

Energy, Utilities & Mining NewsFlash*

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2008: a renaissance year for the Indonesian mining sector?



2008 is seeing a resurgence in investment in the Indonesian mining sector after a number of years of lacklustre growth. Earlier this year, PricewaterhouseCoopers (PwC) released its ninth annual survey of the Indonesian mining sector, "mineIndonesia 2007* - a review of trends in the Indonesian mining industry". The report highlights that the mining industry, both in Indonesia and globally, continued to reap the benefits of strong commodity prices in 2006, exhibiting strong growth in revenues and profits. PwC's survey of more than 70 companies, representing more than 85% of the Indonesian mining industry, shows that aggregate profits achieved by the industry reached record levels, resulting in the highest level of Government revenue from royalties and taxes in the last 10 years.

The report also notes that, while the Indonesian mining industry continues to post strong financial results on the back of high mineral prices, more investment is needed to sustain this position. Recent years have seen some growth in investment spending, but exploration spending is still relatively low considering the geological attractiveness of Indonesia often attested to by global players.

Survey respondents indicated that regulatory uncertainty continues to hamper investment including that in respect of the long delayed new Mining Law. The report notes that finalisation of an investor-friendly mining law may be the key to a real surge in investment.

Notwithstanding this assessment since mid 2007 there has been a



sharp increase in interest from both global and local investors looking to gain exposure to the coal sector where Indonesia is a leading exporter of thermal coal. Investors from India and China have been particularly active in both producing mines and exploration plays. Tata Power's US\$1.1 billion acquisition of a 30% interest in the country's largest coal producer lead the way on this in early 2007.

Further evidence comes from the recent listing of Banpu's Indonesian unit (PT Indo Tambangraya Megah) in December 2007 with the share price increasing by more than 30% before the end of that month. Several other initial public offerings of coal mining assets are expected on the Indonesia Stock Exchange in 2008.

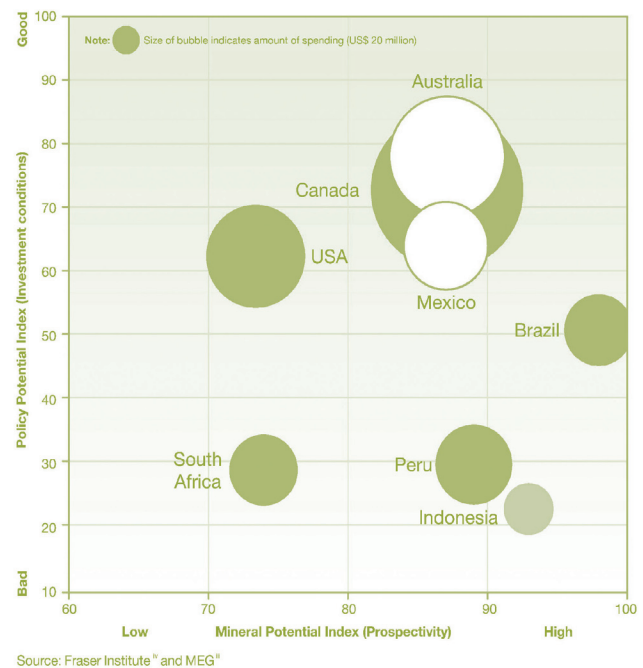
Outside coal there has been interest from both Rio Tinto and BHP Billiton (in cooperation with state-owned mining firm PT Antam) in multi-billion dollar investments in greenfield nickel projects. The highly publicised take-over battle for Australia's Herald Resources, which counts an Indonesian lead and zinc mine as its major asset, is another example.

However, as noted in PwC's survey, most of this increased investment activity is driven by high mineral prices rather than any significant change in the regulatory environment. The large greenfield projects

in particular have not yet come to fruition due in part to regulatory issues. The PwC report shows that survey respondents still see significant impediments to investment in the Indonesian mining sector with the Top 5 issues being:

1. conflicts between mining and forestry regulations;
2. duplication/contradictions between central and regional Government regulations;
3. taxation (including VAT on coal and gold, and the need for tax incentives);
4. delays in the finalisation of the new mining law; and
5. a perceived lack of fairness in divestment of foreign mining interests and mine closures.

Indonesia continues to be recognised as highly prospective and mining companies appear willing to increase exploration activities if the investment conditions improve.



Source: PricewaterhouseCoopers mineIndonesia 2007*

The slow pace of finalising the new mining law is however a concern. Due to the changes proposed in the current draft of the law, investors have been reluctant to commit significant funds to new projects, until the landscape is more certain.

Finalisation of an investor friendly mining law may just be the impetus that is needed for Indonesia to really reap the benefits of the current mining boom and to make 2008 a renaissance year for the Indonesian industry.

For further information on the Indonesian mining sector or to obtain a copy of mineIndonesia 2007* please contact **Sacha Winzenried**.

2007 Indonesian oil & gas survey

PricewaterhouseCoopers Jakarta has undertaken its third bi-annual survey of the Indonesian oil and gas industry. The survey responses come from companies representing approximately 89% of Indonesia's current petroleum production. The objective of the survey is to highlight contributions of the oil and gas industry to the Indonesian economy and the issues preventing full realization of benefits for all stakeholders.

High commodity prices make the oil and gas industry more attractive, but the question remains: are the high oil prices sustainable? The vast majority of the survey respondents indicated that they don't expect oil prices to come down in the next few years. That aside survey participants were less sanguine on the overall investment environment indicating that, although they don't expect the overall situation to get worse over the next five years, they don't expect significant improvements either.

On the other hand, most of the survey participants mentioned that their companies are not considering leaving Indonesia. This implies that if oil prices eventually do come down, there is a greater chance that foreign companies will cease their operations in Indonesia and search for more profitable investment opportunities in other countries.

In our previous surveys, we highlighted several issues that were preventing the Indonesian oil and gas industry from maximizing its investment potential. Although there have been some minor changes in the top five, the major issues that have stayed are:

- Contract sanctity
- Taxation
- Security of assets, people and ownership rights

Survey participants believe that capital expenditure in Indonesia will still continue to increase over the coming years. However, it should be noted that although capital expenditures in dollar terms may be increasing, Indonesia's relative share of the "global exploration pie" is decreasing. If the Indonesian Government is committed to achieving its production target of 1.3 million BOPD in 2009, it is vital that Indonesia increases exploration and general investment, not only in dollar terms, but also relative to global spending.

Should you have any questions in relation to the 2007 Indonesian oil & gas survey or wish to receive a hard copy of the survey, please do not hesitate to contact **William Deertz** or **Paul van der Aa**.

5% tax rate reduction for Indonesian listed companies

Effective 1 January 2008, certain Indonesian listed companies may access a 5% corporate tax reduction (per Government Regulation No. 81/2007). This incentive will presently reduce the corporate tax rate from 30% to 25%. Qualifying conditions include that the companies must have more than 40% of their outstanding shares owned by at least 300 persons. This means that the incentive will only be of benefit to those relatively widely held companies. At this stage it does not appear that the incentive applies to subsidiaries of these companies.

Antonius Sanyojaya

Imposition of new Environment Tax deferred

Discussion on the new Environment Tax, being a new category of regional tax, is on-going in Parliament. The Environment Tax cannot be imposed until Regional Taxes and Retributions Law No.34/2001 is amended.

A draft of the amended law indicates that the Environment Tax will be imposed at a rate not exceeding 0.5% of certain costs of production. Taxpayers engaged in manufacturing and the exploitation of natural resources, where those activities impact the environment, could be caught. Manufacturers with turnover less than IDR 300 mn are to be exempted. Some CoW / CCoW entities may be protected under their "lex specialis" arrangements.

Antonius Sanyojaya

2008 PSC bid round changes

During the tender round in February 2008, the standardized draft PSC included significant modifications. We have highlighted the key changes below.



Change in cost recovery scheme

Compared to previous generations, the after-tax equity split is unchanged. However there are limitations on costs that can be recovered through production.

The new PSC states that the Contractor may recover operating costs only out of production from a particular field (or fields) approved based on a particular POD. In addition, exploration expenditures can be recovered only if incurred in the Contract Area prior to the approval of POD for the relevant Field. This is a change from the previous PSC generations, which allow costs in a particular PSC to be recovered through any production. In addition to that, there is increased complexity, since the Contractor will need to maintain cost recovery bookkeeping by field. This will presumably also require the Contractor to carry out cost allocations for general expenditure.

The new PSC draft classifies interest expense as a non-recoverable cost, whilst the previous PSCs allow interest expense to be recovered subject to specific approval.

The Contractor is also now responsible for conducting community development programs but related costs

will be non-cost recoverable. This is a change from the previous PSC, which does not disallow recovery of community development programs where specifically approved.

More regulatory control

A second change is more regulatory control over PSC operations. BP Migas, as the GOI's representative, is responsible for the management of the PSC operations, whilst the Contractor is responsible for operations in accordance with agreed work programs. This has been the spirit from the early PSCs. However in the current draft PSC it appears that the Contractor will be more closely managed. We noted some additional procedures to be followed by the Contractor, mainly on decisions regarding the commerciality of Contract Areas including the obligation to report petroleum discoveries for BP Migas' evaluation, and the obligation to submit a POD within two years of BP Migas' acknowledgement.

Other examples are the obligation to maintain sufficient liability and loss insurance for almost all fixed assets and the obligation to submit regular reports on the performance of the contract, including its operational, technical, safety and financial aspects.

Elimination of international arbitration

A third issue is that international arbitration is eliminated in favor of an Indonesian National Arbitration Body (BANI). The draft PSC mentions that any dispute which cannot be settled amicably between BP Migas and a Contractor shall be submitted for the decision of BANI. Even though there is no evidence to doubt the integrity of BANI, BANI might be viewed less favorably than an international arbitration body.

Contractor's liability

A fourth issue is regarding a Contractor's overall obligations. The draft PSC mentions that the Operator will be responsible to BP Migas in assuming the responsibilities and liabilities of the other Participating Interest (PI) holders under the contract. This may raise concern for the Contractor in the event that a PI holder cannot or will not fulfill its obligations to the GOI.

Outstanding issues

Some of the outstanding industry issues are not addressed in the current draft PSC. Historically, transfers of PSC interests have not been taxed and the current proposed reformed tax law includes a provision that could include any "profit" from the sale or transfer of PSC as a tax object. The current draft PSC does not address this matter.

The current draft PSC includes a provision on DMO for gas. The gas DMO quantity is determined based on a percentage from newly discovered proven reserves (which is equal to 25% multiplied by the Contractor equity share). The Contractor is required to give a domestic buyer the first chance to negotiate the sales related to the DMO quantity. If the negotiation fails, then the Contractor may sell the domestic market quantity to the international market, but only after approval is granted by the GOI. Although the PSC mentions that GOI policy will not materially erode the agreed economics of a gas project, it is not clear what will be considered material. As such it is not clear how significantly this will impact the Contractor's position in negotiations with a domestic buyer.

In addition, the contract termination clause only mentions that the termination will not release Contractor from its outstanding obligations. However, it does not mention anything related to outstanding Government obligations or outstanding Contractor's rights.

What next?

It remains to be seen what will be the industry response to the new blocks being offered. The bid round result was expected to be announced by the end of April or early May 2008, however, this timing now appears optimistic. There is also the possibility of some changes or adjustments being made to the draft PSC that has been made available to us.

Irwan Tumpal / Yudhanto Aribowo

New income tax incentives (GR No. 1 amendments)

In early 2007, the Government introduced an income tax facility package for taxpayers engaged in certain industries (via Government Regulation No. 1/2007 ("GR No. 1/2007")). Unlike the predecessor KAPET rules these incentives are not entirely limited according to geography. As with the KAPET rules however GR No. 1 provides for an "investment credit" (i.e. at 30% of qualifying spending), accelerated depreciation/amortization, reduced withholding tax rates on cross border dividends and an extended tax loss carried forward period. The incentives must be applied for through BKPM and will involve Tax Office recommendations.

As reported in the media, the Government is considering extending the qualifying industries from the existing 15 to potentially 29. These might include certain segments of the mining, utilities and oil and gas sectors with possible qualifying activities to include coal mining, coal gasification, geothermal, LPG, refineries, pipeline manufacturing, and the purification of (end product) minerals.

The finalization of the GR No. 1 amendments is with the Coordinating Minister for the Economy. We will comment further once the changes become available.

Antonius Sanyojaya



Coal Bed Methane (“CBM”) resource development

Coal Bed Methane or Coal Seam Methane (“CSM”) is an untapped resource in Indonesia but is now attracting significant attention. The following is a primer on the differences between CSM and conventional gas reproduced from a PwC Australia publication “Value and Growth* in Coal Seam Methane”.

As a general comment CSM resource development strategies need to be field-specific and must be approached on a long term basis due to the nature of CSM wells. Producers must consider exploration cost impacts, well drilling and completion expenses over the term of all gas supply obligations, and any gas treatment, compression and transport infrastructure arrangements required for commodity delivery. In Indonesia many of these issues are yet to be fully considered.

CSM is different from “conventional” gas fields

Conventional gas wells are generally quite deep (2 to 3 km) and are viable for 5 to 20 years. CSM wells are shallow by comparison (less than 1 km) and usually have a much shorter life.

Gas production from CSM wells poses unique operational challenges due to the field-to-field differences (coal structures) in the CSM assets. These factors influence gas production costs, which are one of the keys to determining the commercial viability of a CSM development. Table A provides a high level insight into the differences.

Table A Typical Production Cost Comparisons

	Exploration Costs	Well Completion Costs	Treatment Costs	Well Life	Turn Down
Conventional	High	High	High	Long	High
CSM	Low	Low	Low	Short	Low

In the early days, the value of CSM was often established based on the perceived marginal production costs of a generalised asset. In fact placing a correct value on CSM is a very complex task. The value formula must however consider each CSM asset on its own merit and must have an understanding of:

1. Coal structures in each field to be developed;
2. The specific CSM producer’s skill and experience in exploration and development of a specific asset – understanding the properties of the coals from which gas is to be extracted;
3. CSM production cost variability – well drilling/ completion techniques and water management options and not only upon development but over the asset life;
4. management/optimisation of wellhead gas flows;
5. resource location – defining your markets;
6. variable market drivers, such as load types and timing; and
7. sales agreement flexibilities

Exploration and development

Mother Nature will provide wide variation in CSM resources. CSM developers are confronted with variations in coal rank, coal depth, coal permeability, gas saturation, water quality, gas caps etc. Skill and knowledge in exploration and development of a specific resource is critical. All fields are different and require different development procedures.

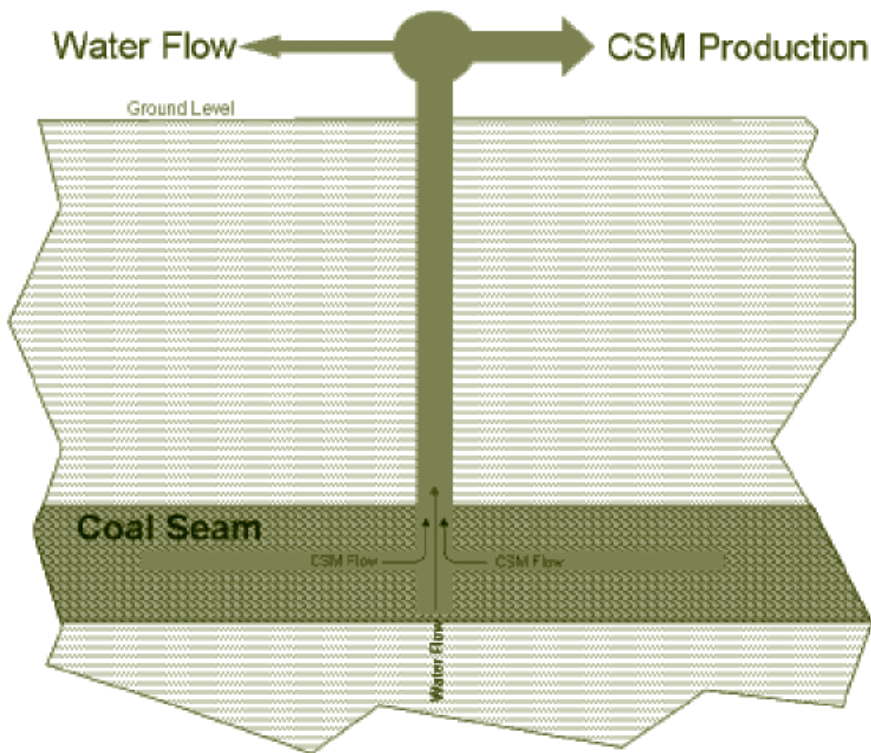
Coal types & drilling techniques

The basic means of CSM storage is in the coal itself, not the fracture space. CSM flow occurs as gas moves through the coal to the cracks in the coal structure or “cleats”. Flow from these cleats lead into major fractures and hence on to the production well.

Cleat spacing is vitally important (e.g. if gas flow has to take place within widely spaced cleats then the prospects for a commercially producing asset are less bright). The gas flow capability is generally referred to as cleat permeability. Some coal seams have good horizontal directional permeability while others display vertical permeability.

Dependent on reservoir characteristics, a well drilling technique is chosen to suit. Most common is the vertical well which is basically a hole drilled down to the coal seams or reservoir(s) ready for completion. The well completion is the portion of the well that connects the wellbore to the reservoir.

Figure 1 Short radius drilling



Short radius drilling techniques involve insertion of drilling equipment down a narrow vertical shaft until it reaches the target coal seams. The drilling head then emerges from the bottom of the vertical well at right angles and begins to bore a series of holes within but parallel to the seam, which eventually allows the CSM to drain out (see Figure 1). Once drilled, the well completion process usually involves cleaning away any debris and coatings on the in-seam wellbore walls

There is a need to understand as much as possible about the coal reservoir before commencing production drilling. It would be a poor decision to use Hydraulic Fracture Stimulation (see below) in highly directional permeable seams where the in-situ stresses will cause the fractures to travel in undesirable directions. In addition, it would be a waste of money drilling tight radius/directional holes in seams with vertical permeability characteristics /barriers.

The experience of the early CSM pioneers have resulted in two basic completion techniques in vertically drilled wells which are successful in most coal types discovered in Australia. These are:

- Hydraulic Fracture Stimulation:- which is a treatment routinely performed on oil and gas wells in low-permeability reservoirs. Specially engineered fluids are pumped at high pressure and rate into the reservoir interval to be treated, causing a fracture to open. The wings of the fracture extend away from the wellbore in opposing directions according to the natural stresses within the formation.
- Open-Hole Cavity Completion (cavitation):- where the well is injected with high-pressure gas and water and is then rapidly depressurized. Differential pressure causes sudden CSM expansion that results in the coal matrix bursting and sloughing into the wellbore to the surface. The procedure is repeated for days and weeks.

Water management

CSM coals are, with few exceptions, below the water table and this water must be removed. The predicted large volume and variable quality of this water makes water management a key issue.

The operator must have an understanding of the quantities and quality of water that will require extraction so suitable disposal methods can be planned for. Low quality water, which is often rich in salts and other constituents that render it unsuitable for many direct beneficial uses, has no value and usually will require the construction of large holding ponds.

Water of potable quality has considerable value and may become an asset in its own right. However, treating the water to a standard suitable for town water supply would require technology, to remove the dissolved salts and any hydrocarbons. Treatment of CSM water would also produce large quantities of salt waste for disposal.

Long-term CSM production costs

With a conventional field development all capital expenditure ("CAPEX") is essentially experienced up front with only the operational costs ("OPEX") to be dealt with thereafter. These operational costs are generally small and fairly easy to predict. With CSM however, production costs over the life of a supply require careful attention both on the field side as well as within the GSA.

Due to the relatively short life associated with CSM wells, new wells will need to be drilled on an annual basis resulting in ongoing CAPEX. Should these drilling and well completion costs experience a sharp rise then overall production costs could become uneconomic as they relate to existing GSAs. The potential effects on gas unit costs are demonstrated hypothetically in Tables B & Table C

Table B Consistent well completion

Year	Exploration Costs	Completion Costs	Opex	Annual Production	Unit Cost
1	\$300,000	\$25,000	\$5,000	21,427	\$2.80
2	\$0	\$25,000	\$5,000	21,427	\$2.80
3	\$0	\$25,000	\$5,000	21,427	\$2.80
4	\$0	\$25,000	\$5,000	21,427	\$2.80
5	\$0	\$25,000	\$5,000	21,427	\$2.80
6	\$0	\$25,000	\$5,000	21,427	\$2.80
7	\$0	\$25,000	\$5,000	21,427	\$2.80
8	\$0	\$25,000	\$5,000	21,427	\$2.80
9	\$0	\$25,000	\$5,000	21,427	\$2.80
10	\$0	\$25,000	\$5,000	21,427	\$2.80
	\$300,000	\$250,000	\$50,000	214,270	

Total Production Cost (\$/unit) = \$600,000 Average Unit Cost (\$/unit) = \$2.80

Table C Variable well completion costs

Year	Exploration Costs	Completion Costs	Opex	Annual Production	Unit Cost
1	\$300,000	\$25,000	\$5,000	21,427	\$2.80
2	\$0	\$25,000	\$5,000	21,427	\$2.80
3	\$0	\$25,000	\$5,000	21,427	\$2.80
4	\$0	\$25,000	\$5,000	21,427	\$2.80
5	\$0	\$65,000	\$5,000	21,427	\$4.67
6	\$0	\$65,000	\$5,000	21,427	\$4.67
7	\$0	\$65,000	\$5,000	21,427	\$4.67
8	\$0	\$25,000	\$5,000	21,427	\$2.80
9	\$0	\$25,000	\$5,000	21,427	\$2.80
10	\$0	\$25,000	\$5,000	21,427	\$2.80
	\$300,000	\$370,000	\$50,000	214,270	

Total Production Cost = \$720,000

Average Unit Cost (\$/unit) = \$3.36

Cost increase = 20.0%

Cost Increase (\$/unit) = \$0.56

If the increased CAPEX costs associated with a spike in any of the Completion Cost components are not recovered through the gas sales charges field profitability can become uneconomic. A number of CSM producers have found themselves in this situation.

CAPEX spike risks can be reduced by pre-booking known activities and locking in input contract prices. Of particular concern in a booming CSM market is availability and costs for drilling rigs and well stimulation equipment.

Gas supply (well flow) management

Equally important is management of gas flows from CSM wells, into a customer's GSA that will generally have the ability to vary gas take on any given day. This poses the question of what does the CSM Producer do with gas that must flow from a low turn down well when a customer reduces gas takes. Without the ability to dispose of unsold production through gas storage or spot sales, the gas is generally flared.

Alternate Gas Sinks can be any of the following:

- **Gas Storage Facilities:** These facilities are generally a physically depleted conventional gas production field best utilised for medium to long term storage. Currently they are only available for use by their owners;
- **Pipeline Storage Services:** These services make use of pipeline line-pack capacities and can be accessed intra-day providing management tools for dealing with excess gas production on a daily basis;
- **Spot Sales Agreements:** These could cover a wide range of sales deals including simple As-Available GSAs through to a PUT GSA which allows a producer to place excess production with a buyer at will; and
- **Swap Arrangements** with other producers that have the ability to absorb excess production.

In the event an alternative gas sink is not available, CSM producers must either write into the GSA the appropriate restrictions on the customer's ability to reduce daily gas takes with sales pricing tied to these terms (such as a daily take-or-pay) or estimate a certain unsold output and accept any associated risk of exceeding these estimates

Syauqi Hamdi / Anthony Anderson

New General Tax Provisions Law

A new General Tax Provision (“KUP”) Law No. 28/2007 was signed on 17 July 2007 and became effective 1 January 2008. Law No. 28/2007 is the fourth amendment to Law No. 6/1993.

The Government has since issued Government Regulation No. 80/2007 (“GR. 80/2007”) and various implementing Ministry of Finance Decrees.

Some noteworthy changes are :

Transfer Pricing Documentation

Indonesian tax legislation requires that arm’s length principles be followed for transactions between related parties. Actual guidance on acceptable transfer pricing methodologies and procedures is however quite limited. Meanwhile, transfer pricing audits have increased in recent years.

GR No.80/2007 “ups the ante” by effectively requiring the pre-existence of documentation demonstrating adherence to arm’s length principles (under a one month documentation filing rule). However, a basis of how to support the arm’s length nature of particular transactions is not specified.

Given the increasing focus on transfer pricing, taxpayers will need to start reviewing the extent to which a transfer pricing audit can be managed. Taxpayers should also keep a watch for the detailed guidelines on transfer pricing methodologies etc., due out from the tax office in the second half of 2008.

Proxies

Under the new proxy rules officers of companies that have an annual turnover exceeding IDR2.4billion are now not entitled to “proxy” employees. The proxy can only be assigned to a “certified” tax consultant.

For taxpayers below the threshold, an internal proxy is still allowed provided that proxy holds a “brevet” or tax graduation certificate.

Transitional rules

Law No. 28/2007 and GR 80/2007, indicate that taxpayer rights and liabilities for the 2001-2007 years should continue to be determined under the pre-2007 KUP. However, the 2007 KUP is applicable in the following cases:

1. applications for NPWP cancellations received after 31 December 2007;
2. refund applications received after 31 December 2007;
3. requests for the revision of an interest compensation decisions issued after 31 December 2007;
4. the cancellation of tax assessments resulting from defective tax audits performed after 31 December 2007;
5. the objection process for objections received after 31 December 2007;
6. lawsuits pertaining to a tax assessment resulting from a tax audit performed after 31 December 2007;
7. lawsuits pertaining to a tax objection filed after 31 Dec. 2007

Antonius Sanyojaya

New Legislation

Electricity and Gas Transmission Assets

Legislation has been introduced, effective March 2008, regarding the import and export of electricity, liquids or gas through transmission networks or pipelines. These networks should now have measurement equipment to enable the importer/exporter to provide Customs with various import and export declarations. The quality of the goods is to be based on the latest measurement equipment.

This law also provides flexibility in regard to:

1. the lodgment the Customs’ declarations (subject to Customs’ approval);
2. the making of corrections to the declarations (subject to Customs’ approval and before the end of relevant transactions).

The Law provides Customs with the right to carry out inspections at the relevant drilling location and/or monitoring center.

Through the introduction of this regulation, companies in the energy and mining industries may need to re-consider the type of transmission arrangements for goods they importing or exporting.

Enna Budiman

Forestry Regulations – How many mining companies?

The Indonesian Government issued Government Regulation No.2/2008 on 4 February 2008 outlining the “Non-Tax State Revenue” tariff relevant to the utilisation of forested areas (other than for forestry activities) as approved by the Department of Forestry.

The GR was issued as a follow up to the GR No.1/2004 and Law No.41/1999. GR No.1/2004 stipulates that all the mining licences and contracts in a forestry area that existed before the enactment of Law No. 41/1999 shall, in effect, be entitled to mine until the end of the relevant licence or contract.

The list of said licences and contracts was stipulated in Presidential Decree No.41/2004, and covers 13 licences of 12 mining companies.

Under GR No.2/2008, mining companies that have already obtained these permits must now pay compensation in the form of a tariff for forest preservation. Based on the GR No.2/2008 the annual compensation amount ranges from IDR1.2 million to IDR3 million per hectare.

The Government claims that GR No.2/2008 was issued to provide legal certainty to the mining companies that have obtained licences to perform mining activities in protected forests. As compensation, the companies must pay a contribution to the Government for the “use” of the protected forest.

The issuance of GR No.2/2008 itself has raised protests from various groups, including environmental activists and non-governmental organizations (“LSMs”). They claim that the GR endangers conservation efforts and is contrary to Law No.41/1999 that forbids open pit mining in protected forests.

It is not clear whether the approved list will remain exclusive to the 12 mining companies or whether there is a chance that the Government will also issue approvals to other mining companies in the future.

Ali Mardi

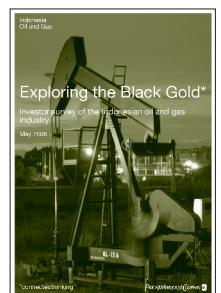
Thought Leadership

The PricewaterhouseCoopers Network publishes focused publications and industry research in the Energy, Utilities and Mining (EU&M) sectors. Recent publications include:

Indonesian publications

- Exploring the black gold – Investor survey of Indonesian oil and gas industry outlook

The objective of the survey is to highlight the contribution of the oil and gas industry to the Indonesian economy, and the issues preventing full realization of benefits for all stakeholders. This publication highlights that survey participants believe the demand for oil and gas will continue to grow, both in Indonesia and globally. The increasing demand for gas can be partially explained by increased environmental concerns noting that gas is cleaner as compared to oil based fuels.



- The mineIndonesia 2007 - review of trends in the Indonesian mining industry

Mining industry, both in Indonesia and globally, continued to reap the benefits of strong commodity prices in 2006, exhibiting strong growth in revenues and profits. PwC Indonesia's survey, representing more than 85% of the Indonesian mining industry, shows that aggregate profits achieved by the industry reached record levels, resulting in the highest level of government revenues from royalties and taxes in the last 10 years.



Global publications

General

- **Need to know*** The future of IFRS for the extractive industries

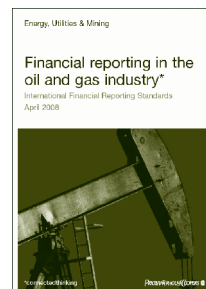
The growing use of IFRS around the world means that all companies in the industry – whether in the oil & gas sector or the mining sector – should take notice of these developments. The information in this leaflet may also be of interest to those gas and power utilities that have oil and gas wells or coal and uranium mines among their assets.



Oil & Gas

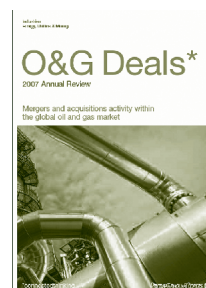
- **Financial reporting in the oil and gas industry**

This edition describes the financial reporting implications of IFRS across a number of areas selected for their particular relevance to oil & gas companies. It provides insights into how companies are responding to the various challenges and includes examples of accounting policies and other disclosures from published financial statements. It examines key developments in the evolution of IFRS in the industry.



- **O&G deals*** 2007 annual review

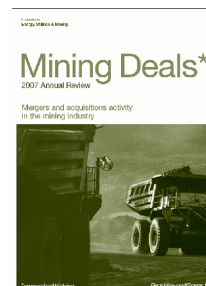
O&G Deals 2007 reviews mergers and acquisitions activity in the global oil and gas industry. We examine both the rationale behind the overall trends and look at the key individual deals.



Mining

- **Mining deals*** 2007 annual review

Mining Deals 2007 reviews deal activity in the mining industry. The report is a new companion publication to PricewaterhouseCoopers' well established Power Deals and O&G Deals reports. Together the trio provides a comprehensive analysis of M&A activity across the extractive and power industries worldwide.



Utilities

- **A world of difference: 2008 Utilities global survey**

We see a big surge in expectations that a diverse range of generation technologies – wind, solar, geothermal, combined heat and power, other forms of distributed generation and a range of combustible renewable and waste generation – will have a significant impact on companies' power markets in the next 10 years. We are likely to see landmark change in industry structure with a blurring of the boundaries between power utilities and oil & gas companies. The report includes the viewpoint of some of the leading power equipment and technology suppliers to the utility industry.



All of these publications are available on the web at www.pwc.com

Should you need copy of these publications please contact us at +62 21 5212901, or send an email to Ade Marni at ade.marni@id.pwc.com

PwC to participate at 32nd Annual IPA Convention 27 - 29 May 2008

PwC will be hosting a booth (Assembly Hall A-325) at the upcoming IPA Convention and Exhibition to be held on 27 - 29 May 2008 at the Jakarta Convention Center. We will have all of our industry publications available for distribution and all senior members of our Energy, Utilities and Mining team will be available to discuss industry issue etc. Stop by for a chat. We hope to see you there.

Suyanti Halim

Draft Electricity Law

After the annulment of Electricity Law No.20/2002 by the Indonesian Constitutional Court in December 2004, the Government and the Parliament have been discussing the "revised" draft Law for the past three years. The draft Law was actually submitted to Parliament in mid 2006 but recent developments indicate that the finalization may still not be until next year.

Key features are understood to include prioritizing electricity supply in remote areas and for the needy, development of a market oriented tariff, and overall support of a decentralisation policy.

Suyanti Halim

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