



# 17<sup>th</sup> PAPUA NEW GUINEA RESOURCES & ENERGY INVESTMENT CONFERENCE

**10th to 13th December 2023**

**SYDNEY, AUSTRALIA**

## **“Regulator’s Outlook – Energy”**

**David Manau**

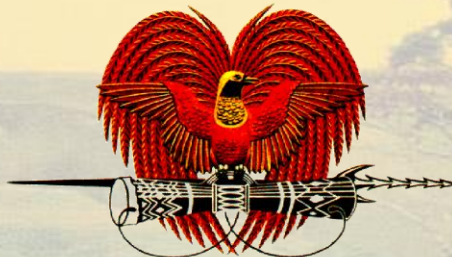
Secretary

Department of Petroleum

Presented By:

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Director Petroleum Division



**PAPUA NEW GUINEA**

# OUTLINE

- 1. Regional and Global Outlook - Energy**
- 2. Overview of Petroleum Activities in PNG**
- 3. PNG Oil & Gas Industry**
- 4. Regulatory Framework**
- 5. Fiscal Terms**
- 6. Challenges**
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# REGIONAL & GLOBAL OUTLOOK

- ✦ **Global Energy demand for Energy will increase, more so in the Asia-Pacific Region**
- ✦ **Fossil Fuel sources of energy dominance will continue throughout the coming decades and so will efforts in Renewable energy**
- ✦ **Climate Change initiatives are leaning towards renewables and cleaner sources of energy; Gas being the cleaner fossil fuel source.**
- ✦ **Mitigation strategies and technologies such as CCS /CCUS are now becoming a condition for petroleum projects development and financing.**
- ✦ **LNG demand will double due to it's convenience in transporting gas to the geography of the world and regions.**

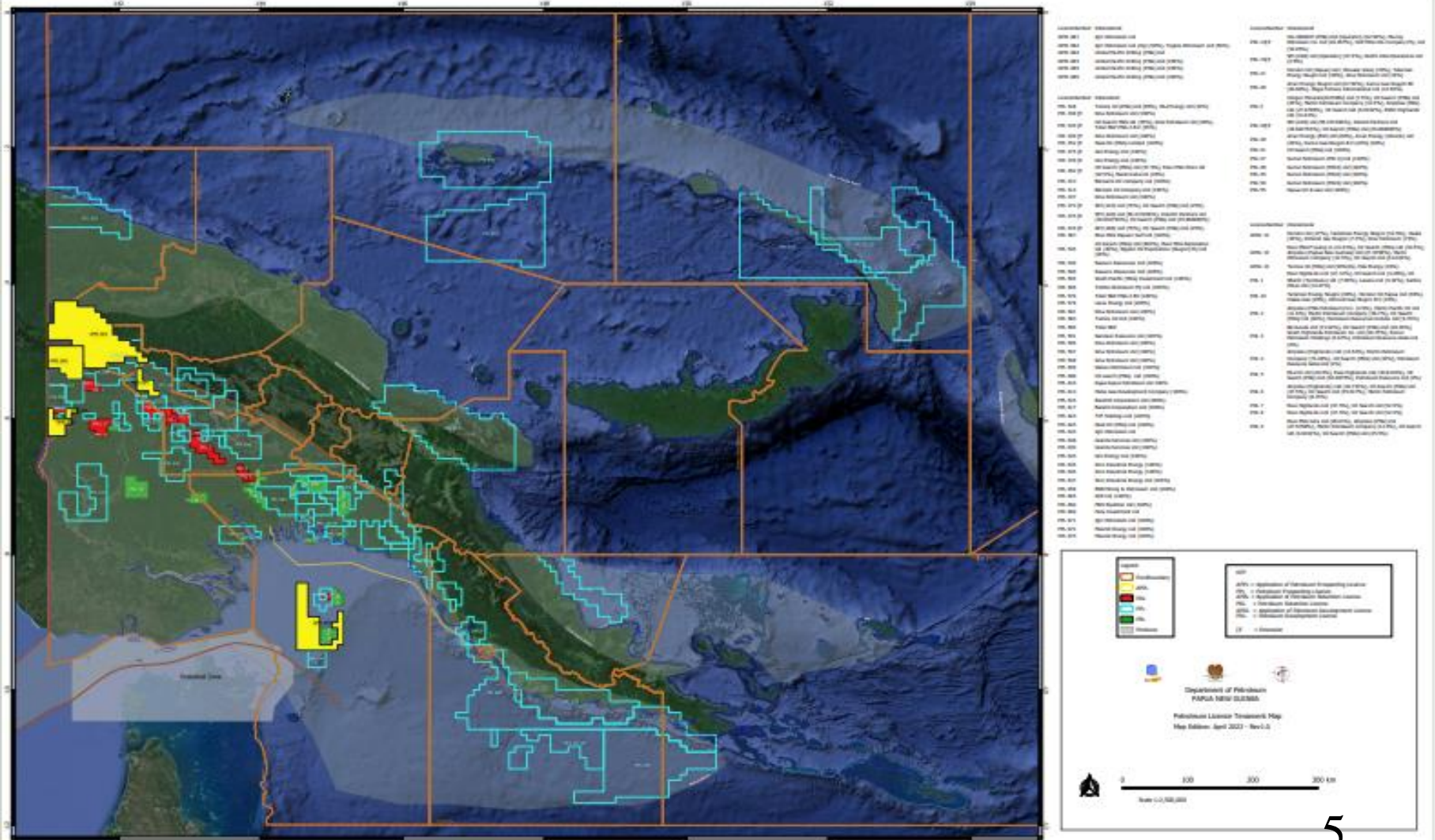


# 1. Overview of Petroleum Activities in PNG





# Petroleum Licence Map\_current



License No.	Licensee Name
PLN 001	BP Exploration (UK) Limited
PLN 002	BP Exploration (UK) Limited
PLN 003	BP Exploration (UK) Limited
PLN 004	BP Exploration (UK) Limited
PLN 005	BP Exploration (UK) Limited
PLN 006	BP Exploration (UK) Limited
PLN 007	BP Exploration (UK) Limited
PLN 008	BP Exploration (UK) Limited
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PLN 097	BP Exploration (UK) Limited
PLN 098	BP Exploration (UK) Limited
PLN 099	BP Exploration (UK) Limited
PLN 100	BP Exploration (UK) Limited

# PNG Oil & Gas Industry

## History:

- ✦ Petroleum was first discovered in 1911 in lower Vailala River area, Ihu, Gulf Province.
- ✦ 1986, a commercial discovery made, first oil flow commenced in 1992.
- ✦ Current production:
  - Hides PDL1 (1991)
  - Kutubu PDL2 (1992)
  - SE Gobe & Gobe Main PDL3 & 4 (1998)
  - Moran EWT PDL5 (1998)
  - Gobe Main PDL4 (2002)
  - Southeast Gobe PDL3 (2003)
  - NW Moran PDL6 (2005)
  - Hides PDL7 (2014)



# PNG Oil & Gas Industry cont'd

## ✦ Upstream

- ✦ We have currently 47 Petroleum Prospecting Licences (PPL).
- ✦ That is a decline. From 2010 to 2019 pre Covid-19, PPLs were in in the range of 60 to 100.
- ✦ Currently we have 10 Petroleum Development Licences (PDL); PDLs 7, 8 & 9 are tied to the PNG LNG Project i.e Hides, Juha and Angore gas fields
- ✦ 4 Applications for Development Licence (APDL) are pending; They are APDL 12 (Ketu/Elevala Gas Fields), APDL 13 (P'Nyang Gas), APDL 14 (Pasca Gas Field) and APDL 15 (Elk/Antelope, Papua LNG gas fields)



# PNG Oil & Gas Industry cont'd

## ■ Midstream & Downstream

- Oil, Gas and condensate pipelines dedicated for PNG LNG Project.
- Proposed Gas and Condensate Pipelines for the Papua LNG Project to commence construction in the coming year.
- Petroleum Processing Facilities in Kutubu, Gobe and Agogo.
- Gas Processing Facility in Hides (Hides Gas Conditioning Plant) for PNG LNG Project and 2 train PNG LNG Plant.
- Only one Commercial Refinery at Napa Napa outside Port Moresby with nameplate capacity of 32,500 barrels per day that supplies fuel products; diesel, gasoline, Jet fuel and LPG to the domestic market.





## 2. Regulatory Framework

- ✦ **Primary Legislations & Regulation**
  - ✦ **Oil and Gas Act 1998 (as amended)**
  - ✦ **Oil and Gas Regulation 2002**
- ✦ **Policies**
  - ✦ **Petroleum Sector National Content Policy 2023**
- ✦ **Core Petroleum Regulating Agency**
  - ✦ **Department of Petroleum and Energy**
  - ✦ **The Energy Division separated into a new Entity, National Energy Authority with focus on Renewables, Energy and electrification.**
  - ✦ **The Petroleum Division now focuses on the hydrocarbon sector in licensing, regulating and administering the Oil and Gas Act, Regulation and Policies.**
  - ✦ **Currently both Department of Petroleum and NEA come under the Ministry of Petroleum and Energy.**



# Fiscal Terms

- ✦ **Concessional Tax/Royalty system**

- ✦ **30% Corporate Income Tax for Oil and Gas Projects**
- ✦ **We currently provide some incentives such as GST exemptions**
- ✦ **2% Royalty per wellhead value**
- ✦ **2% Development Levy per wellhead value**
- ✦ **Other levies as negotiated and agreed in gas and petroleum agreements. Eg. 2% Production Levy in Papua LNG Project**
- ✦ **Allowable tax deductions for Exploration and Capital Expenditures**

# Challenges

- ✦ **Global & Industry challenges and threats**
  - ✦ **Energy Security**
  - ✦ **Climate Change**
- ✦ **PNG Energy Industry**
  - ✦ **Lack of access to energy; lack of infrastructure**
    - ✦ **Underexplored;**
    - ✦ **Lack of Data Access (Data Center)**
    - ✦ **High Cost of Exploration & Development; No synergy**
    - ✦ **Downstream sector;**
    - ✦ **Fuel & Energy Security**
    - ✦ **Institutional capacity of Regulator**



# Opportunities

- ✦ **Global & Regional Demand for Energy projected to increase**
  - ✦ **PNG remains underexplored and has potential to supply the region's Energy needs**
  - ✦ **PNG has 'Political Will' to encourage onshore investments in Energy and has proven so in the past decades**
  - ✦ **We are a 'Gas country' and gas is widely accepted now as the cleaner source of hydrocarbon**
  - ✦ **Frontier oil & gas area with potential**
  - ✦ **Strategically closer to big energy Markets in Asia**
  - ✦ **Geologically proven petroleum plays and potential**
  - ✦ **Fair data coverage in some basins**
  - ✦ **Attractive Fiscal policy; promoting exploration**
  - ✦ **Up and coming major gas exporter in the region**



# Way Forward

## ✦ Upcoming Projects

- ✦ Papua LNG first production 2028 at 6 million tonnes per annum (MTA)
- ✦ P'Nyang LNG planned for production in 2032. We anticipate a 3 MTA.
- ✦ Together with PNG LNG project, total LNG production is anticipated to be around 15 MTA in 2032 with potential upsides.

## ✦ Sub-commercial discovered Gas Fields

- ✦ Aggregation and commercialization of our marginal gas fields to piggy back on the existing and upcoming mega projects' infrastructure and markets
- ✦ Also for domestic market commercialization options

## ✦ Exploration

- ✦ Synergize Exploration in the Papuan Basin, Gulf of Papua and northern basins, with focus offshore

# Way Forward cont'd

## ✦ Downstream Petroleum

- ✦ Develop policies and regulatory framework
- ✦ As per the Government's Medium Term Development Plan IV (2023 – 2027), work on policies etc on Downstream processing



# Conclusion

- ✦ **The Department shares the Government's Vision and we are willing to implement policies to achieve the set targets and goals in the Petroleum sector.**
- ✦ **Papua New Guinea has potential to be the next Petroleum and Energy hub of the Asia-Pacific Region;**
- ✦ **We aspire to make and facilitate more exploration and discoveries and supply the region's and our domestic energy and petrochemical needs for decades to come.**
- ✦ **We aim for all developments in this sector to be sustainable, embracing climate change mitigation factors and set targets and with minimal environmental footprint.**
- ✦ **The Government's targets are to achieve 70% access to electricity in PNG and 100% renewable energy by 2050.**
- ✦ **We invite all genuine investors to come to PNG and help us develop our energy industry**