



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

MINUSTES OF MEETING – IMPLEMENTATION TEAM

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE INDONESIA

- Date : Thursday / 28 March 2013
Time : 10:00 – 12:00
Venue : Serayu Meeting Room
Gedung Kementerian Koordinator Bidang Perekonomian, 3rd Floor
Jl. Lapangan Banteng Timur No. 2-4, Jakarta Pusat.
- Agenda : 1. Presentation of Final Reconciliation Figure Report by Reconciler;
2. Preliminary findings by Validator post Indonesian visit;
3. April-May Work plan for EITI Indonesia;
4. One month extension of validation period for Indonesia;
5. Discussion on Cost Recovery scoping.

Participants

Government

1. Financial and Development Supervisory Agency (BPKP), Teguh Wiyono
2. Financial and Development Supervisory Agency (BPKP), Arman S. Harahap
3. Ministry of Interior, Winardih
4. Ministry of Interior, Dewi S.L
5. Ministry of Energy and Mineral Resources, DG Minerals and Coal, Paul Lubis
6. Ministry of Energy and Mineral Resources, DG Oil and Gas, Yulianto
7. Ministry of Energy and Mineral Resources, DG Oil and Gas, Agus Cahyono Adi
8. Ministry of Energy and Mineral Resources, DG Oil and Gas, Tobia Parulian
9. Ministry of Energy and Mineral Resources, SKK Migas, Sujoko
10. Ministry of Energy and Mineral Resources, SKK Migas, Desti Melanti
11. Ministry of Energy and Mineral Resources, SKK Migas, Dewi Ardhiarini
12. Ministry of Energy and Mineral Resources, ESDM Ministerial Expert Staff, Djadjang Sukarna
13. Ministry of Energy and Mineral Resources, Secretariat General, Bambang Utoro
14. Ministry of Energy and Mineral Resources, Secretariat General, Dian Prasamya Ratri
15. Ministry of Finance, DG TaxationYon Aرسال
16. Ministry of Finance, DG TaxationSapta Wira U.
17. Ministry of Finance, DG TaxationKumara Candra
18. Ministry of Finance, DG TaxationHadi Pratomo
19. Ministry of Finance, DG Financial Balance, Ilham Hadiana
20. Ministry of Finance, DG Financial Balance, M. Hijrah
21. Coordinating Ministry for Economic Affairs, Deputy for Macro-Economy and Finance, Kuspradoto B.
22. Coordinating Ministry for Economic Affairs, Deputy VII, Reniyawan Aristyo

23. Coordinating Ministry for Economic Affairs, Amar Yasir
24. PT. Pertamina, Dhaneswari Retnowardhani
25. PT. Pertamina, Hery Setiawan
26. East Java Energy and Mineral Resources Services,
27. East Kalimantan Province Regional Revenue Service, Edward Noviansyah
28. East Kalimantan Province Mining and Energy Service, Bantolo
29. Riau Province Mining and Energy Service, Januaris
30. Riau Province Regional Secretariat, Emrizal Pakis

Industry

1. Indonesian Coal Mining Association, Supriatna Suhala
2. Indonesian Mining Association, Muliawan Margadana
3. Indonesian Mining Association, Hendra Sinadia
4. Indonesian Mining Association, Mukhlis
5. Indonesian Petroleum Association, Dipnala Tamzil

NGO

1. IDEA, Wasingatu Zakiyah
2. PWYP, Maryati Abdullah
3. PWYP, Aryanto Nugroho
4. IPC, Sulastio
5. ICW, Firdaus Ilyas

Reconciler – KAP Gideon Ikhwan Sofwan

1. Ade Ikhwan
2. Christina Sutanto
3. Laurence Carey
4. Cindy Nur Aini
5. Andhika Fauzan
6. Einstein Widodo
7. Angga Hergunowo

EITI Indonesia Secretariat

1. Secretary for the Implementation Team, Emy Perdanahari
2. Executive Deputy Secretary for the Implementation Team, Ambarsari Dwi Cahyani
3. *Regulatory Specialist*, Ronald Tambunan
4. *Revenue Specialist II*, Anita Pascalia
5. *IT Specialist*, M. Tri
6. Staff, Malidu Ahmad
7. Staff, Yuliana
8. Staff, Hadi Purnama

The World Bank

1. EITI Indonesia Advisor, David W. Brown

Meeting Chair: Djadjang Sukarna, Expert Staff to the Minister of Energy and Mineral Resources, representing the Secretary General of Ministry of ESDM.

Minutes of Meeting

Chair Djadjang Sukarna opened the meeting at 10.00 WIB. After conveying gratitude to participants and the Reconciler, the chair expounded on the meeting's agenda:

1. Presentation on the Reconciler's Final Report;
2. EITI Indonesia Secretariat April-May 2013 Work Plan.
3. Discussion on Cost Recovery Scoping.

The next agenda would be the presentation of the Reconciler's Final Figure Report.

I. Presentation of the Reconciler's Final Report

Ade Ikhwan began the presentation by revealing that the agreed upon cut off date was 22 March 2013. So for issues not yet reconciled do not mean that they could not be reconciled or settled. This is merely because of time limitation and inadequate data.

Associated to the figures presented, significant adjustment had generally been done over two coal mining companies, which covers revenue stream from both royalty and tax.

Furthermore, Ade Ikhwan presented the Reconciliation Figure Report through slide presentation as provided below:

Slide 1

Hasil Rekonsiliasi – Mineral & Batubara - per cut off 5 Maret 2013

Revenue Stream	Reported by Companies, after adjustment Equivalent US Dollars ('000)	Reported by PNB/ ESDM, after adjustment Equivalent US Dollars ('000)	Unreconciled differences Equivalent US Dollars ('000)
Corporate income tax:			
- Minerals	1,223,166.75	1,166,001.96	48,009.59
- Coal	795,167.53	1,432,851.89	(700,868.64)
Sub Total	2,018,334.28	2,598,853.85	(652,859.06)
Royalties:			
- Minerals	198,311.33	193,550.44	4,760.90
- Coal	1,013,574.82	632,870.87	380,703.95
Sub Total	1,211,886.15	826,421.30	385,464.85
Revenue sales share:			
- Minerals	-	-	-
- Coal	607,685.98	446,895.90	160,790.08
Sub Total	607,685.98	446,895.90	160,790.08
Dead rent:			
- Minerals	986.38	1,831.72	(845.34)
- Coal	2,494.55	2,035.07	459.48
Sub Total	3,480.93	3,866.79	(385.86)
Land and buildings tax (PBB):			
- Minerals	13,664.83	3,360.31	9,774.46
- Coal	14,041.12	2,745.90	2,954.18
Sub Total	27,705.95	6,106.21	12,728.64
Dividends:			
- Minerals	288,994.58	276,870.05	12,124.53
- Coal	63,063.72	63,063.72	-
Sub Total	352,058.30	339,933.77	12,124.53
TOTAL	4,221,151.60	4,222,077.83	(82,136.82)

Slide 2

Perubahan Angka Rekonsiliasi – (5 Maret ke 22 Maret)

Revenue Stream	Reported by Companies, after adjustment Equivalent US Dollars ('000)	Reported by DGT / ESDM / DGB, after adjustment Equivalent US Dollars ('000)	Unreconciled differences Equivalent US Dollars ('000)
Corporate income tax:			
- Minerals	0,00	(2,00)	(66,22)
- Coal	314 789,40	48 617,73	255 116,19
Sub Total	314 789,40	48 615,73	255 049,97
Royalties:			
- Minerals	(801,30)	175 593,87	(2 200,17)
- Coal	(75 407,64)	323 080,46	(398 488,10)
Sub Total	(76 208,94)	498 674,32	(400 688,28)
Revenue sales share:			
- Minerals	-	-	-
- Coal	(392 104,36)	(198 513,87)	(193 590,49)
Sub Total	(392 104,36)	(198 513,87)	(193 590,49)
Dead rent:			
- Minerals	(0,00)	(0,00)	(0,00)
- Coal	(125,99)	238,31	(364,34)
Sub Total	(125,99)	238,31	(364,34)
Land and buildings tax (PBB):			
- Minerals	6 457,98	(2,00)	6 259,50
- Coal	(7 759,20)	(55,21)	(75,18)
Sub Total	(1 301,22)	(57,21)	6 184,32
Dividends:			
- Minerals	-	-	-
- Coal	-	-	-
Sub Total	-	-	-
TOTAL	(154 951,11)	348 957,28	(333 408,81)

Slide 3

Hasil Rekonsiliasi – Mineral & Batubara - per cut off 22 Maret 2013

Revenue Stream	Reported by Companies, after adjustment Equivalent US Dollars ('000)	Reported by DGT / ESDM / DGB, after adjustment Equivalent US Dollars ('000)	Unreconciled differences Equivalent US Dollars ('000)
Corporate income tax:			
- Minerals	1 223 166,75	1 165 999,96	47 943,37
- Coal	1 109 956,93	1 481 469,62	(445 752,45)
Sub Total	2 333 123,68	2 647 469,58	(397 809,08)
Royalties:			
- Minerals	197 510,03	194 949,31	2 560,73
- Coal	938 167,18	955 951,33	(17 784,15)
Sub Total	1 135 677,21	1 150 900,63	(15 223,43)
Revenue sales share:			
- Minerals	-	-	-
- Coal	215 581,62	248 382,03	(32 800,41)
Sub Total	215 581,62	248 382,03	(32 800,41)
Dead rent:			
- Minerals	986,38	1 831,72	(845,34)
- Coal	2 368,56	2 273,38	95,14
Sub Total	3 354,94	4 105,10	(750,20)
Land and buildings tax (PBB):			
- Minerals	20 122,81	3 358,31	16 233,96
- Coal	6 281,92	2 690,69	2 879,00
Sub Total	26 404,73	6 049,00	19 112,96
Dividends:			
- Minerals	288 994,58	276 870,05	12 124,53
- Coal	63 063,72	63 063,72	-
Sub Total	352 058,30	339 933,77	12 124,53
TOTAL	4 066 200,48	4 396 840,11	(415 345,63)

Slide 4

Penyesuaian Signifikan

1. Corporate Tax
PT Kaltim Prima Coal (KPC)
Revisi (penambahan) informasi
pembayaran pajak selama tahun
2009, sejumlah
US\$ 221,019,730 dan Rp 694 milyar.
2. Corporate Tax
PT Lanna Harita
Revisi (penambahan) informasi
pembayaran pajak selama tahun
2009, sejumlah
Rp 75 milyar.

Slide 5

Penyesuaian Signifikan

MINERALS - royalties

ESDM

Adjustment to reflect payments in original currency	IDR '000 : (34 011 933)
	USD '000 : -
Other additional payment information	IDR '000 : -
	USD '000 : -

Company

PT DS JAYA ABADI

Adjustment to reflect payments in original currency	IDR '000 : (15 013 743)
	USD '000 : -
Other additional payment information	IDR '000 : -
	USD '000 : -

COAL - royalties

ESDM

Adjustment to reflect payments in original currency	IDR '000 : (2 491 020 068)
	USD '000 : 448 439,98
Other additional payment information	IDR '000 : 14 407 015
	USD '000 : 23 218,90

Company

PT ARUTMIN

Adjustment to reflect payments in original currency	IDR '000 : -
	USD '000 : -
Other additional payment information	IDR '000 : -
	USD '000 : (15 878,53)

Penyesuaian Signifikan

<u>COAL - sales revenue share</u>			
ESDM			
Adjustment to reflect payments in original currency	IDR '000	:	(2 534 714 204)
	USD '000	:	41 006,67
Other additional payment information	IDR '000	:	(111 852 850)
	USD '000	:	17 424,38
Company			
PT KAYAN PUTRA UTAMA COAL			
Adjustment to reflect payments in original currency	IDR '000	:	(937 424 474)
	USD '000	:	-
PT LAMINDO INTERMULTIKON			
Other additional payment information	IDR '000	:	(15 353 383)
	USD '000	:	-
PT BAHARI CAKRAWALA SEBUKU			
Other additional payment information	IDR '000	:	-
	USD '000	:	(152 368,31)
PT KALTIM BATUMANUNGGAL (KP)			
Other additional payment information	IDR '000	:	-
	USD '000	:	(24 529,76)

Oil & Gas - 1

US\$'000	Per March 5, 2013			Per March 22, 2013		
	BP Migas	PNBP	Unreconciled difference	BP Migas	PNBP	Unreconciled difference
1 Government liftings	15,316,437	15,317,103	(666)	15,316,437	15,316,338	99
2 Contractors' overliftings/ (underliftings) - net	792,237	792,237	0	796,883	796,883	0
3 DMO fees	697,201	697,199	2	697,201	697,199	2

Slide 8

Oil & Gas - 2

US\$'000	Per March 5, 2013			Per March 22, 2013		
	PSC Operators	PNBP	Unreconciled difference	PSC Operators	PNBP	Unreconciled difference
1 Corporate income tax and dividend/branch profits tax	4,725,999	4,579,363	146,636	4,482,936	4,579,363	(96,427)
2 Contractors' overliftings/ (underliftings) - net	921,422	792,237	129,185	703,390	796,883	(93,493)
3 Bonuses	19,250	19,250	0	19,250	19,250	0

Slide 9

Oil & Gas - 3

Oil and Gas Volume/Quantity Information	Per March 5, 2013			Per March 22, 2013		
	PSC Operators	ESDM	Unreconciled difference	PSC Operators	ESDM	Unreconciled difference
1 Government liftings - Oil (barrels)	177,496,899	179,242,266	(1,745,367)	179,240,272	179,242,266	(1,994)
2 Government liftings - Gas (mscf)	488,842,581	682,659,945	(193,817,364)	489,896,759	682,659,945	(192,763,186)
3 DMO oil (barrels)	63,054,053	24,760,691	38,293,362	25,004,903	24,760,692	244,211

Ade Ikhwan conveyed further explanation for mineral and coal reporting as follow:

- Reconciliation result on Mineral Coal per 5 March 2013 cut-off date, in total, amount reported by companies remain lower (see amount on table at US\$82.136,82 thousand) compared to what was being reported by the Government after adjustments.
- Their challenges arose when reviewing further SSBP documents managed by DG Minerba, which are file management for mineral companies collated based on monthly, instead of per company basis. So that because of time limitation, they could not conduct full reconciliation on the entire data.
- For coal the adjustments were significant. Especially so for PKP2B, records management of which was quite orderly. So that a large number of the data could be reconciled.
- For IUP and KP, filing management was done on monthly basis causing difficulties in data searching process.
- For Land Tax there is a tendency for company reporting to be larger than DG Tax. The main problem originated because there were different Tax Object Number (NOP) with authorization given for disclosure than with what DG Tax had recorded.
- For mineral dividends, the problem was oriented more towards the issue of IDR-USD conversion, causing a mechanical difference, not because of substantial discrepancies. The company reported in USD, while the Government recorded in IDR. This occurs only in one instance.
- An example of significant adjustments successfully implemented was for PT Kaltim Prima Coal (KPC) and PT. Lanna Harita which revised their report by attaching strong evidence.
- For tax, numerous revisions were made by companies, while DG Tax made none at all. For royalties, both companies and ESDM provided numerous revisions (majority of which concern the usage of currency conversion).
- For PHT, majority revisions from ESDM were related to currency issue, while from companies were related to issues of understanding, where their initial understanding was that PHT was total sales, and not a share which are then parted to the government.

Continuing, on oil and gas Christina Sutanto explained:

- Adjustments on *government liftings* from PNBP. As a note, there are 4 entities with offsetting discrepancies. The remaining 95,000 USD (out of 99,000 USD) were corrections to 2008 lifting, but since they were past the cut off date, it was left as it is.
- For tax, there were significant movement between 5 March and 22 March due to several major causes, such as misunderstanding from the part of PSC, where initially PSC understanding was that tax to be reported was that of 2008. Apart from that, there were companies which did not enter 2008 tax offset to 2009, and 2009 tax offset being entered into 2009 report, where they should have been entered into 2010.
- Likewise, for overliftings/(underliftings) there were significant adjustments mainly due to errors in the part of PSC Operators, where they should have notated underlifting but was written as overlifting. The remaining differences should be able to be solved for the LNG sales settlement for over/underliftings, where different treatment existed between PSC and the Government. For PSC the treatment is as over/underlifting, but for the Government they have to go through a trustee and undergone a lengthy process before the remains are distributed to PSC and the Government so that the Government will only book it in the following year as government liftings. Apart from that, there was a dispute between 2 entities which is yet to be settled.
- For government oil lifting and oil DMO there were significant adjustments due to additional/correction of new data from PSC. Government lifting for Natural Gas will continue to be revised by us because previously ESDM were not in the capacity to provide data in MSCF, and it was decided that the solution was to obtain the data from SKK Migas.

II. Preliminary Findings of the Validator post Indonesia visit

The Chair then conveyed the Validator's Preliminary Report, which at the beginning could not have been revealed at this time, because draft report was not received until early this morning. In general, several requirements have been fulfilled, as detailed below:

- Indonesia is considered to have fulfilled EITI Rules for the following requirements: 1, 2, 3, 4, 5, 6, 7, 9, 10, 12, and 13.
- Evaluation could not yet be done on Requirements 8, 11, 14, 15, 16, 17, and 18 up until the EITI Indonesia Final Reconciliation Report had been approved by the Transparency Implementation Team and published through its website.

It shall be noted that this report remains preliminary and assessment process is still underway.

It was then that meeting participants express their comments and asked questions on explanation to agenda I and II as follow:

Agus Cahyono Adi:

This morning we have submitted additional data for oil and gas lifting to be reconciled.

Paul Lubis:

All data have been submitted, and they have been audited. Due to time limitation, there should have been material limitation for discrepancies because not all data are exactly the same.

Ade Ikwhan:

Numbers which have not been reconciled do not mean that they could not be reconciled, but simply because there are no time to do it. Material limits have been determined, and was conveyed to the Implementation Team in the February Meeting, so that we only audit what is considered to be material.

Christina Sutanto:

We will scrutinize the additional data from DG Oil and Gas. There were errors which we have noted from the PSC Data such as submitted total lifting, whereas they should have been government lifting, there are also those who submitted only December 2009 data, or those who provided accumulation data from the start to the end of 2009.

David W. Brown:

Thank you for the Reconciler's effort, which have managed to reduce the existing difference. From the result up to this point I conclude that the condition of revenue management in Indonesia is quite healthy. But, up to this point, the Reconciler's report remains in figures, not yet to its narration. Nevertheless, there are two figures with large discrepancies in gas volume, it is hoped that after the additional data from SKK Migas we can reduce that difference. Others, there are coal income tax of several companies who are yet to provide their tax data, such as Arutmin, Kideco and Bahari Cakrawala Sebuk.

Firdaus Ilyas:

The period for petroleum lifting, would it be December-November or January-November? For gas, why do we use MSCF, not the more familiar and easier to confirm MBTU? For minerals and coal, in the case of tax difference, would it be for financial year tax or what is being received by DG Taxation. For PPN (VAT) would it use the 13.5% DHBP Scheme or withholding royalties?

Christina Sutanto:

Reporting period would be January-December 2009. For gas measurement unit, MSCF was used because FQR, as the reporting basis, uses MSCF.

Ade Ikhwan:

There are differences in perception in regards to which tax payment have to be reported. PPN is not included, only corporate income tax.

Paul Lubis:

They reconcile only cash basis data, so there would be no relation to PPN.

Maryati Abdullah:

When would data/document completion be settled? What would the report format be for publication?

On settlement through trustee, what would the mechanism be?

Ade Ikhwan:

- Data/document completion uses 22 March 2013 cut of date, with the exception of gas volume.
- Report format will be drafted after all data/documents are collated and reconciled and agreed upon;
- True, if a company posted a data to the following year, it would be judged on the nature and treatment of the data/document;

Laurence Carey/Christina Sutanto:

There are differences between PSC and the Government on LNG, where PSC treated them as over/lifting, while the government consider them as lifting for the following year.

Desti Melanti:

For settlement of over/underlifting through LNG *scheme*, the cost for LNG refinery funded by trustee, the first LNG production would be used to pay for any debt/construction cost so that if there are any over/underlifting then the settlement will be done for the next cargo. The proceeds from that over/underlifting will be treated as gross revenue by PSC.

III. April-May Work Plan

EITI Indonesia Secretariat Work Plan for April-May 2013 was presented by Ambarsari Dwi Cahyani, as follow:

Reconciliation Report

Date	Activities
1- 8 April	Reconciler prepares full report in two languages, Bahasa Indonesia and English
8 April	Secretariat receives full report and send to Implementation Team
9 – 11 April	Implementation Team provide inputs on the Report
12 April	Reconciler revised the report based on inputs from Implementation Team
15 April	Implementation Team meeting to authorize the Report
16 April	Report published through website and media

Validation Report

Date	Activities
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- | | |
|-------------------------|---|
| 18 April | Validator submits the Validation Report draft to the Indonesian and International EITI Secretariat. Secretariat forwards it to the Implementation Team. |
| 19 April – 3 May | Implementation Team and International Validation Committee provide inputs |
| 8 Mei | Final Validation Report submitted to Implementation Team and Validation Committee |

Reporting format currently refer to existing reporting framework.

Following discussions:

Yon Aarsal:

On the Implementation Team response, must there be a response to remaining discrepancies? Because there would be many discrepancies both for corporate income tax and land tax.

Ade Ikhwan:

For land tax, it is related to incomplete NOP data provided by companies. There would be an explanation in the report related to such discrepancies.

Djadjang Sukarna:

We have agreed that there would be no more changes in the numbers. Incoming comments could be included in the report or used as system improvement in the future.

Meeting participants voiced no objections and approved the reconciliation and validation reports schedule for April-May 2013.

IV. Extension of Indonesia's Validation Report

The chair conveyed that:

- The implementation of Extractive Industries Transparency Initiative moved along nicely in Indonesia, even when facing majority delays in administration process.
- The Implementation Team understand that validation is currently under planning, but requires more time than what was planned and agreed upon.
- The Implementation Team understand and approved the request for extension for one month, the deadline of which was 18 April 2013 to 18 May 2013.
- A letter will be sent to the Chair of EITI International Board signed by the Implementation Team

The Chair asked the opinion of meeting participants.

No objections from participants and the proposed extension were approved.

V. Discussion Result on Cost Recovery Scoping

- Discussion took place on 27 March 2013
- It was attended by representatives from DG Oil and Gas, SKK Migas, BPKP, DG State Budget, KalTim Provincial Government, Riau Provincial Government, IPA, and NGO. Moderator was Dr. Arsegianto.
- Conclusion of discussion:
 - 1) In general, meeting participants approved the inclusion of *cost recovery* (CR) into the EITI Indonesia Report;

- 2) This will be done in stages through socialization and intense discussion involving various parties.
- 3) BPKP will be asked to present CR audit result in EITI Indonesia forum.
- 4) Relevant government institutions are willing to provide CR data is asked by regional governments.
- 5) The EITI Secretariat will facilitate the process.

On the conclusion of the cost recovery discussion, there are the following remarks:

Emy Perdanahari:

The final objective is to include CR in EITI report, but this will be done in stages.

Januaris:

Audited CR need to be included in the next report. Regional governments asked to be involved in CR discussions, and not only receiving one way data.

Emy Perdanahari:

In line with the recent discussions, CR will not be included in the 2010-2011 report, maybe the next one after that. This is because within a short period of time we must start distributing templates.

Dipnala Tamzil:

There is a need for a common understanding on CR so that there would be no confusion due to lack of understanding.

Maryati Abdullah:

In line with the recent discussion, most stakeholders did not agree to include CR in the 2010-2011 report. But, in essence, everyone agree to implement it in stages starting by communicating and aligning the understanding on CR.

Firdaus Ilyas:

Propose to disclose total lifting figure.

On this conclusion, the Chair and participants approved them all.

Meeting was concluded and was closed at 12:00 WIB.