

**THIRD DAY**

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**DRAFT HANSARD**

**Thursday 12 September 2013**

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## **THIRD DAY**

**Thursday 12 September 2013**

The Speaker (**Mr Theo Zurenuoc**) took the chair at 10.30 a.m..

There being no quorum present, Mr Speaker stated that he would resume the Chair after the ringing of the bells.

Sitting suspended.

Mr Speaker again resumed the Chair at 10.36 a.m., and invited the Member for Nawae, **Honourable Gisuwat Siniwin**, to say Prayers:

‘In the Name of the Father, the Son and the Holy Spirit, we thank you for what you have done for the leaders of this nation. Continue to bless us and give the wisdom, knowledge and strength in the things that we are going to discuss for this nation on this Floor of Parliament. May you be the Lord and King of whatever we discuss in passing laws of this country. Bless our Prime Minister, Speaker, all the Ministers and Members. As sinners before you, we ask you to forgive us and make us to be more transparent and accountable in our leadership. Accept us as your humble servants. In Jesus’ name we pray, Amen.’

### **DEATHS OF FORMER MEMBERS –**

**Mr YUNTUVI BAO, MR CECIL KING DORUBA AND**

**Mr PETER WAIENG -**

### **STATEMENT BY THE SPEAKER**

**Mr SPEAKER** – Honourable Members, I have to inform the Parliament of the death of Mr Yuntuvi Bao on 10 June 2013.

Mr Bao was a former Member for the Kainantu Electorate in the Seventh Parliament from 2002-2007. He was the Minister for Housing from 13 August 2002 to 22 January 2004.

He then was appointed as Parliamentary Secretary for Foreign Affairs on 30 June 2005 and Parliamentary Secretary for Inter-Government Relations on 7 July 2006.

Honourable Members, I also have to inform the Parliament of the death of Mr Cecilking Doruba on 14 June 2013. He was a former Member of the Ijivitari Electorate in the Seventh National Parliament from 2002-2007. He was appointed Deputy Chairman of the Emergency Committee from 2002-2007.

I also have to inform the Parliament of the death of Mr Peter Waieng on 22 August 2013. He was a former Member for the Kundiawa-Gembogl Open Electorate in the Sixth National Parliament from 1997-2002.

He was appointed Government Whip in July 1997 and he was appointed as Minister for Public Service in December 1998, Minister for December in April 1998 until his resignation from the Skate Government in June 1999. Following the formation of the Morauta Government in 1999, he was appointed Minister for State Assisting the Prime Minister on 26 July 1999.

He was then appointed Minister for Communication and Information in September 1999 to November 2000. He was appointed Chairman of the Public Accounts Committee on December 2001 until his resignation from the National Parliament from 10 May 2002.

As a mark of respect to the memory of the late gentlemen, I invite all honourable Members to rise in their places.

*All honourable Members present stood in their places in silence, as a mark of respect to the memory of the late gentlemen.*

02/03

## QUESTIONS

**Mr RONNY KNIGHT** – I direct my questions to the Minister for Transport.

Mr Speaker, since 2004, the National Maritime Safety Authority and the Transport Ministry which is responsible for navigational aids tasked the Pitulu Madi resource owners to secure and protect the navigational aids in and around the harbour and for which they were promised remuneration under the MOU or MOA.

Since 2004, the landowners have not received any payment even though they have carried out stevedoring jobs, prevented vandalism and ensured that the equipments were working properly. The executives opened their account and waited patiently for the last nine years until now but they have not received the promised funds.

Mr Speaker, my questions are:

(1) Can the Minister explain why this payment has not been made as promised?

(2) Can the Minister ensure to expedite payment?

(3) If the payment cannot be made, then why not?

**Mr ANO PALA** – Mr Speaker, firstly, let me thank the Member for Manus for his questions.

Mr Speaker, my department is aware that a contract for the rehabilitation and maintenance of the navigational aids was awarded to a contractor, Nawae Construction, who has been maintaining the navigational aids throughout the country for the last 10 years.

I am not aware of the details of this arrangement that the honourable Member has raised but I understand the importance of his concern.

So in order to do justice to these important questions and also for the benefit of the local people who have an interest in this matter, I ask the Member for Manus to provide me the details of those arrangements so that we can attend to their concerns. These are matters that happened long before my time and also before the Member's time, so we need to brief ourselves on the circumstances under which these arrangements were made.

As I said, to do justice to the importance and the genuineness of his questions, I would like the Member to furnish me the details of those arrangements with the landowners so that I can refer them to my department for a detailed answer.

**Mr WILLIAM TONGAMP** – Mr Speaker, I direct my question to the Minister for Agriculture and Livestock but since he is not here, I will ask the Minister for Planning.

We have heard many times from the senior Ministers and current Government that major agricultural projects will be considered in the 2014 Budget.

Now that we are in the process of formulating the 2014 Budget, can the Minister explain and briefly highlight his plans of funding agricultural projects next year?

I raise this question because of a major coffee project in Jiwaka known as the Waghi Mek Project. The operation of this project has gradually declined in the last 10 years. There are a total of 12 plantations with an area of 1000 hectares.

**03/03**

For the record, this project was generating over K30 million every year and on a fortnightly basis in terms of staff emoluments, they were paying out approximately K300 000. This project has slumbered idly for the

last 10 years and coffee trees have remained unharvested because of lack a of machinery.

I have circulated a submission to the Treasury Department with copies made out to the Prime Minister's Office, Planning Minister's Office and the Finance Minister's Office so that if the Government is contemplating funding some big projects in 2014, it would ensure to include Waghi Mek Plantation. As I have already stated, this is a viable project that can generate up to K30 million annually and produce over 2 500 to 3 000 tons of coffee. This means every fortnight K300 000 is circulated into the local economy.

This project has been sitting idle for the last 10 years so please, I am requesting you to consider this project in the 2014 Budget under the agriculture sector.

**Mr SPEAKER** – Honourable Governor, the Minister for Agriculture has just walked in and may answer the question.

However, the Minister for National Planning may respond, if he so wishes.

**Mr CHARLES ABEL** – Thank you, Mr Speaker. As you have indicated, the Agriculture Minister just walked into the Chamber but I'll just make a few comments and then perhaps the Agriculture Minister can also elaborate.

I've spoken about it several times in the media and that is, starting right at the top in terms of strategic planning. We are looking at the whole process. We are looking at all our long term plans and we are trying very hard to revisit the process and to make sure that we are truly setting a long-term path of development for our country.

We are all very aware of the fact that many of our plans are based pretty much on the extractive industry and the non-sustainable industries. And in the process of pursuing a development path along this way, what we

are doing is neglecting industries like tourism and agriculture and fisheries and all those industries that we know will sustain us into the future in terms of food security, energy security, population security, and et cetera.

Mr Speaker, just to say in the first instances, all these strategic funding or strategic activities have to start from the very top and the reality is, unfortunately, we have neglected those very, very important industries.

Having said that, Mr Speaker, the Parliament knows that I presented a very important report on the National Agriculture Development Program fairly recently. The previous government, of which some of us were a part of, did come up with quite a comprehensive plan called the National Agriculture Development Plan, which again as always at the starting point is a good plan.

As I indicated when I tabled that report, we highlighted many of the issues in terms of execution. And that is another problem which our government is looking at. We continue to appropriate large amounts of money and we continue to highlight many of the issues in our country, but really we are failing in the execution of these plans and programs.

And so that is another activity of our government, in terms of re-visiting our plans and where we should strategically focus energy. And what we are saying is rather than continuously emphasising new projects and more money, the real question is; how do we best utilize the significant amounts of money accounts and the vast wealth we already have? We should be spending more time, particularly as an Executive Government to focus on procurement, implementation and efficiency, which we are now doing.

So, Mr Speaker, as I said, we must come back to the plans and identify the strategic areas that we need to invest more in. Our government is saying that agriculture is very, very important. It is fundamental to most of our people whether you are a small business or a large business, you are in one way or another linked back to the land and to agriculture. And it doesn't make sense not to emphasise on the agriculture sector.

So we want to learn from the past mistakes we made through the NADP and other government programmes. We want to emphasise agriculture once again and we want to be strategic when we invest in these areas.

When you talk about investing in agriculture, we don't want to invest in agriculture right across the country necessarily. It's got to be strategic and focused. Which areas of the country are suitable for agriculture? Which areas of the country are suitable for tourism? We need to find out the strengths in each area and then strategically invest the money to support the infrastructure and the development around those areas. Let's not try to be jack-of-all-trades. And when it comes to Karimui-Nomane, Mul-Baiyer and places where Waghi Mek is concentrated in Waghi Valley, it is logical to investigate agriculture there because they've got the soil and the space.

#### **04/03**

These are the considerations that must come into play during the budgetary planning process. The type of investment highlights what is important so that we will invest sensibly to generate the returns that we want. For instance, places like Milne Bay and East New Britain are more conducive to tourism. But where is the infrastructure to support it, and how do we support it? The same question applies to other industries.

Mr Speaker, generally, we are revising the process. We want to emphasize sustainability, and the basis of sustainable economy are what we are talking about. For instance, do we feel that our rainforests, fisheries, agriculture and tourism are the way forward? In the meantime, we need the gas, gold and oil to help us capitalise our economy but we must start thinking critically and investing in the economy that will outlive the non-renewable economy and it must be the type of economy that will not damage our environment too much because then it will destroy the basis of our long term economies.

Mr Speaker, in relation to the Waghi Mek Coffee Plantation, we are aware of some of the issues involved and how important some of these old plantations used to be. We must also learn from those experiences and find out how they became successful plantations, and how they were run at the beginning. We need to also find out why many of these plantations have collapsed, even from our landowner's perspective. We want to revive these plantations and want to create mechanisms and models that are actually sustainable and workable.

Mr Speaker, I take the point from the Governor. I have received his submission and it is in my office. He has raised it again in Parliament so we are very much aware of the importance of these plantations. I would urge the Governor and others in the area to cooperate and get them moving because they are fundamental to the interests of our people in those regions. We will certainly take that on board.

**Mr SPEAKER** – The Chair will now allow the Minister for Agriculture to respond.

**Mr ASSIK TOMMY TOMSCOLL** – Mr Speaker, I thank the Governor of Jiwaka for his question.

Briefly, the Governor did raise the issue with me yesterday and I clearly explained to him that I am not aware of a submission from him. But I understand that the submission was sent to the Minister for Planning and Monitoring. Obviously, we just heard the views of the Minister for Planning and Monitoring in relation to the Governor's question.

I will briefly answer the question specifically. Waghi Mek is one of the biggest plantations in recent years. This plantation like all other plantations throughout PNG has collapsed as a result of decisions made by successive Governments. One of those decisions was to give all the plantations back to the landowners. When we gave all the plantations back to

the landowners, the plantations collapsed basically because our landowners did not have the recourses and the capacity to manage them.

Mr Speaker, it is a difficult task to revive these plantations because these days, the cost of running a plantation far outweighs the production costs. When the production cost is too high and the market is buying at a lower cost, it becomes non-viable for these plantations to operate. However, what we have done since I took office is to look at new business models.

We are now entering into a new era where we have decided to adopt a new agri-business model, which is based on a nucleus out-grower concept where the companies become the nucleus but it is surrounded with small-growers who are out-growers and they become a chain in the value. This is the new model we wanted to introduce in PNG because we thought that that is the proven model. It has been proven with the Oil Palm Industry and it is now being rolled out by the PPAB Programme under the World Bank's scrutiny and it has proven itself.

### **05/03**

Mr Speaker, the Coffee Industry Corporation (CIC) has received directions from me to develop that model, adopt it and to develop a new plan for the industry, which they have already done. The CIC submitted a proposed plan and a new agri-business model to me last night, which was tendered to me by the CEO. I advised the Governor to submit his plans, programs or proposals to the CIC. The CIC will then include it into their main programme.

I also gave the same advice to the Member for Goroka and he has already done so.

Selected plantations and growers will become lead plantations and growers in the country under this programme. If any other Member is also interested then I urge them to consult with CIC because they are there to help you.

Many times I find that Members do not have consultations with the Commodity Boards before raising the issues outside. Therefore, I strongly urge you all to consult the Board, and that is the first point that I would like to make.

The second point is that the Boards will not have the money to run programmes and plans in each of your districts. You will find that the Boards rely on revenues collected from levies that are paid by the growers themselves as a result of selling their products.

If you look back at your DSIP and PSIP, you will find that the government has invested a lot of money into your districts. Therefore, I urge that you all collaborate with the commodity boards to use that money to address those agricultural issues in your districts and provinces.

Thank you, Mr Speaker.

**Mr JOHN SIMON** – I, too, would like to direct my question to the Minister for Agriculture and Livestock.

Firstly, I would like to take this opportunity to welcome the new Member for Angoram to Parliament.

My questions are directed to the Minister for Agriculture and I would like the Minister for Commerce and Industry and the Treasurer to also take note.

In the last Parliament meeting I asked about the money that was allocated under the Budget for this year's SMEs, and I was assured that the money was released to the National Development Bank (NDB)

The issue here is that my people in Maprik, who have submitted applications to NDB, are asking me when the NDB will begin funding the SMEs.

(1) Can the Minister inform the Parliament whether the NDB has received the K40 million?

(2) Can the Minister confirm or deny that the money was used to pay off bad debts?

That money was supposed to be used to fund SMEs for this year.

I would also like to thank the Minister for Commerce and Industry for launching this SME concept, which is a good initiative, but where are we going to get the money to fund it?

We continue to travel throughout the country and promote the SME but these people are funding these trips to Port Moresby, Goroka, Mt Hagen, Madang from their own pockets.

(3) Can the Minister ensure to allocate more money for the SME's in the next annual budget?

Mr Speaker, K40 million is not enough compared to the number of provinces we have in the country. If we really want to encourage small industries, we should take into account the number of provinces in this nation and formulate guidelines to determine how much should go to each province.

**06/03**

In this way, all our small medium entrepreneurs around the country will equally participate in the development of this country.

(4) Can the Minister inform the Parliament if a CEO has been appointed to the Cocoa Board?

**Mr ASSIK TOMMY TOMSCOLL** – Mr Speaker, firstly, let me answer the question on whether a CEO has been appointed.

Mr Speaker, I recall telling Parliament, when answering a similar question from the Governor of Morobe, that this Government has been fair in making appointments to constitutional offices, and it was very fair to appoint a Morobeans to become the CEO.

I believe Morobe is the third or fourth largest cocoa producer in the country and in making that appointment, we recognize the contribution that the Government of Morobe has made to this country.

I am sure that Morobe is somewhat close in proximity to both Sepik provinces so I am sure that they will also benefit from that appointment.

Mr Speaker, let me come back to the first question which relates to the K40 million for SMEs. The Government did allocate K40 million under the budget for SMEs and allocated K80 million for National Agricultural Development Fund (NADF) to the NDB. The situation as of the last financial year, 2012, was that the Government allocated the National Development Bank K130 million. In view of that allocation, the Board of NDB and management approved a loan totaling to the same amount in 2012.

At the end of last year, only K80 million was given to the bank. The bank expended K78.5 million on approved loans. Therefore, in the new year, it carried over K40 million, and when the first batch was paid, that money was used to honour those commitments.

Mr Speaker, we honoured the commitments that we carried on from 2012 to this year. But let me say that the bank's source of money primarily is from SME and the National Agricultural Fund, which are allocated by the Government. There are management issues on how it should be expended, which the Prime Minister and I are aware of and we are attending to those issues so that the money can be accessed by farmers and by genuine independent Papua New Guinean businessmen who want to expand from small business to medium business and not be paper farmers and Papua New Guineans who are already too well off and want to use the opportunity to tap in and use the money.

Mr Speaker, that is the situation with the Bank and hopefully, we will rectify it as we go on to the end of the year and probably bring it to the balance before the next financial year

**Mr GARRY JUFFA** - Thank you, Mr Speaker. I have a series of questions to ask the Prime Minister in relation to SABLs .

The Prime Minister recently tabled the brief report on the SABL Inquiry which cost the country K15 million. We all expressed our disappointment.

**07/03**

The Prime Minister stated that he would take action if the final report was not tabled.

(1) Can the Prime Minister advise us on how soon the final report will be tabled?

(2) Can he also tell us what actions will be taken against those who have been paid substantial amounts of money but have not made the effort to table that report?

**Mr PETER O'NEILL** – Mr Speaker, I thank the Governor of Oro for his questions.

I confirm that I have received final reports from two Commissioners but not the third Commissioner. They have submitted their reports individually rather than a combined report. We have taken these reports to Cabinet.

Mr Speaker, the Cabinet has agreed to table this report to Parliament tomorrow although we are not satisfied with the outcomes and the finality of the report. It is below expectations.

Mr Speaker, we are disappointed that it has come to this after the Government has paid a substantial amount of money. Government has spent over K15 million in two years to complete this report. It is disappointing and I agree with the Governor that this matter needs to be put to rest.

Mr Speaker, the report will be tabled tomorrow in this Parliament and copies of the report will be made available to the Parliament and the public.

The second issue is that the Cabinet has taken a position on this issue to refer all the Commissioners to the Law Society because they are all practicing lawyers. We will refer the matter to the Law Society for disciplinary action and also to the Police to investigate the conduct and of course the charges that they have incurred to the State. We are taking a proactive action.

The Cabinet has set up a Ministerial Committee comprising of several ministers who are affected by the SABL such as Lands, Agriculture, Forestry, Attorney-General and Trade and Industry.

The Committee will go through the report in detail and then come up with a solution on how to unlock the land for our landowners to participate genuinely in business but avoid individuals taking large chunks of land, particularly the foreigners who take hundreds and thousands of hectares of land and displace our own people.

Mr Speaker, we are now hearing stories from Oro where Papua New Guineans are knowingly giving up their land and they do not care about their future generation. Land has been surrendered to so-called investors by individuals rather than the community and the tribal leaders.

Mr Speaker, we must take stock of this matter because we have to protect the future generation. They must not lose the right to use the land that they communally own. That is why this Ministerial Committee will give it a priority. We have given them two months to find a way to address this matter, and we will be announcing that policy very soon.

**Mr WILLIAM POWI** – Mr Speaker, I direct my question to the Prime Minister in his capacity as the Acting Minister for Police.

Mr Speaker, my question is in relation to the media statements made by both the Governor of Morobe and Member for Bulolo. I think this issue has now become a national issue. I am referring to the criminal attack on some tourists and porters who were trekking along the Black Cat Track in Morobe Province that has now stormed the international media.

**08/03**

Mr Speaker, the level of negativity this issue is portraying is quite alarming and irreparable damage has been caused. It is on the front page of our dailies and it is a sad scenario because this is an isolated incident and does not involve all the Papua New Guineans, but the kind of negativity it is attracting is really damaging to this country especially in the tourism industry.

Can the Prime Minister and the Government intervene and restore some sanity and credibility on the international front?

**Mr PETER O'NEILL** – Mr Speaker, I thank the honourable Governor of Southern Highlands for his question and as I said yesterday, I want to thank the honourable Member for Bulolo for his quick reaction in notifying the agencies on the incident at the Black Cat Trail.

The Black Cat Trail is slowly becoming a popular destination for trekkers and it has got a very rich history around the Bulolo/Wau area where in the 1930's many of the gold explorers were stationed around the area and trekking those tracks over time.

Mr Speaker, more and more tourist are going to those areas and it is unfortunate that this incident has taken place. The Government expresses its sympathies and our condolences go out to the victims' families and of course to those who are injured in this incident.

Mr Speaker, the Government, as of yesterday, has dispatched the Police chopper into the area to assist in the rescue operations and carry out investigations in the area.

Mr Speaker, let me inform Parliament that Police Mobile Squad and police from Lae are now in the area and are interviewing some of the surrounding villagers and talking to the porters and trekkers who have been on this trail.

Mr Speaker, we will continue until many of these culprits who are involved in this incident are brought to justice.

It is unfortunate that this incident has attracted almost world-wide attention which is unnecessary attention to Papua New Guinea.

Mr Speaker, less than one percent of our population engages in this kind of criminal activity ruining the good image of all our citizens and our country.

Mr Speaker, we all must condemn this action and take a proactive action in making sure that those culprits are brought to justice, and that is taking place at present.

Mr Speaker, whilst on the issue of law and order, I want to announce that I have had a conversation with the incoming Prime Minister of Australia and he has agreed to honour the commitments that the Australian Government has made to Papua New Guinea. One of them is the support they have extended in law and order. The former Australian Prime Minister committed to put 50 policemen on the ground to assist our Police build capacity before Christmas.

The first lot of 34 policemen and women arrive on 4 November 2013 and 16 officers will arrive before Christmas. Those 16 police officers will go straight to Morobe Province and will be stationed there while the 34 officers will be based here in Port Moresby.

Mr Speaker, furthermore, the Australian Federal Government has agreed to fund 150 police officers, which the incoming Prime Minister has confirmed. We extend our appreciation to the Australian Government and to the people of Australia for their continuous support.

Mr Speaker, this is a short-term engagement and it's not a permanent arrangement. This will only help us build our own capacities.

**09/03**

We have shut down the Police College and training institutions for well over 10 years so it will take time to rebuild capacity and train good policemen and women. I am certain that we will be able to assist in getting on top of this continuing law and order issues in the country.

Mr Speaker, in this case, we are doing all we can to apprehend those criminals who attacked the trekkers a few days ago.

**Mr WERA MORI** – Thank you, Mr Speaker, for once again recognising the people of Chuave.

I would like to direct my questions to the Minister for Trade and Industry, but I think it is only fair that the Minister for State Enterprise and also Minister for Planning can also respond if they have to. It is imperative that I ask these questions having come from a district and a province that is resource poor.

Mr Speaker, over the last few years, there has been some studies done on the production of lime in my electorate of Chuave. It was only last year when we made a further follow-up, thanks to the Minister for Trade and Industry, we discovered that some money allocated for studies on that project got dried up and was spent on paper investigations based on desktop studies here in Waigani.

Mr Speaker, Papua New Guinea, basing on this industry, is sitting on precious metals. We have a lot of potential for what is known as industrial minerals that include building materials such as limestone.

(1) Can the Minister inform this Parliament, especially the people of Chuave whether the Chuave Lime Project will be funded under the 2014 Budget?

Mr Speaker, to separate gold from other substances, a chemical reaction has to occur, and lime stones are required to make this happen.

Mr Speaker, yesterday, the Minister for State Enterprises informed the Members of Parliament on the proposed Purari Dam. To build a dam, we will need to use millions of tons of cement, which is a by-product of lime. And Chuave has very high deposits of limestone.

(2) If the project is funded under the 2014 Budget, how soon can we get this project off the ground so it will not only be for the development of limestone and cement, but it will also open up a new economic corridor connecting the rest of Chimbu with Karimui?

**Mr RICHARD MARU** – Mr Speaker, to thank the Member for his very important questions.

I went to Chimbu myself and told the people there that the only industry they have is limestone. And I believe we should support them and explore opportunities in their provinces.

Mr Speaker, I will be allocating K2 million for a comprehensive feasibility study in the 2014 Budget and I expect the Cabinet and all the members to support that initiative. Unfortunately, there was some money in the past which I must admit were squandered by incompetent people doing feasibility studies who had no idea about the industry. They were only geologists and they did not know the marketing aspects and commercialisation of the industry. They shouldn't have been doing the feasibility studies.

This was the mistake we have done and now we have taken stock of it and will not entertain it anymore. The Prime Minister and the Minister for Planning are listening and if they support me, we will bring a world class player to do a competent study. The scientific study so far shows that it has 99 per cent content and it is the highest lime deposit anywhere in the southern hemisphere. It is very viable but from a technical point of view, we will just have to look at the marketing viability of this project.

**10/03**

So, I am supporting the idea of putting in K2 million in the 2014 Budget. I expect that to be provided because this is a key economic impact for this country.

Once it is provided, I will talk with the Member and other Members from Chimbu and we will go out on international tender and bring the best people in to carry out the feasibility study. And if it is viable, we must get that project going so that Chimbu for once will have a viable industry to prop up the economy of the province and give them some dignity and pride.

**Mr SPEAKER** – Honourable Members, I will use my discretion to allow the Minister for State Enterprises to also respond and elaborate.

**Mr BEN MICAH** – Mr Speaker, when I was looking at the Purari Dam Project, I decided to go to the people who built the largest hydro power dam in the world, the Three Gorges Dam in China.

I met with them in December last year and was told that two of the main ingredients of building dams are steel and cement. They then asked me if I have lime in my country to make cement. I said, yes, because I was thinking of the limestone that you are talking about.

And when they asked if I had iron ore or iron for steel, I said, yes, because I have been studying the iron sand resource in Sir Puka Temu's electorate in Abau.

There is no need for my colleague to go to Chimbu. He can just sit with me so we can work together to fast-track this project because 200 square kms of limestone is in Chimbu. From Chuave to Kerowagi, all the way down, Chimbu Province is sitting on limestones. And this project, if we connect to bring the cement down to Wabo, it will open up that corridor. We can move the cement by road or by rail so that we can open up vast opportunities between Gulf and Chimbu and also we can open up a transport

network by the river system as a short-cut into Chimbu, Western and Eastern Highlands.

Mr Speaker, I just need to talk to my colleague the Minister for Commerce and Industry because there are about three or four companies who have already expressed interest in this project and we can discuss it further with you and the Governor of Chimbu.

**Mr BIRE KIMISOPA** – Mr Speaker, I would like to ask a series of questions to the Minister for Treasury, Honourable Don Polye.

Mr Speaker, this country is inundated with mega structure projects but I'm more concerned about what's on the table for average Papua New Guineans in this country.

Mr Speaker, the cost of living in this country has gone up to the roof. Cost of doing business has also gone up while we are having a conversation in this big Chamber.

Mr Speaker, I will make a couple of points before I raise these questions. The price of diesel has gone up. It is roughly about K3.80 per litre from where I am in Goroka. If you were to travel to Madang from Chimbu, you will spend roughly about K400 for a return trip, which only cost us K150 or K130 in the past.

If you were travelling to Lae and returning to Goroka, Goroka being the reference point, you will spend roughly about K350 return. That is expensive. The cost of diesel has gone up.

To make matters worse, the cost of household cooking gas in this country has also gone up. A 45kg of cooking gas costs K460 in my town. This is too expensive. The cost of living and cost of doing business in this country has gone up.

(1) Can the Treasurer explain what is happening with the monopoly arrangements we have with InterOil?

**11/03**

(2) Can the Treasurer assure this Parliament that breaking the monopoly held by InterOil is in the best interests of the nation?

We can put all our money behind the Queen's Council and all the lawyers you can scour in the world and bring them here to break the monopoly. It is costing this country too much.

If we are going to grow the SME sector, which the honourable Minister for Trade and Industry is suggesting from 5 000 to 50 000 or 100 000, we've got to unhook this greatest impediment that is chaining this country to the bottom of the Bismarck Sea.

I understand that PNG LNG does not give us any leverage for the next 30 years for the duration of LNG project. Mr Speaker, for sure the price of gas will still be high or will be increased and this will be difficult for people using gas as energy source to cook food and the small businesses in this country will be spending more as the cost of businesses will still go up in the next 20 or 30 years.

(3) Has the Treasury Department created a model so we can mitigate the rising cost of gas, especially cooking gas?

**Mr DON POLYE** – Mr Speaker, the Member for Goroka has raised very strategic and realistic questions.

However, I also highlight other aspects of the issue that that the Member has raised in regard to the cost of living and what the Government has done.

Mr Speaker, let me go by the records. During the handing down of the Budget last year, we projected our inflation at 8 per cent, taking into consideration all the aggregated costs of living. The Government's stimulus economic package was designed because we foresaw a decline in the activities that were taking place in the private sector led by construction

activities on the LNG project. We saw a rise in the cost of living in this year and the next five years to 2017, based on our modelling.

Mr Speaker, this year, in our middle economic and fiscal outlook report we have accessed all these various areas using the Treasury's model on inflation. We have revised the inflation down to 5.9 per cent or 6 per cent, which means we have declined our actual or real assessment in terms of inflation which we foresaw a year ago.

We also have looked at the transport sector concerning the fuel prices, the household goods and imported tradable goods. We have seen a moderate decline in inflation and we have recorded that in our media economic fiscal outlook. It has come down by 2 per cent from our projections, so there is some decline there and we can start to see a moderate rising in some of those items that we are enjoying.

Mr Speaker, on the other hand, we have also seen that there is some increase in wages and salaries in both the private and public sectors by Government to mitigate some of those increases that we've seen in the cost of living.

## **12/03**

As a Government, we have got to make it affordable for our people to live within the circumstances. That is the outlook that we have as far as inflation is concerned in terms of the country's economic outlook over the next six or seven months.

As for the cost of fuel and household goods in terms of gas and so forth, the Government through the Department of Treasury see a better improvement in the future through Medium Term Planning in next year's budget.

Mr Speaker, the Member particularly raised the issue of the arrangement made by a previous government with Inter Oil. This is an arrangement that is locked in by law.

The Government has a twofold plan. Firstly, the government has to address the most immediate prices on the cost of living, and it will do this by looking into the supply and demand issue and its fiscal and monetary policies.

We are making sure that the amount of liquidity we put into the system and economy does not create inflationary pressure. Therefore, the amount of money we put into the system must be an amount that the economy can absorb. In other words, if you have a few suppliers of construction materials for instance, then you inject a certain amount of money that can be adequately used, rather than giving so much money where you will find inflation going through the roof. In the last six months, the O'Neill-Dion Government has been able to manage this very carefully in this regard.

Mr Speaker, another aspect is that we have to make sure that we start an economy scale. For instance, if you do not have quality infrastructures, quality education for your children and do not support SMEs then you will not expand the absorptive capacity of the economy by creating all those infrastructures and services in the country.

If you broaden these and intensify them you will find that the demand is out there and the cost of living will always rise.

So, as you can see through the 2013 Budget, what we have done is not a six months or 12 months solution. It has to start on the right footing but over a long period in order to achieve an economy of scale. This means that an economy that can be able to provide services at an affordable cost of living to Papua New Guinean citizens.

That is what we have done here and that is why we talk about SMEs, agriculture, infrastructural development, and et cetera. The Prime Minister has also announced the four regional growth centers. We will expand and build the capacity around those growth centers. That is the approach that we have taken and we are moving in that direction, and I think that with the

Cabinet's approval of the Budget Strategy Paper yesterday, we will continue that trend. That means the funding we provided for the sub-national level like the K10 million to the Provincial Service Improvement Programme (PSIP) and K5 million to the districts, LLGs, education, health, infrastructure, and et cetera, will be continued so that we will not see a decline in the services that we are providing. And the end, we would like to see the economy has improved and the cost of living becomes affordable, therefore, creating an economy of scale.

In relation to InterOil, this has been a concern to the O'Neill-Dion Government and previous governments as well, I believe. Unfortunately, you cannot just cancel or terminate the agreement as it is an agreement locked in by law. I remember when Sir Michael Thomas Somare was the Prime Minister we also addressed the same issue. I also remember that Sir Moi Avei was the then Minister for Petroleum and he came up with a criteria that would bring the prices down.

### **13/03**

We were paying fuel at the Singapore price rather than at the price determined here in our refinery and that was our problem with that agreement. In the previous O'Neill -Namah Government we tried to do the same thing. There's a lot of legal litigation involved and even now we are still trying to do that. However, the good news is we have less than five years to see that really ugly and costly agreement come to an end. We'd like to see that come to an end and in future, the Government of PNG must not enter into such arrangements that marginalize the benefits that go to Papua New Guinea. We must not create monopolies, there must be competition, competition and competition, making sure that systems of procurement and systems of providing goods and services are at a very fair level and we must not enter into such agreements again.

What about the current LNG contract and project agreement? There is provision that allows and provides for a certain quantity of gas to be provided for local consumption. The Government through the Minister for Petroleum and under the Prime Minister's leadership is making sure we capitalise on that provision for the people's daily use and for any other gas that we have to develop we have to ensure that the domestic market is the one that we address first before we think about selling or looking at the markets overseas. This matter is before the Government and we are capitalising on the existing provisions as well as to develop a framework that can give that market advantage at the local economy so it eases the cost of living.

Mr Speaker, in regard to a Treasury model to ease the cost of living, there is no new model in place. We have planned and the model is there already. It complies with the Medium Term Development Strategy and the Medium Term Fiscal Strategy and is putting money in line with *Vision 2050*. The model is making sure we do not blow out the Budget and we continue to sustain the microeconomics stability of Papua New Guinea and continue to grow the sectors and like the Minister for Planning has said, not just giving money out everywhere but choosing the right areas to inject funds. If it means agriculture, let's put it there. If it means we put all the money into the Sepik Plain, let us do it because it's closer to Indonesia. So we build a road there and promote and invest in agriculture there and sell the oil palm. This will therefore raise the standards of living, bring the cost of prices down and thus create an economy of scale. That is how we are going to do it now. PNG is not going to act in the same way by just giving out resources but by strategic planning as stated by the Minister of National Planning. I think I have answered the honourable Member's question. The models are already there, we will revise them as we go along. The model is our law, so let's stick by that.

**Mr SAM BASIL** – As a supplementary question, can the Minister also brief this Parliament on the current deficit?

**Mr SPEAKER** – Honourable Deputy Leader, that is a new question as it is not related to the original question.

You may ask your question tomorrow.

**Sir JULIUS CHAN** – Mr Speaker, my question is somewhat in line with comments raised by the Member for Goroka on the impact of inflation on the small people.

I want to begin by congratulating the honourable Treasurer to become the first Papua New Guinea chairman. I wanted to say that because I introduced Papua New Guinea to the World Bank and the IMF in October 1974.

**14/03**

That was 38 years ago. So after all this time, there is a certain feeling of pride to see the Treasurer occupy not only the most prestigious but most influential international organization in the world.

I am suggesting that maybe the Government has a policy, which I should not question, or the honourable Minister should think about using that position to influence the flow of business and trade that can impact the very thing that the Member for Goroka is talking about. We must get the developed countries to guarantee the prices for the developing commodities so that there is a balance.

I think the Minister for Agriculture talked about the Stabilization Fund.

(1) How can we create a Stabilization Fund on an international scale? Since the Treasurer is going to be the top financial man in the world, is that going to make the Kina very strong?

The Kina will likely become an international currency because a lot of countries do not accept the kina and when they do, they give us a very poor rate of exchange.

(2) Can the Kina be accepted as an international currency so that people can borrow and sell in Kina?

(3) Does the Treasurer also agree that it is timely for the Government to fix the exchange rate for the kina?

This is so that the rural people do not have to be subjected to the radio announcements about constant changes in rates for cocoa, coffee and other commodities.

Is it time to go back and tie our currency to the Australian or the American markets? We have to tie it big if the exchange rate is good.

(4) Is it likely that your position will automatically lift the credibility of this country?

(5) Will it enable the banks of Papua New Guinea to be able to borrow at soft interest rates?

When they do, the Minister should also ensure that the margin between the lending and the borrowing rate of the small people is not too far apart. The banks are making millions.

**Mr SPEAKER** – Honourable Governor, I think you are going off the board.

**Sir JULIUS CHAN** – Mr Speaker, I am leading to the inflationary issue that the Member for Goroka is talking about. However, with your ruling, I will take my seat. Thank you.

**Mr DON POLYE** – Mr Speaker, I am humbled by the good comments made by the Governor about the World Bank and IMF. The World Bank and IMF are giving recognition not to Don Polye but to Papua New Guinea, the O'Neill-Dion Government and the Parliament of Papua New

Guinea, including one of the pioneer Prime Ministers, Right Honourable Sir Julius Chan for taking the lead to introduce Papua New Guinea to the World Bank and IMF. I would also like to recognize Grand Chief Sir Michael Thomas Somare, the Right Honourable Paias Wingti, late Sir Bill Skate, Sir Mekere Morauta who is not here and Sir Rabbie Namaliu.

**15/03**

Some of us are trying to follow suit. I am humbled by the comments and thank the honourable Governor.

The Prime Minister also joined by thanking the IMF and the World Bank and I thank the Prime Minister Right Honourable Peter O'Neill for the announcements he made.

I wanted to keep it normal but it has been mentioned.

*(Laughter- in- the- Chamber)*

**Mr DON POLYE** – Mr Speaker, the first question on how to get the international community to support fragile economies or the emerging or developing economies, in fact, I was thinking along the same lines as the honourable Governor.

If the United States and other European countries have put in a stimulus package like Japan and Australia, I was thinking rather than doing that within their own economies, why can't they mobilize all the resources that developed economies have and shift all that into the developing economies and create a huge market base here.

I was discussing that very point the Governor has just raised. Other world economic leaders are looking at that and economists are also making the same comments. And that is what I want to do. We should get the capital we see in the developed world and put it into the developing world.

Then there is the issue of inflation where if there is a large inflow of capital into the emerging and developing economies, it will also impress on the inflation as well. So those are things we have to address and how to go about them is what the O'Neill-Dion Government is already doing.

I was talking about creating a wider and more broad-based economy so we have that economy scale.

Mr Speaker, in regard to the Kina as international currency, the Kina was once a very strong international currency. It was equivalent to one US dollar but the question is; what caused the decline of the kina?

Mr Speaker, we need micro economic stability, spending within limits, creating and generating the growth of the economy, keeping debts below management levels, investing in the most strategic areas and allowing those sectors to grow and keep developing into the future. That's where you keep your micro economic stability and I think you will see the Kina continue to par at the international standards. That is the way we should go.

I would be afraid to go down the road that the Governor suggested in terms of packing the Kina against other international currencies.

I am a little cautious about that. I like to allow the market dynamics to influence the fluctuation, strength or the depression of the Kina.

From past experiences, we know that packing against one particular currency does not leave us much control and it does have its detrimental effects as well.

Mr Speaker, I get a lot of advice and one of them is to pack our currency and allow it to be determined or influenced by the market and the advice I get from the market sector is more prevalent.

I would defer from that view and that the Kina should be only be based on or influenced by the market.

Therefore, Papua New Guinea must become competitive. Our spending must be quality. Our systems must work. We must allow good governance to prevail at all times and ensure to have a sound economy.

**16/03**

That is why you find that the Kina continues to stay sound, resilient and stronger. So, that is how I would encourage Papua New Guinea to manage the Kina.

The other point about common currency, the Minister for Finance attended a meeting of the Ministerial Spearhead Group on behalf of the Government, and that particular agenda was discussed where a question was proposed; can we make Kina become a common currency in the Pacific Region? It is in the Pacific end that we can make it into the international currency market. That is not a bad idea and it is on the table with the Government. I know that the Prime Minister attends the PIF and other forums where this agenda will be an item of discussion. The economists and the finance people will give us further advice on what direction to take to make the Kina become an international currency.

But we must also learn from the Euro. Most of the countries of Europe who are affiliated to Euro are being affected because of the commonality, but Great Britain is not so much affected because they have decided not to accept the common Euro currency. So there are advantages and disadvantages of everything we do. It is all about managing and maximising the good sides and minimising the bad sides, but we have to decide strategically with the best advice and the assessment available to us.

**PETROLEUM AND ENERGY – UPDATE ON PNG LNG AND  
OTHER OIL AND GAS PROJECTS – MINISTERIAL STATEMENT –  
MOTION TO TAKE NOTE OF PAPER**

**Mr WILLIAM DUMA** (Hagen – Minister for Petroleum and Energy) – Mr Speaker, before I present my speech, I would like to take this opportunity on behalf of the people of Hagen to congratulate the Member-elect for Angoram Open, Honourable Salio Waipo. The Member will realise that this Parliament comprises of hardworking Members. Honourable Member, welcome to this Parliament.

Secondly, I take this opportunity to echo the sentiments expressed by the Rt. Honourable Sir Julius Chan and on behalf of my people of Hagen, I once again congratulate our Treasurer, Honourable Don Polye, for being appointed to the Joint Chair of the Board of Governors of the International Monetary Fund (IMF) and the World Bank. It just reflects the emergence of Papua New Guinea as an economic power in the region and of course to the fact that this country has now very able leaders led by the Prime Minister himself.

Mr Speaker, it gives me great pleasure to make this Ministerial Statement on the status of our world class and much talked about US\$19 billion PNG LNG Project and other gas projects in the country.

Mr Speaker, the PNG LNG Project is the largest multi-billion dollar investment ever made in this country since Independence with the development area from near Port Moresby to Kopi in the Gulf Province all the way to the Southern Highlands and to Hela Province. The Project covers an area of very diverse cultures and languages and the project has far reaching impact right throughout Papua New Guinea and throughout the Australasian region.

Mr Speaker, ESSO Highlands Limited, a local subsidiary of Exxonmobil Corporation is operating the PNG LNG Project on behalf of its

co-venture, which include Oil Search Limited, National Petroleum Company of Papua New Guinea, Santos Limited, Nipon Oil and Gas Exploration Limited, our landowners through the Mineral Resource Development Company and of course, Petromin PNG Holdings Limited.

**17/03**

Mr Speaker, The PNG LNG Project will commercialise the Hides, Angore and Juha gas fields and the associated gas reserves in the currently operating oilfields of Kutubu, Agogo, Gobe and Moran in the Southern Highlands, Hela and Western Provinces of Papua New Guinea.

The gas for this project will be treated in a conditioning plant in Hides in the Hela Province and will then be transported via a very long pipeline to a liquefaction and storage plant near Port Moresby.

In total, Mr Speaker, there will be over 700 kilometres of onshore and offshore pipelines connecting those facilities.

The project is progressing in a series of development phases with first LNG deliveries scheduled to begin in 2014.

Over the 30 plus years life of the project, Mr Speaker, it is expected that over nine trillion cubic feet of gas will be produced and exported to other parts of the world.

The LNG Plant will produce 6.9 million tons of LNG per annum during the life of the project. This will provide a long term supply of LNG to our customers in the Asian Region including Chinese Petroleum Corporation of Taiwan, Osaka Gas Company limited of Japan, Tokyo Electric Power Company limited of Japan and China Petroleum and Chemical Corporation of Japan or otherwise, SinoPac of China.

Mr Speaker, in 2008 the initial project partners signed a joint operating agreement. In that same year, an independent economic impact study showed that the project would have a significant impact on the gross

domestic product of Papua New Guinea in addition to other opportunities such as employment and business opportunities.

In May 2008, the project venture participants and the Government of Papua New Guinea formally signed the gas agreement. The gas agreement established a fiscal regime and legal framework by which the PNG LNG project is to be regulated throughout its lifetime and set the terms and mechanisms for government equity participation in the project.

Mr Speaker, on 23 May 2009, a day later, the Independent State of Papua New Guinea, representatives of our project area landowners and the four provincial governments and 10 LLGs executed the PNG LNG Umbrella Benefit Sharing Agreement (UBSA)

Mr Speaker, the negotiations of the Umbrella Benefit Sharing Agreement or otherwise known as the UBSA in Kokopo East New Britain was a major undertaking involving almost 3000 people over five weeks.

The negotiation process began with eminent PNG citizens as facilitators was led by the Department of Petroleum and Energy which made a formal proposal on the sharing of those benefits.

Mr Speaker, a key element of the UBSA is the agreement - on the split of licenses, pipeline licenses and the LNG plant site - between our provincial and local level governments.

Between December 2009 and March 2010, sales and marketing agreements for our gas were signed with four major customers.

December 8 2009 came the big announcement that the project venture participants had approved the project therefore paving the way for construction to begin. This was supported by the completion of financing arrangements with lenders in March 2010.

Engineering, procurement and construction contracts or EPC were approved in late 2009 and early 2010, construction work commenced on the project.

Mr Speaker, reaching this milestone represented a vote of confidence in the project and in ExxonMobil's ability to deliver as the operator working with these core ventures.

It was also a vote of confidence in the Government of Papua New Guinea and the people of Papua New Guinea to capitalize on the project's benefits as the catalyst on the position that our country as a new supplier of liquefied natural gas.

Mr Speaker, commencement of the project's execution, while an historic milestone, was also only the beginning.

Mr Speaker, over its project life the PNG LNG project is expected to produce more than nine trillion cubic feet of gas which will involve the integrated development of the Angore, Hides and Juha gas fields as well as associated gas from Kutubu, Agogo, Gobe and the Moran oil fields.

These integrated projects include gas production and processing facilities in the Southern Highlands, Hela and Western Provinces; liquefaction and storage facilities with a capacity of 6.6 million tons per annum, located 20 kilometres northwest of Port Moresby and approximately 850 kilometres onshore and offshore pipelines connecting these facilities.

### **18/03**

Mr Speaker, the PNG LNG Project remains on target for the first shipment of our very own liquefied natural gas in 2014, having already achieved numerous construction milestones. This includes completion of the 407 kilometre offshore pipeline. At the plant site near Port Moresby, the 2.4 kilometre jetty and the outer shells of the two LNG tanks have been completed. Drilling began in Hides in July 2012.

The 3.2 kilometre Komo Airfield - which will take the largest cargo aircraft in the worlds - the Antonov - is well advanced. Foundations and steel works is progressing at Hides Gas Conditioning Plant.

Mr Speaker, in addition to the direct financial benefits, the PNG LNG Project operator has a comprehensive National Content Plan which covers workforce development, supplier development and strategic community investments. This commitment involves creating local jobs, educating and training PNG citizens, contractors, and suppliers, transferring knowledge and skills, buying local goods and services and making strategic investments in the community.

Since construction started in 2010, the PNG LNG Project has built a unified team of workers, contractors, community members and other stakeholders. This team is now enabling the delivery of key project milestones and commitments that will contribute to a sustainable future for PNG.

With construction activities at their peak, more than 19 600 people are now working together to deliver on the project's commitments across multiple project sites. Of those workers, almost half are Papua New Guineans, with landowner companies continuing to provide more than 70 per cent of the total Papua New Guinean workforce.

The PNG LNG Project constructed training facilities at the Port Moresby Technical College and at Juni in Hela Province to provide competent labour to support construction of the Project's LNG Plant and Hides Gas Conditioning Plant.

Mr Speaker, the Project has recruited 140 school leavers in two intakes to be trained to become future technicians to operate and maintain project facilities.

The project's first intake of operation and maintain trainees who were recruited in middle of 2010, are currently completing their 12 months advanced skills training in Nova Scotia, Canada. A second intake of training is currently completing their first year covering a Foundation Skills Program at a residential college in Port Moresby.

On successful completion of this two to two and a half years training program, the operation and maintenance training will become qualified technicians and operate and maintain the PNG LNG Project's Hides Gas Conditioning Plant in Hela and LNG Plant near Port Moresby, along with the associated pipelines and wells.

Mr Speaker, the Project offers the best opportunity to maximise value for all stakeholders. If the benefits are applied throughout the economy, the project has the potential to dramatically improve the quality of life for Papua New Guineans. Landowners will benefit from royalty payments as well as improved social and development infrastructure.

According to the ACIL Tasman PNG LNG Economic Impact Study Report of 2008, the Project is expected to transform the country's economy – more than doubling the Gross Domestic Product (GDP) to over K18 billion (US\$6 billion) per year and providing direct cash flow of approximately K114 billion (US\$40 billion) to the Papua New Guinea Government and landowners over the 30 years production period. It will also create significant employment and business opportunities for Papua New Guineans.

According to the 2008 ACIL Tasman Report, PNG would benefit directly from the Project through capital investment in LNG production and support facilities, upstream gas production and processing development, pipelines, storage and other infrastructure, including a significant level of local spending on support services, employment, training; direct cash flow to Government and landowners in the form of taxes, royalties, development levies and other charges, and returns on equity participation and potential for increased petroleum exploration and production activity in the country.

**19/03**

Mr Speaker, in the initial phase, the project is focused to deliver direct capital investment of approximately K36 billion or US\$12.5 billion in

real terms over the project life. Recurrent operating expenditure is expected to average approximately K750 million per year.

Mr Speaker, the total operating expenditure over the project life is estimated at approximately K23 billion (US\$8 billion).

Under the ACIL Tasman assumptions, GDP will more than double rising in real terms from approximately K8.56 billion or US\$2.9 billion starting from 2006 to an average to approximately K18.2 billion per year.

Oil and gas exports will increase more than fourfold with average annual product value from the project of approximately K11.4 billion, compared to the total Papua New Guinea Oil and Gas exports of K2.6 billion as at 2006.

Over the thirty years of the operation life of the project, gross taxation revenue to the Government is estimated to be around K60 billion. Royalty payments are estimated to amount to K5.3 billion and are expected to accrue approximately one-third to our provincial governments and approximately one-tenth to our local level governments, with a balance amounting to more than half of the total going to our landowners.

Mr Speaker, while the direct benefits to the country will be enormous, the true significance of this LNG Project lies in its potential to influence performance throughout the PNG economy indirectly as a result of flow-on effects to other industry sectors.

Spending by project participants, employees, government and landowner beneficiaries will obviously lead to multiply effects as the economic activities associated with the project impact on our broader economy.

Mr Speaker, one of the significant impacts of the LNG Project is the new opportunities for our local businesses to provide the project with a range of services.

Mr Speaker, there are number of key factors; one key factor is the issue of security and safety. The provision of a safe and secure working

environment is fundamental to the successful delivery of this project, and this also applies to other projects in our country as well.

Mr Speaker, safety is an overriding priority of the PNG LNG Project. Safety and health performance indicators continue to show improvement trends. The security of the project personnel and assets continues to be a major challenge with the frequency and severity of incidents in the northern areas of the project is of major concern.

Mr Speaker, the project has stated that support from the National Government, Provincial Government and the landowners during the National Election period were excellent with a result that few incidents impacted the project. However, the frequency of security incidents has since increased, particularly along the onshore pipeline section of the project with the most problematic areas being around Moro, Komo and Paua. These work interruptions are causing construction delays adding costs and risking the project schedule. Retaining skilled workers in this environment has proved difficult for the operators.

Mr Speaker, the project is concerned that it is frequently used by our landowners to leverage a response from our National Government. The Department of Petroleum and Energy has been responsive to requests from the project on an 'as requested' basis to address those issues. The project has requested a more permanent government field presence to address specific landowner issues. The Department of Petroleum and Energy continues to work with the project together with our stakeholders to identify options to solve some of those issues.

Mr Speaker, the project has engaged and trained about 8 600 Papua New Guineans to join the project workforce, which peaks to about 17 600.

## **20/03**

As construction of the project progresses to its completion, the number of our national workers required by the project will rapidly reduce.

The progressive demobilisation of large numbers of workers is likely to create additional security challenges for all of us.

Ideally, these employees would move on to the Government funded infrastructure projects such as the Infrastructure Development Grant (IDG) projects or other construction projects to gainfully apply their skills. In the meantime, the project is working with communities and individuals to help plan for this transition.

Mr Speaker, the PNG LNG project is now more than 90 per cent complete, on track for the first LNG shipment in 2014. More than 40 million hours have been worked since the last lost time injury. The US\$19 billion project involves construction of gas production and processing facilities in Southern Highlands, Hela and Western provinces. It includes liquefaction and storage facilities located north-west of Port Moresby on the Gulf of Papua. More than 700 kilometres of pipelines are being constructed to connect the facilities. The project is progressing in development phases and is on schedule for the first LNG deliveries to begin in 2014.

The early works contractor has completed pioneering of the entire 22-kilometre Well Pad Access Road, which included tree felling and brush clearing. Earth works on the well Pad Access Road also substantially progressed. Tree clearing at Well Pad G commenced and the Well Pad D and Produced Well Cellars were completed. Commissioning of the Industrial Waste Shredder also began at the Hides Waste Management Facility.

Mr Speaker, the major foundation works are complete in the process area. The flare stack and most of the tankage is also complete. Construction for the three pipeline compressors is nearing completion and ready to receive the compressor packages to be transported to the site by the large Antonov aircraft.

The Antonov aircraft made its first flight from Port Moresby to Komo on May 3, 2013. The aircraft is completing one flight per day, six days per week, conveying the heavy and oversize components for Hides Gas

Conditioning Plant. Payload for this aircraft is about 70 tonnes. Equipment is being transferred by road from Komo to Hides by multi-wheel trailers, a distance of about 18 kilometres. While the Komo airport is in operational, some minor works remain to be completed.

Mr Speaker, in relation to drilling, two drilling rigs are currently drilling on Hides Ridge, with two large bore wells being drilled from each Well Pad. The first Well Pad B1 on Well Pad B has drilled to a final depth of more than three kilometres. The second rig is drilling the first C pad. Preparation of Well Pads D, G and for a Produced Water Disposal well is underway.

As for the onshore pipeline, over 260 kilometres of mainline and spurline pipe are welded with 197 kilometres of pipeline hydro-tested (leak detection). Pipework fabrication at the Gobe main line valve station is completed, along with hydro testing of the Gobe spur line. Hydro testing, de-watering and air-drying of the piping at the Kopi Scraper Station is also complete and pipework installation commenced at the Kutubu metering station.

Mr Speaker, the offshore pipeline construction is complete and the contractor continues to demobilize, with the LNG plant (Caution Bay) landfall site handed over to the LNG Plant and Marine Facilities contractor. The project was able to achieve another milestone in December 2012 with the mechanical final welds at the Omati River landfall.

Mr Speaker, in relation to the LNG Plant and Marine Facilities, the contractor has completed over 48 million work hours without a lost time incident which is a history which occurred in PNG.

The works completed include welding on the 120 pipe rack modules along the 2.4 kilometre LNG jetty and installation of all ten mooring dolphins and five liquid loading arms, shipping channel navigation, as well as all of the heavy lifts and installation of major process equipment on the LNG plant site.

**21/03**

Mr Speaker, in relation to the associated gas development, which will only seek to improve LNG project economics, installation of the new triethylene glycol unit at the Gobe Production Facility continued with access platform construction and steel works underway. At the Kutubu Central Processing Facility, the start-up, testing and handover of the thermal oxidizer to the operations group marked an important milestone.

Mr Speaker, in relation to the permanent office facilities for the LNG project, construction of the permanent office facilities at the Airways site near Jackson Airport have commenced with the mobilization of the prime contractor and sub-contractor for civil works.

**Mr SPEAKER** – Honourable Minister, I will interrupt your statement and suspend Parliament for lunch.

**Mr WILLIAM DUMA** (Tari – Minister for Petroleum and Energy)  
– Mr Speaker, I seek leave of Parliament to incorporate the remaining speech in the *Hansard*?

Leave granted.

Sitting suspended.

**22/03**

#### **MOTION BY LEAVE**

**Mr JAMES MARAPE** (Tari - Minister for Finance) – I ask leave of Parliament to move a motion without notice.

Leave granted.

## **INCORPORATION OF STATEMENT IN THE HANSARD – RESCISSION OF MOTION**

Motion (by Mr **James Marape**) agreed to –

That the Resolution of the Parliament today by the Minister for Petroleum and Energy to incorporate part of his statement in the *Hansard* be rescinded and that he continues with the remainder of his statement.

**Mr WILLIAM DUMA** (Hagen – Minister for Petroleum and Energy) – Mr Speaker, the issue of national content in relation to the PNG LNG Gas Project is an important issue.

Mr Speaker, in terms of supplier development, to date, the project's total in the country spent has reached K8.2 billion. More than K1.7 billion has been spent with landowner companies (Lanco) in the project for logistics, camp rental, catering, security and light equipment hire.

The project has reserved the key services of labour supply, catering, camp maintenance, security and hire of light vehicles for Lanco suppliers. Lancos are also engaged to provide wooden skids/pallets, boat hire, timber purchase, heavy equipment rental, truck hire, construction, machinery and spare parts. Even the supply of fresh produce from local communities to camp kitchens is coordinated by Lancos.

The project has established an enterprise centre, which provides a variety of services and training to landowner companies and PNG Businesses. To date, over 14 600 PNG entrepreneurs have been assisted through this organization. The centre has also delivered more than 6 700 training days and over 800 advisory and mentoring days to PNG businesses.

Mr Speaker, on the workforce development, the project has more than 21,200 people on project activities, including over 9 000 Papua New Guineans.

More than 1.6 million hours of training have been delivered by the project to date. This has been achieved through over 6 800 courses offered across the project since its inception.

Mr Speaker, on the infrastructure, over 250 million has been spent by the project on the Highlands Highway repairs and upgrades. The project continues to assist the Department of Works with repairs and upgrades of roads and bridges from Lae to Hides. Major repairs have been carried out on more than 20 bridges along the Highlands Highway and three bridges have been replaced.

A total of 19 bridges have been provided to the Government by the project as part of an ongoing Bridge Program between Mendi and Hides. Training for bridge installation has also been provided to the Department of Works and the PNG Defence Force Engineers.

Road sealing operations are underway on Tindom Hill and was expected to be completed by end of September 2013.

Mr Speaker, two new LNG ships and four new tugs are under construction in China to service the project. Two recently constructed LNG ships have also been leased by the project.

Mr Speaker, the existing oil operations will provide associated gas to the projects and condensate separated from project gas will be exported through the existing oil export pipeline and Kumul offshore terminal.

Work is progressing on life extension and integrity upgrade to the oil export system. The CALM buoy and tanker loading line will have been replaced. Construction activities associated with the supply of commissioning gas from oil processing facilities are also underway.

Mr Speaker, the next few months is a critical period for successful delivery of this National Transformation Project. Project contractors are making satisfactory progress but work interruptions result in additional costs, and scheduled delays. Maintenance of law and order to provide a safe and

secure work environment is critical to ensuring that the project remains on schedule to deliver the first gas in 2014.

**23/03**

Mr Speaker, the successful delivery of the PNG LNG Project will demonstrate to the world that Papua New Guinea's resource sectors present attractive investment opportunities and will help sustain the nation's economic growth.

Mr Speaker, on the PNG LNG Project State commitments, the Minister for Commerce, Trade and Industry, Honourable Richard Maru on his visit to the Hela Province on 22 April 2013, was officially welcomed to the province by the Governor of Hela, Honourable Anderson Agiru and was presented a petition dated 21 April 2013 from the Hela Provincial Assembly. The Minister received the petition on behalf of the State.

Mr Speaker, the petition called on the National Government to honour all its outstanding commitments under the Umbrella Benefit Sharing Agreement (UBSA) and the respective License Based Benefit Sharing Agreement (LBBSA) signed in 2009 and the Memorandum of Agreements (MOAs) and the development agreements.

Mr Speaker, the State was put to task to respond within 30 days after which the Hela Provincial Government would initiate legal proceedings to stop the PNG LNG Project from advancing further if there was no positive response.

Mr Speaker, the 30 days expired on 31 May 2013. However, Governor Agiru was able to in the nation's interests and as a true national leader reached an understanding with the National Government led by our Prime Minister, Honourable Peter O'Neill, and the issues that he raised are being addressed and continue to be addressed.

It is on record that until the Hela Province came into existence, it was part of the Southern Highlands Province which received its first share of

resources in terms of National Budget allocations, tax credit projects and aid grants. However, let me pause to say that, our Governor Anderson Agiru had some valid grounds to present the petition, which I noted, have been addressed by the National Government.

Mr Speaker, on the issue of Business Development Grant, it is a one-off seed capital paid to our landowner companies in the project areas. The primary intention was to provide our landowner companies capital to assist them to participate in the spin-off business activities opportunity provided by the PNG LNG Project.

The Business Development Grants are programmed for disbursement and the actual disbursements were as follows:

Central Province; K17.472 million was programmed and the actual disbursement was K17.4 million. Gulf Province; a sum of K16.128 million was programmed and a sum of K16.1 million was actually disbursed. Southern Highlands Province for the Kutubu site; K10 million was programmed and K9 million was actually paid. Gobe Project in Southern Highlands; K8.2 million was programmed and K8.2 million was disbursed. Central Moran in Hela Province; K6 million was programmed and K6.2 million was actually paid. North-West Moran (Hela Province); K4 million was programmed and K4 million was actually paid. Hides PDL1 (Hela Province); K20 million was programmed and K20 million was actually paid. Hides PDL7 (Hela Province); K15 million was programmed and K15 million was actually paid. Juha (Hela); K11 million was programmed and a sum of K11 million was disbursed. Angore (Hela Province); K12 million was programmed and K12 million was actually paid, but due to a court case amongst the landowners, the amount of K12 million has been held in the Suspension Account.

Mr Speaker, on the issue of Infrastructure Development Grant, the National Government in 2009 committed via the UBSA that it would allocate K120 million per year for 10 years commencing 2010. The landowner

companies would have to follow the bottom-up planning process and identify key projects in their respective areas and apply for funding.

Mr Speaker, funds for disbursements were as follows and I would request the Members to go through the statistics and know how much was paid to the relevant provinces.

## **24/03**

Mr Speaker, of the IDG funds disbursed to date, Central Province has received K35 million while the Gulf Province has received K32. 2 million. Southern Highlands received K98.3 million while Hela received K174.4 million.

Mr Speaker, the allocation of K124 million for 2013 is yet to be disbursed pending screening and prioritization of projects by the relevant stakeholders, including the governors of the affected provinces.

Mr Speaker, on high impact projects, under the UBSA, the National Government also committed K460 million for high impact projects in the project area, as in the following: Kikori-Kutubu-Kopiago (North Coast) Road; K100 million, special tax credit. Komo-Tari Road sealing; K90 million. First Phase Hela City Development 2010; K100 million. First Phase Tari International Airport; K90 million. Komo, Magarima, Kutubu townships; K20 million. Koroba township including hospital; K20 million; and Nogoli Growth Centre; K15 million.

Mr Speaker, the bulk of the high impact project funding is to be spent in Hela, Southern Highlands and Gulf provinces. So far Hela Province has received K118.4 million, Southern Highlands K60 million and the Gulf Province K3 million.

Mr Speaker, during the UBSA and various LBBSA forums, the State agreed to cap MOA funds payments for those existing oil and gas projects.

Mr Speaker, those funds were allocated for those existing oil projects. Accordingly, under the various forums the following caps were set. Of the total cap amount of K235 million, as per the NEC Decision 96 of 2010, a sum of K55 million was disbursed for Hides Gas Electricity Project, and of that amount, only K35 million has been disbursed.

For Kutubu, out of a sum of K80 million, only K40 million has been disbursed. For Gobe, out of a sum of K50 million, K10 million has been disbursed. For Central Moran, out of a sum of K50 million, K15 million has been disbursed.

Mr Speaker, these caps were set to pay out all the outstanding MOA commitments and to deal with those legacy issues before the project went into the gas phase.

Mr Speaker, prior to the National Government setting the above caps the State had already spent a substantial amount of money under the various MOA arrangements. Between 1993 and 2008, the State paid a total of K193 712 000 for MOA infrastructure projects as shown below:

| <b>Projects</b>          | <b>MOA</b>   | <b>TCS</b>   | <b>Total</b> |
|--------------------------|--------------|--------------|--------------|
| Hides Gas to Electricity | K44 097 000  | K11 391 000  | K55 488 000  |
| Kutubu                   | K79, 627 000 | K85 636 000  | K165 263 000 |
| Moran                    | K20 223 000  | K142 254 000 | K162 477 000 |
| Gobe                     | K49 765 000  | K103 629 000 | K153 394 000 |
| Total                    | K193 712 000 | K342 910 000 | K536 622 000 |

Mr Speaker, if the commitments that are set out in that schedule are put together, the State would have paid K428 712 000 by the time the final cap amount is paid in the projects areas that are affected.

Mr Speaker, the State also assists building of infrastructure projects through schemes such as the Tax Credit Scheme. The infrastructure under this scheme is actually built by the companies identified by the Oil or Gas project operator under subcontract arrangements. The operator uses its own money to build the infrastructure approved by the Department of National

Planning and Monitoring and when completed, the operator can then claim back credit via a tax liability.

Mr Speaker, between 1993 and 2008 the State paid K342 910 000 for infrastructure projects under the Tax Credit Scheme.

Mr Speaker, by any indication the PNG LNG project area covering Hides Gas to electricity project, Kutubu, Gobe and Moran have benefited from funds provided by the Government to build infrastructure projects. They also receive direct benefits of royalty and equity and indirect benefits such as development levy.

Mr Speaker, they also benefit from community projects built by the project operator and MRDC.

The State has provided a lot of assistance directly and indirectly and continues to do so in many ways.

Mr Speaker, the balance of State commitments under the UBSA and LBSSA are still being worked on by the National Government to ensure that these commitments to our very important provinces of Hela, Southern Highlands, Gulf, Central and Western are implemented.

### **25/03**

Appropriate committees have been set up to address the above and other issues raised in the petition by the Governor Anderson Agiru.

Mr Speaker, under the Gate II LNG Open Book Economic Model (OBEM), subject to changes in oil and gas prices, construction costs and exchange rates, the PNG LNG Project Area Landowners, stand to receive the following cash benefits as opposed to infrastructure projects and grants, as mentioned above:

| Benefit Stream         | US\$         | PGK          |
|------------------------|--------------|--------------|
| 2% Royalty             | 1.78 billion | 5.39 billion |
| 2% Equity (all Equity) | 1.72 billion | 5.21 billion |
| Total                  | 3.5 billion  | 10.6 billion |

Apart from the infrastructure project benefits landowners, LLGs and Provincial Governments have and will receive from oil and gas projects in the above project areas they will also share the above direct benefits.

Mr Speaker, there are many complaints from the project areas that there are still many outstanding commitments and both the State and the Project are not working diligently to address these commitments.

The State is obligated to these commitments and is working towards ensuring the commitments are honoured. The O'Neill-Dion Government acknowledges that there has been consultation between Honourable Anderson Agiru and the Prime Minister and the project operator and discussions are ongoing to find resolutions to issues raised in Governor Agiru's petition.

Mr Speaker, apart from the existing oil projects which have contributed billions to the PNG economy, we have not sold any gas yet or made any money yet. However, the National Government has front-loaded payments and continues to meet commitment in good faith.

Mr Speaker, one of the key projects for O'Neill-Dion Government under the *Alotau Accord* post LBSSA signings is the clan vetting exercise.

The ILG formation was a major outstanding task and the Government through the CSTB in 2011 awarded a contract of K9.8 million to a contractor to undertake the task in the project area. This work was undertaken by the contractor but was mostly delayed and jeopardized by State administration and politics and local issues especially in the Hela region.

Despite the above, the Department of Petroleum and Energy and other relevant Departments, since January 2013, have embarked on PNG LNG Clan Vetting Project (CVP) to meet project schedule of first gas delivery in 2014.

The CVP project aims to verify information, firstly, on the number of clans and landowners in all license areas of the PNG LNG Project. Secondly, at the later stages mini forums, if not conducted during the CVP exercise, will be conducted to facilitate the properly identified clans to decide on their benefits sharing as agreed in the UBSA and LBSSAs.

The landowners or clan information obtained from CVP will form the substance of Ministerial Determinations under *Section 169* of the *Oil and Gas Act 1998*, where the Minister for Petroleum and Energy is empowered by law to make determinations on who is to benefit and how much the benefit should be.

Mr Speaker, the CVP is a very critical and important project and the O'Neill-Dion Government has marked it as a priority project in the *Alotau Accord* to implement and accomplish in 2013 in anticipation of first LNG in 2014. This exercise will only be accomplished with the support of all relevant stakeholders taking part.

The Department of Petroleum and Energy has been having dialogue with the affected Provincial Administrations and Local Level Government to plan logistics and implementation of the project and the Department hopes to reach a workable solution in due course. Notwithstanding this, the Department has already started the CVP project in the Central Province and shortly, it will commence the project in the Gulf Province and some parts of the Southern Highlands Province.

The CVP works in Central Province is 90 per cent completed and was to reach closure by 31 May 2013. The Gulf and Southern Highlands CVP Teams were deployed before 31 May as soon as DPE and ExxonMobil (including Oil Search) reach alignment on logistic support.

### **26/03**

This will put a lot of outstanding social mapping issues to rest. My department is working closely with the Hela Provincial Government to implement the Clan Vetting Programme (CVP).

Mr Speaker, Papua New Guinea is a highly prospective country.

Mr Speaker, the PNG LNG project is not the only project. There are other exciting projects in the pipeline.

Mr Speaker, the Stanley Gas Condensate project proponents led by Horizon Oil lodged a Petroleum Development License application in August 2012, and the review of this application is ongoing and will soon reach closure. After the review is completed and a Development Forum is completed, a development license will be issued for the Stanley Gas Project to commence operations.

Mr Speaker, the Stanley project may be small but it is the first petroleum project to be commercially developed in the Western Province. This will then start a 'herd instinct' for more hydrocarbon exploration in that part of our country.

Mr Speaker, the Inter Oil project discussions with the State have been deferred pending InterOil and its partners search for a world class operator.

Mr Speaker, when InterOil formerly announces the partner, the State will then recommence discussions. Notwithstanding the above, the Elk-Antelope Gas field is large and it will be the second largest investment in the Petroleum Sector in PNG. It is also likely that more gas resources will be found in that project area.

Mr Speaker, the InterOil LNG Project will contribute billions of kina to the PNG economy when it is fully operational.

Mr Speaker, the Ketu-Elavala Gas Condensate project proponents have indicated that they want to lodge an application for a Petroleum Development License soon. This project is close to the Stanley Gas Condensate field and it is in the Western Province.

Mr Speaker, regarding the South East Mananda oil project, this is a small oil project with a small gas cap. It is within the vicinity of the Kutubu oil project and can be easily developed after all ties in infrastructure are built.

However, the operator has yet to finalise its development plans and is pending. Despite this, if it is developed it will be an oil project complementary to all the gas developments the country is going through now.

Mr Speaker, regarding the Itochu/Mitsubishi Gas Chemical Plant, this is a US\$1 billion petrochemical project to be located at the Konebada Petroleum Park. The project proponents Itochu Corporation and Mitsubishi Gas Chemical Company of Japan, two world class companies, have lodged a firm proposal with the Department of Petroleum and Energy to develop a methanol and DME plant in PNG. And by the beginning of next year, we will have a signed project agreement with the project proponent.

Mr Speaker, this will be the first natural gas based petrochemical project in PNG. Therefore, it will create more jobs and bring in hundreds of millions of kina.

Mr Speaker, regarding the Petroleum and Energy Authority, the Department of Petroleum and Energy has lost a lot of people to the industry and this is still continuing. The consequence of this is that the Department is understaffed as there is a lack of motivation and drive. We have been experiencing this since 2007, and since that time we have been working on converting DPE into an authority to take on the challenges of better managing and regulating the petroleum and energy sector.

Mr Speaker, the O'Neill-Dion Government has recently approved to abolish the Department of Petroleum and Energy and establish the Petroleum and Energy Authority. The Department has commenced work to implement the NEC decision and it is anticipated that the Authority will become fully operational by January 2015.

Mr Speaker, the hydrocarbon sector is rapidly growing.

### **27/03**

The O'Neill-Dion Government is also working very hard to assist developers bring on-stream new oil and gas projects quickly. To ensure these projects are managed efficiently, it is necessary to develop a new institution to take on these challenges. The Authority will help clear many backlogs,

improve regulation and monitoring of the Petroleum and Energy sector and provide the motivation for staff to improve performance.

Mr Speaker, in terms of exploration, PNG is relatively underexplored. There are more oil and gas fields waiting out there to be discovered, and provided the O'Neill-Dion Government continues to provide political and fiscal stability, there will be more oil and gas projects in PNG in the near future.

Mr Speaker, it is a major platform of the O'Neill-Dion Government that all Economic Sector Ministers and Departments do everything possible to ensure all activities they are in create new businesses and stimulate long term economic developments. Despite limited financial support, my department is doing its best to contribute towards economic development.

It is our belief that the PNG LNG Project alone will transform PNG from a 'resource rich - cash poor' country to a 'resource rich - cash rich' country and if revenue from this project is used properly and carefully, our children and grandchildren will have a better future.

Finally, Mr Speaker, the other LNG, oil and petrochemical projects in the pipeline will be commercialised and will continue to provide an economic platform to ensuring that PNG becomes one of the economic powers in the Australasian region.

Mr Speaker, before I conclude, it would be remiss of me not to make special mention of certain leaders who played an important role in the PNG LNG project. They are; Prime Minister Peter O'Neill, Sir Puka Temu, Ministers Don Polye, Patrick Pruaitch and James Marape, who at one stage had to take off his hat as a national leader and sign the UBSA as a landowner. Ministers Francis Awesa and Mark Maipakai, Governors Anderson Agiru,, Havila Kavov and William Powi, who at that time was the administrator of the Southern Highlands and provided a lot of assistance. The Honourable Philip Undialu, Paul Tiensten, Francis Potape, and other leaders who are no longer in Parliament who played a very important role in

developing this much talked about LNG project and I take this time to acknowledge their immense contributions .

**Sir PUKA TEMU** (Abau - Minister for Public Service) – I move –

That the Parliament take note of the paper

Mr Speaker, I commend the very hardworking Minister who has held this portfolio for a while. I believe he is the longest serving Minister for Petroleum and Energy in the country. It demonstrates what stability can bring to Papua New Guinea when a politician becomes a Minister for a longer term, you tend to speak the language of bureaucrats and you can enter any global boardroom in the world in this area and negotiate with some of the biggest players around the world like ExxonMobil. I take my hat off to Honourable Minister William Duma for taking this task head on and for continuing to provide leadership.

I also take the queue from the Minister in acknowledging those who have contributed and one particular individual is Mr Arthur Somare, the then Minister for State-Owned Enterprises. I want to thank him for the strong leadership. This young man had many sleepless nights providing the leadership and I know all of us and this honourable Parliament owe him as well, thus his name had to be mentioned on the occasion of this debate on this important project.

Honourable Speaker, in 2002 when I first entered Parliament, the then Minister for Petroleum, Sir Moi Awei, took the leadership and from day one we were talking about the pipeline between PNG and Australia.

**28/03**

We were taken to Malaysia and Australia to negotiate the pipeline. At that time, we thought we had the right economic model with right political

leadership but unfortunately the price of steel was so high. So we agreed with Australia to drop the PNG to Queensland Pipeline.

I guess this is where the spirituality of the project comes in. Maybe our forefathers wherever they in the supernatural realm and our good God decided that we should drop it because there is a better deal that he will bring to our nation, which will become the lifeline of the country.

Today is another time we will say thank you to God and to our forefathers but more particularly those many leaders who have come and gone. It took more than two or three decades to locate the resource site, negotiate with the resource owners and to bring in the global players who risk their lives before the project becomes a reality.

Today as I was listening to the honourable Minister, I could only say thank you for these projects because at the time of the launching in May 2009 we did say that this was going to be a transformational project. I think we are coming very close to that reality. In 2014, we will proudly send off a ship to the countries that we negotiated for the gas to be sold to. The revenue we know will transform our people from every corner of this nation.

Mr Speaker, I think the negative perceptions and media criticism make many people wonder what kind of country Papua New Guinea is. The recent event on the Black Cat Track is an example that we are likely to be criticized even more. But on this occasion we can proclaim that we are proud hosts of some of the world class projects. That is a statement that brings forth the truth that we are good people who are resilient and wise and have the ability.

We may not have resolved all the issues or missed out on some of the best benefits of the PNG LNG Projects, but it was at that time when we did not have the global exposure. We were just coming into this new industry and we took charge and took the bull by the horn and ran with it.

Mr Speaker, one lesson that I have learnt is that we can only deliver if political and bureaucratic leadership working together. This project is a

classic example of the leadership by the Grand Chief at that time and the group of Ministers who provided the backup and the technical support that the Minister did not mention. I acknowledge one of the technical support staff, the young Dairi Vele, who is the current Acting Secretary for Treasury. That young man sat face to face with some of the big global players and negotiated and we backed the bureaucratic leadership. When these two leaderships work together, this country will be the envy of many nations in the world.

**29/03**

Mr Speaker, God has blessed us with so much. I once made a statement from the second top seat, the Deputy Prime Minister's seat.

I want to repeat that with the information that we have now and with God- blessed resources we have, one day the United Nations will declare this nation as the richest black nation on earth.

Mr Speaker, I am telling you and I proclaim it here on this Floor of this honourable Parliament.

Mr Speaker, I am proclaiming this today.

**Mr SPEAKER** – I receive your word by faith.

**Sir PUKA TEMU** – We will achieve with this ingredient that I have just shared. The political leadership and the power must be aimed at one direction to develop this nation. We must use that power to move this country.

Mr Speaker, we had very little sleep when we were negotiating this project. We were working like bureaucrats.

In fact, I chaired the Fiscal component and Minister Duma chaired the technical component. We made sure that we brought the two Governors in to sit in the meetings.

At the first UBSA of its kind, it took a pioneering and trail blazing strategy to mobilize thousands of landowners. Who could have ever dreamt of this?

ExxonMobil couldn't believe all of this and likewise, we couldn't believe it too. How are we going to achieve this outcome with so many people gathering at Kokopo and how are we going to reach an agreement?

Then there was a stalemate at one time when the Grand Chief Sir Michael was out and I was Acting Prime Minister.

Mr Arthur Somare rang me up and said, Acting Prime Minister, we are in trouble. I said, we are not moving anywhere. Call a special Cabinet meeting and negotiate with the honourable Governor and let's push this program forward.

Mr Speaker, that's how big Papua New Guinean hearts are. How receptive and resilient we are. There is so much goodness in Papua New Guineans. Many times we fail to believe in ourselves.

Most of the time we talk about ourselves negatively and we begin to believe the negative all the time and then we begin to believe that we are useless. To believe that we are nothing and failure is the lowest point one can get to.

Mr Speaker, I am glad with the progress of this project. Commercial timelines have been met and the project is on track, but there are also many lessons that need to be learnt from this project.

I have overseen the whole process from the beginning. At one stage, I moved out and came back in again and I am now seeing the end up to 2014. We talked about all this in 2009 that the first shipment was going to leave in 2014.

Mr Speaker, as someone who has looked at it from the beginning and I think I mentioned this once to the Prime Minister, we really need to establish what I now call a dedicated office by way of a new structure. For instance, when a multi-billion dollar project is approved, that particular

office will then take charge of the compliance on the part of the investor and on the part of the State. If there are issues that the State needs to address, this office then manages the issues that the State has agreed to on the MOA. At the same time also to give notice to the developer whenever it oversteps their mark, this compliance office can tow them back in line.

I think we were lacking in that area and saw what we were missing. We relied on the Department of Petroleum Energy and Lands Department and when the Law and Order issues came up, we were relying on the Police Commissioner. We were scattered all over the place, yet this was such a key project. It was delivered because there was political leadership within. The funny thing was that the bureaucrats also ran away.

### **30/03**

When ExxonMobil said no to them at the negotiation table, they were sweating, and we told them to come back to us to the Ministerial Economic Forum so that we can give them the instructions so that they can go back and re-negotiate.

Mr Speaker, so one of the lessons that I have learnt is that because God has richly blessed this country with resources, many more new projects will come and we may need to now dedicate an office attached to the Prime Minister's Office made up of the best legal brains, economists and sociologists so that we can ensure that this office oversees the compliance. If we overlook this, we will still have faults and the investors may withdraw thus we lose another opportunity. That is one of the lessons that I have observed.

I also learnt a second lesson. I was the Minister for Lands at that time when we I had to dedicate one of the senior officers in the Lands Department on a fulltime basis on the petroleum project. I instructed my Secretary that this officer should not perform other duties but concentrate 100 per cent on

land issues concerning the project. This had to be done in order for us to deliver.

The Minister mentioned social mapping and proper identification. We know that if this is not done properly, many paper landowners will start cropping up like in the NADP case. So when we look at that item, I think we must now proactively map the country and not just wait for the project. The Lands Department, Department of Community Development, Civil Registry Office and the Magisterial Services need to adopt a multi-sectoral approach to socially map the country.

Mr Speaker, this is why I moved the amendments, which led to the voluntary registration of customary land so we empower our people through this process. If we had prepared ourselves 30 years ago with our social mapping, identifying landowners from wherever they are and registering their land and giving them the registry for that land and once the resources are identified, we would already be prepared.

So over the next 15 years, we need to now move that proactive upfront preparation of the nation through the strategies and activities that are already very well predetermined. In terms of social mapping and ILG identification, we have learnt a lot. All of this will then come to the Floor of Parliament for us to amend the laws that are required for us to move into these so-called sensitive areas. I know that during Honourable Ben Micah's time when the World Bank pushed for land reform, we lost lives of university students when they went on strike and that is a lesson that we must never repeat it in this country because the landowner issues are so sensitive.

Mr Speaker, we now have a framework and I believe administrative, legal and technical skills are available for us to now proactively proceed. We are not a big country compared to Australia, South Africa or South America. We have a small landmass and with our strong traditions, we know we can now identify the landowners. Before all the elders die in the country, we

need to move proactively. So that is the second most important lesson that I learnt.

Mr Speaker, on that note, I want to acknowledge the goodness of the Boera, Papa, Lealea and the Porebada groups.

### **31/03**

I want to acknowledge their patience and their understanding because when we needed a plant site I had to explain to them that this was a very, very important project stretching from Hela right down here. But for you here, you have no land because your land is taken over by Port Moresby City, so this is your opportunity. So, they said, Dr Temu, what do you want? Let's divide this portion of land. We'll leave the biggest portion for you. And we'll arrange the Konebada Petroleum Park, under the leadership of Minister Duma. But then a wharf was built over the water so I had to declare it as national land, so I said, do not utter a sound. And up to now they have been very, very patient. I want to acknowledge their goodness of heart because in my experience, they could have stopped everything.

If I remember correctly, I think it was in late 2009 or early 2010, four people died as a result of a land conflict and so we had to move very quickly to overcome that. Over time, peace has prevailed and the people are now working together.

In these types of big projects, if we continue to work with our people and continue to seek their wisdom rather than make them bystanders and undermine them and properly compensate them, I think we can move big projects that are yet to come much faster than in the past.

Mr Speaker, my final comments are based on an argument or view that I constantly express on the Floor of Parliament; if we had strong institutions of State, we will be a very resilient nation when the global crises come, like the recent global financial crisis.

When the Asian crisis came about in the late 80s, many nations fell. And one lesson that was very profound was that they had weak institutions of State.

Ministers and Heads of statutory bodies and constitutional offices should ensure that we build strong institutions of State, including this Parliament, the Judiciary and the Executive Government because they ought to be strong pillars.

Mr Speaker, we were struggling in terms of the labour force. We were not prepared, so we had to allow the Department of Labour to make sure that they re-organised themselves, dedicated that office and increased their numbers so that work permits could be processed very quickly. And I take my hat off to Minister Maipakai who was the Minister at that time.

He organised that very quickly and so work permits for those expatriates who were here for short-term or long-term work were being processed at a much faster rate than before. So everybody had to work together.

Mr Speaker, I think we may not see the unifying factors of such a project at the institutional level and we need to build that unifying factor in terms of how departments should collaborate or communicate and how we should all work together as State institutions in order to move the programmes forward.

Mr Speaker, I will conclude by saying, I have been a passionate believer in the State owning the resources rather than individual landowner groups scattered around the country. I am a strong believer in that.

### **32/03**

These projects demonstrate the legal basis under which we operate. For example, in the extractive industry, it proves that State ownership is a very strong platform. It is an honourable one because then you allow the State to take charge rather than the big players running over the little landowner

groups, whether it be in the forestry sector, fisheries or some limestone owners in Chimbu or the iron ore in Abau.

Mr Speaker, I believe we need to provide leadership and make a case for our people to accept that we need the State to take charge of the resources that God has blessed us with. But the big issue is the ownership. We need to establish who owns this and who owns that. The big issue for the Executive Government is; how do we best share the benefits? We have a wonderful opportunity in this important project and I think it is a transformational project. I am pretty sure that there are some resources still to be discovered that God has blessed us with.

**Mr KERENGA KUA** (Sinasina-Yonggamugl – Minister for Justice and Attorney General) – Mr Speaker, I take this opportunity to register my application to the Minister for Petroleum and Energy for this informative paper. In fact, I would want to think that it be useful if he regularly gave this kind of briefing to this Parliament because the information that is contained in this type of briefing is useful for all other Ministries who will use it to plan their departmental activities.

So, there must be regular opportunity created for the Minister to be able to give this sort of brief to Parliament, therefore, I am very appreciative for this information, which I will file away and use it as reference material from time to time.

Mr Speaker, I would like to make an initial comment on the content of some of the information in this paper. Firstly, there is very impressive information in the first instance on the amounts of money which are paid out in order to bring this project into reality by next year, 2014. The amounts of money that are tabled in this paper are basically paid to provinces which are referred to as affected provinces. These amounts of monies, as we know, are paid for also by those non-affected provinces throughout the country through tax payers.

Mr Speaker, only five of the 20 provinces are affected by the project. This means that 15 are unaffected and are not recipients of the benefit package in this information paper.

Mr Speaker, it also means that 15 provinces are also paying for the cost of the perceived future benefit. What we have to do as decision makers and planners is to ensure that in due course, when this project comes into fruition, that there is a formula created to be able to compensate the other 15 unaffected provinces for the advance payment that they have made and the developmental opportunities that they have forfeited. I believe in that way, we will bring the whole country up together as we progress forward.

Mr Speaker, it is a serious issue and its incumbent on various Ministers responsible such as the Minister for Petroleum and Energy. In fact, it begins from the Prime Minister and the Deputy Prime Minister, Minister for Petroleum and Energy, Minister for Treasury, Minister for Planning and Monitoring and the Minister for Mining to be cognation of this issue and to make sure that these advance costs are reimbursed someway along the way.

In addition, together with the formula, there is a provision for equalisation of the benefits which will come out of this project. This is stipulated in the *Goal No: 4 of the National Goals and Directive Principles* makes a specific provision that our natural resources in this country must be harvested for the collective benefit of everybody in this country. Therefore, we cannot choose to ignore that because that is a very important direction by the framers of the *Constitution* because to do so, otherwise, would create risk to this country.

### **33/03**

In order to sustain our country and sovereignty of this country, the only way forward is to ensure that with great projects like this, it gives us the opportunity to make sure that we share equally, collectively and that everybody is moving forward together without leaving anybody in any

corner in this country behind. That is important because we need to hold this country together at all times and all costs.

Mr Speaker, underpinning all of that is the need to reform everything that we do in this country in order to maximise the benefits that are returned to the people of this country when it comes to the commercialisation of these natural resources.

Mr Speaker, the very first area that we need to reform is the very last point that was raised by Sir Puka Temu in his address in support for the Minister for Petroleum and Energy. And that is the idea of ownership. At the moment, ownership is invested in the State by an ordinary legislation and all the petroleum and mining projects take off from that platform of ownership from a statutory base. That ownership has been questioned by a lot of people who are backed up by a lot of lawyers out there who believe that this is unconstitutional.

Therefore, people continue to challenge and this continues to remain a live issue, and we can ill afford this as a live issue in this country. Projects must be given security and the State in its planning of the forward development of this country must also have confidence in the security in its ownership of our mineral and petroleum resources.

And therefore, the only way forward is to constitutionalise our ownership of the minerals and petroleum in this country. At the moment, there is no provision in the *Constitution*- not to make something new – that confirms the State's ownership of the resources. Thus, this reform should necessarily take place and quickly in order to put this divisive issue to rest.

Subsequently, the issue must not be on the question of ownership, but how we share the benefits that are derived, as stated by Sir Puka Temu. Debating on ownership is unnecessary because it is divisive as we can never reach an agreement and consensus on the point, therefore, we must bury that issue. The people must accept that the State as the only authority to which we all subscribe and belong should oversee the ownership of these resources.

Mr Speaker, therefore, I am pleased to say that there is already a constitutional amendment that has been approved by Cabinet and it will be coming into Parliament either in this sitting or in the November sitting. I am, therefore, hopeful that all Members on both sides of the Floor as well as front and backbenchers work together to bury this issue so that we can move forward on a platform of security and certainty.

Mr Speaker, there are other reforms that we also need to bring about into this industry. State participation currently in the Mining and Petroleum Sector is guaranteed by legislation. Therefore, we are guaranteed certain percentages of mining and petroleum interests when there is a discovery and a development license issued. However, the vehicles that the State has used in the past up to now to participate and take up its participatory interest in either mining and petroleum has been scattered over a number of vehicles. And that is bad governance, administration and strategy.

We need to unify and park all the State participation in mining in one vehicle and likewise with petroleum. So in the case where foreign investors want to come into the petroleum space in Papua New Guinea and invest, there should be no question as to who they need to see and talk to for the initial discussions.

When a discovery is made and a development license is issued, and the State wants to participate, it will know that its balance sheet is parked under one entity and its cash flow is parked under one entity. Therefore, we would not have to see two or three different organisations to try to unify their different balance sheets, or seek the cooperation of the various boards.

### **34/03**

It is a very difficult task. The creation of one vehicle for State participation in mining and petroleum will bring about commercial strength in these two entities to be able to enter into future developments.

Mr Speaker, I am also pleased to indicate on the Floor of Parliament that the Cabinet has already moved forward in that direction. The constitutional amendments to facilitate for these vehicles to be created have been approved and they will be coming together either in this sitting or the next sitting of Parliament. We would then have to approve the creation of two dedicated vehicles only for certainty and security of State participation in future projects when we take up the prescribed statutory equities that are allocated to us for participation in these kinds of projects into the future. And importantly, we would have to ensure that those vehicles are free of political control and influence and must participate independently in order to be fruitful.

Mr Speaker, it has been demonstrated already through the way the Superannuation Industry has been reformed that the less political control, involvement and interference there is, the more successful a commercial organisation will be. Look at it the other way; in 38 years with State-Owned Enterprises-with due respect to the Minister for State Enterprise who is trying his best to salvage them at the moment - history has demonstrated and none of us can deny that they have not paid a healthy dividend to the shareholder being the people of Papua New Guinea through their trustee, the State. We have not received the benefits of our investment through the State-Owned enterprises simply because the formula for the operation of those companies is wrong. As soon as you change the formula and take the politicians out of the equation, it works. You find resounding success. In the case of Nambawan Supa, it had a balance sheet of K600 million as a base only in 2002 after 36 years from 1972, but after twelve years of the reform, minus the politicians, the balance sheet shot up to K3.5 billion. That happened in 12 years without the assistance here from those of us on the Floor of Parliament. Whatever we do is not the right level of contribution needed by business enterprises so we need to cut them loose. There are a lot of very capable educated experienced Papua New Guineans out there. We

have produced enough of them by now so they could be entrusted to run these businesses as they have with the superannuation industries, and it will succeed. The evidence is there, we should not deny it. We should give this new mining and petroleum vehicles complete independence, and that is what I would be recommending in due course.

Mr Speaker, the reform of State participation, the second reform that I am talking about should not be the end of the road. There must be further reform to the question of State ownership and commercialisation of the resources in this country. At the moment, the structure is such that we begin on a platform where the State owns 100 percent of all natural resources in this country on behalf of the people. An exploration licence for mining or petroleum is issued, and at that point, the State still owns 100 percent ownership of the resource. Then a discovery is made and as there are sufficient commercial quantities, the State grants the development licence to the explorer. At that very moment, the State's ownership is forfeited in its entirety. One hundred percent ownership shifts from the State to the hands of the developer without any consideration

One of the foundation principles of modern capitalism is that when a whole or part interest in a property shifts from one party to another, consideration or payment shifts the opposite direction. This is an anomaly, Mr Speaker, that has been staring at our faces for so long and we have failed to see it.

### **35/03**

One hundred per cent ownership shifts - lock, stock, and barrel - from us to the developer, and we get nothing out of it. But when we want to buy our participatory interest of 30 per cent in mining or 22.5 per cent in petroleum, we pay like any third party coming into the equation for the first time. We are paying for what we already own. How silly can we be?

Mr Speaker, it will be my recommendation to the Floor of this Parliament and the Cabinet that once we have stabilized and brought into fruition the reform on the State participation, the next phase of our reform must be focused on changing this inequity.

We must introduce a different formula perhaps we should introduce the production sharing arrangement. This is where; in the case of petroleum, you take your share at the well head. In the case of minerals, you take your share as soon as the whole is refined into pure minerals; you work out the weight and split it according to the pre-prescribed formula at that point in time. You either market it separately or you enter into a joint marketing strategy, and the developer can market it for both.

However, we must not pay for re-entering, or taking back what has always been ours.

Look at the gas project. We have to go cap in hand to go out into the international market and borrow US\$1.6 million to buy back what has always been ours. But nobody wanted to give you any money so you then have to use your Oil Search shares and borrow again. You have to go and use another asset again after giving up your ownership to pledge to borrow.

I do not know how long we are going to allow this scenario to continue. The level of education and experience on the Floor of this Parliament has improved and changed vastly. Now is the time to use all these accumulated knowledge, skills and experiences available right across the Floor to change that robbery. Otherwise we are condoning, conniving, aiding and abetting the theft of our people's resources.

Mr Speaker, before this term is up, we must fully reform the entire landscape of commercialization of the natural resources in this country for the collective benefit of all our people.

Mr Speaker, another issue is the domestic market obligation. Every time we go to the negotiating table, again, we forfeit all our rights to reserve some for domestic use. Then we have to buy back at international prices. We

have to buy back at the Singapore price when it is manufactured here in Napanapa. We will have to make adequate provision for domestic market obligation and train three or four, or whoever that comes up the path must take serious cognizance of the issue and the need to make adequate provision for domestic market obligation.

When you talk about industrialization and development, you do it on the back of three ingredients; cheap labour, cheap resources and cheap energy. When you combine the three together you create a powerful platform for an industrial takeoff, bringing forth development. But if you did not create that opportunity for domestic market obligation while you were negotiating, and once these opportunities were locked in, like the InterOil issue that we are talking about, our people may have bled to death for the last 20 years.

### **36/03**

Now we have five more years of suffering because we have locked ourselves in.

We now need to move on to the domestic market. When new opportunities come forward, we must assess what the domestic needs of this country are and must provide for it before we sell off the rest.

More importantly, we must ensure that whatever we sell domestically is cheaper than what is sold or purchased from the international market.

Mr Speaker, we now have the third ingredient; cheap energy source.

With cheap energy, you can create cheap electricity and with that, you can have all kinds of industries. The cost of production will drop and there is plenty of cheap labour around.

We have all the three ingredients in our pockets that are naturally given and smartly negotiated. If we combine them and create this platform for development to take off, our children will benefit, we will create a

beautiful country and all the problems we are talking about here will be taken care of substantially.

Mr Speaker, there is a need to make provision in our domestic market obligations when we are negotiating sales and purchase agreements to provide subsidized cheap oil and gas to the industries within the country. That is the next area.

Mr Speaker, the other point that I would like to mention –

**Mr SPEAKER** – Honourable Minister, you have less than a minute to conclude your debate.

**Mr KERENGA KUA** – Mr Speaker, what concerns me is the issue of autonomy. These provinces want more delegated powers and in the process we delegate them legislative powers, tax collecting powers and many other powers of government.

But there is a danger. We have delegated them the ownership and management of minerals and petroleum.

Take a moment to think about it. What underpins development is the primary source of cash flow to the National Government.

If we keep on giving away all these powers, what will be left for the Government. You will only create provinces with a lot of financial powers and end up eroding the State of its powers. Ownership and commercialization of natural resources in my view is synonymous with national sovereignty. It must be never be delegated out to the provinces. That is an issue that must be revisited, and I know that there will be people who will disagree on the Floor of Parliament but I firmly believe that this is a dangerous track to follow. We must not release the Government's control and powers to manage resources over to the provinces.

If we have done that once, let that be the last and don't do that anymore.

**Mr JOHN PUNDARI** (Kompiam-Ambum - Minister for Environment and Conservation) – Mr Speaker, the Attorney General has spoken and he has done so very well.

Mr Speaker, I want to commend the Minister on providing significant leadership to the industry. It is not an easy project to deliver, yet he has delivered. I know that there are others who have supported or worked around him to ensure the success of this project and I must commend the Minister on the challenge he has given ExxonMobil when they were sitting on the project.

Mr Speaker, I know the Minister said that you either develop the project or leave it and go. As a result of which it has all happened.

I take my hat off to the honourable Minister for bringing this informative paper on the Floor of Parliament, which we are debating today

Mr Speaker, it has been well said by Sir Puka Temu that Papua New Guinea is proud to host some of the world class resource investors in the country.

**37/03**

Mr Speaker, I am going to be very simple in what I will say. It is all about learning from our past mistakes and doing the right thing going forward. There is also a lot to learn from the current project we are talking about. It is not a crystal clear and perfect project.

Mr Speaker, there is a lot more we can learn given the fact that we've got a lot more resources to develop going into the future and there are other resources that have not yet being discovered, which we anticipate. We've got to do the right thing going forward and we do not want to repeat the same mistakes we may have made with this project and other resource projects that are in the country already.

Mr Speaker, having said that, there are countries in Africa who have enjoyed the richest of investments in their resource sector, but do you see what is happening today? They have had civil wars and a history of violence. It is a waste of all the resources that they thought they had and see what is happening to them. This is a global community that has become so small and you don't have to go too far.

Mr Speaker, we could have done the right thing with this project by getting more for ourselves insofar as our shares or whatever for that matter is concerned.

Mr Speaker, we've got to be very careful as leaders. We are the leaders here on the Floor of Parliament today and tomorrow, some of our children will come and will be leaders. We do not want to set a bad example by making bad decisions that rob off our resources and at the end of it all, we fail ourselves.

Mr Speaker, we have to be very sincere, and we've got to be honest. We just cannot call ourselves a Christian country and do not live up to the principles of Christianity. It is plain simple.

Mr Speaker, going forward and going into the future, I want to say it with the simplest of languages on the Floor of this Parliament and be on record and reiterate, 'we've got to be careful and be sincere with our resources going into the future'. Just talking about it and learning from our past mistakes is not good enough but aggressively doing the right thing, as the Minister for Justice has stated, is the way forward. There is no other way.

Mr Speaker, as an example of some of the mistakes we may have made, may I refer and reflect on the statement delivered by the Minister on the Floor of this Parliament.

Mr Speaker, I see a lot of these funds expended for projects under MOAs for infrastructural development funds. The amounts are significant; they are not small money we are talking about. And the money paid out for such programs and projects under these agreements are Papua New Guinea

taxpayers' funds; business houses or individuals for that matter. With the comfort of the revenue stream from the LNG Project, there is nothing wrong with it but we've got to ensure that we are doing the right thing insofar as details are concerned.

Mr Speaker, when you talk about Infrastructural Development Grants, you talk about building infrastructure. These are not just grants. Landowners or whoever for that matter receives such funds to build an infrastructure whether it is a school, road or water supply. Yes, we know that there are landowners in the Chamber here who might have benefited from these funds or there could be other Papua New Guineans outside of these particular provinces who might have benefited from these funds. But the question is whether we have those infrastructures on the ground.

**38/03**

Mr Speaker, most probably that is a mistake we have made going forward. And I see that from this statement the honourable Minister has delivered there's going to be a further K120 million each year for the next 10 years and it started in 2010. Now, for the last three years K120 million has been disbursed to different, so-called landowner companies. But whatever the money they have received to build that infrastructure, the question is, is that infrastructure on the ground? Is it a mistake we have made? If we are going to give further Infrastructure Development Grants, if it is going to be another K120 million this year or next year, the people of Southern Highlands, Gulf, Western and Hela must see that infrastructure and must have the benefit of that. And they must be proud of the fact that here is an LNG project which has got footprints in their province and they enjoy the benefits of such projects.

Mr Speaker, this could be an example of one mistake we need to learn from, MOA grants huge amounts of money has been paid out. MOA

grants for what, is it also for projects? The same thing can be said over and over again.

Mr Speaker, there has been funds expended to help support small business around these project areas in so-called 'Business Development Grants'. How many of our people are actually participating in spin-off business activities around this project? How many of them have received funds and have no business activities around this project is a question that we need to answer and we need to ensure that our people do participate. It comes to Content Plans as we always say.

Maybe as we go into the future in other resource developments, if we want our people to participate and if we are going to give them Business Development Grants, I think we have got to have some planning ahead to make sure that our landowners and other Papua New Guineans do actively participate in some of these business spin-off activities round such projects.

Mr Speaker, most probably these are some of the lessons and mistakes that we need to learn from as we go into the future. It might not be just this gas project. All these other mining resources investments that are already occurring in this country, we could have made the same mistakes, but the challenge is, when we talk about doing the right thing, let's be serious about it, let's be sincere about it, let's be honest with our people and let's do the right thing.

Now, there could be Southern Highlanders out there, people of Hela or Gulf out there and there could be Westerners out there, but I think it is in their interest and I think we would only be doing them justice if we publicise and ensure that they know which people got money to build what infrastructure. I think that is the only way our landowners out there will be able to satisfy themselves.

No wonder, Mr Speaker, going into the future, these same people will be coming back in and knocking on government doors for more money. So

much money out of taxpayers' money has been given out already and there is probably more to go.

But, we've got to be seen to be doing the right thing by our people and our people who are receiving those funds are also delivering, benefiting and are enjoying the benefits of it.

Mr Speaker, I now turn to another point I'd like to raise on the part of my Department. When we have resource investments in the country, there are footprints by investors in the resource sector, some of which are enormous and sometimes permanent.

And, Mr Speaker, as a result, there is an adverse effect on the biodiversity. It has a strong environmental impact and it does affect the livelihoods of our people, insofar as the livelihood is concerned, the footprint is quite significant. When you look at the pipeline alone, you look at the clearing of the forest. If you look at the impact of piping under the sea, it also has some effect.

Whether you like it or not, as people of this country, whilst we rush for the revenue stream and all the benefits of it and all the thoughts about the money we will use for education, health, infrastructure, etcetera, we must also know that we are making that sacrifice; that sacrifice of the loss of our fauna and our flora.

### **39/03**

As I said earlier on this Floor of Parliament, before any of these resource investments happened in our country, our people have always being an integral part of their environment. I believe no one will disagree with me over that.

Mr Speaker, the environment has always being our livelihood because that is where we get our food, water, vegetables, salt and meat for our survival, and life goes on. If you destroyed the environment, you would be destroying your life while we rush out for revenue stream. We have to learn

what climate change is doing to the world today. There are recent debates and politics on climate change in Australia regarding Carbon Tax; some wanted to do away with it and others wanted to keep it.

We can see the outcome of the choice of the people and we are not immune to the things we create around ourselves. Whatever we do will affect us, our children and our future, so we must also be very careful because PNG is a very unique country. Like I said before, PNG is only 1 per cent compared to the global land mass, and of that, 9 per cent makes up the biodiversity that makes PNG so unique. You believe me or not, some of the species of plants and animals found in PNG cannot be found anywhere else in the world. Unfortunately, as a result of resource investment, some of these plants, animals and micro-organisms are disturbed.

I am not saying no to resource investment, but I mean to express that we've got to be more responsible and friendly to our environment when it comes to extracting our resources. We've got to respect our environment and that is the very reason why the Department of Environment and Conservation was created. This government agency governs the environment and our biodiversity.

Mr Speaker, I am a proud Minister of this biodiversity but I must give credit to ExxonMobil as a leader in the corporate resource development. They have done the right thing by identifying three areas and off-setting programs in their area of activities in the Southern Highlands and the Hela Provinces to compensate for the loss of the natural habitat or ecosystem as a result of their resource development activities.

Mr Speaker, I must also acknowledge the Oregon Oil Ltd, the first resource developers to come in. When I became the Minister, I purposely wanted to do the right thing. As we were progressing and whilst we were still developing a Natural Protected Area Policy that capsulates a biodiversity off-set program, I wanted to make an environmental permit for resource developers in the country.

I wanted to ensure that this environmental permit will carry a condition that ensures that the resource developers in the country commit themselves to a biodiversity off-set program or plan. I am also pleased that Oregon Oil Ltd has been the first to agree on that and I salute them. In the oil and gas sector, particularly in the gas sector, the footprint might be small but for a company like that to come forward to respect our biodiversity and be able to accept our environmental policies and develop biodiversity off set program, it is a blessing for this country.

Mr Speaker, these things might sound trivial but I must say that this is what our forefathers or ancestors depended on. Therefore, disturbing and destroying our environment means destroying your livelihood. We've got to do it in a friendly, sustainable and a respectable way.

I believe our *Fourth National Goal* of our *Constitution* states very clearly that, we must at all times use our environment or our natural resources for the collective good of everyone. The *Fourth Goal* further states that we replenish it and protect it for our future generations. It is very clear and it is in the *Constitution*, and we've got to do it right to progress into the future.

**40/03**

**Mr PHILIP UNDIALU** (Koroba-Lake Kopiago) – Thank you, Mr Speaker, I also contribute to this debate. First of all, I would like to commend Minister Duma for outlining all the issues and all the pros and cons of the multi-million kina LNG project. During the project's beginning in the years 2008 to 2009, I was an ordinary Member in the Opposition. Minister Duma, Sir Puka Temu, James Marape, Don Polye, and Arthur Somare, who is no longer here, were all Cabinet Ministers who were negotiating at the forefront alongside the Members from the Southern Highlands and Hela. And I would like to, therefore, commend you all for your contributions in negotiate for the country.

Nevertheless, the failures that we have encountered over the years, we will take as a lesson and move forward. Maybe then for the next LNG project, we may mobilize and strike a better deal.

Mr Speaker, before I go ahead with my comments, I would like to acknowledge the contribution from Grand Chief Sir Michael Somare at that time. It was his dream to make the LNG project a reality with the combined effort of the Ministers. If I were to name them it would take a lot of time, but I would like to commend one particular gentleman who stood out for the country, and he is none other than Dr Allan Marat. He stood out and said, ‘no this is the way that we will strike the deal’, and some of the things that Dr Marat said have become reality already. I then realised these things and I would like to make some points in that regard and also commend the very important statement that the Minister has made.

Mr Speaker, we are crying over some of the some of the mistakes that we have made. He has rightly been a Minister of the State for he stood up for the country and said things that were the truth. Now we are realising that some of his statements were true.

I also agree with the very questions that the Minister for Justice and Attorney-General have raised. Why should the State take ownership and why was there a need to go to the Arab countries to hold negotiations? Why did our Ministers go to other countries to borrow K9 billion to K10 billion for the very resource that is owned by us. Nevertheless, that question still remains with me to this day.

The problem that I see here is that when the PNGLNG Project when it came was that the State only depended on the ACIL/Tasman Report. The National Economic Fiscal Commission had never put in an effort. Maybe they tried to do their best but it was us who then suppressed their efforts to come about. We never had a good State team, environment team, lawyers and petroleum engineers at that time. Therefore, the ACIL/Tasman is a consultant company engaged by the project developers to do a feasibility

study and all that time, the State had to only depend on that report. And again, I see that the ANCIL/Tasman Report has been elaborated on once again for the next projects to come.

For a national significant project like this, the State must have a team comprising of engineers, lawyers and et cetera to put up the best deal for this country. Let us all not depend all the time on foreign consultants and engineers.

Secondly, I am ashamed as a landowner myself and a Member of the province to see all the money that is going out of LNG in forms of IDG and high impact projects. I, therefore, commend the Governor Anderson Agiru and my colleague members that for the first time, they have decided to undertake some impact projects when we came in for the first time.

Nevertheless, over the years, MOUs have become free money for landowners on the street or paper landowners, or whatever they call it. I would like to see us put a stop to that. For instance, K20 million was allocated for the Koroba Township and hospital, but I have yet to see that money. I would like to see that happening.

#### **41/03**

Mr Speaker, let us not deviate from the UBSA. Let us not deviate from what we committed to the people when we have enticed them to sign the LNG agreement, UBSA and LBSA and we must deliver the so-called ministerial commitments. Let's put a stop if we are using the funds in Port Moresby as discretionary grants. Before 2014, I would like to see my people getting electricity, water supply and housing. It must happen and I want to see this happening in Porgera, Ok Tedi and other project areas as well. For so long, there has been many so-called Ministerial Commitments and the people are already frustrated and very soon some of us will get slashed by axes.

I would like to also correct the statements made by the Minister for Mining and Petroleum and the Minister for Justice and Attorney General. We

have not made a toea from the project but yet the tax payers' money has been contributed. You talk about the Kutubu project, which has been contributing for many years. How much has the State paid back to the Kutubu landowners? How many kilometres of road have you sealed? Each day, they contribute K12 million to K15 million every hour when gas is produced in Kutubu, Moro, Gobe and Hides, which powers the Porgera mine, and yet you are complaining here. So much destruction has been done and so much has been contributed. Hundreds and billions of kina has been put into the economy of this country and jobs have been created, and that's from Kutubu and Hides.

Hides has been in existence for the last twenty years since 1989, likewise Kutubu, therefore, let's not deviate from the contributions that they have made so far. Let's not make landowners feel embarrassed and defeated. The credit must go to every individual and every landowner. If anything goes wrong, Ministers and public servants are to be blamed. You are making wrong decisions by shifting the landowners. You bring millions of kina down the table but nothing has been realised on the ground. Let's take the blame on our shoulder and we move on.

Before the LNG Project, I had four petitions presented to my office. I'm going to give one of the petitions to the Minister for Petroleum and Energy and the other to the Minister for Environment and Conservation. The people are saying the Environment Department has a task to fulfil because you signed a thick document for an Environment Impact Assessment to be done. I agree with you for sacrificing for the development aspect but we have a responsibility to play and your Department's responsibility is to ensure that our resources are protected, the livelihoods are not affected and water safety is ensured. But we have to work collectively. As Member for Koroba-Lake Kapiago hosting part of Hides, Angore and Juha, I am prepared to assist the project that we have decided upon whether good or bad. I once was a landowner.

In Kokopo, the State wanted to stay there for three weeks. I kept them for more than five weeks because I wanted power. I wanted electricity for my people and houses and bridges to be built and to date, I am yet to see that. I leave that challenge to the honourable Members. My people are still waiting and you must be joking when you said the LNG will be sold by 2014 because my people are still in darkness, no single kilometre of road has been sealed and no single house has been built. This must be a joke.

#### **42/03**

With the current changes in the Provincial Government, for the first time K20 million has been allocated for an agro-industrial centre in Koroba. I am proud to tell this Parliament and the people of Hela that by January or February next year, the LNG project will no longer import agriculture products from Australia and New Zealand. We will supply from my own community. That is the result of the Government taking a bold decision to do the right thing and I would like to challenge the Prime Minister, Ministers and everybody down the line to really get things moving rather than coming here and pressure the Prime Minister all the time. So go back to your departments and take on your responsibilities and do the right thing for our country.

The LNG Project will underpin a big change in the country, big challenges and also will cause environment destruction to the communities, so let us give them what is due to them. So as a landowner myself and a Member representing my people, I would like to invite all the Ministers who have signed MOAs and MOUs in Kokopo for the LNG Project and other similar projects to my province before the LNG Project goes on line so each Minister affected will tell us what their responsibilities are and how far they have implemented them. The Minister for Petroleum will tell me what is the cost for the landowners for the next 10 or 20 years because when the LNG

project starts production, the whole country will benefit and not only the affected people.

The pipeline will be controlled by a computer and the PNG Government will just sit and collect tax while my people will be neglected.

There are many others project still to come so let us not repeat our mistakes. We must maintain whatever good things we have achieved but correct our failures. I am not here to lament on our failures, but as a country and as leaders, we must move on and face our challenges head on. I must admit here that the landowners have been a problem but you must give what belongs to us. Seal our roads and provide us with electricity.

**Mr SPEAKER** – Honourable Member, please address the Chair.

**Mr PHILIP UNDIALU** – Thank you, Mr Speaker. Before I go conclude, let me say I am a proud Hela man and Member representing the host project and whatever good or bad comments you want to make must be directed to me as a landowner, but I see that there is a future. However, I also see that injustice has been done to my people and that must remain as a challenge and lesson learnt by our country.

**Mr RICHARD MARU** (Yangoru-Saussia – Minister for Commerce and Trade) – Thank you, Mr Speaker. A lot of what I wanted to say has been already mentioned by my learned colleagues. I will only say this to the Parliament. When we sat down and looked at the numbers, we found that there will be no contribution from this project to the 2014 Budget in terms of income. We expect K1.5 billion income from this project which is only a tenth of the revenue of the country. We are saying that it is a game changing and transformational project and it will change the future, but the figures do not reflect that. Only K1.5 billion will come from this project. How will it

change the country when our current Budget is at K13.5 billion. We are forced to go and borrow even when we start to receive dividends.

### **43/03**

Our population is growing, yet we have made policies like free education and salaries for councilors and village court officials adding to the country's increasing expenditure.

Mr Speaker, we should stop and take stock of what is happening rather than signing more multi-million kina projects.

I am wondering what ExxonMobil will make in profits in 2015? I am very interested what they will get compared to the petty K1.5 million we will get. How much are they saving compared to the profits they are walking away with? Remember they put the Government of the Grand Chief under a lot of pressure and all you Ministers know this. You then had to sign on their terms.

Mr Speaker, however, I do appreciate the fact that some kind of deal was done because we really needed the project, and if that never came about, we would be in dire straits. I appreciate that and don't get me wrong. All I am saying is that we can't keep giving away fiscal incentives like we did with this project. We must put a stop to it. There should not be anymore PNG LNG Gulf projects. Let's look at the lessons learnt and how we can package it better.

Mr Speaker, I am telling you if it was in the East Sepik or Yangoru-Sausia, there would be no project. We are giving away too much! We are borrowing from the future generations of this country and we are not responsible.

The public perception is that there are kickbacks in this project and I want to say sorry, I am not one of that benefiting in these kickbacks.

**Sir Puka Temu** – Point of Order! Mr Speaker, can the Minister withdraw his comments that there are kickbacks. That is totally wrong and that he has no evidence whatsoever to prove that.

Mr Speaker, secondly, the Minister is wrong in saying that we did not know what we signed.

Can the Minister withdraw those comments?

**Mr SPEAKER** – Honourable Minister for Public Service, your Point of Order is in order.

Honourable Minister for Trade, please withdraw those comments.

**Mr RICHARD MARU** – Mr Speaker, I withdraw my comments. All I said was that we should not rush into any more projects.

One classic case is the ships or tankers that will export the gas. I wished we had leased the tankers and the State would own that, but we just gave it away. Millions of shipping companies in the world are willing to lease their tankers to the State so that the State actually carries the LNG cargo.

Yes, at first we have to go through a learning period and we all accept that but let's not rush into the next mistake again.

Mr Speaker, when I learnt that this project will only generate K1.5 million it's disappointing because we made commitments where expenditure is growing and growing.

We have to look at a far better package for our people and our country going forward.

We have had the benefit of insight and we learnt our lessons and we are in a far better position because of this project, and I commend everyone involved in this project.

**Mr BIRE KIMISOPA** (Goroka) – Mr Speaker, I also join my Parliamentary colleagues in congratulating Minister Duma, and if I may, I also take this opportunity to congratulate Mr Arthur Somare who we all know has been in the forefront of this project. Also a word of appreciation to the Grand Chief Sir Michael Somare and all those Ministers who worked under his stewardship in bringing this project to fruition.

**44/03**

There is no doubt that the PNG LNG project is a game changer. In terms of the spin-off benefits, it has already permeated the skyline of Port Moresby; there is no question about it.

As soon as the Government made the announcement and the project developers came into this country, we saw what the spin-off benefits were. According to ExxonMobil, the figures can be verified at some stage. They are claiming roughly about K9 billion has been invested into the local economy.

What is also interesting about this project and is perhaps is a lesson that we can learn in the years to come is how we package a project of this size of this significant. As you would recall, I think at some stage, the Prime Minister, Mr Peter O’Neill, did convey the Government’s sincere appreciation to the Australian Prime Minister, Mr Kevin Rudd, who at that time made a significant announcement in kick-starting this project in 2009.

I think the Australian Government gave roughly about K500 million. That was their take on this project allowing companies like ExxonMobil to piggy-back, and this deal was done at the height of the global financial crisis.

Mr Speaker, I think we need to congratulate ourselves for doing a remarkable job under very difficult conditions around the world.

I would like to raise a few comments and perhaps play the devil’s advocate in the next 10 or 15 minutes and bring some sense of reality on what we have done.

Mr Speaker, there is also a move around the world amongst the number of countries who are advocating that Papua New Guinea must sign up to the Extractive Industry Transparency Initiative. That will bring some truth in terms of the monies project developers are paying to our Government and subsequently onto our people. And I take note that the Treasurer has made a significant announcement on that regard, so that next time we see a list of monies paid out to landowners or provincial governments, we will know that that is the actual money paid by the developers or the companies involved.

Mr Speaker, I think that is the something that we need to do quickly because it is important. I also noted what the Attorney-General had said, and I subscribe to the fact that at some stage in the future, Papua New Guineans must be able to harvest the resources that the God has given us. Let's put a stop and it is time we stop giving it away. Thus, I believe the legislation in that regard would be the right thing to do.

Mr Speaker, as a Member of Parliament, I have not seen the actual agreement and it would be important for this Parliament that either the Treasurer or the Minister for Petroleum and Energy screen the exact agreement of the PNG LNG Agreement on the Floor of Parliament. We need to know the fiscal incentives that are given in the agreement.

Mr Speaker, Mr Somare came out in the media announcing that there won't be a bullet payment in terms of the agreement signed up between the State and Abu Dhabi, UAE, and in terms of the capital raising of roughly about \$AUS 1.6 billion, which is part of our equity in this project.

Mr Speaker, now, if that were to take place, I suspect that PNG will lose its share holdings in Oil Search and mostly probably about 17 per cent or they say its roughly around 196 million shares that the State has.

Mr Speaker, another point is, whether the State will be in a position to renegotiate the terms under which we put ourselves in. This will require us to borrow additional money to fund our part of the agreement so that we maintain our stockholding in Oil Search.

It is important that we eat from two plates; we are shareholders in Oil Search and we have a stake in PNG LNG. And under this agreement, there is a possibility that if we do not take up our financing, we may run the risk of losing roughly about 17 per cent of shareholding in Oil Search.

**45/03**

Mr Speaker, can I say this about Oil Search? Without the PNG LNG project their shares would not have risen. This is a fact. And Oil Search has been driving this project single-handedly.

I am not impressed with some of their tactics, as a Member of Parliament since 2002 I have reservations when in this country we allow heads of big corporations to come in and brief Ministers.

And Oil Search has been the driver of this project, they have been at the forefront and to their credit their shares have been going up. It is roughly about \$AUD 8.00, nearly K20 or K19 per share. They are doing exceptionally well. Their shareholders have come out on top. They will get huge dividends and we have been, should I say, conveniently used.

Mr Speaker, there are a lot of lessons we can learn from this project and I appreciate what the Minister for Environment and Conservation said. Let us have a look at where we've come from, learn from the lessons from the past and try and chart a new course.

There will come a time in this country when this country will be turned into a quarry. We might extract everything and there might be nothing left. That is a question we have to answer in this Parliament.

And some of the deals that we struck together must be done transparently. We must consider our people and we have to do it right.

Mr Speaker, I am reminded by a famous saying by one of the most famous billionaire in the world. He said, 'When the tide goes out we will know exactly who is swimming naked'.

So, time will tell whether we've done the right thing or not because, we've given far too many incentives. For all the wrong reasons or for all the right reasons, we've seen development come up in this country and inflation has gone up. There are so many problems we are having in this country associated with projects of this size and the Minister for Environment and Conservation was saying that about the social impact of some of these major projects.

But, Mr Speaker, I conclude by saying that the Southern Highlanders or Hela Province has made a contribution now. For the next 30 or 40 years, we are still going to have a conversation in this Parliament saying that I am the landowner of the resource and I am entitled to this.

And poor me from Goroka, Eastern Highlands, I have nothing. I am just sitting here thinking, where did I come from? They have taken all the resources.

And with the way politics is played out in this country; wherever the resource is, that's where everything will move towards.

I just hope what the Attorney-General has said will give us a reason to step back and realize that we've got a great country and it belongs to all of us. Yes, I may be from Goroka but the resource in Hela, in Honourable Undialu's place is also mine. I would like to think that.

As much as his landowners can benefit from this massive project, I would like to think that my people from Goroka can sit on the same table with him and not wait for the crumbs to fall off from his table. No, I'd rather sit on the same table with him and say, 'this is also mine'.

**Ms LOUJAYA TONI** (Lae – Community Development) – Thank you, Mr Speaker, honourable ladies and gentlemen of this esteemed Parliament. It would be an insult to our collective intelligence if we do not, at this point in time, push for a review and a re-packaging of our entire mining and petroleum involvement, especially where over the years you realize that

all the developers have come in with their own Content Plans, which we just submit to.

And now more than ever before we need to bring to the review table a clause or legislative clause or insertion whereby we determine the National Content Plan with regard to how and who we want to participate with, and especially from my Department's point of view, the socio-economic considerations.

#### **46/03**

I see that the Departments for Community Development, Trade and Commerce, Environment and Conservation, Health and National Planning need to come together in an inter-departmental approach to put together the template for the National Content Plan.

We have had incidences and instances where entire communities of people have been forced to relocate to lesser arable areas and the mining site has been right smack on an arable area, the development goes ahead and we are left with environmental refugees. These are situations and circumstances that have not been brought to the limelight to be addressed by these marginalised communities. We will continue to have marginalised communities in all these developmental areas unless, with our collective intelligence, we determine this National Content Plan. The plan will take consideration of our people at ground zero, take into consideration their participation from the perspective of trade and commerce; from the perspective of sustainability where environment and conservation is concerned and from a health perspective. Until and when we are able to accommodate these considerations into a National Content Plan and sell these on an equal footing with regards to our resource in this country, we will continue to be at the losing end.

I challenge this esteemed Parliament House and all those of us who are in the Ministries responsible to see your Ministries niche in the overall

picture of mining and petroleum in this country. Let's work together for our collective benefit and presentation of our Department, our government and our People.

**Mr BEN MICAH** (Kavieng- Minister for Public Enterprises and State Investment) – Mr Speaker, I would like to add to the statements made by my colleague Ministers in regard to the report presented by the Minister for Petroleum and Energy.

Firstly, I would like to congratulate the Minister for presenting a report that has stirred this debate. It's about time that these issues were discussed. I was not in Parliament when this project started and I had so many questions and ideas which I kept to myself because I was not a Member of Parliament. I am now a Parliamentarian and a member of the Cabinet, but most of my colleague Ministers have been a part of this project in terms of decision making.

I will limit my debate to the impacts of that project on my Ministry. I would also like to commend the previous Government led by Sir Michael Somare and all the Ministers that were involved, including several Petroleum ministers, Public Enterprise Ministers and Attorney Generals who have been involved. We all know that a lot of the issues were in the public domain about differences within the Cabinet and within the bureaucracy about certain issues, which are not something to be talked about because the project is already started. We must be happy that at least that Government enabled this gas that was discovered during the time of Jack Hides in the colonial times, and this gas is used to power the Porgera Mining operation. I never thought that in my life I would see gas coming out from the ground in that area and being transported by pipeline, processed outside of Port Moresby and shipped by LNG ships to the markets of Japan, Taiwan and China. I never thought I would come to see such development happening.

47/03

Although we may not be satisfied with some of the conditions of the project, we must acknowledge the former Government, Prime Minister and former Ministers of Cabinet who have enabled this project to come into fruition.

Many of the issues I wanted to discuss have already been raised, so I do not wish to add on. However, most of the issues raised by the Ministers for Justice and Attorney-General, Honourable Kerenga Kua, Minister for Trade, Commerce and Industry, Honourable Richard Maru and the Member for Goroka, Honourable Bire Kimisopa, I am glad to say, are included in my policy document, which I will be presenting to Cabinet very soon. After Cabinet approval, I will bring it back to Parliament for us to debate on. I am going to confront Parliament with issues that we must decisively deal with in this time of this Parliament. I, therefore, believe that we will address all these issues.

We have a Prime Minister who may have been born after Independence or was only a boy during Independence like many of us -

*(Laughter-in- the- Chamber)*

**Mr BEN MICAH** – Okay, let us say that he was a young man during Independence.

Mr Speaker, for the rest of us, I can safely say that some of us were not even born around that time.

Mr Speaker, nevertheless, we have a Prime Minister that many of us can understand his mindset and mentality. I am here supporting him because I believe his thinking and leadership will address these issues that we are talking about. At the same time, I am confident in this Parliament, and that includes the Opposition Leader and his Deputy and the former Attorney-General who walked out, the Member for Rabaul, that these combined

wealth of knowledge, experience and exposure that we now have in this Parliament will decisively address these issues.

The Minister for Trade and Industry has a saying that the Ministers of the Economy Committee and Cabinet also feel the pain and burden as well. But as for NEC, I am very confident that we have a team of Ministers that understand the issues. We have lawyers, accountants and engineers in the NEC and Cabinet as well.

Nevertheless, the time has come where I am going to say that we are lacking only one thing and I am going to say it, Mr Speaker, and that is the lack of courage. I just want to give you all just an entrée. You know when you are in a restaurant, they will give an entrée comprising of a little soup dish. Therefore, I will read only a little bit from 1973 when our founding fathers framed our *Constitution*. That was 41 years ago and, therefore, I want you all to listen very carefully.

This is what the CPC Members said and they wrote it down in the Constitutional Planning Committee report; ‘The economies of the developing countries of the world are in most cases strongly affected by foreign interests. Papua New Guinea is no exception. A study made last year by the Australian Government’s joint intelligence organisation is reported to have found that in almost two-thirds of the developed sections of Papua New Guinea’s economy is controlled by Australian companies and individuals. And with a rapidly increasing extent of Japanese involvement in large scale economic activity here, it is clear that we Papua New Guineans at present control a very small part of our economy and will remain in this subservient position unless firm action is taken to change the existing situation in a meaningful way.’

So these same leaders when passing the *Constitution* in 1975 for the No.3 Goal of the Directive Principles, this was what they said and approved in the House of Assembly. ‘Citizens and governmental bodies to have control of the bulk of the economic enterprise and production.’ This is what they said in 1975.

Also I would like to commend Sir Puka Temu and the Government for coming up with the *Vision 2015*. I would like to read to you all what in this *Vision 2015*, it says; ‘Opportunities must be created for citizens to start up

businesses and to expand existing businesses. This can be possible through tax relief technical and financial support, the establishment of an entrepreneurial incubator scheme and other incentives.’

**48/03**

The Vision also states that the State must also establish or task an existing entity with the development of the indigenous business sector whose role will be to identify, encourage, find and grow the sector to enable our people to compete with foreigners in this country.

**Ms Loujaya Toni** – When do we realize it?

**Mr BEN MICAH** – The realization is right in front of you.

Mr Speaker, when we see the economy today, they say that two-thirds or three-quarters in their time was already controlled by foreigners. Forty-one years later and 38 years after independence, this economy is still 90 percent controlled by foreign interests. So this is a huge challenge for us in this Parliament to raise some interesting points on this issue.

Let me echo the statements by the Attorney General when he did a presentation in a seminar I organized at the State Function Room here in Parliament early this year. In that seminar, he outlined an interesting issue about ownership and that the State should become owners

Mr Speaker, what I understand from the Attorney General’s presentation in that seminar is that the State is not being compensated for what it owns. On the same token, I say that when the State came up with the law which says that the State owns resources below a certain depth, the State did not come up with a consideration or compensation to acquire those interests from the landowners.

This is a challenge that this Parliament needs to address because this is one of the few countries in the entire Globe where the customary tribal people have complete right of ownership to all the land.

Whilst we are talking about the State entering into business, we must also consider the customary landowners who make up 99 percent of our country who have inherited their rights, whether above or below the surface of the earth from their ancestors who discovered this land before the white men arrived.

This is an interesting challenge and I have already got them in my policy documentation, which will give an insight to what is going to be landowner rights or Government rights - State or Provincial – in all these resource development, so it is equitable. It can never be equal.

Mr Speaker, it has to be an equitable apportionment of the revenues and the benefits we get from the development of this extractive industry. The State over the last 38 years has been a poor owner on behalf of the people. We already have complaints arising from everywhere where there has been mining, oil and gas. The landowners have seen the destruction of their land and it is never the same again for their communities and all this issues need to be addressed by the State and developers.

Mr Speaker, when the people are rich, the State is rich. Today, I feel the State is collecting taxes and collecting dividends from revenue from these resources but it is not sharing the wealth to the people to enrich the people.

Mr Speaker I believe in my policy document, I will address some of those partnership issues between the State and the people.

Let me now touch briefly on this loan that we received which goes also with this issue. We are paying for what we already own. I have raised this with ExxonMobil and Oil Search that when contracts are given Papua New Guineans or indigenous companies got only one or two percent of the contracts because one of the major issues is that we don't have a clear policy.

### **49/03**

A policy is like a map or a compass that sets the direction on how things should be done. We did not have a clear direction on the National

Content Policy so we missed out on a major opportunity. There was K16 billion and another K3 billion was added onto the costs, so the total project cost was a total of K19 billion. Even if K3-4 billion kina went into Papua New Guinea companies, this will have a significant effect on our economy.

Finally, two weeks ago, on my trip back from Israel and Germany, I was able to attend a function that was hosted by National Petroleum Company that is holding 18 per cent on behalf of the State, the provincial governments and the landowners. They were doing a strategy meeting at the Fulton Hotel in Singapore. At the function they hosted, they funded and invited the big major players to that function. ExxonMobil, Cell, Total, Petromina of Indonesia and Oil Search was there. These are big companies. Even though we have ill feelings because of what may not happen in this project, I am proud as a Minister of the Papua New Guinea Government.

When ExxonMobil, Oil Search or New Crest hosed meetings, we, the Ministers were invited as their guests, but this time our own State company was able to organize this function so these people came to our party. And this is what I said to them at the party. The new pattern of developing resource sector in Papua New Guinea will now not be based on loose chance to Papua New Guineans; it will be based on sharing the development from extraction to market.

Recently, some Members raised the issue of production sharing, and I actually raised the same topic at the function. We must now talk about how much we bring to the party. If it is a small or big cake, we must equitably distribute it so all the stakeholders are happy with it.

On Tuesday morning, I addressed the Economic Advantage Meet at Gateway Hotel, I also said the same thing. This time we must talk business from extraction to market. You should not control everything and be left with loose change. For example, you go with K100 and return with K90. The K10 out of that K90 is distributed to the landowners. No, it is not like that now, this time we will talk about value changes in business.

I believe when I bring my document to Cabinet, we can be able to expound more on it. I urge you all to have courage. It doesn't matter how big Goliath is; it does not matter how big ExxonMobil is or how powerful and rich they may be, but do not forget one little boy carrying three stones knocked down the giant with one stone, and this is the courage that I am asking from my colleagues.

I will bring my document forward and if you agree with it, we will re-define the way to do business with the foreigners. We inherited the courage from our ancestors and we defended our land for thousands of years. We must summon that courage to Parliament and make the laws that will address all the concerns of our people for 38 years. Thank you.

**Mr GARRY JUFFA** (Northern) – Mr Speaker, I also join my colleagues in commending the Minister for Petroleum for having delivered a comprehensive report. It is very difficult to follow all the great statements and impressive speeches.

**50/03**

Mr Speaker, I would like to say that we should allow debates to be captured by the media, especially television and radio so that we can at least carry on with the important business of educating our people because the greatest danger that we face in this country is ignorance. Ignorance is what will be our undoing if we are not careful and history is littered with people who no longer exist because they were ignorant.

I would like to commend the Attorney-General for his very impressive statement and wise words. I completely support them, especially the part where he says the National Government should retain control of resources. Funnily enough, it may come as a surprise but I completely support that statement.

I also take note of Sir Puka's comments that we should try and focus more on the positives rather than always talking about the negatives, but if there are no negatives than how do we know that what we have is positive? Good can only be defined as good because we know that evils exist, so there is negativity there. Then we can say this is good, but it is good in comparison to what? Therefore, I will sometimes continue to be critical.

I am looking at this project from the perspective of a technocrat because I was a technocrat at the time when the agreement was forged, and I feel that taking on board the suggestions of Sir Puka will look at the positives.

What's been done has been done but I would propose that we carry out a diagnostic review and we have a great opportunity to do that now with this project underway.

Let's look at this project and let's revisit the decisions we've made and let's see how we can improve on those decisions. How can we position this country and this economy in such a way that our people, the 7 million shareholders of this country, can truly benefit.

Let us not beat our chests and celebrate because we sold a pig for the price of its ear and they took the pig away and then we go and beat our drums and dance until daybreak. We shouldn't do that.

In the market place, remember, when they come to buy something we are selling, they will give us their price. We must not say yes quickly. We must also set a price for that item we wish to sell. What is its value? Do not sell a pig for K5 and then go and say we have done something great and celebrate our sale.

What we need to do is prepare to negotiate such projects in a careful manner and if we have the funds right now, let's get the best possible people to do that because these large organizations that we are dealing with have the experience, resources and they know exactly what they are doing. They are coming prepared and they are prepared well in advance.

They have the best accountants and the best lawyers who know exactly what to say and what to do to get what they want. It is up to us to match them.

We cannot blame them for coming in. We were the ones opening the door. We can let them in when we are satisfied that they meet our terms and conditions and we should bargain those terms and conditions with the best interest of our people at heart.

I can't say more than what has already been said. We have heard so many great statements today and I want to try and make my statement short, not like my brother minister who said he delivers short statements and then delivers the longest short statement I've ever heard.

Let us look at nations who have had experience in resource management. We can go back in history. Let's look at Easter Island. What happened to that island? What happened to the people that lived on that island? They no longer live there, or they do live there but in a very decimated and miserable state currently being propped up by Chile and its Government who uses it for tourism purposes and so forth.

They completely eradicated that island of its resources. They felt that there is no tomorrow and in a mad frenzy they exploited what resources they had until there was nothing left and they resorted to cannibalism. And terrible things occurred and that civilization of sorts was completely decimated.

### **51/03**

Let's look at Nauru. At one stage, Nauru was a powerful economy and, in fact, they were shopping in other countries using jets just like we are jumping into a taxi and going to Boroko for shopping. They would jump in their jet and go to do their shopping because they had so much money. But poor investments and bad management with no foresight of the future took them to where they are now

Let's look at the example of Saudi Arabia. How did they become such a powerful economy? They are so powerful that the USA even ignored the fact that it was the Saudi Arabians that were behind the 9-11 attack. They ignored them and instead invaded Iraq and completely decimated their economy.

How is it that Saudi Arabia continues to exist as will power? This is because they know the value of their resources.

**Mr SPEAKER** – Honourable Governor, you may be misleading the Parliament because these are assumptions that we don't know about. You need to re-track the comment because it is quite a sensitive statement that you have made.

**Mr GARRY JUFFA** – Thank you Mr Speaker, I will retract the statement but I encourage you to do some research.

So let us look at those nations and other nations like Russia and Singapore and how they are managing their resources. I mentioned Russia because they have the largest gas reserves in the world which they manage very well and in such a way that they wielded a lot of geopolitical power. We can do the same here in the Pacific with the resources that we have.

On the other hand let us look at Singapore, which is really built on a swamp and don't have any resources, not even water but they are now the tiger of South-East Asia with the most powerful economy. How did they get there? They set very high standards, higher than the rest of the world and they aspired to meet those standards. We can do the same and should do the same.

But what will always plague and destroy us if we are not careful is ignorance, lack of education and awareness. If we are a people who are ignorant and not educated then we can be easily fooled. We can have the wool pulled over our eyes and who produces the finest wools? Australia does

but what I am saying here is that let us make a concerted effort to use what resources we have now to carry the education of our people and to create that awareness and make a concerted effort to work together for the best possible benefit of our economy and our people. To do that, we have to start looking at Papua New Guinean companies and entities and promote them.

Companies like BP, Shell and so forth started as little companies but they were cultivated, promoted and protected by the economies that brought them up. We have to do the same with our own companies as well. We have to review the concessions that we are giving away and we have given away so many. When I say that I speak as a technocrat or as a former technocrat, technocrats were kept outside of the negotiation process so let's now involve them. By involving them, we can avoid a lot of costs, future problems and best represent our people. We must make concerted efforts to make informed decisions and I want to use a classic example where the LNG Project did not have a risk and intelligent assessment done to determine what the risks were and what were the opportunities and map out the solutions to mitigate those risks. That never happened and I know this because I was in that fraternity. No one was called to provide an assessment.

I appreciate that we were all in such a hurry because this was a great and wonderful opportunity and we cannot regret what we have done but we can learn from it. So Dr Puka, I am making a positive statement here and you should be quite happy.

Let's learn from this and move forward. I am impressed with the level of intelligence in this Parliament and I have great faith of the Ninth Parliament which has produced good leaders. I think we should capture a lot of this information so that it can be useful and we can also use that to attack ignorance. I go back to that great danger that we face not just as leaders but as people and economy.

There are great challenges ahead and population growth is one for instance.

**52/03**

Mr Speaker, by end of this year, we will have 200 000 new Papua New Guineans and that is an entire province. Where are their roads, bridges, schools and hospitals and so forth? What about the decimation of our forests and global warming and the degradation of our environment? These are consideration that we as a country have to make and the rising sea levels.

Mr Speaker, Papua New Guinea will see the first environmental refugees in Carteret Islands and they have already being misplaced and displaced. Thus, to address this and find the solutions, we will need to be educated and make better informed decisions and let's all make a concerted effort to do so.

To conclude, we should conduct a diagnostic review of this project immediately. The Government should properly sanction one learned person to review what has happened from the beginning to where we are now and develop policies for better project in the future.

Debate (on motion by **Mr James Marape**) adjourned.

## **ADJOURNMENT**

Motion (by **Mr James Marape**) agreed to –

That that Parliament do now adjourn.

The Parliament adjourned at 4.55 p.m..