

**PETROMIN STORY**  
**BY**  
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**PETROMIN PNG HOLDINGS OF PAPUA NEW GUINEA**



**AT NATIONAL OIL COMPANY POLICY SEMINAR  
DILI, TIMOR-LESTE**

**28-29 MAY 2009**

# PRESENTATION OUTLINE



## ★ **Background**

- - **Country**
- - **Petroleum Industry**

## **2. State's Role**

## **3. Creation of Petromin**

## **4. Petromin's Objective & Structure**

## **5. Petromin Act**

## **6. Asset & Human Resources**

## **7. Achievements**

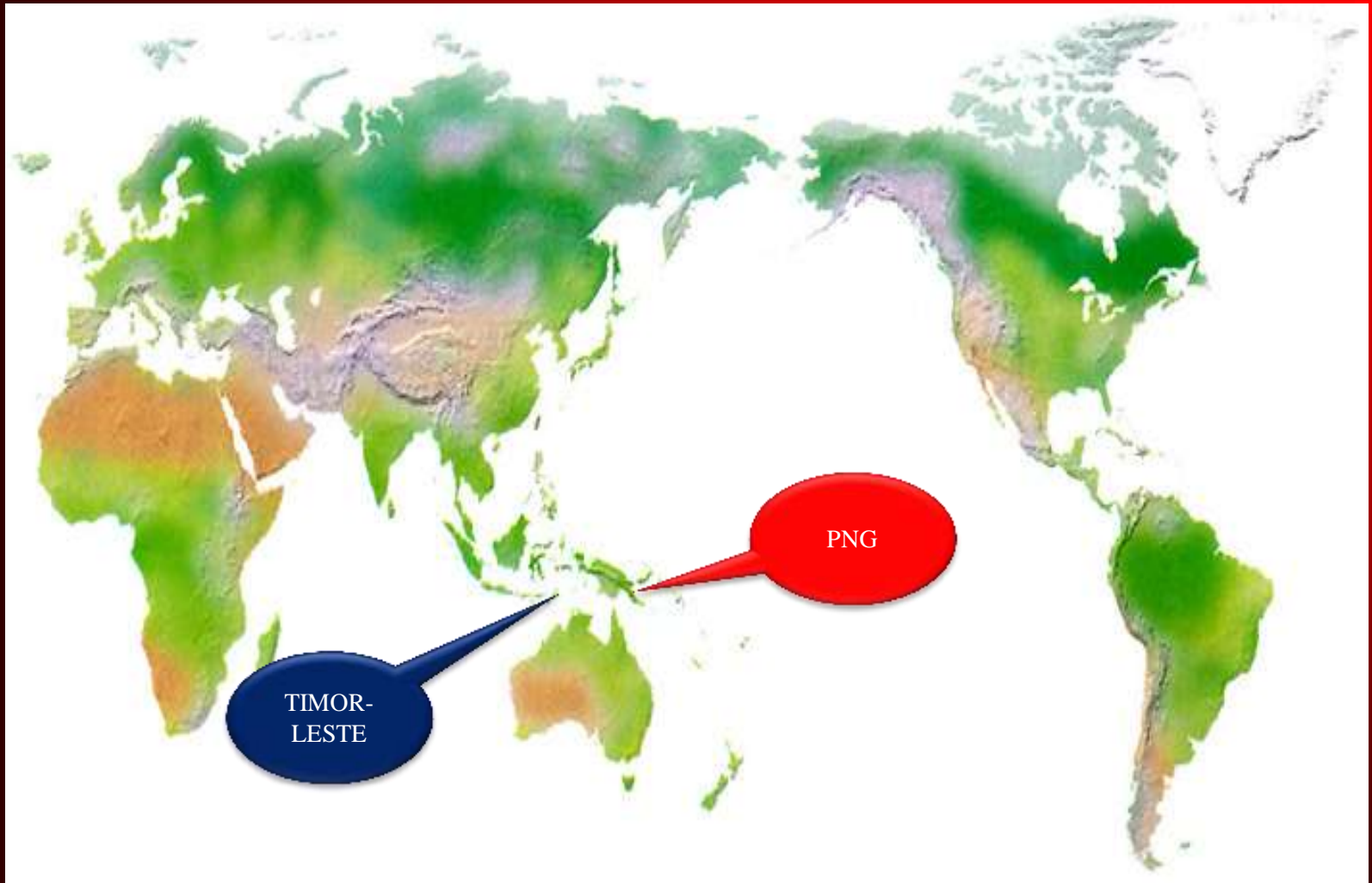
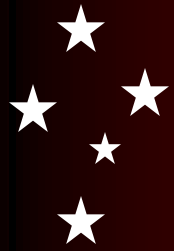
## **8. Challenges**

## **9. Lessons to be Learned**

## **10. Conclusions**

## **11. Recommendations**

# WHERE IS PNG LOCATED?

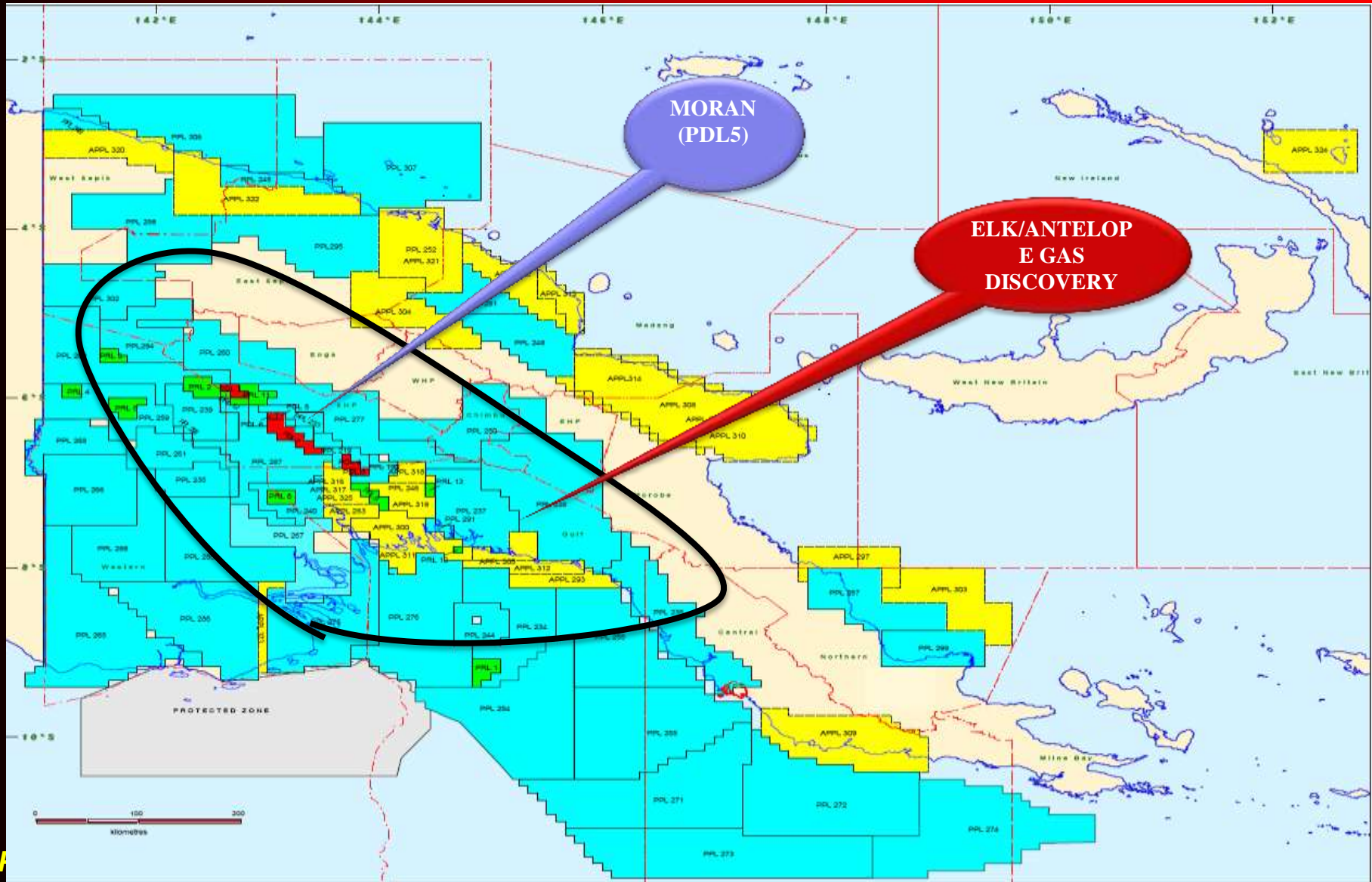


# PETROLEUM INDUSTRY BACKGROUND



- ★• Petroleum first discovered in 1911, exploration ensued but quite episodic
  - 1986-Commercial discovery; 1992-Commercial production with Kutubu Oil Project
  - Other oil projects: Gobe Oil Project, Moran Oil Project
  - Source of revenue source, employment, infrastructure development, contributes to GDP
  - Cumulative oil production passed 400 MMB
  - Oil production in decline
  - Huge gas discoveries made to date
  - Limited amount of gas produced from Hides Gas Field to supply electricity to Porgera Gold Mine
  - Two major LNG projects proposed to underpin the future of PNG
    - i. PNG (ExxonMobil) LNG Project – under FEED
    - ii. Elk/Antelope (InterOil) LNG Project

# PETROLUUM PROJECTS





# STATE'S ROLE

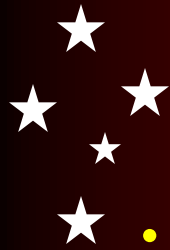


- ★ PNG has Royalty/Tax fiscal regime
  - State remains a Regulator and Policy Maker
  - Oil companies are given rights through licenses to explore for, develop, produce & export petroleum
  - State collects rent through taxation from its resource development
- State Participation: (a) up to a 22.5% in petroleum projects. 2% reserved for landowners
  - (b) up to 30% mining projects
    - 5% reserved for landowners
- State interests managed by other companies other than State entities or parked under Treasury
- State plays passive role in managing its interests
- Amounted to less PNG participation in resource development
- Want of active PNG participation in mineral, oil and gas development was always there

# PETROMIN CREATION



- Petromin emanated from the desire for meaningful PNG participation in mineral, oil and gas development.
- A State owned Company Petromin was established in 2007
- Petromin was established taking into consideration the long term interests of Papua New Guinea. Its principal mandate are to:
  - i. hold State equity in mineral, oil and gas projects
  - ii. develop and commercialize mineral and oil and gas interests in PNG either wholly or in partnership with other investors.
- Mandate is to acquire and hold all future State interests in petroleum and mineral projects both in the upstream (exploration and production) and in any value-added downstream processing projects.



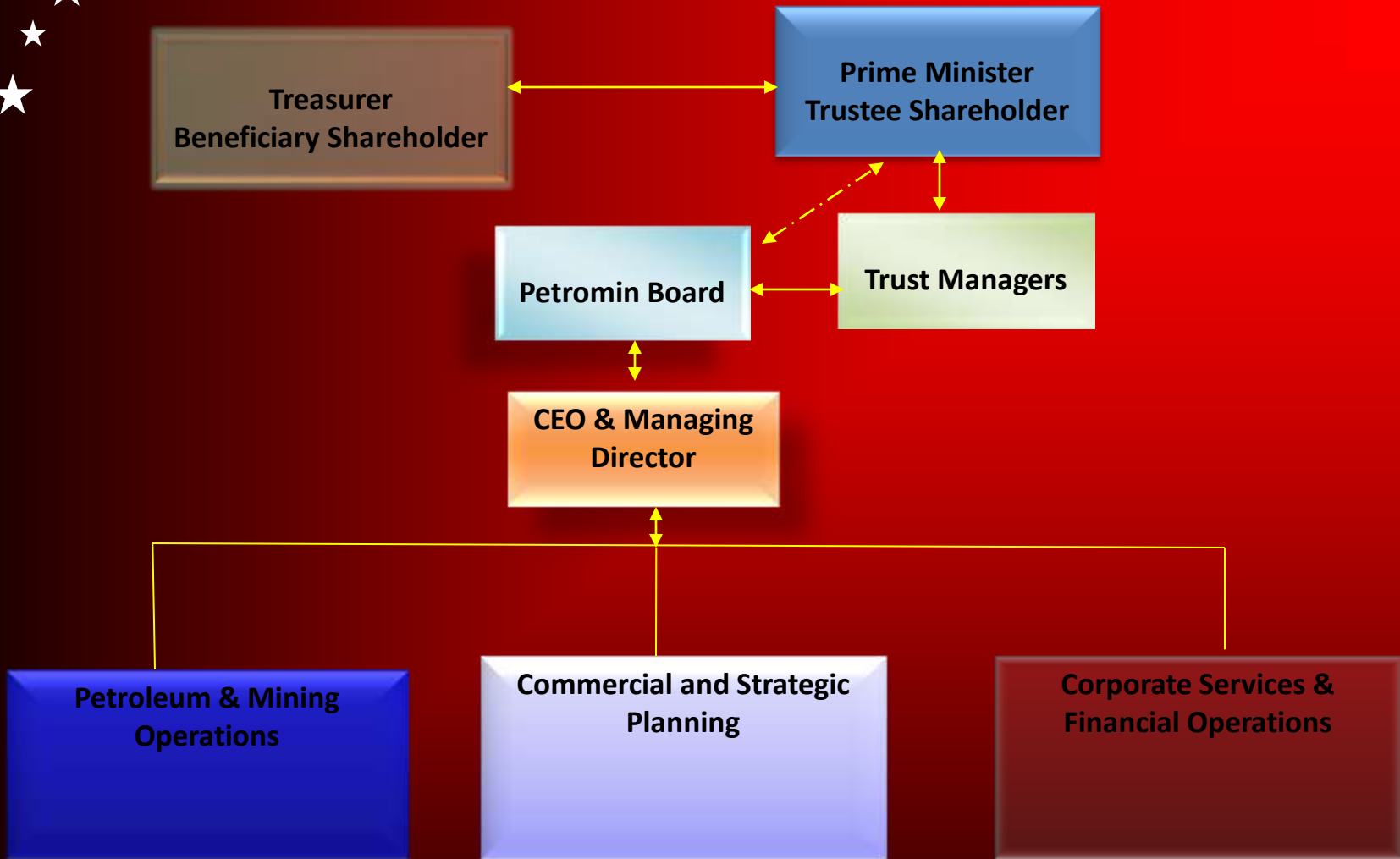
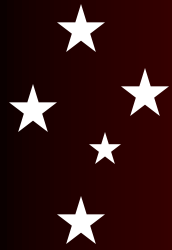
# COMPANY'S OBJECTIVES



- Operate as a commercial enterprise
- Maximize investment value through:
  - Developing mining and petroleum tenements in PNG acquired from the State and others, whether directly or as a nominee of the State; and
  - Reinvesting in socially responsible projects which benefit society and which make a profitable return to shareholders.
- Engage in mineral and petroleum exploration, evaluation and development, both upstream and downstream, and in the marketing, transportation and sale of minerals and petroleum products.
- Operate in accordance with principles of sustainable development, international best practices and taking into account environmental considerations



# COMPANY STRUCTURE

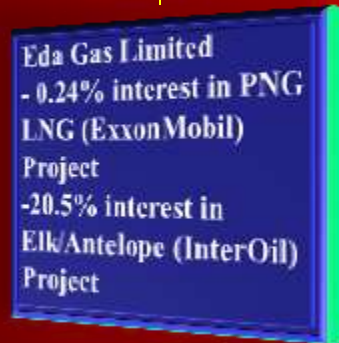


# PETROMIN AUTHORISATION ACT



- Petromin PNG Holdings Limited was established through Petromin Authorization Act No 1 of 2007 (Petromin Act).
- Operates under the Companies Act
- Has Commercial Operation guided by the Companies Act and its requirements
- Not subject to Public Finance Management Act, Public Accounts Committee, Auditor Generals Act,
- Avoids/Minimize Negative Pledge Issue

# PETROMIN ASSET



# BUILDING HR FROM SCRATCH



# PETROMIN STAFF



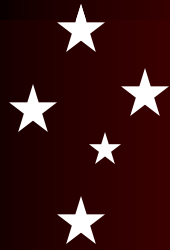


# COMPANY 'S ACHIEVEMENTS



- Company set for future growth
- Independent Board – passed fit and proper test
- Qualified and experienced management team in place
- Corporate Strategy & Business Plan in place
- Expanding investment portfolio in both the mining and petroleum sectors: TGM, PDL5, PNG LNG Project, Elk/Antelope projects
- Appropriate human resources policy in place
- Financial & Accounting systems in place
- Policies and procedures set up for prudent management and corporate governance
- Information Technology (IT) in place
- Good public relation strategy regarding Petromin's mandate.





# CHALLENGES

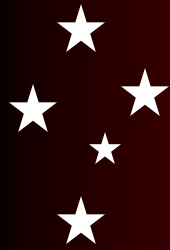


- Company not immune to global financial crisis
- Our business activities are subject to oil price & gold price fluctuations – directly affects company's cashflow
- Capital requirement in the short term to fund our investments
- Human resource capacity – a challenge in light of LNG Projects & other projects
- Exercising State's back-in right ultimately lies with the Government

# LESSONS TO BE LEARNED



- Petromin began from scratch
- Limited Funding, skeleton staff and minimal support
- Committed staff, desire to work for NOC
- Recruited industry/commercially experienced and qualified staff
- Desire for greater PNG participation in resource development – beyond financial benefits
- Commercial operations
- Avoid political interference
- Operate at arms length with State



# CONCLUSION



- Petromin is PNG's first National Oil and Mining Company
- Purpose is to manage State's interest in mineral, oil and gas projects
- Structured differently from other State owned entities
- 2 Years old but quickly growing and expanding
- Foundation being established for future expansion of the Company

# RECOMMENDATIONS



- PNG model could be considered in creating a NOC in Timor-Leste
- Government support necessary
- Avoid political interference
- Operate at arms length with State
- Commercial operations necessary to compete with international oil companies
- Recruit qualified and committed staff

★  
**THANK YOU!**



**We care about our next generation of Papua New Guineans.**



**Their Prosperity is Our Motivation**

**PETROMIN**

**Our National Oil, Gas & Minerals Company**