

Foreign Affairs and  
International Trade CanadaAffaires étrangères et  
Commerce international Canada

Canada

[Home](#) > [International Trade](#) > [Doing Business Abroad](#)[Printer Friendly Version](#)**My Contact:****[Mr. Immanuel Hasada Purba](#)**Trade Commissioner  
Jakarta, Indonesia[Rate this document](#)[Number of ratings: 3](#)[See client reviews](#)

February 2008

## Mining Sector Profile<sup>[1]</sup> - Jakarta, Indonesia

### 1. Sector overview

High mineral prices have led to significant growth in the value of Indonesian mineral production. The industry's commodity export value increased from \$ 9.4 billion<sup>[2]</sup> in 2005 to about \$ 21 billion in 2006 which shows positive development of the mining industry in Indonesia.

There are several major foreign mining firms and investors in the market including Freeport McMoran (US), active in Papua province producing copper and gold; BHP Billiton active in Kalimantan and Maluku provinces; Newmont Pacific (US) active in West Nusa Tenggara province producing copper and gold; Vale INCO (Canada) active in South Sulawesi province producing nickel matte; and Kideco Jaya Agung (South Korea) active in Kalimantan.

In addition, there are several major local mining firms active in the market such as state owned PT Aneka Tambang which is active in many provinces in Indonesia producing copper, nickel and gold; state owned PT Bukit Asam which is mining coal; PT Bumi Resources; PT Adaro Indonesia; PT Arutmin Indonesia which is active in Kalimantan; PT Koba Tin; and PT Timah which is active in Southern Sumatra.

The mining industry in Indonesia employed 960,000 people in 2006, nearly a 20% increase over the prior year. The value of new investments in the mining industry under so-called

Contracts of Work (COW) were reported at \$ 324 million in 2004 and increased to \$ 506 million in 2005. This spending mainly represents replacement capital and new investment for existing mineral properties.

## **2. Market and sector challenges (strengths and weaknesses)**

In the last several years companies operating in the industry have faced legal uncertainties due to the 1999 application of Laws No. 22 and 25 regarding regional autonomy, and Law No. 41 regarding mining within protected forests.

The Autonomy Law allows increased opportunities for provincial and local governments to manage resources found in their territory and to receive a share of tax and royalty payments. This means that the mining authority has moved to a considerable degree from the central government to regional and local powers, raising some concerns regarding coordination between the central and regional governments.

To address the concerns stemming from Laws No. 22 and 25 which were seen as having a negative impact on the mining industry, former president Megawati issued a policy to honour pre-existing permits and licences such as COW (Contract of Work) and KP (Mining licence) given by the central government to mining firms prior 1999. A new mining law is currently under development to further clarify mining industry regulations.

In 2004, the central government, through the Ministry of Energy and Mineral Resources, issued Ministerial Instruction No. 1614 to provide guidance in processing ongoing COW and Work Agreements for foreign investors engaged in coal mining. The Ministerial Instruction was intended to be used by Governors and Regents as a guide for local governments until the new Mining Law comes into force.

The other issue that is faced by the mining industry in Indonesia is Forestry Law No.41 which regulates mining operations in protected forests. This law can hinder mining industry growth as many open pit mining areas are considered to be protected forest by the forestry department. Even companies offering strong protection and reclamation plans can find it difficult to obtain approvals.

The challenges mentioned above are obstacles to attracting mining companies to invest in Indonesia. According to a PricewaterhouseCoopers' 2006 mining study, between 2001 and 2005 only \$ 7 million per year was spent on green field mineral exploration. The implication is that mineral exploration in Indonesia, despite its promising geology, has been at a standstill since 2001.

However, despite all these challenges, in recent years, mineral production has increased yearly across all mineral groups. From 2005 to 2006 gold production increased from 143 tonnes to 150 tonnes, copper from 1,064,000 tonnes to 1,085,000 tonnes, and tin from 67,000 tonnes to 72,000 tonnes.

Foreign investors, especially from China and India, have been very active in exploring coal sources in Indonesia. Both countries have demonstrated their interest in directly producing coal in Indonesia by buying coal mining companies. In April 2007 India's Tata Power Company Ltd signed an agreement to purchase 30% stakes in leading Indonesian coal firm PT Bumi Resources Tbk. for \$1.3 billion.

### **3. Sub-sector identification**

#### **Coal:**

Indonesia has 61.3 billion tonnes of coal resources, with additional reserves estimated at around 6.7 billion tonnes. The largest coal deposits are found mainly in Kalimantan and Sumatra islands. Indonesian coal production has risen significantly in the last several years, from 132 million tonnes in 2004 to around 193 million tonnes in 2006.

Indonesia is the largest coal exporter in the world and its coal exports have risen substantially, from 105 million tonnes in 2005 to 145 million tonnes in 2006. This increase is due to increased exports to several countries including Japan, China, India, and South Korea to meet increased consumption needs fuelled by economic growth in Asia.

There are several main coal firms including

- PT Bumi Resources with production capacity around 50 million tonnes/year
- PT Adaro Indonesia (34 million tonnes/year)
- PT Bukit Asam - state owned (11.2 million tonnes/year)
- PT Arutmin Indonesia (11 million tonnes/year)
- PT Kideco Jaya Agung (10 million tonnes/year)
- PT Berau Coal (8 million million tonnes/year)

#### **Nickel, Copper, Gold, and Tin:**

Indonesia is one of the top producers in the world of nickel, copper, gold, and tin. Globally, the country ranks second in tin production, third in copper production and fourth in nickel production. From a geological perspective, Indonesia has a lot of potential for further mineral development.

While greenfield exploration and development has been limited, existing multinationals have continued to make significant investments in their holdings. Vale INCO has been operating since the early 1970's in Sulawesi and currently has an annual production capacity of 160,000 tonnes of nickel. It is expanding its processing plant and is building a new hydroelectric facility which will increase capacity by 25% by 2009. Freeport McMoran has operated since the late 1960's in Papua province and Newmont Pacific has operated since the 1990s in West Nusa Tenggara province. Both companies produce copper and gold. State- owned PT Aneka Tambang is active in mining minerals throughout Indonesia and is aggressively expanding its mining operations.

### **Mining Equipment and Services:**

The Indonesian mining industry provides many opportunities for Canadian companies to sell mining equipment and services. For example, Canadian off-road mining vehicles have found a good market in Indonesia. A number of Canadian engineering firms are present in Indonesia and are successfully pursuing opportunities in the mining industry.

Equipment and service suppliers should not be targeting mining companies alone, but also firms providing mining services on a contract basis. Major local mining contractors include PT Pama Persada, PT Sapta Indra Sejati, PT Buma, PT Dharma Henwa and PT Pamapersada Nusantara. The latter is a leader in the Indonesian mining contracting industry, with approximately 42% of market share. Its primary operations are coal and limestone mining contracting. The company counts among its customers many of the leading mining companies in Indonesia and it registered net revenues around USD 700 million in 2006.

Foreign vendors of equipment or services are required by regulation to appoint a local agent. The registration validity is initially for one or two years, with extensions possible after the agreed term has expired. Non-resident firms have found the agent and associated registration requirements to be a significant bureaucratic impediment to their marketing efforts.

### **Canadian Government Contacts**

Canadian Embassy, Indonesia  
Immanuel H. Purba, Commercial Officer  
[immanuel-hasada.purba@international.gc.ca](mailto:immanuel-hasada.purba@international.gc.ca)  
<http://www.jakarta.gc.ca>

Export Development Canada (EDC)  
[export@edc.ca](mailto:export@edc.ca)  
<http://www.edc.ca>

Foreign Affairs and International Trade Canada (DFAIT)  
<http://www.international.gc.ca>  
Business Sectors Bureau  
Contact: Omar Elshayal  
E-mail: [omar.elshayal@international.gc.ca](mailto:omar.elshayal@international.gc.ca)  
Internet: <http://www.infoexport.gc.ca>

Southeast Asia Division  
Contact: Ryan A. Ward, Trade Commissioner  
Asia & Oceania Commercial Relations (WSA)  
Email: [Ryan.Ward@international.gc.ca](mailto:Ryan.Ward@international.gc.ca)  
Internet : <http://www.infoexport.gc.ca>

## **Indonesian Government and Industry Contacts**

Embassy of the Republic of Indonesia  
Ms Sri Nastiti Budianti  
Technical Attache - Commercial  
[commerce@indonesia-ottawa.org](mailto:commerce@indonesia-ottawa.org)  
[sn.budianti@indonesia-ottawa.org](mailto:sn.budianti@indonesia-ottawa.org)  
<http://www.indonesia-ottawa.org/commerce>

Ministry of Energy and Mineral Resources  
<http://www.esdm.go.id>

Directorate General of Minerals, Coal and Geothermal  
Mr Bambang Setiawan  
Director General  
<http://portal.djmbp.esdm.go.id/>

Indonesian Mining Association  
Mr Priyo Pribadi Soemarno  
Executive Director  
[mining@indo.net.id](mailto:mining@indo.net.id)  
<http://www.ima-api.com>

Antam Tbk., PT.  
Mr. Dedi Dainty Sumanagara  
President Director  
Phone: (62 21) 780 5119  
Fax: 01162217812822

Bukit Asam, PT.  
 Mr. Sukrisno  
 President Director  
 Phone: +62 21 525 4014  
 Fax: +62 21 525 4002

Bumi Resources Tbk., PT.  
 Mr. Ari S. Hudaya  
 President Director  
 Phone: +62 21 574 2050  
 Fax: +62 21 573 3421

---

[1] *The Government of Canada has prepared this report based on primary and secondary sources of information. Readers should take note that the Government of Canada does not guarantee the accuracy of any of the information contained in this report, nor does it necessarily endorse the organizations listed herein. Readers should independently verify the accuracy and reliability of the information.*

[2] *All monetary amounts are expressed in foreign currency, unless otherwise indicated. Foreign exchange rate is based on [insert official source and date].*



\_\_\_\_\_

\_\_\_\_\_
