

Indonesia's New Mining Framework: Key Insights into Government Regulation No. 39 of 2025 on Mineral and Coal Business Activities



Summary

- On 11 September 2025, the Government issued GR 39/2025 to align the regulatory framework on mineral and coal mining with the latest amendment to the Indonesian Mining Law. GR 39/2025 also revokes and replaces several provisions of GR 96/2021 and provides a more detailed framework for Mining Law.
- Among its key updates, GR 39/2025 introduces a more comprehensive mechanism to obtain priority rights for obtaining WIUP and WIUPK, including eligibility criterias and maximum area limits for each type of business entities. GR 39/2025 also broadens domestic priority obligations, mandating IUP/IUPK holders to prioritize sales to certain strategic state-owned enterprises and requiring any foreign coal sales to be subject to MEMR prior confirmation.



Background

On 11 September 2025, the Government of the Republic of Indonesia (“**Government**”) issued Government Regulation No. 39 of 2025 on the Second Amendment to Government Regulation No. 96 of 2021 on the Implementation of Mineral and Coal Mining Business Activities (“**GR 39/2025**”).

Effective of its issuance, GR 39/2025 revokes and replaces several provisions of Government Regulation No. 96 of 2021, as previously amended by Government Regulation No. 25 of 2024 (collectively, “**GR 96/2021**”). The amendments are intended to align the regulatory framework governing mineral and coal mining operations with the latest legislative developments, specifically Law No. 2 of 2025 on the Fourth Amendment to Law No. 4 of 2009 on Mineral and Coal Mining (“**Law 2/2025**”, together with its predecessors, “**Mining Law**”).

This update will highlight the key regulatory updates and changes introduced by GR 39/2025 and is meant to provide practical insights for mining companies and the related stakeholders to understand their potential implications and ensure ongoing compliance.

Key Update and Changes

- ***More Detailed Priority Right Mechanism for Obtaining WIUP and WIUPK***

GR 39/2025 provides a more comprehensive framework for the granting of priority rights (*pemberian prioritas*) as previously introduced under Law 2/2025. GR 39/2025 sets out clearer related procedures, including application submission, verification and approval stages. It also elaborates on the eligibility criteria and requirements that an applicant must satisfy to qualify for a priority rights allocation.

GR 39/2025 also stipulates the maximum area limits for each Mining Business Permit Area (*Wilayah Izin Usaha Pertambangan* or “**WIUP**”) and Special Mining Business Permit Area (*Wilayah Izin Usaha Pertambangan Khusus* or “**WIUPK**”), differentiated by the type of business entities and type of mining resource. For instance, state-owned enterprises and private companies engaged in value-added processing or downstream activities may be granted with areas of up to 25,000 hectares for metal mineral WIUPs and 15,000 hectares for coal WIUPs.

- ***Grace Period for Extension of Production Operation IUP and IUPK***

GR 39/2025 now permits any Mining Business Licenses (*Izin Usaha Pertambangan* or “**IUP**”) and IUPK holders operating in the production operation stage to be granted with a maximum one-year extension following the expiry of their IUPs and IUPKs, provided that the relevant license holders have submitted the required application documents for the extension of their expired IUPs and IUPKs but require additional time to fulfil certain outstanding obligations, including to (i) complete outstanding permits or licenses, (ii) fulfil certain payment obligations to the Government and/or (iii) complete the development of supporting infrastructure and facilities.



- **New Environmental Audit Obligation for CoW and PKP2B Holders Applying for IUPK**

GR 39/2025 introduces an additional requirement for holders of Contracts of Work (*Kontrak Karya*) or Coal Mining Concession Agreements (*Perjanjian Karya Pengusahaan Pertambangan Batubara*) who intend to convert their concession to an IUPK, where now such concession holders must also include the results of an environmental audit conducted by an accredited third party on their application.

- **Subcontracting by Mining Contractor**

GR 39/2025 provides that any mining contractor intending to subcontract part of its mining activities must first obtain approval from the relevant IUP or IUPK holder.

Furthermore, GR 39/2025 requires any foreign investment mining contractor companies to subcontract part of their work to local or national mining contractors. However, GR 39/2025 does not specify which types of work or the proportion of activities that must be subcontracted. It is expected that these details will be further regulated by the Ministry of Energy and Mineral Resources ("MEMR") through a subsequent implementing regulation.

- **Stricter Requirements on Exploration IUP Extension**

GR 39/2025 introduces stricter requirements for IUP holders applying a one-year extension of their exploration-stage IUP.

In addition to the existing requirements set out under Law 2/2025, the IUP holder must now also demonstrate that (i) it has submitted an exploration activity report detailing any technical or social challenges encountered, (ii) the extension is required to complete other permits or licenses, and (iii) there is evidence of preparation and mobilization of the necessary infrastructure and equipment.

- **Additional Requirement for Applying for Production Operation IUPK**

GR 39/2025 adds a new requirement for exploration-stage IUPK holders to upgrade their IUPK into production operation-stage IUPK. Under the new regime, the applicant must first submit a full-area development plan (*rencana pengembangan seluruh wilayah*), which will include, among others, the quantity and location of resources and/or reserves allocated for mining activities up to the extension period, for approval by the MEMR. Only after obtaining such approval may the applicant proceed to apply for the conversion of its IUPK to a production operation stage IUPK.

Consequently, the separate requirement under the previous regime to submit a proposed WIUPK map with coordinates has been removed, as this requirement has been replaced by the full-area development plan.

- ***Limitation on Assignment of Alluvial Mineral Mining Activities to Mining Contractor***

Under the previous regime, GR 96/2021 did not specify any criteria on the eligibility of mining contractor conducting alluvial mineral extraction.

GR 39/2025 now introduces a specific limitation where production operation-stage IUP or IUPK holders may now assign such activities only to fully-owned domestic mining contractor.

- ***Expanded Grounds for MEMR Approval to Engage Affiliated Mining Contractor***

GR 39/2025 reaffirms the position under the Mining Law that IUP and IUPK holders are prohibited from engaging their subsidiaries or affiliated companies in mining service activities without MEMR prior written approval. Under the Mining Law, such approval could only be granted if (i) no equivalent mining contractor operated within the relevant area **or** (ii) no capable or interested mining contractor was available to perform the work.

GR 39/2025 expands these grounds by introducing an additional basis for MEMR approval, i.e., when no mining contractor expresses interest in undertaking the required activities.

- ***Reclamation and Post-Mining Obligations for Reutilized Former WIUP and WIUPK Areas***

GR 39/2025 clarifies the continuation of reclamation and post-mining obligations for former WIUP and WIUPK areas that are later reutilized or reoperated. Under the new framework, former permit holder remains responsible to carry out reclamation and/or post-mining activities in accordance with the approved reclamation plan until a new license for that particular area is issued and the latest reclamation report has been submitted.

Once the respective area is reoperated, the new license holder assumes full responsibility for completing 100% of the reclamation and post-mining obligations associated with the reutilized area.

- ***Expanded Domestic Supply Obligation for Production Operation IUP and IUPK Holders***

GR 39/2025 broadens the domestic supply obligations imposed on production operation-stage IUP and IUPK holders by requiring them to prioritize the supply of minerals and/or coal for domestic consumption, particularly to state-owned enterprises engaged in sectors critical to public welfare. These sectors include, among others, electricity, energy supply, fertilizer production and other strategic national industries. Furthermore, other than to satisfy the existing refined coal requirement, any foreign coal sales are now subject to prior explicit confirmation from MEMR.

- ***Transitional Provisions***

To ensure legal certainty and continuity during the the regulatory transition period, GR 39/2025 includes several key transitional provisions as follows:

- a. Based on the evaluation of the Central Government, IUP holders whose area overlapped with other WIUP may be revoked and returned to the Government. However, the relevant IUP holders whose IUP is revoked may also file objections through prescribed administrative procedures.
- b. IUPs and IUPKs issued prior to GR 39/2025 will remain valid until their respective expiry date.
- c. IUP, IUPK, People's Mining Permit (*Izin Pertambangan Rakyat* or "IPR") or Rock Mining License (*Surat Izin Penambangan Batuan*) holders who fail to comply with applicable laws may be subject to area relinquishment or permit revocation based on MEMR's evaluation.
- d. A holder of multiple production operation-stage IUPs may merge its WIUP, provided that the type of the mining resources and the activities stage are the same.
- e. Existing mining permits (IUP, IUPK or IPR) are protected from changes in spatial or land-use designation. If the Central or Regional Government later alters the spatial use of such areas, mining permit holders may continue their mining operations until the permit's expiry, including its first and second extensions.
- f. The duration of production operation stages may be adjusted based on the approved feasibility study and the size of resources or reserves, provided the current permit duration has not yet reached the maximum permitted period.

Conclusion

GR 39/2025 marks a significant step in refining Indonesia's mineral and coal mining regulatory framework. It introduces clearer mechanisms for the granting of priority rights, and expands domestic supply obligations. The regulation also tightens eligibility and procedural standards for IUP and IUPK extensions, adds new prerequisites for the conversion of exploration-stage IUPKs to production operation-stage IUPKs, and enhances environmental compliance obligations, reflecting the Government's continued focus on governance, transparency and sustainable resource management.

In addition, GR 39/2025 reinforces the role of local participation in mining services by restricting subcontracting and delegation arrangements to domestic mining contractors, while expanding the grounds under which affiliates may be engaged.

Overall, these changes underscore the Government's policy direction toward promoting downstream value creation, prioritizing domestic resource utilization and enhancing administrative oversight across the mining sector. Mining companies, contractors and stakeholders are advised to review their operational structures, licensing portfolios, and compliance frameworks to align with the new requirements and to anticipate further implementing regulations expected to follow GR 39/2025.



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