



2020 EITI Report

Papua New Guinea Extractive Industries Transparency Initiative (PNG EITI)

31 December 2022



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Independent administrator's notes

Reporting period

This report covers the calendar year from 1 January 2020 to 31 December 2020. In instances where figures for 2020 could not be obtained, the most recent available data is given. Where relevant, we have also included data subsequent to the reporting period. We have annotated data relating to years other than 2020 within the text.

Reporting on cash basis

Receipts and payments included in this report are on a “cash basis”, consistent with the approach approved by the Multi-Stakeholder Group (MSG). This approach includes only receipts and payments made during the 2020 calendar year. Some of these payments may have been accrued in previous years. Where revenues and expenses are earned or accrued during 2020, but receipts and payments were made during 2021, these will be included in the 2021 EITI Report.

Currency

This report is presented in PNG kina (PGK). Amounts provided in US dollars (USD) have been converted at a rate of USD1: PGK3.460, an average for the 2020 calendar year as per the Bank of PNG figures.¹

Other notes

As noted by PNG EITI National Secretariat and MSG, other information which will be received after release of PNG EITI 2020 Report will be included in a supplementary schedule to be uploaded separately in PNG EITI website.

¹ Bank of Papua New Guinea, Historical Exchange Rates, <https://www.bankpng.gov.pg/historical-exchange-rates/>, accessed 10 October 2022

Abbreviations

AML	Alluvial Mining Lease	MMscf	Millions of standard cubic feet (gas)
APF	Agogo Processing Facility	MRE	Mineral Resource Enga Ltd
APT	Additional profits tax	MRM	Mineral Resource Madang Ltd
BDG	Business Development Grant	MROT	Mineral Resource Ok Tedi No. 2 Ltd
BO	beneficial ownership	MRSM	Mineral Resources Star Mountains Ltd
CDOA	Coordinated Development and Operating Agreement	MSG	Multi-stakeholder group
CEPA	Conservation and Environment Protection Authority	MTFS	Medium Term Fiscal Strategy 2013–2017
CMCA	Community Mine Continuation Agreement	MYEFO	Mid-Year Economic and Fiscal Outlook
CPF	Central Processing Facility	NEC	National Executive Council
CRF	Consolidated Revenue Fund	NEFC	National Economic and Fiscal Commission
DMPGM	Department of Mineral Policy and Geohazard Management	NGO	Non-government organisation
DNPM	Department of National Planning and Monitoring	OGA	Oil and Gas Act 1998
DoF	Department of Finance	OTDF	Ok Tedi Development Foundation
DPE	Department of Petroleum and Energy	OTML	Ok Tedi Mining Ltd
EIR	environmental impact report	oz	ounce
EIS	environmental impact statement	PDL	Petroleum Development Licence
EITI	Extractive Industries Transparency Initiative	PEP	Politically exposed person
EL	Exploration License	PIP	Public Investment Program
EMC	Executive Management Committee	PGK	Papua New Guinea Kina
FGTF	Future Generation Trust Funds	PNG	Papua New Guinea
FOB	Free on board	PNGSDP	Papua New Guinea Sustainable Development Program
GBT	General Business Trust	PPFL	Petroleum Processing Facility Licence
GDP	Gross Domestic Product	PPL	Petroleum Prospecting Licence
GST	Goods and Services Tax	PRG	Petroleum Resources Gobe Ltd
IA	Independent Administrator	PRK	Petroleum Resources Kutubu Ltd
IDG	Infrastructure Development Grant	PRL	Petroleum Retention Licence
ILG	Incorporated Land Group	PRM	Petroleum Resources Moran Ltd
IMF	International Monetary Fund	scf	standard cubic feet (gas)
IRC	Internal Revenue Commission	SML	Special Mining Lease
ITA	Income Tax Act 1959	SOE	State-owned enterprise
ITC	Infrastructure Tax Credit	SSG	special support grants
JV	Joint Venture	STARS	Responsible Sustainable Development Strategy
KCH	Kumul Consolidated Holdings Ltd	stbo	standard barrels of oil
KMH	Kumul Mineral Holdings Ltd	stbopd	standard barrels of oil per day
KPH	Kumul Petroleum Holdings Ltd	stbopy	standard barrels of oil per year
LBBSA	Licence Based Benefits Sharing Agreement	SWF	Sovereign Wealth Fund
LNG	Liquefied natural gas	TCS	Tax Credit Scheme
m3	cubic metres	UBSA	Umbrella Benefit Sharing Agreement
MA	Mining Act 1992	UHA	Unconventional Hydrocarbons Act
MAC	Mining Advisory Council		
MCC	Metallurgical Corporation of China Ltd		
ML	Mining Lease		
MoA	Memorandum of Agreement		
MRA	Mineral Resources Authority		
MRDC	Mineral Resources Development Company Ltd		

Definition

Cash basis reporting

Receipt and payment of revenues incorporated within the report are on 'cash basis', consistent with decisions made by the MSG. That is why, we included only payments made or received during the 2020 calendar year. Some of these payments may have been accrued in previous years.

Project level reporting

In Papua New Guinea, a project is defined as:

The operational activities that are governed by a single agreement or contract and form the basis for payment liabilities with a government. Nonetheless, if multiple such agreements are substantially interconnected, this shall be considered a project.

Where payments are attributed to a specific project [all material revenue other than group tax] - then the total amounts per type of payments shall be disaggregated by project. Where payments are levied at an entity level rather than at a project level – [group tax] – the payments will be disclosed at an entity level rather than at a project level.

Development Levy

Development levies are calculated at 2% of well-head value of the oil and gas produced as per Section 160 of the Oil and Gas Act 1998. Development levies are paid annually in arrears on or before 31 January in the year following the year of production to which the development levy relates.

Development levies are paid by oil and gas companies to DPE, who deposit them into a trust account held by the Department of Finance. Finance then administers payments from the trust account to the relevant local or provincial government.

Equity Distribution

Equity distributions apply when the State (through an SOE or trustee) is a partner in a Joint venture. Equity distributions are received by SOEs or trustees as a percentage of profits received from joint ventures, in proportion to ownership (equity) stake. – Note that a 'share of sales' can also be an equity distribution if it is calculated based on the equity held in the project.

Share of Sales

These are the sales proceeds derived from the joint marketing of LNG by venture partners in the PNG LNG project.

"Many key transactions relating to the project pass through the PNG LNG Global Company LLC ('GloCo'). This company, owned by project partners in proportion to their equity interests, was incorporated to facilitate financing for the project, and to manage all revenue, sales, marketing, ship chartering, operating costs and revenue payments to the State of PNG. GloCo provides sales proceeds to partners net of lender and operating cost obligations on a periodic basis in accordance with equity interest. GloCo is a shell company which has no staff; it is operated on behalf of the project partners by ExxonMobil but is not an ExxonMobil affiliate or subsidiary."

Dividend

Dividends referred to for this reconciliation are payments to the State, representing the State's share of profits in the project in accordance with its right as a shareholder. Dividends are declared by the Board of Directors and calculated on a per share basis (dividend rate). State dividends from SOEs to the State are deposited with Treasury.

Infrastructure Tax Credits (ITC)

The amount spent on prescribed ITC projects each year is reported by companies to the Department of National Planning and Monitoring (DNPM). These amounts can then be claimed as a credit against tax payable. Credits that are not used within that reporting period can be carried forward to succeeding years of income until fully utilised. The amounts that are used as credit against tax payable each year are recorded by the IRC.

Group Tax

Group tax is the tax withheld on employee salaries and is payable by companies that paid salaries in PNG during the reporting period. Group tax will be reported for each entity and reconciled with data reported by the IRC.

Foreign Contractor Withholding Tax (FCWHT)

Broadly, this tax applies when a non-resident contractor is engaged by a PNG resident to perform a contract for prescribed purposes. As of 1 January 2017, the foreign contractor's withholding tax (FCWT) rate is now a flat 15%. The only exception is for projects subject to fiscal stability agreements with the State. The process whereby foreign entities could seek the approval of the Commissioner General to instead lodge returns and be taxed at the non-residents rate on a profits basis, is no longer available.

Additional Profits Tax (APT)

Additional profits tax (APT) is now Applicable to PNG LNG Project; tax of 7.5% on positive cash flows exceeding a 17.5% accumulation rate; and 10% on positive cash flows exceeding a 20% accumulation rate. For all projects: tax at 30% on positive cash flows exceeding a 15% accumulation rate.

The only exception is for projects subject to fiscal stability agreements with the State who continue to the old rates.

Fees to MRA including

Exploration Licence, Mining Lease, Alluvial Mining Lease, Lease for Mining Purpose, Mining Easement. Application, renewal, late payment fee and transfer dealing

Fees to DPE including

Petroleum Development Licence, Application for PDL, Petroleum Retention Licence, Application for PRL, Petroleum Prospecting Licence, Application for PPL, Petroleum Processing Facility Licence, Application for PPFL.

Fees to CEPA include:

Environmental permit fees

Mandatory social expenditure

Mandatory social expenditure refers to social payments by companies that are mandated by law or the contract with the government that governs the extractive investment. This may include development contracts, compensation agreements or benefit sharing memorandum of agreements that cover payments such as compensation, infrastructure, or services such as health and education. They are separate to the development levy or production levy. Mandatory social payments are agreed between the state and/or landowners and operators on a case-by-case basis, as allowed for under the Mining Act and Oil & Gas Act.

Voluntary social expenditure

May include, for example, sponsorships and voluntary contributions to health and education programs. Despite disclosure of these payments being optional, many operators chose to disclose these payments and/or activities through their corporate responsibility or sustainability reporting, as well as through the EITI report.

Materiality

Per requirement 4.1 (b) payments and revenues are considered material if their omission or misstatement could significantly affect the comprehensiveness of the disclosure (2019 EITI Standard, page 22).

Quasi-fiscal expenditure (QFEs)

Quasi-fiscal expenditures include arrangements whereby SOEs undertake public social expenditure such as payments for social services, public infrastructure, fuel subsidies and national debt servicing, etc. outside of the national budgetary process. (2019 EITI Standards)

State-owned entities (SOEs)

For the purpose of EITI implementation, a state-owned enterprise (SOE) is a wholly or majority government-owned company that is engaged in extractive activities on behalf of the government. (2019 EITI Standards)

Multi-stakeholder group statement

The PNG EITI Multi-Stakeholder Group (MSG) is a tripartite oversight body that guides EITI implementation in Papua New Guinea. The MSG comprises representatives from government, civil society organizations and the extractive industry companies.

One of MSG's core responsibilities is the preparation and production of annual EITI country report covering a particular fiscal year as required by the EITI Global Standard. The MSG has over the years worked collaboratively culminating in the publications of seven PNGEITI Annual Country Reports covering the fiscal years 2013 to 2019 and now the eight-report covering the fiscal year 2020.

The EITI reporting process continues to facilitate public debates that can culminate in undertaking necessary policy and legislative reforms and strengthening of weak institutions and business practices in key government entities for better management of the sector. The regular publications of EITI reports also ensures that PNG adheres to the global best practice for the good governance of its extractive sector. The publication of these eight reports is also intended to continue creating a platform for further consultations and dialogue on the management of the sector by the stakeholders to build trust between resource impacted communities, government and industry players on issues related to resource governance.

The work of the EITI had further strengthened the relationship between policy, revenue administration and regulating agencies through the MSG chaired by the Minister for Treasury. Inter-agency collaboration has proven to derive the most positive resource revenue management outcomes in terms of revenue collections, expenditure tracking and transparency. Inter-agency collaboration has also assisted in identifying weakness in government systems and processes to take corrective measures for better management of the financial data and information relating to the sector.

Industry representatives have contributed their time and resources to help advance all aspects of the EITI process. They have overtime seen the importance of the EITI reports as a valuable tool that promotes significant economic and societal contributions that they make to PNG and its people. Publication of these eight reports, despite disruptions caused by Covid19 pandemic yet again provides valuable information on the extractive sector that can be used by policy makers, academics, regulators, investors, and the public at large.

For industry representatives to continue working with the government openly and to maintain trust, it is important that there is effective and genuine consultation by the government stakeholders on any proposed policy and legislative reform pertaining to the extractive sector. The EITI process is an important platform that can be utilized to consult and debate on resource sector issues.

For civil society organisations, the formal establishment of the PNG Resources Governance Coalition (PNGRGC) as the umbrella body is anticipated to add value to the work of the MSG. The ongoing

CSO capacity development project is anticipated to strengthen the work of CSOs to participate effectively at the MSG level and contribute to resource governance issues and the recommendations coming out from the EITI Reports for public debates.

The MSG would like to thank Mr. Lucas Alkan, Head of PNG EITI National Secretariat and his staff for their guidance and support in the preparation and production of this eight PNGEITI Report despite the extremely difficult operating environment brought on by the Covid -19 pandemic.

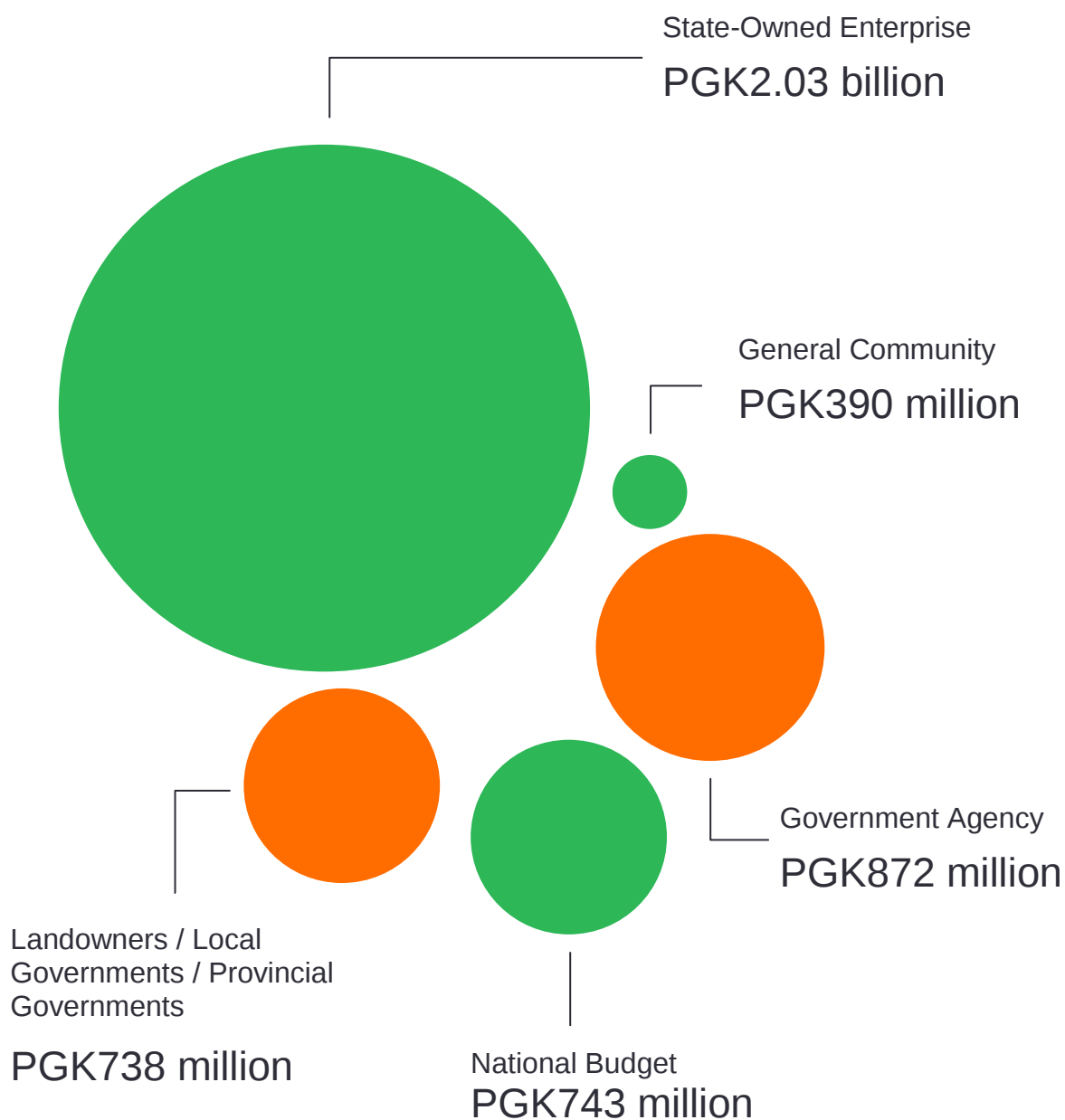
Executive summary

Extractive industry contributions to Papua New Guinea

Figure 1: Revenue of the extractive industry ³

Combined Receipts from Extractive Industry 2020

PGK4.78 billion (2019: PGK6.14 billion)



³ 2020 Reporting Templates

Extractive industry contributions to Papua New Guinea

Table 1: Revenues from Extractive Industry and Recipients³

State-Owned Enterprises	National Budget	Government agencies	Landowners / Local and Provincial Governments	General community
► Equity distributions from PNG LNG Joint Venture <i>(excluding Dividends paid to Treasury)</i> ► Net margin generated from Ok Tedi Mining Limited (PGK1.90 billion) <i>(Net margin is calculated by Deducting the following from Gross Sales:</i> • Mining Cost • Processing Cost • Dividends declared	► Additional profit tax ► Corporate income tax ► Dividend withholding tax ► Dividends ► Goods and services tax ► Interest withholding tax ► Management fee withholding tax ► Royalty withholding tax ► Import tax ► Excise tax ► Training levy	(receipts which are not recorded in the National Budget) ► Business payment tax ► Environmental fees ► Foreign contractor withholding tax ► Salaries and wages tax ► Licence fees ► Alluvial levies ► Mine security deposits ► Exploration security deposits ► Mining lease rentals ► Data sale fees ► Application ► Mine closure bond ► Decommissioning bonds	► Royalties ► Levies ► Equity distributions from oil and gas/ mining projects	► Mandatory social expenditures ► Voluntary social expenditures

³ A) Refer to how extractive industry revenues are recorded - Section 5.5 of this report

B) Ok Tedi's Net Margin is calculated from the 2020 Annual Report balances, page 5; <https://oktedi.com/who-we-are/annual-performance/>, accessed 14 December 2020

Other contributions

Other contributions of the extractive industry in PNG for the year 2020 are as follows:

PGK28.25 b

in oil and gas and mineral exports from PGK33.53 billion in 2019

(Actual value of oil and gas and mineral exports) ⁴

(Oil and gas and mineral exports account for 86% of Total Exports)

26% (87%)

Contribution to GDP (est*)
(Real and Nominal Gross Domestic Product)

Contribution to GDP growth from prior year [^]
(Real and Nominal Gross Domestic Product)

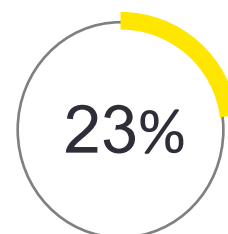
(2.1%)

Employment average growth ⁵
(Material reporting entities reported employment of 10,725 PNG Nationals in 2020) ⁶

PGK390 m

Social Expenditures

(Refer to Chapter 6: Social and Subnational payments)



Contribution to Government Revenue⁷

(Other sectors contribution does not include other revenues collected from respective government agency, regulator or authority)

⁴ 2022 National Budget Volume 1 Value of Main Exports Commodities Table 5 page 180; https://www.treasury.gov.pg/html/national_budget/2022.html, accessed 26 December 2022

⁵ 2021 National Budget Volume 1 Labour Market, page 27; https://www.treasury.gov.pg/html/national_budget/files/2021/2021%20Budget%20Volume%201.pdf, accessed 26 December 2022

⁶ Total PNG Nationals employed as reported by the material reporting entities. Refer also to Chapter 3 Table 22: Employment data disaggregated by gender

⁷ Refer to Figure 3 and Figure 14 for this report

PNG's economy is characterised by two large economic sectors: agriculture, forestry and fishing – which engages most of the labour force (the majority informally) – and the extractives sector (oil and gas extraction; mining and quarrying) – which accounts for the majority of export earnings.

The PNG LNG project has been the primary driver of GDP growth in recent years. COVID-19 and closure of Porgera Mine significantly impacted the PNG's economic growth for 2020. The extractive industries contribute 86% of PNG's exports.

Total employment in the extractive industries improved in 2020. According to BPNG's June employment statistics, total employment average in resource sector decline by 2.1%.⁸

In 2020, the extractive industry, contributed PGK174 million and PGK216 million of mandatory and voluntary social expenditures, respectively. These social expenditures are in a form of cash and in-kind which local communities have directly benefited.

Of the government revenues recorded in National Budget (composing corporate income tax, dividends, import taxes), the extractive industry contribution amounted to PGK730 million. Other revenues received by state-owned enterprises and government agencies such as salaries and wages taxes, foreign contractor withholding taxes, DPE and MRA fees, environmental charges and equity distribution amounted to PGK2.9 billion.

**Calculated using figures from Table 1 2022 Budget Volume⁹*

Contribution to GDP (est) Extractive = (Total Nominal GDP – Total Non-mining GDP) / Total Nominal GDP

^Calculated using growth nominal GDP from Table 1 2022 Budget Volume¹⁰

⁸ 2021 National Budget Volume 1 Labour Market, page 27;
https://www.treasury.gov.pg/html/national_budget/files/2021/2021%20Budget%20Volume%201.pdf, accessed 26 December 2022

⁹ 2021 National Budget Volume 1 Gross Domestic Product by Economic Activity at Current and Constant Prices Table 1 page 148;
http://www.treasury.gov.pg/html/national_budget/files/2021/2021%20Budget%20Volume%201.pdf, accessed 18 December 2022

¹⁰ Ibid

Contribution by sector

Table 2: Contribution of the mining and oil and gas sectors

2020	Export value (PGK m) ^	Share of total exports ¹¹	Contribution to GDP ¹²	Employment ¹³
Mining	13,575	41%	12%	9,293
Oil and gas	14,682	45%	14%	3,032
Total	28,257	86%	26%	12,325

What is EITI?

The Extractive Industries Transparency Initiative (EITI) is a global organisation established in 2002 with a goal of increasing industry transparency and accountability. Countries participate by issuing annual reports reconciling payments from the extractive industries to receipts by governments, in accordance with the EITI Standard. This is Papua New Guinea's eighth EITI report, covering the 2020 calendar year. In accordance with the EITI Standard, the reporting process has been overseen by a multi-stakeholder group (MSG), and has been compiled by an independent administrator, Ernst & Young (EY)

Important progress has been made since PNG's first EITI report, providing greater transparency for Papua New Guineans over revenue streams from the country's mining and oil and gas industry. The 2016 EITI report was the first to underwent validation by the EITI Secretariat and was found to have achieved satisfactory progress. In 2022, the 2019 PNG EITI report undergone 2nd validation and achieved Moderate progress. The validation result highlighted the following achievements and gaps¹⁴:

Achievements include:

- ▶ EITI Reports are considered by stakeholders as a reliable and comprehensible source of information about the extractive sector in an environment where publicly available data is otherwise scarce and data management systems weak
- ▶ Following recommendations from EITI reporting and the 2018 Validation, the Department of Petroleum and Energy has started to digitise its management of licenses and other information with support from Japan.
- ▶ The MSG functions as an effective platform for multi-stakeholder dialogue on the extractive sector.

Areas for development include:

- ▶ Significant gaps remain in disclosures related to, for example, state-owned enterprises. Increasing transparency is key to ensuring the accountable management of the sector and revenues arising from it.
- ▶ Gaps in disclosures appear to be a symptom of waning high-level government commitment to the EITI process. Follow up on recommendations seems to have slowed down since the National Executive Council agreed EITI-related directives in 2017.

¹¹ 2021 National Budget Volume 1 Value of Main Exports Commodities Table 5 page 151; http://www.treasury.gov.pg/html/national_budget/files/2021/2021%20Budget%20Volume%201.pdf. Calculated share percentage based on export values, accessed 18 December 2020

¹² 2021 National Budget Volume 1 Gross Domestic Product by Economic Activity at Current and Constant Prices Table 1 page 148; http://www.treasury.gov.pg/html/national_budget/files/2021/2021%20Budget%20Volume%201.pdf, accessed 18 December 2020

¹³ Sum of total employees reported by reporting entities, refer to Chapter 3 for further details

¹⁴ Validation of Papua New Guinea, <https://eiti.org/documents/papua-new-guinea-2022-validation-report>, 14 December 2022

- ▶ Engaging civil society beyond Port Moresby, including in affected communities, is challenging due to PNG's geography and the limited resources available.
- ▶ There is little evidence of disclosures being used to inform analysis or decision-making in the period under review.

About PNG

Papua New Guinea is home to approximately eight million people, living predominantly outside urban areas, and speaking 800 different languages. The country is extremely diverse geographically, biologically, culturally, and linguistically.

PNG has experienced 17 years of economic growth and is classed as “lower middle income” by the World Bank.¹⁵ The country has a wealth of natural resources, and revenue from these resources could contribute to reducing poverty and improving the lives of PNG citizens. However, despite these abundant resources, 37.5% of PNG citizens continue to live below the national poverty line,¹⁶ and the country is classified as “medium human development”, ranking 156 out of 188 countries.¹⁷ Corruption is a challenge for PNG, in 2020 it was ranked 142 out of 180 countries in Transparency International's *Corruption Perception Index*.¹⁸

Who owns mineral resources in PNG?

Subsoil assets in PNG belong to the State of PNG (the State). Developers of resource projects generally enter into an agreement with the State in addition to obtaining a resource development license or mining tenement. This typically involves a broad consultation process with all affected parties.

The State has the right, but not the obligation, to acquire up to 22.5% of a participating interest in a designated gas or petroleum project, and up to 30% of a mining project. The State generally also grants free equity in resource projects to landowners from the area in which a project is located.

The details of contracts and licenses are confidential and not currently made public, but the EITI process has prompted efforts to understand whether some contracts, particularly in the mining sector, might be publicly disclosed in future.

¹⁵ <https://data.worldbank.org/country/papua-new-guinea>, accessed 11 November 2022

¹⁶ 2017 Asia Development Index, Basic Statistics 2019, <https://www.adb.org/countries/papua-new-guinea/poverty>, accessed 10 November 2022

¹⁷ UN Human Development Reports, <http://hdr.undp.org/en/countries/profiles/PNG>, accessed 10 November 2022

¹⁸ Corruption Perceptions Index 2018', Transparency International, [2020 Corruption Perceptions Index - Explore the... - Transparency.org](https://www.transparency.org/en/cpi). Accessed 10 Nov 2022.

Contributions to PNG Economy

PNG like any other countries has gone into an economic recession because of the COVID-19 pandemic in 2020 which affected the world commodity prices especially for oil, gas and minerals which were the key engines of growth.

The extractive sector (mining and petroleum) contributes significantly both directly and indirectly into the Government's revenues, whilst also delivering a range of socio-economic benefits to the people.

Figures 2 and 3, show the contribution of the extractive industry to exports and government revenue.

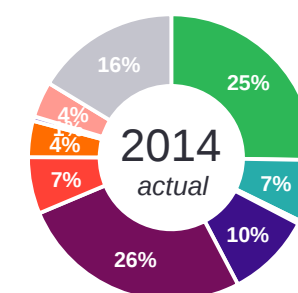
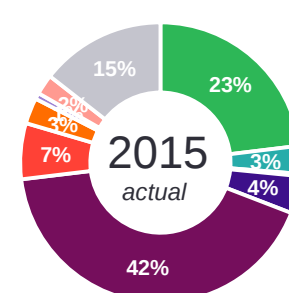
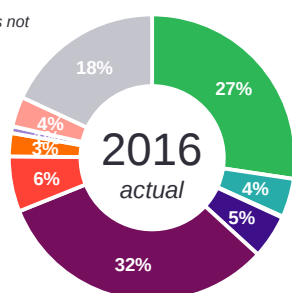
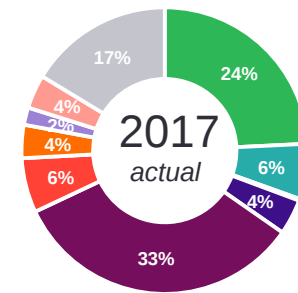
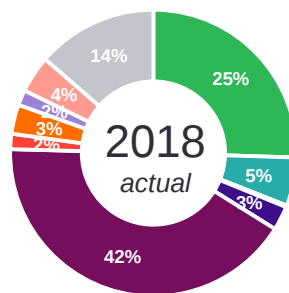
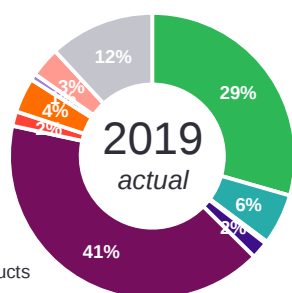
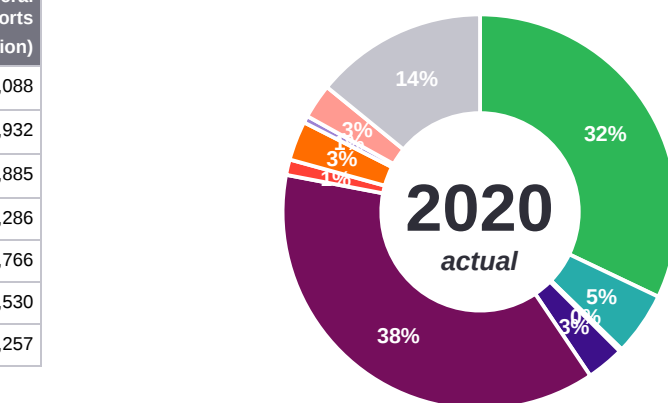
Figure 2: Historical commodity apportionment based on total oil and gas, mineral and non-mineral export value¹⁹

Year	Value of Oil and gas and mineral exports (PGK million)
2014	18,088
2015	19,932
2016	20,885
2017	26,286
2018	28,766
2019	33,530
2020	28,257

Legend:

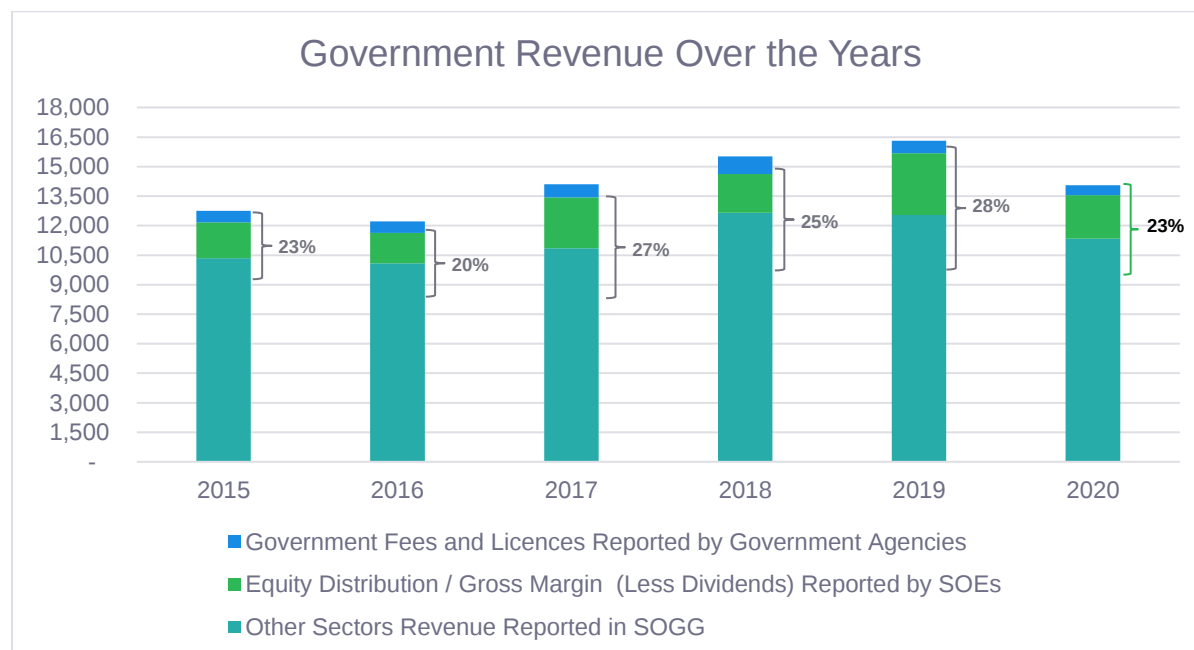
- Gold
- Copper
- Oil
- LNG
- Condensate
- Nickel
- Cobalt
- Refined Petroleum Products
- Non-mineral exports

Silver comprises 0.2% and is not shown on the charts



¹⁹ 2021 National Budget Volume 1 Historical Value of Main Exports Commodities Table 5 page 151;
http://www.treasury.gov.pg/html/national_budget/files/2021/2021%20Budget%20Volume%201.pdf, accessed 14 December 2022

Figure 3: Contribution of the extractive industries to government revenue (PGK m) per National Budget ²⁰



Revenues reported in the Statement of Operations for the General Government (“SOGG” or “National Budget”) do not include equity distributions received and gross margin reported by state-owned enterprises, and revenues received by government agencies, such as salaries and wages taxes (SWT), foreign contractor withholding taxes (FCWT), DPE and MRA fees and environmental charges. For purposes of presentation in Figure 3, other revenues received by SOE, and government agencies were included; royalties and landowner receipts (either direct or through Trustee) are excluded. Other sectors revenue presented in Figure 3 does not include other revenues collected from respective government agency, regulator, or authority.

Declines in 2016 were driven primarily by lower commodity prices. The increasing revenues from 2017 through 2019 resulted from increasing commodity prices triggering increased distributions to State Owned Entities and dividends to Government, partially offset by lower corporate income tax collections and salaries and wages taxes from the mining sector. In 2020, decrease in revenues from the collapse in oil and gas prices during the global Covid-19 pandemic and the closure of the Porgera Mine, resulted in lower equity distributions received by SOEs and landowners and lower income taxes to the State.

Government agencies receive taxes and fees averaging PGK690m. Highest collections were recorded in 2018, where FCWT and SWT peaked with a combined amount of PGK865m. The lowest collections were in 2015 and 2016, due to absence of FCWT as reporting revenue in previous reports.

Average annual equity distribution received by KPHL over the past 6 years amounted to PGK848m. Highest collections were recorded in 2015 amounting to PGK1,790m. Lowest receipts, on the other hand, were recorded in 2020 amounting to USD\$93m.

Gross margin from Ok Tedi is calculated by deducting mining cost, processing cost, and change in Inventories of product on hand and in process. Ok Tedi earned an annual average of PGK1,845m of gross margin over the past 6 years. Highest gross margin was earned in 2020 amounting to PGK2,451m while lowest was in the year 2015 where Ok Tedi earned PGK487m.

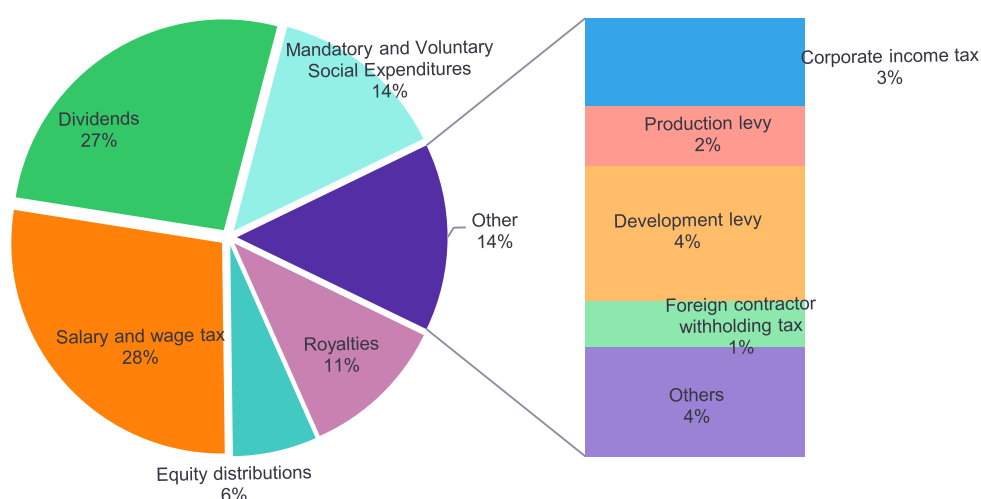
²⁰ Statement of operations for general Government. 2020 National Budget Volume 1; reporting templates over the years

How do the extractive industries contribute to State revenue?

The government derives income from the industry through:

Taxes	Such as corporate income tax and group tax
Dividends	Derived from holding direct stakes in the industry
Royalties	2% of the gross revenue from resource sales or wellhead value
Equity distributions	Received by state owned entities participating in the extractive industries
Other revenue streams	Such as levies and fees

Figure 4: Revenue streams received by the State



In 2020, the largest sources of government revenue from the extractive industries included corporate income tax, salary and wage tax, dividends, and royalties.

Most of this revenue goes into consolidated government revenue. PNG's budget is prepared by the Department of Treasury through a public consultative process. In recent years there has been an effort to make the process more strategic and rules-based so that it is directed towards achieving sound fiscal policy.

Some revenue from the extractive industries is earmarked for specific purposes, such as the Public Investment Program, a vehicle through which the PNG government implements development policies aimed at improving the livelihood and wellbeing of PNG citizens in all provinces.

The PNG Sovereign Wealth Fund was established in 2015 to ensure that some of the wealth generated by the extractive industries is saved for the benefit of future generations. In 2020, Hon. William Duma noted that 7 percent of the KCH dividend will be deposited directly into the Sovereign Wealth Fund (SWF), with the balance to Treasury for general budgetary expenditure. He also said this would be the first deposit into the SWF, with more to follow as the Marape Government consolidated the performance of the SOEs.²¹

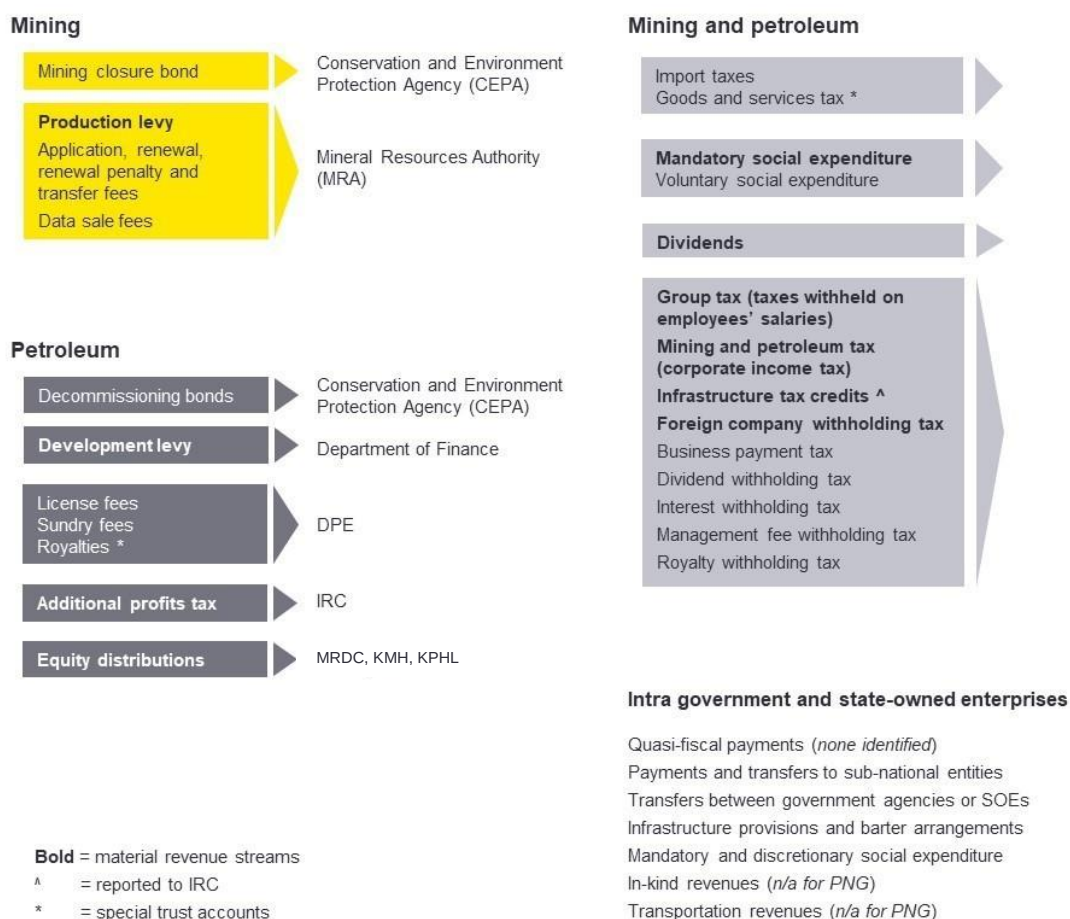
²¹ PNG Sovereign Wealth Fund, <https://www.kch.com.pg/kch-first-to-contribute-to-papua-new-guineas-sovereign-wealth-fund/>, 26 December 2022

Revenue flows to the government from the extractives industry can be volatile, as the financial performance of the individual operations can fluctuate due to factors including commodity prices and impacts of severe weather events such as drought and flood.²² In 2018, an earthquake in Hela Province impacted production at several mining and oil and gas sites.

What are the revenue streams from the extractives industry?

The diagram below outlines the main revenue streams and their recipients.

Figure 5: Revenue streams and recipients (material entities represented in bold)



Which revenue streams are considered material for this report?

The revenue streams deemed material for this report are shown in bold in the diagram above. This includes all revenue streams that contribute 2% or more to the total revenue received by the government from the mining and oil and gas sectors.

The report also covers revenue streams that fall below this quantitative threshold, but which are deemed material based on a qualitative definition adopted by the MSG, which captures revenue streams that were:

- ▶ Defined by law
- ▶ Of potential significant interest or benefit to the PNG population
- ▶ Likely to exceed a pre-defined quantitative level of materiality in the future

²² World Bank East Asia and Pacific Economic Update October 2015 and 2016
<https://openknowledge.worldbank.org/bitstream/handle/10986/25088/9781464809910.pdf>, accessed 18 October 2016

For 2020, these included the environmental permit fee, environmental user fee, production levy, development levy and import and excise duties. Individually, these revenue streams fall below the quantitative threshold, but together they represent more than 2% of revenue from the extractive industries. Therefore, all payments that could affect the comprehensiveness of the EITI report are included in the scope of reconciliation.

Where revenue streams are not considered material for reconciliation, these revenue streams are reported unilaterally by the receiving entity, or in the case of social expenditure, by the companies making the payments. For the 2020 report, to increase transparency at the provincial level, the IA and MSG has requested unilateral disclosure of sub-national payments by reporting entities.

Which organisations are considered material for this report?

The entities required to submit data templates for this report include:

- ▶ All mining and oil and gas companies which have interests in operations that were producing saleable commodities, as agreed by the MSG
- ▶ Companies with interests in projects in advanced stages of exploration or pre-production, whose group tax payments might be material
- ▶ Government entities who received payments from the companies
- ▶ Trustees of government funds
- ▶ SOEs that have resource companies, or receive or make payments to the resources sector
- ▶ Entities that do not receive payments but keep records of payments.

Table 3: Material reporting entities

Mining companies	Oil and gas companies	State-owned enterprises	Government departments and statutory authorities
▶ Barrick (Niugini) Ltd ▶ (Porgera mine – SML 1 (P)) ▶ Lihir Gold Ltd ▶ (Lihir/Luise Caldera mine – SML 6) ▶ MCC Ramu NiCo Ltd (Kurumbukari mine, Ramu – SML 8) ▶ Morobe Consolidated Goldfields Ltd (Hidden Valley mine – ML 151) ▶ (Simberi mine – ML136)	▶ ExxonMobil PNG Ltd (and affiliates) ▶ JX Nippon Oil and Gas Exploration Corporation (and subsidiaries) ▶ Oil Search Ltd (and subsidiaries) ▶ Santos Ltd (and subsidiaries) ▶ Total S.A.	▶ Kumul Mineral Holdings Ltd ▶ Kumul Petroleum Holdings Ltd ▶ Mineral Resources Development Company Ltd ▶ Ok Tedi Mining Ltd	▶ Conservation and Environment Protection Authority ▶ Department of National Planning and Monitoring ▶ Department of Petroleum and Energy ▶ Department of Treasury ▶ Internal Revenue Commission ▶ Mineral Resources Authority ▶ PNG customs

Who are the beneficial owners of resource extraction in PNG?

A beneficial owner in respect of a company means the natural person(s) who directly or indirectly ultimately owns or controls the corporate entity.²³

The PNG Government does not require companies to disclose the beneficial owners of companies producing oil and gas or minerals and does not have a publicly available register of the beneficial owners of the corporate entities in the sector. This report includes information on beneficial owners of material entities, as far as could be established through direct enquiry, reference to corporate

²³ The EITI Standard, 2016 – Requirement 2.5 Beneficial Ownership

websites and annual reports, and the PNG Mining Cadastre Portal database, hosted by the MRA website. Most interests are held by listed companies and/or state-owned enterprises.

The 2016 EITI Standard (2.5c) requires that reports from 2020 onward include detailed information relating to beneficial ownership. The MSG has developed a roadmap and scoping study to address this requirement, and work has begun on implementing the roadmap.

The mining industry in PNG

During 2020, nine mines were operating in PNG²⁴, distributed over a number of provinces.

Companies active in mining and exploration in PNG include large international companies, state-owned enterprises, and many junior companies, together with a significant contribution from up to 80,000 small-scale alluvial miners.

Mining in PNG is governed principally by the *Mining Act* 1992 (MA) and administered by the Mineral Resources Authority (MRA), an independent statutory body.

There are four principal channels by which communities benefit economically from mining projects, other than through employment and procurement: Royalties, Infrastructure Development Grants, Special Support Grants, and the Public Investment Program. The benefits for a project are agreed in a development forum with relevant stakeholders, including the State, company, provincial government, local level government and landowners, and set out in a Memorandum of Agreement. These agreements are not currently publicly disclosed.

The oil and gas industry in PNG

During 2020, five principal oil fields were operating in PNG. Commercial oil production began in PNG in 1992 and has been in slow but steady decline since the mid-1990s.

The project has design capacity of 6.9 million tonnes of LNG per annum but produced over 8 million tonnes in 2020. PNG LNG has made and expects to continue making significant long-term contributions to the economy and government revenues. Another two gas projects are in advanced stages of development.

Oil and gas interests in PNG are predominantly in listed companies and state-owned enterprises. A range of companies are actively engaged in exploration and production in PNG, with a number of new projects in planning and development stages.

Production figures for Petroleum for 2020 were reported by Oil Search and ExxonMobil but the volumes could not be confirmed by the Department of Petroleum and Energy and Customs

The oil and gas industry in PNG is governed principally by the Oil and Gas Act 1998 (OGA) and overseen by the Department of Petroleum and Energy (DPE). DPE is chronically under-resourced and lacking in capacity and has been the subject of a number of recommendations in previous PNG EITI Reports. DPE is working to address some of these recommendations, such as establishing an electronic registry system.

²⁴ Excluding the alluvial mining sector.

State-owned enterprises

The State holds the right to acquire a participating interest in any mining or petroleum project in PNG at par value, or “sunk cost”. In return, the State can receive a share of the profits of the project, paid as dividends in accordance with its rights as a shareholder.²⁵ During 2020, PNG’s state-owned enterprises (SOEs) that held interests in the extractive industries included:

- Kumul Petroleum Holdings Ltd (all hydrocarbon assets)
- Kumul Minerals Holdings Ltd (all mining assets)
- Ok Tedi Mining Ltd

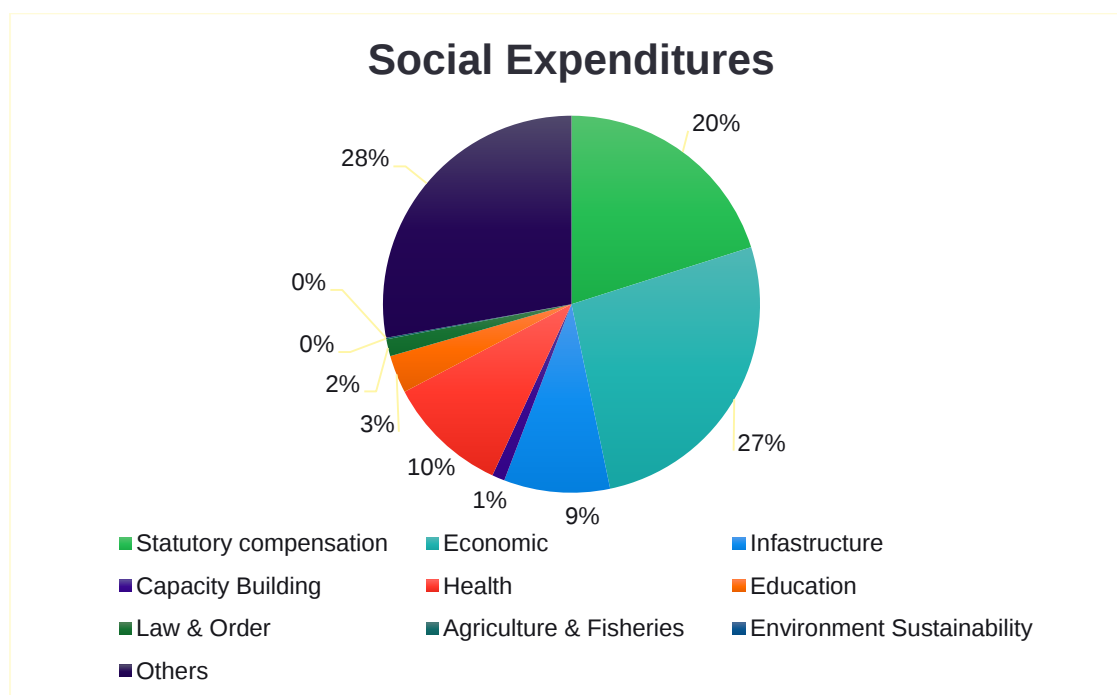
The report also covers two organisations that act as trustees:

- Mineral Resources Development Company Ltd (MRDC)
- Ok Tedi Development Foundation

MRDC acts as a trustee shareholder for beneficiary landowners and provincial governments. It holds and manages shareholdings and pays royalties and equity to project landowners. The OGA specifies MRDC’s role in holding and managing hydrocarbon assets for landholders, including investments of funds for future generations and community infrastructure trust funds. All oil and gas projects therefore have associated trusts which are wholly owned subsidiaries of MRDC. The Mining Act allows for MRDC to hold the State’s interest, but does not mandate it, consequently, not all mining operations have an associated MRDC subsidiary.

Social expenditures

Figure 6: Social expenditures per category



²⁵ The 2019 PNG National Budget announced the addition of a 50 per cent dividend policy on SOEs.

Many extractive companies contribute to the communities in which they operate beyond the direct economic benefits and employment provided. These contributions may be mandated through legislation or through contracts with the government or may be at the company's discretion.

The EITI Standard does not define "social", and the types of payment reported by companies under this heading varies, with some including payments such as compensation or lease payments, which others classify as commercial rather than social.

Discretionary social expenditures by operators ranged from zero to hundreds of millions of Kina. Payments were made to support health, education, and community projects, among others. Where companies invest in approved infrastructure, they may be entitled to claim Infrastructure Tax Credits.

For 2020, the total social expenditures disclosed were

- Mandatory PGK 173,844,265
- Discretionary PGK 215,979,570

Subnational payments and transfers

Information relating to transfers and payments to subnational (provincial and local level) governments in PNG is difficult to obtain. This was an area highlighted in the validation of the 2016 and 2019 EITI reports.

Subnational payments include royalties, dividends, compensation payments, development levies, Special Support Grants, and other benefits as agreed through memoranda of agreement.

The MSG commissioned a scoping study to investigate the possibility of implementing the EITI Standard to subnational governments and landowner associations. The *PNG EITI Sub-national Payments Report* was published April 2019.²⁶ It makes recommendations including the establishment of subnational multi-stakeholder groups with links to the PNG EITI MSG, entities to be included and materiality thresholds, standardised payment categories, and implementation through pilot projects.

For this report, the IA has attempted to include as much information as possible on subnational payments, reported unilaterally. Subnational payments and transfers have not been reconciled for this report.

Is the data on the extractive industries revenues reliable?

Entities participating in this EITI report were asked to submit data templates signed by an authorised company representative, confirming that reported amounts are materially consistent with the audited financial statements. Only half the reporting entities provided these signatures, as seen below.

Table 4: Rates of compliance with EITI reporting 2020

Entity type	Data template signed	Data template unsigned	Financial information provided	Non-financial information provided*
All reporting entities	100%	100%	100%	100%

*Partially provided are considered compliant and provided

All the producing companies have accounts audited to international standards. Government entities and state-owned enterprises (other than Ok Tedi) are audited by the PNG Auditor General. Most, however, do not yet have audit statements for the reporting period, and previous audit statements indicated significant shortcomings in the reliability of accounts.

²⁶ Grice, T. (2019). Sub-national payments in Papua New Guinea's extractive sector: Scoping study for PNG Extractive Industries Transparency Initiative., <https://pngeti.org.pg/validation/#83-114-e-1-contract-documents-for-the-implementation-of-beneficial-ownership> accessed 18 July 2022

Improved data assurance has been the subject of previous recommendations, but improvements have not yet been seen.

Reconciliation of revenue streams

For material revenue streams, the IA attempted to obtain data from both the paying and receiving entity, so the amounts could be reconciled. In some instances, however, the MSG agreed that data would be collected unilaterally.

A summary of the payment streams reported and reconciled is presented below:

Table 5: Revenue stream overview

a	Revenue stream	Reconciled/	Receiving entity	Amount reported paid (PGK)	Amount initially reported received (PGK)	Variance (PGK)	Variance
		Unilateral					
Mining	Production levy	Reconciled	MRA	56,386,003	0	56,386,003	0%
	MRA fees	Unilateral (MRA)	MRA	Not applicable	9,584,884	Not applicable	Not applicable
Oil and gas	Development levy	Reconciled	Finance (via DPE)	134,746,929	125,178,273	(9,568,656)	-7.64%
	Licence fees	Unilateral (DPE)	DPE	Not applicable	3,508,500	Not applicable	Not applicable
	Additional profits tax	Reconciled	IRC	0	41,968,080	41,968,080	100.00%
	Equity distribution	Reconciled	SOEs, Landowners through MRDC	374,606,446	382,986,525	8,380,078	2.19%
Mining and oil and gas	Mandatory social expenditure	Unilateral	See section 6	173,844,265	Not applicable	Not applicable	Not applicable
	Voluntary social expenditure	Unilateral	See section 6	215,979,570	Not applicable	Not applicable	Not applicable
	Dividends	Reconciled	State and landowners	750,000,000	754,619,386	4,619,386	0.61%
	Salary and wage tax	Reconciled	IRC	757,633,833	774,264,799	16,630,966	2.15%
	Corporate income tax	Reconciled	IRC	142,677,484	81,480,047	(61,197,436)	-75.11%
	Foreign contractor withholding tax	Reconciled	IRC	115,186,496	67,561,333	(47,625,163)	-70.49%
	Infrastructure tax credit – 2. ITC offset from tax paid in reporting period	Reconciled	IRC	41,446,253	1,852,535	(39,593,718)	-2137.27%
	Infrastructure tax credit – 1. ITC actual spent on projects in reporting period	Reconciled	DNPM	121,520,008	135,697,904	14,177,896	10.45%
	Business payments tax	Unilateral (IRC)	IRC	Not applicable	4,101,994	Not applicable	Not applicable
	Dividend withholding tax	Unilateral (IRC)	IRC	Not applicable	0	Not applicable	Not applicable
	Interest withholding tax	Unilateral (IRC)	IRC	Not applicable	3,083,664	Not applicable	Not applicable
	Management fee withholding tax	Unilateral (IRC)	IRC	Not applicable	3,826,890	Not applicable	Not applicable
	Royalty withholding tax	Unilateral (IRC)	IRC	Not applicable	3,381,526	Not applicable	Not applicable
	Goods and services tax	Reconciled	IRC	88,470,093	2,087,995	(86,382,098)	-4137.08%
	Environmental permit fees	Reconciled	CEPA	10,505,443	7,391,787	(3,113,655)	-42.12%

S	Revenue stream	Reconciled/ Unilateral	Receiving entity	Amount reported paid (PGK)	Amount initially reported received (PGK)	Variance (PGK)	Variance
	Royalties – MRA	Reconciled	MRA landowners and subnational governments	216,092,951	231,130,804	15,037,853	6.51%
	Royalties – DPE	Reconciled	DPE, landowners and subnational governments	91,505,539	85,841,467	(5,664,072)	-6.60%
	Import Duty	Reconciled	Customs	18,001,428	20,031,689	2,030,262	10.14%
	Excise Duty	Reconciled	Customs	-	18,998,597	18,998,597	100.00%

Together, the revenue streams included in the reconciliation equate to approximately 99% of total revenue from the sector in 2020.

Findings and recommendations

Previous PNG EITI Reports have made a number of recommendations that could improve the quality, accuracy, and comprehensiveness of future PNG EITI reports, and that could ultimately improve the transparency of the extractive industries in PNG.

Recommendations:

1. Address findings of Independent Validation
2. Improve timing of data collection
3. Presentation of government revenue
4. Reconcile mandatory and social payments
5. Increase data availability through PNG government web portals for license allocation
6. Assurance and compliance reviews over royalties and levies
7. Improve comprehensiveness of data
8. Improve consistency of data reported
9. Coordinated reconciliation of sub-national payments and transfers
10. Address findings of PNG Beneficial Ownership Report 2020
11. Availability of financial reports



Introduction

1. Introduction

1.1 About the Extractive Industries Transparency Initiative

The Extractive Industries Transparency Initiative (EITI) was established in 2002. It assists countries to increase transparency and accountability across the oil, gas, and mineral resources value chain. The EITI is a global organisation of sponsoring countries, civil society representatives and companies developing a framework for transparency. Participating countries issue annual reports reconciling payments from the extractive industries to receipts by governments. The adoption of the EITI Standard is discretionary and must be incorporated into individual countries' laws to be binding. At the time of writing, the EITI website lists 57 countries at various stages of implementing the EITI Standard. Of these, 1 have achieved very high progress, 8 have achieved satisfactory progress, 33 (including PNG) have achieved meaningful progress, 8 have achieved inadequate progress or have been suspended due to political instability or for missing the reporting deadline, 1 having low to no progress, and the remainder are yet to be assessed against the standard.²⁷

1.2 2019 EITI Standard

The EITI Standard was updated in 2019 with the intention to:²⁸

- I. Take feedback from stakeholders into account, and address ambiguities for more clarity
- II. Reflect good practices in implementing countries
- III. Make implementation less burdensome by introducing flexibility
- IV. Encourage countries to strengthen disclosures where it counts and addresses national priorities.

Implementing countries are required to comply on the EITI Standard 2019 from 1 January 2020 onwards.

Below is a summary of the changes and where they are addressed in this report:²⁹

Table 6: Summary of changes in the EITI Standard

Requirement	Reasons for the change	Details	Reference
Gender	▶ Participation of women and marginalised groups in natural resource governance is key to a well-managed sector. ▶ Changes aim to improve MSG representation, ensure data responds to gender analysis, improve access to data by women and marginalised groups.	▶ MSGs are required to consider gender balance (#1.4). ▶ EITI reporting should provide employment figures by project, role, and gender where available (# 6.3). ▶ MSGs should consider information access challenges by gender and sub-groups (# 7.1). ▶ MSGs are encouraged to document efforts to improve gender equality and social inclusion (# 7.4).	Chapter 3.9 of this Report.

²⁷ EITI.ORG, Countries | [Extractive Industries Transparency Initiative \(eiti.org\)](https://www.eiti.org/countries), accessed 18 July 2022

²⁸ [Webinar: Changes to the 2019 Standard | Extractive Industries Transparency Initiative \(eiti.org\)](#), accessed 18 July 2022

²⁹ Ibid

Requirement	Reasons for the change	Details	Reference
Contract Transparency	▶ Contracts are key to understanding the fiscal terms of a project and the revenues collected by the state. ▶ More than 30 EITI implementing countries disclose at least some contracts. ▶ 18 major extractive companies supportive of contract transparency.	▶ Contracts entered, signed, or amended from 1 January 2021 are required to be made public (#2.4. a). ▶ For work plans covering 2020, MSGs are expected to include plans to disclose contracts (#2.4. b). ▶ EITI reporting should describe what contracts exist (#2.1), and the government's policy and actual practice (#2.4.c).	Due to confidentiality limitations, contract transparency will be a challenge for reporting. Refer to Chapter 4.16 of this report.
Sale of the state's share of oil, gas, and minerals	▶ Over half of USD 2.5 billion revenues disclosed by EITI countries come from the sale of the state's oil, gas, or minerals to trading companies. ▶ Countries and SOEs have made significant progress with disclosures on sales of oil through the EITI "targeted effort on commodity trading". ▶ Opportunities identified to encourage disclosures based on emerging practices and encourage buying companies to match disclosures by countries/SOEs.	▶ Implementing countries, SOEs and third parties selling on behalf of the government are covered (#4.2.a). ▶ Volumes and values sold should be disaggregated by sales contract (rather than by buyer). ▶ Disclosures on the process for selecting buyers and of sales contracts are encouraged (#4.2.b). ▶ Buying companies are encouraged to disclose their payments to the state for commodity purchases (#4.2.c).	Due to confidentiality limitations, sale of the state's share of oil, gas and minerals will be a challenge for reporting. Refer to Chapter 7.1 and 8.1 of this report.
Environmental reporting	▶ Environmental issues are an important part of natural resource governance. ▶ At least 28 countries have included information on environmental payments or monitoring of environmental impact in EITI reporting.	▶ Material environmental payments to governments should be disclosed (#6.1). ▶ Disclosure of information related to environmental impact and monitoring is encouraged (#6.4).	Refer to Chapter 10.5.9 of this report.
State-owned enterprises	▶ State-owned enterprises (SOEs) often play an important role in managing the state's natural resources. ▶ Validation has demonstrated recurring challenges and lack of clarity of relevant EITI Requirements. ▶ SOEs are increasingly "mainstreaming" disclosures and publishing information through websites or annual financial statements.	▶ Description of the financial relationship between the state and SOEs should also cover joint ventures and subsidiaries (#2.6.a.i). ▶ Loan details to be disclosed include repayment schedule and interest rate (#2.6.a.ii). ▶ SOEs are expected to publish their audited financial statements (#2.6.b) ▶ MSGs can consider applying IMF definition of quasi-fiscal expenditures (#6.2).	Refer to Chapter 9 of this report.

Requirement	Reasons for the change	Details	Reference
Systematic Disclosures	▶ Implementing countries and governments are increasingly publishing information through routine government and corporate reporting. ▶ Systematic disclosures will ensure more timely, reliable, and routine disclosures. ▶ Changes recognise the shift towards regular disclosures and the key role of the multi-stakeholder groups in ensuring that these in line with the EITI Standard.	▶ Requirements emphasise comprehensive and reliable disclosures by reporting entities rather than only focusing on EITI Reports (#4.1). ▶ Companies expected to disclose annual financial statements (#4.1.e). ▶ Allows for MSGs to consider other data assurance procedures than reconciliation, pending Board approval (#4.9).	Refer to Chapter 10.7 of this report.
Project-level reporting	▶ Increasing recognition that payment and revenue data needs to be disaggregated to understand what the state receives from each individual extractive project. ▶ Emerging mandatory disclosure rules require project-level reporting. ▶ The EITI Board agreed in 2017 to require revenue disclosures to be disaggregated by project for EITI reporting covering 2018 and onwards.	▶ Including definition of project in line with emerging practices: ▶ “Operational activities that are governed by a single contract, licence, lease, concession or similar legal agreement, and form the basis for payment liabilities with a government” (#4.7).	Applied throughout the report. Project-level reporting since 2017 PNG EITI Report.
Annual progress reporting	▶ Stakeholder consultations have revealed that annual progress reports often do not always serve the purpose of reviewing impact. ▶ Many countries have other ways of reviewing impact and outcomes of implementation (e.g., impact studies, EITI Reports, MSG meetings, stakeholder events or other reporting tools.).	▶ MSGs can choose how to undertake their annual review the outcomes and impact of EITI implementation (#7.4). ▶ Countries are no longer required to publish such reviews by 1 July.	

The following are also the summary of changes:³⁰

Other encouraged provisions

- ▶ Licensing (#2.2) – Selection of licence procedures and requirements for revoking or cancelling licences.
- ▶ Production and exports (#3.2, #3.3) – Disclosure by company or project.
- ▶ Data timeliness (#4.8) – More timely disclosures.
- ▶ Subnational transfers (#5.2) – Allocation and expenditure.
- ▶ Follow-up on EITI findings (#7.3) – Recommendations for reform.
- ▶ Section on “Terminology” also explains systematic disclosures
- ▶ Countries are not suspended for achieving less than satisfactory progress on Requirements 1.1-1.3.
- ▶ Separate section on EITI Board oversight of implementation (previous Requirement 8 on “Compliance and deadlines”).

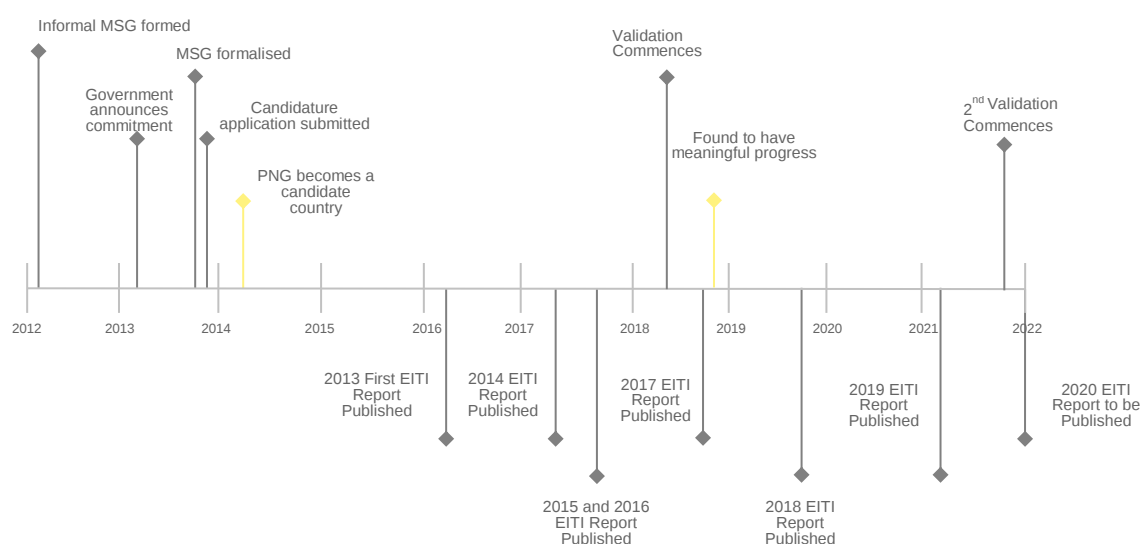
³⁰ [Webinar: Changes to the 2019 Standard | Extractive Industries Transparency Initiative \(eiti.org\)](#), accessed 18 July 2022

1.3 EITI implementation in Papua New Guinea

PNG has a wealth of natural resources, and revenue from these resources could contribute to reducing poverty and improving the lives of its citizens. However, despite these abundant resources, 37.5% of PNG citizens continue to live below the national poverty line.³¹ PNG also ranked 142 out of 180 countries in Transparency International's *Corruption Perception Index* for 2020.³² In this context, it is important that PNG continues to strive for increased transparency.

To address transparency and to improve PNG's attractiveness for foreign investment, the PNG Government, led by the Minister for Treasury, applied for EITI candidacy in 2013 and was accepted as an EITI implementing country in 2014. PNG has since published reports for the calendar years 2013–19. The timeline for EITI implementation in PNG is shown in Figure 7 below. The 2020 report included additional disclosures on subnational payments (Chapter 6), quasi-fiscal expenditures, improved presentation (across all chapters), aimed to meet all validation recommendations from its first validation, and covered the impact of COVID-19 pandemic on the extractive sector.

Figure 7: Timeline for EITI Implementation in PNG³³



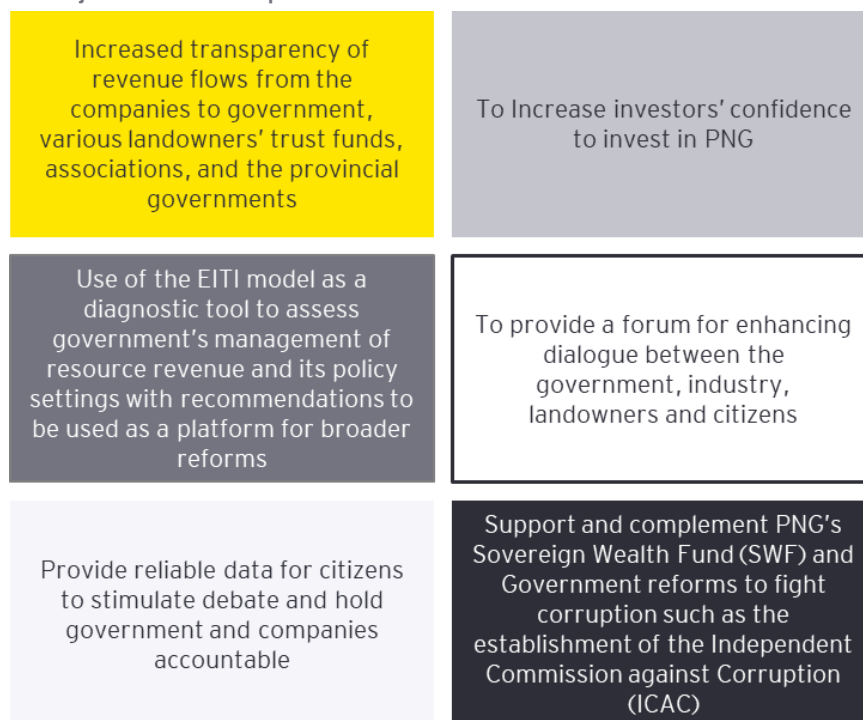
³¹ Asia Development Index, Basic Statistics April 2022, <https://www.adb.org/countries/papua-new-guinea/poverty>, accessed 18 July 2022

³² Corruption Perceptions Index 2020', Transparency International, <https://www.transparency.org/en/cpi/2020/index/png>, accessed 18 July 2022

³³ Based on actual submissions and scheduled events. Second validation commenced on 1 April 2022.

The PNG EITI has stated that its objectives for implementing EITI in PNG are:

Figure 8: PNG EITI's objectives for EITI Implementation



1.3.1 EITI governance and leadership in PNG

The EITI Standard requires candidate countries to form a multi-stakeholder group (MSG) as the key decision-making body for implementation. The MSG represents government, civil society, and industry. An informal group first met in PNG in early 2012, and the group was formalised on 1 November 2013 via a Memorandum of Understanding.³⁴ Figure 9 below shows the governance structure of the PNG EITI.

The MSG is chaired by the PNG Treasurer, and comprises:

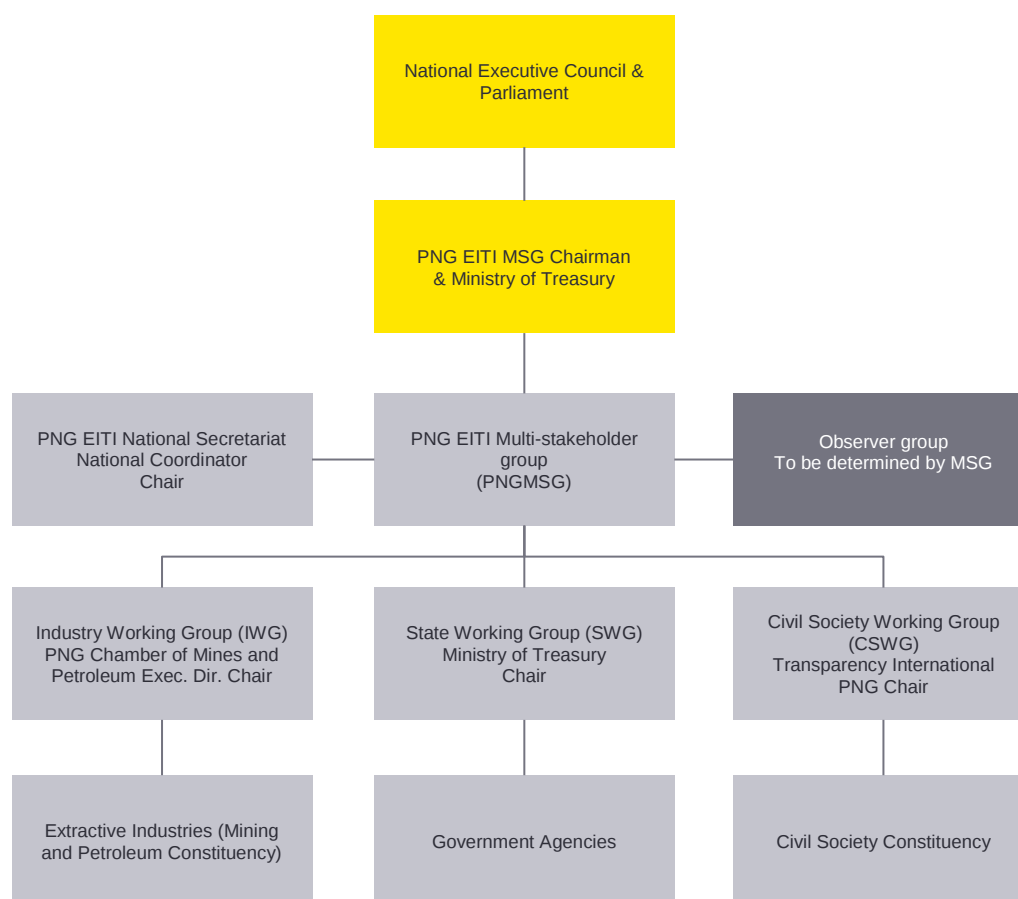
- ▶ Eleven representatives from the Government of PNG, including four voting and seven non-voting members, selected through internal processes and through direct engagement with participating ministries, agencies, and departments.
- ▶ Three representatives from state-owned enterprises (SOEs), including two voting members and one non-voting member.
- ▶ Eight representatives from civil society, including seven voting members and one non-voting member, selected through a democratic process based on agreed criteria, representing a range of perspectives and constituencies.
- ▶ Seven representatives from the extractive industries, selected through a democratic process based on agreed criteria, in collaboration with the PNG Chamber of Mines and Petroleum.

Each MSG member has a primary and two alternate representatives, a proxy vote can be given to others in case these representatives are unable to join a meeting. The organisational structure is

³⁴ 2017 Final PNG EITI MSG MoU, <https://pngeti.org.pg/?s=png+validation#81-109-c-3-msg-mou>, accessed 18 July 2022. Based on actual submissions and scheduled events. The second validation was conducted on 1 April 2022.

shown in Figure 9 below, and the complete list of members and representatives is provided at Appendix A.

Figure 9: Structure of governance of PNG EITI



The PNG EITI National Secretariat assists the Chairman in providing coordination, facilitation, and administrative support to the MSG. It is governed by terms of reference approved by the MSG.

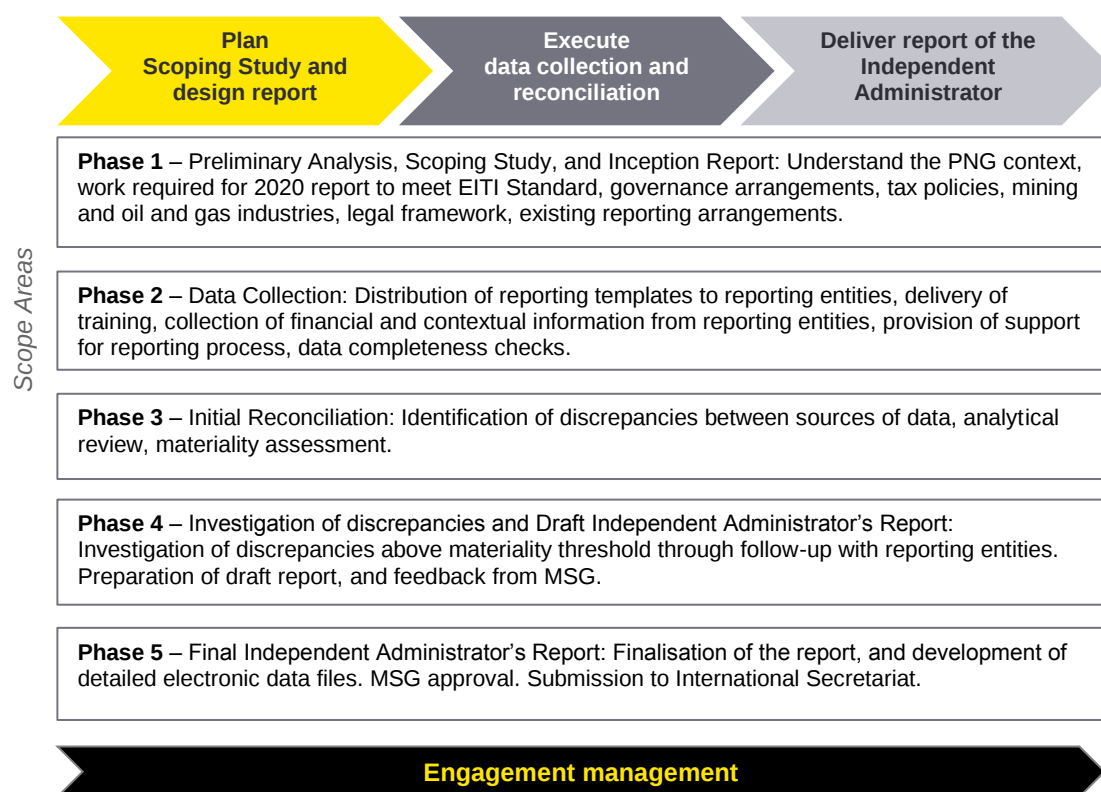
1.3.2 The role of the Independent Administrator

The EITI Standard (4.9b) requires that payments and revenues be reconciled by an Independent Administrator (IA). Ernst & Young (EY) has been engaged by the PNG EITI National Secretariat to fulfil this role and prepare this report. The detailed responsibilities of the IA are outlined within the terms of reference issued by the PNG EITI National Secretariat and provided on the PNG EITI website at <http://www.pngeiti.org.pg/>.³⁵

EY's process in preparing this report is shown in Figure 10 below.

³⁵ 2020 PNG EITI Report Terms of Reference, <https://pngeti.org.pg/contracts/terms-of-reference-for-the-preparation-of-the-png-eiti-2020-report/>, accessed 1 October 2022. 2017 Final PNG EITI MSG MoU, <https://pngeti.org.pg/validation/#81-109-c-3-msg-mou>, accessed 1 October 2022

Figure 10: Independent Administrator's process



1.3.3 Progress in implementing EITI in PNG

1.3.3.1 First validation – 2018 validation

PNG underwent its first EITI validation in April 2018, to assess the progress made in the 2016 and earlier reports. The independent validator assigned by the EITI International Secretariat found that, overall, PNG had made meaningful progress. However, while some aspects, including MSG oversight, show meaningful or satisfactory progress, several aspects of revenue collection and revenue allocation were assessed as having inadequate progress. The draft results are summarised in Table 8 below.³⁶

Table 7: PNG's progress in implementing the EITI Standard (Initial assessment card)³⁷

Categories	EITI requirements		No Progress	Inadequate	Meaningful	Satisfactory	Beyond	Report chapter	Updates for this report
MSG oversight	1.1	Government engagement						1	
	1.2	Industry engagement						1	
	1.3	Civil society engagement						1	
	1.4	MSG governance						1	
	1.5	Work plan						1	

³⁶ IPNG Validation Report, https://eiti.org/sites/default/files/attachments/png_validation_-_validators_final_validation_report.pdf accessed 18 July 2022

³⁷ IPNG Validation Report, https://eiti.org/sites/default/files/attachments/png_validation_-_validators_final_validation_report.pdf accessed 18 July 2022

Categories	EITI requirements		No Progress	Inadequate	Meaningful	Satisfactory	Beyond	Report chapter	Updates for this report
Licences and contracts	2.1	Legal framework						4	
	2.2	Licence allocations						7, 8	We have again specifically requested the MRA and DPE to report each tenement/licence awarded, extended, or transferred, surrendered or cancelled during the reporting period: ID, ownership and date of award/transfer/extension in the non-financial reporting template. We held meetings with MRA to further clarify the licence allocation criteria and these are discussed in Section 7.9
	2.3	Licence register						7, 8	
	2.4	Policy on contract disclosure						4.16	
	2.5	Beneficial ownership (BO)	n/a					4.17	BO reporting becomes mandatory under the Standard in 2020. A Beneficial Ownership (BO) report was published which includes description of the approach, definitions and scope of the BO data collection and provides recommendations on issues that will need considering when implementing a mandatory BO disclosure regime once the core definition has been agreed.³⁸
	2.6	State participation						4.14, 9	
Monitoring production	3.1	Exploration data						8	
	3.2	Production data						7, 8	The IA has again requested this information in the reporting template, but reporting remains incomplete and inconsistent. IA derived the production value as follows: <i>Mining production value is not available on MRA's reporting template, but has been estimated using the below formula:</i> - Value of commodity = (Export value / Export quantity) - Produced value = Value of commodity * quantity produced³⁹ <i>Oil and gas production value remain to be challenge and still currently not available to public portals.</i> Export values are also not available in the reporting templates of either DPE or reporting companies, hence, we obtained data from 2022 National Budget.⁴⁰

³⁸ Beneficial Ownership Final Report, https://eiti.org/sites/default/files/attachments/bdo_png-eiti-bo-report-final-version-20-12-20.pdf, 18 July 2022

³⁹ Total Export Values, derived from MRA Template, refer to Chapter 7.

⁴⁰ 2022 National Budget Volume 1 - Volume and Value of Main Exports Commodities Table 4 and 5, https://www.treasury.gov.pg/html/national_budget/files/2022/VOLUME1.pdf, accessed 18 July 2022

Categories	EITI requirements		No Progress	Inadequate	Meaningful	Satisfactory	Beyond	Report chapter	Updates for this report
	3.3	Export data						8	
Revenue collection	4.1	Comprehensiveness						2	The IRC reporting template has been updated since the 2016 validation to clarify that total revenue stream value as requested and the IA have been working to confirm full unilateral disclosure of all government extractive revenue streams. Specifically, we have sought to include revenue streams from projects that are not yet producing. Reporting templates have been updated year on year to capture required data in compliance with EITI Standard.
	4.2	In-kind revenues^	n/a						Engagement undertaken through the validation process found there was consensus among stakeholders consulted that this requirement was not applicable to PNG under the current fiscal regime. ⁴¹ To further increase transparency for the 2020 report, it was agreed by the MSG to include a sub-national payments framework to be completed by reporting entities. This includes cash and in-kind payments to the sub-national level.
	4.3	Barter agreements^	n/a						Validation process consultation found that extractives companies are not required to undertake expenditures that could be categorised as barter agreements. ⁴²
	4.4	Transportation revenues^	n/a						Treasury has confirmed that transport revenues do not exist in PNG except for pipeline fees, which are not material. ⁴³
	4.5	SOE transactions						9	
	4.6	Direct subnational payments						6	
	4.7	Disaggregation						10	
	4.8	Data timeliness						10	
	4.9	Data quality						10	
	Revenue allocation	5.1	Distribution of revenues						5, 10
5.2		Subnational transfers						5, 6, 10	Information relating the distribution of revenues has been updated in this report and additional information is also provided relating to the distribution of funds managed by MRDC.

⁴¹ <https://eiti.org/validation>, accessed 18 July 2022

⁴² ibid

⁴³ PNG EITI 2016 Report, https://eiti.org/sites/default/files/attachments/png_eiti_2016_report.pdf

Categories	EITI requirements		No Progress	Inadequate	Meaningful	Satisfactory	Beyond	Report chapter	Updates for this report
	5.3	Revenue management and expenditures*							
			n/a						
Socio-economic contribution	6.1	Mandatory social expenditures						6	
	6.2	SOE quasi-fiscal expenditures						9	The IA requested quasi-fiscal expenditure information from SOE. Refer to Chapters 6 and 9.
	6.3	Economic contribution						3	
Outcomes and Impact	7.1	Public debate						3	
	7.2	Data accessibility*							
			n/a						
	7.3	Follow up on recommendations						11	
	7.4	Outcomes and impact of implementation							

* These requirements are only encouraged or recommended and are not currently considered in assessing compliance with the EITI Standard.

^ During the validation process, the MSG was able to demonstrate that these requirements of the Standard were not applicable in PNG.

On 6 April 2017, the National Executive Council (NEC) endorsed the recommendations from the first PNG EITI country report. Certain recommendations have already been implemented, and we expect that this will continue to drive improvements in the completeness and accuracy of data relating to the extractives sector in PNG.⁴⁴

The NEC directives have the potential to facilitate improvements in the data collection process and address many of the gaps identified in previous PNG EITI reports. The MSG and PNG EITI Secretariat have also started to improve and address these gaps, particularly by encouraging and supporting greater participation and engagement by SOEs including the Mineral Resources Development Company (MRDC) and Kumul Petroleum Holdings Ltd (KPH).⁴⁵ These entities have submitted templates for this report.

The PNG EITI Secretariat held discussions with State solicitors on the legality of making Memorandum of Agreements (MOAs) public. However, publication disclosure continues to be restricted due to confidentiality clauses.

Further directives that relate to implementing systems improvements should flow through to improvements in EITI reports onwards. These include:

⁴⁴ 2018 Validation Report, https://eiti.org/sites/default/files/attachments/png_validation_-_validators_final_validation_report.pdf accessed 18 July 2022

⁴⁵ NEC Decision No:91/2017 <https://pnggeiti.org.pg/validation/>, accessed 12 July 2022

Implementing an electronic registry and revenue system at the Department of Petroleum and Energy (DPE):

DPE has been tasked with implementing a reliable Electronic Registry and Revenue System (ERRS) in place of the current paper ledger registry. This project will be supported by technical cooperation from Japan International Cooperation Agency (JICA) under its support program to the PNG EITI National Secretariat. This directive remains in progress at the time of writing.

Amending budget and fiscal reports to continue to collect information on subnational payments:

The current reporting by the National Secretariat and the National Economic and Fiscal Commission (NEFC) does not capture all subnational revenue and payment streams required by the EITI Standard. NEFC's current reporting is provisioned under the *Intergovernmental Relations (Functions and Funding) Act 2009*, which governs NEFC's operations. It is proposed that NEFC and the PNG EITI Secretariat work together to identify mechanisms that can better align NEFC reporting to the EITI requirements, not only in relation to subnational payments but to all other payments for the various levels of governments.

This directive remains in progress. Subnational payments implementation is yet to be started.

Government agencies are directed to submit timely reports to the Auditor-General's Office (AGO):

The formal letter of notification on this directive has been conveyed to the AGO. To date no formal response has been received on their implementation progress and/or strategy. The AGO has undertaken an active audit program on relevant government agencies. The Secretariat will continue to liaise with the AGO regarding the implementation of this directive.

1.3.3.2 Second validation – 2022 validation

The second validation was undertaken in April 2022 and assessed the progress in EITI implementation since the first validation under the 2016 EITI Standard. The second validation assessment of the disclosures covered the 2019 financial year 2019 (PNGEITI 2019 Report) and the assessment followed the 2019 EITI Standard.⁴⁶

The draft assessment was released for review by the MSG on 26th July 2022, with the MSG providing its comments on the draft assessment on 20th September 2022 and is pending finalisation by the EITI Board. The preliminary assessment suggest that PNG has fully met ten, mostly met twelve and partially met seven requirements with three assessed as not applicable.

There were three key achievements highlighted:

1. The quality of the EITI Reports improved. Scoping studies on subnational payments, SOE, beneficial ownership and contract transparency provided further insight into PNG's complex extractive sector structures.
2. The digitalisation of Department of Petroleum and Energy's (DPE) license management and other information.
3. "The MSG functions as an effective platform for multi-stakeholder dialogue on the extractive sector".

However there remains gaps as highlighted in the findings:

- "Significant gaps remain in disclosures related to state-owned enterprises".

⁴⁶ The EITI Standard 2019, <https://eiti.org/collections/eiti-standard>, accessed 1 October 2022

- “Gaps in disclosures appear to be symptom of waning high-level government commitment to EITI process”.
- “Engaging civil society beyond Port Moresby including affected communities is a challenging due to PNG’s geography and the limited resources available”.
- “There is little evidence of disclosures being used to inform analysis or decision-making in the period under review”.

The draft results are summarised in Table 9 below.⁴⁷

Table 8: PNG’s Draft scorecard: Summary of progress in the Validation of PNG

Component & module	IETI requirement	Progress	Score	
Outcomes and impact		Moderate	73.5/100	
Extra points	Effectiveness and sustainability indicators		1.5	
Outcomes and impact	Work plan (#1.5)	Mostly met	60	↓
	Public debate (#7.1)	Fully met	90	-
	Data accessibility and open data (#7.2)	Mostly met	60	-
	Recommendations from EITI (#7 .3)	Mostly met	60	↓
	Outcomes & impact (#7.4)	Fully met	90	↑
Stakeholder engagement		Moderate	75/100	
Multi-stakeholder oversight	Government engagement (#1.1)	Mostly met	60	↓
	Industry engagement (#1.2)	Mostly met	60	↓
	Civil society engagement (# 1.3)	Fully met	90	-
	MSG governance (#1.4)	Fully met	90	-
Transparency		Fairly low	62.5/100	
Overview of the extractive industries	Exploration data (#3.1)	Fully met	90	-
	Economic contribution (#6.3)	Fully met	90	-
Legal and fiscal framework	Legal framework (#2.1)	Fully met	90	-
	Contracts (#2.4)	Partly met	30	↓
	Environmental impact (#6.4)	Not assessed	-	-
Licenses	Contract and license allocations (#2.2)	Partly met	45	↑
	License register (#2.3)	Mostly met	60	-
Ownership	Beneficial ownership (#2.5)	Partly met	30	-
State participation	State participation (#2.6)	Partly met	30	-
	In-kind revenues (#4.2)	Not applicable	-	-
	SOE transactions (#4.5)	Mostly met	60	-
	SOE quasi-fiscal expenditures (#6.2)	Partly met	45	↑
Production and exports	Production data (#3.2)	Mostly met	60	↑
	Export data (#3.3)	Mostly met	60	-
Revenue collection	Comprehensiveness (#4.1)	Fully met	90	↑
	Barter agreements (#4.3)	Not applicable	-	-
	Transportation revenues (#4.4)	Not applicable	-	-
	Disaggregation (#4.7)	Fully met	90	-
	Data timeliness (#4.8)	Fully met	90	-
	Data quality (#4.9)	Mostly met	60	↑

⁴⁷ Validation of Papua New Guinea: Draft assessment of progress in implementing the EITI Standard, 26 July 2022

Component & module	IETI requirement	Progress	Score	
Revenue management	Distribution of revenues (#5.1)	Mostly met	60	↑
	Revenue management & expenditures (#5.3)	Not assessed	-	-
Subnational contributions	Direct subnational payments (#4.6)	Partly met	45	↑
	Subnational transfers (#5.2)	Partly met	45	↑
	Social and environmental expenditures (#6.1)	Mostly met	75	↑
Overall score		Moderate	70.5/100	

The MSG has responded to the draft validation results on 20th September 2022 and requested a review of specific requirements in the Transparency Module was given an overall scorecard of “Fairly Low” and the Stakeholder Engagement Module where progress was “Moderate” reflecting a backsliding in some areas.

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Reporting entities and revenue streams

2. Reporting entities and revenue streams

2.1 Materiality

This report covers all material revenue streams from the material reporting entities, for the 2020 calendar year. These are defined below:

Material revenue streams

- ▶ Revenue streams that contribute 2% or more of government revenue from the sector
- ▶ Revenue streams that currently contribute less than 2% to government revenue from the sector, but which are considered by the MSG to be “of significant interest” to the people of PNG – for example, production levy, development levy or environmental fees.

Material reporting entities

- ▶ All mining and oil and gas companies which have interests in operations that were producing saleable commodities, as agreed by the MSG
- ▶ Government entities who received payments from the companies
- ▶ Trustees of government funds
- ▶ SOEs that have interests in resource companies, or receive or make payments to the resources sector
- ▶ Entities that do not receive payments but keep records of payments

2.1.1 Determination of materiality for revenue streams

The MSG considered both qualitative and quantitative definitions of materiality to determine which revenue streams would be deemed material for this report, in alignment with PNG EITI’s strategic objectives.

The quantitative threshold applied was all revenue streams that contribute 2% or more to the total revenue received by the government from the mining and oil and gas sectors. In 2020, this threshold was PGK50 million. This is within the range applied in auditing financial accounts and is broadly consistent with materiality thresholds used for other EITI-compliant countries. According to this standard, 98% of PNG government revenues attributed to the extractives sector were considered material.

Some revenue streams that fall below this quantitative threshold have also been reconciled, based on a qualitative definition of materiality adopted by the MSG, which captures revenue streams that were:

- ▶ Defined by law
- ▶ Of significant interest or benefit to the PNG population
- ▶ Likely to exceed a pre-defined quantitative level of materiality in the future

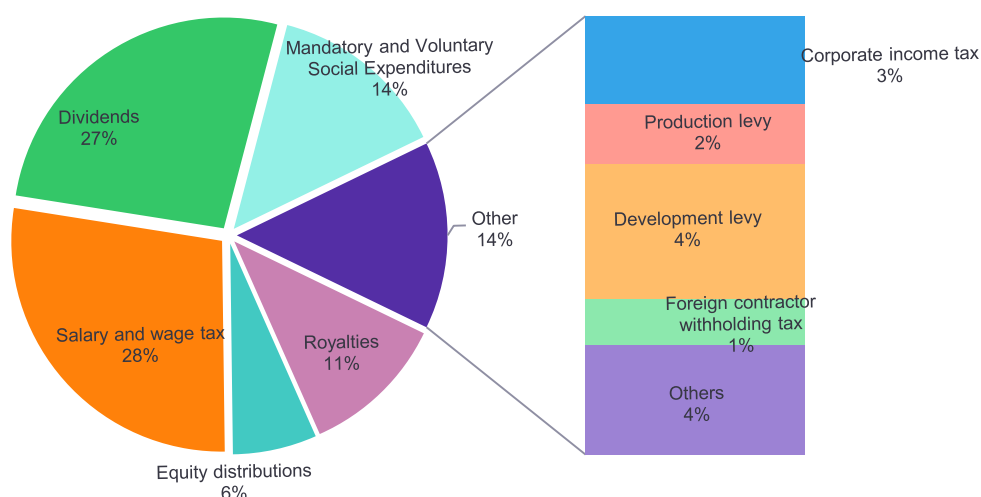
For 2020, these revenue streams included the environmental permit fees, environmental user charges, production levies, goods and services taxes and customs and excise duties. Individually, these revenue streams fall below the quantitative threshold, but together they represent more than 2% of revenue from the extractive industries. Further, infrastructure tax credits applied (offset against corporate income taxes) and spent (reported to the Department of National Planning and Monitoring) were also included based on qualitative nature of these accounts. Therefore, all payments that could affect the comprehensiveness of the EITI report are included in the scope of reconciliation.

Share of sales from joint venture projects and equity holdings are included for additional information.

Where revenue streams are not considered material for reconciliation, these revenue streams are reported unilaterally by the receiving entity, or in the case of social expenditure, by the companies making the payments. For the 2020 report, to increase transparency at the provincial level, the IA and MSG have requested unilateral disclosure of subnational payments by reporting entities (further discussed in Chapter 6).

An overview of Government revenue streams from the extractive industry is illustrated below: *

Figure 11: Relative percentage of each revenue streams



*Not included in the chart are the following

- ▶ Share of sales – these are sales prior to deduction of any spending on production costs, operating expenses, finance costs and tax payments.
- ▶ Infrastructure tax credits (offset from tax paid) – already included in corporate income tax payments above
- ▶ Infrastructure tax credits spent – to avoid double counting on expenditures which may be included in Mandatory and Voluntary expenditure

2.2 Resource companies

Resource companies were those with interests in extractive projects that were producing saleable commodities during the reporting period and projects in advanced stages of exploration or pre-production. The MSG approved the exclusion of mid-stream and down-stream resource companies.

To identify material resource companies, the IA requested the IRC, MRA, Customs, CEPA, DPE and SOEs to supply the value of all receipts from extractive industry companies, encompassing those that had ownership in active mining exploration licences, mining leases, special mining leases, or leases for mining purposes, petroleum development, pipeline, processing facility or retention licences, as identified by the MRA and DPE. Upon receipt, this revenue data was used to calculate the quantitative threshold for EITI reporting and identify material reporting entities based on consolidated receipts by receiving entities.

As many companies have multiple affiliates active in mining and oil and gas projects, the threshold is applied to the total value across the parent and all its affiliates. When the threshold is reached for the group, each affiliate company is then required to report.

The table below shows which resource companies were quantitatively assessed as being material or not for the 2020 report. Each material reporting company is discussed in more detail in Chapters 7 and 8, including company structure, contribution to extractive industry revenues, and any changes in ownership during the reporting period.

Table 9: SOE, mining, oil and gas companies

Project	PNG Entity	Parent company	Consolidated Receipts (PGK)	Material under quantitative definition
Mining				
Porgera	Barrick (Niugini) Ltd	- Barrick (PD) Australia Pty Limited – 50% - Gold Mountains International Mining Company Limited – 50%	186,416,974	Y
	Mineral Resources Enga Ltd	- Porgera Gold Mines Limited – 50% - Enga Provincial Government – 50%	2,333,326	N
Kainantu	K92 Mining Ltd	K92 Mining Inc	58,489,392	Y
Lihir (Luise Caldera)	Lihir Gold Ltd	Newcrest Mining Ltd	320,674,951	Y
Ramu Nickel (Kurumbukari)	MCC Ramu NiCo Ltd – 85%	MCC-JJJ Mining	60,545,067	Y
	Ramu Nickel Limited – 8.56%	Highlands Pacific Limited	-	N
	Mineral Resources Ramu Limited – 2.50%	Mineral Resources Development Company	-	N
	Mineral Resources Madang Limited – 3.94%	Mineral Resources Development Company	-	N
Hidden Valley Mine	Morobe Consolidated Goldfields Ltd	Harmony Gold Mining Company Ltd	56,092,980	Y
Edie Creek	Niuminco Edie Creek Ltd	Niuminco Group Ltd	-	N
Ok Tedi (Mt Fubilan)	Ok Tedi Mining Limited	- Independent State of PNG – 67% - Mineral Resources OK Tedi Star No.2 Limited – 12% - Mineral Resources Star Mountains Limited (MRSM) - 9% - Mineral Resources CMCA Holdings Limited – 12%	738,651,352	Y
Ok Tedi Mining Limited Subsidiary	Ok Tedi Power Limited	Ok Tedi Mining Limited	513,216	N
	Ok Tedi Development Foundation	Ok Tedi Mining Limited	1,218,880	N
Simberi	Simberi Gold Co. Ltd	St Barbara Ltd	41,218,902	N
Solwara (Bismarck Sea) (not producing in 2019)	Nautilus Minerals Niugini Ltd	Kumul Mineral Holdings Ltd	112	N
Woodlark (Kulumadai) (not producing in 2019)	Woodlark Mining Ltd	Geopacific Resources Ltd/ Kula Gold Ltd	438,693	N
Frieda River	Frieda River Ltd	PanAust Ltd	1,455,738	N
Tolukuma (not producing in 2019)	Tolukuma Gold Mine Ltd	Asidokona Mining Resources Pty Ltd	-	N
Mt Crater (HGZ Mine)	Anomaly Ltd	Crater Gold Mining Ltd	-	N
Wafi-Golpu (not producing in 2019)	Newcrest PNG 2 and Wafi Mining Ltd	- Newcrest Mining Limited – 50% - Harmony Gold Mining Company Ltd – 50%	250,490	N

Project	PNG Entity	Parent company	Consolidated Receipts (PGK)	Material under quantitative definition
Oil and gas companies that provided consolidated template				
PNG LNG	ExxonMobil PNG Ltd (Operator of PNG LNG)	ExxonMobil Corporation	472,494,548	Y
PNG LNG and other Oil Projects	Oil Search (PNG) Ltd (Operator of Oil and Associated Gas projects)	Oil Search Ltd	102,120,226	Y
PNG LNG and other Oil Projects	Kumul Petroleum Holdings Ltd (KPH)	Independent State of Papua New Guinea	217,567,973	Y
Oil and gas projects				
SE Gobe (PDL 3 and PDL 4)	Oil Search (PNG) Ltd	Oil Search Ltd	-	Y – Part of the Oil Search Group
	Merlin Petroleum Company	Japan Papua New Guinea Petroleum Company, Nippon Oil Exploration (PNG) Pty Ltd, Marubeni Corporation	-	N
	Ampolex Highlands Ltd	ExxonMobil Corporation	-	Y – Part of ExxonMobil Group
	Petroleum Resources Gobe Ltd	Mineral Resources Development Company	101,266	N
	Cue PNG Oil Co. P/L	Kumul Petroleum Holdings Ltd	-	Y – Part of KPH Group
	Southern Highlands Petroleum Company Ltd	Kumul Petroleum Holdings Ltd	See previous	Y – Part of KPH Group
	Barracuda Ltd	Santos Ltd	301,193	N
Gobe Main (PDL 4)	Oil Search (PNG) Ltd	Oil Search Ltd	See previous	Y – Part of the Oil Search Group
	Ampolex Highlands Ltd	ExxonMobil Corporation	See previous	Y – Part of ExxonMobil Group
	Merlin Petroleum Company	Japan Papua New Guinea Petroleum Company, Nippon Oil Exploration (PNG) Pty Ltd, Marubeni Corporation	See previous	N
	Petroleum Resources Gobe Ltd	Mineral Resources Development Company	See previous	N
Kutubu	Oil Search (PNG) Ltd	Oil Search Ltd	-	Y – Part of the Oil Search Group
	Ampolex (PNG Petroleum) Inc	ExxonMobil Corporation	56,517	Y – Part of ExxonMobil Group
	Merlin Petroleum Company	Japan Papua New Guinea Petroleum Company, Nippon Oil Exploration (PNG) Pty Ltd, Marubeni Corporation	1,874,460	N
	Petroleum Resources Kutubu Ltd	MRDC	27,098,954	N
	Merlin Pacific Oil Co. NL	ExxonMobil Corporation	8,885	Y – Part of ExxonMobil Group

Project	PNG Entity	Parent company	Consolidated Receipts (PGK)	Material under quantitative definition
Oil and gas projects				
Moran	Oil Search (PNG) Ltd	Oil Search Ltd	See previous	Y – Part of the Oil Search Group
	Merlin Petroleum Company	Japan Papua New Guinea Petroleum Company, Nippon Oil Exploration (PNG) Pty Ltd, Marubeni Corporation	See previous	N
	Esso PNG Moran Ltd	ExxonMobil Corporation	-	Y – Part of ExxonMobil Group
	Eda Oil Ltd	Kumul Petroleum Holdings Ltd	See previous	Y – Part of KPHL Group
	Ampolex (PNG Petroleum) Inc	ExxonMobil Corporation	See previous	Y – Part of ExxonMobil Group
	Ampolex (Highlands) Inc	ExxonMobil Corporation	See previous	Y – Part of ExxonMobil Group
	Petroleum Resources Kutubu Ltd	MRDC	-	N
	Merlin Pacific Oil Co. NL	ExxonMobil Corporation	See previous	Y – Part of ExxonMobil Group
	Petroleum Resources Moran Ltd	MRDC	225,376	N
Papua LNG (Elk-Antelope) (not producing in 2020)	Total E&P PNG Ltd	Total S.A.	23,961,416	N
	ExxonMobil PNG Antelope Limited	ExxonMobil Corporation	See above	Y
	Oil Search	Oil Search Ltd	See above	Y
	Kumul Petroleum Holdings Limited	Independent State of Papua New Guinea	See above	Y
Pasca A (not producing in 2020)	Twinza Oil	Twinza Oil	-	N
PNG LNG	Ampolex (PNG) Ltd	ExxonMobil Corporation	1,015,008	Y – Part of ExxonMobil Group
	Esso PNG Juha Ltd	ExxonMobil Corporation	20,426	Y – Part of ExxonMobil Group
	ExxonMobil PNG Ltd	ExxonMobil Corporation	See above	Y – Part of ExxonMobil Group
	Kumul Petroleum (Kroton) Ltd	Kumul Petroleum Holdings Ltd	See above	Y – Part of KPHL Group
	Kumul Petroleum (PNG LNG) Ltd	Kumul Petroleum Holdings Ltd	See above	Y – Part of KPHL Group
	Nippon PNG LNG LLC	Nippon Oil exploration (PNG) Pty Ltd, JX Nippon Oil & Gas Corporation, Marubeni Corporation	-	N

Project	PNG Entity	Parent company	Consolidated Receipts (PGK)	Material under quantitative definition
	Merlin Petroleum Company	Japan Papua New Guinea Petroleum Company, Nippon Oil Exploration (PNG) Pty Ltd, Marubeni Corporation	See above	N
	Oil Search (LNG) Ltd	Oil Search Ltd	39,290,604	Y – Part of Oil Search Group
	Oil Search (Tumbudu) Ltd	Oil Search Ltd	88,183	Y – Part of Oil Search Group
	Lavana Ltd	Santos Ltd	-	N
	Santos (Hides) Ltd	Santos Ltd	-	N
	Gas Resources Gigira Ltd	MRDC	7,094,378	N
	Gas Resources Gobe Ltd	MRDC	-	N
	Gas Resources Angore Ltd	MRDC	371,671	N
	Gas Resources Hides No.4 Ltd	MRDC	999,044	N
	Gas Resources Juha Ltd	MRDC	368,727	N
	Gas Resources Kutubu Ltd	MRDC	-	N
Stanley Project	Repsol	Talisman Niugini Pty Ltd	70,241	N
	Horizon oil (Papua) Ltd		459,442	N
	Osaka Gas Niugini Pty Ltd		-	N
	Mitsubishi Corporation (Diamond Gas Niugini B.V.)		-	N

[^]Consolidated receipts are calculated based on the reported receipts by government departments and agencies excluding infrastructure tax credits and social expenditures

The following entities have consolidated receipts below the quantitative threshold. However, the IA considered qualitative factors such as significant production and export quantities, including PGK values, and entities with a high public profile:

- ▶ Morobe Consolidated Goldfields Ltd (Hidden Valley)
- ▶ Simberi Gold Co. Ltd (Simberi)
- ▶ Total E&P PNG Ltd (Papua LNG Elk-Antelope)
- ▶ Barracuda – SE Gobe (Santos)
- ▶ Joint venturers of PNG LNG project
 - Santos (Lavana, Santos Hides)
 - JX Nippon (Merlin Petroleum Company, Nippon PNG LNG LLC)
- ▶ Mineral Resources Development Co. Ltd subsidiaries

(Due to stake in Porgera, and Equity Distributions received from PNG LNG)

- Mineral Resources Enga Ltd
- Petroleum Resources Gobe Ltd
- Petroleum Resources Kutubu Ltd
- Petroleum Resources Moran Ltd
- Gas Resources Gigira Ltd
- Gas Resources Gobe Ltd
- Gas Resources Angore Ltd
- Gas Resources Hides No.4 Ltd
- Gas Resources Juha Ltd

- Gas Resources Kutubu Ltd

The final list of material resource companies is:

Table 10: Material reporting entities

Mining companies	Oil and gas companies
▶ Barrick (Niugini) Ltd (Porgera mine – SML 1 (P)) ▶ K92 Mining Ltd (Kainantu) ▶ Lihir Gold Ltd (Lihir/Luise Caldera mine – SML 6) ▶ MCC Ramu NiCo Ltd (Kurumbukari mine, Ramu – SML 8) ▶ Morobe Consolidated Goldfields Ltd (Hidden Valley mine – ML 151) ▶ Simberi Gold Co. Ltd (Simberi mine – ML136) ▶ Ok Tedi Mining Limited	▶ ExxonMobil PNG Ltd (and affiliates) ▶ JX Nippon Oil and Gas Exploration Corporation (and subsidiaries) ▶ Kumul Petroleum Holdings Ltd (and subsidiary) ▶ Mineral Resources Development Company (MRDC) (and subsidiaries) ▶ Oil Search Ltd (and subsidiaries) ▶ Santos Ltd (and subsidiaries) ▶ Total E&P PNG Limited (and subsidiaries)

Table 11: Resource companies' coverage

Companies	No. of resource companies	Government receipts (PGK)*	Coverage based on Government receipts.
Companies deemed material under quantitative definition	18	2,033,059,675	89.78%
Companies deemed material under qualitative definition	21	227,059,081	10.03%
Companies not deemed material	15	4,406,812	0.19%
Total	54	2,264,525,568	100.00%

*Amount does not include Equity Distributions. PNG LNG stakeholders Landowner companies under MRDC and KPHL receiving equity distribution from PNG LNG Project are included as part of the required reporting entities. Equity distribution amounts reported by KPHL and Landowner entities under MRDC have been agreed and confirmed by ExxonMobil in its capacity as the operator of PNG LNG project.

Based on the above selection of material reporting companies, the IA has attempted to reconcile 99.81% of the extractive revenues for the 2020 report. The mining and oil and gas companies that have not been included do not affect the comprehensiveness of the report.

2.3 State-owned enterprises

State-owned enterprises (SOEs) and trustees play a key role in managing and distributing PNG's wealth. Transparent disclosure of their processes for managing and transferring funds to beneficiaries (landowners, subnational governments, national government, etc.) is therefore critical for a comprehensive EITI report. Material SOEs and trustees were those with interests in (or responsibility for managing interests in) extractive projects that were producing saleable commodities during the reporting period. These are listed below:

Table 12: State-owned enterprises and trustees

Reporting entity	Revenue streams received	Revenue streams paid to PNG Government
Kumul Petroleum Holdings Ltd (KPH)	Equity Distributions from subsidiary companies that are joint venture partners in oil projects and PNG LNG	Dividends paid to PNG Treasury KPH taxes paid to IRC Subsidiary company taxes paid to IRC Return of capital to the State State support
Kumul Mineral Holdings Ltd (KMH)	Not material for 2020, as no interests in operations that were producing saleable commodities.	Salary & wages tax of PGK277,123 (Group tax) and GST of PGK41,325

Reporting entity	Revenue streams received	Revenue streams paid to PNG Government
Mineral Resources Development Company Ltd (MRDC)	Management fees from trusts managed on behalf of subsidiary landowner companies. MRDC also report the royalty and equity distributions received from subsidiary landowner companies for their interest in PNG LNG and on payments to relevant trust funds.	MRDC taxes paid to IRC Subsidiary company taxes paid to IRC
Ok Tedi Mining Limited (OTML)	Sales revenue from Ok Tedi mine	Dividends paid to PNG Treasury Taxes paid to IRC Production levy paid to MRA
Ok Tedi Development Foundation	Not material for 2020 data reconciliation, but contextual information was requested by the IA	Salary & wages tax of PGK1,218,880 (Group tax)
Ok Tedi Power Limited	Not material for 2020 data reconciliation, but contextual information was requested by the IA	Corporate tax of PGK83,743 Salary & wages tax of PGK188,907 (Group tax) Goods and Services Tax PGK240,564

State participation in the extractive industries contributes to government revenues through equity distribution receipts, dividends and tax payments to PNG Treasury and the IRC, respectively. Where the SOE is also the operator of the project (as is the case with Ok Tedi), the SOE pays a production levy to the MRA. Royalty payments are also distributed to local governments and landowners through the MRDC.

Each SOE, and associated subsidiary companies, is considered material for reporting purposes regardless of whether the quantitative threshold is met. This is due to the requirement of the EITI Standard to transparently report the management of funds through these entities. Each SOE, its structure, subsidiaries and its contribution to extractive industry revenues are discussed in more detail in Chapter 9 of this report.⁴⁸

2.4 Government entities

Government entities are material reporting entities if they received payments from the reporting companies and SOEs during the reporting period. Government entities that do not receive payments, but keep records of payments, are also included in the list of material government entities, as shown below.

Table 13: Material government entities

Government entity	Revenue streams received or recorded
Internal Revenue Commission (IRC)	Mining and petroleum tax (corporate income tax), salary and wages tax (group tax), infrastructure tax credits, additional profits tax, foreign contractor withholding tax, management fee withholding tax, interest withholding tax, training levy, business payments tax, royalty withholding tax and dividend withholding tax.
Mineral Resources Authority (MRA)	Production levy, royalties and tenement fees, rents and security payments. Requested MOA information.
Department of Treasury	Dividends from SOEs, values of funds held in royalty trust funds and other resource related trusts as listed on Volume 2D of Budget Booklet, and methodology of calculations of benefit streams for each project and development levy (records of payments).
Department of Petroleum and Energy (DPE)	Royalties, development levy, licence fees.
Department of National Planning and Monitoring (DNPM)	Infrastructure tax credits report.

⁴⁸ Refer also to SOE Scoping Report, <https://pngeti.org.pg/reports-or-publications/#172-180-special-projects-reports-and-updates>, accessed 18 July 2022

Government entity	Revenue streams received or recorded
Conservation and Environment Protection Authority (CEPA)	Decommissioning and mine closure bonds, environmental permit fees and user charges.
PNG Customs	Bills of lading of every shipment of minerals, oil and gas so IA can verify export data. Import taxes and excise taxes

The following government entities are used to cross-check certain references in the report based on available information.

Table 14: Other government entities

Government entity	Information to be requested
Bank of PNG	Gold and silver export bonds (MRA).
Department of Mineral Policy and Geo-hazard Management (formerly the Department of Mining)	To request information on dividend payments made by Ok Tedi to Western Province Peoples Dividend Trust Fund (from Terms of Reference document).
Department of Finance	Development levies and royalties from oil and gas. (already reported via DPE)

2.5 Revenue streams

The PNG Government revenue streams relevant to the extractive sector, identified to date, are shown in Table 16 below. Amounts generated through each of these revenue streams during the reporting period were requested from the relevant reporting entity. In the case of reconciled revenue streams, amounts were requested from the resource company (or SOE), as well as the relevant government receiving entity to compare. In cases where a revenue stream has been identified as material, but has not been reconciled, the reasons are stated below the table.

Table 15: Government revenue streams

Revenue stream	Revenue (PGK)	% of revenue	Material	Reconciled	Paid to
Mining					
Mine closure bond	-	0.00%	N	N	CEPA
Production levy	56,386,003	1.90%	Y	Y	MRA
Alluvial levies	9,584,884	0.32%	N	N	MRA
Mine security deposits					
Exploration security deposits					
Mining lease rentals					
Exploration licence rentals					
Data sale receipts					
Exploration applications, extensions, extension late fees, transfer and dealing fees (related to exploration)					
Mining applications, extensions, extension late fees, transfer and dealing fees (related to mining)					
Public Investment Program (PIP) project funds	-	0.00%	N	N	MRA
Oil and gas					
Decommissioning bonds	-	0.00%	N	N	CEPA

Revenue stream	Revenue (PGK)	% of revenue	Material	Reconciled	Paid to
Development levy	125,178,273	4.21%	Y	Y	Collected and recorded by DPE, (also recorded by the Department of Finance), and paid to relevant local or provincial government
Licence fees	3,508,500	0.12%	N	N	DPE
Additional profits tax	28,791,501	0.97%	Y	Y	IRC
Equity distributions	182,986,525	6.15%	Y	Y	State-owned enterprises (KPHL and MRDC)
Mining and oil and gas					
Import taxes and excise duty	39,034,760	1.31%	Y	Y	PNG Customs
Goods and services tax	1,699,400	0.06%	N	N	IRC
Royalties	316,972,271	10.66%	Y	Y	O&G: Oil Search pays by cheque to DPE, ExxonMobil makes payments direct to trust account to be apportioned to relevant landowners, local-level governments, and provincial governments. Mining: Paid directly relevant landowners, local-level governments, and provincial governments, also reported to MRA
Dividends	754,619,386	25.37%	Y	Y	Treasury (from SOEs)
Environment permit fees and user charges	4,401,041	0.15%	N	Y	CEPA
Salary and wage tax (Group tax – taxes withheld on employees' salaries)	786,332,002	26.44%	Y	Y	IRC
Mining and petroleum tax (corporate income tax)	81,563,791	2.74%	Y	Y	
Business payments tax	4,101,994	0.14%	N	N	
Dividend withholding tax	-	0.00%	N	N	
Interest withholding tax	3,083,664	0.10%	N	N	
Management fee withholding tax	3,826,890	0.13%	N	N	
Royalty withholding tax	3,381,526	0.11%	N	N	
Foreign contractor withholding tax	43,149,631	1.45%	Y	Y	
Training levy	-	0.00%	N	N	
Infrastructure tax credits	125,178,273	4.21%	Y	Y	Spending reported to DNPM, Claimed as credits to IRC

We have noted PGKnill reporting on the following intra government and state-owned enterprises revenues:

- Quasi-fiscal payments
- Transfers between government agencies or SOEs
- Infrastructure provisions and barter arrangements
- In-kind revenues

► Transportation revenues

Payments and transfers to subnational entities, and social expenditures are reported in Chapter 6.

We have analysed the percentage of government receipts covered by the material revenue streams as follows:

Table 16: Revenue streams coverage

Revenue streams	Government receipts (PGK)	Coverage based on Government receipts
Revenue streams covered	2,454,471,012	98.89%
Revenue streams not covered	27,487,458	1.11%
Total	2,481,958,470	100.00%

- Based on the above selection of revenue streams, the IA has attempted to reconcile 98.89% of extractive revenues for the 2020 report. The revenue streams not covered do not affect comprehensiveness of the report.

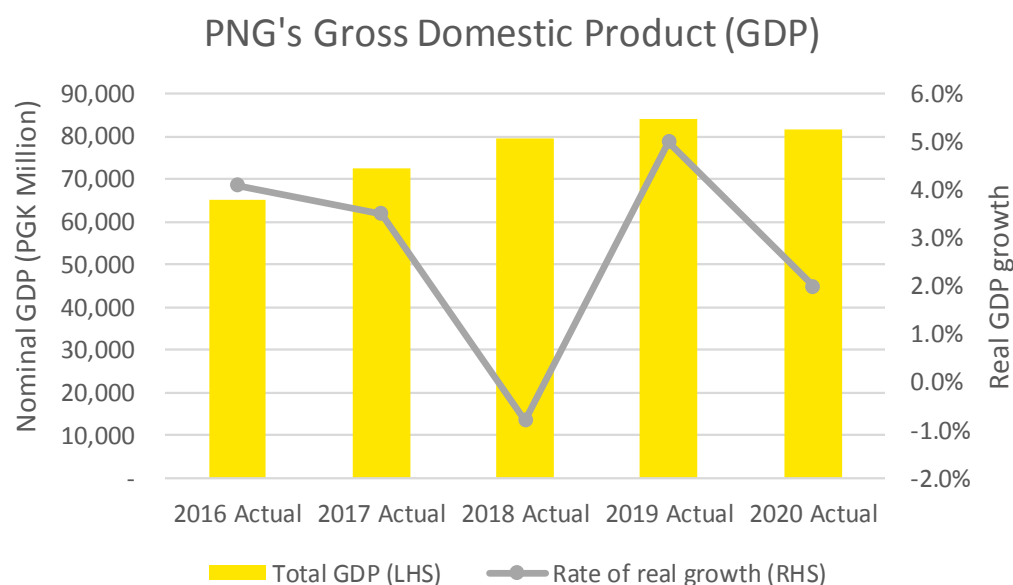
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Contribution of extractive industries to the economy

3. Contribution of extractive industries to the economy

3.1 Impact of COVID Pandemic

Total GDP and rate of real growth (2013-2021)⁴⁹



In early January 2020, the World Health Organization (“WHO”) alerted the public of the coronavirus disease 2019 (“COVID-19”) which originated from Wuhan, China. Following, many countries have effectively closed their borders to all but their own citizens, imposed strict controls on internal travel and ordered people to stay in their homes⁴¹.

On 20 March 2020, PNG has reported the first confirmed case⁴² “prompted the government to declare a two-week state of emergency commencing March 24”, which was extended by two months⁴³.

The pandemic-related global and national movement restrictions have weakened external and domestic demand and affected commodity prices, which will lead to an economic contraction, wider financing gaps in the external and fiscal accounts, and higher unemployment and poverty than previously anticipated in 2020⁴³.

The negative impacts of COVID-19 in 2020 and 2021 budget years for PNG further added to the fiscal stress with scale down of businesses and even shut-downs resulting in decline in tax revenue of PGK2.7B in 2020 and PGK2.0B in 2021.⁴³

The real growth rate was -3.5% in 2020 significantly affected by the pandemic. It is projected that for 2021, a recovery in commodity demand is expected driven by the ongoing vaccine rollout especially in advanced economies, easing COVID-19 travel restrictions

3.2 About Papua New Guinea

Papua New Guinea (PNG) is part of Oceania, occupying the eastern half of the island of New Guinea and numerous offshore islands. PNG’s capital and largest city is Port Moresby.

⁴⁹ PNG National Budget Appendix 2 Table 1, <http://www.treasury.gov.pg/>

PNG is known for its diversity, with over 800 indigenous languages and at least as many traditional societies, within a population of only 8.95 million people.⁵⁰ It is also one of the most rural societies in the world, with only 13.4% of people living in urban centres.⁵¹

The nation established independence from Australia in 1975 and has a unicameral National Parliament, for which elections are held every five years. There has been one significant internal conflict, the Bougainville crisis of 1988–98, which began because of tensions related to the Bougainville Copper mine (Panguna Mine).

PNG has now experienced 19 years of economic growth, progressing from “low income” to “lower middle income” according to World Bank classifications from GDP US\$3 Billion in 2002 to US\$24.67 Billion in 2020.⁵² This progress is echoed in the United Nations’ Human Development Index (HDI), with an HDI of 0.560 in 2020, a steady improvement from 0.555 in 2019. However, the country is still classified as “medium human development”, ranking 156 out of 191 countries.⁵³

In 2020, Papua New Guinea faced three crises: the COVID-19 health emergency, an economic contraction, and political turmoil. The economy contracted by 3.8 percent in 2020 and will rebound by 3.5 percent in 2021. Considering that the economy entered the COVID-19 crisis with a poor record of resilience to external shocks, strengthening macroeconomic management and accelerating structural reforms will be vital. Strengthening public institutions that deliver basic public services, especially during crises, is also important.⁵⁴ Corruption is a challenge for PNG, in 2020 it was ranked 142 out of 180 countries, with a score of 27 out of 100 in Transparency International’s *Corruption Perception Index* (lower scores indicating more corrupt).⁵⁵ However, the PNG Government has expressed a strong commitment to meeting the UN Sustainable Development Goals, working towards improvements in sustainable development and reducing incidents of corruption.^{56,57}

⁴⁶ World Bank Data - <https://data.worldbank.org/country/papua-new-guinea>, accessed 18 July 2022

⁴⁷ World Bank – World Development Indicators <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators&>, accessed 18 July 2022

⁴⁸ World Bank in Papua New Guinea – Data <https://data.worldbank.org/country/papua-new-guinea>, accessed 18 July 2022

⁴⁹ UN Human Development Reports, <http://hdr.undp.org/en/countries/profiles/PNG>, accessed 18 July 2022

⁵⁴ World Bank, PNG Economic Update January 2021, <https://openknowledge.worldbank.org/bitstream/handle/10986/35194/Papua-New-Guinea-Economic-Update-Dealing-with-a-Triple-Crisis.pdf?sequence=7&isAllowed=y> 18 July 2022

⁵⁵ Corruption Perceptions Index 2020, Transparency International, <https://www.transparency.org/en/cpi/2020/index/png>, accessed 18 July 2022

⁵⁶ PNG Department of National Planning and Monitoring, Millennium Development Goals Final Summary Report 2015, https://www.pg.undp.org/content/papua_new_guinea/en/home/library/millennium-development-goals-final-summary-report-2015.html, 9 October 2020

⁵⁷ United Nations Development Program, More Government agencies join fight against corruption, http://www.pg.undp.org/content/papua_new_guinea/en/home/presscenter/pressreleases/2018/04/04/more-government-agencies-join-fight-against-corruption- html, accessed 9 October 2020

Table 18 below provides an overview of PNG's performance against a range of economic and social development indicators.

Table 17: PNG's World Development Indicators⁵⁸

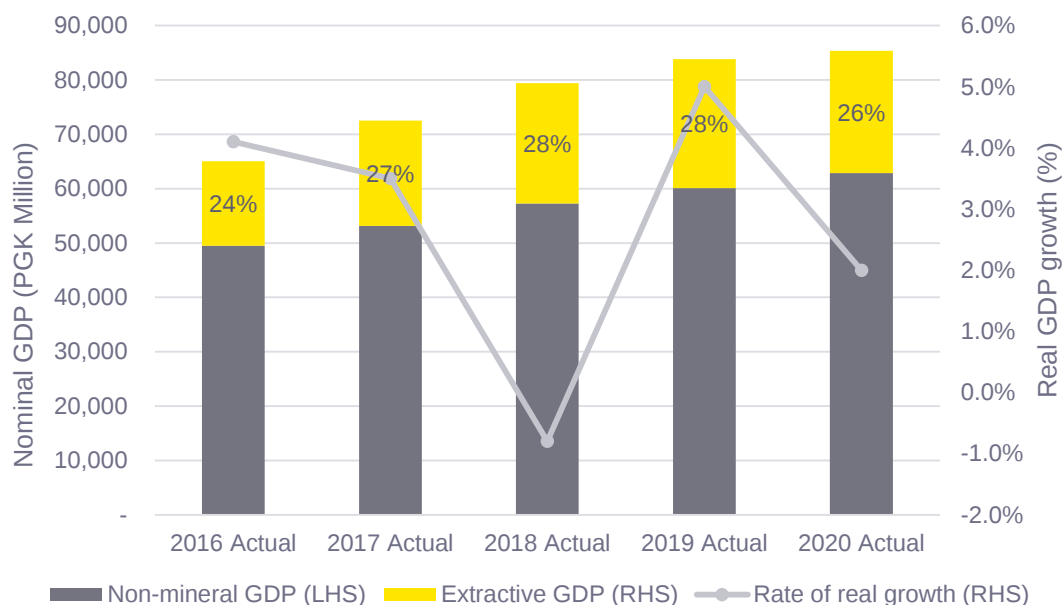
	Indicator	2014	2015	2016	2017	2018	2019	2020
Population	Surface area (sq. km)	462,840 sq.km						
	Population, total	7,946,731	8,107,775	8,271,760	8,438,029	8,606,316	8,776,109	8,947,027
	Population density (people per sq. km of land area)	17.5	17.9	18.3	18.6	18.6	18.9	19.8
	Population growth (annual %)	2.0	2.0	2.0	2.0	2.0	2.0	1.9
	Urban population (% of total)	13.0	13.0	13.1	13.1	13.2	13.3	13.5
	Rural population (% of total)	87.0	87.0	87.0	86.90	86.8	86.8	86.5
Economy	Real Gross Domestic Product (real GDP) growth (annual %)^	13.5	9.5	4.1	2.2	-0.3	5.9	-3.5
	Gross National Income (GNI) per capita, Atlas method (current US\$)	2,990	2,910	2,700	2,570	2,570	2,780	2,720
	Inflation, GDP deflator (annual %)	5.5	-3.9	3.9	7.6	7.12	3.9	5.5
	Ease of doing business index (1=most business-friendly regulations)	-	-	-	-	-	120	-
	Unemployment, total (% of total labour force) (modelled ILO estimate)	2.6	2.6	2.5	2.5	2.4	2.5	2.6
	Labour force, total	2,566,278	2,634,671	2,710,536	2,787,869	2,872,208	2,947,648	2,998,503
Health	Labour force, female (% of total labour force)	47.4	47.4	47.4	47.5	47.5	47.6	47.6
	Fertility rate, total (births per woman)	3.8	3.7	3.7	3.6	3.6	-	3.5
	Improved sanitation facilities (% of population with access)	18.9	18.9	-	-	-	-	-
	Improved sanitation facilities, rural (% of rural population with access)	13.3	13.3	-	-	-	-	-
	Improved sanitation facilities, urban (% of urban population with access)	56.4	56.4	-	-	-	-	-
	Improved water source (% of population with access)	40	40	-	-	-	-	-
	Improved water source, rural (% of rural population with access)	32.8	32.8	-	-	-	-	-
	Mortality rate, under-5 (per 1,000 live births)	51.8	50.5	49.0	47.6	46.3	44.8	43.9
Infrastructure	Life expectancy at birth, total (years)	63.2	63.5	63.7	64.0	64.3	63 male / 67 female	64.7
	Fixed broadband subscriptions (per 100 people)	0.2	0.2	0.2	0.2	-	-	-
	Fixed telephone subscriptions (per 100 people)	1.8	1.9	1.9	1.9	-	-	-
	Individuals using the Internet (% of population)	6.5	7.9	9.6	11.2	-	-	-
	Mobile cellular subscriptions (per 100 people)	42.3	43.9	45.7	47.6	-	-	53.8
	Access to electricity (% of population)	39.5	44.5	49.4	54.4	59.0	-	-
	Access to electricity, rural (% of rural population)	33.9	39.4	44.9	50.4	55.5	-	--
	Access to electricity, urban (% of urban population)	76.7	78.1	79.3	80.9	82.1	-	-

⁵⁸ Values in table sourced from World Data Bank except values for ^GDP are sourced from the PNG 2021 National Budget Vol 1, Appx 3, Table 9, p. 156 (Actual data for 2007 to 2014: National Statistical Office. Estimates and projections: Dept. of Treasury Life expectancy for 2020 are sourced from World Health Organisation. Urban and rural population are sourced from Macrotrends <https://www.macrotrends.net/countries/PNG/papua-new-guinea/rural-population>, accessed on 26 December 2022

3.3 PNG economic overview for 2020

PNG's Gross Domestic Product (GDP) in recent years is shown in Figure 12 below.

Figure 12: GDP and rate of real growth 2020⁵⁹



The overall real GDP growth for 2020 is projected at 2.0 percent. This is higher by 0.6 and 1.0 percentage points respectively compared to the growth forecasts reported in the 2019 Mid-Year Economic and Fiscal Outlook (MYEFO) and the 2019 Budget. The upgrade in growth is driven primarily by the resource sector, particularly the stronger than expected growth in gas and condensate output, reported by ExxonMobil for PNG LNG supported by an uptick in mining output, whilst growth for the non-resource sector has been revised down slightly from 3.1 percent in the 2019 Budget to 2.9 percent.⁶⁰

Growth in the resource sector is expected to contract by 4.1 percent in 2021. This is driven by a sharp contraction of 12.5 per cent in the mining and quarrying sector and a mild contraction of 0.1 per cent in the oil and gas sector. The contraction is attributed to the ongoing impact of the COVID-19, continuation of the Porgera Shutdown and an autoclave failure at the Lihir mine in June.

Despite the contraction in the resource sector, the non-resource sector remains on track with its recovery from a disruptive 2020 with growth estimated at 3.9 per cent. Growth in this sector tracks closely to the recovery in the world economy and continues to also benefit from the prevailing high commodity prices. It also reflects the adaptive capacity of businesses to adjust to the 'niupla pasin' measures since the onset of the pandemic in 2020.

The Oil and Gas sector, as expected, is forecast to contract against the MYEFO projection growth to -3.1 per cent. The contraction is due to the normalizing of LNG and condensate production following the rebound in 2019, compounded by the impact of COVID-19 pandemic on crude oil production.

The Mining and Quarrying sector is projected to contract significantly by 21.0 per cent, a decline of 0.8 percentage points from the MYEFO growth projection of -20.2 per cent. This is mainly attributed to the downgrade in gold and copper production as a result of the closure of the Porgera mine as well as temporary suspension to Ok Tedi Mine operations for up to six (6) weeks.

⁵⁹ 2022 National Budget, Appendix 2, Table 1, https://www.treasury.gov.pg/html/national_budget/files/2022/Volume1.pdf, accessed 18 July 2022

⁶⁰ 2021 National Budget, http://www.treasury.gov.pg/html/national_budget/files/2021/2021_Budget_Volume_1.pdf, accessed 18 July 2022

3.4 Post-2020 developments and projections

The Oil and Gas sector growth for 2020 is projected to contract by -3.1 percent down from the MYEFO forecast of 1.1 per cent and this is mainly due to the decline in LNG production by 0.8 per cent driven by falling demand in oil and the price shock in the earlier half.

The Mining & Quarrying sector is projected to contract substantially by 21.0 percent, which is 0.8 percent lower than the MYEFO growth projection of -20.2 percent. Even without the closure of Porgera, this sector was expected to contract by 9.4 percent due to the impacts of COVID19 as well as difficult geological conditions at Lihir.

Unanticipated closure of the Porgera mine for increased the anticipated level of negative growth in 2020 for the Mining & Quarrying sector to 21.0 percent. Porgera, the second largest gold producer in PNG, ceased production in April and export in May. The closure represents a negative 68.5 percent growth to Porgera’s 2020 production projections. This contributed to the attenuation of GDP by -1.3 percentage points in 2020.

In the meantime, Ramu NiCo’s production has improved driven by improved labour mobility. Though gold production from Lihir for 2020 has been affected due to presentation of difficult mining and geothermal conditions.

However, the further growth decline as projected at the time of the MYEFO is mainly attributed to the downgrade in Ok Tedi’s production for gold and copper due to the six (6) weeks shutdown as the mine temporarily closed to contain the spread of the COVID-19.

3.5 Impact of the extractive industries

For the purposes of EITI reporting, the MSG agreed that the extractive industries include mining, oil and gas. Quarrying, forestry and fisheries have been excluded.⁶¹

The extractive industries dominate exports and are correlated with economic activity in other sectors such as construction and transport. The relative contribution of the extractive industries to a selection of economic measures for the 2020 reporting period are shown in Figure 13 below.

Figure 13: Percentage contribution of the extractives sector to economic measures in 2020

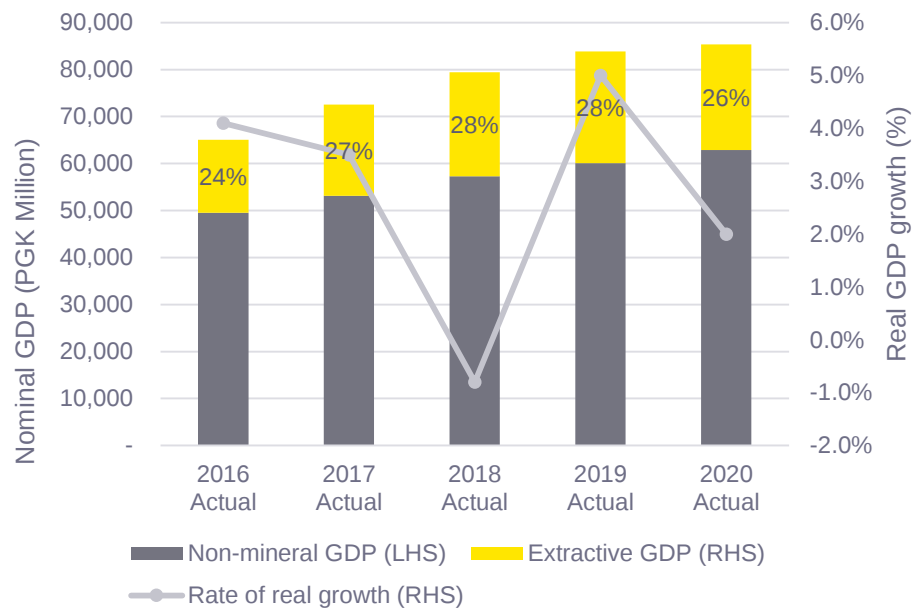


⁶¹ Minutes of MSG meeting #2, 27 March 2015. GDP figures above include quarrying in the extractives as that industry was not able to be omitted from the analysis using publicly available information.

3.6 Contribution to GDP

The contribution of the extractives (or oil and gas and mineral) and non-mineral sectors to GDP in recent years is shown below in Figure 14 and Table 19.⁶²

Figure 14: Extractive industries contribution to nominal GDP 2020



⁶² 2022 National Budget, https://www.treasury.gov.pg/html/national_budget/files/2022/Volume1.pdf, accessed 18 July 2022

The table below sets out the contribution of various sectors of the PNG economy to historic and forecast overall real GDP growth.

Table 18: Contributions to growth in real GDP (% points) during 2014–20⁶³

CONTRIBUTIONS TO GROWTH IN REAL GROSS DOMESTIC PRODUCT (%points)							
	2014	2015	2016 Act	2017 Act	2018 Act	2019 Act	2020 Est*
Agriculture, Forestry and Fishing	0.7	-0.5	0.4	0.4	0.7	0.4	0
Oil and Gas Extraction	9.5	12.5	1.4	-0.5	-3.3	2.7	-0.1
Mining and Quarrying	0.5	0.2	1.6	1.6	0.3	0.6	-2.5
Manufacturing	0	-0.3	0.1	0.1	-0.1	0	0
Electricity Gas & Air conditioning	0	0	0	0	0	0	0.1
Water Supply & Waste Management	0	0	0	0	0	0	0
Construction	0.4	-1	0.1	-0.07	-0.1	-0.5	0
Wholesale and Retail Trade	0.1	-0.6	0.2	0.1	0.2	0.1	-0.1
Transport and Storage	-0.4	0.1	0.1	0	0.1	0.1	-0.4
Accommodation and Food Services	0	0	0	0.1	0.2	0	-0.1
Information and Communication	0.6	0.1	0.1	0	0	0.3	0.1
Financial and Insurance Activities	-0.8	-0.6	-0.1	0	0	-0.1	-0.1
Real Estate Activities	0.2	0.2	0.3	0.2	0.1	0.2	0
Professional and Scientific	-0.1	-0.3	0	-0.1	-0.1	0.1	0
Administrative and Support Services	0.2	-0.2	0	0	0.8	0.3	0
Public Administration and Defence	0.6	0.2	0.1	0.1	0.4	0	0.1
Education	0.2	0.1	0.1	0.1	0.1	0	0.1
Health and Social Work Activities	0	0	0.3	0.1	0.1	0	0.2
Other Service Activities	-0.1	-0.1	0	0	0	0	0
TOTAL	11.60	9.80	4.70	2.13	- 0.60	4.20	- 2.70
Total Non-Mining	4.1	-4.1	1.5	1.5	4.0	2.9	3.9

* At the time of writing, figures for these years are listed as estimates or projections only.

3.7 Contribution to government revenue

Figures drawn from the 2021 Final Budget Outcome indicate that the mining and petroleum sectors contributed 6.22% of government revenue (via corporate income tax and dividends) in 2020, as shown in Table 20 below.

Table 19: Contribution of the mining and oil and gas sectors to government revenue⁶⁴

	2016 (PGK million)	2017 (PGK million)	2018 (PGK million)	2019 (PGK million)	2020 (PGK million)
Total tax and non-tax revenue (excluding grants) [^]	10,485.6	11,525.1	14,085.2	13,680.5	12,093.3
Mining and petroleum tax (corporate income tax)	92.0	113.6	775.0	760.7	183.4
Mining and petroleum dividends	300.5	562.3	653.5	381.2	568.5
Contribution of mining and petroleum in government revenue	3.74%	5.86%	10.14%	8.35%	6.22%

* As per IRC templates 2016–20

[^] 2021 National budget

Revenue from the extractive industries has contributed an average of 7% of total Government revenue over the past five years, making it one of the main contributors to Government revenue. Declines in

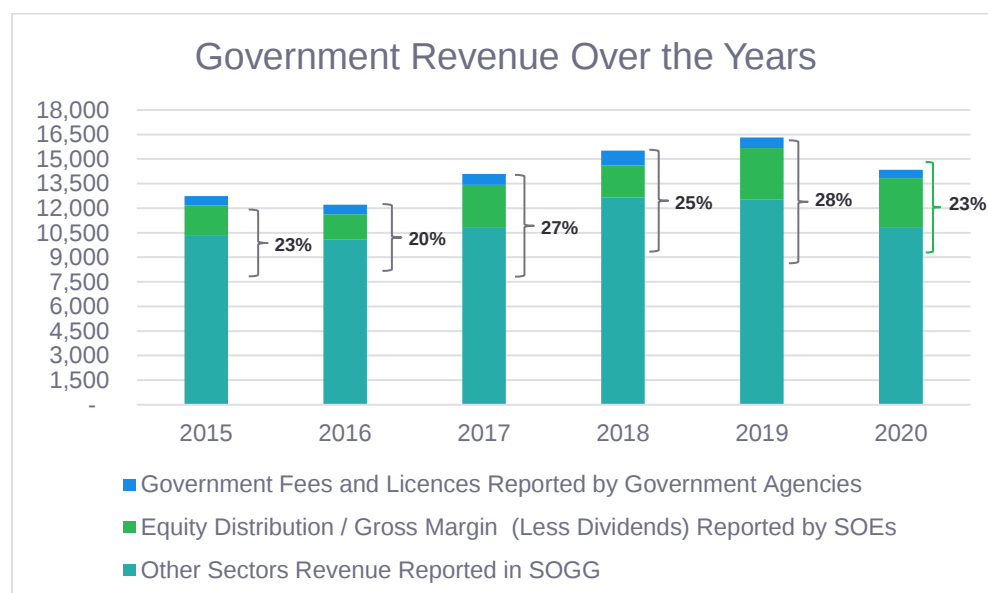
⁶³ 2022 National Budget, Appendix 2 Table 2, https://www.treasury.gov.pg/html/national_budget/files/2022/Volume1.pdf, accessed 26 December 2022

⁶⁴ 2022 National Budget, Appendix 2 Table 12, https://www.treasury.gov.pg/html/national_budget/files/2022/Volume1.pdf, accessed 18 July 2022

2016–17, were driven by lower collections of corporate income tax, due to infrastructure tax credits applied by resource companies. COVID-19 has caused decline of collections in 2020.

Revenues recorded in the Statement of Operations for the General Government (National Budget) does not include receipts by landowners, equity distributions by state-owned enterprises, or social expenditures. Nor do they include revenues received by Government agencies, such as salaries and wages taxes (SWT), foreign contractor withholding taxes (FCWT), DPE and MRA fees and environmental charges. Figure 15 below shows the historical trend of fees and other taxes collected by Government agencies.

Figure 15: Contribution of the extractive industries to Government revenue (PGK m) per National Budget⁶⁵



Revenues reported in the Statement of Operations for the General Government (“SOGG” or “National Budget”) do not include equity distributions received and gross margin reported by state-owned enterprises, and revenues received by government agencies, such as salaries and wages taxes (SWT), foreign contractor withholding taxes (FCWT), DPE and MRA fees and environmental charges. For purposes of presentation in Figure 3, other revenues received by SOE, and government agencies were included; royalties and landowner receipts (either direct or through Trustee) are excluded. Other sectors revenue presented in Figure 3 does not include other revenues collected from respective government agency, regulator, or authority.

Declines in 2016 were driven primarily by lower commodity prices. The increasing revenues from 2017 through 2019 resulted from increasing commodity prices triggering increased distributions to State Owned Entities and dividends to Government, partially offset by lower corporate income tax collections and salaries and wages taxes from the mining sector. In 2020, decrease in revenues from the collapse in oil and gas prices during the global Covid-19 pandemic and the closure of the Porgera Mine, resulted in lower equity distributions received by SOEs and landowners and lower income taxes to the State.

Government agencies receive taxes and fees averaging PGK690m. Highest collections were recorded in 2018, where FCWT and SWT peaked with a combined amount of PGK865m. The lowest collections were in 2015 and 2016, due to absence of FCWT as reporting revenue in previous reports.

Average annual equity distribution received by KPHL over the past 6 years amounted to PGK848m. Highest collections were recorded in 2015 amounting to PGK1,790m. Lowest receipts, on the other hand, were recorded in 2020 amounting to USD\$93m.

⁶⁵ Statement of operations for general Government. 2022 National Budget, Appendix 2 Table 10, https://www.treasury.gov.pg/html/national_budget/files/2022/Volume1.pdf, accessed 18 July 2022

Gross margin from Ok Tedi is calculated by deducting mining cost, processing cost, and change in Inventories of product on hand and in process. Ok Tedi earned an annual average of PGK1,845m of gross margin over the past 6 years. Highest gross margin was earned in 2020 amounting to PGK2,451m while lowest was in the year 2015 where Ok Tedi earned PGK487m.

The International Monetary Fund (IMF) believes that PNG's taxes on the extractive industries are low by international standards.

Table 20: Comparison of 2020 Budget figures with figures from reconciliation (see Chapter 10)⁶⁶

	2020 final budget outcome	2020 reconciliation figure (Company reported)	Variance	Absolute Variance (%)
	(PGK million)			
Corporate income tax (mining and petroleum tax)	183.4	81.6	101.8	55.51
Mining and petroleum dividends (paid to Treasury)	568.5	754.6	-186.1	32.74

We note that the contribution to government revenue for mining and oil and gas sectors as defined in the 2020 Budget includes corporate income tax (mining and petroleum tax) and dividends paid to Treasury from SOEs operating in the extractives sector. The revenue streams included in this report are broader in nature and include additional tax revenues which are described in more detail in Chapter 2 of this report.

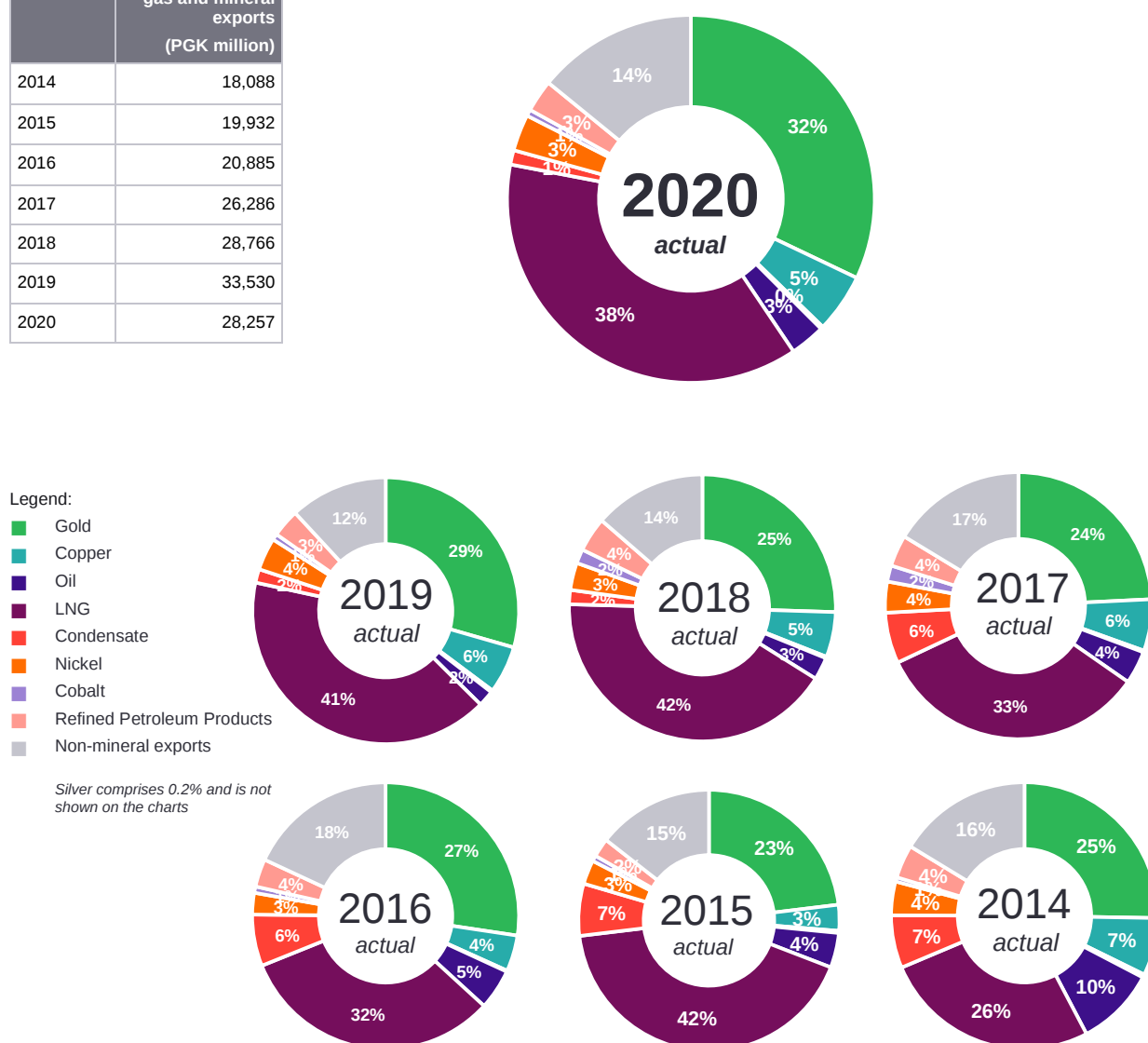
3.8 Contribution to exports

The value of total oil and gas and mineral export for 2020 was at PGK28,256.5 million, comprising 86% of total export value. A breakdown of the value of exports by commodity is provided in Figure 16 below, showing the steadily growing proportion represented by LNG exports and gold.

⁶⁶ 2022 National Budget, https://www.treasury.gov.pg/html/national_budget/files/2022/Volume1.pdf, accessed 18 July 2022

Figure 16: Historical commodity apportionment based on total oil and gas, mineral and non-mineral export value⁶⁸

Year	Value of Oil and gas and mineral exports (PGK million)
2014	18,088
2015	19,932
2016	20,885
2017	26,286
2018	28,766
2019	33,530
2020	28,257



For detailed export quantities and values reported, see Chapters 7 and 8 of this report. Papua New Guinea's major export commodities are gold and LNG, together comprising 81% of total oil and gas and mineral export value (70% of total export value including non-mineral).

The dominance of the extractive industries in PNG's exports, together with the limited range of commodities being exported, leaves the economy vulnerable to the cyclical nature of commodity markets.

Following the release of the 2020 MYEFO report in July, prices for PNG's petroleum and mineral exports have regained earlier losses as global demand recovers on easing of the COVID-19 related lockdowns and restrictions globally. To end October, the oil price has partially regained some of the sharp losses of the first quarter of 2020 due to production cuts and a recovery in demand.

Gold price rose above US\$2,000.0 per ounce in early August – an all-time high – driven by declining bond yields and increasing haven demand and has held above the US\$1,900.0 per ounce level since then. Base metal prices including copper and nickel have fully regained earlier losses reflecting a rebound in the China's economic activity.⁶⁷

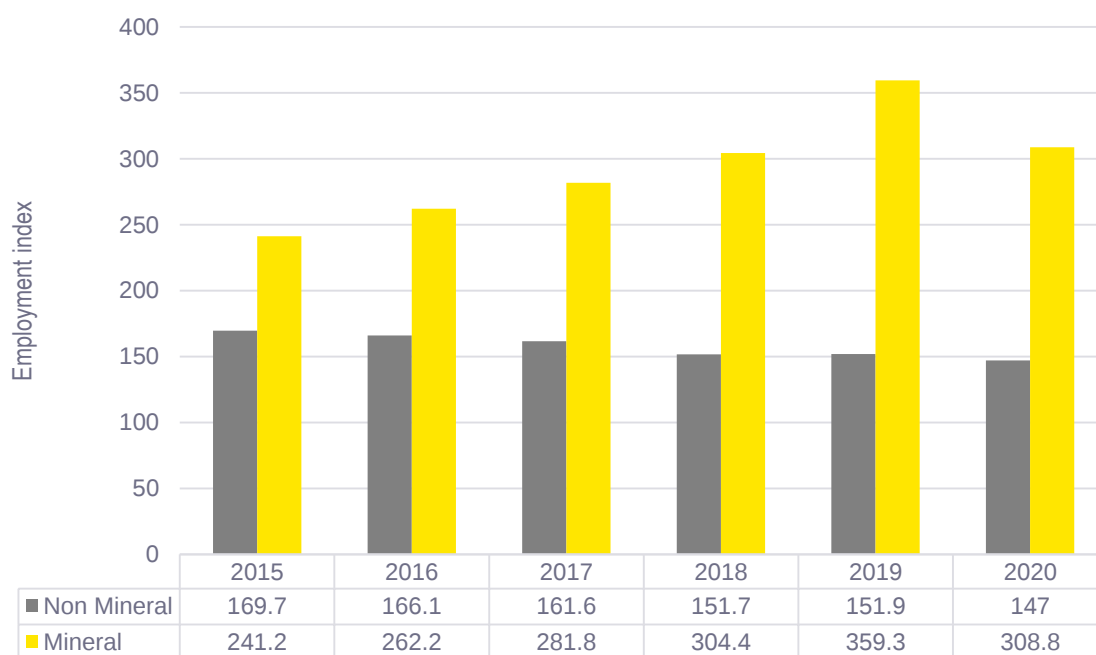
Over the year to October 2020, gold prices have averaged around US\$1,752.5 per ounce, 27.4 per cent higher than price levels over the corresponding period of last year. Gold prices are expected to remain high for the remainder of 2020, as uncertainty surrounding the COVID-19 pandemic lingers. Against this backdrop, the gold price is projected to average around US\$1,783.4 per ounce in 2020, a rise of 28.1 per cent on 2019.⁶⁸

3.9 Contribution to employment

Employment data for PNG is limited. Treasury draws on an index compiled by the Bank of PNG through its Business Liaison Surveys of around 400 private sector business entities across different regions and industries. The Bank of PNG Employment Index, shown over the past five years in Figure 16, is reported with the base period being March 2002.

Figure 16: Oil and gas and mineral (mineral) and non-mineral employment⁶⁹

*June Quarter Preliminaries



Total employment in the extractive industries improved in 2020. According to BPNG's June employment statistics, total employment average in resource sector decline by 2.1%.⁷⁰

⁶⁷ 2021 National Budget Volume 1 Gold Prices, page 12

⁶⁸ 2014 Budget, Volume 1 (treasury.gov.pg), page 15

⁶⁹ 2021 National Budget, Appendix 2 Table 7, https://www.treasury.gov.pg/html/national_budget/files/2022/Volume1.pdf, accessed 1 July 2022

⁷⁰ 2021 National Budget Volume 1 Labour Market, page 27; https://www.treasury.gov.pg/html/national_budget/files/2021%20Budget%20Volume%201.pdf, accessed 26 December 2022

A study from the Institute of National Affairs comments:

Although mining and quarrying only provides limited direct employment, in practice it supports a significant amount of employment in other sectors of the economy. For example, during the construction phase of mineral and hydrocarbon resource projects, employment is classified in the construction sector even though its primary purpose is to support the mining and hydrocarbon sector. Moreover, many of the other domestic sectors primarily serve the mining industry or gain significant increases in trade as a result of an increase in activity in the mineral and hydrocarbon sectors.

A report from the United Nations Development Program for PNG in 2014 noted that PNG's total formal labour market provides livelihoods to less than 12% of the working-age population. A much larger informal labour market, centered on semi-subsistence agriculture, forestry, and fisheries, generates livelihoods for most of the remaining working-age population.

Formal employment opportunities in PNG generally emerge from four industrial sectors:

- ▶ Education
- ▶ Agriculture, hunting and forestry
- ▶ Real estate, renting and business services
- ▶ Construction.

Data from The Lowy Institute states that these four sectors account for 52% of all formal employment. Nevertheless, the extractive industries have been important to the growth of formal employment in PNG.

Large mines such as Ok Tedi are significant employers with Ok Tedi employing 1,565 staff. Mine development contracts typically require mining companies to employ primarily local staff. The PNG LNG project provided a significant number of jobs during its construction, peaking at 21,200 in 2012. At the end of 2020, PNG LNG had 2,784 workers, including employees and contractors, in production-related activities, compared to 3,964 workers at the end of 2019. The PNG LNG workforce reduction during 2020 was due to measures taken to mitigate the risks of COVID-19.⁷¹

Additional LNG construction projects may proceed in the coming decade providing extensive bursts of employment for two to three years followed by substantial sustained employment at lower levels that will continue for decades. As with PNG LNG, they would also stimulate extensive micro, small and medium enterprises.

3.10 Employment data disaggregated by gender

Table 22 below provides information about the gender and nationality of boards, management, and employees, as received from the reporting entities.

Table 21: Employment data disaggregated by gender

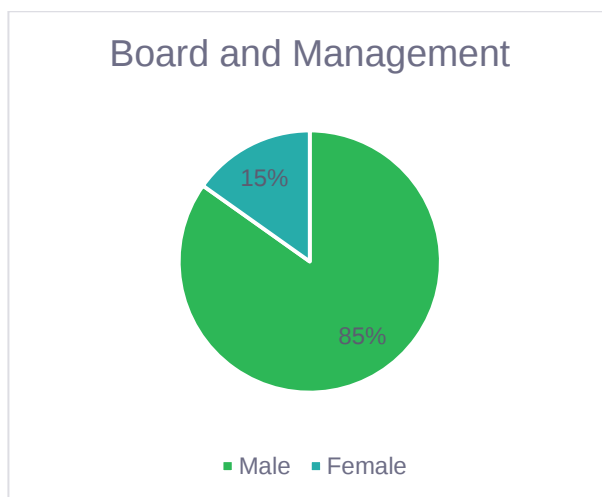
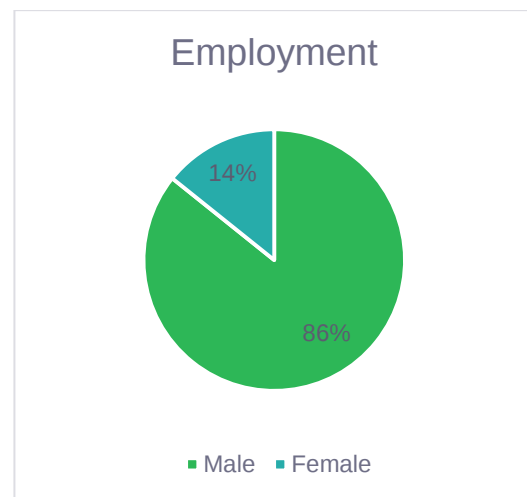
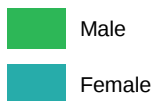
Reporting entity	Gender	Board	Management	Total Board and Management	Technical (e.g., engineer)	Non-technical (e.g., finance/HR)	Total Other than Board Management	Total
Lihir								
Nationals	Male	-	29	29	1,515	210	1,725	1,754
	Female		12	12	111	144	255	267
Expatriates	Male		53	53	214	14	228	281
	Female	-	5	5	2	5	7	12

⁷¹ PNG LNG Workforce, [https://pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment and Social reports/2020-Annual-ES-Report-FULL-REPORT-\(ENG-WEB\)-v2.pdf](https://pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2020-Annual-ES-Report-FULL-REPORT-(ENG-WEB)-v2.pdf), accessed 18 July 2022

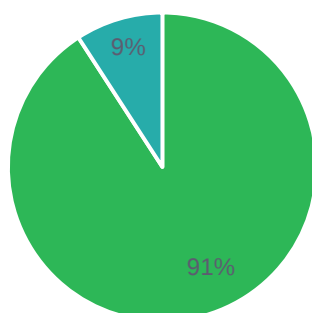
Reporting entity	Gender	Board	Management	Total Board and Management	Technical (e.g., engineer)	Non-technical (e.g., finance/HR)	Total Other than Board Management	Total
Ok Tedi								
Nationals	Male	6	1	7	487	905	1,406	1,413
	Female	-			52	97	152	152
Expatriates	Male	1	6	7	41	7	67	74
	Female	-			1	4	6	6
Barracuda								
Nationals	Male	-			-			
	Female	-	-	-	-	-	-	-
Expatriates	Male	-	-	-	-	-	-	-
	Female	-	-	-	-			
ExxonMobil								
Nationals	Male	-	187	187	1,716	130	1,846	2,033
	Female	-	53	53	308	145	453	506
Expatriates	Male	-	108	108	89	22	111	219
	Female	-	19	19	2	5	7	26
Harmony – Hidden Valley								
Nationals	Male	-	1	1	940	293	1,233	1,234
	Female	-	-	-	112	83	195	195
Expatriates	Male	-	3	3	23	18	41	44
	Female	-	-	-				
Wafi- Golpu								
Nationals	Male	-	-	-		41	41	41
	Female	-	-	-		10	10	10
Expatriates	Male	-	2	2	2		4	4
	Female	-	-	-	-	-	-	-
Total								
Nationals	Male	1	7	8	10	13	23	31
	Female	1	4	5	7	16	23	28
Expatriates	Male	5	5	10	3	4	9	19
	Female	1	3	4	1	2	3	7
Porgera								
Nationals	Male	1	3	4	139	460	599	603
	Female	-		1	3	70	73	74
Expatriates	Male	6	6	12	5	17	22	34
	Female	-			-			
Kainantu								
Nationals	Male	1	3	4	446	206	652	656
	Female	-	-	-	9	44	53	53
Expatriates	Male	2	14	16	31	4	35	51
	Female	1		1	-	1	1	2

Reporting entity	Gender	Board	Management	Total Board and Management	Technical (e.g., engineer)	Non-technical (e.g., finance/HR)	Total Other than Board Management	Total
Simberi								
Nationals	Male	-	1	1	1	600	601	602
	Female	-	-	-	-	115	115	115
Expatriates	Male	3	5	8	5	23	28	36
	Female	-	2	2	-	-	-	2
MCC Ramu Nico								
Nationals	Male	-	17	17	695	132	827	844
	Female	-	-	-	42	48	90	90
Expatriates	Male	6	35	41	530	85	615	656
	Female	-	-	-	4	27	31	31

Figure 17: Employment data charts

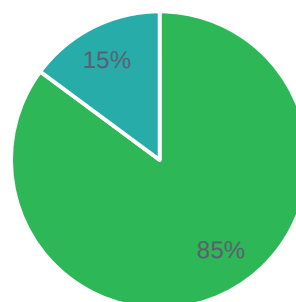


Technical and Non-Technical



■ Male ■ Female

Nationals



■ Male ■ Female

Reporting entities submitted their employment figures disaggregated by gender, nationality, and function. The data shows a marked difference between the number of men and women employed in all functions, but particularly in technical functions. It has also become apparent that men are predominantly occupying the boardroom, with only one female board member across all companies that reported. To address the gender inequality in employment in the extractive sector, an in-depth review of barriers to women entering industry profession needs to be conducted, with a view to coming up with clear recommendations for MSG and industry players to take.

3.11 Commentary

The extractive industries make a significant contribution to the economy of PNG through exports, economic activity, government revenue and employment. There are also other broader impacts such as stimulating infrastructure development. However, as illustrated by some of the figures above, these benefits can be volatile and cyclical. They can also be offset by some negative social, environmental, and cyclical impacts, particularly where Government and industry fail to maintain existing projects, such as Porgera mine, or do not develop new projects in a timely manner such as Papua LNG.

Recent government policies such as the Sovereign Wealth Fund, Vision 2050, and the National Strategy for Responsible Sustainable Development (STaRS) seek to capitalise on the economic boom of the extractive industries, while also diversifying the economy to avoid over-dependence on the sector.⁷² These policies have the potential to benefit PNG over the long term, if prudently implemented.

⁷² "Vision 2050", 2009, PNG Government, <https://sustainabledevelopment.un.org/content/documents/1496png.pdf>, accessed 9 October 2020

4

Legal framework and fiscal regime

4. Legal framework and fiscal regime

PNG presents unique challenges: its eight million people comprise hundreds of cultural and linguistic groups, with a predominantly rural population spread widely over varied geographies, many of which are remote and inaccessible. To respond to this, the government is decentralised and multi-layered, including national, provincial and local levels of government. This report focuses primarily on the national government and associated revenue flows but recognises that significant efforts are being made to extend this through to subnational and regional levels to further improve transparency.

4.1 National governance structures

PNG has a constitutional monarchy and is a member of the Commonwealth of Nations. The Head of State is Her Majesty Queen Elizabeth II, represented by a Governor-General elected by Members of the National Parliament.

PNG has three levels of government: national, provincial, and local. The National Parliament is a unicameral legislature elected for five-year terms. The Parliament is led by a Prime Minister and Cabinet, known as the National Executive Council (NEC). The Supreme Court, National Court, and local and village courts form an independent justice system.

In May 2019, James Marape replaced Peter O'Neill as Prime Minister. Hon. Charles Abel also handed his position as Treasurer to Hon. Sam Basil, who was subsequently replaced by Hon. Ian Ling-Stuckey, CMG, MP.

Members of the National Parliament are elected from 89 single-member electorates and 22 regional electorates. The regional electorates correspond to PNG's 20 provinces, plus the Autonomous Region of Bougainville and the National Capital District. Members from regional electorates also serve as provincial governors. Each province has its own provincial assembly and administration.⁷³

4.2 Ownership of subsoil assets

The OECD define subsoil assets as proven reserves of mineral deposits located on or below the earth's surface that are economically exploitable given current technology and relative prices.⁷⁴ According to the *Mining Act* 1992 (MA) and the *Oil and Gas Act* 1998 (OGA), subsoil assets in PNG belong to the State.

Section 5 of the MA states, "All minerals existing on, in or below the surface of any land in Papua New Guinea, including any minerals contained in any water lying on any land in Papua New Guinea, are the property of the State."⁷⁵

Section 6 of the OGA states, "Subject to this Act, but notwithstanding anything contained in any other law or in any grant, instrument of title or other document, all petroleum and helium at or below the surface of any land is and shall be deemed at all times to have been, the property of the State."⁷⁶

⁷³ National Parliament of Papua New Guinea, <http://www.parliament.gov.pg/about/parliament>, accessed 9 October 2020

⁷⁴ OECD, Subsoil assets definition, <https://stats.oecd.org/glossary/detail.asp?ID=2602>, accessed 18 July 2022

⁷⁵ Department of Mining, *Mining Act* 1992, and Regulation. Port Moresby: Department of Mining, 1992.

http://www.mra.gov.pg/Portals/2/Publications/MINING_ACT%201992.pdf, Accessed 9 October 2020

⁷⁶ Department of Petroleum. Independent State of Papua New Guinea. No. 49 of 1998 An Act Entitled Oil and Gas Act 1998. Port Moresby: Department of Petroleum, 1998

4.3 Taxation

The Internal Revenue Commission (IRC) is mandated by Parliament under the various taxation acts and regulations and is tasked with the administration and collection of taxation, including acting against parties that choose to avoid or evade tax. The IRC collects most State revenue, comprising corporate income tax and tax on salary and wages, as well as indirect taxes such as GST. It also assists Treasury with the development of taxation policy. The IRC is managed by the Commissioner General with support from the Commissioner Taxation and Commissioner Services.

The 2018 budget introduced a technical amendment to the secrecy provisions under the *Income Tax Act*. This allows the IRC to provide direct information without the requirement of a waiver letter for EITI reporting purposes and provides greater transparency. This amendment was effective as of 1 January 2018 and was utilised for this report to access tax payment data from the resources sector.

PNG Customs was established as a separate entity in 2009. In addition to border and community protection and trade facilitation, it is responsible for collecting government revenue from imports and exports.

A comprehensive Taxation Review was submitted to the government in October 2015. The report contained 91 recommendations, seven of which relate to the extractive industries. The recommendations include reducing levels of State equity participation, extending the additional profits tax to the mining and petroleum sector, and changing the terms and availability of fiscal stability agreements. Other recommendations not specific to the extractives sector are also relevant, including the introduction of a capital gains tax regime and a tightening up of tax concessions. See <http://taxreview.gov.pg/> for further information.

In 2019, there were two significant updates in revenue policies relevant to the extractive industry. First, tax loss carry forwards for extractive companies were reduced from unlimited carry forward to twenty years. Second, GST zero rating status on supplies made to resource companies was removed, so all supplies made to resource companies from 1 January 2019 are subject to 10% GST. The Department of Treasury also announced that it will take the lead in the review of the ITC scheme together with the Department of National Planning and Monitoring and other relevant stakeholders.

The PNG Government has drafted a rewrite of the *Income Tax Act* that purports to focus on simplification and modernisation, as in other similar tax jurisdictions. However, industry groups, including the PNG Chamber of Mines & Petroleum, have raised concerns with the draft, and additional engagements between Government and taxpayers are needed and anticipated. The bill is expected to be tabled in 2021 with an enactment date expected no earlier than 2022.^{77,78}

4.3.1 Corporate income tax

Revenues from the extractive industries are collected via income tax and additional profits tax as set out in the primary tax legislation, the Income Tax Act 1959 (ITA). The ITA includes specific rules which apply to resource operations depending on the type of resource being extracted. These are contained within Division 10 “Mining, Petroleum and Designated Gas Projects” and include:

- ▶ Subdivision A: General provisions applicable to mining, petroleum, and designated gas projects
- ▶ Subdivision B: Specific provisions applicable to mining
- ▶ Subdivision C: Specific provisions applicable to petroleum
- ▶ Subdivision D: Specific provisions applicable to designated gas projects
- ▶ Subdivision E: Additional profit tax

⁷⁷ “Tax avoidance” generally refers to aggressive tax planning – for instance transfer pricing or treaty shopping, “tax evasion” refers to fraudulent activity.

⁷⁸ The 2017 National Budget, http://www.treasury.gov.pg/html/national_budget/files/2017/2017_Budget_Volume_1_Economic_and_Development_Policies.pdf, accessed 18 July 2022

http://www.treasury.gov.pg/html/national_budget/files/2018/Volume_1.pdf, accessed 18 July 2022

http://www.treasury.gov.pg/html/national_budget/files/2019/Volume_1.pdf, accessed 18 July 2022

The OGA governs the exploration and production of petroleum (including oil and gas) in the onshore and offshore areas of PNG, and the MA governs the discovery, appraisal, development, and exploitation of mineral deposits in PNG (see further comments below). The OGA also governs the calculation of royalties and development levies.

Corporate income tax is 30% for all resource and non-resource companies.

Corporate tax is levied on taxable income, that is, assessable income less deductions allowed under the Tax Act. However, the taxation regime for extractive industries has the additional requirement that a resource company is taxed on a project basis (“ring fencing”), effectively taxing each project like a separate taxpayer. This means that revenue, expenses and losses from each project are effectively quarantined from each other, with any expense attributable to more than one project apportioned to the projects on a reasonable basis. The regime does allow some concessions to ring fencing with respect to exploration expenditures and expenditures carried forward from discontinued projects, as seen below.

Concessions to ring fencing for resource companies include the ability to:⁷⁹

- ▶ Pool exploration expenditures and deduct this against project income at year end
- ▶ Include exploration expenditure incurred by an exploration licence into the project if the licence has been surrendered or cancelled or has expired
- ▶ Ability to transfer residual capital expenditures limited to transfers to a buyer who acquires an interest in the project or in an amalgamation

The deduction allowed each year due to exploration costs is limited to the lesser of 25% of the total balance of the exploration pool or the amount that would reduce the income tax otherwise payable for that year by 10% in the case of oil and gas companies or 25% in the case of mining companies. During the production phase, ordinary operating and administrative expenses can be immediately deducted, but there are deduction limits in relation to certain expenditure such as interest and management fees. Exploration expenditure, as well as capital expenditures, are written off over the specified periods of time described in the ITA, usually 4 or 10 years, and deductions allowed each year are limited such that it does not create a tax loss.

4.3.2 Salary and wages tax

Salary and wages tax (SWT, also referred to as group tax), are amounts withheld from employee salaries and paid to the IRC by companies operating in PNG.

4.3.3 Foreign contractor withholding tax

Foreign contractor withholding tax (FCWT) applies to non-residents performing contracted roles within PNG. The FCWT rate was amended in 2017 to 15% of gross contract income. This made it a final tax and removes the option to file an annual tax return. In its ongoing effort to protect its revenue base, the Government will restrict FCWT as a separate tax regime from the Corporate Income Tax regime.⁸⁰

4.3.4 Tax Credit Scheme

The Tax Credit Scheme (TCS) (previously called infrastructure tax credits) is a public/private partnership model to promote the development of infrastructure in areas where mining and petroleum resource projects or agricultural companies are operating.

⁷⁹ Information provided by the IRC non-financial template 23 October 2018. No update for 2019 was provided.

⁸⁰ 2018 PNG Budget http://www.treasury.gov.pg/html/national_budget/files/2018/Volume_1.pdf, accessed 14 August 2019

In 2017, companies could claim expenditure on prescribed infrastructure projects as a credit against tax payable. The credit amount is generally limited to the lesser of 0.75% of assessable income or tax payable each year. Unspent amounts can be carried forward and utilised within the next two years, while unused credits can be carried forward to succeeding years of income until fully utilised. A further 1.25% can be utilised for specified projects. Guidelines and project approvals for credits are managed by the Department of National Planning and Monitoring (DNPM).

The NEC Decision No. 13 / 2017 placed a moratorium on the approval and funding of new ITCS projects. The moratorium was imposed with the intention to allow for the review of the performance of ITCS program and the ITCS policy Guideline. Accordingly, no projects were approved between September 2017 and October 2019.^{81,82}

4.4 Other taxes on resource projects

Additional forms of taxation and concessions that influence the amount of revenue that the State collects from resource projects are outlined below.

4.4.1 Import taxes

The positive trend in revenues from this tax can be attributed to the implementation of the tariff policy measures and the efforts to improve compliance by Customs through the establishment of the Container Examination Facility (CEF) and wireless transaction, among others. Import taxes may be applicable to resource companies depending on the tariff classification of the imported goods. The PNG Government has increased investment in Customs to improve compliance efforts for taxes on international trade and transactions and it is expected that increased revenues will result in future years.

4.4.2 Goods and service tax

Goods and services tax (GST) is collected in accordance with the *Goods and Services Act 2003*. Domestic sales by a resource company are subject to GST, except for the domestic supply of crude oil sourced from a field in PNG which is a GST zero-rated supply. We noted that from 1 January 2019, supplies to resource companies were no longer be zero rated.⁸³

4.4.3 Fiscal stability

A resource project has the option of adding a 2% premium to the applicable rates of income taxation noted above in exchange for receiving fiscal stability for a period equal to the financing period or 20 years, whichever is shorter (*Resource Contracts Fiscal Stabilisation Act 2000*). In the case of a gas project, the stability period is the period of time necessary to produce a foundation volume or quantity of resource as defined in the relevant gas agreement. The purpose of fiscal stability is to provide certainty to foreign investors that they will be protected from changes to fiscal law that apply to their investments, thereby encouraging positive investment decisions in PNG.⁸⁴

Fiscal stability currently applies to the PNG LNG Gas Project though the parties mutually agreed to waive the 2% premium to the applicable federal income tax rate.⁸⁵ The Papua Gas Agreement similarly negotiated for fiscal stability with a waiver of the 2% premium. No other current resource project has opted for fiscal stability.⁸⁶

⁸¹ Oxford Business Group news article, <https://oxfordbusinessgroup.com/analysis/hold-tax-credit-scheme-halted-government-review>, accessed 18 July 2022

⁸² PNG EITI <https://pngeti.org.pg/press-statements/pngeti-welcomes-halt-on-tax-credit-scheme/>, accessed 18 July 2022

⁸³ PNG 2019 Budget, p. 66. http://www.treasury.gov.pg/html/national_budget/files/2019/Volume_1.pdf, accessed 18 July 2022

In 2019, net GST remitted to CRF is projected to increase slightly, with collections expected to increase on the back of higher projected economic growth and tax policy measures to remove GST zero rated status for suppliers of resource companies of which it is expected to generate PGK86.0 million in revenue.

⁸⁴ Note that the Tax Review included the following recommendation (no. 47) in relation to fiscal stability: Restrict any fiscal stability agreements to key rates of tax and duty and to major deductions listed in the agreement. Agreements should be symmetrical (no one-way bets). They should not contain most favoured project rules. The premium requirement can be discontinued for new projects.

⁸⁵ 2019 PNG Budget, p. 125, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume_1.pdf, accessed, 18 July 2022

⁸⁶ Email from IRC, 4 July 2017

4.4.4 Additional profits tax

The purpose of additional profits tax (APT) is to continue to provide a progressive instrument to tax economic rents of highly profitable resource projects.

The application of APT is subject to the terms of an applicable fiscal stability agreement.

The mandatory income tax returns do not require the taxpayer to file details of the net cash flow, which goes into the calculation of the additional profits tax.

4.4.5 Business payments tax

Companies without a “Certificate of Compliance” incur a 10% tax on certain specified business payments. A credit may be provided by the IRC after a review of the payer’s tax return.

4.4.6 Dividend withholding tax

From January 2017, a standardised dividend withholding tax (DWT) rate of 15% came into effect across all sectors. Prior to this, withholding taxes had been concessional for resource taxpayers, with the DWT rate being nil for dividends paid out of petroleum or gas income and 10% for dividends paid by companies carrying on mining operations. Taxation amendments in the PNG 2018 and 2019 Budget have confirmed that dividends paid from PNG LNG-sourced profits are exempt from dividend withholding tax, in accordance with the PNG LNG Gas Agreement.⁸⁷

4.4.7 Interest withholding tax

Interest payments generally attract a withholding tax of 15%. Certain entities and assets are exempted, including interest earned on long-term bonds, BPNG-authorized foreign currency deposits, and the participants and lenders to the PNG LNG project.⁸⁸

4.4.8 Management fee withholding tax

This tax applies to the management fees of non-residents performing management services outside of PNG. The tax rate is dependent on whether the country in which they are a resident has a Double Tax Agreement with PNG. If there is no applicable Double Tax Agreement the gross management fee is subject to 17% withholding tax.⁸⁹

4.4.9 Royalty withholding tax

Royalties paid to non-residents (for the provision of technical know-how, trademarks, patents, design or model or copyrights etc.) are subject to a 10% tax, or 30% if paid to an associate. However, if the person is a resident of a country with which PNG has a Double Tax Agreement, then this is generally reduced to 10%.⁹⁰

4.5 Regulation of the mining industry

The principal laws that regulate mining activities in PNG are:

- ▶ *Mining Act* 1992 (MA), which sets out how mining projects should be administered and regulated.
- ▶ *Mining (Safety) Act* 1977, which stipulates safety requirements on mine sites, provides for investigations and inquiries into mine accidents and establishes a regime for certification of prescribed mining roles.
- ▶ *Mining (Ok Tedi Agreement) Acts*, which govern the operation and development of mineral deposits in relation to the Ok Tedi mine.

⁸⁷ 2019 PNG Budget, p. 124, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume_1.pdf, accessed 18 July 2022

⁸⁸ IRC, <https://irc.gov.pg/pages/known-your-taxes/withholding-taxes>, accessed 18 July 2022

⁸⁹ Ibid

⁹⁰ IRC, <https://irc.gov.pg/pages/known-your-taxes/withholding-taxes>, accessed 9 October 2020

- *Mining (Bougainville Copper Agreement) Act 1967*, which governs the Panguna mine on Bougainville. Note that, although separate mining legislation for the Autonomous Region of Bougainville – the *Bougainville Mining Act 2015* – was passed by the Autonomous Bougainville Government in 2015,⁹¹ the relationship between these respective pieces of legislation is unclear as the former has not been repealed, nor have the references to it in the MA been amended.

Oversight, administration and enforcement of these acts and associated agreements, as well as any other legislation related to mining, is the responsibility of the Mineral Resources Authority (MRA). The Mineral Resources Authority was established under the *Mineral Resources Authority (MRA) Act 2005*, which has since been replaced by the *Mineral Resources Authority Act 2018*. As an independent statutory authority, the MRA's functions are executed on behalf of the Government of PNG.⁹²

The functions of the MRA are set out in Section 5 of the Act and include:

- Advising the minister on mining, management, exploitation, and development of PNG's mineral resources matters.
- Receiving, assessing, registering, recording, and managing applications and dealings in mineral tenements in Papua New Guinea and providing technical expert advice and information to the Mining Advisory Council, the Minister, and the State.
- Overseeing the administration and enforcement of the MA or any other legislation relating to mining or to the management, exploitation, or development of Papua New Guinea's mineral resources.
- To negotiate mining development contracts under the *Mining Act 1992*, as an agent of the State.
- Acting as agent for the State in relation to any international agreement relating to mining or to the management, exploitation, or development of Papua New Guinea's mineral resources.
- Coordinating and monitoring the implementation of the State's undertakings and obligations under agreements, and such other legal, contractual, commercial, or social obligations in accordance with government policies on mining and the applicable laws that are necessary for the management of the mining sector.

Although the MRA issues all tenements in relation to mining, once the application assessment process has been completed, the application is forwarded to the Mining Advisory Council (MAC). The MAC is a government entity established under the MA, which advises the Head of State and Minister for Mining in relation to grants and extensions of mining tenements (i.e., mining leases, leases for mining purposes, mining easements and exploration licences). The MAC reviews assessment and application and makes a recommendation to the Minister for Mining on the suitability of the tenement application.

The Minister for Mining is responsible for approving all mining and exploration tenements except Special Mining Leases, which are approved by the Governor-General of PNG, on advice from the National Executive Council and the recommendation of the MAC.

The MA has been under review since 2009.⁹³ In 2016, the then Prime Minister Peter O'Neil confirmed that a draft revised MA had been completed, but that this would not be passed into legislation until after the 2017 National Election, to allow adequate consultation.⁹⁴ In mid-2017, the new Minister for Mining stated that a revised MA would be passed in 2017, however, this did not occur and at the time of reporting the MA has yet to be amended. The revised MA is anticipated to include:

- Updated regulations for offshore mining
- Mine closure and rehabilitation

⁹¹ http://www.abg.gov.pg/uploads/acts/Act_2015-3-Bougainville_Mining.compressed.pdf, accessed 18 July 2022

⁹² The former Department of Mining, now the Department of Mineral Policy and Geohazards Management, is now solely responsible for policy development.

⁹³ Information provided by MRA 27 November 2017

⁹⁴ Peter O'Neill Prime Minister Speech 2016, <http://www.pm.gov.pg/speech-by-hon-peter-oneill-cmg-mp-prime-minister-of-papua-new-guinea-at-the-14th-papua-new-guinea-mining-and-petroleum-investment-conference-5-december-2016-sydney-australia>

- ▶ Resettlement
- ▶ Geothermal resources
- ▶ Standards for employing mine workers including changes to fly-in fly-out worker regulations
- ▶ A compulsory right for State acquisition of mining projects after 24 years
- ▶ Increased royalties.⁹⁵

In 2019, representatives of the PNG Chamber of Mines once again expressed concerns about the revision of the MA. The Chamber has urged Government to seriously consider the implications of the revised Act and consult with industry representatives. Key concerns remain around increased tenure risk for mining companies, inadequate transitional arrangements to protect existing operations and increased costs to businesses which may impact investor interest.⁹⁶ Despite these concerns, the Chamber and industry still support the underlying motion of updating the Act and hope that these key issues are addressed prior to the implementation of the Act.⁹⁷

The *Mining (Safety) Act* 1977 is also under review, and there are plans to develop an alluvial mining policy. Since the introduction of *Mineral Resources Authority (MRA) Act* 2018, the Chamber of Mines has been working in collaboration with MRA and Department of Mineral Policy & Geohazards Management (DMPGM) to revise the *Mining Safety Act*.⁹⁸

Matters relating to the environment within mining and exploration tenements are governed by the Environment Act 2000 with amendments stated in the *Environment (Amendment) Act*.⁹⁹

An export licence is required to export gold. The relevant requirements can be found on the Bank of PNG website.¹⁰⁰

4.6 Regulation of the petroleum industry

The petroleum industry in PNG is governed by the *Oil and Gas Act* 1998 (OGA) with amendments stated in the *Oil and Gas (Amendment) Act* 2016 and the Oil and Gas Regulation 2002 under the administration and management of the Department of Petroleum (DPE), headed by the Minister for Petroleum and Energy. The OGA specifies regulatory requirements for oil and gas development activities such as:¹⁰¹

- ▶ Licensing, exploration, development, processing, storage, transportation, and sale of products
- ▶ Directing monetary benefits to State oil companies and resource area landowners, and non-monetary benefits such as infrastructure development, training, employment, business development and community participation
- ▶ Compliance mechanisms relating to health, safety, security, environmental protection, and project monitoring and reporting.

The Minister for Petroleum and Energy performs a number of functions under the OGA including:

- ▶ The granting of various prospecting, retention, development, pipeline and process facility licences and imposing supplementary conditions upon the holders of those licences (such as the requirement to lodge security deposits) or varying existing licence conditions.

⁹⁵ <https://www.smh.com.au/business/companies/australian-miners-in-firing-line-of-png-law-shake-up-20180716-p4zrpc.html>, accessed 18 July 2022

⁹⁶ PNG Chamber of Mines, <http://www.pngchamberminpet.com.pg/index.php/media-centre/news-release-view/chamber-calls-on-government-to-seriously-consider-impacts-of-proposed-changes-to-the-mining-act-1992>, accessed 18 July 2022

⁹⁷ Ibid

⁹⁸ PNG Industry News article, <http://www.pngindustrynews.net/pngindustrynews/news/1144858/png-develop-alluvial-mining-policy>, accessed 18 July 2022, <https://ramumine.wordpress.com/tag/mining-act/>, accessed 18 July 2022

⁹⁹ Environment Act 2000, <https://ccda.gov.pg/sites/default/files/documents/Environment-Act-2000.pdf>, accessed 18 July 2022

Environment (Amendment) Act 2014, [https://www.fiapng.com/Environment \(Amendment\) Act 2002.pdf](https://www.fiapng.com/Environment%20(Amendment)%20Act%202014.pdf), accessed 18 July 2022

¹⁰⁰ <https://www.bankpng.gov.pg/wp-content/uploads/2014/08/goldlicenserequirements-Final-and-Approved-8-a-23112015.pdf>, accessed 18 July 2022

¹⁰¹ Oil and Gas (Amendment) Act 2016, <https://leap.unep.org/countries/pg/national-legislation/oil-and-gas-act-amendment-act-2016-no-25-2016>, accessed 18 July 2022

- The disbursement of royalties in accordance with a development agreement to be agreed between project area landowners, affected local-level governments and affected provincial governments or, where there is no agreement, the Minister determines the proportionate disbursement of royalties.

4.6.1 Regulation of unconventional hydrocarbon

Unconventional hydrocarbons are defined as any naturally occurring mixture of one or more hydrocarbons (whether in gaseous, liquid or solid state) and any other substance, including those extracted from coal, shale or other rock, but does not include any hydrocarbons extracted from a conventional petroleum pool. In the OGA, the definition of “petroleum” excludes these unconventional hydrocarbons as it “does not include coal, shale, or any substance that may be extracted from coal, shale or other rock” (p. 7).

Legislation specifically for these hydrocarbons, the *Unconventional Hydrocarbons Act 2015* (UHA), was passed in November 2015 to act alongside the OGA.¹⁰² The twofold purpose of the UHA is to “govern the exploration for and production of unconventional hydrocarbons in Papua New Guinea, including the offshore area” and “the grant to traditional landowners and Provincial Governments and Local-level Governments of benefits arising from projects to produce unconventional hydrocarbons.” Terms and definitions of the UHA are consistent with OGA, including licence areas, fees, royalties, development levies, rights of landowners and State participation.

4.7 Resource development agreements

Developers of resource projects generally enter into an agreement with the State of PNG in addition to obtaining a resource development licence or mining tenement for the extraction of the relevant resource under either the OGA or MA (see further comments below in relation to regulation). For major mining projects, Section 18 of the MA requires a Mining Development Contract.

In addition to offering the State an equity interest in the resource project, these agreements may be negotiated to modify the general operation of PNG’s revenue laws with specific application to that project (e.g., to grant concessions such as exempting a designated gas project from APT). Since contracts are not disclosed (see 4.16 below), the extent to which tax rates are negotiable is unclear, and the tax profile of specific projects is opaque. Section 17 of the MA outlines the State’s power to enter into agreements, which must not be inconsistent with the MA.

Section 3 of the MA sets out a broad consultation process before a special mining lease is granted. The Minister convenes a development forum of affected parties to agree the flow of benefits from the project, which are captured in a Memorandum of Agreement (MOA) and subsequently approved by the National Executive Council (see Chapter 6).

4.8 Royalties, development levy and production levy

Resource projects are subject to a royalty which is equal to 2% of the gross revenue from resource sales or wellhead value in the case of oil and gas projects. Since 2001, new petroleum and gas projects are also subject to a development levy, which again is equal to 2% of the wellhead value.

In the 2018 budget, the Government amended the ITA such that royalties and the development levy are treated as deductions from taxable income rather than the excess over 2% of wellhead value being deemed to be tax paid. This will now be consistent with the mining sector and is predicted to have a positive effect on revenue. Previously, where a petroleum or designated gas project was liable for both royalty and development levy, and the total amount of royalty and development levy exceeded 2% of the wellhead value of petroleum or gas sales for that year, the excess was deemed to be income tax paid for that year.

¹⁰² <https://www.bankpng.gov.pg/wp-content/uploads/2014/08/goldlicenserequirements-Final-and-Approved-8-a-23112015.pdf>.

Royalties are collected by the State and apportioned to relevant landowners, local-level governments, and provincial governments. Development levies are paid to the relevant local or provincial government (see more detail in Chapter 5).

The production levy applicable to mining projects is calculated at 0.25% (or up to 0.5% at the Mining Minister's discretion) of assessable income (primarily, but not exclusively Free on Board (FOB) production sales) and is used to fund the activities of the MRA. The new MRA Act 2018, certified in July 2018, increased the production levy to 0.5%.¹⁰³

4.9 State's equity participation right

As noted above, the State has the right, but not the obligation, to acquire up to 22.5% of a participating interest in a designated gas or petroleum project, and up to 30% of a mining project, at par value, or "sunk cost". This means the State can acquire a share in a project by paying its share of the project's historic cost (including exploration cost), and an ongoing share of future costs without having to assume any exploration risk.

In return, the State can receive a share of the project profits, paid as dividends,¹⁰⁴ in accordance with its right as a shareholder. As the State does not always have the resources to buy into the project or pay cash calls on resource projects as they incur expenses during the development phase, the resource development agreement may allow for the Government to fund all or a part of State participation out of future revenue.

Based on the findings of the Tax Review Committee, the Government will develop a framework to guide State investment decisions in relation to equity acquisition in mining, oil, and the gas projects, which should make the equity participation decision more transparent and promote good governance. A policy draft has been prepared for further consultation with external stakeholders. The policy was expected to be completed in 2019 but was not yet completed at the time of writing this report.

4.10 Other stakeholder equity participation rights

Currently, where the State takes an equity participation interest in a project, it has an established practice of granting free equity to landowners from the area in which the project is located. The landowners' share in petroleum projects is prescribed in section 167 of the OGA.¹⁰⁵ For mining projects, equity of up to 5% is free carried by the State on behalf of the landowners and provincial governments (at 2.5% each) and is controlled by a State nominee company managed by the MRDC.¹⁰⁶

In addition to the equity benefit granted by the State, project area landowners and affected local-level governments may acquire further participating interests in resource projects by negotiation with licence holders on commercial terms.¹⁰⁷

4.11 Government policy on disclosure of contracts

The details of contracts and licences are protected by confidentiality provisions in Section 163 of the MA, Section 52 of the MRA Act and Section 149 of the OGA. Contracts are held and maintained by the Solicitor General's office. Without legislative amendment, agreements could only be made public with the approval of both the company and the DPE or MRA (as appropriate). To date, no contracts have been made publicly available. Broader benefit-sharing agreements related to mining and oil and gas projects are also not currently publicly disclosed.

¹⁰³ MRA Act 2018, s. 28, http://www.paclii.org/cgi-bin/sinodisp/pg/legis/num_act/mraa2018328/mraa2018328.html?stem=&synonyms=&query=mineral%20resources, accessed 18 July 2022

¹⁰⁴ Note that "dividend" here has a different meaning from shareholder dividends. State entities, like other consortium partners, are paid their share of profits based on equity interests, in line with related agreements.

¹⁰⁵ Oil and Gas Act 1998, Section 167 p. 122, http://www.paclii.org/cgi-bin/sinodisp/pg/legis/num_act/oaga199894/index.html?stem=&synonyms=&query=oil%20and%20gas, accessed 18 July 2022

¹⁰⁶ The Papua New Guinea Mining Policy p. 10, http://www.paclii.org/pg/legis/num_act/ma199281.pdf, accessed 18 July 2022

¹⁰⁷ Oil and Gas Act 1998, Section 176 p. 128, http://www.paclii.org/cgi-bin/sinodisp/pg/legis/num_act/oaga199894/index.html?stem=&synonyms=&query=oil%20and%20gas, accessed 18 July 2022

This is an issue which civil society organisations seek to change in the interests of greater transparency. The MRA has shown support for an amendment to the ITA to promote greater public disclosure of tax information. The MRA is also seeking legal advice on making all mining project Memorandums of Agreement (MOAs) publicly available.¹⁰⁸ The reporting templates for this report sent to each of the reporting entities requested the name of any contract or agreements with the government that included mandatory social payments. No reporting entities who submitted data request templates supplied this information.

The PNG EITI Secretariat with the IA held discussions with the representative of State Solicitor. Disclosure of terms of the contracts between government and Companies are bound by confidentiality clauses. Unless, voluntarily disclosed by the Companies, PNG EITI has no authority to disclose terms of the contract. Similarly, companies are typically contractually obligated both to the State and to their co-venturers to preserve confidentiality.

The principle of freedom of information is enshrined in the constitution, under the “Goals and Directive” principles, under “Basic Rights (d) freedom of conscience, of expression, of information and of assembly and association” and, specifically under Sections 51 and 52 on enforceability of those rights. Specific clauses clarifying public access to the content of agreements signed by or with the State on resource projects would be valuable. Part 1 of the MA, however, provides for constitutional limitations as the mining legislation is intended to give effect to the national interest.

Work commenced in October 2018 through the JICA Technical Cooperation Program to improve resource-related revenue management in PNG. This will support DPE to address public disclosure of oil and gas licences.

4.12 Disclosure of beneficial ownership

A beneficial owner in respect of a company means the natural person or persons who directly or indirectly ultimately own or control the corporate entity.¹⁰⁹

The EITI Standard 2019 (2.5c) requires that EITI reports from 2020 onward include information relating to the beneficial ownership of corporate entities that bid for, operate, or invest in extractive assets.

As required by the EITI Standard 2016 (2.5bii), the MSG commissioned a Scoping Study on Beneficial Ownership, completed in November 2016, and a Beneficial Ownership Roadmap, published in March 2017. The roadmap includes a costing and work plan from April 2017 to December 2019,¹¹⁰ but it is expected that the document will evolve over time. The MSG will evaluate implementation of the roadmap as part of their annual progress report (as per EITI Requirement 7.4avi).

The MSG has defined the following in the context of PNG:

- ▶ Beneficial ownership
- ▶ Politically exposed person(s), in line with the Anti-Money Laundering and Counter Terrorist Financing Act 2015
- ▶ A materiality threshold for beneficial ownership, set at 5%, but which also considers the corporate structure of the companies operating in the country, an individual’s full aggregated interest as well as different means of exercising ownership and control

¹⁰⁸ <http://www.pngeiti.org.pg/wp-content/uploads/2018/04/NEC-File-No.-NEC04-1-21.11.17.pdf>, accessed 18 July 2022

¹⁰⁹ The EITI Standard, 2016 – Requirement 2.5 Beneficial Ownership

¹¹⁰ PNG EITI, KPMG, Papua New Guinea Roadmap for Beneficial Ownership Disclosure December 2016, https://eiti.org/sites/default/files/attachments/pngeiti_beneficial_ownership_roadmap.pdf, accessed 18 July 2022

Japan International Cooperation Agency 2018 Annual Report, https://www.jica.go.jp/english/publications/reports/annual/2018/c8h0vm000dxws0g-att/2018_all.pdf, accessed 9 October 2020

A template has been developed to capture beneficial ownership information at the point at which companies are registered with the Investment Promotion Authority (IPA), and this will be piloted with future company registrations. Additionally, a pilot project was recently undertaken to make beneficial ownership maps searchable on an online portal open to the public.

A Beneficial Ownership (BO) report was published which includes description of the approach, definitions and scope of the BO data collection and provides recommendations on issues that will need considering when implementing a mandatory BO disclosure regime once the core definition has been agreed.¹¹¹

4.13 Relevant legislation

Key pieces of legislation relevant to the extractive industries in PNG are available from PacLII <http://www.paclii.org/countries/pg.html>. Mining legislation is also available on the MRA website <https://mra.gov.pg/investment/pngminingindustry/>.

Table 22: Relevant legislation with hyperlinks

Legislation
Environment Act 2000
Environment (Amendment) Act 2014
Goods and Services Act 2003
Income Tax Act 1959
Mineral Resources Authority Act 2005
Mineral Resources Authority Act 2018
Mining Act 1992
Mining Safety Act 1977
Oil and Gas Act 1998
Oil and Gas Regulation 2002
Mining (Ok Tedi Agreement) Act 1986
Mining (Ok Tedi Tenth Supplemental Agreement) Act 2013
Resource Contracts Fiscal Stabilisation Act 2000
Government Gazettes
Unconventional Hydrocarbons Act 2015
Bougainville Mining Act 2015

¹¹¹ Beneficial Ownership Final Report, https://eiti.org/sites/default/files/attachments/bdo_png-eiti-bo-report-final-version-20-12-20.pdf, accessed 18 July 2022

5

Management and distribution of revenues

5. Management and distribution of revenues

This chapter outlines how the government distributes revenues from the extractive industries. It describes the government's budget process and governance structures, where revenues from the extractive industries are recorded and how they are audited.

Budgeting for government revenues from the extractive sector is complex due to the revenue being subject to fluctuations in quantities produced, global commodity prices and exchange rates. Earlier PNG EITI reports identified that in some cases, the absence of a robust system for managing government revenue payments in PNG leaves the system vulnerable to fraud, corruption, and human error.¹¹²

The 2018 EITI validation report noted inadequate progress in revenue allocation, and in several aspects of revenue collection.¹¹³ This was due to both information gaps and concerns around the accuracy of the data provided (see further detail in Chapter 10).¹¹⁴ This report seeks to address those gaps.

5.1 Budget process

The national budget process is led by the Department of Treasury and guided by the documents, processes and governance structures outlined below in Figure 18.¹¹⁵

Figure 18: Overview of documents guiding PNG national budget process



Recent years have seen significant moves to improve the efficiency and effectiveness of the budgeting processes. For example, the “two-stage budget process” requires additional rationalisation of high-cost public proposals by an interdepartmental committee.¹¹⁶ The Government has committed to introducing additional reforms to further improve the integrity of the budget process and reporting.

¹¹² 2013 and 2014 PNG EITI Reports <http://www.pngeiti.org.pg/pngeiti-reports/>, accessed 18 July 2022

¹¹³ PNG EITI 2018 Validation, https://eiti.org/sites/default/files/attachments/png_validation_-_validators_final_validation_report.pdf accessed 18 July 2022

¹¹⁴ Board decision on the Validation of Papua New Guinea, <https://eiti.org/board-decision/2018-55>, accessed 26 November 2020 (Second validation carried out on 20 April 2020)

¹¹⁵ PNG Budget Manual, http://www.treasury.gov.pg/html/national_budget/files/2008/budget_documents/Budget%20Manual.pdf, accessed 18 July 2022 (version 2008)

¹¹⁶ 2020 National Budget https://www.treasury.gov.pg/html/national_budget/2020.html, accessed 18 July 2022

Rules-based constraints have been introduced in recent years to help direct the budget process towards achieving sound fiscal policy. This is reflected in volume two of the Medium Term Fiscal Strategy (MTFS) 2018–2022,¹¹⁷ the Medium Term Debt Strategy 2018–2022 and the Medium Term Revenue Strategy 2018–2022, the *Papua New Guinea Fiscal Responsibility Act* 2006 (amended in 2017), the *Public Finance (Management) Act* 1995 (amended in 2016)¹¹⁸ and the establishment of the Sovereign Wealth Fund (SWF).

The Medium-Term Fiscal Strategy aims to drive sustainable economic growth through strategic investment in key programs and projects. This was underpinned by the 2018 Budget,¹¹⁹ and the 2019 Budget built on this to continue to broaden the revenue base, improve efficiencies in the cost-of-service delivery, particularly in the salaries and wages bill, contain utility costs, enhance the quality of expenditure, particularly related to capital spending, as well as restructuring the domestic debt portfolio and maturity profile. The *Fiscal Responsibility Act* 2017 legislates a debt-to-GDP ceiling range of 30 to 35%, with a 30% ratio to be attained by 2022.¹²⁰

PNG places emphasis on development planning, as reflected in the Vision 2050 report, PNG Development Strategic Plan 2010–2030 and the Medium-Term Development Plan 2018–2022, available on the Department of National Planning and Monitoring website.¹²¹ Another influence on spending priorities has been the Alotau Accord platform for action, agreed by the coalition government following the 2012 elections, and updated in 2017.

5.2 Budget governance structures

Several committees help steer the budget process and fiscal decision-making, as illustrated in Table 24 below:

Table 23: Budget governance structure which assist with the budget process and fiscal decision making

	Committee	Composition	Role in budget
Bureaucratic	Budget Strategic Committee ¹²²	Deputy secretaries of the central agencies ¹²³	To work with agencies to review their budget submissions
	Central Agencies Coordinating Committee ¹²⁴	Chaired by the Chief Secretary to the government ¹²⁵	To coordinate policy and development planning in PNG
Political	Ministerial Economic Committee (also referred to as the Senior Ministerial Budget Committee) ¹²⁶	Chaired by the Treasurer and comprises ministers of Finance and National Planning as well as the Prime Minister and National Executive Council (NEC)	To drive budget strategy setting and advise the National Executive Council on the budget
	NEC	Key government decision making body	To approve the final budget

¹¹⁷ 2020 Budget Strategy Paper, https://www.treasury.gov.pg/html/national_budget/files/2013/budget_documents/Related_Budget_Documents/BSP.pdf, accessed 18 July 2022

¹¹⁸ Public Finance (Management) Act 1995 Amendment 2016, http://www.pacii.org.pg/legis/consol_act/pfa1995224/, accessed 18 July 2022

¹¹⁹ Medium Term Development Plan III 2018–2022, <https://png-data.sprep.org/resource/medium-term-development-plan-iii-2018-2030-volume-1>, accessed 18 July 2022

¹²⁰ Papua New Guinea Fiscal Responsibility Act 2017, http://www.pacii.org.pg/legis/num_act/pngfr2017sba2017688/, accessed 18 July 2022

¹²¹ Medium Term Development Plan III 2018–2022, <https://png-data.sprep.org/resource/medium-term-development-plan-iii-2018-2030-volume-1>, accessed 18 July 2022

¹²² The 2017 budget process has replaced the Budget Screening Committee with a Budget Strategic Committee http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf, accessed 7 December 2020

¹²³ The central agencies are Departments of Treasury, Finance, National Planning & Monitoring, Prime Minister & NEC, and the Department of Personnel Management. These are the key central government departments or key economic agencies that have major inputs into the budget formulation process in terms of budget strategies and frameworks, and policy formulation and allocation of resources. Information received from Treasury 4 December 2017

¹²⁴ Information received from Treasury 4 December 2017

¹²⁵ The structure for public sector reform, <http://press-files.anu.edu.au/downloads/press/p78541/mobile/ch03s03.html>, available 18 July 2022

¹²⁶ Ibid

The budget process commences around April of each year, with a consultation period where agencies provide information regarding their cash flow needs for the following year. Treasury concurrently undertakes economic forecasts to determine the level of funds available for the upcoming year. This helps determine budget ceilings, which are then communicated to relevant agencies via the budget circular and inform their budget submissions.¹²⁷ The capital ceiling is based on ongoing projects and the available funds. Agencies are required to make a single budget submission (including both capital and operational costs) to request access to these funds.

At the end of July, the Mid-Year Economic and Fiscal Outlook (MYEFO) report is released, which provides an update on the fiscal performance of the past six months against targets set out in the budget, along with economic forecasts for the following six months. This is followed in August by the Budget Strategy Paper,¹²⁸ which sets out high-level fiscal parameters and broad policy strategy for the coming budget and provides greater transparency and accountability for Government spending.

During late August and September each year, the Budget Screening Committee holds meetings with agencies to discuss and negotiate the submissions received. Agency submissions tend to be large and ambitious, and it is difficult to sort proposed funding for new activities from funding for existing programs and projects. A key focus of these meetings is to try to bring budget requests within ceilings.

The Budget Screening Committee is where most decisions are made regarding a new policy or initiative. It is in this forum that the Department of National Planning and Monitoring (DNPM) and Treasury seek consensus at executive level regarding the prioritisation of new development and operational spending. It is only at the margins, and very late in the process, that Cabinet-level engagement is sought around the most contentious resource allocation decisions.

A proposed final budget is then submitted to National Executive Council (NEC) for endorsement. In early November, the budget is presented to Parliament and approved before the start of the coming fiscal year.

Following approval, comprehensive budget documents are published, including detailed estimates for each agency as well as a Public Investment Program, with information regarding both ongoing and new projects that received appropriations.

A Final Budget Outcome report for the previous financial year is released within three months of the current the financial year, which includes annual expenditure.¹²⁹

Figure 19: Budget governance structure which assist with the budget process and fiscal decision making¹³⁰

¹²⁷ PNG Budget Manual, https://www.treasury.gov.pg/html/national_budget/2022.html, accessed 18 July 2022
¹²⁸ 2021 Budget Strategy Paper https://www.treasury.gov.pg/html/national_budget/files/2013/budget_documents/BSP_2021.pdf , accessed 18 July 2022
¹²⁹ PNG 2020 Final Budget Outcome, https://www.treasury.gov.pg/html/national_budget/files/2013/budget_documents/Related_Budget_Documents/2020_FBO_Report_FINAL.pdf, accessed 18 July 2022
¹³⁰ MYEFO released, [http://treasury.gov.pg/html/national_budget/files/2013/budget_documents/2020_Mid-Year_Economic_and_Fiscal_Outlook\(MYEFO\).pdf](http://treasury.gov.pg/html/national_budget/files/2013/budget_documents/2020_Mid-Year_Economic_and_Fiscal_Outlook(MYEFO).pdf), accessed 18 July 2022



5.3 Recent reforms to the budget process^{131,132,133,134,135,136,137}

Major areas of focus for recent reforms to the budget process have been:

- ▶ Hard budget ceilings for government employment levels and off-line payments
- ▶ Measures to control government utility and rental payments
- ▶ Establishment of a high-level task force (Treasury, IRC, Customs and Finance) focused on improving compliance and the pass-through of departure tax and import excise collections
- ▶ Instructions to accelerate the establishment of the Large Taxpayer Office in the IRC
- ▶ Instructions to implement fully the 2018 Budget changes to the policy on export duty on old-growth logs
- ▶ Instructions to the Treasury and Finance Departments to conduct, as a priority, discussions with state entities to re-examine dividend inflows, particularly relating to LNG dividends to Government
- ▶ Instructions to the Treasury Department to find additional savings in goods and services expenditure across all non-essential priority areas and in non-essential capital works programs that are funded by the Government.

The budget reforms have been supported by guidance documents such as the Budget Management Framework, introduced for the 2016 budget, and a network of technical officers to disseminate information and provide a forum for open communication between agencies.

On 5 December 2017, the PNG National Parliament passed the *Public Money Management Regularisation Act*, which aims to standardise how public money is managed in PNG. It specifically targets public and statutory bodies that are raising and retaining public funds directly, rather than through the Consolidated Revenue Fund. Since 1 January 2020, PNG public and statutory bodies only receive public money by appropriations made by, or under the National Budget. Note that this act does not apply to Kumul Petroleum Holdings Ltd or Kumul Minerals Holdings Ltd.

¹³¹ 2021 Budget Strategy Paper https://www.treasury.gov.pg/html/national_budget/files/2013/budget_documents/BSP_2021.pdf, accessed 18 July 2022

¹³² 2021 National Budget https://www.treasury.gov.pg/html/national_budget/2021.html, accessed 18 July 2022

¹³³ Public Money Management Regularization Act 2017, <http://allepng.com/pmmra/>, accessed 18 July 2022

¹³⁴ Sovereign Wealth Fund, http://www.treasury.gov.pg/html/public_debt/swf.htm, accessed 18 July 2022

¹³⁵ http://www.treasury.gov.pg/html/public_debt/swf.htm, accessed 18 July 2022

¹³⁶ Sovereign Wealth Fund, http://www.treasury.gov.pg/html/public_debt/swf.htm, accessed 18 July 2022

¹³⁷ PNG 2021 Budget, http://www.treasury.gov.pg/html/national_budget/files/2021/2021_Budget_Volume_1.pdf, p. 128, 18 July 2022

5.4 PNG Sovereign Wealth Fund

The PNG Sovereign Wealth Fund (SWF) is intended to be an important mechanism for managing external shocks to the economy, to support the budget to fund priority areas such as education, health, and infrastructure, and to invest for the benefit of future generations. The *Organic Law on the Sovereign Wealth Fund* was passed by the Parliament in July 2015. The SWF is supposed to comprise two funds managed under the same governance framework: the Stabilisation Fund and the Savings Fund.

Once operationalised, each fund will receive a proportion of mining and petroleum dividends paid by state-owned enterprises. Based on current estimates by Treasury, 50% of mining and petroleum tax revenues will be channeled to the SWF Stabilisation Fund, while the other 50% will flow directly to the CRF to finance government operations. Until the SWF is operationalised, all mineral and petroleum dividends are directed to the National budget. The Savings Fund will also receive some of the proceeds of state-owned assets that the government agrees to sell. When revenue flows are large, the excess will be deposited into the Savings Fund.

The SWF was originally slated to come into operation in 2016. In 2020, Minister William Duma noted that 7 percent of the KCH dividend will be deposited directly into the Sovereign Wealth Fund (SWF), with the balance to Treasury for general budgetary expenditure. He also said this would be the first deposit into the SWF, with more to follow as the Marape Government consolidated the performance of the SOEs.¹³⁸

5.5 How extractive industry revenues are recorded

Table 25 below outlines where revenues and payments from the extractive sector are recorded, and which of these can be accessed online.

Table 24: Public records of extractive industry revenues

Revenue stream	Where recorded	Available online?
Mining		
Mine closure bond	Financial reports of Conservation and Environment Protection Authority (CEPA)	No
Production levy	Financial reports of the MRA	No
Alluvial levies Mine security deposits Exploration security deposits Mining lease rentals Exploration licence rentals Data sale receipts Exploration applications, extensions, extension late fees, transfer and dealing fees (related to exploration) Mining applications, extensions, extension late fees, transfer and dealing fees (related to mining)	Accounts/Financial reports of MRA	No
Royalties	Paid by the project developer directly to the recipients, which are defined in each project MOA. Receipts of payments are furnished to the MRA. Estimates of mining royalties and dividends paid to the provinces are recorded in the 2019 PNG Budget by the NEFC based on actuals from 2017.	Yes ¹³⁹
PIP project funds	National Budget Volume 3	Yes ¹⁴⁰
Petroleum		
Decommissioning bonds	Financial reports of Conservation and Environment Protection Authority (CEPA)	No

¹³⁸ PNG Sovereign Wealth Fund, <https://www.kch.com.pg/kch-first-to-contribute-to-papua-new-guineas-sovereign-wealth-fund/>, 26 December 2022

¹³⁹ Ibid

¹⁴⁰ PNG 2019-2023 National Budget, Table 1.2: Grants, transfers and other resources of the provinces p.164, http://www.treasury.gov.pg/html/national_budget/files/2019/Public%20Investment%20Program%20Volume%203B.pdf, accessed 18 July 2022

Revenue stream	Where recorded	Available online?
Development levy	Paid to DPE Trust Account, and financial reports are furnished to the Trust Fund Management Division of the Department of Finance as per the Public Financial Management Act 1995 reporting requirements on Trust Funds	No
Royalties	Paid to the DPE Trust Account, which is then transferred to parties based on the OGA, Oil MOAs and UBSA/LBBSA negotiations Estimates of petroleum royalties and dividends paid to the provinces are recorded in the 2019 PNG Budget by the NEFC.	Yes ¹⁴¹
Additional profits tax	National Budget, Volume 1, Economic and development policies. None paid to date, therefore no figure to report. ¹⁴²	No
Mining and petroleum		
Equity distributions	Relevant annual reports (e.g., KPH, KMH, MRDC, OTML)	Yes
Import taxes	National Budget, Volume 1, Economic and development policies	Yes ¹⁴³
Goods and services tax	National Budget, Volume 1, Economic and development policies	Yes ¹⁴⁴
Licence/tenement fees	Paid to MRA and DPE for mining and petroleum respectively	No
Mandatory social expenditure	Some company annual reports	
Discretionary social expenditure	Some company annual reports	
Dividends	National budget (listed under non-tax revenue)	Yes ¹⁴⁵
Environment permit fees	Financial reports of Conservation and Environment Protection Authority (CEPA)	No
Royalties & dividends paid to provincial governments	National Economic Fiscal Commission's Report	Yes ¹⁴⁶
Salary and wages tax	IRC annual report	No ¹⁴⁷
Corporate income tax (mining and petroleum tax)	National budget	Yes
Infrastructure tax credits	IRC accounts and DNPM	Yes ¹⁴⁸
Business payments tax	IRC annual report	No
Dividend withholding tax	National Budget, Volume 1, Economic and development policies	Yes
Interest withholding tax	National Budget, Volume 1, Economic and development policies	Yes
Management fee tax*	National Budget, Volume 1, Economic and development policies	Yes
Royalty withholding tax^	National Budget, Volume 1, Economic and development policies	Yes
Foreign contractor withholding tax	IRC annual report (as part of "withholding taxes")	No
Training Levy	National Budget, Volume 1, Economic and development policies	Yes

Note: Some reports may be gazetted and are therefore available to the public in hard copy or via PacLII.

*Recorded in the budget as Management tax

^Recorded in the budget as Royalties tax

5.6 Auditing of public accounts^{149,150,151}

The Auditor-General of PNG is responsible for auditing public accounts and reporting to Parliament at least once in every fiscal year. The Auditor-General is a Constitutional Officer appointed by the Head

¹⁴¹ Ibid

¹⁴² Ibid

¹⁴³ Ibid

¹⁴⁴ 2020 National Budget, https://www.treasury.gov.pg/html/national_budget/2020.html, accessed 18 July 2022

¹⁴⁵ Ibid

¹⁴⁶ Ibid

¹⁴⁷ This is recorded in the IRC annual report however the latest annual report available on the IRC website is for 2013, and is therefore considered as not available information for revenue

<https://irc.gov.pg/pages/about-irc/corporate-information/irc-annual-reports>, accessed 18 July 2022

¹⁴⁸ 2021 National Budget, Summary of annual values included in Appendix 1 – Revenue Tables of 2020 Budget,

¹⁴⁹ National Economic and Fiscal Commission 2020 Annual Budget Fiscal Report, <https://www.nefc.gov.pg/sites/default/files/2022-06/2020%20Budget%20Fiscal%20Report.pdf>, accessed 18 July 2022

¹⁵⁰ This is recorded in the IRC annual report however the latest annual report available on the IRC website is for 2013, and is therefore considered as not available information for revenue <https://irc.gov.pg/pages/about-irc/corporate-information/irc-annual-reports>, accessed 18 July 2022

¹⁵¹ 2021 National Budget, Summary of annual values included in Appendix 1 – Revenue Tables https://www.treasury.gov.pg/html/national_budget/2021%20National%20Budget.html, accessed 18 July 2022

of State, their functions, mandate, and powers are set out in Section 214 of the Constitution of Papua New Guinea and in the *Audit Act* 1989.

The Auditor-General's responsibilities extend to:

- ▶ Departments of the National Public Service and arms, agencies, and instrumentalities of the national government
- ▶ Provincial governments, and arms, agencies, and instrumentalities of provincial governments
- ▶ Bodies established by statute or Act of Parliament.¹⁵²

The Auditor-General presents the annual financial audit reports to Parliament in four parts:

Part 1 Public accounts of Papua New Guinea (latest report on 2015)

Part 2 National government departments and agencies (latest report on 2014/15)

Part 3 Provincial governments and local-level governments (latest report on 2016)

Part 4 Public bodies and their subsidiaries, government owned companies, national government shareholdings in other companies (latest report on 2019)

The reports highlight serious and pervasive deficiencies in accounting practices at all levels of government. The Auditor-General's Annual Report 2018 states:

I believe the capability of staff in a number of public sector entities is not adequate to deal with the complexities of a modern-day public-sector environment.

*The audit function is constrained because there are few records to audit, and the entities' systems do not support the financial management functions. Often the internal controls that are supposed to prevent breakdowns in financial administration are non-existent.*¹⁵³

The report also notes that financial statements are often not submitted within the legislated timeframe, leading to audits being in arrears.

The audit status of individual reporting entities can be seen in Chapter 10.

¹⁵² <http://www.ago.gov.pg/index.php/about-the-ago> accessed 18 July 2022

¹⁵³ Auditor General's Office, Annual Report, p. 8, https://www.ago.gov.pg/images/Part_4_Report_2020.pdf, accessed 18 July 2022

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Social and subnational payments

6. Social, subnational payments and quasi-fiscal expenditures

PGK 390 million

Social contributions in 2020

6.1 Mandatory and discretionary social expenditure

Many extractive companies contribute to the communities in which they operate beyond the direct economic benefits and employment provided. These contributions may be at the discretion of the company or mandated through legislation or

contracts with the government. The EITI Standard requires disclosure of material mandatory social expenditures and encourages disclosure of discretionary social expenditures.

Mandatory social expenditure is defined by the EITI Standard 2019 as social expenditure that is required either by legislation or by the contract with the government that governs the extractive investment.¹⁵⁴ Requirements to compensate landowners are set out in the MA (s. 154) and OGA (s. 118), but neither makes specific reference to other social payments.

Mandatory social expenditure is generally agreed between the State or landowners and operators on a case-by-case basis. These agreements are typically confidential, and reporting entities may therefore be unwilling, or unable, to disclose information regarding specific payment amounts and receiving entities. For each mandatory social payment, reporting entities were asked to disclose the name of the contract or agreement where the payment is mandated, however, no reporting entities disclosed the contract name.

Discretionary social expenditure may include, for example, sponsorships and voluntary contributions to health and education programs. Despite disclosure of these payments being optional, many operators choose to disclose these payments and/or activities through their corporate responsibility or sustainability reporting, as well as through the EITI reporting template. Some reporters disclosed aggregate amounts, arguing that disclosure of specific organisations and amounts could expose those organisations to unwelcome pressure or extortion. Where these details were not disclosed, it is possible that some mandatory payments were incorrectly reported as discretionary payments.

The EITI Standard does not define “social”, but the guidance note on social expenditure refers to “donations, grants or other types of cash transfers, the transfer of assets such as the construction of roads or schools, or the provision of services like training and

Categories of “Social” expenditure listed in original PNG EITI scoping study:

1. Compensation to landowners
 - ▶ General compensation
 - ▶ Environmental compensation
 - ▶ Community asset and relocation compensation
 - ▶ Lease fees
2. Education
 - ▶ Scholarship
 - ▶ University sponsorship
 - ▶ Other training cost
3. Infrastructure Development
 - ▶ Other infrastructure development programs (as per MOA)
4. Community development programs
5. Business development programs
6. Health programs

¹⁵⁴The EITI Standard 2019, <https://eiti.org/collections/eiti-standard> accessed 18 July 2022

health care.”¹⁵⁵ The MSG refers to the original scoping study for the first EITI report for a comprehensive breakdown of the categories of social expenditure (to right).¹⁵⁶ However, lease fees would generally be regarded as commercial expenses rather than social expenditure. Reporting of these payments as “social” is inconsistent across companies, the IA has included payments as reported.

The 2020 reporting templates included a detailed description of what is considered a mandatory social expenditure.¹⁵⁷ To avoid double counting, entities were asked to identify any payments relating to infrastructure projects to be claimed under ITC.

Reporting entities were also asked to disclose the nature and deemed value of any benefits provided in-kind. Where the beneficiary is a third party (i.e., not a government agency), the name and function of the beneficiary was requested. Some companies have disclosed this.

Table 25: Summary of mandatory and discretionary social expenditure

Reporting entity	Mandatory social expenditure (PGK)	Discretionary social expenditure (PGK)
Mining		
Barrick (Niugini) Ltd (Porgera mine)	7,862,181	-
K92 Mining Ltd (Kainantu)	46,642,844	6,897,053
Lihir Gold Ltd (Lihir/Luise Caldera mine)	46,495,079	53,655,381
MCC Ramu NiCo Ltd (Kurumbukari mine, Ramu)	16,011,624	19,289,880
Morobe Consolidated Goldfields Ltd (Hidden Valley mine)	6,238,402	1,094,837
Simberi Gold Company Ltd (Simberi Mine)	894,136	1,567,893
Oil and gas		
Total E&P PNG Ltd	-	2,752,493
Oil Search (operator oil projects – total oil project figure)	-	86,109,023
State-owned enterprises		
Kumul Petroleum Holdings Ltd	-	23,286,111
Mineral Resources Development Company Ltd	-	21,326,899
Ok Tedi Mining Limited (Mt Fubilan mine)	49,700,000	-
	173,844,266	215,979,570

6.2 Quasi-fiscal expenditures

Quasi-fiscal expenditures are outlined in the EITI Standard as “arrangements whereby SOE(s) undertake public social expenditure such as payments for social services, public infrastructure, fuel subsidies and national debt servicing, etc. outside of the national budgetary process.”¹⁵⁸ This can include, for example, providing services at below market rates.

Previous PNG EITI reports have highlighted that the classification of quasi-fiscal expenditures is not straightforward, which may result in under-reporting of this category. In 2020, reporting templates for SOE included a section for quasi-fiscal expenditure reporting.

Table 26: Summary of quasi-fiscal expenditure

¹⁵⁵ Guidance notes 17 on social expenditures’, EITI, <https://eiti.org/guidance-notes/social-and-environmental-expenditures>, accessed 18 July 2022

¹⁵⁶ PNG EITI Scoping Study for First EITI Report, www.pngeiti.org.pg

¹⁵⁷ “Mandatory social expenditure refers to social payments by companies that are mandated by law or the contract with the government that governs the extractive investment. This may include development contracts, compensation agreements or benefit sharing memorandum of agreements that cover payments such as compensation, infrastructure, or services such as health and education. They are separate to the development levy or production levy. Mandatory social payments are agreed between the state and/or landowners and operators on a case-by-case basis, as allowed for under the Mining Act and Oil & Gas Act.” – IA reporting templates 2020

¹⁵⁸ Guidance on quasi-fiscal expenditures, <https://eiti.org/guidance-notes/quasi-fiscal-expenditures>, accessed 18 July 2022

Reporting entity	Quasi-fiscal expenditure (PGK)
Kumul Petroleum Holdings Ltd	30,406,238
Mineral Resources Development Company Ltd	3,191,155
Ok Tedi Mining Limited (Mt Fubilan mine)	60,418,962
	94,016,355

6.3 Subnational payments

Information relating to transfers and payments to subnational (provincial and local level) governments in PNG is difficult to obtain and reconcile. This is due to payment data at the subnational level being either non-existent, too aggregated to be meaningful, inconsistent across projects, or difficult to obtain,¹⁵⁹ in part due to a lack of record keeping by provincial-level governments. Some relevant information is to be found in the 2020 National Economic and Fiscal Commission (NEFC) Budget Fiscal Report.¹⁶⁰ However, this does not always align to the EITI reporting requirements.

Subnational payments were identified in the validation report as an area of inadequate progress. In October 2017, PNG EITI commissioned a scoping study to investigate how the EITI Standard can be implemented in relation to subnational governments and landowner associations.¹⁶¹ We refer readers to this report, published in April 2019, for the most detailed information currently available about subnational financial flows, including the distinction between payments, transfers and social expenditures.¹⁶² The report makes recommendations including the establishment of subnational multi-stakeholder groups with links to the PNG EITI MSG, entities to be included and materiality thresholds, standardised payment categories, and implementation through pilot projects.¹⁶³

It is envisioned that the quality of disclosures relating to subnational payments and transfers will improve in future years, as the recommendations of the scoping study are implemented.

As no definitions were provided in the study, the MSG agreed on the following guidance for the categories/sectors:

Statutory compensation:	Required compensation to landowners and any regulatory compensation.
Economic:	Any other social payments made that are not included in the other categories.
Infrastructure:	Payments or resource costs towards buildings and roads.
Capacity building:	Contributions towards training and upskilling local communities.
Health:	Payments to health missions, medical activities and supplies and donations to the health ministry.
Education:	Scholarships, university scholarships and education resources.
Law & order:	Contributions to policing and security.

¹⁵⁹ PNG EITI, Sub-national payments, and Transfers, <http://www.pngeiti.org.pg/sub-national-payments-and-transfers/>, accessed 18 July 2022

¹⁶⁰ National Economic and Fiscal Commission 2020 Annual Budget Fiscal Report, <https://www.nefc.gov.pg/sites/default/files/2022-06/2020%20Budget%20Fiscal%20Report.pdf>, accessed 18 July 2022

¹⁶¹ Terms of reference for this study available on the PNG EITI website <http://www.pngeiti.org.pg/wp-content/uploads/2018/04/PNGEITI-TOR-Sub-national-payments-scoping-study-final.pdf>, accessed 3 December 2020

¹⁶² Grice, T. (2019). Sub-national payments in Papua New Guinea's extractive sector: Scoping study for PNG Extractive Industries Transparency Initiative, p. 66, <http://www.pngeiti.org.pg/wp-content/uploads/2019/07/PNGEITI-Sub-national-Payments-Report-May-2019.pdf> accessed 3 December 2020

¹⁶³ Grice, T. (2019). Sub-national payments in Papua New Guinea's extractive sector: Scoping study for PNG Extractive Industries Transparency Initiative, p. 11, <http://www.pngeiti.org.pg/wp-content/uploads/2019/07/PNGEITI-Sub-national-Payments-Report-May-2019.pdf> accessed 3 December 2020

Agriculture & fisheries: Payments towards agriculture and fisheries for public consumption

In 2020, we added Environmental Sustainability category to determine expenditures towards conservation of natural resources to support health and wellbeing for future generations.

Table 27: Subnational payments reporting framework

Sectors		Subnational data to be collected		
Social expenditure	Statutory compensation	1. Payer/recipient/mediator or – the payer, recipient, and any “mediating” entities in case of transfers	2. Payment type – Whether the payment is a government transfer, direct company payment, or social expenditure	3. Sector – what sector the payment belongs (e.g., education, health, infrastructure).
	Economic			
	Infrastructure			
	Capacity building			
	Health			
	Education			
	Law & order			
	Agriculture & fisheries			
	Environmental sustainability			
Direct payments & transfers	Royalties	4. Direct/indirect – whether the payment was a directed cash contribution or in-kind goods and services	5. Mandatory – whether the payment is mandatory (i.e., required under law or an agreement).	
	Other royalties and taxes			

6.3.1 Subnational payments and transfers: mining

The National Economic and Fiscal Commission (NEFC) Provincial Government Budget Report outlines the revenues transferred to provincial governments. The table below is derived from the National Budget.¹⁶⁴

Table 28: Transfers to provincial and local governments in 2020

Province	Non-grant tax transfers (PGK '000)
Western	37,400,000
Gulf	1,750,000
Southern Highlands	1,502,319
Enga	20,440,011
Eastern Highlands	358
Morobe	2,877,500
New Ireland	38,621,167
Total	102,591,355

In accordance with the MRA Act, the MRA has the function of receiving any fee, levy, rent, security, compensation, royalty, or other money payable under the MA and other legislation. The most significant regional allocations are for:

¹⁶⁴ Table 1.2 Grants, Transfers and other resources of the Provinces, https://www.treasury.gov.pg/html/national_budget/files/2020/2020%20Budget%20Volume%201.pdf, accessed 26 December 2022

Royalty: A royalty benefit of 2% of the FOB value from resource sales is provided by tenement holders to the State. This is then apportioned to landowners, affected provincial governments and local level governments.

Equity: The State has the right, but not the obligation, to acquire up to 30% of a mining project, at par value, or “sunk cost” (MA s. 16A). Landowners also have equity stakes in mining projects such as Porgera and Ok Tedi.

Dividends: Landowners and provincial governments of Ok Tedi and Porgera receive dividends from their equity shares in the respective projects. The companies of these landowners and provincial governments are held in trust by MRDC.

Compensation payments: Landowners such as those on-the-Fly River receive a percentage of dividends from Ok Tedi as compensation payments.

Special Support Grant: The State allocates funding for mining projects to hosting provincial governments such as New Ireland and Enga. The SSG is a transfer to provincial governments in accordance with Section 197 of *Organic Law on Provincial and Local Level Governments*. It is calculated by Treasury at a rate of 0.25% of FOB value and its disbursement is administered by DNPM through a Guideline.

6.3.2 Subnational payments and transfers: oil and gas

The OGA outlines the process for benefits sharing, including payments earmarked for specific regions. Part III Division 14 legislates fees and royalties, and Part IV legislates State equity entitlement and project benefits. As per s. 174, the total of these benefits to provincial governments, local-level governments and landowners shall not exceed 20% of the total net benefit to the State from that petroleum project, as determined by a cost-benefit analysis. These benefits and payments include:

Royalty: 2% of “wellhead value” is provided from the tenement holder to the State (OGA s. 159). Royalty benefits are payable monthly by the State (Minister) to affected landowners, local-level governments and provincial governments in proportions agreed by them in a development agreement or determined by the Minister in default of this agreement (s. 168).

Development levy: 2% of wellhead value, calculated in the same manner as royalties, is payable by a development licensee directly to a trust fund, which is then available to the provincial governments and the local level governments (s. 160).

Equity: The State has the right to acquire all or part of a participating interest not exceeding 22.5% in each petroleum project (s. 165). The State grants to the project area landowners and affected local-level governments an equity benefit in that petroleum project (s. 167). These benefits shall be held in trust and shared in proportions agreed upon in a development agreement or, in default of the agreement, as determined by the Minister (s. 167). Governments and landowners are also at liberty to negotiate a participating interest in addition to the interest granted them (s. 175).

Project grants: The State may agree with affected local-level governments and provincial governments of a petroleum project to provide grants in the form of monetary payments or provision of infrastructure, services, or other benefits (s. 173).

Other benefits: Through a development agreement the State may provide project area landowners or people of the region grants, consolidated revenue or otherwise. These agreements made between the State and landowners do not affect any agreements which may be reached between project area landowners and petroleum project developers themselves (s. 171).

6.4 Social and subnational payments by PNG entity: mining

6.4.1 Barrick Niugini Ltd (Porgera mine)

Mandatory

Mandatory social expenditure for Porgera mine included compensation, education, and relocation. ¹⁶⁵

Table 29: Mandatory social expenditure reported by Barrick

Recipient	Category	Type	Amount (PGK)
Various	Statutory compensation	Cash	5,813,657
Various	Infrastructure	Cash	1,541,144
Various	Education	Cash	507,380
Total			7,862,181

Education payments comprise:

- University sponsorships which refer to the PJV's external sponsorship program for degree students at PNG institutions.
- Sponsorships schools/colleges which refer to PNG secondary and technical education sponsorships for external students
- Apprentice intake (Pett student intake in all trades) which occurred in January and February.
- Apprenticeship program replaced with a Porgeran trades assistant training programme
- Graduate intake which refers to final year degree students who enter the PJV's professional development program
- Courses overseas which refer to employees sponsored to overseas institutions for full time study or short-term courses
- Donations for students to supplement our formal sponsorship program and to others for further education, also include donations to schools for books and other educational material and assistance

Subnational

Table 30: Subnational payments reported by Barrick Niugini

Revenue stream	Recipient / Reported to	Type	Amount (PGK)
Royalties	Local / Provincial Government	Cash	11,030,360
	Landholders	Cash	9,024,839
Production Levy	Mineral Resource Authority	Cash	5,034,948

¹⁶⁵ Barrick's financial data template.

6.4.2 K92 Mining Ltd (Kainantu)

Mandatory

Table 31: Mandatory expenditure reported by K92 Mining Ltd

Recipient	Category	Type	Amount (PGK)
Mineral Resources Authority	Statutory compensation	Cash	43,988
G4S / BilDevCo / ASILA K92 Security / Guard Dog Security / NCS / Pacific Cargo Services / PCS K92 Haulage / Pagini K92 JV / Young Jin Trading	Economic	Cash	43,249,566
Landowners' Rep Allowances (Billimoia Meeting)	Capacity Building	Cash	600
RAMU Agri-Business Clinic / Chemcare Group / Johnstons Pharmacies / LAE international Hospital	Health	Cash	449,192
G4S Security / ASILA K92 Security / Guard Dog Security Services	Law & Order	Cash	2,899,498
Total			46,642,844

Discretionary

Table 32: Discretionary social expenditure reported by K92 Mining Ltd

Recipient	Category	Type	Amount (PGK)
EHP Gov't / Bilimoia Sakimaniap / Unantu / Pomasi / BilDevCo and Associated Communities	Statutory Compensation	Cash	5,640,878
University of PNG / PNG UNITECH / DIVINE Word University / Pacific Adventist University / University of GOROKA / University of Natural Resources (UNRE) / PNG Chamber of Mines & Petroleum and Other Institutions	Education	Cash	187,173
Police	Law & Order	Cash	1,069,002
Total			6,897,053

Subnational

Table 33: Subnational payments reported by K92 Mining Ltd

Commodity	Recipient / Reported to	Amount (PGK)
Mining royalties	Eastern Highlands Provincial Government	2,046,089
	Kainantu Rural LLG	1,227,653
	Kainantu Urban LLG	613,827
	Billimoia Landowners Association	476,116
Production levy	Mineral Resources Authority	3,005,793
Total		7,369,478

6.4.3 Lihir Gold Ltd (Luise Caldera mine)

Mandatory

Mandatory expenditures by Lihir are payments made per the 1995 Integrated Benefits Package (IBP), per the 2006 IBP2 Grant, and per the 2020 Lihir Benefits Development Agreement.

Compensation agreements are required under PNG law, and the land-owning communities have a legal right of veto over the development or disturbance of customary land owned by local communities. Agreements providing consent to impact cultural sites, consent to impact economic

crops, and consent for site access have all been signed between Lihir Gold Limited and the affected land holders prior to any entry or works occurring.¹⁶⁶

Table 34: Mandatory expenditure reported by Lihir Gold Ltd

Recipient	Category	Type	Amount (PGK)
Impacted areas	Statutory compensation	Cash	12,068,838
Lihir Wide	Economic	Cash / In-kind	12,965,714
Lihir Wide	Infrastructure	Cash / In-kind	16,802,119
Lihir Wide	Health	In-kind	1,478,732
Lihir Wide	Education	In-kind	3,179,675
Total			46,495,078

Discretionary

Discretionary expenditures by Lihir include improved access to employment, health and education opportunities; community infrastructure and services, for example, road access and maintenance, electricity and clean water supply; income-generating activities, for example, local employment, local-level business development training, supply opportunities and support for local agricultural businesses; and improved community lifestyle, for example, sponsorship of local and regional events and sporting activities.¹⁶⁷

Table 35: Discretionary expenditure reported by Lihir Gold Ltd

Recipient	Category	Type	Amount (PGK)
Lihir Wide	Economic	Cash / In-kind	3,423,397
Lihir Wide	Infrastructure	Cash / In-kind	14,354,151
Lihir Wide	Health	In-kind	32,395,741
Lihir Wide	Education	In-kind	628,737
Lihir Wide	Law & Order	In-kind	1,703,109
Total			52,505,135

In 2020, Lihir made other economic cash / in-kind payments which amounted to PGK1,150,247.

Subnational

Table 36: Subnational payments reported by Lihir Gold Ltd

Revenue stream	Recipient / Reported to	Type	Amount (PGK)
Royalties	Local / Provincial Government	Cash	76,175,473
	Landholders	Cash	18,091,675
Production Levy	Mineral Resource Authority	Cash	16,286,452

¹⁶⁶ 2020 Newcrest Sustainability Report page 56, https://www.newcrest.com/sites/default/files/2020-11/201104_Newcrest%202020%20Sustainability%20Report_0.pdf, accessed 26 December 2022

¹⁶⁷ 2020 Newcrest Sustainability Report page 28, https://www.newcrest.com/sites/default/files/2020-11/201104_Newcrest%202020%20Sustainability%20Report_0.pdf, accessed 26 December 2022

6.4.4 MCC Ramu Nico Ltd (Ramu Nickel, Kurumbukari mine)

Mandatory

Table 37: Mandatory expenditure reported by MCC Ramu Nico

Category	Recipient	Type	Amount (PGK)
Statutory compensation	Payment to landowners	Cash	2,726,487
Economic	Communities	Cash	785,148
Economic	Business contract with locals	Cash	12,499,989
Total			16,011,624

Discretionary

Table 38: Discretionary expenditure reported by MCC Ramu Nico

Category	Type	Amount (PGK)
Economic	Cash	13,988,150
Capacity building	Cash	196,826
Health	Cash	4,919,015
Education	Cash	185,888
Total		19,289,879

Subnational

Table 39: Subnational payments reported by MCC Ramu Nico

Revenue stream	Recipient / Reported to	Type	Amount (PGK)
Royalties	Local / Provincial Government	Cash	4,179,287
	Landholders	Cash	15,504,262
Production Levy	Mineral Resource Authority	Cash	4,640,977

6.4.5 Morobe Consolidated Goldfields Ltd (Hidden Valley Mine)

Mandatory

Table 40: Mandatory social expenditure reported by Morobe Consolidated Goldfields

Recipient	Category	Type	Amount (PGK)
Landowner Groups	Statutory compensation	Cash	612,000
Local communities	Infrastructure	Cash	1,698,972
Local Communities	Capacity Building	Cash	3,919,648
Local community	Agriculture & Fisheries	Cash	7,781
Total			6,238,402

- Infrastructure include assistance with equipment and costs for village roads and other infrastructure in accordance with Hidden Valley MOA - Clause 28 - Contribution to Physical and Social Infrastructure.

- Capacity building relate to Hidden Valley Community Affairs Department costs incurred from implementation of MOA / Statutory commitments (excluding compensation).
- Agriculture and fisheries include community agriculture programs in accordance with MOA - Clause 28 - Contribution to Physical and Social Infrastructure.

Discretionary

Table 41: Discretionary social expenditure reported by Morobe Consolidated Goldfields

Recipient	Category	Type	Amount (PGK)
Employees direct dependents	Education	Cash	1,094,837
Total			1,094,837

- Education expenditures include Primary and Secondary School Education Assistance for PNG Employees Program.

Subnational

Table 42: Subnational payments reported by Morobe Consolidated Goldfields

Recipient	Subnational payment/ Other payments	Payment type	Amount (PGK)
Local / Provincial Government	Royalties	Cash	11,875,090
Landholders	Royalties	Cash	8,863,906
PNG Government	Production Levy	Cash	4,116,551
Hidden Valley Mine Trust benefit share royalty paid under a Trust Deed to HV landowners	Other payments	Cash	1,674,690

6.4.6 Simberi Gold Limited (Simberi Mine)

Mandatory

Table 43: Mandatory social expenditure reported by Simberi Gold

Recipient	Category	Type (Reference)	Amount (PGK)
SGCL/Landowner Groups	Statutory compensation	Cash - Compensation Agreement (1996)	641,687
SGCL/Landowner Groups	Economic	Cash - Munun Compensation Agreement (2016)	252,449
Total			894,136

Discretionary

Table 44: Discretionary social expenditure reported by Simberi Gold

Recipient	Category	Type	Amount (PGK)
SGCL/Landowner Groups	Infrastructure	In-Kind	1,067,093
Community Assistance	Agriculture and Fisheries	Cash	500,800
Total			1,567,893

Infrastructure expenditures pertain to ring road maintenance.

Subnational

Table 45: Subnational payments reported by Simberi Gold

Recipient	Type	Amount (PGK)
Local government	Cash	1,112,197
Landholders	Cash	9,049,747
Total		10,161,944

Other payments reported by Simberi Gold are royalty payments direct to PNG Government which amounted to PGK 2,988,392.

6.5 Social and subnational payments by PNG entity: oil and gas

6.5.1 ExxonMobil (PNG LNG project total)

Sub-national and other payments

Table 46: Subnational and other payments by ExxonMobil

Recipient	Subnational payment/ Other payments	Payment type	Amount (PGK)
PNG Government	Royalties	Cash	70,050,430
DPE	Development levy	Cash	126,197,078

6.5.2 Total E&P PNG Limited

Mandatory

Total E&P PNG Limited reported zero contribution to the mandatory expenditure.

Discretionary

Table 47: Discretionary social expenditure reported by Total

Recipient	Category	Type / Purpose	Amount (PGK)
Various Landowners	Statutory compensation	Cash	1,123,393
National Volunteer Service	Education	In-kind (adult literacy)	87,000
Port Moresby Technical College	Education	In-kind (workforce development)	1,542,100
Total			2,752,493

6.5.3 Oil Search

Mandatory

Oil Search reported zero contribution to the mandatory expenditure.

Discretionary

Table 48: Discretionary expenditure reported by Oil Search

Recipient	Type	Amount (PGK)
Community investment	Cash	86,109,023

6.5.4 Kumul Petroleum Holdings (KPH)

Discretionary

Table 49: Discretionary social expenditure reported by KPH

Recipient	Category	Type	Purpose	Amount (PGK)
Community	Economic	Cash	Charity Organisation Support	21,000
Community	Economic	Cash	Church Program Support	501,000
Community	Economic	Cash	Community Projects Support	5,077,361
Community	Health	Cash	Emergency Assistance	1,369,980
Government	Economic	Cash	Government Support	741,031
Community	Capacity building	Cash	Professional Organisation Support	121,731
Community	Economic	Cash	Project Areas LO Support	3,883,950
Community	Economic	Cash	Sports Sponsorship	6,308,581
Community	Education	Cash	Student Sponsorship Program	5,261,478
Total				23,286,112

Quasi-fiscal expenditure

Table 50: Quasi-fiscal expenditure reported by KPH

Recipient	Category	Type	Purpose	Amount (PGK)
DPE	Law and Order	Cash	Clan Vetting Exercise with DPE	1,662,371
Community	Economic	Cash	Gas Agreement/SNT	3,077,539
DPE / NEC / NEA	Economic	Cash	Government Support - DPE/NEC/NEA	688,109
Government / Community	Law and Order	Cash	Government Support - Nation Building Policies	246,093
Community	Infrastructure	Cash	Government Support - Rural Electrification	17,774,923
Government / Community	Law and Order	Cash	Oil and Gas Policy Framework	2,293,122
Port Moresby General Hospital	Health	Cash	PMGH Cardiology Services Support Program	4,254,357
Angau Cancer Services	Health	Cash	ANGAU Cancer Services Support Program	409,724
Total				30,406,238

Subnational

Table 51: Subnational payments reported by KPH (paid by PNG LNG on behalf of KPH)

Revenue stream	Recipient / Reported to	Type	Amount (PGK)
Royalties	Landholders	Cash	7,215,466
Development Levy	Department of Petroleum and Energy	Cash	5,631,628

6.5.5 MRDC Ltd (multiple projects)

Mandatory

MRDC reported zero mandatory social expenditure for 2020 reporting period.

Discretionary

MRDC reported the following social expenditures for 2020. The IA notes that, same as 2019, there are significant payments to “public relations” for 2020.

Table 52: Discretionary expenditure reported by MRDC

Subsidiary/trust entity	Category	Expenditure details	Amounts (PGK)
Petroleum Resources Kutubu (PRK)	Others	Donations	1,690,441
	Others	Public relations	7,615,829
Petroleum Resources Gobe Ltd (PRG)	Others	Public relations	343,487
Petroleum Resources Moran Ltd (PRM)	Others	Public relations	294,592
Mineral Resources Star Mountain Ltd (MRSM)	Others	Public relations	1,815,116
Mineral Resources OK Tedi Limited (MROT)	Others	Public relations	2,086,738
Mineral Resources Enga Limited (MRE)	Others	Donations	646,138
	Others	Public relations	2,061,036
Gas Resources PNG LNG Plant Limited (GRS)	Others	Public relations	1,549,400
Gas Resources PNG LNG Pipeline Ltd (GRP)	Others	Public relations	437,718
Mineral Resources CMCA Holding Ltd (MR CMCA)	Others	Public relations	598,280
Gas Resources Hides No.4 Limited (GRH)	Others	Public relations	572,939
Gas Resources Gigira Limited (GRG)	Others	Public relations	997,335
Gas Resources Angore Ltd	Others	Public relations	312,850
Gas Resources Juha No.1 Limited (GRJ)	Others	Public relations	305,000
Total			21,326,899

MRDC also reported landowner meeting expenses amounting to PGK12,387,249.

Quasi-fiscal expenditure

Table 53: Quasi-fiscal expenditure reported by MRDC

Trust entity	Category	Type	Purpose	Amount (PGK)
Petroleum Resources Kutubu (PRK)	Economic	Cash	Assistance to Government Agencies	244,600
	Economic	Cash	Sponsorships to Sporting Bodies	2,025,055
Mineral Resources OK Tedi Limited (MROT)	Economic	Cash	Assistance to Government Agencies	221,500
Gas Resources PNG LNG Pipeline Ltd (GRP)	Economic	Cash	Sponsorships to Sporting Bodies	700,000
Total				3,191,155

Subnational

MRDC facilitates subnational transfers as the trustee of interests in extractive projects on behalf of subnational governments and landowner groups. For more detail, see section 9.6 of this report.

6.5.6 Ok Tedi Mining Limited (Mt Fubilan Mine)

Mandatory

Table 54: Mandatory expenditure reported by Ok Tedi Mining Limited

Recipient	Category	Type	Amount (PGK)
CMCA and Mine Villages	Statutory compensation	Cash	49,700,000
Total			49,700,000

Discretionary

There are zero voluntary expenditure reported by Ok Tedi Mine in 2020.

Some further detail on Ok Tedi's social expenditures by category can be found in its Annual Review.¹⁶⁸

Quasi-fiscal expenditure

Table 55: Quasi-fiscal expenditure reported by Ok Tedi Mining Limited

Recipient	Category	Type	Amount (PGK)
Community	Infrastructure	Cash (Tabubil Kiunga Road maintenance)	41,089,993
Community	Health	Cash (Tabubil & Kiunga Hospital)	15,964,399
Company	Health	Cash (Covid Test)	3,364,570
Total			60,418,962

Subnational

Table 56: Subnational payments reported by Ok Tedi Mining Limited

Recipient / Reported to	Subnational payment/ Other payments	Payment type	Amount (PGK)
Fly River Provincial Government	Royalties	Cash	33,978,402
Mine Villages Landowners	Royalties	Cash	30,113,705
Mineral Resources Authority	Production Levy	Cash	15,898,838

¹⁶⁸ Ok Tedi Mining Limited Annual Review 2020, pp. <https://oktedi.com/who-we-are/annual-performance/>, accessed 26 December 2022



Mining

7. Mining

7.1 Overview of mining operations in 2020

The mining companies included in this report (see Chapter 2) are listed below. Companies deemed material were associated with mines that were either in operation or in advanced stages of pre-production. We have included some additional mines for completeness.

Table 57: Mining companies 2020

Reporting entity (mine – licence)	Mining operator and Joint Venture (JV) partners	Notes
Material companies		
Barrick (Niugini) Ltd (Porgera mine – SML 1 (P))	Barrick Niugini Ltd (operator) – 50% owned by Barrick Gold Corporation and 50% by Zijin Mining Group MRDC (managing funds for Mineral Resources Enga Ltd (MREL 5%))	Tenement expired
K92 Mining Ltd (Kainantu – ML150)	K92 Mining Inc.	Producing in 2020
Lihir Gold Ltd (Lihir/Luise Caldera mine – SML 6)	Lihir Gold Ltd is 100% owned by Newcrest Mining Ltd	Producing in 2020
MCC Ramu NiCo Ltd (Kurumbukari mine, Ramu – SML 8)	MCC Ramu NiCo Ltd (operator) Highlands Pacific Limited Mineral Resources Madang Ltd Mineral Resources Ramu Ltd	Producing in 2020
Morobe Consolidated Goldfields Ltd (Hidden Valley mine – ML 151)	100% owned by Morobe Consolidated Goldfields Ltd	Producing in 2020
Ok Tedi Mining Limited (Mt Fubilan) SML 1 (O)	Ok Tedi Mining Limited (operator)	Producing in 2020
Simberi Gold Company Ltd (Simberi mine – ML136)	Simberi Gold Co. Ltd (operator) is 100% owned by St Barbara	Producing in 2020
Companies included for completeness		
Anomaly Ltd (Mt Crater mine)*	Anomaly Ltd (Crater Gold)	Expiry date 4 November 2019
Frieda River Ltd (Frieda River)*	PanAust and Highlands Pacific JV for 2018. 100% owned by PanAust from May 2019	(SML Application lodged)
Newcrest PNG 2 and Wafi Mining Ltd (Wafi-Golpu)*	Newcrest and Harmony JV	(SML Application lodged)
Niuminco Edie Creek Ltd (Edie Creek mine – ML 144)*	Niuminco Edie Creek Ltd	Producing in 2020
Woodlark Mining Ltd (Woodlark – ML508)*	Geopacific Resources Ltd	Not producing in 2020

7.2 Mines operating in 2020

This section of the report presents details on the mining projects active in PNG during 2020. Any changes that occurred to the ownership structures during the 2020 reporting period are noted. Export values included in summaries are free on board (FOB) values reported by the MRA. FOB values are the values recorded by customs when the mining commodities are exported.

Ownership information

In the ownership structure figures, the yellow boxes identify the operator of the mine, (or in some cases the owner of the operator). This is the reporting entity that provides the majority of EITI reporting information. The other joint venture owners were also asked to provide contextual information and to notify the amount of tax paid for the data reconciliation process. Beneficial ownership (to the extent known) is shown in blue.

Data compliance and reconciliation

The following discussion of projects includes an overview of the completeness of the data provided for each project, as indicated in the legend below. Where entities provided incomplete information, we requested an explanation.

Data provided

- Provided in full
- Substantially provided
- Partially provided

We have also included the status of reconciliation, as indicated in the legend below. Reconciliation of revenue is further discussed in Chapter 10 Reconciliation of revenue streams.

Status of reconciliation

- ◆ Fully reconciled
- ◆ Partially reconciled
- ◆ Not reconciled

7.2.1 Alluvial mining sector

The MA allows people to mine for alluvial minerals on their own land by non-mechanical means without the need for a mining licence, provided that the land is not the subject of a tenement (other than exploration licence) and that the mining is carried out safely.¹⁶⁹ This sector is therefore largely unmonitored, and there is limited information about its size. In 2016, the MRA estimated that there were up to 80,000 small-scale miners in this category, 4,000 of whom had completed training at the MRA's small-scale mining center in Wau.¹⁷⁰

Small-scale mining conducted with powered machinery requires an Alluvial Mining Lease or Mining Lease (for alluvial purposes) from the MRA. The former is granted for up to five hectares of land that is a riverbed and extends no further than 20 meters from any riverbed. The latter may cover up to 60km². There is a requirement for a minimum 51% ownership by PNG nationals.¹⁴⁰ Per MRA, there are more than 80,000 miners in Papua New Guinea.¹⁷¹

¹⁶⁹ Mining Act 1992 s.9, http://www.paclii.org/cgi-bin/sinodisp/pg/legis/consol_act/ma199281/ma199281.html?stem=&synonyms=&query=Mining%20Act%201992, accessed 10 December 2020

¹⁷⁰ MRA, interview 28 November 2016, a more recent estimate has not been obtained.

¹⁴⁰ Mining Act 1992 s. 38, http://www.paclii.org/cgi-bin/sinodisp/pg/legis/consol_act/ma199281/ma199281.html?stem=&synonyms=&query=Mining%20Act%201992, accessed 10 December 2020

¹⁷¹ MRA, Alluvial Mining Policy 2021 <https://mra.gov.pg/wp-content/uploads/2022/05/Alluvial-Mining-Policy.pdf>, accessed 26 December 2022

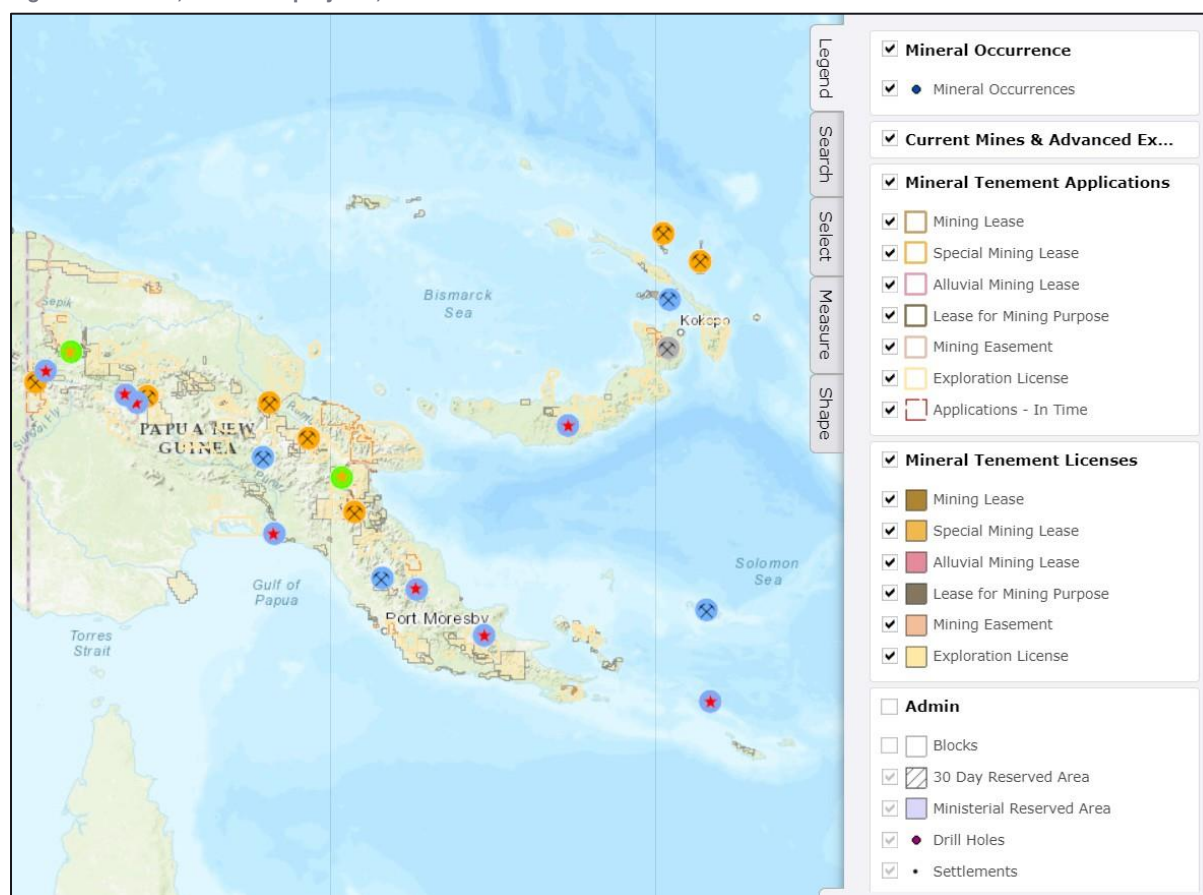
Alluvial miners sell their gold to traders, who then on-sell it to one of 18 licenced exporters regulated by the Bank of PNG below.

- | | |
|-------------------------------------|-------------------------------------|
| ▶ Aviga Impex Ltd | ▶ Mi-Do Gold Buyers & Exporters Ltd |
| ▶ Bougainville Gold Exchange Ltd | ▶ MNK Jewellers PNG Ltd |
| ▶ Gold Exports Ltd | ▶ Niiella AU Ltd |
| ▶ Golden Valley Ltd | ▶ Panners Gold Ltd |
| ▶ International Bullion Group Ltd | ▶ Vertic Ltd |
| ▶ Issacc Lete Lumbu Gold Buyers Ltd | ▶ Armstrong Precious Metals Ltd |
| ▶ Italpreziosi South Pacific Ltd | ▶ Bullion Scope Ltd |
| ▶ Meekom Minerals Ltd | ▶ Jia Gold Holdings Ltd |
| ▶ Metals Refining Operations Ltd | ▶ Soi Gold Exports Ltd |

The MRA checks the export forms and raises levies on the export. Revenue for alluvial exports through licensed exporters in 2020 amounted to PGK300 million¹⁷².

Figure 20 below shows Cadastre Portal and Mineral Tenement Map. This Mining Cadastre Portal provides an e-government platform for all stakeholders in the mining sector of Papua New Guinea to engage directly with the Mineral Resource Authority (MRA), the custodians of Papua New Guinea's mineral wealth¹⁷³

Figure 20: Mines, advanced projects, and alluvial mineral districts 2020.



¹⁷² <https://www.pngbusinessnews.com/articles/2022/4/alluvial-gold-mining-export-revenue-increases>, accessed on 15 December 2022

¹⁷³ <https://portal.mra.gov.pg/Site/MapPage.aspx?PageID=e735c534-5f4e-4b2b-a544-89b90357e0f1>, accessed on 15 December 2022

7.2.2 Barrick Niugini Ltd (Porgera mine)^{142 143}

Table 58: Compliance summary Porgera Mine

Joint Venture partners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Non-financial information	Subnational payments	Status of reconciliation
Barrick Niugini Limited	IPA under upgrade	IPA under upgrade	●	●	●	◆
Mineral Resources Enga Ltd	IPA under upgrade	IPA under upgrade	Provided by operator	Provided by operator	Provided by operator	Not required

Figure 21: Porgera production data, as reported by MRA

Minerals	Gold and silver
Province	Enga
Mine opened	1989
Mine life (years)	2025
Tenement	SML1 (P), ML101
2020 export value	PGK960,139,048



The Porgera Joint Venture is an open pit and underground gold mine located at an altitude of 2,200-2,600 meters in the Enga Province of Papua New Guinea, about 600 kilometres north-west of Port Moresby. Barrick and Zijin Mining Group each own 47.5% of the operation, with the remaining 5% interest held by Mineral Resources Enga.¹⁷⁴

Porgera mine is a major contributor not only to the Mining and Quarrying Sector GDP but also the overall GDP. In 2019 alone, it contributed to 16.3 per cent of Mining and Quarrying real GDP, which translated to 2.0 per cent of real GDP for 2020.

In 2020, the closure of Porgera in April as the Government decided not to renew the previous lease over the mine, which was with Barrick Niugini and Zijin Mining, known as the Porgera Joint Venture, had a major impact on the overall economy.

At the time of closure, Porgera production output was only 30.3 per cent of total production projected for 2020, which contributed to 0.6 per cent to total real GDP growth.¹⁴²

¹⁴²2014 Budget, Volume 1 (treasury.gov.pg), accessed 12 December 2022

¹⁷⁴ Porgera Operations, <https://www.barrick.com/English/operations/porgera/default.aspx>, accessed 12 December 2022

Table 59: Financial highlights Porgera mine

Statement of comprehensive income	USD (million)*	Project gross balances^	PGK*
Revenue	140	295	1,021
Cost of sales	-106	-223	-772
EBITDA	7	17	59
Income for the year	-18	-38	-131

*Extracted from Barrick Gold Corporation, page 90 Porgera Papua New Guinea Summary of Operating and Financial Data, Annual Report¹⁷⁵

^Recalculated based on effective share percentage by Barrick Gold Corporation (47.5%)

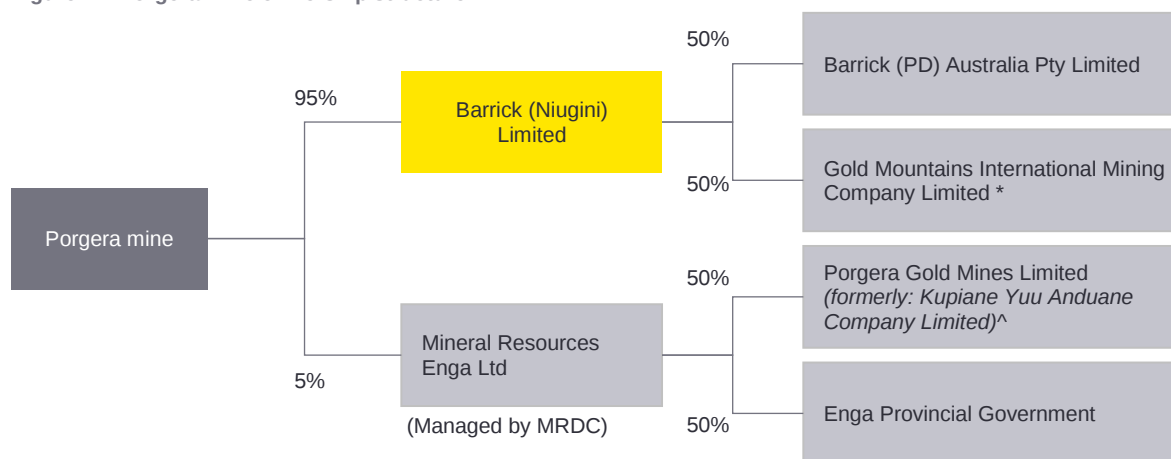
+Converted using BPNG Average USD exchange rate (USD1: PGK3.460)

Table 60: Share of owners and consolidated payments on Porgera mine

Owners	Share from Joint Venture^				Consolidated receipts reported by government agencies
	Percentage	Gross sales	EBITDA	Net income (loss)	
Barrick Niugini Limited	95.00%	969,950,000	56,050,000	(124,450,000)	186,416,974
Mineral Resources Enga Ltd	5.00%	51,050,000	2,950,000	(6,550,000)	2,333,326

Barrick Niugini Limited reported payments as an operator of the project, hence, certain payments to Government Agencies are on behalf of the Mineral Resources Enga Ltd.

Figure 22: Porgera mine ownership structure



*Wholly-owned subsidiary of Zijin Mining Group Limited – Hong Kong Listed

^ Owned by 25 Sub-clans and Porgera Development Authority per Annual return submitted on 31 January 2020

¹⁷⁵ Barrick Gold Corporation, Annual Report, https://s25.g4cdn.com/322814910/files/doc_financial/annual_reports/2020/Barrick-Annual-Report-2020.pdf, accessed 26 December 2022

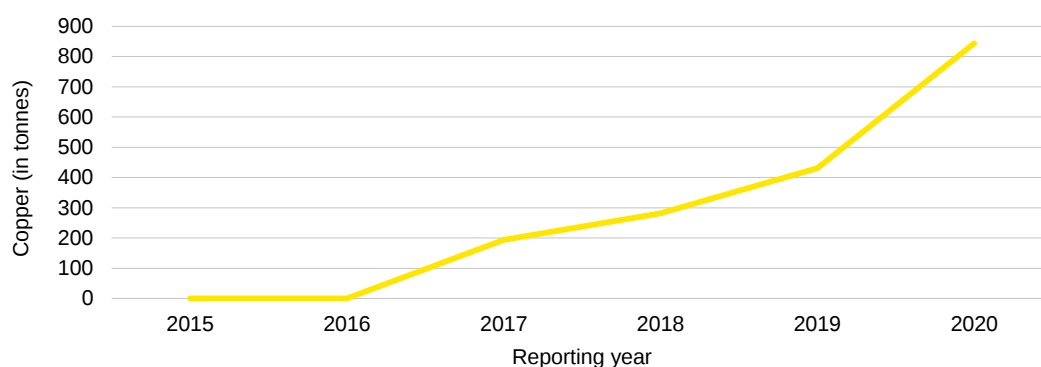
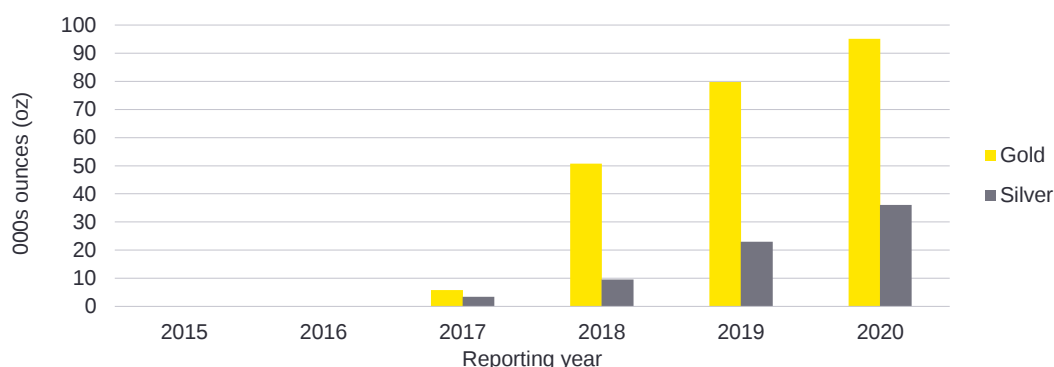
7.2.3 K92 Mining Ltd (Kainantu)

Table 61: Compliance summary K92 mine

Owner	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Nonfinancial information	Subnational payments	Status of reconciliation
K92 Mining Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆

Figure 23: Kainantu mine production data, as reported by MRA

Minerals	Gold, Silver and Copper
Province	Eastern Highlands
Mine opened	2005
Mine life (years)	9 years ¹⁷⁶
Tenement	ML150
2020 export value	PGK 547,778,424



The Kainantu mine is located in the eastern Papuan Mobile Belt and in May 2017, a northern extension to the 1.65 Moz AuEq inferred Kora deposit was discovered, called Kora North. This discovery ultimately combined the Kora, Eutompi and Kora North deposits into what is now known as the Kora deposit. In February 2022, following extensive underground drilling focused on upgrading Inferred resources to Measured & Indicated, K92 announced its updated Kora Resource of 2.1moz at 9.2g/t AuEq Measured and Indicated and 2.5moz at 9.5g/t AuEq Inferred. In addition, a maiden Judd Resource was announced just over a year after the discovery of high-grade underground mineralization in Q4 of 2020. The Judd main resource currently stands at 0.13moz at 11.0g/t AuEq Measured and Indicated and 0.18moz at 5.7g/t AuEq Inferred.¹⁷⁷

¹⁷⁶ Mine Life, <https://miningdataonline.com/property/656/Kainantu-Mine.aspx>, accessed 10 December 2022

¹⁷⁷ K92 Mining, <https://k92mining.com/kainantu-mine/>, accessed 26 December 2022

Table 62: Financial highlights K92 mining project

Statement of Comprehensive Income ¹⁷⁸	PGK
Revenue	550,537
Cost of sales	-254,047
Expenses	-57,208
Others	-9816
Income tax expense	-84,064
Income for the year	145,438
Cumulative translation adjustment	1,118
Comprehensive income for the year	146,555

Segment PNG income	USD*	PGK*
PNG	51,691	178,851
Canada	-9,657	-33,413
Income for the year	42,034	145,438

*Extracted from K92 Mining Inc Annual Report¹⁷⁹

+Converted using BPNG Average USD exchange rate (USD1: PGK3.460)

Record annual revenue of US\$159.1 million, increasing 56% from 2019. Record annual gold equivalent production of 98,872 oz or 95,109 oz gold, 1,853,078 lbs copper and 36,067 oz silver, representing a year-over-year AuEq increase of 20%.

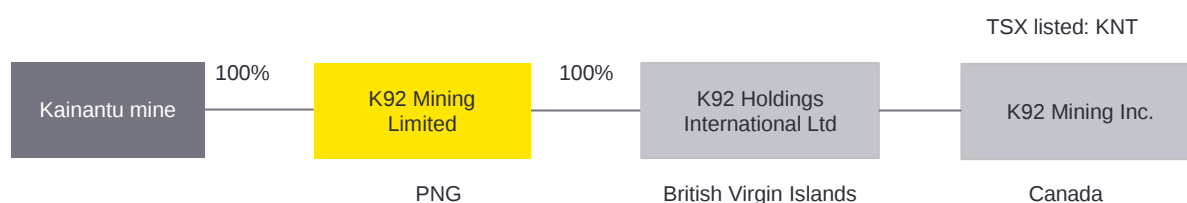
Number of drill rigs increased to 10 at the end of the year, with plans to drill Kora, Kora South, Karempa and Judd epithermal vein systems, plus the Blue Lake porphyry concurrently.¹⁸⁰

Table 63: Project revenue and consolidated payments on Kainantu project

Project	Revenue	Income for the year	Consolidated receipts reported by government agencies
Kainantu	550,572,500	145,437,640	58,489,392

The main payments to government agencies are SWT, CIT and royalties.

Figure 24: Kainantu mine ownership structure



Operations commenced in 2006 but the mine was placed into care and maintenance in 2009. It remained in this state until 2015, when K92 acquired the project, restarting production in 2017.¹⁸¹ In December 2020, K92 listed on the Toronto stock exchange.

¹⁷⁸ K92 Mining Statement of Comprehensive Income (Standalone) was separately provided by K92 management

¹⁷⁹ K92 Mining Inc., 31 December 2020 Annual Report <https://k92mining.com/investor/#filings>, accessed 13 December 2022

¹⁸⁰ K92 Mining Inc., 31 December 2020 [K92 Mining Releases Strong 2020](https://www.k92mining.com/operations/), accessed 13 December 2022

¹⁸¹ K92 Mining Inc., <https://www.k92mining.com/operations/>, accessed 13 December 2022.

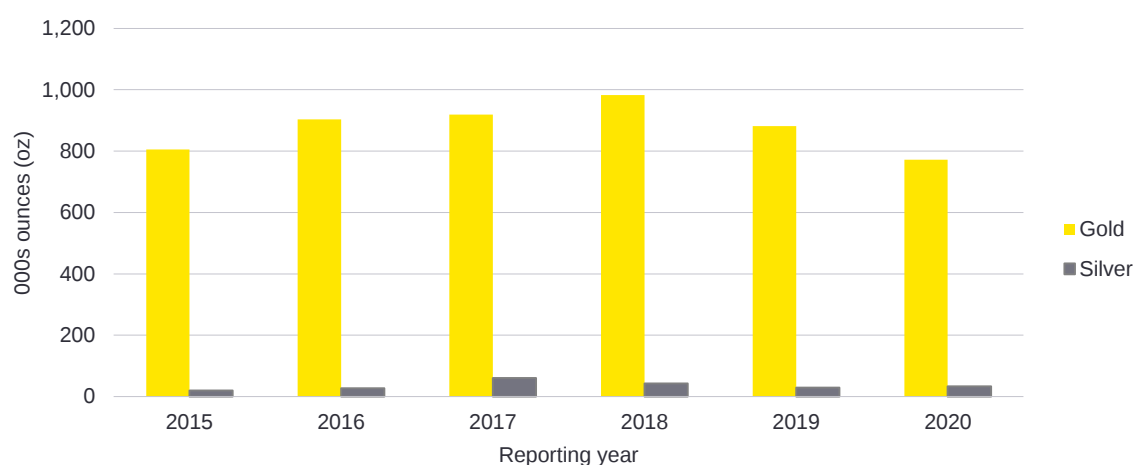
7.2.4 Lihir Gold Ltd (Luise Caldera mine)

Table 64: Compliance summary Lihir mine

Owner	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Nonfinancial information	Subnational payments	Status of reconciliation
Lihir Gold Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆

Figure 25: Luise Caldera production data, as reported by MRA

Minerals	Gold and silver
Province	New Ireland
Mine opened	1997
Mine life (years)	20+ (gold reserves estimated at 23m oz) ¹⁸²
Tenement	SML6, ML125, 126
2020 export value	PGK4,777,472,448



Lihir island is located on a geothermally active extinct volcanic crater. Most of the ore that Lihir produces is refractory and treated using pressure oxidation before the gold is recovered by a conventional leach process.¹⁸³

Table 65: Financial highlights Lihir Gold Limited

Statement of comprehensive income (consolidated)	USD (million)*	PGK ⁺
Revenue	3,922	13,570
Cost of sales	-2,568	-8,885
Exploration expenses	-64	-221
Corporate expenses	-117	-405
Other income/expenses	-17	-59
Finance income	19	66

¹⁸² Newcrest Annual Mineral Resource and Ore Reserves Statement – 31 December 2020 (Page 8)

https://www.newcrest.com/sites/default/files/2020-02/200213_Newcrest%20Resources%20and%20Reserves%20Statement.pdf

Newcrest Briefing Book August 2020 (Page 33)

https://www.newcrest.com/sites/default/files/2020-08/200814_Newcrest%20FY20%20Full%20Year%20Results%20-%20Briefing%20Book.pdf

¹⁸³ Newcrest Mining, Our Assets, <https://www.newcrest.com/index.php/our-assets/lihir>, 13 December 2022

Statement of comprehensive income (consolidated)	USD (million)*	PGK ⁺
Finance cost	-190	-657
Income tax expense	-350	-1211
Income for the year	635	2,197

*Extracted from Lihir Gold Limited 30 June 2020 Annual Report¹⁸⁴

+Converted using BPNG Average USD exchange rate (USD1: PGK3.460)

Lihir Gold Limited increased its gold sales in 2020 compared to 2019. The company has a strong balance sheet with total assets of USD13.2 billion and limited borrowings.

Table 66: Project revenue and consolidated payments on Lihir Mine

Project	Revenue	Gross Profit from operations	Net income	Consolidated receipts reported by government agencies
Lihir	13,570,000,000	4,685,000,000	2,197,000,000	320,674,951

The main payments to government agencies are CIT, SWT, FCWT and royalties.

Figure 26: Lihir ownership structure



7.2.5 MCC Ramu Nico Ltd (Ramu Nickel, Kurumbukari mine)

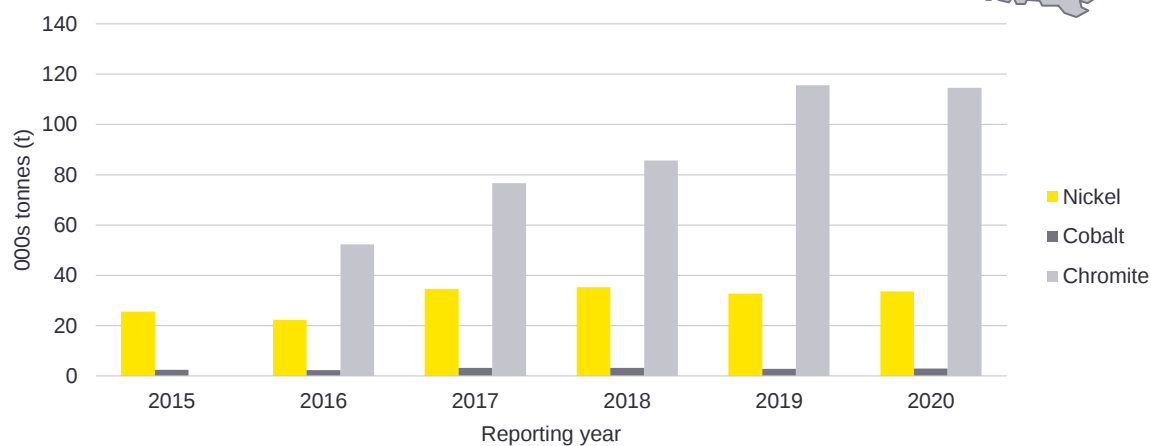
Table 67: Compliance summary Ramu

Joint Venture partners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Nonfinancial information	Subnational payments	Status of reconciliation
MCC Ramu Nico Limited	IPA under upgrade	IPA under upgrade	●	●	●	◆
Ramu Nickel Limited	IPA under upgrade	IPA under upgrade	Provided by operator	Provided by operator	Provided by operator	Not required
Mineral Resources Madang Limited	IPA under upgrade	IPA under upgrade	●	Provided by operator	●	Not required
Mineral Resources Ramu Limited	IPA under upgrade	IPA under upgrade	●	Provided by operator	●	Not required

¹⁸⁴ Lihir Gold Limited, 30 June 2020 Annual Report https://www.newcrest.com/sites/default/files/2021-10/201005_Newcrest_AR_2020_0.pdf, accessed 28 December 2022

Figure 27: Kurumbukari production data, as reported by MRA*

Minerals	Nickel, cobalt and chromite
Province	Madang
Mine opened	2012 (construction completed)
Mine life	30 ¹⁸⁵
Tenement	SML8
2020 export value	PGK1,383,842,850 ¹⁸⁶



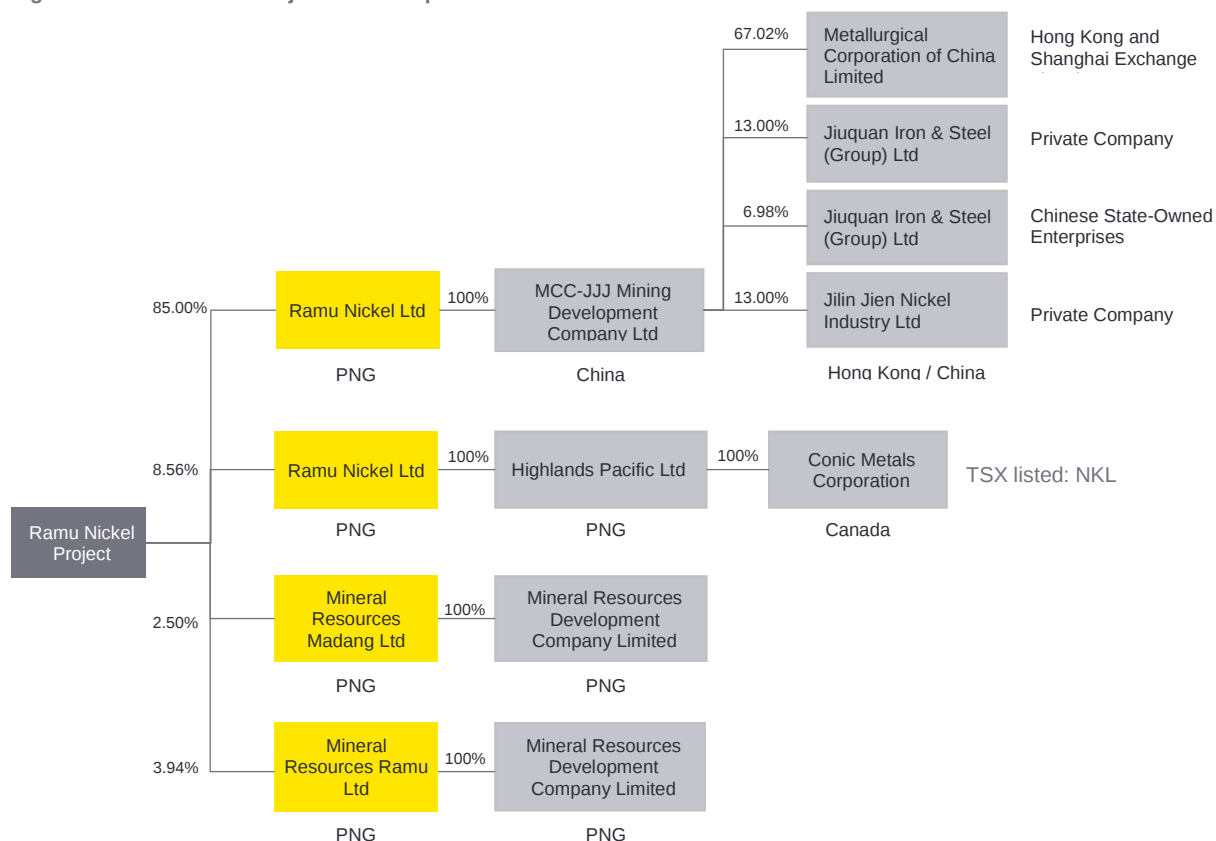
Chromite production was reported by MRA for 2016 but not for 2017 and 2018. Chromite production 2017 and 2018 values are from the operator.

IPA is still under upgrade and annual report submitted by MCC Ramu Nico Limited, if any, cannot be accessed as at reporting date. MCC Ramu Nico's annual report were used to derive the financial highlight numbers in 2019 PNG EITI Report.

¹⁸⁵ Mine Life, [https://miningdataonline.com/property/3323/Kurumbukari-\(Ramu\)-Mine.aspx](https://miningdataonline.com/property/3323/Kurumbukari-(Ramu)-Mine.aspx), accessed 10 December 2020

¹⁸⁶ Note: This value includes sales for Nickel, Cobalt and Chromite as the export value was provided for these commodities

Figure 28: Ramu Nickel Project ownership structure¹⁸⁷



The Ramu Nickel project includes the Kurumbukari Mine, Basamuk Refinery and Slurry Pipeline. The open pit mine is located on the Kurumbukari plateau. The slurry pipeline is 135km long, running from the mine to the refinery for processing. Most of the pipeline has been buried and has road access for ease of checking and maintenance. The Basamuk Refinery on the coast of Basamuk Bay conducts slurry treatment, high-pressure acid leaching, and various other refining methods.

¹⁸⁷ Ramu Nickel Cobalt, <http://www.highlandspacific.com/current-projects/ramu-nickel>, accessed 10 December 2020, MCC Ramu Nico Ltd, Annual Report, <https://www.ipa.gov.pg/pngcompanies/viewInstance/view.html?id=8e37697076d866e358912e7e4c2966661b332ae098065684#scrollTop> 2019 Annual Report available in Annual Return lodged in 16 October 2020, Metallurgical Corporation of China Limited, Annual Report, <https://webb-site.com/dbpub/docs.asp?p=51452>, Ramu Joint Venture Structure, page 25, <https://www.conicmetals.com/resources/presentations/corporate-presentation.pdf>

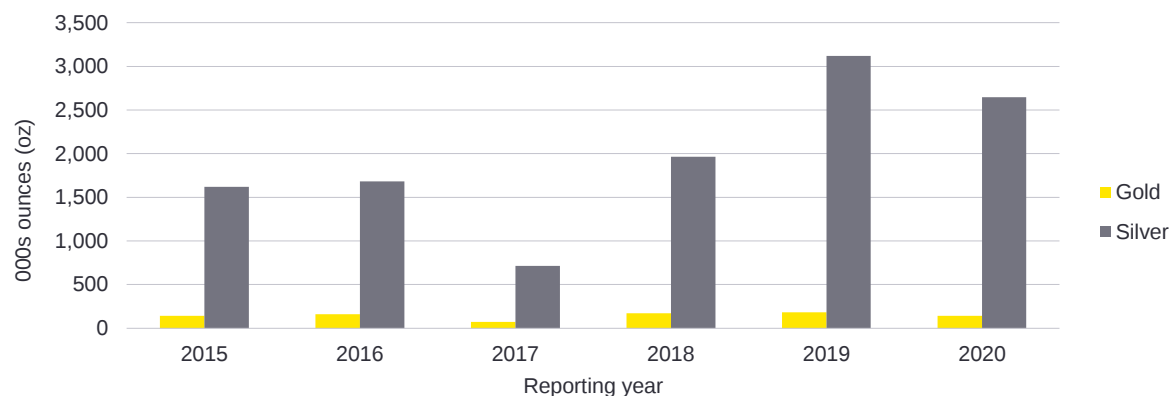
7.2.6 Morobe Consolidated Goldfields Ltd (Hidden Valley Mine)

Table 68: Compliance summary Hidden Valley

Owner	Annual Report publicly available	Annual Return updated in IPA	EITI requirements			
			Financial information	Status of reconciliation	Subnational payments	Status of reconciliation
Morobe Consolidated Goldfields Limited	IPA under upgrade	IPA under upgrade	●	●	●	◆

Figure 29: Hidden Valley production data, as reported by MRA

Minerals	Gold and silver
Province	Morobe
Mine opened	2009 (commenced production)
Mine life (years)	5 ¹⁸⁸
Tenement	ML151
2020 export value	PGK1,085,412,125 *



*Low volume in 2017 is due to expansion project which resulted in less production.

The Hidden Valley mine is an open pit gold and silver mine, situated in the Morobe province in Papua New Guinea, some 210km northwest of Port Moresby and approximately 90km south-southwest from Lae, the capital of the province. The mine is located at elevations between 2,800m and 1,700m above sea level within steep mountainous and forested terrain that experiences approximately 3m of rainfall per year. The major gold and silver deposits of Hidden Valley are located in the Morobe Granodiorite of the Wau Graben. Crushed ore is conveyed from the Hidden Valley pit via a 3.8km long overland pipe conveyor and is treated at the Hidden Valley processing plant, which uses a two-stage crushing circuit followed by a SAG mill, gravity, CCD/Merrill Crowe circuit for silver and carbon-in-leach circuit for the gold.¹⁸⁹

¹⁸⁸ Mine Life, <https://miningdataonline.com/property/186/Hidden-Valley-Mine.aspx>, accessed 10 December 2020

<https://www.bloomberg.com/profiles/companies/JQISGZ:CH-jiuguan-iron-&-steel-group-co-ltd>, accessed 10 December 2020. Jilin Jien Nickel Industry Co. Ltd listing from https://www.bloomberg.com/profile/company/600432:CH?in_source=PersonProfile, accessed 10 December 2020

¹⁸⁹ Hidden Valley Mine, Business PNG <https://www.harmony.co.za/business/png/hidden-valley>, accessed 18 January 2021

Hidden Valley has a single amalgamated environment permit EP-L3 (578) issued to Morobe Consolidated Goldfields Limited on 2nd of March 2005 and will expire on 29th of March 2030.¹⁹⁰

Table 69: Financial highlights Hidden Valley (30 June 2020)

Segment accounts	Rand (million)*	PGK ⁺
Revenue	3,748	748.5
Production cost	1,639	327.3
Production profit	2,109	421.2
Mining assets	3,810	760.9
Capital expenditure	959	191.5

*Extracted from Harmony Gold Mining Annual Financial Report¹⁹¹ (30 June 2020) Segment Reporting, page 129

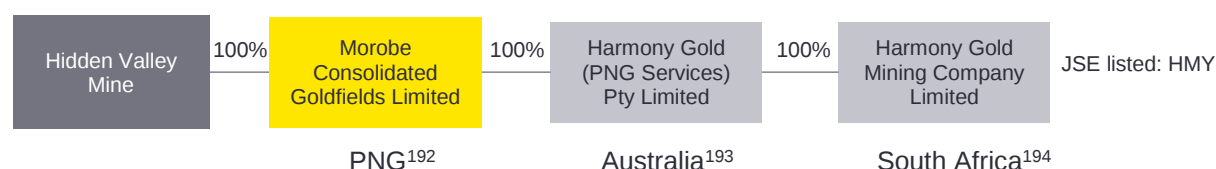
+Converted using BPNG Mid-Range (29 June 2020) Rand (South Africa) exchange rate (1PGK: ZAR 5.0072)

Table 70: Project revenue and consolidated payments on Hidden Valley Project

Project	Revenue	Production profit	Consolidated receipts reported by Government Agencies
Hidden Valley	748,522,128	421,193,481	56,092,980

The main payments to Government agencies are SWT and royalties. The project did not pay corporate income taxes in 2020.

Figure 30: Hidden Valley mine ownership structure



¹⁹⁰ Details provided by Morobe Consolidated Goldfields Limited, 9 December 2020

¹⁹¹ Harmony Gold Mining Company Limited, page 109 Notes to Financial Statements <https://www.har.co.za/19/download/HAR-IR19.pdf>, accessed 14 January 2021

¹⁹² Morobe Consolidated Goldfields Limited, Annual Return <https://www.ipa.gov.pg/pngcompanies/viewInstance/view.html?id=8e37697076d866e358912e7e4c2966668dd1aceb53bc7c32#scrollTop>, accessed 14 January 2021

¹⁹³ Ibid

¹⁹⁴ Harmony Gold Mining Company Limited, page 30 Notes to Financial Statements <https://www.har.co.za/19/download/HAR-IR19.pdf>, accessed 14 January 2021

7.2.7 Niuminco Edie Creek Ltd (Edie Creek mine)

Table 71: Compliance summary Niuminco Edie Creek

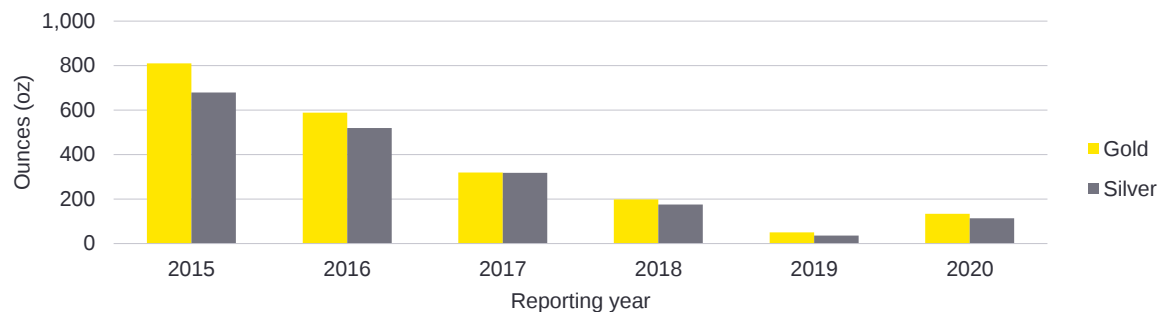
Owners	Annual Report publicly available	Annual Return updated in IPA	EITI requirements			
			Financial information	Non-financial information	Subnational payments	Status of reconciliation
Niuminco Edie Creek Limited	IPA under upgrade	IPA under upgrade	Not required	Not required	Not required	Not required
Niuminco EC Limited	IPA under upgrade	IPA under upgrade	Not required	Not required	Not required	Not required

Figure 31: Edie Creek production data, as reported by MRA

Minerals	Gold and silver ¹⁹⁵
Province	Morobe
Mine opened	2014*
Mine life (years)	10 ¹⁹⁶
Tenement	ML144, 380, 384-392, 402-410, 444-446, 462
2020 export value	PGK508,727



*Mining at Edie Creek has taken place since the late 1930s, but the current operation re-opened in 2014



The Edie Creek mine lies within the Bulolo gold mining province in the New Guinea highlands. The project shares a common boundary with the Harmony Gold Mining Co. Ltd mine at Hidden Valley, which is currently producing over 200,000 ounces of gold and 2,000,000 ounces of silver per year.¹⁹⁷

The Edie Creek mining leases have all been renewed until 2021 and 2022. Gold/silver pilot mining and production recommenced in February 2014.¹⁹⁸

¹⁹⁵ Edie Creek Mine, <https://www.niuminco.com.au/>, accessed 10 December 2020

¹⁹⁶ Operations, The Edie Creek Project, <https://niuminco.com.au/current-operations.html>, accessed 10 December 2020

¹⁹⁷ Ibid

¹⁹⁸ Ibid

Table 72: Financial highlights Niuminco Group Limited

Statement of comprehensive income	AUD*	PGK*
Revenue	293,119	697,565
Direct mining costs	-778,135	-1,851,806
Other gains (losses)	36,735	87,422
Depreciation	-102,651	-244,289
Interest expense	-58,408	-138,999
Other expenses	-830,916	-1,977,414
Income tax expense	-	-
Net income (loss)	-1,440,256	-3,427,521

*Extracted from Niuminco Group Limited Annual Report for the year-ended 30 June 2020. "Other expenses" included exploration costs on Bolobip and May River – PNG project amounting to AUD64,000 (PGK150,400)¹⁹⁹

+Converted using BPNG Average AUD exchange rate (AUD1: PGK2.3798)

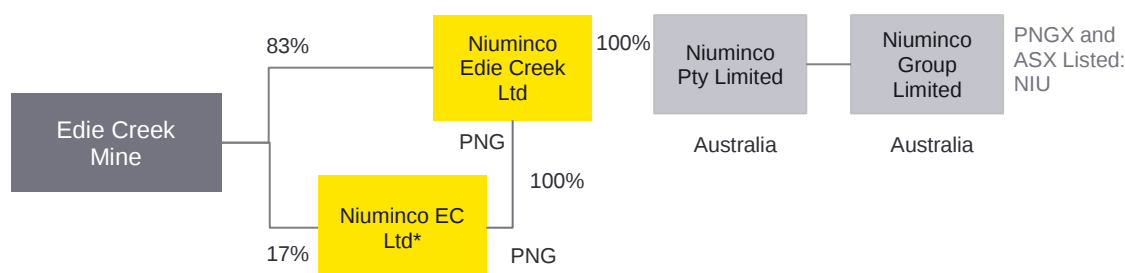
The Directors are of the opinion that there are reasonable grounds to expect that the Group's operational and financial performance will improve and will be able to continue as going concern. ²⁰⁰

Table 73: Project revenue and consolidated payments of Edie Creek Mine

Project	Revenue	Net Loss	Consolidated receipts reported by Government Agencies
Edie Creek Mine	697,565	-3,427,521	-

The project did not pay any taxes in 2020, given the losses incurred.

Figure 32: Edie Creek mine ownership



* The Group has executed an agreement to purchase the remaining 17% interest in the Edie Creek mining leases held by their former JV partner, Mincor PNG Limited, for a purchase price of \$150,000. This is included as a current payable within trade creditors on 30 June 2019 (page 30, Notes to Financial Statements).²⁰¹

¹⁹⁹ Niuminco Group Limited, 2020 Annual Report, [Microsoft Word - NIU 2020 Annual Report 23 Nov \(niuminco.com.au\)](https://www.niuminco.com.au), accessed 13 December 2022

²⁰⁰ Ibid

²⁰¹ Ibid

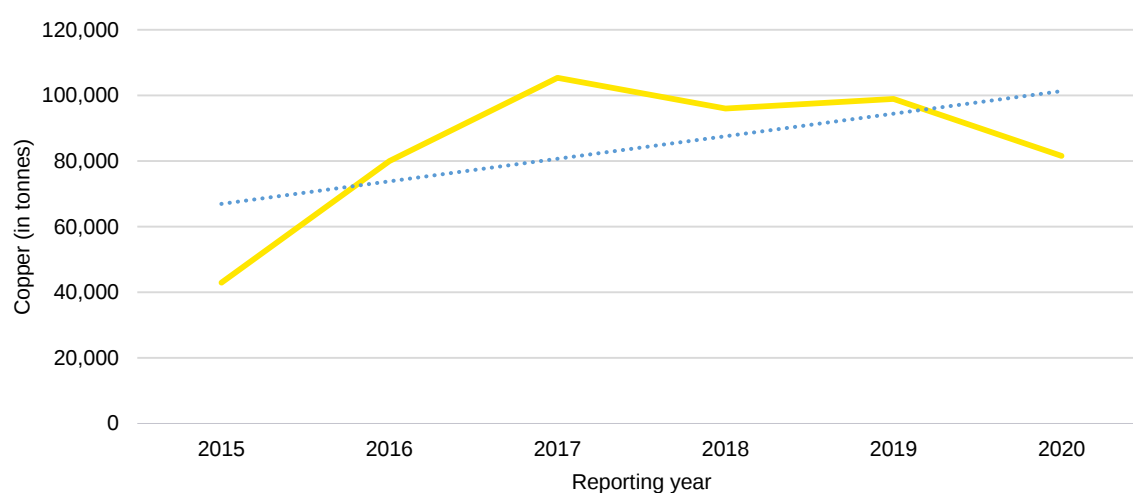
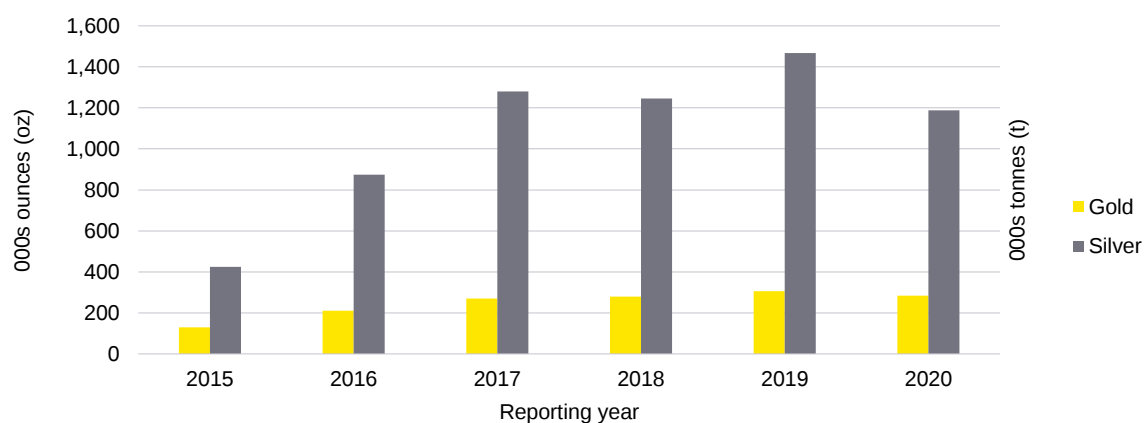
7.2.8 Ok Tedi Mining Limited (Mt Fubilan mine)

Table 74: Compliance summary Mt. Fubilan

Owner	Annual Report publicly available	Annual Return updated in IPA	EITI requirements			
			Financial information	Nonfinancial information	Subnational payments	Status of reconciliation
Ok Tedi Mine Limited	Yes	IPA under upgrade	●	●	●	◆

Figure 33: Mt Fubilan production data, as reported by MRA

Minerals	Copper, gold and silver
Province	Western
Mine opened	1984
Mine life	to 2025 ²⁰²
Tenement	SML1 (O)
2020 export value	PGK3,737,789,133



²⁰² Ok Tedi Mining Limited Annual Review 2017, p. 97, <https://oktedi.com/who-we-are/annual-performance/annual-performance-2017/>. Accessed 11 December 2020

Production results during the 2020 year were impacted by a suspension of operations on 5 August 2020 in response to the first cases of COVID-19 recorded in Tabubil. The other major unplanned disruption to operations occurred on 20 December 2020 when a fire that started on a cable tray underneath the flotation Motor Control Centre (MCC) at the process plant. The fire caused damage to electrical and communications cables, resulting in a total plant outage for the remaining 11 days of the year (or 3% of the year).²⁰³

Table 75: Financial highlights Ok Tedi Mining Limited

Statement of comprehensive income	PGK (thousand)*
Revenue	3,707,789
Mining, processing and inventory costs	-1,309,065
Other gains (losses)	18,585
Depreciation	-509,782
Finance income	47,613
Finance expense	-61,199
Other expenses	-874,538
Income tax expense	-294,292
Net income	725,111

*Extracted from Ok Tedi Mining Limited Annual Report²⁰⁴

OTML generated PGK 3.7 billion (USD 1.1 billion) in total sales revenue in 2020 which was PGK78 million or 2% lower than the previous year with a fall in copper and gold production of 17% and 7%, respectively. This was offset by a strengthening gold price. The Company has strong balance sheet, with assets amounting to PGK6.75 billion and no bank borrowings.

Table 76: Project revenue and consolidated payments on Ok Tedi Mining Limited

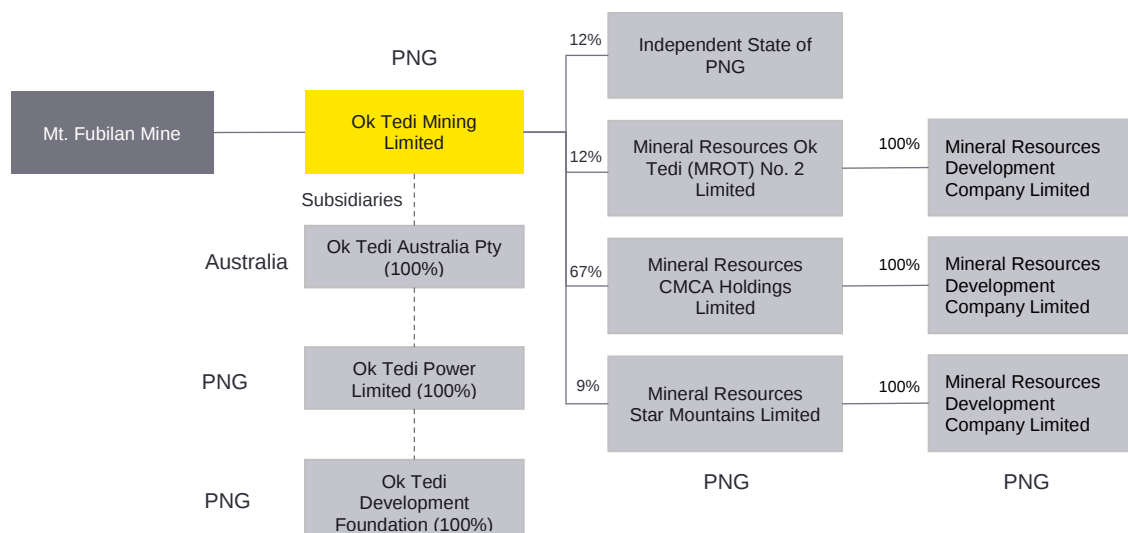
Project	Revenue	Profit from operations	Net income	Consolidated receipts reported by Government agencies
Mt. Fubilan	3,707,789,000	2,398,724,000	725,111,000	552,531,966

The main payments to Government agencies are CIT, SWT, royalties and dividends.

Figure 34: Ownership structure of Mt Fubilan mine

²⁰³ Ok Tedi Mining Limited Annual Review 2020, p. 23, [OK Tedi Annual Review 2020 \(flippingbook.com\)](https://oktedi.com/who-we-are/annual-performance/), accessed 13 December 2022

²⁰⁴ Ok Tedi Mining Limited, Annual Report, <https://oktedi.com/who-we-are/annual-performance/>, accessed 13 December 2022



The State of PNG's holding was reduced to 67% in 2018, following the decision of the National Executive Council (NEC) in 2016 that the Fly River Provincial Government and specific purpose community entities will move to hold 33% direct equity.²⁰⁵

Ok Tedi Mining's website, however, shows no change of ownership since 2018. We received no further information about this inconsistency.

As illustrated above in Figure 34, OTML had three subsidiaries during the reporting period:

- ▶ Ok Tedi Australia Pty Limited: The marketing and Australian logistics arm of OTML, based in Brisbane (wholly owned subsidiary).
- ▶ Ok Tedi Power Limited: Manages the Kiunga power operation and mini grids in Western Province. It was incorporated in June 2014 after the PNG Sustainable Development Program transferred its power assets in the Western Province to the Fly River Provincial Government (wholly owned subsidiary).
- ▶ Ok Tedi Development Foundation Limited: A non-profit entity established to manage the development benefits and delivery of projects to the 158 villages in the Community Mine Continuation Agreement (CMCA) area of the Western Province (wholly owned subsidiary²⁰⁶).

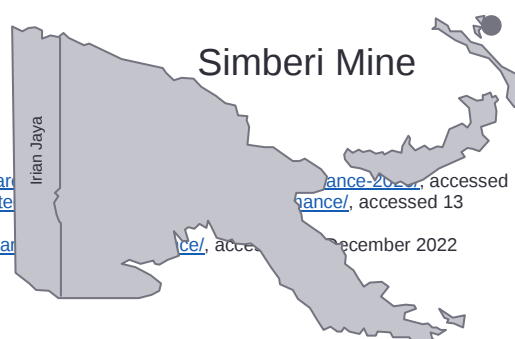
7.2.9 Simberi Gold Company Ltd (Simberi mine)

Table 77: Compliance summary Simberi Mine

Owner	Annual Report publicly available	Annual Return updated in IPA	EITI requirements			
			Financial information	Nonfinancial information	Subnational payments	Status of reconciliation
Simberi Gold Company Limited	Yes	IPA under upgrade	●	●	●	◆

Figure 35: Simberi production data, as reported by MRA

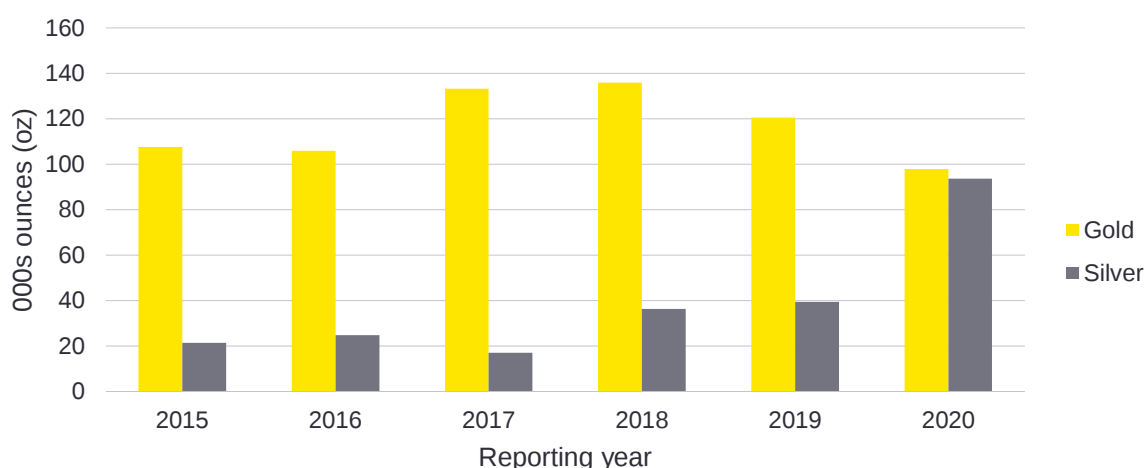
Minerals	Gold and silver
Province	New Ireland



²⁰⁵ Ok Tedi Mining Limited Annual Review 2020, p. 14 <https://oktedi.com/who-we-are/finance-2020/>, accessed 13 December 2022, Ok Tedi Mining Limited Annual Review 2020, p. 13, <https://oktedi.com/who-we-are/finance/>, accessed 13 December 2022

²⁰⁶ Ok Tedi Mining Limited Annual Review 2020, p. 23, <https://oktedi.com/who-we-are/finance/>, accessed 13 December 2022

Mine opened	2008 (commenced production)
Mine life (years)	12
Tenement	ML136
2020 export value	PGK597,678,438



Simberi is the northernmost island in the Tabar group of islands in the province of New Ireland – the easternmost province of Papua New Guinea (PNG) some 900 kilometres from the capital of PNG, Port Moresby. Current mining occurs on the eastern half of the island covered by a 2,560-hectare Mining Lease (ML136). The ore at Simberi is sourced from a number of open pits. The Sorowar Pit is currently the largest defined oxide pit. Current mining plans of the oxide cap suggest a strip ratio of 1:1. Ore from the pits is delivered to the ROM pad (Sorowar feeder) where it is crushed and conveyed down an innovative and energy-efficient 2.7 km rope conveyor that transports the ore to a stockpile in front of the process plant.²⁰⁷

Table 78: Financial highlights Simberi Mine (30 June 2020)

Segment accounts	AUD (thousands)*	PGK ⁺
Revenue	238,859	568,484
Mining, processing and inventory costs	-151,291	-360,073
Royalties	-5,952	-14,166
Depreciation	-21,398	-50,927
Profit before tax	60,218	143,319

*Extracted from St. Barbara Limited Annual Financial Report²⁰⁸ (30 June 2020) Directors Report, page 4. Excludes corporate costs, exploration expenses, interest, and tax.

+Converted using BPNG Average AUD exchange rate (AUD1: PGK2.38)

The Simberi Operations continued to make an important contribution to St Barbara's overall production. With a new leadership team in place, the fourth quarter set the bar with the highest quarterly production for the year. This was despite extended rosters due to COVID-19 and associated challenges around people movement.

During the 2020 financial year the Group recorded strong financial performance despite lower production and profit from the Simberi operations. Gold production in 2020 of 104,068 ounces (2019:

²⁰⁷ Simberi Mine, Operations <https://stbarbara.com.au/wp-content/uploads/2020/09/2020.09.18-asx-2020-annual-report.pdf>, accessed 13 December 2022

²⁰⁸ St. Barbara Limited Annual Report, page 4 Directors Report, <https://stbarbara.com.au/wp-content/uploads/2020/st-barbara-limited-annual-report-2020-web.pdf>, accessed 13 December 2022

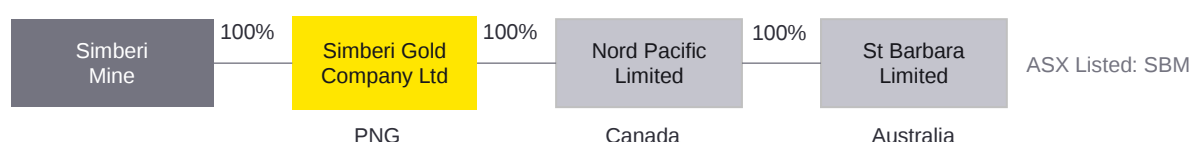
142,177 ounces) was down on the prior year due to reduced mined volumes and lower grade. The lower head grade reflected mining in lower grade zones in the Botlu and Pigiput pit mine sequence.²⁰⁹

Table 79: Project revenue and consolidated payments of Simberi Mine

Project	Revenue	Profit from operations	Consolidated receipts reported by Government agencies
Simberi Mine	568,484,000	143,319,000	41,218,902
Total	568,484,000	143,319,000	41,218,902

Consolidated payments to Government agencies in 2020 significantly primarily comprised SWT, CIT, royalties, and GST.

Figure 36: Simberi mine ownership structure



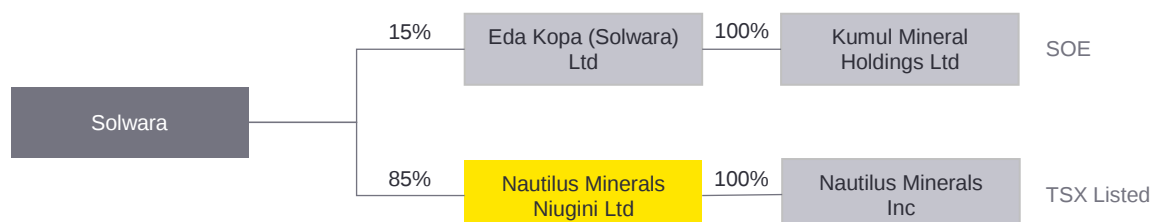
7.3 New mining projects

There were several major projects that had mining leases during 2019 but were still in development stage. The list of all active mining leases and special mining leases for 2019 provided by the MRA are included in Appendix B.

7.3.1 Nautilus Minerals Niugini Ltd (Solwara)

A mining lease for the Solwara project (ML 154) was granted in 2011.²¹⁰ This deep-sea mining venture of Nautilus Minerals planned to mine copper and gold from massive seafloor deposits 1,600 meters below the surface of the Bismarck Sea at the Solwara 1 project site. The State holds 15% equity in the project. However, the venture faced a range of challenges, and Nautilus Minerals went into liquidation.²¹¹ In 2019, Nautilus Mineral's holding was acquired by Deep Sea mining Finance Ltd, a privately owned joint venture between USM Holdings Ltd and MB Holding Company LLC, owned by the Sultanate of Oman, with the intention to restart the project. However, in January 2020 the MRA stated that the PGK408.8m invested in the project by the State would probably be written off.²¹²

Figure 37: Solwara ownership structure



²⁰⁹Ibid

²¹⁰ Nautilus Minerals Inc. Revised Annual Information Form For the Fiscal Year Ended December 31, 2010, <http://www.nautilusminerals.com/IRM/PDF/1390/RevisedAnnualInformationformEnglish>, accessed 31 October 2019

²¹¹ A high-profile deep-sea mining company is struggling, <https://www.economist.com/business/2018/12/06/a-high-profile-deep-sea-mining-company-is-struggling>, accessed 11 December 2020.

²¹² Direct communication from MRA, 11 December 2019 <https://thewest.com.au/business/public-companies/geopacific-stitches-up-woodlark-gold-project-in-png-c-184925>, accessed 11 December 2020

7.3.2 Woodlark Mining Ltd (Woodlark)

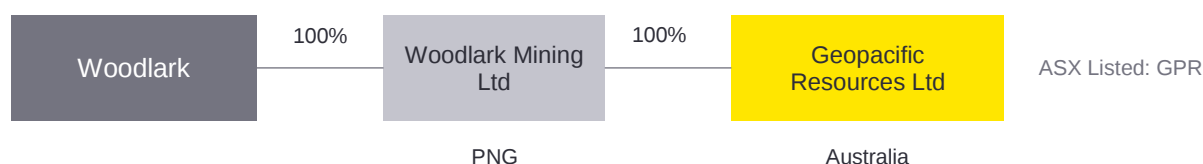
The Woodlark mining lease was granted in 2014.

In November 2018, a Definitive Feasibility Study (DFS) was completed by Lycopodium Pty Ltd demonstrating a robust 13-year project with a compelling development option, both from a technical and financial perspective. A \$40 million share placement was made to Sophisticated and Professional Investors in October 2019. On 1 December 2019, a team of Geopacific personnel mobilised on site to prepare for the arrival of contractors engaged to undertake Earth Moving Civils and Housing Construction. On 13 December 2019, key supplies and equipment mobilised to site, along with over 30 contractors, marking a key milestone critical to the success of the project. The goal for completion of the construction and commissioning of the processing plant is July 2022.²¹³

During the 2021 reporting period, activities at the Project focused on infrastructure development and the ongoing community relocation program. Key long lead items such as the SAG and ball mills were ordered and engineering and design work, principally for the processing facilities was progressed.

In November 2021, the Company announced that earthwork activities associated with the development of the Project had been delayed due to a combination of inclement weather, deteriorating ground conditions and the impact of COVID-19 limiting the availability of site access and overall worker productivity rates. In addition, a decision was taken to reassess the original wharf design and evaluate a potential upgrade of the existing wharf facility to reduce cost and construction complexity while providing greater opportunities for local community participation in the Project. Delays were also experienced in issuance of the construction tender for the offshore tailings line and the local community relocation program. Due to the impact of the delays, the Company made the decision to defer all non-essential activities at the Project.²¹⁴

Figure 38: Woodlark ownership structure 2020

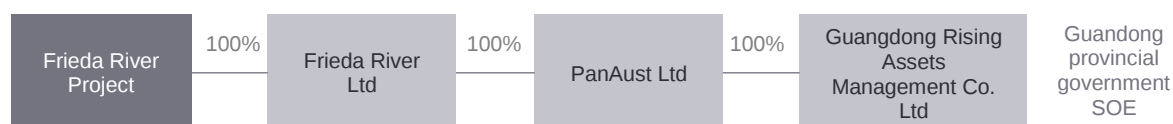


7.4 Advanced exploration mining projects

7.4.1 Advanced exploration reporting entities

The Frieda River project (PanAust and Highlands Pacific Joint Venture) and the Wafi-Golpu Joint Venture (Newcrest and Harmony) are presented below, as special mining lease applications have been lodged. The projects submitted their initial feasibility studies and application for mining licences in 2016, but no production in 2020. SML has yet been approved.²¹⁵

Figure 39: Frieda River project ownership structure²¹⁶



On 7 March 2019, PanAust entered into an agreement for the purchase of Highlands Pacifics' 20% interest in the Frieda River Project. This agreement is subject to a number of conditions precedent including the implementation of a transaction whereby Cobalt 27 Capital Corporation acquires all of

²¹³ Woodlark Gold Project, <https://geopacific.com.au/woodlark-gold-project/>, 14 January 2021.

²¹⁴ Woodlark Annual Report, <https://wcsecure.weblink.com.au/pdf/GPR/02505977.pdf>, 26 December 2022.

²¹⁵ 2019 PNG Budget, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf, accessed 11 December 2020

²¹⁶ Frieda River Copper-Gold <http://www.highlandspacific.com/current-projects/frieda-copper>, accessed 11 December 2020 (redirected to conic metals)

the shares in Highlands Pacific Limited which it does not currently own by way of a “Scheme of Arrangement”.²¹⁷

Throughout 2019, Frieda River site operations team delivered a number of safety improvement projects and provided life-saving medical support and improvements to educational facilities in local communities.²¹⁸

In early 2022, the Independent Peer Review Process for the large dam design was completed. In August 2022 after the COVID-19 induced hiatus ceased, CEPA recommenced regulatory stakeholder activities to complete the assessment for the permit application. It is anticipated that these activities will continue throughout 2022.²¹⁹

Figure 40: Wafi-Golpu Joint Venture ownership structure



Wafi-Golpu Joint Venture reported the following payments and social expenditures.

Table 80: Payments reported by Wafi-Golpu Joint Venture

Revenue Stream	Paid to	Amount (PGK)
Group tax	IRC	3,482,559
Foreign company withholding tax	IRC	1,021
Environment permit fees	CEPA	317,343
Business income withholding tax	IRC	29,360
Total		3,830,283

Social Expenditures

Mandatory

Table 81: Mandatory expenditure reported by Wafi-Golpu Joint Venture

Recipient	Category	Type	Amount (PGK)
Landowner groups	Statutory compensation	Cash	830,736
Total			830,736

Discretionary

Table 82: Discretionary social expenditure reported Wafi-Golpu Joint Venture

Recipient	Category	Type	Amount (PGK)
Local community	Economic	Cash	14,065
Local community	Capacity building	Cash	39,027
Local community	Health	Cash	158,381
Local community	Agriculture and fisheries	Cash	113,881
Total			325,354

²¹⁷ Frieda River Project – March Quarter 2019 Activities Report,

https://panaust.com.au/sites/default/files/PanAust%20March%20Quarter%202019%20Activities%20Report_FINAL.pdf, 14 January 2021

²¹⁸ Pan Aus, Activities Pre-development and Exploration projects page 4,

https://panaust.com.au/sites/default/files/PanAust%20December%20Quarter%202019%20Activities%20Report_0_0.pdf, 14 January 2021

²¹⁹ Frieda River Project, The story so far <https://www.friedariver.com/about-us/>, 29 December 2022

The Wafi-Golpu Joint Venture entered into a Memorandum of Understanding (MOU) with the Government of Papua New Guinea in December 2018, targeting a special mining lease grant by June 2019. Since the signing of the MOU in December 2018, a legal matter between the provincial and national government interrupted the permitting process. Ultimately the Government withdrew from the MOU and the legal matter was dismissed. At this stage, the permitting timelines and roadmap are still to be redefined.²²⁰

The Wafi-Golpu Project held environment permit EP-L2(426) and various other water extraction and waste discharge permits during the 2019 period for the purposes of its activities. In December 2020 these were amalgamated into a single environment permit EP-L3(767) which also permits the activities described in the Wafi-Golpu Project Environmental Impact Statement (June 2018).

7.4.2 Advanced exploration non-reporting entities

The following advanced exploration projects have not been identified as material based on quantitative or qualitative considerations under the current definition for reporting entities.

Table 83: Non-material advance exploration projects

Project	Tenement	Detail
Kili Teke	EL 2310	gold and copper (Harmony Gold (PNG) Exploration Ltd)
Ihu	EL 2305	gold and iron sand (Mayur Iron PNG Ltd)
Kokoda	EL 1390	nickel and copper (Oro Nickel Ltd)
Misima Island	EL 1747	gold and silver (Gallipoli Exploration (PNG) Ltd owned by JX Nippon Mining and Metals (66%) and Mitsui Mining and Smelting (34%))
Kare	EL 1784, EL 1786	Tribune Mt Kare, Licence is up for renewal. Gold and silver (Waterford Ltd)
Nakru Copper Quest	EL 1043	copper (Coppermoly Ltd and wholly owned subsidiary Copper Quest (PNG) Ltd)
Star Mountains (Nong River)	EL 2517	gold and copper (Highlands Pacific Resources Ltd)
Wowo Gap (Safia Embessa & Obea)	EL 1165	nickel (Niugini Nickel Pty Ltd, a wholly owned subsidiary of Resource Mining Corporation Ltd)

7.5 Mines not operating in 2020

7.5.1 Tolukuma

The Tolukuma gold mine was sold by Petromin (now KMH) to Asidokona Mining Resources Pty Ltd in 2015, however, the purchase price was never transferred to KMH.²²¹

Tolukuma has not been in operation since the sale. In February 2018 the operating company, Tolukuma Gold Mines Ltd, was placed into liquidation, having been taken to court by its creditors.²²² The mine was put on sale by the liquidator, with tenders going out in July 2019.²²³ At the time of writing, new ownership was yet to be confirmed.

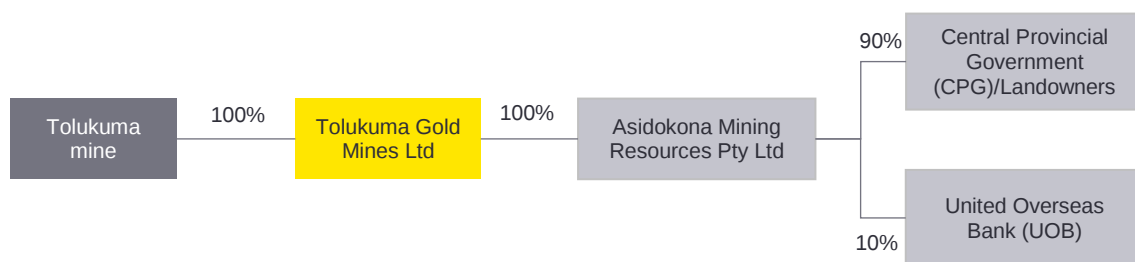
²²⁰ Wafi-Golpu Project, <https://www.harmony.co.za/business/png/wafi-golpu>, accessed 18 January 2021.

²²¹ PNG EITI Report for 2017, <http://www.pngeiti.org.pg/wp-content/uploads/2019/01/PNGEITI-Report-2017-1.pdf> p. 102, accessed 11 December 2020.

²²² Tolukuma lies with financiers', Post Courier, 25 February 2018, <https://postcourier.com.pg/tolukuma-lies-financiers/>, accessed 11 December 2020.

²²³ Tolukuma assets put on sale', The National, 10 July 2019, <https://www.thenational.com.pg/tolukuma-assets-put-on-sale/>, accessed 11 December 2020.

Figure 41: Tolukuma ownership structure (as at 2017 – current information could not be obtained)



7.5.2 Mt Crater

Figure 42: Mt Crater production data, as reported by MRA

Minerals	Gold
Province	Eastern Highlands
Mine opened	2015
Mine life (years)	20 (estimated)
Tenement	ML 510, EL 1115, ELA 2643, ELA h
2019 export value	n/a

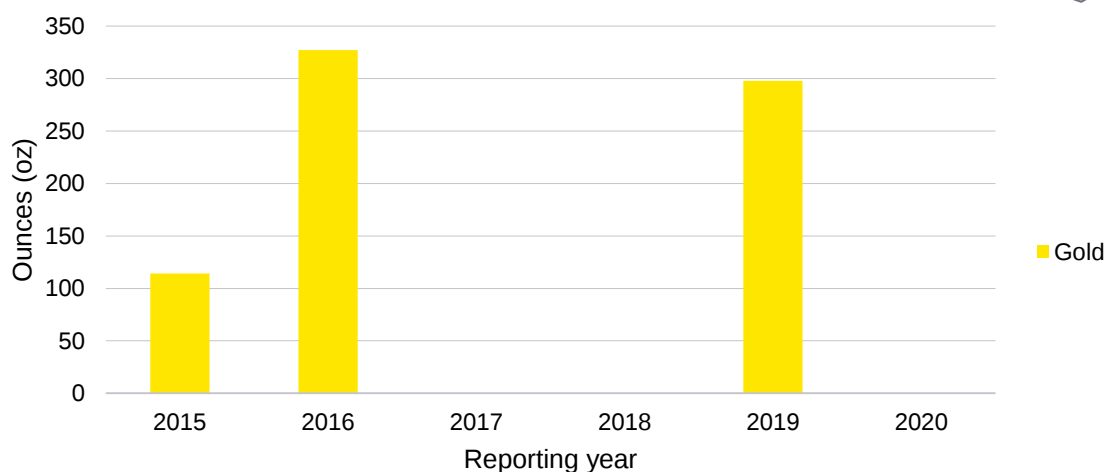


Figure 43: Mt Crater mine ownership structure



Mining of this potential multi-million-ounce gold deposit commenced operations in 2015.²²⁴ Production was halted in 2017 while an internal review was conducted to assess whether the mine could generate the cash flow expected by the board of Crater Gold Mining Ltd.

²²⁴ Crater Mountain, <http://www.cratergold.com.au/irm/content/crater-mountain.aspx?RID=211>, accessed 11 December 2020.

In June 2020 annual report, the Company produced approximately 110oz of gold from mining operations at the High-Grade Zone (“HGZ”) at Crater Mountain. Mining continued three levels, 1960RL, 1950RL and 1930RL.²²⁵ A major focus for the year was the ML 510 mining licence renewal application for the HGZ mine and the associated MRA Warden’s hearings. The Company remains focused on the renewal process of ML510 and is working closely with the Mineral Resources Authority (MRA) to secure a new ten-year mining licence.²²⁶

7.6 Mining production data

Mining companies provide production data to the MRA monthly as a requirement of their reporting obligations under the MA. The MRA performs reasonableness checks on the monthly data but does not have the resources or capacity to audit the data, although it has the authority to do so under the MRA Act.

Table 84: Production and export quantities and values reported by companies and the MRA for 2020^{227 228}

Mine/ project name	Commodity	Reported commodity value	Units	Company reported figure	MRA reported figure	Variance	Variance (%)
Porgera	Gold	Quantity produced	oz	173,099	172,355	744	0%
		Produced value	PGK	956,640,121	947,408,685	9,231,436	1%
		Quantity exported	oz	173,099	170,924	2,175	1%
		Exported value	PGK	956,640,121	939,542,700	17,097,421	2%
	Silver	Quantity produced	oz	64,340	66,141	-1,801	-3%
		Produced value	PGK	3,498,927	2,809,168	689,759	25%
		Quantity exported	oz	64,340	73,804	-9,464	-13%
		Exported value	PGK	3,498,927	3,134,634	364,293	12%
Kainantu	Gold	Quantity produced	oz	95,109	95,109	0	0%
		Produced value	PGK	564,586,248	564,582,996	3,252	0%
		Quantity exported	oz	89,004	89,005	-1	0%
		Exported value	PGK	528,348,628	528,348,627	1	0%
	Silver	Quantity produced	oz	36,067	36,067	0	0%
		Produced value	PGK	2,459,650	2,459,717	-67	0%
		Quantity exported	oz	34,779	34,779	0	0%
		Exported value	PGK	2,371,832	2,371,877	-45	0%
	Copper	Quantity produced	tonnes	844	844	0	0%
		Produced value	PGK	17,186,891	17,180,053	6,838	0%
		Quantity exported	tonnes	837	838.00	-1	0%
		Exported value	PGK	17,057,919	17,057,920	-1	0%
Lihir (Luise Caldera)	Gold	Quantity produced	oz	771,988	771,716	272	0%
		Produced value	PGK	4,729,654,905	4,727,984,754	1,670,152	0%
		Quantity exported	oz	778,908	778,908	0	0%
		Exported value	PGK	4,772,047,165	4,772,047,163	2	0%
	Silver	Quantity produced	oz	33,206	33,206.00	0	0%
		Produced value	PGK	2,425,283	2,425,283	0	0%
		Quantity exported	oz	33,206	33,206.00	0	0%

²²⁵ Crater Gold Mining, Annual Report, page 3 High Grade Zone (HGZ) project at Crater Mountain
<http://www.cratergold.com.au/irm/file/5/view/CGNAnnualReport2020finalsignedandcompiled.pdf>

²²⁶ Ibid

²²⁷ MRA reported export values and produced values as FOB values

²²⁸ Ibid

Mine/ project name	Commodity	Reported commodity value	Units	Company reported figure	MRA reported figure	Variance	Variance (%)
		Exported value	PGK	2,425,283	2,425,282.64	0	0%
Kurumbuka ri mine/ Ramu Nickel	Nickel	Quantity produced	tonnes	33,659	33,658	1	0%
		Produced value	PGK	1,323,702,474	1,333,956,122	-10,253,648	-1%
		Quantity exported	tonnes	29,683	28,710	973	3%
		Exported value	PGK	1,167,349,843	1,137,862,513	29,487,330	3%
	Cobalt	Quantity produced	tonnes	2,941	2,940	1	0%
		Produced value	PGK	222,312,033	230,645,314	-8,333,281	-4%
		Quantity exported	tonnes	2,600	2,505	95	4%
		Exported value	PGK	196,504,680	196,504,721	-41	0%
	Chromite	Quantity produced	tonnes	114,569	114,569	0	0%
		Produced value	PGK	61,914,374	43,810,329	18,104,046	41%
		Quantity exported	tonnes	129,385	129,384	0	0%
		Exported value	PGK	69,920,957	49,475,616	20,445,342	41%
Hidden Valley mine/ Hidden Valley	Gold	Quantity produced	oz	142,952	142,895	57	0%
		Produced value	PGK	881,937,951	880,839,630	1,098,321	0%
		Quantity exported	oz	145,107	145,106	1	0%
		Exported value	PGK	895,746,379	894,468,773	1,277,606	0%
	Silver	Quantity produced	oz	2,648,005	2,647,578	427	0%
		Produced value	PGK	185,749,809	185,562,922	186,888	0%
		Quantity exported	oz	2,724,345	2,724,345	0	0%
		Exported value	PGK	193,256,084	190,943,352	2,312,732	1%
Edie Creek mine/ Edie Creek	Gold	Quantity produced	oz	Not provided	133	-133	-100%
		Produced value	PGK	Not provided	499,717	-499,717	-100%
		Quantity exported	oz	Not provided	133	-133	-100%
		Exported value	PGK	Not provided	499,717	-499,717	-100%
	Silver	Quantity produced	oz	Not provided	112.60	-113	-100%
		Produced value	PGK	Not provided	9,010	-9,010	-100%
		Quantity exported	oz	Not provided	112.60	-113	-100%
		Exported value	PGK	Not provided	9,010	-9,010	-100%
Mt Fubilan mine/ Ok Tedi	Gold	Quantity produced	oz	283,931	283,871	60	0%
		Produced value	PGK	2,507,157,728	1,773,264,723	733,893,005	41%
		Quantity exported	oz	208,334	294,494	-86,160	-29%
		Exported value	PGK	1,839,623,705	1,839,623,707	-2	0%
	Silver	Quantity produced	oz	1,257,256	1,187,953	69,303	6%
		Produced value	PGK	182,812,508	73,855,828	108,956,680	148%
		Quantity exported	oz	537,056	1,256,077	-719,021	-57%
		Exported value	PGK	78,091,140	78,091,142	-2	0%
	Copper	Quantity produced	tonnes	86,144	81,559	4,585	6%
		Produced value	PGK	2,408,160,652	1,723,221,138	684,939,514	40%
		Quantity exported	tonnes	64,034	86,143	-22,109	-26%
		Exported value	PGK	1,790,074,285	1,820,074,284	-29,999,999	-2%
	Gold	Quantity produced	oz	97,855	97,854	1	0%

Mine/ project name	Commodity	Reported commodity value	Units	Company reported figure	MRA reported figure	Variance	Variance (%)
Simberi mine/ Simberi		Produced value	PGK	589,195,635	582,336,846	6,858,789	1%
		Quantity exported	oz	99,189	99,315	-126	0%
		FOB value	PGK	597,227,897	591,031,372	6,196,525	1%
	Silver	Quantity produced	oz	0	93,656	-93,656	-100%
		Produced value	PGK	0	6,647,066	-6,647,066	-100%
		Quantity exported	oz	0	93,656	-93,656	-100%
		FOB value	PGK	0	6,647,066	-6,647,066	-100%

**If the produced value was not provided by the MRA or company it was calculated at:*

Value of commodity = (Export Value / Export quantity)

*Produced value = Value of commodity * quantity produced*

^ The quantity produced was not provided by the MRA, therefore it was calculated at:

Value of commodity = (Export Value / Export quantity)

Quantity produced = Produced value / Value of commodity

Differences are mainly due to result of calculation derived from the formula above. These variances will be further explained in a supplementary schedule available in PNG EITI website.

Table 85: Comparison of export quantities and values reported by companies, MRA and in the 2020 Budget figures²²⁹

Commodity ²³⁰	Export amount reported by companies	Export amount reported by MRA	Export value reported by companies (PGK)	Export value reported by MRA (PGK)	Export value reported in Budget (PGK)*
Gold (oz)	1,493,641	1,577,885	9,589,633,895	9,565,562,059	10,551,000,000
Silver (oz)	3,393,726	4,215,980	279,643,265	283,622,364	74,800,000
Copper (tonnes)	64,871	86,981	1,807,132,204	1,837,132,204	1,706,000,000
Nickel (tonnes)	29,683	28,710	1,167,349,843	1,137,862,513	1,056,800,000
Cobalt (tonnes)	2,600	2,505	196,504,680	196,504,721	186,100,000
Chromite (tonnes)	129,385	129,384	69,920,957	49,475,616	0

**Listed as "projection"*

^Large variances may be due to different units being applied

There are variances between the amounts reported by all parties, but at the time of publication these are unresolved.

²²⁹ 2021 PNG Budget, Appendix 2, Table 5, [2014 Budget, Volume 1 \(treasury.gov.pg\)](#), accessed 11 November 2020.

²³⁰ Note that the MRA values for gold and silver also include alluvial exports

Table 86: Mining export quantities and values as reported by Customs²³¹

Exporter Name	Commodity	Quantity	Units	Value (PGK)
Lihir Gold Limited	Gold	23,896	KGM	4,188,622,589
OK Tedi Mining Ltd	Copper Concentrates	117,344,094	TNE	1,690,925,573
OK Tedi Mining Ltd	Silver Concentrates	9,432,490	KGM	71,918,395
OK Tedi Mining Ltd	Gold Concentrates	112,585,099	KGM	1,722,493,347
Simberi Gold Company Limited	Gold Bars	1	NMB	23,442,762
Simberi Gold Company Limited	Gold	6,220	KGM	603,882,245
Barrick Niugini Ltd	Gold Concentrates	2,364,048	KGM	30,566,973
Barrick Niugini Ltd	Gold	9,022	KGM	1,225,731,639
Ramu Nico Management (MCC) Limited	Intermediate Product of Nickel Hydrometallurgy	105,357	TNE	463,500,529
K92 Mining Limited	Copper Concentrates	616	TNE	17,394,517
K92 Mining Limited	Gold Concentrates	3,951	KGM	551,154,413
Morobe Consolidated Goldfields Limited	Silver	3	KGM	14,489,110
Morobe Consolidated Goldfields Limited	Gold Bars	3	NMB	66,429,208
Morobe Consolidated Goldfields Limited	Gold	89,964	KGM	966,698,701
MCC Ramu Nico Limited	Chromium ores and concentrates	27,685,215	TNE	83,954,647
MCC Ramu Nico Limited	Intermediate Product of Nickel Hydrometallurgy	117,336	TNE	556,756,290

7.7 Regulation of the mining sector

Mining regulation in PNG is overseen by the MRA, established under the *Mineral Resources Authority (MRA) Act* 2005, and now governed by the updated *Mineral Resources Authority Act* 2018. The MRA receives 75% of its funding from production levies, and the balance from alluvial gold export levies, tenement fees and rents as prescribed.

Detail of the *Mining Act* 1992 (“MA”) and other relevant regulation can be seen in Chapter 4

7.8 Register of tenements²³²

The official register of tenements is maintained by the registrar (the MRA) as required by the MA (s. 113). This is kept in hand-written ledgers at the MRA office. The MRA has also established an online mineral tenement management system (Mining Cadastre Portal), which is updated in real time as administrative actions are closed. The portal can be accessed via an interactive online map.²³³ The portal was designed for tenement management rather than for the EITI but includes all the information required by the EITI Standard except for the commodity produced at each mine site, which can be found in Table 86 above. The MRA have advised that they do not plan to add this information to the cadastre.

²³¹ Provided by PNG Customs

²³² Where the EITI standard refers to “licences”, this section refers to “tenements”, which include mining leases, leases for mining purposes, mining easements and exploration licences., Mining Act 1992, s. 113, <https://actnowpng.org/sites/default/files/1.%20Mining%20Act%201992.pdf>, accessed 11 December 2020

²³³ MRA, PNG Mining Cadastre Portal, <http://portal.mra.gov.pg/Map/>, accessed 11 December 2020

7.9 Allocation of tenements

In accordance with the MA, mining tenements in PNG are administered by the appointed registrar, the Tenement Administration Branch of the MRA's Regulatory Operations Division. It is responsible for the management of tenement applications. Special Mining Leases (for large-scale operations) are issued by the Head of State, acting on advice from the NEC, whilst other tenements are issued by the Minister for Mining on recommendation from the Mining Advisory Council under the MA. Tenement application requirements are outlined in relevant sections of the MA:

- ▶ Exploration Licence (s. 24)
- ▶ Special Mining Lease (s. 35)
- ▶ Mining Lease (s. 42)
- ▶ Alluvial Mining Lease (s. 52)
- ▶ Lease for Mining Purpose (s. 70)
- ▶ Mining Easement (s. 85)

The MRA website includes information on the different types of tenements and the application process, including a step-by-step flow chart outlining the process, fees, and minimum expenditures.²³⁴ Tenements are not awarded through a bidding process, but through clear, detailed, and consistent criteria.²³⁵

The Regulatory Operations Division of the MRA is responsible for the assessment of tenement applications in accordance with the MA 1992. Relevant technical and financial criteria are provided in Part V of the Act.²³⁶ In summary, these include:

- ▶ Completion of application forms, including:
 - ▶ Form 8 – Application form
 - ▶ Form 17 – Boundary description form
 - ▶ Form 20 – Exploration work program form
- ▶ Evidence of registration with the Investment Promotion Authority,²³⁷ as either a new company registered in PNG, or as an overseas company, registered under the laws of another country
- ▶ Statements and evidence of financial and technical capacities
- ▶ Payment of an application fee
- ▶ Minimum annual expenditure requirements related to acquisition and interpretation of exploration data, including related laboratory and feasibility work
- ▶ Requirement to comply with approved program of work.

A mining tenement will not be granted until PNG Conservation and Environment Protection Authority (CEPA) grants environmental approval. CEPA is the government authority responsible for administering the Environment Act 2000.

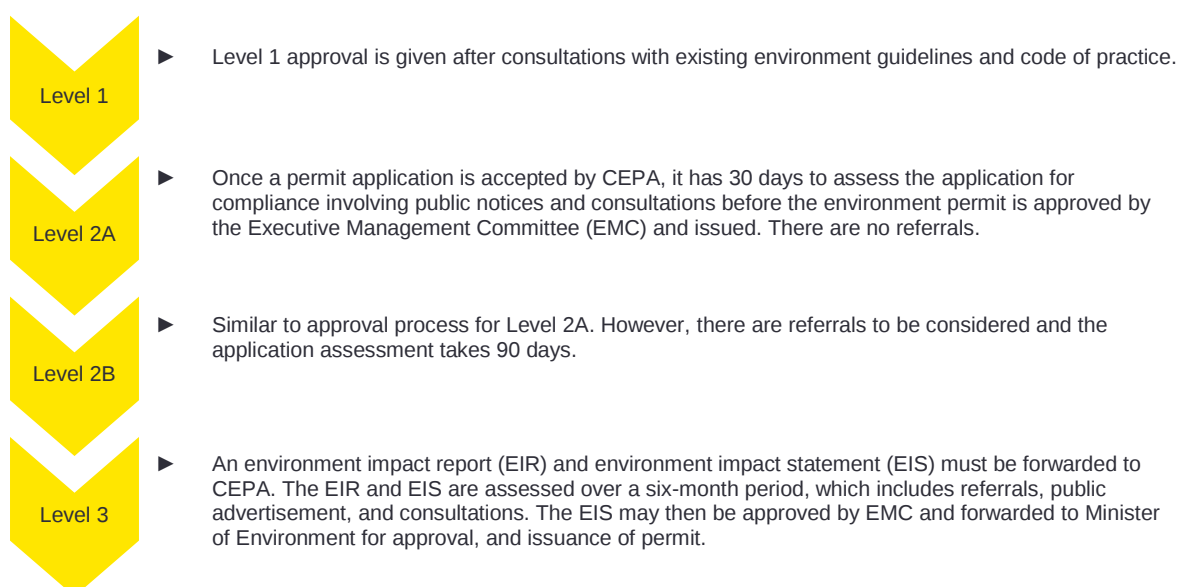
²³⁴ Mining Tenements in Papua New Guinea, MRA, <http://mra.gov.pg/License>, accessed 11 December 2020.

²³⁵ Mining Act 1992, <https://actnowpng.org/sites/default/files/1.%20Mining%20Act%201992.pdf>, accessed 11 December 2020

²³⁶ Ibid

²³⁷ Investment Promotion Authority, <http://www.ipa.gov.pg/>, accessed 11 December 2020

CEPA facilitates three levels of the environmental permit approval process, as outlined below:²³⁸



For 2020 report CEPA has not provided listing of environmental permits. In 2019, however, CEPA provided the following information in Table 87 in relation to environmental permits issues, amended or renewed.

Table 87: Environmental permits as reported by CEPA²³⁹

Environmental permit licence	Particulars
EP-Level 2(658)	Offshore Drilling, Total E&P PNG Ltd, PPL-576, North Coral Sea
EP-L2(661)	Alluvial Mining, Aron Nangan, AML-418 Bulolo
EP-L2(662)	Alluvial Mining, Yawas Juara, ML-289, 290, 291, Bulolo
EP-L2(668)	Mechanized Mining, Mayur Iron (PNG) Ltd, EL-2305 & EL-2150, Gulf Prov
EP-L2(673)	O&G Exploration, Antelope 1 PRL-15, Total E & P PNG Ltd, Gulf Prov
EP-L2(674)	O&G Exploration, Antelope 2 PRL-15, Total E & P PNG Ltd, Gulf Prov
EP-L2(675)	O&G Exploration, Elk 1 PRL-15, Total E & P PNG Ltd, Gulf Prov
EP-L2(676)	O&G Exploration, Elk 1 PRL-15, Total E & P PNG Ltd, Gulf Prov
EP-L2(677)	O&G Exploration, Elk 4 PRL-15, Total E & P PNG Ltd, Gulf Prov
EP-L2(678)	O&G Exploration, Antelope 3 PRL-15, Total E & P PNG Ltd, Gulf Prov
EP-L2(679)	O&G Exploration, Antelope 5 PRL-15, Total E & P PNG Ltd, Gulf Prov
EP-L2(682)	O&G Exploration, PRL-15, Total E & P PNG Ltd, Gulf Prov
EP-L2(683)	O&G (Uramu 2) offshore Drilling Program, Licence 10 PRL-10, Oil Search PNG, Gulf of Papua
EP-L2((690)	Aron Nangan, Alluvial Mining, ML-206, Bulolo, MP
EP-L2(691)	Aron Nangan, Alluvial Mining, AML-867, Bulolo, MP
EP-L2(701)	Tony Gariama & Arthur Dururak, Alluvial Mining, AML-8002, 883, 884, & 885 MBP
EP-L2(702)	Footprint Resources Pty Ltd, Mining Exploration, EL-2548 ESP
EP-L2(709)	Alluvial Mining, Japeth Marcus, ML-527 Bulolo, MP
EP-L2(710)	Alluvial Mining, Dorcas Simiriong, ML-528 Bulolo, MP
EP-L2(711)	Alluvial Mining, New Dawn Mining Ltd, ML-521, Bulolo, MP
EP-L2(717)	Mechanized Mining, Niuminco Eddie Creek Ltd, ML-511 Bulolo, MP
EP-L2(718)	Mechanized Mining, Golden Ashot Ltd, MLA-529 Bulolo, MP
EP-L2(722)	Alluvial Mining, Mineral Resources Star Mountain Ltd, ML-532, Tabubil, WP

²³⁸ CEPA, response to data request for 2015 and 2016 PNG EITI Report, received 2 October 2017

²³⁹ 2019 data template provided by CEPA

CEPA reported zero environmental permits transferred or surrendered for 2019.

Prior to a new mining lease being issued, a development forum is held with representatives from the national and regional government, landowners and the mining company, to determine the benefits package. The memorandum of agreement arising from this process is negotiated by the MRA Development Coordination Division and drafted by the State Solicitor. However, s. 18 of the MA also allows for a separate Mining Development Contract, which is negotiated by the State rather than the MRA. For example, the agreement between Ramu Nickel mine and the State apparently includes significant tax concessions.²⁴⁰ In light of hearings and objections, the Mining Advisory Board makes recommendations over tenements to the Minister (MA 1992, s. 11–14).²⁴¹

The process for transferring tenements is described in the MA s. 118–19. The process requires a written application for approval of the transfer to be sent to the Registrar, who then submits the application to the Board for its consideration. The minister then approves or refuses the transfer based on the recommendation of the Board. In practice, ultimate ownership of tenements can be transferred through a change in the ownership of the company, or companies, holding the tenement.

Leases awarded or extended during 2019 can be seen in Appendix B, and further details can be found on the Mining Cadastre Portal (see above).

MRA reported no tenement transfers during the reporting period.

7.10 Public Investment Program

The Public Investment Program (PIP) is a vehicle through which the PNG government implements development policies aimed at improving the livelihood and wellbeing of PNG citizens in all provinces.²⁴² Through the *Fiscal Responsibility Act* 2006 the Department of National Planning and Monitoring (DNPM) is empowered to report on PIP Implementation Reports to the National Executive Council (NEC) and Parliament on implementation status, development expenditures, and achievements of programs. Grants are administered through relevant economic sector agencies, including the MRA in the case of projects relating to the mining sector.²⁴³

Data related to those PIP funds administered by MRA is presented below. This data was provided unilaterally by MRA.

Information on other revenue streams specific to mining can be found in Chapter 10.

Table 88: PIP funds administered by MRA, 2020²⁴⁴

Project	Funds received (a)	Funds disbursed (b)
Wafi-Golpu	5,000,000	1,347,543
Porgera MOA	865,000	761,750
Total	5,865,000	2,109,293

Please note that these funds were paid in 2018. Naturally these would have been carried over in 2019. No funds were paid to MRA in 2019.

²⁴⁰ Communication from Treasury, 10 October 2016

²⁴¹ Mining Act 1992, <https://actnowpng.org/sites/default/files/1.%20Mining%20Act%201992.pdf>, accessed 11 December 2020

²⁴² 2014 Annual Public Investment Program Implementation Report, Department of National Planning and Monitoring, <http://www.planning.gov.pg/images/dnpm/pdf/pip/PublicInvestmentProgramAnnualReport2014.pdf>, accessed 18 December 2020.

²⁴³ Q1 2015 Public Investment Program Implementation Report,

<http://www.planning.gov.pg/images/dnpm/pdf/pip/PublicInvestmentProgram1stQuarterReport2015.pdf>, accessed 18 December 2020

²⁴⁴ Financial Data in the MRA Reporting Template



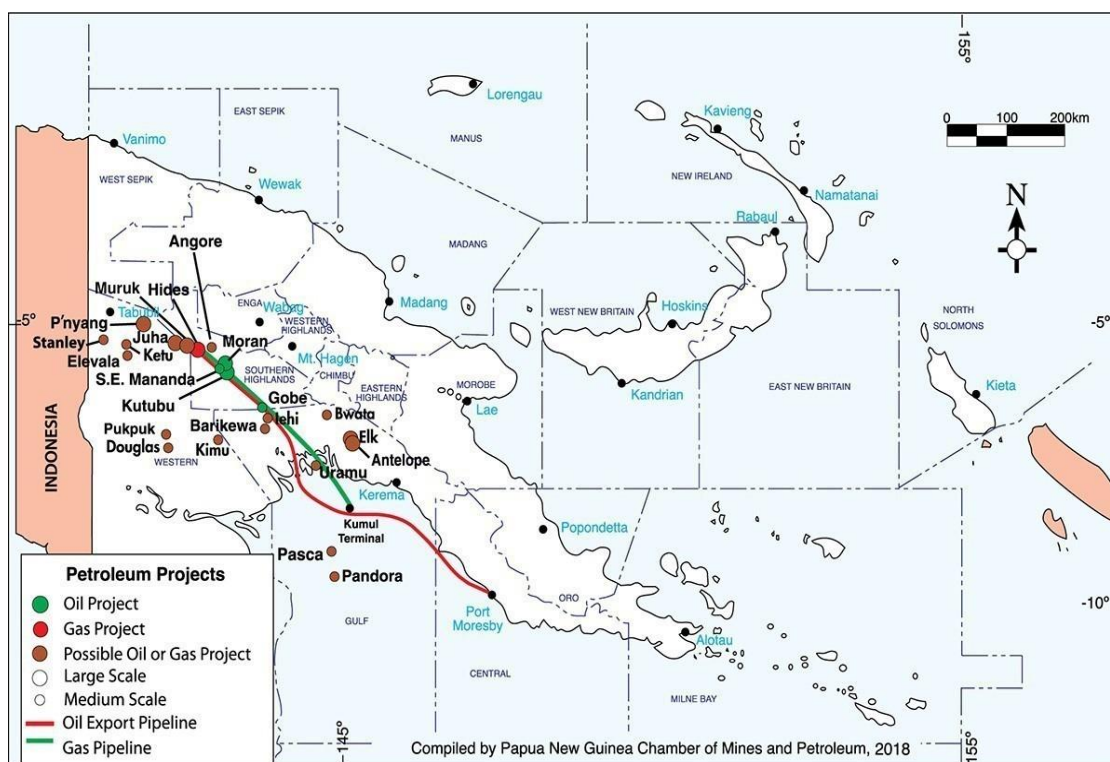
8. Oil and gas

Oil exploration in PNG commenced in the 1920s. The first commercial production began in 1992, and there are currently five principal oil fields. Oil production in PNG has been in slow but steady decline since the mid-1990s, when there was a peak in production of approximately 46 million barrels in 1993.²⁴⁵ Gas production, by contrast, is increasing due to the PNG LNG project (see section 8.5). Since the start of production in 2014, some 50 million tonnes of LNG have been loaded and 696 LNG cargoes sold to customers in Asia.²⁴⁶ In addition to the PNG LNG project, there is also a domestic gas project for the sale of natural gas from the Hides field to Porgera, operated by Oil Search. PNG LNG uses some gas to generate electricity for sale to PNG Power to supply Port Moresby. A new joint venture entity, Niu Energy, started up at the end of 2019 to buy PNG LNG gas to generate electricity for sale to PNG Power.

During 2020, ExxonMobil PNG Limited loaded its 600th LNG cargo and produced a record 8.8 million tonnes of LNG. DPE also has approved a variation of the plant's original operating parameters, which resulted in a production volume capacity increase from 8.5 million tonnes per year equivalent to 9.3 million tonnes per year equivalent. Work was completed on a Dirio Gas & Power plant tie-in project from the LNG Plant, which will provide energy for Port Moresby businesses and communities.²⁴⁷

Figure 44: Oil and gas projects 2020, as compiled by the PNG Chamber of Mines and Petroleum²⁴⁸

Current and proposed oil and gas projects are shown below. (Map dated 2018, no significant updates noted.)



²⁴⁵ Papua New Guinea Crude Oil Production by Year, <https://www.indexmundi.com/energy/?country=pg&product=oil&graph=production>, accessed 18 July 2022

²⁴⁶ PNG LNG 2020 Annual Report, [https://pnglng.com/media/PNG-LNG-Media/Files/Environment%20and%20Social%20Reports/2020-Annual-ES-Report-FULL-REPORT-\(ENG-WEB\)-v2.pdf](https://pnglng.com/media/PNG-LNG-Media/Files/Environment%20and%20Social%20Reports/2020-Annual-ES-Report-FULL-REPORT-(ENG-WEB)-v2.pdf), accessed 29 December 2022

²⁴⁷ Ibid

²⁴⁸ <http://pngchamberminpet.com.pg/our-resource-industry/petroleum>, accessed 26 December 2022

8.1 Classification of licences

Five types of licenses are defined in the *Oil and Gas Act* 1998:²⁴⁹

License type	Abbreviation	Section of OGA
► Petroleum Prospecting License	PPL	s. 25
► Petroleum Retention License	PRL	s. 42
► Petroleum Development License	PDL	s. 59
► Petroleum Pipeline Licenses	PLL	s. 76
► Petroleum Processing Facility License	PPFL	s. 90

8.2 Oil and gas companies active in PNG

Both national and multinational oil and gas companies, as well as state-owned entities, are actively engaged in exploration and production in PNG. During 2020, the companies involved in active production were owners of petroleum development licenses (PDLs) associated with:

- PNG LNG project (operated by ExxonMobil PNG Ltd)
- Producing oil fields (operated by Oil Search (PNG) Ltd)

Participants in the petroleum sector with interests in these PDLs are considered to be material reporting entities and are identified below:

- ExxonMobil PNG Ltd (and affiliates)
- Oil Search (PNG) Ltd
- Santos Ltd (and subsidiaries)
- JX Nippon Oil and Gas Exploration Corporation (and subsidiaries)
- Kumul Petroleum Holdings Ltd (and subsidiary)
- Mineral Resources Development Company (MRDC) (and subsidiaries)

In the 2017 report it was identified that Puma Energy operates the Napa Refinery, a downstream facility located adjacent to Port Moresby that refines up to 32,500 barrels of oil per day. Puma acquired the plant in 2014.²⁵⁰ It was determined by the MSG that this would not be included as a reporting entity as it does not come under the “extractive” industries.

PDL 10 was granted for the Stanley joint venture in 2014, with the below participants. However, it was still in the development and pre-development stage in 2020, and production had not yet started.²⁵¹

- Repsol (Talisman Energy Niugini Ltd) (since sold to Arran Energy)
- Horizon Oil Papua Ltd (since sold to Arran Energy)
- Osaka Gas Niugini Pty Ltd
- Mitsubishi Corporation (Diamond Gas Niugini B.V.)

Similarly, the Papua LNG project (PRL 15), led by Total E&P PNG Limited, is progressing but not yet started development. The participants in this project are:²⁵²

- Total E&P PNG Limited (operator)
- ExxonMobil
- Oil Search
- State

²⁴⁹ Papua New Guinea Sessional Legislation, *Oil and Gas Act* 1998, http://www.pacii.org/cgi-bin/sinodisp/pg/legis/num_act/oaga199894/index.html?stem=&synonyms=&query=oil%20and%20gas%20act, accessed 18 July 2022

²⁵⁰ Puma Energy Papua New Guinea, <https://www.apacoutlookmag.com/company-profiles/229-puma-energy-papua-new-guinea>, accessed 21 January 2021

²⁵¹ Horizon Oil, Projects, and operations, <https://horizonoil.com.au/operations/>, accessed 18 July 2022

²⁵² Total and State of Papua New Guinea Sign Gas Agreement for Papua New Guinea, <https://totalenergies.com/media/news/press-releases/total-and-state-papua-new-guinea-sign-gas-agreement-papua-lng-project>, accessed 18 July 2022

A number of companies hold petroleum retention licences, including:²⁵³

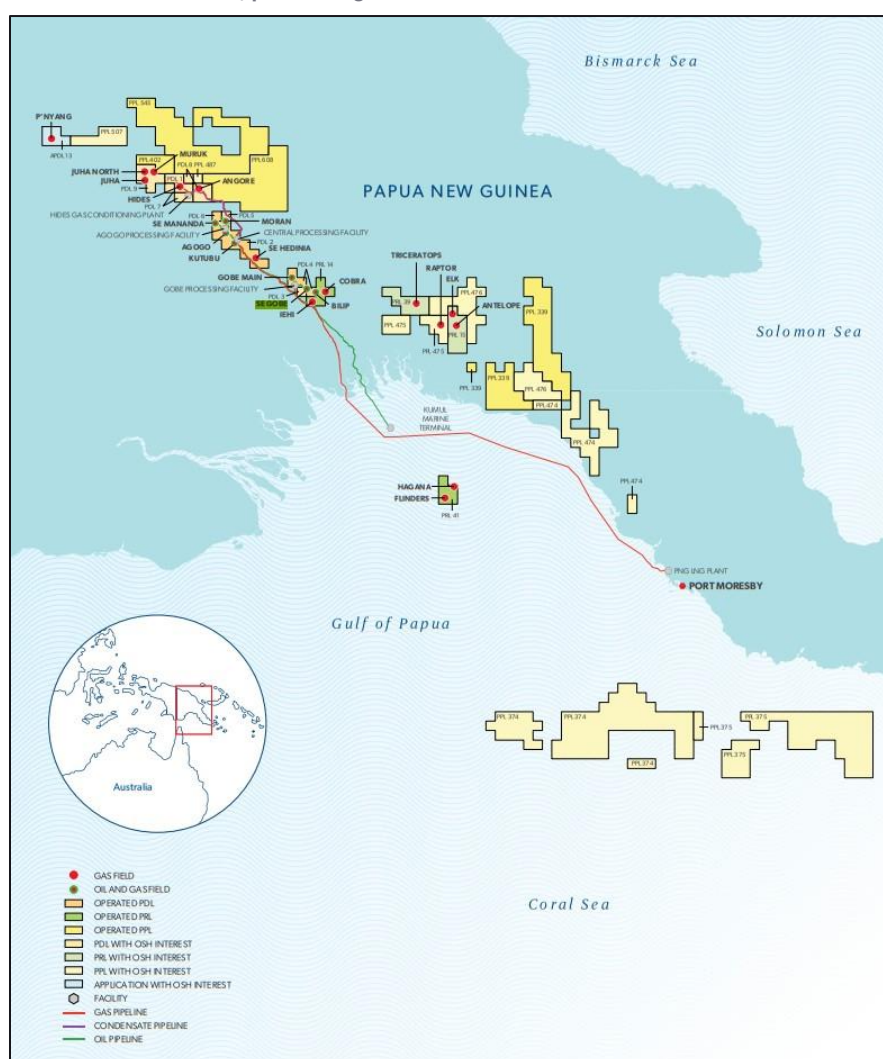
- ▶ ExxonMobil PNG Ltd
- ▶ Total E&P PNG Ltd
- ▶ Horizon Oil Papua Ltd
- ▶ InterOil SPI E & P Ltd
- ▶ Oil Search (PNG) Ltd (4)
- ▶ Repsol Oil and Gas Niugini
- ▶ Asian Oil & Gas (PNG) Ltd

There are also a large number of companies that hold a PPL conducting exploration activities during the reporting period.

8.3 Oil Search (PNG) Ltd projects producing in 2020

Oil Search operates all projects that are currently producing oil in PNG, outlined below.²⁵⁴

Figure 45: Oil Search licence interests, processing and distribution routes²⁵⁵



²⁵³ Sourced from data reporting template provided by DPE for this report.

²⁵⁴ Oil Search – Operated Production, <https://www.oilsearch.com/our-business/png/operated-production>, accessed 18 July 2022

²⁵⁵ Oil Search Annual Report 2020, https://www.oilsearch.com/data/assets/pdf_file/0008/54278/2020-AR-Final.pdf, accessed 18 July 2022

8.3.1 SE Gobe

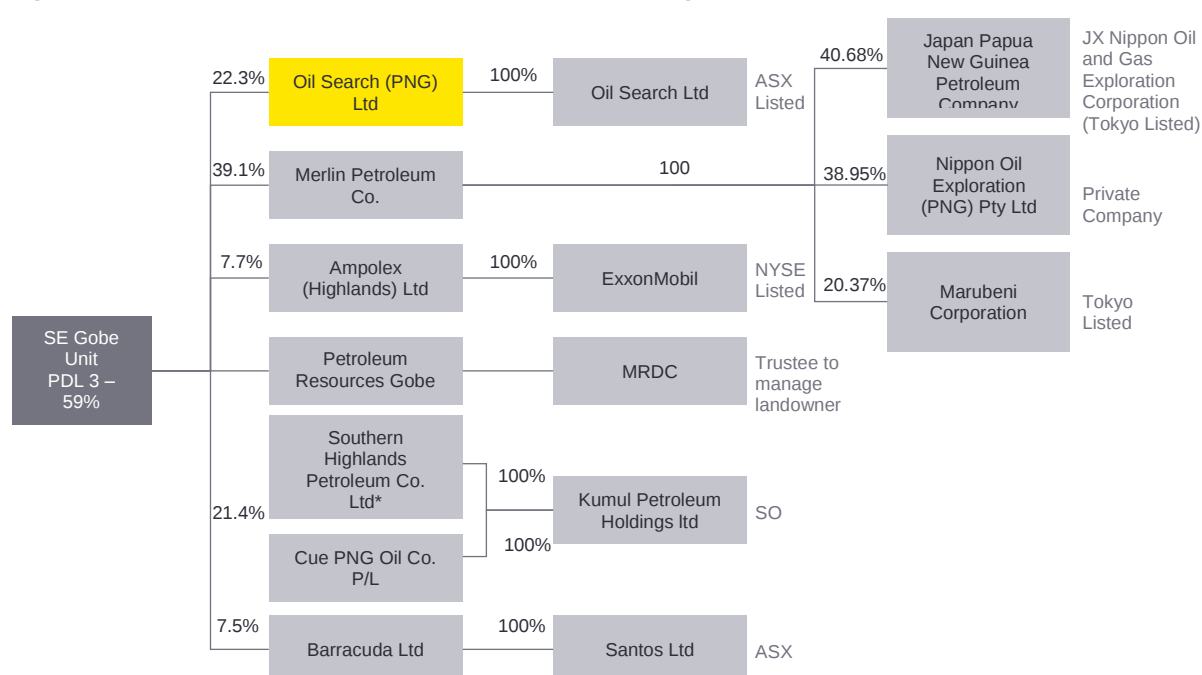
Oil from both the Gobe main and SE Gobe fields is processed at the Gobe Processing Facility, which is joined to the Kutubu Export Pipeline with an eight-kilometer pipeline. During 2020, Gobe Main (2020: 11,000 bbls; 2019: 13,000 bbls) and SE Gobe (2020: 33,000 bbls; 2019: 23,000 bbls) production declined, as the fields approach the end of their life.²⁵⁶

The SE Gobe Unit comprises PDL 3 and PDL 4. During 2017, KPHL reported the acquisition of Southern Highlands Petroleum's share in PDL 3.²⁵⁷ One report indicated that MRDC subsidiary Petroleum Resources Gobe Ltd was to take 75% of the purchased equity. However, the IA could not confirm whether this had taken place.²⁵⁸

Table 89: Compliance summary of partners/owners of SE Gobe Project

Partners / Owners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Nonfinancial information	Subnational payments	Status of reconciliation
Oil Search (PNG) Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Merlin Petroleum Company	IPA under upgrade	IPA under upgrade	●	●	●	◆
Ampolex (Highlands) Ltd	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Petroleum Resources Gobe Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Southern Highlands Petroleum Co. Ltd	IPA under upgrade	IPA under upgrade	Provided by KPHL	Provided by KPHL	Provided by KPHL	◆
Cue PNG Oil Company P/L	IPA under upgrade	IPA under upgrade	Provided by KPHL	Provided by KPHL	Provided by KPHL	◆
Barracuda Limited	IPA under upgrade	IPA under upgrade	●	●	●	◆

Figure 46: SE Gobe Unit licence interests after sale of Southern Highlands Petroleum²⁵⁹



²⁵⁶ Oil Search Annual Report 2020, https://www.oilsearch.com/_data/assets/pdf_file/0008/54278/2020-AR-Final.pdf, accessed 18 July 2022

²⁵⁷ Oil Search Annual Report 2020, https://www.oilsearch.com/_data/assets/pdf_file/0008/54278/2020-AR-Final.pdf, accessed 18 July 2022

²⁵⁸ Kumul acquires 40pc interest, <https://oglinks.news/article/3a19dc/kumul-acquires-40pc-interest>, accessed 31 October 2019

²⁵⁹ Operated Oil and Gas Field Partners – OSL Annual Report page 28, https://www.oilsearch.com/_data/assets/pdf_file/0008/46961/OS-AR19-WISDOM_FA5C.pdf, 18 July 2022

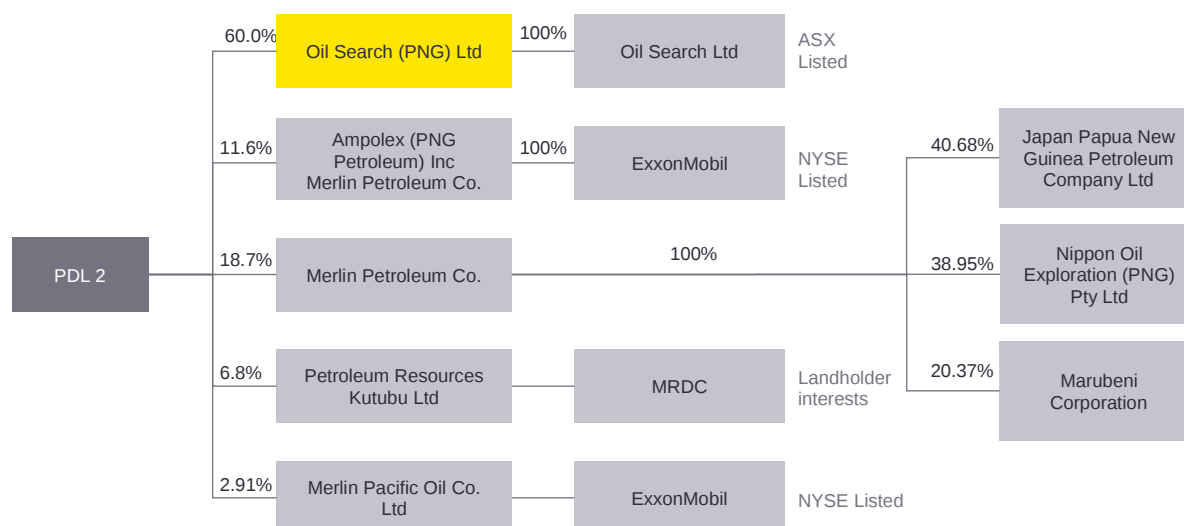
8.3.2 Kutubu

The Kutubu development comprises a network of wells that produce oil from the Iagifu-Hedinia, Usano and Agogo fields, a gathering system, on-site processing facilities (the Agogo and Central Processing Facilities), supporting infrastructure, a 270-kilometre crude oil export pipeline to the coast and a marine loading terminal in the Gulf of Papua. The pipeline operates under Pipeline Licence 2 (PL 2), while the oil field operates under Petroleum Development Licence 2 (PDL 2). Both licences were issued in December 1990 for a term of 25 years and were extended in December 2009 until December 2035.²⁶⁰

Table 90: Compliance summary of partners/owners of Kutubu Project

Partners / Owners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Nonfinancial information	Subnational payments	Status of reconciliation
Oil Search (PNG) Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Ampolex (PNG Petroleum) Inc.	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Merlin Petroleum Company	IPA under upgrade	IPA under upgrade	●	●	●	◆
Petroleum Resources Kutubu Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Merlin Pacific Oil Co. Limited	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆

Figure 47: PDL 2 (Kutubu Field Complex, Iagifu, Hedinia, Usano, Agogo) licence interests²⁶¹



²⁶⁰ Oil Search - <https://www.oilsearch.com/what-we-do/png/operated-production>, accessed 18 July 2022

²⁶¹ Oil Search – 2020 License interest <https://www.oilsearch.com/our-business/licence-interests>, accessed 18 July 2022.

Distribution of licence interests in Merlin Petroleum Co. <http://www.nex-ix-group.co.jp/english/activity/oceania/png.html>, accessed 18 July 2022.

Japan Papua New Guinea Petroleum Company registration

<http://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=128311971>, accessed 18 July 2022.

Nippon Oil Exploration entity type, <http://www.abr.business.gov.au/SearchByAbn.aspx?SearchText=69134179810>, accessed 18 July 2022

Marubeni Corporation registration <https://www.marubeni.com/en/company/profile/>, accessed 18 July 2022

8.3.3 Moran Unit Kutubu

Oil produced at the Moran fields is processed at the Agogo Processing Facility then piped to the Central Processing Facility for further processing, storage, and export through the export pipeline. Following the February 2018 earthquake, the Moran oil fields production remained impacted by damage to flow lines and key wells. The Moran field was shut-in for 202 days, primarily to preserve reservoir pressure, given extended high compression outages at the Agogo Processing Facility. Production resumed late in the fourth quarter. In late December 2019, Oil Search and NW Moran landowners reached an agreement allowing Oil Search to access the site after it was restricted following the 2018 earthquake due to tribal conflicts within the area that were unrelated to the Company's activities. This will allow Oil Search to undertake repairs related to the 2018 earthquake. Subject to ongoing access and the successful completion of repairs, the Company expects production from the NW Moran area to be brought back on-stream in the second half of 2020.²⁶²

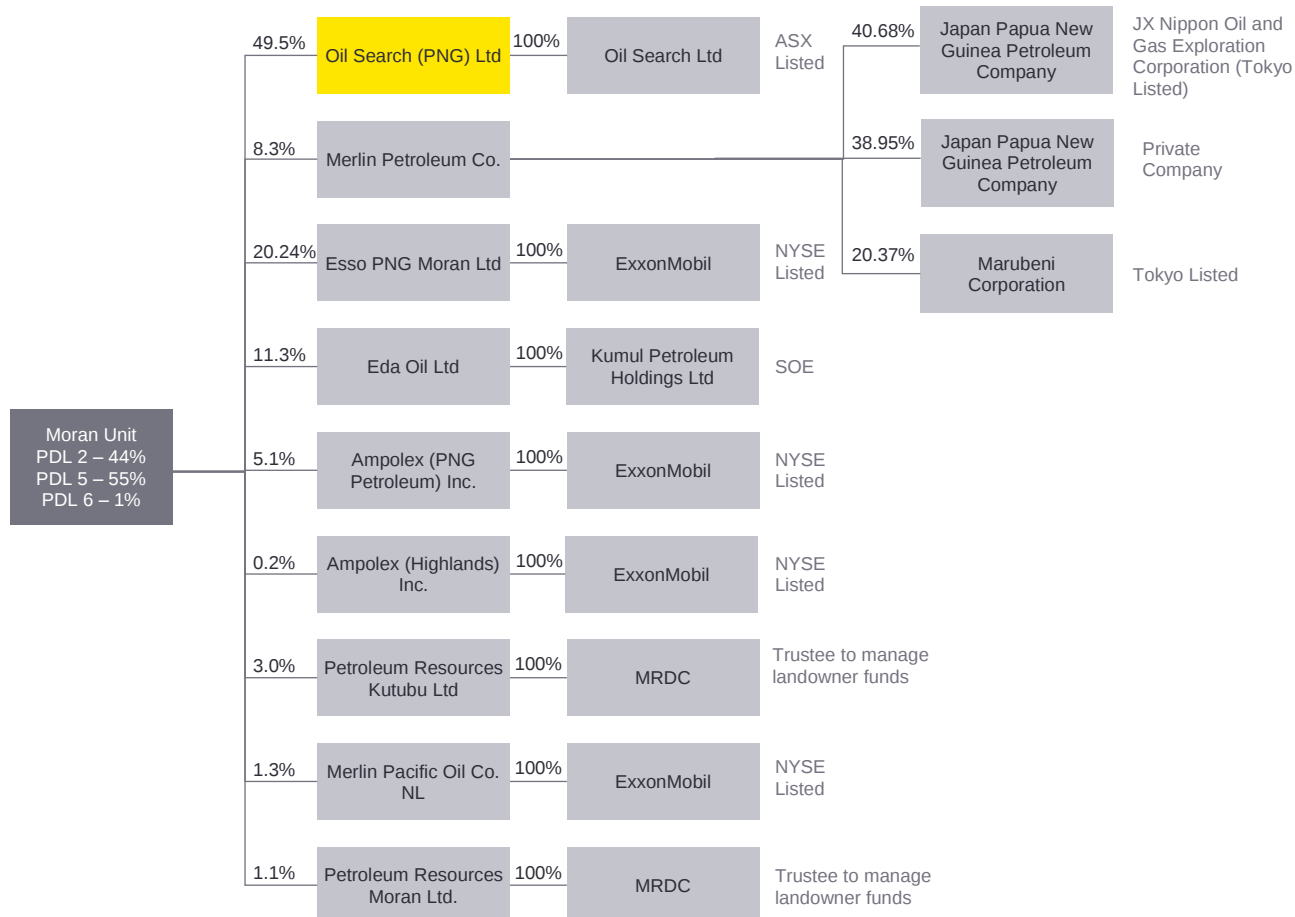
This project runs over three licence areas, PDL 2, PDL 5 and PDL 6. NW Moran (PDL 6) is an extension to the Moran field discovered in late 2003.

Table 91: Compliance summary of partners/owners of Moran Unit Project

Partners / Owners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Nonfinancial information	Subnational payments	Status of reconciliation
Oil Search (PNG) Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Merlin Petroleum Company	IPA under upgrade	IPA under upgrade	●	●	●	◆
Esso PNG Moran Ltd	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Eda Oil Ltd	IPA under upgrade	IPA under upgrade	●	Provided by KPHL	Provided by KPHL	◆
Ampolex (PNG Petroleum) Inc.	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Ampolex (Highlands) Ltd	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Petroleum Resources Kutubu Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Merlin Pacific Oil. Co. Limited	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Petroleum Resources Moran Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆

²⁶² Oil Search 2019 Director's Report, https://www.oilsearch.com/data/assets/pdf_file/0008/46961/OS-AR19-WISDOM_FA5C.pdf, 18 July 2022

Figure 48: Moran unit licence interests



8.4 Oil Search gas projects

The Hides Gas to Electricity Project (GTE) is fully owned and operated by Oil Search (see Figure 49). It comprises a pipeline from the gas wells in the Hides field (PDL 1), to the Hides Production Plant in the Tagari River Valley. Following processing, the gas is used by the Porgera Joint Venture to generate electricity for the Porgera gold mine and the surrounding community. The condensate produced in the process is distilled into diesel and naphtha and sold locally. The diesel is used as a back-up fuel for the running of the power station. Gas supplied from the Hides gas field is sold under long-term contracts that were last revised in 2012. The Hides GTE Project produced 1,804 mmscf of gas in 2020, 64% lower than in 2019.

The project also produced 31,000 barrels of liquids, down by 67% on 2019 levels, due to the suspension of operations at the Porgera goldmine in April 2020 and consequent declaration of force majeure in respect of the Hides GTE project which reduced both operated and non-operated production during 2020, as did the residual effects from the February 2018 PNG Highlands earthquake.²⁶³ The Hides GTE project shut down in 2020 following the closure of the Porgera Mine.

²⁶³ Oil Search – 2020 Annual Report, p. 49, https://www.annualreports.com/HostedData/AnnualReports/PDF/ASX_OSH_2020.pdf, accessed 26 December 2022.

Table 92: Compliance summary of partners/owners of Hides Gas to Electricity Project

Partners / Owners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Nonfinancial information	Subnational payments	Status of reconciliation
Oil Search (Tumbudu) Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆

Figure 49: Hides Gas to Electricity Project licence interests²⁶⁴



8.5 PNG LNG Project

Figure 50: PNG LNG Project Location and Pipeline²⁶⁵



The PNG LNG project shipped its first liquefied natural gas (LNG) in May 2014 and the project achieved financial completion in February 2015. PNG LNG recorded its highest production year since operations began, with 8.8 million tonnes of LNG produced in 2020. DPE has approved a variation of the plant's original operating parameters, which resulted in a production volume capacity increase from 8.5 million tonnes per year equivalent to 9.3 million tonnes per year equivalent.²⁶⁶

Contract customers for the LNG include Sinopec (China), Jera (TEPCO) (Japan), Osaka Gas (Japan) and CPC (Taiwan).

Lower global LNG prices relative to forecasts at production start-up have negatively impacted project returns with flow-through implications for government tax receipts from the project. However, higher production levels have mitigated this to a degree, and the PNG LNG Project remains competitive and is expected to make a significant long-term contribution to the economy.²⁶⁷ Global demand for LNG is forecast to grow as markets prioritise gas over coal or nuclear power.

²⁶⁴ Ibid

²⁶⁵ PNG LNG Map <https://www.pnglng.com/>, accessed 26 December 2022

²⁶⁶ PNG LNG Location and Pipeline Map, <https://www.pnglng.com/>, accessed 18 July 2022

²⁶⁷ Ibid

As of December 2020, 2,784 workers were engaged in production-related roles in the PNG LNG project.²⁶⁸ The project provided a significant number of jobs during its construction (peaking at 21,200 in 2012). The project has had significant impacts on affected communities (see case study in PNG EITI Report for 2016).²⁶⁹

The PNG LNG Global Company LDC (“GloCo”) is a joint marketing and financing company. All proceeds from sales to third parties are received by GloCo, and payment of all financing, marketing, ship chartering and operating costs are made from GloCo. GloCo is owned by the PNG LNG project partners in proportion to their equity interests (as illustrated in Figure 51). It is operated by ExxonMobil, but it is not an ExxonMobil affiliate or subsidiary. Net proceeds from sales are periodically distributed to each of the project partners in accordance with the financing.

Although GloCo is a pass-through entity, to ensure transparency, reporting by GloCo is required under the EITI Standard. The IA has requested, via ExxonMobil, that GloCo report on PNG LNG distributions, however, we understand that this requires agreement from all owners of the project. In its capacity as the operator of PNG LNG, ExxonMobil does provide confirmation of the reported share of sales and equity distributions by Kumul Petroleum Holdings Limited and landowner companies that are partners in the PNG LNG project (where they have submitted a reporting template),

Figure 51 illustrates the ownership structure of the PNG LNG project, while the subsequent figures illustrate the licence interests associated with each PDL within the PNG LNG Project. The operating entities are shown in yellow.

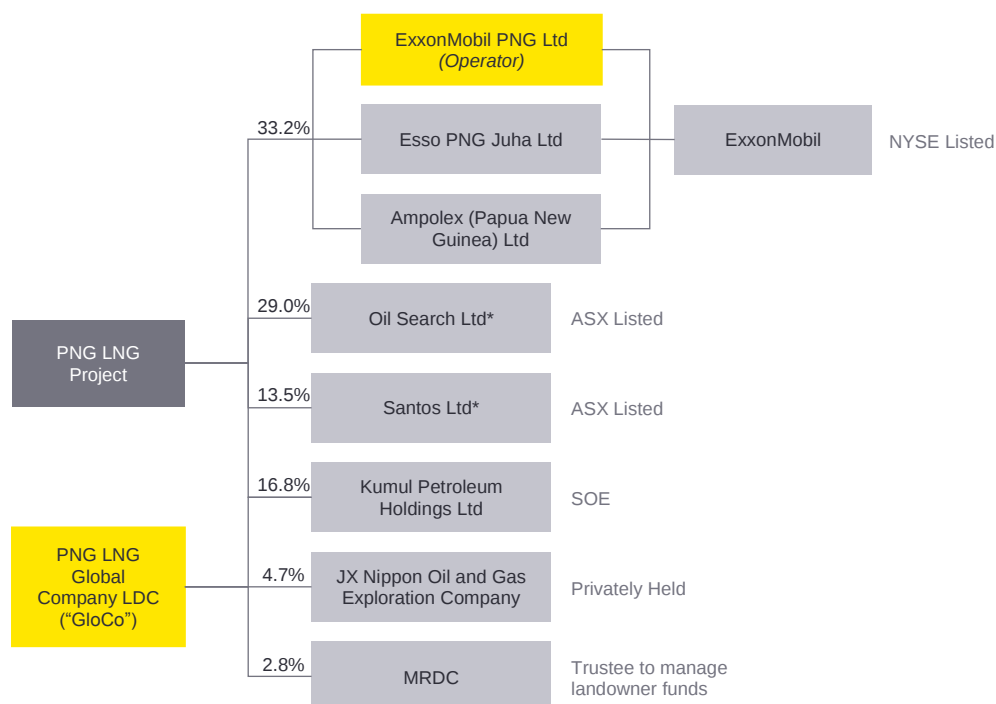
Table 93: Compliance summary of partners/owners of PNG LNG Project

Partners / Owners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Nonfinancial information	Subnational payments	Status of reconciliation
ExxonMobil PNG Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Esso PNG Juha Ltd	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Ampolex (PNG) Limited	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Oil Search Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Santos Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Kumul Petroleum Holdings Limited	IPA under upgrade	IPA under upgrade	●	●	●	◆
JX Nippon Oil and Gas Exploration Company	IPA under upgrade	IPA under upgrade	●	●	●	◆
MRDC	IPA under upgrade	IPA under upgrade	●	●	●	◆

²⁶⁸ PNG LNG Environmental and Social Report-Annual 2020, PNG LNG, 2020 [https://www.pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2020-Annual-ES-Report-FULL-REPORT-\(ENG-WEB\)-v2.pdf](https://www.pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2020-Annual-ES-Report-FULL-REPORT-(ENG-WEB)-v2.pdf), accessed 26 December 2022

²⁶⁹ PNG EITI Report 2016, <https://www.pngeiti.org.pg/reports/>, accessed 26 December 2022.

Figure 51: The relative interests of each partner in the PNG LNG project for the 2020 reporting period²⁷⁰



*Following the merger with Oil Search Limited (OSL), Santos Limited has a 42.5% interest in the PNG LNG Project.

Table 94: Compliance summary of partners/owners of PDL 1

Partners / Owners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Nonfinancial information	Subnational payments	Status of reconciliation
ExxonMobil PNG Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Oil Search (Tumbudu) Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Lavana Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Kumul Petroleum (Kroton) Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Gas Resources Gigira Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Santos (Hides) Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆

²⁷⁰ PNG LNG Co-venturers <https://pnglng.com/About/Co-venturers>, accessed 18 July 2022. KPHL's holding is elsewhere stated as 16.57%, 16.8% may include 0.02% held through subsidiary Kumul LNG Ltd/Eda Oil Ltd.

Figure 52: PDL 1 Hides licence interests

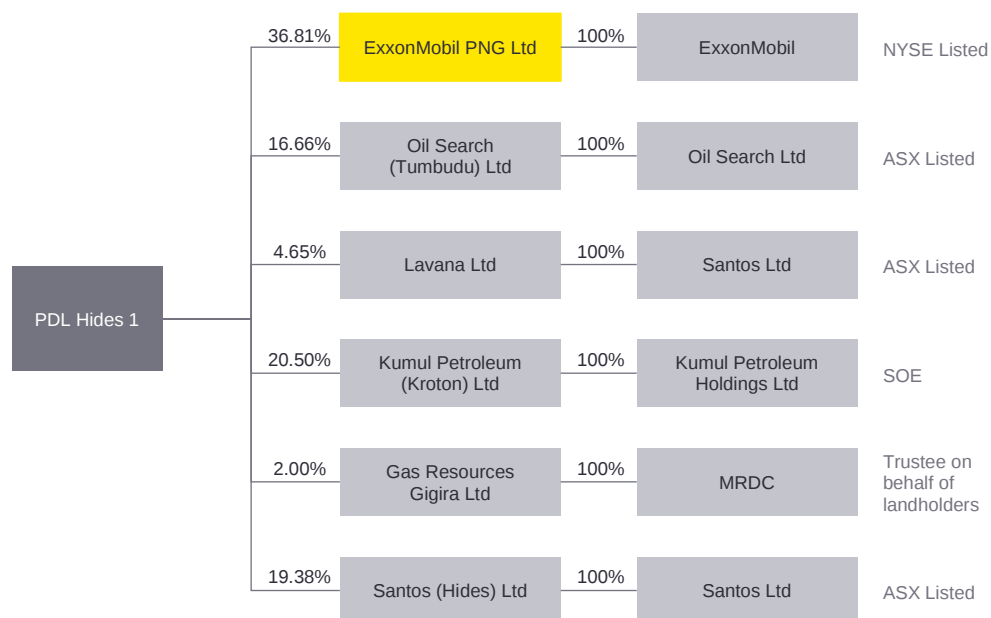


Table 95: Compliance summary of partners/owners of PDL 7

Partners / Owners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Nonfinancial information	Subnational payments	Status of reconciliation
Esso Highlands	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Oil Search (Tumbudu) Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Kumul Petroleum (PNG LNG) Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Gas Resources Hides No. 4 Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆

Figure 53: PDL 7 (Hides) licence interests

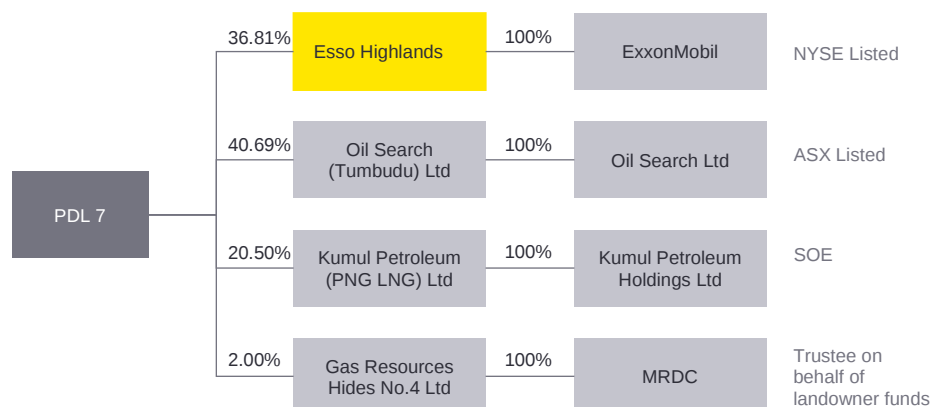


Table 96: Compliance summary of partners/owners of PDL 8

Partners / Owners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Nonfinancial information	Subnational payments	Status of reconciliation
Esso Highlands	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Oil Search (Tumbudu) Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Kumul Petroleum (PNG LNG) Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Gas Resources Hides No. 4 Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆

Figure 54: PDL 8 (Angore) licence interests

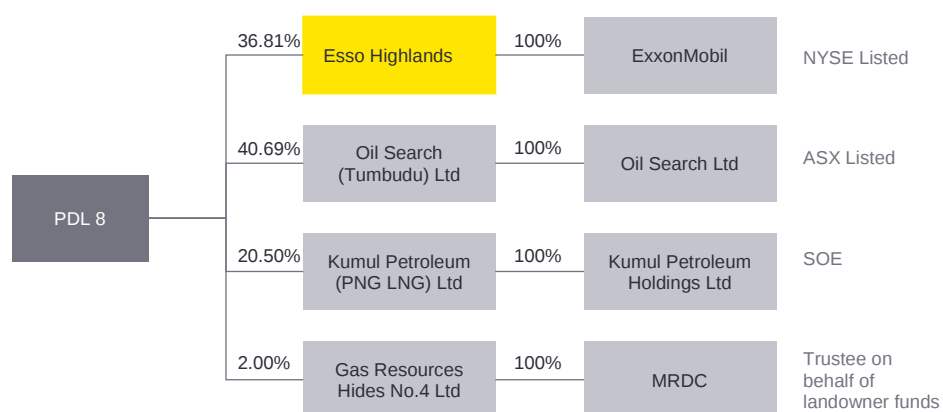
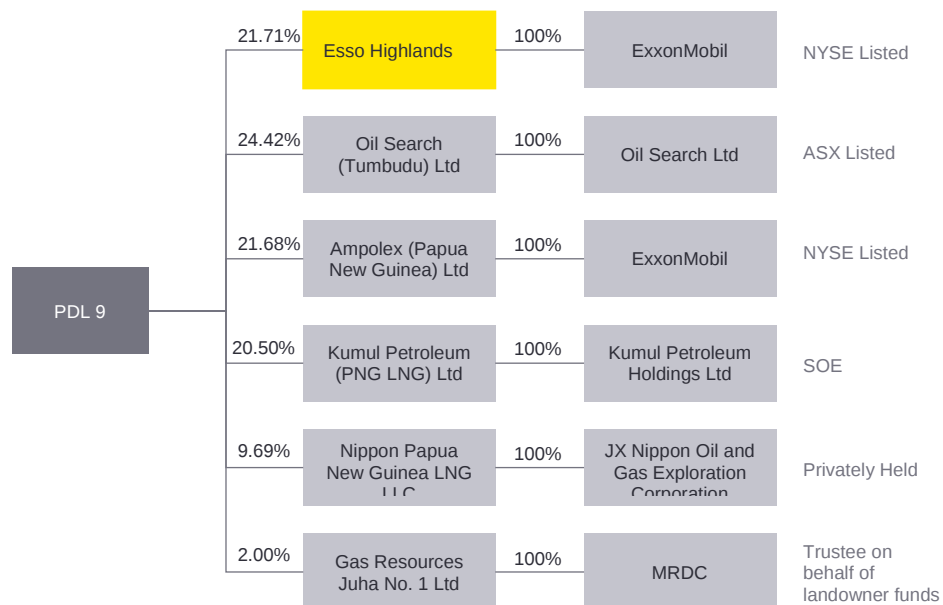


Table 97: Compliance summary of partners/owners of PDL 9

Partners / Owners	Annual Report publicly available	Annual return updated in IPA	EITI requirements			
			Financial information	Nonfinancial information	Subnational payments	Status of reconciliation
Esso PNG Juha Ltd	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Oil Search (Tumbudu) Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Ampolex (PNG) Limited	IPA under upgrade	IPA under upgrade	●	Provided by ExxonMobil	Provided by ExxonMobil	◆
Kumul Petroleum (PNG LNG) Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆
Nippon Papua New Guinea LNG LLC	IPA under upgrade	IPA under upgrade	●	●	●	◆
Gas Resources Juha No. 1 Ltd	IPA under upgrade	IPA under upgrade	●	●	●	◆

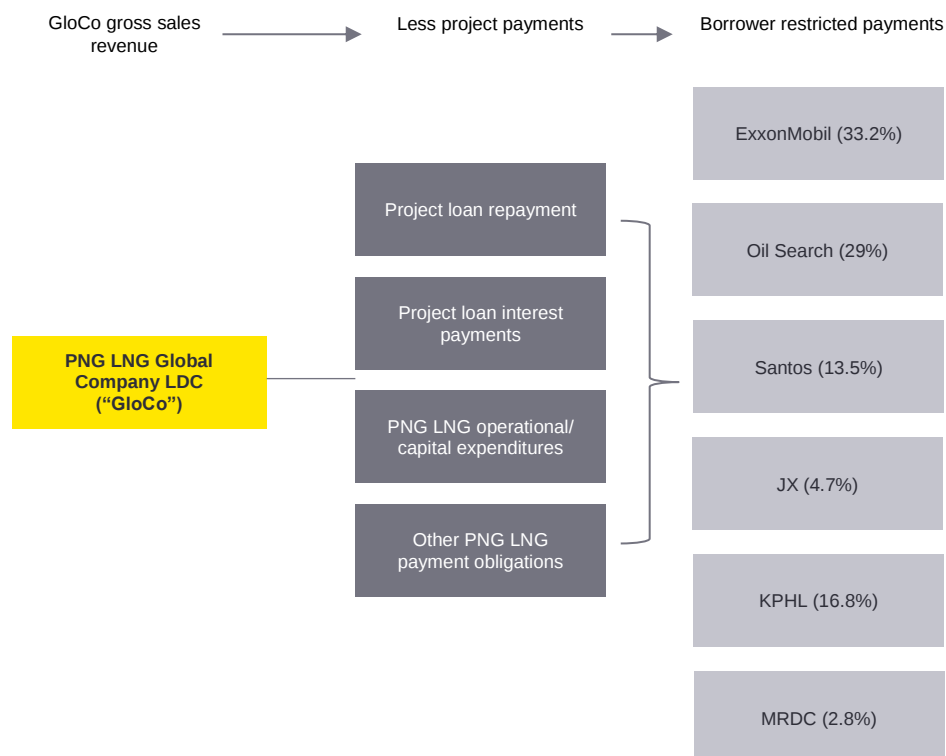
Figure 55: PDL 9 (Juha) licence interests²⁷¹



8.5.1 PNG LNG Revenue

The flow of payments from GloCo is illustrated below in Figure 56 (as described by KPHL, with adaptations by the IA for clarity). Payment streams from KPHL are detailed in Chapters 9 and 10, and payment streams from other participating entities are detailed in Chapter 10.

Figure 56: Payment flows from GloCo



²⁷¹ <http://www.openbriefing.com/AsxDownload.aspx?pdfUrl=Report%2FComNews%2F20181206%2F02057076.pdf>, accessed 18 July 2022

8.5.2 PNG LNG Borrowings

Secured loan from joint operation Papua New Guinea Liquefied Natural Gas Global Company LDC, a limited duration company incorporated under the laws of the Commonwealth of the Bahamas (the “Borrower”) was organised to conduct certain activities of the PNG LNG Project outside of PNG, including the borrowing and on-lending to the Project participants of the Project Finance Debt Facility, and the purchase and re-sale of PNG LNG Project liquids and LNG. The Borrower is owned by each Project participant in a percentage equal to its interest in the PNG LNG Project.

Interest and principal on the Project Finance Debt Facility is payable on specified semi-annual dates, which commenced in June 2015, with the principal being repayable over 11.5 years based on a customised repayment profile and with 5.5 years remaining on the facility as of 31 December 2020.

The liquids and LNG sales proceeds from the PNG LNG Project are received into a sales escrow account from which agreed expenditure obligations and debt servicing are firstly made and, subject to meeting certain debt service cover ratio tests, surpluses are distributed to the Project participants.

The Borrower granted to the security trustee for the Project Finance Debt Facility:

- ▶ A first-ranking security interest in all of its assets, with a few limited exceptions
- ▶ A fixed and floating charge over existing and future funds in the offshore accounts, a deed of charge (and assignment) over the sales contracts, LNG charter party agreements, rights under insurance policies, LNG supply and sales commitment agreements, on-loan agreements and the sales, shipping, and finance administration agreements, collectively known as “Borrower Material Agreements”
- ▶ A mortgage of contractual rights over Borrower Material Agreements.

The Project Finance Debt Facility is subject to various covenants and a negative pledge restricting further secured borrowings, subject to a number of permitted lien exceptions. Neither the covenants nor the negative pledge have been breached at any time during the reporting period. Financial Completion for the PNG LNG Project was achieved on 5 February 2015. From that date, the completion guarantee that was provided by the Company for its share of the Project Finance Debt Facility was released.²⁷²

Estimated share of Kumul Petroleum Holdings Limited and MRDC on the secured loan amounts to US\$1.52 billion and US\$253 million, respectively.*

**Recalculated using secured loan figures from Oil Search Limited 2020 Annual Report.²⁷³*

Total Outstanding Loans = (total current and non-current secured loan from joint operation)/ 29%

KPHL Share of the Loans = Total Loans x 16.8%

MRDC Share of the Loans = Total Loans x 2.8%

²⁷² Oil Search Annual Report, Note 20, Secured Loan from Joint Operation, https://www.annualreports.com/HostedData/AnnualReports/PDF/ASX_OSH_2020.pdf, accessed 28 December 2022

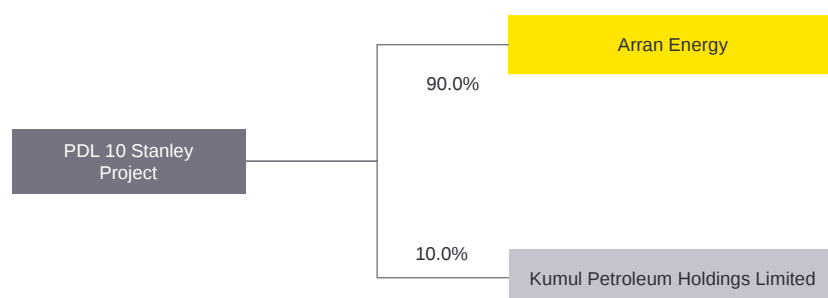
²⁷³ Oil Search Annual Report, Note 20, Secured Loan from Joint Operation, https://www.annualreports.com/HostedData/AnnualReports/PDF/ASX_OSH_2020.pdf, accessed 28 December 2022

8.6 New oil and gas projects

8.6.1 Stanley project (under DPE supervision)

The Stanley Gas Agreement was approved in April 2014. The Stanley gas-condensate field is located in PDL 10 and was operated by Repsol during the reporting period.²⁷⁴ In 2018 the PNG Government gave notice that it intended to cancel PDL 10 and PL 10, allegedly for failure to construct, commission and commence production operations. To date the planned engineering, procurement and construction of the project has not progressed. Discussions are ongoing to resolve this matter in the interests of both the state and the developer(s).²⁷⁵ In January 2020, Repsol sold its interests to Arran Energy Investments Pty Ltd, a privately owned Australian company, whose subsidiary Arran Energy Niugini Pty Limited then became the operator. In October 2020, Osaka Gas Pty Ltd sold Osaka Gas Niugini to Arran Energy.²⁷⁶ Further, in December 2020, Horizon Oil also sold its PNG assets to Arran Energy.²⁷⁷

Figure 57: Stanley project licence interest



8.6.2 Papua LNG Project (Elk-Antelope gas discoveries) (under DPE supervision)

The Elk-Antelope gas discoveries (PRL 15) are one of the largest undeveloped gas resources in PNG. The Papua LNG project of 5.4 million tons per annum (Mtpa) capacity was intended to consist of two LNG trains of 2.7 Mtpa capacity each and will unlock over 1 billion barrels of oil equivalent of natural gas resources.²⁷⁸ The participants under PRL 15 in 2018 were (post the State back-in right of 22.5%):²⁷⁹

Total (operator)	31.1%
ExxonMobil	28.7%
Oil Search	17.7%
Papua New Guinea	22.5%

In November 2018, the partners in the Papua LNG Project entered into a Memorandum of Understanding (MoU) with the Independent State of Papua New Guinea for the development of the Papua LNG Project.²⁸⁰ The Gas Agreement, which allocates project benefits and returns among stakeholders, was finalised in April 2019. However, necessary implementing legislation and agreements are still needed. Production from the Elk-Antelope (Papua LNG) conventional gas development project is expected to begin in 2027 and is forecast to peak in 2039.²⁸¹

²⁷⁴ Western LNG Project, <https://horizonoil.com.au/projects-operations/papua-new-guinea/western-lng-project/>, accessed 18 July 2022

²⁷⁵ Stanley Gas Condensate Project, <https://petroleum.gov.pg/stanley-gas-condensate-project/>, 18 July 2022

²⁷⁶ Osaka sale to Arran, <https://www.argusmedia.com/en/news/2154235-osaka-gas-spins-off-papua-new-guinea-gas-assets>, 18 July 2022

²⁷⁷ Horizon asset sale to Arran, <https://www.oilandgastoday.com.au/horizon-departs-png-with-asset-sale/>, 18 July 2022

²⁷⁸ Total press release, 9 April 2019, <https://www.total.com/en/media/news/press-releases/total-and-state-papua-new-guinea-sign-gas-agreement-papua-lng-project>, accessed 18 July 2022

²⁷⁹ Papua New Guinea government, partners sign LNG agreement, <https://www.ogi.com/pipelines-transportation/lng/article/17279091/papua-new-guinea-government-partners-sign-lng-agreement>, accessed 18 July 2022

²⁸⁰ Oil Search, "Papua LNG JV signs MoU with PNG Government", https://www.oilsearch.com/data/assets/pdf_file/0018/27135/181116-Papua-LNG-JV-signs-MOU-with-Government.pdf accessed 18 July 2022

²⁸¹ Elk-Antelope Papua New Guinea, <https://www.offshore-technology.com/marketdata/elk-antelope-papua-lng-conventional-gas-field-papua-new-guinea/>, accessed 26 December 2022

8.6.3 Pasca A (under DPE supervision)

Pasca A (Twinza Oil) is a gas condensate discovery (PPL 328 (APDL14)) located at the Gulf of Papua, Offshore Papua New Guinea. The field type is liquids-rich gas-condensate accumulation in carbonate pinnacle reef. The reserves have been proven, the development plan has been completed and the production licence is pending approval.²⁸² The operator is Twinza oil, which currently holds 100% interest in the project. The State has the right to acquire a 22.5% working interest if it chooses.²⁸³

8.6.4 Other gas projects in development

Oil and gas exploration is active across PNG. In 2020, there were 55 Petroleum Prospecting Licences, covering large parts of the country, and much of the near-shore environment.²⁸⁴ The Papua LNG project is expected to be the first of a series of new gas developments, including:

- ▶ Potential development of the P'nyang field to supply PNG LNG Project expansion
- ▶ Possible aggregation of a number of gas accumulations in the Western Province
- ▶ The introduction of the *Unconventional Hydrocarbons Act 2015* (UHA) cleared f for further exploration and production including unconventional hydrocarbons such as shale oil and gas that were previously excluded from the OGA.

8.7 Oil and gas production data

Oil and gas project operators report production data to DPE daily. DPE does not currently perform detailed reviews or audits of this data due to resourcing constraints.²⁸⁵

Below we present production and export quantities as reported by companies and by DPE.

Table 98: Oil and gas production and export quantities provided by companies

Commodity quantity	PNG LNG (ExxonMobil Operated)		All Amounts Shown Are Gross Comments	Oil & Assoc Gas (OSL Operated)		Comments
	Produced	Exported		Produced	Exported *	
Oil (stbo)				7,156	12,840	
Hides Condensate (stbop)	9,416,486		PNG LNG condensate from Hides HGCP that goes by pipeline to the OSL operated Central Processing Facility (Kutubu)	85	14	
PNG LNG liquids (stbop)	1,240,791	1,147,170	Naphtha produced and exported from the PNG LNG Plant	7,480	25,694	
Hides Gas (MMscf)	388,968		Gross PNG LNG gas produced from HGCP	1,800		
PNG LNG Associated Gas (MMscf)				1,479		
PNG LNG Project LNG (tonnes)	8,767,282	8,517,577	Gross LNG produced and exported at LNGP	2,509,231		
Domestic Gas (mmscf)		2,039	PNG LNG domestic gas sold from LNGP to NiuPower to generate electricity for POM	649		
Electricity sales to PNG Power (mmscf)		1,168	PNG LNG gas converted to electricity and sold to PNG Power at LNGP (~13 MW)	494		
PNG LNG Project Naptha (stbop)				868		
Hides Gas to Electricity (mmscf)						

Legend:

Not applicable

²⁸² Pasca A – Twinza Oil, <https://www.twinzaoil.com/what-we-do/papua-new-guinea-pasca-a>, accessed 18 July 2022

²⁸³ Ibid

²⁸⁴ DPE data template received

²⁸⁵ Direct communication from DPE, 2016 PNG EITI Report.

Notes:

- ▶ Empty cells are not applicable
- ▶ All amounts are in gross total volume for the year – total bbls, MMscf, tonnes
- ▶ PNG LNG volumes are confirmed by ExxonMobil
- ▶ Oil and Associated Gas volumes are confirmed by Oil Search

Table 99: Oil and gas production and export quantities reported by DPE

Commodity quantity	Produced	Exported
Oil (stbopd)	13,365	35,927
Hides Liquids (stbopd)	-	-
PNG LNG liquids (stbopd)	23,605	-
Hides Gas (MMscf)/d	387,907	-
PNG LNG Project LNG (tonnes)	8,303,365	8,435,893

There are inconsistencies in the quantities reported. As the regulator, DPE should enforce proper guidelines for reporting, including reviews to verify accuracy of numbers.

Table 100: Oil and gas export quantities and values as reported by Customs²⁸⁶

Company	Export Description	Quantity	Value (PGK)
ExxonMobil	Naphthalene	33,079,074 LTR	114,309,896
	Liquefied natural gas	18,791,275 TNE	12,944,463,409
Oil Search	Kutubu Blend Crude Oil, Crude Oil and Samples	76,422,967 LTR	1,529,805,512

8.8 Regulation of the oil and gas sector

Oil and gas regulation in PNG is overseen by DPE, an entity that is chronically under-resourced, and has not produced an annual report since 2010. DPE has now established a basic website.

DPE informed the IA in 2016 that there were plans to establish an independent authority to regulate the oil and gas industry (as is the case for the mining industry, with the MRA). No update on this could be obtained by the IA.

DPE was the subject of several priority recommendations in the 2013 and 2014 PNG EITI Reports that have subsequently been endorsed by the National Executive Council (NEC).

Register of licences

The official register of oil and gas licences is maintained by the DPE in handwritten ledgers. This ledger is not organised sequentially by licence numbers, new entries are made when applications are made. In principle the register is publicly accessible, but clearly this is not a practical reality. The register is set up to record all information required by the EITI Standard, but a number of information gaps in individual entries were identified when the ledger was originally reviewed by the IA in 2015.²⁸⁷

The reliance on hard copy documentation poses a risk of catastrophic data loss.

²⁸⁶ Provided by PNG Customs

²⁸⁷ See PNG EITI Report 2013 Appendix B, https://eiti.org/sites/default/files/attachments/2013_papua_new_guinea_eiti_report.pdf, accessed 18 July 2022

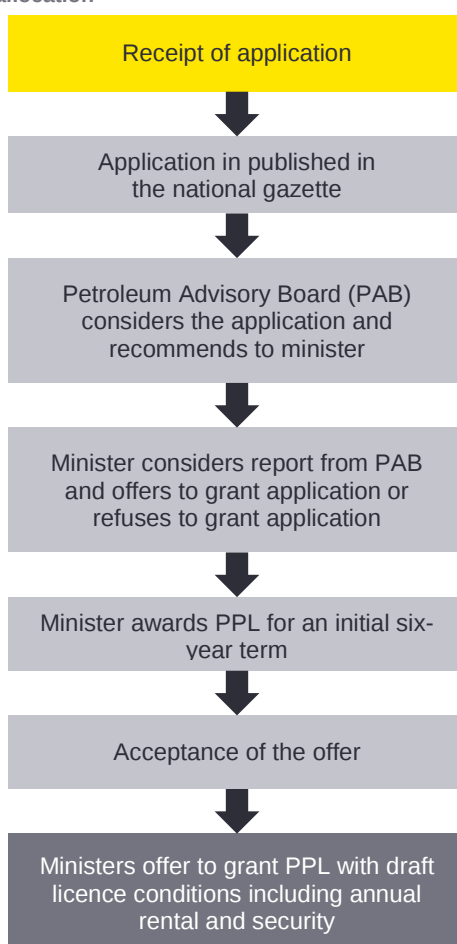
See Appendix D for the list of active oil and gas licences in 2020. For the 2020 reporting period, DPE advised that no PPLs had been cancelled.²⁸⁸

The physical distribution of oil and gas tenements in PNG is shown in Appendix E. A larger version can also be found on the website of the PNG Chamber of mines and petroleum.

8.9 Allocation of licences²⁸⁹

Oil and gas licences are allocated by DPE, according to the process illustrated in Figure 58 below.

Figure 58: Process for DPE licence allocation



Information on the technical and financial criteria for petroleum prospecting licences is set out in the Petroleum Policy Handbook and includes the following criteria for considering applications for licences:²⁹⁰

When granting a prospecting licence, the Minister must be satisfied that the applicant has a coherent exploration strategy for the licence area as well as the technical and financial resources to carry out the required work program. The following information should therefore be included in an application:

- ▶ The full name of the individuals or companies who are to be the licence holders
- ▶ If more than one individual or company is to hold the licence, the respective participating interests, and the identity of the operator

²⁸⁸ Non-financial data template provided by DPE for this report. Received 18 September 2019.

²⁸⁹ *Petroleum division – an overview*, p. 21

²⁹⁰ *Petroleum policy handbook*, pp. 8 and 9, 2003

- ▶ The specific blocks over which a licence is being sought, and a sketch map indicating their position
- ▶ An outline of the technical resources of the applicant, including prior experience in PNG and descriptions of similar exploration programs carried out elsewhere, as well as the resumes of key individuals to be involved in the proposed program
- ▶ Details of the financial and asset resources of the applicants including the most recent financial statements and where appropriate outlines of similar ventures undertaken
- ▶ Detailed work and expenditure programs proposed for the first two years of the initial licence period
- ▶ Indicative work and expenditure programs proposed for the final four years of the initial licence period
- ▶ A synopsis of the technical rationale used in developing the work program proposed
- ▶ Postal, fax and email addresses of the applicants
- ▶ Any other information that might be relevant to the application.

The legislation for exploration and production licensing for unconventional hydrocarbons is outlined in Division III of the UHA. Under the act, the traditional Petroleum Prospecting Licence and Unconventional Hydrocarbon Prospecting Licence can co-exist on the same area of land. Sections 63–65 of the UHA address conflicts regarding this, indicating where ownership of the resource reverts to if either conventional or unconventional hydrocarbons are discovered within a licenced area.

DPE advised that applications are assessed on a first-come, first-served basis. The main criteria used are:

- ▶ Technical capability of the applicant. The applicant must have the personnel with relevant industry experience and qualifications and must furnish supporting documents.
- ▶ Financial capacity of the applicant to pay fees/charges and to carry out the work program as per licence commitments. Relevant financial statements must be supplied.
- ▶ The applicant's history of work and expenditure undertaken in other areas/licences, to assess genuineness of the applicant.

DPE confirmed that no licences were awarded through a bidding process in 2020.

DPE advised that in some cases the first-come basis was not strictly followed, “applications that were lodged earlier had to await publication in the National Gazette due to lack of funding. Whilst earlier applications were pending, later applications would be lodged and by the time funding was made available for publication, all applications would be gazetted simultaneously and thus considered at the same time.”

Before a production licence is issued, social mapping and clan vetting must be conducted, which is audited by DPE. This culminates in a Development Forum that brings together stakeholders to finalise the benefit sharing agreement. Agreements include different levels of compensation and benefits, which may include social benefits such as schools or hospitals. DPE commented that landowner groups have become much more adept at negotiating for their interests in recent years.

Production licences also require “detailed proposals by the applicant for the construction, establishment and operation of all facilities and services for and incidental to the recovery, processing, storage and transportation of petroleum from the licence area.”²⁹¹

²⁹¹ OGA s.54

DPE advised that applications are assessed by the registrar for completeness, geoscience staff for technical criteria, and economics staff for financial criteria. The findings go into a technical brief which then goes before the DPE board.

Development agreements allow for deviations from the legal and regulatory agreement, with this information being included in official gazettes (statutory instruments). No information regarding agreements or deviations were provided by companies for 2020.

A petroleum development licence will not be granted until PNG Conservation and Environment Protection Authority (CEPA) grants environmental approval. CEPA is the government agency responsible for administering the *Environment Act* 2000. The process for environmental permit approval is outlined in section 7.9 of this report. Information from CEPA identifying the environmental permits that were issued, amended, or renewed in 2020 were received and this information is reconciled in chapter 10 of this report.

Table 101 shows the different types of licences and the number of licence applications by type as at 31 December 2020. For full details, see Appendixes D.

Table 101: DPE licence statistics for 2020²⁹²

Licence type	Quantity
Petroleum Development Licence (PDL)	10
Application for PDL	4
Petroleum Retention Licence (PRL)	8
Application for PRL	6
Petroleum Prospecting Licence (PPL)	69
Application for PPL	13
Petroleum Processing Facility Licence (PPFL)	2
Application for PPFL	0
Petroleum Pipeline Licence (PLL)	10
Application for PLL	4

Transfer processes are outlined in the OGA.²⁹³ Transfers are registered by DPE but are a commercial transaction between organisations to which DPE is not party, no criteria are applied by DPE. Exploration licences cannot be transferred for a period of two years from being granted. The list of licences awarded and transferred in 2020 can be found in Appendixes D and F. Licence fees for 2020 can be seen in Appendix C.

JICA, DPE and PNG EITI²⁹⁴

JICA was the first development partner to come on board to support EITI implementation after the PNG Government published its first PNG EITI Report in 2016. Over the last three years, the JICA Technical Cooperation Program enhanced efforts to strengthen the government agency's process for collecting and recording extractive revenues and developing the database and capacity for better management of these revenues. The project, initiated in January 2018, entails improving the data systems of EITI reporting entities to equip them with modern tools such as online platforms to help to generate timely data for EITI reporting and other purposes. The country's regulator of the petroleum industry, DPE is the main beneficiary of this project.

The specific areas in which JICA is helping PNG EITI reporting agencies and stakeholders to improve the EITI reporting process include:

- The management of relevant data and information in DPE to be improved

²⁹² Non-financial data template provided by DPE for this report.

²⁹³ Section 97

²⁹⁴ JICA supports mining and petroleum transparency in Papua New Guinea through technical cooperation, <https://www.developmentaid.org/#!/news-stream/post/81177/jica-supports-mining-and-petroleum-transparency-in-papua-new-guinea-through-technical-cooperation>, accessed 18 July 2022

- ▶ The reporting mechanism among extractive companies and government agencies (mainly PNG EITI National Secretariat) to be enhanced
- ▶ Awareness and implementation structure for EITI to be enhanced in the country

A revised work plan to cater for the extended period will be finalised between JICA and PNG EITI shortly.

Other updates from DPE in 2020

Due to the Covid 19 pandemic lockdown, the JICA Team implementing the JICA funded Project for improving resource related Revenue Management in Papua New Guinea (jointly with the PNG EITI National Secretariat, Department of Treasury) were not physically available in PNG to deliver several output relating to the establishment, and improvement of the management of resource data which was initiated in 2019.

DPE, however, through the JICA Technical Assistance achieved internal milestone in 2020 such as appointment of a permanent Focal Person, establishment of a EITI Unit within DPE, improved accuracy of compiling data from issuance of Licensing, Production/Volume, and Revenue collection information for both Oil Projects and the foundation PNG LNG Project.

Any further information that becomes available after this report is finalised will be made available on the PNG EITI website at <http://www.pngeiti.org.pg/>



State-owned enterprises

9. State-owned enterprises

9.1 Legal basis

The EITI Standard 2016 defines a state-owned enterprise (SOE) as: “a wholly or majority government owned company that is engaged in extractive activities on behalf of the government”. In PNG, the State holds the right to acquire a participating interest in any mining or petroleum project in PNG at par value, or “sunk cost”. In return, the State can receive a share of the profits of the project, paid as dividends in accordance with its rights as a shareholder. Further information on the State’s equity participation rights is provided in Chapter 4.

In 2015, all government mining interests except for Ok Tedi Mining Limited (OTML) were consolidated to Kumul Mineral Holdings Ltd (KMHL) and all government petroleum interests were consolidated to Kumul Petroleum Holdings Ltd (KPHL). Each of these is discussed further in this chapter.

In addition, this chapter covers two organisations that have been described as state-owned enterprises in earlier PNG EITI reports, but which more accurately act as trustees:

- ▶ Mineral Resources Development Company Ltd (MRDC)
- ▶ Ok Tedi Development Foundation.

9.2 Quasi-fiscal expenditures

Quasi-fiscal expenditures are outlined in the EITI Standard as “arrangements whereby SOE(s) undertake public social expenditure such as payments for social services, public infrastructure, fuel subsidies and national debt servicing, etc. outside of the national budgetary process.”²⁹⁵ This can include, for example, providing services at below market rates.

Previous PNG EITI reports have highlighted that the classification of quasi-fiscal expenditures is not straightforward, which may result in under-reporting of this category. The 2017 report recommended that “PNG should undertake a comprehensive review of all expenditures undertaken by extractives SOEs (and their subsidiaries) that could be considered quasi-fiscal.”²⁹⁶

Refer to Chapter 6, Social and subnational payments for quasi-fiscal expenditures reported by SOE reporting entities.

9.3 Kumul Petroleum Holdings Ltd

9.3.1 Creation, ownership and structure

Kumul Petroleum Holdings Ltd (KPHL) has been through a series of changes of structure and name since it was first incorporated in June 2008.²⁹⁷ It has been in its current form since 2015, when the *Kumul Petroleum Holdings Ltd Authorization Act 2015* was passed, making KPHL the State nominee for all commercial matters relating to oil and gas projects.

9.3.2 Projects and fiscal arrangements

KPHL’s data template for 2020 lists the following holdings:

- ▶ Kumul Petroleum (Kroton) Limited
- ▶ NPCP Oil Company Pty Ltd
- ▶ Eda Oil Limited
- ▶ Kumul LNG Limited

²⁹⁵ Guidance on quasi-fiscal expenditures, <https://eiti.org/guidance-notes/quasi-fiscal-expenditures>, accessed 18 July 2022

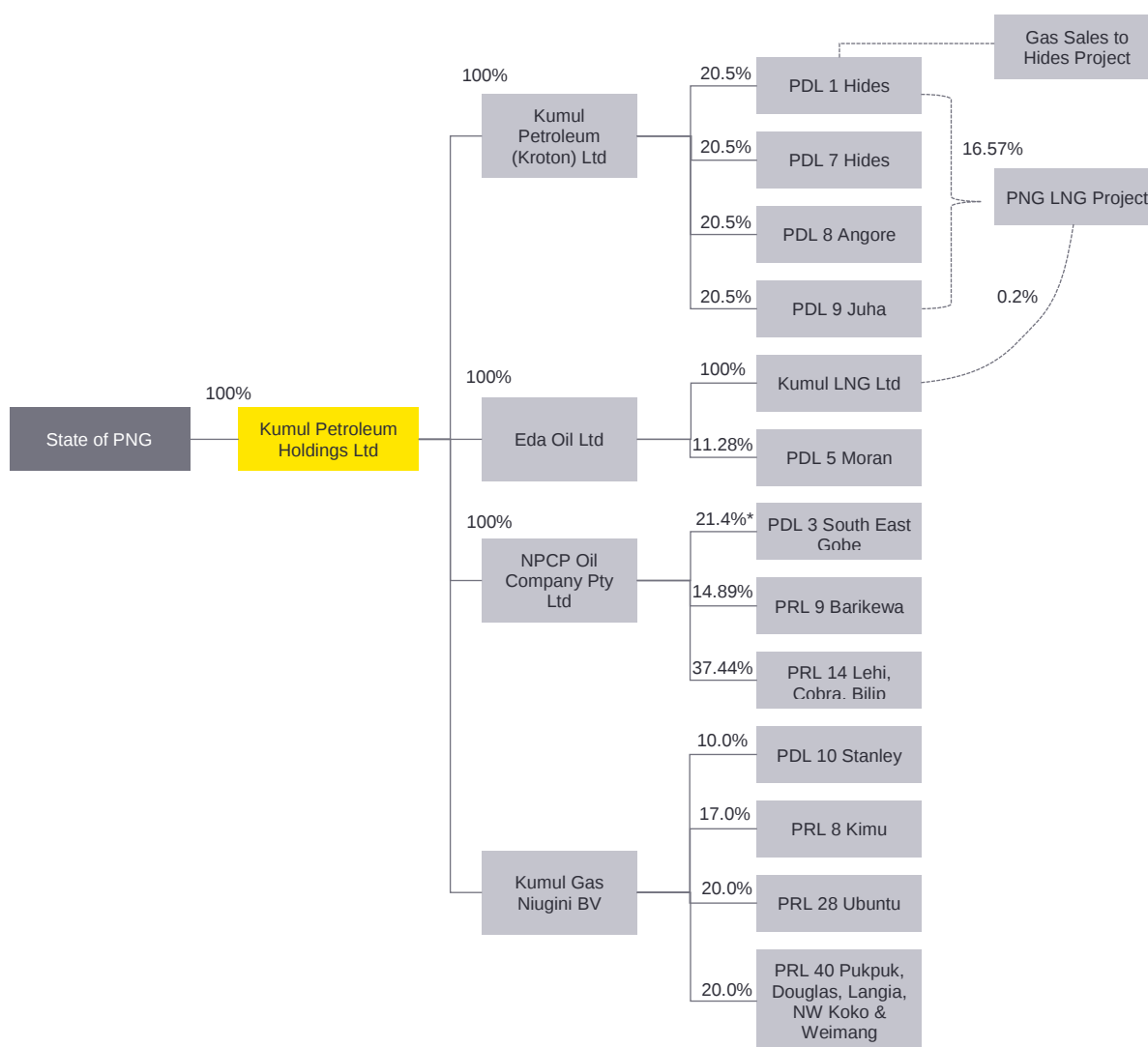
²⁹⁶ PNG EITI 2018, p. 124, <https://eiti.org/sites/default/files/attachments/png-eiti-2019-report-report.pdf>, accessed 18 July 2022

²⁹⁷ For further detail see PNG EITI 2018, p. 124, <https://eiti.org/sites/default/files/attachments/png-eiti-2019-report-report.pdf>, accessed 18 July 2022

► Kumul Energy Limited

However, KPHL's website lists a broader set of interests, together with an interactive map.²⁹⁸ These are outlined below.

Figure 59: KPHL projects and fiscal arrangements



*The ownership % of PDL 3 has been confirmed by KPHL to be 45.72%, though on the KPHL website it lists ownership percentages of 21.4% and 45.72%. We also note that information from the MSG indicated an 8.85% ownership.²⁹⁹

As outlined above, KPHL's subsidiary Kumul Petroleum (Kroton) Ltd³⁰⁰ holds a 20.50% interest in four petroleum development licences which together represent a 16.57% interest in the PNG LNG project.³⁰¹ KPHL's participating interest is determined by the amount of gas committed to the project from a defined area within each of the four PDLs. KPHL participates in the management of the PNG LNG project through representation on the operating, technical, and sales and marketing committees.³⁰²

²⁹⁸ Petroleum Retention Licences, <http://kumulpetroleum.com/licence-interests/>, accessed 28 December 2022

²⁹⁹ Information from KPHL website (ibid) and from information submitted for previous EITI reports.

³⁰⁰ We have also found references to "Kumul Petroleum (Kroton No 2) Holdings Ltd" and to "NPCP Kroton Ltd". At the time of writing, it was initially unclear whether these all refer to the same entity. KPHL subsequently confirmed that KPHL was referred to previously by a different name.

³⁰¹ PNG LNG Project, Kumul Petroleum Holdings Ltd, <http://kumulpetroleum.com/production/>, accessed 18 July 2022. KPHL's data template disclosed a 16.8% holding in PNG LNG. This may refer to the additional 0.2% held through subsidiary Kumul LNG Ltd/Eda Oil Ltd.

³⁰² Direct communication from KPHL, 20 November 2015

KPHL, through its co-ownership in PDL 1, also jointly sells gas to the Oil Search owned and operated gas to electricity plant (the Hides Project). The Hides Project buys gas from the PDL 1 partners, which it conditions and sells to the Barrick-operated Porgera gold mine.³⁰³

9.3.3 Revenue and payment streams

KPHL advised that total receipts (share of sales less share of payments – otherwise known as “borrower restricted payments” or “equity distribution” used across in the report) from the project for 2020 by way of distributions from GloCo was approximately PGK320 million (US\$92.72 million). The equity distribution reported by KPHL was confirmed by ExxonMobil, in its capacity as the operator of PNG LNG project.

The gas produced by PNG LNG is jointly marketed through the PNG LNG Global Company LDC (“GloCo”) (see further section 8.5).

KPHL reported the following payment streams for 2020:³⁰⁴

Table 102: KPHL payment streams

Payment stream	Recipient	PGK
Dividends	Treasury	200,000,000
Group tax	IRC	16,336,554
Goods and service tax	IRC	2,183,780
Licences	DPE	29,583
Total		218,549,917

KPHL also reported the following payments by PNG LNG on behalf of the Company

Table 103: KPHL payments

Payment stream	Recipient	PGK
Royalties - Paid to landholders	MRDC	7,215,466
Group tax	IRC	24,500,000
Development levy	State	5,631,628

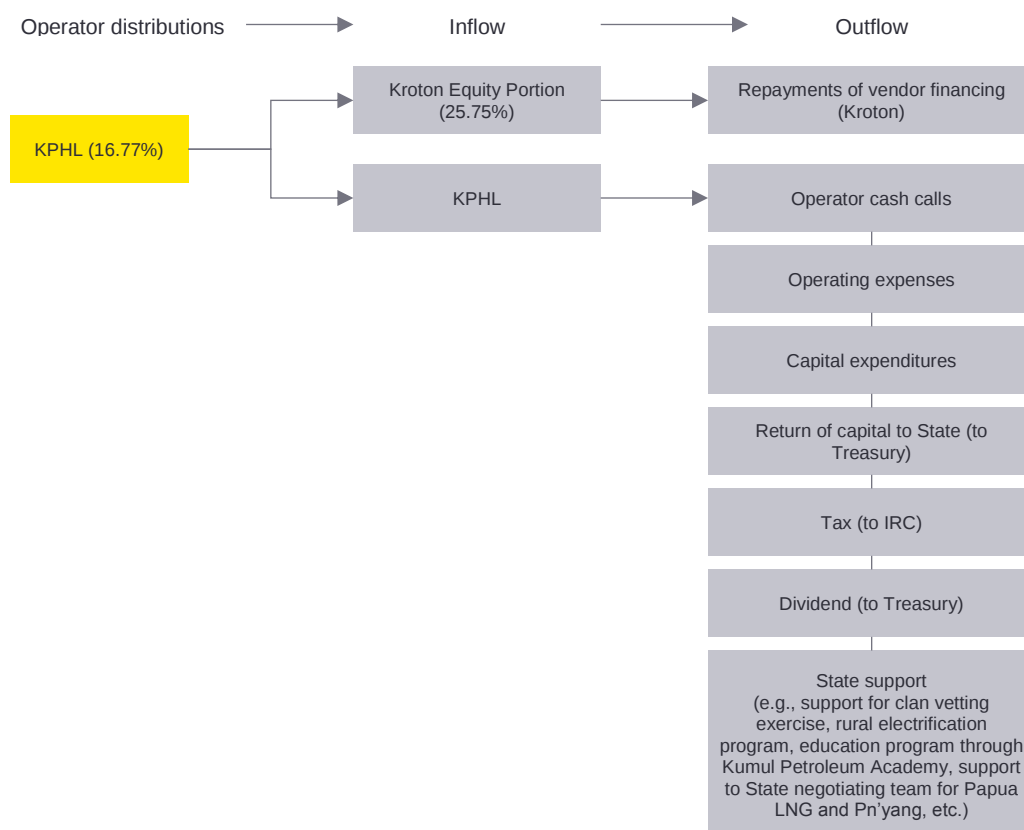
Refer to Chapter 6 for other payments made by KPHL.

³⁰³ Gas Sales to Hides Project' Kumul Petroleum Holdings Ltd, <http://kumulpetroleum.com/production/>, accessed 18 July 2022.

³⁰⁴ Out of total 2019 receipts of PGK1.57 billion (including equity distribution from PNG LNG).

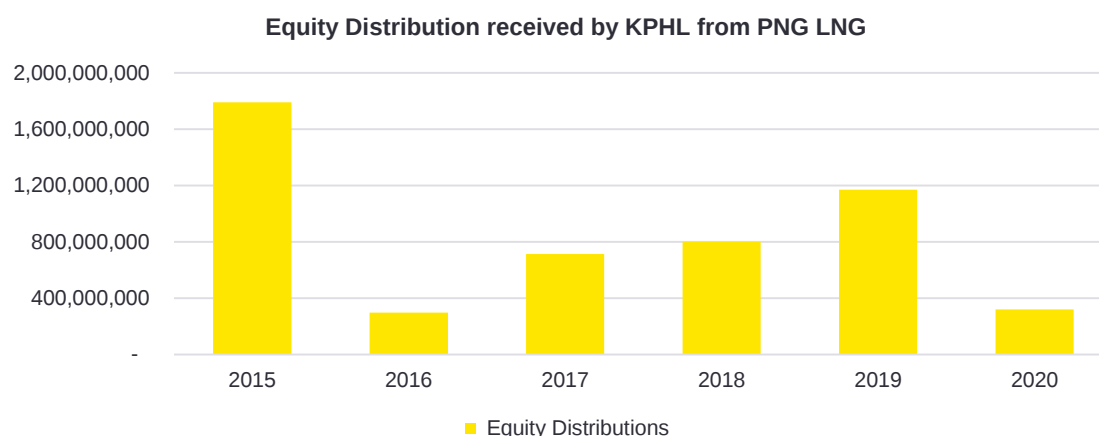
KPHL provided a process flow of payments from GloCo, this is illustrated below in Figure 60, with amendments by the IA for clarity.

Figure 60: KPHL payment streams from PNG LNG project



The Umbrella Benefits Sharing Agreement for the PNG LNG project included an option for affected project area landowners and provincial governments to purchase a shareholding interest in the PNG LNG Project by way of indirect equity holding in Kumul Petroleum (Kroton) Ltd. This is known as the “Kroton Equity Option”.³⁰⁵ In September 2016, KPHL was endorsed by the NEC to offer vendor finance to enable landowner beneficiary groups and provincial governments to make these purchases.³⁰⁶

Figure 61: Equity distributions received by KPHL from PNG LNG



³⁰⁵ KPH website, <http://kumulpetroleum.com/news-article/kumul-petroleum-clarifies-kroton-equity/>, accessed 18 July 2022

³⁰⁶ Kroton Equity Unit Application Signing Ceremony' 12 Jan 2017, <http://kumulpetroleum.com/news-article/kroton-equity-unit-application-signing-ceremony/>, accessed 18 July 2022

Average annual equity distribution received by KPHL over the past 6 years amounted to PGK848m. Highest collections were recorded in 2015 amounting to PGK1,790m. Lowest receipts, on the other hand, were recorded in 2016 amounting to PGK297m.

By the deadline of 31 December 2016, the following provincial governments and landowner beneficiary groups had elected to take up their option using KPHL's vendor finance, and subsequently signed a Unit Application Agreement:³⁰⁷

- ▶ Fly River Provincial Government
- ▶ Southern Highlands & Hela Provincial Government
- ▶ Central Provincial Government
- ▶ Gulf Provincial Government
- ▶ PDL 4 (Gobe)
- ▶ PDL 5 (Central Moran)
- ▶ PDL 9 (Juha)
- ▶ PNG LNG Pipeline, (Segment 1- 8)
- ▶ PNG LNG Plant site (Papa, Lealea, Boera, Porebada)
- ▶ Northwest Moran

This process is now complete and awaiting further directive from the NEC.

9.3.4 Social and quasi-fiscal expenditure

Refer to Chapter 6 for the KPHL's disclosure on social and quasi-fiscal expenditure.

KPHL's data template refers to "Government support" in relation to quasi-fiscal expenditures but does not provide further explanation.

KPHL reported that no infrastructure tax credits were applicable for the reporting period

KPHL disclosed no mandatory social expenditures for 2020 but listed discretionary social expenditures totaling PGK23.3 million, for various activities and PGK30.4 million of quasi-fiscal expenditures.

9.4 Kumul Mineral Holdings Ltd

9.4.1 Creation, ownership and structure

Kumul Mineral Holdings Ltd (KMHL), a 100% state-owned company, was created in 2007 as Petromin PNG Holdings Ltd (Petromin), to hold the State's assets and to maximise indigenous ownership and revenue gains in the mineral, and oil and gas sectors. Its objective included encouraging more production and downstream processing of oil, gas, and minerals in PNG through proactive investment strategies either wholly or in partnership with other investors. When the *Kumul Minerals Holdings Authorization Act* 2015 was passed, Petromin was renamed Kumul Mineral Holdings Ltd.

9.4.2 Projects and fiscal arrangements

During the reporting period, KMHL did not hold any subsidiaries with interests in active resource projects. For this reason, KMHL is not a material reporting entity for 2020 (or the previous years). Information for this report has been drawn from KMHL's 2016 reporting template, and from a copy of KMHL's audited financial statements for 2016, which were previously provided to the IA.

³⁰⁷ "Kumul Petroleum News", <http://kumulpetroleum.com/news-article/kroton-option-exercise-by-pdl-4-beneficiary-group/>, accessed 18 July 2022.

Kumul Minerals is the parent or holding company for a number of subsidiaries. Those subsidiaries are below:³⁰⁸

- **Eda Minerals Limited** holds the 17.04% State interests in the Bougainville Copper Limited. That share would be transferred to the Autonomous Region of Bougainville per the Prime Minister's commitment when all necessary conditions are ready. On transfer, this company will be available for all other mineral project investments that are brought on board. This subsidiary has a three directors Board system for its management and operations.
- **Eda Kopa Limited** - Solwara 1 Project is managed under this subsidiary. Kumul Minerals' predecessor, Petromin made an investment of US\$120 million to secure a fifteen percent (15%) interest stake in the Solwara 1 Deep Sea Mining. Kumul Minerals plans to exit the project by selling the held stocks to any interested parties of interest as part of its Business Plan. This subsidiary could be retained for Copper Projects Investments in Frieda, Yandera and the Copper Smelter Refinery business concept. As at reporting date, Eda Kopa Limited has two directors who report to Kumul Minerals.
- **Eda LNG Limited** - Once US\$9 million outstanding of the investment is settled, this subsidiary will be de-registered. There is one director in charge of its name.
- **Eda Energy Limited** is a carry-over from Petromin. A cash call was made for 10% equity in Pasca Gas Project by Twinza to Petromin. The sale of ten percent (10%) equity in Pasca will be made once PDL is issued. However, through the Kumul Authorization Act, all Petroleum assets were transferred to Kumul Petroleum Holdings Limited in 2016. For that decision Kumul Minerals Holdings Limited formerly Petromin was to be paid its investments, less outstanding cash calls. The subsidiary will be deregistered and cease to be a subsidiary of Kumul Minerals upon closure of the transaction.
- **Kumul Minerals Ok Tedi Limited** holds the majority share of sixty seven percent (67%) in Ok Tedi Mine and is the only income earning subsidiary (through dividend) to date. The subsidiary is represented by three directors (who are also directors of Kumul Minerals Board) who make representations to the Ok Tedi Mining Limited Board.
- **Kumul Minerals Porgera Limited** is a partner to the New Porgera incorporated joint venture arrangement for the soon to be re-opened Porgera Gold Mine. It holds thirty six percent (36%) stake in the new structure. It has three (3) directors on New Porgera Limited, the incorporated joint venture company.
- **Kumul Minerals Exploration Limited** is responsible for the mineral exploration business of Kumul Minerals and is represented by four directors. It will not have direct field exploration but will apply for and secure target exploration tenements and farm-out those prospects to experienced explorers to partner in developing the mineral resource.

KMHL's 2016 financial statements noted that, with no producing assets, "there is material uncertainty that may cast significant doubt on whether the group will continue as a going concern." The statements have nevertheless been prepared on a going concern basis, on the grounds that:

- ▶ The company will continue to operate under new legislation as Kumul Minerals Holdings Ltd and it will hold all the State's share of mineral interests.
- ▶ The company will continue to explore cost reduction and restructuring measures and pursue other revenue generating activities to manage its cash flow requirements.
- ▶ The group has an indemnity from the State in respect of its borrowing relating to its investment in Solwara 1 project.

³⁰⁸ Kumul Minerals Subsidiaries, <https://kumulminerals.com.pg/kmhl-subsidiaries/>, 26 December 2022

- ▶ The National Executive Council (by decision no 223/2016) has approved deferment of the payment of tax liabilities of PGK20.8million for five years. The group also plan to negotiate a settlement arrangement with other creditors including other government entities.
- ▶ The Group continues to engage with a broad range of its stakeholders in the other producing mineral assets that are meant to be held by the KMHL under KMHL Act.
- ▶ The directors believe that the Group will be successful in its efforts and have prepared the financial statements on that basis.³⁰⁹
- ▶ No further information was obtained at the time of writing.

9.4.3 Revenue and payment streams

The State is paid a dividend as and when a dividend is declared by the Board. Dividends are paid to the Department of Finance. For 2016, KMHL stated that they paid no dividend to the State, did not provide loans or loan guarantees to mining or oil and gas companies operating within the country and made no subnational payments or transfers.³¹⁰

9.4.4 Social and quasi-fiscal expenditure

For 2016, KMHL reported that no social or quasi-fiscal payments were made.³¹¹

9.5 Ok Tedi Mining Limited (OTML)

9.5.1 Creation, ownership and structure

Ok Tedi Mining Limited (OTML) was incorporated in 1981 as the operator of the joint venture open pit mine at the Mt Fubilan copper, gold, and silver deposit.

BHP exited the joint venture in 2002, and its shares were transferred to the Papua New Guinea Sustainable Development Program (PNGSDP), a not-for-profit company limited by guarantee, which was incorporated on 20 October 2001 in Singapore.³¹²

In 2012, OTML purchased the shares in the project owned by Canadian company Inmet Mining Corporation, and in 2013 OTML became a 100% state-owned entity with the passing of the *Ok Tedi (10th Supplemental Agreement) Act 2013*.³¹³

At this time, shares held by PNGSDP were cancelled and the Government of PNG increased its direct ownership to 87.8%. The State was also given “all necessary powers to restructure PNGSDP and its operations to ensure that PNGSDP applies its funds for the exclusive benefit of the people of the Western Province.”³¹⁴ However, this move has been the subject of ongoing legal battles in PNG and Singapore.

Most recently, it appears the High Court of Singapore has rejected the government’s argument that it had a right to control and oversee the operations of the PNG Sustainable Development Program.³¹⁵

The ownership structure of OTML during the 2020 reporting period can be seen in chapter 7.^{316 317}

³⁰⁹ Ibid

³¹⁰ Data provided by KMH in data template completed for 2016 PNG EITI report, 30 August 2017.

³¹¹ Ibid

³¹² Independent State of Papua New Guinea v PNG Sustainable Development Program Ltd [2016] SGHC 19

[http://www.supremecourt.gov.pg/docs/default-source/module-document/judgement/-2016-sghc-19-\(amended-26-feb\)-pdf.pdf](http://www.supremecourt.gov.pg/docs/default-source/module-document/judgement/-2016-sghc-19-(amended-26-feb)-pdf.pdf), accessed 26 November 2020

³¹³ “History”, Ok Tedi Mining Limited, <https://oktedi.com/who-we-are/our-history/>, accessed 26 November 2020.

³¹⁴ Mining (Ok Tedi Tenth Supplemental Agreement) Act 2013 (PNG) http://www.parliament.gov.pg/uploads/acts/13A_09.pdf, accessed 26 November 2020

³¹⁵ PNG govt loses legal battle to control billion-dollar Sustainable Development Program’, ABC, 9 April 2019, <https://www.abc.net.au/radio-australia/programs/pacificbeat/png-govt-loses-legal-battle-to-control-pngsdps-10983202>, accessed 26 November 2020

³¹⁶ Ok Tedi Mining Limited Annual Review 2020, p.13 <https://oktedi.com/who-we-are/annual-performance/>, accessed 26 December 2022.

³¹⁷ Ibid

OTML had three subsidiaries during the reporting period:³¹⁸

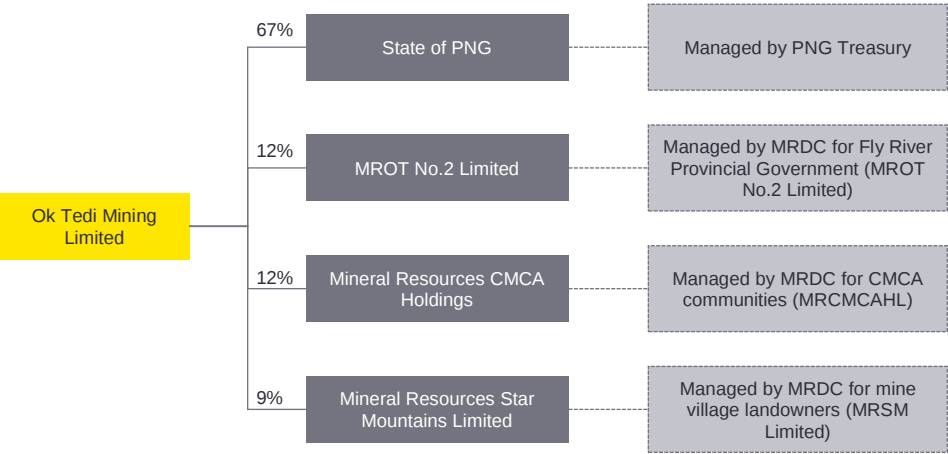
- ▶ **Ok Tedi Australia Pty Ltd** is the marketing and Australian logistics arm of OTM, based in Brisbane (wholly owned subsidiary)
- ▶ **Ok Tedi Power Ltd** manages the Kiunga power operation and mini grids in Western Province. It was incorporated in June 2014 after the PNG Sustainable Development Program transferred its power assets in the Western Province to the Fly River Provincial Government (wholly owned subsidiary)
- ▶ **Ok Tedi Development Foundation Ltd** is a non-profit entity established to manage the development benefits and delivery of tax credit scheme and community projects to the 157 villages in the Community Mine Continuation Agreement (CMCA) area of the Western Province (75% ownership, the remaining 25% is vested in PNG Sustainable Development Program)

9.5.2 Projects and fiscal arrangements

OTML operates the Ok Tedi Mine at Mt Fubilan in the Star Mountains of the Western Province. OTML also holds a portfolio of exploration leases in the vicinity of its Mt Fubilan mining operations.³¹⁹

OTML dividends are distributed as illustrated in Figure 62. (Note that Ok Tedi’s payments to local governments and landowners could be classed as “equity distributions” under the definitions in the reporting template.)

Figure 62: Dividend revenue streams from Ok Tedi Mining Limited



OTML facilitates a formal CMCA with communities across eight CMCA regions and six mine villages representing the 158 communities. The agreement outlines the annual compensation, investment, and development payments for affected communities, and is reviewed and updated regularly. Each of the eight CMCA regions has an established trust, trustees, and elected representatives for both men and women in the community. The six mine villages have development committees that are comprised of representatives for men, women, youth, and church groups. Payments to CMCA beneficiaries are calculated according to the population of the respective regions and are paid directly into family accounts. In 2020 the total payment was PGK49.7 million.³²⁰

³¹⁸ Ibid
³¹⁹ Ok Tedi Mining Limited, <http://www.oktedi.com/>, accessed 26 December 2022
³²⁰ Ok Tedi Mining Limited, Annual Review 2020 page 46, <https://online.flippingbook.com/view/221716551/47/>, accessed 26 December 2020.

9.5.3 Revenue and payment streams

Table 104: OTML reported revenue streams 2020

Payment stream	Recipient	PGK
Corporate income tax	IRC	64,229,901
Group tax	IRC	94,069,868
Foreign contractor withholding tax	IRC	23,243,641
Dividends	Treasury	368,500,000
Production levy	MRA	15,898,838
Royalty	Fly River Provincial Government	33,978,402
Royalty	Mine Villages Land- owners	30,113,705
Total		630,034,355

Total revenue and profit from operations in 2020 amounted to PGK3.7 billion and PGK1.03 billion, respectively.³²¹

Treasury and MRDC disclosed the following dividend receipts from OTML in 2020:

Table 105: OTML dividend payments 2020³²²

Payee	PGK millions
Independent State of Papua New Guinea (Treasury)	368.50
Mineral Resources Ok Tedi No.2 Ltd (via MRDC)*	66.00
Mineral Resources CMCA Holdings Ltd (CMCA Peoples Dividend Trust account)	66.00
Mineral Resources Star Mountain Ltd (Non CMCA Peoples Dividend Trust account)	49.50

Per annual report OTML did not provide any loans or loan guarantees to mining or oil and gas companies operating in the country during 2020.³²³

9.5.4 Social and quasi-fiscal expenditures

OTML supports community development through a number of mechanisms. These include:

- ▶ Contributing funding to the Ok Tedi Development Foundation (OTDF) which delivers programs focusing on health, education, infrastructure, local and regional economic development, and community and social development³²⁴
- ▶ Compensation payments
- ▶ Voluntary donations
- ▶ Funding social infrastructure projects through the tax credit scheme (TCS)
- ▶ Providing subsidised power to Fly River Provincial Government through Ok Tedi Power Ltd
- ▶ Goods purchased in PNG (including contractors)

Details of OTML's social expenditures and quasi-fiscal expenditures for the reporting period can be seen in Chapter 6.

³²¹ Ok Tedi 2020 Annual Financial Review, <https://oktedi.com/who-we-are/annual-performance/>, accessed 15 December 2022

³²² Treasury and MRDC Templates

³²³ Ok Tedi 2020 Annual Financial Review, <https://oktedi.com/who-we-are/annual-performance/>, accessed 15 December 2022

³²⁴ OTDF Five Year Strategic Direction, https://www.otdfpng.org/wp-content/uploads/2017/03/STRATEGIC-PLAN-2016-2020_compressed-09052016.pdf, accessed 26 November 2020

9.6 Mineral Resources Development Company Ltd

9.6.1 Creation, ownership and structure

The Mineral Resources Development Company Ltd (MRDC) was established by an act of parliament. It sits directly under the Prime Minister's office, with the Chief Secretary acting as Chair of the MRDC board.

MRDC acts as a trustee shareholder for beneficiary landowners and provincial governments. Under the definition of the EITI Standard (2.6a),³²⁵ MRDC is classed as a trustee rather than a state-owned enterprise, as it is not directly engaged in extractive activities, and does not pay any dividends to the State.

MRDC outlines its role as:

- ▶ Acquiring, financing, and managing equity interest in mining and petroleum projects for and on behalf of the State, landowners, and provincial governments in the most cost-effective way
- ▶ Payment of royalty and equity to petroleum project landowners
- ▶ Holding and managing landowner and/or provincial government interests in mining and petroleum projects
- ▶ Making prudent investments in diversified and safe businesses to sustain income beyond the mine, oil, and gas years when those non-renewable resources are exhausted
- ▶ Developing community infrastructure and assisting with providing basic services to project area landowners.³²⁶

Under the OGA (s. 176), the MRDC is responsible for managing petroleum royalties, future generation, and community infrastructure trust funds.³²⁷ The act specifies that the benefits of equity held by the State "shall be received and held upon trust for those persons by a corporate trustee which is wholly owned by MRDC." An NEC decision in 2009 gave MRDC the mandate to manage and implement Memorandum of Agreement (MoA) funds associated with petroleum projects.³²⁸ The MoA allows for the MRDC to hold the State's interest, but does not mandate it, consequently, not all mining operations have an associated MRDC subsidiary.³²⁹

MRDC has three mechanisms by which it holds or manages interests on behalf of the government of PNG:

- ▶ Management of landowner / provincial government interests in resources projects, as trustee, under a management agreement.³³⁰
- ▶ Direct equity in resource projects, including the following:³³¹
 - ▶ 1.48% interest in Highlands Pacific Ltd
 - ▶ 3.94% in the Ramu Nickel Project
 - ▶ 2.50% in the McArthur River Mine
 - ▶ 2.80% in the PNG LNG Project
- ▶ Subsidiary companies that hold equity interests in trust for landowners. The boards of these companies are chaired by landowners.³³²

³²⁵ EITI Standard 2019, <https://eiti.org/document/eiti-standard-2019/#2-6>, accessed 26 December 2022

³²⁶ Mineral Resources Development Company: Trustee of the Natural Resources for the People of Papua New Guinea', 2014, p. 3, provided directly by MRDC, 24 Nov 2015

³²⁷ Oil and Gas Act s. 176. http://www.pacii.org/pg/legis/consol_act/oaga199894/, accessed 26 December 2022

³²⁸ Company Profile document emailed from MRDC, p. 5

³²⁹ Mining Act 1992, <https://actnowpng.org/sites/default/files/1.%20Mining%20Act%201992.pdf>, accessed 26 December 2022

³³⁰ It appears that only Mineral Resources Enga comes into this category, but this has not been confirmed by MRDC

³³¹ Direct communication from MRDC, 3 December 2019

³³² Mineral Resources Development Company: Trustee of the Natural Resources for the People of Papua New Guinea', 2014, p. 4, provided directly by MRDC, 24 Nov 2015.

Validation of Papua New Guinea, p.53, https://eiti.org/sites/default/files/documents/comments_from_the_msg_merged.pdf, accessed 26 November 2020.

MRDC Group of Companies hold the following interests of Landowners and Provincial Governments in Mining and Petroleum Projects in PNG.³³³

Table 106: MRDC subsidiaries and ownership structure

Company	Ownership structure	Underlying asset	% ownership of asset	Beneficiary ³³⁴
Interest in Mining Projects				
Mineral Resources Star Mountains Ltd (MRSM)	Wholly owned subsidiary of MRDC	Ok Tedi	9.0	10 Ok Tedi landowning communities
Mineral Resource Ok Tedi No. 2 Ltd (MROT)	Wholly owned subsidiary of MRDC	Ok Tedi	12.0	Fly River Provincial Government
Mineral Resource CMCA Holdings Ltd	Wholly owned subsidiary of MRDC	Ok Tedi	12.0	CMCA regions – Western Province
Mineral Resource Enga Ltd (MRE)	Managed by MRDC on behalf of the shareholders	Porgera	5.0	Porgera Landowners and Enga Provincial Government
Mineral Resources Ramu Ltd	Equity held directly by MRDC	Ramu Nickel Project	2.5	MRDC
Mineral Resource Madang Ltd (MRM)	Wholly owned subsidiary of MRDC	Ramu Nickel Project	2.5	Ramu landowners
Interest in Oil Projects				
Petroleum Resources Kutubu Ltd (PRK)	Wholly owned subsidiary of MRDC	PDL 2	6.7	Southern Highlands Provincial Government (1.1575%) Gulf Provincial Government (1.125%) Southern Highlands landowners: Fasu (1.1553%) and Foe (0.696%) Gulf landowners (Kikori (1.8%))
Petroleum Resources Gobe Ltd (PRG)	Wholly owned subsidiary of MRDC	PDL3 and PDL 4 Gobe Oil fields	2.0	Landowners in the Southern Highlands Province and Gulf Province – Erave and Kikori
Petroleum Resources Moran Ltd (PRM)	Wholly owned subsidiary of MRDC	PDL 5	2.0	Landowners in the Southern Highlands Province – Moran Huli (90%), Moran Fasu (10%)
Interest in Gas Projects				
Gas Resources Gigira Ltd	Wholly owned subsidiary of MRDC	PDL 1	1.1	
Gas Resources Hides 4 Ltd	Wholly owned subsidiary of MRDC	PDL 7	0.2	Southern Highlands Government
Gas Resources Juha Ltd	Wholly owned subsidiary of MRDC	PDL 9	0.1	Western (Fly River Provincial Government)
Gas Resources Angore Ltd	Wholly owned subsidiary of MRDC	PDL 8	0.1	Southern Highlands and Hela Provincial Governments
Gas Resources Kutubu Ltd	Wholly owned subsidiary of Petroleum Resources Kutubu	PDL 2	1.1	Southern Highlands Government
Gas Resources Gobe Ltd	Wholly owned subsidiary of Petroleum Resources Gobe	PDL 3 & 4	1.1	Gulf, Hela Provincial and Southern Highlands Governments
Gas Resources Moran Ltd	Wholly owned subsidiary of Petroleum Resources Moran	PDL 5	1.1	Southern Highlands Government
Gas Resources North West Moran Ltd	Wholly owned subsidiary of MRDC	PDL 6	1.1	Moran Huli, Moran Fasu landowners, Southern Highlands Provincial Government, Hela Provincial Government
Gas Resources Pipeline Ltd	Wholly owned subsidiary of MRDC	PPL 4	0.1	Landowners living in areas where the LNG pipeline runs through from Hela to Central Province
Gas Resources PNG LNG Plant Ltd	Wholly owned subsidiary of MRDC	PPFL 2	1.1	Papa, Lealea, Boera, Porebada (Central Province), Central Provincial Government

³³³ Mineral Resources Development Company Subsidiaries, <https://www.mrdc.com.pg/our-profile.html>, 26 December 2022

³³⁴ Beneficiaries from prior MRDC templates and MRDC portal, <https://www.mrdc.com.pg/our-profile.html>, 26 December 2022

9.6.2 Projects and fiscal arrangements

The OGA (s. 176) sets out in some detail the structure and functions of landowner trusts.³³⁵ The activities and management of each trust are set out in a trust deed that specifies who the beneficiaries are, rules under which the trust is operated, and who the trustee is. Petroleum trusts specify the composition of the board of directors for the trusts, which includes the Managing Director of MRDC, the Secretary of DPE and three landowner representatives.³³⁶

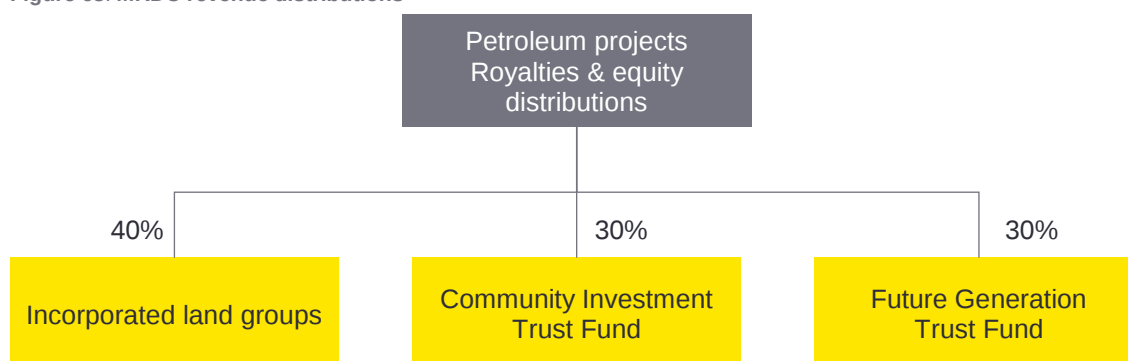
The beneficiaries are incorporated land groups (ILGs) – legal entities recognised by the State as representing the local landowners. These are established before a lease is granted through a process of social mapping and a development forum that brings together the landowners, local and national government with the prospective leaseholder to agree the distribution of benefits. In some cases, there are ongoing disputes or uncertainties regarding the correct identification of beneficiaries.

MRDC manages the assets on behalf of these beneficiaries. It is responsible for managing receipts and payments for each subsidiary company and ensuring liquidity, managing legal and administrative requirements, managing the administration of sales for entities which are entitled to a share of production (e.g., Porgera and PNG LNG), and administration of the landowner trust fund accounts. MRDC has stated that it does not receive any in-kind revenue other than a share of production and does not have any infrastructure provisions or barter arrangements in place.

MRDC itself is maintained by management fees from each subsidiary company. MRDC disclosed that although there is no set fee, management fees increase relative to the size of the trustee, and all fees are approved at a Board level. The fees received are disclosed in Table 108 below. Royalty payments from oil and gas projects go from extractive industry companies to DPE and/or the Department of Finance,³³⁷ and from there to MRDC.

Royalty and equity distribution payments for each project are divided as follows:

Figure 63: MRDC revenue distributions



The Community Investment Trust Fund is to be applied to “(a) the general health, welfare, education and wellbeing of the project area landowners, (b) the provision or maintenance of community projects in the area of the petroleum project, (c) such other purpose for the benefit of the project area landowners as is approved by the Minister.”³³⁸ This is intended to ensure that “some of the revenue is invested in infrastructure for the whole community to improve quality of life”.³³⁹ Decisions on when and how to allocate these funds are made by the board of the subsidiary company.

The Future Generation Trust Fund is intended to provide landowner groups with a flow of benefits after the life of the project, “for future generations of project area landowners.”³⁴⁰ To date no FGTF monies have been spent, in accordance with legal requirements.

³³⁵ Oil and Gas Act s. 176. http://www.pacii.org/pg/legis/consol_act/oaga199894/, accessed 26 December 2022

³³⁶ Validation of Papua New Guinea, p.53, https://eiti.org/sites/default/files/documents/comments_from_the_msg_merged.pdf, accessed 26 November 2020

³³⁷ See discussion in Oil and Gas chapter re ExxonMobil payments.

³³⁸ “Mineral Resources Development Company: Trustee of the Natural Resources for the People of Papua New Guinea”, p. 4, undated (2014?), provided directly by MRDC, 24 November 2015

³³⁹ Ibid

³⁴⁰ Oil and Gas Act s. 176. http://www.pacii.org/pg/legis/consol_act/oaga199894/, accessed 26 December 2022

Benefit Sharing Agreements may specify payments to relevant provincial and local governments as well as to landowners (Incorporated Land Groups).

9.6.3 Revenue and payment streams

MRDC provided the information in Table 108 below, in relation to their subsidiary entities and the associated trusts for the year 2020.

Table 107: MRDC subsidiaries: reported receipts for 2020

Subsidiary/ trust entity	Share of Sales (PGK)	Received from	Dividends Received (PGK)	Received from
Mineral Resources Ramu Ltd (MRR)	-	-	-	-
Mineral Resource Enga Ltd (MRE)	78,471,029	PJV	26,814	BSP/ANZ
Petroleum Resources Kutubu Ltd (PRK)	29,157,473	Oil Search Ltd	55,877,646	BSP/PBF
Petroleum Resources Gobe Ltd (PRG)	616,666	Oil Search Ltd	1,770,655	BSP/PBF/Credit Corp/Hevilift
Petroleum Resources Moran Ltd (PRM)	2,585,786	Oil Search Ltd	1,382,890	BSP/PBF/Credit Corp/Hevilift
Petroleum Resources North West Moran Ltd	53,163	Oil Search Ltd	-	-
Mineral Resources Star Mountains Ltd (MRSM)	979,376	Property Rentals-Various	52,593,453	Ok Tedi Mine/PBF/BSP/Hevilift/Credit Corp
Mineral Resource Ok Tedi No. 2 Ltd (MROT)	5,291,578	Property Rentals-Various	66,995,147	Ok Tedi Mine/PBF/BSP/Hevilift/Credit Corp
Mineral Resources CMCA Ltd	-	-	66,530,786	OK Tedi Mine/Kina Security/BSP
Mineral Resource Madang Ltd (MRM)	-	-	-	-
Gas Resources Gigira	21,444,957	Exxon Mobil	-	-
Gas Resources Gobe	471,016	Exxon Mobil	-	-
Gas Resources Angore	2,604,358	Exxon Mobil	-	-
Gas Resources Hides	4,295,718	Exxon Mobil	-	-
Gas Resources Juha	2,530,821	Exxon Mobil	-	-
Gas Resources Kutubu	21,764,816	Exxon Mobil	-	-
Gas Resources Moran	398,473	Exxon Mobil	-	-
Gas Resources North West Moran	6,087	Exxon Mobil	-	-
Gas Resources LNG PNG plant	4,495,524	Exxon Mobil	545,454	Kina Security
Gas Resources LNG Pipeline	4,149,715	Exxon Mobil	-	-
Total	179,316,556		245,722,845	

Table 108: MRDC subsidiaries: reported payments for 2020

Subsidiary / Trust entity	Corporate income tax (PGK)	Group Income Tax (PGK)	Advanced Payment Tax (APT) (PGK)	Management Fees paid to MRDC (PGK)
MRR	-	-	-	-
MRE	1,085,570	1,261,982	-	1,099,389
PRK	20,900,000	380,057	-	4,143,590
PRG	-	85,505	-	533,165
PRM	-	85,505	-	333,333
Petroleum Resources North West Moran Ltd	-	-	-	-
MRSMB	-	155,774	-	2,740,778
MROT	-	-	-	3,187,890
Mineral Resources CMCA Ltd	-	187,067	-	881,303
MRM	-	-	-	-
Gas Resources Gigira	-	-	7,094,378	2,176,247
Gas Resources Gobe	-	-	-	66,667
Gas Resources Angore	-	-	371,671	803,389
Gas Resources Hides	-	-	761,577	820,056
Gas Resources Juha	-	-	368,727	720,056
Gas Resources Kutubu	-	-	-	3,183,761
Gas Resources Moran	-	-	-	333,333
Gas Resources North West Moran	-	-	-	-
Gas Resources LNG PNG plant	-	96,987	-	1,470,389
Gas Resources LNG Pipeline	-	137,048	-	1,470,389
Total	21,985,570	2,389,925	8,596,353	23,963,735

Table 109: Total value held in MRDC trusts for oil and gas projects

Subsidiary / Trust entity	Community Investment Trust Fund (PGK)	Future Generations Trust Fund (PGK)	CITF Expenditures on Community Based Projects (PGK) ^a
PRK	52,915,523	121,081,610	19,207,003
PRG	18,685,100	29,182,275	46,048,895
PRM	21,664,823	28,582,605	3,544,828
Gas Resources LNG PNG plant	13,384,207	-	-
Total	106,649,653	178,846,490	68,800,726

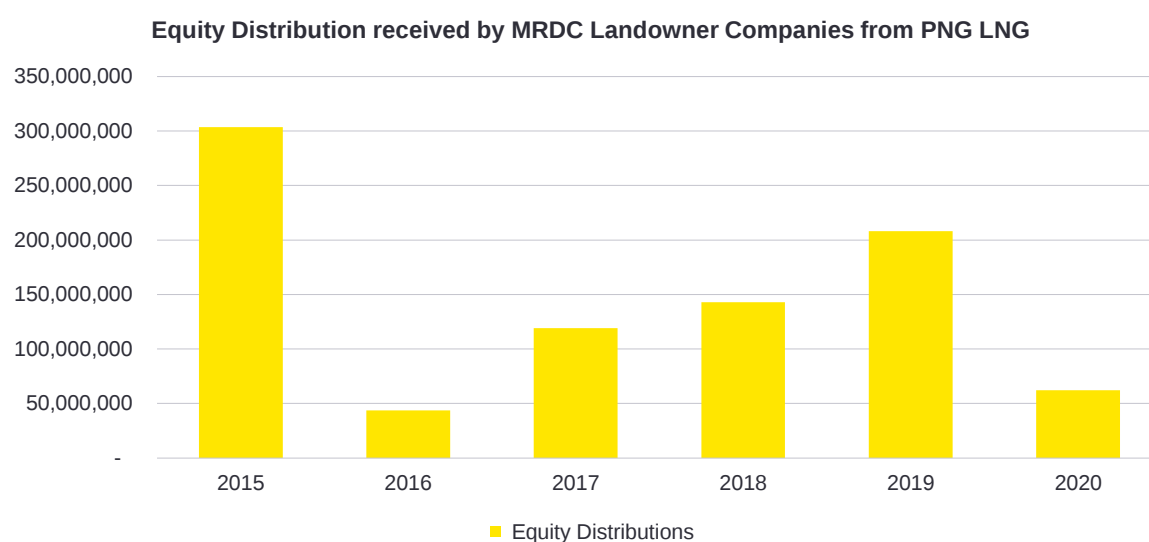
The table above reflects data as provided by MRDC. However, since payments into these funds have been disclosed for 2014–20 an accrued amount would be expected for all.

MRDC also reported the following interests, investments, and other subsidiaries.

Table 110: MRDC interest, investments, and other subsidiaries

Name of Subsidiary, JV, or Investment	Country of registration	Nature of Holding	Terms of Interest	Percentage Interest	Names of Projects or Activities
Pearl Resort Ltd- Suva	Fiji	Subsidiary Company	Full-paid equity	100%	Hospitality
Star Mountain Plaza (Operated by Hilton)	PNG	Subsidiary Company	Full-paid equity	80%	Hospitality
Taumeasina Resort - Apia	Samoa	Subsidiary Company	Full-paid equity	50%	Hospitality
Coleman Properties- Cairns	Australia	Subsidiary Company	Full-paid equity	100%	Real Estate
Hevilift	PNG	Investment Company	50% -paid equity	50%	Aviation and Logistics
Dirio Gas and Power Company Ltd	PNG	Subsidiary Company	Full-paid equity	100%	Energy
Ramu Nickel Ltd	PNG	Investment Company	Share Equity	6.94%	Mining
Ok Tedi Mines	PNG	Investment Company	Share Equity	33%	Mining
Pacific Property Trust	PNG	Subsidiary Company	Full-paid equity	100%	Property Trust
Queental Ltd	PNG	Subsidiary Company	Full-paid equity	100%	Land Development
Credit Corporation Ltd	PNG	Investment Company	Share Equity	4%	Finance
Pacific International Hospital	PNG	Investment Company	Share Equity	28%	Medical
Pacific Balanced Fund	PNG	Investment Company	Share Equity	5%	Fund Management
Bank of South Pacific	PNG	Investment Company	Share Equity	12%	Banking

Figure 64: Equity distributions received by MRDC Landowner Companies from PNG LNG



Average annual equity distribution received by MRDC Landowner Companies over the past 6 years amounted to PGK146m. Highest collections were recorded in 2015 amounting to PGK303m. Lowest receipts, on the other hand, were recorded in 2016 amounting to PGK43m.

9.6.4 Social and quasi-fiscal expenditure

MRDC's discretionary social expenditure and quasi-fiscal expenditures can be found in Chapter 6.

10

Reconciliation of revenue streams

10. Reconciliation of revenue streams

In this chapter, we compare the amounts reported as paid by the extractive industries to government entities against the receipts reported by government. The reconciliation covers material revenue streams from mining and oil and gas companies, together with all SOEs and government entities that received payments. In addition, government entities have unilaterally declared some revenue streams as an aggregated figure. Where amounts have not been reconciled, this has been noted.

10.1 The reporting process

Most reporting entities were identified early in the reporting process and representatives were invited to attend a virtual and physical training session conducted by the IA together with PNG EITI Secretariat in Port Moresby on 18 May 2022. Some additional reporting entities were identified through subsequent research and consultation. These reporting entities were briefed on requirements via phone and email.

Following the training session, the IA sent each reporting entity a data pack containing:

- ▶ Introduction letter from the PNG EITI Secretariat
- ▶ Tailored reporting template, which set out:
 - ▶ Revenue/payment streams to be reported
 - ▶ Relevant questions on non-financial information
 - ▶ Subnational payments

IA used a revised reporting template for SOE as recommended by the SOE Scoping Study.

The IA arranged discussions with most entities to walk through the reporting templates, provide guidance on the information provided, and answer any questions. Face to face meetings were limited due to COVID-19 precautions. Following the data collection deadline, an initial reconciliation was carried out by the IA and variances identified. Variances of more than 5% have been deemed material.

To understand and address the variances identified, the IA, with the assistance of the PNG EITI Secretariat and the MSG, contacted both paying and receiving entities for subsequent follow-ups. During follow-ups and subsequent communications with reporting entities, progress was made in rectifying these differences. In some instances, however, it proved difficult to identify suitable contacts, or the IA's communications went unanswered. IA also experienced delays in the receipt of information. The IA followed up with these entities, but nevertheless gaps remain in the report.

10.1.1 Data requested

As agreed with the MSG, one of two approaches were adopted for requesting and collecting data for each revenue stream:

1. Reconciled revenue streams: data collected from both the paying and receiving entity
2. Unilaterally disclosed revenue streams: data collected from either paying or receiving entity only

Together, the revenue streams reconciled equate to approximately 98.88% of total government revenue from the sector in 2020 (see Table 15).

10.2 Reporting compliance

The template included a dashboard where the reporting entities can assess completeness of information for each section in the reporting template.

The completeness of information received from each of the reporting entities is summarised in the table below. The table indicates which entities are material under a quantitative definition, but as outlined in Chapter 2, all these entities are considered material under a qualitative definition.

Cells left blank indicate that template information was either not received or insufficient.

Table 111: Summary of information provided by reporting entities

Project	Reporting entity*	Material under quantitative definition	2020 financial statements audited	Sent by authorized representative	Financial	Non-financial and subnational
Porgera	Barrick (Niugini) Ltd	Y	Y	Y	Y	Y
	Mineral Resources Enga Ltd	N	N	Y	Y	Partial
Kainantu	K92 Mining Ltd	Y	Y	Y	Y	Y
Lihir	Lihir Gold Ltd	Y	Y	Y	Y	Y
Kurumbukari	MCC Ramu NiCo Ltd	Y	Y	Y	Y	Y
Hidden Valley	Morobe Consolidated Goldfields Ltd	Y	Y	Y	Y	Y
Ok Tedi Mine	Ok Tedi Mining Limited	Y	Y	Y	Y	Y
Simberi	Simberi Gold Co. Ltd	Y	Y	Y	Y	Y
PNG LNG	ExxonMobil PNG Ltd	Y	Y	Y	Y	Partial
PNG LNG and Other Oil Projects	Oil Search (PNG) Ltd	Y	Y	Y	Y	Partial
PNG LNG and Other Oil Projects	Kumul Petroleum Holdings Ltd	Y	Y	Y	Y	Partial
Gobe	Merlin Petroleum Company	N	Y – Part of JX Nippon Annual Report	Y	Y	Partial
	Ampolex Highlands Ltd	N	Y – Part of ExxonMobil Annual Report	Y	Y	Partial
	Petroleum Resources Gobe Ltd	N	N	Y	Y	Y
	Barracuda Ltd	N	Y – Part of Santos Ltd Annual Report	Y	Y	Partial
Kutubu	Ampolex (PNG Petroleum) Inc	N	Y	Y	Y	Partial
	Petroleum Resources Kutubu	N	N	Y	Y	Y
	Merlin Pacific Oil Co.	N	Y – Part of ExxonMobil Annual Report	Y	Y	Partial
Moran	Esso PNG Moran Ltd	N	Y – Part of ExxonMobil Annual Report	Y	Y	Partial
	Eda Oil Ltd	N	Y – Part of ExxonMobil Annual Report	Y	Y	Partial
	Petroleum Resources Moran Ltd	N	N	Y	Y	Y
Papua LNG (Elk-Antelope)	Total E&P PNG Ltd	N	Y	Y	Y	Y

Project	Reporting entity*	Material under quantitative definition	2020 financial statements audited	Sent by authorized representative	Financial	Non-financial and subnational
				Reporting template		
PNG LNG	Ampolex (PNG) Ltd	N	Y – Part of ExxonMobil Annual Report	Y	Y	Partial
	Esso PNG Juha Ltd	N	Y – Part of ExxonMobil Annual Report	Y	Y	Partial
	Nippon PNG LNG LLC	N	Y – Part of JX Nippon Annual Report	Y	Y	Partial
	Oil Search (LNG) Ltd	N	Y – Part of Oil Search Annual Report	Y	Y	Partial
	Oil Search (Tumbudu) Ltd	N	Y – Part of Oil Search Annual Report	Y	Y	Partial
	Lavana Ltd	N	Y – Part of Santos Ltd Annual Report	Y	Y	Partial
	Santos (Hides) Ltd	N	Y – Part of Santos Ltd Annual Report	Y	Y	Partial
	Gas Resources Gigira	N	N	Y	Y	Partial
	Gas Resources Gobe	N	N	Y	Y	Partial
	Gas Resources Angore	N	N	Y	Y	Partial
	Gas Resources Hides	N	N	Y	Y	Partial
	Gas Resources Juha	N	N	Y	Y	Partial
	Gas Resources Kutubu	N	N	Y	Y	Partial
	Gas Resources Moran	N	N	Y	Y	Partial
	Gas Resources North West Moran	N	N	Y	Y	Partial

*To avoid duplication, certain Companies with interest in more than one oil and gas projects are shown only once above.

Table 112: Summary of information provided by government reporting entities

Reporting entity	2020 financial statements audited	Signed reporting template	Sent by authorized representative In protected format	Financial	Non-financial and subnational
			Reporting template		
Internal Revenue Commission	N	Y	Y	Y	N
Mineral Resources Authority	N	Y	Y	Y	Partial
Department of Treasury	N	Y	Y	Y	Y
Department of Petroleum and Energy	N	Y	Y	Y	Partial
Department of National Planning and Monitoring	N	Y	Y	Y	N
PNG Customs	N	Y	Y	Partial	N

Table 113: Summary of information provided by State-Owned Entities reporting entities

Reporting entity	2020 financial statements audited	Sent by authorised representative in protected format	Financial	Non-financial and subnational
Kumul Petroleum Holdings Ltd	N	Y	Y	Partial
Ok Tedi Mining Limited	Y	Y	Y	Y
Mineral Resources Development Company	N	Y	Y	Partial

The IA received data templates in a protected format from 100% of the authorised representatives of reporting entities. Material reporting entities were also more compliant with reporting financial and non-financial information, with compliance 100%.³⁴¹

10.3 Reconciliation overview

The following graph shows the relative size of each of the revenue streams received by the State in 2020.

Figure 65: Revenue streams received by the State

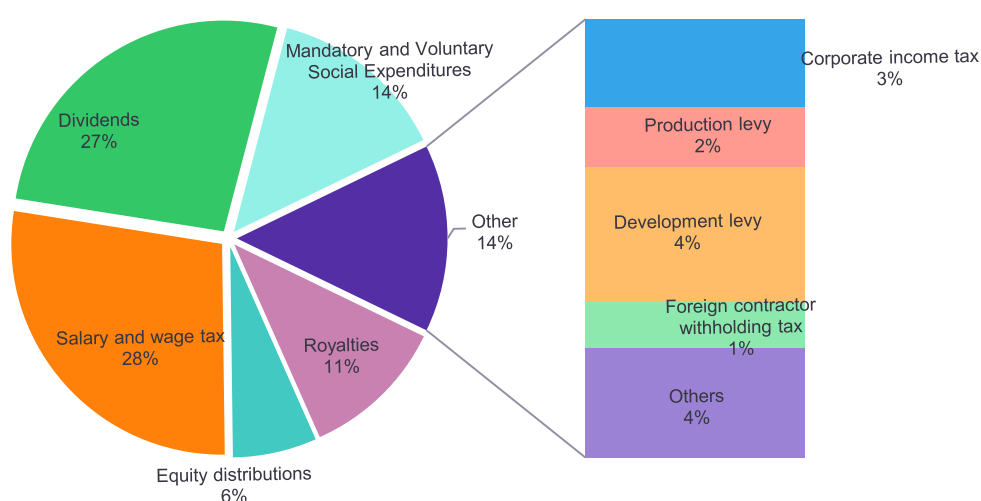


Table 114: Summary of revenue streams reported and reconciled

a	Revenue stream	Reconciled/	Receiving entity	Amount reported paid (PGK)	Amount initially reported received (PGK)	Variance (PGK)	Variance
		Unilateral					
Mining	Production levy	Reconciled	MRA	56,386,003	0	56,386,003	0%
	MRA fees	Unilateral (MRA)	MRA	Not applicable	9,584,884	Not applicable	Not applicable
Oil and gas	Development levy	Reconciled	Finance (via DPE)	134,746,929	125,178,273	(9,568,656)	-7.64%
	Licence fees	Unilateral (DPE)	DPE	Not applicable	3,508,500	Not applicable	Not applicable
	Additional profits tax	Reconciled	IRC	0	41,968,080	41,968,080	100.00%
	Equity distribution	Reconciled	SOEs, Landowners through MRDC	374,606,446	382,986,525	8,380,078	2.19%
Mining and oil and gas cell	Mandatory social expenditure	Unilateral	See section 6	173,844,265	Not applicable	Not applicable	Not applicable

³⁴¹ Entities which reported partial non-financial information were counted as having complied with non-financial reporting requirements in the table.

5	Revenue stream	Reconciled/	Receiving entity	Amount reported paid (PGK)	Amount initially reported received (PGK)	Variance (PGK)	Variance
		Unilateral					
	Voluntary social expenditure	Unilateral	See section 6	215,979,570	Not applicable	Not applicable	Not applicable
	Dividends	Reconciled	State and landowners	750,000,000	754,619,386	4,619,386	0.61%
	Salary and wage tax	Reconciled	IRC	757,633,833	774,264,799	16,630,966	2.15%
	Corporate income tax	Reconciled	IRC	142,677,484	81,480,047	(61,197,436)	-75.11%
	Foreign contractor withholding tax	Reconciled	IRC	115,186,496	67,561,333	(47,625,163)	-70.49%
	Infrastructure tax credit – 2. ITC offset from tax paid in reporting period	Reconciled	IRC	41,446,253	1,852,535	(39,593,718)	-2137.27%
	Infrastructure tax credit – 1. ITC actual spent on projects in reporting period	Reconciled	DNPM	121,520,008	135,697,904	14,177,896	10.45%
	Business payments tax	Unilateral (IRC)	IRC	Not applicable	4,101,994	Not applicable	Not applicable
	Dividend withholding tax	Unilateral (IRC)	IRC	Not applicable	0	Not applicable	Not applicable
	Interest withholding tax	Unilateral (IRC)	IRC	Not applicable	3,083,664	Not applicable	Not applicable
	Management fee withholding tax	Unilateral (IRC)	IRC	Not applicable	3,826,890	Not applicable	Not applicable
	Royalty withholding tax	Unilateral (IRC)	IRC	Not applicable	3,381,526	Not applicable	Not applicable
	Goods and services tax	Reconciled	IRC	88,470,093	2,087,995	(86,382,098)	-4137.08%
	Environmental permit fees	Reconciled	CEPA	10,505,443	7,391,787	(3,113,655)	-42.12%
	Royalties – MRA	Reconciled	MRA landowners and subnational governments	216,092,951	231,130,804	15,037,853	6.51%
	Royalties – DPE	Reconciled	DPE, landowners and subnational governments	91,505,539	85,841,467	(5,664,072)	-6.60%
	Import Duty	Reconciled	Customs	18,001,428	20,031,689	2,030,262	10.14%
	Excise Duty	Reconciled	Customs	-	18,998,597	18,998,597	100.00%

10.4 Detailed reconciliation

In this section of the report, the data received from each of the reporting entities is reconciled with the data reported by the receiving entity for each revenue stream.

Where possible, explanations are given for any material variances remaining following the reconciliation process – see the “Remarks” under each revenue stream.

Reported amounts for revenue streams unilaterally declared are also included in this section.

10.5 Mining and oil gas payments 2020

10.5.1 Corporate income tax (mining and petroleum tax)

Corporate income tax is paid by resource companies to the IRC.



Corporate income tax reported by companies is reconciled with data reported by the IRC in the table below.

Table 115: Reconciliation of corporate income tax payments

Project	Reporting company	Amount reported paid (PGK)	Amount initially reported received (PGK)	Final Variance (PGK)	Final Variance (%)	Remarks
Lihir	Lihir Gold Ltd	0	33,182,706	33,182,706	0.00%	
Ok Tedi	Ok Tedi Mining Limited	64,229,901	0	(64,229,901)	-100.00%	A
Porgera	Barrick (Niugini) Ltd	0	7,575,808	7,575,808	0.00%	
Porgera	Mineral Resources Enga Ltd	1,085,570	1,085,570	0	0.00%	
Kurumbukari	MCC Ramu NiCo Ltd	27,380	0	(27,380)	0.00%	
Kainantu	K92 Mining Ltd	25,104,564	25,104,564	0	0.00%	
Simberi	Simberi Gold Co. Ltd	8,600,146	5,935,046	(2,665,100)	-30.99%	
Kutubu	Petroleum Resources Kutubu	20,900,000	0	(20,900,000)	-100.00%	
PNG LNG	ExxonMobil PNG Ltd	13,130,198	0	(13,130,198)	-100.00%	B
PNG LNG	Ampolex (Papua New Guinea) Ltd	1,030,751	0	(1,030,751)	-100.00%	
PNG LNG	Gas Resources Gigira Ltd	7,094,378	7,094,378	0	0.00%	
PNG LNG	Gas Resources Hides No.4 Ltd	761,577	761,577	0	0.00%	
PNG LNG	Gas Resources Angore Ltd	371,671	371,671	0	0.00%	
PNG LNG	Gas Resources Juha No.1 Ltd	368,727	368,727	0	0.00%	
Total		146,576,077	81,480,047	(61,224,816)	-75.11%	

Remarks:

A. Per IRC, return is yet to lodged

B. IRC reported about PGK13 million in APT. Difference relate to classification of revenue stream.

- C. Other variances are yet to be reconciled. Reconciliation and responses will be available in a supplementary schedule to be uploaded in EITI website.

10.5.2 Tax credit scheme (TCS)

Expenditure by mining and oil and gas companies on prescribed infrastructure developments can be claimed as a credit against tax payable.

The amount spent on prescribed TCS projects each year is reported by companies to the Department of National Planning and Monitoring (DNPM). These amounts can then be claimed as a credit against tax payable. Credits that are not used within that reporting period can be carried forward to subsequent years of income until fully utilised. The amounts that are used as credit against tax payable each year are recorded by the IRC. Each of these are reconciled in the tables below.



Table 116: Reconciliation of ITCs actually spent on projects in 2020 reported by companies and DNPM

Project	Company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)
Lihir	Lihir Gold Ltd	383,863	367,120	(16,743)	-4.36%
Ok Tedi	Ok Tedi Mining Limited	39,593,831	26,407,144	(13,186,687)	-33.30%
PNG LNG	ExxonMobil PNG Ltd	57,308,319	89,085,640	31,777,321	55.45%
Oil projects (and Hides GTE)	Oil Search Ltd	24,233,995	19,838,000	(4,395,995)	-18.14%
Total		121,520,008	135,697,904	14,177,896	11.67%

Remarks:

Variances are yet to be reconciled. Reconciliation and responses will be available in a supplementary schedule to be uploaded in EITI website.

Table 117: Reconciliation of ITC offsets reported by companies as credit against tax payable and values provided by IRC.

Project	Company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)
Ok Tedi	Ok Tedi Mining Limited	39,593,831	0	(39,593,831)	-100.00%
PNG LNG	ExxonMobil PNG Ltd	1,831,997	1,832,109	112	0.01%
PNG LNG	Esso PNG Juha Ltd	20,424	20,426	2	0.01%
Total		41,446,253	1,852,535	(39,593,718)	-95.53%

Remarks

Per IRC, Ok Tedi's return is yet to lodged.

10.5.3 Salary and wage tax (group tax)

Salary and wage tax (also referred to as group tax) is the tax withheld on employee salaries and is payable by companies that paid salaries in PNG during the reporting period. Predominantly these companies were operators of facilities.



Salary and wage tax reported by material companies is reconciled with data reported by the IRC in the table below.

Table 118: Salary and wage tax 2020

Project	Reporting company	Amount reported paid (PGK)	Amount initially reported received (PGK)	Final Variance (PGK)	Final Variance (%)	Remarks
Lihir	Lihir Gold Ltd	147,482,737	145,494,700	(1,988,037)	-1.35%	
Ok Tedi	Ok Tedi Mining Limited	94,069,868	94,069,868	0	0.00%	
Ok Tedi	Mineral Resources Star Mountains Ltd (MRSM)	155,774	0	(155,774)	0.00%	
Ok Tedi	Mineral Resources CMCA Ltd	187,067	0	(187,067)	0.00%	
Porgera	Barrick (Niugini) Ltd	144,946,190	144,946,190	0	0.00%	
Porgera	Mineral Resources Enga Ltd	1,261,982	1,247,756	(14,226)	-1.13%	
Ramu Nickel	MCC Ramu NiCo Ltd	37,974,473	37,974,473	0	0.00%	
Hidden Valley	Morobe Consolidated Goldfields Ltd	34,839,197	32,121,047	(2,718,150)	-7.80%	
Kainantu	K92 Mining Ltd	21,209,810	20,218,788	(991,023)	-4.67%	
Simberi	Simberi Gold Co. Ltd	19,881,794	21,802,171	1,920,377	9.66%	
Kutubu	Petroleum Resources Kutubu	0	365,172	365,172	0.00%	
SE Mananda	Petroleum Resources Kutubu (SE Mananda) Ltd	380,057	0	(380,057)	-100.00%	
PNG LNG	Gas Resources LNG Pipe	137,048	0	(137,048)	-100.00%	
Gobe	Petroleum Resources Gobe Ltd	85,505	101,266	15,761	18.43%	
Gobe	Barracuda Ltd	0	301,193	301,193	0.00%	
Moran	Petroleum Resources Moran Ltd	85,505	85,505	0	0.00%	
PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	120,568,877	134,482,925	13,914,048	11.54%	A
Oil Projects	Oil Search (PNG) Ltd	97,198,752	101,125,883	3,927,131	4.04%	
PNG LNG	Kumul Petroleum Holdings Limited	16,336,554	16,474,614	138,060	0.85%	
PNG LNG	Gas Resources LNG PNG Plant	96,987	0	(96,987)	-100.00%	
Papua LNG Project (Elk-Antelope)	Total E&P PNG Ltd	20,735,656	20,735,656	0	0.00%	
Trustee	Mineral Resources Development Co. Ltd	0	2,717,592	2,717,592	0.00%	
Total		757,633,833	774,264,799	16,630,965	2.20%	

Remarks

- A. Per IRC, after reviewing our payments records it showed a SWT payment for December 2019 of PGK13,914,048.61 was received on 3 January 2020.

Difference pertains timing of receipt at period-end.

Other variances are yet to be reconciled. Reconciliation and responses will be available in a supplementary schedule to be uploaded in EITI website

10.5.4 Foreign Contractor Withholding Tax

Foreign contractor withholding tax (FCWT) applies to non-residents performing contracted roles within PNG.



Foreign contractor withholding tax reported by material companies is reconciled with data reported by the IRC in the table below:

Table 119: Foreign Contractor Withholding tax 2020

Project	Reporting company	Amount reported paid (PGK)	Amount initially reported received (PGK)	Final Variance (PGK)	Final Variance (%)	Remarks
Lihir	Lihir Gold Ltd	28,403,257	28,403,257	-	0.00%	
Ok Tedi	Ok Tedi Mining Limited	23,243,641	662,721	(22,580,920)	-97.15%	
Porgera	Barrick (Niugini) Ltd	1,563,789	1,563,789	0	0.00%	
Ramu Nickel	MCC Ramu NiCo Ltd	1,869,107	1,869,107	0	0.00%	
Hidden Valley	Morobe Consolidated Goldfields Ltd	795,309	629,641	(165,668)	-20.83%	
Simberi	Simberi Gold Co. Ltd	567,267	0	(567,267)	-100.00%	
PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	31,555,049	31,555,049	0	0.00%	
Oil Projects	Oil Search (PNG) Ltd	22,137,578	0	(22,137,578)	-100.00%	
Kutubu	JX Nippon (Merlin Petroleum Company)	1,902,820	0	(1,902,820)	-100.00%	
PNG LNG	Kumul Petroleum Holdings Ltd	50,648	50,648	0	0.00%	
Papua LNG Project (Elk-Antelope)	Total E&P PNG Ltd	3,098,030	2,827,121	(270,909)	-8.74%	
Total		115,186,495	67,561,333	(47,625,162)	-41.35%	

Variances are yet to be reconciled. Reconciliation and responses will be available in a supplementary schedule to be uploaded in EITI website

10.5.5 Goods and Service Tax

Goods and Service Tax (GST) is a tax, which is imposed on the sale of goods and services in Papua New Guinea or the importation of goods into Papua New Guinea. GST is imposed at a rate of 10% of the value of the goods and services sold (or goods imported).



GST tax reported by material companies is reconciled with data reported by the IRC in the table below:

Table 120: Goods and Service Tax reported in 2020

Project	Reporting company	Amount reported paid (PGK)	Amount initially reported received (PGK)	Final Variance (PGK)	Final Variance (%)
Lihir	Lihir Gold Ltd	73,452,824	0	(73,452,824)	-100.00%
Ramu Nickel	MCC Ramu NiCo Ltd	12,531,426	1,803	(12,529,623)	-99.99%
PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	302,063	1,415,707	1,113,644	368.68%
Oil Projects	Oil Search (PNG) Ltd	0	670,485	670,485	0.00%
PNG LNG	Kumul Petroleum Holdings Ltd	2,183,780	0	(2,183,780)	-100.00%
Total		88,470,093	2,087,995	(86,382,098)	

Variances are yet to be reconciled. Reconciliation and responses will be available in a supplementary schedule to be uploaded in EITI website.

10.5.6 Other taxes (not reconciled)

Extractive industry tax revenue streams that were not identified as material are reported in aggregate in the table below.

Table 121: Other taxes reported by IRC

Tax revenue stream (non-material)	Total reported by IRC for extractive industry companies (PGK)
Business payments tax	4,346,030
Dividend withholding tax	-
Interest withholding tax	2,247,349
Management fee withholding tax	126,774
Royalty withholding tax	2,276,222
Total	8,996,375

Other taxes represent less than 2% of the total revenue received by the government.

10.5.7 Dividend and return of capital

For the purposes of this report, dividends refer to payments from SOEs to the State, representing the State's share of profits in the project in accordance with its right as a shareholder. Dividends are deposited with Treasury.



The information provided by reporting entities and the entity receiving the dividend payments in 2020 are summarised below.

Table 122: Reconciliation of dividend payments to Treasury and Landowners

Company (Dividends)	Paid to	Total Project Paid (PGK)	Reported received by SOEs / Landowners (PGK)	Variance (PGK)	Variance (%)
Ok Tedi Mining Limited	Treasury	368,500,000	368,500,000	-	0%
Ok Tedi Mining Limited	Mineral Resources OK Tedi Star No.2 Ltd	66,000,000	66,995,147	995,147	2%
Ok Tedi Mining Limited	Mineral Resources Star Mountains Ltd (MRSM)	49,500,000	52,593,453	3,093,453	6%
Ok Tedi Mining Limited	Mineral Resources CMCA Ltd	66,000,000	66,530,786	530,786	1%
Kumul Petroleum Holdings Limited	Treasury	200,000,000	200,000,000	-	0%
Total		750,000,000	754,619,386	4,619,386	0.61%

Remarks

Overall dividend payments are substantially reconciled with 0.61% unreconciled difference.

10.5.8 Mandatory social expenditure (not reconciled)

Mandatory social expenditure as reported by the resource companies is detailed in Chapter 6.1.

10.5.9 Discretionary social expenditure (not reconciled)

Discretionary social expenditure as reported by the resource companies is detailed in Chapter 6.1.

10.5.10 Environment permit fees and user charges

There were no oil and gas decommissioning bonds or mine closure bonds received or managed during the reporting period.

Environmental permit and user charges are paid by mining and oil and gas entities to CEPA. The total fees reported by CEPA for the 2020 are illustrated below.

Table 123: Reconciliation of Environment Permit Fees to CEPA

Project	Reporting company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)
Lihir	Lihir Gold Ltd	1,223,707	0	(1,223,707)	-100.00%
Porgera	Barrick (Niugini) Ltd	0	547,170	547,170	0.00%
Ramu Nickel	MCC Ramu NiCo Ltd	2,112,106	2,251,827	139,721	6.62%
Hidden Valley	Morobe Consolidated Goldfields Ltd	543,170	543,170	0	0.00%
Kainantu	K92 Mining Ltd	626,189	312,094	(314,094)	-50.16%
PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	1,091,813	1,597,223	505,410	46.29%
PNG LNG	Oil Search Ltd	1,582,017	2,140,303	558,286	35.29%
PNG LNG	Esso PNG Juha Ltd	543,170	0	(543,170)	-100.00%
Papua LNG Project (Elk-Antelope)	Total E&P PNG Ltd	1,646,733	0	(1,646,733)	-100.00%
Total		9,368,905	7,391,787	(1,977,117)	-21.10%

Table 124: Reconciliation of Environment User Charges to CEPA

Project	Reporting company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)
Kainantu	K92 Mining Ltd	82,485	0	(82,485)	-100.00%
Papua LNG Project (Elk-Antelope)	Total E&P PNG Ltd	1,054,053	0	(1,054,053)	-100.00%
Total		1,136,538	0	(1,136,538)	-100.00%

Variances are yet to be reconciled. Reconciliation and responses will be available in a supplementary schedule to be uploaded in EITI website.

10.6 Mining payments 2020

10.6.1 Production levy

The production levy is paid by mining companies to the MRA.



Amounts reconciled in the table below are payments made to the MRA during 2020. Payments are made annually in arrears in the year following the year of production to which the payment relates.

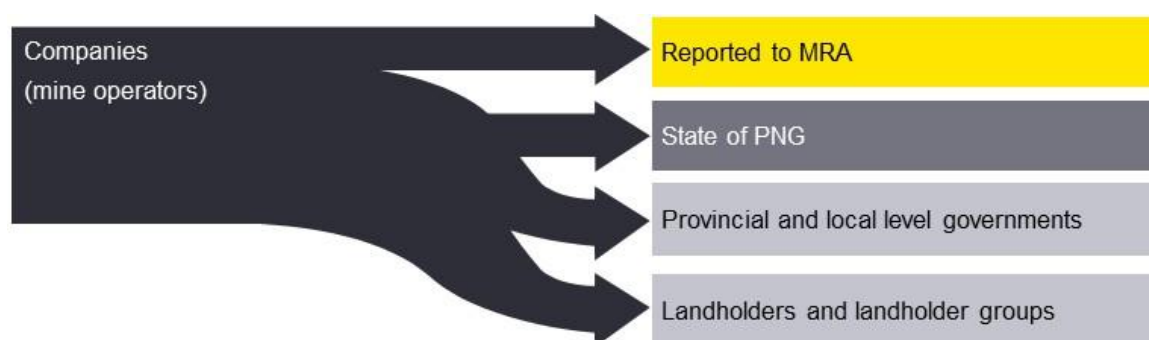
Table 125: Reconciliation of production levy

Project	Reporting company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)
Lihir	Lihir Gold Ltd	23,923,148	0	(23,923,148)	-100.00%
Ok Tedi	Ok Tedi Mining Limited	15,898,838	0	(15,898,838)	-100.00%
Porgera	Barrick (Niugini) Ltd	4,800,695	0	(4,800,695)	-100.00%
Ramu Nickel	MCC Ramu NiCo Ltd	4,640,977	0	(4,640,977)	-100.00%
Hidden Valley	Morobe Consolidated Goldfields Ltd	4,116,551	0	(4,116,551)	0.00%
Kainantu	K92 Mining Ltd	3,005,793	0	(3,005,793)	-9.98%
Total		56,386,003	0	(56,386,003)	-100.00%

Variances are yet to be reconciled. Reconciliation and responses will be available in a supplementary schedule to be uploaded in EITI website.

10.6.2 Mining royalties

Mining royalties are calculated and paid directly by mine operators to beneficiaries monthly and are also reported to the MRA.



The reconciliation below has been carried out between the amounts reported by the mine operators and the amounts reported by the MRA. No royalties were paid to the PNG Government directly.

The receiving entities for each of the mines as reported by the reporting entities are provided in Chapter 6.3.

Table 126: Reconciliation of mining royalty payments paid to local/provincial government (as reported by the MRA)

Project	Reporting company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)	Remarks
Lihir	Lihir Gold Ltd	76,175,473	76,174,473	(1,000)	0.00%	
Ok Tedi	Ok Tedi Mining Limited	33,978,402	36,920,881	2,942,479	8.66%	B
Porgera	Barrick (Niugini) Ltd	10,027,599	13,665,278	3,637,679	36.28%	B
Ramu Nickel	MCC Ramu NiCo Ltd	0	5,643,732	5,643,732	0.00%	
Hidden Valley	Morobe Consolidated Goldfields Ltd	11,875,090	12,894,974	1,019,885	8.59%	B
Kainantu	K92 Mining Ltd	3,887,569	6,707,186	2,819,616	72.53%	A
Simberi	Simberi Gold Co. Ltd	4,100,589	1,134,733	(2,965,856)	-72.33%	B
Total		140,044,722	153,141,256	13,096,535	9.35%	

Variances are yet to be reconciled. Reconciliation and responses will be available in a supplementary schedule to be uploaded in EITI website.

Table 127: Reconciliation of mining royalty payments paid to landowners (as reported by the MRA)

Project	Reporting company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)
Lihir	Lihir Gold Ltd	18,091,675	18,091,675	0	0.00%
Ok Tedi	Ok Tedi Mining Limited	30,113,705	18,326,783	(11,786,923)	-39.14%
Porgera	Barrick (Niugini) Ltd	9,453,079	5,054,281	(4,398,799)	-46.53%
Ramu Nickel	MCC Ramu NiCo Ltd	0	12,547,134	12,547,134	0.00%
Hidden Valley	Morobe Consolidated Goldfields Ltd	8,863,906	8,604,324	(259,582)	-2.93%
Kainantu	K92 Mining Ltd	476,116	5,152,755	4,676,639	982.25%
Simberi	Simberi Gold Co. Ltd	9,049,747	10,212,597	1,162,850	12.85%
Total		76,048,229	77,989,548	1,941,319	2.55%

10.6.3 MRA tenement fees (not reconciled)



Fees collected from mining companies by the MRA have been reported in the table below. These amounts were unilaterally disclosed by the MRA.

Table 128: Fees paid to MRA (unilaterally disclosed)

Fee reported	Amount reported received (PGK)
Alluvial levies	3,210,768
Mine security deposits	211,200
Exploration security deposits	72,000
Mining lease rentals	2,543,595
Exploration licence	2,071,584
Data sale fees	62,758
Applications, extension, renewal, transfer and dealings fees (related to exploration)	616,760
Applications, extension, renewal, transfer and dealings fees (related to mining)	796,220
Total	9,584,884

MRA tenement fees represent less than 2% of the total revenue received by the government.

10.6.4 Equity distributions and share of sales



Table 129: Reconciliation of equity distribution

Project	Company	Total Project Paid (PGK)	Reported received by SOEs / Landowners (PGK)	Variance (PGK)	Variance (%)	Remarks
PNG LNG	KPHL	320,825,040	320,825,040	-	0.00%	A
PNG LNG	MRDC Landholders	53,781,406		53,781,406		A
PNG LNG	Gas Resources Gigira		21,444,957	- 21,444,957		A
PNG LNG	Gas Resources Gobe		471,016	-471,016		A
PNG LNG	Gas Resources Angore		2,604,358	-2,604,358		A
PNG LNG	Gas Resources Hides		4,295,718	-4,295,718		A
PNG LNG	Gas Resources Juha		2,530,821	-2,530,821		A
PNG LNG	Gas Resources Kutubu		21,764,816	-21,764,816		A
PNG LNG	Gas Resources Moran		398,473	-398,473		A
PNG LNG	Gas Resources North West Moran		6,087	-6,087		A
	Gas Resources LNG PNG plant	0	4,495,524	-4,495,524	100%	
	Gas Resources LNG Pipeline	0	4,149,715	-4,149,715	100%	
Total		374,606,446	382,986,525	-8,380,078	-2.19%	

Equity distribution amounts were provided by KPHL and MRDC, participants of PNG LNG project, which was confirmed by ExxonMobil in its capacity as operator of PNG LNG project.

MRDC provided a break-up of the equity distribution receipts per landowner.

Overall equity distribution is substantially reconciled with 2.19% unreconciled difference.

10.6.5 Development levy

Development levies are calculated at 2% of well-head value of the oil and gas produced as per Section 160 of the Oil and Gas Act 1998.2 Oil Search pays the levy to DPE by cheque. ExxonMobil PNG Ltd pays the levy to Bank of PNG via electronic transfer and sends remittances advice to DPE. ExxonMobil PNG state that they have been directed by the PNG Government to pay in this way.

DPE deposits levies into a trust account held by the Department of Finance for control purposes. Finance then administers payments from the trust account to the relevant local or provincial government.



Development levies are paid annually in arrears on or before 31 January in the year following the year of production to which the development levy relates.

The table below summarises the development levy information provided by the operators and DPE for the reporting period.

Table 130: Reconciliation of development levy

Project	Reporting company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)
PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	126,197,078	124,269,656	(1,927,422)	-1.53%
Oil Projects	Oil Search Ltd	916,625	908,617	(8,008)	-0.87%
Papua LNG Project (Elk-Antelope)	Total E&P PNG Ltd	210,100	0	(210,100)	-100.00%
Total		127,323,803	125,178,273	(2,145,530)	-1.71%

Remarks:

ExxonMobil and Oil Search reported development levies on behalf of the projects operated.

Overall development levy is substantially reconciled with 1.71% unreconciled difference.

Table 131: Development levy reported by other participants of the project

Project	Reporting company	Amount reported paid (PGK)
PNG LNG	Nippon PNG LNG LLC	1,791,498
PNG LNG	Kumul Petroleum (Kroton) Ltd	5,631,628
Total		7,423,126

These development levies are already reported by operators on behalf of participants of respective projects.

10.6.6 Oil and gas royalties

Oil Search pays royalties to DPE by cheque. ExxonMobil PNG Ltd pays royalties to Bank of PNG via electronic transfer and sends remittances advice to DPE. ExxonMobil PNG state that they have been directed by the PNG Government to pay in this way.



Table 132: Reconciliation of oil and gas royalty payments

Project	Reporting company	Amount reported paid (PGK)	Amount reported received (PGK)	Variance (PGK)	Variance (%)
ExxonMobil PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	70,050,430	69,453,900	(596,530)	-0.85%
PNG LNG	Oil Search Ltd	16,387,567	16,387,567	(0)	0.00%
Total		86,437,997	85,841,467	(596,530)	-0.69%

Overall oil and gas royalty payments are substantially reconciled with 0.69% unreconciled difference

Table 133: Royalties reported by participants of the project

Project	Reporting company	Amount reported paid (PGK)
PNG LNG	Nippon PNG LNG LLC	1,791,498
PNG LNG / Kutubu	Merlin Petroleum Company	3,276,044
Total		5,067,542

Remarks:

These royalty payments are already reported by operator on behalf of participants of respective projects.

10.6.7 Additional profits tax

In 2019, the additional profits tax was applicable to all resource projects (subject to the terms of any applicable fiscal stability agreements – see section 4.8.4).



Table 134: Reconciliation of additional profits tax

Project	Reporting company	Amount reported paid (PGK)	Amount reported received (PGK)	Final Variance (PGK)	Final variance (%)	Remarks
Kutubu	Petroleum Resources Kutubu	-	26,733,782	26,733,782	0.00%	
PNG LNG	ExxonMobil PNG Limited		13,176,579	13,176,579	0.00%	A
Kutubu	Ampolex (PNG Petroleum) Inc.	-	1,015,008	1,015,008	0.00%	
PNG LNG	Kumul Petroleum Holdings Ltd		1,042,711	1,042,711	0.00%	
Total		0	41,968,080	41,968,080	0.00%	

Remarks

A. Refer to corporate income taxes for further discussion

Variances are yet to be reconciled. Reconciliation and responses will be available in a supplementary schedule to be uploaded in EITI website.

10.6.8 DPE licence fees (not reconciled)

Licence fees and other application fees are paid by the oil and gas industry to DPE.



Table 135: DPE reported licence fees

No. of licence	Licence type	Fees (PGK)
61	Petroleum Prospecting Licence (PPL)	1,448,500
14	Petroleum Retention Licence (PRL)	150,000
9	Petroleum Development Licence (PDL)	1,000,000
7	Petroleum Pipeline Licence (PPL)	710,000
3	Petroleum Processing Facility Licence (PPFL)	200,000
	Total	3,508,500

Licence fees represent 0.10% of the total revenue received by the government.

10.6.9 Import Duty and Excise Taxes

Table 136: Import Duty and Excise Taxes

Per Customs					
	Amount reported paid (PGK)	Import Duty Amount reported received (PGK)	Excise Taxes Amount reported received (PGK)	Final Variance (PGK)	Final variance (%)
Lihir Gold Limited	17,008,668	5,538,414	8,714,436	-2,755,818	-19%
OK Tedi Mining Ltd	77,109	5,305,078	839,478	6,067,447	99%
Simberi Gold Company Limited		133,586	1,558,583	1,692,169	100%
Mineral Resources Development Limited		1,184	-	1,184	100%
Nautilus Minerals Niugini Limited		112	-	112	100%
Exxon Mobil PNG Limited		2,379,951	3,234,383	5,614,334	100%
Barrick Niugini Ltd		3,952,703	4,547,861	8,500,564	100%
Ramu Nico Management (MCC) Limited	265,819	229,612	-	-36,207	-16%
Oil Search (PNG) Limited		931,084	1	931,085	100%
K92 Mining Limited		969,349	24,656	994,005	100%
Total E&P PNG LTD		956	-	956	100%
Morobe Consolidated Goldfield Limited	649,832	589,773	79,199	19,140	3%
total	18,001,428	20,031,689	18,998,597	21,028,971	54%

Variances are yet to be reconciled. Reconciliation and responses will be available in a supplementary schedule to be uploaded in EITI website.

10.7 Data quality and audit of financial statements 2020

Most government departments and agencies, and some SOEs, do not yet have audited statements for the reporting period, and previous audits indicate serious flaws (see Table 136 below). Improved data assurance was the subject of a recommendation in previous reports (see section 11). In certain cases where significant variances were identified in the reconciliation, or the other party did not provide data, we requested evidence of payments, which in some cases (for example, Exxon) was received and sighted by the IA.

The IA met with the Auditor General's office to gain a better understanding of the current audit status of the relevant SOEs and government agencies. This has resulted in some updates below, but in most cases the audit reports are not yet public and have not been sighted by the IA.

Other than the reconciliation process, no quality assurance, audit, verification, or review has been provided to test or confirm the accuracy of the data. The variances identified during the reconciliation process – some of which were resolved on further investigation – are in themselves indicative of flaws in processes and/or record-keeping.

Table 137: Overview of status of financial audits for EITI reporting entities for the reporting period³⁴²

Parent Company	Operator in PNG	Year audited	Qualifications / emphasis of matter / comments	Source
Mining				
Crater Gold	Anomaly Ltd	FY2020	Audited by RSM. No qualifications noted.	http://www.cratergold.com.au/irm/content/annual-report.aspx?RID=226
Barrick Gold Corporation	Porgera Mine – Barrick (Niugini) Ltd	FY2020	Audit by PwC. No qualifications noted.	https://s25.q4cdn.com/322814910/files/doc_financial/annual_reports/2020/Barrick-Annual-Report-2020.pdf
Newcrest Mining Ltd	Lihir Gold Ltd	FY2020	Audited by EY. No qualifications noted.	https://www.newcrest.com/sites/default/files/2021-10/201005_Newcrest_AR_2020_0.pdf
Metallurgical Corporation of China Ltd. (MCC)	MCC Ramu NiCo Ltd	FY2020	Audit by Deloitte Touché Tohmatsu CPA LLP. No qualifications noted.	https://www1.hkexnews.hk/listedco/listco/news/sehk/2021/0715/2021071500432.pdf
Kainantu	K92 Mining Limited	FY2020	Audited by PWC. No qualifications noted	https://sec.report/otc/financial-report/276111
Harmony Gold Mining Ltd	Hidden Valley JV	FY2020	Audit by PwC. No qualifications noted.	http://www.har.co.za/20/
	Ok Tedi Mining Limited	2020	Financial audit by PWC. No qualifications noted. ESG audit by Materiality Counts. No qualifications noted.	https://oktedi.com/who-we-are/annual-performance/ https://online.flippingbook.com/view/221716551/
St Barbara Ltd	Simberi Gold Co. Ltd	FY2020	Audit by PwC. No qualifications noted.	https://stbarbara.com.au/wp-content/uploads/2020/09/2020_09.18-asx-2020-annual-report.pdf
Oil and gas				
Santos	Santos (and subsidiaries)	2020	Audited by EY. No qualifications noted.	https://www.santos.com/wp-content/uploads/2021/02/2020-Annual-Report.pdf
JX Nippon Oil and Gas Exploration Corporation	JX Nippon Oil and Gas (and subsidiaries)	Year ending March 31, 2020	ENEOS Holdings, Inc. and Consolidated Subsidiaries – Audited by EY. No qualifications noted.	https://ssl4.eir-parts.net/doc/5020/ir_material_for_fiscal_yr9/92354/00.pdf
ExxonMobil	ExxonMobil PNG Ltd (PNG LNG project operator)	2020	SEC filings Form 10K Financial statements audited by PWC. No qualifications noted.	https://corporate.exxonmobil.com/-/media/Global/Files/investor-relations/annual-meeting-materials/annual-report-summaries/2020-Annual-Report.pdf
Oil Search		2020	Audit by Deloitte. No qualifications noted.	https://www.oilsearch.com/_data/assets/pdf_file/0008/54278/2020-AR-Final.pdf
State-owned enterprises: audits by the Auditor-General's Office of Papua New Guinea				
Ok Tedi Mining Limited			See Ok Tedi Mining Limited above for details.	
Kumul Petroleum Holdings Ltd		2019	Comments on Financial Statements:	https://www.ago.gov.pg/images/Part_4_Report_2020.pdf

³⁴² Where a financial statement audit was not conducted for this period, the most recent audit report available is listed.

Parent Company	Operator in PNG	Year audited	Qualifications / emphasis of matter / comments	Source
			At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2019 had been completed and the results were being evaluated. The fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the year ended 31 December 2020 was in progress.	
Mineral Resources Development Company Ltd		2016	Comments on Financial Statements: Qualified opinion issues for 2016. At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the years ended 31 December 2017 and 2018 were in progress. The Company had not submitted its financial statements for the years ended 31 December 2019 and 2020 for my inspection and audit.	http://www.ago.gov.pg/images/Part_4_Report_2019.pdf

Entity	Year audited	Qualifications / emphasis of matter / comments	Source
Government departments and statutory authorities: audits by the Auditor-General's Office of Papua New Guinea			
Conservation and Environment Protection Authority	2017	Comments on Financial Statements: at the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Authority for the year ended 31 December 2018 was in progress. The Authority had not submitted its financial statements for the years ended 31 December 2019 and 2020 for my inspection and audit.	http://www.ago.gov.pg/images/Part_4_Report_2020.pdf

Entity	Year audited	Qualifications / emphasis of matter / comments	Source
Internal Revenue Commission	2017	Comments on Financial Statements: At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records, and the examination of the financial statements of the Commission for the years ended 31 December 2016 and 2017 had been completed on 23 April 2019 and 20 June 2019 respectively. The Management responded to the 2016 management letter on 20 August 2020, however, I was not able to issue the report due to outstanding issues relating to the financial statements. The Management responses along with the signed financial statements for 2017 were being awaited to finalise the audit reports. The Commission had not submitted its financial statements for the years ended 31 December 2018, 2019, and 2020 for my inspection and audit.	http://www.ago.gov.pg/images/Part_4_Report_2020.pdf - page 9 http://irc.gov.pg/publication_guides_category/irc-annual-reports/
Minerals Resource Authority	2018	Comments on Financial Statements: My reports to the Ministers under Section 8(4) of the Audit Act on the Authority's financial statements for the year ended 31 December 2015 was issued on 21 August 2020 while 2016, 2017 and 2018 were issued on 29 March 2021. The reports contained similar Qualified Opinions, hence, only the 2018 report is reproduced. At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Authority for the year ended 31 December 2019 was in progress. The Authority had submitted its financial statements for the year ended 31 December 2020 and arrangements were being made to commence the audit shortly.	http://www.ago.gov.pg/images/Part_4_Report_2020.pdf - page 97
Department of Treasury	2014–2015	Adverse opinion: "The results of my audit indicate that only little improvement was made, available, overall, there were still notable weaknesses in the control framework. The control activities, such as delegation, authorisation, reconciliations, data processing, segregation of duties, system access, management monitoring, etc. we're not sufficiently robust to prevent, detect or correct errors or fraud."	http://www.ago.gov.pg/docs/ReportoftheAuditorGeneralPartII20152014.pdf
Department of Finance	2014–2015	Adverse opinion: "The results of the audit indicate ties, such as delegations, authorisations, reconciliations, data processing, segregation of duties and system access were not sufficiently robust to prevent, detect or correct error or fraud."	http://www.ago.gov.pg/docs/ReportoftheAuditorGeneralPartII20152014.pdf

Entity	Year audited	Qualifications / emphasis of matter / comments	Source
Department of Petroleum	2014	Adverse opinion: "The results of my audit indicate that overall, there were significant and serious weaknesses in the control framework. The control activities such as delegations, authorisations, reconciliations, segregation of duties, system access and management were not sufficiently robust to detect or correct errors or fraud. Consequently, there is an increased risk that the impact of an ineffective control environment could be far reaching, possibly resulting in financial loss, tarnished public image or ultimately, agency failure. The lack of internal control mechanism may fail to safeguard assets from loss, damage or misappropriation and may produce financial information that is not complete or reliable."	http://www.ago.gov.pg/docs/ReportoftheAuditorGeneralPartII20152014.pdf
Department of National Planning & Monitoring	2014	Adverse opinion: "In general, there were no improvements in the system and operation of controls within the Department compared to the previous years. The results of my audit indicate that there were significant weaknesses in the control framework. The control activities were not sufficiently robust to prevent, detect or correct errors or fraud. Consequently, there is an increased risk that the impact of an ineffective control environment could be far reaching, possibly resulting in financial loss, tarnished public image or ultimately, agency failure. The lack of internal control mechanism may fail to safeguard assets from loss, damage or misappropriation and may produce financial information that is not complete or reliable."	http://www.ago.gov.pg/docs/ReportoftheAuditorGeneralPartII20152014.pdf
PNG Customs	2013–2014	Adverse opinion: "The results of my audit indicate that there were some improvements in the operations of the internal controls compared to previous years. This was evident in the Revenue collection, assets and advance management. However, overall, there were weaknesses noted in the control framework."	http://www.ago.gov.pg/images/downloads/Part-2-NGAD-Merge-Report-JTen-AVui-4-11-15.pdf



Findings and recommendation

11. Findings and recommendation

The independent validation of PNG's 2016 EITI Report found that PNG has made meaningful progress in addressing the requirements of the EITI Standard. Through the IA's process of collecting and analysing revenue data, and via engagement with government, industry, and civil society, we have observed that the MSG and other stakeholders in the PNG EITI continue to seek to improve transparency, systems, and accountability across the extractives sector.

Based on the work we have undertaken, we present the following recommendations to enable the MSG to improve its EITI process across PNG for future reporting periods, in line with the requirements of the EITI Standard. Our recommendations from this report are outlined below.

Table 138: Findings and recommendations

Observations	Recommendations
1. Address findings of Independent Validation The independent validation of PNG's progress against the EITI standard identified a number of areas where progress was "inadequate". The IA has endeavoured to address each of these through the 2017 to 2019 reporting process. Whilst the IA has seen improvements over the years, a number will still require further coordination and effort to accomplish. The following sections were updated in the 2020 PNG EITI Report: SOE procedures, subnational payments, production data, licence allocations and beneficial ownership.	We recommend that the MSG continuously address the findings made in the independent validation of the PNG EITI 2016 Report. The MSG and IA should continue to work together to fully meet the requirements of EITI standard. We have seen improved engagement from reporting entities and frequent discussions among participants aiming to provide clarity on certain areas of the 2019 report. Continued engagement is required to further resolve gaps.
2. Data collection Whilst the IA and National Secretariat exert considerable effort in training and co-ordinating with the reporting entities, the data collected still has the following issues: ► Data is not being delivered in accordance with timelines and often comes in very late in the process putting pressure on deadlines ► Data is incomplete and requires multiple inquiries with the reporting entities to resolve ► Erroneous financial and non-financial information is submitted	The following is recommended: ► Earlier commencement of the project in April or May ► Mandatory participation of representatives from all reporting entities on the PNG EITI reporting template training. We also recommend attendance of representatives of PNG Chamber of Mines and Petroleum to provide insights prior to release of reporting templates ► Reporting entities should raise earlier in the process of the engagement known issues that may arise during provision of data. (i.e., difficulty in providing reserves and production data, treatment of GST refunds)
3. Presentation of government revenue During the engagement, reporting entities have presented different views on the definition and presentation of Government Revenue from the extractive industry including the way it is disclosed in the PNG EITI report.	We recommend the MSG to discuss with the reporting entities and other participants of the PNG EITI and put forward a definition of Government Revenue including a suggested disclosure for the PNG EITI Report. The MSG also needs to ensure this recommendation does not deviate from the EITI Standard.
4. Reconcile mandatory and social expenditures Other participating countries in EITI have started or performed a reconciliation of mandatory and voluntary social expenditures to increase transparency of the report.	We recommend the MSG to create a mechanism where social expenditures are reported and reconciled between the reporting entities and the recipients starting with the mandatory expenditures. This mechanism should include compliance with the contract agreement and appropriateness of amounts claimed as infrastructure tax credits in the income tax returns.
5. Increase data availability through PNG government web portals for licence allocation Progress has been observed incorporating licence information in the MRA cadastre portal and DPE starting to digitise oil and gas licence data. However, updates on mining licences have not been uploaded on the web portals. Moreover, during the initial phase of the engagement, there were discussions and plans for oil and gas licences data to be available on one of the government portals, however, this has not come to fruition.	We recommend the following: ► MRA to keep up to date the information within web portals. ► DPE to be more engaged in creating a licence portal accessible by the public. DPE can leverage the knowledge gained from other licensing agencies such as MRA.

Observations	Recommendations
6. Assurance and compliance reviews over royalties and levies MRA and DPE are the government agencies who report royalties and levies, which are revenue streams paid to various landowners and local/provincial governments by the reporting entities. Reconciliation on amounts paid and reported is always a recurring issue. Based on our observation, variances arose due to insufficient compliance reviews and cross-checking whether these payments have been calculated properly and actually paid to the correct recipient which can prevent reconciliation issues.	We recommend MRA and DPE to perform regular inspection of amounts reported by extractive companies through the following: ▶ Perform independent recalculation on amounts reported by obtaining the basis of calculation. ▶ Obtain receipts or bank statements to support the amounts reported ▶ Cross-check to respective recipients whether these have been actually received ▶ Any matters or discrepancies arising from the independent checks should be explained by the extractive companies. These checks and balances can assist the government agencies in ensuring that payments have occurred and are complete. Propriety of payments can be a criterion when approving further licences. MRA and DPE should have access to relevant government data to support its financial close process and reconcile companies' remittances against receipts.
7. Improve comprehensiveness of data Significant variances were observed in the reconciliation process based on the initial data submitted. One of the areas that can prevent reconciliation variances is to resolve issues on unaudited data from government entities and some SOEs. Several departments and SOEs are yet to be audited for the year-ended 2020, or even some years earlier. During the initial phase of the engagement and prior to the pandemic there were plans for the AGO to perform receipts testing on revenues relevant for the PNG EITI report, however, this is yet to be started. We further note that KPHL's latest audited financial statements are not available on their website.	Auditing the receipts of government agencies and SOE's, and early identification of issues prior to submission of data, will ensure that reporting entities provide more accurate and reliable information. The testing of receipts does not require additional resources as this can be performed as part of the audits already being performed on the reporting entities. To increase transparency, all SOEs financial statements should be published and included on their respective websites.
8. Improve consistency of data reported Production data for the oil and gas industry remains a challenge. There is no available public information unless derived through estimates and recalculation from participants in the oil and gas projects. Further, reporting of production and export data remained inconsistent for both mining and oil and gas. We note that Customs have different export data from other agencies such as BPNG, MRA and DPE	We recommend the following: DPE to have regular production data update published on its web portal. In addition to the reports provided by reporting entities, DPE should conduct inspection of data provided. Government agencies involved in reporting production and export data should uniformly report the type, amount, commodity and measurement used. This data should also be publicly accessible.
9. Co-ordinated reconciliation of sub-national payments and transfers Significant progress has been made in the area of subnational payments and transfers. However, complete reconciliation of material subnational payments and transfers are yet to be undertaken due to pandemic. We understand that the scope is complex, but this exercise will improve trust and transparency.	We recommend the MSG and the National Secretariat devise a work-plan that will result in the reconciliation of subnational payments and transfers. We understand that the exercise requires movement of resources and is currently limited due to restrictions. We recommend that PNGEITI National Secretariat should work with NEFC to improve subnational reporting for compliance to the EITI standard.
10. Address findings of the PNG Beneficial Ownership Report 2020 PNG EITI released the PNG Beneficial Ownership Report 2020 which includes the approach, definitions, scope and recommendations that will need to be considered upon implementation of Beneficial Ownership disclosure. The report provides key deficiencies and observations such as incomplete and failure to provide data. It also lists out the challenges faced by the reporting entities when gathering data and action plans recommended by the consultant.	We recommend MSG and National Secretariat to address the observations and review the action plans in the PNG Beneficial Ownership Report. We understand that resolving these observations requires time and movement of resources, however, certain comments should be addressed to improve transparency and compliance to the EITI standard.
11. Availability of Financial Reports Certain companies who are participants in the mining and oil and gas projects do not have readily available financial reports. Some of these PNG companies are consolidated into their Parent Company financial reports which provides incomplete information about the PNG Company's financial and operating activities.	We recommend that in the absence of publicly available financial reports, this financial information should be disclosed in the PNG EITI report. Financial information about the participating Companies provides meaningful information about the revenues generated from the extractive industry and enhances transparency.

Observations	Recommendations
Further, certain companies also do not have complete IPA required lodgements.	

Appendices

2020 EITI report

Papua New Guinea extractive industries
transparency initiative

26 December 2022

Appendix A PNG MSG members and alternates

Status	Type	Primary	Alternate 1	Alternate 2	Organisation
Voting Member	GoPNG	Hon. Ian Ling-Stuckey, CMG, MP MP Treasurer & PNGEITI Chairman	Dairi Vele Secretary	Andrew Oaeke - Acting Deputy Secretary, Economic Policy Division Donald Hehona -First Assistant Secretary - Sectoral Policy Division	Department of Treasury
Voting Member	GoPNG	NIL	NIL	Jeffrey Murley- Senior Policy Officer Bruce Java	Department of Prime Minister * National Executive Council (PMNEC)
Voting Member	GoPNG	Sam Koim - Commissioner General	NIL	Ketty Masu- Director Resource Policy and Advice	Internal Revenue Commission
Voting Member	GoPNG	Jerry Garry - Managing Director	NIL	Arnold Lakamanga- Manager – GIS Mineral Information	Mineral Resources Authority
Voting Member	GoPNG	Gunther Joku - Managing Director	Michael Wau - Deputy Director - Environmental Regulation Division	Robert Sine - Manager - Mining Industry Compliance	Conservation & Environment Protection Authority (CEPA)
Voting Member	GoPNG	David Manau – Secretary Channan Kumalau - Director, Special Projects	NIL	NIL	Department of Petroleum & Energy (DPE)
Voting Member	GoPNG	Dr. Ken Ngangan Secretary	Samuel Penias Deputy Secretary - Support Wing	Margaret Tenakanai Acting Deputy Secretary - Support Services Wing	Department of Finance (DoF)
Voting Member	GoPNG	Koney Samuel Secretary	Sanja Pepae Assistant Secretary - Economic Policy Division	Langa Kopio Assistant Secretary - Social &General Policy Branch Marie Pais - First Assistant Secretary - Economic Sector Division	Department of National Planning & Monitoring (DNPM)
Voting Member	GoPNG	Harry Kore Secretary	Winterford Eko Acting Deputy Secretary	Asavi KenduaActing Director - Mineral Policy & Legislation Division	Department of Mineral Policy & Geohazards Management
Voting Member	GoPNG	Gordon Kega, CPA Acting Auditor General	Albert Kimisi Acting Deputy Auditor General - Corporate Services Division	Lemeki Ila Deputy Auditor General - Statutory Bodies Audit Division	Auditor General's Office
Voting Member	Industry	Prof. Albert Mellam Executive Director	Leah Warupi- Morlin - Project Coordinator	Jimmy Yareba Project Coordinator	PNG Chamber of Mines & Petroleum
Voting Member	Industry	Stanley Komunt Country Manager	Stanley Komunt Manager - Government Relations & Country Office	Anna Madgwick Manager - Social Investment & National Engagement	Newcrest Mining Limited

Status	Type	Primary	Alternate 1	Alternate 2	Organisation
Voting Member	Industry	Musje Werror Managing Director	Roberto Justo Acting Finance Manager	NIL	Ok Tedi Mining Limited (OTML)
Voting Member	Industry	Dr Ila Temu Executive Director	Anthony Smare General Manager - Corporate & Legal	Gertrude Tamade Elai - Senior Legal Counsel	Barrick (Niugini) Limited
Voting Member	Industry	Kepas Wali Executive General Manager - Stakeholder Relations and Corporate Affairs PNG	Mary McKinlay Manager - Tax and Technical Accounting	Aubrey Testa Chief Financial Officer - EXCO	Harmony Gold (PNG) Exploration Limited
Voting Member	Industry	Philip Samar - Vice President - External	NIL	NIL	Kainantu Gold Mine
Voting Member	Industry	Andrew Barry - Lead Country Manager	General Manager - External Affairs	Stanley Yarka Advisor - Government Relations	Exxon Mobil PNG Limited
Voting Member	Industry	Gerea Aopi PNG Country Chairman	Wayne Kasou General Manager Government Affairs	Cornelius Soagai Government Affairs Lead	Oil Search (PNG) Limited
Voting Member	Industry	Jean-Marc Noiray Managing Director	Richard E. Kassman Manager- Exploration / Production, and PNG Chamber of Mines & Petroleum Chairman	Fiona-Opal Pagla Manager - Government Relations	Total E&P Limited
Voting Member	SOE	Isikeli Taureka Managing Director	Judith Kuk - Chief Financial Officer	Executive Manager - SOEs & Projects	Kumul Consolidated Holdings (KCH)
Voting Member	SOE	Wapu Sonk Managing Director	Luke Liria Executive Manager - Corporate Services	Greg Heaney - Chief Financial Officer	Kumul Petroleum Holdings Limited (KPHL)
Voting Member	SOE	Peter Graham Chairman & Acting Managing Director	Francis M. Lola Company Secretary & Manager, Legal	NIL	Kumul Mineral Holdings Limited (KMHL)
Voting Member	SOE	Augustine Mano Managing Director	Imbi Tagune General Manager - External Affairs	Steven Evekone Manager -External Affairs	Mineral Resources Development Company (MRDC)
Voting Member	CSO	Interim CSO Coordinator	NIL	NIL	PNG Resource Governance Coalition (PNG RGC) (c/- CIMC)
Voting Member	CSO	Peter Aitsi Chairman	Arianne Kassman Executive Director	Yuambari Haihuie Deputy Director, Policy and Advocacy Barbra Ruin Advocacy Liaison Officer Michael Arnold Communications Officer	Transparency International PNG (TIPNG)
Voting Member	CSO	Paul Barker Executive Director	Deputy Director	Steven Goie Research Officer	Institute of National Affairs (INA)
Voting Member	CSO	Wallis Yakam Executive Officer	Henry Yamo Deputy Executive Officer	Elizabeth Avaisa Snr. Project Officer - Public Budgets & Expenditure	Consultative Implementation & Monitoring Council (CIMC)

Status	Type	Primary	Alternate 1	Alternate 2	Organisation
Voting Member	CSO	Executive Director	Harrison Owage Program Manager	Baru Amenu - Project Coordinator	PNG Mining Watch Association
Voting Member	CSO	Bishop Denny Guka Chairman	Isu Aluvula, MBE ML - General Secretary	NIL	PNG Council of Churches (PNGCC)
Voting Member	CSO	NIL	Alois Sinen - Legal Intern	NIL	Centre for Environmental Law & Community Rights (CELCOR)

Appendix B Mining tenements awarded/extended 2020

A complete list of active tenements can be seen on the Mining Cadastre Portal (<https://portal.mra.gov.pg>).

Appendix C Oil and gas licence fees in 2020

Based on DPE reporting of licence data

Licence	Paid by Company/Operator	Amount (PGK)
Petroleum Prospecting Licences (Ppl)		
PPL 560	Rawson Resources Ltd	27,500.00
PPL 507	ExxonMobil PNG Ltd	4,500.00
PPL 523 (Yr 3)	Igiri Petroleum Ltd	55,000.00
PPL 523 (Yr 4)	Igiri Petroleum Ltd	55,000.00
PPL 523 (Yr 5)	Igiri Petroleum Ltd	55,000.00
PPL 532 (Yr 3)	Igiri Petroleum Ltd	15,500.00
PPL 532 (Yr 4)	Igiri Petroleum Ltd	15,500.00
PPL 532 (Yr 5)	Igiri Petroleum Ltd	15,500.00
PPL 373	Horizon Oil (Papua) Ltd	9,000.00
PPL 372	Horizon Oil (Papua) Ltd	10,500.00
PPL 338	Kina Petroleum Ltd	60,000.00
PPL 581	Kina Petroleum Ltd	24,000.00
PPL 474	ExxonMobil PNG Ltd	29,000.00
PPL 638	Granite Services Ltd	2,500.00
PPL 639	Granite Services Ltd	11,000.00
PPL 475	ExxonMobil PNG Ltd	12,000.00
PPL 476	ExxonMobil PNG Ltd	29,000.00
PPL 537 (Yr 4 & 5)	Twhite Petroleum Pty Ltd	12,000.00
PPL 537 (Yr 6)	Twhite Petroleum Pty Ltd	6,000.00
PPL 538 (Yr 4 & 5)	Twhite Petroleum Pty Ltd	10,000.00
PPL 538 (Yr 6)	Twhite Petroleum Pty Ltd	5,000.00
PPL 597 (Yr 4)	Kina Petroleum Ltd	1,500.00
PPL 596 (Yr 4)	Kina Petroleum Ltd	2,500.00
PPL 340 (Yr 4)	Kina Petroleum Ltd	78,000.00
PPL 598 (Yr 4)	Kina Petroleum Ltd	1,500.00
PPL 579	Laurus Energy Ltd	55,000.00
PPL 487 (Yr 3)	ExxonMobil PNG Ltd	500.00
PPL 658	East New Britain Development Corporation Ltd	100,000.00
PPL 566	Twhite Petroleum Pty Ltd	1,500.00
PPL 565 (Renewal)	South Pacific (PNG) Investments	23,000.00
PPL 565 (Yr 2020)	South Pacific (PNG) Investments	23,500.00
PPL 566	Twhite Petroleum Pty Ltd	1,500.00

Licence	Paid by Company/Operator	Amount (PGK)
PPL 591	San Daun Petroleum Energy Development Ltd	10,500.00
PPL 616	Benshill Corporation Ltd	12,500.00
PPL 617	Benshill Corporation Ltd	10,000.00
PPL 610	Kapul Petroleum Ltd	1,500.00
PPL 352	Peak Oil (PNG) Pty Ltd	91,000.00
PPL 545	Oil Search (PNG) Ltd	29,500.00
PPL 595	Oil Search (PNG) Ltd	6,000.00
PPL 571	Geoforce Drilling Ltd	10,500.00
PPL 474	ExxonMobil PNG Ltd	29,000.00
PPL 475	ExxonMobil PNG Ltd	12,000.00
PPL 476	ExxonMobil PNG Ltd	29,000.00
PPL 378	Gini Energy Ltd	6,000.00
PPL 532	Igiri Petroleum Ltd	15,500.00
PPL 523	Igiri Petroleum Ltd	55,000.00
PPL 574	Horizon Oil (Papua) Ltd	16,000.00
PPL 589	Total E&P PNG Ltd	92,000.00
PPL 671	Igiri Petroleum Ltd	1,500.00
PPL 576	Total E&P PNG Ltd	88,000.00
PPL 578	PNG Prime Energy	108,000.00
PPL 625	Peak Oil (PNG) Pty Ltd	30,000.00
PPL 599	Waves Petroleum Ltd	6,500.00
PPL 560	Rawson Resources Ltd	27,500.00
PPL 437	Kina Petroleum Ltd	9,000.00
	Total PPL	1,448,500.00

Licence	Paid by Company/Operator	Amount (PGK)
Petroleum Retention Licences (PRL)		
PRL 28	Horizon Oil (Papua) Ltd	30,000.00
PRL 21	Horizon Oil (Papua) Ltd	30,000.00
PRL 39	ExxonMobil PNG Ltd	30,000.00
PRL 3	Esso PNG P'nyang Ltd	30,000.00
PRL 15	Total E&P PNG Ltd	30,000.00
	Total PRL	150,000.00

Licence	Paid by Company/Operator	Amount (PGK)
PDL 5	ExxonMobil PNG Ltd	100,000.00
PDL 3	Oil Search (PNG) Ltd	100,000.00
PDL 4	Oil Search (PNG) Ltd	100,000.00
PDL 2	Oil Search (PNG) Ltd	100,000.00
PDL 6	Oil Search (PNG) Ltd	100,000.00
PDL 10	Arran Energy Niugini Ltd	100,000.00
PDL 1,7,8 & 9	ExxonMobil PNG Ltd	400,000.00

	Total PDL	1,000,000.00
PL 15	Mobil Oil Niugini Ltd	10,000.00
PL 10	Arran Energy Niugini Ltd	100,000.00
PL 17	Dirio Gas and Power Company Ltd	100,000.00
PL 4,5,6,7,8 & 16	ExxonMobil PNG Ltd	380,000.00
PL 1	Oil Search (PNG) Ltd	10,000.00
PL 2	Oil Search (PNG) Ltd	100,000.00
PL 3	Oil Search (PNG) Ltd	10,000.00
	Total PL	710,000.00
PPFL 2	Puma Energy PNG Refining Ltd	100,000.00
PPFL 2	ExxonMobil	100,000.00
	Total PPFL	200,000.00

Appendix D Changes to petroleum licences in 2020

For updates in petroleum licences, please refer to <https://petroleum.gov.pg/>.

Petroleum Development Licence (PDL)

Active PDL Licences 2020			
Licence	Licencee	Grant date	Expiry date
PDL 01	ExxonMobil PNG Ltd	27-Sep-15	26-Sep-35
PDL 02	Oil Search Ltd	10-Dec-15	09-Dec-35
PDL 04	Oil Search Ltd	24-Dec-96	23-Dec-21
PDL 04	Oil Search (PNG) Ltd	23-Dec-21	23-Dec-41
PDL 05	Esso Highlands Ltd	17-Feb-26	07-Dec-34
PDL 06	PNG LNG Project	30-Apr-33	29-Apr-53
PDL 07	PNG LNG Project	08-Dec-09	07-Dec-34
PDL 08	PNG LNG Project	08-Dec-09	07-Dec-34
PDL 09	PNG LNG Project	08-Dec-09	07-Dec-34
PDL 10	Horizon Oil (Papua) Ltd	30-May-14	29-May-39

Licence	Licencee	Lodged date
APDL 11	Oil Search (PNG) Ltd	16-Aug-13
APDL 12	Horizon Oil (Papua) Ltd	17-Mar-14
APDL 13	Oil Search (PNG) Ltd	6-Feb-15
APDL 14	Twinza Oil (PNG) Ltd	30-Jun-15

Petroleum Retention Licence (PRL)

Active PRL Licences 2020			
Licence	Licencee	Grant date	Expiry date
PRL 3	ExxonMobil	19-Mar-15	18-Mar-20
PRL 8	Oil Search	28-Oct-15	27-Oct-20
PRL 9	Oil Search	28-Oct-15	27-Oct-20
PRL 10	Oil Search	28-Oct-15	27-Oct-20
PRL 13	LNG Energy Ltd	16-Jun-14	16-Jun-19
PRL 14	Oil Search	31-Mar-17	30-Mar-22
PRL 15	Total	30-Nov-16	30-Nov-21
PRL 21	Horizon Oil Ltd	18-Mar-11	17-Mar-16
PRL 28	Horizon Oil Ltd	31-Jan-17	30-Jan-22
PRL 39*	ExxonMobil	20-Dec-13	19-Dec-18
PRL 40	Repsol	28-Feb-17	27-Feb-22

Licence	Licencee	Lodged date
APRL 43	Twinza Oil (PDA) Ltd	30-Nov-18
APRL 44	Kina Petroleum Ltd	5-Dec-18
APRL 45	Yokopas Gold (PNG) Ltd	5-Dec-18
APRL 46	Asian Oil and Gas (PNG) Ltd	5-Dec-18
APRL 47	Kumul Petroleum Holdings Ltd	21-Dec-18

PRL licences expired			
Licence	Licencee	Grant date	Expiry date
PRL 38	Repsol Oil & Gas Ltd	29-Nov-13	29-Nov-18

Petroleum Prospecting Licence (PPL)

Active PPL Licences 2020			
Licence	Licencee	Grant date	Expiry date
PPL 219 [E]	Oil Search (PNG) Ltd	19-Mar-15	18-Mar-20
PPL 294 [E]	Media Karya Sentosa Ltd	19-Mar-15	20-Mar-20
PPL 328	Twinza Oil (PNG) Ltd	31-Oct-11	30-Oct-17
PPL 338 [E]	Kina Petroleum Ltd	30-Nov-16	29-Nov-21
PPL 339	Oil Search (PNG) Ltd	02-Sep-09	01-Sep-15
PPL 340 [E]	Kina Petroleum Ltd	30-Mar-17	31-Mar-22
PPL 352	Peak Oil (PNG) Ltd	25-Jul-13	24-Jul-19
PPL 372*	Jurassic International Holdings Ltd	23-Jan-12	22-Jan-18
PPL 373*	Jurassic International Holdings Ltd	23-Jan-12	22-Jan-18
PPL 374 [E]	ExxonMobil PNG Ltd	18-Jan-19	17-Jan-24
PPL 375 [E]	ExxonMobil PNG Ltd	18-Jan-19	17-Jan-24
PPL 378 [E]	Gini Energy Ltd	26-Sep-18	25-Sep-23
PPL 382*	Destinee Energy Ltd	19-Oct-12	18-Oct-18
PPL 388	Petro Energy Ltd	30-Jun-15	29-Jun-21
PPL 391*	Taurus Oil Ltd	27-Mar-12	26-Mar-18
PPL 395	Oil Search (PNG) Ltd	18-Nov-13	17-Nov-19
PPL 402*	Oil Search (PNG) Ltd	27-Mar-12	26-Mar-18
PPL 413	Bismarck Oil Company Ltd	19-Jan-17	18-Jan-23
PPL 414*	Bismarck Oil Company Ltd	19-Jan-17	18-Jan-23
PPL 426*	Talisman	19-Oct-12	18-Oct-18
PPL 430	Ketu Petroleum Ltd	25-Jul-13	24-Jul-19
PPL 437	Kina Petroleum Ltd	19-Feb-13	18-Feb-19
PPL 442	Kengaku Petroleum Ltd	31-Jan-14	30-Jan-20
PPL 444	Kengaku Petroleum Ltd	31-Jan-14	30-Jan-20
PPL 452	Hillsborough Ltd	11-Feb-14	10-Feb-20
PPL 461	Sabrage Ltd	30-Jul-14	29-Jul-20
PPL 462	Sabrage Ltd	30-Jul-14	29-Jul-20
PPL 470	PT Medcoenergi International TBK Ltd	11-Dec-13	13-Jan-20
PPL 474	SPI (210) Ltd	06-Mar-14	05-Mar-20
PPL 475	SPI (220) Ltd	06-Mar-14	05-Mar-20

Active PPL Licences 2020			
Licence	Licensee	Grant date	Expiry date
PPL 476	SPI (208) Ltd	06-Mar-14	05-Mar-20
PPL 486	Telemu No.18 Ltd	16-Jun-14	15-Jun-20
PPL 487	Oil Search Ltd	30-Nov-16	28-Nov-22
PPL 504	Oil Search (PNG) Ltd	31-Jan-17	30-Jan-23
PPL 507	Oil Search (PNG) Ltd	20-Feb-17	19-Feb-23
PPL 515	Hillsborough Ltd	14-Sep-15	13-Sep-21
PPL 516	Hillsborough Ltd	14-Sep-15	13-Sep-21
PPL 523	Igiri Petroleum Ltd	31-Aug-15	30-Aug-21
PPL 528	Deutsche Group Ltd	14-Sep-15	13-Sep-21
PPL 532	Igiri Petroleum Ltd	31-Aug-15	30-Aug-21
PPL 537	Twhite Petroleum Pty Ltd	14-Sep-15	13-Sep-21
PPL 538	Twhite Petroleum Pty Ltd	14-Sep-15	13-Sep-21
PPL 545	Oil Search (PNG) Ltd	31-Aug-17	30-Aug-23
PPL 548	Oil Search (PNG) Ltd	31-Oct-17	30-Oct-17
PPL 549	Dondonald Ltd	27-May-16	26-May-22
PPL 560	Dondonald Ltd	30-Nov-16	29-Nov-22
PPL 563	Hillsborough Ltd	28-Oct-15	27-Oct-21
PPL 564	Hillsborough Ltd	28-Oct-15	27-Oct-21
PPL 565	South Pacific (PNG) Investment Ltd	24-Dec-15	23-Dec-21
PPL 566	Twhite Petroleum Ltd	24-Dec-15	28-Jan-21
PPL 571	Geoforce Drilling Ltd	30-Nov-16	29-Nov-22
PPL 574	Eaglewood Energy (BVI) Ltd	30-Nov-16	29-Nov-22
PPL 576	Total E&P PNG-2 B.V	30-Nov-16	29-Nov-22
PPL 578	PNG Prime Energy Ltd	31-Mar-17	30-Mar-23
PPL 579	Larus Energy	31-Mar-17	30-Mar-23
PPL 581	Kina Petroleum Ltd	31-Jan-17	30-Jan-23
PPL 589	Total E&P PNG-2 B.V	31-Oct-17	30-Oct-23
PPL 595	Oil Search (PNG) Ltd	31-Aug-17	30-Aug-23
PPL 596	Kina Petroleum Ltd	31-Mar-17	30-Mar-23
PPL 597	Kina Petroleum Ltd	31-Mar-17	30-Mar-22
PPL 598	Kina Petroleum Ltd	31-Mar-17	30-Mar-23
PPL 600	Esso PNG Robin Ltd	26-Sep-18	25-Sep-24
PPL 610	Kapul Petroleum Ltd	31-Jul-18	30-Jul-24

Applications for a PPL (APPL)		
Licence	Licensee	Lodged date
APPL 635	United Pacific Drilling (PNG) Ltd	16-Mar-18
APPL 636	Ecosscope Pty Ltd	03-Aug-18
APPL 637	Ecosscope Pty Ltd	03-Aug-18
APPL 638	Granite Services Ltd	09-Aug-18
APPL 639	Granite Services Ltd	09-Aug-18

Applications for a PPL (APPL)		
Licence	Licensee	Lodged date
APPL 641	Oil Search (PNG) Ltd	28-Sep-18
APPL 642	Kina Petroleum Ltd	28-Sep-18
APPL 643	Gini Petroleum & Gas Ltd	13-Sep-18
APPL 648	Ratio Petroleum Ltd	09-Sep-18
APPL 645	Sino Industrial Energy	26-Jul-18
APPL 646	Sino Industrial Energy	26-Jul-18
APPL 647	Sino Industrial Energy	26-Jul-18
APPL 651	Peak Oil (PNG) Pty Ltd	14-Dec-18

PPL licences expired			
Licence	Licensee	Expiry date	Extension date
PPL 396	Hornby Energy Ltd	16-Mar-12	15-Mar-18
PPL 397	Penant Resources Ltd	16-Mar-12	15-Mar-18
PPL 435	Kina Petroleum Ltd	24-Jul-18	24-Jul-18
PPL 436	Kina Petroleum Ltd	29-Nov-18	29-Nov-18
PPL 396	Hornby Energy Ltd	16-Mar-12	15-Mar-18

PPL licences surrendered			
Licence	Licensee	Grant date	Surrender date
PPL 464	Esso PNG Swift Ltd	18-Aug-14	26-Sep-18
PPL 477	S.P.I (208) Ltd	6-Mar-14	26-Sep-18
PPL 405	Gini Energy Ltd	08-May-12	11-Oct-18

Petroleum Processing Facility Licence (PPFL)

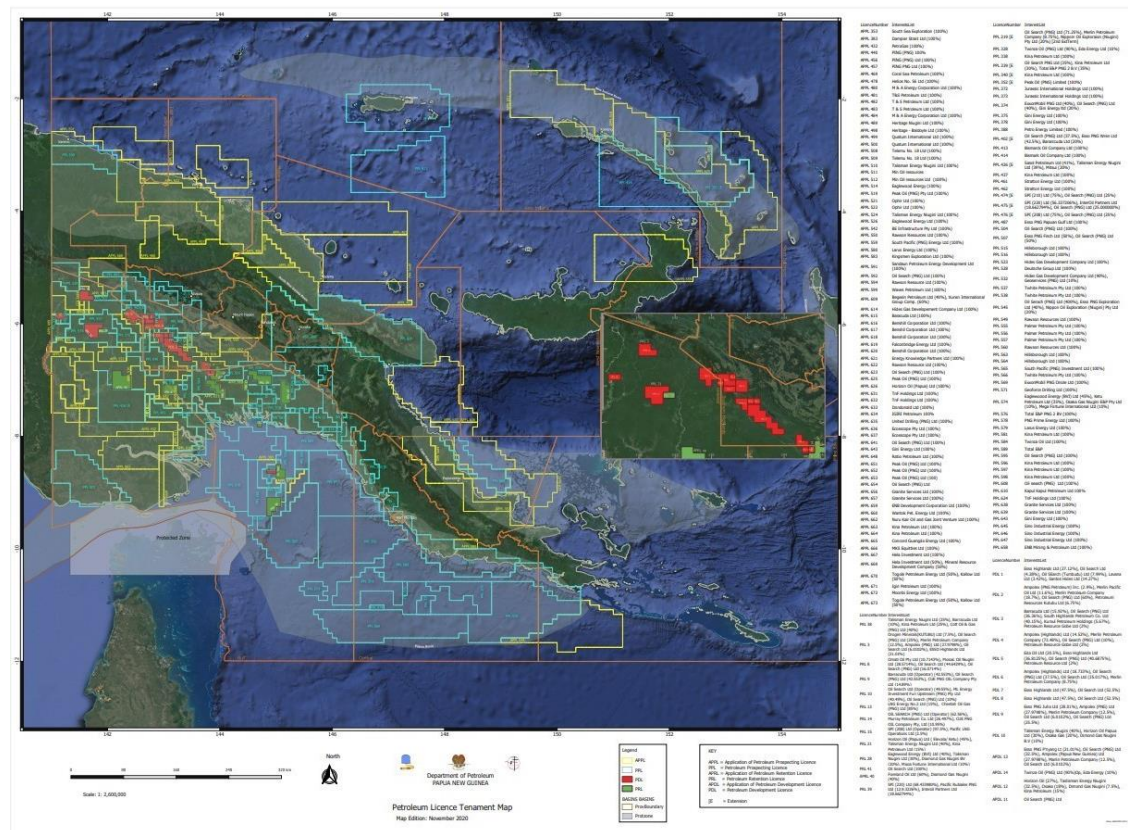
Active PPFL Licences 2020	
Licence	Company
PPFL01	Puma Energy PNG Refining Ltd
PPFL02	Esso Highlands Ltd

Pipeline Licences (PL)

Active PL licences 2020			
Licence	Licensee	Grant date	Expiry date
PL 01	Oil Search (Tumbudu) Pty Ltd	27-Sep-90	
PL 02	Oil Search (PNG) Ltd	10-Dec-15	09-Dec-35
PL 03	Oil Search (PNG) Ltd	24-Dec-96	
PL 04	Esso Highlands Ltd	08-Dec-09	07-Dec-34
PL 05	Esso Highlands Ltd	08-Dec-09	07-Dec-34
PL 06	Esso Highlands Ltd	08-Dec-09	07-Dec-34
PL 07	Esso Highlands Ltd	08-Dec-09	07-Dec-34
PL 08	Esso Highlands Ltd	08-Dec-09	07-Dec-24
PL 10	Horizon Oil (Papua) Ltd	30-May-14	29-May-39
PL 01	Oil Search (Tumbudu) Pty Ltd	27-Sep-90	

Applications for a pipeline licences (APL)		
Licence	Licencee	Lodged date
APL 14	Pacific Energy (PNG) Aviation Ltd	14-Dec-17

Appendix E Map of Petroleum Tenements



Source: https://petroleum.gov.pg/wp-content/uploads/2020/12/Petroleum-Licence-Tenement-Map-withbasin_November-20-Rev1.3.pdf, accessed 31 August 2022

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