



Remarks by Prime Minister Rt. Hon. Grand Chief, Sir Michael Somare
On the Occasion of the

PNG LNG Project Sanction Inauguration

8 December 2009, Parliament House

I wish to extend a warm welcome to our three special guests, Jack Williams from ExxonMobil; Peter Botten from Oil Search and David Knox from Santos – the major partners in the LNG project.

We are here today to sanction the PNG LNG Project because of the strong and unwavering support you have given this project.

For this, the Government and people of Papua New Guinea are grateful.

I commend my Minister for Treasury and Finance, Hon. Patrick Pruaitch, who has played a key role in nurturing this project along in his capacity as the chair of the Ministerial Economic Committee.

The Hon. Anderson Agiru has also played an important role in this project.

As Governor for Southern Highlands, he has ensured that his provincial government - home of the project's gas resources - took its rightful place in this development.

He has been a strong advocate for improved royalty and equity benefits that will flow directly and indirectly to our landowners.

As Prime Minister, it was pleasing to see the strong leadership at all levels that has helped drive this project forward.

Major players in the project have always acted on the premise that there were no insurmountable hurdles.

The project, led by ExxonMobil with strong support from its partners, plunged headlong into a 17-month front end engineering and design (FEED) study immediately after the Government signed the Gas Agreement in May last year.

This has obviously been an exhaustive study.

An outlay of about US\$500 million (about K1.26 billion) was needed during this phase for complex studies to identify the best route for a 700-km gas pipeline, a suitable location for an LNG plant, and shipping facilities.

Other experts looked into detailed costings.

Others carried out site investigations and social mapping to determine the exact numbers of people in the project footprint area that would be entitled to direct benefits.

Besides site works in PNG, experts have been involved in technical, financial and marketing issues in Japan, Australia and the United States.

These exhaustive studies have given all the project participants, including the National Government, full confidence that this is a credible world class project that will do any nation proud.

I am confident that the potential to become the world's 17th LNG exporting nation will bring with it unprecedented opportunities for economic growth and national development.

Ladies and gentlemen,

Since we signed the PNG Gas Agreement, ExxonMobil and its project partners have shown full confidence in the ability of the PNG Government to meet important development milestones.

This included the task of gaining landowner support for this venture.

PNG's international standing has improved significantly in recent years, particularly in world financial markets.

To some extent, this has occurred because of the confidence shown by ExxonMobil and its partners in this project.

Ladies and gentlemen,

When the National Government signed the Umbrella Benefits Sharing Agreement (UBSA) with project area landowners six months ago, the PNG LNG Project consortium was able to commit more than K1 billion to 'early works.'

This vote of confidence in the project was made while negotiations for LNG sales contracts and project loan finance were in an advanced state.

Today's 'project sanction' ceremony provides full vindication for the hard work and determination put in by many people, including Managing Director of Esso Highlands, Peter Graham, and Oil Search's Peter Botten.

I am particularly pleased that Oil Search has been a valued partner with this government in our collective efforts to seek out varied development opportunities for the nation's gas resources.

Until today, my government has largely focused on getting this project across the line.

Now that we have achieved this goal, there are new challenges we need to meet head on.

Ladies and gentlemen,

Much has been said about our lack of capacity to handle a complex resources project of this magnitude.

Much of the essential equipment and expert personnel to build our first LNG plant will come from overseas.

To prepare ExxonMobil has made a big commitment to train our domestic workforce.

Two technical centres are being built in Port Moresby and at Juni in Southern Highlands.

A third centre will be built near the proposed LNG plant site.

Ladies and gentlemen,

I am certain that when ExxonMobil decides to put in a third LNG train - already the subject of ongoing studies - there will be many more nationals capable of taking on highly skilled jobs.

Our workforce will be even better prepared when the second and third LNG projects are ready for development, as currently outlined by InterOil and Canada's Talisman respectively.

The Government will now have to turn its attention to trying to maximize the gains that can be realized during the US\$15 billion (K37.9 billion) construction phase.

The vision put forward by ExxonMobil - along with complementary tasks undertaken by my government - will underwrite very significant infrastructure improvements.

Among these will be a highway linking Kikori to the gas fields in Southern Highlands, a major airport at Komo in Southern Highlands, the upgrading of many bridges along the Highlands Highway, and a dedicated LNG export facility near Port Moresby.

Ladies and gentlemen,

The construction sector has added many thousands of formal sector jobs in recent years.

The LNG Project will ensure construction activity will remain at record levels for several more years to come.

The Government will also ensure that we better manage the future revenue flows from the LNG Project.

This will be done in a manner that helps underwrite improved service delivery so all our children have access to better education, health and other services.

In order to do this, the PNG Government - with technical assistance from the Australian Government - intends to set up a sovereign fund that will invest dividends from the Government's equity in the project.

It is our intention that income from the sovereign fund will be used through the Development Budget to improve our national roads and social infrastructure.

The sovereign fund will also help to underwrite longer term development as a sustainable source of government revenue.

To conclude, I wish to congratulate ExxonMobil and its project partners for approving 'project sanction.'

The National Government is happy to be an equity partner in this major enterprise.

Over the next 30 years, the LNG Project will pave the way for a brighter future for all Papua New Guineans.

This is a perfect note on which to wish each and everyone a Merry Christmas and a prosperous New Year.