

THE COORDINATING MINISTRY FOR ECONOMIC AFFAIRS
REPUBLIC OF INDONESIA

Main Building, Ministry of Finance, Jl. Lapangan Banteng Timur No.2-4 Jakarta Pusat
Tel: (021) 380-8384 Fax: (021) 344-0394 Website: <http://www.ekon.go.id>

Trade and Investment News¹, 24 March 2008

Highlights

Politics

- President Yudhoyono wraps up successful 10-day foreign tour
- House member detained for alleged embezzlement of state funds

Regions

- Education participation still low in regions

Economy

- President wins pledges of \$3.5 billion in investment in Dubai meetings
- Government, House of Representatives discuss new oil price for budget

Business briefs

Macroeconomy

- Growth could fall below 6.4% target, finance minister says
- Foreign ownership in Bank Indonesia paper falls by 19% in March

Investment

- Foreign investment approvals up in January, but domestic approvals drop
- South Korea's Korindo group to build \$350 million pulp plant

State concerns

- Agriculture ministry aims for boost in coffee productivity

Private sector

- Private carrier Adam Air banned from flying after investor withdraws
- Second-largest cement maker Indocement announces net profit jump

Banks

- Bank Mandiri to close three dormant subsidiaries, complete Bali bank acquisition

Power

- PLN to build 100 MW geothermal plant in South Sulawesi
- 18 firms bid for new coal-fired plant at Cilacap

Oil & gas

- Senoro LNG plant delayed by price renegotiations
- PGN to build 664 km pipeline system in northern Sumatra

Mining

- CIFOR backs new decree on mining in forests, says damage minimal
- Archipelago Resources wins go-ahead for Toka Tindung gold resource

¹ *This Trade and Investment News is a publication of the Coordinating Ministry for Economic Affairs of the Republic of Indonesia. Readers are welcomed to forward it in its original form but no reproduction is allowed without permission*

POLITICS

President returns with strengthened ties

President Susilo Bambang Yudhoyono arrived back in Jakarta on Thursday (20/3/08) after a 10-day foreign tour that forged close ties with Iran and heightened a political dialogue with South Africa.

The tour took him to Iran, Senegal, South Africa and finally to Dubai in the United Arab Emirates, where he won promises of \$3.5 billion worth of investment, Antara reported.

The visit to Iran was a reciprocal one, returning the visit of Iranian President Mahmoud Ahmadinejad visit to Jakarta last year, and saw Iran signing off on an oil refinery in Banten and a fertilizer plant near Iran's Fars gas field.

While the Iran trip grabbed the world's attention, the Organization of Islamic Conferenc (OIC) summit in Senegal was less dramatic, but saw Dr. Yudhoyono holds talks with critical Mideast leaders over the situation in Palestine.

In South Africa, Dr. Yudhoyono and President Thabo Mbeki renewed their commitment to increasing bilateral cooperation in both economic and political fields. They witnessed the signing of a joint partnership cooperation agreement.

The two leaders also agreed to increase cooperation in solving international issues, creating a new alliance to fight North-South issues, according to an Antara report.

Indonesia and South Africa, which co-chaired the Asian-African Summit in Indonesia in 2005, are currently formulating the correct form of capacity building assistance for Palestine ahead of the Asian-African Conference on Palestine to be held in Indonesia in May 2008, Dr. Yudhoyono said.

"Indonesia, South Africa, Palestine and a few other parties are formulating the right format of capacity-building assistance for Palestine," the Indonesian leader said, adding that it had to be tailored to Palestine's needs.

"The biggest challenge being faced in preparing it is the fact that Palestine's unity and integrity had not yet crystallized," he said.

House member detained by KPK

The Corruption Eradication Commission (KPK) continued its high-profile arrests, this time detaining a member of the House of Representatives for alleged embezzlement of state funds when he was a provincial governor, Detikcom reported.

Djasit was charged with misappropriation of Rp15.2 billion (\$1.65 million) intended to purchase fire trucks for Riau when he was the governor in 2003. A mark-up caused a loss of up to Rp5 billion to the state, KPK has alleged.

The attorney general meanwhile removed two of his top officials after the arrest of a top prosecutor for allegedly accepting bribes.

"The consideration relates to the credibility of the special crime team," Attorney General Hendarman Supandji told reporters Tuesday. He gave no further details. Supandji said the two officials would be given postings that do not put them in direct contact with the public.

Kemas Yahya Rahman, the deputy attorney general for special crimes, and Muhammad Salim, who heads the unit's investigative section, were removed from their posts following an internal probe launched on March 10, following the arrest of prosecutor Urip Tri Gunawan, spokesman B.D. Nainggolan said.

Gunawan was arrested on March 2 with \$660,000 as he left the home of Syamsul Nursalim -- just days after the AGO abandoned an investigation headed by Gunawan into the banker.

The KPK said it would also broaden the net in the other high-profile case it is pursuing, alleged bribery involving Bank Indonesia (BI) officials.

The KPK confiscated a house and an apartment belonging to former central bank deputy governor Iwan Prawiranata over allegations that the properties were bought using money taken from the central bank's Indonesian Banking Development Foundation (YPPI), *The Jakarta Post* reported.

KPK chief Antasari Azhar said the anti-graft body would seize assets belonging to witnesses or suspects in the case in a bid to minimize state losses.

REGIONS

Education participation still low in regions

Despite a compulsory basic education program launched by the government in 1994, enrollment figures remain disappointing in many regions, said a report from *The Jakarta Post* on Wednesday (19/3/08).

In a survey of a quarter of the country's 440 regencies and municipalities, officials said almost half of children between ages 13 and 15 did not receive a secondary education.

West Papua, East Nusa Tenggara and Central Kalimantan are the regions where junior high school enrollment rates (APM) are lowest.

Poverty was mostly to blame, as well the mind-set of parents who sometimes view school fees as a waste of money.

Inadequate physical facilities were also a factor in keeping kids from getting a primary and middle school education.

Education Ministry data from 2007 showed West Papua (five regencies surveyed) with an APM of about 40%, East Nusa Tenggara (17 regencies) with 50% and Central Kalimantan (four regencies) with between 42% and 60%.

Some 12.98 million kids, 5% of the nation's 240 million population, are 13-to-15-year-old "schoolchildren," the report said.

ECONOMY

President wins \$3.5B in investment commitments

President Susilo Bambang Yudhoyono wound up his 10-day overseas trip with commitments of \$3.5 billion in investment commitments from businessmen in Dubai, the United Arab Emirates.

President Yudhoyono returned to Indonesia on Friday (21/3/08), Antara reported, after a tour which took in Iran, where other investments were achieved, the Organization of Islamic Conference in Sengal and South Africa.

He said corporate groups from Dubai including Emaar Properties, Gulf Petroleum, Pacific Interlink, the Bin Ladin Group, Jumeirah Group and Ras Al Khaimah were willing to invest in Indonesia.

"They express their commitment and feel happy to invest in our country although we still have some problems back home," President Yudhoyono was quoted as saying.

The Bali Tourism Development Corporation (BTDC) signed a joint venture with Emaar Properties PJSC to undertake a mega-tourism and mixed-use project, Gulf News reported.

Emaar earlier confirmed it will go ahead with plans for a resort development in Lombok in West Nusa Tenggara. A hotel, golf course and other facilities will be built on a 1,200-hectare property with an investment estimated at \$600 million.

Talks in Dubai were also held with M Ali Alabbar, the CEO of agribusiness company Pacific Inter Link, Fouad Hayil Saeed from Qatar Islamic Bank and Abdul Latif bin Abdulla al Mahmod of infrastructure group Ras Al Khaimah.

Back at home, formal discussions had begun on a possible revision of the oil price in the 2008 budget to between \$90-\$95 per barrel due to the higher global crude price, a senior official at the mines and energy ministry said on Wednesday.

The government and parliament's budget committee had previously agreed a crude price assumption of \$85 a barrel for this year.

"The government and parliament's energy commission have agreed an oil price of \$90-\$95 per barrel for the 2008 budget. But a decision will be made by parliament's budget committee," Director General of Oil and Gas Luluk Sumiarso told Reuters.

On Wednesday, Finance Minister Sri Mulyani Indrawati said the assumption of the oil price in the budget may exceed \$95 per barrel.

"The parliament has recommended a new assumption of \$90 to \$95 per barrel, but the figure could be higher than that," she said at a seminar.

The global oil price fell by the end of the week, trading at around \$102 per barrel on Thursday.

The fuel subsidy bill is forecast to hit Rp106.2 trillion (\$11.53 billion) this year, more than twice the original budget forecast of 45.8 trillion rupiah, due to soaring global oil prices.

The banking industry said it expects loan growth to ease during the year, according to a business plan submitted by domestic banks to the central bank, Reuters reported.

Outstanding bank loans are expected to grow 24.6% this year, the business plan forecast, compared with an actual 25.5% increase last year. The forecast is more optimistic than the central bank's estimate of 22% growth this year.

Total outstanding bank loans as of December, 2007, were Rp1,045.7 trillion (\$113.5 billion).

"The banking industry needs to be cautious over developments in the global and domestic capital markets recently," the business plan said.

BUSINESS BRIEFS

MACROECONOMY

Min: GDP growth could be below 6.4% target

Economic growth this year could be below the government's 6.4% target due to rising uncertainties in the global economy, Finance Minister Sri Mulyani Indrawati said Monday (17/3/08), Dow Jones reported.

"The conditions of the US economy are very serious, and are affecting the global economy as well as

Indonesian economy," Mulyani said.

Indonesia expanded 6.3% in 2007, the fastest rate since the crisis a decade ago, supported by rising investment, healthy household consumption and strong exports backed by rising commodity prices globally.

Economists said the economy's significant reliance on domestic household consumption and the decline in the share of exports to the US in recent years will likely put Indonesia among the countries least affected by the deepening crisis in the US.

Much, however, will depend on the impact on the Chinese, Indian and the Asian economies, major purchasers of Indonesian commodities.

Foreign ownership in SBIs down 19% in March

Foreign ownership in Bank Indonesia Sertifikat, or SBI, has fallen 19% since the start of the month due to risk aversion and amid lingering concerns over the global financial crisis, Dow Jones reported.

"Foreign ownership in the central bank certificate has fallen to Rp39 trillion as of March 18, from Rp48 trillion in early March," Bank Indonesia Deputy Governor Budi Mulia said Wednesday (19/3/08).

He didn't give any other details but expects that the decrease in foreign ownership in the central bank's certificate is "temporary."

Bank Indonesia earlier raised Rp5 trillion in one-month SBI, which carried an interest rate of 7.94%. The total amount of SBI is currently Rp270 trillion.

Analysts said the decrease in foreign ownership could indicate that there have been some outflows from Indonesia that have recently weakened the rupiah.

Japan, Indonesia exchange notes on loan

Japan provided Indonesia with a 22.08 billion yen (\$228 million) loan on Tuesday (18/3/08) to support its economic and social development efforts, Kyodo reported.

The untied loan is set at an interest rate of 0.7% per annum with a 15-year repayment period, including a five-year grace period.

Tsukasa Hirota, first secretary for general and economic affairs of the Japanese Embassy, said that so far, a total of 45.26 billion yen (about \$467 million) has been committed to Indonesia for fiscal 2007, which ends March 31.

"By the end of March, we will provide about \$650 million for more specific projects," Hirota said, adding the five projects will include two irrigation projects, a double-track railway project and a university project. The total amount of yen loan assistance for Indonesia in fiscal 2007 is set to reach \$1 billion.

INVESTMENT

FDI up 19.6% in January

Approvals of foreign investment proposals rose 19.6% on year in January, Thomson Financial reported.

They hit \$1.40 billion from \$1.17 billion a year earlier, data from the National Investment Coordinating Board (BKPM) showed Wednesday (19/3/08).

Domestic investment approvals in the month dropped sharply to Rp5.16 trillion from Rp61.56 trillion a year ago, according to the data.

Approved investment in transportation, storage and communication in the month reached \$349.1 million with eight projects, chemical and pharmaceutical investment totaled \$298.4 million with seven projects, while metal, machine and electronics investment was worth \$214.8 million with none projects.

Meanwhile, actual FDI in January reached \$425.5 million, up 43% from \$297.5 million a year ago, while actual domestic investment dropped to Rp569.3 billion from Rp2.11 trillion a year ago.

Singapore was the biggest source of actual FDI, putting \$130.2 million into 10 projects, followed by Japan with \$12.9 million, the UK with \$9.6 million, Belgium with \$6.4 million and South Korea with \$5.7 million.

Korindo Group to build new pulp plant

The South Korean Korindo Group said it plans to build a new pulp factory in the country, to cost \$350 million in 2009, Asia Pulse reported Monday (17/3/08).

The company already has three pulp plants with a total production capacity of 800,000 tons a year and a newsprint factory, which has exported newsprint to more than 20 countries.

Korindo Group Director Kim Hoon said the new factory will increase the company's production capacity by 200,000 tons of pulp a year.

Kim Hoon said the Korindo Group also planned to expand its industrial timber estate (HTI) in Central Kalimantan to guarantee supply of wood for its pulp factories.

The company already has 70,000 hectares of industrial timber estate to be expanded to 92,000 hectares this year.

Daimler may expand bus capacity

Daimler AG, the world's largest maker of commercial vehicles, may raise its production capacity for buses in Indonesia as much as 15-fold, Bloomberg reported Tuesday (18/3/08).

The company may invest 10 million euros (\$16 million) to expand capacity at its factory in Bogor, West Java, Rudi Borgenheimer, president of Mercedes-Benz Indonesia, said in Jakarta.

The company forecasts Indonesia sales of its buses and cars will double this year to 3,000 vehicles.

Daimler may use the country as a manufacturing base for exports of buses to Southeast Asia and Africa and will decide on expansion in the next six months, Borgenheimer said.

After the investment, Daimler's capacity could rise to 9,000 buses a year from the current 600.

STATE CONCERNS

Boost planned for coffee

The Agriculture Ministry wants to make Indonesia a leading prime coffee producer in the world by 2025, the ministry's plantation affairs director, Achmad Mangga Barani, said Wednesday (19/3/08), Antara reported.

He said Indonesia now ranked fourth in the world as a coffee producer and exporter although its coffee plantation area was the second largest in the world.

With a production of 792 kg of coffee per hectare annually, Indonesia is still well behind Colombia (1,220 kg/ha/year), Brazil (1,000 kg/ha/year) and Vietnam (1,540 kg/ha/year) in terms of productivity.

"Under the national coffee policy, a strategy is needed to make Indonesia a leading producer of prime coffee and coffee products in 2025," Barani said.

Data at the Directorate General of Plantations showed Indonesia was currently growing Robusta coffee on 1.30 million hectares of land and Arabica coffee on 177,100 hectares with a total production of 682,158 tons, with 413,500 tons exported with a value of \$586,877 in 2006.

In 2007, national coffee production was recorded at 686,763 tons from 1.31 million hectares.

Indonesia no longer exports coffee as raw material but processed products of a quality expected by consumers, Barani said.

The government had decided to increase production of Robusta to 865,000 tons through improvement in productivity to 1,000 kg/ha/year until 2025. Export volumes would be increased to 505,000 tons.

The government would enlarge the plantation area for Arabica coffee to 236,000 hectares and increase production to 193,000 tons from 81,000 tons and planting productivity to 1,200 kg/ha/year, with exports of 135,000 tons.

PRIVATE SECTOR

Adam Air banned from flying

Budget airline Adam Air has been banned from flying on safety grounds, the country's chief of air transport said Tuesday (18/3/08), Agence France-Presse reported.

"The transport ministry has decided to revoke Adam Air's operational specification, effective 12:00 am Wednesday," Budhi Muliawan Suyitno said.

"With this, Adam Air is banned from operating its aircraft. All of its planes must be automatically grounded."

Suyitno said the decision to remove the beleaguered airline's permission to fly was based on the results of a quarterly safety evaluation, which found it made "violations that could put passengers' safety at risk."

The airline would be grounded until it was evaluated again in another three months, and would have its air operator certificate -- a separate safety certification -- permanently removed if no improvements were found.

This would therefore move the company a step closer to permanent closure.

The decision comes after the airline's latest safety incident, which saw an Adam Air Boeing 737-400 with 175 people on board skid off the runway in foul weather in Batam last week.

A new investor that held 50% of equity in the company pulled out, saying it was unhappy with management decisions. Adam Air confirmed that it could not continue flying after the move and admitted it could no longer meet safety standards.

Indocement 2007 net profit strongly higher

PT Indocement Tungal Prakarsa, the country's second largest cement maker by sales, said Tuesday that (18/3/08) net profit rose to Rp983.69 billion (\$106.2 million) in 2007 from Rp592.80 billion the

previous year, Dow Jones reported.

It said net revenue rose to Rp7.32 trillion from Rp6.33 trillion, with operating profit rising 48% to Rp1.58 trillion.

Cement consumption in Indonesia rose 6.6% in 2007 to 34.17 million metric tons as falling interest rates boosted construction activity, especially outside Java.

Shareholders approve Bakrie's internal acquisition

Shareholders of publicly listed PT Bakrie and Brothers have approved the company's internal acquisition plan for three subsidiaries, the company said Monday (17/3/08), *The Jakarta Post* reported.

The shareholders also approved the company's plan for a rights issue worth more than Rp40 trillion (\$4.35 billion). The acquisition is slated for completion April 22.

Bakrie will buy a 35% stake in the country's biggest coal exporter PT Bumi Resources, and 40% each of PT Energi Mega Persada and PT Bakrieland Development.

Bakrie finance director Yuanita Rohali said Bakrie would spend Rp36.9 trillion for Bumi, Rp7.2 trillion for Energi Mega and Rp4.4 trillion for Bakrieland.

Around 7% of proceeds from the issue will be used to pay off a short-term debt due this March, she said.

She said Bakrie had prepared standby buyers for the rights issue that included PT Bakrie Capital Indonesia, Danatama Makmur and the Singapore branch of Credit Suisse.

Bakrie Telecom 2007 net profit up 98.5%

Telephone carrier PT Bakrie Telecom said Monday (17/3/08) its net profit jumped 98.5% in 2007 from the year earlier, aided by strong sales, Thomson Financial reported.

Net profit rose to Rp144.27 billion from 72.68 billion, the company said.

Sales surged 81.2% to Rp1.50 trillion, while operating profit soared 129.2% to Rp318.29 billion.

Bakrie Telecom, a subsidiary of Bakrie Brothers, provides fixed wireless telephone services. It had a subscriber base of 3.8 million as of end-2007.

Matahari to spend big on new stores

Publicly listed retailer PT Matahari Putra Prima is planning to invest as much as Rp450 billion (\$49 million) on 15 new hypermarkets this year, the firm's executive says, *The Jakarta Post* reported Tuesday (18/3/08).

Director of merchandising and marketing for food business, Carmelito J. Regalado, said the new stores would be concentrated in Bali, Kalimantan and Sulawesi.

Matahari's hypermarket business, under the flagship Hypermart, contributed 42.5% to the firm's total revenue last year.

The company recorded consolidated sales of Rp9.8 trillion last year.

"This year we are introducing the last generation of our grocery shopping experience, by building the first Hypermart that stands alone from malls or other shopping centers," he said.

The company has just built its 38th 10,000-square-meter Hypermart store at Puri Village in West Jakarta.

According to Hypermart vice president for store operations Emi Nuel, there are currently a total of 112 hypermarkets in Indonesia.

Indosat increases bond sale on excess demand

PT Indosat, the country's second- largest phone company, will increase the size of its bond sale by 10% on higher investor demand, Finance Director Wong Heang Tuck said, Bloomberg reported Wednesday (19/3/08).

The Jakarta-based company will sell Rp1.65 trillion (\$179 million) of bonds in April after demand exceeded the Rp1.5 trillion being offered, Heang Tuck said.

Investors are increasing bond purchases after bank deposit rates fell after the central bank lowered its benchmark interest rate to spur growth.

Indosat will seek further financing and also use internal funds to invest \$1.2 billion in its network this year.

Indosat, about 40% owned by a unit of Temasek Holdings, is expanding as rivals including Hutchison Telecommunications International Ltd. boost spending to tap customers in Asia's third-most populous nation.

Hutchison plans to more than double investment to HK\$4 billion (\$514 million) this year, the company said in a statement.

Meanwhile analysts polled by Thomson Financial said Indosat is expected to report this week a 28-49% growth in 2007 net profit largely due to a robust increase in the number of its subscribers.

Indosat's net profit in 2006 dropped to Rp1.41 trillion from 1.62 trillion the year before. Sales rose slightly to Rp12.24 trillion against 11.59 trillion in 2005.

For 2007, analysts are expecting a net profit of between Rp1.8 trillion and 2.1 trillion, on sales of Rp15.7-16.5 trillion.

Mandom Indonesia reports 11% increase in net profit

Cosmetic company PT Mandom Indonesia reported an 11% increase in net profit to Rp111.23 billion (\$12 million) last year from Rp100.12 billion in the previous year, Asia Pulse reported Wednesday (19/3/08).

Its net profit per share rose to Rp615 from Rp562, the newspaper *Bisnis Indonesia* reported, quoting company source.

The improved financial performance was attributed to a rise in sales to Rp1.02 trillion from Rp951.63 billion, the report said.

The company said it is set to increase sales to Rp2 trillion in 2010 or doubling last year's target of Rp1 trillion

Mobile phone operator to refinance \$250M debt

The country's third-largest mobile phone operator PT Excelcomindo Pratama (XL) has said it will refinance a debt of \$250 million this year, Asia Pulse reported Monday (17/3/08).

XL recently refinanced its bond debt of \$350 million, issued by subsidiary Excelcomindo Finance Company BV.

XL President Hasnul Suhaimi said that currently XL, which is controlled by Telekom Malaysia Berhad,

had debts totaling \$1 billion, maturing between this year and 2013.

This year, the company may refinance a fourth of the debts with a bank loan, as the bond market is not favorable at present, Suhaimi said.

Eight banks, both local and foreign, have pledged a loan of \$950 million for the publicly-listed company, he said.

Astra unit to sell Rp1T of bonds to fund expansion

PT Federal International Finance, the consumer finance unit of PT Astra International, the country's largest auto retailer, will sell Rp1 trillion (\$108 million) of bonds to fund expansion, Bloomberg reported Tuesday (18/3/08).

The bonds will be offered to investors in early May in four portions with maturities of one to four years, Federal International said in a statement published in *Bisnis Indonesia* daily.

The Jakarta-based company gives loans for motorcycle purchases.

PT Kresna Graha Sekurindo, PT Mandiri Sekuritas, PT Indo Premier Securities will arrange the debt sale.

Hutchison Telecom sells assets in \$500M deal

Hong Kong's Hutchison Telecommunications International Ltd said a majority-owned unit agreed to sell certain telecommunication assets in Indonesia in a deal worth \$500 million, Thomson Financial reported Tuesday (18/3/08).

Hutchison Telecommunications, a company controlled by Hong Kong billionaire Li-Ka shing, said it expects to book a gain of \$236 million from the sale of the assets to PT Profesional Telekomunikasi Indonesia (Protelindo).

Hutchison Telecommunications controls 60% of its Indonesian unit, Hutchison CP Telecommunications, seller of the assets, which include telecommunication towers.

The company said the sale will allow it to raise funds which it plans to use to expand its network coverage in Indonesia.

BANKS

Bank Mandiri to liquidate 3 weak subsidiaries

State owned PT Bank Mandiri said it will soon finish the process of liquidation of three subsidiaries and at the same time acquire a small bank in Bali, Asia Pulse reported Tuesday (18/3/08).

A director of the country's largest lender, Riswinandi, said the process of liquidating PT Bank Paribas, PT Bank Indovest and PT Bank Merincop should be completed this year.

Bank Mandiri decides to liquidate the three subsidiaries because of poor financial performance, Riswinandi said.

President Agus Martowardojo said Bank Mandiri has acquired 80% of PT Bank Sinar Harapan Bali at a price of Rp80 billion (\$8.8 million).

Bank Sinar will help Bank Mandiri in expanding its operation to the small business sector which has proved more profitable with less risk of non performing loans.

POWER

PLN to build thermal power plant in South Sulawesi

State electricity company PT PLN will build a thermal power plant with a capacity of 100 MW in Barru district, South Sulawesi province, soon, a spokesman said, Asia Pulse reported Monday (17/3/08).

"The tender for the project has been completed and we are making preparations to begin its construction," PT PLN's general manager for generator and network projects for Sulawesi, Maluku and Papua Ahmad Siang said.

The power plant was expected to start supplying electricity to consumers in South Sulawesi in late 2009, he said.

However, he stopped short of revealing the total cost of the state-funded power plant.

The project was part of the government's program to build power plants in eight different locations in the eastern Indonesia with a combined capacity of 10,000 MW in the near future, he said.

"The implementation of these projects will cost Rp2.8 trillion and they are to be completed in 2010," he said.

PLN says 18 firms to bid for Cilacap power project

State electricity company PT PLN said Tuesday 18 consortia of foreign companies, mostly Chinese, have prequalified to bid for its 600-MW power plant project.

The plant will be built at Cilacap in Central Java, Thomson Financial reported Tuesday (18/3/08).

The plant is part of PLN's massive fast-track program to build new coal-fired power capacity of 10,000 MW.

The bidders, who have formed partnerships with local companies, have been required to submit the technical details of their project plans and their bids by April 24, said Yogo Pratomo, a PLN official who chairs the fast-track program.

Bidders who prequalified include a consortium consisting of Mitsubishi Corp with PT Truba Jaya Engineering; Zeland-PT Rekayasa Industri consortium; Chengda Engineering Corp-PT Rekadaya Elekrika; and a consortium that includes CINTIC, Shanghai Electric, PT Cahaya Mulia and PT Bajragraha Sentranusa.

Pratomo said PLN may announce the winning bidder by mid-May.

OIL & GAS

Construction of Senoro LNG plant may be delayed

The construction of a \$1 billion liquefied natural gas (LNG) plant in Senoro, Central Sulawesi, may be hampered by prolonged gas price re-negotiations between the operator and gas suppliers, and official said, *The Jakarta Post* reported Monday (17/3/08).

Upstream Oil and Gas Regulator BPMigas is extending discussion deadlines by a month, to the end of March, said deputy chairman for financing and marketing, Eddie Purwanto.

No construction would begin before the completion of negotiations.

The gas suppliers are state oil and gas firm PT Pertamina and PT Medco Energi Internasional and the buyer is Mitsubishi Corp., which controls the plant.

The suppliers said the gas price previously set under a contract at \$3.85 per million British thermal unit (mmbtu) was no longer realistic.

Pertamina said the price was too low compared to current prices globally which stand between \$8 and \$9 per mmbtu.

The project would have a total capacity of 2 million tons of LNG and construction was supposed to start in the first quarter.

Pertamina and Medco have a participating interest in the field of 29% and 20%, respectively, with Mitsubishi controlling the remaining 51%.

PGN to build 664-km gas pipeline in N. Sumatra

State gas distributor PT PGN said Monday (17/3/08) it will build a 664-km gas transmission pipeline linking Sumatra's towns of Duri, Dumai and Medan, Thomson Financial reported.

The pipeline will have a capacity of carrying 250-300 million standard cubic feet per day (mmscfd), the company said. Gas will be supplied by ConocoPhillips' gas fields in North Sumatra, it said.

The company said construction of the project is scheduled to begin in 2009 and will be completed in 2011.

PGN has also been appointed by the government as project leader to build an LNG receiving terminal in West Java.

The other consortium members are state-electricity company PT Perusahaan Listrik Negara and state-run oil and gas company PT Pertamina, it said.

Pertamina introduces cheap fuel product

State-run oil and gas firm Pertamina on Monday (17/3/08) introduced liquefied petroleum gas (LPG) fuel products for Rp3,600 (\$0.39) per liter, Xinhua reported.

Called Vigas, the fuel product is available at three Pertamina fuel outlets in Jakarta and the number will be increased to nine by the end of the year, said Pertamina deputy marketing director Hanung Budya.

He said the special introductory price might end in April, adding the actual price was Rp4,500 (\$0.49) per liter, the same price as state-subsidized gasoline.

Pertamina has targeted to switch about 10% of subsidized gasoline consumption in the capital to Vigas, equivalent to 180,000 kiloliters a year.

Vigas requires the installation of a converter kit costing Rp12 million (\$1,301).

EMP seeks \$273M loan to refinance debt

Publicly traded energy company PT Energi Mega Persada (EMP) said it may launch a rights issue and is seeking a loan of \$273 million to refinance debts maturing this year, Asia Pulse reported Monday (17/3/08).

Meanwhile, the management of the company plans to acquire five to six oil and gas fields abroad and in

the country to increase its production, chief commissioner Ari Saptari Hudaya said.

The process is underway to acquire a number of potential assets, he said.

EMP Finance Director Yuli Soedargo said the company had a debt of \$120 million to Merrill Lynch maturing in June and \$153 million to Credit Suisse maturing in August.

MINING

Limited impact to forests from mining: CIFOR

A decree allowing mining companies to operate in tropical forests is unlikely to lead to massive deforestation, a forestry expert and government officials said on Tuesday (18/3/08) arguing that mining had a limited impact.

Under a presidential decree issued on February 4, mining firms, including open-pit miners, will be able to pay between Rp1.8 million and Rp2.4 million per hectare for forest land used for mining activities, said a report from Reuters.

Krystof Obidzinski, a researcher with the Center for International Forestry Research (CIFOR), said historically mining had never been a significant contributor to deforestation.

"Definitely there's a danger and it's regrettable but on the overall schemes of things, as far as deforestation per se, we think it's not a major concern," he told a panel discussion on deforestation with foreign correspondents.

Toka Tindung gets government approval

Archipelago Resources said Monday (17/3/08) the Director General of Mineral, Coal and Geothermal on behalf of the Minister of Energy & Mineral Resources has issued Decrees approving the development of the Toka Tindung gold project in North Sulawesi, Dow Jones reported.

The decrees accept the operating companies' revised Environmental Management Plans and provide entitlement to re-commence construction activities, the company said.

The company said it has immediately implemented plans to recommence construction activities and finalize its loan financing facility.

Archipelago added it is seeking to increase its loan facility to meet additional costs arising from the delay to avoid or minimize the need for raising any additional equity.

===***===