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Waste to Energy Regulation Updated: A Significant Milestone in Advancing Indonesia's Circular Economy and Clean Energy Transition Agenda


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Introduction

The Indonesian Government has enacted President Regulation No. 109 of 2025 on Urban Waste Handling through Waste Processing into Renewable Energy based on Environmentally Friendly Technology ("**PR 109/2025**"). The new regulation represents a significant milestone in advancing Indonesia's circular economy and clean energy transition agenda. It sets out a unified legal and investment framework for Waste-to-Energy Power Plant (*Pengelolaan Sampah Berbasis Teknologi Ramah Lingkungan menjadi Energi Listrik* or "**PSEL**") projects across the country. PR 109/2025 replaces and expands upon Presidential Regulation No. 35 of 2018 ("**PR 35/2018**"), which focused on accelerating the development of environmentally friendly waste-to-electricity initiatives but was widely regarded as ineffective in driving large-scale implementation.

Below are the key highlights of PR 109/2025:

I. Waste-to-Energy Power Plants (PSEL)

Under Article 4 of the PR 109/2025, the PSEL framework applies to districts and cities that meet the following criteria:

- **Waste Volume Threshold:** Each local government must ensure a minimum supply of 1,000 tons per day of household and similar waste feedstock.
- **Reliable Logistics Support:** Adequate allocation and utilization of personnel, vehicles, and supporting facilities for waste collection and transportation.
- **Land Provision:** Regional governments must provide land under a borrow-to-use arrangement, free of charge during both construction and operation.
- **Fiscal Framework:** Each region is required to issue local regulations on waste collection fees to support long-term operational sustainability.

These measures formalize supply security and local-government obligations, which were previously unclear under PR 35/2018.

II. Investment Mandates

PR 109/2025 appoints BPI Danantara as the central investment coordinator responsible for identifying and investing in Power Plant Business Entities ("**BUPP PSEL**") through (i) investment holdings; (ii) operational holdings; (iii) state-owned enterprises (SOEs); and/or (iv) SOEs and their subsidiaries.

Each selected BUPP PSEL must conduct comprehensive technical and economic studies, which may involve third-party consultants, to evaluate:

- Projected waste volumes and energy content;
- Site suitability and availability;
- Supporting systems for efficient waste transport and sustainability; and
- Risk identification, mitigation measures, and risk allocation.

This framework introduces a more bankable project preparation process, ensuring that private and state-owned developers adopt commercially viable models.

III. Power Purchase Agreement (PPA) with PLN

PT PLN (Persero) is designated to purchase electricity generated by PSEL projects, and the PPA will be subject to the following provisions:

- **Fixed Rate:** USD 0.20 per kWh, applied across all capacities—exclusive of infrastructure costs.
- **Stable Pricing:** The prices are fixed under the PPA, non-negotiable, and without escalation.

- **Commercial Operation Trigger:** Tariff payments commence once the plant achieves commercial operation in accordance with the schedule agreed in the PPA.
- **No Penalties:** BUPP PSELs will not be subject to fines or penalties if contracted power quantities under the PPA are not met due to technical issues beyond their control or insufficient waste supply from the regional government.
- **Dispatch Priority:** Electricity generated from PSEL projects is given grid dispatch priority up to the contracted annual volume.

Additionally, PLN must execute the PPA within 10 business days after the BUPP PSEL satisfies all licensing requirements. Each PPA will have a 30-year term, commencing from the PSEL project's commercial operation date.

IV. Licensing and Commercial Operation

Below we highlight the key licensing procedures and commercial obligations applicable to BUPP PSELs:

- **Business Licensing:** BUPP PSELs must obtain business licenses through the Online Single Submission (OSS) system. Such licenses are deemed effective upon execution of the PPA and serve as permits for electricity supply in the public interest.
- **Operational Readiness:** Commencement of commercial operations requires (i) an operational feasibility certificate; and (ii) a jointly issued commercial operation report by PLN and the BUPP PSEL.
- **Operational Responsibilities:** Each BUPP PSEL must (i) build, operate, and maintain the PSEL; (ii) sell electricity to PLN under the terms of the PPA; and (iii) implement measures for pollution prevention and/or environmental damage control.
- **Annual Reporting:** Each BUPP PSEL must submit detailed reports by mid-January of the following year, including:
  - A waste processing report, detailing the amount of waste processed, environmental management and monitoring results, and challenges with recommended follow-up actions; and
  - A PSEL business report, covering operational, financial, and compliance data.

V. Transitioning from Preceding Regulation

Ongoing projects initiated under President Regulation No. 35 of 2018 that commenced before PR 109/2025 will remain valid, provided that developer appointment certificates have been issued and/or cooperation agreements and/or PPAs have been signed. However, if such projects fail to meet the required benchmarks (e.g., waste-processing efficiency or energy output), they may opt to transition to the PR 109/2025 framework following mutual termination of existing commitments.

VI. Conclusion

PR 109/2025 represents a major step forward in Indonesia's waste management and renewable energy agenda. By setting out clear obligations for regional governments, a fixed-tariff structure for developers, and clear investment and licensing procedures, the regulation establishes a more reliable and commercially viable framework for waste-to-energy projects.

If effectively implemented, this effort could transform waste from an environmental liability into a strategic energy asset, aligning Indonesia's urban waste management with national decarbonization and clean energy transition objectives.

For further information or assistance, please contact the authors.