

**TANGGUH INDEPENDENT ADVISORY PANEL**

**FIFTH REPORT  
ON  
TANGGUH LNG PROJECT**

**MARCH 2007**

## TABLE OF CONTENTS

	<b>Page</b>
I. Introduction .....	1
II. Overview .....	3
III. Principal Recommendations.....	6
IV. Political Developments .....	11
V. Construction and Employment .....	13
VI. Security and Human Rights.....	19
VII. Benefits to the Bintuni Bay and Bird's Head Areas .....	21
VIII. Coordination with Local and Regional Governments .....	29
IX. Transparency of Revenue Flow to the Region .....	32
X. Environment .....	36
XI. Public Information .....	41

## **ACRONYMS AND INDONESIAN TERMS**

<i>adat</i>	Local and traditional customs, laws and dispute resolution systems used in many parts of Indonesia
AMDAL	<i>Analisis Mengenai Dampak Lingkungan</i> – Integrated Environmental and Social Impact Assessment.
BPMIGAS	<i>Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas</i> – the National Upstream Oil and Gas Implementing Agency, the Government of Indonesia partner in the Tangguh Project
<i>Bupati</i>	The head of a <i>kabupaten</i> , or Regency
CAP	Community Action Plan – the support program approach to facilitating community-driven development projects in Directly Affected Villages
CDM	Clean Development Mechanism
CLGI/YIPD	Center for Local Government Innovation
CTRC	Papuan Conservation Training and Resource Center
DAK	Specific grant under regional autonomy for education, health, water and road infrastructure, fisheries, agriculture, local government infrastructure and the environment
DAU	General purpose grant from the Government of Indonesia to the provinces under regional autonomy
DAV	Village originally identified as directly affected by the Tangguh Project
DCRI	Drill Cuttings Re-Injection
DPRD	<i>Dewan Perwakilan Rakyat Daerah</i> , local parliamentary body
EITI	Extractive Industries Transparency Initiative
ELSHAM	Institute for Human Rights Study and Advocacy
EPC	Engineering, Procurement and Construction contractor
GOI	Government of Indonesia
HSE	Health, Safety and Environment Committee
ICBS	Integrated Community Based Security Program
IFC	International Finance Corporation

IJB	Province of Irian Jaya Barat or West Irian Jaya
IMF	International Monetary Fund
IPB	Bogor Institute of Agriculture
ISP	Integrated Social Program – an implementation unit within the Tangguh Project and the social-economic development programs being managed by the unit.
IUCN	World Conservation Union
JUKLAP	Field Guidelines for Security
<i>kabupaten</i>	District, or Regency
KJP	Contractor to whom the bid for construction of the Tangguh LNG plant was awarded
Kostrad	Indonesian military Strategic Reserve Command
<i>kota</i>	City
LARAP	Land Acquisition and Resettlement Action Plan – the Tangguh Project Resettlement Action Plan describing the involuntary resettlement impacts of the Project.
LNG	Liquified Natural Gas
MOE	Ministry of the Environment
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MRP	Papuan People’s Council, a representative body composed of religious, <i>adat</i> and women’s leaders created by the Special Autonomy law
NGO	Non-governmental organization
OECD	Organisation for Economic Co-operation and Development
SBY	Indonesian President Susilo Bambang Yudhoyono
TIAP	Tangguh Independent Advisory Panel
TCHU	Tangguh Community Health Unit
TNI	<i>Tentara Nasional Indonesia</i> , Indonesian armed forces
<i>ulayat</i>	Traditional local community rights to natural resources

UNDP	United Nations Development Programme
UNIPA	The University of Papua
USAID	United States Agency for International Development
YPK	A Christian education foundation
YPPK	An educational foundation affiliated with the Catholic Church

## **I. Introduction**

The Tangguh Independent Advisory Panel (“TIAP”) was established by BP to provide external advice to senior decision-makers 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 fifth report. The first four reports, submitted in September 2002, November 2003, February 2005, and March 2006, respectively, are available, together with BP’s responses, from the Panel or on BP’s website.<sup>1</sup> In November 2006, the Panel took another extensive trip to Indonesia visiting the LNG site, villages in Bintuni Bay, the town of Babo, the district (“*kabupaten*”) capital at Bintuni, and the cities of Jayapura, Manokwari, and Jakarta. The Panel again met with a wide variety of Indonesians, including many villagers and leaders in the Directly Affected Villages (“DAVs”) on the north and south shores of Bintuni Bay; local officials from Bintuni and Babo; government leaders in Jayapura and Manokwari; Ministers as well as other government officials in Jakarta; NGOs from Manokwari, Jayapura, and Jakarta; the Regent and faculties of Cenderawasih University in Jayapura; representatives of donor agencies, including the World Bank, the International Finance Corporation (“IFC”), the United States Agency for International Development (“USAID”) and the United Nations Development

---

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

Programme (“UNDP”); the U.S. and U.K. Ambassadors to Indonesia; and BP contractors on the Project.<sup>2</sup> The Panel utilized independent legal counsel, and was given complete access to all information it requested and total independence in its inquiries and findings. The conclusions and recommendations in this report are those of the Panel alone.

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 BP’s compliance with Indonesian and local law, but has considered BP’s obligations under the AMDAL (which governs social and environmental obligations), the Integrated Social Program (“ISP”) and the Land Acquisition and Resettlement Action Plan (“LARAP”).<sup>3</sup> 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, the ISP and the LARAP.

---

<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> BP’s obligations under the LARAP have been reviewed in detail by the Resettlement Panel, which most recent report is also available on the BP website. See Professor Dr. Michael Cernea, “Report of the External Monitoring Panel on LARAP Implementation Performance in the Tangguh Project,” May 15, 2006. Dr. Cernea will submit his final report on resettlement to BP in 2007.

## II. Overview

Support for the Project at the national level and among Papuans is broad. The Panel met with a wide array of Ministers and other national government of Indonesia (“GOI”) officials. Few had complaints about any aspect of BP’s performance to date. National leaders see the economic benefits of this major direct foreign investment.

At the regional level, support is also strong, but expectations of delivering benefits are high and there are complaints about specific issues. Although some officeholders are not well-informed, the Governors of both Papua and Irian Jaya Barat (“IJB”) see economic benefits as well as opportunities for Papuans. It is now a practical reality that the province of IJB exists.<sup>4</sup> BP must support better communication with and capacity development of IJB as a priority and provide the same attention to this new administration that it gives to the province of Papua.

The recently elected Regent of Teluk Bintuni (the “*Bupati*”) is very supportive of the Project and sees the opportunities it brings to the area. He properly insists that programs that provide public services in the regency be run by his government, not by BP.<sup>5</sup> However, his newly formed administration is not yet capable of delivering quickly in many important areas. This has led to complaints from and tension among the villagers of Bintuni Bay, who, despite having already seen material improvements in health care, education and temporary employment, are impatient; some are demanding other benefits, such as housing, electrification, roads and other infrastructure. In particular, many of the villagers on the north shore do not yet feel they have benefited fairly from the Project and are therefore dissatisfied. BP must not be complacent about progress in these communities at this point in time. If future incidents are to

---

<sup>4</sup> The Governor and the provincial legislature have taken steps to change the name of the province to “West Papua.” It is the Panel’s understanding that, as of the time of this report, this process is underway. Because it is not yet completed, this report will refer to the province as IJB.



be avoided, greater efforts both to deliver benefits to these communities in the short term and to communicate the positive impact of the Project in Bintuni Bay over the long term are required.

Many Papuan officials – including both Governors – expressed the hope that one lasting legacy of Tangguh will be the elevation of Papuans to higher levels of education and skills, enabling Papuans not only to be employed successfully at Tangguh, but also to represent the region in projects and activities throughout Indonesia and the world. This would be a worthy result consistent with the Panel’s previous recommendations. But it requires a multifaceted approach. The Panel strongly encourages BP to establish scholarships for Papuans at the leading Papuan universities and at other institutions such as the Bandung Institute of Technology and the Bogor Agricultural Institute, in technical fields such as oil and gas, as well as in such areas as fisheries management and rural agricultural development. In addition, greater efforts should be made by BP’s contractors to train Papuans working on the Project for, and promote them to, skilled and supervisory positions.

Security issues, while a concern, have been ameliorated by the adoption and broad acceptance of the integrated community based security program (“ICBS”). As the Panel has reported previously, the ICBS has won the approval of the police, the TNI, and local and regional officials. It is being socialized more generally among the local communities and local police force. Although the situation could become less stable if new police or TNI units are stationed in the Bintuni area, thus far, the Tangguh ICBS has to be considered a model for replication elsewhere in Indonesia.

Employment by the Project has infused a major benefit to the local villages. There were 6000 people employed at the time of the Panel’s visit with a peak workforce now estimated at

---

<sup>5</sup> In a letter to the Panel, the *Bupati* expressed his detailed views on all aspects of the Project and its impact on Bintuni Bay.

more than 7,000 workers in the summer of 2007. Since 2004, the Project has recruited 870 people from the DAVs, and by the end of construction, approximately 940 local villagers will have had employment in some aspect of the Project.

As a result, when it occurs, the demobilization of the Project labor force will present special challenges. Most of those previously employed will not have jobs during the Project's operations phase. And very few other opportunities exist, other than a return to prawn fishing. Thus, it is imperative that BP socialize this impending result, so it does not come as a shock to these communities; and it is equally important that BP support the development of local fishing and other potential income producing sectors, such as agriculture and construction. In addition, efforts to elevate Papuan workers by training them in marketable skills and promotion to positions of greater responsibility will pay dividends following demobilization.

Thus far, there have been no serious problems relating to either environment or safety. The Minister of the Environment is satisfied with BP's performance, and environmental NGOs are pleased with BP's support of broader environmental goals in Papua. There are several environmental challenges, however, including minimizing disruption to fishing in the areas near the piers and the platforms, protection of marine mammals in the area, and re-injection of carbon dioxide ("CO<sub>2</sub>"). And there will always remain the risks of a maritime accident. The Project's safety record is thus far impressive, and procedures are in place that make safety a continuing priority. Nonetheless, given the recent safety/maintenance issues faced by BP at Texas City and at Prudhoe Bay, it is critical that BP continue to oversee its contractors and assure itself and the public regularly that safety and environmental protection remain fully effective.

### **III. Principal Recommendations**

Although real challenges still exist, Tangguh has the potential to become a recognized world-class model for energy development, having a positive effect on both indigenous communities and the broader environment. In order to accomplish this goal, however, several issues confronting the Project, not entirely within BP's control, must be met more forcefully and directly. The next two years will be critical. Many of these issues have been raised by the Panel in previous reports. Raising them again is not to suggest that BP has not addressed them or tried to resolve them. Some are fundamental and reflect the external structural environment, and continuing attention and effort is required, particularly in 2007 and 2008 as the Project becomes more visible and attitudes about it become set. These issues include:

- Providing sufficient tangible benefits to the north shore villagers to overcome remaining tensions regarding benefits provided to resettled villages on the south shore;
- Helping local government develop sustainable fishing in Bintuni Bay or other economic opportunities for local villagers sufficient to support a source of outside income with potential to replace the income derived from employment in construction of the Project;
- Training and educating enough Papuans in usable skills and fields that allow some to develop into supervisors, managers and leaders in the future;
- Improving communication and coordination with the new provincial government in Manokwari, and increasing its capacity, to a level comparable to that already accomplished in Jayapura; and

- Establishing a system to exercise continuing vigilance and monitoring over BP's contractors and employees regarding safe and environmentally secure practices.

On these points and others, the Panel makes the following specific recommendations, each of which is described more fully below.

### **Construction and Employment**

- **As the employment of most of the local construction workers will soon end, BP should: 1) socialize the demobilization process so that villagers are not unduly shocked or disappointed by the demobilization; 2) counsel and inform all DAV workers whose jobs have ended regarding opportunities for jobs in other areas, such as in fishing, agriculture or in fields that utilize the skills acquired during construction; and 3) work with the Ministry of Fisheries, together with the *Bupati*, to secure equipment and training for improved sustainable fishing opportunities.**
- **BP should oversee use of the employee grievance procedure developed by the Engineering, Procurement and Construction ("EPC") contractor to ensure that it is applied fairly and that workers are regularly made aware of the procedure's availability.**
- **Objectives should be established by BP to ensure that Papuans occupy a reasonable number of semi-skilled and skilled positions at start-up of operations, and at intervals of 5, 10, 15 and 20 years thereafter. BP should perform an annual audit to ensure that these targets are met.**
- **BP should continually reinforce the priorities of health, safety and environment to all contractors, subcontractors and employees.**

### **Security and Human Rights**

- **BP should continue to socialize the Field Guidelines for Security ("JUKLAP") to make clear the respective roles of private security and the police, and should continue to provide regular human rights training to all personnel involved in Project security.**
- **TNI should be kept fully informed of all security training for Tangguh and, with police concurrence, should be invited to observe any socialization or training exercises.**
- **All funds provided by BP to the police should be made public and posted on BP's website, whether or not payments are made directly to the security forces or indirectly through BPMIGAS, as specifically required by the Field Guidelines for Security.**

- Should additional security forces be deployed to Bintuni, BP should seek to ensure that all such forces receive the same human rights training that is currently provided to security forces directly serving the Project.

#### **Benefits to the Bintuni Bay and Bird's Head Area**

- The feeling of unfair treatment of north shore villages has not yet been sufficiently or successfully addressed. BP should accelerate benefits to the north shore by:
  - promptly implementing the Bintuni Bay Development Foundation infrastructure development program;
  - working to secure approvals needed in Jakarta for the use of the timber lying unused and deteriorating at the LNG site;
  - continuing to work with village leaders to implement the Community Action Plans ("CAPs") fully and effectively;
  - working with the Bintuni *Bupati* (Regent) to bring electricity to the non-resettlement DAVs;
  - completing the clean water programs for the north shore villages;
  - renewing its efforts to establish a functioning microfinance and microenterprise program in the Bintuni Bay area.
- BP should continue to work with the Bintuni *Bupati* to support educational efforts in the DAVs; and should expand the successful work of the Tangguh Community Health Unit ("TCHU") to help control malaria, diarrhea, malnutrition and HIV/AIDS throughout the Bintuni Bay area.
- BP should invest in higher education in the Bird's Head region by creating "Tangguh" scholarships for deserving Papuan students at the University of Cenderawasih, the University of Papua ("UNIPA") or other institutes and should also endow "Tangguh" chairs or professorships at such schools in subjects important for training future leaders of Papua.
- BP should facilitate business development and empowerment in the Bird's Head by encouraging its contractors to increase procurement from local businesses and by continuing to support training of business enterprises in the Bird's Head.

#### **Coordination with Local and Regional Governments**

- Now that a Governor of IJB has been elected and a provincial capital at Manokwari established, BP should increase its communications presence in Manokwari, and

have full capacity to liaise with the Governor, his key cabinet officials and the leaders of the provincial legislature so that regional government officials are kept informed of Tangguh's economic and social programs and consulted where appropriate.

- BP must continue to coordinate closely with the *Bupati* and support governmental capacity development in Bintuni to help the local administration function effectively and transparently, and improve its delivery of basic public services, such as health, education and economic development.
- BP also should continue to support capacity development and transparency at the regional level through its work with the USAID and UNDP. Now that UNDP has moved its offices to Manokwari, BP and UNDP should modify their Memorandum of Understanding ("MOU") with Papua to include IJB.

### **Transparency of Revenue Flow to the Region**

- BP should continue its support of fiscal transparency and adoption of the Extractive Industries Transparency Initiative ("EITI") among senior central government officials and should specifically encourage BPMIGAS, the Ministers of Energy and Finance and other officials to make public all non-confidential revenue generation and allocation information from Tangguh.
- BP should encourage the World Bank, which conducted a groundbreaking study on Papua revenue flow in 2005, to collect available data annually and publish an analysis so that policymakers in Papua will have a better understanding of sources and uses of revenue and fiscal transfers.
- BP should ensure that transparency is one of the key elements in its support of current and future programs with USAID, UNDP, the Center for Local Government Innovation ("CLGI/YIPD") and the World Bank designed to improve civil governance, fiscal management and budgeting in Papua.
- BP should seek to stay apprised of how revenue transfers pursuant to the Special Autonomy policy develop, particularly as they relate to transfers of natural gas revenues.

### **Environment**

- BP's senior environmental personnel as well as those of its contractors should regularly monitor the AMDAL compliance tracking system to make sure that it covers all significant areas and review the results on a current basis so that gaps can be spotted and corrected promptly. Any deficiencies should be brought promptly to the attention of the EPC contractor ("KJP") and any subcontractor responsible, which should devise with BP a plan for immediate correction.

- BP should encourage the GOI to make public all Ministry of the Environment (“MOE”) reports and BP’s written responses to the MOE; and BP should make public all related environmental audits and reports, such as those to the Asian Development Bank. In addition, BP should make publicly known any actions taken to correct environmental deficiencies.
- BP should impose strict controls to prevent any significant discharges relating to the Project, including best efforts to prevent and manage any spills by any vessel that could impair fishing in the Project area. To this end, BP should enforce all international treaty standards on all vessels docking at the site.
- In consultation with its Marine Mammals expert team, BP should institute a long-term monitoring and management plan that mitigates adverse effects on Sousa dolphins and other marine mammals and reptiles. As part of this effort, BP should immediately begin educating boat captains about the need to take action to avoid direct contact with marine life.
- BP should continue to urge the GOI to allow capture and re-injection of CO<sub>2</sub> at the earliest possible time as the long-term strategy for management of CO<sub>2</sub> emissions from Tangguh.
- With its environmental partners, BP should continue its successful Biodiversity Action Plan relating to Papua capacity building in environmental management, biodiversity protection, fisheries health assessment, flora and fauna survey and mangrove preservation.

### **Public Information**

- Now that Manokwari is the regional capital of the IJB province, BP should increase information dissemination in Manokwari through radio, newspaper articles and advertisements or other media.
- BP should continue to expand communications in Bintuni Bay, with the north and south shore radios, which could focus on discussion of Tangguh activities with interactive programming; the monthly newspaper, which should be distributed throughout the LNG site and Babo base camp; and pictorial brochures or videos, which can be used to communicate important issues to a broad local audience.
- BP should better inform the national media in Jakarta about Tangguh to elevate understanding of the economic and social benefits of the Project among Indonesian opinion leaders.

#### **IV. Political Developments**

For the first time in 2006, Papuans voted for their Governor in a direct popular election. After long and contentious discussions between Papuan and GOI officials regarding whether separate elections could be held in IJB province, elections were held in both Papua province and IJB in March. The turnout was strong and the process was peaceful. Bram Atururi, the acting Governor since IJB province was established in 2003, won with 61% of the vote. In Papua, the results were extremely close. Barnabas Suebu, who had served as an appointed Governor in the 1980s and had been Indonesia's Ambassador to Mexico thereafter, won with 31% of the vote.

The Panel had met with both Governors previously, and did so again on this visit. While there is inherent tension resulting from the division of Papua into two provinces, the Governors seem intent on moving forward in a partnership. Governor Suebu stated his intention to conduct a summit with Governor Atururi and local leaders early in 2007 to resolve funding allocation issues. A meeting between the two Governors was held on February 20, 2007 at which an accord was reached on principles such as recognition of the new province, joint management of the economy and infrastructure, and shared management of Special Autonomy revenues. A broader summit, including members of the two provincial legislatures and the Papuan People's Council ("MRP") is scheduled for late March. If this process allows the two provinces to reach agreement on critical fiscal issues, the long delay and confusion regarding implementation of Special Autonomy may finally be eliminated.

The Panel also met with the Chairman and a delegation of the MRP, which has been functioning for one year, but was virtually ignored by the GOI in its decision to hold elections in IJB. At the time of the Panel's meeting, the MRP held to the view that the province of IJB is not legally constituted and therefore should not share in Special Autonomy funding. This



disagreement of course creates significant tension with the IJB provincial leaders. As a result, some propose to divide the MRP into two separate entities, one serving each of the two Papuan provinces. The ultimate resolution of this dispute is unclear, but in the short term, the disagreement has disrupted implementation of Special Autonomy in IJB province, particularly as it affects the allocation of Special Autonomy funds.

President Yudhoyono (“SBY”), who had stated his intention to focus on Papua following the settlement of the conflict in Aceh, began this effort in 2006 but fell short of reaching any resolution. He traveled to Papua in July and soon thereafter announced that there would be a “New Deal for Papua” which would speed the implementation of Special Autonomy, focus efforts on economic and social development, and provide “affirmative action” for Papuans in business, education and security services. Although a draft Presidential Instruction was released, it has not been made final at this time, possibly because of the inability to reach consensus among the two Governors and the MRP.

One element of the draft New Deal, which establishes a central government “Coordinating Team”<sup>6</sup> for Papua, is already functioning. The Panel met with several key Ministers on this team, who are deeply involved in creating a process for reaching consensus with the regional governments. It is unclear whether the GOI would impose a solution on the Papuan leaders if they fail to reach agreement; their preference seems to be for the Papuan officials to reach agreement. The Governors’ and the MRP’s delay in doing so increases political tensions, continues uncertainty in revenue allocation and creates a huge distraction to effective governance.<sup>7</sup>

---

<sup>6</sup> The Coordinating Team for Papua includes the Coordinating Minister for Political, Legal and Security Affairs, the Coordinating Minister for Economic Affairs, the Minister of Home Affairs and the Minister of Finance.

<sup>7</sup> There are reports of action by the Papua Legislative Council (“DPRD”) to allocate Special Autonomy revenues, but at this time, it is unclear whether these reports reflect agreement or unilateral attempts to direct these revenues.

Nevertheless, even without issuance of a new Papua policy, funds from the central government are flowing into Papua at unprecedented levels. This is largely the result of formula allocations tied directly to the revenues received by the central government. Total funding from the GOI for the province and its constituent subdivisions exceeded 16 trillion Rupiah (“Rp”), or about \$1.7 billion in 2006, more than four times the total funding five years ago.<sup>8</sup> Pursuant to the law, some funds are flowing directly into the *kabupatens* and *kotas* (cities), many of which, however, lack effective fiscal controls and governance systems. (See section IX on Revenue Transparency).

In an effort to see more immediate and tangible benefits from the funds allocated to the provincial government, Governor Suebu has announced a policy to allocate 100 million Rp (about \$11,000) to every village in Papua. Channeling greater funds directly to the villages seeks to avoid the bureaucracies of the province and the *kabupatens*. One of the models for this program is the BP Community Action Plans for the DAVs. There are more than 2700 villages in Papua. Governor Suebu is relying on World Bank assistance and existing local institutions to implement this program in 2007. Because the Governors of the two provinces have not yet reached agreement, it is not clear whether this program will apply only to villages in Papua province or will include those in IJB.

## **V. Construction and Employment**

The LNG site is now a large construction area onshore together with a small flotilla, two long piers and sections of the two platforms offshore. Large structures are being assembled, including the two LNG storage tanks and the associated liquefaction facilities. Although this

---

<sup>8</sup> See World Bank Report, “Papua Public Expenditure Analysis: Regional Financial and Service Delivery in Indonesia’s Most Remote Region,” at 31, available at [www.worldbank.org/id](http://www.worldbank.org/id).

area of about 335 hectares has been graded and cleared, the Project site of approximately 3200 hectares includes a very large buffer within the perimeter fence that will remain untouched.

There are now more than 7000 workers at the site, almost all living in modular housing, with recreation rooms, tennis courts, a “football” pitch, canteens and other facilities. The 1.3 km combo dock is essentially complete, with large cranes at its terminal end, allowing for docking of large vessels and delivery of massive pieces of equipment, as witnessed by the Panel. The first components of six drilling platforms have arrived and are being positioned for installation at their permanent locations in the Bay. Drilling of wells is scheduled to begin in May 2007.

Importantly, there has not been a single fatality or major injury on site. There have been a number of injuries, particularly to hands and fingers, but as of the Panel’s visit, the Project had achieved more than 20 million man-hours without a day away from work case. In an effort to continue this record, BP has initiated a contractor Health, Safety and Environment (“HSE”) Committee to increase contractors’ awareness and commitment to health and safety. It is of course important that BP continually reinforce these priorities to all contractors, subcontractors and employees.

The workforce Code of Conduct and the worker grievance procedure suggested by the Panel are being implemented. Elements of the Code of Conduct are an integral part of worker induction training and are made known to all employees in their contracts, work site policy and in posted notices at locations around the site. However, there is no single document encompassing the “Workforce Code of Conduct.” The various components should be consolidated into a single document, as recommended by BP’s Internal Audit of Workforce Management.

The grievance procedure, implemented by KJP in July 2006, provides every employee at the site an opportunity to file a grievance card for any work related complaint. The complaint is investigated by a committee that includes worker representatives and is attended by BP. If the committee is unable to resolve the grievance, there is external mediation and an ultimate opportunity for legal recourse.<sup>9</sup> The procedure generated 430 actions in its first six months of operation, the vast majority of which were related to salary issues. All but 16 of these grievances have been resolved.<sup>10</sup> As far as the Panel is aware, there were no complaints alleging any human or civil rights abuses. The process implemented complies with the principles recommended by the Panel. It is now important that it be applied fairly by the grievance committees and that workers are regularly made aware of its availability.

AMDAL requirements for hiring Papuans and workers from the DAVs have been met. BP's Internal Audit of Workforce Management, which was recommended by the Panel, concluded that BP has significantly exceeded all of its minimum targets for hiring workers from the DAVs across all skill level categories. At the time of the Panel's visit, there were approximately 2900 Papuans employed out of a total construction workforce of about 7000, or more than 40%. Of these, 617, or almost 10%, were from the DAVs.<sup>11</sup> Separately, BP employs about 55 Papuans in communications, community development and administration positions. These jobs are all skilled or semi-skilled positions. Separately, BP continues its training program for Papuans in LNG technical operations at Bontang. Twenty four new trainees were added to the group this year, increasing to 53 the Papuans who will be eligible for skilled jobs in the operations phase.

---

<sup>9</sup> A full summary of the procedures in the Workforce Grievance Procedure is included as Appendix 2.

<sup>10</sup> The grievance procedure continues to operate in 2007 with 53 grievances filed and 41 grievances thus far resolved.

<sup>11</sup> A chart detailing Project employment is included as Appendix 3.

However, almost all of the workers in construction related activities are in the unskilled category. Only 113 are in semiskilled jobs, and only 52 are in skilled positions. While a few examples exist of Papuans being trained and promoted to higher level jobs, the numbers are insufficient. Greater efforts by the contractors should be made to identify and elevate Papuans.

Under AMDAL targets, at start-up only 8% of the 183 skilled positions are to be filled by Papuans, and only 13% two years later. Similarly, at start-up only 53 of the 184 semi-skilled positions (29%) will be Papuans, and only three will be from the DAVs. After ten years of operations, the AMDAL requires that 40% of the semi-skilled positions but only 2 (1%) of the skilled jobs be filled by villagers from the DAVs; and that about 50% of the remaining semi-skilled jobs and 40% of the skilled jobs will be held by Papuans. It is essential that these workforce targets be met, and exceeded, if possible. Particularly with regard to total numbers of Papuans, the Panel urges BP to go beyond the AMDAL commitments and establish indicative objectives for Papuans in skilled and managerial positions at start-up, and at five year intervals thereafter; and to audit these workforce targets annually to ensure that they are being met.

The most serious new “employment” issue that looms over the Project, predictably, is demobilization. Already many short-term construction jobs for temporary workers from the DAVs have ended. The overall numbers will grow substantially during 2007 and will “peak” in 2008. Appendix 3 is a chart of Project employment during the entire construction phase. It compares demobilization generally with demobilization of Papuan and DAV workers. It is apparent that in 2007 and 2008, up to 600 DAV workers will return to their villages from temporary employment.<sup>12</sup> These workers, mostly young men, will have benefited from skills and disciplines learned working for Tangguh, but they will be without any alternative external

---

<sup>12</sup> Workers from the DAVs will continue to be eligible for certain jobs in the operations phase, including in security, the ISP team and maintenance.

income or activity. Clearly, this could be a source of tension and instability within the DAVs and must be addressed.

BP must effectively socialize the demobilization process. The ISP team should conduct village meetings explaining the impending demobilization, trying to make villagers understand that no new replacement jobs with the Project will become available. This may not be accepted by some, but it must be repeated or it will come as a shock and a disappointment.

It is important that workers whose contracts have ended be given individual attention and the best guidance that can be offered to assist in their readjustment. Just as BP guaranteed a job for every DAV family it should also offer to assist these DAV workers to return to fishing or best use the skills acquired during construction in other jobs. If requested, workers from the DAVs whose jobs have ended should be included in vocational training programs conducted in the new training center at Aranday to improve their marketable skills. In addition, BP should monitor these efforts and assess the results to determine whether the assistance has been effective.

Because the most promising immediate source of external income is from fishing, and to a lesser extent, from agriculture, BP should help to develop these community based natural resources. It has begun to do so by partnering with the Bogor Institute of Agriculture (“IPB”), which will focus its initial efforts on sustainable fisheries, and develop a plan to promote local agriculture in 2007. This could be a critical part of replacing and expanding external income for the DAVs and other communities in the Bay.

BP also should work with the Ministry of Fisheries, together with the *Bupati*, to secure equipment and training for improved sustainable fishing business opportunities. The Panel met with the Minister of Fisheries, who is a Papuan focused on improving these opportunities for the villagers of Bintuni Bay. BP should capture this interest immediately, while it is available. The

Minister informed the Panel of specific support that is available from the GOI for development of artisanal fishing,<sup>13</sup> including nets for better catches, cold storage and ice plant equipment for improved storage, small ships (5-10 gross tons) and expert advice on development of new markets. The Minister also indicated that the Bay could be closed to outside trawlers by the *Bupati* to address concerns about overfishing and depletion of the resource. The Panel is informed that the Bupati has licensed several new trawling operations in Bintuni Bay. Thus, limiting additional operations, possibly with a more effective regulatory regime, should be explored with the *Bupati* promptly, before large scale trawling activities in the Bay are resumed by Jayanti<sup>14</sup> or foreign operators.

### **Recommendations**

- **As the employment of most of the local construction workers will soon end, BP should: 1) socialize the demobilization process so that villagers are not unduly shocked or disappointed by the demobilization; 2) counsel and inform all DAV workers whose jobs have ended regarding opportunities for jobs in other areas, such as in fishing, agriculture or in fields that utilize the skills acquired during construction; and 3) work with the Ministry of Fisheries, together with the *Bupati*, to secure equipment and training for improved sustainable fishing opportunities.**
- **BP should oversee use of the employee grievance procedure developed by the EPC contractor to ensure that it is applied fairly and that workers are regularly made aware of the procedure's availability.**
- **Objectives should be established by BP to ensure that Papuans occupy a reasonable number of semi-skilled and skilled positions at start-up of operations, and at intervals of 5, 10, 15 and 20 years thereafter. BP should perform an annual audit to ensure that these targets are met.**
- **BP should continually reinforce the priorities of health, safety and environment to all contractors, subcontractors and employees.**

---

<sup>13</sup> Artisanal fishing refers to small-scale, labor-intensive harvesting, processing and distribution technologies for exploiting marine resources.

<sup>14</sup> Jayanti is the Indonesian trawler operator that had been operating extensively in Bintuni Bay, but ceased operations about two years ago. Much of its fleet remains drydocked near Babo.

## **VI. Security and Human Rights**

Security and human rights issues remain a concern of many stakeholders, particularly in the NGO community. The Panel shares these concerns. Until now, Tangguh security has proceeded without serious incident. All security incidents thus far have been handled by Tangguh's private security contractor (virtually all Papuan) and the local police. Most incidents have involved drunken behavior or demonstrations regarding workforce hiring. None have led to any accusations of undue force or any other human rights abuses.

In the Panel's consultations with police officials and others involved with security, it is apparent that Tangguh's integrated community based security is accepted by public security forces and is working well. The Papua police are participating in socialization of the Field Guidelines for Security ("JUKLAP"), signed in 2004, that defines the respective roles of private security and the police.<sup>15</sup> These socialization workshops in the Bird's Head and in Jayapura are attended by police, TNI, government officials and community leaders. The Panel applauds these activities, and encourages BP to continue them on a regular basis. It is important that new personnel in each of the security services be trained in these procedures, and that more seasoned personnel be reacquainted with them. In addition, BP continues to provide human rights training – conducted by ELSHAM – to all personnel involved in Project security. This, too, should be continued on a regular basis throughout the operating life of the Project.

Tangguh security and the police will also undertake a joint training exercise to practice the escalation procedures set forth in the Field Guidelines. This is useful. But it would also be beneficial to include TNI as observers to this exercise, even though it is not directly involved in the JUKLAP procedures. Given that it is central to successful operation of the ICBS, TNI should

---

<sup>15</sup> See the Panel's Third Report submitted in February 2005, at 14, 23-26.



be kept fully informed of all security training for Tangguh and, with police concurrence, invited to observe any socialization or training exercise.

BP may provide funds for these training and socialization activities. It is important that all of these expenditures be made public, and posted on BP's website. This should be done whether or not payments are made directly to the security forces, or indirectly through BPMIGAS, as specifically required by the JUKLAP.

There remains significant concern among some NGOs that substantial additional troops will soon be deployed to Papua. Thus far, no new deployments of security forces have been made to the Bintuni Bay area. But the Panel expects that there will be. The Chief of Police again told the Panel that additional police capability was needed in Bintuni because of the vast area covered and the need for more rapid waterborne responses. Thus, it should not be surprising and should not be viewed as a security concern if the police increase their capabilities in Bintuni.

BP should urge that any new security forces receive the same human rights training that is currently provided to security forces directly serving the Project.

There has been speculation in the press that Kostrad, the TNI's Strategic Command, or the Navy, may relocate forces to the Bird's Head. These strategic decisions do not appear to have any direct relation to Tangguh, and are not likely to affect Tangguh security unless there are major changes in policy regarding Papua.

### **Recommendations**

- **BP should continue to socialize the Field Guidelines for Security ("JUKLAP") to make clear the respective roles of private security and the police, and should continue to provide regular human rights training to all personnel involved in Project security.**
- **TNI should be kept fully informed of all security training for Tangguh and, with police concurrence, should be invited to observe any socialization or training exercises.**

- **All funds provided by BP to the police should be made public and posted on BP's website, whether or not payments are made directly to the security forces or indirectly through BPMIGAS, as specifically required by the Field Guidelines for Security.**
- **Should additional security forces be deployed to Bintuni, BP should seek to ensure that all such forces receive the same human rights training that is currently provided to security forces directly serving the Project.**

## **VII. Benefits to the Bintuni Bay and Bird's Head Areas**

### **A. Bintuni Bay**

The Panel in previous reports has emphasized the importance of the delivery of near term benefits to the region. It commends BP and its ISP team for their excellent efforts to help the people of Bintuni Bay most affected by the Project determine for themselves how to improve their lives. The CAPs and related programs have already resulted in tangible benefits in health, education, clean water and other local improvements selected by the north and south shore villagers.

The resettlement DAVs, in particular, have seen material improvements in quality of life. In addition to the wholesale reconstruction of the villages of Tanah Merah and Saengga, described in the Panel's previous reports, villagers in Onar Lama ("Old Onar") are now living in attractive, newly constructed homes with electricity, cooking and bathroom facilities. Each has rainwater collection and a septic tank, which were fabricated on site. Many already have gardens for vegetable cultivation. The homes and related systems were built by villagers with support from professional carpenters. They provide a replicable and economic model for housing elsewhere in the region. However, issues of dependency continue, specifically with regard to provision of fuel for diesel power generation and other demands. BP should help these communities in their transition to independence, and of course meet all commitments in the

LARAP, but must make clear that it cannot indefinitely continue providing fuel and other support.

BP has delivered meaningful benefits to all the DAVs in the areas of health and education. Since its inception in 2002, the Tangguh Community Health Unit has achieved significant positive results in public health throughout the Bay area. The TCHU has made particular progress in (i) malaria control for which the prevalence in the DAVs is now 5% (compared to 23% in 2000)<sup>16</sup>; (ii) maintenance of low diarrhea fatality rates; and (iii) malnutrition. The TCHU has garnered international recognition for its work, receiving BP's Helios Award<sup>17</sup> for its malaria and diarrhea social-marketing program and winning the UNAIDS/National AIDS Prevention Committee Gold Award for best workplace HIV program in Indonesia. Because of the prevalence of HIV/AIDS in Papua, prevention efforts in Bintuni Bay, which are furthered in the region by the establishment of a Global Development Alliance for Health with USAID, are of particular importance.

Improvements to primary and secondary education also have been significant. There has been increased support (such as teacher staffing and training and improved infrastructure) to elementary schools in Tanah Merah, Onar, Saengga, Tofoi, Otoweri, Tomage, Weriagar, Tari, Tomu and Aranday, and to junior high schools in Tanah Merah and Aranday. MOUs by BP with three separate religious charities – YPK, YPPK and Muhamadiyah – have brought new teachers, books and materials to all of the DAVs. Further, the Project entered into an agreement with the British Council to support local government in its educational planning and capacity, promote community support for education, and establish a scholarship program for high school education.

---

<sup>16</sup> See Appendix 5 for more information on the successful results of the TCHU social-marketing program.

<sup>17</sup> The Helios Awards are given out annually by BP to recognize BP employees and third parties who have put BP's values into practice. The TCHU was the global winner among all projects nominated by BP entities throughout the world.

These objectives will be furthered by an MOU signed in March 2006 between the *Bupati*, the Project, and the three religious charities.

However, the Panel has now visited the area over five years, a period long enough to see change, and it is clear that despite the progress described above, benefits to non-resettlement villages are not yet sufficient to make some villagers feel that Tangguh is making a positive contribution. This is particularly true of the north shore villagers who believe that they have an *adat* ownership right to the gas and yet have seen greater benefits delivered to the resettlement villages on the south shore.<sup>18</sup> Although the Project has initiated new, specific infrastructure for the north shore villages, such as the vocational training center, clean water program and education infrastructure, a perception of unequal treatment remains. Although this perception may be the result of the new housing and infrastructure constructed pursuant to the requirements of the LARAP, as a practical matter it must be addressed.

The start of production is less than two years away. Time is running short to change any negative attitudes before this defining moment. However, the Panel believes that with a focus on results in a few key areas, and with the cooperation of the *Bupati*, almost all opinion leaders in the Bintuni Bay area can be invested in the success of the Project as operations commence.

The focus must be both on delivery of benefits and better communication of information. Public information is addressed in section XI below. Although the ISP team interacts regularly with villagers in the DAVs, new methods for communicating with local villagers should be tried. Among the best messengers to inform villagers of the benefits of Tangguh may be some of the

---

<sup>18</sup> There have been claims that BP has not met its obligations under traditional (“*adat*”) customs or communal natural resource (“*ulayat*”) rights. For example, the LARAP and the ISP provide that BP follow 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. The Bintuni *Bupati* shares this view. He concludes that issues related to communal rights and compensation pose serious problems. The *Bupati* believes that BP must be sensitive to these interests, but the settlement of these issues is the responsibility of the government.

Papuan students now being trained for technical jobs in LNG operations. When these students are brought to Bintuni Bay, BP should consider arranging community meetings for them to explain LNG operations and help to prepare villagers for how Tangguh will affect and improve their quality of life.

Benefits to north shore villagers can be accelerated in several ways. First, the Bintuni Bay Development Foundation, which would carry out recommendations made previously by the Panel, should be implemented promptly. The Foundation would fund infrastructure in the areas that are identified by local leaders. However, issues of structure and governance have delayed the establishment of the Foundation. While these issues are important, they should not impede the establishment of the Foundation. BP should work with the *Bupati* to set a timeline that would have the Foundation up and running in 2007. This is essential if results on the ground are to be seen by start-up.

Second, BP should make a priority effort in Jakarta to secure approval for the use of the timber lying unused and deteriorating at the LNG site. As the Panel has previously reported, there are thousands of felled trees that could become the primary resource for housing and other construction in non-resettlement villages throughout the area. Bureaucracy in Jakarta has stalled the use of this timber for any purpose. To its credit, BP has spoken to a number of government officials in an attempt to obtain the necessary approvals. But a more concentrated effort is needed. In consultation with the *Bupati*, BP should petition BPMIGAS, the Energy Ministry, the Forestry Ministry, and, if necessary, higher political officials to break this logjam.

Third, the ISP team should work with village leaders to implement the CAPs fully and effectively. Appendix 4 is a chart showing the use of the CAPs in each DAV since their

inception in 2004.<sup>19</sup> The CAPs have provided useful improvement to the DAVs. However, in several cases, a substantial portion of the funds are unspent. Although there may be disagreements or process issues that delay use of the CAP funds, it is in the interest of all that these funds be spent on village improvements, rather than deferred.

Fourth, BP should work with the *Bupati* to bring electricity to the non-resettlement DAVs. This would immediately uplift the lives of the people and be a daily reminder for all of the benefit of Tangguh. It would also bring many secondary benefits, including better literacy and education and an improved quality of life. The resettlement villages have been completely electrified, both in the individual homes and on the public paths. BP should explore use of solar power, diesel generators or a combination to at least bring electricity to some of the public facilities of these villages before operations commence in 2008.

Fifth, the clean water programs for the north shore DAVs should be completed in 2007. These were among the earliest recommendations of the Panel, which BP has adopted but not completed. There were complaints about the adequacy of the clean water programs at some of the north shore DAVs. However, they had not been completed. The Panel continues to believe that the benefits of clean water are so fundamental and offer such improvement to living conditions that this should remain a priority. If the clean water facilities in any village prove inadequate after being fully installed, they should be evaluated and further improvements considered. But there is no reason why all of these initial systems cannot be completely installed in 2007.

Sixth, although BP has attempted to implement a microfinance program to support small business development in the *kabupaten* Bintuni, the program has not broadly taken hold. There are difficulties with both the culture of saving and the reluctance of external lenders to enter the

---

<sup>19</sup> Each of the CAPs began in 2004, except Babo which commenced in 2003.

area. However, the successful experience of microfinance programs in other parts of the world, such as the Grameen Bank in Bangladesh, for which Muhammad Yunus won the 2006 Nobel Peace Prize, demonstrates that these difficulties can be overcome and much good can result. Thus, BP should renew its efforts to establish a microenterprise program in the Bay area.

The Panel recognizes that it has recommended many priority actions to guarantee immediate benefits to all of the local people. The Panel considers these actions investments of value for the life of the Project. The commencement of operations will be viewed by many as the symbolic date for a determination of whether Tangguh has benefited the lives of the people in the area. It is therefore critical that the fruit of these investments be operational and visible to all by the end of 2008.

#### **B. Bird's Head**

Separate from the benefits to the immediate Bintuni Bay area, it is also important that Tangguh be seen as a positive development in the wider Bird's Head region and all of Papua. Jobs will not be available in the long term to sustain this perception. Three areas in which the Panel believes that the most contributions can be made are health, higher education, and business development programs.

BP's programs for health care have great potential for the region. In June 2006, BP signed an MOU with USAID creating the Bird's Head Development Initiative. This continues the progress made under the Bird's Head Alliance from 2002-2004. In addition to establishing education and governance programs, the Initiative utilizes the resources of USAID's Basic Human Services program and BP's Tangguh Community Health Unit to combat HIV/AIDS, tuberculosis, and malaria, and improve child and maternal health throughout the Bird's Head region. BP will contribute \$3 million for health programs under the MOU, which will continue

to 2009. As noted, the prevalence of HIV/AIDS in Papua is shockingly high. Thus, it is particularly important that the Alliance make AIDS education and prevention a priority. Further, BP plans to expand its successful social-marketing program to combat malaria and tuberculosis from the DAVs to the greater Bird's Head region.<sup>20</sup>

With regard to education, BP's participation with USAID in the Bird's Head Education Initiative will help to spread the benefits to the broader region of improved primary and secondary education that were begun in the DAVs. This program, for which BP will provide \$1.5 million over 3 years, focuses on building the capacity of local governments to manage and implement education plans and on improving the quality of teachers and educational resources.

Separately, but importantly, the Panel has previously recommended that BP institute scholarships at Cenderawasih and UNIPA, the two universities in Jayapura and Manokwari.<sup>21</sup> Thus far, aside from efforts to improve training of teachers as a part of the USAID Bird's Head Education Initiative, it is not apparent that Tangguh has had any lasting impact on higher education in Papua.

The need to educate Papuans in fields that can benefit the region was one of the most impassioned requests from both Governors, Minister of Fisheries Numberi and other senior officials. There is no question that BP can make a lasting and positive impact on Papua by supporting better access to higher education for Papuans. Also important, Tangguh can be seen by all who pass through these institutions as the Project that contributed these important programs. Thus the Panel urges BP to create "Tangguh" scholarships for deserving Papuan students at the two universities, in fields that are most important to Papua, such as mining, oil and gas, fisheries, and business administration. Relatedly, BP should endow "Tangguh" chairs

---

<sup>20</sup> See Appendix 5 for more information on the successful results of the TCHU social-marketing program.



or professorships at each school in these subjects or others selected by the Rectors as most important for training future leaders of Papua.

Business empowerment can also make a huge difference to the people of the Bird's Head. Tangguh can make a substantial contribution in this area, both by encouraging procurement from local businesses and by supporting the training of men and women for business enterprises. First, local procurement has not increased since the Panel's last report, a concern of many in the region shared by the Panel. It is, of course, difficult to contract with enterprises that cannot guarantee quality products at a reasonable price, but affirmative efforts should be made to use local products and services by both BP and the contractors whenever possible. KJP and its principal subcontractors must fulfill the commitments in the AMDAL.

Second, as part of BP's Diversified Growth Strategy, BP has entered into an MOU with the IFC and UNDP to empower businesses in the Bird's Head region.<sup>22</sup> IFC has begun training small businesses in procurement; health, safety and environment management; business planning; and financial practices. Well attended sessions have already been held in Bintuni, Sorong and FakFak. The program is scheduled to run for two years. The Panel met with the IFC's program leader, and fully endorses this effort. It has great potential, although it may require a longer duration. It should be evaluated before its termination to determine whether renewal or modification would be useful. Further, BP should seek to connect those who complete the program with its contractors in order to encourage additional procurement.

---

<sup>21</sup> See the Panel's First Report submitted in October 2002, at 18-19 and the Panel's Fourth Report submitted in March 2006, at 26.

<sup>22</sup> The Diversified Growth Strategy is a component of BP's ISP to foster sustainable and diverse economic development.

## **Recommendations**

- **The feeling of unfair treatment of north shore villages has not yet been sufficiently or successfully addressed. BP should accelerate benefits to the north shore by:**
  - **promptly implementing the Bintuni Bay Development Foundation infrastructure development program;**
  - **working to secure approvals needed in Jakarta for the use of the timber lying unused and deteriorating at the LNG site;**
  - **continuing to work with village leaders to implement the CAPs fully and effectively;**
  - **working with the Bintuni *Bupati* to bring electricity to the non-resettlement DAVs;**
  - **completing the clean water programs for the north shore villages;**
  - **renewing its efforts to establish a functioning microfinance and microenterprise program in the Bintuni Bay area.**
- **BP should continue to work with the Bintuni *Bupati* to support educational efforts in the DAVs; and should expand the successful work of the TCHU to help control malaria, diarrhea, malnutrition and HIV/AIDS throughout the Bintuni Bay area.**
- **BP should invest in higher education in the Bird's Head region by creating "Tangguh" scholarships for deserving Papuan students at the University of Cenderawasih, UNIPA or other institutes and should also endow "Tangguh" chairs or professorships at such schools in subjects important for training future leaders of Papua.**
- **BP should facilitate business development and empowerment in the Bird's Head by encouraging its contractors to increase procurement from local businesses and by continuing to support training of business enterprises in the Bird's Head.**

## **VIII. Coordination with Local and Regional Governments**

The past year has been one of change and uncertainty regarding government functions. At the *kabupaten* level, although the *Bupati* was inaugurated in November 2005, his administration only began to take shape during 2006. Thus, the Panel's recommendations regarding support for and coordination with the *Bupati* were implemented as best as possible.

BP entered into an MOU with the *Bupati* in March 2006 that established a coordination mechanism in the areas of health, education, economic development and governance. However, real coordination has only recently begun. The Panel met with the *Bupati* and his senior team and is encouraged by his seriousness of purpose and his understanding of the respective roles of BP and local government. That said, it becomes even more critical for his administration to function effectively, or little will be accomplished and BP will bear the blame.

Toward that goal, BP entered into an MOU with CLGI to support governmental capacity in Bintuni. The program, which has the full support of the *Bupati*, will strengthen the *kabupaten* government's strategic planning and management, budgeting, financial management, legislative drafting, and the delivery of basic public services. It is to run through 2007. This is a critically important program, and the Panel endorses it wholeheartedly.

At the regional level, the election of the Governor of IJB in March, and his inauguration in July firmly established IJB as the province in which Tangguh is located. Although there remains some dissent over the legitimacy of the province – principally by the MRP – the Governor and the legislature are functioning and endorsed by the central government. The GOI policy with regard to the two provinces continues to be that Papua will be treated as a single economic unit with multiple administrative regions. While this may sound straightforward, it leaves many questions unanswered.

In discussions with senior Ministers of the GOI who are members of the Coordinating Team on Papua, the Panel was informed that much is undecided. Most importantly, the allocation of Special Autonomy funds from current natural resource production in Papua is not being allocated until agreement is reached by the two Governors, and endorsed by the GOI

Coordinating Team, on an acceptable formula.<sup>23</sup> Both Governors stated to the Panel that they are committed to reaching such an agreement and, based on their meeting of February 20, 2007, seem to be moving toward that goal. It is not clear how or if these Special Autonomy revenues will be distributed if no agreement is reached. While this is very important to the region, it does not directly affect Tangguh until at least 2009, when post-tax revenues will begin to flow to the provinces and regencies.

BP has done a commendable job coordinating its activities with the provincial government in Jayapura. Understandably, its work with the government in Manokwari has been more recent and less comprehensive. The Panel last year urged BP to increase its lines of contact with officials in Manokwari. Although an office has been established there, little has been done to communicate with the government. This needs to be remedied urgently. Many members of the IJB legislature did not have available current information about Tangguh and BP's programs to benefit people in the region. BP should increase its presence in Manokwari, and have a full capacity to liaise with the Governor, his key cabinet officials and the leaders of the provincial legislature. These leaders should be kept informed of Tangguh's economic and social programs and they should be consulted where appropriate. The Governor and other leaders also should be invited to visit Tangguh and see the progress already made in the area.

Aside from direct interaction with the regional government, BP has entered into several important agreements with NGOs to support and improve governmental capacity in IJB. As discussed in section VII, Benefits to the Bintuni Bay and Bird's Head Area, BP has continued its collaboration with USAID by entering into a new MOU focused on health, education and governance. This Bird's Head Governance Initiative establishes a three year program to provide

---

<sup>23</sup> While the funds being withheld are substantial, they represent a small portion of the total funding flowing into Papua from the GOI, on the order of 10%.

technical guidance to local administrations and parliaments in the region. It focuses on local planning, budgeting and financial management, transparency, participation and oversight. Also, the partnership with the UNDP “Capacity 2015” project, begun in 2004, which aims to assist local governments in their planning by building capacity to achieve certain Millennium Development Goals<sup>24</sup>, has moved its offices to Manokwari to focus its activities on IJB. Unfortunately, the original MOU with the province of Papua has not been modified to reflect that UNDP is working primarily with IJB. BP should promptly seek to rectify this omission. The Panel endorses these programs, each of which will help materially to improve both governmental capacity and economic development in the region.

### **Recommendations**

- **Now that a Governor of IJB has been elected and a provincial capital at Manokwari established, BP should increase its communications presence in Manokwari, and have full capacity to liaise with the Governor, his key cabinet officials and the leaders of the provincial legislature so that regional government officials are kept informed of Tangguh’s economic and social programs and consulted where appropriate.**
- **BP must continue to coordinate closely with the *Bupati* and support governmental capacity development in Bintuni to help the local administration function effectively and transparently, and improve its delivery of basic public services, such as health, education and economic development.**
- **BP also should continue to support capacity development and transparency at the regional level through its work with the USAID and UNDP. Now that UNDP has moved its offices to Manokwari, BP and UNDP should modify their MOU with Papua to include IJB.**

## **IX. Transparency of Revenue Flow to the Region**

Transparency of revenue flow from projects like Tangguh remains a problem and a continuing challenge for BP. Indonesia has not moved toward endorsing EITI but has begun to

---

<sup>24</sup> The Capacity 2015 project seeks to achieve three of the Millennium Development Goals in Papua – alleviating poverty, ensuring environmental protection and forging global partnerships for development.

cooperate with World Bank and International Monetary Fund (“IMF”) projects to encourage transparency. Working with these third parties, BP should continue to encourage transparency generally and adoption of EITI in particular.

There is also a need for greater fiscal transparency at the regional and local levels. Transparency should be one of the key elements in all of the civil governance programs that are supported by BP, such as with USAID, UNDP, CLGI and the World Bank. BP is addressing these issues with an integrated revenue management program to coordinate its activities to improve local and regional fiscal capacity and encourage national fiscal transparency. This is an important program that should continue as a priority action throughout the project duration.

Although little progress has been made, the Secretariat of the EITI is encouraging the GOI to participate in EITI and will work through the World Bank office in Jakarta promoting transparency. However, Indonesia did not participate in the EITI meeting in October 2006, which was designed to enlist additional countries in the program. To whatever degree Indonesia adopts the principles in EITI, BP should continue to encourage BPMIGAS, the Minister of Energy and other officials to make public all non-confidential revenue generation and allocation information from Tangguh.

In a positive development, the central government has created a new section in the Ministry of Finance (“MOF”) dedicated to fiscal affairs between the GOI and the provinces, including revenue flows to Papua. Further, the IMF has begun working with MOF to review government practices regarding transparency. These are promising developments both from the standpoint of good governance as well as for transparency. The Panel discussed these issues with the Coordinating Minister for Economic Affairs (who is co-chair of the Papua Coordinating Team), and was given a detailed and comprehensive briefing on the subject by the head of this

new section, the Director General of Fiscal Balance. Several important conclusions can be drawn.

First, although the formulas and some of the rationales for fiscal transfers and allocations are difficult to understand, much of the key data is being published and should be available to the public. Of course, it is not for BP to publicize these data, but it is in the interests of all that the numbers be available and understood. BP should encourage and support the World Bank, which conducted its study on Papua revenue flow last year<sup>25</sup> to collect this data annually and publish an analysis so that all policy makers in Papua will have a better understanding.

Second, there has been an enormous increase in the revenues transferred from the GOI to the province in the past several years. This is the result of both Special Autonomy and Regional Autonomy funds (“DAU” and “DAK”), the formulas for which are directly related to total revenues being received by the GOI (which have grown significantly, largely from the increase in the price of oil).

Total transfers to Papua under these decentralization programs almost tripled in the past two years from 6.737 trillion Rp. in 2004 to 16.110 trillion Rp. in 2006 (about \$1.7 billion). This compares to a total budget for Papua of only about 3.850 trillion Rp. in 2001.<sup>26</sup> These funds are allocated among the two provinces and all of the constituent regencies. Management of such a massive increase in revenue is a challenge for any government, particularly for the new governments created in Papua. This underlines the importance of support for programs to improve transparency, fiscal management and budgeting.

Third, although formulas exist for the allocations of much of this funding within each province, there is no legal standard for division of the provincial revenues between the two

---

<sup>25</sup> See World Bank Report, “Papua Public Expenditure Analysis: Regional Financial and Service Delivery in Indonesia’s Most Remote Region,” available at [www.worldbank.org/id](http://www.worldbank.org/id).

provinces. The GOI apparently has determined that it may not lawfully allocate certain funds between the two provinces without prior agreement between the Governors and the provincial legislatures.

Further, the GOI is withholding Special Autonomy natural resource funds (*i.e.*, oil, gas and mining revenues) from both provinces until there is such an agreement. Consequently, until that time, the provinces will receive only the percentages from oil, gas and mining that all provinces receive under Regional Autonomy (30% for natural gas) rather than the percentages allocated by Special Autonomy (70% for natural gas). The legal basis for this action is unclear, and will be of great consequence to BP if not resolved before Tangguh revenues begin. BP should certainly stay apprised of how this policy develops. However, as a practical matter, this withholding of funds should encourage the Governors to agree on an allocation long before Tangguh is in operation.

Fourth, there remains a need for greater transparency regarding the revenue generation and allocation from specific natural resource projects, such as Tangguh. This will be particularly important once production begins, and questions are raised about the flow of GOI revenues from the Project. BP is addressing this issue as a part of its Revenue Management Program and should continue to focus its effort on increasing awareness of the structure and levels of the revenue flow from Tangguh.

### **Recommendations**

- **BP should continue its support of fiscal transparency and adoption of the EITI among senior central government officials and should specifically encourage BPMIGAS, the Ministers of Energy and Finance and other officials to make public all non-confidential revenue generation and allocation information from Tangguh.**
- **BP should encourage the World Bank, which conducted a groundbreaking study on Papua revenue flow in 2005, to collect available data annually and publish an**

---

<sup>26</sup> *Id.* at 31.



**analysis so that policymakers in Papua will have a better understanding of sources and uses of revenue and fiscal transfers.**

- **BP should ensure that transparency is one of the key elements in its support of current and future programs with USAID, UNDP, CLGI and the World Bank designed to improve civil governance, fiscal management and budgeting in Papua.**
- **BP should seek to stay apprised of how revenue transfers pursuant to the Special Autonomy policy develop, particularly as they relate to transfers of natural gas revenues.**

## **X. Environment**

The Panel has in the past noted the increasing importance of environmental issues as the Project approaches operation. With onshore and offshore construction activities in full swing, these issues are now a top priority. The Panel met with the Minister of the Environment, as well as with environmental NGOs, all of whom were generally positive about BP's support and its compliance to date with environmental requirements. There are, however, significant issues relating to environmental concerns.

First, in response to the Panel's recommendation to institute environmental controls and a review procedure for its contractors, BP has developed a tracking system to monitor AMDAL compliance on a weekly basis. It has also begun environmental training and socialization for contractor personnel. These are useful steps. Tangguh's senior environmental personnel should regularly monitor the tracking system to make sure that it covers all significant areas and review the results on a current basis so that gaps can be spotted and corrected promptly. Any deficiencies should be brought to the attention of KJP and any subcontractor responsible, which should devise with BP a plan for immediate correction.

Second, the Panel reiterates the importance of making public and encouraging the GOI to make public the results of all environmental inspections by the MOE and the responses from BP.

When this issue was raised with the Minister, the Panel was informed that all MOE reports on inspections after commencement of operations will be made public. While inspections prior to operation should also be public, the policy explained should soon be operative. BP should make sure that all MOE reports after commencement of operations are made public. It should also make public currently, after consulting with the MOE, all BP written responses to the MOE inspection reports and actions taken to correct any deficiencies. Similarly, it should make public related environmental reviews, audits or reports, such as by the Asian Development Bank, and BP's responses thereto.

Third, with traffic in the Bay from construction vessels and worker ferries already extensive, and with LNG tanker traffic to begin in less than two years, it is imperative that BP impose strict controls to minimize the possibility of a maritime accident and prevent any significant discharges in the Bay. This could be particularly damaging if a discharge of oil or ballast water impaired fishing in the Project area. The AMDAL requires all vessels to comply with international standards, including the International Convention for the Prevention of Pollution from Ships (MARPOL 73/78), but enforcement of this requirement is a challenge.

BP should use its best efforts to prevent and manage any spills in the vicinity of the Project area from any vessel. This could include environmental auditing of its subcontractors' vessels; an environmental "monitor" on post on the combo dock; and a system of rewards for best environmental practices to promote environmentally friendly action. Importantly, BP must enforce strict controls – including all international treaty standards – on all vessels that will be docking at the site, whether or not the vessel is owned or operated by BP or an affiliate. To control the discharge of ballast water, BP should require that all vessels related to the Project comply with the requirements of the 2004 International Convention for the Control and

Management of Ships Ballast Water & Sediments, even prior to the Convention's entry into force. It is critical that BP work with BPMIGAS to adopt these standards.

In a similar vein, the management of drilling mud wastes and cuttings generated from the gas well drilling must be handled in a way that minimizes any impairment to or interference with local fishermen. The AMDAL provides that, so long as it is technically and geologically feasible, the chosen option for management of these wastes and cuttings is re-injection (Drill Cuttings Re-Injection ("DCRI")), a practice that is environmentally preferable to the overboard discharge of all mud wastes and drill cuttings. Because overboard discharge presents the risk of negative impacts to the fishing industry and sensitive mangrove areas of the Bay, BP resisted use of overboard discharge. The MOE recently approved the use of DCRI.

However, the current industry standard for DCRI includes an exception for "top hole discharge" from the first well drilled in each platform. The top hole is the uppermost portion of the borehole. If the MOE approves top hole discharge (rather than re-injection), it will be important for the project to monitor closely the impacts associated with top hole discharge. The monitoring program should include periodic benthic surveys around the platform installations. The project should continue to evaluate alternative options to top hole discharge if it is found that discharge is resulting in significant adverse effects.<sup>27</sup>

Fourth, BP sponsored a marine mammal and marine reptile Rapid Ecological Assessment of Bintuni Bay led by APEX Environmental. This survey discloses that Bintuni Bay – including the vicinity of Babo and the LNG site – is a stronghold or "hotspot" for the Indo-Pacific Humpbacked Dolphin – the *Sousa* dolphin – which is protected under Indonesia law and listed

---

<sup>27</sup> If significant adverse effects result from top hole discharge, the Panel recommends that BP evaluate other alternatives to top hole discharge to determine whether there are economic alternatives to top hole discharge that are environmentally beneficial.

under several international conventions and treaties.<sup>28</sup> The Sousa species is on the World Conservation Union (“IUCN”) “redlist” (Endangered and/or Vulnerable Species Status) which notes that “living as they often do in close proximity to industrialized, polluted, and heavily populated regions, hump-backed dolphins are exceptionally vulnerable.”<sup>29</sup> Because of this vulnerability, special care must be taken to avoid harming this sensitive species.

The AMDAL does not include management plans for marine mammals or reptiles (sea turtles). However, the Panel recommends that BP, in consultation with its Marine Mammals expert team, institute a long-term monitoring and management plan that mitigates adverse effects on Sousa dolphins and other marine mammals and reptiles. That plan should be developed promptly, because all the current vessel traffic in the Bay can harm marine mammals and reptiles by both pollution and direct hits. BP should immediately begin educating boat captains about the need to take action to avoid contact and should encourage all boats serving Tangguh to have an appointed crew member on the lookout for marine mammals and reptiles so that evasive action can be taken. Over the long-term, the Sousa may be an appropriate “indicator species” to monitor effects of Tangguh on the Bintuni Bay environment.

Fifth, when operations begin, CO<sub>2</sub> will be vented into the atmosphere. CO<sub>2</sub> is about 12.5% of the reservoirs’ gas stream, which could represent at least 1.8Tcf of CO<sub>2</sub> during the life of the Project. BP has reviewed various CO<sub>2</sub> disposal mechanisms and concluded that re-injection is the most technically feasible option. BP earlier proposed a plan for a CO<sub>2</sub> re-injection technical appraisal that was rejected by BPMIGAS in the Plan of Development. Consistent with BP Group environmental policy, BP continues to request inclusion of this program. Indications are that BPMIGAS may permit a surveillance program to demonstrate

---

<sup>28</sup> See Apex International, “Bintuni-Berau Bay Rapid Ecological Assessment (REA): Marine Mammals and Marine Reptiles, at 27.

technical and commercial feasibility, before deciding whether to develop CO<sub>2</sub> capture as a Clean Development Mechanism (“CDM”) project under the Kyoto Protocol. Although CO<sub>2</sub> will be vented for at least the first four years of production, the Panel strongly supports BP in its effort to develop re-injection as a long-term strategy for disposing of CO<sub>2</sub> and made this known to officials of the GOI.

More broadly, BP has supported several important projects relating to Papua capacity building in environmental management and biodiversity protection. Working with The Nature Conservancy, Conservation International, World Wildlife Fund and others, BP has helped to establish the Papuan Conservation Training and Resource Center (“CTRC”), which will obtain funding from the UN Environmental Programme in 2007. The Tangguh Biodiversity Action Plan, described briefly in Appendix 6, also supported the Bintuni Bay Nature Reserve Management Plan; the Fisheries Health Assessment; flora and fauna data collection; and the marine mammals and reptiles survey. These programs are due to end in 2007. As the Panel has stated previously, these activities are important and useful contributions to the environmental preservation of Papua. The Panel strongly encourages BP to continue these efforts.<sup>30</sup>

### **Recommendations**

- **BP’s senior environmental personnel as well as those of its contractors should regularly monitor the AMDAL compliance tracking system to make sure that it covers all significant areas and review the results on a current basis so that gaps can be spotted and corrected promptly. Any deficiencies should be brought to the attention of KJP and any subcontractor responsible, which should devise with BP a plan for immediate correction.**
- **BP should make public and encourage the GOI to make public all MOE reports, BP’s written responses to the MOE, and related audits and reports, such as those by the Asian Development Bank. In addition, BP should make publicly known any actions taken to correct environmental deficiencies.**

---

<sup>29</sup> *Id.* at 28.

<sup>30</sup> Relatedly, as noted above, BP should work with the *Bupati* toward a more effective regulatory regime to control trawlers and preserve stocks in Bintuni Bay.

- **BP should impose strict controls to prevent any significant discharges relating to the Project, including best efforts to prevent and manage any spills by any vessel that could impair fishing in the Project area. To this end, BP should enforce all international treaty standards on all vessels docking at the site.**
- **In consultation with its Marine Mammals expert team, BP should institute a long-term monitoring and management plan that mitigates adverse effects on Sousa dolphins and other marine mammals and reptiles. As part of this effort, BP should immediately begin educating boat captains about the need to take action to avoid direct contact with marine life.**
- **BP should continue to urge the GOI to allow capture and re-injection of CO<sub>2</sub> at the earliest possible time as the long-term strategy for management of CO<sub>2</sub> emissions from Tangguh.**
- **With its environmental partners, BP should continue its successful Biodiversity Action Plan relating to Papua capacity building in environmental management, biodiversity protection, fisheries health assessment, flora and fauna survey and mangrove preservation.**

## **XI. Public Information**

A large and complex modern project such as Tangguh, developed in a remote social environment, requires a comprehensive public information program. It should be based on an integrated conceptual approach bearing in mind the logistical and technical challenges. There are several target audiences: first, Bintuni Bay, where the primary goal is intensive, wider reach and effective presentation, including radio, leaflets and brochures; second, the province, where the target audience are government and political leaders, civil society, local media and other *Bupatis*, where local radio or television and newspapers shape public opinion; and third, Jakarta, where the audience is the national media outlets and correspondents of the international media, where regular press releases and occasional site visits are required. By the time the operations phase begins, the media at all three of these levels should have a comprehensive understanding of Tangguh and its role in supporting development of the area as well as Indonesia as a whole.

BP has made considerable progress on improving its public information dissemination, but further efforts are necessary. The local population and opinion leaders in Manokwari remain unaware of much of Tangguh's programs and activities. Use of both local radio and the monthly newspaper in the Bintuni Bay region has been successful in the Bay area, and should be expanded.

The most critical need is to increase information dissemination in Manokwari, the capital of IJB. Understandably, BP had not focused on the regional capital earlier because it was not directly responsible for Tangguh. The Panel has not previously suggested any media efforts in Manokwari. However, now that it is the capital of the province, better communication is essential. The specific mechanisms could include radio programming on existing stations, possibly using some of the radio programming developed for Bintuni Bay in Manokwari; distributing the monthly newspaper in Manokwari or publishing a regional edition with a broader focus; or placing articles or advertisements in existing newspapers, such as the Papua Barat Pos, Radar Sorong and the Cahaya Papua in Manokwari.

For the Bintuni Bay area, radio, particularly interactive local radio, may have the greatest potential for informing the local population and engaging them in the Project's activities. BP should continue to explore ways of expanding the north and south shore radios, such as with more entertainment and interactive programming, but with a focus on Tangguh activities and discussion.

In addition, the monthly newspaper, which is primarily for the indigenous people of the Bay, should be distributed throughout the LNG site and the Babo base camp for the workforce, and should contain articles or information that is useful to this audience. Single issue pictorial brochures, and/or single issue videos for use by the Community Relations Team, should also be

used where an important issue must be communicated to the broadest local audience: such as demobilization of the workforce.

Finally, BP should better inform the national media in Jakarta. While there have been a few articles, there should be a continual flow of information from BP to the Jakarta press, in the form of press releases, videos or interviews, that describe milestones of the Project, or focus on particular benefits, such as the community health unit or the new schools and teachers. Coverage of these activities would elevate the understanding of the economic and social benefits of Tangguh among Papuan and Indonesian opinion leaders.

### **Recommendations**

- **Now that Manokwari is the regional capital of the IJB province, BP should increase information dissemination in Manokwari through radio, newspaper articles and advertisements or other media.**
- **BP should continue to expand communications in Bintuni Bay, with the north and south shore radios, which could focus on discussion of Tangguh activities with interactive programming; the monthly newspaper, which should be distributed throughout the LNG site and Babo base camp; and pictorial brochures or videos, which can be used to communicate important issues to a broad local audience.**
- **BP should better inform the national media in Jakarta about Tangguh to elevate understanding of the economic and social benefits of the Project among Indonesian opinion leaders.**



## **APPENDICES**

## **APPENDIX 1**

### **INDIVIDUALS AND ENTITIES CONSULTED**

#### **CONSULTATIONS IN 2006 LISTED IN BOLD**

##### Government Officials: Indonesia

##### **Boediono, Coordinating Minister for Economic Affairs**

H.E. Soemadi Brotodiningrat, Indonesian Ambassador to the United States<sup>31</sup>

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

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

##### **Mohamad Ikhsan, Senior Advisor, Coordinating Ministry for Economic Affairs**

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

##### **Gellwynn Jusuf, Adviser for Social-Economics, Department of Marine Affairs and Fisheries**

Manuel Kaisepo, Minister for Eastern Territories\*

Dr. Dorodjatun Kuntjoro-Jakti, Coordinating Minister for the Economy\*

Nabiel Makarim, Environment Minister\*

##### **Mardiasmo, Director General of Fiscal Balance, Ministry of Finance**

##### **Mohammad Ma’ruf, Minister of Home Affairs**

##### **Agung Mulyana, Director, Department of Home Affairs**

##### **Dr. Daeng Mochamad Nazier, Director General, Department of Home Affairs**

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

##### **Freddy Numberi, Minister of Maritime Affairs & Fisheries**

##### **Progo Nurdjaman, Secretary General, Department of Home Affairs**

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

##### **Agus Purnomo, Special Assistant to the Minister, Ministry of Environment**

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

##### **Yanuardi Rasudin, Deputy Minister, Ministry of Environment**

##### **Dr. Sodjuangon Situmorang, Director General of Public Administration, Department of Home Affairs**

##### **Djoko Soemaryono, Secretary General to the Coordinating Ministry for Politics & Security**

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

##### **H.E. Juwono Sudarsono, Minister of Defense**

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

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 Takhyhan, Director General of Oil and Gas, Ministry of Energy and Mineral Resources\*

##### **Kardaya Warnika, Chairman, BPMIGAS (Executive Agency for Upstream Oil and Gas Business Activities)**

---

<sup>31</sup> \* indicates that the person no longer holds the listed position

**Ir. Rachmat Witoelar, Minister of State for the Environment**

General Yudhi, Deputy Chairman, LEMHANAS\*

Susilo Bambang Yudhoyono, Coordinating Minister for Security and Political Affairs\*

**Purnomo Yusgiantoro, Minister of Energy and Mineral Resources**

General Nurdin Zianal, Regional TNI Commander for Papua Regional Government\*

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, and MRP Members**

Decky Asmuruf, Secretary to Governor of Papua\*

Frans Nikopas Awak, Babo Camat

**Y. Berty Fernandez, Office of the Governor, Papua Province**

Deky Kawab, Deputy Regent of Bintuni

John Ibo, President, Provincial Assembly

**Jimmy Demianus Ijjie, Speaker, DPRD, Irian Jaya Barat and Members of DPRD**

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

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 Province

**Barnabas Suebu, Governor of Papua Province**

Colonel Suarno, Director of Security of Police in Papua\*

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

Frans A. Wospakrik, Vice Chair of MRP

**Irjen. Tommy Yacobus, Chief of Police for Papua**

**Mayjen Zamroni, Local military commander**

**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

**Kurt van der Walde, Energy and Mineral Resources 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 (Mayor) of Aranday, and a village leader of Aranday

Neles Tebay, Catholic Priest of the Diocese of Jayapura

**Village leaders of Babo**

**Villagers of Aranday**

**Villagers of Onar Baru**

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)

**Pastor Paul P. Tan**

**Dr. M. Gemnafle**

**BPR Pt. Phidectama Jayapura (Bram Fonata, 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;**

**Yance de Fretes, Papua Species Specialist; Iwan Wijayanto, Partnership Director)**

Down to Earth (Liz Chidley)

**ELSHAM (Aloysius Renwarin, Director; John Rumbiak)**

Earthwatch (Coralie Abbott, Corporate Programmes Manager)

**Eddy Ohoirwutun, Adat Consultant**

**FKIP Cenderawasih University (Dr. Leo Sagisolo)**

**FOKKER (Yuven Ledang, Chief of Steering Committee, Septer Menufandu, Executive Secretary, 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)

**Komnas HAM Perwakilan Papua (National Committee for Human Rights) (Alberth Rumbekwan, Chief Executive)**

**LBH HAM Papua – Sorong (Sonratho J Marola, Director)**

**LP3AP – Jayapura (Selviana Sanggenafa, Director)**

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

**Pt. PPMA Jayapura (Edison Giay, Director)**

**Pusat Study (Center for Studies) HAM Universitas Islam Indonesia (Suparman Marzuki, Director)**

**Pusat Study HAM Universitas Negeri Cenderawasih (Frans Reumi, Director)**

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)

**Yayasan Pengembangan Masyarakat (Decky Rumaropen, Director)**

#### Private Sector

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

**Asian Development Bank (Edgar Cua, Country Director, Indonesia Resident Mission)**

Chemonics (Jonathan Simon, Senior Manager)

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

Halliburton KBR (John G. Baguley, Project Manager)

**International Finance Corporation (Juanita Darmono, Program Manager, Oil/Gas/Mining Linkages)**

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)

**KJP, Okinari, Project Manager**

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

**YIPD/CLGI (Center for Local Government Innovation) (LeRoy Hollenbeck, Director Business Development; Alit Merthayasa, Executive Director)**

#### 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; Abdurrachman Syebubakar, Program Office-Community Initiative Unit; **Dra. Judith P.C. Simbara MSi, National Project Manager, Capacity 2015; Reintje Kawengian, Institutional Development Specialist, Capacity 2015**)

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

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 Cenderwasih** (Frans A. Wospakrik, Rector, and Faculties; and **B. Kambuaya, Current 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**

Reverend Socrates Yoman, President of the Fellowship of Baptist Churches

## APPENDIX 2

### EMPLOYEE GRIEVANCE HANDLING PROCEDURES

STAGING	DESCRIPTION	TIMING/ PERIOD	REMARKS
<b>Stage I</b>	<p><b>Discussion</b> When an employee has a grievance to convey (hereinafter referred to as Complainer), he/she is expected to first discuss the grievance directly with the related persons or units (hereinafter referred to as Complainee).</p>	Immediately	<p>Grievances may be conveyed by:</p> <ul style="list-style-type: none"> <li>- An employee against his/her supervisor</li> <li>- A supervisor against his/her subordinate</li> <li>- An employee against certain units or departments of the company/contractor.</li> <li>- An employee against KJP</li> <li>- An employee against BP</li> </ul>
<b>Stage II</b>	<p><b>Grievance Reporting:</b> If no resolution is achieved during direct discussions regarding the grievance conveyed by Complainer and he/she is dissatisfied with the results of the discussion, Complainer is expected to immediately report his/her grievance through the written procedure.</p> <p>Grievances must be stated on prepared grievance cards and put into grievance boxes available in every sub-contractor's office as well as in other public spots.</p> <p>In the event that Complainer is illiterate, he/she may request another party's assistance to write down/read out the grievance, and then must sign the related grievance card.</p>	7 days	<ul style="list-style-type: none"> <li>- Committees comprising representatives of the company and employees (hereinafter referred to as Committee) will be established in every sub-contractor. A central committee will also be established for KJP's main contractors comprising permanent KJP representatives and ad hoc members of each Committee (hereinafter referred to as the KJP Central Committee).</li> <li>- Grievance boxes will be opened daily by Committee members and witnessed by the employees' and company's representatives. If an employee's appointed representative is unavailable to witness the opening of the grievance boxes, he/she may appoint another employee to replace him.</li> <li>- Settlements of industrial relations-related conducts/disputes regulated under laws and regulations will be processed in accordance with the procedures stipulated in said laws and regulations. In this case, the related Committee is obligated to</li> </ul>

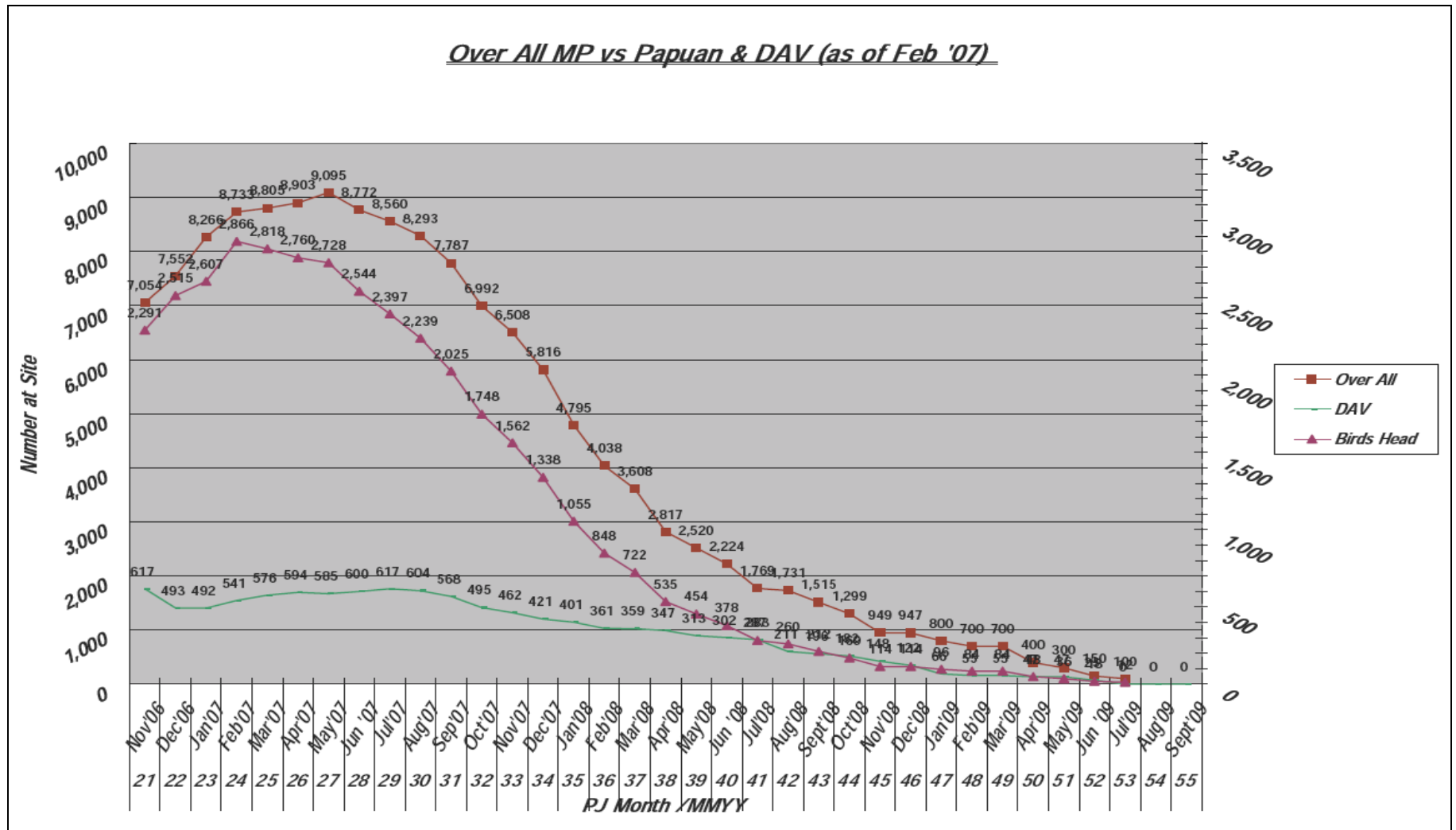


			submit reports to the KJP Central Committee.
<b>Stage III</b>	<b>Investigation and Clarification</b> Committee members are responsible for the investigation and clarification of grievances conveyed by Complainer. If required, the Committee will send a notification of the grievance to Complainee.	3 days	<p>The grievance notification must be signed by the company's personnel department and at least one Committee member.</p> <p>In the event that Complainee is a unit or department of the company, the grievance notification will be addressed to the respective supervisor/manager responsible for the unit/department.</p> <p>When grievances are conveyed to other sub-contractors outside of the related workplace, the Committee will forward the grievances to the KJP Central Committee. The KJP Central Committee will then submit notification to Complainee's department or unit supervisor/manager.</p>
<b>Stage IV</b>	<b>Written Reply from Complainee</b> During the clarification process, Complainee will submit its replies to Committee no later than two calendar days after receipt of the written grievance notification.	2 days	Replies regarding grievances may be submitted in writing or verbally which will be then noted by the Committee member/s.
<b>Stage V</b>	<b>Reply on Grievance</b> The Committee will forward replies on grievances to Complainee based on the results of the investigations and clarifications. Further, one of the following events will be followed (the events are listed based on occurring possibility): <ol style="list-style-type: none"> <li>1. The grievance is declared resolved (with agreements of all parties).</li> <li>2. The Committee facilitates meetings between Complainer and Complainee to discuss solutions for the grievance.</li> <li>3. Grievance will be settled at</li> </ol>	3 days	<ul style="list-style-type: none"> <li>- If Complainer accepts the solution to the grievance, then an agreement stating that the grievance has been settled will be required. Such agreement must be signed by Complainer, Complainee and the Committee.</li> <li>- If Complainee is an employee of KJP, grievances will be directly handled by the KJP Central Committee.</li> <li>- Settlements of industrial relations-related conducts/disputes regulated under laws and regulations will</li> </ul>

	the Internal Mediation Stage by the KJP Central Committee.		be processed in accordance with the procedures stipulated by those laws and regulations. In this case, the related Committee is obligated to submit reports to the KJP Central Committee.
<b>Stage VI</b>	<p><b>Internal Mediation</b></p> <p>If a grievance is not settled at the sub-contractor level, then the settlement will proceed to the internal mediation process.</p> <p>Mediation will be provided by the KJP Central Committee to assist in the grievance resolution.</p>	5 days	<p>The mediation process is attended by Complainer, Complainee and members of the Committee and the KJP Central Committee. The mediation will also be attended by the BP-Tangguh LNG Project Manpower and Industrial Relations Manager (or his/her alternate) to provide advices on the grievance.</p> <p>This process is the last step of the internal grievance settlement process before involving external parties in the resolution.</p>
<b>Stage VII</b>	<p><b>External Mediation</b></p> <p>If the grievance settlement process facilitated by the KJP Central Committee fails to yield a solution, Complainee and/or the company may request that third parties facilitate settlement of the grievance.</p> <p>If this step also fails to achieve a resolution, then Complainee and/or the company may forward the grievance for a legal settlement in accordance with existing laws and regulations.</p>	Based on external process	<ul style="list-style-type: none"> <li>- Third parties include the government (including the Manpower Department/Agency), lawyers, industrial relations consultants and other related parties.</li> <li>- Settlements of industrial relations-related conducts/disputes regulated under laws and regulations will be processed in accordance with the procedures stipulated by those laws and regulations.</li> </ul>

## APPENDIX 3

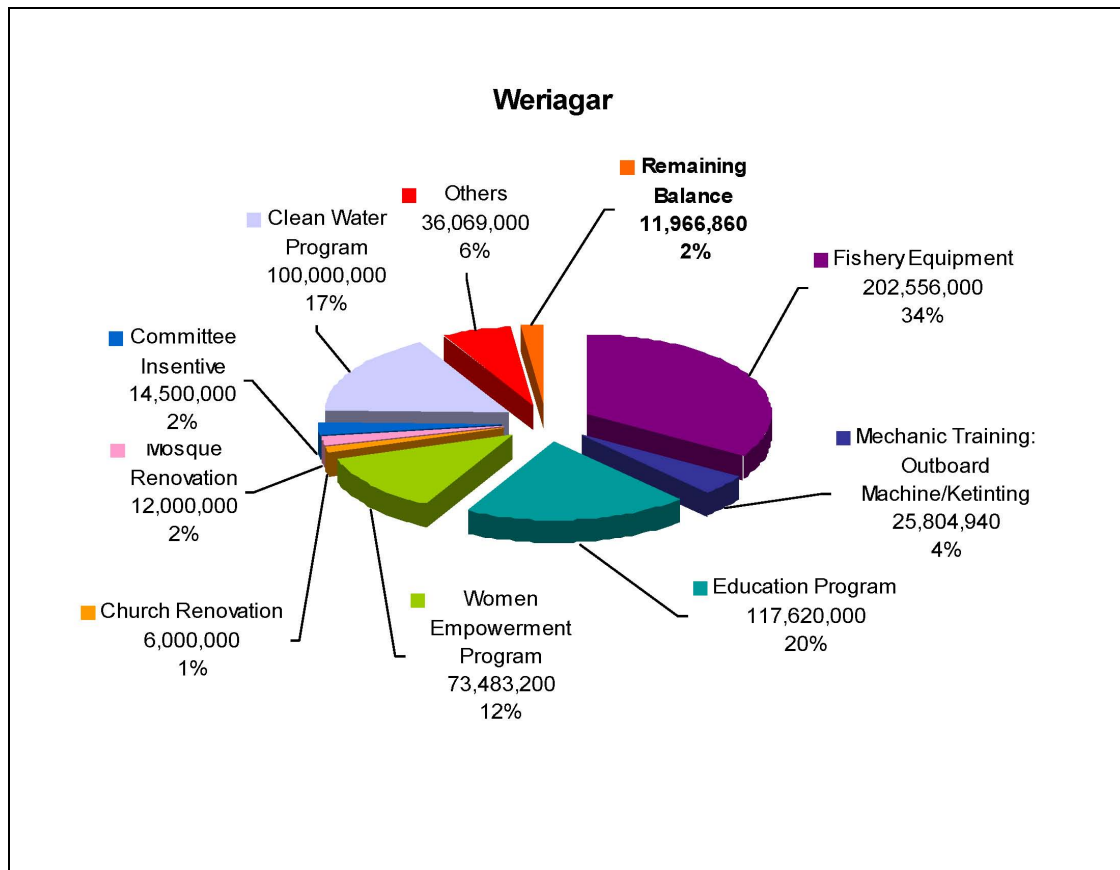
### CONSTRUCTION MANPOWER DEMOBILIZATION SCHEDULE



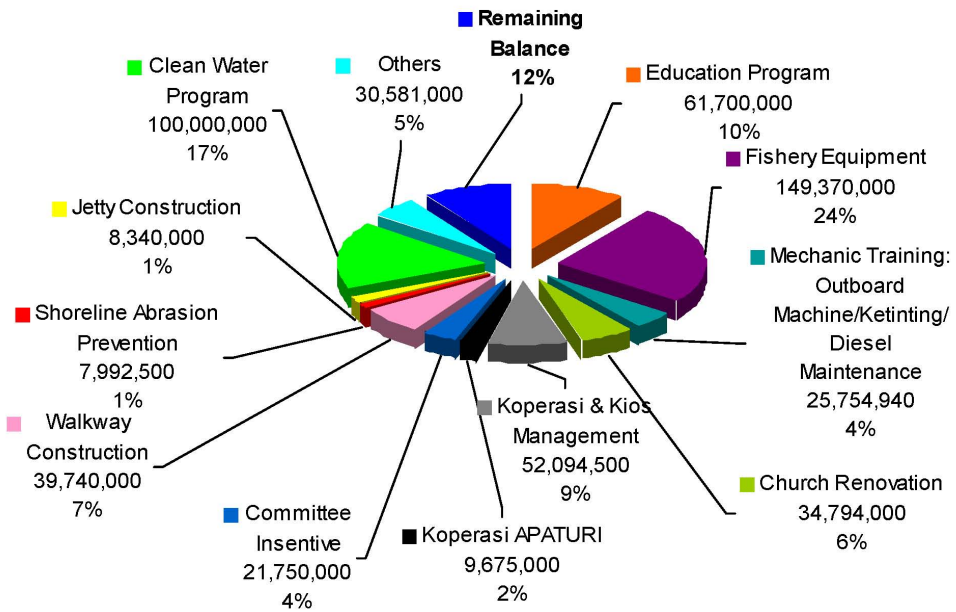
## APPENDIX 4

### **CUMULATIVE USE OF COMMUNITY ACTION PLANS BY THE DIRECTLY AFFECTED VILLAGES**

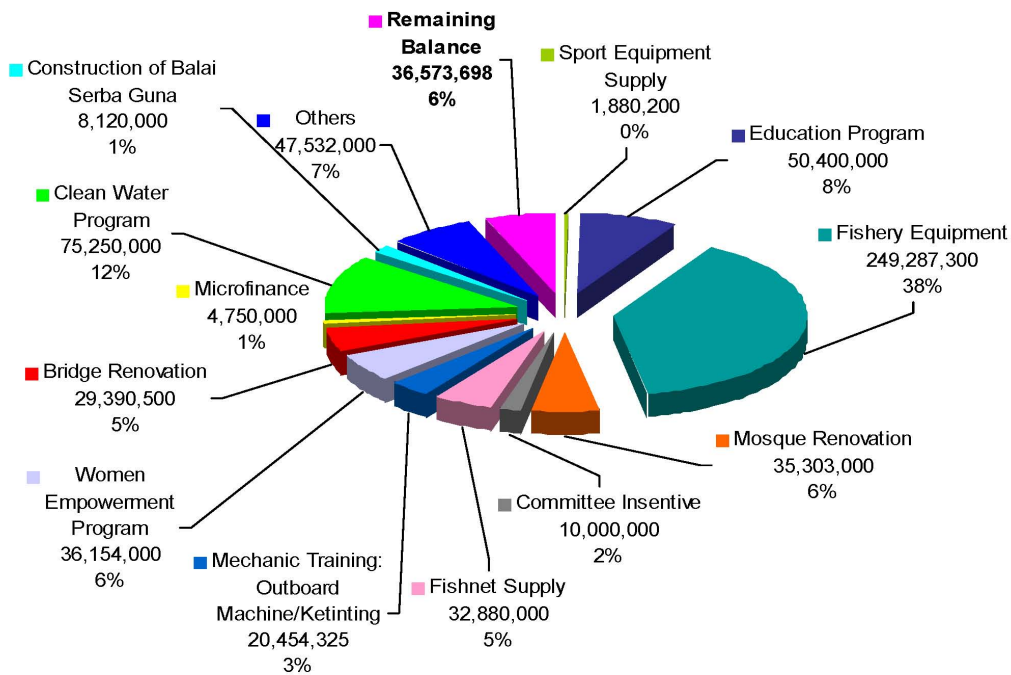
**(IN RUPIAH, NOT INCLUDING CURRENT YEAR)**



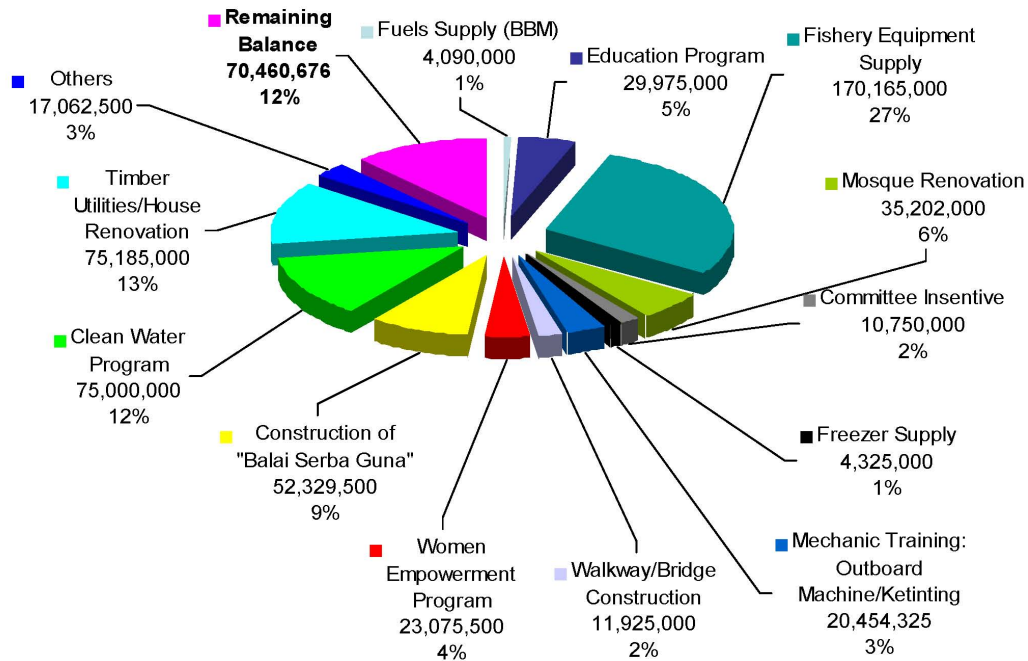
## Mogotira



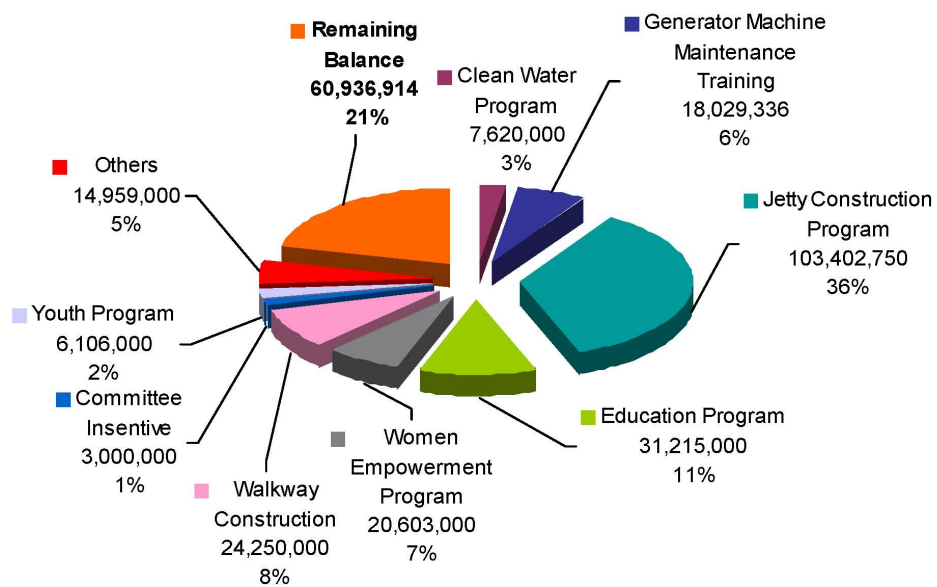
## Tomu

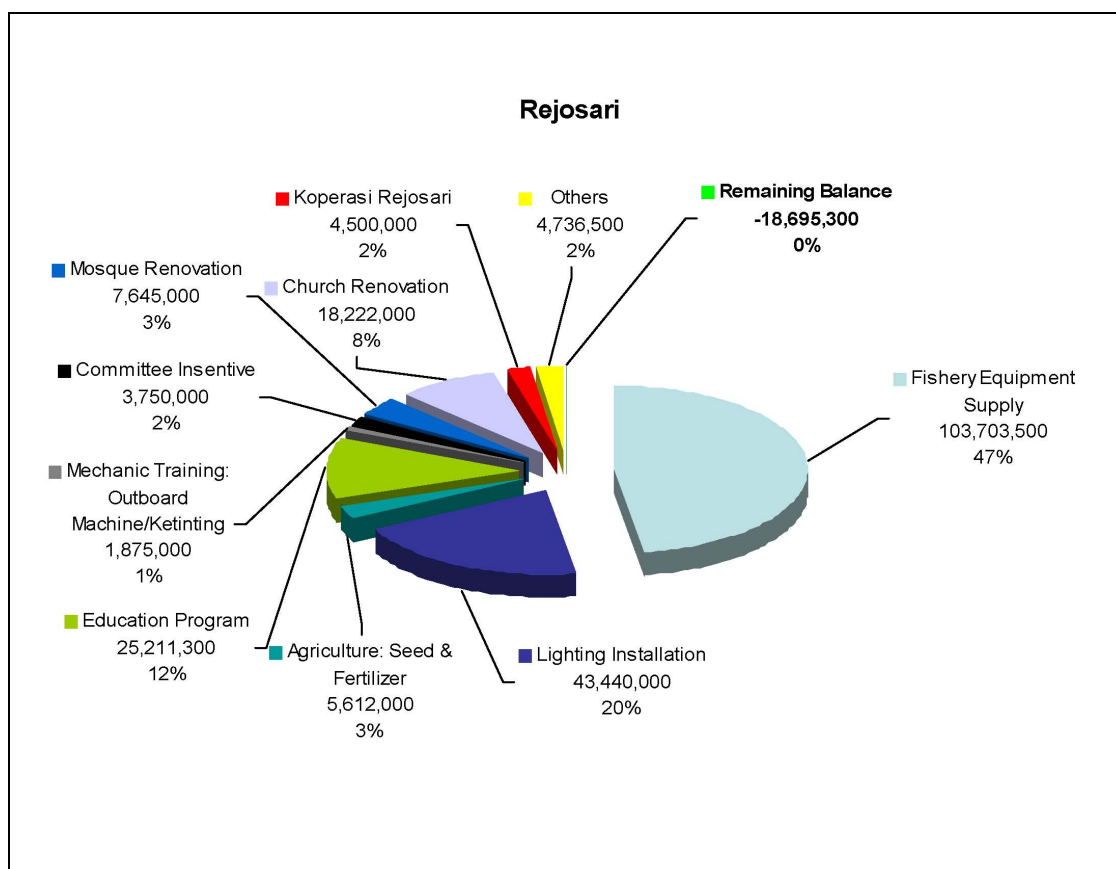
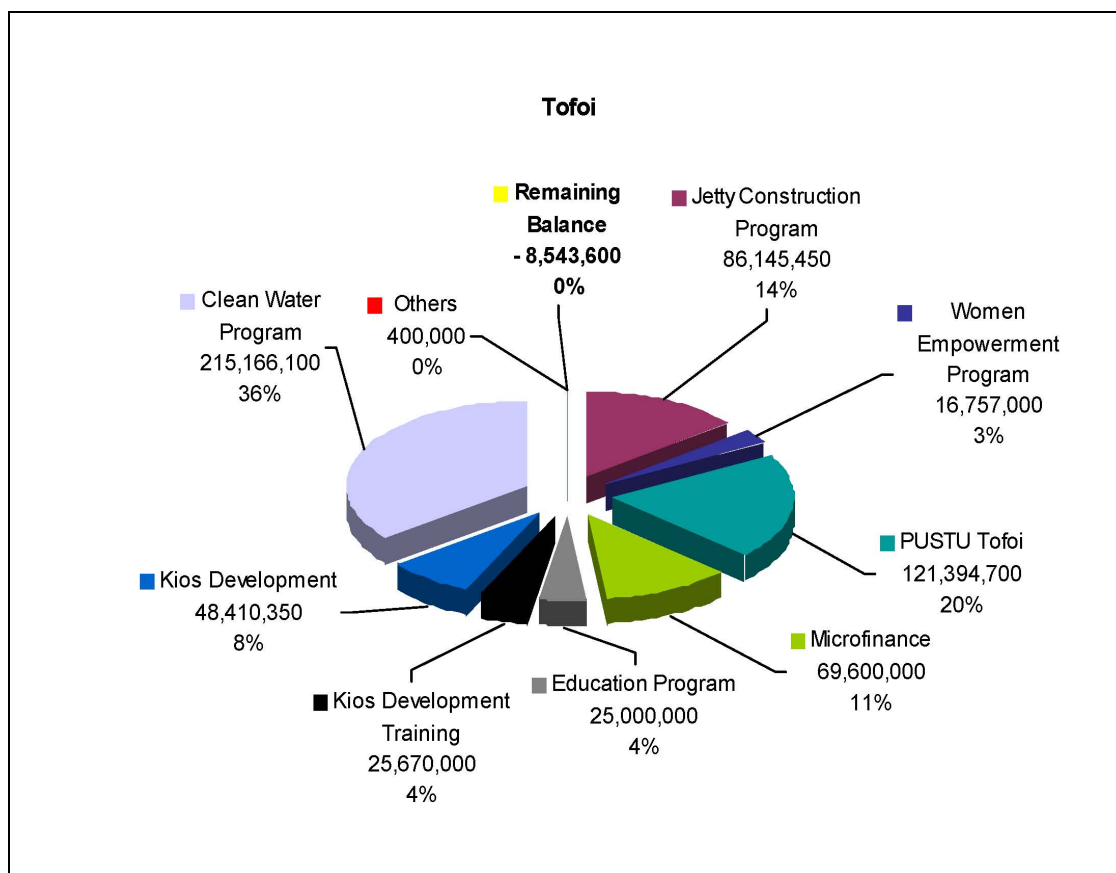


## Ekam

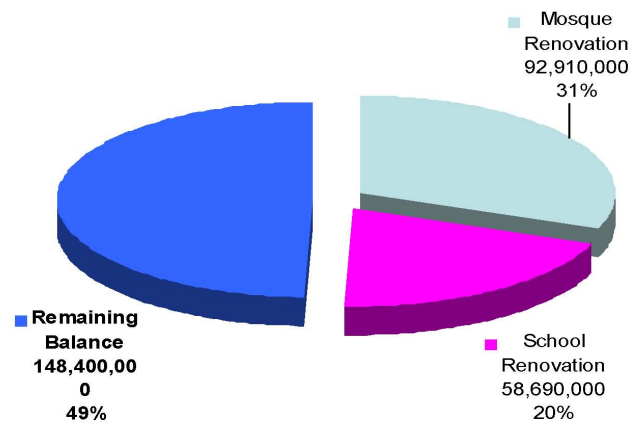


## Taroy

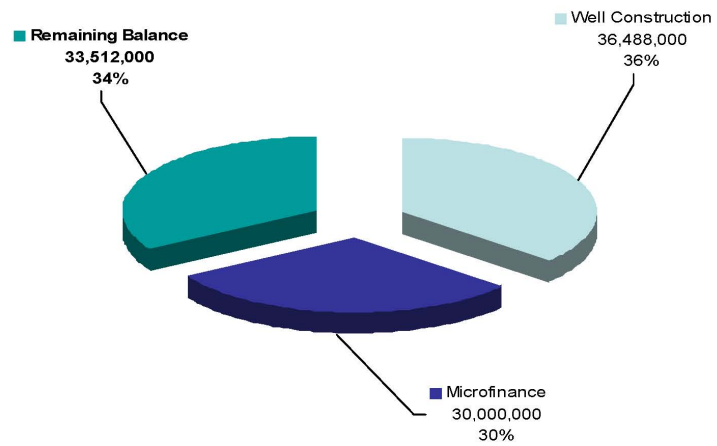




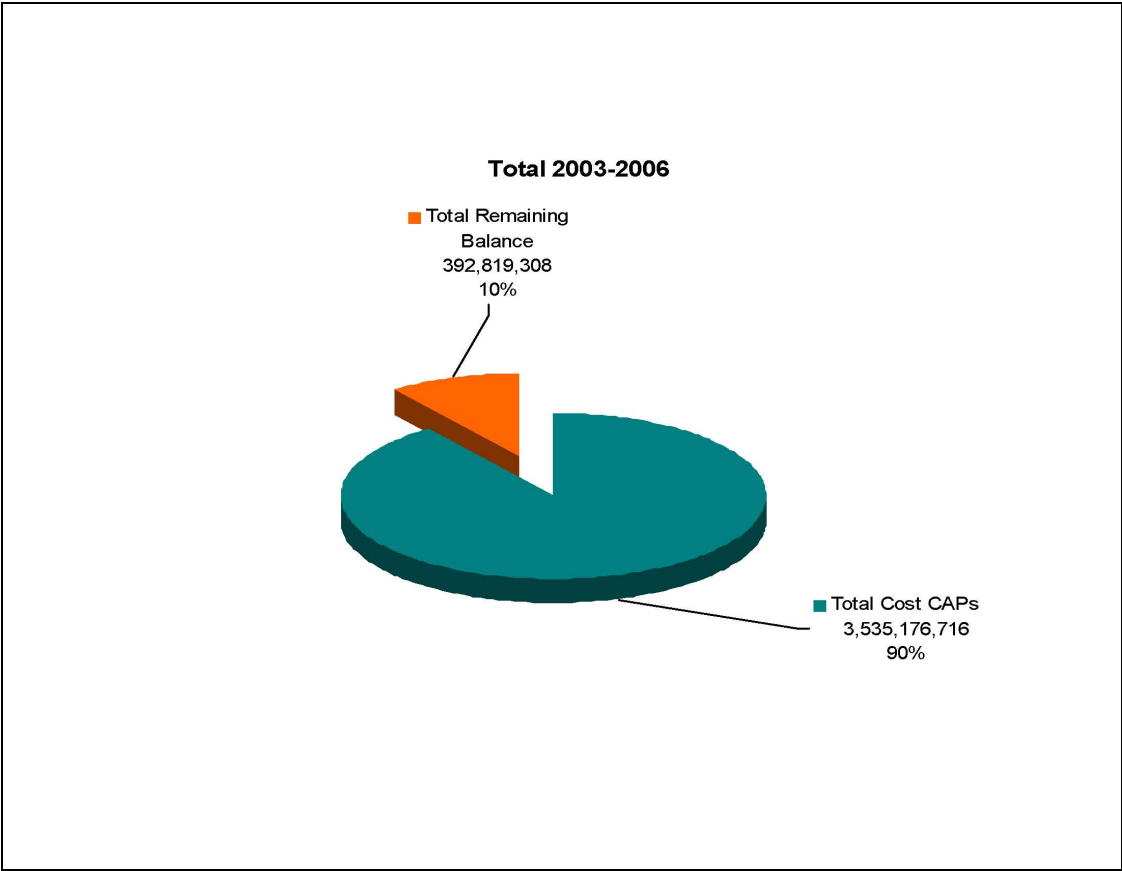
### Otoweri/Tomage



### Irarutu III - Babo



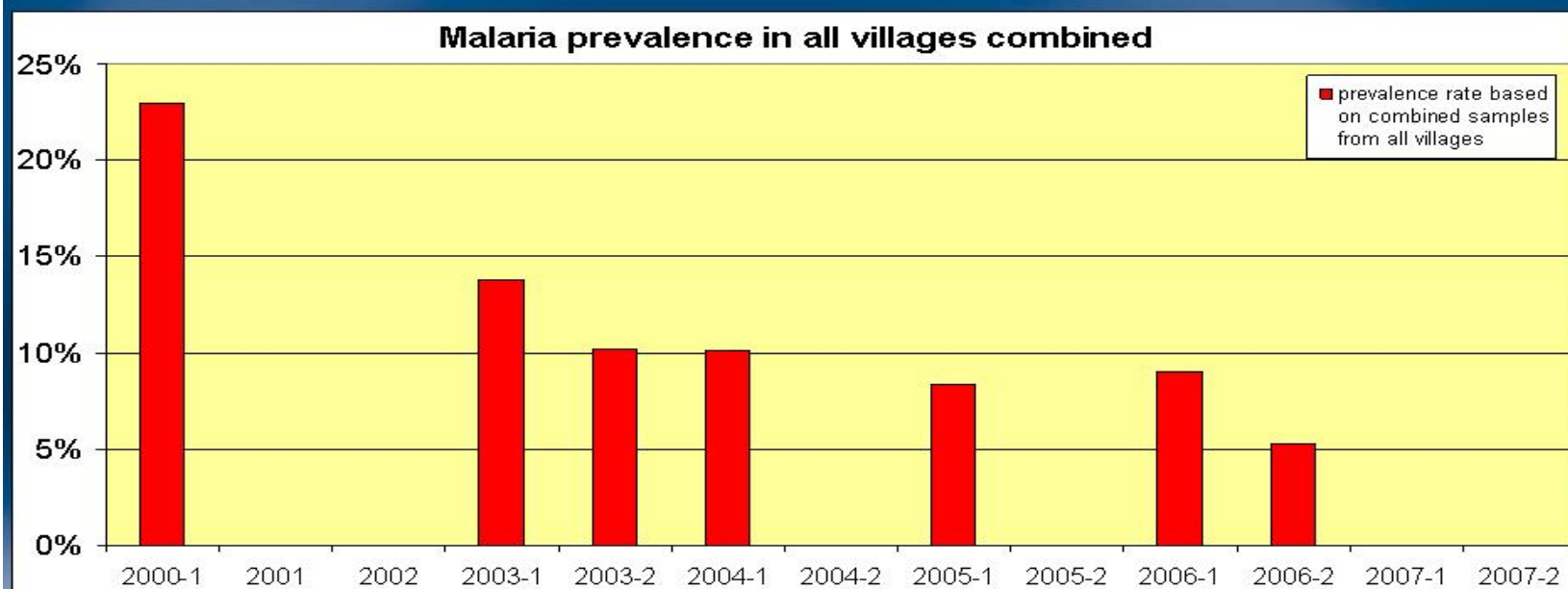




## APPENDIX 5

### TCHU SOCIAL-MARKETING PROGRAM STATISTICS

#### Reduction in malaria prevalence in Teluk Bintuni since 2000



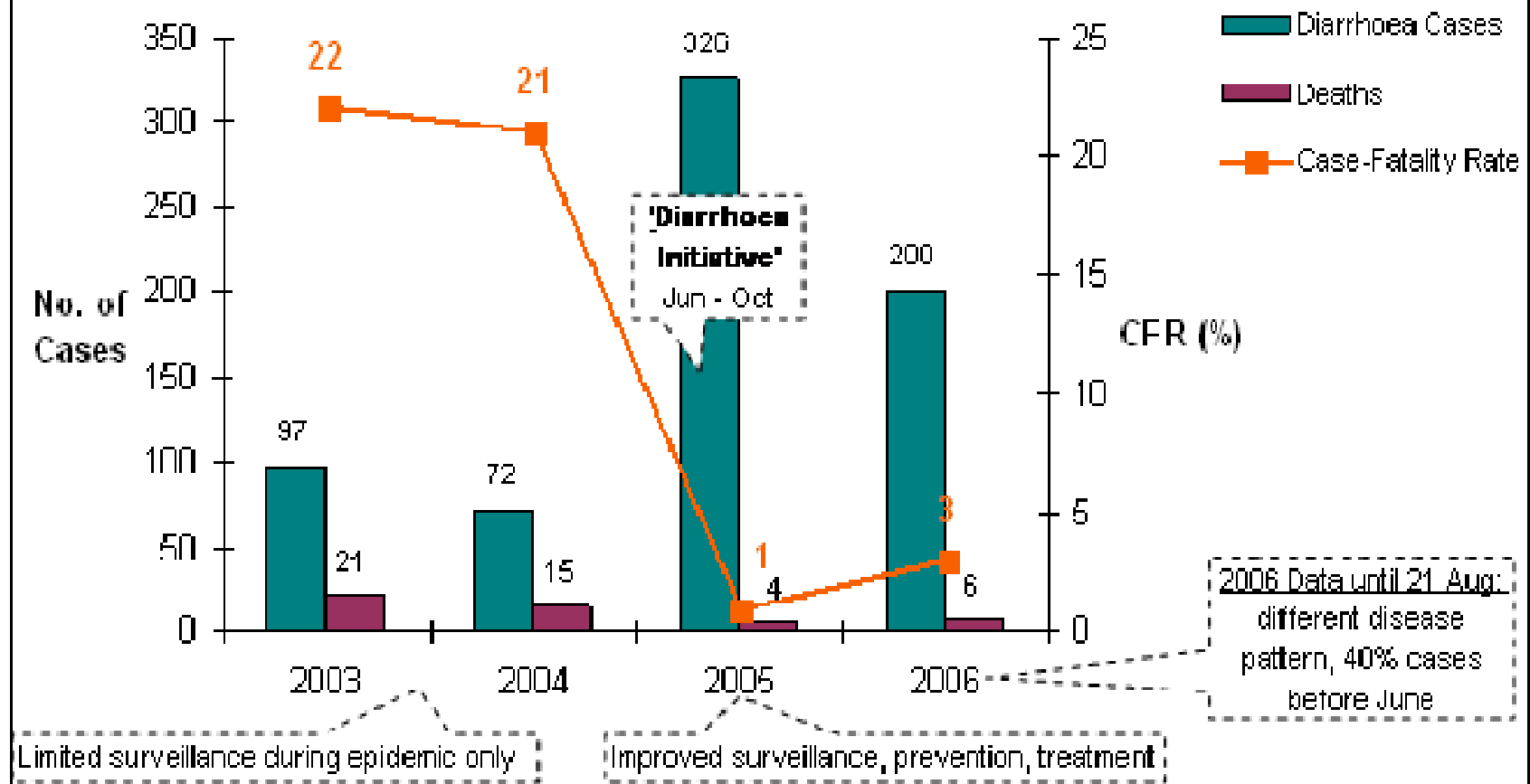
The prevalence rate of all villages combined dropped from 23% in 2000 to 5% in 2006



BP-TCHU Malaria Control Program



## Diarrhoea Case-Fatality Rates: Bintuni Bay 2003-2006



## APPENDIX 6

### TANGGUH BIODIVERSITY ACTION PLAN

<b>BAP COMPONENTS</b>	<b>PROGRAM GOALS</b>	<b>KEY STRATEGIC PARTNERS</b>	<b>PROGRAM STATUS</b>
The Conservation Training Resource Centre (CTRC)	Provides practical and applied conservation training to a wide cross-sector group, including empowering local under-resourced community organizations	The Nature Conservancy, Conservation International, Wildlife Conservation Society, World Wide Fund for Nature, Bogor Agricultural University (IPB), Ministry of Forestry, Director General of Conservation, BAPPENAS (National Planning Agency), and BIOTROP (SE Asia Centre for Tropical Biology).	CTRC is now an independent entity, and is about to work on a 5 year program with UNEP starting Q2 2007. Tangguh has agreed to provide initial funding for bridging the CTRC program before UNEP fund is available.
Bintuni Bay Land Use Atlas	Developed with significant Papuan input from communities, universities and government; is used in both a BP sponsored Bay teacher education program (helping to educate 900 children) and as a land use tool for local planning government bodies.	USAID CRMP (Coastal Resources Management Partnership), UNIPA (State University of Papua), local, provincial and national government bodies, The Nature Conservancy, Conservation International, and others.	Completed in 2004, disseminated to Bintuni schools, government-planning offices. Used also as a planning tool for the Papuan Government Diversified Growth Strategy and UNDP 2015 DGS.
Bintuni Mangrove Reserve Management Plan	Developed for a globally significant mangrove forest; incorporates local communities' needs into the planning process from the start to ensure a plan that is locally owned and valued.	The Nature Conservancy, Bogor Agricultural University (IPB), local offices of the Ministry of Forestry, UNIPA (State University of Papua)	Completed in Q3 2005. In Q1 2006, the Ministry of Forestry adopted the Plan as the official National Plan.
Bintuni Bay Fisheries Health Assessment	A risk assessment tool for BP that also provides critical data and analysis essential to the successful completion of the Bintuni Bay Management Plan.	UNIPA (State University of Papua) with technical assistance provided by the World Wide Fund for Nature, Papuan Fisheries Department and local governments, and non-governmental organizations.	Finalized in Q1 2005. Will be used to improve future BP marine programming in the Bay.

Tangguh LNG Site Flora and Fauna Survey	The 2002 Tangguh LNG Site Flora and Fauna survey fills a recognized scientific data gap as reported by over 90 recognized scientists in 1997 during the Irian Jaya (former name for Papua) Biodiversity Conservation Priority Setting Workshop.	PT Hatfindo and Indo-Pacific Conservation Alliance (IPCA).	First survey was completed in Q4 2003. The next survey is scheduled for Q1 2007.
Energy and Biodiversity Initiative	Biodiversity monitoring and evaluation programs to field test the Energy Biodiversity Initiative (EBI) metrics tools.	BP Tangguh Environment Team.	The terrestrial component is already finished. Now waiting for the marine component provided by APEX/UNIPA as part of the Marine Mammals Study.
The Papua Conservation Fund	(1) Directly manages resources and determines the Papuan recipients, building many skills (fund raising, fund management, project proposal review) and (2) serving as grant distributors, providing needed support to locally-based worthy conservation organizations.	Conservation International and other Papua based organizations.	Still ongoing. The latest workshop was in Q2 2006.