



KUMUL PETROLEUM HOLDINGS LIMITED

# Kumul Petroleum's role and perspective of Gas Developments in PNG

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# Kumul Petroleum Holdings (KPHL) and the law underpinning KPHL



- Establishes KPHL as the National Oil Company of PNG, with 16.8% of PNG LNG, along with various other O&G assets
- Gives mandate to KPHL to participate in Exploration, Development, Production, Processing and Marketing, including all related Upstream, Midstream and Downstream activities
- Empowers KPHL to consolidate all the State's Oil and Gas assets under it
- Clarifies that KPHL will be the only State nominee in any future petroleum development
- Ensures KPHL's right to attend all technical and commercial meetings between the State and a developer when negotiating:
  - any oil or gas development
  - any oil or gas agreement.

# Kumul's commercial rights and obligations in new developments

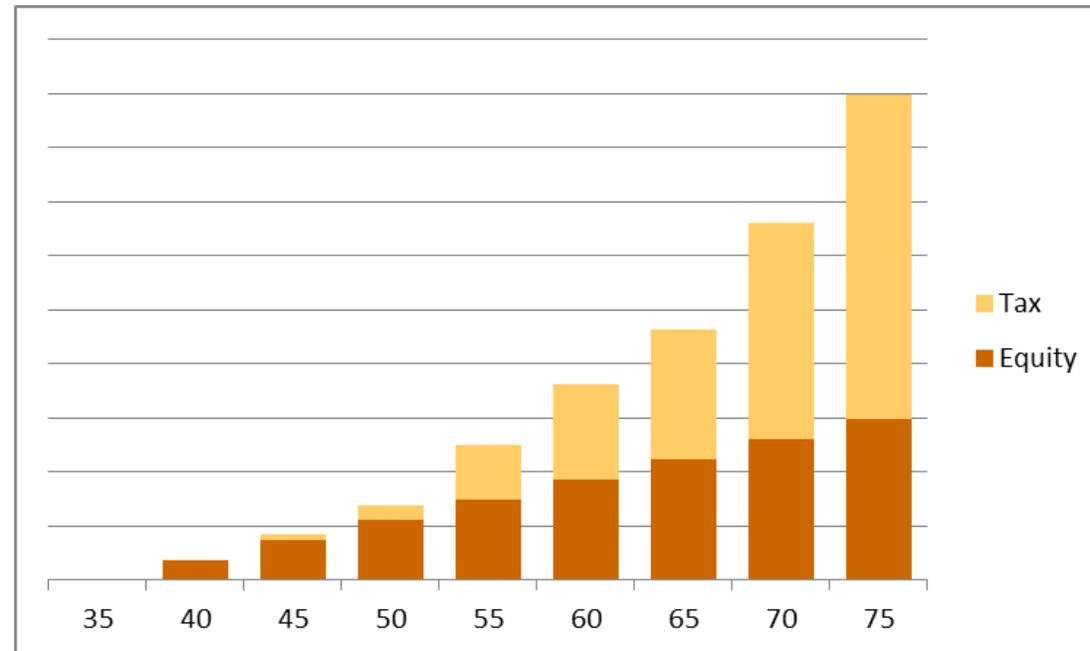


- By law, Kumul has the right to back-in to any Petroleum Development when the Development License is issued
  - 20.5% of the equity for the State
  - Additional 2% equity for the Landowners which is carried by Kumul
  - Kumul is liable for its share of the development costs after back-in
  - Kumul must also pay its share of the associated historical costs associated with the development of the Project which has not been recovered or claimed elsewhere, “the un-recouped sunk cost”
- The details of this are negotiated in the Gas Agreement

# The importance of equity in the State's take



- Revenue to State founded on combined tax and equity participation
  - Equity dominates at low prices
  - Tax dominates at higher prices
- Recent low prices have reinforced the value of equity to the State
- Determined to exercise full equity rights despite funding issues



*Indicative State Take from equity and direct taxation*

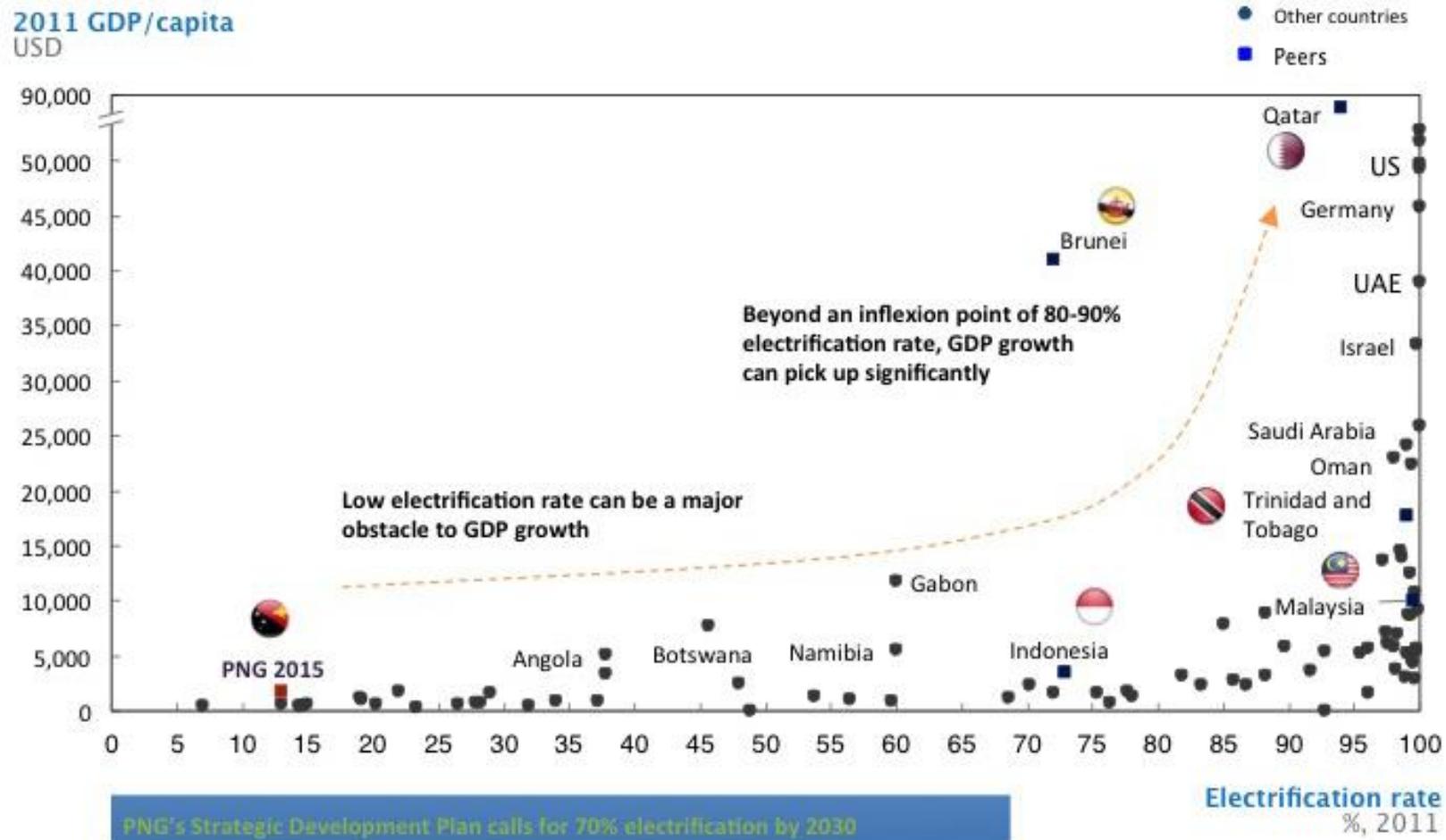
# The Requirement for Domestic Gas in PNG



- The PNG Development Strategic Plan 2010-2030 aims for 70% of the households in PNG to have electricity supply by 2030
  - While some progress has been made, it is been nothing like enough to reach the target
  - A step change is required to ratchet up the implementation effort
- The industrial development of PNG is critical for the long term sustainable development of the country
  - Provides direct and indirect employment
  - Provides diversification from the extractive industries
  - Opens up derivative opportunities

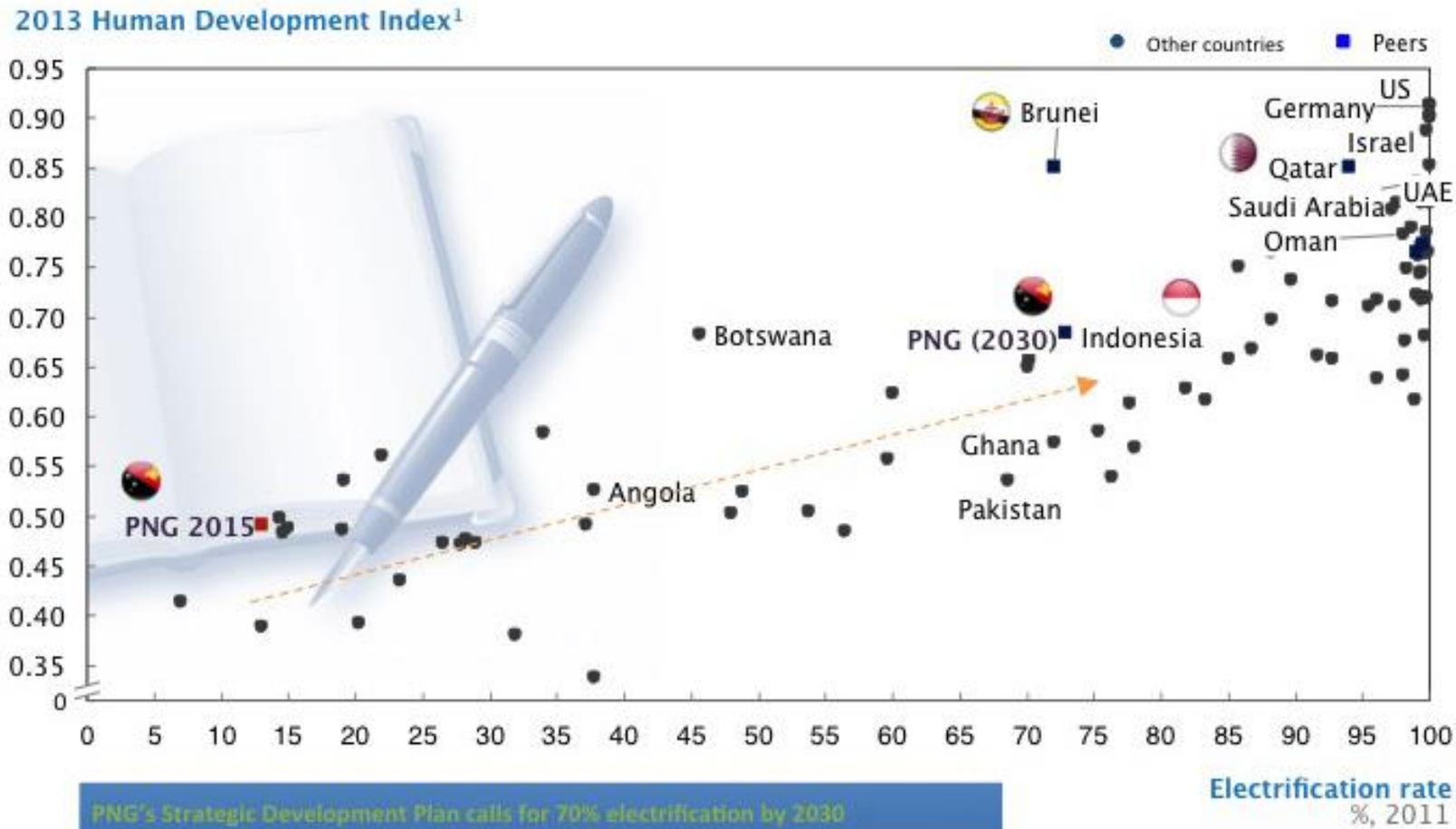
**The supply of domestic gas has an important role to play in these two critical initiatives.**

# Power Generation: electrification is a necessary driver for economic growth



SOURCE: IEA, World Energy Outlook 2013; World Bank

# There is a strong correlation between electrification rate and HDI



<sup>1</sup> HDI - a composite indicator of income, health, and education

SOURCE: IEA, World Energy Outlook 2013; United Nations Development Program (UNDP)

# KPHL's role in the Domestic Gas Market



- Strongly supports the Government's Nation Building Policies
  - Domestic Market Obligation
    - Making sure some gas is made available domestically
  - Third Party Pipeline Access
    - Providing reasonable access for third parties to transport gas
    - Incentivises development and exploration
  - National Content Requirements
    - Ensuring participation in supplying goods, services and labour
    - Allows for training and skills development
- Plans to provide the pipeline distribution of gas to industry
- Will build gas power stations to supply electricity
  - 50% owner of NiuPower, building a 58MW power station near Moresby
- Examining possibility of the domestic distribution of LNG

# Key Messages from KPHL



- We believe the time is coming for new LNG developments in PNG
- KPHL intends to
  - a) Exercise its full equity rights in the new LNG Projects
  - b) Proactively promote the small scale distribution of gas to industrial users
  - c) Invest in gas fired power stations and other infrastructure to provide cheap and clean electricity
  - d) promote the domestic distribution of LNG in PNG, principally as fuel for electrification
- We are limited in our capacity to achieve these goals, both financially and technically
- We are very interested to talk to anyone who can help us reach our objectives.



Thank you