



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



DEVELOPING INDONESIA'S MINING INDUSTRY

**8TH ASIA – PACIFIC MINING CONFERENCE AND EXHIBITION
(APMCE)**

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INTRODUCTION

The significant development of the Indonesia mining industry has been enormously attributed for more than thirty years by the success of both the Contract of Work (Cow/KK) and the Work Agreement for Coal Mining Enterprises (CCoW/PKP2B) which are basically based on the Mining Law No 11/1967

Background

1. Indonesia is blessed abundant coal and mineral resources, such as tin, gold, nickel, copper, bauxite, industrial minerals etc. The country poses the second largest tin producer and the third coal producer in the world.
2. The Law 11/67 on General Mining and mining contract system (Contract of Work and Coal Contract/Agreement) had attracted a large number of foreign investors. Not less than 300 mining contractors had ever been registered to operate in Indonesia using contract system. Not less than 650 mining permit (mining authorization) for domestic investor have ever worked in the country.

3. Changes in political and governmental system, such as centralization to decentralization system, democratization, global issues such as environment and human rights have led to the need for revision of Law 11/67.

- 4. Strong criticism in the country in order the government to manage the resources more efficiently have caused the government must review its policy on mineral and coal development**
- coal becomes energy, not anymore as mining commodity**
 - national strategic industries need raw mineral and coal**
 - more national energy and mineral services to mining industries takes part in mining and coal industries**
 - community development should be carried out by government and mining companies more attentively.**

5. **National economic growth at least 5 % annually in future give impacts to increased use of energy for industries. The government must turn into more uses of coal and another energy resources to replace oil for domestic consumption.**
6. **Production of mining contributes approximately 2,8% of the Gross National Product (GNP) of Indonesia.**

RESOURCES AND RESERVES

The current situation of Indonesian coal resources are estimated around 90.5 billion tons with mineable reserve approximately 18.7 billion tons. While the total mineable reserves for other minerals such as gold, copper, tin, and nickel resources are approximately 3,156 tons, 41,47 million tons, 462,402 tons and 627,8 million tons respectively. Compared with other countries of Asia from Kazakhstan to Philippines, Indonesia is also a leader in copper, gold, silver, nickel and coal resources and production.

INDONESIA'S MINERAL AND COAL PRODUCTION

Commodity	Unit	2005	2006	2007	2008*)
1. Copper concentrate	dmt	3.551.222,00	2.938.010,00	2.814.952,00	902.316,00
2. Copper	ton	1.063.068,00	817.797,00	796.898,00	235.687,00
3. Gold	kg	143.215,00	85.595,15	118.156,98	25.008,54
4. Silver	kg	325.912,34	261.435,70	269.027,29	173.682,00
5. Tin concentrate	ton	78.403,77	80.933,15	66.137,48	11.277,00
6. Tin metal	ton	67.600,28	65.357,47	64.127,00	13.359,00
7. Bauxite	mt	1.441.899,00	1.501.937,00	1.251.147,00	181.141,00
8. Nickel + cobalt in matte	ton	77.470,71	72.781,50	77.927,67	24.793,00
9. Nickel ore	wmt	4.080.800,00	4.353.832,00	7.112.870,00	2.313.299,00
10. Ferro nickel	mt	20.036,00	-	-	-
11. Nickel in ferro nickel	ton	7.338,00	14.474,00	18.532,00	4.362,00
12. Iron sand	wmt	21.901,00	5.489,00	-	-
13. Granite	ton	4.302.849,00	5.217.807,00	1.793.440,00	-
14. Diamond	crt	21.606,08	46.856,00	22.980,10	6.251,00
15. Coal	Tons	152,707,607.31	180,289,454.6	178,914,225.7	104,896,911.37

*) Until June 2008

INDONESIA'S MINERAL AND COAL EXPORT

Commodity	Unit	2005	2006	2007	2008*)
1. Copper concentrate	dmt	2.697.309,00	2.243.000,00	1.703.658,00	
2. Copper	ton	788.106,00	611.177,00	473.779,00	250.135,00
3. Gold	kg	109.275,98	66.175,09	80345.932367+	27.425,54
4. Silver	kg	233.325,81	179.170,45	174.457,00	84.640,00
5. Tin metal	ton	66.920,08	61.421,89	63.678,95	11.672,00
6. Bauxite	mt	1.617.566,00	1.536.542,00	964.282,00	73.866,00
7. Nickel + cobalt in matte	ton	77.217,85	72.878,65	77.837,66	24.582,00
8. Nickel ore	wmt	4.096.022,00	4.309.134,00	6.907.459,00	2.005.706,00
9. Ferro nickel	mt	24.463,00	-	-	-
10. Nickel in ferro nickel	ton	6.588,00	13.389,00	17.548,00	1.267,00
11. Iron sand	wmt	-	-	-	-
12. Granite	ton	3.856.074,00	5.160.623,00	684.948,00	-
13. Diamond	crt	24.074,68	47.039,42	10.410,00	6.251,00
14. Coal	Tons	106,170,925.26	129,530,363.6	139,949,734.01	79,069,740.62

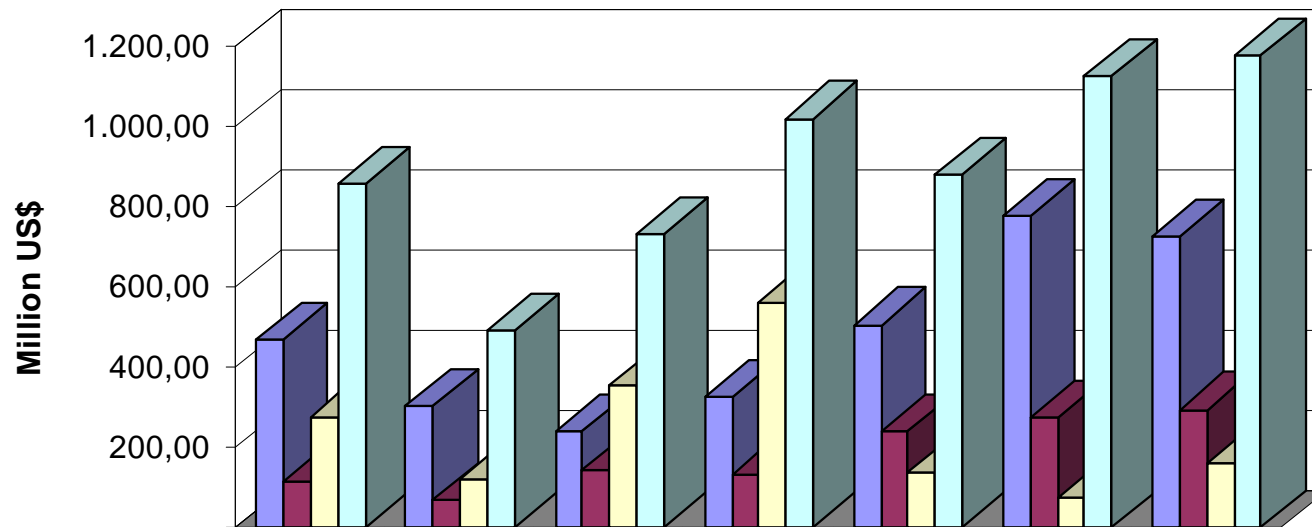
*) Until June 2008

STATE REVENUE REALIZATION FROM COW, CCoW AND MINING AUTHORIZATION

(Thousand Rupiahs)

	2006	2007
TAX	23,026,309,000	28,636,955,969
Non Tax Revenue		
- Deadrent	58,249,124.87	76,240,645.56
- Royalty	4,163,991,875.70	5,771,818,139.80
- Fund of coal production	2,442,569,942.86	2,849,012,282.12
Total Non Tax Revenue	6,664,810,943.43	8,697,071,067.48
TOTAL	29,691,119,943.43	37,334,027,036.48

INDONESIAN MINERAL AND COAL INVESTMENT OF THE COW, CCoW AND MINING AUTHORIZATION (STATE OWN COMPANY)



	2001	2002	2003	2004	2005	2006	2007
Cow	466,67	303,39	237,67	323,96	506,09	778,34	727,75
CCoW	114,23	66,35	142,42	134,24	239,24	275,46	293,83
State Own Company	277,57	120,75	353,34	563,25	135,07	72,11	158,06
Total	858,47	490,49	733,43	1.021,46	880,40	1.125,91	1.179,65

EXISTING MINING COMPANIES

INDONESIA - August, 2008

	Gen Survey.	Expl	FS	Constr	Prod	Term.	TOTAL
CoW	3	13	9	4	12	194	235
CCow	-	5	18	17	37	64	141

	Gen. Survey	Explr	Exploi	Transp N Trad	O/M.	Term.	TOTAL
Mining Licenses	74	381	474	88	19	1036	2468

Gen. Survey = General Survey

Expl. = EXPLORATION

Exploi = Exploitation

FS = FEASIBILITY STUDY;

Constr = Construction

Prod = PRODUCTION;

Term. = Termination;

CoW = Contract of Work – Generation 1 – 7
(1967 – 1998);

Mining Licences which are registered in
The Directorate General of Mineral, Coal
and Geothermal

Transp N Trad = transportation and trading;
O/M = processing and refining

CCoW = Coal Contract of Work
Generation 1 – 3 (1981 – 2000);

Current Issues of Indonesian Mining

- Production of some metal (Au and Silver) are decreasing because of national reserve is depleted; coal production is increasing due to expanding production of existing coal mining operations, not because of new investment.
- Decrease of exploration activity by existing CoW and CCoW
- Mal-practices of decentralization of mining in local government
- Environment issues
- Illegal mining
- Mining Capital Goods is dominated by import
- Conflict of Land uses
- Added value of mineral is low

THE GOVERNMENT POLICY

The Government's policies of mineral and coal mining management such as :

- Stipulating mineral resources policy, preparing law, promoting investment as well as facilitating the Regional Administration in the implementation of Regional Autonomy
- Managing Contract of Work and Coal Contract of Work already issued before January 1, 2001 by the Central Government, by remaining making a coordination with the Regional Administration
- Continuously evaluating the Government's tasks which can be de-concentrated and assigned to the Provincial/ Regional Administration
- Facilitating the provincial/regional administration to encounter the problems of mining exploration and exploitation in the Province/ Regency

Continues..

THE GOVERNMENT POLICY

- Facilitating the Provincial/District Administration in the making of legislation and the technical matters relating to mineral and coal mining
- Continuously cooperating with any other sectors relating to mineral and coal mining exploration, particularly Forestry, Environmental, Maritime, Fishery, and Financial sectors in solving mineral and coal mining problems
- Determining conducive policies for the safety of mineral and coal supply

BASIC PRINCIPLES OF THE BILL

1. Mineral and coal resources belong to the people, and is authorized and mandated to the state to manage for the welfare of Indonesia people.
 2. Mining rights is held by both the government and local government
 3. Coal and mineral operation must benefit for the people, especially for those who live where the resources is located.
- ❑ National and region Economic benefit;
 - Tax, state Non- tax revenue (royalty and exploration fee)
 - Optimizing added value of mineral:
 - Coal as energy commodity, no longer as mining commodity
 - Mineral for strategic industries
 - ❑ Social/Community development & labour are more clarified;
 - ❑ Environment protection is more clarified

4. Good Governance :

- Recognize existence of the traditional mining
- Equality of access of investor obtaining mineral & coal, and information
- Clear distribution of authority between Local and central government based on the externality, accountability, and efficiency criteria
- Accountability of company;
- Central and Local government are not involved in the businesses (no contract anymore between private and government);
- Heavier punishment;
- Safety and healthy working facilities and places for the labor and vicinity ;
- Simplification of mining permit procedure

5. Securing existing mining permit and contracts :

- All terms in mining contracts and mining permit that have been issued by the government and local government are valid and secured;
- For protection reason, all mining areas in the form of mining contracts and mining permits will be formally included in National and Regional Planning.

CONCLUSION

- In compliance with the objective of regional autonomy to put closer services to the society, hopefully the Regional Government could establish a more conducive climate for investors in developing mineral and coal mining business, including easy, quick and transparent services and supported by security guarantee.
- Bill of Law on Mineral and Coal Mining will be finalized soon to provide legal basis for renewal moves and restoring mineral and coal mining business. Furthermore, it will also facilitate business, legal certainties and liabilities to enhance coordination as to overcome existing problems in regard to mining business.



THANK YOU