

Overweight

Coal Sector

Government requires coal export pricing to use HBA

- MEMR's new regulation requires Indonesian coal exporters to use HBA as the minimum price, starting 1st of Mar25.
- We think the regulation may cause temporary disruption (postponement) on export sales, if buyers do not accept HBA prices.
- We believe Indonesian miners with low-medium CV products will be less affected, as Indonesia is the largest exporter of the coal type.

MEMR has issued a new regulation requiring Indonesian coal exports to use the Indonesian Coal Reference Price (HBA) as a basis for pricing starting 1st of Mar25, replacing previous standards such as ICI and other indices.

Details on the regulation:

- HBA will be used as a reference for the minimum price.
- HBA will now be set on the 1st and 15th day of every month.
- HBA will be calculated based on the actual selling price over the past week (70%) + 4 weeks up to 2 months prior (30%).
- Long-term contracts will be honored, but the price will need to be adjusted (to HBA).
- Prices for DMO are unchanged (at US\$60/t for PLN and US\$90/t for industries).

Potential implications:

- The regulation will effectively put HBA as the floor price when miners conduct negotiations with buyers.
- Our quick discussion with coal miners indicated concerns about whether buyers will be willing to accept HBA prices, especially if market prices are falling. Other concern is also on the timing of pricing since HBA will only be published on a bi-weekly basis.
- We think the new regulation may cause temporary disruption (postponement) on volume, if buyers do not accept HBA prices.
- Another possible implication is that buyers may ask to set a ceiling price on their contracts, which may temporarily restrain upside on ASP when price is rising.
- On volumes, we think low-medium CV coal producers (AADI, Kideco/INDY) may be less affected by the new regulations given that Indonesia is the largest supplier for the coal type, while the high CV coal producers (ITMG) may see buyers turning to other market if HBA price is seen as unfavorable.

We currently have an Overweight rating on the coal sector.

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Exhibit 1. HBA Price Formula



Source: The Ministry of Energy and Mineral Resources

bulan sebelumnya

Exhibit 2. DMO Coal Selling Price Regulation



Harga Jual Batubara DMO (tidak mengalami perubahan)

Spesifikasi acuan dan perhitungan dalam penentuan:

- a. Harga Jual Batubara untuk Penyediaan Tenaga Listrik untuk kepentingan umum; dan
- b. Harga Jual Batubara untuk Pemenuhan Kebutuhan Bahan Baku/Bahan Bakar Industri di dalam negeri selain Industri Pengolahan dan/atau Pemurnian Mineral Logam,

akan mengacu dalam Keputusan Menteri yang menetapkan harga jual Batubara seperti pada huruf a (Kepmen 1395 K/30/MEM/2018) dan huruf b (Kepmen 58.K/HK.02/MEM.B/2022)

Source: The Ministry of Energy and Mineral Resources

dengan minggu pertama bulan sebelumnya



Exhibit 3. Ministerial Decree Attachments on Mineral and Coal Pricing



Lampiran Kepmen

- a) Lampiran I : Formula Harga Patokan Mineral (HPM) : **tidak mengalami perubahan** (sesuai Kepmen 2946 K/30/MEM/2017).
- b) Lampiran II: Formula Harga Batubara Acuan (HBA): **berubah** menjadi 2x ditetapkan pada tanggal 1 dan 15.
- c) Lampiran III : Formula Harga Patokan Batubara (HPB) : **tidak mengalami perubahan** sesuai Kepmen 227.K/MB.01/MEM.B/2023

Kepmen 2946 K/30/MEM/2017 dan Kepmen 227.K/MB.01/MEM.B/2023 dicabut dan dinyatakan tidak berlaku

Source: The Ministry of Energy and Mineral Resources



Equity Research - BRIDS First Take

Thursday, 27 February 2025

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INVESTMENT RATING

BUYExpected total return of 10% or more within a 12-month periodHOLDExpected total return between -10% and 10% within a 12-month periodSELLExpected total return of -10% or worse within a 12-month period

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