

## **Amendment to the Mineral and Coal Mining Law**

In March 2025, the Government and the House of Representatives of the Republic of Indonesia enacted a law amending Law of the Republic of Indonesia No. 4 of 2009 regarding Mineral and Coal Mining ("**Mineral and Coal Mining Law**"), namely Law of the Republic of Indonesia No. 2 of 2025 regarding the Fourth Amendment to the Mineral and Coal Mining Law ("**Law 2/2025**") which came into effect on 19 March 2025.

Law 2/2025 constitutes the fourth amendment to the Mineral and Coal Mining Law, following previous amendments under Law No. 3 of 2020, Law No. 11 of 2020, and Law No. 6 of 2023. Law 2/2025 amends various provisions of the Mineral and Coal Mining Law. However, this Client Alert provides only a general overview of selected amendments. The following are several key provisions of the Mineral and Coal Mining Law as amended by Law 2/2025:

### **1. Domestic Market Obligations**

In the interest of national priorities, the Mineral and Coal Mining Law regulates the prioritization of mineral and/or coal utilization for domestic purposes. Prior to the amendment under Law 2/2025, the Mineral and Coal Mining Law merely authorized the central government to determine production levels, sales volumes, and pricing of metallic minerals, certain types of non-metallic minerals, and coal.

Upon the amendment under Law 2/2025, in addition to the foregoing, it is now stipulated that, in the interest of the national priorities, holders of a Mining Business License (*Izin Usaha Pertambangan* – "**IUP**") or Special Mining Business License (*Izin Usaha Pertambangan Khusus* – "**IUPK**") at the production operation stage must meet domestic demand prior to engaging in exports and give priority to the needs of State-Owned Enterprises (*Badan Usaha Milik Negara* – "**BUMN**") that serve the public interest.

BUMN that serve the public interest include, among others, BUMN engaged in electricity, energy, and fertilizer supply for the general public and for national strategic industries.

### **2. Expansion of Mining Business License Areas**

Prior to the amendment under Law 2/2025, the Mineral and Coal Mining Law stipulated that Mining Business License Areas (*Wilayah Izin Usaha Pertambangan* – "**WIUP**") for metallic minerals and coal could only be granted to business entities, cooperatives, or individual companies through an auction process.

Upon the amendment under Law 2/2025, WIUPs for metallic minerals and coal may also be granted to small and medium enterprises or business entities owned by religious community organizations through: (i) an auction; or (ii) a priority allocation.



a. Auction

Auctions of WIUPs for metallic minerals and coal shall consider:

- i. The size of the metallic mineral and coal WIUPs; and
- ii. Administrative/management capacity, technical competence, environmental management, and financial capability.

b. Priority Allocation

Priority allocation shall be based on the following considerations:

- i. The size of the metallic mineral and coal WIUPs;
- ii. Empowerment of cooperatives and small and medium enterprises;
- iii. Strengthening of the economic role of religious community organizations; and
- iv. Promotion of regional economic development.

3. **Community Development and Empowerment Programs**

Prior to the amendment under Law 2/2025, the Mineral and Coal Mining Law required holders of IUP and IUPK to prepare community development and empowerment programs, but did not specify the content of such programs.

Upon the amendment under Law 2/2025, those programs must include:

- a. Corporate social and environmental responsibility initiatives;
- b. Involvement of local communities and indigenous peoples residing within the mining area; and
- c. Business partnership programs and community-based economic empowerment initiatives.

Previously, the preparation of such programs was subject to consultation with the Minister of Energy and Mineral Resources, local governments, and the public. Now, Law 2/2025 also mandates consultation with local communities and/or indigenous peoples.

4. **IUPK as a Continuation of Contract/Agreement Operations (“IUPK Continuation”)**

Contract of Work (*Kontrak Karya* – “KK”) and Coal Contract of Work (*Perjanjian Karya Pengusahaan Pertambangan Batubara* – “PKP2B”) are both agreements between the government of the Republic of Indonesia and companies incorporated under Indonesian law. The key distinction lies in their scope: KK applies to mineral mining operations, while PKP2B applies to coal mining operations. Upon expiration, KK or PKP2B may be extended through the issuance of a IUPK Continuation.



Prior to the amendment under Law 2/2025, the Mineral and Coal Mining Law provided that an IUPK Continuation could be issued upon fulfilment of specific conditions, including:

- a. Contracts/agreements that had not yet been extended may be renewed up to twice, each for a maximum period of 10 (ten) years; and
- b. Contracts/agreements that had already received a first extension may be granted a second extension, also for up to 10 (ten) years.

Upon the amendment under Law 2/2025, now such extensions must be preceded by an environmental audit. This audit constitutes a systematic evaluation to assess the company's compliance with laws and regulations concerning environmental protection, public health, and safety.

## **5. Reversion of Overlapping WIUPs to the State**

Prior to the amendment under Law 2/2025, the Mineral and Coal Mining Law did not clearly provide procedures or consequences regarding overlapping WIUPs. Upon the amendment, the law stipulates that IUPs issued prior to the enactment of Law 2/2025, that are found to have overlapping problems over part or all of their WIUPs, based on an evaluation by the central government, must be revoked and returned to the state.

Such overlapping WIUPs include:

- a. Overlaps with other WIUPs issued by the central or regional governments for the same mining commodities;
- b. Overlaps with still-valid IUPs; or
- c. Overlaps between IUPs issued by the central or regional governments for the same mining commodities.

All regulatory provisions referred to in this summary will be further elaborated in a government regulation implementing Law 2/2025. As of the date of issuance of this Client Alert, no such implementing regulation has been issued. The relevant government regulation must be enacted no later than 6 (six) months from the effective date of Law 2/2025.

This Client Alert is intended to provide a brief overview only on several provision and may not cover all provisions under the Mineral and Coal Mining Law, thus, cannot be deemed as a legal advice. Please do not hesitate to contact us if you need a more detailed discussion, advice, and/or have specific questions.



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