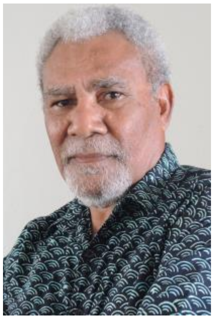
Public Statement by Rt Hon Sir Mekere Morauta
Former Prime Minister and Member for Moresby North-West
Port Moresby 03 December 2019

Dirio monopoly power deal a threat to competition and renewable energy



Plans by the Government to give Mineral Resources Development Corporation monopoly control of gas-fired power generation is an unfair arrangement that in effect will lock out other Papua New Guineans from developing their own energy resources for decades to come.

“The grant of such undesirable market power would severely inhibit competition in electricity generation, and the use of alternatives to gas, such as cheaper and cleaner renewable energy from wind, solar, geothermal and hydro,” the Member for Moresby North-West, Sir Mekere Morauta, said today.

“The Government should abandon its plan to give decades-long monopoly rights over Domestic Market Obligation gas for power generation to MRDC’s Dirio Gas and Power Ltd subsidiary and its foreign associates.

“The power generation market should be left open to all PNG energy resource owners and investors, and to all forms of generation, especially from cheaper and greener renewables. The Government should be promoting competition not creating a monopoly.”

It was in the national interest that a level playing field in power generation should be maintained through the central involvement of PNG Power Ltd (PPL) and market oversight by the Independent Consumer and Competition Commission, Sir Mekere said.

PNG Power would be strongly disadvanted by the Government’s favorable treatment of MRDC-Dirio, which would be able to focus on big, high-profit and low-maintenance customers such as mining and industrial corporations, leaving PPL responsible for low-profit and high-maintenance retail customers.

PPL’s capacity to help implement the Government’s 2010-2030 Development Strategic Plan aim of increasing electrification from 13 percent of the population to 70 percent would be limited. Important renewable projects such as the Naoro Brown hydro scheme outside Port Moresby could be shelved indefinitely.

“PPL’s expertise and its obligations to all Papua New Guineans must be kept at the heart of the electricity system,” Sir Mekere said. “If it is disadvanted by the Government, most people will continue to do without electricity and those who have access to it will continue to pay high power prices.”

Sir Mekere said giving MRDC-Dirio and its foreign associates dominant market power also undermines the PNG Electricification Partnership through which Australia, New Zealand, the US, and Japan are to contribute to the K4 billion cost estimated for achieving the 70 percent electrification target.

The PNG Government and its development partners have broadly agreed that cheap, clean renewable energy is one of the keys to achieving the target and at the same time becoming carbon-neutral by 2030. An abundance of potential renewable power sources is highighted in recent studies by the World Bank and PNG Power.

The economic and social consequences of the MRDC-Dirio plan could be severe, jeopardising the estimated 10 percent boost to GDP if the 70 percent electrification target was achieved.

Consequential benefits such as improved business conditions through lower costs, higher employment and rural incomes, and enhanced delivery of services such as health, education and telecommunications could be lost.

“The Government’s plan in effect allows Dirio’s foreign associates, Pacific Energy Consultants and Twenty20 Ltd, to cream off revenue from power generation through secret upfront fees and charges, and then funnel it overseas,” Sir Mekere said.

“We don’t even know who the shareholders and other beneficiaries of these two companies are. Who is benefitting from the monopoly that is being created behind the scenes?

“Why is the Government choosing to lock in gas-fired power over much less expensive hydro, solar, wind and other renewables? The countries that buy our gas only do so because they have insufficient renewable sources of power. The proposed scheme has a double jeopardy for Papua New Guinea. Instead of earning much-needed export revenues, and instead of relying on low cost renewable power, we will be relying on non-renewable gas for power and limiting all power generation to Dirio and their foreign consultants.

“The Government is undermining the 2010-2030 Development Strategic Plan target of 70 percent electrification, Papua New Guinea’s commitment to the fight against climate change, greater competition in the electricity market and significant potential for social and economic improvement.

“The Government should not support the secret scheming of MRDC-Dirio and their foreign accomplices. It is not in the long-term national interest.”