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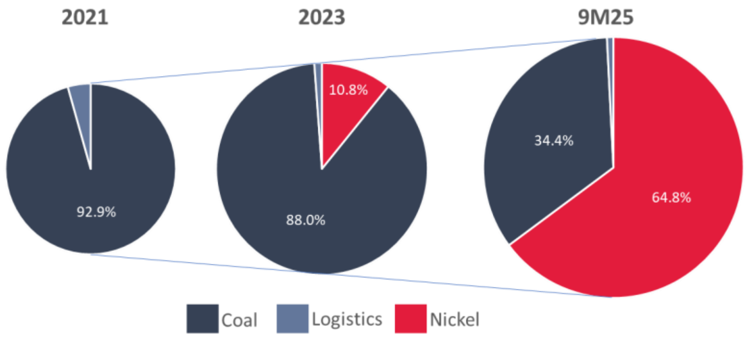
Analysis

Navigating RKAB Policy Shifts and Coal Fundamental Risk: Harum Energy Diversification Strategy

Idham Muhammad Fachri & Hazel Ilango | March 2026

Jakarta, March 4, 2026 – PT Harum Energy Tbk (Harum Energy) reduced its reliance on coal revenue from 88.0% in 2023 to 34.4% in 2025, marking a significant shift in its revenue composition in less than two years. As market and policy risks intensify, Harum's move to diversify demonstrates a proactive strategy to strengthen its long-term resilience.

Harum Energy Business Diversification



Recent headwinds from domestic policy changes, such as production cuts under the Work Plan and Budget (RKAB) and the imposition of export duties, along with weakening global demand, are growing signals that should act as a prompt for coal companies to begin diversifying or, at the very least, to proactively plan their business transition.

Given that these mounting risks can constrain cash flow and limit financial flexibility, diversification may become increasingly difficult if delayed. Early planning is therefore crucial to securing long-term business sustainability.

A recent study by the Energy Shift Institute (ESI), titled "Navigating RKAB Policy Shifts and Coal Fundamental Risk: Harum Energy Diversification Strategy" states that business diversification can be a key strategy for companies seeking long-term sustainability. While production adjustments can help stabilize coal prices in the short term, they may not fully tackle the structural challenges of weakening demand growth

"By contrast, diversification is a structural strategy. Companies can limit reinvestment in the coal sector and allocate capital to more feasible related sectors. If implemented properly, diversification can open opportunities in higher-growth segments while helping manage risks, while coal operations can continue to sustain operational continuity. This diversification also has the potential to support the national agenda and align with net-zero targets," said Idham Muhammad Fachri, Senior Analyst at ESI.

The ESI study identifies Harum Energy as one of the companies that has implemented a diversification strategy. Harum Energy has reduced coal business expansion and entered the nickel supply chain since

2020—when coal markets were at their peak. Between 2020 and 2024, the company allocated US$1.3 billion in capital to nickel, with 80% sourced internally and the remainder financed through bank loans and strategic partnerships. In contrast, capital allocated to the coal business was limited to an average of 9%, or US$221.5 million, during 2015–2025.

As of September 2025, nickel contributed 64.8%, or US$664 million, of Harum Energy's total consolidated revenue—an increase of 10.8% compared to 2023. "Harum Energy represents a case study of strategic transformation by combining controlled coal reinvestment with larger capital allocation to nickel, which has now become the company's main revenue driver. Meanwhile, coal is managed as a supporting asset that provides liquidity and financial stability, rather than serving as a business growth engine," said Hazel Ilango, Coal Transition Lead at ESI.

Harum Energy has also withheld dividend distributions since 2023 to prioritize funding for its nickel business. This capital allocation reflects management's effort to prioritize the company's long-term sustainability plan over short-term dividend payments to shareholders.

Nickel is projected to become the main contributor to revenue and net profit in the long term. However, short-term nickel profitability remains highly dependent on price fluctuations and execution risks as assets expand. As of September 2025, Harum Energy's nickel margin stood at 3.9%, significantly lower than its coal margin of 24.1%.

Diversification strategy can serve as a hedge against the long-term fundamental risks of the coal business. However, nickel's net profit remains highly influenced by price volatility and shifts in market demand. The success of Harum Energy's strategy will largely depend on disciplined project execution, cost competitiveness, and prudent commodity risk management across both its coal and nickel businesses.

"Harum Energy's diversification strategy should be viewed as a long-term approach, not as an immediate revenue boost. By expanding into other commodities that play a role in future industries—such as nickel—the company can reduce concentration risk from price volatility and strengthen its long-term resilience," Hazel added.

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About ESI

Energy Shift Institute is an independent nonprofit energy finance think tank that looks at Asia's energy transition from within the region. Energy Shift Institute aims to help position Asia for its future economic leadership by facilitating a more aggressive energy transition, through innovation in strategic finance and policy, while also exploring technology opportunities and risks.