

**Public Statement by Rt Hon Sir Mekere Morauta
Former Prime Minister and Member for Moresby North-West
Port Moresby 27 November 2019**

Lupari and Mano must come clean on Dirio power project



The Member for Moresby North-West, Sir Mekere Morauta, today called on MRDC and its subsidiary Dirio Gas and Power Ltd to account for the long and costly delays in construction of their Port Moresby power station.

“According to MRDC-Dirio as late as March this year, their power station was supposed to have been completed and be operational by July,” Sir Mekere said. “It is not. It is far from completed.

“What is the hold-up? Are there financial problems? Are there technical or contractual problems? MRDC and Dirio chairman Mr Isaac Lupari, and MRDC CEO Augustine Mano have a lot of explaining to do about this controversial project and its ability to supply cheaper and more reliable power to the city.

“They need to dispel the cloud of suspicion hanging over it and account for the expenditure of many millions of kina of landowner funds for no tangible results so far. If they need more money, or expert advice, or construction assistance, they should say so.”

The project, originally estimated to cost K245 million, is owned and funded by 10 landowner companies, plus the Hela Provincial Government and MRDC. The 12 shareholders were to contribute K20 million each plus a combined K5 million for operating expenses.

Sir Mekere asked whether the landowners involved approved the structure of Dirio, the allocation of shares and the financial contributions. “Mr Lupari and Mr Mano should provide documentary evidence of all these decisions by each of the companies involved,” he said.

Former Prime Minister Morauta also asked whether it was true that at least four of MRDC’s contributing landowner subsidiaries - Gas Resources Gigira, Gas Resources Hides 4, Gas Resources Juha 1 and Gas Resources Angore – did not have properly constituted boards when it was “agreed” that each company would subscribe an initial K6.42 million to Dirio.

“Mr Lupari and Mr Mano should explain how these transactions and processes were approved in the absence of board resolutions and decisions,” he said.

“Mr Lupari and Mr Mano should also tell us whether any taxpayer funds have been committed to Dirio, or will need to be committed.

“They should explain why construction has taken so long compared to original estimates, how much more work remains to be done and what is the estimated completion cost now?”

Sir Mekere asked on what project and operating cost basis did Dirio negotiate its Power Purchase Agreement with PNG Power Ltd. Mr Lupari and Mr Mano should guarantee there will be no need for an increase in the price PPL pays, with a consequent increase in electricity prices for consumers.

MRDC and Dirio Gas and Power must also clear the air about the three gas turbine generators bought for the project, he said.

Apparently they were bought by MRDC contractor Twenty20 Energy Systems of Singapore, and MRDC-Dirio entered into an agreement with Twenty20 to supply, install and operate them.

“What was the cost, including shipping and insurance, who will own them once the plant becomes operational, and why were they bought by an MRDC consultant rather than by MRDC-Dirio itself,” Sir Mekere asked. “Is it true, as reported in the media, that the turbines have been held on the wharf for months resulting in an accumulation of around K10 million in storage fees?”

Sir Mekere also questioned the arrangements for the land the plant is being built on, and the appointment of the project’s principal contractor, Pacific Energy Consulting Ltd, and Twenty20. Both PEC and Twenty20 are foreign companies, owned by Asia Pacific Energy Ventures of Singapore.

“I have been advised that PEC owns the land on which the plant is being built, and that the land is being leased back to MRDC-Dirio,” Sir Mekere said. “Why is the land owned by a contractor rather than MRDC-Dirio, and how and when was it acquired?”

“What are the qualifications and experience of PEC and Twenty20 in building and operating power plants? Are they capable of supplying cheap and reliable electricity to Port Moresby? PEC was only registered as a foreign enterprise in April this year, according to the IPA website, and Twenty20 appears not to be registered in PNG at all.

“Mr Lupari and Mr Mano should reveal the details of all their Dirio deals, all ownership and operating arrangements, the financial arrangements including fees payable by MRDC-Dirio, and the authority on which the transactions were conducted.

“It would appear that PEC and Twenty20 will be the major beneficiaries of this project, and are structured to transfer money through procurement (for example turbines and land) and fees (for example management and land lease fees). Who actually owns and controls PEC and Twenty20?”