
CHAMBERS GLOBAL PRACTICE GUIDES

Power Generation, Transmission & Distribution 2024

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Indonesia: Law and Practice & Trends and Developments

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INDONESIA



Law and Practice

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Contents

1. Structure and Ownership of the Power Industry p.6

- 1.1 Law Governing the Structure and Ownership of the Power Industry p.6
- 1.2 Principal State-Owned or Investor-Owned Entities p.7
- 1.3 Foreign Investment Review Process p.7
- 1.4 Law Governing the Sale of Power Industry Assets p.8
- 1.5 Central Planning Authorities p.9
- 1.6 Recent Changes in Law or Regulation p.9
- 1.7 Announcements Regarding New Policies p.9
- 1.8 Unique Aspects of the Power Industry p.10

2. Market Structure, Supply and Pricing p.10

- 2.1 The Wholesale Electricity Market p.10
- 2.2 Electricity Imports and Exports p.10
- 2.3 Supply Mix of Electricity p.10
- 2.4 Law Governing Market Concentration Limits p.11
- 2.5 Surveillance to Detect Anti-competitive Behaviour p.11

3. Generation Facilities p.11

- 3.1 The Construction and Operation of Generation Facilities p.11
- 3.2 Obtaining Approvals to Construct and Operate Generation Facilities p.11
- 3.3 Approvals to Construct and Operate Generation Facilities p.12
- 3.4 Eminent Domain, Condemnation or Expropriation Rights p.12
- 3.5 Decommissioning a Generation Facility p.12

4. Transmission Lines & Associated Facilities p.12

- 4.1 Regulation of Construction and Operation of Transmission Lines and Associated Facilities p.12
- 4.2 Obtaining Approvals for the Construction and Operation of Transmission Lines and Associated Facilities p.13
- 4.3 Terms and Conditions Imposed on Approvals to Construct and Operate a Transmission Line and Associated Facilities p.13
- 4.4 Eminent Domain, Condemnation and Expropriation Rights p.13
- 4.5 Monopoly Rights to Provide Transmission Services p.13
- 4.6 Transmission Charges and Terms of Service p.14
- 4.7 Open-Access and Non-discriminatory Transmission p.14

5. Distribution p.14

- 5.1 Law Governing the Construction and Operation of Electricity Distribution Facilities p.14
- 5.2 Regulatory Process for Obtaining Approvals for the Construction and Operation of Electricity Distribution Facilities p.14
- 5.3 Terms and Conditions Imposed in Approvals to Construct and Operate Electric Distribution Facilities p.14
- 5.4 Eminent Domain, Condemnation or Expropriation Rights for the Construction and Operation of Electricity Distribution Facilities p.14
- 5.5 Monopoly Rights for Electricity Distribution Entities p.15
- 5.6 Electricity Distribution System Charges and Terms of Service p.15

ABNR Counsellors at Law is Indonesia's longest-established law firm. Founded in 1967, it pioneered the development of international commercial law in the country following the reopening of its economy to foreign investment after a period of isolation in the early 1960s. With over 100 partners and lawyers (including two foreign counsel), ABNR is the largest independent, full-service law firm in Indonesia and one of the country's top three law firms by num-

ber of fee earners, giving it the scale needed to simultaneously handle large and complex transnational deals across a range of practice areas. It continues to value the personal touch and is proud of its reputation for responsiveness. Its lawyers are business savvy and fully understand that alongside legal expertise and experience, timeliness and value for money are of the utmost importance to clients.

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COUNSELLORS AT LAW

1. Structure and Ownership of the Power Industry

1.1 Law Governing the Structure and Ownership of the Power Industry

The power industry consists of: (i) generation, (ii) transmission, (iii) distribution, (iv) sale and (v) integrated activities, covering more than one of the previously mentioned activities.

The electricity regulations generally allow for bundled or unbundled activities. However, it is to be noted that Constitutional Court Decision No 111/PUU-XIII/2015, dated 14 December 2016 (the “Constitutional Court Decision”), ruled that the concept of “unbundling” under the Electricity Law is conditionally unconstitutional if:

- it results in the loss of the government’s control over electricity supply and therefore contradicts the principle that electricity should be under the government’s control; or
- it is interpreted as the government relinquishing control over the power sector in violation of the principle under the constitution where the government must control electricity or power supply in Indonesia.

In practice, the Constitutional Court Decision has not affected the power industry since the government, through the Minister of Energy and Mineral Resources (MEMR), still controls the industry by way of issuing approvals, permits or licences to conduct power business activities, including control over the electricity purchase price and tariff to end consumers. In current practice, the power industry in Indonesia consists of the following:

- unbundled activities for each of generation, transmission, distribution and sale, with mostly private investor-owned companies engag-

ing in power generation activities with PLN (a state-owned enterprise) as the offtaker; or

- bundled activities that carry out all of the above electricity supply operations (power generation, transmission, distribution and sale) by a single company. Although the regulations allow for bundled activities covering only two activities, such as distribution and sale, one has never been seen in Indonesia.

The market players in the power industry are a combination of state-owned enterprises (including its subsidiaries) and private, investor-owned companies.

The power industry is mainly governed by Law No 30 of 2009 on electricity, as last amended by Law No 6 of 2023 on Stipulation of Government Regulation in lieu of Law No 2 of 2022 on Job Creation to become law (Law 6/2023) (the “Electricity Law”). The Electricity Law does not regulate power storage. However, Government Regulation No 25 of 2021 on Implementation of the Energy and Mineral Resources Sector sets out that battery energy storage system-related activities are classified as part of electricity-supporting services business in the form of consultancy services, installation, operation and maintenance services, and training services business. Further, Presidential Regulation 112 of 2022 on the Acceleration of Renewable Energy Development for Power Supply (PR 112/2022) also sets out the price of battery facilities or other electrical energy storage facilities for solar or wind power plants for all capacities equipped with battery facilities or other electrical energy storage facilities, which shall be determined based on the highest benchmark price of 60% of the purchase price of electricity.

1.2 Principal State-Owned or Investor-Owned Entities

The principal state-owned enterprise in the power industry is PT Perusahaan Listrik Negara (Persero) (PLN), which owns and operates generation, transmission and distribution facilities in Indonesia. PLN acts as main offtaker of power or electricity generated by investor-owned companies that own and operate generation facilities. PLN also has the mandate from the government to purchase electricity/power generated from geothermal and waste-to-energy power plants. There are also other state-owned enterprises that participate in the power industry, such as Pertamina. However, their role or position in the market is the same as investor-owned companies. Major investor-owned companies in power industry are, among others, the following.

- Local or domestic companies that own and operate power generation facilities are Adaro, Indika, Medco. Well-known foreign investors that own and operate power generation facilities in Indonesia are Sumitomo, J-Power and KOMIPO, to name a few.
- Major local investor-owned companies that sell electricity to end-user consumers are PT Cikarang Listrindo and PT Bekasi Power, which supply electricity to industrial estates.

1.3 Foreign Investment Review Process

Save for power generation of less than 1 MW (which is closed for foreign investment), there is no foreign investment restriction applicable to the power industry, which is open for 100% foreign investment. Foreign investment in the power industry is generally subject to protection set out in Law No 25 of 2007 on Investment as amended by Law 6/2023 (the “Investment Law”). The Investment Law provides right to the investor to repatriate (in foreign currencies) among others, capital, profits, dividends, other income,

royalties and proceeds of the sale or liquidation of the investment. With respect to seizure, confiscation and expropriation, the Investment Law does not specifically use the foregoing terms and instead it refers to nationalisation or taking over the ownership right of the investor. The Investment Law provides that the government shall not conduct nationalisation or taking over of investors’ rights unless it is conducted based on law, and the government must provide compensation, which amount shall be based on market value. The market price should be determined by an independent valuer appointed by the parties and based on a method that is used internationally.

The Investment Law also provides that in the case of an investment dispute between the government and a foreign investor, the parties can refer and settle the dispute through international arbitration, if both parties agree to it.

The Investment Law and the implementing regulations also provide investment facilities, such as exemption of import duties for capital goods. Specifically for renewable energy, the government also provides the following fiscal facilities to encourage investment:

- income tax facilities in the form of a 30% reduction of net income for six years, escalated depreciation and amortisation, and compensation for any loss that occurred for more than five years, but not more than ten years’ tax holiday;
- tax holiday in the form of exemption from tax for between five and ten years as of the commercial operation of the power plant and 50% reduction of tax from outstanding income tax for two years; and
- VAT exemption and exemption of import duty for capital goods.

1.4 Law Governing the Sale of Power Industry Assets

The restrictions regarding the sale of power industry assets, or business or other transactions such as amalgamations and mergers, are applicable to power projects developed with PLN as the offtaker, pursuant to a power purchase agreement (PPA). Pursuant to MEMR Regulation No 48 of 2017 concerning the Supervision of Business Activities in Energy and Mineral Resources Sector (MEMR 48/2017), any transfer of shares in power generation companies which sell electricity to PLN under a PPA are subject to the following restrictions.

- For a non-geothermal power plant, any transfer of shares in the power generation companies before a commercial operation date must be initially approved by PLN and in any case, the shares can only be transferred to the subsidiary of the transferring shareholder, which is more than 90% owned by the transferring shareholder. Subsequently, the power generation companies must notify the MEMR no later than five business days from the date the Ministry of Law and Human Rights (MOLHR) provides approval/receipt of notification for the change of shareholding.
- For a geothermal power plant, power generation companies may transfer their shares in Indonesia's stock exchange once the exploration phase is complete, and must obtain approval from MEMR prior to the initial public offering (IPO) or the transfer of share ownership is recorded in the stock exchange. The MEMR approval is also required before any secondary rights issue. It is unclear whether the restriction on the transfer of shares during the exploration phase applies to private sales. However, in practice and in the view of the Directorate General of New, Renewable Energy and Energy Conservation of the

MEMR, geothermal power generation companies can privately transfer their shares during the exploration and exploitation phases. The requirement to notify the MEMR no later than five business days from the date the Ministry of Law and Human Rights (MOLHR) provides approval/receipt of notification for the change of shareholding is also applicable in this case.

Other than the above restrictions, amalgamations and mergers or the transfer of shares that constitute an acquisition are also subject to the requirements under Law No 40 of 2007 concerning Limited Liability Company as amended by Law 6/2023 as follows.

- It must be announced in at least one daily Indonesian newspaper with national circulation and announced in writing to the employees of the company that is going to enter a merger, amalgamation or is being acquired.
- The amalgamation, merger or acquisition (including the merger/acquisition plan) must be approved by the general meeting of shareholders that must be attended by at least three quarters of the total amount of voting shares, and the resolution is valid if it is approved by at least three quarters of the total amount of votes cast, unless the articles of association of the relevant company provides greater quorum for attendance and voting.
- The articles of association of the surviving company will only become effective once it is approved by the MOLHR.
- The board of directors of the surviving company must announce the consummation of the merger, amalgamation or acquisition in at least one daily Indonesian newspaper with national circulation or more, after the effective date of the merger, amalgamation or acquisition.

There are no minimum requirements under the regulation that must be satisfied by a purchaser of assets or an acquirer of a business, such as financial metrics and industry expertise.

1.5 Central Planning Authorities

The central authority that oversees and administers the electricity supply, the development of the electricity supply, distribution facilities, and the development of transmission facilities is the MEMR. The MEMR's roles and powers are to: (i) issue regulations covering among others, licences and approvals required, and safety and technical standards related to the construction and operation of power generation, transmission, distribution systems, (ii) issue permits such as business licences and worthiness certificates.

1.6 Recent Changes in Law or Regulation

Over the past year, the government has issued new regulations in the power industry in particular for the acceleration of development of renewable energy power plants and energy transition. As mandated in PR 112/2022, in October 2023, the Minister of Finance (MOF) issued MOF 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 103/2023). As an implementing regulation of PR 112/2022, MOF Regulation 103/2023 regulates provisions on fiscal support, financing, and an integrated blended finance mechanism through an Energy Transition Platform (ETP) to facilitate the transition from coal-fired power plants (CFPPs) to renewable energy power plants.

MOF 103/2023 sets out two sources for financing the facilities to be offered by the ETP. The two sources are: the state budget; and/or other eligible sources under the applicable laws and

regulations by which the funding is obtained by PT SMI (Persero) as the party that has been assigned by MOF to manage the ETP (Platform Manager), based on a financing agreement between: (i) the Platform Manager; and (ii) international financial institutions, and/or other entities focused on energy transition, taking into account relevant criteria for ETP's facility utilisation; and/or alternative co-operation other than the financing agreement.

There are two types of facilities that the Platform Manager may offer, namely:

- loans or other financing schemes; and/or
- facilities through public-private partnerships. Eligible parties who may apply for ETP facilities are:
 - (a) PLN;
 - (b) subsidiaries of PLN;
 - (c) Independent Power Producers (IPPs);
 - (d) shareholders of IPPs;
 - (e) sponsors of IPPs;
 - (f) investors; and/or
 - (g) other potential recipients of ETP facilities.

1.7 Announcements Regarding New Policies

The Indonesia Stock Exchange (IDX) through the "IDXCarbon", as the operator of the country's first carbon exchange, has issued several implementing regulations on carbon trading, among others:

- IDX Decree No KEP-00295/BEI/09-2023 on Regulation for Registration of Carbon Units on Carbon Exchange Organizer;
- IDX Decree No KEP-00296/BEI/09-2023 on Regulation of Carbon Units Trading on Carbon Exchange;
- IDX Decree No KEP-00297/BEI/09-2023 on Regulation on Carbon Exchange Users;

- IDX Decree No KEP-00298/BEI/09-2023 on Supervision of Trading through Carbon Exchanges;
- IDX Circular Letter No SE-00013/BEI/09-2023 on Carbon Exchange Service User Fees; and
- IDX Circular Letter No SE-00014/BEI/09-2023 on Standardization of Grouping of Carbon Units. The government also plans to issue regulations on hydrogen power plants.

1.8 Unique Aspects of the Power Industry

The power industry in Indonesia is heavily regulated by the government, although the participation of private investors is allowed and is encouraged by the government. Nevertheless, the power industry in Indonesia, by nature, is still under the monopoly of PLN.

2. Market Structure, Supply and Pricing

2.1 The Wholesale Electricity Market

The wholesale electricity market in Indonesia is still monopolised by PLN, although by regulation, private-owned companies can directly sell electricity to end-consumers, subject to the requirements of the regulations. There are several private power utility (PPU) companies, or integrated power companies, in Indonesia that sell electricity to end-consumers in an industrial area or parks (such as PT Cikarang Listrindo and PT Bekasi Power). The wholesale price of electricity is determined by the central government with approval from the House of Representatives. The wholesale electricity market in Indonesia is based on the energy market. The main supplier of electricity to end consumers is PLN, although there are certain areas, such as industrial parks, where the electricity is supplied by PPU. The electricity tariff charged to end con-

sumers is determined by the central government and may vary in every region.

2.2 Electricity Imports and Exports

Import and export of electricity to/from other jurisdictions is permitted. The import of electricity can be made subject to the following conditions:

- there is a shortage of electricity supply in the local areas that cannot be met by PLN or private power companies in Indonesia;
- the import is only to support and meet the local electricity needs;
- it is not detrimental to the state and national interest (ie, sovereignty, security and economic development);
- to improve the quality and reliability of local power supply;
- to not disregard the development of domestic power supply capability; and
- to not have dependence on power procurement from abroad.

Electricity can be exported if: (i) there is no shortage of electricity in the local area, (ii) the sale price is not subsidised and (iii) it does not compromise the quality and reliability of local or domestic power supply.

The export-import of electricity can only be done by the holder of the Electricity Supply Business Licence with a separate or additional electricity business licence for the export-import of electricity from MEMR. The (export-import) Electricity Supply Business Licence is valid for five years and can be extended.

2.3 Supply Mix of Electricity

The coal-fired power plant is still dominant in the supply mix of electricity for the entire market. Supply from new and renewable energy

power plants was still relatively low in 2023 – ie, around 13.1% of the energy mix. It fell short of the 17.9% target that the government has aimed for for the year to realise its 2025 target (ie, 23%).

2.4 Law Governing Market Concentration Limits

There is no regulation on market concentration limits. However, the electricity market in Indonesia is generally controlled by the government with PLN, as the electricity state-owned enterprise is given the mandate (and thus priority) in making sure the supply of electricity for public interest is met. Consequently, the electricity market is monopolised and, to a certain extent, controlled by PLN.

2.5 Surveillance to Detect Anti-competitive Behaviour

Although the private-owned companies are allowed to participate in the power market in Indonesia, the market itself is heavily regulated by the government and thus it is not as free or competitive a market as in other jurisdictions. Market surveillance in Indonesia is conducted by the Indonesia Competition Commission (*Komisi Pengawas Persaingan Usaha* or KPPU). KPPU's scope of power includes to conduct an assessment of business activities and/or actions of business actors that may result in monopolistic practices and/or unfair business competition, conduct investigation or examinations into cases or alleged monopolistic practices and/or unfair business competition and conduct interviews for the purpose of obtaining evidence. KPPU also has the authority to impose administrative sanctions on business actors that violate anti-competition law or conduct anti-competitive behaviour.

3. Generation Facilities

3.1 The Construction and Operation of Generation Facilities

The construction of generation facilities is subject to the Electricity Law, Construction Law (Law No 2 of 2017 as amended by Law 6/2023)) and the implementing regulations – ie, Government Regulation No 25 of 2021 on Implementation of Energy and Mineral Sector, Government Regulation No 62 of 2012 on the Electricity Supporting Services Business and Government Regulation No 22 of 2020 on Construction Services as amended by Government Regulation 14 of 2021. The operation of generation facilities is subject to the Electricity Law and the implementing regulation – ie, Government Regulation No 62 of 2012 on the Electricity Supporting Services Business.

In order to construct generation facilities, the contractor must have: (i) a Business Entity Certificate from the Ministry of Public Works and Housing and the Ministry of Energy and Mineral Resources, and (ii) an Electricity Supporting Business Licence. If the operation of the generation facilities is conducted by a third-party O&M contractor or company instead of the IPP/asset owner, the O&M contractor must have: (i) an Electricity Supporting Business Licence and (ii) Business Entity Certificate.

3.2 Obtaining Approvals to Construct and Operate Generation Facilities

In addition to the licences associated with the construction contractor, to construct a generation facility, the project company/IPP/owner of the asset must obtain the following main licences:

- Approval of Conformity of Space Utilisation Activities;

- Environmental Approval or Approval of Environmental Impact Analysis Documents (AMDAL); and
- Building Approval.

In the preparation and making of the AMDAL, the project company/IPP/owner of the asset must conduct public consultation and the relevant authority (ie, the Ministry of Environment and Forestry or its regional office) will conduct detailed review or assessment processes before it issues the Approval of AMDAL.

To commercially operate the generation facility, the project company/IPP/owner of the asset must initially obtain a Worthiness Certificate (*Sertifikat Laik Operasi* or SLO) for the generation installations.

3.3 Approvals to Construct and Operate Generation Facilities

The construction and operation of the generation facility must comply with the conditions set out in the approved AMDAL and the design approved under the Building Approval. It must also comply with any standard safety, health and environment requirements under the regulations (which also should have been incorporated or reflected in the AMDAL). The regulations do not contain provisions which provide for relaxation of a term or condition for approval.

3.4 Eminent Domain, Condemnation or Expropriation Rights

Generally, a proponent for the construction and operation of a generation facility does not have eminent domain, condemnation or expropriation rights in order to obtain surface access and use. In order to acquire the land or obtain surface access and use, the proponent must obtain Approval of Conformity of Space Utilisation Activities as evidence that the location where

the generation facilities are to be built and operated can be used for power generation activities. Upon obtaining the foregoing approval, the proponent can purchase or acquire the land from the landowners. There is no specific regulation on the procedure for compensation to the landowners unless it is a public-private partnership (PPP) project, which land acquisition is based on Law No 2 of 2012 on Acquisition of Land for Development in Public Interest as amended by Law 6/2023. In general, the compensation must be based on market price or value, and for a PPP project, it must be based on calculation determined by a land appraiser who holds a permit from the Minister of Finance and a licence from the Land Administrator.

3.5 Decommissioning a Generation Facility

There is no specific regulation for decommissioning a generation facility. However, since decommissioning activities will likely have an impact on the environment, decommissioning must comply with any environmental and safety regulations applicable to the activities. Further, the AMDAL should also contain terms and conditions for the decommissioning of the relevant generation facilities and thus the project company/IPP/owner of the asset must follow and comply with its AMDAL that has been approved by the Ministry of Environment and Forestry.

4. Transmission Lines & Associated Facilities

4.1 Regulation of Construction and Operation of Transmission Lines and Associated Facilities

Please see 3.1 **The Construction and Operation of Generation Facilities**, as the same regulations are also applicable for the construction

and operation of transmission lines and associated facilities. For transmission lines, the proponent must prepare Environmental Management Efforts and Environmental Monitoring Efforts and obtain a recommendation from the Environment and Forestry Office. Environmental Management Efforts and Environmental Monitoring Efforts do not require detailed review and assessment (including public hearing) and only inspection of the documents by the Environment and Forestry Office and the issue of a recommendation (which serves as an approval), is required.

4.2 Obtaining Approvals for the Construction and Operation of Transmission Lines and Associated Facilities

The contractor that builds or constructs, and the O&M contractor that operates the transmission lines and associated facilities, must obtain the same licences as set out in **3.1 The Construction and Operation of Generation Facilities**. The project company or the owner of the asset must also obtain: (i) an Approval of Conformity of Space Utilisation Activities, (ii) an Environmental Approval in the form of recommendation of Environmental Management Efforts and Environmental Monitoring Efforts and (iii) a Building Approval.

Please see **4.1 Regulation of Construction and Operation of Transmission Lines and Associated Facilities** for the process of obtaining the Environmental Approval.

4.3 Terms and Conditions Imposed on Approvals to Construct and Operate a Transmission Line and Associated Facilities

Please refer to **3.3 Approvals to Construct and Operate Generation Facilities**, as the same principles are also applicable to the construction

and operation of transmission lines and associated facilities. MEMR also issued technical regulations on transmission lines' standard and associated facilities. Further, in IPP projects with BOOT scheme with PLN, transmission lines' standard and associated facilities built by the IPP are going to be transferred to PLN, and thus the construction must be in accordance with the design and standard determined by PLN.

4.4 Eminent Domain, Condemnation and Expropriation Rights

Please refer to **3.4 Eminent Domain, Condemnation or Expropriation Rights**. In addition to the compensation for acquisition of land for the tower footage, the proponent must also provide right of way compensation to the landowners whose land is traversed by the transmission cables. The compensation is regulated under MEMR Regulation No 13 of 2021 concerning Clear Space and Minimum Clearance Distance of the Electricity Transmission Network and Compensation for Land, Buildings, and/or Plants that are under the Clear Space of the Electricity Transmission Network. The MEMR regulation sets out the formula to calculate the compensation for buildings, land and/or plants. The calculation and determination of the compensation amount must be done by the Independent Appraisal Agency. The right-of-way compensation is to be paid once to the landowner.

4.5 Monopoly Rights to Provide Transmission Services

Transmission lines in Indonesia are mostly owned and operated by PLN and only a handful of transmission lines are owned and operated by private entities such as PT Cikarang Listrindo or captive power plants. By regulation, it is possible for a private entity to own and operate transmission lines subject to obtaining Stipulation of Business Area (which sets out the specific

area in which the transmission company can construct, operate the transmission lines and provide transmission services) from the MEMR. Once it has received the Stipulation of Business Area for transmission services, the transmission entity has an exclusive right to construct and operate transmission facilities within a defined territory under the Stipulation of Business Area and competitors are prohibited from building transmission lines in that territory and offering transmission services, since under the regulation, there cannot be more than one holder of Stipulation of Business Area covering the same area.

4.6 Transmission Charges and Terms of Service

The Electricity Law provides that electrical grid rent prices must be charged based on the principle of sound business. The rent price is also subject to approval from the Ministry of Energy and Mineral Resources. The term of services is not regulated and thus can be agreed contractually by the parties.

4.7 Open-Access and Non-discriminatory Transmission

The electricity regulations require or oblige a transmission entity to open opportunities for shared utilisation of transmission networks for the public interest and to provide transmission service to all parties that request it, but according to, or taking into consideration, the ability and capacity of the transmission lines.

5. Distribution

5.1 Law Governing the Construction and Operation of Electricity Distribution Facilities

Please see **3.1 The Construction and Operation of Generation Facilities**, as the same regulations are applicable to the construction and operation of electric distribution facilities.

5.2 Regulatory Process for Obtaining Approvals for the Construction and Operation of Electricity Distribution Facilities

Please see **4.1 Regulation of Construction and Operation of Transmission Lines and Associated Facilities** and **5.2 Obtaining Approvals for the Construction and Operation of Transmission Lines and Associated Facilities**, as the same requirements are applicable to the construction and operation of electric distribution facilities.

5.3 Terms and Conditions Imposed in Approvals to Construct and Operate Electric Distribution Facilities

Please see **4.3 Terms and Conditions Imposed on Approvals to Construct and Operate a Transmission Line and Associated Facilities**.

5.4 Eminent Domain, Condemnation or Expropriation Rights for the Construction and Operation of Electricity Distribution Facilities

Please see **3.4 Eminent Domain, Condemnation or Expropriation Rights** and **4.4 Eminent Domain, Condemnation and Expropriation Rights**.

5.5 Monopoly Rights for Electricity Distribution Entities

Once they have received the Stipulation of Business Area for distribution from the MEMR, the distribution entities have an exclusive right to construct and operate distribution facilities within a defined territory under the Stipulation of Business Area, and competitors are prohibited from building distribution facilities in that territory, since under the regulation, there cannot be more than one holder of Stipulation of Business Area for distribution covering the same area.

5.6 Electricity Distribution System Charges and Terms of Service

The distribution entities can open opportunities for shared utilisation of the distribution network but are not obliged to do so. The charges and terms of service can be agreed between the parties. However, the service charge or price is subject to approval from the MEMR.

Trends and Developments

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Renewable Energy Trends in the Coming Years

It could be expected that Indonesia's renewable energy development policies and outlook will aim to achieve net zero emissions in 2060 or earlier, as a result of the government's commitment under the Paris Agreement. A national regulatory framework has been put in place by the government to accelerate Indonesia's energy transition by developing renewable energy and reducing the use of coal-fired power plants by providing a mandate to PLN to (i) accelerate the decommissioning of its own Coal Fired Power Plants (CFPP) and those owned by IPPs with early termination of the PPAs, and (ii) restrict new development of CFPPs except those that have been identified in the PLN's Long Term Electricity Supply Business Plan.

In a press release, the government, through the Ministry of Energy and Mineral Resources (MEMR), has stated that it has prepared a long-term strategy for low carbon and climate resilience, which includes plans in the electricity sector, as follows.

- From 2026 to 2030, there will be no additional capacity of coal fired power plants (CFPP) given that coal power capacity will only come from those already contracted or under construction. Solar power, hydropower, and geothermal energy generation will dominate 57% of renewable energy of Indonesia by 2035.
- From 2036 to 2040, the second phase will involve the retirement of CFPPs, including subcritical, critical, and some supercritical technology CFPP. The portion of renewable energy will increase to 66%, dominated by solar power, hydropower, and bioenergy generation.
- From 2041 to 2045, large-scale ocean current power plants and the first nuclear power plant

will commence from the commercial operation date. The utilisation of renewable energy will increase to 93%, dominated by solar power, hydropower, and bioenergy generation.

- 2051 to 2060 will be the last period for the retirement of CFPPs, and hydrogen for electricity will be massively developed. The developed renewable energy will be dominated by solar power, hydropower, and wind power generation.

Aside from the above, in October 2023, the Minister of Finance (MOF) also issued regulations on the provision of fiscal support through funding and financing frameworks for the acceleration of energy transition in the electricity sector. The MOF regulation sets out provisions on fiscal support, financing, and an integrated blended finance mechanism through an Energy Transition Platform (ETP) to facilitate the transition from CFPPs to renewable energy power plants.

In addition, the inclusion of carbon tax under Law No 7 of 2021 on Harmonization of Tax Regulations (the "Carbon Tax"), as one of the instruments to encourage the achievement of carbon neutrality to achieve net zero emission by imposing tax on individuals or entities that purchase carbon-containing goods and/or engage in activities that produce carbon emissions, is likely to influence the development of renewable energy projects (including in power sector) in the coming years. Most of the implementing regulations on the Carbon Tax in this respect have not been issued (ie, implementing regulations on stipulation of carbon tax rate, changes to carbon tax rate, tax base) and the Carbon Tax system has not been implemented to date, as many of the implementing regulations have not been issued or published. Stakeholders should

anticipate the issuance of the implementing regulations in the near future.

Tap Into the Carbon Trading Market Following Indonesia's Transition to a Low-Carbon Economy

The government has stated that it will provide support in the form of policies and regulatory frameworks related to the low-carbon economy to accelerate private and international participation and further emphasises that the role of the private sector as a financial supporter, alongside the government and financial institutions, is crucial in enhancing and accelerating the implementation of low-carbon energy.

With the Indonesia's transition to a low-carbon economy and renewable energy, the government seems to be also aiming to tap into the carbon trading market with the issuance of various regulations on carbon trading and the launch of carbon trading on IDX. In August 2023, the Indonesia Financial Services Authority (*Otoritas Jasa Keuangan* or OJK) issued the long-awaited OJK regulation on carbon trading on carbon exchanges to enable the introduction of carbon trading as part of Indonesia's goal of achieving its nationally determined contribution (NDC) targets under the Paris Agreement. The Indonesia Stock Exchange (IDX) was designated as the operator of the country's first carbon exchange (IDXCarbon).

The recent launch of carbon trading on IDX marks a crucial step towards supporting Indonesia's sustainability goals. This move allows companies in renewable energy and decarbonisation to sell carbon credits, while coal power plant operators can purchase credits to offset their emissions. However, it is still to be seen whether the IDXCarbon will boost the development of renewable energy and decarbonisation projects and accelerate the transition to a low-carbon economy. Since its launch on 26 September 2023, IDXCarbon has recorded carbon trading of 459,953 tons of carbon units and 27 transactions between local provider of carbon units (from state-owned enterprises or its subsidiaries) and local buyers.

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