

TANGGUH INDEPENDENT ADVISORY PANEL

**REPORT ON OPERATIONS
OF THE
TANGGUH LNG PROJECT**

OCTOBER 2012

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ACRONYMS AND INDONESIAN TERMS

<i>adat</i>	Local and traditional customs, laws, and dispute resolution systems used in many parts of Indonesia
AMDAL	<i>Analisis Mengenai Dampak Lingkungan</i> – Integrated Environmental and Social Impact Assessment
ADB	Asian Development Bank
BBDF	Bintuni Bay Development Foundation
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
BPK	<i>Badan Pengawasan Keuangan Dan Pembangunan</i> – State Development Audit Agency
Brimob	Mobile Indonesian police brigade
<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
<i>Dinas</i>	Agency
DPRD	<i>Dewan Perwakilan Rakyat Daerah</i> – local parliamentary body
EITI	Extractive Industries Transparency Initiative
GOI	Government of Indonesia
ICBS	Integrated Community Based Security
ICITAP	U.S. Department of Justice’s International Criminal Investigative Training Assistance Program
IPB	<i>Institut Pertanian Bogor</i> , or Bogor Institute of Agriculture
ISP	Integrated Social Program – an implementation unit within the Tangguh Project and the social-economic development programs managed by that unit
JUKLAP	Field Guidelines for Security

JUKLAP/PAMBERS	2009 update to and extension of the JUKLAP agreement
<i>kabupaten</i>	District or regency
<i>Kapolda</i>	Papua Chief of Police
<i>Kapolres</i>	Police commander
<i>Kota</i>	City
LARAP	Land Acquisition and Resettlement Action Plan – the Tangguh Project action plan describing the involuntary resettlement impacts of the Project
LNG	Liquified natural gas
MCC	Media Cipta Citra
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
OPM	<i>Organisasi Papua Merdeka</i> , or Free Papua Movement – a separatist organization
<i>Otsus</i>	Special Autonomy
<i>Pangdam</i>	Papua Regional TNI Command
<i>Perdasus</i>	Special regulation that determines the allocation of a portion of the Special Autonomy natural resource revenue split
POB	People on Board
<i>Proper</i>	Ministry of Environment national audit program
UGM	University of Gadjah Mada
RAV	Resettlement Affected Village as originally identified by the Tangguh Project – Tanah Merah Baru, Saengga, and Onar
SBY	Indonesian President Susilo Bambang Yudhoyono
SKJ	GOI policy restricting access to Papua
SOP	Standard operating procedure
THCU	Tangguh Health Care Unit

TIAP	Tanggung Independent Advisory Panel
TNI	<i>Tentara Nasional Indonesia</i> – Indonesian armed forces
UNIPA	University of Papua
UP4B	Unit for Accelerated Development in Papua and West Papua
YSA	Yayasan Social Augustinus – a local foundation

I. Introduction

The Tangguh Independent Advisory Panel (“TIAP”) is designed to provide external advice to senior BP decision-makers regarding non-commercial aspects of the Tangguh LNG Project (“the Project”) with a specific goal of advising BP on how Tangguh can achieve its potential as a world-class model for development. The current Panel is Chaired by former U.S. Senator Tom Daschle, who served as Majority Leader of the U.S. Senate, and includes Augustinus Rumansara, a Papuan who Chaired the Asian Development Bank (“ADB”) Compliance Review Panel from 2003 to 2008, served as an advisor to the Governor of Papua from 2008 to 2010 and currently Chairs the Papua Low Carbon Development Task Force.¹ The Panel utilizes an independent counsel and secretariat at the law firm DLA Piper headed by senior partner Gary Klein. The previous Panel, which monitored the construction phase of the plant, was Chaired by former U.S. Senator Majority Leader George Mitchell and included Lord Hannay of Chiswick, Ambassador Sabam Siagian and Reverend Herman Saud. The current Panel, established in 2009 and scheduled through April 2014, is designed to monitor BP’s activities during the initial operations phase. This is the new Panel’s first full report. It will be available, as are previous TIAP reports, together with BP’s responses, on BP’s website.²

In addition to the TIAP monitoring, the Tangguh Lenders Group (represented by the ADB, Japan Bank for International Cooperation and Mizuho Corporate Bank) has established an external panel that is staffed by independent experts who regularly visit Tangguh and publish their reviews of compliance on the ADB website. Their review is limited to issues of safety,

¹ For the purposes of this report, the term “Papua” refers to the region encompassing both Papua province and West Papua province (“Papua Barat”). The term “Papua province” refers to the province of Papua following its split with Papua Barat province. The term “Papua Barat” refers to province of Papua Barat (previously known as Irian Jaya Barat) following its establishment in 2004. A map of Papua Barat showing key locations related to Tangguh is included as Appendix 1.

² See <http://www.bp.com/sectiongenericarticle.do?categoryId=9004751&contentId=7008791>

environment, resettlement, and social programs. In recognition of the work of the Tangguh Lenders Group and the different issues that arise between construction and operations, TIAP will focus its advice to BP on matters relating to non-commercial aspects of the Project while not duplicating the work of the Tangguh Lenders Group. Accordingly, TIAP will focus its attention on matters relating to security, human rights, governance, revenue management, the political environment and the broader issues relating to how Tangguh affects the people of Papua and how the Project is perceived by them. These perceptions relate directly to whether Tangguh can achieve BP's goal of becoming a world-class model for development.

In July 2012, TIAP visited Biak, Manokwari and Bintuni Bay in Papua, as well as Jogjakarta and Jakarta. The Panel met with Ministers, government officials and NGOs, the Papua TNI Commander (the "*Pangdam*"), the Papua Chief of Police (the "*Kapolda*"), the Rector of the University of Papua ("UNIPA"), the University of Gadjah Mada ("UGM") team working on governance and revenue management issues, and representatives from the U.S. and U.K. Embassies.³ TIAP spent several days in Bintuni Bay regency ("*kabupaten Teluk Bintuni*"), meeting with the *Bupati* and other *kabupaten* and village leaders, villagers from north and south shore villages, skilled Papuan workers at Tangguh, and BP personnel running the management, operations, Papuan development and security operations at the LNG site. Unfortunately, the Panel did not visit Jayapura because of security threats caused by recent shooting incidents in or near the city.⁴ Fortunately, the Panel was able to meet with parties based in Jayapura, including the *Pangdam*, the *Kapolda*, NGOs and representatives of the acting Governor, in other locations.

The Panel reviews BP's programs and activities in relation to the most respected current global norms that establish best practices for projects in developing countries. These include the

³ See Appendix II for a full list of the stakeholders consulted by TIAP.

⁴ See Section III below.

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 or local law, but does review BP’s compliance with its obligations under the AMDAL (which governs BP’s social and environmental commitments).⁵ The Panel 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 TIAP alone. The Panel expects BP to issue responses to each of its recommendations, and anticipates conducting open meetings with interested parties to discuss this report and BP’s responses in London, Washington, D.C. and Jakarta.

TIAP has identified several broad issues that BP should prioritize going forward:

1. **Tanggung Expansion.** Perhaps the most significant new issue going forward is expansion, which in the initial phase will include a third processing train at the LNG site and seven new wells and two new platforms in and around Bintuni Bay. The proposed construction presents a whole new series of issues and risks that require close scrutiny by

⁵ The Lenders Panel will continue to review BP’s LARAP (resettlement), AMDAL, and Integrated Social Program (“ISP”) obligations. The Lenders Panel reviewed ISP and resettlement issues biannually until 2009; the ISP reviews will continue annually until 2021; the environmental monitoring will take place annually for the duration of the loan period (15 years) to ensure compliance with the requirements of the ADB and the Japan Bank for International Cooperation. A copy of the AMDAL is available at <http://www.bp.com/sectiongenericarticle.do?categoryId=9004750&contentId=7008790>.

BP and TIAP. As BP prepares to embark on this expansion, it should not be at the expense of continued focus on, and support of, the social, economic, governance and security programs put into place over the last ten years.

2. **Bintuni Stability.** The entry of new oil and gas companies to the Bintuni Bay area presents a new set of risks and challenges to BP and the region. The potential for new companies operating in the area without satisfying the standards established for Tangguh for social, environmental and security programs is a troubling threat. The Panel recognizes that the actions of these new entrants are not within BP's control. However, the Panel strongly urges BP to make every effort to reach out to these companies and work with the Indonesian government to encourage adoption of the best practices that BP has put in place.
3. **Electrification and Beyond.** The electrification of Bintuni Bay through the sale of power generated at the LNG site is a welcome program and one that TIAP has long supported. The potential for additional power generation upon completion of the third train would likewise be a very positive step towards continued development throughout the region. As this critical infrastructure is deployed, TIAP encourages BP to consider ways that it can modernize and expand upon its outreach programs to capitalize on greater access to electricity.
4. **Government and Public Outreach.** TIAP strongly believes that BP should place greater emphasis and resources on relations with regional and national government officials and the media. The Panel recognizes the geographic and logistical challenges of travel throughout the region. Nevertheless, every effort must be made for stronger

institutional relationships to ensure the long-term success of its programs and the continuing cooperation between BP and the greater community.

II. Update and Overview

Tangguh is now in full operation, with both Train 1 and Train 2 operating at 100% of capacity. LNG tankers load several times a week. The site is remote. Except for the resettled villages (“RAVs”) of Tanah Merah Baru and Saengga,⁶ which are several kilometers away, the nearest towns – Bintuni and Babo – are each about a two hour boat ride from the site. The nearest north shore villages are about 30 kilometers across the Bay; about one and a half hours away by speed boat. The facility’s footprint is about 404 hectares, set within a preserved surrounding forest perimeter of an additional 2,862 hectares. The natural gas flare at the site is visible from many parts of the Bay. Two jetties, one for docking LNG tankers, extend offshore about a kilometer. A marine exclusion zone surrounding these jetties impedes the movement of local fishermen from the resettled villages. Two offshore platforms, which collect gas from 15 wells and pipe it to shore, are unobtrusive and do not interfere with fishing or other commercial activities.

Approximately 1,978 workers were at the LNG site in July 2012, with many employees sharing their jobs with another “back-to-back” worker. There were 3,420 total employees in July 2012. About 54% of the workers, including those employed by the private security contractor, are Papuan. Many are from the Directly Affected Villages (“DAVs”) and other areas in the Bird’s Head region of Papua. Papuan employees also include about 126 skilled technicians, who

⁶ The nine villages near the LNG site were designated in the AMDAL as Directly Affected Villages (“DAVs”), for which special programs and funding was provided. The villages of Tanah Merah (the actual site of the facility), Saengga (which provided the land on which most Tanah Merah residents were resettled) and Onar (where the remainder of Tanah Merah’s residents settled) were also designated Resettlement Affected Villages (“RAVs”), which were also governed by the Land Acquisition and Resettlement Action Plan (“LARAP”). The LARAP concluded in 2009 and the RAVs were merged into the same continuing programs as the DAVs.

have completed BP's technical training program, now in its sixth year. Some of those technicians have risen to positions helping to operate the plant from the Master Control Room.

Since construction, the DAVs near the facility (within about 30-40 kilometers) all have experienced population increases (much of which is non-indigenous) and growth in economic activity, including growth in per capita income. But some of the DAVs have experienced greater growth than others, leading to continuing tension. This is particularly the case with some north shore villagers who believe that a disproportionate share of the benefits from Tangguh have gone to the RAVs on the south shore, which have new homes and public buildings and electricity. Nonetheless, all the DAVs have better health and education facilities and services, new clean water collection systems, jobs at the facility for many of their young men and women and livelihood programs for those not employed by Tangguh. Soon, all the DAVs and Bintuni town will be electrified, using power generated at Tangguh.⁷ The most notable differences among the DAVs are the housing stock and village infrastructure, and the disparities in their per capita income levels (ranging from about Rp. 350,000 to Rp. 860,000). It is clear to the Panel that benefits from Tangguh have not been spread evenly throughout the area.

Economic activity and population in the *Teluk Bintuni kabupaten* have increased markedly. Much of this increase is resulting from non-Papuan in-migration from other areas of Eastern Indonesia and Java. This is particularly notable in the capital Bintuni, whose population has doubled to 19,678 since it was established as a *kabupaten* in 2004 and where there are many signs of construction and development, most notably a new modern hospital and a governmental complex on the outskirts of town. There are now commercial flights to its airport. The *Bupati*, Alfons Manibui, and his Deputy were re-elected to their second, and final, five-year term in 2011.

⁷ See section VI(e) below.

Babo, which served as the Tangguh supply center and base camp during construction, has reduced commercial activity, although it has substantial marine traffic and the airstrip that was rebuilt by BP is still operating. BP is not the only foreign licensee operating in the area; there are also non-indigenous commercial fishing and logging operations (although apparently no foreign trawlers are currently plying Bintuni Bay), and several other oil and gas companies are exploring around Bintuni Bay under production sharing contracts with BPMigas (the Government of Indonesia (“GOI”) upstream regulator). One of these companies, Genting Oil, is exploring for gas within the perimeter of the LNG site.

Manokwari, the capital of West Papua province (“Papua Barat”) since it was established in 2004, also continues to grow. There is considerable new economic and construction activity, both governmental and private. However, despite some improvements to roads, the capital remains at least a six hour road trip from Bintuni. Governor Bram Atururi was re-elected for a second, and final, five year term in November 2011.

Jayapura, the historic capital of Papua and now the capital of Papua province (about two-thirds of the original Papua), also has experienced significant growth from in-migrants; and considerable political tension.⁸ Jayapura is less directly involved in most matters relating to Tangguh since the splitting of the province in 2004, but, significantly, the *Pangdam* and the *Kapolda* in Jayapura retain jurisdiction over security in both provinces. As noted, the Panel could not travel to Jayapura because of incidents of violence that may be related to separatist or independence activists. Last October, at the conclusion of a Papuan People’s Congress in Jayapura at which separatists played a major role, three participants were killed in a melee with

⁸ Controversy over the candidacy of now former Papua province Governor Barnabas Suebu, and disputes over who may determine the legitimacy of candidates, has delayed the election of a governor for more than a year. See pp. 10-11 below.

security forces. There have been many incidents since.⁹ Significantly, foreigners are still not permitted to visit any part of Papua without a special internal visa (“SKJ”) that is granted only for legitimate business purposes. Thus, the presence of foreign NGOs, students, media and even tourists is very rare.

Support for the Project among local indigenous people and government officials is strong, although not unanimous. The *Bupati* and other local leaders are generally pleased with the way BP has worked with them to provide good jobs and improve local services. However, there are criticisms about disparate treatment of north shore villages, as well as employment issues, impediments to fishing grounds and concerns among some Papuan employees about opportunities for advancement. At the local and provincial levels there are complaints about inadequate compensation for tribal land and resource ownership claims (*adat* rights),¹⁰ and at the provincial level there are also criticisms about BP’s flow of information and communications strategy. The grievance system established for villagers seems to be working well. Of 115 grievances filed in 2011, and 18 filed through June of 2012, most relate to workforce or community development issues. No complaints were filed related to human rights, security or maltreatment.

At the national level, Ministers and other senior GOI officials were generally complimentary about Tangguh, but many know little about the Project or its benefits to Papuans. Much of their interest is now centered on the Tangguh expansion, *e.g.*, who gets the additional LNG, what portion is committed to domestic uses and what new projects are built as a result. There is satisfaction that Tangguh will help to electrify the region, and hope that the expansion will lead to further economic development and stability in Papua. Although there is less

⁹ See section III below.

¹⁰ The MRP complained that there was no strategy to benefit owners of the tribal land. They asserted that *adat* compensation should be Rp. 60 billion, but that only Rp. 6 billion had been paid. See pp. 42-43 below.

familiarity with the Integrated Community Based Security (“ICBS”) system, there is relief that it seems to be working effectively and that no security or human rights issues have developed at Tangguh.

Much of BP country management’s attention is now focused on expansion of Tangguh. A proposal for a third train, increasing Tangguh’s capacity by about 50%, along with new wells and platforms, a new jetty and possibly an airstrip inside the fence has been submitted to the GOI. The Plan of Further Development (“POFD”) was submitted to BPMIGAS on September 10, 2012. Unavoidably, the planning, technical design, commercial issues, regulatory compliance, political demands and ultimately construction issues will dominate BP management’s attention over the next two to five years. This presents both an opportunity and a potential risk. BP must take care not to neglect ongoing programs. But BP may also reshape some of its original obligations to address issues that have arisen or were not apparent at the outset of the Project.¹¹

III. Political and Security Developments

The political environment in Papua has further deteriorated in recent years and seriously threatens governance, security and economic stability in parts of the region. Since 2011, this instability has erupted in a series of violent episodes in Papua province. These have further heightened tensions between Jakarta and Papuans generally, between the security forces and the Papuan people and among various factions of Papuans. Political instability has also paralyzed the electoral process, delaying the elections of both Governors and, to date, leaving Papua province with an appointed caretaker from the Ministry of Home Affairs. Although most of the

¹¹ See pp. 47-49 below.

recent violence has occurred in Papua province, the political dissatisfaction that has spawned the violence extends to Papua Barat as well.

Tensions during much of the past decade were primarily the result of widespread dissatisfaction with the implementation of the Special Autonomy law and disputes regarding the division of the province in 2003.¹² Although these factors remain sources of tension, instability today has increased largely because of three additional causes: first, political disputes between the Governors and the local parliaments (“DPRDs”); second, a resurgence of violence instigated by radical forces that reject Papua’s incorporation into Indonesia and the violent actions and reactions by security forces to these provocations, primarily by the police mobile brigade (*Brimob*); and third, conflicts regarding ownership of natural resources.

Factions of the DPRD in both Papua province and Papua Barat sought to employ provisions of the Special Autonomy law to block the candidacy of the incumbent Governors, who in both cases were running for re-election to second, and final five-year terms.¹³ These repeated challenges to the electoral process were based on assertions that the DPRD and the Papua People’s Council (“MRP”) must determine that the candidates are “Papuan,” and in each case this requirement was challenged for the Deputy Governor candidate. These challenges have wound their way through the Constitutional Court, but not without serious damage to the electoral process. Papua Barat Governor Bram Atururi’s term ended in March 2011; after several delays, the election was held in November 2011. Papua province Governor Barnabas Suebu’s term ended in July 2011. In September 2012, the Court decided that Governor Suebu

¹² The Special Autonomy law, Law 21/2001 represents the fundamental political/economic underpinning for stability in Papua; it offered Papua unique economic and political benefits as a mechanism to undermine demands for independence and improve economic and social welfare indicators. Special Autonomy, known as Otsus in Papua, provides significant additional funding for provincial and local (*kabupaten*) programs, as well as avowed deference to Papua’s unique cultural heritage. Very large revenue flows are now going to Papua, detailed more fully in section IX below, but the benefits of this revenue do not accrue equitably to all Papuans, and there is a broad view that the unique cultural deference that was promised to Papua has been largely ignored.

¹³ Both Governors were the first democratically elected Governors in these provinces.

can run for a second term, but no election date has yet been scheduled.¹⁴ Apart from the adverse impact on political stability, one specific casualty of these impasses directly related to Tangguh is the failure of the provincial government to implement key provisions of the Special Autonomy law relating to natural resource revenue allocation. More broadly, these disputes have left a vacuum, making it that much more difficult for the GOI to implement its “New Deal for Papua,” established in 2007 and designed to accelerate development, improve social services and provide affirmative action for Papuans.¹⁵

Last year, President Susilo Bambang Yudhoyono’s (“SBY”) Administration began another effort to improve the implementation of Special Autonomy, reach out to Papuans and diminish conflict by establishing the Unit for Accelerated Development in Papua and West Papua (“UP4B”) in September 2011. The Unit is headed by a respected former Lt. General, Bambang Darmono. UP4B is focused on infrastructure and economic development, such as new roads and airports, that would be noticeable nationally and could be counted as successes. One of these projects is the possible construction of a petrochemical plant in Bintuni Bay, which would be served by Tangguh feedstock gas from Train 3. It is questionable that this would be beneficial to the people of Bintuni Bay or Papua generally. A large industrial facility with little opportunity for Papuan employment or shared revenues is not likely what the local people would request. One of the complaints about UP4B is that it was created and is being run by Jakarta without any real input from Papuans. The idea for a petrochemical plant in Bintuni Bay is illustrative of this complaint. However, UP4B is also working with BP and the national electric service provider, PLN, on the electrification project in Bintuni Bay.¹⁶ Whether or not UP4B has

¹⁴ See the International Crisis Group’s (“ICG”) report, “Indonesia: Dynamics of Violence in Papua,” Asia Report N° 232 (Aug. 9, 2012) for a detailed description of these challenges [hereinafter “ICG report”].

¹⁵ See TIAP’s Sixth Report (Mar. 2008) at 15.

¹⁶ See Section VI(e) below.

much success on the development front, it is unlikely to have any real impact on the political turmoil or security policies, which are under the jurisdiction of multiple other agencies and ministries, each with its own agenda.

Thus, security continues to deteriorate, particularly in the Jayapura area. The political vacuum and the role Jakarta has played has also added fuel to the fire for those that would encourage radical violence. Such violence has erupted in and around Jayapura and in several other locations in Papua province. For the past several years, security tensions have generally been limited to isolated incidents of TNI and police brutality¹⁷ and periodic arrests and convictions of Papuans who raise the “Morning Star” (Papuan) flag. But more recently, these tensions have erupted in more regular and seemingly broader based political unrest.

In October 2011, a major confrontation took place in Jayapura during what organizers described as the Third Papua People’s Congress. On its third and final day, police and TNI personnel arrived en masse. Reports indicated that following the organizers’ declaration of independence from Indonesia, security forces engaged in mass arrests, shootings and malicious beatings of participants. Three were killed; many others were hospitalized. After an investigation, the city police chief was given a written warning. He was transferred and seven junior officers were sentenced to two weeks detention. Organizers of the conference were tried on charges of treason and sentenced to five years in prison.¹⁸

At least fifteen additional violent incidents took place in May and June 2012, and incidents continued through the summer. Several of these were likely precipitated by those who

¹⁷ See, for example, Human Rights Watch’s 2012 World Report: Indonesia at 4. See also TIAP’s First Report on the Operations Phase (Jan. 2011) at 15, describing the torture by TNI soldiers of a prisoner in the Central Highlands, leading to convictions for minor crimes and sentences of eight to 10 months.

¹⁸ See, e.g., ICG report at 9. The violent security reaction and prosecutions led the U.S. Department of State to “urge the Indonesian authorities to ensure due process and procedural safeguards in accordance with Indonesian law and Indonesia’s international obligations for all persons indicted....We encourage the Indonesian government to work with the indigenous Papuan population to address their grievances, resolve conflicts peacefully and support development in the Papuan provinces.” Spokesman, January 31, 2012.

reject the inclusion of Papua in Indonesia. Others seem to relate to disputes over payments for police protection. Although the exact causes of these incidents are impossible for TIAP to describe, and each has its own unique political dynamics, the result in each case is the same: deteriorating security, increasing tensions and anger with the police and the realization that the SBY Administration policies have failed to quell political forces that reject Special Autonomy and call for independence. Importantly, all of these incidents took place in Papua province; to date, there have been few similar episodes of politically or security forces based violence in Papua Barat.¹⁹

There is little BP can do to directly reduce these incidents of political violence in Papua province, or to affect the political process in Papua Barat. But many of these incidents were caused by the reactions of security forces to perceived threats. They result directly from inadequate training, supervision and accountability of police and TNI security forces assigned to remote areas of Papua.²⁰ BP can take action to reduce the potential for any such incident to occur in or around Bintuni Bay. BP has entered into an agreement with the Police that places upholding human rights and the use of minimal force as fundamental principles (the “JUKLAP/PAMBERS”). This agreement requires adherence to the U.N. Basic Principles on the Use of Force and Firearms by Law Enforcement Officers; and the Voluntary Principles. It also includes provisions regarding discipline and punishment for violations. All police officers who may be involved in Tangguh security are required to be trained in these principles. BP is charged with organizing all specialized training and the police are required to provide the

¹⁹ The U.S. Department of State 2011 Country Report on Human Rights in Indonesia begins: “Major human rights problems included instances of arbitrary and unlawful killings by security forces and others in Papua and West Papua provinces...” It describes many of the security incidents and states: “During the year indigenous persons, most notably in Papua, remained subject to widespread discrimination, and there was little improvement in respect for their traditional land rights...In Papua tensions continued between indigenous Papuans and migrants from other provinces, between residents of coastal and inland communities, and among indigenous tribes.”

²⁰ Many are concerned that the TNI is planning to increase troop strength in Bintuni Bay. This long range plan was confirmed by senior TNI officials.

training requested by BP. The JUKLAP/PAMBERS also requires joint training exercises “at least once a year, or more often if necessary” to ensure proper implementation if an emergency arises. This training exercise was cancelled last year because of other police priorities in Papua province. This should not be permitted to be cancelled again. The series of violent incidents across Papua underscores the urgency and importance of strict adherence to these security training programs.

IV. Security and Human Rights at Tangguh

Although most of the political unrest and related violence in Papua is in Papua province, Papua Barat is not immune. In December 2011, the Governor’s official residence in Manokwari was burned down during a riot relating to the election results. It is critically important to deter such conflicts and violence in Bintuni Bay, which has a history of peace and harmony. Several officials emphasized the need to avoid a security situation “like Freeport.” Toward that goal, BP has designed and implemented its ICBS to provide security while diminishing the chance of confrontations between indigenous people and security forces. ICBS, once a novel, untried concept in Indonesia, has been operating effectively. The inner ring of security is provided by private security guards, all of whom are Papuans, many from the local area. This provides day to day security with a uniquely local character, provides good jobs for many local young men and gives the villages in the area a feeling of brotherhood with the security force.

The original private security contractor’s term expired in 2011. In accord with law, BP conducted a tender process for a new contractor. After selection by BP and approval by BPMigas, the contract was awarded to P.T. Gardatama Nusantara; it will be effective until February 2014. The new security contractor retained all the local Papuan trained guards. In the future, it is critical that BP require any new contractor to commit to retaining all guards in good

standing. There would be significant turmoil if any new contractor fired any of these guards without cause.

Under ICBS, all security forces that may be called upon in an emergency situation, whether private and public, are trained in and familiar with the Voluntary Principles, the U.N. Basic Principles on the Use of Force, and with human rights principles generally. For the police, this is required by the JUKLAP-PAMBERS. And for the TNI, it has been adopted less formally by previous Papuan Regional TNI Commanders (*Pangdams*). But there are several present threats to the fabric of ICBS. And given the fragility under which security arrangements in Papua must operate, it is important to prevent any thread from unraveling. Two immediate threats are: first, the impact of security activities of other companies operating near Tangguh; and second, the essential need to continually educate and reinforce with local public security forces the principles of ICBS.

Other oil and gas producers are now operating in Bintuni Bay. This raises concerns related to community relations, environmental impact and security. Possibly of most concern, these companies may not be as respectful of local interests and could trigger actions that could provoke violent reactions by public security forces. It is such actions and reactions by the police and the TNI that have led to the continuing record of violence at the Freeport Grasberg mine. Remarkably, one of these companies – Genting Oil – has been operating inside the fence at Tangguh, because it has rights to the onshore subsurface gas. This company apparently brought in a number of TNI military personnel, who were being paid by the company to provide security. These troops set up a temporary camp adjacent to Tanah Merah Baru. This action is precisely one of the outcomes that ICBS was designed to avoid: stationing military or police personnel in or around the villages of Bintuni Bay. BP cannot control other companies' lawful actions in the

area. But it can let its concerns be known, and raise an alarm to the military and political leaders with jurisdiction.

The Panel began that effort, calling attention to this situation to the leaders of TNI in Papua and officials of GOI in Jakarta, including the Director of BPMigas, the Ministry of Energy and Mineral Resources and the Coordinating Ministry for Security and Political Affairs. BP has already followed up with the company and with officials of the GOI, expressing its serious concern. The GOI has responded favorably and forcefully. It is the Panel's understanding that Genting has now been instructed by BPMigas to use a professional security provider rather than TNI personnel in its future activities. This should provide excellent precedent for others exploring in the area.

BP should continue to work with Genting and other companies that are exploring in the area, and with these military, police and government officials, to underscore the importance of community based security, and of not permitting any steps to be taken that could provoke violent security incidents. One possibility is to encourage these companies to provide the same training in human rights principles for any security forces being used in the area as BP does. More broadly, BP should encourage the GOI to require all companies operating in Papua to utilize a form of ICBS. Senior government officials have told the Panel that they would like other companies to model their security after Tangguh; they could be required or strongly encouraged to do so. In any case, BP should carefully monitor these companies' security activities. It is in all parties' interest to avoid even the potential for confrontations between the local indigenous people and public security forces. Although BP may not be able to force other companies to adopt a form of ICBS or abide by the Voluntary Principles, the Genting experience suggests that

BP should be able to constrain other companies from using public security forces that could jeopardize peace and harmony in the Bintuni Bay area.

The second threat to security is the failure to implement ICBS fully, which includes a required annual training exercise. The effectiveness of ICBS depends on the understanding of its principles by all security forces in the region. This is particularly necessary because, at least until now, ICBS is not the norm for these institutions. Indeed, it may be an entirely new and different kind of security to them. Protection of “vital national assets” by public security forces is a long held tenet of policy; adherence to the Voluntary Principles is not. The need for regular reinforcement of ICBS is compounded by the high turnover rate among both police and TNI commanders and personnel in Papua. Even a one year lapse in training could lead to half of the key personnel being unfamiliar with ICBS principles.²¹ This is why the agreement with the police – the JUKLAP-PAMBERS – requires an annual joint training exercise to provide field experience and table top coordination on how to respond to a security threat, such as a protest or demonstration. The joint training exercises directly include BP, private security and the Papuan police. It has been recommended that both local TNI and NGOs function as observers, which they have done. This training exercise was cancelled in 2011, apparently because of the unrest in Papua. Cancellation is not a good precedent; this should be avoided in the future if at all possible.²² BP should work with the *Kapolda* and the *Pangdam* every year to find a time to conduct this training. If other activities are taking priority, BP should work to schedule a more limited joint exercise. But the familiarity of the security forces with the concepts and procedures

²¹ The relatively new *Kapolres*—the police commander in Bintuni Bay— has not been inside the fence at Tangguh and was not familiar with any plans for the joint training exercise. He commented that there could be better communication between the police and private security.

²² When the TIAP visit took place, the 2012 joint exercise was planned for November.

of ICBS is central to its working properly in the throes of an emergency, when much can go wrong.

An equally important element of ICBS and the JUKLAP-PAMBERS is the human rights training it requires for security personnel who may be involved in Tangguh security. This is critical training in principles such as respect for the rights of individuals, the right of peaceful assembly, and the appropriate use of force. These concepts are not necessarily familiar to these young police and TNI troops. Training of police is required by the JUKLAP-PAMBERS; training of TNI personnel has been recommended by TIAP and agreed to by previous TNI commands. This training must be a continuous cycle, regularly provided to any police and TNI personnel who may be called upon in an emergency. BP takes these training obligations seriously and training of these personnel was conducted during the past year. BP has adopted a “train the trainer” approach, which uses trained police to train other personnel. While this may be efficient, the training can become diluted or outdated over time. It is important that the program be refreshed periodically with human rights professionals. BP should periodically seek to involve the International Committee of the Red Cross (“ICRC”) in this human rights training, which had begun the training initially, or others working with or recommended by the U.S. Department of Justice’s International Criminal Investigative Training Assistant Program (“ICITAP”) office, which provided some of the funding for the program.

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.**
- 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 offer human**

rights training to any police, TNI or private security personnel being used as security forces.

- 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.**
- 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.**

V. Government and Public Affairs

One issue that arose repeatedly during TIAP's meetings is the need for BP to increase its government affairs and public information activities. The need to do so was mentioned as a priority *sua sponte* by a large number of senior officials, including Ministers, both at the national and regional level. It is understandable that many in government are not specifically aware of Tangguh and its programs; but it is unacceptable that many senior officials in Jakarta with responsibilities covering aspects of Tangguh are totally unaware of programs and benefits flowing to nearby residents and to Papuans generally. This is particularly important and unfortunate because some of these officials are charged with implementing policies that demonstrate benefits for Papuans.

A similar deficiency exists at the regional level, which may be even more perilous. BP has focused its government affairs activities at the *kabupaten* level, and has successfully developed and maintained an excellent working relationship with the *Bupati* and his administration. But it has not developed effective relationships with the Papua Barat government, despite the fact that Tangguh has been under the jurisdiction of Papua Barat since 2004. TIAP has on multiple occasions called on BP to establish and increase its government liaison function in Manokwari. Yet, BP has not effectively kept the Governor and other

provincial officials fully informed on a regular basis of developments at Tangguh. This can be addressed in several ways: first, by establishing a more fully staffed liaison office in Manokwari, with BP personnel who know the Governor and can meet with him and other relevant officials on a more regular basis; second, by ensuring that senior BP officials in Indonesia undertake periodic visits to Manokwari to brief the Governor, DPRD leaders and the MRP and receive their feedback; third, by inviting the Governor and senior DPRD leaders to visit Tangguh; and fourth, by arranging briefings for the Governor by senior BP officials when he is in Jakarta.

It is important that the elected Governor of the province be aware of Tangguh activity and supportive if at all possible. Without full knowledge, the Governor cannot speak to others, both in the province and in Jakarta, about BP's programs and accomplishments. This capacity is particularly important because so few people in the GOI visit Papua at all and because government restrictions limit information flow from Papua.

Because Papua is so far from and so different than Java and much of the rest of Indonesia, few senior officials personally follow specific activities there. Much of the news in Jakarta relating to Papua is negative, focusing either on separatist attacks or on security forces violence, or on difficulties faced by Freeport at its Grasberg mine. Over the past few years, the limited news relating to Tangguh often deals with the need for renegotiation of the LNG contract with China, which is generally characterized as a financial loss for Indonesia. These articles imply that Tangguh is a loss for Indonesia. More recently, there have been stories about whether Tangguh LNG from Train 3 should be reserved for domestic uses, another theme that implies that Tangguh LNG benefits other countries more than Indonesia.

Thus, it is important that this news vacuum and these negative themes be countered with actual facts relating to how Tangguh benefits Papua and Indonesia. These facts can best be

conveyed by increasing liaison activity with senior government officials and by increasing public affairs and media activities. Both functions can increase recognition of Tangguh as a national asset and understanding of its social programs and their benefits to Papuans. In addition, BP should invite Ministers or other senior officials whose jurisdiction relates to Tangguh to visit the LNG site. Although such visits require much time and effort by BP, there is no better way to increase understanding among policymakers.

Relatedly, Tangguh needs to be more visible as a leader in community development, locally, in Papua generally and nationally. Virtually every adult in Papua and most in Jakarta know that Freeport has had an extremely difficult time with security and community relations. Very few know that Tangguh has had a very different experience. This is not to suggest that BP take excessive credit for benefits or improvements; there is a balance. BP is a contractor and the GOI owns the Project. Government, at the appropriate level, should be given credit for successful programs in which it participates. But some recognition, probably in the name Tangguh rather than BP, is essential. Many senior officials suggested such steps.

TIAP has suggested previously that BP provide scholarships in the Tangguh name at UNIPA or other higher education institutions in Papua. This is the minimum that should be initiated.²³ BP also should increase its support of UNIPA in other ways that also could carry the Tangguh name, such as by supporting programs using UNIPA students or faculty for Tangguh projects, and by supporting the physical facilities of the school. BP may have made no commitments in the AMDAL for supporting Papua's few institutions of higher learning, but the opportunity to help elevate the one institution in Papua Barat with the best chance of providing

²³ These scholarships would be in addition to the 970 scholarships provided by the GOI to Papuans for study at science and technical schools throughout Indonesia.

quality higher education for Papuans, and to make clear that Tangguh is a principal part of its elevation, should be grasped.

BP provided technical support for the modern new hospital in Bintuni. But there is no public indication of any BP or Tangguh involvement at the hospital. And BP, along with PLN, is about to make possible the electrification of the DAVs and Bintuni, which will provide a major benefit to the local public. Unless BP takes some action to take responsibility for any of these benefits, few will know that they are a direct result of Tangguh.

One other way that BP can sustain its public relations activities is through enhanced public consultation. BP has been diligent about such consultation in the past, and recognizes the need to maintain dialogue with all its key stakeholders. This is particularly critical for those in the Bintuni Bay area, who are most directly affected by Tangguh. BP has in the past conducted an annual “stakeholders” meeting in Bintuni, with government, civil society and other interested persons. This is separate from and much broader than the meetings held by the community relations team in the DAVs to socialize ICBS and security issues. BP did not conduct such a meeting this past year. This is possibly because the Train 3 expansion proposal requires a lengthy series of public meetings dealing specifically with the expansion.²⁴ But the issues involved in expansion may be very different from those that would be raised in a regular stakeholders meeting. The stakeholders meeting should be held in Bintuni annually regardless of other public discussions taking place. BP should also consider an additional public meeting to be held in Manokwari. And all those who may have an interest in Tangguh should be invited, including those who may have been critical of the Project.

²⁴ See XI below.

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.**
- 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.**
- 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.**
- 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.**

VI. Programs for the DAVs and *Teluk Bintuni*

Apart from direct employment of residents, the way in which Tangguh most affects the DAVs and the Bintuni Bay area generally is through the Community Action Plans (“CAPs”) and the Integrated Social Program (“ISP”). Both are required by the AMDAL. These programs are fashioned and delivered by BP’s Community Relations Team, who are almost entirely Papuan and maintain an excellent rapport with villagers. ISP was redesigned in 2010 at the start of operations to focus on health, education, livelihood development, community relations and governance. In addition to the ISP, the CAPs provide about \$30,000/year to each of the DAVs to spend on their identified priorities. As a result of this structure, the CAPs program has had the subsidiary effect of encouraging each village to develop processes to reach consensus on funding

priorities and to integrate these processes with governmental funding programs (*e.g.*, *Musrenbang*). The CAPs have primarily funded village infrastructure improvements, including Mosque restoration, jetty and walkway improvements, rainwater collection and school renovations. The CAPs are set to expire in 2014. The current ISP will end in 2015, but will be renewed and revisited every five years through the entire period of operations.

a. Health

ISP has delivered material benefits to all the DAVs, primarily in health, education and livelihood. Both health and education services and outcomes have improved dramatically in the past decade. In health, TIAP has chronicled the decline in malaria prevalence in the DAVs, as well as major declines in diarrhea outbreaks, the major cause of child mortality.²⁵ Villagers are now more comfortable with deliveries attended by a trained midwife, with consequent gains in child and maternal mortality. Although the level of utilization varies, villages also are increasingly using medical services and modern medicine, including child immunizations, which has reached about 85% penetration.²⁶ Health care services in the villages have improved as a direct result of BP's Tangguh Health Care Unit ("THCU"), now run by a local foundation, the Yayasan Sosial Augustinus ("YSA"). This has installed health facilities and trained village health care workers in each village.

A setback in malaria prevalence took place in several of the south shore DAVs this year. This may have been the result of mobilization in these DAVs by another foreign oil company. This setback demonstrates the fragility of the gains. BP cannot prevent other companies from entering the area, but BP will be held responsible for adverse results. BP should work with YSA

²⁵ See TIAP's Seventh Report (Mar. 2009) at 34-35.

²⁶ Changes in public welfare indicators and satisfaction indices are compiled every two years in the census conducted by UGM, and published as "The Dynamic of Social and Economic Indicators in Teluk Bintuni Regency" [hereinafter UGM census]. See pp. 29-30 below.

to target for particular attention the specific villages that have an influx of foreign workers, both for malaria and for HIV.

As noted, the major health care development in the *kabupaten* is the construction and opening of a hospital in Bintuni. This is not the direct result of the ISP or any of the other BP programs. The Panel toured the hospital (with the *Bupati*) and met with doctors and staff. This is truly a dramatic improvement in medical facilities for the area. It includes modern labs, an emergency room and advanced medical equipment. It has attracted personnel who have come from other parts of Indonesia, including a group of young interns who will train there. The closest hospital previously was in Manokwari, at least a six hour car trip from Bintuni. BP provided some technical support for the new hospital, but there is no indication that BP or funds from Tangguh had anything to do with the new hospital. (There is also a good hospital in Timika, which is well known to be there because of the presence of Freeport.) It is important to the *kabupaten* that this hospital succeed. Revenues from Special Autonomy generally and from Tangguh specifically should make this possible. But because of its importance to the quality of health care of the area, BP should take a particular interest in the hospital, and, in consultation with the *Bupati*, provide targeted support to improve its capacity and help guarantee its success.²⁷

b. Education

Local gains in primary and secondary education are manifest, and are largely the result of the good work of BP's partner, British Council, along with the *kabupaten's* education department. Literacy in the villages has increased, with rates now ranging from 65% to 94%. School attendance for ages 6-12 has increased dramatically, although some villages remain

²⁷ Thus far, to support the new hospital, BP has started to use its services for medical check-ups (MCU) of BP and contractors' employees. Up to September 2012, 27 employees have taken their MCU at the Bintuni hospital and the number is targeted to increase to 70 employees per year.

above 20% for non-attendees.²⁸ High school graduation rates, for those attending, which had been about 66% in 2009, are now at or near 100% for the past two years. The *Bupati* has been recognized for these improvements. The Panel congratulates British Council and the local government for such a quick turnaround. But some with whom TIAP consulted believed the results were not credible; the gains were too far too quick, and surpassed graduation rates for some of the better schools in Java. Accordingly, TIAP would urge BP to work with British Council to create new benchmarks by monitoring the testing and/or developing other means to evaluate or audit the integrity of the results. Ultimately, it will be of little value to these students if the principal benefits of the education program are high test scores rather than educated students.²⁹

c. Economic and Community Development

In addition to the specific gains in health and education, livelihood programs for the DAVs together with employment related to Tangguh have led to substantial advances in both income levels and social welfare indicators. UGM has conducted a “census survey” of all the DAVs biennially since 2003 and, since 2009, a sample of non-DAVs. This provides the most accurate and objective measure of demographic, economic and social changes in the DAVs and now a comparison with similar villages not in the program. This census is indispensable to independent observers and should be continued every two years for the duration of Tangguh operations. The census of 2011 showed continuing increasing population as well as higher household incomes. Population in the (now) 13 DAVs³⁰ has increased about 80% since 2003, including an increase of 11% since 2009 to 11,251. Approximately 60% of the local population

²⁸ UGM Census, 2011.

²⁹ The Panel notes that questions regarding educational benefits from gains in standardized testing is an issue that exists in many parts of the world.

³⁰ Several of the DAVs have split into two or more villages since the initial designations were made in 2001.

is now indigenous Papuan, with more than 25% immigrant non-Papuan. In 2003, about 83% of the DAVs residents were indigenous Papuans.

Household income in the DAVs since 2003 has increased by an average of 186%, from a low of 84% growth (Onar) to a high of 274% (Otoweri).³¹ Since 2009, household incomes have continued to rise significantly in almost all of the DAVs by an average of 37%, from 17% to 111%. Incomes in one north shore DAV, Taroy, have declined by 11% since 2009, according to the census. (Of course, these results includes migrants, who earn much of the higher incomes). Numbers of people working in fisheries (703), agriculture (522) and small business and trades (584) have all increased since 2009, with fisheries providing 20% of total DAV income, agriculture providing 10%, and trades and business providing 26%. The largest contributor to DAV incomes is employment at Tangguh, providing 29% of the total.³²

Women in the DAVs are specifically benefitting from the women's empowerment and microenterprise activities supported by the CAPs. Women are growing fruits and vegetables, sewing clothing and earning income. The primary new source of outside income for the DAVs is the sale of fruits, vegetables, shrimp and fish to Tangguh catering, which totaled 261 tons grossing Rp. 6 billion in 2011 (approximately \$650,000). There are now eight separate stocking points in villages throughout the Bay providing these supplies. These are programs that can be sustained over the long term even though they rely on Tangguh for their start up. Once electricity is available in all the DAVs³³, these trade and business programs could be expanded to include production and sale of more finished products, possibly in partnership with others in Bintuni Bay. This will become more viable if the *Bupati*'s plan to develop an integrated transportation system in Bintuni Bay succeeds. This plan will encourage the mobilization of

³¹ The original census in 2003 only included seven DAVs; the RAVs were not included.

³² See Appendix III.

³³ See VI(e) below.

products, services and people. BP should look for ways to support the *Bupati*'s plan, as a way to capture additions to the value chain in the DAVs. These programs should be continued and expanded to all the DAVs and, if possible, to other villages in the *kabupaten*.

To augment the ISP and CAPs, the Bintuni Bay Development Foundation (“BBDF”) was created in 2007 to address imbalances in the physical development between north and south shore communities.³⁴ It is a partnership between BP and the local government. The memorandum of understanding (“MOU”) under which it was created will expire on December 31, 2012. An evaluation is being done of its achievements, benefits, and effectiveness and a list of possible future activities. BBDF is constrained by a lack of funding and limited institutional capacity.

The BBDF is specifically designed to address public facilities and infrastructure needs of north shore villages. The *Bupati* is an instrumental part of the management of the BBDF. The BBDF has supported some new public facilities in north shore villages. In 2011, 41 public infrastructure and non-infrastructure projects were awarded. The projects included classrooms, public toilets, libraries, teachers' houses, and other public buildings. As of December 2011, the Foundation had received total donations from BP Tangguh of Rp. 10.5 billion (about \$1.1 million). About 81% of this funding was allocated for public infrastructure development.³⁵ These are useful improvements. But more needs to be done. BBDF has not yet sufficiently reduced the disparities in infrastructure between villages on the north and south shores. These differences are apparent and are the source of tension and discontent among some north shore

³⁴ The LARAP mandated the establishment of another foundation, known as the Dimaga Foundation, specifically to recognize RAV residents for providing the land for Tangguh. The Foundation has been established and endowed, and disbursements are ongoing. But the Dimaga Foundation provides no benefit to the other DAVs. See TIAP's Sixth Report (Mar. 2008) at 26.

³⁵ Annual report and financial statement of Yayasan Pengembangan Teluk Bintuni (Bintuni Bay Development Foundation) for 2011.

leaders. This tension is a direct result of Tangguh and its programs; therefore, BP should continue to address the imbalance as a priority. The *Bupati* has called for the establishment of a trust fund to support development in Bintuni Bay. BP should work with the *Bupati* to renew and revitalize the BBDF, including finding a way to increase the capitalization of the BBDF, possibly through establishment of a trust fund, and to extend it for an additional five year term.

d. DAV Public Welfare

Over the past five years, the UGM census has also tracked welfare indicators and satisfaction levels. It creates a “welfare index” measuring the success of development composed of three indices: education, health and economics. The combined index rose from 59.27 in 2007 to 66.04 in 2009 to 72.12 in 2011.³⁶ In 2011, UGM concluded: “[i]nterventions related to processing of fishery products, the provision of skills and mentoring small industries, modern agricultural systems, and the opportunity to work in the Tangguh LNG and its partners have resulted in the significant improvement of public welfare. The improvement of living standards objectively can be seen through the welfare index.”³⁷

The UGM census also measures community satisfaction, both regarding quality of facilities and social services rendered by the government. With a few exceptions, satisfaction with physical infrastructure was “quite high,” with an average of 0.73.³⁸ Public satisfaction with social care (health, education, economic improvement and safety) was lower, only 0.65, with several villages registering levels below 0.50. When specifically asked about programs carried out by Tangguh and government, the average was only 0.65. Thus, despite the improvements in

³⁶ Health and education indicators that are included in this measure include: malaria prevalence, which was down to 0.34% in 2011 from 0.86% in 2009; children’s immunization, which rose from 83.5% in 2009 to 85% in 2011; average years-in-school, which increased from 4.8 years in 2009 to 6.8 in 2011; enrollment of primary school students, which rose from 96.4% in 2009 to 99.6%; and the literacy rate, which is up to 83.9% from 79.9 in 2009.

³⁷ Tables from the census comparing these measures from 2009 to 2011 are included in Appendix IV.

³⁸ The villages with the lowest satisfaction index were Ekam and Tomu (north shore DAVs), and Onar (an RAV on the south shore). UGM commented: “[s]everal programs that have been done [in those villages] were not effective. The three villages appeared to ‘own’ worse facilities.”

social services and livelihoods, many villagers do not believe their lives are materially better as a result of Tangguh. Remarkably, the two highest levels of satisfaction on this measure were the north shore villages of Weriagar and Mogotira.

e. DAV Electrification

Importantly, all the DAVs will soon have electricity. At long last, BP, together with the national electric service provider PLN, is moving to provide electricity to all DAVs and the town of Bintuni. This is possible because Tangguh's electricity demands at full capacity now can be accurately measured, and electricity not required to operate the plant can be made available. The Bintuni Bay Electrification Project will use 8MW of this capacity from Tangguh to provide 24/7 power to Bintuni town and all the DAVs. (The RAVs already have six hours/day of electricity from diesel generators, and all DAVs have scattered households and businesses with diesel powered service. Much of Bintuni town also has diesel powered electricity). This amount of power may permit electrification of other areas in the *kabupaten*. BP will construct facilities within the fence and send the electricity to a PLN dispatching center outside. PLN will install subsea cables and distribution lines to all DAVs. The project is strongly supported by Lt. General (ret.) Darmono, the head of UP4B.

Issues remain about the price of the electricity and how to ensure payment.³⁹ BP and PLN are firm that the power cannot be free. The project could be completed promptly, since many of the power lines are already installed, and subsea cabling has been stockpiled in Bintuni. Once effective, this will be a significant infrastructure improvement for all the villages that it serves. It may alter opinions of Tangguh from some who doubt its benefits to the area.⁴⁰ It

³⁹ PLN now supplies electricity to about 70% of Indonesia's households. The price is subsidized for all small users.

⁴⁰ The Speaker of the DPRD focused on the benefits of electricity for the *kabupaten* and for all of Papua Barat. He complained that there are bright lights at Tangguh, but darkness all around it in Bintuni Bay.

should be made known throughout the *kabupaten* that Tangguh is supplying electricity to the area. BP should work with PLN to make electrification operational as soon as possible.

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.**
- 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.**
- 3. BP should work with 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.**
- 4. BP should look for opportunities in its microenterprise and procurement programs to capture additions to the value chain for businesses in Bintuni Bay, and should support the *Bupati's* initiative for an integrated transportation system as one way to secure these opportunities.**
- 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.**
- 6. BP should work with the *Bupati* to extend and recapitalize the Bintuni Bay Development Foundation so that it becomes sustainable, possibly by establishing a trust fund to support it and other *adat* needs of the community.**
- 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.**

VII. Employment and Training of Papuans

One of the most important benefits that Tangguh brings to Papua is the opportunities that come from employment and advancement in a modern industrial facility. Papuan leaders continue to express the important role Tangguh can play in elevating Papuan workers to higher levels of skills and capabilities. It is the vision of some leaders that Papuans trained at Tangguh

will one day not only run Tangguh, but will also be managers and operators of facilities throughout the world. BP has taken seriously its AMDAL commitments regarding employment and training of Papuans. It has established a Papuan Development Committee, previously recommended by TIAP, that has the attention of management and is working actively to meet recruitment and retention targets. Currently, including contractors, Tangguh has 54% Papuan employees (out of a total of about 3,400 workers). This must increase to 85% by 2029, including 100% of all workers who are not supervisory and skilled. BP is ahead of plan for total Papuan employees, which targets 46% in 2012. However, there should be no complacency, because gains will be increasingly difficult.

In fact, some current achievements may be jeopardized by BP's review of risk management, which could result in a reduction in workers at the LNG site that could include workers from the DAVs. Risk management requires BP to limit workers on site to those needed for onsite activities. This People on Board ("POB") determination involves a review of capacity of staff and workers at all levels, organization structure, and the effectiveness of human resources and efficiency of processes that may increase safety risks. The number of POB relates directly to the limitations on evacuation capacity for onsite workers in an emergency. This initiative has been perceived by some as having the objective of reducing the workforce at site, even though this is not the stated objective intended by Tangguh management. As a result, there is a concern that this initiative could impact workers from the DAVs who are mostly at the lower skill level. If it does, this action could have serious short-term adverse impact on local feelings toward Tangguh. BP should seek to maintain employment for all DAV workers even if the work of some may move to locations outside the fence. And it should communicate this intention to all potentially relocated workers. If, as a result of the risk reduction effort, BP is forced to

reduce the number of local workers at the LNG facility, it should do whatever is possible to provide these workers with employment outside the fence, such as by providing services to Tangguh. If any lay-off results, all affected workers should be provided with a severance payment and all Papuan workers should be given a priority place for any possible rehiring.

BP is also at or ahead of plan for its Papuan technically skilled and supervisory positions. There are currently 24% Papuans in skilled jobs and 16% in managerial/supervisory positions. This is a significant improvement over 2009 levels. But there is a long way to go: commitments require 78% skilled and 33% supervisory by 2029. Continuing to increase these percentages every year is one of the most difficult challenges facing BP, but one of the most critical to meet. Currently, BP is running an effective recruitment, retention and advancement program for these skilled Papuans. Six “batches” of Papuan technicians and operators, currently totaling 136 staff, who are graduates of university and technical schools, have been recruited in the past three years. From the first batch, all 24 operators have been promoted from BP’s employee classification entry level K to level J or above and 23 are now supervisors or team leaders.

Equally important, BP has begun to enforce Papuan employee targets on its contractors. Five apprentice “batches” totaling 73 apprentices have been recruited for a six month on-the-job training where these apprentices can then be hired to work with contractors or BP. 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.

These are good results. These programs must continue to receive the attention and support of management. The Panel witnessed some of these skilled Papuans at work in the Master Control Room, and again met with a large group. The Panel is impressed by their determination, work ethic and Papuan pride. They dream of one day running Tangguh. Many

are taking the English language training offered by BP, which is essential for rising to the higher level positions. BP should continue to offer these classes, and try to accommodate the very long work schedules that these technicians and specialists must meet.

Separately, there is ambiguity and potential conflict in these numbers, because of the different ways in which an individual can be counted as a Papuan.⁴¹ Workers may be counted as Papuans if they are married to a Papuan or if they were born in and have lived in Papua for at least 10 years. Indeed, the percentage of ethnic Papuans in the workforce has not increased since 2009. There is concern among some Papuan employees that BP and its contractors are recruiting non-ethnic Papuans, particularly for the technically skilled jobs. The Panel will not wade into the controversy over the proper definition of “Papuan,” but because of its importance to the region, BP’s Papuan Development Committee and its recruiters must take pains to recruit and advance as large a portion of ethnic Papuans as possible, even though this may be more difficult. A particular focus should be applied to Papuans from the Bintuni Bay area. These “Bintunians”⁴² should be provided the first opportunities and, where possible, should be offered training to qualify for available jobs. There should also be a specific effort to offer training to those current Papuan employees who show an aptitude and a motivation to attain higher skill levels. For example, many security guards could move up to more skilled and responsible jobs. These affirmative actions will increase and sustain Papuan employment at Tangguh. Going forward, BP should also focus its technical training recruiting on ethnic Papuans and encourage its contractors to do the same. It will be of little benefit to Papua or BP if the success of its Papuan employment and training program is undermined by questions about its integrity or accuracy.

⁴¹ See TIAP’s First Report on Operations (Jan. 2011) at 20.

⁴² The seven tribes living in Bintuni Bay are Wamesa, Iraputu, Soub, Sebyar, Kuri, Moskona, and Simuri.

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.**
- 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.**
- 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.**

VIII. Governance and Transparency

TIAP cannot overemphasize the importance of BP's support for stronger local government and civil society. As the Panel said previously: "[t]he inevitable need to have government take charge of all social programs, the clear benefit of this occurring at the earliest possible time, and the large increase in local revenues that will result from Tangguh all put a premium on effective governance."⁴³ Clearly, this is still the case. The only change is that this need has become more urgent. Progress is being made, but much more needs to be done. BP – by far the largest foreign investor in Papua Barat – must play a major role in building effective governance at both the local and provincial levels.

Since 2009, BP partner The Center for Population and Policy Studies at UGM, has been charged with the governance program in Bintuni and the villages. UGM has focused its efforts on five agencies in the *kabupaten* government (education and sports; health; agriculture; marine and fisheries; and planning and development) and with the local legislature (DPRD). It has paid

⁴³ See TIAP's Sixth Report (Mar. 2009) at 28, and TIAP's First Report on Operations (Jan. 2011) at 29.

particular attention to spatial planning and medium-term development planning. UGM believes that the *kabupaten* government has improved its budgeting, planning procedures and human capacity. It claims similar outcomes in the DPRD, particularly in the budgeting and staff functions. But UGM acknowledges that, even with these improvements, *Teluk Bintuni* would still fall at the bottom of the list of capacities for all *kabupaten* governments.⁴⁴ Unlike previous governance partners, UGM's efforts are fully endorsed by the *Bupati*, who welcomes this support. Capacity development for the government of *Teluk Bintuni* presents enormous challenges and requires a long-term commitment. UGM activities, or a comparable level of support, must be continued. UGM's governance program for *kabupaten* and district level governance expired in September 2012 and is currently being tendered in accordance to GOI regulations, while the UGM contract for regency level governance is still valid until December 2012. TIAP fully endorses continuing this program with UGM or a new implementing partner.

One area on which UGM or its successor must focus is transparency and its reverse side, corruption (the "controlling function"). Good governance is predicated upon transparent government. This is an area UGM acknowledges is a problem that will be difficult to resolve without a strong civil society and media, sectors that are virtually non-existent in Bintuni Bay. Nonetheless, progress has been made, and further progress is essential in the face of the need to administer large amounts of revenue. BP can contribute to these important goals which will reflect directly on Tangguh.

There is also great need for support of Papua Barat, particularly as it relates to transparency. BP has made *Teluk Bintuni* and its villages the primary target of its governance support. This is understandable. However, the province of Papua Barat, which was also only

⁴⁴ This should be no surprise, since the *kabupaten* was only formed in 2004 and had its first election of a *Bupati* in 2006.

created in 2004, merits greater attention. The provincial government has substantial jurisdiction over Tangguh social programs, it will be the recipient and have significant control of a large portion of Tangguh revenues. Tangguh's reputation will be judged, in part, on outcomes in the province. Thus far, despite previous TIAP recommendations, BP has done little to develop the capacity of the province. Over the past two years, BP partner Media Cipta Citra ("MCC") has conducted several seminars and workshops on the oil and gas industry and on transparency for Papua Barat officials and stakeholders. But even with these efforts, the level of transparency in the province's fiscal affairs is so low that the national agency empowered to audit the province's books – the Indonesia Audit Board ("BPK") – cannot do so.

The Panel is confident that greater levels of transparency in both the province and the *kabupaten* are achievable. In recent years, Indonesia has made significant strides toward greater transparency. Based upon a presidential instruction, Indonesia has become a nominated country under the Extractive Industries Transparency Initiative ("EITI"). The Ministry of Economic Affairs has formed a transparency team to seek full compliance in 2013. (It is not clear whether Indonesia will achieve full compliance, although much of the reason is lack of reporting by mining companies, rather than oil and gas companies). Indonesia's report to EITI will break down revenues by specific project. Separately, the Ministry of Finance is publishing data that details revenues going to each province and each *kabupaten* by specific oil and gas project. This data is very helpful to understand the flows of revenues to Papua Barat and *Teluk Bintuni*, both overall and specifically from Tangguh.

However, allocation and spending of these revenues is much more difficult to track. BPK is an independent agency of the GOI that is charged with transparency and accountability of government at all levels. It focuses much of its attention on agencies of the GOI (such as

BPMigas) and audits oil and gas companies for data on liftings and for compliance with cost recovery rules. This is very useful to ensure accountability at the national level. BPK also seeks to audit all provinces and *kabupatens*, but both Papua Barat and *Teluk Bintuni* have such a low level of transparency at this time that the audit in these jurisdictions has a “disclaimer” status, which is the lowest level of audit. (There are a total of 524 local audits. Approximately 20% of the *kabupaten* audits are disclaimer status; only 10% are the highest level of “unqualified”). Thus, it is not possible to track expenditures or assets of either jurisdiction. Because of the inadequate accountability, BPK “could not apply audit procedures to obtain reasonable assurance about the fairness of the financial statements.”⁴⁵

Transparency and accountability would be much improved if BPK could more fully review the assets and expenditures of these jurisdictions. A dramatic increase in the quality of the financial statements of either jurisdiction would be recognized as impressive throughout Indonesia. The *Bupati* and the Governor would be lauded for such an achievement. This is a long-term goal that BP, through its partners, should work to accomplish. It would certainly reflect well on Tangguh, as a model for improving governance through development.

This may not be realistic in the near term. But continuing support to improve the level of accountability is realistic, and should be increased, using either UGM or other partners. Separately, BP should explore the possibility of working with the World Bank to conduct an expenditure analysis. This would not constitute an official audit, and would require the cooperation of the Governor and the *Bupati* (in their respective jurisdictions). But it could provide a better accounting of these budgets, and it could focus attention on the uses of Special

⁴⁵ Audit Report on West Bintuni Bay Regency Administration 2010 Fiscal Year Statements.

Autonomy funds and Tangguh revenues.⁴⁶ BP should consult with the World Bank whether such an analysis of Papua Barat and/or *Teluk Bintuni* is viable given the current levels of transparency (of course, the analysis also could include other *kabupatens* in the province). If the World Bank concludes it would be useful, BP should discuss it with the Governor and the *Bupati*, and support such a study if these leaders request it. Although the Panel does not suggest this as an annual exercise, 2012 would be an ideal time to gather a baseline on these budgets, in advance of the large influx of revenues that will soon begin to flow from Tangguh.

Recommendations: Governance and Transparency

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

IX. Revenue Management

Effective management and accountability of the substantial revenues from Tangguh that will flow to Papua Barat province and *Teluk Bintuni kabupaten* should continue to be one of BP's primary focuses. Given the limited governmental capacity, and the inexperience in handling large amounts of revenue, the potential for mismanagement is high. In previous reports, TIAP has opined that this is an important issue to prepare for in the future. But the future is now. Next year, for the first time, substantial revenues derived from the "revenue split" from Tangguh will commence.⁴⁷

⁴⁶ The World Bank conducted such an analysis for all of Papua in 2005, with the full cooperation of then Governor Solossa. See TIAP's Fifth Report (Mar. 2007) at 34.

⁴⁷ The cascading order or waterfall by which the oil and gas revenues are disbursed is governed by a complex formula. The province and the producing *kabupaten* have received some revenues since production began in 2009, from taxes and customs duties that are disbursed before cost recovery. *Teluk Bintuni* has received about \$3 million

The revenues from Tangguh are only a portion of the total transfers from the GOI to Papua Barat and *Teluk Bintuni* that must be managed under Special Autonomy. From 2001 until 2008, these transfers were all made to and through Papua province, and increased dramatically. Total transfers increased from Rp. 3.3 trillion in 2001 to about Rp. 25.8 trillion in 2009. In FY 2010, Papua Barat province directly received Rp. 7.9 trillion (about \$800 million). These amounts are principally from the Balancing Fund (“*Dana Perimbangan*”), which controls fiscal transfers under regional autonomy to all provinces, and from the Special Autonomy Fund (“*Dana Otsus*”), which is specific to the Papua provinces and requires 80% for health and education and the remainder for infrastructure. These transfers, even before Tangguh revenues begin, are higher per capita levels than to any of Indonesia’s 31 other provinces.⁴⁸

a. Special Autonomy Natural Resource Revenue Split

All provinces and districts/cities in a province receive a portion of the revenue derived from natural resource projects in their jurisdictions. But under Special Autonomy, revenues from natural resource projects in Papua province and Papua Barat provide the producing province and its *kabupatens/kotas* with a special enhanced revenue split. Natural gas and oil revenues, after taxes and cost recovery, are split 70% for the province and its jurisdictions and 30% to the central government.⁴⁹ For natural gas, of the 70% portion going to the province, 30% (of the total revenues) is split by a fixed formula – 6% to the province, 12% to the producing

in such taxes and duties in 2010 and 2011. But the main source of revenue derives from the 70%/30% split of government receipts that is disbursed only after taxes are paid and much of the cost recovered expenses are reimbursed.

⁴⁸ The World Bank, in a presentation to TIAP in 2009, estimated that total transfers in West Papua at that point amounted to about Rp. 9 trillion (\$900 per person). See TIAP’s Seventh Report (Mar. 2009) at 17. The budget of *Teluk Bintuni*, in 2010, which is largely from GOI fiscal transfers, was approximately Rp. 757 billion (including the beginning of revenue sharing from oil and gas). Despite these large transfers, Papua Province and Papua Barat remain Indonesia’s two poorest provinces, with 32% of its people below the poverty line, and *Teluk Bintuni* is one of Papua Barat’s poorest *kabupatens*.

⁴⁹ For natural gas, this is the reverse of the regular provincial split of 30%/70%; for oil, the regular split is 15%/85%. These special formulas are in effect for 25 years after enactment of Special Autonomy, until 2027, after which the share reverts to 50%.

kabupaten, and 12% to all the other *kabupatens/kotas* in the province. The remaining 40% is allocated to the province and must be implemented by a special regulation (*perdasus*) issued by the province and approved by the GOI.⁵⁰

This *perdasus* has not yet been issued and is the subject of considerable debate. A draft is currently being circulated. Issuance of the *perdasus* on revenue split in Papua Barat was not a priority before there were Tangguh revenues to split.⁵¹ But now tax and customs revenues have begun to flow and, beginning in 2013, the revenue split will begin to cascade very substantial revenues to the province and to *Teluk Bintuni*.⁵² The Ministry of Finance (“MOF”) estimates that the provincial split (70%) will amount to Rp. 237 billion in 2013 and Rp. 577 billion in 2014 (approximately \$60 million). These revenues will likely continue to increase until cost recovery is completed, after which revenues would plateau. TIAP has previously estimated this would take place in 2017. The actual level of revenues is unpredictable because it is tied to the price of the LNG which relates to the future price of oil. If these revenues are to be used effectively, and possibly even if they are to be provided by the GOI to Papua Barat at all, issuance and approval of a *perdasus* must be a priority now.⁵³

b. Implementing Regulation (*Perdasus*)

Unfortunately, although there has been much debate, and considerable progress, there is still no certainty about how the revenues will be allocated, or for what specific purposes they will be spent. This is primarily the job of the provincial government, which must issue the *perdasus*. The Governor, together with the DPRD and the Papua Barat MRP, have principal responsibility, but the *Bupati* (and possibly other *Bupatis* in the province) also have input to the process. The

⁵⁰ A chart depicting this flow of revenue is included in Appendix V.

⁵¹ It was not clear legally until 2008 that Papua Barat was entitled to the same special revenue split as Papua province.

⁵² Already, taxes and customs duties from Tangguh represent significant portions of total revenue to *Teluk Bintuni*.

⁵³ Senior officials of the GOI suggested that these revenues cannot be distributed until the *perdasus* is issued.

Ministry of Home Affairs and other senior officials indicated that the GOI would respect the consensus decision of the parties in the province, but could not impose a solution on the province. The Panel is hopeful that this will be the case. BP, through its partner UGM, has advised the *Bupati* regarding the issues involved and begun to suggest alternative approaches. It has also facilitated a meeting between the MOF, the *Bupati*, and the head of the Papua Barat DPRD to help explain the revenue transfer issues. This is very helpful, and needs to be sustained. BP should expand this effort as a priority of its governance program. Given the limited legislative/regulatory drafting capacity of the parties involved, BP could (through UGM or another qualified partner) suggest ways that the impasse can be resolved. Taking care not to take sides or alienate any of the parties, BP also should provide support to the Governor, the DPRD in Manokwari and the MRP, in their efforts to reach a consensus promptly that fairly addresses all the interests involved.

c. *Adat* Ownership Claims

One important issue that should be addressed in the *perdasus* is the *adat* land ownership claims related to Tangguh. The Panel met with each of the parties in Manokwari that must approve the *perdasus*: the Governor, the DPRD and the MRP. Without exception, all emphasized the need to address legitimate *adat* rights. This was also emphasized by the *Bupati* and by local villagers. Senior officials in the GOI also pointed out the need to deal with *adat* claims. And NGOs underlined the need to establish a best practices precedent for *adat* claims in natural resource projects. Although many expect BP to provide this compensation, *adat* claims cannot be addressed by BP, which is a contractor to the GOI. *Adat* compensation of Rp. 6 billion was paid to the *Bupati* and tribal leaders in Bintuni Bay in 2010, but all parties seem to agree that this payment does not satisfy the entire claim. *Adat* claims relating to Tangguh can be and

should be addressed as part of the *perdasus* governing the revenue split from Tangguh. These rights are directly related to Tangguh's use of the tribal land, and the revenues are the direct result of Tangguh production.

BP should, through its implementing partners, encourage the parties to include requirements in the *perdasus* that *adat* claims be resolved using natural resource revenues from Tangguh. If agreement on an amount is not possible, this opportunity should be used to establish a process for determining these claims and a mechanism for distributing these payments.

d. Transparency in Revenue Split

Transparency and accountability also should be a part of the *perdasus*, as they should be in the administration of all other government funds. The draft *perdasus* includes a one sentence "chapter" on accountability and reporting. It states "[t]he accounting for and reporting of a financial statement of funds from oil and gas production sharing and special autonomy funds by the Provincial Administration to the Government proceeds in accordance with applicable laws and regulations." Given the low level of transparency that now exists in both Papua Barat and *Teluk Bintuni*, and the inability of BPK to audit either jurisdiction without a "disclaimer" status, the *perdasus* provides a rare opportunity to improve transparency.

BP should, as part of its governance support efforts, encourage the parties to include requirements that the revenues from Tangguh and Special Autonomy be fully accounted for and reported by both the Papua Barat government and by the producing *kabupaten* at a level that can be audited. BPK would surely assist in this effort. In addition to the obvious benefit that transparency affords good governance, it would also foster a better understanding of the benefits provided by Tangguh. The programs and projects that are made possible by revenues from Tangguh should be known by the people of the region. Accomplishing this goal will not be easy,

and it may take time, but at least a start toward transparency in the *perdasus* would be very helpful. Such accountability would help to avoid lack of control over the use of these revenues and some of the mismanagement and ill effects that can come to a jurisdiction from the sudden increase in revenues from oil and gas.

Recommendations: Revenue Management

- 1. BP should support the provincial government, as it has the *kabupaten* government, in drafting a *perdasus* that fairly addresses the interests of all parties.**
- 2. BP should encourage the parties to include a provision relating to payment of *adat* ownership claims in the *perdasus*.**
- 3. BP should encourage the parties to include measures in the *perdasus* that guarantee greater transparency and accountability for the funds being allocated.**

X. Environment

TIAP will not review Tangguh environmental performance in detail. This is within the scope of the Lenders External Panel, which monitors AMDAL environmental compliance annually and publishes its reports on the ADB website. In addition, the Ministry of Environment (“MOE”) annually reviews Tangguh compliance and in 2012 instituted a new national audit program (known as “*Proper*”). TIAP will review environmental issues only as they affect the overall social fabric and culture of the indigenous people of Bintuni Bay and the reputation of BP.

The Minister of Environment (the only Papuan in the Cabinet) was pleased with BP’s environmental performance. The MOE has established a new five level color coded ranking system for environmental performance (*Proper*), and the Minister expected Tangguh to receive a green status: the highest annual category. However, after a thorough evaluation by MOE officials and several discussions, Tangguh was placed in the blue compliance category for 2012,

one level below green, because of a single deficiency. There must be 100% compliance to reach green status. This is unfortunate. However, this is the first time that Tangguh was audited by MOE under *Proper*. Greater care should be taken in coming years to avoid any deficiencies. In order to reach gold status, a facility must place green for three years in a row. This is a goal BP must aspire to if Tangguh is to be viewed as a model for global development. With the care and attention to compliance that BP seems to maintain, this should be attainable. The Minister was more concerned about social issues, including *adat* claims, and the need for local people to feel a sense of ownership and partnership with Tangguh. He also stressed the need for environmental/social issues to be included in plans for further development.

Remarkably, there are no Papuan NGOs focusing on Tangguh's environmental performance. National NGOs that focus on the environment expressed great frustration with their limited access to Papua and limited funds. They are primarily concerned with the many demands on resources in the area, including oil and gas, mining, forestry and palm oil. Because there is no holistic or overall plan, there are conflicts and haphazard changes in land use, without the real consent of the local people. They pointed out that there is no best practices model for *adat* compensation. They are worried about what the area will be like when the gas is no longer flowing.

These are legitimate concerns. BP can address them in at least two ways: first, one of the focuses of BP's capacity development support for the *kabupaten* government is spatial and strategic planning. As long as this continues, and achieves some success, the chances of conflicting and haphazard development are much reduced; and second, if BP can encourage the parties to include *adat* compensation in the plan for revenue sharing, it will have established a precedent for all future extractive industry projects in the province.

Now that operations are underway, BP has developed an Environmental Management System and a series of Environmental Standard Operating Procedures (“SOPs”). It has attained ISO 14001 certification for these systems, which was its goal. The Panel saw every indication that these SOPs are being adhered to closely. The single significant environmental compliance issue on site, relating to the adequacy of the wastewater treatment systems, has now been resolved. Up to this point, there is no evidence of adverse impact from Tangguh operations on the surrounding environment, particularly the fish and crab stocks of Bintuni Bay and the surrounding mangrove forests. But protection of these resources must not only be attained; it must also be demonstrated. Thus, it is important that these resources be continually tested and evaluated. BP, partnering with local universities UNIPA and the Bogor Institute of Agriculture (“IPB”), conducted a fishery baseline study of resources in Bintuni Bay in 2004 with UNIPA and follow up studies in 2007 and 2009 with IPB. These have both been shared with local and GOI officials. It is important to continue this monitoring as long as operations continue, of fish, shrimp and crab stocks and of possible contaminants, even if this goes beyond the specific legal obligations in the AMDAL.

Recommendations: Environment

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

XI. Tangguh Expansion

BP and its partners have announced a planned expansion of Tangguh. The expansion will include a third train for LNG processing, new jetties for construction and LNG tankers, new offshore platforms and production wells, subsea pipelines and various supporting facilities, including a possible airstrip at the LNG site. The expansion was announced in Jakarta and Papua newspapers on May 12, 2012. The project will bring at least 7,000 temporary new workers to Bintuni Bay. As part of the AMDAL process, BP, BPMigas and local government officials are conducting public consultation meetings in 17 locations covering 62 villages and towns throughout the affected regencies and in Manokwari. Consultations will involve people from the tribes in the region: the Sebyar (north shore), Sumuri and Irarutu (south shore) and Mbaham (west in Berau Bay). This process will result in a new AMDAL with potentially new social and environmental obligations. The expansion project provides BP with a timely opportunity to address indigenous peoples' concerns with the existing AMDAL or its implementation, and correct deficiencies or imbalances in the original programs. BP should utilize this opportunity.

TIAP will not prejudge the aspirations or concerns that may be expressed by members of the public. But one area that merits specific attention is the housing and infrastructure of the north shore DAVs. Over the past decade, the CAPs and the ISP activities in the DAVs have upgraded the health and education services, initiated programs for women's empowerment and livelihood development, and provided funds for modest infrastructure improvements (principally Mosques, walkways and jetties).⁵⁴ But, unlike the RAVs on the south shore, where the houses were newly built or renovated as part of resettlement, the basic housing stock and the fundamental infrastructure of the north shore villages have not changed materially. Whether

⁵⁴ See pp. 23-24 above.

done in the context of satisfaction of specific north shore *adat* claims or more generally to rectify the perceived imbalance in benefits provided thus far, BP should address claims of fairness by north shore villages as part of the expansion.

A second area that should be addressed is local employment. The original AMDAL required BP to offer a job to each household in each of the DAVs. For the most part, BP met this commitment.⁵⁵ The need for workers will be somewhat less during expansion than initial construction and the skills required may be more specific. Further, the populations of the DAVs have increased markedly, and many are not indigenous Papuans. But BP should again give priority to Papuans from the DAVs and other Papuan locals for all hires. If sufficient unskilled jobs are not available, BP should train local Papuan applicants for the low skill jobs that will become available.

A third issue that should be addressed is how Tangguh can best contribute to economic development in the province. One clear mechanism would be providing gas for electricity in areas of Papua Barat province outside of the DAVs. This, of course, would require a broader partnership with PLN, but would surely be endorsed by the Papuan economic development unit (UP4B). This is a major goal of the Governor, and it would foster economic development more generally throughout the province. It could be phased in over time to reach more areas of the province. The Panel urges BP to address this vision in the new AMDAL, and to avoid conflicting obligations such as provision of gas for petrochemical facilities in Papua, which would do little for broad development of the province. If electrification were properly branded, all Papuans in the province would know that their homes and businesses are lit and powered because of electricity from Tangguh. This would provide an additional level of security for

⁵⁵ See TIAP's Seventh Report (Mar. 2009) at 61 and TIAP's Sixth Report (Mar. 2008) at 22.

Tangguh, given that its uninterrupted operations would be essential to the electricity supply of the people in the province.

Recommendations: Tangguh Expansion

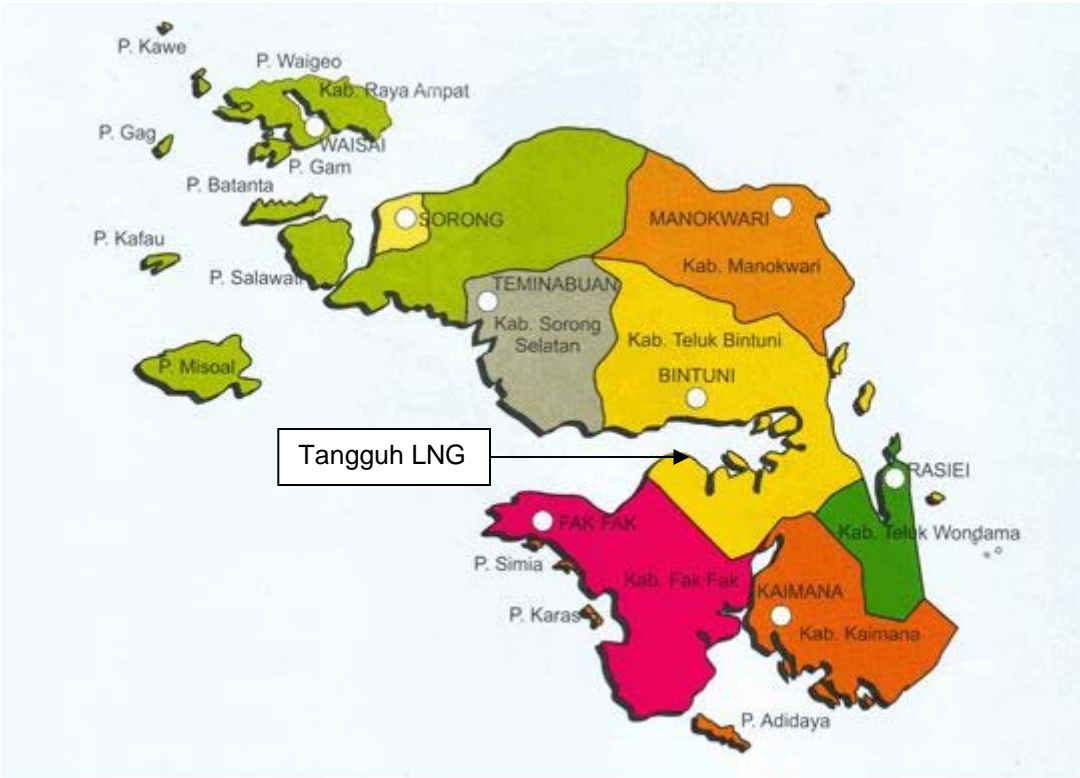
- 1. BP should do more to address the imbalance in housing and infrastructure among north and south shore DAVs in the new AMDAL.**
- 2. BP should commit to hiring additional local Papuans so that every Papuan family in the DAVs has the opportunity to have one member employed by BP or one of its partners. 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.**
- 3. BP should address using Tangguh gas or electricity as part of a broader electrification project for Papua Barat as a long term goal.**

APPENDIX I

MAPS OF PAPUA AND PAPUA BARAT



Papua Barat Province



APPENDIX II

STAKEHOLDERS CONSULTED BY TIAP 2012 CONSULTATIONS IN BOLD

Government Officials: Indonesia

Bahrullah Akbar, Supreme Audit Agency (BPK) Head and team members

Rizal Asir, External Affairs, BPMIGAS

Ellan Biantoro, External Affairs, BPMIGAS

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*⁵⁶

Edi Butar-Butar, Media Relations, Ministry of Defense

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

Lt. General (ret.) Bambang Darmono, Head of the President's Unit for Acceleration of Development in Papua and Papua Barat (UP4B) and staff

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

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

Hardiono, Deputy Chairman, BPMIGAS

Djoko Harsono, Executive Advisor, BPMIGAS (Executive Agency for Upstream Oil and Gas Business Activities)

A. Edy Hermantoro, Director of Oil and Gas Upstream Business Supervision, BPMIGAS

Dodi Hidayat, Deputy of Operations, BPMIGAS

R. Ir. Pos Marojahan Hutabarat, MA, Advisor to the Minister of Defense on Economic

Mohamad Ikhsan, Senior Advisor, Coordinating Ministry for Economic Affairs

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

Djohermansyah Johan, Director General of Regional Autonomy at the Home Affairs Ministry

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*

Balthasar Kambuaya, Minister of the Environment

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*

Mardiyanto, Minister of Home Affairs*

Agus Martowardojo, Minister of Finance and Director General for Fiscal Transfers

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

⁵⁶ * indicates that the person no longer holds the listed position

Mohammad Ma'ruf, Minister of Home Affairs*

Agung Mulyana, Director, Department of Home Affairs

Sri Mulyani Indrawati, Minister of Finance*

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

A. Sidick Nitikusuma, Senior Executive Advisor, BPMIGAS*

Freddy Numberi, Minister of Maritime Affairs & Fisheries*

Freddy Numberi, Minister of Transportation

Progo Nurdjaman, Secretary General, Department of Home Affairs

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

Pramudjo, Ministry of Finance Director of Fiscal Balance

R. Priyono, Chairman, BPMIGAS and staff

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

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

Sjafrie Sjamsuddin, Deputy Minister of Defense and staff

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

Mardiasmo, Directorate General of Fiscal Balance, Ministry of Finance

Dr. Heru Subiyantoro, Director General, Center for Research on Economics and Finance, Ministry of Finance

Widodo Adi Sucipto, Coordinating Minister for Political, Legal and Security Affairs*

Dr. Ir. Sudarsono, Director General, Home Affairs

H.E. Juwono Sudarsono, Minister of Defense*

Rachmat Sudibjo, Chairman, BPMIGAS*

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

Djoko Suyanto, Coordinating Minister for Political, Legal and Security Affairs

Iin Arifin Takhyan, 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

Velix Wanggai, President SBY Expert on Special Autonomy

Kardaya Warnika, Chairman, BPMIGAS*

Ir. Rachmat Witoelar, Minister of State for the Environment

General Yudhi, Deputy Chairman, LEMHANAS*
Susilo Bambang Yudhoyono, Coordinating Minister for Security and Political Affairs*
General (Ret) Susilo Bambang Yudhoyono, President of Indonesia
Purnomo Yusgiantoro, Minister of Energy and Mineral Resources*
General Nurdin Zianal, Regional TNI Commander for Papua Regional Government*

Government Officials: Papua and Papua Barat

Abraham O. Atururi, Governor of Papua Barat

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

Agus Alua, MRP Chairman, and MRP Members*

Vitalis Yumte and Mrs. Anike Th. Sabami, Co-Chairmen, MRP and MRP Members

Decky Asmuruf, Secretary to Governor of Papua*

Dr. Yosef Auri, Ketua DPRD, Papua Barat

Frans Nikopas Awak, Babo Camat

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

Deky Kawab, Deputy Regent of Bintuni

John Ibo, President, Provincial Assembly

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

Ibrahim Kaatjong, Vice Governor of Papua Barat

drH. Costant Karma, Regional Secretary, Papua

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 and Deputy Bupati

Mayjen TNI Hotma Marbun, Pangdam XVII Cendrawasih*

Ir, Melmambessy Moses, Kadis Pertambangan Province Papua

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*

AKBP Halasan R. Situmeang Sik.MH, Kapolres Bintuni

Jaap Solossa, Governor of Papua Province*

Barnabas Suebu, Governor of Papua Province (and Agus Sumule, Advisor)*

Colonel Suarno, Director of Security of Police in Papua*

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

Irjen Pol. Drs. Bekto Suprpto, Kapolda, Papua*

Mayjen TNI M. Erwin Syafitri, Pangdam Cendrawasih, Papua

Irjen Pol Bikman L Tobing, Kapolda 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

Hans Antlöv, Governance Advisor, Local Governance Support Program, U.S. Agency for International Development (“USAID”)

Kristen F. Bauer, Deputy Chief of Mission, U.S. Embassy in Jakarta

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

Michele Cenzer, Assistant Cultural Affairs Officer, U.S. Embassy in Jakarta

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

Judith Edstrom, Chief of Party/Director, Local Governance Support Program, USAID

Nadine Farouq, USAID

Faye Haselkorn, Senior Local Governance Advisor, Local Governance Support Program, 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

H.E. Scot Marciel, U.S. Ambassador to Indonesia

Walter North, Mission Director, USAID Indonesia

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

Anne Patterson, USAID

Richard Pedler, Communications Advisor, Local Governance Support Program, 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

Edward Saeger

Geoffrey Swenson, Field Operations Advisor, Local Governance Support Program, USAID

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

Kurt van der Walde, Energy and Mineral Resources Officer, U.S. Embassy in Jakarta

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

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

Holly Wise, USAID

Government Officials: United Kingdom

Deborah Clarke, UK Embassy in Jakarta

H.E. Richard Gozney, UK Ambassador to Indonesia*
H.E. Martin Hatfull, 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
Rebecca Razavi, Deputy Head of Mission, UK Embassy in Jakarta
Matthew Rous, Deputy Head of Mission, UK Embassy in Jakarta*
Nicolas Stewart, UK 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
Marselinus Nanafesi, head of Tomage village
Jaelani Kabes, head of Otoweri village
Saleh Masipa, head of Tanah Merah Baru village
Mathias Dorisara, head of Tofoi village
Abdul Kadir Nabi, head of Pera-pera village
Soleman Solowat, secretary of Pera-pera village
A. Kadir Kosepa, head of Tomu village
Najib Alkatiri, community leader from Ekam village
Otto Siwana, head of Sumuri District
Adrianus Sorowat, staff from Weriagar District
Salehudin Fimbay, staff from Tomu District
I. Maneiri, Babo

Graduates of BP's LNG apprentice and training program for Papuan technicians and operators (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)

Catholic Church (B.R. Edi)

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; Ferry Marisan; Yery Baransano)

Earthwatch (Coralie Abbott, Corporate Programmes Manager)

Eddy Ohoirwutun, Adat Consultant

Extractive Industries Transparency Initiative (EITI) (David Brown and Ananda Idris)

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)

Human Rights Commission of GKI (Obeth Rawar)

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

Indonesia Human Rights Network (Edmund McWilliams)

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

International Crisis Group (Sidney Jones, Senior Advisor; and Cillian Nolan, Kathy Ward, ICG Deputy Director)

International Labor Organization (Tony Freeman)

ILO East Project (Khoirul Anam)

International Labor Rights Fund (Dr. Bama Athreya)

JATAM (Mining Advocacy Network) (Andrie Wijaya)

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

LP3BH – Lembaga Penelitian, Pengkajian dan Pengembangan Bantuan Hukum (The Institute for Research Investigation and Development of Legal Aid) (Christian Warinussi, Director; Simon Banondi; Andris Wabdaro)

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

LP3AP – Jayapura (Selviana Sanggenafa, Director)

National Democratic Institute for International Affairs (Blair King)

National Human Rights Commission (Frits Ramandey, Ricky Kogoya)

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, Cordinator)

TAPOL, The Indonesia Human Rights Campaign (Danny Bates)

UK Overseas Development Institute (Michael Warner)

US-ASEAN Council (John Phipps)

WAHLI (Abetnego Tarigan, Executive Director)

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, Noraya Soewarno)

Chemonics (Jonathan Simon, Senior Manager)

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

Douglas Ramage, Bower Asia Group

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; Douglas Ramage, Senior Governance Specialist)

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

Academic Institutions in Papua and Papua Barat

UNIPA (University of Papua, Manokwari) DR. Suriel Mofu, Rector (Yan Piet Karafir, Rector*; Frans Wanggai, Rector*; Fenny Ismoyo, Vice Rector; Merlyn Lekitoo, Vice Rector; Benny Tanujaya, Adelhard B. Rehiara; Hastowow Resiyanto; Angglin P. ST; and Faculties)

University of Cenderwasih (Frans A. Wospakrik, Rector, and Faculties; and B. Kambuaya, Current Rector)

University of Gadjah Mada, Professor Muhajir Darwin, Kepala PSKK and UGM team

Individuals

John Aglionby, Correspondent, Financial Times

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

Hugh Dowson

Bennett Freeman, Principal, Sustainable Investment Strategies

Benny Giaiy

Brigham Montrose Golden

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

Ayse Kudat, Advisor to BP on Resettlement of Tanah Merah

Ismira Lutfia, Reporter, Jakarta Globe

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

John McBeth, Senior Writer, The Straits Times

Gabrielle K. McDonald, Human Rights Advisor to Freeport McMoRan

Octovianus Mote

Gerry Owens, External Lenders Panel

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

Ed Pressman

Archbishop Edy Resariyanto

Archbishop Alexander R.

Reverend Herman Saud

Ambassador Sabam Siagian

Barnabus Suebu, former Governor of Papua

Gare Smith, Foley Hoag

Agoeng Wijaya, Koran Tempo

Arintoko Utomo, External Lenders Panel

Reverend Socrates Yoman, President of the Fellowship of Baptist Churches

APPENDIX III

UGM CENSUS 2011 RESULTS: DAV HOUSEHOLD INCOMES

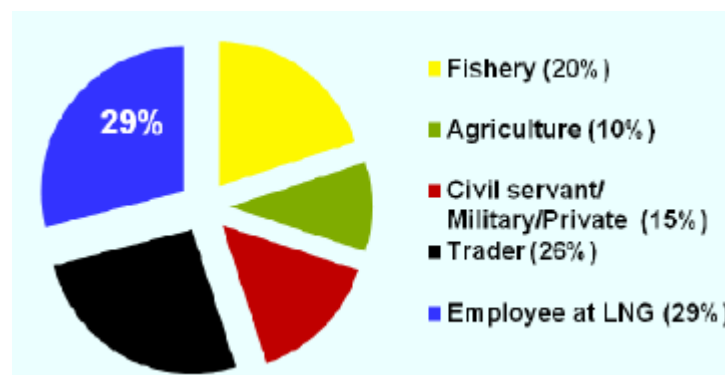
Growth of Household Income by Village

Village	Household's Income (IDR/month)			% increase from 2003 to 2011
	2003	2009	2011	
Weriagar	1,184,000	3,218,810	3,760,179	218%
Mogotira	1,569,000	2,209,815	3,416,493	118%
Tomu	1,300,000	2,522,468	3,411,977	162%
Ekam	1,340,000	2,442,581	3,739,259	179%
Taroy	1,052,000	2,808,784	2,501,467	138%
Sebyar Rejosari	NA	2,601,348	3,334,551	28%*
Irarutu 3	NA	2,785,712	4,002,807	44%*
Tofoi	1,383,000	2,507,858	4,298,686	211%
Tanah Merah	1,268,900	2,834,975	3,622,219	181%
Saengga	1,526,000	2,555,117	3,519,952	131%
Onar	1,268,900	1,295,850	2,331,642	84%
Otoweri	1,158,000	2,046,667	4,332,845	274%
Tomage	NA	2,292,059	2,863,322	25%*

Source: Social economical survey, 2003, 2009 and 2011

*As the survey was not conduct in 2003 for certain villages, the percentage increase shown in the table is comparing between 2009 and 2011

Household Income by Sector (IDR)



APPENDIX IV

UGM CENSUS 2011 RESULTS: PUBLIC WELFARE INDICES⁵⁷

Average Household Income Per Month by Village, 2009 and 2011

Villages	Fisheries				Agriculture				Trade and Small Industries			
	2009		2011		2009		2011		2009		2011	
	N	%	N	%	N	%	N	%	N	%	N	%
Weriagar	2,167,113	10.8	3,345,932	10.9	546,471	5.8	1,516,509	10.1	1,125,000	5.4	1,254,104	5.1
Mogotira	1,200,391	6.0	3,160,795	10.3	614,706	6.5	1,125,550	7.5	900,000	4.3	1,162,500	4.7
Tomu	2,396,739	11.9	2,435,043	7.9	525,714	5.5	1,176,569	7.8	1,366,667	6.6	1,242,917	5.1
Ekam	2,073,478	10.3	2,459,208	8.0	488,885	5.1	1,020,213	6.8	2,466,667	11.9	3,360,000	13.7
Taroy	1,968,413	9.8	3,610,844	11.7	1,323,810	13.9	2,667,262	17.8	2,033,333	9.8	1,945,000	7.9
Sebyar Rejosari	1,156,905	5.7	659,000	2.1	807,363	8.5	2,006,097	13.4	1,896,552	9.2	2,904,314	11.9
Irarutu 3	1,505,556	7.5	3,200,219	10.4	549,091	5.8	803,704	5.3	1,483,654	7.2	2,423,700	9.9
Tofoi	1,305,556	6.5	1,920,000	6.2	1,597,333	16.8	905,180	6.0	1,860,156	9.0	1,353,683	5.5
Tanah Merah Baru	1,004,417	5.0	939,071	3.1	131,417	1.4	918,726	6.1	2,476,000	11.9	3,554,000	14.5
Saengga	1,812,333	9.0	2,374,156	7.7	861,750	9.1	693,917	4.6	2,083,333	10.1	1,500,000	6.1
Onar	928,583	4.6	2,156,301	7.0	1,253,583	13.2	638,243	4.2	1,966,667	9.5	1,441,250	5.9
Otoweri	1,713,750	8.5	3,653,625	11.5	-	-	741,696	4.5	1,066,667	5.1	1,118,750	4.6
Tomage	900,000	4.5	821,078	2.7	800,000	8.4	811,359	5.4	-	-	1,235,560	5.0
Total	20,133,234	100.0	30,735,273	100.0	9,500,127	100.0	15,025,026	100.0	20,724,696	100.0	24,495,778	100.0

⁵⁷ "The Dynamic of Social and Economic Condition[s] in Teluk Bintuni Regency, 2009-2011," University of Gadjah Mada.

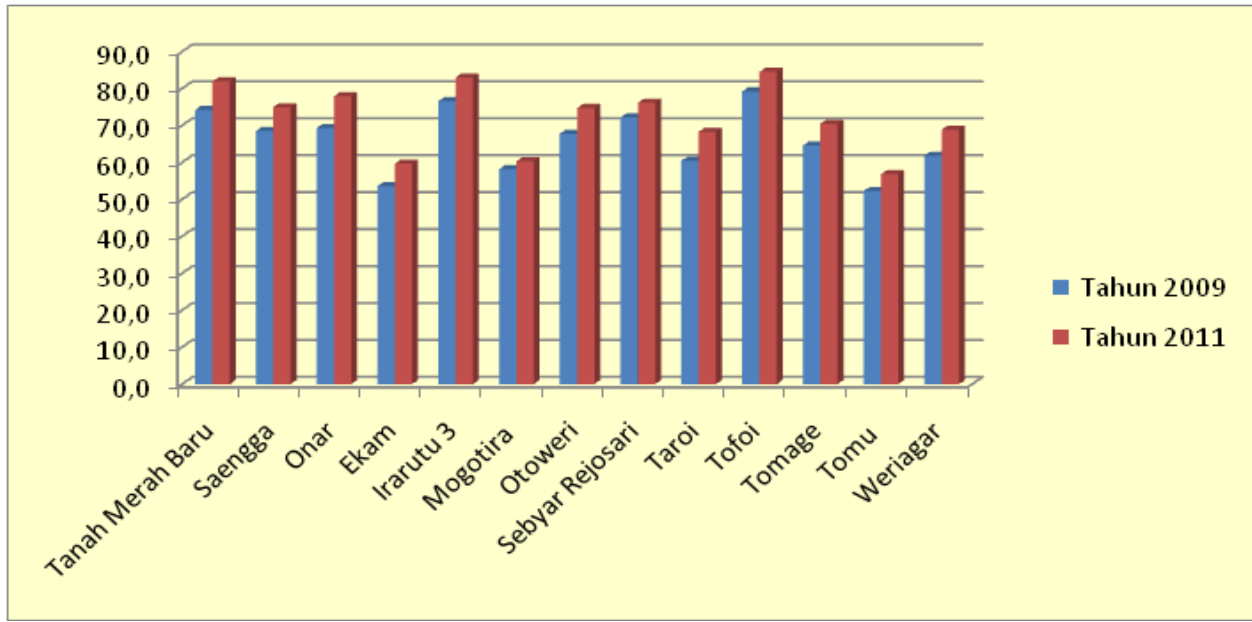
Economic, Education and Health Indices, 2009 – 2011

Villages	Economic Indices		Education Indices		Health Indices	
	2009	2011	2009	2011	2009	2011
Tanah Merah Baru	64.2	72.4	71.3	85.1	87.0	88.3
Saengga	55.2	60.1	68.1	83.1	82.3	81.6
Onar	59.1	69.2	69.6	80.1	79.3	84.6
Ekam	37.0	42.5	54.5	68.3	69.3	68.3
Irarutu 3	62.4	71.8	79.2	91.1	88.0	86.1
Mogotira	37.7	40.8	56.0	67.9	80.8	72.3
Otoweri	55.5	70.2	66.4	74.6	81.4	79.3
Sebyar Rejosari	66.4	69.0	64.0	81.3	86.1	78.3
Taroi	49.1	55.1	58.1	75.8	74.1	74.0
Tofoi	68.8	76.3	78.5	89.0	90.3	88.2
Tomage	51.5	58.3	60.2	72.4	82.1	80.5
Tomu	38.6	41.3	47.1	58.0	71.0	71.1
Weriagar	51.3	58.5	54.5	67.2	79.7	81.0
Average	53.6	60.4	63.6	76.4	80.9	79.5
Level of changes	6.8		12.8		-1.4	

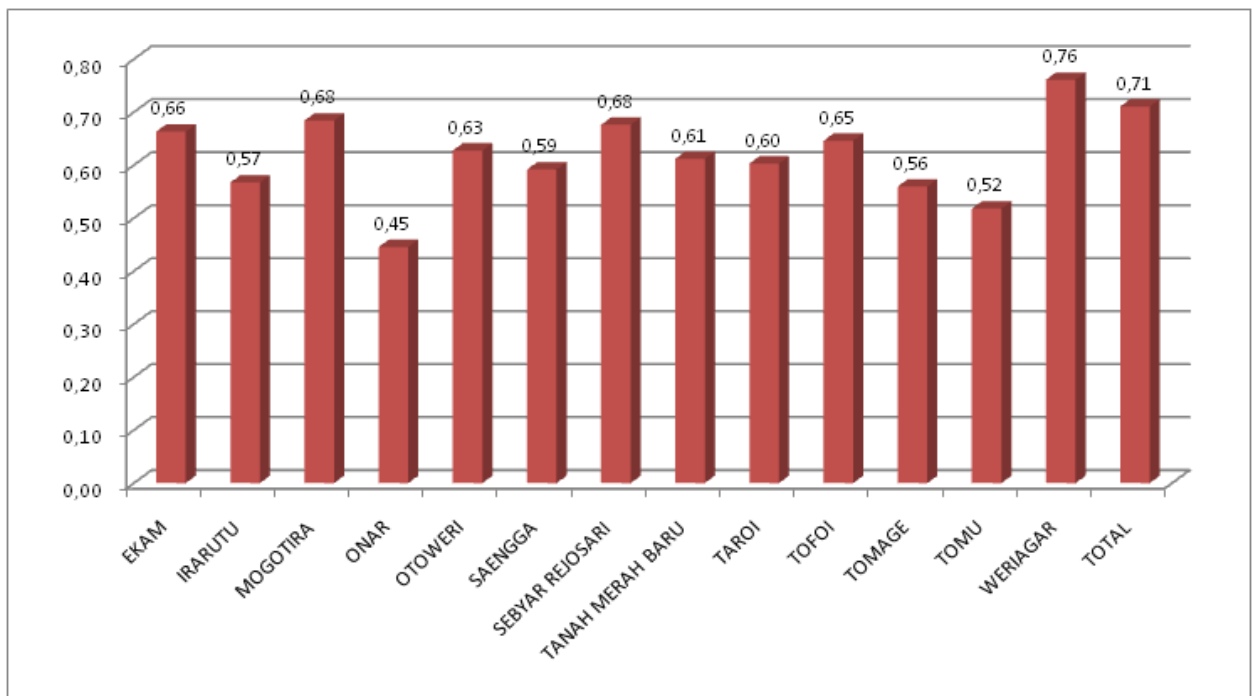
The Development of Welfare Index by Village, 2009 and 2011

Welfare Index:

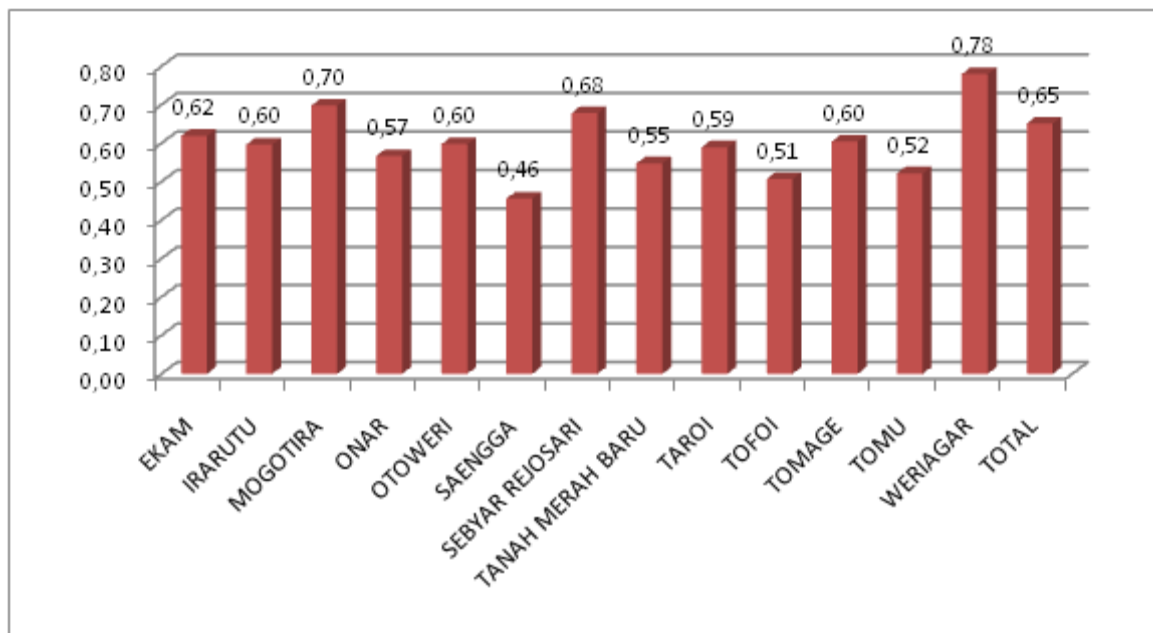
- 2007 = 59.27
- 2009 = 66.04
- 2011 = 72.12



Good Governance Index



Subjective Wellbeing Index



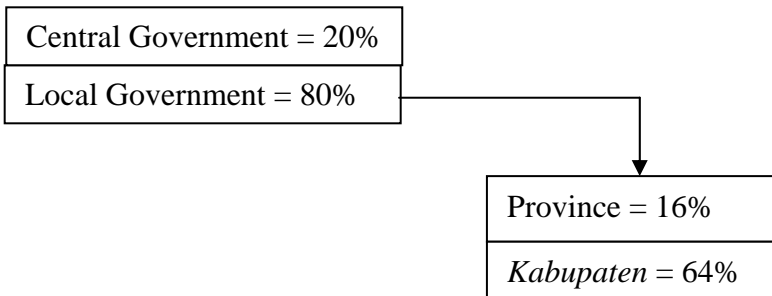
APPENDIX V

REVENUE SPLIT FOR NATURAL GAS PRODUCED IN PAPUA BARAT

Building and Land Tax

Central Government = 10%

Customs Duties



Natural Resource Revenues

