ISSN 2087-3670
9 772087 367062
Rp 75.000 | USD 9

coal & minerals asia

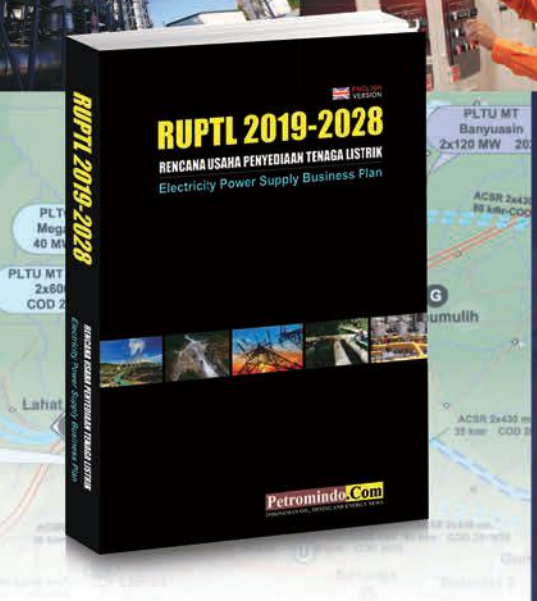
VOLUME 116 | JULY 29 - AUGUST 29, 2020
Petromindo.Com

MORE PRODUCTION CUT NEEDED

MARKET IMBALANCE REMAINS

Pandu P Sjahrir, Chairman of Indonesia Coal Mining Association (ICMA)

Juga Tersedia Edisi Bahasa Indonesia



English Version

Indonesia's Electricity Power Supply Business Plan 2019-2028

DESCRIPTION

The Ministry of Energy and Mineral Resources (ESDM) has recently issued Ministerial Decree No. 39 K/20/MEM/2019 on the Legalization of Business Plan of PT PLN (Persero) on Rencana Usaha Penyediaan Tenaga Listrik or RUPTL for 2019-2028, to guide PLN in developing national power infrastructure.

The RUPTL is based on detailed calculations of electricity demand and the subsequent transmission and distribution requirements during the period. The proposed new RUPTL will adopt economic growth assumption at 6.45% with electricity demand projected by an average of 6.42% per year. During the period the sector is anticipated to build a total of 56.4 GW of power generations; 57,293 km of transmission network with a total of 124,341 MVA of station transformers; 472,795 km of medium-to-low voltage lines; and a total of 33,730 MVA of substation transformers.

This publication is aimed at disseminating information regarding PLN's electricity RUPTL 2019-2028 to international community, who need to know them in English as well as for investors wishing to get involved in Indonesian electricity projects.

Book Specification

Format	: Softcover
Size	: A4 (210 X 297 Mm)
Pages	: 700 (approx.)
Printing	: Full Color
Price	: Rp 5,750,000 (English)
	Rp 2,750,000 (Indonesian)
Release	: March 2019
Code	: RUP03H

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Indonesia | English

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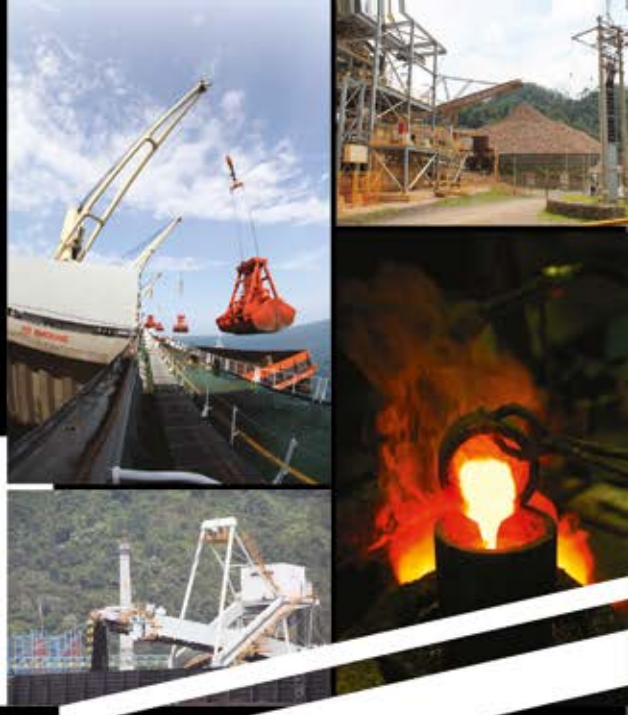

LAW NO. 3 OF 2020
REGARDING
AMENDMENT OF LAW NO. 4 OF 2009 REGARDING MINERAL AND COAL MINING

President Joko Widodo has recently enacted the long-awaited new mining law, which is an amendment to Law No. 4 of 2009 regarding Mineral and Coal Mining, introducing significant changes to the mining sector and how the players operate in Indonesia.

Key points in the new Law No. 3 of 2020 regarding Amendment of Law No. 4 of 2009 Regarding Mineral and Coal Mining include: centralizing permit issuance, nationalizing resources, profit sharing with local administrations, guarantee on continued operations of Coal Contract of Work/PKP2B, expanding mining reserves, and developing downstream industries. This new law has been in force since June 10, 2020.

This publication is aimed at disseminating information regarding the new law to the international community, who needs to know them in English as well as for investors wishing to get involved in Indonesian energy and mining related industries. The narrative is presented in dual language with Bahasa Indonesia and English versions appearing side-by-side on each page.

Specifications :
Law No. 3 Of 2020

Format : Softcover
Size : A4 (210 x 297 mm)
Pages : 130 (approx.)
Printing : Black & White
Price : Rp 2,000,000
Release : June 2020
Code : MLB01H

Specifications :
Law No. 4 Of 2009 Regarding Mineral And Coal Mining

Format : Hardcover
Size : A4 (210 x 297 mm)
Pages : 75 (approx.)
Printing : Black & White
Price : Rp 1,000,000

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Indonesian Coal Map Series 2019

As of August 2019, there were a total of 1,232 registered coal mining concessions (PKP2Bs and IUPs) throughout Indonesia, of which about 1,209 concessions are in production operation production stage, while the remaining 23 concessions are still in exploration stage, according to the Directorate General of Mineral and Coal at the Ministry of Energy and Mineral Resources.

Indonesian Regional and Provincial Coal Maps are a must-have for company/professional who's involved/ interested in coal related businesses in Indonesia. This full-colored map outlined on a A0+ glossy paper (260 gr) and laminated for durability.

KALIMANTAN COAL MAP

Format	: Wall map; Laminated
Size	: 1,704 x 1,212 mm (A0+)
Printing	: Full color
Packaging	: Rolled + Drawing Tube
Price	: US$500.00
Release	: October 2019
Code	: KCM07L

SUMATRA COAL MAP

Format	: Wall map; Laminated
Size	: 1,370 x 1,212 mm (A0+)
Printing	: Full color
Packaging	: Rolled + Drawing Tube
Price	: US$500.00
Release	: October 2019
Code	: SCM07L

INDONESIA COAL INDUSTRY MAP

Format	: Wall map; Laminated
Size	: 1,844 x 875 mm
Printing	: Full color
Packaging	: Rolled + Drawing Tube
Price	: US$300.00
Release	: October 2019
Code	: ICM07L

Also Available Provincial Coal Maps
East Kalimantan; South Kalimantan; Central Kalimantan; North Kalimantan; South Sumatra; Jambi; Riau; Bengkulu; West Sumatra

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FOCUS

More production cut needed

The combination of coal oversupply and weak demand during COVID-19 pandemic period has significantly brought down the coal prices in the global market. Given such condition, mining companies in Indonesia expect to cut production volume to at least manage supply-demand balance.

9th EDITION INDONESIAN COAL BOOK 2020/2021

IN OUR STORES NOW

Description

"Indonesian Coal Book 2020/2021", which is the ninth edition of the Indonesian Coal Book series, is the most comprehensive source of information on coal mining industry in Indonesia. It is an invaluable source of information on more than 300 coal mining companies operating in Indonesia, including maps of their locations, mining methods, production activities and coal specification and business plans. It also contains information about the existing common-user coal terminals, statistical data on the sector and directories of industry and government contacts.

This full color book provides a comprehensive and easy-to-use reference containing detailed and up-to-date information on Indonesian coal industry. This edition is definitely a must-buy reference book for not only business executives, prospective coal investors, players, but also research centers and consultants.

Content

- Profiles of more than 300 coal mining companies
- Profiles of services companies, Government, Provincial and Organization contacts
- Indonesian coal statistics: Coal Resources/Reserves; Production; Domestic Sales; Export;
- Updated list of PKP2Bs; coal IUPs 'clean and clear' (concession holder, location, area, status)

SPECIFICATION

Format	: Hardcover
Size	: A4 (210x297 mm)
Pages	: 500 - 600 (approximately)
Material	: Matt paper 60 gram
Printing	: Full color
Finishing	: Sewing + perfect binding
Release	: March 2020
Price	: US$200

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We welcome opinions articles from experts, executives on coal industry. The article, either in Indonesian or English, should be sent to **coalasia@petromindo.com** and has between 1,000 and 1,500 words.

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2nd INDONESIAN MINERALS BOOK 2019/2020

The mining industry has been one of the key sectors supporting Indonesia's economic growth for a number of years. The sector makes a significant contribution to Indonesian GDP, exports, government revenues, employment, and perhaps most importantly, the economic development of the remote regions where mining operations are located. The country has long been a major producer of minerals for international markets.

According to the Central Statistics Agency (BPS), the mining industry accounted for approximately 8% of Indonesia's Gross Domestic Product (GDP) in 2018 of Rp 14,837.4 trillion, with minerals and related products contributing 16.25% of the country's total exports of about US$180.22 billion.

"Indonesian Minerals Book 2019/2020" is the most comprehensive source of information on minerals mining industry in Indonesia. It is an invaluable source of information on minerals mining companies operating in Indonesia, including maps of their locations, mining methods, production activities, product specification and business plans. It also contains information about regulatory frame work in the industry, statistical data, and directories of industry and government contacts.

This full color book provides a comprehensive and easy-to-use reference containing detailed and up-to-date information on Indonesian minerals mining industry. This edition is definitely a must-buy reference book for not only business executives, prospective investors, players, but also research centers and consultants.

BOOK SPECIFICATION

Format	: Hardcover
Size	: A4 (210x297mm)
Pages	: 448
Printing	: Full Color
Finishing	: Sewing + perfect binding
Price	: US$200.00
Release	: June 2019
Code	: MB02H

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[PUBLISHER'S LETTER]

Coal production cut

The Indonesia Coal Mining Association (ICMA) estimates the country's coal production volume to reach around 480-500 million tons this year, or about 50 million tons production cut of the government's target of 550 million tons, in order to reach supply and demand balance in the global seaborne coal market and help stabilize coal price.

Based on ICMA's study, seaborne coal demand has dropped by 85 million tons from 980 million tons in January to 895 million tons in June 2020.

ICMA chairman, Pandu Sjahrir warned that the figure may drop deeper toward the end of the year if the COVID-19 pandemic lingers on.

Coal price has been under pressure since January of this year due to oversupply situation with diminishing demand in both domestic and export markets, including China and India – both of which are Indonesia's top coal export markets.

In terms of domestic consumption, the government has revised downward the domestic demand estimate for this year from initial target of 155 million tons to 145.6 million tons due to the COVID-19 pandemic, which has caused lower electricity consumption.

The government coal reference price (HBA) in June and July hovered at the level of US$50 per ton, close to the price level in 2016.

The government has set the country's coal production target this year at 550 million tons, lower than realized production in 2019 at 616.16 million tons. The official data of Ministry of Energy and Mineral Resources (MEMR) stated that the realized production as of June 24 was 257.38 million tons, or 46.80 percent of total target.

The government said that there are 30 coal mining companies which have proposed for upward revision in their coal output target as stated in the 2020 Budget and Work Plan (RKAB), while some major coal miners planning to maintain their initial coal output target this year.

IDX-listed energy company PT Adaro Energy Tbk is one of the major coal producers that anticipated a decline in production of around 10 percent compared to last year's achievement, or at the lower end of the company's 54-58 million tons production guidance. Adaro said that it would focus on maintaining healthy margins and continuity of supply to customers.

CoalAsia runs the coal supply and demand trend in the aftermath of COVID-19 as the main story.

CoalAsia Magazine and *Petromindo.com* also would jointly organize a series of webinars on mining-related issues, namely Indonesian nickel outlook on August 5 and ASEAN coal market outlook on August 13.

Happy reading

Adianto P. Simamora
Editor in Chief

Indonesia | English

Government Regulation No. 81/2019 regarding the Types and Tariffs of the Non-Tax State Revenues (PNBP) applicable to the Ministry of Energy and Mineral Resources

Peraturan Pemerintah No. 81 Tahun 2019 tentang Jenis dan Tarif atas Jenis Penerimaan Negara Bukan Pajak yang Berlaku pada Kementerian Energi dan Sumber Daya Mineral

New Release

In order to implement the 2018 Law No. 9 on Non-Tax State Revenue (PNBP), the Government has recently issued Government Regulation No. 81/2019 (PP 81) regarding the types and tariffs of PNBP applicable to the Ministry of Energy and Mineral Resources (Oil & Gas, Mineral and Coal, Electricity, New and Renewable Energy, Geological Agency, Human Resource Development Agency (BPSDM), and Research & Development Agency). This new regulation replaces Government Regulation No. 9/2012.

PNBP are all Government receipts received in the form of revenues from natural resources, service provided by the relevant government divisions or agencies and revenues from Public Service Agency (BLU).

This publication is aimed at disseminating information regarding the new regulation to international community, who need to know them in English as well as for investors wishing to get involved in Indonesian energy and mining related industries. The narrative is presented in dual language with Bahasa Indonesia and English versions appearing side-by-side on each page.

Specifications :

Format	: Softcover	Price	: Rp 2,500,000
Size	: A4 (210 x 297 mm)	Release	: Mid-January 2020
Pages	: 350 (approx.)	Code	: PNB01H
Printing	: Black & White		

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OPINION

By Singgih Widagdo *- Indonesian Coal Observer*

Boosting the coal added -Value, where to go?

Indonesia has experienced a long journey as a nation. The 75th birthday of the Republic of Indonesia is a great moment to assess the journey to develop the nation, including its mining industry. The theme of the nation's celebration for its 75th year of independence is just right, "*Indonesia Maju*" (Progressive Indonesia). Progress is symbolized by the equality and growth of the economy for the Indonesian people. The real progress of presenting the best results of the coal mining industry to all people of Indonesia is measured on how the country can accelerate the realization of PNT (the added-value enhancement). But so far, PNT is just a source of discourses and debates without meaningful results for the coal industry community.

Up to now, coal exports are still dominating the course of the industry, and they have taken some 75 percent of the total national production. It is even expected to continue like so for the next 10 years. This condition should be the source of evaluation in interpreting the theme of "Progressive Indonesia" in the coal mining sector. Enhancing the growth of domestic use, especially in terms of optimizing the role of coal as the country's energy, should be the prime goal of coal utilization. The commitment to continue the push towards the coal's added-value enhancement (PNT) as the only way to control and correct the course of the industry, as the government is entrapped in the uncontrollable growth of hundreds of coal mining business actors of various levels nationwide, from holders of the small-scale concessions under the Mining Business License (IUP), up to those owning Coal Contracts of Work (PKP2B).

However, setting the standard for the type of PNT coal to be the government's prime selection is not easy. In deciding the policies on PNT and in selecting the right PNT coal for their production, the government and the companies, respectively, have to go through various considerations on technicalities, calculations on investment and taxes, also the PNT out-market.

So, how can we establish adequate PNT policies in Indonesia as the government has a limited time to include PNT details in a Government Regulation (PP), as a subsidiary of Law No. 3 of 2020 that should be issued within the year?

Pushing PNT Establishment

The legal base of PNT establishment, based on Law No.3 of 2020 on Minerals and Coal (MINERBA), is very clear. Article 104 Paragraph 2 of the law affirms that holders of IUP (Mining Business License) and IUPK (Special Mining Business License) in Production Operation stage can work with other holders of IUP or IUPK in the same stage to develop or utilize their coal products, or they can work with other parties in the same coal utilization business. The up-grade of PKP2B (Coal Contract of Works) into IUPK special licenses is stipulated under Article 169 Paragraph 4 of the law. As the continuation of PKP2B contracts, holders of IUPK are required to conduct activities for domestic coal utilization.

The government clearly has an open mind and appreciates the business actors developing PNT projects. Article 47 (g) stipulates that coal mining with integrated activities for domestic coal development and utilization will be given a 10-year extension after every fulfillment of the requirements according to the laws and regulations. Various coal developments under the law include coal upgrading, coal briquetting, coking coal production, coal liquefaction, coal gasification (including the underground coal gasification), and coal slurry or coal water-mixture.

With various selection of PNT coals, it would be easier for the coal mining industry to choose the right PNT coal to suit their companies. The government, which has given their attention more to the industry in the upstream sector, would have to shift

their focus a bit to the downstream industry by strengthening the sector. This would be beneficial to improve the state revenue, and at the same time, optimize coal utilizations for the highest welfare of the people.

However, it is not easy to push completion of PNT projects in the midst of the coal mining industry already developed to the current state right now, as we must take into account hundreds of small-scale IUP (Mining Business License) business. The continuation of PKP2B projects require long-term decisions, let alone the ones involving the small-scale IUP concessions. PNT projects are reasonably left behind, except those involving briquette-type PNT as they use a much simpler technology compared to others within the PNT project selection.

The authority in charge of Energy and Mineral Resources (ESDM), in coordination with the local governments, should prepare for a detailed mapping on companies under IUP license in the Production Operation (IUP-OP), on the available infrastructure, on the .financial condition of companies owning the IUP-OP license to be able to attract investment in PNT projects. Enforcing PNT development without consideration of the individual condition of coal mining companies would certainly lead into failure. The government will not be able to accelerate the implementation of PNT programs in the coal mining industry.

Coal exports are expected to decline instead of growing stronger over the years. The ESDM authority has experienced that they finally had to decide to limit the national coal production to 550 million tons in 2020, based on RKAB (the Work and Budget Plan) that could totally reach 700 million tons. That should be the lesson learned on how the management of the total national coal production should be integrated with the PNT (the added-value enhancement) planning, to be projected by the government for future goals.

With the current condition of the coal mining industry, the government still has to do a lot of work related to mapping the business in terms of their mining scales, production, coal qualities, infrastructure, and absorbency of the PNT products. Besides that, the ESDM authority has to provide various incentive policies to expedite the implementation of PNT programs,

which should be first discussed between the ESDM and the Finance Ministries.

We have to admit that the government (ESDM) still has to complete a lot of work to accelerate the implementation of PNT programs. They are not merely the domain of the ESDM Ministry. They involve cross ministries, especially the Ministry of Finance and the Ministry of Industries. Various regulations related to the coal price, coal royalties for various PNT projects, fiscal incentives (tax holiday and tax allowance), market security on PNT absorbency should be clarified, confirmed, and regulated by the government before they can be used as the bases of business calculations of the mining business actors. Without considering all PNT-related parameters, the implementation would be a failure in the national-scale.

Evaluation of PKP2B Contracts

In line with Law No.3 of 2020, the up-grade of PKP2B (Coal Contract of Work) into IUPK (Special Mining Business License) is not automatically done. Contract holders have to pass strict requirements. The track record on company performance in the course of their operation, potential state revenue, as well as proposal of the company holding PKP2B contract on suitable PNT projects for them would be evaluated to be recorded and then approved by the government. Meanwhile, the government should confirm that they would be committed to ensure the evaluation's transparency, accountability, as well as independency.

So far, not many PKP2B companies have PNT projects in commercial operation. PT Megah Energi Khatulistiwa (MEK) could be the pioneer in coal mining industry in Indonesia, for having a PNT program, apart from the briquette projects already established by other mining companies. The derivative products of coal tar and coal gas of MEK projects can be maximized into semi-coke products. MEK's US$ 81 million investment and the 1 million tons of coal input can produce approximately 600,000 tons of semi-cokes, 30 MW electricity power capacity, and 50,000 tons of tar/MFO per year. MEK's accomplishment in building the PNT projects since 2017, in fact, was initially an "enforced" project that they had to do, because they produce very low-quality coal, which cannot be mined and then directly sold to the end users. But this condition has become the challenge for the corporation to take positive steps and continue to work together on PNT projects with the contractors, namely, Metallurgical Corporation of China Ltd. (MCC), and PT. Sinocost Construction Indonesia.

Such "forced condition" has happened, not only on the corporate level, but also on the state level. Due to the embargo, the South African government was forced to continue their projects on synfuels (synthetic fuels). Since the 1920s, South African scientists have seriously studied utilization of coal as synthetic liquid fuel. They even did coal commissioning (Sasol 1 project) to produce synfuel back in 1954. They have continued to move forward with Sasol 2 Project in 1980, and Sasol 3 Project in 1982.

On the other hand, out of seven PKP2B contracts expiring later this year up to the next six years, no new PNT projects are built. We have to acknowledge the fact that this is not the contract owners' fault. So far, the government has their priority on increasing the state revenue through coal exports. Besides that, all seven companies with PKP2B contracts produce coal with qualities suitable for direct use of domestic coal-fueled power plants, and for various export markets abroad. Observing the synfuel projects in South Africa, we know that pioneering industries should not be placed on the hands of people on the corporate level. The government should be in charge from the start to clear the way and build the initial PNT coal projects.

Out of seven PKP2B companies, PT Arutmin and PT Kaltim Prima Coal (KPC) are confirmed to submit initial proposals to upgrade their contracts into IUPK (Special Mining Business License). Bumi Resources Group, their holding company, has decided to do PNT gasification to produce methanol, and work with ITHACA and Air Product for the project. This is their choice of PNT project to pass the requirements to be able to continue their coal mining business in the future. With the total investment reaching US$ 2 billion, the gasification project is expected to use 5 to 6.5 million tons of coal per year. Considering the licenses of two subsidiary companies of Bumi Resources expiring later this year and in 2021, proposals on their PNT projects should be already submitted to the government to be immediately assessed and evaluated, so they can obtain their IUPK special licenses.

The remaining five companies under PKP2B contracts have their own reasons on when they are going to submit their licensing paperwork, including their choices of PNT projects, to the government. For PT Arutmin, it would be too late to submit any proposal if they wait for the issuance of the government regulation (PP). But for the other companies, it would be worthwhile to wait for the effective issuance of the subsidiary regulation, including a specific PP on detailed elaboration on

CA | Boim

PNT projects, before they submit their proposals on IUPK license extensions.

Based on various assessments for the upgrade of PKP2B contracts into IUPK licenses, deciding on PNT programs would not be easy for the companies under PKP2B contracts. The amount of investment, choice of partners, and other technicality problems become the parameters carefully weighed. PNT programs become new projects to be entirely or partly owned by the companies under the IUPK licenses, while PNT projects are not entirely related to the science and coal mining industry. So far, the proposed PNT projects lean more on the chemical industry. And these facts should be carefully considered and accurately calculated by the companies under PKP2B contracts, before they decide on certain PNT models as the pre-requisite for the issuance of their IUPK licenses.

For PKP2B companies producing qualified coal that can be directly absorbed into the export markets, establishing PNT programs is certainly not in their list of short-term and immediate priorities. From the start, PNT programs are meant to create commercial values for low-quality coal, optimize utilization of coal reserves not saleable in the domestic and export markets, and eventually boost the growth of other industries that have capabilities to generate more state revenues and employment.

Similarly, the amount of production to be approved by the government during the term of the IUPK license is also considered in deciding the PNT project. Projection on declining growth of the export markets, policy on limitation of the total national coal production set forth in RUEN (the General Planning on National Energy) should be the prime calculations of the PKP2B companies before they extend their license to IUPK. PNT can become separate projects, except if the mining companies are merely interested in the coal supply to PNT projects.

Closing

On the whole, the worst problem the government has to deal with related to coal mining industry and their management and control over the national production is that the law guarantees that holders of IUP (Mining Business License) for Exploration Operation will automatically obtain their IUP for Production Operation (IUP-OP). Endorsing PNT projects to shift the export volume to fill in the domestic demand will not solve the problem as it would not be comparable to the growth of national production.

We have the assumption that DME and Methanol projects of PT Bukit Asam only consume some 13.5 million tons of coal per year. That amount would be far below the production cut down required by the government managing the total national coal production. However, we have to appreciate the government for their continued efforts to work on successful PNT programs. The government's team on PNT Road Map with a number of task-forces on various fields should be supported by all parties, including business actors of the mining industry.

Finally, selected PNT projects should be worth fighting for, and the companies selecting them should be given the chance to make it work as they have gone through complicated calculations on coal production, amount of investment, technicalities, labor, and PNT coal markets. C

OPINION

By Bill Sullivan
Christian Teo & Partners (in asscociation with Stephenson Harwood LLP)

Renewable energy – Some progress but key requirement still missing[1][2][3][4]

Introduction

Indonesia has made some recent progress in promoting the development of renewable energy as a viable alternative to coal.

The key requirement for large scale renewable energy development in Indonesia, however, is still missing. Unless and until there is a commercial tariff for the State Electricity Company's purchase of electricity generated from renewable energy, Indonesia can never realistically expect to achieve its potential as a leader in renewable energy development.

In this article, the writer will review the recent progress that has been made in promoting the development of Indonesia's renewable energy resources before turning to the importance of and the prospects for a commercial tariff to move that development to the next level.

Background

1. Renewable Energy Potential

Much has been said and written about Indonesia's potentially vast renewable energy resources including solar power, wind power, hydro power, biomass power, biogas power, city waste power, geothermal power and tidal power (together, "Renewable Energy Resources").

The Ministry of Energy & Mineral Resources ("ESDM") has estimated that Indonesia has Renewable Energy Resources equivalent to (i) 28.5 GW from geothermal, (ii) 75 GW from hydro, (iii) 32 GW from biofuel and (iv) 207 GW from solar and (v) 60 GW from wind. Yet, Indonesia has only managed to utilize a tiny fraction of its Renewable Energy Resources to date

Indonesia's extremely modest utilization of its Renewable Energy Resources is despite the fact the country now has a reasonably comprehensive policy and regulatory framework in place for the development of its Renewable Energy Resources. This policy and regulatory framework includes:

a. Government Regulation 79 of 2014 re National Energy Policy ("NEP") ("GR 79/2014") which sets out Indonesia's NEP being:
   i. energy independence;
   ii. energy security;
   iii. achieved through the application of equitable, sustainable and environmentally sound practices;
   iv. for the maximum benefit of the people;
   v. not later than 2050; and
   vi. in a manner that favors domestic companies;

b. Presidential Regulation No. 22 of 2017 re National Energy General Plan ("NEGP") ("PR 22/2017") which:
   i. has been issued as an implementing regulation of GR 79/2014 in order to achieve NEP objectives;
   ii. serves as the guideline for Provincial/ Regional Governments in drafting their own Regional Energy General Plans;
   iii. provides for the renewable energy utilization targets of:
      - >23% by 2025; and
      - >31% by 2050;
   iv. is effective until 2050; and
   v. may be amended every 5 years;

c. Minister of Energy & Mineral Resources ("MoEMR") Decision No. 143K/20/MEM/2019 re NEGP

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2. *Bill Sullivan is the author of "Mining Law & Regulatory Practice in Indonesia – A Primary Reference Source" (Wiley, New York & Singapore 2013), the first internationally published, comprehensive book on Indonesia's 2009 Mining Law and its implementing regulations.*
3.
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for Years 2019 to 2038 which details:

i. national electricity policy;
ii. development plan for electricity supply;
iii. current and projected electricity demand/supply; and
iv. required capital investment in electricity supply to meet current and projected demand;

d. Presidential Regulation No. 4 of 2016 re Electricity Infrastructure Acceleration, which stipulates that (i) electricity infrastructure must prioritize the utilization of Renewable Energy Resources and (ii) regional governments may provide incentives and required permits as well as determine the purchase price of the electricity to be used in their administrative areas;
e. Presidential Regulation No. 66 of 2018 re Second Amendment of Presidential Regulation No. 61 Year 2015 re the Collection and Utilization of Oil Palm Plantation Funds, which mandates the use of biodiesel;
f. MoEMR Regulation No. 49 of 2017 re Main Provisions of Power Purchase Agreements ("PPAs");
g. MoEMR Regulation No. 50 of 2017 re Replacement of MoEMR Regulation No. 12 of 2017 re Utilization of Renewable Energy Resources for Procurement of Electricity ("MoEMRR 50/2017");
h. MoEMRR Regulation No. 53 of 2018 re First Amendment to MoEMRR 50/2017; and
i. MoEMRR No. 4 of 2020 re Second Amendment to MoEMRR 50/2017 ("MoEMRR 4/2020").

2. Constraints on Renewable Energy Resource Development

Numerous reasons can be advanced for why Indonesia has made only very modest progress, to date, in developing and utilizing its Renewable Energy Resources. Some of these reasons include:

a. the existing pricing structure or tariff for electricity generated from Renewable Energy Resources is not commercial;
b. the previous requirement to transfer, with no compensation payable, ownership of plants generating electricity from Renewable Energy Resources ("RE Power Plants") to the State Electricity Company ("PLN") at the end of the term of the relevant power purchase agreement (otherwise known as "build own, operate and transfer" or "BOOT")

("BOOT Requirement").

c. the licensing system for RE Power Plants is overly complicated;
d. there are unresolved spatial planning issues in building RE Power Plants;
e. there are few incentives for the development and utilization of Renewable Energy Resources by independent power producers ("IPPs");
f. the Government still provides subsidies for electricity generated from coal in the form of the domestic market coal supply obligation and a maximum selling price for coal supplied to PLN for electricity generating purposes;
g. depending upon the particular Renewable Energy Resource, the development and utilization of the same can require expensive technology; and
h. there is insufficient financing available for RE Power Plants due to the often poor economics of RE Power Plants.

Although each of the above identified reasons has contributed to the relative lack of progress in developing and utilizing Indonesia's Renewable Energy Resources, it is unquestionably the absence of a commercial pricing structure or tariff for electricity generated from Renewable Energy Resources that is the most significant problem ("NC Tariff Problem").

The history of the NC Tariff Problem is long and complicated. The NC Tariff Problem, however, has its origins in the following two principles which presently determine the price PLN pays for electricity generated from Renewable Energy Resources:

a. where the base cost of electricity production in a particular region of Indonesia only (otherwise commonly known as the "local grid price") ("Regional BPP") is higher than the average base cost of electricity production across all regions of Indonesia ("National BPP"), the maximum electricity purchase price payable by PLN will be 85% or 100% of Regional BPP depending upon the particular Renewable Energy Resource; and
b. where Regional BPP is not more than National BPP, the electricity purchase price payable by PLN shall be directly negotiated and agreed between PLN and the relevant IPP (together, "BPP Pricing Strategy").

Readers interested in knowing more about the BPP Pricing Strategy, its history and why it is such an obstacle to the development of Indonesia's Renewable Energy Resources are referred to the writer's previous articles on this subject being (i) "Encouraging the Use of Coal Alternatives – New BPP Pricing Strategy ", *CoalAsia* Magazine March - April 2017, *Petromindo* and (ii) "Rethinking the Use of Coal Alternatives – Changes to Renewable Energy Regulation", *CoalAsia* Magazine October – November 2017, *Petromindo*.

Analysis and discussion

1. Signs of Progress

The Government has recently shown a willingness to be more proactive in encouraging the development and utilization of Indonesia's Renewable Energy Resources. This has led to serious consideration by ESDM of a variety of initiatives/proposals including to:

a. establish an independent business entity to develop and utilize Renewable Energy Resources and/or buy electricity from RE Power Plants;
b. draft guidelines on subsidization of energy including Renewable Energy Resources;
c. appoint a financial institution to be responsible for financing projects to develop and utilize Renewable Energy Resources;
d. adopt/implement a so-called "feed in tariff" for electricity generated from Renewable Energy Resources;
e. allocate a budget for the construction of infrastructure required for the development; and utilization of Renewable Energy Resources; and
f. develop a small-scale electric power system based on the use of electricity generated from Renewable Energy Resources in order to ensure power supply in remote areas.

Indonesia also has a newly appointed acting Director General of Minerals & Coal, Mr. Rida Mulyana, who has a reputation for both being capable and very much in favour of the expedited development and utilization of the country's Renewable Energy Resources as evidenced by his performance in his previous position as Director General of Electricity.

While the long promised feed-in tariff and most of the other proposals outlined above have yet to become a reality, the issuance of MoEMRR 4/2020 has been an important and recent step forward in encouraging the development and utilization of Indonesia's Renewable Energy Resources.

MoEMRR 4/2020 came into force on 26 February 2020.

2. Major Changes Introduced by MoEMRR 4/2020

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2.1 Greater Use of IPP Direct Appointment: PLN is now allowed to purchase electricity, generated from Renewable Energy Resources, on the basis of direct appointment rather than direct selection (i.e., tender) in the following situations:

a. the local electricity system is in a critical or emergency condition;
b. there is excess electricity available in a particular business area, which excess electricity may be purchased by various means including through cooperation with the business area IPP;
c. it is desirable/necessary to increase the capacity of an existing RE Power Plant operating in a particular business area; and/or
d. there is only one IPP operating a RE Power Plant in a particular business area (Article 4(1)(a) of MoEMRR 4/2020).

Direct appointments must be completed within 90 days compared to 180 days for direct selection (Article 4(1)(c) of MoEMRR 4/2020).

Direct appointment is generally more cost and time efficient, from the perspective of IPPs, than is direct selection. As such, the greater use of direct appointment, in the case of the purchase of electricity generated from Renewable Energy Resources, makes it more attractive for IPPs to invest in RE Power Plants.

2.2 Extension of PLN Must Run Obligation: The previous 10MW cap on RE Power Plants that PLN is obliged to ensure the continuous operation of on a "must run" basis has been dropped (Article 4(3) of MoEMRR 4/2020. As a consequence and assuming the "must run" obligation is to be interpreted and applied literally, PLN is now under an obligation to ensure the continuous operation of all RE Power Plants.

Considerable caution is probably warranted, however, in trying to understand the true scope of PLN's newly extended "must run" obligation. First, there is no detail provided as to just what PLN must do in order to ensure the continuous operation of all RE Power Plants. Second, no penalties or sanctions are imposed on PLN if, for whatever reason, it is not willing or able to ensure the continuous operation of some RE Power Plants. As such, the extended "must run" obligation should perhaps be seen as more of a statement of principle and as evidence of commitment, in theory, to support existing RE Power Plants rather than as an obligation imposed on PLN

to take particular actions such as purchasing all the electricity produced by RE Power Plants regardless of cost and need.

2.3 Expansion of PLN Purchase Obligation: PLN's obligation to purchase electricity generated by those RE Power Plants utilizing solar or wind was previously subject to 3 conditions being (i) the local grid system is able to connect to RE Power Plants generating electricity from solar or wind energy sources, (ii) the purchase of electricity originating from solar or wind energy sources is intended to reduce Regional BPP and/or (iii) the purchase of electricity originating from solar or wind energy sources helps meet electricity demand in locations where there are no other primary energy sources. Conditions (ii) and (iii) have now been removed such that the only remaining pre-condition to PLN's obligation to purchase electricity generated by RE Power Plants utilizing solar or wind is that the local grid system is able to connect to RE Power Plants generating electricity from solar or wind energy sources as the case may be (Article 5(1) of MoEMRR 4/2020).

Reducing the number of pre-conditions to PLN's obligation to purchase electricity generated by RE Power Plants utilizing solar or wind clearly has the potential to assist in promoting the use of electricity generated by RE Power Plants utilizing solar or wind by making it more difficult for PLN to take the position that it is not obliged to purchase such electricity.

It is notable, however, that no penalties or sanctions are imposed on PLN if it does not, for whatever reason, purchase electricity generated by RE Power Plants utilizing solar or wind and even though the local grid system is able to connect to RE Power Plants generating electricity from solar or wind energy sources. Accordingly, it must be questioned how effective, in practice, this change will be in promoting the use of solar and wind.

2.4 Scrapping of BOOT Requirement: IPPs are no longer required to transfer, without compensation, ownership of their RE Power Plants to PLN at the end of the term of the relevant PPA (Article 5(6), 6(6), 7(8), 8(6), 9(6), 11(6), 12(5), 12(a)(4) of MoEMRR 4/2020). This applies to all IPPs regardless of what Renewable Energy Resource is used by a particular RE Power Plant.

The scrapping of the BOOT Requirement improves the potential return on investment for RE Power Plants by creating the prospect of longer commercial operating periods. This makes it more attractive for IPPs to invest in RE Power Plants. The scrapping of the BOOT Requirement should also make it easier to obtain third party financing for RE Power Plants as prospective lenders can look forward to longer revenue streams being available to IPPs for the purpose of servicing and repaying their loans.

2.5 Recognition of New Renewable Energy Resource: Hydro power generated by water in dams or reservoirs, constructed for multiple purposes, has been recognized as a new Renewable Energy Resource for the first time and separate from the long recognized Renewable Energy Resource of hydro power generated by rivers, streams and waterfalls (Article 7(2) of MoEMRR 4/2020).

The belated recognition of hydro power, generated by water in dams or reservoirs, as an independent Renewable Energy Resource makes it possible to "tailor" the regulatory environment in a way that recognizes and addresses the particular issues faced by IPPs wanting to develop and utilize this form of hydro power but not necessarily by IPPs wanting to develop and utilize hydro power generated by rivers, streams and waterfalls. If handled correctly, the possibility of a more "tailored" regulatory environment should encourage greater investment in RE Power Plants relying upon hydro power in either form.

2.6 Clarification of Electricity Purchase Requirement for City Waste Energy: The circumstances in which and the conditions under which PLN is obliged to purchase electricity generated by RE Power Plants utilizing city waste energy have been clarified. Previously, PLN was simply obliged to purchase electricity generated by RE Power Plants utilizing city waste energy "in accordance with the prevailing laws and regulations". MoEMRR 4/2020 now, however, provides that PLN's purchase of electricity generated by RE Power Plants utilizing city waste energy shall be the subject of an assignment from MoEMR to PLN to purchase power from IPPs which been approved/appointed as city waste energy developers by local governments in accordance with relevant laws and regulations

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(Article 10(3) of MoEMRR 4/2020).

MoEMR's assignment to PLN amounts to (i) a direct appointment of the relevant city waste energy developer/IPP and (ii) approval of the electricity purchase price payable by PLN to the relevant city waste energy developer/IPP (Article 10(3)(a) of MoEMRR 4/2020).

Given the amount of waste generated by Indonesia's cities and the consequent importance of making the best possible use of the energy potential represented by this waste, clarifying the rules related to the purchase of electricity generated by RE Power Plants utilizing city waste energy is a positive development. Without this clarification, IPPs would be unlikely to take seriously the potential business opportunity represented by city waste energy.

2.7 Introduction of Timeline for MoEMR Electricity Purchase Price Approval: Where (i) Regional BPP is less than or equal to National BPP and (ii) the purchase price for electricity generated by RE Power Plants has to be agreed between the relevant IPP and PLN before being submitted to MoEMR for approval. MoEMR is now obliged to approve/not approve the agreed electricity purchase price within a maximum of 5 days of the agreed price being submitted to MoEMR (Article 14(2) of MoEMRR 4/2020).

The inclusion of a timetable for MoEMR approval is of some benefit in reducing the previous risk of an indefinite delay between (i) a PPA being concluded between an IPP and PLN and (ii) MoEMR giving its approving/refusing approval of the agreed price. This previous uncertainty may have discouraged prospective IPPs from investing in RE Power Plants on the basis that the development and utilization of Renewable Energy Resources was simply "too hard" and, therefore, should be avoided in favor of more certain investment opportunities.

It is important to note, however, that there is no consequence of or penalty if MoEMR, in fact, does not approve/withhold his approval of the agreed electricity price within 5 days. More particularly, MoEMRR 4/2020 does not provide that the agreed electricity purchase price is automatically approved if there is no decision forthcoming from MoEMR within 5 days. As such, the practical effectiveness of the newly introduced timeline must be questioned.

2.8 Improved Supervision: PLN must forward to MoEMR (i) a copy of each PPA signed by it with an IPP and (ii) within 5 days of the signing taking place (Article 18(a)(2) of MoEMRR 4/2020).

IPPs must now report (i) to MoEMR, (ii) the implementation progress of the construction of RE Power Plants, (iii) every 3 months from the date of signing of the relevant PPA until the date of commencement of commercial operation, (iv) with a copy of each report being sent to the Director-General of New and Renewable Energy and Energy Conservation, the Director-General of Electricity and the Board of Directors of PLN and (v) through an online system or, if the online system is not available, manually in writing (Article 18(a)(3) of MoEMRR 4/2020).

Increased supervision by MoEMR of PLN's dealings with IPPs and the construction progress of RE Power Plants is to be welcomed given PLN's historical reluctance to prioritize the development and utilization of Renewable Energy Resources. The effectiveness of this increased supervision will, of course, depend very much upon how seriously this increased supervisory role is taken by MoEMR.

2.9 Updating BPP Pricing Strategy: The BPP Pricing Strategy has been updated to reflect the other changes introduced by MoEMRR 4/2020.

The current BPP Pricing Strategy, post the issuance of MoEMRR 4/2020, may be summarized as follows:

Renewable Energy Resource	PLN Electricity Purchase Price	
	Regional BPP > National BPP	Regional BPP ≤ National BPP
Solar (PLTS Photovoltaic)	Maximum 85% x Regional BPP	Determined based on agreement between IPP and PLN as subsequently approved by MoEMR.
Wind (PLTB)	Maximum 85% x Regional BPP	Determined based on agreement between IPP and PLN as subsequently approved by MoEMR
Hydro (PLTA)	Maximum 100% x Regional BPP (i.e., equal to Regional BPP)	Sumatra, Java, Bali and any other area where Regional BPP is not more than National BPP - determined based on agreement between IPP and PLN as subsequently approved by MoEMR
Hydropower from dams/reservoirs	Determined based on agreement between IPP and PLN as subsequently approved by MoEMR	Determined based on agreement between IPP and PLN as subsequently approved by MoEMR
Biomass (PLTBm)	Maximum 85% x Regional BPP	Determined based on agreement between IPP and PLN as subsequently approved by MoEMR
Biogas (PLTBg)	Maximum 85% x Regional BPP	Determined based on agreement between IPP and PLN as subsequently approved by MoEMR
City Waste (PLTSa)	Maximum 100% x Regional BPP (i.e., equal to Regional BPP)	Sumatra, Java, Bali and any other area where Regional BPP is not more than National BPP - Determined based on agreement between IPP and PLN as subsequently approved by MoEMR
Geothermal (PLTP)	Maximum 100% x Regional BPP (i.e., equal to Regional BPP)	Sumatra, Java, Bali and any other area where Regional BPP is not more than National BPP - Determined based on agreement between IPP and PLN as subsequently approved by MoEMR
Tidal (Ocean PLTA)	Maximum 85% x Regional BPP	Determined based on agreement between IPP and PLN as subsequently approved by MoEMR
Liquid Biofuel (PLT BBN)	Determined based on agreement between IPP and PLN as subsequently approved by MoEMR	Determined based on agreement between IPP and PLN as subsequently approved by MoEMR

IPPs, contemplating the possibility of investing in RE Power Plants utilizing solar, wind, biomass, biogas or tidal power and where Regional BPP is greater than National BPP, are still subject to a maximum electricity purchase price of 85% of Regional BPP. This has not changed since 2017 when MoEMRR 50/2017 was issued. It must be assumed that IPPs, looking at the possibility of investing in RE Power Plants utilizing these types of Renewable Energy Resources, will lack adequate incentives to do so in any region where Regional BPP is greater than National BPP.

In the case of IPPs, contemplating the possibility of investing in RE Power Plants utilizing hydro power from dams/reservoirs or liquid biofuel and where Regional BPP is greater than National BPP, the prospect of an open-ended negotiation of the electricity purchase price with PLN is a "two-edged sword" at best. While the absence of any specified maximum purchase price might imply a high degree of discretion and flexibility on the part of PLN as to what electricity price it can agree to, it also creates great uncertainty for IPPs, looking at the possibility of investing in RE Power Plants utilizing these types of Renewable Energy Resources, as to what electricity price PLN may ultimately be willing to accept. It also seems reasonable to assume that PLN will never agree to an electricity price, in the case of these types of Renewable Energy Resources, that is higher than Regional BPP. Accordingly, the negotiation risk faced by IPPs, contemplating the possibility of investing in RE Power Plants utilizing these types of Renewable Energy Resources, is very arguably "all on the downside".

IPPs, contemplating the possibility of investing in RE Power Plants utilizing hydro (PLTA), city waste eenrgy or geothermal and where Regional BPP is greater than National BPP, are certainly better treated, in terms of electricity pricing, than IPPs contemplating the possibility of investing in RE Power Plants utilizing other Renewable Energy Resources. However, there is still no assurance that an electricity price equal to a maximum of 100% X Regional BPP will necessarily provide adequate incentives to develop RE Power Plants utilizing hydro (PLTA), city waste energy or geothermal. This is because the relevant Regional BPP will have been determined on the basis of a local grid price that, to a very large degree, reflects the cost of electricity generated by coal fired power plants as the dominant energy source in most regions of Indonesia. The relationship

between the cost of electricity generated by coal fired power plants and the cost of electricity generated by power plants utilizing Renewable Energy Resources is tenuous at best.

Having regard to the foregoing, MoEMRR 4/2020 has done very little to overcome the long standing problem created by the BPP Pricing Strategy in terms of not providing an electricity pricing structure that properly reflects the costs of constructing/operating RE Power Plants and otherwise generating electricity from Renewable Energy Resources.

3. Prospects for Long Promised Feed-in Tariff

A new regulation, setting out a much improved and more commercial tariff for electricity generated from Renewable Energy Resources has been promised since 2019 and various drafts of the same have been circulated. It seems, however, that the fate of the promised new regulation is inexorably tied to the state of the Indonesian economy, the state of the Government's fiscal position and the state of PLN's finances, all of which have only gone from bad to worse in 2020.

The Covid 19 induced economic crisis now facing Indonesia, together with the associated fiscal crisis now facing the Government, may well mean that the long promised regulation providing for a commercial feed-in tariff, for electricity generated by RE Power Plants, does not become reality any time soon.

Requiring PLN to pay commercial tariffs for electricity generated by RE Power Plants would inevitably mean that PLN (i) needs more financial support, rather than less financial support, from the Government and (ii) is less able to provide heavily subsidized electricity to vulnerable households and businesses.

At a time when the Government is focused on getting financial assistance to the newly unemployed and disadvantaged as a result of Covid-19, it would be understandable (albeit shortsighted) if the Government was to see promoting the greater development and utilization of Indonesia's Renewable Energy Resources as a lesser priority to be revisited once the current economic and fiscal crises are overcome.

The risk of social unrest is also never far away in Indonesia. Accordingly, while the Government unquestionably recognizes the importance of promoting the development and utilization of Indonesia's Renewable Energy Resources, it can scarcely be doubted that avoiding social unrest is a much bigger priority for the Government at this time. Providing generous financial assistance and continued, heavily subsidized electricity to vulnerable households and businesses is a well established approach, in Indonesia, to "keeping the lid on" social unrest.

Summary and conclusions

MoEMRR 4/2020 has introduced important changes to the regulatory environment for electricity gerated by RE Power Plants. These changes go some way to making it more attractive for IPPs to invest in RE Power Plants and otherwise encourage the greater development and utilization of Indonesia's Renewable Energy Resources.

MoEMRR 4/2020, however, has done little if anything to overcome the long standing weaknesses of the BPP Pricing Strategy in terms of the inadequate financial incentives it provides to build RE Power Plants and otherwise develop and utilize Indonesia's Renewable Energy Resources.

The long promised regulation, introducing a commercial feed-in tariff for electricity generated by RE Power Plants, is needed more than ever if Indonesia is to realize its full potential in terms of the development and utilization of its Renewable Energy Resources.

The interlinked economic, financial and fiscal crises rapidly unfolding in Indonesia, however, probably mean that a commercial feed-in tariff, for electricity generated by RE Power Plants, is something for the future only and is not likely to "see the light of day" in 2020 and, possibly, not even in 2021. C

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PT-FI delivers higher copper sales, lower gold sales

By **Romel S. Gurky**

Gold and copper giant PT Freeport Indonesia (PT-FI) saw consolidated copper sales of 172 million pounds in the second quarter of this year, higher than 151 million pounds in the corresponding period of last year.

US-based Freeport McMoRan Inc said in a statement that the sales increase primarily reflected higher ore grades, partly offset by anticipated lower mill rates as PT-FI continues to ramp-up production from its underground ore bodies.

The statement said that PT-FI booked consolidated gold sales of 180 thousand ounces in second quarter of 2020, lower than 185 thousand ounces in the same quarter of last year, primarily reflecting timing of shipments.

Freeport said consolidated sales volumes from PT-FI are expected to approximate 770 million pounds of copper and 0.8 million ounces of gold in 2020. "As PT-FI continues to ramp-up production from its underground ore bodies, metal production is expected to improve significantly by 2021," the company said.

Because of the fixed nature of a large portion of PT-FI's costs, unit net cash costs can vary significantly from quarter to quarter depending on copper and gold volumes. PT-FI's unit net cash costs (net of gold and silver credits) of $0.56 per pound of copper in second-quarter 2020, were significantly below unit net cash costs of $2.15 per pound in second-quarter 2019, primarily reflecting reduced site production costs, higher gold prices and higher copper sales volumes. Site production and delivery costs in second-quarter 2019 included costs associated with mining the final phase of the Grasberg open pit.

Assuming an average gold price of $1,800 per ounce for the second half of 2020 and achievement of current sales volume and cost estimates, unit net cash

Following is summary consolidated operating data for Indonesia mining:

	Three months ended June 30		six months ended June 30	
	2020	2019	2020	2019
Copper (millions of recoverable pounds)				
Production	181	125	321	270
Sales	172	151	299	325
Average realized price per pound	$ 2.67	$ 2.71	$ 2.54	$ 2.77
Gold (thousands of recoverable ounces)				
Production	189	154	3.41	316
Sales	180	185	3.19	420
Average realized price per pound	$ 1,748	$ 1,350	$ 1,709	$ 1,314
Unit net cash costs per pound of copper[a]				
Site production and delivery, excluding adjustments	2.00[b]	3.40	2.29[b]	3.24
Gold and silver credits	(1.95)	(1.69)	(1.91)	(1.75)
Treatment charges	0.27	0.26	0.28	0.28
Export duties	0.09	0.07	0.07	0.08
Royalty on metals	0.15	0.11	0.15	0.14
Unit net cash costs	$ 0.56	$ 2.15	$ 0.88	$ 1.99

costs (including gold and silver credits) for PT-FI are expected to approximate $0.54 per pound of copper for the year 2020 (including $0.34 per pound of copper for the second half of 2020). The impact of price changes during the second half of 2020 on PT-FI's average unit net cash costs for the year 2020 would approximate $0.03 per pound of copper for each $50 per ounce change in the average price of gold.

Freeport said the ramp-up of underground production at the Grasberg minerals district in Indonesia continues to advance on schedule. During second-quarter 2020, a total of 46 new drawbells were added at the Grasberg Block Cave and Deep Mill Level Zone (DMLZ) underground mines, bringing cumulative open drawbells to 261.

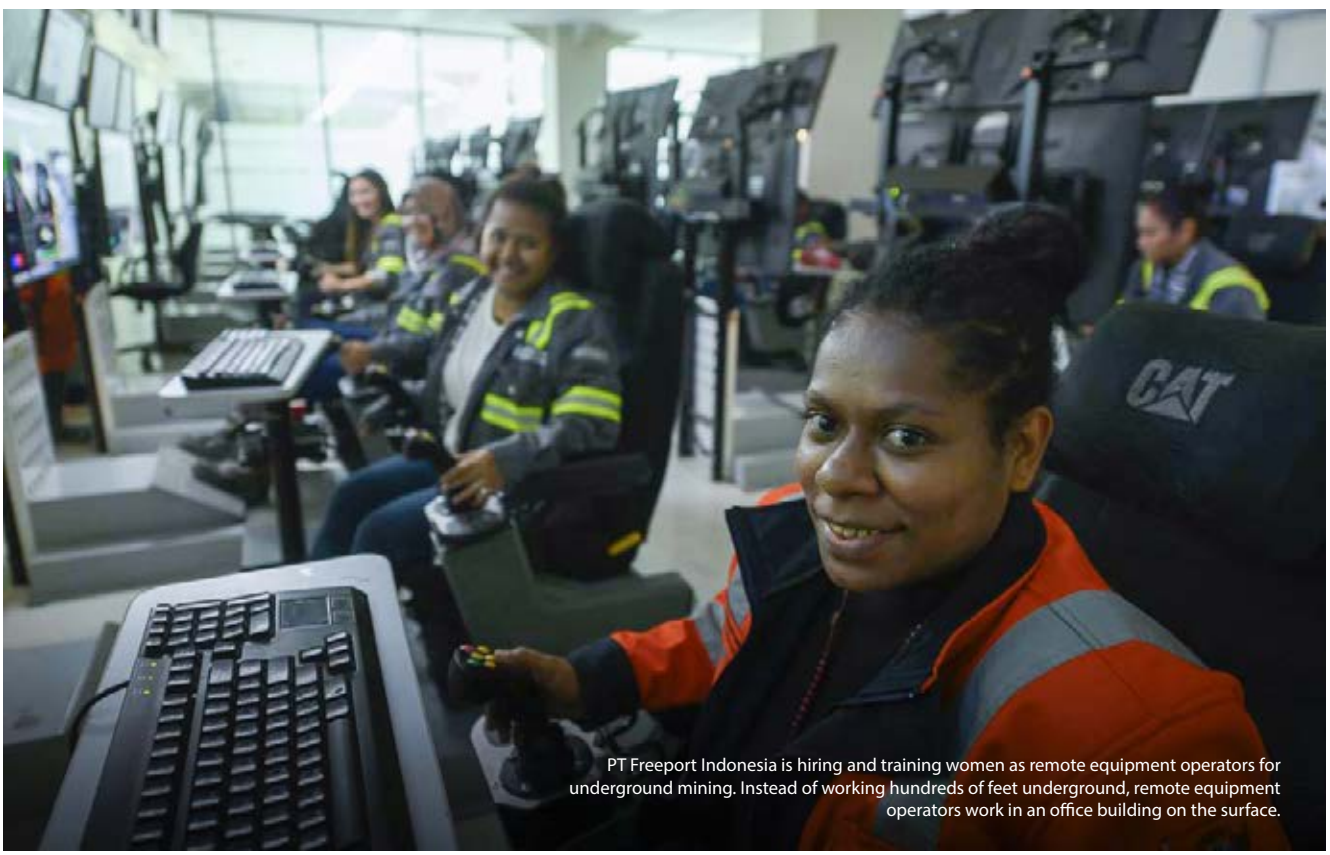
Combined average daily production from Grasberg Block Cave and DMLZ mines totaled 54,800 metric tons of ore per day during second-quarter 2020, approximately 9 percent above the April 2020 estimate and 46 percent above the first-quarter 2020 average (and increased to a combined daily production average of approximately 70,000 metric tons of ore per day at the end of June 2020). PT-FI expects its 2021 copper and gold production to approximate 1.4 billion pounds of copper and 1.4 million ounces of gold, nearly double projected 2020 levels.

The successful completion of this ramp up is expected to enable PT-FI to generate average annual production for the next several years of 1.55 billion pounds of copper and 1.6 million ounces of gold at an average unit net cash cost of approximately $0.20 per pound of copper assuming an average price of $1,400 per ounce of gold and achievement of projected sales volumes and cost estimates.

PT-FI's estimated annual capital spending on underground mine development projects is expected to average approximately $0.9 billion per year for the three-year period 2020 through 2022, net of scheduled contributions from PT Indonesia Asahan Aluminium (Persero) (PT Inalum). In accordance with applicable accounting guidance, aggregate costs (before scheduled contributions from PT Inalum), which are expected to average $1.0 billion per year for the three-year period 2020 through 2022, will be reflected as an investing activity in FCX's cash flow statement, and contributions from PT Inalum will be reflected as a financing activity.

As a result of disruptions to work and travel schedules of international contractors and current restrictions on access to the proposed physical site in Gresik, Indonesia associated with COVID-19 mitigation measures, PT-FI has notified the Indonesian government of delays in achieving the completion timeline of December 2023. "PT-FI continues to discuss with the Indonesian government a deferred schedule for the project as well as other alternatives in light of COVID-19 and global economic conditions," Freeport said. C

Continuity of Freeport's mining amid Covid-19 pandemic



PT Freeport Indonesia is hiring and training women as remote equipment operators for underground mining. Instead of working hundreds of feet underground, remote equipment operators work in an office building on the surface.

Impacted by the global outbreak of Coronavirus Disease 2019 (Covid-19), mining industries are confronted with two difficult choices: Continue mining operation with the risk of uncontrolled pandemic infection or stop operation to prevent the spread of the pandemic. But for PT Freeport Indonesia (PTFI), the continuity of operation and the safety of workers are two issues that can be implemented in tandem.

Capitalizing on operational experience and leadership for more than 50 years in Indonesia, PTFI is able to continue its underground mining while at the same time ensuring the safety of workers as its priority.

"That way we can continue production safely and sustainably, ensuring the welfare of all workers and their families, continually contribute for the local people and the state, and ensure the fulfillment of the downstream industries' demand for the production of PTFI," PTFI President Director Tony Wenas said recently.

PTFI has adjusted its mining operation to the new normal protocol. It has implemented the health protocol to minimize the spread of Covid-19 in all of its mining operations, including in its underground mining. The protocol includes checking workers' temperature in bus terminal, airport and inside all working areas of the company, spraying disinfectant regularly, restricting workers' travel, and increase the capacity of health services.

Block Caving

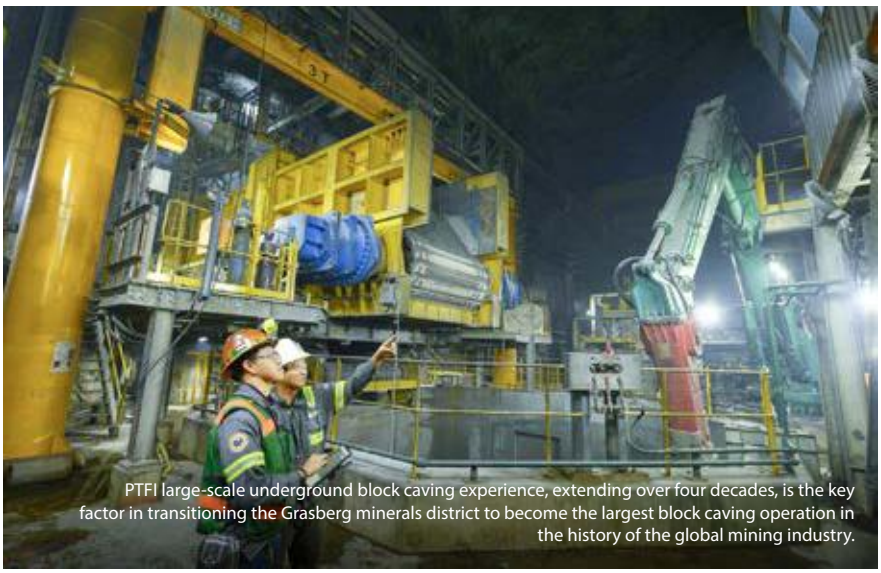
The mining area that is currently being operated by PTFI is the international class of underground mining which is very complex. The underground mining consists of several mineral districts, from *Big Gossan, Deep Ore Zone (DOZ), Deep Mill Level Zone (DMLZ), up to Grasberg Block Cave (GBC).*

Deep inside the earth, its operation requires rigorous planning and study. After various assessments, PTFI decided

to use the mining method of *block caving*, an underground mining method which capitalizes on gravitation to make ore blocks collapse on their own weight. Despite of requiring huge investment, the high-tech method is very friendly to the environment. Until now, PTFI is the only mining company in Indonesia which uses the *block caving method*.

The method is started with the digging of an underground tunnel toward the ore blocks and makes a hole right under the ore block. By harnessing the nature of the stones inside the ore blocks and the earth gravitation, PTFI blasts the under part of the ore block to allow it falls into the hole and connected to the drawpoint in the production tunnel. Then, it is continued with the collection of the fallen material. Every time it is taken, it will follow with another fallen material until all are taken.

The *block caving* method demands continuity of falls and production to ensure the balance of weight allocation of the falls and the stability of stone block structure inside the earth. If the block caving stopped, the continuing falls will not be balanced by the weight allocation of the falls. It can be likened with a table that is continually burdened, without the balance of weight allocation and the strengthening of its four legs.



PTFI large-scale underground block caving experience, extending over four decades, is the key factor in transitioning the Grasberg minerals district to become the largest block caving operation in the history of the global mining industry.

As a result, the stone block structure that supports the ore block falls will be weakened and could cause the collapse of the underground mining. It risks the lives of workers and loss of investments up to trillion of rupiah. Besides, the fallen material will get compacted and hard to be retaken for processing.

Therefore, the stability of underground mining based on the block caving needs to be maintained by continually developing the falls as planned and the collection of fallen ores through the drawpoint in the production tunnel evenly in every available drawpoint. That way, there will be even distribution of stone pressures and the tunnel stability can be maintained.

Block Caving challenges

Being implemented inside the earth, the block caving method poses a number of challenges. One of them is the challenge of seismic activity in DMLZ mining, in which stones experience pressures that make them prone to go off.

To tackle it, hydro fracking needs to be implemented by creating a crack on the ore block. Such way is also used on hard enough stones to make them easier to collapse. Geo-technics calculations is indeed necessary to implement production to ensure the stability of the underground mining. The geo-technics calculation is important to ensure the production and conservation of the mineral reserve.

The other challenge is mud, as water that seeps through the stones' cracks and mixes with soft stones will become mud. Besides, the underground mining is also prone to the falls of stone from the top or tunnel walls, fires and toxic gas, and people interaction and heavy equipment. Compared to the open pit mining, the risk

of underground mining is bigger due to narrow and limited space of activities.

Realizing the big challenges, the safety of workers becomes the main priority of PTFI. One of PTFI's focuses on the safety is the application of the Fatality Risk Management (FRM) program. Through FRM, PTFI applies an effective control to ensure workers can work with zero fatality.

One of the solutions applied by PTFI is the use of automation technology. With the technology, the heavy equipment control underground is implemented from control room.

Previously, the company applied the block caving by using equipment units of old system, such as LHD (loader) in manual manner. But now, it is implemented by using more modern technology, and even with remote system by using robotic system.

With the automation, DOZ mining can be implemented from control room at the distance of around 6 kilometer from the mining site, where operator controls the equipment by using monitoring system that reveals the situation in the location. The equipment is controlled with control lever and various buttons like playing games.

Indonesian youngsters

The application of the block caving method for underground mining of PTFI does not only require huge investments and the most advanced technology, but also the quality human resources. All stages of development, from study, planning, development, up to preparations of all supporting infrastructure were implemented during 15-20 years by involving workers of PTFI, who are 99 percent Indonesian youngsters from various regions across the country.

The involvement of local workers in preparing and implementing all very strategic activities has proven the excellence of Indonesian youngsters who are continually progressing in tandem with the company. The involvement has also become the means to improve the quality of human resources in Indonesia, and continually increase competitiveness

of Indonesia's mining workers.

The superiority of Indonesian youngsters is not only seen in the planning and operation of PTFI's underground mining, but also in the management of PTFI. The Indonesian youngsters have assumed the strategic positions in PTFI.

Contribution for Indonesia

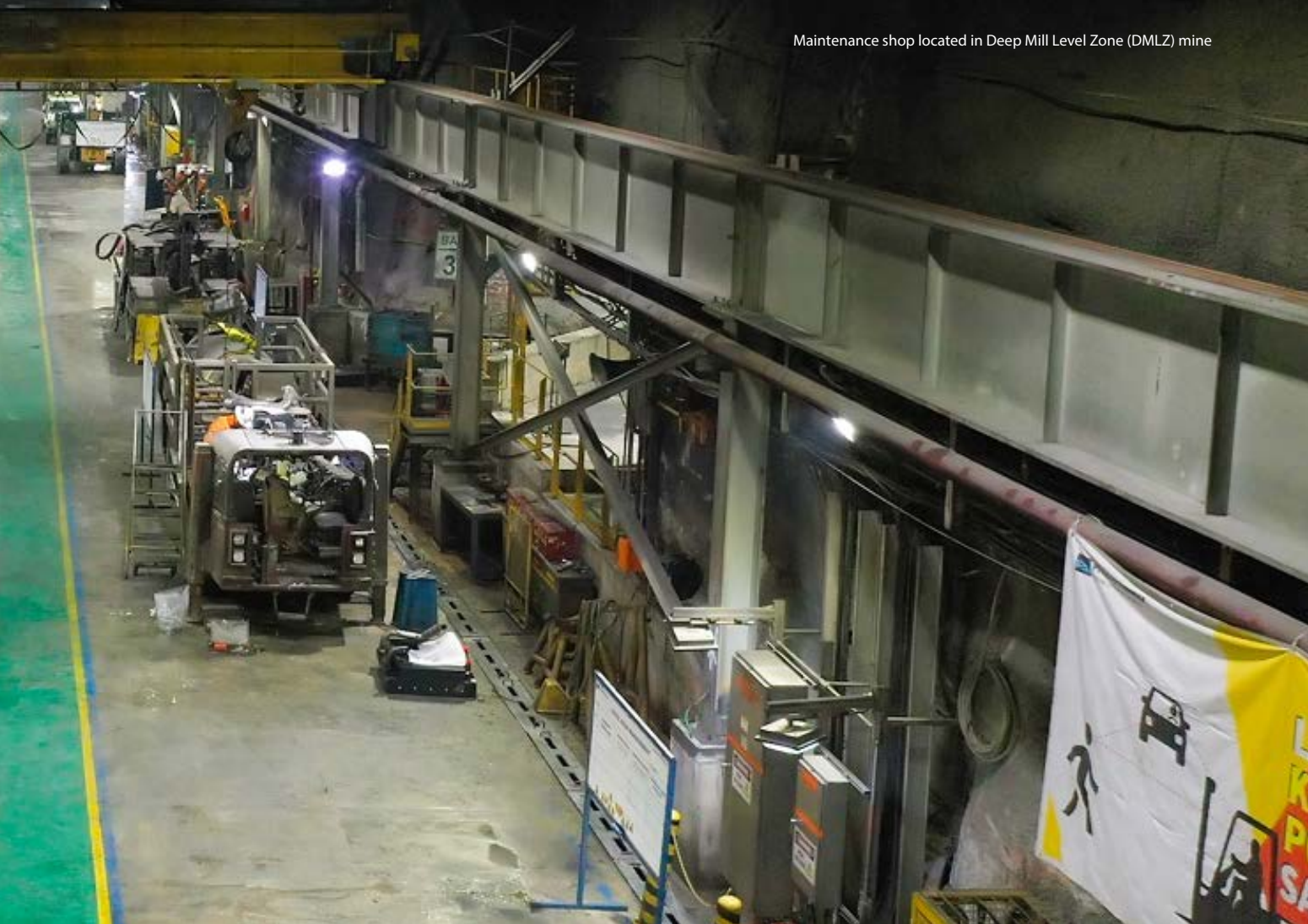
Since its operation in 1967, PTFI has been committed to supporting the Indonesian government in achieving the national goal, which is to improve the public welfare of Indonesian people. Its commitment has been realized through a number of programs to empower the people through developments of education, health, economy, social and culture.

The business operations of PTFI has given direct and indirect economic benefits. The direct benefits are given through taxes, royalty, dividends, and other incomes worth up to US$0.9 billion in 2019.

The indirect benefits are derived through the payments of salaries, domestic purchases, people empowerment, regional development, and domestic investments at total value of US$3.9 billion in 2019. It has been decreasing if compared to the previous years due to the transition period toward full operation of underground mining.

Besides, based on the study of LPEM UI in 2018, PTFI had also contributed 33 percent of Papua province's regional GDP (PDRB) and 79.27 percent of Mimika regency's PDRB. Other multiplier effects include the creation of job opportunities for up to 210,000 people, consisting of 64,000 people (30%) in Papua and 146,000 people (70%) outside Papua.

"Considering all of the added values and benefits given by PTFI to the regional and national economies, PTFI sees the importance of maintaining its safe and sustainable mining operations. And surely, it should be integrated with the efforts to protect the safety of all workers from any potential risks, including from the Covid-19 pandemic," Tony concluded. C



Maintenance shop located in Deep Mill Level Zone (DMLZ) mine

Kideco's coal output up 2.42%

IDX-listed integrated energy company PT Indika Energy Tbk saw higher coal production in the first-half (H1) of this year despite declining coal price trend.

Indika's Head of Corporate Communications, Ricky Fernando was quoted by *Kontan* as saying that H1 coal output at its key subsidiary PT Kideco Jaya Agung increased 2.42 percent to 16.9 million tons from 16.5 million tons in the corresponding period of last year.

He said that coal production at another subsidiary, PT Multi Tambangjaya Utama, increased 5.96 percent to 746,000 tons from 704,000 tons in the first half of last year.

He added that the company aims to optimize production the second half to meet its original output target this year of 30.95 million tons.

TRUST sets lower OB removal volume target

PT Tambang Raya Usaha Tama (TRUST), a mining contractor and subsidiary company of IDX-listed coal mining firm PT Indo Tambangraya Megah Tbk (ITMG), is expected to remove 35 million bank cubic meters (mbcm) of overburden (OB) in 2020, a lower target than 48 mbcm in 2019.

"The OB removal and current production capacity is at 35 mbcm," Yulius Gozali, Director of Investor Relations of ITMG, said to *Petromindo.com.*

TRUST currently works at its sister companies, such as PT Indominco Mandiri, PT Bharinto Ekatama and PT Trubaindo Coal Mining, which covers OB removal and coal hauling activities.

ITMG is expected to expand TRUST scale and scope of operation in Melak cluster area (Bharinto and Trubaindo) and increase coal hauling volume up to 8 million tons per year. In 2019, TRUST hauled 1.7 million tons of coal at Melak cluster.

ITMG allocates most of the US$49.9 million capital expenditures in 2020 for TRUST, which is $18.7 million that is allocated for equipment and machinery. The next large capital expenditure is allocated for infrastructure development in Melak Cluster, which are $15.6 million and $9.5 million for Trubaindo and Bharinto, respectively. PT Indominco Mandiri has $4.4 million capital expenditure allocation for equipment and machinery.

NPR secures IPPKH, to start operation in 2023

Central Kalimantan-based coal firm PT Nusa Persada Resources (NPR) has secured the borrow-to-use forestry permit (IPPKH) and is expected to start operation production in 2023. NPR was acquired by IDX-listed coal mining company PT Indo Tambangraya Megah Tbk (ITMG) in 2018.

"The permit (IPPKH) was obtained at the beginning of this year and operation plan to commence in 2023," Yulius Gozali, Director of Investor Relations of ITMG, said to *petromindo.com*.

NPR is part of ITMG's Melak Cluster along with PT Bharinto Ekatama, PT Trubaindo Coal Mining and PT Tepian Indah Sukses. The company owns 77 million tons of coal reserves and 143 million tons of coal resources with 5,500 kcal/kg of coal quality.

NPR and TIS are not yet in operation while ITMG keeps developing their supporting infrastructure, including hauling road connecting to other operating concessions. NPR is expected to utilize the current operating infrastructure of Melak Cluster to synergize the operations with other mines. C

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Air Products says coal-to-methanol plant run under toll scheme

US industrial gases firm Air Products reveals the US$2-billion coal-to-methanol plant it will build in East Kalimantan will be run on a 20-year on-site tolling agreement.

Air Products will receive fixed monthly processing fees in US dollar and will responsible for capital and operating costs, efficiency and reliability while customers will be responsible for future potential CO2 costs, according to the company's presentation released on Thursday.

Under the deal PT Bakrie Capital Indonesia, part of the Bakrie Group, and PT Ithaca Resources, part of the PT AP Investment, will supply the coal feedstock and have committed to offtake the methanol production for sale within Indonesia.

The plant, which is slated to start production in 2024 will produce 2 million tonnes per year of methanol from 6 million tonnes of coal per year.

Based on the agreement, Air Products will invest about US$2 billion to build, own and operate the air separation, gasification, syngas clean-up, utilities and methanol production assets to produce methanol for Bakrie and Ithaca.

"Once again, this demonstrates the expansion of our onsite business model, enabling us to offer customers that want to start and complete solution, providing the products they need from the feedstocks that they have," CEO, Seifi Ghasemi said.

"The fundamental drivers of this project are the national security and energy independence policies of the Government of Indonesia and we expect to do more projects like this in Indonesia," Ghasemi added.

ITMG won't cut coal output target

IDX-listed integrated coal mining company PT Indo Tambangraya Megah Tbk (ITMG) said that the company will not cut its initial coal production target this year of 19 – 20.1 million tons, which is lower than realized output 23.4 million tons in 2019.

"Currently, we do not have a plan to cut our production volume target yet for this year," Yulius Gozali, Director of Investor Relations of ITM, said to *Petromindo.com*.

Amid the current coal oversupply condition, Indonesia Coal Mining Association (ICMA) has called for the country's coal miners to cut production target this year in a bid to reach supply-demand balance in the market and help stabilize the price of the commodity.

ITMG has previously stated that it remained vigilant and adaptive in countering the effect of soft coal price environment. The company had expected lower output target in the first quarter 2020 at its largest mining operation, PT Indominco Mandiri in East Kalimantan Province due to severe weather condition. Indominco is estimated to produce 8.9 million tons of coal in 2020.

ITMG also produces coal from its Melak Cluster mining concessions which covers PT Trubaindo Coal Mining and PT Bharinto Ekatama. ITMG sets production volume from Trubaindo and Bharinto of 4.3 million tons and 2.6-3.7 million tons, respectively.

ITMG also produces coal from PT Kitadin (Embalut) and PT Jorong Barutama Greston which are expected to produce coal as much as 1.6 million tons and 1.4-1.6 million tons, respectively, in 2020. C

Mangantar S. Marpaung

Marpaung appointed as President Director of Kendilo

Shareholders of East Kalimantan coal mining firm PT Kendilo Coal Indonesia have recently appointed Mangantar S. Marpaung as President Director to resume the operation of the company.

"We expect to resume production next year," Marpaung told *Petromindo.com*. He did not elaborate the planned coal production target. He said that the company stopped operation in the last two years, including among others due to the uncertain coal price.

Kendilo mine is the former site of global resource company BHP Kendilo. Kendilo is holder of PKP2B coal mining license, which is scheduled to expire on Sept, 13 2021. Marpaung said that the site has mineable reserves of about 35 million tons of high rank coal with GAR of 5.200 – 5.400 kcal/kg with high sulphur and high ash content.

The website of the mineral and coal directorate says that 99.9 percent shares of Kendilo is held by US-based Kendilo Coal LLC with the remaining held by Nippon Coke & Engineering Company Limited.

Existing smelters consume 19 million tons coal

Chairman of the newly-set up Indonesian Nickel Smelter Forum (FINI), Alexander Barus said that existing smelting companies which are members of FINI are expected to consume a total of 19 million tons of coal per year.

"The existing capacity of NPI production (nickel pig iron) of 3.79 million tons would use about 19 million tons of coal per year," he told a webinar organized jointly by *CoalAsia* Magazine and *Petromindo.com*. He said that producing a ton of NPI requires about five tons of coal with calorific value of GAR 3800 to 4500 kcal/kg.

The government earlier revised upward the projected coal demand this year from the country's mineral processing and smelting industry to 23.9 million tons from the initial target of 16.5 million tons.

Muhammad Wafid, Director of Mineral and Coal Development Program at the Ministry of Energy and Mineral Resources said recently that the higher coal demand projection from the smelter sector comes following the recent commissioning of a nickel smelter at the Indonesian Weda Industrial Park (IWIP) in Weda, Central Halmahera Regency. C

PTBA insists coal gasification project feasible

State-controlled coal mining firm PT Bukit Asam Tbk (PTBA) insisted that according to feasibility study its planned coal gasification project is economically feasible, dismissing lingering doubts among some over the commercially unproven coal gasification technology.

Adib Ubaidillah, Director of Marketing of PTBA said that the company's team continues to hold intensive discussions via online with partners US-based Air Products and Chemicals Inc. and state-owned oil and gas firm PT Pertamina to follow up the proposed project amid the global Covid-19 pandemic.

"The project is still going on. We are in serious discussions with regulators, investors and Pertamina…the project is still on track and is expected to meet the previous target," he told participants at a webinar hosted jointly by *CoalAsia* Magazine and *Petromindo.com.*

There is no clear schedule as to when PTBA and Air Products and Chemical Inc will sign the final joint venture agreement over the coal gasification project, which was initially scheduled for March 2020 but has been delayed due to the Coronavirus outbreak.

As previously reported, PTBA, Pertamina, and Air Products and Chemicals Inc signed an agreement in November 2018 in the US for cooperation in the development of coal gasification project in Riau Province (the initial location of the project has later been moved to South Sumatra).

Air Products holds a coal gasification technology following acquisition from Shell made earlier this year.

The proposed coal gasification project will process coal into dimethyl ether (DME) and synthetic natural gas (SNG). DME will be used as substitute for LPG. The coal gasification project was targeted to start operation in 2022. It will have capacity of 400,000 tons of DME per year, and 50 mmscfd of SNG, PTBA said in a 2018 statement. C

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Chinese firm eyes E. Kalimantan railway project

China Railway Liuyuan Group Co Ltd has expressed interest to develop a 203-km railway project in East Kalimantan Province, according to a local government official.

"A construction services firm from China, China Railway Liuyuan Group Co, Ltd (CRL) has expressed interest to invest in infrastructure (development) in East Kalimantan," East Kalimantan provincial government Spokesman M. Syanafudin told news portal bisnis.com.

He added that the Chinese investor was supposed to make presentation in East Kalimantan in March, but canceled the meeting due to the Covid-19 pandemic.

The provincial administration has been looking for new investors for the key railway project after Russian Railways backed down from the project, the report said.

According to the Committee for the Acceleration for Priority Infrastructure Facilities (or KPPIP), the East Kalimantan railway project has a total length of 203-km with estimated investment of Rp 53.3 trillion.

The railway project will connect coal and palm oil producing regions in East Kalimantan including Kutai Barat Regency, Paser Regency, Penajam Paser Regency, and Balikpapan Mayoralty. Along the railway, there will be supporting infrastructures such as station, coal jetty, port and a 15 MW power plant.

The report did not say why Russian Railways backed down from the project and did not complete the feasibility study. But it was reported that the Russian firm had previously requested for the railway project to also facilitate passenger transport instead of specifically dedicated for commodity transport to ensure economic feasibility.

Russian Railways said in July of 2017 that its Indonesian subsidiary PT Kereta Api Borneo (KAB) will develop a total of 575-km railway tracks in East Kalimantan Province that would initially transport the province's key commodities particularly coal and palm oil.

President Director of KAB, Sergey Kuznetsov said at the time that there will be two train tracks: the Northern line of 305-km and the Southern line of 270-km.

The Northern line will connect the Tabang area in Kutai Kartanegara, with Maloy in the coast of East Kutai, while the Southern line will start from Melak in West Kutai and end in Buluminung in the Penajam Paser Utara area, where export port and coal stockpile are being developed. C

Govt revises downward domestic coal demand target

The government revises downward the domestic coal consumption estimate this year from initial target of 155 million tons to 145.6 million tons due to the COVID-19 pandemic which has caused lower electricity consumption.

"The projection of domestic coal demand is lowered from 155 million tons to 145 million tons," M. Wafid, Director of Coal and Mineral Development Program at the Directorate General of Mineral and Coal, said.

Coal-fired power plants remain the largest domestic coal consumer and state-owned electricity firm PT PLN (Persero) alone was expected to consume about 108 million tons of coal in 2020. Yet after COVID-19, the government revises downward the coal demand from PLN's coal-fired power plants to 87.59 million tons. The lower coal consumption by PLN is because some coal-fired power plants are operating at less than optimal level.

However, Wafid noted that there is positive growth from other industries, such as smelting and processing industry. Before COVID-19, the coal consumption from this sector was estimated at 16.5 million tons, but later it is revised upward to 23.9 million tons this year.

"The increase of coal demand from smelting and processing industry is supported by new data that shows Indonesia Weda Industrial Park starts operation," Wafid said.

The government sets initial total national coal production target at 550 million tons this year, of which 395 million tons were dedicated for export market and 155 million tons for domestic markets.

DOID reports higher June production

IDX-listed coal mining services company PT Delta Dunia Makmur Tbk. (DOID) said its primary and wholly-owned subsidiary, PT Bukit Makmur Mandiri Utama (BUMA) delivered slightly higher overburden (OB) removal and coal getting volume in June of this year.

DOID said in a statement that BUMA recorded 29.1 million bcm of OB removal and 3.7 million tons of coal getting in June 2020, reflecting an increase of 1 percent and 2 percent YoY for OB and coal, respectively.

"Rainfall is higher slightly from previous month but was lower than June 2019," the company said.

The company said that year to date, production volume totaled to 168.4 million bcm of overburden removal and 22.3 million tons of coal, which declined by 12 percent and 8 percent, respectively, compared to previous year, on the back of weaker coal market.

The company said it is focused on optimizing existing assets and cost reduction through right-sizing of its capacity and continuous improvement in productivity and efficiency to maintain profitability. C

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Toba Bara considers lowering coal output

IDX-listed coal mining and energy company PT Toba Bara Sejahtra Tbk (TOBA) is considering to lower its initial coal output target this year of 4-5 million tons.

In the first half of 2020, Toba Bara produced 1.1 million tons of coal, or 10 percent higher than in the previous same period. "If possible, we may reduce the production target," Pandu Sjahrir, Director of Toba Bara, said to *petromindo.com* without elaborating on the revised volume target.

Toba Bara, according to Pandu, had always maintained relatively flat output target in the previous years. In 2019, the company produced 4.5 million tons of coal and sold 4.2 million tons of coal.

Toba Bara produces coal from three adjacent concessions namely PT Adimitra Baratama Nusantara, PT Trisensa Mineral Utama and PT Indomining. The total concessions area is 7.084 hectares with 63.9 million tons of coal reserves based on JORC Report 2018. The company produces coal with quality ranging from 4,800 to 5,900 kcal/kg (GAR).


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MEK to source high CV coal requirement from domestic market

PT Megah Energi Khatulistiwa (MEK), a subsidiary of North Kalimatan coal firm PT Energy Nusa Mandiri (ENM), will source its future high CV coal requirement for the production of semi cokes from the domestic market.

This was said by Tria Suprajeni, Director of Business and Development at MEK, which in March started commercial production of semi cokes at its plant in Bulungan, North Kalimantan Province.

The MEK semi-coke plant has installed production capacity of 600,000 tons of semi cokes per year. The plant requires 1 million tons of coal feedstock per year, including 500,000 tons of low rank coal with calorific value of 3,100 kcal/kg to be blended with another 500,000 tons of high rank coal with calorific value of 6,300 kcal/kg.

Tria said that in the initial phase of the production, the company imported the high CV coal requirement. However, going forward, MEK would source the high CV coal requirement form the domestic market, she added.

The company secures the low CV coal requirement from its parent ENM, which through subsidiary PT Pesona Khatulistiwa Nusantara, produces low CV coal in Bulungan.

MEK is the first semi-coke producing company in Indonesia, earning a pioneering status from the Ministry of Industry, which entitles the company to get tax holiday facility, and exemption of import duty for plant equipment imported from China, Tria said.

The US$81 million semi-coke plant also produces by products including tar/MFO and coke oven gas. The tar/MFO production volume is 50,000 tons per year. The coke oven gas output can be used to a 30 MW fuel power plant. Tar can be used as material in the production of coal briquette and also can be further processed into MFO. C

Govt encourages development of coal downstream industry

The government is encouraging the country's coal miners to enter the downstream business of the sector in a bid to help expand domestic demand for the commodity amid shrinking global demand and generate greater added value.

Sujatmiko, Director of Coal Development and Management at the Ministry of Energy and Mineral Resources, said that the development of coal downstream industry forms part of strategy to help deal with declining demand for coal in the export market particularly amid the current pandemic triggered global economic recession.

"In a situation where coal demand at home and in the international (market) is declining, the coal downstream industry is one of the diversification strategies that can be implemented to help keep the (domestic) coal industry alive," he said.

Sujatmiko said that one the emerging coal downstream industry players is PT Kartika Prima Abadi (KPA), which has started production of asphalt made from coal in Buton, Southeast Sulawesi Province.

"KPA has succeeded in producing 100,000 tons per year of asphalt through coal feedstock of 500,000 tons per year. The asphalts are also absorbed by the eastern Indonesia market," Sujatmiko said to *Petromindo.com.*

He said that following the successful production of asphalt by KPA, coal miners are expected to be encouraged to enter the coal downstream business including coal gasification, coking coal production, underground coal gasification, coal liquefaction, coal upgrading, coal briquetting, and coal slurry/coal water mixture

Sujatmiko said that South Sumatra-based coal firm Thriveni has also started producing coal briquette in the province at a volume of 85,000 tons per year, with feedstock volume of 130,000 tons per year.

He said that the Thriveni production capacity is considered small considering the sizeable domestic coal briquette market. He added that the government has asked Thriveni to expand capacity.

Another coal miner which has also started coal briquette production is state-controlled PTBA Tbk in Tanjung Enim, South Sumatra Province, and in Tarahan, Lampung Province, each with capacity of 20,000 tons per year (feedstock 40,000 tons per year), and 7,000 tons per year (feedstock 12,000 tons per year).

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Sujatmiko said that the Indonesia coal briquette market potential is estimated at 3 million tons per year, particularly driven by demand from small and mid-scale businesses as alternative to fuel oil and LPG.

Meanwhile, PT Megah Energi Khatulistiwa (MEK), a subsidiary of North Kalimantan coal firm PT Energy Nusa Mandiri, has started commercial production of semi-coke.

MEK's Director of Business and Development, Tria Suprajeni said that the semi-coke plant, located in Bulungan Regency, North Kalimantan, would need coal supply of one million tons to produce 600,000 tons of semi-coke. "We started commercial production in March 2020," he said recently.

He said that the company would blend 500,000 tons of low rank coal with calorific value of 3,100 kcal/kg with another 500,000 tons of high rank coal with calorific value of 6,300 kcal/kg.

Last year, Indonesia imported 1.09 million tons of semi cokes used as fuel for processing and refining metal materials.

Sujatmiko said another company called PT Prima Coal Chemical in Barito Timur, Central Kalimantan, has also started production of semi coking coal at a volume of 36,000 tons per year with coal feedstock of 180,000 tons per year.

Meanwhile, PT ZJG Technology in Bulungan has started coal upgrading business with capacity of 100,000 tons per year.

Sujatmiko said that there are a number of other companies which are planning to enter the coal downstream industry and are currently at the stage of either feasibility study or pilot project. C

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ICMA expects much lower domestic coal consumption

Domestic coal consumption volume this year is estimated to reach only 100 million tons, much lower than the government's coal domestic market obligation (DMO) volume target of 155 million tons.

Executive Director of the Indonesia Coal Mining Association (ICMA) Hendra Sinadia said that the much lower coal consumption was primarily due to lower electricity consumption amid the Covid-19 pandemic and the implementation of large-scale social distancing (or PSBB) policy in a number of regions.

Hendra was quoted by *Bisnis Indonesia* as saying that the lower electricity consumption has prompted state-owned electricity firm PT PLN, the largest coal consumer in the country, to cut down its coal consumption. Coal demand from independent power producers and other domestic industries are also expected to decline.

Hendra said that several coal miners have actually prioritized the domestic market amid lockdown policies applied in export destination countries.

Chairman of the Indonesia Mining Experts Association (or Perhapi), Rizal Kasli also said that coal DMO volume this year is expected to be lower than the government's initial target due to declining electricity consumption.

He added that this is also due to delay in the completion of a number of coal-fired power plants, initially scheduled for this year.

ITMG utilizes 11.4% of 2020 capex plan

IDX-listed coal mining firm PT Indo Tambangraya Megah Tbk (ITMG) had utilized US$5.6 million, or 11.4 percent of its 2020 capital expenditure plan (capex) of $49.9 million, in the first quarter.

ITMG Director of Investor Relations Yulius Gozali was quoted by news portal *kontan.co.id* as saying that the capex was used to finance the purchase of equipment and machinery as well as to help finance the development of hauling roads and port at the company's Bharinto and Trubaindo mines.

"However, due to the global economic uncertainty, Indo Tambangraya will prioritize on important expenditure to support the company's operations," he said.

In the first quarter of this year, ITMG booked coal sales volume of 5.8 million tons, down from 6 million in the same period of last year. Yulius said that the lower sales volume was attributed to a number of factors including bad weather condition.

He said that the company so far has not revised its original 2020 coal production target. As previously reported, ITMG plans coal production of 19 million-20 million tons.

Yulius said that sales volume this year is targeted at 22 million tons. Previously, the company said that sales volume was targeted at 22.4 million-23.5 million tons.

ITMG produces coal from a number of coal concessions in Kalimantan, namely PT Indomindo Mandiri, PT Trubaindo Coal Mining, PT Bharinto Ekatama and PT Jorong Barutama Greston. C

Indonesia Regional Minerals Maps 2019

New Release

As of August 2019, there are a total of 1,438 registered minerals mining concessions (KKs and IUPs) throughout Indonesia, of which about 1,403 concessions are in production operation production stage, while the remaining 35 concessions are still in exploration stage, according to the Directorate General of Mineral and Coal at the Ministry of Energy and Mineral Resources.

Indonesian Regional and Provincial Minerals Maps are a must-have for company/professional who's involved/ interested in minerals related businesses in Indonesia. These maps feature location of coal mining concessions which have been granted 'clean & clear' status; location of existing and proposed smelting plants. The concession areas are appeared in different colors according to deposit type so that you can find the ones easily.

This full-colored map outlined on a 1189 mm x 841 mm (A0) glossy paper (260 gr) and laminated for durability.

Map Features

- Location of 'clean & clear' minerals concessions (KKs and IUPs) and their status of operation.
- Location of existing/proposed Minerals Processing/Smelter Projects.
- Basic features: Name of Rivers, Bays, Capes, Provinces, Cities, Regencies, and Towns with administrative boundaries.

Also available Provincial Minerals Map: Aceh, Riau, Bangka Belitung, West Kalimantan, Central Sulawesi, South Sulawesi, Southeast Sulawesi, North Maluku, etc..

MAP SPECIFICATIONS :				
	FORMAT	: WALL MAP; LAMINATED	PRICE	: US$500.00
	SIZE	: 1189 X 841MM (A0)	RELEASE	: DECEMBER 2019
	PRINTING	: FULL COLOR	CODE	: RMM05L
	PACKAGING	: ROLLED + DRAWING TUBE		

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Govt to boost metallurgical coal exploration

The government is expected to boost exploration activities to unlock the country's metallurgical coal potential in anticipation of increasing future demand for high rank coal from mineral smelting and processing facilities.

Data from the Geological Agency shows that the country's resources of high calorific value coal stood at 19.9 billion tons while the very high calorific value at 2.5 billion tons.

Meanwhile, the country's total reserve of high calorific value is only at 1.8 billion tons with very high calorific value of 250 million tons. High rank coal has CV of 6.700 – 7.100 kcal/kg, while the very high coal has CV of higher than 7.100 kcal/kg.

"We will detail exploration activities in the two categories of metallurgical coal to support the increasing metallurgical demand from smelters," Sudjatmiko, Director of coal business development at the Directorate General of Mineral and Coal said.

He said that the ministry recorded that there are currently 137 areas containing metallurgical coal under which 98 areas located in Kalimantan with another 32 locations in Sumatra. The other six remaining areas are located in Papua and Sulawesi.

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Reclamation may be considered in approval of RKAB

The government hinted that reclamation activities by mining companies may be included as one of considerations in the approval of the Budget and Work Plan (RKAB). The Mining Law No 3/2020 Article 99 obliges mining permit holders to conduct proper balance between operating mining areas and reclamation areas.

"Reclamation activities may be considered in granting RKAB for the following year," Sujatmiko, Acting Director of Technical and Environment of Mineral and Coal at the Directorate General of Mineral and Coal, said.

Mining Law No 3/2020 Article 161B stipulates punishment for miners which are unable to comply with environmental regulations, including reclamation obligation, post-mining activities and payment of reclamation guarantee fund. These recalcitrant miners will be subject to criminal sentence of 5 years in jail and a fine of up to Rp100 billion.

Based on the government data, there are currently 248,652 hectares of operating mining areas in Indonesia. "There are 82,476 hectares of reclamation areas," Sujatmiko said. In 2019, the realized reclamation area was 8,296 hectares and the government sets target of 7,000 hectares reclamation areas in 2020.

The government encourages miners to develop ex-mining areas, such as voids, into productive areas such as for water tourism, fresh water resources and aquacultures. Mining companies may also utilize post-mining areas for renewable energy development, such as palm oil plantation, photovoltaic and biomass. C

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Sakari plans new mines to start production in 2022

Singapore-based firm Sakari Resources Limited expects its new coal mines in Penajam, East Kalimantan Province, to become operational in 2022.

In May 2019, Sakari acquired a 100 percent stake in two greenfield concessions located in East Kalimantan, PT Sentika Mitra Persada (PT SMP) and PT Mutiara Kapuas (PT MK) (together known as Penajam mine).

According to the company's Annual Report 2019 released recently, the estimated coal reserve of PT SMP is 12.8 million tons plus potential upside from PT MK, which requires further exploration and drilling.

"The acquisition of Penajam mine could also enhance the variety of coal product specification for Sakari. Currently we are working on a full work plan from exploration, construction, operation and marketing, which we plan to start operation in the new concessions by 2022," the company said without giving details.

Sakari produced 7.7 million tons (MT) of coal from its two mines in Indonesia in 2019, namely from Jembayan mine in East Kalimantan (7.2 MT) Bahari Cakrawala Sebuku in South Kalimantan (0.5 MT).

Semi coke technology commercially viable: Govt

Minister of Energy and Mineral Resources' Special Staff for Mineral and Coal Governance, Irwandy Arif said that technology to produce semi cokes is now commercially viable in Indonesia to help meet the expected growing demand from domestic smelting facilities.

The so-called carbonizing technology blends low rank coal with high rank coal to produce semi cokes and by products such as coal tar and coke gas.

He said that the economic calculation was made based on targeted capacity production of 500,000 tons of semi cokes per year. With a capex of $76.4 million, the internal rate of return would be about 20 percent with net present value (NPV) of $40.4 million.

"Based on economic indicators, semi-coke technology is commercially viable," he said.

Last year. Indonesia imported 1.09 million tons of semi cokes used as fuel for processing and refining metal materials.

PT Megah Energi Khatulistiwa is the first Indonesian company to have been using carbonizing technology to produce semi cokes.

Weak price to hamper RI's coal export to China

Indonesian export of low rank coal to China could be hampered this year if the current low price persists, an analyst said.

Market Research Manager of Adaro Coaltrade Services International, Patricia Lumbangaol argued that in terms of market, Indonesian coal with its unique quality of low sulphur and low ash has traditional demand from China's power plants.

"I think the problem now is not that Indonesia is difficult to export to China. But the problem is the (coal) price. Because if the current (price) stays at US$23 per ton, it would hurt much Indonesian coal producers," she told a webinar on China Coal Market Outlook organized jointly by *Petromindo.com* and *CoalAsia* Magazine.

"So even though we have superiority of coal, it would be very difficult to meet the demand (in China) if the price is not workable."

A number of Indonesian miners have complained that the current price of low rank coal was already below their production cost. C

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RI coal export to China increases 13%

Indonesia was still the biggest coal exporter to China in the first six-month of this year with a 13 percent increase compared to the same period in 2019. Indonesian coal accounted for 50 percent of China's total coal import in the first semester of 2020

"From Jan-Jun, China imported 87.1 million tons of coal from Indonesia, +13.5% rise from last year," Jimmy Deng, Vice General Manager of China Coal Solution (Singapore) PTE LTD told a webinar on China Coal Market Outlook, organized jointly by *Petromindo.com* and *CoalAsia* Magazine on July 15.

He said that China imported a total of 174 million tons of coal from January to June 2020, an increase of 12.7 percent from last year. China imported 137.6 million tons from Indonesia in 2019, increased from the previous year of 125.6 million tons.

China expected to adjust coal import policy China's government is expected to adjust its coal import policy this year by accommodating China's end users demand of coal during peak seasons. It is based on the recent internal meeting of the National Development and Reform Commission (NDRC), China's top economic planning agency.

"China will accommodate the import policy based on seasonal demand, they will probably give more import quota for end users during peak seasons, which are summer and winter, and tighten the import quota during weak seasons," Meng Meng, Principal Research Analyst – China of IHS Markit, said during webinar held jointly by *Petromindo.com* and *CoalAsia* Magazine.

The import policy adjustment, according to Meng Meng, is made following problems resulting from in the implementation of coal import quota policy in recent years. Meng Meng said a number of China's end users had few coal import quota during peak seasons.

"The government issues import quota in the beginning of the year, then many end users deal with backlogs in the beginning of the year. But when summer and winter comes, there's not much quota left," she said.

From January to June 2020, China imported 174 million tons of coal, 12.7 percent higher than the previous period. From Indonesia alone, China imported 87.1 million tons of coal during January to June 2020, or 13.5 percent higher than the previous period.

Coal import quota by China's government, according to Meng Meng, is more about the government's priority to stabilize domestic coal prices, providing stimulus for economy and support local power utility companies rather than controlling coal import volume. C

China and Vietnam could help absorb coal oversupply

China and Vietnam are seen to be the only importing countries that could help absorb the current oversupply of coal in the global market thanks to the two country's better economic recovery after the outbreak of Covid-19 pandemic.

"We see China is one of the countries that can help absorbs the current coal oversupply in the market," Patricia Lumbangaol, Market Research Manager of Adaro Coaltrade Services International told a webinar on China Coal Market Outlook organized jointly by *Petromindo.com* and *CoalAsia* Magazine.

She said that the other importing countries like India, South Korea and Southeast Asia would reduce their intake of coal.

"But if we look at China even though they have been announcing or escalating about the import quota issue, but what happened in the past five months is that China had imported nearly over 20 million tons …," she said.

She, however, questioned on whether China could reach its 2017 level of coal import.

China imported about 270 million tons in 2017.

Coal miners propose upward revision of production target

There are 30 coal mining companies that have submitted proposal to the Ministry of Energy and Mineral Resources (MEMR) to revise upward their coal production target this year.

Based on the MEMR Regulation No 7/2020, mining companies are allowed to propose for revision of their respective 2020 Budget and Work Plan including revising upward the production plan.

"There are 32 (coal mining) companies that have already proposed RKAB revision, of which 30 companies proposed to revise upward (their 2020 output plan) while two companies to revise downward," Irwandy Arif, Special Staff of Minister of Energy and Mineral Resources said.

As of July 16th, 2020, the realized national coal production volume was 291.24 million tons, or 52.95 percent of full-year production volume target of 550 million tons, according to ESDM data.

"But there is not yet any confirmation whether these proposals are going to be granted or not," Irwandy, who is also Chairman of Indonesia Mining Institute (IMI), said.

The proposals were submitted amid calls from the Indonesia Coal Mining Association (APBI) to cut the country's production this year by 50 million tons to tame the oversupply situation in the market and help stabilize falling coal price.

Irwandy also mentioned key messages of the Minister of Energy and Mineral that the national coal production has to consider the supply-demand balance and avoid disrupting the prices. C

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Toba's 1Q coal output at 1.1m tons as selling price falls

IDX-listed coal mining firm PT Toba Bara Sejahtra Tbk said that in the first quarter of this year (1Q20) it produced only 1.10 million tons of coal, compared to full-year target of 4 million-4.5 million tons, as average selling price fell.

The company said in a statement that the 1Q20 output was generated by all three mining subsidiaries of PT Adimitra Baratama Nusantara (ABN), PT Indomining (IM), and PT Trisensa Mineral Utama (TMU), contributing 0.60 million tons, 0.19 million tons, and 0.31 million tons, respectively.

ABN remained as the largest contributor to the company's overall production volume, accounting for 54.5 percent of total 1Q20 production, followed by TMU and IM at 28.2 percent and 17.3 percent, respectively.

Toba said quarterly stripping ratio (SR) and y-o-y SR were higher by 10.9 percent than in 4Q19 and by 1.3 percent than in 1Q19, respectively, due to pre-stripping activities at TMU during 1Q120.

The company said average selling price (ASP) decreased by 13.9 percent y-o-y from US$ 67.4 per ton in 1Q19 to US$ 58.0 per ton in 1Q20, in line with the decline in NEWC Index over the same period.

In 1Q20 the company predominantly sold its coal to China, India, Malaysia and Bangladesh, representing 82.3 percent of sales volume.

As a percentage of total customer base, the composition of traders and end-users in 1Q20 came in at 70.0 percent and 30.0 percent, respectively, compared to 58.1 percent and 41.9 percent in 1Q19, respectively, in line with the company's objective to increase the composition of end-user customers. Major international traders and end users, such as major regional power generation companies, accounted for the company's main customers. As of 1Q20, a mix of 4900 GAR and 5200 - 5600 GAR coal still accounted for the company's largest product composition. Around 60.6 percent of total sales volume by product was contributed by 5600 GAR, 23.3 percent by 4800 and 4900 GAR, 13.0 percent by 5200 GAR, 3.1 percent by 5400 GAR and 5700 GAR.

The company said its recorded sales of US$167.1 million in 1Q20, or 52.2 percent higher compared to that in 1Q19, stemming from much higher recognition of revenue from construction of Sulbagut-1 and Sulut-3 power plant projects (based on accounting treatment PSAK 72). Construction revenue recognized for both projects during 1Q20 stood at $78.4 million.

Cost of goods sold rose by 54.6 percent y-o-y, as a result of higher construction cost of Sulbagut-1 and Sulut-3 power projects. Construction cost during 1Q20 was realized at $63.8 million.

A 73.0 percent y-o-y increase in EBITDA to $30.1 million in 1Q20 from $17.4 million in 1Q19 increased EBITDA margin from 15.8 percent to 18.0 percent over the period.

Toba said that after taking into account finance cost of $ 5.9 million and tax expense of $3.5 million, it booked total profit for the period of $28.1 million in 1Q20, a 183.8 percent y-o-y increase from the previous year.

Gross profit margin was lower y-o-y from 19.6 percent in 1Q19 to 18.3 percent in 1Q20, despite EBITDA margin and operating profit margin was higher y-o-y from 25.8 percent in 1Q19 to 18.0 percent in 1Q20 and from 14.8 percent in 1Q19 to 22.0 percent in 1Q20, respectively. C

Mitrabara keeps production flexible amid slowing market

IDX-listed coal miner PT Mitrabara Adiperdana Tbk expects production and sales this year to hover between 3.5 million-4 million tons (MT), depending on market condition in the fourth quarter 2020.

CEO Widada told *Petromindo.com* in a recent interview that Mitrabara has production capacity of around 4MT per annum and until the first half of the year, it has produced more than half of the targeted production plan. According to its 2019 Annual Report, the company sold 4.4 MT in 2019.

Widada said that for this year, approximately 80 percent of the capacity has been contracted and the company will be cautious to sell the remaining uncontracted volume. "If the price is improving, we will sell our uncontracted coal. We expect the market will improve in the fourth quarter," he said.

In the first few months of this year when the coronavirus pandemic hit, the company had anticipated that demand will weaken and had taken steps to seek buyers for the coal at fixed price. "Fortunately, we were able to lock volume and price for the first and second quarter to meet production targets,", he said.

According to Widada, the company sold 1.2 MT in the first quarter of this year, up from 1.1 MT in the same quarter of previous year, and despite the pandemic, net income for the quarter soared by 45 percent versus 2019 first quarter. "This is a result of a combination of continuous cost reduction and strategy to sell coal at fixed price," he said, adding that the company has communicated with the contractors and other vendors to work together to reduce costs, especially during the pandemic time.

Domestically, Mitrabara sells some of its production to East Java power plant Paiton Energy, and the remainder to the export market, mostly China, South Korea, Vietnam, Malaysia and the Philippines.

The company produces medium CV coal with low ash and low sulfur from its mine in Malinau Regency, North Kalimantan.

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CCS imports 11 million tons of Indonesian coal

Chinese biggest coal importer, China Coal Solution (CCS) has imported about 10 million tons of coal from Indonesia in the first six-month this year.

In addition, the company also imported one million tons of coal aimed for markets outside China.

"From January to June, my company, China Coal Solution imported 10 million tons of coal from Indonesia to China and another one million tons to non-China markets," Jimmy Deng, Vice General Manager of China Coal Solution (Singapore) PTE LTD told a webinar on China Coal Market Outlook, organized jointly by *Petromindo.com* and *CoalAsia* Magazine on July 15.

He said that of CCS' total import, about 44 percent of coal have calorific value of GAR 3800 – GAR 4200 and 26 percent of GAR 48000 – GAR 52000.

Jimmy did not elaborate the company's import volume target for this year. The company previously told *Petromindo.com* that CCS imported 18 million tons of coal in 2019. C

MEK starts commercial production of semi-coke

PT Megah Energi Khatulistiwa, a subsidiary of PT Energy Nusa Mandiri, has started commercial production of semi-coke with a target to produce 600,000 tons of semi-coke this year.

MEK's Director of Business and Development, Tria Suprajeni said that the semi-coke plant, located in Bulungan Regency, North Kalimantan, would need coal supply of one million tons to produce 600,000 tons of semi-coke. "We started commercial production in March 2020," he said.

He said that the company would blend 500,000 tons of low rank coal with calorific value of 3,100 kcal/kg with another 500,000 tons of high rank coal with calorific value of 6,300 kcal/kg.

MEK is the first semi-coke producing company in Indonesia.

The company said that the semi-coke is suitable for smelting facilities using rotary kiln electric furnace (RKEF) technology.

Bumi seeks to increase export to S. Korea

IDX-listed coal giant PT Bumi Resources Tbk is looking to increase export to South Korea amid signs of rising demand in the country.

"South Korea, on going. It is one country presently amongst so many others indicating some support in coal demand," Dileep Srivastava, Director and Corporate Secretary of Bumi said to *Petromindo.com* without providing details.

Srivastava said that Indonesia, China and India remain the company's main markets.

"Conditions are presently turbulent, sector conditions are depressed, coal price is falling. The challenge is more on the falling coal price, not so much on the volume. Our intent is to closely monitor and strengthen position in other Asian markets, exercise strict control over costs, improve operating efficiencies and take every precaution during present pandemic to maintain normalcy in production," he said

According to Srivastava, actually there are no new markets at this time for his company, but there could be volatile demands due to technology changes and shifts to or from renewables.

"For example, coal gasification, cleaner coal burn technologies, post carbon capture & storage scenario. Even Germany which has announced total shift away from coal and nuclear, has said they are considering extended use of coal till 2038," he explained.

Bumi has decided to maintain its 2020 coal production guidance of 85 million to 90 million tons despite the weakening demand and falling price of the commodity. C

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PTBA interested to acquire ex-concession of AKT

State-controlled coal miner PT Bukit Asam Tbk (PTBA) is interested to acquire the former coal concession of metallurgical coal firm PT Asmin Koalindo Tuhup (AKT) in Murung Raya, Central Sulawesi Province.

PTBA President Director Arviyan Arifin was quoted by *Kontan* as saying that the company is currently conducting a review of the business feasibility of the ex-AKT concession including with regards to reserves and resources potential. "If results (of the review) proves it is feasible in terms of business, we'll of course take it over," he said.

The Ministry of Energy and Mineral Resources terminated in 2017 AKT's coal contract of work (PKP2B) over Murung Raya coal concession on grounds that the company has breached the contract because it had signed an agreement to provide guarantee on a loan facility provided by Standard Chartered Bank to its parent IDX-listed PT Borneo Lumbung Energi & Metal Tbk. The signing of the corporate guarantee was made without written approval from the minister, which is considered as a breach of the PKP2B coal contract of work.

Meanwhile, ministry's Director of Coal and Mineral Management Program, Muhamad Wafif Agung said that the Murung Raya concession is currently in the process of being transformed into so-called special business license mining area (or WIUPK). Once this process is concluded, the WIUPK can be offered to state-owned companies, local government-owned companies, and private investors.

Another pending important factor, he said, is the final legal decision over the fate of the ex-AKT concession.

In January of last year, AKT filed a lawsuit with the state administrative court (PTUN) in Jakarta, challenging the ministry's decision to terminate its PKP2B coal contract. The court in March ruled in favor of the company. But a higher PTUN court overturned this ruling in August, prompting AKT to file a final appeal with the Supreme Court, which in November of last year upheld the ruling of the higher PTUN court.

On June 27 of 2019, AKT has filed a request with the Indonesia National Arbitration Agency (or BANI) to settle its dispute with the Ministry of Energy and Mineral Resources. The company said that BANI was expected to issue a ruling within six months after its started deliberating the case. C

PTBA penetrates new export markets amid Covid-19

IDX-listed coal mining company PT Bukit Asam Tbk (PTBA) is seeking for new export markets as traditional markets of China and India have restricted imports amid the Covid-19 pandemic.

Adib Ubaidillah, Director of Marketing of PTBA, said to *petromindo.com* on Thursday that China has started restricting coal imports and prioritizing domestic coal production. In India, the lockdown during the pandemic has shut down the ports.

"We've penetrated new markets such as Brunei and Thailand. The volume was not big, but for market penetration, we have already made shipment of one to two vessels during the previous months," Adib said.

In the new markets, PTBA sold coal to coal-fired power plant in Brunei and cement factory in Thailand. He declined to disclose the identity of the buyers.

"We're also trying to open new markets in Pakistan and Malaysia," he said.

Adib also said that the company has recently secured a new contract with a Malaysian customer. "We transported the coal from Kertapati Port by barge because the distance is not too far," he said, but declined to disclose the new customer's identity.

In 2019, PTBA's largest export markets were India (14 percent), Taiwan (4 percent), Vietnam (4 percent), Thailand (4 percent), Hong Kong (2 percent) and China (2 percent). In 2020, PTBA plans to sell 8.3 million tons of coal for export markets.

Duta Tambang seeks for extension of mining license

Coal mining firm PT Medco Energi Mining Indonesia (MEMI) has applied for the second extension of the IUP mining business license of subsidiary PT Duta Tambang Rekayasa (DTR) in North Kalimantan.

Harry Kristiono, Director of MEMI, told *Petromindo.com* that the existing IUP mining license of DTR will expire in early 2021 at a time when the company's mine still has about three million tons of coal deposits left.

"We have applied for the second term of IUP license extension with the provincial government," he said.

"If our annual production reaches at 600,000 tons, it means we can still operate for five years."

DTR is the only coal company in the world producing coal with sulphur content of 3.5 percent and calorific value of 6,500 kcal/kg.

DTR made the maiden shipment of 38,000 tons of coal in September 2012.

The company plans to produce about 600,000 tons of coal this year which will be entirely exported. C

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BMH reschedules maiden coal shipment

Samarinda-based coal mining firm PT Borneo Mas Hitam (BMH), a subsidiary of PT Medco Energi Mining Indonesia (MEMI), said that the company has delayed its first shipment of high-sulphur coal to October from an earlier schedule of July.

BMH said that the Covid-19 pandemic had forced the company to delay required construction works and coal getting activities in its mining sites in Samarinda, East Kalimantan Province.

"We expect the first shipment in October, a delay from the previous target in July," Harry Kristiono, Director of MEMI told *Petromindo* in interview.

The company has also revised downward its coal production target this year to only 100,000 tons from the original target of 300.000 tons.

DTR coal output reaches 80% of H1 target

North Kalimantan coal mining firm, PT Duta Tambang Rekayasa (DTR), a subsidiary of PT Medco Energi Mining Indonesia (MEMI), failed to meet its first six-month (H1) output target of 300.000 tons due to the Covid-19 pandemic.

MEMI Director Hary Kristiono said that the company's strict health protocol in mining site to help prevent the spread of Covid-19 has been the main cause for failing to meet the coal production target.

"We (only) reached about 80 percent of our 300,000 tons of target in the first semester," he told *Petromindo* in an interview.

Duta Tambang Rekayasa is one of MEMI's coal subsidiaries in the Nunukan cluster producing coal with sulphur content of 3.5 percent, the highest in the world, and calorific value of 6500 kcal/kg.

Hary earlier said that the coal production schedule of MEMI's two other subsidiaries in the Nunukan cluster -- PT Duta Tambang Sumber Alam (DTSA) and PT Nunukan Bara Sentosa Satu (NBSS) -- was delayed to the Covid-19 pandemic.

PTBA maintains high CV coal production target

IDX-listed coal mining company PT Bukit Asam Tbk (PTBA) said it is maintaining its initial production volume target of high calorific value (CV) coal this year despite weakening global demand due to COVID-19 pandemic.

PTBA plans to produce 2.5 million tons of 6,100 kcal/kg coal this year and to export the high CV coal to markets such as Taiwan and Australia. In 2019, the company produced 3.5 million tons of high CV coal.

"We maintain our initial production target for this year," Adib Ubaidillah, Director of Marketing of PTBA, said to *petromindo.com* on Thursday, referring to the high CV coal production target.

Adib confirmed that there has been downward pressure on coal demand in global markets, including for high calorific value coal. PTBA keeps looking for new market potentials both domestic and abroad.

"Domestic smelter industry is positive, but we have to be prudent in calculating the production costs and the prices," he said. PTBA owns approximately 50 million tons of high CV coal. C

Activists file judicial review over new mining law

A group of activists and top regional government officials filed on Friday judicial review over the country's new Mining Law No 3/2020.

The group argued that the deliberation process of the new mining law, which was approved by the House of Representatives in May and has been effective since the past month, lacked transparency and failed to comply with a number of law-making rules.

They also said that there was lack of involvement of the Regional Representatives Council (DPD) in the deliberation process of the new mining law, which is an amendment to the previous Law No 4/2019.

Bangka Belitung Governor Erzaldi Rosman Djohan, which also filed judicial review, said that under the new mining law, the entire licensing authority has been transferred to the central government, thus undermining the regional autonomy power of local administrations. Bangka Belitung is the country's main tin producing province.

Indonesia, a major exporter of thermal coal, tin, nickel and copper, is seeking to boost investment in the mining sector by removing red tape and streamlining regulations through the new mining law.

A judicial review was being requested because the public, regional governments and state-controlled companies had not been involved in deliberation of the bill, said mining expert Ahmad Redi, one of the plaintiffs.

"This clearly violated the openness principle in the legislation process that should be transparent," Redi said in a statement.

Fajar Laksono, a spokesman for the Constitutional Court, said the court had received the request and would review it before considering schedule for a hearing.

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Officials vying for mining DG position

Officials are competing for the position of Director General (DG) of Mineral and Coal at the Ministry of Energy and Mineral Resources which has been left vacant after Bambang Gatot Ariyono retired earlier this year.

Selection committee has qualified six officials to compete for the position, *Petromindo* sources said.

Sources said one of the strongest candidates is Ridwan Djamaluddin, who currently serves as deputy at the Office of Coordinating Minister of Maritime Affairs and Investment, where President Joko Widodo's (Jokowi) trusted aide Luhut Binsar Panjaitan is the minister.

The source said that despite being close to Luhut, Ridwan has yet to secure approval from the ruling party PDI-Perjuangan. Another source said that Ridwan's closeness to Luhut is considered by some as potential interference to the Minister of Energy and Mineral Resources, who is known to be close to PDI-Perjuangan.

The position of director general is very strategic and important this time as the new director general will have to deal with the implementation of the new mining law, which transfers power to regulate the mining industry back to the central government, and contract extension of coal concessions controlled by politically connected businessmen.

"The position requires not only technical knowledge about the mining industry, but also political and communication skill to balance stakeholders interests," one source said.

Other candidates are Ministry of Energy's Spokesperson Agung Pribadi, Director of Coal Development and Management Sujatmiko, current Director of Coal Yunus Saefulhak, and two others. C

MEMI seeks to penetrate domestic market

PT Medco Energi Mining Internasional (MEMI), a coal miner in Nunukan Regency, North Kalimantan Province, plans to start selling its high CV coal to the domestic market particularly the smelter industry. The company has been exporting its entire coal output.

MEMI produces so-called Reductant Coal, high CV coal of 6,500 kcal/kg (GAR) with 3.5 percent sulfur content, or the world's highest sulfur content, which is suitable for cement and smelting industries.

FH Kristiono, Chief Operating Officer of MEMI, said to *petromindo.com* on Wednesday, that the company plans to supply Reductant Coal to domestic market. MEMI plans to produce 600,000 tons of Reductant Coal this year, which has been exported to cement industry abroad.

"We plan to supply coal to among others Vale and Smelting Gresik," Kristono said. He mentioned that Reductant Coal is suitable for PT Vale Indonesia Tbk's nickel processing facility to produce nickel-in-matte and for PT Smelting Gresik's copper smelting.

MME exceeds first semester output target

South Sumatra coal miner PT Manambang Muara Enim (MME) reported that the company has reached 60 percent of its full-year production target of 1.5 million tons in the first semester despite the Covid-19 pandemic.

MME Director Agustinus Thamrin said that in the first quarter this year, there was strong demand from the export markets particularly from China, Philippines, Cambodia and Vietnam.

"We secured as many contracts as we could in the first quarter. It helped us in reaching 60 percent of our annual (production) target by June," Agustinus Thamrin told *Petromindo.com.*

He said that despite of the weak coal price in the period of January-April, it was still higher than the company's cost of production.

"We are optimistic to meet (the full-year) coal production target in the remaining period of the year although market condition would be tougher," he said. Last year the company produced 880,000 tons of coal out of the target of 1.5 million tons.

The company exported about 40 percent of its coal to China, Philippines, Cambodia, Vietnam, Thailand, Malaysia and India with the remaining 60 percent sold to PLN and private companies in Indonesia.

Agustinus said that one of the toughest challenges is coal transportation, including the closure of public roads for coal transport by the local government and limited access to existing coal hauling road. He said that logistic cost consisted of more than 50 percent of the coal production cost. C

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Transcoal expects lower cargo volume

IDX-listed sea logistics and transportation services provider PT Transcoal Pacific Tbk expected lower cargo volume this year at 44.5 million tons compared to 54.8 million tons last year due to the COVID-19 pandemic.

President Director Dirc Richard Talumewo said that the pandemic has caused global economic downturn and reduced electricity consumption, including in Indonesia. Most of Transcoal's cargo volume is coal for domestic coal-fired power plants.

"There is a reduction from 54.8 million in 2019 to 44.5 million tons in 2020. We hope we can fulfill the current target," Dirc Richard said. He expected that the economic condition will recover starting 2021.

In 2019, the company transported 37.6 million tons of coal, or 68 percent of the 54.8 million tons total cargo volume, while other cargoes constituted 17 million tons. Transcoal operates 498 assets accumulatively, in which 70 percent of total assets are chartered while the company owns 146 assets.

Transcoal owns three mother vessels, 42 tug-and-barges and one floating crane, while it also operates five mother vessels and 100 tug-and-barges.

Transcoal also plans to start aggressive expansion in 2021 by allocating massive capital expenditure to buy more assets. The company also expects more cargo volumes from 2021 to 2024.

Dirc Richard said that the company currently owns 30 percent of the total 498 operating assets, while 70 percent of the operating assets are chartered.

"By 2024, we plan to own 70 percent of the total operating assets and only charter 30 percent of the assets," Dirc said. Transcoal Pacific currently owns three mother vessels, 42 tug-and-barges and one floating crane, while it also operates five mother vessels and 100 tug-and-barges.

The expansion plan, according to Dirc, will start in 2021 by acquiring new assets including one unit of floating crane, four units of pusher barges and three tug-and-barges sets. "We will focus on growth in 2021 onward to 2024, while we are trying to avoid further pressure during this year," Dirc said.

He said the expansion plan is based on rising coal consumption projection of state-owned electricity firm PT PLN in line with the development 35,000 MW power plant projects. "We expect the cargo volumes will increase as the (coal) Domestic Market Obligation (DMO) is estimated to increase," he said.

Based on Transcoal Pacific's projection, the company's cargo volume will increase from 54.8 million tons in 2019 to 59.2 million tons in 2021 and keep increasing every year up to 74.2 million tons in 2024. The cargo volume is expected to be lower in 2020 down to 44.5 million tons due to COVID-19 pandemic.

Dirc did not disclose the planned capital expenditures for next year and onward, but he confirmed that the company already had discussions with several financial institutions. "Most of capital expenditure will be obtained from financial institutions," he said. C

MME to start using railway for coal transport

PT Manambang Muara Enim (MME), a coal mining company in Muara Enim Regency, South Sumatra Province, has been relying on Servo jetty to ship coal to customers. This year, MME has started using coal railway to transport its coal to reduce dependency on the Servo jetty.

The provincial government of South Sumatra has banned the use of public roads for coal hauling since 2018, requiring all coal transportation to either use river or railway. Since then, MME has been heavily depending on the Servo jetty for coal transport.

Agustinus Thamrin, Director of MME, said to *Petromindo.com* on Wednesday that the company has started using coal railway to transport coal this year. "We already had trial shipment in April 2020, but there are some problems at the Muara Lawai loading station," he said.

Agustinus mentioned that MME has secured contracts with some coal logistic companies in the province, to transport coal to jetty near Palembang. "The coal railway transport is expected to operate again in August this year," he said.

MME, with 140 million tons of coal reserves, produces 4,700 kcal/kg (GAR) coal for both export and domestic markets. In 2020, it plans to produce 1.5 million tons of coal.

Bumi confirms new payment against Tranche A

IDX-listed PT Bumi Resources Tbk. confirmed it had paid the 10th installments of US$6.51 million by the respective facility agents on 8 July 2020 representing interest of $6.51 million for Tranche A, a debt restructuring instrument.

Bumi said in a statement on Tuesday that with this 10th quarterly payment, the company has now paid a total $327.82 million in cash consisting of Tranche A principal of US$195.8 million and interest of $132.02 million including accrued and back interest.

The next quarterly payment for Tranche A is due on October 2020, the company said.

It added that PIK coupons from 11 April 2018 till 8 July 2020 on Tranches B and C are also being capitalized.

Rimau Group cuts coal production volume

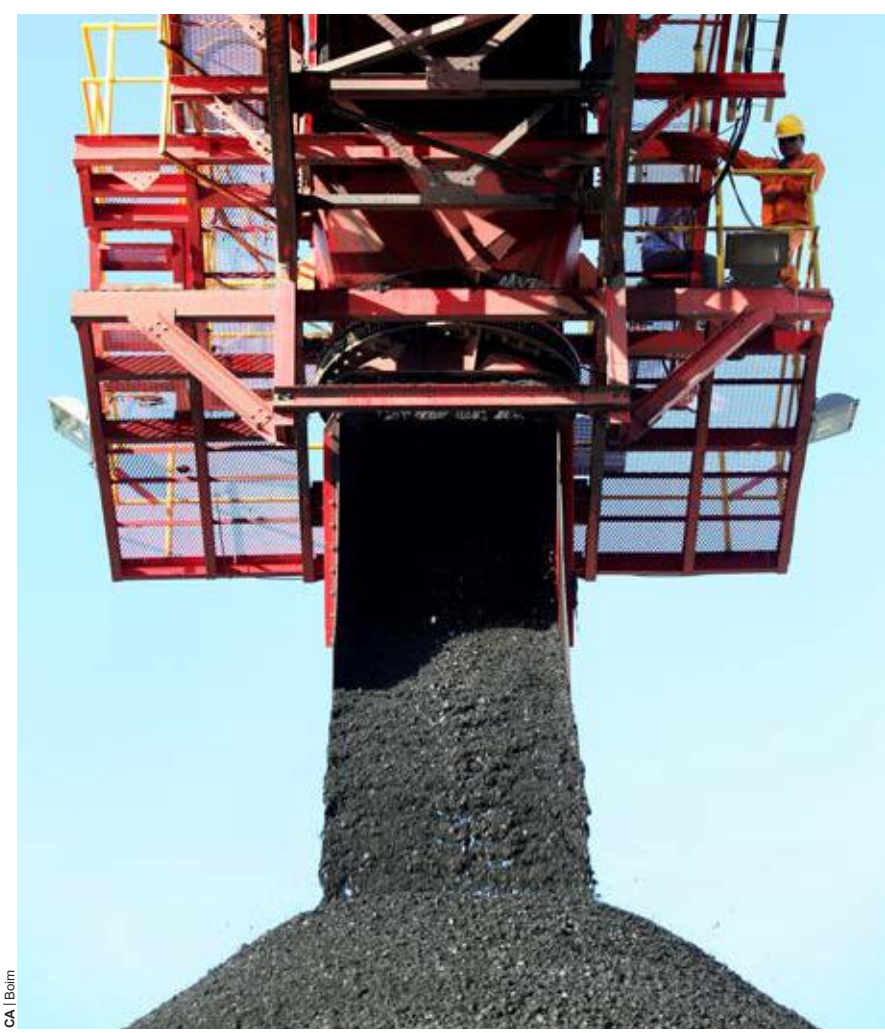
President Director of Rimau Group, VInsensius said that the company has cut its monthly coal production volume due to weak demand in the export market and low price.

"We now produce only between 100,000 tons and 150,000 tons per month," he told *Petromindo.com*.

The company previously targeted to produce at least 200,000 tons per month this year with annual output target of between 2.5 million tons and three million tons.

The coals are produced by its subsidiaries PT Rimau Energy Mineral (REM) and PT Senamas Energindo Mineral (SEM), which own mines located in Barito Timur Regency, Central Kalimantan Province.

The company exported most of its coal production to China and India. About 30 percent was sold to domestic market. C



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PTBA optimistic of completing railway project on time

IDX-listed coal mining company PT Bukit Asam Tbk (PTBA) said it is optimistic to complete the Tanjung Enim-Tarahan I coal railway expansion project by the end of 2020 despite the Covid-19 pandemic.

The project will expand the capacity of the coal railway, which links the state-controlled company's coal mines in Tanjung Enim, South Sumatra Province, and the Tarahan port in neighboring Lampung Province, to 25 million tons per year from 20.3 million tons per year.

"Tanjung Enim-Tarahan I expansion project is progressing as planned, and we are optimistic the project will be completed by the end of 2020," Appolonius Andwie C., Corporate Secretary of PTBA, said to *petromindo.com.*

The Tanjung Enim – Tarahan I expansion project is one of PTBA's initiatives to bolster its coal railway transportation capacity. The company earlier this year completed capacity expansion of the Tanjung Enim – Kertapati coal railway from 3.7 million tons per year to 5 million tons per year.

PTBA plans to transport 27.5 million tons of coal via railway in 2020, 13 percent higher than the realized 24.2 million tons in 2019. It sets coal production and sales targets at 30.3 million tons and 29.9 million tons respectively.

MME asks contractors to slash production and logistic cost

South Sumatra coal miner PT Manambang Muara Enim (MME) has asked the company's contractors to cut down production and logistic cost due to the continuing weak coal price environment.

MME Director Agustinus Thamrin argued that the current coal price was already below the production and logistic cost. "We have already negotiated with our contractors to reduce production and logistic cost," MME Director Agustinus Thamrin told *Petromindo*. He did not disclose the company's current coal production cost.

Government's coal reference price (HBA) for July hit US$52.16 per ton, the lowest since 2017. The HBA hit the lowest level at US$50.92 per ton in February 2016 that had forced many coal mining companies to halt operation.

MME is also looking for option to transport coal via railway rather than via current existing hauling road since it is costlier, accounting for more than half of the company's total production cost.

Govt sees higher coal demand from smelter industry

The government revised upward the projected coal demand this year from the country's mineral processing and smelting industry to 23.9 million tons from the initial target of 16.5 million tons.

Muhammad Wafid, Director of Mineral and Coal Development Program at the Ministry of Energy and Mineral Resources said recently that the higher coal demand projection from the smelter sector comes following the recent commissioning of a nickel smelter at the Indonesian Weda Industrial Park (IWIP) in Weda, Central Halmahera Regency.

"The increase in coal demand from (the mineral) processing and smelting facilities is due to the operation of Indonesia Weda Industrial Park," he said.

IWIP in its website announced the commissioning of Weda Bay Nickel project's first RKEF line smelter on April 30, 2020 with the expected annual production of 30.000 tons.

The company said IWIP is the first integrated industrial area in Indonesia to facilitate mineral smelting and to produce component of electric vehicle's battery with the construction was made since 2018.

The smelter sector is one the domestic coal consumers. Under the government's coal domestic market obligation (DMO) policy, coal miners in the country are required to allocate at least 25 percent of their output for the domestic market.

DMO Plan in 2020

(Before and after Covid-19)

No.	End user	Before Covid-19	After Covid-19
1	PLN	108,926,112	87,593,112
2	Processing and Smelting industry	16,522,511	23,985,943
3	Fertilizer industry	1,733,110	1,437,001
4	Cement industry	14,545,630	12,683,088
5	Textile industry	6,543,547	6,543,547
6	Paper industry	6,644,677	7,444,921
7	Briquette industry	10,530	3,600
8	Ceramic industry	0	206,000
9	Petrochemical industry	0	7,000
10	Alkaline chlorine industry	0	948,000
	Total	**155,000,006**	**140,852,212**

Market plays down ICMA coal production cut initiative

Coal market players played down the significance of the coal production cut initiative by the Indonesian Coal Mining Association (ICMA) in helping to reverse the current declining trend in coal price.

ICMA has called for additional 50 million of coal production cut in the second half this year amid diminishing demand, oversupply situation, and weakening coal prices. ICMA on Wednesday stated that Indonesia's coal production volume this year should be reduced from 550 million tons to 480 million tons in a bid to achieve supply and demand balance in the global coal seaborne market.

However, some market players played down the initiative since they see China remains the market mover in the global coal seaborne market.

Deepak Kannan, Managing Editor of S&P Global Platts Analytics, confirmed that there are many coal supplies in the Asia Pacific region while there is no additional demand. "For India, the country will keep importing coal but I do not think it will influence the coal price," he said on Thursday.

An Indian buyer stated that the India import demand drops drastically due to Covid-19 while coal traders still have a lot of coal inventories. "As a buyer, I do not wish that (production cut) to happen. Indonesia will continue producing or the production cut may be less than 40 or 50 million tons," Prashant Goyal, CEO of OPG Power Generation Pvt. Ltd India, said on Thursday.

Sujatmiko, Director of Coal Business Development at Directorate General of Mineral and Coal, stated that the government has set the state revenue target this year based on the existing national coal production volume target, which is 550 million tons.

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"When the price is down, the companies can take efficiency initiatives. Let us see the market development, and there will be some adjustments. The government will provide incentives and facilities for industry players to survive," he said.

PCN's coal output lower than target

PT Pesona Cipta Nusantara (PCN), a coal miner in Tanah Bumbu Regency, South Kalimantan Province, produced 2.2 million tons of coal in the first half 2020. The company plans to produce 6 million tons of coal this year.

Andi Ananda Manggabarani, Director of PCN, said that the realized coal production in the first half was less than the initial target. "The production in the first half was 2.2 million tons, which was less than target, due to heavy rainfall in the early part of this year," Andi said to *petromindo.com* .

Yet, Andi stated that the company plans to boost production in the second half of the year which is expected to be drier months. "Our production operations run normally during the Covid-19 pandemic," he said.

PCN produces 4,200 kcal/kg (GAR) coal quality with very low 0.5 percent sulfur content which is suitable for coal-fired power plants. PCN supplies most of its coal to domestic coal-fired power plants, including for state-owned electricity firm PT PLN (Persero) and its coal subsidiary PT PLN Batubara. C

PCN calls for DMO incentives

PT Prolindo Cipta Nusantara (PCN), a coal miner in Tanah Bumbu Regency, South Kalimantan Province, requested the government to provide incentives for coal miners which have fulfilled the domestic market obligation (DMO) policy.

Under the government's current coal DMO policy, coal miners in the country are required to allocate at least 25 percent of their output to the domestic market. But in this year's DMO policy, the government omits the so-called DMO quota transfer mechanism. Instead, coal miners failing to meet their respective DMO quota must pay financial compensation.

However, Andi Ananda Manggabarani, Director of PCN, questions why there are no incentives for coal miners which have fulfilled the DMO quota. "There should be incentives, such as tax facilities or other incentives," he told *petromindo.com* on Monday.

PCN produced 2.2 million tons of coal in the first half of the year out of 6 million tons of full year production target.

"As of the first half of 2020, we supplied 70 percent or 1.5 million tons of coal to domestic marker," he said. Under the previous DMO policy, Andi said PCN got incentives through transfer quota as the company had an excess quota that were transferred to coal miners which were unable to comply with 25 percent DMO quota.

Adaro's AMC seeks to triple production capacity

IDX-listed energy company PT Adaro Energy Tbk keeps developing its metallurgical coal assets grouped under the Adaro MetCoal Companies (AMC), particularly the Maruwai concession, to achieve production capacity target of 3 million tons per year. In 2020, AMC plans to produce 1 million tons of premium hard coking coal, a relatively flat output target compared to 1.09 million tons of realized output last year.

AMC covers seven Coal Contract of Work (CCoW) holders, including the Maruwai concession, which are located in Central Kalimantan and East Kalimantan Provinces. AMC owns accumulatively 868 million tons resources and 85 million tons reserves of metallurgical coal.

Hendri Tan, Director of Marketing Division at PT Adaro Energy Tbk, said that Adaro Energy has been producing coking coal from the Maruwai concession since the end of 2019 and started the first shipment in early May 2020. The company plans to develop the Maruwai concession to achieve annual production capacity of 3 million tons.

"The development is ongoing and expected to reach 3 million tons capacity in 2 years," Hendri said to *petromindo.com* last week. In 2019, Adaro Energy spent US$180 million to develop AMC. In the first quarter 2020, AMC started the first production at Lampunut mine in Maruwai concession.

Hendri added that AMC offers premium hard coking coal with very low ash (4.5 percent), phosphor and sulfur contents which is suitable for steelmaking. "We eye both export and domestic markets especially steelmakers and nickel smelters. We already had trial shipment to Japan," Hendri said. C

Kideco focuses on long-term contracts amid slowing demand, falling price

East Kalimantan coal miner PT Kideco Jaya Agung said it is focusing on serving long-term customers, and reducing spot sales, as part of strategy to help maintain selling price in an anemic coal market condition.

Marketing Director Anton Kristianto told *Petromindo.Com* in an interview over the weekend that Kideco has contracted about 30 million tons to his customers in Indonesia and overseas this year.

Last year Kideco produced around 34 million tons of coal. According to Anton, in the first half of 2020, production hovered around 16 million tons. In the first quarter Kideco produced 8.8 million tons and in May and June sales decreased by 12 %- 14% tons per month from normal capacity about 3 million tons per month as customers asked for shipment delays during the lockdown.

Anton said that the company's strategy to maintain its average selling price is to limit spot market sales. "Kideco is significantly cutting spot sales as spot price in May and June reached as less than $24 per ton for Indonesian Coal Index 4. Very hard for everyone to follow that price," he said.

"Our strategy now is to reduce spot shipments and focus on serving our long-term customers, as spot price has been significantly discounted, '' said Anton. Spot price is pushing Kideco's average selling price down, he said without giving a detailed figure. He said in the coming months spot sales will only be conducted on an dynamic market situation.

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Anton said that one of the biggest uncertainties for Kideco is the China market, where it sold around 12 million tons last year, or about 35 percent of its export market. "There are a lot of uncertainties about the Chinese market especially with the application of coal import quota," he said.

Under the quota system, for example, the government can prohibit shipment to a certain power plant that already has a coal supply contract with Kideco if import quota for that province has already been fulfilled. "It creates a lot of uncertainties and headaches," he said. "Exporters are confused by import quota imposed by the Chinese government. In some provinces, import quota has been fulfilled and we cannot sell to customers located in the area." However, he said there is no formal notification or documentation regarding the volume of the quota.

He also said that during the May and June period, customers in India had asked for shipment delay as power demand fell due to imposition of lock down. Coronavirus pandemic, he said, is expected to slash Kideco's coal sales to India to 2 million tons this year from 3.4 million tons last year. "In May and June all of our Indian buyers were asking for shipment to be pushed back toward July and August," he said.

Kideco is a unit of IDX-listed energy firm PT Indika Energy Tbk. C

Market is more comfortable with ICI

Buyers and sellers of Indonesian coal in the market are currently getting more comfortable with the Indonesia Coal Index (ICI) rather than Newcastle Index as a coal price benchmark.

Bob Kamandanu, Chairman of PT Trafigura Indonesia, stated that Newcastle Index is actually a different price benchmark compared with ICI in terms of Indonesian coal.

"For so long, we want to be price maker, and it happens now. Markets are getting more comfortable with ICI than Newcastle. People who want to have coal contract based on Newcastle may not be accepted in the market," Bob told *Petromindo.Com* on Wednesday.

Bob said that ICI for Indonesian coal has already shown the right equilibrium, where ICI for 4,200 GAR coal currently stands at the range of US$37-$38 per ton.

"I foresee that the ICI will be stable in the next six months since there is no extreme movement in the markets," he said.

China, according to Bob, is cleaning up its air condition by limiting coal imports, but in fact there is still demand from the country. "The same situation also occurs in India," he said.

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Cokal shortlists two mining contractors

ASX-listed coking coal mining firm Cokal Ltd said on Monday that it has received mining contract proposals from three reputable mining contractors with extensive experience in open pit coal mining and haulage in Indonesia, but some were delayed due to the impact of the Covid-19 global pandemic.

Cokal said in a statement that of these three, two tenderers have been shortlisted and are being evaluated by Cokal's technical and commercial teams. "Negotiations to refine the terms of the contracts of the preferred tenders have continued into July as Cokal endeavors to deliver the best outcome for the initial production years of the BBM coal project," the company said.

It is hoped that a successful resolution will be concluded before the end of the July, but due to unforeseen delays caused by the Covid-19 pandemic, this timeframe cannot be guaranteed.

Although the overall startup schedule is still largely on track, minor delays in our progress are expected due to travel restrictions, the company said.

Cokal started tender in February of this year to select mining contractor for its BBM coking coal mine project in Indonesia's Central Kalimantan Province. Five companies were invited to the tender, but Cokal did not disclose their identity.

The company said that it is anticipated that the contracts will be for a period of five years, commencing in 2020, with options for extension. Contractors, it said, will be required to provide their own infrastructure and facilities on site.

Additional contracts, it said, will include construction of the first 50-km section of the haul road to Muara Lahung, the coal handling plant at the BBM mine site, the coal handling and barge loader at Muara Lahung and the barging contract from Muara Lahung to FOB Taboneo anchorage. C

Vietnam complains about RI coal shipping regulation

The government of Vietnam has submitted a letter to Indonesia's Trade Ministry to complain about the new shipping policy requiring the use of Indonesian national shipping and insurance companies for coal export.

Ambassador Extraordinary and Plenipotentiary of Indonesia in Vietnam, Ibnu Hadi said that the companies in Vietnam conveyed their protest on Indonesia's shipping policy to their government who then formally sent letter asking clarification from the Indonesian government.

"Companies in Vietnam complain about the (shipping) regulation...The regulation makes the (coal) price higher so they have to make recalculation," he told a webinar organized by the Embassy entitled "Briefing Series on Opportunities in Vietnam – Post Covid 19: Coal Export to Vietnam and Its Challenges."

Indonesia is the second largest coal exporter to Vietnam after Australia last year with the latter's total export reached 15.7 million tons, slightly higher than 15.4 million tons from Indonesia.

Indonesia exported 11 million tons of coal to Vietnam in 2018, higher compared to only 6 million tons from Australia.

Vietnam is one of growing emerging economies in Southeast Asia that requires more energy supply to fuel its economy. The country is developing its energy sector, including constructing coal-fired power plants which are expected to be online in the next few years.

Vietnam's industry players stated that the country needs long term and sustainable supply of coal from coal producing countries, including Indonesia. "Vietnam's coal import (is projected to) grow by about 10-15 percent every year from 2020 to 2035," Pham Bich Ni, Chartering & Sales Manager of Viet Thuan Transport Co. Ltd, said.

In 2020, Vietnam is estimated to import steam coal for coal-fired power plants of as much as 35 million tons. "It is estimated to increase 5-10 percent every year," Pham Bich Ni said in a webinar conducted by Indonesia Coal Mining Association (ICMA) and Indonesian Embassy for Vietnam.

Viet Thuan Transport, according to Pham Bich Ni, is Vietnam's biggest shipping company that transported 18 million tons of coal in 2019. "In 2020, we plan 10 percent increase to be 20 million tons of coal to transport," she said.

Nguyen Cong Su, Chairman Danku Minerals Joint Stock Company of Vietnam, said that Vietnam prefers having long term contracts to secure sustainable coal supply. "EVN is willing to buy coal in long term contract of 2 years or more," he said referring to Vietnam's state-owned power utility company.

Nguyen Cong Su added that the Vietnam government is currently developing more transshipment zones to accommodate more coal volume and bigger vessels. "The current challenge is the infrastructure for importing coal is insufficient. There is not yet any deep water transshipment point accommodating more than 100,000 DWT vessel," he said.

To secure long term coal supply from Indonesia, Pham Bich Ni suggested that there should be negotiation between Vietnam and Indonesia in coal mines investment opportunities.

Ibnu Hadi, Indonesian Ambassador to Vietnam, said that Vietnam offers good opportunities for Indonesian coal exporters. "There are nine under construction coal-fired power plants in Vietnam which are going to be completed in near future," he said. C

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Krakatau Steel to launch 10 downstream steel products

IDX-listed steel maker PT Krakatau Steel Tbk (IDX:KRAS) said it will launch 10 downstream steel products in the second semester this year, which is a realization of the company's strategy, namely the so-called 'sharing economy' principle.

President Director KS Silmy Karim said the company will produce the products in cooperation with other parties, therefore, KS does not need to develop new plants.

He said KS certain can develop its own production facilities. However, the steel industry is yet to operate at full capacity, therefore there is unused capacity. The company is utilizing the idle capacity of the steel industry by cooperating with other producers to optimize the idle capacity, he said during a webinar on developing the national steel industry on Friday (24/07).

One product that will be launched by Krakatau Steel will be produced jointly with PT Sunrise Steel, bisnis.com reported.

Based on the Indonesia Zinc Aluminium Steel Industry (IZASI), Sunrise Steel currently has a production capacity of 400,000 tins per annum. Sunrise Steel currently contributes 25.39 percent of the national steel plates products.

KS, he said, will also increase the value-added of its existing products, namely HRC, which is widely used in construction sector, and CRC used in cars and air conditions.

The other strategy, he said, is to utilize its downstream steel production unit by cooperating with other parties. The company aims to launch around 10-15 products in the second half this year, he said.

Ministry to validate Trinitan's nickel processing technology

The Geological Agency of the Ministry of Energy and Mineral Resources will conduct validation test of low-grade nickel ores which have been processed using STAL technology owned by IDX-listed metal and mineral processing company PT Trinitan Metals & Minerals Tbk.

Trinitan and the agency signed an MOU last week on cooperation to implement the validation test.

Iman K. Sinulingga, Head of Mineral, Coal and Geothermal Resources Center at the agency, was quoted as saying that the STAL technology, if proven, is a crucial breakthrough in capitalizing the country's huge nickel ore resources estimated at 9.4 billion tons, most of which are low grade nickel ores of less than 1.7 percent.

The STAL technology is a hydrometallurgy-based metal mineral processing technology, owned by Trinitan, which is claimed to be able to process low grade nickel ores into first grade nickel metals with competitive cost.

Trinitan's Director Widodo Sucipto said that STAL technology is an advanced form of the company's earlier technology called RLEP (roasting leaching electrowinning process).

In the validation test, Trinitan will submit data of feedstock used in the previous test and the parameters of the STAL unit test to the geological agency. The method will then be validated using low grade nickel ore samples of around 2 tons taken by the agency from a 2019 test in Southeast Sulawesi. C

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☐ Indonesian Gas Development Plant Series 2018	US$105	.....
☐ Compilation Of Indonesian Regulations On Mineral And Coal Mining (2018 - March 2019)	US$275.85	.....
☐ Indonesian Minerals Book 2019/2020	US$200	.....
☐ Government Regulation No. 81/2019 regarding the Types and Tariffs of the Non-Tax State Revenues (PNBP)	US$172.44	.....
☐ Indonesia Coal Report (12 months subscription)	US$950	.....
☐ Indonesia Nickel Report (12 months subscription)	US$950	.....

MAPS

COAL MAPS

	Price	Copy(s)
☐ Kalimantan (2019)	US$500	.....
☐ Sumatra (2019)	US$500	.....
☐ Indonesian Coal Industry (2019)	US$300	.....
☐ West Sumatra (2019)	US$400	.....
☐ Riau (2019)	US$400	.....
☐ Jambi (2019)	US$400	.....
☐ Bengkulu (2019)	US$400	.....
☐ South Sumatra (2019)	US$400	.....
☐ South Kalimantan (2019)	US$400	.....
☐ Central Kalimantan (2019)	US$400	.....
☐ West Kalimantan (2019)	US$400	.....
☐ East Kalimantan (2019)	US$400	.....
☐ North Kalimantan (2019)	US$400	.....
☐ Lampung (2019)	US$400	.....
☐ Papua (2019)	US$400	.....

UNCONVENTIONAL OIL & GAS MAP

	Price	Copy(s)
☐ Indonesian (2018)	US$200	.....
☐ Sumatra (2018)(Zoom)	US$200	.....
☐ Kalimantan (2018)(Zoom)	US$200	.....

CONVENTIONAL OIL & GAS MAPS 2019

	Price	Copy(s)
☐ Indonesian (2019)	US$300	.....
☐ Sumatra (2019)(Zoom)	US$300	.....
☐ Natuna (2019)(Zoom)	US$300	.....
☐ Java (2019)(Zoom)	US$300	.....
☐ Kalimantan (2019)(Zoom)	US$300	.....
☐ Papua (2019)(Zoom)	US$300	.....

REGIONAL MINERALS MAPS 2019

	Price	Copy(s)
☐ Sumatra Minerals Map	US$500	.....
☐ Java Minerals Map	US$500	.....
☐ Kalimantan Minerals Map	US$500	.....
☐ Sulawesi Minerals Map	US$500	.....
☐ Maluku Minerals Map	US$500	.....
☐ Nusa Tenggara Minerals Map	US$500	.....
☐ Papua Minerals Map	US$500	.....

MAPS

PROVINCIAL MINERALS MAPS 2015

	Price	Copy(s)
☐ Aceh	US$400	.....
☐ North Sumatra	US$400	.....
☐ Riau Islands	US$400	.....
☐ Riau	US$400	.....
☐ West Sumatra	US$400	.....
☐ Bengkulu	US$400	.....
☐ Jambi	US$400	.....
☐ South Sumatra	US$400	.....
☐ Bangka Belitung	US$400	.....
☐ Lampung	US$400	.....
☐ Banten	US$400	.....
☐ West Java	US$400	.....
☐ Central Java	US$400	.....
☐ Yogyakarta	US$400	.....
☐ East Java	US$400	.....
☐ West Nusa Tenggara	US$400	.....
☐ East Nusa Tenggara	US$400	.....
☐ West Kalimantan	US$400	.....
☐ Central Kalimantan	US$400	.....
☐ East Kalimantan	US$400	.....
☐ South Kalimantan	US$400	.....
☐ North Sulawesi	US$400	.....
☐ Gorontalo	US$400	.....
☐ Central Sulawesi	US$400	.....
☐ West Sulawesi	US$400	.....
☐ South East Sulawesi	US$400	.....
☐ South Sulawesi	US$400	.....
☐ Maluku	US$400	.....
☐ North Maluku	US$400	.....
☐ West Papua	US$400	.....
☐ Papua	US$400	.....

☐ Indonesian Hydro Power (2017)	US$150	.....
☐ Seaborne Coal Exports (2014)	US$150	.....
☐ Seaborne Ore Exports (2014)	US$150	.....
☐ Indonesian Geothermal (2019)	US$200	.....
☐ Indonesian Electricity (2019)	US$300	.....

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Antam nickel production and sales in Q2 increase

IDX-listed gold and nickel miner PT Aneka Tambang Tbk (IDX:ANTM), also known as Antam, recorded positive growth of nickel production and sales in the second quarter (Q2) of 2020.

In the period, Antam's unaudited ferronickel production hit 6,447-ton nickel within ferronickel (TNi), increased 2 percent from the previous quarter (Q1) of 6,315 TNi.

Antam's unaudited ferronickel sales volume reached 6,867 TNi, an 11 percent growth compared to Q1 sales volume.

In six months to June (H1), the company's unaudited ferronickel production and sales reached 12,762 TNi and 13,045 TNi respectively, representing 48 percent from the 2020's ferronickel production and sales targets.

As for nickel ore commodity, in second quarter, nickel ore production volume, which produces as ferronickel plant feed ore material as well being sold to domestic market customers, are amounting to 745 thousand wet metric tons (WMT), increased 18 percent from the first quarter production level of 629 thousand WMT.

Meanwhile, in the second quarter, Antam recorded unaudited nickel ore sales volume of 168 thousand WMT, increased significantly compared to Q1 nickel ore sales volume.

In the first semester of 2020, the company booked the unaudited nickel ore production volume of 1.37 million WMT and an unaudited sales figure of 168 thousand WMT.

In line with the global economic recovery and positive tone on nickel demand, Antam said it is optimistic to improve it's profit margins on the nickel segment in the full year 2020.

As a part of the company's aims to elevate its business competitiveness, the company always promoting the several initiatives to reduce operational cash costs through the various operation innovation and taking strategic policies to meet an appropriate and optimum cost-efficiency strategy.

This effort is also reflecting on its ferronickel unaudited cash cost figure of US$3.33 per lb. nickel for the period of H1 and placed the company as one of the lowest cash cost global ferronickel producer.

New nickel forum established

Stakeholders of the country's emerging nickel-related industries have recently set up the Indonesian Nickel Industry Forum (or FINI) whose members include domestic nickel smelter operators controlling about 90 percent of installed production capacity.

FINI Chairman, Alexander Barus said that the forum gathered companies engaged in nickel smelting, stainless steel production as well as nickel companies. As of July, the forum has 24 companies as members.

"We hope the new forum could resolve any potential disputes among the stakeholders," he said in a webinar organized by *CoalAsia* Magazine and *Petromindo.com* on Thursday (July 23). C

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Ministry: H1 nickel ore output totals 15.85m tons

The Ministry of Energy and Mineral Resources said that the country's nickel ore production in the first half (H1) of this year totaled 15.85 million tons, of which 13.19 million tons were sold in the domestic market.

Ministry's Director for Mineral Management and Development, Yunus Saefulhak said on Tuesday that ferronickel production in the January-June 2020 period reached 666,696 tons, of which 517,077 tons exported and 177,462 tons sold in the domestic market.

Nickel pig iron (NPI)production reached 418,955 tons, of which 136,192 tons exported, and 175,700 tons sold in the domestic market. Meanwhile, nickel matte production stood at 46,092 tons, the bulk of which, 39,705 tons were exported.

The ministry said that last year, total nickel ore production jumped 136 percent to 52.7 million tons from 22.1 million tons in 2018.

Nickel matte production last year reached 65,103 tons, down compared to 75,708 tons in the previous year. As a result, nickel matte export last year fell to 64,219 tons compared to 75,708 tons in the previous year.

Ferronickel output in 2019 totaled 1,100,066 tons, of which 1,034,060 tons were exported. This was higher than 2018 output and export volume of only 573,159 tons.

NPI output last year reached 692,429 tons, with export volume of 130,170 tons. In the previous year, production and export stood at 323,989 tons.

Merdeka, J Resources gold project may produce 250 koz pa

IDX-listed gold miners PT Merdeka Copper Gold and PT J Resources Asia Pasifik Tbk may be able to produce 250,000 ounces for more than 15 years from their combined project in Gorontalo.

According to Merdeka in its presentation released recently, the Pani gold project is scheduled to complete pre-feasibility study in the second half of 2021. Mining will be conducted in open pit, using carbon in leach (CIL) method.

Merdeka and J Resources have mine concessions adjacent to each other, namely PT Pani Bersama Jaya, which controls Pani tenement (IUP) and PT Gorontalo Sejahtera Mining (GSM), which contains Pani project. Pani IUP contains mineral resources of 89.5 million tons at a gold grade of 0.82 g/t for 2.37 million ounces of gold and J Resurces has previously reported that the Pani Project contains a mineral resource of 72.7 million tons at a gold grade of 0.98 g/t for 2.3 million ounces of gold.

In January this year, the two companies decided to form a venture to jointly develop their mines, which is expected to close in the third quarter of this year. Merdeka said it will get 40 percent of the economic benefit of the project and will control the JV.

The GSM mining contract of work is divided into three separate land blocks; Pani Project, Bolangitang block and Bulagidun block. J Resources will retain its full economical interest at the Bolangitang and Bulagidun blocks.

Initial metallurgical testing shows high recoveries from CIL, heap leach and gravity, Merdeka said. C

Miners failing to comply with HPM risk license revoked

Miners failing to comply with the new metal mineral benchmark price (HPM) policy in conducting mineral transaction may risk their licenses revoked. This was said by Septian Hario Seto, Deputy at the Office of the Coordinating Minister for Maritime and Investment Affairs during a coordination meeting held virtually.

He appealed to the miners to comply with the new HPM policy as non-compliance will risk sanctions including export volume cut and termination of license.

"The government positions itself as a referee, it will not take sides. But we appeal to all business players, both miners and smelter operators to comply with the regulation which has been issued and agreed. For those failing to comply, the government will prepare firm sanctions starting from warning, export (volume) cut, to revocation of license," Seto said as quoted by a ministry statement issued.

Minister of Energy and Mineral Resources Arifin Tasrif issued in April of this year new Ministerial Regulation No 11/2020 on the third amendment of Ministerial Regulation No 07/2017 regarding the procedure to determine the benchmark price on the sale of metal mineral and coal.

According to the new ministerial regulation, metal mineral miners and coal miners including those holding the IUP production operation mining business license (IUP OP) and IUPK special mining business license (IUPK OP) are required to, respectively, use the HPM (metal mineral benchmark price) and HPB (coal benchmark price) as benchmark in selling their output. The requirement to use the HPM or HPB must also be applied when selling their output to affiliates.

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Nickel miners holding the IUP OP or IUPK OP licenses are required to use the HPM in selling their nickel ores including to affiliates. Smelter operators purchasing the nickel ores from these miners are also required to make the purchase using HPM as benchmark, the regulation says.

The formula to determine the HPM is based on a number of variables including purity of the metal mineral, constant factor, HMA (mineral reference price), corrective factor, treatment cost, refining charges, and/payable metal, the regulation says.

Seto said that there some industry players which have yet to comply with the HPM policy. He said that his ministry together with the Ministry of Energy and Mineral Resources, Ministry of Industry and the Investment Coordinating Board will set up a joint taskforce to monitor the implementation of the HPM policy and to issue sanction for non-compliance.

Acting Director General of Mineral and Coal at the Ministry of Energy and Mineral Resources, Rida Mulyana said previously that the new HPM policy is formulated to benefit both the nickel ore miners and smelter operators, which buy the nickel ores.

He said that under the HPM policy, the benchmark price for nickel ores is set lower than international price to help ensure healthy margin for smelter operators, but higher than the nickel ore production cost to also provide profit for the nickel miners. C

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East Asia Minerals submits environmental study for Sulawesi gold project

TSX-V-listed junior mining firm East Asia Minerals Corporation announced that the final environmental assessment study (AMDAL) has been submitted to the relevant environmental office in the Province of North Sulawesi.

The company is anticipating the approval of the AMDAL to be issued by the authority within two weeks of this submission.

The approved AMDAL, together with the Indonesian Feasibility Study (IFS) from August 2018 which has been approved and completion of financial obligation to the government, are the requirements to upgrade the Sangihe Gold Project license to production operation stage.

The company said earlier that production will be achieved in 12 months after production operation license approved with production of 1000 ounces per month.

After obtaining the production operation license, anticipated to be in the third quarter of 2020, the company will start on production financing and next steps to bring the Sangihe Gold project to operation, it said.

The Sangihe gold-copper project is located on the island of Sangihe, off the northern coast of Sulawesi and has an existing inferred mineral resource of 114,700 indicated and 105,000 inferred ounces of gold.

The company's 70-percent interest in the Sangihe-mineral-tenement contract of work (CoW) is held through PT Tambang Mas Sangihe (PTTMS). The remaining 30-percent interest in PTTMS is held by three unaffiliated Indonesian corporations. The term of the Sangihe CoW agreement is for 30 years upon commencement of the production phase of the project.

Sulawesi gold project to start production in 2023

ASX-listed gold development company Nusantara Resources Limited plans to start production from its Awak Mas gold project in South Sulawesi Province in the first quarter of 2023.

According to the company's presentation released last week the mine will produce gold for 16 years with total production of 1.5 million ounces for the entire mine life with capital investment of US$156 million.

The company has appointed advisor to raise $140 million of debts from banks with decision to mine or final investment decision is expected early 2021.

An independent technical expert report will be prepared for the future banking syndicate, forming the basis of an approach to a select group of international banks that have expressed an interest in project financing Awak Mas. Over the course of 2020, JV partners NUS and Indika will look to complete project debt financing and to move into a construction and commissioning phase in 2021.

Nusantara has 60 percent stake at PT Masmindo Dwi Area which owns the Awak Mas gold project with the remaining 40 percent owned by IDX-listed miner PT Indika Energy Tbk. Indika is also Nusantara's largest shareholders with 23 percent interest. C

HPM policy expected to develop domestic nickel market

The recently introduced metal mineral benchmark price (or HPM) policy is expected to push the growth of domestic nickel market, Acting Director General of Mineral and Coal at the Ministry of Energy and Mineral Resources, Rida Mulyana said.

He said that the new HPM policy is formulated to benefit both the nickel ore miners and smelter operators, which buy the nickel ores. The government has banned the export of nickel ores.

He said that under the HPM policy, the benchmark price for nickel ores is set lower than international price to help ensure healthy margin for smelter operators, but higher than the nickel ore production cost to also provide profit for the nickel miners.

"(The government's responsibility) is how to look for balance or price fairness between the profit for smelters and to ensure that the nickel mining activities can provide sufficient margin for the miners," Rida said. "This (the HPM) will always be set below international price."

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The formula to determine the HPM is based on a number of variables including purity of the metal mineral, constant factor, HMA (mineral reference price), corrective factor, treatment cost, refining charges, and/payable metal, the regulation says.

Director for Mineral Development and Management at the ministry, Yunus Saefulhak said that the HPM will always be set below international price. "For instance, if the international price is US$60 per wet metric ton, then the price here (in Indonesia) will be $30 per wmt," he said, hoping that the HPM policy will create a conducive investment climate both for the mineral miners and smelter operators. C

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Production Highlights

	2Q20	1Q20	2Q19	1H20	1H19
Nickel in matte production (t)	18,701	17,614	17,631	36,315	30,711

PT Vale reports higher production

IDX-listed integrated nickel mining firm PT Vale Indonesia Tbk (INCO) announced Monday that in the second quarter of 2020 (2Q20), it produced 18,701 metric tons (t) of nickel in matte.

The company said in a statement that the production volume in 2Q20 was about 6 percent higher than the production volume realized in 1Q20, while production in 1H20 was 18 percent higher than production in 1H19 due to a shorter shutdown period in 1H20.

In 1H19 the company executed a longer planned shutdown for activities related to the Larona Canal Lining.

"Looking at this achievement, we are confident in our ability to maintain our production levels in 2020," said Nico Kanter, CEO and President Director of PT Vale said in the statement.

PT Vale produces nickel in matte at its integrated mining and processing facilities near Sorowako on the island of Sulawesi.

KS relaxes customers' payment after receiving capital infusion

State-owned steel maker PT Krakatau Steel Tbk (IDX:KRAS) said it is one of the state-owned enterprises (SOEs) that received a capital injection from the government as part of efforts to help revive the national economy after badly hit by the coronavirus pandemic.

As reported earlier, Krakatau Steel will receive Rp3 trillion capital as bridging funds from the government.

President Directo of Krakatau Steel Silmy Karim said the capital injection enables the company to relax payment terms to its customers. Therefore, its customers continue to run their business and order steel products from the company.

"This aims to ensure the steel downstream companies and users of steel products continue their operation," Silmy said Wednesday (16/07).

Silmy noted the company place the funds into a special purpose vehicle (SPV), which will be used as a trade facility in purchasing raw materials. However, the proposed scheme is yet to be finalized.

He noted the company's sales started to pick up in June, recovered after falling in the previous months amid Covid-19 pandemic, but yet to reach the level before the pandemic.

Reclamation may be considered in approval of RKAB

The government hinted that reclamation activities by mining companies may be included as one of considerations in the approval of the Budget and Work Plan (RKAB). The Mining Law No 3/2020 Article 99 obliges mining permit holders to conduct proper balance between operating mining areas and reclamation areas.

"Reclamation activities may be considered in granting RKAB for the following year," Sujatmiko, Acting Director of Technical and Environment of Mineral and Coal at the Directorate General of Mineral and Coal, said.

Mining Law No 3/2020 Article 161B stipulates punishment for miners which are unable to comply with environmental regulations, including reclamation obligation, post-mining activities and payment of reclamation guarantee fund. These recalcitrant miners will be subject to criminal sentence of 5 years in jail and a fine of up to Rp100 billion.

Based on the government data, there are currently 248,652 hectares of operating mining areas in Indonesia. "There are 82,476 hectares of reclamation areas," Sujatmiko said. In 2019, the realized reclamation area was 8,296 hectares and the government sets target of 7,000 hectares reclamation areas in 2020.

The government encourages miners to develop ex-mining areas, such as voids, into productive areas such as for water tourism, fresh water resources and aquacultures. Mining companies may also utilize post-mining areas for renewable energy development, such as palm oil plantation, photovoltaic and biomass. C

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Gulf mulls other funding options

ASX-listed Gulf Manganese Corporation Limited (GMC) said that it has completed a detailed review of its current manganese operations in light of the impacts of the COVID-19 pandemic both on operating in Indonesia and on raising capital to support the company's Indonesian operations.

The company said in a statement that the continuing delays in closing the transaction with Glacier International Depository Ltd for the Loan Facility announced on 8 January 2020 have caused the company considerable strain. Consequently, the company has reviewed its agreement with Glacier and is pursuing other options so as to ensure the integrity of the company in the event that the transaction fails.

"Ongoing Loan Facility delays, coupled with the demands of operating within the current COVID-19 environment, have resulted in the board undertaking a detailed review of the company's near and medium-term development plans," GMC said in the statement.

As a result of this review, the company has made the prudent decision to reduce its cost base and keep its operations in Indonesia on care and maintenance whilst discussions regarding the future development of the Kupang Smelting Hub Facility in Indonesia are completed with its Indonesian partner, PT JGI, who own 25.1 percent of the project.

In addition, Gulf can advise that it has cut operating costs considerably, with measures including a freeze on board remuneration since last year, reductions in staffing, wages and other costs, and of course cessation of travel, both international and domestic. Gulf will continue to operate on this basis for the foreseeable future.

To provide certainty in respect to near-term funding, the company said has signed a share purchase agreement with RiverFort Global Opportunities PCC Ltd. The full terms and conditions of this agreement are currently being fine-tuned and will be reported shortly, it added.

As reported in the March 2020 quarterly cash flow, PT Gulf Mangan Grup, a subsidiary of Gulf Manganese Corporation Limited, has a remaining A$5.157 million loan under the stand-by facility with PT Jayatama Global Investindo, a subsidiary of PT JTS. The loan will be repayable from the profits from commercial production of the Kupang Smelting Hub Facility. The loan is secured by a fiduciary charge over the manganese smelters, with 8 percent interest per annum and has a due date of 30 September 2020.

This loan of A$5.157 million loan under the stand-by facility and the matching loan of A$16.348 million owed to Gulf Manganese Corporation by PT Gulf Mangan Grup reflect the monies paid by the respective companies to support the construction of the Kupang Smelting hub. Gulf Manganese Corporation and PT JTS, who own 74.9 percent and 25.1 percent of the project respectively, both expected the project to be completed and in production by September 2020. "With the challenges created by the Covid-19 Pandemic, this is now most unlikely."

Both amounts (being A$5.157 million and A$16.348 million) are owed by PT Gulf Mangan Grup and there is no liability for the amounts to be paid by either parent company. As noted above, the project is now on care and maintenance and both companies are working to secure the value invested in the project once the restrictions of the Pandemic are relieved. PT Gulf Mangan Grup will be seeking an extension of the loan repayment date.

Gulf requests the voluntary suspension of its securities remains in place until Gulf can demonstrate to the satisfaction of ASX it complies with Chapter 12 of the Listing Rules, which is expected to be by 31 August 2020. C

Kingsrose's June quarter sales slightly down

ASX-listed Kingsrose Mining Ltd reported Wednesday in that in the quarter ending June this year it sold 5,304 ounces of gold at an average gold price of A$2,556/oz (US$1,668/oz) and realized A$13.56 million in revenue.

In the previous quarter, the company sold 5,658 ounces of gold at an average gold price of A$2,465/oz (US$1,609/oz)).

The company said in a statement that for the FY2020 year the company sold 28,773 ounces of gold at an average gold price of A$2,290/oz (US$1,537/oz) and realized A$65.88 million in revenue.

Cash costs of production for the June quarter are US$896/oz and all-in sustaining costs of production are US$1,106/oz. Costs have increased against the previous quarter due to the lower production achieved this quarter when compared to last. FY20 cash costs are US$557/oz and all-in sustaining costs are A$705/oz. (All numbers are unaudited.)

For FY20 28,508 gold ounces and 188,539 silver ounces were produced

Kingsrose reports a strong year with production exceeding forecasts in every quarter. This places the company in a strong financial position despite challenges caused by the COVID-19 pandemic and two pit wall failures.

This performance culminated in Kingsrose finishing the 2020 financial year with A$32.4 million in cash and bullion. This is slightly down from A$35.9 million on March 31, 2020 following trade creditor payments (A$3.2 million) and employee termination payments (A$3 million).

In response to the COVID-19 pandemic, the primary focus in the June quarter was to ensure the health and safety of the company's employees, contractors and the local communities, while maintaining planned gold and silver production. Activities not directly related to the production of gold were curtailed during April 2020, including the Talang Santo Phase 2 drilling program in Indonesia, due to the travel restrictions imposed in Indonesia and Australia as a result of COVID-19.

Production is scheduled to continue into August 2020. In parallel with this, the company is undertaking a review of the underground potential at Talang Santo with a view to resuming drilling at the first opportunity. Accordingly, the company is constantly reviewing the pandemic response in Indonesia.

Kingsrose Managing Director Karen O'Neill said: "Kingsrose's strong performance over the past year has left us with an extremely robust balance sheet and we are well positioned to weather the COVID-19 restrictions while continuing to assess the future potential at Talang Santo." C

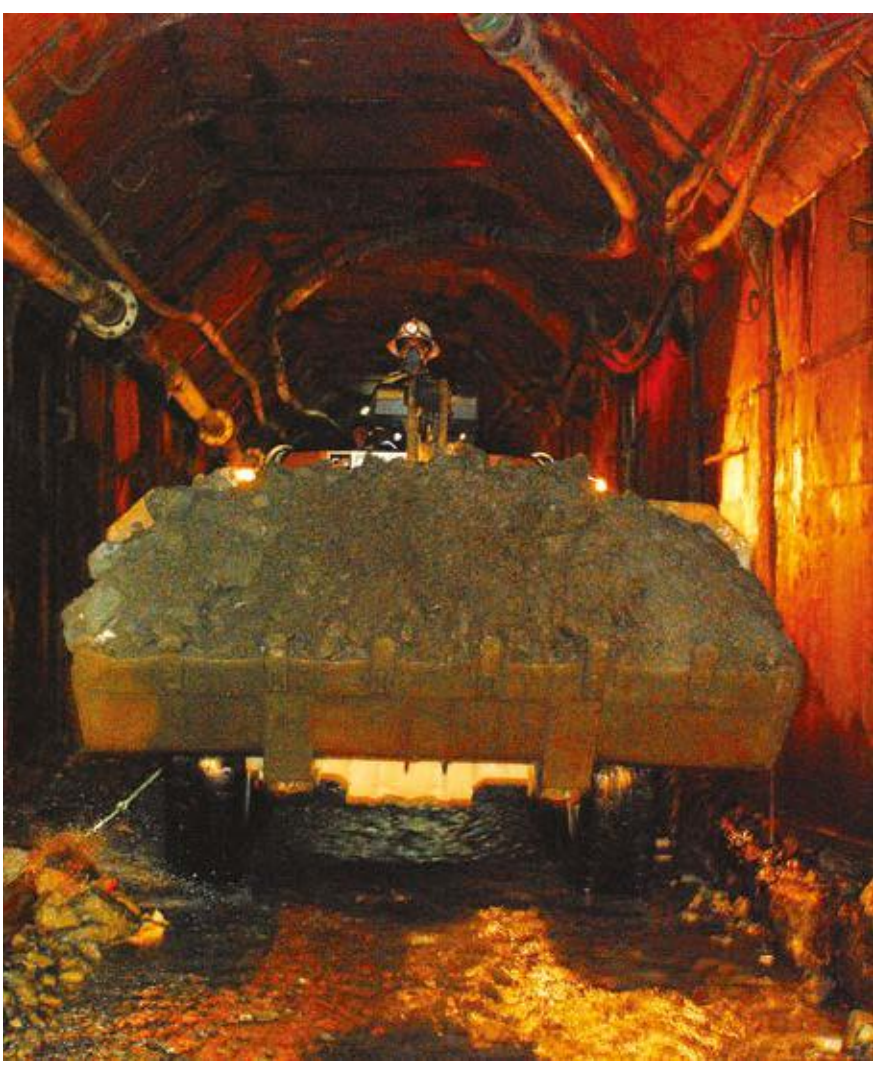
National gold output stands at only 9.9 tons

The country's gold production as per May of this year stood at only 9.9 million tons, significantly lower compared to full-year realized output of 109.02 tons in 2019. This was primarily due to transition of production operation at gold and copper giant PT Freeport Indonesia from open-pit to underground mine operation.

"Freeport is undergoing transition from open-pit to underground mining, while Freeport contributes most of the (country's) gold output," Irwandy Arif, Special Staff of the Minister of Energy and Mineral Resources, said on Thursday.

Irwandy, who is also Chairman of Indonesia Mining Institute (IMI), is also concerned with the negative impact of the Covid-19 pandemic to the country's mining industry including gold mining operations. "Our concern is the impact of Covid-19 from May to the end of this year. It is more likely negative 20 percent growth both for production and revenue," he said.

There are a number of gold miners operating in Indonesia, namely Freeport, PT Amman Mineral Nusa Tenggara, PT Agincourt Resources, PT J Resources Asia Pasifik Tbk, PT Aneka Tambang Tbk and PT Nusa Halmahera Minerals.



Agincourt Resources, an indirect subsidiary of PT United Tractors Tbk, operates normally amid the COVID-19 by implementing strict COVID-19 health protocols. "Our production in the first half is actually a bit above the target, and we are optimistic achieving full year target," Rahmat Lubis, Senior Manager Mining of PT Agincourt Resources, said without elaborating the production volume target.

Based on the official data of Agincourt Resources, the company has gold production capacity of 350,000 ounce per year. Based on the updated data by 31 December 2019, the company also owns 7.8 million ounces of gold resources and 64 million ounces of silver.

J Resources to accelerate Doup gold mine project

IDX-listed gold mining firm PT J Resources Tbk aims to accelerate the development of the Doup block gold mining project in Bolaang Mongondow Regency, North Sulawesi Province.

J Resources President Director Edi Permadi was quoted by news portal bisnis.com as saying that the company maintains the initial target for the Doup project to start production in the second half of 2021.

The Doup block covers a total area of 4,000-ha with mineable potential of 1.5 troy ounces of gold. J Resources plans to have production volume of 60,000-70,000 oz per year from the Doup mine. The company has completed acquisition of 200-ha of the land, with another 400-ha in the process of acquisition. Edi said that the company has obtained loans from Bank Negara Indonesia and Shinhan Bank to help finance the Doup gold mine project.

Elsewhere, Edi said that the company in the second half of this year will focus in boosting production to meet the targeted 171,000 oz output for this year despite the Covid-19 pandemic. In first quarter, the company produced 38,700 oz of gold. C

Wexler Capital increases ownership in BRMS

Wexler Capital Pte Lgd has increased its ownership in IDX-listed mining firm PT Bumi Resources Minerals (BRMS) following a debt to equity conversion completed on July 10.

BRMS said in a statement obtained Tuesday it had issued 8.68 billion of new shares through non-pre-emptive rights (NPR) issue which were entirely acquired by Wexler at a price of Rp 84 each as part of a debt to equity conversion.

BRMS added that with the implementation of the NPR, the total issued and paid up capital of the company, which was originally 62.32 billion shares has increased to about 71 billion shares.

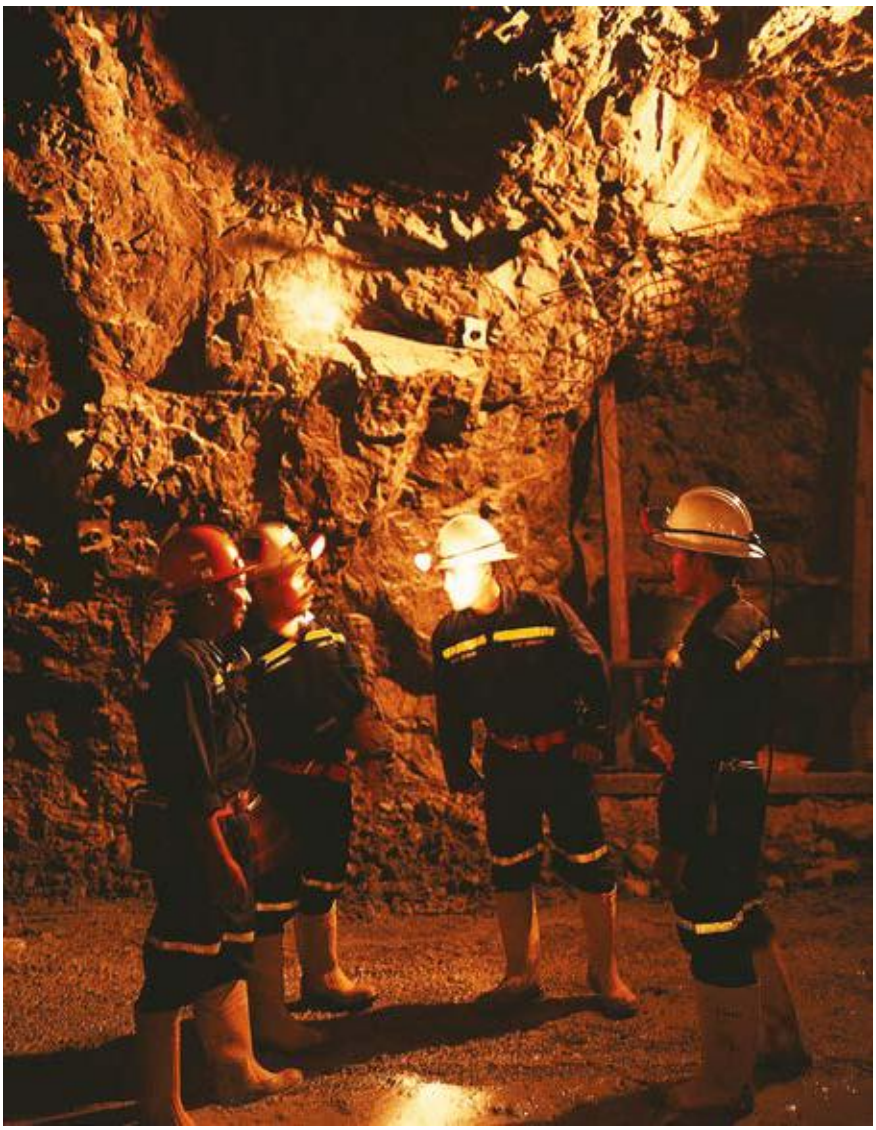
An earlier report said that following the acquisition of the new shares, Wexler Capital's ownership in BRMS has increased to 20.82 percent, from 7.79 percent. BRMS's mining assets include gold projects in Central Sulawesi and Gorontalo, and a zinc and lead project in North Sumatra.

Huadi to quadruple nickel smelter capacity

PT Huadi Nickel Alloy is investing Rp 6.5 trillion to add six new furnaces at its ferronickel smelter in Bantaeng Regency, South Sulawesi Province.

Huadi top management met with Minister of Energy and Mineral Resources Arifin Tasrif on Monday where the company unveiled the expansion plan that would quadruple production capacity to 200,000 tons of ferronickel per year from the current 50,000 tons per year.

Huadi's nickel smelter currently has two furnaces. Huadi Chief Commissioner Amir Jao said that four new furnaces will be added this year, and two next year. "So, in total Huadi will later have eight furnaces," he told the media.



Krakatau invites foreign firms to operate blast furnace

IDX-listed steel manufacturer PT Krakatau Steel Tbk is seeking the help of South Korea's Posco Co Ltd and Japan's Nippon Steel Co to resume operation of a blast furnace facility which was suspended late last year.

Krakatau President Director Silmy Karim said on Wednesday that the company invited the two foreign firms to help in operating the blast furnace facility in Cilegon, Banten, but has yet to decide on the form of cooperation.

He said that it's possible to first spin off the blast furnace, and then set up a new joint venture that would operate the facility. "We're looking for experts and how it can bolster efficiency (in operating the blast furnace," he said, without provide more details about the planned cooperation with Posco and Nippon.

Krakatau suspended the operation of the blast furnace in early December of last year as it could not produce steel products at competitive price as operating cost was too high among others because of high gas price. C

Nusantara unveils board changes

ASX-listed gold development company Nusantara Resources Limited, which owns the Awak Mas gold project in Indonesia's South Sulawesi Province, announced Friday that its second longest serving director, Boyke Abidin has chosen to relinquish his Nusantara board seat as he focusses on his executive role delivering the project.

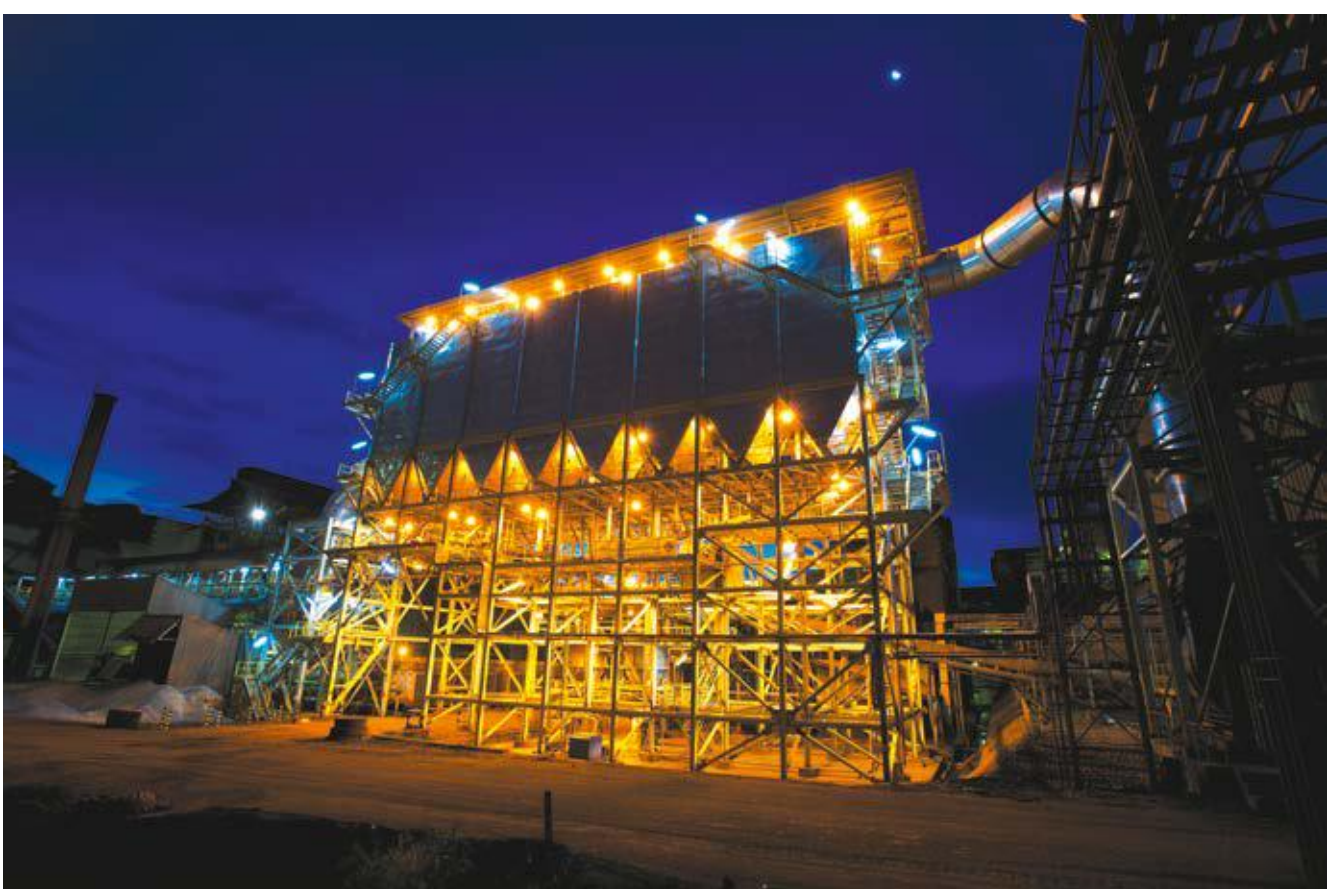
Nusantara said in a statement that Abidin joined the board on 11 April 2017 before the company's admission to the ASX and his professional and measured approach combined with his deep understanding of Indonesian community and government relations has been a constant source of guidance to the board to advance the project to this point.

The company said that IDX-listed integrated energy firm PT Indika Energy Tbk representative and financing specialist Kamen Palatov, who has been acting as alternate director to Rick Ness, has accepted a role as a Non-Executive Director to bolster the board as it increases the focus on securing project debt.

Palatov has been with Indika since 2011, with his latest position as Head of Strategy & Business Development, having previously held the position of Head of Corporate Investment. His previous experiences include McKinsey & Co. in 2006-2010, Bear Stearns in 2005 and The Northern Trust Company in 1998-2004.

He studied at Franklin & Marshall College, Pennsylvania, USA and earned an MBA double degree from HEC School of Management, Paris / The Chinese University of Hong Kong.

He serves as a Director and Chief Portfolio Management Officer for Indika and holds a number of roles with Indika related companies including serving as a Commissioner of PT Petrosea Tbk, PT Tripatra Multi Energi, PT Tripatra Engineering, PT Tripatra Engineers and Constructors, PT Indika Indonesia Resources, PT Interport Mandiri Utama, PT Kariangau Gapura Terminal Energi, PT Jatim Gapura Terminal Energi, PT Indika Multi Niaga, PT Mitra Baruna Nusantara, PT Interport Praba Prasarana, and as Director of PT Cirebon Electric Power, PT Cirebon Energi Prasarana, and Indika Power Investments Pte. Ltd. (Singapore). C



GEAR divests shares in Westgold

SGX-listed coal mining and trading firm Golden Energy and resources Ltd (GEAR) said it had on 3 July completed an on-market sale to dispose 4 million ordinary shares in the capital of ASX-listed gold firm Westgold Resources Limited.

GEAR said in a statement on Monday that the aggregate cash consideration of the transaction was A$9 million. The specified shares represent approximately 0.95percent of the total number of ordinary shares in the capital of Westgold.

As a result of the transaction, GEAR's aggregate shareholding in Westgold has decreased from approximately 2.54 percent, comprising of 10,662,967 of Westgold shares, to approximately 1.59 percent, comprising 6,662,967 of Westgold shares.

GEAR acquired 10 percent of Westgold shares in January of 2018 as part of diversification into gold.

GEAR said at the time that Westgold was one of the top 10 listed gold producers in Australia, with production at 267,000oz of gold in FY2017. Westgold has strong potential for growth, with the largest gold resource and 5th largest gold reserves in Australia− As of 30 June 2017, Westgold has 15.96m Oz of resources and 3.38m Oz of reserves.

IMIP to build new port in Morowali

PT Indonesia Morowali Industrial Park (IMIP), which operates an industrial estate in Morowali, Central Sulawesi Province, plans to build a new port in Morowali with the planned capacity of 100,000 deadweight tonnage (dwt).

CEO of IMIP, Alexander Barus said that the plan to build a new port with the same capacity as the existing one is aimed at supporting the shipment of the production of carbon steel and electric vehicle's battery.

"We will build the second port to accommodate the shipment of carbon steel, electric vehicle's battery and also our logistic. We need two ports," Alexander said in a webinar recently. He said that the existing port could accommodate up to 23 jetties.

It is not clear yet when the company will commence construction of the new port. The company said that the carbon steel production capacity built in IMIP is 3.5 million tons per year.

Antam seeks electricity to support Haltim ferronickel smelter

IDX-listed gold and nickel producer PT Aneka Tambang Tbk (Antam) said the company will start operating the ferronickel smelter located in East Halmahera (Haltim), North Maluku province once the company gets assurance on electricity supply.

Senior Vice President Corporate Secretary of Antam, Kunto Hendrapawoko said the construction progress of the Haltim ferronickel smelter has reached 98 percent. Kunto said the ferronickel smelter needs electricity support with a capacity of 75 MW. "At present, Antam is still seeking to get power supply to support the smelter operation," he was quoted by *Kontan.co.id* as saying.

President Director of Mining Industrial Indonesia (MIND ID), the parent entity of state-owned miners, Orias Petrus Moedak, said the parent firm has asked Antam to coordinate with PLN, the state-owned electricity company, to provide the electricity needs of the smelter.

He said if PLN declined or is unable to provide electricity, Antam could seek electricity supply from a third party.

Antam develops the smelter project in two parts, first is the ferronickel smelter and the second part is the power generation to support the smelter. The ferronickel smelter is constructed bu PT Wijaya Karya Tbk (IDX:WIKA), while electricity was to be developed by PT BGP-led consortium.

The ferronickel smelter was initially targeted to start operating in 2021 with a planned capacity of 13,500 TNi and an investment value of US$289 million. C

Ministry eyes nickel slag potential as industrial raw material

The Ministry of Industry said its research and development units are seeking ways to utilize nickel slags produced by domestic smelters as industrial raw material.

Head of the ministry's Industrial Research and Development Agency (or BPPI) Doddy Rahadi said in a statement on Thursday that there are four research units at the ministry which have taken active participation in helping to deal with the nickel slag problem.

"Currently, the nickel slag production volume in Indonesia reaches 13 million tons per year," he said, adding that slags have potential to be used as raw material in cement production, construction, road infrastructure, as well as recycled as raw material for stell manufacturing.

Meanwhile, Director of Metal Industry at the ministry, Dini Hanggandari said that in countries such as Japan and the US, and in Europe, nickel, aluminum, and copper slags are not considered as hazardous waste products but are treated as raw materials.

"Currently, a number of smelters have utilized slags for internal (use), but the volume is still very small compared to the nickel slags produced. As such, there has be win-win solution (to utilize the slags) in way that does not breach the existing regulation," she said.

Director hazardous waste management at the Ministry of Forestry and Environmental Affairs, Achmad Gunawan said that existing regulation allows certain hazardous waste products including nickel slags to be utilized as substitute raw material in the production of industrial products.

July HPE of most commodities up

The export reference price (or better known as HPE) of most mineral commodities, which are subject to export tax, for the period of July 2020 rises in line with rising international prices as demand in key markets has started to recover.

The Ministry of Trade said in statement obtained Friday that mineral commodities with higher July HPE are copper concentrates (Cu ≥ 15%) at 2,474.35/wmt, or an increase of 4.31percent compared to June HPE; iron concentrates (hematite, magnetite) (Fe ≥ 62% and ≤ 1% TiO2) at $85.46/wmt, up 18.48 percent; iron laterite concentrates (gutite, hematite, magnetite) with purity (Fe ≥ 50% and Al2O3 + SiO2 ≥ 10%) at $43.67/wmt, up 18.48 percent; manganese concentrates (Mn ≥ 49%) at $291.34/wmt, up 17.17 percent; lead concentrates (Pb ≥ 56%) at $698.50/wmt, up 5.13 percent; zinc concentrates (Zn ≥ 51%) at $475.73/wmt, up 3.24 percent; iron sand concentrates (lamella magnetite-ilmenite) (Fe ≥ 56%) at $51.03/wmt, up 18.84%; and washed bauxite (Al2O3 ≥ 42%) at $20.74/wmt, up 6.10 percent.

Commodities with lower July HPE are ilmenite concentrates (TiO2 ≥ 45%) at $260.92/wmt, down 1.56 percent; and rutile concentrates (TiO2 ≥ 90%) at $916.31/wm, down 2.47 percent.

Meanwhile, the July HPE of iron sand concentrates (lamella magnetite-ilmenite) (Fe ≥ 54) is unchanged at $117.98/wmt. C

Antam

Antam strengthens position as a low-cost ferronickel producer

IDX-listed gold and nickel miner PT Aneka Tambang Tbk (Antam) said the company strengthens its position as one of the global low-cost ferronickel producers with the unaudited cash cost of US$3.35 per pound for the first five-month operation period in 2020 (5M20).

Antam's cumulative unaudited cash cost in the first five-month operation in 2020 was 15 percent lower over the 2019 cash cost of US$3.95 per lb. The cumulative Antam's ferronickel cash cost for 5M20 was also below the global average cash cost of ferronickel producer of US$4.85 per lb based on the second quarter of 2020 study by Wood Mackenzie.

In line with the global economic recovery and positive tone on nickel demand, Antam is optimistic to improve it's profit margins on the nickel segment in 2020.

Antam's nickel outlook in 2020 also reflected by the company's higher target of both ferronickel production and sales of 27,000 tons of nickel within in ferronickel (TNi) compared to 2019 ferronickel production and sales volume that amounted to 25,713 TNi and 26,212 TNi respectively.

Antam said it has a commitment to seek and evaluate existing and potential future opportunities in line with the effort of the company's sustainable growth and commitment to maximize shareholders' and stakeholders' value.

Timah divests Singapore unit

State-controlled tin giant PT Timah Tbk said it had on Monday concluded the sale of its entire ownership in indirect subsidiary Indometal (Asia Pacific) Corporation Pte Ltd (or IMAP) to state-owned mining holding company PT Inalum (or also known as MIND ID) for US$398,500.

Timah said in a statement that the Singapore-registered IMAP, set up on 29 November 2018, was wholly-owned by its subsidiary Indometal (London) Ltd, and was acting as marketing agent.

Inalum is a state-owned holding company for government-controlled mining assets including Timah, coal miner PTBA, mining firm PT Aneka Tambang Tbk, and gold and copper giant PT Freeport Indonesia. Inalum also manufactures aluminum.

Timah Corporate Secretary Abdullah Umar said in the statement that IMAP would become an integrated marketing agency for various mining commodities, produced by companies under Inalum, including gold, tin, nickel, ferronickel, bauxite, aluminum, and coal, which in turn would realize Inalum's vision of becoming leader in the global commodity market.

CITA: Second alumina smelter to be completed in 2021

West Kalimantan smelter grade alumina producer PT Well Harvest Winning Alumina (WHW) will double the production capacity of its alumina smelter to 2 million tons per annum from the current 1 MTPA. The capacity expansion is expected to be completed next year.

This was said by IDX-listed PT Citra Mineral Investindo Tbk (CITA), which owns 30 percent interest in Well Harvest. Other shareholders are China Hongqiao Group Limited (56%), Winning Investment (HK) Company Ltd.(9%), and Shandong Weiqiao Aluminium and Electricity Co.Ltd (5%).

"The additional capacity of the new refinery plant is targeted to be completed in 2021, and ready to support the growth of the national alumina industry and is expected to have positive impact on CITA's in the coming years," CITA said in a statement Tuesday.

CITA added that the expansion will certainly strengthen the position of WHW as the first supplier of smelter grade alumina (SGA) products in the domestic market. WHW started the operation of the first SGA production facility in 2016. C

Antam records net loss in Q1 due to higher financial costs

IDX-listed gold and nickel miner PT Aneka Tambang Tbk (Antam) recorded a net loss of Rp281.84 billion in the first quarter of 2020 compared to a net profit of Rp274.74 billion in the same quarter last year due to higher financial costs.

Its comprehensive net loss was recorded at Rp108.37 billion compared to a comprehensive net profit of Rp135.71 billion in the same quarter last year.

The company booked revenues of Rp5.20 trillion in the first quarter, lower compared to the same quarter last year of Rp6.22 trillion. This resulted in a gross profit of Rp561 billion, against Rp912.67 billion a year earlier.

The company said out of Rp5.2 trillion revenues, Rp1.37 trillion, or 26 percent was contributed by export sales.

In Q1, gold became the largest contributor to company sales with a proportion of 76 percent or equal to Rp3.97 trillion. Meanwhile, the ferronickel commodity was the second-largest contributor, amounted to Rp965.95 billion or 19% of total net sales. It also recorded an operating profit of Rp137.54 billion, lower compared to Rp283.42 billion in the same quarter last year.

However, the company recorded a surge in financial costs of Rp1.19 trillion compared to Rp17.02 billion in the same quarter last year. As a result, it recorded a pre-tax loss of Rp336.48 billion compared to a pre-tax profit of Rp274.74 billion a year earlier.

The surge is partly due to a rise in foreign exchange losses at Rp362 billion, the company said. In the midst of the volatility condition of the downward trend of global nickel commodity price and the sharp fluctuation of the US Dollar exchange currency rate to Indonesian Rupiah also affected the company's profitability in the first quarter.

Antam

Nevertheless, the company's business and operation performance remain solid. During the Q1, the company recorded Earning Before Interest, Taxes, Depreciation, and Amortization (EBITDA) of Rp34 billion, it said.

Production

In the first quarter, Antam maintains the production and sales of its main commodity on the optimum level amidst the volatility condition on global mining industry and disruption on international trading activity due to the global Covid-19 pandemic.

Its ferronickel production and sales reached 6,315 tons of nickel within ferronickel (TNi) and 6,379 TNi respectively. As for gold commodity, in the quarter, the gold production from the company's internal mines reached 446 kg (14,339 troy oz.), meanwhile, the total gold sales volume reached 5,097 kg (163,872 troy oz.).

The company expects the production and sales of its main commodity will increase in the future in line with the improvement of global economic condition and the demand recovery for mining commodities in the second quarter period of 2020.

Antam is currently developing a number of major smelter projects, including the East Halmahera Ferronickel Plant Development Project with a production capacity of 13,500-ton nickel within ferronickel in North Maluku.

On bauxite commodity, the company is also currently focusing on the development of Smelter Grade Alumina Refinery (SGAR) plant in Mempawah, West Kalimantan with PT Indonesia Asahan Aluminium with an estimated total production capacity of up to one million ton SGA per annum. C

Nickel Mines increases ownership in two nickel projects

ASX-listed Nickel Mines Limited announced Tuesday it has completed the acquisition of additional 20 percent of the issued and paid-up share capital of two Singapore-based companies Hengjaya Holdings Private Limited and Ranger Investment Private Limited.

The two firms wholly own PT Hengjaya Nickel Industry and PT Ranger Nickel Industry, the Indonesian companies that in turn own 100 percent of the Hengjaya Nickel and Ranger Nickel Projects, in Central Sulawesi Province. The acquisition increases Nickel Mines' ownership in each of the two nickel projects to 80 percent from 60 percent.

Nickel Mines said in a statemen it paid Shanghai Decent and its nominees US$120 million for the additional 20 percent interest in the two Projects, plus a settlement for the 20 percent of the undistributed retained earnings attributable to Shanghai Decent remaining in both PT Hengjaya Nickel Industry and PT Ranger Nickel Industry to the end of April 2020.

A final settlement of the undistributed retained earnings at 30 June 2020 will be made following completion of the 30 June 2020 half year financial statements.

Managing Director Justin Werner commented: "The ownership of 80 percent of both the Hengjaya Nickel and Ranger Nickel RKEF Projects further highlights Nickel Mines rapid value accretive journey to becoming a globally significant low cost nickel producer in a little under 2 years from its Initial Public Offering. The move to 80 percent of Hengjaya Nickel and Ranger Nickel RKEF Projects will lift the company's attributable annual nickel production and capture additional significant cashflows arising from the monthly distributions from both companies."

"With a very strong balance sheet, Nickel Mines is well placed to capitalize on any future growth opportunities that may arise and weather any challenges the current global Covid-19 pandemic may present," he added. C

Awak Mas NPV increases by 240% to $517m

ASX-listed gold development company Nusantara Resources Limited announced Monday a significant improvement in the economic assessment of the Awak Mas Gold Project (Awak Mas) located in South Sulawesi province following the release of the updated Mineral Resource estimate in April 2020 and updated Ore Reserve estimate in June 2020.

The company said in a statement that the economic assessment is based on the October 2018 Definitive Feasibility Study (DFS) amended for the June 2020 mine schedule, updated capital and operating mining cost estimates, updated metallurgical recoveries and reagent use arising from the 2019 phase 2 testwork, and changes to project royalty and the Indonesian company income tax rate.

Nusantara said its strategic partner has rights to acquire up to a 40 percent interest in Awak Mas on agreed terms. The remaining 60 percent interest of the above NPV (net present value) 5 percent post tax ungeared target is US$310 million, or A$2.24 per currently listed Nusantara share (at US$1:A$0.685).

Nusantara said it is seeking to finance Awak Mas through a combination of project debt, mezzanine finance and equity, including a further investment of US$25 million by IDX-listed integrated energy company PT Indika Energy Tbk in the project vehicle to take its ownership interest to 40 percent.

As announced previously, Nusantara has engaged Noah's Rule as specialist debt and hedge adviser to the project vehicle and commenced formal engagement of a debt financing syndicate.

Description	2018 DFS	2020 Addendum
Gold Price Assumption	US$1,250 per ounce	US$1,700 per ounce
Upfront capital	US$146M	US$156M
Pre-Production capital	US$16M	US$16M
Gold Produced LOM	1.1M ounces	1.5M ounces
AISC	US$758 per ounce	US$875 per ounce
Initial mine life	11 years	16 years
NPV5% real ungeared – after tax	US$152M	US$517M
IRR – after tax	20%	45%
Payback – post tax	48 months	21 months

Following the updated DFS project economics, Nusantara will engage an independent technical expert report to aid prospective financiers. Discussions continue to advance with these parties for funding the development of Awak Mas, with the improved production profile anticipated to increase the Awak Mas debt capacity, with circa US$140 million now being sought, the company said.

Completion of financing will be subject to terms usual for a transaction of this nature including lender due diligence, formal documentation and credit approval. Whilst these discussions continue, funds raised under the recent A$11.6 million placement and share purchase plan, Petrosea's deferred payment terms for up to US$15 million and Indika's advance of US$15 million in May 2020 will allow significant progress in Awak Mas pre-development decision activities.

Managing Director Neil Whitaker noted, "This outstanding economic assessment update provides a compelling case for advancing Awak Mas through the debt process towards construction development early next year." C

Toba Bara expects COD delays of PLTU projects

IDX-listed integrated energy company PT Toba Bara Sejahtra Tbk (TOBA) expects commercial operation of its two coal-fired power plant (PLTU) projects would be delayed due to COVID-19 pandemic.

Toba Bara previously estimated that the commercial operation date (COD) of 2x50 MW PLTU Sulbagut-1 project, developed by subsidiary PT Gorontalo Listrik Perdana (GLP), in North Gorontalo, Gorontalo Province, in the third quarter of 2020. The company also estimated the COD of 2x50 MW PLTU Sulut-3 project, developed by subsidiary PT Minahasa Cahaya Lestari (MCL), in North Sulawesi Province, in the second quarter 2021.

"We expect delays in the COD (of the two PLTU projects), and it will be good if the delays are less than six months," Pandu Sjahrir, Director of PT Toba Bara Sejahtra Tbk, said to *Petromindo.Com.*

Pandu stated that the delays are due to force majeure condition as a number of imported goods for the projects could not be delivered amid the pandemic. "Some goods shipments could not be delivered, causing our workers to be unable to do their jobs," he said.

GLP is a consortium comprising of PT Toba Bara Sejahtra (60 percent), PT Toba Sejahtra (20 percent) and Shanghai Electric Power Construction (20 percent). Meanwhile, Toba Bara owns 90 percent interest in MCL, while Sinohydro Corporation Limited holds the remainder.

On December 12th, 2018, Toba Bara acquired 100 percent shares of PT Batu Hitam Perkasa which owned 5 percent stake in PT Paiton Energy, the largest private Independent Power Producer (IPP) in Indonesia with total capacity 2,045 MW in Probolinggo Regency, East Java Province.


CA | Khalsa

Pandu declined to comment whether Toba would increase its shares in Paiton Energy while Paiton's largest shareholder, Mitsui Corp of Japan (45.5 percent), plans to divest its shares.

ICMA woos domestic lenders to fund coal power projects

Indonesia Coal Mining Association (ICMA) calls on domestic lenders to provide more funds for domestic coal-fired power plant projects amid the phasing-out of foreign financial institutions from coal related projects worldwide.

Pandu Sjahrir, Chairman of ICMA, shrugged off the current trend of foreign lenders stepping away from the coal related investment, calling for more active involvement of domestic lenders in funding coal-fired power plant projects in the country.

"If we see coal-fired power plants as one of the solutions for the country (in economic development), why not we find financing from our own money. If we have to get bank loans, we can find it from national banks," Pandu said to P*etromindo.com.*

Pandu pointed that Indonesia's state-owned banks have bigger accumulative market capitalization compared to banks in Singapore. In addition, Pandu also mentioned that the project financing can be obtained from foreign countries that still have shared interest in developing coal-fired power plants.

Local lenders perceive coal related investment as high-risk investment which in turn demand higher interest rate for the loans compared to foreign banks. But Pandu said that it depends on who are sponsoring the projects. "Local banks see coal mining as high risk because there were so many people involved in coal mining during the (past) boom period who were actually incompetent in the mining industry," he said.

Pandu sees domestic financial institutions have been actively supporting local power plant projects. "We expect more active involvement (of domestic banks)," he said. C

PLN carries out co-firing testing at PLTU Teluk Balikpapan

PT Pembangkit Jawa Bali (PJB), a subsidiary of state-owned electricity company PT Perusahaan Listrik Negara (PLN), has conducted co-firing testing at coal-fired power plant PLTU Teluk Balikpapan in East Kalimantan.

PLN utilizes palm kernel shell to substitute a portion of coal in generating the power plant, PLN said in a statement. The co-firing testing was carried out on June 24-25, 2020.

The co-firing program is part of PLN's strategy to increase the contribution of renewable energy in the national energy mix, with a target of 23 percent in 2025.

The power plant is estimated to use around 3,120 tons or 755,000 tons of palm kernel shells in the power plant's co-firing.

PJB plans to substitute 5 percent of coal with palm kernel shells in the coal-fired power plant PLTU Teluk Balikpapan. The CFB Boiler of the power plant process AR 4,300-4,500 Kcal/kg or equals to low-rank coal.

In the testing, 30 tons of palm kernel shells were burnt to replace coal for about 8 hours. The co-firing could reduce SO2, NOx and CO2 emissions, PJB said.

Progress of Sumsel 8 mine mouth power project reaches 40%

IDX-listed coal miner PTBA Tbk said that construction progress of its 2x260 MW Sumsel 8 mine mouth coal-fired power plant in South Sumatra Province has now reached about 40 percent and remains on track to start commercial operation in the first quarter of 2022.

"The construction work had at one point been hampered due to the Covid-19 pandemic. Because this is a project in partnership with China, there was previously restriction of workers from China. The current progress is about 40 percent," PTBA Corporate Secretary Apollonius Andwie at a virtual press conference.

He said that PTBA remains confident that the power plant project could start commercial operation in the first quarter of 2022 as targeted despite the pandemic.

The estimated US$.168 billion Sumsel 8 power plant project, dubbed as Indonesia's largest mine mouth power plant project, is being developed by PT Huadian Bukit Asam Power, a joint venture between PTBA and China Huadian Hongkong Company Ltd.

In 2015, PT Huadian Bukit Asam Power signed a loan agreement worth US$ 1.2 billion with The Export-Import Bank of China. C

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PLTU Sambelia project undeterred by pandemic

Construction of PLTU Sambelia Unit 2 coal-fired power plant project in Sambelia District, Lombok Timur Regency, West Nusa Tenggara Province, has continued despite the Covid-19 pandemic with progress currently reaching 41 percent.

Edo Agung Wibowo, a manager at state-owned electricity firm PT PLN who oversees the project, said on Monday that the 50 MW PLTU Sambelia Unit 2 is targeted to start commercial operation at the end of 2021.

He acknowledged that activities at the project site at one point had been hampered by the pandemic, but PLN managed to adapt to the situation among others by applying health protocol as recommended by the government.

PLTU Timor 1 project to be completed in 2022

State-owned electricity firm PT PLN said that the 2x50 MW PLTU Timor 1 coal-fired power plant project in Kupang Regency, East Nusa Tenggara Province, is targeted to be able to start commercial operation by the end of 2022.

"Construction has effectively started since December 2019. We have calculated that the construction process will take about three years to complete," said PLN Business Director for Sulawesi, Maluku, Papua and Nusa Tenggara Region, Syamsul Huda to *Petromindo.com*. He added that PLTU will utilize the pulverize coal boiler technology.

Syamsul said that with a total capacity of 100 MW, the PLTU Timor 1 will require the supply of 72,000 tons per month of low-quality coal with CV ranging from 3,600 to 4,200 kcal/kg.

He said that in the construction of the PLTU project, PLN is cooperating with PT Inti Karya Persada Teknik (IKPT), which has set up a joint venture with PT Pembangunan Perumahan and a Japanese firm.

Progress of PLTU Cirebon II project reaches 83%

PT Cirebon Energi Prasarana (Cirebon Power) said construction progress of the 1,000 MW PLTU Cirebon Unit 2 coal-fired power plant project in Cirebon, West Java Province, has reached 83 percent.

Cirebon Power Vice President Director Joseph Pangalila told *Petromindo.com* on Tuesday that the power plant project remains on track to start commercial operation in February 2022 as planned.

The US$2.2 billion PLTU project utilizes the ultra super critical technology, and is partly funded by international lenders including Japan Bank for International Cooperation (JBIC), Korea Eximbank (KEXIM), dan Nippon Export and Investment Insurance (NEXI).

Cirebon Power is a consortium comprising of Marubeni (35% interest), PT Indika Energy (25%), Samtan Ltd (20%), Korea Midland Power Co., Ltd (10%), and Jera Power (10%). C

PLTU Sulut 3 to start operation this year

Construction progress of the 2x50 MW PLTU Sulut 3 coal-fired power plant project in Kema, Minahasa Regency, North Sulawesi Province, as per end June has reached about 80 percent.

Andreas Arthur, a manager at the Minahasa office of state-owned electricity firm PT PLN, said that the PLTU Sulut 3, which is being developed by independent power producer PT Minahasa Cahaya Lestari (MCL), is expected to start commercial operation at the end of this year or early next year.

Total investment of the project was estimated at US$215 million.

PLTU Malinau to start operation end 2020

State-owned electricity firm PT PLN said that construction progress of the 2x3 MW PLTU Malinau coal-fired power plant project in Malinau Regency, North Kalimantan Province, as per June has reached 93.42 percent.

General Manager of PLN Eastern Part of Kalimantan Regional Office, Muhammad Ramadhansyah said in a statement on Sunday that the PLTU Malinau is expected to start operation by end of this year.

He said that PLN is currently in the process of conducting test for the power plant project. "Despite the Covid-19 (pandemic), we'll continue with the testing process," he said.

PLTU Malinau Unit 1 is currently entering the steam blow test, while Unit 2 is undergoing individual test to make sure that the boiler runs properly.

Ramadhansyah said that the operation of the PLTU Malinau will allow PLN to cut down dependency on diesel-fired power plants in supplying electricity in the region.

Installed power capacity in Malinau Regency currently stands at 9.4 MW, while peak load at 8.9 MW.

Progress of transmission line for PLTU Cirebon at 85%

Construction progress of a 500 kV extra high voltage elevated transmission line, that would link the PLTU Cirebon Unit 2 coal-fired power plant in Cirebon and the Mandirancan power substation in Kuningan, both in West Java, has currently reached about 85 percent.

Umar Prihadi, Senior Electrical Engineer at independent power producer PT Cirebon Energi Prasarana (CEPR) said Wednesday that the 18.5-km transmission line project is expected to be completed in the second half of 2021.

CEPR Vice President Director Joseph Pangalila said previously that construction progress of the 1,000 MW PLTU Cirebon Unit 2 has reached 83 percent and is on track to start commercial operation in February 2022 as planned.

CEPR is a consortium comprising of Marubeni (35% interest), PT Indika Energy (25%), Samtan Ltd (20%), Korea Midland Power Co., Ltd (10%), and Jera Power (10%). C

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More production cut needed

By **Tri Subhki R.** & **Adianto P Simamora**

The combination of coal oversupply and weak demand during COVID-19 pandemic period has significantly brought down the coal prices in the global market. Given such condition, mining companies in Indonesia expect to cut production volume to at least manage supply-demand balance.

The government of Indonesia sets the coal production volume target at 550 million tons in 2020, which is lower than the realized production in 2019 at 616 million tons. As of July 23th, 2020, the government data showed that the realized production was 300.75 million tons, or 54.68 percent of total full year target.

The benchmark coal price (HBA) of July 2020 was US$52.16 per ton or slightly lower than $52.98 per ton in June. The July price was the lowest level since February 2016 when the price hit $50.92 per ton.

In the meantime, Indonesia Coal Mining Association (ICMA), recently called for national coal producers to cut as much as 15-20 percent of total production target this year in order to tame the oversupply situation. ICMA previously estimated the total production volume in 2020 would reach 595 million tons, but revised down its calculation to 530 million tons in June.

"Third quarter of this year will be a very difficult time for miners because their cash costs are higher than the selling prices," Pandu P Sjahrir, Chairman of ICMA, said to *CoalAsia* Magz recently. He also estimated much lower production volume than expected by the end of the year.

ICMA, in a statement, suggests 50 million tons additional production cut in a bid to reach global seaborne market of supply-demand balance. "We estimate the production volume will be at 480-500 million tons this year," he said.

Based on ICMA's study, seaborne coal demand has dropped by 85 million tons from 980 million tons in January to 895 million tons in June 2020. "This figure may drop deeper up to the end of the year if the COVID-19 lingers," Pandu said in a statement.

ICMA realizes that production cut plan will definitely reduce the government revenue from 550 million tons of coal production this year and coal producers' targets as well. "However, production cut is the best measure of coal producers and government in a bid to survive during COVID-19 pandemic," he said.

Pandu expects the production cut to 480-500 million tons this year may help recovering coal prices in the market. "I think the price may reach $70 per ton in Newcastle Index, $70s per ton is healthy price which means coal producers can have profits and make money," he said.

Pandu stated that the impact of oversupply condition occurs across the board both high calorific value and low calorific value coals. "Of course the low calorific value coal deals with the greater impact, but I think it happens across the board," he said.

Domestic focus

Most of Indonesian coals are exported, as 395 million tons out of 550 million tons total production target

in 2020 are expected to be supplied to export markets. On the other hand, domestic consumption is estimated to hit 155 million tons this year, which has been revised down by the government recently to 145 million tons due to COVID-19 pandemic.

Given the current coal buyer market, Pandu reiterated his call that national coal industry has to start focusing on coal utilization for domestic uses, including for domestic coal-fired power plants or other coal downstream industries.

"I have been discussing about diversifying coal mining business to coal-fired power plant for the last few years. So, we should not talk about coal export all the time," he said.

Pandu is very optimistic about the future of mining industry in Indonesia, in parallel with the development of coal downstream and smelter industry. He also welcomes the development of coal gasification projects by some big coal players.

"It is very critical since it closely relates with our energy security, when we will not anymore heavily depend on global commodity prices because we have quite abundant resources," Pandu said.

The current crisis situation, according to Pandu, is the perfect momentum for miners to change their business plans since miners will not be interested discussing about diversifying business during good commodity prices condition.

Pandu takes example of his own company, PT Toba Bara Sejahtra Tbk, which has already diversified its business to power generation company since four years ago. "Coal mining contributes less than 50 percent of total revenue, while power business contributes more," he said.

Pandu suggested that it is time for coal mining industry players to invest more to support the development of local industry, including power generation and smelter industry. “Now we should not talk about the growth of coal mining industry anymore, but more about how coal mining industry supports domestic industries,” he said.

Pandu looks forward to the development of domestic nickel smelter industry which will produce electric vehicle battery components. “Coal mining will always be there, but we have to change because the era changes. Adaptation is very crucial,” he said.

Local funding

Hence, Pandu woos domestic lenders to provide more funding for domestic coal-fired power plants projects amid the phasing-out of foreign financial institutions to coal related projects worldwide.

Pandu shrugged off the current trend of foreign lenders who step away from the coal related investments. He encourages more active involvement of domestic lenders in funding coal-fired power plants projects in the country.

“If we see coal-fired power plants as one of solutions for the country, why not we find financing from our own money. If we have to get bank loans, we can find it from national banks,” Pandu said.

Pandu stated that Indonesian state-owned banks (Himbara) have bigger accumulative market capitalization compared to banks in Singapore. In addition, Pandu also mentioned that the project financing can be obtained from foreign countries that still have shared interest in developing coal-fired power plants.

Local lenders perceive coal related investments as high risk investments, causing them to offer higher interest rates compared to foreign banks. But Pandu said that it depends on who are sponsoring the projects. “Local banks see coal mining as high risk because there were so many people involving in coal mining during booming period, who were actually incompetent in the mining industry,” he said.

Pandu sees domestic financial institutions have been actively supporting local power plant projects. “We expect more active involvements,” he said. C

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MARKET IMBALANCE REMAINS

Global coal market imbalance is expected to stay during this year because the supply side remains strong while demand side shows negative growth. Oversupply condition has been occurring since 2019 and getting worse due to the impact of COVID-19 pandemic.

By **Tri Subhki R.**

The coal market is mainly driven by demand in electricity sector, where two-third of coal production is consumed. Significant drop of electricity consumption during lockdown period translates into major hit to coal demand.

International Energy Agency (IEA) estimates that the global coal demand will fall by 8 percent this year. "We expect global coal demand to fall by about 8 percent in 2020, the largest drop since World War II, with coal use declining in virtually every sector of every region in the world," IEA said in a statement.

In China, where more than half of the world's coal is consumed, the Covid-19 outbreak triggered a significant decline in coal demand because coal accounts for 60 percent of its primary energy sources and an even higher share of electricity. Coal consumption fell by 8 percent in first quarter of 2020 compared to that of the same period in 2019 as the economy contracted by 6.8 percent and coal power generation fell by close to 9 percent.

In addition, Indonesia Coal Mining Association (ICMA) also stated that oversupply condition was mainly caused by the weak coal demand in China and India. Coal inventories in China are quite large, so the coal imports begin to decrease significantly in April 2020, and expected to continue in second quarter and third quarter of 2020.

In India, coal demand dropped sharply due to nationwide lockdown policy by the government to tackle COVID-19 pandemic. IEA estimates an even greater decline in coal demand in India, where economic growth and power production are slowing significantly.

Given the current oversupply condition, ICMA stated that coal miners are facing very tough challenge to survive as the trend of the commodity price downturn likely to prolong until the next quarter. This is exacerbated by the widening of the oversupply condition in the global thermal coal market as the production particularly from Indonesia remains strong.

"Third quarter of this year will be a very difficult time for miners

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because their cash costs are higher than the selling prices," Pandu P Sjahrir, Chairman of ICMA, said to *CoalAsia* Magz recently. He also estimated much lower production volume than expected by the end of the year.

ICMA, in a statement, suggests 50 million tons additional production cut in a bid to reach global seaborne market of supply-demand balance. "We estimate the production volume will be at 480-500 million tons this year," he said.

Based on ICMA's study, seaborne coal demand has dropped by 85 million tons from 980 million tons in January to 895 million tons in June 2020. "This figure may drop deeper up to the end of the year if the COVID-19 lingers," Pandu said in a statement.

However, the government of Indonesia stated that there are 30 coal mining companies that propose upward revision of their Budget and Work Plan (RKAB) in 2020. Meanwhile, some major coal miners maintain their coal output target this year, such as PT Bumi Resources Tbk, PT Adaro Energy Tbk and PT Indo Tambangraya Megah Tbk.

> "Third quarter of this year will be a very difficult time for miners because their cash costs are higher than the selling prices,"
>
> ***Pandu P Sjahrir***
> *Chairman of Indonesia Coal Mining Association (APBI-ICMA)*

China's demand

China is estimated to import 50-60 million tons of coal from Indonesia out of total 100-130 million import quota in the second half of 2020. In the first half, China imported 174 million tons of coal or 13 percent increase compared to last year.

"China will import around 50-60 million tons of coal from Indonesia alone," Prof Su Chuanrong, Executive Director General of China National Coal Association, said recently.

In 2020, China is expected to import the same amount of coal as the previous years at 271-281 million tons. China implements coal import quota to primarily support the domestic coal mining industry, particularly its workforces, who produced 1.8 billion tons of coal in the first half of 2020.

Su Chuanrong added that there are still opportunities for coal exporters from Indonesia to supply coal to China's markets. "The price gap between China's domestic coal and imported coal is widening," she said.

China's government is expected to adjust its coal import policy this year by accommodating China's end users demand of coal during the peak seasons. It is based on the recent internal meeting of National Development and Reform Commission (NDRC), China's top economic planning agency.

"China will accommodate the import policy based on seasonal demand, they

will probably give more import quota for end users during peak seasons, which are summer and winter, and tighten the import quota during weak seasons," Meng Meng, Principal Research Analyst – China of IHS Markit, said during *Petromindo* webinar recently.

The import policy adjustment, according to Meng Meng, is based on problems due to the previous implementation of coal import quota policy in recent years. Meng Meng said a number of China's end users had few coal import quota during peak seasons.

"The government issues import quota in the beginning of the year, then many end users deal with backlogs in the beginning of the year. But when the summer and winter comes, there was not much quota left," she said.

From January to June 2020, China imported 174 million tons of coal 12.7 percent higher than the previous period. From Indonesia alone, China imported 87.1 million tons of coal during January to June 2020, or 13.5 percent higher than the previous period.

Coal import quota by China's government, according to Meng Meng, is more about the government's priority to stabilize domestic coal prices, provide stimulus for economy and support local power utility companies rather than controlling coal import volume.

India's demand

India is one of Indonesia's major coal export destinations after China and the country's energy consumption during the pandemic drops drastically. The coal consumption in power generation sector accounts for 65.20 percent of India's total coal consumption.

Prashant K Goyal, CEO of OPG Power Generation Pvt. Ltd India, said that the total coal imports from Indonesia in January to May period of 2020 was 38.61 million tons or lower than the same previous period at 47.25 million tons. "This year, Indonesian imports into India may reduce by more or less 20 percent," he said recently.

In 2019, India imported 103.64 million tons of thermal coal and 1.89 million tons of coking coal from Indonesia. South Africa was the second largest thermal coal source for India, accounting for 39.99 million tons of thermal coal in 2019. "From January to May 2020, coal import from Indonesia was only 38.61 million tons," he said.

Coal contributes the largest share or 53.6 percent of total energy mix in India, while renewable energy contributes the second largest share at 23.6 percent of total energy mix.

Goyal stated that India has been severely impacted by the Covid-19 pandemic since its outbreak in January 2020. The country announced several lockdowns since March 2020 which caused negative growth of core sectors in India.

Goyal also mentioned about Indian government's plan to halt coal import and boost domestic coal supply by introducing coal mining privatization initiative. However, he stated that the initiative faced some challenges such as many coal-fired power plants are located at coastal areas which create inefficient logistic costs in transporting coal via railway from in-land coal pits.

Vietnam's demand

Vietnam is one of growing emerging countries in Southeast Asia that requires more energy supply to fuel the economy. The country is developing its energy sector, including constructing coal-fired power plants which are expected to be online in the few years to come.

Vietnam's industry players stated that the country need long term and sustainable supply of coal from coal producing countries, including Indonesia. "Vietnam's coal import grows about 10-15 percent every year from 2020 to 2035," Pham Bich Ni, Chartering & Sales Manager of Viet Thuan Transport Co. Ltd, said recently.

In 2020, Vietnam is estimated to import steam coal for coal-fired power plant as much as 35 million tons. "It is estimated to increase 5-10 percent every year," Pham Bich Ni said in a webinar conducted by Indonesia Coal Mining Association (ICMA) and Indonesian Embassy for Vietnam.

Viet Thuan Transport, according to Pham Bich Ni, is the Vietnam's biggest shipping company that transported 18 million tons of coal in 2019. "In 2020, we plan 10 percent increase to be 20 million tons of coal to transport," she said.

Nguyen Cong Su, Chairman Danku Minerals Joint Stock Company of Vietnam, said that Vietnam prefers having long term contracts to secure the sustainable coal supplies. "EVN is willing to buy coal in long term contract of 2 years or more," he said referring to Vietnam's state-owned power utility company.

Nguyen Cong Su added that the Vietnam government is currently developing more transshipment zones to accommodate more coal volume and bigger vessels. "The current challenge is the infrastructure for importing coal is insufficient. There is no yet any deep water transshipment point to accommodate more than 100,000 DWT vessels," he said.

To secure long term coal supply from Indonesia, Pham Bich Ni suggested that there should be negotiation between Vietnam and Indonesia in coal mines investment opportunities. C

By Ian Wollff
The author is an expatriate principal geologist of about 30 years' experience in the Indonesian exploration and mining industry. The authors' web site is www.ianwollff.com

Decree 110 K & new mining law 3/2020 – The big clean out?

Background to COW & CCOW's

Indonesia first introduced the Contract of Work (COW) system following the 1967 Mining Law, and refined the contract terms over successive "generations". COW's could be up to 100% foreign owned, and were regulated further under Mining Law 4/2009. Mineral COW's and Coal CCOW's typically had terms of 1-year general survey, 3 years exploration (with extensions of 1-2 years), and feasibility study period of 1 year with 1-year further extension. Staged relinquishment of tenement area was required, typically being 25% on completion of general survey, 25% at end of 1st year of exploration. The company could willingly terminate the contract at any time.

The government no longer issues contract-based concessions for new mining projects. Holders of CoW's (Kontrak Karya or KK) and Coal Contracts of Work (Perjanjian Karya Pengusahaan Pertambangan Batubara/ PKP2B or CCoWs) should convert their contracts to IUPK's/IUPK-OPs before the expiration of the contracts, as stipulated in PerMen 15/2017 (later revoked and amended by Ministerial Regulation [Peraturan Menteri or PerMen] 11/2018 without substantial differences). Prior to the introduction of the amended new Mining Law 3/2020 [ML 3/2020], all remaining 34 CoW holders and 68 CCoW holders have signed the amendment to convert to IUPK.

Decree 110K

On the 10th June 2020, the Minister of Energy and Mineral Resources [ESDM] issued decree 110K/30/ MEM/2020 [Decree 110K] to revise the earlier decree 3646/30/MEM/2017, giving implementing instructions to the Director of Mineral and Coal. It would seem this Decree 110K is aimed at Contract of Work's and Coal Contract of Work companies that have not yet completed their exploration phase. It is recognized these companies are not moving fast enough, but can extend their exploration activity through compliance with the terms outlined in this Decree 110K.

This Decree 110K sets out the technical criteria required for extensions for COW & CCOW holders still in the exploration stage. Requests can be based on: - 1) difficult access, including forestry restrictions, 2) targets under more than 300 m depth, 3) high level of complexity in geology, geotechnical, hydrology, metallurgy, 4) exploration in hydrothermal zone, 5) change in land status or spatial plan. Administrative compliance is sought with evidence of past compliance along with exploration planning and associated budget estimates etc. The decree goes on to outline the administrative procedures & letters for the applicant, evaluation of applicant, and other administrative process for the extended phase of exploration.

Requirements for the first-year extension include:

- "Willing to place guarantee of exploration commitments at the bank government by 30% (thirty percent) or a maximum of USD 10,000,000 (ten million United States dollars) of exploration costs during the period of application for extension of 1 (one) year."
- … the applicant is required to place a guarantee of exploration commitment in form of a joint account (escrow account) or bank guarantee (bank guarantee) to a state bank and submit evidence placement with the Director General of Mineral and Coal within period of no later than 7 (seven) working days after

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the warrant placement of guaranteed exploration commitments accepted;

- Holders of KK and PKP2B can submit requests for approval of disbursement guarantees for the first stage exploration commitments in accordance with application letter format.
- "Guaranteed exploration commitments that have not yet been drawn down with interest can be deposited into the state treasury through the bank of perception by the Director General of Mineral and Coal as a non-state revenue tax in accordance with statutory provisions if the KK and PKP2B holders cannot reach realization activity and / or cost realization of at least 70% (seventy percent) of planned activities or exploration costs in the operational time no later than 45 (forty five) calendar days before the end of the decision letter for the extension of the exploration phase;" (simple translation)

Some general observations on the decree;

1. This Decree is supported by ML 3/2020 Article 42 (1) The period of Exploration activities as referred to in Article 42 [Minerals] and Article 83A [for coal] letter a and letter e may be extended for 1 (one) year each time the extension has been fulfilled. (2) Further provisions regarding the granting of an extension of Exploration IUP as referred to in paragraph (1) shall be regulated by or based on Government Regulations, (Simple translation).
2. The list of consideration regulations, seems to give list of which regulations are being carried forward under the ML 3/2020. These include GR 23/2010, 8/2018, 55/2010, 78/2010, along with Presidential regulations 68/2015, 105/2016, and Ministerial Regulations 25/2016, 25/2018 and amendments, plus 7/2020.
3. Note that ML 3/2020 Article 78 for exploration special mining permit requires the company to state a number of details, including the "investment budget". Note also that ML 3/2020 Article 6 states 'The central Government in the management of Mineral and Coal Mining, is authorized to a. to determine the national Mineral and Coal management plan." Article 8A expands on the concepts of this National Management plan to

include the regional development plan 8A (4). It is hoped this National & Regional Development plan will not be used as motivation by the Mines Department to push up the company's exploration budget as a requirement for approval.

Discussion on Decree 110K.

Decree 110K recognizes there are obstacles outside the immediate scope of ESDM regulatory control, including forestry or geological difficulties etc. On the surface it seems the Mines Department is generous in allowing COW / CCOW holders to extend their exploration periods. However, Decree 110K does not make any indication of how such difficulties may be overcome, or that the ESDM is willing to assist, such as working through the MOU between the ministries of Mines & Forestry to allow miners to carry out their exploration obligations. The inclusion of a financial guarantee from the company for an extension is likely to disincentivize the COW / CCOW companies from applying for an extension, and thus lead to relinquishment.

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Table 1. **Petromindo year books of companies in exploration & related stages**

COMODITY	COMAPNY	STRATUS	LICENSE	LOCATION
Coal	Batubara Selaras Sapta	Exploration	PKP2B 3rd Gen	East Kalimantan
Coal	Bumi Laksana Perkasa	Exploration	PKP2B 3rd Gen	East Kalimantan
Coal	Juloi Coal	Exploration	PKP2B 3rd Gen	Central Kalimantan
Coal	Kalteng Coal	Exploration	PKP2B 3rd Gen	Central Kalimantan
Coal	Pari Coal	Exploration	PKP2B 3rd Gen	Central/East Kal.
Coal	Ratah Coal	Exploration	PKP2B 3rd Gen	Central/East Kal.
Coal	Sumber Barito Coal	Exploration	PKP2B 3rd Gen	Central/East Kal
Au-Mo	Citra Palu Minerals	Development	KK 6th Gen	Central/South Sulawesi
Au - Cu	Gorontalo Minerals	Development	KK 7th Gen	Gorontalo - Sulawesi
Zeolite	Paragon Perdana Mining	Development	KK 4th Gen	Lampung - Sumatra
Ni -Co	Gag Nikel	Feasibility	KK 7th Gen	West Papua
Au dmp	Gorontalo Sejahtera Mining	Feasibility	KK 5th Gen	Gorontalo, Nt/Cent Sul
Au dmp	Iriana Mutiara Idenburg	Feasibility	KK 6th Gen	Papua
Heavy sand	Kumamba Mining	Feasibility	KK 6th Gen	Papua
Au	Mindoro Tiris Emas	Feasibility	KK 7th Gen	South Sumatra
Au dmp	Pacific Masao Mineral	Feasibility	KK 6th Gen	Central Kalimantan
Au dmp	Pelsart Tambang Kencana	Feasibility	KK 7th Gen	South Kalimantan
Au dmp	Sorikmas Mining	Feasibility	KK 7th Gen	North Sumatra
Ni- Co	Iriana Mutiara Mining	Exploration	KK 6th Gen	Papua
Au dmp	Kalimantan Surya Kencana	Exploration	KK 6th Gen	Central /West Kal.
Au dmp	Sumbawa Timur Mining	Exploration	KK 7th Gen	West Nusa Tenggara
Au dmp	Tambang Mas Sangihe	Exploration	KK 6th Gen	North Sulawesi
Au dmp	Woyla Aceh Minerals	Exploration	KK 6th Gen	Aceh

**dmp means "associated elements"*

Who may be impacted?

ML 3/2020 article 76 now recognizes ONLY two phases of activity for Special Mining permits [IUPK] that shall eventually replace the COW / PKP2B system. Article 76 allocates an Exploration permit stage that includes general survey, exploration and feasibility study. The second permit stage of Operation Production [OP] includes construction, mining, refinery / smelting as well as transport & sales.

There are 7 Coal Contracts of Work [PKP2B] and 16 mineral contracts of Work [KK] that would seem to be directly impacted by Decree 110k's requirements for extension.

Suspension

Chapter 14 of ML 3/2020 deals with suspension. Suspension's due to "obstructive situations" continues to apply, though suspension now includes a further consideration of "environment carrying capacity'. At this point it may be assumed that current implementing regulations on the application of a suspension remain valid for the moment. Therein the period of the issued tenement refers to the "active' period. Obligations for extension of exploration period may come after the tenement is reactivated and completed its allotted time period.

Table 2. **Non producing coal PKP2B companies**

No	PKP2B company	Issue
1	Asmin BaraJaan	Land
2	Bahari Cakrawala Sebuku	Post mining
3	Batubara Duaribi Abadi	
4	Batu Alam Selaras	Facilities & infrastructure
5	Delma Mining corporation	Infrastructure
6	Dharma Puspita Mining	Post Mining
7	Gunung Bayan Pratama Coal	Reserves mined out.
8	Interex Sacra Raya	Economy
9	Intitirta Primasakti	Infrastructure
10	Kartika Selabumi Mining	Bankrupt
11	Lahai coal	Land
12	Mantimin coal Mining	Facilities & Infrastructure
13	Sarwa Sembada Karya Bumi	Land
14	Selo Argodedali	Social
15	Selo Argokencono Sakti	Land
16	Cakra Persada Mandiri	Economy

According to the 2019 Annual Report from the Ministry of Mines & Energy [Laporan kinerja tahun 2019 – ESDM] there were 48 companies that did not produce coal, including 16 CCoW [PKP2B], 1 IUP-OP pusat, 31 IUP-OP PMA (companies with foreign ownership content). The ESDM 2019 report provides a table on issues facing the non-coal producing PKP2B companies.

Background to IUP's

The Mining Law 4/2009 was introduced during a boom time in Indonesia for the exploration and mining of coal and minerals. Law 4/2009 stipulated a moratorium on issuing new local IUP permits, however the Regencies largely ignored this stipulation, claiming it contradicted the Regional Autonomy law. The Regencies often issued new IUP's in exchange for local political support for their re-election campaigns or other reasons. The number of IUP's spread all over Indonesia, and rapidly grew to more than 10,000. Many of these IUP's undertook minimal exploration and were promptly converted from exploration to production status, to secure their typically 10 - 20-year licence validity. Often these IUP's were touted to speculative investors, to genuine investors in exploration, or as a possible back door for other activities. The Central Mines Department finally developed the "Clean & Clear" (CnC) mechanism to control the issuance and renewal of these IUP's. A few such IUP's have been developed into ongoing productive mines, however others were hit-and-run short-term mines, some were explored but ran out of funds, while many others were only very lightly explored.

Extension for IUP's.

ML 3/2020 Article 42 mentions that Exploration permits for IUP may be extended one year at a time, with further regulations to be issued for the implementation of such extensions. It may be anticipated that IUP's may follow similar implementing regulations to Decree 110K for extension. Similarly, ML 3/2020 Article 39 for Operation & Production IUP's may be required to provide an exploration serious bond, etc.

The Petromindo.com Indonesia Coal Book of 2020/2021 lists some 1,092 Coal IUP's in 16 provinces of Indonesia, as registered (CnC & non CnC) with MINERBA as of May 2019. About 913 coal IUP's of exploration or production stage shall expire after 2020, and 179 IUP's may now be seeking extension.

The Petromindo.com Indonesia Mineral Book of 2019/2020 lists some 5,833 Mineral IUP's in 30 provinces of Indonesia, as registered (CnC & non CnC) with MINERBA as of December 2017. About 1,040 mineral IUP's of exploration or production stage shall expire after 2020, and 4,793 IUP's may now be seeking extension.

What's next.

There may be significant fiscal and administrative changes for IUP's associated with the transfer of management from Province / District to

Central Government

ML 3/2020 Article 36A requires all IUP and IUPK in the stage of Operation Production to carry out continued annual exploration activities. Article 39 requires the placement of a guarantee of seriousness of exploration. Article 100 mentions that IUP & IUPK companies must set up a reclamation deposit fund and post mining deposit funds. Article 112 A requires reserve resilience fund that is yet to be further defined. There are numerous other administrative and operational requirements.

The amended Mining Law 3/2020 Article 161B states; any person who's IUP or IUPK is revoked or terminated and does not implement reclamation or post mining activities, or provide such guarantees may be sentenced to up to 5 years jail and fined up to Rp 10 billion, plus other penalties. Therein it is assumed the shareholders are personally responsible, and that some IUP & IUPK holders may find themselves with unexpected and untenable commitments.

Decree 110K may suggest the new Ministers thoughts on the nature of such guarantees for IUP tenements.

Conclusion.

We may see the Decree 110K and ML 3/2020 prompt a number of tenement holders consider the obligations to continue in the exploration & mining sector as undesirable, and to relinquish their tenements. Similarly, we may see less enthusiasm for new parties to enter the exploration and mining industry in Indonesia.

Let's hope this Decree 110K is not a tiny carrot to hide a very big stick to "clean out" non-performing tenement holders from the system, but that the Mines Department will work to resolve the many issues facing the struggling tenement holders. C

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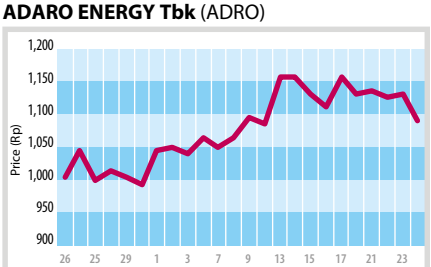
SHARESPERFORMANCE

IDX-Listed coal miners shares performance

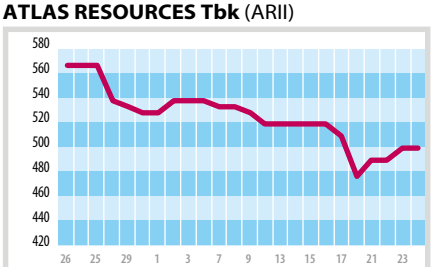
No	Company	JUNE 2020			JULY 2020								
		23	25	29	1	3	7	9	13	15	17	21	23
1	ADARO ENERGY Tbk (ADRO)	1,005	1,000	1,005	1,045	1,040	1,050	1,095	1,155	1130	1,155	1,135	1,130
2	ATLAS RESOURCES Tbk (ARII)	570	570	535	530	540	535	530	520	520	510	490	500
3	BAYAN RESOURCES Tbk (BYAN)	12,600	12,550	12,525	12,475	14,000	13,900	12,400	12,800	11,825	12,600	13,500	13,475
4	BORNEO LUMBUNG ENERGI & METAL Tbk (BORN)												
5	BUMI RESOURCES Tbk (BUMI)	50	50	50	50	50	50	50	50	50	50	50	50
6	GOLEN ENERGY MINES Tbk (GEMS)	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550	2,550
7	HARUM ENERGY Tbk (HRUM)	1,185	1,200	1,190	1,200	1,185	1,185	1,220	1,250	1,205	1,210	1,195	1,200
8	INDIKA ENERGY Tbk (INDY)	665	660	660	675	695	715	755	930	915	975	955	1,050
9	INDO TAMBANGRAYA MEGAH Tbk (ITMG)	7,400	7,275	7,225	7,250	7,325	7,425	7,700	7,750	7,675	7,850	7,800	7,900
10	RESOURCES ALAM INDONESIA Tbk (KKGI)												
11	TAMBANG BATUBARA BUKIT ASAM (Persero) Tbk (PTBA)	2,080	2,060	2,030	2,090	2,050	2,050	2,100	2,170	2,150	2,140	2,110	2,110
12	ALFA ENERGI INVESTAMA TBK (FIRE)	112	111	112	112	103	106	108	112	109	106	105	128

ADARO ENERGY Tbk (ADRO)



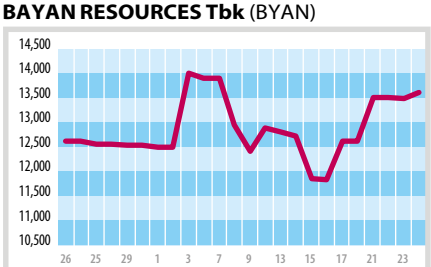
Date (June - July 20) — ADARO ENERGY Tbk (ADRO)

ATLAS RESOURCES Tbk (ARII)



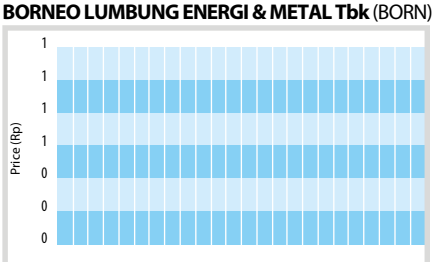
Date (June - July 20) — ATLAS RESOURCES Tbk (ARII)

BAYAN RESOURCES Tbk (BYAN)



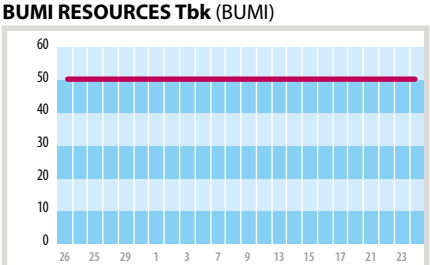
Date (June - July 20) — BAYAN RESOURCES Tbk (BYAN)

BORNEO LUMBUNG ENERGI & METAL Tbk (BORN)



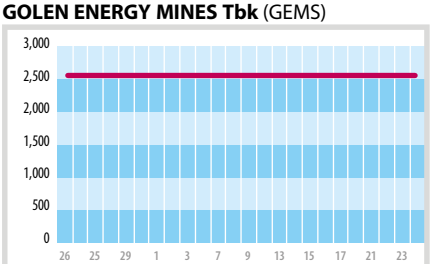
Date (June - July 20) — BORNEO LUMBUNG ENERGI & METAL Tbk (BORN)

BUMI RESOURCES Tbk (BUMI)



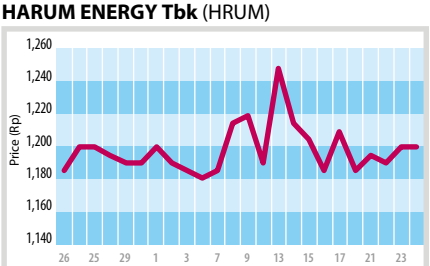
Date (June - July 20) — BUMI RESOURCES Tbk (BUMI)

GOLEN ENERGY MINES Tbk (GEMS)



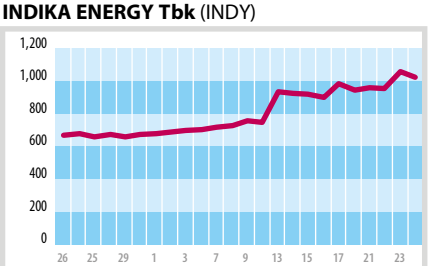
Date (June - July 20) — GOLEN ENERGY MINES Tbk (GEMS)

HARUM ENERGY Tbk (HRUM)



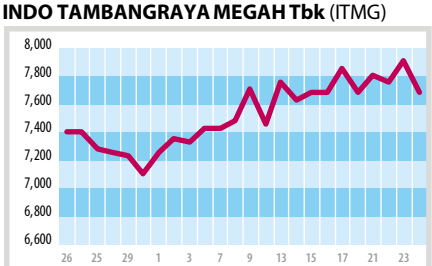
Date (June - July 20) — HARUM ENERGY Tbk (HRUM)

INDIKA ENERGY Tbk (INDY)



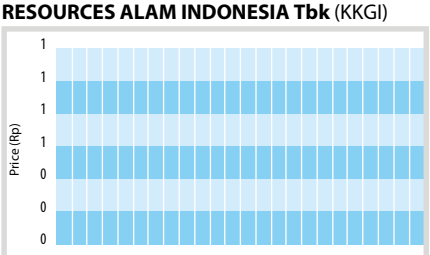
Date (June - July 20) — INDIKA ENERGY Tbk (INDY)

INDO TAMBANGRAYA MEGAH Tbk (ITMG)



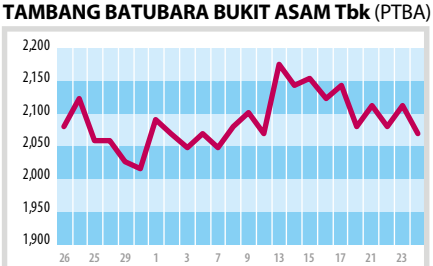
Date (June - July 20) — INDO TAMBANGRAYA MEGAH Tbk (ITMG)

RESOURCES ALAM INDONESIA Tbk (KKGI)



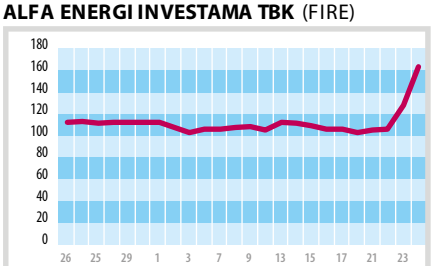
Date (June - July 20) — RESOURCES ALAM INDONESIA Tbk

TAMBANG BATUBARA BUKIT ASAM Tbk (PTBA)



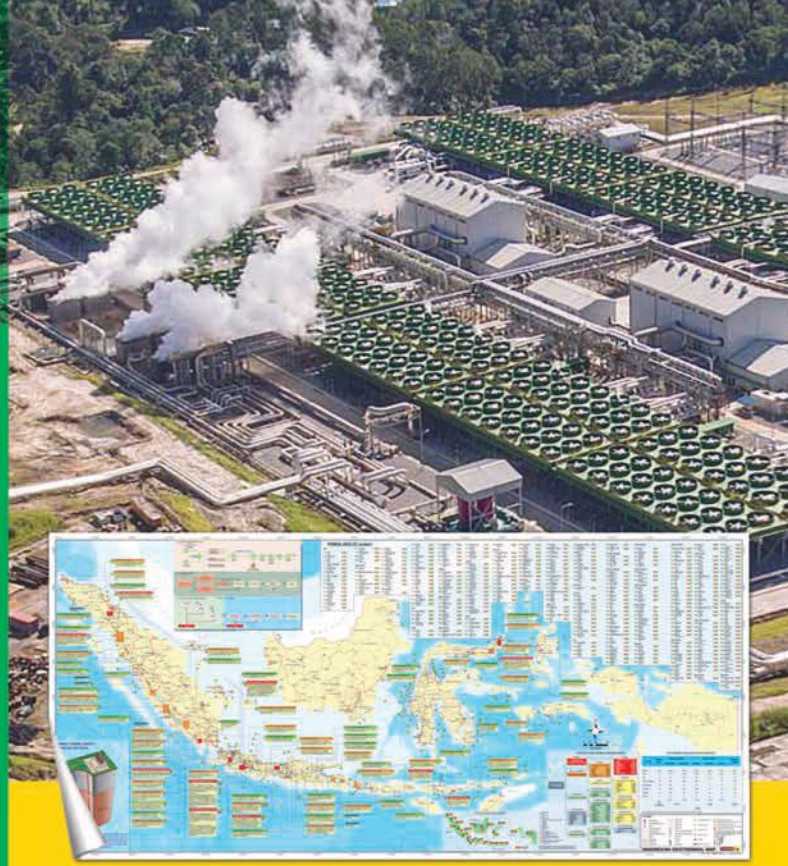
Date (June - July 20) — TAMBANG BATUBARA BUKIT ASAM Tbk

ALFA ENERGI INVESTAMA TBK (FIRE)



Date (June - July 20) — ALFA ENERGI INVESTAMA TBK (FIRE)

INDONESIAN GEOTHERMAL MAP 2019



Indonesia has the largest geothermal potentials in the world with reserves of about 17,506 MW and resources of around 11,073 MW. In 2018, the utilization of geothermal reached 1,924.5 MW and put the country in second place in the world after the United States in utilizing geothermal power.

The installed geothermal power generation capacity in Indonesia is expected to increase by 95 MW in the near future with additional capacity to come from the 55 MW Lumut Balai Unit 1 and the 40 MW Sorik Marapi geothermal power plants.

The capacity of geothermal power plants will continue to be increased to reach 7,200 MW by 2025 in a bid to achieve the target of the 2025 energy mix where the portion of renewable energy has been set at 23%.

Indonesian Geothermal Map 2019 is a must-have for company/ professional who's involved/ interested in geothermal related businesses in Indonesia. The map features the location of geothermal potential areas (331 of 342 locations identified by the Government), existing/ proposed Working Areas (75 WKPs), existing/proposed Geothermal Power Plants (PLTPs), Transmission and Distribution Networks, and Station and Substations (GI or Gardu Induk).

This full-colored map is outlined at a large-scale on a heavy paper stock and laminated for durability.

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Format	: Wall map; laminated
Size	: 1811 mm x 841 mm (A0)
Printing	: Full color
Packaging	: Rolled + Drawing Tube
Price	: US$200.00
Release	: February 2019
Code	: IGM04L

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