

FIRST DAY

Tuesday 22 January 2019

DRAFT HANSARD

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Amendments cannot be accepted over the phone.

Corrections should relate only to inaccuracies. New matters may not be introduced.



HARRY MOMOS

Acting Principal Parliamentary Reporter

FIRST DAY

Tuesday 22 January 2019

The Parliament met at 2 p.m., according to the terms of its resolution of 20 November 2018.

The Acting Speaker (**Mr Jeffery Komal**) took the Chair.

There being no quorum present, Mr Acting Speaker suspended the Parliament until the ringing of the Bells.

Sitting suspended.

The Acting Speaker again took the Chair at 2:30 p.m., and invited the Governor of West New Britain, **Honourable Sasindran Muthuvel**, to say Prayers.

“O Lord God, forgive us for all those things that we have done and please help us and guide us now. Bless us all with love for you so that we can always remember all that you have done for us. Let us feel your presence, grace and radiance as you are our source of faith, strength, path and destination. Lord we are always connected to you and nothing else. Lead us higher, deeper, beyond and to you, O Lord; Amen.”

BROADCASTING OF PARLIAMENTARY PROCEEDINGS- STATEMENT BY THE ACTING SPEAKER

Mr ACTING SPEAKER –Honourable Members, I have to inform the Parliament that the Permanent Parliamentary Committee on Broadcasting of Parliamentary Proceedings met today and resolved that:

- a) *National Broadcasting Corporation (NBC)* Television and Radio will be allowed to telecast and broadcast live Question Time; and
- b) *EMTV* and *TVWAN* will also be allowed to telecast Question Time for news purposes for the duration of the meeting.

CERTIFICATION OF ACTS- STATEMENT BY THE ACTING SPEAKER

Mr ACTING SPEAKER –Honourable members, I have to inform the Parliament that the Speaker and I have in accordance with *Section 110* of the *Constitution* certified five Acts as having been made by the National Parliament.

National Procurement Act 2018

Parole (Amendment) Act 2018

Public Finance (Management) (Amendment) Act 2018

Land Groups Incorporation (Amendment) Act 2018

Supplementary (Appropriation) Act 2018

QUESTIONS

Clarify Revised Tax Guidelines

Mr SASINDRAN MUTHUVEL – My questions are directed to the Minister for National Planning and Monitoring, Honourable Richard Maru.

- (1) Can the Minister explain the delay in approving the revised tax credit guidelines?

It has been more than six months since we last congregated to discuss this issue.

- (2) Can the Minister clarify the NEC decision made in a special meeting in 2018, particularly on clause 3?

I must thank the NEC for approving to increase tax credit, especially for the primary industry from 1.5 per cent to 2 per cent; the extractive industry from the existing 0.5 per cent to 2 per cent, and tourism from 1.5 to 2 per cent.

02/01

Mr Acting Speaker, the agriculture industry was on 1.5 per cent since it was introduced. This small funding assisted us in disaster-prone provinces that faced calamities during heavy floods and natural disasters.

Mr Acting Speaker, the question is particularly on an NEC decision, clause 3. Apart from the increase to 2 per cent, it also endorses that 0.5 percent will be implemented in the resource districts.

Mr Acting Speaker, I strongly believe it must be an oversight and believe there are still more amendments to be made on the *Income Tax Act* in order to make this tax credit effective.

Mr Acting Speaker, 0.5 per cent in agriculture industry is not a big amount compared to the extractive industries and I hope the Minister responsible will do necessary amendments.

(3) Can the Minister clarify the tax credit guidelines?

Mr RICHARD MARU – Mr Acting Speaker, I thank the Governor of West New Britain for his questions.

Mr Acting Speaker, in relation to the first question, there has been a mistake so the rates will be 2 per cent across the board in all industries. The revised submission will be brought back to NEC and I hope by next week or during Parliament meeting it will be approved and re-launched during the Leaders' week.

Secondly, in relation to the amendments, once it is launched then appropriate amendments will be made.

Improve Delivery of Medicinal Drugs

Mr RICHARD MASERE – Mr Acting Speaker, I direct my questions to the Minister for Health and HIV/AIDS.

This is a follow-up question which I raised in the last Parliament meeting regarding the availability of medical drugs in the country.

Mr Acting Speaker, I am aware that all the normal processes have been completed by the Government, in that, the Treasury has issued warrants, Finance has released the funding

and the Department of Health and HIV/AIDS has procured the medicines. But there are still public uncertainty as to why there are no medicines in health centres and hospitals, so my questions to the Minister is for the purpose of clarifying what the issues and problems are.

My questions are:

(1) Can the Minister confirm to this House and to the people of PNG whether there are drugs in this country?

(2) If there are drugs in this country, can the Health Department consider a quicker way to distribute medicines to our health centres so that we can address the issues affecting this country?

Sir PUKA TEMU – Mr Acting Speaker, I thank the Member for Ijivitari for his important questions as this has been of public concern for quite some time. Recently, leaders from the other side have made statements alluding that health is in crises, but I want to assure our people that our health system is not in crisis.

I brought with me some updated actual figures of the common medicines that we normally distribute throughout the country to assure our people that drugs are available. When the Parliament passed the 2018 Budget, you will have realised that for the first time our total health system received a budget totalling K200 million for medical supplies.

Let me re-emphasise the point that I always make that because of the good level of funding, all the essentials items are available. I just received a Brief dated 20 January, 2019, where some of my colleague doctors in hospitals have said that they are running out of some drugs. One such common drug is chloramphenicol, which is used for infections such as abscess or pneumonia.

03/01

As of 20 January 2019 there are 11 740 000 chloramphenicol in all the area medical stores nationwide. For eighteen month's supply we normally require 11 147 966 individual chloramphenicol items. That means that we have enough in stock and we have ordered another 3 000 975.

When I say that such important items are in stock it means that somewhere in the system the health facilities are not ordering on time with their CEO's because what I have here is all the Area Medical Store records as of 20 January 2019.

Another important drug is the usual amoxicillin. On stock right now we have eighteen million, two hundred and thirty-seven thousand six hundred. We normally require seventeen million for eighteen months supply. Right now when we checked Badili, they have excess of three million, eight hundred and Mt Hagen has excess of 313, 900. Before we could not tell which area medical store has excess. Now with the new system called EM Supply each of the area medical stores are communicating to each other. When I requested this information it was delivered to me within three days.

My Acting Speaker, when people are complaining in the social media, don't listen to the complaints on the frontline where they are prescribing the medicine. The CEO of the facility has to make sure they are talking to the Area Medical Store because there are supplies there.

The big hospitals and the health centres submit their orders every month. When the CEO or the major hospitals fail to submit their monthly order, they will lose the run.

In one of the provinces that we have assessed only 30 per cent of those major health centres submitted their supplies for new orders for the month, 70 per cent never ordered. So the Health Department is urging this major centres to order.

Also what happens for the provincial health centres is that their orders come from the provincial health advisor who is very far away from the facilities in the district. So I am saying don't send them to the provincial health advisor because he may not be there for one or two weeks and may not sign those orders. Send them straight to the Area Medical Store for them to supply and then they will advise the provincial medical advisor that the medicines are on the way so he can be able to follow it up.

Those are the loopholes that we have been managing over the last 12 months and I can assure our people that compared to 12 months ago our supply situations has improved remarkably.

This morning I visited the Port Moresby General Hospital and I was told that all stocks are in place. There are certain individuals from the Port Moresby General Hospital that go to the media and complain about drug shortages and some of you leaders are picking it up from there and making public statements and claiming that the health system is in crisis.

When the polio issue came up we have been able to contain the outbreak. Polio and other vaccinations are continuing to June this year so by June we should be able to reach a good level of immunisation coverage.

Mr Acting Speaker, I am defending the fact that the health system is not in crisis and the Government has provided sufficient funding and that is why I am able to stand before you

and this Honourable Parliament and inform my colleague leaders that in terms of the volume of items we are all good.

04/01

When we are told that the facilities, especially hospitals have are lot of fast moving items which run out very quickly, we have an emergency supply system.

We can procure on emergency basis to make sure that the specific items that are not there are supplied on time. And right now, as we speak, we have made sure that for the months of December and January all the hospitals that placed their orders have had their orders supplied.

For the health centre kits, when they were purchased I advised the nation that we were going to do five rounds. So right now the fourth and the fifth rounds of the Health Centre kits as well as aid posts kits are being distributed and these are the figures.

For the Momase Region, Morobe, Madang, East Sepik and West Sepik, the first 24 by 20-foot containers were dispatched on the 9 November last year.

For Morobe, seven 20-foot containers were confirmed to have been received on the 19 December 2018 by a company called Global which is a logistics company. As for Madang they were received on the 3 January. East Sepik received it's on the 7 January and West Sepik received them on 9 January.

And I can go on and on to defend the position that I have always maintained. Basically there is too much innuendo. Even the journalists are ringing around and talking to front liners claiming to have run out of this and this. But I want to assure our people that we should be okay now.

For the details I want to say this; for health centre kits we have 771 health centres in the country. We have dispatched during this fourth and fifth round which is the final round and should be completed within the next four or five weeks. We have completed the Southern Region with 3247 cartons for 191 health centres, and the 390 aid posts will receive 3980 cartons. So we have those details.

As your Minister I have made sure that the loopholes in the systems that are in place are being patched up. We are making sure that we get it right. The system is that when we order, the orders need to come straight to the Area Medical Store. I have now instructed for it not to go to the provincial medical office because, as you and I know, sometimes they may not be working for two months and may not sign it so it will go straight to the Area Medical Store.

For hospitals it is monthly and big health centres place orders. The aid posts and smaller health centres rely on what we call 100 per cent kits.

So, I can now assure the nation, for the aid posts and medical health centres, your cartons are now being distributed. So I appeal to every one of us as well the governor's office, now that we have provincial health authorities, the CEOs and the board chairmen as well as the community leaders, that when you see a company delivering these items but they are not delivered to your door steps, you need to report to us. So what we have now is, I am meeting with the logistics companies every month. I mentioned this last month that they will give me a report every month so we know how many aid posts and health centres they will deliver to in each region.

There are four logistics companies in the country so we have one company per region so they will report to me every month facility by facility. And if they fail we will penalise them. If they don't perform and we hear from every one of you, we will penalise them.

There was a question in the last Meeting of Parliament last year where I said that we are now establishing CCTV starting in Badili and now in Angau. We have caught some of those who are stealing. We will penalise them and we will remove them from the Public Service. Those are the things that we are beginning to improve so thank you honourable Member for Ijivitari for asking those questions.

05/01

We are on top of the issue and I can assure our people that because of the increased level of funding for 2019 we should improve better than last year.

Thank you, Mr Acting Speaker.

Highlands Highway Rehabilitation Program

Mr MANASSEH MAKIBA – Mr Acting Speaker, let me wish a Happy New Year to the Chair and the honourable Members of this House.

I direct my series of questions to the Minister for Works. My questions are related to the launching of the rehabilitation of the Highlands Highway by the honourable Prime Minister, last week in Goroka.

From the outset, let me congratulate and commend the Prime Minister, Mr Peter O'Neill, and the Government for giving priority where it is really due and making a serious commitment

to improve a very important asset of this country, especially the section from Lae all the way to Mount Hagen.

My questions are;

- (1) What is the total cost of the project?
- (2) Who is providing funding for the rehabilitation of the Highlands Highway?
- (3) Is this funding assistance a loan or a grant?
- (4) How long will the project take to complete?
- (5) How is the contracts of the projects organised?
- (6) Is it one contractor working on all the projects or are several other contractors involved in the projects?

I know that the rehabilitation project is only focused from Lae to Mount Hagen but we know that the Highlands Highway does not stop in Mount Hagen; it goes to Mendi, Tari, Kapiago and Komo.

- (7) Does the Department and Government have any plans to continue the rehabilitation project from Mendi all the way to Komo?

Mr MICHEAL NALI – Mr Acting Speaker, I thank the Member for Komo-Magarima for his very important questions.

Mr Acting Speaker, the Highlands Highway starts from Lae all the way to Kapiago and over the years it should stretch all the way to Strickland, Oksapmin, Telefomin and go all the way to West Papua.

From the records that I have gathered, the Highlands Highway is dated to back to the early 1950s. Sealing was done in the 1980's and there is no record of any major rehabilitation on this highway. From my knowledge the sealing only starts from Lae and stops around Mendi and parts of Enga, and from Mendi all the way to Hela there are no sealed roads.

The Highlands Highway when it was first built to date is the highway that is known as the lifeline of the Highlanders. It was also named after one of our founding fathers, the late Sir Iambakey Okuk. But the maintenance issues may be due to the lack of funds in the system.

06/01

I believe not much attention was given to the Highlands Highway, but I also understand that it is not the only highway. We have other highways that also need to be attended too.

But I just want to say thank you to honourable Prime Minister Peter O'Neil and the Government as well as the previous Deputy Prime Minister, Sir Leo Dion, who started these

projects paperwork and the procurement they started during the previous government and this government is now able to put this through.

Mr Acting Speaker, to answer the questions, it will cost K3 billion in three tranches. The first K1 billion has been procured and CSTB has made recommendation to NEC. And the contract has been awarded at the value of K1 billion to three different contractors. On the procurement process, when it came to awarding these contracts, it's not been procured only by the PNG Government or the Department of Works. Within the Department of Works and within our country, we have representatives who are stakeholders in these projects so it is funded by the Asian Development Bank.

The Australian Government has also picked up one per cent of the K3 billion funding, so I would like to say thank you to the Australian Government that the one per cent has come in as a grant but the balance of 2.99 per cent is a loan from ADB. It is program that will take us about 10 years.

Mr Acting Speaker, the Government through the Prime Minister has come up with a zero pothole policy where we will have contractors that will be upgrading the major highways in the country, but not just upgrade the highways and then walk away from it, but they will be also responsible to make sure that these highways are maintained and looked after by the contractors because of the bad experience that we have in the past.

In relation to who organizes these projects, like I said, it is a project that has been worked on and procured by the Asian Development Bank, Australian Government, PNG Government and its engineers, so it is a project that was scrutinized very carefully.

Mr Acting Speaker, I say that because I also went to ADB in Manila to witness the process and it is very strict. Three Chinese companies have won these three contracts. One is MCC, which will work on Nadzab to Henganofi section and then the other Chinese company will pick up from Magiro Bridge right at the border of Watabung and Chuave.

From Magiro Bridge it will then jump over the Chimbu section and that same company will pick up Magiro which is the border of Jiwaka and Chimbu and will complete that section all the way up to Nadzab. The most critical section is the Chimbu section and that will be taken up by China Harbour.

The first tranche will take care of maintenance and rehabilitation on the Highway.

In tranche 2, we will replace the single lane bridges by installing two-lane concrete bridges and we will also do some rehabilitation as well. In tranche 3, we will do major rehabilitation on the Highlands Highway once and for all.

With regard to the question of where the Highlands Highway starts and where it ends, it starts from Lae and ends at the Strickland River going past Kopiago. But as I speak, the Highlands Highway to date goes from Lae to Mendi which is a sealed section and then from there to Koroba which is not sealed. From Koroba to Kopiago, there is no road but you have logs that our people from those areas use as bridges to cross.

The project will start in 2019 and should finish by about 2020.

The Buluminski Highway has been completed and we will open it next month. Most of our contractors in Bougainville have been paid and work will soon start there. I have a lot to tell you people so I will wait for you to ask your questions instead of taking up the Question Time. This Government has done a lot.

Wafi Gold- Papua LNG – MOU

Mr KONI IGUAN – I wish to direct my questions to the Prime Minister.

Honourable Prime Minister, there are two important projects, namely Wafi Mines and the Papua LNG Project which are vital to our country. I understand that the Government has recently signed MOUs with two developers which clearly demonstrates the Governments intentions.

We have heard and read from the daily papers that there have been disagreements between landowners and both provincial and local levels governments with regard to the signing of the MOUs. This has prompted me to ask these series of questions to the Prime Minister for clarification.

My questions are as follows:

- (1) Why are these two projects so important to the country?
- (2) Why were the MOUs signed with these developers?
- (3) What are the understanding and obligations of these MOUs?
- (4) Have the respective provincial governments and landowners been consulted and will they be involved in consultations in every level of negotiations with the developers?
- (5) Can you clarify why the Morobe Provincial Government has filed a court application on the MOU on Wafi Gold Mine?
- (6) When do you anticipate for the project arrangements to be signed by both parties?

Mr Acting Speaker, I hope my questions to the Prime Minister will help answer many things to the disgruntled people including the provincial government.

Mr PETER O'NEILL -- These two projects have been the subject of discussions for many years since the discovery of resources there.

08/01

Now that the developers have put in applications to develop, the Government has a responsibility to ensure that they have the confidence of the whole Government and the confidence of the legislation under which we issued the exploration license where they were asked to come and invest and go and make discoveries and now they are able to try and develop that. The MOUs are basically understanding that we have reached with those developers, so that we give them the State's position in terms of the physical position of the State in regards to issues like tax rate and our equity participation in the projects, and what are the benefits we are expecting for the State, the landowners, the provincial governments and other stakeholders in these two projects.

Mr Acting Speaker, these two projects are quite a significant investment in the country, which will begin this year. There will be close to US\$26 million, almost K100 billion, in investments in the country. This will give a significant boost to the economy of our country and creating jobs for our people as well as giving opportunities to the small and medium enterprises and contractors nationwide.

The MOU that we have signed is a guide and our objective is to try and conclude the Papuan LNG project negotiations by 31 March, this year. The Deputy Prime Minister and Treasurer has taken charge, especially on the Papua LNG with the Petroleum Minister with a few ministers to settle this project. It is similar to the first PNG LNG Project where we are trying to ensure that provincial governments participate.

In the first project the Gulf Governor and the Southern Highlands Governor, late Anderson Agiru, both participated in all the discussions when the Somare Government pursued the development of the first PNG LNG.

Likewise we are encouraging the provincial government of Gulf to participate in all the discussions that we are having with the developers so that we can reach an agreement where we are all satisfied. Unlike in the past where landowners were not properly identified and agreements were signed without their consent, we have emphasised to the developer that it is

their responsibility under our existing laws that they have to identify the proper landowners and I can assure this Parliament that we are doing that work quite well. As a result, we will have for the first time some of the issues that we have faced with the first PNG LNG project. For instance after a few years of the gas being exported, we are yet to conclude the clan vetting exercise in identifying the real landowners.

Mr Acting Speaker, we are mindful that we do not want to make that same mistake again. We are aiming towards a very good benefit out of these projects, especially the Papuan LNG in terms of equity and royalties. For domestic market obligations, for the first time unlike the first LNG, the developer has agreed that up to 10 per cent of the gas will be made available to Papua New Guinea to develop its energy capacity and the petro-chemical industry in this country.

The company, Total, is showing very good social responsibilities and its obligations to our nation, showing that the total benefits of the project will equate to about 51 per cent for Papua New Guineans. That includes, taxes, equity, dividends, royalties and all the other benefits that will come as a result of that particular project.

So we will look forward without pre-empting what our Ministerial Gas Committee will agree and recommend to Cabinet and later on announce to the nation and Parliament.

I have total confidence that the ministerial team will deliver a much better outcome for our country in the Papuan LNG project than even the first LNG project that we have started.

Mr Acting Speaker, we have signed the MOU on the Wafi-Golpu project and tried to engage with the Morobe Provincial Government but there has been some misunderstandings. The Morobe Provincial Government at its own wish has established a consultancy team around the provincial government to advise them on the issues going forward and we respect that.

09/01

It is their right as a provincial government but we are not excluding the provincial government on all these negotiations.

In terms of Wafi-Golpu, the landowner consultation and consultation with the provincial government is yet to take place and the Minister for Mining is actively involved in discussions with them.

Mr Acting Speaker, as far as I know, that discussion took place last Sunday with the involvement of other senior ministers. We are trying to conclude this agreement by June 30, 2019. We have five months remaining for us to continue to discuss some of the issues,

particularly on the benefits to provincial government, State and the landowners and other stakeholders.

Let me remind our good leaders that we are also on the same side where we want to bring maximum benefits to our people and our country. Therefore, we must agree to those terms before we go and negotiate with the developers.

It doesn't serve us well if we individually go to the developer and try to negotiate our own individual agreements with the developer. That has never been done before. Morobe Provincial Government have established a consultancy team around Morobe Provincial Government to advise them on the issues going forward and we respect that because it's the right of the provincial government. But we are not excluding the provincial governments on all these negotiations. The PNG Government has got its all custody over *Mining Act* for that. But I can assure you that we will make sure that Morobe Provincial Government and landowners participate in the equity and in addition to some of the free-carry that they are entitled to and if they want additional equity then they have to pay at market price.

The wish of the Morobe Provincial Government is additional equity. But this can come about through negotiations and I can assure you that the Government will do everything possible to enable that but it's a big dollar investment and it's not easy for us to raise that kind of money even for the State and I know that it will be challenging for the provincial government to raise this money as well.

But in terms of royalty both Papua LNG and Wafi-Golpu have agreed that they will increase the royalties above the legislative limits that they have set so we are looking forward to receiving royalties above the rates that currently exist in this country.

Mr Acting Speaker, they have agreed to a much greater national content. Unlike the first LNG project, I want to assure you that it will be specified and clearly stated rather than in general and our people have been taken advantage of.

That particular national content and interest will be negotiated by the Mining Ministerial Committee which will include the Deputy Prime Minister as well.

In terms of third party access in Papua LNG, the developer for the first time has agreed that if there are some stranded fields along the pipeline, they will put T-sections along the pipeline where they can allow those fields to connect into their pipeline so that they can be developed, particularly along Stanley and the others in the Western Province.

Mr Acting Speaker, I want to encourage the Provincial Government and other stakeholders to sit down and discuss this and try to get the maximum benefits for everyone.

The agreement has not been finalised but will do so after the consultation of everyone and that's what we have stated.

In relation to the court document that the Member for Markham has referred, the Morobe Provincial Government, within their rights, have taken the State, developer and all the stakeholders to court but some of the affidavits that have been submitted in court are quite alarming particularly demanding large sums of money to carry out some of the landowner forums and discussions that will take place. We have to be reasonable, the project has not started yet and asking for K400 million to K500 million is not real and so please let us be realistic. But we can't stop the proceedings to go ahead and we will try and reason with every stakeholders and resolve this in an amicable manner which will benefit our country and our people.

Mr POWES PARKOP – Mr Acting Speaker, I direct my questions to the Minister for Petroleum and Energy.

My main point is based around the first LNG agreement with ExxonMobil, which the Prime Minister has pre-empted some of these answers, but I will repeat it again.

10/01

Mr Acting Speaker, we have been experiencing frequent blackouts in Port Moresby and the cost of running a business is very high, not only here in the city but in the country as a whole and while this is happening we are exporting gas and oil out of our country.

One way to address the problem of power supply in the city and of course in other parts of the country is by using our gas and making it available at the cheapest price.

Why are we exporting it and not making use of it?

On top of this, the cost of running a business will drastically decrease and airfares and freight costs will go down if our own gas was available to run all the vehicles and airplanes in Port Moresby and the rest of Papua New Guinea.

Now we are on the verge of signing a new LNG Agreement, the Papuan LNG, but we have faced a lot problems with the first LNG Agreement. They do not pay GST in the city but they are using the services here.

The landowner identification which is a requirement under the *Oil and Gas Act* is being offloaded on you. Does the Minister have the resources to carry out this exercise? It is their responsibility but they are offloading this on you.

There is no free-carry equity so we have to go and borrow from the Arabs and we have to reschedule quickly because they call on their loan so we have to go to UBS and incur this K3 billion debt and it becomes a burden for the Prime Minister and the Government to carry.

There are just too many outstanding issues but I only have a simple question.

The Prime Minister has mentioned provincial government involvement with the National Gas Corporation. This corporation is our vehicle and NCDC is a shareholder in this company. Under the law it is supposed to be the main operator carrying out this oil and gas project but we do not know what is happening

Mr Acting Speaker, the Governor of Hela and I have gone to lengths to discuss with him and to review this agreement.

Why cannot we review the agreement? Is this like the Ten Commandments of Moses that we cannot review it?

If a review is done, can a similar agreement be made like the second LNG where gas is made available?

Mr Acting Speaker, you know in the original agreement the size of the pipeline is smaller but when it was constructed they increased the size so there is more gas coming but it is not made available at the Domestic Market; they are exporting to China, Japan or Korea. So if there is a review, can we address this issue?

What will happen to the National Gas Corporation?

Can we activate it so that it can represent us in the second LNG? What will happen to the free carry equity? Will the landowners from Hela or Southern Highlands or Central Province buy it from the world price market or will they be given a free carry equity? Does this gas belong to ExxonMobil that we are not given free carry equity?

So, there are many questions but they are important.

Will there be a review and if not, why not? And if it can't happen, can we legislate to make it happen?

Dr FABIAN POK – Mr Acting Speaker, I thank the Governor of NCD for asking these questions regarding the first LNG and going forward to the Papua LNG and beyond.

Firstly, he asked about the domestic market obligation. If you have seen where the plant site is located there is a lot of land vacant on the other side but they have set it aside in anticipation that they are going to give gas to petro-chemical industries. It will go to the power plant to supply Port Moresby and the rest of Papua New Guinea.

11/01

When we went into the gas agreement, we did not allow for domestic market obligation and that is why some are on that side and some are on this side but we did not, in that agreement, put in certain clauses so that ExxonMobil can give some percentages of gas to domestic use for power plants and the petro-chemical industries. That is why the land is standing idle and people are abusing it.

Under the first PNG LNG agreement, there is no cost for domestic market obligation. That is why we don't have them supplying gas into power plants and we don't have them supplying gas for the petro-chemical industries.

But on intervention of the Prime Minister, Oil Search and Kumul are now building a power plant for ExxonMobil to provide gas for power generation. So they are now working on a PPL Agreement with PNG Power to supply gas for power. We will then be looking at five megawatts from Hides and around those areas.

But this is not within the law, it is done in good faith. So, when we see this, the Government has a policy called Domestic Market Obligation Policy. That is where every company that comes to find and develop gas has an obligation to give certain percentage back to us for power generation and petro-chemical industries at a certain price that is lower than the LNG price on the open market.

The policy is there already. That is why Total, for the first time, under this policy has made available 10 per cent of the gas for use in PNG. So, without this Government's policy this would not have happened. But this Government, in its wisdom, when I was Minister for Petroleum, brought this policy to NEC and was approved. That is why we are now able to get 10 per cent of the gas.

So ExxonMobil and whoever comes after this has an obligation to abide by this law by making gas available for domestic consumption so we can ship it to Rabaul or Lae or wherever to supply power generation where it falls short.

So, you must thank this Government. Without this policy and hindsight this would not have happened. I have told you already. You didn't do it when you were there. We are now doing it.

But the mechanism is on how to access this 10 per cent thermal gas because right now the country does not have the facilities to absorb this but we are now working with Total and all the joint venture partners to see how we can facilitate this.

The Government has brought in three policies which are very crucial. One of them is on domestic market obligation on gas to be used domestically.

The second one is for National Content. When we got the PNG LNG we did not ask what National Content is? Now we are asking, what is National Content? This means that they must provide a list of all the work the national companies and landowner companies can perform.

We now have this law or policy in place where, the third one, Total has been told to provide a list so that we can now meet with the provincial leaders and landowners and say these are the things that we must do so that there is some investments in this country that will bring benefits to the people of Papua New Guinea and the landowners. Otherwise we will be working without coordination and people will reap the benefits and disappear. This is the second policy.

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There are some gas fields there but commercially they will not be able to build their pipelines as yet. That is why we went into strategic pipeline where if they have capacity to develop the gas fields or see if there are possibilities of using the existing pipelines where our partners have used we can give the green light for them to pipe the gas to Port Moresby.

That is what the country needs now. We are putting up a policy and TOTAL is embracing it. Because of the policy the company that is developing has no choice but to follow suit.

In the PNG LNG some of us were there at the time but these policies were not there. So maybe William Duma or Arthur Somare, or whoever ran it, I don't know, but the policies were not there. Or maybe Patrick Pruaitch ran it.

(Laughter in the Chamber)

Dr FABIAN POK – But that's what happened. Everything was on an ad hoc basis; we signed agreements for nothing. You see, right now I have to go back to Hides again. It is the developing company's job to identify landowners. It is not the job of the government of the day.

We did not push the developing company to simply do this. We just went to Kokopo and signed agreements and you find those same people here in Port Moresby or where ever. Now I am cleaning this mess. I am determined to do it. Don't you worry about that, I will do it.

On this note, let me tell our people that if you are from Hides PDL 1-7, I urge you to go back to Hides. I will not tolerate discussions on clan-vetting.

These are our people, they have suffered for 10 years. I am determined to do it because many leaders and fathers and mothers of this place have died without benefiting from the royalties because of some people decisions to fast track the issues without taking into consideration the landowners' wishes.

Last time you spent over K45 million. You know how much money this Government spent? K2 million. We spent K1.5 million and half a million is still here yet to be spent.

I want the leaders of Gulf and the people of Papua New Guinea to note that I told TOTAL that they will not build one thing unless clan-vetting takes place. We will sign the clan-vetting in Kikori and not in Port Moresby for transparency where it will be public knowledge to everyone there.

I have told Hela Province that I will come to Hides and sign those documents so that it will be public knowledge who the real landowners are.

Everything takes place in Port Moresby where all sorts of deals go on but this will not happen with me. So I am happy about the domestic market obligations where Papua New Guinea will have two sources of power generation in Hydro and gas. We will be doing away with generators.

I am determined and pretty sure that this will happen now that we have enough gas to power up Papua New Guinea. We will now be venturing into petro-chemical industries which will provide jobs for our people. It will be our source of curbing unemployment for our country in the hundreds and thousands. So this policy must be put in place.

Now landowners and joint venture partners and the Government will have clear demarcations now because it will be clear.

In regards to the 22.5 percent we are talking with Total, which I will not pre-empt but we will be working in such a way that we will not be borrowing this money but we will pay it over a period of time. They are receptive and we are very happy with the negotiations. But when it comes to benefits, let me inform our people that in this agreement, I am ably assisted by the Deputy Prime Minister and we want to see it to be better than the PNG LNG. That is our determination for our people.

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So when we conclude in March, you will be totally and absolutely surprised.

(Laughter-in-the- Chamber)

Dr FABIAN POK – No, it is true. You will be totally and absolutely surprised that this is a deal which is better and I think Total is receptive to it. So wait and you will see.

Lastly, I would like to talk about the National Gas Corporation. I am now working with the Chairman of the National Gas Corporation. The Provincial Governments were supposed to partner in it. Nobody will give away his share freely.

Mr Belden Namah – Point of Order! Mr Acting Speaker, I am confused. The Prime Minister said we are going to benefit at 51 per cent and the Minister just said 22.5 per cent, so which one is it?

Dr FABIAN POK – Mr Acting Speaker, he is a totally confused character.

(Laughter-in-the-Chamber)

Dr FABIAN POK – The 22.5 per cent is what Kumul receives as equity. That is different from the total package that the Prime Minister is talking about. It includes the equity and tax and others which totals up to 51 per cent and beyond, which means it can be more.

(Laughter-in-the Chamber)

Dr FABIAN POK – So, those are totally two different things. Kumul under the law –

(Mr Belden Namah interjecting)

Mr ACTING SPEAKER – Honourable Member for Vanimo-Green, the Minister is answering your question.

Mr Powes Parkop – Point of Order! I am glad the Member for Vanimo-Green has raised the issue of the upcoming LNG project but my question is regarding the current LNG project.

Will there be a review? And if so, will the landowners receive the benefits? Will Oil Search and ExxonMobil carry out the social mapping and clan-vetting or will the Minister and

his department implement this task? My question was regarding that. The issue on the second LNG can be discussed another time.

Will they be paying GST to Port Moresby? Will they provide gas to Port Moresby and the rest of the country? Can we review the agreements? What sort of agreement is this that there should be no review allowed.

Mr ACTING SPEAKER – Honourable Governor, your Point of Order is in order.

Dr FABIAN POK – Thank you, Mr Acting Speaker. Honourable Governor, I was coming to that.

(Laughter-in-the-Chamber)

Dr FABIAN POK – When the agreement was made, it stipulated that you have to reach 10.5 trillion cubic feet to trigger a review. The company was smart, it produced less, so how can you trigger a review? So far, they are so close but are still yet to reach the target. I have researched well and I saw that they are yet to reach 10.5 trillion cubic feet. Our hands are tied. The new agreement that we are designing will be different from the existing one. I will not disclose the details but you will understand when you see it.

ADJOURNMENT

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

That the Parliament do now adjourn

The Parliament adjourned at 3.35 pm