



## Behind the Cancellation of Green Refinery Cooperation Between Pertamina and Eni: An Analysis of Domestic and Regional Aspects

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### Abstract

Pertamina and Eni faced double strike problems. The Italian government did not grant the license for building Indonesian crude palm oil (CPO) based green refinery to Eni-Pertamina as most Indonesian CPO producers do not possess RSPO certificates and the EU restricts the use of CPO. The policies resulted in opportunities loss for Pertamina and Eni in 2019. This qualitative paper examined the logical reasons behind the Italian government decision by two levels of analysis, domestic and regional locus. The finding shows that domestically, political circumstances among parties and figures, other than CPO commodities farmers, played a significant role in the cancellation. The historical instability in Italy domestic political situation also brought it closer to revocation. On another level, the ups and downs of Italy-the EU relations before and during Conte I and Conte II government were a regional reason behind it.

**Key Words:** Eni-Pertamina, green refinery, Indonesian CPO, Italian government disapproval

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## INTRODUCTION

This research examines the specific objectives of the Italian legislative framework and interprets the current dynamics of change in the Italian government towards the process of formulating policy instruments related to the biofuels sector. In this case, this research employs two-level game theory to assess the Italian government disapproval of Eni and PT. Pertamina (Persero) plan to build a CPO green refinery in Plaju in 2020.

Solomon and Krisna stated, in a time of crisis, the Italian government faces a rising challenge as decision-makers have the problem of setting appropriate policy instruments to deal with economic down-turn on one side and economic decarbonisation on another (Solomon & Krishna, 2011). In this concern, the Italian government focuses on formulating policy instruments to boost the economy by reducing the unemployment rate, increasing foreign investment, and protecting the environment. This focus is also driven by the EU's mandatory policies to reduce the life cycle of greenhouse gas emissions per unit of energy by six percent by 2020 and ensure ten percent of transportation fuels coming from renewable sources.

To drive the pace of attaining the success of the Italian legislative framework, particularly in the biofuel fuel sector, the government has undergone a process of systemic change over the past decade. Italy focuses on policy reforms per the EU framework, mainly by creating new incentives to boost biofuel production and open up foreign investment opportunities. But in fact, Italy still has structural barriers coming from the domestic sector. Investment in the green refinery, such as subsidies and feed-in tariffs, may decrease public support in the current Italian economic crisis. Due to their high degree of substitution, the pro-public policy of potential fossil-fuel price reductions during financial problems will bring down biofuel prices, thereby hampering the viability of investment in bio-refineries.

The ups and downs of Italy energy production capacity can be seen in the last five years. They affect the structure of energy imports aimed at balancing domestic demand and production. The recent Italian economic crisis has also harmed the energy sector, hindering it from creating a sustainable energy regime transitional process. Italy aims to rebuild its industrial estate and create factories for producing renewable energy sources. Investments will be the key to accomplish this goal, as they will create more job opportunities and help the Italian national economy in the current crisis.

Eni S.p.A., an Italian multinational oil and gas company, and PT Pertamina (Persero), Indonesian state-owned oil and natural gas corporation, agreed to build

crude palm oil (CPO) based green refineries in Milan in 2019. However, the Italian government disapproved of this collaboration. The reason they published was that Eni did not have RSPO certification. When Eni and Pertamina intended to relocate the green refinery in Plaju (South Sumatra, Indonesia), the Italian government, once again, imposed its power on Eni to cancel the green refinery building. The Italian government disapproval is the central focus of this paper. We analyzed domestic politics, economy, biofuel industries, the Italy-EU relationship, the pro-public Italian government, long-enduring economic slowdown, and infant biofuel industry.

The cooperation between Eni and PT Pertamina (Persero) is a new type of renewable energy business, in which the technology adopted includes the transesterification of vegetable oils and fats. This collaboration would disrupt the production process of other vegetable oil from the local Italian farmers. Indonesian CPO has a lower production cost (EU Big Market for Indonesian Palm Oil, but Big Challenges Remain, 2017). Therefore, economically the vegetable oil from Italian farmers could not compete in terms of cost of production. It is easy to understand that the Italian government prefers to protect their domestic farmers' interests rather than import CPO from Indonesia in constructing a green refinery.

The internal structure of Italian politics also significantly impacted the failure of the cooperation between Eni and PT. Pertamina (Persero). It dramatically affects the Italian government's efforts to revive economic growth imposed by bond markets and the EU institutions. The Italian government continues to prioritize job opening for its people amid a crisis, particularly domestic farmers. Plus, the collaboration between Eni and Pertamina will only create diversifications in upstream but merge them into the same downstream business.

The hypothesis is compatible with the findings in this research. This research has pointed out the significant impact of the historical aspect of Italian politics on the cancellation of the agreement between Eni-Pertamina. At the higher level, structural aspects in Italian politics presumed to play a significant role in the government's inconsistency towards the existing cooperation agenda. The rapid changes in Italian politics resulted in a change of course in its foreign policy. The difference was not only caused by competition and inconsistencies in the ideology of the Italian domestic parties but also due to structural changes in the EU, which had an impact on Italian domestic policy.

This research is necessary to understand what happened behind the cancellation of the Eni-Pertamina agreement on the refinery more comprehensively. Although lack of documents was reported as the main cause of the nullification, the research

should dig deeper into the case from two aspects. In terms of theory and knowledge, this paper examines how the two levels of analysis, in this case, domestic and regional, has a significant position on the business cooperation among two countries from different regions. Each international company must assess its partner not only at domestic but also at its regional level. In addition, the geopolitical and political economy of the destination country must also be analyzed and considered before the bilateral agreement. In the practical field, Indonesia, as the biggest CPO exporter in the world (Murti, 2017), must consider the risk of investment from cooperation with foreign companies. In particular, the geopolitical situation of the destination country and its region. Therefore, this research might benefit the public or private international company or state policymakers to direct the business internationally.

### ***Current Italian Government Profile***

Domestic politics in Italy in 2019 consisted of two populist parties – the League and the Five-star Movement (from 1 June 2018 to 5 September 2019) – that promised radical social and economic reform. This coalition government is called Conte II, which overcame the Democratic Party power that had dominated Italian governing coalitions since 2013. Conte II faced a classical structural problem: macro-economic constraints and debt policing powers (Moschella & Rhodes, 2020)

Since 1945, Italy has had 65 governments, and the average government term is only fifteen months. The number makes the government outlook is very short-term. They always fail to make hold a long-term project as there is not continuing government support. Starting 6 September 2019, the Conte II has gained power that consisted of the Movimento Cinque Stelle (Five-star Movement, M5s) and the Partito Democratico (Democratic Party, PD), a party that had previously opposed the coalition with the M5s (Moschella & Rhodes, 2020).

The Conte II is facing substantial opposition. The League is still the largest party in Italy. As M5 and the opposing party are pro-populist parties, the Italian government would only support pro-populist programs and against others. The pro-populist often contradicts pro-business programs.

The rapid turnover of the governing coalitions in 2019 made Italy remain in political instability, making the Italian government find it hard to apply structural reforms that may harm some people. For example, providing fuel subsidies may hurt biofuel industries. On the other hand, biofuel subsidies may mean more taxes or government debt. The Italian government has a more immediate policy challenge –: the European authorities' demand for government debt reduction. It is almost impossible for any Italian government to improve its economy if its outlook is short-

term. Both executive and legislative branches have to work together to support sustainable reforms.

### ***Current Italian Economic Policy***

The Italian economy is still facing a severe economic problem. It becomes a significant concern in the European Union and other countries in serious trouble like Greece. After those in 2008, 2011, and 2014, at the beginning of 2019, Italy plunged into recession once more. The decline also followed a resilient confrontation with the European Commission, which dismissed Italy's plan for the 2018 budget as a significant violation of European spending rules. Italian structural economic problems consist of high national debt resulting from high interest rates, low real growth, and low inflation. The issue is a legacy of past decades of government spending and low growth that makes the country highly vulnerable to large-scale disturbances (the post-2008 financial crisis) as well as slighter macroeconomic perturbations, notably market-driven interest rates (Moschella & Rhodes, 2020).

In January, the Conte I government eventually carried out two of its promises: a citizens' income of welfare payments for the unemployed and a pension reform, including an early retirement scheme (Stamati in Moschella & Rhodes, 2020). However, those policies increase government debt and or either raise taxes that hurt the business sector. At the same time, the new Conte II government has to avoid tax increases and confrontation with the EU Commission. Moschella and Rhodes (2020) argued that the Conte II government had to respond quickly to the significant employment crisis triggered by the prospect of the potential shutdown of the pollution maker, Ilva steelwork plant. The government also has to face broader problems balancing environmental protection with fostering economic growth and remaining attractive to foreign investors. The future of around 8,000 people employed in the Ilva factory and the country's credibility as a foreign investment location was at stake.

The demand for CPO from Italy mainly aims at meeting the needs of the biofuel industry, whose portion reaches 65 percent. The remaining 35 percent fulfills the food industry's basic needs. The average import value of CPO in Italy is worth 1.2 billion USD in the last five years, with a profile increasing from year to year (Paradila, 2019). The number of Italian imports of world CPO HS 1511 products reached US\$ 1549.86 million in 2014 (ISTAT, 2016). Overall, Italian imports of CPO products showed positive growth during the 2010 - 2014 period at 16.67 percent. The import value of CPO products in 2014 experienced a sharp increase of around 17.21 percent compared to the data in 2013. Despite the Italian domestic economic growth, the Italian CPO imports decreased to US\$ 1.2 billion in 2015 (Paradila,

2019). This decline was due to the growing development of other commodities in the vegetable oil and fats sector that became competitors in Italy, thus providing a wider variety of different options for consumption. The other factors were negative issues and black campaigns regarding CPO products, especially Indonesian CPO.

In line with the decline in global imports, so did the import profile of Italian CPO products from Indonesia, which experienced a significant decrease in 2014-2015 by 28.6 percent. The total value of Italian imports of CPO products from Indonesia was US\$ 834.50 million in 2015. The number shows that Indonesia has a very high chance of exporting CPO to Italy (Paradila, 2019).

### ***Italian Biofuel Industry***

Regionally, the EU Commission has identified bio-based industries as of great socio-economic significance and has highlighted biofuels as a critical sector in achieving the EU's 2020 sustainability goals. Therefore, politicians were called on to define the essential policy instruments that could drive the development of the biofuel sector (Pries et al., 2016). Also, the EU Commission released a policy plan for the 2020-2030 period (COM(2014) 15 final) that incorporates current climate and energy policy priorities for 2020. The new policy introduces a large-scale EU strategy to reduce global greenhouse gas emissions by 40 percent in 2030 compared to 1990.

Two tailored policies have boosted the production of biofuels in the EU: (i) the "Fuel Quality Directive" – FQD (2009/30/EC), which establishes requirements for biofuels in terms of sustainability. Specifically, the lifecycle of greenhouse gas emissions per unit of energy was to be lowered by six percent by 2020 relative to the amount of 2010; and (ii) the 'Renewables Directive' – RES (2009/28/EC) was intended to raise the average level of energy derived from renewable resources for public transport by 2020. In particular, each Member State must ensure that at least ten percent of its transport fuels come from renewable sources.

Following the recommendations made by the EU Commission, Italy actively involves in developing a more competitive biofuel market, triggering investments determined to creating job opportunities and, hence, local development. The Italian legislative structure has gone through a structural phase of reform to promote growth in the biofuel field over the last decade. In particular, the initiatives adopted aimed at giving effect to the impulses resulting from the EU system and, at the same time, creating effective forms of incentives to promote the production of biofuels. As for the first chapter, the crucial statutory act currently in effect is D.lgs 28/2011 (the so-called Decreto Rinnovabili), which implements Directive 2009/28/EC

setting a mandatory quota of petrol- and diesel-mixed biofuels at four percent in 2012 and five percent in 2014 to meet the ten percent mark by 2020.

Moreover, as regards incentive mechanisms for the production of biofuels, since 1998, Italy has promoted the possibility of obtaining, in whole or in part, a form of tax exemption from the excise duties commonly applicable to all petroleum products. It is worth mentioning that any excise exemption on the Italian biofuel market has been eradicated since 2011. After implementing policies supporting the renewable energies market a few years ago, Italy has shown a steadily growing increase in energy dependency. The high proportion of imported oil, which accounts for 97.1 percent of total domestic consumption, results in immense energy dependency. That rate is considerably higher than the EU average, creating a strong sensitivity to the dynamics of the vital supply markets' political and economic growth.

Italy is among the EU's most important producers of biofuels and consumers. Due to the heterogeneity and divergence of available data, however, the systemic and efficient structure of the domestic sector is difficult to read because of the complexity and the variability of data available from business organizations and national bodies. Against this background, the number of active producers (primary transformation) is 21, one of which is a second-generation biofuel business (the world-first commercial-scale cellulosic ethanol plant) (Assocostieri in Falcone et al., 2018). That number includes the most recent data (2015) collected from the Assocostieri Association of the Italian Biofuel Sector and informal and anecdotal observations.

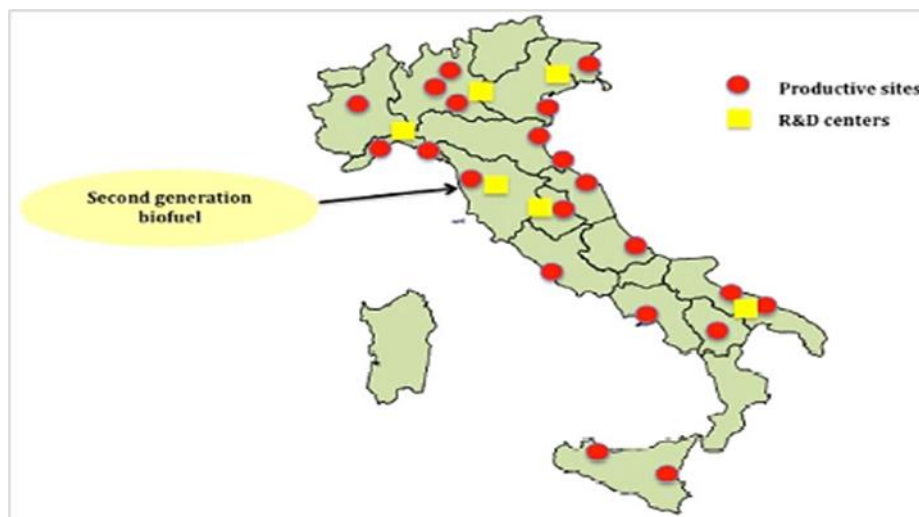


Figure 1. Italian Biofuel Plants  
Source: Falcone et al. (2018)

The Italian biofuel industry is progressing slowly to meet the EU's required 10 percent biofuel use in transport fuels. The graph below (Fig. 2) shows the essential industry-related indicators (i.e., production capacity, actual demand, domestic consumption, and imports) for the 2008–2014 period (Falcone et al., 2018).

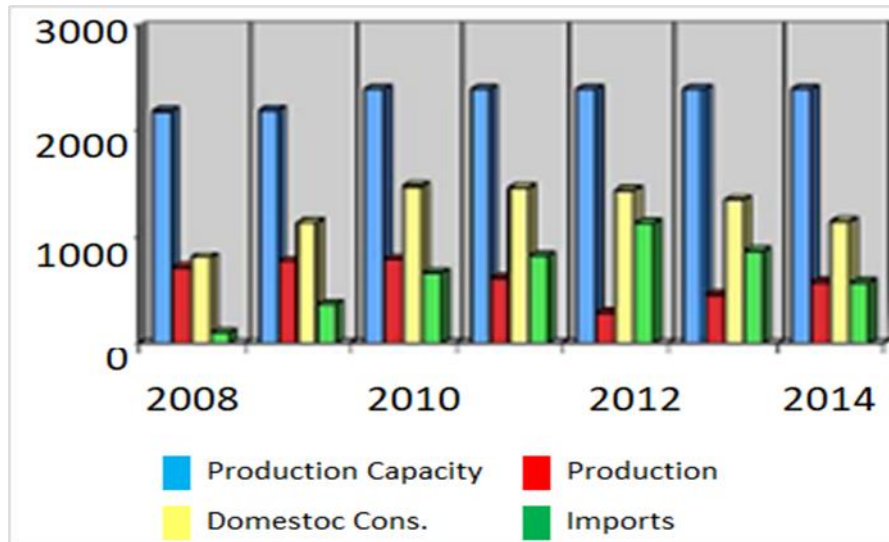


Figure 2. The key indicators of the Italian biofuel sector (thousand tons)  
Source: Assocostieri (2015) in Falcone et al (2018)

The data available (Falcone et al., 2018) relating to the period of 2008–2014 enable us to delineate a complete image of the sector. An immediate stagnation of production capacity can highlight the sector's difficulties over the last five years of the economic crisis. Besides, the domestic production of biofuels reported substantial improvements in the same period, showing an average volume of 760,000 t between 2008 and 2010. From 2011 to 2012, we can see a sudden collapse (about 70 percent) of total production due to the complete elimination of tax incentives. As a result, it required an increase in imports of biofuels to offset the lower domestic production to comply with the EU Directive. However, the domestic production of biofuels increased in 2013 and 2014, while its consumption decreased marginally as import volumes decreased. Finally, the average utilization rate of the production capacity fell considerably due to the elimination of the tax relief (2012). While a slight improvement appeared in subsequent years, there was a high degree of underuse of plants relative to the other EU Member States. The situation might be due to the calculation method used by the legislator to allocate subsidized biodiesel quotas that led operators to over-size Italian plants based on the installed capacity.



Italian structural economy and political policies aimed to foster the economy by (1) reducing the unemployment rate, (2) increasing foreign investments while (3) protecting the environment. Eni and Pertamina partnership in the green refinery in Milan fell against mainly on the first aim. A joint venture on CPO refinery to become biofuel would open some job opportunities on the refinery site and its supporting businesses. However, the refinery planned to absorb CPO solely from Indonesia as its raw materials.

Research conducted by Falcone et al. (2018) revealed that the recent economic crisis has adversely affected the Italian biofuel sector by reducing the aspirations and expertise of the actors involved, thereby jeopardizing the transition to a sustainable energy regime. Policy instruments had a varying effect on the sector under investigation. Fiscal policies were slightly successful, especially in promoting the medium-long-term development of the biofuel niche, whereas they were instrumental in the short run. Instrument mixes should be well balanced by looking at those policy instruments that support niche-development mechanisms to prevent the transition of biofuel energy in the medium term. Cooperation between businesses, public agencies and research institutions, and public procurement are especially effective in complementing fiscal policies by synergistic effects on networking niche mechanisms and expectations convergence.

## METHODS

The method used in this paper bases on two-level game theory. This theory provides a model on how an executive branch of a nation should accommodate the concerns of intrastate actors (i.e., parliament, interest groups, etcetera) and international actors (i.e., a neighbouring state, regionalism, dominant power, etcetera). Henisz and Zelner noted that it is advantageous to conceive the politics of many international agreements as a two-level game (Henisz & Zelner, 2006).

This paper investigated domestic and international actors that may influence Italian government policy concerning the palm oil-related joint venture with an Italian entity. The current Italian political situation is analyzed to understand the in-depth reason behind the Pertamina-Eni deal cancellation. Heldt and Mello proposed that domestic political institutions include power-sharing mechanisms between the executive and the legislature, the role of interest groups and their capacity to influence government representatives, and the number of veto players (da Conceição-Heldt & Mello, 2017).

Conceição-Heldt and Mello (2017) divide the domestic point into three approaches. First, the society-centred approach. It explains the “battles” among business groups,

labour groups, and other interest groups. It also can be divided into protectionist groups and free-trade groups. The one who wins the game would shape the global political economy policy of the nation.

Second, the state-centred approach. The interaction among the executive, the legislature, and societal interest groups could decide a trade agreement of a nation. The election and unity of governmental actors also influence the situation: the more veto players are, the less probability of trade agreement to exist. In the trade and economic policy, there are more veto players compared to security policy.

The third important category is domestic public opinion. Liberalist regards people wills as something important that democratic governments should consider (Russett and Oneal in da Conceição-Heldt & Mello, 2017). Most of the nations foreign policies follow public support, especially if it is related to war. However, in a few cases, the public voice is ignored.

After the focusing on domestic variables, the regional condition where Italy is an important part also has been viewed to bring a sense of Italian foreign policy. The EU, a unique political and economic union in the continent, has made such a particular bureaucracy for its members. In a sense, it protects the members from outsiders. On the other part, the law that the EU produces could confuse its members on dealing with other parties from non-regional nations. Therefore, understanding the dynamics of the relations between the EU and Italy has been studied.

Focusing on the two-level, domestic and international level, is crucial in understanding the conduct of a nation, as the domestic political situation is needed to analyze foreign policy and vice versa, as Gourevitch studied the “second image reversed”, which is the impact of international pressures on domestic politics and their consequences for foreign policy (Gourevitch, 1978).

Government leaders or executives are the main negotiator on the two realms, called “sandwiched” (Nau, 2019). They need to deal with other countries and other international parties to obtain their national interests at the international level. Still, they need domestic approval, such as public, parliament, and other domestic actors support to achieve ratification.

Putnam wrote that there are three factors to cause a high chance for the outcomes to be materialized. They are preferences and possible coalitions, political institutions at the domestic level, and chief negotiators’ bargaining strategies at the international level (Putnam, 1988).

We also conducted a few interviews with experts to provide their insights on the topic of this paper. We processed, analyzed, and examined the information acquired from them to better view the failure of the dealing between ENI-Pertamina.

## DISCUSSION AND FINDINGS

The data shows that circa 2015, in Italy, there were at least 21 biofuel producers, seven biofuel distributors, and six biofuel suppliers. The biofuel sector was affected by the economic crisis (Falcone et al., 2018). Cropland in Italy covers 33 percent of its national territory (Sallustio et al., 2018). Eni-Pertamina joint venture in green refinery manufacturing based on (Indonesian) CPO could negatively affect Italian biofuel plants because their green refineries produce lower-cost biofuel from the lower-cost raw material. In Italy, biofuel plantation, particularly biogas, boosts farmers economies and is suitable sustainable agricultural production (Bortoluzzi et al., 2014). In its southern part, Italy has a prominent biogas potential and lands that are ideal for producing biomethane (Murano et al., 2021), especially the existence of a biofuel refinery in Milan that belongs to IM Biofuel Italy Srl. Therefore, the threat to the domestic biofuel cycle could cost a socioeconomic issue.

This situation will distract the stability that the Conte government is trying to build. While the populist parties have a dominating power in executive and legislative, Conte will consider the negative effect of using overseas vegetable oils like CPO on the Italian domestic political situation. Moreover, the pro-populist coalition promised a return to a better domestic economy despite the macroeconomic constraints. If the government cannot bring it into reality, it needs to be aware of the trade unions. In Italy, trade unions are the key players in their domestic politics, economy and they have the ability for social mobilization as they are ubiquitous in Italian society (Regalia & Regini, 2018). These were the main reasons behind the Italian government's opposition to the Eni-Pertamina joint venture green refinery in Milan.

While for the green refinery in Plaju, Indonesia will require direct investment from Eni, which may shift its financial resources abroad, while Italia still needs more investment. In 2016, Eni launched Progetto Italia, which aims to redevelop its industrial areas and new renewable sources of production plants. The Italian government would expect all Italian companies to invest in the country to create more jobs and help the national economy from its current crisis. However, those logical reasons for the Italian government's hesitancy to support CPO in Italy or Italian overseas investments were not considered by Eni when Eni agreed to collaborate with Pertamina. This negligence is unacceptable as both companies

have deep-pocket resources to have comprehensive social feasibility studies before jumping into joint ventures.

Biofuel production is a new kind of upstream business settings for both Eni and Pertamina. The core technology of the production is the transesterification from vegetable oils or fats. The source materials are no longer from oil wells but plantations. The kind of plantations themselves carries political value as the location of oil wells. Selecting palm oil may hurt other sources of vegetable oils such as sunflowers, rapeseed, jatropha, et cetera. Italian farmers may produce those as the most widely employed in Europe (Ulgiate et al., 2008). The splitter direction to biofuel industries is more to the necessity of Eni and Pertamina as both companies have heavily invested their resources in liquid fuel. By having another biofuel business, they diversify their business upstream but merge them downstream.

Biofuel is a renewable energy that may lead to a sustainable core business of Eni and Pertamina. The International Energy Agency wants biofuels to meet more than a quarter of world demand for transportation fuels by 2050 to reduce dependency on petroleum (Le Feuvre, 2020). However, the production and consumption of biofuels are not on track to meet the IEA sustainable development scenario. From 2020 to 2030, global biofuel output has to increase by ten percent each year to reach the IEA goal. But, only three percent of growth annually is expected. This situation may be affected by the low oil price and the emergence of battery electric vehicles (BEV) since 2010 that lower the demand for internal combustion engine vehicles (ICEV).

In the political dimension, even though the Indonesian media report tried to simplify the cause of cancellation of the deal between Eni-Pertamina on the green-refinery project, the situation was more complex and inherent. Italian foreign policy changes continually. There are many reasons behind the inconsistencies. As the leader of Italy, Conte needed to satisfy all parties on the “table”. The first party is the domestic actors whose interests must be fulfilled. They will ask Conte to resign from the presidency if he fails to do so. The second party is the international actors with each own agenda. Italy must conduct in the international arena by considering the others interests, else way, they may excommunicate Italy.

On the regional dimension, one indicator of the relation between Italy and the EU was the situation in August 2017., Only 36 percent of Italians trusted the EU, while populist and nationalist parties blamed the supranational organization on the financial crisis and migration in the Italian domestic (Fabbrini, 2019). At that time, Italy was considered anti-EU when Matteo Salvini from Lega had power in European elections.

The situation changed when the M5S and the PD made a coalition in September 2019 (Poli, 2021), and pro-European people have governed Italy ever since. The shifting on political stance made Italy gain the EU trust back to them. One of their actions is to follow the EU's RED. This policy is intends to protect the domestic production of rapeseed oil and sunflower seed (Gaol, 2018). Poli (2021) added that one of Italy's strategies to rebuild the relationship with the EU and other members is to support their programs, one of which is the European Green Deal.

Therefore, it is not surprising when Italy, through ENI, suddenly cancelled the cooperation agreement with Pertamina, Indonesia, as the EU approved the RED II. This directive considered the emission from the land-use change on biofuel production and classified Indonesian palm oil plantation as a high-risk environment. For the EU, it means that palm oil-based biofuel is not new renewable energy. However, their response was different for rapeseed. Biofuel feedstock in the EU is dominated by rapeseed, with 55 percent of the total production, even though the rapeseed cultivation system negatively affects the environment (Viccaro et al., 2019).

## CONCLUSIONS

Our work has led us to outline four points. First, the history of political turmoil in Italian domestic is a significant point. The practice of the rapid shift in the Italian government leads to the quick change of its foreign policy. Conte first period lasted merely less than two years, in one of them was the turning point in the agreement between Eni and Pertamina. Local farmers in Italy also have a strong influence on political and economic stability. So, continuing the deal with Pertamina may affect the farmers and trade unions.

Second, the findings of this study suggest that the Conte first and second periods governing coalition parties are opportunistic. The parties tend to gain an immediate advantage rather than to be persistent on their principles. It reflects on the paradoxical ideology differences among his first coalition, the Lega and the M5s. As long as they could secure a position in the governing coalition, they do not regard the ideological and developmental direction differences as a problem. They renounce their own parties identities. The inherent differences among the governing parties elevated disunity. Moreover, in the Conte II government, the supporters of the coalition parties fight each other related to the establishment and anti-establishment. Therefore, the political parties inconsistency with their ideology indirectly prompted the commitment nullification between Eni-Pertamina.

Third, the existence of the EU and the representation system on this organisation have several effects at the regional level. The differences in a party's power at the domestic and regional levels could shift the balance of power among parties. A party, at the same time, could have different domination at the local and regional levels. The difference causes a significant opportunity for policy discontinuity. In other words, it is a structural root because the EU's structure allows an inconsistent national decision.

Lastly, the inharmony between Italy and the EU also played a similar role in its inconsistency. During his first period, on one side, Conte tried to establish good cooperation with the EU, whereas his two deputies eclipsed him (Moschella & Rhodes, 2020). In addition, his main supporting party was anti-EU, which brought about their defiance to the EU policy on energy. It was also different from Conte II when Giuseppe Conte became more popular in national political frame, with a 51 percent approval rating. His role as the bridge for Italy-EU and the more stable position in the domestic domain freed him to follow the EU policy without agitation.

In conclusion, the historical aspect of Italian politics played a significant role in the cancellation of the agreement between Eni-Pertamina that culminated in Italy-EU relations. EU was trying to protect their interests when publishing that exporting CPO is unacceptable for an environmental issue. These structural elements took a substantial part in the inconsistency at the greater level: an agreement annulment.

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