PNG National Oil Companies

Dominic Sebong
Where is PNG?
PNG Background

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

- State alone develops the projects and implements its desired development services with or without collecting taxes for its people.

- State collects Taxes only but it allows the operator to implement the State’s desired development services.

- State collects Taxes and implements its desired development services.

- State participates in creating the Taxes as well, does not collect Taxes but lets the operator to implement its desired development services.

- State participates in creating the Taxes as well, collects the Taxes and implements its desired development services.

- Other options
State Mgt Option Undertaken

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

• Minister for Petroleum & Energy
  – Awards the License

• Petroleum Advisory Board (PAB)
  – Makes recommendations to the Minister

• Department of Petroleum & Energy (DPE)
  – Compiles technical & statistical data for the PAB
State Participation - Petroleum

• MRDC
  – Landowner interest

• IPBC
  – State interest in ExxonMobil LNG project

• Petromin
  – State interest in Moran oil project
  – State interest in InterOil gas fields
Petroleum Tax Regulator

• Policy
  – Treasury & DPE

• Tax Collection
  – Internal Revenue Commission (IRC)
Petroleum Benefits Process

• Taxes & Dividends
  – IRC (Consolidated Revenue)

• National Management Strategic Plans
  – National Planning & Monitoring (Operational & Development Plans)

• National Budget
  – Treasury & Finance (Operational Expenditures & Investments)

• Royalties & Development Levies
  – Landowners, Provincial & Local Level Govts
    • Local Budgets (1/3 – Projects, Future Gen & Cash)
Hap Hazard History

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

• **MRDC**
  – State’s 2% interest for landowners in petroleum projects
  – State’s 5% interest for landowners in mining projects

• **IPBC**
  – State’s Share in Oil Search
  – State’s Nominee in the ExxonMobil led LNG project
  – State interest in other national assets (airline, power, telecommunication etc)

• **Petromin** *Roger to cover more*
  – State’s 20.5% in the Moran oil project
  – State’s 0.2% Moran interest in the ExxonMobil led LNG project
  – State’s interest in InterOil’s antelop gas project
  – State’s interest in mining projects

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

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

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

- **NOC**
  - **MRDC** (Invests in non petroleum sectors as well)
  - **IPBC** (holds the State’s other interests like Air Niugini, Telekom, PNG Power etc as well)
  - **Petromin** (May invest in activities that link the mining & petroleum sector operations)
    - All have different State Interests to manage. Competition would be to grow the State profits proportionately but overall they should complement each other. *Roger to cover more*

  - The State interest holdings overlap but the opportunities to further invest and the dividend recipients differ. MRDC dividends to just the landowners while IPBC & Petromin dividends to everyone (PM receives it as sole Shareholder – goes into Consolidate Revenue)

  - Management control & power is delegated and transparency on company operations is desired.
Regulators Capacity

- **DPE**
  - World Bank Technical Assistance
    - Consultants & Training (Masters programs)

- **IRC**
  - AusAid Technical Assistance
    - Consultants & some trainings taken with DPE

- **Treasury & Finance**
  - AusAid Technical Assistance
    - Consultants & Training (Masters programs)

- **National Planning & Monitoring**
  - AusAid Technical Assistance
    - Consultants & Training (Masters programs)
NOC Capacity

• MRDC
  – More nationals & few expatriates in technical areas
    (MD & Board Chairman – Nationals)

• IPBC
  – More nationals & few expatriates in technical areas
    (MD Expatriate & Board Chairman National)

• Petromin .... (Roger to cover)
  – More nationals & few expatriates in technical areas
    (MD National & Board Chairman National)
PNG NOC Summary Remarks

• Hap hazard history but the future is defined now with the known projects at this point in time

• Responsibilities do not clearly overlap but management capacity & transparency & responsibilities to compliment each other will be tested as projects get underway.

• Sole NOC monopoly is divided & it allows for competitive and/or complimentary operations to be undertaken by the 3 State agencies to create value for the State proportionately.

• The next major development project’s production life expectancy is 30 years and the 3 NOCs have responsibilities in it to contribute to the State’s 2050 Vision that looks at 2010 to 2050.
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