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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 developed in Indonesia are hydropower, geothermal, solar PV, wind, and bioenergy. In 2025, Indonesia recorded growth in renewable energy development, with the total installed renewable energy capacity reaching 15,630 MW, reflecting an increase from 14,877 MW in 2024. The additional renewable energy capacity installed in 2025 was reported as the largest increase in the past five years.

As of December 2025, the renewable energy generation mix consisted primarily of hydropower (7,587 MW), followed by bioenergy (3,148 MW), geothermal (2,744 MW), solar PV (1,494 MW), wind (152 MW), waste-to-energy (36 MW), and other renewable sources (18 MW). In addition, coal gasification projects contributed 450 MW.

Indonesia's renewable energy share in the national energy mix increased to 15.75% in 2025, improving from the 2024 level. Meanwhile, the country's total installed power generation capacity reached 107.51 GW in 2025, following an increase of approximately 7 GW from the previous year. Nevertheless, Indonesia's power generation mix continues to be dominated by conventional energy sources, particularly coal and natural gas, although the Government continues to accelerate renewable energy development through various regulatory reforms and implementation of projects under the national electricity supply business plan (RUPTL).

Indonesia is also continuing to promote biofuel development through the mandatory B40 biodiesel programme, requiring a blend of 40% palm oil-based biodiesel and 60% diesel fuel. Domestic biodiesel utilisation in 2025 reached 14.2 million kL, exceeding the Government's target and contributing to reduced diesel imports and emissions reductions.

2. 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.

3. 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.

4. 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.

5. 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.

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

Indonesia has seen a noticeable shift in business engagement with renewable energy over the last 12 months. From a regulatory perspective, one of the key developments over the last 12 months is the issuance of Presidential Regulation No. 109 of 2025 on Urban Waste Management through Waste-to-Renewable Energy Processing Based on Environmentally Friendly Technology ("PR 109/2025"), which revoked PR 35/2018 on waste-to-energy development. PR 109/2025 expands the framework for waste-to-energy projects by allowing the processing of urban waste into electricity, bioenergy, renewable fuels and other derivative products using environmentally friendly technology. Under PR 35/2018, regional governments could appoint regional-owned enterprises ("ROEs") or conduct open tenders to select waste-to-energy project developers. Where no private developer was interested or qualified, and no ROE could undertake the project, state-owned enterprises ("SOEs") could be assigned to develop and operate waste-to-energy plants. In contrast, PR 109/2025 shifts project procurement to a more centralised model. Project development is led through BPI Danantara, acting via its investment holding company, SOEs, and their subsidiaries.

In addition, the Ministry of Energy and Mineral Resources ("MEMR") recently issued MEMR Regulation No. 19 of 2025 on Hybrid Power Plants ("MEMR Reg. 19/2025"), which establishes the regulatory framework for hybrid renewable energy projects, particularly to support the Government's de-dieselisation programme and the integration of renewable energy generation with battery energy storage systems and other supporting technologies.

7. 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.

8. How are rights to explore/set up, interconnect 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 are 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.

9. 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.

10. Please provide a brief overview of key legislation and regulation in the renewable energy sector, including any anticipated legislative proposals.

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.

11. 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.

12. 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? Are there plans in your jurisdiction to keep open coal plants originally scheduled for retirement?

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. However, despite Indonesia's decarbonisation commitments and energy transition targets, coal still play a dominant role in Indonesia's electricity generation mix. There have been discussions in recent years regarding the feasibility and timing of early retirement of certain coal-fired power plants. However, recent reports indicate that Indonesia is reassessing the proposed early retirement of certain coal plants owned and operated by PLN and IPP.

13. 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?

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14. 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).

15. Are there any restrictions on the import or export of renewable energy, local content obligations or domestic supply obligations? What are the impacts (either actual or expected) in your jurisdiction of the implementation of the Net Zero Industry Act (EU) Regulation 2024/1735 or the "foreign entity of concern" regulations in the U.S.?

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.

16. How has deployment of renewables been impacted in the last year by geopolitical uncertainties and other non-country specific factors: For example, the conflict in the Middle East, financing costs, changing tariff regimes, supply chain or taxes or subsidies (e.g. the impact of the One, Big, Beautiful Bill on the tax credits and other incentives created by the Inflation Reduction Act in the U.S.)?

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. More recently, geopolitical tensions in the Middle East have added further pressure through increased global energy price volatility affecting infrastructure financing in Indonesia.

17. Could you provide a brief overview of the major projects that are currently happening in your jurisdiction?

Indonesia continues to accelerate the development of large-scale renewable energy and energy transition projects. In addition to the inauguration of strategic electricity infrastructure projects in 2025, the Government is currently focusing on major solar PV, geothermal, battery and hybrid renewable energy developments under the new RUPTL and national energy transition roadmap.

One of the most significant ongoing projects is the development of the Saguling Floating Solar Power Plant in West Java, with a planned capacity of approximately 92 MWp. The project forms part of Indonesia's broader strategy to expand utility-scale solar power generation and is expected to commence operations in 2026.

Indonesia is also continuing to expand its geothermal sector through several major projects and expansions, including projects at Muara Laboh, Patuha, Dieng, Rantau Dedap and Hululais, which are expected to come online gradually between 2025 and the early 2030s. The Government is also continuing to open new geothermal working areas, including the Telaga Ranu geothermal concession in North Maluku.

In the solar PV sector, PLN recently launched the Mentari Nusantara I project, a large-scale solar tender with a planned total capacity of approximately 1.2 GW across several regions in Indonesia, including Java, Kalimantan, Sulawesi, Maluku, Papua and Sumatra.

The Government is also promoting integrated renewable energy and battery storage projects, including large-scale solar and battery developments in Riau intended to support domestic industrial demand and potential cross-border electricity exports to Singapore.

In addition, Indonesia continues to develop its EV battery and energy storage ecosystem. One of the largest ongoing projects is the Indonesia-China integrated battery project involving CATL, Indonesia Battery Corporation and state-owned enterprises. The project includes battery cell manufacturing, nickel processing and battery recycling facilities, and is expected to support both electric vehicle and battery energy storage industries.

18. How are the business models in the renewable energy sector in your jurisdiction adapting to the increasingly significant pace of deployment of BESS? What percentage of deals are standalone, co-located or hybrid? How is the implementation of these business models impacting financing structures?

Indonesia's renewable energy market is increasingly shifting from traditional standalone renewable generation projects toward hybrid and co-located renewable-plus-storage structures, particularly solar PV plus battery energy storage systems (“BESS”). This trend is being driven by the rapid growth of intermittent renewable generation, PLN's need for grid flexibility, and the government's policy push toward dispatchable renewable energy. The latest RUPTL 2025–2034 expressly contemplates 10.3 GW of energy storage deployment, including approximately 4.3 GW of BESS.

From a business model perspective, the Indonesian market currently remains dominated by co-located and hybrid projects rather than purely standalone BESS

projects. The first notable example is the 50 MW Nusantara Sembcorp Solar Eneri project in IKN, which combines solar PV with a 14.2 MWh BESS facility. This project is significant because it became the first co-located solar-plus-BESS project in Indonesia to achieve project financing and financial close.

The regulatory framework is also evolving to facilitate hybrid structures. Minister of Energy and Mineral Resources Regulation No. 19 of 2025 specifically recognises hybrid power plants combining renewable generation with BESS and establishes procurement mechanisms through PLN for these configurations.

19. What is required in your jurisdiction to facilitate confidence in new development and financing 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. The Indonesian government has recently begun moving in this direction. For example, MEMR Regulation No. 19 of 2025 on Hybrid Power Plants formally incorporates hydrogen into hybrid renewable configurations, particularly for remote and isolated systems.

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. How is the rising demand for data centres impacting the grid and electricity prices for consumers?

Indonesia is currently experiencing a strong expansion in digital infrastructure, especially in Jakarta and surrounding industrial hubs where most hyperscale data centres are being built. These facilities require very large and continuous electricity supply, and some can consume as much power as a medium-sized city operating 24/7. From a grid perspective, this growth is putting increasing pressure on PLN and the wider power system. Indonesia's data centre electricity demand is projected to rise significantly over the next decade, reaching multi-gigawatt levels, which means new generation capacity and grid infrastructure will be needed just to keep up.

For consumers, the effect on electricity prices is likely to be indirect and gradual. Household electricity bills should remain largely unaffected for now, as data centres still account for only a small share of total electricity demand and are generally subject to different tariff arrangements from households. However, as data centre demand has grown rapidly and is expected to continue rising, it may increasingly affect PLN's grid planning and, over time, influence electricity pricing or tariff determination for both industrial and household consumers.

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