GMB Kuala Kapuas I		South Kalimantan	CBM Asia Dev. Corp. - PT. Tranaco Utama
5	GMB Barito		South Kalimantan	No Winner
6	MNK Sumbagut		Nort Sumatra	PT PHE MNK Sumbagut

**Notes:**

\*) There is a dispute at the time with Aceh Government upon issuance of GR No. 23/2015. A follow up will be discussed.

\*\*\*) There is a dispute regarding overlapping area between Marlin area and area of East Natuna (ex Natuna D Alpha) development.

\*\*\*\*) Bid participant is unqualified.

\*\*\*\*\*) Cancelled, bid winner is unwilling to sign Joint Cooperation Contract (KKS)/does not agree to KKS draft/does not submit performance bond

No	Work Area/Block	Offshore/Onshore	Location	Name of Winner
<b>2013 - Conventional</b>				
Tender				
1	East Seringapatam	Offshore	NTT	No Winner
2	East Abadi	Offshore	Maluku	No Winner
Direct Offer				
1	Palmerah Baru	Onshore	South Sumatra & Jambi	Konsorsium Bukit Energy Palmerah Baru Pte.Ltd - NZOG Palmerah Baru Pty Ltd – PT Surya Selaras Sejahtera
2	Sakti	Offshore	Central Jawa & East Jawa	KrisEnergy (Sakti) B.V. - PT Golden Heaven Jaya
3	North East Madura VI	Offshore	East Jawa	Golden Code Commercial Ltd
4	Anugerah	Offshore	East Jawa	Husky Anugerah Limited
5	East Bontang	Onshore/Offshore	East Kalimantan	PT. Innovare Gas *
6	North Madura II	Offshore	East Jawa	No Winner
7	North Adang	Offshore	Makassar Strait	No Winner
8	South Sulawesi I	Offshore	West & South Sulawesi	No Winner
9	South Sulawesi II	Offshore	South Sulawesi	No Winner
10	South East Sulawesi I	Offshore	Southeast & Central Sulawesi	No Winner
11	South East Sulawesi II	Offshore	Southeast Sulawesi	No Winner
12	West Abadi	Offshore	Maluku	No Winner
13	Yamdena	Offshore	Maluku	No Winner
14	South Aru	Offshore	Maluku	No Winner
15	Bird's Head	Offshore	West Papua	No Winner
16	Merauke	Onshore	Papua	No Winner **
<b>2013 - Non Conventional (Shale Gas)</b>				
Direct Offer				
1	Kisaran		North Sumatra	Pacific Oil & Gas (Kisaran) Ltd. - Bukit Energy Central Sumatera Pte. Ltd. - New Zealand Oil & Gas Ltd.
2	West Tanjung		Central Kalimantan	No Winner

Notes:

\*) Cancelled, bid bond could not withdrawn

\*\*) Bid participants are unqualified

Source: Sub Dir. Conventional Work Area Development, Dir. Oil and Gas Upstream Development, DG Oil and Gas

**Appendix 2: List of Participating Interest Transfer in Oil and Gas Work Area**

Year 2012

No.	Date	Work Area/Block	Operator	Composition before transfer	Composition after transfer
1	12-Jan-12	Rangkas	Lundin Rangkas BV	Lundin Rangkas BV 51% Camarvon Petroleum (Indonesia) Pty Ltd 25% Tap Energy (Rangkas) Pty Ltd 24%	Ludin Rangkas BV 67% Camarvon Petroleum (Indonesia) Pty Ltd 33%
2	12-Jan-12	Krueng Mahe	Eni Krueng Mane Limited	Eni Krueng Mane Limited 75% KG Krueng Mane Ltd 15% MC Krueng Mane Limited 10%	Eni Krueng Mane Limited 85% KG Krueng Mane Ltd 15%
3	21-Feb-12	GMB Indragiri Hulu	PT Samantaka Mineral Prima	PT Samantaka Mineral Utama 100%	PT Samantaka Mineral Utama 51% CBM Asia Hulu Ltd 49%
4	21-Feb-12	GMB Bentian Besar	PT Ridlatama Mining Utama	PT Ridlatama Mining Utama 100%	PT Ridlatama Mineral Utama 51% CBM Asia Hulu Ltd 49%
5	24-Apr-12	Kofiau	Niko Resources (Kofiau) Limited	Niko Resources (Kofiau) Limited 51% Black Gold Kofiau LLC 49%	Niko Resources (Kofiau) Limited 47,5% Black Gold Kofiau LLC 10% Hess (Indonesia – IV) Limited 42,5%
6	30-Apr-12	Blora	PT Sele Raya Energi	PT Sele Raya Energi 100%	PT Sele Raya Energi 75% Bumi Energy Blora Ltd 25%
7	24-May-12	South Madura	South Madura Exploration Company Ltd	PT Eksindo South Madura 10% South Madura Exploration Company Ltd 30% AED South Madura BV 60%	PT Eksindo South Madura 10% South Madura Exploration Company Ltd 90%
8	11-Jun-12	GMB Kutai II	Ephindo	Ephindo Kutai North Inc 92% PT Resources Alam Energi 8%	Ephindo Kutai North Inc 73,6% PT Resources Alam Energi 8% Total E&P Indonesia GMB Kutai II 18,4%
9	14-Jun-12	GMB Ogan Komering	PT Ogan Interior Gas	PT Ogan Interior Gas 100%	PT Ogan Interior Gas 90% Santos OIG Pty Ltd 10%
10	14-Jun-12	GMB Ogan Komering II	PT East Ogan Methane	PT East Ogan Methane 100%	PT East Ogan Methane 90% Santos OIG Pty Ltd 10%
11	31-Jul-12	GMB Barito Banjar II	(Banjar II CBM) Limited	PT Barito Basin Gas ExxonMobil Exploration and Production Indonesia 51% (Banjar II CBM) Limited 49%	PT Barito Basin Gas ExxonMobil Exploration and Production Indonesia 25% (Banjar II CBM) Limited 75%
12	31-Jul-12	GMB Barito Banjar I	(Banjar I CBM) Limited	PT Indobarambai Gas Methan ExxonMobil Exploration and Production Indonesia 51% (Banjar I CBM) Limited 49%	PT Indobarambai Gas Methan ExxonMobil and Production Indonesia 25% (Banjar I CBM) Limited 75%

No.	Date	Work Area/Block	Operator	Composition before transfer	Composition after transfer
13	10-Aug-12	Boney Bay	Black Gold Ventures LLC	Marathon Indonesia (Bone Bay) Limited 55% Black Gold Ventures LLC 45%	Black Gold Ventures LLC 100%
14	10-Aug-12	Kumawa	Black Gold Kumawa LLC	Marathon Indonesia (Kumawa) Limited 35% Indonesia Kumawa Energy Limited 20% Black Gold Kumawa LLC 45%	Black Gold Kumawa LLC 100%
15	30-Aug-12	Lhokseumawe	Zaratex N.V	Zaratex N.V 100%	Zaratex N.V 70% Niko Resources (Overseas XXVII) Limited 30%
16	19-Oct-12	GMB Barito	PT Transasia Energy Resources	PT Transasia Energy Resources 100%	PT Transasia Energy Resources 51% ExxonMobil Exploration and Production Indonesia (Barito CBM) Limited 49%
17	19-Oct-12	South Block "A"	Renco Elang Energy Pte Ltd	Renco Elang Energy Pte Ltd 51% PT Prosys Oil & Gas International 49%	Renco Elang Energy Pte Ltd 51% PT Prosys Oil & Gas International 14% KRX Energy (SBA) Pte Ltd 35%
18	30-Nov-12	GMB Kapuas I	PT TransAsia CBM	BP Kapuas I Limited 45% PT TransAsia CBM 55%	PT TransAsia CBM 100%
19	30-Nov-12	GMB Kapuas II	PT Kapuas CBM Indonesia	BP Kapuas II Limited 45% PT Kapuas CBM Indonesia 55%	PT Kapuas CBM Indonesia 100%
20	30-Nov-12	GMB Kapuas III	PT Gas Methan Utama	BP Kapuas III Limited 45% PT Gas Methan Utama 55%	PT Gas Methan Utama 100%

## Year 2013

No.	Date	Work Area/Block	Operator	Composition before transfer	Composition after transfer
1	8-Jan-13	North Ganai	Statoil Indonesia North Ganai AS	Niko Resources (North Ganai) Ltd 31% North Ganai Energy Ltd 20% Statoil Indonesia North Ganai AS 19% ENI North Ganai Ltd 20% GDF Suez New Projects Indonesia BV 10%	Niko Resources (North Ganai) Ltd 18,5% North Ganai Energy Ltd 18,5% Statoil Indonesia North Ganai AS 26% ENI North Ganai Ltd 24% GDF Suez New Projects Indonesia BV 12,5%
2	30-Jan-13	South East Sangatta	Salamander Energy (SE Sangatta) Limited	Salamander Energy (SE Sangatta) Limited 75% PT Kutai Timur Resources 25%	Salamander Energy (SE Sangatta) Limited 75% Kutai Timur Resources (SE Sangatta) Limited 25%
3	18-Feb-13	Ketaapang	PC Ketapang II Ltd	PC Ketapang II Ltd 50% Petronas Carigali (Ketapang) Ltd 30% Sierra Oil Service Limited 20%	PC Ketapang II Ltd 50% Petronas Carigali (Ketapang) Ltd 30% PT Saka Ketapang Perdana 20%
4	18-Feb-13	Cendrawasih	Black Gold Cendrawasih LLC	ExxonMobil Expolration and Production Indonesia (Cendrawasih) Limited 49% Black Gold Cendrawasih LLC 51%	Black Gold Cendrawasih LLC 100%

No.	Date	Work Area/Block	Operator	Composition before transfer	Composition after transfer
5	5-Mar-13	GMB Barito Tapin	ExxonMobil Expolration and Production	ExxonMobil Expolration and Production Indonesia (Tapin CBM) Limited	ExxonMobil Expolration and Production Indonesia (Tapin CBM) Limited 70% PT Trisakti Gas Methan 30%
6	18-Mar-13	Offshore North West Java (ONWJ)	PT Pertamina Hulu Energi ONWJ	PT Pertamina Hulu Energi ONWJ 53,2500% EMP ONWJ Ltd 36,7205% Risco Energy (Java) BV 5,0000% Talisman Resources (North West Java) Ltd 5,0295%	PT Pertamina Hulu Energi ONWJ 58,2795% EMP ONWJ Ltd 36,7025% Risco Energy (Java) BV 5,0000%
7	26-Apr-13	West Papua	Black Gold West Papua IV LLC	Niko Resources (West Papua IV) Ltd 21% Tately West Papua NV 20% Statoli Indonesia West Papua IV AS 29% Black Gold West Papua IV LLC 30%	Niko Resources (West Papua IV) Ltd 19,9% Tately West Papua NV 10,1% Statoil Indonesia West Papua IV AS 40% Black Gold West Papua IV LLC 30%
8	9-Apr-13	Budong-budong	Harvest Budong-Budong BV	Tately Budong-budong NV 35,1% PT Gema Terra 0,5% Harvest Budong-Budong BV 67,4%	Tately Budong-budong NV 28% PT Gema Terra 0,5% Harvest Budong-Budong BV 71,5%
9	12-Apr-13	Lhokseumawe	Zaratex NV	Zaratex NV 70% Niko Resources (Overseas XXVII) Limited 30%	Zaratex NV 100%
10	18-Apr-13	South Bengara II	Caelus Energy South Bengare II Pte Ltd	ACG (South Bengara II) Pte Ltd	ACG (South Bengara II) Pte Ltd 43% Caelus Energy South Bengara II Pte Ltd 57%
11	26-Apr-13	Tuna	Premier Oil Tuna BV	Premier Oil Tuna BV 65% Moeco Tuna E&P Co Ltd 20% GS Caltex Corporation 15%	Premier Oil Tuna BV 65% Moeco Tuna E&P Co Ltd 20% GS Energy Corporation 15%
12	26-Apr-13	Obi	Niko Resources (Obi) Limited	Niko Resources (Obi) Limited 51% Statoil Indonesia Obi AS 19% Zimorex NV 30%	Niko Resources (Obi) Limited 42% Statoil Indonesia Obi AS 40% Zimorex NV 18%
13	26-Apr-13	Southwest Bird's Head	Total E&P Indonesia West Papua	Total E&P Indonesia West Papua 100%	Total E&P Indonesia West Papua 90% PT Indika Multi Daya Energi 10%
14	20-May-13	South East Sangatta	Salamander Energy (SE Sangatta) Limited	Salamander Energy (SE Sangatta) Limited 75% Kutai Timur Resources (SE Sangatta) Limited 25%	Salamander Energy (SE Sangatta) Limited 75% PT Kutai Timur Resources 25%
15	31-May-13	Bangkanai	Salamander Energy (SE Bangkanai) Limited	Salamander Energy (Bangkanai) Limited 69% Bangkanai Petroleum (L) Berhard 15% Salamander Energy (Central Kalimantan) Limited 11% Mitra Energia Bangkania Limited 5%	Salamander Energy (Bangkanai) Limited 39% PT Saka Bangkanai Klemantan 30% Bangkanai Petroleum (L) Berhard 15% Salamander Energy (Central Klimantan) Limited 11% Mitra Energia Bangkania Limited 5%
16	13-Jun-13	Cendrawasih	Black Gold Cendrawasih LLC	Black Gold Cendrawasih LLC 100%	Black Gold Cendrawasih LLC 70% Repsol Exploration Cendrawasih I BV 30%
17	7-Jun-13	Masela	Inpex Masela Ltd	Inpex Masela Ltd 60%	Inpex Maseia Ltd 65%

**Appendix**

No.	Date	Work Area/Block	Operator	Composition before transfer	Composition after transfer
				PT EMP Energi Indonesia 10% Shell Upstream Overseas (I) Limited 30%	Shell Upstream Overseas (I) Limited 35%
18	27-Jun-13	Halmahera-Kofiau	Niko Resources (Halmahera – Kofiau) Limited	Black Gold Halmahera Kofiau LLC 30% Niko Resources (Halmahera-Kofiau) Limited 21% Tately Halmahera NV 20% Statoil Indonesia Halmahera-Kofiau AS 29%	Black Gold Halmahera-Kofiau LLC 30% Niko Resources (Halmahera-Kofiau) Limited 50% Tately Halmahera NV 20%
19	22-Jul-13	Bengara I	PT Medco E&P Bengara	PT Medco E&P Bengara 58,33% Salamander Energy (Bengara) Limited 41,67%	PT Medco E&P Bengara 100%
20	22-Jul-13	Bangkanai	Salamander Energy (Bangkanai) Limited	Salamander Energy (Bangkanai) Limited 39% PT Saka Bangkanai Klemantan 30% Bangkanai Petroleum (L) Berhard 15% Salamander Energy (Central Kalimantan) Limited 11% Mitra Energia Bangkania Limited 5%	Salamander Energy (Bangkanai) Limited 54% PT Saka Bangkanai Klemantan 30% Salamander Energy (Central Kalimantan) Limited 11% Mitra Energia Bangkania Limited 5%
21	22-Jul-13	Simenggaris	PT Medco E&P Simenggaris	PT Pertamina Hulu Energi Simenggaris 37,5% PT Medco E&P Simenggaris 41,5% Salamander Energy (Simenggaris) Limited 21%	PT Pertamina Hulu Energi Simenggaris 37,5% PT Medco E&P Simenggaris 62,5%
22	24-Jul-13	GMB Sekayu	PT Medco CBM Sekayu	South Sumatera Energy Inc 50% PT Medco CBM Sekayu 50%	South Sumatera Energy Inc 28,5% Ephindo Sekayu CBM Inc 21,5% PT Medco CBM Sekayu 50%
23	12-Aug-13	Bangko	Petrochina Internationall Bangko Ltd	Petrochina International Bangko Ltd 75% SK innovation Co Ltd 25%	Petrochina Internattional Bangko Ltd 100%
24	23-Aug-13	West Madura Offshore	Pertamina Hulu Energi West Madura Offshore (WMO)	Pertamina Hulu Energi West Madura Offshore (WMO) 80% Kodeco Energy Co Ltd 20%	Pertamina Hulu Energi West Madura Offshore (WMO) 80% Kodeco Energy Co Ltd 10% PT Mandiri Madura Barat 10%
25	2-Sep-13	Palangkaraya	Petcon Borneo Limited	Petcon Borneo Limited 100%	Petcon Borneo Limited 51% ConocoPhillips 49%
26	6-Sep-13	Gurita	Lundin Gurita BV	Lundin Gurita BV 100%	Lundin Gurita BV 90% Nido Petroleum Indonesia (Gurita) Pty Ltd 10%
27	6-Sep-13	Cakalang	Lundin Cakalang BV	Lundin Cakalang BV 100%	Lundin Cakalang BV 90% Nido Petroleum Indonesia (Cakalang) Pty Ltd 10%
28	10-Sep-13	Baronang	Lundin Baronang BV	Lundin Baronang BV 100%	Lundin Cakalang BV 90% Nido Petroleum Indonesia (Baronang) Pty Ltd 10%
29	9-Okt-13	Kerapu	PearOil (Tachylite) Limited	PearOil (Tachylite) Limited 100%	PearOil (Tachylite) Limited 70% Japex West Natuna Limited 30%
30	17-Okt-13	Northwest Natuna	AWE (Northwest Natuna) Pte Ltd	AWE (Northwest Natuna) Pte Ltd 100%	AWE (Northwest Natuna) Pte Ltd 50% Santos Netherlands BV 50%

## Appendix 3: General Provisions of Contract and Permit in Extractive Industry

### Oil and Gas: Production Sharing Contract (PSC)

PSC general provision is accessible through Indonesia EITI Secretariat website (<http://eiti.ekon.go.id/draft-kontrak-psc/>)

### Mining: Contract of Work (CoW) and Coal Contract of Work (CCoW)

No	General Provisions	Notes
1	Definition	Defines terms in contract
2	Appointment and Company's responsibility	Explains the purpose of the contract and declares that Government of Indonesia has the sovereign right of natural resources and the Company is the party appointed party to operate mining activities. Company shall report detail work plan and budget to Government.
3	Operation modus	Stipulates legal form of the Company, Company's domicile, and other activities including engaging subcontractor for mining activities as long as in accordance to articles within this contract.
4	Contract of work area	Stipulates mining area of Company including transfer of the mining area to other companies.
5	Period of general investigation	Stipulates stages of general investigation on approved mining area.
6	Period of exploration	Stipulates stages of exploration works and company's obligation in this stage.
7	Report and bank guarantee	Stipulates company obligation to government (report its activities and deposit bank guarantee).
8	Period of feasibility study	Stipulates stages of feasibility study works and company obligation in this stage
9	Period of construction	Stipulates commencement of construction by company
10	Period of operation	Stipulates related matters in operation period and company obligation in processing mining product in Indonesia (if already own smelter)
11	Marketing	Stipulates company right to market its mining commodity directly both via export or domestic within a fair price. If the price is not reasonable, Government has the right to evaluate the price.
12	Facility of import and re-export	Stipulates right to import mining equipment as long as the equipment is not yet produced domestically and right to receive import duties and VAT relief.
13	Taxes and other Company's financial obligations	Stipulates tax and not tax obligation of the company including tariff, calculation method, and law provision prevails to the contract.
14	Report, inspection, and work plan	Stipulates company obligation to submit report (financial) and to document. Government has the right to inspect those reports.
15	Payment	Stipulates allowable means of payment and its mechanism
16	Special rights of Government	Stipulates government right on mining area
17	Employment and training for Indonesian personnel	Stipulates the use of Indonesia personnel, foreign personnel and transfer of knowledge.
18	Promote national interests	Stipulates to the priority of national interest on mining commodity.
19	Local cooperation in additional infrastructure provision	Stipulates coordination of subnational government for subnational development
20	Environmental management and protection	Stipulates responsibility of environmental protection in mining area and working safety.
21	Local business development t	Stipulates the company responsibility to develop local business activity
22	Ketentuan-ketentuan kemudahan	Stipulates right given to company to facilitate construction activity
23	Force Majeur	Defines term of force majeure and its implication on contract
24	Negligence	Defines term of negligence and its implication on contract
25	Arbitration	Stipulates dispute settlement process
26	Termination	Difines termination provisions and stipulate right and obligation of parties in every stage when termination happens.
27	Cooperation between parties	Stipulatse cooperation between company and government
28	Provisions of the parties	Stipulates cooperation between company and government
29	Transfer of rights	Stipulates that transfer of right of company needs approval from Minister
30	Financing	Stipulates sufficient financing for mining operation by company
31	Contract period	Stipulates effective date of contract include its extention

No	General Provisions	Notes
32	Law jurisdiction	Stipulates that Indonesia law applies to this contract

## General Provisions of Mining Business Permit (IUP)

**IUP Exploration** must contain at least, details of the following:

- a. name of the company;
- b. size and location of the area;
- c. general landscaping plan;
- d. guarantee of seriousness;
- e. investment capital;
- f. extension of activity stage term;
- g. rights and obligations of the IUPK holder;
- h. period of time of the activity stage;
- i. type of business granted;
- j. plan for development and empowerment of the community in the surrounding mining areas;
- k. taxation;
- l. settlement of disputes on land issues;
- m. dead rent and exploration fees; and
- n. environmental impact analysis.

**IUP of Production Operation** shall contain, no less than the following:

- |  |  |
|--|--|
| a. name of the company;  | o. taxation;   |
| b. size of the area;   | p. dead rent and production royalty as well as the portion of state/regional revenue consisting of the sharing of net profit since production; |
| c. mining location;  | q. dispute settlement;   |
| d. location of the processing and refining;  | r. occupational safety and health;   |
| e. transportation and sales;   | s. mineral and coal conservation;  |
| f. investment capital;   | t. utilization of domestic goods, services, technology and engineering and design capabilities;  |
| g. activity stage period;  | u. application of good economic and mining technical principles;   |
| h. settlement of disputes on land issues;  | v. development of Indonesian workforce;  |
| i. environmental issues including reclamation and post-mining;                           | w. management of mineral or coal data;   |
| j. guarantee funds for reclamation and post-mining;                                      | x. mastery, development and application of mineral and coal mining technology; and   |
| k. effective term of IUPK;   | y. share divestment.   |
| l. IUPK extension;   |  |
| m. rights and obligations;   |  |
| n. plan for development and empowerment of the community in the surrounding mining area; |  |

*Source: Law No. 4/2009 concerning mineral and coal mining*

Appendix 4: Export Volume of Minerals and Coal

Appendix 4.1: Coal Export Volume

*In million Ton*

No	Company	2012	2013
SOE		5.35	6.18
1	Bukit Asam (Persero), PT	5.35	6.18
COMPANY (CCoW)		200.62	225.32
1	Adaro Indonesia, PT	34.74	42.34
2	Antang Gunung Meratus, PT	0.00	1.44
3	Arutmin Indonesia, PT	24.96	15.47
4	Asmin Bara Bronang	0.00	0.05
5	Asmin Koalindo Tuhup, PT	2.42	2.51
6	Bahari Cakrawala Sebuku, PT	0.48	0.00
7	Baturona Adimulya, PT	0.00	0.11
8	Berau Coal, PT	15.76	19.79
9	Bharindo Ekatama	0.00	0.99
10	Borneo Indobara, PT	3.34	3.26
11	Firman Ketaun Perkasa, PT	2.38	1.99
12	Gunung Bayan Pratamacoal, PT	1.00	1.06
13	Indexim Coalindo	0.00	0.51
14	Indominco, PT	12.76	16.41
15	Insani Baraperkasa, PT	3.37	4.04
16	Jorong Barutama Greston, PT	0.84	0.68
17	Kadya Caraka Mulia, PT	0.00	0.06
18	Kalimantan Energi Lestari, PT	0.00	2.03
19	Kaltim Prima Coal, PT	35.52	45.28
20	Kartika Selabumi Mining, PT	0.05	0.00
21	Kideco Jaya Agung, PT	25.87	26.88
22	Lanna Harita Indonesia, PT	2.49	3.29
23	Mahakam Sumber Jaya, PT	10.01	10.34
24	Mandiri intiperkasa, PT	3.17	3.44
25	Marunda Grahamineral, PT	1.12	0.91
26	Multi Harapan Utama, PT	0.94	0.24
27	Perkasa Inakakerta, PT	2.01	2.14
28	Pesona Khtulistiwa Nusantara, PT	0.99	4.15
29	Riau Bara Harum, PT	0.30	0.22
30	Santan Batubara, PT	2.20	2.08
31	Singlurus Pratama, PT	1.50	2.89
32	Tambang Damai	0.00	0.95
33	Tanito Harum, PT	1.99	0.10
34	Tanjung Alam Jaya, PT	0.00	0.19
35	Teguh Sinar Abadi, PT	1.13	0.70
36	Trubaindo Coal Mining, PT	5.43	5.81
37	Wahana Baratma Mining, PT	3.86	2.99

No	Company	2012	2013
	Mining Business Permit (IUP)	98.08	124.86
1	South Kalimantan	37.87	38.33
2	Central Kalimantan	8.50	4.55
3	East Kalimantan	37.69	70.71
4	Riau	0.06	0.37
5	South Sumatra	4.33	0.79
6	West Sumatra	0.00	0.01
7	Bengkulu	3.63	4.21
8	Jambi	6.00	5.89
	<b>Sub Total</b>	<b>304,05</b>	<b>356,35</b>

Source: Indonesia Mineral and Coal Information 2014 Book, Directorate General of Mineral and Coal

## Appendix 4.2: Main Minerals Export Volume

No	Company/Comodity	Unit	2012	2013
<b>SOE</b>				
<b>1</b>	<b>Aneka Tambang Tbk, PT</b>			
	Nickel ore	wmt	7,861,367.00	9,754,160.00
	Ferro nickel	ton Ni	17,337.00	15,422.00
	Gold	Kg	6,972.00	8,345.00
	Silver	Kg	27,147.00	18,841.00
	Bauxite	ton	227,620.00	475,686.00
<b>2</b>	<b>Timah Tbk, PT</b>			
	Tin Metal	ton	29,512.00	14,775.24
<b>COMPANY (CoW)</b>				
<b>3</b>	<b>Freeport Indonesia, PT</b>			
	Copper concentrate	dmt	1,606,045.00	1,166,243.00
	- Copper	ton	332,891.00	242,218.00
	- Gold	Kg	27,878.07	20,497.00
	- Silver	Kg	81,929.74	58,319.00
<b>4</b>	<b>Koba Tin, PT</b>			
	Tin metal	ton	1,882.00	140,188.00
<b>5</b>	<b>Vale Indonesia Tbk. (International Nickel Indonesia Tbk, PT)</b>			
	Nickel + Cobalt in matte	ton	71,379.00	77,293.61
<b>6</b>	<b>Karimun Granit, PT</b>			
	Granite	mt	585,123.00	1,189,601.00
<b>7</b>	<b>Indo Muro Kencana, PT</b>			
	Gold	Kg	837.68	653.10
	Silver	Kg	20,561.28	14,298.80
<b>8</b>	<b>Newmont Nusa Tenggara, PT</b>			
	Copper concentrate	dmt	321,194.00	249,698.50
	- Copper	ton	77,337.49	58,731.83
	- Gold	Kg	2,186.58	1,193.84
	- Silver	Kg	13,390.06	8,072.90
<b>9</b>	<b>Nusa Halmahera Mineral, PT</b>			
	Gold	Kg	12,914.93	9,237.74
	Silver	Kg	9,279.98	11,974.85
<b>10</b>	<b>Galuh Cempaka, PT</b>			
	Diamond	crt	n/a	n/a
	Gold	Kg	n/a	n/a
<b>11</b>	<b>Avocet Bolaang Mongondow, PT (J Resources, PT)</b>			
	Gold	Kg	1,389.88	974.98
	Silver	Kg	684.94	504.95
<b>12</b>	<b>Ensbury Kalteng Mining, PT</b>			
	Gold	Kg	83.64	29.35
	Silver	Kg	31.62	16.19
<b>13</b>	<b>Natarang Mining, PT</b>			
	Gold	Kg	740.86	82.20
	Silver	Kg	13,180.87	1,052.67
<b>14</b>	<b>Meares Sopotan Mining, PT</b>			
	Gold	Kg	2,291.89	2,401.88

No	Company/Comodity	Unit	2012	2013
	Silver	Kg	2,709.28	4,071.84
<b>15</b>	<b>Tambang Tondano Nusajaya, PT</b>			
	Gold	Kg	1,621.49	2,054.98
	Silver	Kg	3,469.01	2,871.13
<b>16</b>	<b>Agincourt Resources, PT</b>			
	Gold	Kg	n/a	8,720.28
	Silver	Kg	n/a	45,538.01
<b>17</b>	<b>Kasongan Bumi Kencana, PT</b>			
	Gold	Kg	n/a	1,043.89
	Silver	Kg	n/a	21,500.00
<b>Mining Business Permit (IUP)</b>				
<b>18</b>	<b>East Java</b>			
	Copper	ton	121,310.00	n/a
	Iron	ton	4,973.48	249,472.04
	Manganese	ton	1,448.16	n/a
<b>19</b>	<b>West Java</b>			
	Iron	ton	194,022.84	804,374.47
	Nickel Ore	ton	200.00	n/a
	Copper	ton	1,671,210.00	25.73
	Lead	ton	3,760.97	n/a
	Zinc	ton	298,059.00	n/a
	Zircon	ton	294.00	n/a
<b>20</b>	<b>Central Java</b>			
	Iron	ton	395,737.09	21,957,813.85
	Copper	ton	192,680.00	n/a
<b>21</b>	<b>Banten</b>			
	Iron	ton	53,690.42	163,014.36
	Lead	ton	176.00	n/a
<b>22</b>	<b>NAD</b>			
	Iron	ton	343,496.18	326,480.57
	Copper	ton	n/a	17,582.61
<b>23</b>	<b>North Sumatera</b>			
	Lead	ton	44.95	n/a
<b>24</b>	<b>West Sumatera</b>			
	Iron	ton	14,630.02	312,787.43
	Copper	ton	6,209,980.00	n/a
	Lead	ton	174.95	n/a
<b>25</b>	<b>Riau</b>			
	Bauxite	ton	1,984,998.73	5,599,091.73
	Iron	ton	25,280.12	6,766,821.75
<b>26</b>	<b>Riau Island</b>			
	Tin Metal	ton	n/a	n/a
	Bauxite	ton	14,684,641.59	14,400,534.44
	Copper	ton	48,000.00	n/a
	Iron	ton	48,001.00	40,905.42
<b>27</b>	<b>Bangka &amp; Belitung Island</b>			
	Iron	ton	65,821.53	n/a
	Zircon	ton	300.00	n/a
<b>28</b>	<b>Lampung</b>			
	Iron	ton	20,022.52	29,051.65

No	Company/Comodity	Unit	2012	2013
<b>29</b>	<b>West Nusa Tenggara</b>			
	Manganese	ton	110.00	n/a
	Iron	ton	111.00	1,350.00
	Copper	ton	112.00	163,441.02
<b>30</b>	<b>East Nusa Tenggara</b>			
	Manganese	ton	10,759.24	3,398.25
<b>31</b>	<b>Papua</b>			
	Nickel Ore	ton	516,420.00	393,830.00
	Copper	ton	n/a	941,208.08
<b>32</b>	<b>Central Kalimantan</b>			
	Zircon	ton	71,478.84	n/a
	Iron	Mt	585,560.33	3,295,884.94
	Bauxite	ton	480,053.62	14,461,110.57
	Ilmenite	ton	4,177.00	n/a
	Nickel Ore	ton	n/a	253,74
<b>33</b>	<b>South Kalimantan</b>			
	Iron	ton	4,007,911.37	11,724,745.44
	Nickel Ore	ton	601,913.30	41,500.00
	Zircon	ton	766.40	n/a
<b>34</b>	<b>East Kalimantan</b>			
	Nickel Ore	ton	242,558.00	161,184.00
	Manganese	ton	13,019.00	n/a
	Zircon	ton	360.00	n/a
	Iron	ton	n/a	14,001.00
<b>35</b>	<b>Riau Island</b>			
	Bauxite	Mt	14,684,641.59	14,400,534.44
	Copper	ton	48,000.00	n/a
	Iron	ton	n/a	40,905.42
<b>36</b>	<b>West Kalimantan</b>			
	Bauxite	Mt	13,052,001.98	16,838,684.79
	Zircon	ton	18,179.44	n/a
	Manganese	ton	4,816.66	n/a
	Ilmenite	ton	838.00	n/a
	Iron	ton	285,331.75	216,315.59
<b>37</b>	<b>Southeast Sulawesi</b>			
	Nickel Ore	ton	19,662,721.07	18,292,646.00
	Iron	ton	62,300.00	n/a
	Chromium	ton	15,610.56	n/a
<b>38</b>	<b>South Sulawesi</b>			
	Nickel Ore	ton	320,533.00	n/a
<b>39</b>	<b>Central Sulawesi</b>			
	Nickel Ore	ton	7,233,320.82	6,172,733.00
	Iron	ton	n/a	55,000.00
<b>40</b>	<b>Gorontalo</b>			
	Manganese	ton	325,00	n/a
<b>41</b>	<b>North Sulawesi</b>			
	Iron	ton	21,111.33	17,483.63
	Nickel Ore	ton	360,770.00	20,702,567.10
<b>42</b>	<b>North Maluku</b>			

No	Company/Comodity	Unit	2012	2013
	Nickel Ore	ton	10,794,293.00	6,243,860.09
<b>43</b>	<b>Maluku</b>			
	Nickel Ore	ton	624,487.00	3,072,536.72

Source: Indonesia Mineral and Coal Information 2014 Book, Directorate General of Mineral and Coal

## Appendix 5: List of Subsidiary and Association Companies of State-Owned Extractive Industry

### 1. List of Subsidiary and Association Companies of PT Pertamina (Persero)

No	Company	Percentage of ownership (2012)	Percentage of ownership (2013)	Business activity
1	PT Pertamina Hulu Energi	100%	100%	Oil and Gas Exploration and Production
2	PT Pertamina EP	99.99%	100%	Oil and Gas Exploration and Production
3	PT Pertamina EP Cepu	99.00%	100%	Oil and Gas Exploration and Production
4	Pertamina EP Libya Limited	100%	100%	Oil and Gas Exploration and Production
5	PT Pertamina East Natuna	100%	100%	Oil and Gas Exploration and Production
6	PT Pertamina EP Cepu alas dara dan Kemuning	-	100%	Oil and Gas Exploration and Production
7	PT Pertamina Internasional Eksplorasi dan Produksi	-	100%	Oil and Gas Exploration and Production
8	ConocoPhillips Algeria Limited	-	100%	Oil and Gas Exploration and Production
9	PT Pertamina Geothermal Energy	100%	100%	Geothermal exploration and production
10	PT Pertamina Gas	100%	100%	Oil and gas trading, gas transportation, processing, oil and gas storage and distribution
11	PT Pertamina Drilling Services Indonesia	100%	100%	Oil and gas drilling service
12	Pertamina energy trading Limited, Hong Kong	100%	100%	Crude oil and oil products trading
13	PT Pertamina Patra Niaga	100%	100%	Trading and industry activity services
14	PT Pertamina Retail	100%	100%	Gas station retail sales
15	PT Pertamina Lubricants	-	100%	Lubricants processing and sales
16	PT Pertamina Trans Kontinental	100%	100%	Shipping
17	PT Tugu Pratama Indonesia	65%	65%	Insurance Service
18	PT Pelita Air Service	100%	100%	Air transport service
19	PT Pertamina Dana Ventura	100%	100%	Investment portfolio management
20	PT Pertamina Training & Consulting	100%	100%	Human resource development service
21	PT Patra Jasa	100%	100%	Office, housing and hotel rental
22	PT Pertamina Bina Medika	100%	100%	Health and hospital operation service
23	Pacific Petroleum & Trading Co, Ltd	50%	50%	Marketing service
24	Korea Indonesia Petroleum Co. Ltd	45%	45%	Marketing service
25	PT Elnusa Tbk	41.10%	41,1%	Integrated Upstream Oil & gas Services, Upstream Oil & Gas Support Services and Downstream Oil & Gas Services, Information technology and telecommunication

No	Company	Percentage of ownership (2012)	Percentage of ownership (2013)	Business activity
26	PT Donggi Senoro LNG	29%	29%	LNG plant
27	PT Tugu Reasuransi Indonesia	25%	25%	Reinsurance
28	PT Asuransi Samsung Tugu	19.50%	19,5%	Insurance
29	PT Nusantara Regas	60%	60%	LNG regassification
30	PT Patra SK	35%	35%	LBO plant
31	PT Perta-Samtan Gas	66%	66%	LNG Plant
32	PT Perta Daya Gas	65%	65%	LNG regassification
33	Natuna 2 B.V	-	50%	Oil and gas exploratioan and production

**2. List of Subsidiary and Association Companies of PT Aneka Tambang (Persero) Tbk**

No	Ownership type	Company	Percentage of ownership		Business activity
			2012	2013	
1	Direct ownership	Asia Pasific Nickel Pty., Ltd	100%	100%	Investment Company
2	Direct ownership	Indonesia Coal Resources	99,98%	99,98%	Coal mining exploration and operator
3	Direct ownership	PT Aneka Tambang Resourcindo	99,98%	99,98%	Mining exploration and operator
4	Direct ownership	PT Mega Citra Utama	99,50%	99,50%	Construction, trading, industry, agriculture and mining
5	Direct ownership	PT Abuki Jaya Stainless Indonesia	99,50%	99,50%	Manufacturing of stainless steel
6	Direct ownership	PT Borneo Edo International	99,50%	99,50%	Construction, trading, industry, agriculture and mining
7	Direct ownership	PT dwimitra Enggang Khatulistiwa	99,50%	99,50%	Mining exploration and operator
8	Direct ownership	PT Cibaliung Sumberdaya	99,15%	99,15%	Exploration, construction, marketing and refining in the gold mining industry
9	Direct ownership	PT International Mineral Capital	99,00%	99,00%	Minerals mining
10	Direct ownership	PT GAG Naikel Indonesia	100%	100%	Mining exploration and operator
11	Direct ownership	PT Citra Tobindo Sukses Perkasa	100%	100%	Coal mining exploration and operator
12	Direct ownership	PT Feni Haltim	100%	100%	Trading, construction and services
13	Direct ownership	PT Borneo Edo International	100%	100%	Agriculture, industry, agricultural land transportation, trading and services
14	Direct ownership	PT Gunung Kendaik	100%	100%	Construction, trading, industry, agriculture, ground transportation, services, mining and printing
15	Direct ownership	PT Nusa Karya Arindo	100%	100%	Other general mining services
16	Direct ownership	PT Sumber Daya Arindo	100%	100%	Mineral and coal mining services
17	Associates	PT Meratus Jaya Iron and Steel	34%	34%	Iron ore manufacturing
18	Associates	PT Menara Antam Sejahtera	25%	25%	Office construction service
19	Associates	PT Nusa Halmahera Minerals	25%	25%	Gold mining
20	Jointly controlled entity	PT Indonesia Chemical Alumina	80%	80%	Bauxite manufacturing

3. List of Subsidiary and Association Companies of Bukit Asam (Persero) Tbk

No	Company	Percentage of ownership		Business Activity
		(2012)	(2013)	
1	PT Batubara Bukit Kendi	75%	75%	Coal mining
2	PT Bukit Pembangkit Innovative	59,75%	59,75%	Independent Power Plant
3	PT Bukit Asam Prima	99,99%	99,99%	Coal trading
4	PT Bukit Asam Metana Ombilin	99,99%	99,99%	Methane gas mining
5	PT Bukit Asam Metana enim	99,99%	99,99%	Methane gas mining
6	PT Bukit Asam Metana Peranap	99,99%	99,99%	Methane gas mining
7	PT Bukit Asam Banko	65%	65%	Coal mining
8	PT Bukit Asam Transpacific Railway	10%	10%	Coal transportation service
9	PT International Prima Coal	51%	51%	Coal mining
10	PT Huadian Bukit Asam Power	45%	45%	Independent Power Plant

4. List of Subsidiary and Association Companies of PT Timah (Persero) Tbk

No	Relation	Company	Percentage of ownership		Business activity
			(2012)	(2013)	
1	Direct ownership	Indometal Corporation	100%	100%	Marketing agent for America region
2	Direct ownership	PT Timah Industri	100%	100%	Chemical industry
3	Direct ownership	PT Tambang Timah	100%	100%	Tin and other mineral mining
4	Direct ownership	PT Timah Investasi Mineral	99,9%	99,9%	Exploration and mining of non-tin minerals and coal marketing
5	Direct ownership	Great Force Trading Limited	-	100%	Trading
6	Direct ownership	PT Tanjung Alam Jaya	99,95%	99,95%	Coal mining
7	Direct ownership	PT Kutaraja Tembaga Raya	100%	100%	Mineral exploration
8	Direct ownership	Indometal London Limited	100%	100%	Marketing agent for European region
9	Direct ownership	PT Timah Eksplomin	100%	100%	Mining consulting and research services
10	Direct ownership	PT Dok & Perkapalan Air Kantung	100%	100%	Workshop services, shipping dockyard, and transportation
11	Indirect ownership	PT Truba Bara Bunyu Enim	10%	10%	Coal purchase agreement
12	Indirect ownership	PT Koba Tin	25%	25%	Tin mining
13	Indirect ownership	PT Asuransi Jiwa Tugu Mandiri	29,5%	29,5%	Health insurance

## Appendix 6: List of Working Area and Mining Area Granted to SOEs

### 1. Working Area of PT Pertamina (Persero) in 2012 dan 2013

#### Working Area of PT Pertamina EP

List of Technical Assistance Contracts (TAC) between PT Pertamina EP and its partners.

No	Mitra Usaha/ Partner	Wilayah Kerja/ Working Area	Wilayah/ Area	Tanggal Efektif Kontrak/ Effective Date of Contract	Tanggal Mulai Produksi/ Date of Commencement of Production	Tanggal Akhir Kontrak/ Date of End of Contract	Produksi/ Production
1	PT Medco E&P Sembakung	Sembakung	Kalimantan Timur/ <i>East Kalimantan</i>	22/12/1993	01/05/1994	21/12/2013	Minyak/Oil
2	Korea Development (Poleng) Co. Ltd.	Poleng	Jawa Timur/ <i>East Java</i>	22/12/1993	1/5/1998	21/12/2013	Minyak dan gas/ <i>Oil and gas</i>
3	PT Babat Kukui Energi	Babat, Kukui	Jambi	12/7/1994	12/11/2003	11/7/2014	Minyak/Oil
4	PT Binawahana Petrindo Meruap	Meruap	Jambi	12/7/1994	30/8/2000	11/7/2014	Minyak/Oil
5	PT Patrindo Persada Maju	Mogoi, Wasian	Papua	12/7/1994	22/9/2000	11/7/2014	Minyak/Oil
6	PT Radiant Energi Sukatani	Sukatani	Jawa Barat/ <i>West Java</i>	16/6/1995	18/11/1999	15/6/2015	Minyak/Oil
7	PT Pelangi Haurgeulis Resources	Haurgeulis	Jawa Barat/ <i>West Java</i>	17/11/1995	26/6/2003	16/11/2015	Gas/Gas
8	PT Radiant Ramok Senabing	Ramok Senabing	Sumatera Selatan/ <i>South Sumatera</i>	9/1/1995	23/9/2003	8/1/2015	Minyak/Oil
9	Intermega Sabaku Pte Ltd.	Sabaku, Salawati - A, D	Papua	9/1/1995	01/12/1995	8/1/2015	Minyak/Oil
10	Intermega Salawati Pte Ltd.	Salawati – C, E, N dan F	Papua	9/1/1995	01/10/1995	8/1/2015	Minyak/Oil
11	PT Sembrani Persada Oil (SEMCO)	Semberah	Kalimantan Timur/ <i>East Kalimantan</i>	17/11/1995	28/11/2004	16/11/2015	Minyak dan gas/ <i>Oil and gas</i>
12	Salamander Energy (North Sumatera) Ltd.	Glagah, Kambuna	Sumatera Utara / <i>North Sumatera</i>	17/12/1996	17/9/2009	16/12/2016	Minyak dan gas/ <i>Oil and gas</i>
13	Goldwater TMT Ltd.	Tanjung Miring Timur	Sumatera Selatan / <i>South Sumatera</i>	17/12/1996	23/10/2000	16/12/2016	Minyak/Oil
14	Pilona Petro Tanjung Lontar Ltd.	Tanjung Lontar	Sumatera Selatan / <i>South Sumatera</i>	7/10/1996	27/3/1998	6/10/2016	Minyak/Oil
15	PT Akar Golindo	Tuba Obi Timur	Jambi	15/5/1997	11/10/2011	14/5/2017	Minyak/Oil
16	PT Insani Mitrasani Gelam	Sungai Gelam - A, B, D	Jambi	15/5/1997	13/10/2004	14/5/2017	Minyak dan gas/ <i>Oil and gas</i>
17	Blue Sky Langsa Ltd.	Langsa	Aceh	15/5/1997	28/11/2001	14/5/2017	Minyak/Oil
18	PT Putra Kencana Diski Petroleum	Diski	Aceh	16/11/1998	13/02/2002	15/11/2018	Minyak/Oil
19	IBN Oil Holdico Ltd.	Linda -A, C, G, Sele	Papua	16/11/1998	4/9/2000	15/11/2018	Minyak/Oil
20	PT Indama Putera Kayapratama	Kaya	Sumatera Selatan/ <i>South</i>	22/5/2000	19/03/2012	21/5/2020	Minyak/Oil

No	Mitra Usaha/ Partner	Wilayah Kerja/ Working Area	Wilayah/ Area	Tanggal Efektif Kontrak/ Effective Date of Contract	Tanggal Mulai Produksi/ Date ofCommenc ement_of Production	Tanggal Akhir Kontrak/ Date of End of Contract	Produksi/ Production
			Sumatera				
21	Ellipse Energy Jatirarangan Wahana Ltd.	Jatirarangan	Jawa Barat/ <i>West Java</i>	22/5/2000	06/1/2004	21/5/2020	Minyak dan gas/ <i>Oil and gas</i>
22	PT Binatek Reka Kruh	Kruh	Sumatera Selatan/ <i>South Sumatera</i>	22/5/2000	6/2/2003	21/5/2020	Minyak/ <i>Oil</i>
23	PT Eksindo Telaga Said Darat	Telaga Said	Aceh	7/8/2002	16/02/2006	6/8/2022	Minyak/ <i>Oil</i>
24	PT Peralahan Arnebatara Natuna	Udang Natuna	Kepulauan Riau/ <i>Riau Archipelago</i>	7/8/2002	28/11/2005	6/8/2022	Minyak/ <i>Oil</i>
25	PT Indo Jaya Sukaraja (Easco Sukaraja)	Sukaraja, Pendopo	Sumatera Selatan/ <i>South Sumatera</i>	7/8/2002	19/6/2008	6/8/2022	Minyak/ <i>Oil</i>
26	PT Prakarsa Betung Meruo Senami	Meruo Senami	Jambi	14/8/2002	15/02/2012	13/8/2022	Minyak/ <i>Oil</i>

List of Operation Cooperation (OC) Contract between PT Pertamina EP and its partners.

No	Mitra Usaha/ Partner	Wilayah Kerja/ Working Area	Wilayah/ Area	Tanggal Efektif Kontrak/ Effective Date of Contract	Tanggal Mulai Produksi/ Date ofCommenc ement_of Production	Tanggal Akhir Kontrak/ Dateof End of Contract	Produksi/ Production
1	PT Indelberg Indonesia Perkasa	Suci	Jawa Timur/ <i>East Java</i>	25/04/2007	-	24/04/2027	-
2	PT Kendal Oil and Gas	Kendal	Jawa Tengah/ <i>Central Java</i>	25/04/2007	-	24/04/2027	-
3	PT Kamundan Energy	Kamundan	Papua	25/04/2007	-	24/04/2027	-
4	PT Formasi Sumatera Energy	Tanjung Tiga Timur	Sumatera Selatan/ <i>South Sumatera</i>	25/04/2007	25/04/2007	24/04/2022	Minyak/ <i>Oil</i>
5	GEO Minergy Sungai Lilin Ltd.	Sungai Lilin	Sumatera Selatan/ <i>South Sumatera</i>	25/04/2007	25/04/2007	24/04/2022	Minyak/ <i>Oil</i>
6	Patina Group Ltd.	Bangkudulis	<i>Kalimantan Timur/ East Kalimantan</i>	25/04/2007	01/1/2011	24/04/2022	Minyak/ <i>Oil</i>
7	Pacific Oil & Gas (Perlak) Ltd	Perlak	Sumatera Utara/ <i>North Sumatera</i>	25/04/2007	Juli/July 2011	24/04/2022	Minyak/ <i>Oil</i>
8	Indrillco Hulu Energy Ltd.	Uno Dos Rayu	Sumatera Selatan/ <i>South Sumatera</i>	19/12/2007	-	18/12/2007	Minyak/ <i>Oil</i>
9	PT Benakat Barat Petroleum	Benakat Barat	Sumatera Selatan/ <i>South Sumatera</i>	16/03/2009	16/3/2009	15/03/2024	Minyak/ <i>Oil</i>
10	PT Petroenergi Utama Wiriagar	Wiriagar	Papua Barat/ <i>West Papua</i>	02/09/2009	02/09/2009	01/09/2024	Minyak/ <i>Oil</i>
11	PT Santika Pendopo Energy	Talang Akar	Sumatera Selatan/ <i>South Sumatera</i>	05/06/2010	05/07/2010	04/06/2025	Minyak/ <i>Oil</i>
12	Cooper Energy Sukananti Ltd.	Tangai Sukananti	Sumatera Selatan/ <i>South Sumatera</i>	26/07/2010	26/07/2010	25/07/2025	Minyak/ <i>Oil</i>
13	PD Migas Bekasi	Jatinegara	Jawa Barat/ <i>West Java</i>	17/02/2011	17/02/2011	16/02/2026	Gas

No	Mitra Usaha/ Partner	Wilayah Kerja/Working Area	Wilayah/ Area	Tanggal Efektif Kontrak/ Effective Date of Contract	Tanggal Mulai Produksi/ Date ofCommenc ement of Production	Tanggal Akhir Kontrak/ Dateof End of Contract	Produksi/ Production
14	Samudra Energy Tanjung Lontar Limited	Tanjung Lontar Timur	Sumatera Selatan/ <i>South Sumatera</i>	17/02/2011	-	16/02/2031	-
15	Prisma Kampung Minyak Ltd	Kampung Minyak	Sumatera Selatan/ <i>South Sumatera</i>	15/07/2011	15/07/2012	14/07/2026	Minyak/Oil
16	Ramba Energy West Jambi Limited	Jambi Barat	Jambi	13/06/2011	-	12/06/2031	-
17	PT Techwin Benakat Timur	Benakat Timur	Sumatera Selatan/ <i>South Sumatera</i>	01/05/2012	01/05/2012	30/04/2027	Minyak/Oil
18	PT Petroenim Betun Selo	Muara Enim	Sumatera Selatan/ <i>South Sumatera</i>	28/06/2012	28/06/2012	27/06/2027	Minyak/Oil
19	PT Tawun Gegunung Energi	Tawun Gegunung	Jawa Timur/ <i>East Java</i>	28/06/2012	28/06/2012	27/06/2027	Minyak/Oil
20	Foster Trembes Petroleum Ltd	Trembes Sendang	Jawa Timur/ <i>East Java</i>	28/06/2012	28/06/2012	27/06/2027	Minyak/Oil
21	PT Axis Sambidoyong Energi	Sambidoyong	Jawa Barat/ <i>West Java</i>	26/07/2012	26/07/2012	25/07/2027	Minyak/Oil
22	PT IEV Pabuaran	Pabuaran	Jawa Barat/ <i>West Java</i>	03/08/2012	03/08/2012	02/08/2027	Gas
23	PT Klasofo Energy Resources	Klamono Selatan	Papua	22/11/2012	-	21/11/2032	-
24	PT Energi Jambi Indonesia	Jambi Barat	Jambi	23/11/2012	-	22/11/2032	-
25	PT QEI Loyak Talang Gula	Loyak Talang Gula	Sumatera Selatan/ <i>South Sumatera</i>	28/12/2012	01/01/2013	27/12/2027	Minyak/Oil
26	Gegunung Kampung Minyak Ltd.	Sungai Taham Batu	Sumatera Selatan/ <i>South Sumatera</i>	15/02/2013	01/07/2013	14/02/2028	Minyak/Oil
27	Indospec Energy Limau Ltd.	Keras Suban Jeriji Limau	Sumatera Selatan/ <i>South Sumatera</i>	01/03/2013	01/03/2013	28/02/2033	Minyak/Oil
28	Energi Tanjung Tiga	Pandan- Petanan-Tapus	Sumatera Selatan/ <i>South Sumatera</i>	05/07/2013	05/07/2013	04/07/2028	Minyak/Oil
29	PT. Geo Cepu Indonesia	Kawengan, Ledok, Nglobo dan Semanggi	Jawa Timur/ <i>East Java</i>	01/12/2013	01/12/2013	30/11/2033	Minyak/Oil
30	PT Banyubang Blora Energi	Banyubang	Jawa Timur/ <i>East Java</i>	20/12/2013	20/12/2013	19/12/2033	Minyak/Oil

List of Unitisation Agreement between PT Pertamina EP and its partners.

No	Para Pihak/ Parties	Operator	Lapangan/ Field	Lokasi/ Location	Tanggal Efektif Kontrak/ Effective Date of Contract	Produksi/ Production	Tanggal Akhir Kontrak/ Dateof End of Contract	PT Pertamina EP
1	PEP, CNEES & BVI (O.K).	Talisman Ogan Koming Ltd.	Air Serdang	Air Serdang, Sumatera Selatan/ <i>South Sumatra</i>	22-Jul-91	22-Jul-91	16-Sep-35	Minyak/Oil: 21.96% dan/ <i>and</i> Gas: 19.93%
2	PEP, PCI, Pearl Oil, Lundin Intl. & PHE Salawati Basin	Petrochina International (Bermuda) Ltd	Wakamuk	Sorong, Papua	13-Nov-06	13-Nov-06	16-Sep-35	Minyak/Oil dan/ <i>and</i> Gas: 50%

No	Para Pihak/ Parties	Operator	Lapangan/ Field	Lokasi/ Location	Tanggal Efektif Kontrak/ Effective Date of Contract	Produksi/ Production	Tanggal Akhir Kontrak/ Date of End of Contract	PT Pertamina EP
3	PHE, PHE East Java, PHE TUBAN & Petrochina East Java Intl.	JOB Pertamina- Petrochina East Java	Sukowati	Tuban, Jawa Timur/ East Java	2-Jul-04	2-Jul-04	16-Sep-35	Minyak/Oil dan/and Gas: 80%
4	PEP, ConocoPhillips (Grissik) Ltd., Talisman, PHE	ConocoPhillips (Grissik) Ltd.	Suban	Suban, Jambi	11-Mar-13	Juni 2011	23-Jan-23	Minyak/Oil dan/and Gas: 10%
5	PEP, Medco EP Rimau	PT Pertamina EP	Tanjung Laban	Tanjung Laban, Sumatera Selatan/South Sumatra	18-Jun-87	2005	16-Sep-35	Minyak/Oil dan/and Gas: 74.99 %
6	PEP, PHE ONWJ	Pertamina Hulu Energi Offshore North West Java Ltd.	MB Unit	Jawa Barat/ West Java	23-Dec-85	23-Dec-85	16-Sep-35	Minyak/Oil dan/and Gas: 47.4%
7	PEP, PEPC,MCL, AMPOLEX, SPHC,PJUC, BHP,ADS	PT Pertamina EP Cepu *	Tiung Biru	Jambaran, Jawa Timur/ East Java	14-Sep-12	-	16-Sep-35	Gas: 8.06%

List of Indonesian Participation Arrangements (IP) between PT Pertamina EP and its partners.

No	Mitra Usaha/ Partner	Wilayah Kerja/ Working Area	Wilayah/ Area	Tanggal Efektif Kontrak/ Effective Date of Contract	Tanggal Mulai Produksi / Date of Commencement of Production	Tanggal Jatuh Tempo Kontrak/ Expiry Date of Contract	Perse ntase Partisi pasi/ Percet age of Partici pation	Produk si/ Produc tion	Periode Kontrak/ Contract Period
1	ConocoPhillips (Grissik) Ltd. Talisman (Corridor) Ltd.	Blok Corridor/Corr idor Block	Sumatera Selatan/ South Sumatera	20/12/2003	1/8/1987	19/12/2023	10%	Minyak dan gas bumi/Oil and gas	20 tahun/year s
2	Star Energy (Kakap) Ltd. Singapore Petroleum Co. Ltd. Premier Oil Kakap BV	Blok Kakap/ Kakap Block	Kepulauan Natuna/ Natuna Archipelago	22/3/2005	1/1/1987	21/3/2028	10%	Minyak dan gas bumi/Oil and gas	23 tahun/ years
3	Petrochina International Kepala Burung Ltd. RH Petrogas Pearl Oil Ltd.	Blok Kepala Burung/ KepalaBurun g Block	Papua	15/10/2000	7/10/1996	14/10/2020	10%	Minyak dan gas bumi/Oil and gas	20 tahun/ years
4	Petrochina International Jabung Ltd. Petronas Carigali Sdn. Bhd.	Blok Jabung/ Jabung Block	Jambi	27/2/1993	13/9/1996	26/2/2023	14.28% *	Minyak dan gas bumi/Oil and gas	30 tahun/ years

No	Mitra Usaha/ Partner	Wilayah Kerja/ Working Area	Wilayah/ Area	Tanggal Efektif Kontrak/ Effective Date of Contract	Tanggal Mulai Produksi / Date of Commencement of Production	Tanggal Jatuh Tempo Kontrak/ Expiry Date of Contract	Persentase Partisipasi/ Percentage of Participation	Produk si/ Production	Periode Kontrak/ Contract Period
5	Chevron Makassar Ltd.	Blok Makassar Strait/ Makassar Strait Block	Kalimantan Timur/ East Kalimantan	26/1/1990	1/7/2000	25/1/2020	10%	Minyak dan gas bumi/ Oil and gas	30 tahun/ years
6	Total E&P Indonesia Inpex Co.	Blok Tengah/ Tengah Block	Kalimantan Timur/ East Kalimantan	5/10/1988	27/11/2007	4/10/2018	5%**	Minyak dan gas bumi/ Oil and gas	30 tahun/ years

List of cooperation contract between PT Pertamina Hulu Energi (PHE) and its partners pursuant to Oil and Gas Law No. 22/2001.

No	Mitra Usaha/ Partner	Wilayah Kerja/ Working Area	Wilayah / Area	Tanggal Efektif Kontrak/ Effective Date of Contract	Tanggal Mulai Produksi/ Date of Commencement of Production	Tanggal Jatuh Tempo Kontrak/ Expiry Date of Contract	Persentase Partisipasi/ Percentage of Participation	Produk si/ Production	Periode Kontrak/ Contract Period
1	PT Bumi Siak Pusako	Block Coastal Plain Pekanbaru/ Coastal Plain Pekanbaru Block	Riau	6/8/2002	6/8/2002	5/8/2022	50%	Minyak/ Oil	20 tahun/ years
2	Stat Oil Indonesia Karama AS	Blok Karama/ Karama Block	Selat Makasar/ Makassar Strait	21/3/2007	-	20/3/2037	49%	-	30 tahun/ years
3	Petrochina International Java Ltd. PT PHE Tuban East Java	Block Tuban/ Tuban Block	Jawa Timur/ East Java	29/2/1988	12/2/1997	28/2/2018	25%	Minyak dan gas bumi/ Oil and gas	30 tahun/ years
4	Kodeco Energy Co. Ltd.	Blok West Madura/ West Madura Block*	Jawa Timur/ East Java	7/5/2011	27/9/1984	6/5/2031	80%	Minyak dan gas bumi/ Oil and gas	20 tahun/ years
5	CNOOC SES Ltd. Korea National Oil Corporation Talisman Resources Ltd. Talisman UK Ltd. Orchard Energy Ltd. Fortune Resources Ltd.	Blok Offshore South East Sumatera/ Offshore South East Sumatera Block	Sumatera Tenggara / South East Sumatera	6/9/1998	1975	5/9/2018	13.07%	Minyak dan gas bumi/ Oil and gas	20 tahun/ years

No	Mitra Usaha/ Partner	Wilayah Kerja/ Working Area	Wilayah / Area	Tanggal Efektif Kontrak/ Effective Date of Contract	Tanggal Mulai Produksi/ Date of Commencement of Production	Tanggal Jatuh Tempo Kontrak/ Expiry Date of Contract	Persentase Partisipasi/ Percentage of Participation	Produk si/ Product ion	Periode Kontrak/ Contract Period
6	Energi Mega Persada ONWJ Ltd. Risco Energy ONWJ Ltd.	Blok Offshore North West Java/ Offshore North West Java Block*	Jawa Barat/ West Java	19/1/1997	27/8/1971	18/1/2017	58.2795% **	Minyak dan gas bumi/ Oil and gas	20 tahun/ years
7	Petronas Carigali Sdn. Bhd. Petrovietnam	Blok Randu-gunting/ Randu-gunting Block*	Jawa Tengah & Jawa Timur/ Central & East Java	9/8/2007	-	8/8/2037	40%	-	30 tahun/ years
8	Konsorsium Murphy (Murphy Oil Corporation, Inpex Corporation and PTTEP Ltd.)	Blok Semai II Offshore/ Semai II Offshore Block	Papua Barat/ West Papua	13/11/2008	-	12/11/2038	15%	-	30 tahun/ years
9	Petronas Carigali Sdn. Berhad	Blok West Glagah Kambuna/ West Glagah Kambuna Block	Sumatera Utara/ North Sumatera	30/11/2009	-	29/11/2039	40%	-	30 tahun/ years
10	Medco E&P Nunukan Videocon Indonesia Nunukan Bpril Ventures Indonesia BV	Blok Nunukan/ Nunukan Block*	Kalimantan Timur/ East Kalimantan	12/12/2004	-	11/12/2034	35%***	-	30 tahun/ years
11	ENI Ambalat Ltd.	Blok Ambalat/ Ambalat Block	Kalimantan Timur/ East Kalimantan	27/9/1999	-	26/9/2029	33.75%***	-	30 tahun/ years
12	ENI Bukat Ltd.	Blok Bukat/ Bukat Block	Kalimantan Timur/ East Kalimantan	24/2/1998	-	23/2/2028	33.75%***	-	30 tahun/ years
13	Premier Oil Natuna Sea Ltd. Kufpec Indonesia (Natuna) BV Natuna 1 BV (Petronas Carigali Indonesi Operation)	Blok A (Natuna Sea) / A Block (Natuna Sea)	Natuna Sea	15/1/1999, PSC extension 16/10/2009	-	14/1/2019, PSC extension 15/10/2029	23%****	-	20 tahun/ years

\*PHE's subsidiary is the operator of the above mentioned blocks.

\*\*Effective on 2 May 2013, PHE ONWJ acquired additional of 5,0295% participating interest in ONWJ block which previously owned by Talisman Resources ONWJ Ltd

\*\*\*Effective on 15 February 2013, PHE acquired Anadarko Offshore Holding Company LLC participating interest

\*\*\*\*Offshore Holding Company LLC (A PHE subsidiary) owns 50% shares in Natuna 2 BV

List of Coal Bed Methane Cooperation Contract between PHE and its partners after enactment of Oil and Gas Law No. 22/200.

No	Mitra Usaha/ Partner	Wilayah Kerja/ Working Area	Wilayah/ Area	Tanggal Efektif Kontrak/ Effective Date of Contract	Tanggal Jatuh Tempo Kontrak/ Expiry Date of Contract	Persentase Partisipasi/ Percentage of Participation	Produksi/ Production	Periode Kontrak/ Contract Period
1	Sangatta West CBM, Inc	Blok Sangatta I/ Sangatta I Block	Kalimantan Timur/ East Kalimantan	13/11/2008	12/11/2038	52%	Gas Metana Batubara/ Coal Bed Methane	30 tahun/ years
2	PT Visi Multi Artha	Blok Sangatta II/ Sangatta II Block	Kalimantan Timur/ East Kalimantan	5/5/2009	4/5/2039	40%	Gas Metana Batubara/ Coal Bed Methane	30 tahun/ years
3	Arrow Tanjung Enim Pty.,Ltd. PT Bukit Asam Metana Enim	Blok Tanjung Enim/ Tanjung Enim Block	Sumatera Selatan/ South Sumatera	4/8/2009	3/8/2039	77.5%	Gas Metana Batubara/ Coal Bed Methane	30 tahun/ years
4	PT Trisula CBM Energy	Blok Muara Enim/ Muara Enim Block	Sumatera Selatan/ South Sumatera	30/11/2009	29/11/2039	60%	Gas Metana Batubara/ Coal Bed Methane	30 tahun/ years
5	Konsorsium KP SGH Batubara (PT Indo Gas Methan)	Blok Muara Enim I/ Muara Enim I Block	Sumatera Selatan/ South Sumatera	3/12/2010	2/12/2040	65%	Gas Metana Batubara/ Coal Bed Methane	30 tahun/ years
6	Tidak ada/None	Blok Tanjung II/ Tanjung II Block	Kalimantan Selatan/ South Kalimantan	3/12/2010	2/12/2040	100%	Gas Metana Batubara/ Coal Bed Methane	30 tahun/ years
7	Indo CBM Sumbagsel2 Pte. Ltd. PT Metana Enim Energi	Blok Muara Enim II/ Muara Enim II Block	Sumatera Selatan/ South Sumatera	1/4/2011	31/3/2041	40%	Gas Metana Batubara/ Coal Bed Methane	30 tahun/ years
8	BP Eksplorasi Ltd	Blok Tanjung IV/ Tanjung IV Block	Kalimantan Tengah/ Central Kalimantan	1/4/2011	31/3/2041	56%	Gas Metana Batubara/ Coal Bed Methane	30 tahun/ years
9	PT Baturaja Metana Indonesia	Blok Muara Enim III/ Muara Enim III Block	Sumatera Selatan/ South Sumatera	1/4/2011	31/3/2041	73%	Gas Metana Batubara/ Coal Bed Methane	30 tahun/ years
10	PT Suban Energi	Blok Suban I/ Suban I Block	Sumatera Selatan/ South Sumatera	1/8/2011	31/7/2041	58%	Gas Metana Batubara/ Coal Bed Methane	30 tahun/ years
11	PT Suban Methan Gas	Blok Suban II/ Suban II Block	Sumatera Selatan/ South Sumatera	1/8/2011	31/7/2041	50%	Gas Metana Batubara/ Coal Bed Methane	30 tahun/ years
12	PT Petrobara Sentosa	Blok Air Benakat I/ Air Benakat I Block	Sumatera Selatan/ South Sumatera	18/4/2012	17/4/2042	79.5%	Gas Metana Batubara/ Coal Bed Methane	30 tahun/ years

No	Mitra Usaha/ Partner	Wilayah Kerja/ Working Area	Wilayah/ Area	Tanggal Efektif Kontrak/ Effective Date of Contract	Tanggal Jatuh Tempo Kontrak/ Expiry Date of Contract	Persentase Partisipasi/ Percentage of Participation	Produksi/ Production	Periode Kontrak/ Contract Period
13	PT Prima Gas Sejahtera	Blok Air Benakat II/ Air Benakat II Block	Sumatera Selatan/ South Sumatera	18/4/2012	17/4/2042	69.7%	Gas Metana Batubara/ Coal Bed Methane	30 tahun/ years
14	PT Unigas Geosinkinal Makmur	Blok Air Benakat III/ Air Benakat III Block	Sumatera Selatan/ South Sumatera	18/4/2012	17/4/2042	73.5%	Gas Metana Batubara/ Coal Bed Methane	30 tahun/ years

## List of Joint Operating Body-Production Sharing Contracts (JOB-PSC) between PHE and its partners

No	Mitra Usaha/ Partner	Wilayah Kerja/ Working Area	Wilayah/ Area	Tanggal Efektif Kontrak/ Effective Date of Contract	Tanggal Mulai Produksi/ Date of Commencement of Production	Tanggal Jatuh Tempo Kontrak/ Expiry Date of Contract	Persentase Partisipasi/ Percentage of Participation	Produksi/ Production	Periode Kontrak/ Contract Period
1	Golden Spike Indonesia Ltd.	Blok Raja dan Pendopo/ Raja and Pendopo Block	Sumatera Selatan/ South Sumatera	6/7/1989	21/11/1992	5/7/2019	50%	Minyak dan gas bumi/ Oil and gas	30 tahun/ years
2	Petrochina Kepala Burung Ltd. RHP Salawati Island B.V Petrogas (Island) Ltd.	Blok Salawati/ Salawati Block	Papua	23/4/1990	21/1/1993	22/4/2020	50%	Minyak/ Oil	30 tahun/ years
3	Petrochina International Java Ltd. PT PHE Tuban	Blok Tuban/ Tuban Block	Jawa Timur/ East Java	29/2/1988	12/2/1997	29/2/2018	50%	Minyak dan gas bumi/ Oil and gas	30 tahun/ years
4	EMP Gerbang	Blok Gebang/ Block Gebong	Sumatera Utara/ North Sumatera	29/11/1985	29/10/1992	28/11/2015	50%	Minyak dan gas bumi/ Oil and gas	30 tahun/ years
5	Talisman (Ogan Komerang) Ltd.	Blok Ogan Komerang/ Ogan Komerang Block	Sumatera Selatan/ South Sumatera	29/2/1988	11/7/1991	28/2/2018	50%	Minyak dan gas bumi/ Oil and gas	30 tahun/ years
6	Talisman Jambi Merang Pacific Oil and Gas Ltd.	Blok Jambi Merang/ Jambi Merang Block	Jambi	10/2/1989	-	9/2/2019	50%	Minyak dan gas bumi/ Oil and gas	30 tahun/ years
7	PT Medco E&P Tomori Sulawesi Mitsubishi Corporation	Blok Senoro Toili/ Senoro Toili Block	Sulawesi Tengah/ Central Sulawesi	4/12/1997	Agustus/ August 2006	30/11/2027	50%	Minyak/ Oil	30 tahun/ years

No	Mitra Usaha/ Partner	Wilayah Kerja/ Working Area	Wilayah/ Area	Tanggal Efektif Kontrak/ Effective Date of Contract	Tanggal Mulai Produksi/ Date of Commencement of Production	Tanggal Jatuh Tempo Kontrak/ Expiry Date of Contract	Perse ntase Partis ipasi/ Perce tage of Partic ipatio n	Produksi/ Production	Perio de Kontr ak/ Contr act Perio d
8	Medco Simenggaris Pty., Ltd. Salamander Energy Ltd.	Blok Simenggaris/ Simenggaris Block	Kalimantan Timur/ East Kalimantan	24/2/1998	-	23/2/2028	37.5%	-	30 tahun/ years

## List of Cooperation Contract PT Pertamina Hulu Energi/Pertamina Participating Interests (PPI)

No	Mitra Usaha/ Partner	Wilayah Kerja/ Workin g Area	Wilayah / Area	Tanggal Efektif Kontrak/ Effective Date of Contract	Tanggal Mulai Produksi/ Date of Commence ment of Production	Tanggal Jatuh Tempo Kontrak/ Expiry Date of Contract	% Parti sipasi	Produksi/ Production	Periode Kontrak / Contract Period
1	Conoco Phillips (South Jambi) Ltd. Petrochina International Jambi B Ltd.	Block B/ B Block	Jambi Selatan/ South Jambi	26/1/1990	26/9/2000	25/1/2020	25%	Minyak dan gas bumi/ Oil and gas	30 tahun/ years
2	Total E&P Indonesia Inpex Tengah Ltd.	Blok Tengah/ Tengah Block	Kalimantan Timur/ East Kalimantan	5/10/1988	1/6/1990	4/10/2018	50%	Gas Bumi/ gas	30 tahun/ years

## 2. Mining Consession of PT Aneka Tambang (Persero) Tbk in 2012 and 2013

No	CoW/IUP	Location	2012		2013		Commodity
			Operation Status (OE/OP)	Ownership (%)	Operation Status (OE/OP)	Ownership (%)	
1	261.K/30/DJB/2011 tanggal 16-2-2011	DKI Jakarta	OP	100%	OP	100%	Gold
2	541/103-BPPT/2010	Banten	OE	100%	OE	100%	Gold
3	541.2/005/kpts/ESDM/2010 (98PP0138)	West Jawa	OP	100%	OP	100%	Gold
4	540/Kep.633-SDAP/2011	West Jawa	OE	100%	OE	100%	Gold
5	540/Kep.279-SDAP/2010	West Jawa	OP	100%	OP	100%	Gold
6	540/Kep.255-SDAP/2011	West Jawa	OE	100%	OE	100%	Gold
7	545.21/006/2010	Central Jawa	OE	100%	OE	100%	Gold
8	545/175/2010	Central Jawa	OE	100%	OE	100%	Gold
9	540/KPTS-65/VI/2011	West Sulawesi	OE	100%	OE	100%	Gold
10	213 Tahun 2010	West Sulawesi	OE	100%	OE	100%	Gold
11	214 Tahun 2010	West Sulawesi	OE	100%	OE	100%	Gold
12	541.2/005/kpts/ESDM/2010 (98PP0138)	West Jawa	OP	100%	OP	100%	Gold
13	540/Kep.633-SDAP/2011	West Jawa	OE	100%	OE	100%	Gold
14	540/Kep.279-SDAP/2010	West Jawa	OP	100%	OP	100%	Gold
15	540/Kep.255-SDAP/2011	West Jawa	OE	100%	OE	100%	Gold
16	545.21/006/2010	Central Jawa	OE	100%	OE	100%	Gold
17	545/175/2010	Central Jawa	OE	100%	OE	100%	Gold
18	241 Tahun 2011	North Sumatra	OE	100%	OE	100%	Gold
19	50 Tahun 2011	North Sumatra	OE	100%	OE	100%	Gold
20	224 Tahun 2011 (KWBU.09-008)	Bengkulu	OE	100%	OE	100%	Gold
21	225 Tahun 2011 (KWBU.09-009)	Bengkulu	OE	100%	OE	100%	Gold
22	226 Tahun 2011 (KWBU.09-010)	Bengkulu	OE	100%	OE	100%	Gold
23	243 Tahun 2011 (KWBU.09-011)	Bengkulu	OE	100%	OE	100%	Gold
24	506 Tahun 2010	West Nusa Tenggara	OE	100%	OE	100%	Gold
25	540/2892/SET TAHUN 2010	Papua	OE	100%	OE	100%	Gold
26	540/2876/SET TAHUN 2010	Papua	OE	100%	OE	100%	Gold
27	540/2883/SET TAHUN 2010	Papua	OE	100%	OE	100%	Gold
28	540/2884/SET TAHUN 2010	Papua	OE	100%	OE	100%	Gold
29	540/403/V/2011 (KW01-AT-DAIRI08)	North Sumatra	OE	100%	OE	100%	Gold
30	540/335/TAMBEN/2009	North Sumatra	OE	100%	OE	100%	Gold
31	188.45/540-170/2011 (97PPO443)	Nort Maluku	OP	100%	OP	100%	Nickel
32	158 Tahun 2010 (KW 10 APR OP 005)	Southeast Sulawesi	OP	100%	OP	100%	Nickel
33	15 Tahun 2010 (KW 99 STP 057.a)	Southeast Sulawesi	OP	100%	OP	100%	Nickel
34	198 Tahun 2010 (WSPM 016)	Southeast Sulawesi	OP	100%	OP	100%	Nickel
35	199 Tahun 2010 (WSPM 017)	Southeast Sulawesi	OP	100%	OP	100%	Nickel
36	200 Tahun 2010 (KW.WSPM.015)	Southeast Sulawesi	OP	100%	OP	100%	Nickel
37	201 Tahun 2010 (WSWD 003)	Sulawesi Tenggara	OP	100%	OP	100%	Nickel
38	202 Tahun 2010	Southeast	OP	100%	OP	100%	Nickel

No	CoW/IUP	Location	2012		2013		Commodity
			Operation Status (OE/OP)	Ownership (%)	Operation Status (OE/OP)	Ownership (%)	
	(KW.WSPM.014)	Sulawesi					
39	02 Tahun 2010 KW 98PPO183	West Kalimantan	OP	100%	OP	100%	Bauxite
40	221 Tahun 2009	West Kalimantan	OP	100%	OP	100%	Bauxite
41	163 Tahun 2010	West Kalimantan	OE	100%	OE	100%	Bauxite
42	544.2/284/HK-2009	West Kalimantan	OE	100%	OE	100%	Bauxite
43	547 Tahun 2011	West Kalimantan	OE	100%	OE	100%	Zirkon
44	545/241/HK-2011	West Kalimantan	OE	100%	OE	100%	Zirkon
45	545/50/HK-2011	West Kalimantan	OE	100%	OE	100%	Zirkon
46	188.45/287/427.12/2010 (KW 67316)	East Jawa	OP	100%	OP	100%	Lead
47	178/ESDM/2010	Jambi	OE	100%	OE	100%	Coal
48	137/ESDM/2010	Jambi	OE	100%	OE	100%	Coal
49	138/ESDM/2010	Jambi	OE	100%	OE	100%	Coal
50	188.45/540.A-III/2011	North Maluku	OE	100%	OE	100%	Limestone
51	503.8/8931-BPPT/2010	West Jawa	OP	100%	OP	100%	Bentonit

3. Mining Concession of PT Bukit Asam (Persero) Tbk in 2012 and 2013

No	CCoW/IUP	Province	2012		2013		Commodity
			Operation Status (OE/OP)	Ownership (%)	Operation Status (OE/OP)	Ownership (%)	
1.	751/KPTS/DISPERTAMBEN/2010	South Sumatra	Production	100%	Production	100%	Coal
2.	05.87./PERINDAGKOP/2010	South Sumatra	Production	100%	Production	100%	Coal
3.	390/KPTS/TAMBEN/2010	South Sumatra	Production	100%	Production	100%	Coal
4.	391/KPTS/TAMBEN/2010	South Sumatra	Production	100%	Production	100%	Coal
5.	389/KPTS/TAMBEN/2010	South Sumatra	Production	100%	Production	100%	Coal
6.	No.09/IUP/545-02/IV/2010	Riau	Production	100%	Production	100%	Coal Bed Methane
7.	304/KPTS/DISTAMBEN/2010	South Sumatra	Production	100%	Production	100%	Coal

## 4. Mining Concession of PT Timah (Persero) Tbk in 2012 and 2013

## I. PT Timah (Persero) Tbk

No.	No. IUP	Location	2012		2013		Commodity
			Operation Status (OE/OP)	Ownership (%)	Operation Status (OE/OP)	Ownership (%)	
1	188.45/449/Tamben/2010	Bangka	OP	100%	OP	100%	Tin
2	188.45/450/Tamben/2010	Bangka	OP	100%	OP	100%	Tin
3	188.45/451/Tamben/2010	Bangka	OP	100%	OP	100%	Tin
4	188.45/452/Tamben/2010	Bangka	OP	100%	OP	100%	Tin
5	188.45/453/Tamben/2010	Bangka	OP	100%	OP	100%	Tin
6	188.45/454/Tamben/2010	Bangka	OP	100%	OP	100%	Tin
7	188.45/455/Tamben/2010	Bangka	OP	100%	OP	100%	Tin
8	188.45/456/Tamben/2010	Bangka	OP	100%	OP	100%	Tin
9	188.45/457/Tamben/2010	Bangka	OP	100%	OP	100%	Tin
10	188.45/420/Tamben/2011	Bangka	OP	100%	OP	100%	Tin
11	188.45/459/Tamben/2010	Bangka	OP	100%	OP	100%	Tin
12	188.45/460/Tamben/2010	Bangka	OP	100%	OP	100%	Tin
13	188.45/461/Tamben/2010	Bangka	OP	100%	OP	100%	Tin
14	188.45/462/Tamben/2010	Bangka	OP	100%	OP	100%	Tin
15	188.45/463/Tamben/2010	Bangka	OP	100%	OP	100%	Tin
16	188.45/464/Tamben/2010	Bangka	OP	100%	OP	100%	Tin
17	188.45/465/Tamben/2010	Bangka	OP	100%	OP	100%	Tin
18	188.45/466/Tamben/2010	Bangka	OP	100%	OP	100%	Tin
19	188.45/467/Tamben/2010	Bangka	OP	100%	OP	100%	Tin
20	188.45/067/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
21	188.45/068/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
22	188.45/069/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
23	188.45/070/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
24	188.45/071/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
25	188.45/072/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
26	188.45/073/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
27	188.45/074/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
28	188.45/075/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
29	188.45/076/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
30	188.45/077/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
31	188.45/078/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
32	188.45/079/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
33	188.45/080/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
34	188.45/081/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
35	188.45/082/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
36	188.45/083/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
37	188.45/084/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
38	188.45/085/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
39	188.45/086/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
40	188.45/087/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
41	188.45/088/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin

No.	No. IUP	Location	2012		2013		Commodity
			Operation Status (OE/OP)	Ownership (%)	Operation Status (OE/OP)	Ownership (%)	
42	188.45/089/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
43	188.45/090/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
44	188.45/091/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
45	188.45/092/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
46	188.45/093/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
47	188.45/094/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
48	188.45/095/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
49	188.45/096/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
50	188.45/097/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
51	188.45/098/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
52	188.45/099/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
53	188.45/100/2.03.02/2010	West Bangka	OP	100%	OP	100%	Tin
54	188.45/214/DPE/2010	South Bangka	OP	100%	OP	100%	Tin
55	188.45/215/DPE/2010	South Bangka	OP	100%	OP	100%	Tin
56	188.45/216/DPE/2010	South Bangka	OP	100%	OP	100%	Tin
57	188.45/346/DPE/2012	South Bangka	OP	100%	OP	100%	Tin
58	188.45/218/DPE/2010	South Bangka	OP	100%	OP	100%	Tin
59	188.45/219/DPE/2010	South Bangka	OP	100%	OP	100%	Tin
60	188.45/220/DPE/2010	South Bangka	OP	100%	OP	100%	Tin
61	188.45/221/DPE/2010	South Bangka	OP	100%	OP	100%	Tin
62	188.45/222/DPE/2010	South Bangka	OP	100%	OP	100%	Tin
63	188.45/224/DPE/2010	South Bangka	OP	100%	OP	100%	Tin
64	188.45/225/DPE/2010	South Bangka	OP	100%	OP	100%	Tin
65	188.45/347/DPE/2012	South Bangka	OP	100%	OP	100%	Tin
66	188.45/172/DPE/2013	South Bangka	OP	100%	OP	100%	Tin
67	188.45/227/DPE/2010	South Bangka	OP	100%	OP	100%	Tin
68	188.45/228/DPE/2010	South Bangka	OP	100%	OP	100%	Tin
69	188.45/229/DPE/2010	South Bangka	OP	100%	OP	100%	Tin
70	188.45/002/IUP-OP/DPE/2012	Central Bangka	OP	100%	OP	100%	Tin
71	541.16/051/IUP-OP/DPE/2010	Central Bangka	OP	100%	OP	100%	Tin
72	541.16/052/IUP-OP/DPE/2010	Central Bangka	OP	100%	OP	100%	Tin
73	541.16/3652/DPE/2011	Central Bangka	OP	100%	OP	100%	Tin
74	541.16/054/IUP-OP/DPE/2010	Central Bangka	OP	100%	OP	100%	Tin
75	188.45/001/IUP-OP/DPE/2012	Central Bangka	OP	100%	OP	100%	Tin
76	541.16/056/IUP-OP/DPE/2010	Central Bangka	OP	100%	OP	100%	Tin
77	541.16/3656/DPE/2011	Central Bangka	OP	100%	OP	100%	Tin
78	104/IUP-OP/DPE/2010	Belitung	OP	100%	OP	100%	Tin
79	105/IUP-OP/DPE/2010	Belitung	OP	100%	OP	100%	Tin
80	106/IUP-OP/DPE/2010	Belitung	OP	100%	OP	100%	Tin
81	107/IUP-OP/DPE/2010	Belitung	OP	100%	OP	100%	Tin
82	108/IUP-OP/DPE/2010	Belitung	OP	100%	OP	100%	Tin
83	109/IUP-OP/DPE/2010	Belitung	OP	100%	OP	100%	Tin

No.	No. IUP	Location	2012		2013		Commodity
			Operation Status (OE/OP)	Ownership (%)	Operation Status (OE/OP)	Ownership (%)	
84	110/IUP-OP/DPE/2010	Belitung	OP	100%	OP	100%	Tin
85	503/019/OP-L/BPPT/2011	East Belitung	OP	100%	OP	100%	Hematite
86	503/020/OP-L/BPPT/2011	East Belitung	OP	100%	OP	100%	Hematite
87	503/004/OP-L/BPPT/2011	East Belitung	OP	100%	OP	100%	Tin
88	503/005/OP-L/BPPT/2011	East Belitung	OP	100%	OP	100%	Tin
89	503/006/OP-L/BPPT/2011	East Belitung	OP	100%	OP	100%	Tin
90	503/007/OP-L/BPPT/2011	East Belitung	OP	100%	OP	100%	Tin
91	503/008/OP-L/BPPT/2011	East Belitung	OP	100%	OP	100%	Tin
92	503/009/OP-L/BPPT/2011	East Belitung	OP	100%	OP	100%	Tin
93	503/010/OP-L/BPPT/2011	East Belitung	OP	100%	OP	100%	Tin
94	503/011/OP-L/BPPT/2011	East Belitung	OP	100%	OP	100%	Tin
95	503/090/OP-L/BPPT/2010	East Belitung	OP	100%	OP	100%	Hematite
96	188.44/390/DPE/2010	Bangka Belitung	OP	100%	OP	100%	Tin
97	188.44/389/DPE/2010	Bangka Belitung	OP	100%	OP	100%	Tin
98	188.44/388/DPE/2010	Bangka Belitung	OP	100%	OP	100%	Tin
99	188.44/391/DPE/2010	Bangka Belitung	OP	100%	OP	100%	Tin
100	188.44/393/DPE/2010	Bangka Belitung	OP	100%	OP	100%	Tin
101	188.44/394/DPE/2010	Bangka Belitung	OP	100%	OP	100%	Tin
102	188.44/386/DPE/2010	Bangka Belitung	OP	100%	OP	100%	Tin
103	188.44/387/DPE/2010	Bangka Belitung	OP	100%	OP	100%	Tin
104	188.44/385/DPE/2010	Bangka Belitung	OP	100%	OP	100%	Tin
105	188.44/384/DPE/2010	Bangka Belitung	OP	100%	OP	100%	Tin
106	No. 114 Tahun 2011	Karimun	OP	100%	OP	100%	Tin
107	No. 115 Tahun 2011	Karimun	OP	100%	OP	100%	Tin
108	2928K/30/MEM/2011	Riau Islands and Riau	OP	100%	OP	100%	Tin

**II. PT TAMBANG TIMAH**

No.	NO. SK IUP	WILAYAH	2012		2013		Commodity
			Operation Status (OE/OP)	Ownership (%)	Operation Status (OE/OP)	Ownership (%)	
1	No. 116 Tahun 2011	Karimun	OP	100%	OP	100%	Tin
2	No. 117 Tahun 2011	Karimun	OP	100%	OP	100%	Tin
3	No. 709 Tahun 2012	Riau Islands	OP	100%	OP	100%	Tin
4	No. 367 Tahun 2011	Riau Islands	OP	100%	OP	100%	Tin

## Lampiran 7: Resource and Reserve of Selected Metallic Mineral and Coal

### Lampiran 7.1: Resources and Reserves of Selected Metallic Minerals

Comodity	Million Tonnes			
	Resources*		Reserves**	
	Ore	Metal	Ore	Metal
Mercury	32	0	-	-
Lead	401	11	6	0
Copper	17,518	106	3,134	28
Zinc	625	7	6	1
Tin	449	2	801	0
Primary Iron	712	402	66	40
Lateric Iron	1,880	685	424	101
Iron Sand	2,117	425	174	25
Cobalt	1,482	2	490	0
Primary Chromite	32	0	0	-
Place Chromite	6	2	4	3
Manganese	16	6	4	3
Nickel	3,565	52	1,168	22
Lateric Titanium	741	3	-	-
Placer Titanium	71	7	1	0
Molibdenum	706	0	-	-
Primary Gold	7,692	0	3,231	0
Placer Gold	1,455	0	17	0
Silver	13,775	1	3,259	2
Platinum	115	0	0	0
Bauxite	1,294	626	583	238
Monazite	1,569	0	-	-

Source: 2014 Indonesia Mineral and Coal Information, DG Mineral and Coal, MoEMR

\* Resources consist of Hypothetic, Indicated, Inferred, and Measured values;

\*\*Reserves consist of probable and proven values

Appendix 7.2: Coal Resources and Reserves

Per Clorific Value

Quality		Resources (Million Tonnes)	Reserves (Million Tonnes)		
Class	Clorific Value (cal/gr)		Probable	Proven	Total
Low	<5.100	30,570	5,720	3,760	9,481
Medium	5.100 – 6.100	78,454	16,152	3,981	20,133
High	6.100- 7.100	9,558	497	990	1,488
Very High	>7.100	1,943	92	164	256
<b>TOTAL</b>		<b>120,525</b>	<b>22,462</b>	<b>8,895</b>	<b>31,357</b>

Per Province

Province		Resources (Million Tonnes)	Reserves (Million Tonnes)		
			Probable	Proven	Total
Nangroe Aceh Darussalam	Sumatera	451			
North Sumatera		27			
Riau		1,802	54	635	689
West Sumatera		795		158	158
Jambi		2,223	175	149	324
Bengkulu		192		19	19
South Sumatera		50,301	9,964	2,140	12,104
Lampung		108			0
Banten	Java	19			0
Central Java		1			0
East Java		0			0
West Kalimantan	Kalimantan	491			0
Central Kalimantan		3,756	242	317	559
South Kalimantan		12,587	1,105	2,383	3,448
East Kalimantan		47,402	10,921	3,094	14,015
South Sulawesi	Sulawesi	231			0
Central Sulawesi		2			0
North Maluku	Maluku	7			0
West Papua	Papua	126			0
Papua		3			0
<b>TOTAL INDONESIA</b>		<b>120,525</b>	<b>22,462</b>	<b>8,895</b>	<b>31,357</b>

## APPENDIX 8 : INFORMATION OF GEOGRAPHIC INFORMATION SYSTEM IN MINISTRY OF ENERGY AND MINERAL RESOURCES

### Oil and Gas : INAMETA

#### Cost to access INAMETA

#### **DATA ACCESS SERVICES**

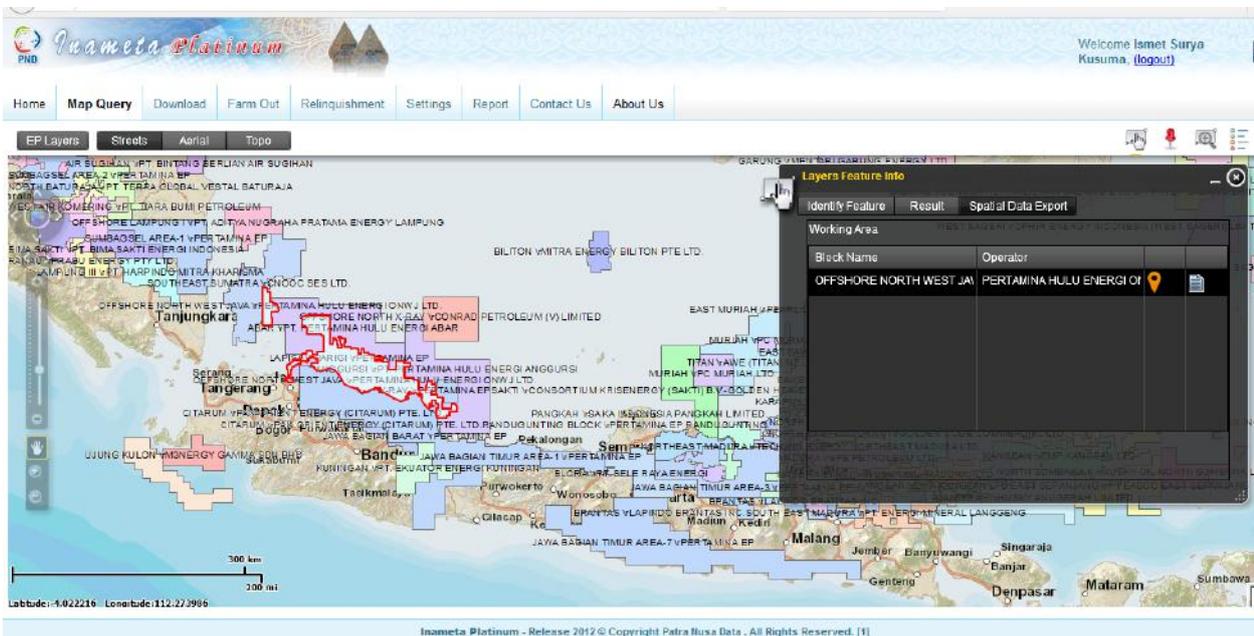
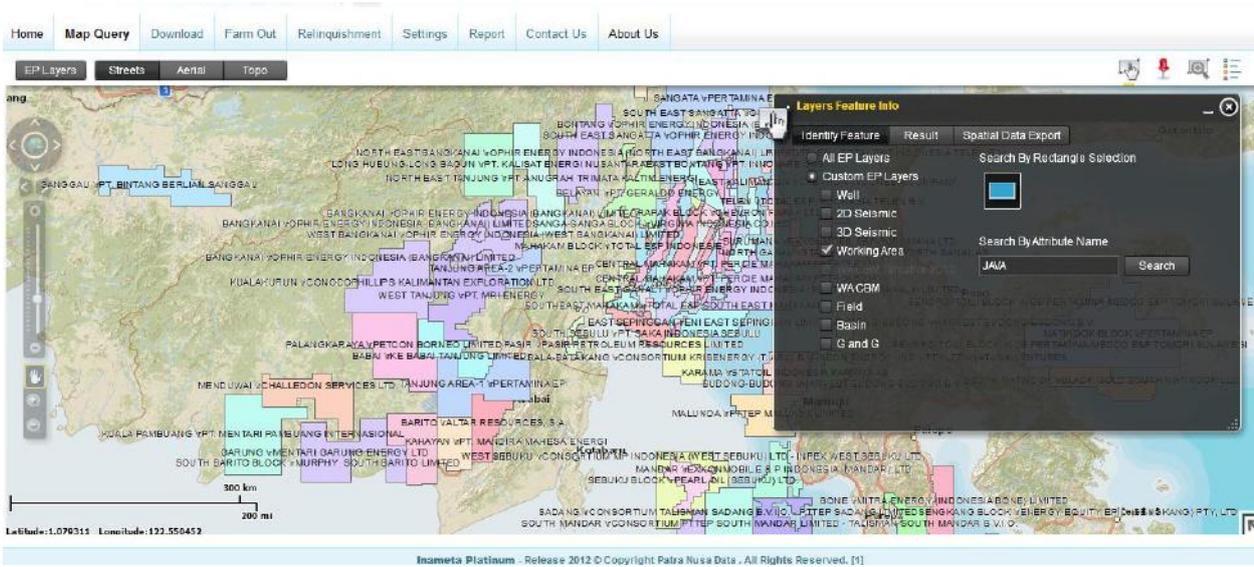
PND provides the data access services in several ways. Those are:

##### [1] Data Room

Data Room is a service for data users to be able to see the quality of the data which will be accessed. Where the service has types with this following data:

NO	DATA ROOM ON SITE	FACILITY	TERM & CONDITION
1	FREE DATA REVIEW-FREE	<ul style="list-style-type: none"> <li>• Inameta Platinum</li> <li>• SEG Y Viewer</li> <li>• LAS Viewer</li> <li>• JPEG Viewer</li> <li>• PDF Viewer</li> </ul>	<ul style="list-style-type: none"> <li>• Free for 2 hours</li> <li>• Data Open on specific block (max: 50 lines, 15 wells, 15 titles Report and Map)</li> </ul>
2	DATA REVIEW	<ul style="list-style-type: none"> <li>• Inameta Platinum</li> <li>• SEG Y Viewer</li> <li>• LAS Viewer</li> <li>• JPEG Viewer</li> <li>• PDF Viewer</li> <li>• Basemap</li> </ul>	<ul style="list-style-type: none"> <li>• Paid for US\$ 1000/day</li> <li>• Data Open on specific block (max : 100 lines,30 wells, 30GGR/GGM)</li> </ul>
3	EFAS (Evaluation Facilities Services)	<ul style="list-style-type: none"> <li>• Inameta Platinum</li> <li>• Petrel</li> <li>• Kingdom</li> <li>• Basemap</li> </ul>	<ul style="list-style-type: none"> <li>• Paid for US\$ 2000/day</li> <li>• Data Open on specific block (max : 50 lines,5 wells)</li> <li>• additional data will be charged 20 US\$/seismic line and 100 US\$/well</li> </ul>

Cadastral information accessible through INAMETA:



## WORKING AREA

<b>Contract Area</b>	<b>: OFFSHORE NORTH WEST JAVA</b>
Contract Type	: PSC-EXTENSION
Operator	: PERTAMINA HULU ENERGI ONWJ LTD.
Basin	: NORTH WEST JAVA
Status	: PRODUCTION

### Overview

The Offshore Northwest Java PSC, located in the offshore of Northwest Java, is operated by Pertamina Hulu Energi ONWJ, Ltd. which holds 46% of the interest. The remaining is held by CNOOC ONWJ, Ltd. (36.72%), Inpex Java, Ltd. (7.25%), Talisman Resources (North West Java) (5.03%), and Salamander Energy (Java) B.V. (5%). PSC was awarded on August 18th, 1966 and after underwent extension, it is scheduled to be terminated on January 18th, 2017. In 1991, 18,445 km<sup>2</sup> seismic was drilled, Psi FSN-1 (Oil), Psi SC-3 (G/C), Psi MKN-1 (O/G), Psi SC-2 (G/C), Psi LN-1 (O/G), Psi JJ-4 (Oil), Psi L-13 (O/G). In 1997, 468 km<sup>2</sup> of 3D and 34 km<sup>2</sup> of 2D were acquired. The APN West 3D (Nov. 2001) and APN East 3D (Dec. 2001) were completed in 2001. In 2005, drilled KKNA-4 well (TD at 6434'MD), KLB-13 well (TD at 4731' MD), and BNA-9 well (TD at 4650' MD), with the average production on April 2005 reached 24.1 MBOD and 238 BBTUD. Furthermore, the average production on June 2005 18.9 MBOD and 177 BBTUD, and on September 2005 27.1 MBOD and 309 BBTUD. A year later, the average production hit the number of 22.4 MBOD and 240.1 BBTUD. Moreover, the average production on October 2008 was 23.9 MBOD and 261.7 BBTUD.

### Area

Original Acreage	: 27677 km <sup>2</sup>
Present Acreage	: 8279.29 km <sup>2</sup>

### Date

Contract Date	: 23-APR-1990
Activated Date	: 19-JAN-1997
Expired Date	: 18-JAN-2017
Terminated Date	:

### Relinquishment & Schedule

#### Plan

18-JAN-2000	Rel 1	: N/A
18-JAN-2003	Rel 2	: N/A
18-JAN-2006	Rel 3	: N/A

#### Actual

02-AUG-2000	Rel 1	: 4155.51 km <sup>2</sup> (15.0140%)
17-FEB-2004	Rel 2	: 2766.48 km <sup>2</sup> (9.9950%)
28-NOV-2008	Rel 3	: 2772.64 km <sup>2</sup> (10.02%)

### Production Split

#### Crude Oil

Contractor	: 28.8462%
Government	: 71.1538%

#### Natural Gas

Government	: 42.3077%
Contractor	: 57.6923%

### Bonuses

#### PRODUCTION BONUS

US\$ 1,000,000:	500,000 MMSCF
US\$ 3,000,000:	900 MMBOE

#### SIGNATURE BONUS

US\$ 10,000,000:

### Work Commitment

<b>1YEAR:</b>	US\$ 60,000,000	COMMITMENT EKSPLOKASI DEVELOPMENT & SEC. REC 01-01-90 S/D 31-12-93
<b>4YEAR:</b>	US\$ 40,000,000	COMMITMENT EKSPLOKASI DEVELOPMENT & SEC. REC 01-01-94 S/D 31-12-97

### Participant Interest

RISCO ENERGY (JAVA) BV.:	5 %
EMP ONWJ LTD.:	36.7205 %
PERTAMINA HULU ENERGI ONWJ LTD.:	58.2795 %

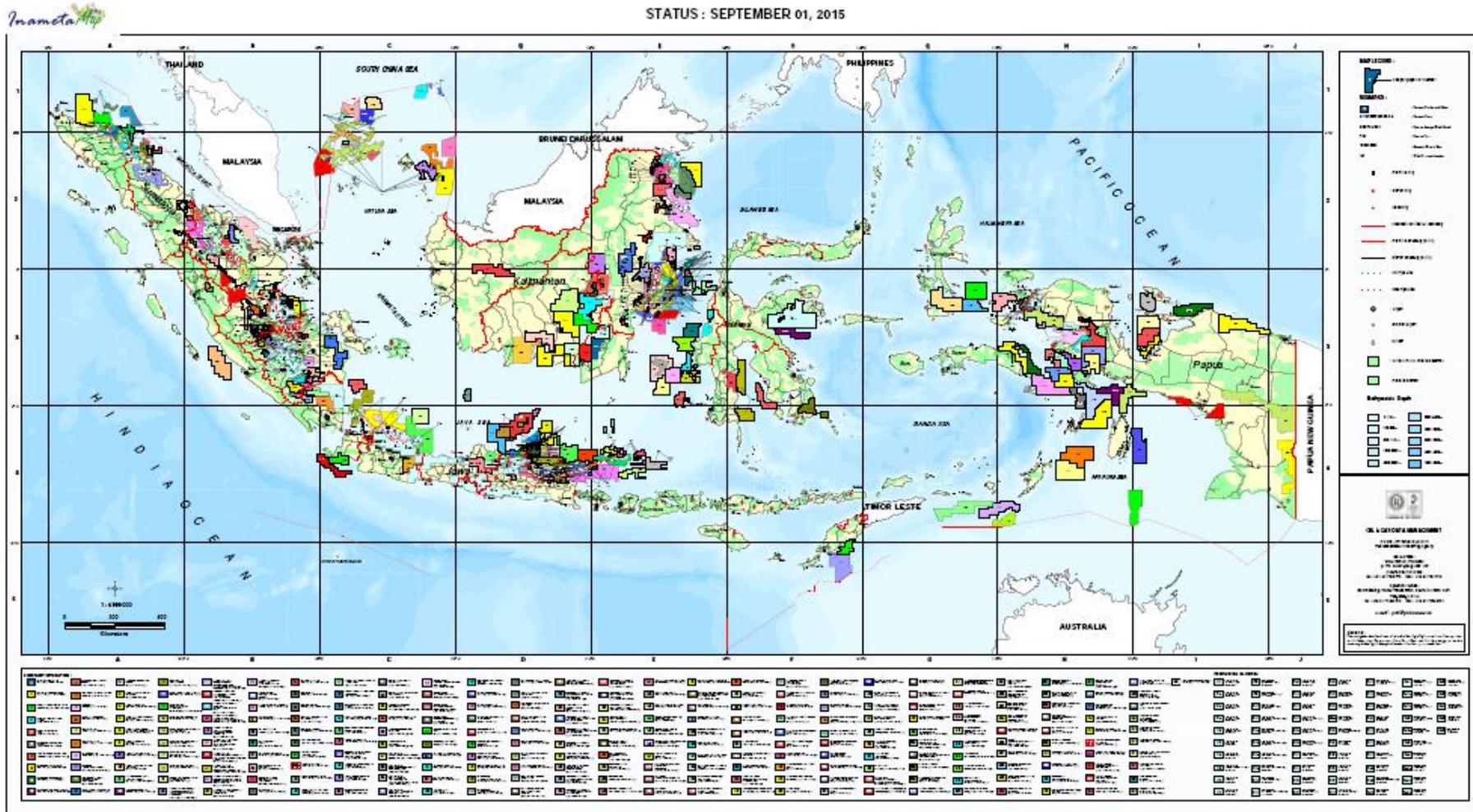
### Interest Changes Date

GJ	106° 37' 37.37" E	05° 10' 18.05" S
GK	106° 37' 37.00" E	05° 11' 54.34" S
GL	106° 39' 15.93" E	05° 11' 54.75" S
GM	106° 39' 15.97" E	05° 12' 27.88" S
GN	106° 40' 52.02" E	05° 12' 28.23" S
GO	106° 40' 51.72" E	05° 14' 04.04" S
GP	106° 41' 12.68" E	05° 14' 04.15" S
GQ	106° 41' 11.98" E	05° 17' 20.23" S
GR	106° 35' 59.69" E	05° 17' 19.04" S
GS	106° 35' 58.68" E	05° 21' 40.91" S
GT	106° 37' 00.55" E	05° 21' 41.15" S
GU	106° 37' 00.00" E	05° 27' 00.00" S
GV	106° 30' 00.00" E	05° 26' 59.99" S

Oil and Gas : Patra Nusa Data Oil and Gas Map

INDONESIA PETROLEUM CONTRACT AREA MAP

STATUS : SEPTEMBER 01, 2015



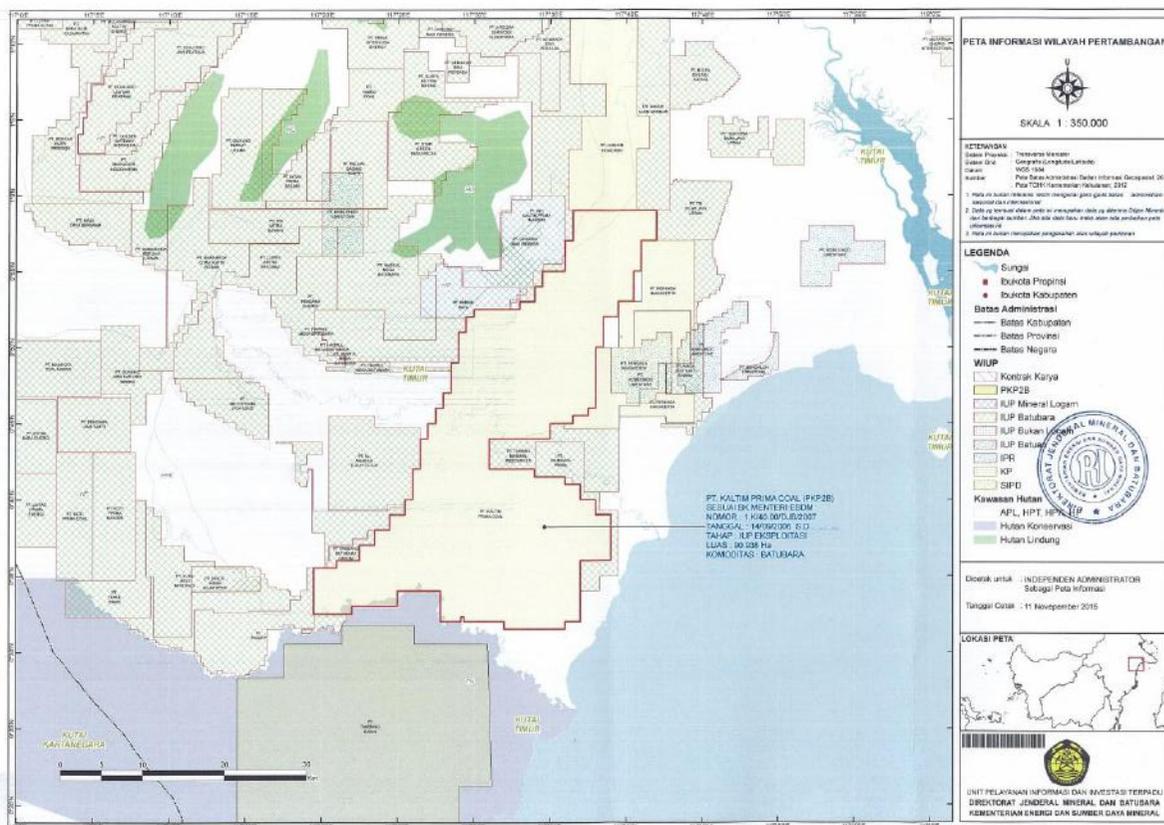
For better resolution please access <http://eiti.ekon.go.id/peta-area-kontrak-migas/>

**Example of Map based on Regency**

Mimika Regency

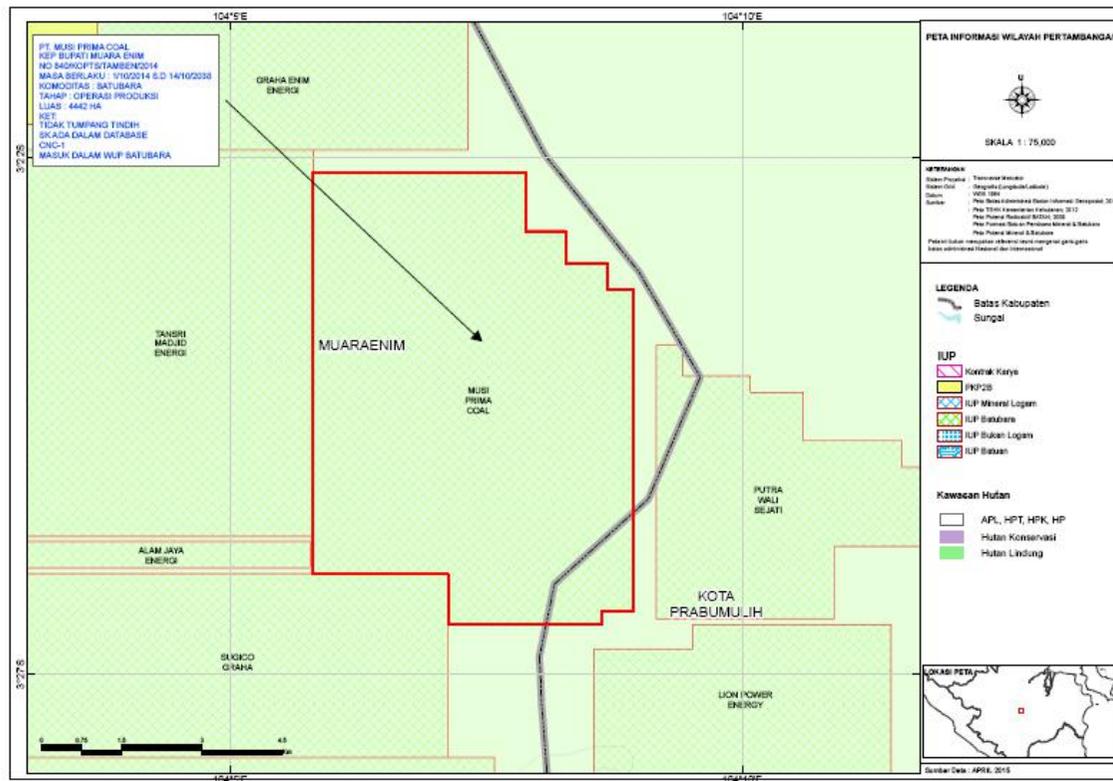


Kertanegara Regency





Example of Map Based on Mining Business Permit





**KEMENTERIAN ENERGI DAN SUMBER DAYA MINERAL REPUBLIK INDONESIA  
DIREKTORAT JENDERAL MINERAL DAN BATUBARA  
JALAN PROF. DR. SUPOMO, SH. NO. 10 JAKARTA 12870**

**FORMULIR PEMESANAN PETA INFORMASI WILAYAH PERTAMBANGAN  
INFORMATION MAP OF MINING AREA REQUESTING FORM**

1. **Nama Lengkap** : .....  
*Full Name*
2. **Jabatan/Pekerjaan** : .....  
*Occupation*
3. **Perusahaan** : .....  
*Company*
4. **Alamat Lengkap** : .....  
*Full Address*
5. **Telepon/Faksimile** : .....  
*Telephone/Facsimile*
6. **Email** : .....

**Jenis Informasi / Peta yang di inginkan**  
*Type of Requested Information / Map*

**A. Penelusuran Peta**  
*Search of Map*

- **Lama Penelusuran (per 15 menit)** : .....  
*Duration (per 15 minute)*

**B. Peta Informasi Wilayah Pertambangan**  
*Information Map of Mining Area*

- **Lokasi (Pulau/Provinsi/Kabupaten)** : .....  
*Location (Island / Province / Regency)*

- **Media Penyimpanan**  
*Save as*

1. **Compact Disc (CD)**

2. **Cetak Peta (hard copy)**

*Print Out*

- **Ukuran Peta (A0, A1, A3)** : .....
- **Jumlah Peta** : .....
- **Penelusuran** : ..... Blok

*Search*

▪ **Keperluan untuk** : (Informasi / Pertimbangan Teknis)  
*Used for (Information / technical considerations)*

**C. Peta Dokumen Resmi/Lampiran Surat Keputusan (Ukuran A4, 3 Lembar, tarif Rp. 2.000.000,- sesuai PP 9/2012)**  
*Authentic Map Documents / Decree Enclosure ( A4 Size, 3 Copies, Rp. 2.000.000,- according to PP 9/2012)*

- **Kode wilayah/ DU/ KW** : .....

*Area Code / DU / KW*

- **Tahapan Kegiatan** :  **Eksplorasi**  **Operasi Produksi**  
*Stage of Activity Exploration Production*

**Diisi oleh petugas/Fill in by Officer**

**No Pendaftaran** : ..... **Kode Transaksi** : .....

*Registration Number Transaction code*

**Tanggal Permohonan** : ..... **Pemohon**

*Date of Application Applicant*

**Tanggal Peta Diambil** : .....

*Date of Submitting Map*

**Petugas** : .....

*Officer*

**Catatan** : .....

*Note*

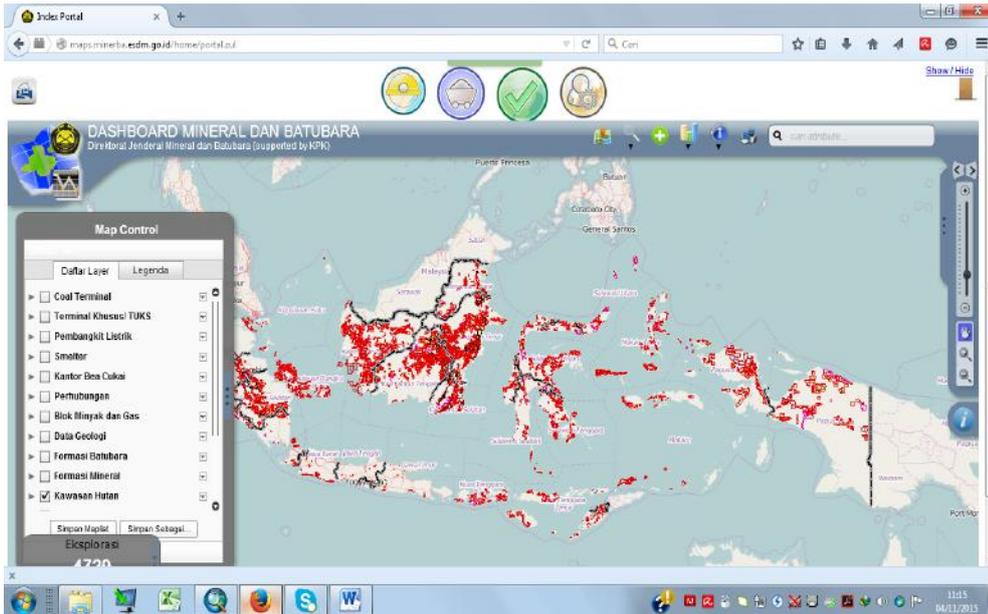
Mining: *Minerba One Map Indonesia*

Cadastral information available in MOMI is below:

- |   |   |  |  |
|---|---|--|--|
| • <i>Pejabat Berwenang</i> /Authoritative Officer | • <i>Nama Perusahaan</i> /Name of Company               | • <i>Tahapan Kegiatan</i> /Activity stage                | • Status C & C                                 |
| • <i>Nama Propinsi</i> /Name of Province          | • <i>Jenis Badan Usaha</i> /Type of Business Entity     | • <i>Jenis Izin</i> /Type of permit                      | • <i>Generasi Kontrak</i> /Contract Generation |
| • <i>Nama Kabupaten</i> /Name of Regency          | • <i>Alamat Perusahaan</i> /Company address             | • <i>Luas Wilayah (Ha)</i> /area (Hectare)               | • <i>Komoditi</i> /Comodity                    |
| • <i>Nama Pulau</i> /Name of Island               | • <i>Nama Direktur Utama</i> /Name of Managing Director | • <i>Luas pada Sistem (Ha)</i> /area in system (Hectare) | • No. Single ID                                |
| • <i>Lokasi Tambang</i> /Mining location          | • <i>No. Telp.</i> /Telephone Number                    | • No. SK Pertek  | • <i>NPWP</i> /Tax ID                          |
| • <i>Lokasi Propinsi</i> /Province location       | • <i>No. SK</i> /Decision Letter (SK) No.               | • <i>Tanggal</i> /date of Pertek                         | • Status                                       |
| • <i>Lokasi Kabupaten</i> /Regency location       | • <i>Tanggal Berlaku SK</i> /SK Effective date          | • No. SK IPPKA   |  |
|   | • <i>Tanggal Berakhir SK</i> /SK Expiry                 | • <i>Tanggal</i> /date of SK IPPKA                       |  |

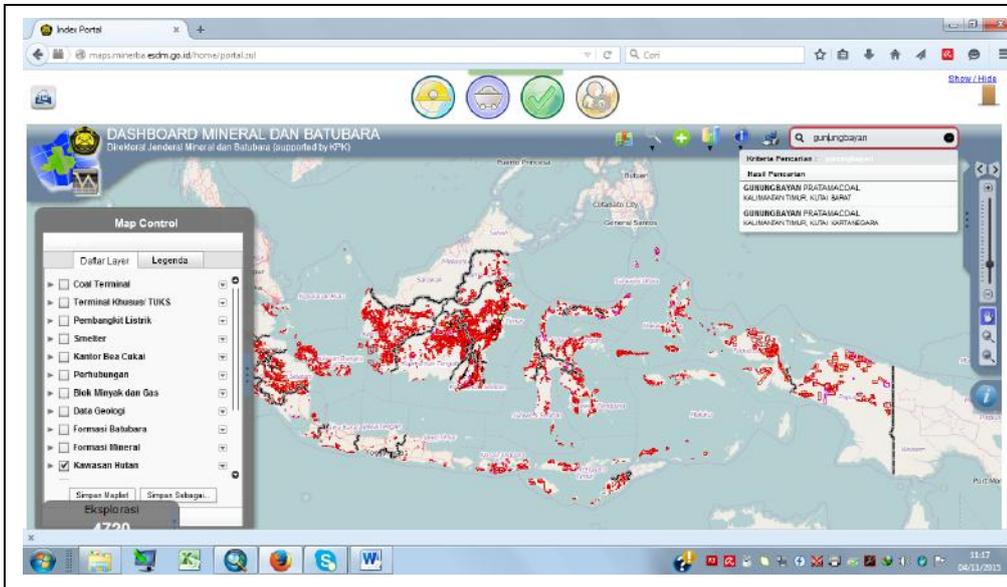
User can access MOMI at <http://maps.minerba.esdm.go.id> using username and password given by DG Minerals and Coal.

Below are steps to access cadastral information on MOMI:



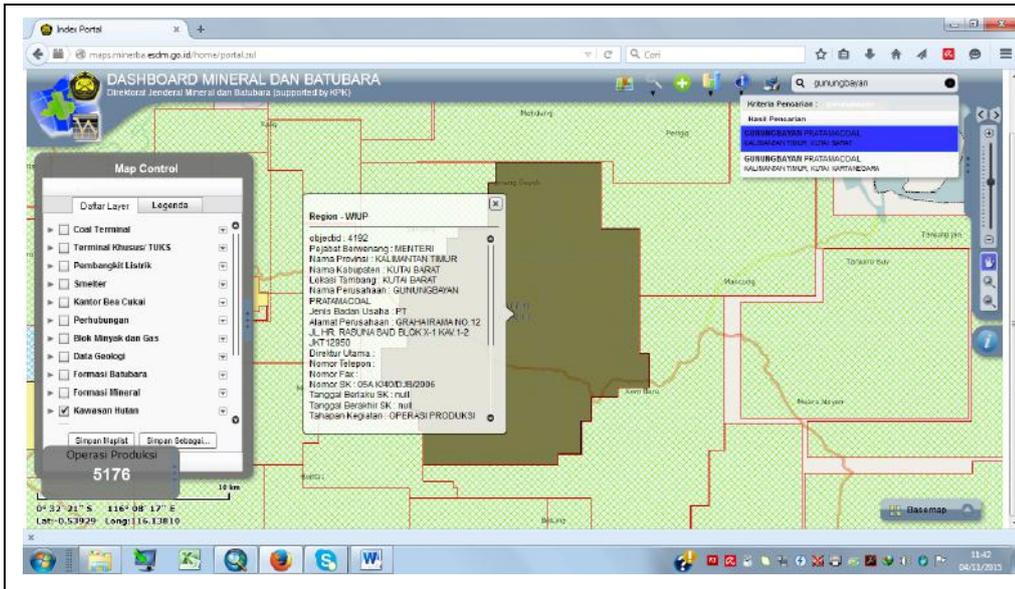
Dashboard display

Step 2:



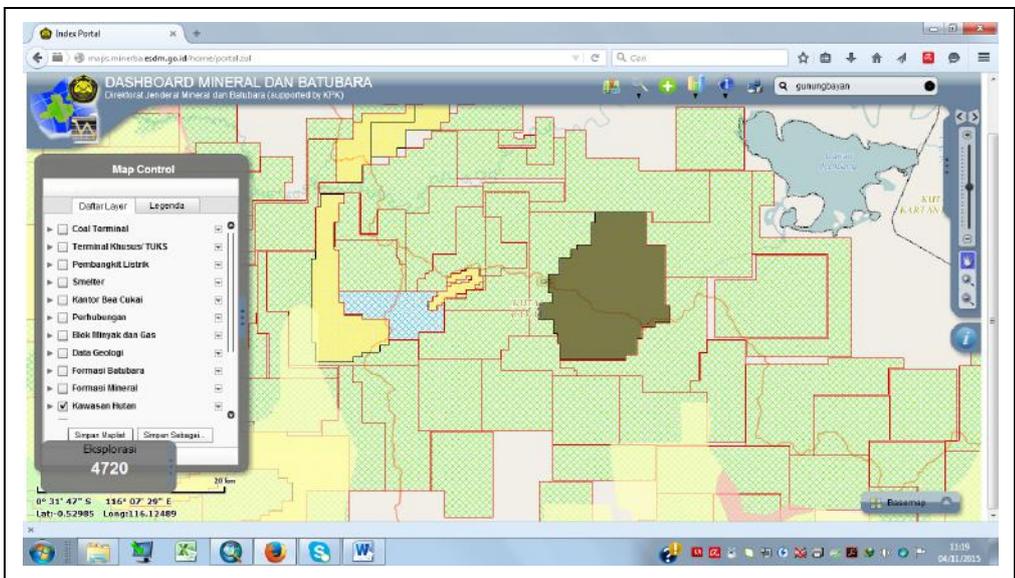
- Type desired company (sample : Gunungbayan Pratamacoal)
- Choose mining area/Regency
- Click on Forestry area

Step 3:



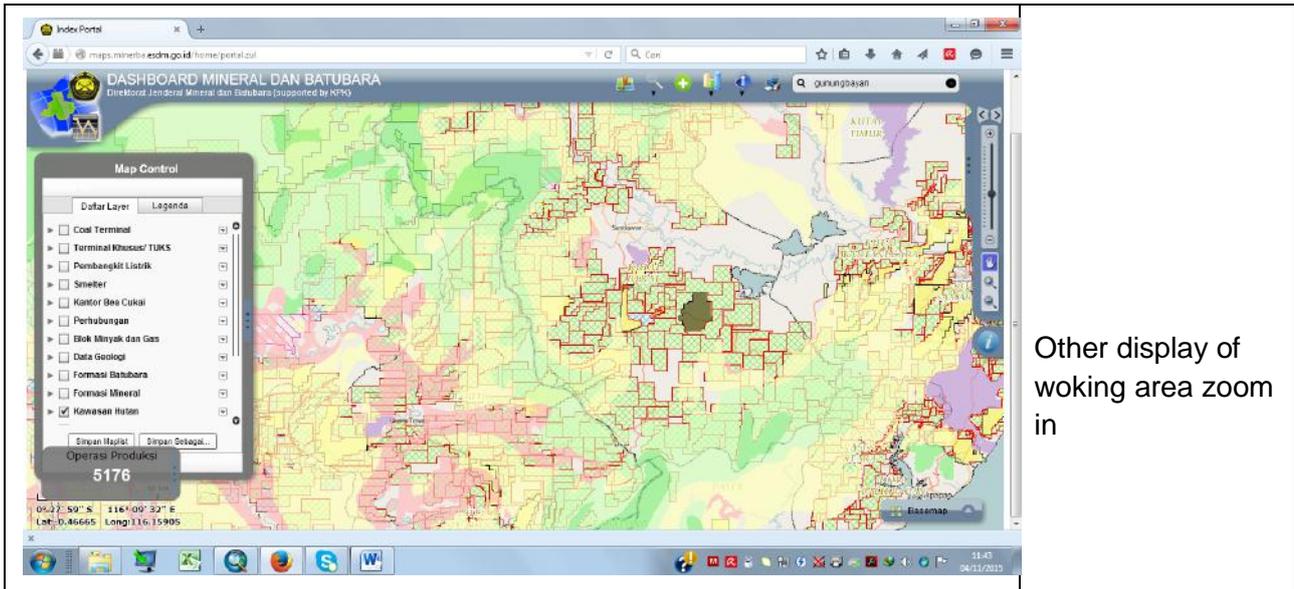
- Area display, and
- Information display

Step 4:



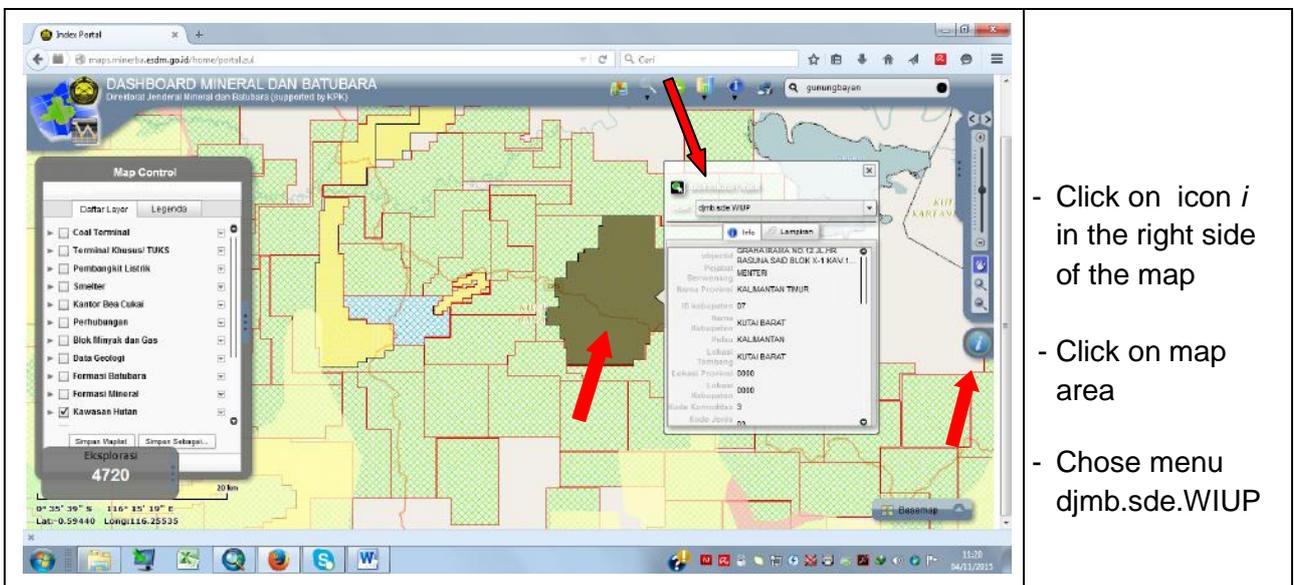
Zoom in of working area display

Step 5:



Other display of woking area zoom in

Alternative Step → Step 6:



- Click on icon *i* in the right side of the map
- Click on map area
- Chose menu djmb.sde.WIUP



## **INDONESIA EITI REPORT 2012-2013 CONTEXTUAL REPORT**

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### **Indonesia EITI Secretariat**

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