ABSTRACT

This study evaluates the effect of environmental, social, and governance (ESG) disclosure on firm value, with competitive advantage serving as a mediator within energy sector companies listed on the Indonesia Stock Exchange (IDX). Motivated by a valuation paradox during the commodity boom, this quantitative observation employs panel data regression (path analysis) and the Sobel Test on a purposive sample derived from secondary Bloomberg data Indonesia Stock Exchange (IDX).

Empirical results demonstrate that ESG disclosure fails to exert a significant positive effect on either firm value or competitive advantage. Conversely, fundamental operational competitiveness significantly drives firm value and mediates the ESG-valuation relationship through a negative transmission. This counterproductive indirect effect confirms that sustainability initiatives disrupt market valuation as long as they operate merely as compliance reporting burdens and remain uninternalized into operational efficiency.

Theoretically, this study reinforces the resource-based View (RBV), proving ESG only creates wealth when transformed into strategic capabilities. Practically, it is imperative for energy sector management to shift green initiative orientation from mere external obligations toward fundamental instruments of competitive advantage creation.

Keywords: *ESG Disclosure, Firm Value, Competitive Advantage, Mediation, Resource-Based View, Energy Sector, Indonesia Stock Exchange.*