



SHADOW MINISTER FOR TREASURY & FINANCE

PO Parliament House

Waigani.NCD

m: +675 71111777

e: chairman@kdda.gov.pg

Ramu 2 Hydropower – Great News but How Much?

“The recent announcement of another step being taken to tap PNG’s vast natural hydropower sources to increase power supply by over 30% is great news. We must get more power to our rural areas, and ensure cheap and reliable power to our people and businesses. However, with the announcement, I must ask “How much will the people of PNG be paying for this power?” said Ian Ling-Stuckey, PNG’s Shadow Minister for Treasury and Finance.

“There is little real information available on the latest proposal. The last update on the Kumul Consolidated Holdings website was done back in May 2016. For a K3 billion proposal, involving such a historic increase in our power supply, this is not good enough. For example, it is not clear how much of the additional electricity will go to our people rather than two major mines-not that we are against both projects to benefit. Earlier ADB reports indicated that up to 90% of the power could go to Ramu Nickel and Wafi Golpu. But that was back in 2008. So how much of the extra electricity will be available to improve electricity access to our people? How much will they have to pay? Will they pay the same as the big mines, or will they pay more or less?” asked Mr Ling-Stuckey.

“How is this project to be financed. We know that the government and landowners intend to have a 30% equity component for the first 25 years. So 30% of a K3 billion project is K900 million. Where will this money come from? Is it a free equity cover provided by the project developer? Or will we need to add even more to our public debt? My worry is that the earlier PNG LNG project did not provide the best terms for our people. How do we know that the best terms have been secured? I note that the proposed developer was ranked third in the initial shortlisting. What did they offer in their financing proposal to jump the other two shortlisted companies?

“I am also concerned that the aim is to make a formal announcement at APEC. Once again, possibly things are being rushed just for big announcements at APEC. My curiosity is also raised that this major announcement of the previously third ranked bidder comes so soon after the apparent termination of the Chair of Kumul Consolidated Holdings. Overall, it will be great to get Ramu 2 up and running . But this must be done in the best possible way, taking fully into account environmental and social impacts. It must also be the best financial deal possible for the people of PNG. Simply saying that PNG will own all of the asset in 25 years time sounds good, but how much will the people of PNG have to pay over the next 25 years” asked Mr Ling-Stuckey.

Hon.Ian Ling-Stuckey,CMG.MP
Shadow Minister for Treasury & Finance

27 September 2018

Last official update from Kumul on Ramu 2 – not good enough for such a major project – May 5 2016



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RAMU 2 PROGRESS UPDATE

Thursday May 5, 2016 - Kumul Consolidated Holdings (KCH) today released details of progress on the Ramu 2 Hydropower Project, a proposed 180MW hydroelectric power station on the Ramu River.

The Project was launched on Wednesday December 9, 2015 in Kainantu in the Eastern Highlands Province.

Since then KCH has focused on Phase 1 of a three-phase transaction management process, seeking Expressions of Interest (EOI) from suitably qualified development partners to develop the project and operate under a Public-Private Partnership (PPP) model.

The Project was listed for Expressions of Interest as a public tender on February 29, 2016. A total of 65 proponents responded and were provided access to the virtual dataroom. The response period for the EOI process closed on March 2, 2016.

During the EOI process advertisements were placed by KCH in major newspapers in Papua New Guinea and the region.

At the close of the EOI period a total of 7 submissions were received and assessed by a panel consisting of representatives from KCH, Advisian (project transaction advisors) and project legal advisors Norton Rose Fulbright.

TOP THREE SUBMISSIONS

This update set out the next steps for the project, including the three top submissions ranked in order. Shenzhen Energy Group was initially ranked third. They have now been selected. This is not unusual for rankings to change during negotiations on financial terms, but more information is required.

NEXT STEPS

The next steps in the three-phase process is for KCH to issue a Request for Proposal (RFP) from the top-three proponents and then as the final phase close the financial arrangements for the Project.

The milestones are as follows:

- Request for Proposal (RFP) issued: May 6, 2016
- Closing date of RFP: October 28, 2016
- Announce preferred development proponent: December 16, 2016
- Close of financial arrangements: March 2017

TOP THREE SUBMISSIONS

The assessment process ultimately saw the 7 submissions reduced to the top three. The process rated each proponent based on a number of factors related to their capability and understanding of the project.

The top three proponents were (in order of ranking):

- Posco Daewoo, Korea Western Power, Daelim Energy, Hyundai Engineering Consortium
- Sinohydro Corporation Limited
- Shenzhen Energy Group Co. Ltd

The above update expected that financial arrangements would be closed by March 2017. So timing is already running 18 months late. Why rush now prior to APEC. This project has been slow to develop – the article below indicates construction was expected by 2016.

Ramu 2 hydropower project launched

731 Views

January 12, 2016

No Comments

Construction, Environmental

developer

CONSTRUCTION work on the Ramu 2 hydropower project could get underway by the end of 2016 after the project was formally launched in December.

Managed by Kumul Consolidated Holdings, the Ramu 2 project is expected to generate 180 megawatts of renewable energy when it is completed.

Located in Kainantu in the Eastern Highlands Province, the project is also expected to lift the electricity capacity of the existing Yonki Dam from the current 93 megawatts (once all major refurbishment and upgrade works are completed) to 273 megawatts, an expansion of 194 per cent in the scheme's generation capacity.

More significantly, Ramu 2 is expected to increase total electricity generation capacity in Papua New Guinea by 36% by way of a low-cost renewable source.

Kumul Consolidated Holdings managing director Garry Hersey said that the launch of the Ramu 2 project was a green light for the group to prepare before construction started.

"The launch will now enable our consultants to move in to complete social mapping, deliver awareness, undertake environmental and social impact studies and mobilise landowners to corporatise so that they can participate in the [public/private partnership] model," he said.

"By this time next year we should be in a position to start the construction phase of the project," he said.