

## **RENEWABLE ENERGY – PROPOSED PRICING STRATEGY FALLS SHORT OF INVESTOR EXPECTATIONS<sup>12345</sup>**

### **INTRODUCTION**

Indonesia's much anticipated presidential regulation on the purchase of electricity generated from renewable energy sources may now be close to being issued after many delays.

What appears to be a near final version of the presidential regulation indicates that the proposed pricing strategy for electricity generated from renewable energy sources will include a feed-in tariff arrangement. This is something that has long been sought by potential investors in the renewable energy sector.

The proposed feed-in tariff arrangement, however, is quite limited in its scope and is, therefore, likely to fall short of investor expectations. As such, the proposed pricing strategy may well not provide sufficient incentive to encourage the much needed, large scale development of Indonesia's abundant renewable energy resources. Nevertheless, it is at least a somewhat tentative, first step in the right direction.

In this article, the writer will review the proposed pricing structure for electricity generated from renewable energy sources as well as the promised incentives which could effectively amount to a material "supplement" to the electricity price itself.

### **BACKGROUND**

Much has been said and written about Indonesia's potentially vast renewable energy resources including solar ("PLTS"), wind ("PLTB"), hydro ("PLTA"), biomass ("PLTBm"), biogas ("PLTBg"), city waste ("PLTSa"), geothermal ("PLTP"), tidal ("Ocean PLTA") and liquid biofuel ("PLT BBN") energy (together, "Renewable Energy Resources").

The Ministry of Energy & Mineral Resources ("ESDM") has estimated that Indonesia has Renewable Energy Resources equivalent to (i) 28.5 GW from geothermal energy, (ii) 75 GW from hydro energy, (iii) 32 GW from biofuel energy, (iv) 207 GW from solar energy and (v) 60 GW from wind energy. Yet, to date, Indonesia has only managed to utilize a tiny fraction of its Renewable Energy Resources.

Numerous reasons can be advanced for why Indonesia has, so far, made very modest progress at best in developing and utilizing its Renewable Energy Resources. Some of these reasons include:

- (a) the existing pricing structure or tariff for electricity generated from Renewable Energy Resources is not commercial;

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<sup>5</sup> An earlier version of this article appeared in the March – April 2021 edition of Coal Asia Magazine.

- (b) the previous requirement to transfer, with no compensation payable, ownership of plants generating electricity from Renewable Energy Resources (“**RE Power Plants**”) to the State electricity company (“**PLN**”), at the end of the term of the relevant power purchase agreement, was not acceptable to investors;
- (c) the licensing system for the construction and operation of RE Power Plants is overly complicated;
- (d) there are unresolved spatial planning issues in building RE Power Plants;
- (e) there are few incentives for the development and utilization of Renewable Energy Resources by independent power producers (“**PPLs**”);
- (f) the Central Government still provides subsidies for electricity generated from coal in the form of the domestic market coal supply obligation and a maximum selling price for coal supplied to PLN for electricity generating purposes;
- (g) depending upon the particular Renewable Energy Resource, the development and utilization of the same can require expensive technology; and
- (h) there is insufficient financing available for RE Power Plants due to the often poor economics of RE Power Plants.

Although each of the above identified reasons has contributed to the relative lack of progress in developing and utilizing Indonesia’s Renewable Energy Resources, it is unquestionably the absence of a commercial pricing structure or tariff for electricity generated from Renewable Energy Resources that is the most significant problem (“**NC Tariff Problem**”).

The history of the NC Tariff Problem is long and complicated. The NC Tariff Problem, however, has its origins in the following two principles which presently still determine the price PLN pays for electricity generated from Renewable Energy Resources:

- (a) where the base cost of electricity production in a particular region of Indonesia only (otherwise commonly known as the “local grid price”) (“**Regional BPP**”) is higher than the average base cost of electricity production across all regions of Indonesia (“**National BPP**”), the maximum electricity purchase price payable by PLN will be 85% or 100% of Regional BPP depending upon the particular Renewable Energy Resource; and
- (b) where Regional BPP is not more than National BPP, the electricity purchase price payable by PLN shall be directly negotiated and agreed between PLN and the relevant IPP (together, “**BPP Pricing Strategy**”).

In the last couple of years, the Government has sought to address at least some of the above highlighted problems facing the development and utilization of Indonesia’s Renewable Energy Resources through numerous regulatory changes. The Government has to date, however, left the BPP Pricing Strategy substantially in place despite some modest “tinkering” with the same.

Readers interested in knowing more about the BPP Pricing Strategy, its history and why it is such an obstacle to the development of Indonesia’s Renewable Energy Resources as well as about more recent regulatory changes intended to encourage the development and utilization of Indonesia’s Renewable Energy Resources are referred to the writer’s previous articles on this subject being (i)

*“Encouraging the Use of Coal Alternatives – New BPP Pricing Strategy”*, Coal Asia Magazine, March - April 2017, Petromindo, (ii) *“Rethinking the Use of Coal Alternatives – Changes to Renewable Energy Regulation”*, Coal Asia Magazine, October – November 2017, Petromindo and (iii) *“Renewable Energy – Some Progress but Key Requirement Still Missing”*, Coal Asia Magazine, July – August 2020, Petromindo.

The hopefully soon to be issued Presidential Regulation on the Purchase of Renewable Energy Electricity by PLN (**“Draft PR on RE Electricity Purchase”**) seeks to continue the process of encouraging the development and utilization of Indonesia’s Renewable Energy Resources including by reforming the BPP Pricing Strategy to (i) remove any specific reference to Regional BPP or National BPP and (ii) include a feed-in tariff component among other things.

## **ANALYSIS AND DISCUSSION**

### **1. Preliminary Remarks**

The Draft PR on RE Electricity Purchase has yet to be signed by the President but it does appear to now be in substantially final form. Nevertheless, considerable uncertainty remains as to what various provisions of the Draft PR on RE Electricity Purchase actually mean. This is because of the poor drafting of the Draft PR on RE Electricity Purchase, something that is an endemic problem with Indonesian laws and regulations.

Given the above, many provisions of the Draft PR on RE Electricity Purchase are open to different interpretations. As such, some of the points made below re the Draft PR on RE Electricity Purchase are necessarily speculative in nature.

### **2. Overview of Proposed Pricing Structure**

The Draft PR on RE Electricity Purchase provides for three different pricing structures in determining the purchase price payable by PLN for electricity from RE Power Plants (**“Electricity Purchase Price”**) depending upon (i) the type of Renewable Energy Resource used to power a particular RE Plant and (ii) the capacity of the particular RE Power Plant. The three pricing structures are:

- (a) Feed-in Tariff Price;
- (b) Highest Benchmark Price; and
- (c) Strike Price (Article 4(1) of Draft PR on RE Electricity Purchase).

In the case of each of the Feed-In Tariff Price, the Highest Benchmark Price and the Strike Price, the Electricity Purchase Price otherwise payable by PLN for electricity from a particular RE Power Plant may be subject to adjustment, depending upon just where that RE Power Plant is located, utilizing a so-called location factor or “F”. “F” varies between 1.00 and 1.70 (Article 4(2) and Appendix II of Draft PR on RE Electricity Purchase).

The three pricing structures and the resulting Electricity Purchase Price calculations are to be reviewed and re-evaluated every three years (Article 4(4) of Draft PR on RE Electricity Purchase).

The applicable Electricity Purchase Price differs depending upon whether the particular RE Power Plant has been (i) wholly built by private sector business entities (**i.e.**, PPL) or (ii) wholly or partially built by the Central Government or a Regional Government including with or without the benefit of grants. For the purposes of what follows, the writer will focus exclusively on the Electricity Purchase Price payable by PLN for electricity from RE Power Plants wholly built by PPL.

In the case of most but **not** all Renewable Energy Resources, the applicable pricing structure also differs depending upon whether the particular RE Power Plant is small scale (**i.e.**, with a capacity of  $\leq 5$  MW) or medium/large scale (**i.e.**, with a capacity of  $> 5$  MW). Somewhat curiously, however, the magnitude of “F” is differentiated depending upon whether the relevant RE Power Plant has a capacity of  $\leq 10$  MW or  $> 10$  MW.

### 3. **Different Pricing Structures in Detail**

3.1 **Feed-in Tariff Price:** The Feed-in Tariff Price is the price payable by PLN to PPL, in US cents per kWh, which:

- (a) is specified in Annexure I of the Draft PR on RE Electricity Purchase multiplied by the location factor, F, where applicable;
- (b) is **not** subject to negotiation between PPL and PLN;
- (c) will **not** be subject to escalation during the Power Purchase Agreement (“PPA”) term; and
- (d) serves as a price approval from the Minister of Energy & Mineral Resources (“MoEMR”) (**i.e.**, **no** separate MoEMR approval needs to be obtained) (Article 5(1) of Draft PR on RE Electricity Purchase).

The price specified in Annexure I, before the application of “F”, varies depending on (i) what is the Renewable Energy Resource used by the particular RE Power Plant, (ii) whether the capacity of the particular RE Plant is  $\leq 1$  MW,  $> 1$  MW and  $\leq 3$  MW or  $> 3$  MW and  $\leq 5$  MW and (iii) whether the relevant year of the particular PPA is 1 to 10 or 11 to 30.

3.2 **Highest Benchmark Price:** There are three alternative versions of the Highest Benchmark Price as follows:

3.2.1 The Highest Benchmark Price **First** Alternative is the price payable by PLN to PPL, in US cents per kWh, which:

- (a) is subject to negotiation between PPL and PPN, with a ceiling being the Highest Benchmark Price specified in Annexure I of the Draft PR on RE Electricity Purchase multiplied by the location factor, F, where applicable;
- (b) will **not** be subject to escalation during the PPA term; and
- (c) serves as an approval from MoEMR (**i.e.**, **no** separate MoEMR approval needs to be obtained) (Article 5(2) of Draft PR on RE Electricity Purchase).

The price specified in Annexure I, before the application of “F”, varies depending on (i) what is the Renewable Energy Resource used by the particular RE Power Plant, (ii) whether the capacity of the particular RE Power Plant is  $>5$  and  $\leq 20$  MW,  $> 20$  MW and  $\leq 50$  MW,  $>50$  MW and  $\leq 100$  MW or  $>100$  MW and (iii) whether the relevant year of the particular PPA is 1 to 10 or 11 to 30.

3.2.2 The Highest Benchmark Price **Second** Alternative is the price payable by PLN to PPL, in US cents per kWh, which:

- (a) is specified in Annexure I of the Draft PR on RE Electricity Purchase multiplied by the location factor, F, where applicable;
- (b) is **not** subject to negotiation between PPL and PLN;
- (c) will **not** be subject to escalation during the PPA term; and
- (d) serves as an approval from MoEMR (**i.e., no** separate MoEMR approval needs to be obtained) (Article 5(3) of Draft PR on RE Electricity Purchase).

The price specified in Annexure I, before the application of “F”, varies depending on (i) what is the Renewable Energy Resource used by the particular RE Power Plant, (ii) whether the capacity of the particular RE Plant is  $>5$  MW and  $\leq 10$  MW,  $> 10$  MW and  $\leq 20$  MW or  $>20$  MW and (iii) whether the relevant year of the particular PPA is 1 to 10 or 11 to 30.

3.2.3 The Highest Benchmark Price **Third** Alternative is the price payable by PLN to PPL, in US cents per kWh, which:

- (a) is negotiated and agreed between PPL and PLN, with a ceiling being the Highest Benchmark Price (as specified in Annexure I of the Draft PR on RE Electricity Purchase) and multiplied by the location factor, F, where applicable;
- (b) operates as a base price;
- (c) is subject to escalation during the PPA or PJBU term; and
- (d) serves as an approval from MoEMR (**i.e., no** separate approval is required from MoEMR) (Article 5(4) of Draft PR on RE Electricity Purchase).

The price specified in Annexure I, before the application of “F”, varies depending on (i) what is the Renewable Energy Resource used by the particular RE Power Plant, (ii) whether the capacity of the particular RE Power Plant is  $\leq 10$  MW,  $> 10$  MW and  $\leq 50$  MW,  $>50$  MW and  $\leq 100$  MW or  $>100$  MW and (iii) whether the relevant year of the particular PPA is 1 to 10 or 11 to 30.

3.3 **Strike Price:** The Strike Price is the price payable by PLN to PPL, in US cents per kWh, which:

- (a) is negotiated and agreed between PPL and PLN and then multiplied by the location factor, F, where applicable;
- (b) is based on a reference price set by MoEMR; and

(c) must be subsequently approved by MoEMR (**i.e.**, separate MoEMR approval **is** required) (Article 5(5) of Draft PR on RE Electricity Purchase).

3.4 **Point of Payment/Purchase:** It is important to understand that, regardless of the applicable pricing structure, the Electricity Purchase Price is the price payable, by PLN to PPL, at the meeting point between a particular RE Power Plant and the electricity power network facility or “electricity grid” and does **not** include the charge levied by PLN on a PPL for use of PLN’s electricity grid (“**Electricity Grid Use Charge**”) (Articles 6 and 7 of Draft PR on RE Electricity Purchase).

3.5 **Capacity Expansion and Excess Electricity:** In the case of some but not all Renewable Energy Resources, the applicable pricing structure also applies to the purchase of additional electricity generated from RE Power Plant capacity expansion and to RE Power Plant excess electricity (Article 8(1)(f) and Article 8(2)(f), (g), (h) and (i) of Draft PR on RE Electricity Purchase).

3.6 **Storage Usage Allowance:** Although far from clear, the intention seems to be that, in the case of RE Power Plants (i) utilizing PLTS (**i.e.**, solar) or PLTB (**i.e.**, wind) and (ii) equipped with battery facilities or other electrical energy storage facilities only, there is a separate allowance or “price”, in addition to the Electricity Purchase Price, payable by PLN to the relevant PPL for the notional use of those battery facilities or other electrical energy storage facilities (“**Storage Use Allowance**”). The separate Storage Use Allowance varies depending upon the capacity of the relevant RE Power Plant utilizing PLTS or PLTB as the case may be (Article 9 of Draft PR on RE Electricity Purchase).

The rationale for this probable Storage Use Allowance is, presumably, that the existence of electrical energy storage facilities in a particular RE Power Plant makes the purchase of electricity from that RE Power Plant more attractive as far as PLN is concerned because the electricity can be supplied by the relevant RE Power Plant to PLN on an “as needed by PLN basis” rather than on an “as generated by the relevant RE Power Plant basis” and regardless of PLN’s actual need. As such, PLN wants to encourage the construction of RE Power Plants with electrical energy storage facilities by agreeing to pay more for electricity generated by such RE Power Plants.

3.7 **Payment and Collection Process:** The Draft PR on RE Electricity Purchase does **not** make clear when and how PLN will (i) pay the Electricity Purchase Price and the Storage Use Allowance (if any) to PPLs or (ii) collect the Electricity Grid Use Charge from PPLs. More particularly, will PLN set-off the Electricity Grid Use Charge against the Electricity Purchase Price/Storage Use Allowance (if any) so that PLN only pays a net amount to PPLs? Alternatively, will PLN pay 100% of the Electricity Purchase Price/Storage Use Allowance (if any) to PPLs and then separately invoice PPLs for the Electricity Grid Use Charge? PLN’s practice to date, however, suggests that the second approach is more likely.

#### 4. **Purchase Price of Electricity from RE Power Plants Differentiated according to Renewable Energy Resource Used**

The following table sets out how the different pricing structures discussed in 1, 2 and 3 above apply to electricity generated by RE Power Plants utilizing different Renewable Energy Resources:

No	Renewable Energy Resource Used by RE Power Plant	PLN Electricity Purchase Price	PLN Storage Use Allowance	PPL Electricity Facility Grid Charge
1.	<b>Solar (PLTS Photovoltaic)</b>			
	(a) ≤ 5MW (including capacity expansion)	Feed-in Tariff	As agreed but subject to ceiling of 60% of Electricity Purchase Price or such higher price as is approved by MoEMR	As agreed but subject to ceiling of 30% of Electricity Purchase Price
	(b) > 5MW (including capacity expansion)	Highest Benchmark Price <b>Second</b> Alternative	60% of Electricity Purchase Price or such higher price as is approved by MoEMR	As agreed but subject to ceiling of 30% of Electricity Purchase Price
2.	<b>Wind (PLTB)</b>			
	(a) ≤ 5MW (including capacity expansion)	Feed-in Tariff	As agreed but subject to ceiling of 60% of Electricity Purchase Price	As agreed but subject to ceiling of 30% of Electricity Purchase Price
	(b) > 5MW (including capacity expansion)	Highest Benchmark Price <b>Second</b> Alternative	60% of Electricity Purchase Price or such higher price as is approved by MoEMR	As agreed but subject to ceiling of 30% of Electricity Purchase Price
3.	<b>Hydro (PLTA)</b>			
	(a) ≤ 5MW (including capacity expansion)	Feed-in Tariff	N/A	As agreed but subject to ceiling of 30% of Electricity Purchase Price
	(b) > 5MW (including capacity expansion and excess electricity)	Highest Benchmark Price <b>First</b> Alternative	N/A	As agreed but subject to ceiling of 30% of Electricity Purchase Price
4.	<b>Hydropower (PLTA) (from dams/reservoirs)</b>			
	(a) ≤ 5MW (including capacity expansion)	Feed-in Tariff	N/A	As agreed but subject to ceiling of 30% of Electricity Purchase Price
	(b) > 5MW (including capacity expansion and excess electricity)	Highest Benchmark Price <b>First</b> Alternative	N/A	As agreed but subject to ceiling of 30% of Electricity Purchase Price

No	Renewable Energy Resource Used by RE Power Plant	PLN Electricity Purchase Price	PLN Storage Use Allowance	PPL Electricity Facility Grid Charge
5.	<b>Biomass (PLTBm)</b>			
	(a) ≤ 5MW (including capacity expansion)	Feed-in Tariff	N/A	As agreed but subject to ceiling of 30% of Electricity Purchase Price
	(b) > 5MW (including capacity expansion and excess electricity)	Highest Benchmark Price <b>Second</b> Alternative	N/A	As agreed but subject to ceiling of 30% of Electricity Purchase Price
6.	<b>Biogas (PLTBg)</b>			
	(a) ≤ 5MW (including capacity expansion)	Feed-in Tariff	N/A	As agreed but subject to ceiling of 30% of Electricity Purchase Price
	(b) > 5MW (including capacity expansion and excess electricity)	Highest Benchmark Price <b>Second</b> Alternative	N/A	As agreed but subject to ceiling of 30% of Electricity Purchase Price
7.	<b>City Waste (PLTSa)</b>	Strike Price	N/A	As agreed but subject to ceiling of 30% of Electricity Purchase Price
8.	<b>Geothermal (PLTP)</b> (all generating capacities including capacity expansion and excess electricity)	Highest Benchmark Price <b>Third</b> Alternative	N/A	As agreed but subject to ceiling of 30% of Electricity Purchase Price
9.	<b>Tidal (Ocean PLTA)</b>			
	(a) ≤ 5MW	Strike Price	N/A	As agreed but subject to ceiling of 30% of Electricity Purchase Price
	(b) > 5MW	Strike Price	N/A	As agreed but subject to ceiling of 30% of Electricity Purchase Price
10.	<b>Liquid Biofuel (PLT BBN)</b> (all generating capacities)	Strike Price	N/A	As agreed but subject to ceiling of 30% of Electricity Purchase Price

## 5. Government Support for Renewable Energy

The Draft PR on RE Electricity Purchase refers to government support, in the form of fiscal incentives and non-fiscal incentives, being available to PPLs in developing RE Power Plants.

The available fiscal incentives are:

- (a) income tax facilities in the form of tax holidays or tax allowances in accordance with prevailing laws and regulations in the field of income tax;
- (b) import facilities in the form of (i) import value added tax exemptions, (ii) import duty exemptions and (iii) Article 22 import tax exemptions in accordance with prevailing laws and regulations in the field of value added tax, customs and income tax;
- (c) geothermal business activity building and land tax relief in accordance with prevailing laws and regulations in the field of land and buildings tax;
- (d) support for geothermal exploration including provision of geothermal data and information as well as possible exploration risk assumption or “de-risking”; and
- (e) special financing support and/or guarantees to be provided through state-owned enterprises appointed by the Government for this purpose.

The available non-fiscal incentives are to be provided by both the Central Government and Regional Governments in accordance with prevailing laws and regulations. The non-fiscal incentives are likely to include such things as (i) ministerial road-maps, (ii) prioritization of licensing and national spatial planning for the development and construction of renewable energy power plants, (iii) making it easier to obtain environmental and forestry sector approvals, (iv) formulation of new and more supportive policies, (v) creation of supply capabilities, (vi) determination of favorable import quotas for renewable energy generator components and (vii) domestic component level verification.

## 6. Assessment of Draft PR on RE Electricity Purchase

6.1 **Feed-In Tariff Pricing Structure:** To the extent it is the Feed-In Tariff Price structure that is the most important innovation contemplated by the Draft PR on RE Electricity Purchase and is what is really intended to spur the greater development and utilization of Renewable Energy Resources, the Draft PR on RE Electricity Purchase very arguably “comes up short”. This is because the Feed-In Tariff Price structure (i) is confined to the purchase of electricity from small scale RE Power Plants (i.e.,  $\leq 5\text{MW}$ ) utilizing certain Renewable Energy Resources only and (ii) does not apply at all to the purchase of electricity from RE Power Plants utilizing PLTP, Ocean PLTA or PLT BBN.

While the Feed-In Tariff Price structure may well encourage the development of more small scale RE Power Plants utilizing PLTS, PLTB, PLTA (hydro and hydropower from dams/reservoirs), PLTBm and PLTBg, it will clearly do nothing to encourage the development of large scale RE Power Plants (i.e.,  $> 5\text{MW}$ ) or RE Power Plants of any size utilizing PLTP, Ocean PLTA or PLT BBN. Without much expanded development of large scale RE Power Plants, the overall impact on Indonesia’s development and utilization of Renewable Energy Resources is likely to be very modest at best. The reality is that Indonesia needs many more, large scale RE Power Plants before there is likely to be any material growth

in Renewable Energy Resources as part of the country's overall energy mix.

Just why the development of large scale RE Power Plants utilizing PLTS, PLTB, PLTA (hydro and hydropower from dams/reservoirs), PLTBm and PLTBg or the development of RE Power Plants of any size utilizing PLTP, Ocean PLTA or PLT BBN are not provided with the same incentives as small scale RE Power Plants utilizing PLTS, PLTB, PLTA (hydro and hydropower form dams/reservoirs), PLTBm and PLTBg is an issue that warrants careful study. It may well, however, be because PLN does not want and cannot afford, given its current financial difficulties, to commit itself to purchase large quantities of electricity generated from Renewable Energy Resources when the purchase of electricity generated from traditional fossil fuels is still the cheapest alternative for PLN. In addition, the large additional capital investment PLN would have to make in upgrading its infrastructure to accommodate the less consistent supply of electricity generated from Renewable Energy Resources and without risking the destabilization of the electricity grid, may simply be beyond PLN's financial capability at this time.

- 6.2 **Strike Price and Possible Residual BPP Pricing Strategy:** The Electricity Purchase Price for electricity generated by RE Power Plants utilizing PLTSa, Ocean PLTA or PLT BBN is based on the Strike Price rather than the Feed-in Tariff Price or the Highest Benchmark Price. The Strike Price is to be negotiated, between PLN and PPL, on the basis of a "reference price" set by MoEMR. It will be interesting to see if the "reference price" set by MoEMR is, in reality, any different from the price which is currently payable by PLN for electricity generated by RE Power Plants utilizing PLTSa, Ocean PLTA or PLT BBN and whether this price is determined having regard to Regional BPP and National BPP. The existing BPP Pricing Strategy may be nowhere specifically referred to in the Draft PR on RE Electricity Purchase but this does not necessarily mean that it will not continue to be indirectly present when MoEMR sets the "reference price" for the purpose of enabling the negotiation of the Strike Price.
- 6.3 **Promised Incentives:** How significant or otherwise are the promised fiscal and non-fiscal incentives highlighted in 5 above is not immediately clear to the writer. More particularly, are these fiscal and non-fiscal incentives already provided for in other legislation and are now just being brought together in the Draft PR on RE Electricity Purchase for the sake of easier cross-reference or are they genuinely new or additional incentives that were not previously available to investors in and developers of RE Power Plants? That there may be at least some element of additional or new fiscal and non-fiscal incentives for RE Power Plant projects contemplated by the Draft PR on RE Electricity Purchase is suggested by a reference to new ministerial and/or regional government regulations being issued within a maximum of 12 months from the effective date of the Draft PR on RE Electricity Purchase. Nevertheless, a lot more detail is required before any meaningful appraisal of the fiscal and non-fiscal incentives is possible as well as, more particularly, of whether or not these incentives are likely to amount to a material supplement to the electricity price itself.

## **SUMMARY & CONCLUSIONS**

Assuming it is issued in substantially its current form, the Draft PR on RE Electricity Purchase will have made a useful start in moving towards more commercial pricing for electricity generated from Renewable Energy Resources by introducing a Feed-in Tariff Price structure for electricity generated by at least some RE Power Plants.

The limitations, however, of the Feed-in Tariff Price structure, as reflected in the Draft PR on RE Electricity Purchase, are very considerable indeed. In this respect, the Draft PR on RE Electricity Purchase “comes up short” in terms of meeting the minimum pricing expectations of potential investors in the development and utilization of Indonesia’s Renewable Energy Resources.

It is too early to tell whether or not the promised fiscal and non-fiscal incentives are either new or significant.

The Draft PR on RE Electricity Purchase is **not** likely to be a “game changer” when it comes to encouraging the development of **large scale** RE Power Plants utilizing all forms of Renewable Energy Resources which is what Indonesia actually needs.

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