



Client Alert

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THE USE OF SUBSIDIARIES AND/OR AFFILIATES AS MINING SERVICE CONTRACTORS

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The engagement of mining service companies is a common practice in mineral and coal mining operations in Indonesia. Indonesia's mining regulatory framework requires mining license holders to prioritize the engagement of mining service contractors that are not affiliated with the relevant license holder. However, to accommodate certain business needs, particularly those relating to strategic projects and the development of Indonesia's mining industry, the regulatory framework permits the use of subsidiaries and/or affiliated companies as mining service contractors under limited circumstances.

The Ministry of Energy and Mineral Resources of the Republic of Indonesia ("**MEMR**") has issued new guidelines governing the application, approval, and evaluation process for the use of subsidiaries and/or affiliates in the mineral and coal mining services sector through MEMR Decree No. 365.K/MB.01/MEM.B/2026 ("**MEMR Decree 365/2026**") dated 18 September 2026. MEMR Decree 365/2026 revokes the previous technical guidelines issued in 2010.

The key provisions of MEMR Decree 365/2026 are outlined below:

1. General Rule on the Use of Mining Service Contractors

The use of subsidiaries and/or affiliated entities as mining service contractors is treated as an exception under Indonesia's mining regulatory framework and may only be undertaken in circumstances prescribed by the MEMR.

Consistent with this principle, subsidiaries and/or affiliated entities cannot automatically be appointed as mining service providers only because they belong to the same corporate group.

2. Definition of Affiliate

Under MEMR Decree 365/2026, a mining service company is considered affiliated with holder of the Mining Business Licences (*Izin Usaha Pertambangan* - "**IUP**") and Special Mining Business Licenses (*Izin Usaha Pertambangan Khusus* - "**IUPK**") if:

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- a. there is a direct shareholding relationship between the IUP/IUPK holder and the mining service company; or
 - b. the IUP/IUPK holder and the mining service company share one or more of the same beneficial owners.

3. Limited Circumstances for the Use of Subsidiaries and/or Affiliates

Notwithstanding the foregoing, holders of IUP and IUPK may engage subsidiaries and/or affiliates as mining service contractors in certain circumstances.

The approval to engage subsidiaries and/or affiliates as mining service contractors may be granted in relation to the following activities:

- a. the national strategic projects (*proyek strategis nasional*);
- b. the development of mineral processing and/or refining facilities;
- c. the coal development or utilization activities; and/or
- d. the activities supporting the fulfilment of domestic mineral or coal requirements.

4. Prior Government Approval Requirement

The engagement of a subsidiary and/or affiliate as a mining service contractor requires prior approval from the Minister of Energy and Mineral Resources. The Minister must issue a decision within 14 (fourteen) working days after receiving a complete application.

Conclusion

MEMR Decree 365/2026 establishes a framework for the use of subsidiaries and/or affiliates as mining service contractors, including the eligibility criteria and approval requirements that must be met.

Accordingly, mining companies that engage affiliated entities in mining services activities may wish to assess whether their current arrangements are consistent with the requirements of MEMR Decree 365/2026.

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For further information regarding the above Client Alert and future updates, please contact our counselors at:

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