ENERGY TRANSITION PARTNERSHIP

UNOPS

Policy Brief

Proposed Incentive Measures to Advance Indonesia's Energy Transition

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Environnement et Changement climatique Canada

Australian Government
Department of Climate Change, Energy, the Environment and Water

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Executive Summary

Indonesia has committed to reducing its greenhouse gas ("GHG") emissions by 31.89% below business-as-usual ("BAU") levels by 2030, with an enhanced target of 43.20% conditional on international support, as outlined in its Enhanced Nationally Determined Contribution ("ENDC"). To achieve net-zero emissions by 2060 or sooner, the Government of Indonesia ("GoI") has prioritised renewable energy ("RE") deployment, early retirement of coal-fired power plants ("CFPPs"), and a gradual coal phase-down. However, progress remains constrained by structural barriers, including low RE tariff ceilings, procurement inefficiencies, and coal pricing distortions.

This policy brief aims to assist the Government of Indonesia in achieving its climate and energy targets by proposing a set of proposed policy measures to accelerate RE development, coal phasedown, and CFPP early retirement in Indonesia. It applies a multi-criteria analysis methodology, considering factors such as ease of implementation, scalability, technical and financial feasibility, and stakeholder acceptance, to identify measures that can create a more enabling environment for clean energy investment and transition. Drawing on these insights and integrating international best practices, it seeks to outline a coherent policy framework and practical action plan to strengthen incentive mechanisms and remove disincentives to accelerate Indonesia's energy transition.

The proposed policy measures respond to barriers that currently constrain Indonesia's energy transition, including low RE ceiling tariffs, procurement inefficiencies, coal pricing, and limited grid readiness. Stakeholder consultations reveal that the ceiling tariffs under Presidential Regulation ("PR") No. 112 of 2022 on the Acceleration of Development of RE for Electric Power Supply are perceived as lower than is required for commercial feasibility, discouraging developers and financiers. In addition, complex procurement and licensing processes cause delays and increase transaction costs. Infrastructure gaps, particularly in transmission near RE clusters, further raise integration costs. Coal pricing policies, such as the Domestic Price Obligation ("DPO"), which allow coal to be sold at below-market rates, further discourage RE development by reducing its competitiveness. Moreover, the absence of clear frameworks for CFPP early retirement and co-firing adds uncertainty for investors.

The resulting proposed policy options proposed include: (i) adjusting the RE ceiling tariffs regulated under PR No. 112 of 2022 to improve project bankability; (ii) standardising tender processes and clarifying National Strategic Project or *Proyek Strategis Nasional* ("PSN") status to streamline procurement; (iii) accelerating transmission development near RE clusters to reduce integration costs; (iv) aligning the Coal Domestic Price Obligation ("DPO") with market rates while safeguarding vulnerable consumers; (v) introducing a right-to-match privilege for CFPP owners to facilitate early retirement and maintain system stability; and (vi) revising biomass pricing policies to allow flexibility based on quality standards to support co-firing initiatives.

These measures are designed to work in synergy across the three focus areas: RE development, CFPP early retirement, and coal phase-down. Together, they aim to reduce transaction costs, improve regulatory certainty, and unlock investment in clean energy, thereby supporting Indonesia's long-term climate and development goals.

Background

As part of Indonesia's Enhanced Nationally Determined Contribution ("ENDC") for the 2021-2030 period submitted under the United Nations Framework Convention on Climate Change ("UNFCCC"), the country has committed to reducing its greenhouse gas ("GHG") emissions by 31.89% below business-as-usual ("BAU") levels by 2030, with an enhanced target of 43.20% reduction contingent on international support.[1] A Second Nationally Determined Contribution ("SNDC") released in October 2025, covering the 2031-2035 period, further strengthens these commitments by setting a goal to cut total emissions by 8–17.5% below the ENDC projected levels for 2030.[2] In addition to its ENDC and SNDC, Indonesia has developed a long-term strategy to achieve net-zero emissions by 2060 or sooner. This strategy includes achieving significant reductions in emissions through the deployment of RE, energy efficiency incentive measures, and reforestation efforts.[3]

As of 2024, the RE share in Indonesia's power generation stood at 14.65%.[4] While this remains below the *Rencana Usaha Penyediaan Tenaga Listrik* (or Electricity Supply Business Plan) ("RUPTL") target of achieving 15.9% RE share by 2025, recent progress indicates positive momentum toward achieving national objectives, including the 2025-2034 RUPTL's target of 21% RE by 2030.[5] This plan aligns with the National Long-Term Development Plan or *Rencana Pembangunan Jangka Panjang Nasional* ("RPJPN") target of reaching 70% RE share in the energy mix by 2050.[6] However, if these new targets are to be met, specific policy actions are required to accelerate the investment in RE, including new incentive mechanisms and removal of disincentives to RE adoption. To support this, this policy brief aims to assist the Government of Indonesia ("GoI") in reaching its targets by proposing a set of policy incentive measures and regulatory adjustments to accelerate RE deployment, facilitate early CFPP retirement, and support a gradual coal phase-down, thereby advancing Indonesia's energy transition objectives.

Prioritisation Methodology and Key Assessment Parameters

To identify the most effective policy options for Indonesia's energy transition, this report uses a prioritisation framework. The framework allows each option to be compared fairly and consistently, based on factors such as ease of implementation, potential benefits, and the level of support it may receive from relevant stakeholders. Figure 1 below shows the methodology and the main assessment parameters used in this process.

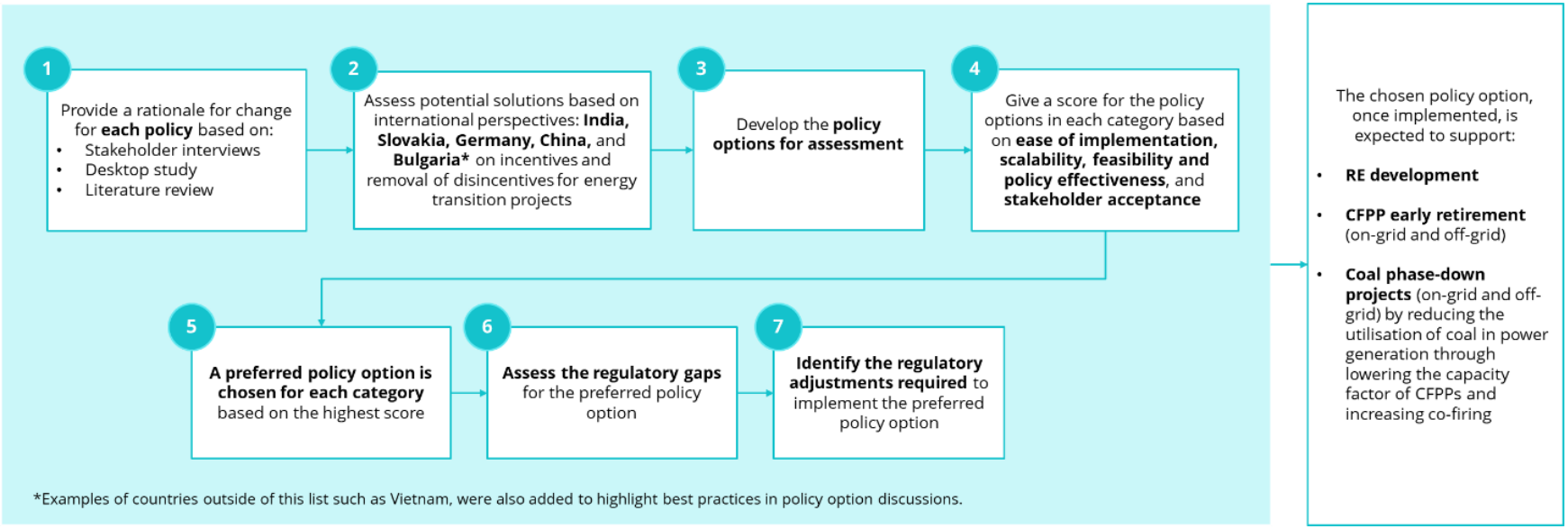

Figure 1 Framework for Policy Prioritisation

To identify the most suitable policy options for Indonesia's energy transition, a multi-criteria analysis ("MCA") is utilised. The MCA evaluates and ranks proposed incentive measures based on several parameters as listed below, while incorporating lessons from international best practices, such as those from Slovakia, Bulgaria, Vietnam, China, Germany and India, among others. In particular, benchmarking of India's and Slovakia's best practices are discussed in detail in the Policy Brief on *International Benchmarking of Incentives for Energy Transition Projects and the Removal of Disincentives*.

The prioritisation process considers the following parameters:

- **Ease of implementation** assesses how straightforward a policy is to implement, considering infrastructure readiness, regulatory complexity, and administrative requirements.
- **Scalability** evaluates the potential for the policy to be applied at scale or across multiple focus areas, including RE development, early retirement of coal-fired power plants, and coal phase-down initiatives.
- **Technical and financial feasibility** examines whether the policy can be practically implemented using existing technologies, infrastructure, and expertise within a realistic timeline (technical feasibility), and whether it is economically viable in terms of cost-efficiency, funding availability, and expected returns (financial feasibility).
- **Stakeholder acceptance** considers the likelihood of support from key stakeholders estimated and compiled from discussions with various unique institutions such as private developers, financial institutions, energy associations, and civil society organisations, beyond government and PT Perusahaan Listrik Negara (Persero) ("PLN").

Extensive engagement has been undertaken to support stakeholder acceptance, gather input, and validate assumptions, with the aim of helping to ensure that the proposed policies are practical and grounded in stakeholder perspectives. Such engagements include:

- **Survey and Interviews:** A structured questionnaire was distributed to more than 80 stakeholders, including government agencies, Independent Power Producers ("IPPs") and investors, power developers, PLN, PT Sarana Multi Infrastruktur (Persero) ("SMI"), energy associations, financial institutions, and research organisations. Together with targeted interviews, this exercise yielded responses from 28 unique institutions.

- **First Focus Group Discussion ("FGD") (21 February 2025, Jakarta):** This session served as a dissemination workshop to present findings from the regulatory gap analysis of existing incentives and disincentives for energy transition projects in Indonesia, as well as benchmarking insights from international experience. It provided a platform for stakeholders to share feedback, discuss challenges in RE development, early CFPP retirement, and coal phase-down, and identify additional factors not captured during the initial survey and interviews.

- **Second FGD (15 September 2025, Jakarta):** The second FGD focused on refining the proposed policy options, assessing their feasibility, and gathering input on regulatory adjustments required for implementation. It engaged key stakeholders from government ministries, private developers, and financial institutions to ensure alignment with practical considerations.

Throughout the first stage (surveys and interviews), the second stage (First FGD) and third stage (Second FGD) of stakeholder consultations, a total of 58 unique institutions participated in the stakeholder consultation process. This included government agencies (Ministry of Finance ("MoF"), National Development Planning Agency or *Badan Perencanaan Pembangunan Nasional* ("Bappenas"), Ministry of Energy and Mineral Resources ("MEMR") and Ministry of Investment), state-owned and

private energy developers (e.g., PLN, Star Energy, UPC Renewables), industry associations (Indonesian Independent Power Producers Association, Indonesian Solar Energy Association, Indonesian Renewable Energy Society, Indonesian Chamber of Commerce and Industry), government financing entities (SMI), international and domestic financial institutions (e.g., Glasgow Financial Alliance for Net Zero, *Kreditanstalt für Wiederaufbau*, *Agence Française de Développement*, Mitsubishi UFJ Financial Group, Bank Indonesia, *Bank Rakyat Indonesia*), and research and policy organisations (International Energy Agency, Rocky Mountain Institute, Climate Policy Initiative, Indonesia Just Energy Transition Partnership ("JETP") Secretariat).

Following the MCA, the highest-priority policy options were selected for each category. These inform the design of an implementation plan aimed at improving regulatory effectiveness and accelerating energy transition. Any regulatory amendments should comply with Law 12/2011 on the Establishment of Laws and Regulations and require a further coordinated approach to stakeholder engagement.

List of Proposed Policy Categories

The categories below were identified and assessed based on earlier deliverables, international benchmarking, and stakeholder insights. They outline priority areas that require further development into concrete policies to support Indonesia's energy transition.

Table 1 List of Proposed Policy Categories

Category	Rationale for Change and Potential Solutions from International Perspectives
RE Tariff Adjustment	• Ceiling tariffs under PR No. 112 of 2022 on the Acceleration of RE Development for Power Supply may fall short for commercial feasibility, potentially deterring developers and financial institutions due to concerns about project viability and limited suitable financing instruments. • Bulgaria, China, Vietnam and India provide valuable insights for Indonesia's RE tariffs, such as the importance of long-term price certainty, transparency, government adaptability, risk mitigation, and competitive bidding processes to enhance investor confidence and efficiently expand the RE sector.
Procurement, Power Purchase Agreements ("PPAs"), Licensing, Tender and PSN Status Standardisation and Streamlining	• Enhancing transparency and streamlining procedures in Indonesia's RE procurement process is essential to address current uncertainties in timelines, PPA negotiations, and PSN status, which may otherwise lead to delays, financial challenges, and the ineffective utilisation of tax incentives due to administrative complexities. • Lessons from India and Slovakia highlight the importance of competitive and transparent procurement processes and the utilisation of fiscal incentives, such as tax holidays and excise duty exemptions, to enhance equitable market access and encourage RE energy development.
Supporting the Development of Electricity Infrastructure	• To bolster RE development and accommodate rising demand, Indonesia plans to enhance electricity infrastructure, including expanding transmission lines, grid interconnections, and green industrial hubs, although challenges persist due to regional supply-demand mismatches and insufficient grid integration capacity for RE sources, especially those in rural or Disadvantaged, Frontier, and Outmost or

Category	Rationale for Change and Potential Solutions from International Perspectives
	Tertinggal, Terdepan, dan Terluar ("3T") areas. Areas driving this demand include industrial hubs and special economic zones such as Sei Mangkei in Sumatra, Batam Bintan Karimun in the Riau Islands, and Industries like JIIPE Gresik in Java. • A lesson can be derived from India, where it has successfully increased its capacity to manage high solar PV penetration by implementing waivers for inter-state transmission charges and incentivising domestic solar PV manufacturing through its Production Linked Incentive scheme, thereby lowering project costs and enhancing the financial viability of large-scale RE initiatives.
Reducing or Removing the DMO and DPO for Coal	• Reevaluating the coal DPO offers Indonesia an opportunity to improve the competitiveness of RE development, as the current policy allows coal to be sold at below-market rates, influencing PLN's decision-making and complicating RE adoption. By realigning the DPO with market prices, the government can encourage investment and allow RE to better compete cost-wise with traditional fossil fuel energy sources. • A key lesson from Slovakia is the importance of announcing subsidy removals well in advance, providing ample time for stakeholder management, planning and preparation for the transition.
Encouraging Early Retirement of CFPPs	• Reevaluating early retirement policies for CFPPs in Indonesia is important to address challenges such as uncertainties around cost responsibilities, the absence of a roadmap for the early retirement of CFPPs, regulatory gaps in transitioning to renewables, and the need to improve national carbon trading mechanisms for better utilisation of carbon credits. • Slovakia's strategy for CFPP early retirement and phase-down utilises the EU Emissions Trading System to diminish coal competitiveness and provides financial and planning support for transitioning regions, while Germany's model employs auction-based mechanisms to incentivise early retirements and maintain cost efficiency.
Co-firing Incentives	• To effectively utilise co-firing in CFPPs, it is crucial to address coal dependency, supply chain issues, and efficiency reduction. Implementing a universal mandate, establishing a carbon market for developers, and ensuring a sustainable biomass supply can enhance adoption while addressing the need for increased PPA flexibility. • A key lesson from India's CFPP early retirement and phase-down efforts is the effectiveness of biomass co-firing incentives, which highlight the importance of comprehensive financial support, regulatory clarity, supply chain infrastructure development, and long-term procurement contracts to reduce coal reliance and achieve higher co-firing targets.

The categories identified above were further detailed into a long list of policy options.

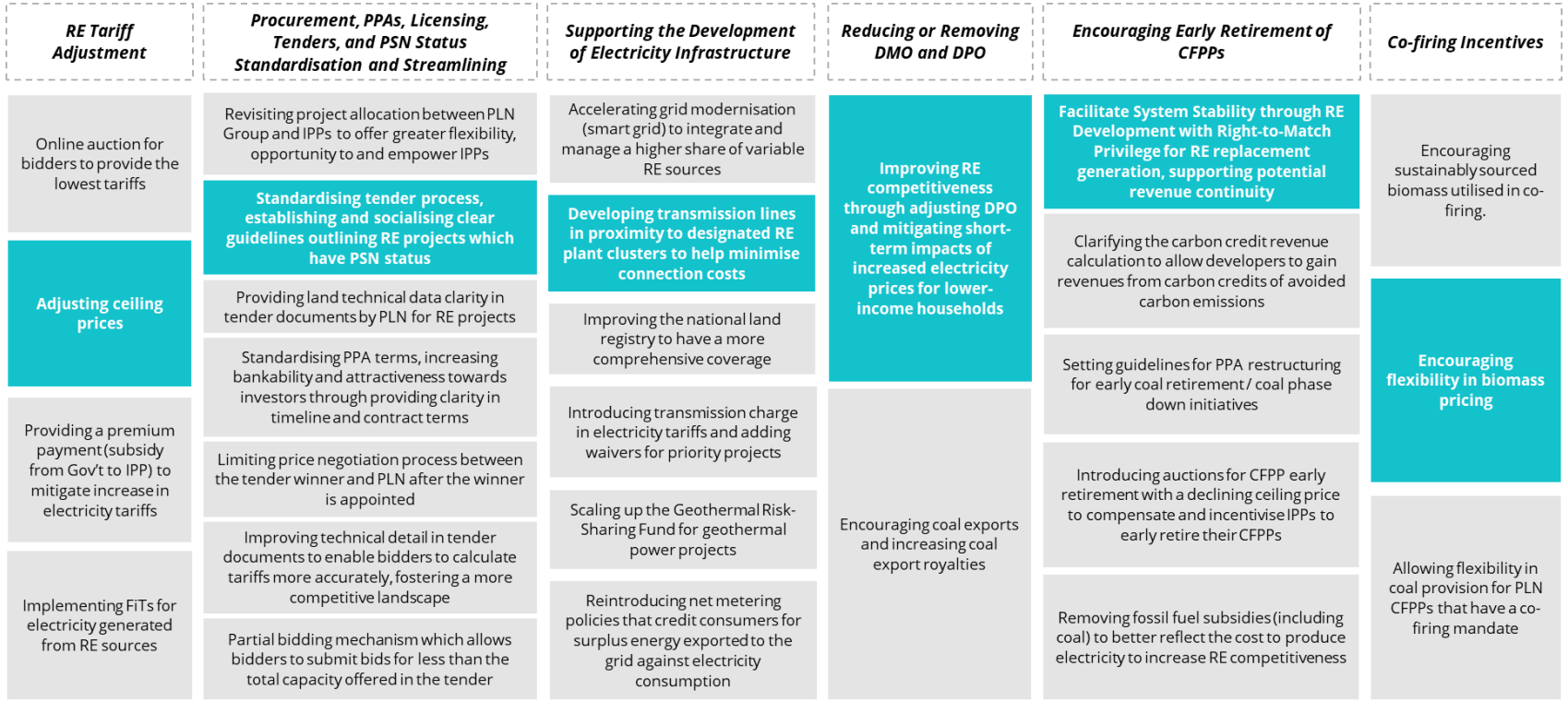

Figure 2 Long list of Policy Options

This list served as the basis for the MCA, which assessed each incentive measure against key parameters such as ease of implementation, scalability, technical and financial feasibility, and stakeholder acceptance, as shown in the figure above. The highest-priority policy options are highlighted in blue, indicating the incentive measures that scored best across these parameters.

Based on this foundation, the next section presents the proposed policy options derived from the MCA and stakeholder consultations. These incentive measures potentially represent the most practical and impactful pathways to accelerate RE deployment, facilitate early retirement of coal-fired power plants, and support a gradual coal phase-down in line with Indonesia's energy transition objectives.

Proposed Policies and Required Adjustments

The table below summaries the key policies of this report, presenting the proposed policy options alongside the rationale, required regulatory adjustments, and expected impact. These options represent the outcome of the prioritisation process and stakeholder consultations, ensuring alignment with Indonesia's energy transition objectives and international best practices.

Table 2 Summary of Key Policies

Proposed Policy	Proposed Amendment	Required Adjustments to Implement the Proposed Policy Option	Expected Impact
Adjusting RE Ceiling Prices	• The proposed policy option favours adjusting ceiling tariffs to provide long-term price certainty and enhance the investment environment for RE in Indonesia. • Adjusting ceiling tariffs to reflect the generation costs of the technology deployed, construction, maintenance, fuel, location, network costs, recognising regional differences in infrastructure readiness, logistical complexity as well as clarification in Battery Energy Storage Systems ("BESS') costs. Where justified, a calibrated escalation clause could be considered to reflect inflation and exchange-rate risks, balanced against expected LCOE optimisations from technology learning curves and supply chain improvements.	• Amend electricity purchase pricing mechanism outlined in PR No. 112 of 2022 and its annexure. • The amendment is expected to consider PLN's RUPTL, given that PLN plays a primary role in procuring and purchasing electricity.	These adjustments are expected to create a more predictable and attractive pricing mechanism, which may drive development in the RE sector, reduce project cancellations, and lead to smoother project implementation.

Proposed Policy	Proposed Amendment	Required Adjustments to Implement the Proposed Policy Option	Expected Impact
Standardising tender processes, and establishing and socialising clear guidelines on PSN status for RE projects	• The proposed policy option favours standardising tender processes and clarifying PSN status for RE projects to improve procurement efficiency and consistency. • Enhance transparency by making procurement stages, evaluation criteria, and timelines publicly accessible, rather than requiring formal requests through Selected Provider List or *Daftar Penyedia Terseleksi* ("DPT") system. • Develop a concise guideline summarising all current incentives, including eligibility and application steps, to improve transparency for stakeholders. • Align the designation of PSN status with PLN's RUPTL to ensure consistency between planning priorities and incentive eligibility.	• Amend PR No. 112 of 2022 to include specific guidelines on negotiation steps and timelines with flexibility based on project scale and complexity to expedite processes. • Align PLN's internal policies with PR No. 112 of 2022 for consistent procurement coordination. • Align PSN procedures with GR No. 42 of 2021 on Making National Strategic Projects Easier and regional development goals.	The standardisation of PPAs, tender processes, and clarity of the PSN status are expected to enhance procurement efficiency, reduce transaction costs, accelerate project timelines, and improve the reliability and appeal of RE projects.
Developing transmission lines in proximity to designated RE plant clusters to help minimise connection losses	• The proposed policy option favours developing transmission lines near RE plant clusters to reduce costs and optimise infrastructure efficiency. • Increase the visibility and attractiveness of this incentive by offering IPPs reduced or zero transmission charges when PLN develops supporting infrastructure, ensuring greater tariff certainty and predictability during bidding.	• PLN needs to follow the transmission strategy laid out in the RUPTL (as legally mandated by MEMR Decree No. 188 of 2025 on PLN's RUPTL for 2025-2034) and implement it with consistency and technical rigor, including developing the Green Enabling Super Grid and Grid Lines to boost system efficiency and RE integration.	This is expected to accelerate the integration of RE into the grid by optimising the placement of new projects near existing grids and enhancing investor confidence in the technical readiness of RE adoption within the current electricity infrastructure.

Proposed Policy	Proposed Amendment	Required Adjustments to Implement the Proposed Policy Option	Expected Impact
Improving RE competitiveness through adjusting or eliminating the Coal DPO and mitigating short-term impacts of increased electricity prices for lower-income households	• The proposed policy option favours adjusting the DPO to reflect market prices reducing coal's cost advantage and improving RE competitiveness. • It also proposes implementing protective measures for low-income households from potential electricity price increases, to help maintain energy affordability during the transition.	• Amendments to MEMR Regulation No. 7 of 2017 on the Procedure for Determining Coal and Mineral Benchmark Prices and MEMR Regulation No. 10 of 2025 on the Roadmap for the Energy Transition in the Electricity Sector should introduce binding provisions for phasing out price-distorting mechanisms, plant retirement schedules, and enforceable deadlines.	By aligning coal prices closer to market rates, the cost to produce electricity from coal becomes more expensive and less attractive, thereby incentivising a transition to cleaner energy sources and promoting an equitable shift towards RE. Tariff differentiation is proposed to protect low-income households, aiming to ensure continued affordability for consumers and strengthening the business case for the early retirement of CFPPs and the phasing down of coal.
Facilitate System Stability through RE Development with Right-to-Match Privilege for RE replacement generation, supporting potential revenue continuity	• The proposed policy option favours introducing a right-to-match privilege for CFPP developers to build RE projects in the same area after retirement to help ensure system stability and revenue continuity. • Effective coordination and regulatory adaptation are required to align CFPP retirements with the RE potential and technology considerations of each area, helping to ensure timely procurement of replacement RE projects.	• Amend PR No. 112 of 2022 to introduce a right-to-match privilege in direct selection methods for RE projects replacing retired CFPPs. • Develop a ministerial regulation to oversee RE project procurement for CFPP replacements, with defined scopes balancing CFPP owner privileges and opportunities for other developers. • A main obstacle in the implementation of early CFPP retirement is legal uncertainty due to risks of state losses from asset impairment or disposal below book value, which could be perceived as corruption. Clearer mandates and supporting documents are needed to provide legal certainty prior to discussing the	This policy allows CFPP developers to match post-tender offers for RE projects intended to replace early retired CFPPs, thereby incentivising early retirement with the aim to ensure the continuity of revenues, minimising transition disruptions through existing infrastructure, and supporting a stable energy supply while encouraging a gradual shift to cleaner sources.

Proposed Policy	Proposed Amendment	Required Adjustments to Implement the Proposed Policy Option	Expected Impact
		privileges that may be granted to IPPs whose CFPPs are subject to early retirement.	
Revising policies to encourage flexibility in biomass pricing for co-firing	• The proposed policy option favours encouraging flexibility in biomass pricing by linking prices to quality standards to incentivise higher quality sales to the domestic market and adoption of co-firing initiatives in CFPPs. • The amendment includes clarifying the biomass DMO mechanism through fixed percentage guidelines and developing mandatory Indonesia National Standard or *Standar Nasional Indonesia* ("SNI") standards for biomass to ensure quality compliance and support a stable domestic supply.	• Amend MEMR Regulation No. 12 of 2023 on the Utilisation of Biomass Fuel as Fuel Mixture in Steam Power Plants as the pricing strategy does not account for the availability of high-quality biomass and collaborate with the Ministry of Environment ("MoE") to establish a clear policy for sustainable biomass co-firing. • Develop SNI standards for biomass to justify premium prices and encourage investment in coordination with the National Standardisation Agency and MEMR. • Implement a biomass-specific DMO percentage via ministerial decree under MEMR Regulation No. 12 of 2023 aimed at ensuring a stable and proposed supply for co-firing.	By enabling PLN to explore high quality biomass options and increase procurement cost effectiveness, this approach is expected to drive wider implementation of co-firing, thereby supporting a gradual coal phase-down.

Synergy Options

Achieving Indonesia's energy transition targets requires a coordinated approach that maximises the combined impact of complementary incentive measures. The proposed policy options outlined in this brief are designed to work together, creating synergies that address structural barriers, reduce transaction costs, and accelerate investment in RE.

The proposed policies chosen for each category all contribute to one or more of the three focus areas set out for this project: RE development, CFPP early retirement, and coal phase-down. In the figure below, each incentive category is shown to link to one of the three focus areas, as indicated by the coloured labels on each mechanism below.

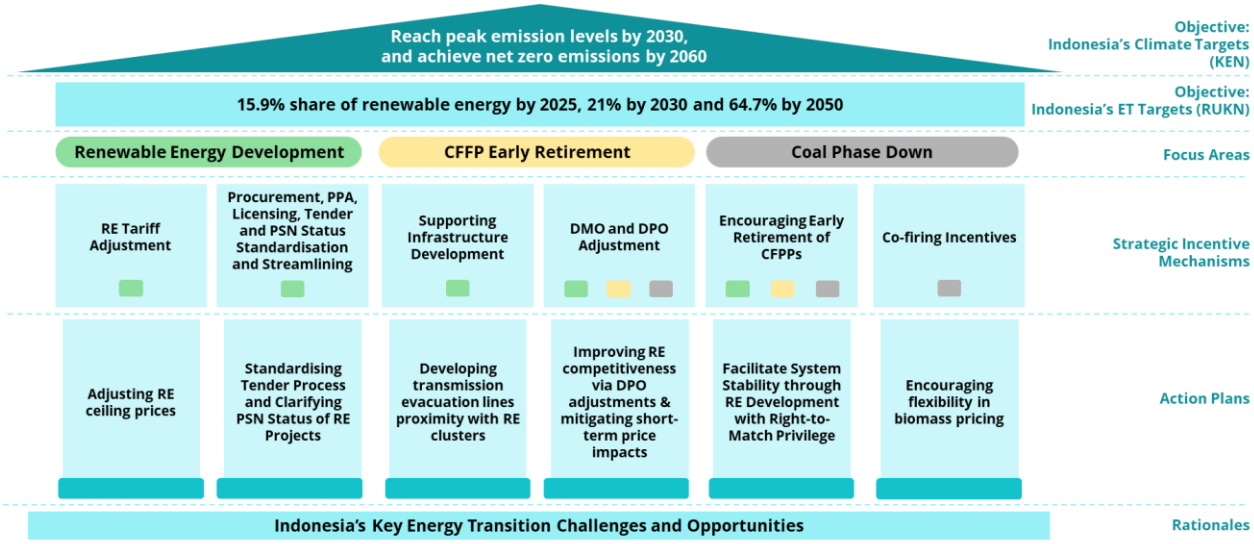

Figure 3 Policy Synergies

Synergies for RE Development

Several policy options complement each other in addressing barriers to RE investment. For instance, standardising tender processes and clarifying PSN status can significantly reduce negotiation delays and improve transparency, while adjusting ceiling prices ensures that projects remain commercially viable. These incentive measures, when combined, strengthen investor confidence and streamline project pipelines.

Electricity infrastructure-related policies that were identified in Figure 2 Long list of Policy Options also provide a potential for synergies if implemented together. Developing transmission lines near RE clusters and accelerating grid modernisation, collectively address major integration challenges, reducing connection costs and enabling higher RE penetration. In the medium term, standardising PPA terms will further enhance bankability and reduce regulatory uncertainty. Looking ahead, clarifying carbon credit revenue calculations can provide an additional financial incentive for RE projects, aligning with global best practices.

Synergies for CFPP Early Retirement

Early retirement of CFPPs requires a combination of incentive measures that balance financial viability with system stability. Recently, MEMR issued Regulation No. 10 of 2025 as an implementing rule of Presidential Regulation ("PR") 112/2022, setting a roadmap for energy transition and outlining procedures for CFPP early retirement. Under Regulation No. 10 of 2025, PLN is mandated to prepare technical, legal, commercial, and financial assessments for the CFPP early retirement. These assessments require approval from the MEMR. Once approved, they will serve as the formal basis of a mandate for PLN to implement CFPP early retirements in line with good governance and business assessments.

While this marks progress, PLN's preparation of assessments does not necessarily provide regulatory certainty for CFPP owners affected by early retirement. Concerns remain that early retirement could result in write-off of assets which could be construed as state losses, potentially triggering corruption allegations pursuant to the State Finance Law 17/2003, State Treasury Law 1/2004 and Law 38/2016. These frameworks may need revisiting to enhance clarity and safeguards. Once this foundation is established, incentive measures such as adjusting the DPO to reflect market conditions makes RE more competitive, while the right-to-match privilege offers CFPP developers an opportunity to maintain revenue continuity by participating in RE projects. Together, these policies reduce resistance to transition and ensure a reliable power supply during the shift away from coal. In the long term, carbon credit revenue mechanisms can further incentivise early retirement by introducing new income streams for avoided emissions.

Synergies for Coal Phase-Down

A gradual coal phase-down can be supported through a mix of pricing and operational incentive measures. DPO adjustments discourage coal use by aligning prices with market rates, while flexibility in biomass pricing enables power plants to secure higher quality biomass supply, to compensate for the lower calorific value and higher moisture content of feedstock during co-firing, enabling a partial coal substitution. Coupled with the right-to-match privilege, these policies create a pathway for CFPP developers to transition into RE markets, while reducing the potential for lost revenue.

Conclusion

Insights from stakeholder interviews and engagements reveal significant uncertainties in RE development in Indonesia that are considered to expose investors to unmanageable or unreasonable risks. These include tariff levels perceived as being too low, unclear eligibility for PSN status and related incentives, and the absence of clarity on procedures for CFPP early retirement. These issues highlight that what stakeholders value most is policy stability, cohesion and certainty, which often cost the Government far less than direct fiscal and financial incentives. The proposed policy options presented in this policy brief aim to address these challenges by presenting solutions to the identified barriers and thereby accelerating RE investment in Indonesia.

Building on this foundation, this brief translates these preliminary insights into actionable findings by outlining a set of proposed policy options and proposed regulatory amendments. These incentive measures are designed to strengthen Indonesia's energy transition framework by improving existing policies and introducing new mechanisms that accelerate RE development, enable the early retirement of CFPPs, and support broader coal phase-down efforts.

- **Adjust RE Ceiling Prices:** revise tariff ceilings under PR No. 112 of 2022 to reflect realistic RE generation costs, environmental impacts, and affordability, improving project bankability and attracting investment. The amendment could also consider construction, maintenance, fuel, location, and network costs, recognising regional differences in infrastructure readiness, logistical complexity as well as clarification in BESS costs. Where justified, a calibrated escalation clause could be considered to reflect inflation and exchange-rate risks, balanced against expected LCOE optimisation from technology learning curves and supply chain improvements.
- **Standardise Tender Processes and Clarify PSN Status:** streamline procurement by introducing standardised tender guidelines and clearly defining PSN status for RE projects to enhance transparency and reduce delays. This requires amending relevant regulations, such as MEMR Regulation No. 5/2025, to embed clear procedures and enforceable timelines within PLN's procurement framework. In addition, transparency could be enhanced by making procurement stages, evaluation criteria, and timelines publicly accessible, rather than requiring formal requests through the DPT system. A concise guideline summarising all current incentives, including eligibility and application steps, could be developed to improve clarity for stakeholders. Furthermore, the designation of PSN status could be aligned with PLN's RUPTL to help ensure consistency between planning priorities and incentive eligibility. Together, these measures create a predictable and scalable process, providing stability for developers and accelerating RE deployment.
- **Develop Transmission Lines Near RE Clusters:** implement PLN's transmission development strategy to build lines close to designated RE clusters, reducing connection losses and integration costs. Regulatory certainty on shared transmission use could enhance investor confidence by reducing risks and optimising infrastructure investment. To make the incentive more tangible, IPPs could benefit from reduced or waived transmission charges where PLN develops supporting infrastructure, improving predictability in tariff structures and risk allocation. This approach lowers entry barriers, fosters competitive bidding, and helps to ensure progress toward national renewable energy targets.
- **Adjust DPO and Mitigate Social Impact:** align domestic coal prices with market conditions to improve RE competitiveness. This could be complemented by measures to shield vulnerable households from potential tariff increases, such as adjusting electricity subsidies and exploring cross-subsidisation using additional revenue from coal royalties. These steps help to ensure balance affordability with the need to incentivise cleaner energy, creating a fair and sustainable transition.
- **Introduce Right-to-Match Privilege for Owners of Early-retired CFPPs:** amend PR No. 112 of 2022 to allow IPPs which agree to early-retire CFPPs to match offers for RE projects in the

same area, supporting early retirement, system stability and revenue continuity for the IPPs. This could be underpinned by clear procedures to prioritise eligible developers and ensure timely procurement of replacement RE projects before CFPP retirement takes effect. Careful planning and coordination will help avoid energy shortfalls and maintain reliability, while providing a predictable pathway for developers during the transition.

- **Revise Biomass Pricing Policies for Co-Firing**: encourage flexibility in biomass pricing by developing mandatory SNI quality standards for biomass, linking prices to the SNI standards and clarifying the biomass DMO mechanism. These measures aim to incentivise higher-quality sales to the domestic market, support a domestic supply and increase adoption of co-firing in CFPPs.

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