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# NEWSLETTER

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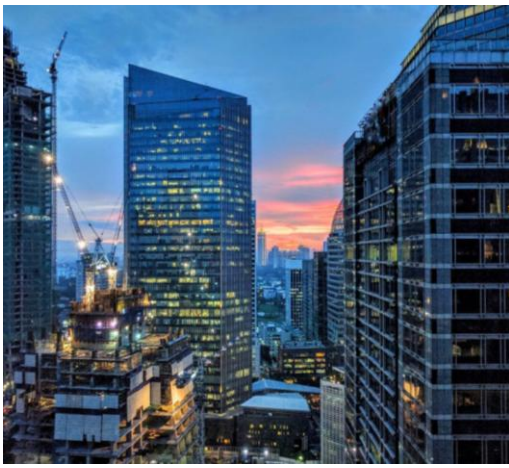
# MEMR REG 10/2025: CHARTING INDONESIA'S EARLY RETIREMENT OF COAL-FIRED POWER PLANTS AND ENERGY TRANSITION STRATEGIES



*MEMR Reg 10/2025 marks a pivotal advancement in Indonesia's pursuit of net zero emissions in the electricity sector. The regulation's strength lies in its structured approach to facilitate the early retirement of coal-fired power plants (**CFPPs**) and lay out broader strategies for energy transition implementation in Indonesia to reach net zero by 2060.*

*At its core, the regulation acknowledges that financial viability and impact, legal safeguard, and reliability of the electricity system are central to the success of CFPP early retirement initiatives. MEMR Reg 10/2025 seeks to overcome the challenges surrounding CFPP early retirement through a multi-faceted approach that emphasizes on the importance of funding availability and its implications to the electricity generation costs (**BPP**), mandates a comprehensive study covering legal, technical, commercial, corporate governance and business judgement rules aspects that will serve as the foundation for inter-ministerial approvals and evaluation procedures, as well as clarifies the scope of assignment from MEMR to PLN for the implementation of the CFPP early retirement initiatives.*

## Background

Minister of Energy and Mineral Resources (**MEMR**) Regulation No. 10 of 2025 on the Roadmap for the Energy Transition in the Electricity Sector (**MEMR Reg 10/2025)** serves as an implementing regulation of Presidential Regulation No. 112 of 2022 on the Acceleration of Renewable Energy Development for Power Supply (**PR 112/2022**). It outlines key strategies for implementing energy transition and sets out more detailed provisions on the early retirement for CFPPs, by providing a framework and roadmap for the implementation of energy transition in the electricity sector to support the achievement of the ambitious net zero

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target by 2060. To meet this target, Indonesia will require an average annual addition of 9.6 GW, with a strategic shift toward renewable energy and with a projected total installed capacity of 443 GW by 2060. The 2060 generation mix is expected to comprise of:

a. 41.5% variable renewable energy (including solar, wind, and tidal wave energies) equipped with 34 GW storage.
b. 58.5% dispatchable non variable renewable energy (e.g., hydro, biomass, geothermal, nuclear).
c. A progressive reduction of fossil-based capacity, with $CO_2$ emissions expected to peak in 2037 at around 599 million tons and decline toward net-zero by 2059.

A key strategy in this transition is the early retirement of CFPPs to accelerate decarbonization and increase the share of new and renewable energy in the national energy mix. This is supported by clear procedures, government assignments to PLN, and financing strategies laid out in MEMR Reg 10/2025.

## Early Retirement of CFPPs

***Additional Evaluation Criteria***

MEMR Reg 10/2025 introduces a weighted scoring system for the evaluation of CFPPs early retirement criteria where funding availability receives the highest priority score, followed by electricity system reliability, impacts of increased BPP (electricity generation costs) on electricity tariff, and just energy transition aspects.

PR 112/2022 initially sets out seven criteria for CFPP early retirement, namely the power plant's capacity, age, utilization, greenhouse gas emission, economic added value, availability of domestic and international funding support, and availability of domestic and international technology support.

Building upon those criteria, MEMR Reg 10/2025 introduces 3 additional criteria that must be taken into account in the implantation of CFPP early retirement, as follows:

1. electricity system reliability;
2. impact of increased electricity generation cost (*biaya pokok penyediaan tenaga listrik*/BPP) on electricity tariffs; and
3. application of just energy transition principles.

The addition of these new criteria for CFPPs early retirement evaluation reflects the extensive discussion amongst stakeholders on how the government should determine the selection of CFPPs projects for early retirement. MEMR Reg 10/2025 stresses that the risks and consideration of funding availability will be fundamental to CFPPs early retirement evaluation criteria, by giving the highest score to funding availability and implying that any study for CFPPs early retirement only can be initiated once funding support is available—addressing comments and concern in the market that funding availability should be a prerequisite for CFPPs early retirement.

MEMR Reg 10/2025 also attempts to address major comments and discussion in the market that CFPPs early retirement should not disrupt electricity system reliability and increase BPP by also assigning high scores for these criteria.

***Procedures***

1. Where funding support is available, the process of CFPP early retirement begins with preparation of study on the CFPP early retirement, conducted by PLN based on an assignment from the MEMR (**CFPP Early Retirement Study**).
2. The CFPP Early Retirement Study must be completed within 6 months from the date of assignment and covers at least technical, legal, commercial, and financial aspects including funding sources, and applies good governance and business judgment rule principles.
3. The funding support documents must form an integral part of the binding documents between the funding provider with the Government of Indonesia and/or PLN, for the implementation of the CFPP early retirement.
4. A joint working team (consisting of representatives from relevant ministries/agencies, regional governments, academia, and PLN) will

be established by the MEMR to evaluate the CFPP Early Retirement Study.

5. The CFPP Early Retirement Study evaluation results will serve as the basis for MEMR to approve which CFPPs will be subject to accelerated early retirement.
6. In line with PR 112/2022, the MEMR will issue a formal determination of the CFPP that is subject to early retirement after obtaining written consents from the Minister of Finance (**MOF**) and the Minister of State-owned Enterprises (**MSOE**).
   Once approved, the MEMR's decree constitutes an assignment to PLN for the implementation of the early retirement.

As there is already ongoing plan by the Government for CFPP early retirement, e.g. Cirebon CFPP early retirement,[1] MEMR Reg 10/2025 also provides that studies conducted by independent agencies prior to the enactment of MEMR Reg 10/2025 must be supplemented by a review result from the Financial and Development Supervisory Board (BPKP).

***Assignment to PLN***

Under MEMR Reg 10/2025, the determination of CFPP early retirement project by MEMR – which will be issued after obtaining written approvals from MOF and MSOE and based on the CFPP Early Retirement Study evaluation results – will also serve as assignment to PLN.

MEMR Reg 10/2025 clarifies the scope of the assignment to PLN to cover:

a. Preparation of CFPP Early Retirement Study;
b. Implementation of the CFPP early retirement;
c. Procurement and/or development of replacement power plants;
d. Development and/or enhancement of electricity grid system and smart grid infrastructure; and/or
e. Other tasks as may be assigned by the MEMR.

Additionally, MEMR Reg 10/2025 includes within the assignment: (a) entering into a cooperation agreement with the relevant funding

[1] Abdullah Fikri Ashri, "Early Retirement, Cirebon-1 PLTU Operates until 2035," *Kompas.id*, March 27, 2024, https://www.kompas.id/baca/english/2024/03/27/en-pensiun-dini-pltu-cirebon-1-beroperasi-hingga-tahun-2035.

provider and, (b) amending the applicable power purchase agreement (if the CFPP is developed by an independent power producer).

***Implications of Additional Costs***

Implementation of the CFPP early retirement program must be reviewed by the joint working team which consist of representatives from relevant ministries/agencies, regional governments, academia, and PLN as well as the relevant funding provider every six months, or as deemed necessary.

If the evaluation shows an increase in costs which requires additional funding, then the MEMR will appoint an independent institution to conduct a follow-up study post-replacement power plant procurement. The study must be completed within 2 months from the appointment.

Based on the evaluation and study results, the MEMR may consider additional funding support, which must be approved in writing by the MOF and MSOE. If approved, the additional support is provided by the funding provider. This means that such additional support should be included in the agreement between the funding provider with the Indonesian Government or PLN.

Regardless of the direction under MEMR Reg 10/2025 that any increased additional costs arising from the implementation of CFPP early retirement may be covered by the relevant funding provider, given that the implementation of the CFPP early retirement is based on an assignment to PLN, we suspect that the compensation for financially infeasible assignment under the State-Owned Enterprise Law that applies for government-assignment projects, should also apply to this CFPP early retirement assignment program.

## Other Energy Transition Strategy

Other than CFPPs early retirement MEMR Reg 10/2025 sets out other energy transition strategy as follows:

| Energy Transition Strategies | Remarks |
|---|---|
| 1. Biomass cofiring in CFPPs | Subject to MEMR Regulation No. 12 of 2023 on Utilization of Biomass Fuel for Co-Firing of Thermal Power Plants and other applicable regulations |
| 2. Acceleration on the reduction of oil fuel on power plants | Implemented through:<br>a. **Dedieselization**: replacing diesel power plants with renewable energy-based plants and/or hybrid systems to ensure continuity and sufficiency of electricity supply.<br>b. **Gasification**: Replacing petroleum fuels with gas in gas-fired power plants, combined cycle power plants, gas engine plants, or combined gas engine steam plants. |
| 3. Retrofitting of fossil fuel plants | Conducted through:<br>a. Retrofitting CFPPs by implementing carbon capture and storage (CCS) technologies and using green ammonia ($NH_3$).<br>b. Retrofitting gas-based plants through CCS implementation and fuel switching to 100% green hydrogen ($H_2$). |
| 4. Restrictions on the development of new CFPPs | Consistent with PR 11/2022, MEMR Reg 10/2025 reinforces the prohibition on the development of new CFPPs, except for:<br>a. CFPPs already included in the electricity supply business plan (RUPTL) before the enactment of PR 112/2022; or<br>b. CFPPs that meet the following criteria:<br>i. integrated with industries oriented toward increasing added value of natural resources or included in national strategic projects with significant contributions to job creation and/or national economic growth;<br>ii. committed to reducing greenhouse gas emissions by at least 35% within 10 years from operation, compared to the average CFPP emissions in Indonesia in 2021 through technology development, carbon offset, and/or renewable energy mix; and<br>iii. operate no later than 2050. |

| | |
|---|---|
| 5. Accelerating the deployment of variable renewable energy (**VRE**) and additional generation exclusively from new and renewable energy (**NRE**) | Implemented as an alternative means of electricity supply. |
| 6. Production of green hydrogen ($H_2$) or green ammonia ($NH_3$) | May be carried out through the utilization of NRE potential. |
| 7. Development of nuclear power plants | The implementation must meet the requirements of safety, security, and safeguard in accordance with the provisions of laws and regulations. |
| 8. Development and/or capacity enhancement of electricity grids and infrastructure of smart grid | Conducted through:<br>a. inter-island transmission interconnection development;<br>b. transmission development and capacity enhancement to strengthen the electricity system;<br>c. development of smart power plants;<br>d. development of smart transmission networks;<br>e. development of smart control systems; and/or<br>f. development of smart distribution networks. |

MEMR Reg 10/2025 also provides that the stages of energy transition in the national long-term development plan gradually include:

a. the implementation of carbon capture and storage/carbon capture, utilization, and storage, and the limitation of CFPP development;
b. natural retirement of CFPPs and the application of carbon capture and storage/carbon capture, utilization, and storage for certain sectors;
c. continuation of CFPP natural retirement; and
d. expansion of CFPP retirement.

Under the National Energy Policy (KEN), the energy transition includes the gradual termination of CFPP operations. Meanwhile, the National Electricity General Plan (RUKN) stipulates that the CFPP early retirement is conditional, taking into account international support, BPP, and power system reliability. If replacement of power plants are required, their capacity must be outside the projections already set out in the RUKN.

## Closing

By outlining specific strategies—ranging from CFPPs early retirement and renewable energy acceleration to grid enhancement and nuclear development—MEMR Reg 10/2025 provides much-needed clarity on how Indonesia intends to achieve its net zero emissions target by 2060. While the regulation serves as a roadmap for energy transition in the electricity sector, its primary focus lies in setting out detailed procedures and criteria for early retirement of CFPPs.

The success of the implementation of CFPPs early retirement under MEMR Reg 10/2025 hinges on both the availability of funding and the issuance of formal assignment from MEMR to PLN. As such, strong and timely coordination between MEMR, PLN, potential financiers, and other stakeholders is critical. Notably, the regulation does not clarify whether renewable power plants replacing retired CFPPs would benefit from preferential treatment, e.g.: fast-tracked procurement process or direct appointment mechanisms, incentives which could attract CFPPs developers to support the early retirement program. Queries also remain as to how the Government will set up policies for other energy transition activities and efforts which are not particularly addressed under MEMR Reg 10/2025, such as stand-alone energy storage facilities (e.g., BESS) and CFPPs co-located with solar power plants—both of which hold potential to enable a more flexible and resilient power system.