COORDINATING MINISTRY FOR ECONOMIC AFFAIRS OF THE REPUBLIC OF INDONEISA

1 EXECUTIVE SUMMARY

EITI INDONESIA REPORT

2016

EITI INDONESIA Extractive Industries Transparency Initiative

COORDINATING MINISTRY FOR ECONOMIC AFFAIRS
OF
THE REPUBLIC OF INDONESIA

EITI INDONESIA REPORT 2016
EXECUTIVE SUMMARY

VOLUME ONE

This page is intentionally left blank

FOREWORD

First of all, let us give thanks to Allah Subhanahu Wa Ta'ala for the blessing so that this report can be published well and on time, and Insyaa Allah, this report will provide benefits to Indonesia.

As one of the requirements as an EITI implementing country, every year Indonesia prepares a report on transparency in extractive industry governance that contains the latest developments in efforts to improve the governance of extractive industry in Indonesia. The purpose and objective of the publication of this report is to provide a complete explanation regarding the implementation of extractive industry activities in Indonesia in order to further enhance the understanding and similarity of perceptions of EITI stakeholders in Indonesia. We realize that the successful implementation of EITI in Indonesia will be largely determined by the common understanding and perception of all stakeholders.

This 2018 report is the sixth report published by Indonesia. Like previous reports, the 2018 report consists of two parts, namely, the report on reconciliation of state revenues from extractive industry, and the report on an overview of governance of extractive industry as a whole. In this sixth report, in addition to overview of revenue reconciliation and governance development as done in previous years, we have taken the initiative to collect beneficial ownership (BO) information from extractive industry companies as a pilot project in this report. The results, although not yet perfect, have given an initial description of the understanding of extractive industry companies about BO information, so that it can be used as a basis for further steps in 2019, before BO information disclosure becomes an obligation in 2020.

The preparation of this year's report is carried out simultaneously with the validation process conducted by the EITI International towards Indonesia, so that both processes, namely the process of validation and the process of preparing the report, are expected to provide input on the process of transparency and governance of Indonesia's extractive industry going forward.

With the completion of the preparation of this report, we express our deepest gratitude to all parties, first to all members of the EITI Implementation Team, from government, companies and civil society representatives who have worked hard to provide direction and supervision in the drafting process. Secondly, we would also like to thank all those who have helped provide the necessary data, especially to officials in the DG of Taxes, DG of Budget, DG of Mineral and Coal, DG of Oil and Gas, SKK Migas, Local Government representatives, and all oil and gas companies and mineral and coal companies that have submitted the required data so that we can produce good reports. Third, we thank the Independent Administrator Team who have worked hard in a short time to collect data and information from various parties and then compile and analyze it into a complete report. We do not forget to thank the EITI National Coordinator and the EITI Secretariat for supporting the entire process of preparing this report to completion.

Deputy for Management Coordination of the Energy,
Natural Resources and the Environment,
As Chairman of the Transparency Implementation Team of
Extractive Industry

Montty Giriannas

This page is intentionally left blank

EXECUTIVE SUMMARY

The Indonesia EITI Report 2016 is developed to demonstrate Indonesia's commitment to Extractive Industries Transparency Initiative (EITI) program as well as to the principles of transparency and accountability in Indonesian extractive industry.

This report intends to encourage the participation of the Indonesian extractive industry stakeholders in providing better understanding to the Indonesian society of how the Government of Indonesia (GOI) manage the natural resources specifcally in this context; oil, gas, mineral and coal, that the society has entrusted by law to the GOI.

EITI Indonesia Report 2016 consists off our volumes:

The frst volume, contains executive summary encapsulating the overall content of the EITI Indonesia Report 2016.

The second volume, contains contextual information from extractive industry sector in Indonesia. The contextual information provides a comprehensive illustration on the sector's legal framework as well as governance mechanism, types of contract/ license, current licensing process, payments of companies to central and local government, and share mechanism between central and local government. This volume also explains the participation of State-Owned Enterprises (SOEs) in Indonesian extractive industry. The contextual information comply with the latest reporting standard issued by EITI International in order to provide better clarity to report readers when perusing the reconciliation content provided in the third volume of this report.

The third volume, contains the reconciliation report in which we reconcile total payment by companies in the upstream sector of oil and gas, mineral and coal (mining) and the total annual revenue received by GOI and SOEs. The revenue and payment include fscal revenues and non-fscal revenues. The reconciliation report also covers the fndings of discrepancy between total revenue of government and total payment from the extractive companies to government. The report also includes recommendations to prevent future discrepancies.

The fourth volume, contains the appendices from reconciliation process that verify and support the total and individual amount stated in reconciliation report. In the appendices, the reconciliation result is presented in detail by two main sectors, which are oil and gas sector and mineral and coal mining sector.

The Multi Stakeholder (MSG) or the EITI Indonesia Implementing Team and EITI Indonesia Secretariat has facilitated the production of this report by appointing Public Accountant's Ofce Heliantono dan Rekanas Independent Administrator (IA) to conduct study and to compose contextual report and to compile reconciliation report. EITI Indonesia Report 2016 can be accessed on EITI Indonesia web page:
Bahasa --> http://eiti.ekon.go.id/laporan-eitiindonesia-2016
English --> http://eiti.ekon.go.id/en/laporaneiti-indonesia-2016

The EITI Indonesia Report 2016 is Indonesia EITI's sixth report. It briefly explains EITI project background, benefits of implementating EITI for government, companies in extractive industries and organizations in the society. The report also elaborates the EITI reporting process in compliance with EITI International Standard. In short, the report comprises the following sections:

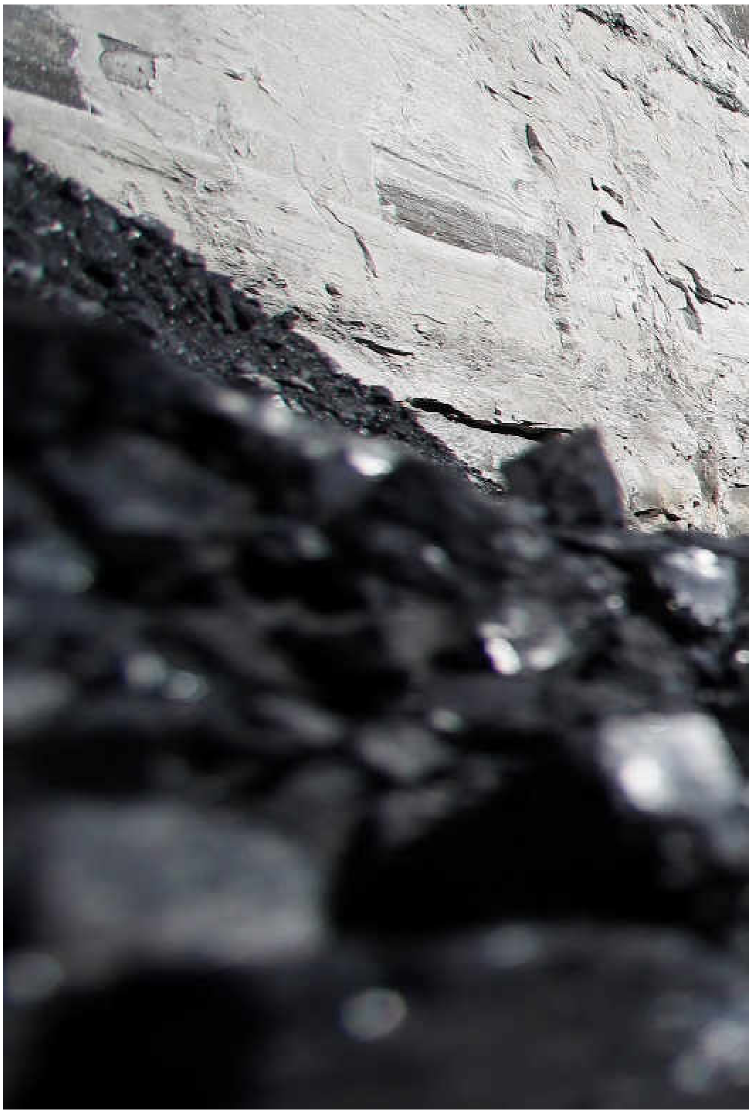
CONTEXTUAL

The contextual annual report is prepared with the aim that the wider community can better understand the extractive industry sector in Indonesia as well as current issues related to extractive industry. The Contextual Report provides additional information in accordance with the 2016 EITI Standard on how the extractive sector is regulated, including the explanation of the contract regime and licensing procedure, production data and revenue allocation.

In 2016, the government made a breakthrough to increase transparency in the management of the extractive industry sector. The first is the tender system for oil and gas working areas and the submission of business licenses in the mining sector with an online system. This online system is expected to accelerate and simplify business licensing. Second, the issuance of Presidential Regulation No. 13/2018 which requires each corporation to provide detailed information on the beneficial owner and appoint officials or employees to implement the principle of recognizing beneficial owners.

Based on the 2016 EITI standard and input from the Implementation Team, the Contextual Report covers several discussion topics which are divided into 8 chapters, namely:

1. Introduction of EITI;
2. Governance of the Extractive Industry;
3. License and Contract;
4. Contribution of the Extractive Industry;
5. Role of BUMN;
6. Environmental and Social Responsibilities;
7. Management of Revenue from Extractive Industry; and
8. Recommendation



The first chapter provides a background on EITI, namely a global initiative aimed at encouraging transparency of income and extractive industry management information. As a country rich in natural resources, Indonesia seeks to manage extractive industry properly, one of which is by implementing the EITI International standard based on the Presidential Regulation Number 26 of 2010 concerning Transparency of National/Local Extractive Industry Revenues.

Second chapter The governance of extractive industry in Indonesia is guided by the Article 33 of 1945 Constitution which is then implemented through the statutory provisions of the extractive industry, namely Law No. 22/2001 concerning Oil and Gas and Law No. 4/2009 concerning Mineral and Coal Mining.

In the oil and gas sector, there is a new mechanism for production sharing contract between the government and contractor, since the issuance of the Regulation of the Minister of Energy and Mineral Resources No. 8/2017 which is then amended by the Regulation of the Minister of Energy and Mineral Resources No. 52/2017 concerning Gross Split Production Sharing Contract. In order to provide law certainty in tax aspect, the government issued Government Regulation No. 53/2017 concerning Tax Treatment for the Gross Split Contract.

In this government regulation, the government provides tax provisions for gross split production sharing contract, including the arrangement for production cost such as depreciation as a tax deduction component and a number of tax incentives such as the exemption of import duty, PPN and PPnBM for the acquisition and utilization of oil and gas operating services at the exploration and exploitation stage until the start of production.

In the mineral and coal mining sector, the Government through the Ministry of Energy and Mineral Resources simplified all Ministerial Regulations into only three regulations. The three main regulations of the Minerba sector are designed to cover the three main substances related to Minerba mining, namely:

1. Regulation of the Minister of Energy and Mineral Resources No.11 / 2018 related to substances of area, licensing, and reporting on minerba mining business activities.
2. Regulation of the Minister of Energy and Mineral Resources No. 25/2018 related to the substance of business implementation in minerba mining business activities, including the Coal DMO policy.
3. Regulation of the Minister of Energy and Mineral Resources No. 26/2018 related to the substance of supervision on minerba mining business activities.

In addition to the above ministerial regulations, in 2018 the government issued the Regulation of the Minister of Energy and Mineral Resources No. 43/2018 concerning Amendment to the Regulation of the Minister of Energy and Mineral Resources No. 09/2017 regarding Procedure for Divesting Shares and Divestment Share Pricing Mechanism. In this Permen, the price of the divestment share is calculated based on fair market value by calculating the amount of reserves that can be mined during the IUP of the production operation period.

This chapter also discusses several regulations and the implementation of disclosure of some information which, according to the provisions of the 2016 EITI Standard, is information that is open to the public, including:

1. Contract Disclosure
   Currently, Production Sharing Contract (PSC) documents of oil and gas companies, Contract of Work (KK) documents of mineral mining companies, Coal Mining Business Working Agreement (PKP2B) documents of coal mining companies and Mining Business License (IUP) documents of minerba companies are still not disclosed in this report. Even though, the decision of the Central Information Commission (KIP) states that these documents are open documents.

For the oil and gas sector, there is a Supreme Court (MA) decision which rejects KIP's appeal regarding the decision of the District Court of Jakarta Selatan that granted the claim of BP Migas (now SKK Migas) regarding the cancellation of KIP's decision.

For the mineral and coal sector, the Directorate General of Mineral and Coal has not been able to disclose the contracts to the public because it is related to civil aspects of the contract.

2. Cadastre Information
   The Ministry of Energy and Mineral Resources has published a web-based information system (ESDM One Map: http://geoportal.esdm.go.id) that is able to display various information on thematic maps of the ESDM sector online. However, this application does not yet contain information on the date of application, date of license / contract (date of award) and duration of license / contract as required by the EITI standard. To meet the EITI standard, information on the validity date and expiration of PSC and IUP contracts, is accommodated in the reporting form submitted by the reporting company which can be accessed at http://portal-ekstraktif.ekon.go.id/license.

3. Disclosure of Beneficial Ownership
   In March 2018, the government issued Presidential Regulation No.13 / 2018 concerning the Principles of Recognizing Benefit Owners of Corporations in the Context of Prevention and Eradication of Money Laundering and Terrorism Crimes. To implement Presidential Regulation No. 13/2018, Ministry of Energy and Mineral Resources issued the Decision of the Minister of Energy and Mineral Resources No. 1796 K / 30 / MEM / 2018 which stipulates that as a requirement for issuing licenses, business entities must provide information on the register of shareholders up to the individual of final beneficial owner.

This chapter also discusses the government's efforts to improve the governance of extractive industry including by establishing an Indonesia’s Integrated One Stop Service (PTSP) and applying online licensing.

Current challenges and issues related to extractive industry governance are also discussed in this chapter, including: i) Transparency of beneficial ownership as an implementation of Presidential Regulation No. 13/2018; ii) Problem related to regulation regarding gross split scheme; iii) Current status of the revision of Migas and Minerba Laws; iv) Implementation of share divestment regulation, especially in minerba sector; and v) Supply and distribution of BBM as well as the implementation of BBM one price.

Third chapter There is no change in provisions in oil and gas working area tender procedure since the publication of the 2015 EITI Report. The most recent thing reported is that the oil and gas WK tender procedure currently carried out online. The online tender was done as an effort to facilitate investors in participating in the tender process. However, in 2016, none of the companies won the oil and gas WK tender. The low interest of investors in the oil and gas WK tender is due to the fact that besides the unstable oil price in 2016, some investors still needed time to consider the changes from the PSC contract to the Gross Split contract.

Meanwhile, in the mining sector, there is a new provision in mining business license area (WIUP) tender procedure that is regulated in the Regulation of the Minister of Energy and Mineral Resources No. 11/2018 which is then amended by the Regulation of the Minister of Energy and Mineral Resources No. 22/2018, in which tender is determined by the Minister of Energy and Mineral Resources and Governor in accordance with the authorization area. No tender taken place in 2016 because the Government determined new mining area in 2017.

Fourth chapter The extractive industry contribution to the national economy in 2016 tended to decline compared to previous years. The extractive industry's contribution to total GDP in 2016 was 7% compared to 2015 which was 8% of the total national GDP. The effect of the recovery of non-oil and gas commodity prices in 2016 indirectly affected the increase in production of non-oil and gas commodities sector in 2016 compared to the previous year. Meanwhile, GDP of mining sector still under pressure of oil price that has not recovered in 2016.

Nominally, in 2016 the total revenue from extractive industry decreased by 31% to 159 trillion IDR from the previous year which amounted to 232 trillion IDR. Overall in the period of 2012-2016, revenue from extractive industry in 2016 decreased by 61% from 2012. The decline was largely influenced by the declining of oil and mining commodity prices.

In 2016, the mining export contribution to the total national export was quite significant, amounting to 21%. The mining export was dominated by the export of oil, gas and coal. Oil and gas exports contributed around 8% of the total value of national export while the value of coal export reached 10% of the total value of national export. The largest contributor to oil export in 2016 was Riau Province with an export value of US $2,254 million and the largest contributor to gas export was Kalimantan Timur Province with an export value of US $2,782 million. Kalimantan Timur Province was the largest contributor to coal export in 2016 with coal export contributing 58% of total national coal export.

The mining sector has an important role in the regions’ economy, especially in mine producing areas, with a contribution of 20-43% of GRDP.

Fifth chapter The State-Owned Enterprises (BUMN) discussed in this report are PT Pertamina, PT Aneka Tambang, PT Bukit Asam, PT Timah and PT Perusahaan Gas Negara (PGN). All of these BUMN are in the form of Persero and four BUMN, namely PT Aneka Tambang, PT Bukit Asam, PT Timah and PT PGN have been listed on the Indonesia Stock Exchange (IDX). The Indonesian government owns 65% common shares and Dwiwarna shares which have veto rights at three Minerba BUMN, 56.97% common shares and one Dwiwarna share in PT PGN as well as 100% shares in PT Pertamina. The role of the Government in managing BUMN engaged in extractive industry is represented by the Ministry of BUMN, Ministry of Finance and the Ministry of Energy and Mineral Resources, each of which has authority in matters of operational / management, capital and formulation, stipulation and implementation of policies in the energy and mineral resources sector.

In 2016, the government did not make additional equity participation in these 5 BUMN. Four state-owned enterprises engaged in extractive industry contributed to Rp 8.41 trillion dividend for the Government of the Republic of Indonesia. PT Aneka Tambang (Persero) Tbk did not distribute dividend in 2016 because of relatively small profit.

All five BUMN have an obligation to implement the Partnership and Community Development Program (PKBL) and carry out public services. One form of public service carried out is a subsidy for oil fuel (BBM) by PT Pertamina (Persero). PT Pertamina has a mandate from the Government to distribute subsidized BBM. Based on the 2016 EITI reporting form, Pertamina has provided BBM and 3 kgs LPG subsidies equivalent to Rp38,076 billion.

On November 29, 2017 the Government established a mining holding consisting of PT Inalum (Persero), PT Aneka Tambang Tbk, PT Timah Tbk, and PT Bukit Asam Tbk. Three Mining BUMNs, namely PT Antam Tbk, PT Bukit Asam Tbk, and PT Timah Tbk held an EGMS and approved changes to the Company's Articles of Association related to the change in the status of the Companies from Persero to Non-Persero. This step is in accordance with Government Regulation No. 47/2017 concerning Addition of State Equity Participation of the Republic of Indonesia into the Share Capital of PT Inalum (Persero).

As for the oil and gas sector, the oil and gas BUMN Holding was officially established with Pertamina as the holding company and PGN as a holding member. On April 11, 2018, an agreement on the transfer of rights on state shares has been signed, in which 56.96% of government B series shares at PGN was transferred to Pertamina. This is in line with the issuance of Government Regulation No. 6/2018 concerning the Addition of the State Equity Participation of the Republic of Indonesia to the Share Capital of PT Pertamina (Persero).

Sixth chapter Environmental and social responsibilities of extractive industry companies in Indonesia are regulated by various laws, government regulations and ministerial regulations. Companies are obliged to provide a number of funds that are used as collateral for the cost of environmental restoration / reclamation called the Abandonment and Site Restoration Fund (ASR) for oil and gas companies, and the Reclamation Guarantee and Post-Mining Funds for mineral and coal companies.

Until 2016, oil and gas ASR fund collected in bank accounts amounted to US$901 million with details: i)Bank Negara Indonesia amounting to US$322.47 million, ii)Bank Rakyat Indonesia amounting to US$285.13 million, and iii) Bank Mandiri amounting to US$293.16 million.

As for the mineral and coal sector, until now there has been no information that can be accessed by the public regarding the total amount of reclamation and post-mining funds paid by minerba companies. The amount of reclamation guarantee and post-mining funds paid by reporting companies included in the scope of reconciliation can be seen in the 2016 EITI Reconciliation Report.

Regarding Corporate Social Responsibility (CSR), every company incorporated as a limited liability company is required to carry out CSR programs (based on the Limited Liability Company Law), but the amount of CSR fund is not regulated. As for BUMN, it is required to hold a Partnership and Community Development Program (PKBL) with a maximum fund of 4% of the previous year's after-tax profit.

Seventh chapter Management of state revenue from extractive industry begins with planning, budgeting and auditing processes. This section provides information about the method of allocating revenues generated from extractive industry to the regions.

All Non-tax State Revenues (PNBP) from extractive industry are received in cash except for a number of revenues from the upstream oil and gas sector related to the production sharing contract received by the Government of Indonesia in the form of in-kind. The in-kind revenue consists of the government's share of oil and gas lifting and DMO (deducted by DMO fees) related to production sharing contract which its management authority is at SKK Migas. Tax revenue from the extractive sector is received entirely in cash. Since 2015, a regulation governing oil and gas tax revenue in the form of in-kind has been implemented, but until now, there has been no realization of the arrangement.

All state revenues from extractive industry are deposited to the state treasury and recorded in the Central Government Financial Statements (LKPP).

This chapter also discusses the planning and budgeting process along with the process of audit and the mechanism for allocating state revenue from extractive industry between the central government to local government. The public can access financial notes, LKPP and audited LKPP on the official websites of Ministry of Finance and BPK. For the outlook of the extractive industry, the public can access the Ministry of Energy and Mineral Resources' Strategic Plan for 2015-2019 on the official website of the Ministry of Energy and Mineral Resources.

Allocation of extractive revenue from central to regions is regulated in revenue sharing fund (DBH) in accordance with Law No. 33/2004 concerning fiscal balance. The realization of DBH of oil and gas in 2014-2016 has experienced a significant decrease due to the decline in oil price in 2015-2016 to the range of US $ 40 / barrel compared to the oil price in 2014 which was around US $ 100 / barrel. The recipient of the largest oil DBH is Riau Province with DBH amounting to Rp1 trillion. Four regencies in Riau Province included in top 10 recipients of oil DBH, namely Regencies of Bengkalis, Siak, Rokan Hilir and Kampar. Meanwhile, the largest recipients of gas DBH are Kalimantan Timur Province and its subsidiaries, namely: Regencies of Kutai Kertanegara, Penajam Paser, Cities of Bontang and Samarinda. Seven areas in Kalimantan Timur are included in the 10 largest recipients of mineral and coal DBH.

Indonesia does not yet have petroleum fund both at the national and regional level, but several initiatives have emerged. At the central level, the initiative is still in the early stage, for example derived from the revision draft of the Oil and Gas Law prepared by DPR. While at the level of Local Government, The Regency of Bojonegoro has already initiated to establish the Petroleum Fund. However, this plan is suspended while awaiting clarity on the amount of profit from the equity participation of the Cepu Block which is still in the BPK audit process.

Eighth chapter Recommendations given to improve the level of transparency and governance in the extractive industry are related to beneficial ownership, contract disclosure, and further studies on strategic issues of extractive industry:

1. The Directorate General of Oil and Gas and the Directorate General of Mineral and Coal need to formulate technical guidelines on how to implement Presidential Regulation No. 13/2018 for companies that have obtained licenses.
2. The time provided to identify the beneficial owner in the EITI reporting period is too short. The beneficial owner declaration form should be sent long before the EITI reporting reconciliation period.
3. EITI Implementation Team to request PPID of ESDM to disclose documents of contracts and licenses in accordance with the KIP's decree No. 197/VI/KIP-PS-M-A/2011 and report PPID of ESDM to the Minister of Energy and Mineral Resources as a member of Steering Team of EITI Indonesia as well as the supervisor of PPID of Ministry of Energy and Mineral Resources (MoEMR).
4. It is recommended to expand the scope of EITI report and conduct separate study to explain issues that are considered as strategic issues related to the performance of the extractive industry. For example, regarding the performance of local government in utilizing revenue generated from the extractive industry to reduce the gap of revenue distribution and poverty, and special study regarding the completeness of production report compared to the domestic use and export in the minerba mining sector.

RECONCILIATION

The Extractive Industries Transparency Initiative (EITI) is a global standard for improving transparency in the extractive industry sector (oil, gas, mineral and coal sectors). This standard aims to create conditions that are transparent and accountable as a manifestation of good governance practices.

The two components of EITI implementation are transparency and accountability. Transparency is to disclose payments from oil and gas and mining companies to the government, and the government discloses its receipt. The number is reconciled by the Independent Administrator and published in the Transparency Report annually along with other contextual information about the extractive industry sector, while accountability is the formation of multi-stakeholder groups with representatives of government, corporations and civil society to oversee the process and communicate the findings of the EITI Report, and encourage EITI integration into broader transparency efforts in EITI implementing countries.

The EITI standard serves as a tool to improve the management of the oil, gas and mining sectors in the countries that implement them.

Proportion of State Revenue

The state revenue that is focused in this report is revenue derived from the extractive industry, especially from the oil and gas sector and the mineral and coal sector.

In Central Government Financial Statements (LKPP) 2016, state revenues from oil and gas and mineral and coal sectors contributed Rp159.38 trillion or 10.24% of total state revenues, consisting of revenue from oil and gas sector of Rp107.29 trillion (6.90%) and revenue from mineral and coal sector amounting to Rp52.54 trillion (3.40%).

State Revenues in 2015 and 2016 from Oil and Gas Sector

Revenue Stream	2015	2016
	(in Trillion IDR)	(in Trillion IDR)
TAX REVENUE		
Oil and Gas Income Tax	49.67	36.10
Oil and Gas PBB	25.72	15.27
PNBP		
Oil Revenue	47.99	31.45
Gas Revenue	30.18	12.65
Upstream Activities Revenue	8.20	11.83
TOTAL OIL & GAS REVENUE	161.76	107.29
TOTAL STATE REVENUE	1,508.02	1,555.93
Revenue Ratio	10.73%	6.90%

Source: LKPP 2016

State Revenues in 2015 and 2016 from Mineral and Coal Mining Sector

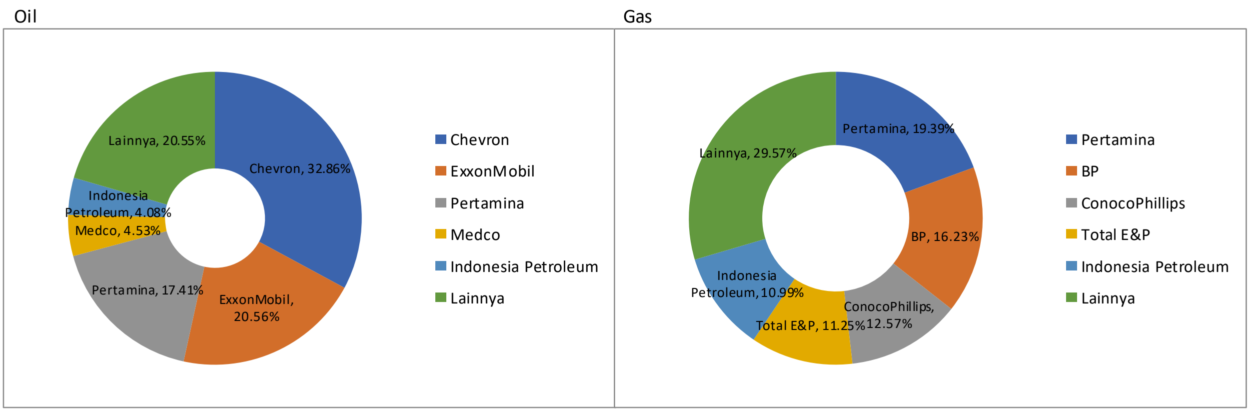
Revenue Stream	2015	2016
	(in Trillion IDR)	(in Trillion IDR)
TAX REVENUE		
Mining income	32,85	24,93
Other Tax	-	-
PNBP		
Royalty	16,73	15,35
Land Rent	0,95	0,41
Sales Revenue Share (PHT)	11,95	11,40
TOTAL OIL & GAS REVENUE	62,48	52,09
TOTAL STATE REVENUE	1.508,02	1.555,93
Revenue Ratio	4,14%	3,35%

Source: LKPP 2016

The revenue decreased from the previous year, which contributed 15% of total state revenues, consisting of revenue from oil and gas sector of Rp161.76 trillion (11%) and revenue from mineral and coal sector amounting to Rp62.48 trillion (4%).

In the oil and gas sector, the largest revenue in 2016 is derived from the oil lifting and gas lifting generated by Chevron Pacific Indonesia with 32.86% lifting share of oil and Pertamina with 19.39% lifting share of gas.

Largest Oil and Gas Company Groups Contributor to Total Lifting in 2016



Source: Data of EITI for the period of 2016

In the mineral and coal sector, 5 companies became the largest royalties contributor with contributions of 42% of total royalty payments during 2016, as shown in the figure below.

Largest Mineral and Coal Mining Companies Contributor to Royalty in 2016

Source Data EITI 2016

Component of Reconciled State Revenue

The component of reconciled state revenue according to TOR and the Scope of the 2016 EITI Indonesia Report:

- Corporate income tax (including income tax article 26 on dividend (oil and gas sector))
- Land and Building Tax (PBB) (mineral and coal sector)
- Government lifting and DMO received in kind (oil and gas sector)
- Signature Bonus and Production Bonus (oil and gas sector)
- Royalty, Sales Revenue Share (PHT), Landrent and Dividend paid in cash (mineral and coal sector)
- Payment of fees for transportation reported by BUMN (mineral and coal sector)

Reduction of reconciled state revenue according to the TOR and the Scope of the 2016 EITI Indonesia Report:

- Land and Building Tax (PBB)
  PBB paid by the Directorate General of Budget to the Local Government due to the assume and discharge provisions in the Cooperation Contract (PSC) clause.
- Value Added Tax (PPN) reimbursement
  PPN paid by the Directorate General of Budget to the KKKS (Company) based on the KKKS (Company) bill verified by SKK Migas and paid every month.

In accordance with the Scope of the 2016 EITI Indonesia Report, the materiality limit of reconciled state revenue is determined to be above 1% of the total state revenue of each extractive industry sector that has been approved by the Implementation Team, and the difference limit in reconciliation is set at 5% of total reconciled value, so that any differences of 5% will be analyzed and explained.

The results of reconciliation between government payments made by companies in the extractive industry sector, and revenues received by the state, through the relevant government agencies, show the final differences ranging from 0.00% -100.00% after reconciliation.

In the oil and gas sector, the biggest difference is in the state revenue component of Oil and Gas Income in the form of DMO of Oil Volume amounted to 583,682 Barrels or 2.35% of the total DMO of Oil Volume reconciled caused by the dispute related to differences in contract interpretation in calculating production sharing. Meanwhile, the difference in PPN Reimbursement is amounting to Rp1,083,609 million or as much as 7.53% of the total value reconciled. This is because until the specified deadline the reporting entity does not provide confirmation or explanation of the difference.

The overall reconciliation results of oil and gas sector can be seen in the following tables:

Reconciliation between KKKS and SKK Migas

Reconciliation between KKKS and SKK Migas for the period of 2016

State Revenue	Before Reconciliation			After Reconciliation			%
	KKKS	SKK Migas	Initial Difference	KKKS	SKK Migas	Un-reconciled diff.	
	(1)	(2)	(3) = (2)-(1)	(4)	(5)	(6) = (5)-(4)	(7)=(6):(5)
Total Lifting – Oil	12.642.364	12.091.449	(550.914)	12.091.488	12.091.487	(1)	0,00%
Total Lifting – Gas	15.061.719	12.611.982	(2.449.737)	13.556.603	13.556.604	1	0,00%
Domestic Market Obligation Fee	596.823	574.439	(22.385)	577.539	578.580	1.041	0,18%
Over/(Under) Lifting – Oil	174.415	134.904	(39.510)	145.782	146.539	757	0,52%
Over/(Under) Lifting - Gas	66.684	68.435	1.751	71.417	71.417	0	0,00%
Total	28.542.005	25.481.209	(3.060.796)	26.442.829	26.444.627	1.798	0,01%

General causes of unreconciled differences shown in Table above	Number of Companies	Appendix	In thousand USD
The difference in Domestic Market Obligation Fee caused by the billing of the DMO that has not been made	1	3.1/12	1.041
The difference in over/under lifting caused by the dispute between operator and SKK Migas regarding the calculation	1	3.1/12	757
TOTAL			1.798

Source: Data EITI 2016

Rekonsiliasi KKKS dengan SKK Migas Tahun 2016 (Volume)

State Revenue	Before Reconciliation			After Reconciliation			%
	KKKS	SKK Migas	Initial Difference	KKKS	SKK Migas	Un-reconciled diff.	
	(1)	(2)	(3) = (2)-(1)	(4)	(5)	(6) = (5)-(4)	(7)=(6):(5)
Government Lifting - Oil (Barel)	124.683.251	115.837.025	(8.846.226)	115.837.024	115.837.025	1	0,00%
Government Lifting - Gas (MSCF)	536.055.941	426.371.315	(109.684.625)	424.352.573	424.352.574	1	0,00%
Domestic Market Obligation (Barel)	25.137.825	24.457.896	(679.929)	24.242.674	24.826.357	583.682	2,35%

General causes of unreconciled differences shown in Table above	Number of Companies	Appendix	Value	Unit of Volume
the dispute regarding the difference in contract interpretation in calculating production sharing between SKK Migas and CNOOC SES Ltd. as a KKKS in the South East Sumatra Working Area	1	3.1/12	583.681	Barel
TOTAL	1		583.681	

Source: Data EITI 2016

Reconciliation between KKKS and DG of Oil and Gas

Reconciliation between KKKS and SKK Migas for the period of 2016 (Total lifting in Volume)

Type of Data	Before Reconciliation			After Reconciliation			%
	KKKS	SKK Migas	Initial Difference	KKKS	SKK Migas	Un-reconciled diff.	
	(1)	(2)	(3) = (2)-(1)	(4)	(5)	(6) = (5)-(4)	(7)=(6):(5)
Total Lifting Oil (Barrel)	316.517.489	303.397.989	(13.119.500)	303.398.057	303.398.059	2	0,00%
Total Lifting Gas (MSCF)	2.230.799.708	1.942.826.187	(287.973.521)	2.304.992.096	2.304.992.096	-	0,00%

Source: Data of EITI for the period of 2016

Reconciliation between SKK Migas and DG of Oil and Gas for the period of 2016 (Total lifting in Volume)

Type of Data	Before Reconciliation			After Reconciliation			%
	SKK	DG of Migas	Initial Difference	SKK	DG of Migas	Un-reconciled diff.	
	(1)	(2)	(3) = (2)-(1)	(4)	(5)	(6) = (5)-(4)	(7)=(6):(5)
Total Lifting Oil (Barrel)	303.398.057	305.619.475	2.221.418	303.400.052	303.400.052	-	0,00%
Total Lifting - Gas (MMBTU)	2.503.956.041	2.461.974.347	(41.981.694)	2.503.956.041	2.503.956.041	-	0,00%

Source: Data of EITI for the period of 2016

Table 31 - Reconciliation between KKKS and SKK Migas for the period of 2016 (Total lifting in thousand USD)

Type of Data	Before Reconciliation			After Reconciliation			%
	KKKS	SKK Migas	Initial Difference	KKKS	SKK Migas	Un-reconciled diff.	
	(1)	(2)	(3) = (2)-(1)	(4)	(5)	(6) = (5)-(4)	(7)=(6):(5)
Total Lifting Oil	12.642.364	12.091.449	(550.914)	12.091.488	12.091.487	(1)	0,00%
Total Lifting – Gas	15.061.719	12.611.982	(2.449.737)	13.556.603	13.556.604	1	0,00%

Source: Data of EITI for the period of 2016

Reconciliation between KKKS and DG of Taxes

Reconciliation between KKKS and DG of Taxes for the period of 2016

In thousand USD

State Revenue	Before Reconciliation			After Reconciliation			%
	KKKS	DG of Taxes	Initial Difference	KKKS	DG of Taxes	Un-reconciled diff.	
	(1)	(2)	(3) = (2)-(1)	(4)	(5)	(6) = (5)-(4)	(7)=(6):(5)
PPh Migas-Operator	1.647.888	1.657.057	9.169	1.772.186	1.730.967	(41.218)	-2,38%
PPh Migas-Partner	1.241.651	1.197.224	(44.427)	1.309.978	1.282.250	(27.727)	-2,16%
Total	**2.889.539**	**2.854.281**	**(35.258)**	**3.082.163**	**3.013.218**	**(68.946)**	**-2,29%**

Source: Data of EITI for the period of 2016

Reconciliation between KKKS and DG of Taxes for the period of 2016

In million IDR

State Revenue	Before Reconciliation			After Reconciliation			%
	KKKS	DG of Taxes	Initial Difference	KKKS	DG of Taxes	Un-reconciled diff.	
	(1)	(2)	(3) = (2)-(1)	(4)	(5)	(6) = (5)-(4)	(7)=(6):(5)
PBB Migas-Operator	1.408.687	212.045	(1.196.642)	1.408.687	212.045	(1.196.642)	-564,33%

Source: Data of EITI for the period of 2016

General causes of unreconciled differences shown in Table above	Number of Companies	In thousand USD
NTPN provided by the company was not available at the DG of Taxes	6	(4.671)
The difference cannot be confirmed because it has passed the cut-off date of reporting	2	(293)
The company did not provide confirmation on the difference	6	(63.986)
Rounding	4	4
TOTAL	18	(68.946)

Source: Data of EITI for the period of 2016

he reconciled oil and gas income tax in Table 32 exclude data from companies that do not complete the Authorization Sheet (LO) to disclose the tax data, amounting to 8 companies of KKKS and 7 companies of KKKS Partner as listed in Table below.

Based on data reported by the reporting companies, the total oil and gas income tax (PPh of migas) paid by companies that do not complete the LO (excluding non-reporting companies) amounted to US $ 16,789 thousand or 0.54% of the total PPh of migas reported by the companies. Hence, it has no significant impact.

List of Oil and Gas Companies that do not Complete the Tax LO

No.	Company that do not Complete the LO	PPh of Migas (in thousand USD)
1	EMP Malacca Strait S.A	-
2	Lapindo Brantas Inc.	-
3	Petrogas (Basin) Ltd.	686
4	Vico CBM	7
5	Benuo Taka Wailawi	-
6	JOB Pertamina - Petrochina East Java	-
7	Virginia Indonesia Company (VICO), Llc.	2.832
8	JOB Pertamina - Medco Tomori Sulawes	-
9	RHP Salawati Basin B.V.	522
10	ENI Rapak Limited	-
11	BUT Eni CBM Ltd.	18
12	RHP Salawati Island B.V.	-
13	Virginia International Co. CBM Limited	15
14	BUT Lasmo Sanga Sanga Limited	12.708
15	Petrogas (Island) Ltd.	-
Total PPh of Companies that do not Complete the Tax LO		16.789
Total PPh of Oil and Gas		3.082.163
Percentage		0,54%

Sumber: Data EITI 2016

State Revenue Managed by SKK Migas and Received by DG of Budget

Reconciliation between SKK Migas and DG of Budget for the period of 2016

in thousand USD

State Revenue	Before Reconciliation			After Reconciliation			%
	KKKS	DG of Budget	Initial Difference	KKKS	DG of Budget	Un-reconciled diff.	
	(1)	(2)	(3) = (2)-(1)	(4)	(5)	(6) = (5)-(4)	(7)=(6):(5)
Government Lifting – Oil							
- Export	11.522	12.237	714,81	11.522	11.522	-	0,00%
- Domestic	4.730.452	4.730.452	0,00	4.730.452	4.730.452	-	0,00%
Government Lifting – Gas							
- Export	627.342	565.048	(62.294)	627.342	627.342	-	0,00%
- Domestic	1.534.534	1.458.571	(75.962)	1.534.508	1.534.508	-	0,00%
Total	**6.903.850**	**6.766.309**	**(137.541)**	**6.903.824**	**6.903.824**	**-**	**0,00%**

Source: Data of EITI for the period of 2016

Reconciliation of Land and Building Tax (PBB) which is a deduction factor of Oil and Gas PNBP

Reconciliation of PBB of Migas between KKKS and DG of Budget for the period of 2016

in million IDR

Deduction Factor	Before Reconciliation			After Reconciliation			%
	KKKS	DG of Budget	Initial Difference	KKKS	DG of Budget DJA	Unreconciled Diff.	
	(1)	(2)	(3) = (2)-(1)	(4)	(5)	(6) = (5)-(4)	(7)=(6):(5)
PBB	6.193.866	15.154.272	8.960.406	-	-	-	0%

Source: Data of EITI for the period of 2016

Reconciliation of Value Added Tax (PPN) Reimbursement which is a deduction factor of Oil and Gas PNBP

Reconciliation of PPN Reimbursement of Migas between KKKS and DG of Budget for the period of 2016

in million IDR

Deduction Factor	Before Reconciliation			After Reconciliation			%
	KKKS	DG of Budget	Initial Difference	KKKS	DG of Budget DJA	Unreconcile d Diff.	
	(1)	(2)	(3) = (2)-(1)	(4)	(5)	(6) = (5)-(4)	(7)=(6):(5)
PPN Reimbursement	13.087.881	13.007.745	(80.136)	13.304.897	14.388.505	1.083.609	7,53%

Source: Data of EITI for the period of 2016

Reconciliation of Signature Bonus and Production Bonus between KKKS and DG of Oil and Gas

Reconciliation of Signature Bonus between KKKS and DG of Oil and Gas for the period of 2016

State Revenue	Before Reconciliation			After Reconciliation			%
	KKKS	DG of Migas	Initial Difference	KKKS	DG of Migas	Unreconcile d Diff.	
	(1)	(2)	(3) = (2)-(1)	(4)	(5)	(6) = (5)-(4)	(7)=(6):(5)
Signature Bonus for the Contract extension (US$'000)	5.000	49.600	44.600	6.000	6.000	-	0%
Production Bonus (US$'000)	-	-	-	-	-	-	-%

Source: Data of EITI for the period of 2016

For the mineral and coal sector, the difference in the state revenue from Income Tax Article 25/29 (Corporate Income Tax) amounts to Rp89,340 million or 0.81% of total reconciled Corporate Income Tax. The difference cannot be analyzed because the reporting entity does not provide confirmation of the difference up to the given deadline. The difference in PBB revenue amounted to Rp392,185 million or 99.81% of total reconciled PBB.

The difference cannot be analyzed because DG of Taxes submit the data after the specified deadline. The difference in non-tax state revenue (PNBP) amounted to Rp12,094 million or 0.05% of total reconciled PNBP. The difference cannot be analyzed because the reporting entity does not provide confirmation of the difference up to the given deadline.

The overall reconciliation results of mineral and coal sector can be seen in the following tables:

Reconciliation between Mining Companies and DG of Mineral and Coal

Reconciliation between Minerba Companies and DG of Minerba for the period of 2016

in million IDR and thousand USD

State Revenue	Before Reconciliation			After Reconciliation			%
	Minerba Companies	DG of Minerba	Initial Difference	Minerba Companies	DG of Minerba	Un-reconciled diff.	
	(1)	(2)	(3) = (2)-(1)	(4)	(5)	(6) = (5)-(4)	(7)=(6):(5)
1. Reported in USD							
Royalty	1.249.851	761.114	(488.737)	742.829	741.872	(957)	-0,13%
PHT	1.139.847	664.769	(475.078)	683.634	684.024	390	0,06%
Landrent	7.379	7.481	102	7.429	7.482	53	0,71%
Total USD	**2.397.077**	**1.433.364**	**(963.713)**	**1.433.893**	**1.433.378**	**(514)**	**-0,04%**
2. Reported in IDR							
Royalty	2.514.445	2.530.378	15.933	2.439.110	2.433.931	(5.179)	-0,21%
PHT	2.598.662	2.458.342	(140.320)	2.554.789	2.554.789	(0)	0,00%
Landrent	348	371	24	373	371	(2)	-0,57%
Total Rupiah	**5.113.455**	**4.989.091**	**(124.363)**	**4.994.273**	**4.989.091**	**(5.182)**	**-0,10%**
IDR Equivalent	37.320.578	24.247.765	(13.072.813)	24.260.053	24.247.959	(12.094)	-0,05%

Exchange rate: Rp 13,436 (rate of LKPP in 2016)

ROYALTY

No	General causes of unreconciled differences shown in Table above	Number of Companies	In Thousand USD	In Million IDR
a	Until the specified deadline, the reporting entity does not provide confirmation or explanation regarding the difference	5	(1.023)	(5.374)
b	Time difference (The company deposits the payment at the end of the year while DG of Mineral & Coal records it at the beginning of the following year	1		194
c	Understated, either by the Company or DG of Minerba	1	66	
	TOTAL		**(957)**	**(5.179)**

SALES REVENUE SHARE (PHT)

No	General causes of unreconciled differences shown in Table above	Number of Companies	In Thousand USD	In Million IDR
a	Until the specified deadline, the reporting entity does not provide confirmation or explanation regarding the difference	2	390	
	TOTAL		**390**	-

LANDRENT

No	General causes of unreconciled differences shown in Table above	Number of Companies	In Thousand USD	In Million IDR
a	Until the specified deadline, the reporting entity does not provide confirmation or explanation regarding the difference	5	(8)	(2)
c	Understated, either by the Company or DG of Minerba	1	62	
	TOTAL		**54**	**(2)**

Source: Data of EITI for the period of 2016

Reconciliation between Mineral and Coal Mining Companies and DG of Taxes

Reconciliation between Minerba Companies and DG of Taxes for the period of 2016

in million IDR and thousand USD

State Revenue	Before Reconciliation			After Reconciliation			%
	Minerba Companies	DG of Minerba	Initial Difference	Minerba Companies	DG of Minerba	Un-reconciled diff.	
	(1)	(2)	(3) = (2)-(1)	(4)	(5)	(6) = (5)-(4)	(7)=(6):(5)
1. Reported in USD							
Corporate Income Tax	637.024	686.639	49.615	699.331	706.315	6.984	0,99%
PBB	-	-	-	-	-	-	-
Total USD	637.024	686.639	49.615	699.331	706.315	6.984	0,99%
2. Reported in IDR							
Corporate Income Tax	1.669.307	1.504.288	(165.018)	1.557.728	1.553.230	(4.498)	-0,29%
PBB	804.373	396.897	(407.476)	789.082	396.897	(392.185)	-98,81%
Total IDR	2.473.680	1.901.186	(572.494)	2.346.810	1.950.128	(396.682)	-20,34%
IDR Equivalent	11.032.734	11.126.869	94.135	11.743.016	11.440.171	(302.845)	-2,65%

Exchange rate: Rp 13.436 (rate of LKPP in 2016)

CORPORATE INCOME TAX

No	General causes of unreconciled differences shown in Table above	Number of Companies	In Thousand USD	In Million IDR
d	Until the specified deadline, the reporting entity does not provide confirmation or explanation regarding the difference	3	6.983	(283)
e	Data was received after the cut-off date of the reconciliation	5		(4.286)
	JUMLAH	8	6.983	(4.497)

PBB

No	General causes of unreconciled differences shown in Table above	Number of Companies	In Thousand USD	In Million IDR
e	Data was received after the cut-off date of the reconciliation	18		(392.185)
	JUMLAH	18	-	(392.185)

Source: Data of EITI for the period of 2016

Reconciliation between Minerba Companies and DG of Budget

Reconciliation between Minerba Companies and DG of Budget for the period of 2016

in million IDR and thousand USD

State Revenue	Before Reconciliation			After Reconciliation			%
	Minerba Companies	DG of Budget	Initial Difference	Minerba Companies	DG of Budget	Un-reconciled diff.	
	(1)	(2)	(3) = (2)-(1)	(4)	(5)	(6) = (5)-(4)	(7)=(6):(5)
1. Reported in USD							
Dividend	-	-	-	-	-	-	0%
Total USD	-	-	-	-	-	-	0%
2. Reported in IDR							
Dividend	453.850	453.850	-	453.850	453.850	-	0%
Total IDR	453.850	453.850	-	453.850	453.850	-	0%

Source: Data of EITI for the period of 2016

Reconciliation between PT Bukit Asam Tbk and PT Kereta Api Indonesia (Persero)

Reconciliation between PT Bukit Asam and PT Kereta Api for the period of 2016

in million IDR and thousand USD

State Revenue	Before Reconciliation			After Reconciliation			%
	PT Bukit Asam	PT KAI	Initial Difference	PT Bukit Asam	PT KAI	Un-reconciled diff.	
	(1)	(2)	(3) = (2)-(1)	(4)	(5)	(6) = (5)-(4)	(7)=(6):(5)
1. Reported in USD							
Transportation Fee	67.402	67.663	260	67.402	67.402	-	0%
Total USD	67.402	67.663	260	67.402	67.402	-	0%
2. Reported in IDR							
Transportation Fee	1.955.712	1.998.734	43.022	1.955.712	1.955.712	-	0%
Total IDR	1.955.712	1.998.734	43.022	1.955.712	1.955.712	-	0%
IDR Equivalent	2.861.331	2.907.848	46.517	2.861.331	2.861.331	-	0%

Exchange rate: Rp 13.436 (rate of LKPP in 2016)

Component of Non-Reconciled State Revenue and Information

The component of non-reconciled state revenue according to TOR and the Scope of the 2016 EITI Indonesia Report:

Oil and Gas Sector
- Domestic PPN Revenue (PPN WAPU)
- Other Revenues from Upstream Oil and Gas Activities
- Local (Government) Tax and Retribution (PDRD)
- CSR Payment reported by companies
- Payment for transportation reported by BUMN

PDRD is included in non-reconciled information of oil and gas sector for 2016 EITI because the value of materiality does not reach 1% of Oil and Gas PNBP.

The following is the PDRD paid by the DG of Budget in 2016 which is the assume and discharge component and as a deduction of oil and gas PNBP.

Non-reconciled Information of Oil and Gas Sector for the period of 2016

Non-reconciled Information	IDR (in million)	
	Total	% of Oil and Gas Revenue
- Local Tax and Retribution (PDRD)	48.539	0,05%
Oil and Gas Revenue (LKPP 2016)	107.292.545	

And the following is the PDRD paid by the KKKS in 2016 directly to the Local Government which is a component that can be included in cost recovery.

Non-reconciled Information	IDR (in million)	
	Total	% of Oil and Gas Revenue
- Local Tax and Retribution (PDRD)	3.646	0,00%
Oil and Gas Revenue (LKPP 2016)	107.292.545	

Firm Commitment is included in non-reconciled information of oil and gas sector for 2016 EITI.

In association with Firm Commitment, there was no penalty payment in 2016 for the Firm Commitment which was not carried out in accordance with the terms of the cooperation contract (PSC).

CSR is included in non-reconciled information of oil and gas sector for 2016 EITI.

The following is the CSR data obtained by IA from the 2016 EITI Reporting Form submitted by the Oil and Gas Operator Companies (KKKSs) for the period of 2016.

Non-reconciled Information	US$ (in thousand)	IDR (in million)
	Total	Total
CSR:		
1. Hubungan Masyarakat	883	162
2. Pemberdayaan Masyarakat	168	-
3. Pelayanan Masyarakat	7.885	1.291
4. Infrastruktur	3.058	8.387
5. Lingkungan	5.559	480
Total CSR	17.553	10.320

Mineral and Coal Sector
- Local Tax and Retribution reported by companies
- Direct payment to Local Government reported by companies
- CSR reported by companies
- The provision of infrastructure reported by companies
- Other payments to BUMN reported by companies
- The utilization of Forest Area reported by companies
- Reclamation Guarantee reported by companies
- Post-mining Fund reported by companies
- DMO of Coal reported by companies

Penerimaan Negara dan Informasi yang Tidak Direkonsiliasi Sektor Minerba Tahun 2016

State Revenue	Total		
	IDR (in million)	USD (in thousand)	Volume (in thousand tons)
Local Tax and Retribution	845.281	12.666	-
Direct Payment to Local Government	286.819	403	-
CSR :			
1. Utilization of facilities and infrastructures	8.866	338	
2. Community Empowerment	30.155	34.608	
3. Community Service	20.396	196	
4. Education Improvement	19.187	5.350	
5. Infrastructure Development	62.885	12.666	
Total CSR – In Kind	**141.489**	**53.158**	
1. Utilization of facilities and infrastructures	19.921		
2. Community Empowerment	31.997	1.262	
3. Community Service	42.959	40.026	
4. Education Improvement	40.070	69	
5. Infrastructure Development	86.404	54	
Total CSR – In Cash	**221.332**	**41.412**	
Infrastructure Provision	-	11.063	
Forest Area Utilization	696.927	175	
Reclamation Guarantee	394.058	58.884	
Post-mining Fund	42.928	25.404	
Volume of Production			360.626,01
Volume of Domestic Sales	36.592.405	3.284.363	105.181,36
Volume of Foreign Sales	8.070.655	22.180.937	256.495,54
Volume of Sales by the Load Place	42.892.575	14.351.177	290.846,10
Volume of Sales by the Province	43.320.065	15.959.668	300.059,61
DMO of Coal			57.348,87
Other Payment to BUMN	3.053.890	13.633	
Total	**136.558.443**	**55.992.942**	

Source: Data of EITI for the period of 2016

Infrastructure Provision and Barter Arrangement

In the oil and gas sector as well as in the mineral and coal sector, in general, there is no requirement for the provision of infrastructure by the government with respect to cooperation contracts or mining licenses. However, based on the production sharing system in the oil and gas sector, all assets purchased and imported by KKKS in Indonesia used in operational activities are belong to the state, including the infrastructure used in the operational process.

In general, Indonesian extractive sector does not recognize barter arrangement concept.

Corporate and Social Responsibility (CSR)

The presence of a company should also benefit local communities. With that in mind, the government has issued several regulations to ensure the performance of corporate responsibilities. Companies demonstrate their commitment to community and the environment through community empowerment programs.

In reporting CSR programs, this report refers to program classification in the 2014 Accountabiity Report of Govennment Agency Performance from the Ministry of Energy and Mineral Resources:

1. Utilization of Company Facilities and Infrastructure for the Benefit of the Community.
2. Community Empowerment in the form of Increasing the Economy of Residents of Surrounding Areas
3. Community Service (Natural Disaster Assistance and Donations / Charity / Philanthropy)
4. Education Improvement for Residents of Surrounding Areas (Providing Scholarships for outstanding school students, Providing educational facilities and infrastructure assistance)
5. Infrastructure Development in the Form of Facilities (such as Worship Facilities, Public Facilities, Health Facilities, etc.)

Total payments made by extractive companies included in the coverage of this report in 2016 amounted to Rp286,431 million and US$92,661 thousand from mineral and coal companies and Rp10,320 million and US$17,552 thousand from oil and gas companies.

ASR, Reclamation Guarantee dan Post-Mining Fund

Based on the recommendation contained in the Scoping Study of the 2016 EITI Indonesia Report, information on the Reclamation Guarantee and Post-Mining Fund shall be included in the 2016 EITI Report and included in the 2016 EITI Indonesia reporting form. The Reclamation Guarantee and Post-Mining Fund are reported on side of the company only.

In the oil and gas sector, the total Abandonment and Site Restoration (ASR) funds that have been deposited in 2016 amounts to US $ 117,759 thousand.

Total reclamation guarantee and post-mining fund payments by mineral and coal companies included in the coverage of this report in 2016 is amounting to Rp368,534 million and US$58,275 thousand for reclamation guarantee and amounting to Rp42,928 million and US$25,253 thousand for post-mining fund.

Transportation

PT Pertamina (Persero) received transportation fees (toll fee) from KKKS, PT Perusahaan Gas Negara (Persero) / PGN and other companies for the transportation of oil and gas through pipe network owned by PT Pertamina (Persero). In 2016, the total toll fee obtained is US$112,401 thousand, of which the amount does not reach 1% of the total state revenue from oil and gas sector. Hence, no reconciliation is required.

Meanwhile, PT Perusahaan Gas Negara (PGN) revenues from transportation services (toll fee) obtained from transporting gas through pipes owned by PGN in 2016 amounted to US$7.87 thousand.

In the mineral and coal sector, based on data collected, the cost of coal transportation that PT Bukit Asam (Persero) Tbk paid to PT Kereta Api Indonesia (Persero) in total was over 1% of the total state revenues in the mining sector. As this constituted significant revenues, this report reconciled the amount. The total amount paid by PT Bukit Asam (Persero) Tbk to PT Kereta Api Indonesia (Persero) in 2016 is amounting to Rp1.9 trillion and US$67.4 million.

State-Owned Enterprise (BUMN) in the Extractive Industry

There are 5 extractive BUMNs in Indonesia, namely PT Pertamina (Persero), PT Perusahaan Gas Negara (PGN), PT Aneka Tambang (Persero) Tbk., PT Bukit Asam (Persero) Tbk. and PT Timah (Persero) Tbk.

PT Pertamina (Persero) is the only BUMN in the oil and gas sector and is the largest lifting of oil and gas contributor in the country (see Figure 2).

PT Perusahaan Negara (PGN) is a BUMN that operates gas distribution, gas pipelines, and transmission networks.

With the issuance of Government Regulation No. 6/2018, the Government established BUMN Holding in the oil and gas sector and appointed Pertamina as a holding company owned by the Government engaged in oil and gas. The establishment of the oil and gas BUMN holding is a combination of Pertamina and PGN's business activities.

Direct Payment to the Local Government

Direct payments from companies to local governments are based on local regulations (Perda) and based on commitments between companies and local governments.

In the oil and gas sector, the PDRD is based on the concept of assume and discharge in the Cooperation Contract (PSC). For this reason there are two ways of PDRD payment made by the Companies (PSC Operators), namely:

1. Paid by the central government (Directorate General of Budget) to local government based on the concept of assume and discharge. PDRD in this case is a deduction factor in the calculation of Oil and Gas PNBP
2. PDRD paid by oil and gas companies can be calculated as a component of cost recovery

Total PDRD paid by:

- Central Government (Directorate General of Budget) to the Local Government (assume and discharge) is Rp 48,540 million
- Oil and gas companies (operators) directly to the local government is Rp 3,464 million.

In the mineral and coal sector, direct payments to local governments based on formal agreements paid by the companies during 2016 amounted to Rp286,819 million and US $ 403 thousand. A list of companies that make direct payments to the local governments can be seen in Table 16.

Entities within Scope of Reconciliations

This report identified extractive companies based on the share of contribution of each company to total state revenues from extractive industry.

In the oil and gas sector, the coverage rate of the reporting companies is 100%, whereby all KKKS operators and KKKS partners who have entered the exploitation and producing stage are the reporting companies. In accordance with the Scoping Study of 2016 EITI Indonesia Report the number of oil and gas companies reporting in 2016 is 177 companies from 63 oil and gas working areas, consisting of 71 KKKS Operator and 106 KKKS Partners.

In the mineral and coal sector, in accordance with the Scoping Study of 2016 EITI Indonesia Report, mineral and coal companies participating in the 2016 EITI Indonesia Report are contributing to the PHT, royalty and landrent more than Rp 16 billion. Using this materiality limit, the total amount of EITI reporting companies in 2016 is 112 companies consisting of 21 mineral companies and 91 coal companies. These reporting companies contributed 94% of the total mining non-tax revenue, comprising royalty revenue amounts to 56.54%, PHT revenue amounts to 41.97% and landrent revenue amounts to 1.49%.

Government entitites covered in the reconciliation report are DG of Taxes, DG of Budget, DG of Oil and Gas, DG of Mineral and Coal and SKK Migas. State revenue components presented unilaterally (not included in the reconciliation process) are from DG of Fiscal Balance, Riau Provincial Government, Kalimantan Timur Provincial Government, Jawa Timur Provincial Government. Sumatera Selatan Provincial Government and Kalimantan Selatan Provincial Government. BUMNs covered in 2016 EITI report are PT Pertamina (Persero), PT Perusahaan Gas Negara Tbk (PGN) and PT Kereta Api Indonesia.

Non-complying Companies

In the oil and gas sector, out of 177 oil and gas companies expected to report, there are 22 companies do not report consisting of 1 KKKS operators and 21 KKKS partners. Based on reports from SKK Migas and DG of Budget, the total Government Lifting and Over / (Under) Lifting of Oil and Gas from non-complying companies is 0.50% of total Government Lifting and Over / (Under) Lifting of Oil and Gas in 2016.

List of Non-complying oil and gas companies

(in thousand USD)

No.	Name of Company	Working Area	SKK Migas				
			Government Lifting Oil	*Government Lifting Gas*	*Over/(Under) Lifting Oil*	*Over/(Under) Lifting Gas*	Total
	KKKS						
1	EMP (Bentu) LTD.	Bentu Segat, Ons. RIAU	-	34.361	-	860	35.322
	Partner						
1	LION International Investment Ltd.	Seram Non Bula	The value of Government lifting and Over/(Under) Lifting is in KKKS Operator				
2	KUFPEC Regional Venture (Indonesia) Ltd	*South East* Sumatera					
3	Chevron South Natuna B Inc	*South* Natuna B					
4	OOGC Malacca	Malacca Strait					
5	PT Imbang Tata Alam	Malacca Strait					
6	Malacca Petroleum Ltd	Malacca Strait					
7	PT Prakarsa Brantas	Brantas					
8	PT Minarak Brantas Gas	Brantas					
9	PT. Pertamina EP Cepu	Cepu					
10	Fuel-X Tungkal Ltd.	Tungkal					
11	EMP ONWJ Ltd.	*Northwest Java Sea*					
12	KUFPEC Indonesia ONWJ BV	*Northwest Java Sea*					
13	PC Ketapang II Ltd.	Ketapang					
14	Kingswood Capital Ltd.	Langgak					
15	Opicoil Houston Inc.	Sanga-Sanga					
16	Virginia International Co. LLC	Sanga-Sanga					
17	Universe Gas & Oil Company Inc.	Sanga-Sanga					
18	Eastwin Global Investment Limited	Lemang					
19	BUT AWE (Satria) NZ LTD	Bulu					
20	PT Satria Energindo	Bulu					
21	PT Satria Wijaya Kusuma	Bulu					
	Total		-	34.361	-	860	35.322
	Total PNBP of Migas		4.741.974	2.161.876	134.904	69.398	7.108.152
	PERCENTAGE		0,00%	1,59%	0,00%	1,24%	0,50%

Source: Data of EITI for the period of 2016

In the mineral and coal sector, out of 112 companies that are expected to report, there are 32 companies do not report. Hence, no information on how much royalty, PHT, landrent, Corporate Income Tax and PBB paid to the State Treasury can be obtained.

Using PNBP data obtained from DG of Mineral and Coal, the amount of non-tax revenues of 30 companies that do not report because of late submission amounted to Rp1,472,738 million or 5.06% of the total reconciled non-tax revenues. While the amount of PNBP from 2 companies that do not produce is amounting to Rp170,931 million or 0.66% of the total amount of reconciled PNBP.

Revenue Sharing Fund (DBH)

The calculation for the allocation of DBH-SDA follows the scheme set forth in the Government Regulation No. 55/2005. DBH-SDA is calculated from PNBP-SDA received by the central government and reported in the LKPP, then shared to local governments with a certain percentage rate based on the producing region to fund the needs of the region in the context of decentralization implementation.

Throughout 2016, the realization of the allocation of DBH-SDA of Oil and Gas and General Mining from the Central Government to Local Government amounted to Rp21.66 trillion (2016 EITI Report and DG of Fiscal Balance).

EITI INDONESIA REPORT
EXECUTIVE SUMMARY

EITI Indonesia Secretariat

Kementerian Koordinator Bidang Perekonomian, lt.4
Jl. Medan Merdeka Barat No.7, Jakarta 10110 - Indonesia
Telp: +62 21 3483 2642
Fax: +62 21 3483 2658
Email: sekretariat@eiti.ekon.go.id

EITI Extractive Industries Transparency Initiative INDONESIA