INDONESIA’S EFFORT IN MAINTAINING SUSTAINABLE MINERAL DEVELOPMENT

By

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
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MINISTRY OF ENERGY AND MINERAL RESOURCES, REPUBLIC OF INDONESIA
Indonesia’s mineral resources are abundant BUT FINITE.
DISTRIBUTION OF SOME IMPORTANT MINERALS AND COAL RESOURCES IN INDONESIA

LEGEND

- **Leg**: CCoW
- **Type**: CoW

- IUP (NON METAL & ROCKS)
- IUP (COAL)
- IUP (METAL)
- IUP Batubara
- IUP Logam

- BAUXITE
- COAL
- NICKEL
- COPPER
- TIN
- IRON ORE
- IRON SAND
BACKGROUND

• Indonesia is endowed with the world-class mineral and coal deposits. Therefore, the management of such deposits should arrive for the greatest benefit of the nation;

• Not only have Mineral resources to be considered as the source of national income, but also as national asset to boost National economic growth;

• Implementation of sustainable mining can be translated by conducting a good mining practices with emphasises to carry out an environmentally sound mine operation;

• Mineral beneficiation is an effort to improve the sustainable use of mineral resources.
ROLE AND FUNCTION:
Mining sector has multiple roles in Indonesian economy and serves as a prime-mover for regional development.

- **PRO-POOR** (equitable distribution of income)
- **PRO-GROWTH** (economic growth)
- **PRO-ENVIRONMENT** (sustainability and environmentally sound mining)
- **PRO-JOB** (job creation)

**Community Development**
- CSR

**State revenue**
- Investment
- Added value
- Balance of trade

**Energy and Mineral Resources for the Welfare of the People**
- Employment
- Local content
- Local expenditure
- Technological resilient

**Good mining practice**
- Reclamation and post-closure

**Added value**
- Investment
- Added value

**Balance of trade**
- State revenue
- Employment
- Local content

**Technological resilient**
- Investment
- Added value
- Balance of trade

**State revenue**
- Employment
- Local content
- Local expenditure

**Ministry of Energy and Mineral Resources of the Republic of Indonesia**
<table>
<thead>
<tr>
<th>BUSINESS FIELD</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013*</th>
<th>2014**</th>
</tr>
</thead>
<tbody>
<tr>
<td>MINING AND QUARRY</td>
<td>6.66%</td>
<td>6.83%</td>
<td>7.12%</td>
<td>6.88%</td>
<td>6.40%</td>
</tr>
<tr>
<td>a. Mineral and coal mining</td>
<td>5.16%</td>
<td>5.36%</td>
<td>5.61%</td>
<td>5.31%</td>
<td>4.76%</td>
</tr>
<tr>
<td>b. Quarry</td>
<td>1.49%</td>
<td>1.47%</td>
<td>1.51%</td>
<td>1.57%</td>
<td>1.64%</td>
</tr>
</tbody>
</table>

Note:

* Provisional figure
** Very Provisional figure

Source: Central Agency of Statistic, 2015
MINERAL ADDED VALUE POLICY OBJECTIVES

The objectives of mineral added value, among others are:

- to verify the existing mining license in order to improve good mining practice compliance;
- to lower not sustainable mining practices, where only high grade ore is mined and exported without processing;
- to protect the environment particularly in short-term mines which focusing on direct shipping of ore;
- As driver of forward linkages (trigger trickle down effects) to move up the value chain for minerals production; and
- increase the direct and indirect employment opportunities, to ensure local communities participate in a fair share of the benefit from mining activities.
Value-adding operations require a larger investment. This leads to several benefits:

- Operators must take a *long-term* approach to their investments. This means better infrastructure, and consideration of long term employee development. There are also more meaningful community benefits from long term developments.
- Operators cannot easily avoid sanctions if environmental damage occurs.
- There are far more job opportunities, especially indirect employment opportunities (higher multiplier effect).
- With the longer investment horizon, there a greater focus on properly *conserving mineral resources* (ie lower cut off grades are used).
- Long term investors are more conscious of their corporate reputation, and so will apply.
## SMELTER DEVELOPMENT PROGRESS

### 1. Progress (as of March 2015)

<table>
<thead>
<tr>
<th>NO</th>
<th>PROGRESS (%)</th>
<th>STAGE</th>
<th>NUMBER OF LICENCES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>0 – 5</td>
<td>Feasibility Study</td>
<td>97</td>
</tr>
<tr>
<td>2.</td>
<td>6 – 10</td>
<td>Environmental Study</td>
<td>12</td>
</tr>
<tr>
<td>3.</td>
<td>11 - 30</td>
<td><em>Ground Breaking</em> and Early Construction</td>
<td>21</td>
</tr>
<tr>
<td>4.</td>
<td>31-50</td>
<td>Half Stage Construction</td>
<td>14</td>
</tr>
<tr>
<td>5.</td>
<td>51-80</td>
<td>Final Construction</td>
<td>6</td>
</tr>
<tr>
<td>6.</td>
<td>81-100</td>
<td><em>Commissioning</em> or Production</td>
<td>27</td>
</tr>
</tbody>
</table>

### 2. Smelter Development Progress > 6%

<table>
<thead>
<tr>
<th>NO</th>
<th>COMMODITIES</th>
<th>SMELTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Nickel</td>
<td>35</td>
</tr>
<tr>
<td>2.</td>
<td>Bauxite</td>
<td>7</td>
</tr>
<tr>
<td>3.</td>
<td>Iron</td>
<td>8</td>
</tr>
<tr>
<td>4.</td>
<td>Manganese</td>
<td>3</td>
</tr>
<tr>
<td>5.</td>
<td>Zirkon</td>
<td>11</td>
</tr>
<tr>
<td>6.</td>
<td>Lead and Zinc</td>
<td>2</td>
</tr>
<tr>
<td>7.</td>
<td>Kaolin and Zeolit</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>70</strong></td>
</tr>
</tbody>
</table>

Note: Mining Licence Holder can cooperate to build and operate joint smelter facility.
Mineral export value decrease because, concentrate Cu not exported 7 months, and Gold and Tin price decrease.

**) Mineral export value projection
IMPLEMENTING STRATEGY

1. Simplification of Licensing Process
   Lower barriers in starting mining business, especially in license procedures.

2. Resources-based industry approach: Development of smelter facilities close to mineral resources location.

3. Facilitating cooperation between miners and investors who build smelter facilities.

4. Engage financial institution and stock exchange to provide favorable financial scheme.

5. Develop human resources and manufacturing capacity through:
   • Training and education.
   • Improve industrial sector to provide capital goods and equipment.

6. Increasing tax incentives
   • Facility for Corporate Income Tax given by the government could be in the form of Tax Allowance (pursuant to Government Regulation of the Republic of Indonesia No.1/2007 jo.62/2008 jo.52/2011)
   • or Tax Holiday (pursuant to Regulation of Finance Minister of the Republic of Indonesia Number 130/PMK.011/2011)
CLOSING REMARKS

1. Indonesia’s mineral law and regulations requires domestic ore processing, but do not restrict or ban the trade of minerals.

2. Implementing added value requirements for miners is the only viable option to addressing the problems faced by Indonesia in terms of minerals extraction.

3. Indonesia invite investors to develop the potency of mineral and coal and encourages investment, especially for mineral and coal processing and refinery.
Thank You

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