

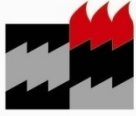
# INDONESIAN COAL MINING UPDATE

*SYMPOSIUM "CLEAN COAL DAY IN JAPAN 2010"*  
JAPAN COAL ENERGY CENTER



BY : BOB KAMANDANU  
CHAIRMAN OF INDONESIAN COAL MINING ASSOCIATION (ICMA)

September 7<sup>th</sup>- 8<sup>th</sup>, 2010  
ANA INTERNATIONAL HOTEL TOKYO  
JAPAN

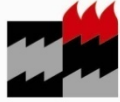


# PRESENTATION OUT LINE

1. ABOUT INDONESIAN COAL MINING ASSOCIATION (ICMA)
2. COAL RESOURCES AND RESERVES
3. TOTAL OPERATING COMPANIES
4. PRODUCTION, EXPORT AND DOMESTIC SALES AND ITS FORECASTS
5. UPGRADING AND CLEAN COAL TECHNOLOGY IN INDONESIA
6. INCENTIVES FOR LOW RANK COAL UPGRADING AND CLEAN COAL INDUSTRY
7. UP COMING LOW RANKS COAL MINE IN OPERATIONS
8. HOW TO SUSTAIN THE COAL MINING INDUSTRY IN INDONESIA
9. CLOSING



# ABOUT INDONESIAN COAL MINING ASSOCIATION (ICMA)



## ***INDONESIAN COAL MINING ASSOCIATION APBI-ICMA***

### **VISION**

- **TO SET A STANDARD OF EXCELLENCE IN EVERY UNDERTAKING OF COAL MINING, AND**
- **TO LEAD COAL INDUSTRY TO NEW LEVELS OF PRODUCTIVITY, SAFETY, PROMINENCE AND SOCIAL RESPONSIBILITY AND ENVIRONMENTAL CONSCIOUSNESS**

### **MISSION**

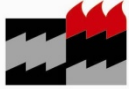
- **TO PROMOTE COAL PRODUCTION AND UTILIZATION**
- **TO ADDRESS THE CHALLENGES AND OPPORTUNITIES AFFECTING COAL'S PRESENT AND FUTURE**
- **TO EFFECTIVELY SERVE AS COAL'S ADVOCATE**
- **TO ACCOMODATE AND TO SERVE THE NEEDS, DESIRES AND ASPIRATION OF MEMBERS; AND**
- **TO ENCOURAGE A FAVOURABLE ENVIRONMENT FOR INVESTMENT AND COMPETITION**

### **MEMBER OF APBI-ICMA (upto August, 2010)**

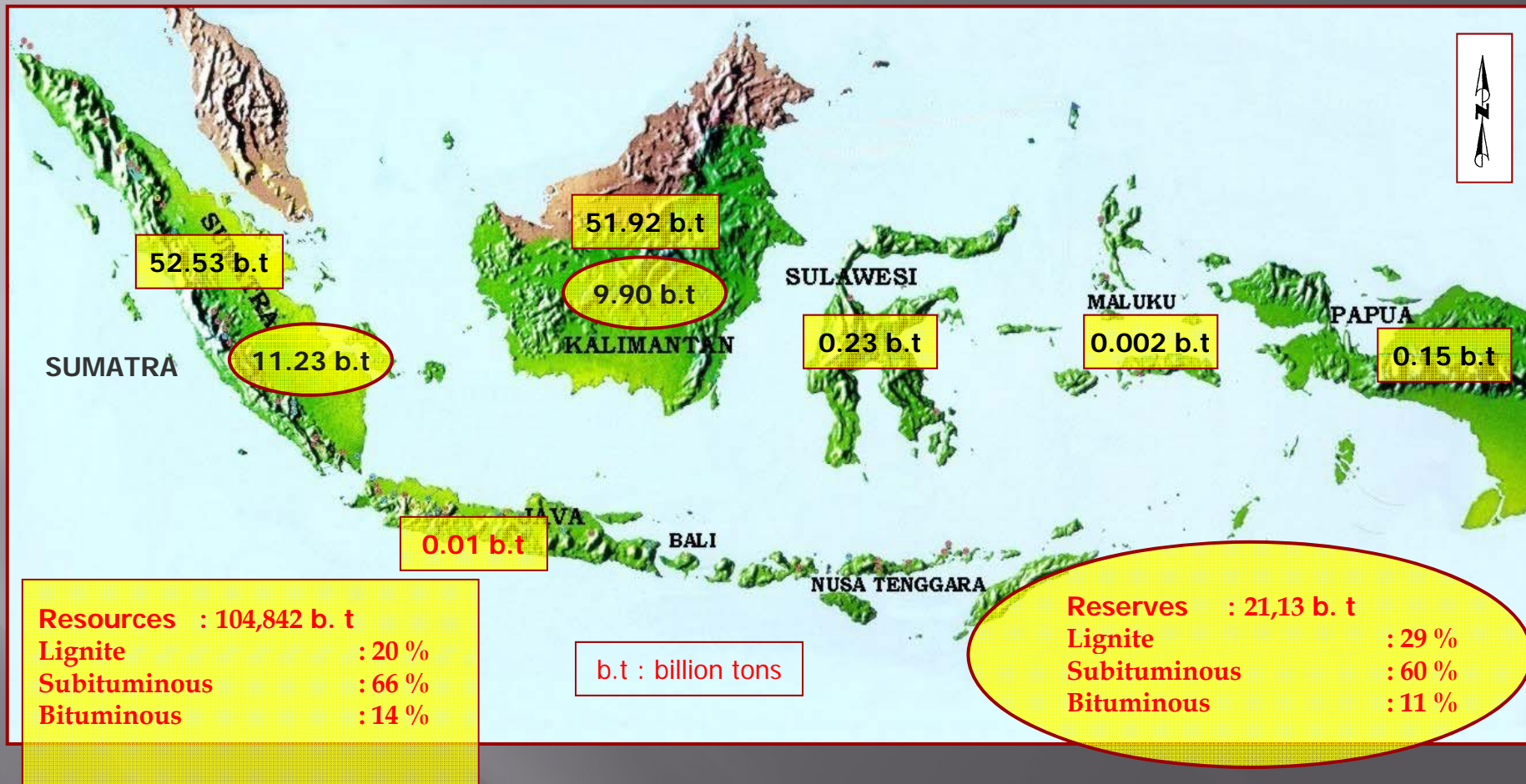
- **TOTAL MEMBERS 80 COMPANIES CONSIST OF :**  
**COAL MINING COMPANY : 60 COMPANIES**  
**COAL MINING SERVICE COMPANY : 20 COMPANIES**



# COAL RESOURCES AND RESERVES



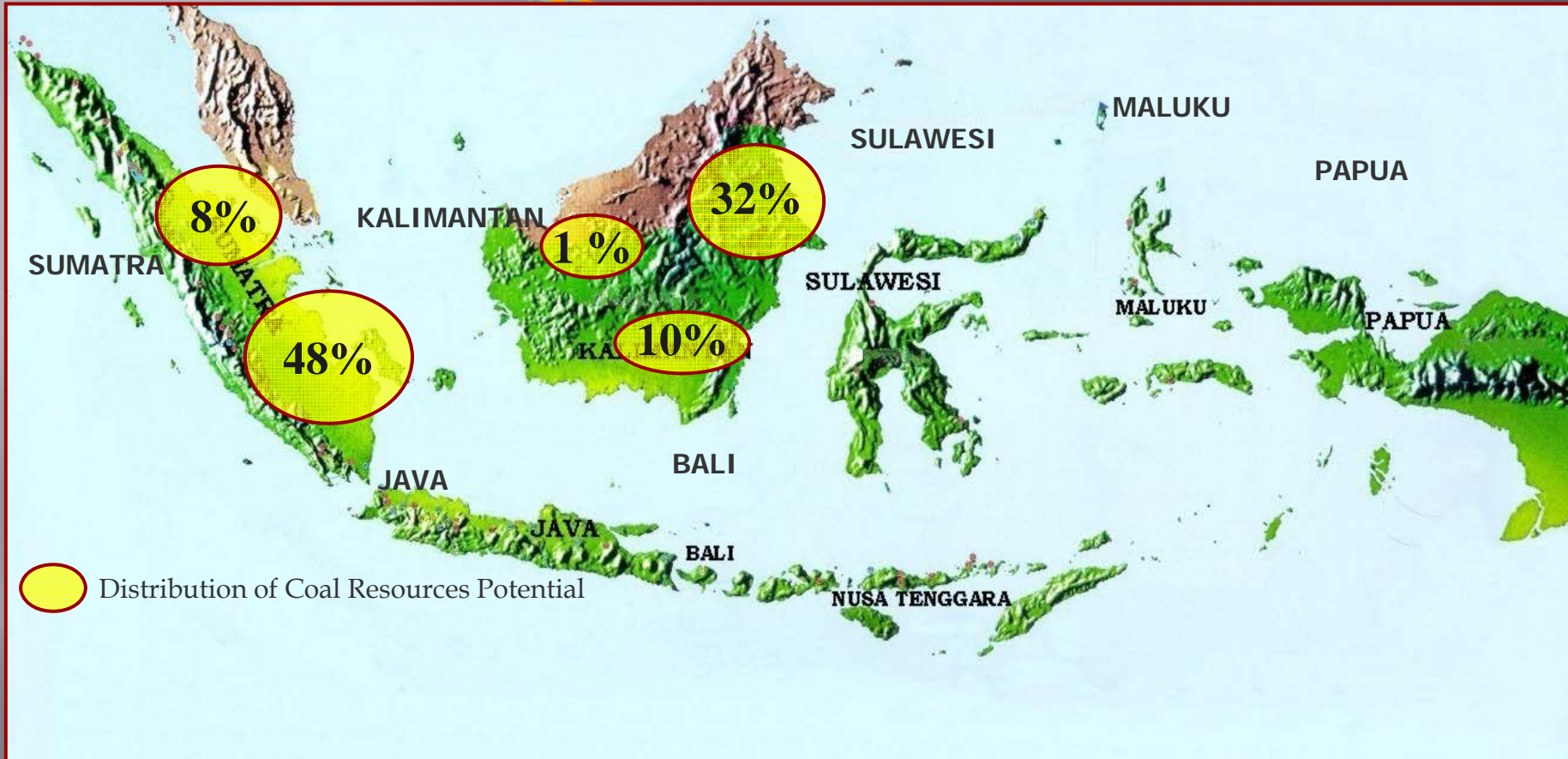
## INDONESIAN COAL MAP RESOURCES AND RESERVES



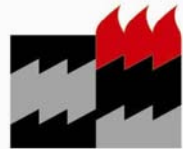
Source: Badan Geology/Geological Agency, 2009



# ***DISTRIBUTION OF INDONESIAN COAL RESOURCES REPORTED IN 2007***

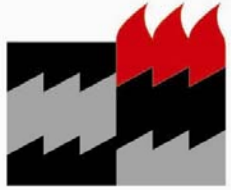


Source : Indonesian Coal Book, 2008/2009, ICMA, July 2008



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# TOTAL OPERATING COMPANIES



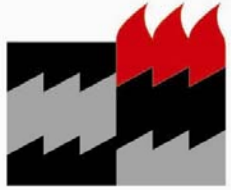
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## *COAL MINING STATUS*

### STATUS OF COAL MINING COMPANIES UNDER CCoW SCHEME IN INDONESIA IN 2008

- PRODUCTION STAGE : 40 COMPANIES
  - EXPLORATION STAGE : 7 COMPANIES
  - CONSTRUCTION STAGE : 15 COMPANIES
  - FEASIBILITY STUDY STAGE : 14 COMPANIES
- TOTAL : 76 COMPANIES

THE TOTAL OF COAL MINING COMPANIES UNDER THE MINING AUTHORIZATION (KP) SCHEME, HAS NOT EXACTLY KNOWN YET, HOWEVER IT COULD BE ESTIMATED MORE THAN 2500 COMPANIES BY NOW. ABOUT 900 OF THEM HAVE ALREADY CONVERTED TO A NEW LICENSE SO CALLED IZIN USAHA PERTAMBANGAN/IUP (MINING PERMIT)



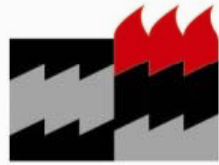
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## ***COAL COMPANY STATUS (CONTINUED)***

**STATUS OF THE COAL MINING COMPANIES UNDER CCoW AND MA (KP) SCHEME WHICH ARE MEMBERS OF ICMA (UP TO AUGUST, 2010)**

- PRODUCTION STAGE : 39 COMPANIES**
  - EXPLORATION STAGE : 18 COMPANIES**
  - CONSTRUCTION STAGE : 1 COMPANY**
  - FEASIBILITY STUDY STAGE : 4 COMPANIES**
- TOTAL : 60 COMPANIES**

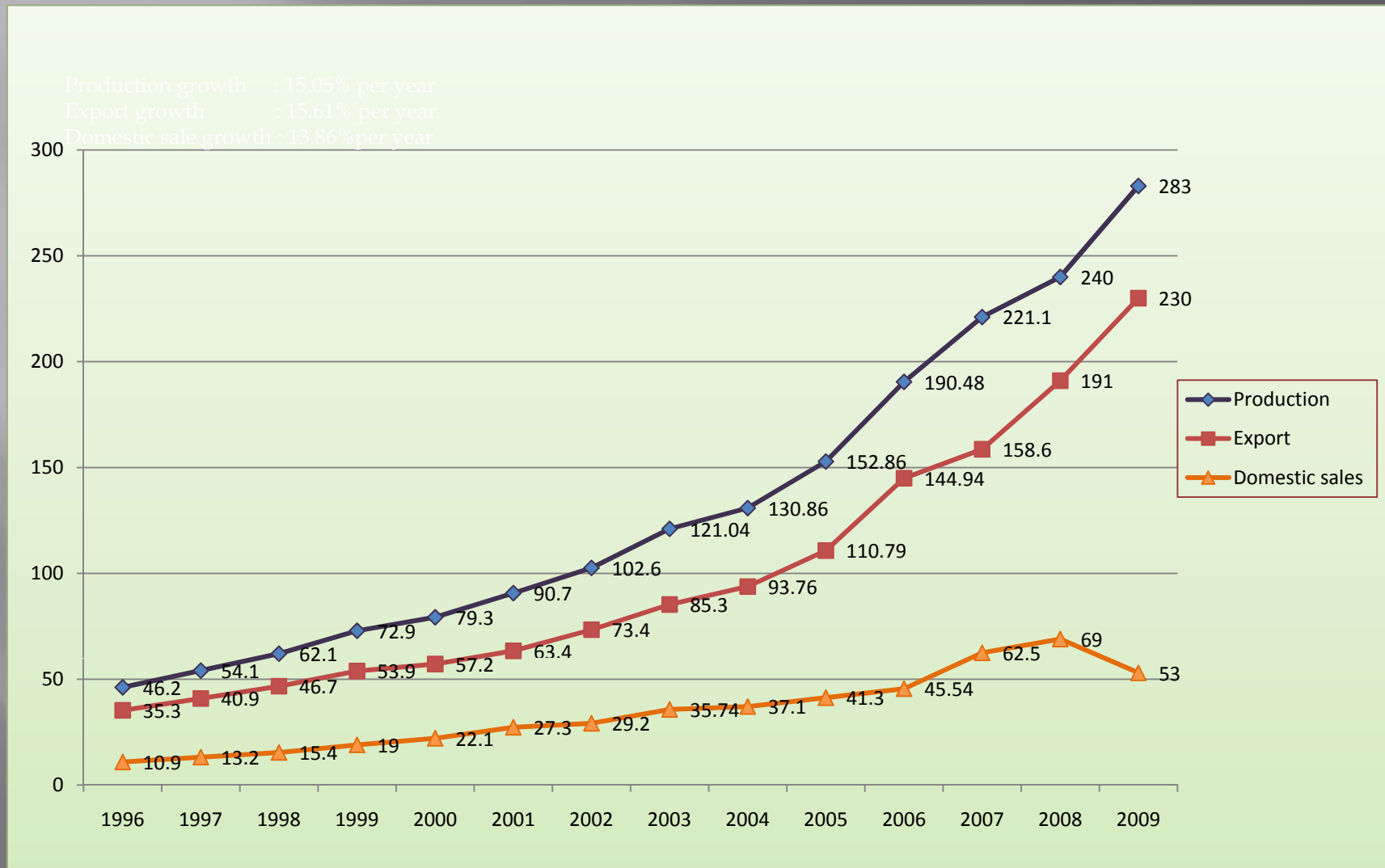
**BESIDE COAL MINING COMPANIES, THERE WERE 20 COMPANIES CAME FROM COAL MINING SERVICE COMPANIES. THE TOTAL OF ICMA MEMBER IS 80 COMPANIES.**



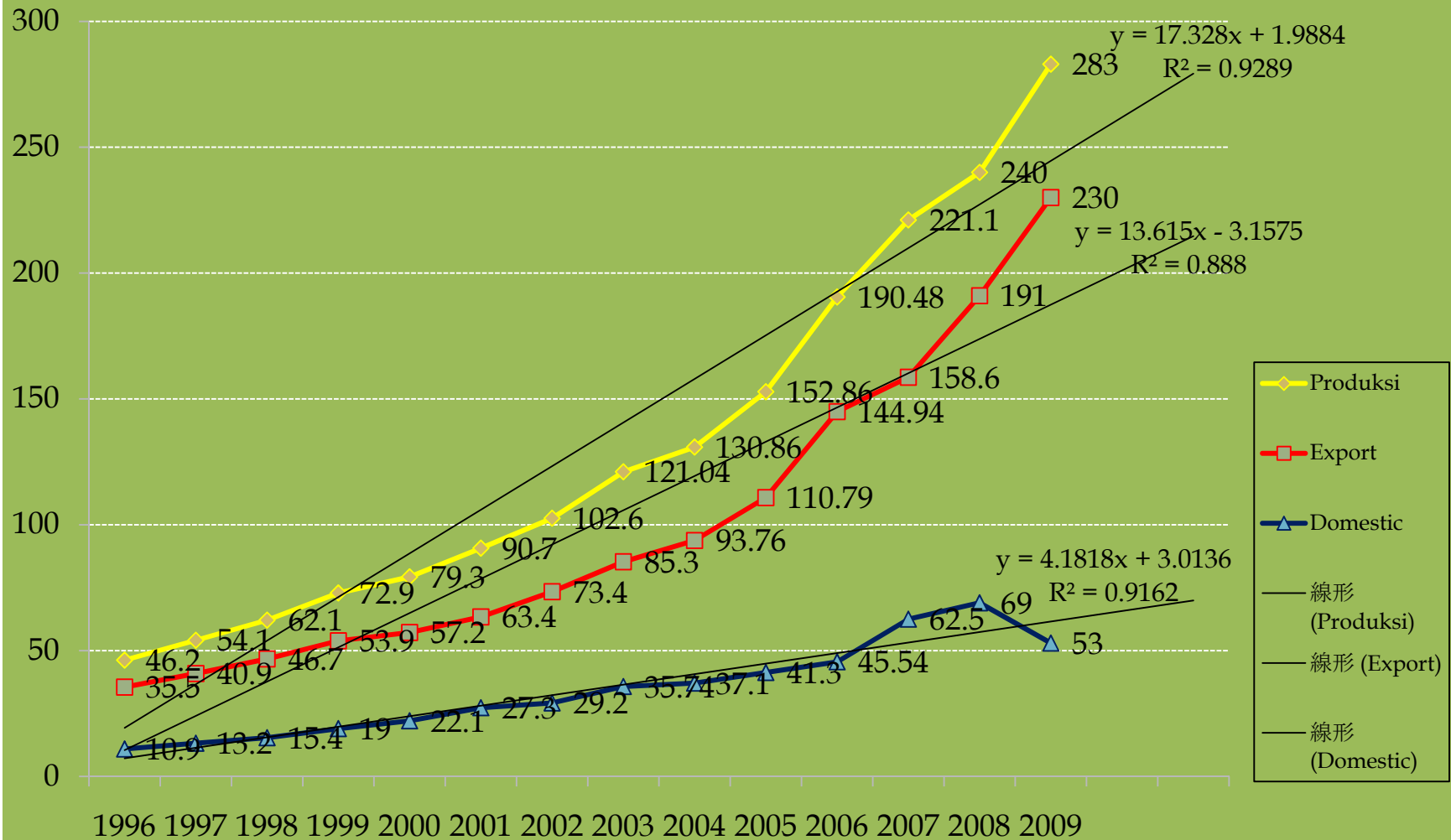
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## PRODUCTION, EXPORT AND DOMESTIC SALES AND ITS FORECASTS

## INDONESIAN COAL PRODUCTION, EXPORT AND DOMESTIC SALES ( 1996 - 2009 )



## LINIER FORECAST TRENDLINE OF INDONESIAN COAL PRODUCTIONS, EXPORTS AND DOMESTIC SALES





## GROWTH OF COAL PRODUCTION, EXPORT AND DOMESTIC SALES

- **COAL PRODUCTION GREW AT 15.05 % PER YEAR DURING 1996-2009 PERIOD;**
- **COAL EXPORT GREW AT 15.61 % PER YEAR DURING 1996-2009 PERIOD;**
- **DOMESTIC SALES GREW AT 13.86 % PER YEAR DURING 1996-2009,**
- **BASED ON CONSUMPTION APPROACH, DURING 2000-2008 PERIOD, THE COAL CONSUMPTION IN STEAM POWER PLANT ANNUALLY GREW AT 6.19 % PER ANNUM, WHILE IN INDUSTRIAL SECTOR GREW AT 23.1 % PER ANNUM, OR TOTALLY DOMESTIC COAL CONSUMPTION GREW AT 14.6 % PER YEAR.**

**SINCE THE GROWTH OF DOMESTIC SALE AND COAL CONSUMPTION ARE LOWER THAN COAL EXPORT, THE DMO WILL NOT HAMPER THE IMPLEMENTATION OF COAL EXPORT IN THE FUTURE.**

**IN ADDITION, AS LONG AS THE DOMESTIC DEMAND FOR COAL (DMO) CAN BE FULFILLED, THE EXPORT OF INDONESIAN COAL WILL BE SECURE AT LEAST FOR THE NEXT FIVE YEARS.**

## REALIZATION AND ESTIMATION OF INDONESIAN COAL PRODUCTION, EXPORT AND DOMESTIC SALES

PRODUCTION	2007	2008	2009	Estimation	2010	2011	2012	Remark
				High	348	407	475	Using Production growth ( 2007 - 2009 ), 13.3 %/year
	221	240	283	Medium	326	375	431	Using Production growth ( 1996 - 2009 ), 15.05 %/year
				Low	299	318	337	Using GDP growth 6 %/year

DOMESTIC SALES	2007	2008	2009	Estimation	2010	2011	2012	Remark
				High	104	122	143	Domestic sales = 30 % of high estimated production
	62	69	53	Medium	76	82	93	Using growth of domestic consumption of coal ( 2000 - 2008 ), 14.6 %/year
				Low	60	69	78	Using domestic sales growth ( 1996 - 2009 ), 13.86 %/year

EXPORT	2007	2008	2009	Estimation	2010	2011	2012	Remark
				High	250	293	338	Export is the difference of medium estimation of production minus domestic sales
	159	191	230	Medium	244	285	332	Export is the difference of high estimation of production minus domestic sales
				Low	239	249	259	Export is the difference of low estimation of production minus domestic sales

Note : Since the domestic sales is determined and fixed by Government (average around 30 % of the total production), so the volume of export is influenced by volume of domestic sales. In Table above, export is the difference of production minus domestic sales.

2010 high estimation of production, export, and domestic sales are estimated by assuming the monthly volume of production, export and domestic sales respectively (Jan. to May) within 2010.

### REALIZATION AND ESTIMATION ( HIGH SCENARIO) OF INDONESIAN COAL PRODUCTION, EXPORT AND DOMESTIC SALES



### REALIZATION AND ESTIMATION ( MEDIUM SCENARIO) OF INDONESIAN COAL PRODUCTION, EXPORT AND DOMESTIC SALES



### REALIZATION AND ESTIMATION ( LOW SCENARIO ) OF INDONESIAN COAL PRODUCTION, EXPORT AND DOMESTIC SALES





## ESTIMATION OF INDONESIAN COAL EXPORT BY DESTINATION COUNTRIES (Thousand Tons)

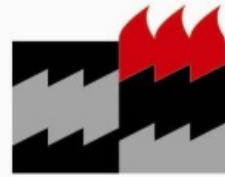
Country of Destination	2010	2011	2012	2013	2014	2015
Japan	46.75	52.92	59.90	67.80	76.74	86.86
India	42.10	53.24	67.33	85.14	107.67	136.16
Korea, Republic of	40.41	50.10	62.11	77.01	95.48	118.37
Taiwan	30.16	33.35	36.88	40.78	43.15	47.71
China	19.30	21.42	23.77	26.38	29.28	32.49
Thailand	21.21	27.28	35.08	45.12	58.03	74.63
Malaysia	15.00	17.43	20.26	23.55	27.38	31.82
Hongkong	12.71	13.99	15.39	16.94	18.64	20.51
Philippines	8.61	10.03	11.69	13.62	15.88	18.50
Italy	5.99	6.20	6.41	6.63	6.86	7.10
Spain	5.61	6.34	7.17	8.11	9.17	10.36
United States	4.91	5.44	6.04	6.70	7.43	8.24
Others	26.31	32.67	40.56	50.36	62.52	72.63
<b>TOTAL</b>	<b>279.07</b>	<b>330.41</b>	<b>392.59</b>	<b>398.14</b>	<b>558.23</b>	<b>665.38</b>

Note : estimation using BPS data (2004-2008)



# INDONESIAN PRODUCTION GROWTH - YEAR 2010 vs 2009 ( TON )

MONTH	TOTAL			EXPORT			DOMESTIC		
	2010	2009	Difference	2010	2009	Difference	2010	2009	Difference
Jan	30,415,372	18,501,854	11,913,517	25,075,613	13,621,855	11,453,758	5,339,759	4,880,000	459,759
Feb	29,591,638	19,603,485	9,988,153	23,819,797	14,953,485	8,866,312	5,771,841	4,650,000	1,121,841
Mar	30,781,726	19,968,958	10,812,768	25,189,503	16,218,958	8,970,545	5,592,223	3,750,000	1,842,223
April	28,177,708	19,322,540	8,855,168	22,660,591	15,704,531	6,956,060	5,517,117	3,618,009	1,899,108
May	26,270,828	22,300,888	3,969,940	20,961,729	18,217,658	2,744,071	5,309,099	4,083,230	1,225,869
June		22,590,450			18,548,237			4,042,213	
July		23,951,350			19,109,332			4,842,018	
Aug		25,800,066			20,898,507			4,901,559	
Sept		24,240,638			19,186,884			5,053,754	
Oct		27,833,352			23,406,216			4,427,136	
Nov		27,472,059			23,221,833			4,250,226	
Dec		31,745,004			27,144,369			4,600,635	
<b>TOTAL</b>	<b>145,237,271</b>	<b>283,330,644</b>	<b>45,539,546</b>	<b>117,707,232</b>	<b>230,231,864</b>	<b>38,990,746</b>	<b>27,530,039</b>	<b>53,098,780</b>	<b>6,548,800</b>
<b>ANNUALIZED</b>	<b>348,569,450</b>			<b>282,497,356</b>			<b>66,072,093</b>		

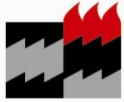


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# UPGRADING AND CLEAN COAL TECHNOLOGY IN INDONESIA

## CURRENT DEVELOPMENT OF CLEAN COAL TECHNOLOGY IN INDONESIA

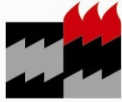
- **GASIFICATION TECHNOLOGY**  
Pilot Plant, 2005 - now on (Mineral and Coal Research and Development Centre/tekMIRA, state electricity company/PLN, and other institutes),  
Location : Bandung and Palimanan West Java.
- **LIQUEFACTION TECHNOLOGY (BROWN COAL LIQUEFACTION TECHNOLOGY)**
  - Lab scale, bench scale, 1990 - 1993 (tekMIRA), Location : Bandung.
  - Study and research leading to Pilot Plant Scale, 1994-2001 (tekMIRA, Agency of Science and Technology Study and Application (BPPT), Oil and Gas Research and Development Centre/LEMIGAS, and NEDO Japan), Location : Bandung and Jakarta.
  - In 2005-2009, meeting and discussion on the possibility of SASOL technology application in Indonesia. Unfortunately it could not be realized due to the high prices of investment
- **COAL BED METHANE TECHNOLOGY,**  
on going research (Oil and Gas Research and Development Centre/LEMIGAS),  
Location : Jakarta
- **COAL WATER FUEL (CWF)/COAL WATER MIXTURE (CWM)**  
Lab and bench scale, on going (tekMIRA), Location : Bandung West Java



## **CURRENT DEVELOPMENT OF LOW RANK COAL UPGRADING TECHNOLOGY IN INDONESIA**

### **Upgrading Technology :**

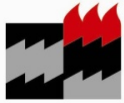
- **UPGRADED BROWN COAL (UBC) TECHNOLOGY**
- Pilot Plant, cap. 5 ton/day, 2006 (JCOAL Japan and tekMIRA).
- Demonstration Plant, cap. 1000 ton/day ,2008 (Kobe Steel Ltd. JCOAL, PT.Arutmin, and tekMIRA), location Satui, South Kalimantan.
- The commercial plant is planned to be built in the next years future, in South Kalimantan.
  
- **COKING COAL TECHNOLOGY**
- Pilot Plant, 2005 - now on, (tekMIRA) location Bandung and Palimanan Cirebon West Java. The government now is seeking the investors who are interested to develop such program in commercial scale



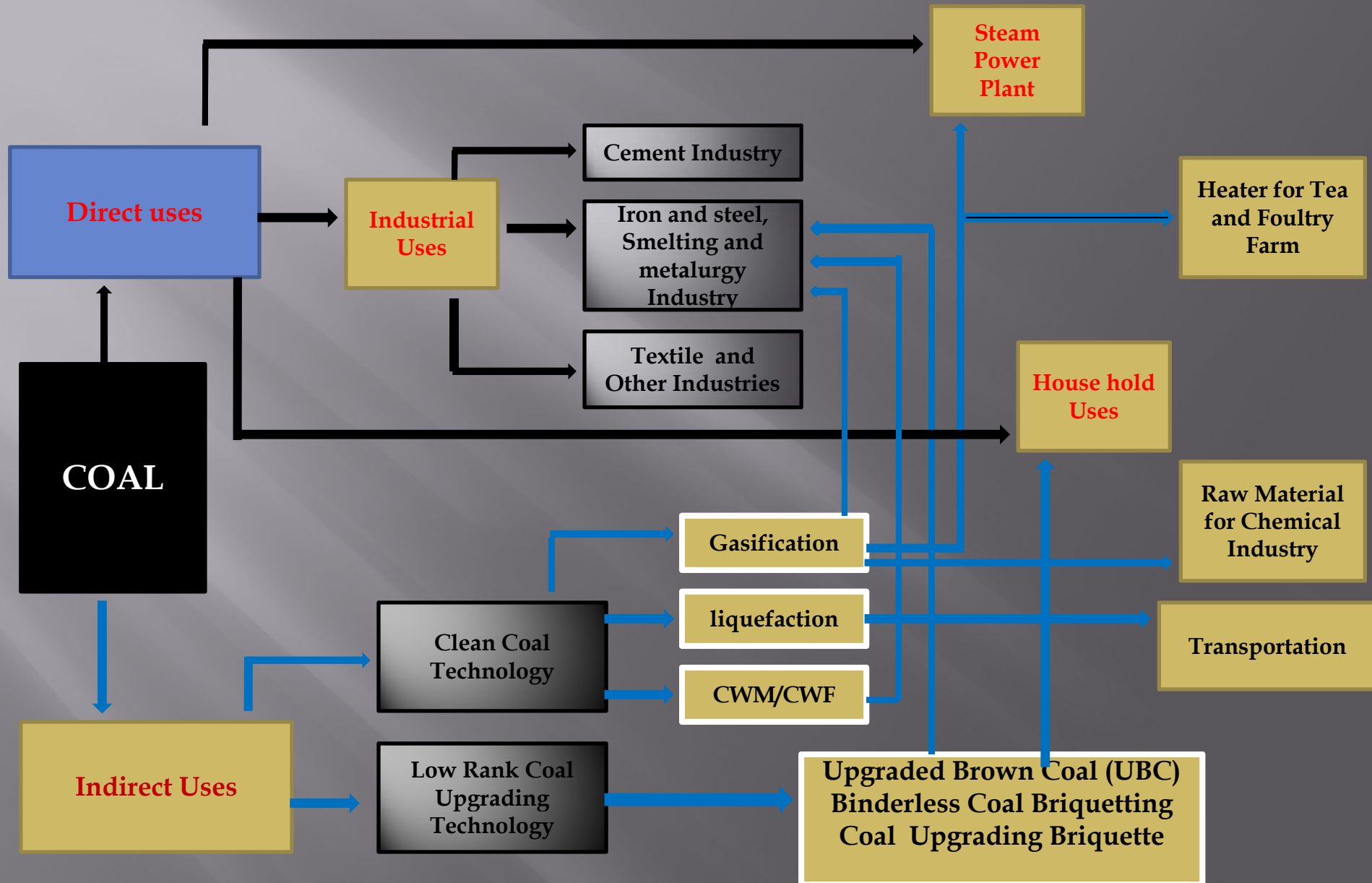
## CURRENT DEVELOPMENT OF LOW RANK COAL UPGRADING TECHNOLOGY (Continued)

### Upgrading Technology Conducted by Private Companies :

- Binderless Coal Briquetting Technology
- Commercial plant, cap. 5 million tons/year, and 4 other plants will soon be built. (PT. Gunung Bayan, East Kalimantan);
- Coal Upgrading Briquette Technology
- Commercial plant, status Reviewing Design (PT. Bhakti Energi Persada).



# CURRENT AND FUTURE COAL UTILIZATION





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# INCENTIVES FOR LOW RANK COAL UPGRADING AND CLEAN COAL INDUSTRY

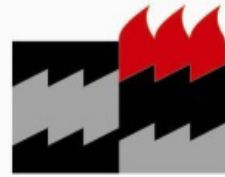
## FISCAL INCENTIVES

**Government Regulation No. 1/2007 jo. No.62/2008 Concerning the Facility of Revenue Tax for Investment in Certain Business and/or in Certain Regions**

- **Tax deduction on net revenue up to 30% from investment totally, charged within 6 years, or 5 % per year;**
- **Shorter/faster acceleration of depreciation and amortization;**
- **10% charged for added income tax/PPh on dividen paid to subject of foreign tax;**
- **Compensation of lost which longer than 5 years but less than 10 years.**

**FACILITY AND INCENTIVES FROM THE REGION**  
**Government Regulation No. 45/2008**

- **Regional Incentives :**
- **Exemption or deduction of regional taxes**
- **Exemption or deduction of regional retribution fees**
- **Stimulation funds;**
  
- **Facilities :**
- **Information on investment opportunities**
- **Infrastructures**
- **Technical assistances**
- **Speeding up licensing.**

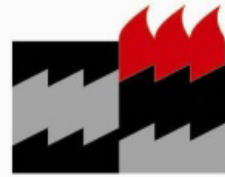


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# UP COMING LOW RANK'S COAL MINE IN OPERATION

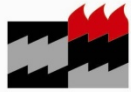
## UP COMING LOW RANK'S COAL MINE IN OPERATION

No	Company	Reserve ( Billion ton )
1	Bhakti Energi Persada, PT	5,24
2	Pesona Khatulistiwa Nusantara, PT	0,17
3	Iltabhi Bara Utama, PT	3,33
4	Pendopo Energi Batubara, PT	1,95
5	Baramutiara Prima, PT	0,61
6	Adaro, PT ( Wara concession )	2,31
7	Mantimin Coal Mining , PT	0,26
8	Delma Mining Corporation, PT	2,00
	<b>TOTAL</b>	15,87



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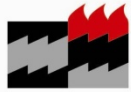
# HOW TO SUSTAIN THE COAL MINING INDUSTRY IN INDONESIA



## **KEY WORDS OF ENSURING SUPPLY EXPORT : JOINT IMPLEMENTATION OF CSR IN INDONESIA**

Since the government imposed CSR as an obligation to the all mining companies, it also may be applied to the buyers/users/traders having mid or long terms contract of export to implement their CSR (in form of community development, reforestration/revegetation, etc.) here in Indonesia. The implementation could be done by joint work between mining company and the buyers/users/traders, or sparately by each company (mining or buyers/users/ traders).

**THE GREEN CLIMATE AND CLEAN ENVIRONMENT ARE AN OBLIGATION FOR ALL PARTIES COMMITED IN COAL BUSINESS WHICH SHOULD BE CREATED AND SUSTAINED AS A REPRESENTATION OF THE RESPONSIBILITY TO SAVE THE WORLD AND SUSTAINING OUR LIVE.**



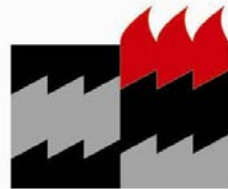
# CLOSING

Due to the existing policies of the Government of Indonesia particularly in coal mine industry, and the current development of coal mining industry, there is not necessary to worry to invest in coal mining industry. Some incentives are offered to investors who are interested to develop low rank coal and clean coal technology.

One thing that we want you to share is the CSR implementation. We believe that the implementation of CSR (in form of community development, reforestration/revegetation, etc.) done together in form of joint work with the mining company in Indonesia, will secure and sustain coal mining industry in Indonesia.



***THANK YOU***



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