



EU Energy Diplomacy in Promoting EU Market Rules On Palm Oil Through The IEU-CEPA Cooperation Framework

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Abstract

Sustainable energy development is an effort made by the European Union in response to climate change. One form of the EU's efforts in developing sustainable energy is by setting standards for energy and energy raw materials that enter the EU market, one of which is palm oil. The European Union has firmly demonstrated its commitment to setting sustainability standards that apply in the EU market. This is shown by one of the discussions of EU energy diplomacy, namely promoting market rules in producer and transit countries. This research aims to analyze the EU's success in encouraging Indonesia to implement sustainability standards for palm oil. This discussion will be discussed using smart power theory qualitatively. This research successfully shows that the European Union's energy diplomacy to encourage sustainability standards in Indonesia is carried out through formal energy negotiations through the IEU-CEPA cooperation framework, namely palm oil standardization. This research shows that to support this step, the European Union sets hard power in the form of sanctions and soft power in the form of co-optative to show its commitment to promoting applicable EU market rules. This research uses qualitative methods supplemented by primary and secondary data. Primary data is generated from interviews with the Ministry of Energy and Mineral Resources and official reports. Meanwhile, secondary

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data is generated from previous research reports that have a correlation with this discussion.

Keywords: energy diplomacy, palm oil, European Union, Indonesia, IEU-CEPA

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INTRODUCTION

Climate change is one of the issues that the European Union is focusing on. Since 1950, the EU has set a target to reduce carbon emissions by 95%. This is because the EU is highly dependent on fossil energy imports. If climate change is not addressed immediately, the impacts of climate change, such as unpredictable weather, will cause fossil energy prices to rise and will disrupt *renewable energy* in the European Union. Therefore, the EU's energy policy and energy diplomacy focuses on sustainability, such as the *European Green Deal* and the *Renewable Energy Directive* (RED). *The European Green Deal* aims to make Europe a continent that can achieve carbon neutrality by 2050, by integrating policies to reduce greenhouse gas emissions and increase the use of renewable energy (Almeida et al., 2023). In addition, one of the EU's ambitious steps to achieve sustainability is to establish a RED policy that regulates the increased consumption target of renewable energy such as biofuels as part of a sustainable energy transition to reach the target in 2030 (Lorensia, 2022). To achieve these targets, the EU implements energy diplomacy in the international arena by spreading the energy norms through trade negotiations.

Palm oil is one of the commodities considered strategic for a sustainable energy transition (Anam, 2023). However, palm oil production can lead to deforestation and deforestation. This contradicts the sustainability goals set by the European Union, as deforestation caused by land expansion for palm oil farming can lead to decreased biodiversity and increased carbon emissions (Suwarno, 2019). Therefore, the European Union has set strict sustainability standards for biofuels, including palm oil, as part of RED II to ensure that only goods that meet certain environmental requirements can be sold in Europe (Lorensia, 2022).

Indonesia is the world's largest palm oil producer, with the European Union as one of its largest consumers (Suwarno, 2019). However, recently there has been a change in the European Union's standardization policy regarding palm oil, and this is a challenge for Indonesia. It should be noted that cooperation between the European Union and Indonesia has been established since 1967, and the European Union has become an important and stable third largest trading partner for Indonesia and is Indonesia's first non-oil and gas export destination country. One of the famous bilateral cooperation is IEU-CEPA, the two parties have officially started negotiations by forming the *Indonesia-European Union Comprehensive Economic Partnership Agreement* (IEU-CEPA) on July 18, 2016 (Friawan, 2022). It aims to strengthen economic relations, increase trade and investment, and build sustainable shared prosperity. The 17th round of *Indonesia-European Union Comprehensive Economic Partnership Agreement* (IEU-CEPA) negotiations that took place on February 26-March 1, 2024 in Bandung, West Java, achieved

significant progress (Sayekti, 2024). Both parties maintained positive momentum by finalizing three technical chapters, namely Cooperation on Sustainable Food Systems, Technical Barriers to Trade, and Institutional Provisions. In addition, discussions on market access were also deepened in the areas of goods, services and investment, expanding market access for Indonesian products, enhancing cooperation in the services sector and facilitating bilateral investment (Indonesian MINISTRY OF TRADE, 2024).

In the context of the Indonesia-EU *Comprehensive Economic Partnership Agreement* (IEU-CEPA) negotiations, the palm oil issue presents a significant energy diplomacy complexity with multidimensional implications. The negotiations reflect the dynamics of strategic interests between the two parties, where Indonesia fundamentally defends its production sovereignty and national economic interests in the plantation and energy sectors. On the other hand, the European Union uses the environmental regulatory approach as a diplomatic instrument to encourage strict and comprehensive sustainable production practices (Lorensia, 2022). The main challenge in the negotiations lies in aligning Indonesia's national economic interests with the environmental sustainability standards projected by the European Union. The energy diplomacy mechanism that was established required substantial compromises from both sides, taking into account the balance between economic interests and environmental commitments (Athallah, n.d., 186). The IEU-CEPA negotiation process does not only discuss the scope of commodity trade, but also includes complex dimensions of global environmental governance. The construction of energy diplomacy in this context reflects the increasingly interdependent and multidimensional transformation of contemporary international relations.

Sustainability standardization within the framework of energy diplomacy has developed into a strategic instrument that goes beyond conventional regulatory functions. The complexity of palm oil issues raises fundamental questions about how diplomacy mechanisms can accommodate economic and environmental interests simultaneously (Minangsari, 2023). The modern energy diplomacy approach requires adaptive capabilities in managing differences in perspectives between countries, especially in the context of international trade and environmental regimes. The European Union uses sustainability standardization as a *soft power* instrument to encourage the transformation of global production practices, which indirectly affects the economic structure of producer countries such as Indonesia. Negotiations within the framework of the IEU-CEPA are an important arena to demonstrate the capacity of diplomacy in aligning national interests with the global environmental regime. Thus, this dynamic shows that contemporary energy diplomacy is no longer just about commodity exchange, but

rather about the establishment of sustainable norms and practices. The implication of this approach is the emergence of a new paradigm in international relations that is more comprehensive and based on the principles of global sustainability.

THEORETICAL FRAMEWORK

Smart Power Theory

From an article written by Giulio M. Gallarotti, *Smart Power: Definitions, Importance, and Effectiveness*, *smart power* theory is a theory that provides an understanding of how to understand and use the power of a country in the international world (Gallarotti, 2014). This theory emerged due to the ineffective traditional approach where countries only rely on *hard power* such as economics and military in achieving their national interests. *Smart power* offers an "intelligent" combination of *hard power* and *soft power* such as political values, culture and mutually beneficial policies to provide more dominant influence (Gallarotti, 2014). With a good country image, countries can achieve their national interests without the need for violence, therefore Gallarotti emphasizes that *soft power* is important to form a positive image of a country in the international system. As stated by Joseph Nye in his article entitled "*Get Smart: Combining Hard and Soft Power*", *smart power* theory is a combination of *hard* and *soft power* that a country uses to achieve their national interests (Nye, 2009). According to Nye, the effectiveness of *smart power* depends on a country's capability to decide when and how to combine these two types of power according to the context (Nye, 2009). Furthermore, Nye asserts that legitimacy and efficiency are very important especially in the use of *hard power* where a coercive action will only be effective if it is considered legitimate by international organizations such as the United Nations (UN) (Nye, 2009). Furthermore, Nye sees the increasing relevance of *smart power* where the emergence of globalization and cross-border threats such as terrorism requires a flexible combination of power tools because *hard power* often cannot solve the problem while *soft power* takes a long time to show results (Nye, 2009).

In a book entitled "*Soft Power and American Foreign Policy*" (2004), Nye explains that the combination of *hard power* and *soft power* strategies is called *smart power*, which is carried out in accordance with the context that can form effective leadership (Nye, 2004). Nye also defines *hard power* as the use of orders, threats to commit violence while *soft power* is an effort to influence others to be able to process their behaviour through persuasion and attachment activities (Nye, 2004). Therefore, it can be seen that *hard power* is used to put pressure on the other party while *soft power* is used to create attraction or attraction. *Smart power* emerged as proof of the misconception that only *soft power* can implement effective foreign policy. This theory also arises from the realization that not all problems can be

solved using *soft power*. *Smart power* was then created as a middle ground of the advantages and disadvantages of *hard power* and *soft power*. To understand more about this theory, the author created a table of definitions and indicators of *smart power* theory.

Table 1. Definition of Indicators from *Smart power* Theory

No.	Indicator	Definition
1	Command	The ability of a state to dominate among other parties/states which then exerts coercion through direct orders, military force and resource management (Haider, 2019).
2	Coercion	Something a country does to stop an enemy from acting without going to war (Schettino, 2009).
3	Threat	The agenda of the actor that creates fear of the other party/country (Cohen, 1978).
4	Payment (payment)	Activities categorized under sanctions or economic incentives in the form of fines, rewards or inducements to influence other actors to follow the wishes of the country concerned (Masters, 2019).
5	Sanction	Sanctions are forms used with the aim of changing the behaviour of the other party/state such as economic sanctions.
6	Positioning	The activity of a country to assign human resources such as diplomats to influence policies in other countries (National Museum of American Diplomacy, n.d).
7	Persuasion	The activity of an actor in persuading another party so that the other party wants to follow the interests of the persuading actor (Vella, 2013).
8	Attraction	The ability of a country to influence other countries (Ohnesorge, 2020).
9	Cooptative	Efforts undertaken by a state to influence others to instinctively follow the national interests of the state concerned.

The table above explains the efforts that are the boundaries of the *hard power* and *soft power* approaches. In the table, Nye explains that indicators in the form of orders, coercive actions, threats, payments and sanctions are forms of manifestations of *hard power* while efforts to place state representatives, persuasion, attachment and co-optative are classified by Nye as forms of *soft power* approaches (Nye, 2009).

In the context of the European Union, *smart power* theory is manifested through policy coordination between member states and EU international organizations. These policies include the use of modern diplomacy, normative influence, humanitarian aid and even military action when necessary. It aims to establish fundamental values and norms such as human rights and democracy (Cross, 2011). One illustrative example of *smart power* is the creation of the *European External Action Services* (EEAS). The EEAS is considered a diplomatic innovation that builds and strengthens the EU's ability to combine *hard* and *soft power* approaches in responding to global crises. Furthermore, the EEAS helps the EU to speak with one voice in foreign policy to strengthen the collective influence of its 27 member states (Cross, 2011).

METHOD

This research uses a qualitative approach with a case study method to analyze the European Union's energy diplomacy strategy within the framework of the IEU-CEPA (*Indonesia-European Union Comprehensive Economic Partnership Agreement*). This approach was chosen because it is able to provide an in-depth understanding of the energy diplomacy relationship between the European Union and Indonesia, especially in the context of sustainability policies and strategic commodities such as palm oil. By focusing on the dynamics of this bilateral relationship, this research aims to explore the EU's strategy towards Indonesia's national interests.

This research utilized two main data collection methods, namely desk research and semi-structured interviews. The desk study was conducted by analyzing various secondary sources, including scientific journal articles, policy reports, current news, as well as official documents issued by the European Union and the Government of Indonesia. Some of the documents that became the focus of analysis were the *Renewable Energy Directive II* (RED II) and *European Deforestation Regulation* (EUDR) policies, which have great relevance in the context of energy and sustainability diplomacy. This literature study provides a theoretical and empirical basis for understanding how the European Union utilizes a combination of *hard*

power and *soft power* in advancing its sustainable energy agenda, as well as how these policies impact Indonesia within the framework of the IEU-CEPA cooperation.

In addition, this research also involved semi-structured interviews with Tomy Nanda Aditias and Erlangga Martin, as representatives of the Multilateral Cooperation Bureau of the Ministry of Energy and Mineral Resources (ESDM) of the Republic of Indonesia. These interviews were designed to elicit information directly from government parties involved in bilateral relations with the European Union, particularly in the context of energy cooperation. The selection of interviewees was based on the strategic role of the Multilateral Cooperation Bureau of the Ministry of Energy and Mineral Resources as the main liaison in Indonesia's energy diplomacy in international forums. Semi-structured interviews allow flexibility in exploring the views and experiences of the interviewees, thus providing in-depth insights that complement the findings from the literature study.

In the interview, several questions were asked to understand more about the EU's energy diplomacy strategy and Indonesia's response within the framework of the IEU-CEPA. The following are the core of the interview questions that will be asked to the interviewees:

1. What are the most prominent *policy tools* used by the European Union in implementing energy diplomacy through the IEU-CEPA framework?
2. Are there any EU sustainability values that Indonesia should adopt in its energy and raw materials governance?
3. How do EU regulations, such as EUDR and RED II, affect Indonesia's energy policy, and how does Indonesia respond to these pressures in the context of IEU-CEPA cooperation?

Results from these interviews were analyzed descriptively and combined with data from the literature study to generate a more comprehensive understanding. A triangulation approach was used to increase the validity and reliability of the research by comparing findings from multiple sources. This triangulation enabled the identification of patterns, relationships and differences in the EU's energy diplomacy strategy and Indonesia's response, thus providing a clearer picture of the dynamics of bilateral relations within the framework of the IEU-CEPA.

This research limits the scope to the bilateral relationship between the EU and Indonesia, focusing on energy and sustainability diplomacy. The main highlight is the RED II sustainability standard, which directly affects Indonesia's palm oil exports and is an important part of the IEU-CEPA trade negotiations. In addition, the research limits the area of analysis to the policy's impact on the energy sector and Indonesia's policy response to EU regulatory pressures, such as RED II and the European Union Deforestation Regulation (EUDR).

The theoretical approach used is *Smart Power*, which combines *hard* and *soft power*. The EU's hard power is reflected in regulations such as RED II that are coercive, while *soft power* is seen in efforts to dialogue policies and promote sustainability values. This theory is used to analyze how the EU influences Indonesia's energy policy through a combination of regulatory pressure and value promotion. As such, this research focuses on the EU's strategy in implementing energy and sustainability diplomacy, as well as Indonesia's response in navigating the pressures and opportunities arising from this bilateral relationship. Clear boundaries ensure the analysis remains relevant to the context of the bilateral relationship within the framework of the IEU-CEPA

DISCUSSION AND ANALYSIS

EU Energy Diplomacy: Standardizing Sustainability-Related Strategies Through Rule of Laws

The European Union was established as a "*community of law*," that is, a community built on respect for the rule of law and the fundamental rights that are the foundation of the European Union, as stated in *Article 2 of the Treaty of European Union* (TUE) (Ioannides, 2022). In this case, EU law has a higher standing when compared to national laws, and has a direct effect on member states. As such, it demonstrates the importance of mutual trust between the countries and their interrelated legal systems (*rule of law*). In line with its internal principles, the rule of law is not only considered a fundamental value that unites member states within the EU's constitutional framework, but is also used as a foreign policy method that can touch on a wide variety of sectors (Pech, 2012). In this context, the EU continuously strives to improve the promotion and application of the rule of law in all aspects of its actions abroad, both through increased cooperation with partner countries, international organizations, and civil society, as well as by building new partnerships that are able to adapt to the dynamics and challenges that continue to evolve in the international arena (Ioannides, 2014).

In the context of EU foreign policy, there is a significant emphasis on sustainability, with the energy sector being a particular focus. The EU's sustainable energy policy aims to reduce negative environmental impacts, which includes reducing greenhouse gas emissions and protecting ecosystems. However, these policies often conflict with the use of palm oil, which has long been associated with environmental damage, such as deforestation and loss of natural habitats. The demand for biofuels, including palm oil-based ones, is increasing as the EU aims to reduce dependence on fossil fuels and meet emission reduction targets (Khatiwada et al., 2021 in Suling, et al, 2023). In response to this challenge, the European Union formulated the

Renewable Directive Energy (RDE) to ensure that biofuel production, distribution and consumption are carried out in a sustainable and environmentally friendly manner (Pradhana, 2020 in Suling, et al, 2023). This policy was first introduced through The Directive on the Promotion of the Use of Biofuels or Other Renewable Fuels for Transport (2003/30/EC), which aims to reduce the impact of fossil fuel combustion and support a greener biofuel industry (Chunyuan Li, Heerad Farkhoor, and Rosanne Liu, 2018; Searchinger et al., 2018 in Suling, et al, 2023).

After the launch of RED I, the European Union issued the RED II policy on March 13, 2019 as an effort to improve and refine the previous policy. Through this policy, the European Union designated palm oil as a high-risk and unsustainable renewable energy raw material based on the *Indirect Land Use Change* (ILUC) scheme (Zainurrahmi et al., 2020). The *Renewable Energy Directive II* (RED II) policy officially came into effect in January 2021, replacing previous guidelines with stricter regulations to support renewable energy. One of the most controversial aspects of this policy is the EU's decision to *banned* the use of palm oil as a feedstock for biofuels, especially those from Indonesia (Puspa, 2023).

The labeling of palm oil as an unsustainable biofuel commodity is due to its significant potential to drive deforestation and *indirect land-use change* (Stiadi, 2020 in Suling, et al, 2023). For example, much land in Kalimantan is utilized for oil palm plantations, making the region highly vulnerable to deforestation (Astuti et al., 2022 in Suling, et al, 2023). The ban aims to protect areas with high carbon stocks from damage caused by land use change for biofuel, bioliquid or biomass production. With the implementation of the RED II policy, palm oil-based biofuel products, especially from Indonesia, are officially banned from use and removed from the EU market because they do not meet the standards of their renewable energy program (Sihotang & Sihotang, 2022 in Suling, et al, 2023). These products will also not count towards the renewable energy quotas of EU member states if they continue to be used (Rahayu & Sugianto, 2020).

In line with the RED II policy that emphasizes the importance of sustainability, the *European Union* has also enacted the *European Union Deforestation Regulation* (EUDR). This regulation aims to ensure that products consumed by EU citizens do not contribute to global deforestation or forest degradation (Smeru, 2023). On 6 December 2022, the Council and Parliament of the European Union reached an interim agreement on proposals to minimize the risks of deforestation and forest degradation associated with products imported or exported to and from the European Union. This new regulation, known as the *EU Deforestation Regulation* (EUDR), aims to strengthen the EU's position as a leader in deforestation-free supply chains (Council of Palm Oil Producing Countries, 2023). The EU has been a

pioneer in sourcing and using *Certified Sustainable Palm Oil* (CSPO) that meets certification standards such as the *Roundtable on Sustainable Palm Oil* (RSPO). By 2021, 93% of EU palm oil imports will be certified sustainable, of which 67% will be RSPO Segregated certified, meaning the palm oil can be traced back to the land of origin (Council of Palm Oil Producing Countries, 2023). The EU's demand for CSPO is largely met by large producers who are able to meet strict requirements on sustainability and traceability.

On June 29, 2023, the European Union began enforcing the *EU Deforestation-Free Regulation* (EUDR), which bans products linked to deforestation (Council of Palm Oil Producing Countries, 2023). The regulation requires parties importing or exporting potentially forest-degrading commodities to or from the EU market to prove that the products do not originate from recently deforested land or have contributed to forest degradation. Commodities most associated with deforestation include cocoa, coffee, palm oil, rubber, soy and timber. Sanctions for violating this regulation include confiscation and banning of non-compatible products from entering the EU market, as well as fines that can reach 4% of total annual turnover in the EU (Mai, 2024). As such, Indonesia, which collectively accounts for 85% of the world's palm oil production, is directly affected by the EUDR (Mai, 2024).

The sanctions given by the European Union to Indonesia have a significant impact on Indonesia's energy development. The reason is that the ban on the use of palm oil for biofuels can cause an *oversupply* of palm oil in the domestic market (Dahiri & Nasution, 2018). This is evidenced by the 46% *over supply* of palm oil in 2018 (Dahiri & Nasution, 2018). This could lead to a decline in Indonesia's palm oil industry, which in turn could impact the economy and sustainable energy development (Dahiri & Nasution, 2018).

Thus, RED II and EUDR have the main similarity in emphasizing the importance of sustainability, so the core of the policy value propagated by the European Union is standardization in terms of sustainable energy. Based on *smart power* theory, this policy reflects the application of hard power through sanctions, such as banning, confiscation, banning non-compatible products, and imposing fines. This shows that when *rule of law* methods aligned with EU foreign policy are not applied, the EU tends to adopt a hard power approach in the form of sanctions, as described in Joseph Nye's *smart power* theory, where the application of *hard power* includes coercive measures such as sanctions. Wilson (2018) supports this view by asserting that hard power approaches are often realized through the use of material aspects, including economics, with sanctions as one form of coercive action aimed at changing the behavior of the other party. An example of the application of sanctions in RED II is the prohibition of the use of palm oil as a raw material for

biofuels, especially those from Indonesia, because it is considered not meeting the standards of the European Union's renewable energy program and, therefore, is prohibited from use and removed from the European Union market. Meanwhile, under the EUDR, sanctions for regulatory violations include confiscation, banning non-compatible products from entering the EU market, as well as fines that can reach 4% of total annual turnover in the EU.

Formal Energy Negotiations as an EU Energy Diplomacy Tool

Basically, the IEU-CEPA framework is one of the ways in which the EU conducts energy diplomacy with the tool of formal energy-related negotiations. In this framework, standardization of energy and raw materials is the main topic. One of the objects of such standardization is palm oil. The European Union's (EU) energy diplomacy efforts to Indonesia through palm oil standardization can be seen as part of a strategy to achieve sustainability and carbon emission reduction goals. Here are some key points on how the EU uses formal energy negotiations (palm oil standardization) as a tool in energy diplomacy:

1. Implementation of Palm Oil Standardization Policy

The European Union has implemented the Renewable Energy Directive II (RED II), which sets standards for the use of biofuels, including palm oil (Suling et al., 2023). This policy aims to increase the use of renewable energy and reduce dependence on fossil fuels. By setting strict standards, the EU encourages Indonesia to improve sustainability practices in palm oil production. In this case, sanctions and cooptation are indicators used by the EU to ensure that Indonesia is able to follow the rules set by the EU, namely RED and EUDR. The EU's stance of boycotting Indonesian palm oil is clear evidence of the EU's use of *hard power*. In this case, the sanctions are given to change the behavior of other parties/countries.

The EU's stance of rejecting Indonesian palm oil products has had a considerable impact on Indonesia. This is because the European region is one of Indonesia's largest markets for palm oil (Dahiri & Nasution, 2018). The standardization applied by the EU forces palm oil producers in Indonesia to adapt to more environmentally friendly practices so that the production system in Indonesia complies with the standards set by the EU (Dahiri & Nasution, 2018). This includes reducing deforestation, protecting biodiversity, and improving farmers' welfare. As such, the EU has a role to play in driving reforms in the development of energy and energy feedstocks in Indonesia. Finally, the high demand for Indonesia to implement a sustainable framework has led to an increase in sustainability standards in the palm oil production process through *Indonesia Sustainable Palm Oil* (ISPO) (Ministry of

Trade, n.d.). Although no specific agreement has been reached regarding palm oil standardization between Indonesia and the European Union, ISPO has slowly been able to keep up with RED and RSPO set by the European Union (Ministry of Trade, n.d.).

2. Encouraging Bilateral Cooperation

The EU's energy diplomacy also involves cooperation between the EU and Indonesia in terms of technology and investment. In formal energy negotiations conducted through the IEU-CEPA cooperation framework, the EU offers technical and financial support to help Indonesia meet the sustainability standards set (Matin, 2025). Such support creates opportunities for both parties to collaborate on renewable energy development. Within the framework of the IEU-CEPA, such cooperation is one of the EU's focuses in Indonesia. Within the IEU-CEPA framework, the EU often emphasizes its willingness to meet Indonesia's needs in creating a sustainable system. This is shown by the EU through its attitude that often offers technology that Indonesia does not have (Matin, 2025). In addition, the EU often voices its willingness to provide technical assistance, especially for the creation of *development centers* that can support Indonesia to adopt the values recognized by the European Union. This step is a manifestation of the European Union in positioning itself as a *global leader* in energy governance and *climate change*. This is in accordance with the character of EU energy diplomacy which leads to the function of *providing*, assisting, funding, research and investment.

3. Advocacy and Global Awareness

In the formal energy-related negotiations under the IEU-CEPA framework, the EU also plays a role in raising Indonesia's awareness of environmental issues related to palm oil production. Through its campaigns and initiatives, the EU can influence public opinion and encourage policy change in Indonesia. In this case, the EU is trying to create an understanding that with strict standards in place, palm oil products that meet sustainability criteria will have better access to the European market (Dahiri & Nasution, 2018). This can increase the competitiveness of Indonesian products in the global market, while encouraging producers to invest in more sustainable practices. Within the framework of the IEU-CEPA cooperation, the European Union is trying to create an active communication flow between the two parties through the *mechanism forum*. In his presentation, Erlangga Matin as the Ministry of Energy and Mineral Resources team that deals directly with IEU-CEPA cooperation explained that the European Union emphasized the importance of establishing a *mechanism forum* that is used to clarify the uncertainties that exist between the two parties (Matin, 2025).

Within the framework of the IEU-CEPA cooperation, discussions related to palm oil standardization continue. IEU-CEPA is the framework used to accelerate Indonesia-EU diplomacy related to the standardization of Indonesian palm oil (Indonesian Ministry of Agriculture, 2024). In the IEU-CEPA cooperation framework, the European Union shows a flexible attitude. Although the EU has specific policies related to energy and raw materials, the EU does not necessarily force Indonesia to adopt these policies. In this cooperation framework, both parties are aware of the gap between ISPO and EUDR. In response to these conditions, the EU maximizes its efforts by acting to control the implementation of the standards set by Indonesia. This is shown by the EU through its willingness to go to the field to see firsthand the implementation of palm oil governance based on ISPO (SPKS, 2025). The flexible attitude of the European Union in responding to the gap between the standards set by Indonesia and the standards applicable in the European Union illustrates the active negotiations that occur between the two parties. This is also confirmed by Erlangga Matin's explanation that Indonesia will not necessarily adopt all standards set by the European Union regarding palm oil standardization (Matin, 2025). Under these conditions, the European Union shows its cooperative attitude in negotiating with Indonesia.

In the framework of IEU-CEPA cooperation, the diplomacy process is carried out through the *government to government* level. However, the role of the private sector is not necessarily eliminated by the European Union. The role of the private sector in the energy diplomacy process carried out by the European Union is focused on activities prior to the implementation of diplomacy (Matin, 2025). These conditions illustrate the conventional policy tools used by the European Union in conducting energy diplomacy. In his publication *Energy Diplomacy Revisited. In Energy and Climate Diplomacy*, Katrandzhiev explains that there are four conventional policy tools that an actor can use, namely launching energy-related projects, conducting political consultations, conducting formal energy-related negotiations, and conducting energy policy dialogue (Katrandzhiev, 2020). The European Union's move to conduct diplomacy at the government-to-government level provides a clear picture of the use of formal energy-related negotiations as a tool used by the European Union in conducting energy diplomacy. In this case, formal negotiations between governments can be carried out in bilateral or multilateral formats. In the negotiation process, the private sector acts as a supporting entity (Andrian, 2023).

In the end, energy diplomacy conducted by the European Union through the IEU-CEPA cooperation framework succeeded in encouraging Indonesia to slowly follow the market rules that the European Union had promoted. The sanctions imposed by the European Union on Indonesia became the starting gate for Indonesia to

further strengthen standardization related to Indonesian palm oil production. This condition is based on the strong dominance of the European Union in the international market. Thus, to ensure the sustainability of palm oil as an energy commodity, Indonesia is required to follow the standards provided by the European Union (Dahiri & Nasution, 2018). The EU's efforts to ensure standardization in Indonesia do not only involve sanctions. However, it is also supported by the EU's efforts to cooperate through the IEU-CEPA framework.

CONCLUSION

There are four main components to look at diplomacy, especially in energy diplomacy, including actors, methods, tools, and objectives. In the context of EU energy diplomacy, the main actors involved are *government-to-government* relations, where the private sector plays a more dominant role in the policy preparation and planning stages, prior to the implementation of diplomacy. The European Union uses the rule of law approach as a basic principle in its foreign policy, by adopting standards and regulations that apply domestically and then imposing these rules on partner countries through diplomacy and international agreements. The application of the rule of law reflects the EU's consistency in maintaining the rule of law, not only in domestic policy, but also in influencing other countries' energy policies to comply with their sustainability principles. One of the main instruments used in EU energy diplomacy is the energy negotiation format, which includes the standardization of commodities such as palm oil. In this case, the EU requires producing countries, such as Indonesia, to meet certain sustainability requirements through policies such as the Renewable Energy Directive II (RED II) and the EU Deforestation Regulation (EUDR), which regulate the use and trade of biofuel products with strict requirements related to sustainability and reduced deforestation. The objectives of these policies are in line with EU initiatives that focus on energy independence and the promotion of transparent and sustainable market policies in producer and transit countries. Through this framework, the EU not only focuses on regulating its domestic energy sector but also seeks to drive transformation at the global level by ensuring that energy producing countries adopt policies that support sustainability, reduced deforestation, and the transition to renewable energy.

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