



## PNG to learn from major gas project flaws

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The Papua New Guinea government insists it will learn lessons from the failure of a liquefied natural gas project to deliver on a promised economic boom to its people.

A report by think-tank Jubilee Australia released on Monday concluded PNG residents "would have been better off had the project not happened at all".

It was critical of economic, household income, employment, government revenue and import impacts of the project.

Flows from the ExxonMobil-led project began in 2014 and it now supplies eight million tonnes of gas a year to Japan, South Korea and China.

However delays in the landholder identification process mean locals in Hela province are yet to receive royalties from the project, resulting in tribal violence.

The gas project was partially funded by Australia after the export credit agency Efic made its largest-ever loan of \$500 million to ExxonMobil, OilSearch, Santos and the PNG government in 2009.

An angry PNG Prime Minister Peter O'Neill dismissed the report, which he hadn't actually read, as "fake news" and "utter nonsense" during a speech in Brisbane to the Australia-PNG business forum on Tuesday.

PNG Foreign and Trade Minister Rimbink Pato said the LNG project was a "first class operation".

"We are learning and if there are opportunities to do a better deal, we will," he told AAP on the sidelines of the forum on Wednesday.

"Each project brings new challenges."

Treasurer Charles Abel welcomed the analysis and said his department will examine the veracity of the numbers.

"We are aware that the scale of benefits from the project has not matched expectations fully, especially when commencement of production coincided with a collapse of the oil and gas prices," Mr Abel told the Post Courier newspaper.

"I have given written instructions to Treasury to develop a template for project agreements going forward where the tax regime is more production (royalty) based rather than profit-based."

ExxonMobil has defended the project saying it had contributed \$5.69 billion to local businesses and the government through employment tax and royalties.

The company's PNG managing director Andrew Barry didn't directly address the report during his address at the forum on Wednesday but trumpeted community programs in health, women's empowerment and agriculture.

Another mining executive, Craig Jones from Newcrest Mining, which operates the Lihir gold mine, warned PNG legislative and taxation changes "could shake investor confidence".

"There's a great deal of uncertainty and nervousness created by proposed amendments to the Mining Act," he told the forum, adding that PNG was an expensive place to do business.

"Apart from the highly-debated contributions made by resource companies in company tax, there are many other contributions resources companies make - many of which are voluntary - and these benefits have direct impact on the lives of Papua New Guineans."

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