The Government of Timor-Leste Reaffirms Investor Confidence in The Timor Sea

The Government of Timor-Leste has created one of the most fiscally certain environments for investors, including one of the most beneficial domestic tax regimes as well as one of the most praised transparent regimes for oil and gas. The National Petroleum Authority (ANP) is the designated authority of the resources for the Joint Petroleum Designated Authority (JPDA), the resources shared with the Democratic Republic of Timor-Leste and the Commonwealth of Australia. The National Petroleum Authority has an exemplary record of management.

The Government of Timor-Leste understands that oil and gas investors often find themselves in financial, operational or planning difficulties like Oilex, of PSC 06-103. As good partners, the Government of Timor-Leste supports ample flexibility within the parameters allowed in the Production Sharing Contracts to ensure that investors have opportunity to explore and exploit resources with return and often within challenges presented by the companies. This was the case with PSC 06-103, “Oilex”, who was delayed in exploitation and contract fulfillment but was given the benefit of successive extensions of the PSC terms, the last of which was successfully granted by Oilex’s request at the beginning of 2013.

It seems Oilex and its remaining joint venture partners would like to be released from their obligations to PSC 06-103 without penalty or claim. It should be clarified that Oilex is being misleading in using the current arbitration between the State of Timor-Leste and the Commonwealth of Australia regarding the CMATS broadly throughout the international media as an excuse to remit contractual obligations to Timor-Leste and the Commonwealth of Australia in the JPDA.

Despite ample flexibility and successive extensions to PSC 06-103, Oilex and its’ remaining joint venture partners have yet to fulfill remaining obligations under the production sharing contract. Despite not fulfilling contractual obligations to PSC 06-103, Oilex announced only weeks after its request to terminate PSC 06-103, it had been awarded 100% operator SPA/AO (Special Prospecting Authority with Acreage Option) on SPA-0055, a vast 11,400 km² or 2,800,000 acres in the Canning Basin of Western Australia. Strangely, Oilex announced the same day preparation of an internally managed farm out process with Australian and International energy companies for the vast awarded acreage under the Australian SPA/AO, an option also
available to them under the terms of PSC 06-103 which they chose not to consider or pursue. Oilex was awarded PSC 06-103 under the TSDA (Timor Sea Designated Authority) in 2006. Under the existing joint reporting between Australia and Timor-Leste, Australian authorities were aware of the remittance in contract obligations by Oilex.

Oilex as well as other investors with the Government of Timor-Leste and the Commonwealth of Australia were repeatedly advised, with confidence, their ongoing reserved rights and interests under the Production Sharing Contracts in the Timor Sea are protected. Like under PSC 06-103, all investors are protected and grandfathered under both the provisions of the Production Sharing Contracts and the 2002 Timor Sea Treaty. While Oilex might choose to pursue other commercial opportunities in Australia, the company should have been transparent about their commercial objectives in Australia rather than broadly utilizing the media as an avenue to cite the arbitration as reason to remit contractual obligations. In doing so, the public was misled as to the secured protections and rights of all investors in the Timor Sea while also raising unfounded uncertainty to investor confidence with doubts as to the integrity of the protections in place for all PSC holders guaranteed by the State of Timor-Leste and Australia under the terms of the PSC and Timor Sea Treaty of 2002.

The Investor environment in the Timor Sea follows best international practice and will continue to set regional precedence for good governance over petroleum management with no change to investor confidence given the rights and protections in place and as such will require all investors to comply equally with the terms and conditions of the PSCs including Oilex in relation to compliance with termination if they so choose. ENDS