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Fuel Pricing Policy and State Intervention in Indonesia During the Global Energy Crisis: A Polanyian Perspective

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Abstract

Oil-importing countries have to choose between adjusting to the market and providing social safeguards, thanks to fluctuations in fuel prices. This article discusses the fuel pricing strategy in Indonesia during the global energy fluctuation in 2024–2025, where the government regulated the retail prices of subsidised fuels, applying Karl Polanyi's (Polanyian) concept of embeddedness and double movement, with a focus on its local governance aspect. A qualitative case analysis was conducted in Lampung Province, a logistics corridor between Java and Sumatra (with particular sensitivity to transportation costs). Primary data were collected from five purposively selected informants (transport, logistics, MSME, household and government representatives) through semi-structured interviews and analysed thematically; the results were triangulated with policy documents, budgetary and statistical reports, academic literature and media sources. The results suggest that the stabilisation of fuel prices was aimed at lessening the local consequences of global oil price fluctuations to protect purchasing power and logistical stability. It was a stop-gap measure that gave logistical certainty to local stakeholders but also raised concerns about purchasing power, subsidy allocation, oversight capacity, financial exposure and the energy transition more generally. Interpreted through Polanyi, the policy is a double movement: economic pressure for market-oriented price flexibility was countered by social and administrative demands for state-mediated protection. The article shows that fuel pricing is not merely an economic instrument but a mode of governance grounded in social protection, administrative legitimacy and long-term transition imperatives.

Keywords:
double movement; embeddedness; energy governance; fuel prices; polanyian; policy.

Introduction

The volatility of energy prices is a major challenge for public administration and has an impact on markets, fiscal policy, logistics, household welfare and public trust. For many oil-importing countries, oil prices impact more than commodity markets. These have impacts on the wider economy and add to the pressure on inflation, which limits fiscal capacity to finance social development programs (Marsudiyanto et al., 2025). Policymakers have long established this structural reliance because of dependence on imported crude. They are now caught in the difficult balancing act of affordable energy and financial sustainability (Jazuli et al., 2026; van Asselt, 2018). Higher fuel prices can also quickly feed through to transport costs, food prices, industrial output and inflation, reducing fiscal space for social protection or other public

spending initiatives. Fuel pricing is not just an economic issue, but a governance issue of administrative capacity, policy legitimacy and social cohesion.

Over the 2024-2025 period, geopolitical tensions, supply uncertainty, exchange-rate pressure and uneven post-pandemic recovery will conspire to constrain global oil markets. Together, these aggregate factors have increased the extent to which volatility has been passed through into domestic markets, imposing a trade-off on the state between its macroeconomic stability objectives and protecting poor households from sudden price shocks (Ahmad Wahyudi Zein et al., 2026). Therefore, the risk of external shocks to oil prices being transmitted to domestic economies was increased. The fundamental policy challenge for governments was to fight inflation by either fully passing international price signals to consumers or tempering them through public intervention. This is an especially important issue because in countries like Indonesia, fuel has a direct link with mobility and logistics as well as the costs of the most basic commodities.

Indonesia is one example. The country is still dependent on imported oil and its processed derivatives, although domestic energy consumption has been increasing (Renner et al., 2019). Of course fuel prices are volatile and have effects outside the energy sector. They also affect the costs of public transport, inter-regional goods, micro and small enterprises, households and the state's costs for subsidies and compensation. The framework is exposed and fuel pricing is used as a crisis management and control of governance tool. You see this sensitivity in inflation data too. The national inflation rate in April 2025 was 1.95 percent year-on-year, according to the Central Statistics Agency (BPS), while Lampung Province recorded an inflation rate of 2.80 percent in the same month.

The specific policy decision examined in this article is the government's choice to insulate the retail prices of subsidised fuels from movements in global oil prices. On the direction of President Prabowo Subianto, the Minister of Energy and Mineral Resources (Kementerian ESDM) announced that the prices of subsidised Pertalite (Rp10,000 per litre) and subsidised Solar/Biosolar (Rp6,800 per litre) would not be raised, with the stated aim of protecting the purchasing power of low- and middle-income citizens (ANTARA, 2026; JawaPos, 2026). The decision was taken while the Indonesian Crude Price (ICP) was reported at around US$106–108 per barrel, well above the US$70 assumed in the 2026 State Budget, and the Minister acknowledged that it places a significant burden on the state budget (ANTARA, 2026). In effect, the gap between the economic price and the administered retail price is absorbed by the state through subsidy and compensation spending, while the government is at the same time validating data to restrict subsidised Pertalite for high-income households (ANTARA, 2026).

This decision is directly relevant to the present study for three reasons. First, it makes the fuel price an administered price that the state deliberately sets below the market-based level, which is the kind of protective intervention that Polanyi's double movement is meant to explain. Second, it exposes the tension between protecting society and sustaining public finances that frames the policy problem outlined above. Third, because the price is fixed nationally but experienced locally, its effects depend on distribution networks, targeting mechanisms and public communication at the regional level, which is why this article asks how local actors in Lampung Province interpret it. The 2024–2025 period studied here can therefore be read as one phase of a continuing pricing stance that was reaffirmed in 2026 (ANTARA, 2026; JawaPos, 2026).

Various previous studies used some approaches to analyze Indonesian fuel subsidy policy. The fiscal and poverty consequences of a decrease in fuel subsidies. Dartanto (2013), oil shocks in the model are responded differently among countries as long as they depend on import exposure and policy responses. Energy security from the dimensions of availability,

affordability, resilience and risk management is examined by Prambudia & Nakano (2012). Recent papers have highlighted subsidy reform and equity in relation to the energy transition, these studies offer relevant insights but largely emphasize fiscal, macroeconomic or national policy perspectives (Gobel et al., 2024; Ihsan et al., 2024; Wong & Dewayanti, 2024) .

This article addresses the following research gap: the application of Polanyian perspective for Indonesia's fuel price stabilization is still limited, and its local governance dimension remains unexplored. These questions are seldom addressed in the current scholarship on national fuel pricing and its links to local actors, administrative capacity, market stabilization and social protection. Breaching this gap is crucial since fuel pricing policies are executed via local distribution networks and transport systems along with public information practices when it comes to policy implementation and public communication. This dimension is important because policy implementation is not only mediated through bureaucratic procedures, but also through public communication and citizen interpretation. Ferrer & Wulandari (2025) show that informal civic spaces can become deliberative arenas where citizens connect everyday social concerns with broader questions of policy responsibility and public accountability.

This issue can be examined with the theoretical lens of embeddedness and double movement (Polanyi, 1944). According to Polanyi, embeddedness means that markets are not external to society. They rely on legal frameworks, political power, infrastructure, social norms and institutional set-ups (Hopkin, 2017). This last aspect is particularly clear with fuel markets. Final retail prices, although priced following international benchmarks or exchange rates (official market), taxes, distribution costs and margins are also affected by concerns for welfare, public order, electoral sensitivity and administrative capacity.

The concept of Double Movement identifies the conflict of extending the market vs. social protection. As markets become dislocated by market forces, society and state respond through regulation, social policy or institutional correction (Watkins, 2017). Global oil prices have been referred to as a powerful external market force in the fuel sector. The stabilization of domestic prices is the shield defending against the speed, and volume of market transmission to everyday life.

In this regard, the ideas of embeddedness and double movement formulated by Karl Polanyi are potentially useful to fill this gap. Embeddedness draws attention to the fact that economic choices are embedded in social, political and institutional arrangements. Double movement explains the tension between market pressures and protective responses from society and the state. Applied to fuel pricing, these concepts help explain why the state may intervene not simply to reject the market, but to prevent market volatility from producing socially disruptive consequences.

Table 1. Analytical framework

Polanyian concept	Meaning in this study	Governance indicator	Evidence used
Embeddedness	Fuel prices are shaped by social welfare, fiscal capacity, institutions, and public legitimacy	Price-setting rules, fiscal buffers, regional coordination, supply monitoring.	Regulations, budget data, inflation data, official statements, interviews.
Double movement	The state limits market pass-through when global oil volatility threatens social order and welfare.	Fuel price stabilization, subsidy or compensation, public communication, logistics protection.	Policy documents, energy statistics, interview themes.

Polanyian concept	Meaning in this study	Governance indicator	Evidence used
Contradiction of protection	Short-term protection can create fiscal, distributive, administrative, and environmental trade-offs.	Budget exposure, targeting problems, leakage risk, delayed transition incentives.	iscal data, subsidy literature, interview themes, transition policy documents.

Source: Authors, 2026.

This paper studies the extent to which fuel pricing policy in Indonesia is a compromise in an effort to accelerate market adaptation, protect the interests of society and reform fiscal strategies without compromising administrative integrity. The capacity of institutions to enable collective action – the process by which groups work together to achieve common goals – is of great importance in strengthening the economic resilience of local communities. Cooperatives are a catalyst for local economic development, not only due to their organisational structure, but because their principles of operation require economic resources to be collectively managed to create jobs and build stronger communities (Ferrer et al., 2026). Lampung Province is selected as the case study in the present study because of its strategic position on the Java-Sumatra logistics corridor which is sensitive to the cost of fuel transportation. First, local stakeholders were asked to explain the reasons for fuel price stabilisation. Second, they explained its consequences. Finally, they interpreted this policy by means of Polanyi's concepts of embeddedness and double movement.

This article makes two contributions to the public administration and energy governance literature. First, it shows the interlinkage between fiscal governance, social protection and state legitimacy through the fuel pricing policy. Secondly, it makes a stronger case for viewing fuel price stabilisation as a governance strategy in itself, a lens that can be useful for analysing such policies, and one that goes beyond the economic pricing alternatives suggested by Polanyi. The following sections describe the qualitative case study method followed by empirical findings and their interpretation in a Polanyian framework and policy implications.

Method

The study takes a qualitative case study approach. A case study is appropriate because the article explores a particular policy episode within a regional context where this policy had observable impacts on transport, logistics, and small business activity (Yin, 2003). Indonesia's fuel price stabilization during 2024-2025 of period of global energy volatility. The purpose of this study is to analyze Indonesia's fuel pricing policy in the 2024–2025 period, particularly in Lampung Province. As the intention of this research is to derive a more qualitative understanding of the rationale, local interpretation, and administrative implications for such policy response through a theoretical lens this is best aligned within a qualitative case-study. The design of the case study will allow for an optimal analysis that interrelates national policy decisions with local governing processes and stakeholders' perceptions.

This case study covers Lampung Province. Lampung was chosen for three reasons. It's a transit point for Java and Sumatera through Bakauheni–Merak Crossing, the Trans-Sumatera toll road corridor, Tanjung Karang rail services and Panjang port. Second, in Lampung transport and logistics activity is quite fuel intensive, hence the fuel price fluctuations will impact freight rates, passenger fares and commodity distribution significantly. Third, data from the BPS Lampung were used to illustrate regional mobility and logistics during this period. The number of ferry passengers leaving through Bakauheni was 118,777 for April 2024 and the amount of cargo loaded through Panjang Port reached 3,113,284 tons (BPS Lampung,

2024). These characteristics make Lampung an appropriate regional case to study the implementation of national fuel policy in a local governance context.

Primary and secondary data were used in this study. Primary data were collected using semi-structured interviews with five informants. Participants were purposively selected based on their roles in the implementation of fuel policy, distribution and/or transport of fuels (both liquid and solid) or a business actors affected by fuel price change, or experiences with price changes at the household level. The respondents — local government leaders, transport actors, fuel distribution players, MSME owners and community representatives. Purposive sampling was used for the participant selection. In this case, snowball sampling was only employed post the first round of interviews to help identify other actors with pertinent operational experience. Participation was voluntary. The interviews were conducted between January 2026 and February 2026 in-person in Bandar Lampung, Lampung Province, and each interview lasted approximately 20 minutes. Names are anonymized by sector code, namely T1 for transport actor, L1 for logistics and fuel distribution actor, M1 for MSME actor, H1 for household consumer, and G1 for government actor. With participant consent, the interviews were audio-recorded and transcribed. Informants were anonymized by using participant codes to protect confidentiality, and the same codes (T1, L1, M1, H1 and G1) are used to attribute the findings in the Results and Discussion section.

Secondary data consisted of government regulation, budget papers from Kementerian Keuangan Republik Indonesia (Ministry of Finance), policy documents from the Ministry of Energy and Mineral Resources, BPS inflation statistics, oil gas statistics, articles from academic journals, news clips which were only used when media were needed to reconstruct timelines and public discussions about the issue. Keeping the distinction between primary and secondary data, interview data offered local interpretations, whilst documents and statistics offered verification context -specific criticism macro-level indicators.

Interview transcripts were analysed thematically with the help of Microsoft Excel. The themes were identified through an iterative, five-step process. First, the transcripts were read several times to become familiar with the data. Second, open coding was carried out manually by labelling meaningful segments of each transcript with short descriptive codes. Third, codes with similar meanings were grouped into categories, and these categories were compared across the five informants (T1, L1, M1, H1 and G1) to identify recurring patterns. Fourth, preliminary themes were drafted and reviewed against the coded segments and the full transcripts, then refined, merged or renamed into three finalised themes: logistics predictability, purchasing-power anxiety, and subsidy targeting and government constraints. Fifth, the finalised themes were interpreted in relation to Polanyi's concepts of embeddedness and double movement and compared with the policy documents and statistics. Analytical attention was also given to structural energy vulnerability, state-level price intervention, local socioeconomic impact, administrative capacity and policy trade-offs, which are reported in the first sections of the Results and Discussion. Polanyi's concepts were used as sensitising concepts that guide interpretation rather than as predetermined codes in the empirical coding.

To support its validity, the use of source triangulation through interviews, policy documents, statistical data and theoretical literature was conducted. Furthermore, triangulation was conducted to determine if local perceptions were aligned with policy and contextual evidence. We also kept an audit trail of coding decisions and the development process for the themes.

Table 2. Data sources and analytical use

Data source	Specific material	Analytical use
Official statistics	BPS import data, BPS and BI inflation releases, BPS Lampung transport releases	Assesses import exposure, inflation context, and regional logistics sensitivity.
Policy and fiscal documents	Fuel pricing regulations, APBN subsidy data, BPH Migas distribution materials.	Identifies administrative mechanisms and fiscal exposure.
Peer-reviewed studies and policy reports	Studies on subsidy reform, distributional effects, social protection, and energy transition.	Compares this case with existing literature and supports policy evaluation.
Semi-structured interviews	local government officials (G1), transportation actors (T1), logistics and fuel distribution actors (L1), MSME owners (M1), and community representatives (H1)	Captures local interpretations of the policy and its administrative and socioeconomic implications.

Source: Authors, 2026.

Results and Discussion

Structural Vulnerability, Import Exposure, and Fuel Price Governance

For 2024-2025, Indonesia's national fuel pricing policy is not just an average price regulation, but a response to its inherent energy vulnerability. However, the country still relies on imported oil and fuels, which consequently increases the domestic energy consumption in Indonesia, making international oil price fluctuations a big issue for the country. A case where the levels of inflation, transport costs, wages and government spending are affected by global oil prices.

This tendency is aggravated by monetary vulnerability. The budget for energy subsidies and compensation in the APBN 2025 is Rp394.3 trillion, which will be allocated for fuel, LPG, and electricity subsidies (Kementerian Keuangan Republik Indonesia, 2025a). In 2024, the realisation of energy subsidies was Rp177.62 trillion, an increase compared to the previous year (Kementerian Keuangan Republik Indonesia, 2025b). This allocation shows that fuel pricing is actually related to fiscal management. With the global oil prices rising, the administration is in a tricky dilemma as it tries to keep the prices affordable to the consumers and also ensure fiscal sustainability. This certainly renders the implementation of subsidy reforms almost impossible. Subsidy reforms have theoretical bases in the political economies of regulated markets and strong governance.

The measurement of inflation is largely made up of administrative costs and these should have an impact on fuel policy logically. In April 2025, the inflation rate in Indonesia reached 1.95 percent, while Lampung Province had a higher inflation rate at 2.80 percent (BPS Lampung, 2025). Inflation is affected by different factors but the increase in fuel prices affects transportation cost, template costs and commodity costs. The social impact of changes in pump prices in a region such as Lampung is very influenced by the level of road and port infrastructure from the central area, which increases the social effects of changes in pump prices.

Therefore, energy vulnerability is outside of the simple macroeconomic dimension. This results in fiscal vulnerabilities, problems of administrative alignment and issues of public discourse. And the potential to undermine social protection. From a Polanyian perspective this is the moment in which market discrepancies are socially absorbed, mediated by transport

costs, consumer spending, profit margins and expected governmental protections in different areas.

Table 3. Relevance of fuel pricing governance

Indicator	Governance relevance
Global oil risk	External market volatility can quickly affect policy calculations in importing economies.
Import exposure	Fuel pricing depends on global prices and exchange rate movements.
Inflation context	Administered prices were part of the inflation management environment.
Fiscal exposure	Protection through price stabilization requires fiscal capacity and budget
Lampung logistics sensitivity	Regional logistics magnify the local impact of fuel price movements.

Source: Authors, 2026.

Government's Response: State Intervention, Administrative Capacity, and Policy Evaluation

You can see the government's response as a way to keep prices high. To mitigate the social consequences of volatility, the government set regulated prices, such as subsidies and supply management, to prevent the global market from establishing local fuel prices. The purpose was to protect the markets, to keep their buying power, to keep pace with the movement of trade.

More evaluation is needed to determine the effectiveness of such an intervention. The figures show that price stabilisation gave some short term reassurance to families, transport operators and businesses. But does this mean that the strategy is addressing the other issue of energy imports? This policy was not a major success in energy governance, but a transitional period.

It required new governance frameworks in these areas administratively: budgetary allocations, monitoring of subsidised fuel transfers, coordination with fuel suppliers, public engagement, and monitoring of macro-economic conditions. These mechanisms are not only a matter of a national budgetary policy, but are also characterised by the rising cost of fuel. It also depends on the efficiency of the administrative bodies to implement national policy.

This intervention had a political and a social side. The price of fuel in Indonesia is directly tied to the government's fairness and accountability. Price stabilisation can be identified as a goal that reconciles market volatility and societal anticipations.

This is a double movement of Polanyi's. The state had to change domestic pricing under market forces, and social and administrative forces led the state toward protectionism. The state did not abolish the market, but it limited the extent to which global market volatility would infiltrate social and economic spheres in Indonesia. This suggests what might be called the Polanyian fundamental essence of the policy.

Local Translation of National Policy in Lampung Province

Lampung's role as a logistics channel connecting the supply chain between Sumatra and Java is important, making the province quite dependent on road transportation, sufficient port access, and fuel supply. Thus, there are real local consequences of national fuel prices. It affects

the cost of shipping, the cost of passengers, the availability of goods and therefore the economic stability of businesses and families."

The interview data was analysed and categorised into three regional themes: logistical predictability; concerns regarding purchasing power; and issues around targeting subsidies. The local view of the stability of fuel prices was that it gave immediate relief but created significant administrative and fiscal costs for the government. The identifiers of the participants (T1, L1, M1, H1 and G1) are provided in the Method section. The evidence supports the argument that the fuel policy is a form of social protection and administrative control.

Theme 1: logistics predictability. Informants in the transport and logistics sectors (T1 and L1) said fuel price stability helps them calculate operating costs and prevents major adjustments in fares or freight rates. This theme indicates that during the short term, fuel stabilisation promoted operational certainty in a province where transport networks are integral to regional economies.

Theme 2: purchasing-power anxiety. Fuel prices were interrelated with food prices, level of customer demand and business margin as per community and MSME informants (H1 and M1). This theme demonstrates that fuel price policy is integrated into the everyday economic life. Fuel prices were not seen only as energy prices by local actors, but rather as being related to the wider cost of living.

Theme 3: subsidy targeting and government constraints. Informants from the government and distribution sectors (G1 and L1) described the challenges to ensure subsidized fuel does not reach ineligible user. This motif shows that the protective measures are dependent on administrative competence. Price stabilisation may assist in alleviating this situation, but will continue to give rise to distributional problems without reliable data, oversight and cooperation.

The regional outcomes point to the fact that the stabilisation of fuel prices was seen as a temporary measure to relieve pressure, but it was also a policy change that would inevitably involve bureaucratic overreach. Regional stakeholders welcomed the certainty of centrally determined prices (T1, L1 and M1), but noted the limitations of targeting and oversight (G1 and L1), and dependence on the continued existence of centralised price setting. The regional data presented in this paper supports the analytical insights of the study: these data support the importance of national policy through local logistics systems and quotidian economic activities.

Theoretical Interpretation: Embeddedness and Double Movement

We can analyse the empirical results in the light of Polanyi's concepts of embeddedness and double movement. The first is obvious. The market factors, including the oscillations in world oil prices, dependence on oil imports and budget constraints, have resulted in pressures for changes in domestic prices. The second movement is on protective intervention: The government kept the price stable to avoid the social and economic risks caused by the direct market transmission system.

The case of Lampung is an interpretive case of embeddedness, where the meaning or perceptions of fuel pricing in the province is co-determined by logistics, climatic conditions (fires and floods), competing business frameworks that establish the dominance of imports over domestic production in these post-decentralization markets, household vulnerabilities stemming from the 1997 currency crises and administrative practices that local governance has often been alleged to practise. The fuel prices at the station are not really in line with the market indicators. Those become hard-wired into transport networks, distribution systems and public

expectations but also run through the legitimacy of state action. This is why adjusting prices of fuel can become a state management issue very fast.

There are also contradictions within the protective countermovement. Generalised price stabilisation can soften short-term pressures but comes at the cost of greater public expenditure, further benefits to high-consuming groups and eroded energy-efficiency incentives. So a Polanyian interpretation cannot presume that intervention is always beneficial. Instead, it locates itself by asking how the heart of protection is organised and who/what interests are being defended through it, but also asks if protection can be a catalyst for the transformation that we may need in order to realise sustainable solutions.

This contributes theoretically to the public administration literature by reinforcing the message that controlling fuel price is not just a fiscal issue. In a sense, it is governance practice in relation to legitimacy and cross-institutional coordination as well as social protection and policy communication. In this respect, the study further extends Polanyian analysis to energy governance by showing how market stabilization is (operationally) embedded into more concrete governance mechanisms.

Policy Trade-offs and the Limits of Price-Based Protection

The first of these constraints is fiscal. In the second case, prices are to remain stable despite international oil volatility — the state needs to pay part of the difference between economic prices and retail prices. More extensive subsidy and compensation expenses may provide short-term insulation from societal pressure, but they also crowd out fiscal room for other development priorities. This creates the challenge of balancing of affordability in real time with budget resilience later.

Another restriction is that of distributional fairness. Despite the evidence from several studies on Indonesian energy subsidy reform suggesting that broad-based subsidies tend to favour higher-consuming households over poorer ones – with their rationale in social protection policy terms – this has not yet change. The area of improvement here is important because a policy may successfully stabilise prices at the macro level but have unequal impact on micro-level. Equity would therefore be reinforced by more targeted protection.

Limitations in administrative capacity drive the third constraint. Good governance of fuel subsidies requires reliable data on beneficiaries, tracking purchases at the pumps, coordination with distributors and flow of information to citizens. Without these mechanisms in place, subsidy policy can risk leakages, mistargeting and public misunderstanding. This restriction is particularly important locally where national policy is administered through systems and distribution at regional levels.

The fourth limitation is temporal. Stabilization of prices is good as a cooling-off device, but does not solve the underlying and structural problem of reliance on imports and dependence on fossil fuels. Indefinite use of state intervention without reform may actually lead to repeated absorption of market shocks by the state, without any reduction in the processes which create such shocks as socially disruptive forces. In summary, the above-mentioned trends make it necessary to shift energy governance from price protection to resilience.

Socioeconomic and Environmental Implications

Fuel price stabilization has direct socioeconomic implications. At the same time, it can shield households, transport actors and MSMEs from sudden price hikes. In Lampung, it matters because the price of fuel has an impact on logistics and food delivery as well as the cost structure of small businesses. However, aggregate price stabilization can conceal

heterogeneous patterns of benefits and lessen incentives to improve efficiency in energy use across the economy.

For local businesses, established pricing produces predictable economic practices. Due to the thin margins, "Micro, small and medium enterprises tend to struggle with absorbing sudden increases in transportation and input costs. This implies that stable fuel prices can support businesses for a limited period. But this benefit has to be set against the financial and allocative costs of a full intervention.

There is also a large ecological impact." Subsidies artificially lower the cost of traditional fuels, reducing the incentive to switch, which limits energy efficiency and the adoption of renewable energy. Similarly, Wong & Dewayanti (2024) argue that the combination of fossil-fuel dependency and subsidies in Indonesia and the slow development of renewable energy should be handled separately. "The fuel price strategy should also be aligned to sustainable long-term goals and not just a short term solution.

Thus, a more sustainable governance strategy would be to combine immediate housing solutions with longer-term transitions. Part of the fiscal space released by better-targeted subsidies could then be invested in public transport systems and infrastructure deployment resources for cleaner fuels and standards as well as renewable energy, together with support measures to assist vulnerable households. This means that protection will not only be resilient to shocks in society, but will also shape many structural dependencies that signal the future.

Local transition readiness in Lampung generally relies on logistics and land transport need policy supporting the transition devices such as structured public transport, better distribution infrastructure, digital fuel monitoring and MSME reinforcements in energy price. Thus, energy transition is not only a national technological agenda but also a challenge of local governance. So energy governance should not be limited to price intervention. Cheap, fiscally sound, delivered at a targeted and sustainable level of administration. It is the main policy trade-off that emerges from this study: initial fuel price stabilization in the short term can be a reasonable goal, but as part of an eventual broader reform and energy transition path.

Policy Implications

In this light, the following two points outline the consequences of the policy. This conclusion is based on the fact that local stakeholders gave more importance to price stability, while acknowledging problems of oversight and eligibility. To optimise the distribution of subsidised fuels to the right people rather than to high consumption groups, better integration of beneficiary-level data on vehicles, fuel registries and electronic purchases with local verification systems is required.

Price intervention should be a strategic buffer, and should be implemented transparently, on a temporary basis. This is based on a financial assessment of the negative impact on the APBN in the short run due to policy failures, considering that economic prices will not be equal to retail prices. It is important to set fiscal triggers, timelines and exit strategies for stabilisation policies to avoid temporary protection becoming a lasting public financial obligation.

Policy implication 3: Improve coordination mechanism between central and local authorities. The case of Lampung shows the impact of local infrastructure, transport networks and common areas on national energy policy.Municipal authorities need better guidance on how to operate, up-to-date national data and stronger coordination with fuel suppliers and relevant national ministries.

Policy implication 4: Improve policy communication in cooperative governance. Given the highly political nature of fuel pricing, it is imperative that the public be well informed as to

the reasons for government intervention, who the beneficiaries of such protections are, how any new or eliminated subsidies will be financed, and what specific changes will be implemented. Open communication can help increase trustworthiness and counter misinformation during times of market volatility and uncertainty.

Policy implication 5: Link the energy transition with the restructuring of fuel subsidies. This is closely related to the revelation that price protections may have dulled the incentive for renewable energy and fuel efficiency. Gradual phasing out of universal fuel subsidies in favour of targeted support, improving public transport and investing in renewable energy would align fuel price measures with long-term sustainability goals.

Further research should be comparative between provinces to see whether the model of local governance in Lampung can be found in other areas that are dependent on logistics. Quantitative analysis can evaluate the effects of fuel price volatility and inflation variables to the costs of MSMEs (Micro, Small, and Medium Enterprises) at a specific point in time and public opinion on government responsibility after the subsidy allocation policies.

Conclusion

The conclusion is that the fuel pricing strategy in Indonesia for 2024-2025 is a trade-off between market adaptation and social welfare management. This policy should be seen not only as a response to the problems of oil price volatility, but as a public administration problem – fiscal vulnerability, administrative alignment, digital governance, social legitimacy and local implementation capacity.

The Lampung case empirically showed that local stakeholders prioritised fuel price stabilisation to guarantee logistics predictability, business continuity and consumers' purchasing power. These findings only add to the concerns over possible errors in subsidy distribution, the need for supervision, the financial pressures and the long dependency on government-regulated pricing. These findings suggest that the importance of ideological national fuel policy depends on the local transportation systems, business structures, and household economies within which it is enacted.

In this paper we extend the Polanyian discourse theoretically to show how fuel capture stabilises both embeddedness and the double movement. Pressure from global market volatility steered state actors towards price adjustment, while pressure from social and administrative institutional actors drove them towards protective intervention. So the policy is an example of governance through market embedded in social protection, institutional capacity and state legitimacy.

From a pragmatic perspective, it adds to the energy governance discourse by showing that fuel price reform needs to fundamentally address affordability concerns as well as fiscal sustainability, distributive equity and energy transition. Policy reform need not be limited to the dismantling of protections, but should be aimed at the establishment of support systems that are more finely tuned and administratively reliable and more in tune with the aspirations of sustainable development.

The research has limitations. Because the data were qualitative and focused on a single provincial case, the results could only be compared across regions with caution. A mixed-methods provincial comparative study of the effects of fuel prices on inflation, fiscal vulnerability, household well-being and the diffusion of renewable energy should be conducted in future research.

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