

**Public Statement by Rt Hon Sir Mekere Morauta  
Former Prime Minister and Member for Moresby North-West  
Port Moresby, 30 April 2019**

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**O'Neill gives away billions of kina through huge Papua LNG concessions**



The Member for Moresby North-West, Sir Mekere Morauta, said today that huge tax concessions granted to the Papua LNG joint venture partners are a betrayal of the national interest, resource owners and national businesses.

“Prime Minister Peter O'Neill and his cronies, working in secret with the developers, have given away billions of kina that should have accrued to Consolidated Revenue over the minimum 25-year life of the project,” he said.

“His deal, after shutting out the State Negotiating Team and the Department of Petroleum, is likely to cost the nation dearly, according to reports on the project.

“The concessions are contained in the Papua LNG Gas Agreement, which Mr O'Neill approved earlier this month and is based on a template prepared by project developers Total, Exxon Mobil and Oil Search. I have been advised that all of these concessions are NOT the preferred outcome of the State Negotiating Team, or the Department of Petroleum.

“They are the work of Mr O'Neill and shadowy figures known to participate in O'Neill Government corruption, waste and mismanagement.”

Tax concessions and exemptions agreed to by Mr O'Neill and his cronies:

- Resource owners have been betrayed. Mr O'Neill and his cronies have boasted about a better deal on Royalties and Development and Production Levies. They have not done a better deal. The only gain is marginal – the removal of capital costs in determining the wellhead value. But the State has agreed with the JV partners to retain the ongoing operational and depreciation costs. There will not be much impact on the final payment of royalties and development and production levies because the major costs have been retained in the calculation of wellhead value.
- The Gas Agreement does not cover condensate, which is the icing on the cake of any gas project. While the corporate tax rate for gas is retained at 30%, the 45-50% oil and gas tax rate has not been applied to the 150 million barrels of condensate to be produced, worth approximately \$10.5 billion at current prices. An expensive lesson from PNG LNG not learnt – many millions of tax kina will be lost.
- Mr O'Neill and his cronies have closed off any opportunity to benefit fully from the Additional Profits Tax regime by opting for a lower tax rate of 15% and conceding APT Tier 2, preventing the realisation of any windfall profits. This is another lesson not learnt from PNG LNG.
- Other concessions agreed to by Mr O'Neill include exemption from GST, import duties and taxes on project goods and consumables. One report estimates that these concessions will cost Papua New Guinea billions of kina over the 25-year life of the project. Other exemptions include Dividend Withholding Tax and Interest Withholding Tax, which are likely to cost more billions in lost revenue. This is another lesson not learnt from PNG LNG.

“Mr O'Neill has thrown away all the lessons learnt from PNG LNG, and he has failed to take advantage of the fact that Papua New Guinea is now a recognized LNG producer that should be on standard terms and conditions,” Sir Mekere said. “Mr O'Neill has instead engaged in the greatest sell-out of our interests in the nation's history. This is far worse than his illegal UBS loan.”

“Not only has Mr O'Neill sold out the nation and resource owners, he has sold out Papua New Guinea businesses, which are already struggling under his mismanagement of the economy and government finances.

“He has failed to extract a commitment from the developers regarding a specific percentage of capital and operating costs to be expensed in country through local content. His deal does not comply with the Government's desire for a 'flexible and responsive national content requirement to ensure that gas explorers and producers maximise on the amount of locally available and sourced labour and content in their operations in PNG'.

“Mr O'Neill needs to explain to the nation, especially PNG business owners and resource owners, why he has put the interests of Total, Exxon-Mobil and Oil Search ahead of theirs.

“He must explain why he has sidelined our own experts in the State Negotiating Team, the Department of Petroleum and others, in favour of his own cronies and sidekicks.

“It appears from comments also made by Hon Philip Undialu, Governor of Hela Province, the Department of Petroleum, and information independently provided to me, that the Papua LNG project has the potential to be as financially and socially as catastrophic as PNG LNG.

“Mr O'Neill and the project partners must provide answers and explanations if Papua LNG is to gain the social licence it needs to proceed.”