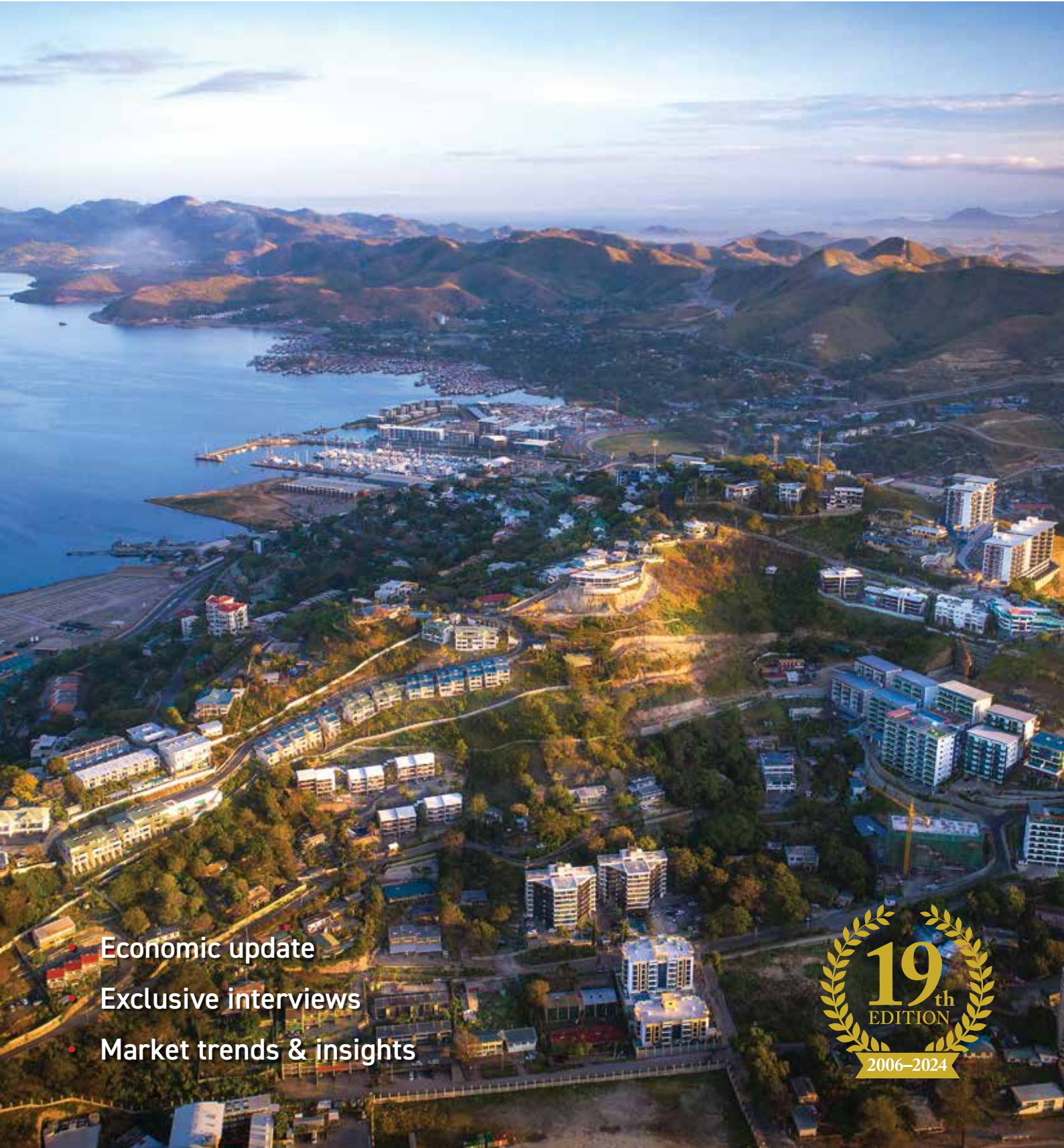




BUSINESS ADVANTAGE PNG

PAPUA NEW GUINEA'S PREMIER BUSINESS MAGAZINE

ANNUAL
2024



- Economic update
- Exclusive interviews
- Market trends & insights





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Welcome

Welcome to the 19th annual edition of *Business Advantage PNG*.

Credit: Godfreyman Kapitigau



Business Advantage International has produced this annual snapshot of Papua New Guinea's business and investment prospects each year since 2006.

It is the longest-standing and most respected guide of its kind, and has a genuine worldwide readership.

As well as this magazine, we are responsible for a range of resources

designed to help you do business in PNG successfully.

Its sister publication is businessadvantagepng.com, PNG's top-ranked online business magazine. There, you can sign up to receive our regular free PNG business updates, as well as research the market using our comprehensive *Doing Business in PNG guide*, and the png1000.com online business directory.

Business Advantage PNG also convenes the premier annual investment conference on PNG. In 2024, this will take place at the Brisbane Convention and Exhibition Centre on 12 and 13 August (for more, visit pnginvestmentconference.com).

Working in a challenging frontier market tends to make PNG's business people patient, resourceful and resilient. In the past five years, they've dealt with natural disasters, COVID-19, inflation and supply chain constraints yet have emerged this year still positive about the country's prospects.

According to the PNG 100 CEO Survey, the annual survey we run in partnership with Westpac, almost two-thirds of CEOs say they are planning to increase their capital expenditure this year, while 63 per cent are planning to employ more people.

The reason for this optimism is the pipeline of major projects lining up in PNG – by some calculations worth up to a combined US\$50 billion.

There is also much-needed and significant investment in the enabling infrastructure to support such projects – in energy, telecommunications, roads, ports and airports. Meanwhile, improved connectivity is driving technological innovation and digitisation.

As our CEO survey confirms, PNG is certainly not without its challenges, but the rewards are there for those prepared to take the long-term view. The first time I visited PNG, in 2006, the World Bank measured PNG's GDP at US\$8.35 billion. This year, it could exceed US\$30 billion, while many sober observers expect it to double again over the next decade.

That kind of growth presents opportunities right across the economy, and you'll find plenty of them inside this magazine.

Andrew Wilkins

Publishing Director
Business Advantage International

Business Advantage PNG 2024 was made possible by the support of the following organisations:



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Level 20, 31 Queen Street, Melbourne VIC, 3000 Australia
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Project Director: Robert Hamilton-Jones
(rhj@businessadvantageinternational.com)

Publishing Director: Andrew Wilkins
(aw@businessadvantageinternational.com)

Editorial: Tony Jordan, Paul Chai, Robert Upe, Sally Woollett

Advertising: Robert Milne
(rm@businessadvantageinternational.com), Charles Saldanha, Kate Hammond

Design: Peter Schofield

Cover image: David Kirkland

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Decade of growth begins

ExxonMobil's Kumul Marine Terminal at Caution Bay outside Port Moresby, PNG's LNG exports look set to increase substantially over the coming decade.

Credit: ExxonMobil

As part of our extensive in-country research for this publication, *Business Advantage PNG* spoke exclusively to dozens of business leaders to understand how they are preparing for imminent growth – and what challenges they face. Here's what we learned.

By Andrew Wilkins

2023 was the year Papua New Guinea started to gear up for an anticipated decade (or more) of major new investment, primarily in its resources sector, then 2024 is expected to mark the actual start of that decade.

An estimated US\$50 billion pipeline of resources projects is lined up for development. Even without these projects, the International Monetary Fund (IMF) expects PNG's GDP to grow by five per cent in 2024, stabilising at around three per cent in the years thereafter.

"Like most PNG businesses, we are cautiously optimistic that 2024 will see improved economic conditions," says Mark Robinson, CEO of PNG's largest bank, BSP Financial Group.

"These large extractive projects are critical for PNG's economic growth and their flow-on impacts for PNG businesses will be profound."

Underground movement

The first of these projects, the restart of the Porgera gold mine, is already under way.

Closed since 2020, while terms for an extension to its special mining lease were negotiated, Porgera officially reopened at the end of 2023 under a new ownership structure, which will divide the benefits more evenly between local and international interests.

PNG has missed the foreign exchange the mine brought in during its first 30 years, and its restart will undoubtedly help mitigate the country's longstanding forex shortages – nominated by the country's CEOs as the number one impediment faced by business (see page 18) – as well as create an estimated 3,000 new jobs this year alone.

PNG's next anticipated resources project is new and substantially larger: the US\$10 billion TotalEnergies-led Papua LNG project. The country's second gas project, it will represent the second-largest foreign direct investment in its history, as and when it commences.

While there have been several delays, the departing Managing Director of TotalEnergies E&P PNG, Jean-Marc Noiray, tells *Business Advantage PNG* he is "confident" a final investment decision will come in 2024, "with all the lines of activity progressing well: technical optimisation, regulatory permitting, gas marketing and project financing" (see page 24 for more).

PNG LNG expansion

Meanwhile, the operator of PNG's first gas project, ExxonMobil, is working to complete the Angore Pipeline Tie-In Project in Hela Province. Natural gas from the US\$1.3 billion project is expected at its Caution Bay plant in 2024.

"As Papua New Guinea's only significant gas development currently under construction, we expect Angore to bring on additional gas volumes later this year to supplement the existing PNG LNG gas production," Tera Shandro, Chairperson and Managing Director at ExxonMobil Papua New Guinea, tells *Business Advantage PNG*.

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GROWING MIDDLE CLASS DRIVES HOUSING CONSTRUCTION

PNG's construction sector as a whole has returned to pre-COVID levels, driven in part by a growth in demand for housing.

Why? Well, firstly there's a growth in housing tied to a person's employment - what the CEO of Nambawan Super, Paul Sayer, refers to as "institutional" housing.

In PNG, this housing has typically been most associated with public service employment but more recently this has expanded into the private sector, as competition among employers for skills has led to improved salary packages and greater employee benefits.

"Sometimes the level of income that people have is just not going to get you into a house, So, as an employer, there's a need to look at providing institutional housing," notes Sayer.

He sees potential for PNG's superannuation funds to partner with the State to develop more such housing, given the State possesses land in prime locations but doesn't necessary have available capital to develop it.

Savings generation

PNG now has a generation of workers reaching retirement after a period where superannuation has been both compulsory and well-managed. The deposit for a home loan often comes out of that superannuation payout.

"There is a strong middle market demographic here that's continuing to grow," observes Greg Pawson, CEO of Kina Bank. "We're seeing that through the demand for home lending."

In addition, says Sayer, "we're seeing people saving more and getting into a savings culture."

All of these factors are combining to drive more



Credit: Atlas Steel

Demand for housing from PNG's growing middle class is rising.

housing construction, both in estates such as Edai Town and Tuhava Town outside Port Moresby and the ever-expanding suburb of Gerehu, and also on individual blocks.

One beneficiary of this trend has been housing and steel fabrication company, Atlas Steel.

Business beneficiary

"About five years ago, we morphed into housing construction. Prior to that, we were mainly a materials provider to industry and we still do that," says the company's Port Moresby branch manager, Peter Browne. Atlas now has around 750 workers manufacturing 10 to 20 homes monthly. Prices range from K45,000 up to K500,000 for a five- or six-bedroom home, with the average spend around K250,000.

"This is all about individual people wanting to move into the housing market. A lot of those people are bank employees, or employees of other larger companies where they have home ownership schemes," says Browne.

led Papua LNG project, ExxonMobil's LNG Plant at Caution Bay would – pending a successful Final Investment Decision (FID) – see its production capacity increase to accommodate increased volumes associated with Papua LNG.

With rising demand for LNG as a replacement fuel for coal in Southeast Asia, construction of ExxonMobil's next project, P'nyang, could quickly follow the four-year construction of Papua LNG. A more recent and very promising discovery from ExxonMobil, Wildebeest, could further extend PNG's decade of construction out to 13 years.

Finally, the permitting of two new major mining projects is expected to progress this year, according to Mineral Resources Authority's Managing Director, Jerry Garry (see page 36).

The first is the Wafi-Golpu copper-gold project in Morobe Province, a joint venture between Harmony Gold and, following its November 2023 acquisition of Newcrest Mining, Newmont Corporation, now the world's largest gold miner. The second is the Frieda River gold project, which has lately received increased interest from its developer, PanAust

of China's Guangdong Province.

Uplift

While the big spending won't start until some final investment decisions are made, there was a noticeable lift in business activity in the second half of 2023.

"The investment we're seeing is really about preparing ourselves for that growth and we're seeing the early signs of it," observes Greg Pawson, CEO of Kina Bank. "2023 was a record year for us in lending."

Optimism aside, the general sentiment among business leaders is that PNG's government also needs to do its part to ensure that a positive signal is communicated to investors: by improving enabling infrastructure, making the regulatory environment more conducive to investment, boosting education and training, and improving PNG's law and order situation.

That latter task was made harder after looting and rioting in January 2024 resulted in significant damage to both property and business morale in PNG's capital, Port Moresby

From PNG, we are now creating a global Santos Foundation.

Here are some of the ways we've had an impact in Papua New Guinea in 2022.

At Santos, we continue to build on the great work of the Oil Search Foundation through the launch of the Santos Foundation in 2023. The Santos Foundation will have a strong focus on building resilient communities and advancing economic pathways.

Health

No. of immunisations administered to children under 5 years old



326,552 immunisations administered across **105** facilities



No. of COVID-19 vaccinations

8,525 people across the three provinces **vaccinated**

No. of people reached through awareness

Reached 108,000 participants through the delivery of **681** community information and awareness sessions.

Youth



No. of youths having work opportunities

13 young graduates completed the **Electrical Trade Course** at the **Pimaga Vocational Education and Training (VET)** school to participate in the **Seasonal Worker** program in **Australia**.



No. of subscribing companies under Bel isi PNG

17 companies including **Santos**

No. of new clients seen at the Family Support Centre (FSC)

1,972 new clients seen across the **6** FSC sites in Hela



Community Development

3 Literacy Libraries in operation, **209 children** enrolled across all the libraries.



67 small grants valued at **K326,059**



151 children assessed as **ready for school**



27,200 people benefitting from these small grants

– not to mention loss of life. Although the declaration of a two-week state of emergency in the capital and the appointment of a taskforce to examine the causes helped to restore order in the short-term, affected businesses were understandably seeking more tangible assistance from government.

Ironically, the unrest was preceded just weeks before by the announcement in the 2024 National Budget of a 9.5 per cent increase in funding for the law and justice sector, including the recruitment of an additional 500 police per year, which will be underpinned by a new bilateral security agreement signed with Australia.

Government finances

Improved receipts from the resources sector are one of the reasons the national government was able to announce record expenditure in the 2024 National Budget.

This increase in spending was also underpinned by a projected 14.5 per cent increase in tax receipts, and an 8.9 per cent increase in donor grants.

With its debt rising to 60 per cent of GDP due partly to the economic shock of COVID-19 as well as natural disasters, the government has taken steps to ensure its finances are under better control.

A key step in this process has been the commencement of a three-year program with the International Monetary

Fund, focusing on fiscal repair, addressing foreign exchange shortages, and reforming the operation of the Bank of Papua New Guinea, PNG’s central bank.

“This is not a typical IMF program in the sense that, in the past, countries will wait to get into a crisis then they’ll come and seek assistance from the IMF,” explains Sohrab Rafiq, the IMF’s Resident Representative in PNG. “In this case, there’s no crisis. The government just wanted help with their reform agenda, and that’s what we are here to support and provide assistance to.”

“In that sense, from our perspective, their borrowing has been prudent, within the limits set by the IMF program,” says Rafiq, who notes PNG successfully completed its first review under the program at the end of 2023.

FOREIGN EXCHANGE
REMAINS A SIGNIFICANT
CHALLENGE FOR
GOVERNMENT TO RESOLVE
GOING FORWARD.

Forex a continued constraint

PNG’s long-term shortage of foreign exchange (forex) has been another focus of the program, with the Bank of PNG being encouraged to release more exchange to the market to address ongoing strong demand.

“The Bank of PNG significantly increased the amount of currency available in 2023, injecting over US\$1.5 billion into the market, but even that was not enough to satisfy demand,” admits central bank Chairman David Toua.

“Foreign exchange remains a significant challenge for government to resolve going forward,” notes Ces Iewago, Managing Partner of KPMG in PNG. “Business investment remains stifled, with supply chain and missed growth opportunities evident across the economy.”

For example, PNG’s largest fuel supplier, Puma Energy, took up around a third the Bank of PNG’s forex allocation in 2023. In February 2024, it announced that it would reduce its PNG operations, partly due to the difficulty of obtaining sufficient forex, with a consequent impact on fuel supply.

Ultimately, the answer to PNG’s forex problem appears to be twofold: a gradual adjustment in the value of the kina, now under way (the IMF considers it over-valued by around 13 per cent), and more investment dollars, which the new resources projects should bring.

“The only way this will change is if we are able to significantly increase economic activity in Papua New Guinea and stop the outflow of currency,” observes David Toua.

Non-resources economy

Aside from the resources sector, PNG’s economic performance has been uneven as PNG entered 2024. Retail has been flat, with ongoing inflation affecting grassroots consumer spending. But there are some positive signs.

“The good news is that we have seen the property market come back to pre-COVID levels,” notes Nasfund’s Rajeev Sharma. “We’re looking at some investments in that area. We don’t have a lot of vacancies in our residential sector.”

“The property market has had a strong rebound post-COVID and we’re expecting it to continue to strengthen,”

Papua New Guinea in brief

Population	11.8 million (National Statistical Office)
Capital	Port Moresby
Surface area	463,000 sq km
People	Melanesian, Papuan, Negrito, Micronesian, Polynesian
Time zone	GMT +10 hrs
Business language	English
Political status	Parliamentary democracy
Nominal GDP	US\$28.25 billion (2023, IMF)
GDP growth	5 per cent (2024 forecast, IMF)
Inflation	4.0 per cent (2024 forecast, IMF)
Currency	PNG Kina (PGK)
Major industrial sectors	Mining, petroleum/energy, palm oil, forestry, coffee, fisheries, construction, manufacturing, tourism
Exports	LNG, crude oil, nickel, logs, gold, copper, palm oil, coffee, cocoa, copra
Major export markets	Australia, China, Japan, Singapore, Chinese Taipei, South Korea
Imports	Refined petroleum, excavation machinery, crude petroleum, food
Major import markets	Australia, China, Singapore, Malaysia, Japan

Credit: Getty Images



In February 2024, PNG's Prime Minister James Marape became the first Pacific leader to address a joint sitting of Australia's Parliament. Australia remains PNG's largest trading partner and aid donor.

agrees Rupert Bray, Managing Director of Steamships Trading Company, another member of the PNG Property Developers Association.

Steamships is behind the 38-acre Portside Business Park adjacent to Port Moresby's international port and Harbourside South, which features the country's first Marriott-branded residences (see page 22), as well as the new Wonye Dobel development in Mt Hagen.

The government's policy of encouraging special economic zones, while nascent, is also starting to galvanise interest from anchor investors, such as Kumul Petroleum Holdings' fabrication facility at Caution Bay and a recently announced Raddison Blu resort at Paga Hill in the capital.

Infrastructure

Meanwhile, infrastructure investment continues, with the next phase of the fibreoptic National Transmission Network aiming to bring broadband internet to all 22 of PNG's provinces by 2027, while retail telco Vodafone PNG, which launched in 2022, is continuing to build out an all-new mobile tower network to compete with market leader, Telstra-owned Digicel PNG (see page 43).

The Asian Development Bank's US\$680 million Sustainable Highlands Highway Investment Program, underpinning the government's 20-year Connect PNG roadbuilding program, is just one of a number of programs funded by international development organisations aimed at strengthening PNG's infrastructure (see page 41).

"We have a portfolio of about US\$1.1 billion in the country, covering roads, civil aviation, energy and other key sectors," notes the ADB's PNG Country Director, Said Zaidansyah.

While some work has been done to strengthen PNG's power and water utilities, business leaders tell *Business Advantage PNG* these are two areas where improvement is still urgently needed, especially if PNG is to meet its ambitions of providing 70 per cent of the population with electricity by 2030 (see page 32).

Upside, downside

If PNG's pipeline of promising resources projects represents a positive upside risk for investors, there are also some downside risks to note.

As an exporter of mineral and agricultural commodities,

PNG is exposed to the volatility of global prices, and the potential impact of the drier El Nino weather pattern in 2024.

"If you look at PNG's inflation performance, historically, it's been quite closely correlated with climate developments," observes Rafiq.

Then there is PNG's own political cycle. PNG's Organic Laws guarantee political stability after each national election by forbidding a vote-of-no-confidence against the incoming government for a grace period of 18 months. At the time of writing, that grace period had expired. While a robust democracy is a feature of PNG's political life, business is hoping that disruptions to key projects and policy decisions can be kept to a minimum this year, with so much at stake.

At the level of individual businesses, many told *Business Advantage PNG* that the 'war for talent' which started at the end of 2022 is starting to heat up, with many employers strengthening their focus on staff retention strategies, especially of key skilled workers. ♦

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Perspectives

Business and government leaders provide their personal takes on Papua New Guinea's economy.

🔴 We're seeing an exponential growth in new investment in the construction



industry, followed closely by the mining and petroleum sector, and wholesale and retail coming third.

We expect that trend to continue over the next few years and we're hoping that more foreign direct investment will come in to make the most of the opportunities from the major projects that are coming online. 🔄

Clarence Hoot
Managing Director, Investment Promotion Authority of PNG

🔴 With resources projects starting, we see the outlook is very positive



here in PNG. In a three- to five-year horizon, we do see that the prospects should be quite positive. Looking beyond that, over the next 10 years, there's great opportunity for Papua New Guinea to really set a very strong and stable economy.

Something we talk about in our organisation is sustainable growth. There's a big opportunity for the PNG economy to stably grow for many years into the future. 🔄

Brett Hooker
Managing Director, Westpac PNG

🔴 There is going to be eight years of sustainable growth. What that means



for us is that we have to prepare ourselves. We need to achieve operational efficiencies to be ready to fund the next era of growth. We're looking at a lot of training for our employees, we're looking at digitisation, and we are looking at systems upgrades.

Are we ready for the next phase? If we have 100,000 extra members, we need to be able to service them. There are big challenges and opportunities ahead. 🔄

Rajeev Sharma
CEO, Nasfund

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“ I think the future is in agriculture and tourism, because they’re underdeveloped.



The MRDC has gone into aviation, we’ve gone to infrastructure and construction, but there’s now competition in those spaces.

But agriculture and tourism are two sectors where there’s so much potential if the supporting infrastructure is there. I think those are areas where the MRDC can find its space in terms of making funds available because we can manage the risk better than external investors.”

Augustine Mano
Managing Director, Mineral Resources Development Corporation (MRDC)

“ PNG must adopt international ESG and sustainability standards



and comply with its international agreements to remain competitive and attract foreign direct investment. Its resources developers have already begun to maintain and report higher standards of transparency and governance in their operations.

PNG presents unique challenges in dealing with social license to operate, owing to its diverse cultural heritage and land tenure practices. Sound and practical government policies will underpin future growth and sustainability.”

Ces Iewago
Managing Partner, KPMG PNG

“ Steamships continues its focus on large projects at scale, has a number of new projects under development and is expanding its logistics capacity to meet the Papua LNG demand and, longer term, the anticipated economic growth that will come from the resumption of Porgera, the commencement of Papua LNG and then FEED work for P’nyang – and hopefully Wafi-Golpu, Wildebeest and Twinza Oil’s Pasca A project.”



“ Steamships continues its focus on large projects at scale, has a number of new projects under development and is expanding its logistics capacity to meet the Papua LNG demand and, longer term, the anticipated economic growth that will come from the resumption of Porgera, the commencement of Papua LNG and then FEED work for P’nyang – and hopefully Wafi-Golpu, Wildebeest and Twinza Oil’s Pasca A project.”

Rupert Bray
Managing Director, Steamships Trading Company



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Investing in PNG: five things to watch in 2024



Credit: BAI

Investors talk with PNG's Minister for International Investment and Trade, Richard Maru, at the 2023 Business Advantage PNG Investment Conference. The 2024 conference will take place in Brisbane on 12 and 13 August.

PNG IS A YOUNG COUNTRY AND PEOPLE ARE LOOKING FOR OPPORTUNITIES TO GROW THEIR WEALTH.

It's an interesting time to contemplate investing in PNG. On the one hand, the country is on the cusp of a resources boom expected to last over a decade. On the other, law and order issues and a fuel supply crisis in the first quarter of 2024 highlighted the social and economic challenges the country is currently facing.

Here are *Business Advantage PNG's* five key factors currently shaping PNG's investment climate.

1. The Final Investment Decision (FID) on the Papua LNG project. This is now expected in the second half of 2024. Investors of all stripes will be hoping any further delays are minimal; not only is the project massive in its own right but it will stimulate demand across the entire

economy and accelerate overall investment.

Rupert Bray, Managing Director of Steamships, one of PNG's largest investors, typified local sentiment when reporting on the progress of their major Portside Business Park project in Port Moresby:

"We've got very strong indications from a raft of customers, both Papua LNG-linked and more broadly ... FID will be the catalyst for some very rapid progress."

2. Domestic politics. Law and order issues are increasing pressure on

the Marape government just as it is entering the period of the electoral cycle when it can be subject to a vote of no-confidence. They also increased the perceived risk of doing business in PNG.

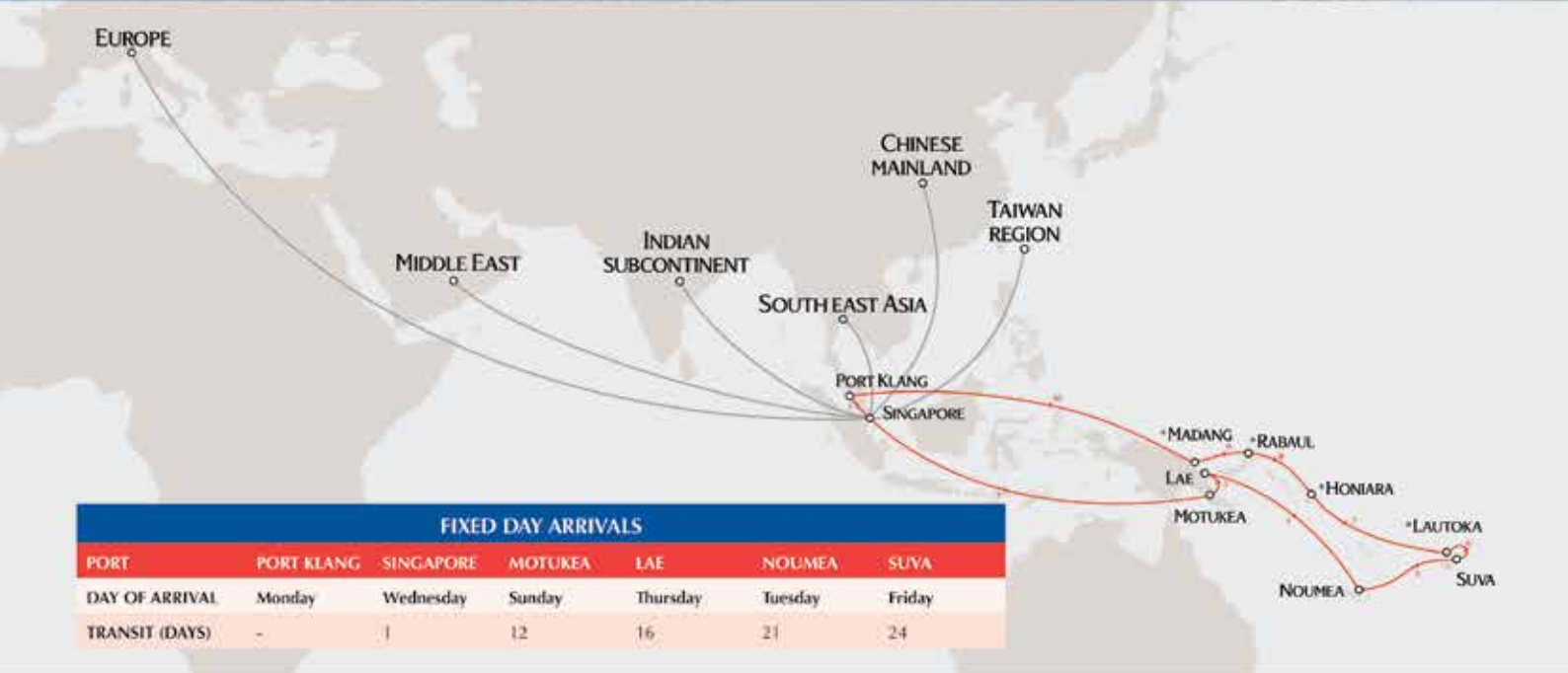
Investors will be hoping for political and policy stability in 2024, as well as an absence of shocks such as the 2020 closure of the now reopened Porgera gold mine (see page 36), or the higher corporate tax rate introduced on bank profits in 2023.

3. Geopolitics. A new report by the Lowy Institute, *Geopolitics in the Pacific: Playing for Advantage*, suggests that "geopolitical jostling in the Pacific has never been more intense and aid levels never higher" as "traditional donors ... now compete with China for geopolitical influence in the Pacific Islands."

Exactly how this increased attention translates into investment



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can be hard to predict, as the surprise purchase of telco Digicel by Australia's Telstra in 2022 – which was assisted by both Export Finance Australia and the US Development Finance Corporation – demonstrates, but it is certainly providing a boost to PNG's economy, especially investment in essential infrastructure.

4. National content. The size of PNG's economy trebled in the decade after 2011, largely as a result of the last LNG boom, but critics maintain that it did little for the population at large because local skills and capacity were lacking. It is likely to be different this time around, with local participation across the economy very much government policy:

“The government's national content policy is becoming a daily conversation,” observes Clarence Hoot, Managing Director of PNG's Investment Promotion Authority. “That is to ensure Papua New Guineans are given an opportunity to participate in what happens in the economy.”

Credit: BA/Stefan Danilichenko



Elizabeth Genia, the first woman to be appointed Governor of the Bank of Papua New Guinea. Foreign exchange availability will be high on her agenda this year.

There are already encouraging signs. Kumul Petroleum's fabrication plant at Caution Bay, currently under construction, will take onshore processing to another level (see page 28). Meanwhile, large-scale, high-quality projects like Lae's Nadzab Airport redevelopment (funded by Japan) and Steamships' and Tininga's Wonye Dobel mixed-use property development in Mt Hagen suggest that large-scale development is also no longer confined to the capital.

5. Capital Market reform. US mining giant Newmont Corporation listed on PNG's stock exchange in late 2023 in what was PNGX'S first-ever listing of depository interests.

Rajeev Sharma, CEO of superannuation firm Nasfund, told the 2023 Business Advantage PNG Investment Conference that, while the spate of high-level state visits PNG received last year underscored its position as by far the largest regional economy, its stock exchange was still less active than that of neighbouring Fiji.

He has high hopes for reforms that will encourage more local and overseas companies to list on PNGX and improve the liquidity of the exchange, as well as the establishment of Real Estate Investment Trusts (REITs) and the issue of PNG's first corporate bond.

“Papua New Guinea is a young country and people are looking for opportunities to grow their wealth but returns on bank term deposits are low,” he says. ♦

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The 2024 PNG 100 CEO Survey



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Since 2012, the data collected by the **PNG 100 CEO Survey** has revealed trends in business confidence among PNG's business leaders. Analysis of the survey data by Westpac has led to the creation of PNG's first Business Confidence Index, which is now tracked annually against other key metrics on PNG's economy. So, how confident are businesses as we enter 2024?

Profit performance in 2023: the reality

The 2024 survey asked CEOs how profits had performed in 2023 compared to their expectations. The responses suggest 2023 was disappointing for many, with 46 per cent saying that profits had fallen short of expectations. This is almost double the number recorded in last year's survey, when only 24 per cent said the same thing. On the positive side, 36 per cent of respondents said profits were higher in 2023 than expected.

Profit expectations for 2024

What profits do our CEOs think 2024 will bring? Overall, the majority (55 per cent) were still expecting their profits in 2024 to exceed those of 2023, although this is 20 per cent lower than last year's responses, but on a par with the result in 2022. Meanwhile, 31 per cent predicted profits would meet expectations, while 14 per cent thought profits would be lower than in 2023 (about the same as last year).

Investment intentions

The survey asked respondents for their capital expenditure plans for 2024. While still positive, the responses were less bullish this year. Overall, about two-thirds of respondents (65 per cent) expect to spend more on capex this year than last, which is slightly lower than the 72 per cent in last year's survey. Last year, just 10 per cent were expecting to reduce their capex in the year ahead. This year, that figure rose to 17 per cent.

Recruitment intentions

The survey asked respondents to indicate their recruitment intentions for 2024, compared to the previous year. The results suggest this is one area where confidence has been maintained. Most (63 per cent) were still planning to boost their headcount this year, a similar result to last year's survey.

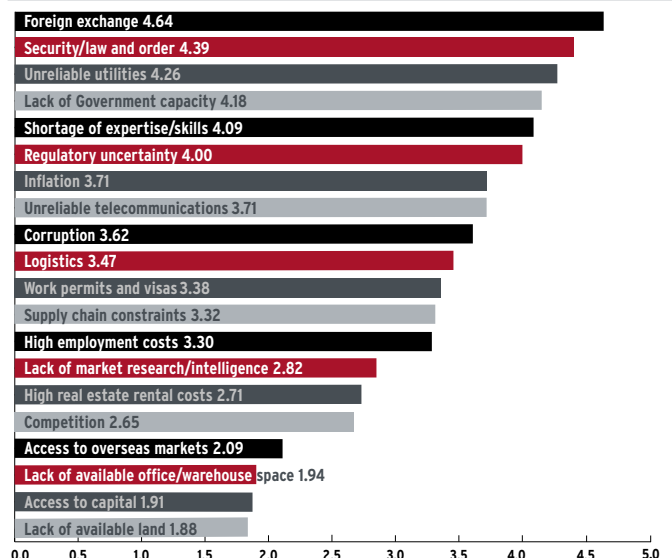
Business impediments

Each year, we ask CEOs to rank the key impediments facing their business. As the table indicates, respondents rated foreign exchange availability as the top impediment, as it was in last year's survey as well.

Notably, telecommunications in PNG have improved since the last survey 12 months ago, as far as our CEOs are concerned, falling from second place last year to eighth this year. Or, at least, some other issues have taken precedence. Chief among these are security/law and order (the number two issue this year), unreliable utilities, lack of government capacity, shortage of expertise/skills, and regulatory uncertainty. ♦

The 2024 PNG 100 CEO Survey was conducted by Business Advantage International between November 2023 and January 2024. The survey included senior executives from a representative sample of PNG's largest companies, across all sectors of the economy. For the full survey report, visit businessadvantagepng.com.

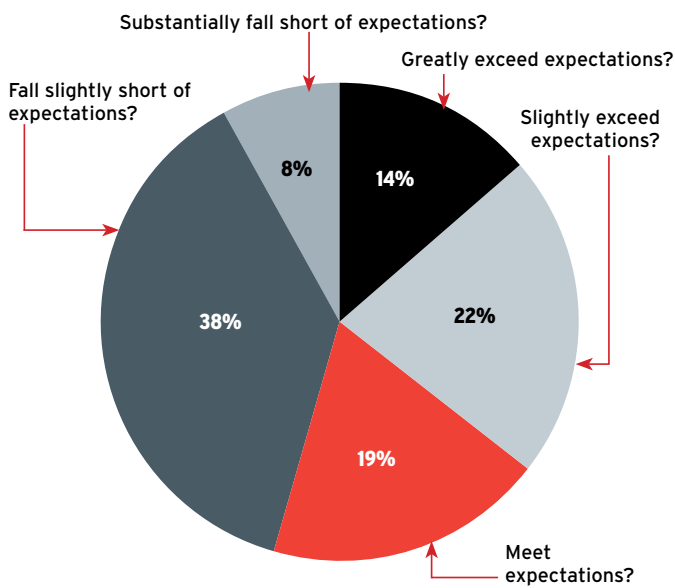
What are the critical impediments facing your business right now?



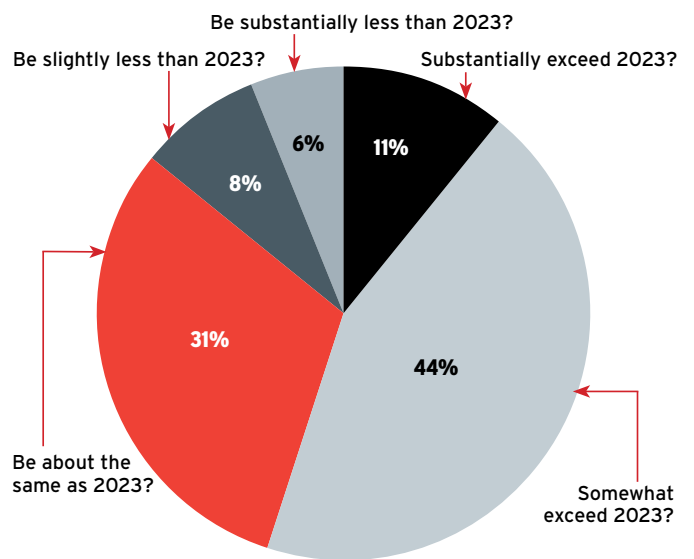
See page 20 for analysis of this year's survey results from Westpac's Senior Economist, Justin Smirk.

THE SURVEY ASKED RESPONDENTS FOR THEIR CAPITAL EXPENDITURE PLANS FOR 2024. WHILE STILL POSITIVE, THE RESPONSES WERE LESS BULLISH THIS YEAR.

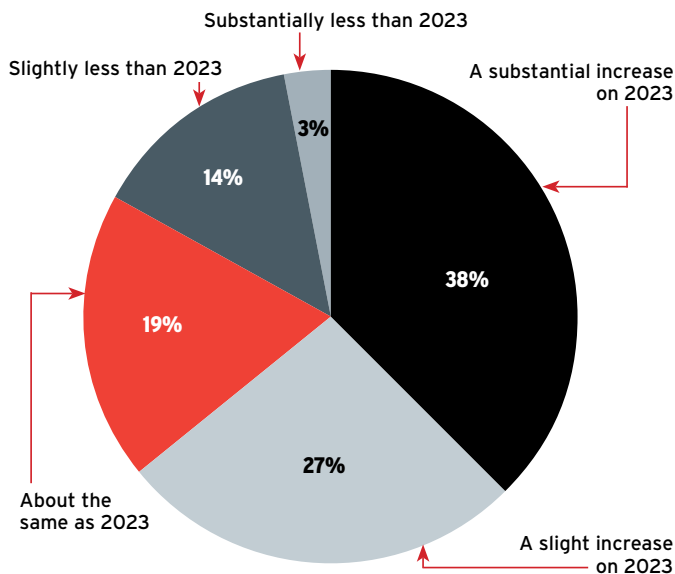
Looking back on your business's performance in 2023, did your profits ...



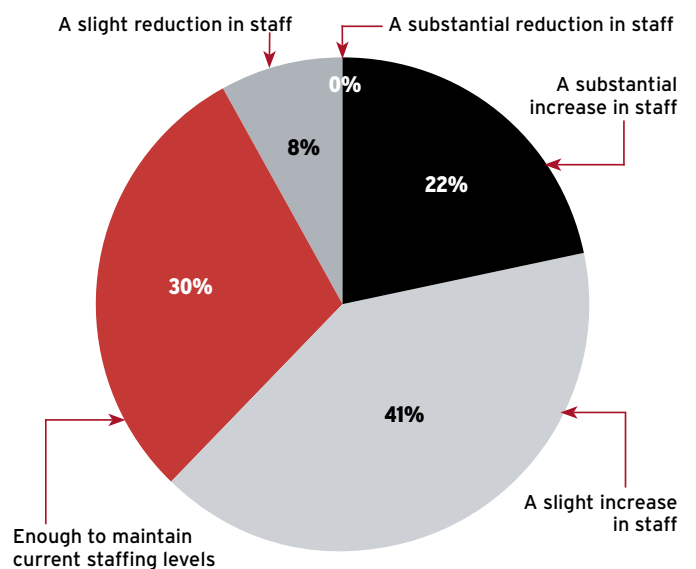
In 2024, do you anticipate your profits will ...



How much investment (e.g. in plant, equipment, land or other assets) are you planning in 2024?



What level of recruitment are you planning in 2024, compared to 2023?



What does the 2024 PNG 100 CEO Survey tell us?

While business confidence is largely sustained in this year's PNG 100 CEO Survey (see page 18), there are rising concerns about several business impediments.



By Justin Smirk
Senior Economist, Westpac

While profits in 2023 fell short of expectations for PNG's leading companies, CEOs are nevertheless expecting profits to improve in 2024. Meanwhile, recruitment and investment expectations for this year have held onto most of their 2023 improvement.

This year's survey was conducted from November 2023 to January 2024, with most CEOs surveyed before the 10 January civil unrest in Port Moresby. Despite that, 88 per cent of CEOs said security/law and order issues were either mission-critical or very important to them (up from 65 per cent last year). It is not unreasonable to think firms would be even more concerned if the survey was re-run after January.

Concerns about inflation lifted to the highest level in the history of the survey, suggesting inflation is a significant issue.

From the 2024 survey, we have identified five key highlights:

1. Profits are expected to grow but expectations have moderated.

While CEOs tell us their profit outlook remains positive, it has taken a hit from the difficulties experienced in 2023, resulting in a muted outlook for 2024.

The Profit Expectation Index, which tracks CEOs' profit expectations, eased back to 47.2 in 2024, down from 77.8 in 2023. This is below the longer-term average of 65.8. Our Profit Outcomes Index, which measures what CEOs tell us actually happened with their profits, fell to 5.4, below its long-term average of 7.5.

2. Despite lower-than-average profit expectation, recruitment and investment confidence held up.

The Recruitment Expectations Index eased back to 75.7 from a historical high of 84.6 last year, with the share of those expecting either a substantial or slight increase in staff falling slightly from 64.1 to 62.1 per cent. Nevertheless, at 75.7 the index is well above the long-run average of 47.9, consistent with non-minerals employment growing in 2024.

THE BUSINESS CONDITIONS INDEX SOFTENED IN THE 2024 SURVEY, FALLING BACK FROM 2023.

Investment might be a bit softer than it was in 2023, when the Investment Expectations Index rose to 97.4, the highest since 2019 and well above the long-run average of 65.0. This year, it fell to 83.8.

3. The Business Conditions Index is positive but not as strong as in 2023.


Westpac combines the expectations for profits, investment and recruitment into a single index, the Business Conditions Index. The Business Conditions Index softened in the 2024 survey, falling back to 68.9 from 93.3 in 2023 (which was the strongest result since the first survey in 2012). With the index holding above its long-run average, we believe this to be a positive sign, particularly for non-minerals growth.

4. The lack of foreign exchange is back as the top impediment.

CEOs' forex concerns lifted to 4.6, the highest reported level of concern in the history of the survey – 93.9% reported forex was a mission-critical or very important concern.

5. Security/law and order, unreliable utilities and the lack of government capacity are all significant hindrances.

Security/law and order has been a consistent issue. Even before the recent Port Moresby riots, the level of concern lifted to 4.4, on par with the previous high in 2013. Since 2019, the concern about unreliable utilities has been high but relatively stable. However, in 2024, it jumped to the highest level of concern in the history of the survey. Likewise, concern about a lack of government capacity jumped to 4.2, also the highest level in the survey's history. ♦


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STATE ASSETS TARGETING PRIVATE SECTOR INVESTMENT

Kumul Consolidated Holdings (KCH), acting as the Trustee of the General Business Trust representing the Government and people of Papua New Guinea, is embarking on a strategy to attract private sector investment in certain state assets. These assets, which encompass vital sectors such as water, power, ports, airlines, telecommunications, postal services, logistics, agriculture, and development finance, are being revitalized under the guidance of KCH.

As part of its broader responsibilities of managing and supervising the country's non-mining and non-mineral state enterprises, KCH is actively pursuing the redevelopment of dormant state assets, including the former Port Moresby port site. The aim is to leverage private sector involvement in the redevelopment process and unlock the potential of these strategic assets for the benefit of Papua New Guinea.

In so doing, according to Managing Director Professor David Kavanamur, it is hoping to work more closely with private investors.

'We are moving away from one hundred per cent state ownership and working on strategies to improve state-owned enterprises' (SOEs') contribution to GDP: to sweat the assets, to improve returns,' he told the 2023 Business Advantage PNG Investment Conference.

'Now for the first time, you've got an investment strategy - and clear strategic asset allocation built into the investment strategy - to guide the government's investment.'

REVIVING ASSETS

While the partial privatisation of Telikom Limited is an ongoing project (PNG's two major super funds made an offer), KCH is also now seeking to partner with the private sector to redevelop some of its land-based assets.

The big-ticket item is undoubtedly Port Moresby's old port site - vacant since 2018, when the port relocated to Motukea Island.

The waterfront site offers the opportunity to connect the busy suburb of Konedobu with Port Moresby's Downtown CBD and



the planned Paga Hill special economic tourism zone (with its planned Radisson Blu resort).

KCH is considering a number of redevelopment options for the site, aligned with the National Capital Development Commission's Urban Development Plan. These include developing the precinct into a commercial and residential area, a tourism destination and mixed-use development.

AGRICULTURE

KCH is also looking to attract private sector investment in two of its large agricultural assets: the 2300-hectare Dylup Plantation in Madang Province and the 1089-hectare Cape Rodney Estate in Central Province.

Dylup, about an hour north of Madang, has a mix of existing cocoa and copra plantations and undeveloped land, some of which has reverted to forest.

According to KCH, there is potential for hemp and tropical fruit growing, as well as downstream processing of our core crops including coconut and cocoa at the site. A US-based agricultural consultancy has been engaged to develop a business plan for the plantation.

'With that business plan, we're going to go back to market, and you can bid for the opportunity to partner or invest in the plantation,' said Kavanamur.

Cape Rodney is currently the site of a rubber plantation and factory but also has vacant land suitable for a variety of crops, including cocoa and palm oil.

INVESTMENT MODELS

While KCH will hold onto an equity interest in these redevelopment projects in return for making the land available, Kavanamur says it is looking to the private sector to invest capital to finance these projects and is one to exploring different investment models.

'We are looking at different modalities to partner with the private sector: franchises, public private partnerships, build-own-operate-and-transfer, joint ventures, consortia and so on,' says Kavanamur.

KCH already has a track record in this area, with minority stakes in two established joint ventures with Innovative Agro-Industry: a 20 per cent stake in the Ilimo Dairy Farm outside Port Moresby, and a 43 per cent stake in Sepik Agro Industrial Centre Ltd in East Sepik.

Kumul Consolidated Holdings (KCH) was established under the Kumul Consolidated Holdings Act 2002. KCH is the Trustee of the General Business Trust on behalf of the Government and people of Papua New Guinea.

KCH and its SOEs, hold the backbone infrastructure for PNG in water, power, ports, airlines, telecommunications, postal services, logistics, agriculture and development finance.



Here for the long stay: Hilton,

PNG's property developers have been busy renovating properties and putting the finishing touches to new projects, including Marriott- and Hilton-branded executive apartments, as the sector gears up for greater economic activity.

By Tony Jordan

Occupancy and room rates at Papua New Guinea's premier hotels and apartments have already bounced back from their COVID slump, and property managers are preparing for a fresh surge in demand as major resource projects ramp up.

In Port Moresby, the developers of the Marriott Executive Apartments at the new Harbourside South building and the Hilton Residences at Star Mountain Plaza are expecting strong demand when they welcome guests in the second quarter of this year.

"The retail units are close to fully tenanted and we have very strong indications for the Marriott Executive Apartments," says Rupert Bray, Managing Director of Steamships Trading Company, the company behind Harbourside South.

While demand will be spurred by a final investment decision (FID) on the TotalEnergies-led Papua LNG project, expected later this year, hotel operators say they're already moving beyond the boom-bust of previous resource cycles, by refining the types of rooms they offer and injecting fresh energy and local character into food-and-beverage options that appeal to PNG's growing middle class.

"FID is going to have a positive impact, not just for Marriott but for every other provider of hotels, offices, or industrial spaces. But what's interesting this time is that there is also some post-LNG growth," says Russel Sy, Chief Executive Officer of Steamships subsidiary Pacific Palms Property, which is managing Harbourside South.

Retail, Restaurants

Hilton Residences, stage two of the

Credit: Pacific Palms Property



Inside the new Marriott Executive Apartments in downtown Port Moresby.

Star Mountain Plaza development in Port Moresby's Waigani administrative district, has started welcoming long-stay guests to its 180 rooms, which range from studios to one-, two- and three-bedroom apartments.

The project's third phase will include a four-level retail mall with restaurants, cinemas and an additional 10 storeys for accommodation, according to the head of state-owned Mineral Resources Development Corporation, which fronts

the consortium of landowner funds behind the project.

"The vision for Star Mountain Plaza is that you'll be able to enjoy the same level of services as in a mall in Brisbane, Cairns or Singapore," says Augustine Mano, Chief Executive Officer of MRDC.

Marriott and Hilton will provide competition to popular long-stay properties including the Crowne Plaza Residences, managed by InterContinental Hotels Group (IHG),

Marriott and more



THE VISION FOR STAR MOUNTAIN PLAZA IS THAT YOU'LL BE ABLE TO ENJOY THE SAME LEVEL OF SERVICES AS IN A MALL IN BRISBANE, CAIRNS OR SINGAPORE.

Augustine Mano, CEO, MRDC

Credit: Godfreeman Kaptigau

which hosts residents on 6- or 12-month contracts while also maintaining an inventory of short-stay rooms for members of its IHG Rewards loyalty program.

“We don't sell all our rooms because we have so many guests that need short-term accommodation,” explains Mauro Leone, Area General Manager at IHG PNG. “It would be very easy for us to lock it up but then we'd have so many IHG Rewards members that wouldn't be able to get in.”

The Hilton Residences, stage two of Star Mountain Plaza, is now welcoming long-stay guests.

Occupancy at the Crowne Plaza, in Port Moresby's CBD, exceeded 90 per cent in 2023, and Leone says “there's a waitlist of people wanting to stay.”

The company is due to commence a K30 million, 18-month renovation of 152 rooms in the two oldest sections of sister property, the Holiday Inn and Suites, in early 2024.

Meanwhile, Pacific Palms Property is renovating its Whittaker and Windward apartments in Port Moresby, and refurbishing its Blaikie Apartments in Lae.

Huge investment

PNG's largest hotel, The Stanley Hotel and Suites, which offers over 400 hotel-style rooms and apartments in Port Moresby's Waigani district, is planning a ground-floor renovation that will include a refurbished lobby, reflecting the character of local areas and traditions. Further ahead, plans have been announced for a K840 million Raddison Blu resort, mall and residences in Port Moresby's planned Paga Hill tourism precinct.

Smaller property companies have also added serviced-apartment options, including Credit Corporation, the finance company that also owns the premium Era Matana Estate and family-oriented Era Dorina Estate in Port Moresby.

“The board was thinking of selling these properties in 2022, but have since changed their mind,” says Brent St Hill, the company's General Manager, Properties. “Now we are looking at a huge investment in 2024, including K10 million to be spent on Era Dorina.”

While Credit Corporation is among many property owners that count TotalEnergies as a client, St Hill echoes the view of other industry players, who see long-term growth coming from across the economy: “we are not entirely dependent on the mining-and-petroleum sector, nor are we hanging our hat on the next boom”. ♦



Papua LNG early works on the Purari River in Gulf Province.

Papua LNG progresses towards investment decision

A final investment decision on the Papua LNG project remains on the agenda for this year. Managing Director of project lead TotalEnergies E&P PNG, Jean-Marc Noiray, walks *Business Advantage PNG* through the milestones ahead for the US\$10 billion-plus gas project.

By Tony Jordan

While several factors have delayed the final investment decision on Papua LNG, Papua New Guinea's second gas project, Jean-Marc Noiray, soon-to-depart Managing Director of project lead TotalEnergies E&P PNG, says he's "confident" the project will reach that landmark this year, "with all the lines of activity progressing well: technical optimisation, regulatory permitting, gas marketing and project financing."

The front-end engineering and design phase for the upstream part of the project is complete, and

downstream work is being finalised, he tells *Business Advantage PNG*:

"We are now in a clarification negotiation, potentially reviewing some of the items which are costing more than we planned, to try to find alternatives," he says.

Regulatory approvals

Noiray describes the process of permitting new projects within the framework of PNG's laws and regulation as "highly sophisticated and demanding." It requires the completion of four processes to obtain the required Petroleum Development Licence (PDL): technical, national content, environmental and social. A review of technical documentation of the project is in progress by the Department of Petroleum.

National content

With capabilities, capacity and workforce within PNG more developed than for the country's first gas project a decade ago, the PNG

government and local business are keen to see more of the US\$10 billion project budget spent locally.

Environmental

Meanwhile, the environmental impact study and management plans are in the final process of review by PNG's Conservation and Environment Protection Agency. This will culminate in the award of the Level 3 permit required for the granting of PDLs.

Social

TotalEnergies' Social Mapping & Landowners Identification (SMLI) plan was submitted in 2022, and PNG's Minister for Petroleum formally issued a determination confirming the clans who are legitimate landowners in late 2023.

This is a key step towards the development forum in preparation, where the different benefits stated in the laws and agreements are shared between entitled parties in a formal Benefit Sharing Agreement.

Credit: TotalEnergies



THE FINANCING MARKET IS BECOMING MORE DEMANDING IN TERMS OF COMPLIANCE, WHICH IS A GOOD THING.

Gas marketing

Another prerequisite for FID is locking in customers for the 5.6 million tonnes of gas the project is set to produce annually. Noiray tells *Business Advantage PNG* negotiations for the sale of gas on long-term contracts are “progressing well,” with several interested buyers.

Financing

Papua LNG must also meet its financing requirements, which include complying with the International Finance Corporation’s strict standards set out in the Equator Principles when assessing the potential impact of new fossil-fuel projects.

“The financing market is becoming more demanding in terms of compliance, which is a good thing, and helps us to achieve our goal of exemplarity,” notes Noiray, who says measures are in place to mitigate emissions and manage the project’s social and biodiversity impact. ♦

THE INSIDE VIEW: TERA SHANDRO, CHAIRPERSON AND MANAGING DIRECTOR, EXXONMOBIL PNG

As the single largest business investment in the country, the ExxonMobil-operated PNG LNG project has not only helped forge a new industry that directly and indirectly employs thousands of Papua New Guineans; it has also provided valuable insights into how resource development companies can partner with the country to unlock the possibilities of tomorrow.

Since achieving first gas in 2014, the PNG LNG Project has withstood challenges surrounding market downturns, the devastating 2018 Highlands earthquake and the global COVID-19 pandemic to build a resilient, industry-leading reputation.

PNG LNG routinely produces well above its nameplate, is among the industry’s leaders in energy emissions intensity, and has achieved over 100 million hours of work to deliver more than K24 billion back to the state and its landowners through various tax and royalty streams.

ExxonMobil’s partnership mindset has seen more than K15 billion spent with Papua New Guinean businesses, while a further K1 billion has been invested into strategic community programs that are building the capacity of individuals and community institutions.

Angore Project

Part of the original PNG LNG development plan, the Angore Project’s wells and pipeline represent K5 billion of new investment. Leveraging the existing infrastructure footprint, the Angore resource will be developed and connected to the Hides Gas Conditioning Plant in Hela Province.

As Papua New Guinea’s only significant gas development currently under construction, it is expected to bring on additional gas volumes later this year to



supplement the existing PNG LNG gas production.

Using PNG LNG as the guide - combined with growing regional natural gas demand - Papua LNG is primed to build on its success to unlock more direct and indirect benefits for PNG. Currently, ExxonMobil is working alongside its project partners to ensure all key stakeholders are engaged and regulatory permitting is awarded.

Our team is progressing plans to expand infrastructure at our Caution Bay Plant to support the almost 6 million tonnes of gas to be processed per year.

Between the PNG LNG Project marking a decade of production, the start-up of the Angore Project and the Papua LNG project, 2024 is already shaping up to be another defining year. At the same time, teams continue to focus on P’nyang LNG and working with the government to advance other exciting potential developments such as the Wildebeest prospect.

If successful, Wildebeest has the potential to expand the development window for LNG in the country to 13 years of continuous construction activity. ●

Santos focuses on supporting next wave

Santos Limited will continue to optimise its Papua New Guinea assets and improve the reliability of its facilities as it prepares for the liftoff of the Papua LNG project, expected later this year.

By Tony Jordan

The enormous resource base in PNG has meant the country is a reliable provider of low-cost LNG to Asian markets, and at Santos our intent is to keep it that way with continued investment,” says Brett Darley, Executive Vice President for Eastern Australia and PNG at Santos.

Following its 2021 merger with Oil Search, the company operates the Kutubu, Agogo, Moran and Gobe fields, which provided 22 per cent of PNG LNG’s raw gas supply last year. Santos has a 42.5 per cent working interest in PNG LNG, and a 22.8 per cent interest in Papua LNG, the TotalEnergies-led project that’s expecting a final investment decision in 2024.

“We’ll also add reserves, delivering on our remaining infill drill program, and we’ll continue to evaluate the option of having a floating storage and offtake solution to replace the ageing Kumul Marine Terminal,” Darley says. “This would be



Gas leaders: (from left) Santos’ Brett Darley with TotalEnergies E&P PNG’s Thomas Maurisse, ExxonMobil PNG’s Tera Shandro and Kumul Petroleum Holdings’ Wapu Sonk

“WE AIM TO FOSTER TECHNICAL PROWESS AND CREATE NEW JOB OPPORTUNITIES THAT ALSO POSITION THE COUNTRY WELL FOR GROWTH OPPORTUNITIES.”
 Brett Darley, Senior VP for Eastern Australia and PNG, Santos

the very first facility of this kind in PNG.”
 While Santos is gearing up to support expected future demand from the Papua LNG project, it also has a key role in the restart of the Porgera gold mine in Enga Province.
 “Our Hides gas-to-electricity commitment and project is ready for export to support the Porgera mine reopening, and in addition Papua LNG is scheduled for FID in 2024,” Darley says.
 The company also plans to use PNG as a base for its “service centre of excellence”, which will not only provide technical support for local assets but will be responsible for reliability and maintenance planning for all of Santos’ assets in eastern Australia.
 “By consolidating this expertise within PNG we aim to foster technical prowess and create new job opportunities that also position the country well for growth opportunities on the horizon,” Darley says. ♦

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Fabrication nation

The site of KPHL's new fabrication facility.

Work has begun on Kumul Petroleum Holdings' US\$100 million steel fabrication plant outside Port Moresby. Managing Director Wapu Sonk talks exclusively to *Business Advantage PNG* about this visionary project.

According to Kumul Petroleum's Managing Director, Wapu Sonk, the plant will initially have the capacity to manufacture 20,000 tonnes per annum of steel fabricated piping and related products required by the resources sector.

The rationale behind the project, he tells *Business Advantage PNG*, is value-adding onshore so that PNG can realise greater returns from its natural resources:

"The national content component of the PNG LNG project was less than anticipated, mainly because we were not ready. This project will help prepare PNG for the Papua LNG project and other major projects that follow it."

Significantly, it will also create more than 1,000 skilled jobs, with additional flow-on economic benefits for local communities, whose business interests are represented by their landowner company, Laba Holdings. A training facility will be constructed next door to ensure adequate supply of people with the requisite skills.

Vision

While this first stage of the project already represents a breakthrough for

local manufacturing, the second plans to go even further.

It will involve creating the capacity to produce the actual modules that LNG and similar industrial projects require in their construction phase (these are typically pre-fabricated, then delivered to the actual project site).

Appropriately, that would also include the components for Kumul Petroleum's own e-train (to process gas from its own licences), to be constructed as part of the forthcoming Papua LNG project.



WE WILL EXPAND OUR FACILITIES INTO A LARGER ENERGY PARK THAT WILL ALSO INCLUDE AN IMPORT-EXPORT TERMINAL AND FUEL STORAGE FACILITIES.

Wapu Sonk, MD, Kumul Petroleum

"Our ultimate vision for this project is for our own LNG train to be fabricated at this facility by Papua New Guineans who have been trained next door," says Wapu Sonk. "And once we can do that, we can fabricate for anything else, e.g. for mining, ship-building, general construction."

Caution Bay SEZ

The fabrication plant will also provide the anchor investment for a new Special Economic Zone at Caution Bay, which has already been granted a licence.

PNG has had limited success with the SEZ concept in the past but a survey conducted by the Japan Development Institute in late 2023 identified Caution Bay as a prime candidate.

And it's not hard to see why. It is located in a highly strategic location, between Port Moresby and ExxonMobil's PNG LNG plant (where the Kumul Petroleum-operated LNG train will be located), and close to the capital's main port of Motukea.

There are already two gas-fired power stations in the area (Niupower and Dirio) along with other key infrastructure such as roads, water and telecommunications.

"We will expand our facilities into a larger energy park that will also include an import-export terminal and fuel storage facilities," says Sonk. "We want to attract service providers into the industry and there will be tax incentive packages for companies that set up there, based on what has worked before in other countries." ♦

THE INSIDE VIEW: ISIKELI TAUREKA, CEO, LABA HOLDINGS

Landowner companies are a feature of the business landscape in PNG, especially in the resources sector, with almost all projects sited on customary land. Isikeli Taureka, Chief Executive Officer of Laba Holdings, speaks to *Business Advantage PNG* about the company's aspirations.

Lab Holdings is the umbrella landowner company down at ExxonMobil's LNG plant at Caution Bay. The company is owned by the four villages there, 25 per cent each.

It was set up to participate in the previous PNG LNG project.

We now supply about 350 people with various skills inside the fence of the plant.

I joined in February 2022 to reset Laba again. Our vision is to be more than just a landowner company. With the next construction contract to expand the LNG plant for Papua LNG,



Lab Holdings recently entered a partnership agreement with Steamships Trading Company to create a new logistics business, Hebamo Transport.

our goal is to participate as much as we can, helping the project meet its national content provisions.

After construction, there will be a scale-down. By that time, we hope to have established enough value in the company to invest outside of our dependency on the LNG footprint and diversify.

We have joint venture partners, for instance, like Steamships and GCC Services: they bring international

standards of governance, decision-making and discipline. We also have a joint venture company, Turra Holdings, with fellow landowner company, Hides Gas Development Co, doing engineering, procurement and construction work.

We do have a significant amount of land as well. We're developing a new township and we're also looking to develop egg and livestock production.

We want to be good enough to go and compete in the region because we've built the organisational capability. Get the little things right and then people will come to you and say, "Hey, we want to do business with Laba."

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Economic map
of

PAPUA NEW GUINEA



Infrastructure

- Airport
- Port
- Manufacturing
- Special Economic Zones (planned)
- Thermal power station
- Hydro power station
- Power zone substation
- Transmission lines

Mining projects

- Operating mine
- Mine under development
- Possible mine

Petroleum projects

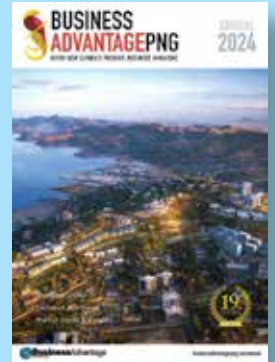
- Oil project
- Possible oil or gas project
- Gas project
- Oil export pipeline
- Gas export pipeline

Primary production

- Livestock
- Fisheries
- Forestry
- Coffee
- Cocoa
- Copra
- Palm oil

Telecommunication cables

- Kumul Submarine Cable Network-1
- Kumul Submarine Cable Network-2 (2026)
- Coral Sea Cable System (2019)
- PIPE Pacific Cable-1
- Hawaiki Nui Cable (2026)
- PNG LNG Cable



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The 50 MW Edevu hydro project outside Port Moresby is now operational (see page 34).

Green power to underpin growth in electricity

PNG Power is overhauling ageing infrastructure and encouraging investment in renewable energy to meet rising demand. *Business Advantage PNG* speaks to Acting CEO Nehemiah Naris about the plan ahead for the state-owned utility.

By Tony Jordan

Nehemiah Naris was appointed late last year to tackle the nation's most intractable problem: providing enough reliable, low-cost electricity to meet demand from PNG's expanding economy and population.

Peak demand for power often outstrips the company's 600 megawatts (MW) of installed capacity, which is distributed across three main grids and 17 mini-grids, supplemented by output

from five independent power producers (IPPs).

Naris is leading efforts to stabilise operations and manage an expansion of capacity, helped by an increase (from K756 million to K1.2 billion) in government spending on power and water in the 2024 national budget, as well as concessional loans and development aid from international agencies.

Cross-subsidy

PNG Power uses its profitable operations in Port Moresby and Lae to subsidise the cost of its social obligation to supply the rest of the nation.

"It's our community obligation to continue to keep those towns supplied," Naris says. "It comes at a huge cost for us. PNG Power is heavily exposed to all price movements, because we use a lot of diesel."

Naris also notes PNG Power hasn't been allowed to increase its tariff to users for more than a decade. In the short term, he's encouraging a "collaborative approach" on tariff reform with the regulator, the National Energy Authority.

"We need to have a transparent tariff mechanism that is fair on the utility provider and consumers," he says. "The current tariff is all about cost recovery; it's not about profitability."

Longer term, a transition to cleaner energy, including solar and wind, would bolster reliability and support the government's goal of reducing emissions.

"In our *Powering the Pacific* report, published with the support of the governments of Australia and New Zealand, we highlighted PNG's tremendous potential in solar and wind – the country has some of the best wind speeds in the region," Markus Scheuermaier, PNG Resident



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Representative at the International Finance Corporation (IFC, a member of the World Bank Group), tells *Business Advantage PNG*. “Geothermal is another possibility.”

Mixed sources

PNG’s two major grids, Port Moresby and Ramu, will still require mixed-generation sources for redundancy, and the company is also looking at rehabilitating older generating units to ensure stability of supply.

“We don’t want to get caught out in a situation like a prolonged drought, where we lose capacity,” he tells says. “We need to have cost-effective redundancies in place to replace the hydros.”

PNG Power is planning to rehabilitate the Ramu 1 hydropower project by 2026 with funding from the Australian Infrastructure Financing Facility for the Pacific. It’s also in discussions with the PNG government and Kumul

Credit: BAI



“IF WE CAN BRING LARGE VOLUMES OF CHEAP HYDROPOWER INTO THE GRID, IT WILL UNDERPIN ENERGY DEMAND FOR THE NEXT 30 TO 50 YEARS.”

Nehemiah Naris, acting CEO,
PNG Power

Consolidated Holdings to build the 180 MW Ramu 2 hydropower project, which would supply the Wafi-Golpu mining project in Morobe Province.

“If we can bring large volumes of cheap hydropower into the grid, it will bring reliability and it will underpin energy demand for the next 30 to 50 years.”

The utility also plans to modernise its transmission and distribution assets, including a new connection from Caution Bay to the industrial hub of Motukea. A separate project to link two IPPs to the larger grid will help reduce the need for load-shedding, Naris says.

PNG Power will also soon be able to draw on the National Energy Access Transformation Project, financed by the World Bank. The project will include grid rehabilitation and modernisation, on-grid electrification, and a pilot public-private partnership for several provincial centres, for which IFC is the transaction advisor. ♦

CASE STUDY: HYDRO PROJECT BRINGS STABILITY TO PORT MORESBY'S GRID

PNG Hydro Development Company's new Edevu Hydro project is the latest project to address the long-term investment deficit in Port Moresby's energy grid. Paul Chai reports.

First approved in 2015, the Edevu hydropower plant was built to generate 50 MW for the overloaded Port Moresby grid.

The new facility came online at the end of October 2023 with a 20 MW test and has coincided with PNG Power’s upgrading of grid infrastructure - new express feeders, poles and upgrades to existing hydro projects like Rouna 1 - a program that is supported by US\$66.7 billion from the Asian Development Bank.

Edevu is the latest of eight energy projects so far undertaken by PNG Hydro Development Company, a subsidiary of Chinese-owned AG Investment Limited. Managing Director Allan Guo says Moresby should expect “more, better power” as a result.

He adds that the group is supporting the hydro with a renewable-based back-up system:

“We are installing a 1 MW solar floating on the reservoir,” he told the 2023 PNG Mining and Petroleum Investment Conference. “This year, we are expecting El

Niño [to bring less rain].” The floating solar, which will be increased to 5 MW, is one way of keeping the lights on if water volumes are lower than expected.

Untapped potential

Guo’s experiences have convinced him that hydropower has huge untapped potential in PNG.

“If you look at the World Bank Report in 1994, it says PNG has about 20,000 MW of potential hydro power. Right now, including Edevu, we have used about two per cent of that potential energy,” he says.

“In PNG, we are tropical, we have a lot of rainfall and we also have a lot of forest coverage - which is a natural reservoir for hydro, to regulate the flows.”

PNG Hydro has identified several sites with similar potential to Edevu, including in Enga (20 MW), Finschafen District in Morobe Province (20MW) and on the Purari River (25 MW) in Gulf Province.

The company is also looking at new products in the green energy space.

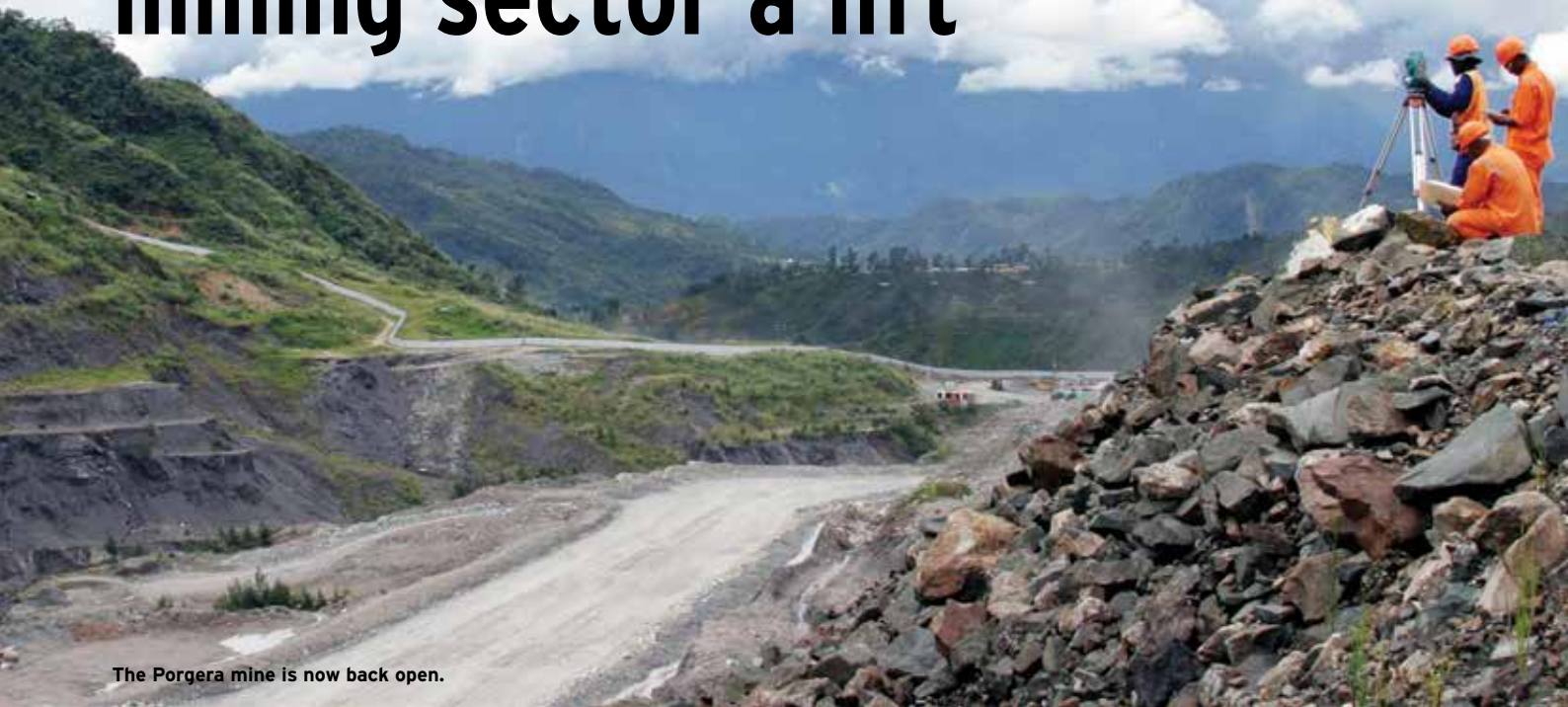
“Capturing CO² and hydrogen, which is made from our hydro, we can produce hydrogen and green methanol, so that’s our next plan,” says Guo.

Credit: BAI



PNG Hydro Development's Allan Guo.

Porgera reopening gives mining sector a lift



The Porgera mine is now back open.

The resumption of production at the Porgera gold mine has reignited confidence in Papua New Guinea's mining sector, bolstering hopes that two new major projects, Wafi-Golpu and Frieda River, may receive permitting approval in 2024.

By Tony Jordan

Porgera officially reopened at the end of 2023 under a new ownership structure. New Porgera Limited (NPL) is 51 per cent owned by PNG stakeholders including Kumul Minerals, local landowners and the Enga provincial government, and 49 per cent by Barrick Niugini Limited (BNL), a joint venture between Barrick Gold and China's Zijin Mining.

The new corporate structure aims to divide the economic benefits more evenly between local and overseas interests, with a 53 per cent share flowing to PNG shareholders. At an assumed gold price of US\$1,800 an ounce, local shareholders would receive almost K28 billion over the mine's new 20-year operating lifespan.



WE KNOW THAT WE WILL TAKE PORGERA FAR BEYOND 20 YEARS. IT WILL BE A LONG-LIFE PROJECT.

New Porgera Chairman, Sarimu Kanu, who is also Managing Director of Kumul Minerals Holdings.

NPL expects Porgera to hit full production throughput by the third quarter of this year, and says the mine will employ about 3,200 people by the end of 2024. Export revenue from gold sales this year is estimated at K1.8 billion, providing a welcome boost to PNG's flagging foreign exchange reserves.

"We know that we will take Porgera far beyond 20 years," NPL Chairman Sarimu Kanu says. "It will be a long-life project."

NPL plans to spend K2.7 billion (about US\$750 million) at Porgera this year, including more than K600 million on PNG-sourced goods and services. Royalties, to be paid to landowners and the Enga provincial government, and a production levy paid to the Mineral Resources Authority, will amount to K63 million.

NPL will also contribute to local projects in health, education, roads, and law and order, as part of the project's Community Development Agreement. The company will also soon begin negotiating long-term compensation agreements with representatives of local landholders, Kanu says. ♦

Underground, overground

With the Porgera gold mine reopened, eyes are now turning to two other long-awaited mining projects: Wafi-Golpu and Frieda River.

By Tony Jordan

Mineral Resources Authority Managing Director, Jerry Garry, expects major progress this year in the permitting of the Wafi-Golpu copper-gold project in Morobe Province, a joint venture between US-based Newmont Corporation (following its acquisition last year of Newcrest Mining) and South Africa's Harmony Gold.

The Wafi-Golpu Joint Venture has already applied for a special mining lease for the project and its environmental impact statement is under regulatory review by PNG's government.

"The venture partners are very committed and want to see the negotiations concluded," Garry tells *Business Advantage PNG*. "They will be seriously pushing to build Wafi because, apart from the gold, there is also significant copper."

Garry believes the remaining legal barriers to the project "can be easily overcome" and says that "once the mining development contract is approved, we will be in a better position to know how much benefit will return to the provincial government, local government and the landholders."



Credit: PanAust

Frieda River is an integrated mining and infrastructure project.

The underground-mining project comprises three major deposits, Wafi, Golpu and Nambonga, with initial plans focused on the Golpu deposit. The project's total resource is estimated at 11 million ounces of gold and 4.9 million tonnes of copper, with a projected mine life of 28 years.

Frieda River

Garry also expects progress on permitting for the Frieda River gold and copper project, which has received increased interest from its developer PanAust, a Chinese state-owned company with headquarters in Australia.

The project's environmental impact statement is currently being reviewed.

"We are expecting a decision in 2024," says Jonathan Kort, Interim CFO and General Manager of Strategy

and Commercial at PanAust.

"We'll be seeking the mining licence – right now, we're estimating in 2026 but that may be brought forward, depending on the government's requirements," Kort says. "Once those are finalized, we'll finalise the design and look at a seven-year construction cycle."

The open-cut Frieda River mine in PNG's rugged Sepik region would produce 175,000 tonnes of copper and 230,000 ounces of gold annually for at least 33 years, according to its feasibility study.

PanAust's development plan also calls for construction of a 490 MW hydroelectric project and 400 kilometres of transmission lines to power mine operations and provide electricity to local communities. ♦

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SHIFTING FOCUS TO EXPLORATION AND RARE-EARTH MINERALS

Papua New Guinea's Mineral Resources Authority and Kumul Minerals Holdings, the state's nominee company for holding shares in mineral projects, are both encouraging more exploration in PNG to increase the country's future reserves.

The MRA has made all of its historical geological data publicly available to explorers in PNG, which has more than 120 identified mineral deposits, primarily copper, nickel, gold and associated metals.

The PNG government is particularly interested in finding reserves of rare earth elements, such as neodymium, dysprosium and terbium, which are critical components in devices such as electric-vehicle batteries and smartphones.

"We potentially have some of those rare earth elements in some

Credit: BAI Stefan Daniljichenko




Mineral Resources Authority's MD Jerry Garry.

of the older rocks down in Western Province," says MRA Managing Director Jerry Garry. "And our geologists have already done some preliminary work in this area. We are still waiting for the results to come in."

Sarimu Kanu, Managing Director of Kumul Minerals, says "there is a huge potential for unexplored critical minerals" including lithium, graphite and rare-earth elements. Kumul is also re-evaluating existing exploration data to identify new minerals for development, he says.

Kumul Minerals has a 67 per cent stake in Ok Tedi Mining and 36 per cent in New Porgera Limited, and is in negotiations to acquire a 20 per cent stake in the Wafi-Golpu project.

Global demand for rare earths is expected to reach 466 kilotonnes by 2035, up from 170 kilotons in 2022, an 8 per cent compound annual growth rate, according to a Boston Consulting Group study published last year. The report warned that more than 20 new projects would need to be launched to avoid a shortage of rare earths by 2030, with an additional 10 projects needed by 2035.



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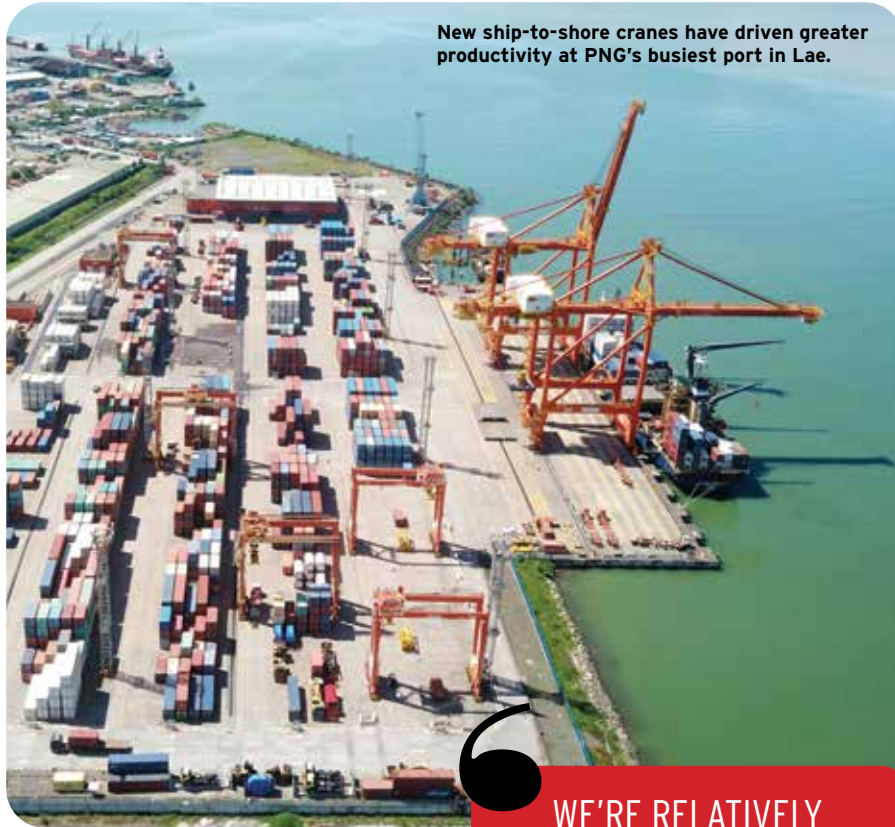
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Ports anticipate lift in freight volumes



New ship-to-shore cranes have driven greater productivity at PNG's busiest port in Lae.

Credit: ICTSI

After a challenging 2023, Papua New Guinea's port and road transport operators are preparing for a significant recovery in demand this year.

By Tony Jordan

Papua New Guinea's logistics companies made the most of a quiet 2023 by doubling down on maintenance and investing in new vessels and equipment, in preparation for an expected increase in demand this year.

Steamships Trading Company, International Container Terminal Services Inc (ICTSI) and PNG Ports Corporation have all made significant investments to expand services and boost efficiency ahead of the final investment decision for the TotalEnergies-led Papua LNG project, expected later this year.

"We're relatively confident about the market coming back, not just because

WE'RE RELATIVELY CONFIDENT ABOUT THE MARKET COMING BACK ... MARKET SENTIMENT IS MORE POSITIVE THAN IT HAS BEEN FOR A WHILE.

Chris Daniells, COO
Steamships

of the [Papua LNG] final investment decision [FID], but we're confident of underlying volumes coming back in 2024," said Chris Daniells, Steamships' Chief Operating Officer. "Market sentiment is more positive than it has been for a while."

Steamships has added two vessels and three new tugboat and barge combinations, increasing its mainline capacity by 25% to prepare for growth.

Additional capacity

While it awaits FID, Steamships will use its additional capacity to

restore weekly sailings between Lae and Port Moresby, Daniells tells *Business Advantage PNG*. It used the dip in demand in 2023 to focus on maintenance programs for its vessels and fleet of trucks, and invested in quality improvements at its workshops in Port Moresby and Lae.

Meanwhile, ICTSI South Pacific (operator of PNG's two international ports, Motukea and Lae) has also focused on efficiency gains. Additional ship-to-shore cranes in Lae are reducing discharging and loading times, achieving faster vessel turn-around times, and improving safety, according to CEO Robert Maxwell.

"This is evidenced by an increase in trans-shipments, with Lae starting to become a trans-shipment hub for the region, particularly for cargo going to and from the Solomon Islands and Vanuatu," says Maxwell.

He expects freight volume to increase 5 to 6 per cent this year, based on the commencement of Papua LNG, the restarting of Porgera and the beginning of Wafi-Golpu.

Efficiency and emissions

Maxwell also notes ICTSI is committed to reducing emissions by deploying solar panels, converting terminal lighting to LEDs, and using of rain-harvesting technology in Lae.

"In terms of emissions, the big one for us is efficiency within the terminal," he said. "Ship-to-shore cranes in Lae can lift two twenty-foot containers simultaneously, instead of one at a time, which reduces the net emissions per container."

Lae is PNG's busiest port, handling 54 per cent of PNG's trade volumes, followed by Port Moresby (21 per cent) and Kimbe in West New Britain (7 per cent).

Meanwhile, ICTSI's landlord, PNG Ports Corporation, has an extensive US\$412 million investment program to upgrade and expand PNG's 15 major ports, which between them handle about 10 million tonnes of cargo a year.

The largest of these is the US\$176 million phase 2 development of the Lae Tidal Basin "with the aim of developing the area into an industrial hub, ready for the boom in the resource sector," says Ian Hayden-Smart, Officer in Charge at the state-owned company. ♦



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Credit: BAI

Time and tide: TWL Logistics perfectly placed



By Paul Chai

TWL Logistics is a marine-based services company founded in 2015, originally named Pacific Project Logistics. The company brought on an investor in the form of PNG landowner company Trans Wonderland Ltd (TWL) in 2019 and rebranded as TWL Logistics.

James Midgley, founder and Managing Director, has been focused on constructing an offshore marine services capability. TWL Logistics' engagement with local partners and international technical partners has resulted in its current successful position.

The company, like many other during the pandemic, had a tough 2020 but has "grown exponentially" since, due in part to its strategy of being able to provide a wide range of services.

'It's a project-solution fleet,' Midgley says. "We are not strictly a service company; our approach integrates services with specialised assets for tailor-made project solutions. We are a project marine solutions company. So, we have crew boats, landing craft, tugs, barges, accommodation vessels and dive support."

Midgley acknowledges that collecting this many marine assets and gear is challenging but says he has a lot of confidence in where the marine services sector is heading.

"You also have to be cautious but we see ourselves as a partner to the next wave of development," he says. "We have a mixed strategy: we will bring vessels in under direct purchase, we will bring them in under a charter agreement and we will bring them in under partnership agreements. It keeps things flexible in line with project demands."

The future of marine logistics

It has been involved in early works for the project, which is based on the Purari River in PNG's Gulf Province. The company first worked with TotalEnergies back in 2015 and is now a major supplier to the international oil and gas company.

Midgley says staff numbers have grown from 75 in the early days to 230 today, with significant growth expected again if the Papua LNG project reaches FID stage.

Running the sea route from Port Moresby across the Gulf of Papua and up the Purari River, where the Papua LNG camp is based, is not without its challenges.

"It is not widely understood that it is a challenging body of water, particularly with the contrasting season weather and tough river conditions," Midgley says. "So, you have to have a vessel that is both ocean-going and then able to

WE ARE NOT STRICTLY A SERVICE COMPANY ... WE ARE A PROJECT MARINE SOLUTIONS COMPANY.

James Midgley, MD,
TWL Logistics

navigate the river."

Midgley, who is also President of the PNG Coastal Ship Owners Association, says that the early works have been a success but the marine solutions industry in PNG may still be under-prepared should the Papua LNG project be fully approved later this year. This will require active collaboration with industry stakeholders and regulators.

He believes now is the time for investment in this industry so that, when the work arrives, much of it can be kept onshore with local companies.

"There is always going to be a place for internationals but how do you retain the experience in the country?" he asks. "If your contract model is always foreign then you are not going to be able to build your own industry." ♦

INFRASTRUCTURE GETS INTERNATIONAL BACKING

A coalition of international agencies is supporting the much-needed upgrade of PNG's infrastructure.

PNG's ports, telecommunications networks, energy grids, airports, roads and airports have for years faced a backlog of investment. The good news is that there has been significant progress, thanks in no small part to a coalition of international agencies.

The Asian Development Bank (ADB) is the single largest investor in PNG infrastructure, with its current program worth US\$1.38 billion.

"Our main focus has been in roads and civil aviation," Said Zaidansyah, the ADB's PNG Country Director, tells *Business Advantage PNG*. "We are trying to do as much as we can to help the government address their Connect PNG agenda, which would see the whole country connected by 2040."

Initiatives such as the ADB's Sustainable Highlands Highway Investment Program (which is supporting the rehabilitation and upgrade of 430 kilometres of roads), and the Australian government's Transport Sector Support Program have given PNG's government the confidence to allocate 5.6 per cent of its annual budget toward Connect PNG.

The Australia Infrastructure Finance Facility for the Pacific is also financing road construction, as well as the A\$580 million program to repair and upgrade PNG's major ports with PNG Ports Corporation. It is also providing a significant portion of the Australian government's A\$250 million commitment to PNG's electrification.

Electrification target

This latter support is being provided as part of the multilateral PNG Electrification Partnership (PEP),

a bold initiative to bring electricity to 70 per cent of PNG's population by 2030, which was announced at APEC 2018.

While there is still much to do if this ambitious target is to be met, there is progress on the ground, with USAID seeking to facilitate around 220,000 household connections, and financing solar mini-grids and off-grid renewable energy projects such as Santos' Markham Valley Solar Project and a biogas project with New Britain Palm Oil.

Outside of the PEP, World Bank member the IFC is also supporting mini-grid development in Lorengau, Wewak, Alotau, Kimbe and Kavieng.

Unlocking private investment

Ultimately the long-term solution to PNG's infrastructure challenge is to unlock private sector investment. PNG's recently introduced *Public Private Partnership Regulation 2023* and *Public Private Partnership (Amendment) Act* should make this easier, by creating a transparent and robust process for infrastructure PPPs in PNG.

"PPPs create opportunities for private sector involvement in service provision, which can lead to better service delivery, reduced costs for businesses, and improvements to government balance sheets," says Zaidansyah.

Such a framework should also make it easier for agencies such as the US Development Finance Corporation (DFC) to play a bigger role in PNG.

"Our mission is to catalyse private sector investment," the DFC's Managing Director, Asia Pacific, Geoffrey Tan told the 2023 Business Advantage PNG Investment Conference. "We're very, very keen to expand our footprint here."



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The race to connect PNG

PNG's telecommunications companies are on an aggressive push to bring connectivity to more of PNG's population in the face of surging demand for data-based services.

By Tony Jordan

PNG's newest telco, Vodafone Papua New Guinea, launched in the market in 2022. After initial delays, it is now well advanced on its network rollout, with the aim of matching that of market leader, Digicel PNG (itself now part of Australia's Telstra since 2022).

"What we are doing is building a robust network around the country," says Pradeep Lal, Chief Executive Officer of Vodafone Papua New Guinea, a subsidiary of Fiji's Amalgamated Telecom Holdings. "As we enter our second year, I am pleased to announce that we're on track to establish 770 towers across 22 provinces. In addition to our existing POM data center, we've have expanded with live data centers in Lae, Mt Hagen and Kokopo."

Meanwhile, Digicel has been upgrading PNG's largest tower network to 4G for some time, and over 70 per cent of its network is now capable of delivering the service. Vodafone's network has been 4G+ enabled from the start, and it is now working on raising awareness among Papua New Guineans to upgrade to smartphones.

"In our recent campaigns, we introduced highly affordable versions of popular smartphones such as Samsung, TCL, and iPhone," says Lal. "Devices need to be priced well and customers should have a choice."

"Additionally, we've observed that customers often begin with a basic smartphone and, upon realising the benefits and good experiences, they naturally opt for upgrades. In the upcoming year, I am confident that smartphone penetration in PNG will surge to an impressive 70 to 80 per cent."

Co-location

Vodafone is adding a 70 more towers this year in Western Province with a local partner. Lal sees sharing towers as the quickest way of connecting the country.

"We are still continuing to pursue discussions with competitors, Digicel and Telikom PNG," he says. "Initial talks were about co-locating on their towers and building an equal number of towers in the places we jointly identify so that we are all able to cover the country."

While the incumbents are



Credit: Vodafone PNG

understandably wary of sharing facilities that have helped them achieve a strong market position, not every tower is suitable for the co-location of services anyway.

For this reason, state-owned telecommunications wholesaler PNG DataCo is trialling "neutral" community towers that would be open to any operator. Eventually, up to 500 of these towers will be built, to service 500,000 households and businesses around the country.

"PNG's plans for development require wireless; obviously 4G, maybe 5G as well. To make that work, and be accessible and cheaper, we need to be looking at models of sharing," suggests PNG DataCo's Managing Director, Paul Komboi. "The players in the market are accepting to try this out, so we're working closely with them."

Fibre points-of-presence

While mobile networks will reach retail customers and small business, larger businesses and government need broadband connectivity. This too is rapidly spreading across the country and is a key mandate of PNG DataCo.

Its National Transmission Network now has fibre points-of-presence in 21 of PNG's 22 provincial capitals and has connected 44 of the country's 96 districts. By 2027, according to DataCo's 15-year plan, all of those districts will have internet access.

A key role will be played by the extension of the Kumul Submarine Cable Network to more coastal and island communities by 2026.

Meanwhile, fibre connections throughout PNG's populous Highlands region will leverage off the expansion programs of the Connect PNG roadbuilding program and state utility PNG Power, whereby DataCo will use roads and power pole routes to install fibre where possible. ♦



I AM CONFIDENT THAT SMARTPHONE PENETRATION IN PNG WILL SURGE TO AN IMPRESSIVE 70 TO 80 PER CENT.

Pradeep Lal,
CEO, Vodafone PNG

THE INSIDE VIEW: PAUL KOMBOI, CEO, PNG DATACO

“ We are expanding our critical infrastructure for transmission, data centres and cloud services, at the same time making it safe, secure and reliable.

If we can do that, we will assist the other operators as well and make it easier for them to continue to develop the ICT industry in the country.

We’ve contributed immensely already, almost 12,000 kilometres of fibre cable – submarine and terrestrial – already installed and operational. Two data centres have been built for a range of services.

It takes a lot of leadership, organisation and learning as well. It’s challenging but it’s happening. Progress is being made.

I think, initially, we underestimated the demand, so implementation took a bit longer than anticipated. We’re doing the upgrade now. In terms of market demand, it will pick up with the government starting to realise its digital government plan.

Our international capacity has grown from 4 GB to 60 GB over the three years since we took over the Coral Sea Cable Network’s PNG connection. Data prices need to continue to drop because volumes are increasing.



We’re working with the cable operator to increase its capacity further. In another five to six years, we have to look at adding another international cable for resilience.”



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Credit: TE (PNG)

Ship-borne satellite receivers have proved a gamechanger for those operating in PNG's coastal waters.



SO MUCH OF PNG IS STILL NOT GOING TO BE ON FIBRE.

Robbie Huxley,
MD, TE (PNG)

The eyes in the skies

A slew of new satellite technologies promise a future of faster connections and lower prices, especially in PNG's most remote regions. *Tony Jordan* previews what's ahead.

PNG's resource companies have long relied on satellite communication for mission-critical operations, but the cost of the sophisticated systems has kept it out of reach of consumers and smaller companies.

That's quickly changing, with advancements in satellite technology driving down costs and making satellite systems such as SpaceX's Starlink and Eutelsat's OneWeb easier to deploy, says Robbie Huxley, Managing Director of local technology services provider TE (PNG) Ltd.

Starlink received a five-year licence to operate in PNG in January 2024.

"Starlink is a game-changer, because everybody will be able to have a fairly affordable package, and the equipment is small, so you don't have to be a trained technician to install it," Huxley tells *Business Advantage PNG*. "Removing that cost barrier for the market is massive."

"It should also allow the telcos to bring down the price to the user, particularly in the remote regions," he adds. "Dataco have done a pretty good job with their fibre cable rollout, but so much of PNG is still not going to be on fibre."

Huxley says there's no one-size-fits-all solution for PNG, so the company now sells a mix of services – on C-band (used for mission-critical tasks like air navigation), Ku-band and Ka-band – that can also be knitted together to create an overall network, providing higher speeds and greater resiliency and redundancy. Such networks can also act as a backstop for traffic if fibre-based connections are disrupted.

Infrastructure provider PNG Dataco, which also uses satellite for redundancy, says it's also considering partnering with next-generation services like OneWeb and Starlink.

Meanwhile, retail telcos such as Digicel and Vodafone use satellite as a complement to their existing networks.

"Satellites only provide a certain amount of bandwidth, but customers are now talking about needing terabytes of data, not gigabytes," says Pradeep Lal, Chief Executive Officer of Vodafone Papua New Guinea. "Satellites can complement operations, but aren't sufficient for customers on their own." ♦

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PNG's banks embrace digital future

Banks and finance firms are rolling out digital products to take advantage of increased connectivity across PNG, where about 75 per cent of the population remain unbanked.

If there's a milestone that really illustrates not only how far PNG's banking system has come, but also where it is heading, it is the official demise of the cheque book as of 31 December 2023.

Last year, cheques accounted for just seven per cent of all transactions in PNG, down from 44 per cent in 2015. The Bank of PNG has now hastened the switch to digital. No new cheque books will be issued, and existing cheques can only be used until the end of June 2024.

"Commercial banks are confident that payment alternatives to cheques will result in a more efficient and enjoyable banking experience for all," David Toua, the central bank's Chairman, assures *Business Advantage PNG*, noting that government cheques will still be processed for now.

Outlawing cheques "is a great step forward to digitisation," says Lachlan Halstead, ANZ's Country Head for PNG. "A lot of our customers are more and more interested in going electronic,"

Halstead says. "It's really refreshing to see the changes that are being introduced by the central bank."

New systems

This move is only possible due to the massive investment in digital systems and services made by the country's financial institutions.

The country's largest bank, BSP Financial Group, implemented a new core banking system in April 2023.

"Following a period of post-implementation challenges, the system is now operating in a stable manner," advises CEO Mark Robinson. "The implementation of our new system has enabled us to focus on the modernisation of our service offering."

Optimisation of BSP's digital platforms will continue this year, with a focus on "flexible banking arrangements and targeted measures to address branch queues."

"Our digital channels have been the key story of our growth over the past couple of years and continue to be so," says Greg Pawson, CEO of Kina Bank, which has grown to become the country's second biggest bank in the nine years since its initial public offering in 2015. "We're doing quite a significant upgrade of our corporate online business."

Digizen ID aims to address the lack of formal identification in PNG using biometrics and social vouching. It is the first project to graduate from the Bank of PNG's regulatory sandbox, set up to encourage innovation in finance.

He tells *Business Advantage PNG* the bank will roll out "the first electronic Know Your Customer platform in PNG", which will let customers onboard themselves without any human intervention. The bank will also offer virtual wallets and begin issuing virtual cards.

Meanwhile, ANZ has implemented FileActive, its global host-to-host corporate banking platform, in PNG.

Strategic moves

PNG's second-tier financial institutions are also investing heavily in digital.

Credit Corporation's new core banking system is "live and in production" and the company is already opening accounts for its employees before expanding services to existing customers.

"The next step will be to launch the full suite of lending products that you would typically see from a bank," says its CEO, Danny Robinson.

Undeterred by the higher 45 per cent tax rate levied on banks from the start of 2023, Credit Corporation plans to take advantage of its new full banking licence by expanding beyond SMEs and commercial customers, although Danny Robinson notes "there are just a few more regulatory hurdles before we can begin to use the word bank."

"We are going to be able to appeal to those who are looking for a more digital banking option," he explains. "Our system will allow customers to open an account with us online rather than needing to come into the office."

Another finance company, Moni Plus, will also begin using a new core banking system this year, a key component of its plan to pursue a local stock exchange listing in the next two to three years and, ultimately, a banking license of its own, says CEO Aho Baliki.

More immediately, Moni Plus will open new branches in Goroka and Buka, expand its asset-financing, equipment-leasing and housing businesses, and "focus attention on the growth of landowner businesses tied to the mining sector," Baliki says.

WESTPAC RECOMMITS TO PNG MARKET

Westpac plans to deploy digital banking tools to expand its reach and attract new small business and retail customers, after recommitting to a long-term presence in Papua New Guinea's banking sector.

Westpac's strategy in Papua New Guinea will be "underpinned by digital," after the retail and institutional bank decided late last year to re-commit to, and expand, its presence in the country, says Brett Hooker, Chief Executive of Westpac PNG.

"Digital is at the forefront, and we would like to accelerate that in our business," Hooker says. "The big opportunity is to take mobile phones and internet access to the



Brett Hooker, Chief Executive of Westpac PNG

wider community. We already have those tools, so it's more about infrastructure expanding to a level where we can start to deploy them in PNG."

Westpac's business has focused on established PNG companies and multinationals, "particularly our own institutional clients out of Australia that have very long tenures here," Hooker says. But the lender hopes the shift toward digital banking will help it reach more retail customers.

"There's still a large portion of the population that are unbanked," he says. "That's why we're going to focus on digital. We think that's the way to get to people, as opposed to more bricks and more retail outlets."

Bank's strategy, which involves partnering with microfinance provider MiBank, in which it also has a 15 per cent stake.

"That partnership actually is working really well. MiBank have had a tremendous year," says Pawson.

Closer to the grass roots market, MiBank has been able to build its own digital tools to solve problems unique to PNG. For example, its Mobile Corporate service, launched last year, enables customers to authorise transactions on group accounts even if they have no access to the internet, and regardless of the location. ♦

THE INSIDE VIEW: RAJEEV SHARMA, CEO, NASFUND

🔴 We are seeing a lot of young people coming into our membership. We are also looking at prospective members - kids who are in grade 12, preparing for employment or university. These are the ones who are more tech savvy.

We have an app where you can log in and see your balances and transactions, or you can log in to our membership portal and do the same.

On top of that, we are further automating our branches with electronic queuing and WhatsApp-based appointment bookings because still we have a large number of members who don't have internet access. 📶



Innovation

If the Bank of PNG's goals for financial inclusion are to be achieved, banking services need to be brought to the bulk of Papua New Guineans, who currently have limited connectivity.

"Our branch footprint, especially in rural and underserved areas, has enhanced accessibility for people who may face challenges in reaching urban centres," says Mark Robinson, who notes this work involves "a combination of technological innovations, community outreach, and collaboration."

Collaboration is also key to Kina

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Driving force: MVIL aims to be first paperless government entity

By Paul Chai

A new digital vehicle ID, beefed-up customs cooperation and increased reach are all set to revolutionise how Motor Vehicles Insurance Ltd (MVIL) handles car registration and insurance. It will also make compliance and payment easier for a lot of companies.

Michael Makap, CEO of MVIL, says that one of his key priorities has been to steer the government-owned entity, which provides compulsory third party insurance (CTP) among other products and services, into a digital future.



Mining equipment at remote sites now falls under MVIL's CTP insurance mandate.

"This will incorporate everything that we do here, including vehicle registrations, drivers' licences, and our own accounting systems, human resources and audits," Makap says. "In early 2025, I think we're going to reach the target to make us the first national government-owned entity to have a paperless office."

Bringing licences, car registration and insurance online will make compliance easier. The new system will rely on a scanner to show instantly if a car vehicle is registered

"It will revolutionise the way we do

things. One of the biggest challenges we are facing is to increase our volumes," says Makap. "It has never gone above 110,000 vehicles. That's a total number of motor vehicles currently registered throughout the whole country. It should be around 400,000 to 500,000."

Technology is just one way MVIL is looking to improve its efficiency; the other is early intervention. It is partnering with PNG Ports Corporation to monitor vehicles from the moment they set tyres on PNG soil.

"We've just opened an office at Motukea," Makap says. "We will now capture every motor vehicle, every piece of equipment that comes into the country in our international ports, Lae included."

The initiative is part of the overhaul of the CTP insurance system, which was recently extended to include the fleets of vehicles operating on site in the petroleum, mining and agribusiness sectors.

"The *MVIL Act* now gives power for MVIL to go out to the private areas, which we never had before," says Makap. ♦



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A lot of bottle

Coca-Cola Europacific Partners (PNG) is experiencing stronger demand for its popular drinks in smaller bottles, as consumers pivot toward value.

By Tony Jordan

The biggest constraint to the Coca-Cola Europacific Partners (CCEP) business in PNG is currently meeting demand for its drinks in 300 ml bottles, according to Sales and Commercial Director Tim Solly.

Because of PNG's rising cost of living, "which is acutely being felt in PNG, we're finding a lot of our customers and consumers are migrating to our 300 ml flavour range, and we just don't have the capacity at the moment to fulfil that demand," he says.

Those constraints will ease once the company's new K80 million PET bottling plant in Lae starts production later this year, he tells *Business Advantage PNG*.

"Once we get this capacity, we'll be able to service the full demand across PNG."

CCEP has the largest share in what is a highly competitive soft drinks market in PNG. In addition to Coke-branded drinks, the company manufactures global beverages such as



MOVING OUT TO 2025 AND BEYOND, I DO THINK THIS MARKET IS GOING TO GO THROUGH SOME FAIRLY SIGNIFICANT AND POSITIVE GROWTH.

Tim Solly, Sales & Commercial Director, CCEP (PNG)

PRUDENT AND PATIENT: SP BREWERY READIES ITSELF

Business Alliance PNG speaks with SP Brewery Managing Director Ed Weggemans about the company's sharp focus on its bottom line and sustainability in tougher market conditions.

SP Brewery is looking to Papua New Guinea's long-awaited resource projects to boost its sales in 2024 after its business was buffeted by tougher market conditions over the past year.

"I'm quite convinced that, in the medium-to-long term, the major investment projects are going to happen," Weggemans says. "Those projects put money into workers' pockets and that's going to affect us in a positive way."

"We're ready for the boom to happen," Weggemans says. "We're maintaining our capacity, which is currently over-capacity, because we have history from the previous LNG boom. We're just hoping that it will happen sooner rather than later."

In the meantime, SP Brewery will focus on supporting retail outlets that were forced to shut down because of the impact of rolling liquor bans, social unrest and inflation, he says, adding that the challenges of 2023 "taught us to be a bit prudent and less optimistic about the future."

Credit: BAI



WE'RE READY FOR THE BOOM TO HAPPEN. WE'RE JUST HOPING THAT IT WILL HAPPEN SOONER RATHER THAN LATER.

Ed Weggemans, SP Brewery Managing Director



Coca-Cola is one of several soft drinks manufactured by CCEP in PNG, and distributed carrying the Manufacturers Council of PNG's 'PNG Made' logo.

Sprite, Fanta, Solo, Schweppes, Minute Maid Refresh and Nature's Own Water in PNG. Meanwhile, its Bu Energy drink is manufactured exclusively for the PNG market.

As consumer preferences change, Solly says more of CCEP's products are being purchased in cities and towns for resale in remote areas.

"Our products generate economic returns for people," Solly says. "People can buy it and resell it to make a profit, and that actually generates income for people. So you do find that a lot of people want our products to make more money."

CCEP is stepping up marketing efforts, "making sure that we're looking at pack sizes, we're looking at flavours and whether we need to introduce new products," Solly says, explaining that CCEP expects a "slightly better" year in 2024 as mine projects resume and preparatory work for the Papua LNG project gathers pace.

"Moving out to 2025 and beyond, I do think this market is going to go through some fairly significant and positive growth," he says.

In 2023, CCEP also launched PNG's first PET bottle recycling scheme with the ultimate goal of helping to collect one bottle for every bottle it sells across the country.

"The scheme follows on the success of similar programs around the world, including Australia, New Zealand and Fiji," explains Solly.

"Initially we will operate this in Port Moresby only, but we will seek to expand this around the country, and request support from our industry peers." ♦

"When a liquor ban is announced we, of course, are in full compliance, but that really restricts our ability to trade," he notes. "We have to protect the bottom line as much as we can."

One of SP's biggest challenges is the rising supply and popularity of unregulated spirits, which skirt the excise taxes that account for about 46 per cent of the price of a carton of beer, Weggemans says.

"You've got uneven business conditions, where one part of the industry is heavily compliant and audited and another part of the industry is not, and that's obviously problematic for a major investor in the economy."

The current challenges haven't stopped the HEINEKEN-owned brewer from investing, however. In September 2023, it opened a new state-of-the-art waste water treatment plant in Port Moresby, part of its commitment to minimize its environmental footprint. A second treatment plant, in Lae, is set to follow early this year, while the brewer is also embarking on a major renewable energy project in 2024.

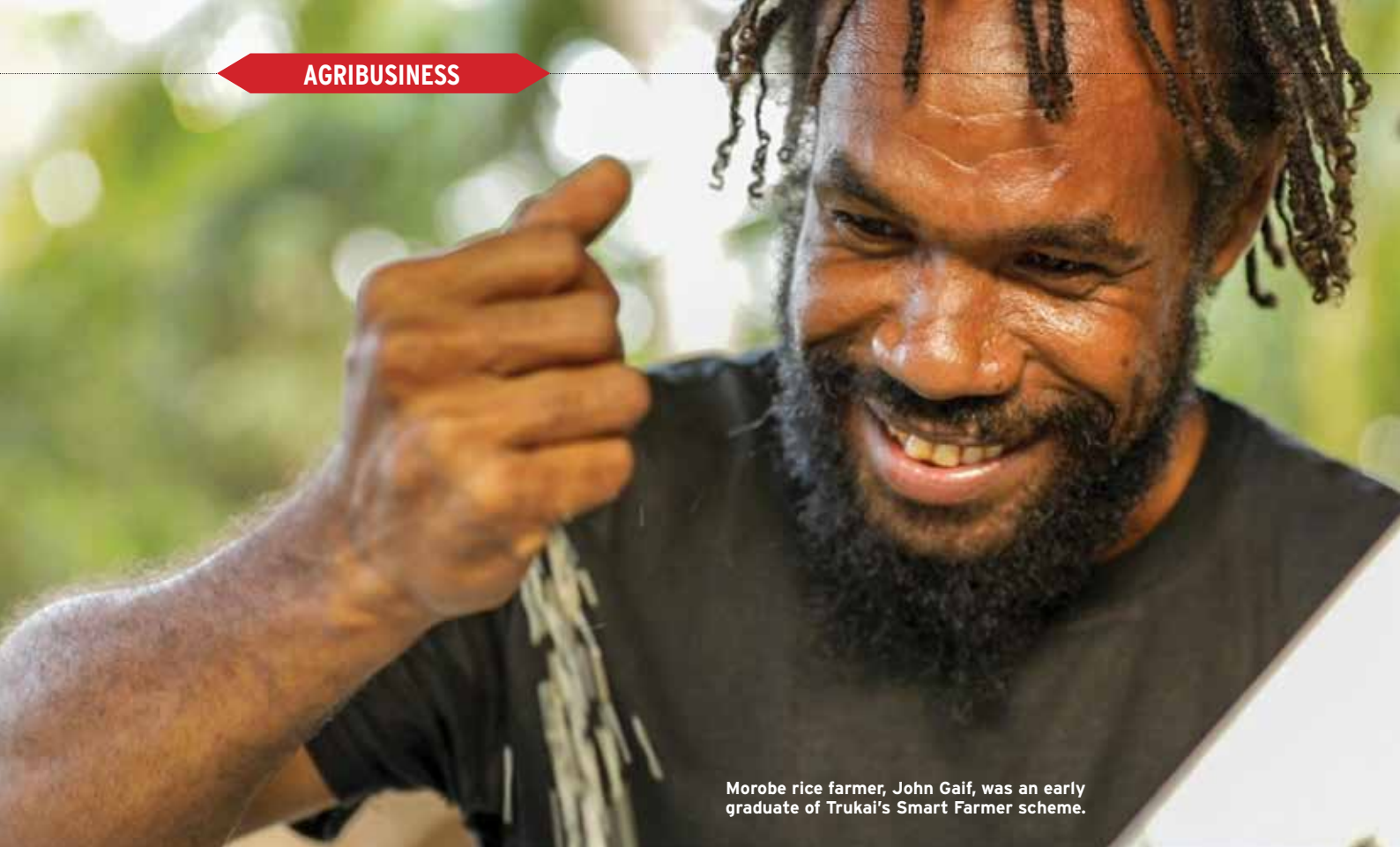
"We're going to cover all the available roofing area with solar panels in both Port Moresby and Lae," says Weggemans. "We have an ambitious net carbon zero emission target for our production facilities by 2025."



INVESTING IN LOCAL RICE FARMING AND COMMUNITIES IN PAPUA NEW GUINEA

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Morobe rice farmer, John Gaif, was an early graduate of Trukai's Smart Farmer scheme.

The rice stuff: smallholders the key to big agriculture

Trukai has been growing rice in PNG since 1970 but its recent Smart Farmer program may end up becoming a blueprint for the future of rice farming.

By Paul Chai

Rice grower Trukai has invested in PNG's agricultural sector for over 30 years but, in 2022, it launched a new program that aims to change the way it does business.

Its new Smart Farmer initiative was designed to empower smallholder farmers to consider the irrigation farming of rice. Currently in PNG, 90 per cent of rice is farmed using the dry-land method, but irrigation farming is a game changer, with immediate increases in crop yield.

The first component of the program is on campus at either the PNG University

Credit: Truka



Rice farmers attending Trukai's Smart Farmer program.

“THE SMALLHOLDER MODEL, IT'S A MODEL THAT WORKS WELL.”
Alan Preston, CEO, Trukai

of Technology in Lae or the Pacific Adventist University in Port Moresby, where farmers are taught about crop management and harvesting.

After two weeks, they return to their smallholder farm and, when they are able to harvest more than 30 kilograms of rice from a 50 square metre plot, they receive formal certification.

Trukai has so far trained 220 local farmers, with over 400 applying for the scheme. The company's goal is that,

ENCOURAGING AGRICULTURE AT SCALE

By Paul Chai

Two state-owned organisations in PNG are working as catalysts to encourage more private sector investment in bigger agricultural projects.

Kumul Consolidated Holdings (KCH) subsidiary, Kumul Agriculture, already has a track record in this area, with minority stakes in two joint ventures with Innovative Agro Industry: a 20 per cent equity in the successful Ilimo Dairy Farm outside Port Moresby, and a 40 per cent equity in Sepik Fresh.

It is now looking to attract private sector investment in two of its large agricultural assets: the 2300-hectare Dylup Plantation in Madang Province and the 1089-hectare Cape Rodney Estate in Central Province.

“We are looking at different modalities to partner with the private sector: franchises, public-private partnerships, build-own-operate-transfer, joint ventures, consortia and so on,” Managing Director Professor David Kavavamur told the 2023 Business Advantage PNG Investment Conference.

Credit: BAI /Stefan Daniljchenko



Kumul Consolidated Holdings' Professor David Kavavamur

Meanwhile, PNG’s Mineral Resources Development Corporation (MRDC), which manages K8 billion in assets on behalf of landowners hosting mineral and other industrial projects, is looking to diversify into agriculture in partnership with the private sector.

“At the moment, we are starting on a small scale,” Managing Director Augustine Mano tells *Business Advantage PNG*. “For example, in Kikori in Gulf Province, we’ve started a cocoa project. Instead of waiting for the royalties that are paid once a year, landowners can now grow cocoa and empower themselves. We are also looking at supporting the Hela Provincial Government in terms of coffee.

MRDC has already shown it has significant financial muscle with its Star Mountain Plaza and Dirio Gas and Power investments.

“If we find the right partners and then the market, then we can go into this on a large scale because we have the capacity to do that,” says Mano.

by 2027, it will have 3100 trained farmers, across all 22 of PNG’s provinces, and built rice yields up to 139,800 tonnes of harvest per annum.

Small but perfectly formed

Alan Preston, CEO of Trukai, believes that the Smart Farmer program is not just good for local agriculture workers but for the industry itself.

“The smallholder model, it’s a model that works well in industries like palm oil and poultry,” says Preston. “The uptake by the farmers has far exceeded our expectations. The Smart Farmer program also removes the problematic issue of law and order because it is their land and they manage it; we just enable them to manage it.”

For Trukai, the focus has always been on families and this has become even more important with cost-of-living pressures affecting PNG’s retail and wholesale sectors.

“Rice has become one of the cheapest carbohydrate sources that people can buy,” says Preston. “It’s cheaper than noodles, it’s cheaper than flour on a per-meal, per-gram basis, so that is why the rice market has held its own.”

Preston expects a steady rice market for the next three to five years in PNG, with any significant growth for Trukai’s overall business likely to come from new investments.

“We plan some acquisitions because we know we have such a strong base and we would like to leverage that,” Preston says. “We are looking at building on our core, so we are looking at adjacent product groups in food that complement us.” ♦



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Morobe set for take-off

The major redevelopment of the airport that serves PNG's second city, Lae, means the country now has a second airport capable of welcoming international flights.

By Robert Upe

The K692 million rejuvenation of the former Lae Nadzab Airport, about 40 km from the capital of Morobe Province, should provide a boon for industry, commerce and tourism in the province and wider Papua New Guinea.

Prime Minister James Marape officially opened the renamed Nadzab Tomodachi International Airport in late 2023 and national airline Air Niugini took up occupancy in early January 2024.

New gateway

With the exception of charter flights, all international flights arriving and departing PNG previously passed through Port Moresby's Jacksons International Airport. That is now expected to change.

"The new terminal is a world class facility. We're looking forward to seeing the start of international flights," John Byrne, President of the Lae Chamber of Commerce, tells *Business Advantage PNG*.

THE INSIDE VIEW: GARY SEDDON

Acting Chief Executive Officer of Air Niugini talks to *Business Advantage PNG* about its US\$650 million fleet upgrade.

🔴 The airline has six state-of-the-art Airbus A220s on order for delivery from 2027, with a further five to be leased from 2025, and two Boeing 787 Dreamliners due for delivery in 2026.

The A220 jets will replace Air Niugini's existing fleet of Fokker aircraft. They will primarily service our domestic routes, but also have the flexibility to operate new regional international routes up to seven hours duration, which will support the growth of trade and tourism for PNG.

The Dreamliners will replace our Boeing B767 aircraft.

These acquisitions will allow us to not only improve the reliability of our service, but also allow us to expand our schedule, increase frequency and to look at new destinations.

Reducing aircraft type and

increasing utilisation is the strategy driving aircraft choice: instead of having one set of planes for our domestic service and another for international, we'll have a fleet that can handle both.

The new fleet will also bring a new level of passenger enjoyment and cabin comfort, as well as the extra degree of safety that comes from new-generation technology. The aircraft can also carry around 25 per cent more passengers and 20 per cent more freight.

There are potential cost savings associated with an aircraft that burns 27% less fuel, as well as supporting the government's global carbon reduction targets.

We also hope the reduction of the aircraft operating expenses will enable us to reduce the cost of travel to our customers and offer a greater spread of air fares with our increased capacity. Greatly improved reliability and reducing airfares are all good news for Air Niugini's valuable customers. 🔴





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He notes that the works to upgrade the 35 kilometre highway connecting the airport to Lae City (part of the 700 kilometre Highlands Highway, which serves PNG's populous interior), will complete the picture.

Expansion

Construction work on the redevelopment started in 2016 and includes a new terminal for domestic and international flights, with 16 check-in counters, two lounges, the latest airport systems, immigration and quarantine facilities and aerobridges.

The project also includes the expansion and reinforcement of runways and aprons to international aviation standards, with big jets such as the wide-bodied Boeing B777-200 now capable of landing in Lae.

Meanwhile, the airport's old terminal is being repurposed to handle increasing volumes of air freight.

International connections

The obvious first market for the revamped airport is Australia, enabling travellers from the Highlands, Momase

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John Byrne, President, Lae Chamber of Commerce

and New Guinea Islands regions to fly directly to Australia, bypassing the need to go through Port Moresby. Japan, which has close ties to the project and was PNG's largest export customer in 2022, is another market.

It will also be easier for international business travellers to visit PNG's major manufacturing and logistics hub, as well as fostering greater labour mobility.

Additionally, international air traffic in and out of Lae will be able to support the Wafi-Golpu gold and copper mine (65 kilometres south-west of Lae), which is expected to open in the next few years.

Friendship

The redevelopment of the airport was jointly funded by the PNG Government and the Japan International Cooperation Agency. The construction was led by Japanese contractor Dai Nippon-Nippon Joint Venture.

In Japanese, *tomodachi* means 'friends' who support each other, which is precisely what the new airport represents.

The redevelopment of Nadzab Tomodachi is part of an ongoing program by the National Airports Corporation to improve PNG's aviation infrastructure.s

The Asian Development Bank-supported Civil Aviation Development Investment Program, now entering its third tranche, worth US\$213 million, has been gradually improving the safety and functionality of PNG's 22 national airports since 2009. ♦

Robert Upe is the Editor of *Paradise*, the inflight magazine of Air Niugini.



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DIRECTORY

Useful business contacts and information sources on PNG.



BUSINESS ORGANISATIONS

American Chamber of Commerce (AMCHAM) Coral Sea

amchamcoralsea.org

Australia-Papua New Guinea Business Council

apngbc.org.au

Business Council of PNG

+675 320 0700

bcpng.org.pg

Employers Federation of PNG

+675 325 8266

efpng.org.pg

PNG Institute of National Affairs

Industry-funded think-tank

+675 321 1045

inapng.com

Lae Chamber of Commerce & Industry

+675 472 2340

lcci.org.pg

Manufacturers Council of PNG

+675 321 7143

Papua New Guinea Chamber of Commerce and Industry

pngcci.org.pg

+675 321 3057

PNG Chamber of Resources and Energy

+675 321 2988

pngcore.org

PNG Institute of Directors

pngid.org.pg

Port Moresby Chamber of Commerce & Industry

pomcci.org.pg

INTERNATIONAL ORGANISATIONS

Asian Development Bank (ADB)

+675 321 0400

adb.org

Australian Trade Commission (Austrade)

+675 325 9150

austrade.gov.au



Harbourside in downtown Port Moresby.

Credit: BA

Useful online resources

Business Advantage PNG

Business Advantage International's online business magazine for PNG and the region. Sign up on the site for free email updates.

businessadvantagepng.com

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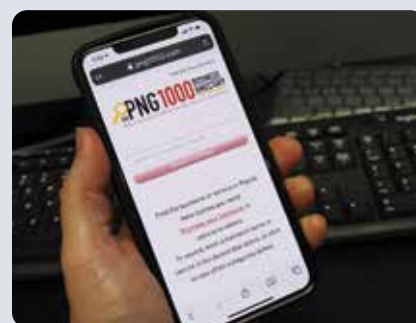
Papua New Guinea's leading companies and service providers

png1000.com

PNG's two daily newspapers, *The National* and the *Post-Courier*.

thenational.com.pg

postcourier.com.pg



EMTV

PNG's largest TV broadcaster.

emtv.com.pg

International Finance Corporation (IFC)
+675 321 7111
ifc.org

International Monetary Fund (IMF)
imf.org

World Bank
+675-321-7111
worldbank.org/en/country/png

GOVERNMENT ORGANISATIONS

Bank of Papua New Guinea (Central Bank)
Publishes up-to-date economic data.
bankpng.gov.pg

Investment Promotion Authority (IPA)
+675 308 4444
ipa.gov.pg

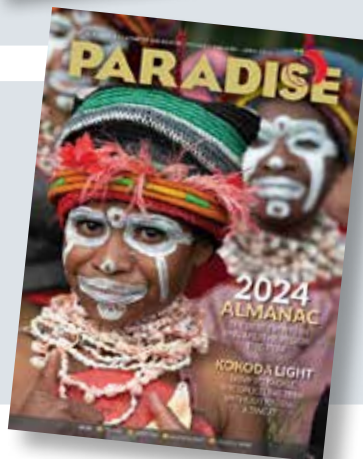
Kumul Consolidated Holdings (KCH)
KCH is the holding company for PNG's state-owned enterprises.
kch.com.pg

National Trade Portal
A new 'one-stop shop' for business.
nto.gov.pg



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The ultimate guide to doing business in PNG, produced by Business Advantage International and its content partners. Includes industry sector profiles, legal and tax guides, business guides to PNG's provinces and more.
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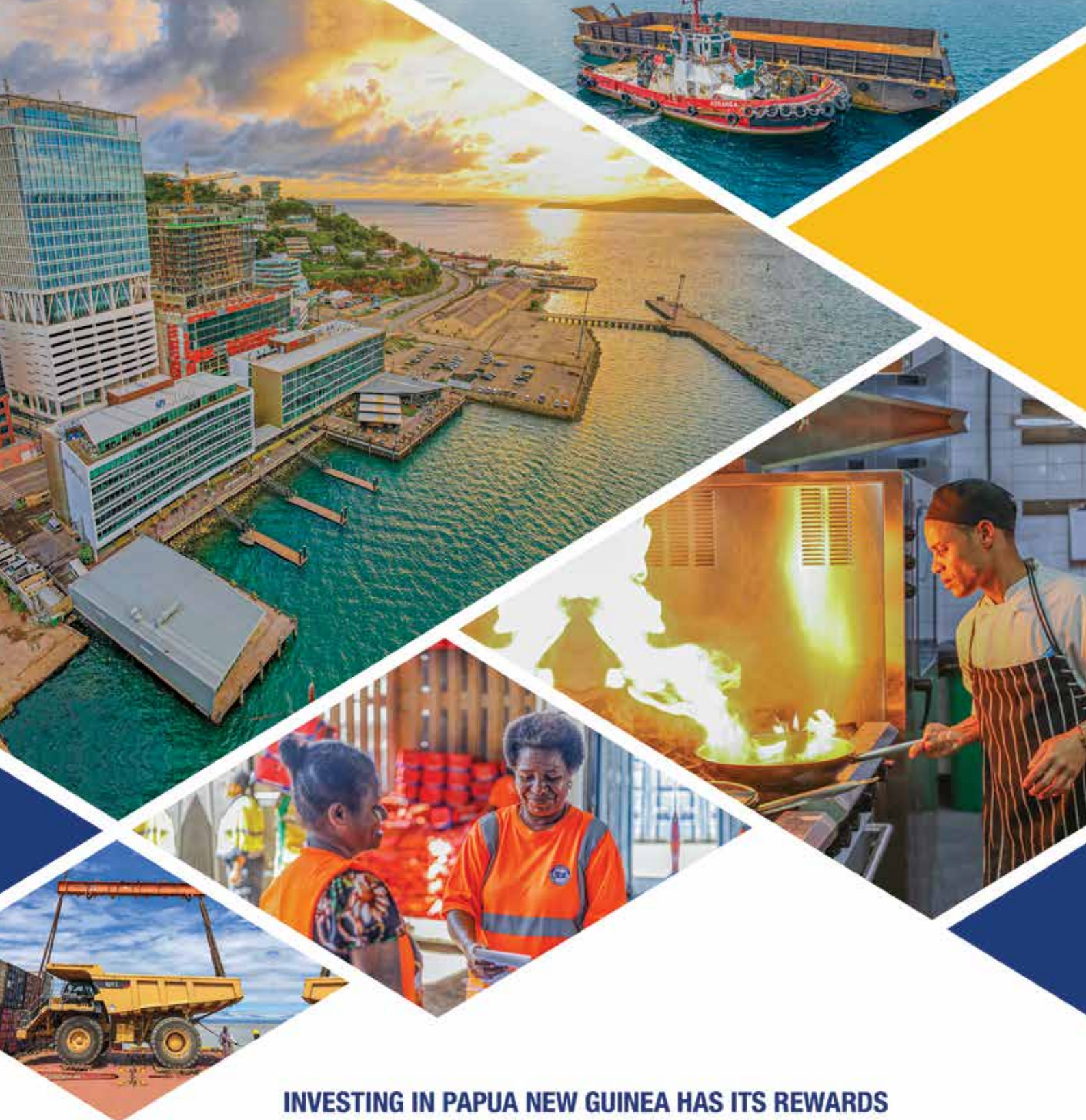
Paradise magazine

The inflight magazine of national carrier Air Niugini, currently published quarterly.
airniuginiparadise.com



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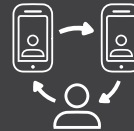
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