

18 October 2010

**MINISTER OF ENERGY AND MINERAL RESOURCES
DECREE REGARDING THE DETERMINATION OF
MINIMUM DOMESTIC COAL SALES REQUIREMENT
FOR YEAR 2011**

**SUMMARY AND ANALYSIS
OF
KEY ARTICLES**

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TABLE OF CONTENTS

INTRODUCTORY NOTES	1
EXECUTIVE SUMMARY	2
SUMMARY & ANALYSIS.....	3

INTRODUCTORY NOTES

This Summary & Analysis is intended as an overview only of Minister of Energy and Mineral Resources (“MoEMR”) Decree re **Determination of Minimum Domestic Coal Supply Requirement for Year 2011**, in respect of the Domestic Market Obligation, which was issued on 31 August 2010 (“**Domestic Coal Supply 2011 Decree**”).

This Summary & Analysis reflects our current understanding only of the Domestic Coal Supply 2011 Decree and is subject to change as that understanding develops and evolves.

This Summary & Analysis should be read in conjunction with our earlier (i) summary and analysis, dated 9 January 2009, of the New Mining Law, (ii) summary and analysis, dated 30 November 2009, of the Implementing Regulation on Mining Services, (iii) summary and analysis, dated 7 January 2010, of the second draft of the Implementing Regulation on Reclamation & Post Mining Activities, (iv) summary and analysis, dated 25 January 2010, of the Regulation on Prioritization of Coal and Mineral Supply for Domestic Interest (“**Domestic Market Obligation Regulation**”), (v) summary and analysis, dated 19 February 2010, of the Implementing Regulation on Coal Mining Enterprise Activities, (vi) summary and analysis, dated 13 September 2010, of the Implementing Regulation on Mining Direction & Supervision and (vii) summary and analysis, dated 5 October 2010, of the Implementing Regulation on Benchmark Price Determination. **Copies of these earlier Summaries & Analyses are available upon request.**

The use of implementing regulations and decrees to augment a law is a very common practice in Indonesia. Laws are passed by the Indonesian Parliament with the intention they will set out the broad parameters only of a new regulatory regime while the details of the new regulatory regime will be provided in one or more implementing regulations and other instruments issued by the Ministry and or officials of the Ministry with primary responsibility for overseeing the application of the new regulatory regime. The use of the Domestic Coal Supply 2011 Decree to expand on Article 7, Paragraph 3 of the Domestic Market Obligation Regulation is, therefore, entirely consistent with long established Indonesian legislative practice and procedure.

Many of the points made in this Summary & Analysis are necessarily speculative in nature and subject to further clarification and confirmation. Accordingly, it would be prudent not to rely solely on this Summary & Analysis but, rather, to seek specific legal advice with respect to any issue concerning the Domestic Coal Supply 2011 Decree before making a material business decision regarding the same. **CHRISTIAN TEO & Associates** would be pleased to assist you in this regard. Our contact details are set out below.

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EXECUTIVE SUMMARY

1. The importance of the Coal Supply 2011 Decree rests in the fact that it is the first concrete application of the Domestic Market Obligation and, as such, provides important insights into how the Domestic Market Obligation will work in practice.
2. As might have been expected, PLN's need for coal dominates the calculation of the 2011 domestic coal requirement amounting to 70.69% of the total domestic coal requirement.
3. The 2011 domestic coal selling percentage (i.e., the percentage of coal production which must be made available for domestic users in 2011 is 24.11%.
4. For 2011, however, the Domestic Market Obligation is only being imposed on certain Coal Mining Enterprises rather than on all Coal Mining Enterprises.
5. **42 holders of Coal Contracts of Work and, State Owned Company, but only 10 Exploitation KP / Production Operation IUP Holders, are the subject of the Domestic Market Obligation in 2011.**
6. **To the extent that the Coal Supply 2011 Decree is indicative of MoEMR's intention in future years, it seems likely that, unless and until there is a dramatic increase in the domestic demand for coal, small and medium size holders of Exploitation KPs/Production Operation IUPs are going to be largely (although not entirely) exempted from the Domestic Market Obligation in any meaningful sense.**

SUMMARY & ANALYSIS

1. The Government has determined the minimum domestic coal supply requirement for 2011 on the basis of the Domestic Coal Supply 2011 Decree which came into force on 31 August 2010.
2. The estimated domestic coal supply requirement in 2011 is 78.97 million tones.
3. The identified domestic coal end users and their individual domestic coal requirements for 2011 are as follows:

No.	COMPANY	QUANTITY		QUALITY
		(MILLION TONNES)	%	GCV (GAR)
1	Steam Power Plant (<i>Pembangkit Listrik Tenaga Uap</i> or PLTU)			
	PT PLN (Persero)	55.82	70.69	4,000-5,200
	IPP	8.97	11.36	4,000-5,200
	PT Freeport Indonesia	0.83	1.05	5,650-6,150
	PT Newmont Nusa Tenggara	0.47	0.60	5,200
	PT Pusaka Jaya Palu Power	0.19	0.24	5,000
2	Metallurgy			
	PT Inco	0.14	0.18	5,900
	PT Antam Tbk.	0.20	0.25	≥ 6,000
3	Cement, Fertilizer, Pulp and Textile			
	Cement	8.86	11.22	4,100-6,300
	Fertilizer	0.92	1.16	4,000-5,000
	Pulp	0.60	0.76	4,500-5,000
	Textile and Textile Products	1.97	2.49	5,000-6,500
TOTAL		78.97	100.00	

4. The Domestic Coal Supply 2011 Decree only applies to certain Coal Mining Enterprises as follows:

A. Holders of Coal Contract of Works (CCoW):

1. PT Adaro Indonesia
2. PT Antang Gunung Meratus
3. PT Arutmin Indonesia
4. PT Asmin Koalindo Tuhup
5. PT Bahari Cakrawala Sebuku
6. PT Bangun Banua Persada Kalimantan
7. PT Baramarta
8. PT Berau Coal
9. PT Borneo Indobara
10. PT Batualam Selaras
11. PT Firman Ketaun Perkasa
12. PT Gunungbayan Pratamacoal
13. PT Indominco Mandiri
14. PT Insani Baraperkasa
15. PT Interex Sacra Raya
16. PT Intitirta Primasakti
17. PT Jorong Barutama Greston
18. PT Kadya Caraka Mulia
19. PT Kalimantan Energi Lestari
20. PT Kaltim Prima Coal
21. PT Kideco Jaya Agung
22. PT Kartika Selabumi Mining
23. PT Lana Harita Indonesia
24. PT Mahakam Sumber Jaya
25. PT Mandiri Inti Perkasa
26. PT Mantimin Coal Mining
27. PT Multi Harapan Utama
28. PT Multi Tambangjaya Utama
29. PT Marunda Graha Mineral
30. PT Nusantara Thermal Coal
31. PT Perkasa Inakakerta
32. PT Pesona Khatulistiwa Nusantara
33. PT Riau Bara Harum
34. PT Santan Batubara
35. PT Senamas Energindo Mulia
36. PT Singlurus Pratama
37. PT Sumber Kurnia Buana
38. PT Tanito Harum
39. PT Tanjung Alam Jaya
40. PT Trubaindo Coal Mining
41. PT Teguh Sinar Abadi
42. PT Wahana Baratama Mining

B. State Owned Company:

PT Bukit Asam (Tanjung Enim)

C. Holders of Mining Licenses (Kuasa Pertambangan or KP) or Mining Business Licenses (Ijin Usaha Pertambangan or IUP):

1. PT Adimitra Baratama Nusantara
2. PT Arzara Baraindo
3. PT Bukit Baiduri Energi
4. PT Jembayan Muarabara
5. PT Kaltim Batumanunggal
6. PT Kemilau Rindang Abadi
7. PT Lamindo Inter Multikon
8. PT Lembuswana
9. PT Multi Sarana Avindo
10. PT Pipit Mutiara Jaya

(together, the “**Certain Coal Mining Enterprises**”).

5. The estimated 2011 coal production for the Certain Coal Mining Enterprises is 326.65 million tonnes.
6. The minimum domestic coal selling percentage applicable to each of the Certain Coal Mining Enterprises in 2011 is 24.17%.