

NEWSLETTER

14 September 2023

RELAXATION OF TKDN FOR SOLAR MODULE AND SOLAR POWER PLANT

Background

Minister of Industry (MOI) issued Minister of Industry Regulation No. 23 of 2023 on the second amendment to the Minister of Industry Regulation No. 54 of 2012 on the Guidelines for the Utilization of Domestic Products for the Development of Electricity Infrastructure (MOI Reg 23/2023) to relax the requirement of Local Component Level (*Tingkat Komponen Dalam Negeri/TKDN*) for solar module and Solar Power Plant (*Pembangkit Listrik Tenaga Surya/PLTS*).

Key Changes

Reduction of TKDN for Solar Module

Previously, Minister of Industry Regulation No. 5 of 2017 on the first amendment to the Minister of Industry Regulation No. 54 of 2012 on the Guidelines for the Utilization of Domestic Products for the Development of Electricity Infrastructure (MOI Reg 5/2017) regulates that the minimum TKDN for solar module of (i) Scattered-Stand Alone PLTS, (ii) Centralized-Stand Alone PLTS, and (iii) Centralized-Connected PLTS is 40%. Such minimum TKDN has increased to 50% per 1 January 2018 and to 60% per 1 January 2019.

Currently, MOI has reduced such minimum TKDN to 40% with the issuance of MOI Reg 23/2023, which amended the previous increase pursuant to MOI Reg 5/2017. As for the increase of minimum TKDN, MOI Reg 23/2023 stipulates that the minimum TKDN will increase to 60% on 1 January 2025.



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Exemption of TKDN for PLTS?

MOI Reg 23/2023 also gives exemption from TKDN requirements for (i) goods and (ii) combination of goods and services of (i) Scattered-Stand Alone PLTS, (ii) Centralized-Stand Alone PLTS, and (iii) Centralized-Connected PLTS. In this case, the exemption is given to the development of such PLTS in Nusantara Capital City (*Ibu Kota Nusantara/IKN*), with the following conditions:

- (i) imported goods may be used as long as there are no domestic products of a similar nature available;
- (ii) applicable for assignment project with a capacity of 50MW for the development of electricity infrastructure in the core area of the central government of IKN; and
- (iii) applicable for project that will be commercially operated no later than 31 December 2024.

Kindly note, the imported goods in the form of solar modules (i) can only be done by industrial company of solar modules that are and/or have been investing in domestic assembly; and (ii) are only used for the purposes of supplying domestic electricity.

However, the exemptions above will be carried out based on the results of a meeting coordinated by the Coordinating Ministry for Maritime and Investment Affairs (*Kementerian Koordinator Bidang Kemaritiman dan Investasi*) involving related ministries/institutions. Thus, it is unclear whether the exemption will be given automatically by the issuance of MOI Reg 23/2023 or will be subject to decisions resulted from the meeting coordinated by Coordinating Ministry for Maritime and Investment Affairs.

Closing

MOI has responded to issues developed in the market regarding the difficulties to comply with the minimum TKDN for solar module and PLTS by giving relaxation through MOI Reg 23/2023. However, subject to the meeting conducted and coordinated by the Coordinating Ministry for Maritime and Investment Affairs, it is still unclear on how the exemption and relaxation will be granted.

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