

**Public Statement by
Rt Hon Sir Mekere Morauta
Port Moresby, 21 June 2016**

PM must come clean on landowners' LNG equity finance promise



Prime Minister Peter O'Neill needs to come clean on his proposals relating to the financing of landowners' promised 4.27 percent equity in the PNG LNG project.

A report on social media this morning makes extraordinary claims, backed up by a purported NEC submission, that the O'Neill Government is about to break its financing promise to landowners and other members of the PNG LNG Beneficiary Group.

"Mr O'Neill should tell the people the truth about the proposals contained in the purported submission," former Prime Minister Sir Mekere Morauta said.

"If the report is true, Mr O'Neill should immediately withdraw the submission and re-think his approach to the equity issue.

"A firm agreement was struck between the State and the Beneficiary Group under the Umbrella Benefit-Sharing Agreement at Kokopo in 2009, and has been confirmed a number of times since, including by NEC decisions.

"The commitments made by the Prime Minister to the Beneficiary Group cannot be abandoned at the drop of a hat. There is too much at stake, for the nation, the project itself, and the Beneficiary Group.

"Any decisions affecting the UBSA and the Beneficiary Group need to be made very carefully and sensitively, in consultation with all parties, so that the stability of the project is not affected."

Sir Mekere warned the Prime Minister not to break his promise to landowners for NPCP/Kumul Petroleum to raise debt finance for landowners to pay for their 4.27 percent equity.

The leaked document states that the promise of debt financing, confirmed in NEC decision No. 208 of 2015, should be rescinded. Instead, landowners would be left to try to finance their equity on their own.

This would be extremely difficult because of the poor international perception of PNG investment risk, evidenced by repeated downgrades of the nation's credit rating. And if debt financing was raised, the interest rate cost would be high.

"It is in the best interest of the nation, the project and the landowners for the Prime Minister to deny the allegations made in the report and the substance of the report itself," Sir Mekere said.

"He should state categorically that he will keep all the promises he has made to landowners and others in the Beneficiary Group.

"In particular he should state that he will keep his promise of debt financing raised by Kumul Petroleum to allow landowners to buy their equity."

Sir Mekere said it is important for landowners and others to start benefiting from an equity holding as soon as possible. There had been too many delays and broken promises already.

The best and most attractive way to do that would be for the State to carry the principal and interest payments and allow the Beneficiary Group members to repay them out of future dividend flows.

Sir Mekere said if the thrust of the social media report is true the Prime Minister should not go ahead with the submission.