

Jakarta electricity regulations

In this piece, our Jakarta-based projects and renewables team provides a compact overview of the regulatory environment & policy landscape for renewables in Indonesia, how different energy sources are placed in the market, the barriers and challenges to deployment, as well as an update on recent developments relevant to the industry.

many developers in raising finance under the new regulations and commercial structures, the market is closely watching the progress of this latter 13 GW - whether these projects ultimately reach financial close and start construction (noting again the recent policies seeking to defer

The main legal basis for the utilisation of renewable energy for electricity are: Law 30 of 2009 on Electricity (as amended, Electricity Law) and its implementing regulations, such as GR 14 of 2012 on Electricity Supply Business Activities and GR 25 of 2021 on Organisation of Energy and Mineral Resources;

In a significant regulatory shift, the Ministry of Energy and Mineral Resources (MEMR) and the Ministry of Industry (MOI) have introduced 4 new regulations that overhaul the local content requirements for the development of electricity infrastructure for public interest in Indonesia (Electricity Infrastructure).

On 31 July 2024, MEMR enacted Regulation No. 11 of 2024 on the Use of Domestic Products for the Development of Electricity Infrastructure (MEMR 11/2024). On the same day, MOI also enacted 2 further regulations:

Additionally, the new regulation states that the Electricity Infrastructure for certain types of REPPs (specifically hydro, geothermal, solar and wind) also includes the survey activities to help develop the renewable energy resources, which therefore also need to comply with the Local Content Requirement.

It is worth noting that the requirements set out in Article 3(2) of MEMR 11/2024 are the same as the general local content requirements set out in Article 57 of Government Regulation No. 29 of 2018 on Empowerment of Industry (GR 29/2018), which is one of the legal bases of MEMR 11/2024. The elucidation of Article 57 of GR 29/2018 clarifies that the term "utilizes resources controlled by the state" (limb c of "Business Entities" above) refers to:

Based on the elucidation above, it is clear that IPPs that sell their electricity to PT PLN (Persero) (PLN) will be subject to the Local Content Requirement since PLN is an SOE and the offtake and tariff payment by PLN is to be considered as utilization of resources controlled by the state.

MEMR 11/2024 mandates that the Local Content Requirement be included in procurement documents for Electricity Infrastructure.³ Similar to the provisions under MOI 54/2012, the fulfilment of the Local Content

Requirement is to be determined based on the local content value of each good and/or service in relation to the relevant type of Electricity Infrastructure project consisting of:4

The specific local content threshold for goods and services is to be based on relevant industrial sector regulations, especially from MOI, whereas the minimum Combined Local Content Threshold in Electricity Infrastructure is now to be stipulated by MEMR. Such Combined Local Content Threshold will be determined by comparing the total price of (i) domestic components of the goods, plus (ii) domestic components of the services, against the total price of the components of the goods and services.

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As an immediate implementing regulation to MEMR 11/2024, on 6 August 2024 MEMR issued Decree 191/2024 which stipulates the minimum Combined Local Content Threshold for each type of Electricity Infrastructure within the scope of MEMR 11/2024.

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