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GUIDELINES FOR RENEWABLE ENERGY PPAs

Overview

The Minister of Energy and Mineral Resources (“MEMR”) recently issued a new regulation providing guidelines for renewable energy-based power purchase agreements (“PPAs”) under Regulation No. 5 of 2025 (“MEMR Regulation 5/2025”). This regulation replaces the previous guidelines for the same energy sources set forth in MEMR Regulation No. 10 of 2017 which had been amended several times.

Compared to the previous regulation, MEMR Regulation 5/2025 covers a broader range of renewable energy types, including geothermal, hydroelectric, solar photovoltaic, wind, biomass, biogas, ocean energy, biofuel, and waste-to-energy. It also introduces additional provisions that must be included in renewable energy-based PPAs, including requirements for the use of local content, environmental attributes and carbon economic value, refinancing, certification of power installation, and language.

Some Key Provisions

- **PPA Duration and Extension:** The PPA is valid for up to 30 years from the Commercial Operating Date (“COD”) and may be extended without recalculating initial investment costs.
- **Project Scheme:** The development and operation of a renewable energy-based power plant project may follow a Build-Own-Operate (BOO) scheme or other schemes, as agreed between the parties.
- **Pre-COD Share Transfer:** Subject to prior approval from PT Perusahaan Listrik Negara (Persero) (“PLN”), share ownership in an Independent Power Producer (“IPP”) may be transferred prior to COD to: (i) an affiliate that is at least 90% directly owned by the sponsor, or (ii) a lender if the IPP is in default (step-in rights), provided that such transfer does not diminish the sponsor’s qualifications.
- **Tariff Adjustment:** Tariff adjustments may occur if there are changes in taxes, levies, environmental obligations, non-tax state revenues, and/or other conditions as agreed by the parties. For projects using benchmark-based pricing, the adjustments must be mutually agreed provided that they are less or equal to the highest benchmark price and are deemed valid as the MEMR approval. For non-benchmark pricing projects, the adjustment must be agreed between the parties and approved by the MEMR.
- **Force Majeure Event:** Force majeure events now include (i) war (whether declared or not) or civil war, (ii) natural disasters, and (iii) the discovery of dangerous objects or historical artifacts at the power plant site or special facilities, as determined by the relevant agency.
- **Environmental Attributes and Carbon Value:** Rights to environmental attributes (e.g., carbon credits, renewable energy certificates, green labels, etc.) are recognized and may be traded or allocated based on mutual agreement, if not otherwise regulated.
- **“Deemed Dispatch” and “Deemed Commissioning”:** The IPP is entitled to receive payments from PLN if PLN cannot absorb electricity due to system constraints or delays not caused by the IPP.
- **Refinancing:** The IPP may conduct refinancing by notifying PLN.

- **Performance Guarantee:** Equal to 10% of the total project costs.
- **Exchange Rate:** Payments shall be made by PLN in IDR based on the Jakarta Interbank Spot Dollar (JISDOR) exchange rate on the day prior to the payment date.
- **Language Requirements:** PPA shall be prepared in the Indonesian language and may also be in dual languages. The

governing language is subject to the mutual agreement of the parties.

Closing

It appears that this new regulation aims to provide more clarity on the terms of renewable energy PPAs and to address a broader range of aspects from the perspective of investors' interests. However, certain matters still require further clarification within the regulation, including details on their implementation and enforcement.

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