

Energy and Natural Resources

Versi Bahasa Indonesia

Enforcement Date

10 February 2017

Related ILB

- Govt. Relaxes Mining Company Divestment Obligations
- New Guidelines for the Utilization of Renewable Energy in Order to Meet National Energy Security Targets
- Govt. Clarifies Provisions Relating to Mining Business Area Maps and the Minerals and Coal-Mining Information System
- Government Regulates Natural-Gas Utilization by Power Plants
- New Regulation on Mineral Product Export Recommendations

Guidelines for the Granting of IUPK OPs to Holders of KKs or PKP2Bs

The Ministry of Energy and Mineral Resources (“Ministry”) has issued Regulation [No. 15 of 2017](#) on Procedures for the Granting of Special Mining Business Licenses for Production Operations as a Continuation of Contracts of Work or Coal-Mining Business Working Agreements (“Regulation 15/2017”).

Regulation 15/2017 offers guidelines for the issuance of Special Mining Business Licenses for Production Operations (*Izin Usaha Pertambangan Khusus Operasi Produksi* - “IUPK OP”) to holders of the following mining concessions: ¹

1. Contracts of Work (*Kontrak Karya* - “KK”), as a requirement for being allowed to continue their business activity; and
2. KK or Coal-Mining Business Working Agreements (*Perjanjian Karya Pengusahaan Pertambangan Batu Bara* - “PKP2B”) which are about to expire.

IUPK OP for KK

As outlined above, any mining company which currently holds a KK is required to convert this concession into an IUPK OP in order to continue its business activities.² In order to convert a KK, a business must submit an application to the Ministry via the Director General of Minerals and Coal (“Director General”),³ and should enclose the following documents:⁴

1. Map and coordinates of any existing mining areas;
2. Proof of settlement of fixed premiums and production fees to the government;
3. Working and budget plans.

¹ Recital (a), Regulation 15/2017.

² Art. 3 (1), Regulation 15/2017.

³ Art. 5 (1), Regulation 15/2017.

⁴ Art. 5 (2), Regulation 15/2017.

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The Director General will then subsequently evaluate the submitted documents and report to the Ministry within seven business days of taking receipt of a completed application.⁵ Once an IUPK OP has been issued by the Ministry, it will remain valid for the remainder of the relevant KK's validity period prior to its conversion. An IUPK OP can be extended twice for a maximum period of 10 years per extension.⁶

Note that any provisions which are stated in a KK or other agreement between the government and the holder of a KK will remain valid until the IUPK OP's expiration date.⁷

IUPK OP Extensions

Any parties to KKs or PKP2Bs which are about to expire are required to extend their mining concessions by securing IUPK OPs.⁸ In order to secure the relevant IUPK OP, businesses must submit an application to the Director General between two years (at the earliest) and six months (at the latest) before their KK or PKP2B expires.⁹ Any such application should satisfy the following requirements at the least:¹⁰

1. Administrative requirements (i.e. application letter, list of shareholders and Certificate of Domicile);
2. Technical requirements (i.e. map and coordinates of any mining areas, working and budget plans, etc.);
3. Environmental requirements (i.e. affidavit stating the ability to comply with the provision on environmental management, approval of required environmental documents); and
4. Financial requirements (i.e. audited financial reports covering the last three years and proof of settlement of fixed premiums and production fees to the government covering the last three years).

The Director General will then evaluate the submitted documents and report to the Ministry within seven business days of taking receipt of a completed application.¹¹ The Ministry will either approve or reject the application to secure an IUPK OP at least two months prior to the expiration date of the KK or PKO2B.¹²

Once an IUPK OP extension has been issued, it will remain valid for a period of 10 years and can be extended once only for a further 10 years.¹³

⁵ Art. 6 (1) and (2), Regulation 15/2017.

⁶ Art. 9 (1) and (2), Regulation 15/2017.

⁷ Art. 8, Regulation 15/2017.

⁸ Art. 3 (2), Regulation 15/2017.

⁹ Art. 11 (1), Regulation 15/2017.

¹⁰ Art. 11 (2), Regulation 15/2017.

¹¹ Art. 12 (1), Regulation 15/2017.

¹² Art. 13 (2), Regulation 15/2017.

¹³ Art. 15 (2), Regulation 15/2017.

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Ex-KK or PKP2B Mining Areas

Mining areas originally designated under a KK or PKP2B which have expired and/or which are not able to be converted into an IUPK OP extension will be:¹⁴

1. Declared to be mining areas which are available to holders of Special Mining Business Permits Areas for exploration or production operations (IUPK for Exploration/IUPK for Operation Production); and/or
2. Proposed as State Reserve Areas (*Wilayah Pencadangan Negara*).

The type of mining area described in point (1) above can be offered to holders of any IUPK for Exploration/IUPK for Operation Production through the utilization of a prioritized or auction method.¹⁵

Regulation 15/2017 has been in force since 10 February 2017.^{AP}

¹⁴ Art. 17 (1) (2), Regulation 15/2017.

¹⁵ Arts. 18 and 19 (1), Regulation 15/2017.

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RECENTLY PUBLISHED ILB

- Provisions for Operating Content-Provider Services via Mobile Networks Simplified
- OJK Regulates Risk-Management Measures for Banks Engaging in Mutual-Funds Activities
- Provisions for Road Transportation Businesses Utilizing Public Motor Vehicles Within Jakarta Reregulated
- Ministry of Industry Regulates Provisions on Recommendations for Tire Imports

• RECENT REGULATION

- Director General of Customs and Excise Regulation [No. PER-01/BC/2017](#) on Guidelines for the Implementation of Ministry of Finance Regulation No. 177/PMK.04/2016 on Exemptions from Import-Duty, Value-Added-Tax, and Value-Added Tax and Luxury-Goods Sales Tax for the Import of Goods and/or Materials and/or Machinery by Small- and Medium-Scale Industries for Export Purposes
- Ministry of Health Regulation [No. 70 of 2016](#) on Health Standards and Requirements in Industrial Working Environments
- Ministry of Health Regulation [No. 74 of 2016](#) on Pharmaceutical Service Standards in Community Health Centers
- Ministry of Agriculture Regulation [No. 01/PERMENTAN/KR.020/1/2017](#) on Plant Quarantine Measures for Pests and Organisms Originating from Indonesian Territory

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