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PwC Indonesia Legal Alert

August 2025 / No. 46

Preliminary overview of the latest draft of the New and Renewable Energy Bill (*Rancangan Undang-Undang Energi Baru dan Energi Terbarukan* – RUU EBT) as of July 2025

I. Background

RUU EBT is part of the national legislative priority programme (*Program Legislasi Nasional* or **Prolegnas**) for 2025, Prolegnas is a planning instrument for the formation of laws, starting with planning, drafting, discussion, ratification and legalisation, as regulated by Law No. 13 of 2022 on the Formation of Legislation.[1]

Renewable energy policy in Indonesia is primarily governed by Law No. 30 of 2007 on Energy (**Energy Law**), which is included in Prolegnas as a bill on its amendment. Also listed in Prolegnas are the Bills on the Third Amendments to Law No. 30 of 2009 on Electricity (**Electricity Law**), Law No. 22 of 2001 on Oil and Gas (**Oil and Gas Law**), and Law No. 3 of 2020 on Minerals and Coal (**Mineral and Coal Law**). Additionally, new energy sources covered under RUU EBT, including nuclear energy, will also be amended in the Bill on the Third Amendment to Law No. 10 of 1997 on Nuclear Energy (**Nuclear Energy Law**) as part of the Prolegnas.

1. Daftar Program Legislasi Nasional Rancangan Undang-Undang Prioritas Tahun 2025 & Rancangan Undang-Undang Tahun 2025-2029. 2025. https://sultra.bpk.go.id/wp-content/uploads/2025/03/PROLEGNAS-PRIORITAS-RUU-2025-PROLEGNAS-RUU-2025-_250226_093058.pdf.

According to Article 1 of the Energy Law, "new energy" refers to energy sources generated by new technologies derived from either renewable or non-renewable sources, including nuclear, hydrogen for co-firing steam and gas turbines (combustion), as well as its utilisation for fuel cells, coal bed methane, liquefied coal and gasified coal. Furthermore, the Energy Law defines "renewable energy" as energy derived from renewable sources, which are sustainable when properly managed, such as geothermal, wind, bioenergy, solar radiation, water flow and waterfalls, as well as oceanic movements and temperature differences across ocean layers.

Despite being endowed with substantial renewable energy reserves, including marine, bioenergy, wind, hydro and 40% of the world's geothermal potential, Indonesia has yet to fully harness these resources, which remain largely underutilised, presenting an opportunity to emerge as a leading global energy producer.[2] Thus, RUU EBT aims to ensure state control over new and renewable energy sources, using them for public welfare in line with the 1945 Constitution of Indonesia. It also seeks to optimise the management and utilisation of these abundant resources to enhance national energy availability, resilience and independence sustainably. By emphasising their role in accelerating the transition to a sustainable energy system, the bill also aligns with Indonesia's commitment to climate change mitigation and low-carbon development. Recognising the depleting nature of non-renewable sources, it underscores the need for reliable energy from renewable sources to support economic advancement. Additionally, the bill calls for a comprehensive legal framework to provide cohesion and legal certainty in the governance of new and renewable energy.

The drafting of RUU EBT began in January 2021, and the latest version we obtained was in July 2025. Below is our preliminary overview of key provisions proposed within RUU EBT that may impact the energy sector in Indonesia. This overview is preliminary and non-exhaustive, based on the draft available as of July 2025. Our observations may change materially upon the law's final passage, promulgation, and/or the issuance of implementing regulations and official guidance. Different regulators and stakeholders may adopt different interpretations. **This document is provided for general information only and does not constitute legal advice**.

RUU EBT Ver. July 2025	Preliminary views
Preamble and Article 5 New and renewable energy, as strategic natural resources vital to the lives of many people, are controlled by the state for the greatest prosperity of the people, in accordance with the Constitution of the Republic of Indonesia of 1945.	RUU EBT asserts that new and renewable energy is controlled by the state. This control is executed through policy functions, regulation, administration, management and oversight. Outlined in the preamble and Article 5, this aligns with the concept of state control in Article 33 of the 1945 Constitution, which is broadly interpreted as a public law concept prioritising the collective interest of the people. This concept mandates the state to develop policies, manage, regulate, oversee and administer for the greatest prosperity of the people. Additionally, this aligns with other energy laws, such as Article 4 paragraph (1) of the Energy Law, Article 3 paragraph (1) of the Electricity Law, Article 4 paragraph (1) of the Oil and Gas Law, and Article 2 paragraph (2) of the Nuclear Energy Law. However, RUU EBT is notably silent on defining the explicit role of State-Owned Enterprises (**SOEs**) in supplying new energy or establishing a specialised entity for this purpose, implying that the Government "may" choose to assign these responsibilities at its discretion.

2. Pemerintah Optimistis EBT 23% Tahun 2025 Tercapai. 2021. https://www.esdm.go.id/id/berita-unit/direktorat-jenderal-ketenagalistrikan/pemerintah-optimistis-ebt-23-tahun-2025-tercapai.

RUU EBT Ver. July 2025	Preliminary views
Articles 2, 3 and 4 – The basis, objectives and scope for the administration of new and renewable Energy	Based on Articles 2 and 3, the administration of new and renewable energy is founded on the principles of environmental awareness and **sustainability**, **resilience** and **accessibility**, all sharing the same goals. The concept of "accessibility" means that the administration of new and renewable energy aims to achieve equitable access to energy across all regions of the Republic of Indonesia, with energy priced affordably for the public. This indicates that RUU EBT is a significant step forward in the development of new and renewable energy, aligning with the energy trilemma concept, which is an ideal framework consisting of **security**, **affordability** and **sustainability**.[3] Furthermore, the administration prioritises the utilisation of domestic energy sources for self-sufficiency, ensuring national energy security, independence and sovereignty. This aligns with the second mission outlined in the vision of the current elected President and Vice President, Prabowo Subianto and Gibran Rakabuming Raka, who advocate eight missions known as *Asta Cita*, including promoting **national self-reliance** through energy.[4] However, the scope of the bill is perceived as quite broad, encompassing not only renewable but also new energy, which may have different risk profiles requiring specific regulations. For example, nuclear energy in Indonesia is already regulated under the Nuclear Energy Law. For new energy developments resulting from coal, such as coal gasification and liquefied coal, the basic regulation can be established, such as within the Mineral and Coal Law or the Oil and Gas Law. Additionally, the implementation of Carbon Capture and Storage (CCS) and Carbon Capture Utilisation and Storage (CCUS) complicates the regulatory landscape as these technologies reduce carbon emissions and encourage investments in the renewable energy sector. This raises considerations about potential overlaps or inconsistencies with existing regulatory frameworks.
Article 6 – Energy transition and road map	Article 3 of Presidential Regulation No. 112 of 2022 on the Acceleration of Renewable Energy Development for Electrical Power Supply (**PR 112/2022**) mandates the Ministry of Energy and Mineral Resources (**MEMR**) to create a roadmap for phasing out coal plants as part of Indonesia's energy transition. This requires coordination with the Ministry of Finance and the Ministry of SOEs, particularly for financial considerations. Consequently, MEMR Regulation No. 10 of 2025 on the Roadmap for Energy Transition in the Electricity Sector (**MEMR Regulation 10/2025**) was established.

3. World Energy Trilemma Framework. 2024. https://www.worldenergy.org/transition-toolkit/world-energy-trilemma-framework.
4. Asta Cita Presiden dan Wakil Presiden. 2024. https://tni.mil.id/view-248945-asta-cita-presiden-dan-wakil-presiden.html.

RUU EBT Ver. July 2025	Preliminary views
	MEMR Regulation 10/2025 defines energy transition as transforming non-renewable energy utilisation into new and renewable energy, employing low-carbon technology and/or gradually advancing energy efficiency at a national level to reduce greenhouse gas emissions. This aligns with RUU EBT, which aims for new and renewable energy to become a reliable, economical and sustainable energy source to achieve carbon neutrality. Article 8 of RUU EBT acknowledges the principle of a gradual energy transition rather than an immediate stop to fossil fuel usage. It proposes a phased reduction in high-carbon electricity generation, moving towards carbon-neutral sources, incorporating mechanisms like carbon economic value and energy conservation. RUU EBT also supports de-dieselisation, requiring diesel power plants serving public electricity needs to be replaced with low-emission plants. The MEMR regulation provides a detailed roadmap for the energy transition in the electricity sector, including measures like biomass cofiring in coal-fired power plants (*Pembangkit Listrik Tenaga Uap Batubara* or **PLTU**), reducing oil-based power generation, retrofitting fossil plants, limiting new PLTU development, accelerating renewable energy deployment, producing green hydrogen and ammonia, developing nuclear power plants, building smart grids and phasing out existing PLTUs. While RUU EBT offers broad policy directions, the MEMR regulation provides specific operational steps. This difference highlights the need for harmonisation between legislative strategies and technical regulations to ensure an effective energy transition.
Article 11 – New energy sources and Articles 12-16 – Specific provisions on nuclear	Although the bill could serve as an umbrella framework for “new energy” technologies—such as hydrogen and ammonia, which, based on our review, are not yet subject to a dedicated regime—the new energy provisions in RUU EBT risk overlapping with existing sectoral laws. For example, nuclear energy is already comprehensively governed by the Nuclear Energy Law and its implementing regulations. New energy technologies also present significant, evolving risks across production, transport, storage and end-use. This raises the question of whether regulating them within a single umbrella law is sufficiently efficient and effective, or whether technology-specific legislation would be more appropriate. If RUU EBT is intended to cover new energy, it is therefore critical to develop detailed implementing regulations that (i) adequately address the associated risks and (ii) prevent overlaps that could complicate implementation.

RUU EBT Ver. July 2025	Preliminary views
Articles 17-21 – Business licensing	Article 17 paragraph (2) of RUU EBT indicates that the Government will exercise control over the granting of business licences based on: (a) the designation of business areas and/or (b) capacity. However, the bill does not explain what is meant by "business areas." It is unclear whether this concept follows mining "working areas," the "business area" concept in the electricity sector, whether certain priorities will be granted to the state or SOEs, or whether it will be open to private enterprises in renewable energy entrepreneurship as contemplated in Article 36(3). The term "capacity" is also not clearly defined. In general, licensing requirements would follow the standard online single submission (OSS) risk-based licensing process, currently governed by Government Regulation No. 28 of 2025. Under the closing provisions (Article 68 Paragraph (1)), all laws and regulations related to new and renewable energy remain in force to the extent that they do not conflict with RUU EBT. Accordingly, it is reasonable to assume that the administrative, technical, environmental and financial requirements for obtaining licences will continue to be governed by existing sectoral regulations, rather than introducing additional, duplicative requirements. RUU EBT also does not address whether additional licences will be required for the use of these energy sources in specific sectors. For example, renewable electricity licensing is already comprehensively regulated under the Electricity Law and its implementing regulations, particularly through the Electricity Supply Business Licence (*Izin Usaha Penyediaan Tenaga Listrik* or **IUPTL**). Creating a parallel licensing regime could lead to licensing dualism, causing confusion for market participants and prolonging processing times, which would run counter to the intent of the bill.
Articles 24 and 25 – Export and/or import restrictions and the use of local content	The policy on exporting and importing new energy resources highlights persistent challenges in the energy sector. While prioritizing national interests, such as energy availability, affordability and sufficiency is essential, imbalanced regulation may replicate past issues, impeding sectoral acceleration and investment. Key among these challenges is the requirement for local content (*Tingkat Komponen Dalam Negeri* or **TKDN**), in procuring components for new and renewable energy plants. Although TKDN aims to bolster local industry, it can create obstacles when local capacity does not meet the technical demands of advanced projects, potentially escalating costs and causing delays.

RUU EBT Ver. July 2025	Preliminary views
	Addressing these concerns involves finding a balance between promoting national priorities and facilitating international trade and investment. Enhancing local industry capabilities, along with establishing adaptive, **incentive-based** frameworks, can ensure competitiveness and efficiency in energy projects.
Articles 28-30 – Assignments	The establishment of clear and consistently enforced regulations plays a crucial role in ensuring that government assignments are implemented efficiently, accountably and in alignment with broader policy objectives. Without a transparent and structured framework, such assignments risk becoming ineffective, administratively burdensome and financially unsustainable. This challenge is especially significant for SOEs, which frequently face unfunded mandates that deplete resources, impair commercial performance and undermine long-term sustainability. To address these risks, it is essential for every assignment to include an equitable compensation framework that fully covers operational costs while allowing for a reasonable margin to support the fulfillment of public service obligations without jeopardising financial viability. Additionally, the design of policy instruments can extend to private sector engagement, providing targeted incentives, such as tax concessions, government guarantees and enhanced access to financing which encourage participation, particularly in projects characterised by high risk or limited commercial return. The institutionalisation of these mechanisms within assignment policies by the Ministry of Finance and relevant authorities can safeguard sustainability and foster greater public-private collaboration.
Article 33 1) To optimise the utilisation of new energy, electricity business area holders must meet consumer needs for electricity supply sourced from new energy.	Article 33 provides that consumer demand for electricity from new energy sources may be met through shared use of transmission networks (power wheeling), aligning with the Government's goal of accelerating renewable energy development in Indonesia. Even so, the inclusion of power wheeling is contentious, given debates about its potential to spur domestic renewable deployment and whether it would effectively open the door to unbundling in Indonesia. Globally, power wheeling is often linked to unbundling, which separates the electricity sector into generation, transmission and distribution. Under a wheeling scheme, independent power producers (IPPs) can use transmission company networks on a business-to-business basis to deliver power to end-users. Applied in Indonesia, this would allow consumers to procure electricity directly from renewable producers using PLN's existing transmission networks, with PLN charging a network access (wheeling) fee.

RUU EBT Ver. July 2025	Preliminary views
2) The fulfillment of consumer needs for electricity supply sourced from new energy as referred to in paragraph (1) must be carried out based on a business plan for electricity provision prioritising new energy and can be implemented through shared use of transmission and/or distribution networks through a network leasing mechanism according to the provisions of laws and regulations in the field of electricity. 3) In the event that shared use of transmission networks through a network leasing mechanism as referred to in paragraph (2) is implemented, transmission network electricity businesses must open access to shared use of transmission networks for public interest while meeting the requirements to maintain and consider aspects of network capacity, system reliability, customer service quality, economic aspects, balance of electricity supply demand and the country's financial capacity. 4) Further provisions regarding the fulfillment of consumer needs for electricity supply sourced from new energy through the network leasing mechanism as referred to in paragraphs (1), (2) and (3) are regulated in a government regulation.	The Government has signaled preliminary support for incorporating power wheeling into RUU EBT. However, the proposal remains under debate, and the version most likely to gain acceptance would restrict wheeling to consumers within electricity business areas managed by non-PLN entities (i.e., outside PLN's service areas) rather than full open access.

RUU EBT Ver. July 2025	Preliminary views
Articles 52-54 – New and Renewable Energy Portfolio Standard	The definition of the New and Renewable Energy Portfolio Standard essentially refers to the minimum standard imposed on businesses generating electricity from non-renewable sources to ensure they provide electricity from new and renewable energy sources. It is important to clarify whether this portfolio standard is synonymous with a cap-and-trade scheme, which sets a limit on the total emissions that can be released.[5] Moreover, the role of new and renewable energy certificates in fulfilling the portfolio standard needs to be clarified to prevent increases in system energy costs and avoid double incentives for renewable energy. However, if the cost of purchasing these certificates is compensated, it could create a disincentive for businesses to meet the portfolio standard quota directly through the development or use of renewable energy.
Articles 55 and 56 – Management of environmental protection, occupational safety and health, and application of engineering principles	Concerns arise regarding potential overlaps with Article 109 of Law No. 32 of 2009 on Environmental Protection and Management, which provides specific sanction options tailored to the type and impact of violations. RUU EBT's current draft generalises administrative sanctions for companies failing to meet obligations related to prevention, control, pollution and environmental recovery, without specifying violation types. In contrast, Law No. 32 of 2009 on Environmental Protection and Management allows certain violations to directly result in criminal charges. Addressing these overlaps is crucial for ensuring enforcement precision and regulatory clarity.
Article 60 – Price	Articles 60 and 61 of RUU EBT regulate the mechanism for setting energy sale prices. This regulation requires careful attention, given that investments in the renewable energy sector have often failed to deliver sufficient returns. This situation is attributed to the uncertain Internal Rate of Return (IRR) and the business models for selling this type of energy. There are also concerns about legal uncertainty, as certain provisions may override existing regulations, including PR 112/2022. Such inconsistencies could weaken regulatory coherence and deter investor confidence. Further, Article 61 paragraph (4) stipulates that if the cost of renewable electricity increases the basic generation cost, PLN is entitled to compensation. However, RUU EBT does not specify the mechanism or funding sources for this compensation, raising the possibility of an unsustainable fiscal burden on the state.

5. Ini Ketentuan Hukum Bursa Karbon di Indonesia. 2025. https://www.hukumonline.com/klinik/a/ini-ketentuan-hukum-bursa-karbon-di-indonesia-lt67b729791ab63/.

RUU EBT Ver. July 2025	Preliminary views
	RUU EBT also lacks clarity on the business model to be adopted, particularly regarding the structure of energy purchase agreements, price-setting flexibility that reflects local economic conditions and the overall bankability of renewable energy projects. Without clear provisions on these aspects, there is a risk that renewable projects will struggle to secure financing, thereby slowing investment. Taken together, these uncertainties highlight the importance of harmonising the bill with existing regulations, establishing a transparent and workable compensation framework, and designing an investment-friendly business model. Without such measures, the bill may inadvertently impede rather than accelerate Indonesia's energy transition.
Articles 62 and 63 – Incentives, government support and funding	While RUU EBT provide for both fiscal and non-fiscal incentives in cooperation with other institutions, the provisions remain vague regarding their scope, form and implementation procedures. Without clear guidelines, there is a risk that these incentives will be inconsistently applied and fail to attract the intended level of investment. Therefore, the bill should establish transparent criteria, streamlined procedures, and measurable benchmarks for incentive allocation to enhance investor confidence and ensure that government support effectively contributes to the energy transition.

II. Conclusion

RUU EBT reflects its ambition to serve as a pivotal framework for Indonesia's energy transition, while also revealing the complexities inherent in its design. By integrating both renewable and new energy within a single regulatory umbrella, the bill aspires to strengthen state control and advance national energy security, yet this breadth also heightens the risk of regulatory overlap and institutional fragmentation. Key provisions on licensing, supervision, compensation and incentives remain insufficiently defined, creating uncertainty for SOEs and private investors alike. Measures on local content, export-import and pricing demonstrate a commitment to protecting national interests, but their implementation could inadvertently constrain competitiveness and investment. Furthermore, the bill's interaction with existing sectoral regulations underscores the importance of harmonisation to ensure coherence rather than duplication. The effectiveness of RUU EBT will therefore be determined less by its formal aspirations than by the clarity, consistency and balance with which it is ultimately operationalised in Indonesia's evolving energy landscape.

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