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## Indonesia
## Renewable Energy

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This country-specific Q&A provides an overview of renewable energy laws and regulations applicable in Indonesia.

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# Indonesia: Renewable Energy

## 1. Does your jurisdiction have an established renewable energy industry? What are the main types and sizes of current and planned renewable energy projects? What are the current production levels? What is the generation mix (conventional vs renewables) in your country?

Yes, Indonesia generally has an established renewable energy industry. The main types of renewable energy projects that are developed in Indonesia are hydro, geothermal, solar PV, wind and biomass. For 2024, the installed capacity of renewable energy will increase by 1,114.6 MW, far exceeding the target set at 326.81 MW. The increase in this amount mostly comes from 486.55 MW (hydro), 311.56 MW (solar), 275.27 MW (bioenergy), and 41.25 MW (geothermal). With the addition of these power plants, the total installed capacity of renewable energy power plants until 2024 is 14,877 MW.

## 2. What are the key developments in renewable energy in your country over the last 12 months?

Recently, the Minister of Energy and Mineral Resources (MEMR) just issued Regulation No. 10 of 2025 on the Road Map for Energy Transition in the Electricity Sector (MEMR 10/2025) which lays out Indonesia's roadmap to reduce dependence on fossil fuels and achieve sustainable development goals through the utilization of new and renewable energy sources, ultimately reducing greenhouse gas emissions. The strategy for managing existing power plants and developing new ones is projected to optimize electricity generation capacity until 2060. To meet growing electricity demand and replace retiring plants, an additional capacity of approximately 9.6 gigawatts per year is required. By 2060, the total capacity is expected to reach 443 gigawatts, comprising: (i) 41.5% Variable Renewable Energy with storage capacity of around 34 gigawatts; and (ii) 58.5% Dispatchable Renewable Energy.

MEMR also issued Regulation No. 5 of 2025 on the Guidelines for Power Purchase Agreements (PPA) from Power Plants Utilizing Renewable Energy Sources in the hope of attracting more renewable energy developers with renewable energy PPA that meets current market conditions.

## 3. What are your country's net zero/carbon reduction targets? Are they law or an aspiration?

The government's target in 2030 is to reduce emission by 31,89% (which previously was set at 29%) and 43,20% (which previously was set at 41%) with international support and to achieve net zero emissions by 2060. The target is set out in Law No. 16 of 2016 on ratification of Paris Agreement to the United Nations Framework Convention on Climate Change. The government has also issued several national regulations to support the achievement of net zero emissions target.

## 4. Is there a legal definition of 'renewable energy' in your jurisdiction?

Renewable energy is defined as any source of energy generated from energy resources that are sustainable if managed properly, including geothermal energy, wind, bioenergy, solar energy, hydro-energy (streams or waterfalls) and movement and temperature difference of ocean layers.

## 5. Who are the key political and regulatory influencers for renewables industry in your jurisdiction? Is there any national regulatory authority and what is its role in the renewable energy market? Who are the key private sector players that are driving the green renewable energy transition in your jurisdiction?

MEMR and PLN are the key political and regulatory influencers for renewables industry and energy transition in Indonesia. There is no specific regulatory authority in the renewable energy market in Indonesia and generally it involves various government stakeholders. Participation of private investors in renewable energy projects depends on the active role of MEMR and PLN in implementing the government's policy and regulation in the energy transition.

## 6. What are the approaches businesses are taking to access renewable energy? Are some solutions easier to implement than others? If

 

**there was one emerging example of how businesses are engaging in renewable energy, what would that be? For example, purchasing green power from a supplier, direct corporate PPAs or use of assets like roofs to generate solar or wind?**

Many businesses are taking the approach of installing rooftop solar PV or developed solar PV plants for own use or purchase renewable energy from PLN. As evidence that the business player uses electricity from renewable energy power plant, PLN issues a Renewable Energy Certificate for businesses that purchase PLN's electricity generated from renewable energy power plant i.e. from Lahendong geothermal power plant, Kamojang geothermal power plant, Bakaru hydro power plant, and Ulubelu geothermal power plant.

With the issuance of Presidential Regulation No. 112 of 2022 on Acceleration of Renewable Energy Development for Electricity Provision (**PR 112**), the development of renewable energy power plant has become government's priority and with the commitment under the regulation to decommissioning existing coal fired power plants (CFPP) and limit development of new CFPP thus hopefully access to the renewable energy becomes easier. However, since PLN is still the main supplier of electricity for businesses, it is difficult to directly source renewable energy from a supplier by way of direct corporate PPAs since the supplier must initially obtain business area. Thus, one emerging example on how businesses are engaging or using renewable energy is by way of use of assets like Solar PV rooftop with a lease scheme.

**7. Has the business approach noticeably changed in the last year in its engagement with renewable energy? If it has why is this (e.g. because of ESG, Paris Agreement, price spikes, political or regulatory change)?**

There has not been any noticeable change in the last year with the approach. However, with the issuance of regulations to accelerate the development of renewable energy, carbon tax and carbon trading, as well as government's policy to implement ESG especially in infrastructure projects, we expect there will be changes in the upcoming years.

**8. How visible and mature are discussions in business around reducing carbon emissions; and how much support is being given from a political and regulatory perspective to this area (including energy efficiency)?**

The discussion on reducing carbon emissions both from private sector and government has become more mature and visible. MEMR and Minister of Environment (MOE) have started to issue ministerial regulations to implement the government's commitment under Paris Agreement to reduce carbon emission. MEMR and MOE has issued ministerial regulation on procedures for implementing carbon economic value which also regulate, among others, issuance of Emission Reduction Certificate and the carbon trading mechanism. Other ministry such as Ministry of Transportation has also issued regulations for the implementation of Environmental, Social and Governance (ESG) in transportation projects which also includes implementation of energy efficiency.

**9. How are rights to explore/set up or transfer renewable energy projects, such as solar or wind farms, granted? How do these differ based on the source of energy, i.e. solar, wind (on and offshore), nuclear, carbon capture, hydrogen, CHP, hydropower, geothermal; biomass; battery energy storage systems (BESS) and biomethane?**

The procurement of renewable energy power projects with PLN as the off taker from wind (both offshore and onshore), solar, hydro and biomass is to be done through direct selection or direct appointment (applicable in certain circumstance such as expansion of existing power project). In the geothermal power project, the MEMR tenders the geothermal working area where the tender winner will be granted the Geothermal Permit and PLN is mandated by the government to purchase the electricity from the Geothermal Permit holder. Currently, there is no regulation on procurement of nuclear power plant and nuclear utilisation in Indonesia is still within the framework of research and not in utility and commercial scale. At the moment there is no specific regulation for the rights to explore CHP and hydrogen as well as specific procurement regulation for BESS and biomethane. Development of BESS in Indonesia currently is still attached to the development of renewable energy power plants (such as solar PV, wind or hydro). With respect to carbon capture, it is part of the oil and gas exploration and exploitation activities and thus based on the regulation, oil and gas contractor that is planning to conduct carbon capture to reduce the GHG emission during the oil and gas mining activities must obtain approval from MEMR based on recommendation from

 

SKK Migas.

## 10. Is the government directly involved with the renewables industry (auctions etc)? Are there government-owned renewables companies or are there plans for one?

The government acts as a regulator in the renewables industry. However, there are state-owned companies and their subsidiaries that are directly involved in the renewables industry such as PT Indonesia Power, PT Pembangkitan Jawa Bali, PT Pertamina Geothermal Energi and PT Pertamina Power Indonesia.

## 11. What are the government's plans and strategies in terms of the renewables industry? Please also provide a brief overview of key legislation and regulation in the renewable energy sector, including any anticipated legislative proposals?

The government always stated that it is committed to supporting the renewable energy industry. The government (through MEMR) has set a target of achieving 15.7% of renewable energy in the energy mix and will continue to increase the installed capacity of renewable energy-based power plants. MEMR also stated that it is planning to complete the regulations on renewable energy that has been delayed in particular the new energy and renewable energy bill and presidential regulation draft on the purchase price of electricity produced by renewable energy.

Under the current key legislation i.e., PR 112, the electricity purchase price from renewable energy-based power plants is not set on an exact price or feed-in tariff, instead, the regulation provides a ceiling price for electricity purchased from renewable energy power plants based on the type of energy sources and locations. Further, Presidential Regulation No. 112 of 2022 mandates PLN to decommission its existing CFPPs and those developed by the Independent Power Producer (IPP) by way of shortening the period of power purchase agreements considering the supply and demand conditions. The regulation also limits the development of new CFPP.

As the implementing regulations of PR 112, the MEMR issued several regulations, namely, Minister of Finance Regulation No. 103 of 2023 on the Provision of Fiscal Support through Funding and Financing Frameworks for the Acceleration of Energy Transition in the Electricity Sector (MOF 103), MEMR Regulation No. 5 of 2025 on Guidelines for Power Purchase Agreements for Electricity from Power Plants Utilizing Renewable Energy Sources, and MEMR Regulation No. 10 of 2025 on the Road Map for Energy Transition in the Electricity Sector.

Furthermore, implementing regulations with respect to carbon economic value, carbon tax, carbon trading and in several sectors, ESG related regulation have been issued, which intended to encourage development of renewable industry and accelerate energy transition in Indonesia. It is expected that more implementing regulations with respect to carbon market to be issued by the relevant ministries.

## 12. Are there any government incentive schemes promoting renewable energy (direct or indirect)? For example, are there any special tax deductions or subsidies (including Contracts for Difference) offered? Equally, are there any disincentives?

To promote and increase investment in renewable energy, the government provides the following fiscal facilities:

- income tax facilities in the form of a 30% reduction of net income for six years, escalated depreciation and amortization, and compensation for any loss that occurred for more than 5 years but not more than 10 years tax holiday.
- Tax holiday in the form of exemption from tax from 5-10 years as of the commercial operation of the power plant and 50% reduction of tax from outstanding income tax for 2 years).
- VAT exemption and exemption of import duty for capital goods.

Furthermore, MOF 103 sets out provisions on fiscal support, financing, and an integrated blended finance mechanism through an Energy Transition Platform to facilitate the transition from CFPPs to renewable energy power plants. Through MOF 103, the Government assigns PT Sarana Multi Infrastruktur ("SMI") as the Platform Manager.

The Platform Manager may offer the eligible parties, including IPP, the following types of: (i) loans or other financing schemes; and/or (ii) facilities through public-private partnerships.

The loan facilities may be supported by the government through: (i) Government investment, as prescribed by the laws and regulations on government support funds, with the government's return capped at a maximum equal to the Government Securities Series Benchmark amount; (ii)

 

Government guarantees as prescribed by the laws and regulations on central government guarantees on infrastructure financing through direct loans from international financial institutions to state-owned enterprises; and/ or (iii) other forms of support defined under laws and regulations on fiscal matters.

### 13. How does the structure of the natural gas industry in your country impact the price of electricity? Are there any plans to de-link the price of renewable electricity from gas prices?

The natural gas price in Indonesia is heavily regulated including for supply to gas power plants and the cost is normally pass-through to PLN. If there is an increase to the natural gas price that result in increase of PLN's power generation cost, the government provide subsidy to PLN to make up the difference between the cost of electricity generation and supply by PLN and the electricity tariff charged by PLN to the public/end consumer. The renewable energy prices under the PR 112 are not directly linked to gas price.

### 14. What are the significant barriers that impede both the renewables industry and businesses' access to renewable energy? For example, permitting, grid delays, credit worthiness of counterparties, restrictions on foreign investment, regulatory constraints on acquisitions; disputes/challenges?

The significant barriers that impede the renewable energy and also businesses' access to renewable energy in Indonesia are mostly related to permitting and grid delays. For IPP projects, PLN has to go through procurement steps or direct selection process (and the fact that direct appointment is only allowed in certain conditions). Meanwhile, private sector cannot sell electricity from renewable energy sources without obtaining business area and most area in Indonesia are under PLN's monopoly and the regulation only allows a single holder of business area within the same area.

### 15. What are the key contracts you typically expect to see in a new-build renewable energy project?

Typically, the key contracts in renewable energy projects are the EPC contract, drilling contract for the geothermal project, offtake contract (power purchase agreement), and operation and maintenance contract. Recently, renewable projects that have achieved commercial operation also started to enter into Emission Reduction Purchase Agreement (ERPA).

### 16. Are there any restrictions on the export of renewable energy, local content obligations or domestic supply obligations? What are the impacts (either actual or expected) of the implementation of the Net Zero Industry Act (EU) Regulation 2024/1735?

There are no restrictions on the export of renewable energy. However, it requires certain approval or licenses to export renewable energy. For example, the export of electricity (including that generated from a renewable energy-based power plant) requires approval and permit from MEMR. The permit to export renewable energy is valid for 5 years and can be renewed. The relatively short-term permit may not be practical for a long-term export power purchase agreement. Renewable energy projects are also subject to local content obligations and each type and capacity of renewable energy is subject to different levels of local content under the regulations. We do not think there is any direct impact of the implementation of the Net Zero Industry Act (EU) Regulation 2024/1735 in Indonesia. The issuance of regulation or policy on renewable energy and energy transition in Indonesia seems primarily depends on the government's readiness and conditions in Indonesia to implement the necessary changes.

### 17. Has deployment of renewables been impacted in the last year by any non-country specific factors: For example, financing costs, supply chain or taxes or subsidies (e.g. the US's Inflation Reduction Act)?

Deployment of renewables in recent years does not seem to meet the government's target. The failure to meet the target seems to be due to delay in the procurement of new projects by PLN and implementation of the existing project including delay in achieving financial close due to various factors such as bankability issue. Financing costs for renewables in Indonesia seems still not to be very competitive with the relatively high investment costs compared to the electricity purchase price under the power purchase agreement.

### 18. Could you provide a brief overview of the major projects that are currently happening in

 

### your jurisdiction?

President Prabowo Subianto recently inaugurated 37 strategic power projects totalling 3.2 gigawatts (GW) on January 20, 2025. The inauguration, held at the Jatigede Hydropower Plant (PLTA) in Sumedang, West Java. The newly launched projects, spread across 18 provinces, include hydropower, gas-fired, solar, and biomass plants, with 89% of the capacity sourced from renewable energy.

### 19. How confident are you that your jurisdiction can become a leader in newer areas like offshore wind or hydrogen?

The government encourages the development of these new areas. MEMR and Ministry of Industry support hydrogen as one of the energy carriers for the energy transition in Indonesia. We also understand that feasibility studies are conducted for offshore wind development.

### 20. How are renewables projects commonly financed in your jurisdiction?

Renewable projects commonly financed by way of non-recourse project financing and for smaller projects sometimes it is financed purely from equity.

### 21. What is your forecast for the coming year(s) for renewable energy in your jurisdiction?

With the issuance of several new regulations and in particular regulations for the implementation of energy transition, we expect the development of renewable energy in Indonesia will continue to rise in the coming year(s) to meet Indonesia's net zero emission target.

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