



Tuesday, 17 November 2020

PNG Chamber of Mines and Petroleum committed to country's Resources Sector

The PNG Chamber of Mines and Petroleum feels compelled to respond to the 4-page newspaper advertisements sponsored by Petroleum Minister, Honourable Kerenga Kua in *The National* newspaper on 17th November, 2020.

The Chamber and its members are committed to making a prosperous PNG. To do this, PNG will need investment that will provide jobs and opportunities for PNG's growing population.

To attract investment, particularly from international investors, the PNG Government needs to work together with investors to ensure there is:

- Maximum local content;
- Efficient regulation of environmental and engineering practices;
- A stable and internationally competitive regulatory and fiscal regime; and
- Ultimately, a fair and equitable split of profits relative to country risk and the particular risk associated with each particular resource project.

The Chamber sees its role as an intermediary between Government and Industry to help in that process, particularly to secure investment of private capital to continue the growth of the PNG mining and petroleum industry to ensure the creation and maintenance of employment and contracting opportunities for Papua New Guineans, the growth of the PNG economy and the support to the PNG government taxation revenues to support the provision of goods and services by the National Government to the people of PNG.

The rhetoric from the Minister in his Advertisements is not helpful:

1. Clearly there is a large difference of opinion between the Minister and the Chamber on the merits of the proposed changes to the PNG fiscal system. This is not unusual as there is always a natural tension between investors and states regarding resource profit splits. The Chamber has long pushed for consultation and discussion, but the Minister has not been open to this. To make the changes proposed without fully understanding their short term and long-term implications will not serve the Nation of PNG well. It is clear that many people do not understand the ramifications of the proposed changes, the complexities and difficulties with implementation that will not just retard the growth of the PNG economy, but will ultimately retard State tax take from impacted resource projects. The Chamber has attempted to inform the

Minister and the citizens of PNG of the dangers of the path being followed. This is not out of personal interest, but is in the interest of PNG and its citizens.

2. The Minister, in his advertisement, refers multiple times to further “Legal provisioning in consequential Acts of Parliament” to suggest that the issues the Chamber have raised are not relevant and will be solved in the future. This goes to the core of the matter; much of the proposed changes have not yet been defined. It is uncertainty around the proposed changes that will prevent investment in PNG. An investor will not invest if there is uncertainty in how he will recover his investment and make a profit.
3. Few people in PNG understand how PSCs work. The Chamber has many members with detailed understanding on the pros and cons of PSC systems. The Chamber is thus a voice based on deep knowledge that should be heard in this debate. Getting the fiscal settings wrong for the resource sector in PNG will be disastrous for many Papua New Guinean livelihoods.

If PNG is going to progress towards its true potential as a nation, there is a need for rational and pragmatic policy settings. PNG is blessed with Mineral and Petroleum resources, but they are worth nothing unless they are first found, and then developed. Developing the resources within a fair and transparent framework will grow the economy, provide jobs, opportunities and infrastructure and ultimately enable other non-resource sectors of the economy to flourish.

Whether we like it or not the PNG economy depends on the resources sector. Payments from the resources sector through taxes, royalties, levies and dividends make up close to 30% direct Government take and constitute 85% of PNG’s exports. Indirect contribution to the economy through the multiplier effect likely more than doubles the direct impact of Resources Projects.

The resources sector supports employment for hundreds of thousands of Papua New Guineans directly and indirectly. The resources sector supports entire regional and rural economic ecosystems, almost singlehandedly in some cases. Given this background, any radical changes to Resources laws and regulations needs careful consideration. The Chamber is alarmed at the Minister’s proposed changes and their likely impact. The Chamber is very focussed on working with the Government on policy settings that responsibly grow the PNG economy for the benefit of PNG, it is not a special interest group working against PNG’s best interests.

The PNG Chamber of Mines and Petroleum is committed to facilitating investment in PNG for the benefit of the Nation.

And we stand ready to be part of consultative discussions with government, for the sound future of our country’s resources sector.

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