

UPDATES TO MINING REGULATORY FRAMEWORK

June 2025

The Government has issued Law No. 2 of 2025 regarding the Fourth Amendment to Law No. 4 of 2009 regarding Minerals and Coal (“**Law 2/2025**”) (which became effective as of 19 March 2025) followed by non-tax state revenue (“**PNBP**”) regulations applicable to the mining sector, namely (a) Government Regulation No. 19 of 2025 regarding Type and Tariff over Non-Tax State Revenue Applied in the Ministry of Energy and Mineral Resources (“**GR 19/2025**”) (which became effective as of 26 April 2025) and (b) Regulation of the Minister of Energy and Mineral Resources No. 9 of 2025 regarding Guidelines on the Imposition, Calculation and Payment and/or Deposit of Non-Tax State Revenue in the Directorate General of Minerals and Coal (“**MEMR 9/2025**”) (which became effective as of 15 May 2025).

Law 2/2025 introduces significant changes to, among other things, domestic market obligation, mining rights eligibility and mining contract extensions. Together with GR 19/2025 and MEMR 9/2025, Law 2/2025 is designed to enhance mining governance and to further stimulate the growth of added value for the national economy through downstream activities.

Key Highlights of Law 2/2025

Domestic Market Obligation – It is expressly stated in Law 2/2025 that holders of mining business licenses (“**IUP**”) or special mining business licenses (“**IUPK**”) for minerals and/or coal at the production operation stage must (a) fulfill domestic needs before exporting and (b) prioritize the needs of State-Owned Enterprises (“**SOE**”) which control the livelihood of the public (among others, those in the electricity, energy and fertilizers industries and other national strategic industries). Sanctions have also been added for violation of these requirements.

Mining Areas as Spatial Zoning Basis – In the absence of a spatial zoning determination, Law 2/2025 allows the designation of metal minerals and coal mining business areas (“**WIUP**”) and special mining business areas (“**WIUPK**”) to serve as the basis for the determination of spatial utilization for mining. If there are changes in the mining spatial zoning, the existing WIUP/WIUPK remains valid, and mining activities can still be continued.

Expansion of IUP/IUPK Holders – IUP/IUPK holders may now be SOEs, regional-owned enterprises, cooperatives, private entities, small and medium enterprises or business entities owned by religious community organizations. However, the sole proprietorships may only hold IUP.

Priority Granting of Metal Minerals and Coal WIUP – There are three categories stipulated: (a) the Government may now grant metal minerals and coal WIUP on a priority basis to two additional categories of recipient, namely small and medium enterprises or business entities owned by religious community organizations (b) with regard to higher

education institutions, the Government may now grant metal minerals and coal WIUP on a priority basis to SOEs, regional-owned enterprises or private entities (these enterprises must share profits with the partner universities according to their cooperation agreements) and (c) with regard to downstream activities, metal minerals and coal WIUPs may be granted on a priority basis to SOEs and private entities.

Priority Granting of WIUPK – Whereas, previously, only SOEs and regional-owned enterprises could be granted WIUPK, now WIUPK can be granted on a priority basis to cooperatives, small and medium enterprises or business entities owned by religious community organizations. Private entities will still need to acquire WIUPK through an auction process. With respect to higher education institutions, the Government may now grant WIUPK on a priority basis to SOEs, regional-owned enterprises or private entities.

Expansion of Scope of Mining Service Business – Pursuant to Law 2/2025, mining service business also includes the activity of “Processing” (*Pengolahan*).

Contracts of Work (“COW”)/Coal Contracts of Work (“CCOW”) Extensions – COWs/CCOWs that have never obtained an extension are no longer guaranteed an extension and any extension is now subject to an environmental audit.

Overlapping IUPs – Any IUP which was issued before the enactment of Law 2/2025 and which has overlapping issues based on an evaluation by the Government, will be revoked and returned to the State.

Key Highlights of GR 19/2025

One notable feature is the introduction of updated royalty rates for several strategic commodities based on the Reference Mineral Price (*Harga Mineral Acuan*) with rates significantly higher than the previous rates. For example, royalties for gold have increased from 3.75%–10% to 7%–16%, royalties for nickel from 5% to 14%–19% and royalties for copper from 5% to 10%–17%.

These adjustments aim to boost the State revenue, support downstream processing (*hilirisasi*) and strengthen Indonesia’s position in global critical minerals supply chains.

Key Highlights of MEMR 9/2025

As part of the PNB scheme in the mining sector, this regulation sets out procedures for imposing and calculating PNB, improves payment and deposit mechanisms and introduces provisions for objections, waivers and reconciliations.

There are eleven types of PNB listed, including dead rent, royalties and the Coal Production Result Fund (*Dana Hasil Produksi Batubara* or DPHB), most of which must be self-calculated by holders of IUP, IUPK, IUPK as a continuation of COW/CCOW and COW/CCOW based on contractual or regulatory tariffs. Payments are made through the Directorate General of Minerals and Coal application system.



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The regulation also allows mining companies to file objections to PNPB assessment letters and to request leniency—such as suspension, payment by installments, reductions or exemptions—under certain conditions, such as force majeure.

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