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REPUBLIC OF INDONESIA

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Trade and Investment News¹, 2 January 2008

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- Army Chief of Staff Gen. Djoko Santoso is sworn in as new Armed Forces commander

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- Residents of areas hit by the 2004 tsunami commemorate third anniversary

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- Sri Mulyani Indrawati named Finance Minister of the Year by Britain's *The Banker* magazine

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¹ *This Trade and Investment News is a publication of the Coordinating Ministry for Economic Affairs of the Republic of Indonesia. Readers are welcomed to forward it in its original form but no reproduction is allowed without permission*

POLITICS

Indonesia is progressing: President

President Susilo Bambang Yudhoyono, launching a book of his articles and speeches at an opening of "the largest bookstore in South-East Asia" in Jakarta on Friday (28/12/07), called on his critics to admit that Indonesia was making progress in a number of areas, *Kompas* reported.

If an objective and honest view was taken, Indonesia was being transformed and was now moving quickly forward after the extended crisis since 1997, he said.

"I am optimistic that with hard work, this transformation can be continued and create a better Indonesia," he said at the launch of *Indonesia On the Move*.

To support his claim, he said Indonesia's performance in politics, the economy, society, defense and its position in the international world were all improved. There was more respect for human rights and democracy and economic growth was approaching 7%.

Social conflicts had ended and there were no embargoes on Indonesia, a reference to the US ban on arms sales following the 1999 chaos in East Timor, Yudhoyono added.

"While there are still problems, there have been improvements and achievements as a result of our journey," he said.

Achievement of Indonesia's goals involved continuing attention to learning, particularly of the written word. "We are a nation of watchers and listeners. That is fine, but it has to be combined with a culture of reading and writing," he stressed.

New TNI commander installed

President Susilo Bambang Yudhoyono swore in an army general as the new Armed Forces (TNI) commander on Friday (28/12/07), installing a professional in the critical position.

Yudhoyono led the swearing-in ceremony at the presidential palace as a cleric held a copy of the Koran above the head of Gen. Djoko Santoso's head, Reuters reported. He replaces outgoing commander Air Marshal Djoko Suyanto, who is retiring.

The president also installed a new army chief, Lt. Gen. Agustadi Sasongko Purnomo, and an air force commander, Air Marshal Subandrio. Purnomo earlier served at the Coordinating Ministry for Defense, Politics and Legal Affairs.

After he was sworn in, Santoso said his duty as the new TNI commander was to maintain the unity of the republic, and called on the public to assist in that process, according to *Kompas*. "We also need to build the capacity of the Armed Forces as a component of defense," he stated.

The military needed to improve the quality of its personnel and to develop the doctrine of TNI as a people's army and a national army. Improved weapons were also required, he said.

There were great challenges ahead because of the elections, he was reported as saying by *The Straits Times*. "TNI must maintain its neutrality and remain vigilant against threats to the nation," he said when asked about the military's position approaching the 2009 election.

Terrorism still a threat: Police

Terrorism will remain a threat to Indonesia's security in 2008, National Police spokesman Insp. Gen. Sisno Adiwinto told a year-end press conference on Friday (28/12/07), *The Jakarta Post* reported.

"There was no bombing incident related to terrorism in the last few years, but we have to remain alert for such a threat next year," he said.

"We ask all parties to be aware of any security disturbances in the future, including bomb terror and radical activities," he said.

Adiwinoto said security conditions in Indonesia in 2007 were relatively satisfactory. Police had managed to settle 215,428 out of 307,405 conventional criminal cases reported, 34% more than the 180,752 cases settled in 2006.

Police also recorded 18,640 transnational crimes in 2007, settling 16,971 of them. This category included drug dealing, terrorism and human trafficking, the spokesman said.

REGIONS

Flood crisis continues in parts of Java

Parts of the city of Bojonegoro were under two meters of water on Sunday (30/12/07), the city was cut off from other areas and food aid was being flown in by helicopter as a week of bad weather continued in East Java, Detik.com reported.

Many residents had to be rescued in rubber boats and people in evacuation posts were unable to leave them due to high water around the locations.

Lamongan, also in East Java, was hit by both flooding and by high tidal waves.

The death toll from landslides and floods across Central and East Java stands at 65. The landslides smashed through homes, burying families alive, in the early hours of Wednesday after monsoon rains lashed Central and East Java provinces.

At Tawangmangu near Solo in Central Java, a landslide took at least 55 lives. Local officials have insisted the landslides have not been caused by excessive logging, and say the unusually heavy downfalls have destabilized already vulnerable hilly areas.

President Susilo Bambang Yudhoyono urged better forest management across the nation on Saturday.

"That would be a brilliant way to take care of the earth," he said, according to Antara, adding that it would help prevent further disasters in the country.

"We don't need to blame the mistakes of the past. What we need now is better care for forests," Yudhoyono said during a visit to Central Java's Wonogiri district.

Tsunami anniversary highlights progress

Residents across Indonesia on Wednesday (26/12/07) marked three years since the devastating 2004 Indian Ocean tsunami that claimed some 168,000 lives in Indonesia with mass prayers in Aceh as well as a major emergency tsunami drill in Banten.

Aceh's main ceremony was held outdoors at a village on the outskirts of Calang, one of the province's most damaged areas, Agence France-Presse reported.

More than 100,000 houses have been built to house the some 600,000 people displaced, with all 120,000 due to be finished by April, though hiccups have included a lack of power to some homes.

In Banten province, a dramatic drill simulating a tsunami strike and an industrial chemical leak was held

involving around 9,000 residents, local television reported, with President Susilo Bambang Yudhoyono looking on.

"This country is vulnerable to tsunami threats. Let us pray to God for this country to be kept safe from tsunamis," Yudhoyono said after observing the exercise.

Capsized tanker in Surabaya righted: official

A small fuel tanker that capsized last week at a port in Surabaya has been righted and most of the fuel it was carrying safely pumped out, a port authority spokesman said Friday (28/12/07).

The locally owned and operated *Karisma Selatan*, which has a capacity of 500,000 liters, capsized after its hold was filled completely, Tanjung Perak port spokeswoman Sri Sukesih told Agence France-Presse.

"We have managed to turn the tanker upright and about 75% of the cargo has been pumped out and safely brought to shore," she said. There was no update on the investigation into what caused the mishap and the pumping was ongoing Friday.

A preliminary assessment last week suggested the ship's ballast had not been filled correctly, causing it to list dramatically and eventually capsize.

ECONOMY

2007 Budget deficit below target: Minister

The government will likely book a lower-than-expected deficit in its 2007 budget, thanks to higher-than-expected tax revenue, Finance Minister Sri Mulyani Indrawati said Saturday (29/12/07), Dow Jones Newswires reported.

Indrawati said the budget deficit will be likely 1.2% of gross domestic product, less than the targeted 1.5%.

She told a year-end press conference that the subsidy costs for retail petroleum products reached Rp85.5 trillion (\$9.1 billion), higher than the Rp58 trillion it expected due to high oil prices globally.

She said she was optimistic the government's economic growth target of 6.3% would be reached for the year. "The 6.3% growth target will be achievable, driven by exports, government spending, household consumption and investment," she said.

Meanwhile, crude oil production will likely reach 899,000 barrels a day this year, below the government's target of 950,000 barrels a day, Indrawati said.

To boost crude oil production next year, the minister on Saturday issued a decree exempting imports of capital goods needed to explore oil, gas and geothermal energy in the country from the 15% import tariff. The tax break is retroactive to July 16. The government will also remove the value added tax on such capital goods starting January

Analysts quoted by Reuters said the lower-than-targeted budget deficit was due partly to bureaucratic reforms and the fight against corruption that slowed decision-making on items such as infrastructure projects.

Meanwhile, British publication *The Banker* gave Indrawati its finance minister of the year award.

"Sri Mulyani Indrawati, who has been finance minister of Indonesia since 2005, has shown both courage and technical skill in directing the country's financial affairs. Her achievement has been to preside over

high gross domestic product (GDP) growth on a stable footing, with inflation under control and a solid legislative framework in place," the magazine stated.

"Promoting what she has called 'reform fever', she has cracked down on firms that under-report profits. Along with President Susilo Bambang Yudhoyono, she has been scornful of individuals who have profited at the expense of the state, emphasising the need to avoid inequalities of wealth in the pursuit of growth."

The new Indonesia Stock Exchange (BEI) also reaped honors, as the third best market in Asia for 2007 after the main composite index rose by 52% during the year, *The Jakarta Post* reported.

The Jakarta composite index, which reached an all-time high of 2,811 on December 11, closed the year's last trading day at 2,745.83, putting on 3.31% for the week.

"With the high increase in its index, the Indonesian market became one of the best performing markets in the world," the president director of the Indonesian stock exchange BEI, Erry Firmansyah, said.

The exchange was the third-best performing market in Asia and the Pacific after China's Shenzhen and Shanghai exchanges, which rose by 163% and 98% respectively.

BEI's market capitalization increased by 58.73% to an estimated Rp1,982 trillion at year end from Rp 1,249 trillion at the end of last year, while the average daily transaction value rose by 131.52% to Rp 4.26 trillion from Rp 1.84 trillion last year.

At close of trade Friday, the rupiah was trading at 9,400/9,405 to the dollar.

MACROECONOMY

Year-end inflation seen at 6.3-6.4%

Inflation is expected to reach 6.3-6.4% at the end of the year, near the government's target of 6.5%, Finance Minister Sri Mulyani Indrawati said Thursday (27/12/07), Thomson Financial reported.

"We have had floods in certain areas of late but the impact (of the floods) on the country's inflation rate should be limited," Sri Mulyani said.

The government is expecting the Indonesian economy to expand by 6.4% in the fourth quarter, bringing full-year GDP growth to 6.3%, in line with the government's target.

Seven economists polled by Thomson Financial said they expected exports in November to come in at between \$9.26 billion and \$10.41 billion, with only one looking at an increase from the previous month.

Indonesian exports hit a record \$10.25 billion in October, helped by soaring prices of crude palm oil (CPO). Imports reached \$6.26 billion, resulting in a trade surplus of \$3.99 billion for the month.

The Central Bureau of Statistics will release inflation, export and other statistics on Wednesday.

Manufacturing seen picking up in 2008

The manufacturing sector is expected to grow by 7.4% in 2008, helped by growing demand in the automotive and information technology sectors, an industry ministry official said on Thursday (27/12/07), Reuters reported.

The government estimates manufacturing output will grow 6.3% in 2007, less than predicted at the start of the year.

But it expects output to accelerate in 2008 with the economy on track to expand at the fastest rate in 11 years this year and is seen maintaining its momentum going forward.

"The government projects the manufacturing sector to grow by 7.43% next year. The automotive and information technology sectors will be the main drivers," said Agus Tjahajana Wirakusumah, secretary general of the Industry Ministry.

The improving economy will help boost demand for vehicles and information technology products such as mobile phones and computers, he said.

INVESTMENT

Malindo Feedmill to invest \$26M

Public poultry products company PT Malindo Feedmill has allocated up to Rp245 billion (\$26 million) to acquire affiliated company PT Leong Ayamsatu Primadona (LAP), and to build a new poultry food plant next year, *The Jakarta Post* reported Friday (28/12/07).

Malindo Commissioner Tan Lai Kang said the acquisition would be worth Rp145 billion, while the new plant would cost his company as much as Rp100 billion to build.

The acquisition and new plant were aimed at increasing Malindo's market share in day-old chicks (DOC), and to expand the company's sales in Central Java and North Sumatra provinces, he said.

Malindo is owned by Malaysia-based Dragon Amity Ltd. (76.6%) and the public (23.4%).

Lai Kang said that the company was expecting to meet Rp1 trillion of net sales by end of this year.

STATE CONCERNS

Retail law would better regulate hypermart expansion

The government has passed a law designed to restrict store locations for retail chain operators including Carrefour SA and PT Matahari Putra Prima, Bloomberg reported Friday (28/12/07).

"The outlet locations of modern and traditional retailers should be administered more properly," Trade Minister Mari Pangestu said.

Local governments in 33 provinces "will have the authority to implement this zoning rule," she said.

Indonesia is following Thailand and state governments in India in trying to apply stricter rule of spatial cities planning.

The new law encourages companies such as Carrefour, Europe's biggest retailer, to build new outlets outside cities.

"Competition is very tight," Handaka Santosa, chairman of the Indonesian Retail Merchants Association, said. "Large retailers with more capital certainly have bigger power, so regulation is needed."

Irawan D. Kadarman, corporate affairs director at PT Carrefour Indonesia, declined to comment on the new zoning rule.

The country's total grocery sales rose to Rp63.59 trillion in 2006, up from Rp57.24 trillion the previous year, according to ACNielsen data.

Govt. may limit licenses for cellular operators to protect customers

The government may limit the number of licenses issued to cellular operators wanting to enter the telecommunications market, citing fierce competition in the industry that has led to "panic and excessive marketing efforts", *The Jakarta Post* reported Saturday (29/12/07).

Director General of Post and Telecommunications at the Information and Communications Ministry, Basuki Yusuf Iskandar, said he believed the country had "enough" cellular operators and that the government needed to issue some regulations to control the competition among them.

"We've seen exceedingly fierce competition. This has caused a kind of panic among operators, which has led to excessive marketing efforts, price wars and so on," said Iskandar.

"If the cellular operators spend most of their money to beat competitors in such a way, what will be left for the customers?"

The telecommunications industry had surpassed the cigarette industry as the country's top advertising spender, he added.

Basuki said the government planned to draft and issue regulations to control competition, with the main focus on "predatory" pricing practices, in which some operators offer services with "zero fees".

"I see a tendency toward excessive price wars. If that continues to occur, only the big operators will survive and that can mean a monopoly in the end. Predatory pricing is a very dangerous practice and we need to make regulations on it immediately."

Also set for regulation was pricing on premium SMS rates, Iskandar said. There are currently 11 operators in the sector.

Kadin urges focus on labor-intensive industries

The government needs to place more focus on the development of labor-intensive manufacturing industries, and the agricultural and mining sectors in order to maintain sustainable growth and reduce the country's high unemployment, the Indonesian Chamber of Commerce and Industry said, *The Jakarta Post* reported Wednesday (26/12/07).

Speaking at the chamber's year-end economic review last week, Kadin chairman Muhammad S. Hidayat said the development of the agricultural, manufacturing and mining sectors should serve as the backbone of the country's future growth given their greater impact on people's lives.

Although the plantation sector showed high growth of 8.9% during the first nine months of this year thanks to sharp increases in commodity prices overseas, other sub sectors of agriculture, such as aquaculture, cattle-raising and the forestry industry, had suffered lower growth.

Kadin hailed the government's efforts to put the economy back on track this year, as indicated by the improvements in most economic indicators, such as GDP growth, inflation and the central bank's benchmark rate.

The chamber, however, said that growth had failed to provide sufficient jobs as expected because many of the drivers of economic growth came from sectors that were not labor intensive.

SOEs

Semen Gresik sees 2007 net profit up

The country's largest cement maker, PT Semen Gresik, sees higher net profit in 2007, Rudiantara, a company director, said on Thursday (27/12/07), Reuters reported.

Indonesia is investing heavily in toll roads, ports, airports and power plants to boost economic growth. Domestic demand for cement rose 6.7% in the first 11 months of this year from the same period last year.

Rudiantara said the state-controlled firm estimated net profit at a minimum Rp1.7 trillion (\$180.8 million) in 2007 against Rp1.3 trillion in 2006.

He expected total industry volumes to increase by 6.5% in 2008. "If Indonesia's economy grows at a healthy pace, cement consumption can grow 6.5%," he said. "Our target is to maintain a market share of 45% while improving our profitability."

Construction company to go public

The government plans to sell up to a 30% stake in property developer PT Pembangunan Perumahan, or PP, in an initial public offering next year, Dow Jones reported Wednesday (27/12/07).

"Proceeds from the IPO will be used to strengthen the company's working capital," the *Bisnis Indonesia* daily quoted Said Didu, the secretary to the Minister of State Enterprises' Affairs, as saying. The daily didn't mention the size of the IPO proceeds.

PP builds toll roads, power plants and airports. It is 51% owned by the government and the remaining stake is held by its board of directors and employees.

PRIVATE SECTOR

Textile exports set to exceed target

Textile exports are predicted to exceed the 2007 target, supported by stronger demands from the European Union and price hikes.

The Indonesian Textile Producers Association (API) projects exports to reach \$9.9 billion, against the initial target of \$9.6 billion, *Bisnis Indonesia* daily reported Thursday (27/12/07).

The projection represents a 7.6% rise when compared to last year's export figure of \$9.2 billion.

Sales to European countries have been picking up since the start of the second half this year while textile producers also enjoyed significant price hikes, API deputy chairman Ade Sudrajat was quoted as saying.

Container depot charges to rise by 15%

Container depots have agreed to increase their tariff by 10% to 15% as the oil price has increased, driving up the cost of operations, Hong Kong's *Cargo Asia* reported on Friday (28/12/07).

The chairman of the Association of Indonesian Container Depots (Asdeki), Muslan AR, said that the price increase will apply to all major ports like Tanjung Priok, Tanjung Emas, Tanjung Perak, Belawan, Panjang and Makassar.

He said tariff increases will affect the cost of lift-on and lift-off, container washing and container maintenance.

"The components of the tariff will increase. But the rental tariff of dumping the container will remain Rp750 per TEUs per day." The cost of lift off and lift on is \$0.08 per TEUs and it will be \$10.7 next year," he said. Overhead costs are expected to rise between 16% and 20%.

The Association of Depot and Warehouse Companies also predicts rises of 15% to 20% rises in rental cost of depots and warehouses for containers.

BANKS

Khazanah plans to merge Lippo, Niaga

Malaysian state investment arm Khazanah Nasional Bhd plans to merge its two Indonesian banks, Bank Lippo and Bank Niaga, Lippo said on Thursday (27/12/07), in a move that will create Indonesia's sixth-biggest lender, Reuters reported.

The merger of the two banks is in line with central bank plans to consolidate the country's 130 banks which have total assets of around \$200 billion through mergers and acquisitions.

If the merger between Lippo and Niaga goes ahead, it would create a bank with combined assets of Rp85.6 trillion (\$9.11 billion) based on financial results as of September.

Lippo also said the merger is subject to regulatory approvals.

Khazanah indirectly owns a 93% stake in Lippo through Santubong Investment BV and Greatville Pte Ltd and it also has an indirect 64% share in Niaga through Bumiputra-Commerce Holdings Bhd.

State bankers keen to snap up BTN

Three publicly-listed state banks -- PT Bank Mandiri, PT Bank Negara Indonesia (BNI) and PT Bank Rakyat Indonesia (BRI) -- have all submitted proposals to the government to acquire fellow state bank PT Bank Tabungan Negara (BTN), Thomson Financial reported Thursday (27/12/07).

"We haven't made a decision. We are still studying the proposals," the *Bisnis Indonesia* daily quoted State Enterprises Ministry official Parikesit Suprpto as saying.

BTN is the country's biggest provider of home loans.

The report also quoted an unnamed source as saying that the ministry is considering the option to let other banks acquire BTN to help it reduce a mismatch between its funding and credits.

BTN is also facing tougher competition, evident from its declining market share, the report said.

At the moment, the ministry is still focusing on how to comply with a central bank ruling that prevents a bank owner, including the government, to control more than one bank by the end of 2010, Suprpto said.

The ministry had previously indicated it may opt to set up a holding company for the five state banks.

Bank Jabar eyes \$76.6M from IPO: report

PT Bank Jabar aims to raise up to Rp720 billion (\$76.59 million) from the sale a 20% stake through an initial public offering (IPO) early next year, a local newspaper said on Thursday (27/12/07), Reuters reported.

Bisnis Indonesia quoted the bank's president director Agus Ruswendi as saying the proceeds from the IPO would be used to boost the bank's capital base.

"We hope that the proceeds from the IPO can boost our performance and in the next five years we can be among the biggest 10 banks in Indonesia," he said.

The bank has appointed PT Indo Premier Securities and PT CIMB GK Securities as underwriters for the stake sale and PT Dhanawibawa Arthacemerlang and PT Andalan Artha Advisindo (AAA) as financial advisors.

The bank's majority stake is owned by the West Java and Banten governments.

Bank Jabar's total assets as of September 2007 were Rp24.1 trillion, up from Rp21.3 trillion in the same period a year ago.

POWER

PLN looks to double profit next year

Back in the black this year after eight years in the red, state electricity company PT PLN is upbeat about doubling its net profit next year, says a company executive, *The Jakarta Post* reported Thursday (27/12/07).

PLN expects to book a net profit of Rp1 trillion (around \$108 million) this year, said chief commissioner Alhilal Hamdi on Wednesday, below the firm's Rp3.8 trillion target due to problems with its coal-fired plant in Suralaya, Banten.

"The unit, which has been having problems since May, has forced us to use more expensive oil-based fuels to generate power. And with oil prices continuing to rise, it is costing us a lot," Alhilal said.

Some of the problems are expected to be fixed early next year, leading the company to target Rp2 trillion in net profit in 2008, said Alhilal.

Greater efficiencies would also come from a shift from oil to gas in a number of its power plants. Currently, 30% of PLN's power plants are fired by oil-based fuels.

Medco, partners amend geothermal contracts

A consortium comprising Indonesian oil and gas company PT Medco Energi Internasional, Ormat International Inc and Japan's Itochu Corp have agreed to amend a joint operation contract and an energy sales contract for a geothermal project, Medco said Thursday (27/12/07), Thomson Financial reported.

The joint operating contract (JOC) is between the consortium and PT Pertamina Geothermal Energy (PGE), while the energy sales contract is between the consortium and PGE, with state-owned electricity company PT PLN as the buyer.

The consortium will own and operate the 340 MW Sarulla geothermal project in North Sumatra, the largest single-contract geothermal power project to-date in Indonesia.

The project is to be constructed in three phases over the next five years, said Medco.

The project is expected to cost about \$800 million. Japan Bank International Corporation (JBIC) is expected to provide the majority of the funding.

Power from the project will serve as the base load for PLN's North Sumatra and Aceh grid system.

OIL & GAS

Incentives to boost oil output

The Finance Ministry pushed through with new fiscal incentives on Saturday (29/12/07) to boost oil production, Reuters reported.

Indonesia is expected to produce 899,000 barrels per day in 2007, below the target of 950,000 bpd in the year

budget.

The incentives enacted on Saturday include eliminating tariffs for importing equipment used in oil, gas and geothermal production, such as drilling platforms, offshore production and undersea exploration facilities.

They will also shift the burden of paying value-added tax for importing production equipment from operators to the government.

The mines and energy ministry said Friday it expects 2008 oil output to increase to 1.034 million barrels of oil equivalent a day from 0.91 million BOE/D expected this year, Dow Jones Newswires reported.

The ministry said it also expects natural gas output next year to increase to 1.169 million BOE/D from 1.12 million expected in 2007, with coal output expected at 2.415 million BOE/D compared with 2.356 million BOE/D expected this year.

The total figure for energy, gas and mineral sector output next year is at 4.618 million BOE/D compared with an estimated 4.386 million BOE/D in 2007.

It estimates the value of investment in the energy and mines sectors next year will be \$21.3 billion, up significantly from the realized investment value in 2007, which is expected at \$14.8 billion.

Pertamina, Mitsui to build Cilacap gasoline unit

State oil firm Pertamina and Japan's Mitsui & Co will team up to build a residue fluid catalytic-cracking (RFCC) unit at the Cilacap refinery, a senior Pertamina official said on Friday (28/12/07), Reuters reported.

The unit will produce gasoline with a capacity of around 60,000 barrels per day (bpd).

"Mitsui will have an 80% stake and Pertamina 20% in the firm," Pertamina president director Ari Soemarno said.

"The project will cost about \$1.5 billion. The product will be sold to the domestic market."

Processing director Suroso Atmomartoyo had said previously that Pertamina planned to start building the RFCC by 2008 at the latest and expects it to begin operations in 2010.

Govt. eases way for competition in fuel distribution

The government will ease requirements imposed on private fuel retailers to enable them to participate in the tender process for the distribution of subsidized fuels across the country, an energy official said, *The Jakarta Post* reported Friday (29/12/07).

The chairman of downstream oil and gas regulator BPH Migas, Tubagus Haryono, said the agency was still drafting a new policy to give private fuel retailers a better chance of joining the tender process for the distribution of subsidized fuels.

Under the proposed policy, the regulator will divide distribution areas into at least five, so bidders will no longer need to have distribution networks across the entire country to take part in the process. To date, only Pertamina has been able to fulfill the requirements for distribution.

Under existing regulations, the regulator has divided the country into four distribution areas. Distributors have to provide services in at least two different distribution areas.

Tubagus said many private retailers faced difficulties meeting the requirements as they had to build extensive distribution networks with significant fuel storage facilities to be able to qualify for the tender.

Subsidized fuels currently account for about 95% of the country's total fuel sales.

The 2008 licensing process saw competitors apart from Pertamina permitted to compete for the first time.

Companies that had sought licenses were local company Aneka Kimia Raya (AKR), Petronas, Royal Dutch Shell, Total and BP.

"Of the six companies, Pertamina, AKR and Petronas qualified. But judging from all aspects, Pertamina is better prepared," he said.

Court clears Lapindo over mud volcano

A court on Thursday (27/12/07) rejected a lawsuit brought by environmentalists against an energy company alleged to have caused a mud volcano that has displaced thousands in East Java, Agence France-Presse reported.

The South Jakarta District Court ruled that the mudflow in Sidoarjo district was a "natural disaster", and not caused by gas drilling by Lapindo Brantas as alleged by Friends of the Earth Indonesia.

"The panel of judges has decided to reject all the plaintiff's accusations and fined them Rp1,040,000 (\$111)," chief judge Wahjono told the court.

Friends of the Earth brought the case against Lapindo and five other companies, as well as President Susilo Bambang Yudhoyono, the energy and environment ministers and local officials over the disaster, which has inundated at least 600 hectares of land with hot mud.

MINING

Copper, tin output to surge in 2008: Ministry

Copper output will surge 23% next year to over 1 million tons as booming commodity markets drive mining investment across the mineral-rich nation, a government ministry forecast on Friday (28/12/07), Reuters reported.

Production of copper is expected to reach 1.04 million tons in 2008, up from an estimated 843,460 tons this year, the ministry said in a statement.

Production of gold is expected to rise by nearly 10% to 134.56 tons in 2008 from 122.33 tons in 2007.

Output of tin -- used in electronic solders and for corrosion resistance for other metal -- is expected to soar by more than 40% to 90,000 tons, it said, in line with previous forecasts.

"Producers plan to raise investment to change their machinery so that they can increase their production," said Simon Sembiring, Director General of Geothermal and Minerals at the Energy and Mines Ministry.

Output of ferro-nickel used in stainless-steel manufacture by state mining firm PT Aneka Tambang is expected to reach 17,980 tons in 2008, up nearly 10% from estimated 16,350 tons in 2007.

Output of nickel-in-matte from PT International Nickel Indonesia is seen to rise marginally at 79,450 tons in 2008 compared to estimated 79,060 tons this year.

The government expects investment on geothermal and mining products to reach \$1.55 billion from an estimated \$1.35 billion this year.

Petrosea secures \$23M coal terminal contract

Australian construction company Clough Ltd. said Thursday (27/12/07) its Indonesian unit PT Petrosea and partner Laing O'Rourke have signed a contract valued at \$46 million, Dow Jones reported.

The contract with PT Indominco Mandiri, a unit of PT Indo Tambangraya Megah, is for engineering, procurement, construction and installation works for phase two of its Bontang Coal Export terminal expansion project in East Kalimantan, the Perth-based company said.

This contract follows on from the phase one work of the same project, which started in early 2006, Clough said in a statement.

Petrosea's share of the phase two contract, which is expected for completion in early 2009, is \$23 million.

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