

Papua New Guinea Extractive Industries Transparency Initiative (PNG EITI)

2018 Report

20 December 2019



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Table of contents

Independent administrator’s notes.....	ix
Abbreviations	x
Minister’s foreword	xi
Multi-stakeholder group statement	xiii
Executive summary	xvi
1. Introduction.....	2
1.1 About the Extractive Industries Transparency Initiative.....	2
1.2 EITI implementation in Papua New Guinea.....	2
1.3 EITI governance and leadership in PNG	4
1.4 The role of the independent administrator	5
1.5 Progress in implementing EITI in PNG	6
2. Reporting entities and revenue streams.....	12
2.1 Determination of materiality for revenue streams.....	12
2.2 Resource companies	13
2.3 State-owned enterprises and trustees.....	16
2.4 Government entities.....	17
2.5 Revenue streams	18
3. Contribution of extractive industries to the economy	22
3.1 About Papua New Guinea	22
3.2 PNG economic overview for 2018	24
3.3 Post-2018 developments and projections	25
3.4 Impact of the extractive industries	25
3.5 Contribution to GDP	25
3.6 Contribution to government revenue	27
3.7 Contribution to exports	28
3.8 Contribution to employment	29
3.9 Commentary	31
4. Legal framework and fiscal regime	33
4.1 National governance structures	33
4.2 Ownership of subsoil assets	33
4.3 Taxation	34
4.4 Corporate income tax.....	35
4.5 Salary and wages tax	36
4.6 Foreign contractor withholding tax.....	36
4.7 Tax Credit Scheme.....	36
4.8 Other taxes on resource projects.....	36
4.9 Regulation of the mining industry.....	39
4.10 Regulation of the petroleum industry.....	41
4.11 Regulation of unconventional hydrocarbons.....	41
4.12 Resource development agreements.....	42
4.13 Royalties, development levy and production levy.....	42
4.14 State’s equity participation right	43
4.15 Other stakeholder equity participation rights.....	43

4.16	Government policy on disclosure of contracts.....	43
4.17	Disclosure of beneficial ownership.....	44
4.18	Relevant legislation.....	45
5.	Management and distribution of revenues	47
5.1	Budget process.....	47
5.2	Budget governance structures	49
5.3	Recent reforms to the budget process	51
5.4	PNG Sovereign Wealth Fund.....	51
5.5	How extractive industry revenues are recorded	52
5.6	Auditing of public accounts.....	54
6.	Social and subnational payments	56
6.1	Social payments	56
6.2	Subnational payments.....	57
6.3	Social and subnational payments by PNG entity: Mining	62
6.4	Social and Subnational payments by PNG entity: Oil & Gas.....	68
6.5	Social and Subnational payments by PNG entity: SOE.....	71
7.	Mining	77
7.1	Overview of mining operations in 2018.....	77
7.2	Mines operating in 2018.....	77
7.3	New mining projects.....	87
7.4	Advanced exploration mining projects	89
7.5	Mines not operating in 2018	91
7.6	Mining production data.....	92
7.7	Regulation of the mining sector.....	94
7.8	Register of tenements.....	95
7.9	Allocation of tenements	95
7.10	Public Investment Program.....	100
8.	Oil and gas.....	103
8.1	Classification of licences.....	104
8.2	Oil and gas companies active in PNG.....	104
8.3	Oil Search (PNG) Ltd projects producing in 2018	106
8.4	Oil Search gas projects.....	109
8.5	PNG LNG Project.....	110
8.6	New oil and gas projects	114
8.7	Oil and gas production data	116
8.8	Regulation of the oil and gas sector	118
8.9	Allocation of licences	118
9.	State-owned enterprises	124
9.1	Legal basis	124
9.2	Quasi-fiscal expenditures.....	124
9.3	Kumul Petroleum Holdings Ltd.....	124
9.4	Kumul Mineral Holdings Ltd	129
9.5	Ok Tedi Mining Ltd (OTML).....	130
9.6	Mineral Resources Development Company Ltd	134
10.	Reconciliation of revenue streams.....	143

10.1	The reporting process	143
10.2	Reporting compliance.....	144
10.3	Reconciliation overview.....	146
10.4	Detailed reconciliation.....	148
10.5	Mining and oil and gas payments 2018	148
10.6	Mining payments 2018.....	157
10.7	Oil and gas payments 2018	159
10.8	Data quality and audit of financial statements 2018.....	162
11.	Findings and recommendations.....	167
Appendix A	PNG MSG members and alternates.....	170
Appendix B	Mining tenements awarded/extended 2018.....	172
Appendix C	Oil and gas license fees in 2018	176
Appendix D	Changes to petroleum licences in 2018.....	178
Appendix E	Receiving entities for mining royalty payments – as reported by MRA	185
Appendix F	Map of petroleum tenements	187

Table of Figures and Tables

Figures

Figure 1: Historical volume indices of PNG's diversified resources economy	xvii
Figure 2: Percentage contribution of the extractive industries to economic measures 2018	xviii
Figure 3: Value of mineral exports 2018 (PGK million).....	xviii
Figure 4: Revenue streams received by the State	xix
Figure 5: Revenue streams and recipients (material entities represented in bold).....	xx
Figure 6: Export values reported by MRA per mine for 2018.....	xxiii
Figure 7: EITI implementation timeline	3
Figure 8: PNG EITI's objectives for EITI implementation	4
Figure 9: Structure of governance of PNG EITI.....	5
Figure 10: Independent Administrator's process	6
Figure 11: Relative amount of each revenue stream, 2018	13
Figure 12: GDP and rate of real growth 2018	24
Figure 13: Percentage contribution of the extractives sector to economic measures in 2018.....	25
Figure 14: Extractive industries contribution to GDP 2018.....	26
Figure 15: Mineral exports as a proportion of total exports, 2015-18	29
Figure 16: Mineral and non-mineral employment	30
Figure 17: PNG national budget process.....	47
Figure 18: Budget governance structure	49
Figure 19: Timeline of key steps in PNG budget process in 2018	50
Figure 20: Mining and petroleum royalties/dividends transferred to provinces*	59
Figure 21: Porgera production data, as reported by MRA.....	79
Figure 22: Porgera mine ownership structure	79
Figure 23: Kainantu mine production data, as reported by MRA	80
Figure 24: Kainantu mine ownership structure.....	80
Figure 25: Lihir (Luise Caldera) production data, as reported by MRA	81
Figure 26: Lihir ownership structure	81
Figure 27: Kurumbukari production data, as reported by MRA*	82
Figure 28: Ramu Nickel Project ownership structure	82
Figure 29: Hidden Valley production data, as reported by MRA	83
Figure 30: Hidden Valley mine ownership structure.....	83
Figure 31: Edie Creek production data, as reported by MRA.....	84
Figure 32: Edie Creek mine ownership structure after August 2018	84
Figure 33: Mt Fubilan production data, as reported by MRA	85
Figure 34: Ownership structure of Mt Fubilan mine	86
Figure 35: Simberi production data, as reported by MRA	87
Figure 36: Simberi mine ownership structure.....	87
Figure 37: Solwara ownership structure	88
Figure 38: Woodlark ownership structure 2019	88
Figure 39: Advanced exploration tenement locations, 2017-18	89
Figure 40: Frieda River project ownership structure	90
Figure 41: Wafi-Golpu Joint Venture ownership structure.....	90
Figure 42: Tolukuma ownership structure (latest information as at 2017).....	91
Figure 43: Mt Crater production data, as reported by MRA	92
Figure 44: Mt Crater mine ownership structure.....	92
Figure 45: Export values reported by MRA per mine for 2018.....	93
Figure 46: Oil and gas projects 2018, compiled by the PNG Chamber of Mines and Petroleum ...	104
Figure 47: Oil Search licence interests, processing and distribution routes	106
Figure 48: SE Gobe Unit licence interests after sale of Southern Highlands Petroleum.....	107
Figure 49: PDL 2 (Kutubu Field Complex, Iagifu, Hedinia, Usano, Agogo) licence interests	108
Figure 50: Moran unit licence interests	109
Figure 51: Hides Gas to Electricity Project licence interests	110
Figure 52: The relative interests of each partner in the PNG LNG project for the 2018 reporting period	112

Figure 53: PDL 1 Hides licence interests.....	112
Figure 54: PDL 7 (Hides) licence interests	112
Figure 55: PDL 8 (Angore) licence interests.....	113
Figure 56: PDL 9 (Juha) licence interests	114
Figure 57: Payment flows from GloCo	114
Figure 58: Stanley project licence interest.....	115
Figure 59: Process for DPE licence allocation	119
Figure 60: Kumul Petroleum Holdings Ltd (KPHL) projects and fiscal arrangements. Note that NPCP Oil Company Pty Ltd is also sometimes referred to as Cue Oil.....	125
Figure 61: KPHL payment streams from PNG LNG project.....	128
Figure 62: Dividend revenue streams from Ok Tedi Mining Ltd	132
Figure 63: OTML reported revenue streams 2018.....	133
Figure 64: MRDC revenue distributions	138
Figure 65: Revenue streams received by the State	146

Tables

Table 1: Material reporting entities	xxii
Table 2: Oil and gas production and export quantities reported by DPE	xxiv
Table 3: Rates of compliance with EITI reporting 2018	xxv
Table 4: Revenue stream overview	xxvi
Table 5: PNG's progress in implementing the EITI Standard (Initial assessment card)	7
Table 6: Mining, SOE and oil and gas companies 2018	14
Table 7: Resource company coverage	16
Table 8: SOEs and trustees 2018.....	17
Table 9: Material government entities 2018	17
Table 10: Extractive industry revenue streams	18
Table 11: PNG's World Development Indicators.....	23
Table 12: Contributions to growth in real GDP (% points) during 2014–18	26
Table 13: Contribution of the mining and oil and gas sectors to government revenue	27
Table 14: Comparison of 2018 Budget figures with figures from reconciliation (see Chapter 10)..	28
Table 15: Relevant legislation with hyperlinks.....	45
Table 16: Public records of extractive industry revenues	52
Table 17: Summary of social expenditure by company and sector in 2018	57
Table 18: Subnational payments reporting framework.....	58
Table 19: Mining payments and transfers reported by Treasury for 2018.....	60
Table 20: Oil and gas payments and transfers reported by Treasury for 2018	61
Table 21: Mandatory social expenditure paid by Barrick in 2018	62
Table 22: Discretionary social expenditure paid by Barrick in 2018.....	62
Table 23: Subnational payments paid by Barrick in 2018.....	62
Table 24: Mandatory expenditure as reported by Frieda River Ltd for 2018	63
Table 25: Mandatory expenditure as reported by Frieda River Ltd for 2018	63
Table 26: Mandatory expenditure as reported by K92 Mining Ltd	63
Table 27: Discretionary expenditure as reported by K92 Mining Ltd.....	64
Table 28: Subnational payments as reported by K92 Mining Ltd.....	64
Table 29: Mandatory expenditure as reported by Lihir Gold Ltd.....	64
Table 30: Mandatory expenditure as reported by Lihir Gold Ltd.....	65
Table 31: Subnational payments paid by Lihir Gold Ltd in 2018.....	65
Table 32: Mandatory expenditure as reported by MCC Ramu Nico	65
Table 33: Discretionary expenditure as reported by MCC Ramu Nico.....	66
Table 34: Subnational payments as reported by MCC Ramu Nico	66
Table 35: Mandatory social expenditure paid by MCG in 2018	66
Table 36: Discretionary social expenditure paid by MCG in 2018	66
Table 37: In-kind discretionary payments made by MCG in 2018*	67
Table 38: Subnational payments paid by MCG in 2018.....	67
Table 39: Mandatory social expenditure paid by Simberi Gold in 2018	67
Table 40: Discretionary social expenditure paid by Simberi Gold in 2018.....	67

Table 41: Royalty payments paid by Simberi Gold in 2018	68
Table 42: Mandatory social expenditure paid by PNG LNG in 2018	68
Table 43: Discretionary social expenditure paid by PNG LNG in 2018.....	68
Table 44: ExxonMobil's share of PNG LNG mandatory social expenditure in 2018	69
Table 45: ExxonMobil's share of PNG LNG discretionary social expenditure in 2018.....	69
Table 46: Lavana's share of PNG LNG discretionary social expenditure in 2018.....	69
Table 47: Santos share of PNG LNG discretionary social expenditure in 2018.....	70
Table 48: Total's share of PNG LNG mandatory social expenditure in 2018	70
Table 49: Total's share of PNG LNG discretionary social expenditure in 2018	70
Table 50: Mandatory expenditure as reported by Oil Search in 2018	70
Table 51: Discretionary expenditure as reported by Oil Search in 2018.....	70
Table 52: KPH share of PNG LNG discretionary social expenditure in 2018	71
Table 53: Discretionary expenditure as reported by MRDC.....	72
Table 54: Subnational payments as reported by MRDC	73
Table 55: Reported mandatory expenditure paid by Ok Tedi Mining Ltd in 2018	74
Table 56: Discretionary expenditure as reported by Ok Tedi Mining Ltd in 2018	75
Table 57: Subnational payments as reported by Ok Tedi Mining Limited in 2018.....	75
Table 58: Material mining companies 2018	77
Table 59: Non-material advanced exploration projects.....	90
Table 60: Production and export quantities and values reported by companies and the MRA for 2018.....	93
Table 61: Comparison of export quantities and values reported by companies, MRA and in the 2019 Budget figures^	94
Table 62: Environmental permits as reported by CEPA in 2018.....	98
Table 63: PIP funds administered by MRA, 2018.....	101
Table 64: Oil and gas production and export quantities provided by companies^	117
Table 65: Oil and gas production and export quantities reported by DPE	117
Table 66: Oil and gas export quantities and values as reported by Customs	117
Table 67: DPE licence statistics for 2018	121
Table 68: Petroleum licence changes 2018, as reported by DPE.....	121
Table 69: KPHL revenue streams.....	126
Table 70: KPHL payment streams.....	127
Table 71: KPHL subnational payments	127
Table 72: OTML dividend payments 2018.....	133
Table 73: MRDC subsidiaries and ownership structure	136
Table 74: MRDC subsidiaries: reported receipts and payments for 2018	140
Table 75: Total value held in MRDC trusts for oil and gas projects.....	141
Table 76: Summary of information provided by reporting entities.....	144
Table 77: Summary of information provided by government reporting entities*.....	146
Table 78: Summary of information provided by SOEs*	146
Table 79: EITI Reporting compliance by reporting entity type.....	146
Table 80: Summary of revenue streams reported by material reporting entities	147
Table 81: Reconciliation of corporate income tax payments.....	149
Table 82: Reconciliation of ITCs actually spent on projects in 2018 reported by companies and DNPM.....	151
Table 83: Reconciliation of ITC offsets reported by companies as credit against tax payable and values provided by IRC.....	151
Table 84: Salary and wage tax 2018	152
Table 85: Foreign contractor withholding tax 2018	154
Table 86: Other taxes reported by IRC	154
Table 87: Reconciliation of dividend payments and return of capital to Treasury.....	155
Table 88: Fees reported by CEPA for 2018.....	156
Table 89: Environment user charges.....	156
Table 90: Reconciliation of production levy	157
Table 91: Reconciliation of mining royalty payments paid to local/provincial government (as reported by the MRA)	158
Table 92: Reconciliation of mining royalty payments paid to landholders (as reported by the MRA)	158

Table 93: Fees paid to MRA (unilaterally disclosed)	159
Table 94: Estimate of share of sales.....	159
Table 95: Reconciliation of development levy	160
Table 96: Reconciliation of oil and gas royalty payments	161
Table 97: Additional profits tax payments reported	161
Table 98: Overview of status of financial audits for EITI reporting entities for the reporting period	162

Independent administrator's notes

Reporting period

This report covers the calendar year from 1 January 2018 to 31 December 2018. In instances where figures for 2018 could not be obtained, the most recent available data is given. Where relevant, we have also included data subsequent to the reporting period. We have annotated data relating to years other than 2018 within the text.

Reporting on cash basis

Receipts and payments included in this report are on a 'cash basis', consistent with the approach approved by the Multi-Stakeholder Group (MSG). This approach includes only receipts and payments made during the 2018 calendar year. Some of these payments may have been accrued in previous years. Where revenues and expenses are earned or accrued during 2018, but receipts and payments were made during 2019, these will be included in the 2019 EITI Report.

Currency

This report is presented in PNG kina (PGK). Amounts provided in US dollars (USD) have been converted at a rate of USD1: PGK3.2938, an average for the 2018 calendar year as per the Bank of PNG figures.¹

¹ Bank of Papua New Guinea, Historical Exchange Rates, <https://www.bankpng.gov.pg/historical-exchange-rates/>, accessed 12 November 2019

Abbreviations

AML	Alluvial Mining Lease	MCC	Metallurgical Corporation of China Ltd
APF	Agogo Processing Facility	ML	Mining Lease
APT	Additional profits tax	MoA	Memorandum of Agreement
BDG	Business Development Grant	MRA	Mineral Resources Authority
BO	beneficial ownership	MRDC	Mineral Resources Development Company Ltd
CDOA	Coordinated Development and Operating Agreement	MMscf	Millions of standard cubic feet (gas)
CEPA	Conservation and Environment Protection Authority	MRE	Mineral Resource Enga Ltd
CMCA	Community Mine Continuation Agreement	MRM	Mineral Resource Magang Ltd
CPF	Central Processing Facility	MROT	Mineral Resource Ok Tedi No. 2 Ltd
CRF	Consolidated Revenue Fund	MRSM	Mineral Resources Star Mountains Ltd
DMPGM	Department of Mineral Policy and Geohazard Management	MSG	Multi-stakeholder group
DNPM	Department of National Planning and Monitoring	MTFS	Medium Term Fiscal Strategy 2013-2017
DoF	Department of Finance	MYEFO	Mid-Year Economic and Fiscal Outlook
DPE	Department of Petroleum and Energy	NEC	National Executive Council
EIR	environmental impact report	NEFC	National Economic and Fiscal Commission
EIS	environmental impact statement	NGO	Non-government organisation
EITI	Extractive Industries Transparency Initiative	OGA	Oil and Gas Act 1998
EL	Exploration License	OTDF	Ok Tedi Development Foundation
EMC	Executive Management Committee	OTML	Ok Tedi Mining Ltd
FGTF	Future Generation Trust Funds	oz	ounce
FOB	Free on board	PDL	Petroleum Development Licence
GBT	General Business Trust	PEP	Politically exposed person
GDP	Gross Domestic Product	PIP	Public Investment Program
GST	Goods and Services Tax	PGK	Papua New Guinea Kina
IA	Independent Administrator	PNG	Papua New Guinea
IDG	Infrastructure Development Grant	PNGSDP	Papua New Guinea Sustainable Development Program
ILG	Incorporated Land Group	PPFL	Petroleum Processing Facility Licence
IMF	International Monetary Fund	PPL	Petroleum Prospecting Licence
IRC	Internal Revenue Commission	PRG	Petroleum Resources Gobe Ltd
ITA	Income Tax Act 1959	PRK	Petroleum Resources Kutubu Ltd
ITC	Infrastructure Tax Credit	PRL	Petroleum Retention Licence
JICA	Japan International Cooperation Agency	PRM	Petroleum Resources Moran Ltd
JV	Joint Venture	scf	standard cubic feet (gas)
KCH	Kumul Consolidated Holdings Ltd	SML	Special Mining Lease
KMH	Kumul Mineral Holdings Ltd	SOE	State-owned enterprise
KPH	Kumul Petroleum Holdings Ltd	SSG	special support grants
LBBSA	Licence Based Benefits Sharing Agreement	STARS	Responsible Sustainable Development Strategy
LNG	Liquefied natural gas	stbo	standard barrels of oil
m3	cubic metres	stbopd	standard barrels of oil per day
MA	Mining Act 1992	stbopy	standard barrels of oil per year
MAC	Mining Advisory Council	SWF	Sovereign Wealth Fund
		TCS	Tax Credit Scheme
		UBSA	Umbrella Benefit Sharing Agreement
		UHA	Unconventional Hydrocarbons Act

Minister's foreword



The implementation of the Extractives Industries Transparency Initiative (EITI) in Papua New Guinea (PNG) continues to gain momentum with the publication of the sixth consecutive PNG EITI Report covering fiscal year 2018. The timely publication of the annual report signifies PNG's commitment in meeting its reporting obligation as a member country of the EITI Global Initiative. This report is the first to be delivered under the Marape-Steven Government and demonstrates the government's continued support towards the promotion of revenue transparency and accountability in the extractive sector. The compilation and publication of the EITI annual reports is an illustration of the sustained efforts and enhanced collaboration between members of the PNG EITI Multi Stakeholder Group (MSG). The reports seek to present to our populace a comprehensive description of the PNG extractives sector, its economic and social impacts and particularly, the management of the revenues generated within this sector.

This sixth report is a significant progression from the five annual reports that were published in the past since PNG became a member of this global body in 2013. The report not only seeks to address, amongst other things, the remaining recommendations from PNG EITI's first validation outcome, in the lead up to the second validation, but it also includes various aspects of reporting attributed to sub-national payments and beneficial ownership disclosure. The 2018 report has been significantly improved to also address reporting gaps identified in previous year reports with the aim of ensuring

comprehensiveness and timely reporting on the sector. This will also be the final report produced in compliance with the requirements of the 2016 EITI Global Standard. With the recent introduction of the 2019 EITI Standard, future PNG EITI reports will include additional information such as gender, systematic disclosures on State participation in extractive projects through SOEs, commodity trading, project by project reporting, systematic disclosures on production, license allocations and contracts transparency.

With existing resource projects and new projects on the horizon, the extractive sector will continue to play a significant role in the PNG economy, hence it is vital that citizens are made aware of how resources generated revenues are being managed and used. The PNG EITI reports contain valuable financial data and other contextual information that are useful for this sector. The reports are also important in diagnosing areas of systematic weaknesses in the government system and practices, the fiscal and taxation laws governing the sector and initiating necessary reforms to address these weaknesses.

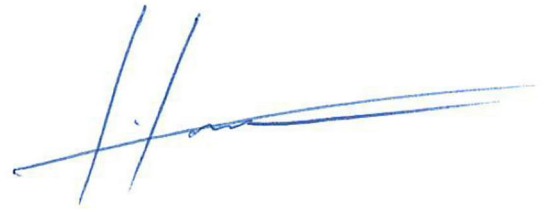
The country is undergoing a period of significant economic transition and this Government has taken positive steps to put in place mechanisms for faster economic recovery including; prioritizing expenditures, less dependency on borrowings and reducing existing debt to a manageable level. This Government remains steadfast in supporting important initiatives like the EITI to safeguard

its revenues and strengthen the foundation for sustained growth.

The Marape-Steven Government is committed to maintaining investor confidence in the extractive sector and to demonstrate to its citizens, potential investors, development partners and others that it is committed to transparency and creating a conducive environment for further investments in the sector.

As Minister responsible for EITI implementation in the country, I am pleased to commend the 2018 PNG EITI Report and

officially endorse it for publication and release.



HON. IAN LING-STUCKEY, CMG. MP
Minister for Treasury & Chairman,
PNG Extractive Industries Transparency
Initiative

Multi-stakeholder group statement

The PNG EITI Multi-Stakeholder Group (MSG) is an oversight body that governs and guides EITI implementation in Papua New Guinea. The MSG comprises representatives from government, civil society organisations and the extractive industry companies.

One of the MSG's main activities is the production of annual EITI reports as required by the EITI Global Standard. This tripartite stakeholder group has worked collaboratively, culminating in the publication of five PNG EITI Annual Reports covering fiscal years 2013 to 2017. This continued collaboration has led to the production of the financial year 2018 PNG EITI Report, the sixth consecutive report to be published since PNG became a member of this global body in 2013.

The EITI reporting process continues to facilitate critical policy and legislative reforms and improvements in current institutional capacities and business practices in key government departments and agencies for improved governance of the extractive sector. The publication of EITI reports also ensures that PNG adheres to the global best practices in the sector by working hard to meet the requirements of the EITI Standard to enhance transparency and accountability of revenues paid by industry companies to the national, provincial and local level governments and landowner associations. The publication of this sixth report is intended to stimulate further discussions on the management of the sector and should continue to build trust between resource impacted communities, government and the industry players to improve governance and enhance accountability.

This sixth report continues to focus on the key objectives of:

- ▶ improving public understanding of the management of the extractives industry;
- ▶ improving the accountability of both Government and Industry through enhanced understanding of the management of the extractives sector;
- ▶ improving the transparency of payments and transfers made to provincial and local level governments and landowner groups; and
- ▶ ensuring that revenue generation and collections are consistent with Government's policy settings for the extractives sector.

The role of the MSG has been very important in that it has provided a platform for the government, industry and civil society to work together and improve communication and awareness of this important sector.

Through the chairmanship of the MSG by the Government (through the Minister for Treasury), it has further strengthened the relationship between policy, revenue administration and regulating agencies. Inter-agency collaboration has proven to derive the most positive resource revenue management outcomes, both in terms of revenue collections, expenditure tracking and transparency. Inter-agency collaboration has also assisted in identifying weakness in government systems and processes to take corrective measures for better management of the financial data and information relating to the sector.

Industry representatives have worked consistently with great generosity of time and resources to help advance all aspects of the EITI process. The publication of this sixth report demonstrates what can be achieved when all partners collaborate and work together and the valuable contribution they can make to the economy in pursuit of our development objectives as a nation.

The MSG would like to thank Mr Lucas Alkan, Head of PNG EITI National Secretariat and his staff for their direction and continued support in the production of this sixth report. The MSG would also like to thank Ernst & Young (EY) for performing its role as the Independent Administrator (IA) for this Report.



Department of Treasury

Internal Revenue Commission

Department of Petroleum and Energy

Department of Finance

Department of National Planning and Monitoring

Department of Mineral Policy and Geohazards Management

Department of Prime Minister & NEC

Office of Public Solicitor

Auditor General's Office

Mineral Resources Authority



Oil Search (PNG) Ltd



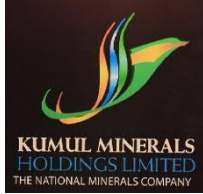
Kumul Consolidated Holdings Ltd



PNG Chamber of Mines and Petroleum



Kumul Minerals Holdings Ltd



Transparency International PG (TIPNG)



Kumul Petroleum Holdings Ltd



Institute of National Affairs (INA)



Total E & P Ltd



Consultative Implementation and Monitoring Council (CIMC)



Newcrest Mining Ltd



Harmony Gold



Barrick Niugini Ltd



Papua New Guinea Mining Watch Association Inc.



ExxonMobil PNG Ltd



CEPA

Mineral Resources Development Company

PNG Resource Governance Coalition

PNG Council of Churches (PNGGCC)

Executive summary

What is EITI?

The Extractive Industries Transparency Initiative (EITI) is a global organisation established in 2002 with a goal of increasing industry transparency and accountability. Countries participate by issuing annual reports reconciling payments from the extractive industries to receipts by governments, in accordance with the EITI Standard. This is Papua New Guinea's sixth EITI report, covering the 2018 calendar year. In accordance with the EITI Standard, the reporting process has been overseen by a multi-stakeholder group (MSG), and has been compiled by an independent administrator, Ernst & Young (EY).

Important progress has been made since PNG's first EITI report, providing greater transparency for Papua New Guineans over revenue streams from the country's mining and oil and gas industry. The 2016 EITI report was the first to undergo validation by the EITI Secretariat and was found to have achieved satisfactory progress. This report aims to build on previous disclosures and work towards satisfactory progress in those areas that were noted by the EITI Secretariat as having inadequate progress.

Areas of satisfactory progress include:

- ▶ Items relating to MSG oversight, including stakeholder engagement, MSG governance, the work plan and the legal framework
- ▶ Policy on contract disclosure
- ▶ Exploration data
- ▶ Economic contribution
- ▶ Public debate
- ▶ Follow up on recommendations
- ▶ Data timeliness

Areas that have been more challenging include:

- ▶ License allocations
- ▶ Production data
- ▶ Comprehensiveness of revenue collection data
- ▶ Direct subnational payments and transfers
- ▶ Data quality
- ▶ SOE quasi-fiscal expenditures

About PNG

Papua New Guinea is home to approximately eight million people, living predominantly outside urban areas, and speaking 800 different languages. The country is extremely diverse geographically, biologically, culturally and linguistically.

PNG has experienced 17 years of economic growth and is classed as 'lower middle income' by the World Bank.² The country has a wealth of natural resources, and revenue from these resources could contribute to reducing poverty and improving the lives of PNG citizens. However, despite these abundant resources, 37.5% of PNG citizens continue to live below the national poverty line,³ and the country is classified as 'low human development', ranking 153 out of 188 countries.⁴ Corruption is a challenge for PNG; in 2018 it was ranked 138 out of 180 countries in Transparency International's Corruption Perception Index.⁵

² <https://data.worldbank.org/country/papua-new-guinea>, accessed 8 December 2019

³ 2017 Asia Development Index, Basic Statistics 2019, <https://www.adb.org/countries/papua-new-guinea/poverty>, accessed 7 November 2019

⁴ UN Human Development Reports, <http://hdr.undp.org/en/countries/profiles/PNG>, accessed 14 August 2019

⁵ Corruption Perceptions Index 2018', Transparency International, <https://www.transparency.org/cpi2018>. Accessed 13 August 2019.

What extractive industries are there in PNG?

Until the current decade, PNG's export commodities were gold, copper and oil. In the years to 2018, copper volumes decreased while PNG has been able to add silver, LNG, condensate, nickel and cobalt to its export commodities, diversifying and expanding its revenues from its endowment of natural resources.

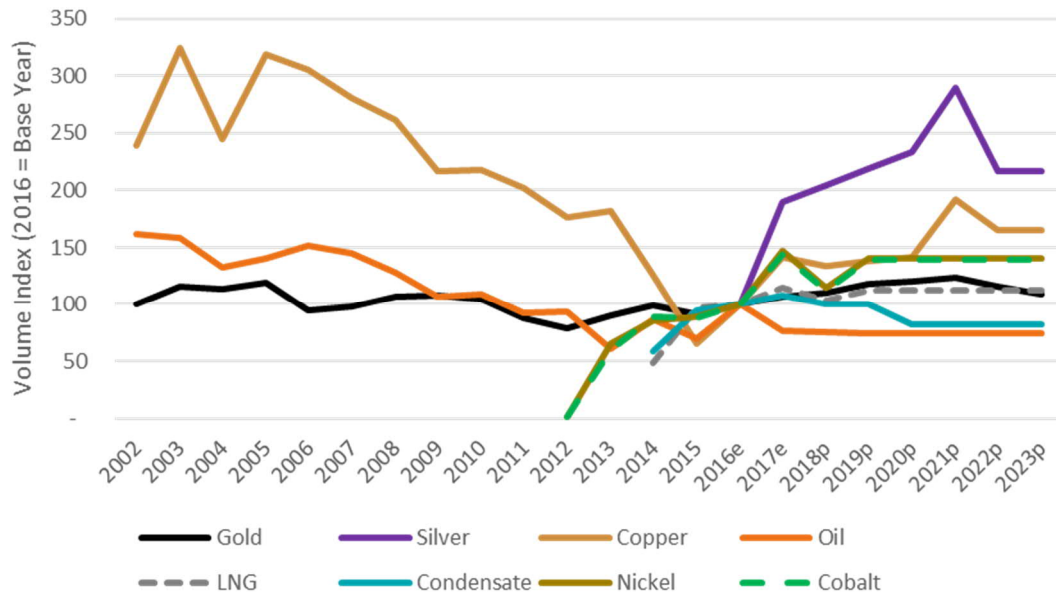


Figure 1: Historical volume indices of PNG's diversified resources economy⁶

In the 2019 National Budget, silver is the only export with volumes forecasted to increase over the forward estimates.

Who owns mineral resources in PNG?

Subsoil assets in PNG belong to the State of PNG (the State). Developers of resource projects generally enter into an agreement with the State in addition to obtaining a resource development licence or mining tenement. This typically involves a broad consultation process with all affected parties.

The State has the right, but not the obligation, to acquire up to 22.5% of a participating interest in a designated gas or petroleum project, and up to 30% of a mining project. The State generally also grants free equity in resource projects to landowners from the area in which a project is located.

The details of contracts and licences are confidential and not currently made public, but the EITI process has prompted efforts to understand whether some contracts, particularly in the mining sector, might be publicly disclosed in future.

How do the extractive industries contribute to the PNG economy?

PNG's economy is characterised by two very large economic sectors: agriculture, forestry and fishing – which engages most of the labour force (the majority informally) – and the extractives

⁶ PNG National Budgets from 2008-2019. Volume of Main Export Commodities tables. 'e' indicates estimates 'p' indicates projections

sector (oil and gas extraction; mining and quarrying) – which accounts for the majority of export earnings (see Figures 2 and 3). These two sectors make up nearly 46% of PNG’s nominal GDP.⁷

The extractives sector contributed significantly to nominal GDP growth in 2018 despite a decrease in total output from 2017. High commodity prices and a weaker PGK currency helped extractives business generate more revenue from less total output.⁸ The extractive industries also make up the majority of PNG’s exports, and the commencement of the PNG LNG project has been the primary driver of GDP growth in recent years. The extractives sector contributes a smaller proportion of the stock measure of nominal GDP,⁹ government revenue and employment.

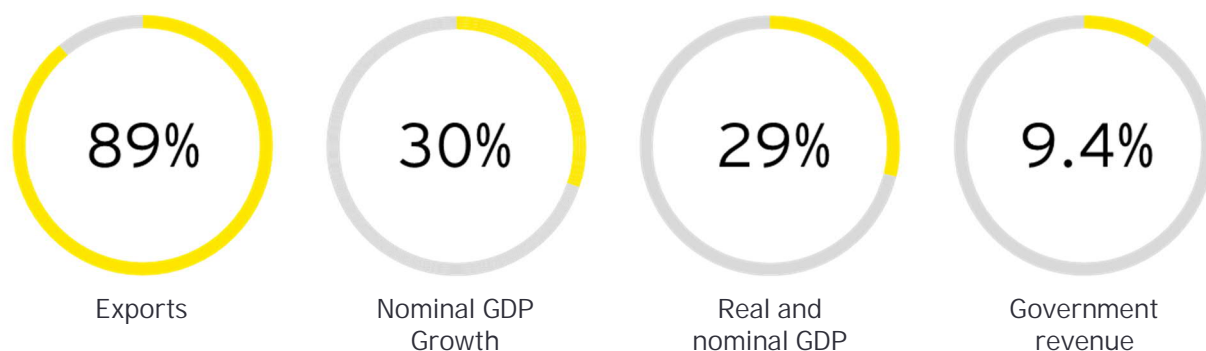


Figure 2: Percentage contribution of the extractive industries to economic measures 2018

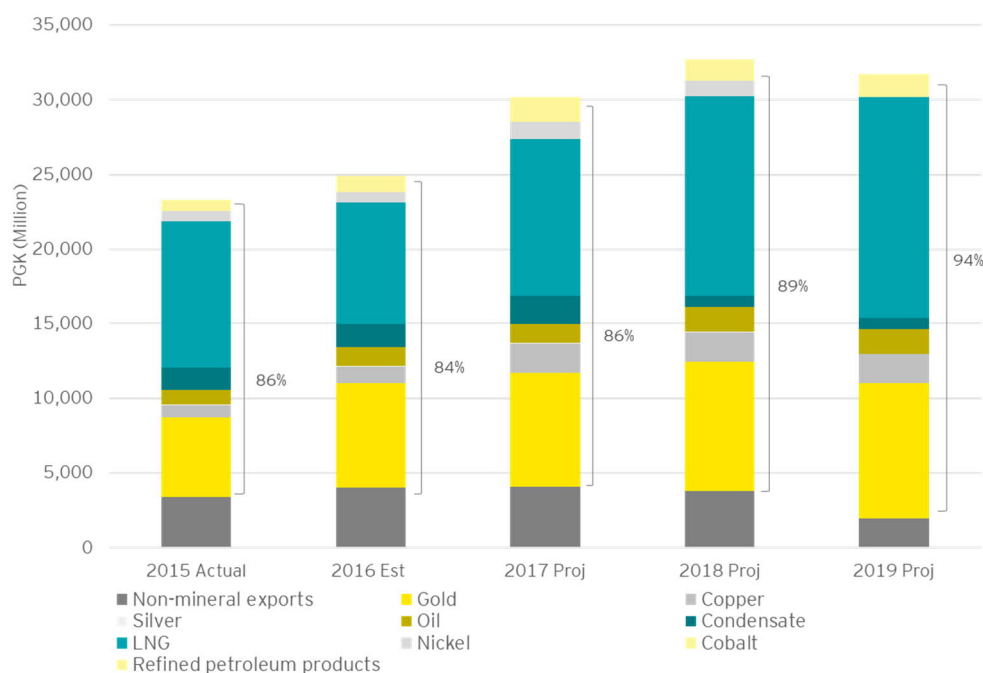


Figure 3: Value of mineral exports 2018 (PGK million)¹⁰

⁷ 2019 PNG National Budget, p.166, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf. Accessed 3 December 2019

⁸ Ibid, p.166-170.

⁹ Though this has grown from 20% of stock nominal GDP in 2014.

¹⁰ 2019 PNG National Budget, Vol 1, Appx 2, Table 5, p. 170, http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf. Accessed 3 December 2019.

The extractive industries have both positive and negative social impacts in PNG. The positive impacts of the extractive industries are the provision of employment and revenue to local communities, as well as funding for infrastructure such as roads, hospitals and schools. The extractive industries can also be a source of tension between different societal groups and negatively impact the environment through land degradation, water quality and increased carbon emissions.

How do the extractive industries contribute to State revenue?

The government derives income from the industry through:

Taxes	Such as corporate income tax and group tax
Dividends	Derived from holding direct stakes in the industry
Royalties	2% of the gross revenue from resource sales or wellhead value
Equity distributions	Received by state owned entities participating in the extractive industries
Other revenue streams	Such as levies and fees

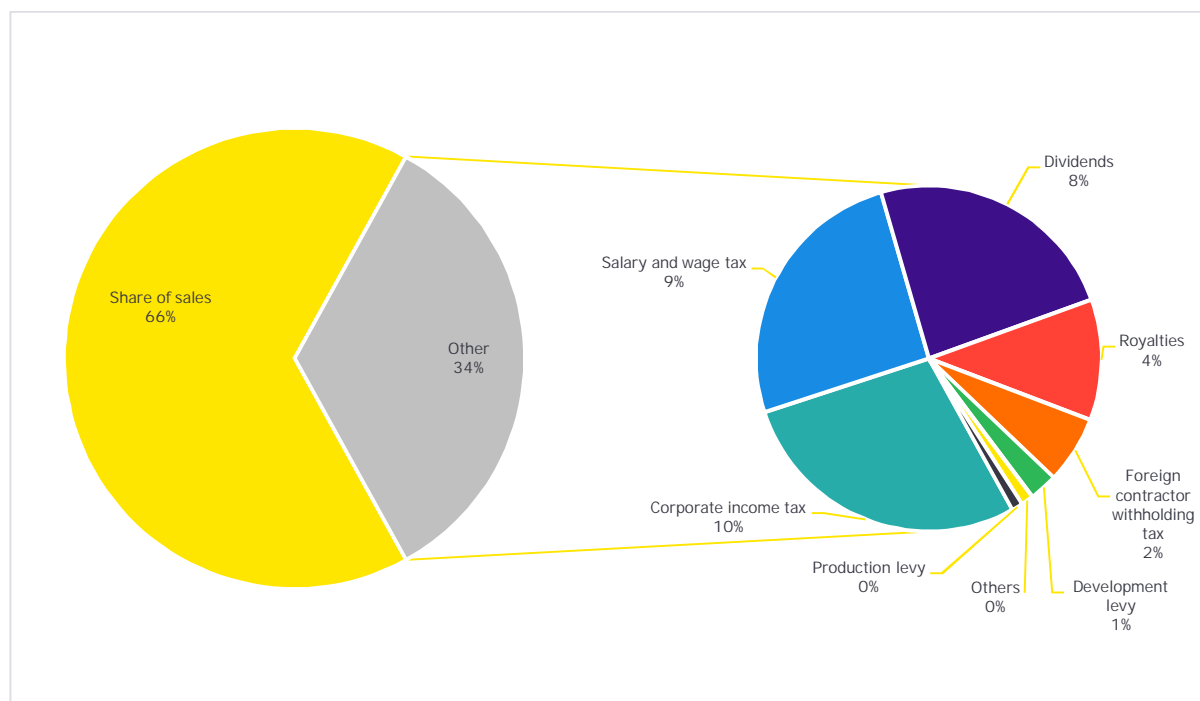


Figure 4: Revenue streams received by the State

In 2018, the largest sources of government revenue from the extractive industries included corporate income tax, salary and wage tax, dividends and royalties.

Most of this revenue goes into consolidated government revenue. PNG's budget is prepared by the Department of Treasury through a public consultative process. In recent years there has been an effort to make the process more strategic and rules-based so that it is directed towards achieving sound fiscal policy.

Some revenue from the extractive industries is earmarked for specific purposes, such as the Public Investment Program, a vehicle through which the PNG government implements development policies aimed at improving the livelihood and wellbeing of PNG citizens in all provinces.

The PNG Sovereign Wealth Fund was established in 2015 to ensure that some of the wealth generated by the extractive industries is saved for the benefit of future generations. However, the fund is yet to come into operation.

Revenue flows to the government from the extractives industry can be volatile, as the financial performance of the individual operations can fluctuate due to factors including commodity prices and impacts of severe weather events such as drought and flood.¹¹ In 2018, an earthquake in Hela Province impacted production at several mining and oil and gas sites.

What are the revenue streams from the extractives industry?

The diagram below outlines the main revenue streams and their recipients.

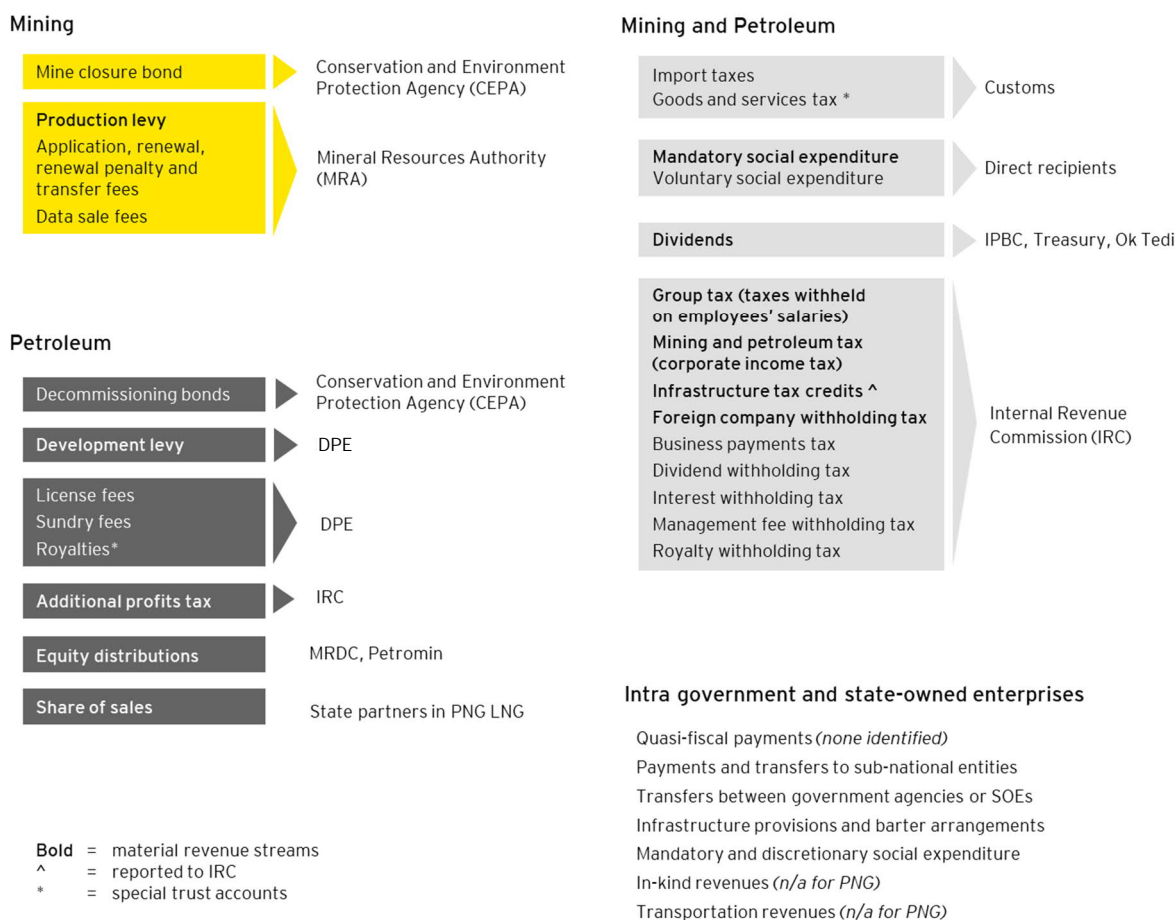


Figure 5: Revenue streams and recipients (material entities represented in bold)

Which revenue streams are considered material for this report?

The revenue streams deemed material for this report are shown in bold in the diagram above. This includes all revenue streams that contribute 2% or more to the total revenue received by the government from the mining and oil and gas sectors.

¹¹ World Bank East Asia and Pacific Economic Update October 2015 and 2016 <http://pubdocs.worldbank.org/en/414911444005973491/pdf/EAP-Economic-Update-2015-10.pdf> and <https://openknowledge.worldbank.org/bitstream/handle/10986/25088/9781464809910.pdf>, accessed 18 October 2016

The report also covers revenue streams that fall below this quantitative threshold, but which are deemed material based on a qualitative definition adopted by the MSG, which captures revenue streams that were:

- ▶ Defined by law
- ▶ Of potential significant interest or benefit to the PNG population
- ▶ Likely to exceed a pre-defined quantitative level of materiality in the future

For 2018, these included the environmental permit fee, environmental user charges and production levy. Individually, these revenue streams fall below the quantitative threshold, but together they represent more than 2% of revenue from the extractive industries. Therefore, all payments that could affect the comprehensiveness of the EITI report are included in the scope of reconciliation.

Where revenue streams are not considered material for reconciliation, these revenue streams are reported unilaterally by the receiving entity, or in the case of social expenditure, by the companies making the payments. For the 2018 report, to increase transparency at the provincial level, the IA and MSG has requested unilateral disclosure of sub-national payments by reporting entities.

Which organisations are considered material for this report?

The entities required to submit data templates for this report include:

- ▶ All mining and oil and gas companies, including those with interests in operations or interests in projects in advanced stages of exploration or pre-production, which has paid combined government revenue beyond materiality threshold.
- ▶ Resource companies who paid combined government revenue below quantitative threshold, however, the IA considered qualitative factors such as significant production and export quantities including PGK values and entities with a high public profile.
- ▶ Government entities who received payments from the companies
- ▶ Trustees of government funds
- ▶ SOEs that have resource companies, or receive or make payments to the resources sector
- ▶ Entities that do not receive payments but keep records of payments.

Table 1: Material reporting entities

Mining companies	Oil and gas companies	State-owned enterprises	Government departments and statutory authorities
<ul style="list-style-type: none"> ▶ Barrick (Niugini) Ltd (Porgera mine – SML 1 (P)) ▶ Lihir Gold Ltd (Lihir/Luise Caldera mine – SML 6) ▶ MCC Ramu NiCo Ltd (Kurumbukari mine, Ramu – SML 8) ▶ Morobe Consolidated Goldfields Ltd (Hidden Valley mine – ML 151) ▶ (Simberi mine – ML136) 	<ul style="list-style-type: none"> ▶ ExxonMobil PNG Ltd (and subsidiaries) ▶ JX Nippon Oil and Gas Exploration Corporation (and subsidiaries) ▶ Kumul Petroleum Holdings Ltd (and subsidiary) ▶ Mineral Resources Development Company (MRDC) (and subsidiaries) ▶ Oil Search Ltd (and subsidiaries) ▶ Santos Ltd (and subsidiaries) ▶ Total S.A. 	<ul style="list-style-type: none"> ▶ Kumul Mineral Holdings Ltd ▶ Kumul Petroleum Holdings Ltd ▶ Mineral Resources Development Company Ltd ▶ Ok Tedi Mining Ltd 	<ul style="list-style-type: none"> ▶ Conservation and Environment Protection Authority ▶ Department of National Planning and Monitoring ▶ Department of Petroleum and Energy ▶ Department of Treasury ▶ Internal Revenue Commission ▶ Mineral Resources Authority ▶ PNG customs

Who are the beneficial owners of resource extraction in PNG?

A beneficial owner in respect of a company means the natural person(s) who directly or indirectly ultimately owns or controls the corporate entity.¹²

The PNG Government does not require companies to disclose the beneficial owners of companies producing oil and gas or minerals and does not have a publicly available register of the beneficial owners of the corporate entities in the sector. This report includes information on beneficial owners of material entities, as far as could be established through direct enquiry, reference to corporate websites and annual reports, and the PNG Mining Cadastre Portal database, hosted by the MRA website. Most interests are held by listed companies and/or state-owned enterprises.

The 2016 EITI Standard (2.5c) requires that reports from 2020 onward include detailed information relating to beneficial ownership. The MSG has developed a [roadmap](#) and [scoping study](#) to address this requirement, and work has begun on implementing the roadmap.

The mining industry in PNG

During 2018, eight mines were operating in PNG,¹³ distributed over a number of provinces. A further four mines were in advanced stages of pre-production.

Companies active in mining and exploration in PNG include large international companies, state-owned enterprises, and many junior companies, together with a significant contribution from up to 80,000 small-scale alluvial miners.

¹² The EITI Standard, 2016 – Requirement 2.5 Beneficial Ownership

¹³ Excluding the alluvial mining sector.

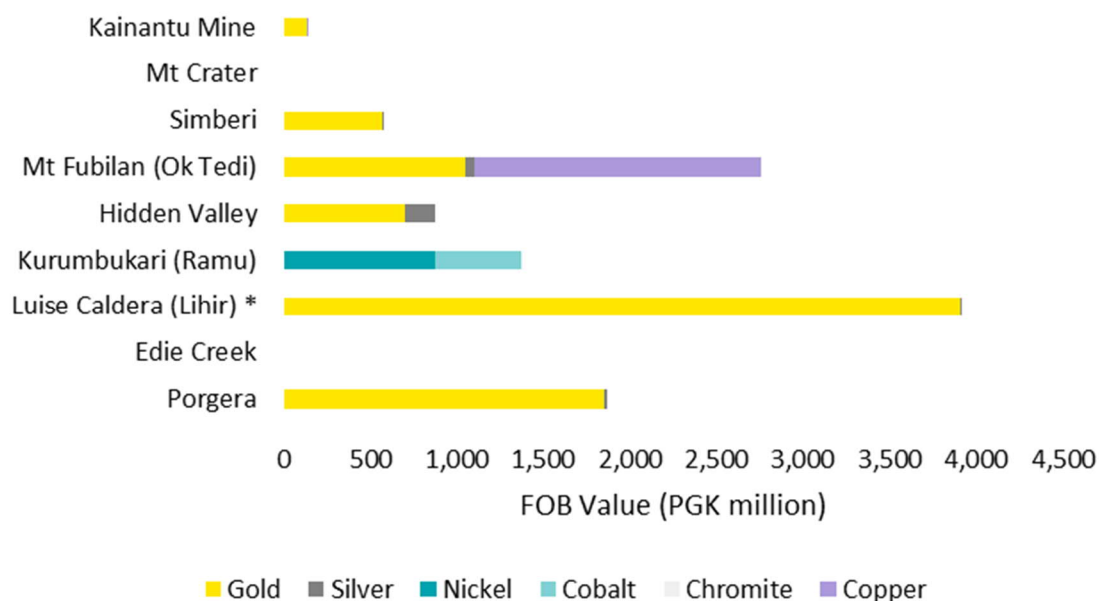


Figure 6: Export values reported by MRA per mine for 2018.

Please note that the Edie Creek export value of \$777,457 is not visible on this graph. * Value of silver exports from Lihir was not reported by the MRA.

Mining in PNG is governed principally by the Mining Act 1992 (MA) and administered by the Mineral Resources Authority (MRA), an independent statutory body.

There are four principal channels by which communities benefit economically from mining projects, other than through employment and procurement: Royalties, Infrastructure Development Grants, Special Support Grants, and the Public Investment Program. The benefits for a project are agreed in a development forum with relevant stakeholders, including the State, company, provincial government, local level government and landowners, and set out in a Memorandum of Agreement. These agreements are not currently publicly disclosed.

The oil and gas industry in PNG

During 2018, five principal oil fields were operating in PNG. Commercial oil production began in PNG in 1992 and has been in slow but steady decline since the mid-1990s.

The PNG LNG project exports liquefied natural gas (LNG), the first shipment of which was in 2014. The project has design capacity of 6.9 million tonnes of LNG per annum,¹⁴ and is expected to make a significant long-term contribution to the economy and government revenues. Another two gas projects are in advanced stages of development.

Oil and gas interests in PNG are predominantly in listed companies and state-owned enterprises. A range of companies are actively engaged in exploration and production in PNG, with a number of new projects in planning and development stages.

Production figures for 2018 were inconsistently reported by companies, the Department of Petroleum and Energy and Customs.¹⁵

¹⁴ 'project capacity of 6.9 million tonnes of LNG', *ibid*.

¹⁵ Information included in Oil Search and ExxonMobil data templates provided for this report.

Table 2: Oil and gas production and export quantities reported by DPE

Commodity produced (P) and exported (E)	Produced	Exported
Oil (stbopd)	11,602	26,585
Hides Liquids (stbopd)	6,175	2,822
PNG LNG liquids (stbopd)	21,155	25,171
Hides Gas (MMscf)	2,998	2,933
PNG LNG Project LNG (tonnes)	7,246,136	7,143,819

The oil and gas industry in PNG is governed principally by the Oil and Gas Act 1998 (OGA), and overseen by the Department of Petroleum and Energy (DPE). DPE is chronically under-resourced and lacking in capacity, and has been the subject of a number of recommendations in previous PNG EITI Reports. DPE is working to address some of these recommendations, such as establishing an electronic registry and revenue system.

State-owned enterprises

The State holds the right to acquire a participating interest in any mining or petroleum project in PNG at par value, or 'sunk cost'. In return, the State can receive a share of the profits of the project, paid as dividends in accordance with its rights as a shareholder.¹⁶ During 2018, PNG's state-owned enterprises (SOEs) that held interests in the extractive industries included:

- ▶ Kumul Petroleum Holdings Ltd (all hydrocarbon assets)
- ▶ Kumul Minerals Holdings Ltd (all mining assets)
- ▶ Ok Tedi Mining Ltd

The report also covers two organisations that act as trustees:

- ▶ Mineral Resources Development Company Ltd (MRDC)
- ▶ Ok Tedi Development Foundation

MRDC acts as a trustee shareholder for beneficiary landowners and provincial governments. It holds and manages shareholdings and pays royalties and equity to project landowners. The OGA specifies MRDC's role in holding and managing hydrocarbon assets for landholders, including investment of funds in future generation and community infrastructure trust funds. All oil and gas projects therefore have associated trusts which are wholly owned subsidiaries of MRDC. The MA allows for MRDC to hold the State's interest, but does not mandate it;¹⁷ consequently, not all mining operations have an associated MRDC subsidiary.

Social expenditures

Many extractive companies contribute to the communities in which they operate beyond the direct economic benefits and employment provided. These contributions may be mandated through legislation or through contracts with the government, or may be at the company's discretion.

The EITI Standard does not define 'social', and the types of payment reported by companies under this heading varied, with some including payments such as compensation or lease payments, which others classify as commercial rather than social.

Discretionary social expenditures by operators ranged from zero to hundreds of millions of Kina. Payments were made to support health, education and community projects, among others. Where

¹⁶ The 2019 PNG National Budget announced the addition of a 50 per cent dividend policy on SOEs.

¹⁷ Mining Act 1992 s.16A

companies invest in approved infrastructure, they may be entitled to claim Infrastructure Tax Credits.

For 2018, the total social expenditures disclosed were:

- ▶ Mandatory PGK176,455,548
- ▶ Discretionary PGK373,751,285

Subnational payments and transfers

Information relating to transfers and payments to subnational (provincial and local level) governments in PNG is difficult to obtain. This was an area highlighted as having ‘inadequate progress’ in the validation of the 2016 EITI report.

Subnational payments include royalties, dividends, compensation payments, development levies, Special Support Grants, and other benefits as agreed through memoranda of agreement.

The MSG commissioned a scoping study to investigate the possibility of implementing the EITI Standard to subnational governments and landowner associations. The PNG EITI Sub-national Payments Report was published April 2019.¹⁸ It makes recommendations including the establishment of subnational multi-stakeholder groups with links to the PNG EITI MSG; entities to be included and materiality thresholds; standardised payment categories; and implementation through pilot projects.

For this report, the IA has attempted to include as much information as possible on subnational payments, reported unilaterally. Based on information received, subnational payments and transfers comprise 18% of total revenues from the sector. Subnational payments and transfers have not been reconciled for this report except for Royalties and Levies which reconciled against MRA and DPE reports.

Is the data on the extractive industries revenues reliable?

Entities participating in this EITI report were asked to submit data templates signed by an authorised company representative, confirming that reported amounts are materially consistent with the audited financial statements. More than 90% of the reporting entities provided these signatures, as seen below.

Table 3: Rates of compliance with EITI reporting 2018

Entity type	Number of Companies	Data template signed	Data template unsigned	Financial information provided	Non-financial information provided	Non-financial information partially provided
Material reporting entities	45	91%	9%	100%	62%	38%

All the producing companies have accounts audited to international standards. Government entities and state-owned enterprises (other than Ok Tedi) are audited by the PNG Auditor General. Most, however, do not yet have audit financial statements for the reporting period, and previous audit statements indicated significant shortcomings in the reliability of accounts.

Improved data assurance has been the subject of previous recommendations, but improvements have not yet been seen. AGO, together with the assistance of the PNG EITI Secretariat, is planning to specifically test receipts from government agencies relevant to EITI reporting, prior to

¹⁸ Grice, T. (2019). Sub-national payments in Papua New Guinea’s extractive sector: Scoping study for PNG Extractive Industries Transparency Initiative., <http://www.pngeiti.org.pg/wp-content/uploads/2019/07/PNGEITI-Sub-national-Payments-Report-May-2019.pdf> accessed 8 November 2019

submission of data for the EITI report to separately perform test of receipts for the period ended 2018 on Government entities where audited financial statements are not updated.

Reconciliation of revenue streams

For material revenue streams, the IA attempted to obtain data from both the paying and receiving entity, so the amounts could be reconciled. In some instances, however, the MSG agreed that data would be collected unilaterally.

A summary of the payment streams reported and reconciled is presented below:

Table 4: Revenue stream overview

	Revenue stream	Reconciled/	Receiving entity	Amount reported paid (PGK) [X]	Amount reported received (PGK) [Y]	Variance (PGK) [Z=Y-X]	Variance [Z/Y]
		Unilateral					
Mining	Production levy	Reconciled	MRA	32,370,383	28,005,135	(4,365,248)	(15.59%)
	MRA fees	Unilateral (MRA)	MRA	Not reported	4,002,689	Not applicable	Not applicable
Oil and gas	Development levy	Reconciled	Finance (via DPE)	73,660,271	72,410,451	(1,249,820)	(1.73%)
	Licence fees	Unilateral (DPE)	DPE	Not reported	2,673,054	Not applicable	Not applicable
	Additional profits tax	Reconciled	IRC	483,922	0	(483,922)	0.00%
	Equity distributions	Reconciled	KPH	296,442,000	0	(296,442,000)	0.00%
	Share of sales	Unilateral (SOEs)	State partners	5,979,105,161	Not reported	Not applicable	Not applicable
Mining and petroleum	Mandatory social expenditure	Unilateral (companies)	See section 6.5	176,685,056	Not reported	Not applicable	Not applicable
	Voluntary social expenditure	Unilateral (companies)	See section 6.5	376,001,599	Not reported	Not applicable	Not applicable
	Dividends	Reconciled	State (Treasury)	358,073,435	653,500,000	295,426,565	45.21%
	Salary and wage tax	Partially reconciled	IRC	694,746,440	693,595,350	(1,151,090)	(0.17%)
	Corporate income tax	Reconciled	IRC	766,123,077	765,056,770	(1,066,307)	(0.14%)
	Foreign contractor withholding tax	Reconciled	IRC	173,189,449	172,324,228	(865,220)	(0.50%)
	Infrastructure tax credit - 2. ITC offset from tax paid in reporting period	Reconciled	IRC	206,484,453	112,231,376	(94,253,077)	(83.98%)
	Infrastructure tax credit - 1. ITC actually spent on projects in reporting period	Reconciled	DNPM	328,767,774	60,143,299	(268,624,474)	(446.64%)
	Business payments tax	Unilateral (IRC)	IRC	Not reported	5,442,567	Not applicable	Not applicable
	Dividend withholding tax	Unilateral (IRC)	IRC	Not reported	387,722	Not applicable	Not applicable
	Interest withholding tax	Unilateral (IRC)	IRC	Not reported	10,113,248	Not applicable	Not applicable
	Management fee withholding tax	Unilateral (IRC)	IRC	Not reported	4,644,657	Not applicable	Not applicable
	Royalty withholding tax	Unilateral (IRC)	IRC	Not reported	1,960,989	Not applicable	Not applicable
	Goods and services tax	Unilateral (IRC)	IRC	Not reported	34,333,822	Not applicable	Not applicable
	Training Levy	Unilateral (IRC)	IRC	Not reported	-	Not applicable	Not applicable
	Special Support Grant	Reconciled	Provincial governments, special purpose authorities	Not reported	20,500,000	Not applicable	Not applicable

	Revenue stream	Reconciled/ Unilateral	Receiving entity	Amount reported paid (PGK) [X]	Amount reported received (PGK) [Y]	Variance (PGK) [Z=Y-X]	Variance [Z/Y]
	Environmental permit fees and user charges	Reconciled	CEPA	7,047,667	1,564,780	(5,482,887)	(350.39%)
	Royalties	Reconciled	DPE, MRA landowners and subnational governments	316,732,337	308,803,450	(7,928,886)	(2.57%)

Together, the revenue streams included in the reconciliation equate to approximately 98% of total revenue from the sector in 2018.

Findings and recommendations

Previous PNG EITI Reports have made a number of recommendations that could improve the quality, accuracy, and comprehensiveness of future PNG EITI reports, and that could ultimately improve the transparency of the extractive industries in PNG. Some of these have already resulted in improved disclosure. Our recommendations for 2018 are outlined below.

Recommendations

- 1 Continue to address the findings of the independent validation of the PNG EITI 2017 Report.
- 2 IRC should ensure accurate tax identification numbers are used, and reconcile budgeted corporate income tax revenue against actuals.
- 3 Tax credit schemes should be correctly reported to DNPM.
- 4 CEPA should work to improve its financial close process.
- 5 DPE should have access to relevant government data to support its financial close process, and reconcile companies remittances against receipts. A DPE website would improve transparency.
- 6 Data quality and reliability could be improved by specific auditing by the Auditor General prior to the EITI reporting process, and by requiring further measures from reporting entities.
- 7 Continued engagement is required to reinforce that reporting should be on a cash basis.
- 8 Reporting by GloCo should be facilitated by early engagement with all participants.
- 9 Continue engagement and support to enable complete, accurate and consistent disclosure of oil and gas production data.
- 10 The MSG should undertake systematic reviews to prepare for implementation of the 2019 EITI Standard.



Introduction

 Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
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1. Introduction

“Generally, Papua New Guinea has made tremendous progress in EITI implementation in 2018 following the publication of the Fifth PNG EITI Annual Country Report covering fiscal year 2017. The 2017 fiscal year Report symbolises our country’s commitment to implementing the EITI International Standards and signifies our active participation as member nation of the Global EITI. The year 2018 also observed a significant milestone as the country commenced its first country Validation since becoming a member in 2013.”

Lukas Alkan, Head of PNG EITI National Secretariat

Papua New Guinea (PNG) is known for its abundance of natural resources and diversity. The PNG Government can utilise the increased revenue provided from the resources sector to improve the wellbeing of its citizens. The Extractive Industries Transparency initiative (EITI) aims to increase transparency in the collection and distribution of natural resource revenue. This report pertains to the 2018 calendar year and is PNG’s sixth EITI report.

1.1 About the Extractive Industries Transparency Initiative

The Extractive Industries Transparency Initiative (EITI) was established in 2002. It assists countries to increase transparency and accountability across the oil, gas and mineral resources value chain. The EITI is a global organisation of sponsoring countries, civil society representatives and companies developing a framework for transparency. Participating countries issue annual reports reconciling payments from the extractive industries to receipts by governments. The adoption of the EITI Standard is discretionary and must be incorporated into individual countries’ laws to be binding. At the time of writing, the EITI website lists 52 countries at various stages of implementing the EITI Standard. Of these, eight have achieved satisfactory progress, 29 (including PNG) have achieved meaningful progress, five have inadequate progress or have been suspended due to political instability or for missing the deadline, and the remainder are yet to be assessed against the standard.¹⁹

1.2 EITI implementation in Papua New Guinea

PNG has a wealth of natural resources, and revenue from these resources could contribute to reducing poverty and improving the lives of PNG citizens. However, despite these abundant resources, 37.5% of PNG citizens continue live below the national poverty line.²⁰ PNG also ranked 138 out of 180 countries in Transparency International’s Corruption Perception Index for 2018, with its score dropping by one point from the previous year.²¹ Similarly negative assessments of corruption and attractiveness for foreign investment have been published by the World Bank,²²

¹⁹ EITI Website, <https://eiti.org/countries>, accessed 13 August 2019

²⁰ 2017 Asia Development Index, Basic Statistics 2019, <https://www.adb.org/countries/papua-new-guinea/poverty>, accessed 7 November 2019

²¹ Corruption Perceptions Index 2018’, Transparency International, <https://www.transparency.org/cpi2018>, accessed 13 August 2019

²² Doing Business 2018, Equal Opportunity for All, World Bank (accessed via <https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2018-Full-Report.pdf>, 13 August 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
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Natural Resource Governance Institute,²³ Fraser Institute²⁴ and the PNG Institute of National Affairs 2017 Business Survey.²⁵ In this context, it is important that PNG continues to strive for increased transparency.

To address transparency and to improve PNG's attractiveness for foreign investment, the PNG Government, led by the Minister for Treasury, applied for EITI candidacy in 2013. PNG has since published reports for the calendar years 2013–17. The timeline for EITI implementation in PNG is shown in Figure 7 below. The 2017 report focused on improving the completeness of data collected, and this 2018 report will focus on unilateral disclosure of subnational payments and aim to meet all initial validation recommendations.

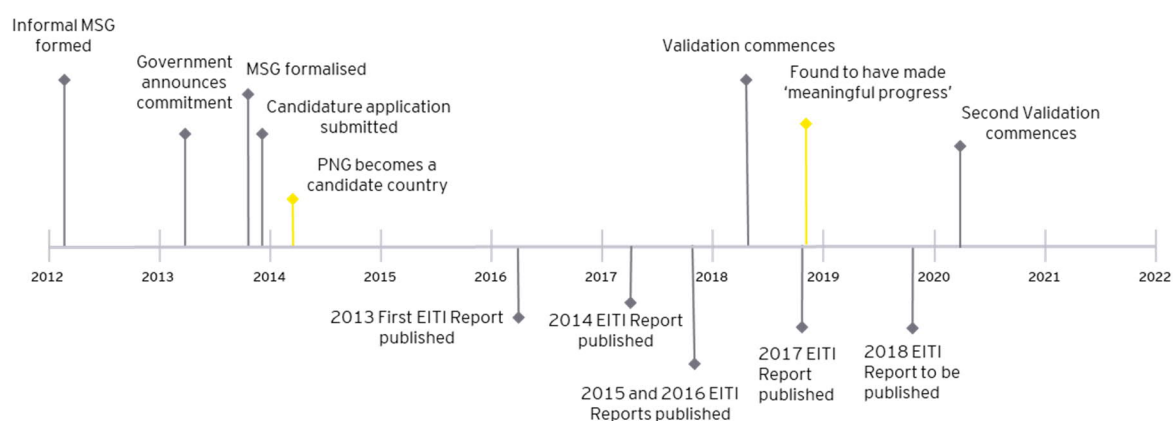


Figure 7: EITI implementation timeline

The PNG EITI has stated that its objectives for implementing EITI in PNG are:

²³ 2017 Resource Governance Index', Natural Resource Governance Institute, <https://resourcegovernance.org/sites/default/files/documents/2017-resource-governance-index.pdf>, accessed 13 August 2019

²⁴ Survey of Mining companies, Fraser Institute, 2018 <https://www.fraserinstitute.org/studies/annual-survey-of-mining-companies-2018>, accessed 13 August 2019

²⁵ PNG INA 2017 Business survey http://www.inapng.com/pdf_files/Being%20Heard%20wcA%20proof.pdf accessed 13 August 2019

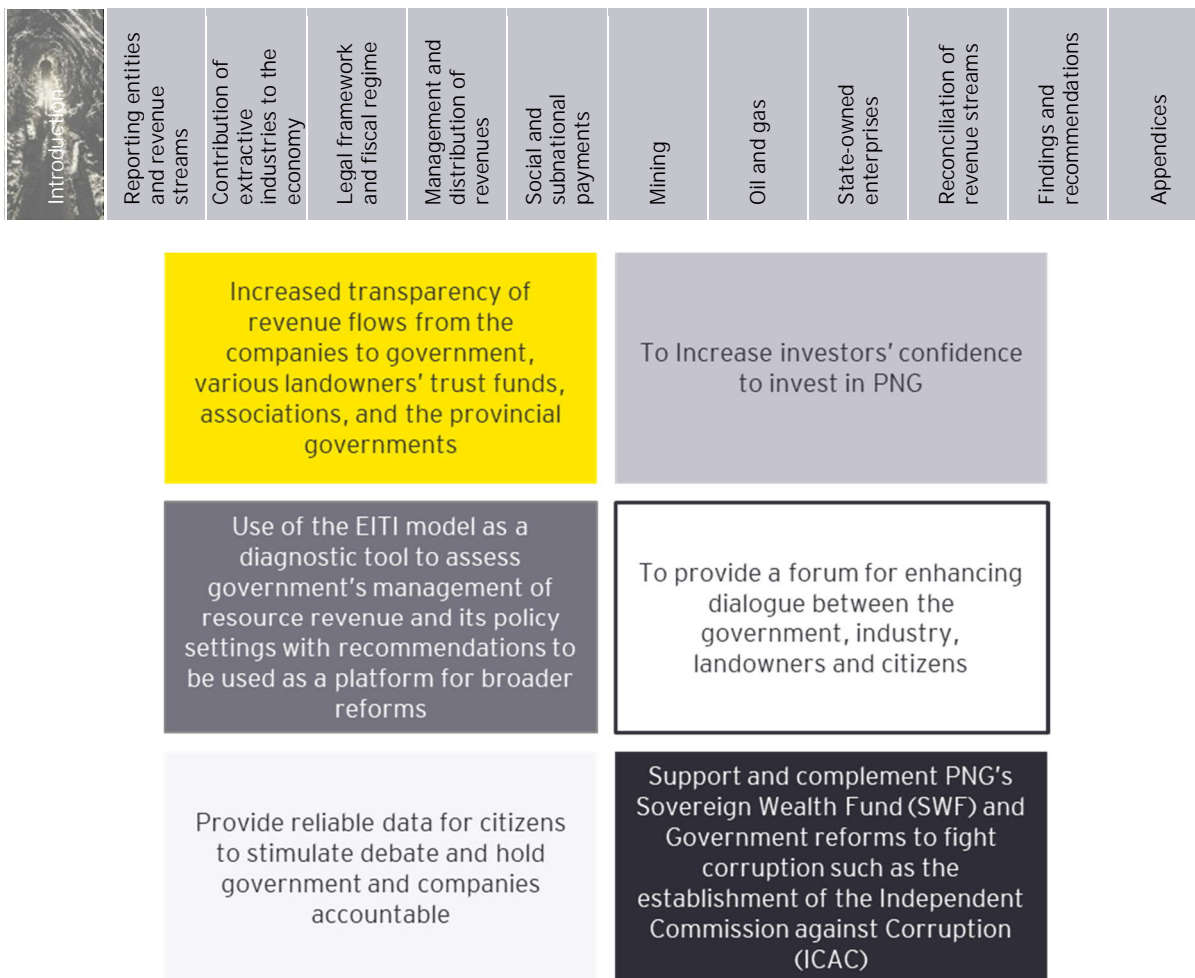


Figure 8: PNG EITI's objectives for EITI implementation

1.3 EITI governance and leadership in PNG

The EITI Standard requires candidate countries to form a multi-stakeholder group (MSG) as the key decision-making body for implementation. The MSG represents government, civil society and industry. An informal group first met in PNG in early 2012, and the group was formalised on 1 November 2013 via a Memorandum of Understanding. Figure 9 shows the governance structure of the PNG EITI.

The MSG is chaired by the PNG Treasurer, and comprises:²⁶

- ▶ Eleven representatives from the Government of PNG, including four voting and seven non-voting members, selected through internal processes and through direct engagement with participating ministries, agencies and departments.
- ▶ Four representatives from state-owned enterprises (SOEs), including three voting members and one non-voting member.
- ▶ Eight representatives from civil society, including seven voting members and one non-voting member, selected through a democratic process based on agreed criteria, representing a range of perspectives and constituencies.
- ▶ Seven representatives from the extractive industries, selected through a democratic process based on agreed criteria, in collaboration with the PNG Chamber of Mines and Petroleum.

²⁶ 2017 Final PNG EITI MSG MoU, <http://www.pngeiti.org.pg/wp-content/uploads/2018/04/2017-Final-PNGEITI-MSG-MoU.pdf>, accessed 13 August 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Each MSG member has a primary and two alternate representatives; a proxy vote can be given to others in case these representatives are unable to join a meeting. The organisational structure is shown in Figure 9 below, and the complete list of members and representatives is provided at Appendix A.

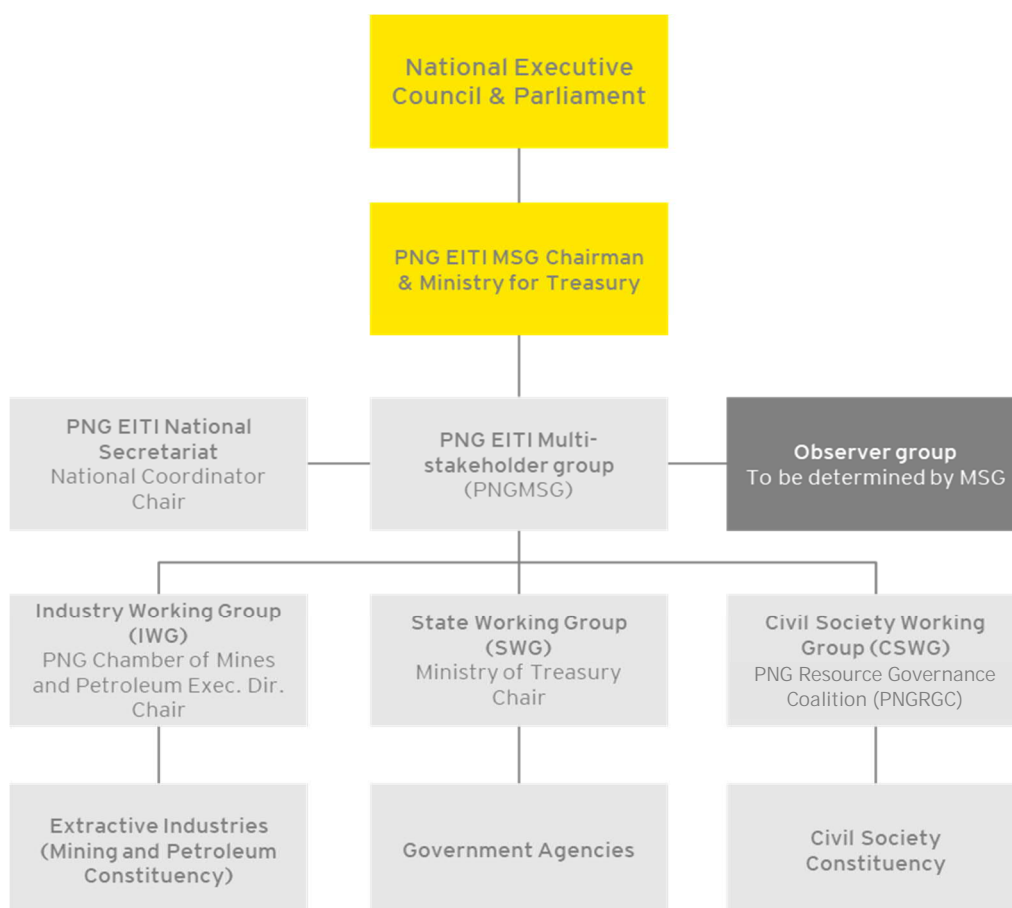


Figure 9: Structure of governance of PNG EITI

The PNG EITI National Secretariat assists the Chairman in providing coordination, facilitation and administrative support to the MSG. It is governed by terms of reference approved by the MSG.

1.4 The role of the independent administrator

The EITI Standard (4.9b) requires that payments and revenues be reconciled by an Independent Administrator (IA). Ernst & Young (EY) has been engaged by the PNG EITI National Secretariat to fulfil this role and prepare this report. The detailed responsibilities of the IA are outlined within the terms of reference²⁷ issued by the PNG EITI National Secretariat and provided on the PNG EITI website at <http://www.pngeiti.org.pg/>.

EY's process in preparing this report is shown in Figure 10 below.

²⁷ PNG EITI Terms of Reference, <http://www.pngeiti.org.pg/2018-validation/>, accessed 26 November 2019

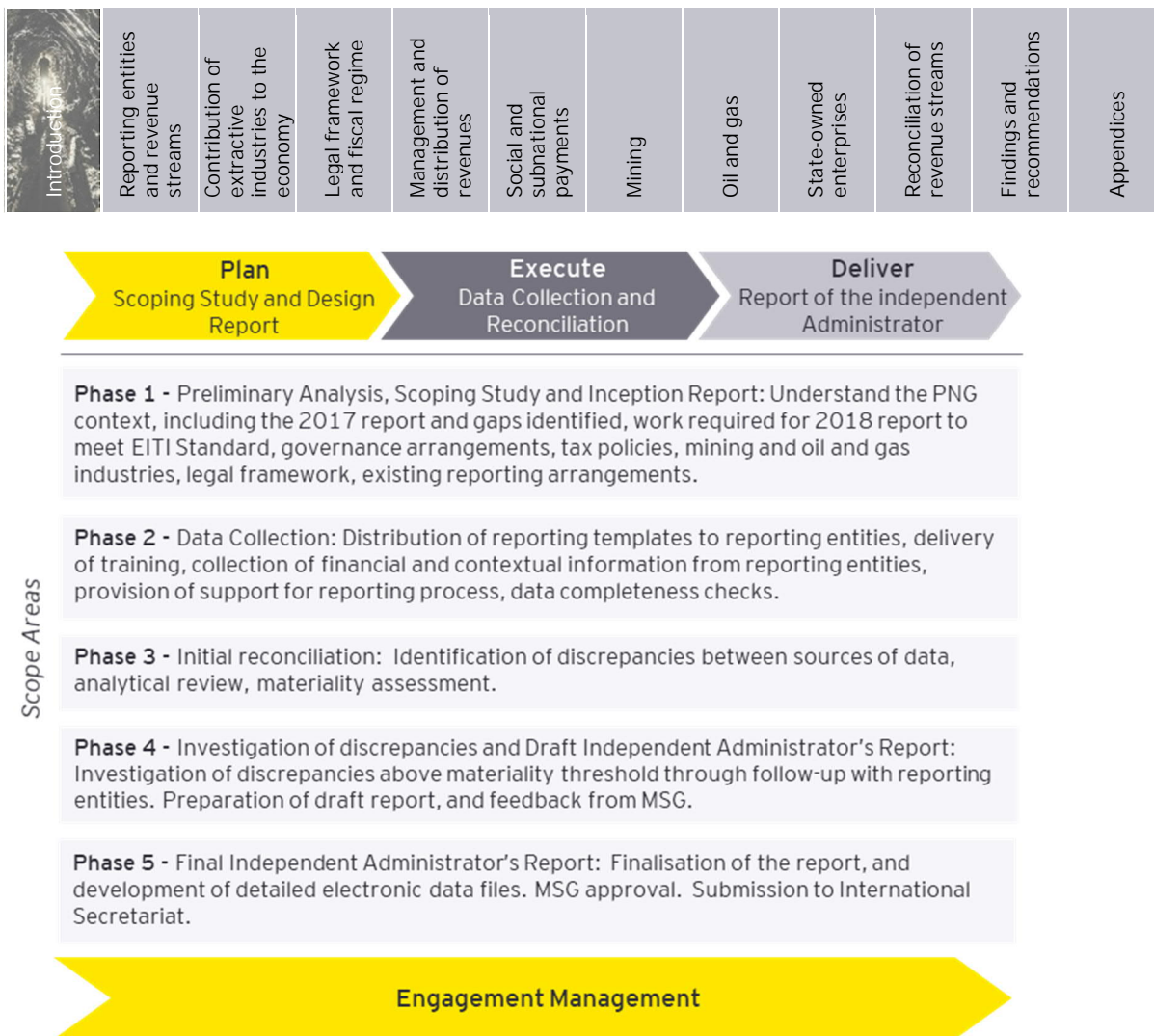


Figure 10: Independent Administrator's process

1.5 Progress in implementing EITI in PNG

PNG underwent its first EITI validation in April 2018, to assess the progress made in the 2016 and earlier reports. The independent validator assigned by the EITI International Secretariat found that, overall, PNG had made meaningful progress. However, while some aspects, including MSG oversight, show meaningful or satisfactory progress, several aspects of revenue collection and revenue allocation were assessed as having inadequate progress. The results are summarised in Table 5 below.

The next validation will occur in April 2020, to assess the progress made by PNG in the 2017 and 2018 reports.

 Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
---	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Table 5: PNG's progress in implementing the EITI Standard (Initial assessment card) ²⁸

Categories	EITI requirements		No Progress	Inadequate	Meaningful	Satisfactory	Beyond	Report chapter	Updates for this report
	MSG oversight	1.1	Government engagement						
	1.2	Industry engagement						1	
	1.3	Civil society engagement						1	
	1.4	MSG governance						1	
	1.5	Work plan						1	
Licenses and contracts	2.1	Legal framework						4	
	2.2	License allocations						7, 8	We have again specifically requested the MRA and DPE to report each tenement/licence awarded, extended, or transferred, extended, surrendered or cancelled during the reporting period: ID, ownership and date of award/transfer/extension in the non-financial reporting template. DPE in coordination with JICA and MRA are in the process of uploading of license data on a public web portal. This is not available to the time this report was finalised and will be made available on the PNG EITI website.
	2.3	License register						7, 8	
	2.4	Policy on contract disclosure						4.12	
	2.5	Beneficial ownership (BO)*						4.17	BO reporting becomes mandatory under the Standard in 2020. The MSG has completed a BO roadmap and has begun the implementation phase of addressing this requirement. Since the previous PNG EITI report was published the MSG has defined the following in the context of PNG: <ul style="list-style-type: none"> Beneficial ownership Politically exposed person(s), in line with the Anti-Money Laundering and Counter Terrorist Financing Act 2015 A materiality threshold for beneficial ownership, set at 5%. Further, a template form has been developed to capture beneficial ownership information at the time companies are registered with the Investment Promotion Authority (IPA).
	2.6	State participation						4.14, 9	
Monitoring production	3.1	Exploration data						8	
	3.2	Production data						8	The IA has again requested this information in the reporting template, but reporting remained inconsistent. DPE for 2018 has reported production data.
	3.3	Export data						8	

²⁸ PNG Validation Report, https://eiti.org/sites/default/files/documents/png_validation_-_validators_final_validation_report.pdf accessed 16 November 2019

 Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
---	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Categories	EITI requirements		No Progress	Inadequate	Meaningful	Satisfactory	Beyond	Report chapter	Updates for this report
	Revenue collection	4.1	Comprehensiveness						2
4.2		In-kind revenues [^]							<p>Engagement undertaken through the validation process found there was consensus among stakeholders consulted that this requirement was not applicable to PNG under the current fiscal regime.²⁹ To further increase transparency for the 2018 report, it was agreed by the MSG to include a sub-national payments framework to be completed by reporting entities. This includes cash and in-kind payments to the sub-national level.</p>
4.3		Barter agreements [^]							<p>Validation process consultation found that extractives companies are not required to undertake expenditures that could be categorised as barter agreements.³⁰</p>
4.4		Transportation revenues [^]							<p>Treasury has confirmed that transport revenues do not exist in PNG except for pipeline fees, which are not material al.³¹</p>

²⁹ <https://eiti.org/papua-new-guinea#validation>, accessed 16 November 2019

³⁰ *ibid*

³¹ PNG EITI 2016 Report, <http://www.pngeiti.org.pg/wp-content/uploads/2018/04/PNG-EITI-2016.pdf>

	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Categories	EITI requirements		No Progress	Inadequate	Meaningful	Satisfactory	Beyond	Report chapter	Updates for this report	
	4.5	SOE transactions						9	A terms of reference is being drafted by the PNG Secretariat to perform scoping study on State-Owned Enterprises and promote transparent disclosure on their activities.	
	4.6	Direct subnational payments						6	A scoping study of sub-national payments has been released in April 2019. From this study the MSG has agreed to request unilateral disclosure of subnational payments for the 2018 report.	
	4.7	Disaggregation						10		
	4.8	Data timeliness						10		
	4.9	Data quality						5.6, 10.5	Engagement with the PNG Auditor General's Office was undertaken to establish the current status of the audit of Government and SOE accounts. This information has been incorporated into the assessment of data quality in the reconciliation chapter of this report.	
Revenue allocation	5.1	Distribution of revenues						5, 10	Information relating the distribution of revenues has been updated in this report and additional information is also provided relating to the distribution of funds managed by MRDC.	
	5.2	Subnational transfers						6	A scoping study of sub-national payments has been released in April 2019. From this study the MSG has agreed to request unilateral disclosure of subnational payments for the 2018 report.	
	5.3	Revenue management and expenditures*	n/a						5	
Socio-economic contribution	6.1	Mandatory social expenditures						6	The IA requested that companies include the name of any contract that defines social payments so that a better understanding of what is a mandatory social expenditure could be included in this report. At the time this report was finalised, no entities had included this information in their reporting template.	
	6.2	SOE quasi-fiscal expenditures						9	We requested contextual and financial information from each SOE subsidiary (including Ok Tedi Power and Ok Tedi Foundation) and KPH to assist with addressing this requirement in this report. At the time this report was finalised, we have not yet received this information.	
	6.3	Economic contribution						3		
Outcomes and impact	7.1	Public debate								
	7.2	Data accessibility*	n/a							
	7.3	Follow up on recommendations						1.5		
	7.4	Outcomes and impact of implementation								

* These requirements are only encouraged or recommended and are not currently considered in assessing compliance with the EITI Standard.

^ During the validation process, the MSG was able to demonstrate that these requirements of the Standard were not applicable in PNG.

On 6 April 2017, the National Executive Council (NEC) endorsed the recommendations from the first PNG EITI validation report. Certain recommendations have already been implemented, and we expect that this will continue to drive improvements in the completeness and accuracy of data relating to the extractives sector in PNG.

The NEC directives have the potential to facilitate improvements in the data collection process and address many of the gaps identified in previous PNG EITI reports. The MSG and PNG EITI Secretariat

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

have also started to improve and address these gaps, particularly by encouraging and supporting greater participation and engagement by SOEs including the Mineral Resources Development Company (MRDC), Kumul Minerals Holdings Ltd (KMH) and Kumul Petroleum Holdings Ltd (KPHL).³² The Mineral Resources Authority (MRA) is currently consulting with State solicitors on the legality of making Memorandum of Agreements (MOAs) public. Upon approval, this would further promote transparency in line with NEC directives and improve PNG's compliance with the EITI standard.

The 2018 budget incorporated a minor technical amendment to the secrecy provisions pertaining to the Income Tax Act, allowing the Internal Review Commission (IRC) to directly report data without a tax waiver letter from each of the reporting entities.

Further directives that relate to implementing systems improvements should flow through to improvements in EITI reports from 2018 onwards. These include:³³

Implementing an electronic registry and revenue system at the Department of Petroleum and Energy (DPE):

DPE has been tasked with implementing a reliable Electronic Registry and Revenue System (ERRS) in place of the current paper ledger registry. This project will be supported by technical assistance from JICA under its support program to the PNG EITI National Secretariat. The Secretariat will continue to liaise with DPE on the implementation of this project.³⁴

Amending budget and fiscal reports to continue to collect information on subnational payments:

The current reporting by the National Secretariat and the National Economic and Fiscal Commission (NEFC) does not capture all subnational revenue and payment streams required by the EITI Standard. NEFC's current reporting is provisioned under the *Intergovernmental Relations (Functions and Funding) Act 2009*, which governs NEFC's operations. It is proposed that NEFC and the PNG EITI Secretariat work together to identify mechanisms that can better align NEFC reporting to the EITI requirements, not only in relation to sub-national payments but to all other payments for the various levels of governments.³⁵

Government agencies are directed to submit timely reports to the Auditor-General's Office (AGO):

The formal letter of notification on this directive has been conveyed to the AGO. To date no formal response has been received on their implementation progress and/or strategy. The AGO has undertaken an active audit program on relevant government agencies. Recently the AGO has come out in the media identifying and outlining issues surrounding the non-reporting of agencies or the deficiencies and the reports submitted to the AGO. The Secretariat will continue to liaise with the AGO regarding the implementation of this directive.³⁶

³² 2018 Validation Report, https://eiti.org/sites/default/files/documents/png_validation_-_validators_final_validation_report.pdf accessed 16 November 2019

³³ NEC File No.-NEC04-1-21.11.17 <http://www.pngeiti.org.pg/wp-content/uploads/2018/04/NEC-File-No.-NEC04-1-21.11.17.pdf>, accessed 13 November 2019

³⁴ PNG EITI Annual Progress Report 2018 <https://eiti.org/sites/default/files/documents/annual-progress-report-2018.pdf>, accessed 13 August 2019

³⁵ *ibid*

³⁶ *ibid*

An aerial photograph of a large-scale industrial processing plant, likely for coal or minerals. The facility is characterized by massive, terraced piles of dark grey material in the foreground and light brown material in the background. A complex network of conveyor belts, metal structures, and machinery is visible throughout the site. A small yellow vehicle is parked on a road in the lower center. The overall scene depicts a large-scale material processing operation.

Reporting entities and revenue streams

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

2. Reporting entities and revenue streams

This report covers all material revenue streams from the material reporting entities, for the 2018 calendar year. These are defined below:

Material revenue streams

- ▶ Revenue streams that contribute 2% or more of government revenue from the sector
- ▶ Revenue streams that currently contribute less than 2% to government revenue from the sector, but which are considered by the MSG to be 'of significant interest' to the people of PNG – for example, production levy, development levy or environmental fees.

Material reporting entities

- ▶ All mining and oil and gas companies, including those with interests in operations or interests in projects in advanced stages of exploration or pre-production, who paid combined government revenue (as reported by Government entities who received payments) beyond materiality threshold.
- ▶ Resource companies who paid combined government revenue below quantitative threshold, however, the IA considered qualitative factors such as significant production and export quantities including PGK values and entities with a high public profile.
- ▶ Government entities who received payments from the companies
- ▶ Trustees of government funds
- ▶ SOEs that have resource companies, or receive or make payments to the resources sector
- ▶ Entities that do not receive payments but keep records of payments.

2.1 Determination of materiality for revenue streams

The MSG considered both qualitative and quantitative definitions of materiality to determine which revenue streams would be deemed material for this report, in alignment with PNG EITI's strategic objectives.

The quantitative threshold applied was all revenue streams that contribute 2% or more to the total revenue received by the government from the mining and oil and gas sectors. In 2018, this threshold was PGK55 million. This is within the range applied in auditing financial accounts and is broadly consistent with materiality thresholds used for other EITI-compliant countries. According to this standard, 98% of PNG government revenues attributed to the extractives sector were considered material.

Some revenue streams that fall below this quantitative threshold have also been reconciled, based on a qualitative definition of materiality adopted by the MSG, which captures revenue streams that were:

- ▶ Defined by law
- ▶ Of potential significant interest or benefit to the PNG population

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

- Likely to exceed a pre-defined quantitative level of materiality in the future

For 2018, these revenue streams included the environmental permit fee, environmental user fee and production levy. Individually, these revenue streams fall below the quantitative threshold, but together they represent more than 2% of revenue from the extractive industries. Therefore, all payments that could affect the comprehensiveness of the EITI report are included in the scope of reconciliation.

Where revenue streams are not considered material for reconciliation, these revenue streams are reported unilaterally by the receiving entity, or in the case of social expenditure, by the companies making the payments. For the 2018 report, to increase transparency at the provincial level, the IA and MSG has requested unilateral disclosure of sub-national payments by reporting entities (further discussed in Chapter 6).

An overview of the revenue streams is illustrated below.

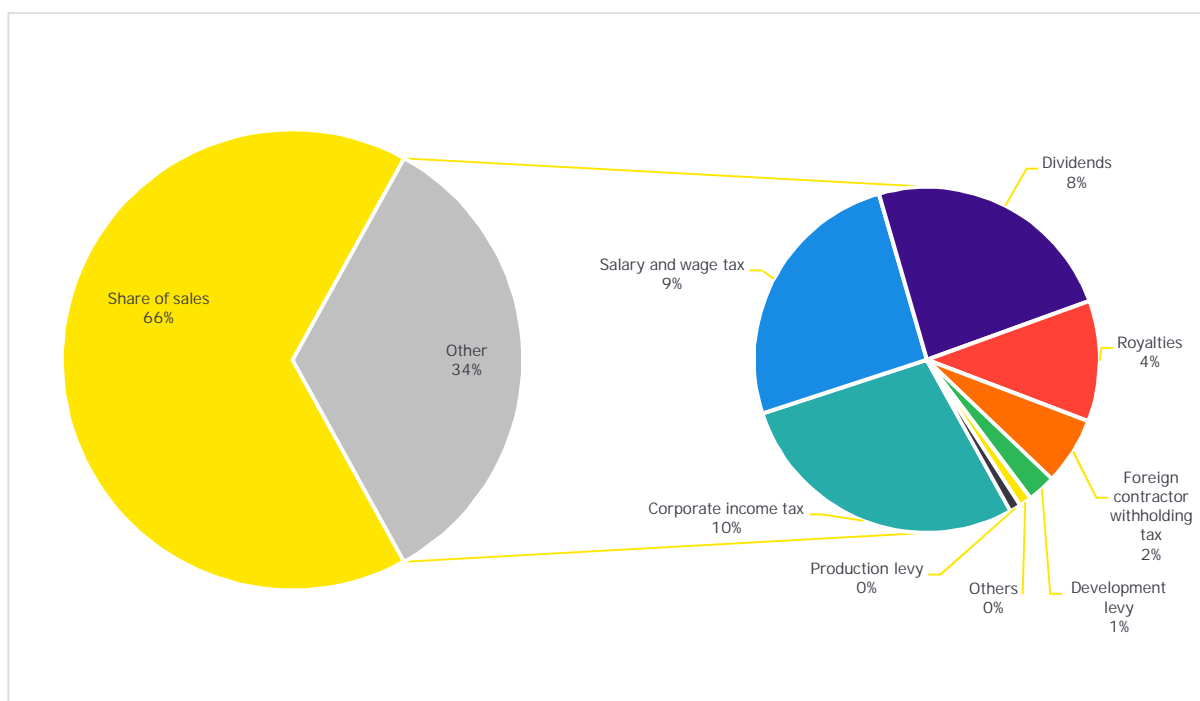


Figure 11: Relative amount of each revenue stream, 2018

2.2 Resource companies

Resource companies were those with interests in extractive projects that were producing saleable commodities during the reporting period and projects in advanced stages of exploration or pre-production. The MSG approved the exclusion of mid-stream and down-stream resource companies.

To identify material resource companies, the IA requested the IRC, MRA, CEPA and DPE to supply the value of all revenue from extractive industry companies, encompassing those that had ownership in active mining exploration licences, mining leases, special mining leases, or leases for mining purposes, petroleum development, pipeline, processing facility or retention licences, as identified by the MRA and DPE. Upon receipt, this revenue data was used to calculate quantitative

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

threshold for EITI reporting and identify material reporting entities based on consolidated receipts by receiving entities.

As many companies have multiple subsidiaries active in mining and oil and gas projects, the threshold is applied to the total value across the parent and all its subsidiaries. When the threshold is reached for the group, each subsidiary company is then required to report.

The table below shows the resource companies quantitatively assessed whether material or not for the 2018 report. Each material reporting company is discussed in more detail in Chapters 7 and 8 of this report, which includes company structure, its contribution to extractive industry revenues, and any changes in ownership during the reporting period.

Table 6: Mining, SOE and oil and gas companies 2018

Project	PNG Entity	Parent company	Consolidated Receipts (PGK)*	Material under quantitative definition
Mining				
Mt Crater (HGZ Mine)	Anomaly Ltd	Crater Gold Mining Ltd	277,472	N
Porgera	Barrick (Niugini) Ltd	Barrick Gold Corporation/Zijin Mining Group	207,590,500	Y
	Mineral Resources Enga Ltd	MRDC	2,354,129	N
Frieda River	Frieda River Ltd	PanAust Ltd, 100% owned by Guangdong Rising Assets Management Co. Ltd	2,332,043	N
Kainantu	K92 Mining Ltd	K92 Mining Inc	13,523,374	N
Lihir (Luise Caldera)	Lihir Gold Ltd	Newcrest Mining Ltd	237,208,085	Y
Ramu Nickel (Kurumbukari)	MCC Ramu NiCo Ltd	MCC-JJJ Mining	59,337,575	Y
Hidden Valley Mine	Morobe Consolidated Goldfields Ltd	Harmony Gold Mining Company Ltd	52,877,892	N
Solwara (Bismarck Sea) (not producing in 2018)	Nautilus Minerals Niugini Ltd (Solwara)	Kumul Mineral Holdings Ltd	378,215	N
Wafi-Golpu	Newcrest PNG 2 and Wafi Mining Ltd	Newcrest and Harmony Gold Mining Company Ltd	142,418	N
Edie Creek	Niuminco Edie Creek Ltd	Niuminco Group Ltd	0	N
Tolukuma (not producing in 2018)	Tolukuma Gold Mine Ltd	Asidokona Mining Resources Pty Ltd	0	N
Simberi	Simberi Gold Co. Ltd	St Barbara Ltd	28,813,707	N
Woodlark (Kulumadau) (not producing in 2018)	Woodlark Mining Ltd	Geopacific Resources Ltd/ Kula Gold Ltd	349,465	N
SOE				
Ok Tedi (Mt Fubilan)	Ok Tedi Mining Ltd	Ok Tedi Mining Ltd	529,358,136	Y
Trustee	Mineral Resources Development Co. Ltd		2,551,517	N
Oil and gas companies that provided a consolidated template				
ExxonMobil PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd		678,675,414	Y
Oil Projects	Oil Search Ltd		146,169,508	Y
PNG LNG and other Oil Projects	Kumul Petroleum Holdings Limited (KPH)		579,528,734	Y
Oil and gas companies by project				
Gobe	Ampolex Highlands Ltd	ExxonMobil Ltd	2,416,571	Y (Part of ExxonMobil Group)
	Cue PNG Oil Co. P/L		0	N
	Southern Highlands Petroleum Company Ltd	Kumul Petroleum Holdings Ltd	0	Y (Part of KPHL Group)
	Merlin Petroleum Co	Japan Papua New Guinea Petroleum Company, Nippon Oil Exploration (PNG) Pty Ltd, Marubeni Corporation	0	N
	Oil Search (PNG) Ltd	Oil Search Ltd	1,478,771	Y (Part of Oil Search Group)

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

	Petroleum Resources Gobe Ltd	MRDC		65,270	N
	Gas Resources Gobe Ltd	MRDC		0	N
	Barracuda Ltd	Santos Ltd		197,293	N
Hides Gas to Electricity	Oil Search (Tumbudu) Ltd	Oil Search Ltd		37,151,301	Y (Part of Oil Search Group)
Kutubu	Ampolex (PNG Petroleum) Inc	ExxonMobil Ltd		17,092,814	Y (Part of ExxonMobil Group)
	Merlin Pacific Oil Co. NL	ExxonMobil Ltd		4,632,816	Y (Part of ExxonMobil Group)
	Merlin Petroleum Co	Japan Papua New Guinea Petroleum Company, Nippon Oil Exploration (PNG) Pty Ltd, Marubeni Corporation		0	N
	Petroleum Resources Kutubu Ltd	MRDC		10,459,638	N
	Gas Resources Kutubu Ltd	MRDC		1,510,940	N
	Oil Search (PNG) Ltd	Oil Search Ltd		48,792,974	Y (Part of Oil Search Group)

Project	PNG Entity	Parent company	Consolidated Receipts (PGK)*	Material under quantitative definition
Moran Unit	Ampolex (Highlands) Inc	ExxonMobil Ltd	53,188	Y (Part of ExxonMobil Group)
	Ampolex (PNG Petroleum) Inc	ExxonMobil Ltd	0	Y (Part of ExxonMobil Group)
	Esso PNG Moran Ltd	ExxonMobil Ltd	13,147,703	Y (Part of ExxonMobil Group)
	Merlin Pacific Oil Co. NL	ExxonMobil Ltd	0	Y (Part of ExxonMobil Group)
	Eda Oil Ltd	Kumul Petroleum Holdings Ltd	9,282,077	Y (Part of KPHL Group)
	Merlin Petroleum Co	Japan Papua New Guinea Petroleum Company, Nippon Oil Exploration (PNG) Pty Ltd, Marubeni Corporation	0	N
	Petroleum Resources Moran Ltd	MRDC	0	N
	Gas Resources Moran Ltd	MRDC	0	N
	Gas Resources NW Moran Ltd	MRDC	0	N
	Oil Search (PNG) Ltd	Oil Search Ltd	14,114,795	Y (Part of Oil Search Group)
Papua LNG (Elk-Antelope)	Total E&P PNG Ltd	Total S.A.	31,662,810	N
Pasca A	Twinza Oil	Twinza Oil	0	N
PNG LNG	Ampolex (PNG) Ltd	ExxonMobil Ltd	0	Y (Part of ExxonMobil Group)
	Esso Highlands Ltd	ExxonMobil Ltd	0	Y (Part of ExxonMobil Group)
	Esso PNG Juha Ltd	ExxonMobil Ltd	13,180,703	Y (Part of ExxonMobil Group)
	ExxonMobil PNG Ltd	ExxonMobil Ltd	See above	Y (Part of ExxonMobil Group)
	Kumul Petroleum (Kroton) Ltd	Kumul Petroleum Holdings Ltd	See above	Y (Part of ExxonMobil Group)
	Kumul Petroleum (PNG LNG) Ltd	Kumul Petroleum Holdings Ltd	See above	Y (Part of ExxonMobil Group)
	Nippon PNG LNG LLC	Nippon Oil exploration (PNG) Pty Ltd, JX Nippon Oil & Gas Corporation, Marubeni Corporation	3,242,396	N
	Merlin Petroleum Co	Japan Papua New Guinea Petroleum Company, Nippon Oil Exploration (PNG) Pty Ltd, Marubeni Corporation	0	N
	Oil Search (LNG) Ltd	Oil Search Ltd	See above	Y (Part of Oil Search Group)
	Oil Search (Tumbudu) Ltd	Oil Search Ltd	See above	Y (Part of Oil Search Group)

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

	Lavana Ltd	Santos Ltd		0	N
	Santos (Hides) Ltd	Santos Ltd		0	N
	Gas Resources Gigira Ltd	MRDC		3,828,460	N
	Gas Resources Hides No.4 Ltd	MRDC		692,017	N
	Gas Resources Angore Ltd	MRDC		367,581	N
	Gas Resources Juha No.1 Ltd	MRDC		366,433	N
Stanley Project	Repsol	Talisman Niugini Pty Ltd		813,129	N
	Horizon oil (Papua) Ltd			1,334,768	N
	Osaka Gas Niugini Pty Ltd			0	N
	Mitsubishi Corporation (Diamond Gas Niugini B.V.)			0	N

* excluding share of sales, license and MRA fees and ITC.

The following entities have consolidated receipts below quantitative threshold. However, the IA considered qualitative factors such as significant production and export quantities including PGK values and entities with a high public profile:

- K92 Mining Limited (Kainantu)
- Morobe Consolidated Goldfields Ltd (Hidden Valley)
- Simberi Gold Co. Ltd (Simberi)
- Total E&P PNG Ltd (Papua LNG Elk-Antelope)
- Other joint venture partners of PNG LNG project
 - Santos
 - JX Nippon
- Mineral Resources Development Co. Ltd

We have analysed the coverage of selected reporting entities as follows:

Table 7: Resource company coverage

Companies	No. of resource companies	Government receipts (PGK)	Coverage
Companies covered under quantitative threshold	22	2,534,771,937	94.13%
Companies covered under qualitative consideration	23	152,513,455	5.66%
Companies not covered	12	5,627,511	0.21%
Total	57	2,692,912,902	100.00%

Based on the above selection of reporting companies, the IA is covering 99.6% of the extractive revenues to be reconciled for the 2018 report.

2.3 State-owned enterprises and trustees

State-owned enterprises (SOEs)³⁷ and trustees play a key role in managing and distributing PNG's wealth. Transparent disclosure of their processes for managing and transferring funds to beneficiaries (landowners, subnational governments, etc.) is therefore critical for a comprehensive EITI report. Material SOEs and trustees were those with interests in (or responsibility for managing

³⁷ The EITI Standard 2016 s. 2.6a defines an SOE as: 'a wholly or majority government owned company that is engaged in extractive activities on behalf of the government', https://eiti-production-files.s3-eu-west-1.amazonaws.com/s3fs-public/documents/the_eiti_standard_2016_-_english.pdf, accessed 11 December 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

interests in) extractive projects that were producing saleable commodities during the reporting period. These are listed below:

Table 8: SOEs and trustees 2018

Reporting entity	Revenue stream received	Revenue stream paid to PNG Government
Kumul Petroleum Holdings Ltd (KPH)	Share of sales from subsidiary companies that are joint venture partners in oil projects and PNG LNG	Dividends paid to PNG Treasury KPH taxes paid to IRC Subsidiary company taxes paid to IRC Return of capital to the State State support
Kumul Mineral Holdings Ltd (KMH)	n/a. Not material for 2018, as no interests in operations that were producing saleable commodities	Salary & wages tax (Group tax)
Mineral Resources Development Company Ltd (MRDC)	Management fees from trusts managed on behalf of subsidiary landholder companies. MRDC also report the royalty and dividends received from subsidiary landholder companies and on payments to relevant trust funds.	MRDC taxes paid to IRC Subsidiary company taxes paid to IRC
Ok Tedi Mining Ltd (OTML)	Sales revenue from Ok Tedi mine	Dividends paid to PNG Treasury Taxes paid to IRC Production levy paid to MRA
Ok Tedi Development Foundation	n/a. Not material for 2018 data reconciliation, but contextual information was requested by the IA)	Potential quasi-fiscal payments. Further update on this will be available on PNG EITI website

State participation in the extractive industries contributes to government revenues through dividends and tax payments to PNG Treasury and IRC, respectively. Where the SOE is also the operator of the project (as is the case with Ok Tedi), the SOE pays a production levy to the MRA. Royalty payments are also distributed to subnational governments and landholders through the MRDC.

Each SOE, and associated subsidiary companies, is considered material for reporting purposes regardless of whether the quantitative threshold is met. This is due to the requirement of the EITI standard to transparently report the management of funds through these entities. Each SOE, its structure, subsidiaries and its contribution to extractive industry revenues are discussed in more detail in Chapter 9 of this report.

2.4 Government entities

Government entities are material reporting entities if they received payments from the reporting companies and SOEs during the reporting period. Government entities that do not receive payments, but keep records of payments, are also included in the list of material government entities, as shown below.

Table 9: Material government entities 2018

Government entity	Revenue streams received or recorded
Internal Revenue Commission (IRC)	Mining and petroleum tax (corporate income tax), Salary and wages tax (group tax), Infrastructure tax credits, additional profits tax, foreign company/contractor withholding tax, management fee withholding tax, interest withholding tax, training levy, business payments tax, royalty withholding tax and dividend withholding tax.
Mineral Resources Authority (MRA)	Production levy, royalties and tenement fees, rents and security payments. Requested MOA information
Department of Treasury	Dividends from SOEs, values of funds held in Royalty Trust Funds and other resource related Trusts as listed on Volume 2D of Budget Booklet, and

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Government entity	Revenue streams received or recorded
	methodology of calculations of benefit streams for each project and development levy (records of payments).
Department of Finance	Development levies and royalties from oil and gas.
Department of Petroleum and Energy (DPE)	Royalties, development levy, license fees.
Department of National Planning and Monitoring (DNPM)	Infrastructure tax credits.
Conservation and Environment Protection Authority (CEPA)	Decommissioning and mine closure bonds, license fees.
Bank of PNG	Receipt of royalties, development levy and petroleum license fee from DPE, gold and silver export bonds (MRA).
Department of Mineral Policy and Geo-hazard Management (formerly the Department of Mining)	To request information on dividend payments made by Ok Tedi to Western Province Peoples Dividend Trust Fund (from Terms of Reference document).
PNG Customs	Bills of lading of every shipment of minerals, oil and gas so IA can verify export data.

2.5 Revenue streams

The PNG Government revenue streams relevant to the extractive sector, identified to date, are shown in Table 10 below. Amounts generated through each of these revenue streams during the reporting period were requested from the relevant reporting entity. In the case of reconciled revenue streams, amounts were requested from the resource company (or SOE), as well as the relevant government receiving entity to compare. In cases where a revenue stream has been identified as material, but has not been reconciled, the reasons are stated below the table.

Table 10: Extractive industry revenue streams

Revenue stream	Revenue (PGK)	% of revenue	% of Government revenue	Material	Reconciled	Paid to	Discussion	Reported/ Reconciliation
Mining								
Mine closure bond	0	0.0%	0.0%	N	N	CEPA	10.5.8	n/a
Production levy	28,005,135	0.3%	1.0%	Y ³⁸	Y	MRA	4.13, 10.6.1	
Alluvial levies; Mine security deposits; Exploration security deposits; Mining lease rentals; Exploration licence rentals; Data sale receipts; Exploration applications, extensions, extension late fees, transfer and dealing fees (related to exploration); Mining applications, extensions, extension late fees, transfer and dealing fees (related to mining)	4,002,689	0.0%	0.1%	N	N		10.6.3	
Public Investment Program (PIP) project funds	0	0.0%	0.0%	N	N	MRA	7.10,	
Petroleum								
Decommissioning bonds	0	0.0%	0.0%	N	N	CEPA	10.5.8	n/a
Development levy	72,410,451	0.9%	2.6%	Y	Y	Collected by DPE, recorded by The Department of Finance, and paid to relevant local or provincial government	4.13, 10.7.2	Development levy

³⁸ Identified as material by MSG due to qualitative definition 'of significant interest'

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Revenue stream	Revenue (PGK)	% of revenue	% of Government revenue	Material	Reconciled	Paid to	Discussion	Reported/ Reconciliation
Licence fees	2,673,054	0.0%	0.1%	N	N	DPE	10.7.5, Appendix C	DPE licence fees
Additional profits tax	0	0.0%	0.0%	Y	N	IRC	4.8.4, 10.7.4	Additional profits tax
Equity distributions / Share of sales	5,311,270,420	65.3%	0.0%	Y	N	State-owned enterprises	10.7.1	Equity distributions and share of sales
Import taxes	Not reported	0.0%	0.0%	N	N	PNG Customs Service	4.8.1	Other taxes (not reconciled)
Goods and services tax	34,333,822	0.4%	1.2%	N	N	PNG Customs Service and IRC	4.8.2; 10.5.4	Other taxes (not reconciled)
Royalties	308,803,450	3.8%	11.2%	Y	Y	O&G: Oil Search pays by cheque to DPE, ExxonMobil makes payments direct to trust account to be apportioned to relevant landowners, local-level governments and provincial governments Mining: Paid directly to State of PNG, relevant landowners, local-level governments and provincial governments; also reported to MRA	4.13; 10.6.2; 10.7.3	Mining royalties oil and gas royalties
Dividends	653,500,000	8.0%	23.6%	Y	Y	Treasury	10.5.5	Dividends
Environment permit fees	2,832,762	0.0%	0.1%	Y ³⁹	N	CEPA	10.5.8	Environment permit fees
Salary and wage tax (Group tax - taxes withheld on employees' salaries)	697,967,195	8.6%	25.2%	Y	Y	IRC	4.5, 10.5.3	Salary and wage tax (group tax)
Mining and petroleum tax (corporate income tax)	765,056,770	9.4%	27.7%	Y	Y		4.4, 10.5.1	Corporate income tax (mining and petroleum tax)
Business payments tax	5,442,567	0.1%	0.2%	N	N		4.8.5, 10.5.4	Other taxes (not reconciled)
Dividend withholding tax	387,722	0.0%	0.0%	N	N		4.8.6,	Other taxes (not reconciled)
Interest withholding tax	10,113,248	0.1%	0.4%	N	N		4.8.7, 10.5.4	Other taxes (not reconciled)
Management fee withholding tax	4,644,657	0.1%	0.2%	N	N		4.8.8, 10.5.4	Other taxes (not reconciled)
Royalty withholding tax	1,960,989	0.0%	0.1%	N	N		4.8.9, 10.5.4	Other taxes (not reconciled)
Foreign contractor withholding tax	172,480,029	2.1%	6.2%	Y	N		4.6,	Foreign contractor withholding tax
Training Levy	-	0.0%	0.0%	N	N		10.5.4	Other taxes (not reconciled)
Tax credit scheme (Infrastructure tax credits)	60,143,299	0.7%	0.0%	Y	Y	Spending reported to DNPM; offset reported to IRC	4.7, 10.5.2	Infrastructure tax credits (ITC)

The relative magnitude of each revenue stream is shown in section 2.1 above. This includes the share of sales, which is received by state-owned enterprises and trustees. Some of this ultimately

³⁹ Identified as material by MSG due to qualitative definition 'of significant interest'

Introduction
Reporting entities and revenue streams
Contribution of extractive industries to the economy
Legal framework and fiscal regime
Management and distribution of revenues
Social and subnational payments
Mining
Oil and gas
State-owned enterprises
Reconciliation of revenue streams
Findings and recommendations
Appendices

flows to the State via dividends, but some is received on behalf of landowners. Similarly, social expenditures flow not to the State but direct to a variety of recipients.

Contribution of extractive industries to the economy



Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

3. Contribution of extractive industries to the economy

3.1 About Papua New Guinea

Papua New Guinea (PNG) is part of Oceania, occupying the eastern half of the island of New Guinea and numerous offshore islands. PNG's capital and largest city is Port Moresby.

PNG is known for its diversity, with over 800 indigenous languages and at least as many traditional societies, within a population of only 8.6 million people.⁴⁰ It is also one of the most rural societies in the world, with only 13.2% of people living in urban centres.⁴¹

The nation established independence from Australia in 1975 and has a unicameral National Parliament, for which elections are held every five years. There has been one significant internal conflict, the Bougainville crisis of 1988–98, which began because of tensions related to the Bougainville Copper mine (Panguna Mine).

PNG has now experienced 17 years of economic growth, progressing from 'low income' to 'lower middle income' according to World Bank classifications.⁴² This progress is echoed in the United Nations' Human Development Index (HDI), with an HDI of 0.544 in 2018, a steady improvement from 0.422 in 2000. However, the country is still classified as 'low human development', ranking 153 out of 188 countries.⁴³

Challenges to improving the wellbeing of the PNG population remain, as the country still faces skills shortages, poor infrastructure, and a weak institutional set-up that hinders development. Corruption, political uncertainty, access to land, and maintaining law and order are a few of the major constraints to business investment and growth.⁴⁴ However, the PNG Government has expressed a strong commitment to meeting the UN Sustainable Development Goals, working towards improvements in sustainable development and reducing incidents of corruption.^{45,46}

Table 11 below provides an overview of PNG's performance against a range of economic and social development indicators.

⁴⁰ World Bank Data – <https://data.worldbank.org/country/papua-new-guinea>, accessed 14 August 2019

⁴¹ World Data Bank – World Development Indicators <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators&>, accessed 14 August 2019

⁴² World Bank in Papua New Guinea – Data <https://data.worldbank.org/country/papua-new-guinea>, accessed 14 August 2019

⁴³ UN Human Development Reports, <http://hdr.undp.org/en/countries/profiles/PNG>, accessed 14 August 2019

⁴⁴ World Bank, PNG Economic Update 2019, <http://documents.worldbank.org/curated/en/597161549016416469/pdf/Papua-New-Guinea-Economic-Update-Slower-Growth-Better-Prospects.pdf>, accessed 19 August 2019

⁴⁵ PNG Department of National Planning and Monitoring, Millennium Development Goals Final Summary Report 2015, https://www.pg.undp.org/content/papua_new_guinea/en/home/library/millennium-development-goals-final-summary-report-2015.html, accessed 24 October 2019

⁴⁶ United Nations Development Programme, More Government agencies join fight against corruption, http://www.pg.undp.org/content/papua_new_guinea/en/home/presscenter/pressreleases/2018/04/04/more-government-agencies-join-fight-against-corruption-.html, accessed 24 November 2019

Introduction	Reporting entities and revenue streams		Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Table 11: PNG's World Development Indicators⁴⁷

	Indicator	2014	2015	2016	2017	2018	
Population	Surface area (sq. km)	462,840 sq.km					
	Population, total	7,946,731	8,107,775	8,271,760	8,438,029	8,606,316	
	Population density (people per sq. km of land area)	17.5	17.9	18.3	18.6	19.0	
	Population growth (annual %)	2.0	2.0	2.0	2.0	2.0	
	Urban population (% of total)	13.0	13.0	13.1	13.1	13.2	
	Rural population (% of total)	87.0	87.0	87.0	86.90	86.8	
Economy	Real Gross Domestic Product (real GDP) growth (annual %) [^]	13.5	9.5	4.1	1.5	0.4	
	Gross National Income (GNI) per capita, Atlas method (current US\$)	2,970	2,900	2,500	2,500	2,530	
	Inflation, GDP deflator (annual %) [*]	5.5	-3.9	7.6	7.6	8.3	
	Ease of doing business index (1=most business-friendly regulations)	-	-	-	-	108	
	Unemployment, total (% of total labour force) (modelled ILO estimate)	2.6	2.6	2.4	2.4	2.4	
	Labour force, total	2,377,937	2,420,940	2,481,588	2,543,115	2,595,814	
	Labour force, female (% of total labour force)	48.7	48.8	48.9	48.8	48.7	
Health	Fertility rate, total (births per woman)	3.8	3.7	3.7	3.6	-	
	Improved sanitation facilities (% of population with access)	18.9	18.9	-	-	-	
	Improved sanitation facilities, rural (% of rural population with access)	13.3	13.3	-	-	-	
	Improved sanitation facilities, urban (% of urban population with access)	56.4	56.4	-	-	-	
	Improved water source (% of population with access)	40	40	-	-	-	
	Improved water source, rural (% of rural population with access)	32.8	32.8	-	-	-	
	Mortality rate, under-5 (per 1,000 live births)	59.0	57.1	55.2	53.4	47.8	
	Life expectancy at birth, total (years)	65.2	65.4	65.5	67.7	64.3	
Infrastructure	Fixed broadband subscriptions (per 100 people)	0.2	0.2	0.2	0.2	-	
	Fixed telephone subscriptions (per 100 people)	1.9	1.9	1.9	1.9	-	
	Individuals using the Internet (% of population)	7.9	7.9	9.6	11.2	-	
	Mobile cellular subscriptions (per 100 people)	45.0	45.0	46.8	48.7	-	
	Access to electricity (% of population)	44.5	44.5	49.4	54.4	-	
	Access to electricity, rural (% of rural population)	39.5	39.5	44.9	50.4	-	
	Access to electricity, urban (% of urban population)	78.2	78.2	79.3	81.0	-	

⁴⁷ Values in table sourced from World Data Bank except values for [^]GDP and ^{*}inflation are sourced from the PNG 2019 National Budget Vol 1, Appx 3, Table 9, p. 174 (Actual data for 2007 to 2014: National Statistical Office. Estimates and projections: Dept. of Treasury). Life expectancy data from <http://hdr.undp.org/sites/default/files/hdr2019.pdf>, accessed 17 December 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

3.2 PNG economic overview for 2018

PNG’s Gross Domestic Product (GDP) in recent years is shown in Figure 12 below.

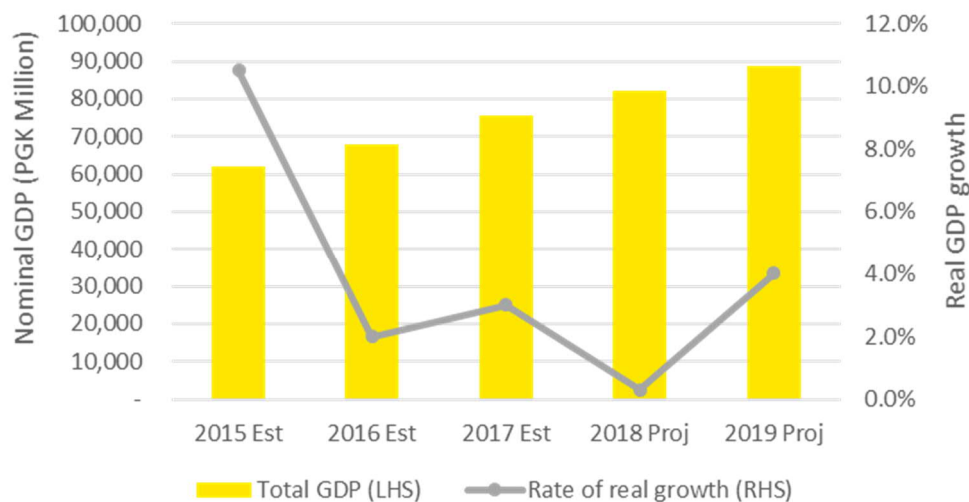


Figure 12: GDP and rate of real growth 2018⁴⁸

PNG’s economy was projected to grow by 0.3% in 2018 in real terms, which was a reduction on the 2.4% projected in the 2018 budget and the revised projection of 1% in the Mid-Year Economic and Fiscal Outlook.⁴⁹ Actual figures were not available at the time of writing. This compares with nominal GDP growth of nearly 9% forecast for 2018, with the difference between the two measures of GDP attributable to inflation, currency depreciation against the US dollar, increased commodity prices, and decreased levels of extractives production.⁵⁰

These factors contributed to a 9.4% increase in the nominal GDP generated by the extractive industries in PNG.⁵¹ The combination of high commodity prices and a lower PGK meant that the extractive industries yielded a higher total value of production despite a reduced level of output. Real GDP growth in the extractive industries is forecast to be -6.1% in 2018,⁵² reflecting lower forecast output. This reduction in output may not coincide with lower total export values, government revenues or nominal GDP, as these measures are also affected by financial markets.

The non-extractives sector contributed significantly to GDP growth in 2018, with real non-mineral GDP growth at 3.1% overall, an increase of 2.9% from 2017. Agriculture, forestry and fishing is the largest non-extractives sector in PNG in terms of contribution to real GDP, and is forecast to grow by 3.3% in real terms in 2018.

⁴⁸ 2019 National Budget, Appendix 3, Table 1, p. 166, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf, accessed 15 August 2019

⁴⁹ Ibid, p. 1.

⁵⁰ Ibid, p. 166-170.

⁵¹ Ibid, p. 166

⁵² Ibid, p. 166-170.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

3.3 Post-2018 developments and projections

The medium-term economic outlook for PNG remains positive, with the economy forecast to grow by approximately 4.0% in real terms in 2019, driven largely by non-extractive industries.⁵³ Sectors including oil and gas extraction, mining and quarrying, construction, electricity, gas and air-conditioning are also forecast to grow in 2019.

Potential future mining opportunities include the Papua LNG, Pasca A Gas, Stanley Gas, P'nyang Gas, Yandera mining, Woodlark mining, Wafi-Golpu and Frieda River mining and petroleum projects.⁵⁴ These have the potential to stimulate the PNG economy and provide the government with revenue to enable the delivery of social services and infrastructure. However, sustainable economic growth is contingent upon broader-based investment that will spread economic activity and opportunity across PNG.⁵⁵

3.4 Impact of the extractive industries

For the purposes of EITI reporting, the MSG agreed that the extractive industries include mining, oil and gas. Quarrying, forestry and fisheries have been excluded.⁵⁶

The extractive industries dominate exports and are correlated with economic activity in other sectors such as construction and transport. The relative contribution of the extractive industries to a selection of economic measures for the 2018 reporting period are shown in Figure 13 below.

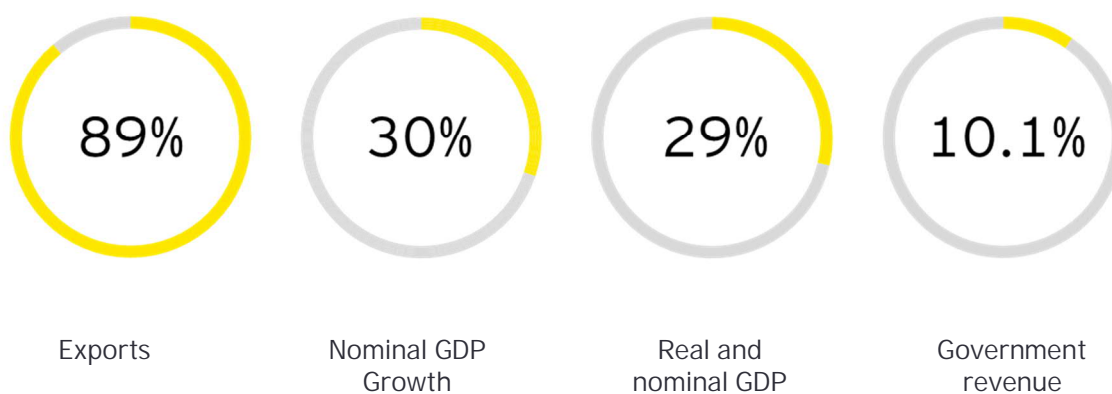


Figure 13: Percentage contribution of the extractives sector to economic measures in 2018

3.5 Contribution to GDP

The contribution of the extractives (or mineral) and non-mineral sectors to GDP in recent years is shown in Figure 14 and Table 12 below.⁵⁷

⁵³ Ibid, p. 166.

⁵⁴ Ibid, p. 12.

⁵⁵ Institute of National Affairs, PNG's Economy 2016- past, present and future prospects.

http://www.inapng.com/pdf_files/PB%20-%20Mining%20and%20Petroleum%20Conference%20%202016%20%20Word%202007.pdf

⁵⁶ Minutes of MSG meeting #2, 27 March 2015. GDP figures above include quarrying in the extractives as that industry was not able to be omitted from the analysis using publicly available information.

⁵⁷ 2019 National Budget, p. 166, http://www.treasury.gov.pg/html/national_budget/files/2018/Volume%201.pdf, accessed 24 October 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

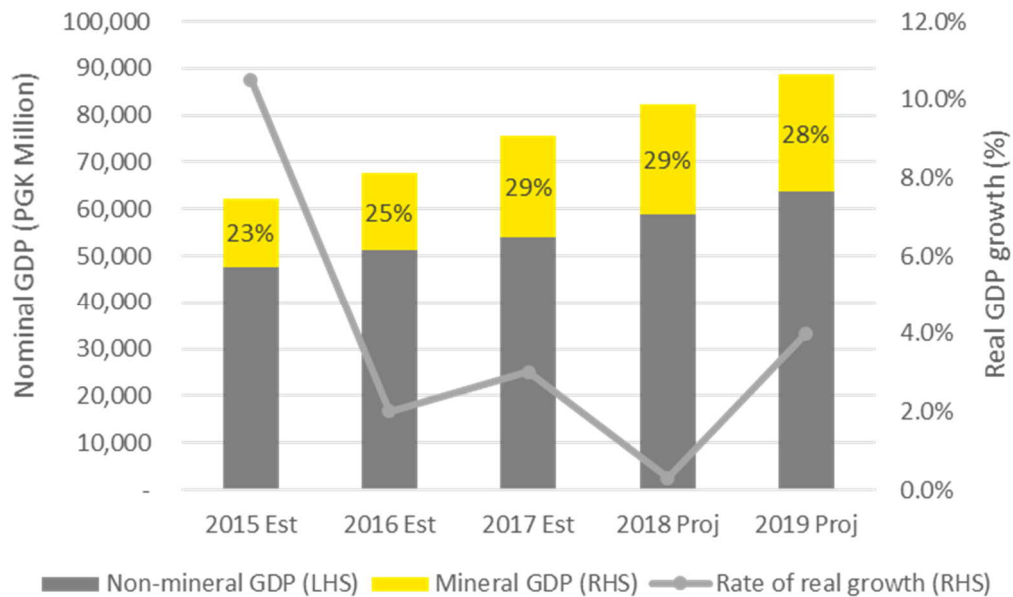


Figure 14: Extractive industries contribution to GDP 2018

The table below attributes the contributions to historic and forecast overall real GDP growth (or output) to the various economic sectors of the PNG economy.

Table 12: Contributions to growth in real GDP (% points) during 2014–18⁵⁸

Contributions to growth in Real Gross Domestic Product (% points)						
Industry sector	2014	2015	2016 Est	2017 Proj	2018 Proj	2019 Proj
Agriculture, forestry and fishing	0.6	0.4	0.6	0.3	0.5	0.5
Oil and gas extraction	9.1	10.2	0.5	1.6	-1.9	1.2
Mining and quarrying	0.6	-0.2	1.1	1.2	0.0	0.6
Manufacturing	0	0	0	0	0.1	0.1
Electricity gas & air conditioning	0	0	0	0	0	0
Water supply & waste management	0	0	0	0	0	0
Construction	0	0	0.1	-0.6	0.1	0.3
Wholesale and retail trade	0.1	0.2	0.1	0.1	0.3	0.4
Transport and storage	-0.2	0	0	0	0.1	0.1
Accommodation and food services	0	0	0	0	0.1	0
Information and communication	0.3	0.1	0.1	0	0.1	0.1
Financial and insurance activities	-0.8	-0.6	-0.3	-0.1	0.1	0.1
Real estate activities	0.2	0.1	0.1	0	0	0.1
Professional and scientific	-0.1	-0.1	0	0	0	0
Administrative and support services	0	0	0	0.1	0.4	0.2
Public administration and defence	0.5	0.2	0.2	0.1	0.2	0.2
Education	0.2	0.1	0.1	0.1	0.1	0.1
Health and social work activities	0.1	0.1	0	0	0.1	0.1
Other service activities	-0.1	0	0	0	0	0
TOTAL	12.5%	10.5%	2.0%	3.0%	0.3%	4%
Total Non-Mineral	3.3%	0.7%	0.7%	0.2%	3.1%	3.1%

⁵⁸ 2019 National Budget, Appendix 3, Table 2, p. 167 (Actual National Statistical data up to 2015. Estimates and projections-Department of Treasury) http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf, accessed 14 August 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

3.6 Contribution to government revenue

Figures drawn from the 2018 Final Budget Outcome indicate that the mining and petroleum sectors contributed 10.1% of government revenue (via corporate income tax and dividends) in 2018 as shown in Table 13 below.

Table 13: Contribution of the mining and oil and gas sectors to government revenue⁵⁹

	2014 (PGK million)	2015 (PGK million)	2016 (PGK million)	2017 (PGK million)	2018 (PGK million)
Total tax and non-tax revenue (excluding grants)	10,975.7	10,183.6	10,485.5	11,525.1	14,085.8
Mining and petroleum tax (Corporate Income Tax)	864.0	195.4	92.0	113.6	775.0
Mining and petroleum dividends	507.2	456.4	300.5	562.3	653.5
Grants Stabilisation Fund (Sovereign Wealth Fund (SWF))	-	-	-	-	362.5 [^]
Contribution of mining and petroleum in government revenue	12.49%	6.40%	3.74%	5.86%	10.1%
Salary & wages tax (group tax) contribution by extractive industries*	426.78	572.64	572.95	597.53	697.97

*As per IRC templates 2014–18

[^] 2018 Supplementary budget

The budget commentary suggests that the trend of declining proportional mining and petroleum revenues in the years to 2016 has been corrected, thanks in part to ongoing reforms under the Medium Term Revenue Strategy 2018–2022. The revenue increases are due to growth in both mineral and non-mineral receipts. This result was despite the massive earthquake that struck the Southern Highlands province in February, causing severe social and economic disruptions that dampened GDP growth significantly. These effects were mitigated by the increased production capacity of the PNG LNG Project, improved oil and gas prices and a PGK currency depreciating against the US dollar. The successes of the 2018 Budget have only been marred by some continued expenditure overruns related to rising government payroll costs. Instructions have been issued to tighten spending over the remaining months of 2018 to minimise this, and commitments have been made to redouble efforts to control expenditure into the new year.⁶⁰

The International Monetary Fund (IMF) has concluded that PNG's taxes on the extractive industries are low by international standards.⁶¹ Some high-profile projects such as Ramu Nickel contribute little to resource sector revenues, largely due to accelerated depreciation and tax exemptions. Similarly, Lihir, one of the largest mines, has paid almost zero corporate income tax since 2013, after deduction of infrastructure tax credits. In 2018, Santos subsidiaries and Morobe Consolidated Goldfields Ltd also paid no corporate income tax.

⁵⁹ 2019 National Budget, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf accessed 15 August 2019. Note – Under the GFS 2014 methodology, non-payable infrastructure tax credits, revenue on asset sales and GST transfers to WPA and Trust Accounts are excluded from revenue

⁶⁰ Ibid, p. iii-iv

⁶¹ Rohan Fox et. al., 2018 Economic Survey, http://www.devpolicy.org/2018_economic_survey_final_draft_29June.pdf, accessed 24 October 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Table 14: Comparison of 2018 Budget figures with figures from reconciliation (see Chapter 10)⁶²

	2018 final budget outcome	2018 reconciliation figure (Company reported)	Variance	Absolute Variance (%)
	(PGK million)			
Corporate income tax (mining and petroleum tax)	775	766	(9)	0%
Mining and petroleum dividends (paid to Treasury)	654	655*	1	0%

*includes a K202 million return of capital payment made by KPHL.

We note that the contribution to government revenue for mining and oil and gas sectors as defined in the 2019 Budget includes corporate income tax (mining and petroleum tax) and dividends paid to Treasury from SOEs operating in the extractives sector. The company-reported figure for mining and petroleum dividends (paid to Treasury) includes return of capital to the State amounting to PGK296.44 million. The IA has not received any comments from IRC and Treasury on the variances above. The revenue streams included in this report are broader in nature and include additional tax revenues which are described in more detail in Chapter 2 of this report.

3.7 Contribution to exports

The value of total mineral exports for 2018 was estimated at PGK29,588.5 million, comprising 89% of total export value. A breakdown of the value of exports by commodity is provided in Figure 15 below.

⁶² 2019 PNG Budget, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf, accessed 15 August 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

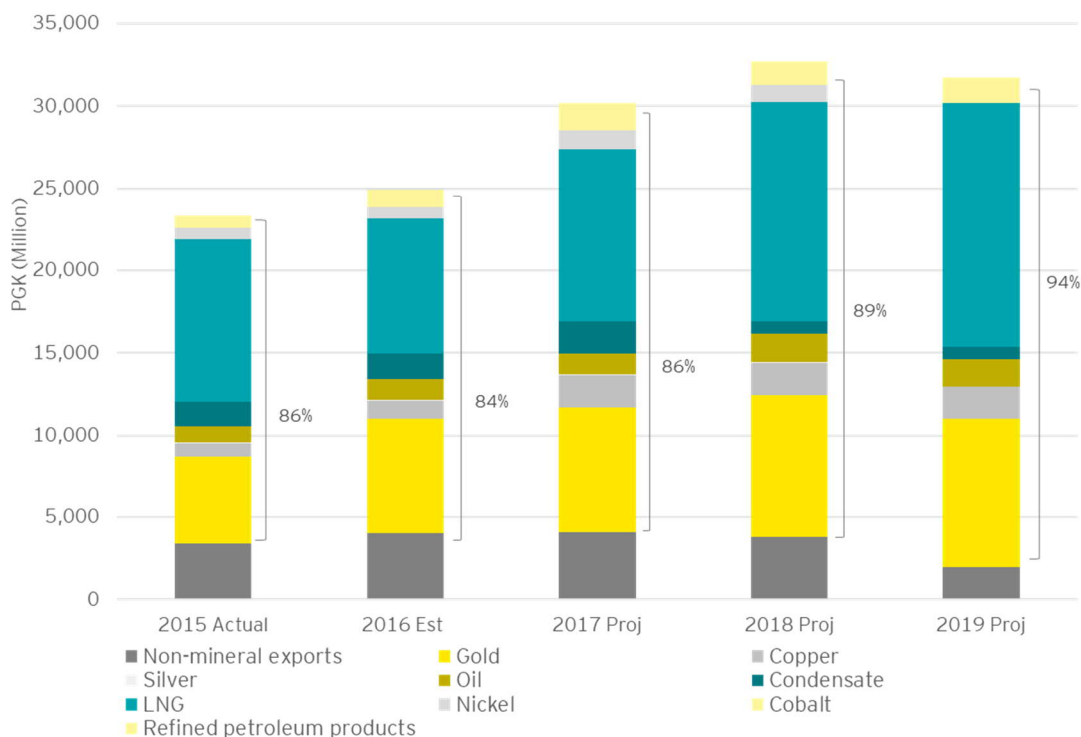


Figure 15: Mineral exports as a proportion of total exports, 2015-18⁶³

For detailed export quantities and values reported, see Chapters 7 and 8 of this report.

The dominance of the extractive industries in PNG's exports, together with the limited range of commodities being exported, leaves the economy vulnerable to the cyclical nature of commodity markets. The government has made attempts to manage this, such as the development of the Sovereign Wealth Fund, discussed further in Chapter 5.

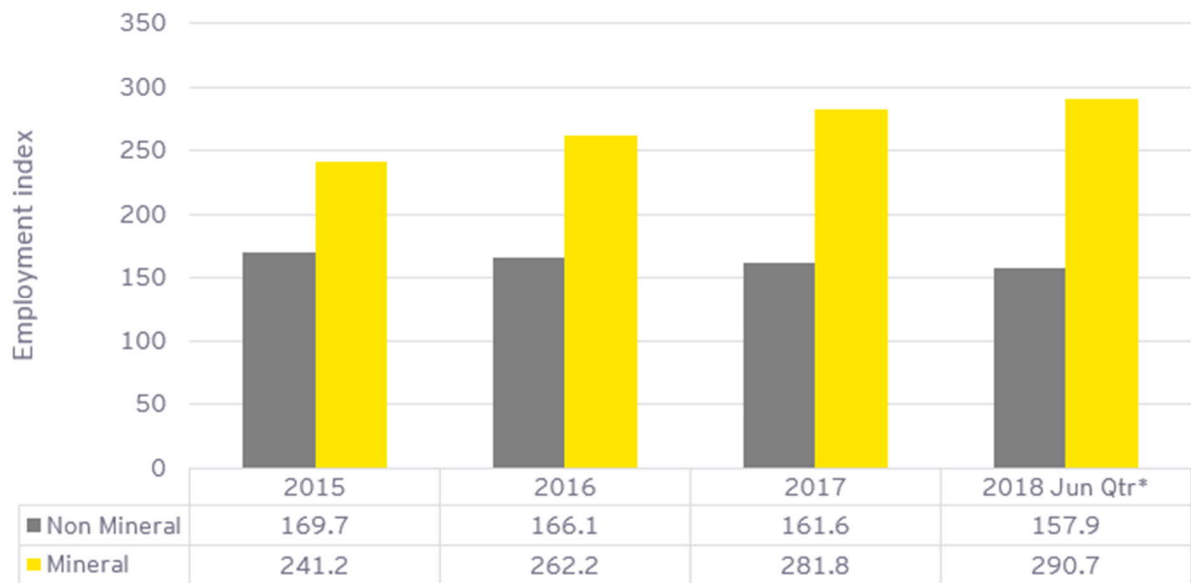
3.8 Contribution to employment

Employment data for PNG is limited. Treasury draws on an index compiled by the Bank of PNG through its Business Liaison Surveys of around 400 private sector business entities across different regions and industries. The Bank of PNG Employment Index, shown over the past four years in Figure 16, is reported with the base period being March 2002.⁶⁴

⁶³ Ibid, Vol 1, Appx 3, Table 5, p. 170, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf

⁶⁴ Which has an index of 100.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------



* June Quarter Preliminaries

Figure 16: Mineral and non-mineral employment ⁶⁵

The World Bank states that, despite improving growth in the non-extractive sectors in 2018, the BPNG data indicates that formal sector employment⁶⁶ continued to decline in 2018, down by over 3% from a year earlier, and that retrenchments were broad-based across non-extractive sectors.⁶⁷ The growth of formal sector employment has not kept pace with the labour force growth. Significant numeracy and literacy gaps are also a contributing factor to the low levels of formal employment, with the majority of labour market entrants seeking jobs in the informal sector.⁶⁸

A study from the Institute of National Affairs comments:

‘Although mining and quarrying only provides limited direct employment, in practice it supports a significant amount of employment in other sectors of the economy. For example, during the construction phase of mineral and hydrocarbon resource projects, employment is classified in the construction sector even though its primary purpose is to support the mining and hydrocarbon sector. Moreover, many of the other domestic sectors primarily serve the mining industry or gain significant increases in trade as a result of an increase in activity in the mineral and hydrocarbon sectors.’⁶⁹

A report from the United Nations Development Program for PNG in 2014 noted that PNG’s total formal labour market provides livelihoods to less than 12% of the working-age population.⁷⁰ A much

⁶⁵ Ibid, Vol 1, Appx 3, Table 5, p. 170, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf

⁶⁶ Stable forms of employment with salaries subject to taxation

⁶⁷ World Bank Group – Papua New Guinea Economic Update, January 2019, <http://documents.worldbank.org/curated/en/597161549016416469/pdf/Papua-New-Guinea-Economic-Update-Slower-Growth-Better-Prospects.pdf>, Accessed 27 August 2019

⁶⁸ International Labour Organization, Decent Work Country Program, http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-suva/documents/publication/wcms_667537.pdf, accessed 19 August 2019

⁶⁹ Luke T. Jones and Paul A. McGavin, ‘Grappling afresh with labour resource challenges in Papua New Guinea: a framework for moving forward’, Institute of National Affairs, June 2015.

⁷⁰ PNG NHDR 2014

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

larger informal labour market, centred on semi-subsistence agriculture, forestry and fisheries, generates livelihoods for most of the remaining working-age population.

Formal employment opportunities in PNG generally emerge from four industrial sectors:

- ▶ Education
- ▶ Agriculture, hunting and forestry
- ▶ Real estate, renting and business services
- ▶ Construction.

Data from The Lowy Institute states that these four sectors account for 52% of all formal employment.⁷¹ Nevertheless, the extractive industries have been important to the growth of formal employment in PNG. Large mines such as Ok Tedi employ 1,624 staff, and mine development contracts may require mining companies to employ local staff.⁷² The PNG LNG project provided a significant number of jobs during its construction (peaking at 21,200 in 2012). As at December 2018, more than 3,236 workers were engaged in production-related roles in the PNG LNG project, of which over 2,770, or 86%, were PNG citizens. This is an increase of some 700 workers compared to 2017, because of contractors appointed to assist with earthquake recovery efforts.⁷³

Further major LNG construction projects may proceed in 2019, providing extensive but relatively brief employment for two to three years. As with PNG LNG, they may also stimulate extensive small and micro-enterprises.

3.9 Commentary

The extractive industries make a significant contribution to the economy of PNG through exports, economic activity, government revenue and employment. There are also other broader impacts such as stimulating infrastructure development. However, as illustrated by some of the figures above, these benefits can be volatile and cyclical. Furthermore, the industry can also have social and environmental costs.

Recent government policies such as the Sovereign Wealth Fund, Vision 2050, and the National Strategy for Responsible Sustainable Development (STaRS) seek to capitalise on the economic boon of the extractive industries, while also diversifying the economy to avoid over-dependence on the sector.⁷⁴ These policies have the potential to benefit PNG over the long term, if prudently implemented.

⁷¹ Paul Barker and Jonathan Pryke, 2017, 'A Bumpy Road: Societal Trends in Papua New Guinea', <http://interactives.lowyinstitute.org/publications/PNGin2017/png-in-2017-society-a-bumpy-road-societal-trends-in-papua-new-guinea.html>, accessed 15 August 2019

⁷² 2018 Ok Tedi Annual Report, <https://oktedi.com/wp-content/uploads/2019/05/OK-Tedi-Annual-Review-2018-Web.pdf>, accessed 15 August 2019

⁷³ PNG LNG Environmental and Social Report-Annual 2018, PNG LNG, 2018 [https://pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2018-Annual-ES-Report-FINAL_FULL_300419-\(ENG-WEB\).pdf](https://pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2018-Annual-ES-Report-FINAL_FULL_300419-(ENG-WEB).pdf) accessed 14 August 2019

⁷⁴ 'Vision 2050', 2009, PNG Government, <https://sustainabledevelopment.un.org/content/documents/1496png.pdf> accessed 27 August 2019



Legal framework and fiscal regime

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

4. Legal framework and fiscal regime

PNG presents unique challenges: its eight million people comprise hundreds of cultural and linguistic groups, with a predominantly rural population spread widely over varied geographies, many of which are remote and inaccessible. To respond to this, the government is decentralised and multi-layered, including national, provincial and local levels of government. This report focuses primarily on the national government and associated revenue flows, but recognises that significant efforts are being made to extend this through to subnational and regional levels to further improve transparency.

4.1 National governance structures

PNG has a constitutional monarchy and is a member of the Commonwealth of Nations. The Head of State is Her Majesty Queen Elizabeth II, represented by a Governor-General elected by Members of the National Parliament.

PNG has three levels of government: national, provincial and local. The National Parliament is a unicameral legislature elected for five-year terms. The Parliament is led by a Prime Minister and Cabinet, known as the National Executive Council (NEC). The Supreme Court, National Court, and local and village courts form an independent justice system.

In May 2019, James Marape replaced Peter O’Neil as Prime Minister. Hon. Charles Abel also handed his position as Treasurer to Hon. Sam Basil, who was subsequently replaced by Hon. Ian Lin-Stuckey, CMG, MP.

Members of the National Parliament are elected from 89 single-member electorates and 22 regional electorates. The regional electorates correspond to PNG’s 20 provinces, plus the Autonomous Region of Bougainville and the National Capital District. Members from regional electorates also serve as provincial governors. Each province has its own provincial assembly and administration.⁷⁵

4.2 Ownership of subsoil assets

The OECD define subsoil assets as proven reserves of mineral deposits located on or below the earth’s surface that are economically exploitable given current technology and relative prices.⁷⁶ According to the Mining Act 1992 (MA) and the Oil and Gas Act 1998 (OGA), subsoil assets in PNG belong to the State.

Section 5 of the MA states, ‘All minerals existing on, in or below the surface of any land in Papua New Guinea, including any minerals contained in any water lying on any land in Papua New Guinea, are the property of the State.’⁷⁷

Section 6 of the OGA states, ‘Subject to this Act, but notwithstanding anything contained in any other law or in any grant, instrument of title or other document, all petroleum and helium at or

⁷⁵ National Parliament of Papua New Guinea, <http://www.parliament.gov.pg/about/parliament>, accessed 30 August 2019

⁷⁶ OECD, Subsoil assets definition, <https://stats.oecd.org/glossary/detail.asp?ID=2602>, accessed 4/12/19

⁷⁷ Department of Mining, Mining Act 1992 and Regulation. Port Moresby: Department of Mining, 1992. http://www.mra.gov.pg/Portals/2/Publications/MINING_ACT%201992.pdf, Accessed 24 October 2018

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

below the surface of any land is, and shall be deemed at all times to have been, the property of the State'.⁷⁸

4.3 Taxation

The Internal Revenue Commission (IRC) is mandated by Parliament under the various taxation acts and regulations and is tasked with the administration and collection of taxation, including taking action against parties that choose to avoid or evade tax.⁷⁹ The IRC collects the majority of State revenue, comprising corporate income tax and tax on salary and wages, as well as indirect taxes such as GST. It also assists Treasury with the development of taxation policy. The IRC is managed by the Commissioner General of the IRC with support from the Commissioner Taxation and Commissioner Services.

The 2018 budget introduced a technical amendment to the secrecy provisions under the Income Tax Act. This allows the IRC to provide direct information without the requirement of a waiver letter for EITI reporting purposes and provides greater transparency. This amendment was effective as of 1 January 2018 and was utilised to access tax payment data from the resources sector.

PNG Customs was established as a separate entity in 2009. In addition to border and community protection and trade facilitation, it is responsible for collecting government revenue from imports and exports.

A comprehensive Taxation Review was submitted to the government in October 2015. The report contains 91 recommendations, seven of which relate to the extractive industries. The recommendations include reducing levels of State equity participation, extending the additional profits tax to the mining and petroleum sector, and changing the terms and availability of fiscal stability agreements. A number of other recommendations not specific to the extractives sector are also relevant, including the introduction of a capital gains tax regime and a tightening up of tax concessions. See <http://taxreview.gov.pg> for further information.

In 2018 many of these recommendations had been implemented, including:⁸⁰

- ▶ Resourcing revenue-raising agencies for improved compliance, including the IRC in the 2017 budget
- ▶ Developing policy and principles to guide State equity participation
- ▶ Implementing an updated Additional Profit Tax which applies to all resource projects except those with a Fiscal Stability clause
- ▶ Removal of the exemption on interest paid to foreign lenders
- ▶ Reducing the generous carry forward loss period in line with the record keeping period

⁷⁸ Department of Petroleum. Independent State of Papua New Guinea. No. 49 of 1998 An Act Entitled Oil and Gas Act 1998. Port Moresby: Department of Petroleum, 1998

⁷⁹ 'Tax avoidance' generally refers to aggressive tax planning - for instance transfer pricing or treaty shopping; 'tax evasion' refers to fraudulent activity.

⁸⁰ The 2017 National Budget, http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf, accessed 22 October 2018

http://www.treasury.gov.pg/html/national_budget/files/2018/Volume%201.pdf, accessed 15 August 2019

http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf, accessed 15 August 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

- ▶ Strengthening revenue administrating agencies.

4.4 Corporate income tax

Revenues from the extractive industries are collected via income tax and additional profits tax as set out in the primary tax legislation, the Income Tax Act 1959 (ITA). The ITA includes specific rules which apply to resource operations depending on the type of resource being extracted. These are contained within Division 10 'Mining, Petroleum and Designated Gas Projects' and include:

- ▶ Subdivision A: General provisions applicable to mining, petroleum and designated gas projects
- ▶ Subdivision B: Specific provisions applicable to mining
- ▶ Subdivision C: Specific provisions applicable to petroleum
- ▶ Subdivision D: Specific provisions applicable to designated gas projects
- ▶ Subdivision E: Additional profit tax

The OGA governs the exploration and production of petroleum (including oil and gas) in the onshore and offshore areas of PNG, and the MA governs the discovery, appraisal, development and exploitation of mineral deposits in PNG (see further comments below). The OGA also governs the calculation of royalties and development levies.

Corporate income tax is standardised to 30% for all petroleum companies, to align with the corporate tax rate of mining and non-resource companies.

Corporate tax is levied on taxable income, that is, assessable income less deductions allowed under the Tax Act. The taxation regime for extractive industries is designed such that a resource company is taxed on a project basis ('ring fencing'), effectively taxing each project like a separate taxpayer. This means that revenue, expenses and losses from each project are effectively quarantined from each other, with any expense attributable to more than one project apportioned to the projects on a reasonable basis. However, the regime does allow some concessions to ring fencing with respect to exploration expenditure and expenditure carried forward from discontinued projects, as seen below.

Concessions to ring fencing for resource companies include the ability to:⁸¹

- ▶ Pool exploration expenditures and deduct this against project income at year end
- ▶ Include exploration expenditure incurred by an exploration licence into the project if the licence has been surrendered or cancelled or has expired
- ▶ Allocate residual capital expenditure to other resource project(s) if the taxpayer ceases to have an interest in a resource project due to the surrender, cancellation or expiry of the resource development licence

The deduction allowed each year due to exploration costs is limited to the lesser of 25% of the total balance of the exploration pool or the amount that would reduce the income tax otherwise payable for that year by 10% in the case of oil and gas companies or 25% in the case of mining companies. During the production phase, ordinary operating and administrative expenses can be immediately

⁸¹ Information provided by the IRC non-financial template 23 October 2018. No update for 2019 was provided.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

deducted, but there are deduction limits in relation to certain expenditure such as interest and management fees. Exploration expenditure, as well as capital expenditures, are written off over the life of the project and deductions allowed each year are limited such that it does not create a tax loss. In 2018, there was an amendment to section 155A (6) and 155N (6) of the ITA to remove cross-references to the now repealed Section 156E relating to the double deduction for exploration expenditure for mining companies.

4.5 Salary and wages tax

Salary and wages tax (SWT, also referred to as group tax), are amounts withheld from employee salaries and paid to the IRC by companies operating in PNG.

4.6 Foreign contractor withholding tax

Foreign contractor withholding tax (FCWT) applies to non-residents performing contracted roles within PNG. The FCWT rate was amended in 2017 to 15% of gross contract income. This made it a final tax and removes the option to file an annual tax return. In its ongoing effort to protect its revenue base, the Government will restrict FCWT as a separate tax regime from the Corporate Income Tax regime.⁸²

4.7 Tax Credit Scheme

The Tax Credit Scheme (TCS) (previously called infrastructure tax credits) is a public/private partnership model to promote the development of infrastructure in areas where mining and petroleum resource projects or agricultural companies are operating.

In 2017, companies could claim expenditure on prescribed infrastructure projects as a credit against tax payable. The credit amount is generally limited to the lesser of 0.75% of assessable income or tax payable each year. Unspent amounts can be carried forward and utilised within the next two years, while unused credits can be carried forward to succeeding years of income until fully utilised. A further 1.25% can be utilised for specified projects. Guidelines and project approvals for credits are managed by the Department of National Planning and Monitoring (DNPM).

The TCS was halted in 2018 and is under review,⁸³ a decision that was welcomed by the PNG EITI National Secretariat.⁸⁴ TCS for 2017 and 2018 that were approved prior to the halt are included in this report.

4.8 Other taxes on resource projects

Additional forms of taxation and concessions that influence the amount of revenue that the State collects from resource projects are outlined below:

⁸² 2018 PNG Budget http://www.treasury.gov.pg/html/national_budget/files/2018/Volume%201.pdf, accessed 14 August 2019

⁸³ Oxford Business Group news article, <https://oxfordbusinessgroup.com/analysis/hold-tax-credit-scheme-halted-government-review> accessed 22 October 2019

⁸⁴ PNG EITI <http://www.pngeiti.org.pg/pngeiti-welcomes-halt-on-tax-credit-scheme/> accessed 24 October 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

4.8.1 Import taxes

Revenues from import taxes have performed above 2017 levels and against the 2018 budget projection. The positive trend in revenues from this tax can be attributed to the implementation of the tariff policy measures and the efforts to improve compliance by Customs through the establishment of the Container Examination Facility (CEF) and wireless transaction among others. Import taxes may be applicable to resource companies depending on the tariff classification of the imported goods. Customs did not report this revenue stream for 2018, and we have not included this as a material revenue stream. The PNG Government has increased investment in Customs to improve compliance efforts for taxes on international trade and transactions and it is expected that increased revenues will result in future years.

4.8.2 Goods and services tax

Goods and services tax (GST) is collected in accordance with the Goods and Services Act 2003. GST collections at PNG's ports remain relatively flat, although collections from the provinces have increased, reflecting improved compliance measures implemented by IRC. Export sales by resource companies are also zero rated. Domestic sales by a resource company are subject to GST, except for the domestic supply of crude oil sourced from a field in PNG which is a GST zero rated supply. Customs did not report this revenue stream for 2018, and we have not included this as a material revenue stream. We note that from 1 January 2019, supplies to resource companies will no longer be zero rated.⁸⁵

4.8.3 Fiscal stability

A resource project has the option of adding a 2% premium to the applicable rates of income taxation noted above in exchange for receiving fiscal stability for a period equal to the financing period or 20 years, whichever is shorter (Resource Contracts Fiscal Stabilisation Act 2000). In the case of a gas project, the stability period is the period of time necessary to produce a foundation volume or quantity of resource as defined in the relevant gas agreement. The purpose of fiscal stability is to provide certainty to foreign investors that they will be protected from changes to fiscal law that apply to their investments, thereby encouraging positive investment decisions in PNG.⁸⁶

Fiscal stability currently applies to the PNG LNG Gas Project companies, although the 2% premium to the applicable rate of income tax was waived in this case.⁸⁷ No other current resource project has opted for fiscal stability.⁸⁸

4.8.4 Additional profits tax

The purpose of additional profits tax (APT) is to continue to provide a progressive tax instrument to tax economic rents of highly profitable resource projects.

⁸⁵ PNG 2019 Budget, p. 66. http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf accessed 12 November 2019

In 2019, net GST remitted to CRF is projected to increase slightly, with collections expected to increase on the back of higher projected economic growth and tax policy measures to remove GST zero rated status for suppliers of resource companies of which it is expected to generate PGK86.0 million in revenue.

⁸⁶ Note that the Tax Review included the following recommendation (no. 47) in relation to fiscal stability: 'Restrict any fiscal stability agreements to key rates of tax and duty and to major deductions listed in the agreement. Agreements should be symmetrical (no one-way bets). They should not contain most favoured project rules. The premium requirement can be discontinued for new projects.'

⁸⁷ 2019 PNG Budget, p. 125, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf accessed 15 December 2019

⁸⁸ Email from IRC, 4 July 2017

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

The application of APT is subject to the terms of an applicable fiscal stability agreement. Without access to the relevant agreement for the PNG LNG project, the IA is not able to determine how the APT provisions apply to that project. APT has not been paid to date. The mining and petroleum industry raised concerns to the Government that the application of the revamped APT to existing projects is unfair and argued that the Government needs to recognise the existing mining and petroleum projects for investments made prior to the introduction of revamped APT.

The mandatory income tax returns do not require the tax payer to file details of the net cash flow which goes into the calculation of the additional profits tax. Oil Search have reported that they first started paying APT in 2018 in respect of the income year ended 31 December 2017.

4.8.5 Business payments tax

Companies without a 'Certificate of Compliance' incur a 10% tax on certain specified business payments. A credit may be provided by the IRC after a review of the payer's tax return.

4.8.6 Dividend withholding tax

From January 2017, a standardised dividend withholding tax (DWT) rate of 15% came into effect across all sectors.⁸⁹ Prior to this, withholding taxes had been concessional for resource taxpayers, with the DWT rate being nil for dividends paid out of petroleum or gas income and 10% for dividends paid by companies carrying on mining operations. Taxation amendments in the PNG 2018 and 2019 Budget have confirmed that dividends paid from PNG LNG-sourced profits are exempt from dividend withholding tax, in accordance with the PNG LNG Gas Agreement.⁹⁰

4.8.7 Interest withholding tax

Interest payments generally attract a withholding tax of 15%. Certain entities and assets are exempted, including interest earned on long-term bonds, BPNG-authorized foreign currency deposits, and the participants and lenders to the PNG LNG project.⁹¹

4.8.8 Management fee withholding tax

This tax applies to the management fees of non-residents performing management services outside of PNG. The tax rate is dependent on whether the country in which they are a resident has a Double Tax Agreement with PNG. If there is no applicable Double Tax Agreement the gross management fee is subject to 17% withholding tax.⁹²

4.8.9 Royalty withholding tax

Royalties paid to non-residents (for the provision of technical know-how, trademarks, patents, design or model or copyrights etc.) are subject to a 10% tax, or 30% if paid to an associate. However, if the person is a resident of a country with which PNG has a Double Tax Agreement, then this is generally reduced to 10%.⁹³

⁸⁹ *ibid*

⁹⁰ 2019 PNG Budget, p. 124, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf accessed 15 December 2019

⁹¹ IRC, <http://irc.gov.pg/tax-information> accessed 23 October 2019

⁹² IRC, <http://irc.gov.pg/tax-information> accessed 23 October 2019

⁹³ IRC, * <http://irc.gov.pg/tax-information/withholding-taxes/>, access 3 November 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

4.9 Regulation of the mining industry

The principal laws that regulate mining activities in PNG are:

- ▶ Mining Act 1992 (MA), which sets out how mining projects should be administered and regulated.
- ▶ Mining (Safety) Act 1977, which stipulates safety requirements on mine sites, provides for investigations and inquiries into mine accidents and establishes a regime for certification of prescribed mining roles.
- ▶ Mining (Ok Tedi Agreement) Acts, which govern the operation and development of mineral deposits in relation to the Ok Tedi mine.
- ▶ Mining (Bougainville Copper Agreement) Act 1967, which governs the Panguna mine on Bougainville. Note that although separate mining legislation for the Autonomous Region of Bougainville – the Bougainville Mining Act 2015 – was passed by the Autonomous Bougainville Government in 2015,⁹⁴ the relationship between these respective pieces of legislation is unclear as the former has not been repealed, nor have the references to it in the MA been amended.

Oversight, administration and enforcement of these acts and associated agreements, as well as any other legislation related to mining, is the responsibility of the Mineral Resources Authority (MRA). The Mineral Resources Authority is established under the Mineral Resources Authority (MRA) Act 2005. During 2018, the MRA Act 2005 was repealed and replaced with the Mineral Resources Authority Act 2018 made by the National Parliament on 14 February 2018, by an absolute majority in accordance with the Constitution.

Advising the minister on mining, management, exploitation and development of PNG's mineral resources matters.

Receiving, assessing, registering, recording and managing applications and dealings in mineral tenements in Papua New Guinea and providing technical expert advice and information to the Ministry Advisory Council, the Minister and the State.

Overseeing the administration and enforcement of the Act as stated in function 5.

To negotiate mining development contracts under the Mining Act 1992, as an agent of the State.

Acting as agent for the State in relation to any international agreement relating to mining or to the management, exploitation or development of Papua New Guinea's mineral resources.

Coordinating and monitoring the implementation of the State's undertakings and obligations under agreements, and such other legal, contractual, commercial or social obligations in accordance with government policies on mining and the applicable laws that are necessary for the management of the mining sector.

⁹⁴ http://www.abg.gov.pg/uploads/acts/Act_2015-3-Bougainville_Mining.compressed.pdf accessed 26 October 2018

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Although the MRA issues all tenements in relation to mining, once the application assessment process has been completed, the application is forwarded to the Mining Advisory Council (MAC). The MAC is a government entity established under the MA, which advises the Head of State and Minister for Mining in relation to grants and extensions of mining tenements (i.e. mining leases, leases for mining purposes, mining easements and exploration licences). The MAC reviews assessment and application and makes a recommendation to the Minister for Mining on the suitability of the tenement application.

The Minister for Mining is responsible for approving all mining and exploration tenements except Special Mining Leases, which are approved by the Governor-General of PNG, on advice from the National Executive Council and the recommendation of the MAC.

The MA has been under review since 2009.⁹⁵ In 2016, the Prime Minister confirmed that a draft revised MA had been completed but that this would not be passed into legislation until after the 2017 National Election, to allow adequate consultation.⁹⁶ In mid-2017, the new Minister for Mining stated that a revised MA would be passed in 2017; however, this did not occur and at the time of reporting the MA has yet to be amended. The revised MA is anticipated to include:

- ▶ Updated regulations for offshore mining
- ▶ Mine closure and rehabilitation
- ▶ Resettlement
- ▶ Geothermal resources
- ▶ Standards for employing mine workers including changes to fly-in fly-out worker regulations
- ▶ A compulsory right for State acquisition of mining projects after 24 years
- ▶ Increased royalties.⁹⁷

In 2019, representatives of the PNG Chamber of Mines have once again expressed concerns about the revision of the Mining Act. The Chamber has urged Government to seriously consider the implications of the revised Act and consult with industry representatives. Key concerns remain around increased tenure risk for mining companies, inadequate transitional arrangements to protect existing operations and increased costs to businesses which may impact investor interest.⁹⁸ Despite these concerns, the Chamber and industry still support the underlying motion of updating the Act and hope that these key issues are addressed prior to the implementation of the Act.⁹⁹

The Mining (Safety) Act 1977 is also under review, and there are plans to develop an alluvial mining policy. Upon the introduction of Mineral Resources Authority (MRA) Act 2018, Chamber of Mines is currently working in collaboration with MRA and DMPGM to revise the Mining Safety Act.¹⁰⁰

⁹⁵ Information provided by MRA 27 November 2017

⁹⁶ Peter O'Neill Prime Minister Speech 2016, <http://www.pm.gov.pg/speech-by-hon-peter-oneill-cmg-mp-prime-minister-of-papua-new-guinea-at-the-14th-papua-new-guinea-mining-and-petroleum-investment-conference-5-december-2016-sydney-australia/>

⁹⁷ <https://www.smh.com.au/business/companies/australian-miners-in-firing-line-of-png-law-shake-up-20180716-p4zrpc.html> accessed 8 November 2019

⁹⁸ PNG Chamber of Mines, <http://www.pngchamberminpet.com.pg/index.php/media-centre/news-release-view/chamber-calls-on-government-to-seriously-consider-impacts-of-proposed-changes-to-the-mining-act-1992>, accessed 8 November 2019

⁹⁹ Ibid

¹⁰⁰ PNG Industry News article, <http://www.pngindustrynews.net/pngindustrynews/news/1144858/png-develop-alluvial-mining-policy>, accessed 26 October 2019; <https://ramumine.wordpress.com/tag/mining-act/>, accessed 16 August 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Matters relating to the environment within mining and exploration tenements are governed by the Environment Act 2000 with amendments stated in the Environment (Amendment) Act.¹⁰¹

An export licence is required to export gold. The relevant requirements can be found on the Bank of PNG website.¹⁰²

4.10 Regulation of the petroleum industry

The petroleum industry in PNG is governed by the Oil and Gas Act 1998 (OGA) with amendments stated in the Oil and Gas (Amendment) Act 2016 and the Oil and Gas Regulation 2002 under the administration and management of the Department of Petroleum (DPE), headed by the Minister for Petroleum and Energy. The OGA specifies regulatory requirements for oil and gas development activities such as:¹⁰³

- ▶ Licensing, exploration, development, processing, storage, transportation, and sale of products
- ▶ Directing monetary benefits to State oil companies and resource area landholders, and also non-monetary benefits such as infrastructure development, training, employment, business development and community participation
- ▶ Compliance mechanisms relating to health, safety, security, environmental protection, and project monitoring and reporting.

The Minister for Petroleum and Energy performs a number of functions under the OGA including:

- ▶ The granting of various prospecting, retention, development, pipeline and process facility licences and imposing supplementary conditions upon the holders of those licences (such as the requirement to lodge security deposits) or varying existing licence conditions.
- ▶ The disbursement of royalties in accordance with a development agreement to be agreed between project area landowners, affected local-level governments and affected provincial governments or, where there is no agreement, the Minister determines the proportionate disbursement of royalties.

4.11 Regulation of unconventional hydrocarbons

Unconventional hydrocarbons are defined as any naturally occurring mixture of one or more hydrocarbons (whether in gaseous, liquid or solid state) and any other substance, including those extracted from coal, shale or other rock, but does not include any hydrocarbons extracted from a conventional petroleum pool.¹⁰⁴ In the OGA, the definition of 'petroleum' excludes these unconventional hydrocarbons as it 'does not include coal, shale, or any substance that may be extracted from coal, shale or other rock' (p. 7).

Legislation specifically for these hydrocarbons, The Unconventional Hydrocarbons Act 2015 (UHA), was passed in November 2015 to act alongside the OGA. The twofold purpose of the UHA is to 'govern the exploration for and production of unconventional hydrocarbons in Papua New Guinea,

¹⁰¹ Environment (Amendment) Act 2014, http://www.parliament.gov.pg/uploads/acts/14A_10.pdf, accessed 19 August 2019

¹⁰² <https://www.bankpng.gov.pg/wp-content/uploads/2014/08/goldlicenserequirements-Final-and-Approved-8-a-23112015.pdf>; <https://www.bankpng.gov.pg/wp-content/uploads/2014/08/goldlicenserequirements-Final-and-Approved-8-b-17112015.pdf>, accessed 20 December 2018

¹⁰³ Oil and Gas (Amendment) Act 2016, http://www.parliament.gov.pg/uploads/acts/16A_25.pdf, accessed 19 August 2019

³³ <https://www.bankpng.gov.pg/wp-content/uploads/2014/08/goldlicenserequirements-Final-and-Approved-8-a-23112015.pdf>; <https://www.bankpng.gov.pg/wp-content/uploads/2014/08/goldlicenserequi>

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

including the offshore area' and 'the grant to traditional landowners and Provincial Governments and Local-level Governments of benefits arising from projects for the production of unconventional hydrocarbons.' Terms and definitions of the UHA are consistent with OGA, including licence areas, fees, royalties, development levies, rights of landowners and State participation.

4.12 Resource development agreements

Developers of resource projects generally enter into an agreement with the State of PNG in addition to obtaining a resource development licence or mining tenement for the extraction of the relevant resource under either the OGA or MA (see further comments below in relation to regulation). For major mining projects, Section 18 of the MA requires a Mining Development Contract.

In addition to giving the State an equity interest in the resource project, these agreements may be negotiated to modify the general operation of PNG's revenue laws with specific application to that project (e.g. to grant concessions such as exempting a designated gas project from APT). Since contracts are not disclosed (see 4.16 below), the extent to which tax rates are negotiable is unclear, and the tax profile of specific projects is opaque. Section 17 of the MA outlines the State's power to enter into agreements, which must not be inconsistent with the MA.

Section 3 of the MA sets out a broad consultation process before a special mining lease is granted. The Minister convenes a development forum of affected parties to agree the flow of benefits from the project, which are captured in a Memorandum of Agreement (MOA) and subsequently approved by the National Executive Council (see Chapter 6).

4.13 Royalties, development levy and production levy

Resource projects are subject to a royalty which is equal to 2% of the gross revenue from resource sales or wellhead value in the case of oil and gas projects. Since 2001, new petroleum and gas projects are also subject to a development levy, which again is equal to 2% of the wellhead value.

In the 2018 budget, the Government amended the ITA such that royalties and the development levy are treated as deductions from taxable income rather than the excess over 2% of wellhead value being deemed to be tax paid. This will now be consistent with the mining sector and is predicted to have a positive effect on revenue.¹⁰⁵ Previously, where a petroleum or designated gas project was liable for both royalty and development levy, and the total amount of royalty and development levy exceeded 2% of the wellhead value of petroleum or gas sales for that year, the excess was deemed to be income tax paid for that year.

Royalties are collected by the State and apportioned to relevant landowners, local-level governments and provincial governments. Development levies are paid to the relevant local or provincial government (see more detail in Chapter 5).

The production levy applicable to mining projects is calculated at 0.25% (or up to 0.5% at the Mining Minister's discretion) of assessable income (primarily, but not exclusively Free on Board (FOB) production sales) and is used to fund the activities of the MRA. The new MRA Act 2018, certified in July 2018, increased the production levy to 0.5%.¹⁰⁶

¹⁰⁵ 2018 PNG National Budget, http://www.treasury.gov.pg/html/national_budget/files/2018/Volume%201.pdf, accessed 8 November 2019

¹⁰⁶ MRA Act 2018, s. 28, http://www.paclii.org/cgi-bin/sinodisp/pg/legis/num_act/mraa2018328/mraa2018328.html?stem=&synonyms=&query=mineral%20resources, accessed 11 December 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

4.14 State's equity participation right

As noted above, the State has the right, but not the obligation, to acquire up to 22.5% of a participating interest in a designated gas or petroleum project, and up to 30% of a mining project, at par value, or 'sunk cost'. This means the State can acquire a share in a project by paying its share of the project's historic cost (including exploration cost), and an ongoing share of future costs.

In return, the State can receive a share of the project profits, paid as dividends,¹⁰⁷ in accordance with its right as a shareholder. As the State does not always have the resources to buy into the project or pay cash calls on resource projects as they incur expenses during the development phase, the resource development agreement may allow for the government to forego their shares of resource income (dividends) to meet the State's accumulated liability.

Based on the findings of the Tax Review Committee, the Government will develop a framework to guide State investment decisions in relation to equity acquisition in mining, oil and the gas projects, which should make the equity participation decision more transparent and promote good governance. A policy draft has been prepared for further consultation with external stakeholders. The policy was expected to be finalised in 2018, but was not yet completed at the time of writing this report.

4.15 Other stakeholder equity participation rights

Currently, where the State takes an equity participation interest in a project, it has an established practice of granting free equity to landowners from the area in which the project is located. The landowners' share in petroleum projects is prescribed in section 167 of the OGA.¹⁰⁸ For mining projects, an equity of up to 5% is free carried by the State on behalf of the landowners and provincial governments (at 2.5% each) and is controlled by a State nominee company managed by the MRDC.¹⁰⁹

In addition to the equity benefit granted by the State, project area landowners and affected local-level governments may acquire further participating interests in resource projects by negotiation with licence holders on commercial terms.¹¹⁰

4.16 Government policy on disclosure of contracts

The details of contracts and licences are protected by confidentiality provisions in Section 163 of the MA, Section 52 of the MRA Act and Section 159 of the OGA. Contracts are held and maintained by the Solicitor General's office. Without legislative amendment, agreements could only be made public with the approval of both the company and the DPE or MRA (as appropriate). To date, no contracts have been made publicly available. Broader benefit-sharing agreements related to mining and oil and gas projects are also not currently publicly disclosed.

This is an issue which civil society organisations seek to change in the interests of greater transparency. The MRA has shown support for an amendment to the ITA to promote greater public

¹⁰⁷ Note that 'dividend' here has a different meaning from shareholder dividends. State entities, like other consortium partners, are paid their share of profits based on equity interests, in line with related agreements.

¹⁰⁸ Oil and Gas Act 1998, Section 167 p. 122, http://www.paclii.org/cgi-bin/sinodisp/pg/legis/num_act/oaga199894/index.html?stem=&synonyms=&query=oil%20and%20gas, accessed 4 September 2019

¹⁰⁹ The Papua New Guinea Mining Policy, p. 10, accessed 4 September 2019

¹¹⁰ Oil and Gas Act 1998, Section 176 p. 128, http://www.paclii.org/cgi-bin/sinodisp/pg/legis/num_act/oaga199894/index.html?stem=&synonyms=&query=oil%20and%20gas, accessed 4 September 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

disclosure of tax information. The MRA is also seeking legal advice on making all mining project Memorandums of Agreement (MOAs) publicly available.¹¹¹ The reporting templates for this report sent to each of the reporting entities requested the name of any contract or agreements with the government that included mandatory social payments. No reporting entities who submitted data request templates supplied this information.

The principle of freedom of information is enshrined in the constitution, under the 'Goals and Directive' principles, under 'Basic Rights (d) freedom of conscience, of expression, of information and of assembly and association' and, specifically under Sections 51 and 52 on enforceability of those rights. Specific clauses clarifying public access to the content of agreements signed by or with the State on resource projects would be valuable. Part 1 of the MA, however, provides for constitutional limitations as the mining legislation is intended to give effect to the national interest.

Work commenced in October 2018 through the JICA Technical Cooperation Program to improve resource-related revenue management in PNG. This will support DPE to address public disclosure of oil and gas licences. Efforts made by the MSG in 2017 supported the start of this program, which is expected to continue for the next two years.

Insight on stakeholder views of public contract disclosure

The importance of public disclosure of extractives contracts has been recognised by PNG government representatives, and the lack of this disclosure has been highlighted as an issue for government entities such as PNG Customs. Currently, provisions in the MA and OGA prevent the disclosure of these contracts, and civil society representatives note that this will likely not change without a freedom of information act.

Due to an absence of confidentiality clauses and bespoke fiscal terms within mining contracts, several mining companies were not opposed to the public disclosure of contracts. However, due to the commercially sensitive information within oil and gas contracts it is unlikely that oil and gas companies will support this without specific provisions protecting this information.

Stakeholder Views, PNG Validation Report 2018

4.17 Disclosure of beneficial ownership

A beneficial owner in respect of a company means the natural person or persons who directly or indirectly ultimately own or control the corporate entity.¹¹²

The 2016 EITI Standard (2.5c) requires that EITI reports from 2020 onward include information relating to the beneficial ownership of corporate entities that bid for, operate or invest in extractive assets. The Standard includes a requirement (2.5bii) to develop a roadmap defining all the actions that need to be taken to address this requirement. In compliance with this requirement, the MSG commissioned a [Scoping Study on Beneficial Ownership](#), completed in November 2016, and a [Beneficial Ownership Roadmap](#), published in March 2017. The roadmap includes a costing and work plan from April 2017 to December 2019,¹¹³ but it is expected that the document will evolve over time.

¹¹¹ <http://www.pngeiti.org.pg/wp-content/uploads/2018/04/NEC-File-No.-NEC04-1-21.11.17.pdf> accessed 23 October 2018

¹¹² The EITI Standard, 2016 – Requirement 2.5 Beneficial Ownership

¹¹³ PNG EITI, KPMG, Papua New Guinea Roadmap for Beneficial Ownership Disclosure March 2018, <http://www.pngeiti.org.pg/wp-content/uploads/2018/04/PNGEITI-Beneficial-Ownership-RoadMap-1.pdf>, accessed 19 August 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

In July 2017, the MSG approved a Roadmap Implementation Manager (RIM) to implement the activities of the Beneficial Ownership Roadmap (BOR) in preparations for BO reporting from year 2020 onwards. The RIM phase out the implementation into three phases.

Phase one started from July 2017 and ended in July 2018, which was more on planning and meetings with relevant BO stakeholders and the MSG; desktop reviews and research on specific laws related to BO Disclosures; and defining BO and PEPs in PNG context. Progress work also began on the BO thresholds that was presented and considered by the MSG. Per PNG Secretariat, the research was widened to include international best practice.

Second phase of the assignment began in July 2018 and ended in July 2019. In this phase, discussions on the EITI International Secretariat BO model template and BO roadshows were held. The RIM in consultation with the PNG Investment Promotion Authority (IPA), the government arm that regulates and administers business registration in the country for all sectors (extractive and non-extractive business operations), proposed amendments to the current company registration form. The proposed form was agreed and approved by the PNG MSG and was used to pilot the BO disclosure reporting. This proposed company registration form is not legal and not accepted at IPA but it is a work progress at the IPA pending legal amendments on the IPA acts. The PNG EITI MSG are working closely with IPA to include in their legislation amendments currently underway. The pilot disclosure is available on the PNG EITI website and can be excess directly on this link: <http://www.pngeiti.org.pg/document-portal/beneficial-ownership/>

4.18 Relevant legislation

Most key pieces of legislation relevant to the extractive industries in PNG are available from PaclII <http://www.paclii.org/countries/pg.html>. Mining legislation is also available on the MRA website <http://www.mra.gov.pg/Regulations.aspx>.

Table 15: Relevant legislation with hyperlinks

Legislation
Environment Act 2000
Environment (Amendment) Act 2014
Goods and Services Act 2003
Income Tax Act 1959
Mineral Resources Authority Act 2005
Mineral Resources Authority Act 2018
Mining Act 1992
Mining Safety Act 1977
Oil and Gas Act 1998
Oil and Gas Regulation 2002
Mining (Ok Tedi Agreement) Act 1986
Mining (Ok Tedi Tenth Supplemental Agreement) Act 2013
Resource Contracts Fiscal Stabilisation Act 2000
Government Gazettes
Unconventional Hydrocarbons Act 2015
Bougainville Mining Act 2015



Management and distribution of revenues

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

5. Management and distribution of revenues

This chapter outlines how the government distributes revenues from the extractive industries. It describes the government's budget process and governance structures, where revenues from the extractive industries are recorded and how they are audited.

Budgeting for government revenues from the extractive sector is complex due to the revenue being subject to fluctuations in quantities produced, global commodity prices and exchange rates. Earlier PNG EITI reports identified that in some cases, the absence of a robust system for managing government revenue payments in PNG leaves the system vulnerable to fraud, corruption, and human error.¹¹⁴

The 2018 EITI validation report noted inadequate progress in revenue allocation, and in several aspects of revenue collection.¹¹⁵ This was due to both information gaps and concerns around the accuracy of the data provided (see further detail in Chapter 10).¹¹⁶ This report seeks to address those gaps.

5.1 Budget process

The national budget process is led by the Department of Treasury, and guided by a number of documents, processes and governance structures, outlined below in Figure 17.¹¹⁷



Figure 17: PNG national budget process

¹¹⁴ 2013 and 2014 PNG EITI Reports <http://www.pngeiti.org.pg/pngeiti-reports/>

¹¹⁵ PNG EITI 2018 Validation, https://eiti.org/sites/default/files/documents/png_validation_-_validators_final_validation_report.pdf, accessed 2 December 2019

¹¹⁶ Board decision on the Validation of Papua New Guinea, <https://eiti.org/scorecard-pdf?filter%5Bcountry%5D=46&filter%5Byear%5D=2018>, accessed 24 October 2019

¹¹⁷ PNG Budget Manual, http://www.treasury.gov.pg/html/national_budget/files/2008/budget_documents/Budget%20Manual.pdf, accessed 19 August 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Recent years have seen significant moves to improve the efficiency and effectiveness of the budgeting processes. For example, the ‘two-stage budget process’ requires additional rationalisation of high-cost public proposals by a newly established interdepartmental committee.¹¹⁸ The Government has committed to introducing additional reforms to further improve the integrity of the budget process and reporting.

Rules-based constraints have been introduced in recent years to help direct the budget process towards achieving sound fiscal policy. This is reflected in volume two of the Medium Term Fiscal Strategy (MTFS) 2018–2022, the Medium Term Debt Strategy 2018–2022 and the Medium Term Revenue Strategy 2018–2022,¹¹⁹ the Papua New Guinea Fiscal Responsibility Act 2006 (amended in 2017), the Public Finance (Management) Act 1995 (amended in 2016)¹²⁰ and the establishment of the Sovereign Wealth Fund (SWF).

The Medium Term Fiscal Strategy aims to drive sustainable economic growth through strategic investment in key programs and projects. This was underpinned by the 2018 Budget,¹²¹ and the 2019 Budget builds on this to continue to broaden the revenue base; improve efficiencies in the cost of service delivery, particularly in the salaries and wages bill; contain utility costs; enhance the quality of expenditure, particularly related to capital spending; as well as restructuring the domestic debt portfolio and maturity profile. The Fiscal Responsibility Act 2017 legislates a debt-to-GDP ceiling range of 30 to 35%, with a 30% ratio to be attained by 2022.¹²²

PNG places emphasis on development planning, as reflected in the Vision 2050 report, PNG Development Strategic Plan 2010–2030 and the Medium Term Development Plan 2018–2022, available on the Department of National Planning and Monitoring website.¹²³ Another influence on spending priorities has been the Alotau Accord platform for action, agreed by the coalition government following the 2012 elections.

¹¹⁸ 2019 National Budget http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf, accessed 19 August 2019

¹¹⁹ 2019 Budget Strategy Paper, http://www.treasury.gov.pg/html/national_budget/files/2013/budget_documents/Related%20Budget%20Documents/2019%20BSP%20Master%20FINAL.pdf, accessed 19 August 2019

¹²⁰ Public Finances (Management) Act 1995 Amendment 2016, http://www.parliament.gov.pg/uploads/acts/16A_05.pdf accessed 27 November 2019

¹²¹ Medium Term Development Plan III 2018–2022, [http://www.planning.gov.pg/images/dnpm/pdf/latest_pub/MTDP%20III%20Book%202_Final%20Proof\(Web\)_compressed.pdf](http://www.planning.gov.pg/images/dnpm/pdf/latest_pub/MTDP%20III%20Book%202_Final%20Proof(Web)_compressed.pdf), accessed 24 October 2019

¹²² Papua New Guinea Fiscal Responsibility Act 2017, <http://www.parliament.gov.pg/uploads/acts/17A-15.pdf>, accessed 24 October 2019

¹²³ Medium Term Development Plan III 2018–2022, [http://www.planning.gov.pg/images/dnpm/pdf/latest_pub/MTDP%20III%20Book%202_Final%20Proof\(Web\)_compressed.pdf](http://www.planning.gov.pg/images/dnpm/pdf/latest_pub/MTDP%20III%20Book%202_Final%20Proof(Web)_compressed.pdf), accessed 24 October 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

5.2 Budget governance structures

Several committees help steer the budget process and fiscal decision-making, as illustrated in Figure 18 below:

	Committee	Composition	Role in budget
Bureaucratic	Budget Strategic Committee ¹²⁴	Deputy secretaries of the central agencies ¹²⁵	To work with agencies to review their budget submissions
	Central Agencies Coordinating Committee ¹²⁶	Chaired by the Chief Secretary to the government ¹²⁷	To coordinate policy and development planning in PNG
Political	Ministerial Economic Committee (also referred to as the Senior Ministerial Budget Committee) ¹²⁸	Chaired by the Treasurer and comprises ministers of Finance and National Planning as well as the Prime Minister and National Executive Council (NEC)	To drive budget strategy setting and advise the National Executive Council on the budget
	NEC	Key government decision making body	To approve the final budget

Figure 18: Budget governance structure

The budget process commences around January of each year, with a consultation period where agencies provide information regarding their cash flow needs for the following year. Treasury concurrently undertakes economic forecasts to determine the level of funds available for the upcoming year. This helps determine budget ceilings, which are then communicated to relevant agencies via the budget circular, and inform their budget submissions.¹²⁹ The capital ceiling is based on ongoing projects and the available funds. Agencies are required to make a single budget submission (including both capital and operational costs) to request access to these funds.

At the end of July, the Mid-Year Economic and Fiscal Outlook (MYEFO) report is released, which provides an update on the fiscal performance of the past six months against targets set out in the budget, along with economic forecasts for the following six months. This is followed in August by the Budget Strategy Paper,¹³⁰ which sets out high-level fiscal parameters and broad policy strategy for the coming budget, and provides greater transparency and accountability for Government spending. The 2018 Budget Strategy Paper was released in November 2017 and marked the beginning of a new government following the 2017 National General Elections (now superseded by the 2019 elections).

¹²⁴ The 2017 budget process has replaced the Budget Screening Committee with a Budget Strategic Committee http://www.treasury.gov.pg/html/national_budget/files/2017/2017%20Budget%20Volume%201%20Economic%20and%20Development%20Policies.pdf

¹²⁵ The central agencies are: Departments of Treasury, Finance, National Planning & Monitoring, Prime Minister & NEC and the Department of Personnel Management. These are the key central government departments or key economic agencies that have major inputs into the budget formulation process in terms of budget strategies and frameworks, and policy formulation and allocation of resources. Information received from Treasury 4 December 2017

¹²⁶ Information received from Treasury 4 December 2017

¹²⁷ The structure for public sector reform, <http://press-files.anu.edu.au/downloads/press/p78541.edu.au/mobile/ch03s03.html>, available 24 October 2019

¹²⁸ Information received from Treasury 4 December 2017

¹²⁹ PNG Budget Manual, http://www.treasury.gov.pg/html/national_budget/files/2008/budget_documents/Budget%20Manual.pdf, accessed 19 August 2019

¹³⁰ 2018 Budget Strategy Paper http://www.treasury.gov.pg/html/national_budget/files/2013/budget_documents/Related%20Budget%20Documents/2018%20BUDGET%20STRATEGY%20PAPER%20-%20FINAL.pdf accessed 28 October 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

During late August and September each year, the Budget Screening Committee holds meetings with agencies to discuss and negotiate the submissions received. Agency submissions tend to be large and ambitious and it is difficult to sort proposed funding for new activities from funding for existing programs and projects. A key focus of these meetings is to try to bring budget requests within ceilings.

The Budget Screening Committee is where most decisions are made regarding a new policy or initiative. It is in this forum that the Department of National Planning and Monitoring (DNPM) and Treasury seek consensus at executive level regarding the prioritisation of new development and operational spending. It is only at the margins, and very late in the process, that Cabinet-level engagement is sought around the most contentious resource allocation decisions.

A proposed final budget is then submitted to National Executive Council (NEC) for endorsement. In early November, the budget is presented to Parliament and approved before the start of the coming fiscal year.

Following approval, comprehensive budget documents are published, including detailed estimates for each agency as well as a Public Investment Program, with information regarding both ongoing and new projects that received appropriations.

A Final Budget Outcome report is released within three months of the end of the financial year, which includes annual expenditure.¹³¹



Figure 19: Timeline of key steps in PNG budget process in 2018¹³²

¹³¹ PNG 2018 Final Budget Outcome, https://www.treasury.gov.pg/html/national_budget/files/2013/budget_documents/Related%20Budget%20Documents/2018%20Final%20Budget%20Outcome.pdf accessed 28 October 2019

¹³² MYEFO released, http://www.treasury.gov.pg/html/national_budget/files/2012/budget_html/related_budget_documents.htm, accessed 28 October 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

5.3 Recent reforms to the budget process

Major areas of focus for recent reforms to the budget process have been:¹³³

- ▶ Hard budget ceilings for government employment levels and off-line payments
- ▶ Measures to control government utility and rental payments
- ▶ Establishment of a high-level task force (Treasury, IRC, Customs and Finance) focused on improving compliance and the pass-through of departure tax and import excise collections
- ▶ Instructions to accelerate the establishment of the Large Taxpayer Office in the IRC
- ▶ Instructions to implement fully the 2018 Budget changes to the policy on export duty on old-growth logs
- ▶ Instructions to the Treasury and Finance Departments to conduct, as a priority, discussions with state entities to re-examine dividend inflows, particularly relating to LNG dividends to Government
- ▶ Instructions to the Treasury Department to find additional savings in goods and services expenditure across all non-essential priority areas and in non-essential capital works programs that are funded by the Government.

The budget reforms have been supported by guidance documents such as the Budget Management Framework, introduced for the 2016 budget, and a network of technical officers to disseminate information and provide a forum for open communication between agencies.¹³⁴

On 5 December 2017, the PNG National Parliament passed the Public Money Management Regularisation Act.¹³⁵ This act aims to standardise how public money is managed by public and statutory bodies in PNG. It specifically targets public and statutory bodies that are raising and retaining public funds directly, rather than through the Consolidated Revenue Fund. By 1 January 2020, PNG public and statutory bodies shall only receive public money by appropriations made by, or under the National Budget. Note that this act does not apply to Kumul Petroleum Holdings Ltd or Kumul Minerals Holdings Ltd.

5.4 PNG Sovereign Wealth Fund

The PNG Sovereign Wealth Fund (SWF) is intended to be an important mechanism for managing external shocks to the economy, to support the budget to fund priority areas such as education, health and infrastructure, and to invest for the benefit of future generations. The Organic Law on the Sovereign Wealth Fund was passed by the Parliament in July 2015.¹³⁶ The SWF comprises two funds managed under the same governance framework: the Stabilisation Fund and the Savings Fund.

¹³³ 2019 Budget Strategy Paper

http://www.treasury.gov.pg/html/national_budget/files/2013/budget_documents/Related%20Budget%20Documents/2019%20BSP%20Master%20FINAL.pdf, accessed 19 August 2019

¹³⁴ http://www.treasury.gov.pg/html/national_budget/files/2016/Volume1-Econ&DevPolicies.pdf, p. 66 accessed 28 October 2019.

¹³⁵ Public Money Management Regularization Act 2017, <http://allepng.com/pmmra/> accessed 28 October 2019.

¹³⁶ Sovereign Wealth Fund, http://www.treasury.gov.pg/html/public_debt/swf.htm accessed 28 October 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Once operationalised, each fund will receive a proportion of mining and petroleum dividends paid by state-owned enterprises. Based on current estimates by Treasury, 50% of mining and petroleum tax revenues will be channelled to the SWF Stabilisation Fund, while the other 50% will flow directly to the CRF to finance government operations. Until the SWF is operationalised, all mineral and petroleum dividends are directed to the National budget.¹³⁷ The Savings Fund will also receive some of the proceeds of state-owned assets that the government agrees to sell. When revenue flows are large, the excess will be deposited into the Savings Fund.¹³⁸

The SWF was originally slated to come into operation in 2016.¹³⁹ However, at the time of writing, the Government is yet to appoint the inaugural board, and the 2019 National Budget projects zero balances for both funds through to 2023.¹⁴⁰

5.5 How extractive industry revenues are recorded

Table 16 below outlines where revenues and payments from the extractive sector are recorded, and which of these can be accessed online.

Table 16: Public records of extractive industry revenues

Revenue stream	Where recorded	Available online?
Mining		
Mine closure bond	Financial reports of Conservation and Environment Protection Agency (CEPA)	No
Production levy	Financial reports of the MRA	No
Alluvial levies; Mine security deposits; Exploration security deposits; Mining lease rentals; Exploration licence rentals; Data sale receipts; Exploration applications, extensions, extension late fees, transfer and dealing fees (related to exploration); Mining applications, extensions, extension late fees, transfer and dealing fees (related to mining)	Accounts/Financial reports of MRA	No
Royalties	Paid by the project developer directly to the recipients, which are defined in each project MOA. Receipts of payments are furnished to the MRA. Estimates of mining royalties and dividends paid to the provinces are recorded in the 2019 PNG Budget by the NEFC based on actuals from 2017.	Yes ¹⁴¹
PIP project funds	National Budget Volume 3	Yes ¹⁴²
Petroleum		
Decommissioning bonds	Financial reports of Conservation and Environment Protection Agency (CEPA)	No
Development levy	Paid to DPE Trust Account, and financial reports are furnished to the Trust Fund Management Division of the Department of	No

¹³⁷ *ibid*

¹³⁸ http://www.treasury.gov.pg/html/public_debt/swf.htm accessed 12 November 2018

¹³⁹ Sovereign Wealth Fund, http://www.treasury.gov.pg/html/public_debt/swf.htm accessed 28 October 2019.

¹⁴⁰ PNG 2019 Budget, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf, p. 150; pp. 182-3, accessed 8 November 2019.

¹⁴¹ PNG 2019 National Budget, Table 1.2: Grants, transfers and other resources of the provinces p.164, http://www.treasury.gov.pg/html/national_budget/files/2019/Public%20Investment%20Program%20Volume%203B.pdf, accessed 19 August 2019

¹⁴² *ibid*

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Revenue stream	Where recorded	Available online?
	Finance as per the Public Financial Management Act 1995 reporting requirements on Trust Funds	
Royalties	Paid to the DPE Trust Account, which is then transferred to parties based on the OGA, Oil MOAs and UBSA/LBBSA negotiations Estimates of petroleum royalties and dividends paid to the provinces are recorded in the 2019 PNG Budget by the NEFC based on actuals from 2017.	Yes ¹⁴³
Additional profits tax	National Budget, Volume 1, Economic and development policies. None paid to date, therefore no figure to report. ¹⁴⁴	NA
Equity distributions/ share of sales	Relevant annual reports (e.g. KPH, KMH, MRDC, OTML)	Yes
Mining and petroleum		
Import taxes	National Budget, Volume 1, Economic and development policies	Yes ¹⁴⁵
Goods and services tax	National Budget, Volume 1, Economic and development policies	Yes ¹⁴⁶
License/tenement fees	Paid to MRA and DPE for mining and petroleum respectively	No
Mandatory social expenditure	Some company annual reports	
Discretionary social expenditure	Some company annual reports	
Dividends	National budget (listed under non-tax revenue)	Yes ¹⁴⁷
Environment permit fees	Financial reports of Conservation and Environment Protection Agency (CEPA)	No
Royalties & dividends paid to provincial governments	National Economic Fiscal Commission's Report	Yes ¹⁴⁸
Salary and wages tax (taxes withheld on employees' salaries)	IRC annual report	No ¹⁴⁹
Corporate income tax (mining and petroleum tax)	National budget	Yes
Infrastructure tax credits	IRC accounts and DNPM	Yes ¹⁵⁰
Business payments tax	IRC annual report	No
Dividend withholding tax	National Budget, Volume 1, Economic and development policies	Yes
Interest withholding tax	National Budget, Volume 1, Economic and development policies	Yes
Management fee tax*	National Budget, Volume 1, Economic and development policies	Yes
Royalty withholding tax^	National Budget, Volume 1, Economic and development policies	Yes
Foreign contractor withholding tax	IRC annual report (as part of 'withholding taxes')	No
Training Levy	National Budget, Volume 1, Economic and development policies	Yes

Note: Some reports may be gazetted and are therefore available to the public in hard copy or via Paclii.

*Recorded in the budget as Management tax

^Recorded in the budget as Royalties tax

¹⁴³ Ibid

¹⁴⁴ Ibid

¹⁴⁵ 2019 National Budget, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf accessed 19 August 2019.

¹⁴⁶ Ibid.

¹⁴⁷ Ibid

¹⁴⁸ National Economic and Fiscal Commission 2017 Annual Budget Fiscal Report, http://www.nefc.gov.pg/documents/publications/fiscalReports/2017Fiscal_Report.pdf accessed 128 accessed 28 October 2019.

¹⁴⁹ This is recorded in the IRC annual report however the latest annual report available on the IRC website is for 2013, and is therefore considered as not available information for revenue <http://irc.gov.pg/wp-content/uploads/2017/01/2013-Annual-Report.pdf>, accessed 14 November 2019

¹⁵⁰ 2018 National Budget, Summary of annual values included in Appendix 1 – Revenue Tables of 2018 Budget, http://www.treasury.gov.pg/html/national_budget/files/2018/Volume%201.pdf, accessed 28 October 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

5.6 Auditing of public accounts

The Auditor-General of PNG is responsible for auditing public accounts and reporting to Parliament at least once in every fiscal year. The Auditor-General is a Constitutional Officer appointed by the Head of State; their functions, mandate and powers are set out in Section 214 of the [Constitution of Papua New Guinea](#) and in the [Audit Act 1989](#).

The Auditor-General's responsibilities extend to:

- ▶ Departments of the National Public Service and arms, agencies and instrumentalities of the national government
- ▶ Provincial governments, and arms, agencies and instrumentalities of provincial governments
- ▶ Bodies established by statute or Act of Parliament.¹⁵¹

The Auditor-General presents the annual financial audit reports to Parliament in four parts:

- Part 1** Public accounts of Papua New Guinea (latest report on 2014)
- Part 2** National government departments and agencies (latest report on 2014/15)
- Part 3** Provincial governments and local-level governments (latest report on 2016)
- Part 4** Public bodies and their subsidiaries, government owned companies, national government shareholdings in other companies (latest report on 2017)

The reports highlight serious and pervasive deficiencies in accounting practices at all levels of government. The Auditor-General's Annual Report 2018 states:

I believe the capability of staff in a number of public sector entities is not adequate to deal with the complexities of a modern day public sector environment.

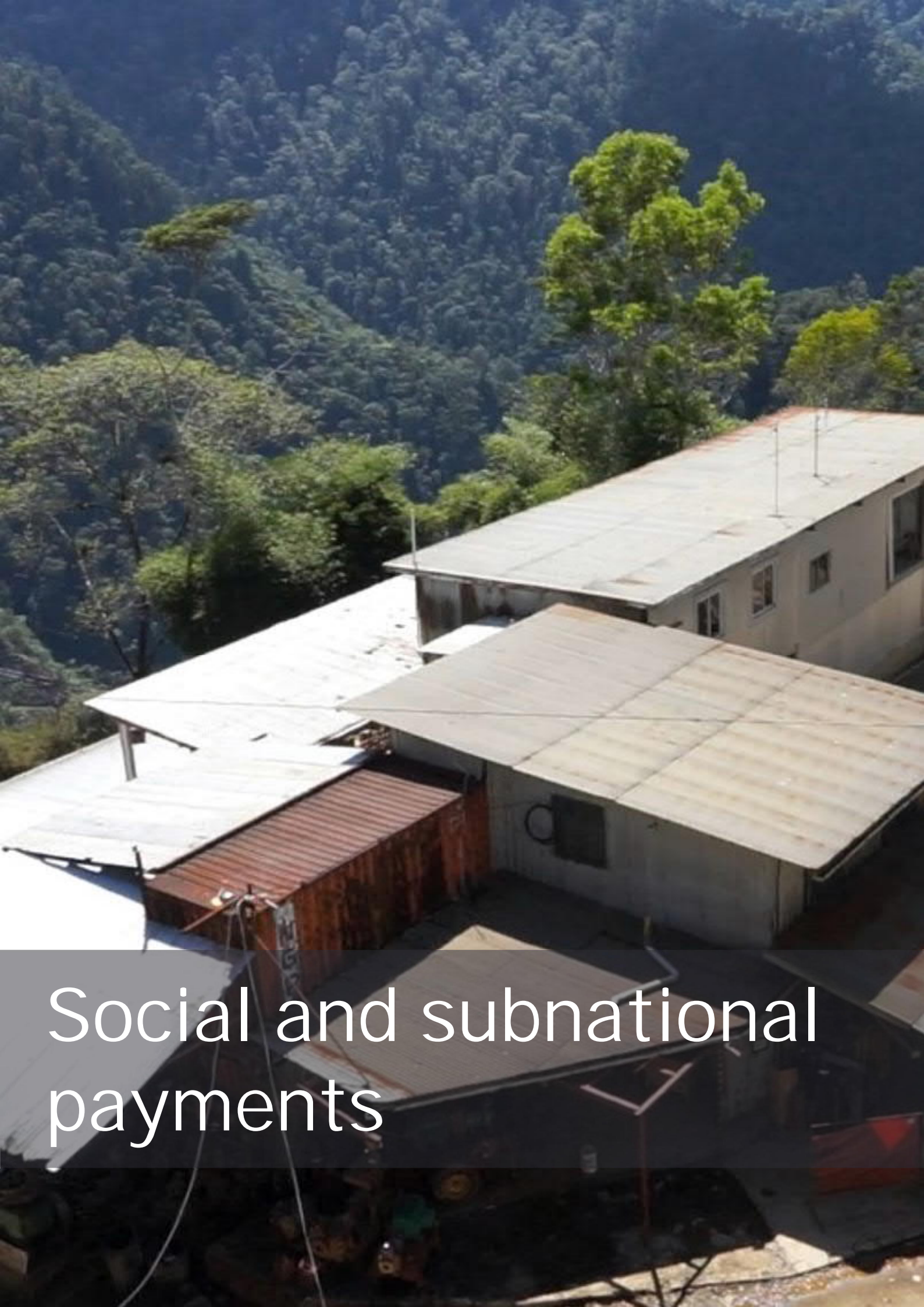
The audit function is constrained because there are few records to audit, and the entities' systems do not support the financial management functions. Often the internal controls that are supposed to prevent breakdowns in financial administration are non-existent.¹⁵²

The report also notes that financial statements are often not submitted within the legislated timeframe, leading to audits being in arrears.

The audit status of individual reporting entities can be seen in Chapter 10.

¹⁵¹ <http://www.ago.gov.pg/index.php/about-the-ago> accessed 28 August 2018

¹⁵² Auditor General's Office, Annual Report, p. 8, <http://www.ago.gov.pg/docs/AuditorGeneralOfficeAnnualReportUploadedJuly2019.pdf>, accessed 8 November 2019



Social and subnational
payments

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	 Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	--	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

6. Social and subnational payments

6.1 Social payments

Many extractive companies contribute to the communities in which they operate beyond the direct economic benefits and employment provided. These contributions may be at the discretion of the company or mandated through legislation or contracts with the government. The EITI Standard requires disclosure of material mandatory social expenditures and encourages disclosure of discretionary social expenditures. The MSG endorses these recommendations.

Mandatory social expenditure is defined by the EITI 2016 Standard as social expenditure that is required either by legislation or by the contract with the government that governs the extractive investment.¹⁵³ Requirements to compensate landholders are set out in the MA (s. 154) and OGA (s. 118), but neither makes specific reference to other social payments.

Mandatory social expenditure is generally agreed between the State or landowners and operators on a case-by-case basis. These agreements are typically confidential, and reporting entities may therefore be unwilling, or unable, to disclose information regarding specific payment amounts and receiving entities. For each mandatory social payment, reporting entities were asked to disclose the name of the contract or agreement where the payment is mandated; however, no reporting entities disclosed the contract name.

Discretionary social expenditure may include, for example, sponsorships and voluntary contributions to health and education programs. Despite disclosure of these payments being optional, many operators chose to disclose these payments and/or activities through their corporate responsibility or sustainability reporting, as well as through the EITI reporting template. Some reporters disclosed aggregate amounts, arguing that disclosure of specific organisations and amounts could expose those organisations to unwelcome pressure or extortion. Where these details were not disclosed, it is possible that some mandatory payments were incorrectly reported as discretionary payments.

The EITI Standard does not define 'social', but the guidance note on social expenditure refers to 'donations, grants or other types of cash transfers, the transfer of assets such as the construction of roads or schools, or the provision of services like training and health care.'¹⁵⁴ The MSG refer to the original scoping study for the first EITI report for a comprehensive breakdown of the categories of social expenditure (to right).¹⁵⁵ However, lease fees would generally be regarded as commercial expenses rather than social expenditure. Reporting of these payments as 'social' is inconsistent across companies; the IA has included payments as reported.

¹⁵³ The EITI Standard 2016, https://eiti.org/sites/default/files/documents/the_eiti_standard_2016_-_english.pdf, accessed 2 December 2019

¹⁵⁴ 'Guidance note 17 on social expenditures', EITI, https://eiti.org/sites/default/files/documents/guidance_note_17_social_expenditure_en_2016_0.pdf accessed 27 November 2019

¹⁵⁵ PNG EITI Scoping Study for First EITI Report, www.pngeiti.org.pg

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	 Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	--	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

The 2018 reporting templates included a detailed description of what is considered a mandatory social expenditure.¹⁵⁶ To avoid double counting, entities were asked to identify any payments relating to infrastructure projects to be claimed under ITC.

Reporting entities were also asked to disclose the nature and deemed value of any benefits provided in-kind. Where the beneficiary is a third party (i.e. not a government agency), the name and function of the beneficiary/ies was requested. Some companies have disclosed this.

6.1.1 Mandatory and discretionary social expenditure

Table 17: Summary of social expenditure by company and sector in 2018

	Mandatory social expenditure (PGK)	Discretionary social expenditure (PGK)
Mining – Reporting entity (mine)		
Barrick (Niugini) Ltd (Porgera mine)	20,988,889	696,947
K92 Mining Ltd (Kainantu)	14,198,516	210,340
Lihir Gold Ltd (Lihir/Luise Caldera mine)	52,773,976	41,757,347
MCC Ramu NiCo Ltd (Kurumbukari mine, Ramu)	10,717,966	2,827,417
Morobe Consolidated Goldfields Ltd (Hidden Valley mine)	601,110	4,189,446
Simberi Gold Company Ltd (Simberi mine)	1,938,187	448,024
Oil and gas – Reporting entity (project)		
ExxonMobil (operator PNG LNG – total PNG LNG figure)	2,511,737	46,583,933
Total (PNG LNG contribution)	577,727	52,676
Oil Search (operator oil projects – total oil project figure)	919,886	216,856,964
State-owned enterprises		
Kumul Petroleum Holdings Ltd (KPH)	0	9,930,807
Mineral Resources Development Company Ltd (MRDC)	0	See 6.5.1
Ok Tedi Mining Ltd (Mt Fubilan mine)	71,227,554	50,197,384

6.2 Subnational payments

Information relating to transfers and payments to subnational (provincial and local level) governments in PNG is difficult to obtain and reconcile. This is due to payment data at the subnational level being either non-existent, too aggregated to be meaningful, inconsistent across projects, or difficult to obtain,¹⁵⁷ in part due to a lack of record keeping by provincial-level governments. Some relevant information is to be found in the 2017 National Economic and Fiscal Commission (NEFC) Budget Fiscal Report.¹⁵⁸ However, this does not always align to the EITI reporting requirements.

¹⁵⁶ 'Mandatory social expenditure refers to social payments by companies that are mandated by law or the contract with the government that governs the extractive investment. This may include development contracts, compensation agreements or benefit sharing memorandum of agreements that cover payments such as compensation, infrastructure or services such as health and education. They are separate to the development levy or production levy. Mandatory social payments are agreed between the state and/or landowners and operators on a case-by-case basis, as allowed for under the Mining Act and Oil & Gas Act.' – IA reporting templates 2019

¹⁵⁷ PNG EITI, Sub-national payments and Transfers, <http://www.pngeiti.org.pg/sub-national-payments-and-transfers/>, accessed 3 December 2019

¹⁵⁸ National Economic and Fiscal Commission 2018 Annual Budget Fiscal Report, www.nefc.gov.pg/documents/publications/fiscalReports/2018Fiscal_Report.pdf accessed 29 October 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	 Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	--	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Subnational payments were identified in the validation report as an area of inadequate progress. In October 2017, PNG EITI commissioned a scoping study to investigate how the EITI Standard can be implemented in relation to subnational governments and landowner associations.¹⁵⁹ We refer readers to this [report](#), published in April 2019, for the most detailed information currently available about subnational financial flows, including the distinction between payments, transfers and social expenditures.¹⁶⁰ The report makes recommendations including the establishment of subnational multi-stakeholder groups with links to the PNG EITI MSG; entities to be included and materiality thresholds; standardised payment categories; and implementation through pilot projects.¹⁶¹

Following the publication of this report, the MSG agreed to attempt unilateral disclosure of subnational payments made by reporting entities for the 2018 PNG EITI report. The recommended framework proposed by the report, illustrated in Table 18 below, was used by the IA to inform the table in the data collection templates, and the information received is presented in sections 6.3-6.5 below. Also relevant are payments through the Public Investment Program, which can be seen in section 7.10 of this report.

It is envisioned that the quality of disclosures relating to subnational payments and transfers will improve in future years, as the recommendations of the scoping study are implemented.

As no definitions were provided in the study, the MSG agreed on the following guidance for the categories/sectors:

- ▶ Statutory compensation: Required compensation to landholders and any regulatory compensation.
- ▶ Economic: Any other social payments made that are not included in the other categories.
- ▶ Infrastructure: Payments or resource costs towards buildings and roads.
- ▶ Capacity building: Contributions towards training and upskilling local communities.
- ▶ Health: Payments to health missions, medical activities and supplies and donations to the health ministry.
- ▶ Education: Scholarships, university scholarships and education resources.
- ▶ Law & order: Contributions to policing and security.
- ▶ Agriculture & fisheries: Payments towards agriculture and fisheries for public consumption.

Table 18: Subnational payments reporting framework

Sectors		Subnational data to be collected					
Social — expenditure	Statutory compensation	1.	Payer/ recipient/ mediator – the payer, recipient and any	2.	Payment type – Whether the payment is a government	3.	Sector – What sector the payment belongs
	Economic						

¹⁵⁹ Terms of reference for this study available on the PNG EITI website <http://www.pngeiti.org.pg/wp-content/uploads/2018/04/PNGEITI-TOR-Sub-national-payments-scoping-study-final.pdf> accessed 12 November 2019

¹⁶⁰ Grice, T. (2019). Sub-national payments in Papua New Guinea's extractive sector: Scoping study for PNG Extractive Industries Transparency Initiative, p. 66, <http://www.pngeiti.org.pg/wp-content/uploads/2019/07/PNGEITI-Sub-national-Payments-Report-May-2019.pdf> accessed 8 November 2019

¹⁶¹ Grice, T. (2019). Sub-national payments in Papua New Guinea's extractive sector: Scoping study for PNG Extractive Industries Transparency Initiative, p. 11, <http://www.pngeiti.org.pg/wp-content/uploads/2019/07/PNGEITI-Sub-national-Payments-Report-May-2019.pdf> accessed 8 November 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues		Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	--	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

	Infrastructure	'mediating' entities in case of transfers	transfer, direct company payment, or social expenditure.	(e.g. education, health, infrastructure).
	Capacity building			
	Health			
	Education			
	Law & order			
	Agriculture & fisheries			
Direct payments & transfers	Royalties	4. Direct/ indirect - whether the payment was a direct cash contribution or in-kind goods and services	5. Mandatory/ discretionary - whether the payment is mandatory (i.e. required under law or an agreement) or discretionary (i.e. not required under law or an agreement).	
	Other royalties and taxes			

6.2.1 Subnational payments and transfers: mining

The National Economic and Fiscal Commission (NEFC) Provincial Government Budget Report outlines the revenues received by provincial governments. At the time of writing, the NEFC had not released actuals for 2017 or 2018.¹⁶² The figure below is derived from the National Budget.

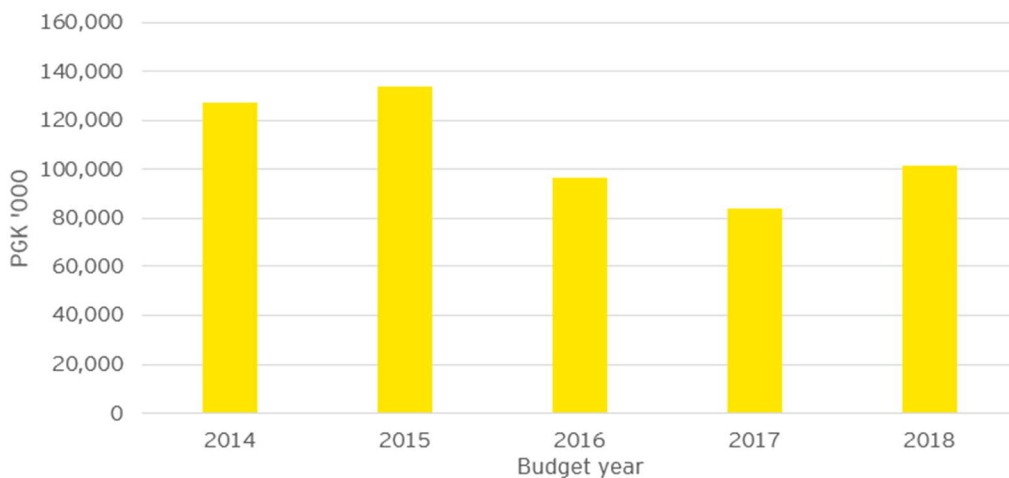


Figure 20: Mining and petroleum royalties/dividends transferred to provinces*¹⁶³

In accordance with the Mineral Resources Authority Act 2018, the MRA has the function of receiving any fee, levy, rent, security, compensation, royalty or other money payable under the Mining Act 1992 ('MA') and other legislation.¹⁶⁴ The most significant regional allocations are for:

¹⁶² NEFC 2018 Budget Fiscal report, http://nefc.gov.pg/documents/publications/fiscalReports/2018Fiscal_Report.pdf, accessed 21 August 2019

¹⁶³ Sourced from National budgets 2014–2019, Table 'Grants, Transfers and other resources of the Provinces' <http://www.treasury.gov.pg/>, accessed 10 December 2018–8 November 2019

¹⁶⁴ Mineral Resources Authority Act 2018, p. 3, <http://www.parliament.gov.pg/uploads/acts/18A-06.pdf>, accessed 8 November 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	 Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	--	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Royalty: A royalty benefit of 2% of the FOB value from resource sales is provided by tenement holders to the State. This is then apportioned to landowners, affected provincial governments and local level governments.

Equity: The State has the right, but not the obligation, to acquire up to 30% of a mining project, at par value, or 'sunk cost' (MA s. 16A). Landowners also have equity stakes in mining projects such as Porgera and Ok Tedi.

Dividends: Landowners and provincial governments of Ok Tedi and Porgera receive dividends from their equity shares in the respective projects. The companies of these land owners and provincial governments are held in trust by MRDC.

Compensation payments: Landowners such as those on the Fly River receive a percentage of dividends from Ok Tedi as compensation payments.

Special Support Grant: The State allocates funding for mining projects to hosting provincial governments such as New Ireland and Enga. The SSG is a transfer to provincial governments in accordance with Section 197 of Organic Law on Provincial and Local Level Governments. It is calculated by Treasury at a rate of 0.25% of FOB value and its disbursement is administered by DNPM through a Guideline.

Treasury has reported the following payments and transfers for Special Support Grants and Development Grants.

Table 19: Mining payments and transfers reported by Treasury for 2018

Receiving entity	Project	Amount (PGK)
Special Support Grants		
New Ireland Provincial Government	Lihir	2,500,000
	Simberi	1,000,000
	Nimarmar	1,000,000
Morobe Provincial Government	Hidden Valley	1,000,000
Enga Provincial Government	Porgera	1,000,000
Porgera Development Authority	Porgera	2,000,000
Fly River Provincial Government	OK Tedi	2,000,000
Development Grants		
New Ireland Provincial Government	Lihir	0
Total		10,500,000

Accountability mechanisms vary significantly depending on the entity receiving the allocation. Audits of provincial, local government and landowners' groups should occur on an annual basis but capacity constraints within both the local and provincial governments and the Auditor General prevent this from occurring. Other mechanisms such as board review or government oversight also vary considerably depending on the entity receiving the distribution.

6.2.2 Subnational payments and transfers: oil and gas

The Oil and Gas Act 1998 outlines the process for benefits sharing, including payments earmarked for specific regions. Part III Division 14 legislates fees and royalties, and Part IV legislates State equity entitlement and project benefits. As per s. 174, the total of these benefits to provincial governments, local-level governments, and landowners shall not exceed 20% of the total net benefit

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	 Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	--	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

to the State from that petroleum project, as determined by a cost-benefit analysis. These benefits and payments include:

Royalty: 2% of 'wellhead value' is provided from the tenement holder to the State (OGA s. 159). Royalty benefits are payable monthly by the State (Minister) to affected landowners, local-level governments and provincial governments in proportions agreed by them in a development agreement, or determined by the Minister in default of this agreement (s. 168).

Development levy: 2% of wellhead value, calculated in the same manner as royalties, is payable by a development licensee directly to a trust fund, which is then available to the provincial governments and the local level governments (s. 160).

Equity: The State has the right to acquire all or part of a participating interest not exceeding 22.5% in each petroleum project (s. 165). The State grants to the project area landowners and affected local-level governments an equity benefit in that petroleum project (s. 167). These benefits shall be held in trust and shared in proportions agreed upon in a development agreement or, in default of the agreement, as determined by the Minister (s. 167). Governments and landowners are also at liberty to negotiate a participating interest in addition to the interest granted them (s. 175).

Project grants: The State may agree with affected local-level governments and provincial governments of a petroleum project to provide grants in the form of monetary payments or provision of infrastructure, services, or other benefits (s. 173).

Other benefits: Through a development agreement the State may provide project area landowners or people of the region grants, consolidated revenue or otherwise. These agreements made between the State and landowners do not affect any agreements which may be reached between project area landowners and petroleum project developers themselves (s. 171).

Treasury has reported the following payments and transfers for Special Support Grants.

Table 20: Oil and gas payments and transfers reported by Treasury for 2018

Receiving entity	Project	Amount (PGK)
Special support grants		
Gulf Provincial Government	Oil projects	1,000,000
Southern Highlands Provincial Government	Oil project/PNG LNG	1,000,000
Moran Special Purpose Authority (SPA)		2,000,000
Kutubu SPA		1,000,000
Hela Provincial Government	Oil projects/PNG LNG	0
Angore SPA		3,000,000
Hides SPA		2,000,000
Central Provincial Government	PNG LNG	0
Total		10,000,000

We have included a project-level summary of social and expenditure below where information has been provided by entities.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	 Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	--	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

6.3 Social and subnational payments by PNG entity: Mining

6.3.1 Barrick Niugini Ltd (Porgera mine)

Barrick's 2018 Sustainability Report describes economic contributions totalling US\$393 million, including payments to employees, purchases from host country suppliers, payments to government and community investments.¹⁶⁵ Barrick provided the following breakdown for the Porgera mine for mandatory, discretionary and subnational payments.

Mandatory

Mandatory social expenditure for Porgera mine included environmental compensation, education and relocation.¹⁶⁶ Barrick Niugini provided the following breakdown.

Table 21: Mandatory social expenditure paid by Barrick in 2018

Sector	Amount (PGK)
Compensation-environmental & social	6,413,862
Infrastructure	3,450,488
Capacity building - Infrastructure	12,080,129
Education	11,124,538
Total	33,069,018

Discretionary

Barrick reported the following donations paid, however details of recipients were not provided.

Table 22: Discretionary social expenditure paid by Barrick in 2018

Commodity	Sector	Amount (PGK)
Economic	Donations	696,947

Subnational

Table 23: Subnational payments paid by Barrick in 2018

Commodity	Payer/Recipient/Mediator	Amount (PGK)
Mining royalties	Enga Provincial Government	17,691,807
	Porgera Development Authority	1,769,181
	SML Landowners	5,307,543
	SML Children's Trust	3,538,361
	Porgera Landowners Association	4,246,034
	Porgera Young adults	2,830,689
Total		35,383,615

6.3.2 Frieda River Ltd (Frieda River)

Frieda River Ltd (not a material resource company) reported the following social payments for Frieda River in 2018. They have also noted that PanAust Ltd contributed PGK953,942 to community development programs in PNG, with a further PGK186,249 associated with the use of

¹⁶⁵ 2018 Sustainability Report, https://barrick.q4cdn.com/788666289/files/design/sustainability_assets/Introduction.pdf, accessed 29 October 2019

¹⁶⁶ Barrick's financial data template.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	 Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	--	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

helicopters to deliver programs to the Frieda River Copper-Gold Project communities that are inaccessible by road. Programs focused on improved health and education services and capacity building, with greater emphasis on the maintenance and establishment of infrastructure to support these services.¹⁶⁷

Mandatory

Table 24: Mandatory expenditure as reported by Frieda River Ltd for 2018

Recipient	Amount (PGK)
Near-Project communities	229,508

Discretionary

Table 25: Mandatory expenditure as reported by Frieda River Ltd for 2018

Commodity	Payment type	Recipient	Amount (PGK)
Economic	In-kind	Near-project communities (in-kind)	69,807
Infrastructure	In-kind	Near-project communities (in-kind)	158,351
Capacity building	In-kind	Near-project communities (in-kind)	3,849
Health	In-kind	Telefomin District Health, PNG Baptist Church Health Services (in-kind)	534,635
Education	Cash	Telefomin District Education (cash)	156,948
Law & order			923,591
Agriculture & fisheries	In-kind	Near-Project communities (in-kind) including Inlok, Paupe, Eliptamin, Sokamin, Okisai and Wabia	30,352
Total			534,635

Subnational

Frieda River have reported zero subnational payments for 2018.

6.3.3 K92 Mining Ltd (Kainantu)

K92 Mining Ltd reported the following mandatory, discretionary and subnational payments for the Kainantu mine project in 2018.

Mandatory

K92 reported the following mandatory payments for 2018.

Table 26: Mandatory expenditure as reported by K92 Mining Ltd

Commodity	Recipient	Amount (PGK)
Statutory compensation	Mineral Resources Authority	71,763
Economic	ASILA Security / NCS/Pagini K92 JV / Young Jin Trading	13,461,113
Health	Chemcare Group Ltd / Johnstons Pharmacies Ltd	58,554
Education	UPNG / Medical Society / PNG Chamber of Mines / Diamond Defensive Driving / SCG Safety	156,576
Law & Order	Police/ G4S Security Cos.	450,511
Total		14,198,516

¹⁶⁷ Frieda River 2018 reporting template

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	 Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	--	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Discretionary

Table 27: Discretionary expenditure as reported by K92 Mining Ltd

Commodity	Recipient	Amount (PGK)
Education	DWU / PNG Chamber of Mines - M Feiner	4,700
Law & Order	Yoge & ML 150 LO Security Cos.	205,640
Total		210,340

Subnational

Table 28: Subnational payments as reported by K92 Mining Ltd

Commodity	Recipient	Amount (PGK)
Mining royalties	EHP Government - Five Year Provincial Development Plan @ 5%	357,352
	Kainantu Rural LLG-5 Year District Development Plan @ 9%	214,411
	Kainantu Urban Local Level Government @ 4.5%	107,206
Total		678,970

6.3.4 Lihir Gold Ltd (Luise Caldera mine)

Lihir Gold Ltd reported the following mandatory, discretionary and subnational payments for the Luise Caldera mine project in 2018.

Mandatory

Mandatory expenditures by Lihir include community projects, IBP2 Grant (landowner agreement) and other ongoing direct benefit landowner agreements. Compensation agreements are required under Papua New Guinea (PNG) law and the land-owning communities have a legal right of veto over the development/ disturbance of customary land owned by indigenous communities. Agreements providing consent to impact cultural sites, consent to impact economic crops, and consent for site access have all been signed between Lihir Gold Limited and the affected land block holders prior to any entry or works occurring.¹⁶⁸ Lihir provided the following breakdown in Table 29.

Table 29: Mandatory expenditure as reported by Lihir Gold Ltd

Recipient	Amount (PGK)
Integrated Benefits Package (IBP) Community Projects	12,288,281
IBP2 Grant (landowner agreement)	21,709,311
Other ongoing direct benefit landowner agreements	18,501,839
Other	136,556
Total	52,773,976

Discretionary

Discretionary expenditures by Lihir include investment in external/community roads and airport runway, medical centres and a resource centre.¹⁶⁹ Lihir runs several programs, as detailed in its

¹⁶⁸ 2018 Newcrest Sustainability Report, https://www.newcrest.com.au/media/sustainability_reports/2018/181112_Newcrest_Sustainability_Report_2018.pdf, accessed 21 August 2019

¹⁶⁹ Lihir 2018 financial data template.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	 Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	--	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

sustainability report.¹⁷⁰ For example, Lihir developed a wellbeing program that initially focused on the physical health and wellness of employees and business partners, and has now shifted its focus to mental wellness, providing site-based counsellors and psychological support. Additionally, Lihir has made a procurement decision to utilise local contractors and suppliers when possible, spending \$238 million on local contractors and suppliers in FY2018. Lihir provided the following breakdown in Table 30.

Table 30: Mandatory expenditure as reported by Lihir Gold Ltd

Recipient	Amount (PGK)
Costs to support the in-progress Lihir Agreement Review with land-owners	7,539,019
External/Community Roads & Airport Runway	13,120,500
Lihir Medical Centre	18,616,944
Resource Centre	1,198,997
Other	1,281,887
Total	41,757,347

Subnational

Lihir disclosed the following subnational payments made in 2018.

Table 31: Subnational payments paid by Lihir Gold Ltd in 2018

Revenue Stream	Recipient	Amount (PGK)
Royalties – Paid to provincial/local governments	New Ireland Provincial Government (NIPG)	38,621,167
Royalties – Paid to provincial/local governments	Niamamar Local Level Government (NLLG)	23,172,700
Royalties – Paid to landholders	SML Landholders	14,676,043
Total		76,469,910

6.3.5 MCC Ramu Nico Ltd (Ramu Nickel, Kurumbukari mine)

MCC Ramu Nico Ltd reported the following mandatory, discretionary and subnational payments for the Ramu Nickel/Kurumbukari mine in 2018.

Mandatory

Table 32: Mandatory expenditure as reported by MCC Ramu Nico

Commodity	Recipient	Amount (PGK)
Land and environment compensation	Payment to landowners	2,132,068
Community affairs	Assistance to communities	453,670
Business opportunities	Business contract with locals	8,132,228
Total		10,717,966

¹⁷⁰ 2018 Sustainability Report, https://www.newcrest.com/sites/default/files/2019-10/18_Newcrest%20Sustainability%20Report_0.pdf, accessed 12 December 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues		Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	--	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Discretionary

Table 33: Discretionary expenditure as reported by MCC Ramu Nico

Recipient	Amount (PGK)
Capacity building	298,573
Health, securities and environment	1,936,060
Donations	592,784
Total	2,827,417

Subnational

Table 34: Subnational payments as reported by MCC Ramu Nico

Recipient	Amount (PGK)
Local/provincial government	
Madang provincial and local level government	10,499,924
Landholders	
Kurumbukari, Maigari Inland Pipeline, Coastal Pipeline and Basamuk Landowner groups	18,687,098
Total	29,187,021

6.3.6 Morobe Consolidated Goldfields Ltd (Hidden Valley Mine)

Morobe Consolidated Goldfields Ltd (MCG) reported the following mandatory, discretionary and subnational payments for the Hidden Valley mine project in 2018.

Mandatory

Table 35: Mandatory social expenditure paid by MCG in 2018

Recipient	Amount (PGK)
ME 82 Lease Compensation Agreement	40,931
ML 151 Lease Compensation Agreement	328,340
Land for Wau Camp Water Supply	3,849
Rainfall Monitoring Station	12,828
Dust Monitoring Station	4,574
Hydrology Monitoring Station	43,180
Creek water discolouration compensation	163,200
	4,207
Total	601,110

Discretionary

Table 36: Discretionary social expenditure paid by MCG in 2018

Recipient	Amount (PGK)
Agricultural Programs, Community Business Development Support, Community Road Maintenance, Share Benefit Payments	4,189,446

A further break down of in-kind discretionary payments is given below:

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	 Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	--	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Table 37: In-kind discretionary payments made by MCG in 2018*

Recipient	Amount (PGK)
NKW - we bought buses and donated them to NKW	2,528,905
Equipment hire to fix the road for local residents	55,626
Landowners, coffee beans and plants	49,582
Total	2,634,113

*The IA note that at the time of reporting, it is un-clear whether in-kind payments have been included in the total discretionary social expenditure figure.

Subnational

Table 38: Subnational payments paid by MCG in 2018

Recipient	Amount (PGK)
Royalties - Paid to provincial/local governments	
Highway Communities	79,931
River Communities	79,931
Subsidiary Landowner Communities	239,792
Settler Communities	319,722
Royalties - Paid to landholders	
Wafi Landowner Association	79,931
Nakuwi Landowner Association	319,722
Future Generations Trust	319,722
HV Landowners - Winima recipients	1,398,785
HV Landowners - Kwembu recipients	1,398,785
HV Landowners - Nauti recipients	2,797,570
Total	7,033,889

6.3.7 Simberi Gold Limited (Simberi mine)

Simberi Gold Ltd reported the following mandatory, discretionary and subnational payments for the Simberi mine project in 2018.

Mandatory

Mandatory social expenditure for the Simberi mine is paid to the Simberi land owners. As per the parent company's (St Barbara) annual report, this includes mine services such as earthmoving and trucking, and community support such as roads and water maintenance.¹⁷¹

Table 39: Mandatory social expenditure paid by Simberi Gold in 2018

Recipient	Amount (PGK)
Simberi land owners	1,938,187

Discretionary

Table 40: Discretionary social expenditure paid by Simberi Gold in 2018

Recipient	Amount (PGK)
Simberi community	448,024

¹⁷¹ St Barbara 2018 Sustainability report <https://stbarbara.com.au/wp-content/uploads/2018/09/2018.09.14-asx-sustainability-report.pdf>, accessed 21 August 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues		Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	--	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Subnational

Table 41: Royalty payments paid by Simberi Gold in 2018

Recipient	Amount (PGK)
Landholders	
Big Tabar landowners	1,632,618
Future Generations	310,299
Landowners compensation	2,482,393
Simberi Mining Development	2,482,393
Simberi Mining Association	930,897
Tatau landowners	1,632,618
Local/provincial government	
Sentral Niu Ailan LLG	1,088,412
Total	10,559,632

6.4 Social and Subnational payments by PNG entity: Oil & Gas

6.4.1 PNG LNG project total

Exxon Mobil reported the following mandatory and discretionary payments for the PNG LNG project in 2018. It is noted that ExxonMobil provided both the PNG LNG total and Exxon's share of expenditure, which is provided separately section 6.3.8.1.

Mandatory

Table 42: Mandatory social expenditure paid by PNG LNG in 2018

Recipient	Amount (PGK)
Land deprivation	2,511,737

Discretionary

Table 43: Discretionary social expenditure paid by PNG LNG in 2018

Recipient	Amount (PGK)
Civic and community	13,063,385
Environment	10,328,952
Education	3,958,916
Health	2,415,818
Public policy and other	1,122,626
Hela Agriculture Initiative	7,000,000
APEC	2,945,451
Earthquake response	5,748,786
Total	46,583,933

Subnational

For royalty payments on PNG LNG projects, please refer to Chapter 10.7.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

6.4.1.1 ExxonMobil (PNG LNG contribution)

Mandatory

ExxonMobil provided the following total mandatory expenditure figure for their contribution to the PNG LNG project; however, no breakdown of recipients or sector was provided.

Table 44: ExxonMobil's share of PNG LNG mandatory social expenditure in 2018

Recipient	Amount (PGK)
No recipient disclosed	833,897

Discretionary

ExxonMobil provided the following total discretionary expenditure figure for their contribution to the PNG LNG project; however, no breakdown of recipients or sector was provided.

Table 45: ExxonMobil's share of PNG LNG discretionary social expenditure in 2018

Recipient	Amount (PGK)
ExxonMobil sole costs	5,768,017
Overall ExxonMobil Share of expenditure	19,318,901

Subnational

For royalty payments on PNG LNG projects, please refer to Chapter 10.7.

6.4.1.2 JX Nippon (PNG LNG contribution)

Mandatory

JX Nippon reported zero contribution to the mandatory expenditure for the PNG LNG project.

Discretionary

JX Nippon reported zero contribution to the discretionary expenditure for the PNG LNG project.

6.4.1.3 Lavana Ltd (PNG LNG contribution)

Mandatory

Lavana Ltd reported zero contribution to mandatory social expenditure for the PNG LNG project in 2018.

Discretionary

Table 46: Lavana's share of PNG LNG discretionary social expenditure in 2018

Recipient	Amount (PGK)
Tari Hospital	214,521
Earthquake Appeal	117,546
Total	332,067

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	 Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	--	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

6.4.1.4 Santos Ltd (PNG LNG contribution)

Mandatory

Santos reported zero contribution to mandatory social expenditure for the PNG LNG project in 2018.

Discretionary

Table 47: Santos share of PNG LNG discretionary social expenditure in 2018

Recipient	Amount (PGK)
Tari Hospital	893,838
Earthquake Appeal	489,774
Total	1,383,612

6.4.1.5 Total (PNG LNG contribution)

Mandatory

Table 48: Total's share of PNG LNG mandatory social expenditure in 2018

Recipient	Amount (PGK)
PRL- 15 Land Owners	577,727

Discretionary

Table 49: Total's share of PNG LNG discretionary social expenditure in 2018

Recipient	Amount (PGK)
Digicel Foundation	30,000
Volunteer Services	22,676
Total	52,676

6.4.2 Oil Search

Mandatory

Table 50: Mandatory expenditure as reported by Oil Search in 2018

Recipient	Amount (PGK)
OSL/ Community	919,886

Discretionary

Table 51: Discretionary expenditure as reported by Oil Search in 2018

Recipient	Amount (PGK)
OSL/ Various	216,856,964

Subnational

For royalty payments on PNG LNG projects, please refer to Chapter 10.7.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

6.4.3 Repsol

In June 2018 Repsol (not a material resource company) announced that they are selling their 40% shares in the Stanley project to Balang International (a part of the China Changcheng Natural Gas Power Co. Ltd Group).¹⁷² The Stanley project is currently not in operation and as per available information it appears that the sale has not yet been finalised.

Mandatory

Repsol reported zero mandatory social expenditure for 2018.

Discretionary

Repsol reported zero mandatory social expenditure for 2018.

Subnational

Repsol reported zero subnational payments for 2018.

6.5 Social and Subnational payments by PNG entity: SOE

6.5.1 Kumul Petroleum Holdings (KPH) (PNG LNG contribution)

Mandatory

KPH reported zero contribution to the mandatory expenditure for the PNG LNG project.

Discretionary

Table 52: KPH share of PNG LNG discretionary social expenditure in 2018

Recipient	Amount (PGK)
Various donations – Hunters Rugby league, PNG Olympic Committee, Passam National High School, Woman’s Oceania 7s, Kokoda Trek Foundation, and others	9,930,807

Subnational

KPH reported zero contribution to the subnational payments for the PNG LNG project in 2018. It is noted that the PNG LNG project has reported zero subnational payments in 2018 and therefore no contribution by KPH was expected.

6.5.2 MRDC Ltd (multiple projects)

Mandatory

MRDC reported no mandatory social expenditure for the 2018 reporting period.

¹⁷² Repsol announces sale of Papua New Guinea interests, https://investors.horizonoil.com.au/irm/PDF/2565_0/RepsolannouncessaleofPNGinterests accessed 2 December 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues		Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	--	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Discretionary

MRDC reported the following social expenditures for 2018. The IA notes that there are significant payments to 'public relations' for 2018. For the 2019, greater clarity over the nature of these payments will be required.

Table 53: Discretionary expenditure as reported by MRDC

Subsidiary/trust entity & expenditure details	Amounts (PGK)	Recipients
Mineral Resources Development Company (MRDC)		
Public relations - MRDC	601,827	MRDC - through the office of the Managing Director
Donations	30,000	Ipatas Cup Challenge
Donations	30,000	MRDC Super 9 Rugby Challenge
Donations	7,500	Gulf Provincial Sports Trust launching
Donations	5,000	Life PNG Care Annual Charity Event
Donations	15,000	MRDC staff funeral assistance
Petroleum Resources Kutubu Ltd (PRK)		
Sponsorship	596,384	Gulf Isou RFLC
Sponsorship	753,740	Mendi Muruks RFLC
Sponsorship	1,000,000	Hekari United Football Club
Sponsorship	100,380	Gulf Erema Football Club
Sponsorship	233,135	Others
Sponsorship	27,199	Gulf Provincial Sport Trust
Donations	44,838	Kikori Landowners
Donations	310,000	Foe landowners - Kutubu
Donations	500,000	Fasu landowners - Kutubu
Donations	50,000	Kutubu Digaso Cultural Annual Show
Donations	20,000	Kikori local churches
Donations	26,600	Souths Super 9's Tournament
Donations	25,000	School fees assistance
Donations	77,000	Medical assistance
Donations	33,590	Other sports sponsorships
Donations	150,729	Funeral assistance
Public relations - Fasu	900,000	The FASU landowners of Kutubu managed by Director Johnny Yawari
Public relations - Foe	897,619	The FOE landowners of Kutubu managed by Director John Kapi Natto
Public relations - Kikori	1,213,531	Kikori landowners managed by Director Abraham Murepe
Public relations - Namu Aporo	900,000	Namu Aporo landowners of Kutubu managed by Director Mark Sakai
Public relations - SHP Government	698,506	SHP Government through the office of Governor William Powi
Public relations - Gulf Prov Government	785,727	GPG Government through the office of Governor Chris Haiveta
Public relations - Dept of Petroleum & Energy	278,027	DPE - through the Office of the Secretary
Public relations - MRDC	817,322	MRDC - through the office of the Managing Director

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues		Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	--	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Subsidiary/trust entity & expenditure details	Amounts (PGK)	Recipients
Petroleum Resources Gobe Ltd (PRG)		
Public relations - Erave/samberigi	299,973	PR funds for Erave/samberigi landowners through their Director Philip Kende
Public relations - Kikori/Kaiam	99,257	PR funds for Kikori/Kaiam landowners through their Director George Kasi
Public relations - Gulf Prov Government	46,606	GPG Government through the office of Governor Chris Haiveta
Public relations - Southern Highlands Province Government	25,000	SHP Government through the office of Governor William Powi
Public relations - MRDC	69,080	MRDC - through the office of the Managing Director
Petroleum Resources Moran Ltd (PRM)		
Public relations - Moran	293,776	PR funds for Moran landowners through their respective Directors
Public relations - Department of Petroleum & Energy	10,000	DPE - through the Office of the Secretary
Public relations - MRDC	20,000	MRDC - through the office of the Managing Director
Mineral Resources Star Mountains Ltd (MRSM)		
Public relations - Director W Sokim	198,439	PR Funds for Start Mountain landowners through Director Wilson Sokim
Public relations - Director D Kaiankim	305,153	PR Funds for Start Mountain landowners through Director David Kaiankim
Public relations - Director J Atmeyok	197,517	PR Funds for Start Mountain landowners through Director John Atmeyok
Public relations - Chairman	200,000	PR Funds for Start Mountain landowners through Chairman Amos Kiki
Public relations - Department of Mining	54,150	Dept of Mining - through the Office of the Secretary
Public relations - MRDC	24,950	MRDC - through the office of the Managing Director
Mineral Resource Ok Tedi No. 2 Ltd (MROT)		
Public relations - Chairman	962,925	PR funds through the office of Western Provincial Governor

Subnational

MRDC facilitates sub-national transfers as the trustee of interests in extractive projects on behalf of subnational governments and landowner groups. For more detail, see section 9.6 of this report.

Table 54: Subnational payments as reported by MRDC

Subsidiary/trust entity	Recipient (inferred by IA based on ownership)	Amount (PGK)
Mineral Resources Development Company (MRDC)	unknown	100,000
Petroleum Resources Kutubu Ltd (PRK)	Gulf and Southern Highlands	3,222,386
Petroleum Resources Gobe Ltd (PRG)	Gulf and Southern Highlands	25,000
Mineral Resource Ok Tedi No. 2 Ltd (MROT)	Western (Fly River Provincial Government)	1,399,555

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	 Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	--	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

6.5.3 Ok Tedi Mining Ltd (Mt Fubilan Mine)

Mandatory

Table 55: Reported mandatory expenditure paid by Ok Tedi Mining Ltd in 2018

Recipient	Amount (PGK)
CMCA compensation payments	
Nupmo	3,848,071
Tutuwe	5,340,273
Wari Tri	9,896,345
Middle Fly	10,857,026
Kiwaba	3,846,539
Suki Fly Gogo	3,485,596
Dudi	3,303,605
Manawette	3,406,055
Total CMCA compensation payments	43,983,510
Mine villages[^]	
Atemkit	791,943
Kavorabip	855,524
Finalbin	828,721
Bulitem	999,517
Migalsimbip	967,807
Wangbin	1,099,749
Total mine village payments	5,543,261
Lease[*]	
Lease-Local	1,694,204
Land Rental (Govt)	449,892
Land Lease Payments (Community)	1,202,199
Land Lease Compensation-LMP79-Kobom	967,305
Land Lease Compensation-LMP37-Aekyom	679,368
Lease-Lamin Trust	584,241
Total lease payments	5,577,209
Eight supplement	
Eighth Supplemental Agreement-Heduru	16,123,575
Total mandatory payments	71,227,554

*Included according to template provided, however please note that lease payments would typically be classed as commercial operating costs rather than that social expenditure.

[^]The OK Tedi template states "Mine Villages (PGK '000,000)", however the IA note that this would make the payments extremely high. Confirmation from OK Tedi has not been received at the time of writing.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	 Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	--	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Discretionary

Table 56: Discretionary expenditure as reported by Ok Tedi Mining Ltd in 2018

Recipient	Amount (PGK)
Various donations	50,170,385
Compensation general (Others)	27,018
Total	50,197,403

Some further detail on Ok Tedi's social expenditure by category can be found in its Annual Review.¹⁷³

Subnational

Table 57: Subnational payments as reported by Ok Tedi Mining Limited in 2018

Recipient	Amount (PGK)
Western Provincial Government (FRPG)	17,649,015

¹⁷³ Ok Tedi Mining Lt Annual Review 2018, pp. 65-9, <https://oktedi.com/wp-content/uploads/2019/05/OK-Tedi-Annual-Review-2018-Web.pdf>, accessed 12 December 2019



Mining

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	 Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--	-------------	-------------------------	-----------------------------------	------------------------------	------------

7. Mining

7.1 Overview of mining operations in 2018

The companies discussed in this chapter are listed below. These were companies initially identified as material, based on their association with mines that were either in operation or in advanced stages of pre-production.

Table 58: Mining companies 2018

Reporting entity (mine – license)	Mining operator and Joint Venture (JV) partners	Notes
Mining		
Anomaly Ltd (Mt Crater mine)*	Anomaly Ltd (Crater Gold)	Not producing in 2018
Barrick (Niugini) Ltd (Porgera mine – SML 1 (P))	Barrick Niugini Ltd (operator) - 50% owned by Barrick Gold Corporation and 50% by Zijin Mining Group MRDC (managing funds for Mineral Resources Enga Ltd (MREL 5%))	Producing in 2018
Eda Kopa (Solwara) Ltd (Solwara - ML 154)*	Nautilus Minerals KMH Eda Kopa (Solwara) Ltd 15%	Not producing in 2018
Frieda River Ltd (Frieda River)*	PanAust and Highlands Pacific JV for 2018. 100% owned by PanAust from May 2019	(SML Application lodged)
K92 Mining Ltd (Kainantu – ML150)	K92 Mining Inc.	Producing in 2018
Lihir Gold Ltd (Lihir/Luise Caldera mine – SML 6)	Lihir Gold Ltd is 100% owned by Newcrest Mining Ltd	Producing in 2018
MCC Ramu NiCo Ltd (Kurumbukari mine, Ramu – SML 8)	MCC Ramu NiCo Ltd (operator) Highlands Pacific (100% owner – Ramu Nickel Ltd 8.56% MRDC (managing funds for Mineral Resources Madang Ltd 2.5% and Mineral Resources Ramu Ltd 3.94%))	Producing in 2018
Morobe Consolidated Goldfields Ltd (Hidden Valley mine – ML 151)	Hidden Valley JV (operator) 100% owned by Harmony	Producing in 2018
Newcrest PNG 2 and Wafi Mining Ltd (Wafi-Golpu)*	Newcrest and Harmony JV	(SML Application lodged)
Niuminco Edie Creek Ltd (Edie Creek mine – ML 144)*	Niuminco Edie Creek Ltd	Producing in 2018
Simberi Gold Company Ltd (Simberi mine – ML136)	Simberi Gold Co. Ltd (operator) is 100% owned by St Barbara	Producing in 2018
Woodlark Mining Ltd (Woodlark - ML508)*	Geopacific Resources Ltd Kula Gold Ltd	Not producing in 2018
SOE		
Ok Tedi Mining Ltd (Mt Fubilan) SML 1 (O)	Ok Tedi Mining Ltd (operator)	Producing in 2018

*Not material reporting entities for 2018 EITI report. However, we have included their overview and background for transparency purposes.

7.2 Mines operating in 2018

This section of the report presents an overview of mining projects active in PNG during 2018. Any changes that occurred to the ownership structures during the 2018 reporting period are noted. Export values included in summaries are free on board (FOB) values reported by the MRA. FOB values are the values recorded by customs when the mining commodities are exported.

In the ownership structure figures, the yellow boxes identify the operator of the mine, (or in some cases the owner of the operator). This is the reporting entity that provides the majority of EITI

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	 Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--	-------------	-------------------------	-----------------------------------	------------------------------	------------

reporting information. The other joint venture owners were also asked to provide contextual information and to notify the amount of tax paid for the data reconciliation process. Beneficial ownership (to the extent known) are shown in blue.

7.2.1 Alluvial mining sector

The MA allows people to mine for alluvial minerals on their own land by non-mechanical means without the need for a mining licence, provided that the land is not the subject of tenement (other than exploration licence) and that the mining is carried out safely.¹⁷⁴ This sector is therefore largely unmonitored, and there is limited information about its size. MRA estimates there are 80–100,000 small-scale miners in this category. An Alluvial Mining Database is planned for 2020, funded by MRA and Artisanal Gold Council, which should give a more accurate number.¹⁷⁵ By 2018, 4,659 individuals had completed training at the MRA’s small-scale mining centre in Wau.¹⁷⁶

Small-scale mining conducted with powered machinery requires an Alluvial Mining Lease or Mining Lease (for alluvial purposes) from the MRA. The former is granted for up to five hectares of land that is a river bed and extends no further than 20 metres from any river bed. The latter may cover up to 60km². There is a requirement for a minimum 51% ownership by PNG nationals.¹⁷⁷ In 2018, there were 117 Alluvial Mining Leases.¹⁷⁸

Alluvial miners sell their gold to traders, who then on-sell it to one of 16 licensed exporters, regulated by the Bank of PNG. The MRA checks the export forms and raises levies on the export.

¹⁷⁴ Mining Act 1992 s.9, http://www.paclii.org/cgi-bin/sinodisp/pg/legis/consol_act/ma199281/ma199281.html?stem=&synonyms=&query=Mining%20Act%201992, accessed 22 August 2019.

¹⁷⁵ Direct communication from MRA, 17 December 2019

¹⁷⁶ MRA, interview 28 November 2016; a more recent estimate has not been obtained.

¹⁷⁷ Mining Act 1992 s. 38, http://www.paclii.org/cgi-bin/sinodisp/pg/legis/consol_act/ma199281/ma199281.html?stem=&synonyms=&query=Mining%20Act%201992 accessed 22 August 2019

¹⁷⁸ MRA, response to data request for 2018 PNG EITI Report, received 8 September 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

7.2.2 Barrick Niugini Ltd (Porgera mine)

Minerals	Gold and silver
Province	Enga
Mine opened	1989
Mine life (years)	2025 ¹⁷⁹
Tenement	SML1 (P), ML101
2018 export value	PGK1,869,792,597


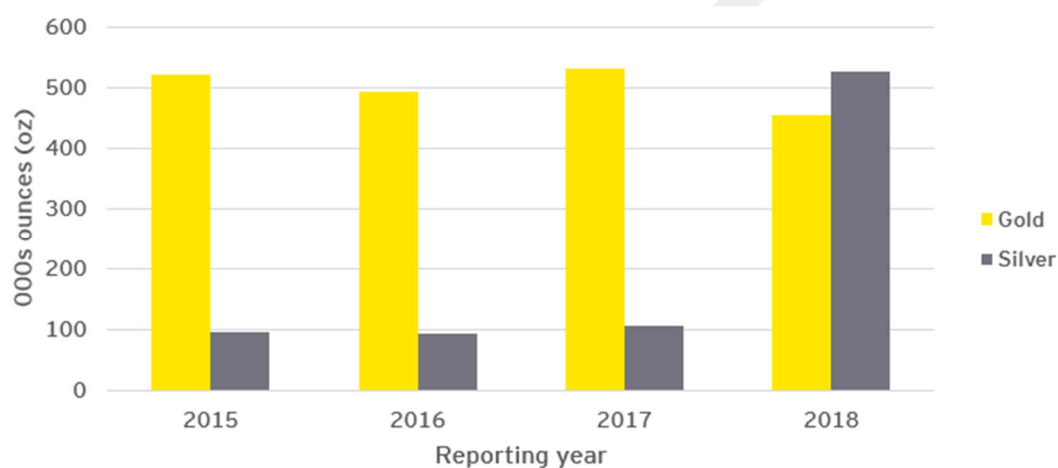



Figure 21: Porgera production data, as reported by MRA

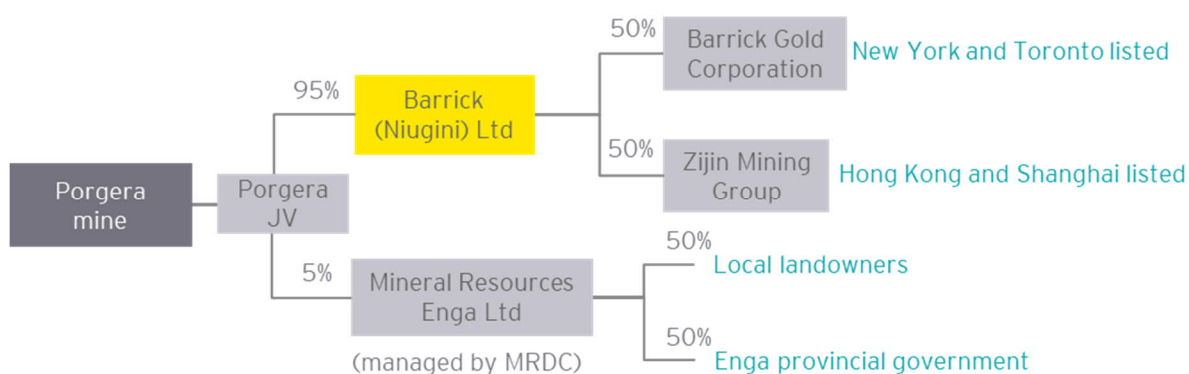


Figure 22: Porgera mine ownership structure¹⁸⁰

¹⁷⁹ <https://miningdataonline.com/property/611/Porgera-Mine.aspx>, accessed 5 September 2019

¹⁸⁰ <http://www.porgerajv.com/Company/Our-Story> accessed 22 August 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	 Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--	-------------	-------------------------	-----------------------------------	------------------------------	------------

7.2.3 K92 Mining Ltd (Kainantu)

Minerals	Gold, Silver and Copper
Province	Eastern Highlands
Mine opened	2005
Mine life (years)	9 years ¹⁸¹
Tenement	ML150
2017 export value	PGK 141,595,949

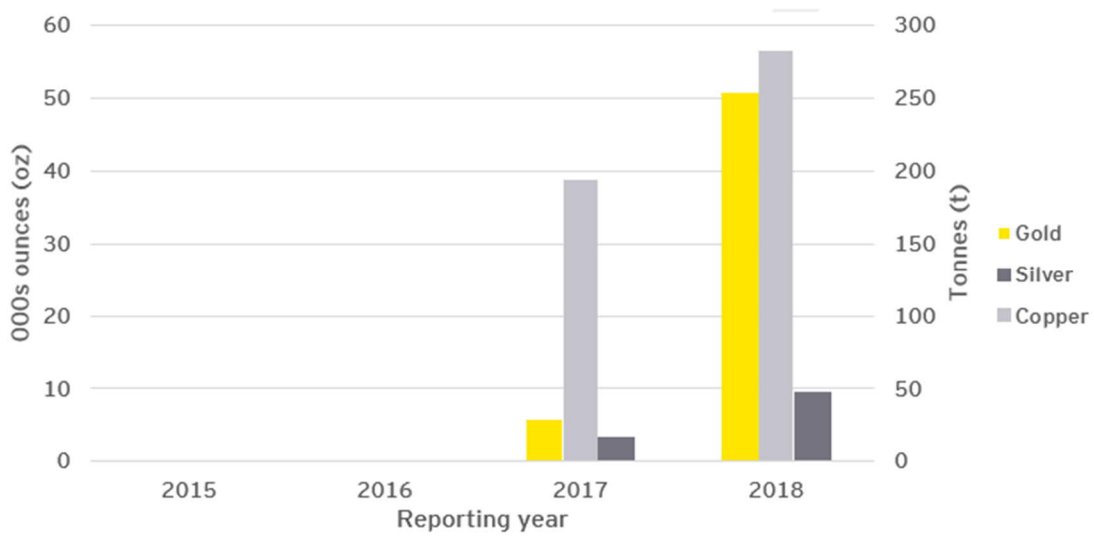


Figure 23: Kainantu mine production data, as reported by MRA

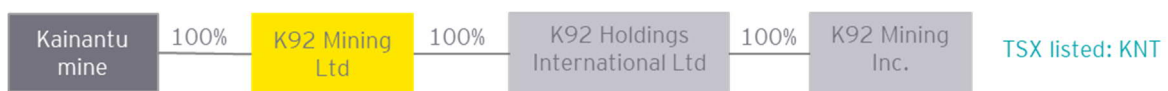


Figure 24: Kainantu mine ownership structure

Operations commenced in 2006 but the mine was placed into care and maintenance in 2009. It remained in this state until 2015, when K92 acquired the project, restarting production in 2017.¹⁸²

¹⁸¹ Mine Life, <https://miningdataonline.com/property/656/Kainantu-Mine.aspx>, accessed 5 September 2019

¹⁸² K92 Mining Inc, <https://www.k92mining.com/operations/>, accessed 31 October 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

7.2.4 Lihir Gold Ltd (Luise Caldera mine)

Minerals	Gold and silver
Province	New Ireland
Mine opened	1997
Mine life (years)	30+ (gold reserves estimated at 25,297,577 oz ¹⁸³)
Tenement	SML6, ML125, 126
2018 export value	PGK3,903,974,207 ¹⁸⁴


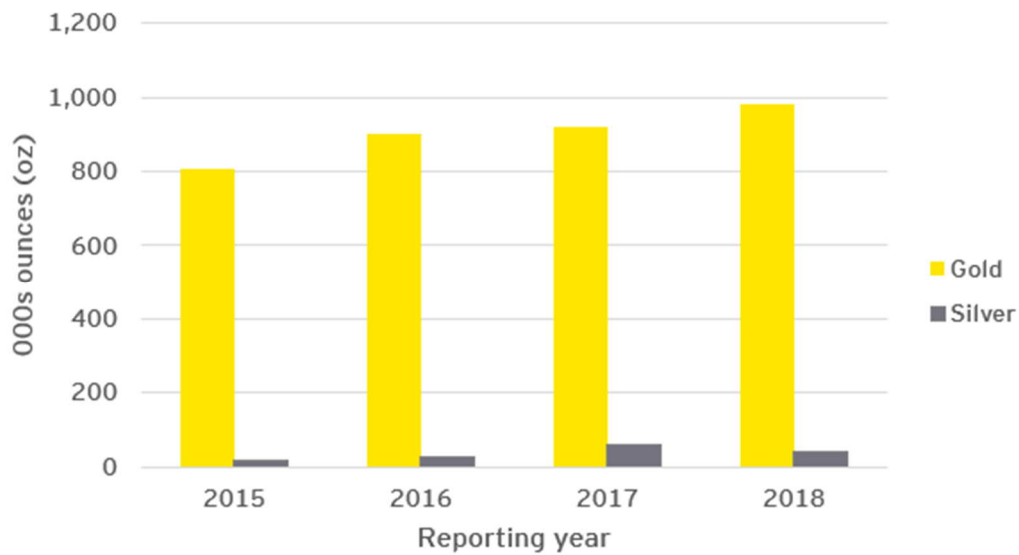



Figure 25: Lihir (Luise Caldera) production data, as reported by MRA.



Figure 26: Lihir ownership structure

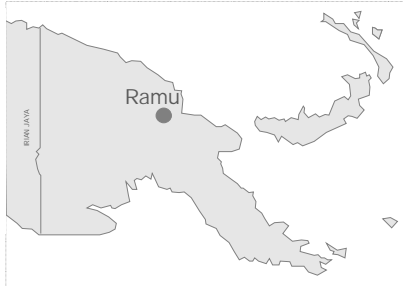
Please note that 2018 silver data from Lihir Gold Lt was not reported by MRA.

¹⁸³ Reported by Newcrest Mining in LGL data template completed for this report

¹⁸⁴ *ibid*

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

7.2.5 MCC Ramu Nico Ltd (Ramu Nickel, Kurumbukari mine)

Minerals	Nickel, cobalt and chromite	
Province	Madang	
Mine opened	2012 (construction completed)	
Mine life	30 ¹⁸⁵	
Tenement	SML8	
2018 export value	PGK1,377,324,450 ¹⁸⁶	

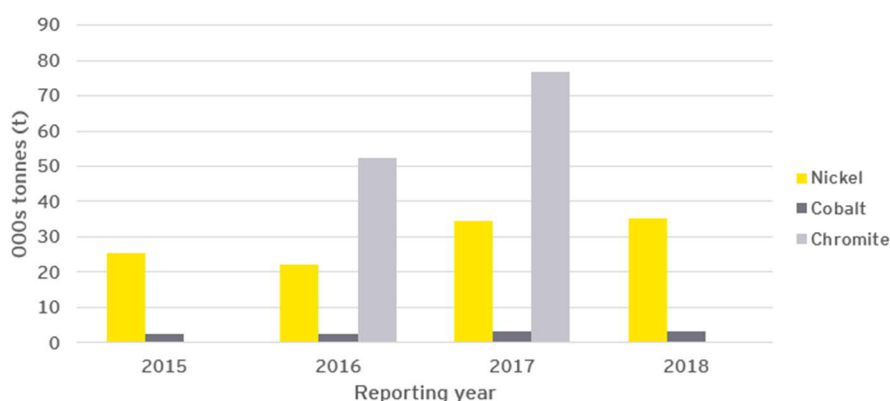


Figure 27: Kurumbukari production data, as reported by MRA*

*Chromite production was reported by MRA for 2016 but not for 2017. Chromite production 2017 values are from the operator. Produced quantity was not provided by the MRA or the operator for 2018.

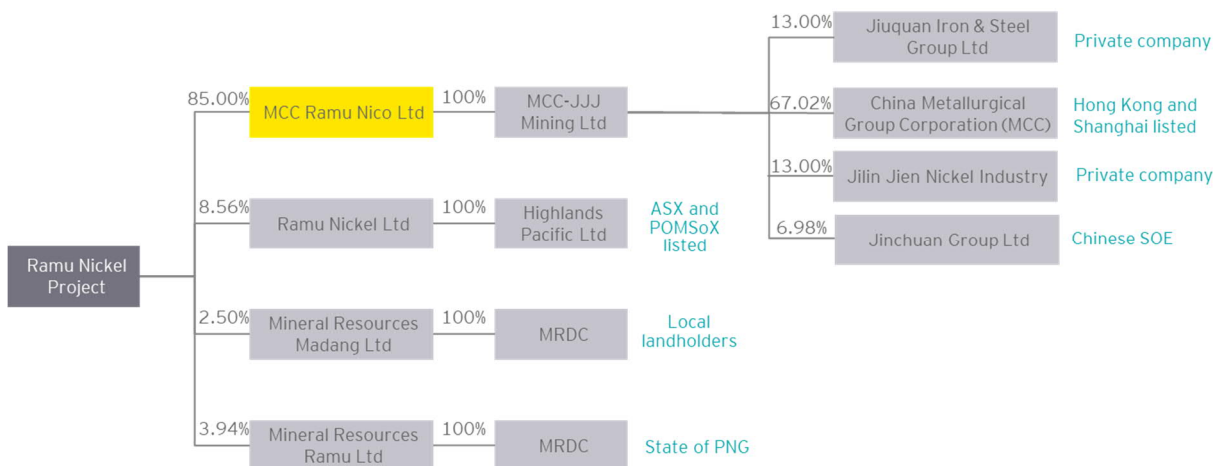


Figure 28: Ramu Nickel Project ownership structure¹⁸⁷

¹⁸⁵ Mine Life, [https://miningdataonline.com/property/3323/Kurumbukari-\(Ramu\)-Mine.aspx](https://miningdataonline.com/property/3323/Kurumbukari-(Ramu)-Mine.aspx), accessed 5 September 2019

¹⁸⁶ Note: This value includes sales for Nickel, Cobalt and Chromite as the export value was provided for these commodities. This is despite no produced value being provided for Chromite in 2018.

¹⁸⁷ Ramu Nickel Cobalt, <http://www.highlandspacific.com/current-projects/ramu-nickel>, accessed 31 October 2019.

Jinchuan Group listing from <http://www.metorexgroup.com/investors-and-media/shareholder-information/>, accessed 31 October 2019. Jiuquan Iron & Steel Group Co Ltd listing from <https://www.bloomberg.com/profiles/companies/JQISGZ:CH-jiuquan-iron-&-steel-group-co-ltd>, accessed 31 October 2019. Jilin Jien Nickel Industry Co. Ltd listing from https://www.bloomberg.com/profile/company/600432:CH?in_source=PersonProfile, accessed 31 October 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

The Ramu Nickel project includes the Kurumbukari Mine, Basamuk Refinery and Slurry Pipeline. The open-pit mine is located on the Kurumbukari plateau. The slurry pipeline is 135km long, running from the mine to the refinery for processing. Most of the pipeline has been buried and has road access for ease of checking and maintenance. The Basamuk Refinery on the coast of Basamuk bay conducts slurry treatment, high pressure acid leaching, and various other refining methods.

7.2.6 Morobe Consolidated Goldfields Ltd (Hidden Valley Mine)

Minerals	Gold and silver
Province	Morobe
Mine opened	2009 (commenced production)
Mine life (years)	5 ¹⁸⁸
Tenement	ML151
2018 export value	PGK872,414,767*


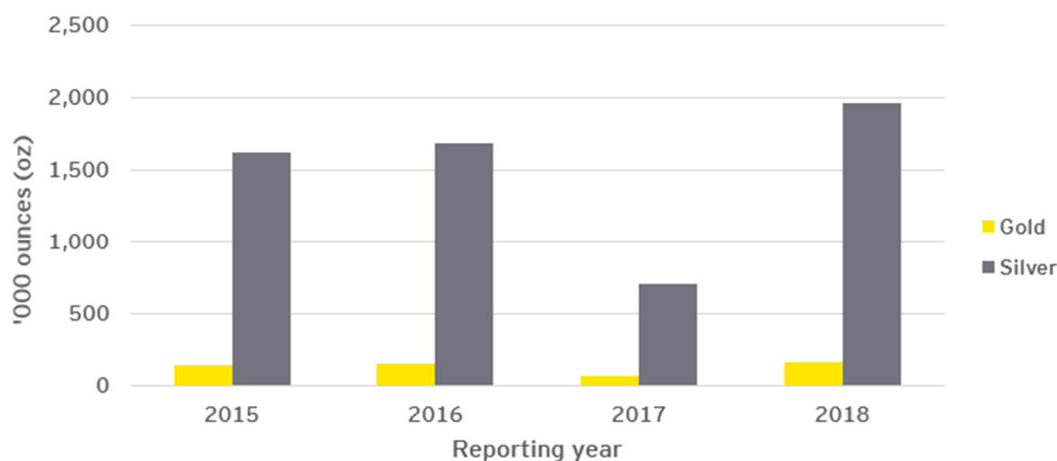



Figure 29: Hidden Valley production data, as reported by MRA

*2017 quantities are approximately half other years, suggesting possibly only half of the joint venture was reported.

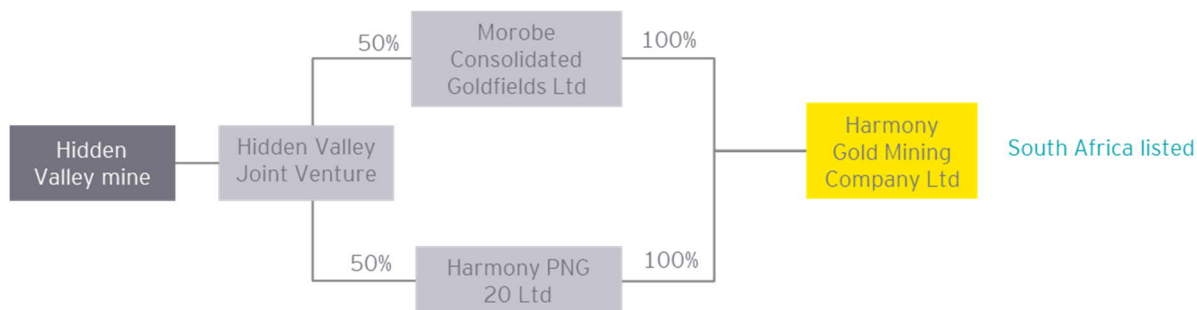


Figure 30: Hidden Valley mine ownership structure

¹⁸⁸ Mine Life, <https://miningdataonline.com/property/186/Hidden-Valley-Mine.aspx>, accessed 05 September 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

7.2.7 Niuminco Edie Creek Ltd (Edie Creek mine)

Minerals	Gold and silver ¹⁸⁹
Province	Morobe
Mine opened	2014*
Mine life (years)	10 ¹⁹⁰
Tenement	ML144, 384, 402, 444, 462
2018 export value	PGK787,032



*Mining at Edie Creek has taken place since the late 1930s, but the current operation re-opened in 2014

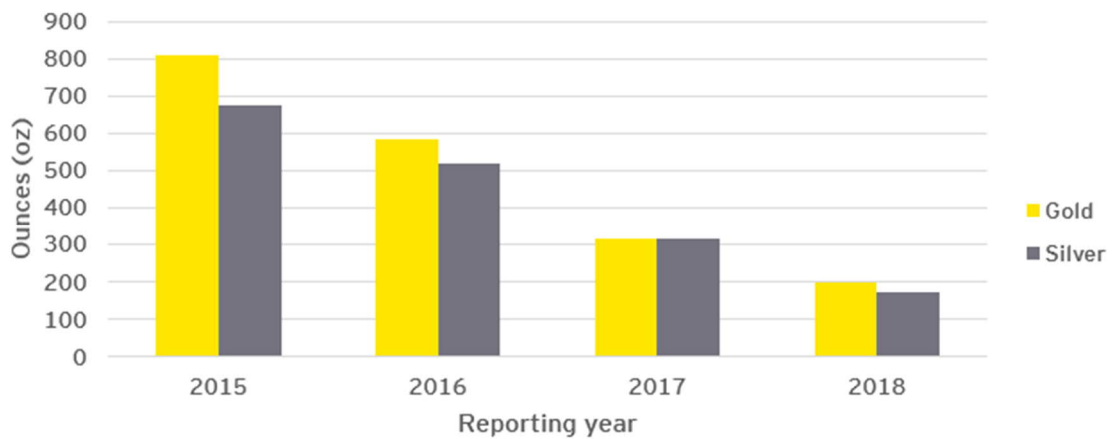


Figure 31: Edie Creek production data, as reported by MRA



Figure 32: Edie Creek mine ownership structure after August 2018

¹⁸⁹ Edie Creek Mine, <http://www.explorem.com.au/projects/edie-creek-mine/>, accessed 5 September 2019

¹⁹⁰ Operations, The Edie Creek Project, <https://niuminco.com.au/current-operations.html>, accessed 31 October 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

7.2.8 Ok Tedi Mining Ltd (Mt Fubilan Mine)

Minerals	Gold, silver and copper
Province	Western
Mine opened	1984
Mine life	to 2025 ¹⁹¹
Tenement	SML1 (O)
2018 export value	PGK2,757,246,848


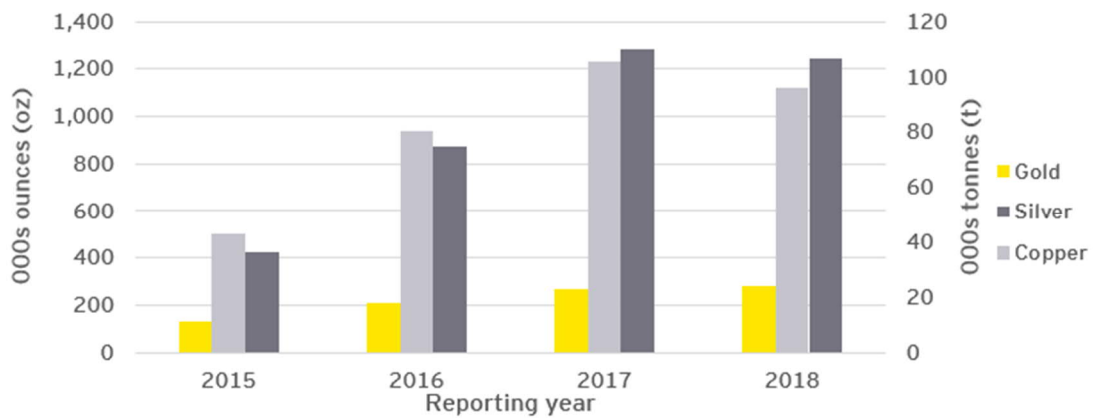



Figure 33: Mt Fubilan production data, as reported by MRA

The 2018 year was challenging for Ok Tedi due to the impact of a major earthquake in February and a drought that affected shipping in November and December.¹⁹²

The figure below outlines the ownership structure of Ok Tedi.

¹⁹¹ Ok Tedi Mining Ltd Annual Review 2017, p. 97, <https://oktedi.com/who-we-are/annual-performance/annual-performance-2017/>. Accessed 22 August 2019

¹⁹² Ok Tedi Mining Ltd Annual Review 2018, p. 10, <https://oktedi.com/who-we-are/annual-performance/>. Accessed 22 August 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	 Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--	-------------	-------------------------	-----------------------------------	------------------------------	------------

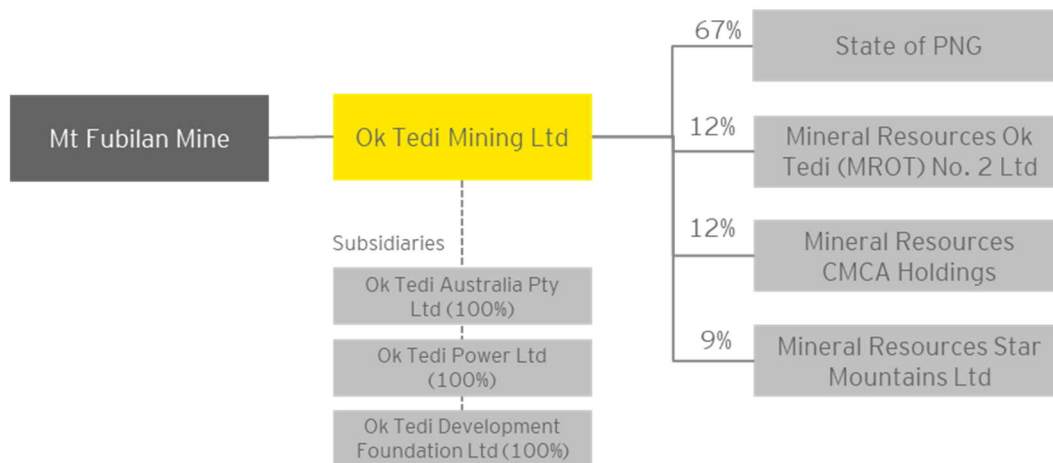


Figure 34: Ownership structure of Mt Fubilan mine

The State of PNG's holding was reduced to 67% following the decision of the National Executive Council (NEC) in 2016 that the Fly River Provincial Government and specific purpose community entities will move to hold 33% direct equity. This change of ownership has been formalised and shown as the shareholder structure at 31 December 2018.¹⁹³

As illustrated above in Figure 34, OTML had three subsidiaries during the reporting period:

- ▶ Ok Tedi Australia Pty Ltd: The marketing and Australian logistics arm of OTML, based in Brisbane (wholly owned subsidiary).
- ▶ Ok Tedi Power Ltd: Manages the Kiunga power operation and mini grids in Western Province. It was incorporated in June 2014 after the PNG Sustainable Development Program transferred its power assets in the Western Province to the Fly River Provincial Government (wholly owned subsidiary).
- ▶ Ok Tedi Development Foundation Ltd: A non-profit entity established to manage the development benefits and delivery of projects to the 157 villages in the Community Mine Continuation Agreement (CMCA) area of the Western Province (wholly owned subsidiary¹⁹⁴).

¹⁹³Ok Tedi Mining Ltd Annual Review 2017, p. 14 <https://oktedi.com/who-we-are/annual-performance/annual-performance-2017/>, accessed 23 October 2018; Ok Tedi Mining Ltd Annual Review 2018, p. 13, <https://oktedi.com/who-we-are/annual-performance/>, accessed 22 August 2019

¹⁹⁴ Ok Tedi Mining Ltd Annual Review 2018, p. 10, <https://oktedi.com/who-we-are/annual-performance/>. Accessed 5 December 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

7.2.9 Simberi Gold Company Ltd (Simberi mine)

Minerals	Gold and silver
Province	New Ireland
Mine opened	2008 (commenced production)
Mine life (years)	12
Tenement	ML136
2018 export value	PGK576,739,229


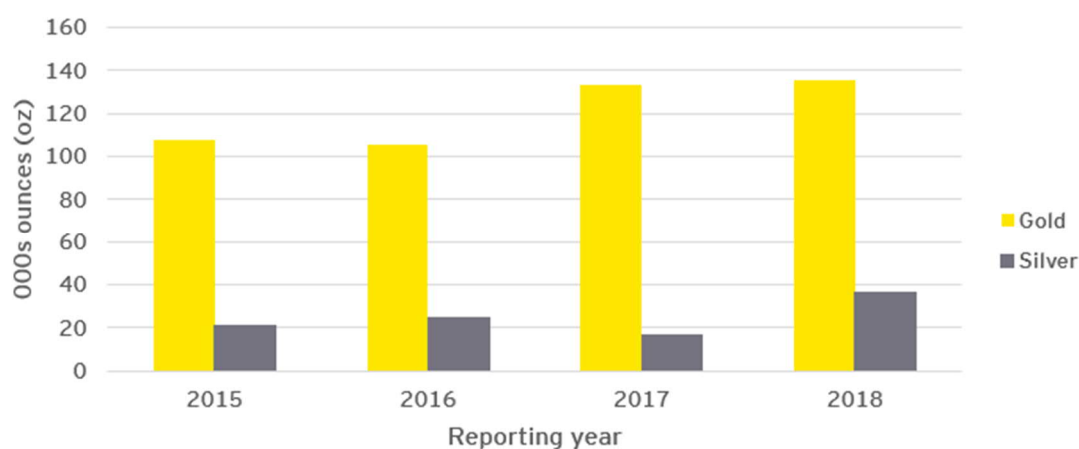



Figure 35: Simberi production data, as reported by MRA



Figure 36: Simberi mine ownership structure

7.3 New mining projects

There are a number of major projects that had mining leases during 2018 but were still in development stage. The list of all active mining leases and special mining leases for 2018 provided by the MRA are included in Appendix B.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

7.3.1 Nautilus Minerals Niugini Ltd (Solwara)

A mining lease for the Solwara project (ML 154) was granted in 2011.¹⁹⁵ This deep-sea mining venture of Nautilus Minerals planned to mine copper and gold from massive seafloor deposits 1,600 metres below the surface of the Bismarck Sea at the Solwara 1 project site. The State holds 15% equity in the project. However, the venture has faced a range of challenges, and at the time of writing, Nautilus Minerals has gone into liquidation.¹⁹⁶ The mining lease, however, remains valid for the time being.¹⁹⁷



Figure 37: Solwara ownership structure

7.3.2 Woodlark Mining Ltd (Woodlark)

The Woodlark mining lease was granted in 2014. In 2018, Woodlark was appraising known and inferred resources from their feasibility studies, and securing investment for mine construction. In 2019, Geopacific Resources Ltd acquired full ownership of the project, buying out Kula Gold Ltd, and is working towards putting the mine into production.¹⁹⁸ Construction may begin in 2020.



Figure 31: Woodlark ownership structure 2018



Figure 38: Woodlark ownership structure 2019

¹⁹⁵ Nautilus Minerals Inc. Revised Annual Information Form For the Fiscal Year Ended December 31, 2010, <http://www.nautilusminerals.com/IRM/PDF/1390/RevisedAnnualInformationFormEnglish>, accessed 31 October 2019

¹⁹⁶ A high-profile deep-sea mining company is struggling, <https://www.economist.com/business/2018/12/06/a-high-profile-deep-sea-mining-company-is-struggling>, accessed 31 October 2019. Nautilus Minerals officially sinks, shares still trading, <https://www.mining.com/nautilus-minerals-officially-sinks-shares-still-trading/>, accessed 27 November 2019

¹⁹⁷ Direct communication from MRA, 11 December 2019

¹⁹⁸ <https://thewest.com.au/business/public-companies/geopacific-stitches-up-woodlark-gold-project-in-png-c-184925>, accessed 27 November 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

7.4 Advanced exploration mining projects

The MRA identified the following tenements as being in an advanced phase of exploration during 2018.¹⁹⁹

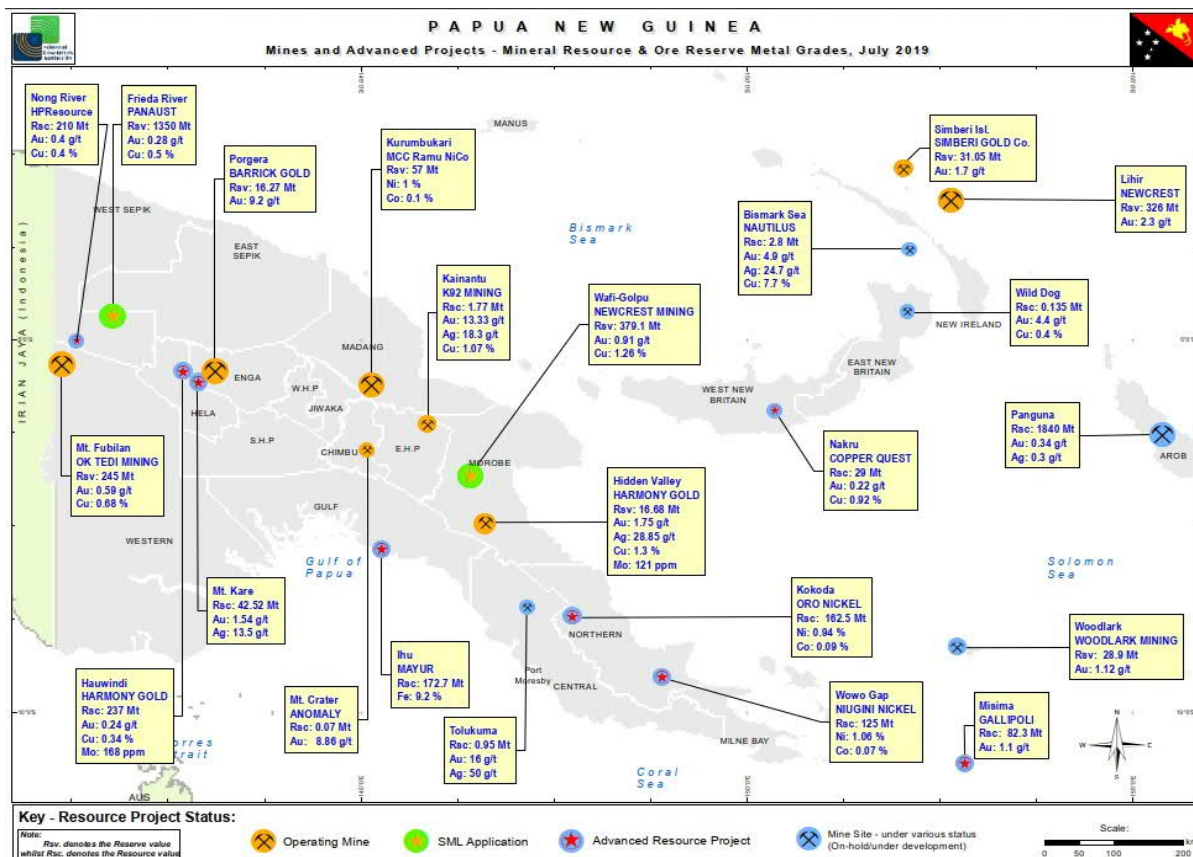


Figure 39: Advanced exploration tenement locations, 2017-18

7.4.1 Advanced exploration reporting entities

The Frieda River project (PanAust and Highlands Pacific Joint Venture) and the Wafi-Golpu Joint Venture (Newcrest and Harmony) are presented below, as special mining lease applications have been lodged. The entities relating to the Solwara 12 ML application are already captured as a new mining project that is not yet producing (ML154). The projects have submitted their initial feasibility studies and application for mining licenses in 2016 for consideration and approval.²⁰⁰

¹⁹⁹ Image provided by the MRA on the 9 August 2019

²⁰⁰ 2019 PNG Budget, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf, accessed 10 November 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	 Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--	-------------	-------------------------	-----------------------------------	------------------------------	------------

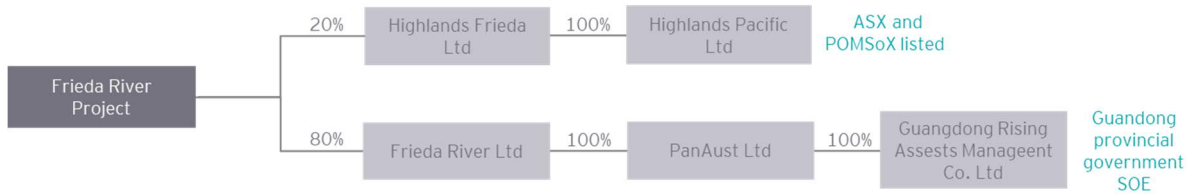


Figure 40: Frieda River project ownership structure²⁰¹

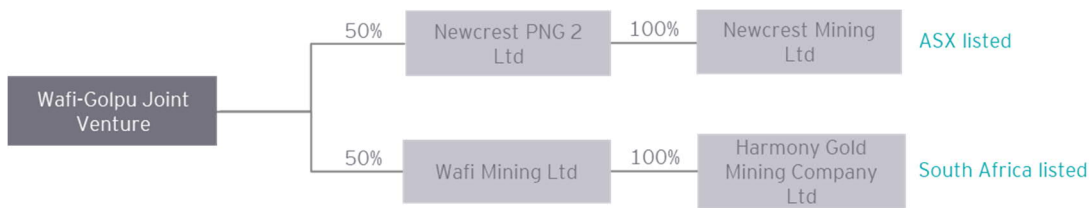


Figure 41: Wafi-Golpu Joint Venture ownership structure

7.4.2 Advanced exploration non-reporting entities

The following advanced exploration projects identified in Table 59 below have not been identified as material based on quantitative and qualitative considerations under the current definition for reporting entities.

Table 59: Non-material advanced exploration projects

Project	Tenement	Detail
Frieda River	EL 1744, 1745, 1746, 1895, 1956, 1957	
Hauwindi Harmony Gold	EL 2310	Kili Teke gold and copper (Harmony Gold (PNG) Exploration Ltd)
Ihu	EL 2305	gold and iron sand (Mayur Resources Ltd)
Kokoda	EL 1390	nickel and copper (Oro Nickel Ltd)
Misima Island	EL 1747	gold and silver (Gallipoli Exploration (PNG) Ltd owned by JX Nippon Mining and Metals (66%) and Mitsui Mining and Smelting (34%))
Mt Kare	*	gold and silver (Indochine Mining Ltd)
Nakru Copper Quest	EL 1043	copper (Coppermoly Ltd and wholly owned subsidiary Copper Quest (PNG) Ltd)
Nong River	EL 1312	gold and copper (Highlands Pacific Resources Ltd)
Panguna	SML 1 (B)	gold and silver (Bougainville Copper Pty Ltd)
Solwara	ML 154	gold, silver and copper (Nautilus Minerals Ltd)
Wafi-Golpu	EP-L2(426)	
Wild Dog (Sinivit)	*	gold and copper
Wowo Gap (Safia Embessa & Obea)	EL 1165	nickel (Niugini Nickel Ltd, a wholly owned subsidiary of Resource Mining Corporation Ltd)

*These projects did not appear to have tenements listed in either the 2017 active licences or the new licences listed for 2018.

²⁰¹ Frieda River Copper-Gold <http://www.highlandspacific.com/current-projects/frieda-copper>, accessed 22 August 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	 Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--	-------------	-------------------------	-----------------------------------	------------------------------	------------

7.5 Mines not operating in 2018

7.5.1 Tolukuma

The Tolukuma gold mine was sold by Petromin (now KMH) to Asidokona Mining Resources Pty Ltd in 2015; however, the purchase price was never transferred to KMH.²⁰²

Tolukuma has not been in operation since the sale. In February 2018 the operating company, Tolukuma Gold Mines Ltd, was placed into liquidation, having been taken to court by its creditors.²⁰³ The mine has since been put on sale by the liquidator, with tenders going out in July 2019.²⁰⁴

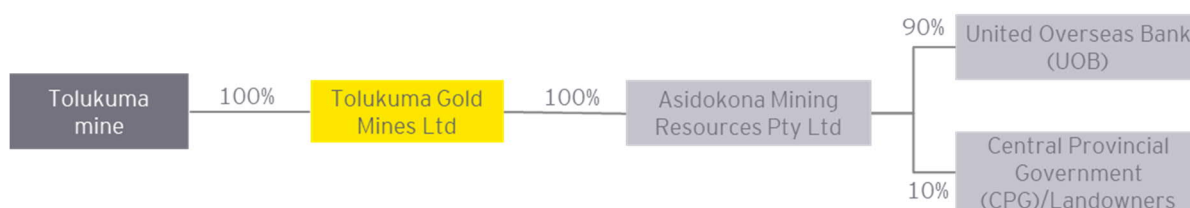


Figure 42: Tolukuma ownership structure (latest information as at 2017)

²⁰² PNG EITI Report for 2017, <http://www.pngeiti.org.pg/wp-content/uploads/2019/01/PNGEITI-Report-2017-1.pdf> p. 102, accessed 27 November 2019

²⁰³ 'Tolukuma lies with financiers', Post Courier, 25 February 2018, <https://postcourier.com.pg/tolukuma-lies-financiers/>, accessed 1 November 2019.

²⁰⁴ 'Tolukuma assets put on sale', The National 10 July 2019, <https://www.thenational.com.pg/tolukuma-assets-put-on-sale/>, accessed 1 November 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	 Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--	-------------	-------------------------	-----------------------------------	------------------------------	------------

7.5.2 Mt Crater

Minerals	Gold
Province	Eastern Highlands
Mine opened	2015
Mine life (years)	20 (estimated)
Tenement	ML 510
2018 export value	n/a

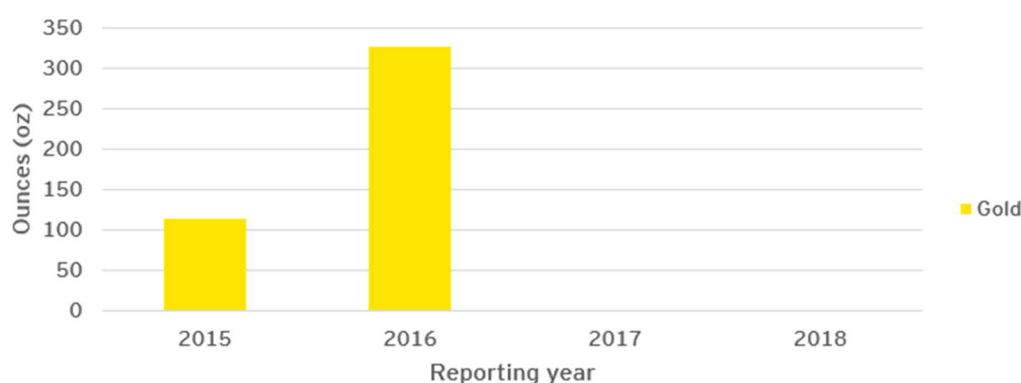
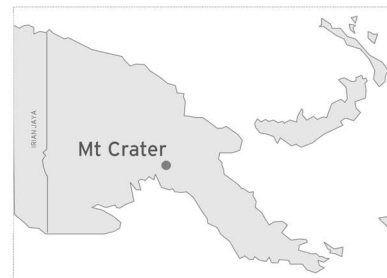


Figure 43: Mt Crater production data, as reported by MRA



Figure 44: Mt Crater mine ownership structure

Mining of this potential multi-million ounce gold deposit commenced operations in 2015.²⁰⁵ Production was halted for 2017 while an internal review was conducted to assess whether the mine could generate the cash flow expected by the board of Crater Gold Mining Ltd. The findings were positive, and on 8 March 2018 the MRA gave approval to recommence operations.²⁰⁶ At the time of writing, production had not commenced.

7.6 Mining production data

Mining companies provide production data to the MRA monthly as a requirement of their reporting obligations under the MA. The MRA performs reasonableness checks on the monthly data, but does not have the resources or capacity to audit the data, although it has the authority to do so under the MRA Act.

²⁰⁵Crater Mountain, <http://www.cratergold.com.au/irm/content/crater-mountain.aspx?RID=211>, accessed 31 October 2019.

²⁰⁶Crater Gold Mining Annual Report to Shareholders 2018, <http://www.cratergold.com.au/irm/content/annual-report.aspx?RID=226>, accessed 31 October 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	 Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--	-------------	-------------------------	-----------------------------------	------------------------------	------------

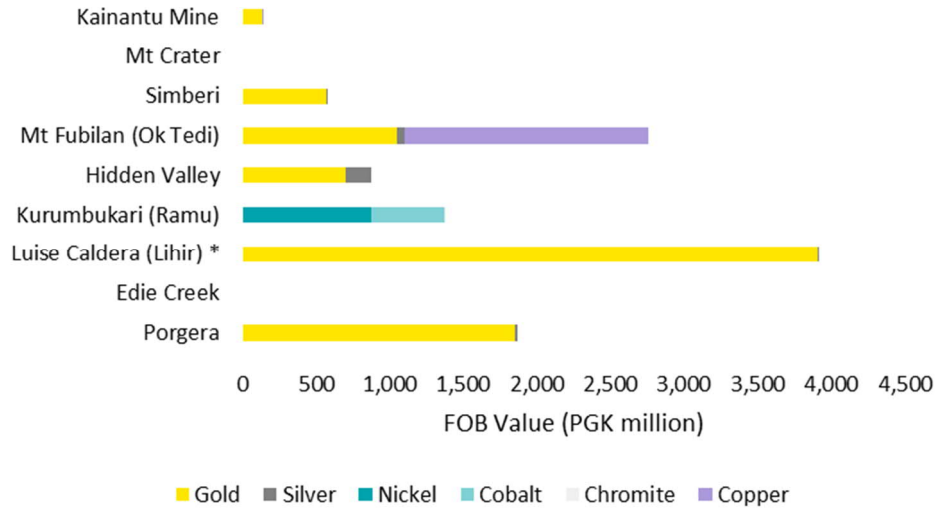


Figure 45: Export values reported by MRA per mine for 2018.

Please note that the Edie Creek export value of PGK777,457 is not visible on this graph and that the value of Lihir silver exports were not reported by the MRA.

Table 60: Production and export quantities and values reported by companies and the MRA for 2018

Mine/ project name	Commodity	Reported commodity value	Units	Company reported figure ^{*207}	MRA reported figure ^{*208}	Variance (PGK)	Variance
Barrick Niugini Ltd (Porgera mine)	Gold	Quantity produced	oz	425,507	454,295	28,788	7%
		Produced value	PGK	1,758,949,450	1,851,419,782	92,470,332	5%
		Quantity exported	oz	425,507	356,081	-69,426	-16%
		Exported value	PGK	1,758,949,450	1,851,419,782	92,470,332	5%
	Silver	Quantity produced	oz	331,173	526,090	194,917	59%
		Produced value	PGK	17,459,809	18,372,815	913,006	5%
		Quantity exported	oz	331,173	545,957	214,784	65%
		Exported value	PGK	17,459,809	18,372,815	913,006	5%
K92 Mining Ltd (Kainantu)	Gold	Quantity produced	oz	45,809	50,691	4,882	11%
		Produced value	PGK	171,293,748	135,865,288	-35,428,460	-21%
		Quantity exported	oz	40,762	33,379	-7,383	-18%
		Exported value	PGK	166,224,456	135,865,288	-30,359,168	-18%
	Silver	Quantity produced	oz	10,441	9,462	-979	-9%
		Produced value	PGK	157,224	503,531	346,307	220%
		Quantity exported	oz	10,012	9,689	-323	-3%
		Exported value	PGK	500,829	503,531	2,702	1%
	Copper	Quantity produced	tonnes	277	282	5	2%
		Produced value	PGK	3,691,743	5,227,130	1,535,387	42%
		Quantity exported	tonnes	254	244	-10	-4%
		Exported value	PGK	5,271,631	5,227,130	-44,501	-1%
Lihir Gold Ltd (Lihir/Luise Caldera mine)	Gold	Quantity produced	oz	975,570	975,571	1	0%
		Produced value	PGK	4,082,362,781	3,903,974,207	-178,388,574	-4%
		Quantity exported	oz	932,940	932,941	1	0%

²⁰⁷ MRA reported export values and produced values as FOB values

²⁰⁸ *ibid*

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	 Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--	-------------	-------------------------	-----------------------------------	------------------------------	------------

Mine/ project name	Commodity	Reported commodity value	Units	Company reported figure ^{*207}	MRA reported figure ^{*208}	Variance (PGK)	Variance	
	Silver	Exported value	PGK	3,903,974,208	3,903,974,207	-1	0%	
		Quantity produced	oz	42,400	-	-42,400	-100%	
		Produced value	PGK	2,188,136	-	-2,188,136	-100%	
		Quantity exported	oz	42,400	-	-42,400	-100%	
		Exported value	PGK	2,188,136	-	-2,188,136	-100%	
MCC Ramu Nico Ltd (Ramu Nickel, Kurumbukari mine)	Nickel	Quantity produced	tonnes	35,354	35,354	0	0%	
		Produced value	PGK	1,183,007,556	877,503,001	-305,504,555	-26%	
		Quantity exported	tonnes	25,525	25,525	0	0%	
		Exported value	PGK	854,109,440	877,503,001	23,393,561	3%	
	Cobalt	Quantity produced	tonnes	3,275	3,275	0	0%	
		Produced value	PGK	733,214,584	494,590,838	-238,623,746	-33%	
		Quantity exported	tonnes	2,388	2,388	0	0%	
		Exported value	PGK	534,556,235	494,590,838	-39,965,397	-7%	
	Chromite	Quantity produced	tonnes	-	1,577 [^]	-	-	-
		Produced value	PGK	-	92,139	92,139	92,139	-
Quantity exported		tonnes	-	89,528	89,528	89,528	-	
Exported value		PGK	-	5,230,611	5,230,611	5,230,611	-	

*If the produced value was not provided by the MRA or company it was calculated at:

Value of commodity = (Export Value / Export quantity)

Produced value = Value of commodity * quantity produced

[^] The quantity produced was not provided by the MRA, therefore it was calculated at:

Value of commodity = (Export Value / Export quantity)

Quantity produced = Produced value / Value of commodity

Table 61: Comparison of export quantities and values reported by companies, MRA and in the 2019 Budget figures^{^209}

Commodity ²¹⁰	Export amount reported by companies	Export amount reported by MRA	Export value reported by companies (PGK)	Export value reported by MRA (PGK)	Export value reported in Budget (PGK) [*]
Gold (oz)	1,969,027	1,892,415	7,117,440,048	8,222,604,091	8,634,100,000
Silver (oz)	3,498,793	3,671,201	125,108,954	240,085,527	72,000,000
Copper (tonnes)	87,364	87,353	5,271,631	1,659,861,011	1,965,300,000
Nickel (tonnes)	25,525	25,525	854,109,440	877,503,001	1,019,800,000
Cobalt (tonnes)	2,388	2,388	534,556,235	494,590,838	657,400,000
Chromite (tonnes)	-	89,528	-	5,230,611	Not provided
Concentrate (dmt)-	361,460	-	-	-	746,100,000

*Listed as 'projection'

[^]Large variances may be due to different units being applied

- Reported by OK Tedi as copper concentrate, however the budget only reports 'concentrate' values.

There are variances between the amounts reported by all parties, but at the time of publication these are unresolved.

7.7 Regulation of the mining sector

Mining regulation in PNG is overseen by the MRA, established under the Mineral Resources Authority (MRA) Act 2005. During 2018, the act was repealed and replaced with the Mineral

²⁰⁹ 2019 PNG Budget, Appendix 2, Table 5, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf, accessed 31 October 2019.

²¹⁰ Note that the MRA values for gold and silver also include alluvial exports

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	 Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--	-------------	-------------------------	-----------------------------------	------------------------------	------------

Resources Authority Act 2018. The MRA receives 75% of its funding from production levies, and the balance from alluvial gold export levies, tenement fees and rents as prescribed.

Detail of the Mining Act 1992 ('MA') and other relevant regulation can be seen in Chapter 4.

The day-to-day operations of the MRA have not been affected by the change in Act. The MRA Corporate Plan 2017-2021 became operational in 2018. This plan is based on the current mining regimes and accommodated changes to the Act.

The MRA's vision is 'to promote a sustainable mineral industry and provide a regulatory environment that maximises mining opportunities ensuring optimum benefits for PNG.' MRA reports that its vision acknowledges the importance of environmental sustainability and transparency, and that mines are operated to world class standards where the occupational and safety standards are, with zero fatalities recorded in 2017.

This Plan sets a strategy to achieve its goal to 'provide a regulatory environment that maximises opportunities for mineral investments in PNG whilst minimising adverse environmental impacts by 2021.'

MRA reports that the tenements systems are continuously improved to decrease lag time in tenements application. The flexi tenements systems has a flexi library to allow for library reports accessible to external clients. Almost 800,000 mineral data points are now accessible to external clients. There is ongoing dialogue between the MRA and the State Solicitor to make mining MOAs accessible.

7.8 Register of tenements²¹¹

The official register of tenements is maintained by the registrar (the MRA) as required by the MA (s. 113). This is kept in hand-written ledgers at the MRA office. The MRA has also established an online mineral tenement management system (Mining Cadastre Portal), which is updated in real time as administrative actions are closed. The portal can be accessed via an interactive online map.²¹² The portal was designed for tenement management rather than for the EITI, but includes all the information required by the EITI Standard except for the commodity produced at each mine site, which can be found in Table 61 above. The MRA have advised that they do not plan to add this information to the cadastre.

The PNG EITI 2017 report also contains a list of all tenements active in 2017.²¹³

7.9 Allocation of tenements

In accordance with the MA, mining tenements in PNG are administered by the appointed registrar, the Tenement Administration Branch of the MRA's Regulatory Operations Division. It is responsible for the management of tenement applications. Special Mining Leases (for large-scale operations) are issued by the Head of State, acting on advice from the NEC, whilst other tenements are issued by the Minister for Mining on recommendation from the Mining Advisory Council under the MA. Tenement application requirements are outlined in relevant sections of the MA:

²¹¹ Where the EITI standard refers to 'licences', this section refers to 'tenements', which include mining leases, leases for mining purposes, mining easements and exploration licences.; Mining Act 1992, s. 113, <https://actnowpng.org/sites/default/files/1.%20Mining%20Act%201992.pdf>, accessed 31 October 2019.

²¹² MRA, PNG Mining Cadastre Portal, <http://portal.mra.gov.pg/Map/> accessed 31 October 2019.

²¹³ Papua New Guinea Extractive Industries Transparency Initiative (PNG EITI) Report for 2017, p.144 ff, <http://www.pngeiti.org.pg/wp-content/uploads/2019/01/PNGEITI-Report-2017-1.pdf>, accessed 12 December 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	 Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--	-------------	-------------------------	-----------------------------------	------------------------------	------------

- ▶ Exploration Licence (s. 24)
- ▶ Special Mining Lease (s. 35)
- ▶ Mining Lease (s. 42)
- ▶ Alluvial Mining Lease (s. 52)
- ▶ Lease for Mining Purpose (s. 70)
- ▶ Mining Easement (s. 85)

The MRA website includes information on the different types of tenements and the application process, including a step-by-step flow chart outlining the process, fees and minimum expenditures.²¹⁴ Tenements are not awarded through a bidding process, but through clear, detailed and consistent criteria.²¹⁵

The Regulatory Operations Division of the MRA is responsible for the assessment of tenement applications in accordance with the MA 1992. Relevant technical and financial criteria are provided in Part V of the Act.²¹⁶ In summary, these include:

- ▶ Completion of application forms, including:
 - ▶ Form 8 - Application form
 - ▶ Form 17 - Boundary description form
 - ▶ Form 20 - Exploration work program form
- ▶ Evidence of registration with the Investment Promotion Authority,²¹⁷ as either a new company registered in PNG, or as an overseas company, registered under the laws of another country
- ▶ Statements and evidence of financial and technical capacities
- ▶ Payment of an application fee
- ▶ Minimum annual expenditure requirements related to acquisition and interpretation of exploration data, including related laboratory and feasibility work
- ▶ Requirement to comply with approved program of work.

A mining tenement will not be granted until PNG Conservation and Environment Protection Authority (CEPA) grants environmental approval. CEPA is the government agency responsible for administering the Environment Act 2000.

CEPA facilitates three levels of the environmental permit approval process, as outlined below:²¹⁸

²¹⁴ Mining Tenements in Papua New Guinea, MRA, <http://www.mra.gov.pg/Licence.aspx>, accessed 31 October 2019.





²¹⁵ Mining Act 1992, <https://actnowpng.org/sites/default/files/1.%20Mining%20Act%201992.pdf>, accessed 31 October 2019.

²¹⁶ Ibid.

²¹⁷ Investment Promotion Authority, <http://www.ipa.gov.pg/>, accessed 31 October 2019

²¹⁸ CEPA, response to data request for 2015 and 2016 PNG EITI Report, received 2 October 2017

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	 Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--	-------------	-------------------------	-----------------------------------	------------------------------	------------

- 
 Level 1
 - Level 1 approval is given after consultations with existing environment guidelines and code of practice.
- 
 Level 2A
 - Once a permit application is accepted by CEPA, it has 30 days to assess the application for compliance involving public notices and consultations before the environment permit is approved by the Executive Management Committee (EMC) and issued. There are no referrals.
- 
 Level 2B
 - Similar to approval process for Level 2A. However, there are referrals to be considered and the application assessment takes 90 days.
- 
 Level 3
 - An environment impact report (EIR) and environment impact statement (EIS) must be forwarded to CEPA. The EIR and EIS are assessed over a six-month period, which includes referrals, public advertisement and consultations. The EIS may then be approved by EMC and forwarded to Minister of Environment for approval, and issuance of permit.

For 2018 CEPA provided the following information in Table 62 in relation to environmental permits issues, amended or renewed in 2018.


Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	 Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	---	-------------	-------------------------	-----------------------------------	------------------------------	------------

Table 62: Environmental permits as reported by CEPA in 2018²¹⁹

Permit No.	Permit holder/applicant	Project name	Location description	Fee rank	Date issued
Environment Permit Issued: Mining					
EP-L2(610)	Lihir Gold Ltd	M'Dahal Quarry Site	At M'Dahal Quarry Site (Kunaiye village), Lihir LLG area, Namatanai District, New Ireland Province PNG	2.2	27-Mar-2018
EP-L2(596)	Cheroh Mining Ltd	EL 2396 - Bauxite Mining	Located at Lapatuan region of Pobuma, Pomuti Kurti Andra and Biskani Soparlbeu LLGs of West Coast Manus, Manus Province	2.3	20-Feb-2018
EP-L2(608)	John Suubalenk	AML 834	Within the boundaries of AML 834 (the premises), in Aitape Lumi District, Sandaun Province	2.2	23-Mar-2018
EP-L2(605)	Somon Weslawen, Steve Ubum, Otto Uteklip and Roy Akele	AML 831	Within the boundaries of AML 831 (the premises), in Aitape Lumi District, Sandaun Province	2.2	23-Mar-2018
EP-L2(606)	Somon Wesiawen and Raphael Waiha	AML 832	Within the boundaries of AML 832 (the premises), in Aitape Lumi District, Sandaun Province	2.2	25-Apr-2018
EP-L2(607)	Raphael Waiha	AML 833	Within the boundaries of AML 833 (the premises), in Aitape Lumi District, Sandaun Province	2.2	23-Mar-2018
EP-L2(601)	Tony Vakot	AML 839	Within the boundaries of AML 839 (the premises), in Tatau Island, New Ireland	2.2	5-Feb-2018
EP-L2(600)	Leonard Langiro	AML 838	Within the boundaries of AML 838 (the premises), in Tatau Island, New Ireland	2.2	5-Feb-2018
EP-L2(621)	Waterford Ltd	EL 1875	Within the boundaries of EL 1875 (the premises), at Depot Cree in Gulf Province	2.1	8-Jun-2018
EP-L2(653)	Zhong Rul Kuang Ye (PNG) Co. Ltd	ML 519	Within the boundaries of ML 519 (the premises), at Ambunti District of East Sepik Province	2.3	17-Oct-2018
Environment Permit Issued: Oil and Gas					
EP-L2(614)	Islands Petroleum Ltd	Rabaul Bulk Fuel Farm Upgrade	Within Rabaul Fuel Farm existing facility at the Cnr Blache Street and Wharf Road within Rabaul Urban Local level Government in East New Britain Province	2.1	14-May-2018
EP-L3(584)	Oil Search (PNG) Ltd	PDL1, PDL2, PDL3, PDL4, PDL5, PDL6, PL1 and PL2	Within PDL1, PDL2, PDL3, PDL4, PDL5, PDL6, PL1 and PL2 (the 'premises'), in the Southern Highlands Western Gulf Provinces	3.3	9-Mar-2018
EP-L2(649)	Hides Gas Development Company Ltd	Mana Quarry Site	At Mana Quarry Site, located near the LNG ROW	2.2	27-Sep-2018
Environment Permit Amended: Mining					

²¹⁹ 2018 data template provided by CEPA, 17 October 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	 Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--	-------------	-------------------------	-----------------------------------	------------------------------	------------

Permit No.	Permit holder/applicant	Project name	Location description	Fee rank	Date issued
EP-L2(515)	Martin Klimbi (MR)	AML 643	Along Little Wau Creek within AML 643 (the premises) in Bulol District, Morobe Province	2.3	20-Apr-2018
EP-L2(426)	Wafi Mining Ltd (50%) and Newcrest PNG 2 Ltd (50%)	Advanced Exploration and Feasibility Support Activities Works - EL440and EL 1105	Advanced Exploration and Feasibility Support Activitied Works - EL440and EL 1105, Morobe	*	21-Sep-2018
Environment Permit Amended: Oil and Gas					
EP-L2B(447)	Puma Energy PNG Ltd	Alotau Fuel Depot (Fuel Storage)	Within Section 43 and Allotment 5 (the premises), in Alotau, Mine Bay Province	2.1	20-Jul-2018
EP-L2B(532)	Total E & P PNG Ltd	Herd Base Operations	Within PRL 15 (the premises), Baimuru District, Gulf Province	2.2	27-Sep-2018
Environment Permit Renewed: Mining					
EP-L2A(473)	Galipoli Exploration (PNG) Ltd	EL 1747	Within the boundaries of EL 1747 (the premises), at Misima Island, Mine Bay Province	2.1	15-Aug-2018

*Left blank by CEPA

CEPA reported zero environmental permits transferred or surrendered for 2018.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	 Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--	-------------	-------------------------	-----------------------------------	------------------------------	------------

Prior to a new mining lease being issued, a development forum is held with representatives from the national and regional government, landholders and the mining company, to determine the benefits package. The memorandum of agreement arising from this process is negotiated by the MRA Development Coordination Division and drafted by the State Solicitor. However, s. 18 of the MA 1992 also allows for a separate Mining Development Contract, which is negotiated by the State rather than the MRA. For example, the agreement between Ramu Nickel mine and the State apparently includes significant tax concessions.²²⁰ In light of hearings and objections, the Mining Advisory Board makes recommendations over tenements to the Minister (MA 1992, s. 11-14).²²¹

The process for transferring tenements is described in the MA s. 118-19. The process requires a written application for approval of the transfer to be sent to the Registrar, who then submits the application to the Board for its consideration. The minister then approves or refuses the transfer based on the recommendation of the Board. In practice, ultimate ownership of tenements can be transferred through a change in the ownership of the company, or companies, holding the tenement.

Leases awarded or extended during 2018 can be seen in Appendix B, and further details can be found on the Mining Cadastre Portal (see above).

MRA reported no tenement transfers during the reporting period.

7.10 Public Investment Program

The Public Investment Program (PIP) is a vehicle through which the PNG government implements development policies aimed at improving the livelihood and wellbeing of PNG citizens in all provinces.²²² Through the Fiscal Responsibility Act 2006 the Department of National Planning and Monitoring (DNPM) is empowered to report on PIP Implementation Reports to the National Executive Council (NEC) and Parliament on implementation status, development expenditures, and achievements of programs. Grants are administered through relevant economic sector agencies, including the MRA in the case of projects relating to the mining sector.²²³

Data related to those PIP funds administered by MRA is presented below. This data was provided unilaterally by MRA.

Information on other revenue streams specific to mining can be found in Chapter 10.

²²⁰ Communication from Treasury, 10 October 2016

²²¹ Mining Act 1992, <https://actnowpng.org/sites/default/files/1.%20Mining%20Act%201992.pdf>, accessed 31 October 2019.

²²² 2014 Annual Public Investment Program Implementation Report, Department of National Planning and Monitoring, <http://www.planning.gov.pg/images/dnpm/pdf/pip/PublicInvestmentProgramAnnualReport2014.pdf>, accessed 31 October 2019.

²²³ Q1 2015 Public Investment Program Implementation Report, <http://www.planning.gov.pg/images/dnpm/pdf/pip/PublicInvestmentProgram1stQuarterReport2015.pdf> accessed 31 October 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	 Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	---	-------------	-------------------------	-----------------------------------	------------------------------	------------

Table 63: PIP funds administered by MRA, 2018²²⁴

PIP project	funds received by the MRA (PGK)
20843 Ok Tedi MOA	280,000
20844 Hidden Valley MOA	
20845 Ramu Nickel MOA	560,000
20847 Lihir Outstanding MOA	560,000
20848 Mining Agreement - Porgera	1,120,000
21433 Women in Mining	
21741 Advanced Mining Projects	280,000
22797 Human Resource Training for the Mining Sector	
21434 Wafi/Golpu	3,000,000
Frieda River	2,000,000

²²⁴ Financial Data in the MRA Reporting Template September 2019

Oil and gas



Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

8. Oil and gas

Oil Search estimates PNG's proven crude oil and condensate reserves to be 51.1 million barrels.²²⁵ Oil exploration in PNG commenced in the 1920s. The first commercial production began in 1992, and there are currently five principal oil fields. Oil production in PNG has been in slow but steady decline since the mid-1990s, when there was a peak in production of approximately 46 million barrels in 1993.²²⁶

Gas production, by contrast, is increasing due to the PNG LNG project (see section 8.5). However, in 2018 the February earthquake affected various operations including PNG LNG,²²⁷ leading to a decrease in production for 2018.

The project has the capacity to exceed its original design capacity of 6.9 million tonnes of LNG per annum by 20%,²²⁸ and despite current suppressed prices, is expected to have a significant long-term positive impact on the economy and government revenues. In addition to the PNG LNG project, there is also a domestic gas project for the sale of natural gas from the Hides field to Porgera, operated by Oil Search.

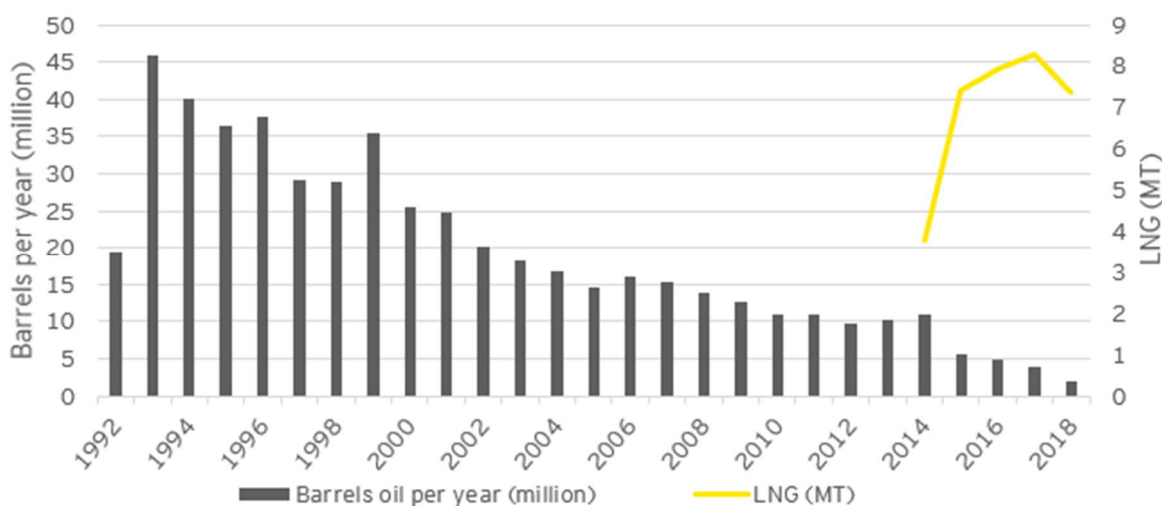


Figure 40: PNG Oil and LNG production, 1992-2018²²⁹

²²⁵ Oil Search 2018 annual report, https://www.oilsearch.com/_data/assets/pdf_file/0012/33114/OSH-2018-Annual-Report.pdf, accessed 31 October 2019.

²²⁶ Papua New Guinea Crude Oil Production by Year, <https://www.indexmundi.com/energy/?country=pg&product=oil&graph=production>, accessed 31 October 2019.

²²⁷ 2019 PNG Budget, http://www.treasury.gov.pg/html/national_budget/files/2019/Volume%201.pdf, accessed 11 November 2019.

²²⁸ PNG LNG 2018 Annual Report, [https://pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2018-Annual-ES-Report-FINAL-04-04-2018-FULL-\(ENG-WEB\).pdf](https://pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2018-Annual-ES-Report-FINAL-04-04-2018-FULL-(ENG-WEB).pdf), accessed 31 October 2019.

²²⁹ Adapted from United States Energy Information Administration, cited in <http://www.indexmundi.com/energy/?country=pg&product=oil&graph=production> with additional data from ExxonMobil PNG provided in data template for the report, received 23 October 2018 and the Oil Search 2018 report, https://www.oilsearch.com/_data/assets/pdf_file/0012/33114/OSH-2018-Annual-Report.pdf, accessed 11 November 2019.

Introduction
Reporting entities and revenue streams
Contribution of extractive industries to the economy
Legal framework and fiscal regime
Management and distribution of revenues
Social and subnational payments
Mining
Oil and gas
State-owned enterprises
Reconciliation of revenue streams
Findings and recommendations
Appendices

Current and proposed oil and gas projects are shown below.²³⁰

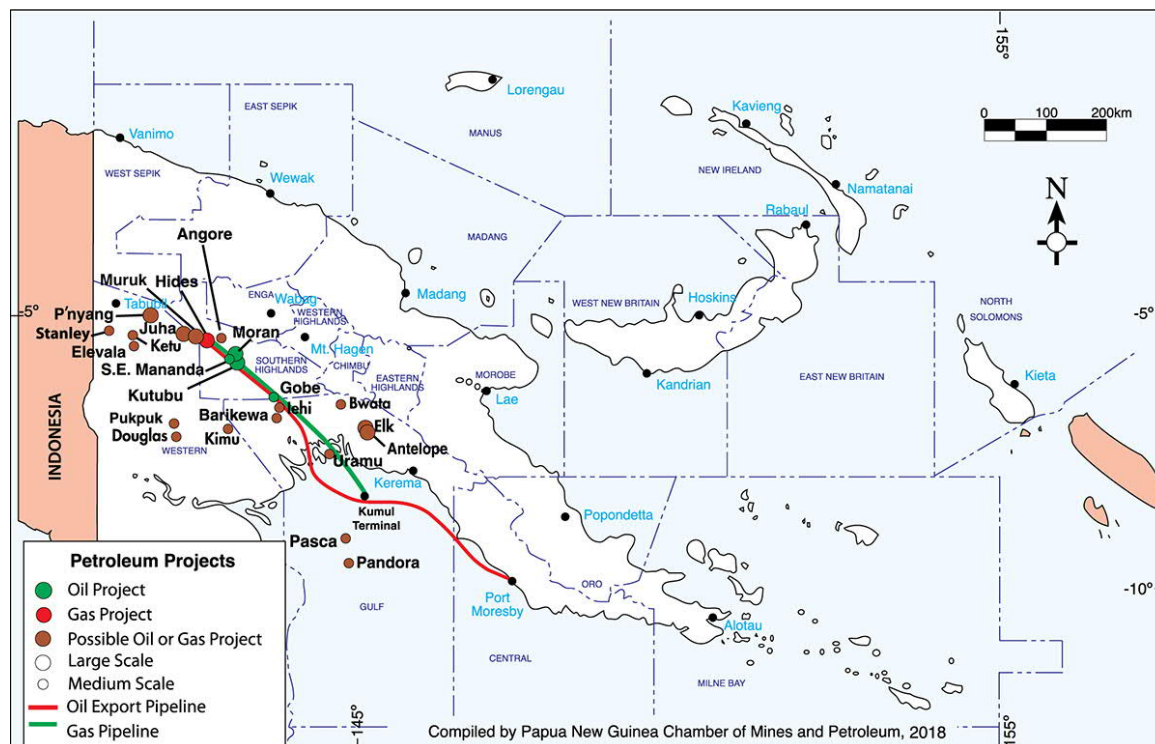


Figure 46: Oil and gas projects 2018, compiled by the PNG Chamber of Mines and Petroleum

8.1 Classification of licences

Five types of licence are defined in the Oil and Gas Act 1998:²³¹

Licence type	Abbreviation	Section of OGA
▶ Petroleum Prospecting Licence	PPL	s. 25
▶ Petroleum Retention Licence	PRL	s. 42
▶ Petroleum Development Licence	PDL	s. 59
▶ Petroleum Pipeline Licences	PLL	s. 76
▶ Petroleum Processing Facility Licence	PPFL	s. 90

8.2 Oil and gas companies active in PNG

Both national and multinational oil and gas companies, as well as state-owned entities, are actively engaged in exploration and production in PNG. During 2018, the companies involved in active production were owners of petroleum development licences (PDLs) associated with:

- ▶ PNG LNG project (operated by ExxonMobil PNG Ltd)
- ▶ Producing oil fields (operated by Oil Search (PNG) Ltd)
- ▶ Hides gas project (operated by Oil Search (PNG) Ltd)

²³⁰ <http://pngchamberminpet.com.pg/our-resource-industry/petroleum>, accessed 13 December 2019

²³¹ Papua New Guinea Sessional Legislation, Oil and Gas Act 1998, http://www.paclii.org/cgi-bin/sinodisp/pg/legis/num_act/oaga199894/index.html?stem=&synonyms=&query=oil%20and%20gas%20act, accessed 31 October 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Participants in the petroleum sector with interests in these PDLs are considered to be material reporting entities and are identified below:

- ▶ ExxonMobil PNG Ltd (and subsidiaries)
- ▶ Oil Search (PNG) Ltd
- ▶ Santos Ltd (and subsidiaries)
- ▶ JX Nippon Oil and Gas Exploration Corporation (and subsidiaries)
- ▶ Kumul Petroleum Holdings Ltd (and subsidiary)
- ▶ Mineral Resources Development Company (MRDC) (and subsidiaries)

In the 2017 report it was identified that Puma Energy operates the Napa Refinery, a downstream facility located adjacent to Port Moresby that refines up to 32,500 barrels of oil per day. Puma acquired the plant in 2014.²³² It was determined by the MSG that this would not be included as a reporting entity as it does not come under the 'extractive' industries.

PDL 10 was granted for the Stanley joint venture in 2014, with the below participants. However, it was still in the development and pre-development stage in 2018, and production had not yet started.²³³

- ▶ Repsol (Talisman Energy Niugini Ltd) – sale of shares to Balang International (China Changcheng Natural Gas Power Group) was announced in June 2018 but this is yet to be finalised at the time of reporting.
- ▶ Horizon Oil Papua Ltd
- ▶ Osaka Gas Niugini Pty Ltd
- ▶ Mitsubishi Corporation (Diamond Gas Niugini B.V.)

Similarly, the Papua LNG project (PRL 15), led by Total SA, is progressing but not yet in production.²³⁴ The participants in this project are:²³⁵

- ▶ Total (operator)
- ▶ ExxonMobil
- ▶ Oil Search
- ▶ Minorities (0.5%)

A number of companies hold petroleum retention licences, including:²³⁶

- ▶ ExxonMobil PNG Ltd
- ▶ Horizon Oil Papua Ltd

²³² Puma Energy Papua New Guinea, <https://www.asiaoutlookmag.com/outlook-features/puma-energy-papua-new-guinea-aug-2018>, accessed 31 October 2019.

²³³ Horizon Oil, Projects and operations, <https://horizonoil.com.au/projects-operations/>, accessed 31 October 2019.

²³⁴ Non-financial data tab from reporting template provided by Total

²³⁵ NS Energy news, 10 April 2019, <https://www.nsenerybusiness.com/news/total-sign-gas-deal-papua-lng-project/>, accessed 31 October 2019.

²³⁶ Sourced from data reporting template provided by DPE for this report. Received 23 October 2018

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

- ▶ InterOil SPI E & P Ltd
- ▶ Oil Search (PNG) Ltd (4)
- ▶ Repsol Oil and Gas Niugini
- ▶ Repsol SA

There are also a large number of companies that hold a PPL conducting exploration activities during the reporting period. These are listed in Appendix C.

8.3 Oil Search (PNG) Ltd projects producing in 2018

Oil Search operates all projects that are currently producing oil in PNG, outlined below.²³⁷

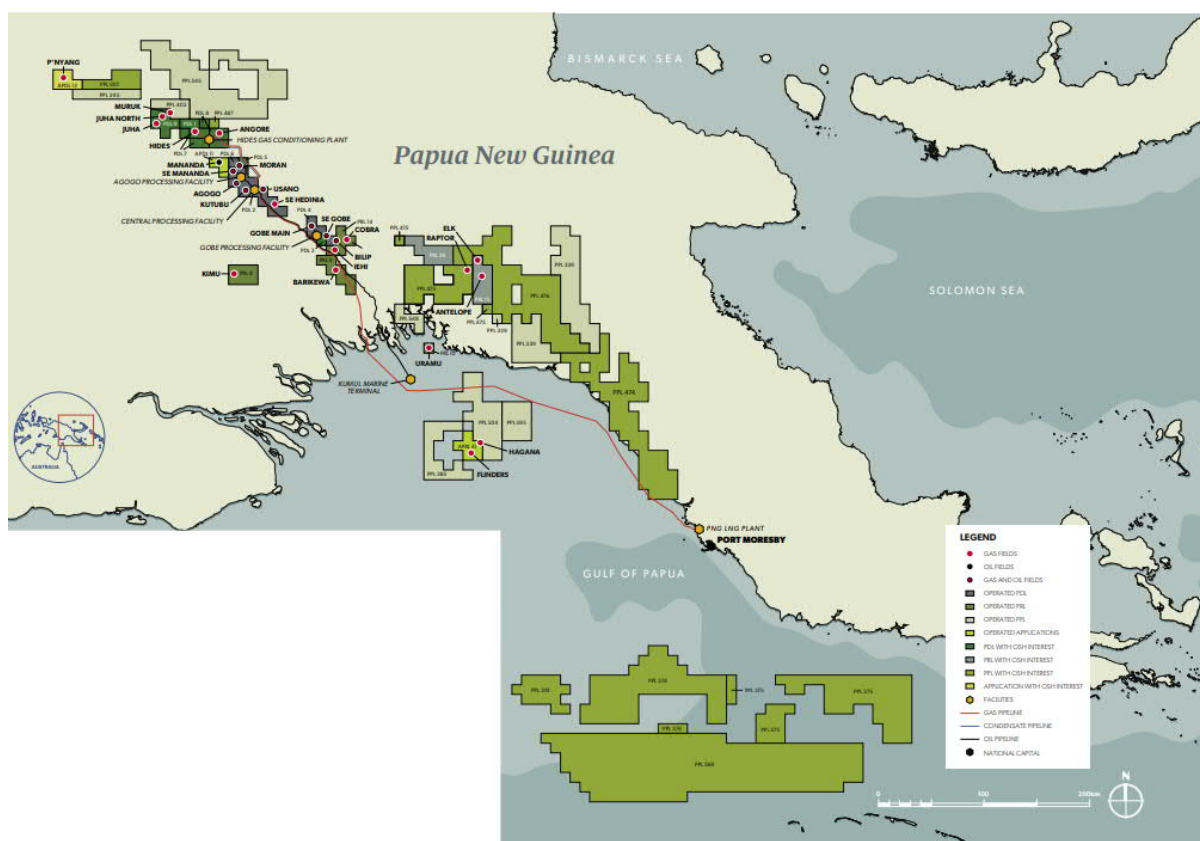


Figure 47: Oil Search licence interests, processing and distribution routes²³⁸

²³⁷ Oil Search – Operated Production, <http://www.oilsearch.com/what-we-do/production/operated-production>, accessed 22 August 2019

²³⁸ Oil Search Annual Report 2018, p.72 https://www.oilsearch.com/_data/assets/pdf_file/0012/33114/OSH-2018-Annual-Report.pdf, accessed 27 August 2019

Introduction
Reporting entities and revenue streams
Contribution of extractive industries to the economy
Legal framework and fiscal regime
Management and distribution of revenues
Social and subnational payments
Mining
Oil and gas
State-owned enterprises
Reconciliation of revenue streams
Findings and recommendations
Appendices

8.3.1 Gobe

Oil from both the Gobe main and SE Gobe fields is processed at the Gobe Processing Facility, which is joined to the Kutubu Export Pipeline with an eight-kilometre pipeline. Following the February 2018 earthquake, oil production rates from these fields declined by 26% and 38%, respectively. The Gobe oil fields returned to production in late April after earthquake repairs were completed and a planned shutdown for maintenance executed.²³⁹

The Gobe Unit comprises PDL 3 (59%) and PDL 4 (41%). During 2017, KPHL reported the acquisition of Southern Highlands Petroleum’s share in PDL 3.²⁴⁰ One report indicated that MRDC subsidiary Petroleum Resources Gobe Ltd was to take 75% of the purchased equity. However, the IA could not confirm whether this had taken place.²⁴¹

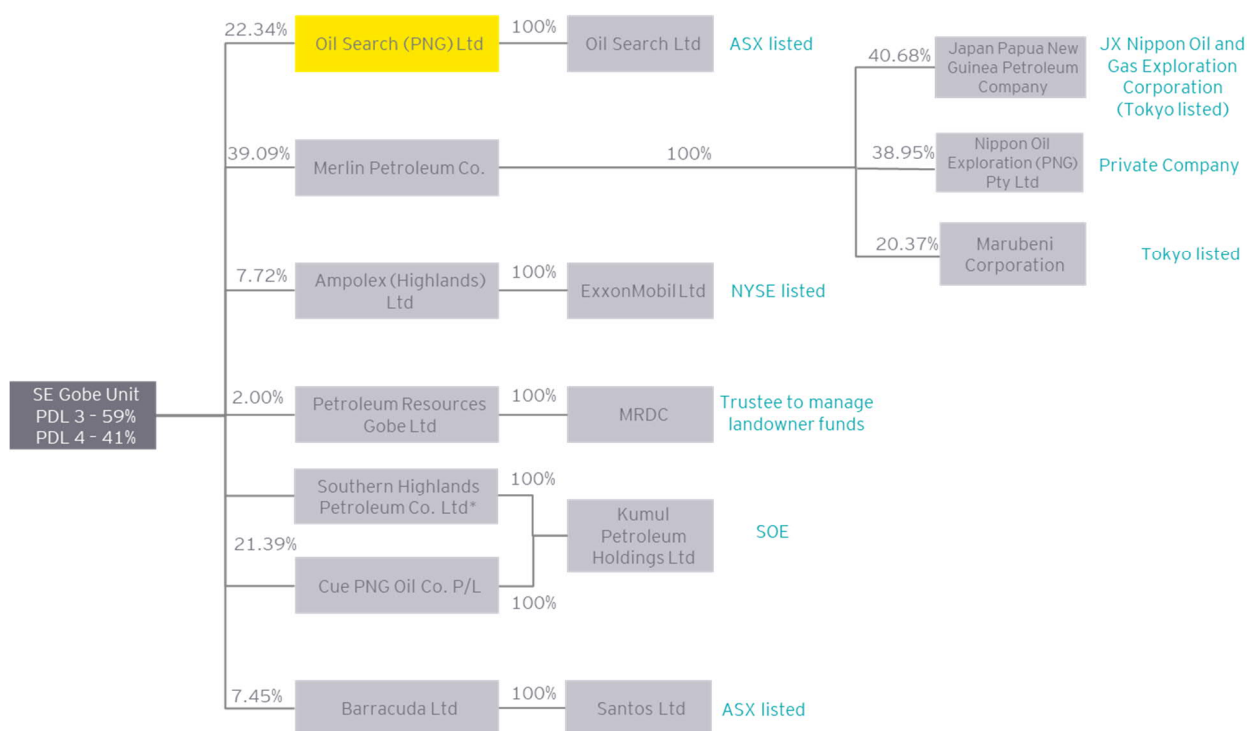


Figure 48: SE Gobe Unit licence interests after sale of Southern Highlands Petroleum²⁴²

²³⁹ Oil Search Annual Report 2018, p. 28, https://www.oilsearch.com/_data/assets/pdf_file/0012/33114/OSH-2018-Annual-Report.pdf, accessed 31 October 2019.

²⁴⁰ Oil Search – Operated Production, <https://www.oilsearch.com/what-we-do/png/operated-production>, accessed 31 October 2019.

²⁴¹ Kumul acquires 40pc interest, <https://oglinks.news/article/3a19dc/kumul-acquires-40pc-interest>, accessed 31 October 2019.

²⁴² Kumul Petroleum “JX Nippon interest in PDL3, SE Gobe, sold to KPHL in June 2017, increasing Kumul Petroleum Holdings interest to 45.72%”, <http://kumulpetroleum.com/licence-interests/>, accessed 31 October 2019. Figures taken from direct communication with ExxonMobil and the Oil Search 2017 Annual Report Licence Interests https://www.oilsearch.com/_data/assets/pdf_file/0009/19737/HC_OS_AR17_final.pdf, received 12 December 2018

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

8.3.2 Kutubu

The Kutubu development comprises a network of wells that produce oil from the Iagifu-Hedinia, Usano and Agogo fields, a gathering system, on-site processing facilities (the Agogo and Central Processing Facilities), supporting infrastructure, a 270-kilometre crude oil export pipeline to the coast and a marine loading terminal in the Gulf of Papua. The pipeline operates under Pipeline Licence 2 (PL 2), while the oil field operates under Petroleum Development Licence 2 (PDL 2). Both licences were issued in December 1990 for a term of 25 years and were extended in December 2009 until December 2035.²⁴³

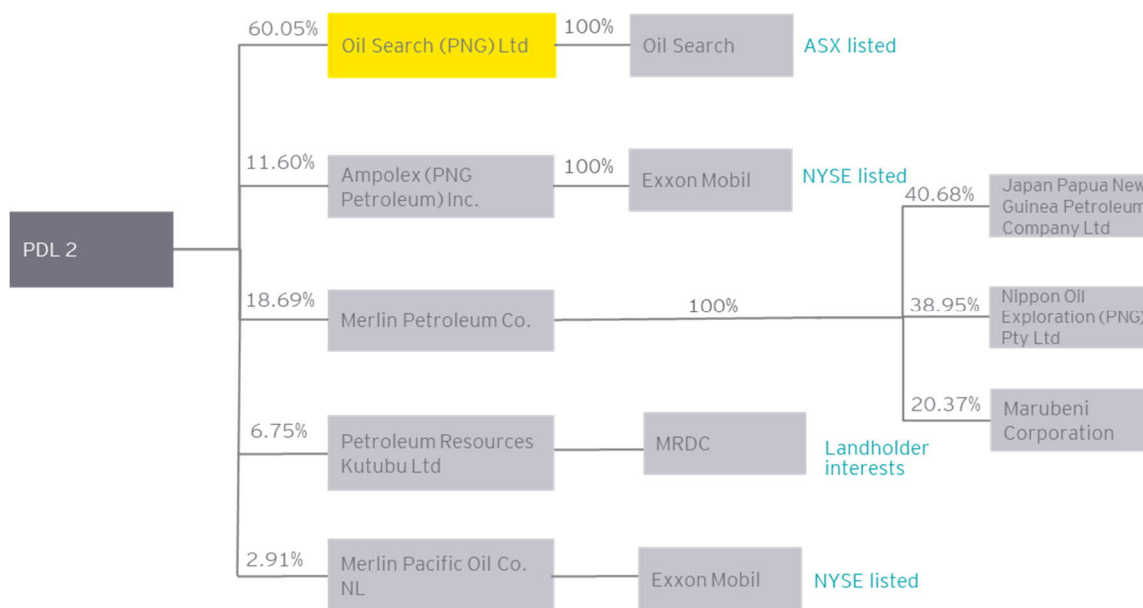


Figure 49: PDL 2 (Kutubu Field Complex, Iagifu, Hedinia, Usano, Agogo) licence interests²⁴⁴

8.3.3 Moran Unit

Oil produced at the Moran fields is processed at the Agogo Processing Facility then piped to the Central Processing Facility for further processing, storage and export through the export pipeline. Following the February 2018 earthquake, the Moran oil fields production remained impacted by damage to flow lines and key wells, which remained offline due to the earthquake. This project runs over three licence areas, PDL 2, PDL 5 and PDL 6. NW Moran (PDL 6) is an extension to the Moran field discovered in late 2003.

²⁴³ <https://www.oilsearch.com/what-we-do/png/operated-production>

²⁴⁴ Oil Search – 2017 Annual Report Licence Interests https://www.oilsearch.com/_data/assets/pdf_file/0009/19737/HC_OS_AR17_final.pdf, accessed 31 October 2019. Distribution of licence interests in Merlin Petroleum Co. <http://www.nex.jx-group.co.jp/english/activity/oceania/png.html>, accessed 31 October 2019. Japan Papua New Guinea Petroleum Company registration <http://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=128311971>, accessed 31 October 2019. Nippon Oil Exploration entity type, <http://www.abr.business.gov.au/SearchByAbn.aspx?SearchText=69134179810>, accessed 31 October 2019. Marubeni Corporation registration <https://www.marubeni.com/en/company/profile/>, accessed 31 October 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

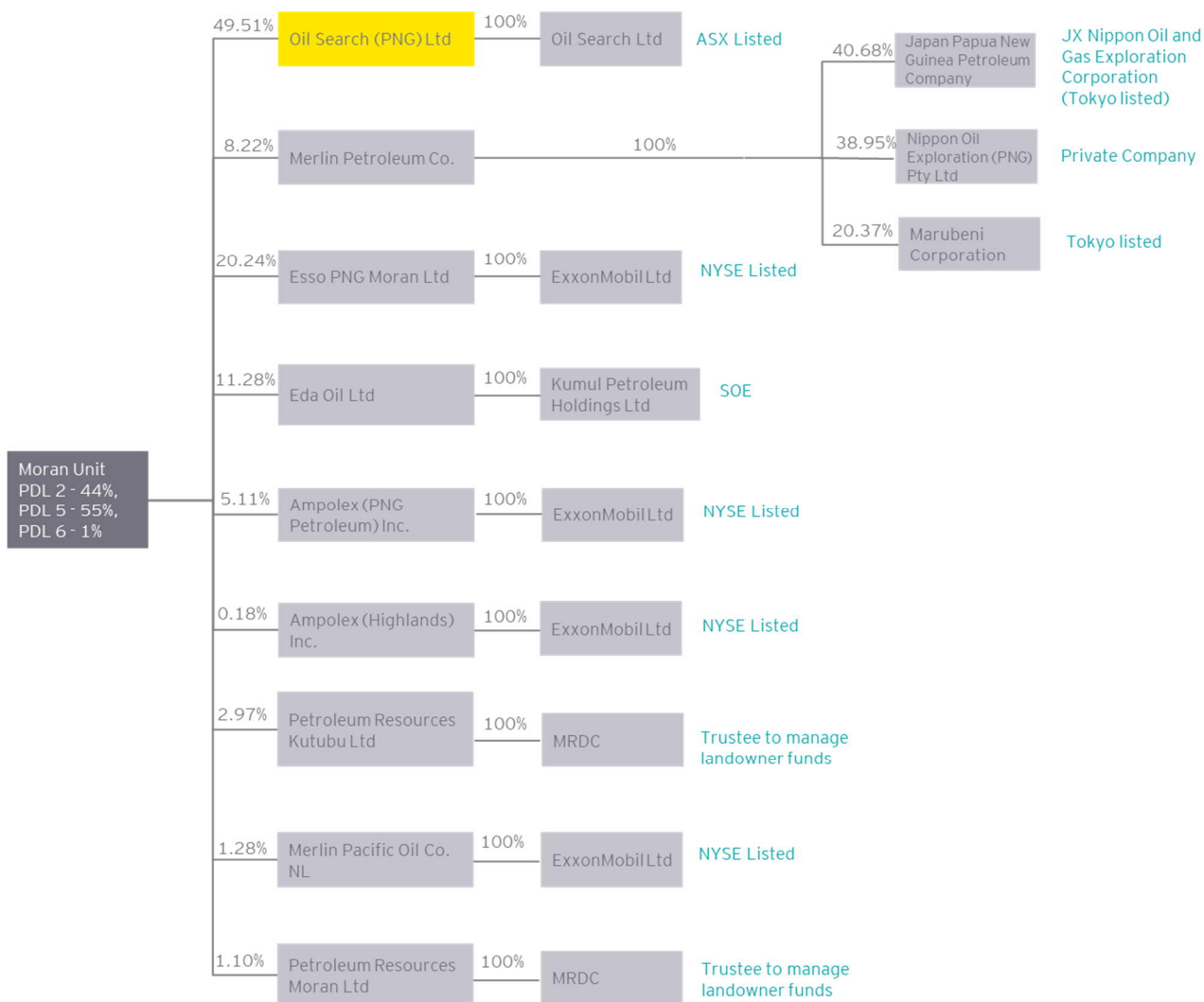


Figure 50: Moran unit licence interests

8.4 Oil Search gas projects

The Hides Gas to Electricity Project (GTE) is fully owned and operated by Oil Search (see Figure 51). It comprises a pipeline from the gas wells in the Hides field (PDL 1), to the Hides Production Plant in the Tagari River Valley. Following processing, the gas is used by the Porgera Joint Venture to generate electricity for the Porgera gold mine. The condensate produced in the process is distilled into diesel and naphtha and sold locally. The diesel is used as a back-up fuel for the running of the power station. Gas supplied from the Hides gas field is sold under long-term contracts that were last revised in 2012. The Hides GTE Project produced 4.0 bcf of gas in 2018, 32% lower than in 2017. The project also produced 83,000 barrels of liquids, down 29% on 2017 levels. The Hides Gas-to-Electricity (GTE) facilities resumed operations in May 2018, after the completion of earthquake-related repairs to the Porgera Joint Venture electricity generation facility.²⁴⁵

²⁴⁵ Oil Search – 2018 Annual Report, p. 86, https://www.oilsearch.com/_data/assets/pdf_file/0012/33114/OSH-2018-Annual-Report.pdf, accessed 31 October 2019.

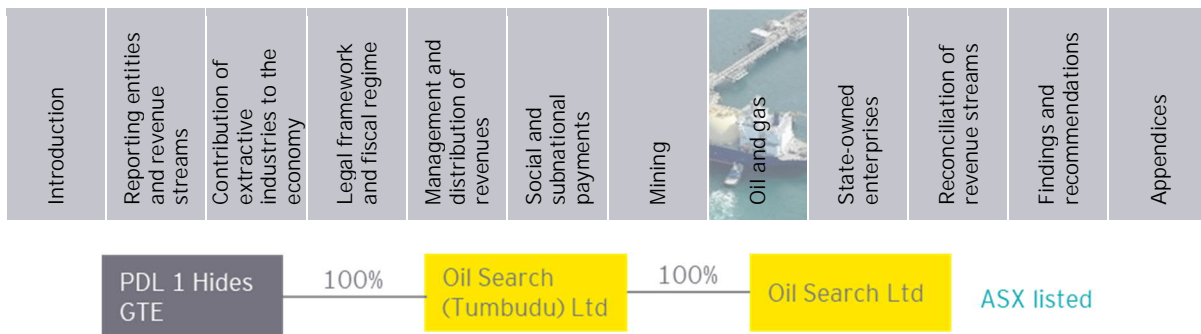


Figure 51: Hides Gas to Electricity Project licence interests²⁴⁶

8.5 PNG LNG Project

The PNG LNG project shipped its first liquefied natural gas (LNG) in May 2014 and the project achieved financial completion in February 2015. The project capacity has exceeded expectations, reaching in excess of eight million tonnes per annum. A re-certification and upgrading of the natural gas reserves should enable the project to sustain these higher rates of production.²⁴⁷

Contract customers for the LNG include Sinopec (China), Jera (TEPCO) (Japan), Osaka Gas (Japan) and CPC (Taiwan).

Falling global LNG prices have negatively impacted project returns, with flow-through implications for government tax receipts from the project. However, higher production levels have mitigated this to a degree, and the PNG LNG Project remains competitive and is expected to make a significant long-term contribution to the economy.²⁴⁸ Global demand for LNG is forecast to grow as markets prioritise gas over coal or nuclear power. While surplus global LNG capacity is forecast in the short term, new capacity is expected to be required in the early 2020s.²⁴⁹

As at December 2018, 3,236 workers were engaged in production-related roles in the PNG LNG project.²⁵⁰ The project provided a significant number of jobs during its construction (peaking at 21,200 in 2012). The project has had significant impacts on affected communities, both positive and negative (see case study in PNG EITI Report for 2016²⁵¹).

The PNG LNG Global Company LLC ('GloCo') was incorporated to facilitate project financing and the management of all revenue, sales, marketing, ship chartering, operating costs and revenue payments to the State of PNG. GloCo is a shell company that is owned by the PNG LNG project partners in proportion to their equity interests (as illustrated in Figure 52). It is operated by ExxonMobil, but it is not an ExxonMobil affiliate or subsidiary. Key transactions pass through GloCo including providing the sale proceeds to each of the project partners.

Although GloCo is a pass-through entity, to ensure transparency, reporting by GloCo is required under the EITI Standard. The IA has requested, via ExxonMobil, that GloCo report on PNG LNG profits; however, we understand that this requires agreement from all owners of the project. We currently receive some information relating to the share of profits (as assessable income) from GloCo by the state-owned entities that are partners in the PNG LNG project (where they have submitted a reporting template), but no information on payments made from the GloCo entity. Please see Chapter 11 for further discussion of our recommendations relating to this.

²⁴⁶ Ibid.

²⁴⁷ Petroleum, <http://pngchamberminpet.com.pg/our-resource-industry/petroleum>, accessed 31 October 2019.

²⁴⁸ Ibid.

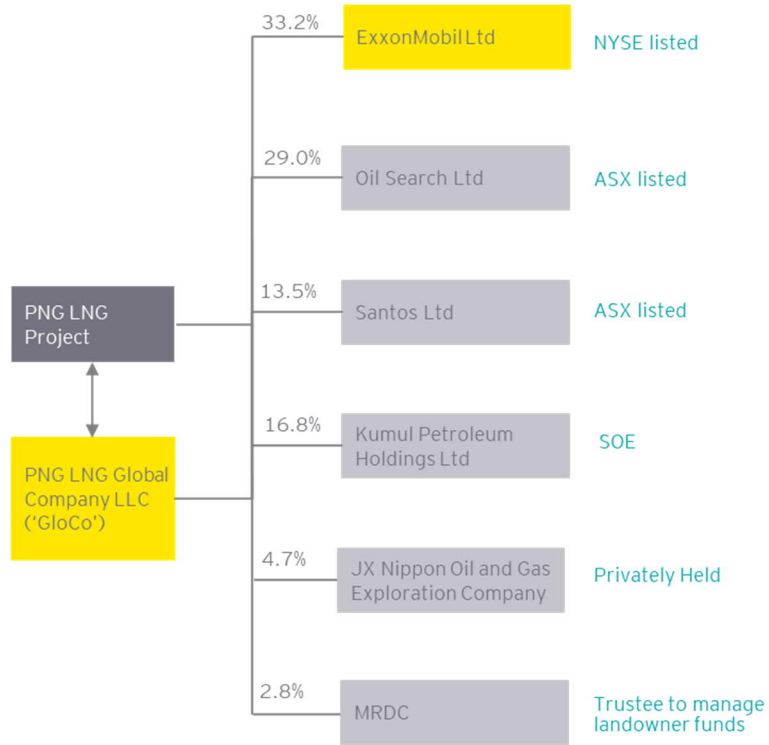
²⁴⁹ Oil Search 2017 Annual Report, https://www.oilsearch.com/_data/assets/pdf_file/0009/19737/HC_OS_AR17_final.pdf accessed 1 November 2010.

²⁵⁰ PNG LNG Environmental and Social Report-Annual 2018, PNG LNG, 2018 [https://pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2018-Annual-ES-Report-FINAL_FULL_300419-\(ENG-WEB\).pdf](https://pnglng.com/media/PNG-LNG-Media/Files/Environment/Environment%20and%20Social%20reports/2018-Annual-ES-Report-FINAL_FULL_300419-(ENG-WEB).pdf) accessed 1 November 2019.

²⁵¹ PNG EITI Report 2016, <https://www.pngeiti.org.pg/reports/>, accessed 1 November 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Figure 52 illustrates the ownership structure of the PNG LNG project, while the subsequent figures illustrate the licence interests associated with each PDL within the PNG LNG Project. The operating entities are shown in yellow.



Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Figure 52: The relative interests of each partner in the PNG LNG project for the 2018 reporting period²⁵²

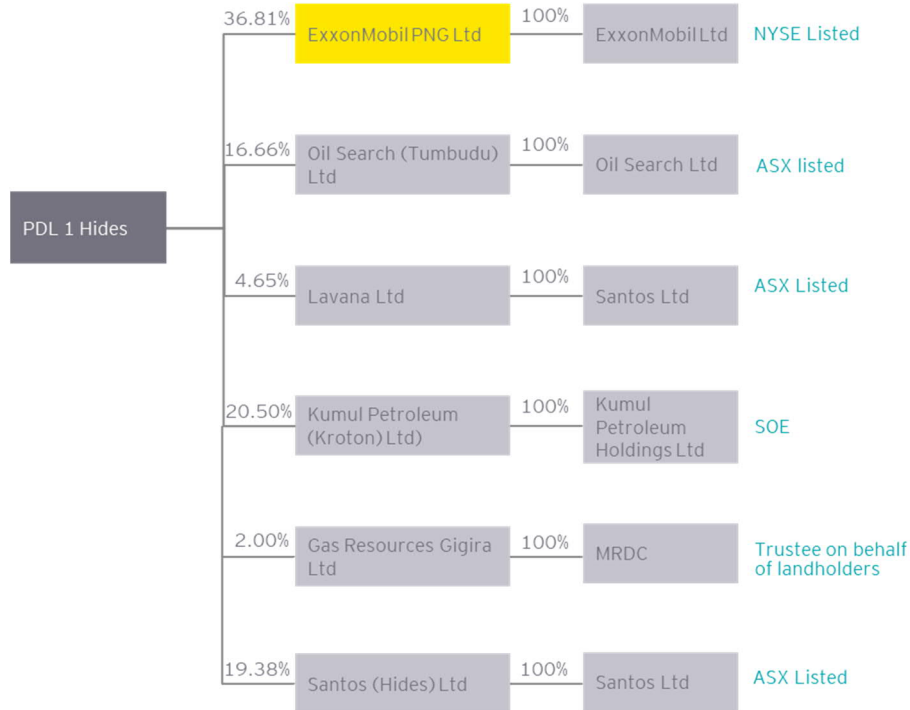


Figure 53: PDL 1 Hides licence interests

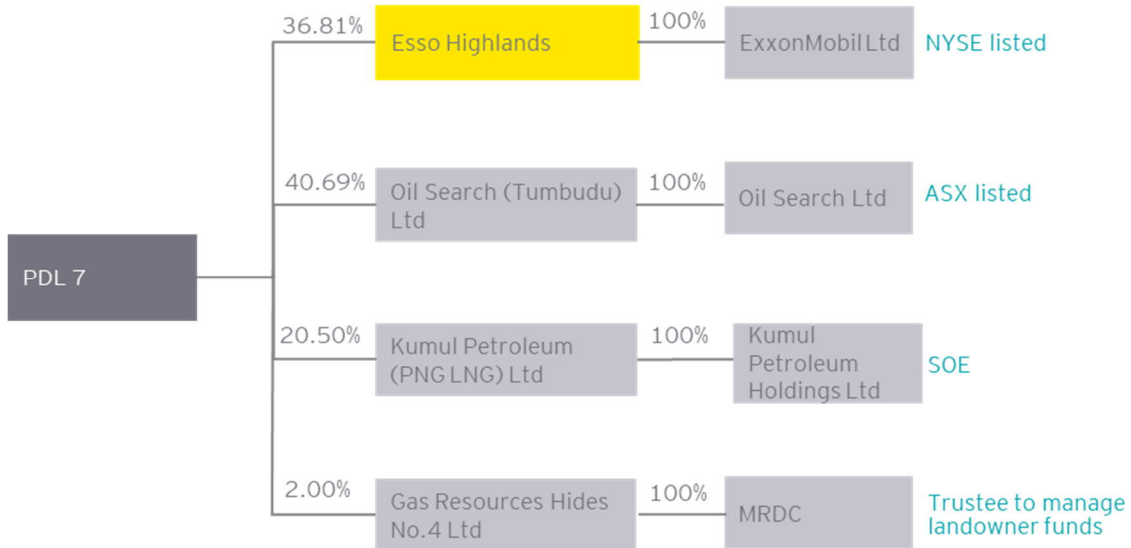


Figure 54: PDL 7 (Hides) licence interests

²⁵² PNG LNG Co-venturers <https://pnglng.com/About/Co-venturers> accessed 22 August 2019. KPHL's holding is elsewhere stated as 16.57%; 16.8% may include 0.2% held through subsidiary Kumul LNG Ltd/Eda Oil Ltd.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

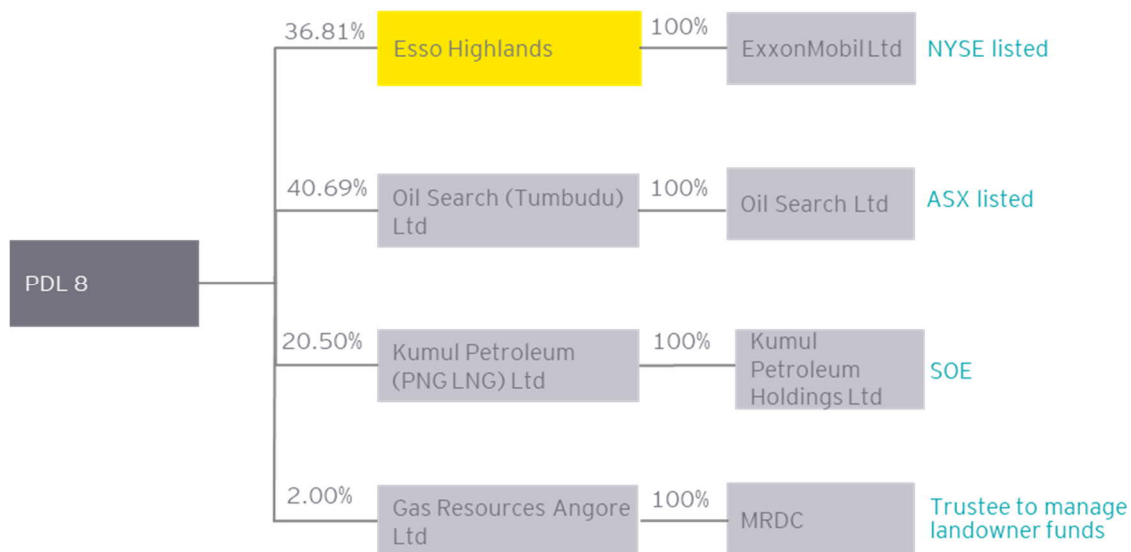
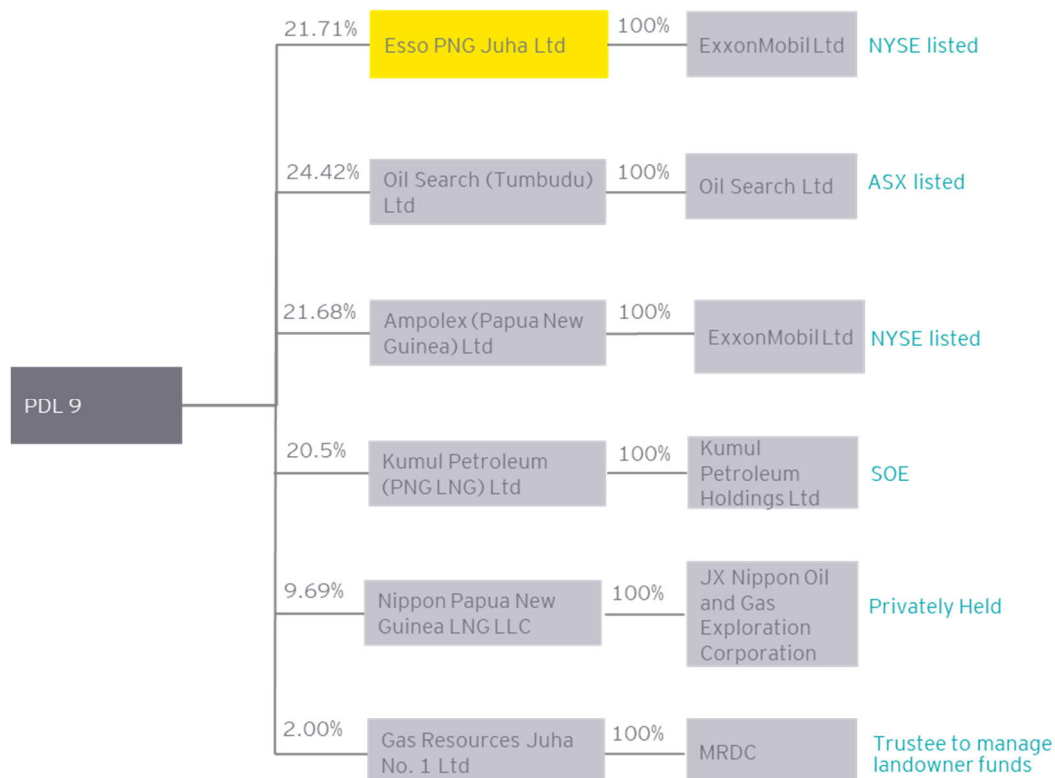


Figure 55: PDL 8 (Angore) licence interests



Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Figure 56: PDL 9 (Juha) licence interests²⁵³

8.5.1 PNG LNG revenue

The flow of payments from GloCo is illustrated below in Figure 57 (as described by KPHL, with adaptations by the IA for clarity). Payment streams from KPHL are detailed in Chapters 9 and 10, and payment streams from other participating entities are detailed in Chapter 10.

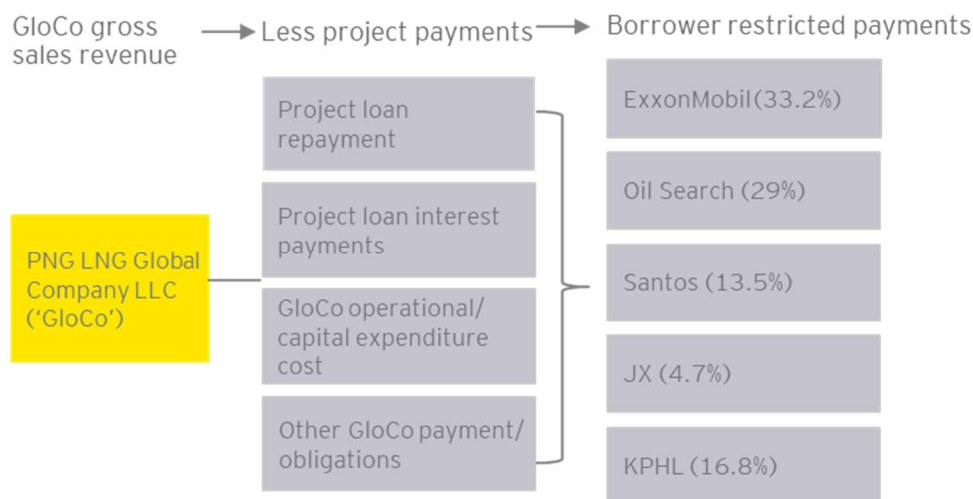


Figure 57: Payment flows from GloCo

8.6 New oil and gas projects

8.6.1 Stanley project (under DPE supervision)

The Stanley Gas Agreement was approved in April 2014. The Stanley gas-condensate field is located in PDL 10 and is operated by Repsol.²⁵⁴ In June 2018, Repsol announced an agreement to sell their shares to Balang International Pte Ltd (Balang), part of the China Changcheng Natural Gas Power Co Ltd Group with investments in natural gas and power throughout the Asia Pacific Region.²⁵⁵ However, the PNG Government gave notice that it intended to cancel PDL 10 and PL 10, allegedly for failure to construct, commission and commence production operations.²⁵⁶ Repsol and Horizon Oil have contested this, and it appears that the issue has not yet been resolved,²⁵⁷ and the sale has not yet been completed.²⁵⁸

²⁵³ <http://www.openbriefing.com/AsxDownload.aspx?pdfUrl=Report%2FComNews%2F20181206%2F02057076.pdf>, accessed 11 December 2018

²⁵⁴ Western LNG Project, <https://horizonoil.com.au/projects-operations/papua-new-guinea/western-lng-project/>, accessed 1 November 2019.

²⁵⁵ Chinese firm taking over Repsol asset, <https://www.thenational.com.pg/chinese-firm-taking-over-repsol-asset/>, accessed 1 November 2019.

²⁵⁶ <https://www.thenational.com.pg/horizon-oil-clears-concerns-raised-ministers-notice-cancel-licence/>

²⁵⁷ 2019 Horizon Oil Annual Report, p. 4, https://investors.horizonoil.com.au/irm/PDF/2864_0/2019AnnualReport, accessed 29 November 2019.

²⁵⁸ Repsol still stuck with PNG assets, 20 February 2019, <https://static.upstreamonline.com/live/1706934/repsol-still-stuck-with-png-assets>, accessed 29 November 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

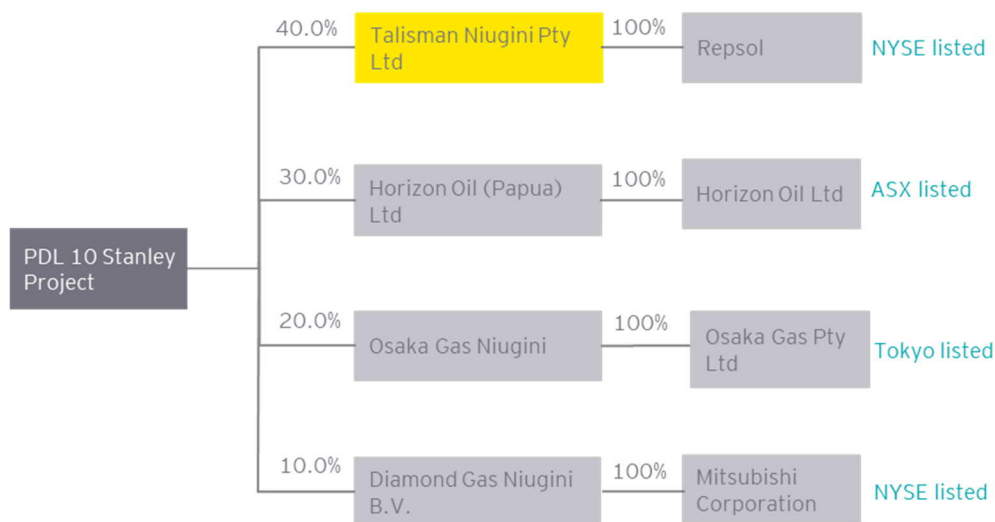


Figure 58: Stanley project licence interest

8.6.2 Papua LNG Project (Elk-Antelope gas discoveries) - (under DPE supervision)

The Elk-Antelope gas discoveries (PRL 15) are one of the largest undeveloped gas resources in PNG. The Papua LNG project of 5.4 million tons per annum (Mtpa) capacity will consist of two LNG trains of 2.7 Mtpa capacity each and will unlock over 1 billion barrels of oil equivalent of natural gas resources.²⁵⁹ The participants under PRL 15 in 2018 were:²⁶⁰

Total (operator)	31.1%
ExxonMobil	28.7%
Oil Search	17.7%
Papua New Guinea	22.5%

In November 2018, the partners in the Papua LNG Project entered into a Memorandum of Understanding (MoU) with the Independent State of Papua New Guinea for the development of the Papua LNG Project.²⁶¹ The Gas Agreement, which allocates project benefits and returns among stakeholders, was also finalised in April 2019, paving the way for a final investment decision in 2020.

8.6.3 Pasca A (under DPE supervision)

Pasca A is a gas condensate discovery (PPL 328 (APDL14)) located at the Gulf of Papua, Offshore Papua New Guinea. The field type is liquids-rich gas-condensate accumulation in carbonate pinnacle reef. The reserves have been proven, the development plan has been completed and the production

²⁵⁹ Total press release, 9 April 2019, <https://www.total.com/en/media/news/press-releases/total-and-state-papua-new-guinea-sign-gas-agreement-papua-lng-project>, accessed 12 December 2019

²⁶⁰ Papua New Guinea government, partners sign LNG agreement, <https://www.ogj.com/pipelines-transportation/lng/article/17279091/papua-new-guinea-government-partners-sign-lng-agreement>, accessed 1 November 2019.

²⁶¹ Oil Search, 'Papua LNG JV signs MoU with PNG Government', https://www.oilsearch.com/_data/assets/pdf_file/0018/27135/181116-Papua-LNG-JV-signs-MOU-with-Government.pdf accessed 1 November 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

licence in pending approval.²⁶² The operator is Twinza oil, which currently holds 100% interest in the project. The State has the right to acquire a 22.5% working interest if it chooses.²⁶³

8.6.4 Other gas projects in development

Oil and gas exploration is active across PNG. In 2018, there were 62 Petroleum Prospecting Licences and 13 applications pending, covering large parts of the country, and much of the near-shore environment.²⁶⁴ The PNG LNG and Papua LNG projects are expected to be the first of a series of potential gas developments, including:

- ▶ Potential development of the P'nyang field to support PNG LNG Project expansion
- ▶ Possible aggregation of a number of gas accumulations in the Western Province
- ▶ The introduction of the Unconventional Hydrocarbons Act 2015 (UHA) cleared the way for further exploration and production including unconventional hydrocarbons such as shale oil and gas that were previously excluded from the OGA.

8.7 Oil and gas production data

Oil and gas project operators report production data to DPE daily. DPE does not currently perform detailed reviews or audits of this data due to resourcing constraints.²⁶⁵

Below we present production and export quantities as reported by companies and by DPE.

²⁶² Pasca A – Twinza Oil, <https://www.twinzaoil.com/what-we-do/papua-new-guinea-pasca-a>, accessed 4 December 2019

²⁶² DPE data template received 18 September 2019

²⁶³ Ibid

²⁶⁴ DPE data template received 18 September 2019

²⁶⁵ Direct communication from DPE, 2016 PNG EITI Report.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining		State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	---	-------------------------	-----------------------------------	------------------------------	------------

Table 64: Oil and gas production and export quantities provided by companies[^]

Commodity quantity	Exxon		OilSearch		Nippon		Merlin	
	Produced	Exported	Produced	Exported*	Produced	Exported	Produced	Exported
Oil (stbopd)			5,458	1,983,455		1,125		1,848
Hides Liquids (stbopd)	25,324		227	61,059				
PNG LNG liquids (stbopd)	2,792	2,778	8,093	2,673,772		130		
Hides Gas (MMscf)	322,837		4,000	4,000				
PNG LNG Project LNG (tonnes)	7,386,713	7,515,873	2,123,000					
Other			1,400	1,400				2,449,489 [†]

[^] Santos did not report any quantities

* This column is presented as per OilSearch's data template, but possibly represents value

[†] SE Gobe Gas (Mscf)

Table 65: Oil and gas production and export quantities reported by DPE

Commodity produced (P) and exported (E)	Reported by DPE	
	Produced	Exported
Oil (stbopd)	11,602	26,585
Hides Liquids (stbopd)	6,175	2,822
PNG LNG liquids (stbopd)	21,155	25,171
Hides Gas (MMscf)	2,998	2,933
PNG LNG Project LNG (tonnes)*	7,246,136	7,143,819

*PNG LNG volumes in cubic meters have been converted to tonnes by DPE using a two-year average density of LNG produced at the PNG LNG Plant

As the company data is incomplete, we have not attempted to reconcile DPE and company figures. Similarly, the figures reported by Customs (below) are categorised differently, and some have different units. However, we note that the quantities for natural gas do not correlate with those reported by DPE.

Table 66: Oil and gas export quantities and values as reported by Customs²⁶⁶

Commodity	Unit	Quantity	FOB value (PGK)
Petroleum oils and oils obtained from bituminous minerals, crude.	Litre	1,261,923,299	3,948,095,659
Natural gas	tonne	17,521,893	10,611,703,114
Naphthalene	Litre	501,895,016	1,053,038,211

²⁶⁶ Provided by PNG Customs

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

8.8 Regulation of the oil and gas sector

Oil and gas regulation in PNG is overseen by DPE, an entity that is chronically under-resourced, has no website, and has not produced an annual report for the past ten years.

DPE informed the IA in 2016 that there were plans to establish an independent authority to regulate the oil and gas industry (as is the case for the mining industry, with the MRA). No update on this could be obtained by the IA.

DPE was the subject of several priority recommendations in the 2013 and 2014 PNG EITI Report that have subsequently been endorsed by the National Executive Council (NEC).

Register of licences

The official register of oil and gas licences is maintained by the DPE in handwritten ledgers. This ledger is not organised sequentially by licence numbers; new entries are made when applications are made. In principle the register is publicly accessible, but clearly this is not a practical reality. The register is set up to record all information required by the EITI Standard, but a number of information gaps in individual entries were identified when the ledger was originally reviewed by the IA in 2015.²⁶⁷

The reliance on hard copy documentation poses a risk of catastrophic data loss. DPE have reported that, by the end of 2018, 50% of licence related documents had been scanned, and the electronic database was 80% completed. Once this process is complete, work can begin on an electronic registry system. However, the manual ledgers were still being used for the 2018 reporting period.

We understand that DPE, with the assistance of MRA, is in the process of uploading licence data to a publicly accessible web portal.

See Appendix C for the list of active oil and gas licences in 2018. For the 2018 reporting period, DPE advised that no PPLs had been cancelled.²⁶⁸ A compliance review was also underway and 80% completed by the end of 2018. DPE had agreed that the licence coordinators would hold regular monthly reviews to assess licences for work and expenditure compliance. However, these had not been implemented by the end of 2018. Additionally, an officer has been assigned to develop a DPE website.

The physical distribution of oil and gas tenements in PNG is shown in Appendix F. A larger version can be also be found on the website of the PNG Chamber of mines and petroleum.

8.9 Allocation of licences

Oil and gas licences are allocated by DPE, according to the process illustrated in Figure 59 below.

²⁶⁷ See PNG EITI Report 2013 Appendix B, <http://www.pngeiti.org.pg/wp-content/uploads/2018/04/2013-PNG-EITI-REPORT.pdf>, accessed 1 November 2019.

²⁶⁸ Non-financial data template provided by DPE for this report. Received 18 September 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

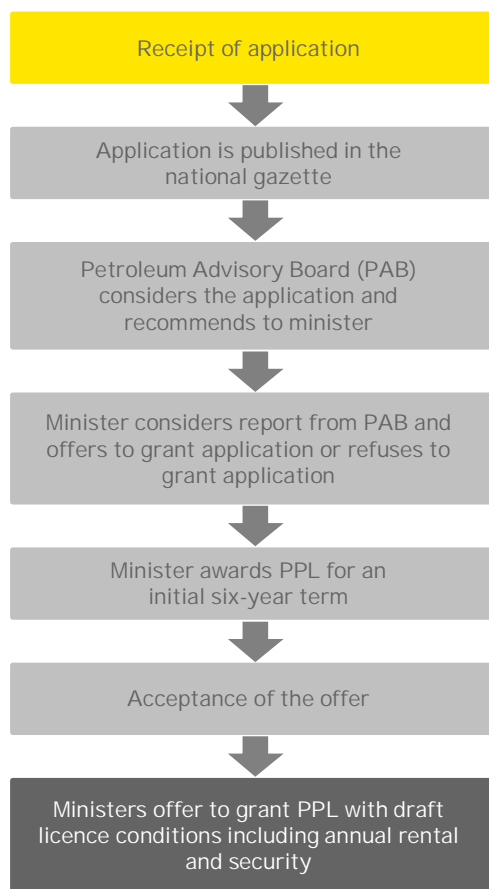


Figure 59: Process for DPE licence allocation²⁶⁹

Information on the technical and financial criteria for petroleum prospecting licences is set out in the Petroleum Policy Handbook and includes the following criteria for considering applications for licences:²⁷⁰

When granting a prospecting licence the Minister must be satisfied that the applicant has a coherent exploration strategy for the licence area as well as the technical and financial resources to carry out the required work programme. The following information should therefore be included in an application:

- ▶ The full name of the individuals or companies who are to be the licence holders
- ▶ If more than one individual or company is to hold the licence, the respective participating interests and the identity of the operator
- ▶ The specific blocks over which a licence is being sought, and a sketch map indicating their position

²⁶⁹ Petroleum division – an overview, p. 21

²⁷⁰ Petroleum policy handbook, pp. 8 and 9, 2003

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

- ▶ An outline of the technical resources of the applicant, including prior experience in PNG and descriptions of similar exploration programmes carried out elsewhere, as well as the resumes of key individuals to be involved in the proposed programme
- ▶ Details of the financial and asset resources of the applicants including the most recent financial statements and where appropriate outlines of similar ventures undertaken
- ▶ Detailed work and expenditure programmes proposed for the first two years of the initial licence period
- ▶ Indicative work and expenditure programmes proposed for the final four years of the initial licence period
- ▶ A synopsis of the technical rationale used in developing the work programme proposed
- ▶ Postal, fax and email addresses of the applicants
- ▶ Any other information that might be relevant to the application.

The legislation for exploration and production licensing for unconventional hydrocarbons is outlined in Division III of the UHA. Under the act, the traditional Petroleum Prospecting Licence and Unconventional Hydrocarbon Prospecting Licence can co-exist on the same area of land. Sections 63–65 of the UHA address conflicts regarding this, indicating where ownership of the resource reverts to if either conventional or unconventional hydrocarbons are discovered within a licenced area.

DPE advised that applications are assessed on a first come basis. The main criteria used are:

- ▶ Technical capability of the applicant. The applicant must have the personnel with relevant industry experience and qualifications, and must furnish supporting documents.
- ▶ Financial capacity of the applicant to pay fees/charges and to carry out the work program as per licence commitments. Relevant financial statements must be supplied.
- ▶ The applicant’s history of work and expenditure undertaken in other areas/licences, to assess genuineness of the applicant.

DPE confirmed that no licences were awarded through a bidding process in 2018. The IA infers that the two PPLs awarded in 2018 were therefore awarded through direct negotiations.

DPE advised that in some cases the first-come basis was not strictly followed; ‘applications that were lodged earlier had to await publication in the National Gazette due to lack of funding. Whilst earlier applications were pending, later applications would be lodged and by the time funding was made available for publication, all applications would be gazetted simultaneously and thus considered at the same time.’

Before a production licence is issued, social mapping and clan vetting must be conducted, which is audited by DPE. This culminates in a Development Forum that brings together stakeholders to finalise the benefit sharing agreement. Agreements include different levels of compensation and benefits, which may include social benefits such as schools or hospitals. DPE commented that landholder groups have become much more adept at negotiating for their interests in recent years.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Production licences also require 'detailed proposals by the applicant for the construction, establishment and operation of all facilities and services for and incidental to the recovery, processing, storage and transportation of petroleum from the licence area.'²⁷¹

DPE advised that applications are assessed by the registrar for completeness, geoscience staff for technical criteria, and economics staff for financial criteria. The findings go into a technical brief which then goes before the DPE board.

Development agreements allow for deviations from the legal and regulatory agreement, with this information being included in official gazettes (statutory instruments).²⁷² No information regarding agreements or deviations were provided by companies for 2018.

A petroleum development licence will not be granted until PNG Conservation and Environment Protection Authority (CEPA) grants environmental approval. CEPA is the government agency responsible for administering the Environment Act 2000. The process for environmental permit approval is outlined in section 7.9 of this report. Information from CEPA identifying the environmental permits that were issued, amended or renewed in 2018 were received and this information is reconciled in chapter 10 of this report.

Table 67 shows the different types of licences and the number of licence applications by type as at 31 December 2018. For full details, see Appendices D and F.

Table 67: DPE licence statistics for 2018²⁷³

Licence type	Quantity	Applications	Awarded	Extended	Expired	Cancelled	Surrendered	Transferred
Petroleum Prospecting Licence (PPL)	64	13	2	4	0	0	3	1
Petroleum Retention Licence (PRL)	11	5	0	0	1	0	0	2
Petroleum Development Licence (PDL)	10	4	0	0	0	0	0	0
Petroleum Pipeline Licence (PLL)	9	1	0	0	0	0	0	0
Petroleum Processing Facility Licence (PPFL)	2	0	0	0	0	0	0	0

Table 68: Petroleum licence changes 2018, as reported by DPE

Licence action/ licence #	Licence holder	Grant date	Expiry date	Date of action
Awarded				
PPL 610	Kapul Petroleum Ltd	31 Jul 2018	30 Jul 2024	31 Jul 2018
PPL 600	Esso PNG Robin Ltd	26 Sep 2018	25 Sep 2024	26 Sep 2018
PPL 396	Hornby Energy Ltd	?	16 Mar 2012	15 Mar 2018
PPL 397	Penant Resources Ltd	?	16 Mar 2012	15 Mar 2018
PPL 435	Kina Petroleum Ltd	25 Jul 12	24 Jul 2018	24 Jul 2018
PPL 436	Kina Petroleum Ltd	30 Nov 12	29 Nov 2018	29 Nov 2018

²⁷¹ OGA s.54

²⁷² Gazettes for the reporting period can be found at <http://www.paclii.org/pg/other/PGGovGaz/2018/>

²⁷³ Non-financial data template provided by DPE for this report. Received 18 September 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining		State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	---	-------------------------	-----------------------------------	------------------------------	------------

Licence action/ licence #	Licence holder	Grant date	Expiry date	Date of action
Expired				
PRL38	Repsol		28 Nov 2018	28 Nov 2018
Surrendered				
PPL 464	Esso PNG Swift Ltd	18 Aug 14	17 Aug 2020	26 Sep 2018
PPL 477	S.P.I (208) Ltd	6 Mar 14	5 Mar 2020	26 Sep 2018
PPL 405	Gini Energy Ltd	08 May 12	07 May 2018	11 Oct 2018
Cancelled				
Nil				
Transferred				
PPL 528	[1] Deutsche Group Ltd (transferor) and Valkyrio No.94 Ltd (transferee),			15 Nov 2018
PRL 28	[1] Eaglewood Energy (BVI) Ltd; [2] Repsol Oil & Gas Niugini Ltd, [3] Mega Fortune International (transferors) and [1] Eaglewood Energy (BVI) Ltd [2] Repsol Oil & Gas Niugini Ltd, [3] Mega Fortune International; Kumul Gas Niugini B.V. (transferees)			31 Jul 2018
PRL 40	[1] Foreland Oil Ltd ("Repsol") ; [2] Diamond Gas Niugini B.V ("Kumul") ; (transferors) and [1] Repsol [2] Kumul [3] Eaglewood Energy (BVI) Ltd (transferees)			31 Jul 2018

Transfer processes are outlined in the OGA.²⁷⁴ Transfers are registered by DPE, but are a commercial transaction between organisations to which DPE is not party; no criteria are applied by DPE. Exploration licences cannot be transferred for a period of two years from being granted. The list of licences awarded and transferred in 2018 can be found in Appendices D and F. Licence fees for 2018 can be seen in Appendix C.

Any further information that becomes available after this report is finalised will be made available on the PNG EITI website at <http://www.pngeiti.org.pg/>

²⁷⁴ Section 97

State-owned enterprises



Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

9. State-owned enterprises

9.1 Legal basis

The EITI Standard 2016 defines an SOE as: ‘a wholly or majority government owned company that is engaged in extractive activities on behalf of the government’. In PNG, the State holds the right to acquire a participating interest in any mining or petroleum project in PNG at par value, or ‘sunk cost’. In return, the State can receive a share of the profits of the project, paid as dividends in accordance with its rights as a shareholder. Further information on the State’s equity participation rights is provided in Chapter 4.

In 2015, all government mining interests except for Ok Tedi Mining Ltd (OTML) were consolidated to Kumul Mineral Holdings Ltd (KMHL) and all government petroleum interests were consolidated to Kumul Petroleum Holdings Ltd (KPHL). Each of these is discussed further in this chapter.

In addition, this chapter covers two organisations that have been described as state-owned enterprises in previous PNG EITI reports, but which more accurately act as trustees:

- ▶ Mineral Resources Development Company Ltd (MRDC)
- ▶ Ok Tedi Development Foundation.

The MSG will soon release Terms of Reference for a Scoping Study on SOEs, to assist further transparency on their activities and contribution to PNG.

9.2 Quasi-fiscal expenditures

Quasi-fiscal expenditures are outlined in the EITI Standard as ‘arrangements whereby SOE(s) undertake public social expenditure such as payments for social services, public infrastructure, fuel subsidies and national debt servicing, etc. outside of the national budgetary process’.²⁷⁵ This can include, for example, providing services at below market rates.

Some expenditures disclosed for the reporting period may qualify as quasi-fiscal. Previous PNG EITI reports have highlighted that the classification of quasi-fiscal expenditures is not straightforward, which may result in under-reporting of this category. The 2017 report recommended that ‘PNG should undertake a comprehensive review of all expenditures undertaken by extractives SOEs (and their subsidiaries) that could be considered quasi-fiscal.’²⁷⁶

9.3 Kumul Petroleum Holdings Ltd

9.3.1 Creation, ownership and structure

Kumul Petroleum Holdings Ltd (KPHL) has been through a series of changes of structure and name since it was first incorporated in June 2008.²⁷⁷ It has been in its current form since 2015, when the Kumul Petroleum Holdings Ltd Authorization Act 2015 was passed, making KPHL the State nominee for all commercial matters relating to oil and gas projects.

²⁷⁵ Guidance on quasi-fiscal expenditures, <https://eiti.org/guide/quasi-fiscal-expenditures>, accessed 1 November 2019.

²⁷⁶ PNG EITI 2017, p. 140, <http://www.pngeiti.org.pg/wp-content/uploads/2019/01/PNGEITI-Report-2017-1.pdf>, accessed 11 November 2019

²⁷⁷ For further detail see PNG EITI 2017, p. 98, <http://www.pngeiti.org.pg/wp-content/uploads/2019/01/PNGEITI-Report-2017-1.pdf>, accessed 11 November 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

9.3.2 Projects and fiscal arrangements

KPHL’s data template for 2018 lists the following holdings:

- ▶ Kumul Petroleum (Kroton) Limited 74.25% Ownership
- ▶ Kumul Petroleum (Development) Limited 100% Ownership
- ▶ Eda Oil Limited 100% Ownership
- ▶ Kumul LNG Limited 100% Ownership
- ▶ Hides Gas to Electricity Project (PDL1) JV Partner
- ▶ SE Gobe (PDL 3) JV Partner

However, KPHL’s website lists a broader set of interests, together with an interactive map.²⁷⁸ These are outlined below.

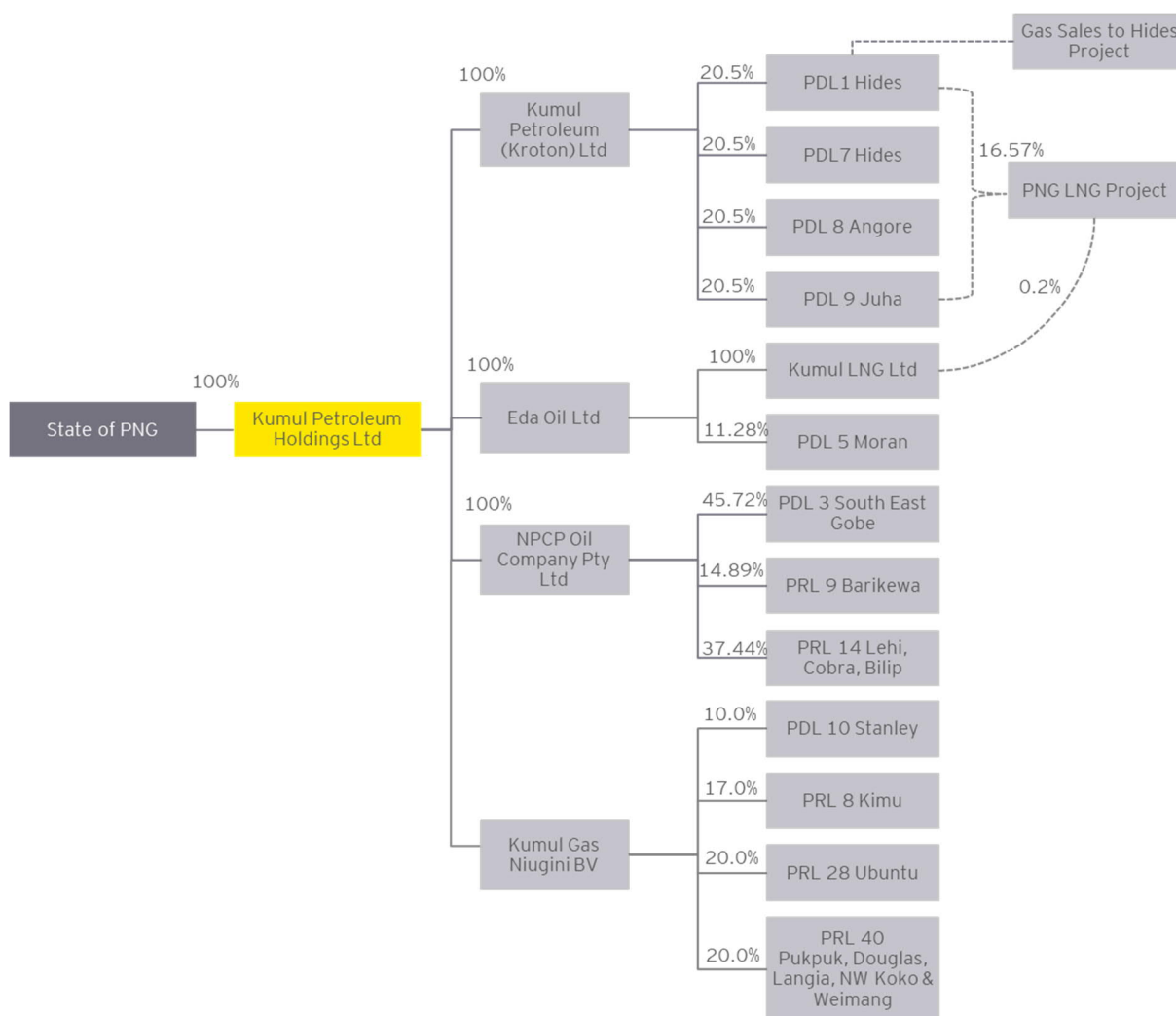


Figure 60: Kumul Petroleum Holdings Ltd (KPHL) projects and fiscal arrangements. Note that NPCP Oil Company Pty Ltd is also sometimes referred to as Cue Oil.

²⁷⁸ Petroleum Retention Licences, <http://kumulpetroleum.com/licence-interests/>, accessed 5 December 2019

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

As outlined above, KPHL’s subsidiary Kumul Petroleum (Kroton) Ltd²⁷⁹ holds a 20.50% interest in four petroleum development licences, which together represent a 16.57% interest in the PNG LNG project.²⁸⁰ KPHL’s participating interest is determined by the amount of gas committed to the project from a defined area within each of the four PDLs. KPHL holds a further 0.2% through Kumul LNG Ltd, bringing the total to 16.77%. KPHL participates in the management of the PNG LNG project through representation on the operating, technical, and sales and marketing committees.²⁸¹

KPHL, through its co-ownership in PDL 1, also jointly sells gas to the Oil Search owned and operated gas to electricity plant (the Hides Project). The Hides Project buys gas from the PDL 1 partners, which it conditions and sells to the Barrick-operated Porgera gold mine.²⁸²

9.3.3 Revenue and payment streams

KPHL reported the following gross revenue for 2018 which includes its share of 16.8% of PNG LNG Project sales for 2018 as well as revenue from other joint venture arrangements:

Table 69: KPHL revenue streams

Revenue stream	PGK
Share of sales: LNG	2,328,920,816
Share of sales: Condensate	171,682,737
Share of sales: Naptha	28,616,534
Gas to electricity	22,519,711
Power & miscellaneous income	6,455,848

KPHL reports that the share of sales from the PNG LNG Project is a gross figure, prior to GloCo deductions (see Figure 61). Net cash proceeds from PNG LNG Project sales to KPHL via operator distributions for 2018 was approximately PGK737 million, whilst revenue from other JV arrangements totalled PGK81 million.

²⁷⁹ Note that references can also be found to ‘Kumul Petroleum (Kroton No 2) Holdings Ltd’ and ‘NPCP Kroton Ltd’, which were previous names for KPHL.

²⁸⁰ ‘PNG LNG Project,’ Kumul Petroleum Holdings Ltd, <http://kumulpetroleum.com/production/> accessed 1 November 2019. KPHL’s data template disclosed a 16.8% holding in PNG LNG. This may refer to the additional 0.2% held through subsidiary Kumul LNG Ltd/Eda Oil Ltd.

²⁸¹ Direct communication from KPHL, 20 November 2015

²⁸² ‘Gas Sales to Hides Project’ Kumul Petroleum Holdings Ltd, <http://kumulpetroleum.com/production/> accessed 1 November 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

KPHL reported the following payment streams for 2018:²⁸³

Table 70: KPHL payment streams

Payment stream	Recipient	PGK
Corporate income tax	IRC	133,757,601
Additional profits tax	IRC	0
Group tax	IRC	11,102,571
Foreign company withholding tax	IRC	890,264
Dividends	Treasury	291,073,435
Return of capital to State*	Treasury	296,442,000
State support*^		8,024,226

* These were listed under 'Sub-national payments' in the template but do not appear to fit that category.

^ The definition for this is unclear, but KPHL states 'e.g. Payment of DPE rentals, venue for government, office repairs, payment to SNT Support.'

KPHL reported the following sub-national payments for 2018:

Table 71: KPHL subnational payments

Payment stream	Recipient	PGK
Oil and gas royalties		17,407,203

KPHL provided a process flow of payments from GloCo; this is illustrated below in Figure 61, with amendments by the IA for clarity.

²⁸³ Out of total 2018 receipts of PGK819 million.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

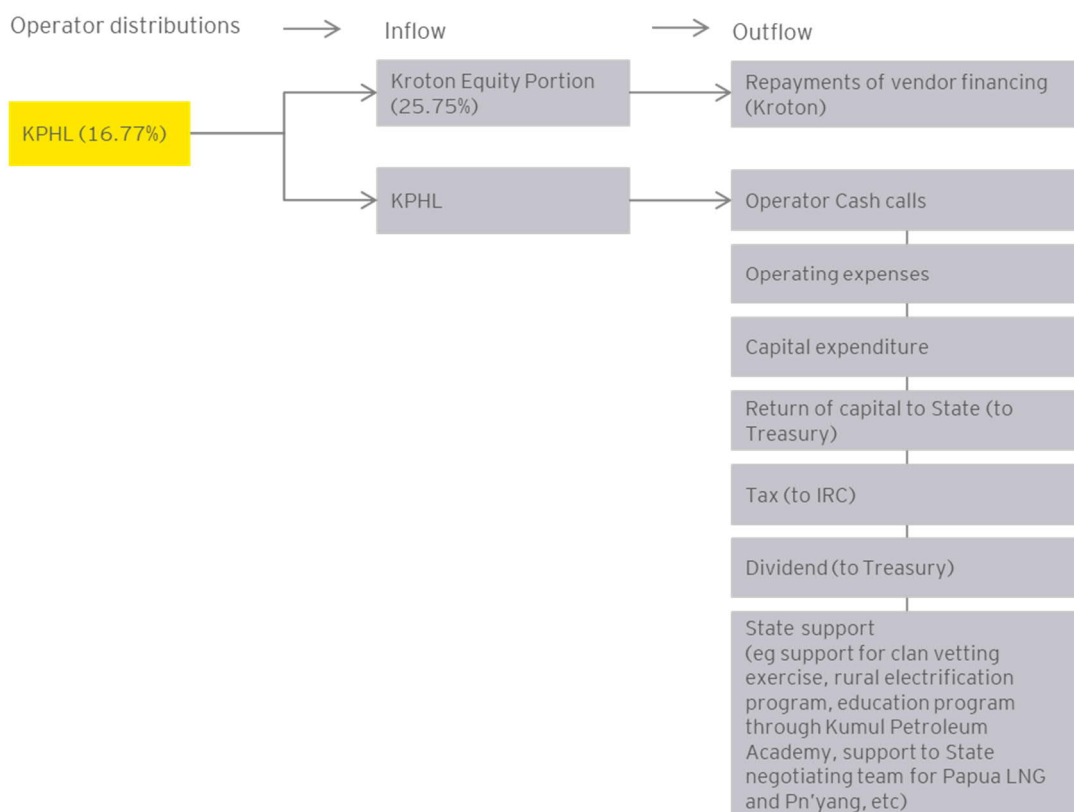


Figure 61: KPHL payment streams from PNG LNG project

The Umbrella Benefits Sharing Agreement for the PNG LNG project included an option for affected project area landowners and provincial governments to purchase a shareholding interest in the PNG LNG Project by way of indirect equity holding in KPHL subsidiary Kumul Petroleum (Kroton) Ltd. This is known as the 'Kroton Equity Option'.²⁸⁴ In September 2016, KPHL was endorsed by the NEC to offer vendor finance to enable landowner beneficiary groups and provincial governments to make these purchases.²⁸⁵

By the deadline of 31 December 2016, the following provincial governments and landowner beneficiary groups had elected to take up their option using KPHL's vendor finance, and subsequently signed a Unit Application Agreement:²⁸⁶

- ▶ Fly River Provincial Government
- ▶ Southern Highlands & Hela Provincial Government
- ▶ Central Provincial Government
- ▶ Gulf Provincial Government
- ▶ PDL 4 (Gobe)
- ▶ PDL 5 (Central Moran)
- ▶ PDL 9 (Juha)
- ▶ PNG LNG Pipeline, (Segment 1- 8)

²⁸⁴ KPH website, <http://kumulpetroleum.com/news-article/kumul-petroleum-clarifies-kroton-equity/>, accessed 11 November 2019

²⁸⁵ 'Kroton Equity Unit Application Signing Ceremony' 12 January 2017, <http://kumulpetroleum.com/news-article/kroton-equity-unit-application-signing-ceremony/>, accessed 1 November 2019.

²⁸⁶ 'Kumul Petroleum News, <http://kumulpetroleum.com/news-article/kroton-option-exercise-by-pdl-4-beneficiary-group/>, accessed 1 November 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

- ▶ PNG LNG Plant site (Papa, Lealea, Boera, Porebada)
- ▶ North West Moran

This process is now complete and awaiting further directive from the NEC.

9.3.4 Social and quasi-fiscal expenditure

KPHL's data template refers to 'Government support' in relation to quasi-fiscal expenditures but does not provide further explanation.

KPHL received infrastructure tax credits during the reporting period, outlined below

1. Actually spent on projects in reporting period	reported to DNPM	PGK105,052,521
2. Offset from tax paid in reporting period	reported to IRC	PGK17,407,203

KPHL disclosed no mandatory social expenditures for 2018, but listed discretionary social expenditures totalling PGK9,930,807, for: Hunters Rugby league, PNG Olympic Committee, Passam National High School, Woman's Oceania 7s, Kokoda Trek Foundation, and others.

9.4 Kumul Mineral Holdings Ltd

9.4.1 Creation, ownership and structure

Kumul Mineral Holdings Ltd (KMHL), a 100% state-owned company, was created in 2007 as Petromin PNG Holdings Ltd (Petromin), to hold the State's assets and to maximise indigenous ownership and revenue gains in the mineral, and oil and gas sectors. Its objective included encouraging more production and downstream processing of oil, gas and minerals in PNG through proactive investment strategies either wholly or in partnership with other investors. When the Kumul Minerals Holdings Authorization Act 2015 was passed, Petromin was renamed Kumul Mineral Holdings Ltd.

9.4.2 Projects and fiscal arrangements

During the reporting period, KMHL did not hold any subsidiaries with interests in active resource projects. For this reason, KMHL is not a material reporting entity for 2018 (or 2017). Information for this report has been drawn from KMHL's 2016 reporting template, and from a copy of KMHL's audited financial statements for 2016, which were previously provided to the IA.

The following KMHL subsidiaries held interests in exploration projects and projects that were in development stage during 2018. These include:

- ▶ Eda Kopa (Solwara) Ltd, which holds the State's 15% interest in the Solwara 1 project in New Ireland Province. At the time of writing, the operator, Nautilus Minerals, has gone into liquidation (see also section 7.3.2).²⁸⁷
- ▶ Eda Minerals Ltd, which holds mining and exploration interests including a 53.8% share in Bougainville Copper Ltd (BCL), which was transferred from Rio Tinto Ltd in 2016.²⁸⁸ BCL, an

²⁸⁷ A high-profile deep-sea mining company is struggling, <https://www.economist.com/business/2018/12/06/a-high-profile-deep-sea-mining-company-is-struggling>, accessed 31 October 2019. Nautilus Minerals officially sinks, shares still trading, <https://www.mining.com/nautilus-minerals-officially-sinks-shares-still-trading/>, accessed 27 November 2019

²⁸⁸ KMH Annual financial statements for year ended 31 December 2016, provided by KMH 13 December 2018.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

ASX-listed company, is working towards resuming copper mining at the Panguna mine on Bougainville.²⁸⁹

KMHL's 2016 financial statements noted that, with no producing assets, 'there is material uncertainty that may cast significant doubt on whether the group will continue as a going concern.' The statements have nevertheless been prepared on a going concern basis, on the grounds that:

- ▶ 'The company will continue to operate under new legislation as Kumul Minerals Holdings Ltd and it will hold all of the State's share of mineral interests
- ▶ The company will continue to explore cost reduction and restructuring measures and pursue other revenue generating activities to manage its cash flow requirements
- ▶ The group has an indemnity from the State in respect of its borrowing relating to its investment in Solwara 1 project
- ▶ The National Executive Council (by decision no 223/2016) has approved deferment of the payment of tax liabilities of PGK20.8million for 5 years. The group also plan to negotiate a settlement arrangement with other creditors including other government entities
- ▶ The Group continues to engage with a broad range of its stakeholders in the other producing mineral assets that are meant to be held by the KMHL under KMHL Act.
- ▶ The directors believe that the Group will be successful in its efforts and have prepared the financial statements on that basis.²⁹⁰

No further information was obtained at the time of writing.

9.4.3 Revenue and payment streams

The State is paid a dividend as and when a dividend is declared by the Board. Dividends are paid to the Department of Finance. KMHL did not submit a data template for 2018 or 2017. For 2016, KMHL stated that they paid no dividend to the State; did not provide loans or loan guarantees to mining or oil and gas companies operating within the country, and made no subnational payments or transfers.²⁹¹

9.4.4 Social and quasi-fiscal expenditure

KMHL did not submit a data template for 2018 or 2017. For 2016, KMHL reported that no social or quasi-fiscal payments were made.²⁹²

9.5 Ok Tedi Mining Ltd (OTML)

9.5.1 Creation, ownership and structure

Ok Tedi Mining Ltd (OTML) was incorporated in 1981 as the operator of the joint venture open pit mine at the Mt Fubilan copper, gold and silver deposit.

²⁸⁹ Bougainville Copper Ltd website, <http://www.bcl.com.pg/>, accessed 11 November 2019.

²⁹⁰ Ibid.

²⁹¹ Data provided by KMH in data template completed for 2016 PNG EITI report, 30 August 2017.

²⁹² Ibid.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

BHP exited the joint venture in 2002, and its shares were transferred to the Papua New Guinea Sustainable Development Program (PNGSDP), a not-for-profit company limited by guarantee, which was incorporated on 20 October 2001 in Singapore.²⁹³

In 2012, OTML purchased the shares in the project owned by Canadian company Inmet Mining Corporation, and in 2013 OTML became a 100% state-owned entity with the passing of the Ok Tedi (10th Supplemental Agreement) Act 2013.²⁹⁴

At this time, shares held by PNGSDP were cancelled and the Government of PNG increased its direct ownership to 87.8 %. The State was also given 'all necessary powers to restructure PNGSDP and its operations to ensure that PNGSDP applies its funds for the exclusive benefit of the people of the Western Province'.²⁹⁵ However, this move has been the subject of ongoing legal battles in PNG and Singapore. Most recently, it appears the High Court of Singapore has rejected the government's argument that it had a right to control and oversee the operations of the PNG Sustainable Development Program.²⁹⁶

The ownership structure of OTML during the 2018 reporting period can be seen in chapter 7.²⁹⁷

In 2016, the State, the Fly River Provincial Government (FRPG) and the CMCAs reached an agreement whereby the FRPG and special purpose community entities will collectively hold a 33% equity interest in Ok Tedi, with the State retaining the balance. This change was completed in 2018.²⁹⁸

OTML had three subsidiaries during the reporting period.²⁹⁹

- ▶ Ok Tedi Australia Pty Ltd is the marketing and Australian logistics arm of OTM, based in Brisbane (wholly owned subsidiary)
- ▶ Ok Tedi Power Ltd manages the Kiunga power operation and mini grids in Western Province. It was incorporated in June 2014 after the PNG Sustainable Development Program transferred its power assets in the Western Province to the Fly River Provincial Government (wholly owned subsidiary)
- ▶ Ok Tedi Development Foundation Ltd is a non-profit entity established to manage the development benefits and delivery of tax credit scheme and community projects to the 157 villages in the Community Mine Continuation Agreement (CMCA) area of the Western Province (75% ownership; the remaining 25% is vested in PNG Sustainable Development Program)

²⁹³ Independent State of Papua New Guinea v PNG Sustainable Development Program Ltd [2016] SGHC 19 [http://www.supremecourt.gov.pg/docs/default-source/module-document/judgement/-2016-sghc-19-\(amended-26-feb\)-pdf.pdf](http://www.supremecourt.gov.pg/docs/default-source/module-document/judgement/-2016-sghc-19-(amended-26-feb)-pdf.pdf), accessed 1 November 2019.

²⁹⁴ 'History', Ok Tedi Mining, <https://oktedi.com/who-we-are/our-history/>, accessed 1 November 2019.

²⁹⁵ Mining (Ok Tedi Tenth Supplemental Agreement) Act 2013 (PNG) http://www.parliament.gov.pg/uploads/acts/13A_09.pdf, accessed 1 November 2019.

²⁹⁶ 'PNG govt loses legal battle to control billion-dollar Sustainable Development Program', ABC, 9 April 2019, <https://www.abc.net.au/radio-australia/programs/pacificbeat/png-govt-loses-legal-battle-to-control-pngsdp/10983202>, accessed 11 November 2019

²⁹⁷ Ok Tedi Mining Ltd Annual Review 2018, p.13 <https://oktedi.com/who-we-are/annual-performance/>, accessed 1 November 2019.

²⁹⁸ Ok Tedi Mining Ltd Annual Review 2018, p.13 <https://oktedi.com/who-we-are/annual-performance/>, accessed 1 November 2019.

²⁹⁹ Ibid.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

9.5.2 Projects and fiscal arrangements

OTML operates the Ok Tedi Mine at Mt Fubilan in the Star Mountains of the Western Province. OTML also holds a portfolio of exploration leases in the vicinity of its Mt Fubilan mining operations.³⁰⁰

OTML dividends are distributed as illustrated in Figure 62.

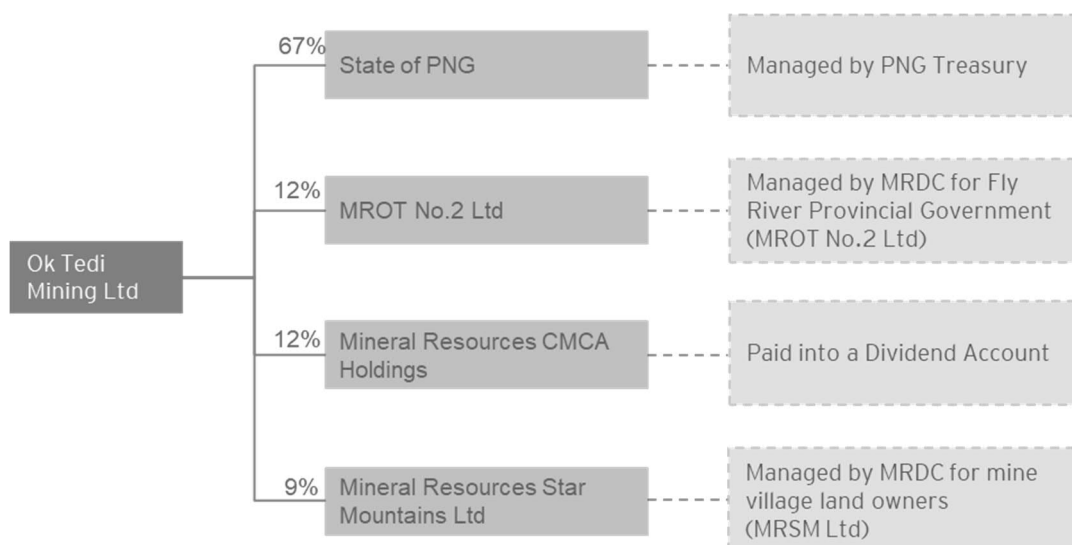


Figure 62: Dividend revenue streams from Ok Tedi Mining Ltd

Further information on payments managed by MRDC as trustee is included in the Mineral Resources Development Company Ltd section of this report in section 9.6.

The Western Province Community Mine Continuation Agreement (CMCA) payments are agreed between the 158 village communities affected by the operations of the mine, and OTM.³⁰¹ These villages are grouped into nine trust regions that receive cash compensation, investment and development payments from OTML including dividend payments of 12%. The cash payments to the beneficiaries are calculated based on the population of respective regions and directly disbursed to family accounts via online banking system.³⁰² For 2018, cash payments to the beneficiaries are paid directly into over 21,600 family and clan accounts.³⁰³

9.5.3 Revenue and payment streams

Figure 63 below summarises the revenue streams reported by OTML and the receiving entities for 2018.

³⁰⁰ Ok Tedi Mining Ltd, <http://www.oktedi.com/>, accessed 1 November 2019.

³⁰¹ Ok Tedi Mining Ltd, Annual Review, 2018, <https://oktedi.com/wp-content/uploads/2019/05/OK-Tedi-Annual-Review-2018-Web.pdf>, accessed 1 November 2019.

³⁰² Ibid.

³⁰³ Ok Tedi Mining Ltd, Annual Review 2018, <https://oktedi.com/who-we-are/annual-performance/>, accessed 1 November 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

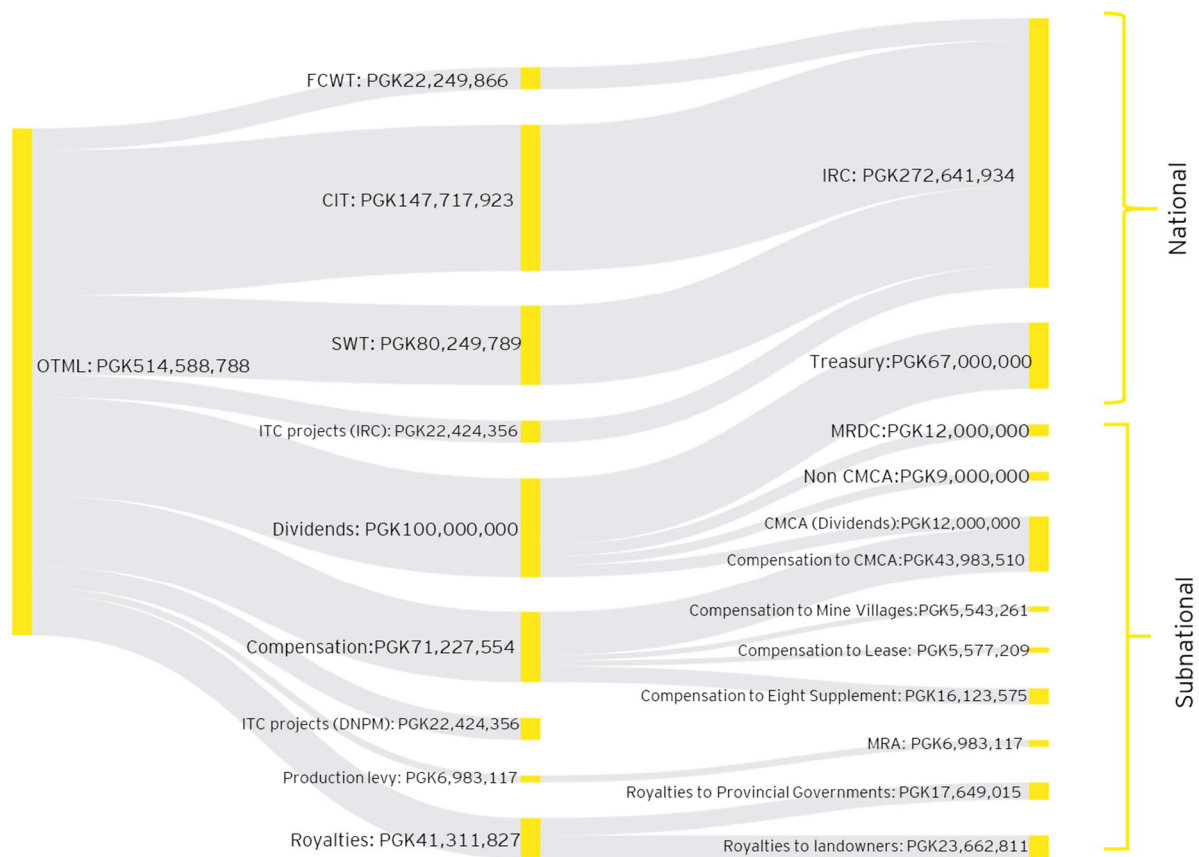


Figure 63: OTML reported revenue streams 2018

OTML disclosed the following dividend payments for 2018:

Table 72: OTML dividend payments 2018

Payee	PGK millions	Commentary by Ok Tedi
Independent State of Papua New Guinea (Treasury)	67	Paid in USD to BPNG
Mineral Resources Ok Tedi No.2 Ltd (via MRDC)	12	Paid in USD to BPNG and the Kina equivalent was transferred to their designated bank account
Mineral Resources CMCA Holdings Ltd (CMCA Peoples Dividend Trust account)	12	The declared dividend was offset against the advances for stamp duties on share transfers paid to IRC
Mineral Resources Star Mountain Ltd (Non CMCA Peoples Dividend Trust account)	9	The declared dividend was offset against the advances for stamp duties on share transfers paid to IRC

OTML confirmed that they did not provide any loans or loan guarantees to mining or oil and gas companies operating in the country during 2018.³⁰⁴

9.5.4 Social and quasi-fiscal expenditure

OTML supports community development through a number of mechanisms. These include:

³⁰⁴ Reporting template received from OTML for this report

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

- ▶ Contributing funding to the Ok Tedi Development Foundation (OTDF) which delivers programs focusing on health, education, infrastructure, local and regional economic development, and community and social development³⁰⁵
- ▶ Compensation payments
- ▶ Voluntary donations
- ▶ Funding social infrastructure projects through the tax credit scheme (TCS)
- ▶ Providing subsidised power to Fly River Provincial Government through Ok Tedi Power Ltd
- ▶ Goods purchased in PNG (including contractors)

Details of OTM's social expenditures for the reporting period can be seen in Chapter 6.

OTML did not report any quasi-fiscal payments for the 2018 period. However, subsidised power may be classified as a quasi-fiscal payment, as may be some activities of OTDF.

9.6 Mineral Resources Development Company Ltd

9.6.1 Creation, ownership and structure

The Mineral Resources Development Company Ltd (MRDC) was established by an act of parliament. It sits directly under the Prime Minister's office, with the Chief Secretary acting as Chair of the MRDC board.

MRDC acts as a trustee shareholder for beneficiary landowners and provincial governments. Under the definition of the EITI Standard (2.6a),³⁰⁶ MRDC is classed as a trustee rather than a state-owned enterprise, as it is not directly engaged in extractive activities, and does not pay any dividends to the State.

MRDC outlines its role as:

- ▶ Acquiring, financing and managing equity interest in mining and petroleum projects for and on behalf of the State, landowners and provincial governments in the most cost-effective way
- ▶ Payment of royalty and equity to petroleum project landowners
- ▶ Holding and managing landowner and/or provincial government interests in mining and petroleum projects
- ▶ Making prudent investments in diversified and safe businesses to sustain income beyond the mine, oil and gas years when those non-renewable resources are exhausted
- ▶ Developing community infrastructure and assisting with providing basic services to project area landowners.³⁰⁷

³⁰⁵ OTDF Five Year Strategic Direction, https://www.otdfpng.org/wp-content/uploads/2017/03/STRATEGIC-PLAN-2016-2020_compressed-09052016.pdf, accessed 11 November 2019

³⁰⁶ EITI Standard 2019, <https://eiti.org/document/eiti-standard-2019#r2-6>, accessed 1 November 2019.

³⁰⁷ Mineral Resources Development Company: Trustee of the Natural Resources for the People of Papua New Guinea', 2014, p. 3, provided directly by MRDC, 24 Nov 2015.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Under the Oil and Gas Act (OGA) 1998 (s. 176), the MRDC is responsible for managing petroleum royalties, future generation, and community infrastructure trust funds.³⁰⁸ The act specifies that the benefits of equity held by the State 'shall be received and held upon trust for those persons by a corporate trustee which is wholly owned by MRDC.' An NEC decision in 2009 gave MRDC the mandate to manage and implement Memorandum of Agreement (MoA) funds associated with petroleum projects.³⁰⁹

The Mining Act 1992 allows for the MRDC to hold the State's interest, but does not mandate it; consequently, not all mining operations have an associated MRDC subsidiary.³¹⁰

MRDC has three mechanisms by which it holds or manages interests on behalf of the government of PNG:

- ▶ Management of landowner / provincial government interests in resources projects, as trustee, under a management agreement.³¹¹
- ▶ Direct equity in resource projects, including the following:³¹²
 - ▶ 1.48% interest in Highlands Pacific Ltd
 - ▶ 3.94% in the Ramu Nickel Project
 - ▶ 2.50% in the McArthur River Mine
- ▶ Subsidiary companies that hold equity interests in trust for landowners. The boards of these companies are chaired by landowners.³¹³

³⁰⁸ Oil and Gas Act s. 176. http://www.pacii.org/pg/legis/consol_act/oaga199894/, accessed 1 November 2019.

³⁰⁹ Company Profile document emailed from MRDC, p. 5.

³¹⁰ Mining Act 1992, <https://actnowpng.org/sites/default/files/1.%20Mining%20Act%201992.pdf>, accessed 1 November 2019.

³¹¹ It appears that only Mineral Resources Enga comes into this category, but this has not been confirmed by MRDC.

³¹² Direct communication from MRDC, 3 December 2019

³¹³ Mineral Resources Development Company: Trustee of the Natural Resources for the People of Papua New Guinea', 2014, p. 4, provided directly by MRDC, 24 Nov 2015.

Validation of Papua New Guinea, p.53, https://eiti.org/sites/default/files/documents/comments_from_the_msg_merged.pdf, accessed 1 November 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	 State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	--	-----------------------------------	------------------------------	------------

Table 73: MRDC subsidiaries and ownership structure

Company	Ownership structure	Underlying asset	% ownership of asset	Beneficiary	Notes
Highlands Pacific Ltd	Equity held directly by MRDC	Ramu Nickel Project	1.48	MRDC	no dividends paid to date
Mineral Resources Ramu Ltd	Equity held directly by MRDC	Ramu Nickel Project	3.94	MRDC	
Mineral Resource Enga Ltd (MRE)	Managed by MRDC on behalf of the shareholders	Porgera	5.0	Porgera Landowners and Enga Provincial Government	MRE is direct participating member of the Porgera joint venture. MRE is entitled to 5% of gold production, and liable for 5% of operating costs. MRDC organises contract sales and manages cash calls.
Petroleum Resources Kutubu Ltd (PRK)	Wholly owned subsidiary of MRDC	PDL 2	6.75	Southern Highlands Provincial Government (1.1575%) Gulf Provincial Government (1.125%) Southern Highlands landowners: Fasu (1.1553%) and Foe (0.696%) Gulf landowners (Kikori (1.8%))	PRK is entitled 6.75% of oil production, and also liable for 6.75% of operating costs. MRDC manages cash calls. PRK dividends are declared net of costs and distributed to beneficiaries as outlined
Petroleum Resources Gobe Ltd (PRG)	Wholly owned subsidiary of MRDC	PDL3 and PDL 4 Gobe Oil fields	2.0	Landowners in the Southern Highlands Province and Gulf Province – Erave and Kikori	Unitised development – holding is 2% across both PDLs
Petroleum Resources Moran Ltd (PRM)	Wholly owned subsidiary of MRDC	PDL 5	2.0	Landowners in the Southern Highlands Province – Moran Huli (90%), Moran Fasu (10%)	
Mineral Resources Star Mountains Ltd (MRSM)	Wholly owned subsidiary of MRDC	Ok Tedi	9.0	10 Ok Tedi landowning communities	Passive interests that receive dividends from Ok Tedi Mining Ltd. MRSM running costs and investments are deducted before distribution to beneficiaries. Board comprises: Managing Director of MRDC; Secretary of the Department of Mineral Policy and Geohazard Management (DMPGM); Landowner Representatives (one of whom is chairperson) Landowner directors make decisions about how to reinvest money. The distribution of funds between the 10 landowner groups is set out in the mining agreement.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	 State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	--	-----------------------------------	------------------------------	------------

Company	Ownership structure	Underlying asset	% ownership of asset	Beneficiary	Notes
Mineral Resource Ok Tedi No. 2 Ltd (MROT)	Wholly owned subsidiary of MRDC	Ok Tedi	12.0	Fly River Provincial Government	Direct shareholding in Ok Tedi Mining Ltd. Dividend is paid directly to the provincial government. Board comprises: Managing Director of MRDC; Secretary of DMPGM; Governor of the province (currently in prison); administrator of the provincial government
Mineral Resource Madang Ltd (MRM)	Wholly owned subsidiary of MRDC	Ramu Nickel Project	2.5	Ramu landowners	
Gas Resources Gigira Ltd	Wholly owned subsidiary of MRDC	PDL 1	2		
Gas Resources Gobe Ltd	Wholly owned subsidiary of Petroleum Resources Gobe	PDL 3 & 4	0.02	Gulf, Hela Provincial and Southern Highlands Governments	Same beneficiaries as PRG
Gas Resources Angore Ltd	Wholly owned subsidiary of MRDC	PDL 8	0.02	Southern Highlands and Hela Provincial Governments	Angore landowners in Hela & Hela Provincial Government.
Gas Resources Hides 4 Ltd	Wholly owned subsidiary of MRDC	PDL 7	0.02	Southern Highlands Government	Hides landowners and Hela Provincial Govt
Gas Resources Juha Ltd	Wholly owned subsidiary of MRDC	PDL 9	0.02	Western (Fly River Provincial Government)	Juha landowners and Hela Provincial Govt
Gas Resources Kutubu Ltd	Wholly owned subsidiary of Petroleum Resources Kutubu	PDL 2	6.75	Southern Highlands Government	Same beneficiaries as PRK
Gas Resources Moran Ltd	Wholly owned subsidiary of Petroleum Resources Moran	PDL 5	0.02	Southern Highlands Government	
Gas Resources North West Moran Ltd	Wholly owned subsidiary of MRDC	PDL 6	0.00002	Moran Huli, Moran Fasu landowners, Southern Highlands Provincial Government, Hela Provincial Government	Further details could not be confirmed
Gas Resources PNG LNG Plant Ltd	unknown	unknown	No % split	Papa, Lealea, Boera, Porebada (Central Province), Central Provincial Government	Further details could not be confirmed

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

9.6.2 Projects and fiscal arrangements

The Oil and Gas Act 1998 (s. 176) sets out in some detail the structure and functions of landholder trusts.³¹⁴ The activities and management of each trust are set out in a trust deed that specifies who the beneficiaries are, rules under which the trust is operated, and who the trustee is. Petroleum trusts specify the composition of the board of directors for the trusts, which includes the Managing Director of MRDC, the Secretary of DPE and three landholder representatives.³¹⁵

The beneficiaries are incorporated land groups (ILGs) – legal entities recognised by the State as representing the local land owners. These are established before a lease is granted through a process of social mapping and a development forum that brings together the landowners, local and national government with the prospective leaseholder to agree the distribution of benefits. In some cases, there are ongoing disputes or uncertainties regarding the correct identification of beneficiaries.

MRDC manages the assets on behalf of these beneficiaries. It is responsible for managing receipts and payments for each subsidiary company and ensuring liquidity, managing legal and administrative requirements, managing the administration of sales for entities which are entitled to a share of production (e.g. Porgera and PNG LNG), and administration of the landowner trust fund accounts. MRDC has stated that it does not receive any in-kind revenue other than a share of production and does not have any infrastructure provisions or barter arrangements in place.

MRDC itself is maintained by management fees from each subsidiary company. MRDC disclosed that although there is no set fee, management fees increase relative to the size of the trustee, and all fees are approved at a Board level. The fees received are disclosed in Table 74 below. Royalty payments from oil and gas projects go from extractive industry companies to DPE and/or the Department of Finance,³¹⁶ and from there to MRDC.

Royalty and equity distribution payments for each project are divided as follows:

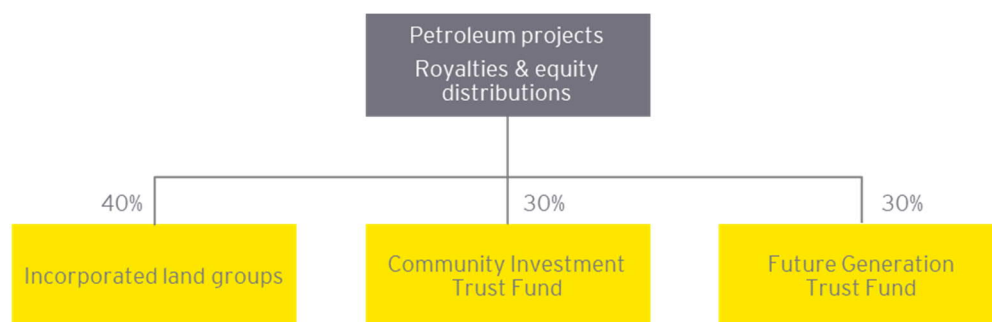


Figure 64: MRDC revenue distributions

The Community Investment Trust Fund is to be applied to '(a) the general health, welfare, education and wellbeing of the project area landowners; (b) the provision or maintenance of community projects in the area of the petroleum project; (c) such other purpose for the benefit of the project area landowners as is approved by the Minister'.³¹⁷ This is intended to ensure that 'some of the

³¹⁴ Oil and Gas Act s. 176. http://www.paclii.org/pg/legis/consol_act/oaga199894/, accessed 1 November 2019.

³¹⁵ Validation of Papua New Guinea, p.53,

https://eiti.org/sites/default/files/documents/comments_from_the_msg_merged.pdf, accessed 1 November 2019.

³¹⁶ See discussion in Oil and Gas chapter re ExxonMobil payments.

³¹⁷ 'Mineral Resources Development Company: Trustee of the Natural Resources for the People of Papua New Guinea', p. 4, undated (2014?), provided directly by MRDC, 24 November 2015

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

revenue is invested in infrastructure for the whole community to improve quality of life'.³¹⁸ Decisions on when and how to allocate these funds are made by the board of the subsidiary company.

The Future Generation Trust Fund is intended to provide landholder groups with a flow of benefits after the life of the project, 'for future generations of project area landowners'.³¹⁹ To date no FGTF monies have been spent, in accordance with legal requirements.

Benefit Sharing Agreements may specify payments to relevant provincial and local governments as well as to landowners (Incorporated Land Groups).

For the 2016 PNG EITI report, MRDC advised that all trust accounts have been audited through to 2015, and that they were currently working on publication of the 2010–12 accounts. An update has not been obtained. MRDC advised that they provide loans to their own subsidiaries but not to any external organisations. They confirmed that both the organisation itself and all its subsidiaries are subject to corporate income tax.

9.6.3 Revenue and payment streams

MRDC provided the information in Table 74 below, in relation to their subsidiary entities and the associated trusts for the year 2018.

³¹⁸ *ibid*

³¹⁹ Oil and Gas Act s. 176. http://www.paclii.org/pg/legis/consol_act/oaga199894/, accessed 1 November 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	 State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	--	-----------------------------------	------------------------------	------------

Table 74: MRDC subsidiaries: reported receipts and payments for 2018

Subsidiary/trust entity	Receipts		Payments					Management fees (Paid to MRDC)
	Royalty (PGK)	Equity distribution or share of sales (PGK)	Incorporated Land Groups (PGK) ^a	Community Investment Trust Fund (PGK)	Future Generations Trust Fund (PGK)	Subnational governments (PGK)	Corporate income tax (PGK) Paid to IRC	
Mineral Resources Development Company (MRDC)	0	0		-	-	100,000	-	-
Mineral Resources Ramu Ltd	0	0		-	-	-	-	-
Mineral Resource Enga Ltd (MRE)	1,842,972	100,602,272		-	-	-	1,000,000	1,000,000
Petroleum Resources Kutubu Ltd (PRK)	893,187	49,279,685		3,000,000	3,000,000	3,222,386	10,459,638	3,000,000
Petroleum Resources Kutubu (SE Mandang) Ltd	0	0		-	-	-	-	-
Petroleum Resources Gobe Ltd (PRG)	38,807	1,532,078		-	-	25,000	-	750,000
Petroleum Resources Moran Ltd (PRM)	20,424	1,816,012		-	-	-	-	750,000
Petroleum Resources North West Moran Ltd	405	42,183		-	-	-	-	-
Mineral Resources Star Mountains Ltd (MRSM)	0	0		-	-	-	212,034	1,818,181.80
Mineral Resource Ok Tedi No. 2 Ltd (MROT)	11,999,917	0		-	-	1,399,555	885,043	1,818,181.80
Mineral Resources CMCA Ltd	0	0		-	-	-	-	3,000,000
Mineral Resource Madang Ltd (MRM)	0	0		-	-	-	-	-
Gas Resources Gigira	962,001	135,263,387		-	-	-	-	3,000,000
Gas Resources Gobe	27,961	3,949,843		-	-	-	-	100,000
Gas Resources Angore	106,456	15,974,308		-	-	-	-	3,000,000
Gas Resources Hides	192,286	27,105,696		-	-	-	-	3,000,000
Gas Resources Juha	112,870	15,921,548		-	-	-	-	3,000,000
Gas Resources Kutubu	1,354,683	190,960,873		-	-	-	-	3,000,000
Gas Resources Moran	23,482	3,316,480		-	-	-	-	100,000
Gas Resources North West Moran	1,177	110,681		-	-	-	-	-
Gas Resources LNG PNG plant	264,522	35,178,172		-	-	-	-	3,000,000
Gas Resources LNG Pipeline	244,174	32,274,709		-	-	-	-	-
Pacific Property Trust	0	14,334,741		-	-	-	-	575,000

a. According to the information from MRDC, no payments were made to Incorporated Land Groups during the reporting period. No mining income was received during the period. In relation to the PNG LNG project, the process of officially recognising Incorporated Land Groups has still not been finalised.³²⁰ The Clan vetting process has been cited as a primary reason for the delay in royalty payments being made, however, a reason for this extended vetting process is not available.

³²⁰ PNG LNG landowner royalties – why so long? <http://www.devpolicy.org/png-lng-landowner-royalties-long-20161216/>, accessed 31 October 2018. Reuters: <https://www.reuters.com/article/us-papua-lng-exxon-mobil-insight/in-papua-new-guinea-exxons-giant-lng-project-fuels-frustration-idUSKCN1PA32M>, accessed 29 November 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Table 75: Total value held in MRDC trusts for oil and gas projects

Subsidiary/trust entity	Community Investment Trust Fund (PGK)	Future Generations Trust Fund (PGK)	CITF Expenditures on Community Based Projects
Petroleum Resources Kutubu Ltd (PRK)	61,130,177	95,185,636	4,916,290
Petroleum Resources Gobe Ltd (PRG)	65,234,434	20,572,083	500,444
Petroleum Resources Moran Ltd (PRM)	24,911,919	28,302,135	90,852
Petroleum Resources North West Moran Ltd	-	-	-
Gas Resources Gigira	-	-	-
Gas Resources Gobe	-	-	-
Gas Resources Angore	-	-	-
Gas Resources Hides	-	-	-
Gas Resources Juha	-	-	-
Gas Resources Kutubu	-	-	-
Gas Resources Moran	-	-	-
Gas Resources North West Moran	-	-	-
Gas Resources PNG LNG Plant Ltd	Figure not available	Figure not available	Figure not available

The table above reflects data as provided by MRDC. However, since payments into these funds have been disclosed for 2014–18 an accrued amount would be expected for all.

9.6.4 Social and quasi-fiscal expenditure

MRDC's discretionary social expenditure can be found in Chapter 6.

MRDC's template states in relation to quasi-fiscal expenditures:

30% of royalty payments by the Government are held in the 'Community Infrastructure Trust Fund' (CITF) and is managed by MRDC. Community projects are identified within the project areas and funds from these trusts are used after approval from the Board of each respective landowner entity. Projects include building of classrooms, health centres, roads, bridges, sport facilities, etc. During the times of natural disasters, the MRDC trustees also provide financial assistance.

It is not clear whether these payments meet the definition of quasi-fiscal expenditures, but they appear to be separate from the social expenditures listed above. The only such payment disclosed for 2018 is PGK3 million from Petroleum Resources Kutubu Ltd (see section 9.6.3), but further detail is not supplied.



Reconciliation of
revenue streams

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises		Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	--	------------------------------	------------

10. Reconciliation of revenue streams

In this chapter, we compare the amounts reported as paid by the extractive industries to government entities against the receipts reported by government. The reconciliation covers material revenue streams from material mining and oil and gas companies, together with all SOEs and government entities that received payments. In addition, government entities have unilaterally declared some revenue streams as an aggregated figure. Where amounts have not been reconciled, this has been noted.

10.1 The reporting process

Most reporting entities were identified early in the reporting process and representatives were invited to attend a training session conducted by the IA in Port Moresby on 23 August 2019. Some additional reporting entities were identified through subsequent research and consultation. These reporting entities (mainly mining companies) were briefed on requirements via phone and email.

Following the training session, the IA emailed each reporting entity a data pack containing:

- ▶ Introduction letter from the PNG EITI Secretariat
- ▶ Tailored reporting template, which set out:
 - ▶ Revenue/payment streams to be reported
 - ▶ Relevant questions on non-financial information

The IA arranged meetings with most entities to walk through the reporting templates, provide guidance on the information provided, and answer any questions. Following the data collection deadline, an initial reconciliation was carried out by the IA and variances identified. IA investigated variances of more than 5% which have been deemed as material.

To understand and address the variances identified, the IA, with the assistance of the PNG EITI Secretariat and the MSG, contacted both paying and receiving entities separately through emails and meetings. Meetings were arranged to understand discrepancies in reported amounts. During these meetings, and in subsequent communications with reporting entities, progress was made in rectifying these differences. In some instances, however, IA's communications went unanswered. The IA followed up with these entities, but nevertheless gaps remain in the report.

Any further information that becomes available after this report is finalised will be made available on the PNG EITI website at <http://www.pngeiti.org.pg/>.

10.1.1 Data requested

As agreed with the MSG, one of two approaches were adopted for requesting and collecting data for each revenue stream:

1. **Reconciled revenue streams:** data collected from both the paying and receiving entity
2. **Unilaterally disclosed revenue streams:** data collected from either paying or receiving entity only

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	 Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	--	------------------------------	------------

Together, the revenue streams reconciled equate to approximately 98% of total government revenue from the sector in 2018.

10.2 Reporting compliance

The completeness of information received from each of the reporting entities is summarised in the table below. The table indicates which entities are material under definition outlined in Chapter 2.

Table 76: Summary of information provided by reporting entities

Project	PNG entity	Parent company	Reporting templates		
			Financial	Signed	Non-financial
Mining					
Porgera	Barrick (Niugini) Ltd	Barrick Gold Corporation/Zijin Mining Group	Y	Y	Y
	Mineral Resources Enga Ltd	MRDC	Y	Y	Y
Kainantu	K92 Mining Ltd	K92 Mining Inc	Y	N	Y
Lihir (Luise Caldera)	Lihir Gold Ltd	Newcrest Mining Ltd	Y	Y	Y
Ramu Nickel (Kurumbukari)	MCC Ramu Nico Ltd	MCC-JJJ Mining	Y	N	Y
Hidden Valley Mine	Morobe Consolidated Goldfields Ltd	Harmony Gold Mining Company Ltd	Y	N	Y
Simberi	Simberi Gold Company Ltd	St Barbara Ltd	Y	N	Partial
State-Owned Enterprises					
Ok Tedi (Mt Fubilan)	Ok Tedi Mining Ltd		Y	Y	Partial
	Ok Tedi Power Ltd	Ok Tedi Mining Ltd	Y	Y	Partial
	Ok Tedi Development Foundation	Ok Tedi Mining Ltd	Y	Y	Partial
	Mineral Resources Ok Tedi Star No.2 Ltd	MRDC	Y	Y	Y
PNG LNG and other Oil Projects	Mineral Resources Development Company Ltd		Y	Y	Y
	Kumul Petroleum Holdings Limited		Y	Y	Y
Oil and Gas: Companies with a Consolidated Template					
ExxonMobil PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd*	ExxonMobil PNG Ltd	Y	Y	Partial
	Oil Search PNG Ltd^	Oil Search Ltd	Y	Y	Partial
Oil and Gas: Detailed Company Breakdown per Project					
Gobe	Ampolex Highlands Ltd	ExxonMobil Ltd	Y	Y	Partial
	NPCP Oil Company Pty Ltd	Kumul Petroleum Holdings Ltd	Y	Y	Y
	Southern Highlands Petroleum Company Ltd	JX Nippon Oil & Gas Exploration Corporation, Japan Petroleum Exploration Ltd, INPEX Corporation	Y	Y	Y
	Merlin Petroleum Company	Japan Papua New Guinea Petroleum Company, Nippon Oil Exploration (PNG) Pty Ltd, Marubeni Corporation	Y	Y	Partial
	Oil Search PNG Ltd	Oil Search Ltd	above mentioned	above mentioned	above mentioned
	Petroleum Resources Gobe Ltd	MRDC	Y	Y	Y
	Barracuda Ltd	Santos Ltd	Y	Y	Y
Hides Gas to Electricity	Oil Search (Tumbudu) Ltd	Oil Search Ltd	Y	Y	Partial
Kutubu	Ampolex (PNG Petroleum) Inc	ExxonMobil Ltd	Y	Y	Partial
	Merlin Pacific Oil Company Ltd	ExxonMobil Ltd	Y	Y	Partial

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	 Recapitulation of revenue streams	Findings and recommendations	Appendices
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Project	PNG entity	Parent company	Reporting templates		
			Financial	Signed	Non-financial
Mining					
	Merlin Petroleum Company	Japan Papua New Guinea Petroleum Company, Nippon Oil Exploration (PNG) Pty Ltd, Marubeni Corporation	above mentioned	above mentioned	above mentioned
	Petroleum Resources Kutubu Ltd	MRDC	Y	Y	Y
	Oil Search PNG Ltd	Oil Search Ltd	above mentioned	above mentioned	above mentioned
Moran Unit	Ampolex (Highlands) Inc	ExxonMobil Ltd	above mentioned	above mentioned	above mentioned
	Ampolex (PNG Petroleum) Inc	ExxonMobil Ltd	above mentioned	above mentioned	above mentioned
	Esso PNG Moran Ltd	ExxonMobil Ltd	Y	Y	Partial
	Merlin Pacific Oil Company Ltd	ExxonMobil Ltd	above mentioned	above mentioned	above mentioned
	Eda Oil Ltd	Kumul Petroleum Holdings Ltd	Y	Y	Y
	Merlin Petroleum Company	Japan Papua New Guinea Petroleum Company, Nippon Oil Exploration (PNG) Pty Ltd, Marubeni Corporation	above mentioned	above mentioned	above mentioned
	Petroleum Resources Moran Ltd	MRDC	Y	Y	Y
	Petroleum Resources NW Moran Ltd	MRDC	Y	Y	Y
	Oil Search PNG Ltd	Oil Search Ltd	above mentioned	above mentioned	above mentioned
Papua LNG (Elk-Antelope)	Total E&P PNG Ltd	Total S.A.	Y	Y	Y
	Kumul Petroleum Holdings Limited		above mentioned	above mentioned	above mentioned
PNG LNG	Ampolex (PNG) Ltd	ExxonMobil Ltd	Y	Y	Partial
	Esso Highlands Ltd	ExxonMobil Ltd	Y	Y	Partial
	Esso PNG Juha Ltd	ExxonMobil Ltd	Y	Y	Partial
	ExxonMobil PNG Ltd	ExxonMobil Ltd	above mentioned	above mentioned	above mentioned
	Kumul Petroleum Holdings Limited		above mentioned	above mentioned	above mentioned
	Nippon PNG LNG LLC	Nippon Oil exploration (PNG) Pty Ltd, JX Nippon Oil & Gas Corporation, Marubeni Corporation	Y	Y	Partial
	Merlin Petroleum Company	Japan Papua New Guinea Petroleum Company, Nippon Oil Exploration (PNG) Pty Ltd, Marubeni Corporation	above mentioned	above mentioned	above mentioned
	Oil Search (LNG) Ltd	Oil Search Ltd	Y	Y	Partial
	Oil Search (Tumbudu) Ltd	Oil Search Ltd	above mentioned	above mentioned	above mentioned
	Lavana Ltd	Santos Ltd	Y	Y	Y
	Santos (Hides) Ltd	Santos Ltd	Y	Y	Y
	Gas Resources Moran Ltd	MRDC	Y	Y	Y
	Gas Resources NW Moran Ltd	MRDC	Y	Y	Y
	Gas Resources Kutubu Ltd	MRDC	Y	Y	Y
	Gas Resources Gobe Ltd	MRDC	Y	Y	Y
	Gas Resources Gigira Ltd	MRDC	Y	Y	Y
	Gas Resources Hides No.4 Ltd	MRDC	Y	Y	Y
Gas Resources Angore Ltd	MRDC	Y	Y	Y	
Gas Resources Juha No.1 Ltd	MRDC	Y	Y	Y	

* ExxonMobil provided one consolidated reporting template for its upstream companies for 2018

^ Oil Search provided one consolidated report for all its PNG subsidiary companies for 2018

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises		Findings and recommendations	Appendices
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Table 77: Summary of information provided by government reporting entities*

Reporting entity	Reporting templates		
	Financial	Signed	Non-financial
Internal Revenue Commission	Y	N	N
Mineral Resources Authority	Y	Y	Partial
Department of Treasury	Y	Y	Y
Department of Petroleum and Energy	Y	Y	Partial
Department of National Planning and Monitoring	Y	Y	N
PNG Customs	Partial	N	N
Conservation and Environment Protection Authority	Y	Y	Y

*Note that royalties and levies were confirmed by MRA and DPE. Reporting templates were not sent to Department of Finance or Bank of PNG since the required information are now supplied by DPE.

Table 78: Summary of information provided by SOEs*

Reporting entity	Reporting templates		
	Financial	Signed	Non-financial
Kumul Petroleum Holdings Ltd	Y	Y	Y
Ok Tedi Mining Ltd	Y	Y	Partial
Ok Tedi Power Ltd	Y	Y	Partial
Ok Tedi Development Foundation Ltd	Y	Y	Partial
Mineral Resources Development Company	Y	Y	Y

*Reporting template was not sent to Kumul Mineral Holdings Ltd since there were no material revenue stream paid made in 2018.

The IA received signed data templates from more than 90% of material reporting entities. Material reporting entities were also more compliant with reporting financial and non-financial information, with compliance greater than 100%.³²¹

Table 79: EITI Reporting compliance by reporting entity type

Entity type	Number of Companies	Data template signed	Data template unsigned	Financial information provided	Non-financial information provided	Non-financial information partially provided
Material reporting entities	45	91%	9%	100%	62%	38%

10.3 Reconciliation overview

To put these reported revenue streams in context, the following graph shows the relative size of each of the revenue streams received by the State in 2018 mandatory social expenditure and infrastructure tax credits.

Figure 65: Revenue streams received by the State

The figure below summarises the reported amounts for each known revenue stream, including revenue that was not reconciled.

³²¹ Entities which reported partial non-financial information were counted as having complied with non-financial reporting requirements in the table.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

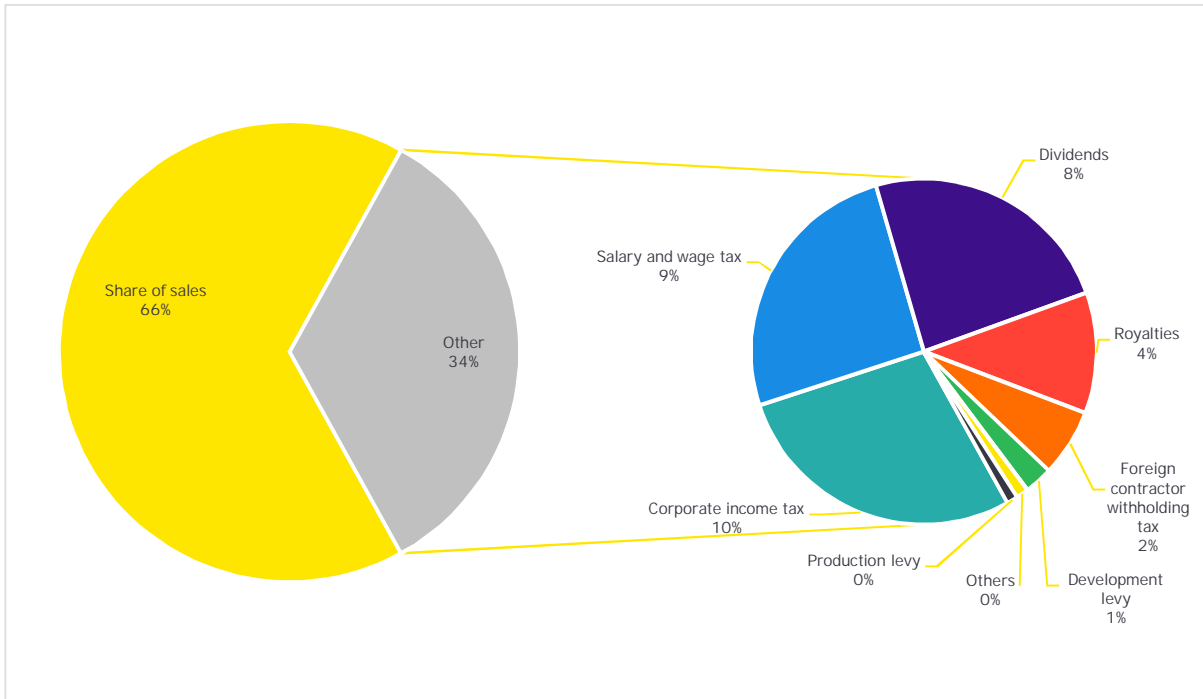


Table 80: Summary of revenue streams reported by material reporting entities

	Revenue stream	Reconciled/	Receiving entity	Amount reported paid (PGK) [X]	Amount reported received (PGK) [Y]	Variance (PGK) [Z=Y-X]	Variance [Z/Y]
		Unilateral					
Mining	Production levy	Reconciled	MRA	32,370,383	28,005,135	(4,365,248)	(15.59%)
	MRA fees	Unilateral (MRA)	MRA	Not reported	4,002,689	Not applicable	Not applicable
Oil and gas	Development levy	Reconciled	Finance (via DPE)	73,660,271	72,410,451	(1,249,820)	(1.73%)
	Licence fees	Unilateral (DPE)	DPE	Not reported	2,673,054	Not applicable	Not applicable
	Additional profits tax	Reconciled	IRC	483,922	0	(483,922)	0.00%
	Equity distributions	Reconciled	KPH	296,442,000	0	(296,442,000)	0.00%
	Share of sales	Unilateral (SOEs)	State partners	5,979,105,161	Not reported	Not applicable	Not applicable
Mining and petroleum	Mandatory social expenditure	Unilateral (companies)	See section 6.5	176,685,056	Not reported	Not applicable	Not applicable
	Voluntary social expenditure	Unilateral (companies)	See section 6.5	376,001,599	Not reported	Not applicable	Not applicable
	Dividends	Reconciled	State (Treasury)	358,073,435	653,500,000	295,426,565	45.21%
	Salary and wage tax	Partially reconciled	IRC	694,746,440	693,595,350	(1,151,090)	(0.17%)
	Corporate income tax	Reconciled	IRC	766,123,077	765,056,770	(1,066,307)	(0.14%)
	Foreign contractor withholding tax	Reconciled	IRC	173,189,449	172,324,228	(865,220)	(0.50%)
	Infrastructure tax credit - 2. ITC offset from tax paid in reporting period	Reconciled	IRC	206,484,453	112,231,376	(94,253,077)	(83.98%)

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Revenue stream	Reconciled/ Unilateral	Receiving entity	Amount reported paid (PGK) [X]	Amount reported received (PGK) [Y]	Variance (PGK) [Z=Y-X]	Variance [Z/Y]
Infrastructure tax credit - 1. ITC actually spent on projects in reporting period	Reconciled	DNPM	328,767,774	60,143,299	(268,624,474)	(446.64%)
Business payments tax	Unilateral (IRC)	IRC	Not reported	5,442,567	Not applicable	Not applicable
Dividend withholding tax	Unilateral (IRC)	IRC	Not reported	387,722	Not applicable	Not applicable
Interest withholding tax	Unilateral (IRC)	IRC	Not reported	10,113,248	Not applicable	Not applicable
Management fee withholding tax	Unilateral (IRC)	IRC	Not reported	4,644,657	Not applicable	Not applicable
Royalty withholding tax	Unilateral (IRC)	IRC	Not reported	1,960,989	Not applicable	Not applicable
Goods and services tax	Unilateral (IRC)	IRC	Not reported	34,333,822	Not applicable	Not applicable
Training Levy	Unilateral (IRC)	IRC	Not reported	-	Not applicable	Not applicable
Special Support Grant	Reconciled	Provincial governments, special purpose authorities	Not reported	20,500,000	Not applicable	Not applicable
Environmental permit fees and user charges	Reconciled	CEPA	7,047,667	1,564,780	(5,482,887)	(350.39%)
Royalties	Reconciled	DPE, MRA landowners and subnational governments	316,732,337	308,803,450	(7,928,886)	(2.57%)

10.4 Detailed reconciliation

In this section of the report, the data received from each of the reporting entities is reconciled with the data reported by the receiving entity for each revenue stream.

Where possible, explanations are given for any material variances remaining following the reconciliation process - see the 'Remarks' under each revenue stream.

Reported amounts for revenue streams unilaterally declared are also included in this section.

10.5 Mining and oil and gas payments 2018

10.5.1 Corporate income tax (mining and petroleum tax)

Corporate income tax is paid by resource companies to the IRC.



Corporate income tax reported by companies is reconciled with data reported by the IRC in the table below.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	 Reconciliation of revenue streams	Findings and recommendations	Appendices
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Table 81: Reconciliation of corporate income tax payments

Project	Reporting company	Amount reported paid (PGK) [X]	Amount reported received (PGK) [Y]	Variance (PGK) [Z=Y-X]	Variance [Z/Y]	Remarks
Porgera	Barrick (Niugini) Ltd	24,919,330	24,962,208	42,878	0.17%	
	Mineral Resources Enga Ltd	1,608,556	2,000,000	391,444	19.57%	
Kainantu	K92 Mining Ltd	0	0	0	0.00%	
Lihir (Luise Caldera)	Lihir Gold Ltd	0	0	0	0.00%	
Ramu Nickel	MCC Ramu Nico Ltd	0	0	0	0.00%	
Hidden Valley Mine	Morobe Consolidated Goldfields Ltd	0	0	0	0.00%	
Simberi	Simberi Gold Company Ltd	0	0	0	0.00%	
Ok Tedi	Ok Tedi Mining Ltd	147,717,923	147,717,922	(1)	0.00%	
	OK Tedi Power Ltd	163,831	163,831	0	0.00%	
	Ok Tedi Development Foundation	0	0	0	0.00%	
	Mineral Resources Ok Tedi Star No.2 Ltd	885,043	831,297	(53,746)	(6.47%)	
	Mineral Resources Development Company Ltd	0	0	0	0.00%	
PNG LNG and other Oil Projects	Kumul Petroleum Holdings Limited*	133,757,601	115,621,436	(18,136,165)	(15.69%)	A
ExxonMobil PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	317,937,195	320,802,139	2,864,944	0.89%	B
Gobe	Ampolex Highlands Ltd (ExxonMobil)	2,464,872	2,416,571	(48,301)	(2.00%)	
	NPCP Oil Company Pty Ltd	0	0	0	0.00%	
	Southern Highlands Petroleum Company Ltd	265,777	0	(265,777)	100.00%	
	Merlin Petroleum Company	0	0	0	0.00%	
	Oil Search PNG Ltd (SEG)	672,276	666,297	(5,979)	(0.90%)	
	Oil Search PNG Ltd (Main)	813,543	812,474	(1,069)	(0.13%)	
	Petroleum Resources Gobe Ltd	0	0	0	0.00%	
Barracuda Ltd	0	0	0	0.00%		
Hides Gas to Electricity	Oil Search (Tumbudu) Ltd	8,382,989	8,371,977	(11,012)	(0.13%)	
Kutubu	Ampolex (PNG Petroleum) Inc (ExxonMobil)	12,546,361	17,092,814	4,546,453	26.60%	C
	Merlin Pacific Oil Company Ltd (ExxonMobil)	3,514,851	4,632,816	1,117,966	24.13%	
	Merlin Petroleum Company - Kutubu	0	0	0	0.00%	
	Petroleum Resources Kutubu Ltd	10,459,638	10,459,638	0	0.00%	
	Oil Search PNG Ltd	48,860,343	48,719,059	(141,283)	(0.29%)	
Moran	Eda Oil Ltd	0	9,282,077	(9,282,077)	100.00%	A
	Oil Search PNG Ltd - Moran	12,530,803	12,514,345	(16,459)	(0.13%)	
	Esso PNG Moran Ltd (ExxonMobil)	13,121,689	13,147,703	(26,014)	0.20%	
	Petroleum Resources Moran Ltd	0	0	0	0.00%	
NW Moran	Oil Search PNG Ltd - NW Moran	1,602,555	1,600,450	(2,105)	(0.13%)	
	Ampolex (Highlands) Ltd	0	53,188	53,188	100.00%	

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Project	Reporting company	Amount reported paid (PGK) [X]	Amount reported received (PGK) [Y]	Variance (PGK) [Z=Y-X]	Variance [Z/Y]	Remarks
	Merlin Petroleum Company - NW Moran	7,592	0	(7,592)	100.00%	
	Petroleum Resources NW Moran Ltd	0	0	0	0.00%	
Papua LNG (Elk-Antelope)	Total E&P PNG Ltd	0	0	0	0.00%	
PNG LNG	Ampolex (PNG) Ltd	0	0	0	0.00%	
	Esso Highlands Ltd	0	0	0	0.00%	
	Esso PNG Juha Ltd (ExxonMobil)	13,031,181	13,180,703	149,522	1.13%	
	Nippon PNG LNG LLC	7,638,123	3,242,396	(4,395,727)	(135.57%)	D
	Merlin Petroleum Company - PNG LNG	1,204,908	0	1,204,908	100.00%	
	Lavana Ltd	0	0	0	0.00%	
	Santos (Hides) Ltd	0	0	0	0.00%	
	Oil Search (LNG) Ltd	0	0	0	0.00%	
PNG LNG	Gas Resources Moran Ltd	0	0	0	0.00%	
	Gas Resources NW Moran Ltd	0	0	0	0.00%	
	Gas Resources Kutubu Ltd	450,260	1,510,940	1,060,680	70.20%	E
	Gas Resources Gobe Ltd	0	0	0	0.00%	
	Gas Resources Gigira Ltd	1,140,881	3,828,460	2,687,579	70.20%	E
	Gas Resources Hides No.4 Ltd	206,221	692,017	485,796	70.20%	E
	Gas Resources Angore Ltd	109,539	367,581	258,042	70.20%	E
Gas Resources Juha No.1 Ltd	109,197	366,433	257,236	70.20%	E	
Total		766,123,077	765,056,770	(1,066,307)	(0.14%)	

Remarks

- A IRC yet to provide response. Further update will be included in PNG EITI website.
- B Per Exxon, difference pertain to foreign currency exchange used.
- C IRC yet to provide response. Further update will be included in PNG EITI website.
- D IRC yet to provide response. Further update will be included in PNG EITI website.
- E MRDC reported USD figures in the template. When translated, amounts will approximate IRC reported figures.

10.5.2 Tax credit scheme (TCS)

Expenditure by mining and oil and gas companies on prescribed infrastructure developments can be claimed as a credit against tax payable (see section 4.7).

The amount spent on prescribed TCS projects each year is reported by companies to the Department of National Planning and Monitoring (DNPM). These amounts can then be claimed as a credit against tax payable. Credits that are not used within that reporting period can be carried forward to subsequent years of income until fully utilised. The amounts that are used as credit against tax payable each year are recorded by the IRC. Each of these are reconciled in the tables below.



Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	 Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	--	------------------------------	------------

Table 82: Reconciliation of ITCs actually spent on projects in 2018 reported by companies and DNPM

Project	Company	Amount reported paid (PGK) [X]	Amount reported by DNPM (PGK) [Y]	Variance (PGK) [Z=Y-X]	Variance (%) [Z/Y]	Remarks
Porgera	Barrick (Niugini) Ltd	13,190,401	13,190,474	73	0.00%	
Lihir	Lihir Gold Ltd	4,803,606	4,803,606	-	0.00%	
Ok Tedi	Ok Tedi Mining Ltd	22,424,356	21,752,945	(671,411)	(3.09%)	
ExxonMobil PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	53,814,412	-	(53,814,412)	100.00%	A
Oil projects	Oil Search PNG Ltd	129,482,478	20,396,274	(109,086,204)	(534.83%)	B
PNG LNG	Kumul Petroleum Holdings Ltd	105,052,521	-	(105,052,521)	(100.00%)	C
Total		328,767,774	60,143,299	(268,624,474)	(446.64%)	

Remarks

- A ExxonMobil have stated that this spend is part of the PGK50M per annum (over 3 years) project for the maintenance of the Highlands Highway, approved as Infrastructure expenditure under sub-sections 219C (12) to 219C (14) of the Income Tax Act, which allows for tax credit claims for PNG LNG Project companies for spending on public infrastructure. State approval was given by the Minister for National Planning, so this did not go through the normal ITC Scheme approval and monitoring process that is administered by DNPM.
- B Oil Search have stated that DNPM may have reported ITCs in USD. IA yet to receive feedback from DNPM.
- C KPHL to clarify regarding ITCs incurred by the operator on their behalf.

Table 83: Reconciliation of ITC offsets reported by companies as credit against tax payable and values provided by IRC.

Project	Company	Amount reported offset by companies (PGK) [X]	Amount reported offset by IRC (PGK) [Y]	Variance (PGK) [Z=Y-X]	Variance (%) [Z/Y]	Remarks
Lihir	Lihir Gold Ltd	30,103,498	30,103,498	0	0.00%	
Ok Tedi	Ok Tedi Mining Ltd	22,424,356	22,424,356	0	0.00%	
ExxonMobil PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	59,782,044	59,703,522	(78,522)	(0.13%)	
Kutubu	Ampolex (PNG Petroleum) Inc (ExxonMobil)	2,799,664	0	(2,799,664)	100.00%	A
PNG LNG	Oil Search (LNG) Ltd	24,209,883	0	(24,209,883)	100.00%	B
	Oil Search (Tumbudu) Ltd	46,956,876	0	(46,956,876)	100.00%	B
	Esso PNG Juha Ltd (ExxonMobil)	2,800,928	0	(2,800,928)	100.00%	A
	Kumul Petroleum Holdings Ltd	17,407,203	0	(17,407,203)	100.00%	A
Total		206,484,453	112,231,376	(94,253,077)	(83.98%)	

Remarks

- A Pending clarification from IRC
- B Per subsequent checking of IRC, they have found Oil Search claimed PGK71.3 million of income tax credits in 2018 which approximates the sum of the amount reported by Oil Search (LNG) Ltd and Oil Search (Tumbudu) Ltd above.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

10.5.3 Salary and wage tax (group tax)

Salary and wage tax (also referred to as group tax) is the tax withheld on employee salaries, and is payable by companies that paid salaries in PNG during the reporting period. Predominantly these companies were operators of facilities.



Salary and wage tax reported by material companies is reconciled with data reported by the IRC in the table below.

Table 84: Salary and wage tax 2018

Project	Reporting company	Amount reported paid (PGK) [X]	Amount reported received (PGK) [Y]	Variance (PGK) [Z=Y-X]	Variance [Z/Y]	Remarks
Porgera	Barrick (Niugini) Ltd	125,697,530	125,697,530	0	0.00%	
	Mineral Resources Enga Ltd	359,632	354,129	(5,503)	(1.55%)	
Kainantu	K92 Mining Ltd	11,002,497	10,225,050	(777,447)	(7.60%)	
Lihir (Luise Caldera)	Lihir Gold Ltd	126,418,229	126,418,229	0	0.00%	
Ramu Nickel	MCC Ramu Nico Ltd	36,804,930	36,804,930	0	0.00%	
Hidden Valley Mine	Morobe Consolidated Goldfields Ltd	31,767,444	31,767,444	0	0.00%	
Simberi	Simberi Gold Company Ltd	16,744,901	16,608,810	(136,091)	(0.82%)	
Ok Tedi	Ok Tedi Mining Ltd	80,227,639	80,227,639	0	0.00%	
	OK Tedi Power Ltd	163,031	160,532	(2,499)	(1.56%)	
	Ok Tedi Development Foundation	1,177,515	1,239,271	61,756	4.98%	
	Mineral Resources Ok Tedi Star No.2 Ltd	0	0	0	0.00%	
	Mineral Resources Development Company Ltd	2,773,732	2,551,517	(222,215)	(8.71%)	
PNG LNG and other Oil Projects	Kumul Petroleum Holdings Limited*	11,102,571	11,104,825	2,254	0.02%	
ExxonMobil PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	131,616,869	131,616,869	0	0.00%	
Oil projects	Oil Search (PNG) Ltd	101,174,509	101,633,940	459,431	0.45%	
Gobe	Ampolex Highlands Ltd	0	0	0	0.00%	
	NPCP Oil Company Pty Ltd	0	0	0	0.00%	
	Southern Highlands Petroleum Company Ltd	0	0	0	0.00%	
	Merlin Petroleum Company	0	0	0	0.00%	
	Oil Search PNG Ltd (SEG)	0	0	0	0.00%	
	Oil Search PNG Ltd (Main)	0	0	0	0.00%	
	Petroleum Resources Gobe Ltd	109,910	65,270	(44,640)	(68.39%)	
Barracuda Ltd	215,744	197,293	(18,451)	(9.35%)		
Hides Gas to Electricity	Oil Search (Tumbudu) Ltd	0	0	0	0.00%	
Kutubu	Ampolex (PNG Petroleum) Inc	0	0	0	0.00%	
	Merlin Pacific Oil Company Ltd	0	0	0	0.00%	

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Project	Reporting company	Amount reported paid (PGK) [X]	Amount reported received (PGK) [Y]	Variance (PGK) [Z=Y-X]	Variance [Z/Y]	Remarks
	Merlin Petroleum Company - Kutubu	0	0	0	0.00%	
	Petroleum Resources Kutubu Ltd	412,004	0	(412,004)	100.00%	
	Oil Search PNG Ltd	0	0	0	0.00%	
Moran	Eda Oil Ltd	0	0	0	0.00%	
	Oil Search PNG Ltd - Moran	0	0	0	0.00%	
	Esso PNG Moran Ltd	0	0	0	0.00%	
	Petroleum Resources Moran Ltd	55,681	0	(55,681)	100.00%	
NW Moran	Oil Search PNG Ltd - NW Moran	0	0	0	0.00%	
	Ampolex (Highlands) Ltd	0	0	0	0.00%	
	Merlin Petroleum Company - NW Moran	0	0	0	0.00%	
	Petroleum Resources NW Moran Ltd	0	0	0	0.00%	
Papua LNG (Elk-Antelope)	Total E&P PNG Ltd	16,922,072	16,922,072	0	0.00%	
PNG LNG	Ampolex (PNG) Ltd	0	0	0	0.00%	
	Esso Highlands Ltd	0	0	0	0.00%	
	Esso PNG Juha Ltd	0	0	0	0.00%	
	Nippon PNG LNG LLC	0	0	0	0.00%	
	Merlin Petroleum Company - PNG LNG	0	0	0	0.00%	
	Lavana Ltd	0	0	0	0.00%	
	Santos (Hides) Ltd	0	0	0	0.00%	
	Oil Search (LNG) Ltd	0	0	0	0.00%	
PNG LNG	Gas Resources Moran Ltd	0	0	0	0.00%	
	Gas Resources NW Moran Ltd	0	0	0	0.00%	
	Gas Resources Kutubu Ltd	0	0	0	0.00%	
	Gas Resources Gobe Ltd	0	0	0	0.00%	
	Gas Resources Gigira Ltd	0	0	0	0.00%	
	Gas Resources Hides No.4 Ltd	0	0	0	0.00%	
	Gas Resources Angore Ltd	0	0	0	0.00%	
	Gas Resources Juha No.1 Ltd	0	0	0	0.00%	
Total		694,746,440	693,595,350	(1,151,090)	(0.17%)	

Remarks

Variations are not material. Certain differences above is due to foreign exchange used.

10.5.4 Foreign contractor withholding tax

Foreign contractor withholding tax (FCWT) applies to non-residents performing contracted roles within PNG.



Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	 Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	--	------------------------------	------------

Foreign contractor withholding tax reported by material companies is reconciled with data reported by the IRC in the table below.

Table 85: Foreign contractor withholding tax 2018

Project	Company	Amount reported paid (PGK) [X]	Amount reported received (PGK) [Y]	Variance (PGK) [Z=Y-X]	Variance [Z/Y]	Remarks
Porgera	Barrick (Niugini) Ltd	3,418,623	3,418,623	0	0.00%	
Lihir	Lihir Gold Ltd	19,954,233	19,954,233		0.00%	
Ramu Nickel	MCC Ramu Nico Ltd	2,756,209	2,756,209	0	0.00%	
Hidden Valley	Morobe Consolidated Goldfields Ltd	4,655,875	4,655,875	0	0.00%	
Simberi	Simberi Gold Company Ltd	14,716	14,716	0	0.00%	
Ok Tedi	Ok Tedi Mining Ltd	22,249,866	22,249,866	0	0.00%	
PNG LNG and other Oil Projects	Kumul Petroleum Holdings Limited*	890,264	802,473	(87,791)	(10.94%)	
ExxonMobil PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	63,840,585	63,840,585	0	0.00%	
Oil projects	Oil Search PNG Limited	45,646,940	44,535,568	(1,111,372)	(2.50%)	A
Papua LNG (Elk-Antelope)	Total E&P PNG Ltd	9,762,137	10,096,081	333,943	3.31%	

Remarks

- A Per IRC, Oil Search may have reported on the basis of accrual. FCWT of December year-ends were actually paid in January of succeeding year.

10.5.5 Other taxes (not reconciled)

Extractive industry tax revenue streams that were not identified as material are reported in aggregate in the table below.

Table 86: Other taxes reported by IRC

Tax revenue stream (non-material)	Total reported by IRC for extractive industry companies (PGK)
Management fee withholding tax (MFWT)	4,644,657
Interest withholding tax (IWT)	10,113,248
Training levy (TL)	0
Business payments tax (BPT)	5,442,567
Royalty withholding tax (PRWT)	1,960,989
Dividend withholding tax (DWT)	387,722
Goods and services tax (GST)	34,333,822
Total	56,883,004

Other taxes represent 2% of the total revenue received by the government. Alternatively, we also obtained confirmation from Ok Tedi and ExxonMobil on the receipts reported by IRC on GST (collectively 95% of total GST receipts) and noted PGKO or 0.00% variance.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

10.5.6 Dividends and return of capital

For the purposes of this report, dividends refer to payments from SOEs to the State, representing the State's share of profits in the project in accordance with its right as a shareholder. Dividends are deposited with Treasury.



The information provided by reporting entities and the entity receiving the dividend payments in 2018 are summarised below.

Table 87: Reconciliation of dividend payments and return of capital to Treasury

Company	Amount reported paid (PGK) [X]	Amount reported received (PGK) [Y]	Variance (PGK) [Z=Y-X]	Variance [Z/Y]	Remarks
Dividends					
Kumul Petroleum Holdings Ltd	291,073,435	452,000,000	160,926,565	35.60%	A
Ok Tedi Mining Ltd	67,000,000	201,500,000	134,500,000	66.75%	B
Total Dividends	358,073,435	653,500,000	295,426,565	45.20%	
Return of Capital					
Kumul Petroleum Holdings Ltd	296,442,000	0	(296,442,000)	100%	A
Total Return of Capital	296,442,000	0	(296,442,000)	100%	

Remarks

- A Per Treasury, the 2018 Final Budget Outcome (FBO) report KPHL paid PGK452m in dividend in 2018. The PGK452m includes recorded dividend payments of PGK100m paid in February, PGK150m paid in March and PGK202m paid in December. However, KPHL has informed Treasury that the PGK202m is not dividend paid but a Return of Capital. Per Treasury, KPHL data includes PGK40m paid towards earthquake relieve in 2018.

Combined variance of PGK135m is still under investigation. Further update will be made available on PNG EITI website.

- B Per Treasury, OTML was projected to pay PGK200.0m in dividends in 2018. However, Treasury only received PGK67.5m at the end of 2018. OTML indicated that it will settle the balance of PGK132.5m in early 2019. The 2018 Final Budget Outcome (FBO) report released by Treasury included the PGK67.5m received in 2018 and the PGK132.5m paid in 2019.

Ok Tedi Mining Ltd also reported dividend payments made to the following sub-national entities:

- ▶ Mineral Resources Ok Tedi No.2 Ltd PGK12 million
- ▶ Mineral Resources CMCA Holdings Ltd PGK12 million
- ▶ Mineral Resources Star Mountain Ltd PGK9 million

We were able to confirm the dividends paid by Ok Tedi to Mineral Resources Ok Tedi No. 2 Ltd amounting to PGK12 million from template received from MRDC. However, dividends paid to Mineral Resources CMCA Holdings Ltd and Mineral Resources Star Mountain Ltd were not reconciled. Further update will be made available on PNG EITI website.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

10.5.7 Mandatory social expenditure (not reconciled)

Mandatory social expenditure as reported by the resource companies is detailed in Chapter 6.1.

10.5.8 Discretionary social expenditure (not reconciled)

Discretionary social expenditure as reported by the resource companies is detailed in Chapter 6.1.

10.5.9 Environment permit fees

There were no oil and gas decommissioning bonds or mine closure bonds received or managed during the reporting period.

Environmental permit and user fees are paid by mining and oil and gas entities to CEPA. The total fees reported by CEPA for the 2018 are illustrate below.

Table 88: Fees reported by CEPA for 2018

Project	Company	Amount reported paid (PGK) [X]	Amount reported received (PGK) [Y]	Variance (PGK) [Z=Y-X]	Variance [Z/Y]	Remarks
Porgera	Barrick (Niugini) Ltd	516,012	543,170	27,158	5.00%	
Kainantu	K92 Mining Ltd	212,664	0	(212,664)	100.00%	A
Lihir	Lihir Gold Ltd	735,497	735,497	0	0.00%	
Hidden Valley	Morobe Consolidated Goldfields Ltd	0	28,841	28,841	100.00%	A
Ok Tedi	Ok Tedi Mining Ltd	140,000	140,000	0	0.00%	
ExxonMobil PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	1,793,789	16,037	(1,777,752)	(11,085.20%)	B
Oil projects	Oil Search Ltd	1,124,615	70,907	(1,053,708)	(1,486.03%)	A
Papua LNG Project (Elk-Antelope)	Total E&P PNG Ltd	1,916,462	0	(1,916,462)	100.00%	A
Total		6,439,039	1,534,452	4,904,587	(319.63%)	

Remarks

- A CEPA is yet to provide updates on these variances. Further update will be made available on PNG EITI website.
- B We have sighted documents supporting Exxon's payments. CEPA is yet to provide a response.

Table 89: Environment user charges

Project	Company	Amount reported paid (PGK) [X]	Amount reported received (PGK) [Y]	Variance (PGK) [Z=Y-X]	Variance [Z/Y]	Remarks
Porgera	Barrick (Niugini) Ltd	38,547	30,327	(8,220)	(27.10%)	
Oil projects	Oil Search PNG Ltd	30,000	0	(30,000)	100.00%	A
Papua LNG Project (Elk-Antelope)	Total E&P PNG Ltd	540,081	0	(540,081)	100.00%	A
Total		608,628	30,327	(578,301)	(1,906.88%)	

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Remarks

- A CEPA is yet to provide updates on these variances. Further update will be made available on PNG EITI website.

10.6 Mining payments 2018

10.6.1 Production levy

The production levy is paid by mining companies to the MRA.



Amounts reconciled in the table below are payments made to the MRA during 2018. Payments are made annually in arrears in the year following the year of production to which the payment relates.

Table 90: Reconciliation of production levy

Project	Company	Amount reported paid (PGK) [X]	Amount reported received (PGK) [Y]	Variance (PGK) [Z=Y-X]	Variance [Z/Y]	Remarks
Porgera	Barrick (Niugini) Ltd	8,504,943	5,421,028	(3,083,915)	(56.89%)	A
Kainantu	K92 Mining Ltd	46,940	0	(46,940)	100.00%	
Lihir	Lihir Gold Ltd	9,352,398	9,352,398	0	0.00%	
Ramu Nickel	MCC Ramu Nico Ltd	3,216,559	3,216,557	(2)	0.00%	
Hidden Valley	Morobe Consolidated Goldfields Ltd	1,995,707	791,316	(1,204,391)	(152.20%)	B
Simberi	Simberi Gold Company Ltd	1,306,058	1,306,058	0	0.00%	
Ok Tedi	Ok Tedi Mining Ltd	7,947,778	7,917,778	(30,000)	(0.38%)	
Total		32,370,383	28,005,135	(4,365,248)	(15.59%)	

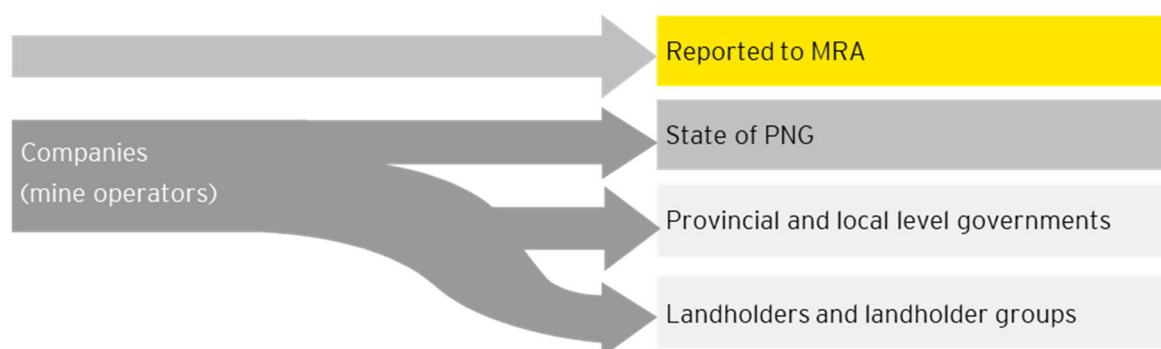
Remarks

- A Per Barrick, PGK8.5 million is a 2018 production levy paid in 14 April 2019. Actual payment in 2018 which amounted to PGK5.2 million relates to 2017 production levy.
- B MRA is yet to provide updates on these variances. Further update will be made available on PNG EITI website.

10.6.2 Mining royalties

Mining royalties are calculated and paid directly by mine operators to beneficiaries monthly, and are also reported to the MRA.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------



The reconciliation below has been carried out between the amounts reported by the mine operators and the amounts reported by the MRA. No royalties were paid to the PNG Government directly. The receiving entities for each of the mines as reported by the reporting entities are provided in Chapter 6.3.

Table 91: Reconciliation of mining royalty payments paid to local/provincial government (as reported by the MRA)

Projec	Company/Operator	Amount reported paid (PGK) [X]	Amount reported received (PGK) [Y]	Variance (PGK) [Z=Y-X]	Variance [Z/Y]	Remarks
Porgera	Barrick (Niugini) Ltd	17,691,807	26,922,416	9,230,609	34.29%	A
Kainantu	K92 Mining Ltd	678,970	1,203,888	524,918	43.60%	
Lihir	Lihir Gold Ltd	61,793,867	61,793,867	0	0.00%	
Ramu Nickel	MCC Ramu Nico Ltd	10,499,924	5,076,122	(5,423,802)	(106.85%)	B
Hidden Valley	Morobe Consolidated Goldfields Ltd	9,671,958	9,255,959	(415,999)	(4.49%)	
Simberi	Simberi Gold Co. Ltd	1,088,412	1,088,412	0	0.00%	
Ok Tedi	Ok Tedi Mining Ltd	18,600,859	18,600,859	0	0.00%	
Total		120,025,797	123,941,523	3,915,726	3.16%	

Remarks

- A Per Barrick, actual royalty payments to Enga Provincial Government amounted to PGK17 million. MRA is yet to provide update on this variance. Further update will be made available on PNG EITI website.
- B Per MCC Ramu Nico, amount reported in their template are actual cash payments of Royalties, whereas MRA may have reported royalty payables. MRA is yet to provide update on this variance. Further update will be made available on PNG EITI website.

Table 92: Reconciliation of mining royalty payments paid to landholders (as reported by the MRA)

Project	Company/Operator	Amount reported paid (PGK) [X]	Amount reported received (PGK) [Y]	Variance (PGK) [Z=Y-X]	Variance [Z/Y]	Remarks
Porgera	Barrick (Niugini) Ltd	17,691,808	9,957,656	(7,734,152)	(77.67%)	A
Kainantu	K92 Mining Ltd	0	2,094,436	2,094,436	100.00%	B
Lihir	Lihir Gold Ltd	14,676,043	14,676,043	0	0.00%	
Ramu Nickel	MCC Ramu Nico Ltd	18,687,098	11,298,465	(7,388,633)	(65.40%)	C
Hidden Valley	Morobe Consolidated Goldfields Ltd	6,314,514	6,378,457	63,943	1.00%	
Simberi	Simberi Gold Co. Ltd	9,471,220	9,795,710	324,490	3.31%	
Ok Tedi	Ok Tedi Mining Ltd	24,148,269	24,149,098	829	0.00%	
Total		90,988,952	78,349,866	(12,639,086)	(16.13%)	

Remarks

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

- A Per Barrick, PGK17 million reported on template are royalties incurred, however, actual payments amounted only to PGK8.6 million reducing the variance to PGK1.3 million (13.35%).
- B MRA provided details of reported royalty payments by K92 Mining Ltd. K92 is yet to provide response on the variance. Further update will be made available to PNGEITI website.
- C Per MCC Ramu Nico, amount reported in their template are actual cash payments of Royalties, whereas MRA may have reported royalty payables. MRA is yet to provide update on this variance. Further update will be made available on PNG EITI website.

10.6.3 MRA tenement fees (not reconciled)



Fees collected from mining companies by the MRA have been reported in the table below. These amounts were unilaterally disclosed by the MRA.

Table 93: Fees paid to MRA (unilaterally disclosed)

Fee reported	Amount reported received (PGK)
Alluvial levies	1,048,761
Mine security deposits	30,000
Mining lease rentals	1,744,594
Data sale fees	60,424
Applications, extension, renewal, transfer and dealings fees (related to exploration)	1,118,910
Total	4,002,689

MRA tenement fees represent 0.15% of the total revenue received by the government.

10.7 Oil and gas payments 2018

10.7.1 Equity distributions and share of sales

The equity distributions referred to in this section relate to the share of sales received from joint ventures in proportion to ownership stake.



KPHL provided the following breakdown of the share of sales:

Table 94: Estimate of share of sales

Company	Type	Estimate of share of sales (PGK)
KPHL	LNG	2,328,920,816
	Condensate	171,682,737
	Naptha	28,616,534
	Gas to electricity	22,519,711
	Power & miscellaneous income	6,455,848
MRDC landholder companies	Total 2018 subsidiary receipts	627,662,668
OK Tedi	Total 2018 revenue	2,793,246,847
Total		5,979,105,161

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

A summary of equity distribution payments reported by MRDC for subsidiary landowner companies is included in table 74. These payments are not reconciled as payments are made from GloCo (see further discussion in section 8.5.1).

10.7.2 Development levy

Development levies are calculated at 2% of well-head value of the oil and gas produced as per Section 160 of the Oil and Gas Act 1998.³²² Oil Search pays the levy to DPE by cheque. ExxonMobil PNG Ltd pays the levy to Bank of PNG via electronic transfer, and sends remittances advices to DPE. ExxonMobil PNG state that they have been directed by the PNG Government to pay in this way.

DPE deposits levies into a trust account held by the Department of Finance for control purposes. Finance then administers payments from the trust account to the relevant local or provincial government.



Development levies are paid annually in arrears on or before 31 January in the year following the year of production to which the development levy relates.

The table below summarises the development levy information provided by the operators and DPE for the reporting period.

Table 95: Reconciliation of development levy

Project	Company	Amount reported paid (PGK) [X]	Amount reported received (PGK) [Y]	Variance (PGK) [Z=Y-X]	Variance (%) [Z/Y]	Remarks
Oil projects	Oil Search Ltd	7,319,489	7,334,173	14,684	0.20%	
ExxonMobil PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	66,340,782	65,076,278	(1,264,504)	(1.94%)	A
Total		73,660,271	72,410,451	(1,249,820)	(1.73%)	

Remarks

- A Difference above is due to foreign exchange used.

10.7.3 Oil and gas royalties

Oil Search pays royalties to DPE by cheque. ExxonMobil PNG Ltd pays royalties to Bank of PNG via electronic transfer, and sends remittances advices to DPE. ExxonMobil PNG state that they have been directed by the PNG Government to pay in this way.



³²² Oil and Gas Act. http://www.paclii.org/pg/legis/consol_act/oaga199894/, accessed 1 November 2019.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	------------

Table 96: Reconciliation of oil and gas royalty payments

Project	Company	Amount reported paid (PGK) [X]	Amount reported received (PGK) [Y]	Variance (PGK) [Z= Y-X]	Variance (%) [Z/Y]	Remarks
Oil projects	Oil Search Ltd	19,385,568	19,424,464	38,896	0.20%	
ExxonMobil PNG LNG and Oil Project subsidiaries	ExxonMobil PNG Ltd	86,332,019	87,087,597	755,578	0.87%	A
Total		105,717,587	106,512,061	794,474	0.75%	

Remarks

A. Difference above is due to foreign exchange used.

10.7.4 Additional profits tax (not reconciled)

In 2018, the additional profits tax was applicable to all resource projects (subject to the terms of any applicable fiscal stability agreements – see section 4.8.4).



We noted that one company included payments of APT in their reporting template for this report, as shown below, but the IRC did not report receiving any specific APT payments in 2018.

Table 97: Additional profits tax payments reported

Project	Company	Amount reported paid (PGK) [X]	Amount reported received (PGK) [Y]	Variance (PGK) [Z=Y-X]	Variance (%) [Z/Y]
SE Gobe	Southern Highlands	483,922	0	(483,922)	100%
Total		483,922	0	(483,922)	100%

10.7.5 DPE licence fees (not reconciled)

Licence fees and other application fees are paid by the oil and gas industry to DPE.



DPE have reported the following licence fees for 2018 (see Appendix C for further detail):

No. licences	Licence type	Fees (PGK)
38	Petroleum Prospecting Licence (PPL)	903,000
9	Petroleum Retention Licence (PRL)	270,000
9	Petroleum Development Licence (PDL)	900,000
8	Petroleum Pipeline Licences (PPL)	400,054
2	Petroleum Processing Facility Licence (PPFL)	200,000
	Total	2,673,054

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	 Reconciliation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	--	------------------------------	------------

License fees represent 0.10% of the total revenue received by the government.

10.8 Data quality and audit of financial statements 2018

As with previous PNG EITI reports, the MSG agreed that the data templates provided by reporting entities should be signed by an authorised company representative, confirming that reported amounts are materially consistent with the audited financial statements. Compliance with this request can be seen in table above. The IA received signed data templates from nearly 80% of material reporting entities.

Most government departments and agencies, and some SOEs, do not yet have audited statements for the reporting period, and previous audits indicate serious flaws (see Table 98 below). Improved data assurance was the subject of a recommendation in previous reports (see section 11). In certain cases where significant variances were identified in the reconciliation, or the other party did not provide data, we requested evidence of payments, which in some cases (for example, Exxon) was received and sighted by the IA.

The IA met with the Auditor General's office to gain a better understanding of the current audit status of the relevant SOEs and government agencies. This has resulted in some updates below, but in most cases the audit reports are not yet public and have not been sighted by the IA.

Other than the reconciliation process, no quality assurance, audit, verification, or review has been provided to test or confirm the accuracy of the data. The variances identified during the reconciliation process – some of which were resolved on further investigation – are in themselves indicative of flaws in processes and/or record-keeping.

Table 98: Overview of status of financial audits for EITI reporting entities for the reporting period³²³

Parent Company	Operator in PNG	Year audited	Qualifications / emphasis of matter / comments	Source
Mining				
Barrick Gold Corporation	Porgera Mine - Barrick (Niugini) Ltd	2018	Audit by PwC. No qualifications noted.	https://barrick.q4cdn.com/788666289/files/annual-report/Barrick-Annual-Report-2018.pdf
Zijin Mining Group	Porgera Mine - Joint operator with Barrick (Niugini) Ltd from 31 August 2015	2018	Comments on Porgera Ownership: Barrick and Zijin Mining Group each own 47.5% of the operation, with the remaining 5% interest held by Mineral Resources Enga. Audited by EY China. No qualifications found.	http://www.zijinmining.com/upload/file/2019/05/15/f4f97a694fb7431984ee2f562183ae16.pdf
K92 Mining Inc.	K92 Mining Ltd	2018	Audi by PwC. No qualifications noted	https://sedar.com/FindCompanyDocuments.do Find Company Name and Select Financial Statements from the list
Newcrest Mining Ltd	Lihir Gold Ltd	FY2018	Audited by EY. No qualifications noted.	http://www.newcrest.com.au/media/annual_reports/Newcrest_Annual_Report_2018_1.pdf
	Ramu Nickel Ltd	2018	Audit by PwC. Qualification noted: Note 9 to the financial statements outlines a scenario in which the Group's interest in the Frieda River project may be disposed for consideration of US\$9.5 million and the forgiveness of the loan payable to Frieda River Ltd which is included within	http://www.pomsox.com.pg/wp-content/uploads/2019/03/Annual-Results-Announcement-2018-1.pdf

³²³ Where a financial statement audit was not conducted for this period, the most recent audit report available is listed.

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	 Recapitulation of revenue streams	Findings and recommendations	Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	--	------------------------------	------------

Parent Company	Operator in PNG	Year audited	Qualifications / emphasis of matter / comments	Source
			borrowings in the consolidated statement of financial position with a carrying value of US\$6.9 million (2017: US\$6.6 million). The consolidated statement of financial position includes capitalised exploration and evaluation expenditure in respect of the Frieda River project of US\$29.2 million at 31 December 2018 (2017: US\$28.3 million). As the consideration in the proposed transaction is less than the carrying value of the Group's interest in the Frieda River project this represents an indicator of impairment. We have not been provided with sufficient audit evidence to demonstrate that the carrying value of capitalised exploration and evaluation expenditure of US\$29.2 million at 31 December 2018 is not impaired. As a result we have been unable to satisfy ourselves as to the valuation of exploration and evaluation expenditure included in the consolidated statement of financial position at 31 December 2018.	
Metallurgical Corporation of China Ltd. (MCC)	MCC Ramu Nico Ltd	FY2015	Most recent published annual report is from 2015. Audit by Deloitte Touche Tohmatsu CPA LLP. No qualifications noted.	http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0426/LTN201604261233.pdf
Harmony Gold Mining Ltd	Hidden Valley JV	FY2018	Audit by PwC. No qualifications noted.	http://www.har.co.za/18/download/HAR-FR18.pdf
St Barbara Ltd	Simberi Gold Co. Ltd	FY2018	Audit by PwC. No qualifications noted.	http://www.stbarbara.com.au/fileadmin/user_upload/documents/annual-reports/St_Barbara_Limited_Annual_Report_2016.pdf
	Ok Tedi Mining Ltd	2018	Financial audit by PWC. No qualifications noted. ESG audit by Materiality Counts. No qualifications noted.	https://oktedi.com/who-we-are/annual-performance/
Oil and gas				
ExxonMobil	ExxonMobil PNG Ltd (PONGLNG project operator)	2018	SEC filings Form 10K Financial statements audited by PWC. No audit report included in 2018 integrated report	https://corporate.exxonmobil.com/Investors/Annual-Report
JX Nippon Oil and Gas Exploration Corporation	JX Nippon Oil and Gas (and subsidiaries)	Year ending March 31, 2018	JXTG Report Integrated Report - Audited by EY. No qualifications noted.	http://ssl.eir-parts.net/doc/5020/ir_material_for_fiscal_ym9/46516/00.pdf
Oil Search		2018	Audit by Deloitte. No qualifications noted.	https://www.oilsearch.com/_data/assets/pdf_file/0012/33114/OSH-2018-Annual-Report.pdf
Santos	Santos (and subsidiaries)	2018	Audited by EY. No qualifications noted.	https://www.santos.com/media/4651/2018-annual-report.pdf

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	 Recapitulation of revenue streams	Findings and recommendations	Appendices
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Parent Company	Operator in PNG	Year audited	Qualifications / emphasis of matter / comments	Source
State-owned enterprises: audits by the Auditor-General's Office of Papua New Guinea				
Ok Tedi Mining Ltd			See Ok Tedi Mining Ltd above for details.	
Kumul Petroleum Holdings Ltd		2015	Comments on Financial Statements: My report in accordance with the provisions of the Companies Act on the financial statements of the Company for the year ended 31 December 2015 was issued on 25 October 2017. The report contained a Disclaimer of Opinion.	http://www.ago.gov.pg/images/downloads/Report%20of%20the%20Auditor-General%20Part%20IV%202017.pdf Per KPHL, 2018 Financial statements have been audited, however, these are not available online.
Mineral Resources Development Company Ltd		2014	Unable to find updated report. Disclaimer of opinion issues for 2014. For 2017 audit report: At the time of preparing this Report, the fieldwork associated with the inspection and audit of the accounts and records and the examination of the financial statements of the Company for the years ended 31 December 2015 and 2016 were in progress.	http://www.ago.gov.pg/images/downloads/Part%204%20Report%20of%20the%20Auditor-General%20-%202016.pdf http://www.ago.gov.pg/images/downloads/Report%20of%20the%20Auditor-General%20Part%20IV%202017.pdf
Government departments and statutory authorities: audits by the Auditor-General's Office of Papua New Guinea				
Conservation and Environment Protection Authority	N/A		No record of audit available for CEPA or previous Department of Environment and Conservation. The AGO previously informed the IA that the 2016 audit was completed and awaiting sign-off.	
Internal Revenue Commission	2013 - Latest annual report found on website.		The AGO previously informed the IA that the 2014 audit was been completed without qualification. The 2015-17 audits are underway.	http://www.ago.gov.pg/images/downloads/Report%20of%20the%20Auditor-General%20Part%20IV%202017.pdf p. 27 http://irc.gov.pg/publication_guides/category/irc-annual-reports/
Minerals Resource Authority	2014		Qualification. 'completeness and accuracy of the production levies account could not be verified. ... not all producing mines remit their production levies ... the Authority does not have a process to verify and ascertain the base and assessable income as declared by the producing mines to calculate and remit the production levies' 'Reported in the statement of financial position is an amount of K1,706,765 being for unallocated receipts. During the audit, the nature of these funds received could not be determined.' The report also notes non-compliance with a requirement to conduct internal audit; lack of a trust deed for certain landowner funds held; and several other matters. The 2015 audit is underway, and the 2016 and 2017 financial statements had not yet been submitted for inspection.	http://www.ago.gov.pg/images/downloads/Report%20of%20the%20Auditor-General%20Part%20IV%202017.pdf p.45
Department of Treasury	2014-2015		Adverse opinion: 'The results of my audit indicate that only little improvement was made, available, overall, there were still notable weaknesses in the control framework. The control activities, such as	http://www.ago.gov.pg/docs/ReportoftheAuditorGeneralPartII20152014.pdf

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	 Reconciliation of revenue streams	Findings and recommendations	Appendices
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Parent Company	Operator in PNG	Year audited	Qualifications / emphasis of matter / comments	Source
			delegation, authorisation, reconciliations, data processing, segregation of duties, system access, management monitoring, etc. were not sufficiently robust to prevent, detect or correct errors or fraud.'	
Department of Finance	2014-2015		Adverse opinion: 'The results of the audit indicate ties, such as delegations, authorisations, reconciliations, data processing, segregation of duties and system access were not sufficiently robust to prevent, detect or correct error or fraud.'	http://www.ago.gov.pg/docs/ReportoftheAuditorGeneralPartII20152014.pdf
Department of Petroleum and Energy	2014		Adverse opinion: 'The results of my audit indicate that overall, there were significant and serious weaknesses in the control framework. The control activities such as delegations, authorisations, reconciliations, segregation of duties, system access and management were not sufficiently robust to detect or correct errors or fraud. Consequently, there is an increased risk that the impact of an ineffective control environment could be far reaching, possibly resulting in financial loss, tarnished public image or ultimately, agency failure. The lack of internal control mechanism may fail to safe guard assets from loss, damage or misappropriation and may produce financial information that is not complete or reliable.'	http://www.ago.gov.pg/docs/ReportoftheAuditorGeneralPartII20152014.pdf
Department of National Planning & Monitoring	2014		Adverse opinion: 'In general, there were no improvements in the system and operation of controls within the Department compared to the previous years. The results of my audit indicate that there were significant weaknesses in the control framework. The control activities were not sufficiently robust to prevent, detect or correct errors or fraud. Consequently, there is an increased risk that the impact of an ineffective control environment could be far reaching, possibly resulting in financial loss, tarnished public image or ultimately, agency failure. The lack of internal control mechanism may fail to safe guard assets from loss, damage or misappropriation and may produce financial information that is not complete or reliable.'	http://www.ago.gov.pg/docs/ReportoftheAuditorGeneralPartII20152014.pdf
PNG Customs	2013-2014		Adverse opinion: 'The results of my audit indicate that there were some improvements in the operations of the internal controls compared to previous years. This was evident in the Revenue collection, assets and advance management. However, overall, there were weaknesses noted in the control framework.'	http://www.ago.gov.pg/images/downloads/Part-2-NGAD-Merge-Report-JTen-AVui-4-11-15.pdf

Findings and recommendations



Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
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11. Findings and recommendations

The independent validation of PNG's 2016 EITI Report found that PNG has made meaningful progress in addressing the requirements of the EITI Standard. Through the IA's process of collecting and analysing revenue data, and via engagement with government, industry, and civil society, we have observed that the MSG and other stakeholders in the PNG EITI continue to seek to improve transparency, systems, and accountability across the extractives sector.

Based on the work we have undertaken, we present the following recommendations to enable the MSG to improve its EITI process across PNG for future reporting periods, in line with the requirements of the EITI Standard.

Our recommendations from this report are outlined below.

	Observation	Recommendation
1	The independent validation of PNG's progress against the EITI Standard identified a number of areas where progress was 'inadequate'. The IA has endeavoured to address each of these through the 2017 and 2018 reporting process. However, areas of challenge remain.	The MSG should continue its program of work in relation to subnational payments and transfers. Some recommendations below will contribute to progress on other aspects, as will continued engagement with reporting entities.
2	IRC's initial data template reported erroneous revenues due to incorrect tax identification numbers (TIN). The projected corporate income tax in the National Budget 2018 differs significantly from actual corporate income tax received from the extractive industries, according to the completed reporting templates provided to the IA.	IRC should maintain a database of extractive industry companies together with their correct tax identification numbers to enable accurate revenues to be provided for the EITI report. Notwithstanding the forward-looking nature of Budgets, the IRC should reconcile budgeted revenue against actual CIT received with commentary if this is not contained in the Final Budget Outcome.
3	It appears that certain companies have reported tax credits for the development of infrastructure, but these have not been reported to the Department of National Planning and Monitoring (DNPM).	There is a risk the tax credits may have been claimed on tax credit schemes not reported or approved DNPM. We note, however, that the TCS is currently halted and under review. Transparency would also be improved by establishing a website for DNPM.
4	CEPA's data template omitted a number of payments from extractive companies, which were then required to provide supporting documents (i.e. bank statement transfers) to prove the payments.	CEPA's financial close process needs improvement to accurately capture payments.
5	DPE currently does not have access to information that would enable them to check the accuracy of their data by reconciling royalties, levies and other fees against payments made.	DPE should be given access to government systems and bank statements, or be otherwise supplied with relevant government data to support its financial close process. Remittance receipts provided by extractive companies should be reconciled against the receipts recorded by DPE. Transparency would also be improved by establishing a website for DPE.
7	The accuracy and completeness of information within reporting templates remains a significant challenge across EITI reporting entities. It would appear that the current approach, in which an authorised company representative signs reporting templates, is not driving a focus on quality assurance of reported information.	If the Auditor-General is unable to complete its yearly audit, we recommend that the Auditor-General be given a scope of work to specifically test receipts from government agencies relevant to EITI reporting, prior to submission of data for the EITI report. The MSG could consider further measures to ensure that reporting entities provide accurate information

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams		Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	--	------------

	Observation	Recommendation
	Unaudited data from government entities and some SOEs is a persistent issue. Several departments and SOEs are yet to be audited for the year ended 2018, or even for some years earlier.	for EITI reporting. This could include, for example, requiring all entities to submit their templates with an independent assurance statement. The IA understands from the PNG EITI Secretariat that there are plans for the AGO to test receipts recorded by receiving government and department entities prior to validation on April 2020.
8	Some variances arise because companies are reporting on an accrual rather than cash basis. The data template states that cash reporting is required, as agreed by the MSG. This included Treasury reporting of dividends received on the basis of budgeted amounts rather than amounts received during the reporting period.	Continued engagement with reporting entities is required to reinforce the message that, for EITI purposes, data should be reported on a cash basis.
9	The IA has still not received a data template from GloCo, as all parties are required to agree on providing this disclosure. This has been a subject of recommendations in previous EITI Reports. Given the importance of the PNG LNG Project, transparent reporting from GloCo is required to give a full picture of revenue flows from the extractive industries.	In future reporting periods, the IA and MSG should engage early with the participants in GloCo to facilitate agreement and enable GloCo to submit an EITI template in accordance with the agreed timelines.
10	Production data, particularly from the oil and gas industry, continues to be incomplete and inconsistent.	The IA and MSG should engage with companies, DPE and Customs to encourage complete, accurate and consistent disclosure of production data, and overcome barriers such as different categories of commodity and units of reporting.
11	The PNG EITI 2019 Report will need to be presented in accordance with the 2019 EITI Standard.	To prepare for implementation of the 2019 Standard, we encourage the MSG to undertake a systematic review of definitions for key terms including SOEs, social payments and quasi-fiscal expenditures. The MSG will also need to understand new disclosure requirements around contracts, commodity trading, environmental and gender data, and the steps necessary to address them.



Appendices

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	
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Appendix A PNG MSG members and alternates

Status	Type	Primary	Alternate 1	Alternate 2	Organisation
Voting Member	GoPNG	Hon. Charles Abel, CMG, MP Treasurer, PNG EITI MSG Chairman	Dairi Vele Secretary Department of Treasury	Manu Momo, Deputy Secretary Economic Policy Department of Treasury	Department of Treasury
Voting Member	GoPNG	Betty Palaso, Commissioner General	Dr Alois Daton, Commissioner Taxation	Ketty Masu, Director Resource Policy and Advice	Internal Revenue Commission
Voting Member	GoPNG	Philip Samar, Managing Director	Sean Ngansia, Executive Manager Coordination Division	Arnold Lakamanga, Manager - GIS Mineral Information	Mineral Resources Authority
Voting Member	GoPNG	Kepsey Puiye, Acting Secretary	Herry Howard Manda, Manager - Petroleum Division	Michael Kunma Awi, Economist - Petroleum Division	Department of Petroleum and Energy
Non-voting member	GoPNG	Dr Ken Ngangan, Secretary	Samuel Penias, Deputy Secretary	Margaret Tenakanai, First Assistant Secretary, Non-Tax Revenue Division	Department of Finance
Non-voting Member	GoPNG	Harry Hakaua, Secretary	Sanja Pepae, Assistant Secretary - Economic Policy Branch	Langa Kopio, Senior Economist Policy Division	Department of National Planning and Monitoring
Non-voting Member	GoPNG	Shandrick Himata, Secretary	Harry Kore, Director Mineral Policy and Legislative Division	Asavi Kendua, Assistant Director Policy Advisory Branch	Department of Mineral Policy and Geohazards Management
Non-voting Member	GoPNG	Bruce Java	Acting Director, Non- renewable Resources		Department of Prime Minister & NEC
Non-voting Member	GoPNG				Office of Public Solicitor
Non-voting Member	GoPNG	Gunther Joku, Managing Director	Michael Wau, Deputy Director Environmental Regulation Division	Robert Sine, Manager Mining Industry Compliance	Conservation & Environment Protection Authority
Non-voting Member	GoPNG	Philip Nauga, Auditor general	Andy Vui- Deputy Auditor -General	Lemeki Ila, Deputy Auditor-General	Auditor General's Office
Voting Member	SoE	Thomas Abe, Managing Director	Saki Ipata- Chief Financial Officer	Noreen Gugume, Manager Accounts	Kumul Minerals Holdings Ltd
Voting Member	SoE	Wapu Sonk, Managing Director	Ian Maru General Manager Stakeholder Relations	Brad Mitchel, General Manager, Corporate Services,	Kumul Petroleum Holdings Ltd
Voting Member	SoE	Augustine Mano, Managing Director	Imbi Tagune, General Manager External Affairs	Steven Evekone, Manager External Affairs	Mineral Resources Development Company

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	 Appendices
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Status	Type	Primary	Alternate 1	Alternate 2	Organisation
Non-voting member	SoE	Garry Hersey, Managing Director	Apaitia Veigo, Chief Financial Officer	Steven Kikala, Senior Portfolio Manager	Kumul Consolidated Holdings Ltd
Voting Member	Industry	Philippe Blanchard, Managing Director	Richard Kassman OBE, Government Relations Manager		Total E & P Ltd
Voting Member	Industry	Anthony Smare, Director	Ila Temu, Country Manager		Barrick Niugini Ltd
Voting Member	Industry	Andrew Barry, Lead Country Manager	Robert Aisi, General Manager, Public and Government Affairs	Susil Nelson, Public Policy and Issues Manager	ExxonMobil PNG Ltd
Voting Member	Industry	Kepas Wali, General Manager Sustainability			Morobe Mining Joint Ventures (MMJV)
Voting Member	Industry	Peter Aitsi, Country Manager	Borone Isana, Manager Government Liaison		Newcrest Mining Ltd
Voting Member	Industry	Gerea Aopi, PNG Country Chairman	Wayne Kasou, Senior Vice President – External Affairs – Government	Cornelius Soagai, Senior Government Affairs Manager	Oil Search (PNG) Ltd
Voting Member	Industry	Greg Anderson, Executive Director	Leah Warupi, Project Coordinator	Emmanuel Powuh David, Project Coordinator	PNG Chamber of Mines and Petroleum
Voting Member	CSO	Peter Aitsi, Chairman	Ariane Kassman Executive Director	Yuambari Haihuie, Deputy Director (Policy & Advocacy)	Transparency International PNG (TIPNG)
Voting Member	CSO	Paul Barker, Executive Director	Marjorie Andrew, Deputy Director		Institute of National Affairs
Voting Member	CSO	Wallis Yakam, Executive Officer	Henry Yamo, Deputy Executive Officer	Elizabeth Avaisa, Senior Project Officer	Consultative Implementation Monitoring Council (CIMC)
Voting Member	CSO	Patrick Yepe Lombaia, Executive Director			PNG Mining Watch Association Inc.
Voting Member	CSO	Isu Aluvula, Social Justice Desk Secretary	Emma Ilau		PNG Council of Churches
Voting Member	CSO	Peter Bosip, Executive Director			Centre for Environmental Law & Community Rights (CELCOR)
Voting Member	CSO	Cosmas Makamet, Manager			PNG Forestry Certification (FORCERT) Inc.
Non-Voting Member	CSO	Marjorie Andrew, Acting PNG National CSO Coordinator			PNG Resource Governance Coalition

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	 Appendix B
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Appendix B Mining tenements awarded/extended 2018

The table below shows mining tenements awarded or extended during the reporting period, (as reported by MRA). A complete list of active tenements can be seen on the Mining Cadastre Portal (<https://portal.mra.gov.pg>), and in the PNG EITI 2017 report.

Code	Name	Parties	Grant date	Expiry date
AML 831	Atob River	Roy Akelen, Simon Wesiawen, Otto Utekelip, Steven Ubum	29-Aug-18	28-Aug-23
AML 832	Atob River	Raphael Waliha, Steven Ubum	29-Aug-18	28-Aug-23
AML 833	Atob River	Raphael Waliha	29-Aug-18	28-Aug-23
AML 834	Atob River	John Sukubalen	29-Aug-18	28-Aug-23
AML 835	Atob River	Alex Suweri, John Sukubalen	29-Aug-18	28-Aug-23
AML 836	Atob River	Alex Suweri, John Sukubalen	29-Aug-18	28-Aug-23
AML 837	Atob River	Alex Suweri, John Sukubalen	29-Aug-18	28-Aug-23
AML 838	Mt. Letam village	Leonard Langiro (100%)	29-Aug-18	28-Aug-23
AML 839	Kupo village	Tony Vaketa (100%)	29-Aug-18	28-Aug-23
EL 2407	Takis Village	Ballygowan Ltd (100%)	18-Jan-18	17-Jan-20
EL 2537	New Ireland	Nautilus Minerals Niugini 3 Ltd (100%)	18-Jan-18	17-Jan-20
EL 2540	Sibia - Oro Province	LogiKon Corporation Pty Ltd (100%)	07-Feb-18	06-Feb-20
EL 2543	Ambenop	Pacific Arc Holdings (Niugini) Ltd (100%)	07-Feb-18	06-Feb-20
EL 2504	Sehulea	Baldoyle Ltd (100%)	04-Apr-18	03-Apr-20
EL 2518	Kasuma, Garaina, Morobe	Pacific Niugini Minerals (PNG) Ltd (100%)	04-Apr-18	03-Apr-20
EL 2527	Hotmin, West Sepik Province	Niuminco (ND) Ltd (100%)	04-Apr-18	03-Apr-20
EL 2549	Wapolu	Pacific Arc Aurum (Niugini) Ltd (100%)	04-Apr-18	03-Apr-20
EL 2509	Tapini	Canterbury Resources (PNG) Ltd (100%)	29-Aug-18	28-Aug-20
EL 2526	Poroi, Gulf Province	Pacific Energy Consulting Ltd (100%)	29-Aug-18	28-Aug-20
EL 2542	Fagobip, Kopiago - Hela Province	Anglo American Exploration (PNG) Ltd (100%)	29-Aug-18	28-Aug-20
EL 2544	Bulolo, Morobe	Wabu Alluvials Ltd (100%)	29-Aug-18	28-Aug-20
EL 2545	Lower Watut, Morobe	Wabu Alluvials Ltd (100%)	29-Aug-18	28-Aug-20
EL 2546	Gameta, Fergusson Island, Milne Bay Province	Ballygowan Ltd (100%)	29-Aug-18	28-Aug-20
EL 2547	Tembin Village	Ballygowan Ltd (100%)	29-Aug-18	28-Aug-20

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	
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Code	Name	Parties	Grant date	Expiry date
EL 2548	April River	Footprint Resources Pty Ltd (100%)	29-Aug-18	28-Aug-20
EL 2558	Kainantu	Pacific Energy Consulting Ltd (100%)	29-Aug-18	28-Aug-20
EL 2559	Southwest Kainantu	Pacific Energy Consulting Ltd (100%)	29-Aug-18	28-Aug-20
EL 2560	Doma	Papuan Minerals Ltd (100%)	29-Aug-18	28-Aug-20
EL 2561	Fagobip	Anglo American Exploration (PNG) Ltd (100%)	29-Aug-18	28-Aug-20
EL 2562	Maramuni	Coral Sea Venture Ltd (100%)	29-Aug-18	28-Aug-20
EL 2571	Keplar Point	Highlands Pacific Resources Ltd (100%)	29-Aug-18	28-Aug-20
EL 2584	Sumwari	Zhong Rui Kuang Ye (PNG) Co. Ltd (100%)	11-Dec-18	10-Dec-20
EL 2588	Waratau	Jin Gui Jin Ye (PNG) Reality Co. Ltd (100%)	11-Dec-18	10-Dec-20
EL 2589	April River	Zhong Rui Jin Ye (PNG) Reality Co. Ltd (100%)	11-Dec-18	10-Dec-20
EL 2592	Wabo	Pacific Energy Consulting Ltd (100%)	11-Dec-18	10-Dec-20
ML 28	Mumeng	Bayawaha Limestone Company Ltd (100%)	29-Aug-18	28-Aug-28
ML 283	Sandy Creek	Tani Sifuro (100%)	07-Feb-18	06-Feb-23
Extensions				
EL 497	Wau	Harmony Gold (PNG) Exploration Ltd (100%)	01-Mar-84	25-Aug-20
EL 677	Waria River	Harmony Gold (PNG) Exploration Ltd (100%)	27-Oct-86	17-Feb-21
EL 1043	Nakru	Copper Quest PNG Ltd (100%)	08-Dec-92	07-Dec-20
EL 1165	Safia Embessa & Obea	Niugini Nickel Ltd (100%)	01-Mar-96	28-Feb-20
EL 1312	Nong River	Highlands Pacific Resources Ltd (100%)	20-Sep-02	19-Sep-20
EL 1369	Tsile	Newcrest PNG Exploration Ltd (100%)	23-Nov-04	22-Nov-20
EL 1595	Bulago River	Frontier Gold (PNG) Ltd (100%)	07-Jul-08	06-Jul-20
EL 1611	Angiki	Kupuyapa Mining Ltd	28-Nov-08	27-Nov-20
EL 1744	Iniok	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)	21-Jun-10	20-Jun-20
EL 1745	Magleri	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)	21-Jun-10	20-Jun-20
EL 1746	Magleri	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)	21-Jun-10	20-Jun-20
EL 1748	Mumeng	Newcrest PNG Exploration Ltd (100%)	27-Sep-12	26-Sep-20
EL 1873	Kabarau	Waterford Ltd (100%)	15-May-12	14-May-20
EL 1874	Kare	Waterford Ltd (100%)	15-May-12	14-May-20
EL 1875	Wabo	Waterford Ltd (100%)	15-May-12	14-May-20
EL 1876	Kare	Waterford Ltd (100%)	15-May-12	14-May-20
EL 1877	Lihir South	Bismarck Mining Corporation (PNG) Ltd (100%)	08-Oct-12	07-Oct-20
EL 1895	Wabia	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)	15-May-12	14-May-20

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	 Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	--

Code	Name	Parties	Grant date	Expiry date
EL 1956	Ok Isai	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)	15-May-12	14-May-20
EL 1957	Paupe	Frieda River Ltd (80%), Highlands Frieda Ltd (20%)	15-May-12	14-May-20
EL 2156	Tabubil	Ok Tedi Mining Ltd (100%)	20-Dec-12	19-Dec-20
EL 2266	Kiwai Island	Mayur Iron PNG Ltd (100%)	14-May-14	13-May-20
EL 2269	Baimuru	Mayur Iron PNG Ltd (100%)	14-May-14	13-May-20
EL 2303	Pinu Village	Mayur Industrials PNG Ltd (100%)	14-May-14	13-May-20
EL 2304	Terapo	Mayur Iron PNG Ltd (100%)	14-May-14	13-May-20
EL 2305	Ihu	Mayur Iron PNG Ltd (100%)	14-May-14	13-May-20
EL 2309	Tsile Tsile	Rio Tinto Exploration (PNG) Ltd (100%)	10-Sep-14	09-Sep-20
EL 2313	Wau	Harmony Gold (PNG) Exploration Ltd (100%)	24-Dec-14	23-Dec-20
EL 2372	Green River Station	Telemu No.92 Ltd (100%)	11-Jul-16	10-Jul-20
EL 2384	Gerepo	Solway Group Mining (PNG) Ltd (100%)	11-Jul-16	10-Jul-20
EL 2396	Manus	Cheroh Mining PNG Ltd (100%)	09-Mar-16	08-Mar-20
EL 2401	Amanab	EL Dorado Mining and Energy Ltd (100%)	28-May-16	27-May-20
EL 2408	Sikut Government Station	Ballygowan Ltd (100%)	28-May-16	27-May-20
EL 2418	Bulolo	Canterbury Resources (PNG) Ltd (100%)	11-Jul-16	10-Jul-20
EL 2419	Tamo	EL Dorado Mining and Energy Ltd (100%)	28-May-16	27-May-20
EL 2420	Kwikila	Property New Group Ltd (100%)	26-May-16	25-May-20
EL 2426	Keman	GMN 6768 (PNG) Ltd (100%)	28-May-16	27-May-20
EL 2430	Meriamanda	GMN 6768 (PNG) Ltd (100%)	28-May-16	27-May-20
EL 2432	Sinua	Footprint Resources Pty Ltd (100%)	11-Jul-16	10-Jul-20
EL 2444	Tamo	EL Dorado Mining and Energy Ltd (100%)	06-Sep-16	05-Sep-20
EL 2462	Mapua	Nord Australex Nominees (PNG) Ltd (100%)	15-Nov-16	14-Nov-20
EL 454	Porgera	Barrick (Niugini) Ltd (100%)	31-Mar-80	24-Aug-18
EL 858	McNicoll Range	Barrick (Niugini) Ltd (100%)	25-May-88	24-Aug-18
EL 1374	Namatanai	Nautilus Minerals Niugini Ltd (100%)	10-Sep-04	09-Sep-18
EL 1747	Misima Island	Gallipoli Exploration (PNG) Ltd (100%)	21-Mar-11	20-Mar-19
EL 2330	Ningerum	Apollo Mineral Resources Ltd (100%)	27-Oct-14	26-Oct-18
EL 2406	Sulovat, Kimbe WNB	GMG Global Mining Group Ltd (100%)	02-Dec-16	01-Dec-18
EL 2096	Warambif	Mayur Exploration PNG Ltd (100%)	05-Aug-14	04-Aug-18
EL 2460	Kompian	Property New Group Ltd (100%)	15-Nov-16	14-Nov-18

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	 Appendices
--------------	--	--	-----------------------------------	---	---------------------------------	--------	-------------	-------------------------	-----------------------------------	------------------------------	--

Code	Name	Parties	Grant date	Expiry date
EL 2325	Rambusa-Sudest Island	Sudest Island Mining Ltd (100%)	19-Dec-14	18-Dec-18
EL 2001	Benstead	Highlands Pacific Resources Ltd (100%)	20-Dec-12	19-Dec-18
EL 2421	Amboin	Aiabba Minerals (PNG) Ltd (100%)	28-May-16	27-May-18
EL 2431	Tamo	EL Dorado Mining and Energy Ltd (100%)	02-Dec-16	01-Dec-18
EL 1105	Wafi Mt	Newcrest PNG 2 Ltd (50%), Wafi Mining Ltd (50%)	26-Jan-95	25-Jan-19
EL 1115	Mt Crater	Anomaly Ltd (100%)	26-Sep-94	25-Sep-18
EL 1341	Yonki	K92 Mining Ltd (100%)	21-Jun-04	20-Jun-18
EL 1465	Kulumadau	Woodlark Mining Ltd (100%)	22-Dec-08	21-Dec-18
EL 2095	Sideia	Mayur Exploration PNG Ltd (100%)	27-Sep-12	26-Sep-18
EL 2150	Gulf South	Mayur Iron PNG Ltd (100%)	18-Dec-12	17-Dec-18
EL 2267	Segero	Mayur Iron PNG Ltd (100%)	02-Dec-16	01-Dec-18
EL 2268	Dibiri	Mayur Iron PNG Ltd (100%)	02-Dec-16	01-Dec-18
EL 2297	Daru	Mayur Iron PNG Ltd (100%)	02-Dec-16	01-Dec-18
EL 2310	Hauwindi	Harmony Gold (PNG) Exploration Ltd (100%)	24-May-14	23-May-18
EL 2376	Basamuk	MCC Ramu NiCo Ltd (85%), Ramu Nickel Ltd (8.56%), Mineral Resources Ramu Ltd (3.94%), Mineral Resources Madang Ltd (2.5%)	26-May-16	25-May-18
EL 2405	Kupiano	Kavra Maah Ltd (100%)	09-Mar-16	08-Mar-18
EL 2461	Mt Andewa	Baldoyle Ltd (100%)	15-Nov-16	14-Nov-18
EL 2467	Mount Abemh	Highlands Pacific Resources Ltd (100%)	02-Dec-16	01-Dec-18
EL 2385	Ononge/Sigufe	Tolukuma Gold Mines Ltd (100%)	26-May-16	25-May-18
EL 1316	Mumeng	Newcrest PNG 3 Ltd (50%), Morobe Exploration Ltd (50%)	20-Sep-02	19-Sep-18
EL 1629	Garaina	Morobe Consolidated Goldfields Ltd (50%), Newcrest PNG 3 Ltd (50%)	03-Nov-08	02-Nov-18
EL 2212	Dagua	West Coast Mining Ltd (100%)	02-Feb-14	01-Feb-18
EL 2415	Maprik	West Coast Mining Ltd (100%)	06-Sep-16	05-Sep-18
ML 136	Simberi	Simberi Gold Company Ltd (100%)	03-Dec-96	02-Dec-28

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
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Appendix C Oil and gas license fees in 2018

Based on DPE reporting of license data as at September 2019

License	Paid by Company/Operator	Amount (PGK)
PETROLEUM PROSPECTING LICENCES (PPL)		
PPL 579	Larus Energy (PNG) Ltd	55,000
PPL 339	Oil Search (PNG) Ltd	73,500
PPL 600	ExxonMobil PNG Ltd	7,000
PPL 294	MKS Ltd	31,000
PPL 560	Rawson Resources Ltd	27,500
PPL 504	Oil Search (PNG) Ltd	12,000
PPL 576	Total E&P PNG Ltd	88,000
PPL 372	Horizon Oil (Papua) Ltd	10,500
PPL 373	Horizon Oil (Papua) Ltd	9,000
PPL 507	ExxonMobil PNG Ltd	4,500
PPL 581	Kina Petroleum Ltd	4,000
PPL 452	Hillsborough Ltd	7,500
PPL 219	Oil Search (PNG) Ltd	10,000
PPL 437	Kina Petroleum Ltd	9,000
PPL 474	ExxonMobil PNG Ltd	29,500
PPL 475	ExxonMobil PNG Ltd	12,500
PPL 476	ExxonMobil PNG Ltd	29,000
PPL 477	ExxonMobil PNG Ltd	15,000
PPL 374	ExxonMobil PNG Ltd	82,000
PPL 375	ExxonMobil PNG Ltd	66,000
PPL 516	Hillsborough Ltd	5,000
PPL 548	Oil Search (PNG) Ltd	2,500
PPL 395	Oil Search (PNG) Ltd	3,500
PPL 545	Oil Search (PNG) Ltd	29,500
PPL 595	Oil Search (PNG) Ltd	6,000
PPL 430	Horizon Oil (Papua) Ltd	4,000
PPL 464	ExxonMobil PNG Ltd	500
PPL 591	Sandaun Petroleum Energy Development Ltd	10,500

License	Paid by Company/Operator	Amount (PGK)
PETROLEUM RETENTION LICENCES (PRL)		
PRL 40	Repsol Oil and Gas Niugini Ltd	30,000
PRL 21	Horizon Oil (Papua) Limited	30,000
PRL 15	Total E & P PNG Limited	30,000
PRL 28	Horizon Oil (Papua) Limited	30,000
PRL 9	Oil Search (PNG) Limited	30,000
PRL 8	Oil Search (PNG) Limited	30,000
PRL 10	Oil Search (PNG) Limited	30,000
PRL 14	Oil Search (PNG) Limited	30,000
PRL 3	Esso PNG P'nyang Limited	30,000
	TOTAL PRL	270,000
PDL 5	ExxonMobil PNG Ltd	100,000
PDL 6	Oil Search (PNG) Ltd	100,000
PDL 7	ExxonMobil PNG Ltd	100,000
PDL 8	ExxonMobil PNG Ltd	100,000
PDL 9	ExxonMobil PNG Ltd	100,000
PDL1	ExxonMobil PNG Ltd	100,000
PDL 2	Oil Search (PNG) Ltd	100,000
PDL 4	Oil Search (PNG) Ltd	100,000
PDL 3	Oil Search (PNG) Ltd	100,000
	TOTAL PDL	900,000
PL 4	ExxonMobil PNG Ltd	100,000
PL 5	ExxonMobil PNG Ltd	100,000
PL 6	ExxonMobil PNG Ltd	10,000
PL 7	ExxonMobil PNG Ltd	60,000
PL 8	ExxonMobil PNG Ltd	10,000
PL 2	Oil Search (PNG) Ltd	100,000

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	 Appendices
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License	Paid by Company/Operator	Amount (PGK)
PPL 609	Begesin Petroleum Ltd	34,000
PPL 352	Peak Oil (PNG) Pty Ltd	91,500
PPL 610	Kapul Petroleum Ltd	1,500
PPL 340	Kina Petroleum Ltd	39,000
PPL 596	Kina Petroleum Ltd	2,500
PPL 597	Kina Petroleum Ltd	1,500
PPL 598	Kina Petroleum Ltd	1,500
	TOTAL PPL	903,000

License	Paid by Company/Operator	Amount (PGK)
PL 3	Oil Search (PNG) Ltd	10,054
PL 1	Oil Search (PNG) Ltd	10,000
	TOTAL PL	400,054
PPFL 2	ExxonMobil PNG Limited	100,000
PPFL 1	Puma Energy PNG Refining Ltd	100,000
	TOTAL PPFL	200,000

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
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Appendix D Changes to petroleum licences in 2018

Petroleum Development License (PDL)

ACTIVE PDL LICENSES 2018			
License	Licensee	Grant Date	Expiry Date
PDL 01	ExxonMobil PNG Ltd	27-Sep-15	26-Sep-35
PDL 02	Oil Search Ltd	10-Dec-15	09-Dec-35
PDL 04	Oil Search Ltd	24-Dec-96	23-Dec-21
PDL 04	Oil Search (PNG) Ltd	23-Dec-21	23-Dec-41
PDL 05	Esso Highlands Ltd	17-Feb-26	07-Dec-34
PDL 06	PNG LNG Project	30-Apr-33	29-Apr-53
PDL 07	PNG LNG Project	08-Dec-09	07-Dec-34
PDL 08	PNG LNG Project	08-Dec-09	07-Dec-34
PDL 09	PNG LNG Project	08-Dec-09	07-Dec-34
PDL 10	Horizon Oil (Papua) Ltd	30-May-14	29-May-39
APPLICATIONS FOR A PDL (APDL)			
License	Licensee	Lodged date	
APDL 11	Oil Search (PNG) Ltd	16-Aug-13	
APDL 12	Horizon Oil (Papua) Ltd	17-Mar-14	
APDL 13	Oil Search (PNG) Ltd	6-Feb-15	
APDL 14	Twinza Oil (PNG) Ltd	30-Jun-15	

Petroleum Retention License (PRL)

ACTIVE PRL LICENSES 2018			
License	Licensee	Grant Date	Expiry Date
PRL 3	ExxonMobil	19-Mar-15	18-Mar-20
PRL 8	Oil Search	28-Oct-15	27-Oct-20
PRL 9	Oil Search	28-Oct-15	27-Oct-20
PRL 10	Oil Search	28-Oct-15	27-Oct-20
PRL 13	LNG Energy Ltd	16-Jun-14	16-Jun-19
PRL 14	Oil Search	31-Mar-17	30-Mar-22
PRL 15	Total	30-Nov-16	30-Nov-21
PRL 21	Horizon Oil Ltd	18-Mar-11	17-Mar-16

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	
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ACTIVE PRL LICENSES 2018			
License	Licensee	Grant Date	Expiry Date
PRL 28	Horizon Oil Ltd	31-Jan-17	30-Jan-22
PRL 39* ³²⁴	ExxonMobil	20-Dec-13	19-Dec-18
PRL 40	Repsol	28-Feb-17	27-Feb-22
APPLICATIONS FOR A PRL (APRL)			
License	Licensee	Lodged date	
APRL 43	Twinza Oil (PDA) Ltd	30-Nov-18	
APRL 44	Kina Petroleum Ltd	5-Dec-18	
APRL 45	Yokopas Gold (PNG) Ltd	5-Dec-18	
APRL 46	Asian Oil and Gas (PNG) Ltd	5-Dec-18	
APRL 47	Kumul Petroleum Holdings Ltd	21-Dec-18	
PRL LICENCES EXPIRED			
License	Licensee	Grant Date	Expiry Date
PRL 38	Repsol Oil & Gas Ltd	29-Nov-13	29-Nov-18

Petroleum Prospecting License (PPL)

ACTIVE PPL LICENSES 2018			
License	Licensee	Grant date	Expiry date
PPL 219 [E]	Oil Search (PNG) Ltd	19-Mar-15	18-Mar-20
PPL 294 [E]	Media Karya Sentosa Ltd	19-Mar-15	20-Mar-20
PPL 328	Twinza Oil (PNG) Ltd	31-Oct-11	30-Oct-17
PPL 338 [E]	Kina Petroleum Ltd	30-Nov-16	29-Nov-21
PPL 339	Oil Search (PNG) Ltd	02-Sep-09	01-Sep-15
PPL 340 [E]	Kina Petroleum Ltd	30-Mar-17	31-Mar-22
PPL 352	Peak Oil (PNG) Ltd	25-Jul-13	24-Jul-19
ppl 372* ³²⁵	Jurassic International Holdings Ltd	23-Jan-12	22-Jan-18
PPL 373*	Jurassic International Holdings Ltd	23-Jan-12	22-Jan-18
PPL 374 [E]	ExxonMobil PNG Ltd	18-Jan-19	17-Jan-24
PPL 375 [E]	ExxonMobil PNG Ltd	18-Jan-19	17-Jan-24
PPL 378 [E]	Gini Energy Ltd	26-Sep-18	25-Sep-23

³²⁴ *Extension application

³²⁵ *Extension application

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	
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ACTIVE PPL LICENSES 2018			
License	Licensee	Grant date	Expiry date
PPL 382*	Destinee Energy Ltd	19-Oct-12	18-Oct-18
PPL 388	Petro Energy Ltd	30-Jun-15	29-Jun-21
PPL 391*	Taurus Oil Ltd	27-Mar-12	26-Mar-18
PPL 395	Oil Search (PNG) Ltd	18-Nov-13	17-Nov-19
PPL 402*	Oil Search (PNG) Ltd	27-Mar-12	26-Mar-18
PPL 413	Bismarck Oil Company Ltd	19-Jan-17	18-Jan-23
PPL 414*	Bismarck Oil Company Ltd	19-Jan-17	18-Jan-23
PPL 426*	Talisman	19-Oct-12	18-Oct-18
PPL 430	Ketu Petroleum Ltd	25-Jul-13	24-Jul-19
PPL 437	Kina Petroleum Ltd	19-Feb-13	18-Feb-19
PPL 442	Kengaku Petroleum Ltd	31-Jan-14	30-Jan-20
PPL 444	Kengaku Petroleum Ltd	31-Jan-14	30-Jan-20
PPL 452	Hillsborough Ltd	11-Feb-14	10-Feb-20
PPL 461	Sabrage Ltd	30-Jul-14	29-Jul-20
PPL 462	Sabrage Ltd	30-Jul-14	29-Jul-20
PPL 470	PT Medcoenergi International TBK Ltd	11-Dec-13	13-Jan-20
PPL 474	SPI (210) Ltd	06-Mar-14	05-Mar-20
PPL 475	SPI (220) Ltd	06-Mar-14	05-Mar-20
PPL 476	SPI (208) Ltd	06-Mar-14	05-Mar-20
PPL 486	Telemu No. 18 Ltd	16-Jun-14	15-Jun-20
PPL 487	Oil Search Ltd	30-Nov-16	28-Nov-22
PPL 504	Oil Search (PNG) Ltd	31-Jan-17	30-Jan-23
PPL 507	Oil Search (PNG) Ltd	20-Feb-17	19-Feb-23
PPL 515	Hillsborough Ltd	14-Sep-15	13-Sep-21
PPL 516	Hillsborough Ltd	14-Sep-15	13-Sep-21
PPL 523	Igiri Petroleum Ltd	31-Aug-15	30-Aug-21
PPL 528	Deutsche Group Ltd	14-Sep-15	13-Sep-21
PPL 532	Igiri Petroleum Ltd	31-Aug-15	30-Aug-21
PPL 537	Twhite Petroleum Pty Ltd	14-Sep-15	13-Sep-21
PPL 538	Twhite Petroleum Pty Ltd	14-Sep-15	13-Sep-21
PPL 545	Oil Search (PNG) Ltd	31-Aug-17	30-Aug-23

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	
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ACTIVE PPL LICENSES 2018			
License	Licensee	Grant date	Expiry date
PPL 548	Oil Search (PNG) Ltd	31-Oct-17	30-Oct-17
PPL 549	Dondonald Ltd	27-May-16	26-May-22
PPL 560	Dondonald Ltd	30-Nov-16	29-Nov-22
PPL 563	Hillsborough Ltd	28-Oct-15	27-Oct-21
PPL 564	Hillsborough Ltd	28-Oct-15	27-Oct-21
PPL 565	South Pacific (PNG) Investment Ltd	24-Dec-15	23-Dec-21
PPL 566	Twhite Petroleum Ltd	24-Dec-15	28-Jan-21
PPL 571	Geoforce Drilling Ltd	30-Nov-16	29-Nov-22
PPL 574	Eaglewood Energy (BVI) Ltd	30-Nov-16	29-Nov-22
PPL 576	Total E&P PNG-2 B.V	30-Nov-16	29-Nov-22
PPL 578	PNG Prime Energy Ltd	31-Mar-17	30-Mar-23
PPL 579	Larus Energy	31-Mar-17	30-Mar-23
PPL 581	Kina Petroleum Ltd	31-Jan-17	30-Jan-23
PPL 589	Total E&P PNG-2 B.V	31-Oct-17	30-Oct-23
PPL 595	Oil Search (PNG) Ltd	31-Aug-17	30-Aug-23
PPL 596	Kina Petroleum Ltd	31-Mar-17	30-Mar-23
PPL 597	Kina Petroleum Ltd	31-Mar-17	30-Mar-22
PPL 598	Kina Petroleum Ltd	31-Mar-17	30-Mar-23
PPL 600	Esso PNG Robin Ltd	26-Sep-18	25-Sep-24
PPL 610	Kapul Petroleum Ltd	31-Jul-18	30-Jul-24

APPLICATIONS FOR A PPL (APPL)			
License	Licensee	Lodged date	
APPL 635	United Pacific Drilling (PNG) Ltd	16-Mar-18	
APPL 636	Ecoscope Pty Ltd	03-Aug-18	
APPL 637	Ecoscope Pty Ltd	03-Aug-18	
APPL 638	Granite Services Ltd	09-Aug-18	
APPL 639	Granite Services Ltd	09-Aug-18	
APPL 641	Oil Search (PNG) Ltd	28-Sep-18	
APPL 642	Kina Petroleum Ltd	28-Sep-18	
APPL 643	Gini Petroleum & Gas Ltd	13-Sep-18	
APPL 648	Ratio Petroleum Ltd	09-Sep-18	

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
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APPLICATIONS FOR A PPL (APPL)			
License	Licensee	Lodged date	
APPL 645	Sino Industrial Energy	26-Jul-18	
APPL 646	Sino Industrial Energy	26-Jul-18	
APPL 647	Sino Industrial Energy	26-Jul-18	
APPL 651	Peak Oil (PNG) Pty Ltd	14-Dec-18	
PPL LICENCES EXPIRED			
License	Licensee	Expiry Date	Extension Date
PPL 396	Hornby Energy Ltd	16-Mar-12	15-Mar-18
PPL 397	Penant Resources Ltd	16-Mar-12	15-Mar-18
PPL 435	Kina Petroleum Ltd	24-Jul-18	24-Jul-18
PPL 436	Kina Petroleum Ltd	29-Nov-18	29-Nov-18
PPL 396	Hornby Energy Ltd	16-Mar-12	15-Mar-18
PPL LICENCES SURRENDERED			
License	Licensee	Grant Date	Surrender Date
PPL 464	Esso PNG Swift Ltd	18-Aug-14	26-Sep-18
PPL 477	S.P.I (208) Ltd	6-Mar-14	26-Sep-18
PPL 405	Gini Energy Ltd	08-May-12	11-Oct-18

Petroleum Processing Facility License (PPFL)

ACTIVE PPFL LICENCES 2018			
License	Company		
PPFL01	Puma Energy PNG Refining Ltd		
PPFL02	Esso Highlands Ltd		

Pipeline Licenses (PL)

ACTIVE PL LICENCES 2018			
License	Licensee	Grant Date	Expiry Date
PL 01	Oil Search (Tumbudu) Pty Ltd	27-Sep-90	
PL 02	Oil Search (PNG) Ltd	10-Dec-15	09-Dec-35
PL 03	Oil Search (PNG) Ltd	24-Dec-96	
PL 04	Esso Highlands Ltd	08-Dec-09	07-Dec-34
PL 05	Esso Highlands Ltd	08-Dec-09	07-Dec-34
PL 06	Esso Highlands Ltd	08-Dec-09	07-Dec-34

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	 Appendices
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ACTIVE PL LICENSES 2018			
License	Licensee	Grant Date	Expiry Date
PL 07	Esso Highlands Ltd	08-Dec-09	07-Dec-34
PL 08	Esso Highlands Ltd	08-Dec-09	07-Dec-24
PL 10	Horizon Oil (Papua) Ltd	30-May-14	29-May-39
PL 01	Oil Search (Tumbudu) Pty Ltd	27-Sep-90	
APPLICATIONS FOR A PIPELINE LICENCES (APL)			
License	Licensee	Lodged date	
APL 14	Pacific Energy (PNG) Aviation Ltd	14-Dec-17	

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
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License Transfers

LICENSE TRANSFERS 2018			
License	Licensee	Date Transferred	
PPL528	[1]PPL528, Deutsche Group Ltd (Transferor) and Valkyrio No.94 Ltd (Transferee),	15 Nov 18	
PRL28	[1] Eaglewood Energy (BVI) Ltd; [2] Repsol Oil & Gas Niugini Ltd, [3] Mega Fortune International (collectively the TRANSFERORS) and [1] Eaglewood Energy (BVI) Ltd [2] Repsol Oil & Gas Niugini Ltd, [3] Mega Fortune International; Kumul Gas Niugini B.V. (the TRANSFEREES)	31 Jul 18	
PRL40	[1] Foreland Oil Ltd ("Repsol") ; [2] Diamond Gas Niugini B.V ("Kumul") ; (collectively the "TRANSFERORS") and [1] Repsol [2] Kumul [3] Eaglewood Energy (BVI) Ltd (the TRANSFEREES")	31 Jul 18	

Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
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Appendix E Receiving entities for mining royalty payments – as reported by MRA

Simberi	
Receiving entity	Amount reported paid 2018 (PGK)
Simberi Land Owners	Not provided by MRA, however, refer to Chapter 6 for Company reported payments
Total	

Hidden Valley	
Receiving entity	Amount reported paid 2018 (PGK)
Affected River Communities	
Buang LLG	
Bulolo District Treasury	
Kwembu	
Morobe Provincial Government	
Mumeng LLG	
Nakuwi Future Generations	
Nakuwi Landowners	Not provided by MRA however, refer to Chapter 6 for Company reported payments
Nauti	
Settler Communities	
Subsidiary Communities	
Wafi Landowner Association	
Waria LLG	
Watut LLG	
Wau/Bulolo Urban LLG	
Wau/Rural LLG	
Winima	
Total	

Porgera	
Receiving entity	Amount reported paid 2018 (PGK)
Enga Provincial Government	
Porgera Development	Not provided by MRA, however, refer to Chapter 6 for Company reported payments
SML Landowners	

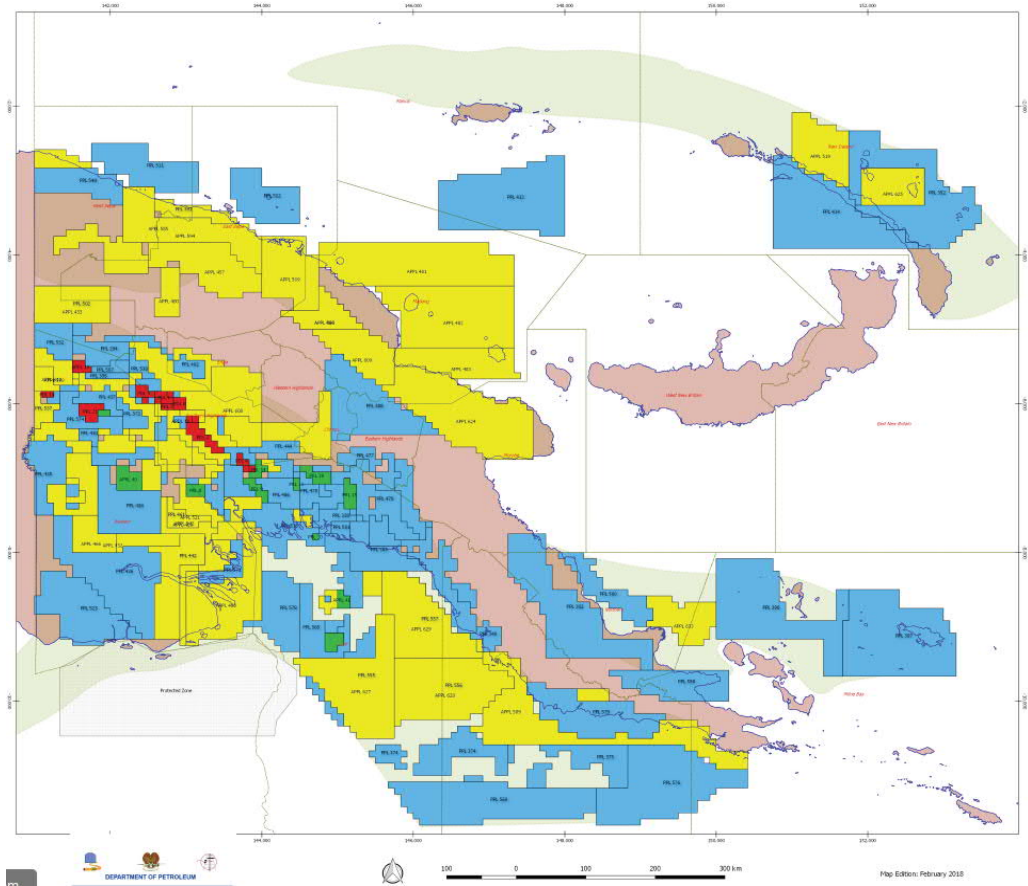
Introduction	Reporting entities and revenue streams	Contribution of extractive industries to the economy	Legal framework and fiscal regime	Management and distribution of revenues	Social and subnational payments	Mining	Oil and gas	State-owned enterprises	Reconciliation of revenue streams	Findings and recommendations	Appendices
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Porgera	
Receiving entity	Amount reported paid 2018 (PGK)
SML Children's Trust	
Porgera Landowners Association	
Porgera Young Adults	
Total	

Lihir	
Receiving entity	Amount reported paid 2018 (PGK)
Block Owners	
New Ireland Pro	Not provided by MRA, however, refer to Chapter 6 for Company reported payments
NILLG	
Total	

Ok Tedi	
Receiving entity	Amount reported paid 2018 (PGK)
Atemkit Landowners	
Bultem Landowners	
Finalbin Landowners	
Fly River Provin	Not provided by MRA, however, refer to Chapter 6 for Company reported payments
Kavorabip Land	
Migalsibip Landowners	
LLG - Ok Tedi Landowners (MOA) Admin Fund	
LLG - Ok Tedi Landowners Royalty Trust Fund	
Wangbin Landowners	
Total	

Appendix F Map of petroleum tenements



Identifying Information	Ownership
APL 101	Protona (100%)
APL 102	Protona (100%)
APL 103	Protona (100%)
APL 104	Protona (100%)
APL 105	Protona (100%)
APL 106	Protona (100%)
APL 107	Protona (100%)
APL 108	Protona (100%)
APL 109	Protona (100%)
APL 110	Protona (100%)
APL 111	Protona (100%)
APL 112	Protona (100%)
APL 113	Protona (100%)
APL 114	Protona (100%)
APL 115	Protona (100%)
APL 116	Protona (100%)
APL 117	Protona (100%)
APL 118	Protona (100%)
APL 119	Protona (100%)
APL 120	Protona (100%)
APL 121	Protona (100%)
APL 122	Protona (100%)
APL 123	Protona (100%)
APL 124	Protona (100%)
APL 125	Protona (100%)
APL 126	Protona (100%)
APL 127	Protona (100%)
APL 128	Protona (100%)
APL 129	Protona (100%)
APL 130	Protona (100%)
APL 131	Protona (100%)
APL 132	Protona (100%)
APL 133	Protona (100%)
APL 134	Protona (100%)
APL 135	Protona (100%)
APL 136	Protona (100%)
APL 137	Protona (100%)
APL 138	Protona (100%)
APL 139	Protona (100%)
APL 140	Protona (100%)
APL 141	Protona (100%)
APL 142	Protona (100%)
APL 143	Protona (100%)
APL 144	Protona (100%)
APL 145	Protona (100%)
APL 146	Protona (100%)
APL 147	Protona (100%)
APL 148	Protona (100%)
APL 149	Protona (100%)
APL 150	Protona (100%)
APL 151	Protona (100%)
APL 152	Protona (100%)
APL 153	Protona (100%)
APL 154	Protona (100%)
APL 155	Protona (100%)
APL 156	Protona (100%)
APL 157	Protona (100%)
APL 158	Protona (100%)
APL 159	Protona (100%)
APL 160	Protona (100%)
APL 161	Protona (100%)
APL 162	Protona (100%)
APL 163	Protona (100%)
APL 164	Protona (100%)
APL 165	Protona (100%)
APL 166	Protona (100%)
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