

CHAPTER I

INTRODUCTION

1.1 Background Problems

Indonesia, as a developing country, faces significant challenges in achieving sustainable development. Indonesia's rapid economic growth has been accompanied by environmental degradation, social inequality, and economic disparity. The oil and gas industry, which is an important contributor to Indonesia's economy, has been criticized for its environmental and social impacts. PT McDermott Indonesia, as a major player in this industry, has an important role to play in promoting sustainable development in Indonesia. The United Nations (UN) defines sustainable development as balancing economic growth with social and environmental factors. However, the oil and gas sector has traditionally emphasized economic expansion over social and environmental considerations, resulting in detrimental consequences for local residents and the environment.

In Indonesia, the oil and gas industry has been associated with environmental degradation, such as oil spills and gas flaring, which have adverse impacts on the environment and local communities. In addition, the industry has also been criticized for the lack of transparency and accountability in its operations, raising concerns about corruption and human rights abuses. PT McDermott, as an engineering, procurement, construction, and installation (EPCI) company, is committed to the Sustainable Development Goals (SDGs). The most significant role of SDGs in PT McDermott's program is in Goal 8, decent work and economic growth, where McDermott focuses on creating decent work and supporting inclusive and sustainable economic growth. They prioritize occupational safety and health and provide training for employees to improve skills and productivity and goal 12, the responsible consumption and production goal, where PT McDermott focuses on the efficient use of natural resources to minimize waste and reduce environmental footprint. They implement best practices in energy and water management in all their operations. rigorous waste management to ensure that waste generated from their operations is minimized and managed responsibly. This includes material recycling, waste segregation, and reduced use of hazardous materials.

Despite these challenges, PT McDermott Indonesia has made efforts to promote sustainable development in Indonesia. The company has implemented various initiatives aimed at reducing environmental impacts, such as reducing waste and emissions. In addition, the company has also engaged local communities through various initiatives, such as providing training and employment opportunities. However, much remains to be done to ensure that PT McDermott Indonesia's operations are truly sustainable. The company's initiatives, while laudable, may not be enough to address the scale and complexity of the challenges facing

Indonesia.

In this context, sustainable development is a highly relevant concept. Sustainable development emphasizes a balance between economic, environmental and social needs, to meet the needs of the present without compromising the ability of future generations to meet their own needs. In Indonesia, the implementation of sustainable development requires collaboration between the government, the community, and the private sector. CSR initiatives undertaken by PTMI include various programs that aim to reduce negative impacts on the environment and improve community welfare. These programs include waste management, energy conservation, environmental education, local community empowerment, and renewable energy development. Nonetheless, the effectiveness and sustainability of these initiatives need to be evaluated to ensure that the programs are delivering the expected benefits.

This research aims to explore the role of PT McDermott Indonesia in promoting sustainable development in Indonesia through a case study of social and environmental responsibility initiatives. The study will assess the extent to which PTMI's CSR initiatives have successfully supported sustainable development goals, identify challenges faced, as well as provide recommendations for future improvements. As such, this study is expected to make a meaningful contribution to the development of more responsible and sustainable business practices in Indonesia.

Through this research, the author would like to highlight the importance of private sector involvement in sustainable development efforts and provide concrete examples of how PT McDermott Indonesia is working towards achieving these goals. The results of this study are expected to serve as a reference for other companies in developing and implementing effective CSR initiatives, as well as for policymakers in formulating policies that support sustainable development.

1.2. Research Question

1. How is the implementation of PT McDermott Indonesia's programs in supporting the Sustainable Development Goals (SDGs)?

1.3. Research Objectives

1. To identify the strategies implemented by PT McDermott Indonesia in supporting sustainable development.
2. To Analyze the impact of PT McDermott Indonesia's strategy on the achievement of sustainable development goals in Indonesia.

1.4. Theoretical framework

14.1. Sustainable Development Concept

Sustainable development is a development process that can maximize the natural resources provided. Sustainable development also means development that can meet the needs of the current generation without jeopardizing the health and safety of future generations just to meet their own needs. This means that economic development always utilizes natural resources and allows future generations to continue the development that has been carried out today (Bappenas, 2022). In 2015, the United Nations (UN) adopted the 2030 Agenda for Sustainable Development, which includes 17 Sustainable Development Goals (SDGs). The SDGs are designed to be a global "roadmap" to address the major challenges facing the world, including poverty, inequality, climate change, environmental degradation, peace, and justice. The SDGs replaced the Millennium Development Goals (MDGs) that ended in 2015. [ptsmi, 2022] They cover economic, social, and environmental aspects, and are often associated with sustainability principles involving three main pillars

1. Economic Aspects: Focus on stable and sustainable economic growth and the development of economic sectors that do not damage natural resources. This includes the wise use of resources to improve human well-being. Create stable and inclusive economic growth that not only benefits the present but can also support future economic development.

2. Social Aspects: Relates to social justice and improving people's quality of life. Sustainable development seeks to reduce poverty and improve access to education and health services. Improving people's quality of life and well-being by ensuring social justice, and equitable access to education, health, and economic opportunities.

3. Environmental Aspects: Ensuring that any social and economic actions do not harm the environment. This includes the protection of biodiversity and sustainable management of natural resources. Manage and protect natural resources and keep ecosystems functioning properly, so as not to damage or deplete existing resources for future generations.

The Sustainable Development Goals (SDGs) are a set of 17 goals developed by the United Nations (UN) to address global challenges, including poverty, inequality, climate change, environmental degradation, peace and justice. PT McDermott, as a company operating in the energy construction sector, can contribute to the achievement of the SDGs through various initiatives and programs that are aligned with these goals. The SDGs are expected to help achieve better and sustainable development goals and improve the quality of life of the people. [bakrie, 2023]

Development that is carried out sustainably can make life welfare increase. That welfare is one of the concepts of sustainable development. In addition to this concept, there are still other concepts that are carried out such as development that can reproduce renewable

natural resources, or maintain the quality of human life both now and in the future. The next concept is to make the best use of natural resources so as not to be wasteful and damage the environment. The last concept is to manage natural resources well which can be used in the future.

PT McDermott Indonesia, as an industrial company, has contributed to the economic and social development of Indonesia, especially in Batam City. In the context of sustainability development theory, PT McDermott Indonesia has played an important role in improving the quality of life of the community and reducing the unemployment rate in the region. The Influence of PT McDermott Indonesia's Investment on the Economic Growth of Batam City After the Implementation of Special Economic Zone 2010-2011 shows that the company's investment has increased the number of local workers, reduced the unemployment rate, and improved community welfare. This is in accordance with the principles of sustainable development theory that prioritizes the development of human resources and improves the quality of life of the community.

1.4.2. Corporate Social Responsibility

Corporate Social Responsibility (CSR) theory is a concept that refers to the moral and social responsibility of companies for their impact on the environment and surrounding communities. CSR theory will help in understanding how the company carries out its social responsibility and contributes to sustainable development. Corporate Social Responsibility (CSR) theory refers to the responsibility of companies to contribute to sustainable social and economic development and improve the welfare of the communities around them. [NISP, 2023] CSR focuses not only on financial returns but also on the social and environmental impacts of a company's activities. In the context of PT McDermott Indonesia, the company implements CSR through various programs that aim to empower communities and support sustainable development in the energy sector in Indonesia. [Nilhasanah, 2018]

The main purpose of CSR is to build a good relationship between the company and its stakeholders, maintain the company's reputation, and make a positive contribution to society and the environment. By doing CSR, companies not only fulfill their social obligations, but can also increase customer and employee loyalty, and create long-term value. Community Empowerment Program: PT McDermott Indonesia implements CSR programs that focus on community empowerment, including education and skills training. [Christha, 2023]

CSR and sustainable development are closely linked as both aim to create a long-term positive impact on society and the environment. Companies that practice CSR generally make

various efforts to reduce negative impacts on the environment, such as reducing carbon emissions, managing waste responsibly, and using resources efficiently. CSR also often involves programs that aim to improve community welfare, such as education, health, and community empowerment programs. Not only that, CSR encourages companies to contribute to sustainable economic development by creating jobs, providing training, and supporting local businesses. This is in line with sustainable development goals that prioritize inclusive and sustainable economic growth.

Environmental Impact: The company is also committed to reducing negative environmental impacts through sustainable and eco-friendly practices in its operations. This includes wise management of natural resources and efforts to minimize waste.

Community Engagement: PT McDermott Indonesia strives to involve the community in the planning and implementation of CSR programs. This is important to ensure that the programs are in line with the needs and expectations of the local community, as well as to build a good relationship between the company and the community.

Evaluation and Improvement: Through analysis of the planning, implementation, and evaluation of CSR programs, PT McDermott Indonesia strives to continuously improve the effectiveness of its programs and adjust to the social and economic dynamics that exist in the community.

These CSR theories help to understand how PT McDermott Indonesia runs its CSR programs and how these programs contribute to the sustainable development of the energy industry sector in Indonesia. There are several examples of PT McDermott Indonesia's CSR programs that are in line with CSR theories is skills development programs for local communities, education and training programs for employees, greenhouse gas emission reduction programs, energy conservation programs, and waste treatment programs.

1.5. Research methodology

1. Type of research

This research uses a descriptive qualitative method. The qualitative method was used to understand more deeply the role of PT McDermott Indonesia in promoting sustainable development in Indonesia, as well as to collect more specific and detailed data. Qualitative research is intended to understand the phenomena experienced by research subjects by means of descriptions in the form of words and language in a special context by utilizing various kinds of scientific methods. The research procedure in this way becomes a form of research aimed at describing existing phenomena, so that descriptive qualitative research in this study aims to explain the data systematically, in detail, completely and in depth to answer the problems

studied by the author.

2. Type of data source

The type of data source used in this research is the type of secondary data source. Data collection using this type of data source is by utilizing written materials (documents) as data sources, this research data is obtained from official documents or reports published by books, journals, scientific papers, articles in print media, writings on the internet and from various online media.

3. Data collection technique

The data collection technique is a method used by the author to collect data. Data collection is a step to make it easier to organize research to be systematic. The data collection technique used by the author can use the method through library research. The author collects the data obtained then the author selects and reduces the data that can be used in this research. The data collection techniques used have provided data that the author considers appropriate and accurate in this research. The data collected from the results of the research were analyzed with steps, namely how to work with data, organize data, sort the data into units, and make conclusions. In the next stage, the data that has been reduced and categorized is then analyzed by the author. The results of linking data and using concepts are then presented in Chapter III, namely the results and discussion chapter. The results of this study discuss the role of PT McDermott in promoting sustainable development programs in Indonesia. Then the author also provides a discussion of what the impact of the sustainability development program is on Indonesia.

1.6. Hypothesis

Despite having implemented various programs and initiatives aimed at supporting the Sustainable Development Goals (SDGs), particularly SDG 8 (decent work and economic growth), SDG 12 (responsible consumption and production), and SDG 13 (climate action), it has not yet achieved significant impact in terms of achieving these SDG targets. This is due to several factors, including the temporary nature of the jobs created, limitations in training programs that do not include holistic skills development, as well as major challenges in reducing the environmental impacts of company operations. In addition, efforts in adopting green technologies and reducing carbon emissions are still at an early stage and have yet to yield meaningful results. Therefore, despite PT McDermott Indonesia's commitment to support the SDGs, the implementation and impact of their programs still require significant improvement to truly make a substantial contribution to the Sustainable Development Goals.” This hypothesis highlights the efforts made by PT McDermott Indonesia and acknowledges their commitment to the SDGs, but also clearly identifies weaknesses and limitations in the

implementation of their programs. This hypothesis focuses on the various aspects that cause the company's role in supporting the SDGs to not achieve significant impact, thus providing a basis for further analysis in the research.

1.7. Systematization of writing

Chapter 1: Introduction

This section explains the general context of the research topic, including why the topic is interesting and important to research and it consists of background, theoretical framework, and research methodology.

Chapter 2:

PT Mcdermott Indonesia's role in promoting sustainable development

This chapter will further discuss what PT McDermott company is engaged in, explain the history of this company existence in Indonesia and what programs are provided to the company to support SDGs in Indonesia policies and programs in a company and the hypothesis that can be formulated to explore the company's contribution to sustainability

Chapter 3: Conclusion

In this chapter, the author will discuss a summary of the main findings. This section confirms the contribution of the research to existing knowledge and emphasizes the main points to be conveyed in order to better understand the objectives of the PT Mcdermott Indonesia program and recommendations for the company development.