



**KEMENTERIAN KOORDINATOR BIDANG PEREKONOMIAN
REPUBLIK INDONESIA**

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MINUTES OF MSG MEETING

Day/Date	: Tuesday, 23 January 2018
Time	: 13.30 – 15.30 WIB
Place	Main Meeting Room 4 th floor, Ali Wardhana Building, Kemenko Perekonomian, Jl. Lapangan Banteng Timur No.2-4, Jakarta Pusat
Agenda	: 1. Discussion on Validation Preparation 2. Discussion on Final Draft of Commodity Trading Report 3. Discussion on Scoping Study of EITI Report 2016
Participants Governments	: 1. Coordinating Ministry of Economic Affairs, Deputy III: Bastian H, Nurwachid P, Agus Haryanto, Marentyas, Rosiana K, Mujab, Prasetyaningtyas 2. Coordinating Ministry of Economic Affairs, Deputy I: Andi 3. Ministry of Home Affairs: Elsa, Dinda 4. DG Mineral and Coal: Wezi Ferlian, Dini A, Azarie 5. DG Treasury, MoF: Adjanto, Sigit Harjanto, Mursyid H 6. DG Budget: MoF: Robby Martaputra, Seprina Hasan 7. SKK Migas: Runi N, Musfadilah D, Gestariani, M Anas
Association and Company	: APBI-ICMA : Hendra Sinadia, Marvin G Pertamina : Ahlif Kasim
CSO	: PWYP and coalition: Aryanto Nugroho, Asri Nuraeni, Ermy Ardhyanti
EITI Secretariat	: Edi Effendi, Ronald Tambunan, Agus Trianto, Doni Erlangga, Andrian, Anggi Gartika, Arief

A. OPENING

Assistant Deputy for Extractive Industries as National Coordinator of EITI, Mr. Bastian Halim opened the meeting.

B. DISCUSSION

1. Discussion on the preparation of EITI Validation

- Presentation delivered by Mr Edi Tedjakusuma (Team Leader of EITI Secretariat).
- Validation process is an activity to assess the progress of a country in the implementation of EITI Requirements. For that purpose, an assessment of the progress of a country's achievement of each requirements and then set the overall assessment to determine the status of compliance
- Each EITI implementing country must begin the validation process within 2.5 years of obtaining the EITI country candidate status, and a compliance country must follow the re-validated process every 3 years. In 2018 (beginning in September), Indonesia will undergo a second validation after the first validation in 2013.
- Validation Objectives: To assess performance, promote dialogue and learning in EITI member countries and to maintain EITI integrity with the implementation of the same global standards in EITI implementing countries.
- Validation procedure is divided into four stages: preparation of validation, data collection and consultation / interview, review by independent validator, and review by EITI Board. Preparation of validation is done by collecting all necessary documents and self-assessment by the EITI Implementation Team on compliance with EITI standards. At the data gathering and consultation phase, the EITI International Secretariat will examine a number of documents and conduct interviews with a number of parties. The EITI International Secretariat will prepare an initial evaluation report on the progress of the implementation of the EITI standard before the report is submitted to the validator. The EITI Implementation Team is given the opportunity to advise the report to be submitted to the validator. The next step is to review the preliminary report of the International EITI Secretariat undertaken by an independent validator. The Validator prepares a report in the form of an assessment of each of the terms to be submitted to the EITI Board. The final stage of the Validation Committee will provide recommendations to the EITI Board on the compliance of a country in the implementation of the EITI Standards. The EITI Board will make the final determination whether the implementation of the country's transparency complies with the EITI Standards or not.
- More can be seen in presentation materials

Response:

- Mr Bastian: How to prepare documents to be received by EITI International, not only have been agreed by the MSG but later not accepted. The EITI Secretariat should look for what should be prepared. For workshops from EITI International, it is okay and we should take advantage of that activity.
- Mr Adijanto (DG Treasury): For the preparation of validation, seen from the columns in the presentation, then it is filled by the members of the MSG, so it is determined who should do it. This is to help the EITI Secretariat also be monitored. Later when the workshop should already know each other's duties. For IA it is better described in the contract to continue to oversee the activities, including validation.
- Mr Aryanto (CSO) The most important document preparation is because many of the old documents must be approved by the MSG such as the TOR which has been since 2012. The legal basis is what the Presidential Regulation 26/2010 should have been revised. The decision of the regional representative to be updated. The Decision Letter is valid for 3 years, preferably the representative that has now been replaced. It needs to be prepared Decision Letter
- Mr Bastian: What is the status of the regulation, the Presidential Decree or the Coordinating Ministerial Decree?
- Mr. Ronald (EITI Secretariat): Actually we want to revise, but many opinions are pushing for the amendment of the Presidential Regulation (new Presidential Regulation). If the new Presidential Regulation is afraid of not publishing. So the last deal revision only. The draft has been prepared

and will be discussed in the MSG. TOR already exists, until now we still use, because there is no urgency to change until the new standards. The draft revised TOR has been prepared, it will be sealed. EITI is set in Minister Regulation, its organizational structure is still fixed. The representation of the region was actually proposed several years ago (signed by Secretary of Ministry of Economics Affairs) but still has not been responded.

- Mr Bastian: If for example the regulation has not been completed until September, then what needs to be prepared so there will be no problem.
- Mr Edi: We've discussed the Presidential Regulation, so it's a revision. So we have to meet the law bureau, if you agree, then to the MSG. What if we make Minister Regulation as a derivative of the Presidential Regulation because it is easier, while the revision of the Presidential Regulation remains the way. For IA will still be involved in validation process.
- Mr Bastian: Anticipate if the revision of the Presidential Regulation is not yet completed. So should be prepared with coordination with law bureau etc. I have not been able to decide the revision or the new Presidential Regulation, later let the meeting decide.
- Mrs. Elsa (Ministry of Home Affairs): We do not know which Decision Letter that will be renewed, we will check later. And if any data required, you can contact us.
- Mr Aryanto: it is better to have the information transfer or coordination of the meeting participants to let others know.
- Mr Bastian: That is our weakness, coordination
- Mr Edi: Representative from Ministry of Home Affairs is usually Mr Sofyan, later if there is an International EITI Secretariat will be present, will be discussed first.

2. Discussion on Final Draft of Transparency of Commodity Trading

- Mr Bastian: We have not received any data from Pertamina. Then this month there is a workshop or meeting about Commodity Trading in Paris, France. Should the Coordinating Ministry of Economic Affairs be invited because those responsible for the implementation of transparency Commodity Trading.
- Mr Edi: The final draft result was received on January 16, 2018 and then it is circularly send to the MSG . Actually it is not the EITI Secretariat that has to present, but the consultant because he is the one who made it. Coordinating Ministry for Economics Affairs has made requests for data to Pertamina, but Pertamina is unwilling for several reasons. We can not force. So initially the approval was only for oil only, but it turns out the export of small government part. So the consultant said the exports alone were insignificant, so the consultant requested the opening of import data as well. So for SKK Migas and Pertamina expected to comment on the recommendation, the fear is considered to be agreed and become final. Because it is a lot of data, if 1 shipment can be 8 pieces of data a day, if a year can be 8x365 day data sheet. So it's better to have 3 shipments per month, so a year of data delivery. But Pertamina still object because when it comes to third parties must go through third party approval. But the recommendations of the final draft report are better answered before becoming final.
- Presentation on Commodity Trading Report by Mr. Doni Erlangga (EITI Secretariat):
 - The published data are export data that has been stored in in-house system of SKK Migas, combined with other information.
 - Scope: In addition to the scope that does not include imports, there is another thing that makes the export scope narrower.
 - The price of liquefied natural gas (LNG) varies greatly. A number of joint ventures conducted by international oil companies, operate products for export, but most are shipped to Indonesia, therefore it will be considered as a first trade.
 - Gas Pipe Exports: Indonesia exports small amounts of gas through pipelines to Malaysia and Singapore from several projects. It is not clear how the mechanism is. But this includes first trade
 - Domestic Market Obligation (DMO): It is unclear from the latest data supplied by SKK Migas where recorded transactions may be subject to DMO requirements. Often, DMO obligations with different pricing arrangements and discounts from "normal prices".

- Pipes Gas Domestic: Domestic gas sales should be included in the report
- Recommendations for EITI Implementation Team (Scope):
 - a. Relevant agencies (SKK Migas, Pertamina and Ministry of Finance) to provide data that does not yet exist to conform to recommended guidelines. Specifically: invoice, goods receipt, payment date, confirmed amount, and exchange rate used.
 - b. Provide data on export payments of liquefied natural gas (LNG) received by the state, and confirm details of gas pipeline exports to Malaysia and Singapore.
- Recommendations for the MSG (Information Process):
 - a. ICP: MSG publishes and develops all procedures related to the establishment of ICP, such as guidance on the principles used in pricing.
 - b. ICP: Pertamina makes historical data, to allow comparison of payment systems received by the Ministry of Finance in rupiah against official published price.

Response:

- Mr Edi: They get data from A0, it looks like they only get A0 data. Actually, the report from SKK Migas is complete and detailed enough. Suggested like exchange rate, invoice, it depends the MSG to answer willing or not. Then for ICP there is actually a decisive because there is a committee. There must be things that can not be opened too.
- Mr Bastian: For the Commodity Trading report we need to focus on the recommendations and analysis of the consultants. Recommendations such as MSG to prepare ICP SOP? Is it possible? If only to give the proposal still can. So we have to look, because the fear even becomes a burden for us. So if there are recommendations that do not fit please be refuted or commented on.
- Mr Robbi (DG Budget): The fear of consultants is not getting enough information so that they do not get adequate recommendations. Like ICP pricing, that does not fit. Like the determination of DMO discounts, whereas it sided with the government. It does not seem to be a discount but is poured into the agreement, for example for old wells. For example sales why domestic price is rupiah. There is an argument or decision from the Ministry of Finance to avoid any price fluctuations. So some recommendations are somewhat less like the determination of ICP that we (the MSG) cannot intervene.
- Mr Aryanto: If you look at the findings / recommendations such as the MSG should join in making the ICP SOP etc, we should look at the regulation. Because we have to change the regulation as well. So it needs opinion from SKK Migas and Pertamina. So if we cannot provide data, at least there are some things need to be included in the reporting.
- Mr Alief (Pertamina): the requested data is customized template on import. From the import data there is a payment agreement and there is no data agreement to exit. So Pertamina cannot release appropriate template.
- Mrs. Runi (SKK Migas): Regulations in Indonesia on the determination of crude oil or gas there are procedures in ESDM Regulation 32/2012 and gas in Ministry of Energy and Mineral Resources 6/2016. In the Ministerial Regulation mentioned by determining various things such as field economy, international gas prices, and added value for national. For lifting we can give only A0 report. For all cargo templates, that's a lot because there are 2000 transactions. That would be a great deal, so better sample.
- Mr Bastian: What does SKK Migas agree with the consultant?
- Mr Musfadillah (SKK Migas): It is better to forward Commodity Trading report with 24 month data delay, according to EITI report.
- Mr Doni: Response requested within 1 week.
- Mr Edi: Can be delivered Ministerial Regulation about ICP, or if it could not be better responded.
- Mr. Ronald: Better recommendation not only from SKK Migas or Pertamina but also others.

3. Discussion of Scoping Study EITI 2016 Report

- Presentation by Mr Edi.
- Scoping Study 2016 is being prepared, it is expected the end of this February is over.
- PNBP (non tax revenue) funds have been compiled
- Data per company (materiality) if PNBP above 15 billions rupiah then total company 120 companies mineral and coal, if 16 billions then total company 112.

- The MSG must decide, last year we used reporting for 123 companies, but there were 38 companies that did not report. So the database should be reinforced. Which one would you like to take? So about where to take
- Mr Aryanto: Can be seen how many ordinary report or not. So between the number 112 and 120 whether the remaining 8 are used to report or not?
- Mr Edi: In addition, if IUP is afraid that it is rather difficult to collect data. Must be at least the same as last year with 93% coverage of state revenue from mineral and coal
- Mr Bastian: It is feared that more and more will be asked to report, but not reporting. Better to do less but report. So the EITI Secretariat should study first.
- Mrs. Ermy (CSO): Apparently 93% represented only 100s of companies. It should be evaluated that thousands of companies against PNBP, because IUP is also a lot of great contribution as well.

C. CLOSING

Mr. Bastian closed the meeting by delivering all the decisions of the meeting to be acted upon.

D. RESULTS DEALING RESULT

1. There will be further preparation to confront the validation process such as preparing various documents, briefing of MSG members, and a validation workshop that will be held.
2. Members of the MSG (Especially SKK Migas and Pertamina) are expected to respond to the final draft of Commodity Trading Report before being finalized by the consultant. Expected responses within 1 week.
3. The number of reporting entities for the mineral and coal sector in the 2016 EITI Report will still be discussed again whether with the 115 billion payment limit to PNBP of 120 companies or 116 Billion totaling 112 companies.