Regulation of the Petroleum Sector in Timor-Leste

Proposal
Principal Reasons for Creation of a New Regulatory Authority for the Petroleum Sector in Timor-Leste (TL)

1) Mandatory requirement from Timor Sea Treaty for TSDA to become part of the Timor-Leste Government structure;
2) Necessity to have in place a regulatory authority to regulate the petroleum activities on TL exclusive zones;
3) Increase human resources capacity in the petroleum sector;
4) Create uniformity in the petroleum sector;
5) Strengthen the supply of petroleum to TL;
6) Improve investment confidence in the petroleum sector;
7) Provide consumer protection to areas where petroleum derived products eg: fuel
8) Centralise coordination of Local Content obligation
Petroleum Industry in Timor-Leste

- **existent**
  - Exploration
  - Production
  - Transportation
  - Storage
  - Refining
  - Distribution
  - Commercialization

- **non-existent**

- **existent**

**upstream**

**downstream**

**Regulated**

**Not regulated**
Petroleum Sector in Timor-Leste
Current Institutional Model - Upstream

Ministry of Natural Resources, Minerals and Energy Policy

DNPG

Ministerial Council

Joint Commission

TSDA

Exclusive Areas

Timor Sea Treaty

Public Policies

Regulation

Operation

Foreign companies, public and private
Reasons for Downstream Regulation

1) ..............................................
2) ..............................................
3) Monitoring of fuel transportation;
4) Long term energy planning;
5) ..............................................
6) Energy security;
7) ..............................................
8) ..............................................
9) ..............................................
10) Consumer protection;
11) Promotion and security of investments;
12) ..............................................
Proposed Regulatory Institutional Model

Ministerial Council
Minister for Natural Resources, Minerals and Energy Policy (Timor-Leste) and Dept of Industry, Tourism and Resources (Australia)

Joint Commission
2 representatives from Timor-Leste and 1 representative from Australia

Prime Minister and Council of Ministers

Minister of Natural Resources, Minerals and Energy Policy

National Council of Energy Policy - NCEP

JPDA

National Regulatory Authority for Petroleum, Natural Gas and Biofuels - NPRA

onshore e offshore

Policy Regulation

upstream e downstream

Exclusive Areas
New Model - Functions

- Ministry of Natural Resources, Minerals and Energy Policy
- National Council of Energy Policy
- National Regulatory Authority for Petroleum, Natural Gas and Biofuels - NPRA
- JPDA Joint Commission
- Development of Public Policies
- Regulation, Control and Market Supervision
- Operation and Results
- State-owned oil, gas and energy company
The NCEP

**Main Attributions:**
- Recommend Policies
- Supervision of Regulatory Authorities in area of Energy
- National energy matrix
- Long term planning
- Energy security

**Chair:**
Minister of MNRMEP

**9 Members:**
- 4 Ministers,
- 1 civil society,
- 1 university,
- 1 private sector,
- 1 Petroleum Fund Council
- NPRA president

**Budget:**
MRNMPE

**Executive Secretary:**
Permanent Secretary of the MRNMPE

**Procedure:**
2 meetings per year

**National Energy Policy Council (NCEP)**

Advisory x Determinative function

**Joint Commission JPDA**

**Work Groups and Technical Committees**
What is the NRAP (ARNP)?

**Main Attributions:**
- Policies implementation
- Supervision of regulated entities
- Acreage promotion
- Authorization and licencing of activities
- Fiscalization of quality of products and services

**Statutory Authority**
- Custody
- MRNMPE through CNPE

**Management Bodies:**
- Board of Directors,
  - President of the Board
  - Single Auditor

**National Oil, Gas and Biofuels Regulatory Authority**

**Revenues:**
- Contract services,
- State budget
- Penalties

**Joint Commission**

**Single Auditor**
- jointly nominated by the custody Minister and Plan and Finance

**Administrative Autonomy:**
- 4 years mandates

**Board of Directors**
- indicated by the custody Minister and approved by the Council of Ministers:
  - President,
  - 2 Directors
NPRA Finance Management

Service Fees

Crude oil and gas sales revenues

Penalties

State Budget

National Oil, Gas and Bio-fuels Regulatory Authority (NPRA)

Asset transfers from TSDA and TL Government

Revenues distribution to contracting estates

Allocation of expenses by activities

Exclusive areas budget

JPDA budget

Consolidated budget

Crude oil and gas sales revenues

10% Australia

90% Petroleum Fund TL
Timor-Leste National Oil Corporation for Petroleum, Natural Gas and Energy

PETROTIL

Proposal
1) Increase socio-economic return from petroleum resources;
2) ........................................
3) ........................................
4) ........................................
5) Employment generation;
6) Fast track education and training of qualified Timorese personnel;
7) ... development of project management capabilities within TL;
8) ........................................
9) Operational assurance of energy security for the country;
10) Technical and commercial cooperation with other oil/gas companies;
11) ........................................
12) ........................................
13) Contribute to development of goods and services from local suppliers

...............
PETROTIL - Basic Structure

Chair: Minister of Natural Resources, Minerals and Energy Policy

Staff Representative
National Private Sector

Administrative Council - 7 members

Executive Director

Business Areas
- Exploration & Production
  - Exploration
  - Production
  - Technical Services
  - Technological Development
- Downstream
  - Marketing & Trading
  - Distribution
- Corporate Services
  - Human Resources
  - Finance
  - Administration
  - Planning
  - Legal
  - HSE

Plan and Finance

Staff Representative
National Private Sector

Administrative Council - 7 members

Executive Director

Business Areas
- Exploration & Production
  - Exploration
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- Downstream
  - Marketing & Trading
  - Distribution
- Corporate Services
  - Human Resources
  - Finance
  - Administration
  - Planning
  - Legal
  - HSE
# PETROTIL Business Plan

<table>
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<th>Upstream</th>
<th>Exploration and Production <em>onshore</em> and <em>offshore</em></th>
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<tr>
<td></td>
<td>Storage and Management of Geological/Geophysical data</td>
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<td>Management of supply base for onshore and offshore petroleum operations</td>
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<td>Downstream</td>
<td>Trading and Marketing, including importation of products for the internal fuel market</td>
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<td>Implementation and management of storage capacity for a regional supply hub, including bunkering</td>
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<td>Fuel distribution through own petrol-station network, including LPG</td>
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<td>Lubricants fabrication and distribution</td>
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<td>Onshore processing of Bayu-Undan condensate</td>
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<td>Onshore LNG plant for Sunrise gas</td>
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<td>Regional refinery for 200,000 bbl/d capacity</td>
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Revisiting Functions

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<tr>
<th>Function</th>
<th>MRNMEP</th>
<th>NCEP</th>
<th>NPRA</th>
<th>PETROTIL</th>
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<tr>
<td>Policy development</td>
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<td>Long-term planning</td>
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<td>Co-ordination</td>
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<td>Control of government take</td>
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<td>Operation</td>
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<td>Asset Management</td>
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<td>Results</td>
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Legal Package for Implementation

Decree-Law on Regulation of the Oil Industry in Timor-Leste creating the National Council of Energy Policy

Decree-Law creating the National Regulatory Authority for Petroleum, Natural Gas and Biofuels

Decree-Law creating the state-owned oil company

Business Plan

Discussion Paper for Public Consultation

Subsidiary Documentation
Highlights of the Legal Package

- Approval of the Council of Ministers;
- Petroleum Law;
- Petroleum Fund Law;
- Fulfils TST requirements maintaining balance of powers;
- Regulates all segments of the TL petroleum industry;
- Simple and immediate implementation;
- Allows improved state control, planning and management of petroleum resources;
- Establishes basis for the solution of the energy security problem