



PNG EXTRACTIVE INDUSTRIES  
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NATIONAL SECRETARIAT



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**MINUTES OF THIRD QUARTER MSG MEETING (MEETING #3/2019)**

**FRIDAY 11<sup>TH</sup> OCTOBER, 2019**

**10:20 AM – 12:25 PM**

**LEVEL 8 CONFERENCE ROOM, TREASURY BUILDING**

**IN-ATTENDANCE**

**GOVERNMENT**

- Albert Kenny – Internal Revenue Commission (IRC)
- Maggie Buf – Internal Revenue Commission (IRC)
- Arnold Lakamanga – Mineral Resources Authority (MRA)
- Bridgitte Turalir – Department of Treasury (DoT)
- Channau Kumalau – Department of Petroleum (DoP)
- Cletus Bomai – Department of Petroleum (DoP)
- Samuel Tobung – Department of Petroleum (DoP)
- Jomentha Waisa – Department of Petroleum (DoP)

**INDUSTRY**

- Prof. Albert Mellam – Chamber of Mines & Petroleum
- Leah Morlin – Chamber of Mines & Petroleum
- Kepas Wali – Harmony Gold
- Robert Aisi – ExxonMobil PNG (EMPNG)

**CIVIL SOCIETY ORGANISATIONS**

- Paul Barker – Institute of National Affairs (INA)
- Yuambari Haihuie – Transparency International PNG (TIPNG)
- Henry Yamo – Consultative Implementation Monitoring Council (CIMC)
- Patrick Lombaia – PNG Mine Watch

**OBSERVERS/CONSULTANTS/DEVELOPMENT PARTNERS**

- Mathew Savage – Ernst & Young
- Leonard Catalon – Ernst & Young
- Cayllan Boeha – KPMG
- Fiona Silo – JICA
- Yoshio Chikamatsu – JICA
- Toyohiko Yogo – JICA

## **NATIONAL SECRETARIAT**

- Lucas Alkan
- Christopher Tabel
- Vaieke Vani
- Francis Diakon
- Swartz Buf
- Oliver Maingu
- Sonia Kenu-Becks
- Delka Kemba Rinny

## **APOLOGIES**

- Manu Momo – Department of Treasury
- Donald Hehona – Department of Treasury

### **1. WELCOME & INTRODUCTION**

Mr Arnold Lakamanga from the Mineral Resources Authority (MRA), as the Acting Chair welcomed MSG members to the Third Quarter Meeting and the meeting commenced at 10:20 am.

### **2. REVIEW OF MATTERS ARISING FROM MEETING # 02/2019**

The Acting Chair allowed some time for members to review the Second Quarter Meeting minutes and there being no comments on the minutes, these were accepted as true records of that meeting.

### **3. PROJECT UPDATES**

#### **3.1 Progress on FY2018 PNGEITI Report**

Ernst & Young as the Independent Administrator (IA) gave an update on the progress of the FY2018 PNGEITI Report as follows:

- (a) Preliminary Analysis
  - Scoping report – completed
  - Inception report – completed
- (b) Data Collection
  - Send out data templates – completed
  - Conduct training sessions – completed
  - Receive data reporting templates - Overdue, not all have submitted. The IA indicated that they have contacted the entities and were assured that they would complete the templates and submit.
- (c) Initial Reconciliation – this had not started yet. The IA informed that reconciliation exercise would commence upon receiving completed templates from government entities.
- (d) Investigation of Discrepancies – this was not yet due.
- (e) Final Report – this was not yet due.

Acting Chair informed that Tolukuma Mining Ltd would not be reporting because they have not been producing for the last 2 years.

The IA also briefed on the validation corrective areas being addressed in the 2018 Report. The IA indicated that for 2017 and 2018 reports, templates were updated to improve the quality of the information and also to comply with inadequate assessment from the 2016 validation report. On license allocation, the IA had allowed for more detailed information to be collected in the 2017 and 2018 reporting templates.

For production data, the template had requested the same information from reporting entities and it was all in the report. The IA stated that the comprehensiveness of data was also being captured, and the main change in the template was on subnational payments. Whilst subnational payments would be a unilateral disclosure, the IA intended to reconcile the revenues in the next reporting. More details were included on where the sub-national payments went, who the recipients were, the kind of payments they were receiving, whether these were in-cash or in-kind, and the sector in which these payments were going into. It was pointed out that the 2018 reporting template had requested a lot more detailed information than in previous reports.

National Secretariat highlighted couple of outstanding issues for MSG's attention as follows.

- Contract Transparency – The Secretariat had written to the State Solicitor seeking clearance for disclosure of project agreements and MoUs for mining and petroleum projects. State Solicitor responded in a letter (copy was circulated) that there was no issue with disclosing MoUs for mining projects because these documents were with MRA. However, for project agreements, the Mining Act provisions did not allow for public disclosure. It was pointed out that this issue was still outstanding for the MSG to discuss and agree on a way forward to address this legal constraint that has been preventing disclosure of mining project agreements.
- Disclosure of GloCo (PNG LNG Global Company) Operations - Exxon Mobil as a major joint venture partner and operator of the PNG LNG Project was required to report to PNGEITI on its operations. KPHL was also required to report on the government's equity share in the project. GloCo managed and did marketing and sales on behalf of the JV Partners and needed to be included in the EITI reporting process for transparency purpose. It was an outstanding issue that the MSG needed to discuss openly and to come up with an understanding. It was hoped that ExxonMobil, KPHL and other JV Partners would take this up at the MSG level to address the issue going forward.

Acting Chair acknowledged the points raised by the National Secretariat for MSG's attention. MRA had no problem disclosing mining project MOUs but was waiting for clearance from the State Solicitor's office.

On GloCo and disclosure of mining and petroleum project agreements, it was understood that the State signed agreements with resource developers however, the State was not allowed to disclose the information publicly without the other party (project developer or operator) agreeing. The National Secretariat would pursue this matter, especially the opaque operation of GloCo and the petroleum project agreements with Oil Search, KPHL, and ExxonMobil.

ExxonMobil PNG pointed out that most of the Joint Venture partners like ExxonMobil, had a process of reporting. The chair's suggestion for further discussion with concerned entities was welcomed. The process could continue, particularly with the petroleum side of the industry and the PNG Chamber of Mines and Petroleum could also assist with that.

Acting Chair suggested for the National Secretariat to continue discussing with Oil Search, ExxonMobil and KPHL. It was understood that the National Secretariat could only play a facilitative role because these issues have been outstanding for some time in the reports that have been published. The MSG needed to discuss and address these challenges or to arrive at some understanding.

### **Resolutions:**

- (i) *It was agreed that the National Secretariat would assist the IA to follow up on all non-responding reporting entities to collect their completed templates.*
- (ii) *It was resolved that the National Secretariat would facilitate discussions with Oil Search, KPHL and ExxonMobil on GloCo operations for transparency purpose.*
- (iii) *It was resolved that National Secretariat will facilitate contract transparency with MRA on mining project agreements and oil and gas companies on project contracts/agreements disclosure or partial disclosure.*

### **3.2 Progress on Beneficial Ownership (BO) Roadmap Implementation**

- Completion Report for phase 2 of project

KPMG as the BO Roadmap Implementation Manager informed the MSG that several key activities were undertaken in phase 2 of the project. These included the development of a BO pilot disclosure form and piloting of 10 reporting entities using the form. Through the piloting exercise, they were able to capture some basic BO information.

Currently, the form could not be used as it required legislative amendments to the existing laws administered by the IPA. KPMG has had consultations with IPA to consider these legislative amendments.

National Secretariat informed that the form was actually developed from the template issued by the EITI International Secretariat. KPMG and the National Secretariat customised the template (with approval from the MSG) for our use in capturing BO information that were not included in the current company registration forms used by the IPA. However, the inclusion of BO information in the current company registration form were deemed illegal and the revised form could not be used by the IPA. Amending legislation was a lengthy process and at the moment reporting entities were voluntarily providing the information. This option could continue for the meantime while such time legislative amendments were made. The information obtained by KPMG from the pilot exercise would be included in the FY2018 PNGEITI Report and this practice would continue for future reports while waiting for legislative amendments to be made.

Throughout the contract period KPMG faced the following challenges:

- Difficulty in accessing information on beneficial ownership from extractive entities because of confidentiality clauses in the existing legislations and the fact that some entities were foreign owned and were governed under the laws of foreign jurisdictions;
- Poor data record keeping by reporting entities that proved difficult; and
- Lack of technical skills or financial capacity of officials at the sub-national level including landowners to be able to communicate and acquire information.

The MSG took note of the update as presented and the challenges encountered in the BO Roadmap Implementation. They urged the National Secretariat to continue working with KPMG to address some of these challenges.

### **3.3 Subnational payments and transfers project**

National Secretariat informed that the implementation of recommendations from the scoping study report funded by Pacific Leadership & Governance Precinct (PLGP) was undergoing discussions and planning to decentralise subnational reporting activities and programs with selected provinces. The scoping study was conducted with the aim of identifying governance structures through the subnational payments and transfers scoping study. This allowed for a reporting mechanism at the provincial level, using existing reporting channels in the government system. The Secretariat stressed that the scoping study highlighted the revenue streams in the subnational level but it did not give the reporting template as part of the terms

of reference by PLGP. However, the IA had captured a few subnational payment details for the 2018 PNGEITI Report.

The selected provinces would participate as pilot reporting provinces. These provinces would include; New Ireland (Lihir), Western (Ok Tedi) and Enga (Porgera). However, it was still at a planning stage and depending on funding availability, the second phase of the project could proceed in early 2020.

The 3 mining provinces voluntarily agreed to be part of the pilot exercise and no province from the petroleum projects volunteered to participate during the post scoping study workshop conducted in the second quarter of 2019. However, in future the petroleum resource provinces would also be reporting and the pilot projects would hopefully provide some useful lessons that could be applied to the rest of the resource project areas, including petroleum resource provinces.

**Resolution:** *The MSG took note of the update on subnational payments and transfers work as presented by the National Secretariat and urged the Secretariat to secure resources to continue with the second phase of the project of sub-national pilot reporting.*

### **3.4 Progress on JICA Technical Cooperation Project**

JICA presented (by a 6-minutes video) on the progress on project for Resource Related Revenue Management as follows.

- Three (3) year project from 2018 to 2020;
- Key counterpart government departments or agencies in this project- departments of Treasury and Petroleum;
- The consultant team comprise four (4) members who have been working with the counterpart;
- A baseline study was conducted in the beginning to establish a clear understanding of the key issues relating to the EITI; and
- There were three (3) project components namely; Department of Petroleum, National Secretariat and the Multi-Stakeholder Group and awareness promotion.

#### **3.4.1 Department of Petroleum**

- A remarkable achievement was the establishment of the EITI team in the Department of Petroleum. The team consisted of key personnel related to the EITI process such as license and revenues. The formulation of EITI team has largely improved internal and external communication through EITI reporting.
- Another achievement was the seminar to provide basic knowledge on EITI. The seminar was held in June, 2019 and key personnel from the departments and reporting entities participated. The consultants lectured on the basic concepts of the EITI and facilitated interactive sessions to clarify the roles of the Department of Petroleum.

#### **3.4.2 National Secretariat and Multi-Stakeholder Group**

- As a capacity development activity, the project implemented the first learning session for Multi-Stakeholder Group in August, 2019;
- The objective of the learning session was to prepare for PNGEITI Report 2018. The consultant facilitated the lecture and group work on improving the comprehensiveness and data quality of PNGEITI Report 2018.

- The project is currently assisting in the preparation of the PNGEITI Report 2018. The National Secretariat and the consultants worked together to discuss with the IA and to assist reporting entities such as the Department of Petroleum and KPHL.

### **3.4.3 Awareness Promotion**

- The project is currently reviewing PNGEITI Communication Strategy 2016. The main points of review were the target groups. The project has planned to implement promotional activities in the regions. The proposed location is Gulf Province where a petroleum development forum was being planned by the Department of Petroleum. The target audience would be the provincial government and landowners and the date would be determined soon.
- The National Secretariat and the consultant team would work together to draft the updated communication strategy. The project would also assist in content development in an innovative way, in line with the new communication strategy. Some promotion activities would be undertaken in the regions with support from the JICA project.

The MSG took note of the update as presented by the JICA team.

### **3.5 Progress on PNGEITI Commission Bill**

National Secretariat informed that the Bill was in its final form and was ready to go to Cabinet. However, consensus was required from the CSO constituency members of the MSG on the number of Commissioners on the Board. Currently, there were 7 members from each stakeholder constituency on the MSG representing industry, civil society and government for a total of 21 members. The proposed Bill would reduce the number to 3 members for each of the stakeholder constituency on the Board for a total of 9 Board of Commissioners.

TIPNG informed of their presence when discussing this matter at the Technical Working Group (TWG) level in Alotau in October. TIPNG indicated that the TWG had to choose either 3, 5 or 7 because the Board of Commission arrangement needed to have an odd number for the purpose of choosing the chairmanship to preside over meetings and voting to pass resolutions. Initially the CSO pushed for 7 Commissioners, however discussing the pros and cons with other constituency stakeholders and the Secretariat, the PNGRGC and TIPNG, on behalf of the CSOs agreed to have 5 Commissioners. Therefore, having 5 Commissioners from each of the constituency stakeholder group would be the lowest that the CSO would go in terms of preserving that wider level of engagement and participation

**Resolution:** *The MSG resolved to have 5 members to be nominated from each of the three-stakeholder constituency for a total of 15 members to be on the Board of Commissioners of the PNGEITI Commission.*

## **4. PROGRESS ON ADDRESSING VALIDATION ACTION AREAS**

National Secretariat informed that a number of the validation corrective measures were being addressed through the JICA project. He also said that others were being addressed by the IA through the 2018 Report being prepared. However, a Technical Working Group (TWG) was required to take stock of the actions being taken and to follow up on any areas that needed to be progressed in preparation for the second validation in 2020. Therefore, it was proposed for the MSG to officially agree for a Validation TWG to be established. The TWG would have its first meeting to review progress made to date on each of the 14 corrective measures (actions). It was agreed that the team would meet regularly and to report back to MSG from time to time.

**Resolution:** *The MSG endorsed for a Validation TWG to be established. It was agreed that the National Secretariat would invite (through an email circular) representatives to be nominated from relevant entities that are responsible for taking corrective*

*measures including; MRA, DOP, AGO, Treasury, Finance, OTML, KPHL and MRDC to be on the TWG.*

## **5. NATIONAL SECRETARIAT MATTERS**

The National Secretariat provided updates as follows:

- **2019 Third Quarter financial statement**

The Secretariat received almost all of the funding allocated in the National Budget for 2019 and had a remaining balance of K350,000 to collect in the last quarter of 2019.

- **MSG Remuneration TWG recommendation on Secretariat staff salary and benefits**

The MSG Remuneration TWG had not yet met to deliberate on the Brian Hart Consultancy (BHC) Salary and Benefits Benchmarking Review Report recommendations following the Second Quarter MSG Meeting.

Institute of National Affairs agreed with the recommendation on the adjustments required to make it equitable with other entities but not to be applied retrospectively as recommended.

This matter was left pending for next MSG meeting.

- **Update on filling EITI Board vacancy at EITI International**

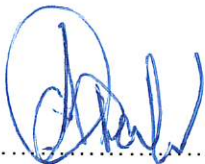
The vacancy left behind by former treasurer Charles Abel has not been filled yet. MSG nominated its national coordinator due to internal political instability and constant leadership changes. However, the Governance Committee of the EITI International Secretariat had rejected it and advised that PNG's nomination for a replacement should be equivalent to the political head (minister) level. The constant changes in the ministerial portfolios of the Treasury ministry had made it difficult for the National Secretariat or the MSG to send a nomination at that level and the deadline for nominations had lapsed. The EITI International Secretariat had notified that they have referred the matter to the Governance Committee to advise on the next course of action.

## **6. ANY OTHER BUSINESS**

**6.1** National Secretariat provided a copy of the Ministerial Brief that went to the incoming Treasurer.

The Acting Chair suggested for a renewed liaison strategy between the Treasury Department and the National Secretariat. It seems the Department of Treasury is no longer taking any ownership of EITI implementation.

There being no other business for discussion, the Acting Chair thanked MSG members for their attendance and closed the meeting at 12:25 pm. The Acting Chair indicated that the Secretariat would inform of a date for the next MSG meeting at a later date.



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**ARNOLD LAKAMANGA (MR)**

Acting Chair & Manager – GIS Mineral Information  
Mineral Resources Authority