

A Handbook for the Timor-Leste Media Workers

Petroleum Fund and EITI implementation to ensure transparency and accountability on extractive industries in Timor-Leste

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A. Introduction

Timor-Leste is a country, which has abundant supply of oil and gas resource. These resources had discovered since Portugis colonialism period, though at the time exploitation activity hadn't conducted yet. Other potential have also identified already such as; marmar, magnesium, rocks and sands. However, in respect of these resources, technical study needs to be conducted aimed to identify the quality of such resources and its site of reserve.

As a country that has just gained its independet after long period of battle, we should be proud with such potentials, which could become essential capital toward nation's development, today and the future. If management is adequate and transparent, oil and gas resource as well as other natural resources could become as "blassing" to transform and enlighten people's life. However, mal-management within oil and gas resource could become as "curse" toward people as well as the nation.

In order to manage this resource transparently and accountable; Timor-Leste has established a system of fund aimed to accomodate revenues coming from oil and gas sector. This fund so called Petroleum Fund. Petroleum Fund has legally established in 2005 based on a Petroleum Fund Law which then being amended in 2010. Petroleum Fund Law assumed as mandate of Constitution, particularly article 139¹. Based on this law, it stated that, "*oil and gas resource are state property, and will be used with justice and equally toward national interest, and a system should to establish in respect of its income, as financial reserve*".

This law explain the process of income collecting coming from oil and gas sector, its transfer management toward state budget and the process in promoting government's accountability within its expenditure and utilization. Therefore, such fund must have its sustainability as well as benefits toward present and future generation, and should come out with its concept "equality among generations"². In other words, the management of such fund must be taken carefully, prudently and transprently, therefore this doesn't finish within short period of time.

Began in 2006 and to this present day, Timor-Leste's government has been using Petroleum Fund, which approved by National Parliament based on Estimation of Sustanable Income (ESI) 3%, aimed to finance state's programs and activities every year. Maximum number from such estimation is aimed to correspond deficiency of non-oil income within State Budget. In order to strangthening transparency and accountability of Petroleum Fund, the government in 2003 has stated its commitment to adopt EITI as global standard to promote transparency and accountability within extractive Industry sector. Such initiative has approved by international colligation, new development countries, donors, extractive companies, civil society organization and international organizations.

¹ Article 139, RDTL Constitution.

² Concept of Management toward Petroleum Fund Income, DR. Mari Alkatiri, 2002.

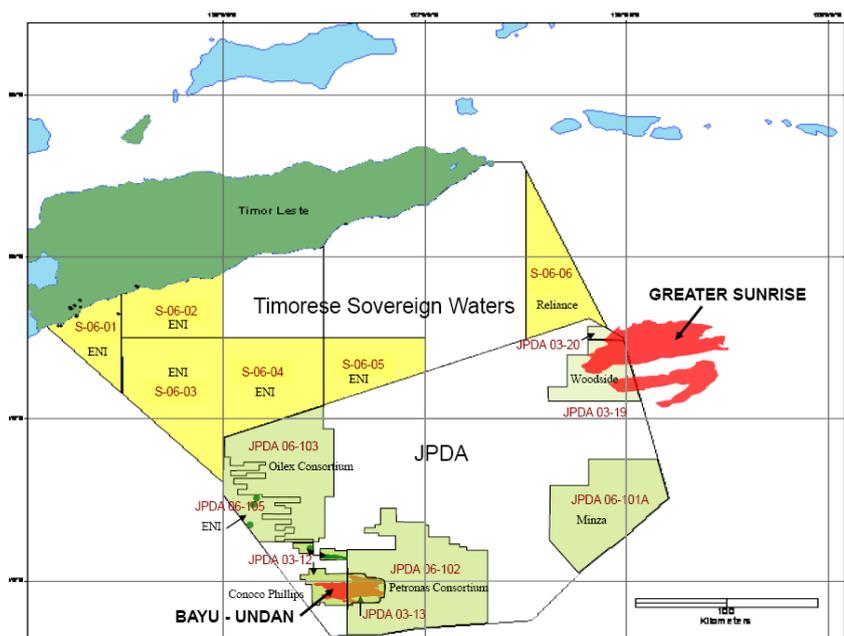
Luta Hamutuk that has been doing monitoring and advocacy works toward Petroleum Fund and EITI issues to date, we perceive that it is important to open such space for media workers to take part within advocacy works. Therefore, media workers need to have sufficient knowledge in respect of oil and gas issues; including adequate capacity to comprehend certain resource of information prior to public broadcast. This “handbook’ is produced to become as tool to facilitate media workers, therefore able to perform its works more effective and better.

This handbook contains of evaluation coming from Luta Hamutuk’s reports in respect of Petroleum Fund and EITI, which has been published by media during last few years. We would like to elaborate and compile informations coming from different sources such as; government, Oil and Gas Company, national and international organization which focusing its advocacy work on Petroleum Fund and EITI issues. Hopefully, the production of this handbook would be able to assist media workers (electronic and printing media) in Timor-Leste.

B. Potential Oil and Gas Reserve within Sovereignty Area of Timor-Leste and Joint Petroleum Development Area

Timor-Leste has identified areas which have oil and gas potential, and these have been divided into two categories so called: Sovereignty Area and Joint Petroleum Development Area which took place between Timor-Leste and Australia.

1. Economic Exclusive Zone of Timor Sea (Offshore)



Offshore area is take place within Economic Exclusive Zone of Timor Sea (ZEE). This area is based on Timor Sea mapping, and covers around 28,776 km² of tis wide. There are 11 blocks, which have been identified to be containing of as oil and gas reserve. Therefore, in 2006 the government opened bid toward these blocks, particularly toward International Oil Company aimed to conduct in-depth study

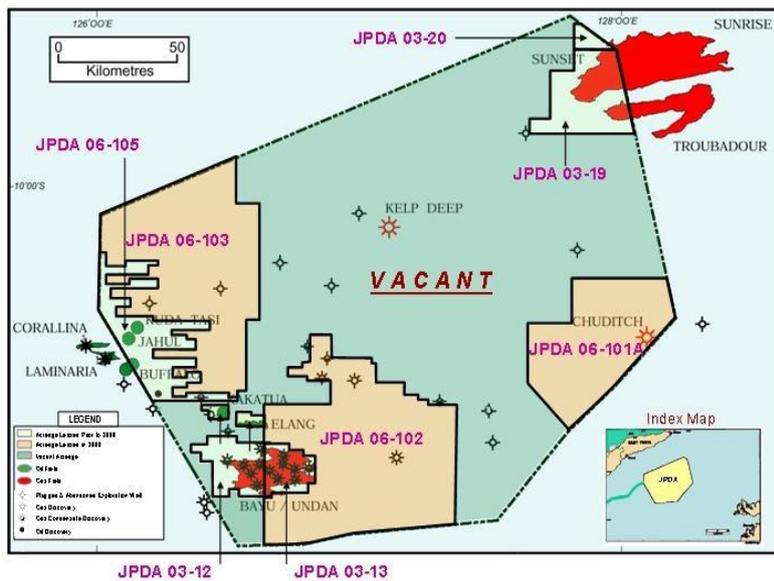
in respect of such reserves, prior to petroleum activities.

Based on bid results, which opened by government toward national and international company, 6 blocks then given toward International Oil Company which were:

- Block **A**, (coded as PSC 06-01), **B** (PSC 06-02), **C** (PSC 06-03), **H** (PSC 06-05) and **E** (PSC 06-04) toward ENI S.P.A., an Italian Oil Company, to operate these blocks.
- Block **K** (PSC 06-06), toward Reliance Co., an Indian Company, to be responsible in operating this block.

Total area of oil and gas which occupied by ENI S.P.A Company is 12,183 km², and to be explored together with its joint venture namely: GALP Company (Portugal) with its 10% of stock, and KOREA GAS also with its 10% of stock.

2. Joint Petroleum Development Area



Joint Petroleum Development Area is an area took place between Timor-Leste and Australia. This area is also within Timor Sea, around 250 km from Timor Leste and 500 km from North Part of Darwin city, Australia. JPDA is established based on Timor Sea Treaty (TTT). Such treaty was established in 2003 between Timor-Leste and Australia aimed to regulate petroleum activity within Timor Sea particularly within joint

area, south coast part of Timor-Leste and north coast part of Australia.

Based on Timor sea Treaty (TST) article 4 in respect of Joint Petroleum Development Area, itstated that:

- The Joint Petroleum Development Area (JPDA) is established. It is the area in the Timor Sea contained within the lines descry*
- Bed in Annex A.*
- East Timor and Australia shall jointly control, manage and facilitate the exploration, development and exploitation of the petroleum resources of the JPDA for the benefit of the peoples of East Timor and Australia.*
- Petroleum activities conducted in the JPDA shall be carried out pursuant to a contract between the Designated Authority and a limited liability corporation or entity with limited liability specifically established for the sole purpose of the contract. This provision shall also apply to the successors or assignees of such corporations.*
- East Timor and Australia shall make it an offence for any person to conduct petroleum activities in the JPDA otherwise than in accordance with this Treaty³.*

³Timor Sea Treaty, article 4, page 4.

This treaty gives certain mandate toward relevant authorities to manage exploration and petroleum development within Timor Sea Area. Within such joint area, there are important regulations, which have been developed between both countries namely:

- a) Timor Sea Treaty (Tratadu Tasi Timor).
- b) Certain Maritime Agreement in the Timor Sea (CMATS).
- c) Interim Petroleum Mining Code.
- d) Petroleum Mining Code.

Based on report of National Authority of Petroleum (ANP) 2009, petroleum activity had started already in 1970 within Timor Sea area, and more than 50 exploration and perforation activities had conducted upon oil and gas reserve. From around 50 activities, this had able to identify 4 sites which assumed to be commercially viable to be developed, they were called; Elang Kakatua, North Kakatua (EKKN), Jahal, Kuda Tasi and Bayu Undan. There are 8 blocks within these sites that have positive indication of oil and gas reserve, however Bayu Undan considered as the site that has huge reserve of oil and gas.

Bayu Undan had discovered in 1995⁴ and started its first perforation activity (Bayu 1) in January 1995 followed by activity within Undan (Undan 1), which started in July 1995. Bayu Undan considered as an area to be developed between Timor-Leste and Australia. Oil and gas reserve within Bayu Undan has estimated to be nearly 4,6Tcf of gas and 550-mega million barrel of oil.

Oil and gas reserve within Bayu Undan have also took place in JPDA, around 250km from South Coast part of Timor-Leste and 500km of North Coast Part of Darwin Australia⁵. Operator of Bayu Undan is ConocoPhillips (American company), where within its activity canalize the gas from Timor Leste to LNG Darwin to be proceeded prior to transport toward international market.

There is also site called Kitan within JPDA, which operated by ENI Italy, which received its perforation licence in 2008, and started its production in October 2011. Oil reserve within this site are estimated around 35 million barrels.

In relation with Sunrise and Troubadour which localized also within JPDA 03-19 & 20, these sites have been discovered as contain with gas and condensate reserve in 1974, which well known as Greater Sunrise. The distance of Greater Sunrise is about 150km towards Timor-Leste and 450km toward northeast Darwin. Gas reserve within this site is estimated as 5.13 TcF (Trillion Cubic Feet) while condensate is 225.9 million barrels⁶. In 2013, such dispute happened between Timor-Leste and Australia in respect of Greater Sunrise, which regulated by CMATS. Such case is about to be submitted toward International Arbitrate based on Timor Sea Treaty. Therefore, to this present day development as well as exploitation within Greater Sunrise hasn't been able to conduct yet.

Oil and gas reserve within Greater Sunrise, is also localized within JPDA and covers around 20.1% of such area, while the rest of 79.9% is localized within Australian

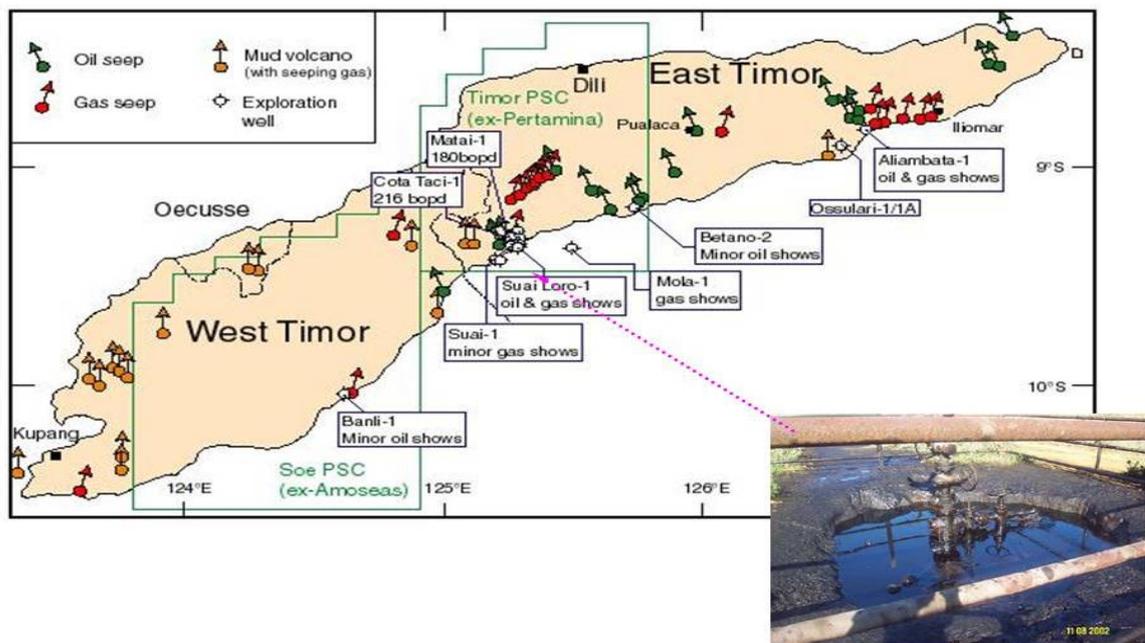
⁴Bayu Undan field was discovered in 1995 by the group led by Phillips Petroleum Company (Website SERN/ ANP).

⁵<http://www.conocophillips.com.au/EN/BUSINESS/OURPROJECTS/Pages/Bayu-Undan.aspx>

⁶<http://www.woodside.com.au/our-business/sunrise/Pages/default.aspx>

territory. This signifies that Australia benefits from around 81.9% of area while Timor Leste only 18.1%. Woodside (Australian Company) has won as an operator for the Greater Sunrise project. However an agreement between both countries on pipeline corridor is not agreed yet so far. Three option have been insisted without any precise concordance; (1) *floating Liquid Natural Gas/LNG*); (2) canalized toward Australia, and (3) canalized toward Timor-Leste.

3. Onshore Area



Oil reserve within onshore area considered as resource, which identified within Timor Leste territory, started from South-Coast part, East and West part. Such resource included oil and gas and vulcanic gas. Based on ANP report period of July 2009 it stated that, “more than 20 sites have been through perforated activities since 1975; particularly within South–Coast Area which started from Suai Loro, Betano (Manufahi), Aliambata (Viqueque), Pualaka (Manatuto) and other places⁷.”

- From South-Coast part of the sea, such as Covalima district (Suai); Suai Loro one (1) place has indication of oil and gas reserve, while within Mola there was also indication of gas reserve. In Suai, particularly Tasi-1 and Matai-1 there is also indication of oil and gas reserve. Other places where oil and gas reserve are also found namely: Betano-2.
- In Viqueque district, there are places, which have been identified as contain with oil and gas reserve called Ossulari-1/1A and Aliambata-1, located in Sub-district of Uatolari. In Lautem district, particularly Sub-district of Iliomar, there is also gas reserve being identified.
- Within center part, such as Manatuto district; Pualaka (Sub-district of Laclubar) there is oil and gas reserve being identified.

⁷ Annual Report, ANP, July 2009.

- Within North part, particularly district of Oecusse, there is also vulcanic gas being identified (vulcanic mud which produce gas).

In respect of *Production Sharing Contract* (PSC), which applied within exploitation process within onshore area, this is based on *Production Sharing Contract* developed by Pertamina Indonesia. Based on particular information, study toward oil reserve within onshore area, has conducted began in 2008, while exploration process has already started in 2010. However, fact shows that in 2010, government hasn't conducted any exploration activities yet. The final process is to produce oil taken from onshore area in 2012, based on plan set by anterior government.

4. Development Phases of Oil and Gas Sites

Transform process from oil and gas resource into state income is needed for certain development law. In July 2005 National Parliament had approved such laws namely:

- Law of Oil Activity 2005,
- Production Sharing contract within law of Oil and Gas Activity
- Law of Oil Tax 2005
- Petroleum Fund Law 2005, Decree 2011.

Such laws considered as standard, which is stable, competitive and transparent for resource development in Timor-Leste. In the mean time, Law of Oil and Gas Activity gives an opportunity for '**State participation**, signifies that Timor Leste government could be able to participate within 20% of project. However, the government hasn't decided yet policies needed to be able to participate within such projects

As development law being established, the government has such power to give authority, phase by phase, toward companies such as:

- **Exploration Phase**, within this phase, company as well as experties like Geologist, conduct study aimed to search for oil and gas indication upon certain places.
- **Evaluation Phase**, within this phase, company as well as experties like Geologist, identify the quantity and the quality of oil and gas along with its economic aspec.
- **Development Phase**, within this phase, company starts to install machine or platform within oil and gas site, and prepare to perforate and suck oil and gas.
- **Production Phase**, within this phase, company starts to suck oil and gas from offshore or onshore area, precede it, distilate and trade.
- **Closing/Termination Phase**, within this phase, company must remove the entire equipments from production site, close the hole from perforation and rehabilitate the environment back to normal.

C. Legal base for Petroleum Activity

- **Timor Sea Treaty (TST)**

Timor Sea Treaty, including its annexes from A-G, considered as cooperation between Timor-Leste and Australia, aimed to work within Designated Authority / national Authority for Petroleum.

- **Production Sharing Contract (PSC)**

Production Sharing Contract (PSC) is a model of contract that applied toward development within oil and gas industry, based on profit characteristic. Such profit share is conducted between states (as the owner of natural resource) and companies as investor, which performs exploration upon natural resource. Production Sharing Contract has started to apply in 1960. The background of such model is: Activity aimed to develop oil and gas industry needs huge amount of budget, therefore need for investor as well which has such ramount of financial resource to run such industry. Also that oil and gas industry, considered as exploration activity, which won't guaranty 100%, the existence of oil and gas, since some of activities are focused on analysis of reserve sites. Such model of contract, has been applied within the exploration activity of BAYU UNDAN, which started to conduct began in Indonesian time. Following independence, this contract has been renovate in 20 May 2002.

Production Sharing Contract is a model that applied within development of oil and gas industry, based on profit gain from oil and gas activities. The objective from such model is to manage petroleum process started from seismic viability to exploration and production activity. Experiences have showed that among nations who have just developed and directly participated within petroleum activity, a huge risk is about to take. Based on such experience, Indonesia created model of contract so called Production Sharing Contract. Timor Leste as a new independent country still lack of human resource as well as financial resource to support/facilitate national development including oil and gas industry. Therefore, in respect of exploration activity within oil and gas industry, Timor-Leste prefers to use this medel of PSC.

- **Certain Maritime Arrangement in Timor Sea (CMATS)**

This agreement is based on United States Convention, which assigned in Montego, 10 December 1982, particularly to contain Sea Law. Exclusive Economic Zone is being regulated on article 74 and 83, particularly in respect of its border that is side by side with other nations. This law regulates as well concordance based on international law, aimed to find justice solution whenever conflict is happened.

Within CMATS, which consist of 13 articles and 2 annex, it stated that Republic Democratic of Timor-Leste (RDTL) and Australia develop this regulation. This treaty has been assigned on 19 May 2002, with geographically and fraternity approach aimed to develop economy relation between Timor-Leste and Australia. This agreement regulate activities within Timor Sea particularly JPDA. Such agreement also gives mandate toward both nations to be able to discuss maritime frontier within 50 years since the agreement⁸.

⁸ CMATS Agreement.

- **Petroleum Mining Code (PMC)**

This agreement is based on Timor Sea Treaty, particularly article 7 that regulates exploration and production activity of oil and gas within JPDA. PMC gives mandate toward company to conduct oil and gas industry activity within JPDA, therefore this includes process such as; construction and installation of facilities as well as materials aimed to conduct such activity within referred area.

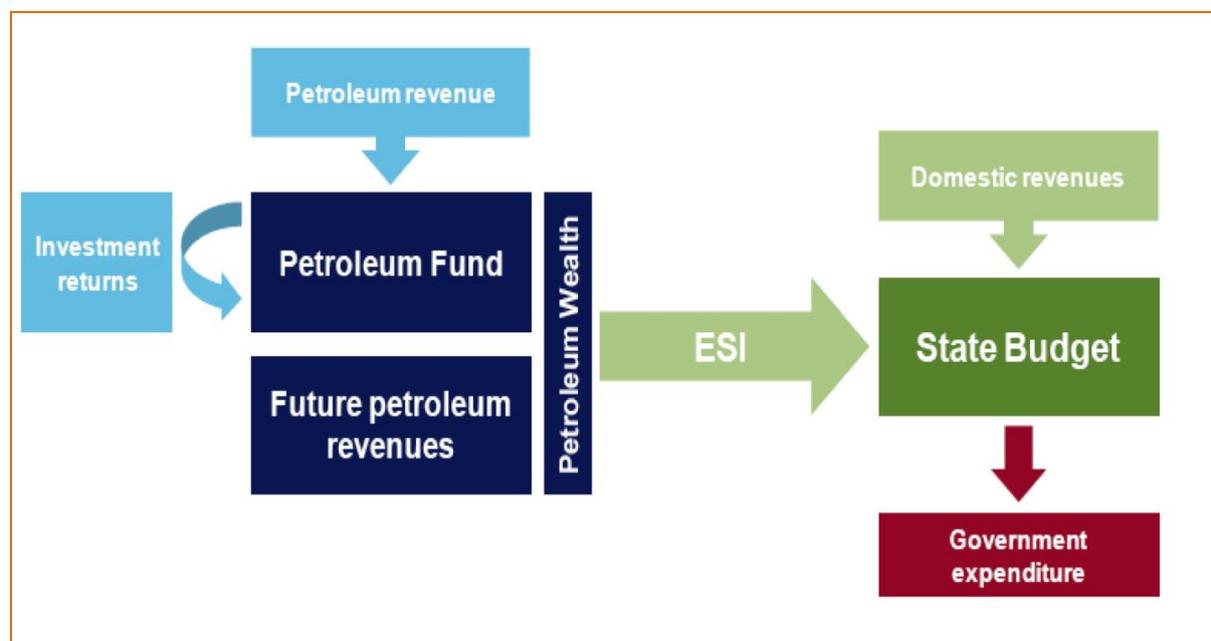
D. Petroleum Fund

On 3 August 2005, National Parliament had approved already Law No. 9/2005 in respect of Petroleum Fund which then being amended on 2010. This particular law is aimed to manage income coming from exploitation activities of oil and gas. Therefore, Petroleum Fund considered as important since it has an objective that is to guaranty the equality of the utilization of oil resource/state property and always toward national interest. The Contents of such law are like below:

- Definition of technical terms; for example tax income, Estimation of Sustainable Income (ESI), etc.
- Petroleum Fund Income.
- Transfer.
- Criteria needed for transfer purpose.
- Transfer for tax purpose.
- Petroleum Fund management.
- External Manager for Investment.
- Trimester report of Petroleum Fund.
- Investment Regulation.
- Qualification of Financial Instrument.
- Investor Assesor Committee (IAB).
- The structure of Investment Assesor Committee.
- Supervising toward petroleum Fund.
- Consultative Council of Petroleum Fund (KKFP).
- Transparency within Petroleum Fund.
- etc.

1. Petroleum Fund Income

Timor-Leste's income from oil and gas will be saved within Fund/ Investment Fund considered as investment return (including its expenditure). All income should to be saeved within 'consignada account'.



Transfer Process of Petroleum Fund.

2. Petroleum Fund Expenditure

Transfer taken from this Fund is allowed only toward State Budget, and the amount shouldn't beyond ESI calculation, which had determined already by Parliament. ESI calculation, considered as general regulation, which correspond with the necessary amount, aimed to cover financial deficit within State Budget. This doesn't include oil income. The amount of transfer should be approved by parliament and its domestic tax level should be determined as well. In addition, such transfer should be identified wether it's taken toward such category of public operation consume, infrastructure investment or human capital. Once category been determined, budget will be taken from Petroleum Fund. In the meantime, State Budget should decide as well the amount of budget which being allocated into financial activation. This then creates direct ligation between budget being approved by parliament and development of such fund. Petroleum Fund, particularly deposit and financial activation would become as good representation of government. [Article 7]

The government has also adopted separately, expenditure policy, particularly in respect of means to maintain real value from Oil criteria. Such policy explains the amount of budget, should be taken from Petroleum Fund (therefore volume from budget deficit doesn't include oil income). This policy regulates ESI expenditures every year, therefore create balance between present and future generation. ESI calculation become as a burden for the government, means that this should to execute within med-term of period.

This policy has also regulation in respect of specific report should to submit toward government and Consultative Council, if budget being proposed by state budget is beyond ESI calculation. Sometimes, when the reason beyond such huge number is acceptable, such law/policy should facilitate it, means that give such trust that the decision is transparent and has been well informed. General principals of transfer from Petroleum Fund are:

- Petroleum Fund is allowed to be utilizing through State Budget.
- National Parliament should approve state Budget.
- National parliament should conduct consultation with Consultative Council of Petroleum Fund (KKFP) prior to give approval upon State Budget.

3. Petroleum Fund Management

The government has responsibility to manage Petroleum Fund, and in this case Ministry of Plan and Finance will perform its important key and competent function. Operational Management is delegated toward Central Bank and will include investment sector.

Investment Supervisor Committee is an important entity, which should to give consultation toward Ministry Finance in respect of cases that have relation with Petroleum Fund Management. The member of council includes Director of Treasure, Director of Central Bank and those who considered as expertise of investment management.

4. Petroleum Fund Investment

Deposit within Petroleum Fund is aim to be securely invested within active financial market and with minimum risk. This law stated that investment should within American Dollar (USD), a currency that considered as instrument of debit with minimum risk of credit (minimum tariff of credit, *Aa3, by Moody's or AA- by S&P*). This signifies that, within level of practice most of investment have letter of obligation from government, stated that financial risk which based on limitation and investment expectative will turn into moderate. Investment strategy should look at the past 5 years, when such fund is huge then other active allocation should be used in order to develop institutional capacity.

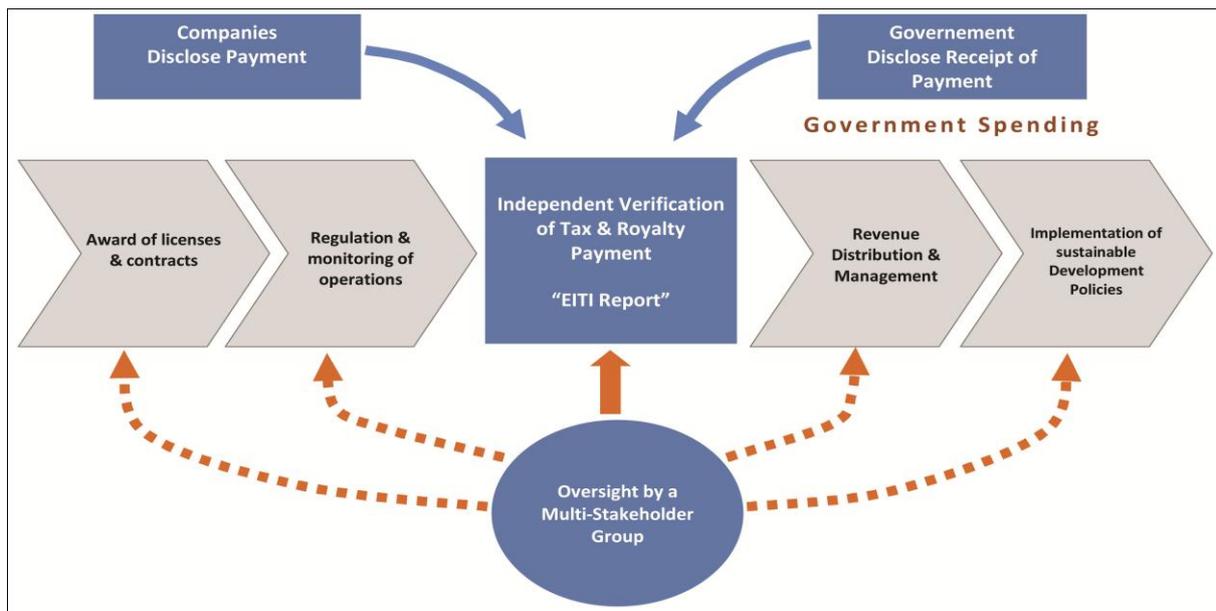
E. Extractive Industry Transparency Initiative



EITI is a global standard that aimed to promote transparency within natural resource revenues. Many countries have participated within EITI, as well as oil and gas companies. As member of EITI companies are able to publish payments that have been paid toward government, in the mean time government also able to publish what kind of revenues coming from companies. Independent Auditor reconciliates payment figures. Apart from that, multi-stakeholder group is conducting supervising, which include representative of government, Oil Company and civil society.

Timor-Leste is a country that declares its commitment to implement principles as well as EITI criteria EITI as this nation participated within EITI International Conference in London, January 2003. At that particular time, Prime Minister Mari Alkatiri conveyed his speech stated that the government, civil society and oil company should collaborate aimed to achieve such objective. Timor Leste then become third compliant country on 1 July 2010.

1. EITI Standard (The Process of EI Value Chain)



EITI standar is a transparency tool, which is introduced whenever, collects tax as well as income coming from extractive industry activity. This practice is recommended since this obligates government to regularly publish the results of income and tax coming from extractive industry. Extractive Industry Value Chain, also obligates extractive company to publish payments should be paid toward government, in the same time government should publish as well such incomes being paid by companies.

In order to guaranty its accountability, report should to produce toward public in respect of payment reconciliation as well as income that received by the government, along with detail explanation on its discrepancy. Therefore, EITI is also considered as tool of information particularly toward public, in respect of income coming from extractive industry, which enable people to monitor the entire process of payment and income. This is including Stakeholder as well; therefore they can reassure that accountability is really being practiced within money transaction of extractive industry, particularly between government and the company.

Based on integral principals, mention within previous paragraph, this also considered as a process to guaranty the practice of value chain within transparency aspect, as comprehensively being explained below:

- State property and strong government's commitment will promote transparency.
- To focus and give consideration on social and environmental issues.
- Develop plan and realized it based on development which has financial sustainability within long-term period.
- Develop adequate management system and translate it based on transparency principals and the competency of certain law, regulation as well as contract.
- Capacity should in accord with management and the function of institution.
- Equilibrium to maximize government capture of rent and attracting risk capital.

- Efficacy within accountability mechanism.
- Manage institution and perform such services based on function and relevant capacity.

2. EITI Criteria, Principals and Requirements

a. EITI Criteria

The Implementation of EITI should be based on criterias below:

- Regularly publish toward public; payment being paid by company toward government (“payment”) and income received by the government from oil and gas/mineral company (“income”). Such publication should be able to access (accessible), comprehensive and understandable (easy to understand).
- Payment and income as credible subject should to independently being audit using international standard of audit.
- Payment and income should credibly reconcile by independent administrator, using international standard of audit, followed publication of administrator in respect of reconciliation including its discrepancy.
- Such approach is applied as well toward companies, to include local company.
- Civil societies actively participate within design making, monitoring process and evaluation as well as give contribution within public debate.
- Publish work plan which aimed to be financed by the government and monetary international organization, along with its measurable target, implementation schedule and evaluation in respect of limitation of potency capacity.

b. EITI Principals

EITI principals which triggers such initiatives are like below:

- Share prudent conviction that natural resource considered as important machine of sustainable of economic growth, therefore contributes toward the sustainability of development and reduce poverty level. However if this isn't being managed properly, this could bring negative impact toward economy and social sectors.
- Conduct affirmation that the management of natural resource should bring benefits toward people, considered as sovereign role of the government which should to focus on national development interest.
- We believe that benefits coming from extractive industry will contribute toward state income every year, and the amount is depending on global price.
- We believe that when public has adequate knowledge in respect of income and expenditure, this will become as a base for public debate, therefore triggers such relevant-realistic options toward the sustainability of nation development.
- We believe that transparency is very important, and should to practice by government and oil extractive companies, therefore develop public financial management and accountability.
- We believe that in order to achieve transparency, regulation should to make based on context that respect certain contract and law.

- We believe that attracting domestic and foreign investor is through financial transparency.
- We believe in principals and accountability practiced by the government toward its people, particularly in respect of public income and expenditure management.
- We are committed to encourage transparency and accountability among people, government and company.
- We believe in consistency-applicable approach within the publication of payment and income, which is simple and easy to be used.
- We believe that the publication of payments of nations should to involve extractive companies.
- In order to find solution, we believe that the contribution of stakeholder, is important– government with its agents, extractive companies, multilateral organizations, monetary institute, investors and civil society organizations.

c. EITI Requirement

On 22 May 2013, EITI council has agreed to conduct revision toward EITI standard. This considered as requirement coming from countries, which implement EITI. Such requirements are to ask EITI Council to approve the transition process of certain nations who still implementing the old standard of EITI. These nations will finish EITI report and continue to conduct validation based on EITI roles 2011.

EITI Candidate:

Below is the process of one country to become candidate of EITI:

- Government is obligated to convey its public declaration stated its will to implement EITI.
- Government is obligated to nominate senior official aimed to lead the implementation of EITI.
- Government is obligated to conduct collaboration work with civil society and extractive industry company as well as develop multi-stakeholder group aimed to control the implementation of EITI.
- Multi-stakeholder group is needed to secure workplan, therefore will always in accord with validation time, being established by EITI council.

When one nation has done all the process and considered as EITI candidate, government must submit EITI application candidate toward EITI council.

EITI Implementation:

- **EITI insist multi-stakeholder group to conduct effective control.**
EITI insist multi-stakeholder group to conduct effective control, to include as well member from government and company, as well as active participation from civil society. The key requirements are, (1) government's commitment, (2) government's control, (3) the establishment of multi-stakeholder group, and (4) workplan which has already approved aimed to implement EITI; along with its schedule which based on deadline being decided by EITI council.

- **EITI insist to conduct regular publication of EITI Report.**
EITI report should have its benefit and be relevant as this is regularly published based on a deadline which has been determined already.
- **EITI Report should contain contextual information in respect of extractive industry.**
EITI report should be understandable and easy to be used by the public, up to date and the availability of contextual information in respect of extractive industry. This information should include a description of the summary in respect of legal standards and fiscal regulation, as well as a general vision of extractive industry, its contribution toward the economic sector, means to produce data, state participation within extractive industry, license registers and license allocations, and contracts. Multi-stakeholder groups should have a concordance to whom contextual information of EITI reports should be made.
- **EITI insist that Report should be understandable and published all incomes received by the government coming from extractive industry sector, as well as payments conducted by oil and gas/mineral companies.**
Payments from companies as well as income received by the government should be informed, and these could become a foundation for public debate in respect of governance within extractive industry. EITI insist on reconciliation of comprehensive payments as well as government's income from extractive industry.
- **EITI insist to guarantee credibility aimed to apply international standard process.**
In order to reassure the credibility of EITI report process, such reports should present confidence data. EITI provide audit assistance and assure such systems within government and extractive industry as well as promote its involvement toward international practice and standards. Insist as well toward multi-stakeholder groups to select independent administrators aimed to reconcile data, which should be collected from companies and government's entities.
- **EITI insist that EITI Report should be comprehensive, actively being promoted, publicly accessible and understandable and contribute within public debate.**
Regularly publish the process of natural resource income and payments coming from extractive industry companies, utilization/the small practice of public conscience, comparison in respect of the amount, and public debate in respect of the efficacy in utilizing natural resource income. In other words, insist stakeholders to be involved within dialogue in respect of natural resource income issues.
- **EITI insist multi-stakeholder group to be responsible toward lessons should be learned, outcomes and the impact from EITI implementation.**
EITI reports should contain their principals and contribute toward public debate. The importance is lessons should be learned during the continuation of EITI implementation, explanation in respect of discrepancy and if necessary, along with its proposal of solution, therefore EITI implementation could be maintained within a stable status.

3. EITI Internasional Working Group

Extractive Industry Transparency Initiative considered as international effort aimed to develop transparency and accountability within the management of oil and gas income as well as other minerals. EITI was established in September 2002, and had officially launched by Britain Prime Minister, Tony Blair, within APEC conference in Johannesburg, South Africa; in respect of the sustainability of development. EITI is a voluntary coalition between government, companies, civil society, investors and international organization.

Nations of oil consumers encourage EITI to develop the management of income of oil producer and exporter nations, through verification and publication of company's payment and state income. Some of companies stated that they are ready to use EITI standard as an international standard.

4. EITI Timor-Leste Working Group

EITI Working Group is composed from members such as:

- Ministry of Petroleum and natural Resource as public functionaris and spokesperson of EITI.
- Representatives (2) from Ministry of Finance.
- Representative (1) from Authority of Central Bank Timor-Leste (BCTL);
- Representativves (2) from Ministry of Petroleum and Mineral.
- Representatives (3) from civil society.
- Representatives (3) from oil and Gas/mineral Company.

As part of regulation and international standard which have been defined as ethic of EITI transparency, nations of candidate should to meet with criterias including the obligation to publish EITI report, therefore achieve the state of *complaint country*.

5. Guideline Report–Reporting EITI Timor-Leste

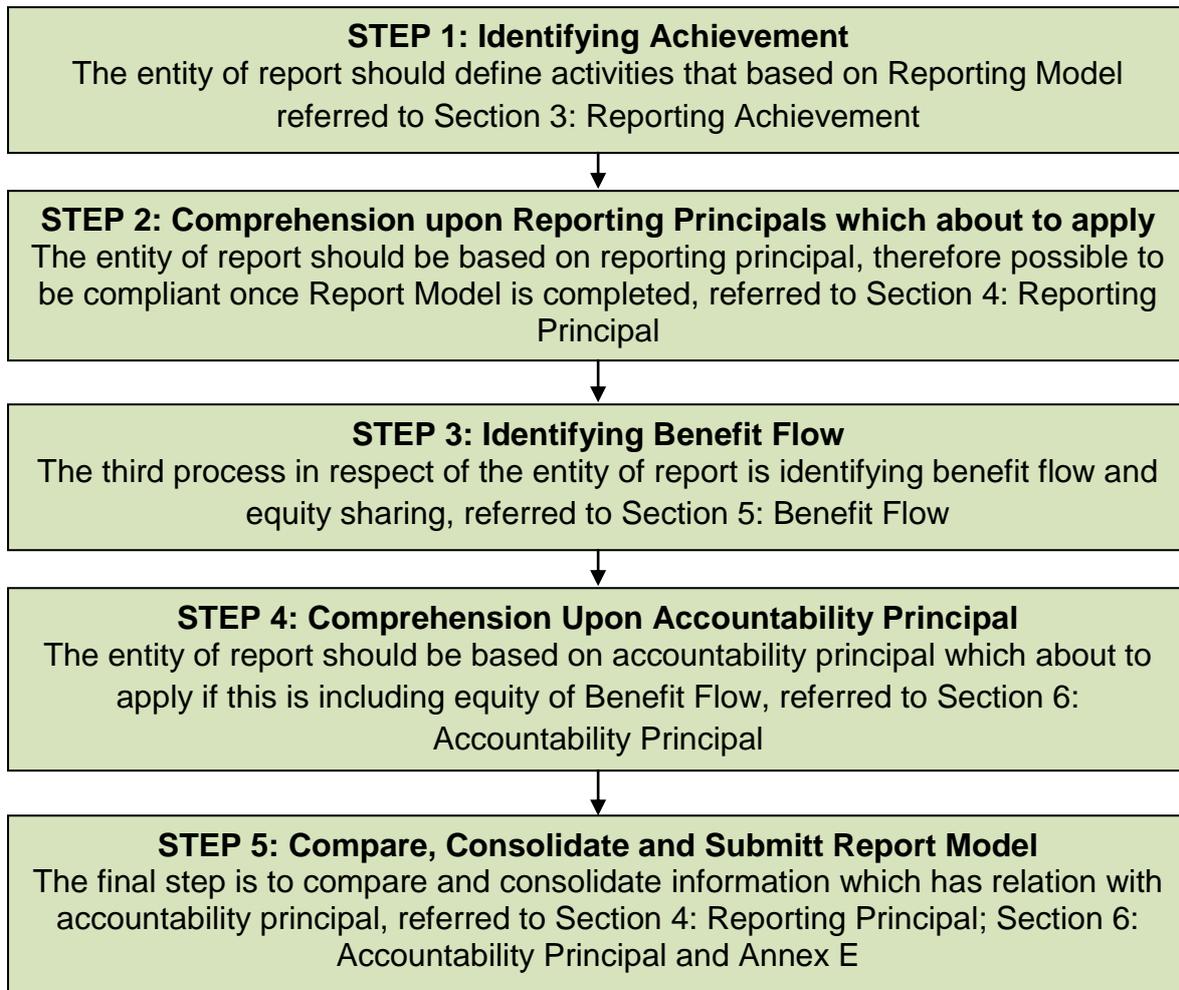
EITI Timor-Leste Guidelines reinforces report of Agregate Organ of EITI nian. This guideline is objected to reinforce assitancy toward government's department as well as company in submitting Report Model toward Agregate Organ.

Global process in reporting benefits flow toward agregate organ is like below:

- **Phase A:** Government develops report based on Government's Model report.
- **Phase B:** Company develops report based on Company's Model Report.
- **Phase C:** Agregate body will agregate and analize data that published by company and government and investigate its discrepancy.

Developing Process:

In order to complete report process below are 5 steps should to follow by government as well as company in developing report.



Source: Timor-Leste EITI Report 2009

Achievement of report:

- *Activity: Extractive Industry.*
Based on definition of term toward decription of Extractive Industry, natural reource is:
 - Metál mineral (such as gold, metal, nikel, zink);
 - Silver, platinum;
 - Marmer;
 - Petroleum (including liquid gas and sands oil);
 - Natural gas; and
 - Industrial mineral.
- *Activity: Petroleum Exploration.*
Based on definition of term and description, petroleum exploration activity is upstream activity that can be divided into phases like:

- Direct acquisition of mineral;
- Exploration;
- Appreciation or evaluation;
- Development;
- Construction (not to consider separate phase within oil and gas industry);
- Production; and
- Closing or termination.

Counting Regulation:

There is many of counting regulation that should to consider:

- *Money Counting Base*

Report of Benefits Flow should to develop based on money counting (in contrary with its addition). Data of payment considered as Bank payment receipt, credit or loans. Based on money counting, the government has no position aimed to estimate income addition, therefore just to wait payment from company. In addition, the government should prepare and guaranty that such data from company is in accord with *International Financial Reporting Standards (IFRS)*.

- *Currency within of Report*

Currency of Benefits Flow is United States Dollars (USD). Transaction use any other currency should include daily base of currency tax to be able to exchange into USD prior to report should to make by Banco nacional Ultramarino (BNU).

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