

## **WALHI, JATAM AND KAU JOINT LETTER**

Re: Expression of opposition to ADB loan for the BP Tangguh Project due for consideration at ADB Board meeting 14 December 2005.

From: [WALHI](#) (Indonesian Forum for Environment), [KAU](#) (Indonesian Anti-Debt Coalition), [JATAM](#) (Indonesian Mining Advocacy Network).

Contact person: Torry Kuswardono, Campaigner Mining and Energy WALHI (0811-383270)

To:

[Board of Directors, Asian Development Bank](#)

6 ADB Avenue, Mandaluyong City 1550 Philippines;

By fax to + 632 636 244

Dear Board Members,

The Indonesian Forum for Environment (WALHI), Indonesia's largest and oldest environment organisation comprised of around 420 community-based member organizations throughout the country, is joined by KAU (Indonesian Anti-Debt Coalition) and JATAM (Indonesian Mining Advocacy Network) in strongly opposing the proposal before the ADB Board to loan USD \$350 million to the (BP) Tangguh gas project in Papua Province, Indonesia. We draw your attention to the following problems associated with the Tangguh project, and with the ADB's decision-making process:

### **FREE AND PRIOR INFORMED CONSENT AND PUBLIC OPPOSITION:**

- The Tangguh project is being developed without adhering to the principle of Free, Prior and Informed Consent for the indigenous customary landowners;
- The project is opposed by some affected villagers and is causing serious social tensions within and between landowning communities.
- A letter of condemnation of the Tangguh project has been signed by over 300 individuals and NGOs from Papua Province, elsewhere in Indonesia, and other nations.

### **COMPENSATION:**

The indigenous landowners of Tanah Merah are unsatisfied with the IDR 15/m<sup>2</sup> (USD \$0.0015/m<sup>2</sup>) compensation they received in 1999 for the compulsory acquisition of their land for the Tangguh project. This has led to serious disquiet and efforts are underway by disenfranchised landowners to recover their land and/or sue the Tangguh project.

### **PROMISES OF JOBS AND DEVELOPMENT**

- Community development promises made regarding electrification of villages, jobs and housing made by BP Tangguh cannot be fulfilled in all cases, leading to tension between recipients and those who have missed out.
- The export-oriented Tangguh project is aimed at serving the needs of international gas consumers, rather than ensuring the energy needs of Papua Province and Indonesia generally can be sustainably met today and for future generations.
- As far as WALHI has been able to ascertain, certain royalties and/or taxes will not be paid to the government by the Tangguh project consortium until their capital costs are recovered, which would be very unjust and unhelpful outcome for Indonesian development.

### **ENVIRONMENT:**

- The process of environmental impact assessment for the Tangguh project was seriously flawed, without meaningful consultation with affected communities, and was a "rubber stamp" process since the national government granted the Tangguh license before the EIS process was even completed.
- Significant impacts are inevitable to the sensitive mangrove environment and waters of Bintuni Bay which perform an important role as nursery habitat for regional fish populations, not to mention forming the basis of local traditional sustainable livelihoods.

- The Tangguh gas project is inherently unsustainable, being based on a finite fossil fuel reserve, and will add to the level of CO2 emissions and contribute to the problems of global warming.
- By supporting the Tangguh fossil fuel project, the ADB is misdirecting funds which could be better used to support Indonesia's transition to renewable energy, which due to budgetary constraints is only planned to account for 2% of national energy supply in the 2005-2025 Indonesian national energy blueprint. Support for renewable energy would create more jobs and benefits such as energy for the many Indonesian villages still living without electricity, rather than supporting the economies of foreign countries and the profits of foreign multinational corporations such as BP.

#### **SECURITY ARRANGEMENTS AND HUMAN RIGHTS:**

- BP's community-based security arrangements are untested and are no guarantee that the notoriously corrupt police and military forces will not engage in rent-seeking behavior by stirring up trouble to ensure their presence, and paid services, are required in the project area.
- The Tangguh project is being developed in Papua province where historical and recurring human rights abuses against local people by the military and Brimob paramilitary police are well-documented, especially against people who are opposed to foreign-owned resource extraction projects or the policies of the national government in Jakarta.
- The number of military personnel stationed in Papua province is already the highest in any province in Indonesia and is being increased. A new headquarters is being established in the province for Kopassus special forces, which have been involved in serious and unresolved human rights abuses in East Timor and elsewhere. Experience shows that an increased military presence means conflict will escalate in the province where the Tangguh project is located.

#### **ASIAN DEVELOPMENT BANK DECISION-MAKING PROCESS AND INDONESIAN DEVELOPMENT INTERESTS:**

- The ADB is ignoring the results of the investigation conducted by Dr. Emil Salim at the request of the World Bank, which identified numerous problems with oil and gas projects and concluded with a recommendation that the World Bank does not provide further support to oil and gas projects. Dr. Salim's findings that lending to oil and gas projects are not compatible with development goals are directly relevant to the loan under consideration by the ADB.
- The information available from the ADB on the proposed loan to the Tangguh project is limited to a summary of the EIS, and two paragraphs of information at <http://www.adb.org/Documents/Profiles/PS/38919014.asp.No> information are available in the national language, Indonesian. Crucial information to enable informed public participation in ADB decision-making is absent, with the following sections of information entirely empty: Rationale; Policy Dialogue; Environment Impact and Mitigation; Social Aspects and Remedies; Benefits and Beneficiaries; Beneficiary Participation in Formulation; Beneficiary Participation in Implementation; and contact details for all but one of the six project sponsors.
- We are concerned that the information available to the ADB may be incorrect and that the information available to the public appears to be seriously misleading regarding the nature and benefits of the project for the people of Papua Province and elsewhere in Indonesia. The paragraph on "Objectives and Scope" section erroneously states that: "The Project is critical for Indonesia in its energy development and export efforts"; "The Project is in accordance with the government policy of maintaining security of LNG supply"; and "ADB's participation will catalyze significant amount of long-term debt to support Indonesia's energy sector."
- These statements give the seriously erroneous impression that the Tangguh project as it stands at the moment will provide energy for Indonesia. As far as WALHI has been able to determine, all the "cleaner" natural gas resources extracted through the first two trains to be constructed in the Tangguh project will be exported.
- This is not in the interests of Indonesian development and public health at a time when Indonesia is experiencing a crisis in domestic fuel pricing and provision. Please be informed that the Indonesian government has been forced to allocate 150 billion rupiahs to subsidize 10 million coal stoves and promote the use of health-endangering coal briquettes as a household indoor cooking fuel because ordinary Indonesians cannot gain access to healthier gas cooking option, because their resources will be exported to China, North America, and others.

On the basis of the concerns above, we demand that the ADB postpone making a hasty decision on this project pending the provision of complete information to the Indonesian public, including information in the Indonesian language. In the meantime, we reiterate our opposition to any ADB loan for the Tangguh project.

Sincerely,  
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National Director,  
WALHI – Indonesian Forum for Environment

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Coordinator  
KAU (Indonesian Anti-Debt Coalition)

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Environmental Defense Letter to US Executive Director