



THE PRIME MINISTER'S PARLIAMENTARY STATEMENT

CARBON TRADING AND OFFICE OF CLIMATE CHANGE AND ENVIRONMENTAL SUSTAINABILITY

First, let me thank the Leader of the Opposition for his supportive statements on the critical leadership role that my Government has played in obtaining international support within the United Nations for Reduced Emissions from Deforestation and Degradation (REDD) and the establishment of the Coalition for Rainforest Nations (CFRN).

Papua New Guinea, through the leadership of my Government, has been instrumental in ensuring that natural forests are recognized for their valuable roles of adaptation, sequestration and mitigation which must be recognized within the international climate change process.

However, my Government is working on a much broader agenda related to climate change. This is because according to the Intergovernmental Panel on Climate Change (IPCC), global atmospheric temperatures appear to be rising at an unprecedented rate due to the increased atmospheric carbon concentrations generated by humanity's addiction to fossil fuels.

For the people of Papua New Guinea, climate change carries very real and present danger – physically, economically and socially.

Some of these dangers include:

- a. Sea-level rise affecting the livelihoods of our many coastal communities
- b. Changing weather patterns, including an increased frequency and magnitude of storms
- c. Disease vectoring, such as a malaria moving into the Highlands.
- d. Loss of agricultural productivity and decreased food security
- e. And many others.

We must understand that Papua New Guinea, as a small island developing state, is a country with much to lose from a weak international response to climate change. In the face of this real prospect, it is important that we step forward on the global stage and provide leadership, rather than shrink back falling prey to internal bickering and external finger pointing.

Therefore, we must be prepared to propose solutions rather than only highlighting problems brought to us by climate change. For this reason, my Government has:

1. Increased Diplomatic Engagements;
2. Established Climate Change Goals and;
3. Formed the 'Office of Climate Change & Environmental Sustainability'.

For most developing countries, however, the battle against climate change cannot be fought alone. Rich countries, that have largely, albeit inadvertently, caused this unprecedented increased rate of climate change have a moral obligation to assist developing countries adapt and move toward low carbon and highly resilient development pathways.

To facilitate this necessary partnership, both rich and poor countries must accept a fuller system of transparency and accountability – both the mobilization and the utilization of funding must be transparent, predictable, adequate, sustained, measurable, reportable and verifiable.

For these reasons, my Government chose to establish the Office of Climate Change and Environmental Sustainability (OCC&ES). The OCC&ES is intended to develop a whole-of-government approach to address the analytics, policy development, institutional strengthening, and legal frameworks necessary to engender the international partnership needed for Papua New Guinea to combat the effects of climate change.

However, adapting to climate change while simultaneously pursuing a low-carbon development pathway that supports environmentally and socially sustainable economic growth is a complex process. For this reason, my Government is committed to establishing a framework of advisory boards:

1. Technical Advisory Board;
2. National Advisory Board, and
3. International Advisory Board.

Let me be clear, as this issue has been intentionally misconstrued by certain political opponents seeking only to confuse issues. These advisory boards are focused only on analytic, policy and institutional issues. They will NOT have any role in the management or disbursement of climate change revenues.

However, when it comes to climate change finance, neither domestic stakeholders nor the international community would permit all climate change funds to be paid into consolidated revenues as the Leader of the Oppositions has proposed – along with certain Governors.

This is a flawed and ill-conceived proposal that will only lead to failure!

First, a significant portion of such funds would legally belong to the people of Papua New Guinea. For example, forest resources belong to the people, not the government. So, how could my Government try to capture 100% of the revenues when we have no legal basis over the forests or ability to control decisions related to their use?

Second, understanding this, the international community would never allow climate change funds to be gobbled up totally by the Government bureaucracy with limited transparency and accountability.

For these reasons, and many others, we must develop transparent systems for the financial flows, to ensure they reach the intended stakeholders, on time and over time. Following many other precedents within our legal structure for engagement with the private sector, only associated income taxes and or royalties will likely be paid into

consolidated revenues.

Therefore, with regard to managing the financial requirements associated with adaptation and mitigation needs, my Government has requested that an independent climate change trust be established. This climate change trust is expected to be developed in association with the World Bank and United Nations, in conjunction of course with the PNG Central Bank and Department of Treasury. This is to maintain the highest international standards for governance, transparency, and equitability.

At this point, my Government is reviewing best-practice internationally, but, we must await the policy development process to be completed in a transparent and consultative manner before any final decisions would be made in this regard.

This brings me to the Formation: The Coalition for Rainforest Nations (the CFRN) was established as an intergovernmental policy group of like-minded developing countries striving toward the sustainable management of their tropical forests assets. The CFRN Secretariat was established as a non-profit entity managed in association with Columbia University in New York. The objective of basing the CFRN Secretariat at Columbia was to keep the Secretariat 'country-neutral' while bringing together some of the best intellectual resources and robust financial management systems. The CFRN Secretariat is based in New York, near the headquarters of the United Nations, to facilitate active participation within the UN system. [CFRN Website]

All funding provided to the CFRN Secretariat is required by law to be charitable in nature. Further, the CFRN has not requested funding from any participating developing country, such as Papua New Guinea. Thus far, funding has been received only from charitable trusts, international development agencies and official development aid programs. To avoid any potential conflicts, the CFRN does not accept funding from any business interests whatsoever.

In terms of Auditing, thus far, the annual accounts of CFRN Secretariat are subject to Columbia University's rigorous annual audit process. As a requirement of that audit process, day-to-day operations are subject to Columbia's strict financial governance control systems.

All staff of the CFRN Secretariat are required to avoid any potential conflicts of interest and therefore prohibited from participation in any commercial dealings related to carbon markets, particularly those associated with REDD. Further, all staff must undergo an annual 'conflict of interest' certification process as required by Columbia University.

It is well known that I deplore politicians who resort to rumor mongering and character assassination on the floor of Parliament while hiding behind our constitutional immunities. Sadly, Ambassador Kevin Conrad has repeatedly been exposed to this lowest form of political mud-slinging [by people who appear to be without a compelling vision and ideas of their own to offer the people of Papua New Guinea.] Accordingly, I view the leader of the Opposition irresponsibly out of character with his related innuendos and libelous character assassinations.

Therefore, let me clarify my understanding of several points: Ambassador Conrad does not have any commercial dealings related to carbon markets or REDD activities and he legally certifies his avoidance of such 'conflicts of interests' annually; Ambassador Conrad has never had any commercial dealings with me or any of my family members; and, these allegations that Ambassador Conrad is somehow responsible for allegedly vast losses related to the POSF Housing Project or ANGCO Coffee are inaccurate, unfair and appear to be nothing more than politically motivated cheap-shots.

On the other hand, Ambassador Conrad has greatly advanced the intellectual, economic and diplomatic well-being of Papua New Guinea. For example:

South Seas Tuna Corporation: Ambassador Conrad was founding managing director of South Seas Tuna Corporation, in the East Sepik Province. After working tirelessly for many years, due to Ambassador Conrad's vision and determination, around K75 million has been invested by international partners, around two thousand Papua New Guineans have been gainfully employed, and around K250 million has been contributed to the PNG economy.

Climate Change & REDD: On behalf of Papua New Guinea, Ambassador Conrad's intellectual contributions to advancing the role of developing countries within climate change agreements, and also the issue of deforestation are virtually unparalleled. In fact, Ambassador Conrad developed the current REDD concept and was lead author on the first UNFCCC proposal approved in Montreal in 2005.

Candidly, I cannot recall another time when Papua New Guinea has been leading the global intellectual process around such compelling social and economic issues.

Diplomacy: Largely as a result of the intellectual leadership demonstrated by Ambassador Conrad, Papua New Guinea is now actively engaged at the highest levels of international diplomacy on some of the most compelling issues facing humanity. Further, the impacts of this elevated diplomatic status are generally contributing to improved relations in other areas, such as the World Bank and the United Nations Agencies. Our challenge now is to maintain this momentum for the benefit of our deserving population, rather than denigrating those who have been working diligently for our collective benefit. Having been Prime Minister on multiple occasions and also Minister of Foreign Affairs, this new diplomatic influence seems long overdue, but welcome and appreciated nonetheless.

In summary, even if the libelous allegations against Ambassador Conrad were true, which they are not, they would be dwarfed by his intellectual, economic and diplomatic contributions to Papua New Guinea. Further, in all of our dealings, Ambassador Conrad has always exemplified the highest moral, ethical and professional standards.

Therefore, I believe the time has long past for the true leaders of Papua New Guinea to stop defaming others out of petty jealousy or the need for cheap political theatrics. This is a clear sign of political immaturity. Rather, it is time for the true leaders of Papua New Guinea to focus on building a sound legal, institutional and policy framework that brings environmentally and socially sustainable development for all of our citizens.

Further, the Opposition Leader has made a number of allegations of impropriety in his speech to Parliament last Thursday. My Government shares some of the Opposition Leader's concerns regarding the issue of carbon trading and the role of the Office of Climate Change and Environmental Sustainability (OCC&ES).

For this reason, my Government acted decisively on 26th June by launching a major investigation into the OCC&ES and further suspended the acting Executive Director whilst this investigation is underway.

My Government is determined to establish a full and accurate assessment of the management of the OCC&ES and the alleged carbon trading agreements. The independent review will also investigate all of the specific domestic and international companies and consultants entering into the climate change area before international negotiations are completed.

Clearly, my Government has not completed the necessary policy and legal frameworks.

This formal investigation has been established, under the Chairmanship of the Acting Secretary for the Department of Personnel Management supported by Central Agencies, to review all aspects of policy, financial and human resource in the OCC&ES.

The formal review of all policy decisions made by the OCC&ES will be undertaken by the Acting Executive Director for the OCC&ES and supported by the Central Agencies.

The outcome of the investigation and policy review will provide a sound basis for restoring credibility to the work of the OCC&ES and allow the Government to move forward quickly to play an important role in the critical Copenhagen climate change talks later this year.

However, I must emphasize, it is critical that the investigations are not prejudiced by public comment by me or members of my Government. Trial by media is unacceptable and my Government is determined that the investigations be allowed to continue their work free of interference.

Until these reviews are completed and decisions are made by Cabinet regarding appropriate action, it is entirely inappropriate for me to respond to the specific allegations made by the Leader of the Opposition.

In conclusion, my Government's commitment to pursuing international initiatives to support its policy on Environmentally Sustainable Economic Growth is not affected by recent events. My Government's position is clear: PNG should fully support a formal REDD Mechanism being set up under the auspices of the United Nations Framework Convention on Climate Change.

Such an international regulatory system would allow for greater transparency and accountability and therefore enable a better price for carbon and assist the Government to meet its sustainable development priorities.

The UN REDD process has the greatest potential to provide a fair valuation for the carbon stored in PNG's forests. The benefits to landowners under a United Nations endorsed process will be substantially greater and offer more predictable, adequate and sustainable finance than through any Voluntary Carbon Agreements.

Accordingly, at this time, my Government does not currently see a role for Voluntary Carbon Agreements in its policy development and regulatory framework for forest carbon and climate change in general.

The global community has responded positively to the REDD initiative and has included it in formal talks to develop the new global climate change agreement following expiry of the Kyoto Protocol in 2012.

PNG has played a very important role in getting to this stage in global negotiations and with the support of the CFRN will continue to play an important role as the world community designs the new climate change agreement. For this reason, we must stay the course and remain committed to a global compliance-based international agreement on climate change.

Therefore, I expect the Copenhagen climate change negotiations to provide greater certainty for the REDD initiative and guidance about how we can move forward to implement REDD in PNG. Our focus now should be preparing for this international meeting.

Following this meeting, I hope we will be able to move forward on carefully designed REDD Demonstration projects which will help build the capacity and understanding needed for PNG to fully commit to REDD over the coming years.

I would like to conclude by reiterating that my Government is fully committed to completing the investigation into the issues and allegations raised by the Honorable Opposition Leader which are now subject to the investigation process.

If the investigations confirm irregularities by the Office of Climate Change appropriate actions will be taken.

In the meantime, we must not lose momentum preparing to engage fully within the international negotiating process. For while a small country like Papua New Guinea can in no way determine the international outcome, we must ensure that our voice is heard!

RT. HONORABLE GRAND CHIEF SIR MICHAEL SOMARE
Prime Minister of Papua New Guinea