

**Public Statement by Rt Hon Sir Mekere Morauta
Former Prime Minister and Member for Moresby North-West
Port Moresby, 05 May 2019**

Doubt expressed about value and viability of Elk-Antelope gasfield



The secrecy and haste surrounding Prime Minister Peter O'Neill's approval of the Gas Agreement for the Papua LNG project may be hiding a multi-billion kina problem for Papua New Guinea – the value and viability of the Elk-Antelope gasfield that underpins the project.

A report available in the Department of Petroleum suggests that the field has five major problems: the gas may not be anywhere near as extensive as first thought, nor as easily extractable, there is a high water content, the gas is of low quality, requiring expensive treatment, and the geology of the field is suspect.

“Mr O'Neill's haste and secrecy, and his sidelining of the State Negotiating Team and the Department of Petroleum, may result in a multi-billion kina loss for the nation,” the Member for Moresby North-west, Sir Mekere Morauta, said today.

“These questions should have been resolved prior to the approval of the Gas Agreement by Mr O'Neill. Instead we have the acting secretary of the Department of Petroleum telling us that a large number of critical documents have not been filed by the project partners, and critical processes have not been completed.

“I do not have a view one way or the other about the veracity of the doubts being expressed. But they are sufficiently serious to warrant a comprehensive and independent investigation, which would be in the national interest.

“Something smells very fishy here. It goes right back to Mr O'Neill's decision to take out the UBS loan to buy 10% of Oil Search, enabling the company to buy a share of Elk-Antelope from the discoverers, InterOil.”

The report suggests that progress on the project should cease until a detailed independent assessment of the Elk-Antelope field is carried out. It says the financial risk to Papua New Guinea is too high not to conduct such an inquiry. If the project fails, according to the report, the cost to PNG could be up to K20 billion.

At the heart of the matter – and the risk Mr O'Neill and his shadowy cronies have exposed PNG to if the State takes up its equity rights - is the amount of gas contained in the field.

According to the Papua LNG Gas Agreement, the foundation volume of gas is 10.3 trillion cubic feet of gas produced from Elk-Antelope. But the report says that applying an estimate that only 8% of the reservoir thickness is commercially recoverable, there may be as little as 0.5 TCF of recoverable gas in the field.

Other potential factors against the commercial success of the project are the impacts of water on gas production, the stability of wells and field longevity, the possibility that there is no rock formation cap to seal the gas in the reservoir, the fact that the gas may be contaminated by hydrogen sulphide and carbon dioxide, and the fractured nature of the field and the difficulties this poses for stable gas flows and recovery. The report raises many other technical questions about the value and viability of the field.

Its recommendations include that before further approvals are given, a detailed independent appraisal of the field be carried out on behalf of the State, that the project partners conduct a full field test to verify Elk-Antelope's value and viability, that all information required by the Petroleum Department be supplied and that an investigation be carried out into InterOil's behaviour from exploration and discovery through to the present.

Sir Mekere said: “Obviously I have no expertise to judge these technical matters, but the questions raised by people with knowledge of the negotiations are of great national significance, and need to be answered,” Sir Mekere said.

“Recent comments inferring that statements such as mine are ‘playing politics’ over the Papua LNG project are nonsense. My comments have nothing to do with the looming Vote of No Confidence. I would have commented on the matter – and will continue to do so – regardless of what happens in Parliament this week.

“I am from Gulf, and Gulf people expect leaders like me to express views on matters of national importance, and on decisions taken by the National Government that will directly affect them.

“We cannot escape the fact that Mr O'Neill's meddling in this, from the UBS loan to the Gas Agreement negotiations, has created a potential catastrophe for the nation.

“All prudent and necessary steps need to be taken to prevent it.”