

**BP RESPONSE TO THE
SECOND TANGGUH INDEPENDENT ADVISORY PANEL**

**SECOND REPORT
ON
TANGGUH LNG**

OCTOBER 2012

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 Programme
BLKI	Vocational Training Facility
BPK	Indonesian Supreme Auditor office
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	Village originally identified as directly affected by the Tangguh Project
DPRD	Regional People’s Representative Office
DPR-PB	Regional People’s Representative Office of Papua Barat
EITI	Extractive Industry Transparency Initiatives
GOI	Government of Indonesia
ICBS	Integrated Community Based Security Program
ISP	Integrated Social Program – an implementation unit within the Tangguh Project and the social-economic development programs being managed by the unit.
JUKLAP/PAMBERS	Field Guidelines for Joint Security
<i>Kabupaten</i>	District or Regency
KADIN	Indonesian Chamber of Commerce
KAPOLDA	Papua Chief of Police
KODIM	Indonesian District Military Command
Kostrad	Indonesian Army Strategic Reserve Command
<i>kota</i>	City
KPK	Corruption Eradication Commission
LSHAM	Papuan Human Rights NGO
LP3BH	Law and Human Rights Advocacy NGO

LNG	Liquefied Natural Gas
Mmscfd	Million Metric Standard Cubic Feet per Day
MCB	Main Control Building
MCC	<i>Mediatama Cipta Citra</i> - Local NGO in Governance
MOE	Minister of Environment
MRP	Papuan People Council
NGO	Non-governmental organization
PANGDAM	Papua Military Commander
PERDASUS	Special by-law
PLN	State Electricity Company
POB	People on Board
POFD	Plan Of Further Development
POLDA	Indonesian regional police command
POLRES	Indonesian Regency Police Station
POLSEK	Indonesian District Police Station
PSC	Production Sharing Contract
PSKK UGM	Center for Population and Policy Studies at Gadjah Mada University
RAV	Resettlement Affected Village as originally identified by the Tangguh Project – Tanah Merah Baru, Saengga, and Onar
S&OR	Safety and Operation Risks
SMK	Vocational School
SOA	Supply Offtake Agreement
SPA	Sales Purchase Agreement
TIAP	Tangguh Independent Advisory Panel
TNI	Indonesian Armed Forces
TPC	Third Party Contract
UKP4	Presidential Work Unit for Control and Monitoring
UNIPA	Papua State University in Manokwari, Papua Barat
UP4B	Special Unit on Development Acceleration of Papua and Papua Barat
YSA	Yayasan Sosial Agustinus (implementing partner for Health)
YPTB	Bintuni Bay Development Foundation

INTRODUCTION

BP would like to thank the current Tangguh Independent Advisory Panel (TIAP-2) for its second report and its expert scrutiny, challenges and advice. TIAP-2 focuses primarily on security, human rights, governance and revenue management, but also addresses other non-commercial issues. Its content compliments independent External Panel reviews carried out by the Tangguh Lenders Group.¹

Advice provided by the current (TIAP-2) and previous panel (TIAP-1) has been invaluable in supporting our efforts to make the Tangguh Project a benchmark for successful collaboration with local communities and other partners in order to manage complex social, economic and environmental issues. TIAP-2 is helping us ensure that Tangguh LNG delivers mutual advantage for BP, the local community, government, employees, customers and investors.

TIAP-2 first visited Tangguh from September 28 to October 5, 2010, and subsequently published a report in January 2011. This contained 21 recommendations, covering: Security and ICBS; Papuan Development; Human Rights; Governance and Revenue Management; and Revenue Flow and Transparency. BP has issued a response to this report and acted to implement the recommendations. A status update on our actions is included in Appendix A.

TIAP-2 made its second visit from July 14 to July 25, 2012 - the first to be chaired by Senator Tom Daschle. TIAP-2 did not visit Jayapura because of security concerns, but held specially arranged meetings with key stakeholders from the city at secure locations in Biak and Jogjakarta.

Following this second visit, TIAP-2 has highlighted successful measures that Tangguh should sustain in the future and also areas of improvement to address. It has also helped to identify both opportunities and risks associated with the Tangguh Expansion project, which will take place over the next 2-5 years.

We greatly appreciate the insightful and sharp analysis this comprehensive report contains and believe it will help us address the challenges we face to take Tangguh's contribution to social development to a higher level.

About the Tangguh LNG project

Tangguh LNG produces and exports liquefied natural gas (LNG) from the Vorwata field, which is located at Bintuni Bay, in the province of Papua Barat, Indonesia, about 3000 kilometers east of Jakarta.

Gas was discovered at Bintuni Bay in 1994, with 14 trillion cubic feet of proven reserves following exploration. Gas is extracted through wells drilled by two unmanned and remotely controlled six-leg platforms - Vorwata-A and Vorwata-B, and then transported 22 kilometers through subsea pipelines to a liquefaction plant on the south side of the bay. This plant operates two 'trains' or sets of LNG processing equipment, with total capacity to produce around 7.6

¹ Lenders Group reports are available on the Asian Development bank website at <http://www.adb.org/Projects/project.asp?id=38919>

million tons (3.8 million tonnes) of liquefied gas per year, for 25 years (equivalent to an annual operating efficiency of 93% of design capacity) The liquid gas is stored in two 170,000 cubic meter tanks and piped to the end of a jetty for loading into tankers.

First LNG production was in June 2009, with the first delivery by tanker to South Korea a month later. By September 2012, 283 LNG cargoes and 67 condensate shipments had been dispatched from Tangguh, with the plant achieving 94.2% annual operating efficiency, for 2012, to 30 August.

Tangguh has six Sales Purchase Agreements (SPA: to supply LNG to Posco and K-Power Co in South Korea; Semptra LNG in Mexico; CNOOC Fujian in China; and Tohoku Electric Power Company Inc. and Chubu Electric Power in Japan. BP is currently looking for further opportunities to maximise the commercial potential of Tangguh.

Looking ahead, Tangguh aims to continue reliable production and increase operating efficiency to maintain Train 1 and 2 at full capacity. A project is also underway to access new reserves and maximise the plant's profitability. Plans to construct and operate one or more new LNG processing trains are currently at the concept definition stage, with a Plan of Further Development (POFD) submitted to BPMIGAS in September 2012.

TIAP Visit and Recommendations

TIAP-2 visited Tangguh from July 14 to July 25, 2012, travelling in Jakarta and Papua to meet government officials, NGOs, police and TNI officials as well as officials from the US and UK Embassies in Indonesia. In Jakarta, the panel met the Ministry of Home Affairs, The Supreme Auditor (BPK), EITI and UP4B. The panel also travelled to Bintuni Bay to meet local leaders, villagers from the north and south shores, skilled Papuan workers employed by BP and Tangguh operations and security teams.

TIAP-2 focused its attention primarily on Security and Human Rights as well as Governance and Revenue Management, but also considered other topics that have an indirect impact on security. These included Employment, Livelihood, In-migration, Procurement and the Tangguh Expansion plan.

Its first report included comments and recommendations on all these topics.

Recommendations: Security and Human Rights

1. BP should require any new private security contractor to commit to retaining all Papuan security guards in good standing.

Response:

We agree, and have required all past and current security providers (three different companies to date) to retain Papuan security guards in post.

2. BP should work with Genting Oil and other companies exploring in the Bintuni Bay area, and with government and security officials, to encourage adoption of the principles of ICBS in their security operations, and, at the very least, to provide human rights training to any police or TNI personnel being used as security forces.

Response:

We have actively shared our ICBS approach and its benefits to Genting Oil which is currently exploring in the Kasuri block, adjacent to Tangguh. Throughout a good cooperation during their recent seismic campaign within the perimeter of the Tangguh LNG area an adoption of ICBS principles by the Genting team has been initiated. Positive indication for full adoption has been demonstrated through requests made by Genting to Tangguh for a more intensive expertise sharing on the design and implementation of ICBS for their future drilling and seismic operations. BPMIGAS has recognized this and as a result Tangguh has been requested to provide broader expertise sharing to other PSCs especially to those operating in Papua and Papua Barat provinces. Through BPMIGAS initiative, we have also shared the advantage of ICBS concepts to other major companies operating in other part of Eastern Indonesia region such as Inpex. A sharing session for the mining giant PT Freeport Indonesia has also been conducted.

The Papua Police Headquarters (POLDA) has consistently promoted ICBS in its discussions with other companies operating in Papua. Recently, LP3BH, a local NGO providing legal and human rights advocacy, wrote an article in the local newspaper to promote the adoption of ICBS by all companies doing natural resources exploitation in Papua.

If other companies' security measures pose a risk to our operations in future, we will promote the benefits of ICBS even more forcefully through relevant GOI offices, including BPMIGAS and the police.

3. The annual joint training exercise required by the agreement with the police should be held every year. If a full exercise cannot be conducted, BP should work with the police and TNI to schedule a more limited exercise.

Response:

We agree. We are committed to implementing all aspects of ICBS, including the recommended joint exercise. If it is impossible for the Jayapura police and military to participate in a full exercise for any reason, we will hold a smaller-scale exercise involving district and regency police.

For this year's exercise, we are on track to conduct a full-scale exercise in November 2012. A kick-off meeting has been held by BPMIGAS in Jakarta on 23rd October attended by the Police Director of National Vital Object Security (*Dirpamobvit*) and BP.

4. ICRC, or another human rights professional training organization, should be brought back periodically to refresh the training program for security forces and ensure that it is up to date and complete.

Response:

We agree. LP3BH, a local NGO specializing in law and human rights training and advocacy is helping us to refresh training for security forces in Papua Barat.

Recommendations: Government and Public Affairs

1. A more robust liaison office should be established in Manokwari, designed to maintain relationships with the Governor, his senior officials, the DPRD and the MRP, and to keep all informed regularly about programs and issues at Tangguh. In addition, senior BP Indonesia officials should pay visits to Manokwari whenever possible when visiting Tangguh; the Governor and senior DPRD officials should be invited to Tangguh; and invitations should be extended to the Governor for briefings by senior BP officials when he visits Jakarta.

Response:

We agree. We are stepping up our engagement with the Governor, DPR-PB and the MRP, by requiring our senior liaison coordinator to spend 30% of his/her time in Manokwari and to update these officials and offices about Tangguh operations and the expansion plan. We are also establishing closer contact in our support on the formulation of *Perdasus* for oil and gas revenue split (DBH) to help speed up this process. We intend to maintain good relationships with the Papua Barat government and other stakeholders, in line with TIAP-2 recommendations.

2. Tangguh should become more visible in Bintuni Bay, in Papua and nationally. Working with BPMigas, for example, BP could brand the new electricity for Bintuni Bay as Tangguh. The scholarships provided for local students at UNIPA and other universities could be Tangguh scholarships. The new hospital could have an important component donated by BP or Tangguh, or other benefits could be more readily associated with Tangguh.

Response:

We welcome and understand the thinking behind this recommendation. We will devise a public relations strategy to increase the profile of Tangguh and ensure that the efforts we are doing in the local communities is being fully recognized in ways that also allow us to manage external expectations.

3. Public affairs activities in Jakarta should be increased. Informational briefings of both media and senior government officials should be increased. When appropriate, senior government officials should be invited to Tangguh.

Response:

We have been increasing our public relations as Tangguh expansion takes place. We have arranged a number of high profile visitors to Tangguh this year, including representatives from the Ministry of Environment, DPR Commission 7 on Energy and Mining, State Intelligence Agency, the Head and Deputies of BPMIGAS, UP4B, UKP4 and a number of local government officials. We are also using lessons learned from other companies to help us make Tangguh more visible to the media and senior government officials.

4. A full stakeholders meeting should be conducted every year in Bintuni Bay, inviting government, civil society, and other interested parties. BP should report on Tangguh programs and seek input from all parties on BP's performance and plans for the future.

Response:

We engage with stakeholders in Bintuni through a focused approach that involves smaller-scale meetings with local government, civil society, the media, local communities and other interested parties. This year, we have held meetings in Bintuni with all these groups as part of the public consultation process for the proposed Tangguh Expansion project.

Recommendations: Programs for the DAVs and Teluk Bintuni

1. BP should work with YSA to focus enhanced malaria treatment and HIV prevention at villages that are seeing an influx of foreign workers resulting from other companies conducting exploration activities in the area.

Response:

We agree. We are working with YSA and the Bintuni Health Office (Dinas Kesehatan) to address the health risks presented by an influx of foreign workers employed by other companies.

2. BP should consult with the *Bupati* to determine whether there are any important improvements or other needs at the new Bintuni hospital that Tangguh could support.

Response:

We have provided the new hospital with a useful system management blueprint and also requested it to carry out regular medical check-ups (MCU) for Tangguh and contractor employees. We will continue to engage Bupati to see if there are other needs for the hospital improvement and work together with other companies operating in Bintuni to coordinate our support in future.

3. BP should work with the British Council to create additional benchmarks, monitoring or other means of evaluation to audit the integrity of the results of the educational testing of students in Bintuni Bay.

Response:

We agree. In the future, we will liaise directly with schools to assess the integrity and validity of national school tests. To support improvements in educational standards we have run a number of programs, focusing on: basic education; teacher training and provision; better infrastructure; curriculum development; and improved tools and systems. We want to benchmark progress even more effectively by including key indicators (for example student-teacher ratio and teacher competency) in our bi-annual economic surveys and our evaluation reports. We will deliver the improvements through British Council (BC) as our implementing partner or other education agencies.

4. BP should look for opportunities in its microenterprise and procurement programs to capture additions to the value chain for businesses in Bintuni Bay.

Response:

We agree and are expanding our livelihood programs in line with this recommendation. Specific examples include a bicycle repair shop and an outlet at the Babo to sell products produced by the DAVs. Making electricity more widely available from 2013 will also support further economic growth and perhaps in new microenterprises and commercial businesses.

Currently, seven stocking points are already established and active in Bintuni, Arguni, Tanah Merah, Babo, Tofoy, Taroy and Weriagar to gather all community products to be supplied to Tangguh catering and another 2 stocking points in Onar and Weriagar are being developed. In January – September 2012, a total of 268 tons of fruits, vegetables fish, crab and shrimp has been delivered to Tangguh LNG Catering. These figures equal to 6.7 billion rupiahs. Alternative markets are being assessed to bring wider opportunities, for example Bintuni, Sorong and Makassar.

5. The census of the DAVs conducted every two years should be continued for the duration of Tangguh operations and, for comparison purposes and to achieve a broader measure, should continue to include a sample of non-DAVs in every census.

Response:

We agree. We already appoint independent agencies to carry out an economic and social census every 2 years, in line with our commitment in the ISP-2 handbook. The next census will continue to cover the DAVs and a sample of non-DAVs, as a control group.

6. BP should work with the *Bupati* to extend and recapitalize the Bintuni Bay Development Foundation (YPTB), possibly by establishing a trust fund to support it and other *adat* needs of the community.

Response:

We agree. We will work with Bupati to extend the MoU with YPTB, giving it a more substantial role in infrastructure development in Bintuni Bay, including the initial set up of land public transport services as well as strengthening the governance for the YPTB. We will include the establishment of trust fund in the MoU extension.

7. BP should work with PLN and UP4B to make the Bintuni Bay electrification project cover the broadest possible area and be operational as soon as possible.

Response:

The first electricity supply project for Bintuni will deliver 4-8MW of power for Bintuni Bay regency. PLN's infrastructure, capacity and forward planning will determine the precise distribution network. Our Supply Off-take Agreement (SOA) specifies that the DAVs, Bintuni township and Babo should be prioritized for supply. PLN have committed to deliver electricity by February 2013 and Tangguh has already prepared our facilities to be ready before then to transmit the electricity. We will maintain close links with PLN and UP4B to assess progress on this project.

Recommendations: Employment and Training of Papuans

1. BP should seek to provide employment off site for any DAV workers who are relocated as a result of risk reduction measures. Any worker who may be laid off should be provided with severance payment and any Papuan provided with a priority place for any possible rehiring.

Response:

In order to ensure continuous risk management, the number of workers retained on site will be based solely on operational needs. We are currently exploring ways to redeploy workers (if necessary) in other roles outside the LNG plant as part of providing sustainable livelihood for the DAV community. For example, a number of plant security guards have already been redeployed and relocated to carry out ICBS work in villages on a rotational basis.

If any workers are laid off in future, severance pay and other benefits will be agreed in line with relevant legislation, while individuals rehired in future will be selected on the basis of merit or nationality/ethnic if vacancies include positions 'set aside' for Papuans. Unskilled and low-skilled positions will be dedicated for Papuans from DAVs and the Bird's Head area; a number of semi-skilled and skilled positions will also be prioritised for Papuans.

2. The English language training program for Papuan personnel at the LNG site is very useful for Papuans seeking to advance. BP should continue this program, and seek to arrange classes in a way that accommodates the long work schedules these technicians must meet.

Response:

We agree. The training program has helped Technicians and other workers at the site. In line with our commitment to local development, we now provide English language training for Apprentices.

A new contract to extend the program across the site has been awarded and even greater efforts are being made to increase participation rates among Technicians by running classes in easily accessible locations and at times that allow them to maximise their rest time.

In January 2013 a number of other improvements will come into effect, including a commitment from line managers to nominate employees for English language training, an annual training schedule dovetailing with rota and shift patterns, and a series of English language 'tournaments' to motivate participants.

3. Recruitment, retention and advancement of ethnic Papuans should remain a priority. BP should provide higher skill opportunities and offer training to current Papuan employees and other Bintunians who evidence the determination to work successfully at Tangguh.

Response:

We agree that it is important to prioritise the recruitment of ethnic Papuans, but believe that retention and advancement of those employed must be based on ability. We have taken steps to publicise vacancies for highly skilled workers more effectively - on site and at universities.

Our efforts to recruit and advance Papuans and Bintunians into highly skilled roles centers on three specific actions: recruiting only Papuans to work as Operation Technicians (since Batch 3); opening vacancies for supervisory and team leader positions to Papuans on the basis of merit; actively encouraging Papuans to become Challengers in Operations, S&OR and Project by offering them internships to achieve the standards required to become a Challenger.

In line with our broader development commitments, we not only offer training for Papuans and non-Papuans employed by BP, but also provide group training to help Papuans and Bintunians not on our payroll (TPC) acquire marketable skills. We have also piloted a development program for low skilled Papuan and Bintunian workers employed by contractors to acquire basic skills at a vocational training facility (BLKI Sorong). This should help them to compete for employment in future. A follow-up program offers scholarships for individuals to complete a similar program with SMK Migas.

Recommendations: Governance and Transparency

1. BP should increase its level of support for greater transparency and accountability of the Papua Barat provincial government.

Response:

Our primary focus is on building capacity for the regency government of Teluk Bintuni - including transparency and accountability. At provincial level we are working hard to improve our relationship with government. We held a 'transparency' workshop with EITI in July 2012, which was attended by Papua Barat government officials. In future, we will work with a specialist partner to run other awareness building events focused on transparency and accountability.

2. BP should consult with the World Bank to determine whether an update of its Papua Expenditure Analysis for Papua, specifically for *Papua Barat* and *Teluk Bintuni*, would be feasible and useful.

Response:

We will assess the feasibility of updating our Papua Expenditure Analysis in partnership with an experienced specialist organization that is knowledgeable and has credibility in this area.

Recommendations: Revenue Management

1. BP should assist the provincial government, as it has the *kabupaten* government, in drafting a *perdasus* that fairly addresses the interests of all parties.

Response:

We agree. We will support the provincial government by engaging UNIPA to provide an academic paper that is required to draft the *perdasus*. This will include a comprehensive legal and social analysis, reflecting the interests of key stakeholders.

2. BP should encourage the parties to include a provision relating to payment of *adat* ownership claims in the *perdasus*.

Response:

We support this idea through the academic paper commissioned from UNIPA prepared for the drafting of *Perdasus*.

3. BP should encourage the parties to include measures in the *perdasus* that guarantee greater transparency and accountability for the funds being allocated.

Response:

We support this idea and as an EITI signatory, believe that greater transparency and accountability will be beneficial to all parties.

Recommendations: Environment

1. BP should set a goal of achieving gold status in its environmental reviews by the MOE.

Response:

MOE uses a very strict evaluation method (*Proper*), requiring 100% compliance to achieve green status. We will do our best to achieve green status by 2013 and then for a consecutive 3 years to achieve the gold status.

2. Continued support for the *kabupaten* spatial planning activities should include adherence to a local land use plan that protects the environment of Bintuni Bay.

Response:

We have supported the development of spatial planning document for the Bintuni Bay regency which has been deliberated as a by-law in July 2012). This covers local land use to protect the environment.

3. Stocks of fish, shrimp and crab in Bintuni Bay, as well as potential contaminants, should be tested and reported on a periodic basis throughout operations of Tangguh.

Response:

We agree. We regularly test fish, shrimp and crab stocks in Bintuni Bay. We will conduct the next set of tests in 1H 2013. Tangguh also monitors the quality of waste water discharge for any potential contaminants on a regular basis as per GOI requirement as well as the sea water quality ambient around Tangguh area.

Recommendations: Tangguh Expansion

1. BP should do more to address the imbalance in housing and infrastructure among north and south shore DAVs in the new AMDAL.

Response:

We are currently exploring ways to address this issue in partnership with local and central government. It is also being considered as one of the key parts of the ongoing Tangguh Expansion AMDAL.

2. BP should commit to hiring additional local Papuans so that every Papuan family in the DAVs has the opportunity to have one member employed by BP or one of its partners. If there are an insufficient number of unskilled jobs to meet this goal during expansion, Papuans from DAVs should be trained for low skilled jobs.

Response:

We are committed to help local Papuans develop transferable skills through our current operations and expansion. The Tangguh Project has sent 29 Papuan workers from DAVs who are currently employed by a contractor, to undertake skills training prior to construction work on the Tangguh Expansion. We will implement a recruitment and development strategy that meets project needs and helps to boost local capacity during the AMDAL process. This will cover employment at Tangguh and other options for earning a living that can help support social and economic development as well as the sustainability of Tangguh Operations.

3. BP should address using Tangguh gas or spare electricity as part of a broader electrification project for *Papua Barat* as a long term goal.

Response:

We agree. As part of the Plan of Further Development (POFD) for Tangguh Train-3, which is currently awaiting GOI approval, we will be allocating 15 mmscfd of gas from Tangguh at the time of Train-3 start-up, to provide energy for a broader electrification projects across an area of Papua Barat province.

Action Status on 2011 TIAP Recommendations

As of October 2012

Issues	Findings and Recommendations	BP Responses	Action Status
<u>Security and ICBS</u>	1. If any financial or material support is requested by the Police or TNI, BP should make clear that it cannot provide funding or equipment to either the military or the police and that any support is pursuant to the procedures of the JUKLAP/PAMBERS agreement and the approval of BPMIGAS. BP should confirm with BPMIGAS its commitment to posting any payments to Papuan police on its website	We agree. We already operating in compliance with the JUKLAP/PAMBERS (Field Guidelines for Joint Security), which requires BPMIGAS' (the National Upstream Oil and Gas Implementing Agency) approval before any financial or material support is given to the Police or TNI (Indonesian Armed Forces). Prior to publishing details of any payments on our website, we engage BPMIGAS for their approval.	The mechanism is being implemented to ensure transparency.
	2. BP should work with the police and the TNI to ensure that any police or TNI units that could be deployed at Tangguh in an emergency receive periodic training in the human rights principles of the Voluntary Principles embodied in the JUKLAP/PAMBERS.	Since 2006, we have conducted annual Emergency Response Training with both the Police and any TNI units that might be deployed to Tangguh in an emergency and will continue to do so in future, to ensure that the human right principles of the Voluntary Principles are understood by these police or TNI agencies. These training exercises have been incorporated into the Tangguh Security Annual Plan. However, we are fully aware that the Police and Military personnel rotations are beyond Tangguh's remit or monitoring. Therefore, we expect that by doing the training regularly we will be able to capture new officers	Training on human right principles was conducted in 2011 and 2012 involving polices and military in Fak-Fak and Bintuni areas.
	3. BP should continue to organize the annual joint training exercise with the police required by the	We agree. We have conducted an annual joint exercise since 2006 and will continue to do so in future. The most recent exercise was completed in December 2010. It	During 2011, the annual joint exercise could not be conducted due to the unavailability of Police

APPENDIX A

Issues	Findings and Recommendations	BP Responses	Action Status
	<p>JUKLAP/PAMBERS and include the TNI and human rights NGOs as observers. BP should include these observers in its evaluation of the joint exercises. BP security should work with the Kapolda to develop crisis management simulation procedures and test these procedures during the annual exercise</p>	<p>included around 200 people in total, including Police and TNI personnel as well as representatives of the media and human rights NGOs. The exercise included simulation scenarios arranged by Kapolda, to assess the team's readiness to manage a conflict situation. The annual joint exercise has been included in the Tangguh Security Annual Plan and the next one is scheduled for Q4 2011</p>	<p>personnel in light of the escalating security and political situation from the election of Papua and Papua Barat governors as well as escalating security situation in Bintuni from prolonged process in the Constitutional Supreme Court on Regent election. We will conduct the exercise in November 2012.</p>
	<p>4. BP should encourage BPMIGAS and the two Papuan Governors to require other oil and gas companies operating in Papua to implement security procedures similar to the ICBS</p>	<p>We agree. We regularly engage BPMIGAS, the two Papuan Governors and also Papua Kapolda in discussions about our ICBS activities. BPMIGAS has adopted the ICBS JUKLAP at a national level for all oil and gas activities. We will continue our communication with BPMIGAS, the Papuan Governors and Kapolda to actively promote a similar approach to security beyond the Tangguh LNG plant.</p>	<p>Ongoing communication and engagement on ICBS with relevant stakeholders (local Police)</p>
<p><u>Security and Papuan Development</u></p>	<p>5. BP should continue to discourage migration into the area by limiting recruitment to distant employment centers, other than recruitment of DAV (Directly Affected Village) residents in families from the original census. It should also seek to make sure that all Papuans who are recruited are indigenous Papuans.</p>	<p>We have always been concerned about in-migration and its potential consequences, while the first TIAP identified it as a major risk. In order to mitigate this risk, we have taken active steps to educate local officials and members of the community as part of our efforts to implement migration control through our governance program.</p> <p>With Tangguh now in an operational phase, we have adjusted our recruitment process (and our contractors' recruitment processes) to prioritize applications from DAV residents, particularly those listed in the 2002 census, whenever it is possible to do so without compromising the need to match required skill and experience criteria. We are also running 'up-skill' training for low-skilled Papuan employees to improve their technical expertise.</p>	<p>Priority on local and indigenous recruitment for Tangguh operation and drillings still continues and is managed by WFM division. September data shows 16% employee of Tangguh operation were recruited from DAVs and 4 of them are in managerial position.</p> <p>Similar approach will be taken for Tangguh Expansion appraisal and project.</p>

APPENDIX A

Issues	Findings and Recommendations	BP Responses	Action Status
	<p>6. The Papuan Development Committee should focus, as one of its priorities, on the advancement of skilled Papuan technicians at Tangguh. Advanced training programs should be offered and/or efforts should be made to increase top-level and middle management attention to fulfilling the goals of the Personal Development Plans of Papuan technicians. An annual target for recruitment, training and advancement of Papuan technicians should be set to ensure that AMDAL (Integrated Environmental and Social Impact Assessment) commitments are met.</p>	<p>We agree. We have now put in place a strategy and agreed an annual program and plan to meet our medium and long term recruitment targets for skilled, supervisory and managerial roles, which have proven to be the most difficult vacancies to fill from within the local talent pool. This strategy covers the development and progression of our existing workforce, the recruitment of new BP and contractor employees and investment in education and collaboration with other institutions to build our talent pipeline.</p>	<p>Progress is on track and currently implementing the Papuan staff development strategy.</p>
	<p>7. BP should work with its contractors to increase local recruitment and ensure it meets its AMDAL commitments for Papuan and DAV employment. Annual targets should be set for employment of Papuans. If targets for hiring Papuans by BP and/or its contractors are not met, BP should increase Papuan recruitment efforts. If the manpower office in Bintuni is insufficient to recruit local Papuans, BP should expand recruitment activities at other</p>	<p>We agree. Our contractual agreements with all contractors at Tangguh already require contractors to meet specified local recruitment criteria. We are in ongoing dialogue with contractors to ensure that they meet these criteria and to date both BP and our contractors have met or exceeded any set targets. We also run an apprenticeship programme to support contractors in their efforts to recruit suitably qualified Papuans.</p>	<p>Progress is on track. The achievement of contractual agreements on local recruitment is a part of contractors' periodic evaluation. We closely monitor the contractors in achieving the target set out in the contract.</p> <p>Meanwhile the apprentice program has five batches totaling 73 apprentices recruited for a six-month on-the-job training where these apprentices can then be hired to work with contractors or BP.</p>

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Issues	Findings and Recommendations	BP Responses	Action Status
	locations in Bintuni Bay.		Thirty two of these apprentices have been hired by BP and its contractors, while 17 apprentices in batch 5 are still undergoing the training until October 2012.
	8. BP should include local procurement obligations, similar to those included in the Indocater contract, in all Tangguh procurements, as appropriate. If procurement of fish, prawns, produce or other products from local sellers is not feasible, contractors should be required to use products from the region, or justify why this is not possible.	We will endeavor to source more local food and fish products by including local procurement criteria in our catering contracts. At present, our catering contractor purchases beef from Sorong as this meat is not available from suppliers in Bintuni Bay. We are continuing our efforts to build local supplier and contractor capacity through our Bird's Head Business Empowerment Program.	Progress is on track. Local content from Papua has been included as a requirement in the Tangguh Operations contracts as well as Drilling contracts.
<u>Integrated Social Program:</u>	9. Given the absence of effective media or civil society in the area, BP should more actively publicize and communicate the benefits of its programs for Papuan human resource development, livelihood enhancement, education and health, as well as the effectiveness of ICBS for the peaceful resolution of disputes.	We agree. Tangguh already publishes a monthly newspaper, KADATE, which carries articles on our social activities and explains the benefits of our ISP programs. The publication is also posted on DAV and RAV (Resettlement Affected Village) bulletin boards and sent to other key stakeholders, including universities, NGOs and government offices in Papua and Jakarta.	Communication and update to the community and local government on Tangguh operation issues including ISP program and its benefits continued to be done by the communication and external affair team. The information is also distributed through internal magazine and communication board that provided in the village level. We have started to provide more information on Tangguh social programs in the national magazines/publications (e.g. Tempo, Jakarta Now, Seputar Indonesia)

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	<p>10. The Bird's Head Business Empowerment Program ("BHBEP") should be continued for the long term, and adapted periodically to focus on those aspects of the program that most effectively bring new businesses into the Tangguh supply chain.</p>	<p>We agree that efforts to empower local businesses in Bird's Head should continue as they have achieved tangible results, helping to empower and grow local businesses. We have appointed KADIN in Papua, the local Chambers of Commerce, to take the lead in implementing BHBEP</p>	<p>The BHBEP continued its program to deliver technical assistance on business and management for local firms, working together with the local KADIN. As a result, total amount awarded increased from IDR 290 Billion in 2010 to IDR 367 Billion in 2011.</p> <p>For example, the winner of Landfill project PT. ITP is a Papuan company from Manokwari.</p>
	<p>11. Microenterprise and microfinance development in the Bay is essential for a sustainable and self reliant household and local economy . BP should augment ongoing programs with increased effort to develop a value chain structure to link potential buyers outside the Bay with local producers, particularly of fish and prawns .</p>	<p>The Tangguh livelihood program includes elements intended to empower credit unions and cooperatives to grow their businesses and create value chains within local villages and potential buyers of their products and services outside the Bay</p>	<p>Progress is on track. More focus is still given to community businesses within Bintuni Bay which has wide opportunities for improvement. Currently there are 9 cooperative institutions and 7 credit unions in the village which support and create value chains by gathering products from farmers and fishermen to be sold outside the villages. They receive training and comprehensive mentoring regarding business and management through livelihood program.</p>
Human Rights	<p>12. Oil and gas law familiarization briefings and security forums in the DAVs and other local communities should be conducted on a regular basis. BP should fully socialize the community complaint process at</p>	<p>We agree. We remind local communities of the grievance procedures in place at all security forums and encourage them to use these channels to share any complaints they may have.</p>	<p>Progress is on track. Socialization of the grievance procedure and oil & gas law, specifically on security measures have been done regularly to the community through security forums in the villages.</p>

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	each of the security forums held in the local communities.		
	13. BP should review the relevant procedures in its community complaint process, consulting with local leaders and simplifying the process if necessary or useful. It may be necessary to institute an oral complaint process or publicize the procedure more broadly.	We agree. We have now revised our grievance procedures, to enable villagers to make a verbal complaint via their village officer, who will record the complaint in writing, follow it up and subsequently report back to the individual who made the complaint.	Progress is on track. Grievance reporting system is regularly socialized to community and being used by community. The social team also ensures that the grievance will be responded in timely manner. Current monitoring shows as many as 30 grievances, including verbal grievance received from the communities during January – September 2012.
	14. BP should support the work of at least a part-time human rights advocate in Bintuni Bay . The advocate should participate in the community security forums conducted by BP	Together with LSHAM, a Papuan Human Rights NGO, we have provided support for 30 Law graduates to obtain lawyers certifications in Manokwari. At the moment we are focusing the effort to strengthen these activities to include Law graduates from Bintuni Bay. Thru this program we expect to have public lawyers available and to increase public awareness in Bintuni Bay with regards to their legal rights, including human rights.	LP3BH processed the inauguration of 17 Lawyers in early July 2012 in Manokwari. LP3BH has opened a Pusat Bantuan Hukum (PUSBAKUM - Center for Legal Advocacy) in Bintuni to provide legal services to community in Bintuni.
<u>Governance and Revenue Management</u>	15. BP should maintain a sustained effort to increase capacities of government and civil society at the village, kabupaten and provincial levels. These programs should be revisited regularly for performance assessments and modified as	We agree. Our Governance program aims to increase capacities of government and civil society at the village, kabupaten and provincial levels. We evaluate the program’s effectiveness every quarter and intervene to resolve any issues that are identified. At a strategic level, the Lenders’ External Panel will conduct a mid-term review of all ISP programmes in 2013 to assess their	Progress is on track. We have performed an assessment of the governance program strategy and aims for a holistic approach to improve the effectiveness of the program.

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	needed.	effectiveness and at this point in time we will further modify our plans if necessary. With Tangguh now operational, we are also encouraging other external parties, including local government and donor agencies, to join us in our activities to foster ownership and ensure sustainability.	
	16. In the DAVs, BP should provide training and support for village decision-making in the use of the Community Action Plan (CAP) funding until it expires in 2015.	We agree. Village planning and decision making on funds, whether for BP's Community Action Plan (CAPs) or other government funds, fall within in the scope of our Governance programmes.	Training and support on PBM in the DAVs are being done.
	17. BP should work with the kabupaten government to formulate a policy to integrate and coordinate the various development plans for each village, including under the Government of Indonesia ("GOI") village development planning (Musbangdes) program, the Governor's Village Empowerment Program ("RESPEK") and BP's CAP funding.	We agree. Through the governance program, we aim to integrate the planning session for funds from Tangguh and funds from government. We have made concerted efforts to improve village community representatives' and officers' planning and decision capabilities with regards to CAPS funding. As a result of the CAPs planning process, Tofoy, Tomu and Ekam are now able to facilitate and run their own planning sessions (PBM). We plan to extend the process they use in CAPs to cover other funds from government.	Integrated budget planning has been piloted in several villages including Tomu, Ekam and Saengga.. It will also be conducted in other DAVs following the government schedule and agenda.
	18. For the kabupaten level, BP should consider working with another implementing partner that specializes in in-depth public	We have new contracts in place for the Governance program with a study center affiliated to state-owned university of Gadjah Mada (PSKK UGM) and local NGOS of MCC to provide the public administration, following an	PSKK UGM work on governance for kabupaten level is progressing. Recent monitoring shows several trainings and mentoring have been

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	<p>administration training to provide such training for selected senior level local officials and leaders in civil society.</p>	<p>open tender. Both PSKK UGM and MCC meet the technical requirements specified in this tender</p>	<p>conducted for local government officials including regency, district and village level, to improve their capacity in their role and responsibility for delivering a good public service including planning and budgeting with good governance principals.</p> <p>We have performed an assessment of the governance program strategy and aims for a holistic approach to improve the effectiveness of the program.</p>
	<p>19. BP should make the provincial government at Manokwari the "secondary" focus of the governance program. It should regularly sponsor good government and anti-corruption activities, such as the 2008 seminar in Manokwari with the KPK. All of these activities should be coordinated with the provincial government and/or the DPRD (Regional People's Representative Office), as appropriate.</p>	<p>At the moment we would like to focus our capacity programs within the Bintuny Bay region as the immediate stakeholders of BP Operations. We believe that improving local officials' capabilities is critical in ensuring the benefit from Tangguh to the local community. We agree that Manokwari forms an important link in the Bintuni Bay administrative process and we are maintaining our efforts to increase Manokwari administrations' awareness of what constitutes good governance and transparency. For example, early in 2011 we completed a workshop on oil and gas revenue flow in Manokwari</p>	<p>Focus of governance program for Papua Barat has been on building awareness; we facilitated oil & gas revenue flow socialization for the Papua Barat DPRD in Makassar in March 2012 and a transparency workshop for Papua Barat officials with EITI in July 2012.</p>
<p><u>Revenue Flows and Transparency</u></p>	<p>20. BP should continue its Governance program and work closely with the Kabupaten administration to exercise transparency in their budgets and</p>	<p>We agree. The Governance program will continue to be central to our efforts to ensure Tangguh's operational sustainability. Through this program, we are encouraging the Regency administration to exercise transparency in their budgets and spending. We are also exploring the</p>	<p>Governance program to promote transparency is ongoing under the governance capacity-building program.</p>

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	<p>spending, particularly with regards to funds related to Tangguh.</p>	<p>possibility of working together with the recently government-sanctioned EITI (Extractive Industry Transparency Initiatives).</p>	<p>As part of transparency, BP facilitated a meeting in March 2012 between Bintuni administration with the Ministry of Finance, ESDM and BPMIGAS to discuss the Tangguh revenue realization in 2009-2011 and projected revenue in 2012-2014 for Bintuni</p>
	<p>21. In recognition of the adat rights of all the tribes in the local area, and to sustain community development activities in the kabupaten beyond the DAVs, BP should encourage the kabupaten and provincial government to establish a community development trust fund for this purpose. Experience from the approach used by the Dimaga Foundation could be a model for this new entity.</p>	<p>We are supporting the capacity building and management of Dimaga Foundation to ensure that all endowment funds create sustainable benefit for the three clans compensated by Tangguh for the use of their lands. Before we can encourage other parties to implement similar approach, we still need to internally learn from the experience to make this program a success. Once we have a comprehensive understanding of the challenges and lessons learned than we can share this with the Papuan government.</p>	<p>Capacity building of Dimaga Foundation is ongoing. Participatory planning with Dimaga members were done in 2011 as well as external audit on 2011 spending. The report has not been issued.</p>