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HOUSE OF REPRESENTATIVES – SPECIAL MEETING

STATEMENT (EDITED/REVISED) BY

PRESIDENT JOHN MOMIS

**RIO TINTO'S DECISION TO DIVEST ITS BCL SHARES, AND
DENY RESPONSIBILITY FOR PANGUNA MINE LEGACY ISSUES**

Mr. Speaker:

As the President, representing all Bougainvilleans, I welcome this historic meeting of Bougainville's representative government. It is an historic meeting because we have called it to discuss deeply evil and unjust decisions about the source of the longest running problems and injustices in Bougainville – that is, the operation of the Panguna copper and gold mine.

The decisions involve the huge international mining giant, Rio Tinto. That company has decided to end its majority shareholding in Bougainville Copper Ltd (BCL). It has also decided to deny all responsibility for Panguna mine legacy issues.

All members of the House must be fully informed about the issues involved in these decisions by Rio. I also want you to be informed about the consistent stand taken by me, and my government on the issues involved here. So I have directed that all members be provided with a full set of documents going back to early 2014.

Some Bougainville leaders and others – mostly people with their own economic interests in mining and a few outsiders who demonstrate deep ignorance of Bougainville – have claimed that I have some sort of link to BCL or Rio Tinto. But as I am sure you all know, that is complete nonsense.

Since the late 1960s, I have been a consistent supporter of justice for Panguna mine lease landowners. I have never changed that position. Even when I became President in mid-2010, I supported looking for alternative investors. But I was eventually - and to some extent reluctantly - persuaded by the many leaders representing the Panguna lease landowners that they preferred to deal with what they called the ‘devil that they knew’. That was BCL. Their reason was that they believed that BCL accepted some responsibility for the conflict and for mine legacy issues.

Technical advice supported the landowner view. BCL (with Rio Tinto as majority shareholder) returning to Panguna and accepting responsibility offered the best way to make sure an environmental clean-up would occur and that other legacy issues would be resolved. In addition, international treaties that the ABG is bound by would make expropriation of companies very difficult.

As you all know, this was not a matter of me, as President, or the ABG, forcing re-opening of Panguna against the wishes of the mine lease landowners, or the wishes of Bougainvilleans more generally.

Of course, there are some landowners and some Bougainvilleans from elsewhere, who do not want mining.

But there is also no doubt that the ongoing consultation by successive Presidents – Kabui, Tanis and Momis – and successive ABGs under the leadership of all three, demonstrates broad support for re-opening of the mine. That involves strong majority support from landowners of the mine lease areas, as well as Bougainvilleans from all three regions.

Re-opening Panguna is generally recognised as the best way to achieve not only a clean-up of Panguna and the tailings, but also to fund economic development for the Panguna and tailings areas, and to provide the funding needed for Bougainville to have either real autonomy or independence. And, of course, the ongoing refusal of the National Government to fund the ABG as required by the Peace Agreement has cemented that support for large-scale mining resuming. As the recent debate in this House on whether the 1971 moratorium on new mining exploration and development shows, our people and leaders have

become very frustrated with PNG government failure to honour its funding commitments to the ABG and to Bougainville.

None of this means that the ABG is happy with the way that BCL and Rio have operated in Bougainville in the past – quite the opposite. As a result, we have insisted on the strongest conditions – that any future mining at Panguna must be under completely new conditions. Those fair and just conditions are laid down in our Bougainville Mining Act. In addition, we insisted that BCL have only an exploration licence over the former SML. Under our Mining Act BCL lost all other rights. That was part of the reasons why Rio decided to withdraw from Panguna.

So I ask all members to accept the simple truth. That is, that the ABG has taken a strong and consistent stand in support of the rights of the people of Bougainville.

Let me now tell you more about the recent Rio Tinto decisions, and the strong responses by my Government since those decisions were communicated to us.

Representatives of Rio Tinto asked me at very short notice to go to a meeting with them in Port Moresby on the evening of Wednesday 29th June. They said it was to discuss the then ongoing review by Rio of its equity in its majority-owned subsidiary, Bougainville Copper Ltd (BCL). That review had begun in August 2014, in response to the ABG Transitional Mining Act. Beyond that brief notification, I had no indication of the subject of the meeting.

The senior Rio employee advised me of the company's decision of the outcome of the review of its majority 53.8 per cent ownership of Bougainville Copper Ltd (BCL). Rio's main decisions were:

First, to transfer its shares at no cost, 36.4 per cent to the ABG to hold on behalf of the people of Bougainville, and 17.4 per cent to PNG, which would result in the two governments being equal shareholders in BCL, with 36.4 per cent equity each;

Second, that Rio believes the company has no responsibility to fix up the extensive legacy issues arising from the operation of the mine

I am deeply concerned by both aspects of the Rio decisions. In relation to the shares transfer, Rio provides just one justification. In the Rio press release of 30 June 2016 the company says that equal ownership '*ensures both parties are equally involved in any consideration and decision-making around the future of the Panguna mine*'. In our meeting on the 29th, the Rio people even talked to me

about the Rio decision being intended to encourage co-operation between the two governments!!!

In relation to legacy issues, they gave just two reasons for denying any responsibility. One is that BCL operated the mine under the then applicable PNG law. The other is that BCL was forced to end mining, and lost its investment at Panguna, by Bougainvilleans opposed to mining.

My government, and all Bougainvilleans, oppose the 17.4 per cent shares in BCL being transferred by Rio to the PNG government. The justification for the transfer advanced by Rio has no basis.

Rio is well aware that the ABG has previously accepted PNG retaining its original 19 per cent equity in BCL. That ensures that in any event PNG has an ongoing role in any major decision-making about the future of the Panguna mine.

Further, we need no guidance from Rio about cooperating with the National Government. We negotiated the Bougainville Peace Agreement with the National Government, and we continue to our attempts to improve our cooperation with the National Government. We need no advice on such matters from Rio Tinto. In saying their offer of shares to PNG is intended to encourage cooperation is an insult to the ABG.

Of much greater concern is the fact that in two meetings with Rio Tinto representatives in July 2015 and February 2016, I advised in the strongest terms about the dangers to the Bougainville Peace Agreement should PNG get control of BCL through receipt of shares (should the Rio equity review result in divestment of the shares in BCL). Rio has simply ignored that advice.

Equal PNG shareholding with the ABG raises the same grave dangers for the future of peace in Bougainville. Moreover, its decision on allocating shares was clearly made in close consultation with PNG, and without consulting the ABG. Perhaps they both forgot that the mineral resources BCL was established to mine are located in Bougainville. Perhaps they forgot that Bougainville is autonomous, and has full power over mining.

Before we deal with anything else, let's be clear on one thing. That is, that the Panguna mine generated huge profits for Rio Tinto – and also massive revenues for PNG. All loans for the cost of setting up the Panguna mine were repaid by BCL in its first three years of operating.

So while it is true that mine closure resulted in Rio losing its investment at Panguna, that investment was by then already repaid many times over. And how was it paid? By Rio digging up and selling Bougainville's minerals, and by doing that without regard to the terrible impacts on the people of the mine lease areas.

The mine also generated huge revenues for the second largest shareholder in BCL – the PNG National Government. Of course, PNG was the regulator and taxing body as well.

Figures provided in a 1991 book written by BCL's former Managing Director, Paul Quodling, shows that total mine revenues between 1972 and 1989 were distributed as follows:

- For the National Government, 61.46 per cent of total revenues – over K1 billion at a time when the Kina was worth 8 or 10 times more than it is now;
- Other private investors received K577 million, or 32.9 per cent of total revenues – which means Rio and the small private investors who held 27.2 per cent equity also received significant revenues;
- For the North Solomons Provincial Government (on behalf of the people of Bougainville), just K75 million, or 4.28 per cent of total revenues;
- For the mine-lease landowners, just K24 million, which was an insulting 1.37 per cent of the total revenues.

We all know that the mine was forced on Bougainvilleans, very much against the wishes of the landowners of the lease areas. It was established and operated under grossly unfair conditions. Landowner of the mine lease areas, and of adjacent areas, suffered massive mine impacts. Yet they received what is now clearly acknowledged as a grossly unfair amount of compensation.

The mine was closed as a result of action by landowners, mine workers, and people from adjacent areas. They wanted BCL and the National Government to negotiate a new basis for mining – one that would be much fairer for both landowners and the rest of Bougainville. They had no intention to close the mine permanently. It was the brutal violence of PNG police mobile squads, and later PNGDF elements, that turned the conflict into a far wider uprising.

Now, 27 years on, it is the landowners of the mine lease areas and adjacent areas that are dealing with terrible legacy issues.

They include immense and environmental damage caused by:

- the huge mine pit;

- the nearby unstable tailings dumps and the large ‘lakes’ behind some of them;
- the destruction of the Kawerong and lower Jaba rivers by dumping of billions of tonnes of overburden and mine tailings;
- a massive delta of tailings that juts 15 kilometres into the sea on the west coast of Bougainville;
- deteriorating chemical storage areas;
- and so on.

Fish life in the Kawerong and Jaba rivers, and also in all the many rivers and creeks that run into them, has been dead for 40 years. The levy banks built by BCL to contain the flooding of nearby areas arising as the bed of the Jaba river rose (because of the depositing of vast amounts of tailings) were breached by flood waters over 15 years ago. River water polluted by acid leached from the crushed tailings now floods huge areas of our people’s land all along the lower Jaba.

The people of the many villages relocated by BCL – against their wishes - live in the most terrible conditions. This involves villages such as Moroni, Dapera, Pirurari, Kuneka and the Jaba river mouth. Today, the ongoing loss of their land and relocation to new village sites means we are talking here about many thousands of people. They lost not just their land for houses, but also land for gardening, timber, *sak sak* for roofing, and so on - all the resources of their land. They were forced into tightly packed areas with inadequate housing that was not maintained by BCL. No provision was made for rising populations and newly married couples. So there was terrible overcrowding. BCL ignored our Melanesian cultural values of deep respect for *ol tambu*. In-laws were forced to live in the same houses.

Conditions for those relocated village people are far worse in 2016 than they were in the 1980s. Numbers in the relocated villages have grown dramatically. So they are much more overcrowded and have even less resources than in the 1980s.

The houses of the villages in the SML were all destroyed by the police in 1989. They now live in houses rebuilt from scrap. Their garden areas are miles away. Their water and sewage arrangements are hopeless. In Moroni, the septic tanks have been full to the brim for years. When it rains, raw *pek pek* (sewage) runs through the village.

At Morotona, where the Jaba River mouth people were relocated, there are major land and resource tensions between the large number of settlers, and the increased numbers of the host community. The original settler houses were flooded out years ago. Those people now live in basic bush material houses,

with very little gardening land, no access to *sak sak*, no water tanks. Their drinking water comes from polluted soaks in the ground, contributing to their suffering many health problems.

What I am describing here is just a small part of the terrible consequences that our people are living with as a result of the mine. This is the same mine that put so much money into the pockets of the National Government, Rio Tinto, and a few others amongst the small shareholders in BCL. Yet they deny any responsibility for the damage that they did while generating that money.

Rio says that they obeyed the laws of the time. But they know full well that those laws were unjust. What's more, we know that BCL also understood the injustice at that time. That's because BCL management was more open than the National Government to the arguments for change that were coming from the landowners and the Provincial Government in the 1980s.

It's true that Rio and its subsidiary, BCL, lost assets and funds and sources of profits when the mine closed. But it's also true that the landowners and the coalition of other Bougainville groups working with them were not seeking permanent mine-closure. Rather, they were desperately trying to get the National Government and BCL to listen to their pleas for justice. If their pleas had already been heard, the Bougainville conflict would never have occurred.

By its own standards, Rio Tinto cannot realistically think it can just walk away from its responsibilities at Panguna. Since 1989, in part because of recognising how its very inadequate operating standards contributed to the Bougainville conflict, Rio Tinto (and other major mining companies) have adopted much improved corporate social responsibility and sustainable development standards. Rio Tinto now publicly claims to operate under those standards, world-wide.

But according to Rio the admirable principles that it now so proudly follows do not apply in Bougainville!!

Its main reason for not following those principles here is that when BCL was doing the terrible damage that generated its profits, it was following the laws of the time. But clearly those laws were completely contrary to those same wonderful principles it claims to honour now.

This is complete hypocrisy!

It is grossly unjust – completely unacceptable - for Rio to now refuse any responsibility for the long-term impacts of the operations of its subsidiary, BCL. They told me they can walk away because they operated the mine under the PNG legal standards of the 1960s, 1970s and 1980s. But it was clear in the

1980s, at least, that the standards of the day were appalling. It was the injustice of those terrible standards that caused the conflict.

The whole point of the wonderful ‘corporate social responsibility standards’ and ‘sustainable development’ principles that Rio claims to subscribe to, is that mining companies accept that their responsibilities go well beyond prevailing legal requirements. Further, it is a grave misrepresentation to claim that the Panguna mine was closed by Bougainvillean opponents of mining.

Yet Rio Tinto held on for 27 years, from 1989 to 2016, always hoping it could come back and make more profits. So why has Rio decided to walk now?

It is mainly because of its own assessments of how it can best use its financial resources to make more profits. It has large copper and other mining projects in other parts of the world where it assesses it can better use the US\$8 billion needed to reopen Panguna.

In addition, low commodity prices and sovereign risk issues of investing in Bougainville have contributed to the Rio Tinto decisions. Those same issues mean that it is now increasingly unlikely that the Panguna mine will re-open in the short to medium term, and perhaps even beyond that.

Those facts make the legacy issues even more important. How will the legacy issues get dealt with now? The ABG does not have the resources needed.

Rio Tinto is the parent company of the mine operator, BCL, that generated so much revenue that the mine was the ‘jewel’ in the Rio Tinto ‘crown’. For the historical reasons that I have just discussed, Panguna never had a proper mine closure program. If the parent company wants to leave now, it has serious mine closure responsibilities, just as it would in a normal mine closure situation, arising when a mineral resource is exhausted, or no longer profitable.

The PNG National Government also has serious responsibilities for the mine legacy issues. They received the biggest share of the mine revenues. As a result I expect the National Government to support the ABG as strongly as possible in applying the heaviest possible pressure on Rio Tinto to accept its responsibilities.

In addition, I demand that the National Government also accept responsibility to contribute to the costs of clean-up and other legacy issues. We propose to discuss these matters fully in the special Joint Supervisory Body meeting we are demanding be held as soon as possible.

I am calling on the members of this House, and the people of Bougainville, and all our supporters, to join us in an international campaign to force Rio Tinto to accept its responsibilities in Bougainville. We will discuss the possible approaches to such an international campaign later.

But I have already begun by a letter to the International Council of Mining and Metals – a mining industry association that Rio belongs to. The letter calls on that Council to investigate Rio's departure from Bougainville as a failure to honour that council's sustainable development principles. As this body is no more than a mining industry association, we probably cannot rely on it to do much. But the letter is a start to raising international awareness of the shameful decisions that Rio Tinto has made.

But let's go back now to the BCL shares issue.

Mr. Speaker:

There is a deep history of conflict and bitterness in Bougainville over the impacts of the Panguna mine. As members will see from the documents distributed to all members of this House, since 2014 I have been advising the Prime Minister, in the strongest terms, that it is impossible for Bougainvilleans to accept National Government control of Panguna through control of BCL. I gave the same advice to Rio Tinto officials in my two earlier meetings with them.

For the National Government to have equal equity in BCL with the ABG is equally unacceptable.

For all Bougainvilleans, the idea that the National Government hold either majority or equal shares in BCL involves a totally unacceptable degree of control over decisions on the future of mining. This is where we face the danger to the Peace Agreement, and to the whole peace process.

Panguna involves the most sensitive issues for all Bougainvilleans. They are deeply emotional and highly symbolic - for all of us. They are at the heart of the problems, divisions and conflict in Bougainville, which are not yet fully resolved.

The readiness of at least some in the National Government to accept Rio Tinto's initiative to place PNG in equal control of BCL, and therefore of Panguna, raises a grave threat to peace in Bougainville, and peace between Bougainville and Papua New Guinea.

The issues here are not just symbolic. There are also major practical concerns. In particular, the Peace Agreement gives Bougainvilleans a right to freely choose their political future in the forthcoming Referendum. If the National Government insists on having equal control of Panguna through ownership of BCL shares, Bougainvilleans will undoubtedly believe that it is trying to maintain its financial control of Bougainville. That appearance alone is a grave threat to the faith of our people in the Peace Agreement.

Yet as I have informed the Prime Minister in my letters to him since 30 June and my meeting with him on 2nd July, the distribution of Rio Tinto's shares offers a remarkable opportunity to help end the problems, divisions and conflict for good. It can be done in ways that directly benefit both the National Government and Bougainville.

If the National Government agrees to the ABG holding the full former 53.8 per cent Rio Tinto equity in BCL, it will be clear that the National Government agrees to Bougainville having full control of decisions about Panguna and the future of mining in Bougainville. That will help change views of the National Government amongst Bougainvilleans. It will end what is now the deep suspicion that in the lead-up to the Referendum, that the National Government is seeking to keep control over Bougainville's affairs.

The key issue here is not the re-opening of Panguna, or any commercial considerations about investment in Panguna. No - the key issue is the future of peace.

As I have made clear in the past, the ABG does have important protections available under the Bougainville Mining Act. The main protection arises where there are dealings in more than 25 per cent of the shares of a company holding an exploration licence. Then the ABG Secretary for Mining must initiate proceedings to terminate the licence. BCL's only Bougainville tenement is an Exploration Licence over the area of its former SML. So a notice of termination will be served on BCL shortly. If the National Government continues to hold the 17.4 per cent equity in BCL transferred from Rio Tinto, termination of the licence will certainly occur.

When I met the Prime Minister on Saturday 2nd July, I was not aware that the National Government had already accepted the transfer of 17.4 per cent equity from Rio Tinto.

I was initially reassured that he understood the serious dangers involved in the National Government accepting the 17.4 per cent equity. I believed that he

understood our concerns and was ready to consider the shares coming to Bougainville.

But later that day, I received the information that the National Government had already accepted transfer of the shares. I immediately wrote to the Prime Minister, demanding that the shares be transferred to Bougainville.

I became much more concerned by the statement of the former Minister responsible, Mr. Ben Micah, reported in the Post Courier of 12 July. He alleged that the negotiations with Rio Tinto about equity transfer had been under direction of the Prime Minister. Micah said that he had *'been in discussions with Rio together with the Prime Minister and we have kept Mr. Momis abreast of our discussions'*.

If there was cooperation between the Prime Minister and Mr. Micah, that would be very worrying. But more importantly, it is completely untrue that the Prime Minister and Mr. Micah have kept me advised of their discussions. To say so is a complete lie. My last discussion with them was in December 2015. At that time I was advising them of the ABG's strong opposition to the National Government taking over the Rio Tinto's 53.8 per cent equity in BCL. (They were then proposing to pay Rio Tinto US\$100 million for those shares.) I also opposed their argument that the ABG say nothing about Rio having responsibility for environmental and other legacy issues. They feared that such concerns could damage their 'commercial negotiations' with Rio Tinto. My last communication with them on the issues was my letter to the Prime Minister of 10 December 2015, a copy of which is in the documents provided to all members.

Since then I have not had a single word from them about their thinking about the BCL shares. If, as Mr. Micah says, they have kept working on this, then they have done it in complete secrecy, with not a word to me or the ABG. That secrecy is unacceptable to Bougainville, for they are playing with rights to Bougainville's resources as if the issues do not have anything to do with Bougainville.

But in a response to my letter to the Prime Minister of 3rd July, received through his Chief of Staff, the Prime Minister provided assurances to me that:

- (a) He was not aware of the acceptance by National Government-owned company Petromin, of the transfer of the 17.4 per cent equity; and
- (b) He was willing to ask the NEC to re-consider the issue of that transfer of the equity.

Whatever happened in negotiations between PNG and Rio Tinto, my demand is that the Prime Minister honours his most recent assurances. So he must ensure the earliest possible decision to transfer the 17.4 per cent equity to the ABG.

If that does not occur, then the relationship between the ABG and the National Government, indeed, between Bougainville and Papua New Guinea, will come under terrible pressure.

I wrote to the Prime Minister again on Monday 18th July, strongly advising him that he now has an opportunity to end the tension developing over the shares issues. In a single move, he can develop a new and more positive relationship between his government and Bougainville. A copy of that letter is the last of the set of documents provided to all members.

I have urged the Prime Minister to resolve the issues, once and for all. I have asked him to do so in advance of the motion of no confidence on Friday 22nd July. This is an opportunity for him to counter allegations against the Prime Minister and his government. He can send a strong signal to the whole country of his creative and unifying leadership, and of hope for the future.

In my letter to the Prime Minister of 3rd July, I also demanded the earliest possible meeting of the Joint Supervisory Body to deal with the Rio decisions. That means dealing with both the shares issue, and the mine legacy issues. I am insisting that the National Government both take its share of responsibility for those issues, and support the ABG in its strong actions to apply pressure on Rio Tinto to take its responsibility for the long-term damage it caused by its profit-making.

In that JSB, we will also raise PNG's responsibility to contribute to what will undoubtedly be the huge cost of dealing with mine legacy issues. PNG owes a huge debt to Bougainville. That arises not only from the massive financial contribution to PNG independence from Panguna, but also from its cocoa and copra production over many years, and from *ol save man blo yumi*, who contributed so much to PNG both before and after Independence. Now is the time for that debt to be honoured, so that the mine lease landowners – the people who suffered most in the making of that contribution – are not forgotten, not left in misery!!

I am yet to receive any response from the Prime Minister to my demand, made on 3rd July, for holding an urgent Joint Supervisory Body meeting

Mr. Speaker:

Bougainville has come full circle. We are back to where we were in 1997, at the beginning of the peace process. Then we were deeply divided. Only by unifying and working together could we successfully negotiate the Peace Agreement.

But in the period since the BPA was signed, it has become clear that some divisions remain. We have two groups of Me'ekamui people that oppose one another in claiming to be the true government of Bougainville. The leader of U-Vistract a failed Ponzi fraud scheme claims to head a kingdom of Papa'ala, that he says is somehow in charge of Bougainville.

We have small outside mining interests, with very poor track records, that have linked up with small Bougainville factions. We have a greedy adviser to a silly landowner leaders, causing new divisions. We have a small group now of 7 or 8 former combatants from outside the Panguna area claiming that they will decide what happens there.

We even have a supposedly educated Bougainvillean, who has been outside Bougainville for years, now coming back and trying to scare our people with false 'awareness' campaigns, telling complete lies. They include claims that the Bougainville Mining Act is against the people. She tells former combatants that the amnesty under the Peace Agreement will end in 2020, and that they will then face the death penalty under PNG Law.

What nonsense! The Mining Law offers the most complete protection to landowners – more than any mining law anywhere in the world. And the amnesty and pardon will not end in 2020. They are provided fully under the Peace Agreement and the PNG Constitution, and will continue beyond 2020, whatever happens. Awareness cannot be created by a person with complete ignorance of the truth.

Mr. Speaker:

We, the true leaders or the only true government of Bougainville, must unite against these unfortunate, deluded, and irresponsible people who are seeking their own advantage by sowing division and confusion. Only by uniting can we make real progress in the next stage of our efforts to build lasting peace in Bougainville.

So, members, I am asking you, as the elected leaders of Bougainville, to work with me to unite the people of Bougainville around two main issues.

First, we must unite in demanding that the whole of the Rio 53.8 per cent shareholding in BCL be transferred to the ABG.

Second, we must unite in developing the strongest possible international campaign to apply all necessary pressure on Rio Tinto to accept its mine legacy issues such as the needs of relocated villages. At the same time we must work to persuade the National Government to accept its responsibilities for Panguna legacy issues.