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20 July 2026

New Coal Export Regulations: Short-Term Headwinds, Long-Term Policy Transition

Executive Summary

Indonesia's centralized coal export framework under PP No. 24/2026, Permendag No. 15/2026, and KMK No. 31/MK/BC/2026 establishes PT Danantara Sumberdaya Indonesia (PT DSI) to strengthen export governance, transaction transparency, DHE management, and fiscal compliance. While the reform is unlikely to materially affect benchmark coal prices, it shifts the investment focus from policy intent to execution risk. Coal accounted for 8.85% of Indonesia's non-oil and gas exports in 5M26, making export continuity critical for the trade balance and FX inflows. We assume limited disruption during 2H26, supported by phased implementation and existing long-term contracts, with coal prices, demand, and RKAB realization remaining the primary earnings drivers. The main downside risk is higher-than-expected execution costs, including shipment delays, buyer diversification, and a less favorable PT DSI transaction model, which could erode the reform's expected fiscal, FX, and valuation benefits. We view the Jun–Sep '26 trade releases and PT DSI's implementation progress as the first meaningful test of whether the framework can improve governance without undermining export competitiveness.

Understanding the New Coal Export Regime

Indonesia is transitioning from a decentralized coal export system to a centralized framework aimed at strengthening governance, transparency, and oversight. Rather than limiting production or exports, the reform centralizes licensing, documentation, verification, and transaction monitoring under a government-appointed state-owned enterprise (SOE), PT Danantara Sumberdaya Indonesia (PT DSI).

The framework is supported by three key regulations. PP No. 24/2026 establishes the legal basis for centralized exports of selected strategic commodities and appoints PT DSI as the designated export SOE. Permendag No. 15/2026 sets out the operational procedures, including licensing, verification, reporting, and transition arrangements, while allowing existing export licenses to remain valid until 31 Dec '26 or their expiry. KMK No. 31/MK/BC/2026 reinforces customs enforcement by requiring compliance with these requirements before export clearance.

Table 1. Indonesia's New Coal Export Regulatory Framework

Regulation	Main Function	Practical Role
PP No. 24/2026	Umbrella policy framework	Establishes centralized exports of strategic natural resources through a government-appointed state-owned enterprise.
Permendag No. 15/2026	Operational regulation for coal exports	Regulates exporter eligibility, licensing, verification, reporting, and transition arrangements.
KMK No. 31/MK/BC/2026	Customs enforcement instrument	Identifies the coal-related HS codes subject to export restrictions and documentation checks.

Source: Government of Indonesia (2026)

The reform addresses fragmented governance by integrating export licensing, customs records, surveyor verification, and commercial data into a single monitoring framework. This is expected to improve transaction transparency, strengthen auditability, reduce under-invoicing and transfer pricing risks, and enhance oversight of export proceeds (DHE SDA).

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From a fiscal perspective, stronger compliance could improve tax and royalty collection by reducing reporting leakages, although the impact will depend on export volumes and commodity prices rather than higher tax rates. The key policy objective is to enhance governance without undermining export competitiveness. Ultimately, the success of the reform will depend on whether greater transparency and fiscal control can be achieved without creating additional costs, delays, or operational inefficiencies for exporters.

Market and Sector Implications

In our opinion, KMK No. 31/2026 is unlikely to materially affect benchmark coal prices, as these continue to be driven by global supply-demand fundamentals. Instead, **the regulation is more likely to influence producers' realized margins, compliance costs, and operational efficiency**, as reflected in the following:

1. Benchmark coal prices remain driven by market fundamentals.
   Despite softer Indonesian export volumes, benchmark prices continued to strengthen. Indonesia's highest-calorie HBA increased from around USD99–106/ton in 1Q26 to USD126.58/ton in Jul'26, while ICE Newcastle remained elevated at USD128–130/ton, roughly 16% YoY higher. This suggests global supply constraints, rather than export administration, remain the key pricing driver.
2. The policy primarily changes export mechanics, not pricing.
   Beginning on Jan'27, PT DSI will become the intermediary between exporters and overseas buyers. Under a pass-through model, the impact should be limited to additional service fees and administrative costs. A regulated-margin or principal-trading model, however, would have greater implications by changing how export margins are distributed.
3. Margin pressure stems from cumulative policy changes.
   KMK No. 31 should be assessed alongside potential export duties, higher royalties, and other mining regulations. While the decree itself does not alter coal prices or tax rates, the combined policy burden could reduce sector profitability and increase regulatory risk.
4. The export-DMO price gap remains the key distortion.
   With HBA at USD120–127/ton versus the fixed USD70/ton DMO price, exporters continue to have strong incentives to prioritize overseas sales. KMK No. 31 may strengthen compliance monitoring, but it does not eliminate the underlying pricing mismatch.

Table 2. Coal Products Covered Under the New Export Regime

HS Code	Product Description
2701.11.00	Anthracite
2701.12.10	Bituminous fuel coal
2701.12.90	Other bituminous coal
2701.19.00	Other coal
2702.10.00	Non-agglomerated lignite
2702.20.00	Agglomerated lignite
2703.00.10	Non-agglomerated peat
2703.00.20	Agglomerated peat

Source: Ministry of Trade, Ministry of Finance (2026)

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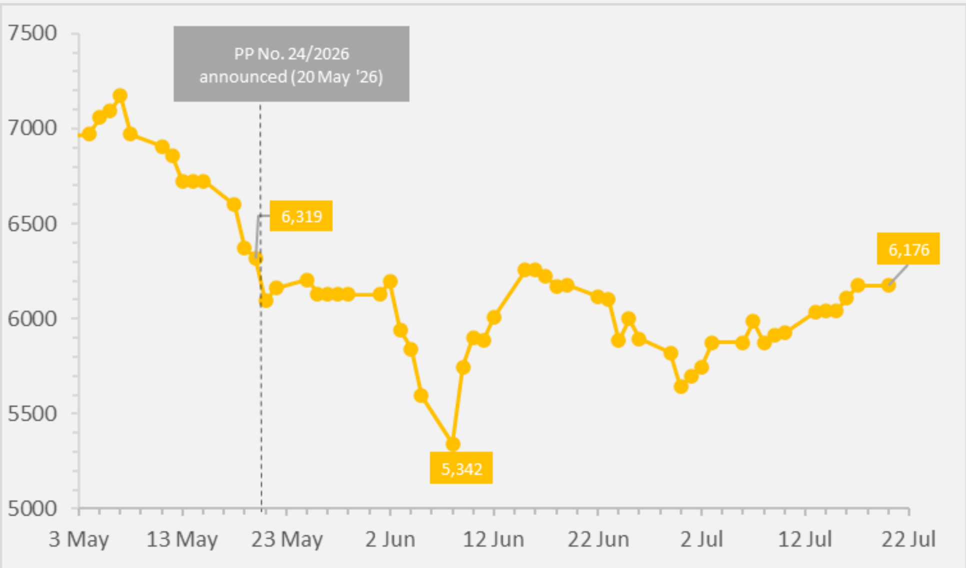
Meanwhile, the regulation introduces new operational dependencies among exporters, PT DSI, customs authorities, and surveyors. While it does not alter production quotas or global demand, it may affect shipment timing, contract execution, and working capital. So, during the transition period through end-2026, investors will likely monitor:

- shipment continuity,
- buyer acceptance,
- processing efficiency,
- PT DSI's fee structure, and
- settlement mechanisms.

We do not attribute the JCI decline solely to this policy. Around the announcement window (19–22 May '26), the index fell a cumulative 6.6%, the portion most plausibly linked to the coal policy. The much larger subsequent drop to a 5,342 trough on 8 Jun '26 (-25.5% from the May '26 peak) was driven by separate macro factors: Bank Indonesia's rate hike, Rupiah weakness, foreign outflows, MSCI rebalancing, and broader risk-off sentiment. We therefore view KMK No. 31 as an additional source of uncertainty rather than the primary catalyst.

Figure 1. JCI Performance (May – Jul '26)



Source: Bloomberg (2026)

More importantly, investors are increasingly focused on policy accumulation. Since 2025, the mining sector has faced repeated regulatory changes, including RKAB approvals, DHE SDA requirements, royalty revisions, licensing reforms, and now export centralization. The key concern is therefore policy consistency and predictability, rather than any single regulation.

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Table 3. JCI Performance Around the Policy Announcement

Date	JCI	Daily Change (% DoD)	Key Event
19 May	6,370.7	-3.46%	Market rumors on DSI
20 May	6,318.5	-0.82%	Official announcement (PP No.24/2026)
21 May	6,094.9	-3.54%	BI hike & risk-off sentiment
22 May	6,162	+1.10%	Transition details clarified
8 Jun	5,342	-4.52%	Rupiah >18,000, inflation surprise, oil price spike, and foreign outflow
9 Jun	5,747	+7.57%	BI Rate hike (+25bps) & state-bank buyback signal
17 Jul	6,176	-	+15.6% recovery from through

Source: Bloomberg, KBVS Research (2026)

Historical experience suggests regulatory uncertainty typically compresses valuation multiples before materially affecting earnings. Accordingly, we expect the near-term impact to be reflected mainly in valuation discounts, while earnings will depend on PT DSI's final commercial model:

- Pass-through model: limited earnings impact, mainly additional transaction costs.
- Regulated-margin/principal model: structural downside to export margins, warranting lower valuation multiples for export-oriented producers.

Table 4. Coal Equity Price Reaction on 21 May '26

Ticker	ADRO	BYAN	AADI	BUMI	INDY	HRUM	ITMG	PTBA
1-day change	−1.34%	−3.46%	−3.72%	−8.38%	−8.20%	−4.05%	−4.08%	−3.90%
Closing price	Rp2,210	Rp10,475	Rp7,775	Rp164	Rp2,240	Rp710	Rp22,325	Rp2,710

Source: Indonesia Stock Exchange (IDX), KBVS Research (2026)

At the same time, we see the following implications for downstream sectors:

- Power Utilities: KMK No. 31 may strengthen DMO monitoring but does not resolve the wide gap between the DMO price (USD70/ton) and the HBA benchmark (USD126.58/ton). As a result, export incentives remain attractive, keeping domestic supply risks elevated.
- Cement: The key challenge has shifted from coal availability to higher fuel costs. Delayed RKAB approvals and priority supply to the power sector have increased reliance on market-priced coal, raising production costs and pressuring margins.
- Smelters: The impact is largely indirect. Since coal is purchased at market prices, profitability is more sensitive to benchmark coal and ore prices than to KMK No. 31. We therefore view the decree as a secondary cost factor rather than a direct earnings driver.

Macroeconomic and Fiscal Implications

The macroeconomic impact of Indonesia's centralized coal export framework will depend on whether stronger governance can be achieved without disrupting exports. Coal remains a key pillar of the external sector, contributing 8.85% of non-oil and gas

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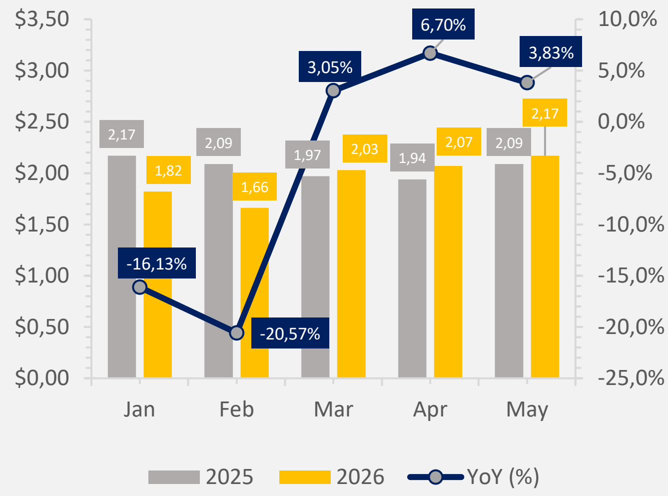
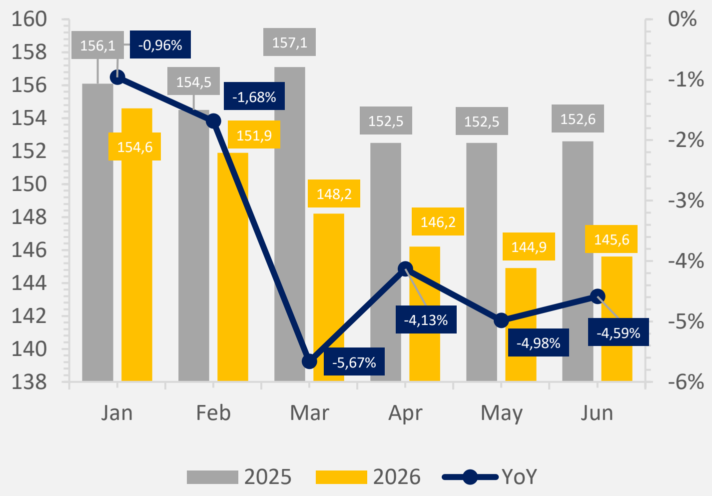
exports in 5M26 and averaging around 10% of monthly non-oil export receipts. As such, export continuity is critical for sustaining export earnings, the trade balance, and foreign-exchange (FX) inflows.

Figure 2. Indonesia Monthly Coal Export Value (USD bn)



Source: BPS Indonesia (2026)

Figure 3. Foreign Exchange Reserves



Source: Bank Indonesia (2026)

The reform is being introduced amid an already weaker export environment. In 5M26, coal export value declined to USD9.75 bn (-4.95% YoY), while export volume fell to 143.56 mn tons (-8.19% YoY), reflecting softer demand from China and India. Nevertheless, coal prices remained relatively resilient, with HBA rising to USD126.58/ton in Jul '26 and Newcastle prices staying about 16% higher YoY. As the centralized framework only became effective on 1 Jun '26, these figures provide a pre-policy baseline, although reports of delayed June purchases by several Chinese buyers suggest that implementation uncertainty has already affected buying decisions.

Table 5. Indonesia Trade Balance and Key Drivers

Period	Trade Balance	Key Driver
Apr '26	USD0.09 bn (surplus)	Narrowing trade surplus
May '26	USD1.61 bn (deficit)	Higher oil & gas imports and weaker exports
5M26	USD4.03 bn (surplus)	Non-oil & gas surplus offset oil and gas deficit

Source: BPS Indonesia (2026)

In the near term, we see three key transmission channels. First, documentation, onboarding, and customs procedures could temporarily disrupt shipments. Second, execution uncertainty may weaken buyer confidence and increase requests for pricing concessions. Third, stronger invoicing controls should improve the accuracy and traceability of reported export values, although without necessarily increasing physical shipments. A sustained 3–5% decline in monthly coal exports could lower export receipts by approximately USD150–300 mn per month, reducing the trade surplus and weakening external support.

Table 6. Export Transmission Channels

Channel	Transmission Mechanism	Potential Impact
Volume	Documentation, onboarding, or clearance delays	Lower or deferred shipments
Price	Buyer discounts for execution or counterparty risk	Lower realized export value
Compliance	More accurate invoicing and transaction reporting	Higher officially recorded export value

Source: KBVS Research (2026)

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These risks are more pronounced given Indonesia's softer external position. The country recorded a USD1.61 bn trade deficit in May'26, ending a 72-month trade surplus streak, while the cumulative 5M26 trade surplus narrowed to USD4.03 bn. Although the deterioration was largely driven by higher oil and gas imports, weaker coal exports would further constrain FX generation. While tighter DHE SDA monitoring should improve the retention and traceability of export proceeds, it cannot increase FX inflows, which ultimately depend on export volumes and prices. Although FX reserves edged up to USD145.6 bn in Jun'26 from USD144.9 bn in May '26, they remained 4.59% YoY lower, underscoring continued reliance on export performance, capital flows, external debt repayments, and Bank Indonesia's stabilization operations.

Table 7. Fiscal Transmission of the Centralized Framework

Fiscal Component	Government Expectation	Key Constraint	KBVS View
Coal Royalty	Better reporting accuracy	Lower coal prices and export volumes	Gradual improvement, but limited near-term upside
Corporate Income Tax	Reduced under-invoicing	Profitability remains cyclical	Better compliance rather than higher collections
PNBP	Stronger transaction reconciliation	Smaller taxable export base	Positive over the medium term
Export Documentation	Higher transparency	Potential operational bottlenecks	Execution remains the key risk

Sources: Ministry of Finance, Ministry of Energy and Mineral Resources, Directorate General of Customs and Excise (2026)

Overall, the framework's fiscal and economic benefits remain conditional on preserving the export base. KMK No. 31 strengthens reconciliation between production, customs records, invoices, and export proceeds, but it does not alter royalty or corporate tax rates. Consequently, fiscal revenue will continue to depend primarily on production volumes, realized prices, and corporate profitability. Likewise, the impact on GDP should remain limited unless implementation disrupts mining activity, which contributes around 10.5% of Indonesia's GDP (IDR2,198 tn). Ultimately, the framework's success should be assessed by its ability to enhance transparency while maintaining export competitiveness, with close attention to coal export volumes, buyer behaviour, PT DSI implementation, trade balance trends, and FX inflows.

Table 8. Indonesia's Coal-Producing Regions and Economic Exposure

Region	Share of National Coal Production	Potential Exposure
Kalimantan	Around 81%	High exposure through mining output, logistics, and DBH
Sumatera	Around 18%	High exposure through mining activity and regional fiscal revenue

Source: Ministry of Energy and Mineral Resources (2026)

Outlook and Key Variables to Watch

With the regulatory framework largely in place, the investment debate has shifted from policy intent to execution. We assume limited disruption during 2H26, supported by existing long-term contracts and phased implementation through end-2026. Coal prices, demand, and RKAB quotas should remain the primary earnings drivers, while governance benefits emerge gradually.

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Table 9. Key Variables to Watch

Indicator	Why It Matters	Positive Signal	Negative Signal / Potential Market Impact
HBA & Newcastle coal prices	Determines whether strong pricing can offset weaker export volumes and support producer profitability	Benchmark prices remain resilient, with HBA above USD120/t and Newcastle above USD110–120/t	A decline below USD100/t would weaken earnings resilience and reduce miners' ability to absorb higher royalties, duties, and policy-related costs
Indonesia coal export volume & value (BPS)	Measures whether policy transition creates shipment disruptions or affects export competitiveness	Export volumes remain stable despite implementation of the centralized export framework	A sustained 3–5% decline in monthly exports could reduce coal export receipts by approximately USD150–300 mn/month, narrowing the trade surplus and weakening external support
RKAB production quota & realization	Determines whether export capacity is constrained by regulatory approvals rather than market demand	Stable RKAB approvals and production realization support shipment continuity	Delays in RKAB approval or lower production realization could constrain exports regardless of coal price conditions
PT DSI transaction model & implementation progress	Determines whether the reform acts as a neutral coordinator or changes value distribution across the supply chain	PT DSI operates mainly as a pass-through coordinator with limited additional costs	A regulated-margin or principal-trading model could alter miners' realized export prices and change value distribution along the coal supply chain
Exporter realized prices vs benchmark prices	Tracks whether miners capture global coal price upside after the new export mechanism	Realized prices remain broadly aligned with HBA/Newcastle benchmarks	A widening gap between benchmark and realized prices would indicate higher intermediation costs or reduced bargaining power for producers
Royalty, PNBP, and potential export duty burden	Captures the cumulative impact of fiscal measures on mining margins	Policy adjustments remain manageable relative to commodity price strength	Separately introduced fiscal measures, combined with higher royalties, potential export duties, and additional compliance costs, could pressure 2026–27F margins, particularly for high-calorie coal producers
DMO compliance & domestic coal allocation	Measures whether the policy improves domestic supply reliability	Higher compliance without significant disruption to export operations	Persistent export preference due to the HBA–DMO price gap (HBA around USD120–127/t vs PLN DMO price USD70/t) could sustain domestic supply risks despite improved monitoring
China & India coal demand	Determines whether weaker exports are demand-driven or policy-related	Stable import demand and maintained Indonesian market share	Lower import demand or substitution toward Australia, Russia, and South Africa could amplify the impact of domestic policy changes
Trade balance & Rupiah sensitivity	Captures broader macro implications from coal export performance	Trade surplus remains supported by stable commodity receipts	Lower coal export proceeds could reduce external buffers, pressure the Rupiah, and weaken investor confidence if combined with broader current account deterioration

Source: KBVS Research (2026)

Investors should focus on leading indicators of operational execution, particularly export volumes, destination-market demand, shipment disclosures, and PT DSI's implementation progress. These will provide earlier signals than fiscal receipts or DHE data and determine whether centralization remains commercially neutral. Export continuity and buyer confidence are more important than short-term improvements in reporting or repatriation because they define the economic base the policy seeks to govern.

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The key downside risk is higher-than-expected execution costs. Prolonged delays, buyer diversification, or a margin-sharing model that weakens producer economics could erode the reform's expected fiscal, FX, and valuation benefits. The Jun–Sep '26 trade releases and PT DSI's operational updates will provide the first meaningful test: a smooth rollout could support a gradual sector re-rating, while persistent shipment weakness would indicate that the reform is undermining competitiveness while pursuing better governance.

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