

Two Years After Law No. 4/2009

What Have We Achieved and What Needs To Be Done

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OZMINE 2011
Jakarta, March 29, 2011



Indonesian Mining Association

Law No. 4/2009 – A Positive Step

- Legal cornerstone for Indonesia's mining industry
- Indicative of Government's mineral policy
- Starting point for dialogue among stakeholders



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What Have We Achieved?

- Productive and healthy debate
 - Essential to developing effective and efficient laws
- Substantial progress in developing implementing regulations



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What Needs to be Done?

Most important challenges include:

- Stimulating off-site mineral exploration
- Completing internationally competitive fiscal regime
- Clarifying and socializing forestry laws
- Confirming and socializing responsibilities and authorities of different levels of government



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Stimulating Exploration Spending

- Off-site exploration spending is essential to finding new mines
- Indonesia needs to be spending \$500 million to \$1 billion annually to be able to maintain current production levels
- Average annual spending over past 10 years has been only \$10 million



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Stimulating Exploration Spending

IMA's immediate priorities include:

- Understandable forestry regulations that balance the need for exploration and the need for protection forests
- Tax rules recognizing unique nature of mining
- Exploration permitting system that reflects international best practices



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Internationally Competitive Fiscal Regime

- Mining is a capital intensive industry
- Current income tax law is not internationally competitive in its treatment of capital costs
- IMA is committed to working with Government officials to improve the tax regime



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Forestry Law

- Uncertainty, confusion, and nervousness about the current forestry law is holding back investment
- The relationship between forestry and mining activities needs to be clarified on a rationale and scientific basis



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Inter-Government Relations

- “Security of title” = essential prerequisite to mineral investment
- Currently: much confusion about the respective roles of central, provincial, and regional governments
- Validity of some existing permits is suspect
- Investors need 100% certainty about security of exploration and production permits



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Conclusion

- Much has been accomplished
- More work still needs to be done



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