

## NEWSLETTER

24 February 2020

# FLOATING SOLAR PV PROJECTS ON RESERVOIRS WATER SURFACE

## *Major Hurdle Finally Resolved*

### *An Overview*

*For years, despite having a huge potential for serving as an excellent location for solar floating photovoltaic (Solar PV) projects, the use of reservoirs water surface has never taken off due to a regulatory hurdle, namely, limitations on the use and function of reservoirs which created an uncertainty on whether the reservoirs water surface can indeed be used for Solar PV projects.*

*This issue has been finally resolved by Ministry of Public Works and Public Housing (MPWH) Regulation No. 6 of 2020 (MPWH 6/2020) (issued on 17 February 2019) which expressly allows the use of space on the reservoirs water surface for floating Solar PVs (though limited to 5% of the total water surface area at normal level).*

## Background

### Old Restriction

Under the previous regulation, MPWH Regulation No. 27/PRT/M/2015 on Dams<sup>1</sup> (MPWH 27/2015), there was a significant legal risk that power developers cannot build Solar PV projects on a reservoir pool (*waduk*)<sup>2</sup> since MPWH 27/2015 only allowed limited activities within a reservoir, and they did not include installation/development of floating Solar PV

<sup>1</sup> Buildings in the form of landfill, rock masonry, and concrete, which is built, in addition to holding and storing water, for holding and accommodating mine waste, or collecting mud so that a reservoir is formed.

<sup>2</sup> An artificial water container formed as a result of the construction of dams where the use of reservoir space comprises: (i) reservoir water surface (*daerah genangan waduk*); and (ii) reservoir border area (*daerah sempadan waduk*).



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projects. Under MPWH 27/2015, a reservoir water surface (*daerah genangan waduk*) may only be utilized for: (i) tourism activities, (ii) sports activities, and/or (iii) aquaculture (*budidaya perikanan*), while the use of reservoir border area (*daerah sempadan waduk*) is limited to: (i) research activities; (ii) science development activities; and/or (iii) efforts to maintain the function of the reservoir border area.

Finally, MPWH 27/2015 restricted any party from constructing anything that is not in accordance with the reservoir purposes as set out above, putting the final blow to any potential development of Solar PV projects on reservoirs.

## What's New?

### New Provisions

As a significant move, MPWH 6/2020 specifically adds the use of floating Solar PVs as one of the allowable activities to be conducted on a reservoir water surface. This change also clarifies that the previous interpretation was correct as it seems that the MPWH always intends to set a clear limit on things that could or could not be done within a reservoir (given its strategic function for the people).

MPWH 6/2020 however provides that only maximum 5% of the reservoir water surface area (at normal level) can be utilized for floating Solar PVs and we suspect that this is intended to preserve the biodiversity and environmental balance of the reservoirs. This requirement would most probably limit the areas that can be used for building large scale solar PV projects and developers may have to act on the basis of first come, first serve.

Further, MPWH 6/2020 also requires that the location and design of the Solar PVs must support water quality management, and the layout of the plant must consider the reservoir measurement path bathymetry and does not interfere with the function of the overflow and intake buildings.

## Required Permits

Utilization of the space on reservoir water surface can only be carried out based on a license from the MPWH, governor, or regent/mayor in accordance with their relevant authority, after obtaining a recommendation from the technical implementation unit in charge of water resources in the relevant river area. Considering the provisions of Law No. 17 of 2019 on Water Resources (**Law 17/2019**), this license should refer to the Usage of Water Resources License for Commercial Purposes.

## Closing

The issuance of MPWH 6/2020 has settled a longstanding issue and provided a clear legal ground for the utilization of reservoir water surface for solar power plant. It demonstrates the Government of Indonesia's positive commitment to support the development of solar power projects in Indonesia and to further expedite achievement of Indonesia's energy mix target of 23% renewables used by 2025.

Given the recent historical signing of a power purchase agreement for the development of a large-scale 145MW Solar PV projects in Cirata area, the issuance timing of MPWH 6/2020 is simply perfect. We sincerely hope that more floating Solar PV projects can be further developed in Indonesia.

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