



Day: Thursday 27 April
Time: 10:35am

Session: 6

Why Has Papua New Guinea Been Successful in Producing Oil and Gas?

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When we examine the ingredients required for the development of petroleum accumulations, Papua New Guinea has all that is required, though we do not necessarily know the links between all of them. But the evidence of petroleum endowment is widespread, manifest and substantial.

There are nevertheless enormous challenges to access those lands that are prospective for hydrocarbon accumulation, not the least of which is the formidable geography of the nation and a paucity of infrastructure, but also the fiercely held manner of customary landownership of those lands.

Yet Papua New Guinea has been the subject of enormous exploration investment in many episodes over many decades. In the mid-1980s oil was discovered near Lake Kutubu in the Southern Highlands. This discovery underpinned the Kutubu Oil Development Project, but in the subsequent search for more oil fields, mainly gas was found which required much more work to develop.

Gas development needed promotion and a starting point was the critical assessment of the resources available for inclusion in a potential development and the commercial viability. After studying policy options and consultation with the industry, a White Paper on Natural Gas Policy was launched by the Government and appropriate amendments made to the governing legislation to enable there to be serious consideration of gas development.

Confronting notions of gas development involving first LNG and then the pipeline transmission of gas to Australia emerged in the late 1990s and into the new century. Economics and pragmatism ruled the day, and a PNG plant located near to Port Moresby eventually won the day. And so, in 2014 PNG became an LNG exporter, and is now producing about 8+ mta LNG per annum to East Asian markets.

What is next: there is talk of additional LNG trains being added to the existing plant and of new plant joining alongside. Some have dared to talk that a LNG output of 20 mta is possible for PNG within the foreseeable future,

However, new problems have arisen: a failing economy; gas development competition, and an inability to manage the generous benefits awarded to customary landowners.

PNG can still be successful in producing oil and gas, but it has to learn that it takes more than oil and gas reserves to create a viable and sustainable production industry.

Speaker Biography

Michael McWalter is a certified petroleum geologist and technical specialist in upstream petroleum industry regulation, administration, and institutional development. He was Resident Adviser to the PNG Department of Petroleum and Energy until 2014, having previously been Director of the Petroleum Division until 1997, and since 2004 has undertaken frequent assignments to various oil and gas ministries, departments and authorities of Governments for development agencies such as the World Bank, DB and USAID within the Asia Pacific and African regions. He is a Director of the Board of the Transparency International - PNG, a member of the Catholic Bishops Conference of PNG Finance Board, a Vice President of the Circum-Pacific Council and Treasurer of the Asia-Pacific Regional Council of the AAPG. He was recently appointed as an Officer of the Order of Logohu by the Governor General of Papua New Guinea for service to commerce through contribution to the regulation and development of the oil and gas industry of PNG and the community.