

Boosting Indonesia's
Renewables Through
Presidential Regulation
No. 112 of 2022^{P1}

Boosting Indonesia's Renewables Through Presidential Regulation No. 112 of 2022

Introduction

The much-anticipated Presidential Regulation No. 112 of 2022 regarding Acceleration of the Development of Renewable Energy for the Supply of Electrical Power ("**PR 112/2022**") was passed by the Government of Indonesia ("**Gol**") on 13 September 2022. This regulation was passed by Gol with the aim of increasing investment in the renewable energy sector,¹ realizing the goals set by the Gol to achieve 23% of renewable energy by 2025 and at least 31% of renewable energy by 2050 in the Primary Energy Mix,² and reducing greenhouse gas emission which is optimistically set in Presidential Regulation No. 98 of 2021, to 29% up to 41% by 2030.³

Key Provisions

Electricity Development Plan

To manifest the objectives stipulated thereunder, PR 112/2022 mandates PT Perusahaan Listrik Negara ("**PT PLN**") to draw up an Electricity Development Plan or *Rencana Usaha Penyediaan Listrik* ("**RUPTL**") to replace and serve as the updated version of the existing RUPTL of PLN.⁴ This updated RUPTL is expected to provide special attention to the development of renewable energy and to meet the targeted energy mix as mentioned in the Introduction section above.⁵

¹ Preamble, PR 112/2022

² Article 9 (f) 1, GR 79/2014

³ Article 2 (3), PR 98/2021

⁴ RUPTL is currently governed under the Ministry of Energy and Mineral Resources Decree No: 188.K/HK.02/MEM.L/2021 on the Ratification of Electricity Development Plan of PT PLN (Persero) for 2021 - 2030.

⁵ Article 2 (1), PR 112/2022

Approval of the RUPTL will be done by the Minister of Energy and Mineral Resources (“**MEMR**”) after closely coordinating with the Minister of Finance (“**MoF**”) and Minister of State-Owned Enterprises (“**MSoE**”) by also considering matters such as balance between supply and demand of electricity, readiness of the electricity system and the financial capacity of the country.⁶

In the implementation of the RUPTL, PT PLN must amongst others prioritize the purchase of electricity from renewable power plants, utilize domestic products in accordance with the laws and regulations and develop renewable power plants.⁷

Acceleration of Termination of CFPP Operations

PR 112/2022 also mandates PLN to conduct an early termination of its coal-fired power plants or *Pembangkit Listrik Tenaga Uap* (“**CFPP**” or “**PLTU**”) and/or PLTUs of Independent Power Producers.⁸ In order to realize the early termination of PLTUs, the MEMR shall, after coordinating with MoF and MSoE, draw up a roadmap for the aforementioned acceleration of PLTUs’ termination.⁹ At the very least the roadmap will contain provisions regarding the reduction of greenhouse gasses by PLTUs, strategy to accelerate the termination of PLTU operations, and alignment with other policies.¹⁰ The PLTUs are to be determined by the MEMR and shall receive a written approval from the MoF and MSoE.¹¹

This regulation also aims to effectively prohibit the construction of new PLTUs with the exception of PLTUs that have already been stated in the RUPTL or PLTUs that meet a predetermined set of requirements.¹²

In addition, PR 112/2022 also encourages PT PLN to accelerate the termination of operations of PLTUs that are under their ownership and/or Sales and Purchase Agreement for Electrical Power or *Perjanjian Jual Beli Tenaga Listrik* (“**PJBL**”) of PLTUs that are operated by independent power producers.¹³ The Government’s attempts to shift reliance towards renewable energy as it promotes the usage of power plants fueled by renewable energy to be utilized to meet demand for electricity.

Government Support

Fiscal and non-fiscal incentives are also provided to accelerate the shift towards renewable energy.¹⁴ Fiscal incentives pertaining to income tax, land and building tax, exemptions from import duties, support for geothermal development and provision of other facilities and/or guarantees.¹⁵ The non-fiscal incentives regulated under PR 112/2022 are not particularly listed out.¹⁶ These can be provided by both the Central and Regional Government in accordance with the applicable regulations. The regulation also provides for a detailed delegation for each ministry and how they are responsible to aid the transition.

⁶ Article 2 (2), PR 112/2022

⁷ Article 2 (3), PR 112/2022

⁸ Article 3 (5), PR 112/2022

⁹ Article 3 (2), PR 112/2022

¹⁰ Article 3 (3), PR 112/2022

¹¹ Article 3 (8), PR 112/2022

¹² Article 3 (4), PR 112/2022

¹³ Article 4 (5), PR 112/2022

¹⁴ Article 22 (1), PR 112/2022

¹⁵ Article 22 (2), PR 112/2022

¹⁶ Article 22 (3), PR 112/2022

Procurement of Electricity

Procurement of electricity may be carried out either by (i) direct appointment or (ii) direct selection. The categorization of which is based on the type of power plans and the source of electricity.

Purchase Price of Electricity Sourced from Renewable Energy

Primarily there has been a significant shift in the way of determining the purchase price of electricity. Previously, in MEMR Regulation No. 50 of 2017¹⁷, the purchase price of electricity produced by renewable power plants was determined by taking into account the *Biaya Pokok Penyediaan Pembangkit* (“BPP”).

Whereas in PR 112/2022, purchase price is determined by looking into the highest price limit which is calculated by taking into account the capacity of the power plant and the years of operation.¹⁸ Investors looking to benefit from this regulation should pay attention to the limitation provided within the Positive Investment List that reserves Supply of Electricity for under 1 MW for Cooperatives and Micro, Small and Medium Enterprises.¹⁹

Another way of determining purchase price as provided by PR 112/2022 is by taking into account the agreed price.²⁰ These methods may or may not take into account the location factor.²¹ In that regard, Annex II of PR 112/2022 categorizes the location factor that ranges from 1.00 up to 1.50 in which the location factor is only applied for the first stage of the power plant (from year 1-10) and ceiling price shall be considered for the second stage (from year 11-30) of the power plant.²² The categorization is based on the difficulty level of accessing the areas.²³ The pricing within the first stage is intentionally and strategically made higher to attract foreign investments in the renewable energy sector.²⁴

PR 112/2022 regulates that the payment of electricity purchase shall be done with Rupiah by following the exchange rate from Jakarta Interbank Spot Dollar Rate at the time agreed in the PJBL.²⁵ This stipulation raises questions as to what is meant ‘at the time agreed in the PJBL’.

Conclusion

The recently enacted PR 112/2022 carries many expectations, one of which is to meet Indonesia’s commitments. Due to significant backlash, the Gol has construed this regulation which involves a good mix of incentives - both fiscal and non-fiscal, ministerial cooperation, stringent acceleration of termination of coal-fired power plants, and other such provisions which cumulatively illustrate the urgency to transition to renewable energy.

¹⁷ This regulation has been amended several times, as the latest with MEMR Regulation No. 4 of 2020 on The Second Amendment of MEMR Regulation No. 50 of 2017 on Utilization of Renewable Energy Sources for Electricity Supply.

¹⁸ The formulation of the highest price limit is provided for in Annex 1 of the PR 112/2022.

¹⁹ Annex III of Presidential Regulation No. 10 of 2021 on Capital Investment Activities as amended by Presidential Regulation No. 49 of 2021

²⁰ Article 5 (1), PR 112/2022

²¹ Article 5 (1), PR 112/2022

²² Annex II, PR 112/2022 and Socialization of PR 112/2022 by Directorate General of Renewable Energy and Energy Conservation

²³ Socialization of PR 112/2022 by Directorate General of Renewable Energy and Energy Conservation

²⁴ Socialization of PR 112/2022 by Directorate General of Renewable Energy and Energy Conservation

²⁵ Article 13, PR 112/2022

Your PwC Indonesia contacts:

Please feel free to contact our Legal Specialists.

Melli Darsa

Managing & Senior Partner

Melli Darsa & Co., Advocates & Legal Consultants

melli.darsa@pwc.com

Indra Allen

Partner

Melli Darsa & Co., Advocates & Legal Consultants

indra.allen@pwc.com

Danar Sunartoputra

Partner

Melli Darsa & Co., Advocates & Legal Consultants

danar.sunartoputra@pwc.com

Puji Atma

Director

Melli Darsa & Co., Advocates & Legal Consultants

puji.atma@pwc.com

Indra Natakusuma

Director

Melli Darsa & Co., Advocates & Legal Consultants

indra.natakusuma@pwc.com

Fifiek Mulyana

Director

Melli Darsa & Co., Advocates & Legal Consultants

fifiek.mulyana@pwc.com

www.pwc.com/id



PwC Indonesia



@PwC_Indonesia

If you would like to be removed from this mailing list, please reply and write UNSUBSCRIBE in the subject line, or send an email to id_contactus@pwc.com

DISCLAIMER: This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2023 Melli Darsa & Co., Advocates & Legal Consultants. All rights reserved. PwC refers to the Indonesia member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.