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**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
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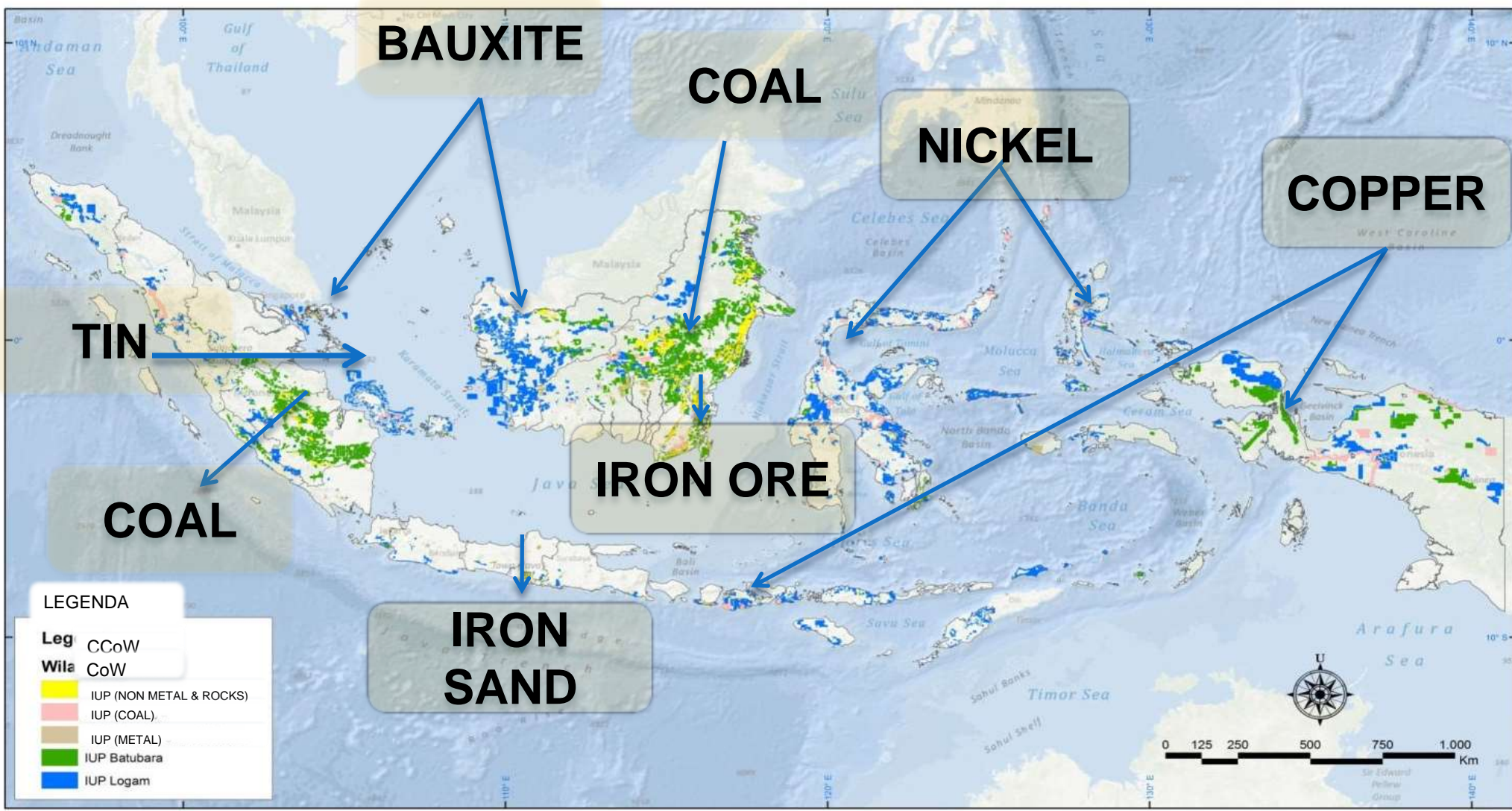
**DIRECTORATE GENERAL OF MINERAL AND COAL
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An aerial photograph of a massive open-pit mine, likely a coal mine, situated in a mountainous region. The mine is characterized by numerous terraced levels and a complex network of roads and tracks. The surrounding landscape is rugged and mountainous, with some areas appearing to be covered in ash or mineral deposits. In the lower right corner, there is a small, bright blue pond. The overall scene conveys the scale and impact of large-scale mining operations.

Indonesia's mineral
resources are abundant
BUT FINITE.

DISTRIBUTION OF SOME IMPORTANT MINERALS AND COAL RESOURCES IN INDONESIA



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.



SHARE OF MINING TO GROSS DOMESTIC PRODUCT 2010 - 2014

BUSINESS FIELD	2010	2011	2012	2013*	2014**
MINING AND QUARRY	6,66%	6,83%	7,12%	6,88%	6,40%
a. Mineral and coal mining	5,16%	5,36%	5,61%	5,31%	4,76%
b. Quarry	1,49%	1,47%	1,51%	1,57%	1,64%

Note:

* Provisional figure

** Very Provisional figure

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.

HOW DO THE VALUE-ADDING REQUIREMENTS ADDRESS SUSTAINABLE USE OF MINERAL?

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 opphigher environmental standardsortunities*, 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)

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

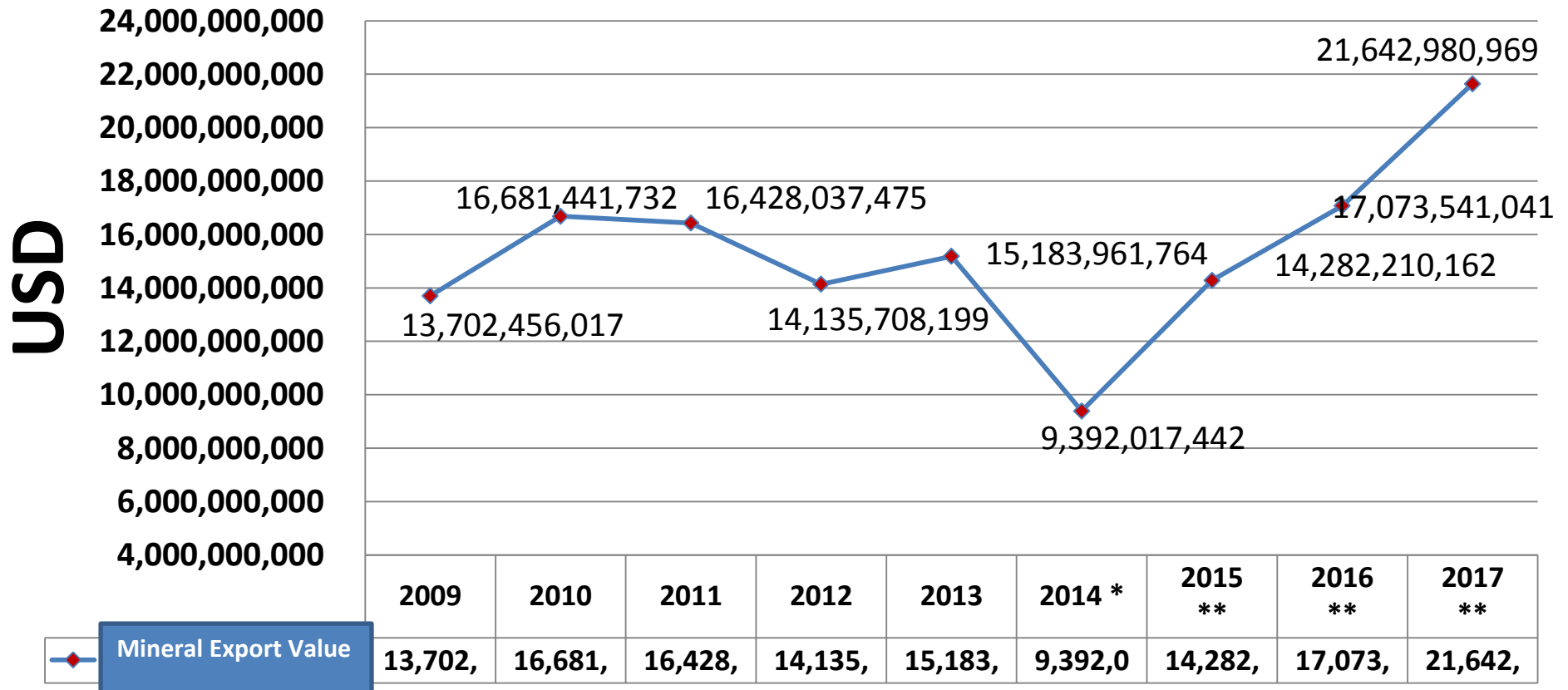
2. Smelter Development Progress > 6%

NO	COMMODITIES	SMELTER
1.	Nickel	35
2.	Bauxite	7
3.	Iron	8
4.	Manganese	3
5.	Zirkon	11
6.	Lead and Zinc	2
7.	Kaolin and Zeolit	4
Total		70

Note: Mining Licence Holder can cooperate to build and operate joint smelter facility

BENEFITS OF MINERAL ADDED VALUE

Increase Mineral Export Value



*) 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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