### Indonesia: Tangguh Liquefied Natural Gas Expansion Project

**Project Name**: Tangguh Liquefied Natural Gas Expansion Project  
**Project Number**: 49222-001  
**Borrower/Company**: HSBC BANK USA, NATIONAL ASSOCIATION  
**Country**: Indonesia  
**Location**: West Papua  
**Approval Number**: 7493/3489  
**Type of ADB Assistance / Amount**: 3489 Ordinary capital resources USD 400.00 million Committed

| Strategic Agendas | Environmentally sustainable growth  
| | Inclusive economic growth  
| | Regional integration  
| Drivers of Change | Gender Equity and Mainstreaming  
| | Partnerships  
| | Private sector development  
| Sector / Subsector | Energy - Conventional energy generation  
| Gender Equity and Mainstreaming | Some gender elements  
| Responsible ADB Department | Private Sector Operations Department  
| Responsible ADB Division | Portfolio Management Division, PSOD  
| Responsible ADB Officer | Nath, Kiron  
| Project Sponsor(s) | BP Plc  
| | CNOOC  
| | Inpex Corporation  
| | JX Nippon Oil & Gas Exploration Corporation  
| | Japan Oil Gas and Metals National Corporation  
| | MITSUBISHI CORPORATION  
| | MITSUI & CO.  
| | SUMITOMO CORPORATION  
| | Sojitz Corporation  

**Description**  
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%); Mitsubishi (10% in JV with Mitsubishi Corp., INPEX, Nippon Oil, JOGMEC); Sumitomo and Sojitz (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.

**Objectives and Scope**  
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.

**Status of Operation/Construction**  
Construction of the Tangguh LNG expansion project is ongoing with completion targeted for 2020.

**Linkage to Country/Regional Strategy**  
The Tangguh expansion aligns with Strategy 2020 and ADB Energy Policy (2009) by promoting environmentally sustainable growth through the expansion of LNG infrastructure and domestic gas supply, which has strong potential to offset greenhouse gas emissions generated by coal-fired power stations. The project is also consistent with Strategy 2020 Mid Term Review’s recommendations and the Interim 2015 Country Partnership Strategy for Indonesia through its increased emphasis on energy security and domestic fuel mix diversification, as well as prioritization of investment in less-developed Eastern Indonesia.

**Safeguard Categories**  
| Environment | A  
| Involuntary Resettlement | B  
| Indigenous Peoples | A  

**Summary of Environmental and Social Aspects**
Environmental Aspects

Key environmental issues identified during the greenfield development of Tangguh include the need to protect air and water quality, and effects on terrestrial, freshwater aquatic, intertidal, and marine ecosystems. The original project planning included careful environmental management based on the inputs required by the Indonesian law, as well as ADB’s safeguard requirements. The Project was designed to minimize the risk of adverse environmental impacts. A wide range of environmental protection measures and safeguards have been incorporated to protect against adverse impacts to the physical, biological, and social components of the environment. The Tangguh Expansion is expected to follow the same philosophy of careful environmental planning and abiding to the current Indonesian law and ADB’s revised safeguard requirements. An EIA including EMP is going to be developed and will revisit the key environmental issues identified above. ADB participation in the project is seen as critical to ensure these high standards.

Involuntary Resettlement

Construction of the LNG plant site required the acquisition of 3,266 hectares of land from several clans of the Simuri tribe, which held customary (adat) rights to the land and physical relocation of 122 households into two host communities, Onar (28 households), and Saengga (94 households). The host villages benefitted of housing renovation and infrastructure and livelihood and community development programs by the project. All villagers have experienced some loss of access to fishing area as a result of restrictions around the LNG plant, subsea pipelines and offshore platforms. The project implemented a benefits-sharing mechanism that goes beyond one-off compensation payment to offer revenue streams to those clans losing resources. The Tangguh Expansion is expected to have no further land acquisition and resettlement. However, due diligence is required to determine whether BP’s efforts to enhance and diversify the livelihood sources of the resettled community have been successful.

Indigenous Peoples

During the greenfield development, two main ethnic groups, the Sebyar and Simuri, were identified in the project area and indigenous peoples development plan in the form of an Integrated Social Program (ISP) was prepared and implemented in accordance with ADB’s Indigenous Peoples Policy (1998). Due diligence will assess the Tangguh Expansion impact on indigenous people, the extent to which various programs under the ISP Phase 2 have improved the well-being of villages in the project areas. Based on the outcome of the assessment, an Indigenous People Plan in the form of an ISP will be prepared based on ADB Safeguard Policy Statement (2009).

Stakeholder Communication, Participation, and Consultation

Stakeholder consultation process was undertaken by the project during the development of environment and social impact assessment in order to comply with ADB’s Safeguard Policy Statement requirements.

Timetable for assistance design, processing and implementation

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concept Clearance</td>
<td>22 Jun 2015</td>
</tr>
<tr>
<td>Due Diligence</td>
<td></td>
</tr>
<tr>
<td>Approval</td>
<td>01 Dec 2016</td>
</tr>
<tr>
<td>Last PDS Update</td>
<td>13 Jun 2019</td>
</tr>
</tbody>
</table>

Project Page: https://www.adb.org/projects/49222-001/main
Request for Information: http://www.adb.org/forms/request-information-form?subject=49222-001
Date Generated: 28 September 2019

ADB provides the information contained in this project data sheet (PDS) solely as a resource for its users without any form of assurance. Whilst ADB tries to provide high quality content, the information are provided “as is” without warranty of any kind, either express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, and non-infringement. ADB specifically does not make any warranties or representations as to the accuracy or completeness of any such information.