



JUBILEE AUSTRALIA
Digging to the roots of poverty

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Senate Foreign Affairs, Defence and Trade Legislation Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Senators,

Export Finance and Insurance Corporation Amendment (New Mandate and Other Measures) Bill 2013

Jubilee Australia is pleased to make this supplementary submission to the Senate Foreign Affairs, Defence and Trade Legislation Committee.

Our initial submission dated 18 April 2013 recommended amendments to the EFIC bill in order to:

- make EFIC subject to Australia's freedom of information legislation;
- require that the Government release a National Interest Statement for National Interest Account transactions;
- ensure adequate prior assessment and disclosure of human rights and environmental impacts;
- ensure EFIC compliance with international and human rights obligations;
- remove EFIC's exemption from the operation of environmental legislation; and
- require that EFIC disclose its intentions to finance Australian based projects.

The EFIC-funded, ExxonMobil-sponsored Liquefied Natural Gas Project in Papua New Guinea (PNG LNG Project) and Jubilee Australia's investigative report on this project, *Pipe Dreams: The PNG LNG Project and the Future Hopes of a Nation*, is a contemporaneous case study that underscores the importance of the first five of the six objectives listed above.

We attach the *Pipe Dreams* report for our supplementary submission.

Background

The significance of Australia's involvement in the PNG LNG Project goes far beyond EFIC's relatively small USD500 million share of the total USD10.25 billion debt package. Viewed as the "PNG specialist", Australia's involvement via EFIC was critical for the project's proponents to secure financial backing from other international export credit agencies, including the US Ex-Im Bank and the China ExIm Bank, and commercial banks.

The PNG LNG project was hailed as a catalyst for PNG's economic transformation but our research casts doubt on the overly positive predictions that vast government revenues generated by the project will be preserved for project-affected people and for the nation's long-term interest. In fact, in our assessment, the people of PNG are the greatest bearers of risk in this project whilst the greatest benefits from the project will accrue to the multinational corporations and local political elites in PNG.



Pipe Dreams highlights warning signs from community leaders in affected areas that they will take disruptive action if they grow unhappy with benefit sharing from the Project. Many community leaders have gone on record making public threats against the Project and its workers if they do not get what they want and informants say that weapons are being smuggled into the region in preparation for violent conflict if expectations around Project benefits are not met. The PNG LNG project proponents and financiers, including the Australian Government, were warned about these possibilities many times.

The project has been associated with a number of instances of violence already, as well as environmental incidents (two landslides in areas related to the project, one causing at least 25 deaths) and an alarming erosion of social cohesion. There remains an even greater fear that widespread violence could erupt in the project impact area if the already tense relationship between the landowners and the Government/companies breaks down. Jubilee Australia suspects that although such risks were known before the financing decisions were taken, they were disregarded in a way that identifies the inadequacy of EFIC's process for incorporating human rights violations into its decisions.

EFIC's support for the PNG LNG project was funded primarily from the National Interest Account. The EFIC Act does not define "national interest". The Minister for Trade was, therefore, neither able nor required to stipulate how the "national interest" was assessed. All substantive information used to support the decision to fund on the National Interest Account was - and is - protected by cabinet-in-confidence and the decision was not open to Parliamentary debate. *Pipe Dreams* provides very strong evidence that all EFIC decisions on the National Interest Account and those that involve Category A projects should be subject to proper, prior public and Parliamentary scrutiny.

EFIC's broad-sweeping exemption to the Freedom of Information Act ensures that any of EFIC's assessments of the PNG LNG project's risks to people, communities or the environment are protected from requests for disclosure. The Productivity Commission identified this governance gap and Jubilee Australia strongly supports its recommendation that EFIC's exemptions be removed.

Thank you for your consideration of this supplementary submission. We would be very pleased to address the Committee's questions about our research or recommendations.

Regards,

Carmelan Polce
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