

**MINISTRY OF ENERGY AND MINERAL RESOURCES  
OF THE REPUBLIC OF INDONESIA**

**MINISTERIAL DECREE OF ENERGY AND MINERAL RESOURCES  
OF THE REPUBLIC OF INDONESIA**

Number: 09 Year 2016

**ON PROCEDURE OF SUPPLY AND DETERMINATION OF PRICE OF COAL  
FOR MINE-MOUTH POWER PLANT**

BY THE GRACE OF GOD ALMIGHTY

**MINISTER OF ENERGY AND MINERAL RESOURCES  
OF THE REPUBLIC OF INDONESIA,**

- Considering
- a. that the power supply shall be secured on a continual and sustainable basis, of which the quality and reliability have to be good in order to support the growth of development;
  - b. that in support to the power supply, it shall be necessary to optimize the use of coal for mine-mouth power plant;
  - c. that in order to keep the balance between the interests of coal supply and the continuation of the development of mine-mouth power plant it shall be necessary to again regulate about the calculation of margin;
  - d. that based on the consideration as cited in letters a, b, and c it is necessary to enact Indonesian Ministerial Decree of Energy and Mineral Resources on Procedure of Supply and Determination of Price of Coal for Mine-Mouth Power Plant;
- Referring to in
1. Law Number 30 Year 2007 on Energy (State Gazette of the Republic of Indonesia Year 2007 Number 96, Supplement to State Gazette of the Republic of Indonesia Number 4746);
  2. Law Number 4 Year 2009 on Mineral and Coal Mining (State Gazette of the Republic of Indonesia Year 2009 Number 14, Supplement to State Gazette of the Republic of Indonesia Number 4959);
  3. Law Number 30 Year 2009 on Electricity (State Gazette of the Republic of Indonesia Year 2009 Number 133, Supplement to State Gazette of the Republic of Indonesia Number 5052);
  4. Indonesian Government regulation (PP) Number 23 Year 2010 on Implementation of Mining Undertakings of Mineral and Coal (State Gazette of the Republic of Indonesia Year 2010 Number 29, Supplement to State Gazette of the Republic of Indonesia Number 5111) as having been amended for several times and the latest amendment by Indonesian government regulation (PP) Number 77 Year 2014 on Third Amendment of Indonesian government regulation (PP) Number 23 Year 2010 on Implementation of Mining Undertakings of Mineral and Coal (State Gazette of the Republic of Indonesia Year 2014 Number 263, Supplement to State Gazette of the Republic of Indonesia Number 5489);
  5. Indonesian Government Regulation Number 14 Year 2012 on Undertakings of Power Supply (State Gazette of the Republic of Indonesia Year 2012 Number 28);
  6. Indonesian Presidential Decree Number 59/M Year 2015 dated May 6, 2015;
  7. Indonesian Ministerial Decree of Energy and Mineral Resources Number 34 Year 2009 on Priority to Supply Mineral and Coal for Domestic Needs (State Gazette of the Republic of Indonesia Year 2009 Number 546);

8. Indonesian Ministerial Decree of Energy and Mineral Resources Number 17 Year 2010 on Procedure to Determine Reference Selling Prices of Mineral and Coal (State Gazette of the Republic of Indonesia Year 2010 Number 463);
9. Indonesian Ministerial Decree of Energy and Mineral Resources Number 18 Year 2010 on Organization and Work Procedure of Ministry of Energy and Mineral Resources (State Gazette of the Republic of Indonesia Year 2010 Number 552); as having been amended and the latest amendment by Ministerial Decree of Energy and Mineral Resources Number 30 Year 2014 on the Second Amendment of Ministerial Decree of Energy and Mineral Resources Number 18 Year 2010 on Organization and Work Procedure of Ministry of Energy and Mineral Resources (State Gazette of the Republic of Indonesia Year 2014 Number 1725);
10. Indonesian Ministerial Decree of Energy and Mineral Resources Number 35 Year 2013 on Procedure of Permit of Power Undertakings (State Gazette of the Republic of Indonesia Year 2013 Number 1524);

#### **DECIDES**

**To Enact**

**Indonesian Ministerial Decree of Energy And Mineral Resources on  
Procedure of Supply and Determination of Price of Coal for Mine-  
Mouth Power Plant**

#### **CHAPTER I GENERAL PROVISION**

#### **Article 1**

In this Indonesian Ministerial Decree what is meant by:

1. Coal shall be sediment of organic carbon that was naturally formed from the remains of plants.
2. Coal price for mine-mouth power plant shall be the base price or reference price as specifically determined for coal that is used as fuel for the mine-mouth power plant.
3. Reference price of coal shall be the reference or base price as determined based on the total production cost of coal plus margin.
4. Mine-mouth power plant shall be coal-fired power plant (PLTU) and combined-cycle power plant fueled by coal whose supply is guaranteed by Mining Company based on the Coal Purchases and Sales Agreement.
5. Mining Company shall be the company that conducts the coal mining undertakings.
6. Company of Mine-mouth Power Plant shall be the holder of permit of power supply that operates the mine-mouth power plant.
7. Permit of Mining Undertakings of Coal of Operation and Production, hereinafter referring to IUP Operation Production of Coal, shall be a permit of undertakings that is granted after having completed the implementation of the permit of mining undertakings of coal exploration so that it can carry out the activity of operation and production of coal.
8. Special Permit of Mining Undertakings of Coal for Operation and Production, hereinafter referring to IUPK Operation Production of Coal, shall be a permit of undertakings that is granted after having completed the implementation of the special permit of mining undertakings of coal exploration so that it can carry out the activity of operation and production of coal within an area of special permit of mining undertakings of coal.

9. Agreement on Cooperation of Coal Mining Undertakings, hereinafter referring to PKP2B, shall be an agreement between the Government of the Republic of Indonesia and a company of Indonesian legal entity for the activity of coal mining undertakings.
10. Permit of Undertakings of Power Supply hereinafter referring to IUPTL shall be a permit to conduct the undertakings to supply electricity or power for the public.
11. Minister shall be the Minister in charge of governmental affairs in the sector of mineral and coal mining.
12. Director General shall be the Director General who is in charge of formulating and implementing the policy and technical standardization in the mineral and coal sector.

## **CHAPTER II COAL SUPPLY FOR DEVELOPMENT OF MINE-MOUTH POWER PLANT**

### **Article 2**

Principally the development of mine-mouth power plant shall be based on as follows:

- a. the use of coal that is economically feasible for mine-mouth power plant;
- b. the supply of coal is guaranteed by the coal mining company for as long as the operational period;
- c. the location of the power plant is no more distant than 20 (twenty) kilometers from the area of IUP, IUPK, or PKP2B; and
- d. no inclusion of delivery cost of coal except the cost of delivery from mine site to the facility of stockpile of the mine-mouth power plant.

### **Article 3**

- (1) Coal supply for the development of mine-mouth power plant shall be based on the agreement on coal purchases and sales between the coal mining company and the company of the mine-mouth power plant.
- (2) The coal for the mine-mouth power plant that will be developed can be supplied by more than 1 (one) coal mining company.
- (3) The company of mine-mouth power plant as cited in paragraph (1) can be:
  - a. the holder of IUPTL Integration; and
  - b. the holder of IUPTL Power Plant.
- (4) Coal mining company shall be obliged to guarantee the supply of coal to the company of mine-mouth power plant based on the agreement of coal purchases and sales or based on the period of time of power purchase agreement.

### **Article 4**

- (1) Coal mining company as cited in Article 3 shall be the holder of:
  - a. IUP Operation Production of Coal;
  - b. IUPK Operation Production of Coal; and
  - c. PKP2B.
- (2) Coal mining company as cited in paragraph (1) shall meet the requirements as follows:

- a. to obtain a clear and clean certificate for the holder of IUP Operation Production of Coal;
- b. to own the allocation of stock of coal that is appropriate for mine-mouth power plant;
- c. to obtain an approval of reference price of coal from Director General.

#### **Article 5**

The company of the mine-mouth power plant as the holder of IUPTL Integration as cited in Article 3 paragraph (3) letter a shall be a State-owned Enterprise (SOE) with an integrated business line of power supply for the sake of the public.

#### **Article 6**

- (1) The company of the mine-mouth power plant as the holder of IUPTL Power Plant as cited in Article 3 paragraph (3) letter b shall be a consortium that is created by coal mining company in affiliation with another entity of undertakings.
- (2) The consortium as cited in paragraph (1) shall create an Indonesian-legal based entity as a company of mine-mouth power plant.
- (3) At least 10 percent of the shares of the company of mine-mouth power plant as cited in paragraph (2) shall be obligatorily owned by Mining Company through affiliation.

### **CHAPTER III PROCEDURE TO DETERMINE COAL PRICE**

#### **Part One General**

#### **Article 7**

- (1) Coal price for mine-mouth power plant shall be based on reference price by taking into account the escalation.
- (2) Coal price for mine-mouth power plant as cited in paragraph (1) shall be the price calculated based on the selling price in the spot at the facility of stockpile of the mine-mouth power plant.

#### **Article 8**

The reference price as cited in Article 7 paragraph (1) shall be calculated based on the formula of production cost plus margin.

#### **Part Two Production Cost**

#### **Article 9**

- (1) Production cost as cited in Article 8 shall be calculated based on the production cost as determined by Director General on behalf of Minister.
- (2) Director General on behalf of Minister shall determine the production cost as cited in paragraph (1) by taking into account the progress of technical condition of mining and the other factors such as:
  - a. Stripping cost of overburden;
  - b. Coal extraction;

- c. Coal delivery from the location of mine to the location of processing facility;
  - d. Coal delivery from the processing facility to the stockpile of PLTU;
  - e. Processing of coal;
  - f. Monitoring and management of environment;
  - g. reclamation and post-mine activity;
  - h. Work safety and health;
  - i. Community development and empowerment;
  - j. Land release/ compensation;
  - k. Overhead;
  - l. depreciation and amortization; and
  - m. Dead rent and/or production contribution/ royalty.
- (3) Production cost as cited in paragraph (2) shall have included the tax and other costs in the process of coal production.

**Part Three  
Margin**

**Article 10**

- (1) The margin as cited in Article 8 as the benefit for the Mining Company shall be minimal at 15 (fifteen) percent and maximal at 25 (twenty five) percent of the total production cost as cited in Article 9.
- (2) The margin as cited in paragraph (1) shall be determined based on the agreement between the Mining Company and the Company of mine-mouth power plant.
- (3) In case that a common ground of agreement on the price cannot be reached between the Mining Company and the Company of mine-mouth power plant, in a period of 60 (sixty) days as of the enactment of this Ministerial Decree or as of the date of agreement, Director General shall determine the margin by considering the principles of usefulness, transparency, fairness, and national and/or regional interest.

**Part Four  
Determination of Reference Price of Coal**

**Article 11**

- (1) Mining Company shall be obliged to request for an approval of the reference price of coal as cited in Article 8 to Minister c.q. Director General.
- (2) In requesting for approval of reference price of coal as cited in paragraph (1) attachments as follows shall be included:
- a. Copy of IUP Operation Production of Coal or IUPK Operation Production of Coal;
  - b. Copy of certificate of clear and clean status for the holder of IUP Operation Production of Coal;
  - c. Plan of production and mining; and
  - d. Feasibility study and/ or environmental document that has been approved.

- (3) Director General on behalf of Minister shall evaluate the request for approval of Reference Price of Coal as cited in paragraphs (1) and (2).
- (4) Based on the evaluation as cited in paragraph (3), Director General shall approve the Reference Price of Coal within a period of 14 (fourteen) work days as of the day of receiving the complete and appropriate request.
- (5) Mining Company shall be allowed to conduct the purchases and sales of coal with the Company of mine-mouth power plant after having received an approval about the reference price of coal from Director General on behalf of Minister.

#### **Article 12**

The reference price of coal as cited in Article 11 shall be permanently effective during the period of agreement on the purchases and sales of coal or during the period of power purchase agreement.

#### **Part Five Escalation**

#### **Article 13**

- (1) Escalation as cited in Article 7 paragraph (1) shall be effective after:
  - a. the commercial operation date of mine-mouth power plant that belongs to IUPTL Integration;
  - b. the commercial operation date of mine-mouth power plant that belongs to IUPTL Power Plant;
- (2) Escalation as cited in paragraph (1) shall be determined based on the changes for 1 (one) year as follows:
  - a. the exchange rate of Rupiah;
  - b. the price of diesel fuel;
  - c. the Consumer Price Index; and
  - d. Regional Minimal Wage.
- (3) Escalation as cited in paragraph (1) shall be adjusted in every 1 (one) year as of the commercial operation date.
- (4) Escalation as cited in paragraphs (2) and (3) shall be determined based on as follows:
  - a. agreement between Mining Company and Company of mine-mouth power plant in case that the mine-mouth power plant is developed by the holder of IUPTL Integration; or
  - b. agreement as cited in the power purchase agreement in case that the mine-mouth power plant is developed by the holder of IUPTL Power Plant;

#### **CHAPTER IV OTHER PROVISIONS**

#### **Article 14**

- (1) Mining Company shall be allowed to make agreement on purchases and sales of coal with other companies of mine-mouth power plants as long as the allocation of reserve and the quality of coal can meet the need of mine-mouth power plant.
- (2) The agreement on purchases and sales of coal as cited in paragraph (1) shall be

obliged to meet the stipulations of Articles 7 through 13.

**CHAPTER V  
TRANSITIONAL PROVISION**

**Article 15**

At the time of the effectiveness of this Ministerial Decree, the coal price for mine-mouth power plant whose selling price of power supply has been approved by Minister, or from the result of auction and/ or direct assignment as cited in the Power Purchase Agreement prior to the enactment of this Ministerial Decree, shall remain effective until the date of expiration.

**CHAPTER VI  
CLOSING PROVISION**

**Article 16**

At the time of the effectiveness of this Ministerial Decree, Ministerial Decree Number 10 Year 2014 on Procedure of Supply and Determination of Price of Coal for Mine-mouth Power Plant shall be revoked and declared no longer effective.

**Article 17**

This Ministerial Decree shall be effective as of the date of enactment.

That everybody shall be made aware of, and this Ministerial Decree shall be published in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta  
Dated April 4, 2016  
MINISTER OF ENERGY AND MINERAL RESOURCES  
OF THE REPUBLIC OF INDONESIA.

Signed

SUDIRMAN SAID

Legislated in Jakarta  
Dated April 4, 2016  
DIRECTOR GENERAL OF LAWS AND REGULATIONS  
MINISTRY OF JUSTICE AND HUMAN RIGHTS  
OF THE REPUBLIC OF INDONESIA,

Signed

WIDODO EKATJAHJANA

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2016 NUMBER 512

Copy as of the original version  
MINISTRY OF ENERGY AND MINERAL RESOURCES  
Head of Bureau of Laws

Signed

Hulfron Asrofi