



BP response to the Tangguh Independent Advisory Panel Second report on Tangguh LNG project November 2003

The Need for Substantial and Tangible Benefits in the Near Term

We share the Panel's viewpoint that the level of expectations of benefits from the project has been increasing and will continue to do through construction. Managing these expectations in a manner that fully recognizes the impacts of the project on the affected communities and peoples while at the same time maintaining the boundaries of BP's responsibilities where the company can reasonably and beneficially be expected to have direct involvement is the primary challenge of the Community Affairs Field Team.

The pace of development and the delivery of benefits must be in line with the pace of the development of the project. Achieving this balance has been difficult especially in the face of the massive expectations.

One of the core principles of the project has been that the communities must and can only ultimately be responsible for their own development. BP as a company can act as a catalyst for that development and support the process, but to be the driver of development will only result in a relationship based upon dependency that is not sustainable.

The local community must also have the ability to absorb and take ownership of the development assistance that is provided by the company. Developing that ability has been a major objective of the company. We are also investing in developing capacity for civil society which will ultimately take the lead in local development.

These processes take time and are not always seen as tangible benefits by the local community, but without which a sustainable process of development could not be achieved. Our specific comments to the recommendations are listed below.

- **As the construction phase of the Project approaches, BP's community development activities will need to move more from planning and dialogue to provision of benefits in the areas of health, education and infrastructure.**

A broad range of programming has been put into place during the first half of 2003. Additional programming is being developed with USAID, UNDP and other local partners. The programming emphasizes participatory development planning and implementation with an emphasis of creating local ownership of the development process.

BP cannot take the place of the government which has the primary responsibility for the development of health, education and local infrastructure. The Papuan provincial government has received significant increases in revenue from the central government to speed up development in these areas. As part of its Integrated Social Strategy (ISS) the Tangguh project is assisting with the provision of, for example health services including malaria prevention, water treatment and education. BP understands the importance of these benefits to the communities and the programmes are designed to supplement rather than substitute for basic welfare that should be provided by the government. The ISS is specifically designed to strike a balance between the sometimes massive expectations of the communities and the need to help them develop in a viable and self-sustaining manner, without becoming dependent on external assistance.

- **Continue to work in partnership with USAID, UNDP, and DFID toward long term sustainable growth and local government capacity building in the Bird's Head region.**

The partnerships are continuing to be strengthened. This includes the assignment of a full time field coordinator in Papua to support the activities of the Diversified Growth Strategy. This is being done in partnership with the UNDP and supports the provincial and Bird's Head district governments.

The Bird's Head Alliance with includes USAID and DFID is well developed. The primary focus of the joint and aligned programming is to build capacity in local government and civil society to promote long-term sustainable development. BP continues to serve as a catalyst for these activities spurring both the government and the donor community towards greater activity.

The partnerships have reduced duplication of effort through increased coordination with a variety of Bird's head partners. This results in greater donor efficiency and allows BP to leverage its efforts for the best results.

- **Encourage and support measures to promote sustainable and diverse economic development in the Bird's Head region, and focus particularly on the potential benefits of a micro-finance program.**

We agree on the potential benefits of a micro finance programme. This and any programme must be demand driven and meet both needs as well as the capacity of the community to absorb the assistance.

A strong micro-finance program will start with a micro-savings program that encourages and rewards saving. This will lead to the development of a local investment culture and then form the basis of a micro-loan programme.

Several assessments have been done or are in process that will serve as the basis for long term programming and development of human capacity.

- **Provide increased tangible benefits to the north shore communities in order to rectify perceived imbalances regarding allocation of benefits between the north and south shore communities of Bintuni Bay.**

The Project acknowledges the perceived imbalances regarding the allocation of benefits among the north and south shores. The benefits that a particular community receives are dependent upon the impacts that the project has on that community over the course of the four phases of the project. This analysis is described in great detail in the Tangguh Integrated Amdal, the environmental and social impact assessment which has been approved by the central government. It is anticipated that as more funding is released and additional projects commence the perceived imbalances will diminish. Opportunities to redress real or perceived imbalances will be kept under review.

All of the Directly Affected villages receive the same benefits which are detailed in the Amdal. The communities of Tanah Merah and Saengga receive additional compensation for assets and livelihood lost due to the resettlement of the village.

- **Develop a sound working relationship with the Regent and other government officials at the new district capital of Bintuni.**

BP acknowledges the importance of this relationship and is working to establish a long lasting and sound relationship.

- **Utilize BP's skills in finance to work with the GOI and multinational lenders to determine the viability of possible financing mechanisms to smooth out and bring forward the flow of revenues to Papua.**

BP has engaged both the central government and the multi-lateral lenders on this issue. As with all programmes it must be demand driven. Work to build local capacity in budgeting and planning has already begun and will serve to provide a basis for any possible future financing.

Security

- **Continue the dialogue with the TNI and the regional military commander as well as the regional and local police authorities to implement community based security and seek an**

understanding of the specific responses to handling any security problems that may arise during construction or production.

The dialogue with military and police authorities is continuous and comprehensive. The dialogue also includes civil society and government and most importantly the local community in which we operate. Together these elements form the basis of a responsible security regime.

- **Explore promptly with BP Migas and the regional police authorities the form and scope of support BP should provide for community based security pursuant to the Memorandum of Understanding between BP Migas and the national police.**

We have invited both parties to a comprehensive working discussion of this issue.

- **Provide support only through BP Migas, and only for facilities or equipment that are consistent with the standards set out in the Voluntary Principles on Security, the United Nations Universal Declaration of Human Rights, and other international standards relevant to human rights and the provision of security.**

This is the policy of the Tangguh project and is consistent with BP corporate policy.

- **Specify in writing the precise services that BP will provide for security and identify standards of performance to which the police are expected to adhere**

Tangguh project management has met to discuss and coordinate this policy and has developed a coordinated approach to address this issue with the Police and BPMIGAS. Any agreement and the standards to apply will be in writing and adhere to BP corporate policy.

- **Closely supervise and monitor BP's security contractor to ensure that the private security force is properly trained, complies with BP's Code of Conduct and the standards of the Voluntary Principles on Security.**

BP Tangguh will maintain a continuous presence (site security coordinator) at all major sites and a supervising representative at the base camp to maintain quality control standards over the security contractor and all other contractors. All providers of the security are required to sign and abide by BP's Code of Conduct for Security providers developed as part of our commitment to the Voluntary Principles on Security and Human Rights.

Mitigation of Construction Activities

- **Develop a specific plan to respond to any violations of BP's policies and standards by its contractors.**

The Project recognizes the need for consistent behaviors and values to be expressed by all contractors and sub-contractors and the role of BP in providing clear guidelines as to what is expected by everyone engaged in the Tangguh Project execution phase.

- **Ensure that all contractors and subcontractors are monitored effectively by the EPC contractor and BP.**
- **Ensure that all subcontractors under the EPC are fully aware of BP's Code of Conduct and its policies applicable to community relations and workforce hiring and management, and consider including in all subcontracts provisions for rewarding outstanding performance and imposing sanctions for violations of these requirements.**

The Project agrees that reward and sanction procedures and a monitoring process are key element in demonstrating and delivering a common set of values for the Project.

The Project will ensure that, prior to contractor engagement a series of kick-off meetings and workshops will be held and that an induction programme will be implemented to foster sub-contractor alignment and compliance with the policies.

Contractors are required to comply with the regulatory social and environmental commitments made in the AMDAL. The Project will monitor performance and it is through this process that compliance to the standards will be enforced.

Training and Employment of Papuans

The Project is committed to developing Papuans and embedding them in the organisational structure of the Operation: during the execution phase these Papuans will be engaged in "on-the-job" training in LNG facilities and offshore operations. At the time of this response the Project is engaged in developing an LNG training programme in LNG operations with PT Badak, the operator of the Bontang LNG Facility. There are 29 Papuans, mostly post-graduate engineer calibre individuals, engaged in the current programme.

In March 2003 BP was awarded the operator role in Tangguh and the project has been developing an operations organisation. Current plans are to recruit more Papuans for the LNG and offshore operation.

The complexities of operating major hydrocarbon processing facilities are such that competency levels need to be grown over several years and the Project is undertaking training programmes for the development of the Papuans in these operating roles.

The Project will employ Indonesian nationals and expatriate staff who possess the necessary skills and competencies to manage the LNG facilities and to ensure that there is a natural transition of Papuans into senior positions in the facilities operation and into the facilities operation management structure.

The Project is working with Papuan educational institutions to encourage them to train Papuans for careers in technology based businesses such as BP.

- **Monitor and enforce the contractual commitments of BP's contractors and subcontractors to recruit, train and employ Bintuni Bay villagers and other Papuans.**

The Project is committed to providing one job per household for the Directly Affected Villages and this commitment will be monitored. Additionally, the Project will enforce the contractual obligations to recruit, train and employ Bintuni Bay villagers and other Papuans and maintain appropriate records to demonstrate delivery of the commitment.

Specifically, the contractor for the provision of security guards is aware of and has agreed to this commitment. The eighty two guards currently employed are all Papuans. Approximately half of them were recruited from within the Bintuni Bay area and the remainder from within the greater Bird's Head area. They have received both basic and advanced training.

Other workers in the Babo Base Camp, employed by contractors, received training from BP which enabled them to meet the job qualifications for employment. All of the partners in the conservation program also adhere to these commitments.

- **Ensure that contractors and subcontractors institute procedures to protect employees' rights and follow international labor standards for any employee dismissals.**

BP is committed to Papuan employment in the Project and, commensurate with skills competencies, expects to see Papuans employed at all levels in the construction and operations phases of the development. It is a Project expectation that people are treated fairly and with dignity at all levels.

- **Review pursuant to ILO standards all proposed dismissals of Papuan workers.**

The Project seeks to comply with all applicable Indonesian law and all BP's internal policies and to ensure that its contractors do likewise. In so doing, the Project believes that it will comply with the relevant requirements of the ILO Convention on Termination of Employment.

- **Undertake measures to safeguard and enhance the fishing livelihoods of local villagers, such as modernization of the fishing fleet for those DAVs whose fishing will be affected by the construction of Tangguh facilities.**

- **Encourage and support the establishment of a Bintuni Bay fisheries management plan aimed at the long term protection of the livelihoods of local villagers, the fish stocks and the environment.**

A Bintuni Bay Fishery Health Assessment has been contracted and is underway. This is a multi-year, multi-seasonal study being conducted by Papuan and international fisheries experts. The assessment will:

- **provide BP with the necessary insurance policy for future misplaced fishery decline claims against BP in the event of a serious fish stock decline;**
- **provide a comprehensive baseline from which a locally-owned management plan framework and approved bay management plan can be created and implemented and results measured in partnership with government and other stakeholders.**

Public Information

- **Strengthen BP's public information effort and underlying structure.**

A Tangguh Communications Unit has been created for the specific purpose of effectively communicating information about the project and its policies to its many and diverse stakeholders. The unit is professionally staffed with Indonesian nationals who have extensive experience in communicating through multiple media.

- **Seek a broader audience for BP's communications regarding its goals, programs and benefits, and to the extent possible, engage directly with the people of the region.**
- **Undertake measures to improve the effectiveness of BP's local communications regarding Tangguh, such as dissemination of information in Indonesian and the use of plain language and bullet points for ease of understanding.**

We acknowledge the importance of effective communications and the need wherever possible to communicate directly with stakeholders in the region. The vast and rugged geographical expanse of the region and the lack of communications infrastructure makes this difficult.

We are in the process of developing radio programming that will enable project information to be disseminated to a wider audience within Bintuni Bay and the Bird's Head region. Other communications materials are also being developed to communicate project information in a manner that is easily understood and commensurate with local levels of education and comprehension.

The Community Affairs Field Team (CAFT) will continue to play a vital role in disseminating project information around the Bay. Twelve additional team members have been hired and trained from local Bintuni Bay communities assist in this effort.

- **Invite journalists and other opinion makers to see first hand the tangible benefits of Tangguh.**

We agree with this recommendation and will increase the frequency and scope of domestic and international journalists as well as regional and national opinion makers visits to the project area.

Environment

- **Continue to support partnerships with environmental organizations and AID agencies to protect the environment of Bintuni Bay, particularly preservation of critical mangrove forests.**

BP will continue to support local involvement in the development of a management plan for the Bintuni Bay mangrove proposed reserve, through technical advice, strategic partner support and leveraging of new funds and other resources from existing and new partners.

BP is partnering with USAID and NGO partners to facilitate the development of a Bintuni Bay management plan. This 3 year effort will:

- **increase community involvement in the plans scope and development;**

- **increase human capacity in decision making for the plan's development;**
- **link this effort to the regional spatial planning effort committed to in the Diversified Growth Strategy;**
- **increase the transparency of health of the fishery and its sustainable yield; providing a baseline from which to monitor and improve local community access to the fishery.**
- **Support the development of a fisheries management plan for Bintuni Bay, including a current baseline of existing stocks.**

The Bintuni Berau Bay fishery health assessment will:

- **provide BP with the necessary insurance policy for any future mis-placed fishery stock decline claims against BP;**
- **provide a comprehensive baseline from which a management plan framework and final bay management plan can be created;**

Transparency

- **Work with BP Migas and other Indonesian and Papuan authorities to encourage full and clear publication of all revenue flows relating to Tangguh to clarify the implementation of the revenue sharing provisions of Special Autonomy.**

We acknowledge and understand the importance of transparency regarding the revenue flows of the project and will work with our partners and others to progress transparency. Transparency is one of the core values of the Integrated Social Strategy that was insisted upon by Papuan stakeholders.

Relocation of Tanah Merah

- **Address promptly any problems that arise in connection with the relocation and resettlement of Tanah Merah villagers.**

The project is committed to meeting or exceeding international standards on involuntary resettlement. We have two resettlement managers in rotation providing full-time coverage to insure that the resettlement program is implemented and monitored in a manner consistent with those standards. They are assisted by a team of development experts.

The overall resettlement effort is monitored by an international Resettlement Advisory Panel. The panel is composed of Dr. Michael Cernea and Dr. Ayse Kudat leading world experts in resettlement. An Indonesian national expert on resettlement will be added later this year.