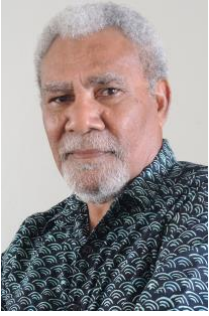


**Public Statement by Rt Hon Sir Mekere Morauta
Former Prime Minister and Member for Moresby North-West
Port Moresby 2 December 2019**

Something fishy about MRDC-Dirio deal with foreign companies



The Member for Moresby North-West, Sir Mekere Morauta, said today that arrangements between two foreign consultancies and Mineral Resources Development Corporation to build power plants might be undermining the national interest and treating PNG landowners as fronts to ship out millions of kina.

“Under the arrangements that I have been made aware of, the interests of foreign companies seem to have been given preference over a cheap and reliable national power supply and financial returns to the PNG LNG landowner groups who have invested in MRDC’s power-generation plans,” he said.

“It is likely that the two foreign-owned companies involved, Pacific Energy Consulting Ltd and Twenty20 Ltd, will get the lion’s share of the benefits. The national interest and PNG LNG landowner investors seem to be coming a distant last.

“I support legitimate private investment in the power market, and landowner involvement in legitimate enterprises. But I want to make sure that the national interest comes first and that landowners get the appropriate rewards for their investments.”

PNG LNG landowners have committed about K245 million to MRDC’s Dirio power project, which is being built near the gas plant between Lealea and Porebada. But information from MRDC’s subsidiary, Dirio Gas and Power Ltd, indicates that PEC and Twenty-20 will cream off millions of kina before profits and dividends to landowners are declared.

The two foreign companies are not shareholders – they are merely contractors who own the land on which the power plant is being built and the generators that will pump electricity into the Port Moresby grid. As well as charging fees for these and other services, they will also receive payments for operating the power plant.

“PNG LNG landowners will stand at the back of the payments queue,” Sir Mekere said. “They have taken all the financial risks, and they should be at the front of the queue.”

In terms of the national interest, Sir Mekere said he had been advised that Dirio, in partnership with PEC and Twenty20, is likely to be given decades-long monopoly rights to Domestic Market Obligation gas for power generation.

“The Government should not allow this,” he said. “PNG Power should be the key player - it has an obligation to ensure fair, reliable and cost-effective power. And the Independent Consumer and Competition Commission needs to investigate any preferential treatment that Dirio and its partners might benefit from, especially in terms of market power and electricity prices.”

In addition, Sir Mekere said, he had been advised that State-owned Kumul Petroleum Holdings will be told to sell its shareholding in the Niupower partnership with Oil Search to generate electricity for Port Moresby, and hand it to Dirio. This would further limit Port Moresby market competition and would be a disincentive for the development of new clean energy.”

“The preferential treatment of Dirio and its foreign partners would allow them to dominate the market for Port Moresby initially, then possibly other major centres, as well as large-scale mining and industrial markets,” he said. “Based on the current arrangements, the cream would go to the foreign partners ahead of landowners or other investors.

“This plan cuts out the State-owned PNG Power or other gas-fired competitors, eliminates the ability of mines and industrial users to buy gas and generate their own power or use new PNG Power gas-fired generation.

“Large-scale power users are an important part of the nation’s electricity customer mix, and giving a monopoly to Dirio and its foreign partners is likely to further constrain PNG Power’s capacity to provide a cheap and reliable supply to existing retail customers and to further expand its grid into rural and remote areas.

“I am concerned that foreign consultants and their silent PNG partners should be involved in the monopoly exploitation of an important national asset – gas. Cheap, reliable power is a fundamental tool of economic development and social welfare.

“Indeed the foreign consultants have been boasting of their potentially dominant market power as partners with Dirio.”

Sir Mekere asked why MRDC-Dirio had chosen foreign consultants as partners rather than Papua New Guinean expertise and well-established public or private enterprises, and why the structure of Dirio and its arrangements with PEC and Twenty20 are shrouded in such secrecy.

“Who really are the ultimate owners of PEC and Twenty20,” he asked. “Who are the ultimate beneficiaries of all this scheming?”

Many hundreds of millions of kina are at stake over an extended period of time, as well as the fair, efficient, accountable and transparent use of an important national asset.

“The questions I have asked are in the public interest. I want to ensure that PNG landowners receive their rightful reward and that the electricity market is not a monopoly controlled by one private company, in partnership with foreign consultants, with little interest in prices, reliability and availability – only their own profits.

“I do not want to see the electricity market become a birthday party for private interests and foreigners, for decades to come.”