



NEW ZEALAND PAPUA NEW GUINEA  
BUSINESS COUNCIL

1 May 2009

## NZPNG BUSINESS COUNCIL NEWSLETTER

### LUNCH WITH Rt. Hon. Sir Donald McKinnon GCVO

Thursday 12.00pm, 28 May at the Crowne Plaza, 123 Albert St, Auckland



Queen Elizabeth II poses with (left to right) Chief Emeka Anyaoku, Secretary General Kamalesh Sharma, Sir Shridath Ramphal and Sir Don McKinnon at the 60th Anniversary of the Commonwealth London Declaration

Sir Donald was appointed Knight Grand Cross of the Royal Victorian Order by the Queen in March 2009 in recognition of his outstanding service as Secretary-General. He served as the Commonwealth Secretary-General for eight years from 2000 to 2008 following a 21 year career in New Zealand politics.

Sir Donald was New Zealand's longest serving Minister of Foreign Affairs and Trade.

This will be his first formal appearance since his return to New Zealand.

If you wish to attend this luncheon, please return your completed Registration Form to [events@chamber.co.nz](mailto:events@chamber.co.nz)





## ABU DHABI LAYS \$1.68 BILLION DOWN ON PNG GAS FIELD

*PORT MORESBY, Papua New Guinea (The National)*

Abu Dhabi's state enterprise International Petroleum Investment Co (IPIC) has deposited AU\$1.68 billion (PGK3 billion) into an quarantined bank account in Singapore to fund PNG Government's equity in the liquefied natural gas (LNG) project.

The account has been "quarantined" because the use of the funds will be for the exclusive use to fund PNG's equity and its contribution to the capital expenditure of the Exxon- Mobil-led gas enterprise. The transaction took place last Thursday.

The funds will then be made available as the LNG project proceeds from the current front end engineering and design (FEED) stage to project construction. The final investment decision (FID) was expected at year end with the project to be carried out early next year.

Public Enterprises Minister Arthur Somare revealed this yesterday when he presented the ministerial statement in Parliament on the developments on the finalization of transactions that would enable the National Government to fully finance its 19.4 percent equity in the LNG project.

## DRAWING UP A NEW CORPORATE PLAN FOR TPA

*PNG Tourism Newsletter*



*Photo: Peter Vincent - CEO*

Work has already begun on developing a new corporate plan for the Papua New Guinea Tourism Promotion Authority. The new PNG TPA Corporate Plan 2009 – 2012 sets the direction for PNG TPA over the next four years on how best it can move forward as an organization with meaningful participation by industry and communities in developing tourism.

CEO Peter Vincent said while many of the visions, goals and objectives of the 2004-2008 corporate plan have been realized, PNG TPA must become more proactive bearing in mind the ever changing trends in tourism and technology around the globe. A workshop was conducted recently with industry and stakeholders to develop the plan.

Go to [www.pngtourism.org.nz](http://www.pngtourism.org.nz) to read the master plan.





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## PNG SET TO LAUNCH NEW BRAND

*PNG Tourism Newsletter*



Papua New Guinea Tourism Promotion Authority is set to launch a new brand for PNG Tourism in May. This will also coincide with the launch of PNG TPA's new online image library.

The new brand and tagline is part of PNG TPA's new focus and marketing strategy and has taken almost 12 months to develop. It strives to portray as a new and exciting adventure destination for tourists as it captures the essence of what PNG really is in terms of its abundant diversity and natural beauty. Go to [www.spto.org](http://www.spto.org) for more information.

The new brand and tagline will be complimented by the online image library which once fully developed will have 500 high quality images at any one time for free download and use by media, industry and stakeholders for promotional purposes.

Go to [www.pngtourism.org.pg](http://www.pngtourism.org.pg) to read the full article.

## PNG PRIME MINISTER DEFENDS ECONOMIC PROGRESS; Dispute opposition's criticism

*PORT MORESBY, Papua New Guinea (The National)*

The country's economic growth is better off today than it was at Independence. Prime Minister Sir Michael Somare yesterday hit back at the Opposition for continuously criticising the Government using unrealistic social indicators over lack of development.

"The Opposition uses the current methods of quantifying poverty in our country that was neither here nor there. Often our villages were equated to our urban settlements which do great injustice to us as a developing economy,"

"Poverty might exist in our urban areas but our rural people, who make up the majority of our population and might lack material wealth, were certainly not starving." Sir Michael said.





He said with today's democracy, it was difficult for any government to change cultures in bureaucracy overnight. "It is an ongoing process and this Government would continue to address it. "At Independence, I had a budget of about K250 million; today Southern Highlands province alone has a budget of around K300 million; our annual budget today is around K8 billion compared to the deficit in 2001 and 2002 when we took office," Sir Michael added.

He said the Government was mindful of the world recession and would also support the growth that was taking place in the economy. "It is important that we acknowledge the progress that we have made in the last few years and be grateful for our fortunate situation today." He said while many economies were suffering, PNG continued to see developments taking place in all its major towns.

"When I brought this country to Independence, there were very few locals running businesses." In all our major towns, our colonial administrators lived in areas such as Touaguba Hill, Wewak Hill, Namanula Hill, Rabaul and Top Town in Lae. "Papua New Guineans 40 years ago lived in settlements and compounds in our major towns "Today, wealthy and middle-class Papua New Guineans had moved into all these areas," Sir Michael said.

## **NATURAL GAS CONCESSIONS COULD COST PNG BILLIONS; Somare advised to hold off on agreement**

*PORT MORESBY, Papua New Guinea (PNG Post-Courier)*

The Government has been advised that Papua New Guinea will lose billions of kina if rumors about an InterOil led Liquid Niugini Gas Limited (LNGL) gas agreement and potential discounted sales to a Chinese buyer are correct.

In terms of the gas agreement, should these concessions be given, it will result in a substantial amount of the value of the natural gas that will be given to LNGL, with little left for provincial government, landowners and the rest of the nation.

Treasurer Patrick Pruaitch has raised concerns about the proposed agreement with Prime Minister Sir Michael Somare, advising him to defer the approval or execution of the agreement until all relevant State agencies had vetted it, in a letter dated March 24, 2009.





"Based on these assumptions, Treasury's preliminary analysis indicates that the total cost of the State of these concessions could exceed \$US20 billion over the life of the PNG LNG project," Mr. Pruaitch said in the letter.

Pruaitch is in his Aitape-Lumi electorate and could not be contacted directly for comment. His office and Treasury Secretary Simon Tosali advised he was the only one authorised to comment on this issue.

But Petroleum Minister William Duma when contacted advised that these issues were still being negotiated on and the Government had not made any decision on what was raised in Pruaitch's letter.

Pruaitch wrote to Sir Michael, advising him that the Department of Treasury and the State Solicitor's office were concerned that the agreement was being rushed through without its implications to the State being analysed properly. "Treasury believes the State should attempt to offer fewer concessions to projects as we move forward," Pruaitch said. There is an additional and substantive concern as the project agreement also contains a non-binding discrimination clause. The effect of this clause will be that any fiscal concession or incentives that are made available to the LNGL project, even if it was not the State's intention, at the time it granted the new concessions.

Pruaitch in his letter raised that there were no proven reserves — only contingent resource estimates and that LNGL was refusing to provide a live project model to the State to evaluate the project (unlike the PNG LNG Project, where all parties, including the State, worked off an agreed project model). Pruaitch in his letter also pointed out other concessions being sought from the State (which was dangerous) were as follows:

- A 10 year tax holiday, which will cost the State a further \$US1.7 billion. This concession was not granted to the PNG LNG project, the cost to the State may exceed this amount,
- STATE equity — the project agreement grants the State the right to acquire up to 12.5 per cent, based on preliminary analysis, the reduced entitlement offered by the LNGL project will cost the State about \$US2.4 billion. This contradicts the Oil and Gas Act, which allows the State the right to acquire up to 22.5 per cent equity
- The proposed project agreement requires the State to enter into a Fiscal stability tax, which is expected to cost the State about \$US2.4 billion,
- No additional profits tax
- The 22.5 per cent in upstream (gas fields) and up to 10 per cent in remainder of project does not equate to 32.5 per cent in total project and that the State's participation in total projects is likely to be well below 15 per cent,





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- One Way option — seeking 50 year agreement which does not obligate LNGL to do the project at any time within the 50 years and
- STATE only offered up to 10 per cent of pipeline and plant - in the PNG LNG project the State has 19.4 per cent in the entire project

The letter states that these concessions are already not necessary as the PNG LNG project, led by ExxonMobil has signed a Gas Agreement on substantially more onerous terms. There are also strong rumors that the LNGL are trying to secure sales contracts with the Chinese buyer at a highly discounted gas price that will significantly reduce the amount of revenue that will flow back to PNG. This is potentially a double negative for PNG, less revenue in the first place and then less tax. It is tantamount to giving away the nations' heritage, according to Pruaitch's three-page letter.

Acting Prime Minister Dr Puka Temu could not comment on this matter. His office advised yesterday that the matter was before ministerial review committee.

### NEW DESTINATION; PNG



In an era of mass tourism with travelers crossing the globe's pathways, it's refreshing to travel to with TRANS NIUGINI TOURS LTD. The unspoilt beauty and culture of PNG is joined by the seamless services of a tour operator with its own hotels, charter airplanes, boats and vehicles.

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