



## COORDINATING MINISTRY FOR ECONOMICS AFFAIR

Jl. Lapangan Banteng Timur No 2-4 Jakarta 10710 – Indonesia

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### MINUTES OF MSG MEETING

- Date : Monday, 17 July 2017
- Time : 13.30 – 15.30 WIB
- Place : Meeting Room 4th floor, Ali Wardhana Building, Coordinating Ministry for Economic Affairs, Jl. Lapangan Banteng Timur No.2-4, Jakarta
- Agenda
- Introduction of the Civil Society Organization (CSO) Representative for new MSG Members
  - Presentation and Discussion of Preparation of Commodity Trading Report (CT)
  - Discussion on the Plan of the Global Conference on Beneficial Ownership
  - Presentation of the 2016 EITI Progress Report
- Meeting Participants
- Coordinating Ministry for Economic Affairs: Bastian H, Nurwachid P, Agus Haryanto, Yunissa, Tonny
  - Ministry of Home Affairs: Yuliarti
  - DG Mining and Coal: Arief Heru, David Kurniawan
  - DG Tax: Harsugi, Wira S
  - DG Treasury: Sigit H
  - DG Fiscal Balance: Irwan Sitorus, Ansyori
  - DG Budget: Robby Martaputra, Seprina Hasan
  - SKK Migas: Selvi, Sondang Maria, Runi
  - APBI-ICMA : Hendra Sinadia
  - IMA : Mukhlis
  - IPA : Marjolijn Wajong
  - Pertamina : Pranajaya, Arie Febriat, Rian A, Dien Dita
  - PWYP : Aryanto Nugroho, Asri Nuraeni
  - EITI Secretariat: Edi Effendi, Ronald Tambunan, Agus Trianto, Doni Erlangga, Andrian, Anggi Gartika, Arief
  - Commodity Trading Consultant: Johnny West, David Brown

## **A. OPENING**

Assistant Deputy for Extractive Industries as National Coordinator of EITI, Mr. Bastian Halim opened the meeting and later apologized because Chair of EITI MSG Mr. Montty Girianna could not attend because he was preparing material for Coordination Meeting for the Forestry sector. Mr. Bastian invited EITI Secretariat Team Leader, Bpk Edi Tedjakusuma to present the meeting agenda.

Bpk Edi delivered the agenda of the meeting which is the first about the change of CSO representation in the MSG because according to the regulation every 3 years there is a rolling or change of CSO and Local Government representatives in Implementation Team. But until now only CSO consistently change MSG membership while from the local government is still waiting and follow the direction of the Ministry of Home Affairs. Another agenda of the meeting is the main agenda of discussing Commodity Trading (CT) transparency. In the meeting already present related institution: SKK Migas, PT Pertamina, Indonesian Petroleum Association (IPA), while the Directorate General of Oil and Gas has not been present. Discussions about CT will be conducted by Open Oil consultants, Mr. Johnny West and Mr. David Brown. The third agenda is the input of activities for the BO Global Conference, even though the fix agenda has not been finished yet. And the final agenda is the delivery of Progress Report EITI 2016 which will be sent to members of the MSG get input.

## **B. DISCUSSION**

### **1. Introduction of the Civil Society Organization (CSO) Representative for new MSG Members**

- Presented by Mrs. Asri from Publish What You Pay (PWYP) Indonesia. CSO changes representatives in EITI MSG for 2017-2020. Members of CSOs in the previous EITI Implementation Team are: Yani Sucipto (Fitra), Aryanto Nugroho (PWYP Indonesia), with Fabby Tumiwa alternate (IESR), Justinus Prastowo (CITA) and Ambarsari Dwi Cahyani (Steering Committee of PWYP). While the new CSO representatives in the EITI Implementing Team Members for the period 2017-2020 are: Aryanto Nugroho (PWYP), Emmy Ardhiyanti (Article 33), Tenti Kurniawan (IDEA), with alternate members: Usman (Fitra Riau), Dakelan (Fitra East Java), and Nurkholis Hidayat (Lokataru).
- Mr Aryanto Nugroho (PWYP): The selection process is open and transparent from the administrative process to the interview. Mr. Aryanto said he was interviewed by Mr Erry Riyana Hardjapamekas in the selection stage.
- Mr. Edi congratulated and hoped new MSG representatives for 2017-2020 can work better.

### **2. Presentation and Discussion of Preparation of Commodity Trading Report (CT)**

- Mr Edi said Indonesia appointed EITI International to become one of the pilot CT countries. The completion of the report will be assisted by the consultant, Mr. Johnny West from Open Oil. This CT pilot covers only the oil and gas sector and exports only. If later the standard has been applied to all EITI countries, we will be ready.
- Mr Johnny West: The implementation of CT depends on the decision of the MSG member. Implementation of CT is in accordance with EITI standard 2016 in the requirements of 4.2 which describes if the sale of production or in-kind state income, including the income of the SOE, is required to disclose the volume sold and the income of the country received. Reporting can be divided by product type, price, market, and sales volume. Where possible, the MSG may encourage the Independent Administrator to reconcile the volume of sales and revenue received, and included the company name in the reporting process. The MSG needs to approach to implement the reconciliation method and expect inputs to reconcile in the easiest way either from SKK Migas, Pertamina ISC etc.
- The background of the implementation of CT at EITI is the same as for other EITI requirements including the requirements for transparency of Beneficial Ownership (BO). If the company pays to the country then there needs to be transparent because public needs information which then made standard by the concerned parties and finally must be published with the deadline. For CT implementation is it possible if it starts at the end of 2017 for the 2015 report or is it too rushed? It needs to be realistic

- Elements of CT implementation in Indonesia include: completing the initial study, developing the reporting format (Proposed sample data collection), evaluating the approach for the pilot, and requesting input from the MSG. In the Preliminary Study there are several steps that must be done that is to discuss with SKK Migas, ISC Pertamina, Coordinating Ministry of Economic Affairs, and Company. The next step is to define "First Trade" in Indonesia, Analysis of the definition of crude oil price in Indonesia, oil and gas sales map of SOE including domestic and export consumption, set reporting details based on company or cargo, and set reporting deadline of maximum 24 months of the current year.
- The First Trade definition must be adapted to the Indonesian context must be realistic with what will be obtained by defining it. Analysis of how to define ICP or crude oil prices in Indonesia. Indonesia has a complex system because it is still a big oil producer. However, Indonesia's oil and gas consumption is bigger than production. Oil and gas imports are also larger than exports. Some examples of First Trade in Indonesia are clear, but some still cannot be clearly defined. So it is necessary to define the concept of "first trade".
- The scope of CT reporting is: materiality ie value of each trade and materiality for reconciliation, reporting deadline, and reporting modality ie: comprehensive reconciliation and on the one hand SOE seller (for random audit).
- Indonesia has a big agenda of the Global BO EITI Conference in October. It would be better if at the time of the event there has been a definite format for CT reports. It is better before the final report, a week earlier there were meetings with stakeholders such as SKK Migas and Pertamina.
- Mr Edi: Global Conference is actually about BO, not about CT so it is better not to connect with Global conference. It is better to be associated with EITI Board Meeting which will be held in Manila after the implementation of Global BO Conference in Indonesia. My input: this week you collect the data, then complete the initial report and then it can be sent to us by mid-August, 15th, 2017. Then we can send it to the MSG member for feedback within a week or two weeks. By mid-September we expect a draft of final report and in the third week you can return to attend the MSG Meeting, then revise again before the report will be completed in October (2nd week) before the Global BO Conference.
- Mrs. Selvi (SKK Migas): We need templates to know what needs to be prepared.
- Mr. Johnny: I have a very general template, but we will send it at the end of this week.
- Mr Edi: In tomorrow's discussion, it's better to bring templates for inputs and know which ones can be prepared / not.
- Mr. David Brown: We will discuss first with ISC Pertamina and DG of Oil and Gas. We also want to discuss with the Directorate General of Budget to know where the budget goes.
- Mr Robby (Directorate General of Budget): we need formal letter to meet with Director of Non Tax Revenue. I also ask what is the purpose of completion of the CT Report?
- Mr Edi: The EITI standard is still developing, currently the CT report is not yet a requirement. But Indonesia and some other countries became pilots. We will be better prepared when applied later. So it has not been implemented yet in the EITI Standard. We only agree to CT transparency in exports, excluding imports and only in the oil and gas sector.

### **3. Discussion on the Plan of the Global Conference on Beneficial Ownership**

- Presentation delivered by Mr Edi: The EITI International Secretariat will hold a Global Conference on Beneficial Ownership (BO) on 23 - 24 October 2017. The option of location that is still being considered is Jakarta or Bali. The event will invite representatives from 52 EITI member countries. It is expected that the President can open the event or at least the Minister. It is expected that there will be high level of discussion from Indonesian stakeholders, the options are: KPK, PPATK, Ministry of Law and Human Rights, Coordinating Ministry for Economic Affairs. The International Secretariat asks whether EITI Indonesia can hold side events in addition to these activities. MSG member can give inputs for the side event. Topics of the conference that will be discussed: Implementation Objectives of BO Transparency, Legal Framework and Regulatory Transparency of BO, Politically Exposed Person (PEP), How to register BO, Ensure correct data BO and sanction, Company guidelines for BO reporting, and Standard BO: EU, FATF, Global Forum etc.

- Mr Bastian: What is our role in the activity? Mr Edi: Mr Montty (Deputy of Energy Management Coordination, Natural Resources, and environment as the Head of MSG of EITI) informed that Bappenas only takes care of administration while EITI will provide material / substance. Bappenas has agreed and we expect high levels of discussion. Later we ask for input for side event on CSO, Company, also government agency.
- Mr Aryanto: Is there a rundown of events already? Mr Edi: Not yet, but MSG member can give suggestions In the first week of August, feedback for speakers and topics has been submitted, depending on whether EITI International will be accepted or not.

#### **4. Presentation of the 2016 EITI Progress Report**

- Presented by Bpk Doni Erlangga (EITI Secretariat): Background of the completion of the EITI Progress Report is Requirement 7.4 and 8.5 EITI 2016 Standard. The report is required to be published by July 1 in the following year and this year should be published July 1, 2017. The International EITI Board provides the deadline for publication of the report until the end of the following year. The EITI Secretariat of Indonesia has consulted with the International EITI Secretariat and will publish the report after the approval of the MSG. If until the end of the year, the report is not published, Indonesia will get a suspension sanction.
- The report contains: General Assessment of EITI Implementation 2016, assessment of EITI compliance, Response of MSG to recommendations of reconciliation process, strengths and weaknesses of EITI implementation 2016, and total cost of EITI implementation 2016. Reports will be sent to MSG members on July 18, 2017 to get input until 24 July 2017.

#### **C. CLOSING**

Mr. Bastian closed the meeting by delivering all the decisions of the meeting.

#### **D. RESULTS OF THE MEETING**

1. CSO have their new representatives in the MSG for 2017 – 2020..
2. Commodity Trading (CT) Consultants, Mr. Johnny West and Mr. David Brown will hold discussions with CT stakeholders. Inception CT reports will be sent to the MSG members in mid-August 2017 for feedback within a week or two weeks. The final draft of the report will be discussed in the MSG Meeting around the end of September 2017. The final report will be finalized in mid-October before the Global BO Conference in Indonesia.
3. The Global BO Conference will be held in October 2017 in Indonesia. It is expected to get input from the MSG for side event. Input for the BO Global Conference will be waited until early August 2017.
4. The 2016 Progress Report / Progress Report will be circulated to the MSG and requested for input no later than July 24, 2017.