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## Indonesia plans 20pct foreign mining sale law

*Tuesday, 30 Jun, 2009*

Reuters reported that Indonesia plans to require foreign investors in mining firms to gradually divest shares starting from the fifth year of commercial production, but may relax this if no buyers are found.

A new mining law passed in December requires foreign investors to sell shares to either the government, state owned enterprises and or a local private entity.

Mr Bambang Gatot Ariyono director of coal and mining at the energy ministry said that in a draft regulation to the law, the government has proposed that foreign investors would have to gradually sell 20% after the fifth year of commercial production.

Mr Arivono said that "Each year, foreign shareholders will sell 5% and if they fail to do so, it will be accumulated in the following year. We proposed the figure since it balances the interests of investors and the government, adding the regulation would not apply to mining projects where the life span was less than five years."

Mr Ariyono said that the new rule would not apply a penalty to miners who were unable to find buyers, although the foreign firm would still be obliged to carry out a sale when a buyer was found.

He said that "Investors must carry out divestment until it finds a buyer but there won't be any risk of default, adding that the rule would be applied flexibly to remain attractive to investors. Foreign investors, who have a local partner owning more than 20 percent, would be exempted from the obligation.

Mr Priyo Pribadi Soemarno ED of the Indonesian Mining Association, which represents foreign and local mining interests, said that the 20% figure was acceptable. But it needs to clearly set out how to determine share prices, the source of funds and the local investors that are eligible to buy the shares.

Analysts have warned that the new divestment rule may stifle foreign investment if it did not address key issues such as finding local buyers, which is an obstacle for foreign shareholders when trying to meet divestment regulations.

The previous mining law, which dates from 1967, did not require foreign firms to divest although in some cases foreign mining firms were required under their contract to sell shares. The issue has led to several disputes involving global firms.

(Sourced from Reuters)

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