



2 CONTEXTUAL REPORT

EITI INDONESIA REPORT
2016

EITI Extractive
Industries
Transparency
Initiative
INDONESIA



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

**EITI INDONESIA REPORT 2016
CONTEXTUAL REPORT**

VOLUME TWO

The image features a background of several oil pumpjacks silhouetted against a sunset sky. A large, semi-transparent green geometric shape, resembling a stylized 'E' or a series of overlapping triangles, is positioned on the left side of the frame. The text 'EITI INDONESIA REPORT 2016' is overlaid on the upper right portion of the image.

EITI
INDONESIA
REPORT 2016

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LIST OF ABBREVIATIONS

AMDAL	<i>Analisa Mengenai Dampak Lingkungan</i> Environmental Impact Assessment	CSR	Corporate Social Responsibility
Antam	Aneka Tambang (a mining company)	CV	<i>Commanditaire Vennootschap</i>
APDB	<i>Anggaran Pendapatan dan Belanja Daerah</i> Local Government Revenue and Expenditure Budget	DBH	<i>Dana Bagi Hasil</i> Revenue Sharing Fund
APBN	<i>Anggaran Pendapatan dan Belanja Negara</i> State Revenue and Expenditure Budget	DEN	<i>Dewan Energi Nasional</i> National Energy Council
APBN-P	<i>Anggaran Pendapatan dan Belanja Negara Perubahan</i> Revised State Revenue and Expenditure Budget	7	<i>Dana Hasil Produksi Batubara</i> Coal Production Fund
ASM	Artisanal and Small-Scale Mining	DG	Directorate General
ASR	Adandonment and Site Restoration	DGSA	Directorate General of State Assets
ASX	Australian Securities Exchange	DGT	Directorate General of Taxes
Baleg	<i>Badan Legislatif</i> Legislative Body	DIPA	<i>Daftar Isian Pelaksanaan Anggaran</i> Budget Execution Document
BAPPENAS	<i>Badan Perencanaan Pembangunan Nasional</i> National Development Planning Agency	DKI	<i>Daerah Khusus Ibukota</i> Special Capital Territory
BBM	<i>Bahan Bakar Minyak</i> Oil Fuel	DMO	Domestic Market Obligation
BBNKB	<i>Bea Balik Nama Kendaraan Bermotor</i> Tax on Change of Motor Vehicle Ownership	DPD	<i>Dewan Perwakilan Daerah</i> Regional Representative Council
BBTUD	Billion British Thermal Unit perDay	DPR	<i>Dewan Perwakilan Rakyat</i> The House of Representative
BEI	<i>Bursa Efek Indonesia</i> Indonesia Stock Exchange (IDX)	DPRD	<i>Dewan Perwakilan Rakyat Daerah</i> The District House of Representative
BKF	<i>Badan Kebijakan Fiskal</i> Fiscal Policy Agency	DR	<i>Dana Reboisasi</i> Reforestation Fund
BKPM	<i>Badan Koordinasi Penanaman Modal</i> Capital Investment Coordinating Board	EGM	Extraordinary General Meeting
BLUD	<i>Badan Layanan Umum Daerah</i> Regional Public Service Agency	EITI	Extractive Industries Transparency Initiative
BMN	<i>Barang Milik Negara</i> State-Owned Property	EODB	Ease of Doing Business
BO	Beneficial Ownership	EP	Exploration and Production
BP Migas	<i>Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi</i> Implementing Agency for Upstream Oil and Gas Business Activities	ESDM, EMR	<i>Energi dan Sumber Daya Mineral</i> Energy and Mineral Resources
BPH Migas	<i>Badan Pengatur Hilir Minyak dan Gas Bumi</i> Regulatory Agency for Downstream Oil and Gas Business Activities	ETBS	Equity To Be Split
BPK	<i>Badan Pemeriksa Keuangan</i> Supreme Audit Board	FATF	Financial Act Task Force
BPKP	<i>Badan Pengawasan Keuangan dan Pembangunan</i>	FMV	Fair Market Value
BPS	<i>Badan Pusat Statistik</i> National Statistics Agency	FTP	First Tranche Petroleum
BPT	Branch Profit Tax	GDP	Gross Domestic Product
BU	<i>Badan Usaha</i> Business Entity	GMS	General Meeting of Shareholders
BUMD	<i>Badan Usaha Milik Daerah</i>	GNP-SDA	<i>Gerakan Nasional Penyelamatan Sumber Daya Alam</i> National Movement to Save Natural Resources
BUMN	<i>Badan Usaha Milik Negara</i>	GPF	Government Pension Fund Global
BUMN-K	<i>Badan Usaha Milik Negara-Khusus</i>	GRDP	Gross Regional Domestic Product
BUT	<i>Bentuk Usaha Tetap</i>	G&A	General and Administrative Expense
CAD	Canadian Dollar	G-20	Group of Twenty
CALK	<i>Catatan atas Laporan Keuangan</i> Notes to Financial Statements	Ha	Hectare
CBM	Coal Bed Methane	HBA	<i>Harga Batubara Acuan</i> Indonesia's Benchmark Coal Price
CFO	Chief Financial Officer	HIP	<i>Harga Indeks Pasar</i> Market Index Price
CGA	Chemical Grade Alumina	HO	Hinder Ordonantie
CnC	Clean and Clear	H₂S	Hydrogen Sulfide
COO	Chief Operating Officer	IBRD	International Bank for Reconstruction and Development
CO₂	Carbon Dioxide	ICP	Indonesian Crude Price
CR	Cost Recovery	IMB	<i>Izin Mendirikan Bangunan</i> Permit Building License
CSPA	Conditional Sales Purchase Agreement	IMF	International Monetary Fund
		IMTA	<i>Izin Mempergunakan Tenaga Asing</i> Foreign Manpower Employment Permit
		IPO	Initial Public Offering
		IPP	<i>Izin Pinjam Pakai</i> Borrow-to-Use License
		IPPKH	<i>Izin Pinjam Pakai Kawasan Hutan</i> Borrow-to-Use Forestry Permit
		IPR	<i>Izin Pertambangan Rakyat</i> People's Mining Business License

IP/PPI	Indonesia Participating/Pertamina Participating Interest
ISIC	International Standard Industrial Classification
IUJP	<i>Izin Usaha Jasa Pertambangan</i> Mining Services Business License
IUP	<i>Izin Usaha Pertambangan</i> Mining Business License
IUPK	<i>Izin Usaha Pertambangan Khusus</i> Special Mining Business License
Jamali	<i>Jawa Madura Bali</i>
JBKP	<i>Jenis BBM Khusus Penugasan</i> Special Fuel Type for Assignment
JBT	<i>Jenis BBM Tertentu</i> Certain Type of Fuel
JICA	Japan International Cooperation Agency
JOB	Joint Operation Body
Kab.	<i>Kabupaten</i> Regency
KAP	<i>Kantor Akuntan Publik</i> Public Accounting Firm
KB	<i>Kurang Bayar</i> Underpay
Kemenkumham	Kementerian Hukum dan Hak Asasi Manusia Ministry of Law and Human Rights
Kepmen	<i>Keputusan Menteri</i> The Decision of the Minister
Kg	Kilogram
KI	<i>Kredit Investasi</i> Investment Credit
KIP	<i>Komite Informasi Pusat</i> Central Information Commission
KK	<i>Kontrak Karya</i> Contract of Work
KKKS, K3S	<i>Kontraktor Kontrak Kerja Sama</i> Cooperation Contract Contractor
KKS	<i>Kontrak Kerja Sama</i> Cooperation Contract
Korsup	<i>Koordinasi dan Supervisi</i> Coordination and Supervision
KP	<i>Kuasa Pertambangan</i> Mining Authorization
KPJM	<i>Kerangka Pengeluaran Jangka Menengah</i> Medium Term Expenditure Framework
KPK	<i>Komisi Pemberantasan Korupsi</i> Corruption Eradication Commission
KSO	<i>Kerja Sama Operasi</i> Operation Cooperation
KSO	<i>Kerja Sama Operasi</i>
KSP	<i>Kerja Sama Pemanfaatan</i> Utilization Cooperation
K/L	<i>Kementerian/Lembaga</i> Ministry/Institution
LAK	<i>Laporan Arus Kas</i> Cash Flow Report
LAKIP	<i>Laporan Akuntabilitas Kinerja Instansi Pemerintah</i> Performance Accountability Report of Government Institution
LB	<i>Lebih Bayar</i> Overpay
LKPP	<i>Laporan Keuangan Pemerintah Pusat</i> Central Government Financial Statements
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
LRA	<i>Laporan Realisasi Anggaran</i> Budget Realization Report

LSPOP	<i>Lampiran Surat Pemberitahuan Objek Pajak</i> Attachment of Tax Object Notification Letter
MA	<i>Mahkamah Agung</i> Supreme Court
MBOPD	Thousand Barrels of Oil Per Day
MDM	<i>Migas</i> Data Management Oil & Gas Data Management
Migas	<i>Minyak dan Gas Bumi</i> Oil and Gas
Minerba	<i>Mineral dan Batubara</i> Mineral and Coal
MMBTU	Million British Thermal Units
MMSCFD	Million Standard Cubic Feet Per Day
MMSTB	Million Stock Tank Barrels
MNK	<i>Migas Non-Konvensional</i> Non-Conventional Oil and Gas
MoEMR	The Ministry of Energy and Mineral Resources
MoF	The Ministry of Forestry
MoHA	The Ministry of Home Affairs
MSCF	Thousand Standard Cubic Feet
MTEF	Medium-term Expenditure Framework
M&P	Maurel & Prom (an oil and gas company)
NPI	Nickel Pig Iron, a low grade ferronickel
NPWP	<i>Nomor Pokok Wajib Pajak</i> Taxpayer Identification Number
OP	<i>Operasi Produksi</i> Production Operation
OSS	Online Single Submission
PBB	<i>Pajak Bumi dan Bangunan</i> Land and Building Tax
PBB	Performance Based Budgeting
PBBKB	<i>Pajak Bahan Bakar Kendaraan Bermotor</i> Motor Vehicle Fuel Tax
PDRD	<i>Pajak Daerah dan Retribusi Daerah</i> Local Tax and Retribution
Pemda	<i>Pemerintah Daerah</i> Local Government
Pemkab	<i>Pemerintah Kabupaten</i> Regency Government
Pemkot	<i>Pemerintah Kota</i> Municipality Government
Pemprov	<i>Pemerintah Provinsi</i> Province Government
Perda	<i>Peraturan Daerah</i> Local (government) Regulation
Permen	<i>Peraturan Menteri</i> The Regulation of the Minister
Permendagri	<i>Peraturan Menteri Dalam Negeri</i> The Regulation of the Minister of Home Affairs
Permenhut	<i>Peraturan Menteri Kehutanan</i> The Regulation of the Minister of Forestry
Perpres	<i>Peraturan Presiden</i> Presidential Regulation
Pertagas	PT Pertamina Gas (a gas company)
PETI	<i>Pertambangan Tanpa Izin</i> Illegal Mining
PGN	<i>Perusahaan Gas Negara</i>
PHT	<i>Penjualan Hasil Tambang</i> Sales Revenue Share
PI	Participating Interest
PKB	<i>Pajak Kendaraan Bermotor</i> Motor Vehicle Tax

PKBL	<i>Program Kemitraan dan Bina Lingkungan</i> Partnership and Community Development Program	RUU	<i>Rancangan Undang-Undang</i> Bill Draft
PKP2B	<i>Perjanjian Karya Pengusahaan Pertambangan Batubara</i> Coal Mining Business Working Agreement	SAP	<i>Standar Akuntansi Pemerintahan</i> Government Accounting Standards
PLN	<i>Perusahaan Listrik Negara</i> (an Indonesian electric company)	SBI	<i>Sertifikat Bank Indonesia</i> Bank Indonesia Certificates
PLTU	<i>Pembangkit Listrik Tenaga Uap</i> Steam Power Plant	SDA	<i>Sumber Daya Alam</i> Natural Resources
PMA	<i>Penanaman Modal Asing</i> Foreign Investment	SE	<i>Surat Edaran</i> Circular Letter
PMDN	<i>Penanaman Modal Dalam Negeri</i> Domestic Investment	SGA	Smelter Grade Alumina
PMK	<i>Peraturan Menteri Keuangan</i> The Regulation of the Minister of Finance	SIMPONI	<i>Sistem Informasi Penerimaan Negara Bukan Pajak Online</i> Online Non-Tax State Revenue Information System
PMN	<i>Penyertaan Modal Negara</i> State Equity Participation	SKK Migas	<i>Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi</i> Special Unit for Upstream Oil and Gas Business Activities
PNBP	<i>Penerimaan Negara Bukan Pajak</i> Non-Tax State Revenue	SKUP	<i>Surat Kemampuan Usaha Penunjang</i> Supporting Business Ability Certificate
POD	Plan of Development	SPOP	<i>Surat Pemberitahuan Objek Pajak</i> Tax Object Notification Letter
POR	Pay Out Ratio	SPBG	<i>Stasiun Pengisian Bahan Bakar Gas</i> Gas Refueling Station
PP	<i>Peraturan Pemerintah</i> Government Regulation	SPT	<i>Surat Pemberitahuan Tahunan</i> Annual Tax Return
PPh	<i>Pajak Penghasilan</i> Income Tax	TAC	Technical Assistance Contract
PPID	<i>Pejabat Pengelola Informasi dan Dokumentasi</i> Information and Documentation Management Officer	TPY	Tons per Year
PP INSW	<i>Pengelola Portal</i> Indonesia National Single Window Administrator of Indonesia National Single Window Portal	TSCF	Triliun Standard Cubic Feet
PPN	<i>Pajak Pertambahan Nilai</i> Value Added Tax	UNDP	United Nations Development Programme
PPN	<i>Perencanaan Pembangunan Nasional</i> National Development Planning	USD, US\$	United States Dollar
PPnBM	<i>Pajak Penjualan atas Barang Mewah</i> Sales Tax for Luxury Goods	WIUP	<i>Wilayah Izin Usaha Pertambangan</i> Mining Business License Area
Prov.	Province	WIUPK	<i>Wilayah Izin Usaha Pertambangan Khusus</i> Special Mining Business License Area
PSC	Production Sharing Contract	WK	<i>Wilayah Kerja</i> Working Area
PSDH	<i>Provisi Sumber Daya Hutan</i> Forest Resource Rent Provision	WP	<i>Wilayah Pertambangan</i> Mining Area
PSO	Public Service Obligation	WPN	<i>Wilayah Pencadangan Negara</i> State Reserve Area
PTFI	PT Freeport Indonesia (a mining company)	WPR	<i>Wilayah Pertambangan Rakyat</i> People's Mining Area
PTK	<i>Pedoman Tata Kerja</i> Work Procedure Guidelines	WUP	<i>Wilayah Usaha Pertambangan</i> Mining Business Area
PTSP	<i>Pelayanan Terpadu Satu Pintu</i> Indonesia's Integrated One Stop Service	WUPK	<i>Wilayah Usaha Pertambangan Khusus</i> Special Mining Business Area
Raperda	<i>Rancangan Peraturan Daerah</i> Local Regulation Draft	3T	<i>Terdepan, Terluar dan Tertinggal</i> Frontier, Outermost and Least Developed (Region)
Renstra	<i>Rencana Strategis</i> Strategic Plan		
RKAB	<i>Rencana Kerja dan Anggaran Belanja</i> Work and Budget Plan		
RKBI	<i>Rencana Kebutuhan Barang Impor</i> Needs Plan for Imported Goods		
Rp, IDR	<i>Rupiah, Indonesian Rupiah</i>		
RPIIT	<i>Ruang Pelayanan Informasi Investasi Terpadu</i> Integrated Investment Information Service Room		
RPJMN	<i>Rencana Pembangunan Jangka Menengah Nasional</i> National Medium-Term Development Plan		
RPJPN	<i>Rencana Pembangunan Jangka Panjang Nasional</i> National Long-Term Development Plan		
RPTKA	<i>Rencana Penggunaan Tenaga Kerja Asing</i> Foreign Manpower Utilization Plan		



EXECUTIVE SUMMARY

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 PPhBM 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 and No. 22 / 2017 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://geoportals.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 (BO)
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.

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 159,4 trillion IDR from the previous year which amounted to 232,4 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: its 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 and special study regarding the comparison between production report and domestic use and export in the minerba mining sector.



01 INTRODUCTION

Extractive Industries Transparency Initiative (EITI) is a global initiative aim to encourage the transparency of revenue and management information of extractive industry. This initiative can drive public debate and encourage shared understanding among stakeholders so that it can strengthen extractive industry governance systems. EITI in each country is assisted by multi-stakeholder partnerships consisting of representatives of relevant government agencies, non-governmental organizations, industry associations, representatives of State-Owned Enterprises (BUMN) and companies. In Indonesia, this partnership is called the Transparency Team.

EITI issued a global standard that requires disclosure of information in the extractive industry value chain until how revenue from this industry can benefit the public. Such information includes revenue received by the government from the company, the process of licenses / contracts awarding, fiscal provisions, cadastral information and others. The EITI Standard also requires an Independent Administrator to issue an annual report that contains the results of reconciliation of material payments from the company and those received by the government and contextual information as required by the EITI Standard.

Indonesia has been a candidate for EITI implementing country since 2010 and in 2013 has published the first EITI report with a scope of year 2009.

Indonesia then received compliant status in 2015. Until now Indonesia has published the EITI Report for the scope of years 2009 to 2015.

On February 23, 2016, the EITI Board approved the new EITI standard (2016 EITI Standard). This standard replaces the 2013 EITI Standard. The 2016 EITI standard extends the requirements for contextual information disclosure and encourages the development of corporate and government reporting systems. This report uses and best meets the 2016 EITI Standard requirements.

KAP Heliantono dan Rekan, affiliated with Parkel Randall International, has been appointed as Independent Administrator on August 28, 2018.

This report uses the definition of extractive industry in accordance with Presidential Regulation (Perpres) Number 26 of 2010 concerning Transparency of National/Local Extractive Industry Revenues. According to this Perpres, the definition of Extractive Industry is any activity that takes natural resources directly from the bowels of the earth in the form of minerals, coal, oil and gas. This definition is the definition of upstream activities in the mining industry.



02

THE GOVERNANCE OF EXTRACTIVE INDUSTRY

The mining industry itself is broadly divided into two types of activities, namely: upstream business activities and downstream activities. Upstream activities are business activities that are based on exploration and exploitation activities. Exploration activities are activities that aim to obtain information about geological conditions to find reserve estimates. Exploitation is a series of activities aimed at producing oil, gas, coal and other minerals, consisting of drilling/mining, construction of transportation facilities, storage, processing for separation and refining activities. While downstream activities are processing activities which consist of purifying, enhancing quality, enhancing added value, then transportation, storage and / or commercial processes. This report focuses on upstream business activities.

This chapter includes a discussion of the governance legal framework that regulates the extractive industry in Indonesia, the duties and functions of government institutions related to extractive industry and extractive industry contracts and licensing. In addition, in the last section of this chapter we also discuss changes and improvements in extractive industry governance that are being carried out at the time of writing this report.

2.1 The Overview of Upstream and Downstream Activities

2.1.1 Oil and Gas Sector

Upstream oil and gas activities include exploration or search for oil reserves and exploitation or drilling and development to produce oil and gas from commercial reserves. While downstream activities include processing, transportation, storage and commercial activities. Figure 1 describes the oil and gas business activities from upstream to downstream.

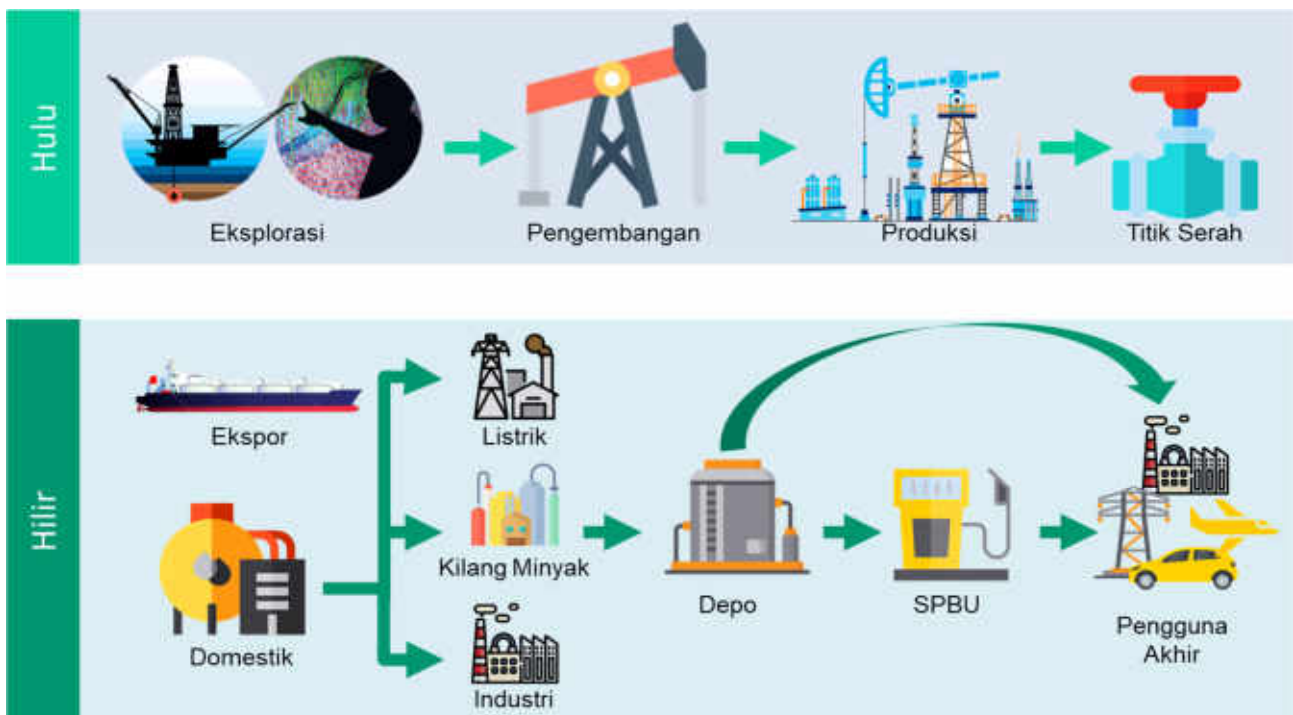
Currently, the management of oil and gas upstream and downstream business activities regulated under Law No. 22/2001, in which the operational implementation is represented by the following institutions based on the activity sector:

- Upstream activities of oil and gas are managed by a special unit for upstream oil and gas (SKK Migas) in accordance with the Presidential Regulation No. 9/2013, whose duties and responsibilities are supervised by the Supervisory Commission in accordance with the Article 3 of the regulation, consisting of:
 - Chairman: Minister of Energy and Mineral Resources
 - Vice Chairman: Vice Minister of Finance in charge of state budget matters
 - Members: 1) Head of Investment Coordinating Board (BKPM); 2) Vice Minister of Energy and Mineral Resources

The Supervisory Commission submit a report to the President at least once within six months (Article 5).

- Downstream activities of oil and gas are managed by regulatory agency for downstream oil and gas (BPH Migas) that is in accordance with the Law No. 22/2001 article 46, supervises the implementation of the supply and distribution of oil fuel (BBM) and transportation of gas through pipelines so that the availability and distribution of fuel determined by the Government can be guaranteed throughout the territory of Indonesia and increase the domestic utilization of gas in the country.
- Ministry of Energy and Mineral Resources cq. The Directorate General of Oil and Gas has a role in setting technical regulations of the oil and gas sector both upstream and downstream businesses.

Figures 1 Upstream and downstream activities in oil and gas sector



Source: various sources

2.1.2 Mineral and Coal Sector

Similar to the oil and gas industry, the mineral and coal industry also has a value chain that is categorized as primary (upstream) and secondary (downstream) industries. Upstream business activities are in the form of exploration activities aim to find and determine the values of resources, reserves, and production operation to find mine excavation materials. While the mineral and coal downstream business is in the form of processing business activities to increase the added value of mining minerals, in which the first added value is to produce raw materials / products which are then used for advanced industries to produce final products.

The final products of mining minerals are in the form of finished goods products while the final products of mining coals are energy sources for industry or for power plants, factories and other industrial activities. Figure 2 illustrates the link of the mineral and coal mining business.

in which everyone has the right to communicate and obtain information and has the right to seek, obtain, possess, store, process and convey information using all types of available channels.

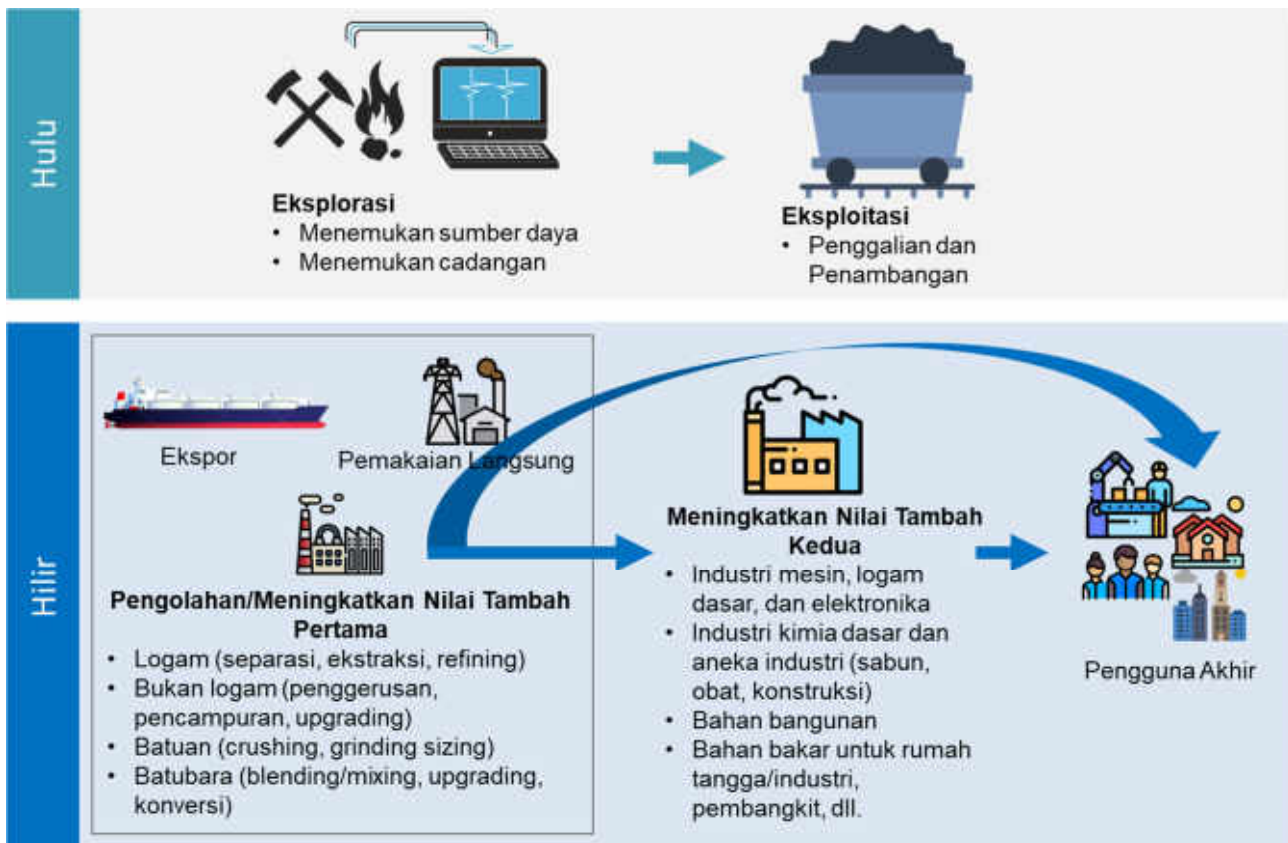
More detailed discussion can be seen in the 2015 EITI Report.

2.3 Legal Hierarchy of Extractive Industry

As stipulated in Law No. 12/2011 concerning the formulation of laws and regulations, the legal hierarchy in Indonesia consists of the 1945 Constitution, Decree of the People's Consultative Council, Law / Government Regulation in Lieu of Law, Government Regulation (PP), Presidential Regulation (Perpres), then Local Government Regulation (Perda). Figure 3 illustrates the legal hierarchy in the extractive industry.

2.3.1 Legal Framework of Oil and Gas (Migas) Mining

Figure 2 Upstream and downstream activities in mineral and coal sector



Source: Modified, Research and Development Agency of ESDM, MoEMR

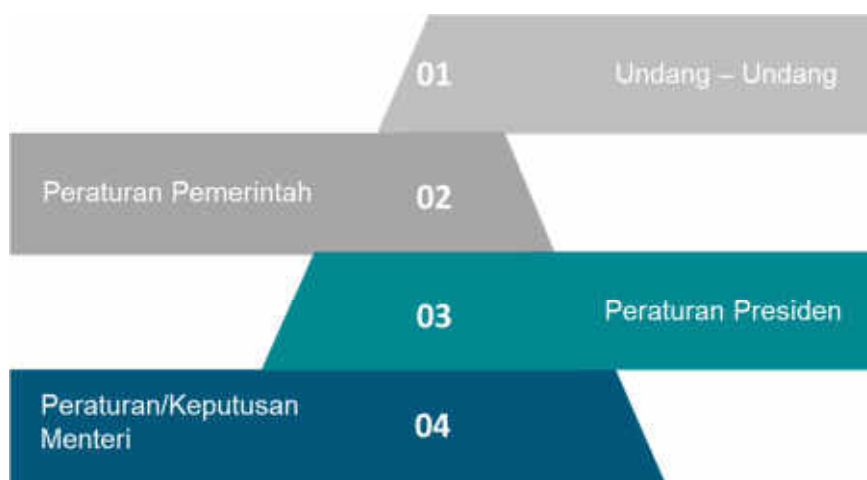
2.2 The Mandate of the 1945 Constitution of the Republic of Indonesia

Article 33 of the 1945 Constitution (UUD) regulates the basic principles of family-based economic activities in Indonesia which prioritize the principles of togetherness, efficiency, justice, continuity and environmental perspective and create an independent nation and advance the national economy. Article 33 is the basis of the legal framework governing several provisions of legislation in extractive industry in Indonesia, namely Law No. 22/2001 concerning Oil and Gas and Law No. 4/2009 concerning Mineral and Coal Mining.

Related to EITI, the amendment to the 1945 Constitution, namely Article 28F also regulates Transparency

Law No.22/2001 concerning Oil and Gas becomes the highest legislation after the constitution in the oil and gas mining sector. In its implementation, Law No. 22/2001, has been supported by a number of regulations / implementation instructions in the form of Government Regulations (PP), Presidential Regulations (Perpres) and Instructions, Minister of Energy and Mineral Resources Regulations and Decrees (Permen of ESDM and Kepmen of ESDM), Minister of Finance Regulations and Decrees as well as Regulations, Decrees, Instructions and Circular Letters issued by Director General of Oil and Gas. The Ministry of Energy and Mineral Resources (MoEMR) has provided regulatory information regarding oil and gas in full and can be downloaded at the link <http://jdih.esdm.go.id/?page=peraturan>.

Figure 3 Legal hierarchy of extractive industry



Source: Law No. 12/2001

Matrix of Discussion Topics and Related Laws and Regulations in the Oil and Gas Sector

The EITI 2016 scope report recommends this report to discuss revisions or regulations that have not been discussed in the 2015 EITI Report. Therefore, we only present a matrix for significant regulatory topics according to the 2015 EITI Report without further discussion which can be seen in Table 1. Then, the discussion will continue for new regulations or revisions.

For significant regulatory topics in accordance with the 2015 EITI Report with more in-depth details, please check the following link <http://eiti.ekon.go.id/preference-keb/Policy-perundangan-sektor-migas/>.

Amendments and New Implementing Regulations in the Oil and Gas Sector

Regulation of the Minister of Energy and Mineral Resources No. 52/2017 concerning The Amendment to the Regulation of the Minister of Energy and Mineral Resources No. 8/2017 regarding Gross Split Production Sharing Contract

Table 1 Matrix of Discussion Topics and Related Laws and Regulations in the Oil and Gas Sector

Topic	Related Laws and Regulations	Description
Control and Operation	Law No. 22/2001 Article 3 to Article 30 PP No. 42/2002 concerning the Implementing Agency for Upstream Oil and Gas Business Activities PP No. 30/2009 concerning the Second Amendment to PP No. 36/2004 concerning Downstream Oil and Gas Business Activities Perpres No. 95/2012 concerning Transfer of Duties and Functions of Upstream Oil and Gas Business Activities Perpres No. 9/2013 concerning the Implementation of Management of Upstream Oil and Gas Business Activities Permen of ESDM No. 48/2017 concerning Business Supervision in the Energy and Mineral Resources Sector Permen of ESDM No. 4/2018 concerning Business of Gas in Downstream Oil and Gas Business Activities	These regulations aim to provide a provision stating that oil and gas are national assets controlled by the state which are operated by the Government as Mining Authorities that form the Implementing Agency. The Government's presence is represented by SKK Migas and BPH Migas. The characteristics of the cooperation contracts are also emphasized in these regulations.

Topic	Related Laws and Regulations	Description
Working Area	Law No. 22/2001 Article 33 PMK No. SE-75/1990 concerning Tax Identification Number (NPWP) and Cost Calculation Guidelines in the context of Taxation of Production Sharing Contracts PP No. 22/2010 concerning Mining Area Permen of ESDM No. 40/2006 concerning Procedures for Determining Working Areas Permen of ESDM No. 35/2008 concerning Procedures for Determining Working Areas of Oil and Gas Permen of ESDM No. 28/2018 concerning the Management of the Oil and Gas Working Areas which the contract of cooperation will end	These regulations aim to establish the provisions of the Indonesian mining area as places for implementing oil and gas business activities and Business Entities or Permanent Establishments that carry out such business activities.
Cost Recovery	Law No. 22/2001 Article 13 PP No. 79/2010; PP No. 27/2017	These regulations aim to establish provisions for the recovery of costs spent by contractors in carrying out exploration and exploitation activities as well as other costs permitted to be recovered.
Income Tax	Law No. 22/2001 Article 31-32 PP No. 79/2010; PP No. 27/2017	These regulations aim to establish an approach in calculating income tax based on the calculation of income and cost of income which follows the provisions in the production sharing contract, which is different from the calculation of the general income tax (uniformity principle).
(DMO)	Law No. 22/2001 Article 8 and 22 PP No. 27/2017 PMK No. 139/PMK.02/2013; PMK No. 230/PMK.02/2015	These regulations aim to stipulate the obligation for contractors to deliver a certain amount of oil and gas to prioritize domestic market obligation throughout the production period in accordance with the provisions of the cooperation contracts, amounting to a maximum of 25% of the lifting part of the contractor. Provisions on pricing and payment arrangements are also stipulated in this regulation.
Determination of gas prices for certain industries	Law No. 22/2001 Articles 28 and 46 Permen of ESDM No. 40/2016	These regulations aim to determine the provisions of gas prices with certain considerations for certain industries, in the event that gas prices are higher than US \$ 6 / MMBTU. Certain gas prices can be set for, among others, the fertilizer, petrochemical and steel industries.
Participation of BUMD	Law No. 22/2001 Article 9 PP No. 35/2004; PP No. 55/2009 Permen of ESDM No. 37/2016	These regulations aim to stipulate the provision of a 10% Participating Interest (PI) to the local government-owned company in which the oil and gas working area is located since the Plan of Development (POD) has been approved by the Minister of Energy and Mineral Resources.
Cooperation Contract - Scheme of Cost Recovery	Law No. 22/2001 Articles 1 and 6 PP No. 79/2010; PP No. 27/2017	These regulations aim to determine the provisions of cooperation contract form in upstream business activities based on the principle of production sharing contract (PSC) in which the contractor will bear the risks and costs of upstream oil and gas business activities. The contractor regains operating costs in accordance with the work and budget plan that has been approved by SKK Migas, after the working area has produced commercial production.
Cooperation Contract - Scheme of Gross Split (non-Cost Recovery)	Law No. 22/2001 Articles 1 and 6 Permen of ESDM No. 8/2017; Permen of ESDM No. 52/2017	These regulations aim to establish provisions of production sharing between the government and contractors by providing incentives for contractors to be free in determining the costs incurred under the gross split scheme based on the calculation of gross production without a cost recovery mechanism. Base split for the government and the contractor is 57:43 for oil and 52:48 for gas.

Source: various sources

The purpose of this regulation is to improve the efficiency and effectiveness of oil and gas production sharing contract by providing incentives for exploration and exploitation activities because contractors are free to determine their own costs so that contractors can focus on cost efficiency and reduce the bureaucratic flow of the cost approval process which has been issued. The basic difference between gross split and PSC is related to the base split in which 57% for the government and 43% for the contractor in oil sector. While, in gas sector, the base split is 52% for the government and 48% for the contractor. The implementation of this regulation shows that the gross split concept has already been accepted by investors, especially after there has been an explanation of gross split rules through regulatory amendments issued by the government. Until mid-2018, there are 25 oil and gas Working Areas (WK) using the Gross Split scheme. However, the implementation of this regulation still has problems, namely the unclear tax system that has been implemented for this gross split scheme and the types of operational costs that can be deduction factors for income tax.

Government Regulation No. 53/2017 concerning Tax Treatment in Upstream Oil and Gas Business Activities with Gross Split Production Sharing Contracts

Government Regulation (PP) of the Republic of Indonesia No. 53/2017 concerning Taxation in Upstream Oil and Gas Business Activities with a Gross Split Production Sharing Contract shall come into force when promulgated on December 28, 2017.

Overall, PP of Gross Split Tax contains several important points as stated in Article 9 to Article 12. Article 9 paragraph 2 states "Expenditures which have a useful life of more than 1 (one) year during the Commercial Production period are charged as expenses through depreciation or amortization. Another incentive as stated in Article 26 paragraph 3 is the imposition of joint facility operation cost by the Contractor in the utilization of state property in the upstream Oil and Gas sector is excluded from deduction from income tax and is not subject to additional tax value.

In PP No. 53/2017, the government provides a number of tax incentives to oil and gas contractors, such as tax exemption at the exploration and exploitation stage until the start of production. In addition, the exemption of Value Added Tax (PPN) and PPN of Luxury Goods for the acquisition and utilization of oil and gas operating services. The contractor also obtains the exemption of income tax (PPh) article 22 on the import of oil and gas operating goods and the reduction of Land and Building Tax (PBB) up to 100%. The government also provides tax loss carry forward or compensation for tax losses that is extended from 5 years to 10 years.

Regulation of the Minister of Energy and Mineral Resources No. 29/2017 concerning Licensing in Oil and Gas Business activities

This regulation is stipulated to regulate oil and gas licensing to be more simple, transparent, effective, efficient and accountable. Until 2015, there were a total of 104 licenses for oil and gas business activities, then in 2016 it was cut to 42 licenses and starting in 2017 only 6 licenses remained. This regulation provides facilities for oil and gas actors. According to the Permen, the Ministry of Energy and Mineral Resources only has to deal with six licenses and four non-licenses.

In order to make the upstream oil and gas industry activities more productive, the Ministry of Energy and Mineral Resources synergizes with SKK Migas, the Directorate General of Customs and Excise and the Administrator of Indonesia National Single Window Portal (PP INSW) to develop an information integration system related to the provision of fiscal facilities for imported operation goods needed by Cooperation Contract Contractor (KKKS) for upstream oil and gas business activities. The procedure for import of goods for upstream oil and gas operation has been cut from 42 days to 24 days. Then, another important point is the Government applies the online management of oil and gas licensing. The existence of this system is able to accelerate the process of obtaining licenses which was originally 40 days to only 10 to 15 days. In fact, with an online system, the licensing process can be completed in around 5 days.

According to the Permen, the licensing process must be completed within 10-15 days after the complete requirements received by the Ministry of Energy and Mineral Resources. The time required for submission is 1 day, then the evaluation takes 7 days, and the issuance of license by the Minister of Energy and Mineral Resources takes 2 days. All six licenses can be submitted online. The license applicant does not need to come and meet face to face with officials of the Ministry of Energy and Mineral Resources, nor does it need to use the service of a third party to apply for license. Starting at the end of 2017, the licensing process has been carried out online. However, there are still more than 200 licenses in various agencies that need to be simplified. The license simplification at the Ministry of Energy and Mineral Resources is expected to be followed by other agencies that also deal with licenses in the oil and gas sector.

Regulation of the Minister of Energy and Mineral Resources No. 40 /2017 concerning Delegation of Authority for Granting Licensing in the Field of Oil and Gas Business Activities to the Head of BKPM

Permen No. 40/2017 stipulated by the background that to carry out the delegation of authority to grant licenses in the field of oil and gas activities in the context of integrated one stop service, the Minister of Energy and Mineral Resources needs to delegate the authority to grant oil and gas business licenses to the head of BPKM.

Licensing contained in Article 1 Paragraph 1 is licenses which is the authority of the Minister of Energy and Mineral Resources as stipulated in the laws and regulations concerning licensing in the oil and gas business which includes: 1. License for Survey; 2. License for Utilization of Oil and Gas Data; 3. Oil and Gas Processing Business License; 4. Oil and Gas Storage Business License; 5. Business License for Transporting Oil and Gas; 6. Oil and Gas Commercial Business License.

Regulation of the Minister of Energy and Mineral Resources No. 47/2017 concerning The Amendment to Regulation of the Minister of Energy and Mineral Resources No. 26/2017 regarding The Recovery of Investment Cost Mechanism in Upstream Oil and Gas Business Activities

The stipulation of this regulation was motivated by the consideration to provide legal certainty towards the mechanism of returning investment cost in upstream oil and gas business activities at the end of the Cooperation Contract period. In the event that the Cooperation Contract is not renewed, the new Contractor must settle the return on Investment Cost. The obligation for the completion of returning investment cost is included in the stipulating letter of the management of new working area and new Cooperation Contract. The amount of the Investment Cost returned received by the Contractor from the settlement made by the new Contractor will be calculated as a deduction of operating costs to the existing Cooperation Contractor. The returning of investment cost settled by the new Contractor will be calculated as the operating cost of the new Contractor.

With respect to the Cooperation Contracts that were signed prior to the enactment of this Ministerial Regulation and investment at the end of the Cooperation Contract period based on the approval of SKK Migas which has not been returned, then the provisions in this Ministerial Regulation are applied as stated in the Article 13 of the Regulation.

Regulation of the Minister of Energy and Mineral Resources No.51 /2017 concerning Guidance and Management of BMN in Upstream Oil and Gas Business Activities

This regulation is motivated and aimed at realizing effective, efficient and integrated governance of State Property (BMN) and increasing cost recovery efficiency through optimizing the management of state property in upstream oil and gas business activities. The issuance of the Permen is expected to simplify the bureaucracy and make the cost of renting storage space for goods more efficient. Current condition causes high operating costs due to the cost of renting and transporting goods because the Contractor rent BMN storages that spread in several places without being able to be controlled by the government.

Article 3 of this regulation states that the supervision of BMN used for upstream oil and gas business activities is carried out by the Minister of Energy and Mineral Resources. In carrying out this supervision, the Minister of Energy and Mineral Resources conducts arrangements regarding BMN needs planning, procurement, administration, transfer, utilization, elimination, destruction, security, maintenance, guidance and supervision of BMN.

Permen of ESDM No. 51/2017 has been revoked pursuant to Permen of ESDM No. 6/2018 in order to simplify legislation in the oil and gas sector.

Regulation of the Minister of Energy and Mineral Resources No. 53/2017 concerning The Amendment to Regulation of the Minister of Energy and Mineral Resources No. 17/2017 regarding The Organization and Working Procedure of SKK Migas

This regulation stipulates provisions related to changes to the Permen of ESDM concerning the organization and working procedure of the Special Unit for Upstream Oil and Gas Business Activities (SKK Migas). This regulation was issued for sharpening the nomenclature of the position of the SKK Migas functional group to become the Professional Group listed in the Minister of Energy and Mineral Resources Regulation No. 17/2017 concerning the Organization and Working Procedure of SKK Migas.

The professional group mentioned above is under and responsible to the Deputy and is further regulated by the Head and is effective starting September 13, 2017.

Regulation of the Minister of Energy and Mineral Resources No. 28/2018 concerning Management of the Oil and Gas Working Areas which Cooperation Contracts Will End

In this latest regulation, there is a change in the provision of Article 12 regarding the amount of signature bonus. In the latest regulation, it is stated that the signature bonus is at least US\$ 1 million, and there is no maximum amount or no upper limit, so the potential for state revenue can be greater. Meanwhile, in Article 12 under the old regulation, the signature bonus limit is pegged at least US \$ 1 million and at most US \$ 250 million. Based on Permen of ESDM No. 23/2013 as amended by Permen of ESDM No. 28/2018, it is determined that the management of oil and gas block with contract that expire can be carried out through an extension by an existing contractor, managed by Pertamina, joint management between the contractor and Pertamina and through a tender. The new regulation has been issued on May 7, 2018.

2.3.2 Legal Framework in Mineral and Coal (Minerba) Mining

Law No.4/2009 concerning Mineral and Coal Mining is the highest legislation after the constitution in the mineral and coal sector. In its implementation, Law No. 4/2009, has been supported by a number of regulations / implementation instructions in the form of Government Regulations (PP), Minister of Energy and Mineral Resources Regulations (Permen of ESDM), Minister of Finance Regulations and Regulations issued by the Director General of Mineral and Coal. The Ministry of Energy and Mineral Resources (MoEMR) has provided regulatory information regarding mineral and coal in full and can be downloaded at the link <http://jdih.minerba.esdm.go.id/>.

Matrix of Discussion Topics and Related Laws and Regulations in the Mineral and Coal Sector

The EITI 2016 scope report recommends this report to discuss revisions or regulations that have not been discussed in the 2015 EITI Report. Therefore, we only present a matrix for significant regulatory topics according to the 2015 EITI Report without further discussion which can be seen in Table 2. Then, the discussion will continue for new regulations or revisions.

Table 2 Matrix of Discussion Topics and Related Laws and Regulations in the Mineral and Coal Sector

Topic	Laws and Regulations	Description
Mining Area	Law No. 4/2009 concerning Mineral and Coal Mining, Chapter V Article 9 to Article 33 and Chapter XII Article 87 to Article 89 PP No. 22/2010 concerning Mining Area Permen of ESDM No.11/2018 concerning Procedures for Granting Territory, Licensing, and Reporting on Mineral and Coal Mining Business Activities, as amended by Permen of ESDM No. 22/2018	Mining Areas (WP) are part of the national spatial plan which is the basis for mining activities. The determination of the WP along with aspects in it such as area and boundary of the region provide legal guarantees for mining activities in Indonesia.
Divestment of Shares on IUP / K owned by Foreign Investor	UU No. 4/2009 concerning Mineral and Coal Mining, Chapter XIII Article 112 PP No.23/ 2010 concerning the Implementation of Mineral and Coal Mining Business Activities, Chapter IX Article 97 up to Article 99 and Chapter XIV Article 112D Permen of ESDM No. 9/2017 concerning Procedure for Divesting Minerba Shares, as amended by Permen of ESDM No.43 / 2018	PP No.23 / 2010 as amended several times, the latest by PP No.8 / 2018 requires all foreign IUP / K to divest their shares gradually after 5 years of production, so that in the 10th year, at least 51% shares owned by the Indonesian counterpart. The regulation does not distinguish whether or not IUP/Ks do the refining by themselves and does not distinguish the types of stages of the IUP. Permen of ESDM No.9 / 2017 specifically regulates the procedure for implementing the divestment of shares.
Export Restrictions and Increased Value Added	UU No. 4/2009 concerning Mineral and Coal Mining Chapter XIII Articles 102 and 103 PP No.23/2010 concerning the Implementation of Mineral and Coal Mining Business Activities, Chapter VIII Article 93 up to Article 96 and Chapter XIV Article 112C PP No. 1/2014, the second amendment to PP No. 23/2010 PP No. 1/2017, the fourth amendment to PP 23/2010 Permen of ESDM No.25/2018 concerning the Business of Minerba Mining	These regulations are intended to increase Indonesia's domestic revenue and protect the sustainability of Indonesia's mineral production, in which only high-quality minerals can be exported without going through processing and small-scale mines which are generally aimed at short-term profits are restricted. In Permen of ESDM No.25/2018, the substance related to export restrictions and increase in added value is regulated in Chapter IV Implementation of Activities of IUP-OP and IUPK-OP, Article 16 up to Article 19.
Reclamation and Post-mining	Law No. 4 /2009 concerning Mineral and Coal Mining,Chapter XIII Artical 99 up to Article 101 PP No. 78/ 2010 concerning Reclamation and Post-mining Permen of ESDM No.26/2018 concerning Good Mining Practices and Minerba Mining Supervision	As a substitute regulation for Permen of ESDM No. 07/2014 concerning the Implementation of Reclamation and Post-Mining in Minerba Mining Business Activities, Permen of ESDM No.26 / 2018 Article 22 stipulates that holders of IUP / K -Exploration and Production Operations must submit plans, place guarantees, and carry out reclamation and post-mining in accordance with the stipulation of the Minister or Governor in accordance with the authority. The Minister sets guidelines for implementing reclamation and post-mining.
DMO	Law No. 4/2009 concerning Mineral and Coal Mining, Chapter III Articles 4 and 5 PP No. 23/2010 concerning the Implementation of Mineral and Coal Mining Business Activities, Chapter VII PP No. 8/2018	As a substitute regulation for Permen of ESDM No. 34/2009 concerning Prioritizing Mineral and Coal Needs for Public Interest, Permen No.25/2018 Article 32 stipulates that the Minister controls Minerba sales by determining the amount and type of Minerba to meet domestic needs (domestic market obligation). PP No. 8/2018 regulates the determination of coal selling price in the context of domestic interest that is determined by the Minister of Energy and Mineral Resources.

Topic	Laws and Regulations	Description
Local Government Authority	UU No.4/2009 concerning Mineral and Coal Mining Chapter XVII State and Local Revenue Law No. 23/2014 concerning Local Government Law No. 28/2009 concerning Local Tax and Retribution Permen of ESDM No. 43/2015 concerning Procedures for Evaluating the Issuance of IUP of Mineral and Coal	Local government has the authority to issue an IUP, depending on an area coverage of the mining business and certain criteria. Other than that, the local government can issue local regulations regarding local tax and retribution, for example, taxes on non-metallic minerals and rocks, taxes on heavy equipment usage, taxes on groundwater use, taxes on land and building acquisitions, etc.

Source: various sources

Amendments and New Implementing Regulations in the Mineral and Coal Sector

In 2018, the Government through the MoEMR reorganized regulations in the Minerba sector by simplifying all existing regulations at the level of Ministerial Regulation into only three regulations¹. The three main regulations of the Minerba sector are designed to cover the three main substances related to minerba mining, namely: first, related to substances of area, licensing, and reporting on minerba mining business activities (Permen of ESDM No.11 / 2018), second, related to the substance of business implementation in minerba mining business activities (Permen of ESDM No. 25/2018), and third, related to the substance of supervision on minerba mining business activities (Permen of ESDM No. 26/2018). The three regulations resulting from the simplification are then implemented under the instruction of 11 ministerial decisions which will provide guidelines for specific matters such as guidelines for issuing license, license evaluation guidelines, and so forth. The simplification of regulations in the minerba sector is expected to facilitate investment process and increase investor interest.

Enforcement of Permen of ESDM No. 25/2018 concerning Minerba Mining Business effectively revokes:

- Permen of ESDM No.25/2008 concerning Procedures for Determining the Policy for Limiting the Production of National Mineral Mining
- Permen of ESDM No.23/2009 concerning Prioritizing Supply of Mineral and Coal for Domestic Interests
- Permen of ESDM No.17/2010 concerning Procedures for Determining Benchmark Price for Minerba Sales
- Permen of ESDM No.33/2015 concerning Procedures for Installing WIUP and WIUPK Boundaries of Minerba
- Permen of ESDM No.41/2016 concerning Community Development and Empowerment in Minerba Mining Business Activities
- Permen of ESDM No. 05/2017 concerning Increasing Value Added of Minerals through Domestic Mineral Processing and Refining Activities
- Permen of ESDM No. 06/2017 concerning Procedures and Requirements for Giving Recommendations for the Implementation of Overseas Mineral Sales which are the Results of Processing and Refining Activities

Figure 4 Three main regulations of the Minister of Energy and Mineral Resources regulating minerba mining issued in 2018



Source: Permen of ESDM No. 11, 22, and 25 of 2018

¹ Coffee Morning Discussion of DG of Minerba, MoEMR, 13 March 2018

Accordingly, all aspects related to minerba mining business activities regulated by the above ministerial regulations are currently fully regulated singly by Permen of ESDM No. 25/2018. The implementation of mining business activities, along with the obligations of holders of IUP / K Exploration and Production Operation, which were previously regulated in several separate ministerial regulations are now regulated singly in this Permen. Related to the aspects of mining business activities, other regulations outside this regulation is to regulate the procedures for implementation. Some important aspects contained in this Permen:

- Implementation of IUP / K- Exploration and IUP / K - Production Operation
discussion of increasing mineral value added through domestic mineral processing and refining activities
- Divestment of Shares
- Production and Sales Control
discussion on prioritizing domestic needs (domestic market obligation)
- Benchmark prices of mineral and coal commodities

One of the points of discussion in this Permen is related to the obligation of holder of IUPK - Production Operation resulting from a change of mining concessions from KK to IUP to implement the 51% divestment of shares in 2019. Please note that PT Freeport Indonesia is one of the mining business companies which fall into this category.

Procedures for Granting Territory, Licensing, and Reporting on Minerba Mining Business Activities

Permen of ESDM No.11/2018 concerning Procedures for Granting Territory, Licensing and Reporting on Mineral and Coal Mining Business Activities , as amended by Permen of ESDM No. 22/2018 effectively revokes:

- Permen of ESDM No. 12/2011 concerning Procedures for Determining Mining Business Areas and Minerba Mining Area Information System
- Permen of ESDM No.28/2013 concerning Procedures for the Tender for WIUPK in the Business Activities of Metallic Mineral and Coal Mining
- Permen of ESDM No.15/2017 concerning Procedures for Granting IUPK - Production Operation as Continuation of KK or PKP2B Operations
- Permen of ESDM No. 34/2017 concerning Licensing in the Minerba Mining Sector

Thus, all aspects related to the territory, licensing, and reporting on mining business activities are now fully regulated in this Permen which covers aspects of:

- Preparation and stipulation of WIUP or WIUPK
- WP information system
- Procedures for granting WIUP and WIUPK
- Procedures for granting licenses (IUP/K - exploration and production operations, IUP of special production operations for processing and/or refining, IUP of special production operations for transportation and sales, and IUJP)
- Rights, obligations and restrictions for IUP and IUPK holders
- RKAB and Reporting

Through this regulation, it is expected that aspects of the region, licensing, and reporting specifically related to the authority to grant license and procedure for submitting license can be more organized and can be implemented more regularly.

One of the discussion points related to the changes contained in this Permen is related to investment in the minerba sector. Through this regulation, BUMN and BUMD tend to be encouraged to have a greater role related to the management of the mining area. It is stated in Article 23 paragraphs (1) and (2) that private business entities in the context of foreign investment can only participate in Metallic Mineral WIUP and Coal WIUP tenders with an area greater than 500 hectares. Furthermore, the awarding of Metallic Mineral WIUPK and Coal WIUPK is prioritized to BUMN and / or BUMD. If there are more than 1 BUMN or BUMD that are interested in the WIUPK offered, then the awarding of WIUPK is carried out by tender. WIUPK can only be offered to private business entities if there is no BUMN or BUMD interested in the WIUPK offered and / or if there is no BUMN or BUMD that meet the required requirement.

Good Mining Practices and Minerba Mining Supervision

Enforcement of Permen of ESDM No. 26/2018 concerning the Implementation of Good Mining Practices and Mineral and Coal Mining Supervision effectively revokes:

- Permen of ESDM No. 02/2013 concerning Supervision of the Implementation of Management of Mining Businesses Implemented by the Provincial Government and Regency / City Government
- Permen of ESDM No. 07/2014 concerning the Implementation of Reclamation and Post-Mining in Minerba Mining Business Activities
- Permen of ESDM No. 38/2014 concerning the Implementation of the Minerba Mining Safety Management System

Thus, all aspects related to the implementation of good mining practices as referred to in Article 95 letter a and Article 96 of Law No. 4/2009 concerning Minerba Mining are now fully regulated in this Permen. Furthermore, this regulation is also intended to implement the provisions of Article 35 PP No. 55/2010 concerning Guidance and Supervision of the Implementation of Minerba Mining Business Management. With the enactment of this regulation, all aspects of security, safety, environmental management, post-mining, governance, and utilization of domestic resources and services related to mineba mining and its supervision are fully regulated under the framework of the Good Mining Practices.

By content, this regulation collects all the rules governing the implementation of mining business and its supervision in the context of the Good Mining Practice as a guideline for mining business companies.

Regulation of the Minister of Energy and Mineral Resources No. 25/2018 Article 32 concerning Coal DMO Policy

In order to guarantee the supply of domestic Minerba needs, maintain economic resilience, maintain defense and security stability, and control Minerba prices, the Government through Permen of ESDM No. 25/2018 gives authority to the Minister of Energy and Mineral Resources to control Minerba sales through the determination of the amount and type of Minerba for fulfilling domestic market obligation and the determination of the amount and type of Minerba that can be sold abroad. Determination of the amount and type of Minerba that can be sold is carried out through coordination with relevant government agencies and / or provincial governments.

Through the Kepmen of ESDM No.23 K / 30 / MEM / 2018, the Minister of Energy and Mineral Resources sets a minimum percentage of coal DMO for all PKP2Bs and Production Operation IUPs of 25% of the planned total production in 2018. Companies that do not meet the DMO are subject to sanction in the form of production cut in 2019 amounting to a maximum of 4 times the realization of the DMO in 2018. Furthermore, through the Kepmen of ESDM No.1395 K / 30 / MEM / 2018, the selling price of coal for electricity supply for the public interest is set at US\$ 70 per metric ton (HBA). The US\$ 70 HBA is valid for 2018 and 2019 with a maximum volume of coal sales of 100 million metric tons per year.

Regulation of the Minister of Energy and Mineral Resources No. 9/2017 concerning Procedure for Divesting Minerba Shares, as amended by Regulation of the Minister of Energy and Mineral Resources No.43 / 2018

The most important change in the Permen of ESDM No. 9/2017 compared to its predecessor Regulation (Permen of ESDM No. 27/2013 concerning Procedures and Determination of Divestment Share Prices) is a mechanism used to determine the price of share divested. Previously, in the Permen of ESDM No. 27/2013, the divestment share price is determined based on the replacement cost for the investment of the IUP / K - Production Operation holder (Article 13 paragraph (1) Permen of ESDM No. 27/2013). With the enactment of Permen of ESDM No. 9/2017, the determination of the divestment share price is determined based on fair market value by not taking into account mineral or coal reserves at the time of the share divestment offering (Article 14 paragraph (1) Permen of ESDM No. 9/2017). This change of mechanism shows the Government's paradigm shift regarding the process of divesting shares from compensation into a market transaction.

2.3.3 Other Laws and Regulations Related to Extractive Industry

In addition to the Oil and Gas Mining Law and the Mineral and Coal Mining Law, the management of extractive industry is also regulated by other related laws. The following table is a list of significant laws related to extractive industry:

Table 3 List of laws related to extractive industry

Laws	Description
Law No. 9/2018 concerning Non-Tax State Revenue (PNBP)	<ul style="list-style-type: none"> - This law regulates levies paid by individuals or entities for the acquisition of direct or indirect benefits from resource utilization services, services and other rights obtained by the state which become the state revenues that do not originate from tax revenues and grants (Articles 3, 4 and 5) . - PNBP rates originating from the use of natural resources (renewable and non-renewable) are regulated by Laws, contracts and / or related Government Regulations (Article 7). PNBP rates are determined based on consideration of the value of benefits, levels and quality of natural resources; the impact of rates on society, the business world, natural and environmental conservation and social and cultural aspects; aspects of justice; and government policy. - All of these receipts must be deposited immediately as soon as possible to the State Treasury and managed in the system of the State Revenue and Expenditure Budget (Articles 29 and 20) - PNBP payer who do not make PNBP payment up to maturity date is subject to a fine of 2% per month for a maximum of 24 months (Article 31). - PNBP management agencies can propose the use of PNBP funds they manage to the Minister of Finance (Article 33). The Minister of Finance can ask the examining agency to inspect PNBP management agencies (Article 50).
Law No. 17/2003 concerning State Finances	<ul style="list-style-type: none"> - This law regulates all state rights and obligations that can be valued with money, either in the form of money or in the form of goods that can be used as state property (Article 1 paragraph 1). - All state rights and obligations mentioned above, in the relevant budget year must be included in the state budget (APBN). Meanwhile, local government rights and obligations in the relevant budget year must be included in the local budget (APBD) (Article 3 paragraph 5 and 6). - The Central Government allocates balancing funds to the Local Government based on the central and local balancing funds laws (Article 22 paragraph 1).

Laws	Description
Law No. 01/2004 concerning State Treasury	<ul style="list-style-type: none"> - This law regulates the management and accountability of state finances, including investments and separated assets, which are stipulated in the APBN and APBD (Article 1 paragraph 1). - Regarding the accountability of the APBN and APBD, the Minister of Finance and the Head of the Local Finance Management Work Unit, each have the task of preparing Central and Local Government Financial Statements (Article 55 paragraph 1 and Article 56 paragraph 1).
Law No. 14/2008 concerning Public Information Transparency	<ul style="list-style-type: none"> - This law regulates public information which is information that is produced, stored, managed, sent, and / or received by a public agency and / or the other organizer of public agencies in accordance with this Law and other information relating to public interests (Article 1 paragraph 2) - Every public information, except excluded public information, is open for public and can be accessed by each User of Public Information (Article 2 paragraph 1). - Public information that is excluded is confidential in accordance with the Law, propriety, and public interest based on testing of the consequences that arise when an information is given to the public and after careful consideration that closing Public Information can protect a greater interest than opening it or vice versa (Article 2 paragraph 4).
Law No. 30/2007 concerning Energy Law No. 30/2009 concerning Electricity	<ul style="list-style-type: none"> - Law No. 30/2007 regulates energy, including regulating the National Energy Policy whose design and formulation is the task of the National Energy Council (Articles 11 and 12). - The supply of electricity is controlled by the state, which is carried out by the Government and the Local Government based on the principles of local autonomy (Article 3 paragraph 1).
Law No. 32/2009 concerning Environmental Protection and Management Law No. 41/1999 concerning Forestry	<ul style="list-style-type: none"> - The Environmental Law requires every business and / or activity that has an important impact on the environment, such as businesses and / or exploitation of natural resources, both renewable and non-renewable, to have an AMDAL document (Article 22 paragraph 1 and Article 23 paragraph 1 letter b). - Amdal documents will be assessed by the AMDAL Assessment Commission and the results of the assessment will be the basis for the Minister, Governor or Regent / Mayor to issue environmental permits (Articles 29, 31 and 36 paragraph 2). - The use of forest areas for mining purposes is carried out through the granting of borrow-to-use licenses by the Minister by taking into account the broad boundaries and a certain period of time as well as environmental sustainability (Article 38 paragraph 3). Borrow-to-use licenses that have an important impact and have a broad and strategic value are given by the Minister with the approval of the DPR (Article 38 paragraph 5). - It is prohibited to mine with open mining patterns in protected forest areas (Article 38 paragraph 4). - Holders of mining licenses must carry out reclamation in ex-mining forest areas in accordance with the stages of mining activities (Article 45 paragraph 2).
Law No. 25/2007 concerning Investment Law No. 40/2007 concerning Limited Liability Companies	<ul style="list-style-type: none"> - Every investor is obliged to apply the principles of good corporate governance and implement corporate social responsibility (Article 15 letters a and b). - Law No. 40/2007 regulates limited liability companies, including the obligation to implement Social and Environmental Responsibilities for the Company that runs its business activities in the field of and / or related to natural resources (Article 74).
Law No. 25/2009 concerning Public Services	<ul style="list-style-type: none"> - Services of public goods, including: procurement and distribution of public goods carried out by a business entity whose capital is partly or wholly sourced from state assets and / or separated local government assets; and / or its availability becomes the state mission stipulated in laws and regulations (Article 5 paragraph 3 letters b and c). - One form of public goods services is the implementation of the PSO (public service obligation) of PT. Pertamina (Persero) by distributing subsidized fuel.

Laws	Description
Law No. 23/2014 concerning Local Government	<ul style="list-style-type: none"> - The Local Government implements Concurrent Government Affairs as the basis for the implementation of Local Autonomy, which consists of Mandatory Government Affairs, both Basic Services and non-Basic Services related, and Preferred Government Affairs including: a. marine and fisheries; b. tourism; c. agriculture; d. forestry; e. energy and mineral resources; f. trading; g. industry; and h. transmigration (Article 9 paragraph 4, Article 11 paragraph 1 and 2 and Article 12 paragraph 3) . - Implementation of Government Affairs in the field of forestry, marine affairs, and energy and mineral resources divided between the Central Government and Provincial Government (Article 14 paragraph 1), in which matters relating to the management of oil and gas are the authority of the Central Government (Article 14 paragraph 3) and matters relating to direct use of geothermal energy in the Regency / City Region are the authority of the Regency / City Government (Article 14 paragraph 4). - Producing and Non-Producing Regency / City Regions receive production sharing from the administration of Government Affairs as referred to in paragraph (1) (Article 14 paragraph 5).

Source: various sources

Regulations regarding Contract and License Disclosure

There has been no significant development, until the date of this Report, on compliance with the Requirement 2.4 of 2016 EITI Standard which requires the disclosure of contract content in the extractive industry. Currently, the oil and gas production sharing contract (PSC) and contracts related to minerba mining are not yet opened for public. Disclosure of the provisions in contracts both by the government and companies is still very limited. One of the reasons that the related agencies cannot fully disclose contracts is this information is considered to be excluded public information (in accordance with Articles 17 and 11 of Law No. 14/2008) because it can reveal the information regarding natural wealth owned by the Republic of Indonesia.

For production sharing contract (PSC), disclosure is only limited to the date of the contract, the contract period, the number of firm commitments, and general provisions in the contract. Regarding disclosure of production sharing contract, Decision of KIP No. 356 / IX / KIP-PS-M-A / 2011 stated that a copy of the PSC contract is partially open information. BP Migas then submitted the cancellation of the decision to the District Court of Jakarta Selatan and was granted and strengthened by the Decision of the Supreme Court (MA) which rejected the appeal from KIP. One of the considerations of the Supreme Court is that BP Migas is not a public agency as in the definition of Law No. 14/2008.

The Law No. 14/2008 on Public Information Transparency generally regulates the obligations of the public agency to provide information to the public, unless such information is an excluded information. Excluded public information should be based on a consequential test conducted by the Information and Documentation Management Officer (PPID) at the relevant public agency. Several consequence tests regarding the disclosure of contracts have been carried out by PPID of ESDM such as in Central Java in February 2018 and in Jakarta.

Based on information from PPID of ESDM², the public can make a request for the disclosure of a copy of the contract of the upstream Minerba contractor. This is done based on compliance with the decision of the Central Information Commission (KIP) No. 197 / VI / KIP-PS-M-A / 2011 which decides that KK documents are fully open information³. Likewise with the IUP document, a number of KIP decisions that are strengthened by the decision of the Supreme Court (MA) state that the IUP document is an open document. However, up to the reporting date, these contracts have not been accessible to the public. According to the Directorate General of Mineral and Coal, data on mineral contracts have not been open to the public because of the civil aspects related to the contract.

General provisions in contracts that apply in the oil and gas mining sector and mineral and coal mining sector can be accessed in the 2015 EITI Report.

It is expected that the regulation on disclosure of contract can be applied as a transparency initiative, for example, in each contract negotiation process. Contract disclosure implementation must be started from the stages of planning, tender up to the stage of signing contract. For example, regulatory reform regarding contract disclosures in Peru shows the benefits of transparency in contract disclosures from the negotiation process to the publication of contracts⁴.

Cadastre Information

Requirement 2.3 of 2016 EITI Standard requires EITI implementing countries to provide lists or cadastral information for each license (mining license or contract) related to the company included in the scope of the EITI report, i.e: i. the owner of the license; ii. coordinate point of the mining area; iii. application date, date of award and duration of license / contract; and iv. types of commodities produced (if it is in production stage).

² EITI Indonesia.2017. "Rapat Koordinasi Keterbukaan Kontrak Pertambangan". <http://eiti.ekon.go.id/rapat-koordinasi-keterbukaan-informasi-kontrak-pertambangan/> and interview with PPID of ESDM. Accessed on November 1, 2017

³ One of them was on March 18, 2016, through the Decision of the Supreme Court No. 614 K / TUN / 2015, Chief Judge H. Yulius, SH., MH again won JATAM Kaltim for his demands against the Regent and the Distamben of Kutai Kartanegara (Kukar). This reinforces the decision of the KIP and PTUN which previously ordered the Regent and Distamben of Kukar to submit all the Decision Letter of Mining Business License (IUP) throughout the Kutai Kartanegara Regency and state that the requested information is open data, not confidential.

⁴ Transparansi Kontrak dan Perizinan dalam Industri Ekstraktif, Publish What you Pay Indonesia, February 2018 accessed via: [HTTPS://PWYP-INDONESIA.ORG](https://pwyp-indonesia.org)

Ministry of Energy and Mineral Resources has published a web-based information system or called by ESDM One Map that capable of displaying various thematic map information of the ESDM sector by online (WebGIS). This application can be accessed at <http://geoportal.esdm.go.id> which contains the information in Table 4.

However, this application does not yet contain information on the date of application, date of award and the duration of the license / contract as required by the EITI Standard. The following is a matrix of cadastre information as required by the EITI Standard along with the link of the information:

Table 4 Matrix of cadastre information

Cadastre Information	Link	Note
License owner	<ul style="list-style-type: none"> http://geoportal.esdm.go.id http://portal-ekstraktif.ekon.go.id/license 	Geoportall: Migas: name of operator dan non – operator companies Minerba: name of license owner companies
Area coordinate of the license. If not published, the size and location as well as coordinate can be accessed by the public at the authorized agencies at a reasonable cost.	<ul style="list-style-type: none"> http://geoportal.esdm.go.id 	
Application date, date of award and duration of license	<ul style="list-style-type: none"> https://skkmigas.go.id/publikasi/laporan-tahunan http://portal-ekstraktif.ekon.go.id/license 	<ul style="list-style-type: none"> In the attachment of SKK Migas annual report, there is a map of the oil and gas working area, including information on the date of validity and expiration Information on the validity date and expiration date of the EITI reporting companies' licenses are available
Commodity (if already in production stage)	<ul style="list-style-type: none"> http://geoportal.esdm.go.id http://portal-ekstraktif.ekon.go.id/license 	Extractive portal is only provide information on EITI reporting companies

Source: various sources

Table 5 ESDM One Map information related to extractive industry

Map	Property		
Migas Working Area <ul style="list-style-type: none"> Exploration Exploitation Termination process 	<ul style="list-style-type: none"> Name of working area Type of cooperation contract Status: Exploration / exploitation / termination process Operator Location: offshore/onshore Area (km) 		
Mining Business License Area <ul style="list-style-type: none"> Contract of Work PKP2B IUP of Metallic Mineral IUP of Coal IUP of Non-metallic Mineral IUP of Rocks IPR 	<ul style="list-style-type: none"> Location (province, regency, village) Name of company Type of license Commodities 		
Data on Upstream Oil and Gas <ul style="list-style-type: none"> Well 2D Seismic 3D Seismic 	Well <ul style="list-style-type: none"> Name of well Name of contractor Status 	2D Seismic <ul style="list-style-type: none"> contractor name of area date of study 	3D Seismic <ul style="list-style-type: none"> contractor name of area date of study
Indonesian Forest Area <ul style="list-style-type: none"> Conservation forest Protected forest Production forest Limited production forest Convertible production forest 	<ul style="list-style-type: none"> No of Decision Letter [Minister of Forestry] Date of decision Designation area Forest status (conservation, protection, production, limited production, convertible production) 		

Source: summarized from <http://geoportal.esdm.go.id>

Revision or issuance of new laws and government/presidential regulations

Transparency of Beneficial Owner(BO)

In March 2018, the government issued Presidential Regulation (Perpres) 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. The purpose of this regulation is to combat the practice of money laundering, including the financing of terrorism. This regulation can also be a legal guideline for the government to hunt down money laundering or tax evasion perpetrators. Following are some key rules of Presidential Regulation No. 13/2018:

To implement Presidential Regulation No. 13/2018, Ministry of Energy and Mineral Resources issued Kepmen ESDM No. 1796 K / 30 / MEM / 2018 which stipulates that as a requirement for issuance of licenses, business entities must provide information on the register of shareholders up to the individual of final beneficial owner.

Previously, the Directorate General of Mineral and Coal issued Circular Letter (SE) No. 16.E/30/DJB/2017 concerning Licensing Service Requirements to obtain complete information on the final beneficial owner from licensing applicants in the minerba mining sector and the compliance with tax regulations.

In the SE, the Directorate General of Mineral and Coal requires the obligation to attach the data of the directors and commissioners including the amendments and a list of all final beneficial owners, both legal entities and private individuals. In addition, the company is also required to attach a Taxpayer Identification Number (NPWP) of the company as well as NPWP of shareholders, both legal entities and private individuals, who are domiciled in the jurisdiction of Indonesia. Then, foreign companies are also required to attach Permanent Establishment (BUT) and NPWP. Minerba companies in the licensing process must at least convey the composition of shareholders. The format of the form that must be submitted can be seen on the mineral and coal website link: <https://www.minerba.esdm.go.id/public/38617/format-surat/>.

Following up on regulation relating to benefit owner, the requirements for all licenses held through the Integrated Investment Information Service Room (RPIIT) of the Directorate General of Mineral and Coal have required the inclusion of the beneficial owner at the time of submitting the license application. One example of licensing requirements that require the inclusion of benefits owners can be accessed in the following link <https://www.minerba.esdm.go.id/public/38616/persyarat-an/>.

Discussion of the implementation of benefit owners transparency can be seen in section 2.6.3.

Table 6 Provisions of Perpres No. 13/2018

Topic	Provision
Definition of benefit owner	<ul style="list-style-type: none"> Having capital, both in the form of money / shares / other assets that are worth more than 25% Receiving gains or profits of more than 25% Having more than 25% voting rights Having the authority to appoint, replace or dismiss members of the board of directors and board of commissioners Having the authority or power to influence or control the corporation without having to get authorization from any party Receiving benefits from the corporation Being the actual owner of funds for paid-up capital / share ownership (Articles 4-10)
Corporate Obligations	<ul style="list-style-type: none"> Determining the beneficial owners from various information and documents (Articles 3 and 11) Establishing categories of benefit owners: i) identified; ii) has not been identified; iii) not yet verified (Article 12) Applying the principle of recognizing the beneficial owners and appointing officials and employees to apply the principle and providing information about the beneficial owners (Articles 14-22) Providing correct information about the beneficial owners (Article 18) Providing updated information on beneficial owners every one year (Article 21)
Beneficial owner reporting procedure	<ul style="list-style-type: none"> Information on the beneficial owner is submitted by the founder / management / notary / other party authorized by the competent agency (Article 18) The application of the principle of recognizing the beneficial owner is carried out when: 1) the application for the establishment, registration, approval, approval or licensing of a corporate business; ii) the corporation carries on its business or activity (Article 15)
Information on beneficial owners	<ul style="list-style-type: none"> Full name Identity number, driving license or passport Place and date of birth Citizenship Residential address listed on the identity card Address in country of origin, in the case of foreign nationals NPWP or similar tax identification number Relationship between corporation and beneficial owners

Source: Perpres No. 13/2018

Government Regulation No. 27/2017 concerning Operating Costs that Can Be Recovered and Income Tax Treatment in the Upstream Oil and Gas Business Sector

Government Regulation No. 27/2017 is issued in the context of increasing the discovery of national oil and gas reserves, driving the investment climate, providing legal certainty in upstream oil and gas business activities, as well as providing flexibility in determining production sharing and providing incentives in upstream business activities both fiscal and non-fiscal incentives.

The following are the important points contained in PP No. 27/2017:

1. The Minister of ESDM stipulates the amount and distribution of FTP in order to increase production, support economic growth and guarantee state revenues; The Minister of Energy and Mineral Resources can establish upstream activity incentives to encourage the development of WK; for incentives in the form of DMO Holiday benefits, the Minister of Energy and Mineral Resources awaits the Minister of Finance's approval; The Minister of Finance provides tax incentives and PNBP incentives in order to help the economic of upstream activities.
2. The existence of a dynamic production sharing (sliding scale split) clause in a Cooperation Contract (PSC).
3. Provision of tax incentives during the exploration and exploitation period
 - Exploration period: exemption from import duty, PPN or PPnBM and Article 22 of PPh on import as well as 100% reduction in PBB during the exploration period
 - Exploitation period: exemption from Import Duty, PPN or PPnBM and Article 22 of PPh on import as well as maximum 100% reduction in PBB.
 - The imposition of cost sharing is exempt from PPh and PPN.
 - Expenditures for indirect costs of head office are not the object of PPh and PPN.
4. Operating costs that can be returned in the calculation of production sharing and income tax must meet the requirements, including: a. issued to obtain, collect, and maintain income in accordance with the laws and regulations and are directly related to oil operations in the working area of the contractor concerned in Indonesia; b. use fair prices that are not affected by special relationships. The costs of developing the community and the environment during the exploration and exploitation period include cost recovery costs.
5. The imposition of Income Tax on income of uplift and transfer of Participating Interest is only conducted once and is final (including PPh of Branch Profit Tax)
6. Increase the authority of the Minister of Energy and Mineral Resources to determine the calculation of different depreciation in order to maintain production level
7. The same standards and norms of examination are prepared in the form of inspection guidelines used by SKK Migas, BPKP, and DG of Taxes to audit production sharing and income tax so that there is coordination between Government auditors and limit the period of tax audit to the issuance of the tax assessment letter at a maximum of 12 months after the SPT is received.

Minister of Finance Regulation No.131 / PMK.03 / 2017 concerning Second Amendment to Minister of Finance Regulation No.76 / PMK.03 / 2013 regarding Administration of Land & Building Tax in Mining Sector for Oil and Gas and Geothermal Mining

This Permen aims to provide more convenience and legal certainty to accelerate the implementation of payment for Land and Building Tax in the oil and gas and geothermal mining sectors which are carried out through overbooking or other mechanisms.

In this PMK, an account for saving the state money is stipulated by the Minister of Finance as the State General Treasurer to accommodate all state revenues and pay all state expenditures to the central bank. The Oil and Gas Account is an account in USD to accommodate all revenues and expenses related to upstream oil and gas business activities.

Regarding the tax aspect of oil and gas, the object of the Oil and Gas PBB is the land and / or building within the area used for oil and gas mining business activities. Then, the oil and gas contract in the terminated tax year must submit a written notification to the Tax Service Office. The Directorate General of Taxes coordinates with related ministries / technical agencies for the implementation of socialization, accelerating the return of the Tax Object Notification Letter (SPOP) along with attachments (LSPOP), obtaining SPOP and LSPOP data along with the implementation of clarification, and other tax data acquisition.

PERMENDAGRI No.19/2017 concerning Guidelines for Issuing Hinder Ordonnantie in Local Area

The Minister of Home Affairs Regulation was issued due to the inconsistency between the regulation of the establishment of Hinder Ordonnantie (HO) in the region and the intention of the central government to improve business ease (ease of doing business) in Indonesia. Permendagri No. 19/2017 revokes all previous regulations regarding the stipulation of HO in the Region.

2.4 Fiscal Policy on Oil & Gas and Mineral & Coal

2.4.1 Fiscal Policy on Oil and Gas Sector

Tax and Rate Policies on Oil and Gas Mining Sector

The government's revenue from the oil and gas mining industry is in the form of in-kind and cash that will be explained in the following section.

Table 7 summarizes the income tax, PBB and PPN policies in the oil and gas mining industry

Table 7 Tax policy in oil and gas mining sector

Type of Tax	Description
Income Tax	<p>Scheme of Cost Recovery The income tax rate follows the applicable tax rate at the time of signing the production sharing contract (PP No. 79/2010, PMK No. 70/2015). Table 13 of 2015 EITI Contextual Report detailing tax rates from time to time.</p> <p>Scheme of Gross Split Net income will become object of corporate tax in accordance with general tax rules, which is 25% tax rate, currently.</p>
PBB of Oil and Gas	The land and building tax object of the oil and gas sector is based on the concept of the earth (surface and body of the earth) and / or buildings within the working area or the likes relates to oil and gas mining. The procedure for the imposition of land and building tax of Oil and Gas is regulated in the Regulation of the Directorate General of Taxation No. PER-45 / PJ / 2013 and PMK No. 267/2014 for PSC which is still in Exploration stage.
Dividend Tax	Dividend tax (Branch Profit Tax - BPT) of PPh article 26 is 20%, except for the one that implementing dividend tax relief in accordance with the tax agreement of the two countries (tax treaty). However, PSC after the issuance of PP No. 79/2010 generally includes a clause regarding the reduction of the contractor's portion on before tax production sharing (stabilization clause) in order that the government's share of production after the tax has not diminished.
Indirect taxes, such as PBB, PPN, and Local Tax and Retribution	<p>Scheme of Cost Recovery</p> <ul style="list-style-type: none"> - For the oil and gas cooperation contracts prior to the issuance of PP No. 79/2010, the concept of assume and discharge arranged in Cooperation Contract. In the concept, oil and gas companies are exempted from payment of indirect taxes . - Oil and gas cooperation contracts after the issuance of PP No. 79/2010 are required to pay the indirect taxes but it can be included in cost recovery. - Oil and gas cooperation contracts in the stage of exploration and exploitation are exempted from Import Duty, PPN (for certain goods/services), PPh Article 22 on imported goods and are given reduction in PBB (PP No. 27/2017 Chapter VA Article 26 A – E) <p>Scheme of Gross Split</p> <ul style="list-style-type: none"> - There is no tax imposition from the exploration stage until the beginning of the production period and the imposition of indirect tax during the production period are calculated based on the economy of the field which will be compensated through split adjustment (PP No. 53/2017).
Import Duty and Import Tax	General rates are applied, except for contractors in stages of exploration and exploitation
Other Taxes	Following the rate based on the tax rules in general

Source: various sources

Policy on Non-Tax State Revenue in Oil and Gas Sector

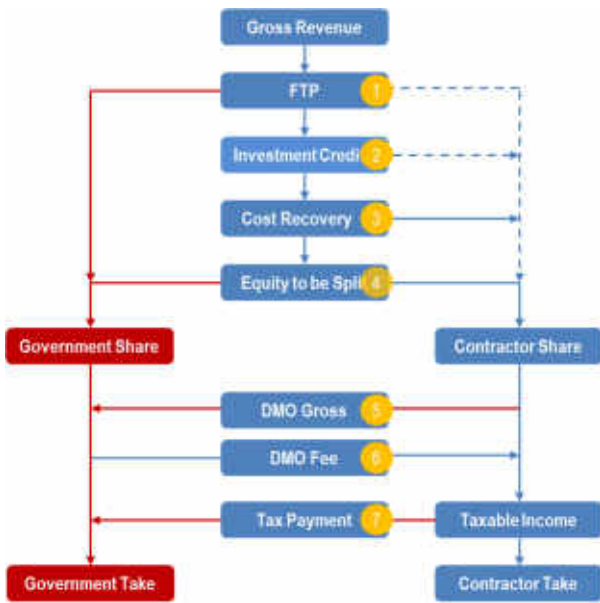
Currently, there are two mechanisms for cooperation contracts in the upstream oil and gas sector, namely production sharing contract with cost recovery schemes and gross split contract (non-cost recovery). Gross split contracts are applied for extension contracts and new cooperation contracts.

Scheme of Cost Recovery

A production sharing contract with cost recovery scheme is a cooperation contract for the distribution of profit between the government and the contractor with operating costs that can be billed to the government. Figure 5 illustrates the cash flow of the state revenue calculation that applies to the production sharing contract with cost recovery scheme.

1. First Tranche Petroleum (FTP) is a partial allowance of lifting. FTP is usually shared between the government and the contractor in accordance with the proportion of production sharing in the Cooperation Contract. However, there are PSCs that have a FTP share only for the government.
2. Investment Credit (KI) is an incentive given by the government as an additional return on capital directly related to oil and gas production facilities.
3. Cost Recovery (CR) is a mechanism of operating cost reimbursement by the government to the contractor.
4. Equity to be Split (ETBS) is the amount of gross lifting that has been reduced by FTP, KI (if any) and CR. ETBS will be shared between the government and the contractor according to the percentage of production sharing proportion stipulated in the contract.

Figure 5 Cash flow in production sharing contract with cost recovery scheme



Sumber:

5. Domestic Market Obligation (DMO) Gross is the obligation to deliver contractor's part in the form of oil and / or natural gas to fulfill domestic needs.
6. DMO Fee is the remuneration paid by the government to the contractor for the delivery of DMO.
7. Income Tax is determined based on the prevailing laws and regulations in the taxation sector at the time the PSC contract is signed.

In-kind government revenues in accordance with the production sharing contract with CR scheme are as follows:

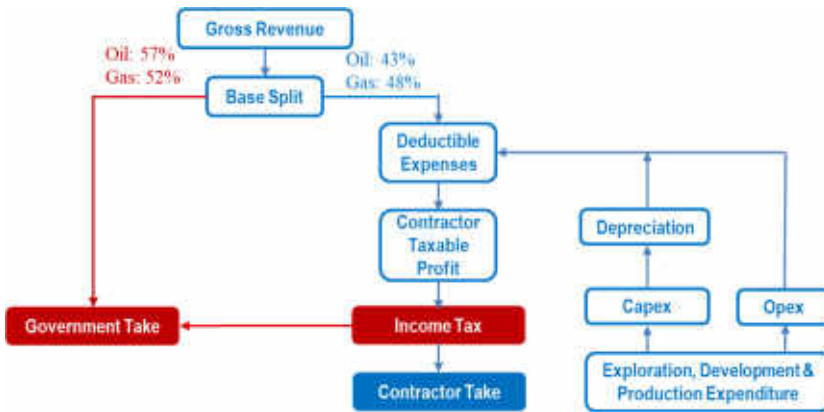
- FTP of the government
- Equity to be Split of the government
- DMO net (DMO gross minus DMO fee paid to the contractor)

Scheme of Gross Split (Non-Cost Recovery)

The transition of the scheme of the cooperation contract between the government and the contractor from the Production Sharing Contract with CR scheme to the Gross Split scheme has begun since the issuance of the Minister of Energy and Mineral Resources Regulation (Permen of ESDM) No. 8/2017. Figure 6 a mechanism for pre-tax government revenues from gross split scheme.\

Table 8 describes the components in the gross split contract as stated in Permen of ESDM No. 8/2017 and their changes as stipulated in Permen of ESDM No. 52/2017.

Figure 6 Cash flow in gross split scheme



Base split can be adjusted by:

Variable components:

1. Status of the field
2. Location of the field
3. Depth of reservoir
4. Availability of supporting infrastructure
5. Type of reservoir
6. CO2 content
7. H2S content
8. Density of oil
9. Domestic component level
10. Production stages

Progressive components:

1. Price of oil
2. Price of gas
3. Cumulative amount of oil and gas production

Table 8 Components of gross split contract

Article	Definition	Permen of ESDM No. 8 /2017	Permen of ESDM No. 52 /2017
Article 5	Base Split	<ul style="list-style-type: none"> • Oil, State's share: 57%; Contractor's share: 43% • Gas, State's share: 52%; Contractor's share: 48% 	No changes
Article 6 Paragraph (2)	Variable Component	<ol style="list-style-type: none"> a. Status of the field b. Location of the field c. Depth of reservoir d. Availability of supporting infrastructure e. Type of reservoir 	No changes

Article	Definition	Permen of ESDM No. 8 /2017	Permen of ESDM No. 52 /2017
		f. CO2 content g. H2S content h. Density of oil i. Domestic component level j. Production stages	
Article 6 Paragraph (4)	Progressive component	a. Price of oil b. Cumulative amount of oil and gas production	a. Price of oil b. Price of gas c. Cumulative amount of oil and gas production
Article 6 Paragraph (4a)	Progressive component		For the cumulative amount of oil and gas production as referred to in paragraph (4) letter c, the Minister can set a production bonus of 0 (zero)
Article 7	Discretion component	The minister's discretion to increase revenue sharing to oil and gas contractors whose working areas are not economical can be given a maximum of 5%. Conversely, if it exceeds a certain economy, the minister can increase the profit share for the country to a maximum of 5%.	An additional percentage of 5% is eliminated

Source: Permen of ESDM No. 8/2017, and Permen of ESDM No. 52/2017

Government revenue in cash in accordance with the production sharing contract scheme, other than tax revenues are as follows:

- *Signature bonus, arranged based on the status of new WK or further managed WK (termination).*
 - New WK, bonus amounts ranging from 1 - 41 million US Dollars refer to Permen of ESDM No. 30/2017. Bonuses are determined based on the value of the signature bonus stated in the notification of tender results issued by the Director General to the tender winner.
 - Further managed WK (termination), in general the amount of bonus ranges from 1-250 million US Dollars, refer to Permen of ESDM No. 23/2018 and Kepmen of ESDM No. 1794 K / 10 / MEM / 2018. The bonus amount is determined by the formula:

25% x (NPV10% Contractor - Investment costs that have not returned - NPV10% Firm Work Commitment)

NPV10% is Net Present Value of cash inflow and cash outflow from upstream oil and gas business activities for a certain period with a 10% discount rate.

- Information service on potential auction of oil and gas working areas (Bid Document) refers to Permen of ESDM No.30/2017
- Production bonus is the amount of money to be paid to the Government if an oil / gas working area reaches a certain production or achieves certain cumulative production in the amount specified in the production sharing contract.
- The financial obligation for the termination of a Cooperation Contract (Termination) that has not fulfilled a firm commitment of exploration

The PNBP is deposited to the State Treasury through an Online Non-Tax State Revenue Information System (SIMPONI). This information system is managed by the Directorate General of Budget which includes PNBP Planning Systems, Billing Systems, and PNBP Reporting systems.

Policies on PNBP and Other Related Taxes

Implementation of utilization of state property in the framework of providing infrastructure – Regulation of the Minister of Finance No. 164 / PMK.06 / 2014

According to this Regulation, Utilization Cooperation (KSP) is the utilization of BMN by other parties within a certain period of time in the context of increasing non-tax state revenues and other financing sources. The Minister of Finance as Property Manager has the authority and responsibility to determine the rental rate formula / amount of state revenue contribution from BMN Utilization that is under the Property Manager in the context of providing infrastructure as well as to approve the application for rental rate formula / amount of state revenue contribution from BMN Utilization that is under User of Property in the context of providing infrastructure submitted by the User of Property. In accordance with Article 10 of this regulation, BMN Utilization Partner in the context of providing infrastructure has the authority and responsibility to pay the contribution of state revenue related to BMN Utilization in the context of providing infrastructure in accordance with the agreement. While, Article 19 of this Regulation stipulates that BMN Rental Revenue in the context of providing infrastructure in the form of rent money which is Non-Tax State Revenue must be deposited into the State General Cash account. Thus, according to Article 24 of this Permen, the KSP of BMN revenue in the context of providing infrastructure consists of state revenue which is Non-Tax State Revenue that must be deposited into the State General Cash account.

Thus, based on this regulation, it provides provisions for rental payment from the new contractor to the government for assets from the management of the old working area used by new contract in which the DGSA of the Ministry of Finance imposes rental fee on BMN assets that provide additional PNBP that adds cost recovery and oil and gas production share of the government which also relates to the decrease in the DBH of oil and gas natural resources to oil and gas producing regions.

Regulation of the Minister of Energy and Mineral Resources No. 30/2017 concerning the procedure for imposing, collecting, and paying / depositing non-tax state revenues that applies to the Directorate General of Oil and Gas of Ministry of Energy and Mineral Resources

Article 2 of this Permen states that the type of PNBP applicable to the Directorate General of Oil and Gas includes:

- Information service on potential auction of oil and gas working areas (Bid Document);
- Signature bonus that is the obligation of the Contractor; and
- The financial obligation for the termination of a Cooperation Contract (Termination) that has not fulfilled a firm commitment of exploration.

The procedures for imposition in accordance with Article 3 are the following:

- The type of PNBP as referred to in Article 2, letter a, is imposed on the utilization of information services on potential auction of the Oil and Gas Working Area.
- The type of PNBP in the form of information services on the potential auction of the Bumi Oil and Gas Work Area as referred to in paragraph (1) shall be imposed on the Business Entity or Permanent Establishment of prospective tender participants for the Oil and Gas Working Area.

While the procedures for collection and rates according to Article 7 are as follows:

- The type of PNBP in the form of information service on the potential auction of the Oil and Gas Working Area as referred to in Article 2, letter a, must be paid by prospective auction participants for the Oil and Gas Working Area before obtaining Bid Document access.
- Rate for the type of PNBP as referred to in paragraph (1) is in accordance with the provisions of laws and regulations concerning the types and rates for the types of PNBP applicable to the Ministry of Energy and Mineral Resources.

2.4.2 Fiscal Policy on Mineral and Coal Sector

Government revenue from the minerba mining industry is entirely received in cash.

Tax Policy on Mining Industry

Table 9 summarizes policies on income tax, PBB and PPN in minerba mining industry

Policy on Non-Tax Revenue in Mineral and Coal Mining Sector

The Government of Indonesia applies several fees and charges that must be paid by the IUP holders and contractors of KK and PKP2B in the form of the following:

Table 9 Tax policy on minerba mining sector

Type of Tax	Description
Corporate Income Tax	IUP The income tax rate is 25% of taxable income Reduction by 5% if the company is listed on the stock exchange KK/ PKP2B The income tax rate follows the prevailing tax rate at the time of signing the contract
PBB	The object of PBB for is the earth and / or buildings within the area used for mineral and coal mining activities. Included in the object of the land and building tax is the earth body in the exploration period. The procedure of imposing land and building tax in mineral and coal mining sector is regulated in the Regulation of the Directorate General of Taxes No. PER-47 / PJ / 2015.
PPN	Mining production is discharged from PPN. Processed material is subject to 10% PPN – the same rate imposed on any other industries.
Other Taxes	Follows applicable tax rate

Source: various sources

Table 10 Type and rate of non-tax state revenue in minerba sector

Type of Mandatory Fee and Charge	Calculation and Rate	Regulation															
Landrent	<p>[Total Area (Hectare) of KP/KK/ PKP2B x Rate (IDR/US\$)] Tarif luran Tetap</p> <table border="1"> <thead> <tr> <th>Type of IUP</th> <th>Unit</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>IUP and IUPK – exploration of metallic mineral and coal</td> <td>Per ha/year</td> <td>US\$ 2,00</td> </tr> <tr> <td>IUP and IUPK – production operation</td> <td>Per ha/year</td> <td>US\$ 4,00</td> </tr> <tr> <td>People's Mining License (IPR) of non-metallic mineral and rocks</td> <td>Per ha/year</td> <td>US\$ 1,00</td> </tr> <tr> <td>People's Mining License (IPR) of metallic mineral and coal</td> <td>Per ha/year</td> <td>US\$ 2,00</td> </tr> </tbody> </table>	Type of IUP	Unit	Rate	IUP and IUPK – exploration of metallic mineral and coal	Per ha/year	US\$ 2,00	IUP and IUPK – production operation	Per ha/year	US\$ 4,00	People's Mining License (IPR) of non-metallic mineral and rocks	Per ha/year	US\$ 1,00	People's Mining License (IPR) of metallic mineral and coal	Per ha/year	US\$ 2,00	PP No.9/2012
Type of IUP	Unit	Rate															
IUP and IUPK – exploration of metallic mineral and coal	Per ha/year	US\$ 2,00															
IUP and IUPK – production operation	Per ha/year	US\$ 4,00															
People's Mining License (IPR) of non-metallic mineral and rocks	Per ha/year	US\$ 1,00															
People's Mining License (IPR) of metallic mineral and coal	Per ha/year	US\$ 2,00															

Type of Mandatory Fee and Charge	Calculation and Rate	Regulation																																																
Exploitation/production fee (royalty)	<p>[Volume of Production Sold x Percentage of Rate (%) x Selling Price (US\$)]</p> <p>Royalty of mineral for KK and IUP</p> <table border="1"> <thead> <tr> <th>Comodities</th> <th>Unit</th> <th>Royalty</th> </tr> </thead> <tbody> <tr> <td>Nickle</td> <td>Per Ton</td> <td>5% of selling price</td> </tr> <tr> <td>Tin</td> <td>Per Ton</td> <td>3% of selling price</td> </tr> <tr> <td>Copper</td> <td>Per Ton</td> <td>4% of selling price</td> </tr> <tr> <td>Bauxite</td> <td>Per Ton</td> <td>3,75% of selling price</td> </tr> <tr> <td>Gold</td> <td>Per Kilogram</td> <td>3,75% of selling price</td> </tr> <tr> <td>Iron ore</td> <td>Concentrate</td> <td>3,75% of selling price</td> </tr> <tr> <td>Silver</td> <td>Per Kilogram</td> <td>3,25% of selling price</td> </tr> </tbody> </table> <p>Royalty of coal for PKP2B and IUP</p> <p>Open cut mining operation</p> <table border="1"> <thead> <tr> <th>Calories</th> <th>Unit</th> <th>Royalty</th> </tr> </thead> <tbody> <tr> <td>≤ 5.100</td> <td>Per Ton</td> <td>3% of selling price</td> </tr> <tr> <td>> 5.100 – 6.100</td> <td>Per Ton</td> <td>5% of selling price</td> </tr> <tr> <td>> 6.100</td> <td>Per Ton</td> <td>7% of selling price</td> </tr> </tbody> </table> <p>Royalty of coal for PKP2B and IUP</p> <p>Underground mining</p> <table border="1"> <thead> <tr> <th>Calories</th> <th>Unit</th> <th>Royalty</th> </tr> </thead> <tbody> <tr> <td>≤ 5.100</td> <td>Per Ton</td> <td>2% of selling price</td> </tr> <tr> <td>> 5.100 – 6.100</td> <td>Per Ton</td> <td>4% of selling price</td> </tr> <tr> <td>> 6.100</td> <td>Per Ton</td> <td>6% of selling price</td> </tr> </tbody> </table>	Comodities	Unit	Royalty	Nickle	Per Ton	5% of selling price	Tin	Per Ton	3% of selling price	Copper	Per Ton	4% of selling price	Bauxite	Per Ton	3,75% of selling price	Gold	Per Kilogram	3,75% of selling price	Iron ore	Concentrate	3,75% of selling price	Silver	Per Kilogram	3,25% of selling price	Calories	Unit	Royalty	≤ 5.100	Per Ton	3% of selling price	> 5.100 – 6.100	Per Ton	5% of selling price	> 6.100	Per Ton	7% of selling price	Calories	Unit	Royalty	≤ 5.100	Per Ton	2% of selling price	> 5.100 – 6.100	Per Ton	4% of selling price	> 6.100	Per Ton	6% of selling price	PP No.9/2012
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Sales revenue share (PHT)	<ul style="list-style-type: none"> • Fee imposed on PKP2B holders • PHT is calculated based on the formula of Coal Production Fund (DHPB) amounting to 13.5% less royalty rate • Royalty rate is between 5%-7%, depending on the calorific value of coal 	PKP2B Contract																																																
Forestry fee	Forest Resource Rent Provision (PSDH), Reforestation Funds (DR) and Stumpage Value Compensation	PP No. 12/2014, Permenhut No. P68/Menhut II/2014																																																
Borrow-to-Use Forestry Permit (IPPKH)	<ul style="list-style-type: none"> • For open mining, the rate is Rp3,500,000 per hectare multiplied by the land area and the multiplier number, depending on the specification per section of mining area, as well as Rp1,750,000 per hectare for the mine buffer area. IPPKH is paid in the first year and after three years of planting during land reclamation. • For closed mining, the rate is Rp4,000,000 per hectare multiplied by the size of the land and the multiplier number, depending on the specification per section of mining area, as well as Rp2,000,000 per hectare for the mine buffer area. IPPKH is paid in the first year and after three years of planting during land reclamation. 	PP No. 33/2014																																																

Source: various sources

The Directorate General of Mineral and Coal carries out the following policies in the framework of governance of the PNBP in mineral and coal sector:

1. Increased collaboration with related institutions (local government, KPK, BPKP, BPK, Ministry of Trade, Ministry of Finance).
 - i. Audit of mineral and coal natural resources PNBP obligations (OPN-BPKP Team and BPK RI)
 - ii. Collaboration on information on mineral and coal export data with the Ministry of Trade, Ministry of Transportation and Directorate General of Customs and Excise of the Ministry of Finance
 - iii. Requesting the local government to carry out its functions, among others, supervises the fulfillment of PNBP payment obligation.

2. Implementation of the procedure for depositing PNBP payment in advance, before shipping. Currently, the payment is deposited 1 month after shipment.
3. Provision of sanctions in the form of termination of shipments and revocation of licenses for companies that still have arrears on PNBP obligations.
4. Implementation of the Minister of Energy and Mineral Resources Decree concerning Procedures for Imposing, Collecting and Depositing the Mineral and Coal Non-tax State Revenue (Kepmen of ESDM No. 1823.K / 30 / MEM / 2018), which regulates the procedures for calculating and reporting PNBP.
5. Increased coordination in order to increase compulsory payment compliance and socialization of the implementation of mineral and coal E-PNBP system.

2.5 Duties and Functions of Relevant Government Agencies in the Extractive Industry

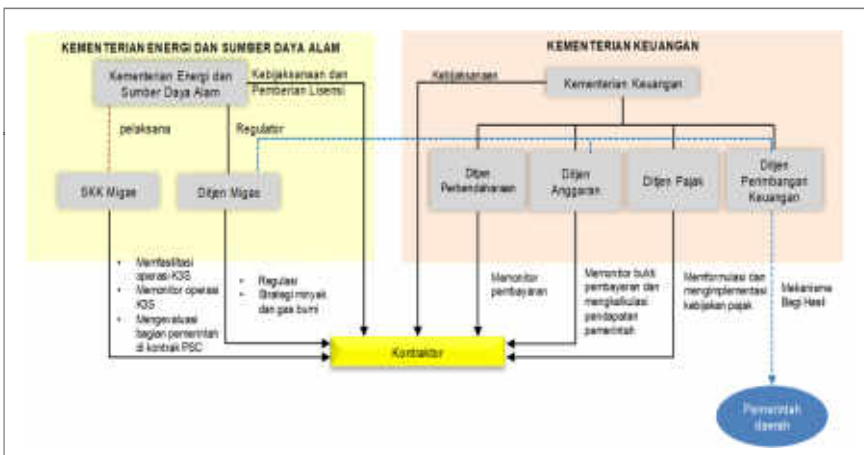
In general, there are two ministries involved in managing state revenue from the extractive industry sector, namely the Ministry of Energy and Mineral Resources (MoEMR) and the Ministry of Finance. The MoEMR has the duties and functions of formulating policy, providing technical guidance, and supervising policy implementation. The Ministry of Finance has the duties and functions of formulating taxation and customs and excise policies, managing state revenue derived from the extractive industry, acting as government representative in terms of investment policy setting and dividend distribution for and from BUMN of extractive industry, and managing the allocation of state revenue of natural resources to the region.

In the oil and gas sector, the upstream activities are also managed by the Special Unit for Upstream Oil and Gas Business Activities (SKK Migas) which functions for giving consideration to the Minister of Energy and Mineral Resources at his discretion in terms of preparing and offering the Working Area, signing the cooperation contract,

monitoring the implementation of cooperation contract, reviewing and providing approval for development plan and work and budget plan. Then, there is local government that coordinates with the Directorate General of Fiscal Balance for the percentage allocation of the revenue sharing with the Central Government. Figure 7 illustrates the relationship between agencies involved in managing state revenue in the oil and gas sector.

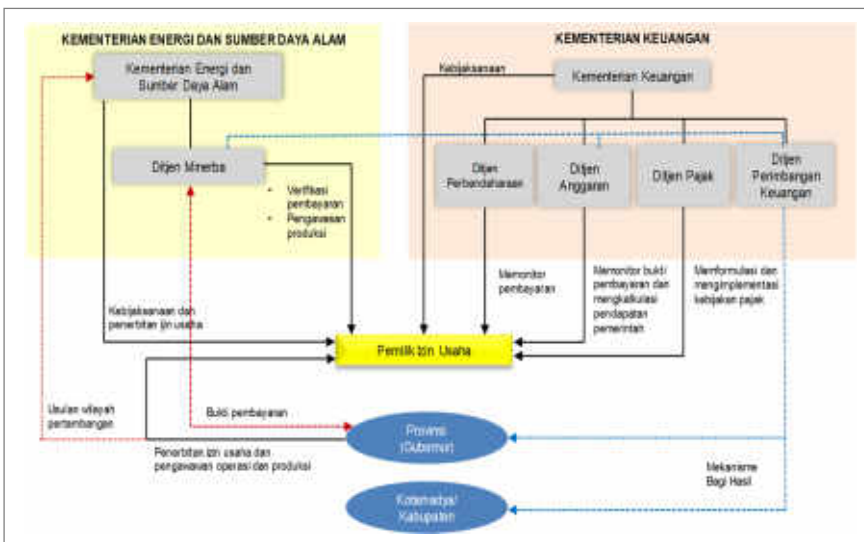
In the mineral and coal sector, provincial government has the authority to establish mining business license area for non-metallic minerals and rocks as well as to issue mining business license in the framework of domestic investment within one province territory and sea territory up to 12 miles. In addition, the Provincial Government is also authorized to issue people's mining license, issue mining business license of special production operation for processing and refining mining commodities that come from the same provincial territory, issue mining service business license and registered certificate and determine the benchmark prices for non-metallic minerals and rocks. The Local Government also coordinates with the Directorate General of Fiscal Balance for the percentage allocation of revenue sharing with the Central Government.

Figure 7 Roles and responsibilities of government agencies in oil and gas mining sector



Source: EITI Sekretariat

Figure 8 Roles and responsibilities of government agencies in mineral and coal mining sector



Source: EITI Sekretariat

Figure 8 illustrates the relationships between agencies involved in managing state revenue in the mineral and coal sector.

The Ministry of Environment and Forestry also has a role in relation to extractive industry activities, namely issuing exploitation license that use forest areas and regulating and controlling the use of the area.

In the downstream oil and gas sector, there is the Regulatory Agency for Downstream Oil and Gas Business Activities (BPH Migas) which was established to ensure sufficient domestic oil and gas supply and ensure safe operations for refineries, storage, transportation and distribution of oil and gas products. BPH Migas is also responsible for overseeing the distribution and transportation of oil and gas fuel through a pipeline operated by the company (Business Entity).

The detailed tasks of each of the above agencies and their legal basis can be seen at the 2015 EITI Report.

2.6 Improving Governance Related to Extractive Industry

2.6.1 Delegation of Indonesia's Integrated One Stop Service (PTSP)

Indonesia's Integrated One Stop Service (PTSP) was formed to facilitate the licensing process in establishing a business. PTSP aims to improve the service for the community and shorten the service process in order to realize fast, easy, cheap, transparent, certain, and affordable services. Based on BKPM Head Regulation No. 14/2015 and article 4 of Presidential Regulation No. 97/2014 concerning the delegation of authority from 23 Ministries / Institutions, the services provided by BKPM include all licensing and non-licensing services that become the authority of the Government and Local Government.

In response to the issuance of Presidential Regulation No. 97/2014, the MoEMR issued Permen of ESDM No. 25/2015 concerning the delegation of authority to grant investment licenses to the Head of BKPM.

Although there are several mining authorities at the provincial level, the provincial government continues to coordinate with the central government, one example of which is related to the auction of the Mining Business License Area in the province.

Several intensive regulations and deregulations are carried out by the Government of Indonesia in the period of 2015-2017, including the simplification of policies in oil and gas mining and mineral and coal mining sectors. These efforts, at least, have contributed to the upgrade of Indonesia's EODB (Ease of Doing Business) rank, in which Indonesia was ranked 106th in 2015, rising to 91st in 2016, up again in 2017 to 72nd and falling slightly to 73rd in 2018.

Licensing in the Minerba sector

In the mineral and coal sector, the Ministry of Energy and Mineral Resources has issued the Regulation of the Minister of Energy and Mineral Resources No.11 / 2018 to rearrange the procedures for granting territories, licensing and reporting on minerba mining operations. In implementing this regulation, Minister of Energy and Mineral Resources Decree No. 1796 K / 30 / MEM / 2018 concerning Guidelines for the Implementation of Request, Evaluation, and Issuance of Licenses in the Minerba Sector has been issued.

The form of business licensing in the minerba sector as shown in Table 12.

Table 11 Simplification of licensing in minerba sector

No.	License	Process Stages	Time	Description
1	IUP/K - Exploration	<ol style="list-style-type: none"> The WIUP tender winner submits an application to the minister / governor in accordance with the authority Verification of the completeness of documents → 1 day Evaluation of administrative, technical, environmental, financial documents → 3 days Issuance of the license → 7 days 	Total time needed : 11 days	Validity period: a. Mineral - metal: 8 years - non-metal: 3 years b. coal: 7 years
2	IUP/K - Exploration	<ol style="list-style-type: none"> The WIUP tender winner submits an application to the minister / governor in accordance with the authority Verification of the completeness of documents → 1 day Evaluation of administrative, technical, environmental, financial documents → 6 / 3* days Issuance of the license → 7 days 	Total time needed : 14 / 11* days *for IUPK	Validity period: - Metallic mineral, coal, certain types of non-metallic mineral: 20 years + 2x10 years - non-metallic mineral: 10 years + 2 x 5 years - rocks: 5 years + 2x5 years
3	IUP/K - Processing and Refining	<ol style="list-style-type: none"> Business entity / individual submits an application to the minister / governor in accordance with the authority Verification of the completeness of documents → 1 day Evaluation of administrative, technical, environmental, financial documents → 5 days Issuance of the license → 8 days 	Total time needed : 14 days	Validity period: 30 years and can be extended for 20 years every extension
4	IUPK - Transportation and Sales	<ol style="list-style-type: none"> Business entity / individual submits an application to the minister / governor in accordance with the authority Verification of the completeness of documents → 1 day Evaluation of administrative, technical, environmental, financial documents → 5 days Issuance of the license → 8 days 	Total time needed : 14 days	Validity period: 5 years and can be extended for 5 years every extension
5	IUJP	<ol style="list-style-type: none"> Business entity / individual submits an application to the minister / governor in accordance with the authority Verification of the completeness of documents → 1 day Evaluation of administrative, technical, environmental, financial documents → 5 days Issuance of the license → 8 days 	Total time needed : 14 days	Validity period: 5 years and can be extended for 5 years every extension

Source: Permen of ESDM No. 34/2017

Currently, the Directorate General of Mineral and Coal is developing an online mining license application for all types of licenses and non-licenses (recommendations / approvals) of the mineral and coal sub-sector which have been processed within the MoEMR and BKPM. This online licensing application is developed as a form of commitment from the Directorate General of Mineral and Coal to improve effective, efficient, transparent and accountable public services for both internal and external of Directorate General of Mineral and Coal.

Licensing in the Migas sector

In the oil and gas sector, the Ministry of Energy and Mineral Resources has issued Permen of ESDM No. 40/2017 concerning delegation of authority to grant licensing in the field of oil and gas business activities to the head of BKPM. This regulation regulates the simplification of licenses from 42 existing licenses in 2016 to 6 licenses, which consist of 2 upstream oil and gas licenses and 4 downstream oil and gas licenses.

The simplification of licensing in the oil and gas sector is shown in the table below.

Table 12 Simplification of licensing in migas sector

Licenses available at BKPM in 2016 (Permen of ESDM No. 23/2015)	Simplification in 2017 (Permen of ESDM No. 29/2017)
42 licenses in the oil and gas sector, including: Supporting Business Ability Certificate (SKUP) of Oil and Gas RPTKA (Foreign Manpower Utilization Plan) Recommendation IMTA (Foreign Manpower Employment Permit) Recommendation Recommendation for Opening or Renewal of the Oil and Gas Business Representative Office RKBI (Needs Plan for Imported Goods) Recommendation/masterlist General Survey License License for Surveying Outside the Oil and Gas as well as Coal Bed Methane (CBM) Working Areas Approval of Abroad Shipping (Export) of Data from General Survey Activities, Exploration and Coal Bed Methane (CBM) Recommendation for Using Working Area for Other Activities Approval of Oil Production on Old Wells License for Utilization of Oil and Gas Exploitation Data Recommendation on Export of Oil and Gas from Upstream Oil and Gas Business Activities Approval of Conventional, Coal Methane Gas, and Non-Conventional Joint Evaluation / Study, etc	General survey license Oil and gas data utilization license Processing license Storage license Transportation license Commercial license

Source: Permen of ESDM No. 23/2015, and Permen of ESDM No. 29/2017

An Online Licensing system has been used for the licensing process in the oil and gas sector.

Online Single Submission (OSS)

In mid-2018, the Government launched the Online Single Submission (OSS) system or electronic integrated business licensing service to process business licenses. However, according to the explanation of article 85 of PP No. 24/2018, business licensing in the mining, oil and gas sector is carried out outside the OSS by the ministry that organizes government affairs in the fields of mining, oil and gas in accordance with the laws and regulations.

2.6.2 Re-Organizing IUP through Clean and Clear Certificate

Re-organizing IUP through Clean and Clear (CnC) certification has been discussed in the EITI Report in the last two years.

Re-organizing IUP is in the context of revamping IUPs that do not meet the criteria based on Permen of ESDM No. 43/2015, especially since the enactment of Law No. 4/2009 in which the local government has the authority to issue mining license. Permen of ESDM No. 43/2015 concerning Procedures for Issuance of Mineral and Coal Mining Business Licenses stipulates IUP compliance criteria, namely: 1) administrative criteria; 2) territorial criteria; 3) technical criteria; 4) environmental criteria; 5) financial criteria. This regulation also contains provision for the Governor to carry out CnC evaluation procedures and submit the evaluation results to the Minister of Energy and Mineral resources no later than 90 calendar days from the date of signing of the minutes of hand over licensing from the Regent/Mayor.

After updating the IUP database, DG of Mineral and Coal will block 2,509 non CnC IUPs. In the context of blocking, the DG of Mineral and Coal has also coordinated with relevant agencies such as Kemenkumham,

DG of Customs and Excise, DG of Taxes, DG of Foreign Trade, and does not provide services to non-CnC companies⁵. Details of non-CnC IUP by province are as follows:

Table 13 Details of non-CnC IUP by province

No	Province	Non-CnC IUP
1	Bali - Nusatenggara	47
2	Maluku	61
3	Jawa	573
4	Kalimantan	860
5	Papua	70
6	Sulawesi	462
7	Sumatera	435
8	Pusat	1
Total		2.509

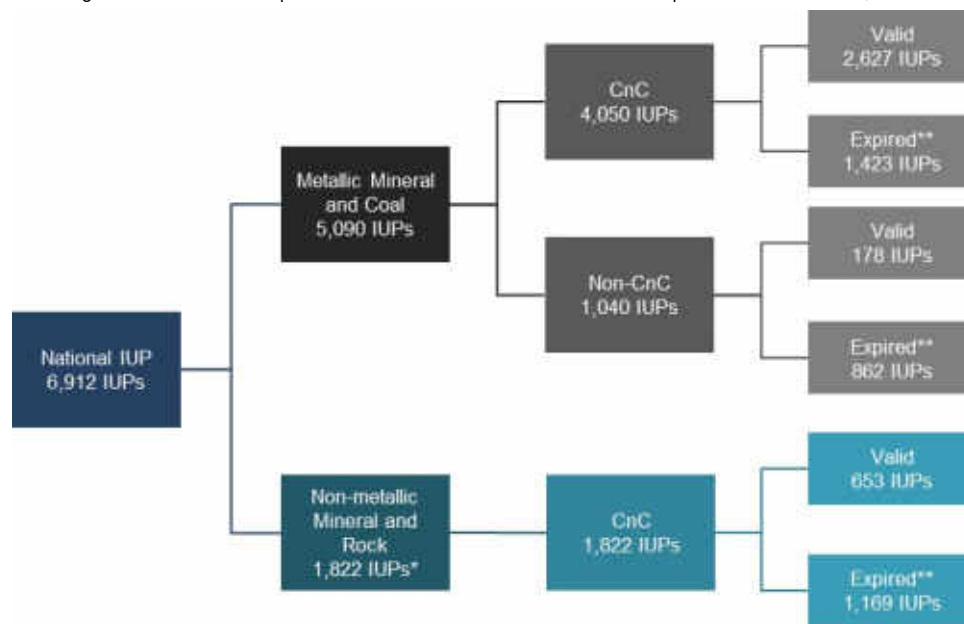
Sumber:

[http://humas.minerba.esdm.go.id/1517063725/Pembahasan-Progres-Pelaksanaan-Kegiatan-Penataan-Izin-Usaha-Pertambangan-\(IUP\)](http://humas.minerba.esdm.go.id/1517063725/Pembahasan-Progres-Pelaksanaan-Kegiatan-Penataan-Izin-Usaha-Pertambangan-(IUP))

to implement the principle of recognizing the beneficial owner (Article 14). Corporations must collect information on the beneficial owner at the time of the application for the establishment, registration, approval, and business licensing. Companies that have obtained licenses or are in the process of obtaining licenses must fulfill the provision of the principle of recognizing the beneficial owner no later than one year after the enactment of this Perpres (Article 30). Beneficial owner is an individual who meet the criteria of the beneficial owner, see Table 6.

Presidential Regulation No. 13/2018 states that corporations that do not determine the beneficial owner (Article 3), do not apply the principle of recognizing beneficial owner (Article 14), do not submit correct information about the beneficial owner (Article 18), and do not administer documents related to the beneficial owner (Article 22) subject to sanctions in accordance with the laws and regulations. The interpretation of "sanctions in accordance with laws and regulations" is still unrestricted, can be based on the Money Laundering Law or the Terrorism Funding Law or other related laws.

Figure 9 The latest development of the number of CnC and non-CnC companies as of October 1, 2018



Notes:

* IUPs of non-metallic mineral and rock do not need the status of CnC (Permen of ESDM No. 11/2018)

** The expired IUP is calculated until 31 December 2017

Source: DG of Minerba

Along with the end of IUP re-organizing process through CnC certification, based on Minister of Energy and Mineral Resources Regulation No. 11/2018, export recommendations (pure tin and coal) are no longer needed.

Figure 9 illustrates the latest developments in the number of CnC and Non CnC companies based on Directorate General of Mineral and Coal data as of October 1, 2018.

2.6.3 Transparency of Beneficial Ownership – Implementation of Presidential Regulation No. 13/2018

This regulation requires each corporation to provide detailed information on the beneficial owner and appoint an official or employee

The company is often run by other parties, but the real benefit owner is not identified because of the layered and complex ownership structure. However, corporations are still required to determine the beneficial owner not only from legal documents but also from various other information such as information from private institutions that accept placement or transfer of funds in order to purchase shares, statements from members of the board of directors, commissioners and so on, other documents or other parties which indicates that the individual is the actual owner of the fund for the ownership of the limited liability company (Article 11).

The 2016 EITI reporting form includes the beneficial owner's declaration form. The information requested is in accordance with Perpres No. 13/2018, which includes full name, date and place of birth, nationality, identity number, residential address, NPWP, address of country of origin, relationship between the beneficial owner and the corporation and the number of share ownership. However, in the process, the person in charge of the reporting company is still having difficulties in reporting the beneficial owner. Here are some reasons we received during the reporting process:

- The process of obtaining information on beneficial owners requires special expertise in determining the level of ownership of the company
- Authorities in the company do not have access to parent company's documents
- In several companies, no shareholder has 25% or more of shares and the authorities cannot determine the beneficial owner by using a qualitative definition

Therefore, the reporting company mostly can only report direct shareholder of the company and most of them are corporations instead of individual owner.

The implementation of BO transparency in Indonesia is a collective work of a number of ministries and institutions. This is also supported by Indonesia's commitment as a member of a number of global initiatives. For the record, besides being an EITI member country, Indonesia is also a G-20 member country that has agreed

on the importance of accurate BO transparency and can be accessed by authorized institutions. Not only that, Indonesia must also have domestic regulations that are in accordance with the FATF (Financial Action Task Force) Standard to prevent money laundering practices.

2.6.4 Regulation regarding Gross Split Scheme

Until mid-2018, there are already 23 oil and gas WKS that use the Gross Split scheme. This positive development gives optimism to the government that the gross split concept has begun to be accepted by investors, especially after the explanation of gross split rules, through amendments to the regulation, is issued by the government.

In order to regulate the taxation in gross split scheme, the government issued Government Regulation No. 53/2017 concerning Tax Treatment for Gross Split Contract. Based on this PP, there is no tax imposition from the exploration stage until the beginning of the production period. While, the imposition of indirect tax during the production period can be compensated through a split adjustment if the economic of the field is bad

The net income for 1 fiscal year for the contractor, is calculated based on gross income minus operating costs. Tax loss can be compensated by income starting from the next fiscal year up to 10 (ten) years.

Table 14 List of Gross Split Contracts until August 2018

No	Working Area	Operator	Signing Date
1	Andaman I	MP (Andaman 1) Rsc Ltd.	05/04/2018
2	Andaman li	Premier Oil Andaman Ltd.	05/04/2018
3	Brantas	Lapindo Brantas Inc.	08/08/2018
4	Bula (2018)	Kalrez Petroleum (Seram) Ltd.	11/07/2018
5	Citarum (2018)	PT Cogen Nusantara Energi	07/06/2018
6	East Ganai	Eni East Ganai Ltd.	17/07/2018
7	East Kalimantan & Attaka	PT Pertamina Hulu Kalimantan Timur	20/04/2018
8	East Seram	Balam Energy Pte. Ltd.	17/07/2018
9	Jambi Merang (2018)	PT Pertamina Hulu Energi Jambi Merang	31/05/2018
10	Kepala Burung (2018)	Petrogas (Basin) Ltd.	11/07/2018
11	Malacca Strait	Emp Malacca Strait S.A.	11/07/2018
12	Merak Lampung	PT Balmoral Gas	07/06/2018
13	North Sumatra Offshore (2018)	PT Pertamina Hulu Energi North Sumatera Offshore	20/04/2018
14	Offshore North West Java	PT Pertamina Hulu Energi ONWJ (PHE ONWJ)	18/01/2017
15	Ogan Komering (2018)	PT Pertamina Hulu Energi Ogan Komering	20/04/2018
16	Pekawai	PT Saka Energi Sepinggan	14/05/2018
17	Raja/Pendopo	PT Pertamina Hulu Energi Raja Tempirai	31/05/2018
18	Salawati (2018)	Petrogas (Island) Ltd.	11/07/2018
19	Sanga Sanga (2018)	PT Pertamina Hulu Sanga Sanga	20/04/2018
20	South East Jambi	Repsol Exploracion South East Jambi B.V.	17/07/2018
21	Southeast Sumatra (2018)	PT Pertamina Hulu Energi Osos	20/04/2018
22	Tuban (2018)	PT Pertamina Hulu Energi Tuban East Java	20/04/2018
23	West Yamdena	PT Saka Energi Yamdena Barat	14/05/2018

Source: SKK Migas

Net income will be subject to corporate and dividend tax in accordance with general tax rules (current corporate tax rate is 25% and the dividend tax rate is 15%). Corporate tax is not fixed and will be adjusted to the provisions imposed by the government.

According to the article 4, gross income consists of those directly related to and outside of PSC activities. Gross income directly related to PSC activities includes the contractor's share of lifting deducted by the DMO and over / under lifting, while those outside of PSC activities includes Uplift (20% final), transfer of working interest of PSC (5% for exploration block and 7% for production block), sales by product from upstream activities and other factors that generate benefit value.

In article 5, the operational costs consist of :

1. exploration costs, consisting of exploration drilling and geological and geophysical activities costs
2. exploitation costs which include development drilling, direct production costs, processing costs, utilities and G & A as well as depreciation
3. other costs, such as hydrocarbon transportation costs, LNG processing costs to the point of transfer. Similar to the previous PSC, interest costs (if contractor funding comes from a loan) can not be included as a tax deduction.

According to the characteristics of the above costs, the type of the costs is still the same as the type of costs regulated in the cost recovery mechanism of the previous PSC contract.

One of the differences between the previous PSC and gross split is the costs incurred before the production period must be capitalized and amortized accelerated by the unit production method since it began in the month of commercial production.

2.6.5 Current Status of the Revision of Oil and Gas Law and Mining and Coal Law

As of this writing, revisions for both the Oil and Gas and Mineral and Coal Laws have not yet been completed and still have to take several steps to be approved as a Law.

The latest development related to the Oil and Gas Bill is the Legislative Body (Baleg) and the Commission VII of DPR, which is the Proposing Commission of the Oil and Gas Bill, have agreed that the Oil and Gas Law Draft become the DPR's initiative⁶ and will be discussed at the next level. Some important things agreed upon in the Oil and Gas Law Draft of the DPR initiative are the establishment of a Special Business Entity for Oil and Gas which will be under the coordination of the Ministry of BUMN and the oil import quota which will be regulated by BPH Migas⁷. Furthermore, in accordance with the DPR's Regulation of Procedure⁸ article 124 paragraph 9, the bill approved at the DPR plenary meeting will be submitted by the DPR leadership to the President. The President will appoint ministers as representatives to discuss the bill together with the DPR.

Some important points that have the potential to change in the Oil and Gas Law, as discussed in the 2015 EITI Contextual Report, are:

- a. The ownership of natural resources remains in the hands of the government up to the point of transfer;
- b. Upstream business activities are implemented based on the upstream business license from the government;
- c. The establishment of a Special State-Owned Enterprise (BUMN-K) which is a BUMN that obtains upstream oil and gas business license through cooperation with other parties and acts as management controller;
- d. Pertamina's participation as follows:
 - i. Pertamina is granted an independent oil and gas upstream business license. Other business entity or BUT shall be granted the license through a cooperation contract with BUMN-K;
 - ii. Working area offerings are tiered and Pertamina obtains first priority;
 - iii. The working area business license is granted to Pertamina for the second time extension of license;
- e. Establishment/designation of the aggregate enterprise consisting of i) National Oil and BBM Aggregate Enterprise and ii) National Gas Aggregate Enterprise to meet domestic needs;
- f. All oil and gas production from Pertamina and BUMN-K shall be sold to Aggregate Enterprises with the economic price of field development;
- g. The business license from the Government valid for 30 years and can be extended for 20 years;
- h. The exploration period is 10 years.

The Minerba Bill which was previously approved as an initiative of the DPR is still in the stage of discussion between the DPR and the Government. Related to the Minerba Bill, the DPR proposed changes to several points, including⁹:

- a. The period of 5 years to divest is removed and there is no information on the period of divestment. The draft proposal only states that license holders whose mines are integrated with smelters and PLTU can conduct divestments within 10 years of carrying out mining activities;
- b. The right to extend the operating license directly for 20 years as non-fiscal incentives to the holders of IUP and IUPK-OP who build smelters or PLTU;
- c. The Central Government has the authority to determine special prices for mineral and coal commodities used for domestic interests in addition to the authority to control production and exports;
- d. KK, IUP and IUPK are required to carry out processing and refining no later than two years after the Minerba Law is promulgated; and
- e. License holders who are building smelters are permitted to sell certain quantities of processing and refining products within a maximum of two years from the promulgation of the Minerba Law and must pay export duty.

The government also gave several recommendations for the Minerba Bill of the DPR's Initiative. These recommendations include recommendations from the Ministry of Marine Affairs and Fisheries to accommodate marine spatial plans and / or zoning plans of coastal areas and small islands in planning and managing mineral and coal mining and recommendation to add regulations related to special ports¹⁰.

6 Baleg dan Komisi VII Sepakati RUU Migas Menjadi Usul Inisiatif DPR, diakses dari portal resmi DPR

<http://www.dpr.go.id/berita/detail/id/22054/t/Baleg+dan+Komisi+VII+Sepakati+RUU+Migas+Menjadi+Usul+Inisiatif+DPR> pada tanggal 5 Oktober 2018

7 Baleg dan Komisi VII Sepakati RUU Migas Menjadi Usul Inisiatif DPR, accessed from the official DPR portal <http://www.dpr.go.id/berita/detail/id/22054/t/Baleg+dan+Komisi+VII+Sepakati+RUU+Migas+Menjadi+Usul+Inisiatif+DPR> on 5 October 2018

8 Peraturan DPR RI Nomor 1 Tahun 2014 tentang Tata Tertib, accessed from http://berkas.dpr.go.id/jdi/document/peraturan_dpr/perdpr8_2014_1.pdf on 5 October 2018

9 RUU Minerba Telah Disetujui, accessed from <http://www.tribunnews.com/nasional/2018/04/10/ruu-minerba-telah-disetujui> on 5 October 2018

10 Daftar Inventarisasi Masalah Rancangan Undang-Undang Tentang Perubahan Atas Undang-Undang Nomor 4 Tahun 2009 Tentang Pertambangan Mineral Dan Batubara Tahun 2018

2.6.6 The Debate and Progress of Regulation on Increasing Mineral Value Added

The 2015 EITI Report discussed the provisions of domestic processing and refining in order to increase mineral value added. This provision is mandated by the Minerba Law and reiterated in PP No. 1/2017 which requires the Production Operation IUP to process and refine domestic mining products. The government still provides tolerance / relaxation for a number of provisions previously stipulated regarding activities to increase mineral value added through Permen of ESDM No. 5/2017 (revoking Permen of ESDM No. 1/2014 and revising it with Permen of ESDM No. 28/2017) and Permen of ESDM No. 6/2017 (revised with Permen of ESDM No. 35/2017). This relaxation aims to provide legal and business certainties and provide relaxation of refining products and reduced state revenues from the mineral mining sector

Until the end of 2017, Indonesia have 24 smelters that have been built and are still in progress, consisting of 15 nickel smelters, 4 iron smelters, 2 bauxite smelters, 2 manganese smelters, and 1 copper smelter. Appendix 2 contains the list of smelters that have been built and are still in progress. The target of the construction of smelter in the 2016 Strategic Plan (Renstra) is 9 smelters but only 2 smelters can be realized. Following are the constraints in the construction of smelters according to DG of Minerba:

1. Difficulties in finding investors in conditions of having no cash flow (no annual revenue). The construction of a smelter takes 2-5 years, in which there is no cash coming in.
2. Indonesian banks have not enough confidence in the processing and refining facilities industry.
3. Benefits from fiscal incentives offered by the Government are not yet optimal.
4. There is not enough infrastructure available to support the construction of processing and refining facilities, including energy, electricity, road access, ports and so on.

In order to support the regulations, especially to support the downstream program of domestic mineral products, the Minister of Finance issues the regulation No. 13/PMK.010/2017¹³ concerning Stipulation of Export Goods Subject to Export Duty and Export Duty Tariff. This regulation regulates export duties for metallic mineral processing products, in which the determination of export tariffs is related to phases of physical construction of the smelter, namely: physical construction up to 30% of the total construction shall be subjected to 7.5% tariff; physical construction up to 30-50% subjects to 5% tariff; construction up to 50-75% of total subjects to 2.5% tariff; and construction of above 75% subjects to 0% tariff. As for the export duty tariff of metallic mineral with certain criteria (nickel with <1.7% nickel content and washed bauxite with > 42% washed bauxite content) subject to 10% tariff. The provisions contained in the regulation of the minister of finance are valid until January 11, 2022.

2.6.7 Implementation of Share Divestment Regulations

Permen of ESDM No. 43/2018 which amends Permen of ESDM No. 09/2017 concerning the procedure for divestment of shares and the mechanism for determining

the share price of divestment in minerba mining business activities regulates that 51% share divestment can be done through the issuance of existing shares, either directly or indirectly. The divestment share ownership is offered to Indonesian participants in stages, with several sequences: (1) Government, through Minister with negotiation mechanism. If the Government is not interested, shares shall be offered to (2) Provincial Government and Regency/City Government in which the location of the mining business area is located, with the negotiation mechanism. Furthermore, if the Provincial Government and Regency/City Government are not interested or do not provide written answers, then the holder of the Production Operation IUP or Production Operation IUPK must offer the divestment shares to (3) BUMN and BUMD without going through an auction. In expressing interest in the offer of divestment share, the government, through the minister, can directly involve provincial governments, regency/city governments, BUMN, and / or BUMD together. Furthermore, if BUMN or BUMD are not interested, the company shall offer to (4) National Private Enterprises, if the auction is not implemented (National Private Enterprises is not interested), then PMA holders of IUP-OP and IUPK-OP can offer divestment shares through (5) stock exchanges in Indonesia.

This new regulation changes the provisions of Article 14 which are related to the procedure for determining the price of divested shares. The divested share price of the Production Operation IUP or Production Operation IUPK offered to Indonesian participants is calculated based on fair market value by not taking into account mineral or coal reserves except those that can be mined during the period of Production Operation IUP or Production Operation IUPK. Calculation of fair market prices uses discounted cash flow method or through comparison of market data (market data benchmarking).

The implementation of the agreement of shares divestment between foreign mining companies and the Indonesian government does not always run smoothly. PT Freeport Indonesia share divestment case has received a lot of attention from the public. Initially there was no agreement between the Government and PT Freeport, especially regarding the pricing method of divestment shares. In the end, the Government through PT Inalum agreed to acquire 51% of PT Freeport's shares. The Head of Agreement (HoA) between PT Inalum, Freeport McMoran and Rio Tinto was signed with a transaction value of US\$ 3.85 billion. The basis for calculating the acquisition price is the business potential cash flow until 2041. The conditions of the HoA agreement includes the construction of processing and refining facilities within five years, stability of state revenues, change from Contracts of Work (KK) to Special Mining Business License (IUPK), environmental impacts and taxation. Maximum production operations is 2x10 years until 2041 in accordance with the provisions stated in the Law. The amount of corporate income tax for minerba mining companies, including Freeport, is reduced to 25 percent from previous 35 percent which has been the Freeport tax rate.

¹¹ Ibid

¹³ PMK 13/PMK.010/2017 revokes PMK 140/PMK.010/2016 that revokes PMK 75/PMK.011/2012 (has been amended for 4 times: PMK 128/PMK.011/2013; PMK 6/PMK.011/2014; PMK 153/PMK.011/2014; and PMK 136/PMK.010/2015).

¹⁴ Reuters. 2017. "Freeport at loggerheads with Indonesia over divestment". <https://www.reuters.com/article/us-freeport-mcmoran-indonesia/freeport-at-loggerheads-with-indonesia-over-divestment-letter-idUSKCN1C42HJ> accessed on 6 November 2017

2.6.8 Contract Shifting to IUP

Article 169 of Law No. 4/2009 regulates the mechanism of contract shifting to IUP, that are: (A) Kks and PKP2Bs shall remain valid until the termination of the Contract / Agreement; (b) The provisions in the Kks and PKP2Bs shall be adjusted not later than 1 (one) year after Law No. 4/2009 is enacted except for the components of state revenue; and (c) The exception is an effort to increase state revenue.

There are 6 strategic issues that still emerging in the process of amendment (renegotiation) of KK and PKP2B as described in Table 15, namely about: (1) Continuation of mining operation; (2) State revenue; (3) Obligation for processing and refining; (4) Obligation to divest; (5) Area of work; and (6) Obligation to use domestic labor, goods and services. In addition, changes in directors also hindered the shifting process of the contract system to the IUP system.

Some of the important provisions that will be regulated in the draft of PP include the period of application for the extension of PKP2B to IUPK which can be submitted maximum 5 (five) years and minimum 1 (one) year before the expiration of PKP2B. The opportunity for PKP2B holders to submit applications for extension of PKP2B into IUPK earlier is expected to provide an opportunity for businesses to make long-term investment plans. The application for extension, according to Law No. 4/2009 can be given 2x10 years, which will be carried out through the tender procedure.

Besides the revision of PP No. 23 of 2010, the government is also drafting a government regulation that regulates the tax treatment for coal mining companies. The framework of the PP will later refer to PP No. 37/2018 concerning Tax Treatment and PNB in the Mineral and Coal Mining Business Sector. In the PP to be issued, the state is expected to benefit with the increase of state revenues.

Table 15 Strategic issues in the renegotiation of mineral and coal industry contracts

Strategic Issue	Description
Continuation of mining operation	The continuation of mining operations is proposed 2 years before the end of the contract, in the form of a Special Mining Business License (IUPK) for a period of 2x10 years.
State Revenue	Corporate Income Tax is set in accordance with nail down scheme, while royalty and other taxes are set in accordance with the laws and regulations.
Obligation for processing and refining	The company is obliged to conduct refining in the country
Obligation to divest	Divestment of 51% of total shares (upstream)
Area of work	The company must submit a Long-term Work Plan, which is the work plan until the contract expires
Obligation to use domestic labor, mining goods and mining services	Prioritizing utilization of domestic labor, goods and services

Source: 2017 Performance Report of DG of Minerba

See Appendix 3 for a list of KK and PKP2B that have signed amendments and shifted to IUPK, including a list of KK that have not signed amendments as of January 2018.

2.6.9 Draft of 6th Amendment of PP No. 23/2010 and Draft of Government Regulation concerning Coal Taxation

The government is drafting the sixth amendment of PP No. 23/2010 concerning Implementation of Mineral and Coal Mining Business Activities. The 6th revision is intended to provide business certainty for holders of PKP2B, especially the 1st generation, whose validity period will expire then will be converted into IUPK in accordance with the mandate of Law No. 4/2009 concerning Mineral and Coal. As is known, there are around 7 companies holding 1st generation PKP2B whose validity period will expire in the years of 2019-2025. Therefore, the draft of PP is expected to be a legal basis for the certainty of long-term business for ex-1st generation PKP2B IUPK holders.

Therefore, DHPB (Coal Production Fund) rate is proposed to increase to 15% from the current position of 13.5%. In addition, there is also an additional PNB for the central and local governments with a total of 10% of net income, with a distribution of 4% for the central government, and 6% for the local government.

In general, the total tax and PNB collection according to this draft of PP is 8.5% lower than the current rules. With Indonesia's coal reserves remaining around 69 years, state revenues from coal mining must be optimized. Moreover, the performance of this sector contributed greatly to the receipt of Corporate Income Tax which grew 23.3% or as of August 2018 reaching Rp 154.6 trillion. Currently, the draft of government regulation on coal tax and PNB is being discussed by the Fiscal Policy Agency (BKF), the Ministry of Finance, and the Ministry of Energy and Mineral Resources. In the proposed draft of PP, it is stated that the holders of the PKP2B will be subject to a corporate income tax of 25% from the previous 45%.

2.6.10 Oil Fuel

Supply and distribution of BBM

On May 24, 2018, the Government issued Presidential Regulation No.43/2018 concerning the Supply, Distribution and Retail Price of Oil Fuel (BBM). This regulation is a revision of the Presidential Regulation issued previously (Perpres No.191 in 2014). With the issuance of this new Perpres, even though Jawa, Madura and Bali (Jamali) regions are not included in the Assignment Area, they can still get premium allocations with assignment status as long as it is approved by the results of the meeting with the Coordinating Minister for Economic Affairs and approved by the related Minister.

Following the Perpres, on 28 May 2018 the Decision of the Minister (Kepmen) of ESDM No. 1851 K / 15 / MEM / 2018 was issued regarding the Supply and Distribution of Special Fuel Type for Assignment (JBKP) in the Jamali region. In this Kepmen, the Regulatory Agency for Downstream Oil and Gas Business Activities (BPH Migas) will stipulate further provisions regarding the location and allocation of assignment volume for the supply and distribution of JBKP.

With this new Perpres, premium with 88 octane level must be distributed throughout Indonesia, including in Jamali region. The allocation for the 88 octane level premium is added from 7.5 million kiloliters to 11.8 million kiloliters in 2018 for all regions in Indonesia.

Determination of retail price of BBM

Currently, the BBM pricing mechanism is divided into two, namely those set by the Government and those set by Business Entity (Pertamina). The government stipulates the types of diesel fuel and kerosene which are subsidized BBM, then Premium which is subsidized BBM and Premium which is a JBKP (for areas outside Java and Bali). While for General BBM such as pertalite, pertamax series and non-Pertamina gas station products, the price is determined by the business entity.

Determination of the retail selling price of Certain Type of Fuel (JBT) or subsidized BBM and JBKP is carried out every 3 months.

In accordance with Presidential Regulation No. 43/2018, the Government sets retail selling prices by considering various aspects including the state financial capacity or the economic situation, the purchasing power of the people and the real economy.

Regarding the formulation of BBM prices, the Kepmen of ESDM No. 2846 K / 12 / MEM / 2015 regulates the basic price formula for JBTs whose prices are set by the Government and are given subsidies namely Diesel Oil and Kerosene. Meanwhile, JBKP is not given subsidies, even given an additional fee of 2% and distributed in non-Java, Madura, Bali (Jamali) areas, namely RON 88 premium. The market index price (HIP) is regulated Kepmen of ESDM No. 2361 / K / 12 / MEM / 2017.

The BBM basic price component consists of acquisition cost, storage and distribution cost and margin. Acquisition cost is the cost needed to provide BBM, while storage and distribution cost is the cost needed to distribute fuel to all regions of Indonesia.

In 2018, the Minister of Energy and Mineral Resources issued Permen of ESDM No. 34

concerning the Fifth Amendment to Permen of ESDM No. 39/2014 regarding Calculation of the Retail Price of Oil Fuel, in which the paragraphs in article 4 change to:

1. Calculation of the retail selling price of General BBM types at the point of delivery, for each liter determined by the Business Entity with the highest price determined based on the base price plus Value Added Tax (PPN) and Motor Vehicle Fuel Tax (PBBKB) with a maximum margin of 10% of basic price.
2. The amount of Motor Vehicle Fuel Tax (PBBKB) as referred to in paragraph 1, is in accordance with the local provincial regulation.
3. The retail selling price of the General BBM type is determined by the Business Entity and must be reported to the Minister of Energy and Mineral Resources.
4. Deleted.
5. Deleted.
6. Report as referred to in paragraph 3 shall be submitted to the Minister (ESDM) through the Director General (Oil and Gas).
7. The Director General (Oil and Gas) evaluates the report.
8. If there is a mismatch in the implementation of the retail selling price of General BBM distributed through the General Fuel Filling Station and/or the Fisherman Fuel Station as referred to in paragraph 1, the Minister of Energy and Mineral Resources shall determine the retail selling price of the General BBM type.
9. Further provisions regarding the procedure for submitting report and evaluation guidelines for the Retail Selling Price of General BBM are determined by the Director General (Oil and Gas).

The implementation of BBM one price

The government issued a policy of BBM one price in all regions of Indonesia through Permen of ESDM No. 36/2016. This policy is to achieve equitable energy access, in which there is no longer a significant gap in BBM price between one region and another in Indonesia. The background of the implementation of the BBM one price policy, among others: The price of BBM is relatively more expensive, especially in the 3T area (Frontier, Outermost and Least Developed area) and limited distribution infrastructure owned by BBM distribution institutions.

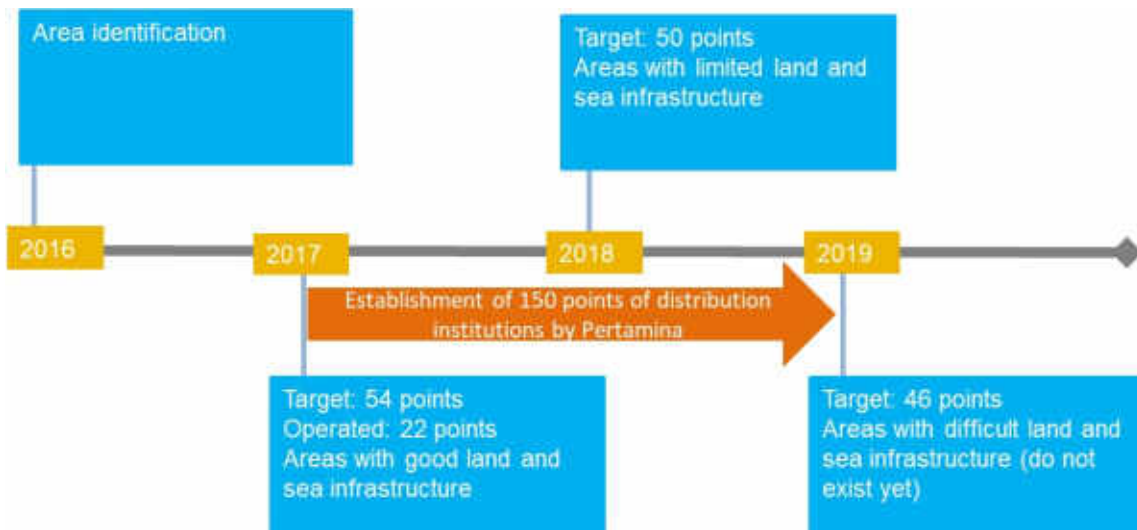
The implementation of one price is effective from January 1, 2017. The types of BBM regulated in the regulation consist of:

- JBT which includes diesel oil 48 (Gas Oil) and kerosene
- JBKP which includes gasoline, minimum RON 88.

However, there are some obstacles in the implementation of the BBM one price policy, including:

- There are areas that do not have distribution institutions, especially in the 3T area.
- Land transportation infrastructure that is inadequate for the transportation and distribution of BBM which requires the use of water or air transportation modes. This greatly affects the selling price of BBM, especially in the 3T area.
- Establishment of distribution institutions is considered to be less economical, given the relatively small volume of BBM distributed, especially in the 3T area.

Figure 10 Roadmap of BBM one price



Source : <http://migas.esdm.go.id>

According to the BBM one price roadmap, the government is targeting the operation of 150 distribution institutions until 2019, each of which is 54 points in 2017, 50 points in 2018, and 46 points in 2019. Figure 10 illustrates the roadmap of BBM one price.

2.6.11 Imposition of PPN on LNG Products

Based on PMK No. 252/2012 article 1 paragraph 2, LNG is not included in the type of goods subject to value added tax (PPN).

However, since the granting of a judicial review of this PMK by the Supreme Court in Decision of the Supreme Court No. 5/2018, LNG is included in the type of goods subject to PPN. The basis of this decision is LNG is not natural gas taken directly from its source, but is the result of processing according to the provision of Law No. 42/2009 concerning PPN and PPhBM.

With the Supreme Court's decision, the LNG producer will impose PPN on the sale of LNG products which will be borne by the buyers.



03

LICENSE AND CONTRACT



This chapter discusses licenses and contracts process in oil and gas mining and mineral and coal mining as well as types of license/contract and tender in 2016.

3.1 Oil and Gas Mining Sector

3.1.1 Applicable Contract in Oil and Gas Sector

Production Sharing Contract (PSC)

Currently, most of oil and gas blocks operated in Indonesia still use this contract. The provision of in-kind production sharing between the Government of Indonesia and the contractor is stipulated in the contract. The Contractor shall bear the risks and costs spent since exploration stage to production stage, including risk of failing to find oil and gas (dry hole) in exploration stage.

As illustrated in Figure 5, the PSC cash flow starts from the Gross Revenue reduced by First Tranche Petroleum (FTP), investment credit and cost recovery. The rest (equity to be split) will be shared between the government and the contractor in accordance with the split in PSC. The percentage of production sharing between the government and contractors will be different for each generation of contracts as summarized in Table 13 of the 2015 EITI Contextual Report.

Joint Operation Body (JOB)

Another type of PSC contract is known as Joint Operation Body (JOB-PSC). According to this contract, Pertamina will cooperate with other contractors by forming a joint operation body.



- Ownership of natural resources remains in the hands of the State until the point of delivery of hydrocarbon;
- Control over the operation of upstream oil and gas activities remains in the hands of SKK Migas;
- All capital and risks are borne by the contractor; and
- Arrangement of gross split production sharing contract scheme refers to regulations, including Permen of ESDM No. 8/2017, Permen of ESDM No. 52/2017, and PP No. 53/2017. Please refer to section 2.4.1 for more information on gross split scheme.

3.1.2 Establishment of Working Area (WK)

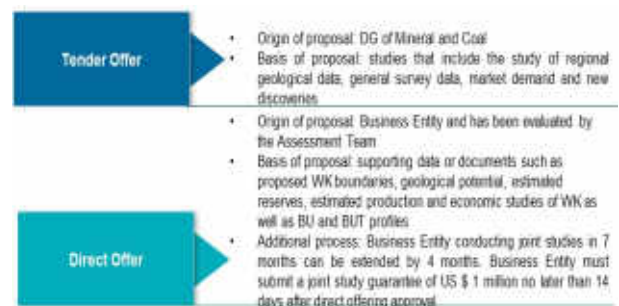
There are no differences in procedures for establishing oil and gas working areas since the publication of the 2015 EITI Report until the publication of this Report.

The proposed WK comes from open areas, namely:

- Areas that have not been established as working areas
- Part of working areas set aside according to contract, or set aside according to contractor's/Minister's proposal
- WK whose contract is no longer valid

Working area established by the Minister of Energy and Mineral Resources can be offered through tender and direct offerings as summarized in Figure 11.

Figure 11 Two types of oil and gas working area offerings



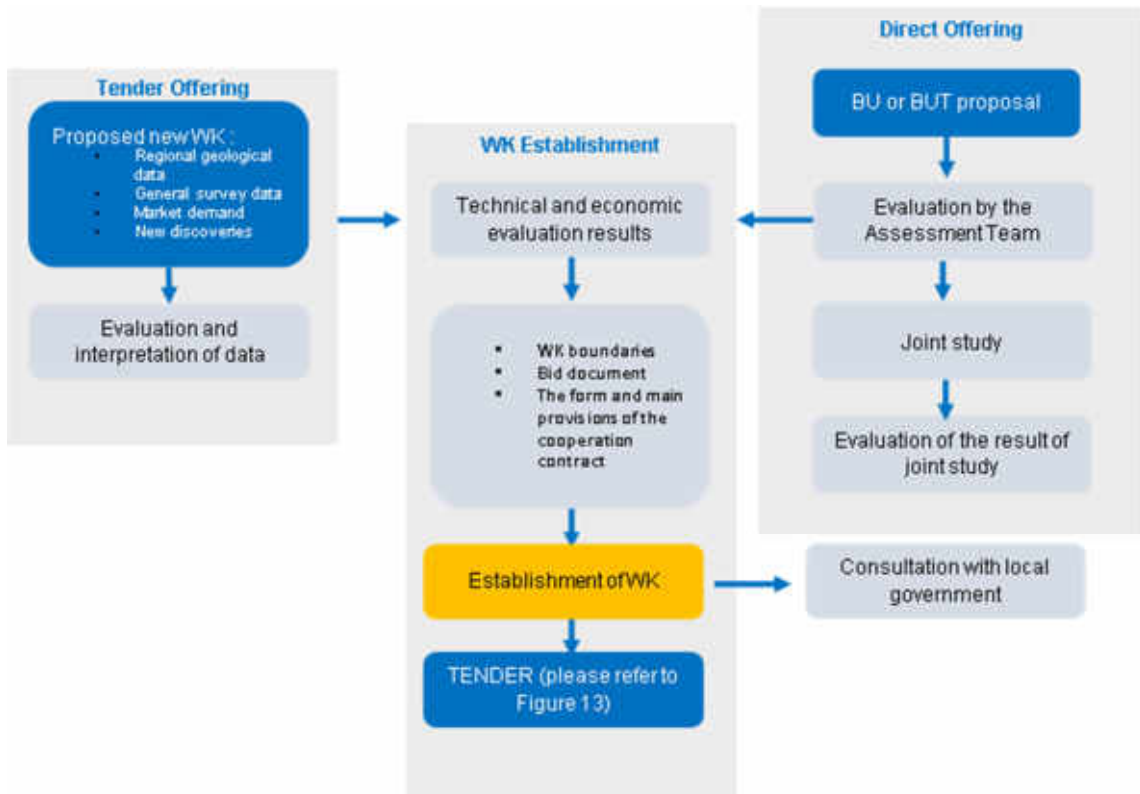
In order to establish a WK, for both direct offer and tender, DG of Oil and Gas is required to submit WK establishment proposal to the Minister of Energy and Mineral Resources. Together, the Minister and the DG consult with local government, and as the last phase the Minister may establish a WK.

Pertamina's ownership in the JOB block is a minimum of 50%, in which Pertamina representative will become the GM of the block. JOB contracts that expire will be returned to the government, then the government will determine the next contractor.

Production Sharing Contract with Gross Split Scheme

The Gross Split Scheme concept is based on the distribution of production sharing that is carried out on Gross Production, thus eliminating the Cost Recovery concept that occurred in the previous PSC scheme. However, there are several principles that remain in the Gross Split scheme, namely:

Figure 12 Flow of oil and gas working area establishment



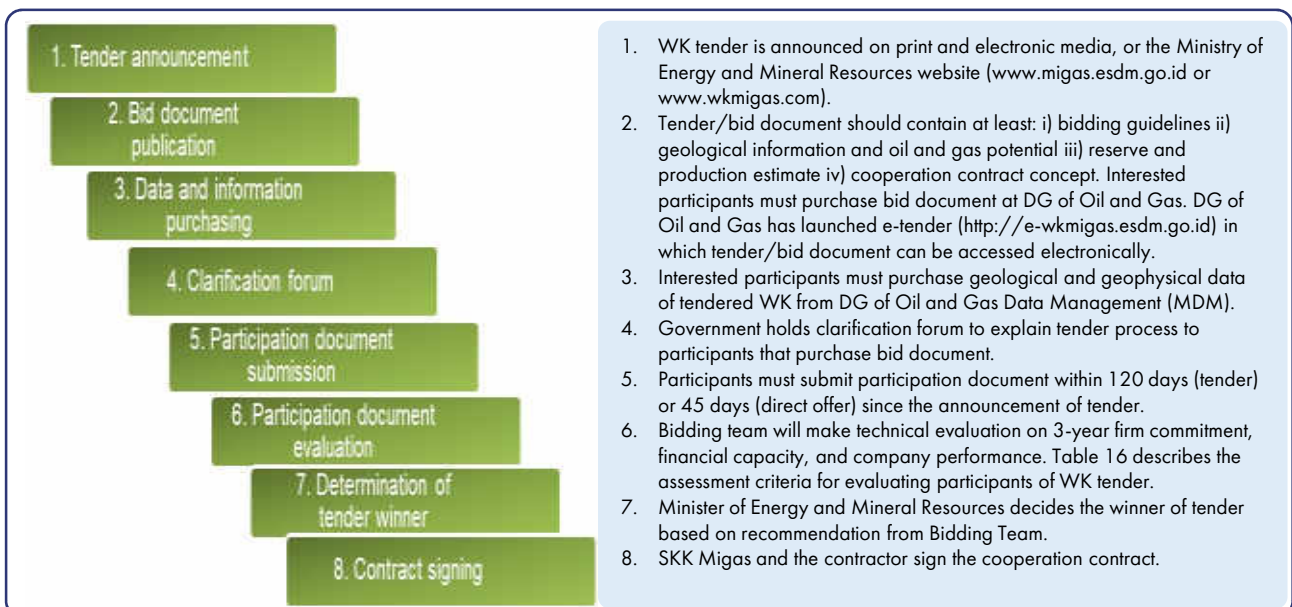
Source: Directorate of Upstream Business Development, MoEMR

3.1.3 Tender Procedure of Working Area

The tender process of WK is commenced with tender announcement and tender document issuance for each WK tendered by DG of Oil and Gas. Companies that purchase the documents will be noted as candidate bidders. Companies who wish to proceed in the bidding will be required to submit their participation documents at the latest 120 days (for bidding participants)

or 45 days (for direct offer participants) since the date of bidding or offer is announced. DG of Oil and Gas will form a Bidding team (for tendered WK) and an Assessment Team (for directly offered WK). The Bidding/Assessment Team will conduct technical, financial, and performance evaluation based on the submitted documents. Figure 13 briefly illustrates the flow of the tender process.

Figure 13 Flow of the tender process for oil and gas working area



Source: Directorate of Upstream Business Development, MoEMR

Table 16 Assessment criteria for WK of oil and gas

Technical assessment: a. Seismic survey commitment; b. Commitment of the quantity of new field wildcat well as well as plan of drilling location; and c. Reasonable and feasible technical proposal.	Financial assessment: a. Amount of signature bonus; b. Ability to finance firm commitment during the first three years of exploration; c. Budget for firm commitment; d. Last three years financial statements audited by public accountant; and e. Financial statements of holding company audited by public accountant.
Performance assessment: a. Experience in oil and gas business; and b. Compliance with laws and regulations applicable in Indonesia	
Other administrative requirements: a. Completed application form; b. Company profile; c. Last three years financial statements; d. Proposed work plan for 6 years of exploration; e. Commitment statement to pay bonuses; f. Statement affirming consortium establishment agreement and operator appointment; g. Statement of commitment and ability to perform contract; h. Statement from holding company on new entity to sign PSC; i. Copy of incorporation deed; j. Support letter from holding company to back the commitments; k. Original copy of bid bond; l. Statement of compliance with bid announcement; m. Receipt of bid document purchase; n. Data package license; o. Statement of bidder to comply with bid announcement.	

Online WK tender

Since 2016, the tender of oil and gas WK has been conducted online. The online tender was done as an effort to facilitate investors in participating in the tender process. With this online system, all questions for clarification are done online so there is no face-to-face process. This is expected to avoid undesirable things like corruption.

The online oil and gas WK tender procedure is as described below.

3.1.4 WK Offering in 2016

One of the measures that the government takes to increase reserves and production of oil and gas other than accelerating exploration activities from existing contracts is by developing new contracts.

WK Offering in 2016

In 2016, the Government of Indonesia offered WK through Direct Proposal and Tender. Please refer to <http://www.wkmigas.com/uncategorized/indonesia-conventional-oil-and-gas-bidding-first-round-year-2016/>.

Figure 14 The online oil and gas WK tender procedure



Source : <http://e-wkmigas.esdm.go.id>

Bid document purchase will be charged US\$ 5,000 for 1 block.

In accordance with Permen of ESDM No. 30/2017, payment for bid document, signature bonus and financial obligation for not fulfilling firm commitment of exploration, will be deposited to the State Treasury through an Online Non-Tax State Revenue Information System (SIMPONI) managed by the Directorate General of Budget of the Ministry of Finance.

Offered through direct proposal:

- Bukit Barat
- Batu Gajah Dua
- Kasongan Sampit
- Ampuh
- Ebuny
- Onin
- West Kaimana

Offered through regular tender:

- South CPP
- Oti
- Suremana I
- Manakarra Mamuju
- SE Mandar
- North Arguni
- Kasuri II

Of all the WK offered, there was only one winner, which is for Migas Oti working area. However, due to a change in the Gross Split contract scheme, Migas Oti working area will be re-tendered, so that practically no company has won the 2016 oil and gas WK tender.

The Implementation Team suggested that this Report mention the causes of the low investor interest in participating the WK oil and gas tender in 2016. One reason for the low investor interest in the 2016 WK of oil and gas tender is the oil price which was not stable at that time. Furthermore, some investors still need time to consider changes from PSC contract to Gross Split contract. Appendix 4 summarizes the results of tender in 2016.

Along with the issuance of Permen of ESDM No. 52/2017 as a revision of Permen of ESDM No. 8/2017 related to changes in oil and gas production sharing for K3S as well as PP No. 53/2017 concerning Tax Treatment for Gross Split Contract, there was an improvement in investor interest. Of the 10 WK of Migas offered in September 2017, 5 WK of Migas were successfully signed in 2018.

However, this situation has not been confirmed as the recovery of investor interest in the oil and gas WK tender. Some issues that have arisen after the issuance of the gross split tax regulation include (1) unclear implementation of additional production sharing rules for indirect taxes imposed on oil and gas contractors after the start of production. Related to this, the government has ensured that it will not revise the existing ministerial regulation to include a new clause for this split addition and will continue to refer to article 31 of PP No 53/2017, in which the contractor can get additional production sharing related to this indirect tax, if the field is not economical. (2) the provision of tax loss compensation (tax loss carry forward) for 10 years is not in accordance with article 6 paragraph 2 of Law No. 368/2008 concerning Income Tax which stated that tax loss carry forward is limited to 5 years. However, article 31 D of Law No. 368/2008, stated that provisions concerning taxation for oil and gas, geothermal, coal and sharia-based business sectors are regulated by / or based on Government Regulation. Thus, PP No. 53/2017 does not conflict with Law No. 36/2008.

3.1.5 The Rule of One Working Area for One Company

Based on Minister of Finance Regulation No. SE-75/1990, one Oil and Gas Working Area is for one Business Entity or Permanent Establishment and has one NPWP (principle of "Ring Fencing"). This principle regulates the Cost Recovery procedure which states that costs incurred in one Working Area cannot be charged to other Working Areas in order to alleviate the taxes of other Working Areas.

3.1.6 Transfer of Participating Interest (PI)

Regarding the transfer of PI of a block as discussed earlier in the 2015 EITI Contextual Report, there are several things that must be considered, including:

1. PI transfer must be approved by Minister of Energy and Mineral Resources and take into account SKK Migas' consideration.
2. During the first three years of exploration, contractors may not transfer PI to parties that are not affiliated to the company.
3. The disclosure of data for the purpose of PI transfer to other parties needs to be approved by the Minister of Energy and Mineral Resources through SKK Migas.
4. Contractors are required to offer 10% of PI (with investment replacement equal to 10%) to BUMD since the approval of POD-1, in which BUMD may not sell its PI, partially or entirely, for three years since the effective date of participation.
5. Other contractor's revenue outside the Cooperation Contract generated from the transfer of participating interest shall be subject to final income tax at the rate of :
 - a. 5% of gross amount for the transfer of participating interest during the exploration period or
 - b. 7% of gross amount for the transfer of participating interest during the exploitation period.

However, the transfer of Participating Interest can be exempted from the imposition of Income Tax in order to share the risk during the exploration period if it meets following criteria:

 - a. The contractor does not transfer all participating interest owned;
 - b. Participating Interest has been owned for more than 3 (three) years;
 - c. The exploration has been conducted and the contractor has disbursed an investment to carry out the exploration activities; and
 - d. The transfer of participating interest conducted by the contractor is not intended to make a profit.

List of PI transfer that took place in 2016 approved and reported by DG of Oil and Gas is as follows:

Table 17 List of PI Transfer in 2016

No	Letter No.	Date	Working Area	Operator	Composition Before PI Transfer	Composition After PI Transfer
1	SRT-0014/SKKD 3000/2016/SO	12-Jan-16	North Arafura	Mandiri Arafura Utara Limited	BP North Arafura Limited 100%	Mandiri Arafura Utara Limited 100%
2	575/13/DJM.E/2 016	14-Jan-16	Randugunting	PT Pertamina Hulu Energi Randugunting	PT Pertamina Hulu Energi Randugunting 40%	PT Pertamina Hulu Energi Randugunting 70%
					PV Randugunting Co Ltd 30%	PV Randugunting Co Ltd 30%
					PC Randugunting Ltd 30%	

No	Letter No.	Date	Working Area	Operator	Composition Before PI Transfer	Composition After PI Transfer
3	2273/13/DJM.E/2016	22-Feb-16	GMB Lematang	PT Methanindo Energi Resources	PT Medco CBM Lematang 55%	PT Medco CBM Lematang 34%
					PT Methanindo Energi Resources 40%	PT Methanindo Energi Resources 66%
					PT Saka Energi Indonesia 5%	
4	2273/13/DJM.E/2016	22-Feb-16	GMB Lematang	PT Methanindo Energi Resources	PT Medco CBM Lematang 55%	PT Medco CBM Lematang 34%
					PT Methanindo Energi Resources 40%	PT Methanindo Energi Resources 66%
5	2273/13/DJM.E/2016	31-May-16	Wokam II	PT Saka Energi Wokam	Murphy Wokam Oil Company Ltd 100%	PT Saka Energi Wokam 100%
6	6652/13/DJM.E/2016	31-May-16	GMB Sanga Sanga	VICO CBM Ltd	VICO CBM Ltd 7.5%	VICO CBM Ltd 7.5%
					VIC CBM Limited 15.625%	VIC CBM Limited 15.625%
					BP East Kalimantan CBM Limited 26.25%	BP East Kalimantan CBM Limited 38.4375%
					ENI CBM Limited 26.25%	ENI CBM Limited 38.4375%
					OPICOIL Energy 20%	
					Japan CBM Limited 4.375%	
7	11128/13/DJM.E/2016	22-Sep-16	Blok A Aceh	PT Medco E&P Malaka	PT Medco E&P Malaka 41.6667%	PT Medco E&P Malaka 58.3334%
					KrisEnergy (Blok A Aceh) BV 41.6666%	KrisEnergy (Blok A Aceh) BV 41.6666%
					Japex Blok A Ltd 16.6667%	
8	15918/13/DJM.E/2016	30-Dec-16	Randugunting	PHE Randugunting	PHE Randugunting 70%	PHE Randugunting 100%
					PV Randugunting Co Ltd 30%	

Source: DG of Oil and Gas, Data of EITI for the period of 2016

3.1.7 WK with Expired Contract

The new regulation related to oil and gas working area (WK) management which its cooperation contract will expire was issued by the Ministry of Energy and Mineral Resources on April 20, 2018. This Permen of ESDM No. 23/2018 revoked Permen of ESDM No. 15/2015. The consideration for the issuance of this Regulation is to maintain and improve oil and gas production and maintain the continuity of investment in oil and gas WK which the contract will end.

In determining the management of oil and gas WK which its cooperation contract has ended, there are 3 forms of management contracts in accordance with Article 2, namely:

1. The extension of the cooperation contract by the Contractor.
2. Management handled by PT Pertamina (Persero).

3. Joint management between the Contractor and PT Pertamina (Persero).

There are several things that must be considered by the Minister of Energy and Mineral Resources in determining the management of WK which its cooperation contract has ended, namely:

1. Potential of oil and/or gas reserves in the relevant WK.
2. Potential or market certainty / needs.
3. Technical and economic feasibility.
4. Commitment to prioritize the fulfillment of domestic oil and/or gas needs.
5. Performance of Cooperation Contract Contractors.
6. The maximum benefit for the country.

In evaluating management request by the Contractor and / or PT Pertamina (Persero), the Minister of Energy and Mineral Resources can form a Management Team for Oil and Gas WK which its cooperation contract will end. This team consists of representatives from units within the MoEMR, as well as other relevant agencies, if needed.

In accordance with Article 18, the WK tender can be carried out before the cooperation contract ends. If PT Pertamina (Persero) or a New Contractor has been declared as a tender winner, a cooperation contract may be signed before the expiration of the previous cooperation contract and is effective from the expiration date of the previous cooperation contract. Furthermore, activities can be done to prepare for operations after obtaining approval from SKK Migas.

PT Pertamina or the tender winner can conduct financing or operating activities needed before the effective date of the new cooperation contract to maintain the level of oil and gas production in the WK. All costs incurred in preparing for operations can be recovered based on a new cooperation contract. In the case of PT Pertamina (Persero) or Contractor not applying for an extension, the Minister may offer the WK through tender.

Article 25 paragraph (1) states that in the event that the cooperation contract has ended and the Minister of Energy and Mineral Resources has not yet determined the manager of the WK, the Minister may stipulate the old Contractor to carry out temporary management until a Contractor is definitively determined for the WK.

The following contracts will expire before 2024:

Table 18 List of PSC contracts that will expire before 2024

No	Working Area	Operator	Expiry Date
1	Bula	Kalrez Petroleum (Seram) Ltd.	31-Oct-19
2	Seram-Non Bula Block	CITIC Seram Energy Ltd.	31-Oct-19
3	Pendopo & Raja Block	JOB Pertamina - Golden Spike Energy Indonesia, Ltd.	5-Jul-19
4	Jambi-Merang Block	JOB Pertamina - Talisman Jambi Merang	9-Feb-19
5	South Jambi B Block	Conocophillips (South Jambi) Ltd.	25-Jan-20
6	Makassar Strait - Offshore Area A	Chevron Makasar, Ltd.	25-Jan-20
7	Malacca Strait	Emp Malacca Strait S.A	4-Aug-20
8	Brantas	Lapindo Brantas Inc.	22-Apr-20
9	Salawati Block	Job Pertamina-Petrochina Salawati Ltd.	22-Apr-20
10	Kepala Burung Blok	Petrogas (Basin) Ltd.	14-Oct-20
11	Rokan	Chevron Pacific Indonesia, Inc.	8-Aug-21
12	Bentu Segat	EMP Bentu Ltd.	19-May-21
13	Selat Panjang	Petroselat, Ltd.	5-Sep-21
14	Coastal Plains And Pekanbaru (Cpp) Block	BOB Pertamina – Bumi Siak Pusako	8-Aug-22
15	Tarakan Block	PT.Medco E&P Tarakan	13-Jan-22
16	Tungkal	Montd'or Oil Tungkal Limited	25-Aug-22
17	Sengkang Block	Energy Equity (Sengkang) Pty. Ltd.	23-Oct-22
18	Jabung Block	Petrochina International Jabung Ltd.	26-Feb-23
19	Rimau Block	PT. Medco E&P Rimau	22-Apr-23
20	Corridor Block	Conocophillips (Grissik) Ltd.	19-Dec-23

Source : SKK Migas

3.2 Mineral and Coal Mining Sector

3.2.1 Applicable Licenses in Mineral and Coal Mining Sector

Mineral and coal mining license based on Law No. 4/2009 adopts a licensing system called Mining Business License (IUP) which can be classified by mining area permit:

1. Mining Business License (IUP) is a license to conduct mining business activities in Mining Business License Area (WIUP), which is divided into:
 - a. IUP-Exploration
 - b. IUP-Production Operation
2. People's Mining License (IPR) is a license to conduct mining activities in People's Mining Area (WPR) with limited area and investment.
3. Special Mining Business License (IUPK) is a license to conduct mining activities in Special Mining Business License Area (WIUPK).

Authority to grant IUP for exploration and production based on Laws No. 4/2009 and No. 23/2014 is given to:

Table 19 Authority to grant IUP - exploration and production based on laws No. 4/2009 and No. 23/2014

Licensor	IUP - Exploration	IUP – Production Operation
	Mining Area	Mining Area and Impacted Area
Minister	Located in more than one province	Located and affecting more than one province Foreign investor
Governor	Located in several regencies/cities within one province	Located and affecting several regencies/cities within one province
	Located in one regency/city	Located and affecting one regency/city

Source: Law No. 4/2009 and Law No. 23/2014

Meanwhile, the IPR is issued by the Governor and IUPK is issued by the Minister of Energy and Mineral Resources. IUPK is granted irrespective of the geographical location of the associated mining area. Provincial Government has authority to establish Mining Business License Area (WIUP) in the existing mining area in its territory, while cross-provincial mining areas as well as foreign investment become the central authority represented by the MoEMR.

With the existence of the licensing system as described above, KK and PKP2B, which are the contract products of the previous Mineral and Coal Law, are still valid until the contracts / agreements expire. Similarly, KK and PKP2B signed before the enactment of PP No. 23/2010 (as the implementing regulation of Law No. 4/2009) are declared to remain in effect until the terms expire.

KK and PKP2B which have not obtained the first and/or second renewal can be extended to IUP without tender process (Article 112 PP No. 23/2010).

3.2.2 Establishment of Mining Area

Establishment of Mining Area

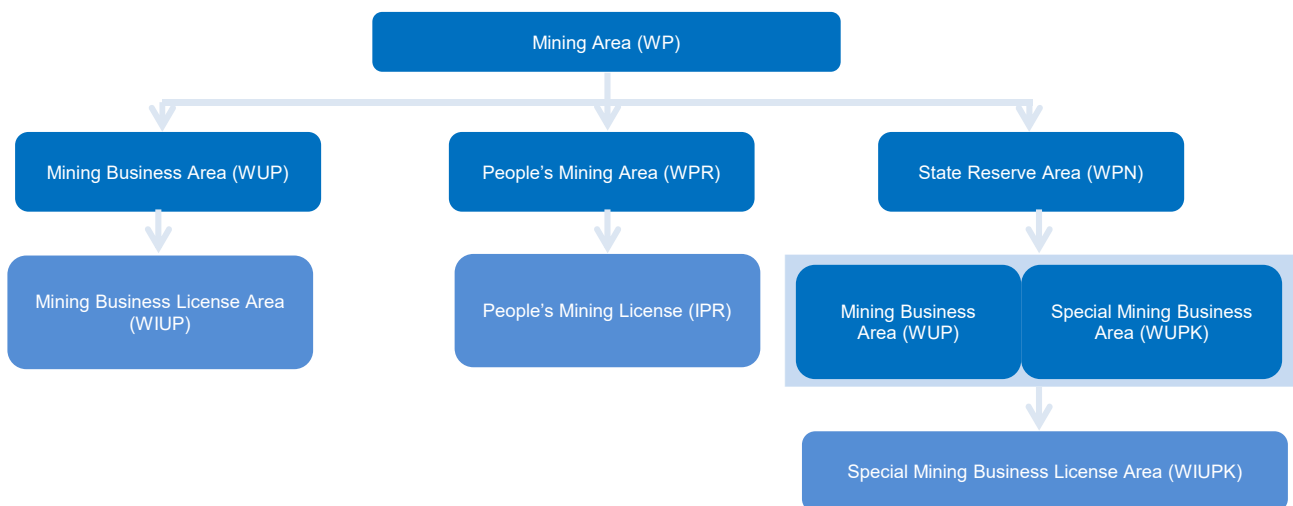
A mining area (WP) is an area with mineral and/or coal potential that is not bound by government's administrative boundaries and is part of national spatial planning. An area can be established as a WP given the following criteria:

- There is indication of mineral or coal deposits; or
- It has potential of mining commodity resources

WP is further categorized as Mining Business Area (WUP), People's Mining Area (WPR), and State Reserve Area (WPN). WUP is part of WP that has data, potential identification, and/or geological information. WPR is part of WP whereby mining activities are carried out by local communities, while WPN is WP reserved for national strategic interest.



Figure 15 Types of mining areas



Source: *Warta Minerba, XV Edition April 2013*

To establish a WP, the central government (assisted by the local government) conducts mining investigation and research activities. In conducting such activities, the government may assign assignments to state research institutions or local research institutions. Under certain conditions, the government may cooperate with foreign research institutions after obtaining approval from the Minister of Energy and Mineral Resources.

The WP plan is established by the Minister of Energy and Mineral Resources to be a WP after the coordination between the government and the local government, based on data held by both parties, and reported in written form to the DPR. Some of the central government's authority in establishing WP allocations can also be delegated to the provincial government. The establishment of WP allocation is regulated in PP No. 22/2010.

3.2.3 The Establishment of Mining Area and IUP in 2016

In 2016 there were 10 recommendation proposals for coal and mineral WIUP, respectively. However, there was no mining area and IUP establishment in 2016.

3.2.4 The Establishment of Mining Business License Area (WIUP)

Local government determines WIUP for metallic mineral and coal within one WP and Minister of Energy and Mineral Resources ratifies this decision. Prior to deciding WIUPs, the target areas must be announced to the public by the local government. If the metallic mineral and coal WIUP is situated in forest area, the local government needs to coordinate with the Ministry of Forestry.

A number of criteria apply in WIUP establishment:

- Geographical location;
- Conservation principles;
- Carrying capacity of the environment;
- Optimization of mineral and/or coal resources; and
- Population density.

Minister of Energy and Mineral Resources decides tender base price based on data compensation price and/ or recovery of investment costs given the availability of:

- Distribution of metallic mineral and coal formation;
- Indication of metallic mineral and coal deposits;
- Data on metallic mineral and coal potential;
- Metallic mineral and coal reserve data; and
- Supporting infrastructure.

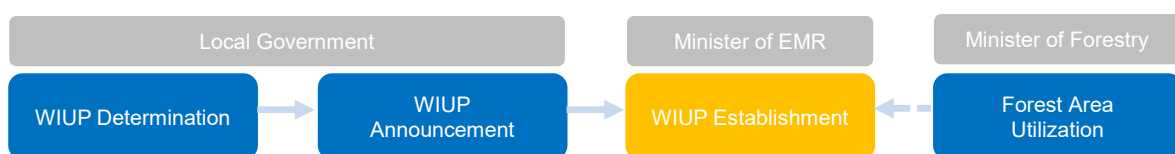
This compensation is recorded as non-tax state revenue.

In terms of license grant for WIUPK to interested BUMN and BUMD, the compensation payment must be made at least 30 days since the party is established as WIUPK holder. Five days after establishment, BUMN/BUMD must submit IUPK - Exploration request.

3.2.5 Tender Procedure of Mining Business License Area

The procedure for WIUP tender is regulated in Permen of ESDM No. 11/2018 which was later amended by Permen of ESDM No. 22/2018 and PP No. 23/2010.

Figure 16 Flow of mining business license area establishment



Source :PP No. 22/2010

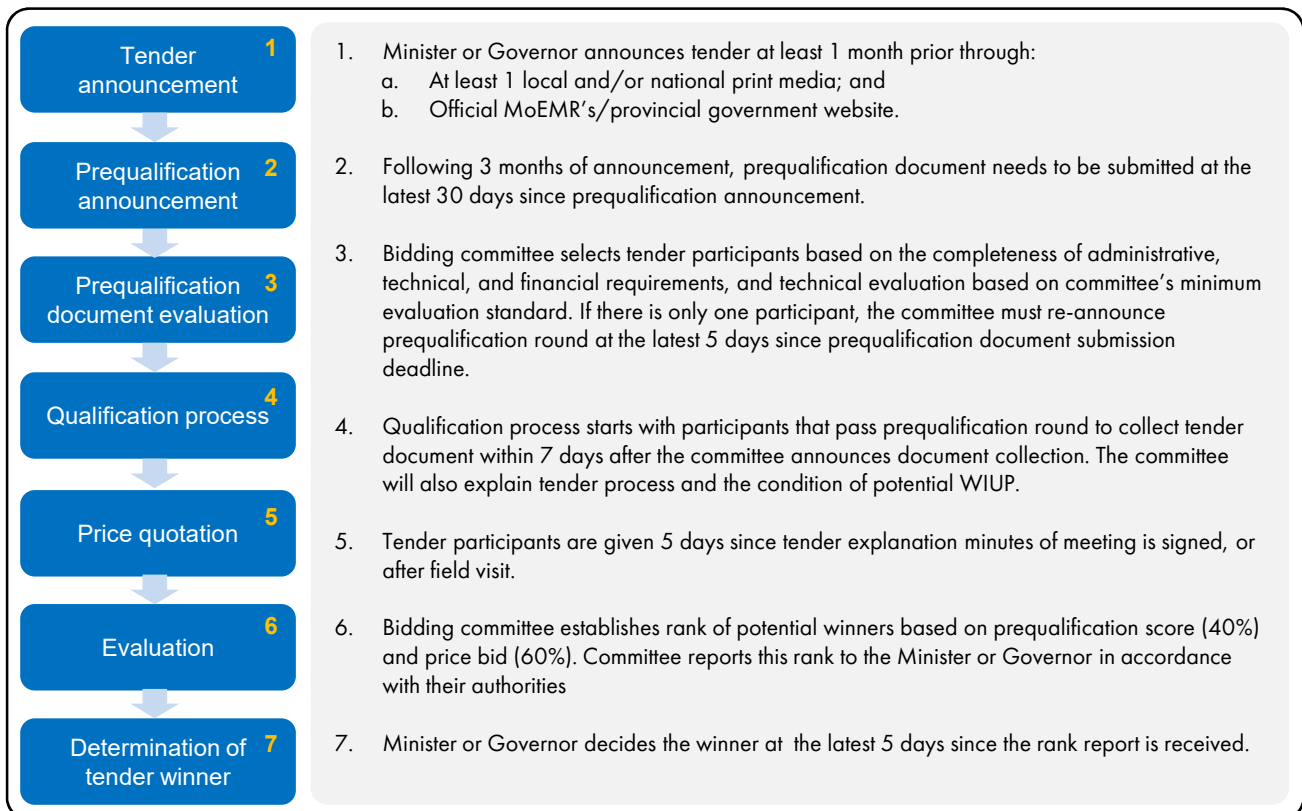
The tender plan must first be announced no later than 1 (one) month prior to the tender. The announcement of the WIUPK tender plan is carried out by the Minister of Energy and Mineral Resources, while the WIUP tender plan can be carried out by the Minister or the Governor depending on the location of the WIUP:

- Minister of Energy and Mineral Resources - for WIUP that cross provincial boundaries or sea territory over 12 miles from coastline.
- Governor – for WIUP within a province or sea territory 4 to 12 miles from the coastline.

To prepare bidding round, Minister of Energy and Mineral Resources or Governor forms Bidding Committee, comprising of personnel with competence in mining engineering, mining legal system, and mining financial system, with at least 3 years of experience working in the mining sector.

- b. Employing at least 1 mining expert and/ or geological expert with minimum 3 years of professional experience;
 - c. Preparing work and budget plan for 4 years of exploration activities.
3. Financial requirements, among others:
 - a. Last year financial statements audited by Public Accounting Firm;
 - b. Bid bond in cash deposited to government bank in the amount of 10% (ten percent) of compensation value of data and/or investment recovery of WIUP tendering;
 - c. Statement of willingness to pay for WIUP tender value at least within five working days after winner announcement.

Figure 17 Flow of the tender process for WIUP



Source : DG of Minerba, MoEMR

In order to participate in the bidding round of WIUP, bidders must meet the following requirements:

1. Administrative requirements, among others:
 - a. Completed tender form;
 - b. Entity's profile and incorporation deed;
 - c. Taxpayer Identification Number (NPWP).
2. Technical requirements, among others:
 - a. Having minimum 3 years business experience in mineral or coal mining; new companies need to have endorsement from holding company, business partner, or affiliated company in mining sector;

3.2.6 WIUP Tender and the Issuance of IUP in 2016

There is no new IUP issuance in 2016 because the Government establishes new Mining Areas in 2017.

3.2.7 The Rule of One IUP for One Company

One private company may have only one IUP and only listed companies (in the stock exchange) and companies that obtain WIUP for non-metallic minerals and / or rocks that may own more than one IUP.

04

CONTRIBUTION OF EXTRACTIVE INDUSTRY IN INDONESIA



As a country that has abundant potential energy and mineral resources, the contribution of extractive industry plays an important role in the Indonesian economy. Although currently the role began to be replaced by other industries, the contribution of this industry is still relied on by the government because there are still many potential energy and mineral resources that have not been explored, especially in eastern Indonesia.

Indonesia has proven oil reserves of 3.3 MMSTB/billion barrels and proven gas reserves of 101 TSCF / trillion standard cubic feet as of January 1, 2016. The amount of Indonesia's oil reserves and production is not significant compared to other oil producing countries. Indonesia's oil reserves and production constitute 0.2% and 1% of the world's total oil reserves and production, respectively. While Indonesia's gas reserves are 1.5% of the world's gas reserves and the 12th largest producer of gas compared to other countries or constitute 2% of the world's total gas production¹⁵.

Indonesia is one of the highest coal producers in the world (5th), 6% of world coal production comes from Indonesia. For coal reserves, Indonesia currently ranks 9th with around 2.2% of global proven coal reserves¹⁶.

Indonesia also has an important role in world mineral mining. Based on U.S. Geological Survey statistics in 2017, Indonesia's tin reserves and production were ranked second after China. In addition, Indonesia's gold reserves contribute 5% in global reserves or are ranked 5th highest.

4.1 Distribution and Potency of Extractive Industry in Indonesia

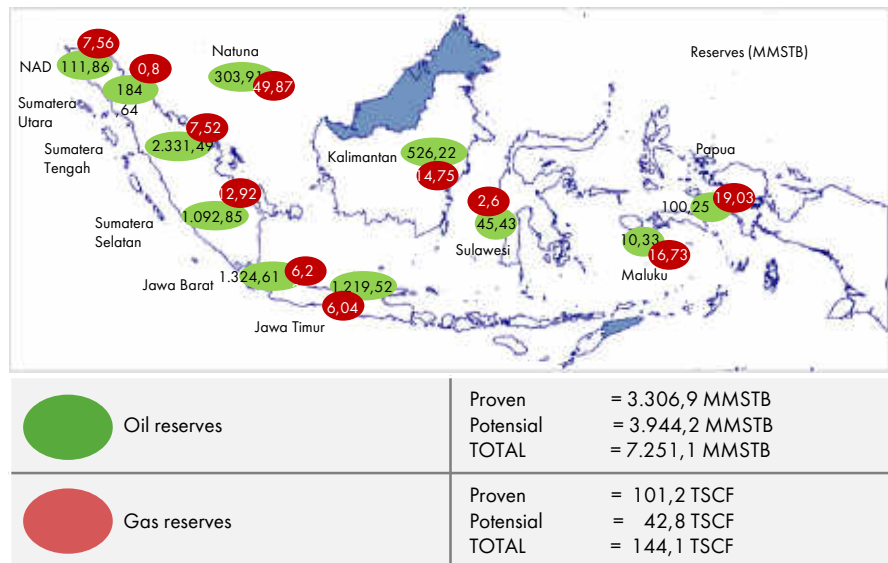
4.1.1 Oil and Gas Sector

The prospect of Indonesia's oil and gas resources is still quite large and the largest distribution is in Sumatra, Kalimantan, Papua and Jawa. The prospect of Indonesia's oil resources is concentrated on the island of Sumatra by 50%, followed by Jawa by 35% of national oil reserves. While the largest gas reserves are in Natuna by 35% and the rest are spread in eastern Indonesia such as Papua by 13%, followed by Maluku by 12% of the total prospects of gas resources in Indonesia.

15 Peringkat cadangan dan produksi berdasarkan BP Statistic Review tahun 2017

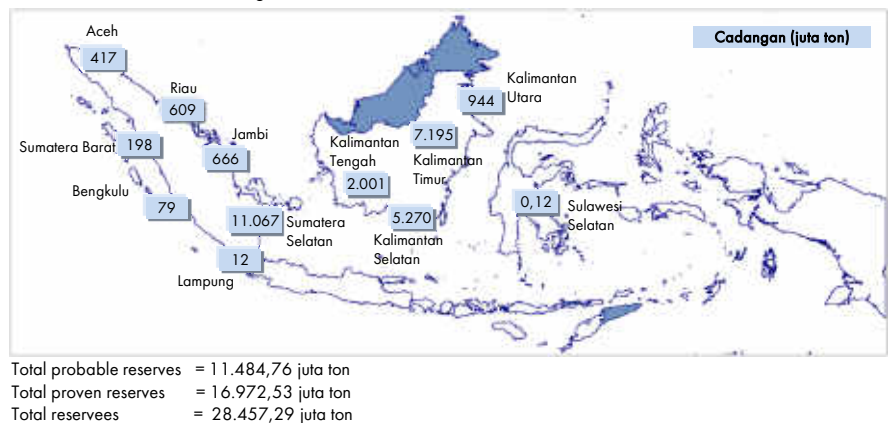
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Figure 18 Distribution of Indonesia's oil and gas reserves



Source :Statistik Minyak dan Gas Bumi 2016, DG of Oil and Gas, MoEMR

Figure 19 Distribution of coal reserves in Indonesia



Source: DG of Minerba, modified

4.1.2 Coal Mining Sector

Indonesia's coal reserves at the end of 2016 reached 28.5 billion tons. The distribution of coal reserves is concentrated in three regions, Sumatera Selatan (39%), Kalimantan Timur (25%), and Kalimantan Selatan (19%).

4.1.3 Mineral Mining Sector

Papua has primary gold, copper and silver reserves amounted to almost 80% of total national reserves. Almost all tin reserves are located in Bangka Belitung. The island of Kalimantan holds many iron and bauxite reserves in Kalimantan Barat¹⁷.

Map of resources and reserves distribution by region and commodity can be accessed at <http://psdg.bgl.esdm.go.id/images/stories/neraca/2016/executive%20summary%20neraca%20mineral%20psdmbp%202016.pdf> and http://psdg.geologi.esdm.go.id/kolokium/2017/Buku%202%20Bidang%20Mineral%20-%20Prosiding%20Hasil%20Kegiatan%202017_PSDMBP.pdf.

Table 20 shows the total major metal mineral reserves in 2016.

4.2 Contribution of Oil and Gas GDP and Mining GDP in Indonesia

Chart 1 outlines the contribution of the Indonesian mining sector to national GDP at current price. Since 2012 to 2016 the contribution percentage of the mining sector to national GDP has continued to decline from 12% in 2012 to 7% in 2016. The mining sector's GDP contribution in 2016 decreased by around 1% compared to 2015. The effect of the recovery in non-oil and gas commodity prices in 2016 indirectly affected the increase in production of this sector in 2016 compared to the previous year. Meanwhile, oil price has not recovered in 2016.

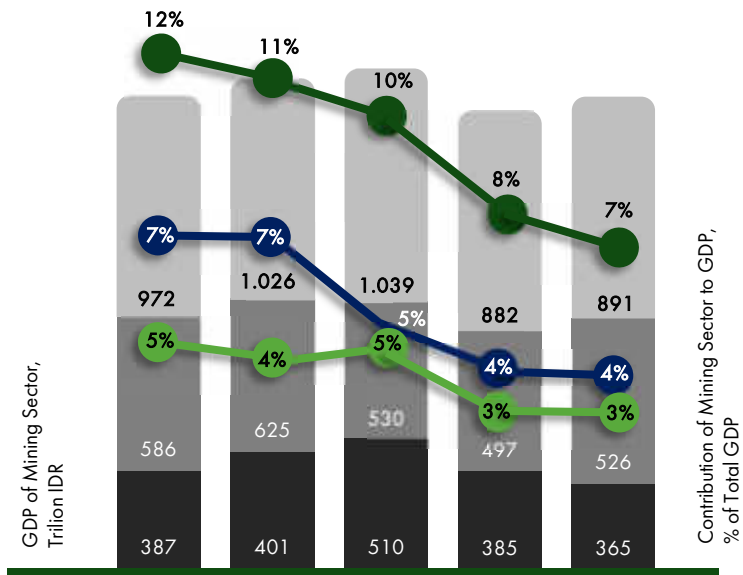
¹⁷ Based on data from Geology Agency website at <http://webmap.psdg.bgl.esdm.go.id/geosain/neraca-mineral-strategis.php?mode=adminstrasi>

Table 20 Total mineral reserves in Indonesia in 2016

No	Commodity	Probable		Proven		Total Reserves (Ton)	
		Ore	Metal	Ore	Metal	Ore	Metal
1	Primary Gold	281.19	-	2,626.66	-	2,907.85	-
2	Bauxite	1,045.78	482.26	236.71	100.35	1,282.49	582.61
3	Nickel	2,917.04	44.29	238.64	4.28	3,155.68	48.57
4	Copper	325.28	1.75	2,750.98	26.17	3,076.26	27.92
5	Primary Iron	852.46	97.56	45.85	91.20	898.31	188.76
6	Iron Sand	829.14	361.46	67.87	6.61	897.01	368.07
7	Manganese	84.56	40.93	2.67	2.20	87.23	43.13
8	Zinc	14.59	1.50	5.28	0.78	19.87	2.28
9	Tin	1,035.02	0.68	826.27	0.22	1,861.29	0.90
10	Silver	265.92	1.11	2,564.81	0.58	2,830.73	1.69

Source: Lakip KESDM 2016

Chart 1 Contribution of mining GDP to total national GDP (at current price)



	Total Mining	972	1.026	1.039	882	891
	General Mining	586	625	530	497	526
	Oil and Gas Mining	387	401	510	385	365
	% Oil and Gas Mining	5%	4%	5%	3%	3%
	% General Mining	7%	7%	5%	4%	4%
	% Total Mining	12%	11%	10%	8%	7%
Total National GDP, Triliun IDR		8.231	9.087	10.570	11.526	12.407

Source: BPS (GDP based on business field – oil and gas (migas) mining and mining without migas)

GDP at current price based on business field can be found on the National Statistics Agency (BPS) website: <https://www.bps.go.id/linkTableDinamis/view/id/826> untuk tahun 2014 - 2018.

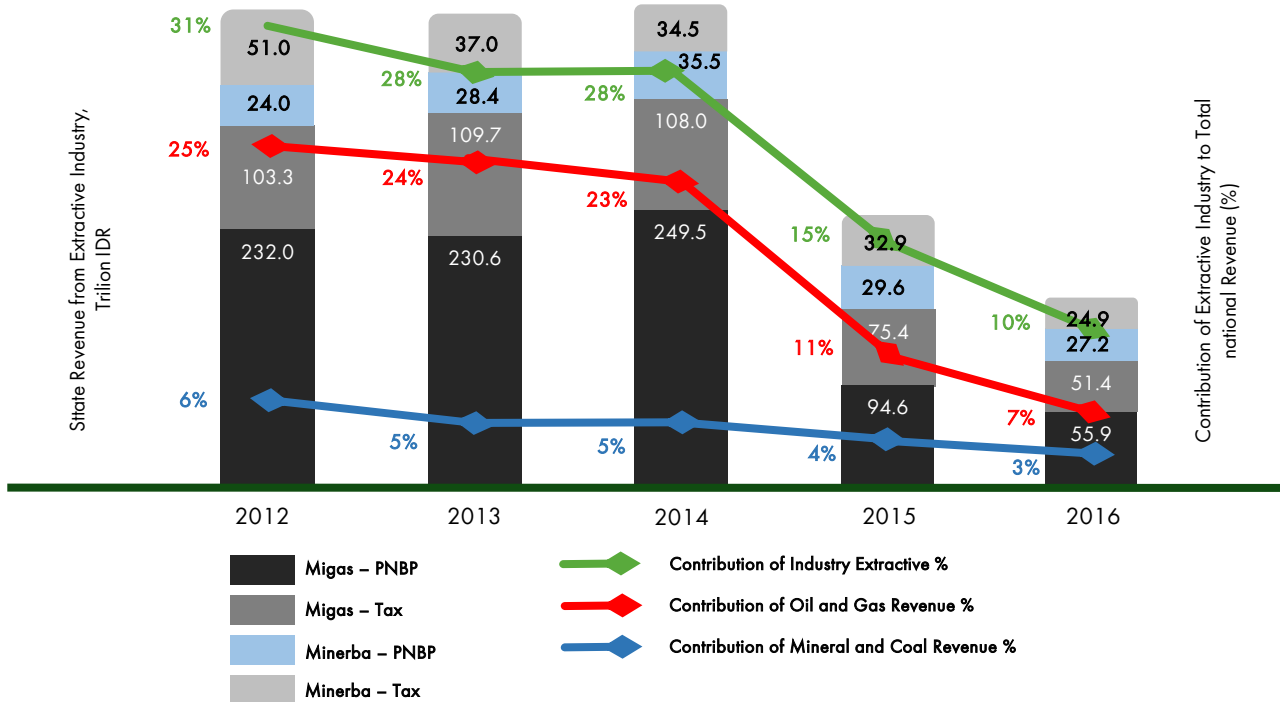
4.3 State Revenue form Oil and Gas Sector and Mineral and Coal Sector

4.3.1 Oil Sector

National Production and Lifting Volume

Chart 3 shows an increase in oil production by 6% in 2016 after experiencing a decline in production during the period of 2013-2015.

Chart 2 State revenue from the extractive industry

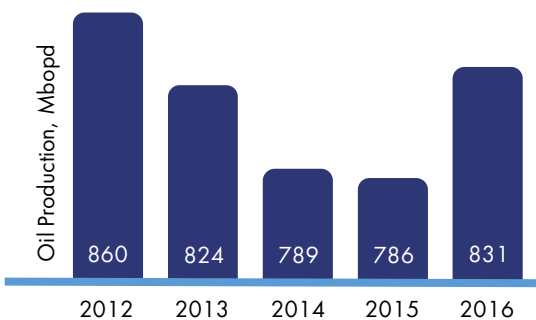


Source: LKPP, Annual Reports of DG of Taxes

Chart 2 illustrates the contribution of extractive industry to state revenue in the period of 2012-2016, excluding dividend income from BUMN engaged in extractive industry. The contribution of revenue generated from extractive industry to state revenue tends to decline from year to year. 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.

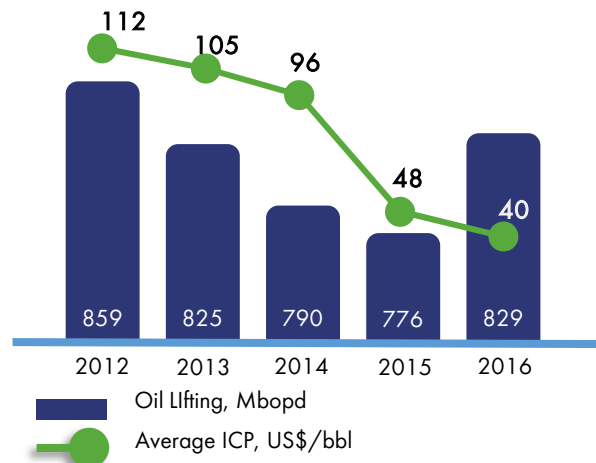
The increase in 2016 production was largely contributed by Banyu Urip, which is fully operated in that year¹⁸. Meanwhile, despite an average decline of ICP of 17% from 2015, along with the increase in production, oil lifting has increased from the previous year. As shown in chart 4, national oil lifting increased by 6.8% from the previous year.

Chart 3 Oil production in 2012-2016



Source : Annual Reports of SKK Migas in 2012 - 2016

Chart 4 Oil lifting in 2012-2016



Source : Annual Reports of SKK Migas in 2012 - 2016

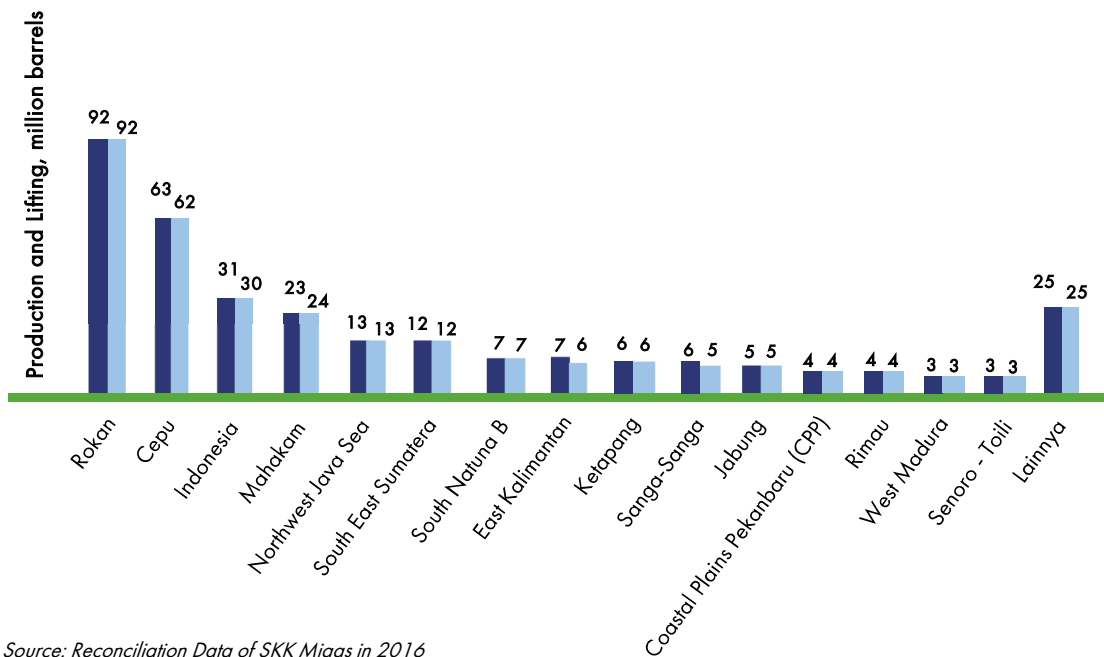
Production Volume, Lifting Volume and Lifting Value of Oil by Main Working Areas

Chart 5 illustrates 15 main working areas which account for around 92% of national oil production and lifting. In 2016, Rokan Block managed by Chevron Pacific Indonesia was the largest contributor to oil production in Indonesia with 92 million barrels of production and lifting, which represents 30% of total oil production and lifting in 2016. The second largest contributor to production and lifting of oil was the Cepu Block managed by Exxonmobil Cepu Ltd. The Cepu Block produced 63 million barrels of oil or 21% of the total oil production in 2016. Lifting oil in the Cepu Block was 62 million barrels or 21% of the total national lifting in 2016.

The next position was held by the Indonesian Block managed by PT Pertamina EP with production and lifting of 31 million barrels and 30 million barrels respectively in 2016 which constitute 10% of the total national oil production and lifting.

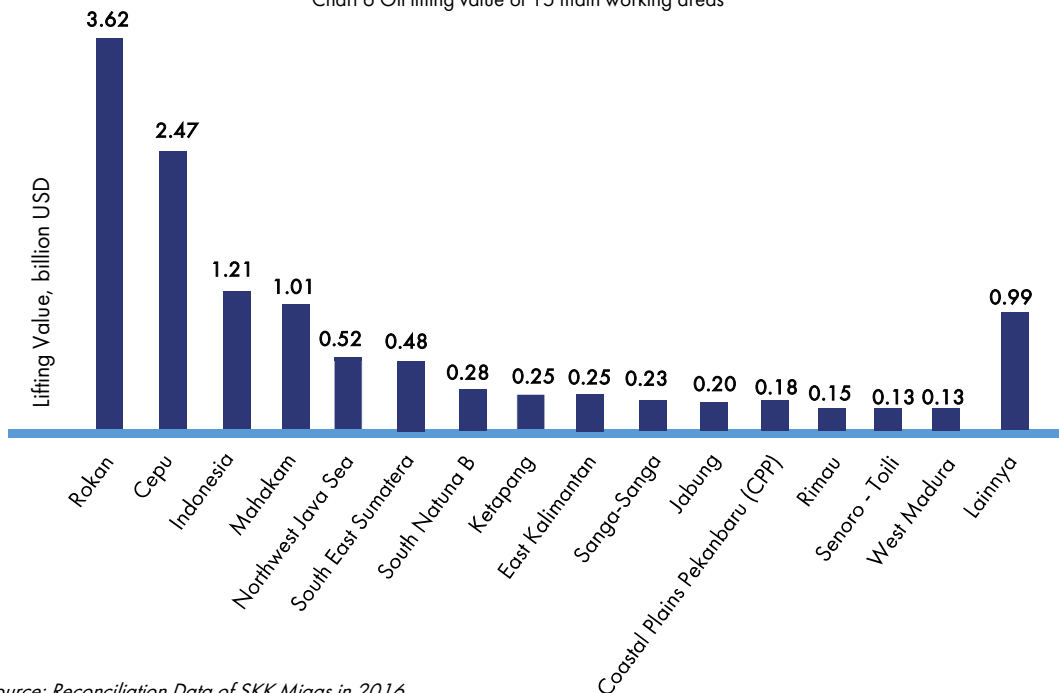
Chart 6 depicts 15 main working areas based on oil lifting value in 2016. The Rokan block ranked first with oil lifting value of US\$ 3,62 billion or 30% of total oil lifting value. Furthermore, the Cepu Block and Indonesia Block occupied the second and third positions with lifting values of US\$ 2,47 billion and US\$ 1,21 billion, or 20% and 10% of the total oil lifting value in 2016.

Chart 5 Oil production and lifting of 15 main working areas



Source: Reconciliation Data of SKK Migas in 2016

Chart 6 Oil lifting value of 15 main working areas



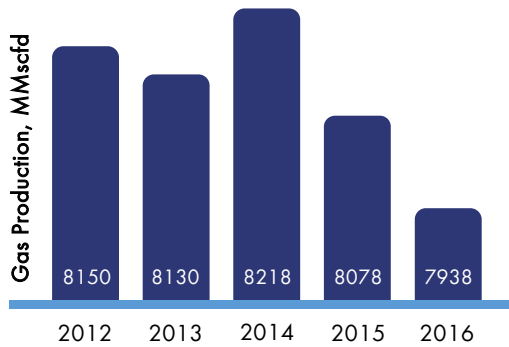
Source: Reconciliation Data of SKK Migas in 2016

4.3.2 Gas Sector

National Production and Lifting Volume

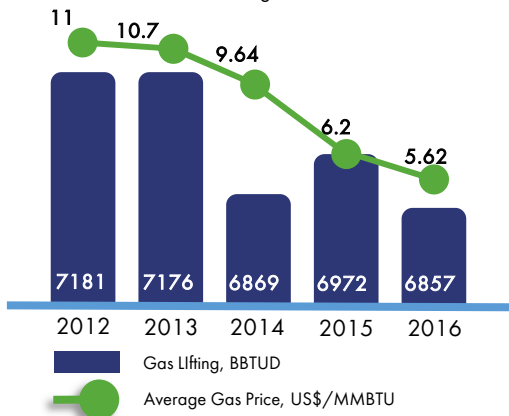
Chart 7 and Chart 8 show a decrease in gas production and lifting in 2016. The decline in production and lifting was caused by a decrease in natural production and the end of export contracts.

Chart 7 Gas production in 2012-2016



Source : Annual Reports of SKK Migas in 2012 - 2016

Chart 8 Gas lifting in 2012-2016



Source : Annual Reports of SKK Migas in 2012 - 2016

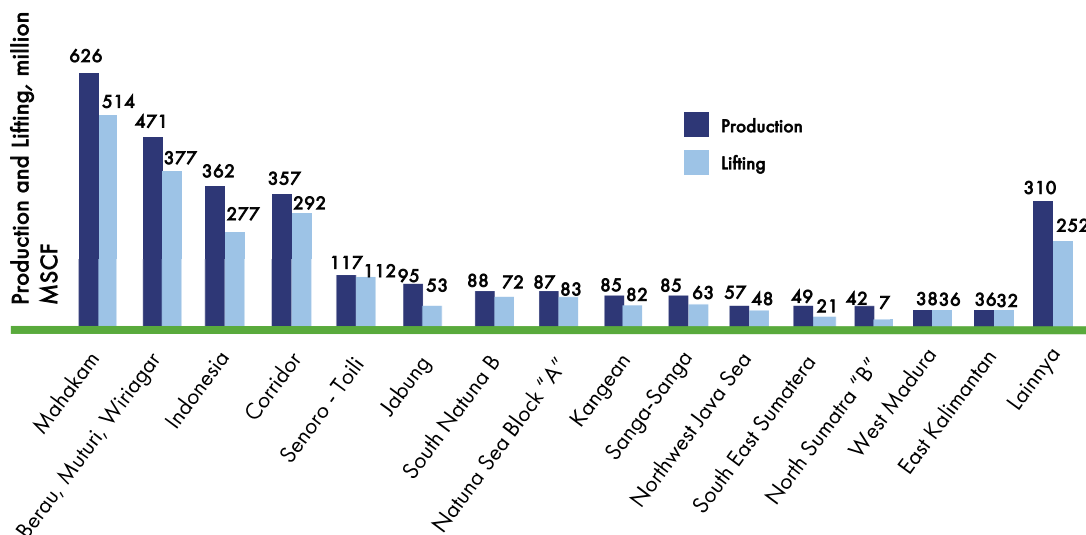
Production Volume, Lifting Volume and Lifting Value of Gas by Main Working Areas

Chart 9 illustrates the main blocks that contribute 89% to the volume of national gas production and lifting. Mahakam Block managed by Indonesia Petroleum Ltd. and Total E & P Indonesia became the largest contributor to production and lifting of gas in 2016 with total production and lifting of 626 million MSCF and 514 million MSCF or 22% of the volume of national gas production and lifting. The second largest contributors to gas production were Berau, Muturi, Wiriagar Blocks managed by BP with gas production volume of 471 million MSCF or 16% of the total national gas production volume in 2016. Meanwhile, gas lifting volume of Berau, Muturi, Wiriagar Blocks was 377 million MSCF or 16% of the national gas lifting volume. Furthermore, the Indonesian Block managed by PT Pertamina EP is the third largest contributor to gas production and lifting in 2016 with production and lifting volumes of 362 million MSCF and 277 million MSCF which constitute 12% of the total national gas production and lifting.

Chart 10 shows 15 main working areas by the value of gas lifting in 2016. Mahakam block with gas lifting value of US\$ 3,08 billion or 23% of total gas lifting value was the largest contributor of gas lifting in 2016. Then, the second and third largest contributors were Berau, Muturi, Wiriagar Blocks dan Indonesia Block with lifting value of US\$ 2,13 billion and US\$ 1,69 billion or amounting to 16% and 12% of total gas lifting value in 2016, respectively.

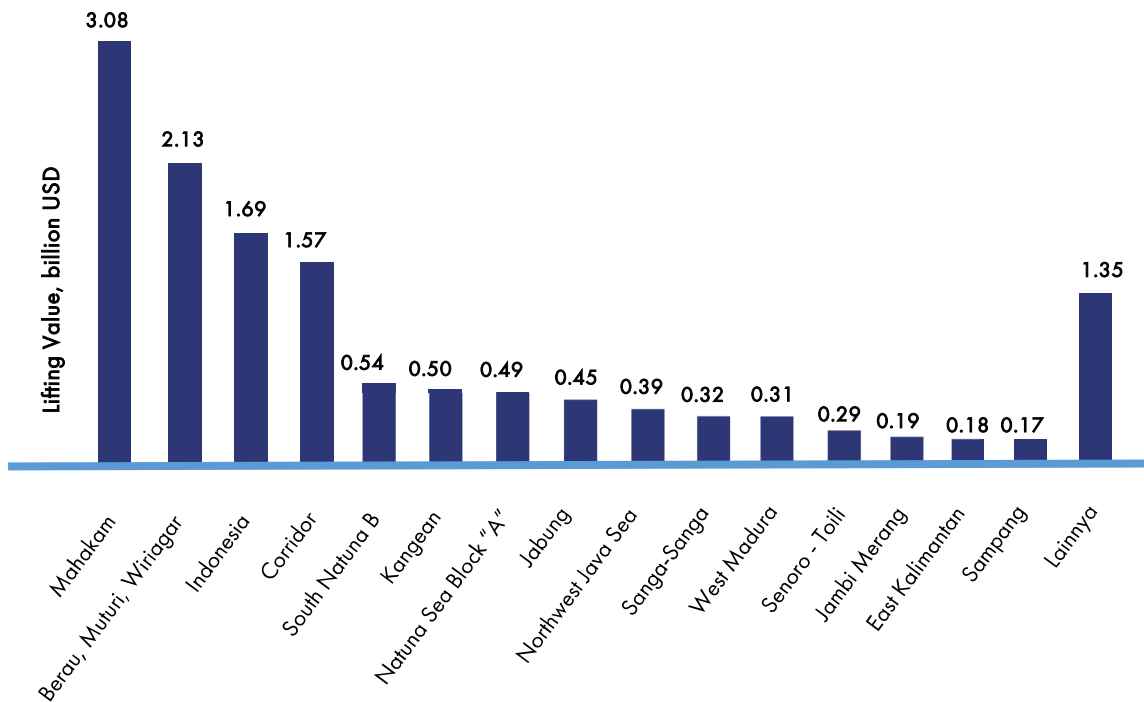
The relevant agencies in the oil and gas sector only provide lifting values and no production value. The reason is the recording of value realization is only conducted at the time of lifting since production is not a realization of sales.

Chart 9 Gas production and lifting of 15 main working areas



Source: Reconciliation Data of SKK Migas in 2016

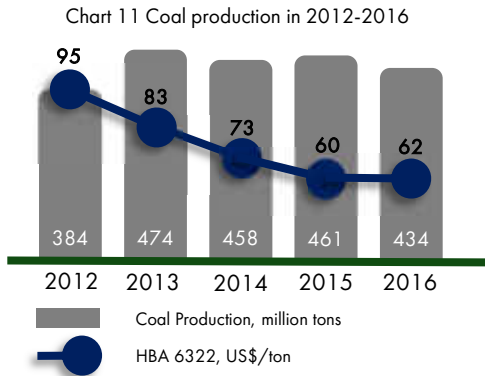
Chart 10 Gas lifting value of 15 main working areas



Source: Reconciliation Data of SKK Migas in 2016

4.3.3 Coal Sector

Chart 11 shows stable production of coal in Indonesia during the period of 2012-2016.



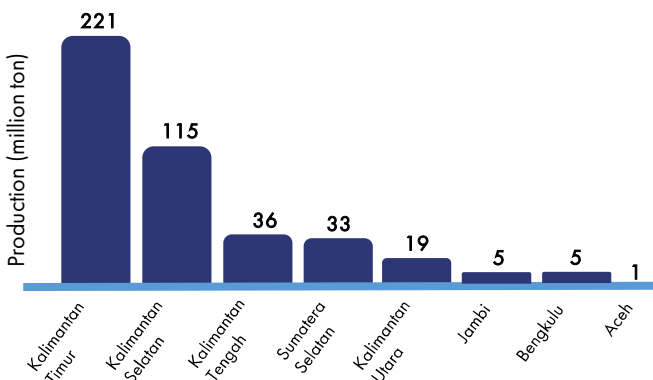
Source: Performance Reports of DG of Minerba in 2012-2016

In 2016 about 90% of coal production activities are concentrated in the island of Kalimantan because coal infrastructure is mostly found on the island of Kalimantan. The largest producers of coal were:

- PT Kaltim Prima Coal located in Kalimantan Timur contributed around 13% of total national production in 2016.
- PT Adaro Indonesia located in Kalimantan Selatan contributed 12% of total national production in 2016.
- PT Kideco Jaya Agung located in Kalimantan Timur contributed 7% of total national production in 2016.

Provision of production value information by relevant institutions is not common. DG of Minerba shows production data per company in 2016 Performance Report that can be accessed at <https://www.minerba.esdm.go.id/library/publish/LAKIN%20MINERBA%202016.pdf>

Chart 12 Coal production by producing provinces in 2016



Source: Performance Reports of DG of Minerba in 2012-2016

4.3.4 Main Minerals Production

After experiencing a sharp decline in 2015 due to export restriction, copper production increased again in 2016 along with the construction of copper processing plants in Indonesia. Meanwhile, the production of gold, tin and matte nickel declined in 2016, which was due to a decline in the main mineral content in major mining companies.

Table 21 Volume of main minerals production in 2012-2016

Main Mineral	Unit	2012	2013	2014	2015	2016
Copper	Ton	410.228	521.025	617.840	197.634	246.155
Gold	Ton	53	57	69	97	91
Silver	Ton	203	208	252	318	322
Tin	Ton	130.809	82.954	60.038	70.073	62.877
Nickel Matte	Ton	72.899	78.074	80.341	82.440	78.748

Source : Performance Reports of DG of Minerba in 2012-2016

4.4 Contribution of Oil and Gas Export and Mineral and Coal Export

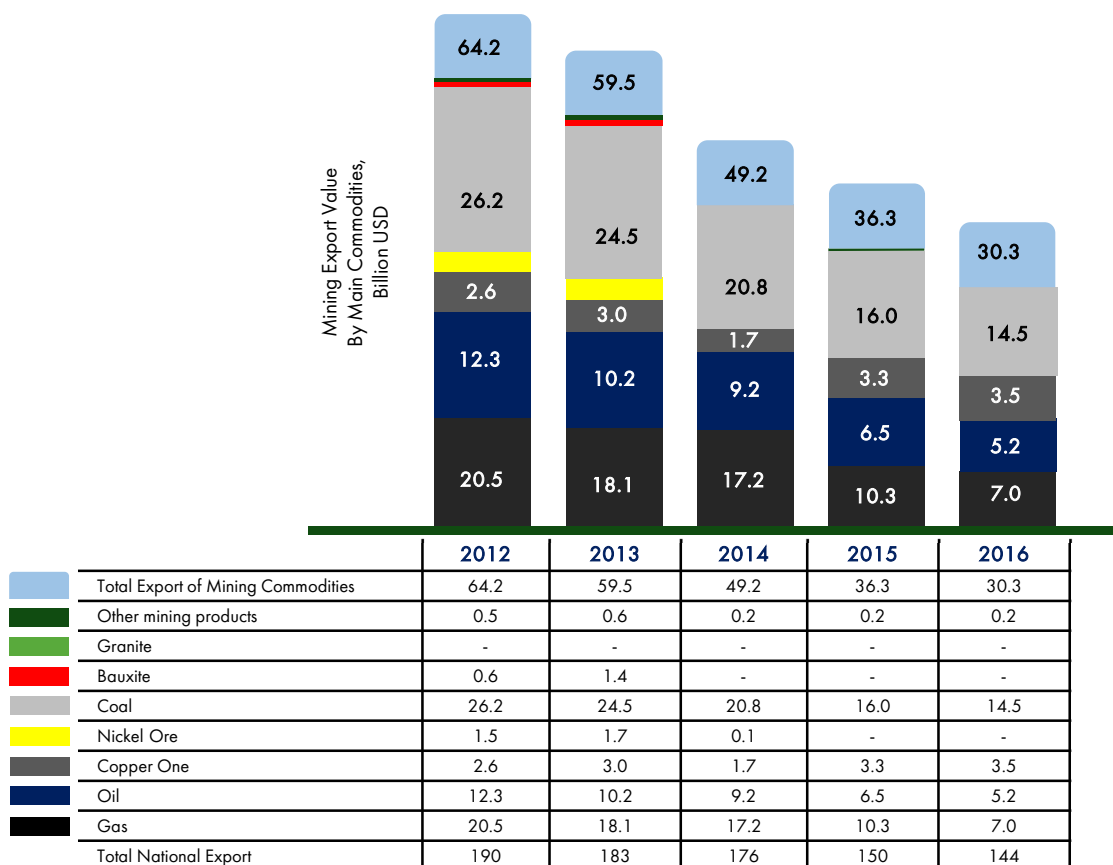
4.4.1 Oil & Gas and Mineral & Coal Sector

Charts 13-15 illustrate mining commodity export and their contribution to national export for the period of 2012-2016. The contribution of mining export to the total national export was quite significant, ranging between 21% -34%. The export value was dominated by the export value of oil and gas and coal. In 2012-2016, oil and gas export contributed around 8% -17% of the total value of national export while the value of coal export reached 10% -14% of the total value of national export.

The contribution of mining export in 2012-2016 experienced a downward trend due to international commodity price pressure.

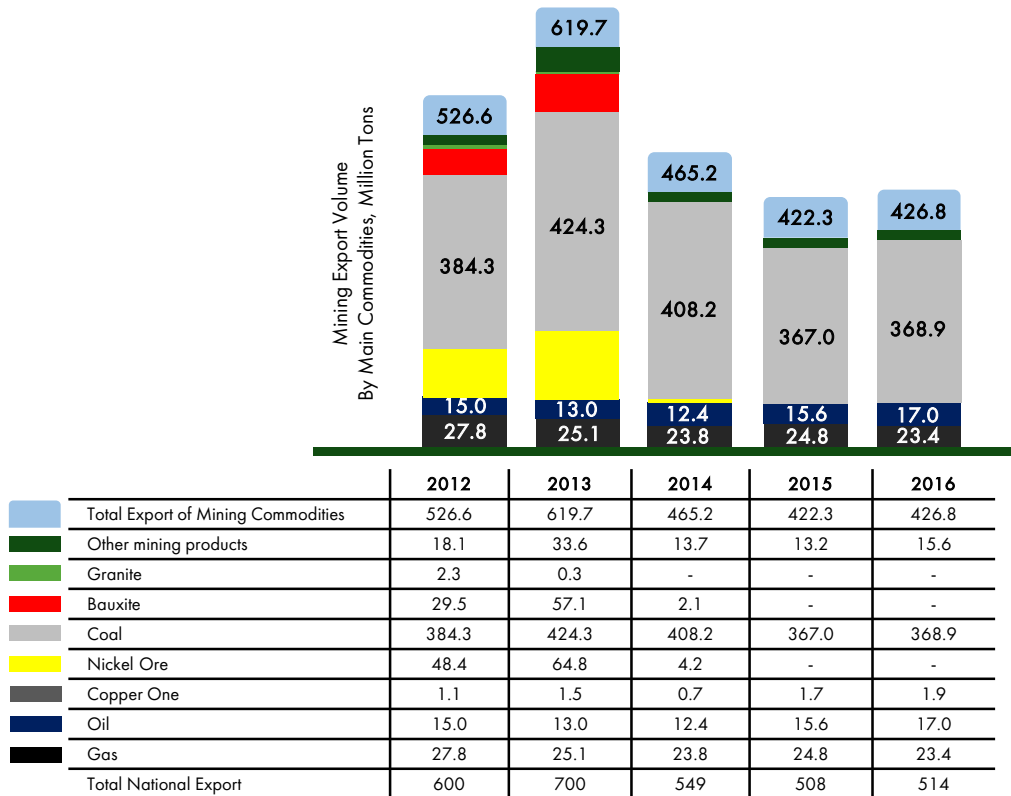
Other mining products as shown in charts above, among others, consist of iron ore, zinc ore, lead ore and other mining and quarrying products such as gravel, ornamental stones and pumice. Commodity-based national export lists can be found in the *Buletin Statistik Perdagangan Luar Negeri Ekspor Menurut Komoditi dan Negara*, a bulletin that can be accessed at the official BPS website.

Chart 13 Export value of mining sector by main commodities, in billion USD



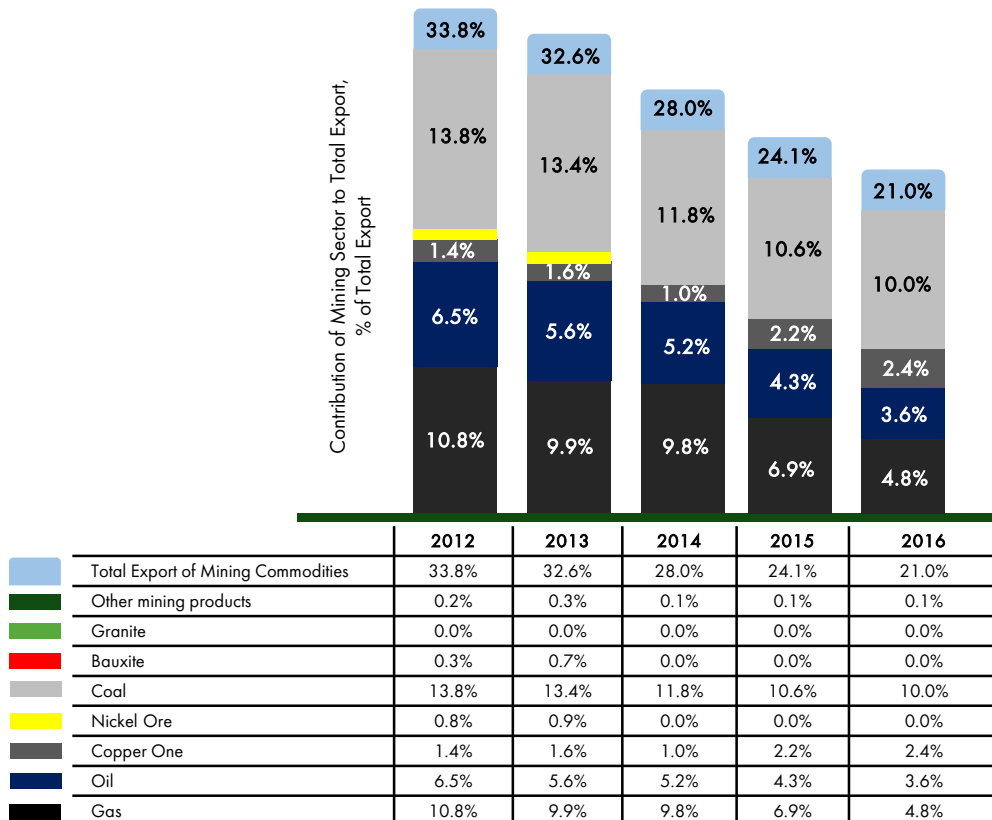
Source: Buletin Statistik Perdagangan Luar Negeri, BPS

Chart 14 Export volume of mining sector by main commodities, in million tons



Source: Buletin Statistik Perdagangan Luar Negeri, BPS

Chart 15 Contribution of Mining Sector to Total Value of National Export



Source: Buletin Statistik Perdagangan Luar Negeri, BPS

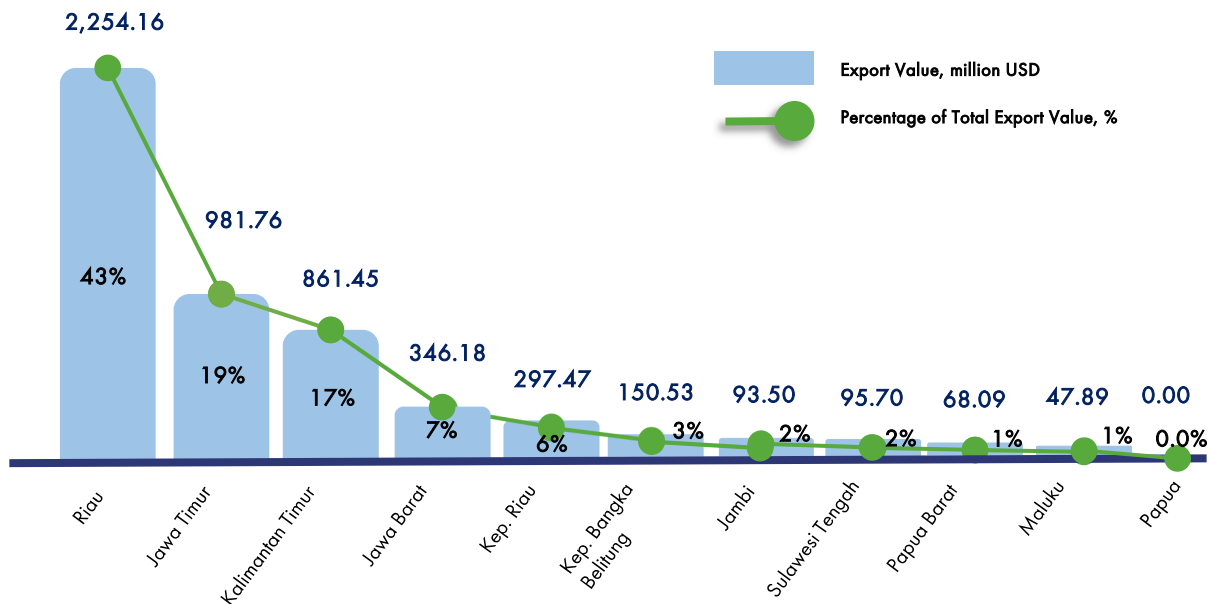
4.4.2 Export of Oil Sector by Main Provinces

The value and volume of oil export in 2016 are shown in Chart 16 and Chart 17. The largest contributor to oil export in 2016 was Riau Province with an export value of US \$2,254 million and export volume of 7.35 million tons which was 43% of the total value and volume of national oil export. Meanwhile, the provinces of Jawa Timur and Kalimantan Timur were the second and third largest contributors to oil export with an export value of US \$982 million and US \$861 million respectively. Most of the exported oil is the contractor's share.

4.4.3 Export of Gas Sector by Main Provinces

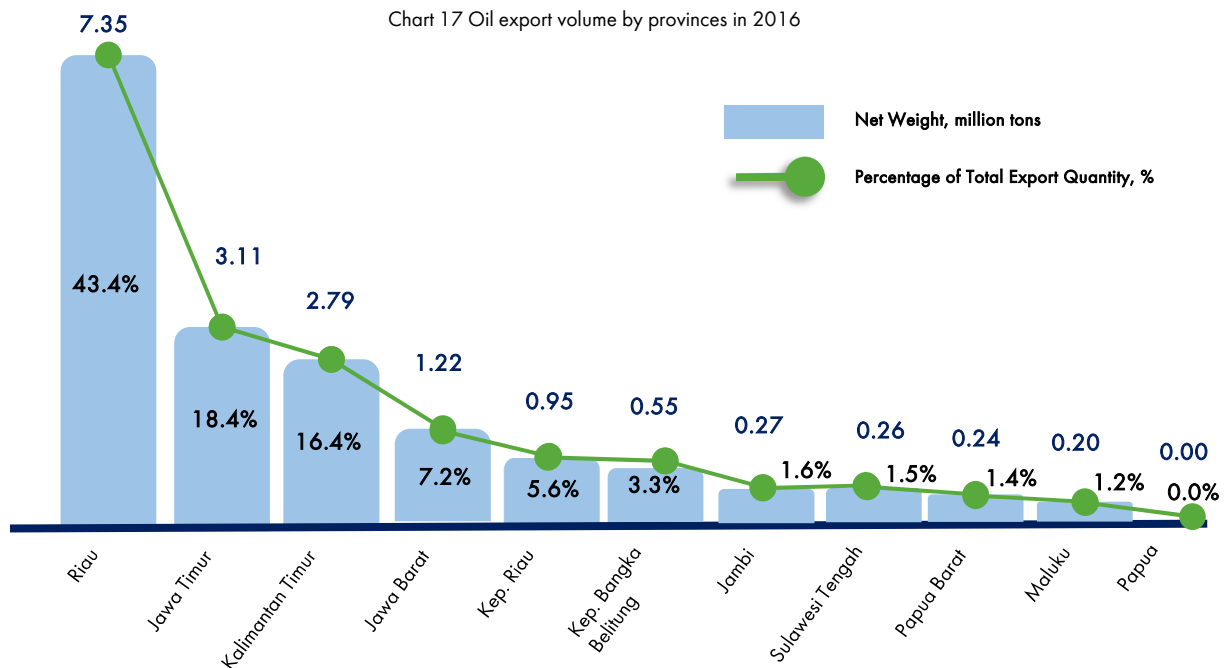
Charts 18 and 19 illustrate the value and volume of gas export from each gas exporting region in 2016. The largest contributor to gas export was Kalimantan Timur Province with an export value of US \$2,782 million and an export volume of 9 million tons which is 40% and 36% of the total national gas export value and volume. Kepulauan Riau and Papua Barat Provinces were the second and third largest gas exporters with export values of US \$1,846 million and US \$1,718 million respectively. Most of the exported gas is the contractor's share.

Chart 16 Oil export value by provinces in 2016



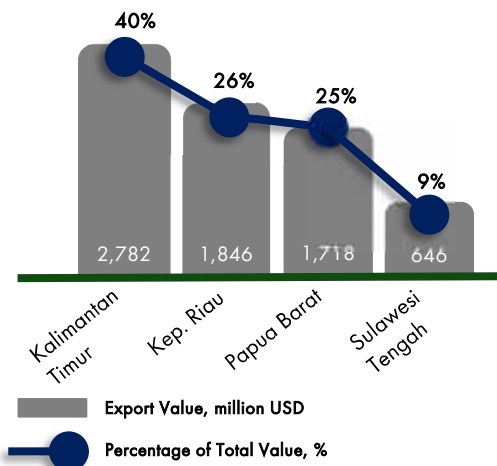
Source: Statistik Perdagangan Luar Negeri Menurut Kode ISIC 2016-2017, BPS

Chart 17 Oil export volume by provinces in 2016



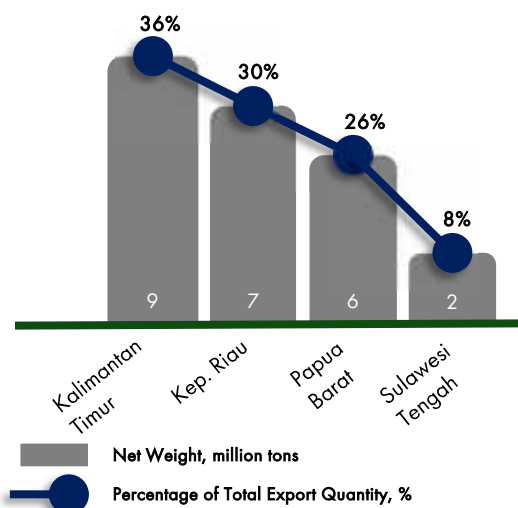
Source: Statistik Perdagangan Luar Negeri Menurut Kode ISIC 2016-2017, BPS

Chart 18 Gas export value by provinces in 2016



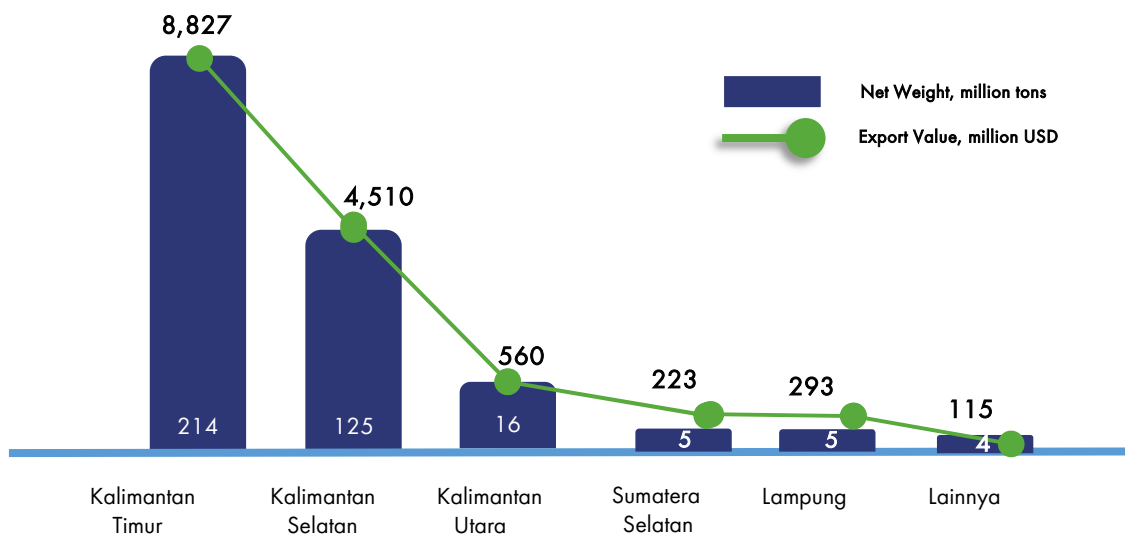
Source: Statistik Perdagangan Luar Negeri Menurut Kode ISIC 2016-2017, BPS

Chart 19 Gas export volume by provinces in 2016



Source: Statistik Perdagangan Luar Negeri Menurut Kode ISIC 2016-2017, BPS

Chart 20 Coal export by provinces in 2016



Source: Statistik Perdagangan Luar Negeri Menurut Kode ISIC 2016-2017, BPS

4.4.4 Export of Coal Sector by Main Provinces

In 2016, around 81% of national coal production was exported abroad. Chart 20 shows the volume and value of coal export (ISIC codes 051 and 052) from each region. Kalimantan Timur Province was the largest contributor to coal export in 2016 with coal export contributing 58% of total national coal export. The second and third largest contributors to coal export were provinces of Kalimantan Selatan and Kalimantan Utara with coal export contributing 34% and 4% of the total national coal export.

Export data from the province of origin and its commodities in value and volume can be found in the *Statistik Perdagangan Luar Negeri Menurut Kode ISIC 2016-2017*, a bulletin published by BPS.

4.5 Significant Exploration Activities

The Implementation Team decides that the definition of a significant exploration project is an exploration project that has proven reserves and will enter the exploitation stage (development).

Oil and Gas Sector

Table 22 represents nine significant development projects in terms of the size of the reserves and their scope of work according to Annual Report of SKK Migas in 2016. Public can keep up with the latest development of the projects from the most recent official SKK Migas Report, which is Annual Report of SKK Migas at <http://skkmigas.go.id/publikasi/laporan-tahunan>.

Mineral and Coal Mining Sector

Exploration mining status data can be accessed in detail based on commodities and provinces on the Geology Agency website, <http://webmap.psdg.bgl.esdm.go.id/geosain/neraca-mineral-strategis.php?mode=administrasi>.

Table 22 Significant oil and gas development projects

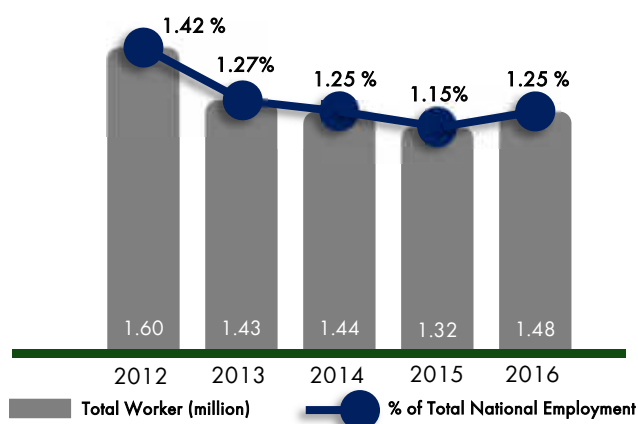
Name of Project	Location	First Production	Estimated Production	
Jangkrik field and Jangkrik North East	Blok Muara Bakau, Selat Makassar	2017		450 MMscfd 200 bopd
Madura BD dan MDA-MBH	Blok Madura Strait	2017	Madura BD	110 MMscfd 6600 bopd
		2019	MDA-MBH	175 MMscfd
Wasambo	Sulawesi Selatan	2017		80 MMscfd
Jimbaran Tiung Biru	Bojonegoro, Jawa timur	2019		330 MMscfd
Ande Ande Lumut	Barat Laut Natuna, Kepulauan Riau	2021		25.000 bopd
Jambu Aye Utara	Aceh	2020		110 MMscfd
Tangguh Train – 3	Tangguh Block, Bintuni, Papua Barat	2020		700 MMscfd 3.200 bopd
IDD Project (joint development)	Ganal, Rapak, Makasar Strait and Muara Bakau	2023	Gehem Hub	420 MMscfd 27.000 bopd
		2022	Gendalo Hub	700 MMscfd 20.000 bopd
Abadi Inpex Masela	Masela Block, Arafuru Sea Maluku	2027		TBD

Source : Annual Report of SKK Migas in 2016

4.6 Contribution of Extractive Industry to National Employment

The BPS data in chart 21 illustrates the contribution of worker in the mining and quarrying sector which contributed around 1.48 million workers (or 1.25% of the total workforce) in 2016. Extractive industry is technology intensive sector, so that employment is not as high as labor intensive industries such as the trade sector (22.5%) and the industrial sector (13%).

Chart 21 Contribution of extractive industry to national employment



Source: BPS, August survey

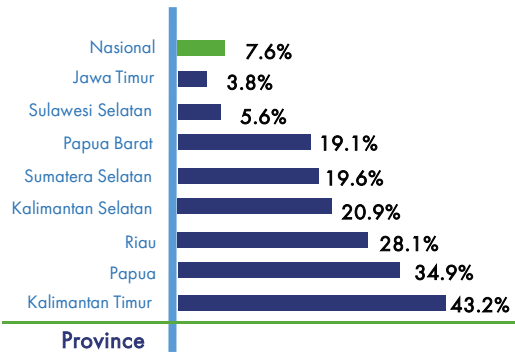
Data of working population of 15 years old and above based on business field can be accessed at website of BPS: <https://www.bps.go.id/statictable/2009/04/16/970/penduduk-15-tahun-ke-atas-yang-bekerja-menurut-lapangan-pekerjaan-utama-1986---2017.html>.

4.7 Contribution of Extractive Industry in the Region (Several Regional Examples)

The mining sector has an important role in the regions' economy, especially in mine producing areas. Chart 22 shows that although the mining sector accounts for only about 7.6% of national GDP (at current price), the mining sector can contribute 20-43% of the Gross Regional Domestic Product (GRDP). This role is enhanced by the movements of the followers' sectors (e.g. construction, trade and services) and the emergence of supporting businesses (food and clothing suppliers) in the regional economy. Charts 23 and 24 show that Kalimantan Timur is the region with the highest natural resources of extractive industry compared to other provinces, indicated by the great contribution of extractive sector and large amount of revenue sharing fund (DBH) received by Kalimantan Timur Province. Charts 24-25 show the significance of the contribution of the mining sector to producing regions' workforce absorption and regional export compared to the national average.

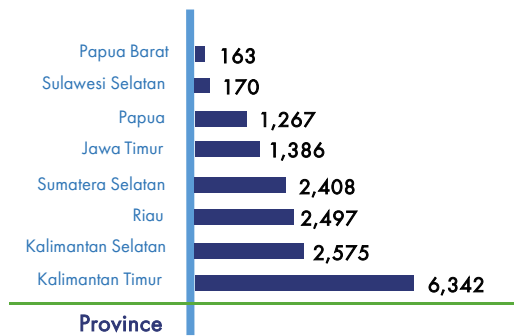
Local government direct revenue from the mining sector, such as DBH and retribution can be used for infrastructure development and community welfare improvement. The contribution of extractive industry should not be seen only from the size of the GRDP contribution or revenue alone, but also its contribution to sustainable economic development through reducing unemployment, reducing poverty and equalizing the income.

Chart 22 Contribution of mining and quarrying sector to provincial GRDP



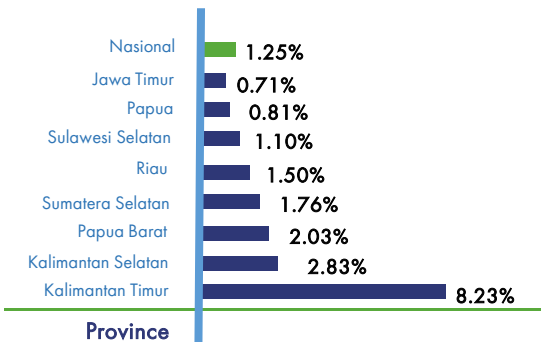
Source: BPS of Provinces, GRDP in 2016

Chart 23 Natural resources DBH in 2016 (in billion IDR)



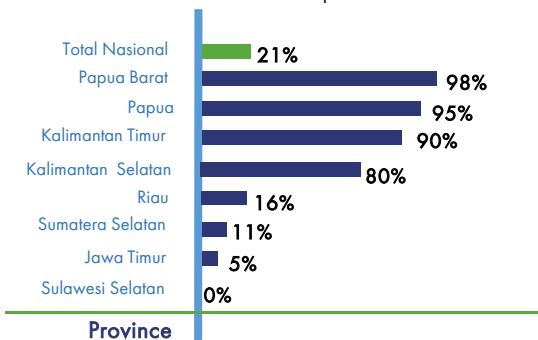
Source: DJPK

Chart 24 Contribution of mining and quarrying sector to the employment



Source: BPS of Provinces

Chart 25 Contribution of oil and gas sector and mineral and coal sector to export



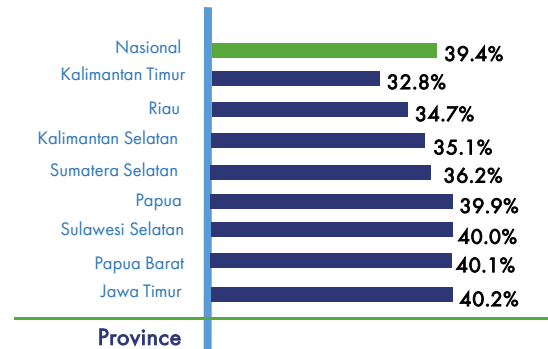
Source: Statistik Perdagangan Luar Negeri, BPS





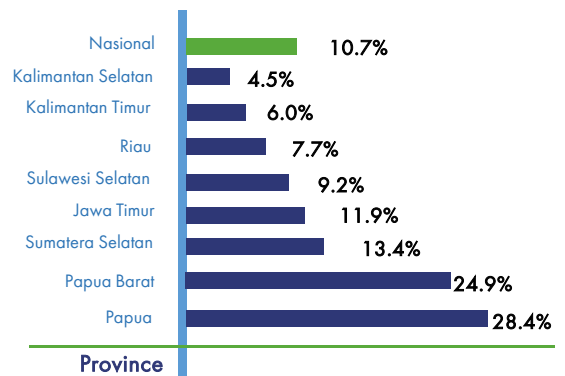
Charts 26-27 show the gini index and poverty level in the mine-producing areas that vary in relation (either lower or higher) with national ratios. Poverty and inequality rate in some mine-producing areas are still high. However, to draw the conclusion about the relevancy between mining sector contribution and regional welfare, more in-depth study needs to be conducted since there are a lot of factors that need to be considered, among others, inequality of resources ownership, policy in regional development, topology, skill level and other factors.

Chart 26 Gini index in 2016



Source: BPS

Chart 27 Poverty percentage in 2016



Source: BPS

05

STATE-OWNED ENTERPRISES



The establishment of State Owned Enterprises (BUMN) is aimed primarily at contributing to the development of the national economy, especially increasing state revenues, in line with Law No. 19/2003.

BUMN in the form of Persero aim to gain profits, while those in the form of Public Companies (Perum) are aimed at serving the public interest in the supply of goods or services. State ownership in the Persero is at least 51% of shares while in Perum, the state has 100% shares. Five state-owned enterprises engaged in extractive industry are all in the form of Persero, namely PT Antam, PT Bukit Asam, PT Timah, PT Pertamina and PT Perusahaan Gas Negara (PGN). Four BUMN are listed companies on the Indonesia Stock Exchange, namely PT Antam, PT Bukit Asam, PT Timah and PT Perusahaan Gas Negara.

The role of BUMN is quite significant in the extractive industry sector in Indonesia. Pertamina contributed 20% of oil lifting and contributed 22% of gas lifting in 2016. While BUMN of mineral and coal mining contributed 5% of state revenues from minerba mining in 2016.

5.1 Relationship between BUMN and the Government

5.1.1 Authority

An overview of the relationship between BUMN and the central government is presented in Figure 20, illustrating ministerial authority to appoint the directors of BUMN, monitor and formulate technical policies.

- The Minister of BUMN serves as a shareholder in a general meeting of shareholders (GMS) held by a persero and is authorised to handle the BUMN's operational/managerial affairs, including appointing directors based on decree of the Minister of BUMN.
- The Minister of Finance serves as state asset manager, authorised over public capital as one of BUMN funding sources.
- The Minister of Energy and Mineral Resources is authorised to formulate, establish and put in place policies on energy and mineral resources.

5.1.2 Financial

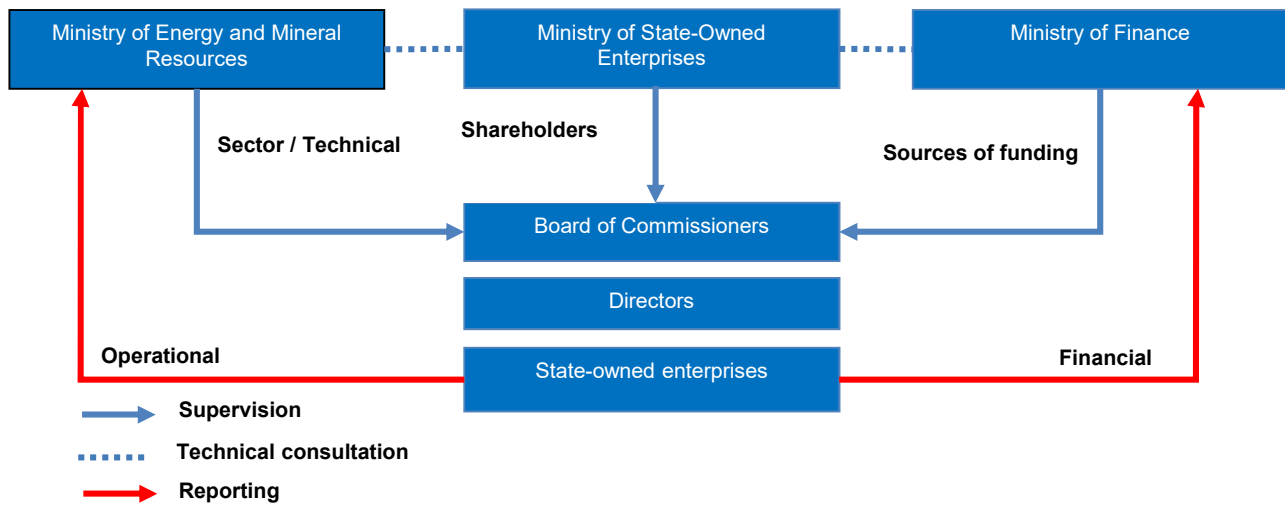
The Addition of State Equity Participation

The addition and subtraction of state equity participation are proposed by the Minister of Finance to the President based on the initiative of the Minister of Finance, Minister of BUMN or Technical Minister. The procedure of state equity participation is regulated in PP No. 44/2005. Each participation and addition to the State Equity Participation with funds derived from APBN must be approved by DPR. But specifically for the establishment of state-owned holding, government-owned shares in one BUMN can be transferred into equity participation in other BUMNs and not necessarily through the APBN mechanism or DPR approval in accordance with PP No 72/2016¹⁹.

For state equity participation (PMN) in BUMN, the value is presented as a permanent investment in the balance sheet of Central Government Financial Statements. PMNs to state-owned enterprises which above 51% are accounted for under the equity method. There is no provision of free equity or carried interest from the addition of state equity participation.

¹⁹ Source: <http://jdih.bumn.go.id/berita/menjawab-isu-isu-di-seputar-terbitnya-pp-72-tahun-2016>

Figure 20 Relationship between state-owned enterprises and government



Source: Scoping Study of EY

The following is the amount of equity participation of the Government of the Republic of Indonesia on Extractive BUMNs over the last five years based on Companies' Annual Reports:

Table 23 The amount of state equity participation

Item	PT Aneka Tambang Tbk	PT Bukit Asam Tbk	PT Timah Tbk	PT Pertamina (Persero)	PT Perusahaan Gas Negara Tbk
	(million IDR)			million US\$	
Year 2012					
The addition of state equity participation in 2012	-	-	-	55	-
Share value of the Government as of December 31	620,000	749,044	163,574	9,865	196
% of ownership	65%	65%	65%	100%	56.97%
Year 2013					
Share value of the Government as of December 31	620,000	749,044	163,574	9,865	196
% of ownership	65%	65%	65%	100%	56.97%
Year 2014					
The addition of state equity participation in 2014	-	-	78,479 (distribution of bonus shares)	-	-
Share value of the Government as of December 31	620,000	749,044	242,053	9,865	196
% of ownership	65%	65%	65%	100%	56.97%
Year 2015					
The addition of state equity participation in 2015	942,000*	-	-	-	-

Item	PT Aneka Tambang Tbk	PT Bukit Asam Tbk	PT Timah Tbk	PT Pertamina (Persero)	PT Perusahaan Gas Negara Tbk
	(million IDR)			million US\$	
Share value of the Government as of December 31	1,562,000	749,044	242,053	9,865	196
% of ownership	65%	65%	65%	100%	56.97%
Year 2016					
The addition of state equity participation in 2016	-	-	-	3,552**	-
Share value of the Government as of December 31	1,562,000	749,044	242,053	13,417	196
% of ownership	65%	65%	65%	100%	56.97%

Notes:

* equivalent to depositing funds of Rp 3,494,820,000,000

** on December 14, 2015, the Ministry of BUMN approved the request for capitalization of retained earnings to be paid in profits of Rp 50 trillion, which is equivalent to the equity participation of US \$ 3,552,146

Source: Annual Reports of related BUMNs

Retained Earnings and Payment of Dividend

BUMN pays dividend to the government based on the Payout Ratio (POR) – the percentage of net income that BUMN pay out as dividend to shareholders. The POR is decided every year in a GMS based on the BUMN's capability and future projection of capital needs. The POR can also be decided based on proposition from the directors, government policy, proposition from Commission VI of DPR and a negotiation between the Ministry of BUMN and the relevant BUMN.

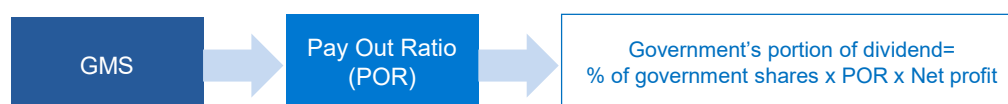
Moreover, Law No. 40/2007 on Limited Liability Companies requires companies to form a general reserve from net income, at least 20% of the amount of issued and fully paid capital.

Table 24 Pay out ratio and dividend received by the government

BUMN	Pay Out Ratio	Dividend received by the government
PT Aneka Tambang	0%	Nil
PT Bukit Asam	30,4%	Rp 397 billion
PT Timah	9,7%	Rp 19,8 billion
PT Pertamina	15,8%	USD 499 million
PT Perusahaan Gas Negara	55,3%	USD 96 million

Source:

Figure 21 Mechanism for dividend payout by BUMN



Dividend must be paid out to the government within one month after they have been decided during the GMS. BUMN deposits the dividend to state account in accordance with the Regulation of the Minister of Finance No. 5/PMK.02.2013.

In 2016, the level of pay out ratio and the amount of dividend received by the government from these five BUMNs are

Private Equity Participation and BUMN Loan

Private equity participation, one of which is privatization, is regulated in Government Regulation No. 59/2009. This PP states that privatization can be done by (1) selling shares based on the provisions of the capital market, (2) selling shares directly to investors, and (3) selling shares to the management and / or employees of the Persero involved.

BUMN funding through loan, especially from foreign private creditors, is regulated by Minister of Finance Regulation No. 45 / PMK.08 / 2014. This regulation regulates the procedure for procurement of financing starting from the preparation of the selection of prospective creditors until the signing of the loan agreement.

Government Loan that Forwarded to BUMN

For strategic projects, domestic or overseas government borrowings may be forwarded to BUMN with the criteria and procedure set out in Minister of Finance Regulation No. 108 / PMK.05 / 2016.

Audit of Financial Report of BUMN in 2016 by an Independent Auditor

All five BUMNs engaged in the extractive sector have been audited in 2016 by independent auditors. The public may access the financial reports in the following websites:

5.2 PT Pertamina (Persero)

Pertamina became a liability company (Persero) based on PP No. 31/2003.

In domestic and international oil and gas business activities, PT Pertamina (Persero) operates alone/independent and in partnership through Operation Cooperation (KSO), a Joint Operation Body (JOB), Technical Assistance Contracts (TAC) and the Indonesia Participating/ Pertamina Participating Interest (IP/PPI). Oil and gas business activities through independent operations are conducted in Pertamina EP's five assets: Asset 1 covering Aceh, Sumatera Utara and Riau; Asset 2 (Sumatera Selatan); Asset 3 (Jawa Barat); Asset 4 (Jawa Tengah and Jawa Timur); and Asset 5 (Kalimantan and Papua).

Meanwhile, oil and gas business activities through partnership for working areas in Indonesia in 2016 are conducted with 21 oil and gas partnership projects, 14 Coal Gas Methane (GMB) partnerships,

Table 25 BUMN engaged in the extractive industry

No	Name of BUMN	Registration Status in the Indonesia Stock Exchange	URL for the Audited Financial Report
1	PT Pertamina (Persero)	Unregistered	http://www.pertamina.com/investor-relations/laporan-presentasi/
2	PT Aneka Tambang (Persero) Tbk	Registered	http://www.antam.com/index.php?option=com_jooget&task=viewcategory&catid=51&Itemid=60
3	PT Bukit Asam (Persero) Tbk	Registered	http://www.ptba.co.id/id/company-report#afr
4	PT Timah (Persero) Tbk	Registered	http://www.timah.com/v3/ina/laporan-laporan-tahunan/
5	PT Perusahaan Gas Negara (Persero) Tbk	Registered	http://ir.pgn.co.id/financial-information

The public can access the financial statement of the BUMN to obtain information on various financial conditions and transactions, such as acquisitions, receivable to government and private parties and short-term and long-term loans from related BUMN.

Corporate Social Responsibility of BUMN Engaged in the Extractive Industry

The Regulation of the Minister of BUMN No. PER-09 / MBU / 07/2015 on Partnership and Community Development Programs (PKBL) of BUMN regulates the obligation of state-owned enterprises to implement partnership and community development programs which the source of funds can derive from a maximum allowance of 4% of net profit after tax of the previous year. This ministerial regulation is established to carry out the mandate of Articles 88 and 90 of Law No. 19/2013 concerning BUMN, that is BUMN can set aside some of its net profit for the purposes of small business development and community development around the BUMN.

PKBL fund from BUMN is relevant to the Requirement 6.1 of 2016 EITI Standard on social cost.

Business Cooperation among BUMN

In conducting their business, among BUMNs can conduct business cooperation such as in sharing pipeline facilities for oil or gas transportation. For example, business cooperation between Pertamina and PGN, in which PGN hired a gas pipeline facility owned by Pertamina based on a toll fee agreed between the two parties in accordance with standard business practices.

2 Non-conventional Oil and Gas Partnership (MNK), 7 unitization areas, 15 TAC contracts (2 of which end in 2016), 32 cooperation contracts, 6 IP contracts, 7 JOB-PSC contracts and 2 PPI contracts. Detail of PT Pertamina's working contracts with partners can be seen in Annual Report of PT Pertamina (Persero), note No 42.

Ownership

PT Pertamina (Persero) is 100% owned by the Government of Indonesia

Retained Earnings and Dividend

PT Pertamina (Persero) and its subsidiaries pay out US\$ 499 million in dividend to the government in 2016 and is in accordance with 2016 EITI reconciliation data.

Table 26 Retained earnings and dividend payout by PT Pertamina (Persero)

Dividend and Retained Earning	2016
Dividend paid to shareholders	US\$ 499 million
Dividend paid to the Government	US\$ 499 million
Appropriated retained earnings	US\$ 4.631 million
Unappropriated retained earnings	US\$ 3.

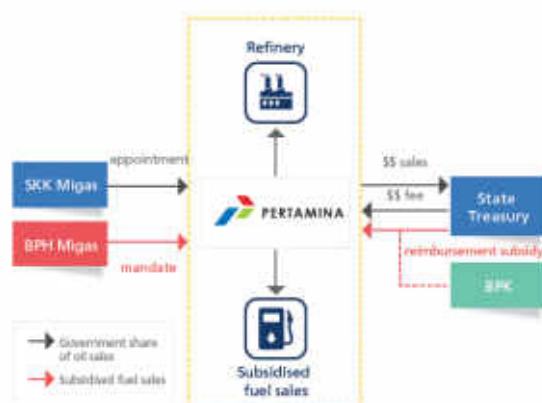
Source: Annual Report of PT Pertamina (Persero) in 2016

Mandate of Fuel Subsidy Distribution

The government through the Regulatory Agency for Downstream Oil and Gas (BPH Migas) has mandated Pertamina to distribute subsidized BBM. The mandate has also determined the quota of subsidized BBM that must be distributed based on the APBN/APBN-P. Every year, the Supreme Audit Board (BPK) audits the reimbursement of fuel subsidy cost. Based on the audit report, the Government pays the reimbursement of the fuel subsidy to Pertamina.

Pertamina's cash flow report of 2016 shows that Pertamina received cash from the Government related to subsidies and marketing rewards in the amount of US \$ 2.3 billion in 2016 and US \$ 3.21 billion in 2016.

Figure 22 Cash flow of state-owned oil sales and BBM subsidies



Source:

The amount of cash subsidy realization by PT Pertamina (Persero) is as follow:

Table 27 BBM and 3-kg LPG subsidy realization

No	Product	2016	
		Volume	Billion Rp
1	Premium (million kilolitres)	-	-
2	Kerosene (million kilolitres)	0,53	1.445
3	Diesel fuel (million kilolitres)	13,56	10.034
4	LPG 3 kg (cubic ton)	6.003.801	26.596
TOTAL			38.076

Source : Data of EITI for the period of 2016

Pertamina's role in Selling the Government Share of Crude Oil/ Condensate

According to BP Migas' guidelines on selling the state's crude oil/condensate share, BP Migas may directly allocate crude oil or condensate to be processed by a domestic refinery. PT Pertamina (Persero) may directly be appointed to sell the state share of crude oil/condensate for domestic refineries' needs based on decree of the Head of BP Migas No. KEP-0131/ BPO0000/2012/S2 dated October 8, 2012.

The government share of lifted oil that matches the specification will be sent to a refinery operated by PT Pertamina (Persero).

Pertamina's role in Purchasing the Contractor Share of Crude Oil/ Condensate

In accordance with Permen of ESDM No. 42 of 2018, the government requires contractor or affiliates to offer contractor share of oil to Pertamina (Persero) and/or Oil Processing Business License Holder Business Entity.

Government Loan that Forwarded to PT Pertamina (Persero) and Government Collateral for the Company Loan

Table 28 Loan that forwarded to PT Pertamina (Persero)

Lender	Loan Amount	Loan Purpose	Repayment Period	Interest Rate	Balance as of Desember 31, 2016
Overseas Economic Cooperation Fund Japan	¥1,172,872,837	Construction of DPPU of Nguhah Rai	May 2007 – November 2024	3.1% per annum	¥663,323,781 (US\$5,697)
Japan International Cooperation Agency ("JICA")	¥26,966,000,000	Lumut Balai Geothermal Power Plant Project	March 2021 – March 2051		¥4,284,146,996 (US\$36,798)
International Bank for Reconstruction and Development ("IBRD") - World Bank	LA-8082-ID amounting to US\$175,000	Ulubelu and Lahendong Geothermal Clean Energy Investment Project	October 2020 – October 2035		US\$108,947
International Bank for Reconstruction and Development ("IBRD") - World Bank	LA-TF10417-ID amounting to US\$125,000	Ulubelu and Lahendong Geothermal Clean Energy Investment Project	October 2021 – April 2051		US\$91,830

Sumber : Laporan Tahunan PT Pertamina (Persero) Tahun 2016

Revenue from Transportation Service

PT Pertamina (Persero) through its subsidiary, Pertagas, receives toll fee payment from KKKS, PGN and others for transportation services of oil and gas products through pipes owned by PT Pertamina. In 2016, PT Pertamina (Persero) receives toll fee payment of US\$112,401 thousand²⁰.

Subsidiaries

According to the Annual Report of PT Pertamina (Persero) in 2016, the Company had 27 subsidiaries, 5 association companies and 6 joint venture entities. The following is list of 9 subsidiaries and 1 joint operation company engaged in the oil and gas exploration and production sector and operated in Indonesia.

Changes in Ownership of Working Areas in Indonesia During 2016

Table 30 lists acquisition conducted by Pertamina in Indonesia during 2016, the transaction terms are partially available in Annual Report of PT Pertamina (Persero) in 2016

Corporate Social Responsibility of PT Pertamina (Persero)

Social responsibility expense incurred by the company includes CSR and PKBL expenses. Table 31 shows the amount of CSR realization of PT Pertamina (Persero) in 2016. More information is available on the Annual Report of PT Pertamina (Persero) in 2016 page 432 – 455.

Table 31 CSR realization of PT Pertamina (Persero)

Activity	2016 (Billion IDR)
Education	29,6
Health	5,7
Environment	4,5
Empowerment	7,7
PROPER	39,8
Special Assistance	38,4
TOTAL	125,6

Source: Annual Report of PT Pertamina (Persero) in 2016, p. 437

Table 29 The list of subsidiaries and affiliates of PT Pertamina (Persero) engaged in the extractive sector

No	Type of Ownership	Company	Percentage of Shares (2016)	Business Field
1	Direct ownership	PT Pertamina Hulu Energi	100%	Oil and gas exploration and production
2	Direct ownership	PT Pertamina EP	100%	Oil and gas exploration and production
3	Direct ownership	PT Pertamina EP Cepu	100%	Oil and gas exploration and production
4	Direct ownership	Pertamina E&P Libya Limited, British Virgin Island	100%	Oil and gas exploration and production
5	Direct ownership	PT Pertamina East Natuna	100%	Oil and gas exploration and production
6	Direct ownership	PT Pertamina EP Cepu ADK	100%	Oil and gas exploration and production
7	Direct ownership	PT Pertamina Internasional Eksplorasi dan Produksi	100%	Oil and gas exploration and production
8	Direct ownership	ConocoPhillips Algeria Limited, Cayman Island	100%	Oil and gas exploration and production
9	Direct ownership	PT Pertamina Hulu Indonesia	100%	Oil and gas exploration and production
10	Joint operation with indirect ownership	Natuna 2 B.V., Belanda/Netherlands	50%	Exploration and production

Source: Annual Report of PT Pertamina (Persero) in 2016

Table 30 Changes in ownership of working areas of PT Pertamina (Persero)

No	Nama of Block/Company	Transaction	Share Ownership / Participating Interest	Price	Remark
1	Etablissements Maurelet Prom SA (M&P)	Acquisition of Participating Interest (PI)	24.53% of shares	US\$227 million	Effective from August 25, 2016
2	East Ambalat	Acquisition of Participating Interest (PI)	100%	No information	Effective from May 25, 2016 with a term of 30 years
3	WKP Gunung Lawu	Acquisition of Participating Interest (PI)	100%	No information	Effective from January 11, 2016

Source: Annual Report of PT Pertamina (Persero) in 2016

²⁰ Data of EITI for the period of 2016

5.3 PT Aneka Tambang (Persero) Tbk

In 1997, PT Aneka Tambang (PT Antam) publicly offered 35% of its total shares in the Indonesia Stock Exchange. In 1999, PT Antam Tbk registered its shares in Australia, acquiring the status of a foreign exempt entity which was upgraded to ASX Listing with stricter rules in 2002.

PT Aneka Tambang Tbk is a diversified, vertically-integrated, export-oriented mining company. Through operation areas throughout Indonesia that rich in minerals, the activities of PT Antam Tbk include exploration, mining, processing and marketing of nickel ore, ferronickel, gold, silver, bauxite and coal. Given the vast area of mining concessions and the large numbers of reserves and resources the company has, it has established several joint ventures with international partners to utilise existing reserves to become profitable mines.

Ownership

Table 32 The composition of shareholders of PT Aneka Tambang Tbk

Shareholder	Percentage of Ownership (%)
Government of Indonesia	65%
Public	35%

Source: Annual Report of PT Antam Tbk in 2016

The government had shares in PT Aneka Tambang Tbk in the amount of Rp 1.6 trillion in 2016. The government also has shares called 'Dwiwarna' share in PT Aneka Tambang Tbk that giving the government the power of veto over the appointment and dismissal of directors and commissioners, issuance of new shares, and a merger or liquidation of PT Aneka Tambang Tbk.

Retained Earnings and Dividend

PT Antam did not pay dividend in 2016 due to relatively small profit that was earned in 2015. Hence, the Company decided to retain the profit for the operational interest of the Company.

Table 33 Retained earnings and dividend payout by PT Aneka Tambang Tbk

Dividend and Retained Earnings	2016
Dividend paid to shareholders	-
Dividend paid to the Government	-
Dividend paid to other shareholders	-
Appropriated retained earnings	Rp 11.6 trillion
Unappropriated retained earnings	(Rp 1.9 trillion)

Source: Annual Report of PT ANTAM Tbk in 2016

Loan Guarantee from the Government and Guarantee from PT Aneka Tambang for Other Companies

In 2016, PT Aneka Tambang Tbk did not receive loan guarantee from the government, nor did it provide guarantee for other companies.

Subsidiaries

According to the Annual Report of PT Aneka Tambang Tbk in 2016, the Company had a number of subsidiaries engaged in the extractive sector. Those subsidiaries were:

Table 34 The list of subsidiaries of PT Aneka Tambang Tbk engaged in the extractive sector

No	Type of Ownership	Company	Percentage of Shares (2016)	Business Field
1	Direct ownership	Indonesia Coal Resources	100%	Coal exploration and mining operator
2	Direct ownership	PT Antam Resourcindo	99.98%	Exploration and mining operator
3	Direct ownership	PT Dwimitra Enggang Khatulistiwa (not yet operating commercially)	99.5%	Exploration and mining operator
4	Direct ownership	PT Cibaliung Sumberdaya	99.15%	Exploration, mining construction and development, mining, production, processing and refining, transportation and sales in the gold industry
5	Indirect ownership	PT GAG Nikel Indonesia (not yet operating commercially)	100%	Exploration and mining operator
6	Indirect ownership	PT Citra Tobindo Sukses Perkasa	100%	Coal exploration and mining operator
7	Indirect ownership	PT Jatim Arindo Persada (not yet operating commercially)	100%	Coal exploration and mining operator

No	Type of Ownership	Company	Percentage of Shares (2016)	Business Field
8	Indirect ownership	PT Antam Niterra Halmim (not yet operating commercially)	100%	Coal exploration and mining operator
9	Association	PT Nusa Halmahera Minerals	25%	Gold mining
10	Association	PT Nikel Halmahera Timur	50%	Nickel mining

Source: Annual Report of PT ANTAM Tbk in 2016

Changes in Ownership (Acquisition and Divestment) in 2016

According to the Annual Report of PT Aneka Tambang Tbk in 2016, PT Antam did not conduct any divestment and acquisition in 2016.

Corporate Social Responsibility of PT Aneka Tambang Tbk

PT Aneka Tambang Tbk implements PKBL with a purpose to help the government achieve more equitable development and improve people's welfare.

Partnership and community development program realization of PT Aneka Tambang Tbk in 2016 was as follows:

Table 35 PKBL realization of PT Aneka Tambang Tbk

Activity	2016 (Billion IDR)
Community Empowerment	68,24
Partnership Program	70,35
Community Development Program	1,47
Environmental Management	57,07
TOTAL	197,13

Source: Data of EITI for the period of 2016

5.4 PT Bukit Asam (Persero) Tbk

On 23 December 2002, PT Bukit Asam Tbk (PT BA) registered itself as a public company in the Indonesia Stock Exchange under the code "PTBA". PT BA is engaged in the coal mining industry, covering activities of general investigation, exploration, production operation, processing, refining, transportation and trade, management of dock facilities for coal both for its own and for other parties needs, operating steam power plants both for its own and for other parties needs and provide consulting and engineering services in fields related to the coal mining industry and their processed products.

Ownership

Table 36 The composition of shareholders of PT Bukit Asam Tbk

Shareholder	Percentage of Ownership (%)
Government of Indonesia	65,0%
Domestic public	26,9%
Foreign public	8,1%

Source: Annual Report of PT Bukit Asam Tbk in 2016

As a shareholder, the government also has 'Dwiwarna' share that giving the government the power of veto over the Company. The government has capital share amounting to Rp750 billion.

Retained Earnings and Dividend

Table 37 Retained earnings and dividend payout by PT Bukit Asam Tbk

Dividend and Retained Earnings	2016
Dividend paid to shareholders	Rp 610,8 billion
Dividend paid to the Government	Rp 387,0 billion
Dividend paid to other shareholders	Rp 213,8 billion
Appropriated retained earnings	Rp 9,9 trillion
Unappropriated retained earnings	Rp 1,4 trillion

Source: Annual Report of PT Bukit Asam Tbk in 2016

Loan Guarantee from the Government and Guarantee from PT Bukit Asam for Other Companies

In 2016, PT Bukit Asam Tbk did not receive loan guarantee from the government, nor did it provide guarantee for other companies.

Payment for Transportation Service

PT Bukit Asam Tbk makes payments to PT Kereta Api Indonesia (Persero) for coal transportation services. Payment made by PT Bukit Asam Tbk for transportation service in 2016 is Rp1.9 trillion and US\$67.4 million²¹.

Subsidiaries

According to the Annual Report in 2016, detail of subsidiaries of PT Bukit Asam Tbk engaged in the extractive industry were as follows:

21 Data of EITI for the period of 2016

Table 38 The list of subsidiaries of PT Bukit Asam Tbk engaged in the extractive sector

No	Type of Ownership	Company	Percentage of Shares (2016)	Business Field
1	Direct ownership	PT Batubara Bukit Kendi (not operating)	75%	Coal mining
2	Direct ownership	PT International Prima Coal	51%	Coal mining
3	Direct ownership	PT Bukit Asam Banko (not yet operating)	65%	Coal mining
4	Direct ownership	PT Bukit Asam Metana Ombilin (not yet operating)	99,99%	Methane gas mining
5	Direct ownership	PT Bukit Asam Metana Enim (not yet operating)	99,99%	Methane gas mining
6	Direct ownership	PT Bukit Asam Metana Peranap (not yet operating)	99,99%	Methane gas mining
7	Direct ownership	PT Tabalong Prima Resources (in the development stage)	34,17%	Mining

Source: Annual Report of PT Bukit Asam Tbk in 2016

The complete list of subsidiaries and association companies of PT Bukit Asam Tbk is available in Annual Report of PT Bukit Asam Tbk in 2016.

Changes in Ownership (Acquisition and Divestment) in 2016

Throughout 2016, PT Bukit Asam Tbk did not invest and divest.

Corporate Social Responsibility of PT Bukit Asam Tbk

CSR program of PT BA is a PKBL consisting of Community Development Programs and Regional Development Programs.

The CSR realization of PT Bukit Asam Tbk integrated into its partnership and community development program (PKBL) in 2016 was as follows:

Table 39 CSR program realization of PT Bukit Asam Tbk

Activity	2016 (Billion IDR)
Community Relation	6.7
Community Service	0.6
Community Empowerment	22.4
Infrastructure Development	18.6
Environmental Management	0.2
TOTAL	48.5

Source: Annual Report of PT Bukit Asam Tbk in 2016

More information on social responsibility activities implemented by PT Bukit Asam Tbk is accessible at <http://www.ptba.co.id/en/csr>.

5.5 PT Timah (Persero) Tbk

PT Timah Tbk is the largest tin producer in Indonesia, integrated into exploration, mining, processing, smelting and marketing operations. Moreover, PT Timah Tbk is one of the largest tin exporters in the world that is located in Bangka Belitung Province.

The mining business license area of PT Timah Tbk includes Bangka Belitung and Kepulauan Riau,

with a number of secondary operations taking place in Kalimantan Selatan, Sulawesi Tenggara, Banten and Jakarta.

Ownership

Table 40 The composition of shareholders of PT Timah Tbk

Shareholder	Percentage of Ownership (%)
Government of Indonesia	65%
Public	35%

Source: Annual Report of PT Timah Tbk in 2016

The government has Dwiwarna share which enable the government to have special rights in making strategic decisions. The shares owned by the government were around Rp 242 billion in 2016.

Retained Earnings and Dividend

Table 41 Retained earnings and dividend payout by PT Timah Tbk

Dividend and Retained Earnings	2016
Dividend paid to shareholders	Rp 30,5 billion
Dividend paid to the Government	Rp 19,8 billion
Dividend paid to other shareholders	Rp 10,7 billion
Appropriated retained earnings	Rp 4,7 trillion
Unappropriated retained earnings	Rp 688 billion

Source: Annual Report of PT Timah Tbk in 2016

Loan Guarantee from the Government and Guarantee from PT Timah for Other Companies

In 2016, PT Timah Tbk did not receive loan guarantee from the government, nor did it provide guarantee for other companies.

Subsidiaries

According to the Annual Report in 2016, detail of subsidiaries of PT Timah Tbk engaged in the extractive industry were as follows:

Table 42 The list of subsidiaries of PT Timah Tbk engaged in the extractive sector

No	Type of Ownership	Company	Percentage of Shares (2016)	Business Field
1	Direct ownership	PT Timah Investasi Mineral (TIM)	99.9%	mining of non-tin minerals and coal marketing
2	Direct ownership	PT Kutaraja Tembaga Raya	100%	Mineral exploration (activity has been stopped)
3	Direct and indirect ownership through PT TIM	PT Tanjung Alam Jaya	PT Timah Tbk and PT TIM each owns 50%	Coal mining
4	Indirect ownership through PT TIM	PT Truba Bara Banyu Enim (TBBE)	99.8%	Coal mining
5	Direct ownership	PT Koba Tin	25%	Tin mining

Source: Annual Report of PT Timah Tbk in 2016

Mining Concession of PT Timah in Indonesia in 2016

Mining concessions owned by PT Timah Tbk in Indonesia can be seen in the Annual Report of PT Timah Tbk in 2016.

Changes in Ownership (Acquisition and Divestment) in 2016

Based on Annual Report of PT Timah Tbk, PT Timah did not invest and divest in 2016.

Corporate Social Responsibility of PT Timah Tbk

A manifestation of the company's concern over the environment, particularly in the fields of facility and infrastructure, education, training, religion, sport and other social programmes, integrated into partnership and community development program (PKBL) and Corporate Social Responsibility (CSR) program.

The PKBL realization of PT Timah Tbk in 2016 was as follows:

Table 43 PKBL realization of PT Timah Tbk

Activity	2016 (Billion IDR)
Community Relation	4
Community Service	-
Community Empowerment	1
Infrastructure Development	6
Environmental Management	0,6
TOTAL	12

Source: Data of EITI for the period of 2016

5.6 PT Perusahaan Gas Negara (Persero) Tbk

PT Perusahaan Gas Negara Tbk (PT PGN) changed into the limited company based on PP No. 37/1994 which was accompanied by the addition of business scope. In addition to the gas trading sector, PT PGN also engaged in the field of transmission, in which PGN functions as a transporter.

Since 2003, PT PGN has become a public company and is listed on the Indonesia Stock Exchange (IDX).

PT Perusahaan Gas Negara Tbk is currently the largest gas transporter company in Indonesia and has subsidiaries engaged in upstream business (PT Saka Energi Indonesia) and downstream business (PT Gagah Energi Indonesia).

Ownership

Table 44 The composition of shareholders of PT Perusahaan Gas Negara Tbk

Pemegang Saham	Percentage of Ownership (%)
Government of Indonesia	56,96%
Public	43,04%

Source: Annual Report of PT Perusahaan Gas Negara Tbk in 2016

The government has Dwiwarna share which enable the government to have special rights in making strategic decisions. The shares owned by the government were around US\$ 196 million in 2016.

Retained Earnings and Dividend

Table 45 Retained earnings and dividend payout by PT Perusahaan Gas Negara Tbk

Dividend and Retained Earnings	2016
Dividend paid to shareholders	US\$ 168 million
Dividend paid to the Government	US\$ 96 million
Dividend paid to other shareholders	US\$ 72 million
Appropriated retained earnings	US\$ 2,6 billion
Unappropriated retained earnings	US\$ (12) million

Source: Annual Report of PT Perusahaan Gas Negara Tbk in 2016

Loan Guarantee from the Government and Guarantee from PT Perusahaan Gas Negara for Other Companies

In 2016, PT Perusahaan Gas Negara Tbk did not receive loan guarantee from the government, nor did it provide guarantee for other companies.

Subsidiaries

According to the Annual Report in 2016, a subsidiary of PT PGN in the extractive industry was PT Saka Energi Indonesia that engaged in the upstream business with a share ownership of 99.9%.

Revenue from Transportation Service

PT Perusahaan Gas Negara receives toll fee payment from Gas Refueling Station (SPBG) of Pertamina and PLN-Jambi Merang for gas transportation service through pipes owned by PGN. In 2016, PT PGN received a toll fee of Rp 2,034 million and US \$ 7,716 thousand.

The length of the Transmission Pipes owned by PT Perusahaan Gas Negara in the territory of Indonesia in 2016

The length of the transmission pipe owned by PT Perusahaan Gas Negara (Persero) Tbk in the territory of Indonesia in 2016 was 2,248 km.

Changes in Ownership (Acquisition and Divestment) in 2016

In November 2016, PT Perusahaan Gas Negara through PT Saka Energi Indonesia invested in the upstream sector by acquiring a 37.8% participating interest in the Sanga Sanga block, Kalimantan Timur from BP East Kalimantan Ltd. (26.3%) and Unimar Ilc. (11.6%).

Corporate Social Responsibility of PT Perusahaan Gas Negara Tbk

A manifestation of the company's concern over the environment, particularly in the fields of facility and infrastructure, education, training, religion, sport and other social programmes, integrated into partnership and community development program (PKBL) and Corporate Social Responsibility (CSR) program.

The PKBL realization of PT Perusahaan Gas Negara Tbk in 2016 was as follows:

Table 46 PKBL realization of PT PGN Tbk

Aktivitas	2016 (Dalam billion Rupiah)
Community Relation	11
Community Service	24
Community Empowerment	28
Infrastructure Development	59
Environmental Management	6,5
TOTAL	129

Source: Annual Report of PT Perusahaan Gas Negara Tbk in 2016

5.7 Establishment of Holding Companies for Oil and Gas and Mining Companies

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 PP No. 47/2017 concerning Addition of State Equity Participation of the Republic of Indonesia into the Share Capital of PT Inalum (Persero).

The decision to form this holding do not change the composition of the Government's A Series shares (Dwiwarna shares) in the three mining BUMNs.

Based on the PP, the number of government-owned shares transferred to PT Inalum is as shown in the table below

Table 47 Transfer of Government shares to PT Inalum

BUMN	The number of government-owned shares transferred to PT Inalum	Status
PT Antam Tbk	15.619.999.999 shares of B Series (65%)	Non persero
PT Timah Tbk	4.841.053.951 shares of B Series (65%)	Non persero
PT Bukit Asam Tbk	1.498.087.499 shares of B Series (65,02%)	Non persero

Source: PP No. 47/2017

The objectives of the mining BUMN holding establishment are: i) to take control mineral reserves and resources by seeking funding to acquire mining companies that already in production stage, ii) to increase product downstream through investment cooperation with global mining companies. One of the target of the mining BUMN Holding in 2018 is to complete the process of divesting 51% of PT Freeport Indonesia's shares.

Regarding the establishment of the oil and gas BUMN holding, on April 11, 2018, a state shares transfer agreement (Agreement on the Transfer of Right on State Shares of the Republic of Indonesia at PT PGN Tbk in the framework of RI Equity Participation in PT Pertamina (Persero)) was 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). With the signing of this Share Transfer Deed, the Oil and Gas BUMN Holding was officially established with Pertamina as the holding company and PGN as a holding member.

The objectives of the oil and gas BUMN holding establishment are i) to synergize capital cost due to infrastructure consolidation, ii) to avoid conflict of gas allocation that often occur between Pertamina and PGN, and iii) to realize a price uniformity scheme

The process of establishing this Oil and Gas Holding was continued with the integration process of Pertagas which is a subsidiary of Pertamina to PGN.

On June 29, 2018, PT Perusahaan Gas Negara Tbk (PGN) signed a Conditional Sales Purchase Agreement (CSPA) to own 51% shares of PT Pertamina Gas (Pertagas) with a transaction value of Rp16.6 trillion for the purchase of 2,591,099 shares owned by Pertamina at Pertagas.

Although the BUMN holding members become non-persero companies, the state still has control over the holding member companies²², either directly through Dwiwarna shares or indirectly through PT Inalum (Persero) / PT Pertamina (Persero) which is 100% owned by the state.

22 Ministry of BUMN. 2017. "Siaran Pers: Holding Tambang Sesuai Jadwal". <http://www.bumn.go.id/berita/1-Siaran-Pers-Holding-Tambang->. Accessed on 30 November 2017

06

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES



Companies engaged in the extractive industry have environmental and social responsibilities as regulated in various laws, government regulations and ministerial regulations, please refer to Section 2.3.3 on Other Laws and Regulations Related to Extractive Industry. Related to those responsibilities, companies working in the extractive industry are required to provide funding for environmental restoration and reclamation.

In the oil and gas sector, such funding is called the Abandonment and Site Restoration (ASR) Fund, while in the mineral and coal sector, it is called the Reclamation Guarantee Fund as well as Post-mining Guarantee Fund. Additionally, extractive-sector companies may implement a programme to fulfil the companies' social and environmental responsibilities, known as the Corporate Social Responsibility (CSR).

CSR program and fund as mandated by the Law are to increase the economic resilience and community welfare.

The types of CSR programs and the minimum amount of fund required are not regulated in detail in various regulations related to CSR, please refer to Section 2.3.3 on Other Laws and Regulations Related to Extractive Industry in the explanation part of CSR regulations. In general, CSR programs consist of social responsibility or the empowerment of local communities around the mining site and environmental responsibility. The following types of CSR programs are generally implemented by mining companies:

Table 48 Type of CSR Programmes

Tema	Konten
Infrastructure	Road construction, water supply improvement, construction of social buildings, such as: sport hall, government hall, mosque/church, rural electricity facilities.
Economy	Small business assistance, micro capital assistance, seedlings or livestock assistance.
Education	Scholarships, teacher training, teaching aids, cultural programs.
Health	Aid supplies of medicines, surgical aid, campaigns and health education, construction of health centers.
Donation	Disaster donations, donations of religious activities, provision of revolving funds, corporate loan facilities for community activities.

6.1.1 Amount of CSR Fund

Companies not performing CSR obligations may be subject to administrative sanctions (e.g. as regulated by Article 110 of PP No. 23/2010). However, the amount of CSR is not regulated by the Government. Therefore, private companies generally have allocation rules of funds for CSR. Meanwhile, allocation of CSR fund for BUMN is clearly regulated, that is maximum 4% of profit of the previous year.

Tables 49 and 50 are summaries of the amount of CSR fund reported in the 2016 EITI reporting form. Based on these data, CSR fund from oil and gas companies were much smaller than the CSR fund from mineral and coal companies, which is understandable since in general the mineral and coal mining area is wider than the oil and gas mining area and involve more surrounding communities in operational activities. The largest contributor of CSR fund in mineral and coal sector was PT Freeport, which contributes 73% of total reported CSR Fund in mineral and coal sector. The second and third largest contributors were Newmont Nusa Tenggara and PT Aneka Tambang, which contribute 5% and 3% of total reported CSR Fund in mineral and coal sector, respectively.

6.1 Social and Environmental Responsibilities Program of the Company

The government expects mining companies to contribute in improving the welfare of local communities. Obligations in social responsibility and community development are expected to achieve this expectation.

Table 49 CSR fund spent by reporting companies of oil and gas sector

Type of CSR	In Million IDR	In USD		Total (million IDR)
		USD	In Million IDR (US\$1 = Rp13,436)	
Community Relation	162	882.773	11.861	12.023
Community Service	-	168.371	2.262	2.262
Community Empowerment	1.291	7.885.146	105.945	107.236
Infrastructure Development	8.387	3.057.791	41.084	49.471
Environmental Management	480	5.558.625	74.886	75.166
TOTAL	10.320	17.415.706	235.838	246.158

Source: Data of EITI for the period of 2016

Table 50 CSR fund spent by reporting companies of mineral and coal sector

Type of CSR	In Million IDR	In USD		Total (million IDR)
		USD	In Million IDR (US\$1 = Rp13,436)	
Utilization of Company Facilities and Infrastructure	28.787	339.052	4.556	33.342
Community Empowerment in the form of Increasing the Economy of Residents of Surrounding Areas	63.355	40.221.789	540.420	603.775
Community Service	62.132	35.870.783	481.960	544.092
Education Improvement for Residents of Surrounding Areas	59.258	5.419.034	72.810	132.068
Infrastructure Development	149.290	12.719.403	170.898	320.187
TOTAL	362.821	94.570.070	1.270.643	1.633.464

Source: Data of EITI for the period of 2016

Detail of each company's CSR amount included in the scope of this report can be seen in the EITI Reconciliation Report in Table 10/Appendix 5.2 for oil and gas sector and Table 11/Appendix 2.30 for mineral and coal sector. These appendices also show the detail of CSR location and the type of CSR payment (inkind / cash).

6.2 Oil and Gas Mining: Abandonment and Site Restoration Fund (ASR Fund)

Upon the expiration of upstream oil and gas production activities, the remaining production facilities and other supporting facilities as well as damaged environments can be hazardous for other activities and for the surrounding communities. Therefore, the KKS Contractor is required to perform Abandonment and Site Restoration upon the cessation of production.

The KKS Contractor is required to prepare an ASR fund reserve report of each field within a working area and submit to the Risk Management and Taxation Division. The scope of the report includes, among other things, the ASR activity plan, ASR cost estimation calculation and ASR fund reserve each semester.

Amount of Fund

ASR fund reserve is made by the contractor every semester by depositing fund in USD into a Joint Account. ASR fund reserve can be calculated as follows:

$$\text{ASR Fund allocated for certain year} = \frac{\text{Estimated ASR Cost} \pm \text{Adjustments} - \text{ASR Fund Balance}}{\text{Remaining time needed to collect ASR fund}}$$

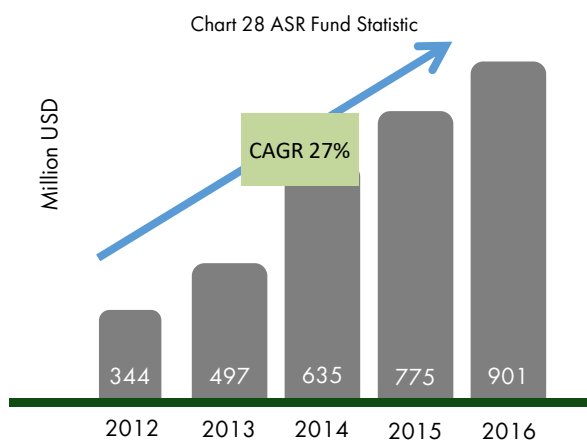
Description:

Estimated ASR Cost: Estimated ASR cost based on last evaluation.

Adjustments: Adjustment values resulting from asset changes and estimated ASR cost changes

The ASR Fund will be placed on a joint account within the managing bank that has been established through an agreement between SKK Migas and KKS Contractor. Every semester, SKK Migas will send ASR fund invoice to KKS Contractor based on cost estimation calculation and ASR fund reserve. The placement of ASR funds shall be done no later than 30 days after the date of the invoice. Until 2016, 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. SKK Migas has the authority to manage ASR fund and must report to the government in accordance with Oil and Gas Law.



Source: Annual report of SKK Migas in 2016

6.3 Mineral and Coal Mining: Reclamation and Post Mining Guarantees

Mineral and coal mining companies with IUP and IUPK are required to provide two types of guarantees: reclamation (exploration and production operation) and post-mining guarantees, pursuant to the Permen of ESDM No.26/2018.

- The provision of the reclamation guarantee in the exploration stage is regulated by the DG of Mineral and Coal on behalf of the minister, governor, or regent/mayor in accordance with their respective authority. The guarantee should be provided fully and specified in the work and budget plan (RKAB) for initial exploration. After the RKAB has been approved by the DG of Mineral and Coal, the IUP/IUPK-exploration license holder must deposit the guarantee in the form of a time deposit no later than 30 days since the RKAB was approved. The time deposit should be made into a joint account co-opened by the DG of Mineral and Coal, the relevant governor or regent/mayor according to their authority, and the relevant exploration license holder in a public sector bank.
- The reclamation guarantee in the production operation stage for the first five years must be provided fully for five years. However, if the mine's life span is less than five years, this reclamation guarantee should be provided for the life span of the mine. Similar to the reclamation guarantee in the exploration stage, this guarantee is regulated by the DG of Mineral and Coal on behalf of the Minister,

the authorised governor or regent/mayor and should be specified in the annual RKAB for production operations. This guarantee may be provided in the form of:

- A deposit into a joint account co-opened by the DG of Mineral and Coal, the relevant governor or regent/mayor and the relevant IUP/IUPK-production operation license holder in a public sector bank.
 - A time deposit into an account co-opened by the DG of Mineral and Coal, the relevant governor or regent/mayor and the relevant IUP/IUPK-production operation license holder in a public sector bank.
 - A bank guarantee issued by a public sector bank or national private sector bank in Indonesia.
 - An accounting reserve if the IUP/IUPK-production operation license holder is listed in the Indonesia Stock Exchange (with traded shares of more than 40%) and has US\$ 50 million in paid-up capital.
- The Post-Mining Guarantee must be fully collected within two years before going to the post-mining stage. The post-mining guarantee is provided in the form of a time deposit made into an account co-opened by the DG of Mineral and Coal, the authorised governor or regent/mayor, and the relevant IUP/IUPK-production operation license holder in a public sector bank. The amount that should be provided is decided by the DG of Mineral and Coal on behalf of the Minister and the relevant governor or regent/mayor according to their authority.

In accordance with Permen of ESDM No. 26/2018, IPR holder is obliged to apply the rules of good mining practices and governance of mining businesses. The Governor supervises the management of the mining business including the implementation of guidance and supervision of activities carried out by IPR holders.

Amount of Fund

The following is total placement of reclamation guarantee and post-mining fund under the authorization of MoEMR in 2018, including placement of fund in USD with an exchange rate of Rp14,500:

- Reclamation Guarantee amounting to Rp 1.310 Trillion
- Post-mining fund amounting to Rp 866.195 Billion²³

There is no available information regarding the total placement of reclamation guarantee and post-mining fund under the authorization of local government.

Table 51 shows the amount of reclamation and post-mining guarantees reported by reporting companies of mineral and coal sector. The detail of amounts reported by each company can be seen in Appendix 2.30 of 2016 EITI Reconciliation Report.

Table 51 Summary of reclamation guarantee and post-mining fund from 2016 EITI reporting companies

Type of Fund	Reported in IDR	Reported in USD		TOTAL
	In Million IDR	USD (in thousand)	In Million IDR (US\$ 1 = Rp13,436)	In Million IDR
Reclamation Guarantee	368.534	58.275	782.983	1.151.517
Post-Mining Fund	42.928	25.253	339.299	382.227
TOTAL	411.462	83.528	1.122.282	1.533.744

Source: Data of EITI for the period of 2016

6.4 People's Mining

There are a lot of communities in mining areas whose economies depend on small-scale mining operations that are carried out by artisanal as well as with the help of machine tools. The definition of Artisanal and Small-Scale Mining (ASM) is largely a mining activity carried out individually, in groups, by families or cooperatives in a traditional and minimal or non-technological manner²⁴.

Law No. 4/2009 on Mineral and Coal Mining does not recognize ASM but regulates the People's Mining to accommodate the legality of traditional mining undertaken by the people. People's Mining must be done in the People's Mining Area and get the People's Mining Business License (IPR).

6.4.1 Illegal Mining (PETI)

Illegal mining is generally carried out by people with simple equipment and unlicensed, not environmentally and safety oriented. However, it does not rule out the possibility that large mining companies will undertake illegal mining, such as mining in protected forest areas. This section focuses more on illegal mining discussions conducted by the community. Illegal mining (PETI) has minimal supervision from the government and endanger the environment and health, endanger the safety of miners and prone to landslides. In addition, PETI resulted in reduced state revenues from mineral and coal sector, mineral resources wastage and creating an unfavorable investment climate. There has been no official release from the government which is the result of an adequate study of how much the state losses from PETI.

Table 52 Regulations related to People's Mining

<p>Criteria for determining People's Mining Area (WPR) – Law of Mineral and Coal Mining 2009</p>	<ul style="list-style-type: none"> a. holding secondary mineral deposits found in the river and/or between the side and the riverbank; b. holding primary metal or coal deposits at a maximum depth of 25 (twenty-five) meter; c. terrace sediment, flood plain, and ancient river sediment; d. the maximum area of WPR is 25 (twenty-five) hectares; e. mentioning the type of commodity to be mined ; and/or f. being an area or place of people's mining activities carried out for at least 15 (fifteen) years.
<p>Requirements of People's Mining License (IPR) – Law of Mineral and Coal Mining 2009</p>	<ul style="list-style-type: none"> 1. The area of mining for 1 (one) IPR that can be granted to: <ul style="list-style-type: none"> a. an individual shall be a maximum of 1 (one) hectare; b. a group of individuals shall be a maximum of 5 (five) hectares; and/or c. a cooperative shall be a maximum of 10 (ten) hectares. 2. IPR shall be issued for a maximum period of 5 (five) years and can be extended.
<p>Procedures of Granting People's Mining License (IPR), Article 48 of PP No. 23/2010</p>	<ul style="list-style-type: none"> 1) Administrative requirements <ul style="list-style-type: none"> a. an individual shall include at least: <ul style="list-style-type: none"> 1. a letter of application; 2. a resident identification card; 3. information about mining commodities for which an application is submitted; and 4. a certificate from the local office of urban administrative division/office of rural administrative division. b. a community group shall include at least: <ul style="list-style-type: none"> 1. a letter of application; 2. information about mining commodities for which an application is submitted; and 3. a certificate from the local office of urban administrative division/office of rural administrative division. c. a local cooperative shall include at least: <ul style="list-style-type: none"> 1. a letter of application; 2. a taxpayer identification number; 3. a deed of establishment of the cooperative that has been validated by the competent official; 4. information about mining commodities for which an application is submitted; and 5. a certificate from the local office of urban administrative division/office of rural administrative division. 2) Technical requirements shall be a statement that sets forth at least: <ul style="list-style-type: none"> a. shafts for IPR not exceeding 25 (twenty-five) meters in depth; b. use of mechanical pumps, retorting or machinery with total power of not more than 25 (twenty-five) horsepower for 1 (one) IPR; and c. no use of heavy equipment and explosives. 3) Financial requirement shall be the previous year's financial statement and shall be required only for local cooperatives.

Sumber: berbagai sumber, diolah

²⁴ IIED. 2003. "Artisanal and Small Scale Mining". <http://pubs.iied.org/pdfs/9268IIED.pdf> accessed on 15 November 2017

Figure 23 Character of illegal miners



Source: <http://iesr.or.id/files/Pertambangan%20legal%20di%20Indonesia.pdf>

PETI is an act that is categorized as criminal and may be punished with imprisonment of 10 (ten) years and a fine of not more than Rp 10,000,000,000 (ten billion rupiah) (Article 158 of Law No. 4/2009 on Mineral and Coal Mining).

To cope with PETI, some researchers and observers of PETI agree if PETI is a complex problem that requires an integrated solution with due consideration to social, economic and legal conditions. Consistency of law enforcement is necessary but supervision and guiding approach is preferred²⁵.

The government is expected to supervise and improve the capacity of mining communities regarding the implementation of good mining practices. Furthermore, the Government is expected to accommodate illegal miners by cooperation between mining companies and people's mining in certain areas or by involving BUMD that can employ miners²⁶.



25 Redi, Ahmad. 2016. "Dilema Penegakan Hukum Penambang Mineral dan Batubara Tanpa Izin pada Pertambangan Skala Kecil". <http://rechtsvinding.bphn.go.id/artikel/ART%207%20JRV%205.3%20WATE-MARK.pdf>. Accessed on 15 November 2017

26 Zulkarnain, Iskandar. LIPI. "Pertambangan Ilegal di Indonesia dan Permasalahannya".

<http://iesr.or.id/files/Pertambangan%20legal%20di%20Indonesia.pdf>. Accessed on 15 November 2017

07

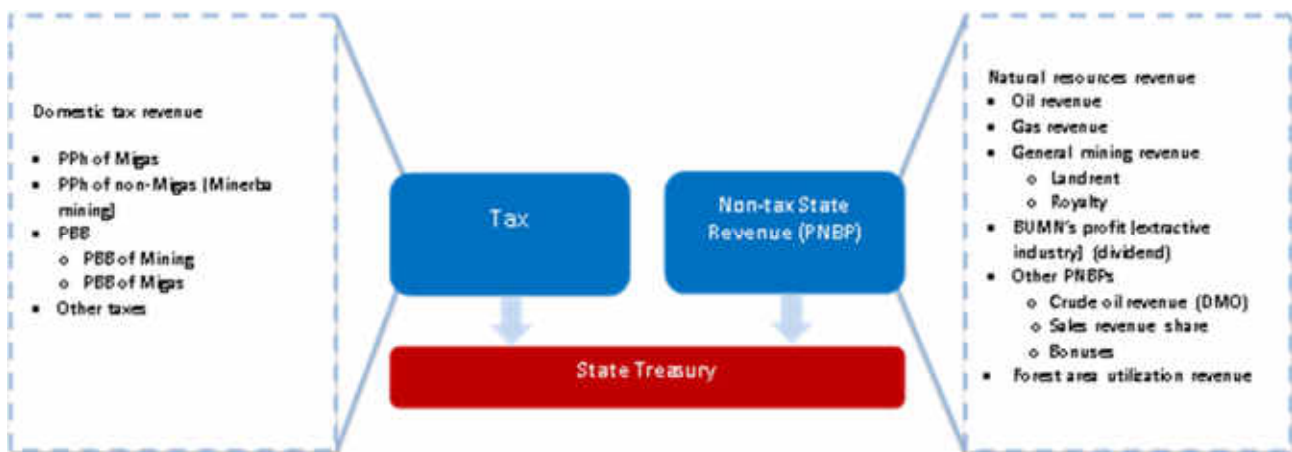
MANAGEMENT OF STATE REVENUE GENERATED FROM EXTRACTIVE INDUSTRY



Based on the Central Government Financial Report (LKPP), state revenue from extractive industry is largely derived from tax revenue and non-tax state revenue (PNBP) deposited to the state treasury as illustrated in Figure 24. The state treasury is managed by the Directorate General of Treasury and the management is regulated by Law No. 1/2004 concerning State Treasury and Ministerial Regulations.

State revenue derived from extractive industry is accounted for in the central government budget and financial report accessible on the Ministry of Finance's website: www.kemenkeu.go.id/page/laporan-keuangan-pemerintah-pusat. According to the PMK No. 275/PMK.05/2014, government financial data is prepared by referring to the Financial Statistic Manual of the Government of Indonesia that is in line with the international standards, such as System of National Accounts, The Balance of Payments Manual and The Monetary and Financial Statistics Manual.

Figure 24 State revenue from the extractive industry reported in LKPP





In 2016, Indonesia has no other revenue (other than the revenue mentioned above) from extractive industry that are not recorded in the state budget (APBN) and does not have national sovereign wealth fund and development fund or state investment institution that manage fund derived from extractive industry companies.

7.1 State Financial Planning, Budgeting and Audit

7.1.1 Budget Planning

Budget planning system in Indonesia starts with the formulation of long-term development plan, which subsequently is broken down into medium and short-term plan. The National Long-Term Development Plan (RPJPN) 2005-2025 is enacted as Law No.17/2007 and is broken down into 4 Medium-Term Development Plan (RPJMN) – each focused on different themes and priorities. RPJMN 2015-2019 is the third RPJMN under Presidential Regulation No 2/2015. RPJMN documents are accessible to the public on website <http://bpkp.go.id/sesma/konten/2254/Buku-I-II-dan-III-RPJMN-2015-2019.bpkp>.

The scope of central government planning includes the following:

- National Long-Term Development Plan
- National Medium-Term Development Plan
- Strategic Plan of Ministry/Institution (Renstra of K/L)
- Working Plan of the Government pursuant to Presidential Regulation
- Working Plan of the Ministry /Institution pursuant to the Regulation of Head of K/L

7.1.2 National Budgeting Approach

Indonesia's budgeting system adopts three approaches pursuant to Law No.17/2003 concerning State Finances, namely:

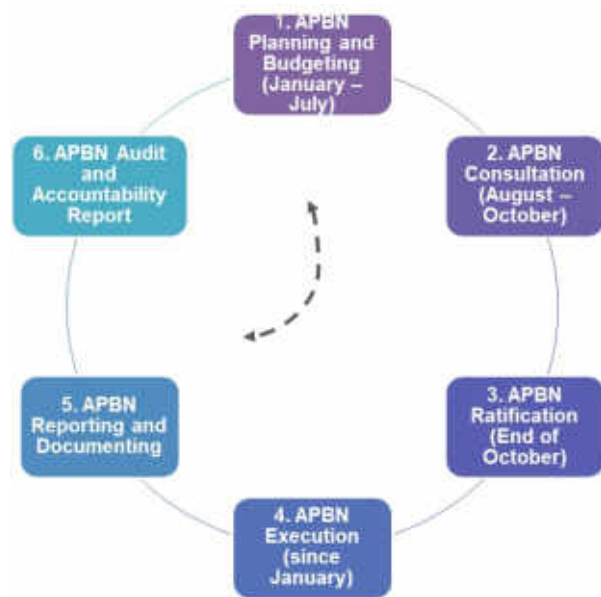
- Unified budget. Unified budgeting is the integration of all planning and budgeting processes across ministries/institutions. Budget is classified by organization, function, program, type of activity, and type of expenditure. The purpose of unified budgeting is to avoid funding duplication.
- Medium-term Expenditure Framework (MTEF). MTEF is policy-based budgeting approach. Ministries/Institutions will be required to translate their RPJMN and Renstra programs into annual Work and Budget plan. MTEF aims to ensure sustainable fiscal discipline, as METF proposed by Ministries/Institutions is the plan that projects to one subsequent year.
- Performance Based Budgeting (PBB). PBB approach takes into account funding and funding output as well as expected outcome, including efficiency in achieving outcome and output. PBB refers to performance indicators, cost standard, and performance evaluation. The purpose of PBB is:
 - To emphasize on performance in the process of achieving output and outcome using budget appropriation (input) and
 - To develop budget based on certain objectives targeted in one fiscal year according to Ministries/Institutions' strategic plan and/or responsibilities.

Process of State Budgeting to State Budget (APBN) Audit

There are number of parties involved in the formulation of APBN, namely Central Government, Indonesia House of Representatives (DPR), and (recommendations from) Local Government. DPR approves APBN proposed by Central Government. The annual APBN cycle is as follows:

1. First phase: APBN planning and budgeting process. In this phase, the government, BPS, and Indonesia Central Bank prepare macro-economic base assumptions that will be used as reference in formulating budget plan (fiscal capacity) of Central Government. Two key elements in this phase are: activity planning and budgeting.
2. Second phase: APBN consultation. Plan of activities proposed by Ministries/ Institutions based on development priority directives from the President is discussed in trilateral meeting. Attending the meeting are Ministries/Institutions as Chief Operating Officer (COO), Minister of Finance as Chief Financial Officer (CFO), and Minister of National Development Planning (PPN)/ Bappenas. The output of this consultation is APBN Bill and Financial Note – submitted to DPR for further consultation. APBN Financial Note presented before the DPR as well as APBN and APBN-P are accessible on website <https://www.kemenkeu.go.id/uuapbn>.
3. Third phase: consultation between Central Government and DPR, taking into consideration recommendations from Regional Representative Council (DPD). Once Central Government and DPR reach an agreement, DPR passes APBN Bill and ratifies the APBN.
4. Ministries/Institutions and State Treasury execute APBN, referring to Budget Execution Document (DIPA).
5. Concurrent with the execution of APBN, Ministries/Institutions and State Treasury develops report and documentation as basis of LKPP, which consists of Budget Realization Report (LRA), Balance Sheet, Cash Flow Report (LAK), and Notes to Financial Statements (CALK). Financial statements are made based on Government Accounting Standards (SAP).
6. BPK audits LKPP submitted by Ministries/ Institutions and State Treasury. After audit process is completed, the President, at the latest 6 months after the end of a fiscal year, presents APBN accountability report to DPR. This report will be discussed and ratified by DPR. Audit reports on LKPP are accessible on website <http://www.bpk.go.id/lkpp>.

Figure 25 APBN cycle



Source: APBN and LKPP, can be accessed via website of the Ministry of Finance

7.1.3 Outlook of Extractive Industry

The public can access outlook on extractive industry from various sources published by relevant government agencies. The following are some documents that can be used as a public reference of targets and strategies along with the assumptions and policy directions used to achieve these goals, such as production estimates and targeted supporting infrastructure development in the 5 year planning period.

Strategic Plan (Renstra) of Ministry of Energy and Mineral Resources for the period of 2015 – 2019

Renstra of MoEMR for the period of 2015 – 2019 has purposes:

1. To guarantee domestic supply of energy and raw materials;
2. To optimize state revenue generated from the Energy and Mineral Resources sector;
3. To realize more targeted energy subsidies and competitive pricing;
4. To increase the investment in the Energy and Mineral Resources sector; and
5. To realize professional management and human resources as well as increase the capacity of science and technology and service of geology sector.

Public can access the detail of Renstra in https://www.esdm.go.id/assets/media/content/Renstra_KESDM.pdf

Renstra of DG of Oil and Gas and DG of Mineral and Coal can be accessed in the following websites: <http://www.migas.esdm.go.id/public/images/uploads/po-stra/renstra-migas-2015-2019.pdf> and

<https://www.minerba.esdm.go.id/library/publish/Renstra%20DJMB%202015-2019.pdf>.

Indonesia Energy Outlook by National Energy Council (DEN)

One of DEN's responsibilities is to study Indonesia's energy condition for the period of 2013-2050. DEN observes Indonesia's energy demand compared to energy supply from national production or import. This study will be a source of reference for the government and other parties to forecast Indonesia's energy condition and can be the basis of policy formulation as well as Indonesia's energy development. This outlook can be accessed in [http://www.den.go.id/index.php/publikasi/index/Energy Outlook](http://www.den.go.id/index.php/publikasi/index/Energy%20Outlook).

7.1.4 Audit Process in the Extractive Industry Sector

Oil and Gas Sector

SKK Migas and government auditors (BPKP, BPK, and DG of Taxes) conduct annual audit of KKSs that already in production stage. The scope of the audit includes oil and gas lifting and cost recovery aspects, including compliance with accounting policies and other policies in accordance with contracts, compliance with laws and regulations related to cost recovery and compliance with regulations related to upstream oil and gas operations.

Mineral and Coal Sector

Substantively the management and supervision of state finances from mineral and coal mining activities mainly related to the management and supervision of Non-Tax State Revenue (PNPB) of this sector. Audit on the management of state finances can be done by the BPK based on Law No. 15/2006 concerning BPK as well as by the BPKP based on Government Regulation No. 60/2008 concerning Government Internal Control System and Presidential Regulation No.192 / 2014 concerning BPKP.

Audit standards applied by BPK, BPKP and SKK Migas are different with the international audit standards. However, it cannot be said that the audit standards applied by BPK, BPKP and SKK Migas are in no way compatible with international audit standards.

The audit standards were designed with special needs or interests that are different from those required by an independent auditor. In some cases, they may even be more extensive than international standards, though in other cases the standards may not be as required by international standards. The BPK audit report can be accessed at <http://www.bpk.go.id/ihaps>.

7.2 Transfer and Payment to Local Government

State revenues from taxes and natural resources are shared with local government as balance fund, as stipulated by Law No.33/2004 and PP No. 55/2005 concerning fiscal balance between central and local government.

The fund consists of revenue sharing fund (DBH), general allocation fund and specific allocation fund. Based on its sources, DBH is categorized into DBH-taxes and DBH-SDA (natural resources: forestry, general mining, fishery, oil and gas and geothermal). DBH's source of funding is APBN and its distribution to local government follows percentage stipulated by Law No. 33/2004.

The following section discusses fund allocation of non-tax revenue from oil & gas and mineral & coal sector.

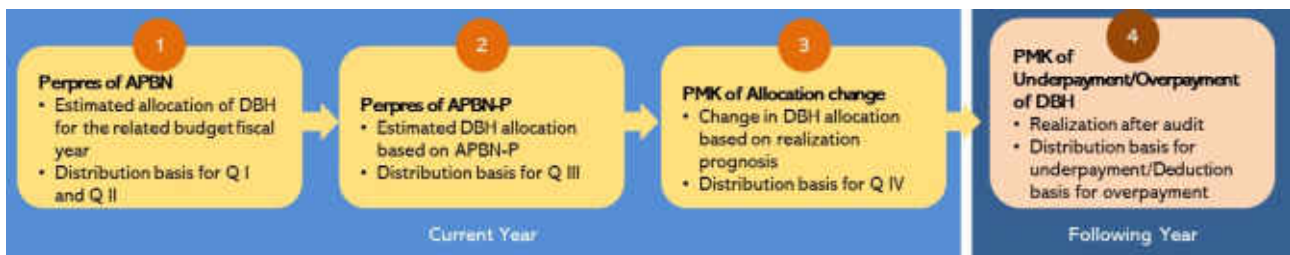
Principle of DBH

The allocation of DBH SDA is based on origin principle (derivative) and realization principle. Both principles must be satisfied in order for the local government to receive revenue sharing generated by extractive industry. Derivative principle means there must be oil and gas production activities carried out in that province or Regency/City, or within the region's sea territory (12 kilometers from coastline²⁷). Producing province or Regency/ City is entitled to a bigger share of the revenue. The other principle, realization principle, means that the revenues are recognized and recorded in State General Cash Account.

Calculation and Determination of DBH

According to the PMK No. 50 / PMK.07 / 2017, DBH is calculated and determined 4 times in one budget fiscal year.

Figure 26 DBH calculation and determination cycle



Source: Directorate General of Fiscal Balance, Ministry of Finance in FGD of EITI 2018 in Batam

²⁷ The 4 km boundary from the coastline is part of the regency/city, and the 4-12 km boundary from the coastline is part of the province so that the province act as the producer.

According to the PMK No. 50 / PMK.07 / 2017, DBH is calculated and determined 4 times in one budget fiscal year.

DBH for each region is allocated by planned state revenue in the APBN Law based on certain percentages according to the provisions of the laws and regulations, and stipulated by a Presidential Regulation concerning the detail of the APBN. Change in DBH allocation in the current year is carried out if there is a change in the target of state revenue in the current year APBN-P Law, and stipulated through the Presidential Regulation concerning the detail of the APBN-P.

The last change in the DBH allocation in the current year is a change in the DBH allocation in accordance with the realization of state revenue for 9 months and the prognosis of state revenue for 3 months. The change in allocation is determined through the Minister of Finance Regulation (PMK) regarding the prognosis for the realization of DBH in the current year. Realization of state revenue that will be distributed in the relevant year will be known after LKPP of the relevant year has been audited by the BPK. The realization will become the basis for the Minister of Finance to calculate the realization of DBH in the year concerned. The amount of DBH realization will be compared with the distribution of DBH carried out in the year concerned, the difference will be the overpayment (LB) or underpayment (KB) of DBH allocation. The KB and LB of DBH allocation will be stipulated through PMK.

7.2.1 DBH Scheme for the Extractive Industry

Oil and Gas DBH Scheme

The scheme of DBH calculation for oil and gas mining sector is as follows:

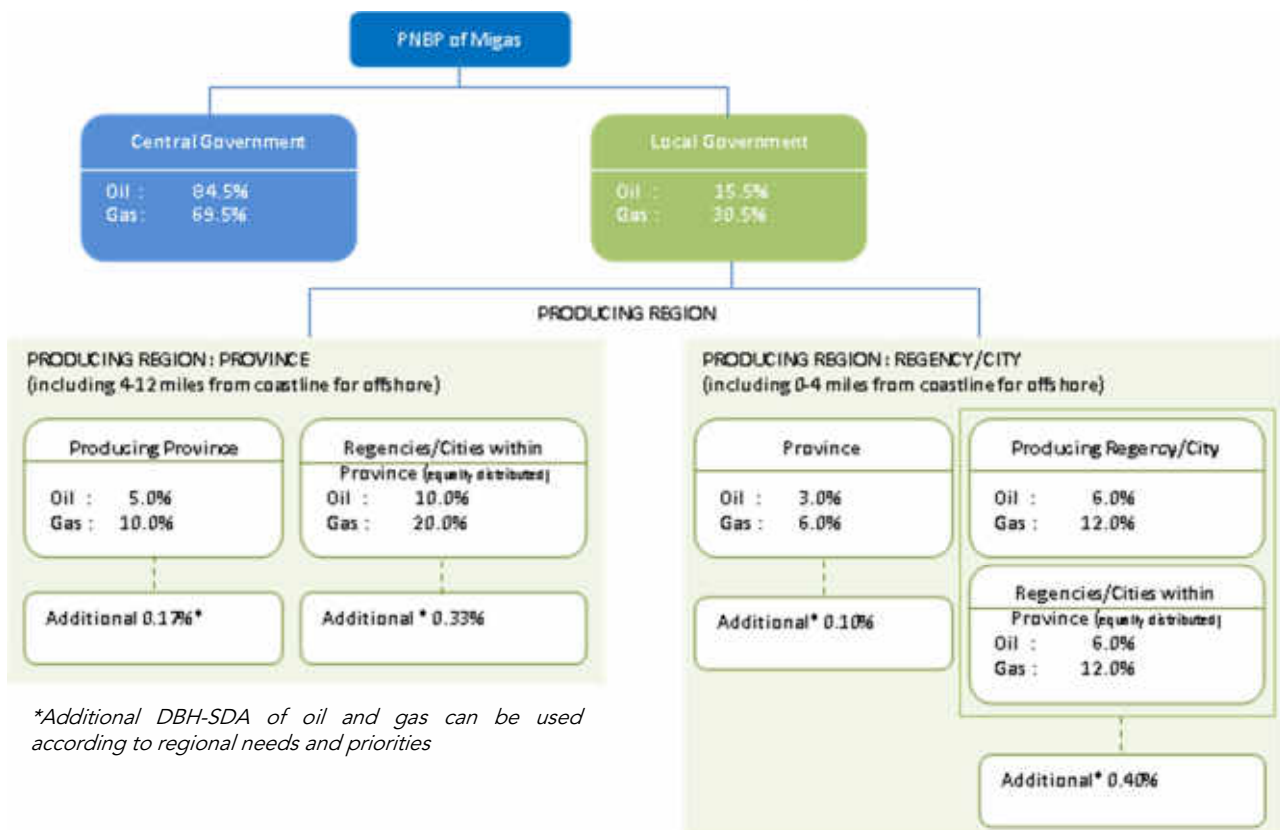
Oil and gas DBH scheme follows the scheme stipulated by Law No. 33/2004 and PP No. 55/2005. From oil and gas PNBP, 15% of oil revenue and 30% of gas revenue are transferred to local government as oil and gas DBH. The PNBP shared to local government is only PNBP from blocks operating within 12 miles from the coastline, while PNBP generated by operation located more than 12 miles from the coastline is entirely allocated to central government. Shared PNBP is further divided to producing regions – province or regency/city– as illustrated by Figure 27.

Oil and Gas DBH for Special Autonomy Region

Pursuant to Special Autonomy Law, there are three provinces granted with status as Special Autonomy Region, namely Aceh, Papua and Papua Barat²⁸. These provinces are entitled to higher percentage of oil and gas DBH compared to other regions²⁹.

The distribution of oil and gas revenue derived from those special provinces is 30% for central government and 70% for local government in the form of Oil and Gas DBH. Hence, provinces under special autonomy receive additional of 55% from oil revenue and the remaining 15% is distributed according to scheme in above figure. As for gas revenue, provinces under special autonomy receive additional of 40% and the remaining 30% distributed in according to scheme in Figure 27. In summary, the distribution of oil and gas DBH portion for Special Autonomy Region is shown in Table 53.

Figure 27 Scheme of DBH-SDA of oil and gas



Source: PP No. 55/2005, UU No. 18/2016

28 Currently Oil and Gas SDA is only available in Papua Barat in accordance with the information from the Head of Sub Directorate of Fiscal Balance in the EITI Journalist Workshop. Bogor, September 7, 2015.

29 Presentation of Head of Sub Directorate of Fiscal Balance. "Kebijakan DBH SDA". EITI Journalist Workshop. Bogor, 7 September 2015.

Table 53 Scheme of DBH for special autonomy region

Commodity	% for region under special autonomy arrangement	Additional share for special autonomy province	Province as producing region		Regency/City as producing region		
			Province	Regency/City in the Province	Province	Producing Regency/City	Other Regency/City in the Province
Oil	70%	55%	5%	10%	3%	6%	6%
Gas	70%	40%	10%	20%	6%	12%	12%

Source: DG of Fiscal Balance of the Ministry of Finance

Specific allocation (earmarked) for certain programs

Specific allocation (earmarked) of oil and gas DBH for certain programs in non-special autonomy region

There is no specific DBH allocation. According to the Law No. 18/2016, DBH-SDA of oil and gas including an additional DBH of 0.5% can be used according to regional needs and priorities.

Specific allocation (earmarked) of oil and gas DBH for certain programs in special autonomy region

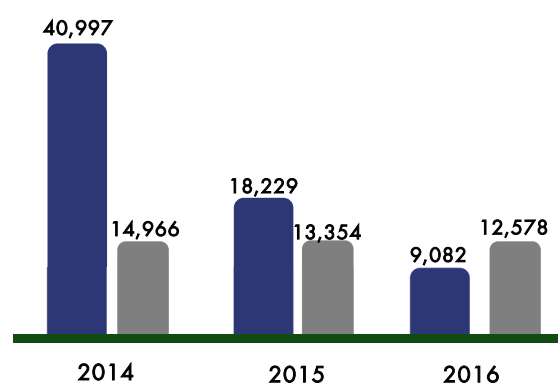
Article 36 of Law No. 21/2001 required Papua and Papua Barat Provinces to allocate oil and gas DBH minimum of 30% for education and minimum of 15% for health and nutrition improvement

Meanwhile, Aceh Province is required to allocate minimum of 30% oil and gas DBH for education.

Mineral and Coal DBH Scheme

Local government share from royalty and landrent is 80%. Table 54 presents the share for producing regions and non-producing regions.

Chart 29 Realization of migas and minerba DBH in 2014-2016 (in billion IDR)



Source: Data of EITI for the period of 2016

Notes: Including special autonomy regions and earmarked of 0,5% for oil and gas DBH

Table 55 is a list of the 10 largest DBH receiving areas for oil, gas, mineral and coal sectors.

Table 54 Scheme of DBH-SDA of general mining

Type of DBH of General Mining	% For Local Government	Share (%)		
		Province	Producing Regency/City	Other Regency/City in the Province
Landrent from Producing Regency/City	80	16	64	-
Landrent from Producing Province	80	80	-	-
Royalty from Producing Regency/City	80	16	32	32
Royalty from Producing Province	80	26	-	54

Source: DG of Fiscal Balance of the Ministry of Finance

DBH disbursement process is discussed in 2016 EITI Reconciliation Report.

7.2.2 DBH Realization in 2016

Chart 29 shows the realization of DBH of migas and minerba throughout 2014-2016. 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. Top 10 recipients of gas DBH are dominated by Kalimantan Timur Province and its regencies/cities, 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.

Table 55 Ten (10) largest recipients of migas and minerba DBH

No	Migas		Minerba			
	Region	Total DBH	Region	Royalty	Landrent	Total
1	Kab. Musi Banyuasin	528.707	Prov. Kalimantan Timur	978.457	9.610	988.067
2	Prov. Riau	496.534	Prov. Kalimantan Timur	796.149	7.455	803.604
3	Kab. Bojonegoro	465.166	Kab. Musi Banyuasin	753.882	13.205	767.087
4	Kab. Bengkalis	441.070	Papua Barat	511.620	3.412	515.032
5	Prov. Kalimantan Timur	370.474	Prov. Sumatera Selatan	500.341	2.705	503.046
6	Kab. Kutai Kertanegara	328.600	Prov. Kepulauan Riau	447.580	1.109	448.688
7	Prov. Sumatera Selatan	316.931	Prov. Aceh	412.281	4.098	416.379
8	Prov. Jawa Timur	301.013	Kab. Penajam Paser Utara	366.517	8.857	375.374
9	Kab. Rokan Hilir	292.771	Kota Bontang	327.314	1.389	328.703
10	Kab. Siak	256.133	Kota Samarinda	293.901	2.445	296.346

Source: Data of EITI for the period of 2016

7.3 Payment from Oil and Gas Company and Mineral and Coal Company to Local Government

7.3.1 Based on Local Regulation (Perda)

The Local Government in its authority may impose levies on oil and gas companies and mineral and coal companies. The provision for this arrangement is Law No. 28/2009 concerning Local Tax and Retribution (PDRD). Law No. 28/2009 replacing Law No. 18/1997 which has been amended and supplemented by Law no. 34/2000. The policy regarding PDRD is regulated by the Local Government through Local Regulation (Perda).

Law No. 28/2009 regulates the following: (1) the existence of limitation on types of local taxes and / or retributions that may be collected by local government (Close List); (2) the granting of greater authority to local government in the field of taxation in the form of maximum rate increase; (3) the existence of a supervisory system on the collection of PDRD which was originally has a nature of repressive and cancellation became preventive and corrective, that is, the evaluation of Local Regulation draft of PDRD conducted by the Government (Minister of Home Affairs and Minister of Finance) before the regulation is enacted; and (4) the existence of sanctions for the Local Government that stipulates the local regulation without performing the evaluation procedure, the sanctions are in the form of the delay or withholding of General Allocation Fund and / or Revenue Sharing Fund or Restitution Fund.³⁰

Payment of PDRD to Local Government from mining companies are generally in the form of Motor Vehicle Fuel Tax (PBBKB), Motor Vehicle Tax (PKB) and Tax on Change of Motor Vehicle Ownership (BBNKB), Building Permit (IMB) Retribution, Surface Water Tax and Hinder Ordonnantie (HO).

Table 56 Rate of PDRD

Type of PDRD	Rate
Motor Vehicle Tax (PKB)	Private PKB rate for the first vehicle ownership amounted to 1% with maximum of 2%, second ownership and so on are progressive, amounted to 2% and maximum of 10%. Public and Social PKB rate amounted to minimal 0,5% and maximum 1%. Heavy and Large Equipment PKB rate amounted to 0,1% and maximum 0,2%
Tax on Change of Motor Vehicle Ownership (BBNKB)	BBNKB rate for the first handover amounted to 20%, second handover and so on amounted to 1%. Heavy and Large Equipment BBNKB rate for the first handover amounted to 0,75%, second handover and so on amounted to 0,075%
Motor Vehicle Fuel Tax (PBBKB)	Private PBBKB rate amounted to a maximum 10%. Public and Social PBBKB rate amounted to minimal 50% of Private PBBKB rate
Surface Water Tax	Maximum 10%

Source: Law No. 28/2009 concerning PDRD

Table 57 is the amount of PDRD reported by migas and minerba companies in the 2016 EITI reconciliation form.

³⁰ National Law Guidance Agency of the Ministry of Law and Human Right of Republic of Indonesia. 2013. "Analisis dan Evaluasi tentang Pajak dan Retribusi Daerah"; Kadar Pamuji. "Kebijakan Pengelolaan Pajak Daerah dalam Kerangka Penyelenggaraan Otonomi Daerah". Jurnal Dinamika Hukum Vol.14 No.3. September 2014

Table 57 The amount of PDRD reported by reporting companies for the period of 2016

Type of Company	Reported in IDR	Reported in USD		Total
	In million IDR	USD	In million IDR (US\$ 1 = Rp13,436)	In million IDR
Migas	3.464	-	-	3.464
Minerba	845.281	12.666.209	170.183	1.015.464
TOTAL	848.745	12.666.209	170.183	1.018.928

Source: Data of EITI for the period of 2016

7.3.2 Commitment between Company and Local Government (Pemda)

In addition to the PDRD, the company may pay certain payment directly to Pemda based on the commitment of the mineral and coal company's management with the local government. This payment is a form of participation of mineral and coal companies in sustainable development and contribution of mineral and coal companies in local development. The amount of direct payment to local government based on commitment / agreement of both parties reported by reporting company can be seen in Appendix 2.30 of 2016 EITI Reconciliation Report.

7.4 Current Issue of Extractive Revenue Management

7.4.1 Petroleum Fund

Petroleum Fund is the Sovereign Wealth Fund which is set aside. The fund is derived from oil and gas activity revenue and the utilization of the fund is regulated by Government Regulation³¹. Various countries that rich in oil and gas resources have practiced this petroleum fund collection. The allocation and mechanism for the collection of the petroleum fund vary across countries, for example Canada which established the Alberta Fund beginning with setting aside CAD1.5 million, then collecting 15% (originally 30%) of royalty revenue and Norway which established the Government Pension Fund-Global which is part of funding derived from all taxes on oil and gas activities and dividends from Statoil (Norwegian Oil and Gas BUMN)³².

The utilization of petroleum funds also varies greatly depending on the specific needs and objectives of government development and may change according to the latest circumstances³³. In general, petroleum funds are used to stabilize fluctuating commodity prices, saving for future generations when natural resources are depleted, and financing strategic development goals³⁴.

Initiative of Petroleum Fund in Indonesia

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, this initiative already exists in the Regency of Bojonegoro and the Regency of Musi Banyuasin³⁵. Both regencies are rich in oil and gas potential, Cepu Block operates in Bojonegoro and Ramba / Rimau Block operates in Musi Banyuasin.

REVISION DRAFT OF THE OIL AND GAS LAW - CHAPTER VIIA PETROLEUM FUND, Article 37A: "(1) The Management Unit shall undertake and manage the Petroleum Fund in a transparent and accountable manner. (2) The Petroleum Fund as referred to in paragraph (1) is intended for activities related to the replacement of Oil and Gas reserves, renewable energy development, and for the benefit of future generations. (3) The Petroleum Fund as referred to in paragraph (1) shall originate from a certain amount of total commercial production which is set aside exclusively outside the Central Government's and contractor's shares."

The Regency of Bojonegoro has already initiated to establish the Petroleum Fund first. Meanwhile, the Regency of Musi Banyuasin is still undertaking a study.

The draft of Local Regulation (Raperda) of the Bojonegoro Petroleum Fund has been prepared and has been consulted to the related stakeholders, such as the Ministry of Home Affairs and Bappenas. The funding source is planned to be derived from 40% of revenue of oil and gas DBH and mining sector DBH of PBB as well as all Participating Interest received by the region. Revenue from the placement of the petroleum fund portfolio can only be used to improve human resources in education, health and socio-culture. 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. The Raperda of Petroleum Fund is planned to be binding for 50 years, but this plan has not been included in the Long Term Development Plan.

31 Migasreview.com. 2015. "Mengenai petroleum fund". <http://www.migasreview.com/post/1425436202/mengenai-petroleum-fund.html> accessed on 1 November 2017

32 Poelzer, Greg. 2015. "Global Lesson from Norway Energy Based Economy". <http://www.macdonaldlaurier.ca/files/pdf/MLICCommentaryPoelzer02-15-V7-WebReady.pdf> accessed on 1 November 2017

33 IMF. 2013. "Sovereign Wealth Fund: Aspect of Governance Structure and Investment management". <https://www.imf.org/external/pubs/ft/wp/2013/wp13231.pdf> accessed on November 2017

34 Op.cit

35 Sovereign wealth fund which is set aside in Musi Banyuasin Regency is planned to not specifically for oil and gas but also other natural resources including rubber.

Success Factors

The establishment of Petroleum Fund requires careful consideration as implementation may be counterproductive e.g raising inflation, misuse of funds and unsuccessful investments caused by unwise investment decisions. Some of the factors below according to the UNDP and IMF study are essential to the success of the Petroleum Fund:

- **Institution and Manager of Petroleum Fund**
Regardless of whether the institution of the Petroleum Fund is established through an existing institution or with the establishment of an independent institution, the operations of the petroleum fund must be independent and having its own account. In addition, the role of senior government officials should be minimal. This independence is to ensure the Petroleum Fund to operate focus on its founding objectives and reduce political influence. Government Pension Fund-Global from Norway is operated by the Central Bank based on the mandate granted by the Ministry of Finance. Bojonegoro Petroleum Fund is planned to be managed by the Regional Public Service Agency (BLUD) and has its own account.
- **Reporting and Transparency**
Reporting and Transparency are important to increase public trust, improve discipline from Petroleum Fund operator, and reduce the risk of corruption and mismanagement. The Norwegian Central Bank as manager of Petroleum Fund issues quarterly and annual reports, including performance report of investment returns, all reports are published. The Raperda of Petroleum Fund has mandated the disclosure of public information. In addition, the Trustee of Bojonegoro Petroleum Fund will deliver reports on the results of supervision to the public through DPRD.
- **Investment Strategy**
The investment strategy is highly dependent on the type of petroleum fund and mandate given. Generally in the early stage of formation, petroleum fund is usually invested in liquid and low risk investment products. Norway's Government Pension Fund-Global (GPFG) focuses on diversified investment and is invested overseas. Currently, the GPFG's investment policy is 60% equity (GPFG owns shares in 7000 companies with maximum allowable ownership of 5%) and 40% fixed income, while the Bojonegoro Petroleum Fund will be invested in deposit and Bank Indonesia Certificate (SBI).

There are many other factors that need to be considered by the Government in the establishment of the Petroleum Fund apart from the above three factors.



08

RECOMMENDATION



The Implementation Team expects the EITI Report to include recommendation to improve transparency and governance level in the extractive industry. The following recommendation is jointly agreed in accordance with finding during the preparation of the 2016 EITI Contextual Report.

1. Beneficial Ownership.

Background

Along with the enactment of 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 in which Corporation is required to recognize Beneficial Owner. The 2016 EITI reporting form includes the beneficial owner's declaration form. The information requested is in accordance with Perpres No. 13/2018, which includes full name, date and place of birth, nationality, identity number, residential address, NPWP, address of country of origin,

relationship between the beneficial owner and the corporation and the number of share ownership. However, in the process, the person in charge of the reporting company is still having difficulties in reporting the beneficial owner. Here are some reasons we received during the reporting process:

- The process of obtaining information on beneficial owners requires special expertise in determining the level of ownership of the company
- Authorities in the company do not have access to parent company documents
- In several companies, no shareholder has 25% or more of shares and the authorities cannot determine the beneficial owner by using a qualitative definition

Therefore, the reporting company mostly can only report direct shareholder of the company and most of them are corporations instead of individual owner.

Recommendation

- 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.
- 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.

2. Contract Disclosure

Background

Requirement 2.4 of 2016 EITI Standard demands for the disclosure of the contract content regarding exploration and exploitation in the extractive industry. In 2011, Central Information Commission (KIP) through the decree No. 197/VI/KIP-PS-M-A/2011 decided that a copy of the minerba sector contract requested by plaintiff is an open information as a whole. Based on the information received from PPID of ESDM (via <http://eiti.ekon.go.id/rapat-koordinasi-keterbukaan-informasi-kontrak-pertambangan/> and interview), public can submit a request letter for disclosing a copy of contract of the minerba upstream sector contractor. This is done to comply with the decision of the KIP above.

The EITI Secretariat has also made correspondence and follow-up to PPID of ESDM to at least disclose contracts that have been decided to be an open information according to KIP decision. However, these contracts still cannot be disclosed because PPID still have to coordinate with other related parties. Furthermore, according to DG of Minerba, these contracts cannot be disclosed yet due to the civil aspect in the contract.

Recommendation

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 MoEMR.

3. Further Studies Regarding Strategic Issues Related to the Performance of the Extractive Industry Background

Background

The purpose of the EITI Report is to describe the implementation of transparency in the extractive industry. This report is not intended to provide study in detail regarding strategic issues related to the performance of the extractive industry. Hence, this report has limitation on providing in-depth description and analysis regarding strategic issues, such as issues related to the indicators of outcome and impact.

Recommendation

Since the mandate of the EITI report is to describe the implementation of information transparency in the extractive industry, there is a limitation to provide deep study regarding strategic issues in the extractive industry. Hence, 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.

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LIST OF TERMS

Barrel is measurement unit for liquid volume that generally use in petroleum industry; 1 barrel is averagely 159 liter.

Barrel Oil per Day - BOPD is total oil per day produced by well, field, or an oil company.

Beneficial Ownership is the owner who actually receives benefits from the ownership of the assets and not the owner of the assets that are registered by law.

Business Entity (BE) is every legal entity that operates and is incorporated based on the Indonesian law and domiciled within the territory of the unitary state of the Republic of Indonesia.

Cadastre system is a spatial information system of property ownership or a comprehensive land that is usually managed by the government. Regarding EITI Standard 2016 requirements 2.3, implementing countries are required to publish cadastral information systems. Required information is: i) the owner of the license, ii) coordinates, iii) the date of application, the date of issuance of the license, and the duration of the license; iv) commodities produced for licenses already in production.

Condensate is 1) gas hydrocarbon in reservoir pressure and temperature but 2) Liquid at normal pressure and temperature 3) a liquid product consisting of mix of light hydrocarbon produced from gas recycle process with expansion and cooling.

Conservation Forest is forest area with typical characteristics, with main function to conserve bio-diversity and ecosystem thereof.

Concession is any grant of right, permit for land from government to company, person or other entities.

Crude Oil (Oil) is unrefined petroleum product composed of hydrocarbon deposits and other organic minerals that maintain liquid after processing.

Data of EITI for the period of 2016 is data collected by the Independent Administrator of the reporting enterprise for the reconciliation process in accordance with the scope set by the Implementation Team.

Dwiwarna Share is a special share (a golden share) that has privileges comparing to other ordinary shares. Privilege rights primary in directors appointment. In Indonesia capital market, this share owned by Government for 1 (one) share.

Earmarking in public financial management is allocation of state revenue for public program or other public services.

Exploitation is a series of activities aimed at producing oil and gas from the working area stipulated, consisting of drilling and completion of wells, the building of transport, storage and processing facilities to separate and refine oil and gas in the field as well as other activities supporting the exploitation.

Exploration is activities aimed at obtaining information on geological condition to find and obtain the estimated reserves of petroleum and natural gas in the working area stipulated.

Extractive Industry is any processes that involve the extraction of raw materials from the earth that includes minerals, coal, oil and gas.

Firm commitment is contractor work and budget plan pursuant to PSC in first 3 year exploration period.

Free carry or carried interest is the profit proportion received by the partner regardless of whether the partner contributes to the funding or not.

Lifting is volume of oil/gas sold at delivery point (custody transfer point).

LNG (Liquefied Natural Gas) is natural gas (predominantly methane, CH₄) that has been liquefied in low temperature and maintain liquid for ease of storage or transport.

Mineral Resource is a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. Mineral resource with certain geological conditions could change to reserves after mining feasibility study and meet mining criteria.

Natural Gas (Gas) is a product of the natural process in the form of hydrocarbon in a pressure condition and at an atmosphere temperature that in the form of gas, which is obtained from an oil and gas mining process.

Open Area is a certain region within the Indonesian mining jurisdiction that has not yet allocated as working area.

Permanent Establishment (BUT) is a business entity established and incorporated outside of Indonesia which is conducting activities in the territory of Indonesia.

Planned on Development (POD) is field development in working area that must be approved by the Minister of EMR based on SKK Migas's consideration and regional government consultation.

Probable Reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable.

Production Forest is forest area with main function to yield forest produces.

Protected Forest is forest area with main function to protect life buffer system to arrange water management, prevent flood, erosion, prevent brine water intrusion, and maintain land fertility.

Proved Reserves are those quantities of oil which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations.

Public Information is information that is produced, stored, managed, sent and/or received by a Public Agency relating to the organizer and the organizing of the state and/or the organizer and the organizing of other Public Agencies pursuant to this law and other information pertaining to the interest of the public.

Renewable Energy is energy from a source that is not depleted when used.

Reserves are quantities of oil/minerals which are anticipated to be commercially recovered from known accumulations from a given date forward.

Scoping study of EY is 2012-2013 EITI scoping study prepared by Ernst & Young as a preliminary study to determine scope for EITI 2012 -2013 report.

State Reserve Area - Wilayah Pertambangan Negara (WPN) shall be part of a mining area that is reserved for national strategic purposes.

Working Area is a certain region within the Indonesian mining jurisdiction used for the exploration and exploitation.

APPENDIX

APPENDIX 1: Matrix of Contextual Report and 2016 EITI Standard

Chapter Index	Title of Chapter/Sub-chapter	2016 EITI Standard
1	INTRODUCTION	
2	THE GOVERNANCE OF EXTRACTIVE INDUSTRY	
2.1	The Overview of Upstream and Downstream Activities	
2.1.1	Oil and Gas Sector	
2.1.2	Mineral and Coal Sector	
2.2	The Mandate of the 1945 Constitution of the Republic of Indonesia	2.1
2.3	Legal Hierarchy of Extractive Industry	2.1
2.3.1	Legal Framework of Oil and Gas (Migas) Mining	2.1
2.3.2	Legal Framework in Mineral and Coal (Minerba) Mining	2.1
2.3.3	Other Laws and Regulations Related to Extractive Industry	2.1, 2.3, 2.4, 2.5
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2.4.1	Fiscal Policy on Oil and Gas Sector	2.1 . 5.1
2.4.2	Fiscal Policy on Mineral and Coal Sector	2.1 . 5.1
2.5	Duties and Functions of Relevant Government Agencies in the Extractive Industry	2.1
2.6	Improving Governance Related to Extractive Industry	
2.6.1	Delegation of Indonesia's Integrated One Stop Service (PTSP)	2.1
2.6.2	Re-Organizing IUP through Clean and Clear Certificate	2.1
2.6.3	Transparency of Beneficial Ownership - Implementation of Presidential Regulation No. 13/2018	2.5
2.6.4	Regulation regarding Gross Split Scheme	2.1
2.6.5	Current Status of the Revision of Oil & Gas Law and Mining & Coal Law	2.1
2.6.6	The Debate and Progress of Regulation on Increasing Mineral Value Added	2.1
2.6.7	Implementation of Share Divestment Regulations	2.1
2.6.8	Contract Shifting to IUP	2.1
2.6.9	Draft of 6 th Amendment of PP No. 23/2010 and Draft of Government Regulation concerning Coal Taxation	2.1
2.6.10	Oil Fuel	2.1
2.6.11	Imposition of PPN on LNG Products	2.1
3	LICENSE AND CONTRACT	
3.1	Oil and Gas Mining Sector	
3.1.1	Applicable Contract in Oil and Gas Sector	2.2
3.1.2	Establishment of Working Area (WK)	2.2
3.1.3	Tender Procedure of Working Area	2.2
3.1.4	WK Offering in 2016	2.2
3.1.5	The Rule of One Working Area for One Company	2.2
3.1.6	Transfer of Participating Interest (PI)	2.2
3.1.7	WK with Contract That Expires	2.2
3.2	Mineral and Coal Mining Sector	
3.2.1	Applicable Licenses in Mineral and Coal Mining Sector	2.2
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3.2.3	The Establishment of Mining Area and IUP in 2016	2.2
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3.2.5	Tender Procedure of Mining Business License Area	2.2
3.2.6	WIUP Tender and the Issuance of IUP in 2016	2.2
3.2.7	The Rule of One IUP for One Company	2.2
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4.1	Distribution and Potency of Extractive Industry in Indonesia	
4.1.1	Oil and Gas Sector	6.3
4.1.2	Coal Mining Sector	6.3

Chapter Index	Title of Chapter/Sub-chapter	2016 EITI Standard
4.1.3	Mineral Mining Sector	6.3
4.2	Contribution of Oil and Gas GDP and Mining GDP in Indonesia	6.3
4.3	State Revenue form Oil and Gas Sector and Mineral and Coal Sector	4.7, 6.3
4.3.1	Oil Sector	3.2, 4.7
4.3.2	Gas Sector	3.2, 4.7
4.3.3	Coal Sector	3.2, 4.7
4.3.4	Main Minerals Production	3.2
4.4	Contribution of Oil and Gas Export and Mineral and Coal Export	
4.4.1	Oil & Gas and Mineral & Coal Sector	3.3, 6.3
4.4.2	Export of Oil Sector by Main Provinces	3.3, 6.3
4.4.3	Export of Gas Sector by Main Provinces	3.3, 6.3
4.4.4	Export of Coal Sector by Main Provinces	3.3, 6.3
4.5	Significant Exploration Activities	3.1
4.6	Contribution of Extractive Industry to National Employment	6.3.
4.7	Contribution of Extractive Industry in the Region (Several Regional Examples)	
5	STATE-OWNED ENTERPRISES	4.5
5.1	Relationship between BUMN and the Government	
5.1.1	Authority	2.6
5.1.2	Financial	2.6
5.2	PT Pertamina (Persero)	2.6, 4.4, 6.1, 6.2
5.3	PT Aneka Tambang Tbk	2.6, 6.2
5.4	PT. Bukit Asam Tbk	2.6, 4.4, 6.2
5.5	PT Timah Tbk	2.6, 6.2
5.6	PT Perusahaan Gas Negara Tbk	2.6, 4.4, 6.2
5.7	Establishment of Holding Companies for Oil and Gas and Mining Companies	
6	ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES	
6.1	Social and Environmental Responsibilities Program of the Company	6.1
6.2	Oil and Gas Mining: Abandonment and Site Restoration Fund (ASR Fund)	6.1
6.3	Mineral and Coal Mining: Reclamation and Post-Mining Guarantees	6.1
6.4	People's Mining	2.1
6.4.1	Illegal Mining (PETI)	
7	MANAGEMENT OF STATE REVENUE GENERATED FROM EXTRACTIVE INDUSTRY	5.1
7.1	State Financial Planning, Budgeting and Audit	
7.1.1	Budget Planning	5.3
7.1.2	National Budgeting Approach	5.3
7.1.3	Outlook of Extractive Industry	5.3
7.1.4	Audit Process in the Extractive Industry Sector	4.9
7.2	Transfer and Payment to Local Government	5.2
7.2.1	DBH Scheme for the Extractive Industry	5.2, 5.3
7.2.2	DBH Realization in 2016	5.2
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7.3.1	Based on Local Regulation (Perda)	4.6, 5.2
7.3.2	Commitment between Company and Local Government (Pemda)	4.6
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7.4.1	Petroleum Fund	5.1
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APPENDIX 2: List of Smelters That Have Been Built and Are Still in Progress

No	Commodity	IUP Company	Smelter Construction Company	Regency/City	Province	Input Capacity (TPY)	Smelter Product	
							Type	Capacity (TPY)
1	Nickel	PT Antam Tbk.	PT Antam Tbk.	Pomalaa	Sulawesi Tenggara	1.450.000	FeNi	90.000
2	Nickel	PT Fajar Bhakti Lintas Nusantara	PT Fajar Bhakti Lintas Nusantara	Gebe	Maluku Utara	1.065.000	NPI (10-16% Ni)	120.000
3	Nickel	Bintang Delapan Mineral Bintang Delapan Energi	PT Sulawesi Mining Investment	Morowali	Sulawesi Tengah	1.600.000	NPI (10-15% Ni)	300.000
4	Nickel	PT Gebe Sentra Nikel	PT Gebe Industry Nickel	Gresik	Jawa Timur	641.026	NiOH (99%Ni)	10.000
5	Nickel	PT Trimegah Bangun Persada PT Gene Permai Sentosa PT Kemakmuran Pertiwi Tambang	PT Megah Surya Pertiwi	Halmahera Selatan	Maluku Utara	2.079.732	FeNi	198.158
6	Nickel	PT Surya Saga Utama	PT Surya Saga Utama	Bombana	Sulawesi Tenggara	Tahap I: 700.000 Tahap II: 2.800.000	FeNi Luppen	Tahap I: 57.044 Tahap II 228.176
7	Nickel	Virtue Dragon	Virtue Dragon	Konawe	Sulawesi Tenggara	Tahap I: 1.000.000 Tahap II: 2.000.000	FeNi	Tahap I: 200.000 Tahap II: 400.000
8	Nickel	PT Mulia Pacific Resources PT Itamatra Nusantara PT Bumi Konawe Abadi (Konawe Utara)	COR Industri Indonesia	Morowali Utara	Sulawesi Tengah	855.556	NPI	92.400
9	Bauxite	PT Harita Prima Abadi Mineral PT Karya Utama Tambangjaya PT Labai Pertiwi Tambang PT Sandai Inti PT Cita Mineral Investindo	PT Well Harvest Mining	Ketapang	Kalimantan Barat	3.000.000	SGA	1.000.000
10	Bauxite	PT Antam Tbk	PT Indonesia Chemical Alumina	-	Kalimantan Barat	1.000.000	CGA	300.000
11	Iron Ore	PT Sebuku Iron Lateritic Ores (PT SILO)	PT Sebuku Iron Lateritic Ores (PT SILO)	Kotabaru	Kalimantan Selatan	6.300.000	Sponge Iron	2.677.500
12	Iron Sand	PT Sumber Suryadaya Prima	PT Sumber Baja Prima	Sukabumi	Jawa Barat	65.847	Cold Bricket Iron	36.367
13	Manganese	PT Indotama Ferro Alloy	PT Indotama Ferro Alloy	Purwakarta	Jawa Barat	54.000	SiMn	n/a
14	Manganese	PT Imasco Pasific Minerals	PT Premier Bumidaya Industri	Pasuruan	Jawa Timur	23.974 kons	Mangan Oksida	16.186

No	Commodity	IUP Company	Smelter Construction Company	Regency/City	Province	Input Capacity (TPY)	Smelter Product	
							Type	Capacity (TPY)
15	Copper	PT Batutu Kharisma Permai	PT Batutu Tembaga Raya	Maluku Barat Daya	Maluku	1.400.000	Katoda Tembaga	25.000
16	Nickel	PT Vale Indonesia	PT Vale Indonesia	Sorowako	Sulawesi Tengah	8.000.000	Ni Matte	80.000
17	Nickel	PT Indoferro	PT Indoferro	Cilegon	Banten	800.000	NPI	200.000
18	Nickel	PT Century Metalindo	PT Century Metalindo	Serang	Banten	641.026	FeNi	50.000
19	Nickel	Indonesia Guang Ching Nikel and Stainless Steel	Indonesia Guang Ching Nikel and Stainless Steel	Morowali	Sulawesi Tengah	7.500.000	NPI	n/a
20	Nickel	Titan Mineral Utama	Titan Mineral	Bantaeng	Sulawesi Selatan	530.000	NPI	n/a
21	Nickel	PT Bintang Timur Steel	PT Bintang Timur Steel	Serang	Banten	292.000	NPI (> 10% Ni)	120 ton/hari
22	Iron Ore	PT Delta Prima Steel	PT Delta Prima Steel	Tanah Laut	Kalimantan Selatan	220.000	Steel	n/a
23	Iron Ore	PT Meratus Jaya Iron Steel	PT Meratus Jaya Iron Steel	Batu Licin	Kalimantan Selatan	656.250	Sponge Iron, Slab, Billet	n/a
24	Copper	PT Smelting	PT Smelting	Gresik	Jawa Timur	1.000.000	Katoda Tembaga	300.000
		PT Smelting	PT Amman Mineral Nusat Tenggara	Gresik		1.000.000	Lumpur Anoda	No info

Source: DG of Minerba

APPENDIX 3: List of Contracts (KK and PKP2B) That Have Been Amended and Shift to IUPK

PKP2B Amendment			
Amendment Signing Date: 5 August 2015			
PKP2B Generation I ++			
1	PT Indominco Mandiri		
PKP2B Generation III			
1	PT Mandiri Intiperkasa	6	PT Gunungbaya Pratamacoal
2	PT Trubbindo Coal Mining	7	PT Indexim Coalindo
3	PT Antang Gunung Meratus	8	PT Jorong Baratama Greston
4	PT Bahari Cakrawala Sebuku	9	PT Kartika Selabumi Mining
5	PT Borneo Indobara		
Amendment Signing Date: 23 December 2015			
PKP2B Generation III			
1	PD Baratama	7	PT Ekasatya Yanatama (telah diterminasi)
2	PT Astaka Dodol	8	PT Karya Bumi Baratama
3	PT Banjar Intan Mandiri	9	PT Selo Argodedali
4	PT Bara Pramulya Abadi	10	PT Selo Argokencana Sakti
5	PT Batualam Selaras	11	PT Sumber Kurnia Buana
6	PT Baturona Adimulya	12	PT Tanjung Alam Jaya
Amendment Signing Date: 12 April 2017			
PKP2B Generation I +			
1	PT Mulya Harapan Utama	2	PT Tanito Harum
PKP2B Generation II			
1	PT Marunda Graha Mineral		
PKP2B Generation III +			
1	PT Mahakam Sumber Jaya		
PKP2B Generation III			
1	PT Asmin Bara Baronang	7	PT Bumi Laksana Perkasa
2	PT Asmin Bara Jaan	8	PT Delma Mining Corporation
3	PT Bangun Benua Persada Kalimantan	9	PT Kadya Caraka Mulia
4	PT Batubara Selaras Saptia	10	PT Pesona Khatulistiwa Nusantara
5	PT Baramutiara Prima	11	PT Suprabari Mapanindo Mineral
6	PT Bharito Ekatama		
Amendment Signing Date: 14 November 2017			
PKP2B Generation I			
1	PT Arutmin Indonesia	3	PT Kaltim Prima Coal
2	PT Berau Coal	4	PT Kideco Jaya Agung
PKP2B Generation II			
1	PT Barasentosa Lestari		
PKP2B Generation III			
1	PT Intitirta Primasakti	5	PT Maruwai Coal
2	PT Juloi Coal	6	PT Pari Coal
3	PT Kalteng Coal	7	PT Ratah Coal
4	PT Lahai Coal	8	PT Sumber Barito Coal
Amendment Signing Date: 17 January 2018			
PKP2B Generation I			
1	PT Adaro Indonesia	2	PT Kendilo Coal Indonesia

PKP2B Generation III			
1	PT Batubara Duaribu Abadi	9	PT Pendopo Energi Batubara
2	PT Firman Ketaun Perkasa	10	PT Perkasa Inakakerta
3	PT Insani Bara Perkasa	11	PT Santan Batubara
4	PT Interex Sacra Raya	12	PT Sarwa Sembada Karya Bumi
5	PT Kalimantan Energi Lestari	13	PT Singlurus Pratama
6	PT Lanna Harita Indonesia	14	PT Tambang Abadi
7	PT Mantimin Coal Mining	15	PT Teguh Sinar Abadi
8	PT Multi Tambang Jaya Utama	16	PT Wahana Baratama Mining

KK Amendment			
No	Company	Stage	Status
1	PT Vale Indonesia Tbk	Production Operation	PMA
2	PT Tambang Tondano Nusajaya	Production Operation	PMA
3	PT Meares Sopotan Mining	Production Operation	PMA
4	PT Karimun Granite	Production Operation	PMA
5	PT Iriana Mutiara Idenburg	Feasibility Study/Exploration	PMA
6	PT Iriana Mutiara Mining	Exploration	PMA
7	PT Gorontalo Sejahtera Mining	Construction/Production Operation	PMDN
8	PT Tambang Mas Sangihe	Exploration	PMA
9	PT Paragon Perdana Mining	Production Operation	PMA
10	PT Galuh Cempaka	Production Operation	PMA
11	PT Gag Nikel	Construction/Production Operation	PMA
12	PT Sorikmas Mining	Construction/Production Operation	PMA
13	PT Woyla Aceh Mineral	Exploration	PMA
14	PT J Resources Bolaang Mongondow	Production Operation	PMDN
15	PT Citra Palu Mineral	Production Operation	PMA
16	PT Gorontalo Mineral	Feasibility Study/Exploration	PMA
17	PT Dairi Prima Mineral	Construction/Production Operation	PMA
18	PT Pasifik Masao Mineral	Feasibility Study/Exploration	PMA
19	PT Ensbury Kalteng Mining	Production Operation	PMA
20	PT Kasongan Bumi Kencana	Production Operation	PMA
21	PT Pelsart Tambang Kencana	Feasibility Study/Exploration	PMA
22	PT Indo Kencana	Production Operation	PMA
23	PT Natarang Mining	Production Operation	PMA
24	PT Kalimantan Surya Kencana	Feasibility Study/Exploration	PMA
25	PT Agincourt Resources	Production Operation	PMA
26	PT Mindoro Tiris Emas	Feasibility Study/Exploration	PMA
27	PT Nusa Halmahera Minerals	Production Operation	PMA
28	PT Weda Bay Nickel	Construction/Production Operation	PMA
29	PT Masmindo Dwi Area	Construction/Production Operation	PMA

KK that shift to IUPK			
1	PT Amman Mineral Nusa Tenggara (dahulu Newmont Nusa Tenggara)	2	PT Freeport Indonesia

KK that has not yet Signed the Amendment			
1	PT Sumbawa Timur Mining	2	PT Kumamba Mining

Source: DG of Minerba

APPENDIX 4: Summary of Conventional Oil and Gas Working Area Offering Results in 2016

No	Block	Company			Participation Document				
		Bid Document Purchase	Participation Document	Tender Winner	Administrative	Technical	Financial	Performance	OE & Split
Direct Offer									
1	Ampuh	-	-	-	-	-	-	-	-
2	Bukit Barat	BU/BUT 1	-	-	-	-	-	-	-
		BU/BUT 2	-	-	-	-	-	-	-
3	Batu Gajah Dua	BU/BUT 3	-	-	-	-	-	-	-
		BU/BUT 4	BU/BUT 4	-	Incomplete	-	-	-	-
4	Ebuny	BU/BUT 5	-	-	-	-	-	-	-
		BU/BUT 6	BU/BUT 6	-	Complete	Do not meet the requirement	Adequate	Good	Do not meet the requirement
5	Kasongan Sampit	BU/BUT 7	-	-	-	-	-	-	-
6	Onin	BU/BUT 8	Konsorsium 1	-	Complete	Meet the requirement	Adequate	Never been an operator	Do not meet the requirement
		BU/BUT 9							
		BU/BUT 10							
		BU/BUT 11	-	-	-	-	-	-	-
7	West Kaimana	BU/BUT 12	Konsorsium 2	-	Complete	Meet the requirement	Adequate	Never been an operator	Meet the requirement
		BU/BUT 13							
		BU/BUT 14							
Tender Reguler									
1	Kasuri II	BU/BUT 15	BU/BUT 15	-	Complete	Do not meet the requirement	Very Adequate	There is no record yet	Do not meet the requirement
2	Manakara Mamuju	BU/BUT 16	BU/BUT 16	-	Complete	Meet the requirement	Very Adequate	Good	Do not meet the requirement
3	North Arguni	BU/BUT 17	-	-	-	-	-	-	-
4	Oii	BU/BUT 18	-	-	-	-	-	-	-
		Azipag Ltd.	Azipag Ltd.	Azipag Ltd.*	Complete	Meet the requirement	Very Adequate	There is no record yet	Meet the requirement
5	South CP	-	-	-	-	-	-	-	-
6	South East Mandar	-	-	-	-	-	-	-	-
7	Suremana I	-	-	-	-	-	-	-	-

Source: DG of Migas

Notes:

(-) none

(*) The winner pulled out of the offer, KKS has not been signed because winner must use PSC Gross Split. This tender used a Cost Recovery PSC contract draft. The tender winner pulled out & was not subject to liability in accordance with the MoEMR's Decision Letter No. 0030.K / 13 / DJM.E / 2018 dated January 29, 2018.

EITI INDONESIA REPORT 2016 CONTEXTUAL REPORT

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