

DOMESTIC MARKET OBLIGATION (DMO) POLICY AND ITS IMPLEMENTATION STRATEGIES

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ABSTRACT

The increasing of coal consumption in various industries in Indonesia causes the increasing of coal domestic demand. On the other hand, the sharp increasing of coal production almost 16 times during 17 years is exported (75%) in majority.

By using the polynomial quadratic approach, in year 2025, coal production is projected as 741 million tons (176% to National Energy Policy target as 421 million tons), coal exports as 509.3 million tons (275% to National Energy Policy target as 185 million tons) and domestic demand as 236 million tons. This is in accordance with the National Energy Policy (KEN=Kebijakan Energi Nasional) target.

The presence of Government Regulation Number 34 year 2009 on the Domestic Market Obligation (DMO) is a breakthrough to solve the above problems. It is a challenge for the government as a regulatory board to implement this policy. Some strategic alternatives to implement this policy is by using the Budget Activities Plan (Rencana Kegiatan Anggaran Belanja = RKAB) instruments optimally, control system effectivity, and punishment applying consistency.

Keywords : coal supply, DMO, RKAB, control system

INTRODUCTION

Indonesia's coal resources currently are estimated at 161 billion tons, which are 121 billion ton allocated for open pit mining and the rest allocated for underground mining. From all of the coal resources, only 21.1 billion tons are categorized as mineable reserve (Directorate General of Mineral and Coal, 2011).

In recent years, coal industry in Indonesia is rising sharply. It is shown by the increasing of coal production year by year. The increasing of coal production is driven by the increasing of coal demand either domestic or export.

The energy diversification policy that has been issued by Indonesian Government through the National Energy Policy (*Kebijakan Energi Nasional* = KEN) on the Government Regulation No 5/2006, has significantly affected the increasing of domestic coal utilization, among others, to meet the needs of power generation, cement, paper and

textile industries which were only 15% in the year of 2006, increased to be 19% at the year 2009. However, the increasing of domestic coal utilization is still dominated by industries. The households sector does not significantly contribute to the domestic coal consumption. The new demand will grow if a new processing technology is found to increase the value added of coal (Silalahi and Saragih, 2010).

Government encourages the increasing of coal utilization in this country to reduce the dependence on oil fuel. On the other hand, the coal production continues to increase, until 2010 had reached 275 million tons, most of which is about 75.6% being exported to foreign countries (DPSMCG, 2009; DGMC, 2011). This condition causes the disruption of industrial activities, moreover, is stopped operations due to the supply shortages.

The issuance of Ministerial Regulation No. 34/2009 about the Prioritization Supply of Mineral and Coal for Domestic Needs is one of the gov-

ernment breakthroughs to overcome the above conditions. The problem is how to keep the mission contained in the regulation at the operational level can be realized optimally. The answer to these problems is a challenge for the government to formulate and implement the strategy of its implementation.

The aim of this study is to identify the real problems faced in the management of coal nationwide, especially in efforts to meet the supply needs in the country that increase continuously year by year, hereinafter analyzed to formulate a strategy in which Domestic Obligation Market (DMO) policy can be implemented optimally.

METHODOLOGY

Directly surveys to steam power generation (*Pembangkit Listrik Tenaga Uap* = PLTU), cement, textile, paper and other industries were conducted to obtain the primary data, while the secondary data were obtained from literatures as well as other secondary sources.

To analyze the quantitative data, the techniques of descriptive statistics and trend of analysis were used, that is quadratic polynomial regression model of:

$$Y = \beta_0 + \beta_1 X + \beta_2 X^2$$

where :

Y = production amount
 X = year (unit)
 $\beta_0, \beta_1, \beta_2$ = constant

while to analyze the qualitative data, the descriptive analysis was used to analyze the policies and to formulate its implementation strategies.

RESULTS AND DISCUSSION

Results

Production trend

In line with the energy diversification efforts and the increasing of coal demand for both domestic consumption and export, in the last 18 years (1992-2010) Indonesia's coal production has increased about 16 times, from 15.935 million tons to 275.164 million tons, or increase in the

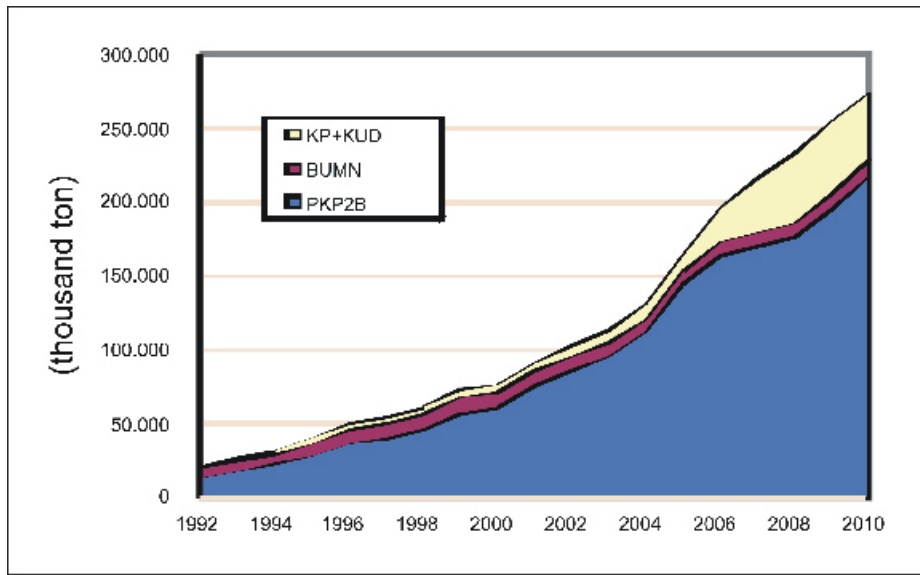
average of 14.96% per year, far above from the world average of 3.8% (DPSMCG, 2009 and DGMC, 2011). The rapid increase in the production was driven by a sharp increase in export and domestic demands. During this period, there has been a significantly change in the distribution of production among the business groups. Coal Contract of Work (*Perjanjian Karya Pengusahaan Pertambangan Batubara* = PKP2B) holders, play a fairly prominent of about 79.30% with growth of 16.68% per year. The role of Mining Authority (*Kuasa pertambangan* = KP) initially is low under the State-Owned Companies (*Badan Usaha Milik Negara* = BUMN) of PT Bukit Asam/ PTBA. However, after the policy of regional autonomy is issued, there is a significant improvement with an average growth rate of 23.25% per year, while PTBA only 3.37% (Figure 1).

If the production growth is assumed consistently high, the historical data were likely to be a linear model of a quadratic polynomial, then in the year of 2025 Indonesia's coal production could reach 741 million tons, or 176% compared with the plan in the National Energy Management Blueprint 2005 to 2025, amounting to 421 million tons.

Export trend

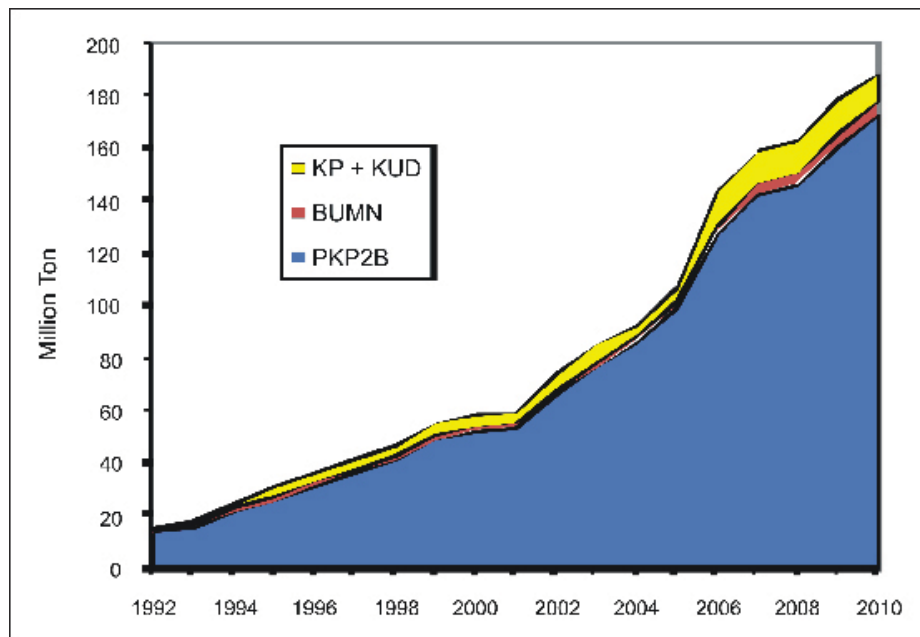
World coal demand condition currently is rising rapidly, in which it is triggered by the increase of world oil price and the increasing number of overseas power plants that utilize coal as fuel. Meanwhile, major coal exporter countries such as Australia, China, South Africa, on the contrary reduce the amount of their coal to be exported. This led to Indonesia in 2006, to be the world's second largest supplier (exporter) that competed Australia and South Africa. Indonesia's coal exports in 1992 were only 16.288 million tons, while in 2010 recorded at 188.076 million tons (DPSMCG, 2009 dan DGMC, 2011). It means that the volume of exports in average rose by 14.93%. PKP2B holding companies are the largest coal exporter, which were about 92.04% of total coal exports of Indonesia, followed by KP holders of 5.48%, and BUMN of 2.48% (Figure 2).

Currently, the Indonesia's largest export markets are Japan, South Korea and Taiwan, in addition to China and India that are new buyers for Indonesia. The increasing coal demand of China and India in the future will increase the trend of coal export demand. A balanced absence between supply and demand of coal is indicated by the high rate



Notes : KP : Mining Authority
 KUD : Cooperative of Village Unit
 BUMN : State-owned company
 PKP2B : Coal Contract of Work

Figure 1. Indonesian coal production growth based on business license



Notes : KP : Mining Authority
 KUD : Cooperative of Village Unit
 BUMN : State-owned company
 PKP2B : Coal Contract of Work

Figure 2. Indonesia's coal export growth

of export growth in Indonesia, which reached 15.51%. Projections of coal exports without any restrictions will tend to follow a linear model of a quadratic polynomial, so that in the year of 2025 will reach 509.3 million tons. On the other hand, it is an opportunity for Indonesia to increase its share of export markets, but uncontrolled growth of exports would cause the increasing of domestic coal supply disruption, in line with the targets set in the Energy Management Blueprint national 2005-2025 (Minister of Energy and Mineral Resources, 2006).

Domestic use trend

Considering the depletion of Indonesia’s oil reserves and the price of oil is expensive, the use of coal in this country is becoming important in line with the discovery of a huge potential of coal. In addition, the National Energy Policy of energy diversification has pushed the use of coal in various market segments, especially in power generation that has been stated in government policy for the Electricity Sector (Figure 3).

In the year 2010, the use of domestic coal was still dominated by the power plant, which is 74.42% of national coal demand, followed by the cement industry at 10.44%. Trends in the use of coal in the paper, textiles and metallurgy, as well as other industries increase continuously, except for the coal briquettes industry the use of coal fluctuated and

tends to steady (Suherman, 2007; Suherman et al., 2010), as seen in Figure 4.

When the acceleration of power plant projects of 10,000 MW has been operated by 2010 as a target (backwards realization), and the conversion process in the industry develops continuously, Indonesia’s coal consumption is expected to reach 90 million tons, an increase of nearly two and a half times higher than in 2005. By using a quadratic polynomial of the linear model calculation, in 2025 the domestic coal consumption is estimated at 236 million tons, in line with the National Energy Management Blueprint 2005-2025, which targets that the role of coal in the national energy mix will be 33%, beyond the role of Coal to Liquid (CTL) of 3.1% and Coal Bed Methane (CBM) of 3.3%.

Supply and demand trend

By assuming an increasing of production remaining high, in the last 18 years the production increase has reached an average of 14.96% per year, then in the year 2025 Indonesia’s coal production projected will reach 741 million tons, or 176% compared with the plan in the National Energy Management Blueprint 2005 to 2025, amounting to 421 million tons.

With Indonesia’s export growth rate of 14.93%, then in 2025 the projected coal exports without

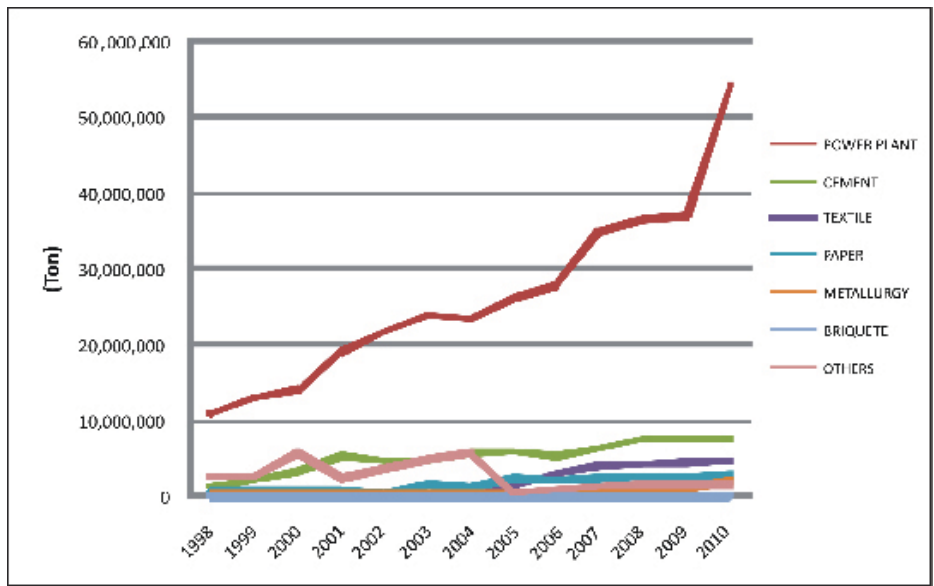


Figure 3. Domestic coal consumption growth

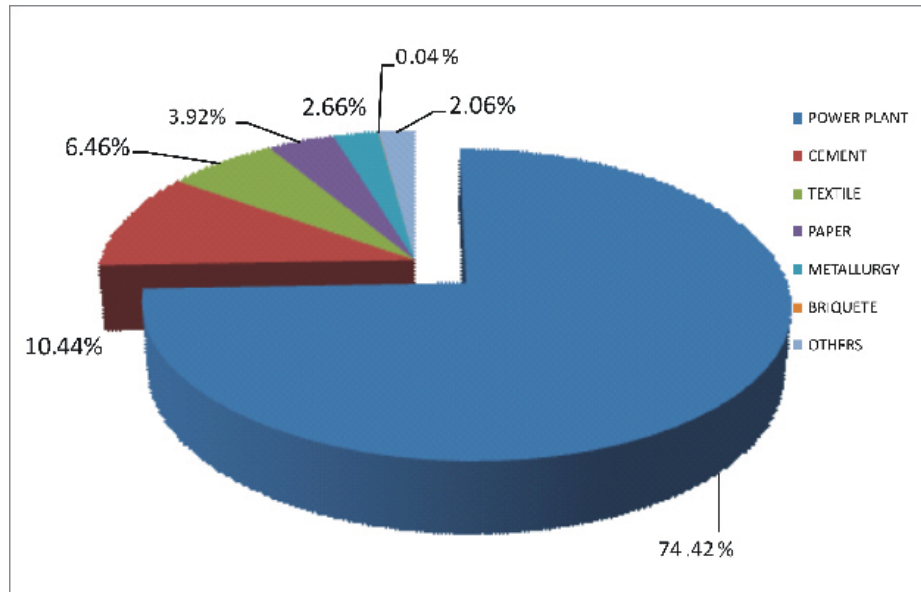


Figure 4. domestic coal consumption percentage

any restrictions, will reach 509.3 million tons, or 275% of the KEN target by 185 million tons. Similarly, domestic demand is expected to reach 236 million tons in 2025.

The trend of domestic coal production and consumption increased, export in the last 18 years (1992-2010) in a statistical approach follows the model of a quadratic polynomial. It means that the increasing per year rises sharply. With the assumption following the model, the projections in the future (2010-2025) can be imaged as shown in Figure 5. The figure shows a significant difference between the projections and the plan that had been prepared, the difference mainly in projected of export sales.

With the illustration of the increasing of production, export and domestic need that tends to increase sharply and is uncontrolled, it is a challenge for government in control of policy, how is the strategy to implement and to achieve the mission, as stated in the Law Number of 4/2009, and the Ministerial Regulation Number 34/2009.

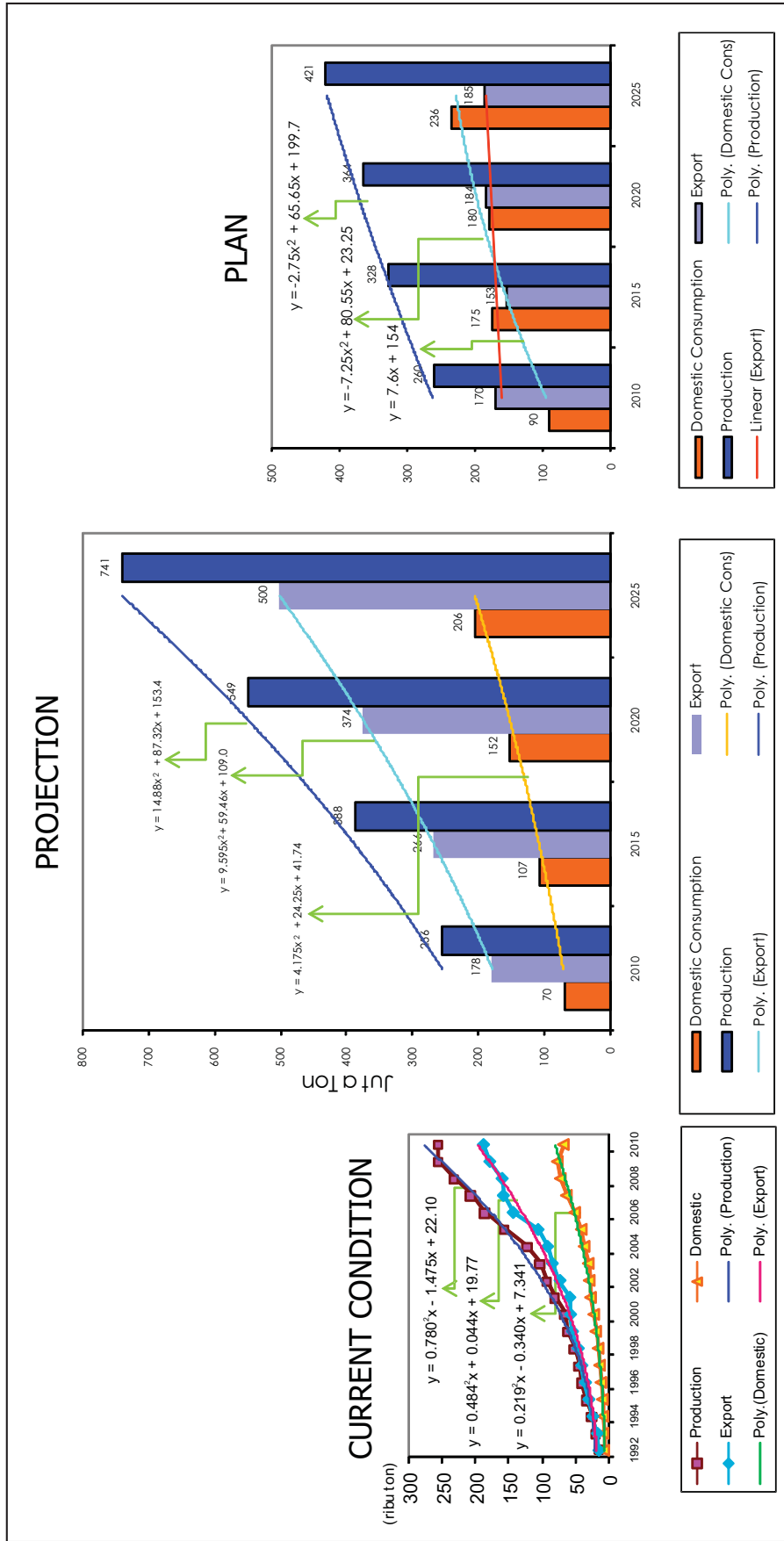
Discussion

Policy of prioritizing supply of coal domestic demand

National Energy Management Blueprint 2005 to 2025, is as a basis to prepare the pattern of

national energy development and utilization until 2025, with a vision of energy security with a fair price for the national interest. The preparation of the blueprint is as a follow-up of the Presidential Decree No. 5/2006 about KEN as a mandate to the Minister of Energy and Mineral Resources to stipulate the blueprint. On the other hand, the issue of Law 4/2009 about Mineral and Coal Mining, signaled that the government may manage the production and export control and guarantee the domestic supply optimally. The assertion about the domestic security supply as referred to as Domestic Obligation Market (DMO) is stated in article 5, paragraph (1) in the Law, that is "for the national need, the Government after consultation with the House of Representatives of the Republic of Indonesia may issue policies on Prioritization of Mineral and/or coal for the benefit in the country ". This provision also clearly mentions in the article 84 paragraph (1) in the Governmental Regulation Number 23/2010, that "Operation Production of IUP and Production Operation of IUPK holders shall prioritize the needs of mineral and/or coal for domestic needs." For PKP2B holders, this obligation is expressed in the PKP2B agreement that PKP2B may export after domestic needs have been reached.

Furthermore, the Ministerial Regulation Number 34/2009 article 2 (1) mentions that the Mineral and Coal Mining Enterprises shall prioritize the supply of minerals and/or coal for domestic needs, as well as the obligations implementation arrangements



Source: processing and analysis results

Figure 5. Current condition illustration: Projection and Indonesia's coal supply and demand plan

(Chapters V and VI), controlling and punishment for the implementation of priority supply of minerals and/or coal for domestic needs (Chapters VII and VIII).

Policy Implementation

Roles and Responsibilities

Based on the Ministerial Regulation Number 34/2009 about the Prioritization Supply of Mineral and/or Coal for Domestic Needs, subjects involved in the policy are the Government, the National Mineral and Coal Enterprises (Producers), and Mineral and Coal Users (Consumers). The role of each subject is:

1) The Government:

- a. The Minister shall determine the minimum percentage of the sale of minerals and coal, the need estimation of mineral and coal (the list of mineral and coal users, volume and requirement specification);
- b. The Director General shall plan, implement and control the implementation of the prioritization supply of minerals and coal for the domestic needs of:
 - Setting up a proposal to the Minister about the establishment plans for priority supply of mineral and/or coal for the domestic needs for a period of one year to the next, which contains a minimum percentage of mineral and/or coal sales by the Mineral and Coal Mining Enterprises, and the need estimation of Mineral and/or Coal by the mineral and/or coal User (attached by the list of mineral and/or coal users, volume and requirement specification);
 - Monitoring and evaluating the implementation of the priority supply of mineral and/or coal for domestic needs;
 - On behalf of the Minister, based on the evaluation results, may change the minimum percentage of mineral and/or coal sales and sanctioning to the Mineral and Coal Mining Enterprises and the mineral and/or coal Users who violate the conditions set.

2) Mineral and Coal Enterprises (Producers):

- Prepare and deliver the budget activities plan (RKAB), which contains the production estimation, minimum sales percentage, and purchase agreement with a

Commerce Business Entity;

- Compulsory to sell the coal produced to domestic coal users based on minimum Coal Sales Percentage;
- Inform to the Minister c/q Director General with the copy to the mineral and/or coal Users if cannot meet the priority supply for domestic needs which is stipulated by the Minister;
- Send a report on the implementation of domestic mineral and/or coal needs to the Minister c/q Director General per quarter.

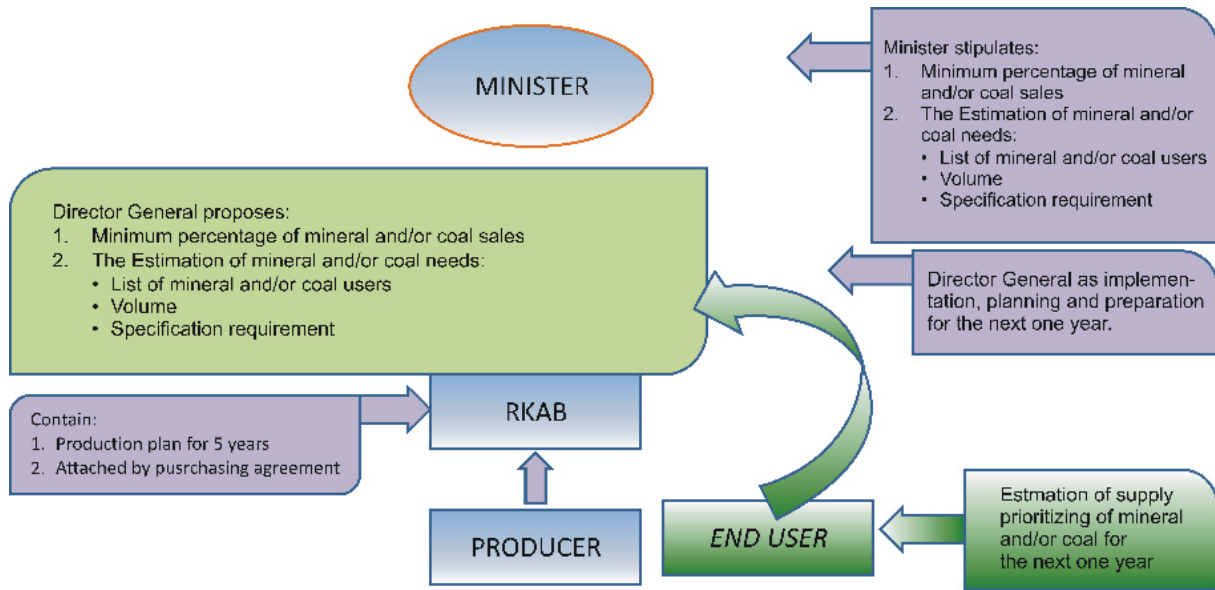
3) Consumers/Minerals and Coal Users

- Report the coal demand estimation for the coming year including the volume and specification (maximum on March in the current year);
- Compulsory to purchase mineral and/or coal from the Mineral and Coal Mining Enterprises under the provisions of prioritizing the domestic mineral and/or coal needs based on market prices (the benchmark coal prices issued by the Director General every month);
- Inform to the Mineral and/or Coal Enterprises with the copy to the Minister c/q Director General, in case cannot implement its obligation to purchase the mineral and/or coal;
- Shall not export the mineral and/or coal that has been purchased;
- Report the progress of the use of coal per quarter;

In general, flow chart of the DMO determination can be seen in Figure 6.

The explanation of the role of each subject on the stages of policy implementation is shown in Table 1.

As set out in the DMO policy, based on the input from the user (end user), domestic coal demand in 2010 is set at 64.94 million tons, of which the supply to power plant of 54.2 million tons. The amount is allocated for the power plants, destined for the plant owned by PT PLN of 45.1 million tons and the Private Power Plant (IPP) of 9.1 million tons (Table 2). In terms of coal producer side, from the 48 PKP2B, a state-owned enterprises, and 5 KP planned the total production of 262.48 million tons (Table 3). If it is calculated, the minimum percentage of coal sales for the year of 2010 amounted to 24.74%. This percentage as the obligation of



Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
RKAB 2010				Estimation plan of mineral and/or coal users)			Proposed the DMO plan by Director General					RKAB 2011	DMO changed (if any)
Including a 5 years							DMO stipulation by Minister						

Source : DPPMB (2010)

Figure 6. Flow chart of DMO stipulation

Table 1. Roles and responsibilities of implementers at every stage of DMO policy implementation

Implementation stage	Mineral and/or coal users	Producer//mining enterprises	Director General of mineral and coal	Minister
I Planning	Reporting on coal needs estimation including the volume and specification (No longest than March in the current year)	Preparation and propose RKAB that contains of the production estimation, minimum percentage of sales and purchasing agreement with a business entity	Prepare a proposal to the Minister about the stipulation plan of supply prioritizing of mineral and/or coal for domestic needs for the next one year and no longest than June in the current year that contains of the minimum percentage of mineral and/or coal sales by mineral/coal mining enterprises and the estimation of mineral and or coal needs by users (attached by the list of of mineral/coal users including the volume and spesification as well.	Stipulate the supply prioritizing of mineral and/or coal for domestic needs for the next one year based on the Director General proposal

Table 1. Continued ...

Implemen- tation stage	Mineral and/or coal users	Producer//mining enterprises	Director General of mineral and coal	Minister
II Implemen- tation	<p>a. Compulsory to purchase mineral and/or coal from the Mineral and Coal Mining Enterprises under the provisions of prioritizing the domestic mineral and/or coal needs based on market prices (the benchmark coal prices issued by the Director General every month)</p> <p>b. Inform to the Mineral and/or Coal Enterprises with the copy to the Minister c/q Director General, in case can not implement its obligation to purchase the mineral and/or coal</p> <p>c. Shall not export the mineral and/or coal that has been purchased</p>	<p>a. Compulsory to sell the coal produced to domestic coal users based on minimum Coal Sales Percentage</p> <p>b. Inform to the Minister c/q Director General with the copy to the mineral and/or coal Users if can not meet the priority supply for domestic needs which is stipulated by the Minister</p>	<p>Monitoring and evaluating the implementation of the priority supply of mineral and/or coal for domestic needs based on the report from mineral and/or coal mining enterprises and users</p>	
III Report/ controlling	<p>Report/notify if cannot purchase the mineral and/or coal from a mineral and/or coal mining enterprises with a copy to the minister c/q Director General</p>	<p>Report the supply of mineral and/or coal for domestic needs implementation to the Minister c/q Director General</p>	<p>Evaluate the report and controlling of the implementation of supply prioritizing of mineral and/or coal for domestic needs by the mineral and/or coal mining enterprises</p>	<p>a. Monitoring and evaluating the implementation of the priority supply of mineral and/or coal for domestic needs</p> <p>b. May change the minimum percentage of mineral and/or coal sales</p> <p>c. Punishment to the mineral and/or coal mining enterprises and users who violate the conditions set</p>

Table 2. Domestic coal needs in the year of 2010

No.	Company	Tonage (Million Ton)	%	Gross Calorific Value
I	PLTU			
	PLN	45,1	69,4	4.000 - 5.100
	IPP	9,1	14	4.000 - 5.100
	PT FREEPORT INDONESIA	0,78	1	5.650 - 6.150
	PT NEWMONT NUSA TENGGARA	0,52	0,8	5.900
II	METALURGY			
	PT INCO	0,16	0,2	≥ 6.000
	PT ANTAM	0,15	0,2	≥ 6.000
III	CEMENT, FERTILIZER, TEXTILE			
	CEMENT	7,6	11,7	4.000 - 6.200
	TEXTILE AND TEXTILE PRODUCTS	1,2	1,8	5.000 - 6.500
	FERTILIZER	0,35	0,5	4.000 - 5.000

Source : DPPMB (2010, re-processed)

the coal producers to allocate their production for the domestic needs (DMO).

Based on the data obtained from the survey, until the third quarter of 2010, there was a difference between the target and the realization of the DMO of coal, both from the supplier (producer) and the consumer sides (PT PLN) (Tables 3 and 4). The achievements of the realization of the target until the third quarter of the suppliers and consumers were 55.5% and 81.6% respectively. These differences indicate that the realization of coal supply for power plant partly supplied by the KP or trader that does not include the companies that are required to DMO.

The received target of coal in power plant units owned by PT. PLN amounted to 29,542,550 tons and private power plant (IPP) totaled of 9.769 million tons, while the realization of 23,079,152 tons (78.12%) and 9,014,996 tons (92.28%) respectively. Data show the percentage of realization of the supply of coal-fired power plants which are managed by PT. PLN was not running well as expectation, while the coal supply to private power plant was more assured.

Based on the direct observation in the field, generally private power plant was supplied by PKP2B. The stock of coal was more than enough. For example the Paiton and Jawa power plants have enough coal stock up to the next month plus the dead stock. Meanwhile, the demand of coal for

power plant that is managed by PT. PLN is supplied by PKP2B, KP and trader of coal. The problem is, among others, non smooth supply causes the operation of the power plant was not optimal, by decreasing the production of electricity as a result of coal stockpiles were depleted, in some areas, especially outside of Java Island frequent blackouts. Just as found in Sibolga power plant, in northern Sumatra, the difficulty of obtaining supplies due to the long distance of transportation, sometimes forced to accept a poor quality of coal in the critical stock position. Ombilin power plant located at the mouth of a coal mine, the difficulty of obtaining the supplier, because the supplier applies a supply limitation contract by reason of having contacts with foreign companies (exports), even suppliers that have been related to a contract often violates the specification and delivery schedule as agreed. Another case in South Kalimantan, it is not simply due to the supply of coal un-optimal, the blackouts due to the electricity production from existing plants is relatively less at times of peak session and or the plant does not operates because of damage or overhaul.

Power plant units that do not have a port because of its location relatively far from coast side depend on the mine mouth supplier (Asam Asam power plant), so that the PT. PLN is in a weak position in the buying and selling price agreement (Bukit Asam, Tarahan, and Asam Asam power plants). Mainly the Asam Asam power plant in South Kalimantan, beside it is plagued by mine mouth

Table 3. Plan and realization of coal DMO allocated by company, 2010

No.	Company	Production Plan 2010	DMO PKP2B REALIZATION 2010 (Ton)		
			Quarter 3		
			Plan	Realization	Difference
1	Adaro Indonesia, PT	45,000,000	8,352,655	7,453,732	898,923
2	Antang Gunung Meratus, PT	1,000,000	185,615	103,276	82,338
3	Arutmin Indonesia, PT	23,083,041	4,284,548	1,862,580	2,421,968
4	Asmin Koalindo Tuhup, PT	2,900,000	538,283	-	538,283
5	Bahari Cakrawala Sebuku, PT	1,831,000	339,860	-	339,860
6	Bangun Banua Persada Kalimantan, PT	500,000	92,807	55,435	37,372
7	Baramarta, PD	3,500,000	649,651	-	649,651
8	Berau Coal, PT	16,857,700	3,129,035	3,489,546	(360,512)
9	Borneo Indobara, PT	1,300,000	241,299	55,320	185,979
10	Batualam Selaras, PT	300,000	55,685	-	55,685
11	Baramulti Suksessarana, PT	-	-	-	-
12	Bukit Asam (Tanjung Enim), PT	13,000,000	2,412,989	5,867,242	(3,454,253)
13	Dharma Puspita Mining, PT	-	-	-	-
14	Firman Ketaun Perkasa, PT	300,000	55,685	-	55,685
15	Gunungbayan Pratamacoal, PT	4,300,000	798,143	-	798,143
16	Indominco Mandiri, PT	12,500,000	2,320,182	312,641	2,007,541
17	Insani Baraperkasa, PT	2,800,000	519,721	31,684	488,037
18	Interex Sacra Raya, PT	200,000	37,123	-	37,123
19	Intitirta Primasakti, PT	-	-	-	-
20	Jorong Barutama Greston, PT	2,960,000	549,419	89,945	459,474
21	Kadya Caraka Mulia, PT	275,000	51,044	-	51,044
22	Kalimantan Energi Lestari, PT	-	-	-	-
23	Kaltim Prima Coal, PT	45,879,000	8,515,811	2,942,484	5,573,327
24	Kideco Jaya Agung, PT	29,000,000	5,382,822	4,557,038	825,784
25	Kartika Selabumi Mining, PT	360,000	66,821	-	66,821
26	Kendilo Coal Mining, PT	-	-	-	-
27	Lanna Harita Indonesia, PT	2,000,000	371,229	-	371,229
28	Mahakam Sumber Jaya, PT	5,520,843	1,024,749	80,142	944,607
29	Mandiri Inti Perkasa, PT	3,000,000	556,844	-	556,844
30	Multi Harapan Utama, PT	1,881,109	349,161	-	349,161
31	Mantimin Coal Mining, PT	-	-	-	-
32	Marunda Graha Mineral, PT	1,784,997	331,322	-	331,322
33	Perkasa Inakakerta, PT	2,300,000	426,914	-	426,914
34	Nusantara Thermal Coal, PT	1,530,000	283,991	-	283,991
35	Riau Bara Harum, PT	2,000,000	371,229	-	371,229
36	Sumber Kurnia Buana, PT	1,500,000	278,422	-	278,422
37	Senamas Energindo Mulia, PT	-	-	-	-
38	Tanito Harum, PT	3,500,000	649,651	-	649,651
39	Tanjung Alam Jaya, PT	1,000,000	185,615	-	185,615
40	Trubaindo Coal Mining, PT	6,366,722	1,181,756	-	1,181,756

Table 3. Continued ...

No.	Company	Production Plan 2010	DMO PKP2B REALIZATION 2010 (Ton)		
			Quarter 3		
			Plan	Realization	Difference
41	Teguh Sinar Abadi, PT	1,500,000	278,422	-	278,422
42	Wahana Baratama Mining, PT	2,000,000	371,229	-	371,229
43	Singlurus Pratama, PT	1,000,000	185,615	-	185,615
44	Santan Batubara, PT	1,500,000	278,422	-	278,422
45	Jembayan Muarabara, PT	3,500,000	649,651	49,152	600,499
46	Kemilau Rindang Abadi, PT	3,500,000	649,651	-	649,651
47	Arzara Baraindo, PT	3,500,000	649,651	-	649,651
48	Anugerah Bara Kaltim, PT	3,000,000	556,844	-	556,844
49	Bukit Baiduri Energi, PT	2,000,000	371,229	41,307	329,922
50	Kayan Putra Utama Coal, PT	750,000	139,211	58,383	80,828
J U M L A H		262,479,412	48,719,999	27,049,907	21,670,091

Note : upright printed are PKP2B data and Italic printed are KP data

Source : DPPMB (2010, re-processed)

Table 4. Plan and Realization of coal receiving of power plant, PT PLN, by supplier quarterly III period, 2010

No	Supplier	Until September				Note
		Total Plan (Ton)	Total Realisation (Ton)	%	Calorivic value (kcal/kg)	
Tanjung Jati B Power Plant		7,510,000	5,802,690			
1	KPC	2,530,000	2,170,758	86%	5,640	FOB
2	Berau Coal	575,000	379,846	66%	3,849	FOB
3	Indominco Mandiri	260,000	307,667	118%	3,904	FOB
4	Wijaya Karya Intrade	390,000	43,074	11%	-	FOB
Paiton Power Plant (PLN)		5,570,000	4,186,364			
1	Triventura Armada Baruna	-	8,218	0%	-	CIF
2	Usaha Kawan Sejati	-	24,874	0%	-	CIF
3	Penta Prima Power	-	19,513	0%	-	CIF
4	Terminal Batubara Indah	354,500	345,536	97%	5,100	CIF
5	Baskhara Sinar Sakti	189,000	78,218	41%	4,900	CIF
6	Sinar Hakiki Multi	190,000	96,725	51%	4,890	CIF
7	Rumpun Kusuma Energindo	186,000	24,608	13%	-	CIF
8	Karya Kencana Utama	243,000	112,739	46%	5,100	CIF
9	Berkah Anugerah Abadi S.	107,500	57,505	0%	5,100	CIF
10	Adaro Indonesia	1,000,000	1,015,439	102%	5,145	CIF
11	Kurnia Wahyu Sentosa	229,000	95,883	42%	5,060	CIF
12	Setyawan Mahakarya Prima	286,000	59,676	21%	4,898	CIF
13	PKSDE/SL	-	7,974		-	CIF
14	PLN Batubara	-	24,564		-	CIF
15	Indonesia Power	-	32,371		-	CIF
16	CAB/MLA	-	47,530		-	CIF

Table 4. Continued ...

No	Supplier	Until September				Note
		Total Plan (Ton)	Total Realisation (Ton)	%	Calorivic value (kcal/kg)	
Paiton Power Plant (PLN)		5,570,000	4,186,364			
17	S2P/PMR	-	41,809		-	CIF
Ombilin Power Palnt		551,750	528,828			
1	AIC	54,000	53,819	100%	6,060	CIF
2	AME	44,350	23,066	52%	6,050	CIF
3	BMK	39,000	40,281	103%	6,060	CIF
4	CBP	26,000	40,399	155%	6,060	CIF
5	DASRAT	35,000	27,257	78%	6,048	CIF
6	DEA	31,700	16,309	51%	6,061	CIF
7	GTC	26,250	25,923	99%	6,060	CIF
8	GTC BUNGO	5,000	19,957	399%	5,579	CIF
9	KMS	21,250	28,968	136%	6,060	CIF
10	KMS BUNGO	-	23,452	0%	5,579	CIF
11	MCB	2,000	1,966	0%	5,400	CIF
12	MIYOR	99,000	109,796	111%	6,047	CIF
13	NAL	14,500	22,818	157%	6,063	CIF
14	PLN Batubara	95,250	24,269	25%	5,764	CIF
15	PSPN	30,200	32,329	107%	6,059	CIF
16	TAHITI	28,250	37,238	132%	6,060	CIF
17	TAHITI 2	-	981	0%	-	CIF
Bukit Asam Power Plant		819,000	762,759			
1	PT BUKIT ASAM	749,000	697,389	93%	5,006	CIF
2	PLN Batubara	70,000	65,370	93%	5,000	CIF
Tarahan Power Plant		420,000	410,959			
1	PT BUKIT ASAM	420,000	410,959	98%	5,000	CIF
Labuhan Angin Power Plant		906,400	488,679			
1	Kasih Industri Ind	589,400	293,348	50%	3,938	CIF
2	PT IRSAC	68,000	40,570	60%	4,416	CIF
3	PT Bara Adipratama	68,000	25,226	37%	4,482	CIF
4	Dwi Guna Laksana	16,000	8,208	51%	3,834	CIF
5	PLN Batubara	109,000	72,613	67%	4,442	CIF
6	Titan	56,000	48,714	87%	4,336	CIF
Asam-Asam Power Plant		551,800	552,347			
1	Arutmin Indonesia	551,800	552,347	100%	4,304	CIF
PLTU Labuan Power Plant		3,268,600	1,691,262			
1	Kasih Industri Indonesia	618,300	295,780	48%	4,032	CIF
2	Baramutiara Prima	248,000	49,090	20%	4,132	CIF
3	Titan Mining Energy	240,000	40,374	17%	4,176	CIF
4	Arutmin Indonesia	528,000	460,387	87%	4,237	CIF

Table 4. Continued ...

No	Supplier	Until September			Note	
		Total Plan (Ton)	Total Realisation (Ton)	%		Calorivic value (kcal/kg)
PLTU Suralaya Power Plant		9,945,000	8,655,264			
1	Bukit Asam	4,050,000	3,995,572	99%	5,086	FOB
2	Kideco Jaya Agung	1,080,000	1,056,496	98%	4,789	CIF
3	Berau Coal	2,220,000	1,644,659	74%	4,959	CIF
4	Natuna	450,000	211,887	47%	4,886	CIF
5	Oktasan Baruna Persada	450,000	381,941	85%	4,818	CIF
6	Kasih Industri Indonesia	450,000	296,567	66%	4,794	CIF
7	Cenko	450,000	354,641	79%	4,806	CIF
8	Spot	-	602,363	0%	4,883	CIF
9	PLN Batubara	795,000	111,138	14%	4,783	
Paiton PEC (IPP) Power Plant		3,327,000	3,204,103			
1	Adaro	2,472,000	2,340,978	95%	5,054	CIF
2	Kideco	855,000	863,125	101%	4,964	CIF
Cilacap (IPP) Power Plant		3,872,000	3,020,172			
1	Adaro Indonesia	240,000	277,785	116%	5,056	CIF
2	Sumber Suryadaya Prima	572,000	329,311	58%	4,438	CIF
3	Jorong Barutama Greston	104,000	67,473	65%	4,406	CIF
4	Kideco Jaya Agung	810,000	656,139	81%	4,862	CIF
5	Citra Sarah Buana	10,000	8,252	83%	4,410	CIF
6	Kurnia Wahyu Santosa	15,000	10,888	73%	4,782	CIF
7	Baskhara Sinar Sakti	10,000	8,546	85%	4,810	CIF
8	Berau Coal	175,000	151,691	87%	4,964	CIF
Paiton Jawa Power (IPP) Power Plant		2,570,000	2,790,721			
1	Kideco	1,365,000	1,432,483	105%	4,900	CIF
2	Berau Coal	1,205,000	1,043,227	87%	5,050	CIF
3	Adaro Indonesia	-	315,011	0%	5,000	CIF
Rembang Power Plant						
1	Arutmin Indonesia					CIF
2	Titan Mining Energy					CIF

supplier (PT Arutmin after PT. Jorong Barutama Greston stopped supply due to the stop of operating), and if there are any other suppliers (not mine mouth supplier), they will be constrained by regulations not to use the public roads for coal transportation. As in Ombilin power plant (Sawahlunto, West Sumatra) which was originally designed to use Ombilin coal produced by UPT-PTBA, which is now out of production, having trouble to find suppliers which have coal with high coal quality specifications and quantities requirement.

Facilities and infrastructures in some of the existing power plants are constrained by loading docks and equipments (grabs) with a maximum of 8,000 dwt, whereas the capacity of barge is 12,000 ton, so that even in enforced, the process of coal unloading were not optimal because the barge must reverse after the other side of the barge was unloaded (Labuan power plant). In certain circumstances the queue of coal barges was occurred. There are some consequences to be borne by the PT. PLN, which is paying the

cost of mooring or unloading and coal storing in stockpile at the dock owned by the other party (Cigading and Merak Mas piers - PT. Indah Kiat), then transported and taken/moved to a stockpile at the plant area (Suralaya power plant).

Implementation Strategy

The most dominant factor that determines the success of the DMO policy implementation is the government's commitment to optimally perform its duties and functions as the controlling policy. Some things that can be used by the government as the controlling policy is as follows:

- 1) **Optimalization of the Use of RKAB Instruments.** RKAB is a document on the work plan and budget of the Mineral and Coal Mining Enterprises for one year to the next in accordance with the statutory regulations. Within this RKAB, among others includes the production plan, sales, minimum percentage of the sale of minerals and coal. Hierarchically, the plan contained in RKAB of each company individually is the bottom end of a circuit which is the highest end is the national targets. Accurate planning at the level of individual companies will produce an accurate level of planning in a group of companies, and plan accurately on the cumulative group of companies will produce a national plan accurately. Therefore, to prepare a planning of production, export sales, a minimum percentage of the sale of mineral and coal nationally, it must begin with accurate planning at the enterprise level. One of the official planning documents in a management system of mineral and coal resources for each company is RKAB. Therefore, in order to achieve the mission of the policy of prioritizing supply of the domestic needs can be realized, the use of RKAB instrument must be optimized as plan controlling instrument to government c/q Directorate General of Mineral and Coal.
- 2) **Optimalization of Control Systems.** Based on the data obtained from DGMC (2011), the number of contract of work (KK), PKP2B, KP and IUP is 10,363, with locations spread throughout Indonesia, as well as mineral and coal specifications of various types. The amount of coverage and scope of the object that needs to be monitored and controlled by the government allowing a difference between the plan and realization, either due to the

deliberate violations or due to the accident. A good planning system can not guarantee the achievement of targets can be optimal, if not supported by a good monitoring and controlling systems. Controlling is basically controls all of the things that were planned, organized and directed. Without a good controlling of all of the management elements all business objectives will be difficult to achieve the effectiveness (Prihartono, 2009).

Therefore, in order to achieve the mission of the policy of prioritizing supply of the domestic needs can be realized, a monitoring system that is able to control the production, sales and minimum percentage of the sale of mineral and coal optimally either on the stage of administrative or on the stage of technic must be created and applied. When the effectiveness of controlling is a priority, then each control system must communicate the right information at the right time and to the right person. In other words, the effectiveness of the managers needs the support from the system and from an adequate information technology (Yazid, 2001).

- 3) **Consistency of Punishment Application.** In the Minister Regulation number 34/2009 Chapter VII Article 20 paragraph (1) the Minister, the Governor or Regent/Mayor in accordance with their authority have a right to give an administrative punishment to the Mineral and Coal Mining Enterprises for violations of the provisions referred to in Article 13 paragraph (2), Article 13 paragraph (3) or Article 14.

Article 20 paragraph (2) states that "The Minister has the right to give administrative punishment to the Mineral User and Coal User for violations of the provisions referred to in Article 15.

Furthermore, in the same article paragraph (3) through paragraph (6) arranged on the type of punishment imposed on Mineral or Coal Mining Enterprises and mineral or Coal Users.

One time the government did not implement punishment in accordance with applicable rules, this will provide opportunities for offenders to perform a second offense, and so on. Therefore, the implementation of the policy of prioritizing supply of the domestic needs can

be implemented according to the applicable regulations, the punishment should be implemented strictly and consistent as a deterrent effect, to avoid any subsequent violation.

CONCLUSION

The government is trying to encourage the use of coal in the country in order to reduce the dependence on fuel oil, reaching 33% in the year of 2025, as targeted in KEN. However, Indonesia's coal production continues to increase, which until 2010 had reached 275 million tons, most of which is about 75% be exported to foreign countries. The issue of Minister Regulation number 34/2009 on Prioritization Supply of Mineral and Coal for Domestic Needs/Domestic Market Obligation (DMO), is one of the breakthroughs of the government to address the above conditions.

The successful implementation of DMO policy, depends on the commitment of Mining Enterprises and Consumer in carrying out their respective roles in synergy, other factors are more dominant is the commitment of the government as the controlling policy.

The use of RKAB as a planning document contains the production plan, sales and a minimum percentage of the sale of mineral and coal can be optimized as a planning tool for government /q Directorate General of Mineral and Coal.

A good planning system can not guarantee the achievement of targets optimally, if it is not supported by a good monitoring and controlling system. Therefore, the DMO policy implementation, need to be supported by a system that is able to control the production, sales and minimum percentage of the sale of minerals and coal optimally.

Furthermore, for the implementation of DMO policy may be implemented according to the existing regulations, it must be implemented strictly and consistent punishment as a deterrent effect, to avoid the subsequent violations. One time the government did not implement punishment in accordance with applicable rules, provides opportunities for offenders to perform a second offense, and so on.

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