

# Land Acquisition for Solar Manufacturing in Papua New Guinea

State Lease vs. Customary Land — A Strategic Overview

**Content Partner: J. v. G. technology GmbH**

*Turnkey solar module production lines — since 1997*

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# Strategic Analysis: Securing Land for PNG Solar Factories



Created as part of the PVKnowHow Knowledge Network



Prepared by J.v.G. Technology GmbH



European specialists in turnkey solar module production lines

# Key Project Data

**Solar...**

**Project Type**

Solar module manufacturing  
facility

**2 Types**

**Land Options**

State Lease vs. Customary  
(ILG)

**99 yrs**

**Lease Duration**

Maximum term under State  
Lease system

**6–24 mo**

**Timeline**

Typical State Lease process  
duration

 Region: Papua New Guinea · Project Type: Solar module factory · Source: PVKnowHow / J.v.G. Technology GmbH

# The Land Ownership Challenge in PNG

## Core Problem

- Land is the most critical — and complex — input for any industrial project in PNG
- Two legally distinct land systems exist simultaneously
- Misidentifying land status early creates costly delays or legal disputes
- Foreign investors must navigate both systems with local legal expertise

## Why It Matters for Manufacturing

- A solar module factory requires secure, long-term tenure
- Infrastructure investment requires certainty of access and title
- Financing institutions typically require clear, registered title
- Operational continuity depends on community and government alignment

# PNG's Dual Land System

## State Land (~3%)

- Government-owned and administered
- Subject to formal State Lease under the Land Act
- Registered title available — bankable and transferable
- Limited supply in strategic locations

## Customary Land (~97%)

- Owned by clans and communities under traditional tenure
- Not directly alienable to foreign entities
- Accessible via Incorporated Land Group (ILG) framework
- Covers most of PNG's landmass including industrial zones

Understanding which system applies to a target site is the essential first step in any land acquisition strategy in PNG.

# State Lease: Process, Advantages & Limitations

## Process

- Application submitted to Department of Lands & Physical Planning (DLPP)
- Land Board review, gazettal, and ministerial approval required
- Timeline: approximately 6–24 months end-to-end
- Lease term: up to 99 years for business/industrial use

## Advantages

- Registered Torrens title — legally secure and bankable
- Clear conditions of use defined in lease instrument
- Accepted by international lenders and development finance institutions
- No ongoing community negotiation required post-grant

## Limitations

- Very limited availability — most industrial-zoned State Land is already allocated
- Bureaucratic process subject to delays and political factors
- Annual rental and development covenant obligations must be met
- Forfeiture risk if lease conditions are not fulfilled

# Customary Land (ILG): Process, Advantages & Risks

## Process

- Clan land owners form an Incorporated Land Group (ILG) under the Land Groups Incorporation Act
- ILG negotiates a lease directly with investor or via a land-lease-back to the State
- Community consent, benefit-sharing agreement, and ILG registration all required
- Timeline varies: 12 months to several years depending on community dynamics

## Advantages

- Access to majority of PNG's land where State Land is unavailable
- Can unlock large, strategically located parcels near infrastructure
- Community partnership can enhance local acceptance and operational security
- Government support growing for ILG-to-investor lease structures

## Risks

- Disputed ILG membership or competing clan claims can halt a project
- Renegotiation pressure common as project revenues become visible
- Title security weaker — not always accepted by commercial lenders
- Requires sustained community relations management throughout project life

# Strategic Comparison: State Lease vs. Customary (ILG)

Criterion	State Lease	Customary Land (ILG)
Title Security	High — registered Torrens title	Moderate — lease only, not full title
Bankability	Strong — accepted by DFIs and banks	Weaker — case-by-case lender review
Land Availability	Very limited in industrial zones	Widespread — ~97% of PNG land
Process Timeline	~6–24 months	12 months to several years
Community Risk	Low post-grant	Ongoing — requires active management
Lease Term	Up to 99 years	Negotiated; typically 30–50 years
Legal Complexity	Moderate — government process	High — customary law + statutory law


# Due Diligence Requirements

## Technical Due Diligence

- Site survey and topographic assessment
- Geotechnical investigation for foundation suitability
- Infrastructure access: road, power grid, water, telecoms
- Environmental and social impact screening (ESIA)
- Zoning and land-use classification verification

## Legal Due Diligence

- Title search at DLPP to confirm land status (State vs. customary)
- ILG registration status and membership verification
- Encumbrance, mortgage, and caveat searches
- Review of any prior lease, sublease, or occupation agreements
- Engagement of PNG-qualified land lawyer — mandatory

 Due diligence failures are the leading cause of land-related project delays in PNG. Early engagement of qualified local legal counsel is non-negotiable.

# Investor Decision Factors

## Project Financing Structure

- If project finance or DFI debt is required → State Lease strongly preferred
- Equity-only structures may accept ILG-based tenure with adequate risk mitigation
- Lender land title requirements must be confirmed before site selection

## Site Location vs. Land Type Available

- Industrial estate sites (e.g., Lae, Port Moresby) may offer State Land options
- Greenfield or peri-urban sites will likely require ILG engagement
- Proximity to port, power, and skilled labour is a primary site selection driver

## Risk Appetite & Timeline

- Conservative investors should prioritise State Lease availability at the outset
- Investors with community engagement experience may leverage ILG pathways
- Hybrid approach: State Lease for core factory; ILG buffer for expansion land

# FAQ Highlights

## Can a foreign company own land in PNG?

No direct freehold ownership. Foreign entities access land via registered State Leases or ILG-negotiated lease agreements only.

## How long does the State Lease process take?

Approximately 6–24 months, subject to DLPP workload, land availability, and compliance with gazettal requirements.

## What is the maximum lease term available?

Up to 99 years under a State Lease for business and industrial purposes. ILG lease terms are negotiated and typically shorter.

## Is ILG land suitable for industrial manufacturing?

Technically yes, if the ILG structure is properly constituted and a valid lease instrument is in place — but lender acceptance must be verified individually.

# Strategic Takeaway

1

## Identify Land Type First

Confirm State vs. customary classification before any site commitment — it determines the entire legal pathway

2

## Match Tenure to Finance

Align land access strategy with financing requirements — State Lease for debt-financed projects; ILG with mitigation for equity structures

3

## Engage Experts Early

An experienced turnkey manufacturing partner with regional project experience reduces land-related risk in pre-development phase

- ❏ A proven turnkey manufacturing concept — combining factory planning with pre-development advisory — shortens the learning curve for investors new to the PNG market.

# About the Content Partner

## **J. v. G. technology GmbH** – The DESERT Company

Founded in 1997 in Bavaria, Germany. Family-owned engineering company specializing in turnkey solar module production lines.

More than 90 factory projects delivered worldwide.

On-site team training included – no prior manufacturing experience required.

### Key areas:

Turnkey PV manufacturing lines | DESERT Technology® |  
TÜV-certified module designs | Factory planning to production

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