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The Minister for Public Enterprises, Sir Mekere Morauta, said today the O'Neill-Namah Government's decision to restructure the NPCP had been made in the national interest.

"A number of questions have been asked about NEC's decision, and I am happy to respond to them," he said.

"The first thing to say is that there has been no change of ownership of the shares in the LNG project belonging to the State and to the landowners.

"They remain held in trust within IPBC by NPCP (formerly Kroton) on behalf of the State and the landowners.

"All that has been changed is the management structure of NPCP/Kroton, to make it simpler, more efficient and ultimately cheaper for the State and landowners.

"That will clearly benefit both the State and Landowners."

Questions to the Minister for State Enterprise :

1. Why has he decided to have a Shell Company when it needs to function like a Joint Venture Partner in what is the largest investment that PNG has ever made?
The purpose of IPBC, including NPCP/Kroton, is only to hold state assets. It is not an operating company. All it does is distribute the dividends from the equity – to the State and to the landowners. If the landowners want to enter into a joint venture they can do so through Petromin, or MRDC or a private company.
2. How will the shell company manage cash calls, monitor the Project progress, do the analysis of various legal, commercial and technical complexities of the Project during the construction and into production phases of the Project?
IPBC will employ the best technical team to manage cash calls, monitor the project and analyse the legal, commercial and technical complexities. The technical team will continue to attend joint-venture meetings, along with expert DPE staff. Cash calls are currently paid by IPBC and this will continue.
3. Are we just going to be watching and accepting what foreign companies tell us on the various aspects of the projects or we will develop our own skills in oil and gas?
As above. Also, it is not the best use of human resources to have expert staff spread across NPCP/Kroton, Petromin, DPE and MRDC.
4. What happens to the Landowners 25.75% equity in the Kroton equity?
Nothing happens to the landowners' equity. It remains with the NPCP/Kroton shell company. Under this decision, we have cut out the middle-man between IPBC and landowners. Landowners will not have huge fees deducted from their dividends by NPCP/Kroton.

For example, for next year NPCP/Kroton has demanded a budget of K75 million. Landowners would have had to pay their share of this.

5. Why has IBPC or the State Enterprise Minister not consulted us Landowners? It makes us wonder whether there was wider consultation amongst the other Ministers and whether it was endorsed by the Prime Minister?

The decision was necessary under the planned legislation for the Sovereign Wealth Fund. The SWF NEC submission was jointly sponsored by the Prime Minister, along with myself and the Treasurer. The Prime Minister approved the decision to restructure NPCP/Kroton. All other Cabinet Ministers were consulted on the decision at NEC.

6. Was this decision done in consultation with the other State agencies like DPE, the developer of the LNG Project etc ?

The submission was jointly sponsored by the Minister for Public Enterprises and the Minister for Petroleum and Energy. Treasury was also consulted. DPE has been consulted about taking over NPCP's community affairs staff. The decision to restructure NPCP/Kroton will also help reduce the industry confusion surrounding the creation and operations and responsibilities of NPCP/Kroton, Petromin and the proposed Petroleum Resources Authority. This makes things simpler, more efficient and less expensive for everyone.

7. In light of national interests, we wonder who IPBC and Sir Mekere's advisers are. Certainly this decision as reported by the Minister for State Enterprises does not look into the big picture in terms of PNG's national interest.

I am advised by IPBC, Government departments and institutions and independent consultants. I consult the Prime Minister and other Ministers. I always act in the national interest and in this case in the interest of landowners. Consolidating the vehicles used for PNG participation in resource projects means that we can use PNG skills and financial resources more efficiently to get a better deal for all Papua New Guineans. That is what the national interest is all about.

8. Why is the current draft Organic law on Sovereign Wealth Fund (SWF) silent on a nominated or designated state entity as the vehicle for managing the state's interests in PNG LNG Project? Are the current media statements by Sir Mekere and IPBC deliberating endorsing the demise of NPCP (Kroton)? Notwithstanding the current SWF draft legislation, we landowners are interested to know the link between the nominated state entity, the development funds and our share of Kroton equity.

The Organic Law is about the management of revenue. It is not about the management of equity. The nominated entity under the IPBC Act and the LNG Project Loan Agreement is NPCP/Kroton. The loan Agreement is a binding legal agreement signed by the former Somare Government and may not be changed. The equity and the landowners' equity remain exactly where it has always been, and managed by the people it has always been managed by. NPCP/Kroton has been restructured because it was wasting state money and landowner money by duplicating activities that could be carried out by others, for example DPE and Petromin.