

Switching Off Local Content Requirements for Electricity Infrastructure

Issue 11, May 2024

In response to rising demand for cleaner energy sources, Indonesia is easing local content requirements for electricity infrastructure projects, hoping the move will attract more foreign investment in renewable energy.

The Ministry of Industry, together with the Coordinating Ministry for Maritime and Investment Affairs, has determined that relaxing mandatory local content levels (*Tingkat Komponen Dalam Negeri* – “TKDN”) is necessary to increase foreign investment. This decision is supported by the Ministry of Energy and Mineral Resources, as reported in several news outlets.

The relaxation of local content levels is evident through the issuance of Ministry of Industry Letter Number S/31/M-IND/HK/V/2024 dated 13 May 2024 (“**MOI Letter**”), which revokes Minister of Industry Regulation No. 54/M-IND/PER/3/2012 on Guidelines for the Utilization of Domestic Products for Electricity Infrastructure Development (“**MOI 54/2012**”). MOI 54/2012 had specified the percentage of mandatory local content required for developing electricity infrastructure projects serving the public interest. The MOI Letter states the revocation is based on the following reasons:

1. The substance of MOI 54/2012 concerns the development of electricity infrastructure, which falls under the authority of the ministry responsible for energy, rather than the Ministry of Industry.
2. Not all types of power plants that can be developed in Indonesia are subject to

