

Kundu & Lali

December 2025

A quarterly South Pacific focused newsletter



Foreword

I welcome you to this edition of Kundu & Lali, our South Pacific-focused newsletter from the Fiji and PNG offices of KPMG.

The Pacific region is entering a transformative era marked by stronger connectivity and bold investment strategies. Aviation continues to be a lifeline for Pacific Island Countries, and recent expansions by carriers such as Fiji Airways and Air Niugini are opening new corridors to Asia, North America, and Australia. These developments, supported by regional partnerships and infrastructure upgrades, aim to overcome long-standing challenges of thin routes and high operating costs. Policy commitments like the Suva Declaration and strategic tourism alignment underscore aviation's role as a catalyst for inclusive growth and resilience, while sustainability remains central to future planning.

Meanwhile, Papua New Guinea showcased its ambitious investment horizon during PNG Investment Week 2025, unveiling a US\$55 billion resource pipeline alongside initiatives in renewable energy, climate-responsive budgeting, and digital infrastructure. Major deals in LNG, mining, and forestry signal confidence in PNG's economic diversification, complemented by projects such as Google's subsea cable investment to boost connectivity. Across the wider Pacific, reforms in foreign exchange, green finance, and MSME strategies, coupled with infrastructure co-financing by ADB and World Bank, highlight a region positioning itself for sustainable growth and global engagement.

KPMG stands ready to support this transformation, leveraging our global expertise in infrastructure delivery, ESG advisory, and investment facilitation to help clients drive innovation, resilience, and sustainable growth across the Pacific.

Zanie Theron

South Pacific Practice Partner-in-Charge

Transforming air travel in the Pacific

Air connectivity in the Pacific is undergoing a significant transformation as governments, airlines, and development partners work to strengthen links within the region and to major global markets. Aviation remains essential for Pacific Island Countries (PICs), where geography and oceanic distances make air travel a primary mode for tourism, trade, and essential services.

Regional carriers are playing a central role in this shift. Fiji Airways and Air Niugini, two of the Pacific's most connected airlines, have expanded their international networks to 25 and 9 destinations respectively. These routes strengthen links to major commercial and transit hubs in Asia, Australia, and North America, improving accessibility for tourism while also enabling business travel, trade, and investment opportunities that support the region's economic growth.

This expansion is part of a broader regional effort to address long-standing connectivity challenges. PICs have historically faced thin routes, high operating costs, and infrastructure limitations that restrict both intra-regional and international travel. Governments and airlines are adopting pragmatic solutions such as bilateral agreements and resource-sharing partnerships to address these challenges. For example, Nauru and Kiribati have recently signed a memorandum of understanding to coordinate services and improve safety oversight, while Nauru Airlines has partnered with Air Marshall Islands to align schedules and share technical expertise. These measures aim to sustain essential routes that are critical for mobility and economic activity in the PICs.

New partnerships are also emerging to diversify connectivity beyond traditional gateways. Qatar and Kiribati recently signed an Air Services Agreement, creating a framework for future links between the Middle East and the Pacific. This signals growing interest from long-haul markets and the potential to open new tourism and trade corridors for Pacific economies.

Policy frameworks are evolving in parallel. At the third Regional Aviation Ministers Meeting (RAMM3) in Suva, Pacific leaders adopted the Suva Declaration on Regional Collaboration and Aviation Connectivity, a landmark commitment to strengthen aviation as a strategic enabler of the 2050 Blue Pacific Strategy. The declaration sets out actions to improve safety oversight, harmonize regulations, enhance digitalization, and embed sustainability in aviation systems. It also emphasizes collaboration among governments, airlines, and development partners to ensure that connectivity supports inclusive growth and resilience. The Pacific Tourism Organisation (SPTO) has also placed air connectivity at the heart of its 2025–2029 Strategic Plan, recognizing its role in unlocking tourism potential. At the South Pacific Tourism Exchange (SPTEx) 2025, regional carriers including Fiji Airways, Nauru Airlines, Solomon Airlines, and Air Niugini committed to aligning route development with tourism strategies, signaling stronger coordination between the two sectors.

Aviation infrastructure investment is another critical focus. Governments, with support from partners such as the Asian Development Bank, World Bank, and Australia's Department of Foreign Affairs and Trade, are investing in runway extensions, terminal modernization, and the introduction of solar-powered systems to improve efficiency and climate resilience. These upgrades aim to accommodate larger aircrafts, enhance passenger experience, and ensure compliance with international safety standards.

Looking ahead, the Pacific's aviation landscape is expected to feature denser intra-island networks, stronger connections to Asia and North America, and a greater emphasis on sustainability. For the region's economies, these developments represent more than improved travel—they are essential steps toward enhanced market access, inclusive growth, resilience, and deeper regional integration.

As aviation stakeholders across the Pacific respond to fragmented connectivity, infrastructure constraints, and rising sustainability demands, governments, airlines, regulators, and development partners are seeking future-ready solutions. KPMG is uniquely positioned to support this transformation, offering a broad range of services – from infrastructure delivery and ESG advisory, to transaction support for public-private partnerships. Our global network enables us to draw on the knowledge and skills of international experts across our member firms in South ASPAC and worldwide, helping our clients align with global standards and industry best practices. This integrated approach empowers aviation stakeholders to drive innovation, resilience, and sustainable growth across the region.

Get in touch with our Advisory teams across KPMG PNG and Fiji to explore how your organisation can start the journey.

PNG Investment week 2025 by Pieter Steyn, Partner, Audit & Assurance Services

Papua New Guinea's investment showcase, PNG Investment Week 2025, was held in Sydney from December 7–11 under the theme "Stronger Together – Investing for the Future." Hosted by PNG Chamber of Resources & Energy, the forum drew senior PNG and Australian leaders, global investors, and industry delegates. Prime Minister's James Marape and Anthony Albanese led the Leadership Summit which highlighted PNG and Australia's economic diversification and dependencies.

Strategic Focus & Sectoral Highlights

- **Economic Diversification:** PM James Marape urged the importance of progressing the imminent resource projects, particularly given the recently higher experienced global commodity pricing. However, he also emphasized a pivot from reliance on non-renewable resources to sectors such as agriculture, fisheries, forestry, tourism, digital innovation, and renewable energy.
- **Climate-Ready Investments:** A dedicated climate and infrastructure summit launched PNG's inaugural climate-responsive budgeting for 2025–2026 and unveiled new

climate risk screening tools and renewable energy initiatives including solar mini-grids, upgraded hydropower, geothermal, and green hydrogen pilots. KPMG's Sophie Hollingsworth, facilitated a session on setting out the practical steps to sustainable investment for companies operating in PNG. She then also joined a panel discussion with other specialists to discuss key challenges.

- **Regulatory Confidence:** PNG CORE President Anthony Smaré and Prime Minister Marape highlighted the nation's stable democratic and legal frameworks, reassured investors of strong investment opportunities, a vision of reduced corporate tax, royalty, and equity laws, and reinforced ongoing policy clarity.

Major Deals Announced

A number of major deals were discussed. Some of these, such as Wafi-Golpu, Papua LNG and P'nyang, will look very familiar as they have been touted at previous investment conferences over the years - hopefully 2026 will finally see real progress.

- **US\$55 Billion Resource Pipeline:** PNG showcased its most ambitious investment horizon yet, combining projects in Papua LNG, P'nyang, Pasca A, Porgera, Wafi-Golpu, Wildebeest, and Frieda River. This aggregated investment portfolio totals approximately US\$55 billion, offering expansive opportunities in petroleum and mining.
- **Wafi-Golpu Progress:** Negotiations with state agencies and investors have neared conclusion, with Marape declaring, "Wafi-Golpu will be progressed. We are almost there," signaling imminent final agreements.
- **Papua LNG & P'nyang Gains:** Building on the success of Papua LNG, the P'nyang gas field will follow closely, with the PNG state securing a majority equity stake—an additional stake for Western Province landowners - marking a significant deal structure.
- **Forest Carbon Market Reopening:** PNG announced it has lifted its moratorium on carbon projects, restoring access to regulated carbon markets. This is a boost for forestry-based climate investment.
- **MRDC Community-Focused Investment:** Celebrating 50 years of stewardship, the Mineral Resources Development Company reaffirmed its commitment to resource management and inclusive community engagement, adding impetus to partnerships involving forestry and mining.
- **Alphabet's Google Sub-sea Cables:** A US\$120 million investment to build three high-capacity subsea fibre-optic cables was discussed connecting northern PNG, southern PNG, and the Autonomous Region of Bougainville. The initiative, named the Pukpuk Connectivity Initiative, is part of Australia's commitments under the recently signed Pukpuk Treaty, a mutual defense pact, and aims to bolster PNG's digital infrastructure, lower internet costs, and foster conditions to attract global cloud and digital enterprises.

Outlook & Investor Reception

Through investor roundtables, regulatory harmonization sessions, and industry networking, the conference served as a catalyst for forging long-term partnerships. The dual presence of Prime Ministers from PNG and Australia underlined bilateral cooperation and the high-level backing needed to advance transformational projects. Overall, investors responded positively and there was a sense of optimism amongst attendees. PNG is a country with so much potential - let's hope 2026 will see the sustainable realisation of this potential.

Other business news from the South Pacific region

- **Foreign exchange in PNG:** FX availability in PNG is improving, backlogs have eased substantially, and inflows are stabilizing, driven by export earnings and IMF-backed reforms. However, underlying structural imbalances remain, and FX restrictions are still in place.
- **ADB and Air Niugini Limited signed a \$35.8 million financing package:** Aimed at modernising PNG's national airline, boosting efficiency and safety standards, the initiative is expected to strengthen both domestic and international connectivity while supporting the country's social and economic growth.
- **PNG Tourism Promotion Authority launches the National Tourism Policy 2025–2045:** The policy establishes a 20-year roadmap to develop a resilient tourism sector that promotes sustainable and inclusive economic growth while safeguarding the country's cultural and natural heritage.
- **MSMEs at the centre of Fiji growth strategy:** Finance Minister Esrom Immanuel highlighted the significance of local businesses in Fiji's economy. The government plans to launch an MSME Strategic Plan and build a database aimed at boosting MSME contributions to GDP (targeting 40% by 2030).
- **Fiji film visa launched to entice international productions:** A new visa category and related MoU between Film Fiji and immigration authorities streamline entry for global film crews, enhancing Fiji's attractiveness for creative industry investment.
- **Fiji Green Finance Taxonomy introduced:** The Reserve Bank of Fiji, IFC, and Climate Bonds Initiative rolled out the first Green Finance Taxonomy to support sustainable investment, curb greenwashing, and promote climate-resilient projects.
- **Double Taxation Agreement review with New Zealand:** Negotiations began on updating the bilateral DTA originally signed in 1976. Fiji's FRCS aims for a fairer, modernized tax framework to bolster cross-border business.
- **ADB & World Bank launch co-financed infrastructure and health projects:** Under a new "Full Mutual Reliance Framework" the ADB and World Bank jointly backed a \$236.5 million initiative to upgrade Fiji's primary healthcare system and build a regional hospital and a \$120 million program in Tonga to improve transport, urban, and water infrastructure.
- **Australia backs Pacific banks with AU\$2 billion loan guarantees:** To support regional financial stability, Australia pledged AU\$1.3 billion specifically to ANZ operations in Pacific nations.
- **The Pacific Agreement on Closer Economic Relations (PACER) Plus trade agreement extended:** The Pacific trade pact has been renewed for an additional five years, securing AU\$20 million in ongoing Australia–NZ support to boost trade and investment.
- **World Bank downgrades Pacific growth outlook:** Growth projections trimmed to 2.6 % for 2025 (down from 5.5 %), due to slower tourism, natural-disaster exposure, and inflation—while emphasizing that increasing women's workforce participation could uplift GDP per capita by over 20 %. Growth projected to increase slightly to 2.8% for 2026.
- **Invest Solomons website launches:** Solomon Islands released its official investment promotion portal with key investment policies, sector info, and entry procedures.
- **New Solomon Islands Citizenship-by-Investment programme underway:** Legislation introduced for a scheme allowing foreign nationals to gain citizenship in exchange for significant investment.
- **China pledges fresh investment for Tonga amid debt pressures:** During King Tupou VI's Beijing visit, China committed broad economic cooperation across trade, infrastructure, agriculture, fisheries, tourism, and climate resilience.
- **ADB & World Bank announce joint Fiji & Tonga infrastructure projects:** As part of their Full Mutual Reliance Framework, they co-financed a US\$236.5M Fiji health-modernisation project and a Tonga integrated infrastructure initiative.

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