



## MINISTRY OF PUBLIC ENTERPRISES

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20111115 PS LNG Loan shortfall

### **Public statement**

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The Minister for Public Enterprises, Sir Mekere Morauta, announced today that NEC had approved a submission to raise up to K900 million to cover a shortfall in Papua New Guinea's funding of its share in the LNG project.

"The shortfall has arisen because of decisions by the previous Government and previous IPBC management when they borrowed \$A1.68 billion for our share," he said.

"The first was to borrow in Australian dollars when the LNG project equity required payment in US dollars, and the second was the bulk conversion of the Australian dollars into US dollars.

"If we do not raise the extra money, we risk having to sell some of our 19.4 per cent share of the project at less than market value, and suffer lower revenue streams when the project begins producing gas.

"It is essential for PNG to meet its financial commitments to the project. It is an opportunity of a lifetime, and we need to grasp it with both hands.

"If we as a nation are to reap the full benefits, then we must make sure we are able to pay for the State's full 16.6 per cent direct interest and the 2.8 per cent direct interest being bought on behalf of landowners.

"That is what the K900 million will be used for, plus some potential contingencies such as exchange rate movements."

Sir Mekere, who as former Opposition Leader questioned the way the original \$A1.68 billion was borrowed from Abu Dhabi by the former Government and management of IPBC, said his warnings about dangers and irregularities had proved to be right.

Treasury was completely shut out of the loan negotiations, he said, and this was a major cause of the problems that arose, and the need to borrow a further K900 million.

The former Minister and the former IPBC management were not competent to arrange the loan, and they were not competent to arrange the conversion into Australian dollars.

"In the end, their confusion and lack of financial expertise has cost every Papua New Guinean K136 each," he said.

A strategic review of the loan had revealed the shortfall and other issues with the loan. Further inquiries are continuing.

The K900 million will be raised relatively quickly on the domestic market, starting next month. Studies have shown that there is excess liquidity in the economy and that potential investors are available.

Despite knowing of the shortfall for a number of years, former IPBC management did nothing about it. The extra money is being raised now in readiness for project cash calls early next year.

The 2012 Appropriation Act of Parliament (2012 Budget) will authorise the raising of the K900 million.

**Mekere Morauta KCMG MP**  
Minister for Public Enterprises