Govt, 15 miners finalize contract renegotiations

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The Energy and Mineral Resources Ministry and 15 mining firms are finalizing renegotiations over mining contracts as part of the companies' adjustments to the new mining law, the ministry's mineral and coal director general Thamrin Sihite says.

Thamrin said that the ministry and the 15 companies, comprising of 11 coal and four mineral miners, have finished working on the details of renegotiated clauses and were waiting to sign the new contracts.

"We're completing the administration process to finalize the renegotiations with the 15 companies. But we have to report to the coordinating economic minister and the President first," he told reporters at the House of Representatives in Jakarta.

However, Thamrin would not reveal the names of the 15 companies.

"We'll announce the renegotiation progress within two weeks," he said.

Currently, the ministry has 42 companies registered as having mineral mining contracts with the government (locally known as *Kontrak Karya*) and 76 companies have coal contracts of work (PKP2B).

In addition to the 15 companies, 65 percent of the 118 contract-holders have also "principally agreed" to renegotiate. However, the details of such agreements are difficult to finalize.

Contract renegotiations have long been a major problem in the mineral and coal mining sector.

The 2009 law on minerals and coal mandates that all contracts signed before its implementation have to be adjusted to meet the terms of the law.

Throughout the renegotiation process, the government and miners have been discussing six main issues: the size of mining areas, contract extensions, the amount of royalties to be give, obligations to process raw materials in Indonesia, divestment and the utilization of local goods and services.

A mining expert from the ReforMiner Institute, Pri Agung Rakhmanto, warned that the progress of the renegotiations should not be judged solely on the amount of companies that have agreed to sign new contracts.



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Thamrin Sihite

"We should also take into account the scale of the companies and the commodities they produce. If only small companies agree to renegotiate, the result won't be too significant," he told *The Jakarta Post*.

The renegotiated elements should also be monitored because if the amount of royalties remained untouched, there would be no additional revenue for the government.

"In renegotiating with mining companies, the government has to be more firm and have a concrete strategy. A direct approach with the companies will also result in better outcomes," he added.

The government has set up a team to handle the renegotiations, led by Coordinating Economic Minister Hatta Rajasa.

The working period of the team will end in 2013.

Meanwhile, Energy and Mineral Resources Minister Jero Wacik claimed on Thursday that PT Freeport Indonesia, operator of the Grasberg gold and copper mine in Timika, Papua, had agreed to renegotiate a contract.

The renegotiation aims to adjust the contract so that it will fulfill the principle of justice and bring more benefits to the country, he said in a press statement.

Earlier, PT Newmont Nusa Tenggara, operator of the Batu Hijau gold and copper mine in West Nusa Tenggara, also claimed that it had no problem with the renegotiation plan.

However, as of Thursday, there was no report on the progress of the discussions between the company and the government.