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REPUBLIC OF INDONESIA

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POLITICS

Court in Milestone Decision

Law and human rights activists have labeled the Constitutional Court's revocation of Criminal Code articles criminalizing free expression as a signal achievement for human rights enforcement, *The Jakarta Post* reported on Thursday (19/7/07).

The court ruled on Tuesday that articles 154 and 155 of the Criminal Code, which criminalize all forms of defamation against the government, were unconstitutional and therefore annulled.

One activist, Basari, said the move was "a maturing process for the country."

The amended code is still in the hands of drafters at the Justice and Human Rights Ministry, but is expected to be passed to the House of Representatives soon.

The New York-based Human Rights Watch welcomed what it called a "bold and welcome decision".

Tommy Named Suspect

Prosecutors have named Hutomo "Tommy" Mandala Putra, the youngest son of former President Suharto as a suspect in a Rp175 billion (\$19 million) graft case involving a lucrative clove monopoly, Attorney General Hendarman Supandji said on Thursday (19/7/07).

"We've revived the case with Tommy Suharto as our suspect," he told reporters. "He was found to have misused loan money given to the agency to buy cloves from farmers."

In the 1990s, Tommy chaired an agency tasked with regulating the trade of cloves, a key ingredient in many popular local brands of cigarettes.

Tommy is alleged to have failed to repay soft loans made by the government to the agency so that it could buy cloves directly from farmers in what was said to be a program aimed at improving their livelihoods. In fact, prices for farmers collapsed.

The move comes after prosecutors filed a civil suit against the elder Suharto earlier this month seeking to recover over \$1 billion in state funds allegedly misused by one of the former president's charitable foundations.

Suharto, who resigned in 1998 amid civil unrest, escaped prosecution on criminal graft charges after he was deemed too ill to stand trial.

Zarkasi Ready to Testify

The captured leader of the Jemaah Islamiyah (JI) regional militant network is ready to testify against the group in court, Agence France-Presse reported on July 15.

Police say information from Zarkasi -- who was captured last month -- has already provided new leads about the group. "We have obtained good information, his explanations unveiled a lot of things," national police spokesman Sisno Adiwidoto told the Detikcom on-line news service. "What is certain is that he is willing to become a witness for us."

The spokesman declined to give further details but did say that several recent arrests of militant suspects were the result of information provided by Zarkasi.

Zarkasi and JI military commander Abu Dujana were arrested in Central Java last month and moved to Jakarta on July 13 for further questioning.

AGO Homes in on BLBI Cases

The Attorney General's Office (AGO) says it will prioritize investigations into three corruption cases involving Bank Indonesia Liquidity Support (BLBI) fund debtors, *The Jakarta Post* reported on Thursday (19/7/07).

Addressing a press conference on Wednesday, Attorney General Hendarman Supandji said his office had selected the three BLBI cases because of the heavy losses they had caused to the state.

The include the alleged deviation of asset transfers to the Indonesian Bank Restructuring Agency (IBRA) and a judicial review of the infamous Bank Bali case.

"We have established new teams to review these cases, Supandji said. "The teams will start their investigations on Monday."

The AGO has assembled two teams -- one for examination and the other for execution -- comprising 35 attorneys with intelligence backgrounds and from various regions.

The 25-man examination team, which will be divided into three groups, will be responsible for checking all data and information related to the BLBI cases.

"If we have to, we will keep investigating these cases even if it means the death of us. There isn't any excuse to justify or forgive (what these people have done)," Supandji said.

ECONOMY

Bigger Role for CSR Programs

The natural resource industry is to be required to spend a mandatory but tax-deductible part of operating budgets on corporate social responsibility (CSR) programs.

Choirul Saleh, deputy chairman of the working committee on the corporation bill said Thursday (19/7/07) that the bill includes penalties for companies that fail to meet the CSR requirement, *The Jakarta Post* reported.

Saleh admitted that implementing regulations would have to be created before the legislation went into operation. Earlier drafts of the bill had set the level for CSR programs at 5% of expenditure.

The bill also provides for faster registration of companies by accommodating computerized processes, Saleh said.

Separately, Simon Sembiring, Director General of Geology and Mineral resources said the new mining bill will create a new regulatory environment under which the government will hold tenders for prospective mining areas, as it already does with oil and gas.

Bank Negara Indonesia (BNI) started to move on its secondary share offering for 30% of its stock, with book-building starting on Monday and the share expected to be listed on the Jakarta Stock Exchange on August 13.

The government set a minimum indicative price of Rp2,300 a share for 3.9 billion shares, said an official at PT Bahana Securities, the offering's underwriter, according to Dow Jones. The government is expected to raise around Rp8 trillion from the sale.

Meanwhile Minister of State Enterprises' Affairs Sofjan Djalil said nine government-owned companies would offer shares next year, while shares in seven other companies would be sold to strategic investors. Stakes in its two major banks – Bank Mandiri and Bank Rakyat Indonesia – would be sold within two years.

On the infrastructure front, PT Lintas Marga Sedaya said it had signed for a syndicated loan of Rp5 trillion (\$555 million) from 10 local banks to help finance the 116 km Cikampek-Palimanan toll road in West Java.

Consumption appeared to be buoyant, with the Automotive Industry Association (Gaikindo) saying car sales were on track to equal the record levels of 2005 and to top 400,000 units.

The Indonesian Chamber of Industry and Commerce (Kadin) unveiled a road map for industrial growth, looking toward “a nation with advanced industry and a strong commercial sector,” chairman MS Hidayat said.

Faisal Basri, the head of Kadin's economics team, said 10 business sectors had the potential to drive industrial development. Of these five - textiles, shoes, electronics, automotive and shipping - were identified as priorities because of their capacity to push growth to above 7%.

The Jakarta Stock Exchange composite index set another record at the close on Friday at 2,366.40, a 2.8% rise in the week. The rupiah was at 9,060/9,065 to the dollar.

BUSINESS BRIEFS

MACROECONOMY

Govt. Raises Cigarette Taxes

The House of Representatives on Friday (20/7/07) passed a bill raising cigarette taxes to increase budget revenues and cut smoking in the country, the world's fifth largest tobacco market, Reuters reported.

The bill, which has been opposed by the tobacco industry lobby, means the government can raise the maximum cigarette excise tax to 57%.

Previously, the maximum rate was 55% but the government only imposed a 40% maximum rate, which cigarette makers say already hurt their profit margins. Under the 40% maximum rate, the industry is expected to pay Rp42 trillion (\$4.64 billion) this year, about 10% of the country's tax revenue.

Cigarette makers such as Gudang Garam and HM Sampoerna are among the biggest firms on the stock exchange.

"We are using the (tax) instruments to keep the balance between meeting the needs of the industry and job creation while ensuring state revenues and taking into consideration the health aspects," Finance Minister Sri Mulyani Indrawati told reporters after parliament approved the bill.

The government wanted to raise the tax to 65%, but some political parties and tobacco firms said it could hurt an industry already hit by a series of hikes. The industry supports at least 4 million people.

Indonesians smoked an estimated 220 billion cigarettes last year, the same as in 2005 but below a peak of 239 billion in 2000, according to government data.

Govt. Sells 30-Yr, 16-Yr Treasury Bonds

The Finance Department said Tuesday (17/7/07) it had sold Rp5.75 trillion worth of 30-year and 16-year treasury bonds to help finance the 2007 budget deficit and repay maturing debts, Thomson Financial reported.

The bonds came from the reopening of the FR0045 bond series, due May 15, 2037, and a new FR0046 series due July 15, 2023. Debt management director Bimantara Widyajala said the weighted average yield for the 30-year paper is 9.80909% and 9.70928% for the 16-year tenor. Incoming bids totaled Rp7.48 trillion.

INVESTMENT

CNOOC Leads \$5.5 bn Biofuel Project

China National Offshore Oil Corp (CNOOC) is taking a controlling stake in a \$5.5 billion biofuel project, one of the project partners said Thursday (19/7/07), according to Dow Jones Newswires.

CNOOC Group, Indonesia's Sinar Mas Group and Hong Kong Energy (Holdings) Ltd in January signed a letter of intent to jointly develop biodiesel from crude palm oil and bioethanol from sugar cane or cassava in Papua and Kalimantan. The shareholding structure had not been disclosed.

CNOOC Group holds a 51% stake in the project, the company's first biofuel investment overseas, according to Chen Libo, executive director of HKC (Holdings) Ltd, the parent of Hong Kong Energy.

Sinar Mas holds 39% of the Indonesian project, while Hong Kong Energy holds the remaining 10%, Chen added.

Based on the shareholding structure, CNOOC Group will shoulder \$2.8 billion of the total investment cost, Sinar Mas \$2.15 billion and Hong Kong Energy the remaining \$550 million.

Chen said he hopes to start planting the land before the end of this year, but he declined to say when the project will start producing.

According to a statement issued by Sinar Mas in January, the three companies will develop the project in three phases and over eight years.

Regional governments in Papua and Kalimantan have already reserved around 1 million hectares of arable land for the project.

India's TVS to Triple Indonesian Capacity

India's third biggest motorcycle manufacturer, TVS Motor Co, plans to more than triple its current capacity in Indonesia by investing \$100 million in the country by 2010, a top executive said on Monday (16/7/07), according to Reuters.

TVS chairman and managing director, Venu Srinivasan, said its Indonesian plant, the company's first factory outside India, would be its Southeast Asian production hub. The plant, which is the company's fourth manufacturing facility, will be operated by the firm's Indonesian arm, PT TVS Motor Company Indonesia.

The plant was inaugurated on Monday by President Susilo Bambang Yudhoyono.

TVS has invested about \$50 million in the first phase of the development, which will see production capacity of 300,000 units a year at the plant in Karawang, east of Jakarta.

TVS said it would expand the plant in two years and set up a research and development operation in the country, followed by a major expansion in 2010 to double the factory's area and to boost its annual capacity to 1 million units.

SOEs

Nine Companies to IPO in 2008 – Minister

The government hopes to sell stakes in nine companies via initial public offerings in 2008, State Minister for State Enterprises Sofjan Djalil said Monday (16/7/07), according to Dow Jones Newswires.

He said the government hopes to sell 30% each of insurance company PT Asuransi Indonesia, steel company PT Krakatau Steel, Bank Tabungan Negara (BTN), PT Sucofindo, PT Surveyor Indonesia; 35% of cement producer PT Semen Baturaja and construction company PT Waskita Karya; 4.97% of construction company PT Rekayasa Industri; and 18.4% of Bank Bukopin.

Djalil said seven other companies will be sold to strategic investors.

PRIVATE SECTOR

No Indosat Buyback, says House

The House of Representatives (DPR) has told the government not to buy back shares in PT Indosat, currently held by Singapore Technologies Telemedia (STT),

Bisnis Indonesia on Thursday (19/7/07) quoted lawmaker Theo Sambuaga, who chairs the House's defense, foreign affairs and information commission, as saying that a share buyback by the government can potentially hinder fresh investment into the telecommunications industry.

The daily said the parliament made the recommendation at a hearing with Information Department officials on Tuesday (17/7/07).

The government lost its controlling stake in Indosat in 2002 when STT bought a 40.77% interest in the company, making it the single biggest shareholder.

Meanwhile Indosat president director Johnny Swandi Sjam told Reuters the company had 20 million mobile phone users by the end of June, up from 16.7 million at the end of 2006.

He said that despite the strong first half performance, the company would not revise its full-year target to sign up between 5 million and 6 million users this year. "Hopefully we can have more than 21 million users by the end of the year," Sjam said.

Car Sales Seen Back to Record Levels

Car and truck sales are on track to return to record levels of more than half million units next year, powered by a recovery in the economy, the Indonesian Automotive Industry Association (Gaikindo) said.

Vehicle sales are expected to top more than 400,000 units this year, recovering from a more than 40% slump in 2006 when sales sagged to 318,883 units amid a jump in interest rates, it said, according to Reuters.

"Conducive economic conditions have helped the recovery in the automotive industry," Gaikindo official Johnny Darmawan said on Thursday (19/7/07) while opening a motor show.

"If the economic recovery continues, we are optimistic domestic sales can reach 500,000 units in 2008," he said, adding that exports of completely built-up vehicles may hit 50,000 units this year.

Vehicle sales hit a historic high of 533,910 units in 2005, when Indonesian interest rates were at a record low, but fell sharply after the government decided to hike fuel prices late that year.

Industry Minister Fahmi Idris said exports of completely-built-up (CBU) cars in the first five months of 2007 reached volume of around 21,000 units, up some 90% from the corresponding period last year, Asia Pulse reported.

Speaking at the opening of an international motor show, Idris said full-year CBU car exports would reach around 50,000 units, up by 50% compared to last year.

Astra Agro H1 Net Up 65%

Palm oil producer PT Astra Agro Lestari said Monday (16/7/07) its first-half net profit rose 65% on year due to an increase in revenue from higher commodity prices, Dow Jones Newswires reported.

Agro said in a statement that its net profit for January-June rose to Rp682.5 billion from Rp414.7 billion a year earlier.

Sales during the first half of 2007 rose 26% to Rp2.4 trillion from Rp1.9 trillion a year earlier. The company said that crude palm oil prices averaged Rp5,222 per kg from January to June, up 56% from Rp3,351 per kg a year earlier.

Agro sold 398,787 metric tons of CPO in the first half of the year, down 16% from 476,597 tons a year earlier. The company attributed the drop in sales volume to drought that started since the fourth quarter of 2006.

Agro has said it plans to plant palm oil trees on some 17,000 hectares of land in 2007.

BANKS

Govt. Looks to Bank Mandiri, BRI Stake Sales

The government said Monday (16/7/07) it plans to sell more stakes in Bank Mandiri and Bank Rakyat Indonesia (BRI) over a two-year period starting 2009, Reuters reported.

The Office of the State Minister for State Enterprises did not specify the size of the stakes for sale. The government currently owns about 70% of Bank Mandiri and about 60% of BRI.

"The privatization drive is aimed at improving the performance and the value of the companies ... It is also aimed at widening the domestic investor base," the office said in a document submitted to parliament during a hearing on Monday.

BNI Sets Indicative Price for Offer

The government has set a minimum indicative price of Rp2,300 a share in a secondary offering of 3.9 billion shares, or a 30% stake, in state-owned Bank Negara Indonesia (BNI), an official at the offering's underwriter said Monday (16/7/07).

"The government will sell the shares through a book-building, which will be launched between July 16 and July 27," Ito Warsito, president director of underwriter PT Bahana Securities, said according to Dow Jones Newswires.

He said the final offer price will be determined on July 27 and the shares will be listed on the Jakarta bourse on August 13.

The government is expected to raise about Rp8 trillion from the sale, which is part of its privatization program. The initial public offering of shares in BNI, the nation's third largest bank by assets, took place in 1996.

\$552m Toll Road Loan from 10 Banks

Ten banks have agreed to extend Rp5 trillion (\$552.2 million) in syndicated loans for a 116-km toll road project in West Java, Bank Mandiri said on Wednesday (18/7/07).

Bank Mandiri said it would provide a maximum of Rp2 trillion, or 40% of the total syndicated loans. The 12-year loan will cover approximately 70% of the total cost of the project, reported Reuters.

The 10 include Bank Central Asia (BCA), Bank Negara Indonesia (BNI), Bank Rakyat Indonesia (BRI) and Bank Internasional Indonesia (BII).

The project is part of the planned trans-Java network, as the government seeks to revamp the country's infrastructure in a bid to boost economic growth.

BII Teams Up with Hawkers

Bank Internasional Indonesia (BII) signed a partnership agreement with the Association of Noodle and Meatball Hawkers, which says it has a membership of 6 million of the country's 43 million SMEs, *The Jakarta Post* reported.

The move aims to boost the bank's lending to small and medium enterprises.

BII director Sukatmo Padmosukarso said that in the initial stage of the partnership, the bank would issue co-branded debit and ATM cards to the association's members, who could use them at the bank's 230 branch offices and 700 ATMs across the country.

"The cards can also be used for transactions through ATMs of other banks that use the ALTO and ATM Bersama networks," he was quoted as saying by Antara on Thursday (19/7/07).

He said the partnership would be followed by a BII financing scheme for the association's members, with funds being channeled through cooperatives. BII has so far disbursed Rp407 billion (\$45 million) in loans to SMEs through its Linkage program, which it operates in collaboration with 80 rural banks.

Bank Niaga to Issue Bonds

Mid-sized lender PT Bank Niaga said Friday it plans to issue up to Rp1.5 trillion later this year to support lending growth, a director at the bank told reporters, according to Dow Jones Newswires.

"We expect to issue bonds in the fourth quarter of 2007 to support our lending growth," corporate and banking business director Chatherinawati Hadiman said.

Bank Niaga expects to channel up to Rp6.6 trillion of new loans this year, up 20% from a year earlier, she added.

Meanwhile the bank announced net profit for the first half of Rp406 billion, up from Rp353 billion in the same period last year.

POWER

PLN Signs Mitsubishi Power Plant Deal

State electricity firm PLN has signed a \$451 million deal with Japan's Mitsubishi Corp. to build a gas-fired power plant in the country's capital, an official at the power firm said on Monday (16/7/07).

Director Ali Herman Ibrahim said the contract involved adding 700 MW of power at the Muara Karang power plant and converting it to a gas-powered plant. "It is an engineering, construction and procurement contract," Reuters quoted the official as telling reporters.

The power plant's generating capacity will double to around 1,400 MW after completion.

Under the full-turn key project, PLN plans to convert oil-fuelled power generation at Muara Karang to a more economical and environmentally friendly gas-powered plant.

Industry sources said the project would be funded by using \$450 million in untied loans from the Japan Bank for International Cooperation (JBIC).

The Japanese consortium, which also includes Mitsubishi Heavy Industries Ltd. and Toshiba Plant Systems & Services Corp., outbid a rival team that included Mitsui & Co. and Siemens AG, a source said.

The gas-turbine combined cycle project is part of the country's goal of adding 10,000 MW of capacity between 2006 and 2010. PLN plans to cut oil use at power plants to 5% by 2008 from 30% in 2005.

PGN Signs Gas Supply Agreements

Gas distributor PT Perusahaan Gas Negara (PGN) said Wednesday (18/7/07) it has signed two agreements to transport gas from South Sumatra to supply two power plants in Java run by state-owned electricity company PT PLN.

The signing followed an earlier move by the regulator, BPH Migas, to set a toll fee of \$1.47 per million British thermal unit (mmbtu) for the use of PGN's South Sumatra-West Java gas pipeline.

PGN corporate secretary Widyatmiko Bapang said under the first agreement, PGN will transport gas from Grissik in South Sumatra to Muara Bekasi in West Java for 12 years starting December 31, 2009. PLN purchased the gas from the Hess gas field in Jambi Merang in South Sumatra.

The second agreement is to move gas from Pagardewa in South Sumatra to Bojonegara in Banten for nine years starting April 7, 2009. PLN bought the gas from Medco Energi's Singa field in South Sumatra.

PGN also signed a gas sale agreement with PLN following an initial understanding last month. Under the five-year deal, PGN will sell 50 million standard cubic feet of gas per day, coming from ConocoPhillips' Grissik gas field, to PLN starting April 1, 2008, Widyatmiko was quoted by Thomson Financial as saying.

The gas price for the first two years has been fixed at 4.50 dollars per mmbtu. From the third year until the contract ends, the price will be adjusted to match PGN's selling price by that time.

PLN, France's Areva To Produce Equipment

PT PLN and France's Areva signed an agreement Monday to jointly set up a company called PT Unindo to produce electricity equipment, an Areva official told Thomson Financial on Monday (16/7/07).

"PLN and Areva as shareholders are fully committed to help Unindo grasp market opportunities," Areva executive vice-president Marius Vassoille said during the signing of the agreement.

He said PLN holds a 37% stake in the joint-venture company, with the remainder held by Areva.

He said about 50% of the electricity equipments produced by Unindo will be sold locally, including to PLN, and the remainder, for exports.

Pertamina, PLN in \$1B Deals With Korean Firms

After almost a year of negotiations on energy cooperation between Indonesia and South Korea, state-owned oil and gas firm Pertamina and state power utility PLN are expected to sign contracts worth \$1 billion with a number of South Korean companies during the visit of President Susilo Bambang Yudhoyonoto that country next week, *The Jakarta Post* reported.

Pertamina president director Ari Sumarno said Friday (20/7/07) that the state oil company would sign a joint venture agreement with E1, a subsidiary of South Korean conglomerate LG, to build a liquefied petroleum gas (LPG) plant in South Sumatra.

The plant, which will be 66% owned by Pertamina and 34% by E1, will cost up to \$155 million to build and will have a designed capacity of 350 million cubic feet per day. The construction of the plant will begin in 2008, and commercial production is expected to begin in the first half of 2010.

Meanwhile, PLN will continue its discussions with Korea Electric Power Corp. (Kepeco) on the proposed construction of a gas-fired power plant in Bojonegara, Banten, with an installed capacity of 750 MW. It is hoped that the plant will be able to be completed in 2009 or 2010.

Other projects that will be discussed include the proposed construction of a 400-MW coal-fired power plant in West Bangko, South Sumatra and the country's first direct coal liquefaction plant in East Kalimantan, which will have a capacity of 5,000 barrels per day.

Thamrin Shite, a senior official at the Energy and Mineral Resources Ministry said that the contracts in the sector to be signed with the South Korean companies would be worth up to \$1 billion.

OIL & GAS

ExxonMobil Starts Drilling in Cepu

US energy giant ExxonMobil Corp. will drill wells at the Cepu block on Java and offshore Sulawesi from this month to determine oil reserves in the areas, a company official said on Monday (16/7/07).

The \$2.6 billion Cepu oilfield is estimated to have recoverable reserves of up to 600 million barrels, equivalent to about 6.7% of Indonesia's total, and is expected to produce up to 180,000 barrels per day (bpd) at its peak.

"We will drill the first appraisal well this month as part of a plan to drill two wells in Cepu," Reuters quoted Maman Budiman, senior vice president at ExxonMobil, as telling reporters.

He said that Exxon had drilled two appraisal wells in 2001 but the company wanted to confirm the reserves with another two wells to be drilled from a different direction at the block.

He added that the company was still studying ways for an early production plan in late 2008 or early 2009.

Pertamina's president director Ari Soemarno said in May that production from Cepu may start at 10,000 barrels per day (bpd) of crude oil in late 2008.

ExxonMobil is also gearing up to start exploration work next year on its Surumana block in the Makassar Strait.

ExxonMobil has a 100% operating stake in the 4200-square kilometer southern Makassar basin block, where water depths range from the coastline to more than 2000 meters.

The Surumana block, which ExxonMobil won last year, covers 5339 sq km.

ExxonMobil Seen Buying Kalimantan Gas

Natural gas from a field off Kalimantan is expected to be sold to ExxonMobil in Singapore by Premier Oil, a UK oil and gas exploration company, Singapore's *Business Times* reported on Tuesday (17/8/07).

While no details were disclosed, the report said the gas is believed to be intended to fuel a co-generation plant which ExxonMobil plans to build to power its petrochemical and refining operations.

Eddy Purwanto, an official at BP Migas told reporters in Jakarta Monday that the gas from the Gajah Baru field, part of the West Natuna Block A concession, would be piped to Singapore.

Premier may sell the additional gas from the Gajah Baru field to a petrochemical unit of ExxonMobil in Singapore, Purwanto said, but did not elaborate. The Gajah Baru field has the capacity to produce 120 million cubic feet a day of gas.

Medco, Pertamina Start Exploring For Methane

A number of local firms, including PT Pertamina and PT Medco Energi, will later this year conduct feasibility studies on the exploration and production of coal-bed methane (CBM) in two different locations in South Sumatra. The projects will mark the first of their kind in Indonesia.

Energy and Mineral Resources Minister Purnomo Yusgiantoro told a seminar Wednesday (18/7/07) that a memorandum of understanding on fiscal terms and technical arrangements for the projects would be signed in Jakarta next week.

In addition to Medco and state oil and gas firm Pertamina, Ephindo, a local company that focuses on CBM, will also be among the companies signing the MOU.

Sammy Hamzah, Ephindo president director, said his company would team up with Medco to explore methane deposits in Medco's concession in Musi Banyu Asin regency in South Sumatra.

CBM fields in South Sumatra are estimated to contain deposits of 183 trillion cubic feet of gas.

Hamzah said that the company would spend up to \$200 million on the project, with a target of production of between five and 10 million cubic feet of CBM per day by 2010. "If this project is

successful, we will consider expanding it to East Kalimantan, where we have our own concession in the Kutai block," he said.

Medco director Rashid I. Mangunkusumo said that besides Ephindo, his company was also working with Pertamina to develop CBM gas at Pertamina's field in Perabumulih, also in South Sumatra.

Pertamina to Build LPG Plant with E1 Corp

State-owned oil company PT Pertamina will build a liquefied petroleum gas plant with South Korea's E1 Corp. South Sumatra next year, Dow Jones Newswires reported.

Pertamina president Ari Soemarno said Friday (20/7/07) they plan to start construction of the plant in Plaju in the third quarter of 2008 and commence production of 839 tons per day in 2010.

Soemarno said Pertamina unit PT Pertagas will own a 60% stake in the joint venture, E1 34% and Pertamina the balance.

He didn't mention the amount of the investment in the project, part of the government's campaign to promote the use of LPG and reduce kerosene consumption amid high crude oil prices.

Soemarno said an agreement on the venture will be signed in Seoul on July 25 during a two-day visit by President Susilo Bambang Yudhoyono.

MINING

New Law to Put Mining Rights to Tender

The new mining law will put mining concessions out to tender, rather than the existing direct-appointment mechanism, Energy and Mineral Resources Ministry's Director General of Geology and Mineral Resources, Simon Sembiring, told a seminar Wednesday (18/7/07).

"You may submit your bids in line with the preliminary data for a mining concession issued by my ministry. We will also give you time to conduct due diligence before submitting your bids," Sembiring told investors, according to *The Jakarta Post*.

He said local administrations, with the help of the central government, would first determine potential mining zones in their respective provinces before concessions were put out to tender.

He said that the delineation of mining zones was needed to provide clarity to investors on the licensing process, and avoid misunderstandings.

He said that as soon as the law was enacted, the government would designate reserve areas for strategic minerals such as nickel, tin, copper and bauxite. The establishment of mining reserves was needed to ensure the sustainability of the mining projects and ancillary processing plants, also expected to be required under the law.

The central government, through a special agency, will control the reserve areas and will be responsible for issuing permits.

Inco to Build S. Sulawesi Dam

PT International Nickel Indonesia (Inco) expects to start construction of a new dam, the Karebbe dam, on the Larona river in South Sulawesi to increase its hydroelectric power-generating capacity by 90 MW or 33%, president Arif Siregar said Wednesday (18/7/07).

"We're now waiting for the final clearance letter from the Forestry Ministry, which we expect to

receive soon. If everything goes as planned, we could begin constructing the dam next month and it should be completed in 2009," Thomson Financial quoted Siregar as saying to reporters.

His company estimates that the cost of building the dam is \$280 million.

Siregar said he expected that, once the dam is completed, his company's output would increase to 200 million pounds of nickel in matte in 2010 from the 60-165 million pounds forecast for this year.

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