ASOSIASI PERTAMBANGAN **BATUBARA** INDONESIA
INDONESIAN **COAL** MINING ASSOCIATION

COAL SEMINAR 2011
JAPAN COAL ENERGY CENTER
TOKYO, FEBRUARY 24-25, 2011

"INDONESIAN COAL MINING UPDATE"

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DEPUTY CHAIRMAN INDONESIAN COAL MINING ASSOCIATION

ASOSIASI PERTAMBANGAN **BATUBARA** INDONESIA
INDONESIAN **COAL** MINING ASSOCIATION

PRESENTATION OUTLINE

1. About Indonesian Coal Mining Association (ICMA)
2. Coal Resources and Reserves
3. Operating Companies
4. Production, Export and Domestic Sales Data and 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 Operation
8. Sustaining the Coal Mining Industry in Indonesia
9. Closing

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INDONESIAN **COAL** MINING ASSOCIATION

ABOUT INDONESIAN COAL MINING ASSOCIATION (ICMA)

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INDONESIAN **COAL** MINING ASSOCIATION

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

MEMBERS OF APBI-ICMA (January, 2011)

- Total members 84 companies, consist of :
  Coal mining companies : 62 companies
  Coal mining service companies : 22 companies

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COAL RESOURCES AND RESERVES

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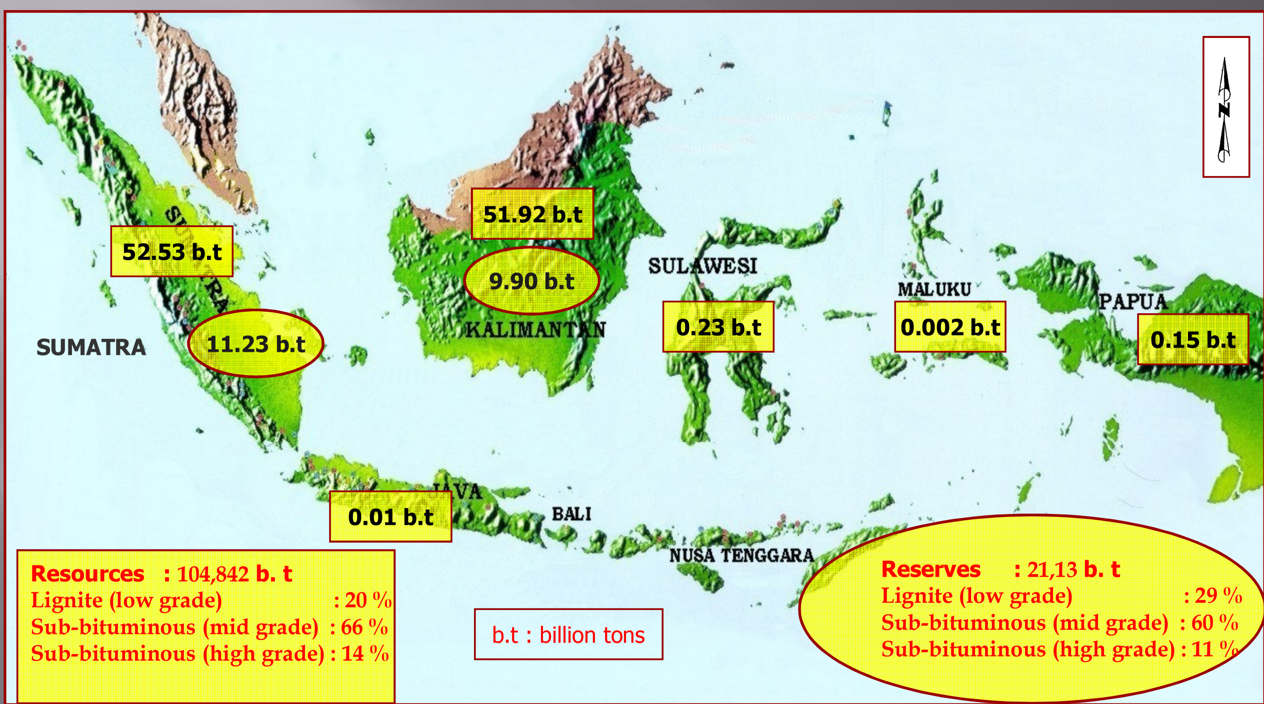
INDONESIAN COAL RESOURCES AND RESERVES



Source: Information and Data Center, Ministry of Energy & Mineral Resources (2009)

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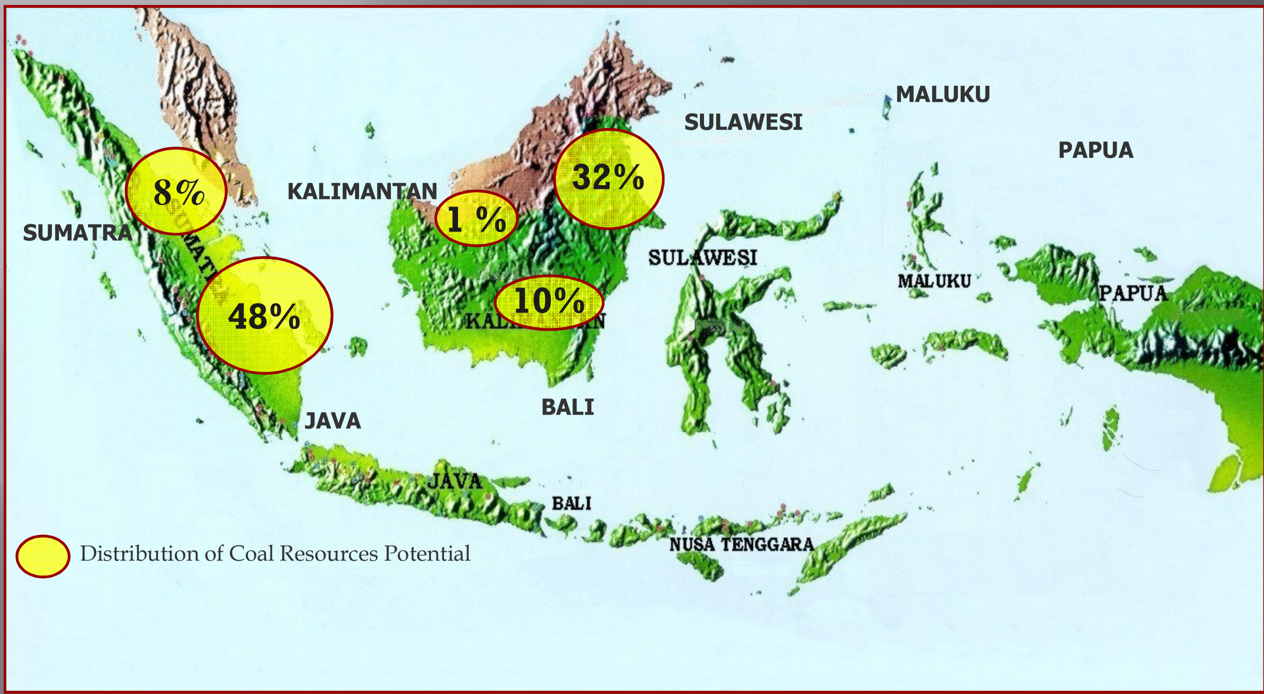
DISTRIBUTION OF INDONESIAN COAL RESOURCES



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

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INDONESIAN COAL MINING ASSOCIATION

OPERATING COMPANIES

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COAL MINING STATUS

Status of coal mining companies under CCoW scheme in Indonesia (2008):

- Production Stage : 40 companies
- Exploration Stage : 7 companies
- Construction Stage : 15 companies
- Feasibilty Study Stage : 14 companies

TOTAL : 76 companies

The total of coal mining companies under the mining authorization (KP) scheme, is 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 called Izin Usaha Pertambangan/IUP (Mining Authorization/MA)

Status of the coal mining companies under CCoW and MA (KP) scheme which are members of ICMA (January, 2011)

- Production Stage : 39 companies
- Exploration Stage : 18 companies
- Construction Stage : 1 companies
- Feasibilty Study Stage : 4 companies

TOTAL : 62 companies

In addition to above coal mining companies, there are 22 coal mining service companies. **The total members of ICMA are 84 companies.**

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PRODUCTION, EXPORT AND DOMESTIC SALES DATA AND FORECASTS

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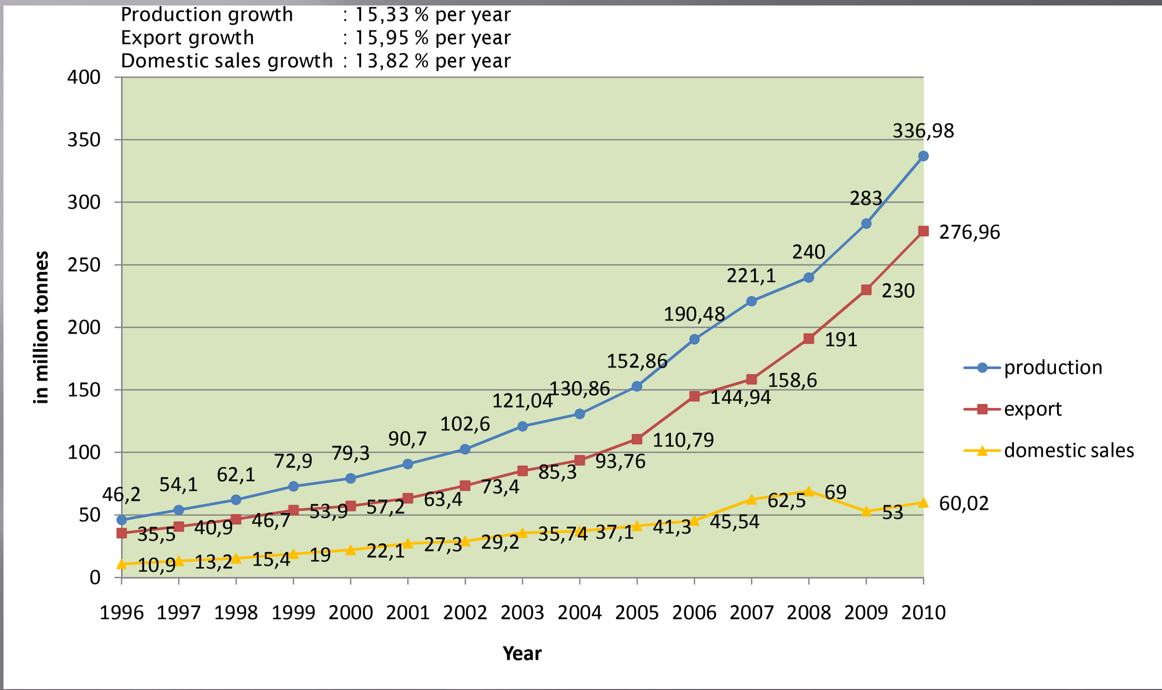
INDONESIAN COAL MINING ASSOCIATION

INDONESIAN COAL PRODUCTION, EXPORT AND DOMESTIC SALES (1996 - 2010)



Source: APBI-ICMA

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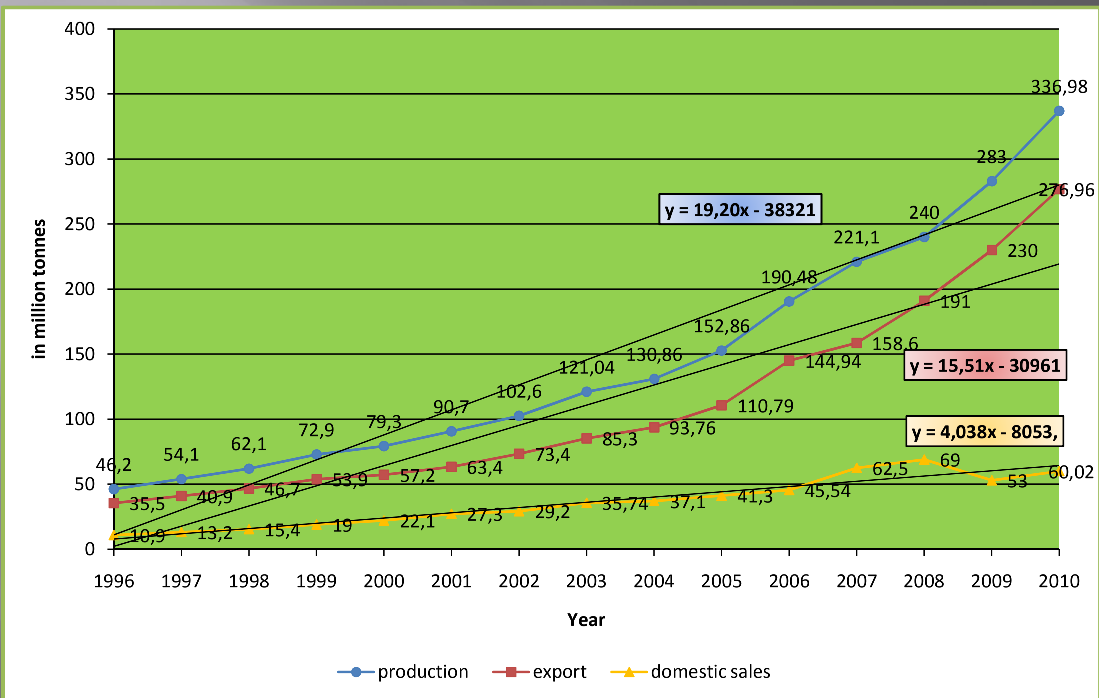
LINIER FORECAST TRENDLINE OF INDONESIAN COAL PRODUCTION, EXPORT AND DOMESTIC SALES



Source: APBI-ICMA

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GROWTH OF COAL PRODUCTION, EXPORT AND DOMESTIC SALES

- Coal production grew at 15,33 % per year during 1996-2010 period;
- Coal export grew at 15,95 % per year during 1996-2010 period;
- Domestic sales grew at 13,82 % per year during 1996-2010,
- 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 in total, 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.

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REALIZATION AND ESTIMATION OF INDONESIAN COAL PRODUCTION EXPORT AND DOMESTIC SALES

	2007	2008	2009	2010	Estimation	2011	2012	Remark
PRODUCTION					High	407	475	Using Production growth (2007-2009), 13.3 %/year
	221	240	283	337	Medium	375	431	Using Production growth (1996-2009), 15.05 %/year
					Low	318	337	Using GDP growth 6 %/year
DOMESTIC SALES	**2007**	**2008**	**2009**	**2010**	**Estimation**	**2011**	**2012**	**Remark**
					High	122	143	Domestic sales = 30 % of high estimated production
	62	69	53	60	Medium	82	93	Using growth of domestic consumption of coal (2000-2008), 14.6 %/year
					Low	69	78	Using domestic sales growth (1996-2009), 13.86 %/year
EXPORT	**2007**	**2008**	**2009**	**2010**	**Estimation**	**2011**	**2012**	**Remark**
					High	293	338	Export is the difference of medium estimation of production minus domestic sales
	159	191	230	277	Medium	285	332	Export is the difference of high estimation of production minus domestic sales
					Low	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 asuming the monthly volume of production, export and domestic sales respectively (Jan. to May) within 2010.

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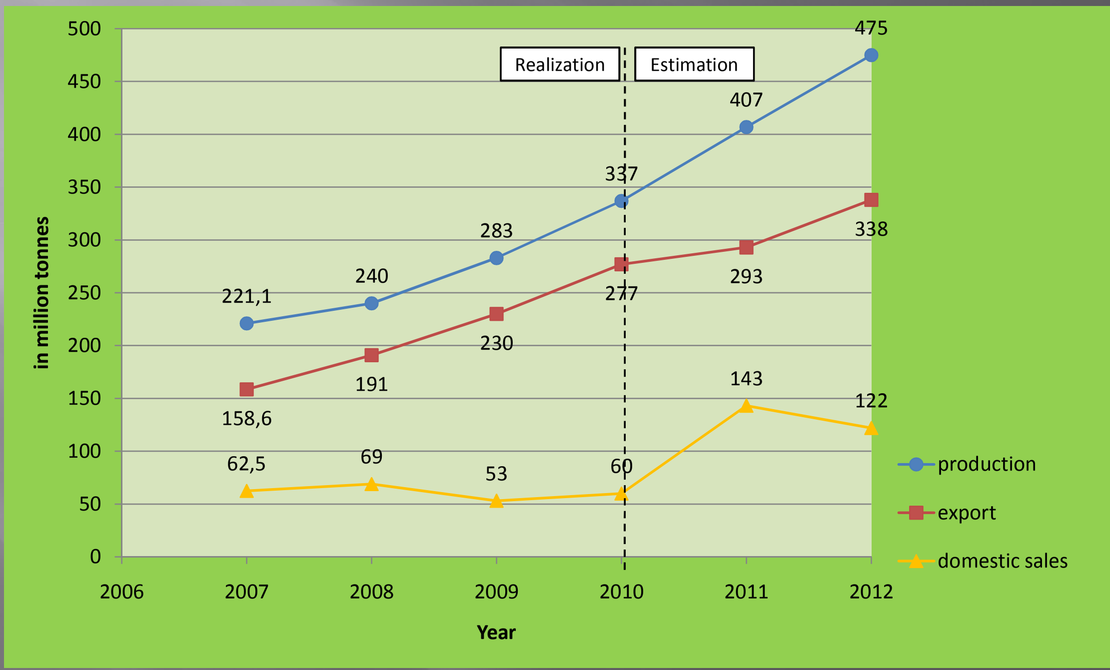
REALIZATION AND ESTIMATION (HIGH SCENARIO) OF INDONESIAN COAL PRODUCTION, EXPORT AND DOMESTIC SALES



Source: APBI-ICMA

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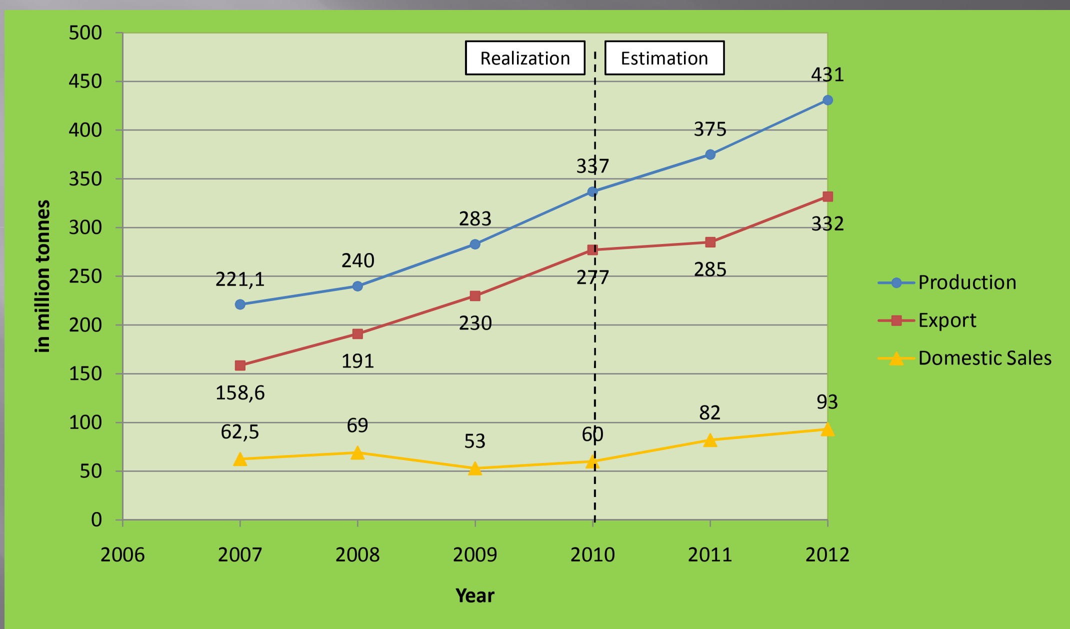
REALIZATION AND ESTIMATION (MEDIUM SCENARIO) OF INDONESIAN COAL PRODUCTION, EXPORT AND DOMESTIC SALES



Source: APBI-ICMA

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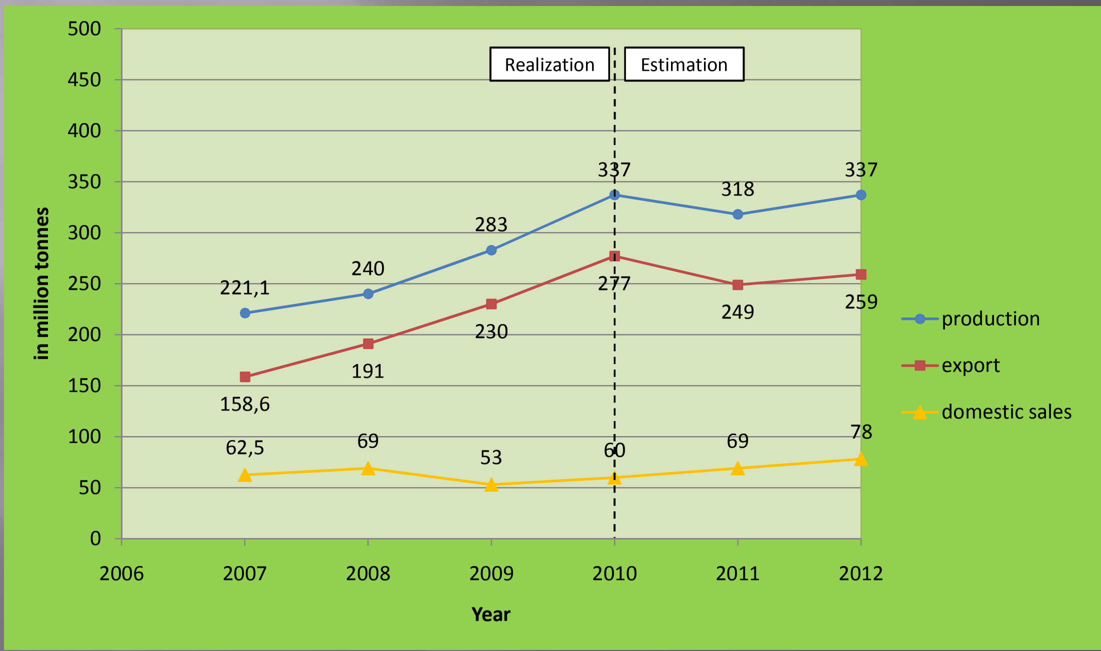
REALIZATION AND ESTIMATION (LOW SCENARIO) OF INDONESIAN COAL PRODUCTION, EXPORT AND DOMESTIC SALES



Source: APBI-ICMA

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ESTIMATION OF INDONESIAN COAL EXPORT BY DESTINATION COUNTRIES (Million Tons)

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

Source: estimation based on BPS data (2004-2008)

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INDONESIAN PRODUCTION GROWTH – YEAR 2010 vs 2009 (Tons)

	TOTAL			EXPORT			DOMESTIC		
Month	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	29.017.130	19.603.485	9.413.645	23.245.289	14.953.485	8.291.804	5.771.841	4.650.000	1.121.841
Mar	30.561.647	19.968.958	10.592.689	24.969.424	16.218.958	8.750.466	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	28.954.810	22.590.450	6.364.360	23.539.351	18.548.237	4.991.114	5.415.459	4.042.213	1.373.246
July	28.931.298	23.951.350	4.979.948	23.364.967	19.109.332	4.255.635	5.566.331	4.842.018	724.313
Aug	28.643.593	25.800.066	2.843.527	23.049.484	20.898.507	2.150.977	5.594.109	4.901.559	692.550
Sept	24.379.567	24.240.638	138.929	20.663.598	19.186.884	1.476.714	3.715.969	5.053.754	-1.337.785
Oct	24.136.210	27.833.352	-3.697.142	21.579.786	23.406.216	-1.826.430	2.556.424	4.427.136	-1.870.712
Nov	28.379.587	27.472.059	907.528	22.546.802	23.221.833	-675.031	5.832.785	4.250.226	1.582.559
Dec	29.116.398	31.745.004	-2.628.606	25.302.785	27.144.369	-1.841.584	3.813.613	4.600.635	-787.022
TOTAL	**336.984.147**	**283.330.644**	**53.653.503**	**276.959.418**	**230.231.864**	**46.727.554**	**60.024.729**	**53.098.780**	**6.925.949**

Source: APBI-ICMA

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UPGRADING AND CLEAN COAL TECHNOLOGY IN INDONESIA

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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 Sience 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

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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 Sumatera.
- **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

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CURRENT DEVELOPMENT OF LOW RANK COAL UPGRADING TECHNOLOGY IN INDONESIA (Continued)

Upgrading Technology Conducted by Private Companies :

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

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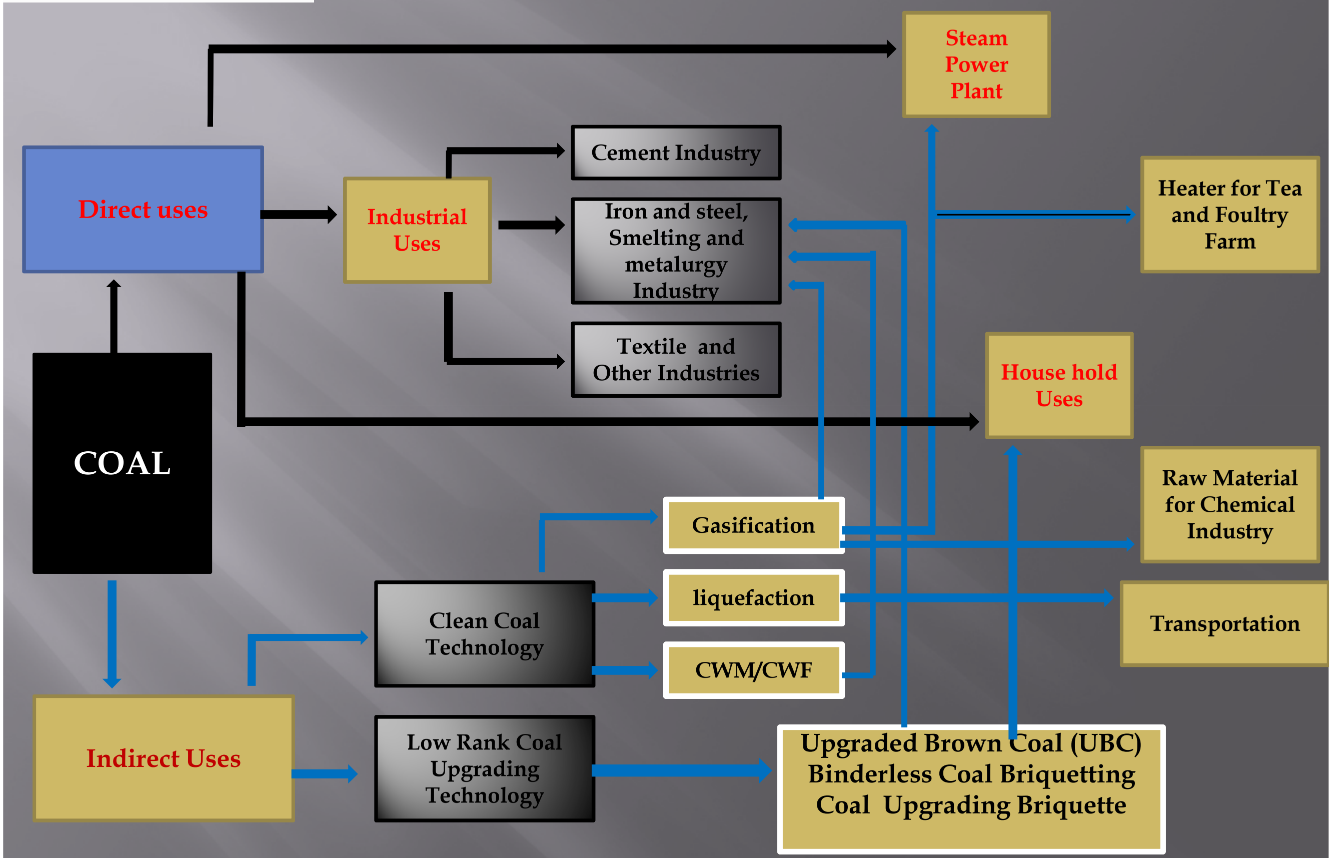
CURRENT AND FUTURE COAL UTILIZATION



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INCENTIVES FOR LOW RANK COAL UPGRADING AND CLEAN COAL INDUSTRY

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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 total investment, charged within 6 years, or 5 % per year;
- Shorter/faster acceleration of depreciation and amortization;
- 10% charged for added income tax/PPh on dividend paid to subject of foreign tax;
- Compensation of lost which longer than 5 years but less than 10 years.

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FACILITY AND INCENTIVES FROM THE REGION

Government Regulation No. 45/2008

- Regional Icentives :
  - 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 COAL MINE IN OPERATION

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UP COMING LOW RANK'S COAL MINE IN OPERATION

No	Company	Reserve (Billion ton)
1	Bhakti Energi Persada, PT	5,24
2	Pesona Khatulistuwa 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
	TOTAL	15,87

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SUSTAINING 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 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 the 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 separately by each company (mining or buyers/users/ traders).

The green climate and clean environment are 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 sustain our lives.

CLOSING

Due to the existing policies of the Government of Indonesia particularly in coal mine industry, and the current development of coal mining industry, it is not necessary to worry to invest in coal mining industry. Some incentives are offered to investors who are interested in developing 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 joint work CSR (in the form of community development, reforestration/ revegetation, etc.) will secure and sustain coal mining industry in Indonesia.

THANK YOU

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