



**INDEPENDENT STATE OF PAPUA NEW GUINEA**

**CONFIDENTIAL**

MINISTER FOR STATE OWNED ENTERPRISE

FILE:.....

DATE: 25<sup>th</sup> FEBRUARY 2019

STATUTORY BUSINESS PAPER NO...../2019

FOR THE MEMBERS OF THE NATIONAL EXECUTIVE COUNCIL

**SUBJECT: MANAGEMENT OF KONEBADA PETROLEUM PARK AUTHORITY  
(KPPA) UNDER KUMUL PETROLEUM HOLDINGS LTD**

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**A. PURPOSE**

The purpose of this submission is to seek NEC Approval to:

- i.** Transfer KPPA *Policy* under Department of Treasury and KPPA *Management* under Kumul Petroleum Holdings Ltd (KPHL) to progress 2019 National Budget, Vol 01, Economic and Development Policies. KPPA operations was not appropriated for in 2018 and 2019 budget appropriations, hence Kumul Petroleum Holdings Ltd to provide management oversight for the development of petrochemical industries in the Petroleum Park and Department of Treasury to provide financing for this policy.
- ii.** Issue directions on Assets of the Authority and the future employment prospects of KPPA employees who are now without job as a result of ***NEC Decision No. NG 57/2017*** – Abolish Konebada Petroleum Park Authority and the latter ***NEC Decision No. 15/2018*** to investigate the board and executive management of Konebada Petroleum Park Authority.

## **B. FACTS AND CONSIDERATIONS**

- 1)** The 2019 National Budget Policy Directions under Non-Financial Instructions, Vol 01, Economic and Development Policies issues specific policy directions to transfer the management of Konebada Petroleum Park Authority (KPPA) under Kumul Petroleum Holdings Ltd (KPHL) and Policy under Department of Treasury. This is fitting and appropriate since Konebada Petroleum Park Authority is under review for merger and amalgamation in 2019 by the Public Sector Organisational Reform Committee (PSORC). The amalgamation and merger of KPPA with Kumul Petroleum Holdings Ltd is an important expenditure efficiency measure to improve and solidify states participation in all future and prospective LNG Gas downstream Projects.
- 2)** Konebada Petroleum Park Authority (KPPA) is currently non-functional despite KPPA Act 2008 (as amended 2009) being still effective. The Authority ceased all operations (operations and administration) in January 2018 when the financial controller (Department of Finance) closed all expired trust accounts on the 31<sup>st</sup> of December 2017. Konebada Petroleum Park Authority has been operating under Trust Accounts since its transition from KPPA Working Group into KPPA in 2012 ignoring various financial directions from Finance Department to migrate the Trust Account into an Operating Account status.
- 3)** The Chief Executive Officer and the Board of Konebada Petroleum Park Authority (KPPA) has so far ignored and or grossly failed to comply with mandatory and statutory instructions from Finance Department to provide audited financial reports, financial statements and audits on the funds of the Authority and its financial dealings for years ending 2014, 2015, and 2016 as well as the audited tax returns of the Authority with IRC. The Financial Controller is now pursuing its mandated and statutory obligations to prosecute the Chief Executive Officer of Konebada Petroleum Park Authority under the PFMA Act 1995.

**a) Chief Executive Officer (CEO) and Board of the Petroleum Park Authority.**

Donald Valu is the Chief Executive Officer of Konebada Petroleum Park Authority and is appointed in accordance with the Regulatory Statutory Authorities (Appointment to Certain Offices) Act 2004 and is responsible to the Board to carry out the functions of the Konebada Petroleum Park Authority.

The Konebada Petroleum Park Authority Board is appointed in accordance with Section 9 & 10 of the KPPA Act 2008. A proper Konebada Petroleum Park Authority (KPPA) Board was established by the then Minister for Public Service, Sir Puka Temu following recommendations from the National Executive Council on May 19<sup>th</sup> 2015. This board was sworn into office on the 12<sup>th</sup> of August 2015 by the then Minister for Petroleum and Energy, Hon. Nixon Duban. The provisions of the KPPA Act 2008 were compiled with to give effect to the policy objectives of the Board.

**b) Development and Explorations Licenses held by KPPA through its subsidiary, Petroleum Park Holdings Ltd (PPHL).**

Konebada Petroleum Park Authority (KPPA) through its Subsidiary has:

- I) 5 x Non-Conventional Hydro-Carbon Development Licenses containing approximately 282 trillion cubic feet of gas that is worth billions of US dollars in the global energy market; and
- II) 2 x Oil and Gas Exploration Licenses of greenfield areas whose commercial value is yet to be determined subject to explorations that are yet to be carried out and determined under the provisions of the Oil and Gas Act.

**c) State acquired land held under Konebada Petroleum Park Authority (KPPA)**

KPPA has 1000 hectares of Greenfield land for the purpose of developing the Industrial Petro Chemical Downstream Industries. In 2017 a total of 200 hectares of land held by KPPA was declared as a special economic zone by the then Minister for Department of Lands and Physical Planning, Hon. Benny Allen under the Authority of KPPA. KPPA has by far sold or leased 10 % of the 200 hectares of land declared under the special economic zone with little or no financial records of the proceeds of the land dealings (rentals, lease or sale proceeds) of all land transactions conducted so far.

### **C. VIEWS OF THE PRIME MINISTER**

The views of the Prime minister is sought in this submission.

### **D. VIEWS OF OTHER MINISTERS**

The views of the other cabinet ministers is sought in this submission.

### **E. LEGAL IMPLICATIONS**

Konebada Petroleum Park Authority Act 2008 (as amended 2009) is in effect and has not been de-legislated or amended to give effect to the current budgetary policy directions. A legislative amendment or de-legislation of the KPPA Act 2008 is feasibly given the current policy objective and status quo.

### **F. FINANCIAL IMPLICATIONS**

All funding appropriations by Department of Treasury has ceased since January 2018. Konebada Petroleum Park Authority is non-operational and cannot be self-funded. KPPA has not been given funding allocations in 2018 National Budget Allocations and the current 2019 National Budget Appropriations.

Trust account of the Konebada Petroleum Park Authority held under ANZ Bank (ANZ Account No. 12434650) was closed on the 22nd February 2018.

To date the Financial Controller, has not issued any relevant financial instruments and directions for KPPA to re-establish any one operational accounts. The Petroleum Park Authority has no alternate financial sources to sustain its administration and operations and has by far relied entirely on National Government Funding Appropriations since its inception in 2008 to date.

### **G. ENVIRONMENTAL IMPLICATIONS**

**Nil**

### **H. POLITICAL IMPLICATIONS**

**Nil**

## **I. PLANNING IMPLICATIONS**

Konebada Petroleum Park Authority (KPPA) is non-operational with all development plans and funding arrangements being stagnant. It is feasible and imperative that all future development plans of the Petroleum Park Authority is progressed and feasibility managed by Kumul Petroleum Holdings Ltd with administrative support from the former technical and administration staff from the Petroleum Park Authority.

## **J. STAFFING IMPLICATIONS**

Staff of Konebada Petroleum Park Authority were made redundant and without employment when the Petroleum Park Authority ceased formal operations in January 2018. Konebada Petroleum Park Authority has no operational office or an office allocation under National Government Office Allocations. It is feasible and fitting to migrate all qualified staff (technical and administration) under the management of Kumul Petroleum Holdings Ltd to progress the 2019 National Budget, Vol 01, Economic and Development Policies.

## **K. RECOMMENDATIONS**

It is recommended that the NEC:

- i.** Take note of the content of this Statutory Business Paper; and
- ii.** Issue specific policy directions to migrate management and qualified staff of Konebada Petroleum Park Authority under Kumul Petroleum Holdings Ltd to provide management oversight and Treasury Department to make funding available for all Petroleum Park development operations and administrative functions.
- iii.** Issue specific policy directions for minister responsible for petroleum and energy matters to implement NEC Decision. 15/2018 – Public Sector Organisation Reforms; to investigate the board and executive management of Konebada Petroleum Park Authority (KPPA) as well as commence the reacquisition process of all state land sold by the Petroleum Park Authority back to Department of Lands and Physical Planning.

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**HON. WILLIAM DUMA, LLB MP**

MINISTER FOR STATE OWNED ENTERPRISE