

Economic impacts

Overview

The PNG LNG project offers the best opportunity to maximize value for all stakeholders from the commercialization of extensive natural gas resources of the Southern Highlands region.

The project has the potential to transform the economy of PNG, boosting Gross Domestic Product and exporting earnings, providing a major increase in government revenues, royalty payments to landowners, creating employment, and providing a catalyst to further industry development.

If the benefits from the project are applied throughout the economy, the project has the potential to dramatically improve the quality of life for the citizens of PNG. Landowners will benefit from direct royalty payments as well as improved social and developmental infrastructure.

Direct benefits

The direct benefits are expected to be derived from:

- **Revenue** – under a case study assumption, direct cash to the PNG Government and landowners is estimated at US\$32 billion over the 30-year project life.
 - Gross Domestic Product will more than double to over K18 billion per year.
 - This level of income over such an extended period will provide the PNG Government with the opportunity to maintain a strong program devoted to social productivity and enhancing infrastructure development.
- **Employment** – during construction approximately 12,000 to 15,000 full time positions with about 30% filled by Papua New Guineans. Once operational, the project offers approximately 1,250 full time positions, the majority filled by Papua New Guineans.
- **Business opportunities** – for landowner companies, who will get priority for the supply of various support services performed. This may include camp maintenance, local personnel transportation, vehicle hire, catering and minor civil works.



Indirect benefits

While direct benefits are important, the true potential of the project lies in its ability to influence economic performance indirectly as a result of flows to other industry sections.

- Spending by project participants, employees, landowners and government will lead to 'multiplier effects' as the economic activities associated with the project impact the broader community.
- Investment in assets such as roads and airports or in social assets such as improved education and health facilities will also benefit the economy by enhancing productivity.
- The project will significantly impact opportunities for local businesses. These include services such as catering, engineering, security, fuel supply, technical and managerial assistance.
- Modelling of indirect macroeconomic impacts has indicated that Gross Domestic Product could double, private and public sector consumption could increase by over 85%, employment by over 40% and foreign currency exports could double.
- These factors could put upward pressure on the exchange rate. The impact of a stronger Kina, together with the potential for the project to draw labour and capital from other sectors, will need to be managed through government programs to assist other sectors.



Further information

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Conclusion

The project will have a profound effect on the PNG economy.

- The net benefits arising from the project will be large provided the potential adverse pressures on some sectors are properly managed.
- Responsible Government policies and strong governance processes will help translate these economic gains into equivalent positive socioeconomic development for the nation

