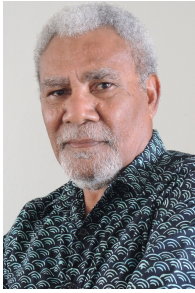


**Public Statement by Rt Hon Sir Mekere Morauta
Former Prime Minister and Member for Moresby North-West
Port Moresby, 02 May 2019**

More deficiencies of O'Neill's Papua LNG Agreement



The Gas Agreement for the Papua LNG project initiated by Prime Minister Peter O'Neill fails to meet the requirements of his Government's Natural Gas Policy and National Energy Policy and relevant laws in relation to the supply of project gas for use in Papua New Guinea.

This is yet another failure of the agreement, negotiated by Peter O'Neill and his shadowy cronies after they sidelined the State Negotiating Team, the Department of Petroleum and other national experts.

"It is clear that Mr O'Neill has breached his own policies and in doing so has trashed attempts to develop a domestic gas industry and to support other sectors of the economy through the availability of cheap domestic gas," the Member for Moresby North West, Sir Mekere Morauta, said today.

"This is on top of giving away billions of kina worth of concessions and exemptions in the Gas Agreement, and agreeing to many demands against the national interest by the project partners. Mr O'Neill and the project partners have a lot of explaining to do."

Sir Mekere said the Gas Agreement provides for a maximum 5% of gas from the project as a Domestic Market Obligation (DMO). The Natural Gas and National Energy policies both call for a 15% DMO.

The National Energy Policy states that "with increased petroleum exploration being undertaken both onshore and offshore in the country's major sedimentary basins there is now the possibility that more reserves of natural gas would be discovered in commercial quantities. The Government will ensure 15% of gas reserves in new oil and gas projects is made available for domestic gas utilisation".

Furthermore, Sir Mekere said, the DMO gas commitment in the Gas Agreement is an option up to 5%, and therefore there is a possibility that Papua New Guinea might not receive any DMO gas at all. As well, the provision of DMO gas depends upon the State's Kumul group clearing its financing commitments relating to the project, so it could take many years before any gas is made available, if at all.

The Gas Agreement states that DMO gas will only be available for the generation of electricity, therefore preventing any use to promote the development of gas-related industries in the country.

There are also questions about the price of project gas for domestic use.

Sir Mekere said he had been advised by several officials that the agreed price of \$US4.50 per million British Thermal Units is expensive. "It seems that this price is indexed to the global market price, whereas the gas is to be used in PNG," one says. "Inevitably this high price will be passed on to ordinary power consumers and businesses who are already suffering under high electricity prices."

Sir Mekere said any reading of the Gas Agreement shows that the project partners intend it to over-ride the Oil and Gas Act, and in several places requires the Government to make legislative changes to suit the project developers, and not only to the Oil and Gas Act.

The Gas Agreement over-rides the Oil and Gas Act in relation to the Project Development Licence, the Pipeline Licence and the Petroleum Processing Facility Licence. For example, the agreement states that if the project developers submit an application for a PDL, the processing of the PDL can only be dealt with under the Gas Agreement but not the Oil and Gas Act, as mandatorily required.

"This is totally unacceptable and in breach of the intent and purposes of the Oil and Gas Act," the official said. "The Gas Agreement must conform to the provisions of the Oil and Gas Act, not the other way round."

Sir Mekere said the criticisms of the Papua LNG Gas Agreement were now so widespread and serious that doubt must be cast on its integrity unless Mr O'Neill and the project developers can provide answers and explanations to the concerns that have been raised.

"We have the Department of Petroleum, members of the State Negotiating Team, and many senior politicians including the former Attorney-General Mr Davis Steven, Governor Philip Undialu and the Vice Minister for Petroleum, Mr Manessah Makiba, and others, all criticising the agreement," Sir Mekere said.

"It is critical for the nation that all of these doubts are dispelled through immediate review of this agreement."

"Papua New Guinea needs to get to the bottom of this, as well as Mr O'Neill's illegal UBS-Oil Search loan. The two are connected, and all the detail needs to be exposed to scrutiny," he said.

"Neither the Papua LNG Agreement nor the UBS-Oil Search loan are in the national interest. So whose interest is the PM promoting in these deals? Is there an interest we don't know about?"