

# Tremors put Bali on alert

Ni Komang Erviani and Kharishar Kahfi

THE JAKARTA POST/DENPASAR/JAKARTA

Bali is bracing for another large-scale eruption of Mount Agung after authorities recorded on Tuesday the first series of overscale tremors coming from the volcano.

The tremors, which struck days after Mt. Agung's first magmatic eruption on Saturday, shook the area for around 30 minutes, starting from 1:30 p.m.

"[The tremors] may have been caused by heavy magma flows inside [Mt. Agung], so our tools were unable to [detect] them," said I Gede Suantika, the Volcanology and Geological Hazard Mitigation Center's (PVMBG) mitigation head.

He added that Mt. Agung had entered a critical phase that may lead to a bigger eruption.

"This means that a much larger volume of volcanic material will be coming out of the volcano," he said. "First, magma will burst out of the crater [...] like an explosion.

"Afterward, the magma will flow continuously. I'm afraid that this will happen soon and at once, in a big explosion."

Due to the tremors, people living around the volcano began leaving their homes on Tuesday evening. At least 50 people from Bebandem in Karangasem regency, located within a 12-kilometer radius from the crater, fled their village soon after hearing about the imminent eruption.

Ni Made Armawati, 41, left Bebandem on a truck with her hus-

Overscale tremors recorded at 1:30 p.m.

Police, military personnel deployed to help evacuation

band and six children, traveling 8-km to Bugbug village.

"We will sleep here tonight, in the car. This is for [our] safety. I am scared that the volcano will erupt," she said.

Some residents reportedly fled to neighboring West Nusa Tenggara province through Lembar Port in West Lombok regency.

Lembar Port spokesman Deny Nurdiana Putra confirmed there had been a 30 percent spike in passengers.

"As of Tuesday, we recorded at least 2,000 evacuees entering the province through Lembar Port," he said.

Bali Governor I Made Mangku Pastika said on Tuesday afternoon that at least 40,000 of the 70,000 residents from 22 villages impacted by the eruption had been moved to the nearest evacuation centers, most of which are located in Karangasem regency.

"The evacuation has been going well, as authorities alerted residents about the increased volcanic activity this morning," he said during a video conference with Coordinating Maritime Affairs Minister Luhut Pandjaitan.

Luhut said his office had been coordinating with local police and military personnel to pick up residents who had decided to stay in their homes.

"We will remove them [from the area] — by force, if necessary. We won't risk their lives," he said.

The Bali Police have mobilized around 700 personnel to help with the evacuation, as well as to safeguard residents staying at evacuation centers. They are being assisted by around 700 military personnel posted on the resort island.

"The military is also assisting in monitoring the volcano," said Bali Police chief Insp. Gen. Petrus Reinhard Goldose.

The emergence on Monday of tropical cyclone Cempaka, which is threatening to hit Java, has further exacerbated the situation by changing wind directions and blowing volcanic ash westward.

As a result, state-owned airport operator Angkasa Pura I decided to close I Gusti Ngurah Rai International Airport. The state firm, in cooperation with various airlines, has provided 60 buses a day to take stranded passengers to Surabaya, East Java, where they could take flights to their respective destinations.

"On Tuesday, 23 buses left for Surabaya. They will also carry passengers on their way back to Bali," Pastika said. "Fortunately, ferries continue to operate as normal."

The closure of Ngurah Rai airport also affected flights to East Nusa Tenggara (NTT), as Komodo Airport authorities in Labuan Bajo, Flores, have been cancelling flights from and to Denpasar since Monday.

As of Tuesday evening, low-cost carrier Citilink Indonesia has canceled 36 flights to and from Denpasar. It is waiting for further updates before deciding to cancel flights on Wednesday.

Luhut asserted that tourists would not be charged for bus services or flight cancellations.

"Foreign tourists whose visa are expired will also be granted an additional one-week visa," said Tourism Minister Arief Yahya.

PANCA NUGRAHA AND MARKUS MAKUR CONTRIBUTED TO THE STORY FROM MATARAM, WEST NUSA TENGGARA AND FLORES, EAST NUSA TENGGARA

# Emergency plans enacted

Marguerite Afra Sapiie  
and Ni Komang Erviani

THE JAKARTA POST/JAKARTA/  
DENPASAR

Frenchman Etienne Viollet tried to make the most of his time while stranded on the world-renowned resort island of Bali by touring Penataran Agung Lempuyang Temple in Karangasem regency to witness the eruption of the island's highest peak, Mount Agung.

Viollet, who has already spent two months vacationing on the island, has been stranded for three days after his flight to Kuala Lumpur was canceled following the temporary closure of I Gusti Ngurah Rai International Airport on Monday. "This means more holiday time in Bali. I can enjoy another few days here," he said.

Viollet, along with other foreign tourists, has been granted a free visa extension by the government. After a one-month extension, his visa expired the day he was supposed to fly out to Kuala Lumpur, so he acquired a one-week extension to see him out before leaving the island on a rescheduled flight on Sunday.

Free visa extensions are one of the measures enacted by the government to assist foreign tourists stranded on the Island of the Gods. Tourism Minister Arief Yahya said foreign tourists in Bali were eligible to take advantage of the service, which provided a one-week visa extension, extendable to one month upon request.

As of Wednesday, the immigration office in Bali reported that 215 foreign tourists had extended their visas and that the number was expected to rise. "Local tourists are able to manage themselves after departing to the west [via sea] from Bali, so our utmost concern right now is for foreign tourists," Arief said during a press conference after a coordination ministerial meeting in Jakarta on Wednesday.

At least 60,000 foreign tourists and 100,000 domestic tourists are currently in Bali, according to the ministry's estimates.

Bali, which welcomes around 600,000 foreign tourists each month, has witnessed a decline in tourism following the increased seismic activity of the volcano. The alert status for areas around the volcano was set to the highest level following its first magmatic eruption last weekend.

The spread of volcanic ash forced Ngurah Rai airport to be closed on Monday. The airport was reopened on Wednesday afternoon, after the Volcano

Government provides free visa extensions for up to one month for foreign tourists

Assistance prepped for evacuees, tourists

Observatory Notice for Aviation (VONA) level was decreased from red-green to orange-green, indicating that Bali's airspace was safe for flights.

Following the eruption, government officials have scrambled to provide assistance to foreign tourists, including requesting airlines to exempt passengers from cancellation fees. Hotels and other lodgings in Bali were requested to provide one night's free accommodation upon the airport's closure and a 50 percent discount for the next night, for tourists who wanted to extend their stays on the island.

President Joko "Jokowi" Widodo has also called for his aides to provide support to Bali's administration to help with the management of evacuees.

"Everything must be backed up. I pray no one falls victim to the eruption," he said, adding that he had also directed officials to provide assistance to tourists seeking to depart from the island.

As of Wednesday, at least 43,358 residents from dozens of villages put at risk by the eruption had been moved to 229 evacuation centers, most of which are

located in Karangasem regency, where Mt. Agung is situated.

National Disaster Mitigation Agency (BNPB) head Willem Rampangilei said the government had set aside Rp 7.5 billion (US\$555,000) as an emergency relief fund intended to assist residents at evacuation centers, including by providing basic needs such as water facilities, staple foods and medicine.

The volcano continued to display relatively high magmatic activity on Wednesday as tremors and minor eruptions continued to send volcanic ash plumes into the sky, Kasbani, the mitigation head of PVMBG, said.

Amid the eruption, South Korea President Moon Jae-in has ordered his country's Foreign Ministry to consider sending chartered planes to escort hun-

dreds of South Korean nationals home from Bali, the *Korea Herald* reported on Wednesday.

British Ambassador to Indonesia Moazzam Malik said in a statement that a team from the embassy was present at the international departures terminal of Ngurah Rai airport to provide advice to British nationals.

# Moody's projects modest growth

**Prima Wirayani**  
THE JAKARTA POST/JAKARTA

Although the government has expressed optimism over the country's economic prospects next year, international credit rating agency Moody's Investors Service, one of the world's "big three" rating agencies, holds a more moderate view.

Moody's projects Indonesia's gross domestic product, (GDP) to expand by 5.2 percent in both 2018 and 2019, slightly more than the agency's projection of 5.1 percent this year.

The projections are lower than the government's target of 5.4 percent in 2018 and 5.17 percent by the end of this year.

"The country's overall growth is stable and will continue [to grow] at a similar rate in the next couple of years," said Anushka Shah, Moody's sovereign risk group assistant vice president-analyst, recently.

Indonesia's growth projection, she went on, was based on its relatively benign trend of household consumption, which had not seen a sharp pick-up until recently.

She said investments were edging higher, but infrastructure constraints held back potential growth, while bank loans grew steady.

"It's likely the trend continues next year," Shah said.

The economy, the largest in Southeast Asia, expanded by 5.03 percent from January to September this year. In the third quarter alone, it grew by 5.06 percent after it stagnated at 5.01 percent two quarters earlier.

The performance after nine

Agency projects stable growth in next couple years

Rating may improve if tangible evidence from ongoing reforms shown

months prompted the government to estimate that economic growth would reach a maximum of 5.17 percent, lower than the 5.2 percent set in the revised 2017 state budget.

Private consumption, which accounts for more than half of the country's GDP, slowed to 4.93 percent year-on-year (yoy) from 4.94 percent booked in first six months of this year.

"The reason [for the decrease in consumption] could be that the [central bank's] accommodative policy rate hasn't really translated into [lower] lending rates of the same magnitude," Shah said.

Bank Indonesia (BI) has cut this year 50 basis points (bps) off of its 4.25 percent policy rate — the BI seven-day reverse repurchase rate — bringing it to a total of 200 bps cut since January last year.

However, the lending rate only lowered by 128 bps as of October.

Shah added that consumption habits were adjusted because of rising electricity prices that came as a result of the government's subsidy cuts.

On a broader view, Moody's noted that the government's reform efforts progressed gradually, as economic policy packages had prompted the agency to rate them as "credit positive."

However, the window of op-

portunity for reform is narrowing as Indonesia approaches political years in 2018 and 2019.

Moody's rating for Indonesia is currently Baa3 with a positive outlook, equal to the lowest investment grade, but the agency determined that the level could be upgraded through progress in sustainable reduction of external vulnerabilities, including relying less on external debts.

Furthermore, tangible evidence of enhanced governance and policy effectiveness may improve Indonesia's rating, Moody's wrote in its report.

Ongoing reforms positively impacting domestic and foreign investments and diversity and sustainability of government revenues are factors that could improve the country's rating.

Globally, Moody's expects a steady expansion of the economy at slightly above 3 percent in 2018 and 2019, similar to the 2017 estimate, said Credit Strategy and Research Group vice president and senior analyst Joy Rankothge.

"The important theme underpinned in the growth is that the global monetary policy would be largely accommodative, still pro-growth and create a stable climate," he said.

He projected G20 countries to grow by an average of 3.2 percent next year versus 3.1 percent estimated in 2017.

Emerging G20 economies are projected to grow by 5.4 percent next year, higher than the 5 percent estimated in 2017. Meanwhile, advanced G20 economies are expected to grow by 2 percent in 2018, slightly lower than this year's projection of 2.1 percent.

# Easing of banking rules set to boost loan growth

Anton Hermansyah,  
Prima Wirayani and  
Marchio Gorbiano

THE JAKARTA POST/JAKARTA

Bank Indonesia (BI) will further relax several banking rules to boost loan growth as it expects to help banks and the business world to seize the momentum of economic recovery.

During BI's annual meeting on Tuesday evening, BI Governor Agus DW Martowardojo said the central bank would expand the existing averaging-primary reserve requirement (GWM) to be applied for foreign currency-denominated third party funds and sharia banks.

The existing GWM averaging rule only applies to conventional banks and rupiah-denominated third party fund only.

"We will expand the application of GWM averaging to include both rupiah and foreign currency-denominated third party fund for both conventional and sharia banks," Agus said at the event, which is popularly known as the "Bankers' Dinner."

"We also plan to adjust the ratio and extend the period of GWM averaging."

BI has been applying the GWM averaging regulation since December 2016 to relax the banks' fund structure.

In the previous GWM rule, banks had to set aside a daily reserve each day at 6.5 percent of third party funds. Now, banks should only meet 5 percent within two weeks.

The upcoming GWM averaging rule is expected to be completed in early 2018.

The central bank will apply

BI to expand existing averaging-primary reserve requirement

Loan-to-value ratio to have more diverse category of assets

more detailed macroprudential policy by segmenting the loan-to-value (LTV) policy, with different categories of assets such as private housing, subsidized housing, office, and workshops having a different percentage of LTV.

"The targeted LTV is purposed to mitigate bubble risk in a more specific way based on the sectors," Agus said.

The LTV policy regulates the maximum loan that can be given to purchase assets as well as regulating the amount of down payments. Currently, BI regulates 80 percent LTV or 20 percent minimum down payment for installments.

With more relaxed rules on bank reserves and a macroprudential side, lenders will have more room to increase their loans as an effort to support the country's economic growth and seizing the momentum next year.

Despite growing at a higher rate this year, Indonesia's economy lagged behind global economic recovery, Agus said.

BI expected that Indonesia's economy would grow at 5.1 percent in 2017, only slightly higher than 5.02 percent seen last year. Agus said the growth was unresponsive enough compared to the faster rate of global economic recovery as the World Bank had projected at 2.7 percent in 2017, compared to 2.4 percent last year.

Despite BI having done a number of monetary and macroprudential easing efforts, such as cutting its reference rate, relaxing the LTV ratio and loosening the GWM, loan growth remained sluggish at 7.86 percent year-on-year (yoy) as of September.

It had prompted the central bank to cut the loan growth target to between 7 and 8 percent yoy compared to the initial projection of double-digits earlier this year.

Agus said the problem was the real sector, in which Indonesia remained highly dependent on commodity exports, while its export market concentrated only on several countries, such as China.

"Indonesia has a high dependency on foreign financial services

as domestic financial services are not optimal yet," he added.

Finance Minister Sri Mulyani Indrawati said the development of the Indonesian financial market should be enhanced further to support more project financing as it seems to have limited financial instruments despite rising third-party funds in banks.

Despite believing that the upcoming BI policies would help lenders reduce cost of funds, Bank Mandiri president director Kartika Wirjoatmodo argued that the problem lay more on the weak loan demand from the real sector.

"Regulators have loosened their monetary policies. Now it depends on how to boost real sector so demand can increase," he said.

## MINING

## RI plans for progressive increase in gold royalty rate

Viriya P. Singgih

THE JAKARTA POST/JAKARTA

The government plans to introduce a progressive gold royalty scheme to reap higher revenues when prices are bullish, a move that might force miners to amend their contracts.

At present, Government Regulation (PP) No. 9/2012 stipulates that all gold miners must pay a flat royalty of 3.75 percent of their sales price. However, the rate would progressively increase once the market price surpasses US\$1,300 per troy ounce under the new scheme.

The royalty would increase by 0.25 percent for each \$100 price hike. For example, gold miners would pay a 4 percent royalty when the price fluctuates between \$1,300 and \$1,400 and 4.25 percent when the price is between \$1,400 and \$1,500.

"The reason behind this plan was to ensure that the government always benefited from the global price hike. That's all," Bambang Susigit, the Energy and Mineral Resources Ministry's minerals business supervision director, said recently.

"We wanted the benefits gained by gold miners to also be distributed to the government in order to boost non-tax revenues [PNBP]."

PNBP from the minerals and coal sector reached Rp 35 trillion (\$2.59 billion) as of Nov. 17, surpassing the full-year target of Rp 32.7 trillion.

The government plans to launch the new royalty scheme through the revision of PP No. 9/2012, the draft of which is currently being reviewed by the Office of the Coordinating Economic Minister.

However, Bambang said the

government needed input from all relevant stakeholders before issuing the revised regulation, while also waiting for the settlement of a dispute concerning gold and copper miner PT Freeport Indonesia (PTFI).

Since early this year, negotiations between the government and PTFI over the latter's future operations in the country have seemingly gone nowhere.

To encourage the company to convert its contract of work (CoW) into a special mining license (IUPK), the Finance Ministry is currently drafting a new regulation that would guarantee investment stability for all miners.

Under the new regulation, miners that have converted their CoW will be required to follow prevailing laws, including ones related to royalties.

PTFI agreed in 2014 to amend its royalty agreements with the government in its CoW. As a result, its royalties for copper and gold increased to 4 percent and 3.75 percent, respectively, from initial rates of 3.5 percent and 1 percent.

Bambang added that other CoW holders would also need to amend their royalty agreements in line with the new scheme.

Overall, the government hopes to amend 68 coal contracts (PKP2B) and 34 mineral CoW before the end of the year to meet the mandate of the 2009 Mining Law. However, only 50 PKP2B and 20 CoW have been revised this year.

"It is not fair if there is no adjustment for the royalty when the price is below \$1,300 [per troy ounce]. It might be better if the government considered revising the price floor to relieve a miner's burden when the price reaches its lowest point," Indonesian Mining Institute (IMI) chairman Irwandy Arif said.

## PALM OIL

# RSPO calls for 'workable' single sustainability standard

Stefani Ribka

THE JAKARTA POST/JAKARTA

A single sustainability standard on palm oil being pushed by the European Parliament should have an impact on the ground rather than merely on paper, businesspeople and government officials have suggested.

The standardization should result in better protection for the environment and acceptable palm oil products in the market, said Datuk Darrel Webber, CEO of the Roundtable of Sustainable on Palm Oil (RSPO), in a teleconference from the RSPO's 15<sup>th</sup> annual meeting in Bali on Wednesday.

"Any good changes on the ground like improving the lot of smallholders and protecting the environment is what counts; and also whether the market accepts it," he told journalists worldwide.

Earlier this April, the European Parliament issued a resolution to push for a single certification scheme for palm oil entering the eurozone and phase out the use of palm oil in biofuels; the production of which leads to deforestation by 2020.

Although the resolution is not legally binding, the European Union continues efforts to improve sustainable practices in the palm oil industry in the local market, said EU Ambassador to Indonesia Vincent Guerend.

"We already started [the resolution] and are willing to continue discussion with the Indonesian government, all the stakehold-

ers from Gapki [Indonesian Palm Oil Producers Association] and others to see how to improve the standards," he said recently.

"[There are] independent EU experts now working comparing the various certificates and how to improve them."

The RSPO is ranked the world's best palm oil certification in the latest report by NGO the Forest Peoples Programme (FPP), even though it still has significant issues to address.

The government-backed Indonesian Sustainable Palm Oil (ISPO), meanwhile, sits at the bottom of the list among six certifications worldwide, as it "provides very little protection for human rights and community livelihoods."

"The main challenge for the RSPO is to ensure its members actually apply the standards," said Angus McInnes, the FPP report's author, in a statement.

Started in 2004 as a multi-stakeholder non-profit initiative for a more sustainable palm oil industry, the RSPO bases its evaluation on eight principles, including commitment to transparency, law compliance and best practices in plantation and factories.

With more than 2,500 members comprising palm oil growers, processors, buyers, retailers — such as Unilever and Marks and Spencer — and financial institutions in more than 90 countries, the initiative also has smallholder "super funds" amounting to US\$4 million.

The "super funds" are free assistance for farmer's groups who

have made proposals to the RSPO.

As of June, the number of smallholders with RSPO certification had reached 139,123 farmers, a 27.1 percent increase year on year (yoy), while RSPO-certified plantations covered 3.2 million hectares, a 14 percent increase, in 16 countries.

Indonesia's RSPO-certified plantation areas increased by 13.3 percent to 1.7 million ha, 53 percent of the worldwide coverage.

Despite pressure from the EU, palm oil product imports from Indonesia to the bloc had increased by 36 percent in value and by 19 percent in volume as of August, EU data show.

Fadhil Hasan, board member of Gapki, said the group supported the market demand for more sustainable palm oil, but insisted that all standardizations should acknowledge and support each other.

With such support, he said businesspeople only needed to apply for one certificate in a bid to cut costs, as studies showed that each had its own strengths and weaknesses.

He said the EU's study compared four standards, namely the RSPO, ISPO, Malaysia Sustainability Palm Oil (MSPO) and International Sustainability and Carbon Certification (ISCC).

The ISCC was strong in the environmental protection aspects, while the RSPO did well in social aspects and the ISPO scored the lowest because of a lack of transparency. The MSPO, meanwhile, was moderately better than the ISPO, he said, referring to the report.

# Inalum to boost downstream plans

Viriya P. Singgih

THE JAKARTA POST/JAKARTA

The newly formed state-owned mining holding company PT Indonesia Asahan Aluminium (Inalum) plans to intensify efforts to boost its downstream businesses by allocating at least Rp 8.1 trillion (US\$567 million) in capital expenditure for various expansion plans in 2018.

This month, President Joko "Jokowi" Widodo's administration issued Government Regulation (PP) No. 47/2017 on additional state capital injection for aluminum producer Inalum, paving the way for the company to become a holding for three different state miners, namely PT Aneka Tambang (Antam), PT Timah and PT Bukit Asam, through the transfer of assets.

Inalum's transformation into a mining holding company was made official on Wednesday, when shareholders of the three state miners gave their approval in three consecutive extraordinary general shareholders meetings in Jakarta.

"We will spend the next three months formulating our short-term and long-term strategies," Inalum president director Budi Gunadi Sadikin said.

As a result, Inalum is expected to operate more efficiently with bigger assets and a stronger financial capacity.

Its capital expenditure for next year is projected to reach between Rp 8.1 trillion and Rp 9.6 trillion, and will contribute to activities such as the development of a smelter-grade aluminum refinery (SGAR) in Mempawah, West Kalimantan.

New holding company Inalum to allocate at least Rp 8.1 trillion for downstream expansion

May consider moving location for construction of PTFI's new smelter to Papua, NTB

Inalum and Antam signed a memorandum of understanding with the Aluminium Corporation of China (Chinalco) in December 2015 to jointly develop the SGAR with a total investment value of around \$1.8 billion.

The first development phase of the SGAR is expected to be complete in 2019 so that it can produce 1 million tons of aluminum a year. Its capacity will later be expanded to 2 million tons a year by 2025.

Inalum is also projected to acquire gold and copper miner PT Freeport Indonesia (PTFI) by the first quarter of 2019 at the latest, and take over the latter's responsibilities for building a new smelter.

At present, PTFI operates the world's largest gold and second-largest copper mine in Grasberg, Papua.

PTFI has calculated it would need \$2.2 billion for the development of its new smelter in Gresik, East Java. The facility will have an annual input capacity of 2 million tons of copper concentrate and an output capacity of 460,000 tons of copper cathode and 5,800 tons of anode slime, among other products.

However, Inalum has not decided if it will go along with PTFI's initial plan to develop the new smelter in Gresik or consid-

er other prospective locations, including in Papua or West Nusa Tenggara (NTB).

"One thing is for sure, we will need to develop a precious metal refining facility to process the copper cathode into pure copper and extract gold and silver from the anode slime. The investment for this facility might only require \$100 million. So, it's far less costly," Budi said.

Separately, Antam president director Arie Prabowo Ariotedjo said his side had been searching for strategic partners to jointly develop a stainless steel factory, through which the company could further utilize its huge nickel resources and reserves, estimated to stand at 857.8 million tons and 130.5 million tons, respectively, as of last year.

"We are looking for partners that have extensive experience, particularly in marketing stainless steel," Arie said, adding that future partners would need to possess advanced technology in addition to strong financing capacity.

Meanwhile, Timah president director Riza Pahlevi Tabrani said his company was in the process of acquiring new tin mining assets in order to enhance its tin reserves and production capacity, though no further details were immediately available.

Bukit Asam also plans to team up with Antam and Inalum to develop coal-fired power plants with a combined capacity of 1,000 megawatts (MW) with a total investment of around \$1.5 billion within the next two years to support the operation of various mineral processing facilities owned by the holding firm.

# New refineries on horizon in East Java

Viriya P. Singgih

THE JAKARTA POST/JAKARTA

State-owned energy giant Pertamina is making progress in its plan to jointly develop the new Tuban refinery in East Java with Russian oil firm Rosneft following the signing of a deed of incorporation for a joint venture to develop the US\$15 billion facility.

Pertamina subsidiary PT Kilang Pertamina Internasional (KPI) controls 55 percent of the joint venture dubbed PT Pertamina Rosneft Pengolahan Petrokimia (PRPP), while Rosneft's affiliate Petrol Complex Pte. Ltd. owns the remaining 45 percent.

The Tuban facility, slated for completion in 2024, will have the capacity to refine 300,000 barrels of oil per day (bopd) and produce 80,000 barrels of gasoline, 99,000 barrels of diesel Solar and 26,000 barrels of jet fuel on a daily basis.

"This project will strengthen Indonesia's energy resilience and sovereignty as we would be able to increase the country's fuel production in the future," KPI director Achmad Fathoni Mahmud said after the signing of the agreement on Tuesday.

Within the first nine months of 2017, Indonesia imported 19.6 million kiloliters of fuel, 85.9 percent of last year's total of 22.8 million kiloliters, according to the Energy and Mineral Resources Ministry.

PRPP will soon prepare an engineering package before it reaches the final investment decision (FID) and starts the construction process.

Furthermore, Pertamina will also team up with Saudi Arabian oil giant Saudi Aramco to upgrade the Cilacap refinery, also in East Java, with a total investment value of around \$5.8 billion. The upgraded facility will have the capacity to refine 400,000 bopd, up from the current 348,000 bopd, once it is complete in 2023.

Pertamina petrochemical and processing megaprojects director

Pertamina, Rosneft subsidiaries establish joint venture to develop, operate new Tuban refinery

Tuban facility will have refining capacity of 300,000 bopd

Ardhy N. Mokobombang said earlier this month that the company had completed the feasibility study for the Cilacap project and aims to finish the land procurement process by year-end.

Unlike the Tuban project, Pertamina and Aramco will jointly conduct an engineering package before establishing a joint venture, in which Pertamina would also control the majority stake of 55 percent.

Pertamina expects the joint venture development agreement

to be completed by the end of the year, with detailed arrangement on the crude supply and offtake agreement.

Pertamina was previously made the sole offtaker for fuel produced at the Tuban and Cilacap refineries. However, as the energy giant would risk a significant increase in its debt covenant since it would burden all the debt alone, it has since proposed readjustments for the two projects in which the offtake agreement would be in line with the shares portion of all stakeholders.

Pertamina is expected to closely monitor its financial state amid mounting tasks assigned in both the upstream and downstream sectors.

Pertamina saw its revenue climb by 17.8 percent year-on-year (yoy) to \$31.38 billion between January and September. Nonetheless, its net income fell

by 29.7 percent to \$1.99 billion, driven by a 27 percent increase in its cost of goods sold and operating expense.

Commenting on Pertamina's situation, Deputy Energy and Mineral Resources Minister Arcandra Tahar said that his ministry considered adjusting the price formula for fuel sold by the company.

Since April 2016, the government has maintained the price of Premium gasoline with a research octane number of 88 at Rp 6,450 (49 US cents) per liter and subsidized diesel Solar at Rp 5,150 per liter, forcing Pertamina to bear the burdens when the prices are below their real economic value.

"We are currently evaluating it. [...] We'll see whether there is room for the government to review the cost structures in the formula," Arcandra said.



ENERGY

# Bright future set for renewable sector

Viriya P. Singgih  
THE JAKARTA POST/JAKARTA

The 43,000-hectare Cirata Dam complex is a quick getaway for people living in West Java, the country's most-populated province. It is especially known for its calming water vista and sunshine.

The Cirata Dam is known as the largest hydropower facility in Southeast Asia with a total capacity of 1,008 megawatts (MW) of electricity. Within the next few years, it will hold another title as home to the largest floating photovoltaic power plants that will generate another 200 MW.

PT Pembangunan Jawa Bali (PJB), a subsidiary of state-owned electricity firm PLN, signed a project development agreement on Tuesday with renewable energy company Masdar from the United Arab Emirates (UAE) to develop the floating facility worth US\$300 million.

PJB and Masdar will utilize 220-ha of the Citara Dam's 6,000-ha water surface to install the solar panels. The two parties expect to sign a power purchase agreement (PPA) for the project by year-end, before establishing a joint venture and commencing construction of the facility within 16 to 20 months. PJB will control 51 percent of the joint venture.

"When it is complete, the solar plant will generate electricity during the day, while the hydropower facility will be used at night," PJB president director Iwan Agung Firstantara told *The Jakarta Post* on Wednesday.

As the solar panels will be installed on a cold water surface, Iwan said PJB could boost the efficiency of the facility by 10 percent.

The agreement between PJB and Masdar is a follow-up to the signing of a memorandum of understanding (MoU) between Indonesia and the UAE during a visit from UAE Energy Minister Suhail Mohamed Faraj Al Mazrouei to Indonesia in May.

During the visit, Al Mazrouei expressed the UAE's intention to invest around \$5 billion in solar energy, among others.

Deputy Energy and Mineral Resources Minister Arcandra Tahar welcomed the signing between PJB and Masdar. He said the government would provide several incentives, such as a tax allowance, to make the project more economically viable.

He said it was important for PJB and Masdar to ensure the affordable price of electricity produced from the solar plant. Hence, he expected the price to stand below 6.5 US cents per kilowatt hour (kWh).

Although Indonesia is known for its rich natural resources, the country only had renewable power plant capacity of 6,003-MW as of 2016, 66.8 percent of which came from 4,010 MW of hydropower plants.

Based on its electricity procurement business plan (RUPTL) for the 2017-2026 period, PLN envisions the development of additional renewable power plants with a total capacity of 21,549 MW, which will help increase the portion of renewables in the country's electricity generation to 22.5 percent from 11.9 percent.

PLN has signed PPAs with developers of various renewable plants with a total capacity of 1,189.2 MW since January.

On Wednesday, PLN signed an MoU with the Danish Energy Agency and Danish Embassy in Indonesia on economic modeling for an electricity dispatch center, through which the company will be assisted in getting more renewable energy into its system.

During the event, Energy and Mineral Resources Minister Ignasius Jonan asked Danish Prime Minister Lars Løkke Rasmussen to invest in renewable projects.

"Just make a proposal and send it to PLN or my office. Then, I will decide whether it's OK," Jonan said.

# Airlangga, Idrus seek Golkar's top post

Nurul Fitri Ramadhani  
and Rachmadea Aisyah  
THE JAKARTA POST/JAKARTA

The Golkar Party's extraordinary national congress (Munaslub) has yet to be scheduled, however competition for the party's chairmanship has begun to heat up, with two senior members — Industry Minister Airlangga Hartarto and acting chairman Idrus Marham — expressing their readiness to take over the top post.

Airlangga claims he has secured support for his bid from the majority of Golkar's Regional Representatives Council (DPD) members.

The DPD leaders from across 34 provinces hold the right to determine when and whether a Munaslub to elect a new chairman should take place.

Airlangga said he had met with President Joko "Jokowi" Widodo last week to get permission to run in the chairmanship race, which is considered necessary given he is a member of Jokowi's Cabinet.

"Yes, I have secured permission [from Jokowi] and support [from DPD members]," Airlangga told *The Jakarta Post* on Wednesday. "I'm ready [to be a chairmanship candidate]."

Airlangga is said to be the strongest hopeful to replace Setya Novanto as Golkar chairman, with most executives on the party's central board having also shown support for Airlangga's bid.

However, on Wednesday, Idrus said he was also ready to contest the chairmanship, claiming that he had also met with Jokowi to seek "approval"

"God willing, I'm ready to be the next party chairman," Idrus said.

Jokowi confirmed Airlangga had met with him to discuss his intention to run for Golkar chairman, although he also said he considered it Golkar's business and that the government would not interfere.

In addition, Vice President Jusuf Kalla, who is also a former Golkar chairman, expressed his support for the industry minister, saying that Airlangga was the most capable figure to lead the party as he had a clean track record.

Airlangga was Golkar's deputy treasurer from 2004 to 2009, when the party was under Kalla's

Both candidates claim to have received permission from Jokowi

26 out of 34 Golkar DPD leaders recommend Munaslub

leadership. Airlangga also has a long track record as a technocrat and in the business sector.

"Not many people have as much as talent as he does," Golkar deputy secretary-general Ace Hasan Syadzily said.

Idrus, meanwhile, is confident about his candidacy, citing his experience as a member of the party's executive board and strong influence in the grass roots.

"In less than two years, the nation will hold both legislative and presidential elections. Only a person who has a strong network and support from the grass roots can lead the party successfully in facing the elections," Idrus said.

Meanwhile, Paramadina University political communications expert Hendri Satrio claimed Airlangga had no support from Golkar's grass roots, and, therefore, he could only rely on his clean track record to win support.

Idrus, meanwhile, has strong ties with Setya loyalists, however, his intention to run for the chairmanship has raised questions.

"Whether he's serious or not, we don't even know. In the [previous] 2016 congress, Idrus, at first, declared his intention to run, but at the end he stepped back," Hendri said, recalling a 2016 congress in which former House of Representatives speaker Ade Komarudin ran against Setya.

The party has yet to schedule a date for the congress as some factions, believed to be Setya loyalists, insist on waiting for a decision in his pretrial motion, the hearing of which will commence on Thursday.

However, as of Wednesday, 26 Golkar DPD leaders had signed a recommendation letter demanding that the central board hold the Munaslub immediately, or sometime in mid-December, Golkar West Java chairman Dedi Mulyadi told the *Post*.

Golkar's central executive board can hold a Munaslub if at least two-thirds of Golkar DPD members agree to hold such a congress.

# Sectarian card likely played in regional polls

Safrin La Batu  
THE JAKARTA POST/JAKARTA

When the Jakarta gubernatorial election ended in April, there were resounding calls for people to stop allowing religious and ethnic sentiment divide the nation.

The Jakarta poll has been recorded among the worst elections owing to the rise of sectarianism that left the country polarized.

However, what happened in Jakarta is likely to occur in other areas when 171 simultaneous regional elections (Pilkada) take place in June 2018, as indicated by the newly released Elections Vulnerability Index.

Released by the Elections Supervisory Agency (Bawaslu) on Tuesday, the study found that eight of the 17 participating provinces in the regional elections are considered highly vulnerable to the use of religious and ethnic issues in political campaigns.

The eight provinces are North Sumatra, South Sumatra, West Nusa Tenggara (NTB), West Kalimantan, East Kalimantan, Maluku, North Maluku and Papua.

Also, 11 out of 154 participating regencies and cities are regarded as highly prone to smear campaigns.

There are different factors that allow such a situation to occur, according to the index, including familial relations among candidates running in the same province.

In NTB, for example, when a gubernatorial candidate is related to a candidate vying for a regency leader post in the same province, there is a higher likelihood that religious and ethnic issues will be used to sway votes.

In Papua, Maluku and North Maluku, the influence of religious and tribal leaders allowed religious and ethnic issues to be abused in elections, the study found.

Such problems can be exacerbated through social media, which has become an increasingly popular campaign tool for politicians.

"Identity politics can be more threatening if not anticipated. Nowadays, people spread hate speech pertaining to ethnicity, race and religion," Bawaslu's coordinator for prevention and campaigns, Muhammad Afifuddin, said on Tuesday.

According to the study, Papua, Maluku and West Kalimantan are the provinces most vulnerable to conflict, with scores of 3.41, 3.25 and 3.04, respectively.

On a scale of 0 to 5 in the index, a score from 3 to 5 is considered

Nov. 29, 2017  
JBS

Papua, Maluku, West Kalimantan most prone to conflict

Central Java, Bali, Lampung least vulnerable provinces

high in terms of vulnerability to conflict; 2 to 2.99 is mild and a score of 0 to 1.99 is low.

Meanwhile, the provinces least vulnerable are: Central Java, Bali and Lampung, with scores of 2.15, 2.19 and 2.28, respectively.

A province is rated based on whether it can foster the necessary conditions for an election to be run democratically with no issues, Bawaslu chairman Abhan said.

Bawaslu scrutinized three factors in the study: whether an election can run without any foul play by the local office of the General Elections Commission (KPU) in the respective region, whether competition among candidates can be fair and whether voters can cast their ballots freely.

"We need to map the regions as early as possible to allow relevant security authorities to take the necessary measures [in preventing possible conflict]," Abhan said.

A total of 171 regions will hold simultaneous elections next year, including 17 provinces, 39 municipalities and 115 regencies, more than the 101 regions that participated in the regional elections this year, which also included Jakarta.

In anticipation, security measures will be tightened in each region participating in next year's elections, said the National Police's head of intelligence and security, Comr. Gen. Luthfi Lubihanto.

He said, however, that the massive mobilization of personnel from one region to more vulnerable regions to safeguard the elections would be impossible, given the huge number of regions participating in the upcoming elections.

"The National Police chief [Gen. Tito Karnavian] has ordered that each regional police should ensure security in their respective jurisdictions. What we can do is [ask each police station] to focus on their areas," Luthfi said.

The government, through Home Minister Tjahjo Kumolo, has promised to take stern action against individuals spreading fake news and hate speech on social media to minimize the impact of the abuse of identity politics.

## Skills gap hurts chances of Indonesia workers

Rachmadea Aisyah

THE JAKARTA POST/ALANIA

The discrepancy between the skills of Indonesian migrant workers and skills required by employers has become a major stumbling block that threatens to reduce the former's opportunities in the global market.

Data from the World Bank (WB) shows that approximately 9 million Indonesians worked overseas last year, equal to 7 percent of the domestic workforce.

They contributed Rp 118 trillion (US\$8.74 billion) in remittances to state revenue. The figure equals to nearly 1 percent of the country's total gross domestic product (GDP) in 2016.

During a discussion on the launch of its latest report ti-

tled "Indonesia's Global Workers: Juggling Opportunities and Risks" on Tuesday, WB senior economist Ririn Salwa Purnamasari said that many Indonesian migrant workers were found to be unqualified, even in low-skilled jobs related to child care and domestic work, for example.

"Indonesia's biggest challenge is to improve the skills of its migrant workers, as required by international standards," Ririn told reporters after the discussion.

The lack of sufficient skills, along with weak educational backgrounds, means that Indonesia's migrant workers are also losing job opportunities to their Southeast Asian peers, including from the Philippines and Vietnam, she added.

The report, based on data from

a national social economy survey (Susenas) conducted in the fourth quarter of 2013 and the first quarter of 2014, surveyed 3,940 households across 15 provinces that produce the most migrant workers.

Of the total households, 4,660 individuals were defined as migrant workers, of which 2,200 were former migrant workers.

Ririn also revealed that working overseas helped improve workers' skills, with 77 percent of former migrant workers claiming to have received better job opportunities upon returning home.

Nusran Wahid, head of the Agency for the Placement and Protection of Indonesian Migrant Workers Abroad (BNP2TKI), confirmed that lack of skills among Indonesian workers was an issue, attributing the weakness

to inadequate training centers preparing them for overseas jobs.

"Training modules only estimate what employers want from their employees, instead of what they require," Nusran said. "We never bring in internationally acclaimed trainers or collect testimonials from employers."

Nusran further indicated that the participation of foreign investors in training centers might help turn the situation around.

Meanwhile, Manpower Minister Hanif Dhakiri blamed the skills gap on poor education.

"Our entire education and basic training schemes are too rigid and not demand-driven. Therefore, educational reforms are necessary. They should be more geared toward market demand, be it formal or non-formal jobs," he said.

# Jokowi and political rivalries ahead of 2019 election

**W**ith the presidential election less than one-and-a-half years away the electoral battle has already begun. Political party machines are gearing up, opinion wars are escalating and powerful elites are exploring possible alliances through ever intensifying political communication.

Using terms coined by James P. Carse in *Finite and Infinite Games* (1987), elections can be seen as "finite" games, which, in Indonesia's case, take place every five years. Today, however, election battles have shifted to become unlimited or "infinite" games. Even after elections are over, a struggle over interests continues.

For example, the polarization that resulted from the 2014 presidential election can still be felt today. From the level of the elites to that of the lay people, this polarization has become evident in various channels of mass communication. The fight appears eternal, going beyond the timeline of the election itself.

From the perspective of communications analysis, our current political situation displays the characteristics of relational dialectics. Leslie Baxter and Barbara Montgomery in *Relating Dialogues and Dialectics* (1996) define relational dialectics as a situation characterized by the ongoing tension among contradictory impulses.

Politics is full of jostling, particularly in the mass media and on social media. Political tensions often become heated, even to boiling point, as we observed in the Jakarta election earlier this year.

At the same time, party alliances, both inside and outside of power, seem very fluid and continue to change as a consequence of developments in political dy-

namics. The House of Representatives' endorsement of the Election Law is just one example. On paper, the ruling coalition holds nearly 70 percent of House seats. In reality, however, one of the ruling coalition members, the National Mandate Party (PAN), joined the opposition bloc in a walk out of a plenary House session.

PAN's defiance reminds us of the attitude of the Prosperous Justice Party (PKS), which opposed the official stance of the ruling coalition that supported the government of former president Susilo Bambang Yudhoyono (SBY) on matters relating to fuel price hikes and the House's investigation into a controversial bailout of Bank Century.

The maneuvering of elites, demonstrated by President Joko "Jokowi" Widodo, Gerindra Party chairman Prabowo Subianto, Democratic Party leader SBY and others, should be seen in the context of relational dialectics. It is therefore premature to say that when they meet with each other, it means they will be allies in 2019. In politics, power relations involve neither a monologue approach nor a dualistic approach.

In a monologue approach, all parts of a contradiction are exclusive. When one part moves toward an extreme, it moves away from the others.

Meanwhile, in a dualistic approach, the parts of a contradiction are inseparable and unrelated to one another.

In our current political landscape, a dialectic approach is

common, where one point of view collides with another in a contradiction. However, while a contradiction might involve two political allies, the resulting situation can surpass the limitation of a certain political pole.

To understand this phenomenon, Mikhail Bakhtin views social life as an open dialogue of many voices. This open dialogue is a battle arena in which points of view compete, find compromise or deny one another.

A lengthy battle, such as the 2019 elections, may bring surprise after surprise. First of all, the present power map will most likely change following the decision of the Constitutional Court on the presidential threshold. If the Court upholds the threshold of 20 percent of House seats or 25 percent of the national vote, coalitions will become polarized.

The most probable match up is Jokowi vs Prabowo as in 2014. With Golkar, Hanura, the United Development Party (PPP) and the NasDem Party having already announced their support for Jokowi, the incumbent will be eligible to contest.

Should this configuration remain, we could easily predict a swing in the political pendulum. The PDI-P with 19.5 percent of House seats, the PKB with 8.4 percent and PAN with 8.8 percent could move in any direction, while Gerindra and the PKS seem to be united. Meanwhile, the Democrats seem to be weighing up their options.

However, this landscape will totally change if the Court annuls the threshold decision. Both the ruling coalition and the opposition forces will recalculate their respective alliances.

The 2018 regional elections will also be fierce, particularly in the three crucial provinces of West Java, Central Java and East

Java, home to 48 percent of voters in the 2014 elections and probably likewise in 2019. The results of the simultaneous local elections in the three most populous provinces will significantly impact the political constellation of the 2019 elections.

The war of public opinion is closely related to the credibility, capacity and acceptability of the candidates, which can be converted into electoral capital. Today, the mass media and social media have become spaces for the endless battle of shaping public opinion.

It is crucial for Jokowi to retain the public's trust amid this divisive period of conflicting interests. This is especially important as a president's fourth year in office, which Jokowi will enter next year, is usually marked by a downturn in political support.

After three years, Jokowi still maintains significant public capital, as evidenced in a number of public opinion surveys conducted by various institutes.

The unity of Jokowi's Cabinet is currently being tested. It remains to be seen if all its members will remain committed to the governments' agenda or will split their focus ahead of the 2019 elections. Ideally for Jokowi, the ministries and institutions will remain committed to fulfilling his trademark slogan "work, work, work," at least until 2019.

Jokowi, therefore, should seek to prevent his Cabinet members from engaging in pursuits of power. Furthermore, for an incumbent like him, accomplishing his targets is the best campaign strategy.

*The author is executive director of the Political Literacy Institute and lecturer in political communications at UIN Syarif Hidayatullah Jakarta.*

**Gun Gun Heryanto**

JAKARTA

