

# Shaping The Energy Landscape: Key Insights Into The Minister of Energy and Mineral Resources Regulation No. 5 Of 2025

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## Framework

In order to align policies and resolve various obstacles in a coordinated manner within the national energy framework, in January 2025, the President of the Republic of Indonesia established a task force through Presidential Decree No. 1 of 2025 on the Task Force for Accelerating the Downstreaming and National Energy Resilience ("**Presidential Decree 1/2025**"). Under this decree, the task force, led by the Minister of Energy and Mineral Resources (MEMR)<sup>1</sup>, is primarily tasked with ensuring the availability and fulfillment of new and renewable energy needs, including through coordinating the formulation of policies/regulations with ministries/agencies and/or local governments.<sup>2</sup>

To implement the objectives of Presidential Decree No. 1 of 2025 and to provide legal certainty in the execution of electricity sales and purchases from power plants utilizing renewable energy sources, the MEMR issued an essential regulation in March 2025 that provides guidelines for PT PLN (Persero) (PLN) as the off-taker and Independent Power Producers (IPPs) in carrying out electricity sales and purchases under power purchase agreements, namely the Minister of Energy and Mineral Resources Regulation No. 5 of 2025 on Guidelines for Power Purchase Agreements for Electricity from Power Plants Utilizing Renewable Energy Sources ("**MEMR Regulation 5/2025**"), which repeals all provisions related to power purchase agreements for renewable energy in Minister of Energy and Mineral Resources Regulation No. 10 of 2017 and its subsequent amendments ("**MEMR Regulation 10/2017**").<sup>3</sup>

## Takeaways

Through this article, we identify the material provisions in MEMR Regulation 10/2017, as amended by MEMR Regulation 5/2025, including those that have been refined and should be carefully considered, as follows:

Context	MEMR Reg 10/2017	MEMR Reg 5/2025	Remarks
Article 5 - PPA Term	PPA is executed for a maximum period of 30 years, starting from the Commercial Operation Date (COD), taking into account the type of power plant used.	PPA is executed for a maximum period of 30 years, calculated from the COD, as determined by PLN, considering the project's economic feasibility and the type of power plant utilized. <u>In the event of an extension of the PPA, the electricity sales price for the extended period will be based on the highest reference price after the 10th year (stage 2).</u>	MEMR Regulation 5/2025 emphasizes that if the PPA term is extended, the electricity price during the extension period will be based on the price from Stage 2 (after 10 years).

<sup>1</sup> Article 7 of Presidential Decree 1/2025

<sup>2</sup> Article 3 of Presidential Decree 1/2025A

<sup>3</sup> Article 52 of MEMR Regulation 5/2025

Context	MEMR Reg 10/2017	MEMR Reg 5/2025	Remarks
Article 6 - Cooperation Scheme	PPA shall utilize the Build, Own, Operate, Transfer (BOOT) model.	PPA shall utilize the Build, Own, Operate (BOO) model; <b><u>or other development and operation models, based on the agreement of the parties,</u></b> taking into account the type of power generation facility.	Under MEMR Regulation 5/2025, PPA cooperation scheme is governed flexibly, by the agreement between PLN and the IPP, in contrast to MEMR Regulation 10/2017, which is governed in a more rigid manner.
Article 7 - Incentive of COD Acceleration (Rights and Obligations of IPP)	IPP as seller, has the rights: a. ... b. To receive an incentive for the acceleration execution of COD, as requested.	-	The incentive for the acceleration execution of COD as the right of the IPP has been deleted in MEMR Regulation 5/2025.
Article 9 - Risk Allocation	-	The risks absorb by PLN are as follows: a. ... b. <b><u>currency exchange rate volatility.</u></b>	The currency exchange rate volatility is included as PLN's risk under the MEMR Regulation 5/2025.
Article 10 - Performance Securities	-	All performance securities documents shall be submitted by IPP to PLN <b><u>on the effective date of the PPA.</u></b>	MEMR Regulation 5/2025 emphasize the submission of performance securities by the IPP as CP for PPA effective date.
Article 14 and Article 25 - Liquidated Damages	-	Liquidated Damages shall be calculated on a daily basis for each day of delay, with a maximum imposition of <b><u>180 calendar days.</u></b> PLN reserves the right to terminate the PJBL if the <b><u>Liquidated Damages calculation reaches the maximum value.</u></b>	MEMR Regulation 5/2025 stipulates that the maximum duration for the imposition of liquidated damages is 180 calendar days, and if this period is exceeded, PLN has the right to terminate the PPA.
Article 14 - Deemed COD	-	In the event of a delay in the required COD and the power plant being in a Deemed Commissioning status <b><u>due to certain conditions of PLN beyond force majeure, IPP shall be entitled to receive payment for the electricity deemed to have been supplied,</u></b> starting from the date it is considered to have commenced operations ( <b><u>Deemed COD.</u></b> )	MEMR Regulation 5/2025 acknowledges the concept of Deemed COD, which refers to a situation where the delay in COD is caused by PLN, such that the COD is still deemed to have occurred and the IPP is entitled to receive payment.

Context	MEMR Reg 10/2017	MEMR Reg 5/2025	Remarks
Article 14 – Excess Energy		<p>PLN purchases electricity exceeding CE or AF, with a maximum limit of the unit's rated capacity, subject to the following conditions:</p> <ol style="list-style-type: none"> <li>a. the purchase price of the electricity <b><u>shall not exceed 80% of the PJBL price</u></b>; and</li> <li>b. it must <b><u>align with the electricity demand of the local power system</u></b>.</li> </ol>	MEMR Regulation 5/2025 further and specifically regulates the excess energy that may be accepted by PLN and the corresponding payment to the IPP.
Article 17 and Article 18 – Grace Period and Curtailment for Deemed Dispatch	-	<p>In the event that IPP is unable to deliver electricity due to Deemed Dispatch, PLN is obligated to pay for the electricity that could not be delivered due to Deemed Dispatch <b><u>based on the grace period applicable under the PPA</u></b>.</p> <p>IPP is entitled to Deemed Dispatch if a <b><u>curtailment is imposed PLN</u></b>.</p>	MEMR Regulation 5/2025 also emphasizes that the deemed dispatch to be imposed is subject to the grace period and curtailment requirements beforehand.
Article 26 – Transfer of Shares	The transfer of ownership rights over the IPP may not be made until the power plant reaches COD, except in the case of a transfer to an affiliate whose shares are owned by more than 90% by the sponsor (funding party) intending to transfer the shares.	The transfer of ownership rights over the IPP may not be made until the power plant reaches COD, except in the case of a transfer to an affiliate whose shares are owned by more than 90% by the sponsor (funding party) intending to transfer the shares; <b><u>and/or transfer to the lender (step-in rights for the lender) may occur in the event of a breach of contract (default) by IPP</u></b> .	In addition to the exception for transfer restrictions to affiliates whose shares are owned at least 90% by the sponsor, the transfer restriction exception also applies to the transfer of shares to the lender in the event of default by the IPP.
Article 30 – Dispute Settlement	Any dispute between PLN and the IPP shall be resolved through deliberation for consensus. If a resolution is not reached, the dispute shall be referred to an expert mutually agreed upon by both parties.	Any dispute between PLN and the IPP shall be resolved through deliberation for consensus <b><u>in 30 calender days</u></b> . If a resolution is not reached, the dispute shall be referred to an expert <b><u>in 150 calender days</u></b> mutually agreed upon by both parties.	Time frame for resolving disputes through deliberation for consensus and through an expert has been established in MEMR Regulation 5/2025.

Context	MEMR Reg 10/2017	MEMR Reg 5/2025	Remarks
Article 34 – Environment Attributes or Carbon Economic Value	-	The rights to environmental attributes or the carbon economic value of a power plant utilizing renewable energy sources shall be exercised <b><u>in accordance with the provisions of applicable laws and regulations or as agreed upon by the parties.</u></b>	MEMR Regulation 5/2025 emphasize the utilization of the environmental attributes or the carbon economic value of a renewable power plant.
Article 35 – Refinancing	-	To optimize the implementation of renewable energy electricity supply activities, <b><u>IPP may carry out refinancing in the form of a arrange the financing arrangement</u></b> between the IPP and the lender, and shall inform PLN accordingly.	The provisions related to refinancing by the IPP are recognized in MEMR Regulation 5/2025.
Article 36 – Language	-	PPA shall be drafted in <b><u>Indonesian and, if necessary, in a foreign language.</u></b> In the event of any discrepancy, the language specified in the PPA shall prevail.	The provisions related to the language of the PPA are also stipulated in MEMR Regulation 5/2025.

In addition to the comparison of the material provisions regulated between MEMR Regulation 10/2017 and MEMR Regulation 5/2025 above, MEMR also stipulates that PLN must report the purchase of electricity utilizing renewable energy sources to MEMR no later than 5 working days after the signing of the PPA.<sup>4</sup> This includes the obligation to report to MEMR on the progress of the development and the achievement of the domestic product utilization level every 6 months until the power plant reaches COD<sup>5</sup>

As a further remark, MEMR Regulation 5/2025 applies to renewable energy power plant projects that are still in the procurement process and ongoing until the bid submission period.<sup>6</sup> MEMR Regulation 5/2025 also revokes the provisions related to renewable energy PPAs in MEMR Regulation 10/2017. This implies that all provisions of non-renewable energy or fossil PPAs regulated under MEMR Regulation 10/2017 remain in effect, regardless of the issuance of MEMR Regulation 5/2025.

### **Insights**

In addressing the changes and refinements in MEMR Regulation 5/2025 as detailed above, we observe several opportunities as well as aspects that require closer attention, which can be utilized or acknowledged by stakeholders in the electricity sector, as follows:

#### **1) Incentive of COD Acceleration**

Although it will be subject to prior agreement by IPPs, the removal of the COD acceleration incentive in MEMR Regulation 5/2025 could be perceived as unfavourable to IPPs. Given that COD acceleration is typically requested by PLN, to meet local electricity system needs as part of the broader national electricity supply, the understanding is that IPPs must invest additional effort and costs to achieve the accelerated COD. Furthermore, IPPs will be subject to applicable liquidated damage if it fails to meet the accelerated COD. Therefore, ideally, IPPs should receive compensation from PLN if they agree to an accelerated COD as proposed or requested by PLN and successfully achieves it. Such compensation would be subject to the terms agreed upon in the PPA.

<sup>4</sup> Article 44 paragraph (1) of MEMR Regulation 5/2025

<sup>5</sup> Article 45 of MEMR Regulation 5/2025

<sup>6</sup> Article 49 of MEMR Regulation 5/2025

## 2) **Deemed COD**

As is commonly understood, IPPs, as the party responsible for designing and constructing power plants, have a better understanding of when the plant would achieve COD. Therefore, in principle, the achievement of COD shall be the responsibility of IPPs. However, in practice, to achieve COD and supply electricity, power plants under constructions will need to be connected to PLN's transmission/distribution network. In implementation, it is possible that the PLN transmission/distribution network may not be ready to connect with the completed power plant, which could prevent COD from taking place. The acknowledgment of the Deemed COD provision in MEMR Regulation 5/2025, along with the continued acceptance of electricity payments by the IPP, provides a benefit to IPPs in its implementation.

## 3) **Step-in Rights by Lender**

Previously, under MEMR Regulation 10/2017, the transfer of shares in an IPP was specifically prohibited prior to achieving COD, except to an affiliate whose shares were owned by IPPs sponsor in excess of 90%. Upon closer examination, this provision actually contradicts the general terms in PLN's Consent Letter, where a lender may replace the sponsor as a shareholder in IPPs in the event of a default by IPP and/or sponsor, either before or after COD. With the exception for share transfers to lenders (step-in rights by lenders) in MEMR Regulation 5/2025, this aligns with practical implementation typically outlined in the PPA between PLN, IPPs, and lenders.

## 4) **Carbon Economic Value**

In alignment with the Indonesian Government's target to support its strategy to reduce greenhouse gas emissions and achieve sustainability goals, also considering that power plants are among the largest contributors to greenhouse gas emissions, carbon reduction to enhance carbon economic value is explicitly recognized in MEMR Regulation 5/2025. To ensure serious engagement from electricity industry players IPPs, it is urged that carbon reduction in power plant operations be supported by attractive and promising incentives that are beneficial to both PLN and IPPs.

## 5) **Consideration for Fossil Fuel Power Plants**

It is indeed stated that the government is increasingly shifting towards renewable energy, including power plants. Although the provisions in MEMR Regulation 5/2025 are specifically related to renewable energy PPAs, but as outlined in Article 3 of Presidential Regulation Number 112 of 2022 on the Acceleration of Renewable Energy Development for Electricity Supply, the development of new coal-fired power plants can still be carried out under certain conditions, one of which is that the coal-fired power plants in question must have been included in the Electricity Supply Business Plan (*Rencana Umum Penyediaan Tenaga Listrik*) prior to the enactment of this Presidential Regulation. Therefore, to ensure that the objectives set by the Government are fully achieved, it would be prudent to also have regulations or provisions that address fossil fuel power plants, so that IPPs owning fossil fuel power plants can be adequately considered in order to achieve mutual goals and interests. The energy transition can also be implemented, for example, by adopting a co-firing scheme in fossil fuel power plants.

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*The article above was prepared by Dentons HPRP's lawyers*

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