

FINANCIAL IMPACTS FROM ASSIGNMENT OF SUPPLY AND DISTRIBUTION OF SUBSIDIZED FUEL IN PT PERTAMINA (PERSERO)

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Abstract

The Indonesian government has been subsidizing fuel to control inflation and stabilize the economy. Although Presidential Regulation 43/2018 mandates fuel compensation, the lack of technical regulations regarding budget allocation and monitoring has led to fuel compensation being classified as long-term receivables. To address this issue, the government issued PMK No. 227 of 2019, providing certainty for Pertamina to bill and collect payments. This regulation affirms the government's commitment to pay Pertamina, as outlined in the reconciliation records between the Ministry of Finance and the company. Internal and external analyses were conducted to understand Pertamina's business challenges, including reviews of financial statements and PESTEL analysis. The lack of regulatory clarity has resulted in negative cash flows and decreased profits for Pertamina. However, the issuance of PMK 227 has facilitated financial recovery, which is expected to enhance Pertamina's profits and increase tax and dividend contributions to the government.

Keywords: Financial, Fuel Compensation, Pertamina, Governments' Subsidy, Long-term Receivables

INTRODUCTION

A complex interplay of economic pressures, political upheaval, and governance challenges marks Indonesia's experience with fossil fuel subsidies. The first major reform effort followed the 1997 Asian financial crisis, which saw fuel price hikes that ignited widespread protests and riots. This civil unrest was symptomatic of deeper dissatisfaction with the Suharto regime's corruption and ineffective governance, ultimately becoming what contributed to Suharto's resignation in 1998 (International Energy Agency [IEA], 2016). Furthermore, in 2016, Indonesia allocated approximately 64 trillion Indonesian rupiah (IDR) for fuel subsidies, down from 240 trillion IDR in 2014, reflecting both the country's economic pressures and its efforts to manage public spending (IEA, 2016). However, the distribution of these subsidies is heavily skewed; while only 5% of the poorest households benefit, a staggering 70% of the richest households utilize subsidized fuel (IEA, 2016).

Despite the ongoing debate and arguments regarding the efficacy of fossil fuel subsidies, many aspects remain inadequately explored in existing literature. The impact of these subsidies on income inequality, environmental degradation, and the overall economy is still under discussion. The ecological footprint serves as a critical environmental indicator, measuring the extent to which natural resources are consumed. Solarin (2022) argues that the ecological footprint's increase due to fossil fuel subsidies suggests severe economic consequences that extend beyond CO₂ emissions. As fossil fuel subsidies continue to grow globally, Indonesia finds itself among the countries with the most substantial vehicle fuel subsidies. In 2020, Indonesia ranked sixth worldwide for its vehicle fuel subsidy value, underscoring the significance of this issue on both national and global scales (Katadata, 2020).

The Indonesian government's continued provision of fuel subsidies, specifically for kerosene and diesel, reflects a complicated response to economic challenges and public discontent. With limited domestic oil refining capabilities and declining oil production, fuel prices have remained high (Melinda, 2022). The total fuel subsidy fell from 74.86 trillion IDR in 2014 to 20.48 trillion IDR in 2015, primarily due to the removal of premium fuel subsidies and adjustments in diesel fuel subsidy calculations (Siswanto, 2017). However, these subsidies still represent a significant burden on the state budget, accounting for about

10.7% of the 2014 State Revenue and Expenditure Budget (APBN) and 1.7% in 2015 (Siswanto, 2017). The fluctuations in global oil prices have played a critical role in shaping Indonesia's subsidy policies. After reaching an average crude oil price of USD 115.55 in 2011, prices significantly decreased in 2015 due to various factors, including slow economic growth in China and increased production from the United States (Badli, 2020). The government has often struggled to use subsidies effectively to control inflation and stimulate economic growth. The relationship between all the variables, including subsidy spending, government expenditure, and fuel consumption is intricate, with rising subsidy spending contributing to inefficiencies that can exacerbate income inequality (Badli, 2020).

Furthermore, persistent international fuel price increases have undermined the Indonesian government's reform efforts. Despite some advancements in subsidy restructuring, many initiatives have been thwarted by the volatility of global fuel prices (Beaton & Lontoh, 2010). To mitigate these issues, the Indonesian government implemented Presidential Regulation 191 of 2014, which categorized fuel types into three groups: specific types (subsidized diesel and kerosene), assigned types (gasoline distributed in designated areas), and general types (all other fuel products). This regulation aimed to streamline subsidy allocations and reduce government spending on fuel subsidies (Presidential Regulation 191/2014). The role of Pertamina, Indonesia's state-owned oil company, has been central in navigating the challenges posed by fuel subsidies. Established as a holding company, Pertamina is responsible for overseeing various energy sectors, from upstream oil extraction to downstream distribution. Pertamina's mission emphasizes its commitment to energy and developing renewable resources while ensuring national energy independence (PT Pertamina, 2020). However, the company's operations are significantly affected by interventions in fuel pricing, leading to financial risks stemming from price discrepancies between retail prices and production costs.

In 2016, the government set retail fuel prices without periodic adjustments, leading to negative liquidity impacts for Pertamina (Kementerian Keuangan). Pertamina's sales of subsidized fuel comprised 54% of retail product sales in 2021, underscoring the substantial reliance on these subsidies (Annual Report 2021 PT Pertamina). This situation has forced the company to adapt continuously to changing governmental policies and market conditions,

affecting its operational efficiency and profitability. The government's approach to managing fuel subsidies highlights the need for comprehensive reforms that can address not only economic stability but also social equity and environmental sustainability. As fossil fuel subsidies often contribute to environmental degradation and income inequality, their reform is critical for achieving broader economic goals (Solarin, 2022). Indonesia's experience offers valuable lessons on the complex dynamics of subsidy policies, illustrating how political, economic, and environmental factors converge to shape energy governance.

Based on the phenomenon above, Indonesia's fossil fuel subsidy framework remains a contentious issue, influenced by historical events, economic conditions, and policy decisions. The government's efforts to navigate this complex landscape have resulted in mixed outcomes, with ongoing debates about the effectiveness and equity of subsidy distribution. The critical need for reform, particularly in light of environmental impacts and income inequality, underscores the importance of developing a sustainable and equitable energy policy framework that can adapt to both domestic and global challenges.

RESEARCH METHOD

The research methodology employed to investigate the financial impacts of fuel subsidies on PT Pertamina (Persero) was a qualitative case study approach. This methodology is particularly effective for delving into the intricate and context-sensitive nature of the subject matter, enabling an exploratory analysis of how government fuel subsidy policies affect Pertamina's financial health. The case study method allows for an in-depth examination of Pertamina's internal operations, cash flow challenges, and interactions with government entities concerning subsidy compensation, which is essential in understanding both internal and external factors that contribute to financial risks.

Data collection for this study combines primary and secondary sources to provide a comprehensive perspective on Pertamina's financial challenges. Primary data was gathered through semi-structured interviews as the main instrument with key personnel from various departments, including finance and government relations, to capture insights regarding cash flow management and receivables from the government. In addition to that, interviews were also done with officials from the Ministry of Finance and the Ministry of Energy and Mineral

Resources will shed light on the regulatory framework governing fuel subsidies. Secondary data will be collected from Pertamina's financial documents, including audited reports and annual reports, to analyze liquidity ratios, profitability, and trends related to government compensation. Furthermore, regulatory documents and scholarly articles will provide context regarding global oil prices and industry trends that influence Pertamina's operations.

The data analysis employs several methods to address both qualitative and quantitative aspects of Pertamina's financial challenges. A qualitative content analysis will categorize data based on recurring themes related to financial risks and operational inefficiencies, while a quantitative financial analysis will assess the impact of delayed receivables on key financial metrics. Scenario analysis will simulate various compensation disbursement timings to project potential improvements in Pertamina's liquidity. Root Cause Analysis (RCA) will identify systemic issues contributing to financial challenges, focusing on regulatory delays and operational bottlenecks. Finally, PESTEL and VRIO frameworks will analyze external factors influencing Pertamina's operations and evaluate the internal resources and capabilities that may provide a competitive advantage amid financial strains. Through these comprehensive methodologies, the study aims to inform policymakers and corporate leaders.

RESULTS AND DISCUSSION

Business Solution

Financial Risk of Long Outstanding Receivable from Fuel Compensation

Pertamina has been facing a significant financial risk due to the long-standing issue of delayed fuel compensation payments from the government. These receivables, which often remain unpaid for extended periods, create a financial strain, leading to a cash flow deficit and forcing the company to rely on short-term loans to fund its operations. The proposed business solution is to manage this financial risk by adopting a fair value accounting approach to these long-term receivables. This entails estimating the future value of these receivables with conservative assumptions about the timing of government payments, thus enabling Pertamina to more accurately reflect the financial burden on its balance sheet.

Managing Cash Flow

The delayed compensation payments from the government have placed a considerable strain on Pertamina's cash flow, creating liquidity challenges. To address this, the company has implemented centralized treasury management through its Treasury Center, which oversees and optimizes all financial activities, particularly those related to short-term financing. This centralized structure allows Pertamina to pool its internal resources and manage its cash flow more efficiently, reducing the need for costly short-term borrowing. In managing liquidity centrally, the Treasury Center can coordinate across different departments and business units, enabling a better balance between inflows and outflows. This approach also provides greater visibility and control over cash reserves, allowing Pertamina to plan for potential liquidity shortfalls and implement timely corrective actions. In addition to that, it is also emphasized that reducing dependency on external financing not only lowers interest expenses but also ensures more sustainable financial operations over the long term.

Establishment of Ministry of Finance Regulation No. 227 – 2019

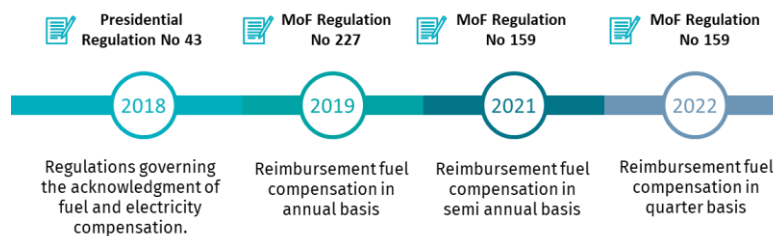


Figure 1
Establishment and Changes Minister of Finance Regulation for Fuel Compensation

One of the core issues identified in the study is the lack of regulatory clarity around the budgeting and disbursement of fuel compensation. To remedy this, the Indonesian government introduced Ministry of Finance (MoF) Regulation No. 227-2019. This regulation is critical as it establishes clear guidelines for fuel compensation, detailing the process for calculating, allocating, and distributing funds to entities like Pertamina. Prior to the issuance of this regulation, there was significant uncertainty regarding how and when the government would reimburse the company for the price difference between the subsidized fuel price and the market rate. The regulation addresses these uncertainties by providing a structured framework for compensation payments, which in turn improves Pertamina's ability to plan

its finances. This regulation reduces the need for the company to finance its operations through costly short-term loans, thereby improving overall financial health.

Acceleration of Fuel Compensation Disbursement

Changes in the Audit Process

Changes in the audit process were implemented to address the financial challenges Pertamina faced due to long delays in fuel compensation payments. The revised audit process ensures a faster, more efficient review of fuel compensation calculations. Previously, the audit was conducted annually by authorized bodies like the Financial and Development Supervisory Agency (BPKP) and the Audit Board of the Republic of Indonesia (BPK). Under the revised regulation, audits occur every quarter, allowing for quicker identification of discrepancies in fuel compensation claims and enabling Pertamina to receive payments more rapidly. This change is expected to reduce the financial strain caused by delayed reimbursements/

Fuel Compensation is Recognized and Reimbursed Quarterly

To alleviate cash flow issues, the fuel compensation process has shifted to a quarterly reimbursement model, as specified in the updated Ministry of Finance Regulation No. 159-2022. Under this model, Pertamina can submit fuel compensation claims for the first, second, and third quarters by the 10th of each quarter. For the fourth quarter, submissions must be made in November and December. This change significantly improves Pertamina's ability to manage cash flow and reduces the dependency on short-term financing by ensuring more predictable payment schedules.

Fluctuations in Global Crude Oil Prices in 2022

The global crude oil market in 2022 experienced extreme volatility, with prices fluctuating due to a combination of geopolitical events, supply chain disruptions, and shifts in global demand. The most notable factor driving the spike in oil prices was the Russian invasion of Ukraine in early 2022. Russia, a leading global exporter of crude oil, faced economic sanctions and disruptions to its oil exports, which contributed to a sharp reduction in global supply. As a result, the price of Indonesian Crude Oil (ICP) soared, nearly doubling from the initial estimates made in Indonesia's 2022 State Budget, where prices were projected at \$63 per barrel. Furthermore, in March 2022, ICP prices had surged to \$126 per

barrel, a price point not seen in nearly a decade. This unprecedented rise placed immense pressure on economies worldwide, particularly on those like Indonesia that rely heavily on oil imports.

In Indonesia's case, the rising ICP prices had a direct and substantial impact on the government's energy subsidy program, which aims to keep fuel prices affordable for consumers. The growing gap between the market price of crude oil and the government-regulated retail price of fuel created a significant financial burden. As the global price of crude oil remained elevated throughout the first half of 2022, the Indonesian government was forced to increase its energy subsidy budget to cover the widening shortfall. Initially set at IDR 152 trillion for the year, the energy subsidy allocation ballooned to IDR 502 trillion as the government scrambled to maintain the affordability of fuel.

Despite efforts to stabilize the market, oil prices remained volatile throughout the year. After reaching their peak in mid-2022, prices began to gradually decline as global supply chains adjusted and production levels increased in other oil-producing countries. In the second half of 2022, ICP prices had stabilized around \$80 per barrel, which, while lower than the peak, was still higher than pre-crisis levels. This volatility in prices underscored the inherent risks associated with global oil markets and the challenges they pose to countries like Indonesia, which is both an oil producer and importer.

Policy for Accounting Implemented by Government

In 2022, the Indonesian government implemented a series of accounting policy reforms aimed at improving the management, recognition, and disbursement of fuel compensation payments to Pertamina. These changes were a direct response to ongoing challenges in the administration of fuel subsidies, particularly the significant delays in compensation payments that had caused liquidity issues for Pertamina. Under the updated regulatory framework, embodied in PMK No. 22/PMK.05/2022, the government introduced clearer guidelines for the classification and management of compensation liabilities, which were previously categorized in a manner that did not adequately reflect the timing of payments or the company's actual financial exposure.

One of the most important aspects of the new accounting policy is the classification of fuel compensation liabilities as short-term or long-term based on when the payment is

expected to be settled. If compensation payments are expected to be disbursed within 12 months, they are classified as short-term liabilities on the government's financial statements. This change is critical because it provides greater transparency and accuracy in financial reporting, allowing both the government and Pertamina to more effectively manage their respective financial obligations. In addition to that, for Pertamina, this shift means that compensation payments are now more predictably aligned with the company's financial planning, reducing uncertainty around the timing of receivables and enabling better cash flow management.

Furthermore, the revised accounting policy mandates that fuel compensation be recognized based on audited financial statements. This requirement ensures that the government's compensation obligations are more accurately quantified, reducing the risk of underestimation or delays in reimbursement. The policy promotes greater accountability and helps prevent discrepancies that could delay payments or create financial shortfalls for Pertamina. The use of audited data also allows for more precise adjustments to be made in response to fluctuations in global crude oil prices, ensuring that the compensation payments reflect real-time market conditions.

The updated accounting policies also emphasize the need for regular reviews and reconciliations between Pertamina and the Ministry of Finance to ensure that compensation payments are processed efficiently. These reviews help to identify and address any issues in the calculation or disbursement of compensation, ensuring that payments are made promptly and that Pertamina's financial health is not adversely affected by prolonged delays. The government has also introduced a more stringent framework for monitoring the allocation and use of fuel compensation funds, which is designed to enhance the transparency and accountability of the subsidy program.

Update on Fuel Compensation Regulation

The introduction of Ministry of Finance Regulation No. 159-2022 brought significant reforms to the management and disbursement of fuel compensation payments in Indonesia. This regulation shifted the compensation process to a quarterly model, enabling more frequent and predictable payments to Pertamina, which had previously faced financial strain due to annual reimbursement cycles. In allowing Pertamina to submit claims every quarter,

the regulation helps to alleviate cash flow issues and reduces the company's reliance on short-term loans to cover the costs of fuel distribution. The quarterly model also improves liquidity for both the government and Pertamina, ensuring that compensation payments are made promptly.

In addition, the regulation enhances the auditing process by involving multiple government bodies, such as the Financial and Development Supervisory Agency (BPKP) and the Ministry of Finance's internal auditors, to conduct monthly reviews of fuel compensation claims. This system increases accountability and transparency, helping to prevent discrepancies and ensuring accurate compensation. The regulation also includes provisions for adjusting compensation based on fluctuations in global crude oil prices, making the system responsive to market conditions. These aim to streamline the overall process, reduce delays, and promote greater financial stability for Pertamina, ultimately ensuring the sustainability of Indonesia's fuel subsidy program.

Implication of 1st MoF Regulation on Fuel Compensation

Berdasarkan Berita Acara Rekonsiliasi Pencatatan dan Penyajian Utang Piutang kompensasi antara Kementerian Keuangan RI dan Perusahaan No. BA-24/AG.6/2020 dan No. 004/H00000/2020-S0, disepakati:

1. Utang piutang pendapatan selisih harga senilai Rp45 triliun atau setara dengan US\$3.237.177) dicatat dan disajikan sebagai utang piutang lancar dengan rincian:
 - Utang piutang pendapatan selisih harga JBT Minyak Solar tahun 2017 sebesar Rp20,8 triliun atau setara dengan US\$1.495.498;
 - Utang piutang pendapatan selisih harga JBT Minyak Solar tahun 2018 sebesar Rp24,2 triliun atau setara dengan US\$1.741.679.

8. PIUTANG PEMERINTAH (lanjutan)

a. Piutang atas pengakuan pendapatan Selisih Harga (lanjutan)

2. Utang piutang pendapatan selisih harga senilai Rp51,5 triliun (setara dengan US\$3.704.960) dicatat dan disajikan sebagai utang piutang tidak lancar dengan rincian:
 - Utang piutang pendapatan selisih harga JBT Minyak Solar tahun 2018 sebesar Rp5,1 triliun (setara dengan US\$366.981);
 - Utang piutang pendapatan selisih harga JBKP Premium Non Jamali tahun 2018 sebesar Rp15,6 triliun (setara dengan US\$1.117.695);
 - Utang piutang pendapatan selisih harga JBT Minyak Solar tahun 2019 sebesar Rp16,4 triliun (setara dengan US\$1.179.043);
 - Utang piutang pendapatan selisih harga JBKP Premium Non Jamali tahun 2019 sebesar Rp8,9 triliun (setara dengan US\$646.390);
 - Utang piutang pendapatan selisih harga JBKP Premium Jamali tahun 2018 sebesar Rp5,5 triliun (setara dengan US\$394.851).

Figure 2

Disclosure of Fuel Compensation

Source: Financial Report PT Pertamina (Persero) 2019

The implications of the first Ministry of Finance Regulation No. 227 of 2019 on fuel compensation are profound and multifaceted. This regulation not only establishes the framework for invoicing and collection of fuel compensation but also ensures that the government commits to timely reimbursements to Pertamina. For instance, the regulation specifies the recognition of price differential revenue receivables, recording them as current

or non-current based on their expected payment timelines. Such clarity in accounting and reporting practices enables Pertamina to more accurately assess its financial position and manage its receivables effectively. In 2020, for instance, the recognition of receivables amounting to approximately IDR 45 trillion (around USD 3.2 billion) as current receivables allowed Pertamina to bolster its liquidity during periods of financial strain.

Furthermore, the regulation facilitates better financial reporting by permitting Pertamina to adjust its financial statements according to the agreed payment assumptions and fair value calculations of these receivables. Therefore, this adjustment process has enabled Pertamina to recognize unwinding interest on fuel compensation, leading to a significant boost in financial income, reported at approximately USD 867.87 million (IDR 12.28 trillion) as a result of accelerated payments. The regulation thus not only improves cash flow for Pertamina but also enhances the overall profitability of the company by ensuring that it can capitalize on timely reimbursements and interest recognition. This positive impact extends beyond Pertamina to the government as well, which benefits from increased corporate income tax revenue and dividends derived from Pertamina's improved financial performance.

Impact of Fuel Compensation Regulation Revisions

Rincian Beban Lain-lain BUN Lainnya Dana Kompensasi pada tahun 2022 bernilai Rp340.739.237.539.248 pada tabel berikut.

(dalam Rupiah)

No	Uraian	Nilai
1	Pembayaran Kompensasi atas Kekurangan Penerimaan PT Pertamina Patra Niaga akibat Penetapan HJE BBM JBT Minyak Solar Periode Semester I Tahun 2022	56.788.814.757.588
2	Pembayaran Kompensasi atas Kekurangan Penerimaan PT Pertamina Patra Niaga akibat Penetapan HJE BBM Jenis BBM Khusus Penugasan (JBKP) Peralite Periode Semester I Tahun 2022	74.884.881.198.154
3	Pembayaran Kompensasi atas Kekurangan Penerimaan PT Pertamina Patra Niaga akibat Penetapan HJE BBM JBT Minyak Solar Periode Triwulan III Tahun 2022	43.826.528.980.291
4	Pembayaran Kompensasi atas Kekurangan Penerimaan PT Pertamina Patra Niaga akibat Penetapan HJE BBM JBKP Peralite Periode Triwulan III Tahun 2022	50.689.205.322.597
5	Pembayaran Kompensasi atas Kekurangan Penerimaan PT AKR Corporindo, Tbk. Akibat Penetapan HJE BBM JBT Minyak Solar Periode Semester I Tahun 2022	452.050.984.683
6	Pembayaran Kompensasi atas Kekurangan Penerimaan PT AKR Corporindo, Tbk. Akibat Penetapan HJE BBM JBT Minyak Solar Periode Triwulan III Tahun 2022	366.144.160.693
7	Pembayaran Kompensasi atas Kekurangan Penerimaan PT PLN (Persero) akibat penetapan tarif tenaga listrik non subsidi periode Semester I Tahun 2022	31.220.988.279.713
8	Pembayaran Kompensasi atas Kekurangan Penerimaan PT PLN (Persero) akibat penetapan tarif tenaga listrik non subsidi periode Triwulan III Tahun 2022	16.311.646.981.558
9	Pengakuan Utang atas Kekurangan Pembayaran Kompensasi Listrik PT PLN (Persero) Tahun 2022	16.770.789.494.089
10	Pengakuan Utang atas Kekurangan Penerimaan PT Pertamina Patra Niaga akibat Penetapan HJE BBM JBT Minyak Solar Tahun 2022	35.823.174.618.999
11	Pengakuan Utang atas Kekurangan Penerimaan PT Pertamina Patra Niaga akibat Penetapan HJE BBM JBKP Peralite Tahun 2022	13.317.579.839.913
12	Pengakuan Utang atas Kekurangan Penerimaan PT AKR Corporindo, Tbk. Akibat Penetapan HJE BBM JBT Minyak Solar Tahun 2022	287.432.920.970
Jumlah		340.739.237.539.248

Figure 3

Realization of Other Expenses – Energi Compensation (Fuel and Electricity)

Source: Audited Laporan Keuangan Pemerintah Pusat 2023

The revisions to the fuel compensation regulations, particularly through Ministry of Finance Regulation No. 159-2022, have had a substantial impact on how fuel compensation is recognized and disbursed. These changes have enabled Pertamina to achieve timely revenue recognition and payment within the current fiscal year by allowing for quarterly submissions of fuel compensation claims. In streamlining the process and mandating that the government makes payments based on the determinations made by the Minister of Finance, the regulation mitigates previous delays that significantly affected Pertamina's liquidity and financial health. This regulatory update has facilitated more effective cash flow management, as Pertamina can now anticipate and plan for compensation receipts, thus alleviating reliance on short-term loans and enhancing financial stability. Furthermore, the accelerated payment process leads to the recognition of unwinding interest on fuel compensation, contributing positively to Pertamina's profitability and enabling the company to reinvest in its operations.

CONCLUSION

The research concludes that Pertamina faces significant financial challenges due to the government's delayed payments for fuel compensation, which is exacerbated by the lack of proper legislation governing fuel compensation allocation, invoicing, and settlement. This has led to Pertamina's negative cash flow and higher interest expenses, while the company cannot recognize revenue from fuel compensation, creating a mismatch between costs and revenues. To mitigate these financial issues, Pertamina prioritizes internal financing through its treasury center, which helps minimize costs and maximize profits, but external facilities may be needed if cash requirements exceed internal resources. Before regulatory changes, Pertamina determined the fair value of receivables by calculating their present value using government bond rates, but the issuance of PMK 227 – 2019 has enabled proper recognition of compensation revenue and collection. The accelerated payment process introduced by this regulation has enhanced Pertamina's financial gains through the unwinding of discounts, which in turn boosts profitability. This rise in profits benefits the government as well through increased corporate income tax contributions and dividends. Thus, the regulatory reforms and accelerated payments have positively impacted both Pertamina's financial health and the government's revenue streams.

The recommendations from this research focus on expediting the fuel reimbursement process and improving fuel allocation management. First, the process of determining fuel compensation, as governed by PR 69-2021 and PMK 159-2022, is lengthy due to the need for coordination between three ministers, Finance, Energy, and State-Owned Enterprises (BUMN). This delay increases Pertamina's interest expenses from short-term borrowing to cover negative cash flow. To address this, the author suggests streamlining the process by allowing temporary payments of 95% of the calculated fuel compensation based on Pertamina's reliable data, while reserving the remaining 5% for final approval after audit. This would speed up reimbursement without requiring full ministerial approval upfront. Second, to control over-allocated fuel, particularly diesel, which has led to higher subsidy and compensation costs, the government should strengthen regulations on fuel management. Despite Pertamina's use of the MyPertamina app to monitor fuel consumption, more effective measures are needed to regulate the quantity of assigned fuel and prevent excess.

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