BP and the Tangguh test

Since DTE last reported on this project in August 2001 (DTE 50), the international profile of BP's Tangguh gas development in West Papua has established it as a "test case" for putting good corporate intentions into practice. However, questions remain over how sincere BP is in carrying out its commitments. And how far external factors - like the Indonesian military - will limit the company's capacity to do so.

In recent years BP - the world's third largest oil group - has become recognised in industry circles as one of the greenest and most socially responsible energy multinationals. It is 'pro-engagement': the company courts NGO opinion, funds conservation organisations and has signed various agreements committing it to respect human rights and protect the environment. The company claims green credentials by investing in solar power and cutting greenhouse gas emissions within its own operations. NGOs and communities with direct experience of BP's operations see another side of BP which clashes with the public image. BP has been accused of collusion in human rights abuses in Colombia and has clashed with indigenous forest-dwellers in Venezuela's Orinoco delta. Further controversy has focused on projects and investments in Angola, Tibet, Sudan and Alaska.* These all point to a yawning gap between words and deeds. Critics point out that BP's funding for solar energy is only a small fraction of its overall business and say that the company's real interest remains in fossil fuels.

The company insists its new Tangguh liquefied natural gas (LNG) project in West Papua's Bintuni Bay should not be judged by past projects - but what other concrete evidence is there to go on? In Indonesia, the company's operations at the Kaltim Prima Coal mine - co-owned with British-based mining multinational Rio Tinto plc - do not provide much cause for confidence (see KPC article).

It is also worth looking at BP's main partner in the Tangguh project. This is Pertamina, the notoriously corrupt state-owned oil company which has a dirty record on human rights too. Pertamina is in partnership with Exxon Mobil in Aceh where troops paid to guard the gas installations have committed a series of well-documented human rights abuses (see DTE 50).

Impacts
For the people living in villages around Bintuni Bay BP's project will mean irreversible change. Over 500 people will be moved from their homes in Tanah Merah to a newly created village 3.5 km to the west in Saengga. Forests will be cut - with resulting loss of resources and biodiversity. Gas platforms, pipelines, processing plant, port facilities, airstrip and employee accommodation will be built on the 3,416 ha project site. In Bintuni Bay, shipping will increase and local fishing activities will be disrupted. There will be an influx of outsiders as workers are brought in to construct the facilities. The potential impacts predicted in BP's own studies include:
• Noise and light pollution;
• Gas emissions including sulphur dioxide, nitrogen dioxide, carbon dioxide and hydrogen sulphide; liquid and solid waste from gas drilling, LNG processing, vehicles and shipping - the solid waste includes mercury contaminated activated carbon;
• Sanitary waste;
• Port activities may interfere with local fishing and shrimping and transportation between villages;
• The airport may attract "unauthorised settlement" placing a higher burden on local ecosystem; Bilge water from LNG tankers may introduce exotic species that could alter the ecology of the Bay.

Many of these changes to the physical environment can be predicted and plans can be drawn up to minimise some of the negative effects. This is what BP is attempting to do through the environmental impact analysis (ANDAL) process. But other changes are not so easily foreseen. These include the key question of security at the site - and arrangements for guarding the site will depend on external, factors outside the company's control.

Security and human rights
There is great concern that the Indonesian military (TNI) will initiate conflict in nearby areas in order to justify the need for a strong security presence at the site. Villagers have expressed fear about the military in various meetings with BP staff. People in Sidomakmur, for example, a village that lies within what BP describes as the 'indirectly affected area', were "very concerned that the Tangguh Project might use the military in their operations. They have had experiences with the military guarding the sawmill and logging operations". (BP TOR ANDAL 6.1)

Last year's military repression in Wasior, in which ten people were killed, others 'disappeared' and many homes burned down, has already been linked to the Tangguh project. Papuan observers point out that the killing of five police mobile brigade (Brimob) officers which sparked intensive military operations in Wasior, was timed to coincide with the visit of the British Ambassador to the region in June last year. The implied intention was to send a strong message to BP that they cannot do without the 'help' of the security forces. (See also DTE 50 on this incident).

For the TNI, big projects have always meant big opportunities for extra pay to guard project sites - a situation that has led to a sharp increase in the incidence of human rights abuses - at the Freeport/Rio Tinto mine in West Papua and at Exxon Mobil's gas installations in Aceh. In the Bintuni Bay area itself, there is already a Brimob presence which has had negative consequences for local people. According to the Far Eastern Economic Review, the Djayanti Group, which has timber, plantations and fishing interests in Bintuni Bay, pays a 20-man police detachment "to enforce land grabs from local residents."
When confronted with questions on security, BP staff insist they want to reduce dependence on the military - at one stage the idea of creating a "military-free zone" at Tangguh was floated. The company's 'Community Development Strategy' document says that trust and acceptance by the local community will be crucial: "We pledge to work with Pertamina to ensure critical national resources are protected primarily through our acceptance by the local populace as a responsible, and welcome member of the community; thus eliminating the need for extraordinary efforts by security forces to preserve and protect people and facilities."

**Human rights impact study**

How BP will deal with military opposition to this plan has not been publicly outlined yet. This is one of the issues that BP's human rights impacts study should be looking at. The study is being conducted by Bennett Freeman, a member of the Clinton administration's state department staff, contracted by BP. Freeman was one of the main architects of the US/UK Voluntary Principles on Security and Human Rights which BP signed up for. Before leaving for West Papua, he contacted the UK-based NGO, Tapol and was keen to find out who, if not the TNI, would be suitable candidates for guarding the facilities. The possibility of "buying off" the TNI was also raised.

The price may be high. The security forces are in a strong position to make demands and there is very little political will on the part of President Megawati to exercise any meaningful control over the military. The assassination of pro-independence leader Theys Eluay in November has increased tension and the president's failure to order an independent enquiry into the killing indicates a high level of military involvement and a serious endeavour to cover up the political background to the murder. The so-called 'security approach' used by president Suharto for dealing with unrest in West Papua and other trouble spots is back in vogue under Megawati, after her predecessor's attempts at dialogue were thwarted. In November Megawati's senior minister for political and security affairs, Bambang Yudhoyono Susilo announced that a further 32,500 police and soldiers would be sent to conflict areas including West Papua and Aceh. The following month, Megawati said the military should "be firm in carrying out their job and not to be worried about accusations of human rights abuses".

*(AFP 26/Nov/01 & 29/Dec/01)*

**Community concerns**

Unlike other companies operating in West Papua, BP has made some effort to communicate its project plans to local communities and consult villagers on impacts, resettlement and compensation. It is far from clear, however, that communities have all the information and opportunities for dialogue that they want, as there are already signs of dissatisfaction. Over the resettlement of Tanah Merah, BP acknowledges that despite "substantial upgrades to their current situation" being planned, the resettlement still has "the potential for dissatisfaction." The villagers have not been informed when they will be moved - a situation that is leading to some frustration, according to Indonesia's mining advocacy network, JATAM. "Up until now we have not received assurance of when we are going to be relocated…..we are not allowed to build and plant…" said one villager.
The community is also very concerned about the prospects of pollution from the BP site threatening their shrimp, crab, fish and mangrove resources on which their livelihoods depend.

The issue of compensation is causing resentment too: land rates set in 1997 by the local government, were as low as Rp15 - Rp30 per square metre. (Rp10,300 = US$1.) According to JATAM, "people are beginning to realise that the agreement they made with BP is a mistake." One villager commented, "We have been deceived by the company and government; yet we realize that up until today we still have not had the courage to fight for our aspirations".

Despite BP's commitment to transparency, not all available information has been made public. A large document containing the Terms of Reference for the Environmental Impact Analysis which BP head office assured NGOs was available as a public document, turns out not to be public after all. (DTE has obtained a copy of this document.) It is important that all information - including the results of the human rights impact study - is made accessible to communities affected by the project and the NGOs working with them, if BP really wants to be perceived differently from other investors.

BP's global track record has been documented by JATAM in From Persia to Papua, (forthcoming) prepared for a Papua LNG Advocacy Workshop, January 2002. The Australian West Papua Association is also drafting a document on BP - contact: westpapua@start.com.au. It will be posted on AWPA's website: www.awpa-melb.asn.au

BP and British investment
The British government's very public support for Tangguh reflects a high level of confidence in Indonesia's investment opportunities. According to British energy minister, Brian Wilson, Britain was Indonesia's biggest investor in the oil/gas sector in the year 2000 and second largest overall after Japan. Over the last 30 years Britain has invested more than any other country apart from the US in the oil/gas sector. Wilson, who visited Indonesia in November last year, said that BP had committed to a total of $11 billion in investments, with $1.9 billion in current capital to be spent on Indonesian projects, including Tangguh. In total BP planned to invest $3-4 billion developing Tangguh. "We continue to see great opportunities for cooperation in energy", he said.

BP and voluntary principles
Business codes of conduct or business principles have been developed by multinational companies, NGOs, governments and international bodies such as the UN agencies, and the EU in response to public pressure for companies to be socially and environmentally responsible.

BP is a founder member of the UN's Global Compact - which calls for adherence to nine principles covering some aspects of human rights, labour rights and the environment.
BP is a signatory to the US/UK voluntary principles on security and human rights, launched in 2000. Rio Tinto and Freeport MacMoran, joint investors in West Papua's notorious gold and copper mine, are also signatories to these principles.

BP also commits itself to the UN's Universal Declaration of Human Rights. The company has been involved in discussions on the UN Human Rights Principles for Business currently being drafted.

BP is a member of the World Business Council for Sustainable Development originally set up in 1990. The Council is pushing corporate interests forward in preparation for the Rio + 10 meeting in Johannesburg this year and has been involved in the creation of such dubious projects as the Global Mining Initiative and the Mines Minerals and Sustainable Development, to which indigenous peoples and NGOs have objected strongly. (See Corporate Europe Observer - Issue 9 for a full discussion on corporate involvement in Rio + 10 at http://www.minesandcommunities.org/Charter/rio+10.htm).

While many of the objectives in these codes are positive, their main drawback is that they are voluntary. There are no sanctions if the principles are not followed and there is no independent outside body to monitor compliance.

Indigenous communities attending a meeting on mining in London last year argued that voluntary initiatives are not acceptable. A statement drawn up by participants said: "In recent years the mining industry has become more aggressive and sophisticated in manipulating national and international laws and policies to suit its interests. The mining laws of more than seventy countries have been changed in the past two decades. Laws protecting indigenous peoples and the environment are undermined…"

For this reason NGOs supporting indigenous groups want "politically and legally enforceable measures that will hold the mining industry accountable, above all to mining and exploration-affected communities."

(London Declaration 20/Sep/01)
(Sources: Terms of Reference integrated ANDAL gas exploitation,LNG facilities,Tangguh LNG project, Manokwari, Sorong and Fak Fak regencies Irian Jaya, PT Intersys Kelola Maju; Kerebok Vol.2 No 16, December 2001; Financial Times 17/Dec/0; IndoExchange.com 6/Nov/01; Laksamana.Net, 6/Nov/01; Reuters 6/Nov/01)

**Tangguh Info update:**

<table>
<thead>
<tr>
<th><strong>Start date:</strong></th>
<th>The Tangguh project aims to start construction this year (2002).</th>
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<tbody>
<tr>
<td><strong>EIA:</strong></td>
<td>The Environmental Impact Assessment is being finalised. BP expects this to be publicly available, but the Terms of Reference for the EIA are not being made public. An environmental baseline assessment was carried out by PT Geobis Woodward-Clyde International in 1997/1998, dated November 10, 1998.</td>
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<tr>
<td><strong>Human rights:</strong></td>
<td>A Human Rights Impact Assessment is being undertaken (see main text).</td>
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<td><strong>Communities:</strong></td>
<td>BP estimated that the number of people living in the &quot;directly affected&quot; villages of Tanah Merah, Saengga, Wiriagar and Tofoi is around 4,200. &quot;Indirectly affected&quot; population centres include two transmigration sites and the towns of Bintuni and Arandai. There are 9 tribal groups in the Berau/Bintuni Bay area: the Inanwatan, Sebyar/Kamberam, Soub, Wamesa, (on the northern and eastern sides of the Bay) and Uri, Irarutu, Simuri, Sebyar/Kamberam and Mbahan on the southern side). BP estimates that 43% of the population of Berau/Bintuni Bay rely on natural resource-based sources of income such as hunting, gardening, gathering sago and fishing for shrimp, crabs or shark.</td>
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<tr>
<td><strong>Resettlement:</strong></td>
<td>The resettlement of Tanah Merah villagers (511 people) will proceed once the EIA and other documents have been approved by Jakarta. According to a statement by BP's community relations manager, Erwin Maryoto, resettlement must wait until the EIA has been approved by central government, anticipated in July 2002.</td>
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<tr>
<td><strong>Land/ Forests:</strong></td>
<td>The LNG project site covers 3,416 hectares of which 3,266 ha is classified as forest, part of which was held by timber concessionaire and mangrove wood chipping company PT Bintuni Utama Murni Wood Industries. BP/Pertamina are in the process of acquiring this forest from the Forestry Department. (TOR-EIA 1.5.3)</td>
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<td><strong>Investment:</strong></td>
<td>British Energy Minister Brian Wilson said in November 2001 that BP planned to invest $3-4 billion developing Tangguh. Overall the company had committed to a total of $11 billion in investments, with $1.9 billion in current capital to be spent on Indonesian projects, including Tangguh.</td>
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<tr>
<td><strong>Revenues:</strong></td>
<td>Revenues will start to come in to Papua in 2010 after a four-year cost-recovery period. Tangguh is expected to contribute $200 million to West Papua when it reaches peak production in 2015. 70% of post-tax revenues will divided up between the provincial administration (40%), the 3 districts (30%) and the central government (30%) (FEER 27/Dec/01)</td>
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<td><strong>Sales contracts:</strong></td>
<td>Bidding for the contracts for gas sales to China's CNOOC has been formally opened, but the result has not yet been made public. In November Pertamina signed a memorandum of understanding with GNPower to supply 1.3 million tonnes of LNG to the Philippines. (Kompas 7/11)</td>
</tr>
<tr>
<td><strong>Shareholders/ contractors:</strong></td>
<td>Shareholders are: BP (50%); MI Berau B.V. <a href="16%25">Mitsubishi 65%, Inpex 44%</a>; Nippon Oil (12%); British Gas (11%); Kanematsu (10%) and Nisho Iwai (1%) Engineering companies contracted so far include</td>
</tr>
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</table>
PT Chiyoda International Indonesia (Japan-based) and Bechtel Inc (US).

**Expansion:**
Future gas exploitation could see an expansion from two to eight gas trains over time (not six as mentioned in our last report), which would require a revision to the EIA study. BP says no extra land will be needed for the anticipated expansion.

**Nearby operations:**
Companies operating in the area include fisheries companies operating shrimp trawls and other vessels in Bintuni / Berau Bay - more than 200 trawlers are thought to operate in the Bay. Timber companies are involved in mangrove and other forest felling. The Djayanti timber group holds 420,000 hectares of concessions, including a 100,000 ha clear-felled area it is converting to oil palm. Djayanti and other companies have failed to pay adequate compensation and have appropriated or damaged community-owned resources. There are several transmigration sites in the area, associated with oil palm, fisheries and sago processing projects.

(Source: *Jakarta Post* 6/Nov/01; *Kompas* 7/Nov/01; *Far Eastern Economic Review* 27/Dec/01; [http://infopapua.com/papua/0102/3101.html](http://infopapua.com/papua/0102/3101.html); *Laksamana.net* 6/Nov/01 and others)

### Websites

**Global compact:**

**US/UK security & human rights principles**

**UN Universal declaration of Human rights**
[http://www.unhchr.ch/udhr/lang/eng.htm](http://www.unhchr.ch/udhr/lang/eng.htm)

**Draft UN human rights principles for business:**

**World Business Council for Sustainable Development:**
[http://www.wbcsd.ch/](http://www.wbcsd.ch/)

**London Declaration:**

The Global Reporting Initiative, originally set up by UNEP, is developing through stakeholder dialogue an emerging set of indicators by which companies should report their social, economic and environmental performance. See http://www.globalreporting.org/