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**MINISTRY OF FORESTRY REGULATION ON
GUIDANCE RE RENT USE PERMITS FOR FOREST
AREAS**

SUMMARY AND ANALYSIS

OF

KEY ARTICLES

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INTRODUCTORY NOTES

This Summary & Analysis is intended as an overview only of Ministry of Forestry (“**MoFor**”) Regulation No. P/18/Menhut-II/2011, dated 30 March 2011, re Guidance in respect of Rent Use Permits for Forest Areas (“**MoFor Regulation 18/2011**”).

This Summary & Analysis reflects our current understanding only of MoFor Regulation 18/2011 and is subject to change as that understanding develops and evolves.

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 MoFor Regulation 18/2011 before making a material business decision regarding the same. **CHRISTIAN TEO PURWONO & Partners** would be pleased to assist you in this regard. Our contact details are set out below.

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EXECUTIVE SUMMARY

1. Rent Use Permits authorize the utilization of (i) Production Forest Areas and (ii) Protected Forest Areas for non-forestry activities, including general mining activities.
2. Rent Use Permits are now divided into 2 types being:
 - (a) Rent Use Permits for Survey or Exploration Activity (“**Exploration Rent Use Permits**”), which are **valid for 2 years (and extendable)**; and
 - (b) Rent Use Permits for Other Activities (**i.e.**, exploitation activity) (“**Exploitation Rent Use Permits**”), which are **valid for the same period as the underlying business license (e.g., IUP, or CoW)**.
3. Except in very limited situations, Rent Use Permits are issued by MoFor.
4. According to MoFor, there is no express limitation on the size of the area which may be covered by an Exploration Rent Use Permit. However, certain limitations may apply, on a case by case basis, subject to evaluation and consideration by MoFor.
5. In order to obtain a Rent Use Permit, a party must, first, submit an application to MoFor and fulfill a number of administrative and technical requirements.
6. If the Rent Use Permit applicant fulfills the subject administrative and technical requirements, MoFor will issue to the Rent Use Permit applicant, in the first instance, an Approval in Principal License with a maximum validity period of 2 years which is extendable, subject to evaluation.
7. **The Approval in Principal License is to be issued within 3 to 4 months of completion of the administrative and technical requirements.**
8. The Approval in Principal License will specify a number of obligations that need to be fulfilled by the Rent Use Permit applicant for the purpose of obtaining the Rent Use Permit. Once the Approval in Principal License holder fulfills the obligations stated in the Approval in Principal License, MoFor will grant a Rent Use Permit to the Approval in Principal License holder.
9. **The Rent Use Permit is to be issued following submission of an application after fulfillment of the Approval in Principal License obligations and in (i) 4 months for Exploration Rent Use Permits and (ii) 2 months for Exploitation Rent Use Permits.**
10. A Rent Use Permit applicant must meet a compensation requirement as follows:
 - (a) if the total Forest Area in the relevant Province, where the target Forest Area is situated, comprises less than 30% of the total Provincial land area (including islands and rivers), then the applicant must provide compensation land in certain ratios depending on the purpose of the activities to be conducted in the Forest Area; and

- (b) if the total Forest Area in the relevant Province, where the target Forest Area is situated, comprises more than 30% of the total Provincial land area (including islands and rivers), the applicant is obliged to pay Non Tax State Revenue in respect of Forest Area Utilization and carry out reforestation in certain ratios depending on the purpose of the activities to be conducted in the Forest Area.
11. In the case of a Production Forest Area that is already the subject of a Forest Utilization Business License, Rent Use Permits for mining activities may only be granted for a maximum of 10% of the total area covered by the Forest Utilization Business License.
 12. In the case of a Production Forest Area that is not the subject of any Forest Utilization Business Licenses, Rent Use Permits for mining activities may only be granted for a maximum of 10% of the total Production Forest Area.
 13. Rent Use Permits for mining activities, in a Protected Forest Area, may only be granted for a maximum of 10% of the total Protected Forest Area.
 14. **The “10% restriction”, in points 11, 12 and 13 above, does not apply to Rent Use Permits in respect of Exploration Activities.**
 15. In addition to the relevant utilization activities (i.e., general mining activities), a Rent Use Permit also gives the holder the right to carry out land clearance and deforestation activities.
 16. A party is not allowed to transfer its Rent Use Permit to another party without prior approval from MoFor.
 17. Transfers of Rent Use Permits will be approved within 2 months of the transfer application being submitted.
 18. **Renewals of the Rent Use Permits will be approved within 2 months of the renewal application being submitted.**
 19. **MoFor Regulation 18/2011 is intended to remove much of the uncertainty and reduce much of the delay which is presently associated with obtaining a Rent Use Permit. However, whether or not these objectives are realized depends very much on how MoFor Regulation 18/2011 is implemented in practice.**

SUMMARY AND ANALYSIS

1. GENERAL PROVISIONS

Legal Basis	Remarks
Articles 2 - 6	<p>A. “Forest Area Utilization” refers to utilizing part of a Forest Area for non forestry activities.</p> <p>B. Forest Area Utilization may only be carried out in (i) Production Forest Areas and (ii) Protected Forest Areas, in respect of activities with a clear strategic purpose such as:</p> <ul style="list-style-type: none"> (a) religious activities; (b) <u>mining (i.e., oil and gas, coal, minerals and geothermal)</u>; (c) installation of generators, transmission and distribution of electricity; (d) promotion of new and renewable energy technology; (e) construction of telecommunication networks, radio transmitting stations, television relay stations; (f) construction/operation/support of public roads, highways and railways; (g) construction/operation/support of transportation facilities, which are not categorized as public transportation, for transporting production output; (h) construction/operation/support of facilities for water resources, water installations and canals for clean water and/or waste water; (i) construction/operation/support of public facilities; (j) operation of forest related industries; (k) security and defense; (l) public safety supporting facilities; or (m) shelters for natural disaster victims. <p>C. Forest Area Utilization for mining activities may only be carried out in the following manner:</p> <ul style="list-style-type: none"> (a) mining activities in Production Forest Areas may be carried out by way of either open cut mining or underground mining; while (b) mining activities in Protected Forest Areas may only carried out by way of underground mining.

Legal Basis	Remarks
	<p>D. Underground mining in Protected Forest Areas must not:</p> <ul style="list-style-type: none"> (a) cause land subsidence; (b) permanently change the main function of the Forest Area; and/or (c) damage the land water resource. <p>E. Forest Areas affected by utilization are to be classified into 3 categories as follows:</p> <ul style="list-style-type: none"> (a) L1, being Forrest Areas utilized for permanent facilities, excluding active mining concessions, which will be subject to 1 times the Forest Area Utiliation Non Tax State Revenue rate; (b) L2, being Forest Areas utilized for temporary purposes and which Forest Areas can be restored by way of carrying out reclamation activities, which will be subject to 4 times the Forest Area Non Tax State Revenue rate; and (c) L3, being Forest Areas utilized for long term purposes and which Forest Areas cannot be restored by way of carrying out reclamation activities, which will be subject to 2 times the Forest Area Non Tax State Revenue rate. <p>F. Other activities that are financed by the Central, Provincial and/or Regional governments, may also be conducted in Forest Areas by way of a cooperation mechanism and as part of forestry management activities.</p> <p>G. The other activities, as mentioned in Point 1F above, are as follows:</p> <ul style="list-style-type: none"> (a) construction of water dams; (b) construction of water reservoirs; (c) construction of water canals; (d) landfills for final products such as compost for fertilizer; and (e) cultivation by non-forestry parties for forest reclamation and rehabilitation. <p>H. Cooperation in respect of the other activities, as described in Point 1G above, must obtain prior approval from MoFor and be recorded in a cooperation agreement with the following parties:</p> <ul style="list-style-type: none"> (a) where the activity is carried out in a Forest Area which is located in the working area of <i>Perum Perhutani</i>, the cooperation agreement must be entered into with the President Director of <i>Perum Perhutani</i>; (b) where the activity is carried out in a Forest Area which is located outside the working area of <i>Perum Perhutani</i>, the cooperation agreement must be entered into with the Head of the Provincial/Regency/Municipal Forestry Office in accordance with his respective authority; and (c) where a Forest Management Unit (<i>Kesatuan Pengelolaan Hutan</i> or “KPH”)

Legal Basis	Remarks
	<p>has been established for the relevant Forest Area, then the cooperation agreement must be entered into with the Head of KPH.</p> <p>I. The cooperation agreements must be notified to MoFor and the implementation of such cooperation must be reported to MoFor at least once a year.</p>

2. **RENT USE PERMITS**

Legal Basis	Remarks
Articles 7 - 37	<p>1. <u>General Description</u></p> <p>A. Utilization of Forest Areas must be carried out in reliance upon Rent Use Permits.</p> <p>B. Rent Use Permits carries with them a compensation requirement as follows:</p> <p>(a) If the total Forest Area in the relevant Province, where the target Forest Area is situated, comprises less than 30% of the total Provincial land area (including islands and rivers), then the applicant must provide compensation land in the ratio of:</p> <p>(i) If the Forest Area is to be utilized for non-commercial purposes: in the ratio of 1:1 plus the estimated total affected area in L3 category;</p> <p>(ii) If the Forest Area is to be utilized for commercial purposes: in the ratio of 1:2 plus the estimated total affected area in L3 category; and</p> <p>(iii) if the actual realization of the L3 category area is larger than the estimated L3 category area, then the total compensation must reflect the difference between the L3 area estimation and the L3 area realization.</p> <p>(b) If the total Forest Area in the relevant Province, where the target Forest Area is situated, comprises more than 30% of the total Provincial land area (including islands and rivers), the applicant is obliged to pay Non Tax State Revenue in respect of Forest Area Utilization and carry out reforestation in the ratio of:</p> <p>(i) If the Forest Area is to be utilized for non-commercial purposes: 1:1; and</p> <p>(ii) If the Forest Area is to be utilized for commercial purposes: 1:1 plus the total area predicted to be affected by the relevant activities in the L3 area category.</p> <p>C. The “compensation land requirement”, as mentioned in Point 2.1B above, may only be waived in the case of Forest Area Utilization for:</p>

Legal Basis	Remarks
	<p>(a) state defense activities, sea and air traffic safety, evaluation of dams, water conservation, sand control, facilities for meteorology, climatology and geophysics, and</p> <p>(b) survey and exploration for mining activities.</p> <p>D. Notwithstanding Point 2.1C(b) above, if the survey and exploration activities involve sample taking activities to evaluate the economic feasibility of the proposed mining project, then the “land compensation requirement” shall apply accordingly.</p> <p>E. Rent Use Permits will be issued by MoFor on the basis of application.</p> <p>F. The authority to issue the Rent Use Permits is delegated to the relevant Governor, provided that the total target Forest Area being applied for is:</p> <p>(a) not more than 1 hectare;</p> <p>(b) for the construction of public facilities; and</p> <p>(c) for non-commercial activities.</p> <p>G. Rent Use Permits for mining activities (i) with crucial impact, (ii) covering large Forest Areas and (iii) having strategic value which are conducted in Special Mining Business Areas (<i>Wilayah Usaha Pertambangan Khusus</i> or “WUPK”), may only be granted upon approval by the House of Representatives (<i>Dewan Perwakilan Rakyat</i> or “DPR”).</p> <p>H. In the case of Production Forest Areas that are already subject to Forest Utilization Business Licenses (<i>Ijin Usaha Pemanfaatan Hutan</i>), Rent Use Permits for mining activities may only be granted for a maximum of 10% of the total Production Forest Area covered by the Forest Utilization Business Licenses, considering (i) the business continuity of the relevant Forest Utilization Business Licenses and (ii) other Forest Area Utilization Business Licenses in the target Production Forest Area.</p> <p>I. In the case of the Production Forest Areas that are not subject to any Forest Utilization Business Licenses, a Rent Use Permit for mining activities may only be granted for a maximum of 10% of the total Production Forest Area.</p> <p>J. Rent Use Permits for mining activities, in the working area of <i>Perum Perhutani</i>, may only be granted for a maximum of 10% of the total working area of <i>Perum Perhutani</i>.</p> <p>K. Rent Use Permits for mining activities, in the Protected Forest Areas, may only be granted for a maximum of 10% of the total Protected Forest Area.</p> <p>L. The “10% restriction”, as referred to in Points 2.1H – 1K above, does not apply to Rent Use Permits in respect of Exploration Activities (“Exploration Rent Use Permits”).</p>

Legal Basis	Remarks
	<p data-bbox="435 243 1000 275">2. <u>Procedures for Obtaining Rent Use Permits:</u></p> <p data-bbox="435 306 1390 401">A. Exploration Rent Use Permits and Rent Use Permits for Other Activities (“Exploitation Rent use Permits”) must be obtained by way of application and following fulfillment of certain administrative and technical requirements.</p> <p data-bbox="435 432 1390 495">B. The administrative requirements, as referred to in Point 2.2A above, require the submission of:</p> <ul style="list-style-type: none"> <li data-bbox="488 527 1390 590">(a) an application letter together with a location map showing the target Forest Area; <li data-bbox="488 621 1390 779">(b) an Exploration/Production Operation Mining Business License (“IUP”) or other license/agreement issued by the Central Government/Governor/Regent/Mayor in accordance with their respective authority (“Relevant Authority”), except for activities which do not require any specific licenses/agreements; <li data-bbox="488 810 1390 1125">(c) a recommendation from the Relevant Authority as follows: <ul style="list-style-type: none"> <li data-bbox="548 873 1390 936">(i) the Governor for Rent Use Permits in respect of non forestry licenses issued by the Regent/Mayor and Central Government; <li data-bbox="548 968 1390 1031">(ii) Regent/Mayor for Rent Use Permits in respect of non forestry licenses issued by the Governor; or <li data-bbox="548 1062 1390 1125">(iii) Regent/Mayor for Rent Use Permits in respect of activities which do not require any specific licenses; and <p data-bbox="548 1167 1390 1283">providing for, among other things, the approval of the utilization of the target Forest Area based on technical consideration by the relevant Head of Provincial Forestry Office and the Head of Forestry Area Development Bureau (<i>Badan Pemantapan Kawasan Hutan</i> or “BPKH”).</p> <li data-bbox="488 1325 1390 1671">(d) a statement letter, affixed with sufficient stamp duty, confirming: <ul style="list-style-type: none"> <li data-bbox="548 1388 1390 1451">(i) the ability of the applicant to fulfill all of its obligations and to bear all its costs in connection with the application; <li data-bbox="548 1482 1390 1545">(ii) the validity of all of the supporting documents attached to the application; and <li data-bbox="548 1577 1390 1671">(iii) the applicant has not yet and will not carry out any activity in the target Forest Area prior to the issuance, by MoFor, of the Rent Use Permit. <p data-bbox="435 1703 1284 1734">C. The technical requirements, as referred to in Point 2.2 A above, include:</p> <ul style="list-style-type: none"> <li data-bbox="488 1766 1390 1892">(a) preparation of a work plan on the utilization of the target Forest Area together with a location map, in the scale of 1:50,000 or the biggest scale available for the relevant location, containing information on the target Forest Area; <li data-bbox="488 1923 1390 1948">(b) newest satellite imaging of the target Forest Area, with a resolution detail of

Legal Basis	Remarks
	<p>15 meters or more, in the form of digital and hard copies, signed by the applicant and stating the source of the satellite imagery;</p> <p>(c) preparation of AMDAL (Analysis of Environmental Impact), which has been approved by the Relevant Authority, except for activities which do not require AMDAL or other environmental documents which have been approved by the Relevant Authority pursuant to the prevailing laws and regulations; and</p> <p>(d) technical consideration by the Director General of Minerals, Coal and Geothermal for mining licenses issued by the Relevant Authority, and containing information re mining patterns and whether or not the target Forest Area is located in a WUPK in the process of being converted from a WPN.</p> <p>The above AMDAL and satellite imaging requirements do not apply to Exploration Rent Use Permit applications.</p> <p>D. All of the required administrative and technical documents, as referred to in Points 2.2 B and C above, must be originals or copies which have been legalized by the relevant issuing authority or a notary.</p> <p>E. Once the specified administrative and technical requirements have been fulfilled, MoFor will grant to the applicant, within approximately 3 to 4 months, an Approval in Principal License (“Approval in Principal License”).</p> <p>F. The Approval in Principal License will specify a number of obligations that must be fulfilled by the Rent Use Permit applicant (“Approval in Principal License Obligations”) in order to obtain the Rent Use Permit, including among others:</p> <p>(a) implementing the boundaries of the relevant Forest Area under the supervision of BPKH;</p> <p>(b) carrying out inventory activities pursuant to the prevailing laws and regulations under the supervision of the relevant Forestry Office;</p> <p>(c) providing a capability statement, in the form of a notarial deed, regarding the following:</p> <p>(i) implementation of reclamation and reforestation activities in that part of the Forest Area that is no longer being utilized prior to the expiration of the Rent Use Permit;</p> <p>(ii) implementation of Forest Area protection in accordance with the prevailing laws and regulations;</p> <p>(iii) providing access to the Forest Area for relevant forestry officials while conducting “on the ground” monitoring and evaluation;</p> <p>(iv) bearing all costs in respect of the Rent Use Permit;</p> <p>(v) the payment of compensation for trees, Forest Resources Royalty (<i>Provisi Sumber Daya Hutan</i> or “PSDH”), Reforestation Fund Contribution (<i>Dana Reboisasi</i> or “DR”) and other payment</p>

Legal Basis	Remarks
	<p>obligations pursuant to the prevailing laws and regulations; and</p> <p>(vi) the payment of Non Tax State Revenue on Forest Area Utilization and carrying out reforestation for the purpose of rehabilitating river areas.</p> <p>(d) in the case of approved Forestry Areas already subject to Forest Utilization Business Licenses, the applicant must provide compensation for:</p> <p>(i) the investment cost of Forest Area management/utilization, based on the total Rent Use Permit Area, to the management or holder of the Forest Utilization Business License pursuant to the prevailing laws and regulations; and</p> <p>(ii) the license cost which has been paid by the management or holder of the Forest Utilization Business License in accordance with the total utilized area.</p> <p>G. In addition to the above obligations, the Approval in Principal License holder, which is subject to the compensation land obligation, must also:</p> <p>(a) provide and surrender compensation land, which is not the subject of any practical or legal issues, to be designated as a Forest Area pursuant to the applicable ratio as mentioned in Point 2.1 B (a) above;</p> <p>(b) implement the borders of compensation land which has been designated as a Forest Area; and</p> <p>(c) carry out cultivation in respect of reforestation of compensation land which has been designated as a Forest Area.</p> <p>H. The abovementioned reforestation activities must be carried out in the following manner:</p> <p>(a) for compensation land which is located in the <i>Perum Perhutani</i> area, such reforestation activities must be carried out by the Rent Use Permit holder in cooperation with the <i>Perum Perhutani</i>;</p> <p>(b) for compensation land which is located outside the <i>Perum Perhutani</i> area, such reforestation activities must be carried out by the Rent Use Permit holder in cooperation with any business entity which has competence in reforestation activities; and</p> <p>(c) for compensation land which has been designated as a Conservation Forest Area, such reforestation activities must be carried out by the Rent Use Permit holder in cooperation with the relevant institution handling the Conservation Forest Area.</p> <p>I. In the event the Forrest Area covered by the Approval in Principal License is to be used for high and urgent national interest activities that, if delayed, may harm the country, then such Approval in Principal License may be revoked by MoFor. However, in such cases, the Approval in Principal License holder will have a priority right to apply for a Rent Use Permit in another location, in the same province and for the same area size.</p>

Legal Basis	Remarks
	<p>3. <u>Dispensation</u></p> <p>A. The Approval in Principal License holder may apply to MoFor for dispensation from carrying out certain of its obligations in respect of the Forest Area (“Dispensation”), where:</p> <ul style="list-style-type: none"> (a) urgent activities must be undertaken that, if delayed, may harm the country; (b) the Dispensation is to be granted to the Government, a State Owned/Regional Government Enterprise or a private entity sharing the financing obligation with the Government; and (c) the Dispensation is granted for a period not longer than the Approval in Principal License period and may not be extended. <p>B. In the case of Approval in Principal License holders subject to the compensation land obligation, the Dispensation may only be applied for if all of the obligations under the Approval in Principal License have been fulfilled, except for the compensation land obligation, by submitting a work plan for the surrender of the compensation land in the form of a notarial deed.</p> <p>C. MoFor will issue the Dispensation Letter within approximately 35 days from the date of the submission of the Dispensation Application.</p> <p>4. <u>Upgrade to Rent Use Permits</u></p> <p>A. The Approval in Principal License holder may submit an Application for a Rent Use Permit to MoFor after fulfilling all of the obligations referred to in Point 2.2F above.</p> <p>B. MoFor will issue the Exploration Rent Use Permit within approximately 2 months from the date of the submission of the Rent Use Permit Application.</p> <p>C. If there is a change in the Forest Area utilization activities, within the Rent Use Permit Area, then the Rent-Use Permit holder may apply to MoFor for a Rent Use Permit Amendment by submitting revised versions of its business license, AMDAL and work plan.</p> <p>D. If, within the Rent Use Permit Area, there is a new Application made for another Rent Use Permit for other purposes, then the new applicant must cooperate with the holder of the existing Rent Use Permit by entering into a cooperation agreement, in the form of a notarial deed, and submitting revised versions of its the business license, AMDAL and work plan.</p> <p>E. MoFor will issue the Amendment of the Rent Use Permit within approximately 2 months from the date of the submission of the Amendment Application.</p> <p>F. In the case of a Exploration Rent Use Permit application, MoFor will issue the Exploration Rent Use Permit within approximately 4 months from the submission date of the Application.</p>

Legal Basis	Remarks
	<p>5. <u>Obligations of Rent Use Permit Holder:</u></p> <p>A. The Rent Use Permit holder is obliged to:</p> <ul style="list-style-type: none"> (a) carry out reforestation activities on compensation land; (b) pay Non Tax State Revenue in respect of Forest Area Utilization and carry out reforestation activities for the purpose of rehabilitating river areas (<i>daerah aliran sungai</i>); (c) carry out reclamation and reforestation of that part of the Forest Area which is no longer being used prior to the expiration of the Rent Use Permit; (d) pay: <ul style="list-style-type: none"> (i) tree compensation and PSDH for plantation products of Plant Forest Timber Product Utilization License (<i>Izin Usaha Pemanfaatan Hasil Hutan Kayu pada Hutan Tanaman</i> or “IUPHHK-HT”) holders and PSDH holders, DR and tree compensation for non plantation products of IUPHHK-HT holders; (ii) PSDH, DR, tree compensation and other financial imposts for use of the natural forest of Natural Forest Timber Product Utilization License (<i>Izin Usaha Pemanfaatan Hasil Hutan Kayu pada Hutan Alam</i> or “IUPHHK-HA”) holders; and (iii) PSDH, DR, tree compensation and other financial imposts for use of natural forest outside IUPHHK areas. (e) carry out maintenance activity on Rent Use Permit Area borders; (f) carry out Forest Area protection pursuant to the prevailing laws and regulations; (g) secure Conservation Forest Areas and/or Protected Forest Areas where the Rent Use Permit Area is adjacent to such Conservation Forest Areas and/or Protected Forest Areas by coordinating with the relevant authorities; (h) provide access to the Rent Use Permit Area for the relevant forestry officers while conducting “on the ground” monitoring and evaluation; (i) bear all costs in respect of the Rent Use Permit; (j) coordinate activities with the relevant forestry institution and/or Forest Utilization Business License holder and/or other relevant parties; (k) submit a Work Plan for the fulfillment of all Rent Use Permit obligations not later than 100 working days after the date of the issuance of the Rent Use Permit; and (l) submit a Forest Area Utilization Activities Report periodically every 6 months to MoFor with copies to other relevant forestry institutions, which Report sets out details of:

Legal Basis	Remarks
	<ul style="list-style-type: none"> (i) the plan and realization of Forest Area Utilization, reforestation of compensation land, cultivation of river areas, reclamation and revegetation; (ii) fulfillment of Non Tax State Revenue for Forest Area Utilization payment obligation; and (iii) fulfillment of other obligations pursuant to the Rent Use Permit. <p>B. The Exploration Rent Use Permit holder is obliged to:</p> <ul style="list-style-type: none"> (a) carry out reclamation and reforestation of Forest Areas that are no longer being used prior to the expiration of the Rent Use Permit; (b) pay: <ul style="list-style-type: none"> (i) tree compensation and PSDH for the plantation products of IUPHHK-HT and PSDH holders, DR and tree compensation for non plantation products of IUPHHK-HT holders; (ii) PSDH, DR and tree compensation and other financial imposts for the natural forest of IUHHK-HA holders; or (iii) PSDH, DR and tree compensation and other financial imposts for the natural forest outside IUPHHK areas. (c) provide compensation for the investment cost of Forest Area management/utilization, based on the total Rent Use Permit Area, to the management or holders of Forest Utilization Business Licenses; (d) carry out Forest Area protection pursuant to the prevailing laws and regulations; (e) provide facilities to the relevant forestry officers while conducting “on the ground” monitoring and evaluation; (f) bear all costs in respect of the Rent Use Permit; and (g) submit reports on the fulfillment of Rent Use Permit obligations periodically every 6 months. <p>C. Exploration Rent Use Permit holders are prohibited from building permanent structures in the Rent Use Permit Area;</p> <p>D. Exploration Rent Use Permit holders, which carry out bulk sampling activities, shall also:</p> <ul style="list-style-type: none"> (a) provide and surrender compensation land, which is not the subject of any practical or legal issues, to be designated as Forest Areas pursuant to the applicable ratio as mentioned in Point 2.1B (a) above; (b) pay Non Tax State Revenue in respect of Forest Area Utilization and carry out reforestation activities for the purpose of rehabilitating river areas (<i>daerah aliran sungai</i>);

Legal Basis	Remarks
	<p>E. The payment of Non Tax State Revenues, as referred to in Point 2.2 D (b) above, is no longer payable if the reforestation is considered successful and this is stated in the Minutes of Handover of Reforestation attaching all of the Forest Area Utilization Non Tax State Revenues payment receipts during the successful revegetation process.</p> <p>F. The Rent Use Permit holder is not allowed to:</p> <p>(a) transfer its Rent Use Permit to another party without approval from MoFor; and</p> <p>(b) grant any security rights over the Rent Use Permit Area to other parties.</p> <p>G. Transfers of Rent Use Permits may only conducted by submitting an application and its supporting documents to MoFor. MoFor will issue an approval of the transfer of Rent Use Permit within approximately 2 months from the submission date of the application.</p> <p>6. <u>Timber Utilization</u></p> <p>A. Rent Use Permits and Dispensations are also valid as timber utilization permits and as licenses to convey and utilize equipment.</p> <p>B. Logging activity must be conducted in stages, pursuant to the annual Land Clearance Plan, in the Rent Use Permit Area. In carrying out logging activities, the Rent Use Permit holder must also implement forest products management.</p> <p>7. <u>Compensation Land</u></p> <p>A. The prospective compensation land, as referred to in Point 2.2 G(a) above, shall meet the following requirements:</p> <p>(a) the area is adjacent to a Forest Area;</p> <p>(b) located in the same river area, island and/or province;</p> <p>(c) may be reforested in a conventional way;</p> <p>(d) not subject to dispute and free from any encumbrance and mortgage; and</p> <p>(e) be the subject of a recommendation from the Relevant Authority.</p> <p>B. The Head of Provincial Forestry Office will establish a team to conduct technical and legal due diligence in respect of the proposed compensation land.</p> <p>C. The results of the due diligence will be submitted to the Director General of Forest Planology (“DoFP”). DoFP will issue a Recommendation Letter to MoFor, within 15 working days from the date of receipt of the due diligence results, and MoFor will issue the Rejection Letter or Approval Letter within 15 working days from the date of receipt of the Recommendation Letter.</p>

Legal Basis	Remarks
	<p>D. The holder of the Compensation Land Approval has the obligation to:</p> <ul style="list-style-type: none"> (a) carry out land clearance by providing compensation; (b) delete the record of its ownership from the land register and procure the revocation of its land certificate in the case of registered land titles; and (c) delete the record of its ownership from the village land register and map in the case of unregistered land titles. <p>E. Where the Approval in Principal License holder has fulfilled the above obligations, the DoFP and the Approval in Principal License holder will, within 30 working days, sign the Minutes of Compensation Land Handover to become Forest Area (“Minutes”).</p> <p>F. MoFor will issue its Decree in respect of the determination of compensation land to become a Forest Area not later than 2 months from the date of the execution of the Minutes.</p> <p>G. The Approval in Principal License holder shall implement the Forest Area boundaries of the compensation land in not later than 180 days and MoFor will issue its Decree in respect of the Forest Area determination within 37 working days.</p> <p>8. <u>Validity Period of Rent Use Permits</u></p> <p>A. The validity of a Approval in Principal License or Exploration Rent Use Permit is 2 years.</p> <p>B. The validity period of an Exploitation Rent Use Permit is the same as the validity period of the relevant license (i.e., validity period of the relevant Mining License).</p> <p>C. Rent Use Permits, for activities that do not require a specific license, will be granted for a maximum period of 20 years.</p> <p>D. Rent Use Permits, for state defense, air and sea traffic safety, public roads, railways, evaluation of dams, water conservation, sand control, facilities for meteorology, climatology, geophysics, and religious purposes, will remain valid for the period of such activities.</p> <p>E. If, based on evaluation, the Rent Use Permit holder is no longer utilizing the Forest Area in accordance with the Rent Use Permit, then such Rent Use Permit shall be revoked by MoFor.</p> <p>9. <u>The Renewal of Approval in Principal Licenses and Rent Use Permits</u></p> <p>A. Approval in Principal Licenses, Exploration Rent Use Permits and Exploitation Rent Use Permits may be extended based on the evaluation result.</p> <p>B. The renewal application must be submitted (i) not later than 3 months prior to the expiration date of the relevant Approval in Principal License and Exploration</p>

Legal Basis	Remarks
	<p>Rent Use Permit and (ii) not later than 6 months prior to the expiration date of the relevant Exploitation Rent Use Permit, in each case together with the evaluation results.</p> <p>C. MoFor will issue the approval of the license/permit renewal not later than 2 months from the submission date of the renewal application.</p>

3. MONITORING AND EVALUATION

Legal Basis	Remarks
Articles 38 - 40	<p>A. MoFor will monitor and evaluate:</p> <ul style="list-style-type: none"> (a) the Approval in Principal License holder; (b) the Dispensation holder; and (c) the Rent Use Permit holder. <p>B. The implementation of monitoring and evaluation will be delegated by MoFor to the relevant Governor.</p> <p>C. The monitoring shall be conducted at least once a year. The evaluation shall be conducted at least once every 5 years.</p> <p>D. The Head of Provincial Forestry Office will submit the evaluation and monitoring results to MoFor with a copy to DoFP.</p> <p>E. Sanctions may be imposed on the license/permit holder if the evaluation results indicated that the relevant license/permit holder has not fulfilled any of its obligations under the license/permit.</p>

4. EXPIRATION OF APPROVAL IN PRINCIPAL LICENSES AND RENT USE PERMITS

Legal Basis	Remarks
Articles 41 - 43	<p>A. The Approval in Principal License/Rent Use Permit shall expire in the following situations:</p> <ul style="list-style-type: none"> (a) the expiry of the Approval in Principal License/Rent Use Permit validity period; (b) the revocation of the Approval in Principal License/Rent Use Permit by MoFor; (c) the Approval in Principal License/Rent Use Permit is voluntarily returned, by its holder, to MoFor prior to the expiration date of the same;

Legal Basis	Remarks
	<p>(d) the relevant Forest Area has been converted to become a Non Forest Area or a Forest Area which cannot be utilized in accordance with the relevant regulations; and/or</p> <p>(e) the revocation of the relevant Mining Business License by the relevant authorities.</p> <p>B. The expiration of the Rent Use Permit does not extinguish the obligations of the Rent Use Permit holder to:</p> <p>(a) pay Non Tax State Revenue on Forest Area Utilization;</p> <p>(b) carry out reforestation and rehabilitation activities for the purpose of rehabilitating river areas (<i>daerah aliran sungai</i>);</p> <p>(c) carry out reclamation and/or reforestation activities in Forest Areas which are no longer used;</p> <p>(d) pay compensation, PSDH and/or DR in accordance with the prevailing laws and regulations; and</p> <p>(e) carry out such other obligations as may be stipulated by MoFor.</p> <p>C. Following the expiration of the Rent Use Permit, the ownership of all existing immovable goods in the relevant Forest Area will become State property while movable goods will continue to be owned by the license/permit holder.</p> <p>D. Movable goods, that belong to the Rent Use Permit holder, must be removed from the relevant Forest Area not later than 6 months after the expiration date of the Rent Use Permit or the completion of the reclamation activities.</p> <p>E. If the Rent Use Permit holder fails to comply with Point 2.4D above, the existing movable goods in the Forest Area will be offered for sale, by tender, in accordance with the prevailing laws and regulations.</p> <p>F. If the reclamation activity is deemed successful, MoFor will issue a decree on the termination of the Rent Use Permit and shall conduct a handover of the Rent Use Permit Area to the Relevant Authorities.</p>

5. SANCTIONS

Legal Basis	Remarks
Article 44	MoFor may revoke a Rent Use Permit if the holder fails to fulfill its obligations under MoFor Regulation 18/2011. The revocation sanction will be imposed after the holder's failure to comply with 3 consecutive warnings given by DoPF and valid for 30 working days each.

6. **TRANSITIONAL PROVISIONS**

Legal Basis	Remarks
Articles 45	<p>A. Outstanding Rent Use Permit applications, that have not resulted in Approval in Principal Licenses, will be processed in accordance with MoFor Regulation 18/2011.</p> <p>B. Relevant Authority Recommendations, which are one of the requirements under Minister of Forestry Regulation No. P.43/Menhut-II/2008 dated 10 July 2008 on Guidelines for Rent Use Permits re Forest Areas (“MoFor Regulation 43/2008”), that have been declared complete and are still in force, shall remain valid.</p> <p>C. Approval in Principal Licenses that have been issued prior to the enactment of MoFor Regulation 18/2011 and where the Approval in Principal License obligations have been fulfilled by the relevant holder, will be processed to become Rent Use Permits in accordance with MoFor Regulation 18/2011.</p> <p>D. In the case of Approval in Principal Licenses that have been issued prior to the enactment of MoFor Regulation 18/2011 and where the obligations have not been fulfilled by the relevant holder, the obligations will be adjusted in accordance with MoFor Regulation 18/2011.</p> <p>E. Approval in Principal Licenses which are not restricted to a certain validity period, are declared valid but must comply with MoFor Regulation 18/2011.</p> <p>F. A valid Rent Use Permit Contract is declared to be a Rent Use Permit and its obligations shall be adjusted in accordance with MoFor Regulation 18/2011.</p> <p>G. Rent Use Permits or Rent Use Permit Contracts, which do not provide for any compensation land or reforestation obligations, will have to fulfill the equivalent obligations under MoFor Regulation 18/2011.</p> <p>H. Renewal applications for Exploration Rent Use Permits, Exploitation Rent Use Permits and/or Approval in Principal Licenses will be processed in accordance with MoFor Regulation 18/2011.</p> <p>I. Rent Use Permits issued prior to the enactment of Government Regulation No. 24 Year 2010, dated 1 February 2010, re Forest Area Utilization will continue to be valid until their expiry date except where the relevant Forest Area has been converted into a Non Forest Area.</p> <p>J. Rent Use Permits and/or Approval in Principal Licenses that are not in accordance with MoFor Regulation 18/2011 must be adjusted, not later than 1 year from the enactment of MoFor Regulation 18/2011, in order to comply with the requirements of MoFor Regulation 18/2011.</p>

7. CLOSING PROVISIONS

Legal Basis	Remarks
Article 46	By the enactment of MoFor Regulation 18/2011, MoFor Regulation 43/2008 is revoked.