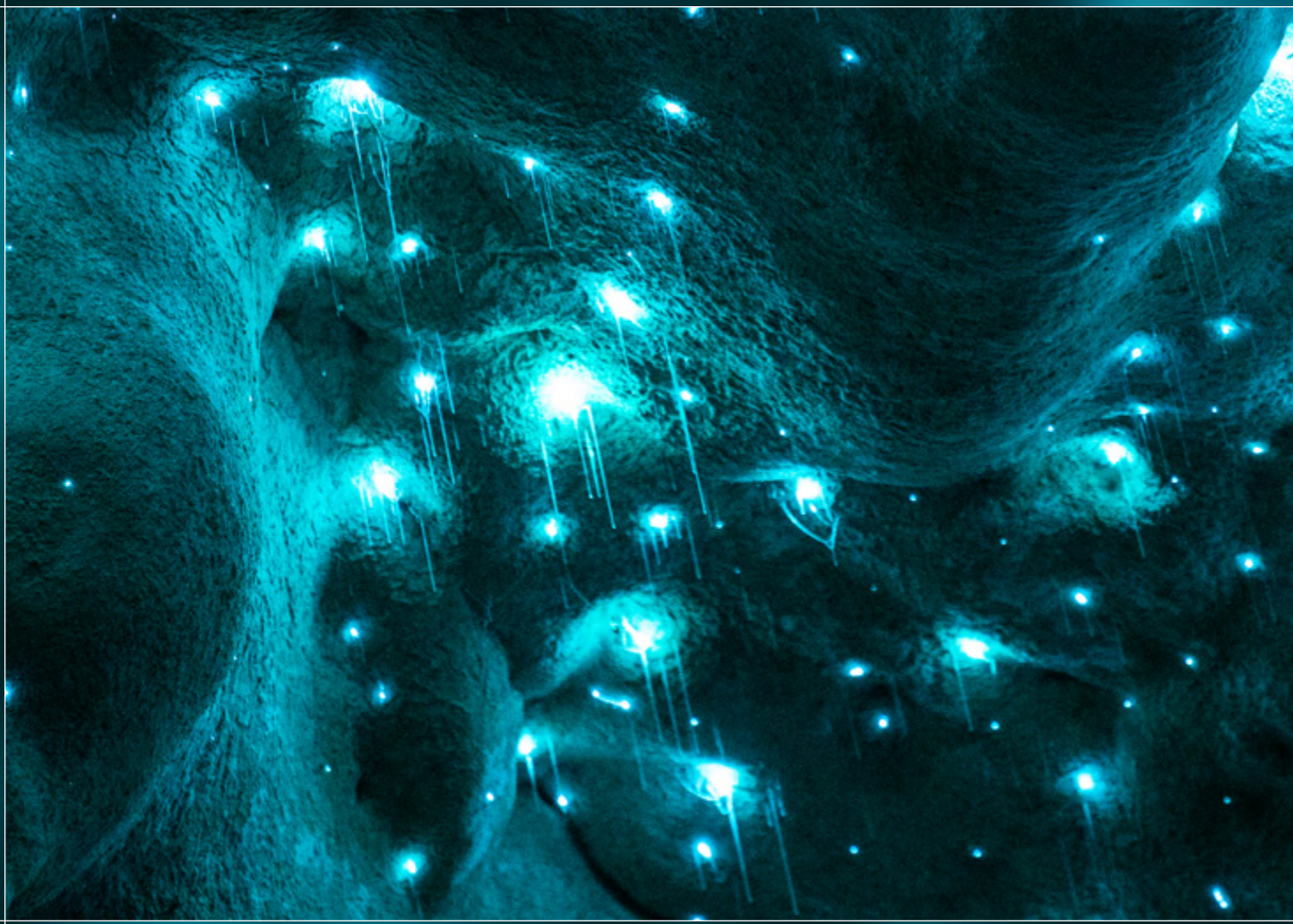
November 2026

Data Centres

APAC Regulatory Guide – **Indonesia**

Investment considerations



MALLESONS

Chapter 5

Indonesia

A year of... capacity expansion beyond Jakarta, targeted incentives and rising data sovereignty

Population	Data centres	Live capacity	Pipeline capacity
288 million	191	492 MW	3.2 GW+
	YoY: 23 (13.7%)	YoY: 134 MW (37.6%)	YoY: 2.38 GW (276%)

Data centre statistics provided by DC Byte (as at September 2026)

Indonesia is one to watch in the APAC region for data centre growth. The draw of tax incentives and special economic zones, coupled with low barriers to foreign investment, has made it an attractive destination for investment from big global players.

Tencent Cloud, to give one prominent example, has pledged to funnel US$500 million into infrastructure in Indonesia by 2030. Its third data centre in the country became fully operational in June 2025, in what it celebrated as 'one of the largest and most complex cloud relocations ever undertaken in Southeast Asia'.

Rapid growth presents challenges, but the Indonesian government and industry leaders are collaborating on solutions. The government's digital infrastructure push aligns with Indonesia Emas 2045 (or 'Golden Indonesia'), its vision for a prosperous and advanced nation by 2045.

As Indonesia transforms into a hub for data centres, it is poised to drive economic growth and technological advancement.

Opportunities

- Fiscal and non-fiscal incentives
- Minimal obstacles to foreign investment

Challenges

- Restricted power and water procurement
- Infrastructure quality varies by region

Spotlight on key drivers

Exclusionary zone

Indonesia previously required data centres to be located in designated industrial estates, which are supported by essential infrastructure for power and water.

The Indonesian Ministry of Industry (**MOI**) recently implemented reforms through *MOI Regulation No. 37 of 2025* (**MOI Reg. 37/2025**) which permit data centres to be located outside of an industrial estate under certain conditions and provided that they pass the verification conducted by the Online Single Submission system. Protected areas and productive forest areas (unless the data centre operator obtains a forest utilisation permit) remain off limits.

Despite the regulatory relaxation, industrial estates remain the preferred location as essential infrastructure, such as established road networks, energy networks, telecommunication networks, clean water and wastewater treatment facilities, and drainage pipes are mandated by law.

Given Indonesia's geographical landscape and logistical challenges, these infrastructure services are not so readily available for data centres located outside of industrial estates.

Renewable futures

Indonesia's commitment to renewable energy and sustainability, as a signatory to the Paris Agreement, broadly represents a forward-looking driver for the sector.

Although not yet fully codified in regulations specific to data centres, it encourages operators to invest in sustainable practices, aligning with global trends.

Investment momentum

There are no specific foreign investment restrictions on owning or operating data centre businesses in Indonesia. Combined with tax incentives and special economic zones, this continues to support investment from major global players.

The government's digital infrastructure push under Indonesia Emas 2045 is helping position Indonesia as an increasingly important data centre market in the region.

> Indonesia continues to establish itself as a leading digital infrastructure hub in Southeast Asia. Investment is shifting from market entry to large-scale infrastructure build-out, supported by growing regulatory clarity, while surging demand for AI-ready capacity is driving a fresh wave of investment opportunities.

Ayik Candrawulan Gunadi
Partner, Ali Budiardjo Nugroho Reksodiputro



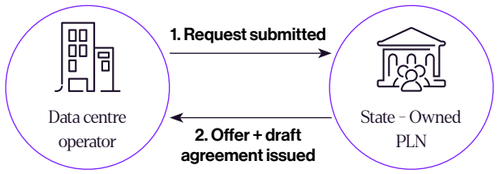
01 Power

Getting power to a site

Indonesia's state-owned company, Perusahaan Listrik Negara (**PLN**), is the primary supplier of electricity under a quasi-monopoly. Private participation in electricity supply business activities is permitted, but only in certain areas and with government approval.

To secure power from PLN for a data centre site, a request must be submitted to PLN, after which it will issue an offer and a draft agreement.

The lead time in the power procurement process is highly varied and depends heavily on PLN's capacity and infrastructure availability at the location. In particular, PLN's infrastructure varies between regions, so not all locations are able to provide the stable high-load electricity required by a data centre.



Typically direct PPA
PLN's Standard terms
Green power - only via onsite PPA

Power purchase agreements

Direct PPAs with PLN are typical for large end users like data centre operators.

These are usually executed directly between data centre operators and PLN, with the agreement based on PLN's standard PPA terms.

When it comes to green power, corporate offsite physical PPAs and corporate virtual PPAs are not permitted in Indonesia, but corporate onsite physical PPAs are possible via operational lease arrangements.

In essence, for green power, the power plant owner leases the plant to the consumer on economic terms that mimic a conventional PPA for the consumer's use of the power. Excess may also be sold to a licenced energy business. Such operational lease arrangements for green power are common for solar power plants.

Data centre power regulations are expected

There are currently no laws or guidelines regarding the source of power for data centres. However, the government is currently drafting regulations governing the infrastructure of data centres. These are expected to cover matters such as networks, security, detection, electricity, architecture, ventilation management and operational standards.

The government has not yet issued any mandatory standards for data centres, nor is there any indication of when the relevant regulations will be announced or published.

General conservation requirements

All businesses in Indonesia that use energy in an amount greater than or equal to the equivalent of 4,000 tonnes of oil are required under *Government Regulation No. 33 of 2023 on Energy Conservation* (**GR 33/2023**) to adopt certain energy conservation management practices, including:

- electing an energy manager
- drafting an energy efficiency programme
- implementing regular energy audits, and
- implementing recommended energy conservation measures.

The role of renewables

Renewable energy is anticipated to play a significant role in powering data centres, as indicated by statements from PLN's leadership.

> I believe that Indonesia's ambition is to balance economic progress with environmental sustainability through energy transformation.
>
> With robust collaboration, we are confident that Indonesia will lead the clean energy transition in the region.

Darmawan Prasodjo, PLN CEO (on sharing ambitions ahead of participating at COP29)

02 Water

Water supply

The procurement and provision of water to data centres is governed by *Law No. 17 of 2019 on Water Resources* (**Water Law**).

Framework for water supply

Approved suppliers from whom businesses in Indonesia can obtain water supply from include:

- State-Owned Enterprises *(Badan Usaha Milik Negara Or Bumn)*
- Regional-Owned Enterprises *(Badan Usaha Milik Daerah Or Bumd)*
- Approved Private Entities

All water resources are explicitly reserved for state control to be used for the benefit of the broader community for daily consumption.

According to the Water Law, the use of water resources for business purposes is only permitted upon obtaining government-issued permits and subject to the water management fees charged by the approved suppliers.

There is a statutory hierarchy of priority for the granting of water use permits, for which commercial business purposes of non-state entities are the lowest priority level, after higher-priority items such as public drinking water, agriculture and irrigation. Permits will only be granted for commercial use after all higher priority matters have been addressed.

Accordingly, the timeline for procuring water supply for high-demand activities such as data centres depends on the availability of resources and infrastructure, as well as the competing non-commercial water demands in the relevant location.

03 Land

Where to build

Data centre operations – including hosting activities, data processing services and cloud computing services – are governed by the *Standard Industrial Business Code* (*Kode Baku Lapangan Industri*) *63112* (**Code**), under the MOI Reg. 37/2025 (the implementing regulation for the Code). Any business undertakings covered by the Code are legally required under MOI Reg. 37/2025 to be located within an industrial estate or other eligible areas (see 'Exclusionary Zone' above for further details).

There are over 100 industrial estates established across Indonesia, with most of them located on Java island. Any data centre location in an industrial estate requires a detailed environmental management and monitoring plan (Rencana Kelola Lingkungan-Rencana Pemantauan Lingkungan Rinci or RKL-RPL) under *MOI Regulation No. 1 of 2020*.

Data centres located outside of industrial estates are subject to different environmental approvals depending on their location, scale of business, and environmental impact (see 'Environmental management and monitoring' below for further details).

Operating beyond industrial estates

Data centres may be constructed anywhere other than protected areas and productive forest areas unless a forest utilisation permit is obtained, provided that it fulfils the requirements under MOI Reg. 37/2025 (see 'Exclusionary Zone' above for further details).

Permitting and approvals

Constructing a data centre requires compliance with general building regulations rather than data centre-specific permits. Key approvals include:

- a Building Construction Permit (*Persetujuan Bangunan Gedung* or **PBG**) before commencing construction, and
- a Certificate of Functional Worthiness (*Sertifikat Laik Fungsi*) after the building is constructed but before it becomes operational, confirming adherence to the PBG.

The timeframe for securing these permits varies based on regional government processes and infrastructure readiness.

04 Telecommunications

When is a licence required?

If a data centre operator intends to offer telecommunications services, such as internet connectivity, as an add-on or as part of a bundle with colocation services, or if it operates an internal telecommunications network, it must obtain a telecommunications operation licence.

However, data centre operators that merely offer colocation services and procure connectivity to the data centre from a licenced ISP are not considered telecommunications service providers and do not require a licence. As an example, this would involve constructing a connection point within the data centre site, such that the tenants procure internet connectivity from the ISP directly and link their equipment within the data centre to the ISP's connection point.

In certain circumstances, pursuant to the *Minister of Communication and Digital Regulation No. 14 of 2025* on the Provision of Special Telecommunications Private Use, data centre operators wishing to operate an internal fibre-based telecommunications network must obtain a special telecommunications licence.

05 Foreign investment restrictions

Structure and capital requirements

Foreign companies typically conduct business in Indonesia by setting up a local foreign limited liability company (or otherwise known as a **PT PMA**). Setting up one of these companies:

- requires paid-up capital of at least IDR2.5 billion (roughly US$140,000), and
- typically takes a minimum of a month.

Land

Corporate entities (including PT PMAs) cannot acquire rights of ownership for land – only Indonesian individuals may own land outright.

However, PT PMAs can acquire the 'right to build' (Hak Guna Bangunan) on land, being rights to construct and own buildings on land for up to 30 years, with a possible 20 year extension and subsequent renewal for a 30 year term.

Data centres

Otherwise, there are no specific foreign investment restrictions related to owning or operating data centre businesses in Indonesia. Foreign investors can:

- set up companies including PT PMAs
- construct and own buildings on land (if they purchase the rights to build), and
- construct and own buildings for up to 80 years (subject to renewals after 30 years).

Nevertheless, data centre operators providing services to government bodies may be required to comply with regulations requiring government bodies to prioritise domestic suppliers in procuring products and services.

06 Tax and other incentives

Special economic zones

Indonesia has established special economic zones (**SEZs**) (known as Kawasan Ekonomi Khusus) to attract investment in certain areas such as the digital economy, offering simplified regulatory processes, infrastructure support and tax incentives. Data centres are likely qualified to access these benefits.

SEZ business benefits – examples	
Fiscal incentives	Non-fiscal incentives
• Relaxed VAT • Luxury Goods VAT • Import tax • Excises • Regional tax	• 'One-stop shop' for obtaining licenses • Streamlined import restrictions licensing processes • Relaxed building licenses • Longer working permits

Not all SEZs qualify as industrial estates. *Law No. 39 of 2009 on Special Economic Zones* provides that SEZs may be designated for various purposes, including:

- production and processing
- logistics and distribution
- technological development
- tourism
- education
- health
- energy, and/or
- other economic sectors.

At present, the following SEZs are specifically designated for the digital technology industry and are categorised as industrial estates:

Nongsa SEZ

Nongsa SEZ or Nongsa Digital Park is an integrated area for digital businesses located in Nongsa, Batam

Singhasari SEZ

Singhasari SEZ, located in Malang Regency, Indonesia, is located near Juanda International Airport in Surabaya and Tanjung Perak Port, and is connected by the Pandaan–Malang toll road

Banten KEK

Banten KEK or Education, Technology and International Health KEK, is located in Banten, a suburban area next to Jakarta.

07 Data protection and cyber security

Universal data protection or privacy laws

Indonesia's *Law No. 27 of 2022 concerning Personal Data Protection* (**PDP Law**) is generally applicable in Indonesia. The exposure of a data centre operator to the PDP Law depends on the extent of the operator's ability to access or manipulate customer data.

For pure colocation arrangements, where the customer uses colocation space and services provided by the operator, and performs data processing itself, the practical exposure to the PDP Law is minimal. Cloud service providers and hosting service providers, on the other hand, are more likely to be considered data processors, captured by the PDP Law.

The PDP Law requires data controllers and data processors to use technical and operational measures to ensure security of data they hold.

Further guidance is expected to come under government regulations and standards to be published by a new data protection authority, the PDP Institution. This has not yet been established, despite being mandated by the PDP Law.

International standards

The Indonesian government has adopted various ISO/IEC international standards on security as national standards for Indonesia (ISO 27001, ISO 27002, ISO 18033-1 through 18033-6), but compliance with them is not mandatory.

Industry practice is for data centres (and their customers) to comply with international standard ISO 27001:2002 in relation to security.

Operational resilience obligations

General requirements for operational resilience under *Government Regulation No. 71 of 2019* apply to electronic system operators, including data centres. These obligations involve maintaining audit trails, securing system components and ensuring system functionality.

In particular, financial institutions in Indonesia must comply with regulations that require oversight of third-party IT service providers. Data centres providing services to financial institutions are subject to compliance checks, including audits and disaster recovery plans, as stipulated by the Financial Services Authority (Otoritas Jasa Keuangan or **OJK**) regulations.

08 Critical infrastructure and security

Critical infrastructure laws

In Indonesia, 'National Vital Objects' (**Obvitnas**) are considered critical infrastructure that may be eligible to receive police and military protection from the government in the event of an internal or external threat.

Data centres will only be an Obvitnas if specifically designated by a ministerial decree or a decree of a non-ministerial government institution.

09 Data localisation

There are various targeted data localisation requirements in Indonesia.

Organisation	Requirement	Regulation
Data centres appointed to provide services to government *public electronic system operators*	Manage, process and store data within Indonesia. Certain data may be stored offshore, but public electronic systems operators must provide the Indonesian government with access to that data.	*Government Regulation No. 71 of 2019*
Banks	Locate data centres and disaster recovery centres in Indonesia, unless the Financial Services Authority (OJK) grants approval for them to be located offshore.	*OJK Regulation No. 11/POJK.03/2022 on Information Technology Implementation by Commercial Bank*
Non-bank financial services institutions Includes insurance companies, pension funds, financing institutions, pawnbrokers, guarantee institutions, peer-to-peer lending providers, Indonesia's export financing institutions, mortgage-backed security and social security agencies.	Locate data centres and disaster recovery centres in Indonesia unless they obtain approval from the OJK to use offshore data centres or disaster recovery sites.	*OJK Regulation No. 4/POJK.05/2021 on the Implementation of Risk Management in Using Information Technology by Non-Bank Financial Services Institutions,* as partially and lastly revoked by *OJK Regulation No. 40 of 2024 on Information Technology Based Joint Funding Services*
Payment service providers	Locate electronic systems used for transaction processing at the initiation, authorisation, clearing, and final settlement stages in a data centre and disaster recovery centre in Indonesia.	*Bank Indonesia Regulation No. 23/6/PBI/2021 on Payment Systems Providers*
FinTech Innovation Providers (*Penyelenggara Inovasi Teknologi Sektor Keuangan or ITSKs*)	Locate data centres and disaster recovery facilities in Indonesia.	*OJK Regulation No. 3/POJK.02/2024 on the Implementation of Technological Innovation in the Financial Sector*
Healthcare facilities	Only store data in Indonesia.	*Ministry of Health Regulation No 24 of 2022 on Medical Records*

10 Environmental, social and governance

International ESG commitments

Indonesia is a signatory to the Paris Agreement, which has been ratified in domestic law in *Law No. 16 of 2016*. Under Article 3 of the Paris Agreement, Indonesia has committed to various measures in its NDC, although these have not been enacted in domestic law. Specific commitments in the NDC include:

- reducing its carbon emissions by transitioning to renewable energy sources, and
- developing Indonesia's technology sector.

ESG reporting

Currently, there are no specific ESG-related reporting requirements for data centres in Indonesia.

Energy efficiency and conservation

High energy consumption businesses like data centres are subject to the energy conservation requirements of GR 33/2023 (see 'Power' above for further details).

Environmental management and monitoring

Data centre developers located within an industrial estate must implement an RKL-RPL as a prerequisite before constructing the data centre or obtaining the business licences required to operate a data centre.

Data centres constructed and operating outside of industrial estate are subject to different environmental approvals, depending on their scale of business and environmental impact, including:

Decree on Environmental Feasibility

Surat Keputusan Kelayakan Lingkungan Hidup (**SKKLH**)

Pursuant to *Government Regulation No. 22 of 2021 on the Implementation of Environmental Protection and Management* (**GR 22/2021**), the SKKLH imposes several ongoing compliance obligations, including, among others:

- the requirement to comply with the RKL-RPL
- submit implementation reports every six months, and
- conduct a post-operation environmental audit.

Approval of Environmental Management Commitment Statement

Pernyataan Kesanggupan Pengelolaan Lingkungan Hidup (**PKPLH**)

Pursuant to GR 22/2021, business activities that do not trigger the full environmental impact assessment (**AMDAL**) process, must still obtain a PKPLH approval from the central or regional government based on the business activities' environmental management efforts and environmental monitoring efforts (UKL-UPL).

This PKPLH serves as a form of environmental approval and is a prerequisite for incorporating environmental management and monitoring commitments into the business licence.

Approval of Statement of Capability for Environmental Management and Monitoring

Surat Pernyataan Pengelolaan Lingkungan (**SPPL**)

For business activities that fall below the AMDAL and UKL-UPL thresholds, an SPPL is required.

The SPPL is a self-declared commitment by the business to manage and monitor its environmental impacts and contains a brief description of the anticipated impacts along with the planned management and monitoring measures.

The SPPL represents the lowest tier of environmental compliance in Indonesia's regulatory framework, sitting below both the AMDAL and UKL-UPL regimes.

Implementation measures include...

ENERGY CONSERVATION AND THE PROMOTION OF CLEAN AND RENEWABLE SOURCES

NDC UNDER THE PARIS AGREEMENT

41%
Emission reduction by 2030 with global support

> Indonesia is a dynamic economy with incredible potential...Tencent [is committed] to partnering with Indonesia in its digital transformation journey to tap the immense potential of the AI revolution to empower local enterprises with reliable cloud and AI-powered solutions.
>
> Poshu Yeung
>
> Senior Vice President, Tencent Cloud International (on signing agreements with Goto Group and Alibaba Cloud to work together to boost infrastructure in Indonesia).

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