



REPUBLIK INDONESIA

Indonesia's coal Potentials and Mining Laws

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**MINISTRY OF ENERGY AND MINERAL RESOURCES THE REPUBLIC OF INDONESIA
AGENCY OF R&D FOR ENERGY AND MINERAL RESOURCES
R&D CENTRE FOR MINERAL AND COAL TECHNOLOGY
2013**



MAIN TOPICS

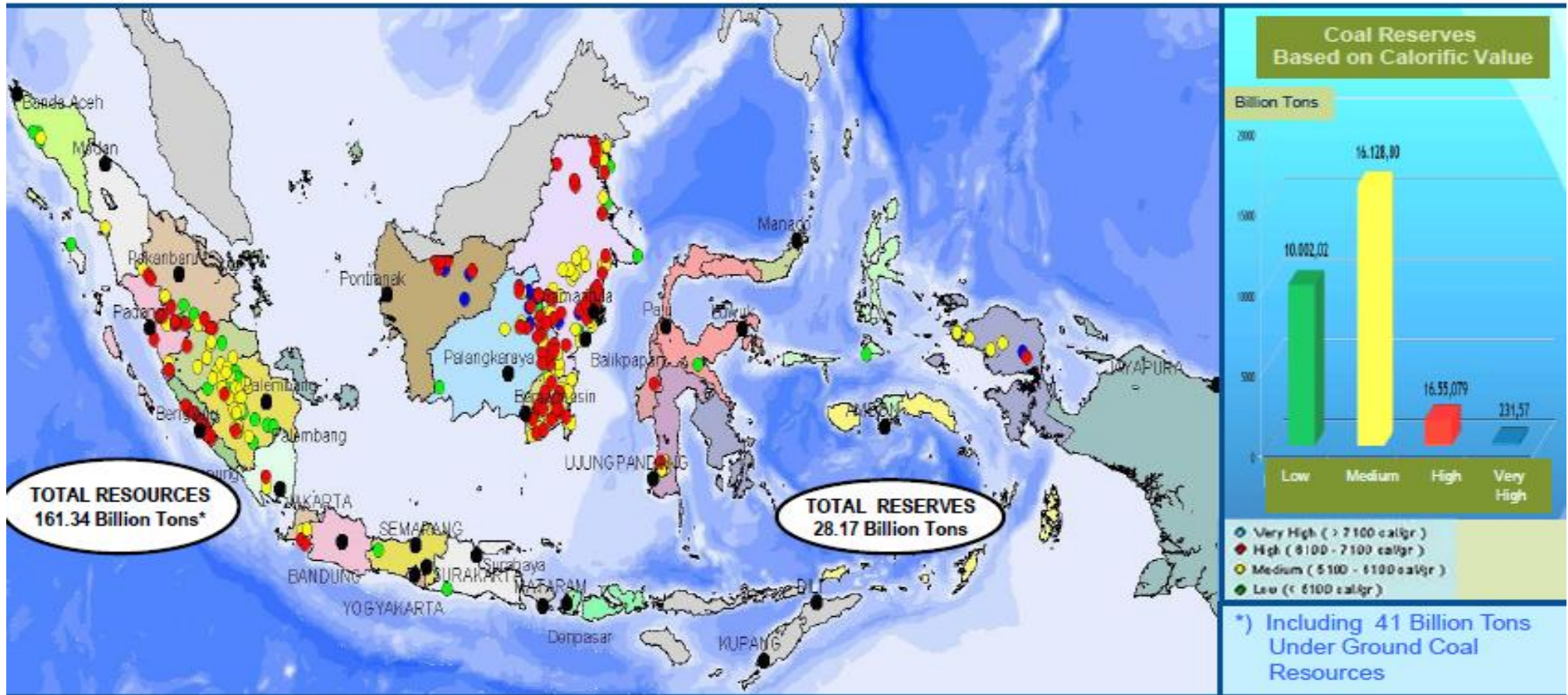
- COAL POTENCY
- CURRENT CONDITION
- GOVERNMENT POLICY
- INVESTMENT OPPORTUNITY
- CLOSING REMARKS

COAL POTENCY

Preliminary

- Indonesia has a potential coal resources, Coal resources which is accounted around 161 billion tons and coal reserves of 28 billion tons, also prospective for investment in energy related to business
- Mining in Indonesia close to regional development, especially remote area development. Mining is a part of Master Plan of Acceleration and expansion of Indonesia Economic Development which is divided into 6 corridors named as Sumatera, Java, Bali-Nusa Tenggara, Kalimantan, Sulawesi and Papua-Maluku
- The issue of law No. 4/2009 on Mineral and Coal and all derivative government regulations provide new directions for the policy in the future, including setting the DMO, mining production, value added mining products, good mining practice, etc.
- For the time being Indonesia still need investment to develop the potency on coal and encourage all private investment, especially for coal utilization

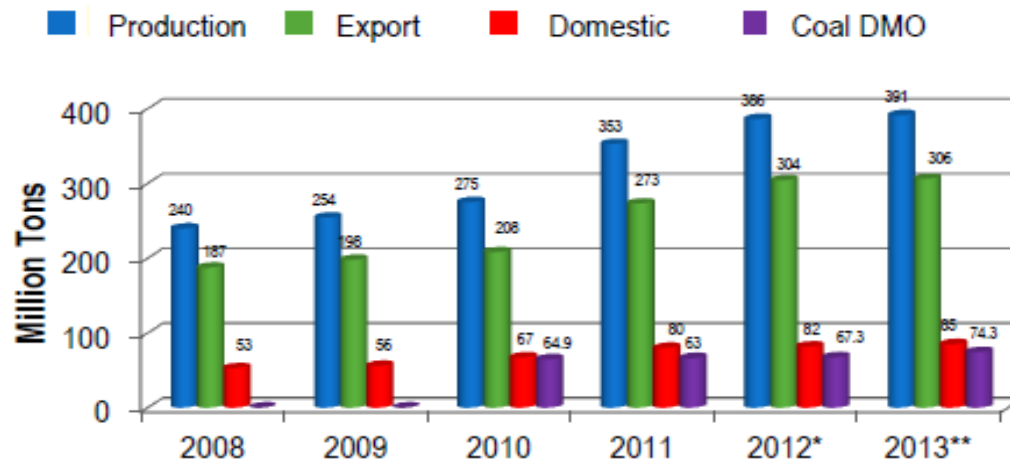
COAL POTENCY



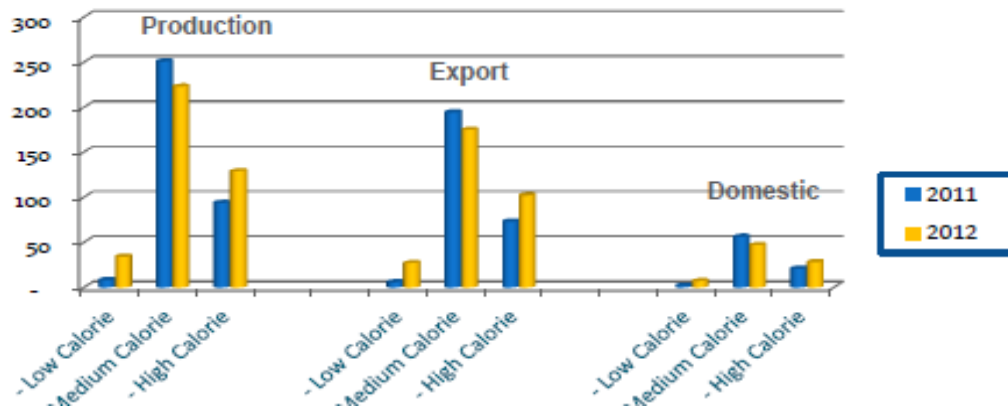
Resource : Geological Agency, 2012

CURRENT CONDITION

PRODUCTION, EXPORT AND DOMESTIC



COAL PRODUCTION (2011-2012) BASED ON CALORIFIC VALUE



1. The percentage of domestic demand of coal is lower when compared with export

2. The coal is still treated as commodity to achieve state income target

COAL PRODUCERS AND EXPORTERS

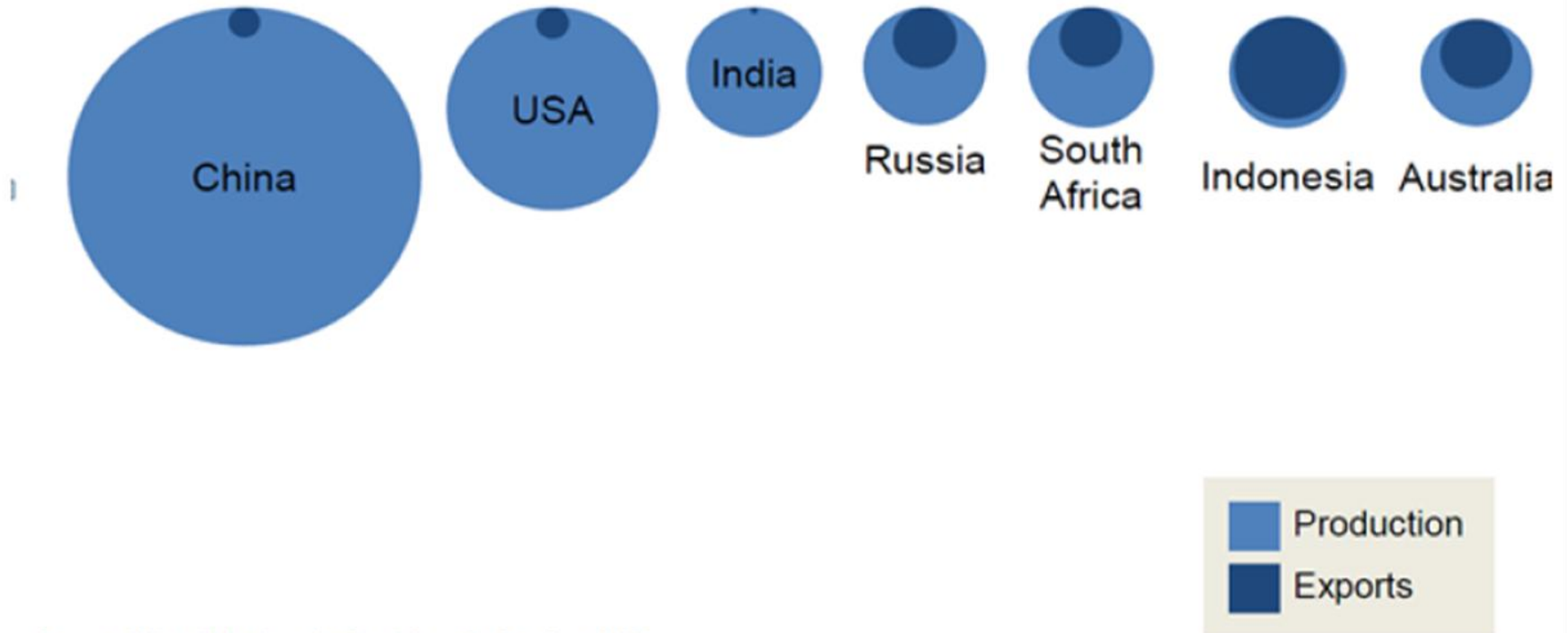
Major Coal Producers		
Country	Production - Mt	Prod'n %
China	3,050	44
USA	973	14
India	521	8
Australia	409	6
Russia	298	4
Indonesia	333	5
South Africa	330	5
Germany	184	3
Poland	135	2
Kazakhstan	102	1
Colombia	72	1
Canada	63	1
World	6,941	

6th coal producer

Major Seaborne Exporters		
Country	Exports- Mt	Export %
China	21	2
USA	50	6
Australia	299	33
Russia	93	10
Indonesia	275	30
South Africa	69	8
Colombia + Ven	76	8
Canada	27	3
World	910	100

2nd coal exporter

Comparison of coal production and export



Source: Wood Mackenzie Coal Supply Service, ANZ

MINING LICENSE

MINING PERMITS (IUP)

STATUS	MINERAL		COAL		SUM
	Exploration	Production	Exploration	Production	
CNC	1.361	1.905	1.338	897	5.501
NON CNC	1.579	2.071	1.182	457	5.289
TOTAL	2.940	3.976	2.520	1.354	10.790

February 2013

COAL CONTRACT OF WORK (CCoW)

Nowadays there are 74 companies of CCoW, in which 49 companies are on the production stage, 12 companies on construction, 9 companies on feasibility study stage, and 5 companies on exploration stage.

CONTRACT OF WORK (CoW)

At the moment there are 42 companies are still in contract with government, with only 12 CoW are in production stage, 7 companies are doing construction, 14 companies are still doing feasibility study and 9 companies are in exploration stage

Domestic coal demand

DMO 2009				
No	Consumer	Volume (million tons)	%	GCV Cal/g
A	Power Generation			
1	Existing power generation	34.5	50.7	4000-6000
2	PLN Acceleration	4.05	5.9	4000-5100
3	PLN Non acceleration	1.26	1.9	4000-5100
4	New IPP	0.14	0.2	4000-5100
5	Non PLN	1.23	1.8	5650-6150
B	Cement industry	8.10	11.9	4000-6200
C	Mettalurgical industry	9.40	13.8	> 6000
D	Textile and textile product	7.60	11.2	5000-6000
E	Fertilizer	1.80	2.6	4000-5000
	Grand total	68.08	100	

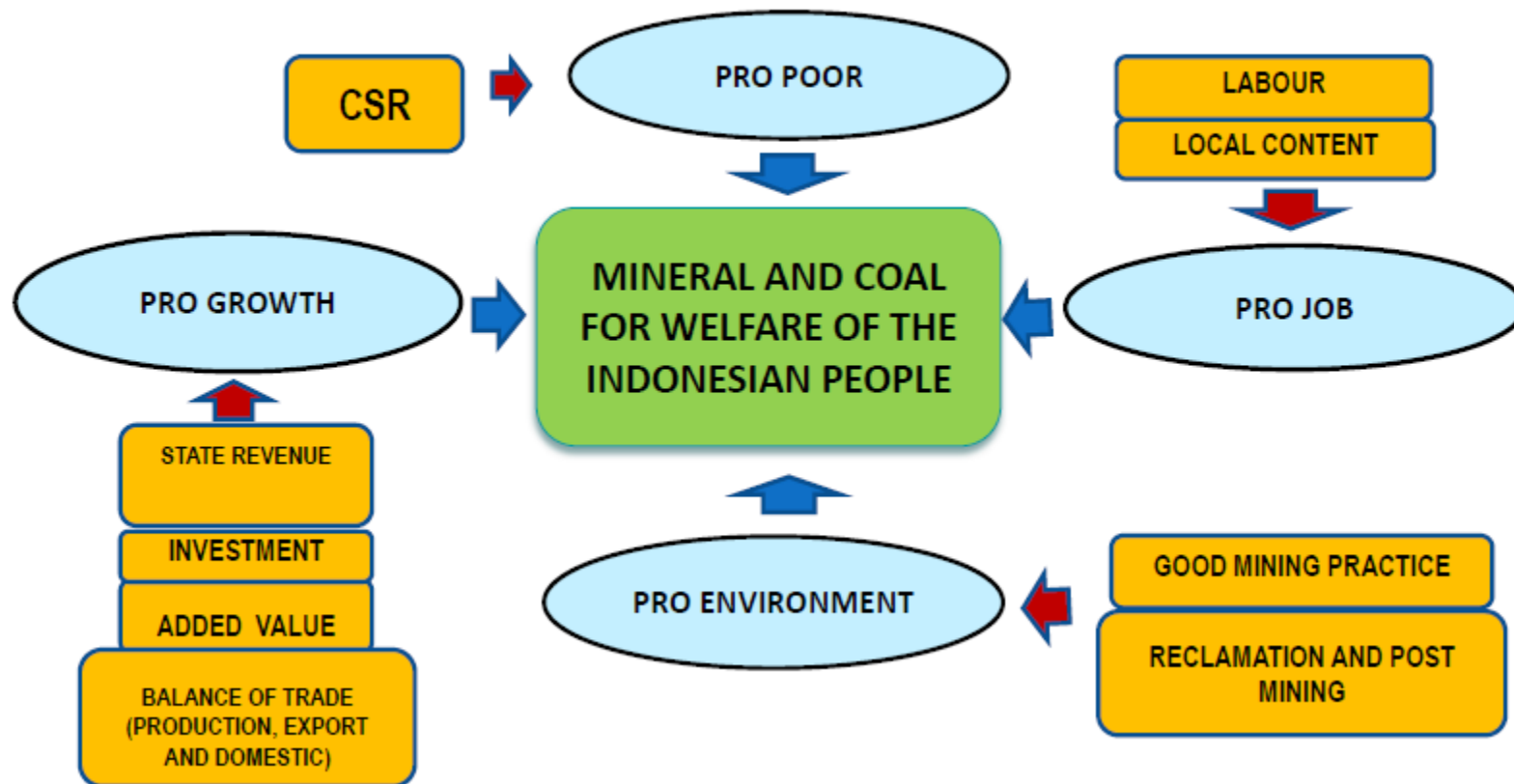
DMO 2011				
No	Consumer	Volume (million tons)	%	GCV Cal/g
A	Power Generation			
1	PLN	37.0	61.51	4000-5200
2	IPP	8.97	14.91	4000-5200
3	PT Freeport Indonesia	0.83	1.38	5650-6150
4	PT Newmont Nusa Tenggara	0.47	0.78	5200
5	PT Pusaka Jaya Palu Power	0.19	0.32	5000
B	Metallurgy			
1	PT Inco	0.14	0.23	5900
2	PT Aneka Tambang	0.20	0.33	>6000
C	Cement	8.86	14.73	4100-6300
D	Textile and textile product	1.97	3.28	5000-6500
E	Fertilizer	0.92	1.53	4000-5400
F	Pulp	0.60	1.00	4500-5500
	Grand total	60.15	100	

DMO 2010				
No	Consumer	Volume (million tons)	%	GCV Cal/g
A	Power Generation			
1	PLN	45.10	69.4	4000-5100
2	IPP	9.10	14.0	4000-5100
3	PT Freeport Indonesia	0.78	1.0	5650-6150
4	PT Newmont Nusa Tenggara	0.52	0.8	5200
B	Metallurgy			
1	PT Inco	0.16	0.2	5900
2	PT Aneka Tambang	0.15	0.2	>6000
			0.23	
C	Cement	7.5	11.7	4000-6200
D	Textile and textile product	1.2	1.8	5000-6000
E	Fertilizer	0.35	0.5	4000-5000
	Grand total	64.96	100	

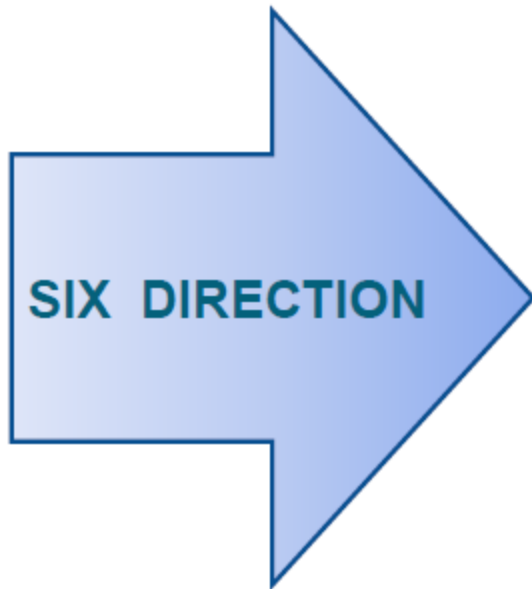
DMO 2012				
No	Consumer	Volume (million tons)	%	GCV Cal/g
A	Power Generation			
1	PLN-PLTGB-PLTGGB	57.2	69.7	4000-5200
2	IPP	10.76	13.11	4000-5200
3	PT Freeport Indonesia	0.83	1.01	5800
4	PT Newmont Nusa Tenggara	0.54	0.66	5000
5	PY Pusaka Jaya Palu Power	0.19	0.23	5000
B	Metallurgy			
1	PT Inco	0.13	0.16	5900
2	PT Aneka Tambang	0.19	0.23	6600
C	Cement	8.4	10.24	4100-6300
D	Textile and textile product	1.93	2.35	5000-6500
E	Fertilizer	1.3	1.58	4000-5400
F	Pulp	0.6	0.73	4500-5500
	Grand total	82.07	100	

GOVERNMENT POLICY

FOUR TRACKS STRATEGY



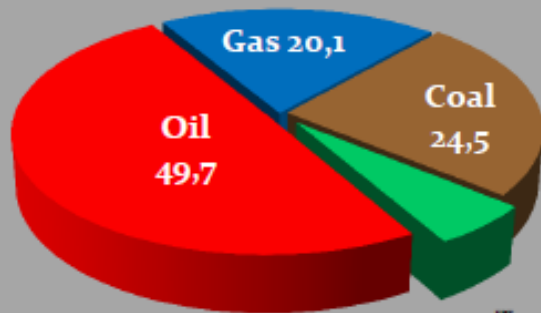
COAL POLICY DIRECTIONS



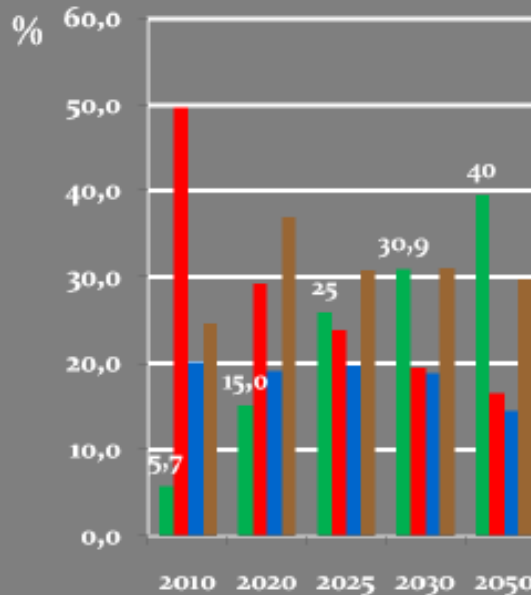
1. Implement priority fulfillment of mineral and coal for domestic needs;
2. Provide certainty and transparency (Mining Law regulation supporting, sanction violations of the provisions, etc.);
3. Improving supervision on good mining practice;
4. Increasing investment and state revenues from mining;
5. Encourage the development of value-added products (i.e. processing, local content, local expenditure, upgrading brown coal, labor and CSR);
6. Maintain environmental sustainability through environmental management and monitoring, including the reclamation and post-mining;

NATIONAL ENERGY MIX PLANNING

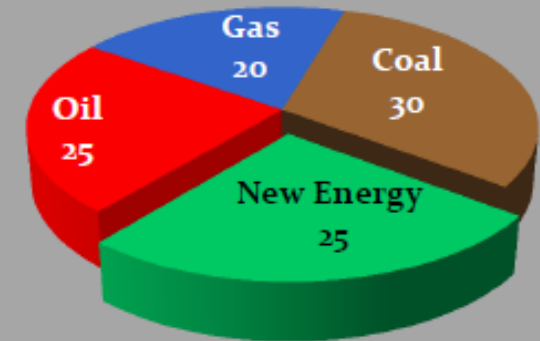
2010



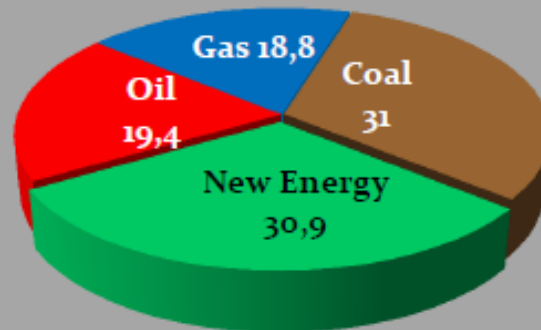
Oil Coal
Gas New Energy



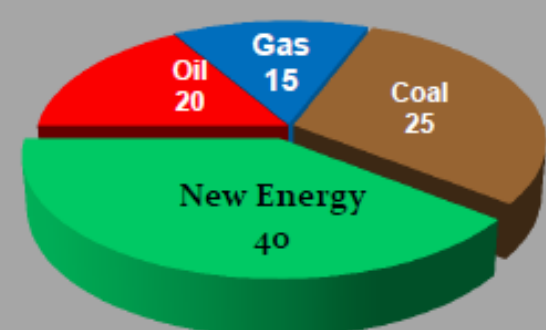
2025



2030



2050



Note:
New Energy:
(water, geothermal, biomass,
waste, biofuel, solar, wind,
nuclear)

Constitution

UUD

Legislation

LAW

Article 33 of the Indonesia's 1945 Constitution



Law No. 4/2009 Regarding Mineral and Coal Mining
(to replace Law No. 11/1967)



REGULATION (FRAMEWORK)

**GOVERNMENT
REGULATION**

1. Government Regulation No 22/2010 Regarding Mining Zone
2. Government Regulation No 23/2010 Regarding Mineral and Coal Enterprises Activity
3. Government Regulation No 55/2010 Regarding Supervising and Controlling Mining Activity
4. Government Regulation No 78/2010 Regarding Reclamation and Post mining

**PRESIDENT
REGULATION**

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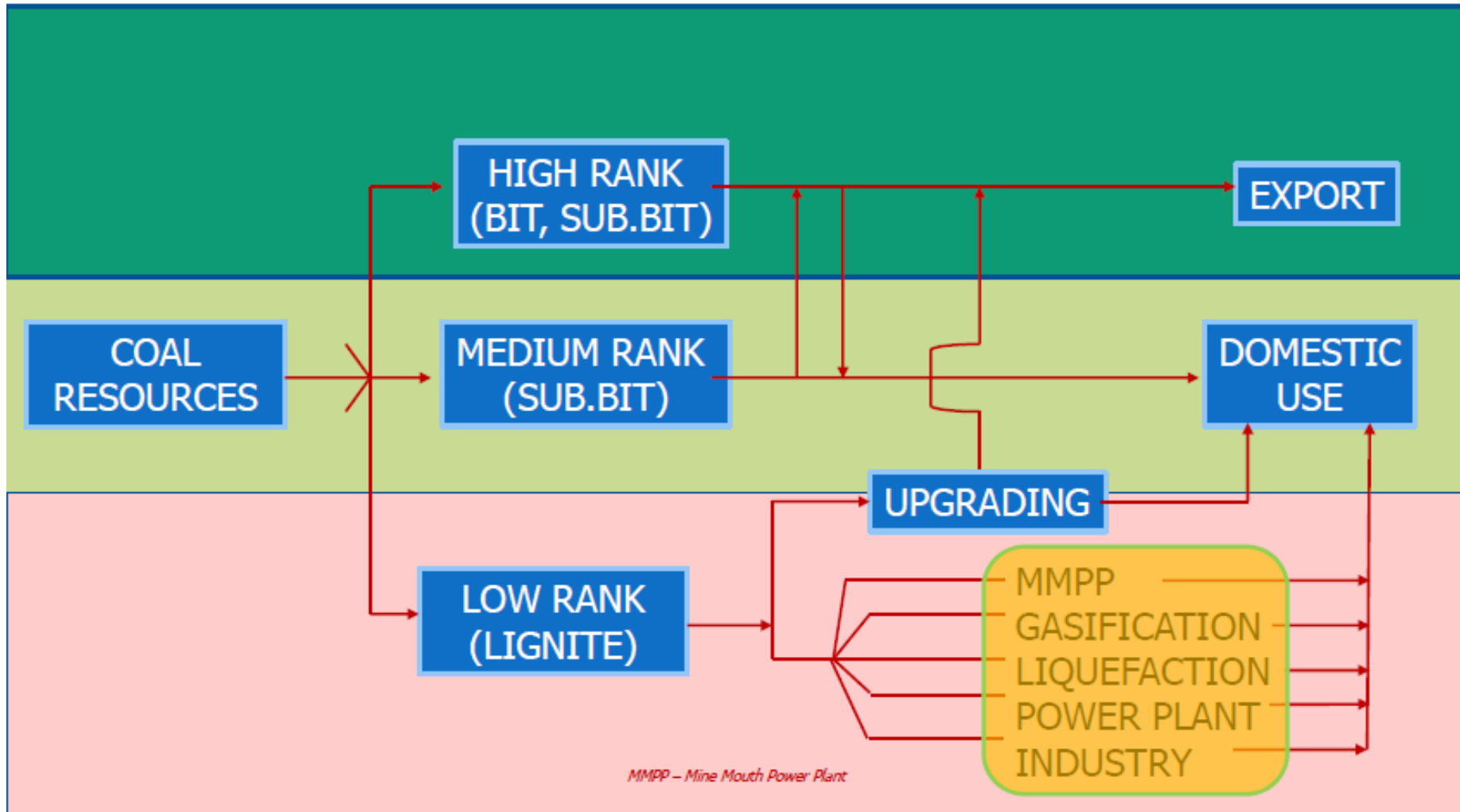
**MINISTER
REGULATION**

1. Minister Regulation No 28/2009 Regarding Service Mining Company
2. Minister Regulation No 34/2009 Regarding DMO Obligation for Mineral and Coal
3. Minister Regulation No. 17/2010 Regarding Mineral and Coal Price and Sales
4. Ministry Regulation No. 12/2011 Regarding Procedure of Determination Mining Business Area and Mining Area Information System
5. Mnister Decree No.0617.K/32/MEM/2011 regarding Coal Pricing for PLN's Power Plants Operation
6. Minister Decree No.1991.K/30/MEM/2011 regarding Determination of Domestic Coal Demand and Minimum Procentage of Domestic Coal Sales Year 2012
7. Minister Regulation No. 7/2012 amanded by No. 11/2012 regarding Mineral Value Added through Mineral Processing and Refining



INVESTMENT OPPORTUNITY

POLICY STRATEGY OF COAL

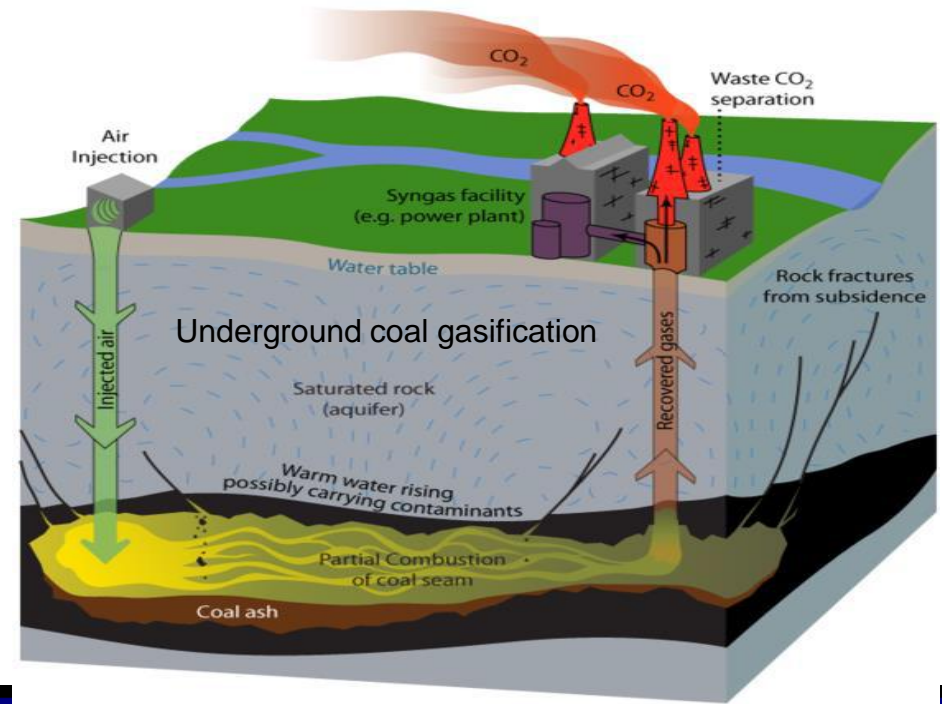


Domestic market obligation, lack off transportation

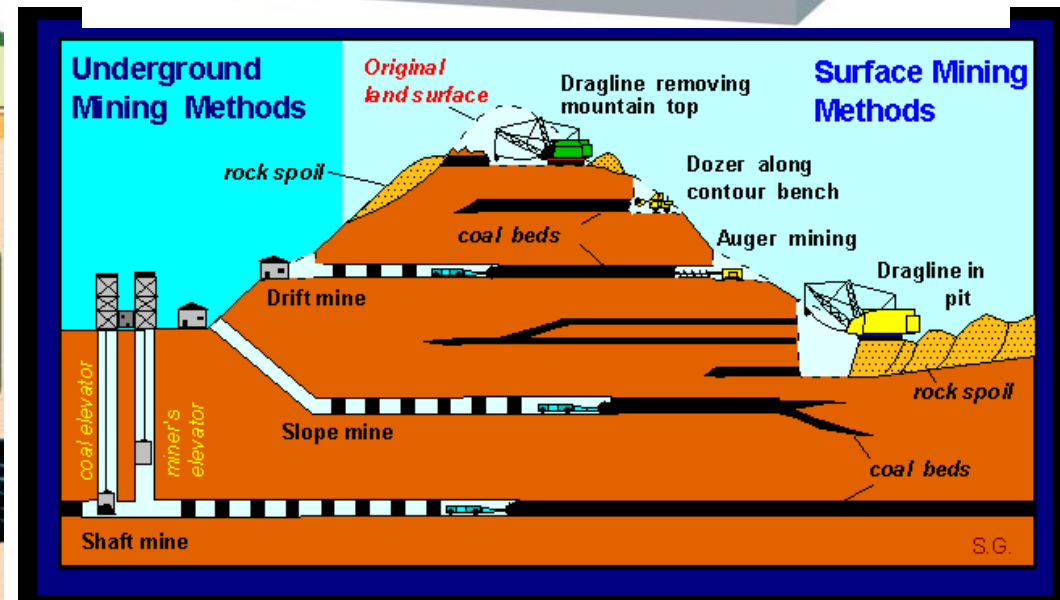
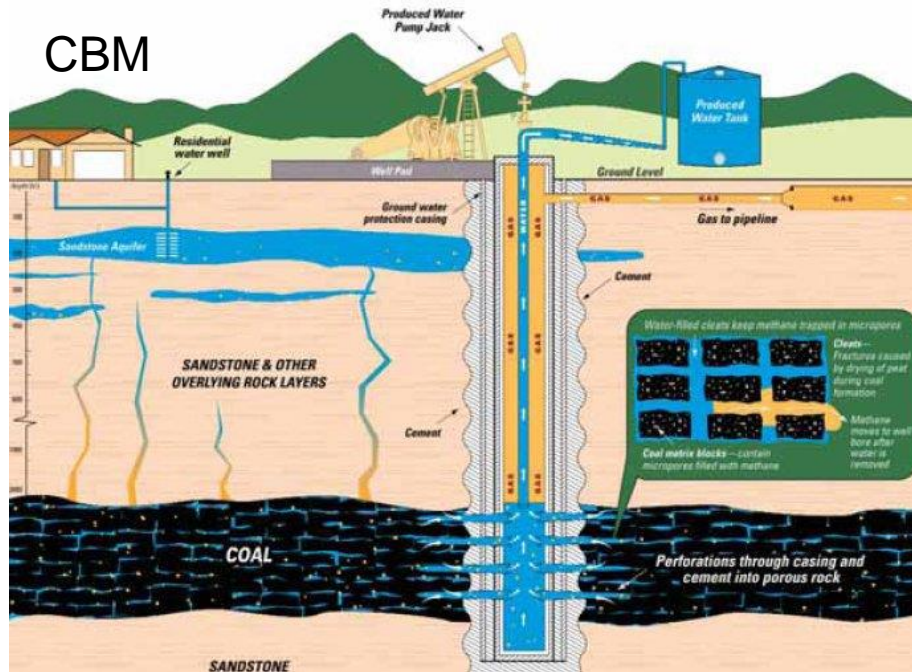
- Exploration and exploitation
- Underground coal mining
- Coal infrastructure (stock pile, blending facilities, coal terminal, transportation)
- G & G Survey

Value added and environment

- Smelter & Refinery
- Coal Upgrading
- Coal liquefaction
- Coal gasification
- Clean Coal Technology



CBM



ROLE OF MINING IN THE MASTER PLAN OF ACCELERATION AND EXTENTION OF INDONESIA ECONOMIC DEVELOPMENT

MINING ACTIVITIES

- Exploration and Exploitation
- Mining Facilities
- Smelter
- Coal Processing Facilities (Gasification and Upgrading etc)

INFRASTRUCTURE

- Road
- Railway
- Port

ELECTRICITY

- Coal Based Power Plant
- Mine Mouth Coal Based Power Plant
- Renewable Energy Power Plant

OTHER INDUSTRY

- Steel Industry
- Cement Industry
- Pulp & Paper

Closing Remarks

1. Indonesia still rely on the availability of coal for energy supply due to its massive reserve compared to other fossil energy reserves.
2. The targeted energy mix to the year of 2025 shows that coal is very significant in national energy supply both as primary energy in electric power generation as well as in various other industries.
3. Implementation of new coal technology will contribute to both added value and the global climate issues by minimizing the harmful effect to the environment through clean coal technology.
4. The foreign investment is one of the crucial factors for developing mining industry. There is a need to increase international cooperation to develop mining investment, technology and manpower development.
5. International cooperation including research and development collaboration and technology transfer will accelarate the drivers of Indonesian coal industry.



Thank you

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