Revenue Management in Timor-Leste

“An Overview to the Roles and Duties of the Autoridade Nacional do Petróleo (ANP) Timor-Leste “

Petroleum Fund Management Seminar

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Content...

- Organization, Its Roles and Functions
- Areas of Jurisdiction & Legal Framework
- Projects + Activities + Petroleum Potentials
- PSC Regimes in Place
- Coordination With Relevant Stakeholders
• Established based on Decree Law no. 20/2008 of the Democratic Republic of Timor-Leste
• It is a public institution
• Under the tutelage of the Secretary of State for Natural Resources
• Independent in finance & administration
MISSION

• To maximize revenue and multiplier economic benefits;

• To maximize the participation of Timor – Leste in the development of its petroleum sector;

• To promote best Health, Safety and Environmental practices;

• To develop the institutional capacity of the Timor-Leste petroleum sector.
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• ... exercises its authority pursuant to Petroleum Act Law, the TST, and the Decree Law no.20/2008

❖ Areas of Responsibility:

○ Managing petroleum resources & regulating petroleum activities in onshore of TL, TL Exclusive Offshore, & the JPDA

○ Ensuring operators compliance with Petroleum Mining Code, Regulations & PSCs

○ Regulating & monitoring downstream activities

○ Promoting acreages for further investment
• Area of Jurisdiction

- JPDA: Timor Sea Treaty, IPMC and PMC, Regulations, Directions, PSCs.

- TLEA is Petroleum Act, PSCs.
Present Petroleum Projects

Timor-Leste Exclusive Offshore Area
Projects & Activities

2D & 3D Seismic Surveys

TL EXCLUSIVE OFFSHORE AREA

Bayu-Undan Production
Recent TLEA/JPDA Seismic Acquisition

- **Eni**: 3,175 km 2D, 8,400 km² 3D (2007-8)
- **Oilex**: 2,140 km² 3D (2008)
- **Petronas**: 650 km² 3D (2007)
- **Woodside**: 1,720 km² 3D (2005)
- **Woodside**: 3,200 km² 3D (2000)
- **Reliance**: 325 km 2D, 1,300 km² 3D (2007-8)
- **Minza**: 940 km 2D (2009)
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Recent (2008-2010) JPDA Drilling Activity

Petronas
Makikut-1
Baleia-1
Kurita-1

Eni
Kitan-1+2

Oilex
Lore-1
Lolotoe-1

63% unlicensed

59% unlicensed

Woodside
Sunrise-3

Contract Areas in JPDA and TLEA

0 25 50 100 Kilometers
JPDA 03-12, 03-13 (Bayu-Undan Field)

- Operated by ConocoPhillips
- First production in July 2004
- Daily liquids production 100,000 to 110,000 bbls/day
- Gas produced ~ 1 bcf per day --- 500 mmscf is exported to Darwin LNG Plant and 500 mmscf is injected back into reservoir.
- Estimated reserves are 4 Tcf of gas, and 500 mmbbls of liquids.
- Contracts end in 2022 & 2023
- EKKN Oild Field ceased to produce oil in July 2007
JPDA 06-105 (including Kitan Oil Field)

• Operated by Eni JPDA Ltd

• 2 appraisal wells drilled in 2008
  • Kitan-1 confirmed Discovery
  • Kitan -1 & -2 confirmed Commercial Discovery.

• FDP was approved by DA in April 2010

• 1st Production planned to take place in 2011
Petroleum Potentials

JPDA PROSPECTS AND LEADS MAP

A substantial un-drilled inventory
Timor-Leste Oil and Gas Seeps

Chariton, 2002a
PSC Regimes in Timor-Leste

- PSC preserved under Annex F of Timor Sea Treaty
  - Sunrise
  - Bayu Undan
    - Annex F + Appendix X modifications + TBUCA

- Other JPDA projects (Kitan)
  - JPDA PSC + PTA (90%); Australian tax 10%

- 100% Timor-Leste Territory
  - T.L. PSC + PTA
Production is shared in order:

1. First Tranche petroleum 10% - 20% after 5 years
   - Shared between contractor and ANP using same share of Profit Petroleum

2. Investment Credits (IC)
   - 127% of (certain) tangible capital costs

3. “Operating” costs
   - Exploration costs (recoverable immediately)
   - Non-capital costs (recoverable immediately)
   - Depreciation of capital costs (20% per year)
     • 127% Investment credit + 100% as “Operating” cost = 227% total recovery for qualifying costs; in effect provides contractor with recovery of costs plus economic return

4. Profit Petroleum
   - For oil: shared according to the daily production rate
     - 50% (< 50kbpd)
     - 60% (50 up to 150 kbpd)
     - 70% (> 150 kbpd)
     - For current Sunrise Plan means in effect 50% for JPDA portion as never exceeds 50kbpd
   - For gas: fixed 50%

5. Separate accounting for “Crude oil” and “Gas”
Annex F regime – Income Tax

• Contractor pays income tax on profits
  – Revenues (= production share) minus costs

• Timor-Leste collects tax on 90% of contractor revenues and costs subject to inherited Indonesian tax rules as at 25 October 1999 (or is it as at TST 19 May 2002?)
  – 30% income tax + 20% Branch Profits Tax, reduced by TST to 15% for Australian companies
  – Effective tax rate = 30% + 15% x (1-30%) = 40.5%
  – Complicated depreciation rules

• Australia collects tax on 10% of contractor revenue and costs under prevailing Australian income tax rules (PRRT does not apply)
  – 30% corporate income tax rate
  – Depreciation maximum 20 years
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Overview of Non Annex F PSC

• PSC
  – Aggregated gas and crude oil accounting
  – Fixed royalty 5%, 100% to government (not shared as with FTP)
  – All costs pooled and immediately recoverable from revenues after royalty. No separate gas/oil accounting
  – Unrecovered costs carried forward with “uplift” – long term bond rate + 11% (around 15% today). Replaces Investment Credit
  – Government share of profit oil 40%, fixed

• Income tax
  – 30% income tax (same as BU)
  – 22.5% Supplemental Petroleum Tax when contractor return > 16.5% (same as BU APT)
  – Depreciation Exploration 5 years; other capital 10 years
ANP’s Relevant Stakeholders

- SERN (Policies & Strategies)
- MoF (Inputs for Budget Forecast)
- JPDA Joint Commission (JPDA Matters)
- Tax Commission - Timor-Leste (Petroleum Tax Coordination)
- Contract Operators (PSCs and WP&B)
- BPA – Timor-Leste (Transfer of FTP & Profit Oil)
- SEMA (Environmental approval-TLEA)
Thank You

For more information

www.anp-tl.org