

OIL & GAS

The crocodile wakes

Legend says Timor-Leste was formed from the back of a giant sleeping crocodile. The resource-rich nation is asleep no more

IT MAY strike as being ironic at first blush given the country's recent history, but Timor-Leste is blessed. The country sits on quantities of oil and gas both offshore and onshore. For more than a century, it has been known that sticky black goo oozes up from beneath the ground at numerous sites near the country's south coast. Locals have been using the seep oil for decades. During World War II, the Japanese scooped up about a hundred barrels of light oil per day from open pits.

Of blessings and curses
Gas export revenues began filling the country's coffers in 2000. In a short span of nine years, the country's sovereign wealth fund – the Petroleum Fund – has ballooned to US\$16.6 billion (S\$20.7 billion). This income has given the government the means to roll out essential services and to invest in much-needed human and infrastructure development. It is doubly ironic, then, that Timor-Leste's leadership applies considerable resolve to warding off what is known as the "resource curse" – a phenomenon among countries that fail to properly manage and protect their natural resource windfall, which can leave their environment destroyed, their masses destitute, and the economy broken and broke.

"Timor-Leste's oil is for our country's social and economic development. Our



challenge is to squeeze the most out of the business for the profit of our people," explains Minister of Petroleum and Mineral Resources Alfredo Pires. "In a nutshell, our approach is maximum participation of Timorese citizens and businesses at every level of the industry, and maximum benefit including diversification within petroleum, into minerals, and into other collateral industries and sectors which may spring from natural resources."



Above: The Bayu Undan rig in the Timor Sea. Below: Mr Alfredo Pires, Minister of Petroleum and Mineral Resources. PHOTO: DANIEL J. GROSHONG / HUMMINGBIRD.ORG

Treasures in the south

Off the country's south coast, the Timor Sea is rich in hydrocarbon reserves. Timor-Leste is already engaged in joint-production of oil and gas in this choppy stretch of water the Timorese call the Male Sea – Tasi Mane. Mr Pires estimates there is potentially between US\$50-70 billion worth of goods and services above and beneath these waves.

The government is in talks with an oil major to conduct a detailed survey of the country's entire maritime Exclusive Economic Zone in the Timor Sea for potential hydrocarbon deposits. It is also in discussions with companies from China and the Community of Portuguese Language Countries (CPLP) on joint exploration of onshore oil and gas.

In the meantime, Timor-Leste is activating its comprehensive plan to develop a domestic petroleum industry. The Tasi Mane Project is a multiyear development of three industrial clusters on the south coast: a supply base, a refinery and petrochemicals industrial park, and an LNG plant, to be implemented in phases (below). The project includes the construction of a sea port and three regional airports, with the Suai airport coming on line in 2016.

Transform and energise

The Tasi Mane project will open up a 160 km corridor along Timor-Leste's south coast, complete with transport, water and electricity infrastructure. The establishment of such infrastructure further opens up 1,000ha of hinterland suitable for industrial estates as well as agricultural industries such as livestock farming, horticulture and forestry, and value-added services such as processing and packaging for export. The expansion of the domestic petroleum industry will precipitate economic diversification in the country, and transform and energise a heretofore under-developed area.

Safety in transparency

Having studied the mistakes of the forerunners in the industry, the Timorese know naiveté is not an option. "There are no Mother Teresas in the petroleum industry," observes Mr Pires. "We learn the game in order to play to win."

The recognition that petroleum riches are vulnerable to abuse has led the Timorese leadership to conclude that transparency is the best policy for protecting the country from internal misconduct and external exploitation.

In 2011, the government launched a



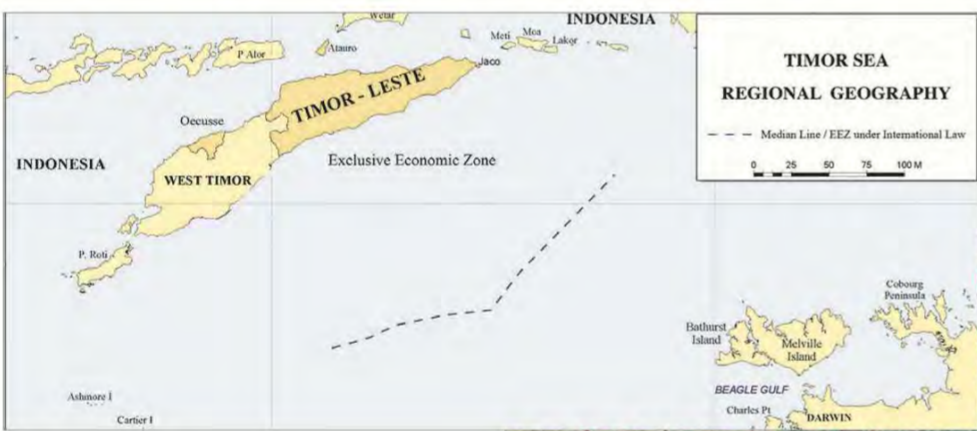
web-based Transparency Portal for full disclosure of the country's revenues and the movement of public funds (transparency.gov.tl). The Petroleum Fund's quarterly report and investment returns are published on the central bank's website (bancocentral.tl/PF). Timor-Leste also adheres to the international Extractive Industries Transparency Initiative (EITI) and is the first Asian nation to fully comply (eiti.org/TimorLeste).

Investing in human resources

With all its plans and ambitions, Timor-Leste needs trained and skilled workers. The country has been investing intensively in enhancing its human resources. In the Ministry of Petroleum and Mineral Resources alone, 70 out of 250 of the Ministry's staff hold master's degrees from the United States, Australia, Norway, Portugal, Thailand and the United Kingdom. The country has 600 geoscientists. And Timor-Leste currently has 20 students pursuing their master's degrees under Fulbright scholarships in the United States.

"We're on track. And in a few years, we'll be able to cause some ripples in the industry," grins Mr Pires.

Not too shabby for a 12-year-old nation.



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New acreage release



Mr Francisco Monteiro, President & CEO, TIMOR GAP

AFTER an eight-year hiatus, Timor-Leste is preparing for its next acreage release to take place toward the end of this year. Companies will apply for the right to prospect for oil and gas in Timor-Leste. Since the last bid round in 2006, the country has beefed up its regulations governing the industry, and is now putting the finishing touches to its standard production sharing contracts (PSC).

"We have learnt a lot in the last few years, and we want to create a template PSC which will address a broad range of important details such as environmental protection, procurement, insurance, reporting, fiscal regime, royalties and profit-sharing," explains Mr Gualdino da Silva, President of ANP (Autoridade Nacional do Petroleo), the regulator in charge of administering petroleum activities in Timor-Leste as well as in the Joint Development Area in the Timor Sea. "Part of what is very important to Timor-Leste is local content – generating employment for Timorese citizens, and the participation of Timorese businesses."

Together with offshore acreage, the country is planning to offer onshore acreage for the first time. Timor-Leste's national oil company, TIMOR GAP, has announced intention to form a special consortium with other members of the Community of Portuguese Language Countries (CPLP) to undertake onshore exploration under a PSC.

"Many of the CPLP countries – Brazil, Angola and



The Diamond Eye Award for Quality Commitment & Excellence 2014 awarded to Autoridade Nacional do Petroleo (ANP) of Timor-Leste



Mr Gualdino da Silva (right), President of Timor-Leste regulator Autoridade Nacional do Petroleo (ANP), accepting on behalf of ANP the Golden Award for Quality and Business Prestige 2013 in recognition of prestige, innovation, quality commitment and excellence.

Mozambique, for example – are oil and gas producing countries and have expertise in exploration," points out Mr Francisco Monteiro, President and Chief Executive Officer of TIMOR GAP.

"So it makes sense for us, members of the same international grouping, to come together to share our experience and best practises. We want to take leadership in exploring onshore in Timor-Leste, and we're excited

about setting economic partnerships in motion."

Visit www.anp-tl.org and timorgap.com for more information.

