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Common abbreviations:

BCL: Bougainville Copper Limited

LNG: Liquid Natural Gas

PNG: Papua New Guinea

Mines under spotlight Post-Courier 31.12.2009

By ERIC TAPAKAU

MORE and more mining companies are coming under the spotlight as the Mining Inspectorate gets tough to ensure our Mining (Safety) Act and Regulations are complied with. So far operations have been suspended in mining companies which have cost the companies millions of kina in lost revenue. Putting mining companies under the spotlight will be a two way issue as the mining industry contributes more than 60 per cent of export earnings to the country each year while at the same time Papua New Guinea laws must be seen to be followed. The Mines Inspection division of the Mineral Resources Authority has been busy this year as it tried to ensure all mining laws were followed and no employee’s lives were put at risk during operations.

To date Ramu Nickel/Cobalt mine and Simberi have had their operations suspended as the two operations failed to comply with laws and regulations covering the mining industry in the country. “Actually the new Chief Inspector of Mines Mohan Singh and his deputy chief inspector of Mines Lave Michael are two no nonsense guys who are particular about the requirement for compliance as specified under the Mining (Safety) Act 1977. It also comes with experience and having the knowledge to ascertain whether a company is in compliance or otherwise. The same treatment is being given to all mining companies without fear or favor,” said one mining industry insider. “In the past, mines inspections were conducted on a regular basis but the companies were only required to comply with the directives and not necessarily having the operations shut.

“However with this new management, miners are given notice that failure to comply will result in the shutting down of operations costing millions until the legal and practical requirements are fully satisfied and are up to standards (per Ramu’s case).” The position of the chief inspector is a statutory position. He has the ultimate authority by law to shut down a mining operation if he thinks that standards are not being met and that the safety of the workers are at risk. The decision of the chief inspector to shut a mine is totally independent and is not influenced by any person including his immediate boss, the managing director of MRA, the Minister nor the Industry. He is mandated by law to ensure there is strict compliance to the fullest.

He also conducts investigations into accidents and incidents occurring at work. All mining companies operation in PNG are required by law to report every little injury from a tiny razor cut to a finger up to death. “PNG is proudly one of the very few countries with a very high standard in safety requirements which is arguably far better than Australia,” the mining industry insider said. Meanwhile mining company Allied Gold have lodged an appeal to the MRA against the indefinte shutdown of the Simberi Gold mine in the New Ireland province. The company is claiming it was not advised of any breaches of its operating permits by government departments responsible for the mining sector. Simberi Gold Limited is confident mining operations on the island will resume soon. The company said it was hopeful negotiations with the MRA on the matter will be resolved in the near future.

Sinivit Wild Dog mine landowners urged to work together to share benefits

Source: The National 31.12.2009; By ELIZABETH VUVU

LANDOWNERS of the Sinivit Wild Dog mine area in East New Britain province have been urged to work together if they are keen to see tangible benefits reach their people. The in-fighting among traditional landowning groups have resulted in the lack of support from the mine developer and the provincial government since the mine commenced operations five years ago. Speaking at a reconciliation ceremony on Tuesday between landowners, the provincial government, Niugini Gold Limited (NGL) and Nakama Enterprise manager John Tarutia called on all leaders of the association and Uramat Landowning Group Company which includes Nakama, to stop working in isolation and for their own interests.

Mr Tarutia said the three leaders must think of the people and the way they had continued to miss out on services that could have been provided to them if leaders worked together. He said the problems hindering such development were not with the developer but the leaders of the Uramot-Baining landowners. NGL representative Paul Pora said the lifespan of the mine was five years and there were a lot of opportunities for the landowners to be involved and benefit.

Union President: Race riots could hurt LNG Post-Courier 31.12.2009

By CALDRON LAEPA

A possible riot against the Asians would jeopardise the two main LNG projects in the country. PNG Trade Union President Michael Malabag said this when stating the position of the unions in regards to the Asian riot. An anonymous sender of an email has been circulating to most NGO’s and civil society urging them to carry out a protest against Asian businesses in the country. Mr Malabag warned the public not to take part in the riot. He said that China and Japan were the biggest markets and who would be importing products from our LNG projects. Mr Malabag said we cannot assume that Asians owned all the shops in country because there are some national who leased out their premises.

He said at this stage of development the Asian markets would play a major in the export of LNG in the country and that the muting riot would reflect a very bad picture of the country. Mr Malabag said the union being a responsible entity would not join the riot. He said the Asian businessman also provided employment for locals and the muting riot would do nothing better than leave behind scares of a ruined infrastructure which would hard to replace. Mr Malabag said he called for an immediate investigation into the issue. He said there is a parliamentary committee already established to look into the matter and the public should await the recommendations made by the committee. “Let’s wait for the results from the committee then the public can view it and be judges of whatever recommendations or outcome has been made from the committee” Mr Malabag said. Mr Malabag called on the responsible authorities to clump out any illegal immigrants or employers in the country. He also called on responsible authorities to start implementing the cottage act.

Man dragged out of Public Motor Vehicle and slashed

Source: The National 31.12.2009; By JAMES APA GUMUNO
AN employee of Porgera Joint Venture, who was returning back from his field break to Porgera gold mine in the Enga province, was axed to death last Saturday at Muritaka in the Laiagam district. Assistant Police Commissioner and Highlands divisional commander Simon Kauba identified the deceased as Elai Siki, 34, from Suyan village near the Porgera station. Mr Kauba said Siki, who worked as a security guard at the mine, was returning from his field break after spending a few days with a friend in Wapenanmanda district. He said the deceased was travelling in a PMV last Saturday to Porgera when the bus came to a stop at a roadblock set up by the villagers at Muritaka.

He said for some reason, by-standers saw the deceased inside the bus and dragged him out and axed him to death. Mr Kauba said the barbaric killing shocked the other passengers. Some passengers even said prayers thinking that they were also going to be dragged out one by one and killed in the same manner. The passengers had in the back of their mind last month’s killing of five people at a roadblock at Liop village by villagers, also in the Laiagam district. They were allowed through after Siki was killed. Mr Kauba said 10 suspects allegedly involved in the killing were known to Wabag and Porgera police. The motive for the roadblock and the killing is unknown. He condemned the killing and appealed to the people in the Laiagam district not to set up illegal roadblocks on the highway and kill innocent travellers.

NEW IRELAND MINER PROTESTS ABRUPT CLOSURE

Allied Gold files suit against contractor

PORT MORESBY, Papua New Guinea (PNG Post-Courier, Dec. 30, 2009) – JUNIOR gold miner Allied Gold has appealed the decision of the chief inspector of mines to suspend operations at the company’s Simberi mine in New Ireland Province, Papua New Guinea. At the same time its local subsidiary, Simberi Gold Company Limited, has launched legal recovery action against contractor Intermet Engineering and a former director of that company Garry Thomas, for alleged breaches of contract. Allied is seeking damages of not less than AU$12 million [US$10.7 million] from Intermet. As far as the cease-work order is concerned, Allied Gold said it has received legal advice that the order is invalid and has lodged an appeal. Work at the Simberi mine including processing and mining operations have been temporarily suspended.

[*PIR editor’s note: The Simberi gold mine was shut down indefinitely following a stop work order issued by the Mineral Resource Authority’s (MRA) mines inspection branch last Dec 21. The order was issued following concerns raised over health, safety and welfare issues affecting local communities on the island as a result of the exploration and mining operations of the Simberi Gold Co Ltd. New Ireland, a province of Papua New Guinea, is a long narrow Island north of New Britain and the province also includes a number of islands off the north west end, the largest being New Hanover*.]

Allied Gold said in a statement that since the Simberi mine started operations, the company has not been advised by any government department that it was in breach of any of its operating permits and conditions, Allied Gold said. The company said it is optimistic that operations will resume soon. "The company will keep the market updated, however it is confident that through normal due process and negotiation the matter will be resolved satisfactorily and expediently, the company said. Intermet was contracted to design, procure and manage the construction of gold processing and related facilities for the Simberi oxide gold project.

Allied claims that "Intermet is in breach of the express and implied terms of the contract and Intermet and Garry Thomas have engaged in false, misleading and deceptive conduct," the company said. The firm is also seeking damages for contraventions of the Trade Practices Act, Fair Trading Act and damages. The Mineral Resources Authority (MRA) has claimed that a stop work order was issued before Christmas for safety, health and welfare reasons resulting in the suspension of mining and exploration activities of all Simberi Gold Company Ltd tenements on Simberi Island. The authority said the management was notified of serious threats to public safety, health and ivelihoods which were identified by deputy chief inspector of mines Lave Michael. "The stop work order will remain indefinitely until such time that Simberi Gold Company Ltd adequately addresses the issues outlined in the order letter to the satisfaction of the inspectorate," MRA said.

NEW IRELAND MINE SHUT OVER POLLUTION CONCERNS

Governor of the PNG province wants independent assessment

By Elizabeth Vuvu

PORT MORESBY, Papua New Guinea (The National, Dec. 29, 2009) – NEW Ireland Governor Sir Julius Chan wants the Simberi gold mine to stay shut until it has conformed to ecological requirements. He said a reputable international organization should assess the environment in and around the mine area instead of the Department of Environment and Conservation (DEC).

"My people have been treated with contempt and the provincial government will not take this any longer," he said. [PIR editor’s note: To the north east of mainland Papua New Guinea lies New Ireland Province. New Ireland is the long narrow Island north of New Britain and the province also includes a number of islands off the north west end, the largest being New Hanover. New Ireland is approximately 8,650 km² in area.]

Sir Julius took a swipe at DEC over its inaction to look into the mine's environmental concerns. The Simberi gold mine was shut down indefinitely following a stop work order issued by the Mineral Resource Authority's (MRA) mines inspection branch last Dec 21. The stop work order was issued following concerns raised over health, safety and welfare issues affecting local communities on the island as a result of the exploration and mining operations of the Simberi Gold Co Ltd. Sir Julius said he had raised the matter at the ministerial level with Mr. Benny Allan and has advised them about the people's health concerns.

Sir Julius said both the mining company and DEC had ignored the provincial government's position and "this could no longer be tolerated". He demanded that an independent and reputable overseas environmental entity be engaged to provide an independent assessment after which a report addressing the people's concerns should be produced. Sir Julius said his government would make its stand whether or not to reopen the mine based on the assessment.

PNG GAS PROJECT TO HALVE COST OF RIVAL PROJECT

InterOil estimates $2.6 billion; Exxon Mobile $5.6 billion

PORT MORESBY, Papua New Guinea (PNG Post-Courier, Dec. 29, 2009) – InterOil Corporation a Canadian energy company whose shares have risen more than fivefold in 2009, said it expects to build a Papua New Guinea liquefied natural gas (PNGLNG) venture at less than half the cost of a rival project. InterOil estimates its LNG development will cost between 5 billion kina [US$1.9 billion] and 7 billion kina [US$2.6 billion], compared with a 15 billion kina [US$5.6 billion] spending bill for the Exxon Mobil Corp.-led venture in Papua New Guinea, said Wayne Andrews, InterOil's vice president of capital markets. "We think we have an even more economic project than Exxon's because of the cost advantages we have in infrastructure," Andrews said in a telephone interview from St. Petersburg, Florida. The two ventures are among more than a dozen in Australia and the South Pacific nation seeking to meet Asian demand for cleaner-burning fuels.

Papua New Guinea (PNG) Government signed a deal approving InterOil's plan to construct an LNG plant, the company said in a statement late yesterday. Exxon and its partners, including Oil Search Ltd. and Santos Ltd., said Dec. 8 they had decided to proceed with their project. InterOil, which ended 2008 at US$13.75 a share, rose 4.7 per cent yesterday to US$75.87 in New York Stock Exchange composite trading. The Exxon and Oil Search PNG plan calls for capacity of 6.6 million tons of LNG a year, while InterOil proposes two processing units that could ship 8 million tons of the fuel annually. The agreement with Papua New Guinea allows for an expansion to as much as 10.6 million tons, InterOil said in yesterday's statement. The first LNG production is anticipated near the end of 2014 or in early 2015, it said. InterOil is committed to build jetties for delivering products overseas, roads and a camp for workers to support the proposed LNG development, Andrews said.

Various spin-offs from 2nd gas plan The National 28.12.2009

THE second liquefied natural gas (LNG) project will provide opportunities for PNG to participate in the full chain of the petroleum business, including shipping, gas-based industries and marketing. According to State-owned Petromin PNG Holdings Ltd, the project has provisions for domestic market obligations for third party access. "Therefore, the Elk/Antelope LNG project will give more value in terms of downstream processing businesses such as power generation and petrochemical industries," Petromin managing director Joshua Kalinoe said. Mr Kalinoe said this last Wednesday shortly after National Government and project developer InterOil Corp signed the project agreement officially concluding that PNG has now two LNG projects underway. He said it was his first association with the project agreement in his remaining days as Chief Secretary to Government in early 2007 where he chaired the first meeting on the first draft in Cairns, Australia.

Mr Kalinoe thanked InterOil's chief executive officer and chairman Phil Mulacek, executive director Christian Vinson, InterOil lawyers, Petroleum and Energy Minister William Duma, Acting Chief Secretary, Treasury Secretary, Petroleum and Energy Secretary, the State Solicitor (George Minjihau), and Petromin staff including Henry Leia of the gas facilitation office for making efforts to reach the agreement. Mr Kalinoe was particularly thankful to Prime Minister Sir Michael Somare. "Without his vision and dedication, we would not have any LNG project at all," he said of Sir Michael.

Mr Kalinoe revealed how Sir Michael worked the setting up of national vehicle company that would hold the State's equity as well as involve in exploration and development in the minerals and petroleum sector. "His vision was realised when Parliament created Petromin in early 2007 by enacting the Petromin PNG Holdings Limited Authorisation Act. "The signing ceremony marks the culmination of your dreams where Papua New Guineans are to fully participate in the development of their resources," he said. Mr Kalinoe also said Petromin, together with the project partners, sought the support of political leaders, the executive Government and the respective State entities to realise the second LNG project.

Editorial The National

PNG'S RUSH TO GAS PROFITS COULD BACKFIRE

PORT MORESBY, Papua New Guinea (Dec. 24, 2009) – BEFORE the ink is dry on Papua New Guinea's (PNG) first liquefied natural gas (LNG) project, the Government has signed the second LNG project into existence, just two days shy of Christmas. Is this the Government's Christmas present to PNG? Will two projects mean double the benefits? We think not. It seems, like the first project, all too rushed. The big question is: Why the big rush? PNG has never had a LNG project. It has no experience. The first project, promoted and managed by world LNG leader, ExxonMobil, has not yet begun construction. For all intent and purpose, although the agreement is in place, it is not a project until all the financial arrangements are finalized, until the construction is begun and completed. The first project was rushed "in record time" in the words of project manager Peter Graham in two years flat. In the end, to meet a Dec 8 deadline by the developer, the resource owners' concerns were bulldozed and the Government unashamedly became a co-conspirator in providing inducements to landowners in order to get them to sign the licence-based benefits sharing agreements (LBBSA).

Even so, one of the most important group, the Hela Tuguba – Hela's fourth son and custodian of the gigira laitebo, the fire in the ground at Hides – did not sign the LBBSA. They have chosen to go to court to press for their rights instead. It is uncertain what the outcome of the case will be. PNG does not know whether its Government has given away too much by way of concessions. Could the deal have been better? Could it have been done another way? Those are questions that can only be known after a project has been running for a while. Other questions beg answers. Will the State also be taking up its 22.5 percent equity option in this second project as well? If it does, what impact might that have on its debt situation? Will it not be overexposing itself considering that it has mortgaged all its shareholding in Oil Search to secure its interests in the first LNG?

Some supplementary legal and administrative arrangements pertaining to the first project might not even be in place. The ExxonMobil-led project intends to employ only 1,500 nationals out of 7,000 needed for the construction phase and, even then, skilled manpower for the national workforce requirement is not there. So where will staff for the second project come from? Will it not want to get involved in other aspects of the business which it has chosen to ignore in the first one – for instance ownership of the pipeline or in marketing the gas or in shipping? It is expected this second project will be an exact replica of the first one – in the interest of fairness. If it were to be different, particularly if the State were harsher with its conditions on this one than the first, would it not be unfair? If it gave too much to this one, would it also not be unfair on the first project?

In approving a second project, promoted by a competing group, it might well turn out that PNG's own LNG projects are competing for markets. Is that good? The PNG LNG project includes a 248km pipeline, much of which will penetrate previously undisturbed primary tropical forests with biodiversity of global significance. It is said that some 2,809ha will be cleared, including some 1,055ha of primary tropical forest. The pipeline will cross 26 major water crossings, 138 minor water crossings and will cross a 407km offshore pipeline. Nobody can tell what the impact will be on the environment as well as on the people who will be resettled. Most of the construction workers will be expatriates and mostly male. What impact that will have on the local communities, on existing infrastructure and services is unknown.

There are far too many questions, for which, we have too few answers. The answers can only come when PNG has had experience with the one project. There are questions about whether or not the exiting fiscal regime is really best for PNG, whether PNG could at the very least have considered revising the colonial regime that was imposed upon the country with a view to upgrade the law on ownership of resources, for instance, for this last major resource.
The National: *www.thenational.com.pg/*

GUADALCANAL LANDOWNERS OK PLANNED GOLD MINE

New Zealand investor agrees to improve roadway

By Davidson Kukutu
HONIARA, Solomon Islands (Solomon Star, Dec. 24, 2009) – PHEONIX International has moved another step towards the opening of its proposed alluvial gold mine in Central Guadalcanal. The New Zealand firm yesterday signed an agreement with landowners for the use of the existing Metapona-Koleasi road, which is currently inaccessible. Under the road access agreement, Pheonix promised to upgrade the road and tar sealed it. Pheonix local rep Dickson Ha'amori signed the agreement with landowner representatives. Mr Ha'amori told the landowners Pheonix's planned operation has been slowed down due to many challenges. He said land tenure system is one of the contributing factors. "About 80 percent of land is owned by locals and landowners play an important role in the progress of investors," he said. "Community solidatry, patience, and good management by landowners are three main factors needed for any investor to operate smoothly," Mr Ha'amori added. He said it is common that operations are usually disturbed when landowner representatives mismanage payments to other members of their tribe. He added cooperation with investors is important for any operation to progress.

Pheonix as already got a licence from the Government to carry out alluvial mining in parts of Central Guadalcanal. Deputy Premier of Guadalcanal Bradly Tovosia encourages the people to open their eyes and move forward. "We must support investors that want to support us," Mr Tovosia said. He also encourages people to use the benefit provided by the company wisely.
"The good and bad of the money you will receive depend on you, land owners" Mr Tovosia said.
Hokola Landowners Association chairman, Simon Tonavi said upgrading the road will help his community improving their living standard. "I some times find it difficult to work with my people because most of them are not formally educated," Mr Tonavi said. He added with Pheonix he hopes to see improved education in his community.

Besides, he wishes to see that the benefits derived from the company go to the landowners. "This road access will also enable people in Koleasi and neghbouring communities to transport their goods to the market. Mr Tonavi urges people from Guadalcanl to do away with their differences and work together for the bettement of all. Chief Martin Mangale said: "We have suffered for years because of no road". He urges his people to allow the road run through Koleasi. A traditional way of giving and accepting called "chupu" was conducted which saw the exchange of local goods between chiefs of Koleasi and Metapono. Pheonix provided $ 30,000 which was used in the chupu. *Solomon Star*

PNG APPROVES SECOND MAJOR GAS PROJECT

InterOil to recover natural gas in Gulf province

MELBOURNE, Australia (Radio Australia, Dec. 24, 2009) – Papua New Guinea has approved a second Liquefied Natural Gas project (LNG) that is set to generate revenue for the country over the next twenty to thirty years. The agreement for the LNG project was signed between the government and the developer, InterOil Corporation on Wednesday night. PNG's Petroleum and Energy Minister William in says both LNG projects will bring enormous benefits to the country.

Prime Minister Sir Michael Somare who witnessed the signing of the project agreement, says it's a Christmas gift for PNG to have two LNG projects. [PIR editor’s note: InterOil is to build a natural gas processing plant in PNG’s Gulf province while Exxon Mobil is setting up its operation in the Eastern Highlands region.] The developer, InterOil says it's confident of delivering the second LNG project. PNG's first LNG project is worth $US13 billion dollars and is led by ExxonMobil. It plans to ship its first LNG cargo by early 2014, while InterOil has set 2015 as its target date. Both LNG projects are targeting the Asian markets.
Radio Australia: *www.abc.net.au/ra*

Papua New Guinea not ready for LNG challenge, Prime Minister admits

Source: By ISAAC NICHOLAS National 23.12.2009
PRIME Minister Sir Michael Somare yesterday admitted PNG was not ready for the challenges the PNG LNG project was bringing. Addressing the staff of his department during a Christmas party, he said there were jobs this project was creating or bringing which the Government could not provide. “We have not trained our people for the projects which will require between 8,000 and 10, 000 workers,” Sir Michael said of the PNG LNG project, and the second one in the Gulf province. The Prime Minister said ExxonMobil had gone out and asked for 500 drivers to be provided for the project. “How do we get 500 drivers in a day?” He said the developer of the project was looking for the same number of mechanics, plumbers, welders and carpenters, giving exciting opportunities for Papua New Guineans.

Sir Michael said that he was also looking forward to witnessing the signing of the InterOil led LNG project that would take place today. Sir Michael said the first LNG project was going ahead with ExxonMobil and the result was expected to be seen around 2014 when so much money would be flowing into the country. “How can we plan to use these monies?” he asked. He said the Government was planning on setting up a sovereign fund to capture surplus revenue from the project so this can be used 50-60 years down the line when the resources were depleted.

Sir Michael said there were a lot of challenges in the next few years and now was the time to reconcile within the family unit for Christmas before tackling the challenges ahead. He gave a thumbs-up for the PNG Vision 2050, saying it sets the road-map in which the country will take in the next 40 years and called on public servants, including staff of the Prime Minister's Department and NEC to embrace and make the vision work. He said the challenge now was for the two major LNG project and other new mining operations coming on board that will need huge manpower. Sir Michael said with the new mining operations coming into production, a huge challenge on the manpower level in the country would be seen.

Prime Minister 'second LNG signing today' Post-Courier 23.12.2009

PRIME Minister Sir Michael Somare is excited that Papua New Guinea will see its second liquefied natural gas approved today (Wednesday). The project agreement for the InterOil led LNG project will be signed today between the State and operator InterOil. To the surprise of everyone that attended the National Executive Council office function yesterday, Sir Michael said PNG would have its second $US6.6 billion LNG project approved after little deliberation. "The country will be rich but we must plan how we can save this money," Sir Michael said. He said this was why the concept of a sovereign fund had been approved by the Government so that when the resources had been depleted, the people of PNG could benefit from savings for another 50 years.

InterOil recently announced the closing of the second stage of its acquistion of indirect participation interests (IPI) agreement held by a number of its investors. It paves the way for the company to acquire a total 4.8364 per cent in the Elk/Antelope field and in any future discoveries made as a result of the four exploration wells still to be drilled under the IPI agreement. The company said it had issued common shares in two tranches with a aggregate value of about $US62.9 million in exchange for these interests. InterOil indicated that the first tranche of shares are valued at $US22 million, while the second tranche of shares are estimated at a value of $US40.9 million. The company currently owns a direct interest of 74.1614 per cent in its exploration licenses.

Meanwhile, in another landmark agreement oil developers Esso Highlands Limite have announced the finalising of a sale purchse agreement between particpating partners of the PNG LNG project. The subsidiary of Exxon Mobil Corporation and operator of the PNG LNG Project, yesterday announced that a sale and purchase agreement has been finalised with Osaka Gas Co., Ltd. for the long-term sale and purchase of liquefied natural gas (LNG). The agreement is estimated to total about 1.5 million tonnes per annum (MTA) with the agreement being effective for a 20-year period. "We are pleased to have entered into this important agreement with a leading LNG customer in Japan and to have started a new relationship with Osaka Gas," said Ron Billings, vice president, LNG, ExxonMobil Gas and Power Marketing. "The PNG LNG project will provide a clean-burning supply of natural gas to help meet growing energy demand in Japan."

The PNG LNG co-venturers recently announced approval to proceed with the development of the project pending completion of all sales and purchase agreements with LNG customers and finalisation of financing arrangements with lenders. Participating interests include affiliates of Exxon Mobil Corporation (including Esso Highlands Limited as operator, 33.2 per cent). While Oil Search Limited (29.0 per cent) Independent Public Business Corporation (PNG Government, 16.6. percent), Santos Limited (13.5 percent), Nippon Oil Exploration (4.7 per cent), Mineral Resources Development Company (PNG landowners, 2.8 per cent) and Petromin PNG Holdings Limited (0.2 per cent).

Ramu workers to form union National 23.12.2009

NATIONAL employees of Ramu NiCo Ltd have applied for an industrial organisation known as the Ramu NiCo National Workers Union. The union's general secretary Anton Kentabul said the registrar had already approved their application and it should soon be publish for any objections. The Ramu Nickel project has local employees located at the Kurumbukari mine area, the Basamuk Refinery and the main country headquarter in Madang town. There are more than 500 national employed by the Ramu nickel project while at its construction stage. Mr Kentabul said labour unions remain a persistent and vital institution for workers to serve their economical, psychological and social needs as a vehicle for collective bargaining and to constitute structures for negotiation. He said it was important that bigger organisations with big number of employees employees needed to have their union so they could collaboratively bargain for better services and conditions like pay rise, overtime, localisation, promotions and other term and conditions deemed right for them.

Authority suspends Simberi gold mine **National 23.12.2009**

Source: By SHEILA LASIBORI

MINING and exploration activities at the Simberi gold mine in New Ireland province have been suspended on health, safety and welfare issues. Mineral Resources Authority (MRA) mines inspection branch temporarily closed the mine and issued a stop work order on Monday. The order covers all Simberi Gold Co Ltd tenements on Simberi Island. MRA said in a statement the order followed an inspection of the mine carried out by the Deputy Chief Inspector of Mines Lave Michael last Thursday during which serious threats to public safety, health and livelihood were identified after which the mine's management had been notified. "The stop work order will remain indefinitely until such time that Simberi Gold has adequately addressed the issues outlined in the order letter to the satisfaction of the inspectorate."

It is understood that MRA had advised the Department of Environment and Conservation (DEC) to carry out inspection (environment) at Simberi last year, but to date DEC has not done this. And about midday yesterday, the Simberi Mine Area Association (SMAA) publicly displayed customary "gorgor" and also placed barriers at certain facilities. According to acting SMAA chairman Vincent Maris, the company was to cease mining ore, hauling, laboratory processing, export of products, and prospecting in mine lease (ML) 136 Simberi Island. "The exceptions are company camp services and industrial services … these essential services for humanity reasons must continue," he said, adding the company should not tamper with the "gorgor" and other barriers at certain facilities.

Meanwhile, the SMAA trust has claimed the Simberi management did not welcome the review into the memorandum of agreement (MoA) as it alleged that a certain senior officer (named) was beefing up security and was also to bring into the country private Bulgarian army to deal with SMAA. SMAA community development facilitator Bernard Maris claimed the company has not made clear to MRA its development plans. "SMAA has clearly conveyed to the company that it is not going to entertain any pre-MoA discussion in areas where the company does not have any plans for commitment," he said. It is understood SMAA and its trust will be writing to MRA on their claims against the company. The mines inspectorate enforces and oversees compliance of health and safety standards in all mining operations in PNG under the Mining (Safety) Act and Regulation 1977.

ANGRY PNG MOB HOLDS PETROLEUM WORKER HOSTAGE

Demand audience with Energy Minister over compensation

By Patrick Talu
PORT MORESBY, Papua New Guinea (The National, Dec. 22, 2009) – In Papua New Guinea, disgruntled landowners from the multi-billion kina Liquefied Natural Gas (LNG) project in the Hela region held a staff of Petroleum and Energy Minister William Duma and grounded his car over outstanding memorandums of agreement (MoA) funds yesterday. The terrified staff, who was in the company of Komo-Margarima MP Francis Potape, was pulled out of his car by landowners, who demanded him to call Mr. Duma to come and address them at Vulupindi Haus, which houses Finance, Treasury and National Planning Departments. The landowners held Mr. Duma's officer hostage until the National Capital District (NCD) police intervened late in the afternoon.

Landowners representing Hides Petroleum Detention Licence (PDL1), Petroleum Retention Licence (PRL) 11 (Angore Block 1641), Moran PDL 5; Southeast Kope PDL 4, PRL 7 (Hides) and Juha, who have been waiting for two weeks, said if the Government failed to honour the commitment within three days, they had no option but return home and stop the project. They are demanding 300 million kina [US$111.3 million] they say is owed to them by the Government. "The Government, during the licence-based benefits sharing agreement (LBBSA) and Kokopo multi-billion dollar benefit sharing agreement (BSA), said they would deliver the commitments but they have lied to us," Anthony Hamoka, chairman for Keya ILG (Moran PDL 5), said.

But an insider from the Department of Petroleum and Energy (DPE) last night said that landowners from Hides PDL 1, Juha, Angore 2642 and Moran PRL 7 were not entitled to receive any funds. He said they would only receive money once the LNG project got underway, in accordance with the benefits sharing arrangement now in place.

Editorial PNG Post-Courier

PNG CHRISTMAS BRINGS PROSPECT OF PROSPERITY

PORT MORESBY, Papua New Guinea (Dec. 22, 2009) – SANTA Claus arrived in Papua New Guinea with bags full of money this Christmas with another liquefied natural gas project agreement set to be signed tomorrow. This will be another US$7 billion liquefied natural gas investment in the country following the agreement last month to invest up to US$15 billion on the ExxonMobil led PNG LNG project. The project agreement for the InterOil-led liquefied natural project will pave the way for the commercialization of the Elk/Antelope gas reserves discovered by InterOil. Acting Governor-General Dr. Allan Marat will first sign the deal at the Government House followed by the signing between InterOil and the State at the Parliament House. The agreement will then be registered with the Department of Petroleum and Energy.

Petroleum and Energy Minister William Duma will be among Government ministers officiating at the signing at Parliament House. The proposed LNG would be developed by InterOil and its joint venture partners including foundation partner Pacific LNG Operations Ltd. The project agreement to be signed today establishes the terms for commercializing and monetizing the Elk/Antelope natural gas resources. InterOil expects the natural gas produced will be treated at a conditioning plant in the Gulf Province and then transported to the proposed LNG plant site near the company's existing refinery at Napa Napa. InterOil anticipates the LNG plant will be designed to operate as a tolling facility, and that the LNG will be jointly marketed by the upstream owners on behalf of the joint venture.

Prime Minister Sir Michael Somare said recently the Government has had a long and successful partnership with InterOil, and "we are pleased to build on our relationship through this agreement". The strategic LNG project proposed by InterOil has the potential to provide significant benefits to the people of Papua New Guinea for years to come. The job creation, education and ancillary economic development opportunities that are expected to result from InterOil's project will be important contributors to ensuring Papua New Guinea's sustained prosperity well into the future.

Government to sign deal on second LNG project National 22.12.2009

THE National Government is set to sign the gas agreement for the second liquefied natural gas (LNG) project being developed by InterOil Corp. Acting Governor-General Dr Allan Marat will sign the deal tomorrow at 2pm at the Government House. Then at 3pm, InterOil and the State will sign at Parliament, and at 4pm the documents will be registered with Department of Petroleum and Energy (DPE). The agreement will pave the way for further development of the project. The National Executive Council (NEC) approved the project agreement in principle last Dec 10, just two days after project developers for the PNG LNG project led by ExxonMobil Corp gave the nod for the project to proceed starting with the construction phase next year.

Prime Minister Sir Michael Somare had announced the NEC decision. InterOil has already applied for petroleum retention licence (PRL), a first step to getting the petroleum development licence (PDL) for the Elk/Antelope fields in Wabo, Gulf province. The InterOil project targets a US$6 billion (K17 billion) two-train LNG facility, with each train capable of producing about four million tonnes of LNG per year. Petromin PNG Holdings Ltd is the State's nominee to participate in the project for State's 22.5% (2% for landowners) interest.

Church vital in LNG deal letter to the editor Post-Courier 21.12.2009

I would like to thank a viewpoint writer in the Post-Courier. The LNG project is a blessing from God, who created everything that is in the universe. The LNG project is one of the thousands of blessings we receive freely from God. Secondly, I would like him to understand the following facts:
* The people must act sensibly, responsibly and understandably towards the LNG project. Respect is needed.

* Every action has effects whether good or evil. People reap what they sow. If people like you and others, whether you are employees, landowners, shareholders in LNG project, act positively and in accordance with the Mining Acts, law and company's regulation. The church is there and so is LNG. If you forget about the church and offer to LNG project. If God has given us this project, then give what is his.

P Puspate

Ok Tedi set to close in 2013 Post-Courier 17.12.2009

By ERIC TAPAKAU
AFTER producing 3.8 million tonnes of copper, 11 million ounces of gold added to millions of tonnes of silver, the Ok Tedi mine is finally preparing to close down by 2013. These equate to K13 billion over 25 years to the National Government, the Fly River Provincial Government and the rest of Papua New Guinea in the form of taxes, royalties, dividends, compensation and wages. In the last 24 years, the National Government received K6 billion while the Fly River Provincial Government received K1.5 billion while the balance was paid in other forms mostly to the landowners and the rest of Papua New Guinea.

Mine closure plan manager with the company Shannon McKenzie told stakeholders on Tuesday during the presentation of the 2009 mine closure plan to the Government that the company would make available more money to ensure the mine closure plan was implemented in an effective manner and landowners would be aware of what was happening with the process up to 2013. He said yesterday marked a major milestone for the company as it presented its closure plan but further challenges were ahead and the team would not rest on their laurels. Mr McKenzie said the mine closure plan was not an individual report by the company but it involved stakeholders from the National Government and landowners who were heavily involved in coming up with the final report.

Managing director Alan Breen said that OTML had started a feasibility study of a possible extension of the mine life from 2013 to 2020. "This work will be completed before the end of 2010. In addition, PNG Sustainable Development Program Ltd is conducting studies on the future use of Tabubil and related mine infrastructure in the cases of both mine closure in 2013 and transition to a smaller mine after 2013," Mr Breen said. "This work may lead to a more attractive alternative for Tabubil than the base case presented in the 2009 (mine closure) Plan." He said any changes from the feasibility study would trigger an update of the plan and Mr Breen added that there was a genuine opportunity to realise continued benefits from the ongoing operation of the mine. "The decision to continue will not rely entirely on benefits and the assessment of environmental impacts will be a crucial part of the decision making process for communities, governments and the company," he said.

PNG LNG to bring in winds of change! . . . Post-Courier 17.12.2009
By ERIC TAPAKAU

FOR sure the PNG LNG project will bring massive benefits to the landowners of four provinces that will be directly affected by the project. The grass huts will be gone and replaced by high covenant houses and the dusty roads will be upgraded to international standards and massive planes will start landing on the new international airport at Komo. These are all new to the people who have lived most of their lives in their villages. The $US16.4 billion project is finally a goer after co-venturers including operator Esso Highlands Limited, a subsidiary of the world's largest energy company ExxonMobil put pen to paper approving the financial commitments for the project. For the simple villagers, the transformation at the village level will be a big shock as some of their hamlets will be transformed in the next five years to industrialised zones.

Over the last four weeks, differing statements have been made by chiefs that own the land the PNG LNG Project will transform. In a society where pigs, land and women are all highly valued, trying to negotiate is tough as they will always try to get the best out of what they are giving away and this was proven during the LBBSA forums. These chiefs have lived in their villages most of their lives and they still treasure the stories that were told decades ago by their forefathers that one day they will give their fire beneath their land to a man with hair like that of the silk of a corn and that man will use the fire to light up the world. What was told years ago was fulfilled over the four weeks of licence based benefits sharing agreement (LBBSA) forums where landowners including those from Hides – 4 and Petroleum Development Licence – 1 agreed to share their benefits and allow the gas to flow.

Now that man with silky hair has given his approval to receive the gas and we are all waiting to see the same man take that gas to light up the world, in this case sell to customers in China, Japan, Taiwan and elsewhere where they will use PNG gas to fire up their industries. “We have our own traditional ways of living and what will definitely change our lives,” said Hengi Tandape from the Hiwa clan, speaking in Tok Pisin. But he wanted benefits to be shared properly and ensure the chiefs that lived with the traditional stories benefited as well from their gas. Unfortunately, many of these chiefs may not be around for the next 40 years and in signing on the agreements, they have made sure that their children benefited from benefits from the project. But the decision to give away he gas would bring huge benefits for the children, he said.

Big boost for our LNG Post-Courier 17.12.2009

By ERIC TAPAKAU

THE Papua New Guinea LNG Project has secured a massive $US14 billion in funding which will be more than enough to meet the estimated $US13 billion of debt required for the project, on an agreed 70 per cent gearing basis. Partner in the $USI6.4 billion liquefied natural gas project, Oil Search Limited said this yesterday. The company said that it was pleased to announce that the loan agreement had been signed in New York on Tuesday. The lenders to the PNG LNG project signed the various financing documents that make up the PNG LNG project financing.

The financing has been led by $US8.3 billion of commitments from key export credit agencies (ECAs), including US Exim, JBIC and NEXI from Japan, China Exim, SACE from Italy and EFIC from Australia. In addition to the ECAs, the financing also includes $US1.95 billion of uncovered commitments from a syndicate of 17 commercial banks (without ECA cover or Political Risk Insurance) and $US3.75 billion of co-lending from ExxonMobil. Following formal commitments from lenders, all parties will move quickly to clear the remaining conditions precedent to first drawdown, with financial close targeted by mid February 2010. The Export-Import Bank of the United States (Ex-Im Bank) is reported to have approved the largest financing transaction in its 75-year history - $US3 billion to support US exports for a liquefied natural gas (LNG) project in the PNG.

It has been reported that there will be workers from over 55 US companies that will provide goods and services for the LNG project. Ex-Im Bank, the official export credit agency of the United States (ECA), five other ECAs and 17 commercial banks will provide financing for the project. The total project costs of the ExxonMobil LNG project are estimated to be $US18.3 billion. The project has the potential to double the gross domestic product of Papua New Guinea. “Our approval of this project is yet another demonstration of how Ex-Im Bank is achieving its mission to provide financing for U.S. exports” said Ex-Im Bank Chairman and President Fred P. Hochberg. He said the company aims to support US export-related jobs, by supplementing what commercial lenders are able to provide.

U.S. BANK OKS $3 BILLION FINANCING FOR PNG PROJECT

Transaction is biggest in US Export-Import Bank's history

PORT MORESBY, Papua New Guinea (The National, Dec. 17, 2009) – In Papua New Guinea, the US Export-Import Bank (Ex-Im Bank) has approved the largest financing transaction in its 75-year history amounting to 8 billion kina [US$3 billion] to support US exports for the Papua New Guinea liquefied natural gas (PNGLNG) project. Workers at more than 55 US companies will provide goods and services to the project. Ex-Im Bank, the official US export credit agency (ECA), five other ECAs and 17 commercial banks would provide financing for the project. Total project costs are estimated to be 49.59 billion kina [US$18.3 billion].

The project has the potential to double the gross domestic product of Papua New Guinea (PNG). "Our approval of this project is yet another demonstration of how Ex-Im Bank is achieving its mission to provide financing for US exports, and supporting US export-related jobs, by supplementing what commercial lenders are able or willing to provide," Ex-Im Bank chairman and president Fred P Hochberg. The ECAs and commercial lenders involved in financing the project conducted extensive research into the potential impacts of the project. The resulting study found that the production and export of LNG from this project would represent a net reduction in global greenhouse gas emissions compared to the case where customers were to meet their energy requirements by coal, fuel oil or diesel commonly used in the regional market, even though the project would add to PNG's total emissions of greenhouse gases.

At the ceremony announcing the investment, Prime Minister Sir Michael Somare said: "ExxonMobil and our other private sector development partners have shown significant confidence in our nation. "Co-operation between the public and private sectors will create value for the PNG society as a whole and grow our economy in the future." The project would involve development of upstream natural gas fields, a 692km onshore and offshore pipeline, a 6.3 million metric-tonnes-per-year liquefaction plant near Port Moresby, and marine facilities from which the LNG would be shipped to overseas buyers. The project would sell the LNG in the large Asia-Pacific market.

Governor-General seals guarantee agreement for LNG project

National 17.12.2009

GOVERNOR-General Sir Paulias Matane yesterday signed the States Guarantee Agreement for the PNG LNG project. The signing, held at Government House yesterday, was for the States Guarantees, the Mineral Resources Development Company (MRDC), Independent Public Business Corporation and Petromin's participation in the PNG LNG project. The agreements, which give legal clearance for the LNG project, were signed by Sam Inguba (Petromin), Treasury secretary Simon Tosali, Moses Koiri (IPBC) and Joyce Agaru (MRDC).

An industry source said the State was guaranteeing the respective obligations of MRDC, Petromin (via Kumul LNG Ltd) and IPBC (via Kroton No.2 Ltd) in respect of the PNG LNG financing. The source said "none of the said parties are providing security for the financing". "Security is being provided through State Guarantee which was approved by NEC last week." Kroton No. 2 Ltd is the arm of IPBC that will hold the State's 19.4% equity in the LNG project.

PNG'S OK TEDI GOLD MINE FILES CLOSURE PLAN

$227 million for environmental rehabilitation

By Sharon Barnabas

PORT MORESBY, Papua New Guinea (The National, Dec. 16, 2009) - OK Tedi Mining Ltd (OTML) submitted its detailed mine closure plan to the State through the Mineral Resources Authority (MRA) in Port Moresby, Papua New Guinea yesterday. The plan was required under section 4.3(b) of the Mine Closure and Decommissioning Code 2001for OTML to submit to the Department of Mining and Department of Environment and Conservation (DEC), four years prior to the cessation of commercial production. OTML managing director Alan Breen, when presenting the plan to the State and other stakeholders, said: "Under the current plan, the mine ceases operations in 2013 and so the plan is due."

"It has been in waiting for 18 months and this is a milestone achievement to hand it over to the State to peruse and approve by June 2010 in accordance with the code," he said. "The 2009 plan supersedes and also differs from the three previous plans that were submitted in 2002, 2004 and 2006 as it presents consolidated plans for all operational areas." It is made up of four volumes containing detailed activities and cost information regarding decommissioning and rehabilitation plans estimated at US$227 million (615.18 million kina) for the Financial Assurance Fund (FAF) which increased from US$120 million (325.20 million kina) from the 2006 plan. The 2009 estimate also includes a specific provision of US$39 million (105 million kina) to support up to 30 years of riverine and social monitoring.

PNG LANDOWNERS TO UNITE OVER MINING PUSH

Federation in offing to protect property rights

By Mohammad Bashir
PORT MORESBY, Papua New Guinea (PNG Post-Courier, Dec. 16, 2009) - A national federation of land and resource owners will be formed this Saturday at the Granville Motel to give more teeth to review the Mining, Oil and Gas Acts in Papua New Guinea. All land and resource owners leaders are expected to converge at the meeting from across the country to form a national federation that will spearhead reforms in government policy by way of legislative review on property rights to land and resources. The federation is expected to back the controversial "Kondra amendment" to the Mining Act 1992 and the Oil and Gas Act 1998. The move is a culmination of what transpired from the resource owners' chairmen's meeting in September at the Coast Watchers hotel in Madang.

At that Madang meeting, it was resolved that a united umbrella organization should be formed to address all mining, oil and forest resources that will deal with land and resource ownership issues with stakeholders to achieve equitable benefits in resource extractions. The landowner's national federation will appoint its executives to carry out the task of reviewing the relevant laws dealing with land and natural resources including the principle Land Act and related laws. This will be in relation to all commercial activities such as mining, quarrying, oil and gas extraction, forest harvesting, fisheries and marines, farming, water resources, agricultural leases, and urban leases in relation to acquisition of land by foreigners. The federation will forecast and emphasize strongly to restore property rights of land and resources to customary landowners. Member for Fly and Deputy governor Boka Kondra said the Madang meeting also resolved that the "Kondra Amendments" be passed by Parliament at its first opportunity of debate or face a closure on all mining, oil and gas activities.

Mine operations suffer National 16.12.2009

Source: By ANDREW ALPHONSE in TARI
OPERATIONS of the giant Porgera gold mine in Enga province have now been affected for nearly two weeks, after locals felled eight power pylons, cutting electricity supply to Porgera from the Hides gas power plant. Porgera Joint Venture (PJV) partner Barrick (PNG) Ltd, operator of the gold mine, raised concern yesterday that power supply to the mine has been seriously affected after the pylons were felled in Tari last week. A PJV source in Tari yesterday confirmed that three more pylons were felled over the weekend, bringing to eight the total number of pylons felled.

The source said locals had vented their frustration at being left out of the PNG LNG project benefits at the conclusion of the licence-based benefits sharing agreement (LBBSA) forums for the Hides gas project last week. The PJV source said one suspect was arrested last week for vandalising the pylons and he was behind bars at the Tari police station cells. The source said PJV used a huge Heli-Niugini helicopter to carry out repairs on the pylons in the last two weeks but had not been successful due to bad weather and other technical difficulties associated with re-erecting the pylons. A Tari police source yesterday confirmed that eight pylons had been felled.

Police said the people used steel saw blades to cut down the pylons. A Government source said the felling of the pylons was now a matter of national security. The source said the Government was seriously looking at arresting renegade landowner leaders and failed politicians from the Hela region who were allegedly supporting the people to fell the pylons. Police in Tari said they were treating the felling of pylons as a criminal matter and would pursue the offenders with the assistance of the PJV. The pylons were felled at Hayapuga and Mt Vi in Tagali LLG area in Tari district.

PNG TO BECOME SECOND LARGEST GAS PRODUCER

Three major natural gas projects in offing

By Eric Tapakau
PORT MORESBY, Papua New Guinea (PNG Post-Courier, Dec. 14, 2009) - PAPUA New Guinea is set to become the second largest Liquefied Natural Gas producer in the Asia - Pacific region after Australia with three liquefied natural gas projects in the pipeline, According to Bloomberg, Papua New Guinea may produce up to 15 million metric tonnes of the fuel almost enough to supply Taiwan and India based on 2008 demand. ExxonMobil recently announced a final investment decision for its Papua New Guinea Liquefied Natural Gas (PNG LNG) project while the National Executive Council also gave its thumbs up for another LNG project being spearheaded by Canadian InterOil Corporation.

Another Canadian energy company Talisman Energy is eyeing another LNG project in the Papuan Basin. Tony Regan, a consultant at Tri-Zen International Ltd. in Singapore told Bloomberg that Australia and Papua New Guinea are building a slew of LNG plants to tap into the demand in the Asia-Pacific. The projects aim to produce more cleaner-burning fuel to reduce carbon emissions. Imports by China and India rose in 2009 by 53 percent and 23 percent, respectively, said a report by Sanford C. Bernstein & Co. "Papua New Guinea has always been regarded as highly gas prospective but the challenges to developing the resources have been seen as daunting," Mr. Regan, a former employee with Royal Dutch Shell Plc, said. "It has the potential to become the second-largest LNG producer in Asia-Pacific." Malaysia is the biggest LNG producer in Asia-Pacific followed by Indonesia, Australia and Brunei, according to BP Plc statistics.

Global demand for the fuel will grow 17 percent in 2010 to 9,765 billion cubic feet compared with an estimated 7.5 percent increase in 2009 as new import terminals began operating in China, India, the U.K, Kuwait, Brazil, Argentina and Canada, Bernstein said in the report. Interoil rose 7.6 percent on Friday after receiving Government approval for the US$7 billion project. According to Bloomberg, Talisman plans to develop gas deposits in the Foreland and liquefy the gas in a shore-based or floating terminal to produce as much as 3.5 million tons per year after 2014, the report said.

Clans gear up for Milne Bay gold Post-Courier 14.12.2009

By ALFRED KANINIBA
DUGUBEKU Mining, a local landowner company, is putting a proposal into place for a middle stage gold mining project to take place in the Dawawa/ Kanasi mountains in Milne Bay Province. Dugubeku managing director and spokesman Harrison Jeffery said his landowner company which has 30 clans under its wing in the Dawawa /Kanasi area of Rabaraba District is registered with the Investment Promotion Authority. Mr Jeffery said the gold project would require a substantial amount of money to start up and operate the project but would not disclose the amount.

Mr Jeffery said he would be having a final meeting with all 30 clan groups from the area next month before putting a business plan together to submit to IPA who are already seeking a joint venture partner for this middle scale mining project. “The Investment Promotion Authority will be looking for a suitable joint venture partner for this project because it is a unique project,” Mr Jeffery said. He said because of the rough terrain, they would be looking for a joint venture company who would be able to provide drilling technology to extract the high concentration of gold in the project area. Mr Jeffery said an open cut mine could not be recommended as it would cause too much environmental damage to the river system in the area and would affect the lives of people who depended on the river system for their livelihood.

Mr Jeffery said apart from the 30 clans in the inland Dawawa/Kanasi area he was also looking to involve all coastal clans from Divari village in Bartle Bay in the east, to Boianai in the west.
He said a person had already been assigned to identify clans structures for these coastal areas to be included in the final proposal to be given to the Investment Promotion Authority. Mr Jeffery has also called on all the 30 clan leaders of Dawawa/Kanasi of which 18 are from Dawawa and 12 from Kanasi to organise themselves and register their clan groups to be recognised. The company anticipates the gold mine project will begin as soon as preliminary testing in the proposed site is complete.

Editorial
FUTURE ROSY FOR GAS-RICH PAPUA NEW GUINEA

PORT MORESBY, Papua New Guinea (PNG Post-Courier Dec.11, 2009) – IT’S been a mammoth week for business in Papua New Guinea (PNG) with the approval of the huge ExxonMobil project and the lesser known, potentially important InterOil venture. The first-named is estimated to cost about AU$16 billion [US$14.6 billion] to construct and get up and running. It has dominated the stage in the current PNG political-economic scene for many months and will probably continue that way. But the InterOil venture, while less certain in some aspects, has the potential to be a valuable adjunct on the oil and gas scene for the nation.

InterOil has told the world of its world-beating signs of resource but is still working to prove it up and to work out the total resource at its disposal. When that is done, the total picture for the nation could be very rosy indeed. There has been a lot of behind-the-scenes lobbying and InterOil has complained bitterly about being shunted around while ExxonMobil has had the ear of the Government and, apparently, favoured treatment. Petromin PNG Holdings Ltd, the Government’s own investment vehicle for this industry, has had to be satisfied with its lesser role after an initial "brawl’’ over its role within the Government umbrella.

The lobbying and power plays at Waigani, with sorties out to Australia, to Europe and the Middle East by key players, has been hard to keep up with. The so-called "kitchen Cabinet’’ has had its way, largely, with the financing of the Government’s equity in the ExxonMobil venture and with the handling of the landowner negotiations. The quick approval of the InterOil deal so soon after the ExxonMobil proposal was signed is, observers predict, a sign that the Prime Minister Sir Michael Somare was ensuring a level playing field for the two operations.

Perhaps it was a case of "you can’t have one without the other’’. The end result has to be a win-win for the nation. There will be many thousands of people employed on the construction phase of both projects and the skilling of so many people can only add greatly to the employment "bank’’ of the country. Our major worry is with the Labour and Employment Department being able to keep up with the demands of vetting the flows of local and expatriate workers.

BOUGAINVILLE VILLAGERS SKIRMISH WITH ARMED BAND

Notorious Musingku gang occupies gold mine
By Jacob Potoura

PORT MORESBY, Papua New Guinea (PNG Post-Courier, Dec. 11, 2009) – THE move by Damien Koike's armed group to steal gold at the Sinimi gold mining site in Wisai-Bougainville, Papua New Guinea, has stemmed serious fighting between members of the Wisai Liberation Movement (WILMO). Koike and his men, alleged to be Noah Musingku's men from Tonu, have put up bunkers within the perimeter of the mine despite last week's shooting of three of their men by members of WILMO.

[*PIR editor's note: Noah Musingku, whose "U-Vistract" pyramid scheme bilked millions of dollars out of Pacific investors, has long been a fugitive from the law in Papua New Guinea and the Solomon Islands. But despite outstanding warrants for his arrest, Musingku was able to set operations in Bougainville, with armed followers in 2008. PNG authorities have since failed to apprehend him.*]

Commander for Wisai Liberation Movement Philip Pusua said the Sinimi alluvial gold mining site was held by 40 armed men and civilians mainly young and old men from Mogoroi village. He said that the Koike's Me'ekamui faction did not have customs and respect for other people's properties. He said the Wisai people were defending themselves because they were provoked on their own land by armed criminals who did not respect lives and properties. "The issue in Wisai is not peace but guns in criminals' hands. This is because the Wisai people remain in their respective boundaries and were already living in peace but the so called Me'ekamui elements are leaving their villages and moving in with their guns to kill us and to claim our land."

Mr. Pusua further said that the Wisai conflict had become more like a natural disaster but no one has yet come up with a lasting solution. "The conflict has taken two years now and the government has not been doing anything to seriously address the issue despite our pleas to establish a Police post and to provide security to our people in the Wisai area." "It is the Government's constitutional duty to protect its people and their properties from criminals," he said. Mr. Pusua said the Wisai conflict must not be termed as a minor problem manipulated by small people but a law and order problem for Bougainville as continued ignorance and negligence from higher level would severely affect the future for Bougainville. He said that Bougainville would go through referendum in a few years time and the Autonomous Bougainville Government (ABG) should come up with a tough weapons disposal plan to solve the situation once and for all.

SECOND GAS PROJECT APPROVED IN PAPUA NEW GUINEA

InterOil Corp.plans $6 billion operation in Gulf province

PORT MORESBY, Papua New Guinea (The National, Dec. 11, 2009) – In Papua New Guinea, the National Executive Council (NEC) has approved the project agreement for the second liquefied natural gas (LNG) project being developed by InterOil Corp. Prime Minister Sir Michael Somare yesterday announced the Cabinet decision, two days after the ExxonMobil-led 42 billion kina [US$15.5 billion] Papua New Guinea Liquefied Natural Gas (PNG LNG) project was approved to proceed with production of about 6.6 million tonnes of LNG a year. The NEC approval means InterOil can now embark on capital raising drive and proceed with expenditure needed to further the LNG project at its Elk/Antelope fields in Wabo, Gulf province. It has already applied for petroleum retention licence (PRL), a first step to getting the petroleum development licence (PDL).

InterOil said the LNG project targeted a 17 billion kina [US$6.3 billion] two train LNG facility, with each train capable of producing about four million tonnes of LNG per year. Sir Michael said: "The InterOil led project will contribute significantly to the economic prosperity of the Gulf province and PNG in general. "I am very pleased that Cabinet has given InterOil and Petromin the green light to develop a second LNG project for the country after two years of detailed negotiations between the State and the project developer. "The project agreement offers the same fiscal and regulatory benefits to that approved for the PNG LNG project. "This is a significant milestone for Papua New Guinea to have two LNG projects that will gainfully add value to the development of country and its people," he said, adding the country would be transformed even further with the prospects of a third LNG project, led by Talisman Ltd. "I commend everyone that has worked tirelessly to bring to completion this project agreement," Sir Michael said.

Petromin PNG Holdings Ltd, the State's nominee to participate in the project for the 22.5 percent (2 percent for landowners) State equity, has commended the Government for making strategic investment decisions for the benefit of the country this week. Managing director Joshua Kalinoe said the approval meant Petromin and InterOil would now start the project implementation process. "The Government has taken a very mature and strategic approach in handling the two projects which set the foundation for a positive development outcome for the future," Mr. Kalinoe said. Petromin and InterOil would continue the drilling programme to determine the full extent of the field which has indicated presence of liquids, including oil. Last March 2 at Antelope-1 InterOil flared a world record 382 million cubic feet of gas per day (mmcfpd) of gas and on Dec 1 flared 705 mmcfpd claiming another world record. It is developing its proposed Antelope-3.

Petrochemical industry is next goal, says Agiru National 11.12.2009

DEVELOPING a petrochemical industry is the next goal for Southern Highlands Governor Anderson Agiru, now that the PNG LNG project has been approved. "That's my next target. My vision was achieved on Dec 8. I'm a satisfied man and I thank ExxonMobil and Oil Search, and the State team led by ministers William Duma and Arthur Somare. "Now I'll dedicate the next 10 years working on developing a petrochemical industry, starting with LPG," he said.

LPG is the byproduct of LNG, after the wet gas is stripped. Since the PNG to Queensland gas pipeline project was mooted, Mr Agiru had consistently campaigned for an LNG plant to be built on shore, rather than piping the gas to Queensland. He believed the country would benefit more when the gas was processed in-country. He fully backed Oil Search and ExxonMobil when the PNG to Queensland pipeline project was abandoned, and the LNG project was pursued. PNG would have been a passive player, and gained less financially, had the Queensland pipeline project gone ahead. "The pricing today is much better. The price of gas is around US$8.45/mmbtu which is better than the US$3.60/mmbtu that we would have got.

"The sale price concluded with customers is in the double digits, so we are much better off," he said. Meanwhile, Mr Agiru said Enga province, the brother of Hela, would not miss out on benefits. At the just concluded licence-based benefits sharing agreement forums, Mr Agiru ensured that Enga provincial hospital would be built as part of the agreement. Also to be built would be a road linking Tari to Porgera, Kandep, into Laiagam and Wabag and Wapenamanda. Enga leaders were invited to the umbrella BSA in Kokopo and the LBBSA forums, but they did not attend. "Despite their absence, I can assure the people of Enga that we will deliver these projects," Mr Agiru said.

JAPAN FIRM WINS $4.5 BILLION PNG GAS CONTRACT

Chiyoda Corp. to design, build natural gas plant

By Yehiura Hriehwazi

PORT MORESBY, Papua New Guinea (The National, Dec. 10, 2009) - ONE of world's top engineering firms in gas processing plants, Chiyoda Corp of Japan, has won the leading job of designing and building production equipment for the Papua NewGuinea liquefied natural gas (LNG) project, it was reported yesterday. The contract is worth US$4.53 billion (12 billion kina) and would be undertaken together with another Japanese firm, Japan Gasoline Company (JGC) Corp. The deal was disclosed yesterday by Japanese news agency, Nikkei English News, a day after the Exxon Mobil led team of joint-venturers signed on the final investment decision (FID) paving the way for construction to begin as soon as all the financing arrangements were concluded.
Esso Highlands Ltd, a subsidiary of Exxon Mobil Corp and operator of the PNG LNG project yesterday announced the approved engineering, procurement and construction contracts for the project, pending completion of the project sales and purchase agreements with LNG buyers and finalization of financing arrangements with lenders.

In a statement Esso stated that the approved contracts include:
Chiyoda Corp and JGC Corp for the 6.6 million tonnes per year LNG plant including facilities for processing and treating natural gas, liquefaction, storage and loading; A joint venture between CBI and Clough for the Hides gas conditioning plant; SPIECAPAG for onshore pipelines and infrastructure; Saipem for the offshore pipeline; and a joint venture between McConnell Dowell Constructors and Consolidated Contractors Group Offshore for support infrastructure. Esso Highlands Ltd has 33.2 percent stake in the project as developer with JV partners; Oil Search Ltd 29 percent, Independent Public Business Corp (Papua New Guinea Government, 19.6 percent (Papua New Guinea landowners through Mineral Resources Development Co. 2.8 percent, and Petromin Papua New Guinea Holdings Ltd's Eda Oil Ltd 0.2 percent); Santos 13.5 percent; and Nippon Oil 4.7 percent.

Esso Highlands managing director Peter Graham said at the final investment decision on signing on Tuesday that sales and purchase agreements and financing arrangements with lenders were expected to be completed early next year. He said the project expected to release information shortly regarding approval of engineering, procurement and construction contracts. The Nikkei report said the Chiyoda and JGC Corp won an order worth about 400 billion yen (12 billion kina), [US$4.5 billion] in the LNG project outside Port Moresby. The Japanese companies would build two production lines, each capable of making 3.3 million tonnes of LNG a year, it reported, stating the contract was expected to have been signed as early as yesterday and construction was scheduled to be completed in 2013.

AUSTRALIA CAUTIOUS ON NEW PNG GAS DEVELOPMENT

Hopes new revenues will end country's reliance on donors

MELBOURNE, Australia (Radio Australia, Dec. 9, 2009) – Australia says there are risks for Papua New Guinea in handling the windfall expected from a multi-billion dollar Liquefied Natural Gas project that's now been given the go-ahead. The venture partners agreed to proceed with the project on Tuesday to pipe Liquefied Natural Gas (LNG) 600 kilometres from PNG's highlands to Port Moresby for export to Asia.

LNG revenues are expected to boost PNG's gross domestic product by three percent, fuelling concern about inflation and the proper management of the money. Australia has extended a US$500 million loan to Port Moresby for the project's start-up on condition that revenues go into a transparent new fund for economic development. Trade minister Simon Crean says Australia wants to work with PNG to manage the risks. "We hope that the revenues that come from this will mean going into the future they won't require the same dependence on aid from Australia to keep going," he said.

Meanwhile, two Australian companies have secured contracts associated with the LNG project in PNG. The operator Esso Highlands says Australian engineering and construction company Clough will be part of a joint venture that will build a gas conditioning plant. Another Australian company, McConell Dowell Constructors will be involved in a joint venture to provide support infrastructure.

The Post-Courier Says: LNG, set to fire up for PNG! Post-Courier 9.12.2009

LNG, it's going to be a big blast for the national economy and for every person who lives in Papua New Guinea. While the champagne corks are being popped in PNG and foreign boardrooms to signal the official go-ahead for the $16 billion liquefied gas deal, there are thousands of people copying their CVs and resumes in preparation for the onslaught of jobs to make the project work. Already business managers in Port Moresby and other localities are factoring in the side effects of this huge development. Employment wise, the likely packages offered to skilled Papua New Guineans to work on the LNG project are expected to tip the local jobs scene upside down. People with the skills sought by the construction companies will be snapped up. That means existing employers in public and private sectors will have to go out and recruit and train people to replace them. And, to keep them happy so they, in turn, do not "abscond'' to the LNG project.

Next to feel the effects of the project? The heads of households, as they see the costs of imported goods going up. With all those imported materials and machines to be brought in, plus the big salaries of the managers and skilled technicians, there is bound to be a spike in inflationary pressures. The end result is likely to be a higher cost of living, especially for those wholly or mostly dependent on imported goods. These are the things that politicians, feeling rosey about their efforts for the national good, do not always pay much attention to. After all, not many of them live in Morata, Tokarara or Hanuabada, where the pressures of feeding a large family are relenting and unforgiving. With three to four years to go before the project starts churning out export revenue, there will be a lot happening on and near Port Moresby and up in the Highlands where the raw product is to come from.

It seems like all the parties involved are on side with the project aims and aspirations, they can see the potential for a mighty leap in development for individuals, for families, villages and companies. An important aspect not to be overlooked is the quality of life, as well as the quantity side. This is where the ministers for Community Development, Labour, Lands, Sport and Environment should be regarded as just important as Treasury and Finance and Petroleum. Keep it in mind, leaders.

It´s a goer National 9.12.2009

Source: By BARNABAS ORERE PONDROS

THE US$15 billion (K42 billion) PNG LNG project, the biggest resource development ever undertaken in Papua New Guinea, has been given the green light by the operator Esso Highlands Ltd. The company, a subsidiary of ExxonMobil Corp, and its partners yesterday made the announcement to proceed with the development of the project. The announcement made headlines around the globe from Sydney to Wall Street in New York and across the Asia-Pacific region. ExxonMobil vice-president Jack Williams Jr flew in from Houston, Texas, to make the announcement in Port Moresby. "I am pleased to announce that we will proceed with the project," he said. He made the declaration just after 2pm, in the presence of project partners, LNG customers and senior Government ministers and departmental heads.

The project has made good progress to date and the challenge at hand is to deliver first gas by 2014, despite extending several financing deadlines. The project will have the capacity to produce 6.6 million tonnes of LNG a year and has the potential to transform PNG's economy by doubling its gross domestic product (GDP). The decision, described as historic, officially makes PNG a key player in the global energy market, and a supplier of liquefied natural gas to markets in China, Japan and other potential customers. The project is considered by analysts as a frontrunner from among a dozen rival developments in the region. At the PNG LNG project sanction ceremony yesterday, Prime Minister Sir Michael Somare expressed confidence that PNG had the potential to become the world's 17th LNG exporting nation. Sir Michael, who has played a key role in guiding the lead-up to the final investment decision (FID), appreciated the confidence shown by ExxonMobil in the Government's ability to deliver on time. "This included the task of gaining landowner support for this venture," he said.

The Prime Minister added that the PNG LNG project had helped improve PNG's international standing significantly in recent times. "Particularly in world financial markets," he said. Sir Michael also appreciated the collective effort by all stakeholders in ensuring the FID was reached yesterday. Esso Highlands managing director Peter Graham said the project partners would continue to work with the Government and lenders to secure all necessary approvals which focus on specific management plans associated with the implementation facilities. He also echoed Sir Michael's remarks that all stakeholders now have a challenge ahead, which is to deliver the first gas by 2014. Oil Search boss Peter Botten reiterated this and said the FID was the result of the combination of a supportive Government and fiscal stability, amongst others "coming together at the right time to commit to PNG LNG". "This day represents the starting line of a long journey the challenge is now to deliver first gas in 2013-14," he reiterated. PNG LNG has signed binding agreements for the sale of a combined 3.8 million tonnes of LNG annually to China Petroleum and Chemical Corp (Sinopec) and Tokyo Electric Power Co (Tepco).

Preliminary agreements with Osaka Gas Co and Taiwan's State-owned refiner CPC Corp are yet to be set into binding contracts. These are expected to take place early next year. The PNG Government has backed into the project through the acquisition of a 19.6% stake, meaning ExxonMobil now has 33.2%, Oil Search 29.0%, Santos Ltd 13.5%, Nippon Oil 4.7%, PNG landowners 2.8% and Petromin PNG Holdings Ltd 0.2%. With the FID made, Esso Highlands Ltd plans to commence major construction work on PNG LNG next year, despite concerns about labour shortages and other issues.

LNG deal sealed Post-Courier 9.12.2009

By MOHAMMAD BASHIR

The fresh ray of sun from Houston, Texas finally reached the land of the unexpected and bridged the "river of time" between the first contact and the last contact, in the combined words of two prominent Hela sons, Anderson Agiru and James Marape. At exactly 1451 hours yesterday, a new destiny for Papua New Guinea was penned, with the signing of the Final Investment Decision for the multi-billion-kina PNG LNG project, almost seven months after the signing of the PNG LNG agreement. The project has received approval by the co-venturers, pending completion of sales and purchase agreements with LNG buyers (two more) and finalisation of financing arrangements with lenders expected to be concluded by next year. ExxonMobil's vice president Jack William (Jr) described FID as the culmination of a tremendous effort by the project partners with the support of the PNG government. He however said it was the beginning of bigger things to come with completion of heads of agreements in the next few weeks and the project financing early next year.

Petroleum Minister William Duma, who just flew in after signing the LBBSA in the project area except Juha which he signed for the disputing landowners using a provision under the Oil and Gas Act, said the Somare-ExxonMobil combination of leadership and experience was "unbelievable''. With the decision to proceed, the PNG Government and landowner nominees have joined the project as equity partners (19.6%). "We are pleased to achieve the important milestone of securing approval of the co-ventures to move ahead with our project," operator Esso Highlands CEO Peter Graham said. Pending completion of these sales and financing arrangements, significant project activity will start next year with the engineering, procurement and construction contracts expected to be announced shortly. Southern Highlands Governor Anderson Agiru and Education Minister and Tari Pori MP James Marape were relieved by the signing and said their people would give "110% support". It was the benefits their forefathers foretold, the legend of the Lai'tebo, the wood that glows endlessly which would eventually benefit the rest of the world.

Partners ExxonMobil (through various affiliates, including Esso Highlands Limited as operator) 41.5 per cent, Oil Search 34.0per cent, Santos 17.7 per cent, Nippon Oil 5.4 per cent, Mineral Resources Development Company 1.2 per cent, Petromin PNG Holdings Limited 0.2 per cent and the State financially committed their share of equity by signing the agreement. The historic moment is expected to change the economic landscape of Papua New Guinea and transform the country.

Prime Minister Sir Michael Somare said he was confident that the potential to become the world's 17th LNG exporting nation would bring with it unprecedented opportunities for economic growth and national development. "ExxonMobil and our other private sector development partners have shown significant confidence in our nation. Co-operation between the public and private sectors will create value for the country and grow our economy," he said.

The co-ventures will continue to work with the State to secure necessary environmental and social program approvals, which focused on specific management plans associated with the implementation of facilities. Major partner Oil Search's managing director Peter Botten, said the signing was an historic occasion for all. "PNG LNG represents a long term legacy project, which will add over 19 million barrels of oil equivalent to our annual production and result in approximately a nine-fold increase in our booked oil and gas reserves," he said. Mr Botten said the project would fundamentally change the outlook of the PNG economy and its people with the GDP more than doubled and export revenue tripled. Santo's CEO David Knox described the FID as "a special day in PNG's history". Santos which holds a 13.5 interest in the project has an estimated capital cost of $US 2 billion and announced to the ASX the next major step in its transformational LNG growth strategy with the approval of the PNG LNG project.

Japanese TEPCO seals 20 year deal with Esso Post-Courier 9.12.2009

By MOHAMMAD BASHIR

A leading Japanese power utility company and project participants of the PNG LNG Project have entered into a long term sales and purchase agreement that will see the supply of 1.8 million tonnes of gas each year for 20 years. Tokyo Electric Power Company Incorporated (TEPCO) who will be the buyer and Esso Highlands Limited, a subsidiary of Exxon Mobil Corporation and operator of the PNG LNG Project announced this yesterday. "This agreement is the foundation of a new relationship bringing together a premier Japanese LNG customer and an important new LNG supplier. "It will provide important and complementary benefits to all parties," said Ron Billings, vice president, LNG, ExxonMobil Gas & Power Marketing Company. "This is yet another key milestone in the project's schedule," he said.

TEPCO is the largest power utility company in Japan, serving 28 million customers and one of the world largest LNG importers with 20 million tonnes of imports in 2008. The PNG LNG project is an integrated development which includes gas production and processing facilities, onshore pipelines and offshore pipelines and LNG plant facilities. Participating interests are ExxonMobil (through various affiliates, including Esso Highlands Limited as Operator 41.5 per cent, Oil Search 34.0%, Santos 17.7%, Nippon Oil 5.4%, Mineral Resources Development Company 1.2 %, and Petromin PNG Holdings Limited 0.2%. Participation in the LNG project will change when the PNG State nominees join as equity participants at a late date. Other partners likely to join the project include Taiwanese-based Chinese Petroleum Company (CPC) and Japanese gas company Osaka Gas Limited.

Editorial PNG Pot-Courier

A WORD OF CAUTION AMID PNG'S GAS CELEBRATION

PORT MORESBY, Papua New Guinea (Dec. 8, 2009) - Liquefied Natural Gas (LNG) is going to be a big blast for the national economy and for every person who lives in Papua New Guinea. While the champagne corks are being popped in PNG and foreign boardrooms to signal the official go-ahead for the 16 billion kina [US$6 billion] liquefied gas deal, there are thousands of people copying their Curriculum Vitae’s and resumes in preparation for the onslaught of jobs to make the project work.

Already business managers in Port Moresby and other localities are factoring in the side effects of this huge development. Employment wise, the likely packages offered to skilled Papua New Guineans to work on the LNG project are expected to tip the local jobs scene upside down. People with the skills sought by the construction companies will be snapped up. That means existing employers in public and private sectors will have to go out and recruit and train people to replace them. And, to keep them happy so they, in turn, do not "abscond’’ to the LNG project. Next to feel the effects of the project? The heads of households, as they see the costs of imported goods going up.

With all those imported materials and machines to be brought in, plus the big salaries of the managers and skilled technicians, there is bound to be a spike in inflationary pressures. The end result is likely to be a higher cost of living, especially for those wholly or mostly dependent on imported goods. These are the things that politicians, feeling rosy about their efforts for the national good, do not always pay much attention to. After all, not many of them live in Morata, Tokarara or Hanuabada, where the pressures of feeding a large family are unrelenting and unforgiving.
With three to four years to go before the project starts churning out export revenue, there will be a lot happening on and near Port Moresby and up in the Highlands where the raw product is to come from.

It seems like all the parties involved are on side with the project aims and aspirations; they can see the potential for a mighty leap in development for individuals, for families, villages and companies. An important aspect not to be overlooked is the quality of life, as well as the quantity side. This is where the ministers for Community Development, Labour, Lands, Sport and Environment should be regarded as just important as Treasury and Finance and Petroleum. Keep it in mind, leaders.

‘Yes’ for LNG project   Post-Courier 8.12.2009

By ERIC TAPAKAU

THE National Government and the PNG LNG project operator ExxonMobil and its joint venture partners will say “yes” to start the multi billion dollar project today. Prime Minister Sir Michael Somare will rub shoulders with senior company executives including ExxonMobil chief executive Jack Williams who will be in the country to witness the final investment decision of the $US16.4 billion project that will start from Juha and go through Hides, Angore, Kutubu, Moran, and Gobe through Gulf Province and all the way to the Central Province where the liquefied natural gas will be processed and shipped to customers overseas.

The National Government has already finalised issuing of licences for several petroleum retention licences which will become petroleum development licences as well as a petroleum processing facility licence for the LNG plant site in the Central Province. The final investment decision announcement also comes a day after another customer sealed a massive $US30 billion purchase agreement over the weekend. Chinese company Sinopec sealed a deal worth more than $US40 billion on Friday which was also witnessed by the Prime Minister in Sydney.

State Enterprises Minister Arthur Somare yesterday said today would be another of the country’s significant occasions as the country gives its thumbs up for the massive project that will transform the economy of the young nation. He told a crowd at Angore petroleum retention licence (PRL) – 12 that most of the leaders from the Southern Highlands Province would be present to witness the announcement. He also said that every landowner’s signature was important as it would allow the project to start. Unfortunately, for landowners of Angore, many of them did not have the opportunity to sign as they intended as a few opportunists including a local councillor from Tari hijacked the occasion and grabbed the agreement. Quick police action prevented further chaos and the agreement signing ceremony was stopped immediately.

The actions of the landowners frustrated their local MPs including Francis Potape (Komo – Magarima), Koroba – Lake Kopiago MP John Kekeno and Education Minister and Tari – Pori MP James Marape. Since the agreement was signed by Minister for Peroleum and Energy William Duma and some key landowners, the agreement was deemed to have been signed. Meanwhile landowners from petroleum development licence (PDL) – 1 finally signed their benefit sharing agreement last night. All eyes have been on their licence area as PDL- 1 will supply the bulk of the gas for the PNG LNG project.

PNG LANDOWNERS SIGN GAS PROJECT AGREEMENT

Western Province clans satisfied with compensation deal

PORT MORESBY, Papua New Guinea (PNG Post-Courier, Dec. 8, 2009) – In Papua New Guinea, landowner clan leaders from Juha Petroleum Retention Licence 2 (PRL2) Gas Project in the Western Province today signed the Licensed Based Benefit Sharing Agreement (LBSA) Contract with the State in Moro, Southern Highlands Province hours before the Final Investment Decision signing. More than a hundred clansmen and women brought it from Suabi in the Nomad District of the Western Province and the Hulis' of the Southern Highlands Province witnessed the occasion as their clan representative signed off the agreement in Moro.

Chairman of the principal landowner clan, Mr. John Wabi-Sala said from Moro that even though the Government had threatened to declare the Juha LBSA Forum as a failed process and make a Ministerial Determination on the benefit sharing arrangements for the people of Juha, he was however happy that his 12 clans and other neighboring clans both in the Southern Highlands part of the border and others in the Nomad District of the Western Province had agreed to the benefit break-up and given their support for the Juha project to join the rest of the Papua New Guinea Gas Project. The Juha Project is worth over [US$6 billion] when it comes on stream in 2020.

At the moment, Juha PRL2 is a 'greenfield'. This means that Juha is a new project to be brought on stream in 2020. The signing of the Juha LBSA will enable landowners, others impacted by the project, including the respective Provincial Governments and Local Level Government to benefit from the different benefit streams that are available to them under the Oil and Gas Act and the Kokopo UBSA. In a special appeal to Prime Minister Grand Chief Sir Michael Somare and the Ministerial Economic Committee, Mr. Wabi-Sala said even though the Juha project is marginal in terms of its gas reserve, he said the principal of fairness must be applied to ensure the people of Juha are not denied rightful benefits already accrued to them under the Kokopo UBSA. "I do not want PRL2 (Juha) to be subject to politicking by politicians from both sides of the border. This project is our only opportunity to enable us some measure of progress from the rest of the country, Mr. Wabi-Sala said.

Gobe gets praise, Forum a great success Post-Courier 7.12.2009

By ERIC TAPAKAU

GOBE leaders have been highly commended for their leadership in getting the Gobe licence based benefit sharing agreement forum completed and signed on time and on budget. To top it off, the

LBBSA signing to move forward the PNG LNG project was signed without much hassle and every landowner co-operated with their leaders. Leaders led by Mineral Resource Development Company Limited managing director Augustine Mano and Gobe leadership committee chairman and also chairman of Petroleum Resources Gobe Philip Kende were praised for ensuring that the forum was conducted in an orderly manner and that everyone left the forum venue on Friday happy.

Gobe LBBSA facilitators Dr Eric Kwa and Paul Mawe, Valentina Kaman and her team also got praise from Petroleum and Industry Minister William Duma for their leadership and commitment to ensure that the Gobe project landowners understood the commitment they were making by signing the agreement. The Gobe LBBSA was signed by the State and the landowners and was officially closed by Minister Duma. Minister Duma outlined the benefits from the project to the landowners, which included business development grants on top of the royalties and equities. He also said that the outstanding Gobe memorandum of agreement (MOA) review would take place in February next year. Mr Duma also warned the Gobe landowners that monetary benefits would be massive and more than enough for everyone and at the same time “money can be a blessing and a curse so use it wisely”.

Southern Highlands and Gulf provincial governments did not sign the agreement but will do so soon after their own issues on benefit sharing are sorted out. Gulf Governor Havilo Kavo was present while his counterpart from the Southern Highlands Anderson Agiru was in his province sorting out issues in the other oil and gas licence areas. Gobe landowner Ken Sale said the occasion on Friday was significant in a sense that the landowners were bringing the project to the investors, financiers and the State so they could bring the $US16.4 billion liquefied natural gas project forward. Mr Kende said the decision for both provincial governments not to sign at the forum had nothing to do with landowners but both governments had given the blessing to the agreement.

Lihir Gold funds Transparency International PNG Post-Courier 7.12.2009

BY CALDRON LAEPA

LIHIR Gold Limited has shown commitment in promoting good governance in the country by pledging K240, 000 to Transparency International-PNG Office. Lihir Gold Ltd had pledged to give K240,000 to Transparency International (TIPNG) through the Siaguru Endowment Fund for two years. This is the company’s second large donation towards TIPNG after it had given the rights group K250,000 last year. LGL managing director Arthur Hood said LGL was pleased to support Transparency International. “PNG has made excellent progress in improving transparency and governance systems over recent years,” Mr Hood said. He said their contribution towards TIPNG would only help the country to good governance and administration in both the private and public sectors. He said LGL hoped that their relationship with TI PNG would inspire other corporations in the region to support the worthy endeavour and give greater exposure to the significant improvements PNG had achieved in this area.

TIPNG chairman Peter Aitsi said LGL’s donation would provide funding for the organisation’s secretariate and its core projects. He said this would include anti-corruption initiatives in the community, contributions to secondary school curriculum, education programs for voters and legislative reform. “We have a number of long term projects underway aimed at changing the perception of Papua New Guineans about corruption,” Mr Aitsi said. He said LGL had continued to be a great supporter of this work, which was evident by its ongoing financial support and the company’s participation in this year’s “Siaguru Walk Against Corruption.” Mr Aitsi said since 2006, TI PNG had raised more than K1 million for the Siaguru Endowment Fund. He said: “TIPNG is very grateful for LGL’s generous donation, which will go a long way towards helping them reach their ultimate investment target of two million kina.”

The Siaguru Endowment Fund is a tightly controlled trust account managed by KPMG, an accounting firm, and advised by a group of respected persons. This group includes Lady Siaguru – the widow of Sir Anthony Siaguru, who was founding chairman of TIPNG. The Siaguru Endowment Fund honours Sir Anthony, a former board chairman and founder who passed away in 2004. LGL is encouraging other public and private organisations to support this worthy group

Prime Minister hails ExxonMobil-Sinopec deal National 7.12.2009

PRIME Minister Sir Michael Somare has welcomed the signing of an LNG sales and purchase agreement in Sydney last Friday between Esso Highlands Limited and Unipec Asia Co Ltd. “It is fitting that the first S&P agreement for liquefied natural gas (LNG) from Papua New Guinea is with Unipec, a subsidiary of Sinopec, the People’s Republic of China’s largest listed oil and gas company,” Sir Michael said in a statement. He said the deal made Sinopec the largest single customer for the PNG LNG project. It has agreed to purchase two million tonnes of LNG annually over a 20-year period. “This is a project that is close to the heart of the PNG Government. Its size and scale have the potential to transform the PNG economy and promises a brighter future for our six million people.”

Sinopec will build an LNG import terminal at Qingdao in Shandong province for LNG from PNG. The three million tonne-a-year import facility is expected to be almost doubled in size during a second phase of development. Sir Michael said by next year, another major Chinese company, the Metallurgical Group Corporation (MCC), would commence exports from PNG, making it the first company to produce and export nickel and cobalt from our shores. “I look forward to cementing the PNG-China trading relationship even further through additional LNG sales in years to come following likely expansion of the ExxonMobil-led project and through purchases from other proposed LNG projects,” the Prime Minister said. “The project will also enable customers of natural gas to use a clean fuel that will greatly minimise the impacts of climate change, a major global concern at present.”

Chinese company to buy our LNG gas Post-Courier 7.12.2009

Unipec Asia Co. Ltd, a subsidiary of China Petroleum and Chemical Corporation (Sinopec) and Esso Highlands Ltd, the operator of the PNG liquefied natural gas project, have entered into a binding sales and purchase agreement for the long-term sale and purchase of LNG totalling about two million tonnes a year. Under the agreement last Thursday, the PNG LNG project will supply LNG to Sinopec's LNG terminal in Shandong Province for a period of 20 years. "We are pleased that the project has completed this important agreement with a key Asian LNG customer and look forward to a long and mutually beneficial relationship between Sinopec and the project," said Ron Billings, vice president, LNG, ExxonMobil Gas and Power Marketing Company. "This is a key milestone in the project's schedule."

Wang Zhigang, senior vice president of Sinopec Corp, said Sinopec was happy to reach the final agreement. "Sinopec is very pleased to reach the final sales and purchase agreement with the PNG LNG project," Mr Zhigang said. "The LNG we've committed will supply an LNG terminal that Sinopec is going to build in Qingdao, Shandong Province. phase I capacity of the terminal is three million tons per annum. "With the developments of the market, we will expand the facilities to receive five to six million tonsper year in a Phase II stage. "This LNG terminal will provide long-term and reliable clean natural gas resources to the Shandong market and will play a positive role in meeting the local demand, optimising the energy mix and improving the local environment."

Sinopec Corp is listed in the Hong Kong, New York, London and Shanghai stock exchanges and is a fully integrated energy and chemical company. Its main businesses include exploration, development, production and trading of petroleum and natural gas, petroleum processing, manufacturing, trading, transportation, distribution and marketing of petroleum products, manufacturing, distribution and trading of petrochemical products. Sinopec is the largest Chinese listed companies based on its annual revenues in 2008, and it is also one of the major petroleum and petrochemical companies in China and Asia as well as one of the major producers and distributors of gasoline, diesel, jet fuel and other major petrochemical products.

The PNG LNG project is an integrated development which includes gas production and processing facilities, onshore pipelines and offshore pipelines and LNG plant facilities. Participating interests are ExxonMobil (through various affiliates, including Esso Highlands Ltd as operator) 41.5 per cent, Oil Search 34 per cent, Santos 17.7 per cent, Nippon Oil 5.4 per cent, Mineral Resources Development Company 1.2 per cent, and Petromin PNG Holdings Limited 0.2 per cent.

ExxonMobil gets $US3b backing Post-Courier 7.12.2009

NEW YORK: Exxon Mobil Corp. will receive $US3 billion in financing from the US Export-Import Bank for a natural gas project in Papua New Guinea that would be the largest foreign investment in that nation's history. The funding from the US and about $US5 billion coming from export-credit agencies of three other governments will allow a consortium of companies to build a $15 billion pipeline and liquefaction plant, Phil Cogan, an Ex-Im vice president, said in an interview. The project, led by a subsidiary of Irving, Texas-based Exxon, will provide the island nation with $30 billion in revenue during its projected lifetime, according to the company.

Papua New Guinea's gross domestic product is $US8.2 billion, according to the World Bank. Board members of Ex-Im, a government-chartered agency that provides loans or guarantees to help US exporters secure sales, gave a preliminary endorsement to the plan last month and final approval Dec. 3, Cogan said. Houston-based KBR Inc. is doing the project design. The details of the financing are set to be announced next week, he said. Exxon owns 41.5 per cent of the PNG project, while Oil Search Ltd. holds a 34 per cent stake, Santos Ltd. Of Australia 17.7 per cent and Japan's Nippon Oil Corp. 5.4 per cent. Exxon said last week that it completed an agreement to supply about two million metric tons of LNG a year to China Petroleum & Chemical Corp., known as Sinopec, over 20 years from the plant in Papua New Guinea. The size of the Ex-Im aid, which is used to fund US exports, would have made this project the largest in 2008, the last year for which data are available.

FORMER FIJI GOLD MINERS WIN $3 MILLION SETTLEMENT

New Vatukoula mine owners to compensate for 2007 layoffs

SUVA, Fiji (Fijilive, Dec. 7, 2009) - The Fiji government today signed a deed of settlement under which Vatukoula gold mine owners Westech will contribute FJ$6 million [US$3 million] towards 800 workers laid off by previous owners Emperor Mines. The announcement to the completion of the sale process was made between Emperor Mines Limited and Australian-owned Westech Gold Pty Limited. Attorney-General Aiyaz Sayed-Khaiyum said there were numerous provisions made before the agreement and the government had regularised the deed which was now part of the condition for the transfer from Emperor to Westech. "As part of the condition the government had said that there must be trust fund that needed to be set up," Sayed-Khaiyum said during a press conference this afternoon. "Following the signing of the previous deeds, given the irregularities we wanted the deed sorted out before any contribution would have been made."

He said the government had made its contribution through social assistance of FJ$6,000 [US$3,000] and the signing of the deed meant that three months from today the company will contribute FJ$1.5 million [US$784,000] and thereafter FJ$1.125 million for the next four years. "So in all we're looking at FJ$6 million over the next five years," Sayed-Khaiyum added. He said the money would go into a social assistance trust fund which will have representatives from the company, government and reps from the redundant workers. "They will decide based on the purpose of the trust fund how that money should be spent, a lot of it obviously will be spent on the redundant workers. Some of it will also go into the environmental aspects of the mine areas itself. "Government is indeed pleased that this company has brought about a new management, new owner of the mine that worked well with government to try and resolve the various differences."

The Attorney-General said that in turn, government had given various concessions toward the company due to its importance not only to the export market but also to the local community in the Vatukoula and Tavua areas. "The concessions given to the company included fuel tax and export tax, five years from the signing date of the original Deed (2007) and fiscal duty and import excise tax for three years from May 14, 2009." Sayed-Khaiyum said the development was going to be a boost for the people of Vatukoula, which came to a virtual standstill after Emperor closed down operations in 2007. *Fijilive: http://www.fijilive.com*

UNHAPPY PNG LANDOWNERS TOPPLE POWER LINES

Protest over terms of planned natural gas development

By Andrew Alphonse

PORT MORESBY, Papua New Guinea (The National,) - Hides landowners fought each other while three power pylons were felled and several trees were cut to block the highway leading from Tari to the Hides gas project area at the weekend. The licence-based benefits sharing agreement (LBBSA) for PRL 12 was signed last Thursday, but the signing for PDL1 yesterday was delayed. Angry landowners who missed out on the LBBSA or were frustrated with fellow landowners cut down three power pylons that carry power to the giant Porgera gold mine in the neighbouring Enga province. Last Thursday night, soon after the completion of the signing of the Hides PRL 12 LBBSA, landowners fought among themselves, with two men needing to be hospitalised at Tari hospital.

Edward Peno and Mai Matialu from the Tugupa Walo clan of Hides PRL 12 told The National from their sick bed in Tari hospital on Saturday that they were attacked by fellow landowners for "assisting the State and PNG LNG project developer ExxonMobil by protecting the position papers and the documents containing the LBBSA agreement". The incident happened around 5.30pm last Thursday, after the majority of the 1,233 Hides PRL 12 landowners had signed the LBBSA agreement in the presence of Petroleum and Energy Minister William Duma, local MPs, Department of Petroleum and Energy (DPE) secretary Rendell Rimua, police and other officials. Mr. Peno said one of the landowners (named) refused to sign and instead tried to tear the LBBSA document. He said Mr. Matialu then snatched the document and gave it to police and DPE officials.

Peno said the landowner and his supporters then fought with Matialu and when he stepped in to assist, he, too, was attacked. They said the landowners attacked them with sticks and stones and kicked them with safety boots. They were taken by police to Tari hospital in the night and are recovering. Several huge trees were also cut and felled to block the road leading from Tari to Hides PRL 12 as angry locals vented their frustration over the LBBSA. Traffic to and from the LBBSA forums at Hides and Angore was disrupted on the weekend and vehicles were stranded on either side of the road. Police used electric chain saws provided by Oil Search Ltd at Nogoli to clear the roadblock. The locals from Hiwanda, Manapa, Kovbalu and Pai Kela villages are angry with DPE and ExxonMobil for excluding them in the PRL boundary for Hides and Angore when they live only a few kilometres away from the project area. Hides landowner leader Simon Tari Ekanda said yesterday the people of Hela were not party to the LBBSA and that was why they were felling power pylons and trees to show their frustration.
The National: www.thenational.com.pg/

OIL COMPANY CALLS PNG GAS FIND BEST IN WORLD

New well produces 705 million cubic feet per day

PORT MORESBY, Papua New Guinea (The National, Dec. 4, 2009) – INTEROIL Corp says its Antelope field has confirmed PNG as a world class gas resource base in close proximity to the largest and most well developed liquefied natural gas (LNG) market in the world. This comes after InterOil its Antelope-2 well flowed at 705 million cubic feet of natural gas per day (MMCFD) including 11,200 barrels of condensate per day (bcpd) for a total 129,000 barrels of oil equivalent per day (boepd). The flow ceremony was on Tuesday where the surface flowing tubing pressure was 1,258 psi through a 6-inch capacity choke that was opened to 4 3/8 inches.

InterOil in a statement said Antelope-2 and previous wells, had confirmed over 1.2 billion cubic feet of gas per day (bcf/d) of productive capacity. "Additionally the condensate ratio established at the top of the Antelope reservoir further enhances the economic viability of the proposed condensate stripping facility," it said, adding updated third party resource estimates would be released when completed.

Crackdown in Madang National 4.12.2009

Source: By JEFFREY ELAPA
SWEEPING measures including a ban on the sale of alcohol, a curfew, and eviction of settlers were imposed yesterday as the Madang provincial government responded to an upsurge in violent crimes in the province. Madang residents were this week horrified by the attack on an elderly expatriate woman, a long-time resident of the town. Armed men allegedly broke into her house, attacked and raped her before ransacking the house. Police responded quickly by rounding up 25 suspects, six of them identified as prime suspects picked up at a settlement. They are still being questioned, and charges are expected to be laid soon.

The Madang provincial executive council led by Governor Sir Arnold Amet met yesterday and agreed to a number of measures. These include a province-wide ban on the sale of liquor starting next Thursday. A curfew is also to be imposed, restricting the movement of people between 10pm and 6am. However, this will happen after legal clearance is obtained from the departments of Provincial and Local Government Affairs and Attorney-General. The Madang PEC is asking the departments whether there are any provisions under the Organic Law on Provincial and Local Level Governments that allow it to recommend or impose a curfew. Sir Arnold said after the PEC meeting that the alcohol ban would be effective for the next two months. He said only hotels and lodges would be allowed to sell alcohol to their guests with meals.

Sir Arnold said that curfew had its own laws and the PEC must make sure that things were done legally, following all curfew laws. “Mi no tok mipela bait tok nogat long curfew tasol mipela mas kisim legal advice pastaim, (I’m not saying no to curfew but we have to seek legal advice first),” he said. He said that he did not want to rush things as there were legal implications. The PEC also gave instructions for all illegal settlers occupying State land to voluntary vacate them and return home. Police have also issued notices to the PHQ compound to identify illegal people residing in the area, while other settlements around town will be conducting household census and identify genuine settlers and non-genuine settlers.

Sir Arnold said all settlements would go through the identification process and illegal settlers should start going back home before police carry out the eviction exercise. He said the eviction exercise would begin as soon as all genuine settlers were identified, the process for which will start straightaway. The settlements are Portion 50, Raun Wara, Public Tank, Bilaiu Mausroad to Airport, Govstoa, Kerema Compound, Banana Block, DCA Compound to James Barnes, Sisiak 1, 2 and 3 and other illegal settlement around the town. He said all these settlement and others squatting on State land would go through the identification process and non-settlers would be evicted. The PEC also resolved to set up roadblocks to monitor unregistered and illegal use of vehicles.

Editorial Solomon Star

REOPENED SOLOMONS GOLD MINE OFFERS HOPE

HONIARA, Solomon Islands (Dec. 4, 2009) - CONGRATULATIONS to Gold Ridge Mining Limited (GRML) for its commitment to reopen Gold Ridge mine in Central Guadalcanal, Solomon Islands. The release of the treated and purified water from its tailings dam yesterday into the environment was no small undertaking. This important and costly process was to ensure moves to reopen the mine and go forward. Equally significant was the fact that villagers and landowners living downstream could be assured that nothing poisonous is released into the rivers that they depend on for their livelihood.

Now the fears the villagers long held about the safety of the tailings dam waters being released into their rivers could be put to rest. For they themselves yesterday eye-witnessed the managers of GRLM drank cups of water scooped from the tailings dam. That is evidenced enough to prove the tailings dam waters were safe and harmless. The company can now look forward to moving to the next stage. Gold Ridge mine holds much hope for the nation’s economy. It is a project that needs everyone’s support.

GRML has demonstrated its commitment by investing millions of dollars to clean up the tailings dam and ensure water released into the environment from the mine is safe and clean.
Millions more will be spent here to rebuild and get the mine site ready for full operations, which is expected next year. GRML’s commitment to get the mine up and running should be recognized and supported by all. Central Guadalcanal landowners, in particular, should realize that the company is serious to get the mine back into operation. Their cooperation and support is needed. Good work GRML! *Solomon Star:* http://www.solomonstarnews.com/

PNG, Sinopec ink 20-year supply deal National 4.12.2009

PAPUA New Guinea will supply liquefied natural gas (LNG) to Sinopec's LNG terminal in Shandong province, China, for a period of 20 years. This is under a binding sales and purchase agreement for the long-term sale and purchase of LNG totalling about two million tonnes per year. Unipec Asia Co Ltd, a subsidiary of China Petroleum & Chemical Corp (Sinopec) and Esso Highlands Ltd, a subsidiary of ExxonMobil Corp and operator of the PNG LNG project, yesterday announced that Sinopec and the project participants have entered into the agreement. "We are pleased that the project has completed this important agreement with a key Asian LNG customer and look forward to a long and mutually beneficial relationship between Sinopec and the project," Ron Billings, vice-president LNG, ExxonMobil Gas & Power Marketing Co, said. "This is a key milestone in the project's schedule. "Sinopec is very pleased to reach the final sales and purchase agreement with the PNG LNG project.

"The LNG we have committed will supply an LNG terminal that Sinopec is going to build in Qingdao, Shandong province. "Phase one capacity of the terminal is three million tonnes per annum … with the developments of the market, we will expand the facilities to receive five to six million tonnes per year in a phase two stage. "This LNG terminal will provide long-term and reliable clean natural gas resources to the Shandong market and will play a positive role in meeting the local demand, optimising the energy mix and improving the local environment," Wang Zhigang, senior vice-president of Sinopec Corp, said.

Sinopec is listed in Hong Kong, New York, London and Shanghai, and it is also a fully-integrated energy and chemical company. The PNG LNG project, an integrated development which includes gas production and processing facilities, onshore pipelines and offshore pipelines and LNG plant facilities. Participating interests are ExxonMobil (through various affiliates, including Esso Highlands Ltd as operator) 41.5%, Oil Search 34.0%, Santos 17.7%, Nippon Oil 5.4%, Mineral Resources Development Co 1.2%, and Petromin PNG Holdings Ltd 0.2%. (Participation will change when the PNG State nominees join as equity participants at a later date).

State wasting funds on Southern Highland Province cases: Judge

Source: By JACOB POK **National 3.12.2009**

NATIONAL Court judge, Justice Ambeng Kandakasi yesterday expressed concern that the State was wasting a lot of public funds trying to resolve Southern Highlands landowner disputes. He even questioned those landowners in Port Moresby filing court application whether they actually represent the villagers back home. "I went to Semberigi in Erave for land mediation and found that none of the landowners out there knew of any of their representatives in Port Moresby," he said.

Justice Kandakasi was presiding over a motion by former Southern Highlands governor Hami Yawari, who claimed to represent the Foe clan of Kutubu. Mr Yawari filed the urgent application to get the court to order facilitators of the licence-based benefit sharing forums to hear his demands, which includes hundreds of millions of kina in outstanding MoA funds. But Justice Kandakasi refused the application. The judge found that the motions were filed without supporting affidavits to prove their claims. He also found that documents were not properly served to all parties in the proceedings.

The judge also noted that some of the orders sought in their notice of motions were already complied with by the State. "I don't have time for matters not properly filed before me. "There is no evidence before me to prove that you landowners were refused to participate in the meetings," Justice Kandakasi said. He remarked that a lot of public funds were wasted on landowner issues. Landowners in PNG manage to get the State to pay for their own disputes, a practice which only exist in PNG and nowhere else. “You landowners should get your house in order by getting together and iron out issues properly in order to be recognised and be included in the project meetings,” Justice Kandakasi said.

Unity vital for resource owners Post-Courier 3.12.2009

UNITY has been the key issue of the Kimberly Land Council of North Australia and the resource owners in PNG could do well by learning from their experiences. This was the view expressed by the former Markham MP Andrew Baing during the closure of a seminar, which was organised by NAILSMA (North Australia Indigenous Land and Seas Management Alliance), Save PNG and Oceans Revolution in Madang last week. The seminar saw KLC, which is a leading organisation dealing with Aboriginal land rights and resources development issues, share its lessons.

Participants heard that KLC represented 30 plus indigenous tribes who were all united in their cause and were able to negotiate on their behalf. It heard that while there had been attempts to derail their efforts, they had been able to pull through simply because they remained unified in their cause. Mr Baing said there were many extraction projects in the country that were coming on line including LNG. Oceania Exchange co-ordinator-Save PNG Jennifer Baing said the program, which was a huge success was staged with the intention to create opportunities for indigenous and traditional people’s to share skills and experience about conservation.

Lihir pledges Kina 240,000 over 2 years to Transparency International PNG

The National 3.12.2009

LIHIR Gold Limited (LGL) demonstrated its commitment to the development of healthy governance standards in Papua New Guinea by pledging A$100,000 (K240,000) over two years to the Siaguru Endowment Fund (SEF). The funds would be allocated to the PNG chapter of Transparency International to improve governance across the society including public administration and business. The donation is LGL’s second major contribution to TI PNG following its K250,000 commitment to the cause last year. LGL managing director Arthur Hood, said; “PNG has made excellent progress in improving transparency and governance systems over recent years and our contribution will enable this good work to continue. “We hope that our relationship with TI PNG will inspire other corporations in the region to support this worthy endeavour, and also give greater exposure to the significant improvements PNG had achieved in this area.”

TIPNG Chairman Peter Aitsi said LGL’s donation would provide funding for the organisation’s secretariat and its core projects, which included anti-corruption initiatives in the community, contributions to secondary school curriculum and education programmes for voters and legislative reform. “We have a number of long-term projects under-way aimed at changing the perception of Papua New Guineans about corruption and LGL has continued to be a great supporter of this work, which is evident by its ongoing financial support,” Mr Aitsi said. Since 2006, TIPNG has raised over K1 million for the SEF and was grateful for LGL’s generous donation, which will go a long way towards helping TIPNG reach its ultimate investment target of K2million.

Project Development Licence 2 first to sign LBBSA National 2.12.2009

Source: By BARNABAS ORERE PONDROS at IAGIFU RIDGE, KUTUBU

A SIGNIFICANT step towards realising the PNG LNG project has been taken with the signing of the first PDL licence-based benefits sharing agreement (LBBSA) in Kutubu yesterday. With only a week left before the Dec 8 deadline for the final investment decision (FID) by developer ExxonMobil, Kutubu landowners of PDL2 signed the agreement. More than 300 Kutubu landowners signed the LBBSA with a lot of fanfare, including a feast of 21 pigs and traditional song and dance. The signing was the first for a project development licence (PDL) area, following the plant site signing earlier this year, and the signing of the pipeline agreements last week.

Namo Aporo landowner group chairman, John Kapi Natto, described the signing as very significant for the PNG LNG project, as it paved the way for other PDL areas to sign up during the remaining days of this week. “Most of us leaders are pleased with the outcome of the LBBSA forums and with how we have agreed to share the benefits,” Mr Kapi Natto said. “The people of Kutubu have spoken and we have shown the way that this project is of great importance and magnitude to the nation. As such, we have put our differences aside to sign the agreement,” he added. “What we need to do now is get our priorities right and deliver projects earmarked under the agreement, such as the Kutubu township,” he said. Foe landowner association chairman Sese Vege and general secretary Asi Ibususbu, shortly after the signing, expressed similar sentiments, adding that landowners would now work with the Government to ensure that the project gets off the ground.

Other landowner leaders who signed the agreement expressed similar sentiments and urged other landowners to put aside their past differences for the benefit of the province, the PDL areas and the nation as a whole. Petroleum and Energy Minister William Duma appreciated the efforts of the landowners in putting aside their differences for the sake of the project, calling it an example of leadership and maturity. State Enterprises Minister Arthur Somare said: “The signing of the PDL2 is significant as it underpins the PNG LNG project and sets the precedent for other project areas to follow.”

Treasurer Patrick Pruaitch assured the developers that the Government would ensure that it fulfilled its part before the FID on Dec 8. “Kutubu plays a significant role in the economy of PNG, and with this signing, we are optimistic to deliver before the FID,” he said. Esso Highlands managing director Peter Graham said the developers were keen to move this project “successfully forward”. “This is a massive project and we realise that it will change the future of this nation, in particular the children that are here today to witness this important occasion,” Mr Graham added. The signing was held at the Kaipu sports field in Kutubu. Areas that are set to sign over the next few days are PDL4 (Gobe Main), PRL12 (Hides), PRL11 (Angore), Juha (PRL2), PDL1 (Hides) and PDL5/6 (Moran).

`Sufficient quality gas´ National 2.12.2009

Source: By SHEILA LASIBORI

THERE is enough, good quality supply of gas for the proposed second liquefied natural gas (LNG) project, developer InterOil Corp reiterated yesterday. InterOil's claim was based on a recorded gas flow of 705 million cubic feet per day at its Antelope 2 oil well located 2.3m south of Antelope 1 in remote Wabo, Gulf province. "We exceeded on record right now it is well over 700 million a day, one single well at a capacity of almost three to four trains. "That is a record in PNG we need to be proud of in decades to come," a happy Phil Mulacek, InterOil's chief executive officer and chairman, said.

The gas flow yesterday, Mr Mulacek said, was equivalent to more than 100,000 barrels of gas in its liquid form a day, which was more than 100 million barrels a day of oil (energy) equivalent (about 112mbpd from one well). The Antelope 1 gas flare conducted by Prime Minister Sir Michael Somare last March 2 recorded 382mmcfpd of gas which was certified by the Guinness Book of World Records Association, of which a copy was framed and handed to Gulf Governor Havila Kavo yesterday. Antelope 1 reserve, according to Mr Mulacek, was 6.1 trillion cubic feet (tcf) which exceeded the required 4tcf. "I think it puts Gulf in a very unique position in the world … the gas is there, the world record clearly illustrates," Mr Mulacek said.

He also said both the InterOil-proposed project and the PNG gas project led by ExxonMobil were complementary. Mr Mulacek said InterOil was confident the National Government had given its undertaking that it would deal with InterOil's LNG project agreement, now with Department of Petroleum and Energy, after next Tuesday when the PNG LNG project reaches final investment decision (FID). "We took a lot of risks and we got the world's biggest wells to prove it … and naturally LNG will follow, so we are comfortable," he said, adding they are supportive of the Government's undertaking to deal with them after next Tuesday.

Mr Kavo, while expressing congratulatory sentiments, said: "I believe a caliber of this kind of company can set the precedence anywhere in the world and PNG is no exception." Mr Kavo, while acknowledging that the project would generate benefits for PNG and Gulf province, called on the National Government to work together with InterOil and partners, and Gulf provincial government to have the project agreement signed so that initial work on project development including the front end engineering and design (FEED) would start. "I believe it is a big discovery and it is good for PNG and also for the partners … and the LNG is needed right across the world and definitely two projects will not do any damage to this country," he said. Mr Mulacek said the LNG sector was the biggest currently for PNG and for InterOil, they would make sure they work with identified land-owners and put up impact projects such as schools, among others, that would be long lasting.

The Cook Islands Herald *Editorial*

TAKE A HARD LOOK AT UNDERSEA MINING IN COOKS

RAROTONGA, Cook Islands (Dec. 2, 2009) - While our politicians congratulate themselves on getting the Seabed Minerals Bill enacted in order to pave the way to the riches beneath the sea, we hear that government is considering using borrowed money to set up the Seabed Minerals Authority. Before counting our chickens before they hatch (in terms of the mining companies that are supposedly going to flock to the Cook Islands) perhaps our leaders need to step back and take an impartial look at the realities of the situation. Right now, our country is only at the start of the journey into uncharted waters and our politicians need to be realistic about their expectations and also of the due diligence necessary of companies that will approach the Cook Islands.

Firstly, the manganese nodules are lying at great depth (estimates are 5,000 [meters] beneath the sea); and there is no proven, cost effective method for recovering the minerals from such depths, making seabed mining an unknown quantity. The only company with any credibility to approach the Cook Islands re the minerals is Endeavour Mining Capital a publicly listed, Canadian company whose reps visited Rarotonga in November 2007. During that visit, the Endeavour reps held a public meeting in Kent Hall and told the audience they wanted to create a 'project specific' company for public listing on the Canadian Stock Exchange to raise the 'necessary equity and debt finance' through investors buying shares.

Endeavour said they would invest NZ$32 million [US$23 million] of their own venture capital to begin the project. What they are seeking from government is an exclusive mining rights 'to explore the feasibility of the project' and said 'sea-floor mining is in a similar position to off-shore oil and gas drilling in the 1960s'. At the meeting, the company admitted 'seafloor mining was new and lacked international consensus on environmental standards'. At the meeting, the Endeavour reps claimed the time was right to try again as the metallurgical recovery processes had improved but needed further test work carried out. The Endeavour reps claimed economic benefits would flow from employment opportunities of NZ$34 million, project royalties of NZ$8 million [US$5.6 million] annually, NZ$80 million [US$57 million] in business taxes annually, and up to NZ$6 million in income taxes on wages.

The proposal was not the first time that the question of seafloor mining of manganese nodules had been raised in the Cook Islands. Politicians obviously believe there will be benefits from the millions brought in from prospecting permits; exploration permits; retention leases; and mining licensing rights plus royalties and so on. If this is true, then why is the government even considering using borrowed funds for such a purpose? In the beginning, all we need is a minimal staff of the Commissioner with free secretarial support available from the Office of the DPM (at no extra charge). The Commissioner could perhaps operate from an office in MFEM or the DPM, all in the interests of keeping overheads down to a minimum. The Advisory Board is also necessary as a safeguard but as they will only be called upon when needed, they don't need a permanent home.

What are the safeguards to our Environment? At the meeting, this writer raised the matter of safeguards and guarantees to ensure there will be no adverse effect on our marine environment through dredging and mining activities on the seafloor. Mining activities are certain to have an adverse effect on our tuna fishing industry and our country's declaration of our waters being a whale sanctuary. The fear is our country may suffer from an environmental disaster similar to PNG, with the Ok-Tedi goldmine environment disaster caused by the mining activities of BHP-Billiton, one of the largest mining companies in the world.

Ok-Tedi was a gold and copper mining operation in partnership with the PNG government who were paid handsomely, but during the mining activities, arsenic, a toxic byproduct of mining gold, gushed down the Fly River. The toxic waste poisoned the rivers and environment downstream of the mine in Ok-Tedi and killed all the fish in the river and all the resources on the banks of the river. The lives of 50,000 PNG people were ruined with no more water for drinking or bathing or agriculture because of the toxic waste. Legal action was taken against BHP-Billiton in a class action by the downstream landowners who sued the company for NZ$4 billion.

The aftermath of the disaster was a huge amount of bad publicity for BHP in their home country of Australia and the company eventually offered an out of court settlement of NZ$23.6 million US to the 50,000 villagers (NZ$472 per person) on condition that the company was to be granted immunity from further legal action for mining related issues. Environmentalists condemned the pitiful sum per person affected. BHP has now pulled out of the PNG operation but the effects of the disaster will take another 300 years to remediate. Are our politicians paying attention? Not likely, and it is a concern that our politicians are so in favour of mining, they lack the impartiality and ability to sort out the genuine approaches from the charlatans that are bound to approach the Cook Islands over the coming years.
The Cook Islands Herald: http://www.ciherald.co.ck/Times.htm

AUSSIE GOLD MINER TO PROSPECT SOLOMONS' FAURO ISLE

Brisbane-based Solomon Gold targets the northern island

HONIARA, Solomon Islands (Solomon Times, Dec. 1, 2009) - Solomon Gold plans to start a thorough exploration of Fauro Island in the north of Solomon Islands for gold copper porphyries and large scale epithermal gold ore bodies after it was granted a three-year prospecting licence for the tenement covering a 70 square kilometres area. Fauro Island lies immediately south of the border with Papua New Guinea and the island of Bougainville which hosts the giant Panguna copper gold porphyry project, the group said in a statement.

The 100 percent owned Fauro project has been the subject of an application for a prospecting licence by Solomon Gold for several years and the grant finalises a long period of successful landowner negotiations. The licence also allows for two renewal periods of two years each. Solomon Gold has identified existing drilling targets from previous exploration data in the Ballyorlo, Kiovakase, Hornbill, Meriguna, and Bataha prospect areas, located from south to north up the western rim of the Fauro caldera. These areas support extensive alluvial gold mining activities by local artisanal miners, which provide exploration information for Solomon Gold. The exploration area over the caldera rim is 16 kilometres long and up to 2 kilometres wide.

Solomon Gold is currently mobilizing its operational capability in Solomon Islands to Fauro. The project is situated over rocks similar in age to those at Bougainville amd Lihir Island in Papua New Guinea, projects which have yielded resource inventories of approximately 90 million ounces of gold equivalent. The company has compiled the existing exploration data and has commenced locating the previous exploration grids in order to plan further trenching and drilling around areas of known gold mineralization. It will also collect airborne electromagnetic and magnetic data over the area, and is planning to commission these surveys within the next two months. Solomon Gold expects to expend an amount of at least AU$1 million [US$523,000] on the project in the first twelve months of the term of the prospecting licence.

Three weeks ago, Solomon announced agreements for a placing of 21.43 million shares at AU$0.14 each for AU$3 million [US$1.5 million] to private investors, with the money to be used for working capital purposes and to further the project areas outside of its interest in the Guadalcanal copper gold ore bodies venture with Newmont Ventures Ltd, a subsidiary of Newmont Mining Corp.
Solomon Times: http://www.solomontimes.com/

SOLOMONS GOLD RIDGE MINE TO RESUME PRODUCTION

Development project halted during ethnic tension

By Alfred Sasako
HONIARA, Solomon Islands (Solomon Star, Nov. 30, 2009) - Gold Ridge mine, Solomon Islands' first gold mine project forced to close down during the ethnic tension nine years ago is set to resume production in 2011. Its major shareholder, Allied Gold of Papua New Guinea, has taken steps to raise about AU$158 million, abt SB$1.2 billion, [US$143.2 million] on Canada's Toronto Stock Exchange [TSX] to redevelop the multi-million dollar project. Shares in the company began trading on the Toronto Stock Exchange last Friday, reports said. According to reports, the company lodged a prospectus in Canada for the offering, which would be conducted on a best-efforts basis through a syndicate of agents led by Thomas Weisel Partners Canada.

The reports said the offering will be priced in the context of the market but Allied is expecting net proceeds to be around $155 million Canadian dollars, which in today's exchange rate is about AU$157.9 million [US$143.2million]. "Of the proceeds, Allied will allocate $110 million to the development of the Gold Ridge project, which it will acquire through its friendly takeover of TSX-listed Australian Solomons Gold," the report said. Allied has bought 63.6 million shares of Australian Solomons Gold [ASG], which means it now holds 49.77 per cent of ASG declaring last week the offer unconditional. The offer was meant to close last Friday but the company has extended it to today [Monday 30 November], the reports said. According to the reports, the ASG Board unanimously recommends acceptance of the offer which has been deemed fair and reasonable by Gryphon Partners Canada.

Shares in Allied Gold dropped AUD1.5cents to 39.5cents. ASG's website said the company is currently in the financing phase ahead of redevelopment and refurbishment of Gold Ridge. It expects to reach a commercial production rate of up to 150,000 ounces of gold per annum commencing in the 1st quarter of 2011. On November 19, the company announced that the Board of the European Investment Bank [EIB] has approved a financing facility for the redevelopment of the Gold Ridge Project. The Gold Ridge mine, Solomon Islands' first was forced to close down during the ethnic tension. Millions of dollars worth of equipment were destroyed. At one point, ASG estimated the cost of restarting the project at US$140 million. The company and the Government have been engaged in renegotiating a new deal to ensure a mutual outcome for all stakeholders.
Solomon Star: http://www.solomonstarnews.com/

Inmet Mining pulls out of Ok Tedi National 30.11.2009

Source: By YEHIURA HRIEHWAZI in Brisbane
INMET Mining Corp of Canada which holds 18% stake in the giant gold and copper Ok Tedi mine is pulling out. Inmet has been under pressure for many years by its shareholders to leave Ok Tedi because of their environmental concerns. In recent weeks, there has been more pressure in Canada by environmental groups to force the government there to impose tough social responsibility and community obligation guidelines against Canadian companies operating overseas. Inmet's departure is expected to be effected within months, according to its announcement to the Toronto Stock Exchange last Friday.

It will exchange its 18% equity with OTML for a 5% royalty payment on net smelter returns (NSR) which is sales receipts of concentrate sold to smelters around the world. Another of its condition of departure is that 2% royalty be paid to the Government of PNG and the landowners. It will be paid 18% of the total operating capital of the mine on departure date. The decision effectively means Ok Tedi will now become a 100% PNG-owned mine.

BHP owned 51% but departed following a protracted court battles over environmental concerns.
In a move seen as a compensatory move, BHP set up PNG Sustainable Development Corp Ltd and handed over its entire equity package FOC which was earning about K200 million a year and departed. The rest of the equity (30%) in OTML is owned by the PNG Government and the landowners through Mineral Resources Development Corp (MRDC). Inmet said in its statement to TSX that the NSR (net smelter return) will apply to proceeds from the sale of all mineral products from the Ok Tedi mine, less treatment charges and penalties, insurance, freight, sampling and assaying, and a 2% royalty paid by OTML to the PNG Government and local landowners.

Kina 2 million for landowners National 27.11.2009

Source: By ANDREW ALPHONSE in Tari
LANDOWNERS for Angore gas project in Tari, Southern Highlands province, have been given K2 million to pave way for the LBBSA forum there to proceed. Petroleum and Energy Minister William Duma gave K1 million each, in cheques, to Tari -Pori MP James Marape and Komo-Margarima MP Francis Potape. Mr Duma also delivered two new police vehicles to Komo and Tari districts. He said that before the PNG LNG projects comes on stream, it was imperative that law and order was maintained in the Angore Gas Field area.

Mr Duma said the K2 million was part of the K6 million allocated by the Government for law and order programmes in the Angore, Tari and Komo areas as agreed during the umbrella benefit ssharing agreement forum in May at Kokopo. He said even though the Angore Gas would be on stream in 2020, the Government would provide K120 million as business development grant for umbrella landowners. He said K12 million of this amount will go directly to Angore land owners to help them participate in the LNG Project as of next year. Mr Duma said the Government had committed K20 million for the development of Angore growth centre as an LNG township for the Angore people.

On the issue of PDL boundary for Angore, Mr Duma said the Government had no power in deciding which areas were included, or omitted. He said when the petroleum prospective licence (PPL), petroleum retention licence (PRL) and the petroleum development licence (PDL) were issued by the State to the developer, in these case Exxon-Mobil, only the developer decides the PDL boundary, based on the discovery of oil and gas in the area. Mr Duma said these after disgruntled landowners forced other landowners from three other blocks from participating in the LBBSA forum on Monday.

LBBSA signing process begins National 27.11.2009

Source: By BARNABAS ORERE PONDROS

THE signing process for the licence-based benefit sharing agreements (LBBSA) for the PNG LNG pipeline areas has begun with Finance and Treasury Minister Patrick Pruaitch penning his signature on behalf of the State yesterday. Present to witness the signing was ministers for National Planning Paul Tiensten, Forests Belden Namah and Commerce Gabriel Kapris. PNG LNG pipeline LBBSA team leader Peter Koim said Gulf landowners would sign today and Department of Petroleum and Energy officers would arrange for segments of SHP landowners to meet with DPE and sign individually. Southern Highlands province pipeline landowners are also expected to sign the agreements but will do so in segments. "I am happy with the progress so far and we expect to have fruitful discussions with the different segments and hopefully get the process completed in due course," he said.

Mr Koim said that pipeline landowners from the SHP were being met in groups to avoid confusion and intimidation in a large forum. "Most of the groups were reluctant to sign in the central venue, so they are expected to sign in their own individual groups," he said. Meanwhile, the Government said it was satisfied with the progress made to date with the conducting of the forums in the project areas of Hides, Angore, Kutubu, Gobe, Juha, Portion 152 and Moran. In a joint statement, Public Enterprises Minister Arthur Somare and Petroleum and Energy Minister William Duma said "in these forums, every genuine landowner is being given an opportunity to discuss how they will share the benefits from the US$16.4 billion PNG LNG Project".

Mr Duma reiterated that discussion in these forums has already been agreed to at the Kokopo umbrella benefits sharing agreement and no new benefits will be introduced. "When the benefits are distributed, no genuine landowners will be left out," he said. The Department of Petroleum and Energy will be in the Hides area soon to assist in the establishment of Incorporated Land Groups (ILG) and all landowners are asked to assist in the successful establishment of the ILGs.

Barrick Gold denies `rape´ at Porgera National 26.11.2009

Source: By YEHIURA HRIEHWAZI
BARRICK Gold Corp is fuming over allegations presented at Canadian Parliamentary hearing that its security guards at the Porgera gold mine in Papua New Guinea were involved in gang-raping local women on numerous occasions. A parliamentary committee in Canada is collecting information to support a private members' bill to empower its foreign affairs and trade ministries to impose strict community obligation and social responsibility guidelines on Canadian companies operating overseas. Barrick responded immediately, saying it was alarmed by the "extra-ordinary and extremely serious allegations" that its guards may have been involved in sexual assault on women. It said there were no such cases of sexual assaults since it took over the mine in 2006.

A human rights lawyer, Sarah Knuckey, who claimed to have been to Porgera and spoke to local people told the hearing that: "Numerous accounts of rapes show a similar pattern. "The guards, usually in a group of five or more, find a woman while they are patrolling on or near mine property. They take turns threatening, beating and raping her. "In a number of cases, women reported to me being forced to chew and swallow condoms used by guards during the rape," Knuckey said. Barrick spokesman Vince Borg flatly denied the allegations and said such actions would have been the subject of a full investigation by Barrick's subsidiary in PNG.

Knuckey is a lawyer at the centre for human rights at New York University School of Law. She testified recently at the Commons foreign affairs committee examining a proposal to toughen scrutiny of the operations of Canadian mining and resource companies overseas. "We are alarmed by the extraordinary and extremely serious accusation that security personnel working at the Porgera mine may have sexually assaulted local Porgeran women," Borg said in a statement. "To our knowledge, there have been no cases of sexual assault reported to mine management involving PJV security personnel while on duty, since Barrick acquired its interest in the mine in 2006. "Barrick and PJV would encourage anyone who has information related to a serious crime of this or any other nature to report it immediately to (Papua New Guinea) authorities in order for it to be properly investigated and receive due process under the law," Borg said.

According to websites of some of the Canadian media, if the private member's bill is passed, it would break new ground internationally. Canada is home to many of the world's largest multinational mining and metals firms, and the bill is believed to be a first-ever attempt to exercise control over companies operating abroad. If passed, it would empower the trade and foreign affairs ministers to produce a set of corporate social responsibility standards for Canada's resource firms. The guidelines would be based on international human rights conventions and rights and environmental norms set out by the World Bank.

East Timor threatens to quit gas project Sydney Morning Herald

DANIEL FLITTON
November 26, 2009

EAST TIMOR has warned it will abandon a multibillion-dollar deal with Australia to exploit natural gas fields in the Timor Sea unless a pipeline is built to deliver the rich bounty directly to the impoverished nation. Francisco da Costa Monteiro, the special adviser to East Timor's secretary of state for natural resources, flew to Canberra yesterday for talks with the Federal Minister for Resources, Martin Ferguson, in an attempt to break the impasse. East Timor wants gas from the Greater Sunrise project - set to be developed by a consortium led by the resources giant Woodside - to be piped about 200 kilometres to East Timor's southern coastline, with a new plant to be built for processing. But Woodside has ruled the idea too expensive, opting instead to examine plans for a floating plant above the field or piping the gas some 500 kilometres to an existing plant in Darwin. The value of the Sunrise gas field is estimated at more than $50 billion.

The Woodside senior vice-president, Jon Ozturgut, told investors this week a final decision on where to process the gas was on track to be announced by the end of the year. But Mr Da Costa said the Government in Dili would not accept sending the gas abroad and accused Woodside of ignoring the interests of the Timorese people. "For us, the best outcome is development of Greater Sunrise on the shores of Timor-Leste that can underpin the overall economic and social development of the country," he said. He said it was expected it would cost $8 billion to $10 billion to get the project under way and that investment would drive the development of other services in the country of 1 million people. "That's the reason why we see that for Australia this is one drop in a big ocean, but for Timor-Leste this is almost the single biggest [undertaking] and you can imagine how much attention we put into this project," he said.

In a statement, a spokesman for Mr Ferguson said the destination for the pipeline was a commercial matter to be determined by the project's joint venture partners. But Mr Da Costa said that under the terms of various treaties dividing the oil and gas fields between Australia and East Timor, both governments should be left alone to decide how to develop the fields without interference. Woodside should follow that direction. He said East Timor was willing to leave the resources in the ground for future generations rather than rushing a deal. Resources companies from China and Malaysia have recently been invited to examine the Greater Sunrise field. "They should start to realise that Timor today is very different from Timor in 2002 and 1999 or before," Mr Da Costa said, noting that the country had substantial national savings from other resource projects, totalling more than $5 billion. "If it's [Great Sunrise] to be developed, then it's to be developed to Timor-Leste," he said. "If it's not coming to Timor-Leste, then we will not approve anything."

EHP landowner group to venture into alluvial mining National 26.11.2009

Source: By PATRICK TALU
A LANDOWNER group in Eastern Highlands province has been given the green light to venture into small-scale and alluvial gold mining activities. These would be at the proposed Kesa gold mine in Henganofi district. Chairman Bruce Amate of Nogne Landowners Association said his landowner company was in the process of mobilising resources and manpower to venture into small mining activities. The landowner group has obtained two certificates recognising it as a duly registered group. The first certificate is for “Recognition of Incorporated Land Group (ILG)” from the PNG registrar of ILG, and the second is for “Certificate of Incorporated Business” from the registrar of companies at the Investment Promotion Authority (IPA).

Mr Amate said after six years of pushing to register the association, it was a dream come true and a milestone achievement for his people. He said the association was certified as the umbrella association as stipulated under the Land Group Incorporation Act Chapter 147 and automatically becomes the controlling body of other sub-landowner associations. Mr Amate has urged the other landowner groups to get behind the mine developers and other stakeholders to ensure vital services are delivered to the area for the people’s benefit.

Hides landowners first off the mark Post-courier 25.11.2009

By ERIC TAPAKAU
LANDOWNERS of the Hides petroleum retention licence (PRL)-12 wellhead area will create history as the first landowners to actually sign their benefit sharing agreements this week. This will be history in itself as the agreement they sign will be used to share millions of kina in royalty, equity and business development over the lifespan of the $US16.4 billion liquefied natural gas project. These agreements are subject to review and if there are profits made from the LNG project, then further increase in benefits will be discussed during the reviews. Former Gulf Governor and facilitator Chris Haiveta said an agreement was reached with the landowners at around 2am on Tuesday and the agreement will be signed tomorrow or on Friday.

The LNG plant site landowners of Papa, Lea Lea, Porebada and Boera did not agree to sign their agreement so a decision was made for them to share an equal percentage of benefits while the remaining percentage of benefits would be kept in a trust account until such time as they all agreed on the benefit sharing agreement. Mr Haiveta said the next few days would be spent fine tuning the agreement and after amendments were made, it would be put before the landowner clans' representatives so that everyone saw what benefit sharing arrangements they were agreeing to. "Then we are looking at Thursday or Friday to sign the final agreement," Mr Haiveta said. At Hides petroleum development licence (PDL)-1, the forum has been put on hold as landowners and staff from the Department of Petroleum and Energy tried to sort out some issues. DPE staff spent yesterday talking to landowners in their venues with an aim to get them to a common understanding on how to share the benefits among all the clans in the licence area.

Miner delivers 38 houses worth K8m Post-Courier 25.11.2009

THE Fly River Provincial Government last week received 38 new houses built at a cost of more than K8 million under the Ok Tedi Mining Limited tax credit scheme in Kiunga, Western Province. The OTML tax credit scheme housing project, known as Simiduan Estate, was handed over to newly appointed Western Province Administrator William Goinau. OTML general manager corporate relations Musje Werror, when handing over the houses to the Fly River Provincial Government, said the Simiduan Estate was a great example of the Government's public private partnership policy at work. Mr Werror also revealed how much OTML had contributed through the tax credit scheme in infrastructure development in Western Province. "The TCS (tax credit scheme) since its inception in 1997 has contributed significantly to the infrastructure development in Western Province," Mr Werror said.

"To date OTML has spent over K123 million with another K100 million forecasted to be spent between now and 2013. "Funds have been spent to improve health, education facilities, government houses and offices, water supply, airstrips, wharves and jetties, and road maintenance to name a few." Mr Werror also revealed to the provincial government representatives the TCS projects that were underway or are about to start in Kiunga. "In Kiunga alone, the TCS is funding the North Fly complex at a cost of K15.3 million which is due for completion in May 2010 and the water and sewerage upgrade project which is due to start in February 2010," he said. "These projects, together with the 38 houses, will cost up to K60 million and will enable the Fly River Provincial Government to ensure its employees are provided with the best facilities. "Hopefully this will translate to better service delivery to the people of Western Province."

Administrator Goinau, accompanied by his deputies William Kokoba and Gull Gorgom, North Fly District Administrator Manaseh Dmonai and other provincial government representatives, thanked OTML for the project. Mr Goinau said housing was a necessity which had a lot to do with how much the administration was able or not able to deliver. The administrator also pledged to come up with a housing policy for the provincial government and use the Simiduan housing estate as the model for future housing for public servants throughout the province. The Kiunga housing project, which was designed and managed by OTML's regional engineering department, started in January 2008 and was completed this month by local contractor, Tawap Kamen Investments.

Overseas food bill to rise to feed LNG workforce National 24.11.2009

Source: ISAAC NICHOLAS
PAPUA New Guinea will continue to import foodstuff and vegetables to feed between 15,000 and 16,000 workers engaged in the multi-billion kina LNG project. Small to medium enterprises (SMEs), which are set to mushroom during the construction phase and during the project life, will continue to be run by foreigners. Jobs will also be dominated by skilled foreigners. These concerns were raised by the parliamentary bipartisan committee investigating the anti-Asian riots in May. Committee members conducting the inquiry yesterday included chairman Jamie Maxtone-Graham, Lagaip-Porgera MP Philip Kikala, Sohe MP Anthony Nene and Wosera-Gawi MP Ronald Asik Small Business Development Corporation (SBDC) officials, in giving evidence, admitted that PNG was not ready in terms of taking up opportunities in SMEs.

SBDC, an organisation that comes under the Commerce and Industry Department, has been tasked to promote and empower Papua New Guineans in small business opportunities. SBDC acting executive officer Kila Oli and caretaker managing director Diri Kobla made submissions that capacity and staffing issues had been an ongoing problem for them. Mr Oli told the inquiry that SBDC lacked the capacity to carry out surveys on the number of SMEs in NCD and other centres. He said although there was no data on the number of SMEs, it is common knowledge that Asians have taken over kai bars, tyre service and small businesses once reserved for Papua New Guineans. He said the reserve activities list, which was done away with in 2004, should be reinstalled to protect Papua New Guineans in small business.

Mr Kikala raised the issue that the LNG project was coming on stream and SMEs would mushroom and asked whether SBDC was aware of this. Mr Oli, in response, said the organisation was aware of the LNG project but did not have the funding, capacity and manpower to run with it. He said Papua New Guinean small businesses were limited and the organisation was encouraging landowner companies into joint venture with foreign companies. “We are not ready to work on our own, we have to work in joint venture with multi-nations.” Mr Maxtone-Graham said State entities and Government departments had revealed that they also faced similar problems. “Our people will continue to miss out and I believe priority should be given to your organisation (SBDC) to empower Papua New Guineans to grab the small business opportunities,” he said.

Sinivit gold mine shut over safety issues National 24.11.2009

THE Sinivit Gold Mine at Mt Sinivit in East New Britain province has been shut down. The mines inspection branch of the Mineral Resource Authority (MRA) - the regulator - shut down the mine's operations after a stop-work order was issued last Nov 13. The order was for safety and health reasons which resulted in the suspension of the ore processing operations and withdrawal of employees from affected areas. MRA said in a statement yesterday that due to provisions in the Mining (Safety) Act, details of the statutory order could not be disclosed.

The order of Nov 13 followed an inspection of the mine carried out by the deputy chief inspector of Mines, Lave Michael on Sept 24, during which serious threats to employees' safety and health were identified after which the mine's management was notified. Following the suspension, the company's management made several submissions containing details of rectification work. However, the mines inspector considered the submissions to be unsatisfactory and required the company to fully rectify the critical defects listed in his order before seeking any consideration for resumption of work on these areas. All ore processing activities would remain suspended on safety and health grounds.

Corruption, poor governance may hinder benefits

Letter to the editor, Post-Courier 23.11.2009
AS an avid follower of PNG politics, I'd like to share an opinion on the likely profits that would be coming from the LNG Project. It is likely that the projected revenue of Aussie $15.6 billion might fall into the black hole of corruption if the Government precedes false starts and awful setbacks. The opportunity is exciting, but from the perspective of corruption and poor governance, it's terrifying. The scourge of corruption is endemic, almost in epidemic proportions and is systemic and fast becoming systematic. Even though it is the biggest business investment in the history of the Pacific region operated by the multinationals (ExxonMobil-Oil Search-Santos and now JBIG with 50 per cent equity), it opens windows for a clearance sale of PNG's natural resources. It is now up for grabs. The projected 2009-2010 budget has already created a deficit of 1.2 per cent in the GDP. This is a matter of concern.

Should the Government continue to increase high expenditure to the domestic demands unnecessarily, it can further exacerbate inflationary pressures and weaken the kina exchange rate. As a result, all stocks for import would generate a low balance of payments thus creating a long-term deficit with no stimulus package for offsetting the arrears. If the Government is impeded by other undeserving priorities, it can be hazardous, however, if adhering to improving basic infrastructural development and living standards of the 6.5 million people of Papua New Guinea can be a positive way forward for PNG. Moreover, suppose greed, self-interests and money laundering take over the focus, all programs will end because when the maiden dividend is paid, the Government starts repaying its debt with interest for a certain period of time.

At the end of the project lifetime, there would be hardly any money left to meet other socio-economic demands. Thus, the poor mother in Obura Wonenara will sadly return to her garden to toil and still be asking "where has all the money gone?" Therefore, it is utterly essential that there should be a mutual co-ordination between monetary and fiscal policy management for a stable macroeconomic environment conducive to boost the multi LNG economic growth. Even though the global recession in the first quarter of 2009 has adversely affected PNG's export sector, we still have a poor performance in the development budget and implementing agencies. PNG needs to improve a lot on its budgetary performances and put its foot down to address corruption as a matter of urgency. Mehrra Minne Kipefa, Obura Wonenara

Expecting to sign deals Post-Courier 23.11.2009

By ERIC TAPAKAU
THREE licence based benefit agreement forums in Kutubu, Gobe and Juha were opened over the weekend with expectations of speedy signing of the agreements. Landowners in these licence areas are excited about the benefits from the PNG LNG project and have said they will sign the agreement as soon as possible. All forums were opened without much hassle except for Juha where Southern Highlanders making claims were told to leave by the local landowners and were flown out of the project area yesterday. State ministers William Duma (Petroleum and Energy), Arthur

Somare (State Enterprises) and Philemon Embel (Minister Assisting the Prime Minister and Minister for Sports) accompanied by Southern Highlands Governor Anderson Agiru and Kagua Erave MP James Lagea were at all licensed areas where they met with the people, opened the forums and explained the benefit streams from the $US16.4 billion PNG LNG project. They were met at Juha by Lake Koroba-Kopiago MP John Kekeno.

Since oil started flowing from Gobe and Kutubu, the landowners were also assured that they would be paid their outstanding memorandum of agreement and special support grants as the Somare-Temu coalition became the first Government to start looking at overdue commitments from the oil projects and start paying what was due to the landowners. “We have to clear outstanding issues from the oil project before we start talking about the new project,” Mr Duma said. “The Government will not escape and will pay all outstanding commitments.” Minister Duma said the benefits were already agreed to at the Kokopo umbrella benefit sharing agreement and there was no new benefit that was going to be given during the LBBSA.

He said the Government and its agencies including the Department of Petroleum and Energy were only providing guidance to ensure that the landowners understood the benefits they were entitled to. Mr Somare said the benefits from the LNG project will be massive and governance mechanisms were already being discussed to be out in place with the Australian Government to ensure all the benefits to the State from the LNG project were not subjected to abuse by anyone, including politicians. “We are in the process of putting first safeguards before first revenue comes in,” Minister Somare said. “The PNG LNG project is on a par in terms of price with other LNG projects in Australia, Indonesia and Malaysia and Russia.”

He said benefits from other mining and petroleum projects were negotiated when Papua New Guineans were not literate about the pricing mechanisms of these commodities and negotiations for the purchase price of gas would be at the highest with the rest of the LNG exporting countries. SHP Governor Anderson Agiru assured the landowners that benefits would start flowing starting next year and this would be started by the sealing of the Gulf- Southern Highlands Highway.
This will be the first road connecting the north of the country to the south, Mr Agiru said. Funding for this project would be from the issue of treasury notes and final documentations including the issue of treasury note will be completed this week.

Oil Search Ltd denies lake´s toxic spill in 2007 National 23.11.2009

Source: YEHIURA HRIEHWAZI in Sydney
OIL Search Ltd has strenuously denied spilling toxic chemicals into Lake Kutubu in 2007 which villagers claimed had killed fish and a young girl. The thorny issue was brought to the fore again last week as Ramsar – the world body responsible for the protection of wetlands - said it would seek response from Oil Search and the PNG Department of Environment and Conservation over the claims by the villagers. A group of Australians calling themselves as the Friends of Kutubu went to the Australian newspapers – Sunday Age and Herald Sun – in September and blamed Oil Search for what they termed as the “ecological catastrophe”.

Meanwhile, an online reporter for website called Reportage called Ramsar for comments and in doing so aroused the organisation’s interest because PNG is a signatory to the Ramsar convention which requires the government to ensure the world-recognised lake is not disturbed. Oil Search group environment manager Dr Ben Yaru and operations manager Phil Caldwell told The National in their Sydney office at the weekend that what’s being reported were totally wrong and void of any scientific evidence and fact. However, they said they fully appreciated the Lake Kutubu people’s sensitivity and close attachment to the lake and were working closely with them to allay any fears of toxicity in the water.

They said the company drilled a well in may 2007 at an site 2.5km from the lake in accordance with normal procedures where risk assessments were done and a range of preventive and monitoring measures were undertaken. The chemicals used form the mud system used during drilling was very low in toxicity which was very harmless and none of it was spilled into any water systems because its a very-well protected and controlled operation, they explained. They said they even did baseline data survey of the surrounding water sources prior to commencement of drilling. During the drilling they were informed by a member of the community that there had been discoloration of two tributaries flowing into Lake Kutubu and that fish had been killed. There had also been high rainfall in the area that caused turbidity in the lake and sometimes that had been associated with recorded dead fish. However, some members of the community immediately linked that to the company's drilling activities.

Gobe women ready to participate in gas project Post-Courier 20.11.2009

WOMEN in Gobe, especially in the Semberigi area in PDL 4 have positioned themselves to stand beside their menfolk and negotiate the sharing of the benefits in the Gobe LBSA development forum. Gloria Sange, of Pawabi village, said women in Gobe had been mere spectators in the oil project as men dominated the decision making in the development of Gobe, and she would not allow this to happen in the liquefied natural gas project. "We women and our children have no idea what has happened to all the money from MoA funds, royalty and equity from the oil project. We have not been informed and there is no consultation with the villages on how the funds are spent, so this time we will make sure we have a say in the LNG project," Ms Sange said.

She said infrastructure development must be given priority because women want to use the road network to access markets. She said Gobe had been denied development because of the land dispute for the last 19 years. "I commend the Government for introducing ADR (Alternate Dispute Resolution process. The ADR has now paved the way for us people of Gobe to participant in the benefit sharing forums, and people now have a clear understanding of their own position with regard to landownership," Ms Sange said. The ADR was introduced for the purpose of settling land disputes. The process was the first of its kind and the people of Gobe were the first recipients of the process, which paved the way for the Gobe LBSA development forum to proceed.

Chairman of Mukund Dipkin ILG, Winston Sate of Baina village in PDL 3, said his people were ready to sign the LBSA. "We are not here to argue or dispute anyone because the ADR process has taken place and I am here with my people to sign the agreement," Mr Sate said. "Negotiation is another thing but our aim is to put pen to paper for the LNG Project to proceed." Similar sentiments were shared by the PDL 4 landowner leader Koni Supei of Semberigi. Mr Supei said time was running out on them, and he wanted the Government to open the forum so that his people could negotiate and sign the LBSA before Dec 8.

Breakthrough at Hides forum Post-Courier 20.11.2009

By ERIC TAPAKAU
AFTER all the disagreements encountered at the licence based benefit sharing agreement forums over the past days, a major breakthrough was made yesterday with the Hides petroleum retention licence (PRL)-12 landowners finally attending their licence area forum. The event chaired by former Gulf governor Chris Haiveta saw all major and sub-clans coming to a compromise and allowing their representatives to be the spokespersons of each project affected clan. Petroleum retention

licence-12 landowners will play a major role in the project as they will host four gas wellheads and also the Hides gas condensation plant and if the wellhead landowners agree to attend the forum and finally sign the benefit sharing agreement, the other project areas will fall in line.

This was also a major achievement for the Department of Petroleum and Energy led by Secretary Rendle Rimua who had been working hard over the past week to bring all the landowners together. Mr Rimua told the representatives that the forum was theirs and the department was only assisting and providing guidance while the landowners would discuss among themselves how they would share the benefits from the project. He also said that the benefits had already been agreed to during the Kokopo Umbrella Benefits Sharing agreement and no new benefit or commitment was being offered by the Government at the LBBSA. He said that more than 50 per cent of all royalties, equities and business development grants and other benefits would be received by the wellhead landowners and the “benefits from the PNG LNG project will be massive”.

“The project will generate substantial benefits when it materialises. All parties must negotiate and agree to sign the LBSA during this forum to realise these benefits,” Mr Rimua said. He said timing to deliver this project was also important and construction must start on time to deliver the first gas on schedule. PNG LNG project operator ExxonMobil representative and national content manager John Rullman was given the opportunity to explain the overview of the project and then the business development opportunities from the PNG LNG Project to the Hides PRL – 12 landowners.
Mr Rullman said all components of the project were important and they must work together to make the project work.

He said the project would be built in phases with the first phase starting next year and end in 2013 and this would allow for the export of 6.3 million tonnes of gas a year and another major construction will start by 2020 at Juha with the capacity to export 6.3 million tonnes of gas.
Hides reserves will start to decline when Juha starts to come on stream. Additional gas will be sourced from existing oil fields, including Kutubu. ‘ExxonMobil is excited about the project and together with the joint venture partners we must all work together to make the project happen,” Mr Rullman said. Cabinet ministers including Petroleum and Energy Minister William Duma will arrive in the Southern Highlands Province today to officially open forums in other project areas such as Kutubu, Gobe, Juha and Angore.

Landowners to be relocated Post-Courier 19.11.2009

By ERIC TAPAKAU
AFFECTED landowners of Hides petroleum retention licence (PRL) – 12 will be relocated to a new area as the liquefied natural gas Project operators plan for the start of the massive project. Project operator ExxonMobil has already approved a resettlement policy framework to move project affected landowners from the Hides gas project site. The company said the plan is its approach to resettlement following international standards. In a resettlement information plan information sheet given to landowners at the petroleum retention licence (PRL) – 12 at the licence based benefit sharing forum at Hides, the company said it was working with identified households affected by resettlement.

The project provides resettlement assistance options for economic displacement where people do not need to be relocated but their access to productive assets is interrupted or eliminated, resulting in the possible loss of income streams or means of livelihood. It also provides options for physical displacement where there is a loss of shelter and assets resulting from the land being acquired or leased by the project requiring affected people to move to another location. There will be five broad stages of the resettlement process which includes.

* DISCLOSURE, participation and consultation;
* DEVELOPMENT of assistance package;
* PHYSICAL relocation;
* ECONOMIC livelihood restoration; and
* ONGOING assessment of livelihoods.

“The resettlement action plans are developed following research, consultation, and careful consideration and planning with people affected by the project activities, with the ultimate goal of enabling people who are either economically or physically displaced by the project to maintain their standard of living,” ExxonMobil said in its information bulletin. “Three independent social surveys (census and land assets, socio economic study and health survey and measurements) are being completed as part of this process.

The survey information is used by the project to further develop options for livelihood restoration projects including training, agriculture, education and health improvement initiatives.” Under the resettlement plan, a resettlement assistance package will be provided and all affected households will be required to sign an agreement before the selected assistance package is implemented. Compensation and assistance will be available to households, residents in the resettlement area when the resettlement census survey was completed. “In accordance with the cut off date process, any new houses, gardens or the fixed assets that are constructed or developed in an area after completion of the census survey, will not be considered for the resettlement assistance package options and or compensation,” ExxonMobil said.

The company has said that special consideration would be given to the needs of women, children, aged, infirm and those with households subject to contestation of assets. A local legal firm has been contracted to advise the locals on their rights and obligations under relevant legislation as they are preparing for the resettlement.

Ok Tedi welcomes comments Post-Courier 19.11.2009

OK TEDI Mining Limited said yesterday that it welcomed comments from the Mining Minister Sir Puka Temu and Chamber of Mine and Petroleum regarding the Ok Tedi mine life extension feasibility study. OTML’s managing director Alan Breen said while various people had made statements in support of a mine life extension, no decision could be made by any stakeholder until completion of the feasibility study late next year. “We have not requested the State or communities to make an early decision. We have simply requested, and have received, their support for the study to proceed,” he said. “A major and crucial consideration will be the impact of additional waste and tailings production. At this time the feasibility study is assessing the option of a stable waste rock dump for the 200 million tonnes of waste that would be produced, however some 100 million tonnes of tailings would still report to the Ok Tedi river over a seven year period.”

Mr Breen said the extent of the impact of these tailings on the Ok Tedi and Fly River systems would be a critical determinant of whether or not the extension could proceed. “There are also potentially significant socio economic benefits to be derived from a mine life extension and these will also require assessment,” he said. “All of these factors will need to be communicated to communities and the State and OTML has committed to carry out extensive consultation and communication.” Mr Breen also corrected recent reports in the media that 430 million tonnes of waste would be produced from a mine life extension, stating that it was estimated that a total of 250 million tonnes of waste and limestone would be produced from open pit and underground mining. “I think the reporters added up the wrong numbers,” he said. He also confirmed that OTML was in the final stages of preparing its mine closure plan. “This is a very important document and, until any decision is made on mine life extension, will form the basis of work plans to close the mine at the end of 2013.”

Prime Minister presents positive economic outlook Post-Courier 19.11.2009

By Jonathan Tanos
THE Prime Minister, Sir Michael Somare, yesterday presented the country’s most optimistic economic outlook ever for the year 2010-2050. This was in Parliament where Standing Orders were suspended for him to present the Government’s PNG Vision 2050 strategy. This saw Parliament unanimously adopting the strategy, and was its only business for the day until next Tuesday. He said under the vision, PNG could generate economic growth and wealth creation through downstream processing, enhanced manufacturing activities, infrastructure development and sustained delivery of goods and services.

But the main compelling scenarios under the vision were its base case, land reform, the LNG project and their cumulative effects. He said if either the land reform agenda or the LNG project were implemented each would add incremental benefits of the base path. He said the base case scenario projected the economy to grow by two per cent in real terms per year on average. He said this was possible through human capital development, new technology and adoption of more efficient methods of downstream processing and taking into account the declining oil reserves up to 2013. “In cumulative terms, PNG’s real GDP will rise from an estimated K8.9 billion in 2008 to K15 billion by 2020 – and this is without the LNG project and other policy initiatives,” Sir Michael said. “In other words per capita income will be at K1.8 billion by 2020.

“The land reform scenario with base case dictates that with the inclusion of the implementation of land reform, the economy can grow by an additional 1.2 per cent in real terms each on average with moderate impact, if about three per cent of the total customary land is brought into production in the formal sector. “Cumulatively over the years, this will translate into an additional K3 billion to K5 billion GDP, on top of the K15 billion in the base case by 2020.” He said total real GDP would be around K19 billion with expected improvement in broad-based higher investment, exports and consumption in non-mineral sectors of agriculture, forestry, fisheries, manufacturing and services sector bringing the projected income per capita income to reach K2 billion by 2020.

Warning on Dutch experience Post-Courier 19.11.2009

By Harlyne Joku

The Government and the private sector are wary that PNG will experience the “Dutch Disease” with a further appreciation of the kina despite expecting an increase in revenue when the LNG project comes into operation. The Government has expressed this concern in Volume 1 Chapter 10 of its Budget Papers asking “Will PNG catch the Dutch Disease? and what are the options to mitigate this’’. And the business sector through accounting firm Deloitte has also made the same remarks. “PNG is likely to experience Dutch Disease after the LNG project commences paying significant tax revenue, dividends and royalties to the Government and landowners. The exchange rate may gradually appreciate. Tax revenues are not expected to be large until several years after the commencement of production,” the budget document read.

The “Dutch Disease” came about in the 1960s when the Netherlands experienced a vast increase in wealth after discovering large natural gas reserves in the North Sea. This substantial increase in natural gas exports led to a large appreciation of the Dutch currency which reduced the ability of Dutch firms to compete with foreign firms in both domestic and international markets. This resulted in stagnant growth and lower employment in the Dutch manufacturing industry. Accounting firm Deloitte has cautioned the Government to spend tax and dividend proceeds and windfall wisely. They highlighted yesterday in a submission that a worrying feature underlying the 2010 budget is the state of Government playing around the trust funds that were set up to handle previous years' windfall revenue from resource taxes.

The objective of these trust accounts were to smooth out expenditure flows and provide a buffer when those windfall revenues dry up. The drawdown of these funds between the 1st of January and the 30th of September 2009 has been a staggering K1.75 million. Apart from being highly stimulatory as the Government put it, this rate of spending cannot be maintained and its continuance would result in funds being exhausted within a year, Deloitte said. Deloitte has also recommended to the government that a "Sovereign Wealth Fund" be established to act as a stabilization device for the kina.

Landowners' petition causes delay Post-Courier 19.11.2009

By PETER SEA and ERIC TAPAKAU

CHIEFS and clan leaders numbering 120 led by paramount chief Kupiawi Haruja from the Hides petroleum development licence (PDL) 1 area yesterday disrupted the Licence-based Benefit Sharing Agreement forum at Nogoli. The leaders also gave a petition to forum facilitators, former Mendi MP Michael Nali and Department of Petroleum and Energy Secretary Rendle Rimua, to give them five days to study and reply to the State's position delivered to the forum by Mr Rimua on Tuesday. Chief Haruja spoke to us by telephone from Nogoli yesterday saying: "After I spoke and delivered the petition, everybody dispersed and the forum could not be continued. When I walked out with 119 other leaders, everybody walked out with us. "The people at the forum were happy with our move," he said.

The landowners' petition titled Request for time to respond to the State's position, said: "Thank you for the understanding into the developmental issues that are subjects of this forum. "We will need five days to respond in writing to the State's position delivered to us yesterday. We will let you know by Monday November 23. "We ask you not to be guided by directives from outside the Oil and Gas Act. We ask that you play a neutral role in this forum. "The police should also be reminded that they are here to provide security, not sabotage the landowners' freedom to choose and express our conscience, the fundamental cornerstones of a democratic and free society. We therefore would like to let you know that we will meet again on Monday 23 November, 2009 when we will present our united position on the issues," the petition read.

Fate of PNG's Ok Tedi mine depends on report says owners

Radio Australia, 19 Nov 09

The owners of Papua New Guinea's Ok Tedi mine say the fate of the operation will be determined by a environmental impact assessment, to be completed next year. The mine says it's assessing the impact of the environmental damage of its mine waste and tailings on the Fly River system in PNG's Western province. Mine General Manager, Alan Breen says a detailed Mine Closure Plan will be submitted to the PNG government by the end of this year. Allen Breen again says the extent of the impact of tailings on the Ok Tedi and Fly River systems would determine the mine closure or extension. He says no one, including the PNG government or the Fly River people will decide the closure or extension of the mine.

Safety in the LNG project is ensured Post-Courier Focus 17.11.2009

By Christopher Papiali

In my discussion last week on LNG, I provided an overview of what LNG is and identified countries and regions where LNG projects are situated. I highlighted the options available for resource owners to look into Liquefaction and Gas to Liquid (GTL) projects for exports. In this article I want to look at the safety, environment and security of critical facilities.

It is generally stated that there have been effective LNG management practices developed and followed all around the world. In the United States, for instance, we have not heard of major serious accidents involving LNG facility after the Cove Point accident. The push for proper LNG safety practice and regulation is growing worldwide and Papua New Guinea should therefore develop a keen interest into how LNG safety practice and regulation designed by Exxon Mobil and its partners will be implemented. It is the requirement of every government to explore the highly technically designed engineering works done on how pipelines are fitted, laid out, measured, and computerised. It is also the requirement of the government to see whether or not there are personnel who are competent, and whether the physical and chemical properties of LNG do pose risks and hazards to the environment and the local communities.

Safety in the LNG industry is ensured by four elements that provide multiple layers of protection both for the safety of LNG industry workers and the safety of communities that surround the facilities. The four elements include; Primary containment, secondary containment, safeguard systems and Separate distances. Primary containment is the first and most important requirement for containing the LNG product. This first layer of protection involves the use of appropriate materials for LNG facilities as well as proper engineering design of storage tanks onshore and on LNG ships and elsewhere. Secondary containment ensures that if leaks or spills occur at the onshore LNG facility, the LNG can be fully contained and isolated from the public. Third, safeguard systems offer a third layer of protection.

The goal is to minimise the frequency and size of LNG releases both onshore and offshore and prevent harm from potential associated hazards, such as fire. For this level of safety protection, LNG operations use technologies such as high alarms and multiple back-up safety systems, which include Emergency Shutdown (ESD) systems. ESD systems can identify problems and shut off operations in the event of certain specified fault conditions. Finally, LNG facility designs are required by regulation to maintain separation distances to separate land-based facilities from communities and other public areas. Moving safety zones are also required around LNG ships to reduce the chance of collisions with other ships.

What is the role of the key government departments directly engaged in the oil and gas industry? Certain key government departments need to regulate LNG tanker operations. The immediate question arises now is whether or not PNG has an Energy Policy Act that could ensure safety at the facilities through inspections. Another related question that is of immediate concern is whether or not we have a well balanced Environment Protection Policy that will look at air and water standards with which the LNG industry must comply. It is essential to know that the major environmental issue is the air quality as it is affected by the burn of toxic components and vapour dispersions as a result of the LNG transfer process. With the global increase in the awareness of protecting the environment under the Climate Change banner, do we have NGOs and other community based organisations based here in PNG willing to talk with Exxon Mobil and draw up a strategic environment plan or policy?

Meanwhile, we have been told that current MPs have unanimously agreed on the Environment Impact Statement (EIS) formulated by the PNG LNG developers but did this policy go through a screening process from strong Environment Conservation advocates? Has the Government engaged professional organisations involved in LNG to separate independent assessment of the EIS? On the issue of safety, it is of importance to know that the transfer of LNG is very intense and incorporates many pressure changes, valve operations, refrigerant processes and one which causes a great problem is propane. In cases where ignition has occurred, the attributed cause has been individually oversight or failure of equipment. In all instances, it is now seen that the outcome is the massive reduction of the facility. For this reason, LNG facility should not be in populated areas.

It appears to me that the main facilities such as Juha production facility, Agogo production facility, Gobe production facility are expected to be built more than 1.5km from the gas pipeline. Although the facilities may not cause greater risk to the people, what is of grave concern is the ability of Exxon Mobil and its partners to seriously look at social and economic aspects of the resource owners along the pipeline because studies and research conducted seem to show that there have been negative impacts on the safety, land rights, population disruption, maritime cultural heritage, travel restrictions, etc.

Christopher Papiali, a business lecturer at Divine Word University in Madang Province.

Tight Security The National 17.11.2009

Source: Nationalpic by ANDREW ALPHONSE

More than 100 heavily armed police mobile squad units are providing security for the licence-based benefits sharing agreement (LBBSA) forums in the Southern Highlands province. Police personnel have been flown from Port Moresby to join the Tari's MS09 unit, Laiagam-based MS12 unit and the Air Transport Wing (ATW) from police headquarters to provide security and contain any landowner-related incidents that might occur during the LBBSA forums that began with Hides PDL1 last Thursday. Police said they had not encountered any problems yet apart from few unhappy landowners trying to force their way into the LBBSA forums. Pictured are MS12 members from Laiagam and MS09 members from Tari providing security during a public forum in Tari last Friday.

Highlands Pacific chief: Ramu on track Post-Courier 17.11.2009

By JONATHAN FARAPO
HIGHLANDS Pacific managing director John Gooding has refuted media reports the Ramu nickel project in Madang Province will be delayed. Mr Gooding said however that the mine is scheduled to commence production next year with further upgrades at a later date. The mining company confirmed yesterday that construction and pre-commissioning activities at the $US1.4 billion Ramu nickel cobalt project is progressing well and a staged commissioning is expected to start next month.

"Contrary to some erroneous media reporting recently there is no delay to construction and a quote attributed is not a spokesperson for the project," Mr Gooding said. He said the Ramu project is proceeding well with construction and pre-commissioning work consistent with company expectations. The company announced that a three to six month commissioning period will see the first commercial nickel production start mid next year with the staged ramp-up of three high pressure autoclaves during the second half of 2010.

Chief upbeat Post-Courier 17.11.2009

By JONATHAN FARAPO
PAPUA New Guinea's liquefied natural gas projects are set to boost global trade to unprecedented levels, Prime Minister Sir Michael Somare said during the 17th APEC Summit in Singapore.
He said increased trade between PNG and APEC countries would also reduce greenhouse gas emissions. Sir Michael said PNG would be providing clean energy to partner APEC economies that had entered into off-take arrangements. He said the employment requirements for the first LNG project could not be met from within the country and PNG would be looking to other APEC countries to provide the skilled workforce needed for the project.

The Prime Minister said the first LNG project was an example of investment from the private sector and APEC governments, enabling PNG to pursue developing a clean energy resource. Sir Michael said a second LNG project is being developed with investment from corporate citizens from APEC member economies with preliminary assessments of data from drilling suggesting reserves were bigger than previous finds. He said the development of the LNG sector in PNG will serve as a stimulus to trade and economic activity within the APEC region, underpinning its own long term economic growth.

Sir Michael extended an invitation to other APEC countries to develop the second LNG project and help to meet global demand for energy. "Papua New Guinea is prepared and ready to partner other APEC economies to further develop the second LNG project and deliver more clean energy to the global economy," he said.

LNG forum turns rowdy Post-Courier 17.11.2009

By MOHAMMAD BASHIR
There was a fist fight and some angry exchanges of words at the Licensed Based Benefit Sharing forum in Port Moresby yesterday. Ben Moide Club at Murray Barracks was the scene. Pipeline landowners from Southern Highlands, Gulf and Central were there as early as 10am and waiting in anticipation for the forum (LBSA) to be opened. Treasurer Patrick Pruaitch came in to do the honours accompanied by ministers Paul Tiensten (Planning), Gabriel Kapris (Commerce and Industry) and Bob Dadae (Defence). At about 1.30pm master of ceremony Peter Koim, co-ordinator of the

LBSA from the Department of Petroleum got the proceedings started. First speaker and commanding officer of Murray Barracks Anthony Oawa laid down the house rules and warned that entry from day two on will be restricted to those with ID cards with drunken and rowdy people not allowed. Mr Koim addressed the crowd before he called on Mr Pruaitch to make his speech and formally open the forum.

As the Minister stood and uttered a few things about the Government and importance of the LBSA and the LNG project in general and when he began his prepared speech, all hell broke loose. The crowd, mainly the SHP contingent interrupted and shouted the Minister down. Not to be outdone, Mr Pruaitch attempted to control his emotions and continued but was repeatedly shouted down and told to sit down. For a moment the crowd took over the proceedings and kept the ministers sitting and raised their voices about social mapping and ILG incorporation as well as accommodation and allowances were not paid to them.

Meanwhile, SHP Governor Anderson Agiru walked in and there was some consultation with DPE, the Gas office and the ministers before he stood up and addressed the crowd. When it looked like the rowdy crowd had calmed down, Mr Koim asked Mr Pruaitch to give his speech. When he stood and tried to talk, the crowd shouted at him again and wanted a charter to fly in 40 principal landowners who were still in the village before the forum can start. Mr Pruaitch sat down one more time and the look on the ministers' faces was telling. They looked upset and angry but couldn't do much. Consultation continued before Mr Pruaitch agreed that DPE officials would organise the charter and he spoke yet again. After about four minutes off the cuff talking, he opened the forum.

At that moment, former SHP Governor Hami Yawari emerged from the crowd and headed straight to the microphone and spoke. Fed up, the ministers were escorted out of the building while Gas Office Director Dairi Rei and other officers continued to announce the government benefit proposal for landowners. The Independent Public Business Corporation last night played down the situation at Murry Barracks. Brian Gomez of IPBC said: "It was not quite a commotion but the usual landowners trying to shout down other people to make various points before the meeting proper started. The meeting was complicated because of the presence of pipeline landowners from both SHP and Gulf. "Anyway the director of the gas coordination office, Dairi Vele, was able to make his full presentation on the LBSA. "There were no interruptions and people listened to the detailed briefing in silence and applauded at the end of it. The facilitators took over after that to commence the negotiation process. This will go on for a few more days."

Ok Tedi: Extended mining to net K3 billion   National 16.11.2009

Source: SHEILA LASIBORI

THE National Government will earn about K3 billion in revenues over seven years after 2013 if it approves mine extension plans for Ok Tedi copper mine in Western province. The K3 billion would come from dividends, taxes and royalties. At least 1,500 people and contractors would still be employed and the provision of basic services would continue, according to Ok Tedi Mining Ltd (OTML). One important impact for consideration would be the disposal of about 430mt of waste rocks. The extension plan includes the development of two small underground mines (Paris and Gold Coast) and an open cut mine (Berlin) that would produce about 280mt of waste rock and tailings, and milling processing.

OTML said to access the Berlin ore by 2014, about 150mt of waste would need to be stripped from the West Wall and the mine development programme “will have to commence in 2010 to meet the 2014 target”. Mine life extension would produce about 100,000 tonnes of copper and 350,000 ounces of gold per year. OTML sees the extension as an opportunity to provide continued benefits to national, provincial and local economies but at a reduced level.

Agiru defiant National 16.11.2009

Source: ANDREW ALPHONSE in TARI
THE National Government and developer ExxonMobil will not bow to threats from a few individuals and failed politicians who use a minority to try to sabotage the PNG LNG project, Southern Highlands Governor Anderson Agiru said at the weekend. Mr Agiru was referring to the incident in Tari last Thursday, when he and a delegation of ministers and MPs were pelted with stones as they waited to address a crowd at the Andaija Oval. Police fired several shots into the air to prevent what could have been a nasty situation. No one was injured.

The delegation included ministers Patrick Pruaitch (Finance and Treasury), William Duma (Petroleum and Energy), Arthur Somare (State Enterprises), Peter O’Neill (Public Service), Philemon Embel (Sports), James Marape (Education) and MPs James Lagea (Kagua-Erave), Pr Isaac Joseph (Mendi), Francis Awesa (Imbonggu), Francis Potape (Komo-Margarima) and John Kekeno (Koroba-Lake Kopiago).

Mr Agiru returned to Tari on Friday and was with the people from 10am until 4pm. He told thousands who had gathered that ExxonMobil had his “110% support” to drive the LNG project forward. He said a wealth and future generation fund would be set up for both Hela and Southern Highlands provinces, so surplus money generated from the LNG project was saved for use in future. This would follow the same principle as the sovereign fund model being proposed by the National Government.

Some protesters returned and held placards and banners asking for equity in the LNG project, demanding the dole system, protesting unfair PDL boundaries, lack of electricity in Tari, and non-representation of Hela in the umbrella Benefits Sharing Agreement and the current licence-based benefits sharing agreement (LBBSA) forums. The huge crowd braved the midday heat as Mr Agiru outlined the project and its benefits. The governor also blasted certain leaders and failed politicians whom he said had “bought beer” for youths to stir up the incident last Thursday. He said their equity was raised from 2% to 7% during the BSA in Kokopo in May. “This comes on top of billions of kina in impact projects for both SHP and Hela over 10 years,” he said.

Mr Agiru said regarding the unfair PDL boundaries, neither he nor the State had any jurisdiction over the matter as it was the developer, ExxonMobil, that determined the PDL boundaries. He said all the other points raised in the protests were valid and he was actually “fighting that fight” to get maximum benefits for Hela and SHP. On the dole system, Mr Agiru said he would totally oppose it as it would only make people lazy, "like the Aborigines in Australia who live on pension and squander it on beer". After his address, he mingled with the crowd and shook their hands, and also met and talked to the protesters.

Ramu Commissioning to start in December

(MinBase - 16 Nov 2009) - Highlands Pacific confirms construction and pre-commissioning activities at the $US1.4bn Ramu nickel cobalt project is progressing well and a staged commissioning is expected to commence in December 2009 as previously reported. A three to six month commissioning period will see first commercial nickel production commence in mid-2010 with the staged ramp-up of three high pressure autoclaves during the second half of 2010.

Highlands Pacific Managing Director Mr Gooding said today "contrary to some erroneous media reporting recently there is no delay to construction and a quote attributed is not a spokesperson for the project. "Having recently been to PNG, the Ramu project is proceeding well, the construction and pre-commissioning work is consistent with what the Company has been saying for some time and it is unfortunate that it has been reported in a negative way."

Reuters has reported that Zuo Weiwen, chairman of the overseas unit of Metallurgical Corp. of China, or MCC as saying production would commence in June 2010 with ramp-up to full production levels over a 12 month perid after that. The $1.7 billion Ramu project was halted by the Papua New Guinea government for a month in mid-2008 due to health and safety concerns. The Ramu nickel project is located 75 km west of the provincial capital of Madang, PNG and will produce an annual output of 31,500 tonnes of nickel and 3300 tonnes of cobalt contained in high grade concentrate over a 20 year mine life. The mineral resources at Ramu have the potential to increase the mine life by a further 15-20 years. The project is currently in construction phase with commissioning due to commence by the end of 2009.

Highlands has an 8.56% interest in the Ramu project which will increase to 11.3% at no cost to the Company after repayment of the debt raised to finance the project has been completed from operating cash flow (estimated to be 10 years). From commissioning, Highlands is able to have access to its pro-rata 8.56% share of Ramu's post-debt servicing net cash flow. Highlands also has an option to acquire an additional 9.25% at fair market value which could increase its interest to 20.55%.

PNG Government, equity partner in LNG project National 13.11.2009

Source: BARNABAS ORERE PONDROS in Hides
THE Papua New Guinea Government is ready to become a full equity partner in the massive PNG LNG project when developer ExxonMobil and its partners make its final investment decision (FID) on Dec 8. State Enterprises Minister Arthur Somare announced in Hides yesterday that Cabinet had endorsed more than K1 billion on Wednesday. Cabinet endorsed the contribution hours before a high-profile delegation led by Petroleum and Energy Minister William Duma and Mr Somare flew into Hides PDL1 to launch the licence-based benefits sharing agreement (LBBSA) forums.
The State is to take up 19.4% interest in the PNG LNG project.

Mr Somare said thus far, project joint venture partners, including ExxonMobil and Oil Search Limited, had been meeting the State's share of the costs associated with the project, including front end engineering design (Feed) and sunk costs. "The State is now well prepared to also pay for these costs and has the necessary resources in place to pay by the FID," Mr Somare assured. He said this was a significant step towards realising PNG's first liquefied natural gas project. Mr Somare added that the State had and would continue to do all it could to ensure the project gets off the ground. Mr Somare and Mr Pruaitch told more than a thousand landowners during the launch of the Hides PDL1 LBBSA that unity and collaboration must prevail.

Mr Duma said the ball was now in the hands of the landowners to "conclude the forums" and get the project moving forward. He officially opened the Hides PDL1 forum. Hides would contribute significant volumes of gas to the PNG LNG project. The other forums will be launched today and over the weekend and are expected to end within a week. The main concern for landowners to reach agreement on how their share of benefits will be distributed amongst themselves.

`Police will deal with trouble-makers´ National 13.11.2009

Source: JULIA DAIA BORE
POLICE in the gas project areas of Southern Highlands and Hela will not hesitate to deal with landowners who want to cause trouble, acting Deputy Commissioner of Police (DCP) and Chief of Operations, Raphael Huafolo, said yesterday. DCP Huafolo was speaking in response to violent protest in Tari by disgruntled landowners yesterday. He appealed to the Hela people to sort out their grievances by using appropriate avenues instead of resorting to violence.

DCP Huafolo was in Hides to oversee the ongoing security operations when a delegation of top-ranking Government ministers, MPs and bureaucrats was pelted with stones by landowners who were purportedly unhappy with certain developments relating to the PNG LNG project licence-based benefits sharing agreement forums. DCP Huafolo said the politicians were confronted by an angry mob but police in Tari intervened quickly and whisked the leaders away before they were picked up by two helicopters and shuttled to the Hides Gas project site in Nogoli.

He said more than 100 mobile squad members were deployed in the Hela region for the LNG forums and more than 250 others were deployed in nearby Kandep electorate in the Enga province for the by-election on Monday. He said some rocks were hurled at a chartered helicopter but the aircraft did not sustain any damage because police intervened quickly to disperse the angry mob. The police boss said the incident was to show that some people in the Hela region were misinformed about the developments happening in their province because of the lack of awareness and education. DCP Huafolo said "the old adage 'Information is power' was true in every sense and responsible sectors involved in the LNG project should embark on a vigorous awareness and education programme to accurately inform the people about the benefit of the LNG project".

VIPs stoned The National 13.11.2009

Source: ANDREW ALPHONSE in TARI
A TEAM of senior Government ministers and Members of Parliament came under attack in Tari yesterday when angry locals pelted them with stones and booed them. The entourage was in Tari for the licence-based benefits sharing agreement (LBBSA) forums and had planned to speak to the people at the Andaija Oval when they were pelted with stones. Police had to fire several shots into the air to prevent further trouble. No casualties were reported.

The entourage included Southern Highlands Governor Anderson Agiru, Finance and Treasury Minister Patrick Pruaitch, Petroleum and Energy Minister William Duma, State Enterprises Minister Arthur Somare, Public Service Minister Peter O'Neill, Sports Minister Philemon Embel, Education Minister James Marape, Kagua-Erave MP James Lagea, Imbonggu MP Francis Awesa, Mendi MP Pr Isaac Joseph, Komo-Margarima MP Francis Potape and Koroba-Lake Kopiago MP John Kekeno.They were en route to Nogoli for the opening of the Hides PDL 1 LBBSA but decided to make a stop-over in Tari to address the crowd.

The crowd of mostly youths and village chiefs from Tari town and Hayapuga areas did not appreciate the presence of the leaders. They protested over why the electorate of Tari-Pori and its four local level government (LLG) council areas – Tari urban, Tebi, Tagali and Hayapuga – were not included in the mapping of the petroleum development licence (PDL) areas in the PNG LNG project.
They felt they were going to miss out on the benefits. As the ministers led by the local Hela MPs took to the stage to address them, the crowd moved towards the arena and booed them. The crowd gestured angrily and shouted at the MPs and ministers.

Attempts to calm them down were greeted with more booing, yells and whistles. Even Mr Agiru, who commands great respect in the whole of the Hela region, could not do much to control the agitated crowd. The shocked MPs and ministers ducked for cover and were escorted to safety at the nearby Tari district court house. Only Mr Agiru, Mr Marape, Mr Potape and Pr Joseph stood their ground in the grandstand even as the stones came flying at them. Sensing further trouble from the defiant crowd that simply would not listen to them, Mr Agiru told them he would come in person today (Friday) and talk to them to get their views on what they were not happy about.

He then led the ministers and MPs 3km out of Tari town to Habare Seventh-Day Adventist (SDA) mission where they were picked by a helicopter and flown to Hides. One of the leaders of the protesters and Kikita village chief, Timothy Hayara, said the people in Tari were angry because not all the Hela area was included in the PDL area, boundary and mapping. Mr Hayara said while Komo and Lake Koroba were included in the LNG map as licenced areas, they were surprised that Tari was not included.

Youth leader Kobaiya Timu said if Tari was not included in the PDL map, there was no need for the State and the developer to come there and talk about the LBBSA forum in Tari. He said they should do everything in Hides, Nogoli, Komo and Angore areas near the project sites. Tari-based police highway patrol unit 20 policemen, who tried hard to keep the angry crowd under control, lost their vehicle side glass and headlights when the youths stoned the vehicle. Police personnel flown in from outside the province to provide security at the LBBSA fired several shots into the air to disperse the angry crowd. However, someone in the crowd also had a gun and fired back but fortunately, no-one was injured.

LNG comprises primarily of methane, but also contains ethane,
propane and heavier hydrocarbons...

What makes up LNG? Post-Courier Focus 12.11.2009

By CHRISTOPHER PAPIALI
Some people can be confused with terminologies such as Natural Gas Liquids (NGLs), Compressed Natural Gas (CNG), Liquefied Petroleum Gas (LPG), and Gas- to-Liquids (GTL). The purpose of this article is not really to look at these terms but to help us understand LNG. In PNG, we have had a few reputable exploration companies that deal with gas and oil and we are also very mindful of the companies heavily involved in other mineral extraction sector. For the last decade or more, heavy oil extraction has been going in the Southern Highlands Province and this industry has been a major revenue earner in our growing economy.

What is LNG?

Liquefied Natural Gas (LNG) is a natural gas that had been cooled to the point that it condenses to a liquid, which occurs at a temperature of about -161 degrees Celsius at atmospheric pressure. Liquefaction reduces the volume of gas by about 600 times, thus making it more economical to store natural gas where other forms of storage do not exist, and to transport gas over long distances for which pipelines are too expensive or for where other constraints exist. Further, LNG composes primarily of methane, but also contains ethane, propane and heavier hydrocarbons. Small quantities of nitrogen, oxygen, carbon dioxide, sulphur compounds and water may also be found in natural gas. These distinct gases have intrinsic economic value to a gas supplier or a dealer.

The demand for natural gas in the United States and other powerful economies is growing. For countries like USA, the bulk of the natural gas comes from domestic production, in many cases from fields that are several decades old and that are beginning to decline rapidly. Although there are new gas fields and reserves are constantly discovered, there are significant indications of challenges in production and technology. For this reason, investors and shareholders are looking outside of US and PNG is no exception.

There are stages of LNG value chain which excludes pipeline operations and most of the stages consist of exploration, liquefaction, shipping and storage. Exploration involves finding natural gas in the earth’s crust and production of the gas for delivery to gas consumers and users. It is now proven the world over that most gas discoveries are done as a result of oil search and exploration. Liquefaction involves converting gas into liquid state so that it can be transported on ships. Shipping involves loading the gas on a specific vessel. Finally, storage involves storing the gas that has been converted into liquid phase so that final destination reaches through the natural gas pipeline system. By world standards, many countries produce natural gas. There are about 67 natural gas producing countries in the world.

Top natural gas producing countries include:
* Venezuela -26,500,000,000
* Thailand -25,400,000,000
* Oman -24,100,000,000
* Ukraine -21,050,000,000
* Germany -17,960,000,000
* Bangladesh -15,700,000,000 and
* Iraq-15,660,000,000.

In the Pacific, PNG is doing far better than other Pacific countries. There have been reported cases of natural gas discoveries and explorations done in the Pacific region in countries such as Nauru, Vanuatu, Tonga, Fiji, Kiribati, New Caledonia, Cook Islands, Solomon Islands and American Samoa but not on a grand scale like PNG. There are questions being asked and one of the questions will always be: Is LNG a competitive source of natural gas? It is now seen that large reserves of natural gas exist around the world in areas for which there is no significant market or where natural gas resources far exceed local or regional demand, or where pipeline options are limited.

There are places such as in North Africa, West Africa, South America, Caribbean, the Middle East, Indonesia, Malaysia, North-western Australia and Alaska where significant amount of reserves are stranded. Some of the natural gas produced from these resources is liquefied for shipping to areas where usage of natural gas exceeds indigenous supply and such markets include Japan, Taiwan, Korea, Western Europe and USA.Countries such as Nigeria and Angola have a lot of natural gas produced with crude oil and much of that has been flared because of lack of alternatives for usage or disposal of excess gas.

Nigeria, meanwhile introduced anti-flaring laws and other initiatives which has spurred growth in both domestic demand through the use of natural gas for electric power generation as well as new investments in liquefaction for export and gas-to-liquid (GTL) projects for export. Although PNG may not experience this, it is an experience worth taking in. PNG may not have the access supply of gas in the hands of the landowners but certainly landowners could re-negotiate with Exxon Mobil and its major partners to provide opportunities for Papua New Guineans to look into the business investment plans in liquefaction and GTL.

Christopher Papiali is a lecturer in Business Information Systems Management at the Divine Word University.

People not benefiting Post-Courier 12.11.2009

By JOHNNY POIYA
While the land based signing agreements for the LNG project in the country are underway, those living closer to the project sites do not know if they will benefit. Various experiences from the Kutubu oil fields and Hides gas projects which were in operation over the last 15 years and many people living closer to the projects believe they would be left out again. This concern was raised yesterday by chairman of Olama Community Development Association Tony Undi. Mr Undi, whose association is the umbrella firm for 15,000 living between Kiburu in Mendi to the Lai bridge near Poroma station. He said his people had been spectators for the last 15 years and were denied any form of royalty or tax credit scheme projects while places outside of Southern Highlands benefited.

"The people living along the road from Kiburu to Tari have seen the heavy trucks come and go along the road and the dust they created was the only thing we've consumed for 15 years from the projects. Instead of benefiting in a positive way, the dust has killed many of us." Mr Undi said.
He said a lot of heavy machinery would be transported into the project sites but before that, the Government had to seriously look at sealing the road and complete the rural electrification program from Kiburu to Tari.

He also called for infrastructure improvement for secondary and high schools. "Governor (Anderson) Agiru promised relocation of the Mendi Airport to Olama sometime ago and since then, he has not come back," Mr Undi said. He said his people were prepared to give the land for free but Governor Agiru never came back on his words. "We're calling for services delivery. No threat whatsoever. We're not sure if there's any plan for us but are simply calling for services for the people. That's the sole aim of our association." Mr Undi said.

Landowners planning ahead Post-Courier 12.11.2009

By ERIC TAPAKAU
AT LEAST one landowner group is not planning to waste monetary benefits from the massive liquefied natural gas project on booze, women and fast cars in Port Moresby. The group has started planning ahead by exploring opportunities that would ensure the money they earn from the project would still be used by future generations. Misuse of benefits from the mining and petroleum projects by landowners has become the norm in Port Moresby where millions of kina belonging to landowners in villages are spent recklessly by the so-called landowner leaders in cities and towns.
The Hides petroleum development licence (PDL) – 1 and petroleum retention licence (PRL) – 12 landowners will put forward to Government ministers, department secretaries and officers today

that they want nothing more than a chance to become active participants in the PNG LNG project rather than just landowners who look forward to royalties and equities from the project.

They see that the monetary benefits will be massive and they want independent reputable organisations to manage these funds on their behalf. “Reputable fund managers will be appointed to manage these trust funds,” landowner leader and general manager of Hides Gas Development Corporation Limited Larry Andagali said. “We want the Government to give us a chance in this massive project and we want to do it right from day one.” In preparation for the licence based benefit sharing agreement (LBBSA) forum which starts at Nogoli today, the landowners have held peace and reconciliation ceremonies among the leaders of different tribes in the PDL – 1 licence area. The landowners have also identified leadership structures that will take leadership of Hiwa, Tuguba, JP Karai and Hapono to Tapiria tribes in the licenced areas.

Mr Andagali said in Nogoli yesterday that the landowners were united to face the Government together and had aligned their position papers and would just await any response from the State team on what they would put forward to them. Mr Andagali said the landowners were also preparing themselves to fit in other landowner companies that were joining Hides Gas Development Corporation Limited with a view to allocate them shares in the umbrella company that the smaller landowner companies would then share with whoever they considered as partners.

He said current organisations tasked with managing landowner equities in mining and petroleum projects had a “black mark” on them as they were highly politicised. “We want funds to be managed by a transparent and accountable organisation free of political interference and political manipulation,” Mr Andagali said. He said in the agreement, the landowners will also ensure that the State and developer do not entertain landowners in Port Moresby and called on the State to have key Government departments to be based at Nogoli. “There will be no more memorandum of agreement deals done in Port Moresby from now onwards,” he said.

Business upbeat on LNG project National 12.11.2009

Source: YEHIURA HRIEHWAZI in Brisbane
THERE is an unprecedented interest and excitement among the Australian business community, especially among Queenslanders, to get involved in the PNG LNG project as with a surge in number of visitors travelling to PNG. While the exact number of visitors and business visas issued by the Brisbane Consulate to Australians visiting PNG was not immediately available, there was a total of A$140,000 (K347,000) generated in visa fees last month alone, the PNG Consul General in Brisbane Paul Nerau, said. “The number of business and visitors visas issued last month is the highest ever recorded in any month,” he said, “and it’s increasing.”

This had never happened in the last 15 years since the setting up of the PNG Consulate in Brisbane. This was mainly driven by the PNG LNG project, Mr Nerau noted, saying the enormity of the project must be understood. He has re-organised his office to ensure that all the visitors walking into the office are attended to quickly and he now has one staff working through lunch hour to handle visa enquiries. Mr Nerau is also extremely busy answering to enquiries from business houses.

“I am encouraging them to get into joint ventures with PNG businesses. I am telling them to go to Port Moresby, set up office there, train our people, pay tax in PNG and employ our people. There must be a win-win situation for the investor and for PNG,” he said. Only recently, he had staged a trade seminar in Cairns where 120 business groups attended and held one in Townsville (95 businesses) and Brisbane (120). Mr Nerau has also spoken to some trucking and heavy machinery companies and urged them to open up driving schools in Port Moresby and train drivers because

ExxonMobil will need 1,000 drivers. “This is among the side things I’m doing to help move things along,” he said.

Esso keen on local suppliers Post-Courier 12.11.2009

By MOHAMMAD BASHIR
The liquefied natural gas project considers engagement and development of local suppliers as an important aspect of its national content plan and the Papua New Guinea Oil and Gas Act. Esso Highlands yesterday said supplier development involves purchasing local goods and services, transferring knowledge and skills, and increasing PNG suppliers’ capability to help them meet the global standards expected to qualify for contracts with the PNG LNG and other projects. “We really are looking to optimise the use of PNG companies. There has been strong interest from the PNG business community in providing services to the PNG LNG project,” public affairs adviser Stuart Symons said.

The PNG LNG project will require a large range of services and equipment for civil works, mechanical and electrical construction, as well as indirect support for construction such as heavy freight forwarding, construction camp provision, and other logistical support. Representative landowner companies will get priority for the supply of various support services performed. This may include services such as camp maintenance, local personnel transportation, vehicle hire, catering and labor. In addition to these representative landowner companies, with whom Esso has already engaged, it is building a database of other potential suppliers that could provide other specialist services.

“Our overall objective is to provide opportunities for local suppliers by supporting the development of capable, nationally-competitive service companies that remain working and in business long after construction is completed,” Mr Symons said. Esso Highlands is collecting expressions of interest from suppliers through the supplier registration form on its website (www.pnglng.com). “Our aim is to launch an online registration process with a database of reputable local suppliers that we can make available to the PNG LNG project’s engineering, procurement and construction (EPC) contractors and other companies, who will be awarded major contracts with the project by early next year,” he said. These contractors will be encouraged strongly to “go local”, he said.

While there is no specific deadline for suppliers to register interest, they are being encouraged to do so in the coming months to ensure they can be considered for the first contracts. However, there is no guarantee of a contract or any work to all the applicants, he said. The procurement process will be managed by the EPC contractors in a consistent and transparent manner. Where supply exists within PNG, the project will encourage EPC contractors to procure goods and services locally wherever they are competitive with foreign-sourced supplies, and with a responsible approach to ensure the project doesn’t negatively impact the needs of other projects or industries. Mr Symons said specific details, such as the supply of food, will be determined by the EPC contractors following the award of their contracts.

OIL COMPANY WANTS PNG GAS PROJECT AGREEMENT

InterOil says talks on landowner benefits premature

PORT MORESBY, Papua New Guinea (The National, Nov. 11, 2009) - Discussions on benefits that would be generated from the proposed second liquefied natural gas (LNG) project are yet to start. Unless and until a project agreement was in place and a petroleum development license (PDL) was issued, such discussions could not take place, project developer InterOil for its proposed Elk-

Antelope LNG project in Wabo, Gulf province, said. This was made known to about 15 of the 17 Gulf provincial local level government presidents and other leaders recently during an audience with InterOil led by company director Christian Vinson at the Napa Napa refinery near Port Moresby.

The absence of the project agreement has also reportedly delayed the front-end engineering and design (FEED) work by 21 months since January last year, according to Liquid Niugini Gas Ltd (LNGL), a company which will specialize mainly in buying dry gas from InterOil. InterOil holds 45 percent interest in LNGL. Most of the presidents and LLG representatives raised concerns of how the local people would benefit from the proposed project once it got underway, and what would be offered as benefits for the communities hosting the project and the nearby areas. "We need to get the project agreement and the license to proceed and then, we can talk about who benefits and who will not. "Right now, we have nothing to work with … we need to get the Government to realize that two projects are better than one," Mr. Vinson said.

InterOil and LNGL had a meeting with LLG presidents to brief them on InterOil's preparations towards the proposed LNG project and while waiting for the project agreement and PDL.
InterOil's manager for community affairs (corporate) Geoff Hiatt updated the presidents on the progress of the preliminary social mapping and landowner identification process, both for the proposed project and the fields, and the liquid project. "We are clear about who among the people are landowners in these blocks," he said. Mr Hiatt said the preliminary studies done included Wailala and Purari in Gulf province, and Fisherman Island (an island close to the proposed plant to be built on Napa Napa across from InterOil's existing oil refinery).

InterOil holds three petroleum prospecting licenses (PPL) 236 (in Central province), 237, and 238 (discovery area at Elk-Antelope which overlaps into 237). InterOil would initially develop the Elk-Antelope gas field by the drilling of enough production wells, currently estimated at between six and 12, to supply about 650 to 900 million metric cubic feet of gas per day (mmcfgpd) as feedstock for a single train of 3.5mtpa to 5mtpa LNG plant. The production wells would be connected by a gas gathering system and delivery pipeline to separation and drying facilities to be located on the northern bank of Purari River, about 20km south of the gas field.
The National: www.thenational.com.pg/

ExxonMobil urges creative dialogues National 11.11.2009

Source: SHARON E BARNABAS
PNG liquefied natural gas (LNG) project developer ExxonMobil wants landowners and the Government to engage in constructive dialogues regarding distribution of benefits in the licence-based benefit sharing agreement (LBSSA) forums, according to an adviser. The US$15 billion (K40 billion) LNG project remains on track to make a final investment decision next month which will represent agreement by the co-venturers to proceed with the project. Senior public and government affairs adviser PNG LNG project Stuart Symons said: "These Government-led LBSSA forums are an important step in the petroleum licensing process." "We expect the landowners and the Government to engage in constructive dialogues regarding the distribution of benefits in these forums," he added.

Mr Symons also clarified that the forums would be held concurrently in the eight sites and not one after the other. When asked about the developer's comments on the threats issued by landowners to sabotage the forums or take restraining orders, Mr Symons said: "It is not appropriate for them (developer) to comment." Meanwhile, ExxonMobil maintains Dec 8 remained the date for the final investment decision (FID), reports Bloomberg News. "There is still an awful lot of work to do," Oil

Search managing director Peter Botten said in Sydney yesterday. The December deadline did not leave enough time to complete a plan to sell a stake in the venture to Abu Dhabi's energy investment arm, Oil Search said last month.

Oil Search raised A$895 million (K2.4 billion) selling shares at A$5.90 (K15) after scrapping the plan to sell the 3.5% stake to IPIC. Estimated first-phase costs rose to US$15 billion (K40 billion) from a previous figure of US$12.5 billion (K33.42 billion), Oil Search said last month. The company's projected share of future costs was US$5 billion (K13.4 billion), of which US$1.3 billion (K3.4 billion) would be funded by equity, Mr Botten said recently. Oil Search is in "very constructive" discussions with banks to negotiate financing for its share of the costs, Mr Botten said yesterday. The company sees "no need" to raise further capital for the project, he said.

China Petroleum and Chemical Cor., also known as Sinopec, will buy two million metric tonnes of LNG a year from the project, Exxon said last Nov 4. ExxonMobil and its partners are working with Sinopec to complete a binding, long-term sales agreement.

Prime Minister to pitch LNG project at APEC meeting National 11.11.2009

PRIME Minister Sir Michael Somare will highlight the regional impact of the PNG LNG project when 21 Apec leaders meet in Singapore this week to discuss ways to stimulate global economic recovery. The Asia Pacific Economic Conference (Apec) forum leaders' meeting, "Sustaining growth, connecting the region", occurs at a time of ongoing concern about the global financial crisis. Sir Michael said he was convinced that the PNG LNG project, as one of the biggest investment ventures in the region, could play a significant role in stimulating regional trade and investment. "We have seen the big stimulus it has provided the PNG economy. Once project construction commences early next year, this project will also stimulate investments in several Apec economies, including China, Japan, Taiwan, Australia and the United States."

Much of the US$15 billion (K42 billion) LNG project budget will pay for equipment and services from abroad, including about half a million tonnes of steel pipelines and billions of dollars worth of materials for two LNG trains to be built near Port Moresby. These activities will spur domestic investment in supplier countries. In the case of China, PNG's customer, Sinopec will spend billions of dollars to build an LNG import facility at the port of Qingdao in Shandong province. Sir Michael said: "These countries will provide goods and services as well as finance for the PNG LNG project, leading to stronger economic ties with PNG. "LNG exports will bolster and transform regional trading links. "LNG gas exports from PNG have been conservatively valued at more than US$150 billion over the 20-year life of the project. "This is an unprecedented opportunity to showcase Papua New Guinea to major investors in developed and developing member countries of Apec and to establish the nation's credentials as a dynamic economy within the Asia-Pacific region."

LNG cash fund National 11.11.2009

AUSTRALIA will help the PNG Government set up a sovereign fund that will channel revenue from the PNG LNG project. The sovereign fund will capture between US$10 billion and US$15 billion in proceeds from the Government's equity in the project. Legislation is expected to be brought before Parliament for approval to enable this, Public Enterprises Minister Arthur Somare said yesterday. Mr Somare, National Planning and Development Minister Paul Tiensten and Public Service Minister Peter O'Neill met with their Australian counterparts in Canberra last month to discuss the fund.

The talks were held in view of plans by the Australian government's Export Finance Insurance Corporation (EFIC) to provide substantial loan finance for the US$15 billion (K42 billion) PNG LNG project in the form of tied concessional loans for purchase of Australian goods and services. Mr Somare said the Government wanted to have in place good governance and transparency regimes to protect future government revenues from the PNG LNG project and maximise the nation's development potential. "We have held official and ministerial level discussions on Australian assistance for development of a robust and transparent governance regime covering taxes and dividends from LNG received by the PNG Government," Mr Somare said in a statement.

He said the Australian government sought reassurances on the commercial risks of the PNG project and was seeking clarity on its potential to transform both the PNG economy and Australia-PNG bilateral relations. Australia's trade minister Simon Crean said the Australian government was ready to assist PNG to create "a transparent, robust legislative framework" that would govern how revenues generated by the LNG project were best managed and utilised. Detailed work is also being undertaken by PNG's Ministry of National Planning and Development with the assistance of Australian technical experts. The main features of Australia's assistance will cover:

*Economic modelling under a team of international economists led by AusAID's chief economist. This model would provide guidelines for the ideal use of government revenues from LNG;
*Technical assistance in resource tax administration, implementation of a revenue stabilisation fund, creation of a sovereign wealth fund and other relevant
areas; and
*Support for training and skills development to complement ExxonMobil's plans for the Port Moresby Technical College by assisting the Pomtech management to eventually administer these facilities.

"I believe this is the first time in our history that a PNG government has sought to have in place specific governance regimes to cover a major resource development," Mr Somare said. "Indeed, this is six years ahead of first gas and first revenue flows. "These measures will minimise corruption and ensure that the additional US$50 billion in taxes and dividends that will flow to the PNG Government over a 20-year period will transform every aspect of life in PNG," Mr Somare added. "The National Executive Council will consider the establishment of a sovereign wealth fund as a sustainable long-term vehicle for the 19.4% equity held in the LNG project through the Independent Public Business Corporation. "It will look at implementing governance guidelines and procurement processes to ensure better service delivery mechanisms. "With the help of Australian government experts, Parliament will be able to enact sovereign wealth fund legislation that will determine optimum use of LNG project dividends with an eye to maximising infrastructure spending through the development budget," Mr Somare said.

Nautilus in firm financial status National 9.11.2009

NAUTILUS Minerals Inc is in a strong financial position with US$217.6 million (K581 million) in cash and cash equivalents held on deposit with major banks as of Sept 30, the company reported last week. Other highlights for the quarter ending September included:

1) Exploration success within two weeks of exploration cruise;
2) Nautilus granted environmental permit "approval in principle" for Solwara 1 prospect in New Ireland province; and
3) Port capacity at Rabaul secured.

Working with appropriate Government departments and agencies, the next steps for Nautilus was to negotiate the development agreement required for the grant of the mining lease (ML) and prepare the draft project environmental management plan (EMP). The company said in a statement that its cash balance at the end of the third quarter was in line with management's expectations and reflected a reduction in creditors during the quarter. Nautilus continued to conserve cash until the Solwara 1 project equipment build restart.

This was accomplished through cost-reduction programmes and maintaining its cash in currencies that reflected the company's current and expected cash outflows, to take advantage of natural hedges. "Nautilus continued to make progress on advancing the Solwara 1 project and building a resource pipeline for the future in the Bismarck Sea," Stephen Rogers, Nautilus' chief executive officer, said. "The Solwara 1 project represented positive step changes in the environmental and social aspects of copper extraction. "With the high copper grades of seafloor massive sulphide (SMS) systems and minimal overburden, very little waste will be produced," Mr Rogers said.

Mt. Kare gold mine for sale National 6.11.2009

Source: SHEILA LASIBORI
THE troubled Mt Kare gold project in Enga province is now being offered for sale to potential buyers overseas. Pacific Roads Corp Finance (PacRoads) has been engaged to help the liquidator of Madison Enterprises Ltd, owner of Mt Kare, in selling exploration licence (EL) 1093 otherwise known as Mt Kare. Lack of funds to meet its day to day operations and to pay its debts forced Madison into liquidation. A source close to office of the liquidator revealed the hunt for buyers overseas.

"PacRoads has undertaken an international marketing campaign to seek out expressions of interest and bids from reputable mining houses and exploration companies throughout the world," the source told The National. "This is a tender process and the value of the Mt Kare EL will be established by the market, based on bids received. "As such, there is no set price for the licence," the source said in response to selling price inquiries." Madison is the holder of EL1093 which includes the Mt Kare gold project. The source said EL1093 was the only asset available for realisation in the liquidation of Madison and proceeds from the sale would be dealt with under the provisions of the Companies Act which sets out the priority and process for settling the claims of creditors.
The source said funds received from the sale would be used to settle debts under the provisions of the PNG Companies Act. The landowners' existing entitlement to a 10% free carried interest in the project through to feasibility was being maintained and would be preserved through the tenement realisation process. The source said the EL was current and like other exploration licences in PNG, it had two-year renewable term. "The licence has been held by Madison for over 12 years and is due for renewal next August," he said. The lease area covered 220sqkm and there was 1.8 million ounce of gold and 24 million ounces of silver inferred resource at Mt Kare along the trend with similar geological setting and mineralisation to Porgera deposit. Madison has spent more than C$40 million (K99 million) in exploration since 1996.

Editorial PNG Post-Courier

WHO WILL BENEFIT FROM PNG'S NEW WEALTH?

PORT MORESBY, Papua New Guinea (Nov. 6, 2009) – WHILE many are rubbing their hands with glee at the prospect of billions of gas project dollars falling into their clutches, others are wondering. What will the wondrous wealth do for people outside the immediate areas of the LNG project? How much of it will go to the "ordinary'' folk of the project areas? Will we slip onto the same pathway as many other resource-rich nations that have rhapsodised over easy money and found, all too soon, that the resource has been depleted and that they are hardly better off for the experience? There is no doubt that the liquefied natural gas project, the ExxonMobil/Oil Search one, will be tipping huge amounts of money into our national economy.

Estimates are that the national budget will treble due solely to this one huge venture.Treasurers and their buddies rejoice at the prospect. After all, the tax revenue and related cash spinoffs are bound to fill up the general accounts and the trust accounts for the Government and give the politicians so much more gravy to dish out. The big question would appear to be: Who is to sup at the table when the meat and the gravy from the LNG resource is dished out? Will we end up like Nigeria, which had huge oil reserves under ground and has seen great wastage and precious little human development. Superannuation fund chief Rod Mitchell has made a thoughtful contribution to the debate over the long-term effects of the LNG project. He says the nation is largely unprepared for handling the proceeds of such huge revenues. If our public service cannot cope with the existing situation, how will they be able to handle the dramatically ramped up flow of money coming as early as next January?

Mr Mitchell proposes that the Government set up what he calls a sovereign fund to collect part of the tax revenue stream from the project and invest it for future generations. Such fund would, he suggests, reduce reliance on natural resources and avoid cyclical fluctuations. It would ease the tendencies to have a boom followed by bust cycle in the economy. It would to some degree protect our long-term staple industries. It will be bad for the nation long-term if we have huge amounts flowing through the hands of an elite and into special sectors, yet nothing going to the overall, long-term development of the nation. We need our exuberant ministers to be spelling out their plans for the effective use of the LNG largesse now, not "later''.resources. Let us use the benefits wisely.

Top revenue from 2nd LNG plant: InterOil National 6.11.2009

INTEROIL Corp is certain its proposed Elk-Antelope liquefied natural gas (LNG) project would provide attractive revenue streams to the country before 2014. In a statement, the company said it discussed the nature of these revenue streams in the company's presentation at the recent PNG Chamber of Mines and Petroleum conference in Port Moresby. InterOil has described its upstream oil and gas production business segment and its separate proposed midstream LNG tolling plant business segment which formed a non-integrated project structure. InterOil believes such a structure, with its clear lines of demarcation between upstream and midstream segments, will provide revenues to the country on a transparent basis while also potentially providing those revenues earlier to PNG's various levels of Government and to landowners.

"InterOil is aiming to bring on stream a liquids stripping plant, to be located in Gulf province, in late 2011-12 while the LNG plant is still being built," InterOil chief executive officer Phil Mulacek said. "The plant will extract the liquid condensate from the gas, reinject the gas back into the reservoir and transport the liquids to its refinery or for sale in the open market. "The advantage for landowners, provincial governments and the State is that taxes and royalties would start flowing earlier into their respective coffers," he said. "All upstream stakeholders benefit from the early condensate/oil production through direct 20.5% Government ownership and 2% landowner royalty payments." Mr Mulacek said additional revenue was generated by the Government through the 30% company tax rate.

When the LNG plant begins its operations in late 2014-15, all upstream stakeholders would benefit from increased condensate production, natural gas production and associated profit taxes from InterOil's non-integrated project structure, he said. "Additionally, LNG plant stakeholders will benefit from a separate stream of revenue and profit tax from the midstream LNG plant." "The separate revenue streams provide increased transparency when compared with an integrated project structure." Mr Mulacek said based on current forecasts of production and commodity prices, 94% of the total revenues from InterOil's project to the PNG Government would be derived from the production of oil and gas during the first 10 years.

Will LNG project deliver? National 5.11.2009

Source: Dr CHARLES YALA
IT cost in excess of two weeks and K10 million for the Government and landowner representatives to reach an agreement on the Benefits Sharing Agreement in Kokopo earlier this year. The LNG project is tipped to be the largest project to be ever undertaken in PNG. It is projected to generate significant financial benefits for all the stakeholders – the affected landowners, provincial and national governments and the foreign investors.

But will the LNG bonanza lead to sustained economic growth and development in Papua New Guinea? The past does not provide much reason for hope. One could be excused for not noticing the impact of past resource booms on economic growth and development since independence. Figure 1 shows a time plot of the growth rate of GDP per capita and its trend over time. Further, emphasis is placed on understanding the impact, if any of the past two resource booms on growth in per capita income.

GDP per capita, which accounts for growth in population, and its rate of growth, are a better reflection of the average income of the country's residents. GDP is total income generated by both citizens and non-citizen individuals and businesses. Obviously, as an average measure, the per capita GDP says nothing about the distribution of this income. But, in the absence of measures of what is happening to income inequality, it is the best indicator we have. Figure 1 shows that economic growth in PNG has been eratic. The high spikes during the early 1990s depict the first resources boom. This is the time when Porgera, Misima, Ok Tedi and Kutubu were in production. The second resources boom started in 2002 and was led by the increased demand for raw materials by China and India, until the Global Financial Crisis, triggered by the US-subprime mortgage crash last year

It is widely known that PNG got itself into a financial crisis in 1994, which led to the floating of the kina. The years that followed were very difficult for PNG, until the second resources boom, starting in 2002. Macroeconomic mismanagement of the first resources boom was not repeated during the second resources boom. PNG appears to have learnt from the first boom and managed to avoid creating another self-inflicted crisis during the second boom. What will happen during the LNG project led boom remains to be seen.

The microeconomic story of the welfare of individual citizens is rather depressing, as depicted by the trend line in the graph. This line depicts a clear downward trend. This implies that, over time, the average Papua New Guinean has become poorer. During the peak of the first resources boom, the trend line became negative and has since remained in negative territory, including during the second resources boom. The average Papua New Guinean was much poorer in 2006 than in 1960! No doubt some Papua New Guineans became better off during this period; but this only means that other people did even worse than is implied by average per capita income.

What will the story be, if we plotted Figure 1 using the Gross National Product (GNP) on per capita terms? GNP is the income that accrues only to citizens after foreigners' earnings by way of wages and profits has been deducted from GDP. This is left as an exercise for interested readers. The data analysed above shows that the last two resources booms – those of the early 1990s and 2002-08 – have not improved the welfare of the average Papua New Guinean. Some serious thinking has to be done to ensure the benefits of the LNG bonanza outlive the current generation.

* Dr Charles Yala is a research fellow at the University of New South Wales in Australia and research associate with the National Research Institute.

`Ok Tedi extension running out of time´ National 5.11.2009

Source: SHARON E BARNABAS
THE extension of Ok Tedi mine life presents a genuine opportunity for the State and for the country, but the window for an extension is fast closing, managing director Alan Breen said. The project is significant and there is a big prize – jobs, higher level of economic activities in Western province, K3 billion in Government revenues and K2 billion in PNG Sustainable Development Program (PNGSDP) dividends. "The project can only proceed if there are no material changes in the environmental impacts and … this part of the study will be crucial to the decision," Mr Breen said. "Any delay in the project will introduce a production gap that will significantly devalue the project in terms of economics and efficiencies. "If the mine life extension does not take place and the mine closure process is followed through … then the last remaining ore in the Mt Fubilan pit will … be lost forever as it is unlikely any future capital investment would be justified."

Mr Breen said: "Whilst ambitious, the project schedule is achievable if all parties proactively support and engage in the parallel processes. "Thus far this has been easier said than done and a mine life extension is at considerable risk. "The LNG project is all the rage and appears to be the primary focus of the attention for Government," Mr Breen said. "While LNG project will surely benefit PNG … and the mine life extension at Ok Tedi may not be quite in the same league as LNG, the decision about Ok Tedi mine is as important for the country as LNG and requires the same level of scrutiny," Mr Breen said.

He said, based on data cited, Ok Tedi mine life extension would employ more than double the PNG nationals than would the LNG project. He also said OTML's unique shareholder structure, the combined additional benefit to the country through State revenues and PNGSDP dividends were more than half of that derived from LNG. OTML also carries significant value in terms of its assets, its people and it's in country experience which will be destroyed when the mine closes. Mr Breen said: "Rather than lose the value and goodwill OTML has, it would make much more sense to try to leverage off OTML's position and experience to help other PNG projects off the ground."

PNG LACKS WORKERS FOR MASSIVE GAS DEVELOPMENT

More than 7,300 local employees needed for planned project

By Pearson Kolo
PORT MORESBY, Papua New Guinea (PNG Post-Courier, Nov. 5, 2009) - More than 7,500 local employees will be needed for the multibillion-kina PNG LNG gas project but the country cannot provide this labor force. Department of Labour and Employment revealed that PNG could not provide 500 welders which the developers of the LNG project are asking for.

Papua New Guinea faces the danger of seeing an influx of foreign workers taking those jobs while locals who are having high hopes of being part of the project will be mere spectators. This fact was revealed by the Department of Labour and Employment Secretary David Tibu. Mr. Tibu said the main reason why PNG would miss out on the jobs was because there was not enough highly trained people to cater for the huge job opportunities created by the LNG project.

"We do not have enough technical institutions in the country and the few that we have do not train our workforce to a standard expected by huge internationally recognized companies like the current developers of the gas project," Tibu said. "PNG must immediately solve this problem by training more people who will take up the jobs created and who will successfully venture into careers which will also be a boost to the human resource of the country."

Tibu outlined that this project was the single biggest in the world and the developers would want trained and qualified people as employees. "And if we cannot provide them that, they are legally bound to look for qualified people and that will be looking outside the country," Tibu said. Parliamentary leaders who are members of the bipartisan committee looking into ways to resolve anti-foreigner riots such as the one experienced in May this year were shocked at what they heard. Chairman of the committee Jamie Maxtone-Graham said it was a policy making revelation.

"We will have to tell Parliament to make policies to create more technical institutions and train our people to be qualified people," Mr. Maxtone-Graham said. The committee agreed that there was not enough technical colleges and the few skilled people that the country had were taken to other countries through the process of "brain drain". Committee member and Member for Lagaip Porgera Philip Kikala said the shortage of nationals to take up the jobs would see an influx of foreigners recruited to take these jobs.

"And this will create another problem for the country when the locals will see that they are missing out and will create riots like the May anti-Asian riot which was violent and very destructive," Mr. Kikala said. Kikala agreed that the only way to avoid this problem was to create more technical institutions and train locals. Seeing this problem, LNG developer ExxonMobil has put huge amounts of money into the Port Moresby Technical College to fully equip it with modern training facilities and equipment to allow locals to be trained to be employed.

CHINA SIGNS MAJOR GAS DEAL WITH PNG

China to buy 40 million tons of gas over 20 years

MELBOURNE, Australia (Radio Australia, Nov. 4, 2009) – China has signed an agreement to buy tens of millions of tonnes of liquefied natural gas from Papua New Guinea's biggest resource project. The deal was finalised during a visit by the Chinese Vice Premier, Li Keqiang. China's Sinopec signed a Heads of Agreement with the partners in the PNG liquefied natural gas project to buy 40 million tonnes of gas over 20 years.

Ron Billings from ExxonMobil says Sinopec is the fourth and largest customer to sign up to the project. "It's a major milestone for us and it's only the beginning of a long term relationship," he said. [*PIR editor's note: According to the PNG Post-Courier, Li's visit was his first formal meeting with PNG Prime Minister Michael Somare. Li brought a 48-member entourage with him to the visit.*] The parties are now working on binding sale and purchase agreements. A final investment decision on whether the multi-billion dollar LNG venture will go ahead is expected to be made next month. *Radio Australia:* *www.abc.net.au/ra*

OTML´s unique structure benefits country, says MD National 4.11.2009

Source: SHARON E BARNABAS
OK Tedi Mining Ltd's (OTML) unique company structure provides benefits for the country unlike those from any other companies, managing director Alan Breen has claimed. These benefits are through taxes, royalties, dividends, infrastructure projects, community projects, compensation and employment, he said. Canadian company Inmet owns 18% stake in OTML, while the State has 30%. The Papua New Guinea Sustainable Development Program (PNGSDP) owns the majority interest of 52%. This makes 82% of the cashflow generated by the company set aside for nation building capacity.

Mr Breen said: "Since the first gold pour in 1984, the company has delivered more than K13 billion in benefits." Company structure change was a result of BHP's exit and the finalisation of the ninth supplemental agreement in 2001. "Since then, almost K6 billion has been paid to shareholders in dividends due to a strong commodities market," Mr Breen said. During the same period, the State has received more than K5 billion in tax revenues and a further K500 million in royalties. Based on these facts, Mr Breen said it would be more appropriate to ask the question to the recipients of these substantial benefits. He said: "Much of this money is tied up in trusts and banks rather than being used to develop the services and infrastructure the province and the nation desperately needs."

Mr Breen cited Sir Arnold Amet's question on where all the wealth from the mineral boom goes to, and said it concerned him most "as benefits are not seen on the ground where it matters most". Sir Arnold raised the question in response to Mineral Resource Authority boss Kepas Wali's presentation on Mining Benefits and responsible equitable distribution during the annual mining and petroleum seminar in Port Moresby last week. Mr Breen said despite these massive accumulated benefits, the deterioration of health, education and infrastructure services in the Western Province has continued. "It is not that funding is not available but that substantial funds are sitting unused in trust accounts and banks," he stressed.

Watuts get K2.5m Post-Courier 4.11.2009

COMMUNITIES living along the Watut River in Morobe Province are set to benefit from a K2.5 million community development fund, designed to address impacts generated by increased levels of sedimentation attributed to development at the Hidden Valley gold mine. Morobe Mining Joint Venture's, general manager, sustainable and external affairs, David Hume, delivered the joint ventures proposal during a meeting between Hidden Valley Joint Venture (HVJV), members of the community and all levels of government in Lae on Monday.

Mr Hume was responding to social and economic demands raised by river and highway communities, including a petition by the Union of Watut River Communities (UoWRC) two mon-ths ago. He said the HVJV will provide the proposed community benefit fund with K2 million to be allocated to river communities and K500,000 for highway communities. The money would allow community benefits and services to get underway, following close consultation and agreement with impacted communities and government agencies. "HVJV believes that the decision to establish this fund now, rather than after the community consultation visits and impact assessments have been completed, demonstrates our genuine commitment to respond to affected communities with appropriate, practical assistance that is funded from money set aside and then used in a transparent way for the benefit of all genuinely impacted people," Mr Hume said.

The joint venture said sedimentation along the Watut River had occurred due to run off from the mine site. However, at the meeting, the union maintained its demand for a "bel kol" payment which it described as an up-front compensation payment of K1.5 million to the affected communities. The union did not say who would receive this money, or how it would be used, the joint venture said in a statement. “HVJV and its two parent entities are not in a position to make cash payments to individuals or groups within the potentially affected communities without first determining and quantifying any impact on those communities, and also determining which groups and individuals within those communities have been impacted, and the extent of any impact in each case.”

Mr Hume said the joint venture was disappointed that the union was not willing to discuss the proposal to address issues and impacts at Monday’s meeting. “We remain committed to an open, constructive dialogue with the authorities and the legitimate representatives of the community to allow the proposed community benefit program to be implemented without delay,” Mr Hume said.

LNG plant site back to normal Post-Courier 4.11.2009

By ERIC TAPAKAU
GATES to Frog Pole camp at the PNG LNG project’s plant site were finally opened yesterday, allowing operator ExxonMobil staff and contractors to return to work. Villagers from Porebada, Lea Lea, Boera and Papa yesterday agreed to open the gates after they were assured by Department of Petroleum and Energy Secretary Rendle Rimua that their petition, presented in different forms over the last seven days, would be thoroughly addressed by today. They had been living outside the camp for the last seven days.

The villagers were paid K50,000 by the Government to be involved in spin off activities with a further K50,000 to be paid at a later date. Central Province Governor Alphonse Moroi yesterday told the villagers to support the project as benefits from the project would be bigger than they thought and the project was in the best interests of everyone. Mr Rimua assured the villagers that the State would always listen to them and try to resolve issues amicably.

Doubt over InterOil gas dismissed National 3.11.2009

INTEROIL has brushed aside doubts over the quantity of gas reserves at its Elk/Antelope field in Gulf province. The Sydney Morning Herald reported yesterday that the Canadian oil company was facing a wave of scepticism over its plans to export liquefied natural gas (LNG) from Papua New Guinea. The newspaper quoted Australian industry insiders and analysts who were doubtful whether InterOil had sufficient gas reserves, claiming that the InterOil-led group had no certified reserves but it had detected gas flow rates at the Elk/Antelope field that InterOil had said were the strongest recorded in PNG.

It reported that InterOil aimed to build a second LNG plant in PNG alongside ExxonMobil’s US$12.5 billion (K36 billion) venture with Oil Search. The analysts also said InterOil had “lofty” ambitions to build a similar sized plant to export eight million tonnes of gas a year through two production units, or trains, for just US$6 billion. The company aims to sell its first shipment by 2014. Responding to the claims, an InterOil spokesperson told The National yesterday: “There is no wave of skepticism. The Exxon-led PNG LNG project is now a US$15 billion (K40 billion) project. InterOil does not intend to build alongside Exxon. InterOil intends to build on Government-owned land on which it has a 99-year lease alongside its 100% owned oil refinery, where it has a jetty system and harbour rights to the only deep water protected port on the coastline.

“We have certified resources that can not be called proven reserves until we reach final investment decision (FID). Industry insiders and analysts understand this, it is the same for all companies,” the spokesperson said. The Herald had reported that InterOil, in the highest-case scenario from an independent evaluator, hoped to find reserves of 4.73 trillion cubic feet (tcf), but that this looked marginal for one train, let alone two. The InterOil spokesperson disputed this: “Our most up-to-date resource estimate, which includes the results from Antelope-1, is 6.1tcf of gas and 100 MMbbls of condensate (or 6.7 tcf) plenty enough for one train by any standard and well on the way for a two train project.”

In response to claims that the market was edgy as the geology around InterOil’s oil and gas assets was different from the area where ExxonMobil and partner Oil Search were planning their LNG plant, the spokesperson said: “The market is not edgy at all! InterOil shares have been one of the best performing stocks on the New York Stock Exchange in 2009. “Morgan Stanley recently recommended the shares as a buy. Our reservoir is manifold better that the higher cost and lower productivity wells being drilled in the Highlands.”

MOROBE Mining Joint Venture eyes 2 new mines National 2.11.2009

Source: MADELEINE AREK

MOROBE Mining Joint Venture (MMJV) has announced plans to open two news mines.
These mines will be separate from their operations at Hidden Valley and will cater for their explorations at Golpu and other regional work, MMJV general manager exploration Bernard Kavanamur said. At Golpu, the company is currently doing conceptual studies on the method of mining and hopes to take advantage of the current increase in metal prices to tap into pre-feasibility and feasibility studies. “We’re hoping it would be another stand alone mine … we’re looking at least two mines. “There is also the other objective of finding another stand alone mine from the regional work we’re doing, aside from Hidden Valley and Wafi,” Mr Kavanamur said.

At Hidden Valley, the company aims to increase the mine’s 10-year life, support the expansion through additional resources and conversion to reserves and to further discover high-grade ore zones to supplement the ore feed. At Wafi, the company hopes to unlock the value of the existing mineral reserves, which stands at around 10 million ounces of gold. It also hoped to discover new copper and gold reserves through exploration and to conduct studies to support a business case for the establishment of a new mine. MMJV’s operations in the Morobe province cover over 3000sqkm, which include the mining lease for Hidden Valley and 13 exploration licences.

With a K47.9 million exploration budget, MMJVs has been able to increase its resource base between six and seven million ounces of gold in 2002 to 15.6 million ounces at the end of last year. The team also discovered copper and traces of silver.

MMJV also drilled 39,000m and carried out 12,000 surface samples within the region last year and discovered an emerging mineral district which was hosting Wafi, Meapili and Mt Gon. “At Wafi, we have about 10 million ounces of gold contained, 41 billion ounces of copper and 47 billion pounds of molybdenum. “There are more than 83 million ounces of silver at Hidden Valley … with metal prices rising and holding steady, there is a very positive outlook for us,” Mr Kavanamur said. “It is all positive for the mine at the moment … our joint venture partners have a strong belief in the potential of the area and will put in the money to do the exploration to turn the Morobe into a mineral-rich province,” he said.

COOKS PARLIAMENT TO CONSIDER SEA MINING RULES

Environmental, cultural impacts among concerns

By Helen Grieg
RAROTONGA, Cook Islands (Cook Islands News, Oct. 31, 2009) – Parliament’s final sitting of the year is set to be held on November 23-27. The main item on the agenda is the passing of the Seabed Minerals Bill which sets out the laws and regulations covering the exploration and mining of the country’s manganese nodule resource. Leader of the house John Tangi says the sitting date outlined on the parliament calendar still needs to be confirmed by prime minister Jim Marurai and subsequently the Queen’s Representative Sir Frederick Goodwin. Parliament last sat in August and adjourned sine die after just three hours.

At that time the Seabed Minerals Bill, first tabled in March, was to be reintroduced following a parliamentary select committee review, however chairman of the committee Terepai Maoate Jnr said more time would be needed to complete their work before the bill could come back to the house. The committee was set up on March 19 and reported back in April asking that it be allowed more than the two weeks allocated for the review. It was then asked to report back to parliament by June 30. Since then the committee continued to take submissions from the public and visited Aitutaki to inform the island about the bill.

The committee had wanted to have similar meetings in the other outer islands as well as with communities in NZ and Australia, but that did not eventuate. The committee reported in June that issues of concern to the public centre around such factors as the environment, cultural impacts, legal capacity protection methods, operation management, reliable financial systems, and disbursement of benefits. Its report stated that the Commonwealth Secretariat representatives who helped draft the bill cautioned against fast-tracking it through parliament in view of the global downturn in demands, diminishing interest from potential investors in deep sea mining and the continued search for appropriate technologies.

Also in August, minister Kete Ioane was due to table the Constitution Amendment (No 28) Bill and it is likely this will be on next month’s sitting agenda. Tangi says there will be other minor bills for parliament to consider and debate, and so he expects the house will sit for the full five days allocated on the calendar.

Cook Islands News: *http://www.cinews.co.ck/index.htm*

Lihir to top 1 million oz National 30.10.2009

LIHIR Gold LTD (LGL) is on track to achieve record full-year production of more than one million ounces. Meanwhile, gold sales totalled 221,000oz for the quarter, at an average realised cash price of US$955/oz (K2,550/oz), up from US$900/oz (K2403.20/oz) in the three months to June. For the nine months to the end of last month, 834,000oz were sold at an average price of US$906/oz. Gross cash margins for the year to date were healthy at US$421/oz (K1,124.17/oz), excluding Ballarat mine

According to the company's third quarter production report released yesterday, managing director Authur Hood reiterated the company was still on track to meet targets for the year. He, however, said its Ballarat mine was not performing as expected, He said they were confident of achieving record full production of more than one million ounces and this would include production of 770,000 - 840,000oz from Lihir Island, approximately 130-160,000oz from Bonikro and 90-100,000oz from Mt Rawdon. The full year contribution from Ballarat was expected to be approximately 14,000oz. On Lihir Island, total output was 169,000oz, Mr Hood said.

While production at Lihir was lower than the previous quarter, this was due to routine plant maintenance which had been scheduled for the third quarter. Production for the quarter was above guidance, with plant throughputs exceeding plan and again demonstrating the steep change in performance achieved in recent years.

In Côte d'Ivoire, Mr Hood said production at the Bonikro operation totalled 32,000oz for the quarter, which was down on the prior quarter due to the transitioning of mining and processing from oxide ore to fresh, hard rock. This resulted in reduced mill throughputs in the quarter as refinements were being made to the process plant operations to cope with the different ore characteristics.
In Australia, the Mount Rawdon operation in Queensland lifted output to 30,400oz during the quarter, maintaining its consistent track record. Mr Hood said at Ballarat, the process for the sale of the operation proceeded, with a number of attractive indicative offers received to date. The sale should be completed early in the New Year, he said.

Ok Tedi mine still important: Breen Post-Courier 30.10.2009

By JONATHAN FARAPO
OK TEDI mine is still an important part of the mining industry, having provided benefits to Papua New Guinea unlike any other company since it began in 1984, but its imminent closure in 2013 and the onset of the PNG Liquified Natural Gas project threatens to undermine its significant input.
Ok Tedi Mining Limited managing director Alan Breen told the PNG Mining and Petroleum Seminar that 82 per cent of cash set aside from the company since it began has been put forward for nation-building with approximately K13 billion paid in royalties to the State.

He questioned why the State and the Western Provincial Government had not used the large amount of money sitting in trust funds and accounts. While highlighting OTML's operations, Mr Breen said benefits, especially in the last five years have scarcely been used to maximise benefits to affected areas. He said the company had continued to perform well despite the global economic crisis with upgrades to its waste disposal system costing K6 million.

Mr Breen said the mine closure set for 2013 includes plans to rehabilitate and revegetate the mine area with employee retrenchment plans and continued socio-economic activities a priority. He said however, the mine life could be extended but a pre-feasibility study carried out showed certain technical issues with a substantial amount of waste to be stripped for the mine to continue past 2013. Mr Breen said given the impact of mine closure in 2013 the National Government should ensure that this was properly assessed.

Landowners still misuse benefits National 30.10.2009

By ERIC TAPAKAU
MANY landowners continue to spend a majority of their benefits from the extraction of their minerals on immediate consumption rather than investment. Mineral Resource Authority managing director Kepas Wali said this when speaking at the 2009 Mining Seminar yesterday. His paper was titled "Mining Benefits and Responsible Equitable Distribution". He said the distribution of benefits was far from equitable geographically or socially and lacked transparency. Mr Wali said the provincial governments in the mining project affected areas also used a high proportion of mine related benefits for recurrent expenditure.

"Of the funds utilised for development purposes, the majority is allocated to public infrastructure rather than economic activities," Mr Wali said. "The level of planning and transparency in the use of mine related benefits has been poor and the National Government has not provided planning or management support to the provinces." He said as the mine closure approa-ces, provinces face the challenge of meeting higher recurrent budget commitments with less revenue. "None of the mining provinces of LLGs (local level governments) have established trust funds to meet future maintenance requirements," he said.
He said Papua New Guinea produced 63 tonnes of gold, 186 tonnes or copper and 50 tonnes of silver last year. The revenue from that was K8.3 billion, representing 54 per cent of the country's total export merchandise in that year. Operating mines to last year include Porgera (Enga Province), Ok Tedi (Western Province), Lihir (New Ireland Province), Tolukuma (Central Province), Sinivit (East New Britain Province), Simberi (New Ireland) and Hidden Valley in the Morobe Province.
Mining provinces of Western, New Ireland and Enga that hosted some biggest mines received up to K300 million in royalties from their mines in the last five years.

Students to raise LNG awareness Post-Courier 30.10.2009

By MOHAMMAD BASHIR
SOUTHERN Highlands students at the University of Papua New Guinea have taken the initiative to educate their people in the province over the impacts of the multi-billion kina PNG LNG project. The students yesterday launched a development forum at the Main Lecture Theater at the Waigani campus where a number of prominent scholars, specialist, academics and private sector representatives will speak on their respective line of professions and issues. UPNG's pro-vice chancellor Allan Stokes, who led the discussion yesterday, saluted the students for taking the initiative to define issues because they will be the future leaders of their province and the country. Professor Stokes said UPNG was a place for nurturing dreams and visions, therefore "You have the opportunity to shape the future of your province, the people and the country."

Businessman and patron of the UPNG Southern Highlands students association Kossy Sosoro who funded the forum said the event was the beginning of a new chapter. "PNG and Southern Highlands have been put on the world map as a result of the oil and gas resources since the first flow of crude oil to the Kumul terminal in Kikori in 1992 but the province had benefitted very little in terms of government services." He said a few educated elites had dominated and introduced the free cash culture and made bogus claims to the illiterate majority.

"The landowners have a syndrome I call 'free cash syndrome' while the rest of the people in the province have their minds fixed on 'bogus claim culture' which have contributed to lack of economic and social growth," Mr Sosoro said. He said such forums, which was the first of its kind, provided the ideal opportunity for educated young leaders to learn to stand tall from the temptation of money and self-centredness which was the foundation to corruption.

Lihir deposits reach new high Post-Courier 30.10.2009

BY ERIC TAPAKAU
LIHIR Gold Limited-operated mine Lihir now has one of the largest and richest gold deposits in the world with its reserve increased by 36 per cent to 28.8 million ounces. This of course is great news for PNG, as it means the Lihir Island operation will continue producing for many more years to come, while generating wealth for the PNG economy and Lihir community. Managing director Arthur Hood said the increase in the reserves inventory was through expansion and refinement of the proposed pit shell and a rise in the long term gold price assumption from $US675 per ounce to $US800 per ounce. He said the increase in gold ounces was also due to adjustments to cost assumptions of mining and processing costs offset by the cost benefits from the million-ounce plant upgrade project on Lihir Island, currently under construction and depletion by mining to June 30 this year.

"This outstanding increase in reserves we are announcing is a reflection of the true world-class quality of the Lihir Island ore body, and leads directly to an increase in the value of the project for all LGL shareholders," Mr Hood said. "It also confirms the benefits of the initiatives that have been put in place over the past few years to lift production at Lihir Island and improve the economics of the project. Mr Hood said strong production performance, rising cashflows, a solid financial position and positive outlook for the future have enabled Lihir Gold Ltd (LGL) to commence payment of dividends to shareholders. The decision marks a major milestone in the development of the group, and reflects the strong progress achieved in rebuilding and reshaping the company over the past four years.

The improved reliability of production at Lihir Island, coupled with diversified income streams created by operating mines in three countries and the strengthening of the company's balance sheet over recent years have provided the basis for the decision - an interim dividend of US1.5 cents per share. Project manager for the Million Ounce Plant Upgrade Paul Bleakly told the 2009 Mining Seminar yesterday that Lihir forecasted annual production to be between one to 1.2 million ounces with total cash costs to be below $US400 per ounce. Lihir Gold Limited is completely unhedged with rising cashflows and a healthy balance sheet.

Highlands Pacific targets gold near Ok Tedi site National 28.10.2009

HIGHLANDS Pacific announced on Monday that it was exploring a copper-gold resource close to the Ok Tedi mine, which was due to close next year, The Australian newspaper reported yesterday. The report, by the paper's Asia-Pacific editor Rowan Callick, said that since BHP Billiton quit Ok Tedi in February 2002 in the wake of environmental controversies, the mine had enjoyed record earnings. The 52% that BHP used to own was passed on to PNG Sustainable Development Program Ltd, a non-profit body chaired by leading economist Ross Garnaut. The PNG Government owns 30% and Canadian miner Inmet, 18%.

Ok Tedi has been contributing a quarter of PNG's export earnings, providing about A$100 million (K245 million) a year to the national budget. It is located in the remote Star Mountains in Western province, where it remains the dominant employer – with 2,000 staff and a further 2,000 contractors. Its closure has caused considerable concern about the future of the workforce, and of the thriving Tabubil mining township. Brisbane-based Highlands Gold, which focuses on PNG, also owns 8.56% of the A$1.5 billion (K3.7 billion) Ramu Nickel mine being built in Madang province by China Metallurgical Construction Corp (MCC) and 16.9% of the A$4.3 billion (K10.5 billion) Frieda copper-gold project being developed by Xstrata.

Highlands said it was about to accelerate its development of the Nong River exploration area 20km northeast of Ok Tedi. It is engaged in a joint venture there with Xstrata, which has the right to take a 72% stake if it pays Highlands three times its expenditure on exploration. It will spend about A$3.25 million (K7.97 million) on an airborne electromagnetic survey – which will also cover Highlands' sole owned, adjacent Tifalmin exploration area – and on diamond drilling of targets in the area.

The former US mining giant Kennecott - which was later taken over by Rio Tinto - carried out drilling in the area in 1972, which identified a resource with grades and thicknesses that, Highlands said on Monday, "in today's terms can be potentially economical". Highlands managing director John Gooding said: "What we already know about Nong River is the shallow copper-gold hits achieved by Kennecott's drilling. "Modern geophysical surveys in association with previous work on the ground will be the key to pinpointing areas for drilling and revealing its full potential.
"Its proximity to Ok Tedi is of particular advantage and opportunity in terms of infrastructure, people and services." – www.theaustralian.news.com.au

Ok Tedi Production Impacted by Tailings Plant Commissioning Issues

(MinBase - 27 Oct 2009) - Inmet Mining Corporation who own 18% of the Ok Tedi Mine in Papua New Guinea reported quarterly copper production of 40,700 tonnes, equivalent to the same quarter last year. Gold production was 122,200 ounces , a decrease of 13% from 2008. The gold recovery is 67% year to date compared with 73% a year earlier. Ok Tedi is in the final stages of commissioning changes to the tailings management plant to increase its sulphur processing capacity. The initial results are encouraging, but they indicate that the pyrite plant thickener cannot handle high sulphur tailings, and a redesigned launder is under construction. This meant Ok Tedi could mine only ores with low sulphur content in the third quarter and year to date. In spite of this, copper grades were consistent with expectations, while gold grades were lower than expected.

Mill throughput this quarter and year to date was similar to last year, but lower than expected because of low grinding rates on certain ores and certain mechanical availability issues. A number of these issues were resolved during a maintenance shutdown in August. On June 2, Inmet entered into a non-binding draft term sheet with PNG Sustainable Development Programme Limited (PNG SDPL), the 52 percent majority shareholder of Ok Tedi Mining Limited (OTML). In the draft term sheet, we propose to exchange our 18 percent equity interest in OTML for a 5 percent net smelter return (NSR) royalty from OTML on product revenues from the Ok Tedi mine. Before the transaction can proceed, we need, among other things, the consent of the Independent State of Papua New Guinea, which owns 30 percent of OTML (and is currently reviewing the draft term sheet), and the consent of BHP Billiton Ltd., which previously ceded its 52 percent interest in OTML to PNG SDP. Inmet has adjusted its objectives for 2009 to compensate for the shortfall in production year to date.

Ok Tedi has not completed its commissioning of the mine tailings management plant, but it does not expect grades in the fourth quarter to be impacted by sulphur grade restrictions. Until the mine tailings management plant is completed and working at designed levels, Ok Tedi can put only a limited amount of sulphur in the ore feed. Staying within these limits is a constraint on mining and, if the project is delayed, could result in shortfalls in ore tonnes or grades. The pit drainage tunnel project is behind schedule because there have been changes to the construction plan but we expect it to be completed in the fourth quarter. The tunnel is critical because it allows water to drain freely from the pit until the end of the mine life. Ok Tedi has installed a temporary pumping system so mining can continue uninterrupted while the tunnel is being completed.

Panguna reconciliation unites old enemies New Dawn, 22 October 2009

By Aloysius Laukai

The people of Panguna today attended a traditional clenching ceremony in preparation for tomorrow's reconciliation ceremony. The traditional ritual was to remove blood stains from former fighters in the Bougainville crisis that killed about 20,000 people and left another 40,000 people home-less. The Panguna event was the first of three reconciliation ceremonies scheduled for the area around the former minesite.

The reconciliation was between uncles of the late chief and Panguna landowner killed at the start of the Bougainville conflict. Those who were clenched included fighters in the conflict, Mekamui soldiers, Bougainville revolutionary fighters and those who fought alongside the PNG Defence force, the resistance fighters. After the ceremony, ABG President, James Tanis said the ritual had united the youths of Panguna and there should be no more factions in the area.

Westpapua: British Petroleum (BP) fördert und exportiert Flüssiggas

West Papua Netzwerk 17. September 2009
Nach sechs Jahren Bauzeit fließen nun Gas und Geld. Das riesige Tangguh-Projekt in der Bintunibucht im Südwesten von West-Papua ist in die Produktionsfase eingetreten. Im Juli 2009 wurden die ersten Tanker mit Flüssiggas (LNG = Liquid Natural Gas) beladen.

Einer der beiden Bohrtürme in der Bintuni-Bucht
(Foto: S. Zöllner)

Die Empfänger waren China und Süd-Korea. Das Projekt, das sich mit dem indonesischen Wort „Tangguh“ (= stark, mächtig, Kraft, Energie) benannt hat, hat u.a. Lieferverträge mit China, Süd-Korea und Mexico. In China wird der Fujian Terminal mit 2,6 Millionen Tonnen jährlich beliefert, K-Power/POSCO in Süd-Korea nimmt 1,15 Millionen Tonnen ab. An Mexico werden über den Sempra's Baja California Terminal 3,7 Millionen Tonnen geliefert. Zwei Bohrplattformen in der Bucht fördern das Gas, von dort wird es durch im Meeresboden verlegte Rohrleitungen in die Fabrik an der Küste transportiert, wo es verflüssigt und zum Transport verladen wird.

Das Tangguh-Projekt hat vom Beginn der Aufbaufase in den umliegenden Dörfern Entwicklungsprogramme gefördert und auch mit eigenem Personal durchgeführt. So wurden z.B. Schulen gebaut, Trinkwasserversorgungen installiert, Technikerkurse durchgeführt und Gesundheitsprogramme verwirklicht. Alle Entwicklungsprogramme wurden in enger Abstimmung mit der Dorfbevölkerung und der örtlichen Regierung geplant und ausgeführt. Dadurch hat Tangguh eine gewisse Akzeptanz bei der Bevölkerung erreicht.

NGO’s befürchten, dass das indonesische Militär in Zukunft von Tangguh Schutzgelder erpressen wird. Man erinnert an die Gold- und Kupfermine Freeport, die bis heute den örtlichen Militäreinheiten Gelder zukommen lässt. Bisher hat Tangguh den Schutz seiner Anlagen mit einem eigenen Sicherheitsdienst und mit Hilfe der örtlichen Polizei gewährleisten können. (sz)