Porgera Gold Mine (Wikimedia Commons: Richard Farbellini)

The Porgera mine in PNG: some background

By John Burton and Glenn Banks
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Breaking late on 24 April 2020, Papua New Guinea Prime Minister James Marape announced that his government would not renew Barrick Niugini Limited's (BNL) mining lease at the Porgera gold mine. At present BNL is a joint venture between Barrick Gold (47.5%), Zijin Mining (47.5%), the Enga Provincial Government (2.5%) and the Porgera landowners (2.5%).

The decision was widely reported by industry media sources as a government takeover: it had forced out BNL and taken control of or snatched the mine. This is a narrative centred on the portrayal of PNG as a risky place for investment and that 'jittery investors' will flee the country whenever the government tries to assert the resource nationalism embedded in the Constitution, where the state is to control 'major enterprises engaged in the exploitation of natural resources'.

This is not the first time that Porgera has been in the sights of nationalistic government moves, nor is it the only mine in the country that has had vexed relationships with the state over licences, taxes, environmental impacts, and ownership. In this blog, we look at the historical context and survey a range of reactions to Marape's announcement.

Historical context

BNL began life as the Porgera Joint Venture in 1988 with the shareholding split between Placer Pacific (30%), Highlands Pacific (30%), Renison Goldfields Consolidated (30%) and the PNG government (10%). The mine opened in 1990 and began producing a million ounces of gold a year. At the time, the government owned 20% of the Ok Tedi mine and 19.1% of the Panguna mine in Bougainville.

Over time the government stake has risen and fallen. In what the *Business Review Weekly* called the Porgera Coup, the winner of the 1992 national elections, Paias Wingti, demanded a further 20% of the operation after claiming the government had been duped. After six months of turmoil, a deal was reached to sell 15% to the government. From a highpoint of 25% in government hands, 5% was divested to the Enga Provincial Government and the landowners and the remainder progressively diluted over five prime ministerial terms (Chan, Giheno, Skate, Morauta, Somare), reaching 0% in 2003, when DRD Gold, then operating the small Tolukuma mine, acquired the last parcel.

The original 30-year Special Mining Lease gazetted in August 1989 fitted the mine plan, which envisioned an end to mining in 2006 (a 40-year lease could have been applied for). By 2002, mine closure had been pushed out to 2012, and rising gold prices in the mid-2000s postponed closure planning indefinitely. In applying for a 20-year extension in June 2019, which the PNG Mining Act does not compel a government to grant, BNL suggested the mine could remain productive beyond 2039.

What do observers think about the non-renewal?

The resources media line is 'investment risk'. This rings hollow given that this was the script for months during the 1992-93 raid by Wingti and there was no perceptible change in PNG's standing as an exporter of minerals. When Lihir Gold raised capital on the ASX two years later, its shares were keenly sought.

Current industry anxieties focus on the government's hard-line in talks with Exxon over the P'nyang gas project, permitting for the Wafi-Golpu project in Morobe Province, and the slow progress in advancing the Frieda River project in Sandaun Province. Recently, the State got burnt trying to pay for its equity in the PNG LNG project (see the PNG Ombudsman Commission's report) and Marape has no magic wand to make things different at Porgera. By contrast, a policy response could have, but has not, addressed the recent collapse of resource revenues – PNG's EITI reports show that the two leading miners, Barrick and Newcrest Mining (PGK46 million and nil corporate income tax paid between 2013 and 2017, respectively) have led the way on tax minimisation.

Barrick's CEO, Mark Bristow, who met Marape four times in 2019 to talk about the lease, reacted angrily on 24 April 2020, saying Marape's decision was tantamount to nationalisation and BNL would pursue all legal avenues to assert its rights. Already the courts have ordered the parties to meet to resolve the dispute. Bristow's counterpart at Zijin, Chen Jinghe, wrote to Marape on 27 April 2020, saying that if Zijin's investment at Porgera was not properly protected, it could damage relations between China and PNG. He pointed out that BNL owned the mining facilities and, once dismantled by BNL, it would be costly for a new operator to replace. The Chinese ambassador to PNG, Xue Bing, told the

ABC that the continuous and stable operation of the mine was in both countries' interests.

At Porgera itself, the decision cuts across many unresolved issues at the mine. Landowner spokesmen have said they recently negotiated an amicable agreement with BNL and claim that the decision by the government is contrary to the views of a majority of clan leaders. On the other hand, a group owning 27% of the land leased for the mine said they supported Marape's decision but BNL could not leave before settling the lawsuit they have brought in the National Court for damages. No single representative body has ever had unanimous support. The comments suggest that the government did not consult them beforehand.

Porgera has been the site of many long-running sagas concerning human rights, resettlement planning, downstream environmental and water issues, in-migration, 'illegal mining' by locals and migrants on the mine's leases, and conflicts over compensation payments – which have been implicated in heightened levels of violence over the past 30 years. Forcing BNL off the mine does nothing to advance what the company was doing to resolve these things, or make the dilemmas of development go away. The existing proxies for the state, notably the Porgera Development Authority, have performed poorly in improving services and infrastructure for Porgerans.

Replacing the current operator with another has not particularly sprung to local minds, as it stands to disrupt local businesses and employment. Marape's plans are unclear, but the fact that he has communicated at greatest length on Facebook (here and here) does not suggest he has a ready-to-go team on hand to effect an orderly transition.

Barrick and Zijin's legal obligations for mine rehabilitation are unclear if they are sent away, nor do we know if either could really dismantle the facilities and sell the mining equipment. If BNL were forced into an abrupt exit, the perverse result would be that the first mine to produce a meaningful mine closure plan would escape its implementation.

Marape, he of the slogan 'Take Back PNG', is not the first Prime Minister to strike against a mine. Paias Wingti tried it 28 years ago and his immediate predecessor Peter O'Neill nationalised Ok Tedi. O'Neill only had to do a bit of parliamentary paperwork to acquire Ok Tedi, given its strange corporate arrangements, so it has continued normal operations to the present. To bend the old miner's trope about PNG being 'elephant country', if Marape sees elephants he wants to jump on the back of, he better have a well-thought-out plan, or else it will be he who has the elephants on his own back.

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