

Mining giant Indika to cut coal income to 50% with net zero in mind

By Norman Harsono

Publicly listed PT Indika Energy, one of Indonesia's top coal miners by output through subsidiary PT Kideco Jaya Agung, plans to cut its coal income to 50 percent by 2025 amid growing pressures on the global coal industry.

The company, which earned 70 percent of its total revenue last year from coal sales, plans to diversify into, among other sectors, logistics, metal mining, forest plantations and renewable energy, which includes an ambitious plan to operate nearly 1,000 megawatts peak (MWp) of solar photovoltaics (PVs) by 2025. In comparison, Indonesia's installed solar power capacity stood at 153.5 MWp in 2020, according to Energy and Mineral Resources Ministry data.

"We will also make a commitment on net-zero emissions in the future because this is about how to balance [our business]. This is also why we are going into nature-based businesses; it's about how we can get carbon credits," Indika president director Arsjad Rasjid told The Jakarta Post in an interview on April 7. He declined to specify a date for the net-zero commitment. Indika Energy will potentially add to a list of multinational mining companies, including giants like London-based Rio Tinto and Melbourne-based BHP, that have announced their commitment to achieving net-zero emissions.

Rio Tinto and BHP, whose businesses are mainly in metal mining, aim to reach net zero by 2050. The latter saw coal contribute just 14.5 percent to its total US\$42.93 billion revenue last year, according to its 2020 financial report. The Indonesian miner first announced the diversification plan during a shareholders meeting in December 2020, just as Indonesian coal prices dropped to their lowest in a decade in September as a result of the pandemic shutting down businesses and factories across the globe.

Apart from solar PVs, Indika is expanding its logistics business by developing the Patimban Port in Subang, West Java, and its non-coal mining business by developing the Awak Mas gold mine in South Sulawesi. Indika also operates several mining service subsidiaries, such as PT Petrosea, PT Mitrabahtera Segara Sehati and PT Tripatra Engineers.

Heavy equipment owned by PT Berau Coal conducts coal mining activities at the East Kalimantan Binungan site on April 3 (03/04). The increase in world oil prices due to the political conflict in Libya has caused the coal price index to rise. (JP/Indra Harsaputra) Heavy equipment owned by PT Berau Coal conducts coal mining activities at the East Kalimantan Binungan site on April 3 (03/04). The increase in world oil prices due to the political conflict in Libya has caused the coal price index to rise. (JP/Indra Harsaputra) Indika also developed the 1,000 MW Cirebon II coal-fired power plant (PLTU), but its ownership has shrunk from 25 percent to 6.25 percent.

"Diversifying industries has been the company's vision for several years, but it will begin accelerating its efforts this year," said Henan Putihrai Sekuritas research head Robertus Yanuar Hardy. Indika's diversification plan has been met with a positive market response, he noted. The company's share price, listed on the Indonesia Stock Exchange (IDX) as INDY, rose 0.82 percent on Wednesday. However, due to the pandemic, Indika's net loss widened 6.5 percent to \$117.5 million last year as revenue plunged 25.4 percent yoy to \$2.1 billion amid low coal prices and lower sales volumes. "In terms of our coal [business], we will not develop it any further. We will work with what we have and make improvements," added Indika's Arsjad.

On March 5, Indika formed renewable energy joint venture PT Empat Mitra Indika Tenaga Surya (EMITS) with India-based solar energy company Fourth Partner Energy, a portfolio under impact

investment firm the Rise Fund. EMITS is slated to install 15 MW of new solar PVs this year, 183 MWp by 2022 and 985 MWp by 2025 in expanding its business. EMITS' shareholders have committed \$500 million until 2025 to finance the projects. "This partnership with Indika Energy is an important part of our strategic expansion into key markets across Southeast Asia," said Fourth Partner executive director Vivek Subramanian in a statement on March 5. The solar company plans to focus on installing solar PVs for utilities and industries in the short to medium term before expanding to the residential market in the long term.

Indika's Arsjad noted that Indika was "always ready" to issue sustainable financial instruments to fund the projects. "As a company, Indika is trying to respond to current conditions by gradually transforming its business, starting by reducing the company's revenue exposure to coal," said renewable energy analyst Fabby Tumiwa, executive director at the Institute for Essential Services Reform (IESR). He noted that Indika's focus on developing solar energy aligned with the Energy and Mineral Resources Ministry's grand plan to have 17 gigawatts (GW) of solar PVs operational in Indonesia by 2035 as part of the country's decarbonization strategy.

Source:

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