

Overview of Indonesia's New Regime on Local Content (TKDN) Obligations for Electricity Infrastructure

November 2024

Earlier this year, the previous Indonesian Government significantly changed the Local Content Requirements (*Tingkat Komponen Dalam Negeri* or "TKDN") for electricity infrastructure. While the regulation is still largely untested and the new Prabowo regime has only recently taken office, this client alert highlights the new obligations.

What has changed?

The previous Minister of Industry ("MOI") revoked MOI Regulation No. 54/M-IND/PER/3/2012 on Guidelines for Utilization of Domestic Products for the Electricity Infrastructure Development and its amendments ("MOI 54/2012" or the "Previous Regime") and replaced it with:

- a. MEMR Regulation No. 11 of 2024 on Utilization of Domestic Products for the Development of Electricity Infrastructure ("MEMR 11/2024"), which took effect on 31 July 2024; and
- b. MEMR Decree No. 191.K/EK.01/MEM.E/2024 on the Minimum Threshold of Local Content Value for the Combination of Goods and Services in the Scope of Electricity Infrastructure Development Projects ("MEMR Decree 191/2024"), which took effect on 6 August 2024. (Both collectively referred to as "New Regime").

Responsibility for TKDN for IPPs has also transferred from the MOI to the Minister of Energy and Minerals ("MEMR").

Why has the Previous Regime been replaced?

The Previous Regime was considered inhibiting the acceleration and entry of foreign investment for renewable energy into Indonesia, including establishment of solar power plants or PLTS IPPs. Additionally, the move in responsibility between the MOI and MEMR is intended to ensure that the ministry with the subject expert knowledge for IPPs should regulate TKDN obligations for such projects.

Key Highlights:

Expansion of TKDN Obligations

TKDN compliance will be assessed by a verification process undertaken by an independent verification institution. MEMR 11/2024 provides that verification is carried out prior to the COD of the project. Verification results will be submitted to:

- (1) the Directorate General of Electricity ("DGE") (for non-renewable power plants); and
- (2) Directorate General of New, Renewable Energy, and Energy Conservation copied to DGE (for renewable power plants).

Project owners must utilize the Domestic Product Appreciation Book (*Buku Apresiasi Produk Dalam Negeri*), containing lists of:

- (1) goods and services providers categorized as mandatory or prioritized for procurement; and
- (2) capabilities of goods manufacturers and/or service providers.

Current Thresholds and Percentage – the TKDN threshold previously consisted of:

- (1) goods;
- (2) services; and/or
- (3) a combination of goods and services.

Under MEMR 11/2024, new electricity generation infrastructures will be subject to a single TKDN requirement based on the combination of goods and services.

The New Regime has also granted a significant relaxation of the minimum TKDN thresholds, which are stated in MEMR Decree 191/2024.¹ The percentages will be periodically evaluated by MEMR, at least once every three years or as necessary and MEMR may adjustments to the minimum thresholds as it deems necessary.

MEMR Decree 191/2024 describes the various components of goods and services as the basis for TKDN calculation, further details concerning procedures and guidelines of calculations are stipulated under:

- (1) DGE Decree 364/2024 (for non-renewable power plants); and
- (2) EBTKE Decree 150/2024 (for renewable power plants).

Exemptions of TKDN Requirements

MEMR 11/2024 provides TKDN exemptions applicable to power plants, including:

1. Import of Foreign Goods

Like the Previous Regime, imports of foreign goods are permissible subject to the following conditions:

- a. the required goods are not produced domestically;
- b. the technical specification of the available domestic goods do not meet the minimum requirements for the technology; and/or
- c. domestic goods cannot meet demand as acknowledged by a statement from a manufacturer/association.

2. Funded by Offshore Grant and/or Loan

Projects funded by or in part by an Offshore Grant and/or Loan may deviate from the TKDN requirements and follow those provided by the relevant foreign loan or grant agreement. However, offshore-funded projects are only eligible for such an exemption if:

- a. they are designated for domestic electricity fulfilment (partially or entirely); and
- b. the loan or grant is at least 50% sourced from multilateral or bilateral creditors (development banks or financial institutions), in the forms of:

¹ Please refer to Annex 1 concerning the overview of the New Regime's threshold percentages and comparison against the Previous Regime

- i. loans or grants to government (including by way of channeling); or
- ii. direct loans (whether with government guarantees) or grants to business entities.

Relaxation of TKDN requirements for Solar Power (PLTS) Infrastructure

A special relaxation of TKDN requirements for Solar IPPs will be granted until 30 June 2025 and applies if:

- (1) the PPA is executed no later than 31 December 2024; and
- (2) the plant is planned to commercially operate no later than 30 June 2026, under the following conditions:

- a. list of solar/PLTS projects has been determined through a coordinating meeting, organized by MEMR;
- b. Solar IPP/PLTS construction utilizes assembled domestic solar modules or imported solar modules that have investment commitment to manufacture solar domestic solar modules; and
- c. the ability to complete solar module production in accordance with TKDN provisions for solar modules by 31 December 2025 at the latest.

Export of Electricity Offshore

MEMR 11/2024 provides that the cross-border sale of electricity is subject to a minimum TKDN to be designated by MEMR in a future MEMR Decree.

Comparison of the TKDN Requirements under the Previous Regime and New Regime

Electricity Infrastructures	Minimum TKDN Threshold	
	MOI 54/2012	MEMR Decree 191/2024
Renewable Power Plants		
Hydro Power Plant	<ul style="list-style-type: none"> • 70.76% (up to 15 MW) • 51.60% (exceeding 15 MW to 50 MW) • 49% (exceeding 50 MW to 150 MW) • 47.60% (exceeding 150 MW) 	<ul style="list-style-type: none"> • 45% (up to 10 MW) • 35% (exceeding 10 MW to 50 MW) • 23% (exceeding 50 MW)
Geothermal Power Plant	<ul style="list-style-type: none"> • 42% (up to 5 MW) • 40.45% (exceeding 5 MW to 10 MW) • 33.24% (exceeding 10 MW to 60 MW) • 29.21% (exceeding 60 MW to 110 MW) • 28.95% (exceeding 110 MW) 	<ul style="list-style-type: none"> • 24% (up to 60 MW) • 29% (exceeding 60 MW) • 20% (Partial Project)
Solar Power Plant	40.68%	20%
Wind Power Plant	Unspecified	15%

Biomass Power Plant	Unspecified	21%
Biogas Power Plant	Unspecified	25.19%
Waste-to-Energy Plant	Unspecified	16.53%
Non-Renewable Power Plants		
Steam Power Plant	<ul style="list-style-type: none"> • 70.79% (up to 15 MW) • 49.09% (exceeding 15 MW to 25 MW) • 44.14% (exceeding 25 MW to 100 MW) • 40% (exceeding 100 MW to 600 MW) • 38.21% (exceeding 600 MW) 	<ul style="list-style-type: none"> • 27.18% (up to 600 MW) • 18.33% (exceeding 600 MW)
Gas-Fired Power Plant	48.96% (up to 100 MW)	10.39%
Gas Steam Power Plant	<ul style="list-style-type: none"> • 47.88% (up to 50 MW) • 49.09% (exceeding 50 MW to 100 MW) • 44.14% (exceeding 25 MW to 100 MW) • 40% (exceeding 100 MW to 600 MW) • 38.21% (exceeding 600 MW) 	21.93%
Gas Engine Power Plant	Unspecified	23.96%
Miscellaneous		
Transmission Network	<ul style="list-style-type: none"> • High Voltage Overhead Line 70 kV: 76.17% • High Voltage Overhead Line 150 kV: 76, 17% • Extra High Voltage Overhead Line 275 kV: 74.59% • Extra High Voltage Overhead Line 500 kV: 74.59% • High Voltage Sea Cable Line 150 kV: 28.60% • High Voltage Ground Cable Line 70 kV: 56.40% • High Voltage Ground Cable Line 150 kV: 56.40% 	<ul style="list-style-type: none"> • High Voltage Overhead Line 150 kV: 60.71% • Extra High Voltage Overhead Line 275 kV: 65.65% • Extra High Voltage Overhead Line 500 kV: 38.13% • High Voltage Ground Cable Line 150 kV: 56.40%



Electric Substation	<ul style="list-style-type: none"> • High Voltage Substation 70 kV: 65.14% • High Voltage Substation 150 kV: 64.39% • Extra High Voltage Substation 275 kV: 43.27% • Extra High Voltage Substation 500 kV: 42.77% • High Voltage GIS 150 kV: 19.237% • Extra High Voltage GIS 150 kV: 17.389% 	<ul style="list-style-type: none"> • High Voltage Substation 150 kV: 39.87% • Extra High Voltage Substation 275 kV: 24.79% • Extra High Voltage Substation 500 kV: 13.28% • Gas Insulated Switchgear (GIS) High Voltage 150 kV: 12.95% • Gas Insulated Switchgear (GIS) Extra High Voltage up to 500 kV: 17.38%
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For further assistance relating to this Alert, please contact Chris Naziris (chrisnaziris@mkklaw.net), Foreign Advisor or Tommy Gunarsa Handono (tommy.gunarsa@mkklaw.net), Senior Associate.