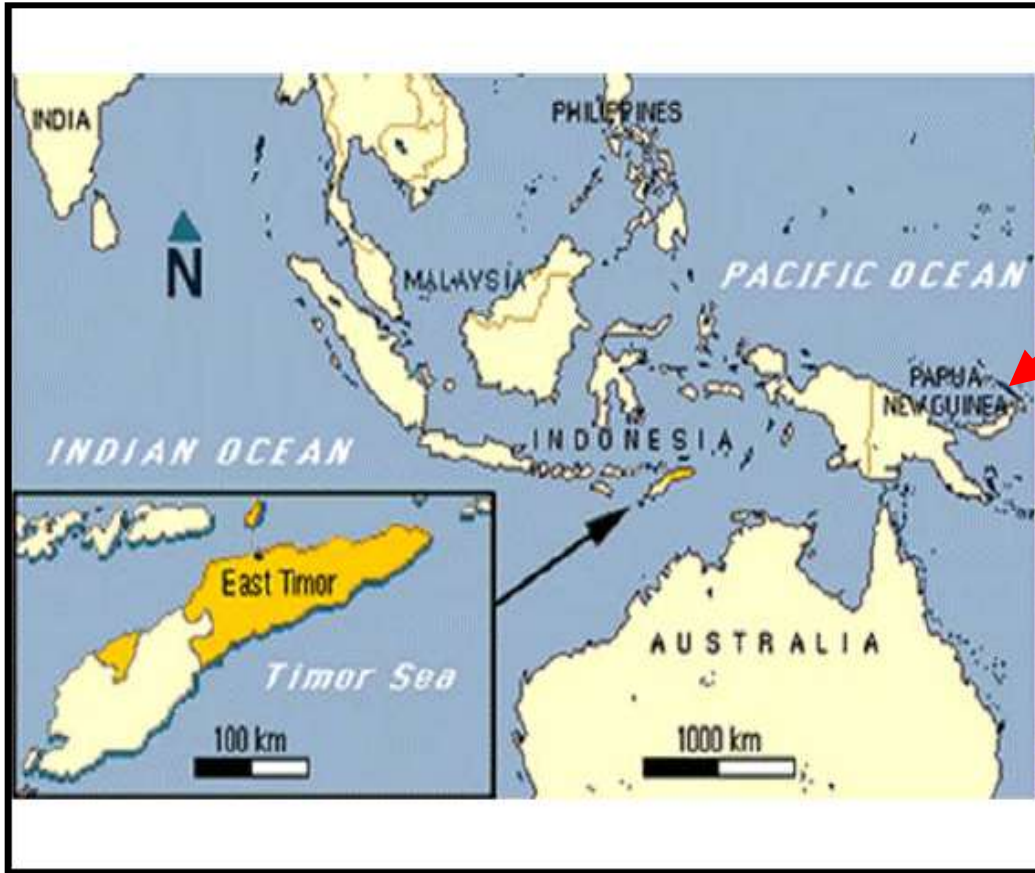


# PNG National Oil Companies

Dominic Sebong

# Where is PNG?



# PNG Background

- Independence - 1975
- Government – Westminster System
- Population – 6 million +
- Language – 800 +
- Culture – 1,000 +
- Economy – Dual (Formal 15% & Informal 85%)
  - Mining & Petroleum Reserves
  - Forestry & Fisheries
  - Agriculture & Livestock
  - Ecology & Tourism

# State Management Options

- State alone develops the projects and implements its desired development services with or without collecting taxes for its people
- State collects Taxes only but it allows the operator to implement the State's desired development services.
- State collects Taxes and implements its desired development services
- State participates in creating the Taxes as well, does not collect Taxes but lets the operator to implement its desired development services
- State participates in creating the Taxes as well, collects the Taxes and implements its desired development services
- Other options

# State Mgt Option Undertaken

- State participates in creating the profit as well, Taxes the profit & implements its desired development services
  - State regulates the industry through DPE
  - State participates through NOCs (MRDC, IPBC & Petromin)
  - Taxes the industry profit through IRC &
  - Implements its desired development services through its budgetary allocation processes

# Petroleum Industry Regulator

- Minister for Petroleum & Energy
  - Awards the License
- Petroleum Advisory Board (PAB)
  - Makes recommendations to the Minister
- Department of Petroleum & Energy (DPE)
  - Compiles technical & statistical data for the PAB

# State Participation - Petroleum

- MRDC
  - Landowner interest
- IPBC
  - State interest in ExxonMobil LNG project
- Petromin
  - State interest in Moran oil project
  - State interest in InterOil gas fields

# Petroleum Tax Regulator

- Policy
  - Treasury & DPE
- Tax Collection
  - Internal Revenue Commission (IRC)



# Petroleum Benefits Process

- Taxes & Dividends
  - IRC (Consolidated Revenue)
- National Management Strategic Plans
  - National Planning & Monitoring (Operational & Development Plans)
- National Budget
  - Treasury & Finance (Operational Expenditures & Investments)
- Royalties & Development Levies
  - Landowners, Provincial & Local Level Govts
    - Local Budgets (1/3 – Projects, Future Gen & Cash)

# Hap Hazard History

- Road Coy
  - Formation & transition to MRDC
- MRDC
  - Development to date
- Orogen
  - Formation & transition to IPBC
- IPBC
  - Development to date
- Petromin
  - Formation & development to date (Roger)

# NOC Responsibilities

- MRDC
  - State's 2% interest for landowners in petroleum projects
  - State's 5% interest for landowners in mining projects
- IPBC
  - State's Share in Oil Search
  - State's Nominee in the ExxonMobil led LNG project
  - State interest in other national assets (airline, power, telecommunication etc)
- Petromin \*Roger to cover more
  - State's 20.5% in the Moran oil project
  - State's 0.2% Moran interest in the ExxonMobil led LNG project
  - State's interest in InterOil's antelop gas project
  - State's interest in mining projects

\*The State nominees for participation in a development project is decided by the NEC

# Regulator Responsibilities

- DPE: Promote & Regulate the Petroleum & Energy Sector (Oil & Gas Act)
- IRC: Generate & Collect Revenue due to the State (Income Tax Act)
- Treasury & Finance: Budget Policy & Management (Public Finance Management Act)
- National Planning & Monitoring: National Development Strategies (National Planning Act)

# Responsibility Overlaps!

- **Regulators**

- **DPE**
- **IRC**
- **Treasury & Finance**
- **Planning & Monitoring**
  - Different roles & responsibilities to manage. Alignment would be important in relation to the petroleum sector where capacity & attention are different & where transparency & accountability is needed in the Budget process (eg EIC, Royalty, Development Levy, Tax Credit Schemes etc – Development Forum MOUs)

- **NOC**

- **MRDC** (Invests in non petroleum sectors as well)
- **IPBC** (holds the State's other interests like Air Niugini, Telekom, PNG Power etc as well)
- **Petromin** (May invest in activities that link the mining & petroleum sector operations)
  - All have different State Interests to manage. Competition would be to grow the State profits proportionately but overall they should complement each other. \*Roger to cover more
- The State interest holdings overlap but the opportunities to further invest and the dividend recipients differ. MRDC dividends to just the landowners while IPBC & Petromin dividends to everyone (PM receives it as sole Shareholder – goes into Consolidate Revenue)
- Management control & power is delegated and transparency on company operations is desired.

# Regulators Capacity

- DPE
  - World Bank Technical Assistance
    - Consultants & Training (Masters programs)
- IRC
  - AusAid Technical Assistance
    - Consultants & some trainings taken with DPE
- Treasury & Finance
  - AusAid Technical Assistance
    - Consultants & Training (Masters programs)
- National Planning & Monitoring
  - AusAid Technical Assistance
    - Consultants & Training (Masters programs)

# NOC Capacity

- MRDC
  - More nationals & few expatriates in technical areas (MD & Board Chairman – Nationals)
- IPBC
  - More nationals & few expatriates in technical areas (MD Expatriate & Board Chairman National)
- Petromin ..... (Roger to cover)
  - More nationals & few expatriates in technical areas (MD National & Board Chairman National)

# PNG NOC Summary Remarks

- Hap hazard history but the future is defined now with the known projects at this point in time
- Responsibilities do not clearly overlap but management capacity & transparency & responsibilities to compliment each other will be tested as projects get underway.
- Sole NOC monopoly is divided & it allows for competitive and/or complimentary operations to be undertaken by the 3 State agencies to create value for the State proportionately.
- The next major development project's production life expectancy is 30 years and the 3 NOCs have responsibilities in it to contribute to the State's 2050 Vision that looks at 2010 to 2050.



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