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Tangguh Liquefied Natural Gas Expansion Project



COUNTRY
West Papua / Indonesia

INCLUSIVE DATES OF IMPLEMENTATION
2016 - 2020

STATUS
Active/Ongoing

Tangguh Liquefied Natural Gas Expansion Project

The Tangguh natural gas liquefaction facility (Tangguh) has been operating in West Papua, Indonesia's least developed region, since 2009. It currently consists of two trains (Train 1 and 2) that were financed with ADB, JBIC and international commercial bank support in 2007. Each train is designed to produce 3.8 million metric tons per annum (mtpa) of liquefied natural gas (LNG) each. The LNG is currently sold to buyers in Indonesia, the PRC, Japan, Korea, and USA. The Tangguh Expansion consists of a third 3.8 mtpa LNG train (Train 3) and associated offshore and onshore production facilities and supporting infrastructure. Train 3 is expected to commence production in 2020, and has committed 40% of production to PLN (the Indonesian national electric utility) under a long term sales and purchase agreement (SPA).

The financing of Tangguh Expansion will be through a New York-based commercial bank that will act as trustee borrower. The sponsors of Tangguh, through production-sharing arrangements with the Government of Indonesia (GOI) are: BP (37.2%); CNOOC (13.9%); Mitsubishi Corp. and INPEX Corp. (together 16.3%); Nippon Oil Corp. and Japan Oil Gas and Metals National Corp. (JOGMEC) (together 12.2%); Mitsui (10% in JV with Mitsubishi Corp., INPEX, Nippon Oil, JOGMEC); Sumitomo and Sojiz (together 7.3%); and Talisman Energy Inc (3.1%). A subsidiary of BP, BP Berau Limited, operates the Tangguh project on behalf of the sponsors.

The objectives of the project are: The Tangguh expansion will provide much needed natural gas to meet domestic demand that has increased considerably in the last decade. The project will support the development of a more sustainable fuel mix and government efforts to reduce carbon emissions. On a local level, the proposed project will accelerate economic development for West Papua, providing additional local employment opportunities and scope for human resource development.

Construction of the Tangguh LNG expansion project is ongoing with completion targeted for 2020.



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NAME OF IFI/DFI
Asian Development Bank



TOTAL COST
USD 400 million

NATURE OF FUNDING
Stand-alone

TYPE OF ASSISTANCE
Loan



PRIVATE SECTOR PARTNER/S
BP Plc/BP Berau
CNOOC
MITSUI & CO.
Inpex Corporation
JX Nippon Oil & Gas Exploration Corporation
Japan Oil Gas and Metals National Corporation
MITSUBISHI CORPORATION
SUMITOMO CORPORATION
Sojitz Corporation

CSO PARTNER/S
None

OTHER PARTNER/S
None



POSSIBLE/EXISTING IMPACTS ON COMMUNITIES/HUMAN RIGHTS

The construction of the original facilities of the Tangguh LNG started in 2005. The project has involved the relocation of a whole village – Tanah Merah Village - to make way for the LNG processing plant, plus the acquisition of land belonging to three clans of the Sumuri indigenous group who are the customary landowners in the area: the Soway, Wayuri and Simuna. BP has built a new resettlement village for the community displaced by the LNG plant, called Tanah Merah Baru (New Tanah Merah). Construction started in February 2003 and the new village was officially 'opened' on July 17, 2004

BP provided the resettled people of Tanah Merah Lama with basic supplies for the year or so after they were relocated in late 2003. These people are now beginning to ask what will happen to their future food security, now this year is up. They do not have sufficient land for cultivation and they have already been prohibited from fishing in the waters around the Tangguh Project.

While these new homes are luxurious on the outside, the situation of their inhabitants is becoming less secure. The fishing community in this village are finding it increasingly difficult to catch fish. Since BP established a zone prohibiting fishing boats in areas where they once caught fish, they're having to go much further out to sea. More and more newcomers are also catching fish and shrimps in the same area as the indigenous people, causing a greater stress on the local fisheries. The newcomers are mostly Bugis and Javanese people, who are usually at an advantage in terms of finances and business know-how.

POSSIBLE/EXISTING IMPACTS ON THE ENVIRONMENT

The local people are also already suffering the effects of pollution from project operations - from engine oil and fuel spills from the large ships servicing the needs of BP's operations and from the BP speedboat that takes workers from Babo to the rig or LNG plant.

Does the project have an environment/social impact assessment?

Yes, and accessible by the public.

Does the project target the SDGs?

Yes.

If yes, which SDG/s are targeted by the project?

SDG 7, SDG 8, SDG 10



COMPLIANCE/NON-COMPLIANCE TO DEVELOPMENT EFFECTIVENESS (DE) PRINCIPLES

Democratic country ownership of national development priorities

The Tangguh LNG was given approval by the government of Indonesia to support its need for clean energy. However, Indonesia's "right" to do so is questionable because of the history of Indonesia's occupation of West Papua, and the West Papuan's struggle to for independence. Although the facility was supposedly meant to provide jobs, only a small percentage of West Papuans are employed as contractual manual laborers or security guards.

Focus on results

Jobs are scarce for West Papuan minorities as more Javanese are employed. The transmigration of more Javanese has impacted the West Papuans' traditional livelihood of hunting and gathering as the Javanese also compete for resources such as fish and shellfish. BP also prohibited fishing in areas where West Papuans traditionally fished.

Moreover, assistance to the new villages where the indigenous peoples were resettled is now inconsistent. Public facilities, such as clean water which was once abundant, are now are often intermittent. Electricity is only available at night. The local community health clinics set up by BP are more often closed than open, because doctors and paramedics are usually in Bintuni town. The social programme has not materialised as originally promised by BP. However, reports say what most angers people is that employment opportunities for local Papuans are very limited.

Inclusiveness

The BP-appointed Tangguh watchdog, TIAP (the Tangguh Independent Advisory Panel) has been criticised for paying scant attention to ongoing human rights violations by the Indonesian security forces.

At a March 2005 London meeting with investment fund managers, NGOs and other concerned individuals, the team was also criticised for ignoring West Papua's biggest unresolved political problem: the fact that Papuans were denied the right to self-determination under the fraudulent 'Act of Free Choice' in 1969.

The TIAP team - US Senator George Mitchell, Rev. Herman Saud from West Papua, Sabam Siagan, a former Indonesian Ambassador and Lord Hannay, from Britain - presented the findings from their third visit to Tangguh, in December 2004. BP has given the team the task of investigating and reporting on the non-commercial aspects of Tangguh.



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The TIAP report points to what it considers to be positive developments in military reform, while mentioning operations in the Central Highlands that have led to "allegations of excessive violence against civilians". It refers to the statement by president Susilo Bambang Yudhoyono, reported in the press, instructing the TNI that "the operation should be conducted wisely and carefully, and that the people should not suffer from excesses" (TIAP p11).

At the London meeting, Richard Samuelson, of the Free West Papua Campaign, criticised the failure of BP and TIAP to acknowledge the scale of atrocities suffered by Papuans in the Central Highlands. He unfurled a Papuan morning star flag to demonstrate political oppression in the territory. In December last year, two Papuans - now Amnesty International prisoners of conscience - were arrested for raising the flag in the Papuan capital, Jayapura. Filep Karma and Yusak Pakage were also beaten up and are now on trial for treason. Samuelson said that BP and TIAP were not being open and honest about the true context of the Tangguh project.

Former vice-president of BP Indonesia, John O'Reilly agreed with the Free West Papua campaigner, adding that BP would be guilty of 'the complicity of silence' if it stood by and did nothing about the wider human rights abuses.

O'Reilly, who left the company in 2003, was a signatory to the letter calling for a halt to the Tangguh project until concerns over security and human rights had been dealt with (see letter). The letter was copied to TIAP prior to its visit, but the panel's report makes no reference to the concerns raised. The letter contradicts TIAP's overall view that, despite "uncertainties, questions and tensions" among some of the affected people, "there is a substantial consensus that Tangguh will benefit the local communities and is good for Papua generally" (TIAP p2).

BP staff at the meeting appeared to be shaken that one of their former colleagues was speaking out so strongly against them. On top of that, TIAP member Reverend Saud - the team's only Papuan - responded by stating that the US, UK and Dutch governments do not respect the Papuans, but were only interested in Papua's gold, timber and oil. However, he added that he hoped for positive changes under the new president.

The TIAP report itself, while indeed failing to consider the wider political context in Papua, is critical of some aspects of the Tangguh project itself. The team displays some impatience with BP for failing to address problems pointed out in the first and/or second reports. These include: the need to address rising tension in villages on the north shore of Bintuni Bay, who are seeing most of the benefits being given to the south shore communities; the lack of communication about the project to people in the region; and the delay in revenues flowing into the region, until some years after project start-up and the possible negative impact of a sudden influx of cash thereafter. TIAP states again that finding a way to smooth the revenue flow is a priority. See Tangguh Update for more on these points.

The 2005 report by JATAM's regional representative finds that TIAP fails to address the fundamental problems affecting the communities in the project area. These include land, the deaths



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of infants in a north shore village in 1996 (see DTE 50) and environmental threats. It is also critical of TIAP's own lack of communication: its reports are never given to local communities. TIAP is considered the same as other BP teams who come and ask questions then go away again and the community doesn't know what happens as a result.

The independence of TIAP is questionable, since it was set up and is funded by BP and its visits are facilitated by the company. Also, Sabam Siagan sat on the board of the mining company Kaltim Prima Coal, the giant coal mining venture co-owned by BP and Rio Tinto which is currently being sold to Indonesian interests.

Transparency and mutual accountability

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There are community grievances mechanism in place according to the social impact assessment submitted to ADB. However, CSOs are yet to comment on how these are implemented.

SOURCES:

http://www.downtoearth-indonesia.org/story/tangguh-bp-and-international-standards#_edn18

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<http://www.downtoearth-indonesia.org/old-site/Ctan08.htm>

<http://www.downtoearth-indonesia.org/story/tangguh-ignoring-reality>

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