

**TANGGUH INDEPENDENT ADVISORY PANEL**

**FOURTH REPORT  
ON  
TANGGUH LNG PROJECT**

**MARCH 2006**

## TABLE OF CONTENTS

|       |   |    |
|-------|---|----|
| I.    | Summary and Principal Recommendations .....         | 1  |
| II.   | Political/Security Developments.....                | 9  |
| III.  | Overview.....                                       | 14 |
| IV.   | Construction and Employment .....                   | 18 |
| V.    | Security and Human Rights .....                     | 22 |
| VI.   | Delivery of Near Term Benefits .....                | 26 |
| VII.  | Coordination and Support for Local Government ..... | 29 |
| VIII. | Revenue Flow to the Region.....                     | 32 |
| IX.   | Environment.....                                    | 36 |
| X.    | Public Information .....                            | 38 |

## **I. Summary and Principal Recommendations**

The Tangguh Independent Advisory Panel (“TIAP”) was established by BP to provide external advice to senior decisionmakers regarding non-commercial aspects of the Tangguh LNG Project (“Tangguh” or the “Project”). The Panel is chaired by former U.S. Senator George Mitchell and includes Lord Hannay of Chiswick from the U.K., Ambassador Sabam Siagian from Jakarta and the Reverend Herman Saud from Jayapura. The Panel is charged with advising BP on how Tangguh can achieve its potential as a world-class model for development, taking into account: the Project’s effects on the local community and the environment; its impact on political, economic and social conditions in Indonesia generally and Papua in particular; and its evaluation of Indonesia and Papua “country risk.”

This is the Panel’s fourth report. The first three reports, submitted in September 2002, November 2003 and February 2005, respectively, are available, together with BP’s responses, from the Panel or on BP’s website.<sup>1</sup> In November 2005, the Panel took another extensive trip to Indonesia visiting the LNG site, villages in Bintuni Bay, the town of Babo, the new district (“*kabupaten*”) capital at Bintuni, and the cities of Jayapura and Jakarta. The Panel again met with a wide variety of Indonesians, including many villagers and leaders in Directly Affected Villages (“DAVs”) on the north and south shores of Bintuni Bay; officials from Bintuni and Babo; government officials in Sorong and Jayapura; ministers as well as other government officials in Jakarta; NGOs from Manokwari, Jayapura and Jakarta; the Regent and faculties of the Cenderawasih University in Jayapura; representatives of donor agencies, including the U.S.

---

<sup>1</sup> BP’s website is [www.BP.com/tiap](http://www.BP.com/tiap). Communications directly with the Panel can be made by e-mail to [TIAP@Tangguh.net](mailto:TIAP@Tangguh.net).

Agency for International Development (“USAID”) and the World Bank; and BP contractors on the Project.<sup>2</sup> The Panel utilized independent legal counsel, and was again given complete access to all information it requested and total independence in its inquiries and its findings. The conclusions and recommendations in this report are those of the Panel alone.

Now that the Project has been sanctioned by BP and construction has begun, leaders throughout Bintuni Bay, Papua and Jakarta have begun to see its enormous significance to the region and to Indonesia generally. There remain uncertainties, some unrealistic expectations and tensions among some of the people most directly affected, but the Panel can see increasing consensus, particularly among local stakeholders, that Tangguh has the capacity to benefit the communities of Bintuni Bay and Papua generally and is already beginning to do so.

Benefits from BP’s program are already evident at each of the DAVs and at Babo. Projects at DAVs include health clinics; clean water wells and filtration facilities; new schools and education facilities and support; church and mosque improvements; and new boardwalks and jetties.<sup>3</sup> At Babo, the upgraded airstrip and renovated pier have lead to increased commercial activity and local procurement; and, at Tanah Merah as well as in Onar and Saengga, there has been the construction of new homes and facilities. These projects and the beginning of construction activity at the LNG site have employed significant numbers of Papuans and have procured substantial materials and services from Papuan businesses.<sup>4</sup>

---

<sup>2</sup> A list of all individuals and entities consulted by the Panel over the period of its work since 2002 is included at Appendix 1.

<sup>3</sup> Appendix 2 summarizes the community action projects in each of the DAVs. These projects are selected by the village each year. The projects undertaken in 2005 are noted.

<sup>4</sup> A breakdown of employees by place of origin is included at Appendix 3.

It is important to remember that there are no major population centers near the Tangguh site and there are no roads connecting the towns and villages around Bintuni Bay or any road leading to the site.<sup>5</sup> The Bay is considered by environmentalists to be one of the world's most diverse marine ecosystems. Yet it is by no means untouched. Although there are fewer shrimp trawlers operating in the Bay this year because of the reduction in operations of one of the major Indonesian operators, there remain shrimp processing facilities on the shore, as well as logging sites, palm oil plantations and sago tree nurseries in the surrounding areas.<sup>6</sup>

Of course, the biggest change in the area this year is the LNG site itself. It is a massive construction project, far larger than anything preexisting in the Birdshead region. Most of the 335 hectares at the site have been cleared, with thousands of trees carefully piled and marked in segregated areas for possible future use.<sup>7</sup> Huge earthmoving equipment is operating throughout the site, using highly trained workers, to rearrange more than 5 million cubic meters of soil to suit the contour needs of the LNG storage and processing facilities. Large dredging operations and pier construction are underway at the water's edge, where an exclusion zone has been established to avoid accidents. Modular housing, dining and recreation facilities are already installed for many of the 5,300 workers expected onsite at peak construction in 2007. Thus far, the safety record at the site is excellent; BP's Engineering, Procurement and Construction

---

<sup>5</sup> There are proposals for new roads that would connect Sorong, Manokwari, Bintuni and Fak-Fak.

<sup>6</sup> In fact, the Panel saw several aging trawlers that were grounded or otherwise not operational, presenting what could become a serious environmental problem.

<sup>7</sup> The area cleared is only a portion of the 3266 hectares of the entire site, the perimeter of which is being secured with fencing. The remainder of the site -- approximately 2900 hectares -- will be preserved as a natural buffer.

(“EPC”) contractor made clear to the Panel that safety is the most important priority for all employees.<sup>8</sup>

The Panel again considered BP’s activities in relation to the most respected current global norms that establish best practices for projects in developing countries, which continue to evolve. These include the Universal Declaration of Human Rights; the U.N. Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights; the OECD Guidelines for Multinational Enterprises; the International Labor Organization Convention Concerning Indigenous and Tribal Peoples in Independent Countries; the World Bank Operational Directive with respect to indigenous peoples; and the US-UK Voluntary Principles on Security and Human Rights (the “Voluntary Principles on Security”).

The Panel does not review every aspect of BP’s compliance with Indonesian and local law, but has considered BP’s obligations under the AMDAL and the Land Acquisition and Resettlement Action Plan (“LARAP”). In the Panel’s meetings with local, regional and national governmental officials, there was no suggestion that BP is not abiding by all its legal obligations, including its commitments under the AMDAL.<sup>9</sup> Moreover, in its review of BP’s performance, the Panel has reviewed BP’s obligations under the LARAP and found that it is fulfilling these commitments.

Many officials with whom the Panel met expressed the desire that the Project move forward as early as possible. No one asked that the Project be delayed. The Panel understands

---

<sup>8</sup> A more detailed analysis of issues regarding construction and workforce is in Section IV below.

<sup>9</sup> There have been claims that BP has not met its obligations under traditional (“*adat*”) customs. The LARAP concludes that BP has followed the Regulation of the Minister of Agrarian Affairs 5 of 1999 and the Special Autonomy law, which make clear that *adat* customs should be respected wherever possible, provided that they are consistent with Indonesian law.

that under the present schedule the first “train” at Tangguh will likely be operational by late 2008. Commercial contracts with Fujian LNG Terminal in China, Posco and K-Power in Korea, and Semptra in the United States are sufficient to go forward with two full LNG trains. Additional trains on the same site are possible and the infrastructure to accommodate them is being put in place. Current contracts call for production through 2034, but it is possible that operations will continue after that date.

Serious issues still confront the Project, particularly the continuing tensions between north and south shore communities; political and fiscal implications, including those from the division of the province of Papua; cooperation and coordination with local and provincial officials; and the effectiveness of communication with affected communities. On these points and others, the Panel makes the following specific recommendations, each of which is described more fully below.

### **Overview**

- **The feeling of unfair treatment of north shore villages has not yet been successfully addressed. As a priority, BP should work with the *Bupati* in Bintuni to establish a program in which BP can play a role in support of north shore housing, electrification or other infrastructure improvements, which should help to rectify perceived unfairness.**
- **BP, working with its EPC contractors, should establish procedures that seek to identify capable Papuan workers for training and advancement to higher skill level jobs with longer term prospects. In addition, greater efforts should be made by BP and its contractors to increase purchases of local goods and services.**
- **Despite several innovations, improved communication within the Bintuni Bay area of the Project’s activities must remain a priority. It is critical that the people most affected by the Project understand its commitments and its progress toward meeting them. BP should expand its use of radio and simple brochures and try new mechanisms to improve local understanding.**
- **Now that a *Bupati* has been elected in Bintuni, the Panel reiterates its previous recommendation that BP intensify its coordination with the new *kabupaten*. BP**

should establish well structured working relationships with the *Bupati* and key officials in the areas of health, education and housing. It should establish similar lines of contact with elected officials in Manokwari/Jayapura.

### **Construction and Employment**

- BP and its contractors should continue its efforts to have the LNG site function to the extent possible as a “cashless” economy. It should also endeavor to pay wages of all local employees at their villages and the wages of other employees in offsite accounts.
- BP should strongly encourage its EPC contractor to explain all rules and requirements to all new employees, including an explanation of penalties that could be imposed for violation of these rules. BP should also ensure that all elements of the workforce code of conduct required by the AMDAL are implemented by its EPC contractor; and that this code include a mechanism that allows complaints by employees alleging serious transgressions of workplace conditions or treatment to be reviewed by an independent, qualified individual with access to Tangguh management.
- BP should adopt its grievance mechanism applicable to members of the community, publicize and explain it broadly, and ensure villagers, including employees from the DAVs, that the filing of a complaint will have no adverse consequences and will, if needed, be subjected to an independent review.
- BP should continue to explain the critical safety reasons for the marine exclusion zone to local fishermen and officials, and should at the same time improve the equipment available to these fishermen to offset the disruption caused by construction and the exclusion zone.

### **Security and Human Rights**

- The training course in human rights should be required of all BP and contractor personnel involved in any aspect of security. This course should also be offered to all police personnel stationed at Bintuni, Babo or in the vicinity of Tangguh. BP should ensure that any entity involved in the training is respected and capable.
- BP should continue to emphasize the importance of the Security Field Guidelines to the new Papua Chief of Police and to any new police personnel deployed to the Bintuni Bay area. It should make clear the limitations on any material or financial support and the need for absolute transparency imposed by these Guidelines.
- The Tangguh Project Security Procedure should be improved and expanded. It should not be limited to complaints against Project security personnel; it should be publicized and explained to employees and the community; the process for



considering complaints should include a review by an individual independent from BP; and it should make clear that penalties will be imposed against any person found to have committed human rights violations.

#### **Delivery of Near Term Benefits**

- The feeling of unfair treatment of north shore villages has not yet been successfully addressed. As a priority, BP should work with the *Bupati* in Bintuni to establish a program in which BP can play a role in support of north shore housing, electrification or other infrastructure improvements, which should help to rectify perceived unfairness.
- Annual CAPs should continue beyond the construction phase to provide funding for specific projects selected by the representatives of each DAV.
- BP should work with the Bintuni *Bupati* to ensure that the educational support provided for the DAVs by the three religious foundations is properly supported and is integrated into the local government programs for education. It should also consider establishing Tangguh scholarships at Papuan universities.
- BP should continue the work of the Tangguh Community Health Unit, particularly with regard to its efforts to control or eliminate malaria and outbreaks of diarrhea in the villages; and also in addressing the problem of child malnutrition. BP also should increase its HIV/AIDS educational outreach to encompass all new workers at the LNG site and Babo base camp.

#### **Coordination and Support for Local Government**

- Now that a *Bupati* has been elected in Bintuni, the Panel reiterates its previous recommendation that BP intensify its coordination with the new *kabupaten*. BP should establish well structured working relationships with the *Bupati* and key officials in the areas of health, education and housing. It should establish similar lines of contact with officials in Manokwari/Jayapura.
- At the local level, BP should increase its consultation with the local district governments. In particular, regular meetings should be held with district officials in Babo and Aranday, providing those leaders with information about the Project and the opportunity to express their views to Tangguh management.
- BP should support USAID and other donor agencies in their programs to strengthen institutional capacity among local governments and civil society in the Birdshhead region, focusing on the development of strategic planning, financial management and budgeting capabilities.

- BP should encourage and support a follow-up to the recent assessment by the World Bank that specifically addresses finance and service delivery in the Birdshead region.

### **Revenue Flow to the Region**

- Working with the World Bank, BP should carefully monitor current and projected revenues flowing to Papua and Bintuni. It should encourage the Government of Indonesia (“GOI”) to transparently publish non-commercially sensitive projections, receipts and disbursements regarding Tangguh revenues, and should consult with the provincial and local governments to provide officials with a better understanding of the likely timing and magnitude of revenues resulting from Tangguh. It should keep under review the need to ensure that adequate benefits to the local population are delivered in the early years of the Project.

### **Environment**

- BP should make public the results of each AMDAL compliance audit conducted by the Ministry of the Environment and any other environmental reviews pursuant to any GOI or local government programs. It also should make public any actions taken to correct deficiencies.
- BP should encourage visits to the LNG site by regional or local environmental authorities and respond if any assertions in the future are made that all environmental requirements are not being met.
- BP should continue its support for the activities of environmental NGOs to preserve the ecosystem of Bintuni Bay and strengthen the environmental capacity of civil institutions in Papua.

### **Public Information**

- Recognizing that public information in Bintuni Bay is, in part, a technical challenge, BP should expand use of its new and innovative methods of communication, particularly the radio; and experiment with additional methods, such as community forums or entertaining videos on key issues.
- BP should continue to seek publication in regional and national media of articles relating to Project milestones or community development accomplishments.
- Given the highly innovative way the company has worked to ensure that the Project has met all applicable standards, BP should consider commissioning a book on the history of the Project that could be released about the time that gas production begins.

## II. Political/ Security Developments

Attention in Indonesia this past year was focused on Aceh: first, the massive world-wide cooperative rescue effort and rehabilitation following the earthquake and tsunami; and second, the government's achievement of negotiating an end to the long civil conflict with the Free Aceh Movement ("GAM") in August. Although the peace agreement may have been possible because of the tsunami, President Susilo Bambang Yudhoyono ("SBY") nonetheless got tremendous political credit for this accomplishment. The tsunami also interrupted SBY's promised reform in the first 100 days, a period when it was clear that many commitments were not going to be met.

The peace agreement with GAM is relevant to Papua for two reasons. First, it established important precedents by ending the separatist activity in Aceh, including the possible formation of local political parties; and second, it allowed the SBY Administration to turn its attention to the problems of Papua. In turn, this has created expectations in Papua that the progress in Aceh would be matched.

Immediately after the announcement of the peace accord, SBY specifically stated that "the policy for the settlement of the issue in Papua is ... special autonomy, as a just, comprehensive and dignified solution."<sup>10</sup> Despite this rhetoric, some Papuans are losing their patience since progress implementing Special Autonomy has been slow. Thus, it is the Panel's view that real action should occur promptly, or it could have adverse effects on stability.

The most divisive aspect regarding the implementation of Special Autonomy is the division of the province. SBY's predecessor, Megawati Sukarnoputri, issued a decree in January 2003 that split Papua into three separate provinces. While this was pursuant to a 1999

---

<sup>10</sup> "Indonesia Pres Vows To Solve Papua Conflict," The Jakarta Post (August 16, 2005).

law authorizing such a split, the Constitutional Court ruled that it was in violation of the later 2001 law on Special Autonomy, which required any division of the province to be approved by a new entity, the People's Consultative Assembly (“MRP”), representing the interests of native Papuans, which at that stage had not been formed. However, because the Court's authority is entirely prospective, and because the province of Irian Jaya Barat (“West Irian Jaya”) had already begun to function, the Court held that the new province was lawful and could remain in existence.<sup>11</sup> This newly formed province would include Tangguh and all of Bintuni Bay. Although this decision caused and continues to cause confusion and controversy in Papua, SBY accepted this inheritance and sought to ease tensions by implementing Special Autonomy. He traveled to Papua on Christmas Day 2004 where he announced a Presidential Directive governing the formation of the MRP. His trip, and much of the focus of his Administration, was interrupted the next day by the tsunami.

In November 2005 the MRP was finally established. This followed controversy and delay, because there were some who believed that the nomination process was producing representatives who did not truly speak for Papuans. However, the MRP is now operational, representing the interests of *adat* culture, religious groups and women throughout the entire Papua province. The Panel met with the MRP Chairman, Agus Alua, its Vice Chair, Frans Wospakrik, and a group of its members a few days after they were sworn in. The Panel was impressed with their seriousness of purpose and determination to uphold the rights of Papuans.

Also in 2005, a nationwide electoral process was undertaken, further democratizing the Indonesian government. For the first time, Provincial Governors and *kabupaten* Regents

---

<sup>11</sup> The decision, issued shortly before SBY’s inauguration, was 8-1.

(“*Bupatis*”) were elected directly by the people, making provincial and local leaders accountable to the people rather than to party leaders in Jakarta. As a result, there is now an elected *Bupati* in the recently created *Kabupaten* of Bintuni. However, in part because of the delay in the establishment of the MRP and the controversy over the legitimacy of the province of West Irian Jaya, the elections for the Governors of Papua and West Irian Jaya were postponed several times and finally held on March 10 and 11, 2006.<sup>12</sup>

Significantly, elections were to be held in both provinces on November 28th, shortly after the installation of the MRP. In fact, senior representatives of the SBY Administration informed the Panel that these elections would take place as scheduled. But the MRP strongly objected to any election in West Irian Jaya, and threatened to resign en masse if the elections went forward without allowing the MRP to exercise its legally authorized role of approving candidates for Governor as ethnic Papuans. With the intervention of Vice President Yusef Kalla, the crisis was averted, at least temporarily, and elections were postponed once again. But Vice President Kalla has publicly indicated his intention to legitimize the province of West Irian Jaya and proceed with the election of a Governor there,<sup>13</sup> while the MRP’s preference, now publicly stated, is for a unified Papua at this time.<sup>14</sup> Despite the very recent elections of governors in both Papua and West Irian Jaya, it is not yet clear what the ultimate resolution of this issue will be.

---

<sup>12</sup> The situation was complicated further by the sudden death of Governor J.P. Solassa, who served in his appointed role for five years, and was the Golkar candidate for Governor in the election. Sekretariat Bersama Golongan Karya (“Golkar”) is the political party of Vice President Kalla.

<sup>13</sup> “West Irian Jaya Still in Limbo,” The Jakarta Post (February 21, 2006).

<sup>14</sup> “Council Comes Out Against Partition of Papua for West Irian Jaya Province,” The Jakarta Post (February 18, 2006).

Most importantly for BP, these developments leave unclear whether the separate province of West Irian Jaya will be fully legitimized. Until resolved, this prolonged dispute could continue to be a major cause of distraction at all levels of government from more critical tasks such as capacity building and development.

While the political outcome remains cloudy, the SBY Administration's current intention for the economic treatment of Papua was stated to the Panel by several senior members of the government. It would include three elements: 1) one comprehensive solution for all of Papua; 2) implementation of Special Autonomy; and 3) a single economic unit with multiple administrative regions.

There would likely be two noteworthy consequences of this policy. First, Papua would be treated as a single economic unit and, thus, natural resource revenues would be distributed to the entire Papua province.<sup>15</sup> This would alleviate the Panel's past concerns that West Irian Jaya would be left initially with minimal revenues from mining and energy projects, which are primarily based in Papua province, only to be deluged with funds once Tangguh revenues begin to flow. Instead, revenue flows would be more even as West Irian Jaya and Papua province share all Papuan Special Autonomy revenues.

Second, it has become clear to the Panel through meetings with government officials, as well as from the World Bank Report, "Papua Public Expenditure Analysis: Regional Financial and Service Delivery in Indonesia's Most Remote Region" ("World Bank Report")<sup>16</sup>, that once revenues begin to flow from Tangguh, they would be distributed to the local *kabupatens* and

---

<sup>15</sup> See Section VIII, Revenue Flow to the Region, for a more detailed breakdown of how Tangguh revenues will be distributed. See also Appendix 4.

<sup>16</sup> The World Bank Report was published in October 2005 and is available on the World Bank's website at [www.worldbank.org/id](http://www.worldbank.org/id).

*kotas* (municipalities), as well as the provincial government(s). This distribution scheme would relieve the Panel's concern that the provincial government(s) alone would be given discretion to spend the majority of the revenues coming from Tangguh. It should be noted that Bintuni, as the producing *kabupaten*, should receive at least 12% of post-tax revenues, representing a sharp increase in its current budget. As discussed below, the Panel recommends that BP support the Bintuni government in undertaking capacity building efforts and in encouraging fiscal controls so it is better able to handle these substantial revenues effectively and transparently.

With respect to security and human rights, there have been several clashes this year between TNI forces and alleged separatists outside the Birdshead region, mainly in the Papuan highlands. There also have been allegations that the TNI burned 371 homes in the Puncak Jaya region of the Central Highlands and forced 6,000 villagers to flee into the jungle, where they remain in hiding.<sup>17</sup> The Indonesian government has denied these allegations. In addition, although not implemented at this time, the TNI has indicated its intention to establish one Army Strategic Reserves Command ("KOSTRAD") division in Papua and there are unconfirmed reports of other TNI deployments in the province.<sup>18</sup>

Internationally, military to military relations with the U.S. improved in several respects, a sign that the U.S. believes that military normalization will foster the reform process. In February, the U.S. restored the International Military Education and Training ("IMET") program, based on a finding that Indonesia has cooperated with the investigation of the murders

---

<sup>17</sup> See the University of Sydney report "Genocide in West Papua," Sydney Morning Herald (August 19, 2005).

<sup>18</sup> A detailed review of security and human rights issues is in Section V below.

of two Americans and one Indonesian in Timika;<sup>19</sup> in May, it restored Foreign Military Sales; and in December it waived restrictions on Foreign Military Financing. Nevertheless, some in the U.S. Congress remain skeptical of the TNI's reforms and concerned about possible TNI abuses in Papua.

### **III. Overview**

Although largely based on expectations, but partly on BP's performance to date, support for the Project both in Papua and Jakarta is broad. National leaders are determined to have the Project on line before the next general elections in 2009; regional and local officials are generally satisfied with BP's performance and look forward to the revenues, development and jobs that will flow to their jurisdictions; and NGOs, from human rights to environmental, are supportive of the opportunities for development in the region and cautiously optimistic about BP's determination to fulfill its commitments and its record so far.

Security issues and the roles of the TNI and police remain a major concern. But there is broad acceptance of BP's community based security concept, now being implemented, from all sides, including the community itself, TNI, the police, local and regional officials and NGOs. What started as a highly controversial concept, believed to be difficult to implement, has become a reality, accepted simply as part of the landscape. One of the most highly regarded aspects of the program is the almost entirely Papuan private security force being used to guard the LNG site

---

<sup>19</sup> See the Panel's Third Report submitted in February 2005 (the "TIAP Third Report"), p. 11. On January 11, 2006, suspects in the Timika shootings were apprehended in Jayapura. Antonius Wamang, who has been indicted in the U.S., and eight others were named suspects in the killings. They are expected to stand trial in Indonesia. Albert Rumbekwan, a lawyer for the suspects, said the eight men were OPM members. "They had been ordered by OPM leader Kelly Kwalik to attack TNI members near the location," he said. The Jakarta Post (January 17, 2006). Some of the suspects claim that they were "lured" by FBI agents who promised to transport the men to the United States. While Wamang admitted shooting at the convoy transporting civilians, he claimed that he saw three men in military uniforms at the scene and that he was provided with the ammunition used in the attack by an Indonesian sergeant-major. The Financial Times (January 17, 2006).



and the base camp. These recruits, all of whom undergo human rights training, have been complimented by the Minister of Defense, the Project Manager, local officials and others.

Material benefits from the Project are already apparent in each of the DAVs and the towns in the Project area. As stated in previous reports, the Community Action Projects (“CAPs”), which are selected annually by each village, include health clinics, clean water facilities, new jetties, education improvements and church or mosque improvements. Notably, the Tangguh Community Health Unit has made significant progress in reducing malaria and in eradicating outbreaks of diarrhea, which is the number one cause of child mortality in the region.<sup>20</sup> In addition, HIV/AIDS awareness training is expanding and the maternal and child health programs are underway in all of the villages. Procurement of local goods and services, while substantial, has not increased since the pre-construction phase. Further efforts and a more detailed accounting should be undertaken to monitor and increase local purchases.

Religious tension in Bintuni Bay seems to be minimal. One local religious leader told the Panel that there was religious harmony in the area, and it should stay that way. He, and others, were pleased that BP does not take sides, as witnessed by the MOUs to improve education in the DAVs with three separate religious charities.<sup>21</sup>

Depletion of fishing stocks in Bintuni Bay, an earlier concern of the Panel, is less of an immediate concern at this time. While fishing stocks had been declining as a result of extensive trawler operations in the Bay, the largest such operation -- Jayanti -- has now ceased its activities, resulting in at least a temporary renewal of bountiful stocks. This clearly benefits the

---

<sup>20</sup> Charts detailing the progress in reducing both diarrhea deaths and malaria infections are at Appendix 5.

<sup>21</sup> See Section VI below.

local fishermen, who are having a banner year. Of course, the conservation of fishing in the Bay -- the only cash crop for the DAVs and much of the rest of the area -- remains a priority. Monitoring of stocks by the University of Papua at Manokwari, which conducted an excellent study on the issue, should continue, with BP support. And the local and regional authorities should consider the establishment of a regulatory regime to limit excessive fishing.

Despite these generally positive trends, some complaints continue and real challenges remain. The most serious of these issues are:

**1. The Feeling of Unfair Treatment by Some in North Shore Villages.** Villagers on the north shore remain jealous of the development of the south shore villages of Tanah Merah, Saengga and Onar, where improvements continue. Although the Panel encountered less militancy among north shore leaders, this feeling of imbalance in benefits remains palpable. The Panel has recommended that BP, in coordination with the *Bupati*, establish a fund or program to support development in north shore communities, including possible housing renovation, electrification and other infrastructure improvements. Such a program has not yet been established, in part because of the lack of an elected *Bupati*. Now that Bintuni has a functioning local government, BP should assist the development of this program.

**2. Opportunities for Papuans.** Many local and regional leaders placed training and employment opportunities as their highest objective. Thus far, BP and its contractors have met most of their obligations for employment of local villagers and Papuans.<sup>22</sup> However, because so

---

<sup>22</sup> A full manpower count, by subcontractor, is attached as Appendix 3. Under its contract with BP, the EPC contractor is contractually required to employ a certain percentage of Papuans. In the categories of "unskilled" and "skilled" workers the EPC contractor is meeting and, in some cases, far exceeding the required percentage. However, in two categories the EPC contractor has fallen slightly short: the EPC contractor is contractually obligated to employ Papuans for 93% of its semi-skilled jobs but had only hired Papuans for 81% of these jobs as of early December 2005. For supervisory jobs, the EPC

(footnote continued to next page)

few Papuans are skilled in the areas needed, many of these jobs are short term and have little potential for advancement. There have been a few examples of workers from the DAVs showing special promise and being promoted to supervisory roles. BP and its contractors should continue to give priority to local job applicants, and should also seek to identify for training and advancement to higher level jobs with longer term prospects those Papuan workers who demonstrate appropriate aptitude and motivation. In addition, greater efforts should be made to increase purchases of local goods and services.

**3. Communication with the Bintuni Bay Region.** BP has made considerable progress in this area, in the face of serious impediments. Both the local radio and the monthly news tabloid are improvements over previous efforts. But there remains very little understanding of the Project's commitments or of the issues that affect the local population, such as the exclusion zone around the LNG plant's jetty. These communication efforts need to be strengthened and others need to be tried. The Panel encourages BP to continue with the easy to understand single issue pictorial brochures that it has started to use; to make the radio more interactive; and to develop issue oriented videos with some entertainment component that could be played at DAV community centers as part of the Community Relations ("ComRel") Team road shows.

**4. Consultation and Coordination with Local Officials.** Coordination remains a problem. Despite the Panel's optimism last year that the formation of the Bintuni *kabupaten* would make coordination less difficult, the lengthy election process this past year impeded this

---

*(footnote continued from previous page)*

contractor is required to hire Papuans for 6% of its jobs but as of early December had hired Papuans for only 5% of the workforce. Overall, the EPC contractor is surpassing the contract minimum, employing 642 Papuans when it is only required to hire 475.

objective. Now, with new elected leaders, it should be possible to coordinate more effectively and it remains every bit as urgent to do so. BP should establish well structured working relationships with the *Bupati* and his key officials in the areas of education, health and housing, and meet regularly to consult and coordinate their activities with those of BP. BP should establish similar lines of contact with provincial officials in Manokwari/Jayapura.

#### **IV. Construction and Employment**

The LNG site is a vast construction area that has been cleared of trees and is being graded to accommodate facilities and equipment. The cleared area -- approximately 335 hectares -- is surrounded by a much larger perimeter buffer area of forest, around which a fence is under construction. Huge and sophisticated machinery is being operated by highly trained workers for earthmoving, tree stacking, road construction and facility construction. Thousands of felled trees are stacked neatly in piles. It is the Panel's understanding that some of these trees may be usable for possible future construction, for example in house construction around the Bay. The Panel strongly encourages BP to work with appropriate government authorities to permit use of this resource at the earliest possible time.

Offshore, there are large dredges and related equipment preparing the area for two long jetties and for the pipelines from the offshore gas platforms. An area of the Bay is demarcated by buoys as an exclusion zone for local fishing boats or other commercial traffic. Pursuant to the AMDAL, BP is undertaking efforts to minimize impacts to surrounding forests, preserve topsoil and encourage regrowth in the cleared areas not needed for facilities.

There are already about 2700 employees; the workforce will expand to a peak of about 5,300 by 2007. Approximately 52% of the workforce is Papuan, with 25% coming from the

DAVs. This includes the 266 man private security force, almost all of whom are Papuan.<sup>23</sup> All employees except those who live in the nearby DAVs are housed within the perimeter. These employees are not paid at the worksite; their pay is either deposited in a facility at the location from which they were hired or, for workers from the DAVs, disbursed at their village. All purchases at the site are cashless; funds are debited from periodic deposits of wages. Alcohol and drugs are not permitted at the site, and thus far, none have been discovered.

Most of the employees working on the Project are being hired by the EPC contractor or its subcontractors. BP does not have direct control over the actions of its contractors, which must therefore develop and implement mechanisms to ensure proper treatment of employees and respect for the rights of the neighboring villages. The Panel had an extensive discussion about these issues with the EPC contractor. The contractor provides all workers with induction training that explains the rules of behavior at the LNG site, and posts these rules throughout the site. The contractor also informed the Panel that it has implemented a grievance mechanism to accept and resolve complaints by workers regarding any aspect of workplace conditions. These are positive steps. But it is essential that BP ensure that all aspects of the workforce code of conduct required by the AMDAL are implemented, and further that any penalties that may be imposed for violations are explained to all employees. In order to guarantee full compliance, BP should institute a mechanism to audit the EPC contractor's implementation of its obligations under the AMDAL.

Separately, BP has drafted, and will soon institute, a grievance mechanism that implements, in part, the Panel's previous recommendation for a more formal mechanism for

---

<sup>23</sup> A table identifying the place of origin of the manpower force as of December 2005 is included as Appendix 3.

monitoring, reporting and investigating complaints, including possible violations of Tangguh's policies. This mechanism should be explained to all members of the community. Villagers, including local employees, should know that the filing of a grievance will remain confidential, and that no adverse consequences will result. In addition, any allegation of a serious transgression should be brought to the attention of senior Tangguh management, who should be involved in determining whether any individual or subcontractor should be penalized for violating Tangguh policies.

BP and its EPC contractor have established workforce recruitment offices at four locations in the Bird'shead region -- Manokwari, Sorong, Fak-Fak and Bintuni -- and it has advertised job opportunities throughout the region. Thus far, having the workforce recruitment centers offsite has worked to recruit Papuans and limit in-migration to the LNG site.<sup>24</sup> There are so far very few settlers or squatters in the surrounding villages looking for jobs, and there is no evidence of illicit activities springing up near the site. However, there is evidence of a marked increase of non-Papuans seeking jobs and business opportunities in Bintuni.<sup>25</sup>

The attempt to establish a totally cashless worksite has run up against some problems. Some local Papuan workers have objected because they have no bank in which paychecks could be deposited and, in any event, would prefer to receive their wages in cash at the LNG site. BP sought to facilitate the establishment of a local community bank at Babo for this purpose, but the application was rejected. However, since the Panel's visit, a system is being developed to pay workers from DAVs in cash at their village. In addition, credit unions have been established in

---

<sup>24</sup> BP and its contractors must rely on an individual's identification papers to determine whether a person is Papuan. No separate investigation is conducted.

<sup>25</sup> See *The Manokwari Post*, (December 12, 2005) (cited in the Van Zorge Papua Report, No. 18, Vol. VI, December 18, 2005).

several of the DAVs to encourage savings. Once implemented, this system will comply with the AMDAL and will achieve BP's goal of a cashless worksite, which the Panel strongly endorses as a means of limiting illicit and illegal activities.

Separately, the potential for disruption to local fishing is now a reality, with the establishment of an exclusion zone to prevent accident or injury or security risk near the construction of the piers. This is clearly needed, but nonetheless has lead to complaints. It is important that BP socialize the necessity of the exclusion zone among affected villages and their government leaders. It is also important to continue to improve the equipment available to these fishermen to offset any disruption caused by the exclusion zone and construction work. The Panel has previously recommended that BP support more advanced fishing boats and equipment as well as cold storage facilities. BP has implemented this program in part, together with courses in engine maintenance. This seems to be successful, but BP should more actively focus on support for cold storage facilities in all the DAVs; this could materially increase the revenues for the local fishermen.

At the request of *adat* leaders, BP has constructed a spirit house for safeguarding several very large sacred rocks that were located on the LNG site. BP also engineered the move of the rocks to the new location, and participated in an *adat* ceremony celebrating the successful move.

### **Recommendations**

- **BP and its contractors should continue its efforts to have the LNG site function to the extent possible as a “cashless” economy. It should also endeavor to pay wages of all local employees at their villages and the wages of other employees in offsite accounts.**
- **BP should strongly encourage its EPC contractor to explain all rules and requirements to all new employees, including an explanation of penalties that could be imposed for violation of these rules. BP should also ensure that all elements of the workforce code of conduct required by the AMDAL are implemented by its**

**EPC contractor; and that this code include a mechanism that allows complaints by employees alleging serious transgressions of workplace conditions or treatment to be reviewed by an independent, qualified individual with access to Tangguh management.**

- **BP should adopt its grievance mechanism applicable to members of the community, publicize and explain it broadly, and ensure villagers, including employees from the DAVs, that the filing of a complaint will have no adverse consequences and will, if needed, be subjected to an independent review.**
- **BP should continue to explain the critical safety reasons for the marine exclusion zone to local fishermen and officials, and should at the same time improve the equipment available to these fishermen to offset the disruption caused by construction and the exclusion zone.**

## **V. Security and Human Rights**

Issues relating to security and human rights remain among the most sensitive for the Project. During the past year, implementation of community based security began at the LNG site and is proceeding well. Tangguh's private security force guards the LNG site and the Babo base camp. All guards have taken a training course in human rights, which is coordinated by ELSHAM.<sup>26</sup> However, it is the Panel's understanding that not all BP personnel in the security supervisory chain of command have taken this course in human rights. They should do so.

The concept of community based security appears to be accepted by the TNI, the police, local leaders and the community. The Field Guidelines for Security<sup>27</sup> entered into by BP and the Papua Police last year,<sup>28</sup> which commit the parties to uphold basic principles of human rights and incorporate the Voluntary Principles on Security, seem to be understood by police chiefs at Babo, Bintuni and Jayapura, and are being applied. Although the Panel did not have an

<sup>26</sup> The following NGOs have participated in human rights training: ELSHAM Papua, LBH Jayapura, LP3BH Manokwari, Kontras Papua, Komnas HAM Papua, UNCEN (Human Rights Center), ALDP and LP3A Papua.

<sup>27</sup> The Field Guidelines for Security are available on BP's website at [www.bp.com](http://www.bp.com).

<sup>28</sup> See TIAP Third Report, pp. 14, 23-26.



opportunity this year to meet with the TNI commander for Papua, there is no suggestion that he is not following the policies of his predecessor, who was fully supportive of community based security, as is the Minister of Defense.

There have been no incidents at the LNG site that required the presence of the police. However, there was at least one violent incident related to recruitment of local workers by the Project. This protest was handled primarily by the private security force; police were called but were not available. There were no allegations of excessive force or human rights violations. Local leaders informed the Panel that the protest was instigated by migrants, and not local Papuans, who do not share their complaints.

The Panel expects that police deployment in the Bintuni Bay area will increase as the construction workforce grows. With a maximum workforce of 5,300, the LNG site will be one of the largest communities in Bintuni Bay. If an incident occurs at the LNG site, the large distances from either Babo or Bintuni to the LNG site, and the consequent long response times, could impair a timely police intervention consistent with the Field Guidelines. Thus, it seems likely that the police will increase its presence in closer proximity to the LNG site. Thus far, no specific plan has been announced. Significantly, no demands have been made on BP by the police for financial or material support for any increased expenditures related to policing of the site (other than per diem benefits for the police officers who have been stationed at Saengga for some time at the request of the village). If any such demands are made, BP's response will need to be fully consistent with the terms of the Field Guidelines and any payment made thereunder should be fully disclosed. Further, in accord with the Voluntary Principles, BP should offer to support human rights training for all police officers deployed to units in the Bintuni Bay area, as well as others in Papua in the police chain of command.

There are concerns among Papuans regarding possible TNI and Navy troop deployments in Papua, specifically in Sorong, Manokwari and Bintuni Bay. The most specific concern relates to a possible new KOSTRAD deployment in Papua, which may include units at Sorong. KOSTRAD, the TNI's strategic command, supervises operational readiness among all commands and conducts border defense and security operations at the strategic level. KOSTRAD currently has no facilities in Eastern Indonesia. If a KOSTRAD Command is established in Papua, it is extremely important to ensure that any such deployment does not affect community based security or security issues generally at Tangguh.

In accord with the Project's commitment to the Voluntary Principles on Security and Human Rights, BP has implemented the Tangguh Project Security Procedure: Managing Allegations of Abuse or Related Incidents in the Provision of Security (the "Security Procedure"). This procedure, which has been posted on BP's website, requires a prompt and thorough review of any allegations of a human rights violation by public or private security forces within Tangguh's area of operations. This security procedure fulfills BP's obligations under the Voluntary Principles, but it could be improved and expanded in several ways to implement other global norms relating to human rights, including the OECD Guidelines for Multinational Enterprises and U.N. Human Rights treaties.<sup>29</sup> The Panel recommends that BP consider the following modifications:

---

<sup>29</sup> Relevant U.N. treaties include: the Optional Protocol to the International Covenant on Civil and Political Rights; the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment; the International Convention on the Elimination of All Forms of Racial Discrimination; the Optional Protocol to the Convention on the Elimination of All Forms of Discrimination against Women; and the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families.

- The Security Procedure applies only to violations associated with Project security personnel. It should include a complaint mechanism for allegations of human rights violations by any person employed by BP, its contractors or its subcontractors.
- There is no publication component. Putting the Security Procedure on the BP website is useful, but does not inform all parties of its existence and how it should be used. BP should make sure the procedure is broadly known to employees and the communities of Bintuni Bay, through information provided to and understood by employees and through media designed to reach nearby communities.
- All aspects of the investigation and review will be conducted by BP personnel. BP may want to require that the investigation or review include some participation by non-BP employees, so that it is seen as objective and impartial. This is particularly important if the complaint alleges a violation by a BP employee.
- The Security Procedure has no time frames for making a complaint or for acting on the complaint. BP should include a time limitation for making a complaint so as to preserve evidence and recollections; and it should impose a time limitation or at least a guideline for issuance of determinations, particularly with regard to allegations that may require an urgent response.
- Other than notification of the government, the Security Procedure does not provide for any action to be taken against personnel who have been found by the investigation to have likely committed human rights violations. At the very least, the procedure should suspend any person accused of a human rights violation from any position of control or power over the complainants, witnesses or their families. In addition, it should provide for disciplinary action against any person who is found to have committed a human rights violation. Further, BP should periodically review the complaint log to determine against whom complaints are being made; the nature of the complaints; and whether this information is indicative of the effectiveness of any security personnel.

### **Recommendations**

- **The training course in human rights should be required of all BP and contractor personnel involved in any aspect of security. This course should also be offered to all police personnel stationed at Bintuni, Babo or in the vicinity of Tangguh. BP should ensure that any entity involved in the training is respected and capable.**
- **BP should continue to emphasize the importance of the Security Field Guidelines to the new Papua Chief of Police and to any new police personnel deployed to the Bintuni Bay area. It should make clear the limitations on any material or financial support and the need for absolute transparency imposed by these Guidelines.**
- **The Tangguh Project Security Procedure should be improved and expanded. It should not be limited to complaints against Project security personnel; it should be**

**publicized and explained to employees and the community; the process for considering complaints should include a review by an individual independent from BP; and it should make clear that penalties will be imposed against any person found to have committed human rights violations.**

#### **VI. Delivery of Near Term Benefits**

In prior reports, the Panel has emphasized the importance of near term benefits to the region, particularly because much of the shared revenue from Special Autonomy will be delayed. In many respects, these benefits are beginning to be delivered, both in terms of employment and community development. There have been material improvements in infrastructure in all of the DAVs. Most villages have new health clinics; some have new schools and educational support, including new teachers and supplies; others have new jetties that improve the ability to fish and transport goods at low tide. Clean water facilities have been installed or are being constructed in most of the DAVs.<sup>30</sup> The annual CAPs should continue beyond the construction phase.

Separate from these annual CAPs in each DAV, BP has negotiated MOUs with Muhammadiyah, the Christian Education Foundation (“YPK”) and the Catholic Education Foundation (“YPPK”), to provide teachers for many of the DAVs, including all of the north shore DAVs. This education support, which should continue, should be coordinated with the local government. In addition, because of the importance of education, the Panel encourages BP to ensure that all schools and libraries in the DAVs are supplied with sufficient books and materials. The Panel also recommends that BP establish a Tangguh scholarship program at UNIPA or the University of Cenderawasih for deserving and capable students from the area.

In addition to these village specific programs, the Tangguh Community Health Unit, which has two full time doctors, has already achieved significant positive results in public health

---

<sup>30</sup> A complete list of the Community Action Projects (“CAPs”) in each of the DAVs is in Appendix 2.

throughout the Bay area. Because of the unfamiliarity of most of the health care programs to local villagers, the Health Unit is focused on approaches that are sustainable, in which the villagers understand the benefits and adopt the programs as their own. It has established clinics at Babo base camp and the LNG site as well as in several DAVs; it has instituted a malaria control program throughout the area which is showing marked progress;<sup>31</sup> it is supporting maternal and child health, child nutrition and child immunization in all of the villages; it has successfully reduced the child mortality rates caused by an annual outbreak of diarrhea through training of village health workers and provision of home treatment with Oral Rehydration Solution; and it has run HIV/AIDS awareness training sessions for the security staff and the food service workers at Babo.<sup>32</sup> After four years, it is evident that the area has benefited from real progress in health care, although much remains to be done.

Despite these benefits being provided to all the villagers in the area, it is clear to the Panel that the villages on the south shore have received far more tangible benefits to infrastructure and housing than those on the north shore. This is, of course, particularly apparent at Tanah Merah and Saengga, where new housing and public facilities have been built and the entire village electrified pursuant to the requirements of the LARAP.<sup>33</sup> Benefits to north shore DAVs include health clinics and related health care equipment and services; education facilities and support for new teachers, books and teaching materials; improvements to fishing equipment and training in outboard engine maintenance; microfinance funding and training; and programs

---

<sup>31</sup> BP should consider enhancing its malaria control activities with a program for spraying in specific locations that are used by villagers for water collection.

<sup>32</sup> Appendix 5 summarizes the Health Unit's progress in reducing the rates of malaria and mortality from diarrhea.

<sup>33</sup> See TIAP Third Report, pp. 15-16 which describes in detail the improvements made at Tanah Merah and Saengga.

for women's empowerment. However, the visible housing and infrastructure improvements on the south shore naturally give rise to tensions and jealousies, including some isolated threats to the Project. The Panel in prior reports has recommended that a separate fund be established to support north shore development. No fund or other targeted program has been adopted, while improvement to south shore housing and infrastructure continues.

This can be attributed to the lack of any functioning local government until now, particularly during the past year, during the first Bintuni election campaign. This is no longer the case, and it is now clear that the elected *Bupati* and his administration are eager to work with BP to deliver these benefits throughout the DAVs and the entire *kabupaten*. The Panel therefore recommends that BP work with the *Bupati* to develop a program in which BP can provide support for delivering housing and infrastructure benefits to the north shore communities so that this imbalance is reduced, or at least so that north shore residents see material benefits in these areas by the time the Project begins operations. In particular, BP should train villagers in north shore DAVs in construction skills; and should work with the GOI and local authorities toward a program that utilizes, on the north shore, timber resources now stored at the LNG site that are of sufficient quality for housing and other facilities.

### **Recommendations**

- **The feeling of unfair treatment of north shore villages has not yet been successfully addressed. As a priority, BP should work with the *Bupati* in Bintuni to establish a program in which BP can play a role in support of north shore housing, electrification or other infrastructure improvements, which should help to rectify perceived unfairness.**
- **Annual CAPs should continue beyond the construction phase to provide funding for specific projects selected by the representatives of each DAV.**

- BP should work with the Bintuni *Bupati* to ensure that the educational support provided for the DAVs by the three religious foundations is properly supported and is integrated into the local government programs for education. It should also consider establishing Tangguh scholarships at Papuan universities.
- BP should continue the work of the Tangguh Community Health Unit, particularly with regard to its efforts to control or eliminate malaria and outbreaks of diarrhea in the villages; and also in addressing the problem of child malnutrition. BP also should increase its HIV/AIDS educational outreach to encompass all new workers at the LNG site and Babo base camp.

## VII. Coordination and Support for Local Government

In previous reports, the Panel urged BP to improve its coordination with local governments, particularly since the formation of the new Bintuni *kabupaten*. While considerable effort has been devoted to this objective, circumstances beyond BP's control have prevented it from making as much progress as is desirable. The short term practical effect of the first direct elections in Bintuni in August 2005 was to have multiple candidates campaigning for the office, followed by a contested election that was not finally resolved until November. Consequently, there was no *Bupati* for much of the year with whom BP could work.

However, the long term effect of the election is that Bintuni now has a popularly elected *Bupati* who is eager to work with BP to improve conditions and spur development. The *Bupati* emphasized that BP's programs, while important to the development of the area, must be a part of the *kabupaten's* Master Plan. The Panel agrees that BP has an important place in the overall plan, but must coordinate with government, so as not to create additional tensions among DAVs or between DAVs and other villages. With the installation of the new *Bupati*, the Panel's recommended coordination has a much greater likelihood of success and needs to be pursued actively.

The uncertainty in Manokwari also has not been conducive to forming working partnerships. The recent election of a Governor of West Irian Jaya confirms the need for BP to work with key officials in Manokwari as well as to continue working with officials in Jayapura. BP must consult with leaders in both cities on a regular basis regarding all of its social and economic development activities.

There were some complaints at different levels of local government about BP's lack of consultation and coordination. It would be difficult to meet every request, but clearly improvement in consultation is necessary and can be accomplished. Regular meetings were suggested at the district level -- Babo and Aranday -- and at the *kabupaten* level -- Bintuni. These requests should be honored. Meetings with these officials should be regularized, agendas should be set and a written record kept.

One critical element in BP's relationship with these local governments should be its support for capacity building, particularly the strengthening of local institutions in their ability to manage resources and deliver services effectively. It is not surprising that the capacities of these local governments are limited. As pointed out in the World Bank report, not only are these institutions newly formed, without either experienced personnel or standardized processes, but in instances like Bintuni there are not even sufficient facilities and infrastructure for the civil servants to relocate. The result is overspending on recurring items and personnel, and insufficient attention to strategic planning and transparent budgeting. The interests of all stakeholders would be well served if these functions of local government are strengthened before there is an influx of added revenues from Tangguh.

The Panel has previously encouraged BP to work with USAID, DFID and UNDP toward this objective, and it has done so. One mechanism implemented was a partnership with USAID,



under its Global Development Alliance, with a specific focus on the Birdshhead region. It is the Panel's understanding that this three year program, begun in 2002, has expired, and that discussions are underway to develop a follow on partnership. The Panel endorses this goal wholeheartedly, and urges BP to make certain that any joint effort specifically focuses on the development of governmental institutions in Bintuni and Manokwari, particularly their strategic planning, financial management and budgeting capabilities.<sup>34</sup> The Panel also recommends that capacity building efforts extend to civil society (local NGOs, the media) and to local religious institutions, which would serve as effective and sustainable partners to local government.

Finally, the World Bank Report examined only four local jurisdictions in Papua, none of which is in the Birdshhead region. The World Bank is interested in following up with assessments of and support for other localities in Papua. The Panel encourages BP to provide support for a follow on report that includes an analysis of the fiscal capabilities of Bintuni and suggestions for better fiscal management.

### **Recommendations**

- **Now that a *Bupati* has been elected in Bintuni, the Panel reiterates its previous recommendation that BP intensify its coordination with the new *kabupaten*. BP should establish well structured working relationships with the *Bupati* and key officials in the areas of health, education and housing. It should establish similar lines of contact with officials in Manokwari/Jayapura.**
- **At the local level, BP should increase its consultation with the local district governments. In particular, regular meetings should be held with district officials in Babo and Aranday, providing those leaders with information about the Project and the opportunity to express their views to Tangguh management.**

---

<sup>34</sup> The Panel recognizes that BP has also entered into an MOU with UNDP with similar objectives -- "Capacity 2015 in Papua" -- that is ongoing. The USAID program should complement this ongoing work.

- **BP should support USAID and other donor agencies in their programs to strengthen institutional capacity among local governments and civil society in the Birdshead region, focusing on the development of strategic planning, financial management and budgeting capabilities.**
- **BP should encourage and support a follow-up to the recent assessment by the World Bank that specifically addresses finance and service delivery in the Birdshead region.**

#### **VIII. Revenue Flow to the Region**

In each of its previous reports, the Panel expressed concern regarding the delay between construction of the Project and commencement of substantial revenues from the Project under Special Autonomy. This delay results from the priority given to payment of first tranche petroleum, cost recovery and debt service as required in the Production Sharing Agreement (“PSC”). The Panel was also concerned that when these revenues began to flow, the magnitude would be so large that it would dwarf the preexisting revenues going to the province and its local governments.

The Panel’s concerns have, to some extent, been reduced by its understanding of the current policy of the GOI regarding Special Autonomy and the increased clarity with regard to revenues and expenditures in Papua made possible by a detailed report by the World Bank.<sup>35</sup> First, the GOI has made it clear that it now intends to treat all of Papua as one economic unit, whether or not it is divided into separate political regions. While of course this can change, it alleviates the Panel’s acute concern that the province and *kabupatens* of West Irian Jaya would receive little or no Special Autonomy resource revenue until Tangguh revenues began to flow,

---

<sup>35</sup> See “Papua Public Expenditure Analysis: Regional Financial and Service Delivery in Indonesia’s Most Remote Region.” The World Bank Report provides an extensive examination of the current financial situation of the provincial and local governments in Papua and suggests steps to ensure the future fiscal stability of those governments.

and thereafter receive all of the Tangguh shared revenues. Under current GOI policy, all Special Autonomy revenues will be allocated to the entirety of Papua and distributed either by existing formulas or by new special regulations ("*perdasus*") enacted by the Governor and the DPRD with the approval of the MRP.<sup>36</sup>

Second, the recently published World Bank Report provides a much more accurate and up to date picture of revenues and expenditures by the province and its local governments. Papua's budget has increased dramatically since the enactment of Regional Autonomy (decentralization) in 1999 and Special Autonomy in 2001. Papua revenues (defined here as both provincial and local combined) more than doubled between 1999 and 2002, and have continued to increase dramatically.<sup>37</sup> This is the direct result of Papua's large allocations under the two decentralization funds, the General Allocation Fund ("DAU"), and the Special Allocation Fund ("DAK") as well as the Special Autonomy Fund (unique to Papua). Local governments receive about 90% of these funds.<sup>38</sup>

Therefore, additional revenues from Tangguh must be assessed in the context of these newer, and much higher revenues and the way in which they are allocated. The exact levels of natural gas revenue will depend on many factors that can only be estimated today, such as the timing of cost recovery, the level of production and the price of gas. The Panel previously estimated that peak revenues to Papua could exceed \$200 million annually for at least a decade;

---

<sup>36</sup> It remains unclear how this will function if there are two provincial governments and there is disagreement between them.

<sup>37</sup> See World Bank Report, p. 1. Further, in December, Governor Solossa indicated that Papua's Special Autonomy funds should double from 2005 to 2006 and its general allocation funds also should double in this period.

<sup>38</sup> The DAU and the DAK make up almost 60% of Papua's revenues; of these amounts, local governments receive 90% of the DAU and 100% of the DAK; the provincial government(s) receive the remaining 10% of the DAU. It is unclear how the Special Autonomy Fund is allocated between the province and the local governments; it now amounts to about 24% of total revenue.

this estimate still seems reasonable.<sup>39</sup> However, these revenues will be divided among the provincial government(s), the *Kabupaten* of Bintuni and all the other local governments, some by formula and the rest by special regulation.<sup>40</sup> No matter how allocated, the provincial and local governments will receive significant sums from Tangguh, but they would not dwarf the other revenues flowing to the province to the extent previously anticipated. Given this increased revenue stream, it is important that BP encourage the central, provincial, and local governments to follow through with the recommendation of the World Bank Report and ensure greater transparency of budgets, revenues, and expenditures.<sup>41</sup>

Third, revenues will likely rise more gradually than the Panel previously estimated. Papua may begin receiving Tangguh related revenue as early as 2009, and the increase to the peak should not occur suddenly. While the increase in natural gas revenues may not be smooth, substantial revenues should be received prior to a sharp increase in 2019. In addition, the peak year revenues, beginning in 2019, should almost immediately be offset by the statutory termination of Special Autonomy funds after 2020. Because future revenues are somewhat unpredictable, BP should encourage the greatest possible degree of transparency and early publication of revenue projections, and consult with provincial and local government officials so

---

<sup>39</sup> The World Bank Report estimates that peak revenues would be approximately \$170 million.

<sup>40</sup> The shared after-tax natural gas revenues from Tangguh are divided between the Central Government, which retains a 30% share, and Papua, which receives 70%. How that 70% is distributed within Papua is mandated by law. Under the current regional autonomy law 30% is divided as follows: 6% to the provincial government, 12% to the originating local government (in this case Bintuni), and 12% to all the other local governments in Papua. The remaining 40% is granted to Papua by the Special Autonomy law. The division of these funds is not mandated by formula; rather, the division will be decided by special regulation.

<sup>41</sup> The World Bank reports that "one of the main complaints of regional governments in Papua is the lack of transparency in the allocation of revenue shares from natural resources." World Bank Report p. 27. Specifically, local governments are often not informed of production and prices thereby making it hard to ensure that the revenue they receive correlates to production. Further, the World Bank Report found that transparency has been hindered by the fact that the budgets of many local Papuan governments have not been reported to the central government. *Id.* at 71.

they are better informed about the likely timing and magnitude of revenues from Tangguh. Moreover, so long as the issue of division of the Province is not fully resolved, and so long as formal requirements for allocation of revenues have not been finally established, this remains an area of concern which must be carefully monitored.

One jurisdiction in which revenues will increase rapidly during this period is Bintuni; which may begin receiving Tangguh-related revenues as early as 2009. At least 12% of the natural gas shared revenues should go to Bintuni by formula. This would add more than \$20 million<sup>42</sup> to its annual coffers during peak years; and potentially considerably more through the allocation by special regulation. This would dramatically increase Bintuni's budget, which is currently about \$15 million.

The World Bank Report does not assess the fiscal capacity of Bintuni, but it assesses the fiscal and public capacity of similar local governments, and concludes that capacity for budgeting and fiscal controls must be improved, particularly in the newly created districts, like Bintuni. Given its recent inception, it may not be appropriate for Bintuni to borrow large sums against future revenues to bring forward and smooth the flow of revenues from Tangguh.<sup>43</sup> It would be far more useful for the government of Bintuni to develop the capacity to manage large sums and audit its expenditures transparently. In fact, this period before revenues reach peak levels is critically needed to strengthen the public expenditure management process of the Bintuni government.

---

<sup>42</sup> According to the World Bank, if Tangguh shared revenue reaches \$170 million, the producing *kabupaten* -- in this case Bintuni -- would receive Rp. 183.6 billion, or \$20.4 million at a rate of Rp. 9000 to 1USD. World Bank Report at p. 27.

<sup>43</sup> See World Bank Report, p. 31.

## **Recommendations**

- **Working with the World Bank, BP should carefully monitor current and projected revenues flowing to Papua and Bintuni. It should encourage the Government of Indonesia to transparently publish non-commercially sensitive projections, receipts and disbursements regarding Tangguh revenues, and should consult with the provincial and local governments to provide officials with a better understanding of the likely timing and magnitude of revenues resulting from Tangguh. It should keep under review the need to ensure that adequate benefits to the local population are delivered in the early years of the Project.**

## **IX. Environment**

With construction underway, environmental issues become real and immediate. At the LNG site, BP is subject to Indonesia law and the requirements of the AMDAL. Its activity is audited biannually by the Ministry of the Environment (“MOE”). The Panel witnessed some of the steps being taken to protect surrounding forests and encourage regrowth of forest within the perimeter. But the Panel itself cannot effectively monitor the Project’s environmental compliance; it must rely on the GOI, local and regional environmental authorities, the Asian Development Bank (“ADB”)<sup>44</sup> and NGOs. Thus far, NGOs in both Jayapura and Jakarta believe BP is acting responsibly to safeguard the ecosystem of Bintuni Bay. In part because Tangguh will be producing dry natural gas (prior to liquefaction), rather than crude oil, NGOs were not overly concerned with either terrestrial or marine effects of the Project.

Of course, much of the Project’s environmental compliance is in the hands of BP’s contractors. In order to avoid any possibility of uncertainty regarding its contractors’ compliance with the commitments in the AMDAL, BP should (1) institute controls and a review procedure to ensure that all contractors are accurately reporting all environmental impacts pursuant to the

---

<sup>44</sup> Pursuant to the terms of the ADB loan agreement, BP will be required to submit periodic environmental reports to the ADB.

AMDAL; and (2) to the extent possible, make public the results of each of the MOE audits, together with a demonstration that it has complied with or corrected any deficiencies found. If any significant deficiency is found, BP should establish internal controls to assure correction and non-recurrence. Finally, BP should encourage site visits by environmental authorities to demonstrate the care it and its contractors are affording the environment and to avoid any possible future charges of non-compliance.<sup>45</sup>

Separately, BP continues to work cooperatively with national environmental organizations, including The Nature Conservancy, Conservation International, World Wildlife Fund and others, to build environmental capacity in Papua's local governments and preserve its unique ecosystems. With BP's support, the Bintuni Bay Mangrove Nature Reserve Management Plan has been completed and adopted by the Ministry of Forestries; a survey of marine mammals and reptiles in Bintuni-Berau Bay is underway; forums are to be held on Papua conservation and development and on a Papua environmental rapid assessment program; and the Papua book in the Ecology of Indonesia series is drafted and under review. All of these activities are useful and important contributions to the environmental preservation of Papua, and the Panel encourages BP to continue these efforts.

### **Recommendations**

- **BP should make public the results of each AMDAL compliance audit conducted by the Ministry of the Environment and any other environmental reviews pursuant to any GOI or local government programs. It also should make public any actions taken to correct deficiencies.**

---

<sup>45</sup> If possible, to avoid any added burden, these could be conducted together with the visits by the Ministry of the Environment.

- **BP should encourage visits to the LNG site by regional or local environmental authorities and respond if any assertions in the future are made that all environmental requirements are not being met.**
- **BP should continue its support for the activities of environmental NGOs to preserve the ecosystem of Bintuni Bay and strengthen the environmental capacity of civil institutions in Papua.**

#### **X. Public Information**

BP has made considerable progress on improving information dissemination, but further efforts are needed to communicate effectively with all stakeholders in the region. BP has established local radios on both the north and south shores, from which it can broadcast information about the Project; it also has begun to publish a monthly newspaper in Bahasa and local dialects covering issues relating to Tangguh, distributed free throughout the area, and simple pictorial brochures dealing with specific issues related to Tangguh; it has facilitated communication forums in many local villages to encourage discussion of security related issues; and it has continued to publish its quarterly *Tabura* newsletter, in Bahasa and English, for all national and international interested parties. Separately, media coverage of Tangguh is increasing at the regional and national levels as the Project begins to take shape.

These efforts at communication with the local population are worthwhile and are having some effect, but, despite these efforts, complaints remain that people do not understand BP's programs and commitments. Communication in the Bintuni Bay area is a logistical and technical challenge, and the Panel recognizes the difficulty. Several of BP's new activities are promising, particularly the radio and the easy to understand single issue pictorial brochures, which should be expanded. The radio should be developed to include entertaining and interactive programming, both to encourage listening and to allow local voices to be heard. But other forms of communication also should be tried. Community forums could be held on other significant



issues besides security, such as explaining key commitments under the AMDAL; and new forms of media could be employed, such as producing videos on key issues that could be played at community centers multiple times or as part of BP's ComRel Team outreach programs.

Media outreach should continue even though this is made more difficult by the GOI's policy restricting foreign journalists from traveling to Papua.<sup>46</sup> Coverage of BP's activities in Bintuni Bay and the benefits that will flow to Papua should be encouraged. Press releases should be issued informing the media of all significant technical milestones and community development accomplishments. When possible, BP should facilitate reporters' trips to the area to cover specific events or to tour the LNG site.

### **Recommendations**

- **Recognizing that public information in Bintuni Bay is, in part, a technical challenge, BP should expand use of its new and innovative methods of communication, particularly the radio; and experiment with additional methods, such as community forums or entertaining videos on key issues.**
- **BP should continue to seek publication in regional and national media of articles relating to Project milestones or community development accomplishments.**
- **Given the highly innovative way the company has worked to ensure that the Project has met all applicable standards, BP should consider commissioning a book on the history of the Project that could be released about the time that gas production begins.**

---

<sup>46</sup> "Indonesia to maintain ban on foreign media in Papua: Juwono," The Jakarta Post (Feb 6, 2006).

## **APPENDICES**

## APPENDIX 1

### INDIVIDUALS AND ENTITIES CONSULTED

#### 2005 ENTRIES IN BOLD

##### Government Officials: Indonesia

Des Alwi, First Secretary (Economic Affairs), Embassy of Indonesia in London

H.E. Soemadi Brotodiningrat, Indonesian Ambassador to the United States

N.T. Dammen, Charge d’Affaires, Embassy of Indonesia in London

Ibnu Hadi, Counsellor, Economic Division, Embassy of Indonesia in Washington, D.C.

Sri Mulyani Indrawati, Chairman of National Development Planning Agency (Bappenas)

Manuel Kaisepo, Minister for Eastern Territories

Dr. Dorodjatun Kuntjoro-Jakati, Minister for Economics, Finance and Trade

Nabiel Makaraim, Environment Minister

##### **Agung Mulyana, Home Affairs**

Freddy Numberi, Minister of Maritime Affairs & Fisheries

A. Sidick Nitikusuma, Senior Executive Advisor, BPMIGAS (Executive Agency for Upstream Oil and Gas Business Activities)

I Made Pastika, Chief of Police for Bali, formerly Chief of Police for Papua

**Mayjen Setia Purwaka, Head of the Papua Desk of the Coordinating Minister for Security and Political Affairs**

##### **Dr. Ir. Sudarsono, Director General, Home Affairs**

H.E. Juwono Sudarsono, former Indonesian Ambassador to the UK, Minister of Defense

Rachmat Sudibjo, Chairman, BPMIGAS (Executive Agency for Upstream Oil and Gas Business Activities)

##### **Admiral Sumaryono, Deputy to the Coordinating Minister for Security and Political Affairs**

Yoga P. Suprpto, Project Manager, Pertamina

Benny P. Suryawinata, Assistant Deputy for Foreign Affairs to the Coordinating Minister for Security and Political Affairs

##### **Dr. I Made Suwandi, Home Affairs**

##### **Iin Arifin Takhyan, Director General of Oil and Gas, Ministry of Energy and Mineral Resources**

General Yudhi, Deputy Chairman, LEMHANAS

Susilo Bambang Yudhoyono, Coordinating Minister for Security and Political Affairs

Purnomo Yusgiantoro, Minister of Mines and Energy

General Nurdin Zeanal, Regional TNI Commander for Papua

##### Government Officials: Papua

Abraham O. Atururi, Governor of Irian Jaya Barat

Colonel Max D. Aer, Chief of Operations of Papuan Police

##### **Agus Alua, MRP Chairman**

Decky Asmuruf, Secretary

Frans Nikopas Awak, Babo Camat

Deky Kawab, Deputy Regent of Bintuni

##### **John Ibo, President, Provincial Assembly**

##### **Frans A. Wospakrik, Vice Chair of MRP**

## **MRP Members**

Pak Mandagan, Regent of Manokwari District

Pak Mandowen, President of Manokwari Representative Council

Daud Mandown, Ketua DPRD, Irian Jaya Barat

**Dr. Alfons Manibui, Bupati of Bintuni**

**Pak Paquil, Vice Bupati of Bintuni**

Maj. Gen. Pangdam

Colonel Molosan, Deputy to General Simbolon (during General Simbolon's post as Regional TNI Commander in Papua)

**Bernard Nofuerbanana, Babo Adat leader**

Lt. Daniel Pakiding, Regional Police Chief for Babo

Captain Puryomo, Local military commander

**ML Rumadas, Deputy Interim Governor of West Irian Jaya**

Jaap Solossa, Governor of Papua

Colonel Suarno, Director of Security of Papuan Police

**Brig. Gen. Pol. Dody Sumantiawan, Chief of Police for Papua**

**Officials of Bintuni Kabupaten government**

Chairman, Committee on Security

Director of Planning for Manokwari, and several other senior officers of Manokwari

## Government Officials: United States

H.E. Ralph Boyce, U.S. Ambassador to Indonesia

Karen Brooks, Director for Asian Affairs, National Security Council

Christopher Camponovo, U.S. Department of State, Bureau of Democracy, Human Rights & Labor

**Marc L. Desjardins, Counselor for Political Affairs, U.S. Embassy in Jakarta**

**William A. Heidt, Economic Counselor, U.S. Embassy in Jakarta**

**James M. Hope, Director, Education Office, USAID Indonesia**

Richard Hough, Director of Programming, U.S. Agency for International Development ("USAID")

Karin Lang, U.S. Department of State, Bureau of East Asian and Pacific Affairs, Office of Indonesia and East Timor

Allan D. Langland, Deputy Director, U.S. Department of State, Bureau of East Asian and Pacific Affairs, Office of Indonesia and East Timor

Jon D. Lindborg, Deputy Director, USAID

**Office of Maritime Southeast Asian Affairs (Brian McFeeters, Deputy Director; Donald Mattingley, Indonesia Country Officer)**

Anne Patterson, USAID

**H.E. B. Lynn Pascoe, U.S. Ambassador to Indonesia**

Maria Pica, Senior Advisor, U.S. Department of State, Bureau of Democracy, Human Rights & Labor

Fred Pollock, Director, Natural Resources Management Program, USAID

**Henry ("Hank") M. Rector, First Secretary, U.S. Embassy in Jakarta**

Michael Uyehara, Energy and Minerals Resource Officer, U.S. Embassy in Jakarta

Shari Villarosa, Economic Counselor, U.S. Embassy in Jakarta

John Wegge, Advisor, Office of Decentralized Local Government, USAID  
Holly Wise, USAID

Government Officials: United Kingdom

H.E. Richard Gozney, UK Ambassador to Indonesia  
**H.E. Charles Humphrey, UK Ambassador to Indonesia**  
Eleanor Kiloh, Second Secretary (Political), UK Embassy in Jakarta  
**Theresa O'Mahony, Second Secretary (Political), UK Embassy in Jakarta**  
**Matthew Rous, Deputy Head of Mission, U.K. Embassy in Jakarta**  
Jonathan Temple, UK Embassy in Washington, D.C.

Government Officials: New Zealand

H.E. Chris Elder, Ambassador, Embassy of New Zealand in Jakarta

Government Officials: China

Ma Jisheng, Counsellor (Political), Embassy of China in Jakarta  
Tan Weiwen, Minister Counsellor (Economic and Commercial), Embassy of China in Jakarta  
Xu Qiyi, Second Secretary (Economic and Commercial), Embassy of China in Jakarta

Residents of the Bird's Head Region of Papua

Pak Biam, Camat of Aranday, and a village leader of Aranday  
Neles Tebay, Catholic Priest of the Diocese of Jayapura

**Village leaders of Babo**

**Village leaders of Aranday**

**Villagers of Onar**

**Villagers of Saengga**

Villagers of Tanah Merah, including the committee that oversees effects of the Tangguh project

Villagers of Taroy

Villagers of Tofoi

**Villagers of Tomu/Ekam**

**Villagers of Weriagar/Mogotira**

Non-Governmental Organizations

American Center for International Labor Solidarity (Timothy Ryan, Program Director, Asia Region)

Amnesty International (Charles Brown; Lucia Withers)

Asia Foundation (Rudi Jueng, Assistant Director)

British Council (Wendy Lee, Social Development Advisor)

Center for Human Rights at the RFK Memorial (Miriam Young; Abigail Abrash Walton)

Citizens International (John Wells)

**CTRC (Bas van Helvoort, Executive Director)**

**Conservation International (Barita Oloan Manullang, Species Conservation Senior Specialist; Jatna Supriatna, Executive Director and Regional Vice President for Indonesia)**

Down to Earth (Liz Chidley)

ELS-HAM (John Rumbiak)

Earthwatch (Coralie Abbott, Corporate Programmes Manager)

FOKKER (Budi Setiyauto, Executive Secretary; Yul Chaidir, Steering Committee; Robert Mondosi, Steering Committee)

Human Rights Watch (Mike Jendrzeczyk)

IBLF, The Prince of Wales International Business Leaders Forum (Lucy Amis, Business and Human Rights Programme Manager)

**Indonesia Human Rights Network (Edmund McWilliams)**

**The Institution of Research, Analysis and Development for Legal Aid (LP3BH) (Yan Christian Warinussy, SH, Executive Director)**

International Committee of the Red Cross (Frank Sieverts, Assistant to the Head of the Regional Delegation, North America)

**International Crisis Group (Sidney Jones, Indonesia Project Director; Kathy Ward, ICG Deputy Director)**

International Labor Organization (Tony Freeman)

International Labor Rights Fund (Dr. Bama Athreya)

National Democratic Institute for International Affairs (Blair King)

The Nature Conservancy (Ian Dutton, Country Director for Indonesia; Titayanto Pieter, Conservation Partnerships Manager)

Papua Presidium Council (Thom Beanal, **Willy Mandowen**)

Proyek Pesisir (Maurice Knight, Chief of Party, Coastal Resources Management Project)

TAPOL, The Indonesia Human Rights Campaign (Danny Bates)

UK Overseas Development Institute (Michael Warner)

US-ASEAN Council (John Phipps)

West Papua Association UK (Linda Kaucher)

**Wildlife Conservation Society (Dr. Nicholas W. Brickley, Program Manager)**

World Wildlife Fund (Heike Mainhardt; Benja Victor Mambai; Clive Wicks)

Various NGOs from Jayapura, Manokwari and elsewhere in the Bird's Head region, including YPPWI, LBH, YPMD and PTPPMA

#### Private Sector

AGI Security & Business Intelligence (Don Greenlees, Director, Research and Analysis)

Chemonics (Jonathan Simon, Senior Manager)

Citigroup International (Michael Zink, Citigroup Country Officer, Indonesia)

Halliburton KBR (John G. Baguley, Project Manager)

ISIS Asset Management (Robert Barrington)

JGC Corporation (Tadashi Asanabe, Project Director)

JMSB-KMSB-SIME Consortium (Ron E. Hogan, Project Director)

Kiani Kertas (Jend. TNI (Pur.) Luhut Panjaitan MPA, President Commissioner)

Perform Project, RTI International (Ben Witjes, Senior PDPP Regional Advisor)

YIPD/CLGI (LeRoy Hollenbeck, Director Business Development)

#### International Institutions

United Nations Development Programme (Bo Asplund, UNDP Resident Representative in Indonesia; Shahrokh Mohammadi, Deputy Resident Representative; Gwi-Yeop Son, Senior Deputy Resident Representative; Kishan Koday, Program Officer-Environment Unit; and Abdurrachman Syebubakar, Program Office-Community Initiative Unit)

World Bank in Indonesia (Bert Hofman, Lead Economist; Andrew Steer, Country Director, Indonesia; Scott Guggenheim, Principal Social Scientist)

**World Bank Support Office for Eastern Indonesia (Petrarca Karetji, Coordinator;  
Richard Manning)**

Academic Institutions in Papua

UNIPA (University of Papua, Manokwari) (Rector: Frans Wanggai and Faculties)

University of Cenderawasih (Frans A. Wospakrik, Rector, and Faculties; **B. Kambuaya, Rector**)

Individuals

Mr. Herbert Behrstock, International Development Consultant

Admiral Dennis Blair, Ret. U.S. Navy, Chair of the Indonesia Commission, Center for  
Preventative Action, Council on Foreign Relations

Dr. Jonah Blank, Professional Staff Member, U.S. Senate Committee on Foreign Relations

Professor Michael M. Cernea, Advisor to BP on Resettlement of Tanah Merah

Mr. Hugh Dowson

Mr. Bennett Freeman, Principal, Sustainable Investment Strategies

**Mr. Brigham Montrose Golden**

Mr. Bara Hasibuan, Intern, U.S. House of Representatives International Relations Committee

Dr. Ayse Kudat, Advisor to BP on Resettlement of Tanah Merah

Ambassador Edward Masters, Chairman, U.S.-Indonesia Society

Ms. Gabrielle K. McDonald, Human Rights Advisor to Freeport McMoRan

**Mr. Octovianus Mote**

Mr. David Phillips, Senior Fellow and Deputy Director of the Center for Preventative Action,  
Council on Foreign Relations

Mr. Ed Pressman

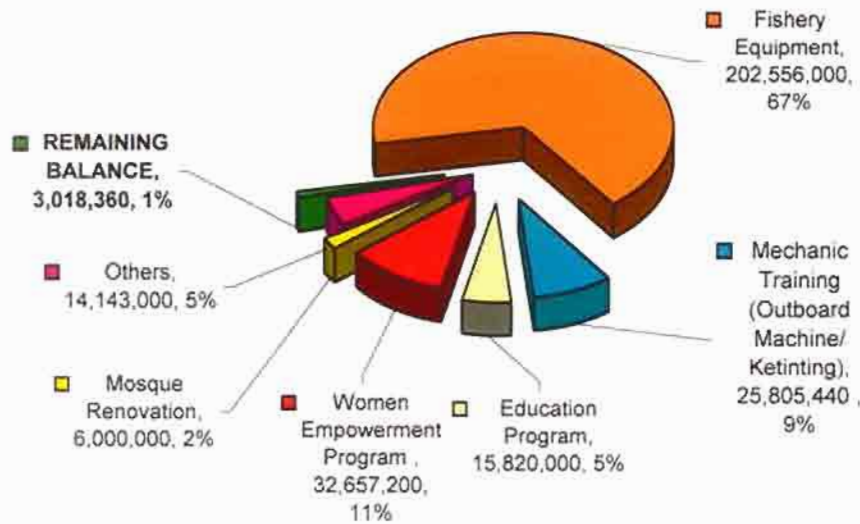
Mr. Gare Smith, Foley Hoag

Ambassador Barnabas Suebu, Former Governor of Papua

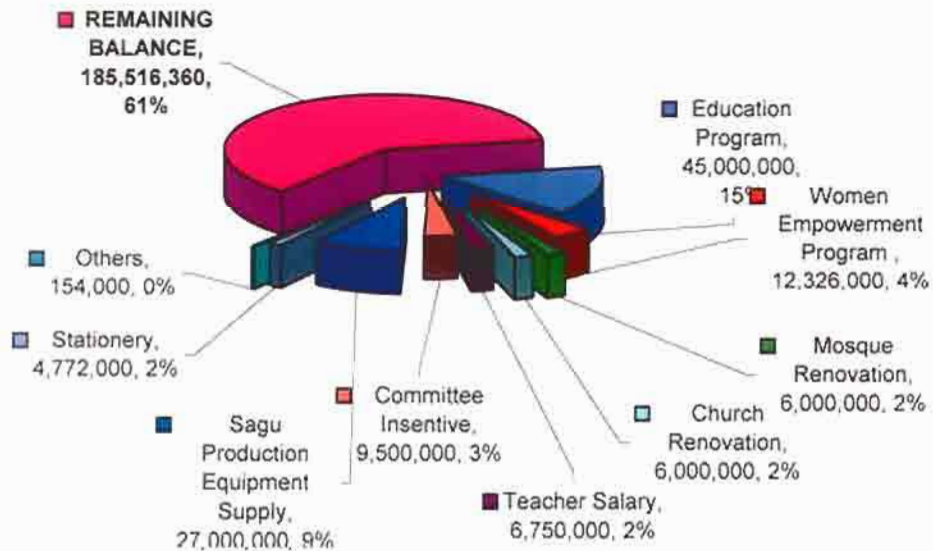
**Reverend Socrates Yoman, President of the Fellowship of Baptist Churches**

# CAPs Weriagar

Rekapitulasi CAPs Weriagar 2004 - 2005



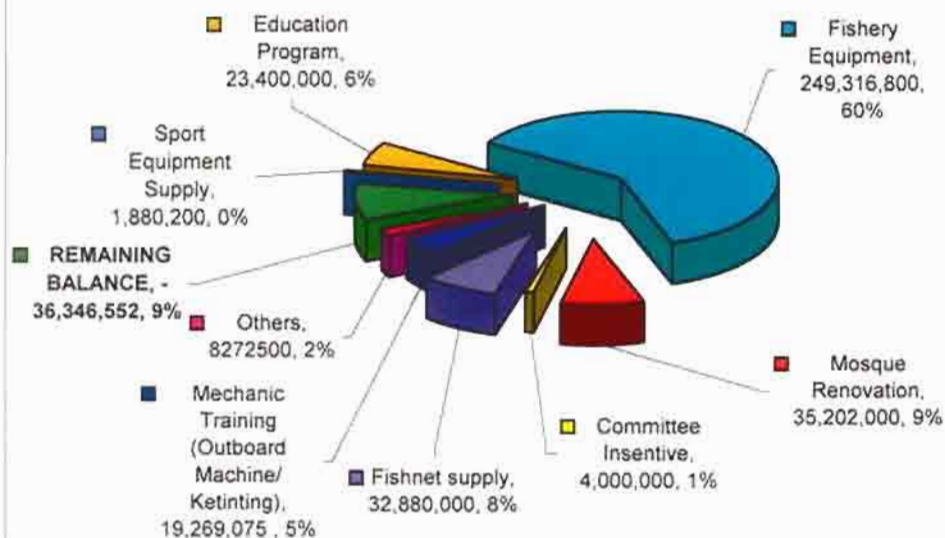
Rekapitulasi CAPs Weriagar 2005 - 2006



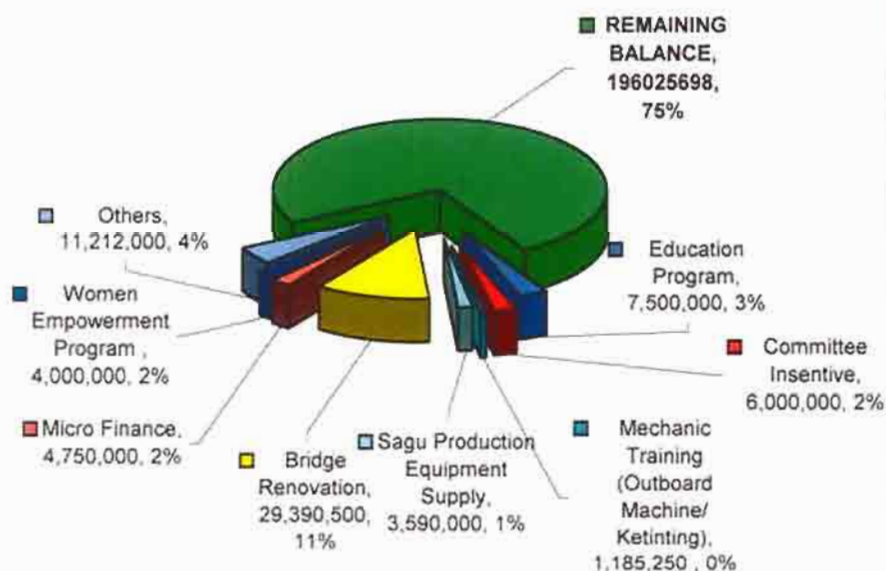


# CAPs Tomu

## Rekapitulasi CAPs Tomu 2004 - 2005

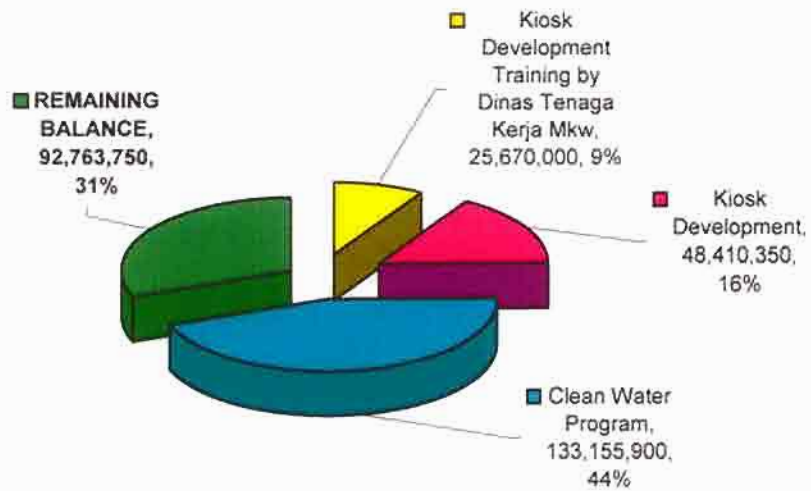


## Rekapitulasi CAPs Tomu 2005 - 2006

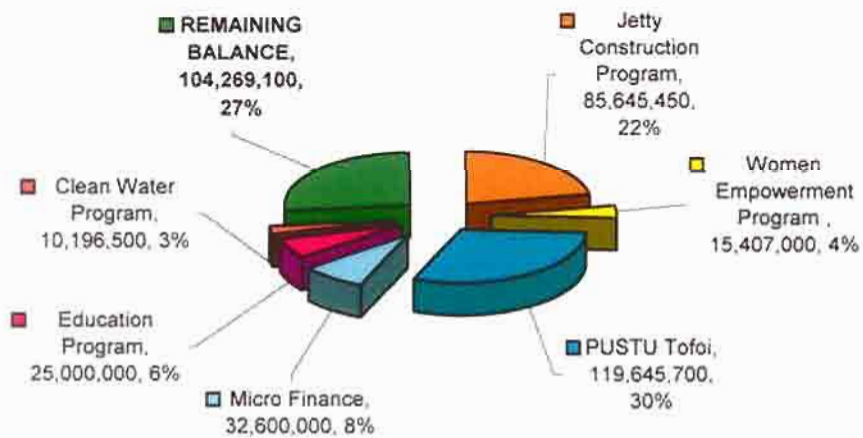


# CAPs Tofoi

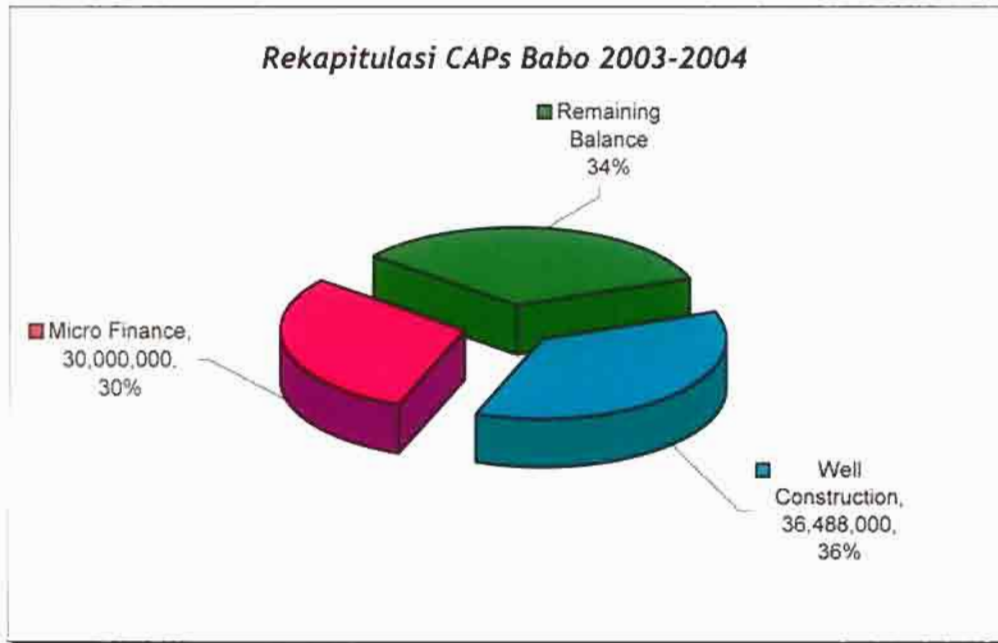
*Rekapitulasi CAPs Tofoi 2004 - 2005*



*Rekapitulasi CAPs Tofoi 2005 - 2006*

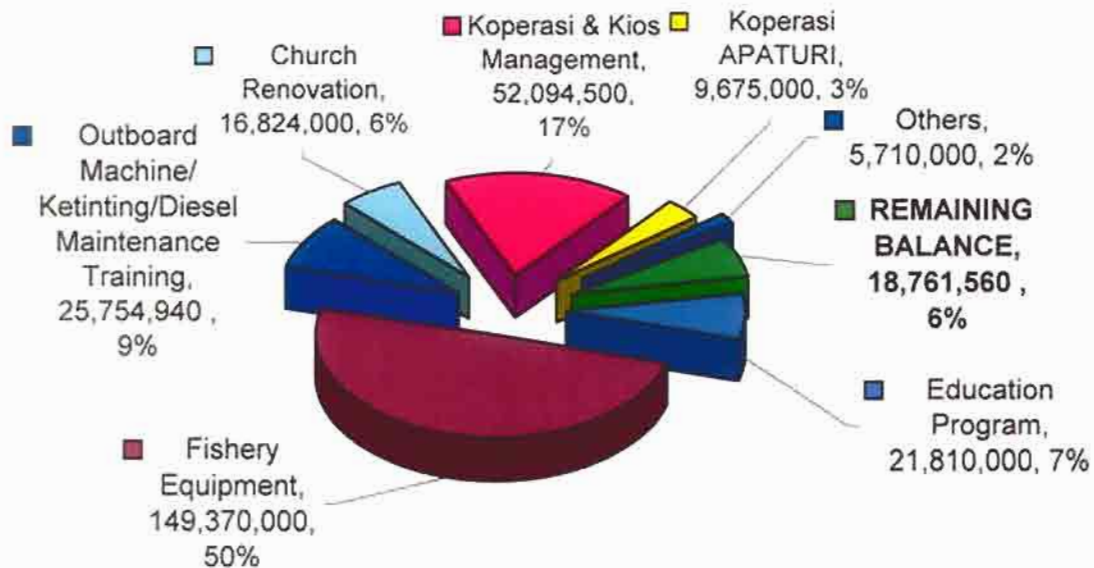


# CAPs Babo

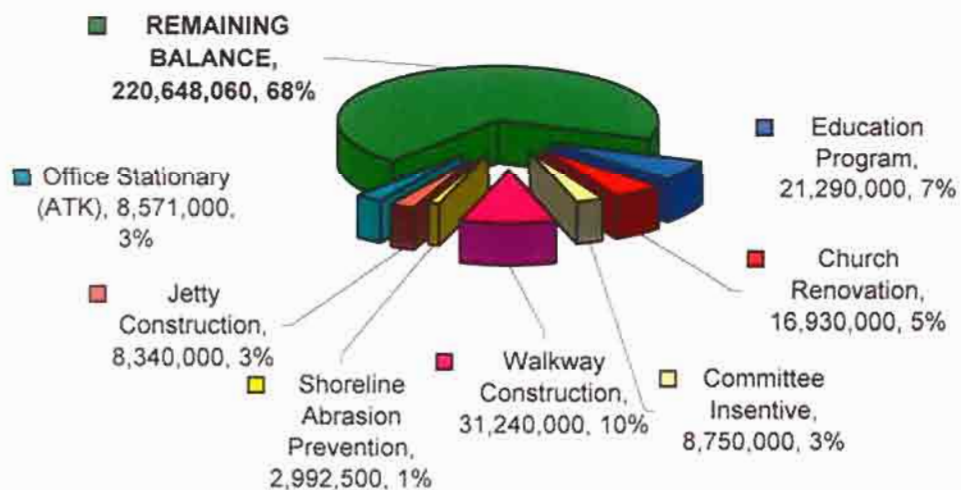


# CAPs Mogotira

*Rekapitulasi CAPs Mogotira 2004 - 2005*

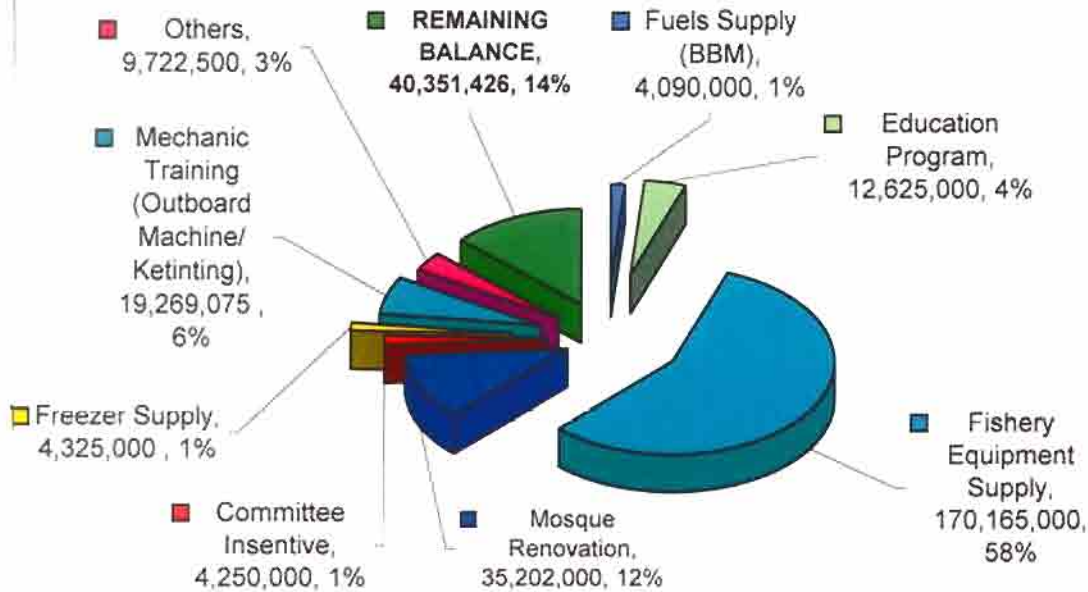


*Rekapitulasi CAPs Mogotira 2004 - 2005*

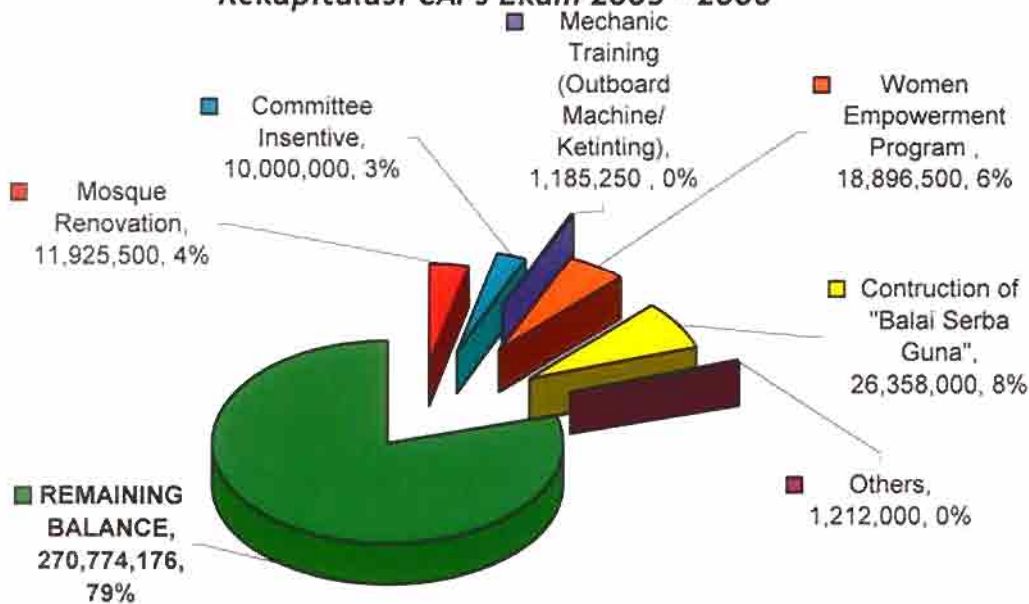


# CAPs Ekam

*Rekapitulasi CAPs Ekam 2004 - 2005*

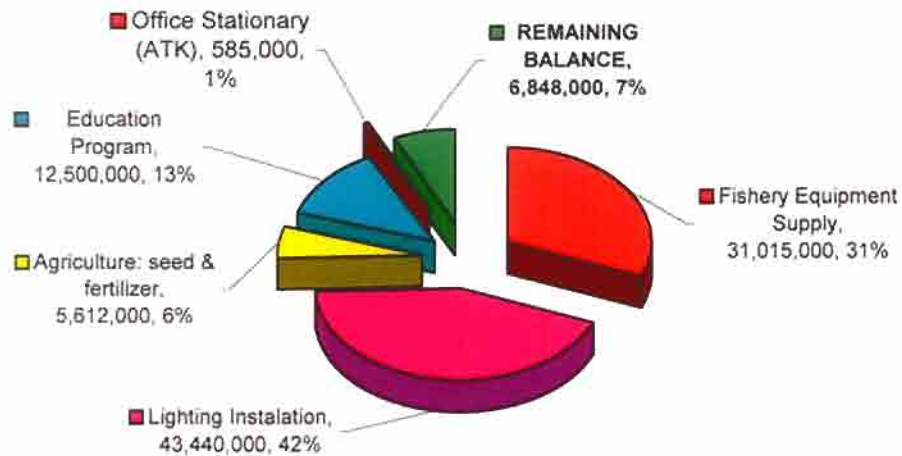


*Rekapitulasi CAPs Ekam 2005 - 2006*

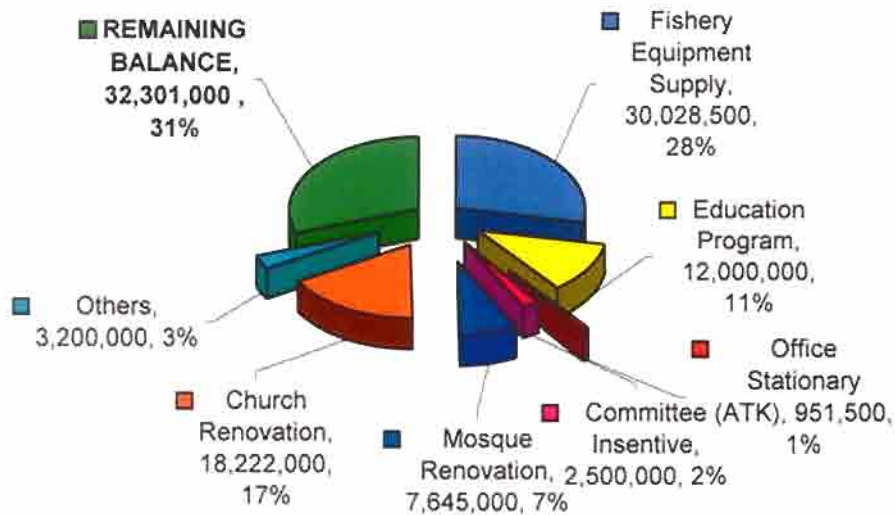


# CAPs Aranday

*Rekapitulasi CAPs Aranday 2004 - 2005*



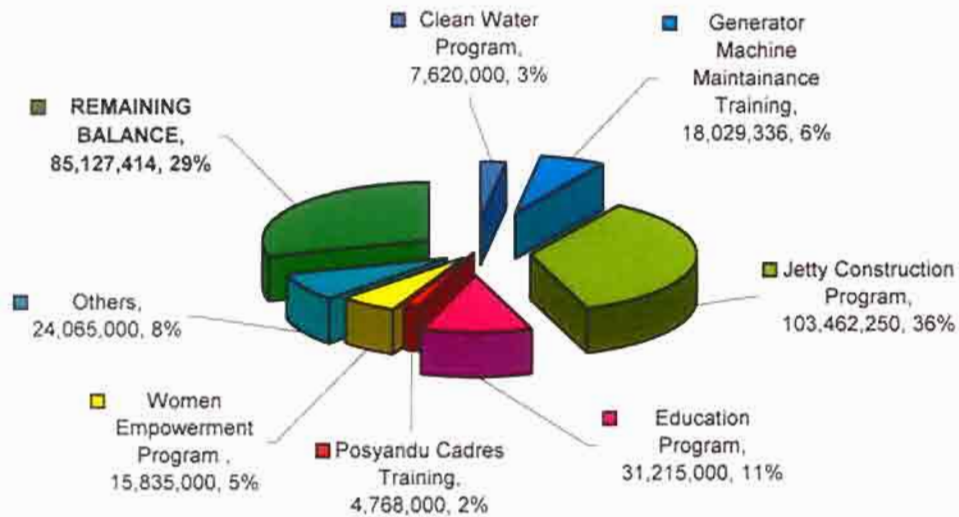
*Rekapitulasi CAPs Aranday 2005 - 2006*





# CAPs Taroy

*Rekapitulasi CAPs Taroi 2004 - 2005*



### Appendix 3

## TANGGUH LNG PAPUAN EMPLOYMENT DECEMBER 2005

| Company           | Papuan  |              | Total<br>Papuan[3] | Non-Papuan | Expatriate | Total |
|-------------------|---------|--------------|--------------------|------------|------------|-------|
|                   | DAVs[1] | Birdshead[2] |                    |            |            |       |
| KJP[4]            |         |              |                    |            |            |       |
| KJP               | 24      | 24           | 49                 | 44         | 27         | 120   |
| LAJO              | 38      | 2            | 40                 | 135        | 8          | 183   |
| Calmarine (TCJO)  | 0       | 0            | 0                  | 0          | 0          | 0     |
| DSS               | 17      | 10           | 27                 | 77         | 0          | 104   |
| Leighton CI (LCI) | 85      | 155          | 242                | 181        | 11         | 434   |
| PBU               | 61      | 26           | 87                 | 44         | 3          | 134   |
| TUGU (TGW)        | 13      | 10           | 23                 | 8          | 0          | 31    |
| URS               | 0       | 0            | 0                  | 2          | 0          | 2     |
| Hazama (HMJO)     | 44      | 24           | 68                 | 101        | 9          | 178   |
| PENTA             | 42      | 5            | 47                 | 225        | 9          | 281   |
| BSJO              | 11      | 18           | 29                 | 101        | 5          | 135   |
| BUMA              | 5       | 11           | 22                 | 1          | 0          | 23    |
| PID               | 0       | 0            | 0                  | 0          | 0          | 0     |
| HB                | 0       | 0            | 0                  | 0          | 0          | 0     |
| SOS               | 0       | 0            | 0                  | 3          | 0          | 3     |
| EPTCO             | 6       | 2            | 8                  | 22         | 0          | 30    |
| TOTAL KJP         | 346     | 287          | 642                | 944        | 72         | 1658  |
| Contractors       |         |              |                    |            |            |       |
| Buma Perindaho    | 0       | 12           | 12                 | 0          | 0          | 12    |
| Pelayaran Tjg     | 1       | 13           | 14                 | 10         | 0          | 24    |
| Bayu Buana        | 0       | 2            | 2                  | 2          | 0          | 4     |
| Universal Babo    | 0       | 29           | 29                 | 10         | 2          | 41    |
| Universal Saengga | 5       | 5            | 10                 | 3          | 1          | 14    |
| Airfast           | 0       | 20           | 21                 | 32         | 2          | 55    |
| Firma Irian Djaya | 125     | 80           | 205                | 139        | 0          | 344   |
| ADHI Wamesa       | 97      | 48           | 150                | 27         | 0          | 177   |
| Shields Security  | 96      | 155          | 252                | 13         | 1          | 266   |
| PCI               | 0       | 5            | 8                  | 2          | 0          | 10    |
| GLOBAL            | 1       | 2            | 3                  | 6          | 0          | 9     |
| DHL               | 0       | 0            | 0                  | 2          | 0          | 2     |
| TOTAL CONTRACTOR  | 325     | 371          | 706                | 246        | 6          | 958   |
| BP Employees      |         |              |                    |            |            |       |
| BP-ISP            | 11      | 19           | 50                 | 15         | 6          | 71    |
| BP-Security Rep.  | 0       | 0            | 3                  | 4          | 0          | 7     |
| BP-Field Team     | 1       | 10           | 12                 | 37         | 6          | 55    |
| TOTAL BP          | 12      | 29           | 65                 | 56         | 12         | 133   |
|                   |         |              |                    |            |            |       |
| TOTAL             | 683     | 687          | 1413               | 1246       | 90         | 2749  |
|                   | 25%     | 25%          | 52%                | 45%        | 3%         | 100%  |

[1] DAVs includes Tanah Merah, Samaga, Oar, Tofei, Otoweni, Tomaga, Wunigar, Mogotira, Tomu, Ekam, and Taroi.

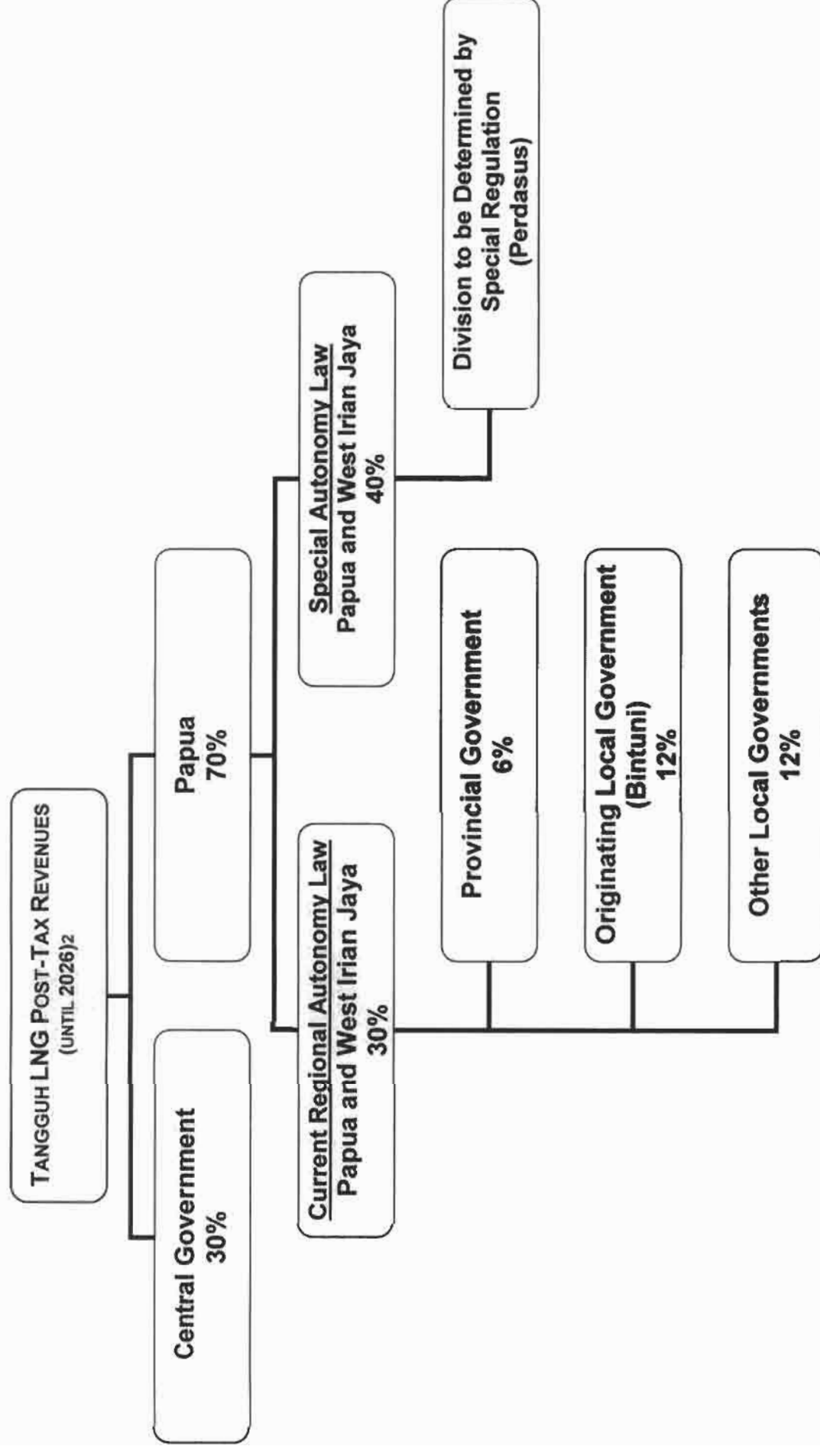
[2] Birdshead includes Arandai, Babo, Bintuni, Kokas, Fak-Fak, Manokwari, and Sorong.

[3] Papuan includes individuals from Jayapura, Biak, and Timika.

[4] All companies in this subsection are subcontractors of KJP, the general contractor for the Tangguh LNG Project.



# CURRENT LAW GOVERNING NATURAL GAS SHARED REVENUES<sup>1</sup>

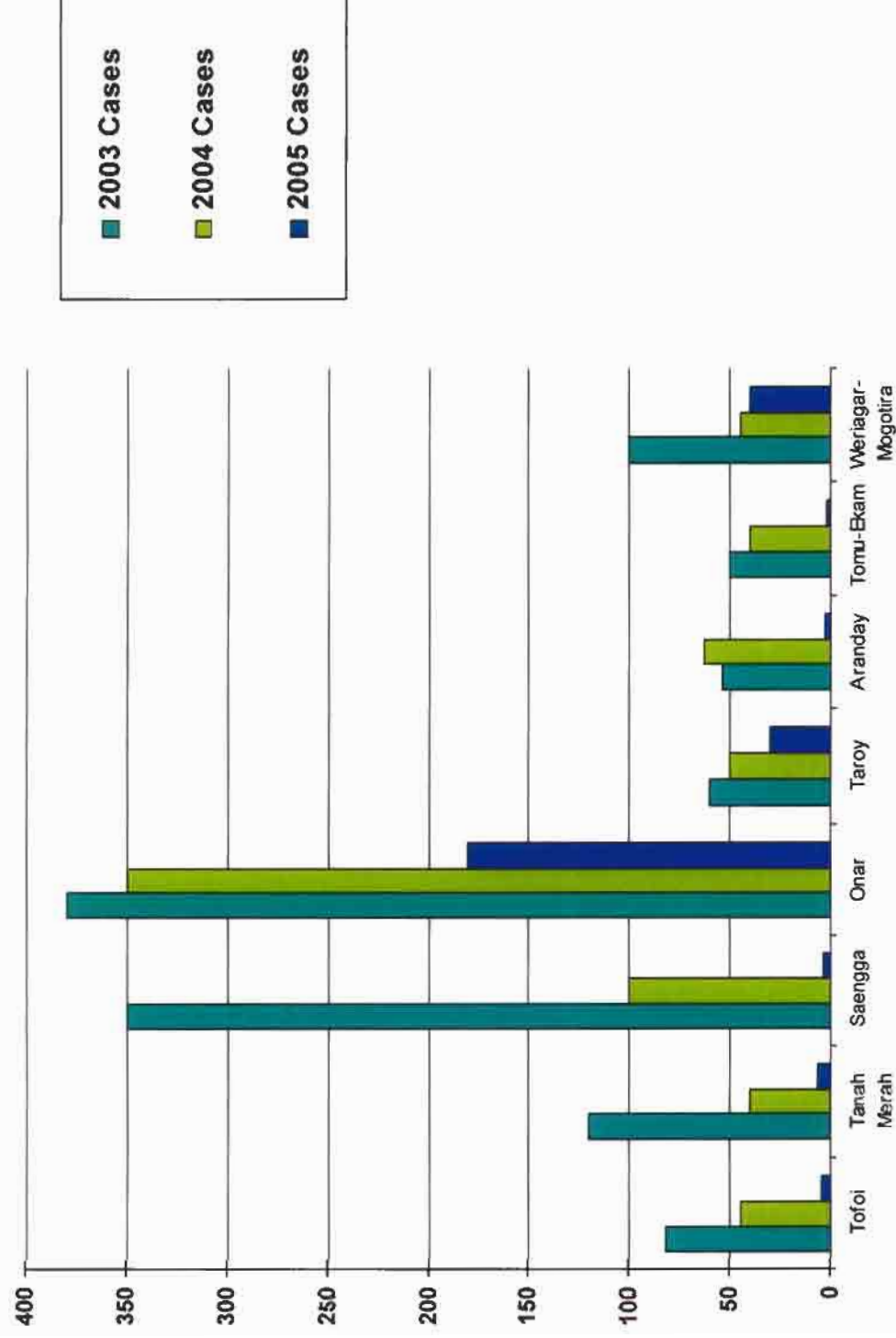


<sup>1</sup> Data is based on the World Bank Report, "Papua Public Expenditure Analysis: Regional Financial and Service Delivery in Indonesia's Most Remote Region." For purposes of revenue distribution, the Government of Indonesia treats the Province of Papua and the Province of West Irian Jaya as one economic unit.

<sup>2</sup> Under Law 21, Papua's share of oil and natural gas revenue will decrease from 70% to 50% in 2026.

## Appendix 5

# Malaria Cases in the DAVs



## Appendix 5

# Mortality During Diarrhea Epidemics in Bintuni

