

Transparency, Greenwashing and Political Economy of Natural Resource Governance in East and West Java's Extractive Industries

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ABSTRACT

This study analyzes the complex interconnections among greenwashing practices, transparency levels, and political economy dynamics in natural resource governance within the extractive industry sector of East and West Java. While crucial for the national economy, this sector frequently hosts environmentally damaging and socially detrimental practices. Addressing the critical issue of deceptive corporate environmental claims and governance deficiencies, this study aims to explore how greenwashing, often misused in sustainability reporting and linked to CSR corruption, flourishes within this context. It also examines the significant transparency challenges, including policy dissonance, bureaucratic complexities, and limited public participation, despite initiatives like EITI and mining permit digitalization. The research investigates how political economy dynamics—characterized by power imbalances, rent-seeking, and local oligarchy—fundamentally shape governance. Findings indicate that greenwashing thrives in environments with low transparency and strong political-economic control, where short-term profit incentives overshadow genuine sustainability. Therefore, this report advocates for a holistic approach, recommending strengthened anti-greenwashing regulations, enhanced transparency and accountability mechanisms, comprehensive resource governance reform, civil society empowerment, and economic diversification to achieve more equitable and sustainable development.

1. Introduction

The extractive industry sector in Indonesia, encompassing mineral mining, oil, and gas, plays a pivotal role in the national economy. Its contribution to the Gross Regional Domestic Product (GRDP) and job creation is substantial, particularly in resource-rich provinces such as East Java and West Java (Firmansyah et al., 2023). However, beneath this narrative of economic contribution, intensive natural resource exploitation harbors a paradox of development: the potential wealth from resources frequently culminates in complex environmental and social challenges, even exacerbating inequality (Auty, 2001; Collier & Goderis, 2012). Empirical evidence demonstrates that extractive activities cause severe land degradation, water and air pollution, and landscape alterations with long-term impacts on ecosystems and local community health, as observed in cases in

Bojonegoro and Pasuruan in East Java, and Cianjur in West Java (Kosolapova et al., n.d.; Amran et al., 2020).

In the context of increasing global awareness regarding sustainability and climate change, companies in the extractive sector face growing pressure to adopt more environmentally and socially responsible business practices (Carroll & Shabana, 2010). Ironically, responses to this pressure are often insubstantial, leading to the phenomenon of greenwashing: a practice where companies endeavor to create an environmentally friendly image without genuine commitment or substantive practices (D. T. Mahoney et al., 2023). This phenomenon not only misleads the public and investors but also theoretically erodes market trust in sustainability claims and impedes progress towards genuine sustainable development (Lyon & Maxwell, 2011). Empirically, greenwashing practices have been observed in corporate sustainability reporting in Indonesia, often masking a lack of compliance or even indications of corruption within their corporate social responsibility (CSR) programs, a problematic area requiring deeper analysis (Solechan et al., 2024).

Effective and sustainable natural resource governance theoretically relies heavily on the principles of transparency and accountability as pillars of good governance (Kaufmann & Kraay, 2025). Transparency, within this framework, ensures that information regarding the operations, impacts, and revenues from the extractive industry is available and accessible to the public, enabling meaningful oversight and participation (Pafadnam, 2024). Accountability, conversely, ensures that governments and corporations are held responsible for their decisions and actions (Fung et al., 2024). However, in the empirical reality of Indonesia, particularly within the extractive sector, a significant gap exists between the normative principles of transparency and their implementation. The absence or weakness in these two pillars, frequently observed in mining permitting or oversight processes, creates substantial loopholes for greenwashing, corruption, and unsustainable resource exploitation, ultimately detrimental to community welfare and environmental integrity (Ott, 2023).

Despite the widespread recognition of the importance of transparent and responsible natural resource governance, its implementation in the extractive industry sector of East Java and West Java continues to encounter various structural and institutional obstacles. A crucial research gap lies in the lack of an integrated analysis that systematically connects these three complex phenomena—greenwashing, transparency, and political economy dynamics—within the Indonesian sub-national context. While previous research has explored greenwashing from marketing or accounting perspectives (L. S. Mahoney et al., 2024), or transparency in governance (Ningrum et al., 2025), and political economy dynamics in the resource sector (Hadiz, 2024), there is no comprehensive study that explicitly examines how insufficient transparency and the dominance of oligarchic actors and rent-seeking practices empirically facilitate greenwashing in the regional extractive sector.

The novelty of this study lies in three dimensions. First, theoretically, we construct an analytical framework that explicitly integrates greenwashing theory with natural resource governance theory (including transparency and accountability) and political economy theory (oligarchy and rent-seeking), demonstrating how they mutually reinforce in creating suboptimal governance. Second, empirically, this study provides an in-depth case analysis in East Java and West Java, two economically significant extractive provinces with limited integrated studies on these phenomena, thereby offering rich and specific contextual evidence. Third, we not only identify the existence of greenwashing or a lack of transparency but also causally elucidate how political economy dynamics, particularly power imbalances, the phenomenon of oligarchy, and rent-seeking practices by local elites and corporations, systematically create conditions conducive to greenwashing and inhibit genuine transparency at the sub-national level. Thus, this research aims to bridge this gap by providing a holistic understanding of how these factors collectively shape natural resource governance outcomes, ultimately contributing to the formulation of more effective and equitable policy and regulatory interventions.

2. Method

This research adopts a qualitative approach with a multi-method literature review design, aiming to deeply analyze the interconnection among greenwashing, transparency, and political economy dynamics in natural resource governance within the extractive industry sector, focusing on East Java and West Java. Data collection was conducted through a systematic literature review of international scientific journals indexed in Scopus (Snyder, 2019) and national journals indexed in Sinta, alongside credible reports from international bodies (World Bank, UNEP, EITI) and national institutions (Ministry of Energy and Mineral Resources, Transparency International Indonesia) (Fisch & Block, 2018). This process involved identifying, filtering based on relevance and credibility, and extracting key information related to definitions, characteristics, impacts, principles, mechanisms, challenges, initiatives, power structures, and case studies. This information was then synthesized to construct a comprehensive understanding (Poth & Shannon-Baker, 2022).

The collected qualitative data were analyzed using thematic and conceptual analytical approaches. Thematic analysis identified recurring themes and patterns from the literature, while conceptual analysis built a framework illustrating the causal relationships among phenomena (Saldaña, 2024). Illustrative case studies from East Java and West Java, identified within the literature, were used to strengthen general findings regarding the interconnection of variables. Data quality was ensured by prioritizing credible sources and critically evaluating each source for objectivity and relevance, thereby allowing for traceability and clarity of argument flow for the reader.

3. Result and Discussion

This section presents the synthesized findings from the systematic literature review, highlighting the key insights derived from the analysis of academic journals and credible reports concerning greenwashing, transparency, and political economy dynamics in the extractive industry, specifically in East and West Java. The results are structured to directly address the research questions outlined in the introduction, providing empirical evidence from the reviewed literature to support the arguments.

Result

a. The Phenomenon of Greenwashing in the Extractive Industry

Greenwashing in the Indonesian extractive industry often manifests through the strategic misuse of sustainability reporting. Companies leverage sustainability reports as a marketing tool to enhance their reputation, frequently without genuine commitment to sustainable practices (Sutrisno et al., 2025). Corporate Social Responsibility (CSR) programs in the extractive sector are often perceived merely as a means to improve corporate image, lacking balanced and substantial development in social and environmental performance. This practice can involve the use of ambiguous language, irrelevant claims, and opacity in reporting to mislead stakeholders regarding actual environmental sustainability efforts (Zervoudi et al., 2025).

For instance, sustainability reports published by companies like PT Perusahaan Gas Negara Tbk (PGN) and PT Golden Energy Mines Tbk claim commitments to clean energy and a sustainable future in the mining industry (Sustainability Report PGN, 2024). PGN states its continuous adaptation and transformation to balance energy needs with environmental preservation through technological development and innovation, as well as building a low-carbon energy business (Sustainability Report IDX, 2024). Golden Energy Mines also asserts its commitment to addressing climate challenges and paving the way for a sustainable future in the mining industry. However, such claims necessitate critical analysis and independent verification to ensure they are not merely greenwashing tactics concealing less sustainable practices.

There are also contradictory findings regarding the impact of greenwashing on investors. While some studies indicate that greenwashing practices can reduce investor interest in sustainable investments (Huang et al., 2024), other studies have found that greenwashing has a significant positive effect on firm value, suggesting that the market tends to respond favorably to greenwashing in firm valuation (Xu et al., 2025). For example, PT TBS Energi Utama Tbk reported CSR initiatives including CO₂ emission reductions and revegetation. Claims like these, while seemingly positive, require independent verification to prevent greenwashing.

The phenomenon of strategically misusing sustainability reporting as a greenwashing tool highlights that these reports, which are intended to enhance transparency and accountability, can instead be misused to create a false positive image. Companies strategically select information to highlight their "green" aspects, while negative environmental and social impacts are neglected or

minimized. The implication is a need for stronger, standardized, and independently verified sustainability reporting frameworks, potentially with legal consequences for misleading disclosures, to ensure these reports are more than just marketing tools.

Furthermore, there is a connection between greenwashing and corruption in CSR programs. Indications of corruption due to a lack of transparency in the distribution of funds related to CSR programs have been observed (Fiel Kautsar, 2018). This demonstrates that a lack of transparency in CSR activities, often promoted as environmental efforts, can conceal not only environmental deception but also financial irregularities. This reveals a crucial hidden dimension of greenwashing in the extractive sector: it can serve as a smokescreen for corrupt practices. When CSR funds are not managed transparently, they can be diverted or misused, ultimately undermining genuine sustainability efforts and eroding public trust. This underscores the need for stricter oversight of CSR expenditures, particularly in industries vulnerable to rent-seeking and corruption.

b. Case Studies of Greenwashing in East Java

East Java, a province with significant extractive industry activities, provides several case studies that illustrate greenwashing practices and their impacts. One prominent case involves alleged environmental violations by PT Merdeka Copper Gold (through its subsidiaries PT Bumi Suksesindo/BSI and PT Damai Suksesindo/DSI) in Banyuwangi. The Indonesian Forum for the Environment (WALHI) has accused this company of continuously exacerbating environmental damage through gold mining activities on Mount Tumpang Pitu (Abdalla, 2024). These accusations include violations of Regional Regulation (Perda) No. 1 Year 2018 concerning the Spatial Plan for Coastal Zones and Small Islands (RZWP3K), which does not designate the Banyuwangi coastal zone for mining, as well as violations of the Disaster Management Law. The reported tangible environmental impacts include mudslides, loss of marine biota, habitat destruction, wildlife intrusion into agricultural land, water scarcity, increased pollution (soil, air, noise), and even turtle deaths. Socially, the mining conflict on Mount Tumpang Pitu has led to divisions within the community into pro and anti mining groups, creating tension, suspicion, boycotts, and even fragmentation within religious study groups (Bagus Putra Nugraha, 2017). Furthermore, environmental activists like Budi Pego and Agus Hariadi, who protested the company's activities, have been criminalized. The Governor of East Java has also been criticized for his silence and indifference to citizens' demands, and for alleged misrepresentation of authority to revoke permits, despite legal provisions granting the governor such authority (Abdalla, 2024).

Another relevant case is the sand and stone (*sirtu*) mining on the slopes of Mount Penanggungan, Pasuruan Regency. This activity has caused severe ecosystem damage, the expansion of critical land leading to recurring floods, loss of land cover, threats to water availability, erosion, river sedimentation, increased landslide risk, and declining groundwater levels (Fitri & Akbar, 2017). Mount

Penanggungan is also a cultural heritage site threatened by these activities. There are at least 80 Mining Business Permits (IUP) for sirtu mining in Pasuruan, most located in the Rejoso watershed area, not including numerous illegal mines. Residents feel disturbed and believe these mining activities are counterproductive to the village's status as a tourist destination. The lack of community participation in the permitting process is also a concern, as residents were never asked for their opinions or consent (Moses, n.d.). As a historical example of the massive impact of the extractive industry, the Lapindo mudflow case in Sidoarjo, East Java, ongoing since 2006, has caused severe damage to homes and villages, with women being the most affected, facing sexual violence by security forces and administrative issues that restrict their children's access to public schools (JATAM, 2025).

The alleged greenwashing in these cases serves as a smokescreen for severe environmental and social externalities. WALHI's accusations against PT BSI/DSI and the impacts on Mount Penanggungan demonstrate serious environmental degradation (landslides, pollution, ecosystem damage, water crisis) and social problems (criminalization of activists, community division, loss of livelihoods). This indicates that greenwashing in the extractive industry is not merely about misleading marketing; it is a deliberate strategy to obscure or downplay significant environmental and social impacts. This allows companies to continue destructive practices while maintaining a facade of sustainability, thereby avoiding accountability and regulatory oversight. The criminalization of activists further indicates efforts to suppress dissent and control the narrative, preventing true transparency.

The interaction of local governance weaknesses and corporate power is also evident. In the Banyuwangi case, the Governor was criticized for "silence and indifference" and alleged misrepresentation of authority to revoke permits, despite legal provisions indicating such authority (WALHI, 2024). In Pasuruan, the community was not consulted before mining permits were issued. Generally, mining companies often wield greater economic and political power than local governments (Asis et al., 2024). This illustrates a critical dynamic where the significant economic and political power of extractive companies can override local governance, leading to a lack of effective oversight and law enforcement. The inability or unwillingness of local governments to act decisively against environmental violations, coupled with a lack of community participation in decision-making, creates an environment where greenwashing can flourish, and negative impacts are externalized to local communities and the environment without adequate compensation.

PT Rolas Nusantara Tambang in Pasuruan is mentioned as having a commitment to environmental impact management and community involvement (Fehabutar, n.d.). Nevertheless, specific sustainability reports detailing CSR practices, environmental impacts, or community engagement from PT Rolas Nusantara Tambang are not directly available in the provided material, making it difficult to compare in detail with the mentioned negative cases.

Table 3.1: Case Studies of Greenwashing and Impacts in East Java

Case	Alleged Greenwashing/Violation	Tangible Impacts
PT Merdeka Copper Gold (BSI/DSI) in Banyuwangi	This situation highlights a stark contrast between purported positive imaging and demonstrable environmental degradation. Specifically, it involves violations of Regional Regulation RZWP3K and the Disaster Management Law, further compounded by an inadequate response from local government authorities.	This has led to significant ecosystem damage, including landslides, various forms of pollution, severe water crises, the loss of marine biota, wildlife intrusion into human settlements, and even turtle deaths. Furthermore, the situation has resulted in the criminalization of activists and has fueled social conflict and community fragmentation.
Sirtu Mining on Mount Penanggungan, Pasuruan	Economic imperatives versus environmental degradation: the dearth of public participation in permitting processes.	Ecosystem degradation creates a cascade of issues, from critical land expansion and increased flooding risks to a decline in water availability and heightened landslide threats. These environmental impacts directly lead to damaged infrastructure, threatened cultural heritage, and widespread public disturbances. Ultimately, such degradation is

		profoundly counterproductive to sustainable development, including the viability of tourism villages.
Lapindo in Sidoarjo	The extensive damage caused by the mudflow since 2006, shows the environmental and social externalities that are not adequately addressed by extractive industry practices. While not classic greenwashing, this case reflects a serious failure of environmental and social accountability.	Severe damage to homes and villages; women most affected; sexual violence by security forces; population administration problems.
PT Rolas Nusantara Mining in Pasuruan	Claims to be committed to environmental impact management and community engagement. However, there is no specific sustainability report detailing CSR practices, environmental impact, or community engagement directly in the data provided.	It is difficult to compare in detail with the negative cases mentioned due to the lack of data transparency. This hinders verification of commitment claims and assessment of real impacts, potentially hiding unsustainable practices.
Abuse of Corporate Power and Weak Local Governance	Mining companies often have greater economic and political power than local governments, as seen in the case of criticism of the East Java Governor in Banyuwangi who allegedly misrepresented the authority to revoke permits, or the failure to involve the community in	Governance: The inability or unwillingness of local governments to act decisively on environmental violations creates an environment where greenwashing and negative impacts can thrive without

	<p>Pasuruan in the licensing process. This allows companies to ignore local governance and leads to a lack of effective oversight and law enforcement.</p>	<p>accountability. Social: Negative impacts are displaced onto local communities and the environment without adequate compensation. The criminalization of activists (such as Budi Pego and Agus Hariadi in Banyuwangi) further demonstrates an attempt to suppress dissent and control the narrative, preventing true transparency and accountability.</p>
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c. Case Studies of Greenwashing in West Java

West Java serves as a salient case study for observing greenwashing practices by extractive companies, particularly through contradictory business diversification strategies. Companies such as Indika Energy (INDY) and Golden Energy Resources (Sinarmas Mining Group) have faced accusations of greenwashing. They achieve this by promoting electric vehicles or other "green" initiatives, despite their core business remaining heavily reliant on coal mining, frequently without significant plans for coal production reduction. Indika Energy, via its subsidiaries, manufactures electric motorcycles and asserts a commitment to net-zero emissions by 2050 (Tirto, 2023). This company aims for 50% of its revenue to originate from non-coal businesses by 2025 and has invested in sectors like fuel storage, gold mining, and renewable energy, alongside divesting some coal assets. Conversely, Golden Energy Mines (GEMS), one of Indonesia's largest coal companies affiliated with the Sinarmas Group, has expressed no intention to reduce coal production, even as its affiliates vigorously promote green initiatives. This inherent contradiction suggests that "green" claims may be more cosmetic than reflective of a fundamental shift towards a sustainable core business model.

Another illustrative example is PT Adaro Minerals Indonesia Tbk (ADMR), which has refuted allegations of greenwashing concerning its aluminum production. The company acknowledges that the power generation for its aluminum production still utilizes coal, citing that a new hydro project will only be completed by 2030. This scenario indicates a corporate strategy to defer a full transition to clean energy while

concurrently promoting products ostensibly "environmentally friendly," potentially constituting a form of greenwashing that exploits the temporal gaps in the energy transition. The centralization of mining permit authority from local governments to the central government, enacted through Minerba Law No. 3 of 2020, has significantly diminished public participation and curtailed the capacity of local governments to address environmental damage and conflicts (Tempo, 2025). This regulatory shift creates an environment where companies can operate with weaker local oversight, thereby facilitating greenwashing practices and the disregard of environmental and social impacts.

West Java also confronts a substantial problem with illegal mining. The West Java Energy and Mineral Resources Agency has identified a total of 176 illegal mining sites across 16 regencies and one city (Kompas, 2025). The prevalence of these illegal operations, exemplified by a landslide in a natural stone mining area in Cirebon, underscores weak law enforcement and oversight. This, in turn, creates an environment conducive to irresponsible and less transparent practices. Extractive companies in West Java, such as PT Gunung Puncak Salam in Bandung Regency, which focuses on Andesite mining, possess business and production operation permits (Widodo, 2023). However, specific sustainability reports detailing CSR practices, environmental impacts, or community involvement from PT Gunung Puncak Salam were not directly available in the provided material, rendering a detailed comparison with the aforementioned alleged greenwashing cases challenging.

Table 3.2: Case Studies of Greenwashing and Impacts in West Java

Case	Alleged Greenwashing/Violation	Tangible Impacts
Indika Energy (INDY)	Promoting electric vehicles and a 2050 net zero emission target, but its core business is still heavily dependent on coal mining with no significant production reduction plans.	The "green" claim may be more cosmetic than a fundamental change in the core sustainable business model. Despite investment in non-coal sectors, dependence on coal remains high.
Golden Energy Mines (GEMS) - Sinarmas Mining Group	Its affiliates are aggressively promoting green initiatives, but GEMS says it has no intention of reducing coal production.	The affiliate's "green" claims contradict GEMS' core business, demonstrating a lack of real commitment to a

		sustainable energy transition.
PT Adaro Minerals Indonesia Tbk (ADMR)	Promoting the production of “green” aluminum while still using coal to power its production. Delaying the full transition to clean energy until new hydro projects are completed in 2030.	Potentially exploiting the energy transition gap to continue relying on fossil fuels while promoting a “green” image, which could mislead consumers or regulators.
Centralization of Mining Licensing Authority (Minerba Law No. 3 of 2020)	Reduced community participation and limitations on the ability of local governments to act in cases of environmental damage and conflict.	Creating an environment where companies can operate with less local oversight, making it easier to practice greenwashing and ignore environmental and social impacts.
Illegal Mining in West Java (West Java ESDM Service identifies 176 locations)	Weak law enforcement and oversight.	Creating space for irresponsible and less transparent mining practices, such as what happened in Cirebon which caused landslides.
PT Gunung Puncak Salam (Bandung Regency)	There is no specific sustainability report available detailing CSR practices, environmental impact, or direct community engagement.	This lack of information makes it difficult to identify potential greenwashing or assess real impacts. The lack of transparency hampers corporate accountability and

		public scrutiny of their sustainability practices.
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d. d. Transparency in Natural Resource Governance within the Extractive Industry in East and West Java

The implementation of transparency in natural resource governance within the extractive industry in East and West Java faces a multitude of structural and institutional challenges. A primary impediment is policy dissonance, frequently stemming from conflicts of interest, miscoordination, and miscommunication among diverse stakeholders. This is particularly evident in the formalization of artisanal and small-scale mining (ASM), where incongruous policies significantly hinder regional development. The inherently informal nature of many mining activities, particularly ASM, directly contributes to a pervasive lack of transparency in operations and financial contributions to the state. Furthermore, the bureaucratic complexity of mining permit processes often incentivizes operators to pursue illegal avenues, thereby exacerbating transparency issues (Bimo Nugraha, 2025). The protracted, bureaucratic, and costly nature of official permitting procedures compels many operators to opt for unauthorized operations.

The substantial loss of state revenue due to illegal mining serves as a direct indicator of this transparency deficit. It is estimated that the state forfeits approximately IDR 23 trillion annually from illegal mining activities. This substantial figure underscores that these illicit operations remain unrecorded and unsupervised, consequently eliminating potential revenue that could otherwise be allocated for development. The involvement of corrupt officials, at both central and local levels, in illegal mining practices further aggravates the situation (Bimo Nugraha, 2025). The flow of illicit funds from illegal miners to officials for protection establishes a vicious cycle that is difficult to break, ultimately eroding governance integrity and impeding transparency.

Additional challenges include limitations in human resources, high reporting costs, and inconsistent regulations (Nanda & Yandari, 2024). Moreover, issues persist regarding the low quality of human resources involved in data input, which can lead to indiscipline and inaccuracies in published data. This highlights that transparency is an intricate concept, and its effective implementation is far from straightforward. Merely making information available (openness) is insufficient to guarantee genuine accountability if the information is misunderstood, misused, or if bureaucratic capacity and data security systems are weak. Within the context of the extractive industry, where information can be highly technical and sensitive, effective transparency necessitates more than simply publishing raw data; it requires contextualization, independent verification, and enhanced public literacy to ensure meaningful oversight.

Despite these myriad challenges, various initiatives have been launched to enhance transparency in natural resource governance across Indonesia, including in

East and West Java. One of the most significant initiatives is the Extractive Industries Transparency Initiative (EITI). EITI is an international standard designed to improve governance quality in the extractive sector, encompassing oil, gas, coal, and minerals, with a specific focus on the transparency of revenues and their management. EITI Indonesia has evolved to strengthen its implementation and impact, with revised standards emphasizing the quality of work plans, implementation benefits, enhanced EITI reporting, improved validation processes, and the restructuring and clarification of requirements (Yanuardi et al., 2022). While EITI encourages the disclosure of information regarding environmental impacts, the standard does not directly mandate countries to address these impacts, often maintaining a narrower focus on economic transparency. In Indonesia, the implementation of EITI-Indonesia has not yet fostered deep socio-ecological reflexivity, implying a continued limitation in reconfiguring governance in response to critical reflection on economic, social, and environmental performance.

Another relevant initiative is the Company Performance Rating Program in Environmental Management (PROPER) from the Ministry of Environment and Forestry (KLHK). PROPER serves as a key initiative to promote environmental transparency among companies. At the regional level, the East Java Provincial Government, through its Energy and Mineral Resources Agency (ESDM), has undertaken the digitization of the mining permitting system. This initiative aims to enhance transparency by streamlining the evaluation process for mining permits. This digitization is also expected to curb illegal mining practices and optimize local original revenue (PAD) (Azmi, 2024). Through the digital system, initial applications for Mining Business License Areas (WIUP) are now mandated to conform to district/city spatial planning, ensuring that applications can proceed to the operational production Mining Business License (IUP) stage. The ESDM Agency also requires companies applying for permits to possess a Mining Services Business License (IUJP) to prevent non-standard documents, high costs, and the involvement of permitting intermediaries.

These transparency initiatives, such as EITI and the digitalization of permitting, represent crucial steps toward addressing opacity and enhancing accountability. EITI, as an international standard, has historically been introduced in Indonesia with the expectation of increasing transparency and investor confidence, often driven by loan requirements from global institutions like the World Bank and the International Monetary Fund (Yanuardi et al., 2022). The digitalization of permits in East Java is a concrete effort to tackle bureaucratic issues and potential corruption within the permitting process, which directly contributed to a lack of transparency in the past. However, the effectiveness of these initiatives profoundly depends on political commitment, institutional capacity, and the active participation of all stakeholders to ensure that transparency transcends mere formality and genuinely leads to improved and accountable governance.

Discussion

Interconnection of Greenwashing, Transparency, and Political-Economic Dynamics in Indonesia's Extractive Industry

An analysis of the intricate interconnections among greenwashing practices, levels of transparency, and political-economic dynamics within the extractive industry in East and West Java reveals a strong, mutually reinforcing relationship. Greenwashing does not arise in isolation; rather, it flourishes in environments characterized by low transparency in natural resource governance and the political-economic dominance of powerful elites. Fundamentally, greenwashing practices often represent a strategic corporate response to public and market pressures concerning sustainability, frequently lacking genuine internal commitment. Corporations systematically utilize sustainability reports and Corporate Social Responsibility (CSR) programs as marketing instruments to cultivate a positive image, while simultaneously disregarding or minimizing actual environmental and social impacts. This is facilitated by inadequate transparency in operational and financial corporate information. When information pertaining to environmental impacts, CSR fund allocation, or regulatory compliance is neither open nor independently verifiable, companies can readily make misleading "green" claims without facing significant repercussions.

Furthermore, the phenomena of rent-seeking and oligarchic structures create incentives for companies to prioritize short-term profits and political connections over genuine sustainability. In a system where access to resources and permits can be manipulated through collusion with government officials, companies may perceive investing in greenwashing as a more economical and effective method to maintain public legitimacy, compared to making substantive investments in authentic sustainable practices. The pervasive lack of transparency in permitting processes and the management of extractive sector revenues further facilitates these rent-seeking practices, enabling the concealment of illicit financial flows and unethical decisions.

The imbalance of power between dominant extractive corporations and relatively weaker local governments, compounded by the centralization of permitting authority to the central government, significantly exacerbates transparency issues and allows greenwashing to proliferate. When local governments lack adequate power or capacity to effectively oversee and enforce environmental regulations, companies can operate with greater impunity. The absence of public participation in permitting decision-making processes, as observed in cases in Pasuruan, further eliminates grassroots oversight mechanisms, thereby allowing irresponsible practices to persist. This dynamic forms a vicious cycle: weak governance and high opportunities for rent-seeking incentivize companies to engage in greenwashing. These greenwashing practices, in turn, erode public trust and hinder effective oversight efforts, ultimately further weakening transparency. Consequently, the negative environmental and social impacts of the extractive industry continue, and often worsen, as evidenced in case studies from Banyuwangi and Pasuruan. The phenomenon of the "resource curse" in Indonesia, where natural wealth paradoxically leads to corruption and inequality, serves as an empirical manifestation of this complex interconnection.

Policy Implications

A fragmented approach will prove ineffective in addressing the intricate interconnection among greenwashing, transparency, and political-economic dynamics in Indonesia. To comprehensively tackle these issues, a holistic approach encompassing multi-level reforms is essential. This necessitates not merely addressing isolated aspects of the problem, but rather establishing a supportive system to achieve overarching sustainability.

One pivotal pillar of reform is the strengthening of the legal and regulatory framework. Currently, the absence of specific anti-greenwashing regulations in Indonesia means that law enforcement relies on more general consumer protection laws, which may be insufficient to adequately address the complex aspects of environmental deception. Therefore, the government must formulate more specific regulations with stringent sanctions for greenwashing practices. Additionally, sustainability reporting standards must be mandated and independently verified to ensure the validity of companies' "green" claims.

Next, enhanced transparency and accountability are absolutely crucial. While initiatives such as the Extractive Industries Transparency Initiative (EITI) and the digitalization of mining permits in East Java represent progressive steps, transparency must extend beyond mere raw data availability. Information must be presented in an easily understandable, contextualized, and independently verifiable format. It is also imperative to create mechanisms that enable the public to utilize such information as a meaningful oversight instrument. Oversight of budgets and CSR funds must also be tightened to prevent corrupt practices that harm the environment and communities.

Reform of natural resource governance constitutes another fundamental step. The existing power imbalances and the centralization of permitting authority must be re-evaluated. Local governments require revitalization with adequate authority to oversee and enforce regulations within their territories. This also encompasses enhancing the capacity of local governments to negotiate equitably with large corporations. Consistent law enforcement against illegal mining and corrupt practices is equally vital to establish justice and prevent further degradation.

Finally, civil society empowerment and economic diversification are essential elements within this holistic approach. The role of civil society as monitors and advocates must be fully acknowledged and supported, including legal protection for environmental activists against criminalization, and increased participation in every stage of natural resource-related decision-making. Concurrently, to reduce dependency on the extractive sector and address the "resource curse," the government needs to foster regional economic diversification. This entails investing in sustainable, non-extractive sectors, thereby creating more stable and environmentally friendly employment opportunities for communities.

Theoretically, the greenwashing practices observed in West Java can be understood as a corporate strategy to manage social legitimacy without undertaking significant structural changes to their core extractive business models. In this context, greenwashing transforms into a form of "symbolic compliance," where companies

superficially meet external demands without substantially altering internal practices. This aligns with legitimacy theory, where companies strive for their operations to be perceived as congruent with prevailing social norms and values. The cases of Indika Energy and Golden Energy Mines provide strong empirical evidence of this phenomenon; they project a "green" image through diversification or the promotion of specific initiatives, yet profitable coal businesses remain their primary revenue source, indicating a prioritization of economic gain over genuine environmental commitment.

The proposed holistic approach also reflects the significance of institutional theory. The failures of law enforcement and weak oversight, whether due to centralized authority or limited local capacity, indicate institutional dysfunction. In cases like illegal mining or the lack of transparency at PT Gunung Puncak Salam, the inability of formal institutions to function effectively creates loopholes for irresponsible practices. Reforming natural resource governance to empower local governments is not merely about decentralizing power but also about strengthening institutional capacity so they can effectively perform oversight and enforcement roles, which is empirically proven to be crucial for addressing environmental and social problems.

Moreover, political-economic dynamics are empirically demonstrated to be a dominant factor. The significantly greater economic and political power of extractive companies compared to local governments often creates an imbalance that enables them to dictate agendas or avoid accountability. The criminalization of environmental activists in Banyuwangi, for instance, overtly demonstrates corporate efforts to silence criticism and control the narrative, a tactic theoretically known as a Strategic Lawsuit Against Public Participation (SLAPP). This serves as empirical proof of how power can be wielded to impede public participation and maintain an environmentally detrimental status quo.

Lastly, policy reforms focused on economic diversification and civil society empowerment are theoretically grounded in the principles of sustainable development and environmental justice. Over-reliance on the extractive sector, termed the "resource curse," is empirically proven to lead to prolonged social conflicts and environmental degradation. By empowering communities through active participation and legal protection, and by directing investments toward non-extractive sectors, communities can reduce their vulnerability to the negative impacts of mining and proactively shape a greener and more equitable economic future. This represents a fundamental shift away from piecemeal approaches towards truly transformative solutions.

4. Conclusion

This study unequivocally asserts that the practices of greenwashing, challenges in transparency, and corrupt political-economic dynamics within the extractive industry sector of East and West Java constitute closely interconnected phenomena, inherently exacerbating one another. Greenwashing extends beyond mere misleading

marketing tactics; it serves as a crucial indicator of broader governance gaps and frequently functions as a façade for corrupt practices within Corporate Social Responsibility (CSR) programs. Despite commendable transparency initiatives, such as the Extractive Industries Transparency Initiative (EITI) and the digitalization of permitting processes, persistent structural challenges—including policy dissonance, bureaucratic complexity, and limited public participation—significantly impede their effective implementation.

The prevailing political-economic dynamics, specifically characterized by a power imbalance between dominant extractive corporations and relatively weaker local governments, coupled with the prevalence of rent-seeking and local oligarchies, fundamentally shape a governance landscape highly susceptible to exploitation. The shift in permitting authority from local to central government further weakens local oversight capabilities and public participation, thereby creating an environment exceptionally conducive to the proliferation of irresponsible practices. The escalating conflicts of interest and severe environmental-social impacts, as evidenced in the case studies of Banyuwangi and Pasuruan, are direct consequences of these complex interactions. Fundamentally, greenwashing thrives in environments where accountability is weak and political-economic capture is strong. The pursuit of short-term economic and political gains often overshadows genuine commitment to environmental sustainability and social justice, ultimately leading to the perpetuation of the "resource curse" rather than sustainable development.

To comprehensively address the issues of greenwashing and its impacts within the extractive industry in East and West Java, this study recommends a holistic approach. Firstly, the strengthening of the anti-greenwashing regulatory framework must be implemented through specific legislation that includes stringent sanctions, mandatory independently verified sustainability reporting, and easily accessible public complaint mechanisms. Secondly, a paramount increase in transparency and accountability is imperative, to be achieved through comprehensive permit digitalization, an expanded scope of the Extractive Industries Transparency Initiative (EITI) in Indonesia, and independent financial and environmental audits. Thirdly, natural resource governance reform is crucial, involving a review of authorities between central and local governments to empower local governments to consistently oversee and enforce laws against illegal mining and corruption. Lastly, civil society empowerment must be enhanced through meaningful participation and legal protection for activists, while simultaneously fostering economic diversification into non-extractive sectors and promoting green investments for a more equitable and environmentally friendly sustainable development.

This study provides an essential foundation for understanding the intricate interconnection among greenwashing, transparency, and political-economic dynamics within the extractive sector. To enrich scholarly knowledge and offer more precise policy recommendations, future research could focus on comparative analyses across various Indonesian provinces with differing extractive sector characteristics, aiming to identify specific patterns and factors influencing the extent of greenwashing

and the effectiveness of transparency. Furthermore, in-depth investigations into the specific impacts of newly implemented anti-greenwashing regulations, including case studies on the success or failure of enforcement, would be invaluable. The dissemination and practical application of these research findings also warrant further examination to ensure their relevance and practical impact on improving natural resource governance in Indonesia.

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