PETROMIN STORY

BY

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PETROMIN PNG HOLDINGS OF PAPUA NEW GUINEA

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DILI, TIMOR-LESTE

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PRESENTATION OUTLINE

• Background
  • - Country
  • - Petroleum Industry

2. State’s Role
3. Creation of Petromin
4. Petromin’s Objective & Structure
5. Petromin Act
6. Asset & Human Resources
7. Achievements
8. Challenges
9. Lessons to be Learned
10. Conclusions
11. Recommendations
WHERE IS PNG LOCATED?

PNG
TIMOR-LESTE
PETROLEUM INDUSTRY BACKGROUND

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

MORAN (PDL5)

ELK/ANTELOP E GAS DISCOVERY
PNG has Royalty/Tax fiscal regime
• State remains a Regulator and Policy Maker
• Oil companies are given rights through licenses to explore for, develop, produce & export petroleum
• State collects rent through taxation from its resource development

- State Participation: (a) up to a 22.5% in petroleum projects. 2% reserved for landowners
- (b) up to 30% mining projects
  5% reserved for landowners

• State interests managed by other companies other than State entities or parked under Treasury
• State plays passive role in managing its interests
• Amounted to less PNG participation in resource development
• Want of active PNG participation in mineral, oil and gas development was always there
Petromin emanated from the desire for meaningful PNG participation in mineral, oil and gas development.

A State owned Company Petromin was established in 2007.

Petromin was established taking into consideration the long term interests of Papua New Guinea. Its principal mandate are to:

i. hold State equity in mineral, oil and gas projects

ii. develop and commercialize mineral and oil and gas interests in PNG either wholly or in partnership with other investors.

Mandate is to acquire and hold all future State interests in petroleum and mineral projects both in the upstream (exploration and production) and in any value-added downstream processing projects.
COMPANY’S OBJECTIVES

• Operate as a commercial enterprise
• Maximize investment value through:
  – Developing mining and petroleum tenements in PNG acquired from the State and others, whether directly or as a nominee of the State; and
  – Reinvesting in socially responsible projects which benefit society and which make a profitable return to shareholders.

• Engage in mineral and petroleum exploration, evaluation and development, both upstream and downstream, and in the marketing, transportation and sale of minerals and petroleum products.

• Operate in accordance with principles of sustainable development, international best practices and taking into account environmental considerations
COMPANY STRUCTURE

- Treasurer
  Beneficiary Shareholder

- Prime Minister
  Trustee Shareholder

- Petromin Board

- Trust Managers

- CEO & Managing
  Director

- Petroleum & Mining
  Operations

- Commercial and Strategic
  Planning

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

Eda Oil Limited
- 20.5% interest in Moran (PDL 5) Oil Project

Eda Gas Limited
- 0.24% interest in PNG LNG (ExxonMobil) Project
- 20.5% interest in Elk/Antelope (InterOil) Project

Tolukuma Gold Mines
- 100% owned
- Re-assessment & Re-development phase

Eda Minerals
- Manages 11 exploration tenements
BUILDING HR FROM SCRATCH

Managing Director & CEO

Corporate Secretary

Commercial & Strategic Planning Division
- GM
- Mgr. Com. /Planning
- Mgr. Legal & Contracts
- Economist/Financial analysts, lawyers

Petroleum Division
- 1 Manager
- Petroleum geologists
- Petroleum engineers
- Admin staff

Mining Division
- 1 GM
- 1 Manager
- Mining Geologists
- Mining Engineers
- Admin staff

Corporate Services & Financial Division
- GM
- HRM
- Financial Controller
- HR staff
- Accounts staff
COMPANY’S ACHIEVEMENTS

- Company set for future growth
- Independent Board – passed fit and proper test
- Qualified and experienced management team in place
- Corporate Strategy & Business Plan in place
- Expanding investment portfolio in both the mining and petroleum sectors: TGM, PDL5, PNG LNG Project, Elk/Antelope projects
- Appropriate human resources policy in place
- Financial & Accounting systems in place
- Policies and procedures set up for prudent management and corporate governance
- Information Technology (IT) in place
- Good public relation strategy regarding Petromin’s mandate.
• Company not immune to global financial crisis
• Our business activities are subject to oil price & gold price fluctuations – directly affects company’s cashflow
• Capital requirement in the short term to fund our investments
• Human resource capacity – a challenge in light of LNG Projects & other projects
• Exercising State’s back-in right ultimately lies with the Government
LESSONS TO BE LEARNED

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

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

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

We care about our next generation of Papua New Guineans.

Their Prosperity is Our Motivation

PETROMIN
Our National Oil, Gas & Minerals Company