

# **Outlook Penerimaan Pajak Indonesia 2019: Strategi dan Tantangannya**

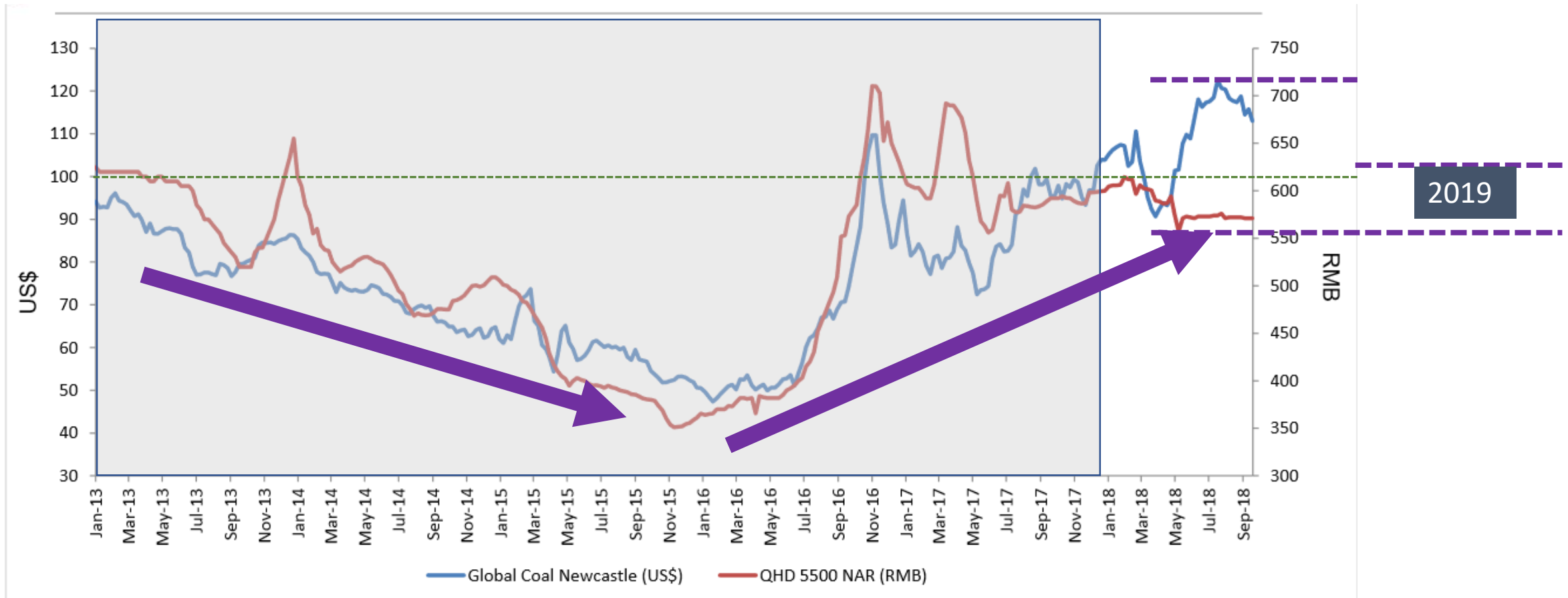
Perspektif WP Pertambangan Batubara  
28 Januari 2019

Oleh: Jul Seventa Tarigan



# I. Coal market outlook

# Coal price: In a narrowing range...



- After two years of decline, global coal demand grew in 2017 and 2018.
- But, in Q4 2018 price tend to decline and start to move in a narrowing range.
- Chart reflects history. To predict future, must analyze issues in supply and demand.

# Coal market: Mixing issues in supply and demand

## Supply – lagged and structurally changing

- Under-investment: expansionary capex has been minimal despite higher prices.
- Increasing production cost.
- Shortage of domestic coal in China and India.
- Weather related issues.
- Limited access to financing.
- Availability of heavy equipment.

## Demand – resilient and positive outlook supported by emerging Asia

- Improved economic activities in China and India.
- Weather related issues.
- Going forward, the growth in demand for coal will be dominated by Southeast Asia and India.
- Approximately 300 GW of new coal plants are under construction in Asia today.

# China: still the price setter in international market

## *Understanding China:*

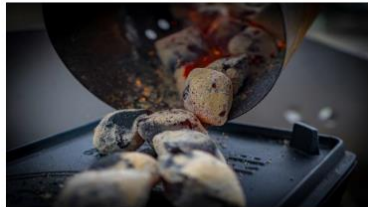
- 4 largest coal consuming sector in China follow different trends.



Power



Heavy industry



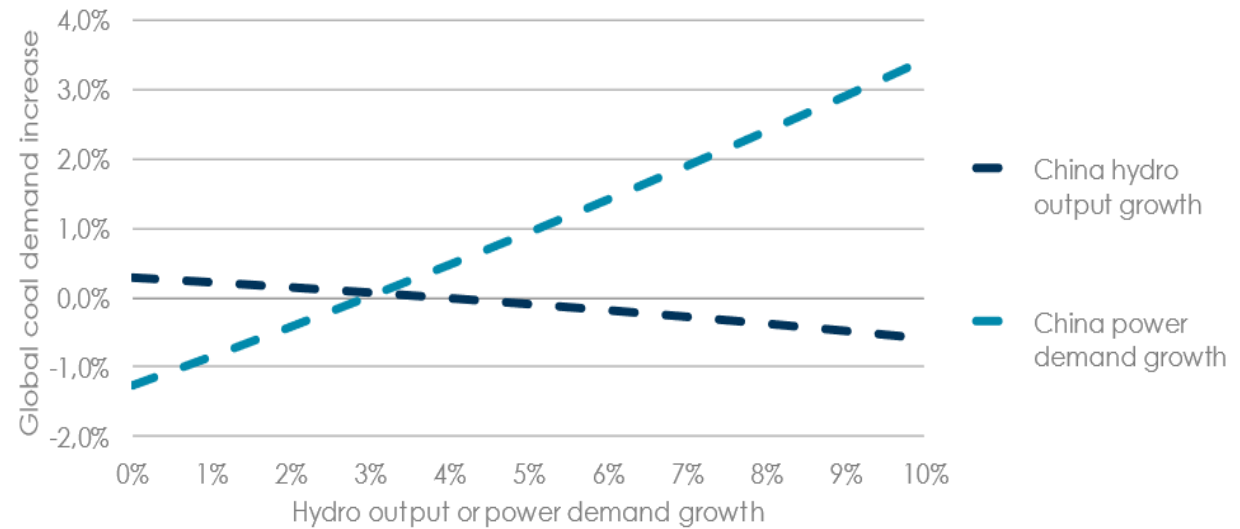
Small industrial and residential



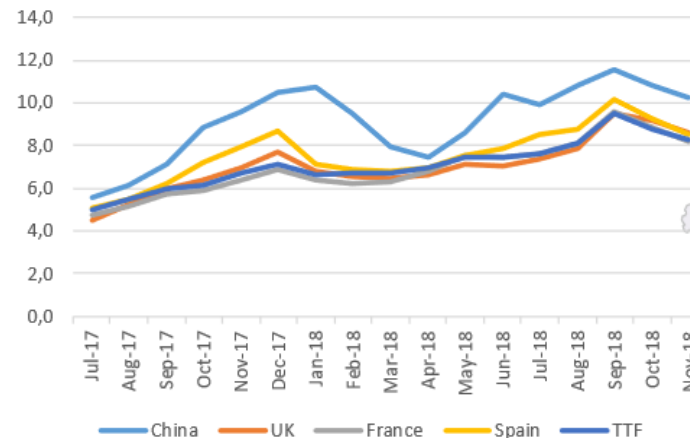
Coal conversion

- Fight for blue skies by phasing out coal boiler and stoves has driven up LNG prices all over the world.

- Changes in coal demand in hydro vs coal power



### LNG spot prices



Source: Keisuke Sadamori, IEA-  
Coal 2018 Analysis and  
Forecasts to 2023

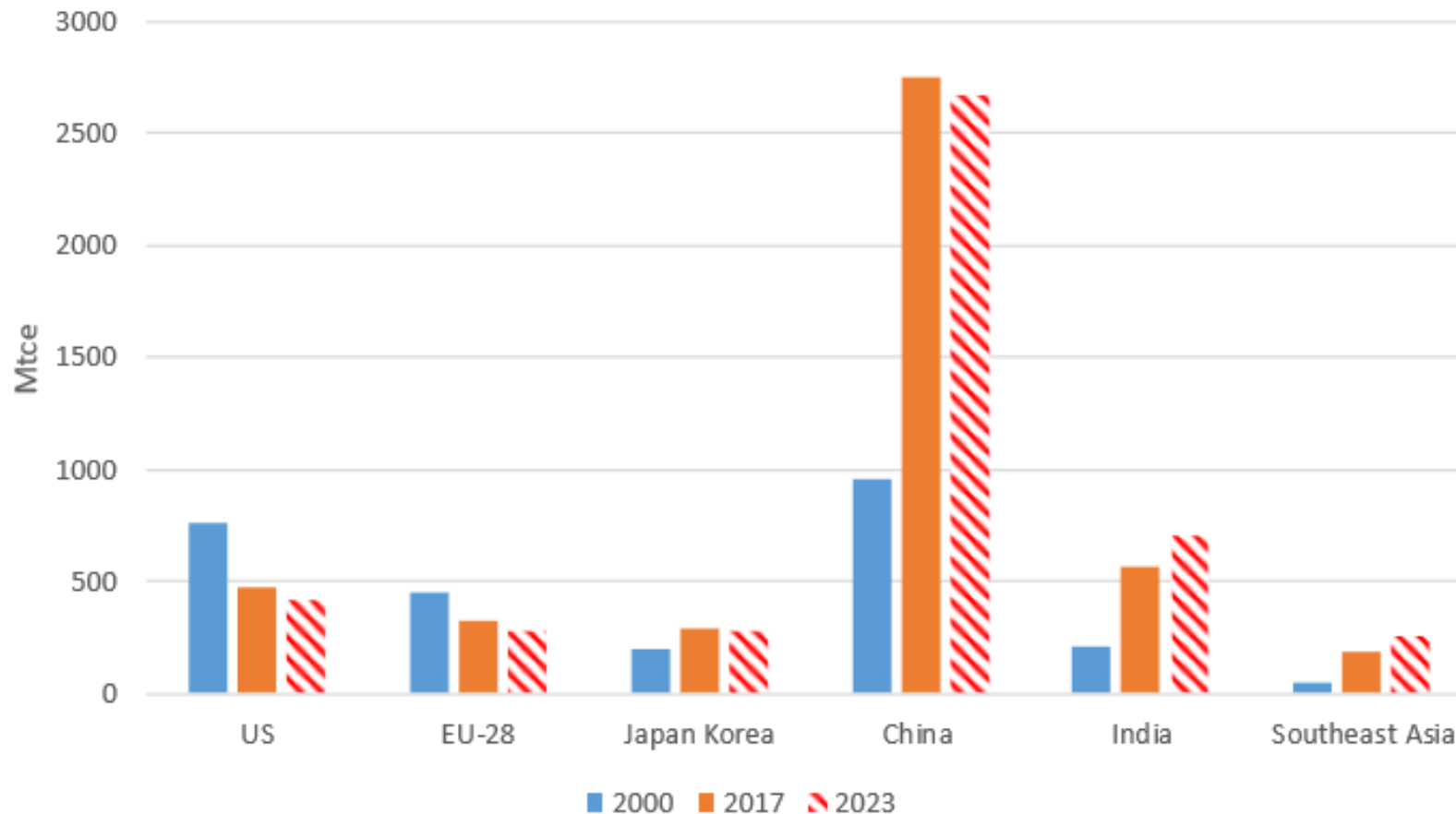




## II. Coal miner challenges

# 1. A shifting market

Coal demand in select countries/regions in 2000, 2017 and 2023 (forecast)



***Coal Market:  
One Planet, Two  
Coal World***

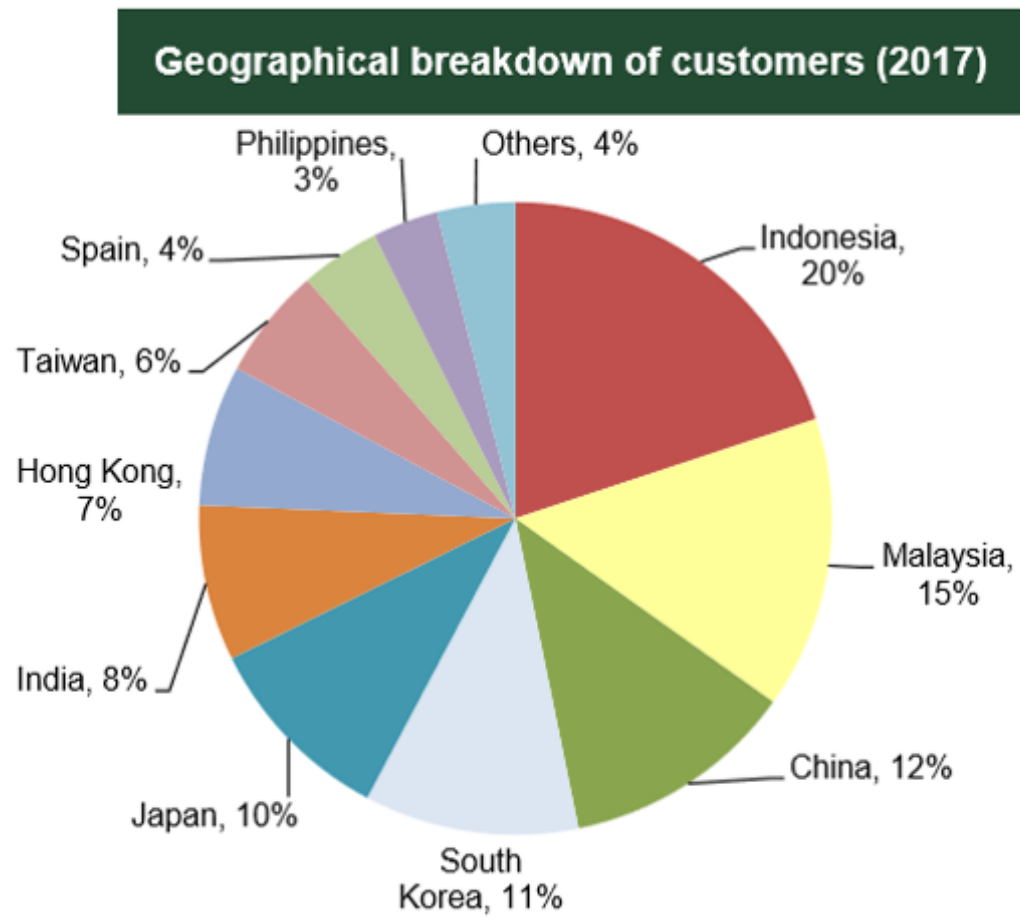
**Opportunity:**

Despite declining growth in US, EU and China, but increasing growth in India and Southeast Asia would create a stable market.

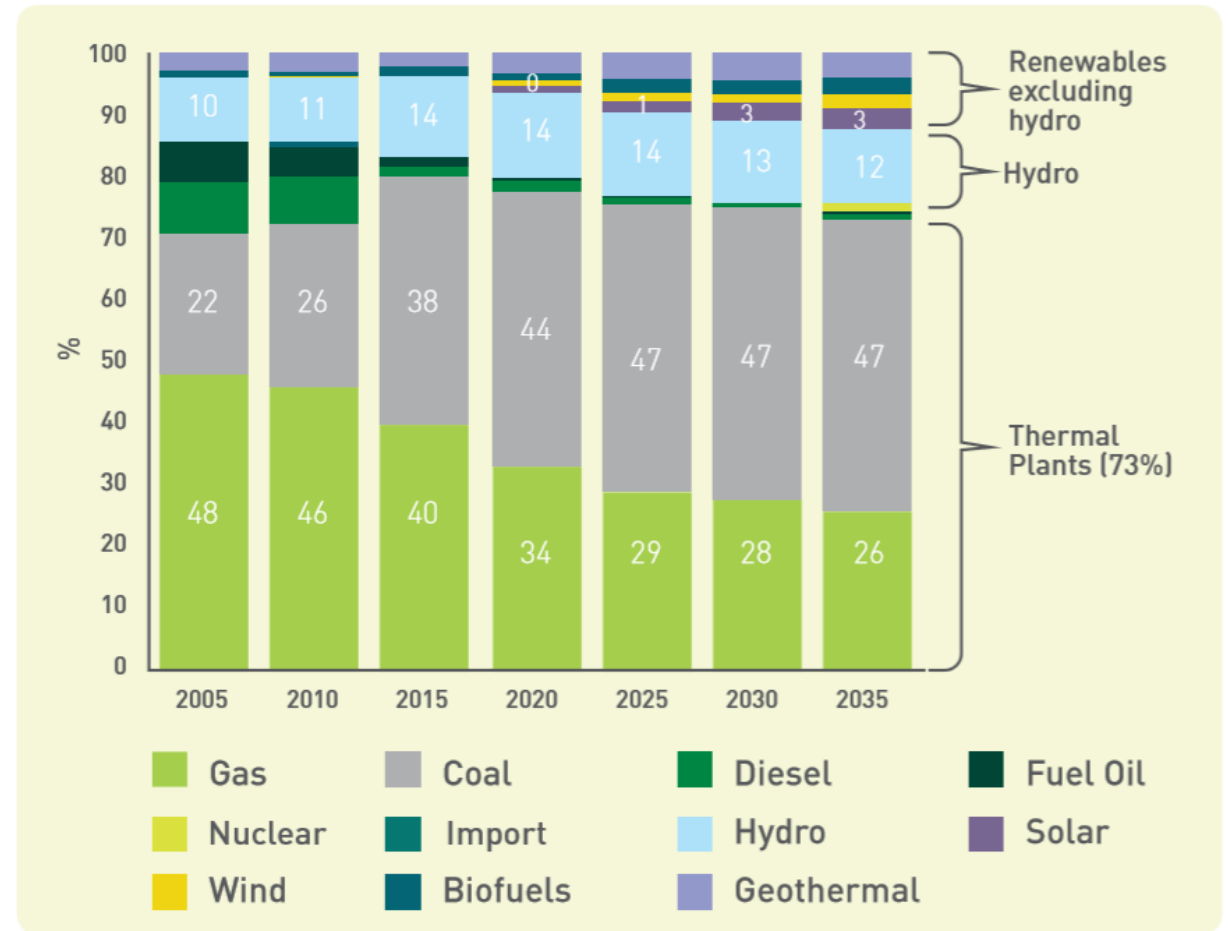
Source: Keisuke Sadamori, IEA-Coal 2018 Analysis and Forecasts to 2023

# 1. A shifting market

*Strategy: market diversification*



Source: Annual Report PT Adaro Energy, Tbk. 2017



Source: Dr. Bikal Pokharel, *Is coal still king in South East Asia*, Wood Mackenzie Power-Gen Asia 2017.



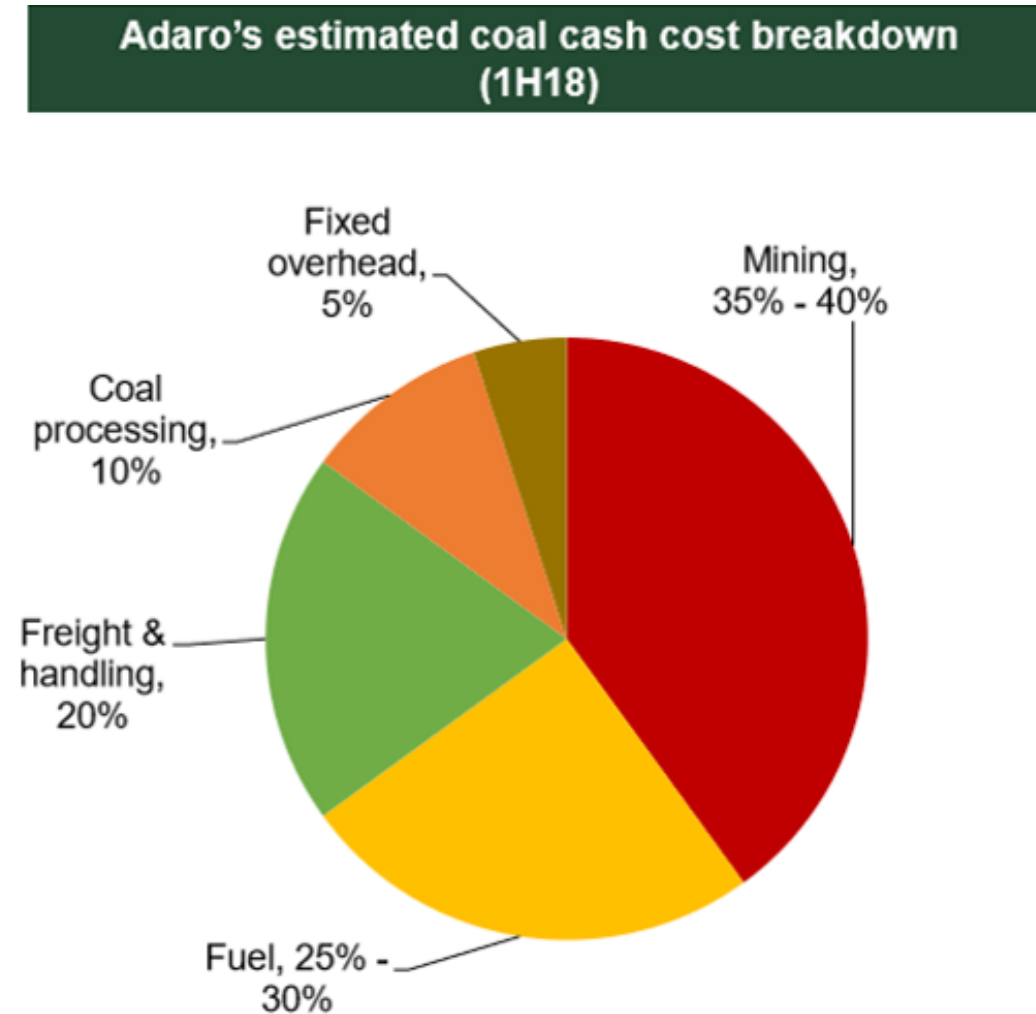
## 2. Deeper and farer of overburden and coal removal



Sloping coal seams:

- Overburden needs to be removed to reveal coal seams, and
- Coal needs to be mined Deeper and farer.

## 2. Deeper and Farer to Remove Overburden and Coal-(1)



Sloping coal seams:

- Increasing mining cost, and
- Increasing fuel cost,

Both will significantly increase the coal cash cost.

*[Mining cost consists of cost to remove overburden and cost to mine coal.]*

### Strategy:

Being efficient...efficient...efficient by applying right business model and efficient coal supply chain.

### 3. Tax Regime Changes: Challenge to Long Term Mining in Indonesia

Government will issue a new tax regulation (mandated by Article 31D Income Tax Law), where regime of CCoW 1<sup>st</sup> Gen (who produce 38% national coal supply) will be replaced by IUPK regime.

#### **Anticipated new tax features:**

Coal as non BKP, increasing royalty rate from 13,5% to 15%, lowering income tax rate from 45% to 25%, incremental tax of 10% from net profit.

#### **Predicted tax impact:**

Increasing effective tax rate from currently around 72-75% to 82-85%.

***National Energy Security should be seriously maintained:***

- a. As coal production cost is naturally increasing.*
- b. Then, some coal reserves may not be economically mined in the future → a decreasing coal reserve.*
- c. Should these happen to all national coal mines, national coal reserve will drastically decrease.*

***Propose the application of tiering royalty rate. Higher royalty rate may be applicable when coal price on its peak.***



**Selesai**

**Terima kasih**