



**COORDINATING MINISTRY FOR ECONOMIC AFFAIRS
THE REPUBLIC OF INDONESIA**

IMPLEMENTATION TEAM, MINUTES OF MEETING

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE INDONESIA

Date : Monday, 22 April 2013
Time : 10:00 – 16.00
Venue : Banda B
Hotel Borobudur
Agenda : Preparations for and authorization for the publication of the 2009 EITI Indonesia Report

Attendants

Government

1. Finance and Development Supervisory Agency (BPKP), Teguh Wiyono
2. Finance and Development Supervisory Agency (BPKP), Yanti Sukmayanti
3. Finance and Development Supervisory Agency (BPKP), Ambar Indhiarni
4. Ministry of Energy and Mineral Resources, Directorate General of Oil and Gas, Agus Cahyono Adi
5. Ministry of Energy and Mineral Resources, Directorate General of Oil and Gas, Tobia Parulian
6. Ministry of Energy and Mineral Resources, Laode Sulaeman
7. Ministry of Energy and Mineral Resources, SKK Migas, Ahmad Syakhroza
8. Ministry of Energy and Mineral Resources, SKK Migas, Sujoko
9. Ministry of Energy and Mineral Resources, SKK Migas, Desti Melanti
10. Ministry of Energy and Mineral Resources, SKK Migas, Selvi
11. Ministry of Finance, Directorate General of Taxation, Dasto Ledyanto
12. Ministry of Finance, Directorate General of Taxation, Yon Aرسال
13. Ministry of Finance, Directorate General of Taxation, Kumara Candra
14. Ministry of Finance, Directorate General of Taxation, David Tobing
15. Ministry of Finance, Directorate General of Financial Balance, Hantony M.
16. Ministry of Finance, Directorate General of Financial Balance, M. Hijrah
17. Ministry of Finance, Directorate General of State Budget, Directorate PNBPNBP, Evi Karmilah
18. Ministry of Finance, Directorate General of State Budget, Directorate PNBPNBP, Erman Jayakusuma
19. Coordinating Ministry for Economic Affairs, Office of Deputy for Macro-Economy and Finance, Kuspradoto B.
20. Coordinating Ministry for Economic Affairs, Office of Deputy for Energy, Mineral Resources and Forestry, Budi Utomo
21. PT. Pertamina, Dhaneswari Retnowardhani
22. East Kalimantan Province Regional Revenue Service, Edward Noviansyah

Industry

1. Indonesian Mining Association, Hendra Sinadia
2. Indonesian Mining Association, Mukhlis

NGO

1. IDEA, Wasingatu Zakiyah
2. IPC, Sulastio
3. PWYP, Resa Raditio
4. PWYP, Aryanto Nugroho

EITI Indonesia Secretariat

1. Secretary to the Implementation Team, Emy Perdanahari
2. Executive Deputy to Secretary, Ambarsari Dwi Cahyani
3. Regulatory Specialist, Ronald Tambunan
4. Revenue Specialist II, Anita Pascalia
5. IT Specialist, M. Tri Wicaksono
6. Communication Specialist, Fajar Reksoprodjo
7. Administration Staff, Andri Hendro
8. Administration Staff, Yudha Ariadi
9. Coordinating Ministry for Economic Affairs Staff, Malidu Ahmad
10. Coordinating Ministry for Economic Affairs Staff, Yuliana
11. Coordinating Ministry for Economic Affairs Staff, Hadi Purnama

The World Bank

1. EITI Indonesia Advisor, David W. Brown

EITI International Board Representative

1. Erry Riyana Hardjapamekas

Reconciler – KAP Gideon Ikhwan Sofwan

1. Ade Ikhwan
2. Christina Sutanto
3. Laurence Carey
4. Andhika Fauzan
5. Angga Hergunowo

Observer:

1. Chandra Kirana

Meeting Chair: Emy Perdanahari

Minutes

The chair opened the meeting at 10.30 WIB, and stated the agenda for discussion, as follows:

- 1) Summary of (a) the completion of the EITI Indonesia Report, (b) preparations for publication of the report, and (c) the validation agenda for EITI Indonesia
- 2) Presentation for the 2009 EITI Indonesia Report
- 3) Approval and authorization of the 2009 EITI Indonesia Report

Emy Perdanahari

Gave a summary of (a) the completion of the EITI Indonesia Report, (b) preparations for publication of the report, and (c) the validation agenda for EITI Indonesia

Ambarsari Dwi Cahyani

Presented the 2009 EITI Indonesia Report and added several points as follows:

- Apart from the six government entities mentioned in the presentation material, Pertamina also gave inputs in the Final Draft Report.
- The title of the report “Statement from Independent Accounting Report on Procedural Implementation” is said by the reconciler KAP Gideon Ikhwan Sofwan to be standard wording used by the Indonesian Accountants Association.
- Revisions to the Definitions and Glossary were made by concerned parties based on their understanding applicable laws and regulations.
- Pertamina was specifically included in Chapter 3 on “Illustration of Extractive Industries in Indonesia” because, according to the Reconciler, Pertamina played such an important role in the emergence of the Indonesian oil and gas sector.

Meeting participants then voiced their views on the presentation and the content of the report, as follows:

Desti Melanti:

We have provided inputs regarding comparisons of data between PSC Contractors and the Ministry of Energy and Mineral Resources.

Even though there was an agreement with the reconciler not to add an explanation column for each discrepancy for PSC Contractors, we request that a footnote be added for table 2.1 in the report to provide clarity to readers.

In the section of Ambar’s presentation on “Data Completeness and Accuracy,” in the third point, it was stated that one of the reasons for differences is “Errors in reporting by using cash basis vs. accrual basis”. According to us what happened was a difference in the approach of the two reporting parties. In the EITI Indonesia Report for 2009, the way this is described is correct. In Ambar’s presentation it is incorrect.

Ade Ikhwan:

Our concern is the April 10 cut off date. We need to check first whether the inputs proposed by SKKMIGAS, if accepted, would constitute a violation of that cut off date.

Emy Perdanahari:

Let’s just put their comments in a footnote and finish this up here and now.

Desti Melanti:

The footnote that we want would state: “PSC Reporting partners’ oil volumes are reported on a calendar year basis. ESDM oil volumes are reported on a December 2008 through November 2009 basis.”

Erry Riyana Hardjapamekas:

This is something normal in a report, so there should be no objection to the inclusion of the explanation.

Laurence Carey:

Settlements after 2009 are actually out of our scope. But we can put the information in to provide clarity to the readers.

Evi Karmilah:

There are several of our inputs which have not been included in the reports, for example the definition of oil and gas income tax, and also the description of business processes in managing oil and gas revenues.

Emy Perdanahari:

We will check further. Actually, we have tried to accommodate all of the submitted inputs, but some may have been missed. We will allocate some time to re-review prior to authorizing the report.

Erry Riyana Hardjapamekas:

What is being reconciled is 2009, so if there are any changes in the following years, those would be subsequent events. It will be much better if today's meeting could approve this report so that we could start on the next report.

Agus Cahyono Adi:

We agree to finalize the report, but if the mentioned issues are yet to be corrected in the text of the report, we are concerned about misperception on the part of the reader.

In the Data Completeness and Accuracy section of the report, we object to point 1 about inadequate assessment at the management level, as this is incorrect.

Dasto Ledyanto:

We have not yet seen an explanation of differences between reporting based on cash and reporting based on an accrual basis. There is a need for a common understanding for this, so that this error can be avoided in the next report. If possible we should include this in the executive summary.

Ade Ikhwan:

We have explained it at the beginning of the report, and in Chapter 4.

Erry Riyana Hardjapamekas:

For the Data Completeness and Accuracy section of the report, I propose that the language in point 1 of the report be replaced with "Different understanding from all parties," and the language in point 3 of be replaced with "Differences in reporting bases between accrual and cash basis."

Mukhlis:

In the Executive Summary sections 2.2 and 2.3, are data which could not be divulged by the DG Tax not considered in the government side reported figures and the discrepancy figures?

Ade Ikhwan:

That is correct, they are not.

Agus Cahyono Adi:

The reason monthly volume data was not provided by ESDM to the Reconciler is because the EITI report is an annual report, and ESDM is not obligated to provide the monthly data, not because ESDM does not possess the data.

Wasingatu Zakiyah:

In Chapter 4, there is a need for a flowchart on how the reconciliation process was done. There is also a need to mention the limitations in this reconciliation report.

Emy Perdanahari:

All these inputs will be considered for the next report, but for the current one there is no need for unnecessary further changes, as I would like to see this report approved in this meeting.

Yon Aرسال:

Please confirm whether there is an explanation on data discrepancies caused by cash vs. accrual difference.

Ade Ikhwan:

We have explained it in the report.

Desti Melanti:

In section 4.2.2 on the discrepancies in the Mahakam Block and S&C Sumatera and Rimau Block, we have provided an explanation last Friday. However, our understanding was not conveyed by the reconciler in its report. I request that our version of events be used, in order to avoid any possible misunderstanding on the part of the readers.

Emy Perdanahari:

We will allocate a special session to resolve issues where there remains disagreement. Should we approve the report and then make the revision, or should we revise it first then approve it, because in principle this is an editorial matter?

Desti Melanti:

We request a revision first because we consider this matter to be substantial.

Erry Riyana Hardjapamekas:

Why were the inputs not accommodated by the Reconciler?

Ade Ikhwan:

There were several considerations, some of which include our own understanding of certain matters which we thought, at the time, was already quite detailed. But, if the report is to be revised, we can do so.

David Brown:

Actually, the Reconciler has carefully considered the inputs from SKK Migas, PNBP and DG Oil and Gas. The Reconcilers are independent professionals and possess their own understandings. They cannot easily alter the content of the report unless they believe there is a sound basis for the changes being proposed. But I would nevertheless hope that there could be some at least some compromises in the final revision process as we go forward.

Emy Perdanahari:

We will allocate two hours for revisions.

The meeting was adjourned for 2 hours so that revisions in the report could be made.

The meeting resumed at 15:00 with the following revisions having been agreed to in the interim:

1. In Section 1.2, page 11, on the Scope of Work of the Oil and Natural Gas Sector, the information on government lifting for oil and natural gas and oil DMO was revised to: "The Government's liftings of oil and gas reported in the PSC Reporting Partners' 4th quarter 2009 FQRs represent the annual US Dollar value of the Government's share of oil and gas liftings, based on provisional entitlements, including DMO oil. Annually the actual entitlements to liftings of oil and gas are calculated and differences between the provisional and actual entitlements are settled via the overliftings/underliftings mechanism."

2. In the Section 2.5.5, page 21, in the sub-section on “Audits of Production Sharing Contracts Financial Quarterly Reports,” the first sentence is revised to: “BPMIGAS and BPKP conduct annual audits of PSCs with oil and gas production, with an audit scope addressing PSC oil and gas liftings and cost recovery aspects, including compliance with both the accounting provisions specified in the PSCs and the related Government regulations involving cost recovery and compliance with the regulatory regime pertaining to PSC operations.”
3. In Section 4.2.2, page 42 and 43 on “Comments on the reconciliation of government revenue stream information,” the discussion on adjustments by the Mahakam Block, Rimau Block and S&C Sumatera Block was revised to read:

“There are four significant differences involving Government oil and gas liftings and DMO oil which have not yet been adjusted. Two of the differences involve offsetting amounts of approximately US\$833 million for the two PSC Reporting Partners for the Mahakam Block PSC i.e. Total E & P Indonesia and Inpex Corporation. The differences involving the PSC Reporting Partners for the Mahakam Block are due to a difference in reporting basis between BPMIGAS and PNBK. BPMIGAS, consistent with its reporting basis for other PSC Operators has reported the position on an actual consolidated PSC liftings basis for Total E & P Indonesia, the PSC Operator. PNBK has reported the position for the Mahakam PSC based on the 50 : 50 ownership of the two PSC Reporting Partners – Total E & P Indonesia and Inpex Corporation.

The remaining two differences involve offsetting amounts of approximately US\$91 million for two PSC Reporting Partners i.e. PT Medco E & P Rimau (Rimau Block) and PT Medco Indonesia (S&E Sumatera Block), which PSCs are operated by the same group; these differences reflect the effect of the oil swap agreements between these two PSCs.”

4. In Section 5.1.1, page 53, in the sub-section on Settlement of Government’s lifting – oil and condensate, the second paragraph was revised to: “Pertamina’s settlements of amounts owing to the Government for inter-area shipments are reconciled on a periodic basis by a team (‘SATKER’) comprising of BPMIGAS, ESDM, Pertamina, Bank Indonesia and Ministry of Finance representatives.”

The third paragraph was revised to: “Part of the Government’s share of liftings of oil and condensate produced by PSCs is exported because it is not practical to refine such crude and condensate in Pertamina’s refineries. The settlements involving such exports are made to the State Treasury account at Bank Indonesia by the sellers appointed by BPMIGAS or the purchasers in accordance with the related sales contracts.”

Participants of the meeting signed and authorized the revisions that had been agreed, and it was declared that the Implementation Team approved the 2009 EITI Report.

The Chair closed the meeting at 17:00.