



# Papua New Guinea Extractive Industries Transparency Initiative

Implementation of the Extractive Industries Transparency Initiative  
(EITI) – Why is it important to Papua New Guinea?

CIMC DEVELOPMENT FORUM

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CROWN PLAZA HOTEL

# OUTLINE

- BACKGROUND
- WHY IMPLEMENT THE EITI?
- WHO IS RESPONSIBLE TO IMPLEMENT EITI?
- The EITI REPORTS
- WHY EITI IMPLEMENTATION IS IMPORTANT TO PNG?
- CHALLENGES AND OPPORTUNITIES

# BACKGROUND

## What is EITI?

- Extractive Industries Transparency Initiative (EITI) is a **global Standard** implemented by 51 countries to promote open and accountable management of natural resources.
- There are 7 requirements that each country must implement to become a member

## EITI Standard – what does it address?

- **Transparency** – information about extractive industries revenue is released through an annual report.
- **Accountability** – there is collaboration between government, extractive companies and civil society working together to bring about accountability in payments and receipts.

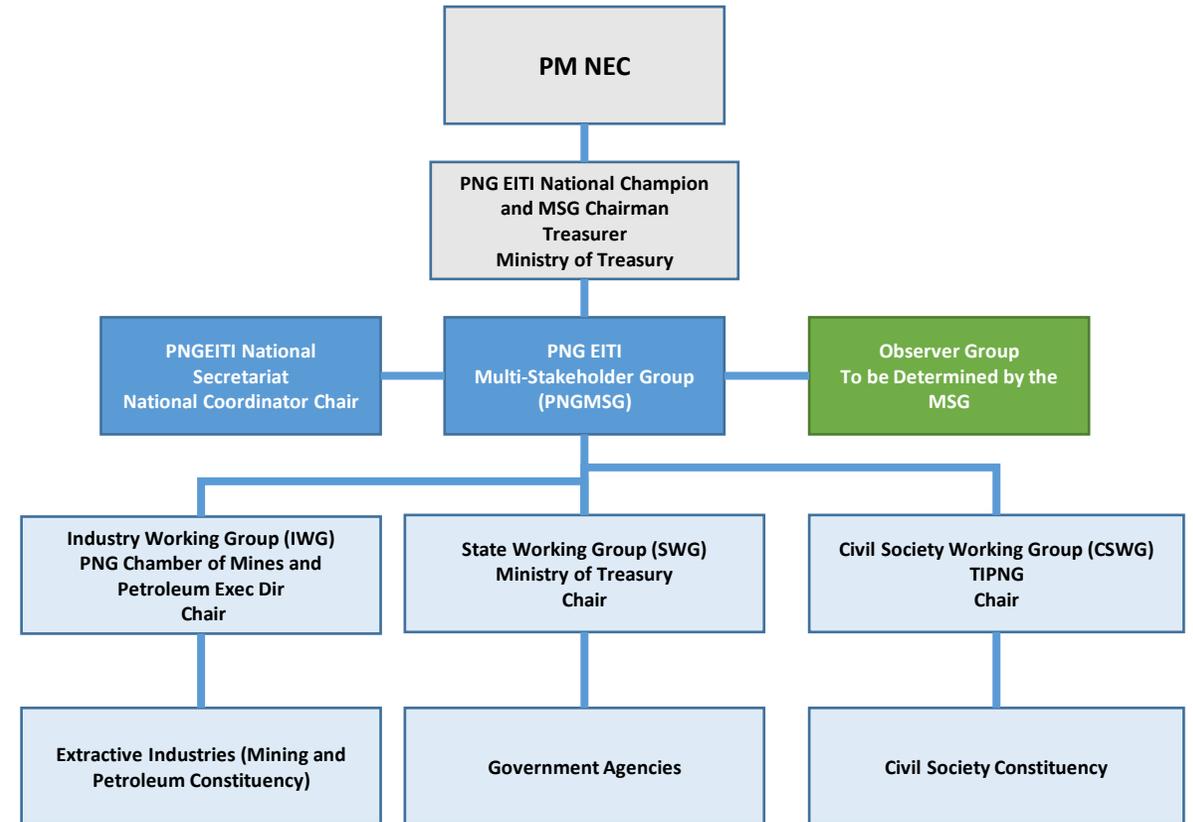
# EITI Requirements

1. Effective Oversight of the multi stakeholder group.
2. Timely Production of the EITI Reports.
3. EITI Reports that include contextual information about the extractive industries.
4. The production of comprehensive EITI Reports that include full government disclosure of extractive industry revenues, and disclosure of all material payments to government by oil, gas and mining companies.
5. A credible assurance process applying international standards.
6. EITI Reports that are comprehensible, actively promoted, publicly accessible, and contribute to public debate.
7. The multi-stakeholder group to take steps to act on lessons learned and review the outcomes and impact of EITI implementation

# PNGEITI - WHO IS RESPONSIBLE?

## Multi Stakeholder Group (MSG)

- Responsible for the implementation of EITI in PNG
- Comprised 7 members each from government agencies, oil, gas & mining companies and civil society organisations
- Treasurer is the Minister responsible and Chair of MSG
- The MSG is supported by the National Secretariat (NS)
- NS is responsible for the day-to-day implementation of EITI through PNGEITI Work Plan





# PNGEITI IMPLEMENTATION TO DATE



- 2013 - NEC Decision made
- 2014 PNG is accepted as a candidate country
- 2015 PNGEITI National Secretariat established
- 2016 PNG published its First Report for FY 2013
- 2017 PNG published its Second Report for FY 2014
- 2017 NEC Policy Decision 91/2017 for implementation of 2013 Report Recommendation
- 2017 Preparation for publication of FY2015 and 2016 Reports
- 2018 PNG's scheduled to be validated for compliant status



- ✓ CONTRACTS AND LICENSES
- ✓ BENEFICIAL OWNERSHIP
- ✓ PRODUCTION DATA
- ✓ COMMODITY TRADING
- ✓ REVENUE AND ALLOCATION
- ✓ SOCIAL AND ECONOMIC CONTRIBUTION

# TAX REVENUE STREAMS

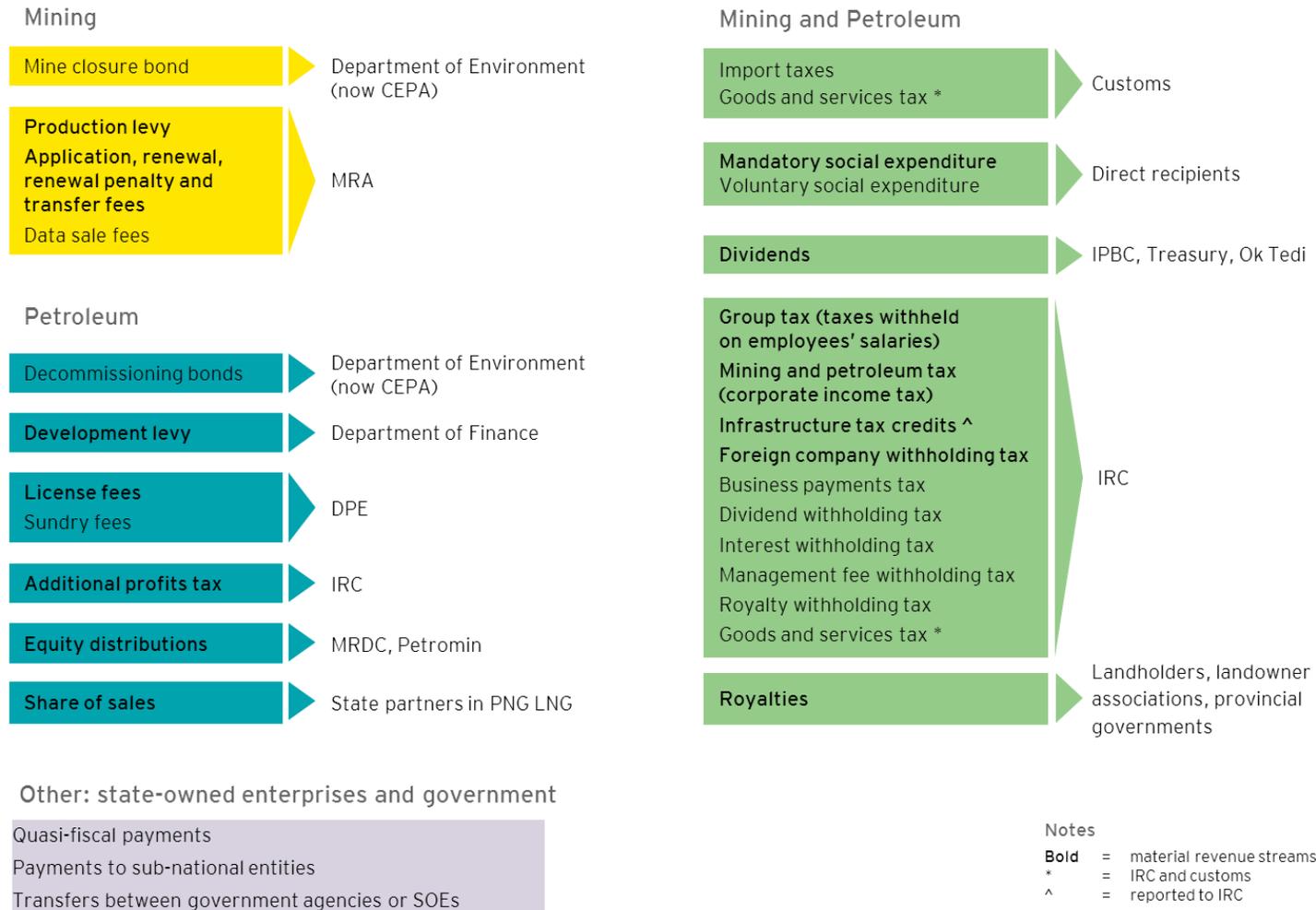


Figure 7: Revenue streams from the extractive sector, together with receiving entity

# Contribution of Extractives to the economy

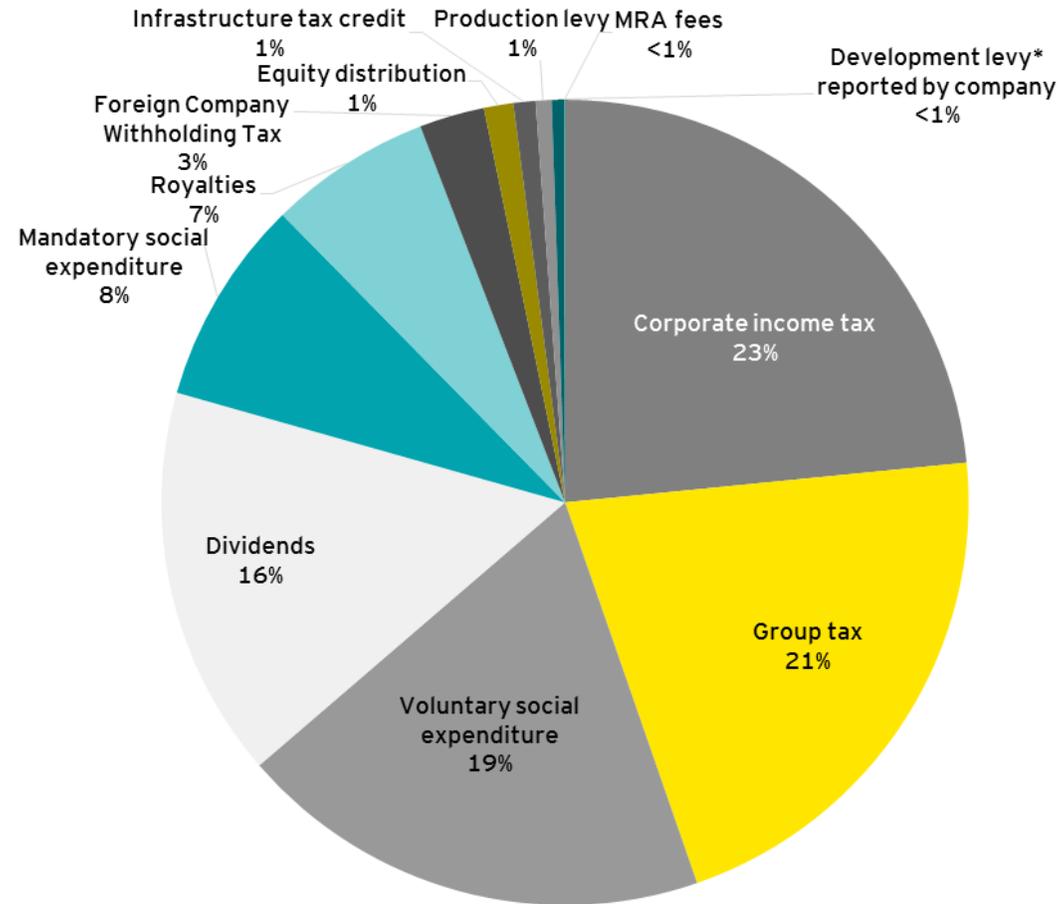


Figure 8: Revenue streams by percentage contribution

# Reporting Entities

MINING COMPANIES	OIL AND GAS COMPANIES
<p>There were nine mining companies in production during the reporting period. These are (with relevant mine in parenthesis):</p> <ul style="list-style-type: none"> <li>▶ Ok Tedi Mining Ltd (Ok Tedi)</li> <li>▶ Barrick Gold (Porgera)</li> <li>▶ Lihir Gold Ltd (Lihir)</li> <li>▶ MCC Ramu NiCo Ltd (Ramu)</li> <li>▶ Newcrest and Harmony (Hidden Valley)</li> <li>▶ Petromin (Tolukuma)</li> <li>▶ Simberi Gold Co. Ltd (Simberi)</li> <li>▶ Niuminco (Edie Creek)</li> <li>▶ New Guinea Gold (Sinivit)*</li> </ul>	<p>Oil Search and ExxonMobil were the only operators of production licences that were producing oil or gas during the 2014 calendar year. Tax was also payable by the following companies (and their relevant subsidiaries) in respect of their equity stake in operations:</p> <ul style="list-style-type: none"> <li>▶ Santos</li> <li>▶ Nippon</li> <li>▶ Cue Energy (equity sold to NPCP in 2014)</li> <li>▶ Petromin</li> <li>▶ MRDC</li> </ul> <p>For most revenue streams identified in the report, only the operators are required to report. However, all of the partners in the unincorporated joint ventures for each of the producing PDLs must provide information on corporate income tax paid.</p>
STATE-OWNED ENTERPRISES (SOES)	GOVERNMENT DEPARTMENTS AND STATUTORY AUTHORITIES
<p>Five SOEs were required to report:</p> <ul style="list-style-type: none"> <li>▶ Independent Public Business Corporation (now Kumul Consolidated Holdings)</li> <li>▶ Mineral Resources Development Company Limited</li> <li>▶ National Petroleum Company of Papua New Guinea (now Kumul Petroleum Holdings)</li> <li>▶ Ok Tedi Mining Limited</li> <li>▶ Petromin (now Kumul Mineral Holdings)</li> </ul> <p>and their relevant subsidiaries.</p>	<p>The following government entities were required to report for the 2014 report:</p> <ul style="list-style-type: none"> <li>▶ Internal Revenue Commission</li> <li>▶ Minerals Resource Authority</li> <li>▶ Department of Treasury</li> <li>▶ Department of Finance</li> <li>▶ Department of Petroleum and Energy</li> <li>▶ Department of National Planning and Monitoring</li> </ul>



# WHY EITI IMPLEMENTATION IS IMPORTANT TO PNG?



- EITI provides a platform to increase transparency and accountability in the EI and compliments other anti-corruption initiatives
- MSG provides a platform for all stakeholders to address EI issues collectively
- EITI can be used as a diagnostic tool to assess the EI regulatory and fiscal regime
- Provide platform for citizens to debate and discuss the management of EI based on factual data
- Establishment of CSO peak group (natural resource governance coalition) should improve participation of CSO in the EITI implementation
- Improves PNG's investment profile (credit ratings, corruption index, etc)



# CHALLENGES AND OPPORTUNITIES



## Challenges:

- Working in partnership with a multi stakeholder on a consistent basis provides big challenge.
- Getting consistent political support
- Securing participation of all MSG members or required quorum
- Lack of capacity within the MSG on EI issues
- Communication of EITI
- Engagement of CSOs and public at large, lack of capacity and knowledge about EI
- Legal & administrative issues
- Securing political ownership and commitment to implement EITI Report recommendations



# CHALLENGES AND OPPORTUNITIES



## Opportunities:

- EITI provides a platform for better management of resource revenues
- PNG Government and resource owners to get the maximum benefits from resource exploitation
- Positive impact on PNG's efforts to improve transparency and accountability which will have positive scores on corruption perception and improve investment environment

# Way Forward

- Improved PNGEITI reports that fills reporting gaps and revenue leaks
- PNGEITI Legislation that ensures reporting entities to fully commit and comply to the EITI reporting Standard
- Subnational Payments and Transfers by sub provincial government entities.
- Beneficial Owners to be disclosed in the reports
- Project Contracts (partial disclosure)
- Open Data Policy that will ensure information is accessible to the public



# THANK YOU



**PNGEITI National Secretariat**  
**P.O Box 1907**  
**Port Moresby, NCD**  
**PHONE: 313 3772**  
**EMAIL: [info@pngeliti.org.pg](mailto:info@pngeliti.org.pg)**  
**WEBSITE: [www.pngeliti.org.pg](http://www.pngeliti.org.pg)**

