

# Indonesia's coal mining association proposes change in HBA calculation for accuracy: sources



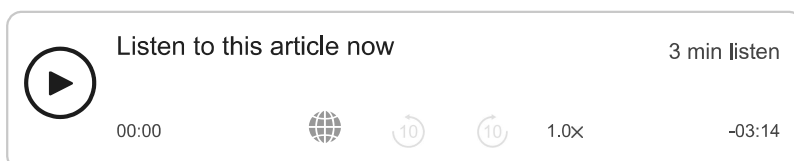
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## HIGHLIGHTS

**Proposal to reflect Indonesian coal prices fairly: miners**

**Proposal would hit government revenues through royalties**

**Kalimantan 5,900 kcal/kg GAR averages \$180.25/mt in 2022**



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The Indonesia Coal Mining Association, or ICMA, has proposed to the government that it lower the influence of Australian coal prices in the calculation of Indonesia's HBA Index, a move they believe will reflect the country's coal prices more accurately, market sources familiar with the matter told S&P Global Commodity Insights July 14.

The ICMA and Ministry of Energy and Mineral Resources did not immediately respond to queries.

"It's true that the idea to review the HBA formulation was floated," an Indonesia-based producer confirmed, adding that the idea is to make the index reflect more Indonesia-based prices as part of the formulation.

The HBA is a monthly average price based 25% each on the Platts Kalimantan 5,900 kcal/kg GAR assessments, Argus-Indonesia Coal Index 1 (6,500 kcal/kg GAR), Newcastle Export Index (6,322 kcal/kg GAR) and globalCOAL Newcastle (6,000 kcal/kg NAR).

The HBA price for thermal coal is the basis for determining prices of 77 Indonesian coal products and calculating the amount of royalty producers must pay for each metric ton of coal sold. It is based on 6,322 kcal/kg GAR coal with 8% total moisture content, 15% ash as received and 0.8% sulfur as received.

Another producer said that discussions have been going on for some time as Australian prices don't represent Indonesia anymore and the weightage should be reduced.

"The HBA index is used to calculate the royalties that companies have to pay for their exports and sales. So, if for any reason the calculation changes and reflects lower Indonesian prices, the revenues for the government will also reduce, which they may not want," one of the producers said.

Indonesia's Ministry of Energy and Mineral Resources set the July HBA price at \$319/mt, down from \$323.91/mt, mainly driven by a rise in cheaper Russian coal supply to India and China.

# Surge in prices

HBA prices have surged since 2021 as demand rose sharply and global supply could not keep up. The Russian invasion of Ukraine also boosted global coal prices.

Traders believe that Australia will act as a bigger source of coal to replace Russian coal than high-CV Indonesia for countries in Europe and for Japan.

As the HBA index presently takes 50% of its weight from Australian prices, traders said it is high time a change is made to reflect the Indonesian market fairly.

The Kalimantan 5,900 kcal/kg GAR price was assessed by Platts at \$185/mt FOB on July 14, according to S&P Global Commodity Insights data. The price for this grade has averaged \$180.25/mt so far in 2022, against \$85.95/mt in the same period in 2021.

The HBA index has averaged \$251.05/mt in 2022, against \$91.45/mt in the same period in 2021, the data showed.

The Newcastle 5,500 kcal/kg NAR price has averaged \$183.15/mt in 2022, against \$60.50/mt in the same period in 2021, S&P Global data showed. However, traders said the Newcastle 6,000 kcal/kg NAR index was close to \$433/mt for July.

"The HBA price keeps rising due to the Newcastle index and as a result royalty payout increases while margins of miners fall," another miner said.