

**BP RESPONSE TO THE**

**TANGGUH INDEPENDENT ADVISORY PANEL**

**FIRST REPORT ON OPERATIONS**

**AND**

**PROPOSED EXPANSION**

**OF THE**

**TANGGUH LNG PROJECT**

**MAY 2014**

## Acronyms and Indonesian terms

AMDAL	<i>Analisis Mengenai Dampak Lingkungan</i> – Environmental and Social Impact Assessment
Bupati	The head of a Kabupaten or Regency
CAP	Community Action Plan – the support programme to facilitate community-driven development projects in Directly Affected Villages (DAVs)
DAV	Village identified as being directly affected by the Tangguh Project
DBH	Revenue Sharing
DBH SDA	Revenue Sharing of Natural Resources
GoI	Government of Indonesia
ICBS	Integrated Community Based Security
IEDP	Indigenous Enterprise Development Programme
IHT	In-house Human Rights Training
IPB	University of Agriculture in Bogor
ISP	Integrated Social Programme – an implementation unit within the Tangguh Project and the social-economic development programmes it manages
ITT	Invitation to Tender
JUKLAP	Joint Field Guidelines for Security
Kabupaten	District or Regency
Kapolda	Papua Chief of Police
Elsham	Papuan Human Rights NGO
LP3BH	Law and Human Rights Advocacy NGO
LNG	Liquefied Natural Gas
Mmscfd	Million Metric Standard Cubic Feet per Day
Musrenbang	Participatory development planning run by the government
MoE	Ministry of Environment
MoU	Memorandum of Understanding
MRP	Papuan People Council
NGO	Non-governmental organization
Pangdam	Papua Military Commander
Perdasus	Special by-law
PLN	State Electricity Company
PoD	Plan Of Development
Polda	Indonesian regional police command
Polres	Indonesian Regency Police Station
Polsek	Indonesian District Police Station
PONED	Basic Obstetric and Neonatal Emergency Services
Proper	Audit on AMDAL (Environment and Social Management) compliance by the Ministry of Environment

PSC	Production Sharing Contract
PSCM	Procurement and Supply Change Management
PSKK UGM	Centre for Population and Policy Studies at Gadjah Mada University
S&OR	Safety and Operation Risks
SKK Migas	National Upstream Oil and Gas Implementing Agency, the Government of Indonesia partner in the Tangguh Project (which replaced BPMIGAS)
SMK	Vocational School
SOA	Supply Offtake Agreement
SPA	Sales Purchase Agreement
TEP	Tangguh Expansion Project
TIAP	Tangguh Independent Advisory Panel
TNI	Indonesian Armed Forces
TPC	Third Party Contract
UKP4	Presidential Work Unit for Control and Monitoring
UNIPA	Papua State University in Manokwari, Papua Barat
UP4B	Special Unit on Development Acceleration of Papua and Papua Barat
VPSHR	Voluntary Principles of Security and Human Rights
YSA	Yayasan Sosial Agustinus (implementing partner for Health)
YPTB	Bintuni Bay Development Foundation

## **Introduction**

BP would like to thank the current Tangguh Independent Advisory Panel (TIAP) for its report and expert analysis, challenges and guidance. TIAP focuses primarily on security, human rights, governance and revenue management, but also addresses other non-commercial issues. Its content complements the external panel reviews carried out by the Tangguh Lenders Group.

Recommendations provided by the current and previous TIAP have been very helpful in supporting our efforts to make the Tangguh LNG a benchmark for successful collaboration with local communities and other partners in order to manage complex social, economic and environmental issues. TIAP is helping us ensure that Tangguh LNG offers mutual benefit for BP, the local community, government, employees, customers and investors.

TIAP's previous visit took place from 14 July to 25 July, 2012. The report was issued in October 2012 and provided 29 recommendations. The topics were security and human rights, government and community affairs, social programmes, employment and training of Papuans, governance and transparency, revenue management, environment and Tangguh Expansion. BP has responded to and acted on these recommendations (see status update in Appendix A).

TIAP's third visit took place from 10 March to 18 March 2014 and the report was issued in May 2014. In the report, TIAP highlighted the changes happening at a national and local level and the resulting challenges for Tangguh. TIAP also looked more closely at the changes happening with the Tangguh Expansion Project and its AMDAL. Although Tangguh has implemented successful social measures so far, TIAP highlighted areas of risk and improvement to address.

We are very grateful for the insightful and sharp examination in this comprehensive report. We believe it will help us address the challenges we face to operate Tangguh in the long term and support sustainable development for the local community.

## **About the Tangguh LNG project**

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

Gas was discovered at Bintuni Bay in 1994, with 14 trillion cubic feet of proved reserves. Gas is extracted through wells drilled by two unmanned and remotely controlled six-leg platforms – Vorwata-A and Vorwata-B – and then transported 22 kilometres through subsea pipelines to a liquefaction plant on the south side of the bay. This plant operates two 'trains' or sets of LNG processing equipment, with total capacity to produce around 7.6 million tons of liquefied gas per year for 25 years. The liquid gas is stored in two 170,000 cubic metre tanks and piped to the end of a jetty for loading into tankers.

The first LNG production took place in June 2009, with the first delivery by tanker to South Korea a month later. Production increased from 103 cargoes in 2012 to 114 in 2013, exceeding the original promise of 107 cargoes. By the end of 2013, more than 300 cargoes had been delivered from Tangguh, with the plant achieving an annual average operating efficiency of 89% - up from 81% in 2012. The target is to achieve 93% operating efficiency in 2014. The plant has achieved and has been sustaining performance at 100% design capacity. The Tangguh LNG plant is one of the highest-performing LNG plants globally, and the highest-performing BP operations in terms of safety, production and cost. This is being achieved within the boundary of meeting all our non-technical/external commitments.

Tangguh has seven Sales and Purchase Agreements (SPA). These are to supply LNG to POSCO and SK E&S Co., Ltd in Korea, Sempra LNG International LLC in Mexico, CNOOC Fujian LNG Co. Ltd in China, and Tohoku Electric Power Co., Inc., Chubu Electric Power Co. Inc., and Kansai Electric Power Co. Inc. in Japan. BP continues to find opportunities to maximize the value of Tangguh LNG cargoes. Since 2010, several cargoes from Sempra diversion have been sold to the Asian market in the form of mid-term contracts or spot sales.

Looking ahead, Tangguh aims to continue reliable production and increase operating efficiency to maintain trains 1 and 2 at full capacity, while an expansion to build train 3 is planned. The Tangguh Expansion Project (TEP) will expand the existing LNG facility. It entered *Define* stage in December 2013. LNG train 3 and associated support facilities will be located adjacent to the existing trains 1 and 2. The project will develop 4.3 trillion cubic feet (Tcf) of gas, through the addition of a standardized 3.8 million tonnes per annum (mtpa) LNG train – for sale to markets in Indonesia and Asia.

Offshore, 16 new wells will be drilled from two new, normally unattended platforms (Roabiba and Wiriagar). The platforms will be tied in to the onshore LNG plant by pipelines. Start-up is scheduled for 2019. When the project is complete, the Tangguh facility will have a total plant capacity of 11.4mtpa.

There is a document – called The Plan of Development II (PoD II) – that describes the full project scope across subsurface and facilities development, operations, health, safety and environment (HSE), social impact management, procurement, finance, commercial and marketing. It was developed by BP and submitted to the Government of Indonesia (Gol) upstream regulator, SKK Migas, in August 2012. PoD II approval was secured in November 2012 and represented a key milestone of Gol approval of the project. Another key milestone will be the AMDAL approval which is expected at the end of June 2014. AMDAL is the environment and social licence from the government. It contains the commitments to address the environmental and social impacts of the project.

## **TIAP visit and recommendations**

TIAP visited Tangguh from 10 March to 18 March 2014. TIAP focused its attention primarily on security and human rights as well as governance and revenue management, but also considered other topics that have an indirect impact on security. These included Tangguh social programmes, Papuan employment and training, procurement, government and public affairs and the environment.

BP would like to provide its formal response to the recommendations made by TIAP.

### **Recommendations: Security and human rights**

- 1. As part of the renewal process of the JUKLAP (Joint Field Guidelines for Security), there should be increased socialization of Integrated Community Based Security (ICBS), particularly regarding necessary restrictions on fishing.**

Response:

We agree with this recommendation. Socialization of ICBS is done in the directly affected villages (DAVs) at least once a year. We will intensify this activity, which will also include other villages as Tangguh Expansion Project activities in the bay increase.

We are also strengthening the ICBS programme to be more systematic with processes-based approaches and clear key performance indicators. To improve ICBS performance, we need to involve internal and external stakeholders – such as the community and government apparatus. They will provide input and feedback on their expectations and contributions, which will become paramount to developing a roadmap for a more systematic and effective

ICBS programme. To make an ICBS programme sustainable in the place we are operating in, it should be introduced and accepted by other similar industries in Papua in general, and Papua Barat in particular, with the support of related government institutions.

**2. There should be annual training for security guards' use of batons or other potentially harmful equipment.**

Response:

We agree. Our guards and the local police have received training on the appropriate use of batons on various security training occasions i.e. the Joint Exercise (JE), Voluntary Principles of Security and Human Rights (VPSHR) in-house training, and special security guards training.

Recently, the Papuan police informed us that there is going to be national police regulation stipulating that private security guards are no longer permitted to use baton sticks. We are immediately withdrawing all baton sticks from our security guards and will adjust our training accordingly.

**3. The Pangdam (Papua Military TNI Commander) should be encouraged to continue human rights training for TNI (Indonesian Military forces) troops that could be called to Tangguh in an emergency.**

Response:

We agree. Together with the police, TNI troops in Bintuni are involved in human rights training on an annual basis. We will continue this practice going forward. To sustain this programme, we will continuously engage the Pangdam Papua as well as the Military Commander in Sorong.

**4. BP should work with the police to make the annual joint exercise a more realistic simulation. In addition, the joint exercise should continue to be held separately from human rights training or other activities.**

Response:

The JE is intended to provide the local police (Polsek and Polres) with a dry run exercise of the JUKLAP and human rights guidelines, in which they have to handle a simulated demonstration. After the JE, we usually discuss the lessons learned with all participants and share what went well and what did not go well, in the spirit of continuous improvement. Before we undertake the JE this year, we will discuss the agenda and simulation scenario with the police and obtain feedback so we can produce a better, fit-for-purpose and more realistic JE outcome.

Tangguh will continue to hold the in-house human rights training (IHT) separately from the JE, as we have been doing since we started conducting the IHT and JE in 2008. During a JE, there will be a refresher human rights class. This is a reminder only and is not aimed at being primary training. This refresher is necessary to prepare the participants for the simulation as part of the JE.

**5. The grievance system should be continually socialized, among both affected villages and employees, to ensure that all understand it and can use it easily.**

Response:

We agree. We have conducted the grievance process socialization to the DAVs regularly, including in 2013, and plan to continue this in the coming years.

**6. BP should limit its support for police and TNI personnel activities in the villages to communications and public forums that inform the community on security, human rights and ICBS.**

Response:

We agree and will do so accordingly. Tangguh will support the police and TNI personnel in communications and public forums that are directly related to their formal functions in line with ICBS.

- 7. BP should have a plan to shut down the facility if there is a successful cyber-attack, and should resist providing any external parties' access to its operating systems.**

Response:

We have a procedure to handle situations should our control system become inoperable (due to various reasons including cyber-attack). The power will be switched off and the plant shut down. There is no access from external parties to the facility operating system. The control to prevent attacks is already in place. For example, we have a firewall which is managed and controlled centrally. Additional information cannot be shared for security reasons.

### **Recommendations: Programmes for the DAVs and Teluk Bintuni**

- 1. The CAPs provided unique and important benefits for the DAVs. Although they will be discontinued in 2014, replacement discretionary benefits for the most affected coastal villages should continue.**

Response:

We agree. As per the existing AMDAL, the CAP programme in the DAVs has been delivered for 10 years as promised and will be discontinued in 2014. The CAP has built skills in the community for participatory planning, delivering and evaluating the village development programme using the allocated funds from Tangguh. In the new AMDAL, we plan to use a different approach. This will focus on the indigenous people living in the surrounding Tangguh operating area being beneficiaries of the programme. Tangguh will allocate replacement discretionary funds for community-driven programmes that can be accessed by the community. In addition, Tangguh will continue to support the participatory planning in the Musrenbang (government process for budgetary planning) from village to regency level.

- 2. New or renovated housing for north shore villages should be a long-term priority. BP should support this program by producing lumber from felled trees at the LNG site.**

Response:

We agree. Tangguh will support the house renovation project in co-operation with the Teluk Bintuni Regency Government. We are currently working with consultants from LAPI-ITB on the initial assessment and survey. We are also starting the formal process with the local and central government to release timber from TEP tree-cutting in a timely manner, so that the timber can be used.

We have made progress on the North Shore House Restoration with a Memorandum of Understanding (MoU) signed on 5 December 2013 by the Teluk Bintuni Bupati and BP in Bintuni; basic data and information for the pre-feasibility study being collected in the Weriagar community; and a kick off meeting held in Jakarta on 9 May 2014 to mark the commencement of the feasibility study for the North Shore House Restoration programme. The meeting was attended by the Bupati, along with senior officers from Teluk Bintuni Regency, SKK Migas and BP.

- 3. Electrifying all the DAVs and Babo should be the highest near term priority. Until PLN can install grid-based electricity, BP should support temporary diesel based power generation in Babo.**

Response:

We agree. BP is coordinating closely with PLN, local government and UP4B to monitor the progress in distribution of the transmission cables to the DAVs in the south shore and north shore. We have also instigated efforts to assist Teluk Bintuni Regency with improving electricity supply in the Babo area. The near-term plan is to lend a diesel-fuelled power generation unit (genset) which will be operated and maintained by the Teluk Bintuni Regency. We expect that the genset will start to generate electricity within a few months. The long-term plan is to encourage PLN to extend electricity supply coverage (under the Agreement to Supply and Offtake Electric Power between PT PLN (Persero) and Tangguh PSC Contractors, signed on 3 December 2013) to include the villages within Babo Districts. For the mid and long-term measures, we will co-ordinate closely with PLN and Pemda Teluk Bintuni to explore the best way to extend the PLN electricity network from the PLN substation near Tangguh to Babo.

**4. As the health care program is expanded, BP should first focus on improving capacity and facilities at Babo, including emergency care capabilities, long-term personnel capacity and emergency transportation to Bintuni or elsewhere.**

Response:

We agree. We have identified several challenges related to health in Babo and Bintuni:

- The community has limited awareness and knowledge about high-risk pregnancies. In many instances, local people treated high-risk pregnancy patients at the health centre or even at home – although they should have been brought to the hospital.
- Lack of reliable transportation to respond to emergency and referral cases due to unavailability of fuel supply and poor boat maintenance in Babo and Bintuni.
- The Babo Health Centre, where the personnel have been trained, is still unable to provide the expected level of services due to lack of team confidence, on-going facility construction and unavailability of medical equipment (some is being procured).
- Bintuni Hospital management and services still has a gap in managing maternal and neonatal emergency cases.
- Transit House/Rumah Singgah is provided and managed by the Regency Health Department in Bintuni. It temporarily hosts women with high-risk pregnancy cases from all villages who plan to deliver their babies in Bintuni hospital. The occupancy of this facility is considered low due to lack of management.

To address the above challenges, Tangguh is supporting the health centre in Babo. We are upgrading the capacity and facility of the Babo Health Centre to enable them to manage obstetric and neonatal emergency cases (PONED), due to be completed in Q4 2014. The Tangguh Community Health Department had discussed emergency transportation with the Regency Health Department. We were told that while Babo Health Centre has had a boat for a few years, the engine had been broken. However, the Regency Health Department has recently bought a new boat engine for Babo Health Centre and also is providing stand-by fuel budget for emergency transportation to Bintuni Hospital.

Our team at the Babo district, led by the MCH Programme Manager, is working closely with Babo Health Centre, the Regency Health Department and other stakeholders in Babo. Together they will ensure the health centre has the capability and facilities to handle obstetric and neonatal emergency cases (PONED), as well as making sure the transportation to Bintuni is well maintained.

**5. BP should continue to build capacity of the Regency education department, continue its support for primary education in the affected villages, support incentives to retain effective teachers for longer periods, and focus its new education partnership on development of flagship secondary schools.**



Response:

We agree. Our education programme will continue to support the regency education department in providing quality primary and secondary education in Teluk Bintuni. This includes: Providing teachers and their houses, school infrastructure and facilities, scholarship and education aid, capacity building for education agency and local implementation partners, teacher training and support for flagship schools, boarding houses, and internet access in schools.

- 6. BP should resolve stocking point pickup and payment issues with Indocater and cooperatives in the villages that purchase the products from the community before selling it to Indocater. If it cannot, it should include requirements addressing these complaints in any extension of these contracts.**

Response:

We agree. We will provide financial mentoring to the co-operatives. We will also facilitate discussions between Indocater and co-operatives and also among co-operative members to resolve any disputes on financial management, supplies or payments. This includes facilitating a dialogue between Indocater and co-operatives on the payment terms of the contract, to come to a common understanding and agreement to ensure sustainable trade/business transaction through the livelihood programme. The requirements for the catering company to address complaints from the community can be included in the contract and Tangguh will support the discussion as needed.

- 7. Livelihood development and household economic management programs should be continued for the long-term, looking to develop added value products. Their long-term vision should be toward creating a sustainable and self-reliant household economy. This will sustain the household economy from adverse, cumulative impacts of the multiple development projects that will come in to this area.**

Response:

We agree. Besides expanding the livelihood programmes to increase market and productivity for the local community, Tangguh also continues to provide training on household economy and managing funds. During training we promote using household income wisely and the practice of saving. This is especially important because we plan to increase local participation in providing support to Tangguh through the Indigenous Enterprise Development Programme (IEDP), which will further increase their incomes.

- 8. BP should support motor or electrical repair shops in each DAV where needed.**

Response:

We agree. Tangguh has supported the training and establishment of the engine workshops in Taroy and Saengga so that villagers can fix their boat motors and electrical generators themselves. We will support local communities who are interested, and have the potential, to establish motor or electrical repair shops in other villages. This will be part of the overall IEDP that will provide opportunities for Papuans to develop skills and compete for business opportunities from the growing industry in Bintuni and Fakfak.

- 9. The biennial census/survey formerly conducted by UGM should be continued to monitor progress in the livelihood program. To increase its usefulness, the census should also monitor the trend of spending (consumption and investment) and savings by the community.**

Response:

We agree. The biennial census/survey will be continued to monitor the progress of social and economic development in Bintuni including the outcome of the livelihood programme. In the 2013 socio-economic census/survey we started to extend the scope to include Fakfak. We

will also analyse and monitor the trend of spending and savings to understand if there is change in the way the community manages its income towards being more self-reliant.

### **Recommendations: Papuan employment, training and procurement**

- 1. BP should pursue its new Papuan Operations and Maintenance (O&M) Technician Development Program aggressively to meet hiring needs for current operations and future operations. It should also support the development of trade centers in Papua to deliver skilled Papuans for BP and its construction contractors' hiring needs.**

Response:

The new Papuan O&M technician development programme is in progress. The development programme will take three years and is currently being prepared. The market assessment to identify a qualified training service provider is in progress and the bid is being conducted. The target is to have the selected service in place by Q4 2014. The technicians will be selected soon, with priorities being the indigenous people in Bintuni and Fakfak.

BP has done the market assessment for local training facilities within Papua and identified a few potential good vocational schools in Papua Barat that have good facilities and curricula for some trades. Further evaluation will be done to identify the trades required for project activities – and for routine maintenance activities.

- 2. BP should continue to provide English language training to all participants who seek it. It should explore whether there is demand for this program in Sorong, Fakfak or other locations.**

Response:

We agree. We will continue the technician training programme and implement some improvements to ensure that the technicians have the right education and skills. We are going to partner with the local trades centre in Papua who will provide the training for the feeder pool of technicians.

We will monitor the attendance and progress of the English language training in Manokwari and Jayapura. If the programme is successful, we will offer it in other locations (e.g. Sorong or Fakfak). In addition, BP has established the upstream learning team, which will support the effective execution of English training.

- 3. BP must explain and enforce Papuan hiring targets on its contractors, including financial penalties for failure to meet agreed upon targets.**

Response:

As part of the tender process, Tangguh will explain the Papuan hiring targets to contractors. This is carried out as part of the onshore contract Invitation to Tender (ITT) evaluation process where the AMDAL commitments are prescribed. Contracts will include specific requirements to meet the Papua hiring targets and Tangguh will implement performance management measures to enforce delivery of these targets. This will incorporate lessons learned from the Tangguh trains 1 and 2 construction phase.

We also monitor the commitment of our existing contractors in Operations to recruit and develop their Papuan workforce. In the past two years we have managed to intervene with our main contractors to provide greater support for Papuan development.

- 4. Priority for all Papuan recruitment and training programs should be given to ethnic Papuans, particularly those from the Bintuni Bay region.**

Response:

As defined in the TEP AMDAL, the targeted beneficiaries of Tangguh programmes will be the indigenous people (IP) in the four tribes from the villages surrounding Tangguh in Bintuni and Fakfak. This is a change in focus of the new AMDAL from DAVs to indigenous people. The definition of IP for Tangguh will not only include ethnic Papuans, but also those who are not ethnic Papuans but have been living for a long time in the village and have been accepted as part of the community. We will prioritize and target the recruitment and training programme for the ethnic Papuans in the four tribes from the surrounding villages. However, we cannot exclude the non-Papuan ethnic if there are not enough or no qualified ethnic Papuans to be recruited.

- 5. BP should focus its business empowerment program on those supplies and services that will be needed during construction, and encourage its EPC contractor and its subcontractors to use these firms, where possible. It should consider a preferential system for firms that meet BP standards.**

Response:

The IEDP will focus its training and empowerment programme on local enterprises to supply goods and services needed for Tangguh operations and the expansion project as well as creating opportunities for local indigenous firms in other markets in Papua Barat. Working with PSCM (Procurement and Supply Chain Management), IEDP will develop certain criteria to assess whether an indigenous firm is competent and can be prioritized by Tangguh contractors to supply goods or services.

#### **Recommendations: Government and public affairs**

- 1. BP should continue its positive engagement with leaders throughout the construction period, including maintaining regular contact with the *Pangdam* and the *Kapolda*.**

Response:

We agree. We will maintain our engagement with leaders in the government, including the Pangdam and Kapolda, throughout construction and post-construction.

- 2. BP public affairs should engage regularly with key media, and employ social media tools to communicate more effectively.**

Response:

We agree to engage regularly with key media at a national and local level through appropriate communication channels. These will be selected based on a thorough assessment of the risks and benefits involved.

- 3. BP should make Tangguh a more visible leader in community development.**

Response:

We believe that the government and community should be the main leaders of community development in Bintuni. However, Tangguh remains committed to empowering and enabling the community and local government to lead the development. Tangguh will also facilitate more involvement and support for development from other PSCs operating in the Bintuni bay area.

In addition, we are increasing our campaign through national and local media regarding Tangguh's contribution to social development in Bintuni, as well as our plan to further improve the welfare of the wider community in Bintuni, Fakfak and Papua Barat (as stated in the new AMDAL).

- 4. Stakeholder forums should be resumed every year in Bintuni Bay, seeking input from government, civil society, and other interested parties. BP should also maintain a program of visits to the LNG site by village leaders during construction.**

Response:

From 2012 to early 2014, Tangguh conducted intensive stakeholder engagements with the community, local government and NGOs as part of the TEP AMDAL process including holding public consultations for 62 villages in Bintuni and Fakfak . Tangguh also supported the AMDAL public hearings in Bintuni in December 2013 and February 2014, led by the Ministry of Environment (MoE), which involved more than 200 participants from the villages, NGOs and local government. In the future, as committed in the AMDAL, Tangguh will conduct regular consultations with government, civil society, community, media and other interested parties. The stakeholder engagement will also include visits to the LNG site by village leaders and local government.

#### **Recommendations: Governance and transparency**

- 1. Long-term support for more effective governance and transparency at the *kabupaten* level is essential for Tangguh's social programs to succeed and for Tangguh revenues to be used soundly. For effective implementation, BP should avoid hiatuses and disruptions in the program.**

Response:

We agree. Governance programmes are critical to successfully creating sustainable development in the region. We are making a few smaller bridging contracts to avoid gaps in implementation while the main governance contract is being tendered.

- 2. BP should focus its support for the *Papua Barat* provincial government on greater transparency and accountability.**

Response:

We have provided several workshops for the Papua Barat provincial government on the oil and gas industry and revenue sharing. We also supported EITI to hold a transparency seminar for the provincial government in 2012. For future programmes we will consult the Papua Barat provincial government and offer capacity building for the officials to support transparency and accountability.

- 3. BP should consult with the World Bank or other capable organization, the Governor and the *Bupati* to determine whether an expenditure analysis of their respective budgets could be conducted.**

We will consult with the Bupati and Governor to determine if they would be willing to perform an expenditure analysis by the World Bank or another appropriate organization. We plan to do this during our consultation with them on the governance programme for the Regency and Province.

#### **Recommendations: Revenue management**

- 1. BP should support the local government's use of a portion of the fund established by the *Perdasus* on natural resource revenue sharing for recognition of any legitimate *adat* claims relating to tribal ownership of natural resources.**

Response:

We agree that the adat community's rights need to be respected. When the Perdasus DBH is in place, there will be subsequent special regional by-laws that need to be issued by the provincial and regency government. These will implement the Perdasus as well as deliver their intention to recognize legitimate adat rights of natural resources, using the revenue sharing established by the Perdasus. Tangguh will offer support to sponsor the local university to provide the academic paper for the aforementioned special regional by-laws.

- 2. BP should assist the formation and capacity building of the management of the entity that will administer the trustfund for the 10 % allocation of the oil and gas revenue split by the perdasus.**

Response:

We agree that the trust fund needs to be managed properly. The local government and community should lead the formation of the entity and Tangguh can provide support. Furthermore, the management of the adat trust fund will be up to the adat trust fund institutions. Tangguh can provide capacity building for the institutions.

- 3. BP should encourage the Governor and the *Bupati* to implement the transparency and accountability provision of the *Perdasus DBH* by supporting an expenditure analysis of all natural resource revenues transferred to the province.**

Response:

As mentioned above, we will consult the Bupati and Governor to determine if they would be willing to perform an expenditure analysis as part of implementing transparency and accountability. However, the transfer of DBH (revenue sharing) to the province is pooled as natural resource revenue sharing (DBH SDA), i.e. not specific to Tangguh or other projects, which means that detailed tracking of Tangguh DBH at the province and kabupaten level is difficult. The expenditure analysis can be done on the whole provincial or kabupaten budget or on the revenue sharing of all natural resources (DBH SDA) as well as on the portion for adat recognition.

## **Recommendations: Environment**

- 1. BP should commit the resources needed to eliminate any occurrence of non-compliance so that it can achieve green and ultimately gold status in its environmental review by MOE.**

Response:

Tangguh will give its best effort to aim for Green status in 2015 and then hopefully Gold by 2018. Tangguh is committed to fully complying with the AMDAL requirements and applicable Gol regulations on the environment. We have achieved the Blue Proper rating twice in a row – in the first Proper audit (government audit on a company's social and environment compliance in AMDAL) for Tangguh in 2012, and in the second audit in 2013. According to the MoE Proper guidelines, a company should achieve Blue rating three times in a row. It should also provide evidence to show improvements, to demonstrate that the company has an environment and social (E&S) programme beyond the minimum compliance requirement before it can be eligible for a Green rating. Then to reach Gold rating, the company needs to maintain the Green rating three times in a row. Gold rating is the highest achievement in environmental compliance, which requires 100% compliance in all parameters – without exceptions. So far two hydrocarbon companies with more than 15 years of operating experience have received the gold rating.

- 2. The regular survey of fish, shrimp and crab resources in Bintuni Bay as well as environmental monitoring should continue, so that any impacts from construction and future operations may be measured.**

Response:

We agree. We have been conducting regular environmental monitoring and surveys of fish, shrimp and crab resources in Bintuni Bay. With regards to the baseline study on contaminants prior to TEP construction, we have included this as part of the environmental baseline survey in 2012 and 2013.

- 3. BP should explore with SKKMigas options or new technology for reducing CO2 emissions.**

Response:

Tangguh feed gas from current wells (in VR-A and VR-B platforms) contains about 12% of CO<sub>2</sub>, while for the Tangguh Expansion Project, the estimate is up to 15% of CO<sub>2</sub>. This means that increased production will generate increased CO<sub>2</sub> emissions. We agree with the recommendation to work with SKK Migas to monitor new technology, which can be considered as an option for GHG emissions in future.

## Exhibit A. Status of TIAP recommendations

### TIAP recommendations from July 2012 visit

Status May 2014

Topic	Issue and risk identified in TIAP visit	BP Response November 2012	Action plan and status
Security and human rights	1. BP should require any new private security contractor to commit to retaining all Papuan security guards in good standing	We agree, and have required all past and current security providers (three different companies to date) to retain Papuan security guards in post.	On track. This is an on-going activity.
	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	We have actively shared our ICBS approach and its benefits to Genting Oil which is currently exploring in the Kasuri block, adjacent to Tangguh. Throughout a good cooperation during their recent seismic campaign within the perimeter of the Tangguh LNG area an adoption of ICBS principles by the Genting team has been initiated. Positive indication for full adoption has been demonstrated through requests made by Genting to Tangguh for a more intensive expertise sharing on the design and implementation of ICBS for their future drilling and seismic operations. BPMIGAS has recognized this and as a result Tangguh has been requested to provide broader expertise sharing to other PSCs especially to those operating in Papua and Papua Barat	Tangguh continues its efforts to influence all stakeholders who work in the Bintuni region, particularly in the oil and gas industry, to implement the principle of ICBS during their operation through SKK Migas.  We have successfully persuaded Genting to use professional security companies, with some guards hired from the surrounding villages. In the past they have used military services during seismic activity.  Furthermore, we will continue to involve SKK Migas and use other channels to introduce and promote ICBS principles.

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		<p>provinces. Through BPMIGAS (now it is SKK Migas) initiative, we have also shared the advantage of ICBS concepts to other major companies operating in other part of Eastern Indonesia region such as Inpex. A sharing session for the mining giant PT Freeport Indonesia has also been conducted.</p> <p>The Papua Police Headquarters (POLDA) has consistently promoted ICBS in its discussions with other companies operating in Papua. Recently, LP3BH, a local NGO providing legal and human rights advocacy, wrote an article in the local newspaper to promote the adoption of ICBS by all companies doing natural resources exploitation in Papua.</p> <p>If other companies' security measures pose a risk to our operations in future, we will promote the benefits of ICBS even more forcefully through relevant GOI offices, including BPMIGAS and the police.</p>	
	<p>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.</p>	<p>We agree. We are committed to implementing all aspects of ICBS, including the recommended joint exercise. If it is impossible for the Jayapura police and military to participate in a full exercise for any reason, we will</p>	<p>On track.</p> <p>The annual joint exercise (JE) took place as scheduled from 19-22 November 2012 with 130 participants including the police and</p>



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		<p>hold a smaller-scale exercise involving district and regency police.</p> <p>For this year's exercise, we are on track to conduct a full-scale exercise in November 2012. A kick-off meeting has been held by BPMIGAS in Jakarta on 23rd October attended by the Police Director of National Vital Object Security (Dirpamobvit) and BP.</p>	<p>Tangguh security guards.</p> <p>In 2013, JE took place in Babo from 17-21 November. It involved 127 people including local police and Tangguh security. Several local NGOs, such as LP3BH and Elsham, participated in the training as observers.</p>
	<p>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.</p>	<p>We agree. LP3BH, a local NGO specializing in law and human rights training and advocacy is helping us to refresh training for security forces in Papua Barat.</p>	<p>Human rights training is carried out annually to ensure all personnel understand and are aware of the implementation of the voluntary principles of security and human rights.</p> <p>In 2013, training took place in Bintuni township from 2-6 September, involving 50 personnel from the local army (TNI AD Kompi Senapan E/752). Further training was carried out from 23-27 September, involving 30 local police (Bintara). The local NGOs, including KOMNAS HAM Papua and LP3BH Manokwari were present as observers.</p>
Government & Community Affair	<p>5. 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</p>	<p>We agree. We are stepping up our engagement with the Governor, DPR-PB and the MRP, by requiring our senior liaison coordinator to spend 30% of his/her time in Manokwari and to update these officials and offices about Tangguh operations and the expansion plan. We</p>	<p>A TLO Co-ordinator has been placed and is responsible for maintaining communication and relationships with related key stakeholders in Manokwari, including the Governor, MRP and DPR PB. His role is to create a conducive environment to update the Tangguh project activity – as well as</p>

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	<p>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.</p>	<p>are also establishing closer contact in our support on the formulation of Perdasus for oil and gas revenue split (DBH) to help speed up this process. We intend to maintain good relationships with the Papua Barat government and other stakeholders, in line with TIAP recommendations.</p>	<p>responding to any external concerns, such as the electricity plan.</p> <p>Comprehensive communication and consultation were also carried out in relation to the Tangguh Expansion Project and AMDAL, as well as during the drafting of Perdasus DBH (revenue sharing by-law) with the legislative body in Papua Barat.</p>
	<p>6. Tangguh should become more visible in Bintuni Bay, in Papua and nationally. Working with BP Migas, 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.</p>	<p>We welcome and understand the thinking behind this recommendation. We will devise a public relations strategy to increase the profile of Tangguh and ensure that the efforts we are doing in the local communities is being fully recognized in ways that also allow us to manage external expectations.</p>	<p>A number of initiatives have been undertaken to ensure that Tangguh's contribution becomes more visible to people in Teluk Bintuni. The most recent successful programme is Teluk Bintuni's electrification programme. BP has committed to supply and sell power generated from the Tangguh LNG Plan to PLN, a state-owned electricity company. The excess power is generated as a result of a power plant efficiency programme undertaken by Tangguh. In the first phase, Tangguh committed to supply and sell up to 4 MW to PLN, who will distribute it to its customers in Bintuni town and the surrounding areas. The inauguration of the electrification of Bintuni town took place on 17 February 2014, attended by the Papua Barat Governor and Regent of Bintuni Regency. The Papua Barat Governor and Teluk Bintuni Regent greatly appreciated Tangguh for supplying the electricity. The local people welcomed and enjoyed having a 24-hour supply of uninterrupted electricity in the area for the first time. This makes Teluk</p>

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			<p>Bintuni the first city in the Papua region with a 24-hour supply of uninterrupted electricity. A press release was issued by Tangguh and posted in the national newspaper (KOMPAS). The second phase of the electrification programme will involve supplying another 4 MW, subject to successful power plant efficiency exercises (undertaken by Tangguh) and the extension of the electricity distribution network by PLN. The second phase of the electricity programme aims to electrify the DAVs areas in the Southern Shore of Teluk Bintuni.</p> <p>Meanwhile, Tangguh continued to strengthen the hospital in the Bintuni township. It will become the main centre for health services in the region. In 2013, Tangguh donated medical check-up (MCU) equipment with a total value of USD 140,000. Currently the hospital has been functioning and has provided MCU services to Tangguh contractors, employees and the community surrounding the Bintuni bay since February 2013. The hospital has the capacity to provide MCU services for 15 people per day. Between February and December 2013, as many as 243 employees have used MCU services in the Bintuni hospital.</p> <p>Another tangible project from Tangguh is the public ground transportation development for the Bintuni township through YPTB (Bintuni</p>

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			<p>Foundation). A comprehensive assessment and comparative study of public transport was carried out in 2012 and 2013 by independent consultants from LAPI ITB and related stakeholders. The assessment results have been shared with the local government for further decision and action.</p> <p>The scholarship programme continues to give local students opportunities to access advanced education. In 2013 as many as 79 local students (DAVs and Bintuni) from high schools and universities received scholarships from Tangguh. Since 2008, Tangguh has provided scholarships to 379 students in high schools and universities.</p> <p>In developing the new AMDAL, Tangguh has identified several outcomes that are more tangible and visible for the people in Teluk Bintuni. These will help to meet community expectations and build trust with Tangguh.</p>
	<p>7. 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.</p>	<p>We have been increasing our public relations as Tangguh expansion takes place. We have arranged a number of high profile visitors to Tangguh this year, including representatives from the Ministry of Environment, DPR Commission 7 on Energy and Mining, State Intelligence Agency, the Head and Deputies of BPMIGAS, UP4B, UKP4 and a number of local government officials.</p>	<p>The Tangguh team continues to communicate with various external stakeholders, led by the Government External Relations Team. The joint electricity project with PLN central headquarters has also increased BP's engagement with central and regional governments.</p> <p>Good relationships have been developed with various local and international media</p>

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		<p>We are also using lessons learned from other companies to help us make Tangguh more visible to the media and senior government officials.</p>	<p>personnel. In line with BP's commitment to build capacity for local journalists, training and workshops for local media were conducted in Jakarta and Manokwari during 2013.</p> <p>The training content included sharing information on the Tangguh update and its social programme. In addition, BP, in collaboration with SKK Migas and other oil companies, supported media visits to the oil and gas operation area in Sorong – and provided an overview of oil and gas activities. As many as 14 media officials (eight national and six local) participated. This activity will increase local media knowledge and awareness of the complexity of oil and gas projects, as well as minimize negative publications on Tangguh.</p> <p>Following the article on Tangguh in the TEMPO magazine in February 2014, BP sent a response to TEMPO to refute and clarify the facts in the article. BP has also talked to other media outlets such as Jakarta Post and Metro TV to provide a positive view of Tangguh. We will continue efforts to build a positive image of Tangguh and BP that is based on facts.</p>
	<p>8. A full stakeholders meeting should be conducted every year in Bintuni Bay,</p>	<p>We engage with stakeholders in Bintuni through a focused approach that involves</p>	<p>The majority of meetings with the local stakeholders have been arranged for the</p>

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	<p>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.</p>	<p>smaller-scale meetings with local government, civil society, the media, local communities and other interested parties. This year, we have held meetings in Bintuni with all these groups as part of the public consultation process for the proposed Tangguh Expansion project.</p>	<p>AMDAL public consultation and hearings. They involve community representatives from Bintuni and Fakfak, as well as the local governments in the regencies and the Papua Barat province. Two public hearings were carried out in December 2013 and February 2014 by the MoE to present the AMDAL commitments and obtain local endorsement of AMDAL.</p> <p>In addition, meetings with stakeholders, particularly the local government have been carried out regularly. A forum called the 'public relation forum' for oil and gas companies in the area of Papua and Maluku region was formed by SKK Migas. It was set up to establish and maintain communication on various issues among the companies, as well as to build relationships with external parties in these regions.</p> <p>Meanwhile, regular co-ordination with local government was also conducted, including the planning and evaluation of Tangguh social programmes.</p>
Social programme	<p>9. 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.</p>	<p>We agree. We are working with YSA and the Bintuni Health Office (Dinas Kesehatan) to address the health risks presented by an influx of foreign workers employed by other companies.</p>	<p>Tangguh continues its collaboration on basic health programmes with YSA including malaria and HIV control in DAVs as well as in the wider Bintuni area. We provide technical assistance to health department officials at regency level and health facilities by</p>

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			<p>implementing active surveillance, awareness and counselling programmes – as well as early treatment to people who are diagnosed with malaria or as HIV positive. A collaboration programme with private companies in Teluk Bintuni has been developed to look for opportunities for joint programmes to escalate the efforts. Currently, several companies have implemented the malaria control programme in their work area.</p> <p>To combat the spread of HIV AIDS in the Teluk Bintuni region, the PEH team has supported the local AIDS commission to build a comprehensive programme including a partnership with external sectors – as well as international donors such as CHAI foundation, supported by USAID and Global Fund. As part of the HIV AIDS prevention programme, a referral clinic for STI and VCT has been established in RS Teluk Bintuni. The clinic provides free counselling and testing services to people to understand their HIV status. It also encourages a healthy lifestyle.</p>
	<p>10. 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.</p>	<p>We have provided the new hospital with a useful system management blueprint and also requested it to carry out regular medical check-ups (MCU) for Tangguh and contractor employees. We will continue to engage Bupati to see if there are other needs for the hospital improvement and work together with</p>	<p>The PEH team had a comprehensive discussion with Bupati and health reGENCY officials to strengthen the Bintuni hospital. Recently, a five-year strategic plan to develop the hospital has been created, including ways to improve quality. The Bintuni hospital will be developed as the main centre for health services in this region and is classified as D type. Therefore we will</p>

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		<p>other companies operating in Bintuni to coordinate our support in future.</p>	<p>continually support them with their service and management to meet the required national standards.</p> <p>Tanggung has provided hospital equipment for the MCU programme at the amount of IDR 1.4 billion (USD 140,000).</p>
	<p>11. 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.</p>	<p>We agree. In the future, we will liaise directly with schools to assess the integrity and validity of national school tests. To support improvements in educational standards we have run a number of programs, focusing on: basic education; teacher training and provision; better infrastructure; curriculum development; and improved tools and systems. We want to benchmark progress even more effectively by including key indicators (for example student-teacher ratio and teacher competency) in our bi-annual economic surveys and our evaluation reports. We will deliver the improvements through British Council (BC) as our implementing partner or other education agencies.</p>	<p>Our education programme has continued its efforts to monitor the quality of education. In addition to using the student graduation rate, the programme evaluates the process of learning, including implementing national curriculum standards in schools.</p> <p>A qualitative survey on education quality in the Teluk Bintuni region will be carried out this year by independent consultants from UNCEN. The results will be used to understand the overall status of schools in meeting national standards as well as education quality in the region.</p> <p>Meanwhile, the 2013 social census provides understanding that can also be used as a benchmark to evaluate the education programme.</p>
	<p>12. BP should look for opportunities in its microenterprise and procurement programs to capture additions to the</p>	<p>We agree and are expanding our livelihood programs in line with this</p>	<p>On track.</p> <p>The programme still focuses on assisting in</p>



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	<p>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.</p>	<p>recommendation. Specific examples include a bicycle repair shop and an outlet at the Babo to sell products produced by the DAVs. Making electricity more widely available from 2013 will also support further economic growth and perhaps in new microenterprises and commercial businesses.</p> <p>Currently, seven stocking points are already established and active in Bintuni, Arguni, Tanah Merah, Babo, Tofoy, Taroy and Weriagar to gather all community products to be supplied to Tangguh catering and other stocking points in Onar are being developed. In January – September 2012, a total of 268 tons of fruits, vegetables fish, crab and shrimp has been delivered to Tangguh LNG Catering. These figures equal to 6.7 billion rupiahs. Alternative markets are being assessed to bring wider opportunities, for example Bintuni, Sorong and Makassar.</p>	<p>the development of agriculture and fishery products to maintain supply to Tangguh catering and local markets. The total supply of vegetables, fruit, fish and prawns between 2008 and December 2013 is 1,107 tonnes – the equivalent to USD 3.2 million. To optimize the distribution of DAV products, some new initiatives were created, including the expansion of local markets through an outlet in Babo village and Bintuni township. Expanding the markets also extended to Makassar and Sorong region.</p> <p>The bicycle and machinery workshops in several villages are functioning and receiving orders from the Tangguh maintenance department and the local community. A work agreement was established between Tangguh LNG maintenance and the workshops. These businesses are mostly managed by indigenous people, who receive comprehensive training in technical and management skills.</p> <p>Current monitoring shows that a bicycle workshop has the capacity to repair 15 bicycles (with a total revenue of IDR 30 million) on average per month.</p> <p>A new programme of Indigenous Enterprise Development has been formed to develop local companies, so they can provide support</p>

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			services to Tangguh operations.
	<p>13. 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.</p>	<p>We agree. We already appoint independent agencies to carry out an economic and social census every 2 years, in line with our commitment in the ISP-2 handbook. The next census will continue to cover the DAVs and a sample of non-DAVs, as a control group.</p>	<p>On track.</p> <p>The latest independent census and survey of DAVs was conducted at the end of 2013, in collaboration with PSKK UGM. Data was collected from 59 villages surrounding the Tangguh project, including the expansion areas.</p> <p>The census/survey covered social and economic issues in order to understand the population dynamics in the region and the results are now available.</p>
	<p>14. 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.</p>	<p>We agree. We will work with Bupati to extend the MoU with YPTB, giving it a more substantial role in infrastructure development in Bintuni Bay, including the initial set up of land public transport services as well as strengthening the governance for the YPTB. We will include the establishment of trust fund in the MoU extension.</p>	<p>The MoU extension for the YPTB programme was established in June 2013. Bupati and BP have agreed to include one year of activity for YPTB. BP will provide a total of USD 1.3 million to support this plan. The YPTB has continued its programme, including developing public infrastructure in the north shore area.</p> <p>Meanwhile, an assessment of public transport has been completed in collaboration with LAPI ITB. The result has been presented to the Bupati and local stakeholders for further action and decision.</p> <p>An independent audit of YTPB activity and a</p>

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			financial report was conducted in 2012. It resulted in a satisfactory status.
	15. 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.	The first electricity supply project for Bintuni will deliver 4-8MW of power for Bintuni Bay regency. PLN's infrastructure, capacity and forward planning will determine the precise distribution network. Our Supply Off-take Agreement (SOA) specifies that the DAVs, Bintuni township and Babo should be prioritized for supply. PLN have committed to deliver electricity by February 2013 and Tangguh has already prepared our facilities to be ready before then to transmit the electricity. We will maintain close links with PLN and UP4B to assess progress on this project.	BP has coordinated closely with PLN, local government and UP4B to monitor progress of the project. The first phase of the project, which delivers electricity to Bintuni township, is complete. Bintuni township started using Tangguh electricity in February 2014. The second phase of the electrification project for Teluk Bintuni DAVs continues as per the Agreement to Supply and Offtake Electric Power between PT PLN and Tangguh PSC Contractors, signed on Dec 3 2013.
Employment and Training of Papuans	16. 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.	In order to ensure continuous risk management, the number of workers retained on site will be based solely on operational needs. We are currently exploring ways to redeploy workers (if necessary) in other roles outside the LNG plant as part of providing sustainable livelihood for the DAV community. For example, a number of plant security guards have already been redeployed and relocated to carry out ICBS work in villages on a rotational basis.	The Tangguh project continues its commitment to provide greater opportunities for people from DAVs to work with Tangguh, including working through contractors. We have shown our commitment to balancing competence requirements and risk management with Papuan development opportunities through our contractors. When there is an increase of skill requirements for the workers , it could result in the replacement of the workers from the DAVs with non-Papuan workers. We have

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		<p>If any workers are laid off in future, severance pay and other benefits will be agreed in line with relevant legislation, while individuals rehired in future will be selected on the basis of merit or nationality/ethnic if vacancies include positions 'set aside' for Papuans. Unskilled and low-skilled positions will be dedicated for Papuans from DAVs and the Bird's Head area; a number of semi-skilled and skilled positions will also be prioritized for Papuans.</p>	<p>intervened so that the contractor agrees to send the workers from the DAVs to training, while the non-Papuan workers will be hired only temporarily to perform the work while the local workers are on training..</p> <p>A new programme for indigenous enterprise development has been initiated to create opportunities for local businesses to provide support services where local people can be hired.</p> <p>Moreover, the Tangguh expansion programme will create employment opportunities for locals during construction, particularly for indigenous people.</p>
	<p>17. 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.</p>	<p>We agree. The training program has helped Technicians and other workers at the site. In line with our commitment to local development, we now provide English language training for Apprentices.</p> <p>A new contract to extend the program across the site has been awarded and even greater efforts are being made to increase participation rates among Technicians by running classes in easily accessible locations and at times that</p>	<p>After a thorough analysis, it was concluded that providing English training at the site is not effective. There were low rates of attendance and utilization of the trainer because people were reluctant to take the course after working hours. A new approach is being developed. BP has signed a MoU with universities in Manokwari and Jayapura to provide English courses for BP and TPC employees. 31 people join the training at Manokwari and 79 at Jayapura. In addition, those at Jayapura have computer training. The progress and effectiveness of the programme are still under review.</p>

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		<p>allow them to maximize their rest time.</p> <p>In January 2013 a number of other improvements will come into effect, including a commitment from line managers to nominate employees for English language training, an annual training schedule dovetailing with Rota and shift patterns, and a series of English language 'tournaments' to motivate participants.</p>	

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	<p>18. 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.</p>	<p>We agree that is important to prioritize the recruitment of ethnic Papuans, but believe that retention and advancement of those employed must be based on ability. We have taken steps to publicize vacancies for highly skilled workers more effectively - on site and at universities.</p> <p>Our efforts to recruit and advance Papuans and Bintunians into highly skilled roles centers on three specific actions: recruiting only Papuans to work as Operation Technicians (since Batch 3); opening vacancies for supervisory and team leader positions to Papuans on the basis of merit; actively encouraging Papuans to become Challengers in Operations, S&amp;OR and Project by offering them internships to achieve the standards required to become a Challenger.</p> <p>In line with our broader development commitments, we not only offer training for Papuans and non-Papuans employed by BP, but also provide group training to help Papuans and Bintunians not on our payroll (TPC) acquire marketable skills. We have also piloted a development program for low skilled Papuan and Bintunian workers employed by contractors to acquire basic skills at a vocational training facility (BLKI Sorong). This should help them to compete for employment in future. A follow-up program offers scholarships for individuals to complete a similar program with SMK Migas.</p>	<p>From 2009 up to December 2013, there was progression/promotion of a total of 410 Papuans currently filling supervisory and team leader roles covering Operations, WFM, CRP, Security, Maintenance, H&amp;M, and H&amp;S.</p> <p>In the future, Tangguh needs to focus on having a structured and integrated programme for the next AMDAL, including the commitments to increase the skills of indigenous and other Papuan workers. Tangguh LNG has also committed to working with related government agencies and/or vocational training centres to provide training for selected indigenous people from the surrounding area. The objective is to empower them to be more competitive for job opportunities in Papua Barat. To develop technical skills, Tangguh will collaborate with relevant stakeholders to invest in developing a Centre for Assessment (Screening and Basic Technical Skills Development), and in establishing a Polytechnic School.</p>

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Governance and Transparency	19. BP should increase its level of support for greater transparency and accountability of the Papua Barat provincial government.	Our primary focus is on building capacity for the regency government of Teluk Bintuni - including transparency and accountability. At provincial level we are working hard to improve our relationship with government. We held a 'transparency' workshop with EITI in July 2012, which was attended by Papua Barat government officials. In future, we will work with a specialist partner to run other awareness building events focused on transparency and accountability.	<p>BP has increased its engagement and improved its relationship with the Papua Barat government in line with the Tangguh Expansion AMDAL process. At the AMDAL hearing on 18 February 2014, the Governor was present to provide his support for the AMDAL process.</p> <p>BP actively mediates communication between the provincial and regency government and the central government to ensure the revenue flow is transparent.</p> <p>In the future, BP will work closely with the Papua Barat Government and Papua Barat Province-Owned Company, to undertake the feasibility study for the construction of a gas-fuelled power plant to electrify areas in Papua Barat and Papua Provinces. Tangguh has confirmed it is ready to supply up to 0.16 mtpa (equal to ca.20 mmscfd) of LNG to generate electricity in Papua Barat and Papua Provinces. In the study, BP will continue to encourage transparency and accountability to ensure that the gas allocated from Tangguh will be used to generate power to electrify areas in Papua Barat and Papua.</p>
Governance and Transparency	20. 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.	We will assess the feasibility of updating our Papua Expenditure Analysis in partnership with an experienced specialist organization that is knowledgeable and has credibility in this area.	We had an agreement with consultants from UGM to provide this assessment. However, UGM withdrew from this work in March 2014. We will be looking at other capable institutions, including the World Bank and University of Indonesia, to explore the

Topic	Issue and risk identified in TIAP visit	BP Response November 2012	Action plan and status
			possibility of them carrying out the expenditure study for Papua Barat and the Teluk Bintuni regency.
	21. BP should support the provincial government, as it has the kabupaten government, in drafting a Perdasus that fairly addresses the interests of all parties.	We agree. We will support the provincial government by engaging UNIPA to provide an academic paper that is required to draft the Perdasus. This will include a comprehensive legal and social analysis, reflecting the interests of key stakeholders.	Tanggung supports the local government in drafting the Perdasus on the allocation of revenue sharing of oil and gas. The academic paper was developed by UGM and UNIPA teams, taking local aspirations into account. A comparative study with Aceh was also conducted to learn about the practices and experience of Perdasus effectiveness. Based on the study, the draft Perdasus accommodates tribal rights as revenue beneficiaries, which will help build acceptance of Tangguh.
	22. BP should encourage the parties to include a provision relating to payment of adat ownership claims in the Perdasus.	We support this idea through the academic paper commissioned from UNIPA prepared for the drafting of Perdasus.	Finally, at the end of December 2013, DPRD West Papua ratified the draft Perdasus and it is now under review by the Ministry of Home Affairs.  The final draft Perdasus contains a report and monitoring mechanism on revenue sharing. It includes accountability and transparency principles. BP will encourage all stakeholders to monitor the implementation and the effectiveness of this regulation.
Revenue Management	23. BP should encourage the parties to include measures in the Perdasus that guarantee greater transparency and accountability for the funds being allocated.	We support this idea and as an EITI signatory, believe that greater transparency and accountability will be beneficial to all parties	
Environment	24. BP should set a goal of achieving gold status in its environmental reviews by the MOE.	MOE uses a very strict evaluation method (Proper), requiring 100% compliance to achieve green status. We will do our best to achieve green status by 2013 and then	Tanggung continues its efforts to fulfil the standards required by MoE to achieve the green rating and eventually the gold rating.



Topic	Issue and risk identified in TIAP visit	BP Response November 2012	Action plan and status
		for a consecutive 3 years to achieve the gold status.	
Environment	25. Continued support for the kabupaten spatial planning activities should include adherence to a local land use plan that protects the environment of Bintuni Bay.	We have supported the development of spatial planning document for the Bintuni Bay regency which has been deliberated as a by-law in July 2012). This covers local land use to protect the environment.	<p>The spatial planning document has become the main resource for key stakeholders to manage and develop the economic activity in this region.</p> <p>Through our governance programme, the local government and other local stakeholders are encouraged to monitor the spatial plan during annual planning in order to protect the local land from improper use.</p>
Environment	26. 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.	We agree. We regularly test fish, shrimp and crab stocks in Bintuni Bay. We will conduct the next set of tests in 1H 2013. Tangguh also monitors the quality of waste water discharge for any potential contaminants on a regular basis as per GOI requirement as well as the sea water quality ambient around Tangguh area.	<p>The latest assessment on fisheries and water conditions in Bintuni Bay in 2013 by IPB (University of Agriculture in Bogor) shows that the quality of the environment and natural resources in the bay are still in good condition and the contaminant is below the threshold.</p> <p>The assessment also concluded that the operation of Tangguh has little impact on the activities of local fisheries.</p>
Tangguh Expansion	27. BP should do more to address the imbalance in housing and infrastructure among north and south shore DAVs in the new AMDAL.	We are currently exploring ways to address this issue in partnership with local and central government. It is also being considered as one of the key parts of the ongoing Tangguh Expansion AMDAL.	A non-binding MoU between Tangguh and the Government of Teluk Bintuni Regency (Pemda Teluk Bintuni) was signed on 4 December 2014. The MoU recorded Tangguh's intent to provide financial assistance for the house restoration for North Shore indigenous people from

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			<p>Wiriagar and Tomu District.</p> <p>As stated in the draft of the new AMDAL programme, Tangguh will work together with the Teluk Bintuni Regency government to design a joint programme to implement direct and tangible benefits. It will be executed in phases, following approval of the AMDAL for the Tangguh Expansion Project.</p> <p>At the moment, a pre-feasibility study on the technical and social aspects of the housing project has been completed. The housing renovation project is expected to be completed at the same time as the Tangguh Expansion Project.</p>
Tangguh Expansion	<p>28. 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.</p>	<p>We are committed to help local Papuans develop transferable skills through our current operations and expansion. The Tangguh Project has sent 29 Papuan workers from DAVs who are currently employed by a contractor, to undertake skills training prior to construction work on the Tangguh Expansion. We will implement a recruitment and development strategy that meets project needs and helps to boost local capacity during the AMDAL process. This will cover employment at Tangguh and other options for earning a living that can help</p>	<p>The new AMDAL commitment will prioritize indigenous people (IP) for employment in Tangguh and provide vocational training to increase skills and employment opportunities.</p> <p>Additional scholarships will also be provided for IP students to create a greater talent pool for future employment at Tangguh or for other jobs in Bintuni.</p> <p>Additionally, a new programme, the Indigenous Enterprise Development Programme (IEDP) has been set up to create</p>

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		<p>support social and economic development as well as the sustainability of Tangguh Operations.</p>	<p>alternative livelihoods besides working for Tangguh.</p>
Tangguh Expansion	<p>29. BP should address using Tangguh gas or electricity as part of a broader electrification project for Papua Barat as a long term goal.</p>	<p>We agree. As part of the Plan of Further Development (POD II) for Tangguh Train-3, which is currently awaiting GOI approval, we will be allocating up to 15 mmscfd of gas from Tangguh at the time of Train-3 start-up, to provide energy for a broader electrification projects across an area of Papua Barat province.</p>	<p>The approved PoD II Tangguh train 3 has included the commitment to allocate up to 15 mmscfd of gas from Tangguh to provide electricity for broader Papua Barat.</p> <p>Despite this fact, in response to the request from Papua Barat Provincial Government Tangguh has agreed to increase its commitment to supply and sell up to 0.16 mtpa of LNG (equal to approximately 20 mmscfd of gas) to electrify areas in Papua Barat and Papua Provinces. A confirmation letter with regard to Tangguh commitment was sent to SKK Migas on 22 May 2014.</p>