

TANGGUH INDEPENDENT ADVISORY PANEL

**SIXTH REPORT
ON THE
TANGGUH LNG PROJECT**

MARCH 2008

TABLE OF CONTENTS

	Page
I. Introduction	1
II. Overview	3
III. Principal Recommendations.....	5
IV. Transition from Construction to the Operating Phase	9
V. Political Developments	14
VI. Security and Human Rights.....	17
VII. Benefits to the Bintuni Bay Region	21
VIII. Wider Benefits to Papuans	37
IX. Revenue Flow to the Region and Transparency	40
X. Environment	43
XI. Public Information	49

ACRONYMS AND INDONESIAN TERMS

ADB	Asian Development Bank
AMDAL	<i>Analisis Mengenai Dampak Lingkungan</i> – Integrated Environmental and Social Impact Assessment.
BHBEP	Bird’s Head Business Empowerment Program
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
DAV	Directly affected village as originally identified by the Tangguh Project
DCRI	Drill Cuttings Re-Injection
DPR	<i>Dewan Perwakilan Rakyat</i> – the Indonesian legislature
EITI	Extractive Industries Transparency Initiative
EMS	Environmental Management System
EPC	Engineering, Procurement and Construction contractor
GOI	Government of Indonesia
IBCA	Indonesian Business Coalition on AIDS
ICBS	Integrated Community Based Security Program
ICITAP	International Criminal Investigative Training Assistance Program – a US program designed to develop capacity in democratic principles and respect for human rights
IFC	International Finance Corporation
IMF	International Monetary Fund
IPB	Bogor Institute of Agriculture
ISO	International Organization for Standardization

ISP	Integrated Social Program – an implementation unit within the Tangguh Project and the social-economic development programs being managed by the unit
JBIC	Japan Bank for International Cooperation
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
KODIM	Indonesian high level military command
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
LEMHANAS	National Defense Institute
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	Organization for Economic Cooperation and Development
PCHF	Papuan Children’s Health Fund (also Yayasan Anak Sehat Papua)
POLDA	Indonesian regional police command
POLRES	Indonesian high level police post
RAV	Resettlement Affected Village
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
UNCEN	University of Cenderawasih
UNDP	United Nations Development Programme
UNIPA	The University of Papua
USAID	United States Agency for International Development
WMO	Workforce Management Office
<i>yayasan</i>	Foundation
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; the Project’s impact on political, economic and social conditions in Indonesia generally and Papua in particular; and the Panel’s evaluation of Indonesia and Papua “country risk.”

This is the Panel’s sixth annual report. All earlier reports are available, together with BP’s responses, from the Panel or on BP’s website.¹ In November 2007, the Panel took another extensive trip to Indonesia, visiting the LNG site, villages in Bintuni Bay, the town of Babo, 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; officials from the Bintuni Bay Regency (“*kabupaten*”) and Babo; government leaders and NGOs in Jayapura and Manokwari; Ministers as well as other government officials and NGOs in Jakarta; the Rector of the University of Papua (“UNIPA”) in Manokwari; the U.S. and U.K. Ambassadors to Indonesia; 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 Programme (“UNDP”); representatives of the Asian Development Bank (“ADB”); and BP

¹ BP’s website is www.bp.com/indonesia. Communications directly with the Panel can be made by e-mail to tiap@tangguh.net.

contractors on the Project.² 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 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 Organization for Economic Cooperation and Development ("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 U.S.-U.K. Voluntary Principles on Security and Human Rights (the "Voluntary Principles").

The Panel does not audit BP's compliance with Indonesian and local law, but has reviewed 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").³

² A list of all individuals and entities consulted by the Panel during the past year and over the period of its work since 2002 is included at Appendix 1.

³ Tangguh's obligations under the LARAP have been reviewed in detail by the Resettlement Panel, whose final report is also available on the BP website. Resettlement Monitoring and Advisory Panel, "BP Tangguh LNG Project: LARAP's Implementation Performance in 2006," May 15, 2007 ("Resettlement Panel"). The field work objectives by which the Resettlement Panel analyzed the LARAP progress in 2006 were: "1) Completion of infrastructure building and of host population relocation; 2) Village establishment: titling, social services, self-management; 3) Orientation to economic development: agriculture, fisheries, micro-business; 4) Employment strategy implementation; 5) Measurement of resettlers' employment and incomes; 6) Transition from Phase One to Phase Two in LARAP's management, implementation and re-staffing; Internal reporting and monitoring." Resettlement Panel at 12.

BP's LARAP, AMDAL, and ISP obligations are reviewed by the External Lenders Panel ("Lenders Panel"). The Lenders Panel ISP and resettlement reviews will take place biannually until 2009; the environmental monitoring will take place annually for the duration of the loan period (15 years) to ensure compliance with the requirements of the Asian Development Bank and the Japan Bank for International Cooperation.

II. Overview

This was TIAP's sixth visit to Papua and Bintuni Bay. There have been significant changes in the region over this period and during the past year. The Panel's final visit will take place in 2008 and its final report will be issued in early 2009. The residents of the Resettlement Affected Villages ("RAVs") of Tanah Merah Baru ("Tanah Merah"), Saengga and Onar are benefiting from new homes and village infrastructure, jobs in the Project, better health and education services and there are early signs of commercial microenterprise. However, there is some criticism of specific programs as the villagers adjust to changes in the traditional fishing economy and to significant in-migration to these villages, which has increased the population of Tanah Merah by about 40 percent.

Material benefits have also accrued to the other DAVs, both on the north and south shore. There has been more limited disruption and in-migration in these DAVs caused by the Project. Nonetheless, jealousies of the south shore villages continue among some north shore villagers who believe they have ownership rights to the gas.

Support for the Project remains strong among Papuan leaders and most affected Papuans. The elected *Bupati* (Regent) of the now two year old *kabupaten* of Bintuni Bay, as well as both elected Governors of West Papua (formerly Irian Jaya Barat) and Papua, are supportive of the Project, particularly of BP's cooperative attitude and its community development activities. Papuan NGOs, while critical of certain specific actions, also commended much of BP's efforts.

The LNG site itself is nearing completion. While it is large and visible from the Bay, it is self-contained. Other than from Tanah Merah, the site is only accessible from the Bay.⁴ The onshore facilities for both LNG trains and supporting structures, which occupy an area of about

⁴ There is a chance in the future that a highway may be constructed that links the towns in the region, which may make the LNG site more accessible.

335 hectares, are buffered by a forested area of almost 3,000 hectares and surrounded by a perimeter fence. Much of the cleared land is being revegetated. Two jetties, one for LNG tankers and the other for support services, extend as far as 1.3 km into the Bay. There is extensive boat traffic around the jetty servicing and supplying the facility.

Two unmanned drilling platforms are in place. Each will support up to nine separate wells, directionally drilled from a single bore hole. Several of the wells have already been completed and testing was underway at the time of the Panel's visit. The platforms, near the center of the Bay, should not interfere with traditional fishing activities or other commerce. Two submarine pipelines, each covered with rock to avoid contact, bring the gas from the platforms to the onshore system. The Project is on track to meet its projected schedule to begin operations in late 2008 with first LNG shipped in 2009. Recent photographs of the site are included in Appendix 2.

Employment in construction and support activities peaked above 10,000 in August 2007, about 2,000 more workers than originally projected. Shortly thereafter, the process of reducing the workforce began; it will accelerate sharply through 2008. At peak, more than 3,000 (30%) of the workers were Papuans including 608 (about 6%) from the DAVs. At the time of the Panel's visit, there were more than 9,000 workers engaged in Project construction activities.

There has been much discussion regarding construction of future additional LNG trains at the site which, while not certain, is likely.⁵ There is political pressure to increase production and some criticism of the lack of transparency regarding the process. Sufficient gas reserves in the reservoirs must be proved and, of course, commercial markets must be secured. Additional trains will require many new construction workers and will have the potential for some

⁵ BP has recently commented: "We are at the early stage of Tangguh Development's next phase. We are considering options for the further development, including marketing, of the LNG. No decisions have been made."

disruption. They would be covered by a new AMDAL with separate social and environmental obligations and thus are not considered at this time by the Panel.

III. Principal Recommendations

Transition from Construction to the Operating Phase

- **BP and its contractors should provide jobs in the operating phase to as many local Papuans as possible, and make this commitment known. It is particularly critical that BP meet or, if possible, exceed its AMDAL employment commitments for Papuans, either directly or through its contractors in Project support activities such as supplies and shipping.**
- **The Papuan Commitment Steering Committee, established to ensure compliance with employment targets and guide development, must have the attention of senior Project management and its commitment to overcome obstacles. It should meet with management regularly, and issue a public report annually so that stakeholders are aware of BP's performance in this critical area.**
- **ISP programs should be reviewed and modifications made, if needed, to better achieve their goals. One focus of this review should be on the continuing value of each program during the operating phase, and the sustainability of its results.**

Security and Human Rights

- **BP officials should make sure that any new TNI and Navy units deployed in Bintuni Bay are familiar with Integrated Community Based Security ("ICBS"), and encourage them to take the human rights training provided to other security forces and participate in the annual joint training exercises with the Police.**
- **BP should make every effort to participate, as observer or otherwise, in discussions by the National Defense Institute ("LEMHANAS") or the Energy Ministry, of security preparedness in Bintuni Bay to be aware of any actions being considered and to impress upon all participants the agreed upon structure and processes of community based security.**

Benefits to the Bintuni Bay Region

- **TIAP endorses the Resettlement Panel recommendations that BP: (1) offer jobs to RAV residents on a household-by-household basis, rather than through the village head; (2) offer jobs to RAV residents at other Project facilities beyond the LNG site, such as at Babo or Bintuni; (3) implement the demobilization program in a flexible**

manner in an attempt to meet LARAP job length and income targets; and (4) increase vocational training opportunities for LARAP households.

- Following consultations with the *Bupati* and the communities, all public buildings which can be managed locally should be transferred to the communities promptly.
- An agreement to transfer the electric and water utility assets in the RAVs to the *kabupaten* government or the community should be concluded prior to the start of Project operations. The Handover Agreement, required by the LARAP, for any assets not currently transferred to the community, could provide for the future transfer of operations to the RAVs if the local government and the communities determine that this is appropriate and permissible under local law.
- BP should complete its commitment to vest title of all new homes in Tanah Merah and Saengga to the individual households. The land titling process should be completed before the beginning of operations.
- Although not required by the LARAP, an additional survey should be conducted two to three years after the start of operations to measure gains and ensure the sustainability of the programs the Project has put in place. This survey should be designed to capture villagers' views on the success or failure of Tangguh's programs.
- It is imperative that the Manggosa pathway required by the LARAP from Tanah Merah to the Bay be completed if the exclusion zone around the marine facilities is to be respected and enforced. If this action is not effective to dramatically reduce incidents of violation, BP must develop an alternative means of managing and/or enforcing the exclusion zone.
- Outboard motors should be provided to all households of Saengga with a boat. Any ambiguity of this obligation in the LARAP should be read to benefit the villagers. It is crucial that distribution take place before the end of Project construction as fishing will become the dominant source of income as workers are demobilized.
- The Panel emphasizes the importance of completing successful clean water programs for all DAVs before operations begin.
- The Tangguh Community Health Unit ("TCHU") health care programs in the DAVs have been one of the most successful aspects of the ISP. The Panel supports the broadening of these programs within the DAVs and their expansion to the broader Bintuni region.
- The Panel urges BP to commit to continuing its support for local education into the operating phase in an effort to raise achievement levels to national standards.

- The adult literacy programs in the DAVs should continue for the duration of the ISP.
- Microenterprise and small business development programs to diversify the area's economy will take time. While refinements or changes may be in order, it is important that these programs continue as a priority for at least the duration of the ISP.
- The vocational training center at Aranday is a positive development, particularly for the villagers on the north shore. It must be sustained by maintaining its physical plant and equipment and with qualified instructors. BP must work with the *Bupati* to ensure its long term viability.
- A third survey of fish stocks in Bintuni Bay should be conducted after the commencement of operations, possibly in 2010, to assess the effect, if any, that Tangguh operations are having on fish stocks or fishing activities.
- BP should continue to work with local and Government of Indonesia ("GOI") officials to limit outside trawling activity in Bintuni Bay, both to preserve the livelihoods of the villagers and to thwart possible inaccurate charges in the future that Tangguh operations have depleted fish stocks in the Bay.
- The Bintuni Bay Development Foundation, designed to support north shore infrastructure, should be established promptly and BP should provide the support needed in order for the Foundation's activities to produce initial tangible results by the time operations begin.
- The Panel has been supportive of the Community Action Plans ("CAPs") for the DAVs. However, at this time, BP should reevaluate their structure and review their results to make sure that the village planning process is working effectively to produce improvements that benefit the community's interests and that can be sustained by the community over the long term.
- Development of local governmental capacity, both in individuals and institutions, must remain a priority well into operations. BP should review each of its capacity development programs – including those at the regional and provincial levels – to determine which programs are delivering useful benefits and which need to be modified. Any changes in local capacity building programs should be made in consultation with the *Bupati*.
- The community grievance process is functioning well and should be continued throughout the life of the Project. BP should review, compile, assess and publish the results annually to help determine whether any program changes are appropriate.

Wider Benefits to Papuans

- The Panel again recommends that BP commence a higher education scholarship program for promising young Papuan students. The program could provide assistance at universities in Papua, elsewhere in Indonesia or abroad. It should target students studying practical disciplines such as energy, mining, agriculture, fisheries and technology. BP should also provide training and support for UNIPA and the University of Cenderawasih (“UNCEN”), the two major centers of learning in the region. These programs will help to leave a lasting legacy of Tangguh in Papua.
- BP should look to Papuans who have completed technical training to fill management and supervisory roles in the Project. If further non-technical training or language skills are needed, BP should provide such assistance to those Papuans who have demonstrated the capacity to rise to higher levels of authority.
- Papuan procurement obligations of contractors in the operating phase should be monitored and enforced. The Business Empowerment Initiative, designed to train and mentor local businesses so that they can compete for opportunities in Tangguh and other projects, should continue. This program has challenges and will take time, but it must be maintained if local businesses are to have any significant opportunities for procurement.

Revenue Flow to the Region and Transparency

- BP should communicate to the Ministry of Finance (“MOF”) its strong support for the Extractive Industries Transparency Initiative (“EITI”), and inform the MOF of the benefits of EITI to the oil and gas industry and to energy development in Indonesia. In addition, BP should work with the Minister of Energy to authorize publication of all non-proprietary aspects of the revenue streams flowing from Tangguh.

Environment

- To establish credibility and inspire greater confidence among stakeholders, BP should seek independent third-party certification of compliance with International Organization for Standardization (“ISO”) 14001. In addition, BP should include, as part of the ISO 14001 process, specific, substantive requirements that ensure that all national requirements are met and, where possible, international standards are achieved or exceeded. It should also provide a process by which environmental tracking reports are regularly reviewed by senior Project management, as a mechanism to better ensure early detection of any potential compliance issues.
- BP has published a guide for reducing impacts on marine mammals (primarily Sousa dolphins) and marine reptiles (turtles), which includes a boat free “dolphin habitat zone” in shallow waters and procedures for minimizing disturbances. The

Panel commends BP for this action but emphasizes that these procedures must be continually socialized and enforced to be effective.

- **BP has developed a comprehensive Oil Spill Contingency Plan and has begun regular training in spill management and drill simulations. These procedures must be a priority for all personnel and contractors and continue to be so throughout the entire period of operations.**
- **BP should continue to press the GOI for a technical feasibility study of CO₂ re-injection.**
- **Throughout operations, BP should periodically monitor the areas around the platforms to be certain there are no significant adverse marine effects.**
- **Activities related to the Biodiversity Action Plan should be reactivated as quickly as possible after operations begin. BP's support is vital to its many environmental partners, both public and private, whose capacity and resources remain limited. The important gains already achieved could be lost if a lengthy hiatus ensues.**

Public Information

- **The journalism training workshop for media in Papua and West Papua and the Papuan media visit to the LNG site and the DAVs are extremely valuable and should be repeated periodically.**
- **BP should use the events relating to first shipment of gas to communicate its messages more forcefully. It should develop a specific public information work plan designed to engage with national, regional and local media regarding a campaign to convey information at first gas and first LNG shipment.**
- **Throughout the operating phase, BP should continue to engage positively with the media in Jakarta on a regular basis. In particular, accurate information on the subject of the timing of revenue flow and other complex issues must be socialized through regular public information. If this is not done, misunderstandings regarding such issues may lead to false charges that will be difficult to rebut.**

IV. Transition from Construction to the Operating Phase

One of the most significant differences perceived by the Panel on this visit was the shift in focus to the transition to the operating phase, away from issues related to construction or the AMDAL. This is understandable and necessary. BP and its contractors are nearing the end of construction. The operating phase will bring to the Project new contractors and different

workers, who are not yet trained or sensitized to the unique requirements of the Project. Operations will also bring new issues to the table and new challenges, including more limited employment opportunities, LNG tankers in Bintuni Bay, safety of operations, timing and transparency of revenue flow from the Project, and security of an operating national asset. The transition has already begun as the workforce begins demobilization and the contractors focus on turning over the facilities to BP. These issues will intensify during the next year.

Demobilization is the most pressing transition issue. Jobs for most of the more than 10,000 construction workers will no longer exist, including for many of the 3,000 Papuans. There will be only 1,500 – 2,000 jobs in the operating phase. Many of the workers from the DAVs will return to their villages in search of other sources of income. Many in-migrants may seek to stay in the area, in hopes of future employment or other opportunities. It is, of course, essential that BP socialize these changes on a continual basis, in different forums, and through various means of communications. It is also important for BP to sustain the effort to provide jobs in the operating phase to as many Papuans as possible, and to make this commitment and the details of its fulfillment known. It is particularly critical that BP meet or, if possible, exceed its AMDAL employment commitments for Papuans, either directly or through its contractors.⁶ Many of these jobs for Papuans may be available through contractors that support the facility in activities related to supplies and shipping.

Initially, BP should select all workers from DAVs who have high performance reviews for semi-skilled or other long term jobs. Ultimately, the AMDAL requires that the Project employ Papuans for 85% of all jobs in operations. BP has established a Papuan Commitment Steering Committee to meet these employment targets and guide Papuan development issues

⁶ These AMDAL commitments to employ Papuans, which increase during the operating phase, are detailed in the Panel's Fifth Report, issued in March 2007, at 16.

during operations. This Committee must have the attention of senior Project management and a commitment from management to work diligently to overcome obstacles to meeting these targets. It should meet with management regularly, and issue a public report annually so that stakeholders are aware of BP's performance in this critical area.

The commencement of operations, with its attendant tanker activity and hydrocarbon transportation and storage within the facility, presents new and increased safety and environmental risks. Those responsible for construction are to be commended for their excellent safety and environmental record thus far. Up to the time of this report, there were only eight days-away-from-work cases on a project that has accrued more than 60 million work hours. Safety training and procedures are treated as a high priority. In the few instances where proper procedure was not followed, supervisors were removed. But new procedures must be developed, training from day one for new workers must be instituted, and the existing culture of safety and environmental protection must be ingrained among the new BP and contractor workforce.

The transition to the operating phase is also an appropriate time for evaluation and refinement of ongoing programs. Many ISP and capacity building activities have now been functioning for more than three years. Some have been more successful than others. Many of the initial contracts to support these programs are coming up for renewal at this time. This is an appropriate time for review and change, if needed. The Panel endorses such a review, and suggests that its focus be on the continuing value of the program during the operating phase, and the sustainability of its results.

The completion of construction also provides an opportunity and the need for an enhanced public information effort. This is, of course, the most significant milestone for the Project; it will be a time of maximum attention by those in Papua and across Indonesia. BP

should use this opportunity not only to communicate the important benefits it has already brought to the region, but also to publicize key points that otherwise might be misunderstood. These include an accurate timeframe for revenue distribution, continuing efforts to benefit Papuans and the compatibility of the facility with the traditional lifestyles and livelihoods of the local people.

External monitoring also will change as the Project transitions to operations. The ADB together with the Japan Bank for International Cooperation (“JBIC”), each of which has extended loans to the Project, have instituted a joint outside lenders monitoring panel pursuant to their lending guidelines. This Lenders Panel will monitor developments and issue public reports to the lending institutions on issues relating to resettlement and the environmental/social commitments. The Lenders Panel will not monitor or report on issues related to human rights, security, revenue management and transparency, governmental capacity, political developments, public information or the impact on the broader environment.

The Lenders Panel reviews of ISP and resettlement issues will take place biannually until 2009; the environmental monitoring will take place annually for the duration of the loan period (15 years). Each of the Lenders Panel’s reports will be posted on the ADB website. These reports include assessments of whether any non-compliance has occurred regarding BP’s AMDAL or LARAP commitments, or the ADB guidelines. Level 1 breaches, while serious, result in recommendations by the Lenders Panel; Level 2 breaches can lead to cancellation of the loans if not corrected.

The Lenders Panel issued its first report in June 2007 and found several Level 1 breaches that BP is addressing with corrective action plans.⁷ The Lenders Panel second biannual report, which addresses ISP and resettlement, was issued in December 2007. It also identified several Level 1 breaches. For resettlement activities, breaches included delays in: the handover of assets in Tanah Merah and Onar; land titling in Tanah Merah; completion of the Manggosa pathway and fishing camp; and conduct of socioeconomic surveys. The Lenders Panel also cited the Project's failure to meet the LARAP requirement of one job per household and the LARAP goal of 30 months of employment for each RAV job. The Lenders Panel identified six Level 1 breaches in ISP commitments, including: failure to develop a local security enterprise and to start the *kabupaten* security forum; delay in the completion of the regional service center for the microfinance and microenterprise program; the absence of a monitoring and evaluation system for the ISP; incomplete record-keeping; and shortcomings in local information dissemination. No Level 2 breaches were cited.

The Lenders Panel review of resettlement issues duplicates the scope of the earlier panel on Resettlement, which it will replace. The Lenders Panel review of environmental/social compliance is a useful adjunct to the audits and reports conducted by the Ministry of Environment ("MOE"). These should provide a rigorous review of environmental compliance issues following the completion of TIAP's activities in early 2009.

⁷ These breaches relate to: (1) organic waste pit condition; (2) tasks associated with the Dimaga Foundation; (3) provision of construction phase employment to village households; (4) resettlement village monitoring and evaluation; and (5) fulfillment of Lenders' gender policies.

Recommendations

- **BP and its contractors should provide jobs in the operating phase to as many local Papuans as possible, and make this commitment known. It is particularly critical that BP meet or, if possible, exceed its AMDAL employment commitments for Papuans, either directly or through its contractors in Project support activities such as supplies and shipping.**
- **The Papuan Commitment Steering Committee, established to ensure compliance with employment targets and guide development, must have the attention of senior Project management and its commitment to overcome obstacles. It should meet with management regularly, and issue a public report annually so that stakeholders are aware of BP's performance in this critical area.**
- **ISP programs should be reviewed and modifications made, if needed, to better achieve their goals. One focus of this review should be on the continuing value of each program during the operating phase, and the sustainability of its results.**

V. Political Developments

Indonesia and Papua benefited from a relatively stable political environment and a growing economy in 2007, with 6% growth, low inflation and a stable Rupiah. President Yudhoyono ("SBY") remains a popular political figure. SBY and his Administration, particularly the Finance Minister, Sri Mulyani Indrawati, are getting high marks for reform and anti-corruption initiatives. Substantial authority and resources continue to flow out of Jakarta to the elected Governors and *Bupatis* through Regional Autonomy.

Special Autonomy for Papua is channeling even greater resources to the region. Papua and West Papua are now the two provinces in Indonesia with the highest level of per capita fiscal transfers from Jakarta.⁸ However, the implementation of Special Autonomy is still viewed with skepticism by many Papuans. Some NGOs expressed concern about the use of funds received under Special Autonomy, but this special treatment of Papua seems less controversial than on

⁸ See Section IX below.

our earlier visits. The likelihood of its continuing to operate until its full term in 2021 has increased.

In May 2007, SBY issued a long awaited Presidential Instruction, InPres 2007-5, known as the New Deal for Papua. This implements SBY's goal of accelerating Special Autonomy and making it work more effectively. The InPres has five elements: food security, education, health, basic infrastructure and affirmative action, particularly in education and in police and military recruitment.⁹ Although the Special Autonomy law does not yet explicitly apply to West Papua, the InPres treats the two provinces equally, in accord with the SBY Administration policy of "one economic unit; two administrative units." The InPres was cited by several GOI ministries as guiding their departments' policies toward Papua.

Some uncertainties remain, particularly with regard to the further division of Papua into additional provinces. A process initiated by the national legislature ("DPR") that may create the additional provinces of Central Papua, South Papua and Far West Papua is underway in Jakarta. This is causing significant tension. The SBY Administration informed the Panel that it is opposed to the creation of these new provinces. Nonetheless, at this time, it is unclear whether any new provinces will be created and how, if at all, this could affect the *kabupaten* of Bintuni and Tangguh.¹⁰

In addition, the province of West Papua is fully functioning, with an elected Governor and legislature; however, it is still not recognized by some, including the Papuan People's Council ("MRP"). Further, because the Special Autonomy law at this time specifically applies only to the province of Papua, the GOI has determined that West Papua does not qualify for the

⁹ Appendix 3 is an unofficial translation of InPres 2007-5.

¹⁰ Under at least one proposal, Bintuni would be included within the new province of South Papua, with its capital at Fak-Fak.

fiscal benefits of Special Autonomy (although the InPres disregards this distinction for purposes of policy).

The Governors of the two provinces have a respectful and cooperative relationship. Despite the interpretation of the law by the GOI, they have agreed that the Special Autonomy funds that flow to Papua will be distributed evenly among all *kabupatens*, cities (“*kotas*”) and villages in both provinces. Thus, for the most part, the fiscal benefits of Special Autonomy are flowing to both provinces. However, unless the Special Autonomy law is changed, the provincial government of West Papua itself may not receive all the benefits of Special Autonomy and, significantly, the revenue sharing from Tangguh, when revenues begin to be shared following cost recovery, may not be shared pursuant to the Special Autonomy formula (70% to the province and its *kabupatens*), but remain on the standard formula (30% to the province and its *kabupatens*). At present, this interpretation of the law is impeding the ability of the West Papua government in Manokwari to build its capacity and fund programs for the province. These fiscal issues are explored more fully in Section IX below.

However, since the Panel’s visit, the SBY Administration has moved to clarify these uncertainties. Vice President Kalla and several senior Ministers attended a conference in Jayapura with both Governors to address issues affecting Papua. The parties agreed that the law should recognize that Special Autonomy fully applies to West Papua; that a Special Autonomy Coordinating Board should be established to help implement and evaluate transfers of funds to Papua; and that a moratorium on the creation of new provinces in Papua should be imposed. The Papuan leaders then met with SBY, who indicated that these recommendations would be adopted by regulation. If these recommendations are implemented, the full participation of West Papua

in Special Autonomy would be resolved and any uncertainties regarding the creation of new provinces would be deferred.

Papua's Governor Suebu has implemented substantial reforms. He is seeking to channel funding into social development and infrastructure, and to limit the funding for general administration, which has traditionally been the largest expenditure. He has implemented an initiative to provide an annual sum of 10 million Rupiah (about \$10,000) to every village in both provinces – 3,800 in all – to be used for social programs agreed to by village leaders. Governor Suebu is also supportive of greater transparency in provincial and local fiscal matters. At the same time, both he and the GOI have attacked corruption in the province, leading to the arrest and removal of several *Bupatis*.¹¹

VI. Security and Human Rights

Security and human rights remain a concern, although primarily as a result of actions by the security forces in the past or in other parts of Papua. However, there has been significant progress in the past year on socializing the human rights principles embodied in Tangguh's Integrated Community Based Security ("ICBS").¹² In fact, a NGO in the region which focuses on human rights issues is pleased with BP's work on human rights generally, and in particular with programs that increase awareness of human rights issues among security forces in the region.

Community based security concepts continue to be accepted by the GOI, most importantly the police and military, as consistent with national policy and as a model. BPMigas

¹¹ 64 *Bupatis* nationwide have been arrested or are under investigation, two of whom are from Papua, according to Indonesia Corruption Watch.

¹² However, the Lenders Panel found a breach in BP's ISP commitment to develop a local security enterprise and institute a security forum.

specifically suggested the ICBS approach to other oil/gas companies operating elsewhere in Indonesia and several have requested guidance. For the second year, the Papua Police and representatives of the TNI participated in an active program in education and training on the Field Guidelines for Security, (the “JUKLAP”)¹³, which delineates the roles of Tangguh private security and the police under ICBS. All participants are trained in the Voluntary Principles and conflict resolution. NGOs and media representatives also observed the training exercise. Papua’s Chief of Police commended these exercises and endorsed regular training, as has been recommended by the Panel.¹⁴ Additional training for local police in the Voluntary Principles took place later in the year in Jayapura. This was hosted by the Papua Police as part of the U.S. sponsored International Criminal Investigative Training Assistance Program (“ICITAP”), which is designed to develop capacity in democratic principles and respect for human rights.¹⁵ Significantly, there were no requests from the police or the military for payment of any costs related to security in the area. Any such payments are required to be posted on BP’s website.

There was criticism of human rights in Papua during the year by the U.N. Special Envoy for Human Rights, Hina Jilani, and by Human Rights Watch.¹⁶ Ms. Jilani, who refers to the entire two province area as West Papua, found a climate of harassment and intimidation directed at human rights defenders by security forces. The Panel found no indication that any of these concerns were related to incidents in the Bintuni Bay region. Most of the allegations of human

¹³ See the Panel’s Fifth Report, March 2007, at 19 for a detailed description of the JUKLAP.

¹⁴ *Id.*

¹⁵ ICITAP initially worked in Indonesia to help the national police force with its transition out of the military and, more recently, has provided senior leadership workshops throughout the country designed to help provincial law enforcement officials work productively with local governments and community leaders.

¹⁶ Report of the Special Representative of the Secretary-General on the situation of human rights defenders, *Promotion and Protection of all Human Rights, Civil, Political, Economic, Social and Cultural Rights, Including the Right to Development*, U.N. Doc. A/HRC/7/28/Add.2 (Jan. 28, 2008). See also *Out of Sight: Endemic Abuse and Impunity in Papua’s Central Highlands*, Human Rights Watch, July 2007 and *Human Rights Watch World Report 2008*, Human Rights Watch, January 2008.

rights abuses, including those cited in the report by Human Rights Watch, relate to actions in the Central Highlands, an area distant from Tangguh.

The U.S. Congress also was critical of Indonesia's human rights practices and the limited access to Papua, withholding funds for "Foreign Military Financing" until steps are taken, among others, to prosecute members of the Armed Forces "who have been credibly alleged to have committed gross violations of human rights in Timor-Leste and elsewhere" and plans are made to "effectively allow public access to Papua."¹⁷

This criticism on limited access to Papua was echoed by U.S. Representative Eni Faleomavaega, who is the Delegate from American Samoa and Chair of the House of Representatives Subcommittee on Asia and the Pacific. On a visit to Indonesia in mid year, Mr. Faleomavaega was denied permission to visit Papua because of "security concerns." When he returned in November, he was only allowed a brief visit to Biak and Manokwari. Moreover, his movement was restricted by the TNI; some leaders with whom he wanted to meet were detained by the TNI; and he was denied permission to visit Jayapura. Others also have been denied entry. The Panel believes this restrictive policy, ostensibly for security purposes, is unwise and counterproductive. It can lead to allegations of wrongdoing and allows rumors to grow and fester. While this policy has not yet directly affected Tangguh, the Panel believes it has adverse potential, and raised this concern with several high level officials in the GOI.

Deployments of security forces in the area are increasing. The Police are planning to increase forces in the West Papua region by 1,500, at least 500 of whom will be local Papuans.¹⁸

¹⁷ H.R. 2764, § 679, 110th Cong. (2007). More recently, U.S. Congressmen Donald Payne and Eni Faleomavaega wrote to U.N. Secretary-General Ban Ki-Moon to express concern over reports of human rights violations and restrictions on movement and access within Papua and West Papua and to urge the Security Council to appoint an official to facilitate dialogue on a range of issues between the SBY Administration, the Papuan Government and civil society leaders. They also wrote to SBY criticizing the slow progress of Special Autonomy, intimidation by security forces and access to Papua.

¹⁸ Recent reports in Cenderawasih Pos indicate that 80% of the new recruits will be native Papuans.

And despite earlier indications to the contrary, a new regional police command, or POLDA, will likely be established in West Papua, possibly in 2009. Other than continuing the small outpost at Saengga and the addition of several patrol boats, the police have no immediate plans to establish any new posts or deploy any additional personnel near Tangguh.

The TNI presence in Bintuni Bay will also increase. One company (approximately 100 troops) from the Infantry Division of Kostrad is being relocated from Sorong to Bintuni and Babo. The Indonesian Navy also plans to establish a small base in Bintuni Bay. Both of these deployments are consistent with Tangguh community based security, and may relate to factors that include population growth and illegal logging as well as Tangguh's status as a national asset. Nonetheless, they may increase tension in the area. Thus, it becomes even more imperative to guarantee that these new forces are well-versed in the principles of community based security and trained in the Voluntary Principles. BP officials should contact the commanders of these new units to make sure they are familiar with ICBS, offer to provide the same human rights training that is currently provided to security forces directly serving the Project and encourage their participation in the annual joint training exercises.

The Panel was also informed that LEMHANAS, the National Defense Institute, together with the Energy Ministry, is conducting a preliminary assessment on security capacity and preparedness in anticipation of Tangguh operations. This assessment will review both the police and TNI structures in the area. It will consider whether to recommend upgrades in each structure, such as whether a higher level police post ("POLRES"), like those currently in Bintuni and Fak-Fak, needs to be established at Babo; and whether either of the military subdistrict commands at Bintuni and Babo needs to be upgraded to the higher level KODIM, such as currently exists at Fak-Fak and Manokwari. Thus far, BP has not been involved with this

assessment. However, it should make every effort to participate, as observer or otherwise, to be aware of the actions being considered and to impress upon all participants the agreed upon structure and processes of community based security.

Recommendations

- **BP officials should make sure that any new TNI and Navy units deployed in Bintuni Bay are familiar with ICBS and encourage them to take the human rights training provided to other security forces and participate in the annual joint training exercises with the Police.**
- **BP should make every effort to participate, as observer or otherwise, in discussions by the National Defense Institute (“LEMHANAS”) or the Energy Ministry, of security preparedness in Bintuni Bay to be aware of any actions being considered and to impress upon all participants the agreed upon structure and processes of community based security.**

VII. Benefits to the Bintuni Bay Region

A. Issues Related to the Resettlement Affected Villages (“RAVs”)

As the physical construction phase of resettlement comes to an end, the full scope of benefits to the RAVs can be seen. As described in previous reports, the residents of the RAVs have seen major material improvements in the quality of their lives.¹⁹ There has been wholesale reconstruction of the villages of Tanah Merah and Saengga and many improvements in Onar. The Resettlement Panel stated that “[i]n less than two years, the new Saengga created by BP Tangguh leaped ahead of the traditional Saengga by about 100 years,”²⁰ and that “[t]he benefits that full reconstruction has brought to [Onar Lama] families exceed the obligations assumed by the project initially, when land was purchased.”²¹ According to the final report of the Resettlement Panel, the Project successfully completed the physical construction phase of the LARAP implementation.

¹⁹ See the Panel’s Fifth Report, March 2007, at 21-22.

²⁰ Resettlement Panel at 14.

²¹ Resettlement Panel at 15.

However, the LARAP also includes other commitments related to Project employment for RAV workers; titling and transfer of village assets; monitoring and evaluation; and other livelihood enhancement activities to spur economic and social development. Each of these commitments must be met by the end of the LARAP implementation period in 2009.

Overall, Tangguh has met the AMDAL requirements for employing Papuans. From the earliest days of construction through the time of the Panel's most recent visit, Papuans comprised more than 30 percent of Project employees, significantly exceeding the required 20 percent.²² However, the Project has fallen short with regard to employment of RAV residents. The LARAP requires a job offer to one member of every RAV family. However, due to hiring irregularities and lack of oversight, this commitment has not been met.²³

In response, BP conducted an audit of its compliance with its LARAP employment commitments. BP was unable to document job offers for 16 out of 259 eligible households. Further, the Workforce Management Office ("WMO"), which oversees hiring for the Project, may have at times misreported the number of RAV residents employed by the Project. As a result, BP has not yet fulfilled its LARAP employment commitments nor has it met targets in the LARAP regarding length of employment and income.²⁴

To address these deficiencies, the Resettlement Panel recommended, inter alia, that BP: (1) offer jobs to RAV residents on a household-by-household basis, rather than through the village head; (2) offer jobs to RAV residents at other Project facilities beyond the LNG site, such as at Babo or Bintuni; (3) implement the demobilization program in a flexible manner in an

²² See Appendix 4.

²³ These targets are discussed more fully by the Resettlement Panel at 38-39.

²⁴ Further, if jobs are given to non-DAV residents instead of DAV residents then the Project may not be fulfilling its requirement to ensure that the EPC contractor fills "100% of all unskilled craft positions and 10% of the semi-skilled positions with people from DAVs (including the resettlement-affected villages)." LARAP at 199.

attempt to meet LARAP job length and income targets; and (4) increase vocational training opportunities for LARAP households.

BP has already begun to address these recommendations. BP's audit of the employment program in the RAVs proposed several remedial measures, including: immediately offer one job to the 16 RAV households which have not yet received one; prioritize hiring of RAV workers for the remainder of the construction phase and for the operating phase; provide the remaining 16 households with a written explanation of the Project's employment commitments; place the WMO under the supervision of the ISP team and conduct a quarterly data review of its progress; and ensure that all recruits from the RAVs are residents, or relatives of residents, identified in the 2002 census. BP has adopted these measures. The Panel endorses these actions as necessary and appropriate.

While the physical construction phase has brought many benefits to the RAVs, the Project has not yet completed its commitments regarding transfer of the ownership of community buildings, infrastructure and utilities. The LARAP provides that all public facilities, including community buildings, places of worship, schools, clinics and houses for religious figures, teachers, doctors, and nurses, "will be handed over to the community and/or local government as appropriate." The LARAP further provides that all parties have agreed that "such handover will occur...in accordance with national, provincial or regency laws and regulations..."²⁵ These commitments should be implemented before operations begin.

The Panel recommends that following consultations with the *Bupati* and the communities, all public buildings which can be managed locally be transferred to the communities promptly. However, any immediate transfer of certain electric and water utilities to the communities would create serious problems of management and sustainability. The transfer

²⁵ LARAP at 60.

to the communities of certain assets at this time may not therefore be appropriate, and is not required by the LARAP. These utility assets, and any other public buildings not initially turned over to the communities, should be transferred to the *kabupaten* government prior to the start of Project operations. The Handover Agreement, also required by the LARAP, could provide for the transfer of ownership and operations of any of these facilities to the communities in the future if the local government and the communities determine that this is appropriate and permissible.

BP must also complete its LARAP commitment to vest title of all new homes in Tanah Merah and Saengga to the individual households.²⁶ The process of land titling has been unnecessarily delayed. Now that all new home construction in the RAVs is finished, it is imperative that the land titling process be completed. This should be done before the beginning of operations.

The LARAP mandates that a survey of households and/or beneficiaries shall be carried out in 2005, 2007, and 2009. The purpose of these surveys is “to measure progress, identify weaknesses and new issues, and help adapt program design and/or redirect implementation work where necessary.”²⁷ The data on economic and social parameters that a survey yields are crucial to make all stakeholders aware of changes and to ensure transparency for those who may want to assess the effects of resettlement. Therefore, these economic and social changes should be assessed and published by BP. In addition, although not required by the LARAP, an additional survey should be conducted and published two to three years after the start of operations to measure gains and ensure the sustainability of the programs the Project has put in place.

²⁶ “The Project will also facilitate the grant of land title to the 26 households in Onar. However, this will only be possible with the full cooperation of the Agofa clan and the local government.” LARAP at 60.

²⁷ LARAP at 254.

As pointed out above, it is necessary for purposes of safety to impose a marine exclusion zone extending 620 meters from the LNG jetty, 120 meters from the “combo” dock and 500 meters around the platforms. The exclusion zone around the jetties is regularly being violated by local fishermen, despite vigorous efforts to deter this conduct. It is unsafe now, but will be even more dangerous once gas and other hydrocarbons start to flow. In order to compensate for the loss of access to marine resources in part caused by the exclusion zone, BP is required by the LARAP to construct a new pathway around the LNG site from Tanah Merah to the Bay at a fishing camp called Manggosa. This has not been completed. It is imperative that this be completed if the exclusion zone is to be respected and enforced. If this action does not sharply reduce incidents of violation, BP will need to develop an alternative means of managing and/or enforcing the exclusion zone. Regular and unsanctioned traversing of the exclusion zone by fishermen, some with open fires in their canoes, is unacceptable to safety once operations begin.

As demobilization continues, BP must focus its principal LARAP related actions on efforts to diversify and increase the villagers’ incomes. The movement of Tanah Merah away from the shoreline and the establishment of the exclusion zone has impaired villagers’ access to marine resources. To compensate for this loss, the LARAP entitles each RAV household which owned a boat in 2002 to receive a 15 HP outboard motor. Such motors have been provided to Tanah Merah residents. In 2006, residents of Saengga requested the motors, as well. Although there may be some ambiguity as to whether this LARAP commitment applies to Saengga residents, it is clear that their access to fishing also has been impaired. Thus, the Panel believes any ambiguity should be read to benefit the villagers and recommends that this equipment be provided to improve sustainable fishing. It is crucial that distribution take place before the end

of Project construction as fishing will again become the dominant source of income for workers who are demobilized.

To further compensate RAV residents, the LARAP mandates the establishment of a foundation, known as the Dimaga Foundation. The Foundation has been established and endowed, and disbursements have begun. TIAP endorses the activities of the Foundation and encourages the Project to ensure that future Foundation commitments are met in a timely manner.

More generally, the RAVs are benefiting from LARAP's broader commitments to livelihood enhancement programs for agriculture, fisheries and microenterprise. These programs are functioning effectively throughout the DAVs, and are described more fully below. The potential for livelihood enhancement through such diversified growth was demonstrated by the shrimp cracker factory being run by women in Tanah Merah. The programs for fishing, agriculture and microenterprise have the potential to replace lost income and diversify the local economy.

B. Programs Affecting the Broader Bintuni Bay Region

Programs that affect all of the DAVs, and the broader Bintuni Bay region, continue to make solid progress but demonstrate, after five years of activity, that long term commitments are needed to guarantee success. There is less visible tension between north shore and south shore villages, possibly as a result of having a skilled *Bupati* who leads a new *kabupaten* that, for the first time, places both north and south shore communities in the same political jurisdiction;²⁸ but also possibly because many north shore villagers have begun to see that benefits are accruing to them, albeit at a slower pace than some would like. However, there is a separate concern by the

²⁸ Possibly the most serious example of remaining tensions during the past year was a "strike" by certain residents of Mogotira/Weriager that caused a suspension of ISP programs in those villages. This confrontation was resolved by the direct intervention of the Deputy *Bupati*.

Bupati and others of increasing tension between DAVs on the one hand and the other villages and towns in the *kabupaten* caused by a “development gap.” BP recognizes the need to address this concern and, as described below, is expanding key health and education programs to villages throughout the *kabupaten*.

Although not all of the Panel’s earlier recommendations relating to benefits to the region have been implemented – such as finding a way to use the timber from the LNG site for construction, and bringing electricity to non-resettlement DAVs – significant progress has continued in important programs related to clean water, health, education and livelihood enhancement. The efforts to develop capacity at all levels of local government, although less well advanced to date, also continue.

1. Clean Water

Clean water, long deemed a priority by the Panel, is now a reality in most DAVs. Although groundwater wells have been used in several of the south shore DAVs, in some communities they have proven to be ineffective. Systems using rooftop and other rainwater catchment technologies have been implemented successfully in north shore DAVs (Tomu/Ekam and Taroy) and are being installed this year in the south shore DAVs of Tomage and Otoweri. These systems are believed to be easier to maintain and more sustainable than groundwater wells. These new systems are a welcome improvement to these villages. However, despite efforts to provide clean water systems in Weriagar/Mogotira, the facilities have not functioned well and must be replaced. Completion of these systems must be considered a priority. The Panel emphasizes the importance of completing a successful clean water system for all DAVs before operations begin.

2. Health

BP's health care programs, particularly those of the Tangguh Community Health Unit ("TCHU") which was established in 2003 for an initial period of five years, have continued to show successful results and are entering a period of transition in 2008. Specifically, BP is facilitating the transfer of the TCHU's programs to a local NGO in an attempt to engage a wider range of local actors, increase community participation and ensure the future sustainability of the programs. This foundation (or *yayasan*), the Papuan Children's Health Fund ("PCHF" or Yayasan Anak Sehat Papua), will ultimately take over many of the programs and services currently provided by the TCHU. Financed through outside donor funding, the foundation will work with the Bintuni Department of Health to provide a wide range of health programs.

BP continues to provide meaningful health benefits to all the DAVs. The TCHU's impressive results in combating malaria and diarrhea in the DAVs continued in 2007.²⁹ Malaria prevalence in the DAVs dropped to 3.8%, down from a high of 23% in 2000, and the diarrhea fatality rate for children under five dropped to 2.6%, down from 4.7% the previous year. This is the second year of such low rates of infection, providing encouragement that this progress is sustainable.

The TCHU has also continued its focus on maternal and child health issues, as well as HIV/AIDS. Training has been held for midwives and traditional birth attendants; and rates of immunization for children under five continue to improve. Nutrition posts have been established in several of the DAVs. In addition, the TCHU has continued to conduct HIV/AIDS awareness programs at the work site and community levels.

As described in the Panel's previous reports, the TCHU's success in combating malaria in the DAVs is primarily through a program based on local malaria health workers operating out

²⁹ See Appendix 5.

of small kiosks that sell inexpensive, easy to use, malaria medication. To ensure a more sustainable enterprise for these workers, the TCHU is working to expand the kiosks into multi-purpose health units. Broadening the scope of the products provided by these community health workers will not only promote greater sustainability but will also introduce the community to a wider range of health care products.

BP has formed the PCHF in order to expand these health benefits to the entire *kabupaten* and the broader Bintuni Bay region. This independently funded NGO plans to begin a limited expansion in 2008.³⁰ Along with PCHF, BP is also supporting capacity development of the Bintuni Department of Health for all of its community health programs, including water and sanitation.

Separately, BP recently became a founding member of the Indonesian Business Coalition on AIDS (“IBCA”), which was launched in 2007. This non-profit will focus on HIV/AIDS as a business issue and will work with local and international NGOs throughout Indonesia to promote the delivery of effective workplace programs on HIV/AIDS awareness and prevention, and ensure access to treatment.

3. Primary and Secondary Education

Investments in primary and secondary education show modest, but positive gains. BP continues to support three religious charities – YPK (Christian), YPPK (Catholic), and Muhammadiyah (Muslim) – which have brought new teachers and teacher training to all of the DAVs. Education infrastructure – both construction and renovation of schools and construction of teacher housing – has increased capacity. Despite a culture that did not assign a priority to education, particularly for girls, student enrollment has increased in the DAVs for both boys and girls.

³⁰ See Appendix 5.

More broadly, the British Council, a NGO that specializes in education, is providing valuable support for elementary and secondary education to the entire 67 schools in the *kabupaten* of Bintuni, and also providing institutional support for the *kabupaten*'s Department of Education. At the same time, the *Bupati* has doubled the budget for education to 20% (in line with national guidelines) and waived student fees. These actions by local government are essential to the success of any support provided by BP.

Early results are positive, particularly in student attendance. But primary and secondary education in the region starts from a very low base, and serious challenges exist that will take years to overcome. There is little community support or institutional capacity, leading to low attendance and poor achievement. There is a shortage of teachers, and many of those available are unqualified. Programs are in place to address each of these needs. The education support program is currently scheduled to last for three years, until 2010. It will take much longer than three years to bring local education up to national standards. The Panel urges BP to commit to continuing its support for local education in an effort to raise achievement levels to national standards.

Separately, but importantly, adult literacy programs are now functioning in all the DAVs. There have been almost 400 participants to date, a substantial majority of whom are women. This program, in partnership with the UNCEN, should continue, if interest remains, for the duration of the ISP.

4. Livelihood Enhancement

Livelihood enhancement programs, although initially off to a slow start, also have begun to deliver positive results. They too will require a long term commitment. Yayasan SatuNama, a respected national foundation, is charged with diversifying economic opportunities and

promoting savings in the north shore villages of Bintuni, both DAVs and non-DAVs. Its core activities relate to improving agriculture and the promotion of local cottage industries, such as shrimp crackers, semi-processing of fish and crab/fish flakes production. It has introduced household vegetable gardens to north shore villages, which is improving family nutrition as well as providing a source of outside income. SatuNama also has already made 72 small loans to villagers totaling Rp. 425 million, and is providing assistance to a successful women's microfinance cooperative in Aranday, with 72 members.

In addition, the Bogor Institute of Agriculture ("IPB") has conducted fisheries and agricultural business training on both the south and north shores. It is working to develop markets outside the region for locally processed products and is helping to establish an ice factory, which would allow fishermen to preserve their catches and processed products for better priced markets. These are all challenging assignments, given the limited capacity and the time honored traditions of the villagers. However, the Panel was impressed with these efforts, and specifically with the enthusiasm of the villagers for these programs, particularly the women. While refinements or changes may be in order, it is important that programs to enhance incomes from fishing and agriculture continue as a priority.

Another positive element of livelihood enhancement has been the establishment of the vocational training center at Aranday. The facility began classes shortly before the Panel's visit, training 30 students in carpentry, masonry and administration. Priority will be given to residents of the north shore DAVs. The Panel also recommends priority placement to any family from a DAV that did not have at least one worker employed in the construction phase. This represents a tangible benefit seen first hand by the north shore villagers. It must be sustained, both by

maintaining its physical plant and equipment and with qualified instructors. BP must work with the *Bupati* to ensure its long term viability.

Although livelihood diversification is a principal goal of the Diversified Growth Strategy³¹, fishing will likely remain the primary cash crop among the villages of Bintuni Bay. Thus, it is of the utmost importance that fish and shrimp stocks in the Bay not be depleted or adversely affected by operations, and that any depletion in the future be quantifiable. Toward this goal, BP commissioned a baseline survey of fish stocks in 2004 that indicated stocks had suffered from trawling operations by large non-Papuan operators. There have been suggestions that stocks recovered thereafter, largely as a result of the suspension of operations by the largest trawling operation, but one local leader disagreed, complained that stocks are declining, and suggested that Tangguh is the cause.

To validate the facts as well as record villagers' views and activities, the survey has been updated in 2007 by IPB. Surveys were conducted in June and December. The results indicate higher diversity than previously existed, and no indication of declines in fish stocks. A third survey should be conducted after the commencement of operations, possibly in 2010, to assess whether Tangguh operations are having any effect on fish stocks or fishing activities. According to IPB, it is important to establish a fishery database, including productivity, marketing and processing. This is essential to evaluate any effects of Tangguh operations on fish stocks.

At this time, no commercial trawling is licensed in the Bay (according to IPB, trawlers have been operating, and have the potential to significantly impact fishery resources in the Bay). The Panel has urged the Minister of Fisheries and the *Bupati* to impose a strict regulatory regime to limit future trawling operations and preserve stocks for local fishermen. BP should continue

³¹ See the Panel's Second Report, at 14 and Fifth Report, at 28.

to pursue this objective, both to preserve the livelihoods of the villagers and to thwart possible inaccurate charges in the future that Tangguh operations have depleted fish stocks in the Bay.

5. Infrastructure and Community Development

The Bintuni Bay Development Foundation, previously recommended by the Panel, has yet to be established. While a task force has been formed and preliminary work is underway for a program in 2008, the Panel is concerned with the long delays. The Foundation is designed as a vehicle for financing north shore infrastructure development, initially such as new housing for teachers and health workers. A Memorandum of Understanding (“MOU”) regarding the Foundation was signed by BP and the *Bupati* in June 2007. It is, of course, important that BP work with the *Bupati* pursuant to the terms of the MOU. However, the local government’s contribution to implementing the Foundation’s program will be limited in the early years, so it is also important that BP provide the impetus for moving forward with Foundation projects. BP should provide the support needed for the Foundation’s activities to produce initial tangible results by the time operations begin.

The Community Action Plans (“CAPs”), now in the fifth year of their 10 year duration, continued in the non-resettlement DAVs. These programs not only are delivering useful improvements to each village, but they also are building trust and planning capacity within the villages. In the past year, CAP projects included a health post in Irarutu, a mosque in Taroy, a library in Tofoi, jetty construction in Otoweri, and roof replacements in Tomu/Ekam and Taroy. CAP activities chosen by the villagers also included skills training for women and village committee training in management and leadership. Several of the north shore villages are looking to the CAPs next year as a means to develop electricity infrastructure. As these programs pass their halfway point, BP should reevaluate their structure and review the results to

make sure that the village planning process is working effectively to produce improvements that benefit the community's long term interests and that can be sustained by the community on an ongoing basis.

6. Local Government Capacity Development

It is clear that governmental capacity in the new *kabupaten* and at the local district and subdistrict levels remains low, and has yet to develop in budget and fiscal matters, or in program delivery. Basic administrative skills such as budget development, monitoring and evaluation, database management and document controls are essential to sound and transparent administration. These are skills that will take time and a persistent effort to develop. There are 22 units in the Bintuni *kabupaten* government alone, and all need support. Yet sound local administration is a foundation of BP's goal that Tangguh be a world class and sustainable model for development. Given the already substantial fiscal transfers to the local government, and the further increases in budget once Tangguh shared revenues begin to flow, development of such capacity, both in individuals and institutions, must remain a priority well into operations.³²

There have been some successes already; for example, the governance support program at Aranday has been commended as a model. But there has been much frustration as well. BP should review each of its capacity development programs – including those at the regional and provincial levels – to assess their unique challenges and determine which programs are delivering useful benefits and which need to be modified. Some changes in program implementation may be needed. Any changes in local capacity building programs should be made in consultation with the *Bupati*, whom the Panel believes understands the need for their success.

³² See Section IX below.

C. Community Relations and Grievances

The *Bupati*, although disappointed with the pace of development on the north shore, suggested that “relations” between BP and the local communities had improved in the past year. This perception is supported by the Panel’s interactions with members of the community and the results of the community grievance procedure, which was instituted following the Panel’s previous recommendation. This process is available to residents of all DAVs. Approximately 40 grievances were filed last year. The principal issues complained about were LARAP compliance, workforce and community development. The majority of grievances from the RAVs related to workforce issues (although not a single complaint regarding workforce was made in the Panel’s meetings with community leaders). North shore grievances related primarily to infrastructure development. This process is functioning well and should be continued throughout the life of the Project. BP should annually review, compile, assess and publish the results to help determine whether any program changes are appropriate.

Recommendations

- **TIAP endorses the Resettlement Panel recommendations that BP: (1) offer jobs to RAV residents on a household-by-household basis, rather than through the village head; (2) offer jobs to RAV residents at other Project facilities beyond the LNG site, such as at Babo or Bintuni; (3) implement the demobilization program in a flexible manner in an attempt to meet LARAP job length and income targets; and (4) increase vocational training opportunities for LARAP households.**
- **Following consultations with the *Bupati* and the communities, all public buildings which can be managed locally should be transferred to the communities promptly.**
- **An agreement to transfer the electric and water utility assets in the RAVs to the *kabupaten* government or the community should be concluded prior to the start of Project operations. The Handover Agreement, required by the LARAP, for any assets not currently transferred to the community, could provide for the future transfer of operations to the RAVs if the local government and the communities determine that this is appropriate and permissible under local law.**

- BP should complete its commitment to vest title of all new homes in Tanah Merah and Saengga to the individual households. The land titling process should be completed before the beginning of operations.
- Although not required by the LARAP, an additional survey should be conducted two to three years after the start of operations to measure gains and ensure the sustainability of the programs the Project has put in place. This survey should be designed to capture villagers' views on the success or failure of Tangguh's programs.
- It is imperative that the Manggosa pathway required by the LARAP from Tanah Merah to the Bay be completed if the exclusion zone around the marine facilities is to be respected and enforced. If this action is not effective to dramatically reduce incidents of violation, BP must develop an alternative means of managing and/or enforcing the exclusion zone.
- Outboard motors should be provided to all households of Saengga with a boat. Any ambiguity of this obligation in the LARAP should be read to benefit the villagers. It is crucial that distribution take place before the end of Project construction as fishing will become the dominant source of income as workers are demobilized.
- The Panel emphasizes the importance of completing successful clean water programs for all DAVs before operations begin.
- The TCHU health care programs in the DAVs have been one of the most successful aspects of the ISP. The Panel supports the broadening of these programs within the DAVs and their expansion to the broader Bintuni region.
- The Panel urges BP to commit to continuing its support for local education into the operating phase in an effort to raise achievement levels to national standards.
- The adult literacy programs in the DAVs should continue for the duration of the ISP.
- Microenterprise and small business development programs to diversify the area's economy will take time. While refinements or changes may be in order, it is important that these programs continue as a priority for at least the duration of the ISP.
- The vocational training center at Aranday is a positive development, particularly for the villagers on the north shore. It must be sustained by maintaining its physical plant and equipment and with qualified instructors. BP must work with the *Bupati* to ensure its long term viability.

- A third survey of fish stocks in Bintuni Bay should be conducted after the commencement of operations, possibly in 2010, to assess the effect, if any, that Tangguh operations are having on fish stocks or fishing activities.
- BP should continue to work with local and GOI officials to limit outside trawling activity in Bintuni Bay, both to preserve the livelihoods of the villagers and to thwart possible inaccurate charges in the future that Tangguh operations have depleted fish stocks in the Bay.
- The Bintuni Bay Development Foundation, designed to support north shore infrastructure, should be established promptly and BP should provide the support needed in order for the Foundation's activities to produce initial tangible results by the time operations begin.
- The Panel has been supportive of the CAPs for the DAVs. However, at this time, BP should reevaluate their structure and review their results to make sure that the village planning process is working effectively to produce improvements that benefit the community's interests and that can be sustained by the community over the long term.
- Development of local governmental capacity, both in individuals and institutions, must remain a priority well into operations. BP should review each of its capacity development programs – including those at the regional and provincial levels – to determine which programs are delivering useful benefits and which need to be modified. Any changes in local capacity building programs should be made in consultation with the *Bupati*.
- The community grievance process is functioning well and should be continued throughout the life of the Project. BP should review, compile, assess and publish the results annually to help determine whether any program changes are appropriate.

VIII. Wider Benefits to Papuans

The Project provides general benefits to the Papuan economy in the form of economic development and increased revenues. More specific opportunities arise in the areas of higher education, skilled jobs and procurement. Each of these areas will expand Papuans' opportunities to participate at the highest levels not only at Tangguh, but also elsewhere in Indonesia and throughout the world.

Higher education, in particular, is a priority of many Papuan leaders, including the Governors and the *Bupati*. As part of the ISP, BP has contributed to an important BPMigas scholarship program that in 2007 sent 175 Papuans to colleges and universities in Papua. BP also provided support for the libraries of UNCEN and UNIPA. BP has not, however, yet taken steps to implement a previous recommendation of the Panel related to “Tangguh” college scholarships and/or “Tangguh” chairs or professorships. Given the Papuan leaders’ emphasis on higher education opportunities as a way for BP to “give back” to Papua, the Panel again urges BP to commence a “Tangguh” scholarship program for promising young Papuan students. The program could provide assistance at universities in Papua, elsewhere in Indonesia or abroad. It should target students studying practical disciplines such as energy, mining, agriculture, fisheries and technology. Further, if endowing professorships at Papuan universities is not viable, BP should provide other training and support for these two centers of learning. These programs will help to leave a lasting legacy of Tangguh in Papua.

BP’s LNG technical training program at Bontang also increases opportunities for young Papuans. The program includes 48 Papuan trainees with technical degrees, many from the Bird’s Head region. Graduates of the program will be assigned skilled jobs in the Tangguh operating phase. The first class of 24 graduates is already working at Tangguh. Once operations begin, training of additional Papuans can take place at Tangguh. The Panel met with a group of these graduates, who were impressive, talented and eager to rise to supervisory positions.

This is a successful program, thus far. But these young Papuans are concerned about their future prospects. Much has already been invested in them. The AMDAL requires that Papuans fill a percentage of the skilled positions during operations (increasing to 100% over 20 years). It also requires that Papuans ultimately become supervisors and take other management

roles in the Project. BP should look to these and future trained Papuans to fill these roles by helping them succeed within the company. If further non-technical training or language skills are needed, BP should provide such assistance to those who have demonstrated the capacity to rise to higher levels of responsibility.

Finally, training to improve the ability of Papuan businesses to compete for procurement opportunities created by Tangguh and other projects in the region continues. The Bird's Head Business Empowerment Program ("BHBEP"), being conducted in partnership with the IFC, has conducted training and/or mentoring for 213 businesses throughout the region. This program, too, has challenges and will take time, but it needs to be maintained. Procurement from local business has increased only modestly and remains inadequate.³³ During the operating phase, BP contractors will be mandated to give special procurement opportunities to local companies. These obligations should be monitored and enforced by BP. However, because the local suppliers must be qualified, training of these businesses in the region so that they can compete effectively is the best hope for real increases in Papuan procurement.

Recommendations

- **The Panel again recommends that BP commence a higher education scholarship program for promising young Papuan students. The program could provide assistance at universities in Papua, elsewhere in Indonesia or abroad. It should target students studying practical disciplines such as energy, mining, agriculture, fisheries and technology. BP should also provide training and support for UNIPA and UNCEN, the two major centers of learning in the region. These programs will help to leave a lasting legacy of Tangguh in Papua.**
- **BP should look to Papuans who have completed technical training to fill management and supervisory roles in the Project. If further non-technical training or language skills are needed, BP should provide such assistance to those Papuans who have demonstrated the capacity to rise to higher levels of authority.**

³³ Total Papuan procurement of materials and services, excluding salaries paid to Papuan workers, through August 2007 for construction related activities totaled approximately \$35 million.

- **Papuan procurement obligations of contractors in the operating phase should be monitored and enforced. The Business Empowerment Initiative, designed to train and mentor local businesses so that they can compete for opportunities in Tangguh and other projects, should continue. This program has challenges and will take time, but it must be maintained if local businesses are to have any significant opportunities for procurement.**

IX. Revenue Flow to the Region and Transparency

During the past several years, the revenue being transferred from the GOI to provincial and local governments in Papua has increased dramatically. This increase has been ongoing since 2001, the first year reviewed by the Panel, and will continue into 2008. In 2001, the entire budget of Papua and its *kabupatens* and *kotas* was Rp. 3.85 trillion (about \$400 million). By 2004, the total transfers to both provinces had increased to Rp. 6.737 trillion (about \$720 million). In 2008, the total will rise to more than Rp. 22 trillion (approximately \$2.3 billion), an increase of 17% from 2007 and more than triple the 2004 levels.

Only a portion of these fiscal transfers relates to the Special Autonomy fund, which accounted for approximately 20% of the total in 2007. The bulk of the transfers implement the general revenue sharing and infrastructure funds that go to all Indonesian provinces. However, because of Papua's and West Papua's low population and high needs, on a per capita basis the two provinces now receive transfers of funds well in excess of any of Indonesia's other 31 provinces. The World Bank calculates that these fiscal transfers in 2008 will amount to more than \$875 per capita.³⁴ If these funds reach their intended constituencies, this should over time go a long way to alleviating poverty and improving conditions in Papua, where the poverty rate of 38% in 2004 was more than double the national average.

The fiscal transfers are distributed to both the provincial governments and the *kabupaten* and *kota* governments. Without including funds from Special Autonomy, in 2007 the Papua

³⁴ The average fiscal transfers for all other provinces are about \$186 per capita.

provincial government received Rp. 876 billion (\$95 million) and the West Papua provincial government received Rp. 465 billion (almost \$50 million). In addition, each regency received substantial funds. Bintuni *kabupaten*, for example, received Rp. 325 billion (about \$35 million) and Manokwari *kabupaten* received Rp. 476 billion (about \$50 million).³⁵

In addition, the Special Autonomy fund in 2007 amounted to more than Rp. 4 trillion (almost \$430 million), 3.3 trillion of which is dedicated to education and health and 750 million for infrastructure. These funds, as noted, were distributed to the Papua provincial government and all *kabupatens* and *kotas*, but not to the West Papua provincial government, which is not yet included in the Special Autonomy legislation. In 2008, the Special Autonomy fund for education and health will increase to Rp. 3.59 trillion (\$385 million). This will be divided by formula, with 60% of the Special Autonomy funds divided equally among each of the 29 *kabupatens* and *kotas*, with each receiving approximately Rp. 75 billion each (about \$8 million). The remaining 40% of the Special Autonomy funds will be allocated to the province of Papua.³⁶

In recognition of the anomaly in the Special Autonomy law, the GOI allocated an additional Rp. 670 billion (\$72 million) in infrastructure funding for West Papua for 2008 and Rp. 330 billion (\$35 million) for Papua. Particularly relevant to Tangguh, the total revenues received by Bintuni *kabupaten* in 2008 will be approximately Rp. 400 billion (more than \$40 million) and this total is likely to continue to increase in the future.³⁷

Significantly, because of the current interpretation of the Special Autonomy law, none of the natural resource shared revenues from projects in West Papua are being shared with the province at the increased levels set by Special Autonomy. Thus, revenues from current oil

³⁵ Manokwari receives these funds not as the provincial capital, but because it is also a regency.

³⁶ It is from these funds that Governor Suebu is distributing Rp. 10 million to each of the approximately 3,800 villages in both provinces.

³⁷ It is to be noted that under current law, the Special Autonomy funds would terminate in 2021.

projects in Sorong (in West Papua) are now being split 55% to the province, rather than the 70% mandated by Special Autonomy. Until the law is amended to include West Papua, gas revenues from Tangguh, when revenues begin to be shared following cost recovery, will be split with only 30% (the level that applies to other provinces for gas) going to the province and its *kabupatens*, rather than the 70% that would apply under Special Autonomy. For this and other reasons, it is difficult to estimate the revenues that will begin to flow to the province and the *kabupaten* from Tangguh after cost recovery, in approximately 2017. However, under almost any scenario, these revenues will result in a very substantial increase in revenues available to Bintuni.

Although Indonesia has not yet endorsed the Extractive Industry Transparency Initiative (“EITI”), transparency and accountability have increased markedly since the Panel began its work. Information such as that highlighted above is now available to the public from the MOF, which created the Office of Fiscal Balance; it compiles and assesses all transfers, and publishes the allocations from each source of government funding. While not simple to understand, these data are available to the World Bank and other institutions that can monitor and analyze the results each year. As the Panel previously recommended, BP should support the World Bank in its efforts to collect, assess and publicize these data, which the World Bank last compiled in 2005, before this level of detail was available.

Further, much of the funding that is not related to Special Autonomy is not in the form of formula block grants. It is based on detailed budget requests and project specific applications. MOF participates, with the Ministry of Home Affairs, in helping to manage these funds effectively. The MOF must approve specific requests for government administration budgets and for project funding received from the two provinces and each of the *kabupatens* and *kotas* in

Papua and West Papua. Beginning this year, such approvals follow the guiding principles of InPres 2007-5. This oversight adds at least one check on wasteful or inappropriate spending.

The Panel found that there is less transparency with regard to specific oil and gas/mining revenues. However, the Minister of Energy has met with officials of the EITI and stated to the Panel his support of EITI. BP has made clear to the Minister its support for EITI and the benefits that Indonesia will derive. If Indonesia is to adopt EITI, it is essential that the Minister of Finance endorse this course. Therefore, BP should continue to inform MOF of the benefits of EITI to the oil and gas industry and to development in Indonesia. In addition, in advance of Indonesia adopting EITI, BP should work with the Minister of Energy to authorize publication of all non-proprietary aspects of the revenue streams flowing from Tangguh.

Recommendation

- **BP should communicate to the MOF its strong support for EITI, and inform the MOF of the benefits of EITI to the oil and gas industry and to energy development in Indonesia. In addition, BP should work with the Minister of Energy to authorize publication of all non-proprietary aspects of the revenue streams flowing from Tangguh.**

X. Environment

The Panel once again points out the importance of environmental issues as Project operations near. It has been noted previously that there will be new contractors and new personnel who must be trained, and new procedures that must be developed to ensure compliance with all environmental requirements relating to operations.

Thus far, BP and its contractors have given high priority to the environment during construction and have a skilled compliance team. Systems include day-to-day assurance of AMDAL and regulatory compliance with weekly compliance tracking reports. The Ministry of Environment's audit has identified only a few items that must be corrected. There are no serious

concerns with performance to date expressed by environmental NGOs. And, more broadly, BP has contributed significantly to several projects that record the biodiversity of the region and will enhance environmental management in Papua.

The Panel believes the most important environmental issues at this juncture relate to the development of procedures and safeguards to ensure compliance by BP and its contractors during operations. BP is developing a series of environmental standard operating procedures as part of the Environmental Management System (“EMS”) for Tangguh operations. Its target is to secure ISO 14001 certification of the EMS by the end of the first year of operations. The Panel endorses this goal.

ISO 14001 is an EMS voluntary standard that requires an organization to put in place and implement a system to monitor and continually improve environmental performance. Compliance with this standard requires that an organization translate general commitments into specific objectives. The major requirements include: a policy statement demonstrating top management’s commitment to compliance; identification of significant environmental issues; setting performance objectives and targets, and programs to achieve them; measuring, monitoring and auditing environmental performance; and taking necessary preventive and corrective actions.

ISO 14001 is a valuable tool which will help BP maintain its focus on environmental management as the Project transitions from construction to operations. However, it is important to recognize that ISO 14001 is a procedural standard that does not prescribe any specific requirements. Specific substantive requirements are prescribed by law or self-imposed. Therefore, the Panel urges BP to include, as part of the ISO 14001 process, specific, substantive requirements that ensure that all national requirements are met and, where possible, international

standards are achieved or exceeded. As a mechanism to better ensure early detection of any potential compliance issues, it should also provide for a process by which environmental tracking reports are regularly reviewed by senior Project management. Finally, to establish credibility and inspire greater confidence among stakeholders, BP should seek third-party certification of compliance with ISO 14001.

With regard to the construction phase, the most significant issue relates to solid waste disposal compliance. Primarily because of the larger workforce than anticipated, solid waste disposal and sewage treatment systems were inadequate. The Lenders Panel found that the organic waste pit at the site is substandard, requiring “urgent attention.” This constitutes a Level 1 breach of the ADB lending agreement and a compliance violation under the AMDAL. The Lenders Panel also raised concerns about the apparent absence of a sanitary landfill site and the operation of the sewage treatment plant. BP has instituted corrective actions to address each of these concerns. Together with KJP, it has purchased a large new composter which it believes will achieve solid waste compliance. The success of these actions will be reviewed by the next AMDAL biannual compliance report and the MOE audit. The Panel also will evaluate the result during its final visit this year. At this point, the Panel believes BP has acted quickly and forcefully to address this non-compliance and should institute further controls if the corrective action plan does not accomplish its goals.

BP has conducted baseline studies to facilitate monitoring of the effects of operations and provide analytical support for any needed mitigation strategies. Studies include a fisheries health assessment³⁸, a flora and fauna biodiversity survey, marine baseline monitoring (seawater and sediment sampling) and a marine mammals and reptiles survey. In response to the Panel’s recommendation in last year’s report, BP has published a guide for reducing impacts to marine

³⁸ See Section VII above.

mammals (primarily Sousa dolphins) and marine reptiles (turtles), which includes a boat free “dolphin habitat zone” in shallow waters and procedures for minimizing disturbances. These procedures also have the beneficial effect of reducing wake impacts on mangrove habitats. The Panel commends BP for this action but emphasizes that these procedures must be continually socialized and enforced to be effective.

One of the greatest potential threats to the area’s environment relates to the extensive ship traffic that will be docking at the LNG site. The Panel previously recommended that BP enforce strict standards – including all international treaty standards – on all vessels docking at the site, and that it develop and implement a strict spill prevention and control policy. BP has done both. It will apply all International Maritime Organization standards, including those for the discharge of solids, liquids and sewage, from all vessels docking at the site. In addition, all ships transporting cargo will be required to exchange their ballast at least 50 nmi from Bintuni Bay. Importantly, BP has also determined that it will route all LNG tankers around the Raja Ampat Marine Preserve in northwestern Papua, an area with a sensitive ecosystem that is also a crucial route for whale migration. The modified route will add about 550 km for each tanker.

BP has also developed a comprehensive Oil Spill Contingency Plan, has purchased equipment for spill control, and has conducted regular training in spill management and drill simulations. These procedures must be a priority for all new personnel and contractors and continue to be so throughout the entire period of operations.

The Panel has consistently supported BP’s efforts to convince the GOI to develop CO₂ re-injection as a long term strategy for disposing of CO₂, rather than venting into the atmosphere. CO₂ is approximately 12.5% of the reservoirs’ gas stream. BP and the Panel have urged the GOI to consider this option, although it is not required by the AMDAL and Indonesia is not obliged

under the Kyoto Protocol to reduce its emissions. Until now, the GOI has not agreed to a CO₂ re-injection technical appraisal. However, Indonesia has demonstrated considerable leadership in the field of climate change policy, most notably by hosting the recent U.N. Climate Change Conference in Bali. The Panel believes BP should continue to press the GOI for a technical feasibility study of CO₂ re-injection.

A better result was obtained regarding the use of drill cutting re-injection technology (“DCRI”) for mud and cuttings management, which was approved by BPMigas and implemented. This is the first use of DCRI in Indonesia, and should eliminate much of the risk from drilling to fishing and sensitive mangrove areas. The standard includes a generally applicable exception for “top hole discharge” for the first well drilled from each platform. The top hole has already been drilled and discharged from each of the two platforms. BP should periodically monitor the areas around the platforms to be certain there are no significant adverse marine effects.

The Panel has previously commended BP for its support of important projects in Papua relating to biodiversity protection and capacity building in environmental management. NGOs in Indonesia are grateful for this support. The Tangguh Biodiversity Action Plan supports the Bintuni Bay Nature Reserve Management Plan, the fisheries health assessment, flora and fauna data collection, and the marine mammals and reptiles survey. During 2007, the flora and fauna survey was conducted of the 2,900 hectare LNG buffer zone to update baseline findings and provide recommendations for management of the many species present in the area. In addition, a significant book on Papua made possible by a BP grant was completed as part of the Ecology of Indonesia series. The Ecology of Papua, a two volume, almost 1,500 page comprehensive work

with contributions from 76 authors, is a major contribution to cataloguing and preserving the biological diversity of this unique ecosystem.

With the completion of these two projects, the Biodiversity Action Plan is scheduled to transition into a “bridging” program as Project resources focus on environmental assurance needs during transition. The Biodiversity Action Plan is scheduled to be reactivated after 2008. It is understandable that Project resources must focus on compliance. However, the Biodiversity Action Plan should be reactivated as quickly as possible after operations begin. BP’s support is vital to its many environmental partners, both public and private, whose capacity and resources remain limited. The important gains already achieved could be lost if a lengthy hiatus ensues.

Recommendations

- **To establish credibility and inspire greater confidence among stakeholders, BP should seek independent third-party certification of compliance with ISO 14001. In addition, BP should include, as part of the ISO 14001 process, specific, substantive requirements that ensure that all national requirements are met and, where possible, international standards are achieved or exceeded. It should also provide a process by which environmental tracking reports are regularly reviewed by senior project management, as a mechanism to better ensure early detection of any potential compliance issues.**
- **BP has published a guide for reducing impacts on marine mammals (primarily Sousa dolphins) and marine reptiles (turtles), which includes a boat free “dolphin habitat zone” in shallow waters and procedures for minimizing disturbances. The Panel commends BP for this action but emphasizes that these procedures must be continually socialized and enforced to be effective.**
- **BP has developed a comprehensive Oil Spill Contingency Plan and has begun regular training in spill management and drill simulations. These procedures must be a priority for all personnel and contractors and continue to be so throughout the entire period of operations.**
- **BP should continue to press the GOI for a technical feasibility study of CO₂ re-injection.**
- **Throughout operations, BP should periodically monitor the areas around the platforms to be certain there are no significant adverse marine effects.**

- **Activities related to the Biodiversity Action Plan should be reactivated as quickly as possible after operations begin. BP's support is vital to its many environmental partners, both public and private, whose capacity and resources remain limited. The important gains already achieved could be lost if a lengthy hiatus ensues.**

XI. Public Information

The Panel has previously recommended that BP upgrade its communications activities so that, by the time operations begin, the media in Jakarta, Papua and Bintuni Bay all have an understanding of Tangguh and its role in supporting development in the area. BP has made considerable progress in achieving this goal. As pointed out above, the beginning of operations provides an opportunity to publicize the benefits delivered as well as correct possible misconceptions about the Project.

Extensive ongoing communications are now functioning in the Bintuni Bay area. There are three community radio stations, forming a Papuan community radio network, used to broadcast information about the Project and help to socialize important developments, such as the exclusion zone, demobilization and the community grievance procedure. Ten thousand copies of the monthly tabloid “Kabar dari Teluk” are distributed throughout the Bird’s Head area. Comic booklet format publications are also used to supplement communication on important issues. One area where local communication can be improved is through better use of the public information boards in the DAVs. The Lenders Panel recommended improvements to local information dissemination, particularly through more thorough and up-to-date postings of opportunities and activities on these public notice boards. The Panel endorses this recommendation. In sum, although communications in the local area remain a challenge and could be improved, BP has made a strong start.

There has also been progress at the regional level. BP has upgraded its office in Manokwari, as recommended by the Panel, increasing its communications capacity with both government officials and the general public. During the past year, BP conducted a journalism training workshop for media in Papua and West Papua with a focus on skills needed for quality reporting and specific instruction on laws and issues relating to oil and gas projects. It also arranged a Papuan media visit to the LNG site, one of the DAVs and the Aranday vocational training center. The Panel believes these activities are valuable and should be updated and repeated periodically. In addition, Tangguh information boards have been set up in Fak-Fak, Sorong and Manokwari which post current information on the Project.

One message of particular importance that needs to be publicized and socialized more strongly throughout the Province is the timing of shared revenues that will flow to Papua and the Regencies. BP should communicate with media regularly on this point. The Panel believes that unless accurate information on this subject is socialized, misunderstandings regarding timing of revenues may lead to false charges that may be difficult to rebut.

On the national level, following TIAP's recommendation, BP has begun periodic meetings with editors of leading media and conducted two LNG site visits for reporters in July and October 2007. These activities help to achieve understanding of the Project and its social programs and thereby increase the accuracy of reporting about Tangguh. Despite these undertakings, there seems to be a reluctance on BP's part to engage actively with the national and international media. While a final site visit is scheduled for Summer 2008, no subsequent visits are planned. Internationally, the Panel is aware of two pieces on Tangguh, a video on BBC that was generally positive and accurate and an article in the Guardian, following a visit to Tangguh by Prince Andrew, that contained many inaccuracies. The Guardian article illustrates

the importance of BP communicating its accomplishment of developing Tangguh in a way that has improved the lives of those living nearby, benefited Papuans generally and contributed positively to the environment, without undue self-promotion. BP must continue to engage with the national and international media in order to diminish the chances of inaccurate or adverse reporting.

There is a need for a clear public information work plan, identifying each of the national, regional and local media that should be engaged. At the outset, this work plan should develop specific messages to convey at both first gas in 2008 and first LNG shipment from the facility in 2009. The Panel also believes BP should positively engage with media in Jakarta thereafter on a regular basis. We urge BP to use the events relating to first shipment of gas to communicate its messages widely and forcefully.

Recommendations

- **The journalism training workshop for media in Papua and West Papua and the Papuan media visit to the LNG site and the DAVs are extremely valuable and should be repeated periodically.**
- **BP should use the events relating to first shipment of gas to communicate its messages more forcefully. It should develop a specific public information work plan designed to engage with national, regional and local media regarding a campaign to convey information at first gas and first LNG shipment.**
- **Throughout the operating phase, BP should continue to engage positively with the media in Jakarta on a regular basis. In particular, accurate information on the subject of the timing of revenue flow and other complex issues must be socialized through regular public information. If this is not done, misunderstandings regarding such issues may lead to false charges that will be difficult to rebut.**

APPENDICES

APPENDIX 1

INDIVIDUALS AND ENTITIES CONSULTED

CONSULTATIONS IN 2007 LISTED IN BOLD

Government Officials: Indonesia

Boediono, Coordinating Minister for Economic Affairs

Dr. M. Lobo Balia, Environmental and Regional Affairs, Department of Energy and Mineral Resources

H.E. Soemadi Brotodiningrat, Indonesian Ambassador to the United States*¹

Edi Butar-Butar, Media Relations, Ministry of Defense

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

Tedjo Edmie, Director General of Defense Planning, Ministry of Defense

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

Djoko Harsono, Executive Advisor, BPMIGAS

Dodi Hidayat, Deputy of Operations, BPMIGAS

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

Kadjatmiko, Secretary, Directorate General of Fiscal Balance, Ministry of Finance

Manuel Kaisepo, Minister for Eastern Territories*

Ahmad Kamil, Deputy for Home Affairs, Coordinating Ministry for Political, Legal and Security Affairs

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

Bonnie Leonard, Ministry of Defense

Nabiel Makarim, Environment Minister*

Andi Mallarangeng, Spokesperson to President Yudhoyono

Mardiasmo, Director General of Fiscal Balance, Ministry of Finance

Albert Matondang, Deputy for Foreign Policy Affairs, Coordinating Ministry for Political, Legal and Security Affairs

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

Lt. Gen. Agustadi Sasongko, Secretary to the Coordinating Minister, Coordinating Ministry for Political, Legal and Security Affairs

¹ * indicates that the person no longer holds the listed position

Maj. Gen. Romulo Simbolon, Deputy for Defense, Coordinating Ministry for Political, Legal and Security Affairs

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

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

Mardiasmo, Directorate General of Fiscal Balance, Ministry of Finance

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*

Dadi Susanto, Director General for Defense Strategy, Ministry of Defense

Budi Susilo, Director General for Defense Potential, Ministry of Defense

Dr. I Made Suwandi, Home Affairs*

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

Alex Bambang Triatmojo, Deputy for Communications and Information, Coordinating Ministry for Political, Legal and Security Affairs

Budi Utomo, Deputy for National Security, Coordinating Ministry for Political, Legal and Security Affairs

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

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 West Papua

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

Ibrahim Kaatjong, Vice Governor of West Papua

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

Matthew Cenzer, Second Secretary, U.S. Embassy in Jakarta

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

Nadine Farouq, U.S. Agency for International Development ("USAID")

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

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

Richard Hough, Director of Programming, USAID

H.E. Cameron Hume, U.S. Ambassador to Indonesia

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

Walter North, Mission Director, USAID Indonesia

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 Uyebara, 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

Graduates of BP's LNG technical training program at Bontang: AB Korano Mirino, Eko Muhammad Taher Bauw, Evert, Haris Rumbaku, Jonadap Dominggus Stepanus Sapari, Soleman Saflafo, Steffi Edithya Florence Awom

Neles Tebay, Catholic Priest of the Diocese of Jayapura

Village leaders of Babo

Village leaders of Tanah Merah

Village leaders of Tomu/Ekam

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

Bogor Institute of Agriculture (Syaiful Anwar, Secretary to Program Study, Department of Agriculture)

BPR Pt. Phidectama Jayapura (Bram Fonata, Director)

British Council (Wendy Lee, Social Development Advisor, **Toto Purwanto, Program Manager, Education Management & Governance**)

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)

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)

LP3BH – Lembaga Penelitian, Pengkajian dan Pengembangan Bantuan Hukum (The Institute for Research Investigation and Development of Legal Aid) (Christian Warinusi, Director)

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, **Arwandrija Rukma, Operations Director**)

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)

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

SKP Sekretariat untuk Keadilan dan Perdamaian (Secretariat for Justice Peace) (Budi Hermawan, Coordinator) (Budi Hermawan, Coordinator)

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. Brickle, Program Manager)
World Wildlife Fund (Heike Mainhardt; Benja Victor Mambai; Clive Wicks)
YPMD Yayasan Pengembangan Masyarakat (Decky Rumaropen, Director)
Yayasan Satu Nama (Sigit Wahyudi, Field Coordinator)

Private Sector

AGI Security & Business Intelligence (Don Greenlees, Director, Research and Analysis)
Asian Development Bank (Edgar Cua, Country Director, Indonesia Resident Mission,
Adiwarman Idris, Jean-marie Lacombe, Ayun Sundari)
Chemonics (Jonathan Simon, Senior Manager)
Citigroup International (Michael Zink, Citigroup Country Officer, Indonesia)
Halliburton KBR (John G. Baguley, Project Manager)
Indochina Capital (Rick Mayo-Smith, Founding Partner)
International Finance Corporation (Juanita Darmono, Program Manager, Oil/Gas/Mining
Linkages*, **Carl Dagenhart, Program Manager, Hendro Hadianono, Business
Development Officer***)
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, Endi Rukmo**)

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 Cenderawasih (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

Gerry Owens, External Lenders Panel

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

Arintoko Utomo, External Lenders Panel

Reverend Socrates Yoman, President of the Fellowship of Baptist Churches

APPENDIX 2

PHOTOGRAPHS OF LNG SITE



Tangguh LNG Facility Overview



LNG Storage



Ensco – 108, drilling operations



APPENDIX 3

PRESIDENTIAL INSTRUCTION (“INPRES”) 2007 – 5¹

“THE NEW DEAL FOR PAPUA”

Instruction of the President of the Republic of Indonesia
Number 5 Year 2007

Accelerating the Development of the Provinces of Papua and West Papua

The President of the Republic of Indonesia, in order to accelerate development of the provinces of Papua and West Papua and as an implementation of Law No. 21 Year 2001 with regard to Special Autonomy for the Province of Papua, instructs the following:

- To the:
1. Coordinating Minister of Economic Affairs
 2. Minister of Public Works
 3. Minister of Transportation
 4. Minister of Home Affairs
 5. Minister of Agriculture
 6. Minister of Maritime and Fisheries
 7. Minister of Forestry
 8. Minister of National Education
 9. Minister of Health
 10. Minister of Finance
 11. State Minister of National Development Planning/Chairman of Bappenas
 12. Governor of the Province of Papua
 13. Governor of the Province of West Papua
 14. All Regents/Mayors in the Provinces of Papua and West Papua

FIRST: Take the necessary steps according to each person's responsibilities, functions and authority in order to accelerate the development of the Provinces of Papua and West Papua.

SECOND: In carrying out the steps mentioned in the FIRST dictum, in observance of the new deal policies for the Provinces of Papua and West Papua, priorities shall be:

- a. Foodstuffs sustainability and poverty reduction;
- b. Improvement of the quality of education;
- c. Improvement of the quality of health services;
- d. Improvement of basic infrastructure in order to increase accessibility in isolated regions, interior regions and national borders; and
- e. Affirmative action for improving human resources quality of the native sons and daughters of Papua.

¹ This is an unofficial translation of InPres 2007 – 5.

THIRD: 1. The Governor of Papua and Governor of West Papua are responsible for implementing the acceleration of development in their respective areas and for implementing the new deal policies as mentioned in the SECOND dictum, by taking the following steps:

- a. Establishing a Master Plan for the Acceleration of the Development of the Province of Papua and the Province of West Papua by addressing five priority problems and accelerating development as mentioned in the SECOND dictum according to the issues and characteristics of each respective region, by giving priority to improvements in transportation infrastructure;
- b. Establishing an Action Plan for the Acceleration of the Development for each respective region by cooperating with each related ministry/institution, based on the Master Plan as mentioned in letter a;
- c. Implementing and controlling the implementation of the Master Plan and the Action Plan for the Acceleration of the Development as mentioned in letter a and letter b;
- d. Coordinating and synchronizing the planning and implementation of regional development in order to support concrete and comprehensive steps to solve problems and accelerate development in each region, based on each individual region's document of Mid-Term Plan for Regional Development (RPJMD) and Regional Government Work Plan;
- e. Improving capacity of institutions and local government apparatus in order to realize a clean, good, and accountable local government;
- f. Synergizing the use of the Regional Budget (APBD) with the National Budget (APBN) that is allocated through ministry/institution for the development of Provinces of Papua and West Papua; and
- g. Overseeing the implementation of this Presidential Instruction.

2. District heads and Mayors in the Province of Papua and Province of West Papua under the coordination of each respective Governor are to implement the following steps:

- a. Coordinating and synchronizing the planning, implementation and controlling regional development in order to solve issues and accelerate development in each respective region;
- b. Carrying out the Master Plan and Action Plan of Acceleration of Development in each respective region; and
- c. Monitoring and evaluating the implementation of this Presidential Instruction, with regular reports to the Governor.

FOURTH: In order to assist the implementation of the program of the Master Plan for Accelerating the Development of the Province of Papua and Province of West Papua efficiently and effectively:

1. Coordinating Minister of Economic Affairs shall oversee the policy of accelerating economic development, specifically in the development of transportation infrastructure and other productive sectors;
2. Minister of Public Works:

- a. Provide technical assistance to the Provincial Governments of Papua and West Papua in order to establish a Building Plan for the Provinces of Papua and West Papua; and
 - b. Support the Provincial Governments of Papua and West Papua in order to build basic regional infrastructure to cover roads and bridges to develop centers of industry and food production, and residential centers; open isolated regions; and build irrigation systems to support food sustainability and to provide facilities for drinking water, sanitation, drainage and waste water according to the Master Plan;
- 3. Minister of Transportation:
 - a. Support the Provincial Governments of Papua and West Papua in building a network system and provision of transportation (land, sea, and air) by optimizing the potential and the involvement of the community and private sector to open regional isolation, develop centers of industry and food production and centers of residences, to ease distribution of goods and human mobility, and to support food sustainability according to the Plan for Regional Transportation (Tatrawil) and Master Plan; and
 - a. Assist the Provincial Governments of Papua and West Papua to provide transportation services and subsidies in order to open isolation and support the acceleration of development in isolated regions, and national borders.
- 4. Minister of Home Affairs:
 - a. Support the Provincial Governments of Papua and West Papua in order to guide and to improve resources of the apparatus of the regional government according to the Master Plan; and
 - b. Support the Provincial Governments of Papua and West Papua in increasing provincial and local institutional capacities and harmonizing the coordination between regional governments and the public.
- 5. Minister of Agriculture:
 - a. Provide support to the Provincial Governments of Papua and West Papua in order to build production centers to realize food sustainability and other major regions according to the Master Plan; and
 - b. Assist the Provincial Governments of Papua and West Papua in their efforts to develop farming infrastructure, the diversification of local foodstuffs, food independent villages, farming products as environmental-friendly bio energy source, agricultural institutions and resources; and to increase private investment, agro-industry and the marketing of agriculture products.
- 6. Minister of Maritime and Fisheries:
 - a. Support the Provincial Governments of Papua and West Papua in their efforts to increase community fishing through the development of fishing and maritime commodity regional centers;

- b. Attempt to increase the production of fishing and maritime products by building and supporting facilities, as well as fishing industries and fish farming; and
 - c. Support the Provincial Governments of Papua and West Papua in increasing the monitoring and oversight of ocean resources to deter environmental damage and illegal fishing.
- 7. Minister of Forestry:
 - a. Support the Provincial Governments of Papua and West Papua in implementing forestry policies to environmentally optimize forestry resources, increase and develop community economic resources through local community development in forestry, and develop an investment plan including the Government, the private sector and local communities;
 - b. Deter illegal logging and trading of timber; and
 - c. Support conflict resolution with other sectors;
- 8. Minister of National Education:
 - a. Support the Provincial Governments of Papua and West Papua in increasing access to education and competitiveness by providing education facilities, improving the quality and quantity of educators, and enhancing the quality of education through formal and non-formal measures in all levels of education;
 - b. Assist the Provincial Governments of Papua and West Papua in providing education, training and expertise needed for the development of science, technology, regional condition and social and culture, as well as future development challenges;
 - c. Assist the Provincial Governments of Papua and West Papua in pioneering top local schools;
 - d. Provide more opportunities to the native children of Papua to receive higher education in the best universities and colleges outside of the Provinces of Papua and West Papua, and provide grant support;
- 9. Minister of Health:
 - a. Provide support to the Provincial Governments of Papua and West Papua to increase access to, quality of, and resources for public health services for people in isolated regions, borders, and islands by increasing the services of the Local Community Health Centers (Puskesmas) and its branches, as well as by building and expanding general hospitals;
 - b. Assist the Provincial Governments of Papua and West Papua to increase the prevention of communicable diseases such as HIV/AIDS, tuberculosis, malaria, leprosy, Acute Respiratory System Infection, and other non-communicable diseases;
 - c. Assist the Provincial Governments of Papua and West Papua in improving maternal and children's health; and

- d. Provide support to the Provincial Governments of Papua and West Papua for improving nutrition and local health, especially in the isolated regions and the islands;
- 10. Minister of Finance:
 - a. Optimize the budget for development from the APBN and/or other non-binding financial resources to implement the Acceleration of the Development of the Provinces of Papua and West Papua; and
 - b. Encourage private investment according to laws and regulations;
- 11. State Minister of National Development Planning/Head of Bappenas:
 - a. Provide support to the Provincial Governments of Papua and West Papua for establishing the Master Plan for Acceleration of Development for the Provinces of Papua and West Papua in accordance with the New Deal policy for Papua; and
 - b. Synchronize and coordinate development planning with the Provincial and local Governments, especially for establishing and implementing RPJMD and RKPD in individual areas.

FIFTH: 1. In order to accelerate the development of the Provinces of Papua and West Papua, special efforts are needed in the development of transportation infrastructure, as provided in the attachment to this Presidential Instruction;

2. Action Plans for other sectors related to the New Deal policy for Papua will be independently formed based on the Master Plan of Acceleration of Development for Provinces of Papua and West Papua.

SIXTH: In order for the Governors to coordinate, synergize and harmonize sectoral programs and policies carried out by ministries in efforts to support implementation of the plan for the Acceleration of Development of Provinces of Papua and West Papua, an Assistance Team for the Acceleration of Development for Provinces of Papua and West Papua shall be formed, including:

- a. Chairman (and member): Coordinating Minister of Economic Affairs;
- b. Members:
 - 1. Minister of Public Works;
 - 2. Minister of Transportation;
 - 3. Minister of Home Affairs;
 - 4. Minister of Agriculture;
 - 5. Minister of Fisheries and Maritime Affairs;
 - 6. Minister of Forestry;
 - 7. Minister of National Education;
 - 8. Minister of Health;
 - 9. Minister of Finance;
 - 10. State Minister for National Development Planning/Chairman of Bappenas.

SEVENTH: In case of need, the Assistance Team for the Acceleration of Development of the Provinces of Papua and West Papua as mentioned in the SIXTH dictum can form a Secretariat to

assist with the implementation of its duties as appointed by the Chairman of the Assistance Team.

EIGHTH: In implementing this Presidential Instruction: The Governors will regularly report the achievements of the development acceleration efforts in their respective regions to the President, and will also notify the Chairman of the Assistance Team for the Acceleration of Development of the Provinces Papua and West Papua.

NINTH: Accelerating the development of the Province of Papua and West Papua shall be carried out using the budget from APBN, APBD and other uncommitted resources.

TENTH: This Presidential Instruction shall be implemented with the utmost responsibility.

This Presidential Instruction is valid on the date of issuance.

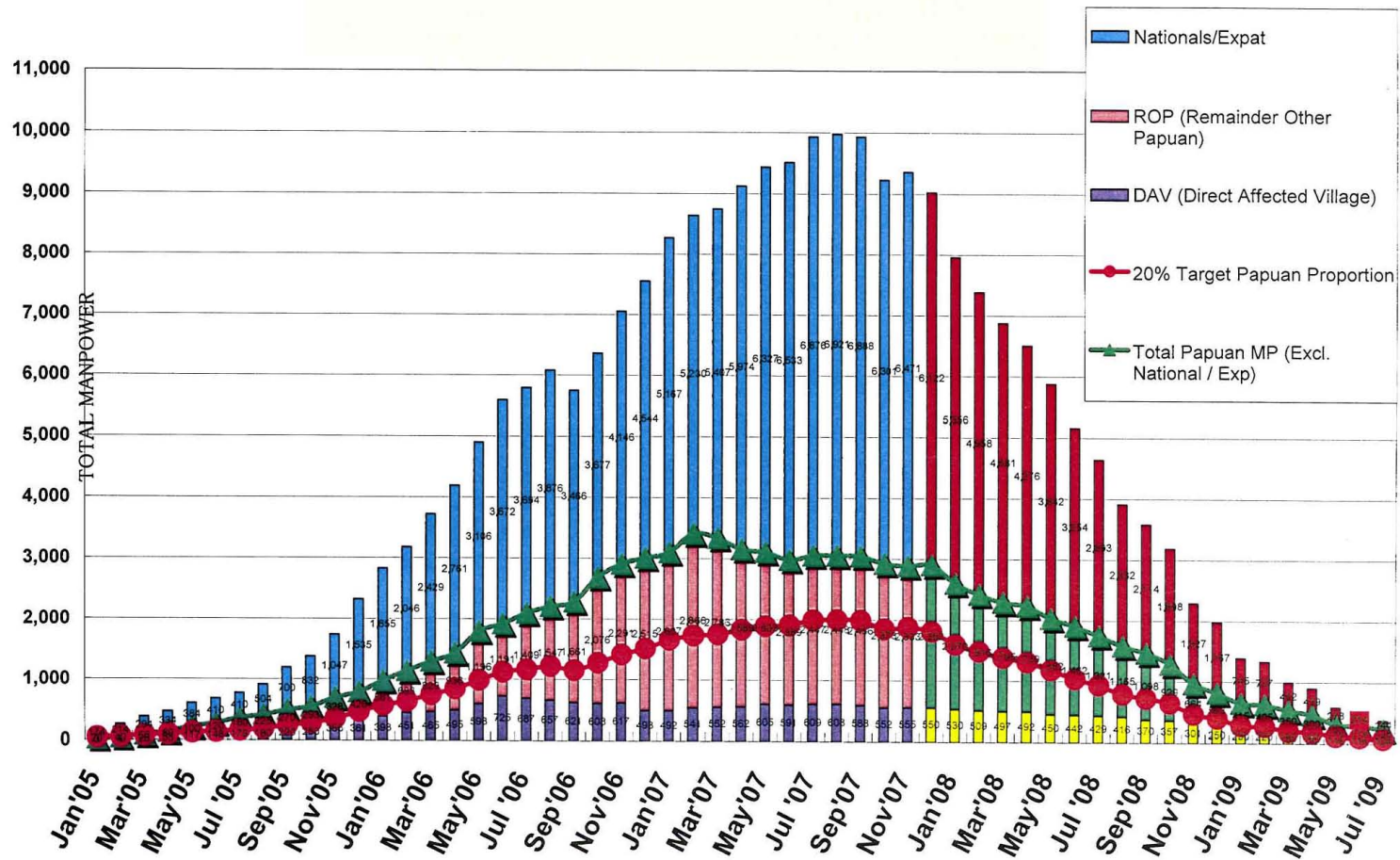
Issued in Jakarta
On 16th of May 2007

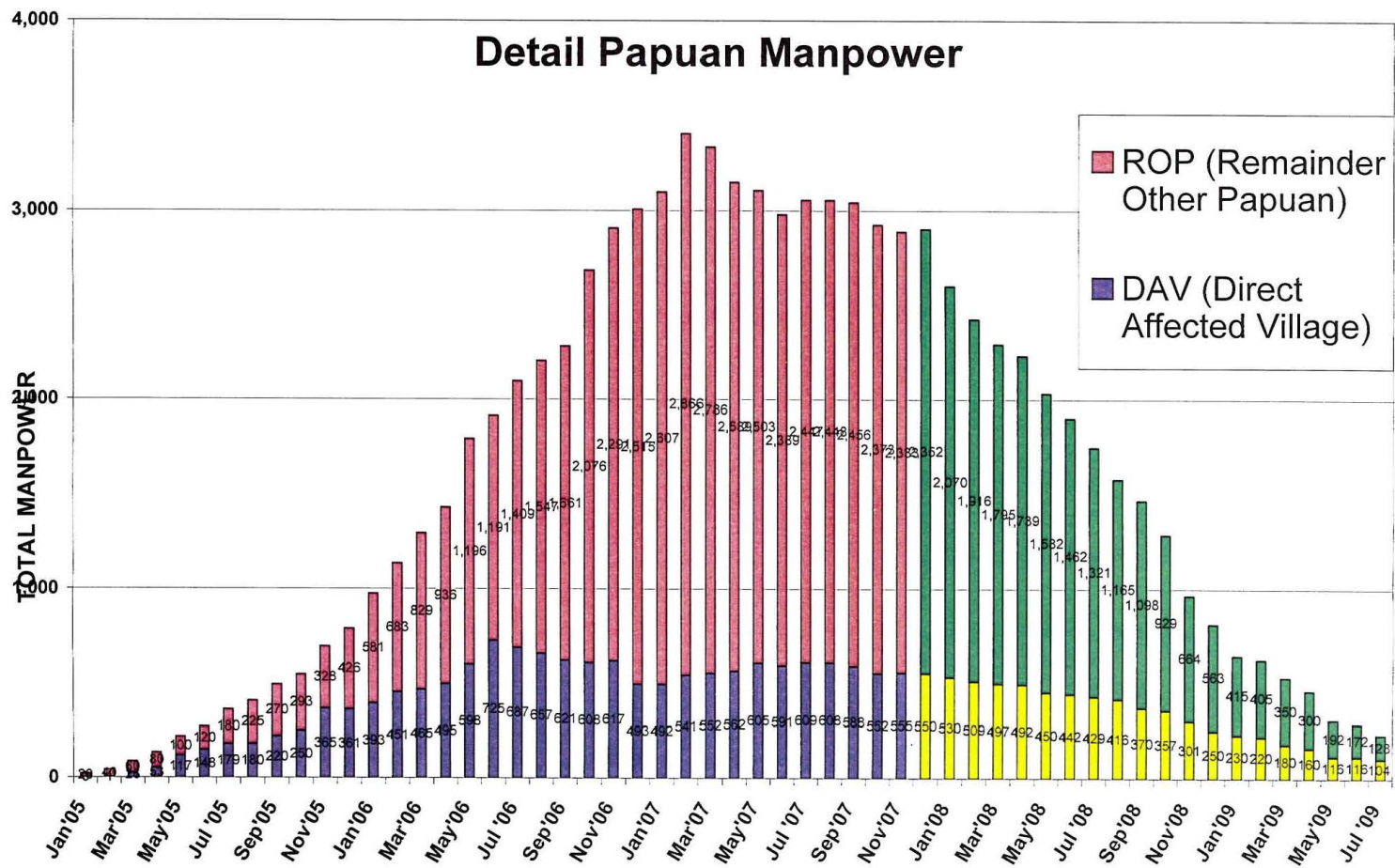
President of the Republic of Indonesia,

Signed
DR. H. SUSILO BAMBANG YUDHOYONO

APPENDIX 4

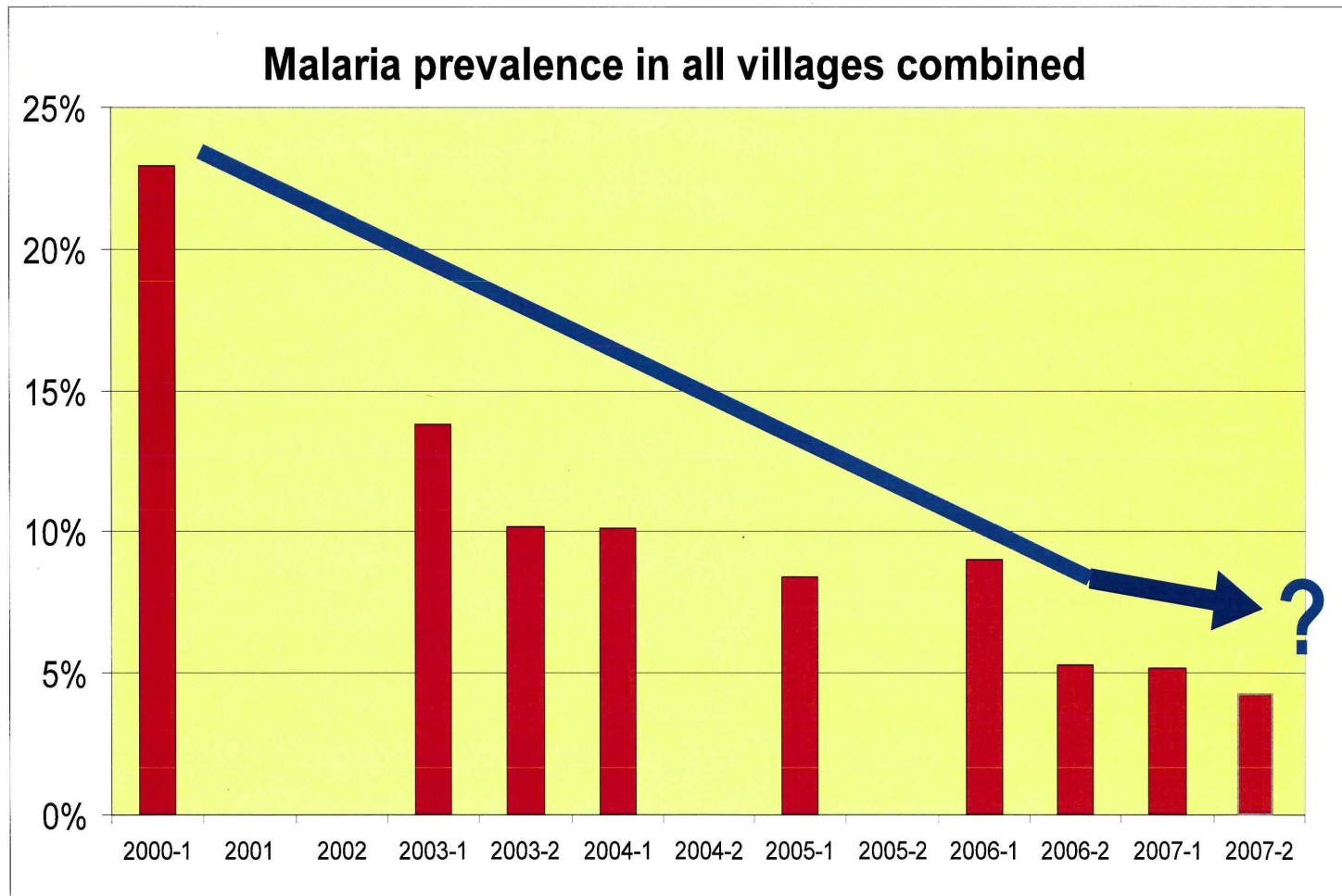
CONSTRUCTION MANPOWER AT LNG SITE HISTORY AND PROJECTION



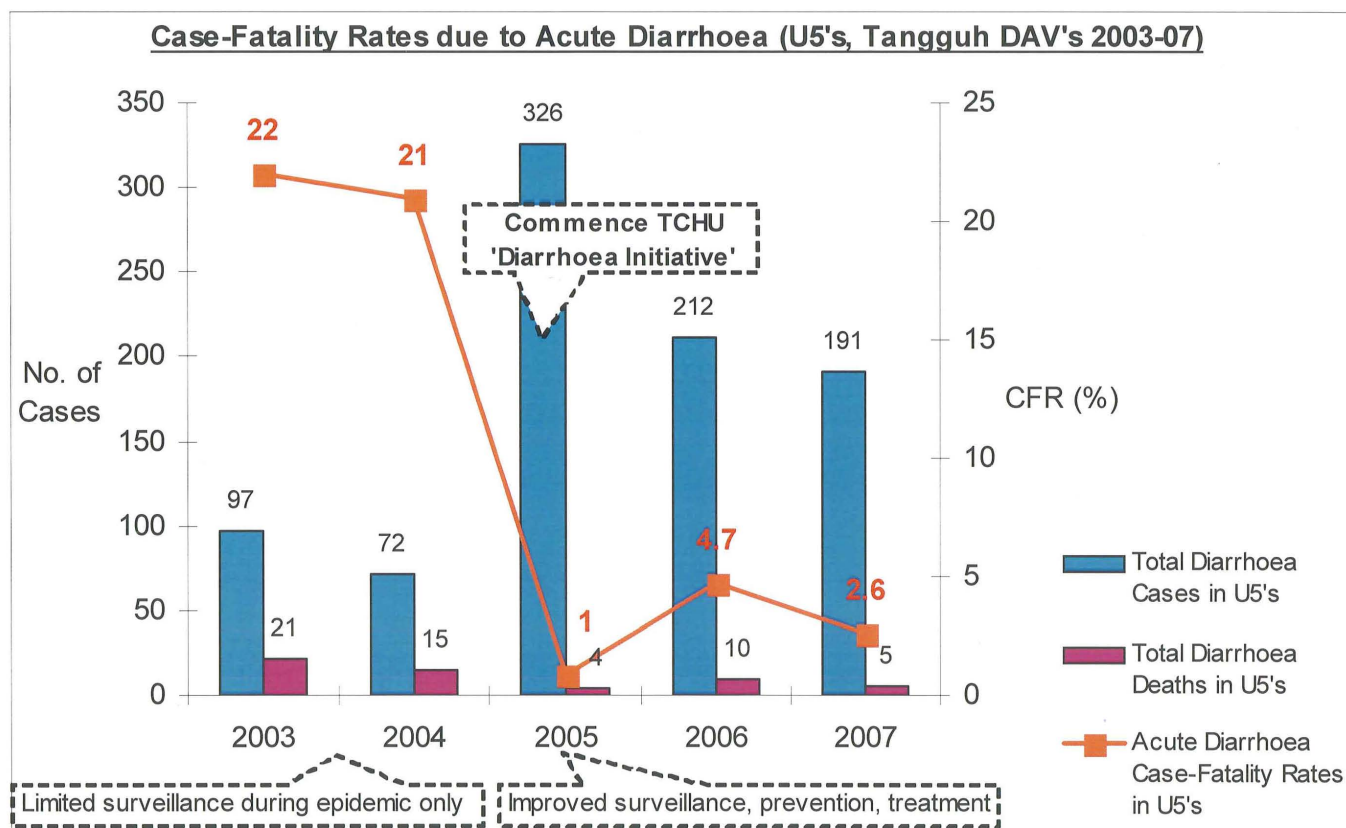


APPENDIX 5

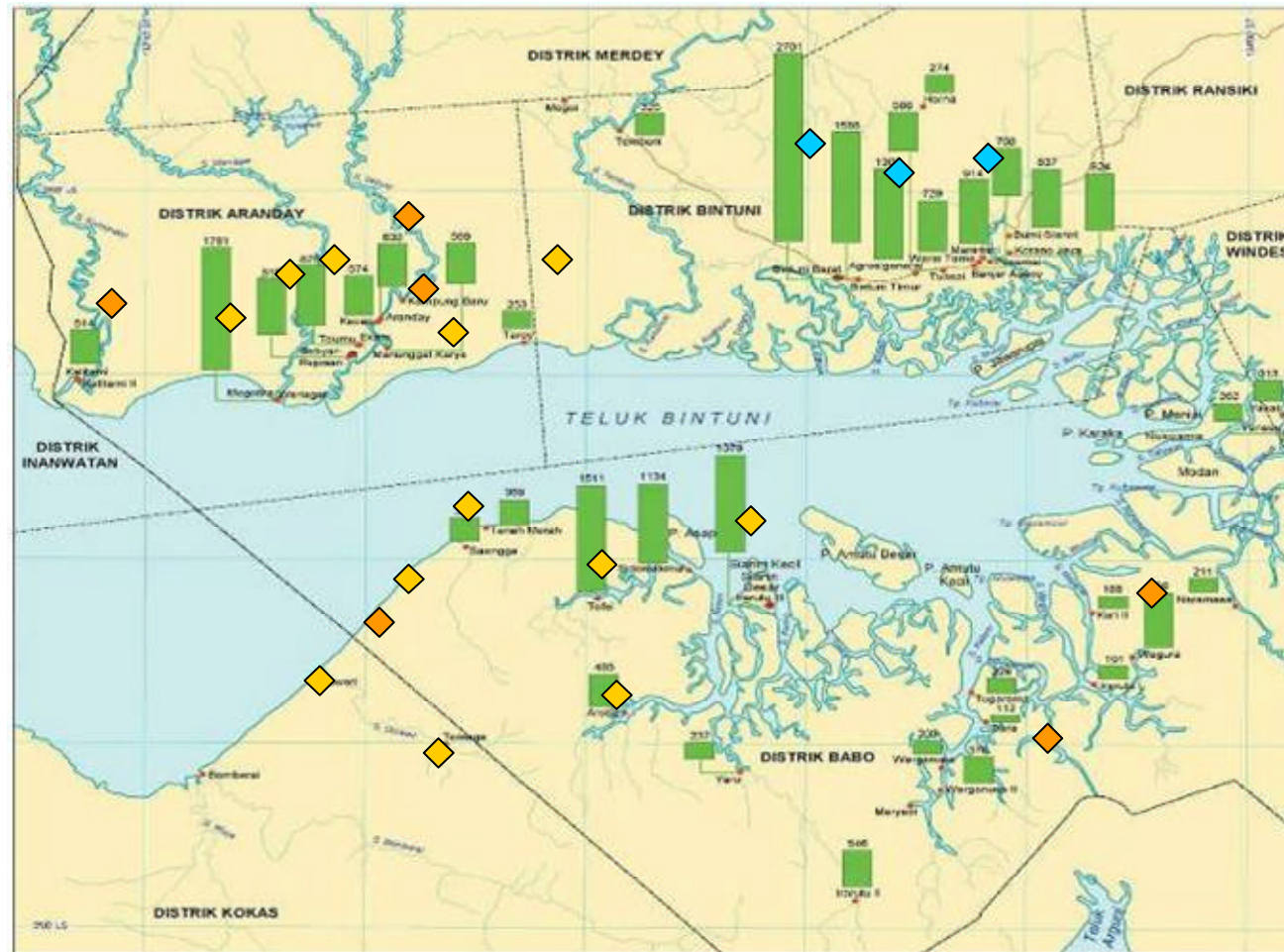
TCHU DAV HEALTH PROGRAM STATISTICS



Significant reduction in Under-5 deaths
due to acute diarrhoea in Tanguh District



STRATEGIC PLAN: HEALTH CARE COVERAGE IN BINTUNI BAY¹



- ◆ Current Program Coverage
- ◆ Planned coverage in 2009
- ◆ Planned coverage in 2008

¹ Bars with numbers indicate village population

STRATEGIC PLAN: HEALTH CARE COVERAGE IN WEST PAPUA



Strategic Plan: Coverage in Papua Barat

Regional Growth Centres

Directly Affected Villages:

- Fulfills ESIA requirements
- 'Models programs'

Indirectly-affected villages:

- Expansion of 'model programs'
- Collaboration and capacity building with regency health departments and NGO's
- Building partnerships

Provincial:

- HIV Program
- Potential for adaptation of 'model programs' in other regencies of IJB

