

## **Official Trip Report to Sydney for the period Thursday 20 –Saturday 22<sup>nd</sup> October 2005**

The PNG High Commission, with other diplomatic missions in Canberra, was invited by Secretary, Department of Foreign Affairs and Trade to send a representative to an Asia-Pacific Economic Cooperation (APEC) Australian Business Forum 2005 (see Program attached herewith). While in Sydney, I also organized to meet with Nigel Hartley, Chief Financial Officer of Oil Search, the Managing Director of Australia Gas Light Company, (AGL) and the Leaders of PNG Community resident in Sydney.

I departed from Canberra on Thursday afternoon at 1 pm as I drove myself and the weather was gloomy and rainy, arriving in Sydney at 5pm. I checked in at Sheraton-on-the-Park Hotel as that was where the Forum was held. (See attached program of appointments for the Trip).

### **1. 10.30 am Friday 21<sup>st</sup> October 2005**

Meeting with Mr. Nigel Hartley, Chief Financial Officer, Oil Search Limited.

The PNG to Australia Gas Pipeline Project continues to attract much interest even in Canberra and often, the High Commission is asked as to the status of the project in various degrees of detail. As I was to be in Sydney, I arranged to meet with Mr. Nigel Hartley, Oil Search's Chief Financial Officer, to be briefed on the current status of the project, particularly on financing and technical aspects, at least from Oil Search's perspective. In summary, the following points were made by Mr. Hartley, in respect of the project:

- a) Great progress has been made in securing markets and the necessary volumes for the project to be commercially viable
- b) Front End Engineering and Design (FEED) started in March of 2005 and expected to be completed by end of 2005.
- c) The signing of Off-take agreement with Australian Gas Light Company, (AGL) provides a much needed boost to the project.
- d) AGL has also signed an agreement with Oil Search to purchase 10% of OIL Search's upstream equity.
- e) The current ownership structure of the project is as follows:
  - Oil Search 54%
  - Exxon-Mobil 39%
  - PNG government 3.5% (before Hides)
  - Nippon Oil 3.5%

After project commencement and assuming Oil Search does sell 10% of its upstream equity to AGL and GoPNG does exercise its option to take its Hides

equity, and Santos also takes up its Hides equity from Exxon and Oil Search, the structure of the project ownership will be as follows:

• Oil Search	37%
• Exxon-Mobil	25%
• GoPNG	14.5%
• AGL	10%
• Santos	9%
• Nippon Oil	3.5%

As mentioned earlier, the markets are looking good and the threshold volumes of 155 pj/pa have been achieved, (though conditionally at this stage). The following customers have signed conditional purchase agreements:

- Australian Gas Light Company (AGL)
- ALCAN (NT)
- Comalco (Gladstone)
- CS Energy
- QAL
- And BHP has deferred with open Option.

Progress on Environmental and Social Impact studies have been good though there is some disquiet amongst producers that GoPNG is slow in moving the landowners issues forward.

On financing generally, there is market appetite for PNG risk and various options are open to GoPNG, and Oil Search to finance their interests in the project as most of the other producers are capable of financing their interests off their Balance Sheets.

A. Other major project issues:

- Oil Search sees FEED will be completed by March 2006 and Financing and project go ahead decision will be made in May-June 2006.
- Key risks are Government management of Landowner issues and the Forum Process. It is not as progressed as is necessary for comfort of other partners.
- Commitment of Santos to the Project and its take-up of upstream Hides equity.
- Government management of its negative pledges with the international financing agencies. It is proposed that a Joint Company (Joint Co) with \$US 800 million, co-owned by GoPNG and Oil Search on a 50%-50% basis take up \$US 200 million each totaling \$US 400 million and Balance of \$US 400 is at Oil Search's risk.
- AGL's involvement in the project includes:

- ✓ A take-up of 10% equity from Oil Search and to be financed of its Balance Sheet
  - ✓ Their total project funding will be with the pipeline co-owners, Petronas
  - ✓ PR cover will be limited to to Bank interest only.
- Oil Search and GoPNG Debt- Oil Search sees benefit in having only one adviser for both of them ie; Oil Search's Adviser, UBS as it would be cheaper and more efficient

Concluding comments:

1. It appears the producers are upbeat on the project.
2. Financing seems feasible with PRI key concern but PNG risk appetite is positive.
3. Emphasis on having markets (threshold volumes), finance and technical, and social environmental "ducks" all in line by end of FEED for financing decision to proceed with the project.
4. Key risks at this stage is GoPNG 's slow effort in sorting out landowners issues and Commercial one of Santos willingness to come to the party to take up its Hides equity at start of project.

**2. 3.30 pm Friday 21<sup>st</sup> October 2005 at Sheraton on the Park Hotel.**

Meeting with Mr. Greg Martin, CEO of Australian Gas Light Company and Julian...  
Community Relations Officer

1. My interest is to understand AGL's role and involvement with the Gas Project. On the technical aspects: AGL is more interested with Pipeline configuration (size) which also depends on whether Pipeline will ship wet (rich) gas.
2. AGL is happy with customer sign-ups and volumes but would be happier if the agreements were unconditional.
3. AGL is also concerned with Santos's commitment with Hides equity take-up.
4. Discussed Oil Search's concern for GoPNG to move to Development Forum process and get Landowner interests sorted out. AGL seems comfortable but not too involved with that aspect of the project.

**3. 4-pm to 9.30pm Friday 21<sup>th</sup> October 2005, Sheraton-on-the Park, Sydney.**

I attended Asia Pacific Economic Cooperation (APEC) Business Forum 2005 (see Attached Program) at the invitation of the Australian Department of Foreign Affairs and Trade in Sydney. APEC, comprising 21 member economies in the Asia-Pacific, is a key regional forum facilitating economic growth, trade and investment. Australia will host APEC in 2007, culminating in APEC Economic Leaders' Meeting and APEC Business Summit, to be held in Sydney in September. This will be the most important gathering of world leaders and senior business people ever held in Australia.

The APEC Australia Business Forum was convened in Sydney, to provide an opportunity for Australia's business, diplomatic and academic communities to participate in discussion of Australia's strategic priorities for APEC in 2007 and to be briefed by top Australian government officials and senior business leaders who are members of Australia's APEC Business Council, on key issues impacting on business today including the WTO Round, avian influenza and energy pricing and markets.

Session One 4pm -4.30 pm

1. Introduction by Mr. Doug Chester, Deputy Secretary and Australia's APEC Ambassador, Department of Foreign Affairs and Trade.
2. Presentations by Australia's APEC Business Advisory Council (ABAC) members. The Group is representative of Large, Medium and Small Businesses in Australia. Speakers include Mr. Peter Charlton, Chairman, First Charlton Communications, Mr. Michael Crouch, AO Executive Chairman, Zip Industries Pty, Ltd; and Mr. Mark Johnson, Deputy Chairman, Macquarie Bank Limited.
3. Sessions 1 and 2 were introductory reviewing role of APEC and relationship between governments and Business in APEC member countries. Questions were asked as to benefits of ABAC as against members of Asia Pacific Business Executive Group. The difference seems to be while the Executive Group dealt with general issues of financial and economic nature, the APEC Business Group dealt with details of such issues as tariffs, standards and measures amongst the EPEC economies. Session 2 was mainly dealt with prospects for multilateral trade round, Avian influenza and its risks and implications and rising Energy costs particularly high oil prices, and oil dependency, APEC region's broader energy demand and supply challenges. Two observations were made:
  - ✓ For the Avian Influenza:  
" You have to worked very hard to get the avian flu."
  - ✓ For high prices of oil, problems with refining capacity and high energy demand by China are the main culprits.
4. Session 3 considered issues of Information Technology, interoperability and innovation, Regional financial architecture and governance, market Forces in APEC Energy Trade and future economic agenda for APEC member countries.
5. Some of the issues discussed were:
  - Current Doha Round of negotiations and liberalization of financial services in particular. The general issues of liberalization of agricultural subsidies and industrial and services sectors were also canvassed.

- There was consideration given to broadening and deepening Bond markets in Asia as it was suggested that lack of Bond markets and reckless bank lending in Asia by banks triggered the Asian financial crisis of the late 90's.
- One of the pillars of APEC is interaction between Government and Business.
- Successes in APEC member countries include average tariffs have fallen in APEC economies.

**4. 7pm -9.30pm Friday 21<sup>st</sup> October 2005, Sheraton On-The- Park Dinner and Prime Minister of Australia as Guest Speaker.**

The guest Speaker for the Forum over dinner was the Prime Minister of Australia, Mr. John Howard. He spoke of APEC 's unique role in bringing together leaders of a vast region with diverse economic levels of development but increasingly benefiting from globalization of trade and investment flows amongst the APEC member countries. Mr. Howard spoke of the unique role played by APEC in bringing member countries together to discuss issues of common concern but also providing a forum and opportunities for leaders to meet on a bilateral basis. He spoke of the opportunity he took to meet with President of China Jao Ming in the Manila APEC meeting to set up the initial understanding for the bilateral Trade Agreement signed later between Australia and China.

The list of participants to the Forum is attached herewith.

**5. 9am-11.55 am Saturday 22<sup>nd</sup> October 2005 Meeting at Sheraton-on-Park Hotel with Leaders of PNG Community in Sydney. Present were:**

Dr. and Mrs. Jerry M Minei  
Mr. Tom Neeson  
Mr. Roge Kila

and Charles W Lepani, High Commissioner of PNG.

I asked for the meeting to meet PNG community leaders and representatives living in Sydney. Students were also invited but were unable to attend. I was particularly interested in learning of the various groupings and associations of PNG residents in Sydney and other organizations whose members may be past PNG residents with active interests in PNG. Dr. Minei kindly gave me a summary review of these various associations and their memberships. He mentioned the key and most active and representative Group is the **Wantok Club**. It is a registered corporate body for social and charity activities. It has an Executive Committee comprising 5 Executives and 6 Committee members. The Wantok Community meets once a month. It has about 200-300 paid up members. Another Group is the Melanesian Lotu with a Vanuatu Pastor, with about 800 members of the congregation from Vanuatu, Solomons and PNG. Its activities are mainly charity work and they have raised funds for Manam Volcano victims. The PNG Student body is not as involved as it used to be.

There is also a Retired Services Group whose membership comprises of past PNG residents and Ex-servicemen. There is a PNG Association and a PNG Chinese Catholic Association. These Groupings are all active.

One of the concerns expressed by the Community Leaders at the meeting was the Brain Drain of PNG students and skilled PNG'ans who have chosen to take up Australian Residency for employment opportunities.

The meeting agreed to work on a schedule of consular visits and activities by the High Commissioner and/or staff at Sydney. It was agreed that initially 3 visits a year (possibly on a quarterly basis with fund raising activities in March and July) would be planned with the official Independence Day celebrations for 2006 to be held in Sydney.

Addresses, telephones and e-mail contacts were provided by the community leaders.

I arrived back in Canberra at 5pm on Saturday 22<sup>nd</sup> October 2005.

**Charles W Lepani**  
**High Commissioner**

**24<sup>th</sup> October 2005**  
**PNG High Commission**  
**Canberra.**