

COAL COMPANIES H2-2025:

PLTU-JETP Transition — Re-Rating Potential and Investor Appetite

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1. Outlook of Coal Companies H2-2025

- **Export demand indeed weakened:** Indonesia's thermal coal exports were at a 3-year low in early 2025 as China and India reduced imports amid rising domestic output; the decline was also reflected in H1-2025 export value which fell around 21% YoY.
- **Domestic cushion:** Domestic absorption share increased (driven by PLTU & nickel smelter demand), while the 2025 DMO target was raised to ~239.7 million tons. This makes domestic volume relatively more stable compared to exports.
- **Current global benchmark price:** Newcastle ~US\$107/t as of Sep 5, 2025 (still far below 2022 peak), after falling to a 4-year low in April. This pressures ASP and margins, but also potentially stabilizes if seasonal supply tightness emerges. Since April we have seen an uptrend from the bottom ~USD93 to as high as ~USD115 in July.
- **Q4 direction:** ASEAN (Vietnam/Philippines/Cambodia) and South & East Asia (Bangladesh/Taiwan) remain import growth hubs, making diversification into these markets rational. Government/industry also adjusting pricing policies—e.g. relaxation of benchmark price obligations—giving commercial flexibility in sales.
- **National production remains high** (>700 million tons projected this year), so cost discipline (strip ratio, fuel) and PLN long-term contracts will be key to maintaining cash flow.

Implications for Coal Companies in LQ45/IDX80/Kompas100 index:

ADRO, ITMG, PTBA tend to be more resilient thanks to competitive costs, domestic contracts, and more diversified market shares compared to smaller miners. Export decline pressures ASP, but cash flow from DMO sales + cost efficiency helps sustain pay-out capacity. (Basis: export/price trends above).

2. "Sunset Industry" and Green Diversification: PLTU Retirement Map

- **Honestly, structural pressure is indeed real and green diversification acceleration is already ongoing** — with regulators having set the PLTU retirement timeline (starting with pilot assets like Cirebon-1 scheduled to shut down in 2035).
- **Global coal:** IEA projects 2025 still slightly up then flat in 2026—not a "cliff," but medium-term trend remains downward. So not "gone instantly," but long-term risk-reward shrinks.
- **Indonesia PLTU retirement:** ESDM Regulation 10/2025 sets out the electricity transition roadmap, including accelerated PLTU retirement toward NZE 2060. The early retirement pilot project Cirebon-1 (660 MW) is prepared through the ADB-ETM scheme, targeted to cease operations in 2035 (±7 years earlier than the original schedule).
- **Foreign/JETP support:** JETP (Just Energy Transition Partnership: Indonesia's partnership with developed countries to accelerate clean energy transition) consists of a US\$20 billion deal launched in 2022 📁 serving as a financing framework; in 2025 the US withdrew as co-lead, replaced by Germany/Japan, but the government said the impact on execution is limited.

3. Companies already Diversifying into Green Energy / in transition period:

- **ADRO:** “Adaro Green” pillar, PV projects at internal facilities; also part of a consortium exporting solar power to Singapore (Adaro Solar International conditionally approved for 1.4 GW low-carbon electricity import project).
- **PTBA:** Off-grid solar power plants for supplying industrial estate in Cilegon & micro-grid for mining operations in Tanjung Enim (collaboration with Huawei/Pamapersada); plus post-mining land solar power plan in Ombilin - West Sumatra (target gradually 100-200MW). SWF DANANTARA also reportedly ready to fund 4 DME downstream projects (gasification) worth USD 40 billion.
- **ITMG:** Rooftop PV expansion via subsidiary Cahaya Power Indonesia; exploring hydropower project in Sulawesi.
- **TOBA:** Transitioning into three pillars (waste, RE, EV), floating solar power plant 46 MWp Tembesi (Batam) has reached financial closing; joint-venture EV ecosystem.
- **INDY:** Non-coal pivot (target 50:50 rebalanced), EV two-wheeler investment via Ilectra/ALVA; still owns Kideco but actively divesting other coal assets. (Note: INDY is not a pure coal miner in the main bourse, but relevant as a transitioning coal conglomerate example).
- **HRUM:** Also in transition, but via a different route: aggressively diversifying into nickel — owning ore mines in East Halmahera and 2 smelters (transition more toward battery metals for the EV ecosystem).

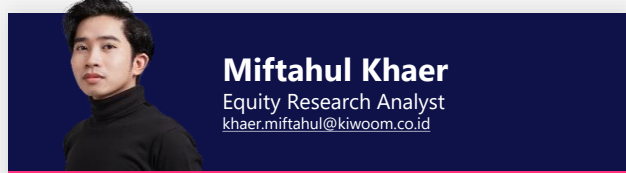
4. Opportunities for Coal Companies Strengthening in the rest of H2-2025

- **Catalysts to watch:**
 - Year-end restocking in North Asia + winter season; Search & focus on “fresh” export destination countries beyond China & India.
 - Export price flexibility after relaxation of minimum HBA rule may smooth deals when global prices fluctuate.
 - Larger DMO + smelter demand keeps utilization; Weak Rupiah tends to support USD-based margins.
 - Risks holding back re-rating: China/India domestic production remains high; global prices that hit a “4-year low” weigh on ASP; Climate/policy financing could cap valuation multiples.

KIWOOM RESEARCH OPINION:

- Coal industry will not “sunset” instantly; although boring, H2-2025 remains supported by DMO, PLN contracts, and cost discipline. *Mind the selection though:* premium valuation is only deserved for low-cost producers with diversified ASEAN/Asia markets and real (not rhetorical) energy transition narratives.
- H2-2025 earnings tend to hold up, but re-rating potential depends on two factors: Asian demand recovery in Q4 and Newcastle prices holding above ~US\$100/t.
- *Investor appetite* leans toward big names with competitive costs and strong cash flow (ADRO, ITMG, PTBA), while small miners heavily reliant on China/India risk lagging.
- Policy direction (gradual PLTU retirement, JETP) caps long-term valuation, so credibility of the “RE pipeline” will be the *game-changer* among companies.

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