MINING AND PETROLEUM
GROWING PNG'S FUTURE

Concerns about changes to the Mining Act 1992

FACT SHEET

Vital industry at risk from proposed changes to Mining Act 1992

Papua New Guinea has benefitted in numerous ways from a strong mining industry.

Mining projects have underpinned the nation's economy for decades, delivering considerable social and economic benefits for PNG and its people.

Leading mining companies from around the world have invested in our mining industry, creating jobs, building infrastructure and supporting communities.

Future and existing investment is now at risk from the proposed changes to the Mining Act 1992.

The amendments to the proposed Mining Act are internationally uncompetitive, are a serious deterrent to investment in future mining projects in PNG, and may even threaten the ongoing operations of mines currently in operation.

Significant issues regarding the proposed amendments to the Mining Act

TENURE

Developing a major mine is very costly and initial capital investments can only be recouped over many years of mineral production. In order to commit to an investment of this type, mining companies need stability and certainty to ensure they will have a long-term project. The proposed Mining Act amendments increase the tenure risk for mining companies, putting future investment at risk.

LACK OF TRANSITIONAL PROVISIONS

The proposed changes fail to provide adequate arrangements to allow the mining industry to transition existing mining operations to the new regime. This will destabilise the investment basis for existing mines as well as applications that have been submitted for the development of new mining operations.

INCREASED COST TO BUSINESS

By significantly increasing the cost of mining, the proposed Mining Act would make it harder to attract investors in PNG. It would also impose costly and unworkable new operating requirements. For example, banning fly-in fly-out workers in favour of the construction of permanent residential townships will burden projects with unrealistic and uneconomic structural impositions, and also place a strain on host communities.

Investment in the industry is vital

It is widely acknowledged that stable and effective fiscal and regulatory laws and policies have underwritten the success of PNG's resources sector.

However, the proposed changes to the Mining Act undermine the message to investors that PNG offers a stable, predictable and consistent regulatory and investment framework. The amendments will pose significant deterrents for investment in future mining projects and will be a serious impediment to the operation of current mines in PNG, and, ultimately, a detriment to PNG's economy and people.

The proposed amendments to the Mining Act are internationally uncompetitive. PNG already has a high total government 'take' compared to other jurisdictions, when factoring in royalties, taxes, levies and state equity. The proposed changes would push PNG further out of competition with other investment destinations. As the eyes of the world turn to PNG during its APEC host year, international investors are paying particular attention to PNG's legislative frameworks. In a world of mobile capital, the proposed Mining Act needs to ensure PNG remains competitive against other countries vying for the same exploration and mine development funding.

The O'Neill-Abel Government's 100 Day Plan undertook to review the proposed amendments to the Mining Act. The mining industry stands ready to work with the PNG Government in a constructive way to achieve a legislative framework that meets the needs of PNG while continuing to encourage investment in the sector.

There is huge potential for further development opportunities in the PNG mining sector over the coming years, however, these projects may not proceed unless investors can have confidence that PNG will continue to offer a stable legal, financial and regulatory environment.