

GOVERNMENT REGULATION NO 40 OF 2025 ON NATIONAL ENERGY POLICY

(Kebijakan Energi Nasional – “KEN”)

November 2025

The Government of Indonesia has issued Government Regulation No. 40 of 2025 on National Energy Policy (*Kebijakan Energi Nasional* or KEN) (“GR 40/2025”). This regulation is intended as a landmark regulation to guide Indonesia's long-term energy strategy, achieve national energy security, and support sustainable development. Significant progress of energy technology development and diversity of new energy and renewable energy sources are among considerations to renew and replace the predecessor KEN set forth in Government Regulation No 79 of 2014¹.

One of notable supporting policies to realize energy availability for growing national demand under GR 40/2025 is with respect to export and import of energy resources², a subject that had previously lacked clarity under the previous Government Regulation. In this Client Alert, we highlight key provisions on cross-border electricity trade under the GR 40/2025 and discuss briefly its implications.

Key Provisions on Export and Import of Electricity.

GR 40/2025 contains a number of provisions that frame how Indonesia will export and import electricity as summarized below:

- **Centralized export – import authority³:** cross-border electricity transactions shall be carried out either by PT PLN (Persero) or a business entity appointed to represent the Government.

This means private entities cannot transact directly with foreign off-takers unless designated to do so; instead, they shall sell power to PLN or the appointed business entity, which then exports or imports on Indonesia’s behalf.

- **One-door policy⁴** - imports and exports activities for coal, natural gas, biofuels and electricity shall be through the one-stop integrated service (*Pelayanan Terpadu Satu Pintu/PTSP*) system in accordance with the terms of laws and regulations. This one-door process aims to streamline permitting procedures, monitor compliance and safeguard energy security.

¹ See considerations ‘a’ and ‘b’, and Article 92.

² See Articles 25 through 29.

³ See Article 26 paragraph (3).

⁴ See Article 28 point (c).

- **Export and Import Criteria⁵** - cross-border export of electricity may be carried out to improve efficiency and dependability and supply security by prioritizing local demand. By implementing this direction, the objective is to monetize surplus power to boost the economy, while still safeguarding the local needs.

The import of electricity may be carried out with similar purposes especially where domestic infrastructure is lacking. This opens the door to importing power from neighboring countries when domestic generation or transmission capacity is insufficient, for example to supply remote border regions.

- **Swap Transactions⁶**: GR 40/2025 allows cross-border energy transactions to be settled through swap arrangements, meaning electricity may be exchanged for other energy resources or commodities rather than cash. The flexibility may offer commercial possibilities that are mutually beneficial.

The application for GR 40/2025 provides legal certainty and signals policy alignment on Indonesia's plan to export renewable electricity to Singapore (please note before GR 40/2025 there has no clear provision permitting the activity). Some industry critics have been critical of the appointment of PLN as the sole aggregator and exporter of electricity. This results in private power producers being reliant on PLN to access the export markets and could raise concerns regarding transparency, competition and efficiency.

Further, GR 40/2025 sets high-level policy direction but leaves many practical details to be addressed in future implementing regulations.

Our Team will be happy to discuss any questions you might have. Please contact Emir Kusumaatmadja, Partner (ek@mkklaw.net), Reza Syarief, Senior Associate (rs@mkklaw.net) or Tommy Gunarsa Handono, Senior Associate (tommy.gunarsa@mkklaw.net) for further information.

⁵ See Article 26 paragraph (1) and (2).

⁶ See Article 27.