

This is an unofficial translation of the Portuguese-language letter received by Parliament on 6 November 2009. The original can be accessed at <http://www.laohamutuk.org/Oil/Power/redesign/XananaPN4Nov09Pt.pdf>.

More information about the Heavy Oil Power Plant project is available at <http://www.laohamutuk.org/Oil/Power/08PowerPlant.htm>.



DEMOCRATIC REPUBLIC OF TIMOR-LESTE
OFFICE OF THE PRIME MINISTER

Ref. N.º 1981/GPM/XI/09

To His Excellency
The President of National Parliament
Dr. Fernando Lasama de Araújo

Issue: Project for the “Construction of Electric Power Stations”

Excellency,

Through this letter I inform your Excellency, and the distinguished Deputies of the National Parliament, regarding the current situation relating to the project for the construction of power stations which will provide stable and regular electricity at the national level, as has been desired by all Timorese for a long time.

Following the allocation of budget funds needed to develop this objective in the 2009 General Budget of the State, for the phased construction of two Power Stations, the Transformer Stations and the Distribution Grid at national level, we entered into a consultancy contract with *Elc-Bonifica JV (EB-JV)* on 16 July 2009, so as to ensure that the requirements and the results intended by the government would be complied with by the firm contracted to construct the Power Stations, CNI22.

Acknowledging, now, that the involvement of a consultancy firm in this process for the construction of the Power Station should have been considered earlier, in the mean time in this having been considered in the 2009 State Budget and approved by the National Parliament on 30 January 2009, given that the public tender process took more time than was initially anticipated and because of this the consultant was selected and its work at the end of July.

Together with the consultant, we saw the need to make an immediate correction to the entire plan for electrification of the country and consequently the correction of the respective contract for the “Construction of the Power Stations”. This decision was also pondered on the basis of the preparation of the Strategic Development Plan, which is in its final phase, which has as its principal objective the integrated development of the Nation and, in this sense, adding to the already obvious need to provide electricity to all the Timorese people, increasing the need to guarantee that this project has long-term sustainability to respond to the energy needs for construction of infrastructure, development of the agriculture, industrial and tourism sectors, inevitable for the economic growth and well being for the Timorese.

This totally innovative and crucial project for the development of the young Nation of Timor-Leste is without doubt a grand challenge that we want to overcome in an efficient, transparent and sustainable manner, to protect the best interests of the People of Timor-Leste. This transition phase which the Country is going through at this moment, the passage from the post conflict period to a phase of national stability and security, constitutes a unique opportunity to “step by step” create the basic conditions to start up economic growth.

Therefore, and taking into consideration the perspective of foreign investment that the government is increasingly becoming able to attract, as with the anticipated development in the north of the Country of industries (for example minerals) tourism and other factories to allow the reduction of dependency on imports; and the plan to develop in a phased manner the south of the Country, through the construction of a refinery, a supply base and an *LNG* industry, among other projects, led us to decide to increase the electricity capacity which will not only meet current demand but, to the contrary, considers medium and long term development.

In this sense and following the study undertaken by the Italian consultancy firm, we will proceed with the following alterations to the initial project:

- The two Power Stations to be constructed, one in Manatuto and the other in Betano, would have had a productive capacity of **180 megawatts (MW)**, but under the revised electrification plan will have a production capacity of **250 MW**;
- The initial plan to construct one of the stations in **Manatuto with a capacity of 120 MW** was changed to **Hera with the same capacity**;
- The initial capacity foreseen for the **Betano station changed from 60 MW to 130 MW**, taking into account the needs of development of productive sectors on the south coast, as previously referred to;
- The High Voltage Transmission Lines, with an **initial capacity of 110 KV, have been amended to 150 KV** and these same have been extended **from 630 Km to 794 Km**, taking into account that the solution should be the most definitive possible. After the revision of the plan, it was considered that the KV foreseen in the initial plan will not have sufficient capacity in the future to support long-term projects. Therefore, we consider that it would be more prudent to act immediately than to wait until the project has been implemented and would later have to be restructured, with respective inherent additional costs.
- The increase in the length of the Medium Voltage Distribution Lines of **20 KV to 120 Km** was also considered as a way of covering the districts, sub districts and communities;
- On the other hand, **the initial plan to use a station in Hera as a Back Up to Dili**

changed to the Comoro Station, taking into account the demands of new infrastructure to be constructed in the future in the capital of the Country;

- It was therefore considered that due to the physical irregularities of the Country (its topography); in the new “Activities Plan,” the **construction of Transmission Line Towers and Sub-stations** will have priority, while the construction of the two Power Stations proceeds. These lines are in fact fundamental because more importantly than having a place for the production of electricity, is to guarantee its distribution to the people in general and to the zones of development. In this sense we opted for a longer time frame, but also more prudent, so that this project fundamental to the start up of economic growth will be the structural change that Timor-Leste needs.
- Opting for a longer period for the implementation of this project does not mean, in the mean time, that it will not be concluded earlier, but after verifying “*in loco*” the places of difficult access, it became prudent for us to extend the timeframe for the implementation and to lengthen the transmission grid.

Following these alterations to the initial project and taking into account the timeframe for the implementation will be up to 2011, **there will therefore be sufficient time to proceed to order new generators for the two Power Stations.** This strategic change, which includes, above all, guaranteeing the overall transmission and distribution to ensure access by the population, will permit the acquisition of generators during an acquisition period estimated at, at least, 12 months.

I take this opportunity to clarify for the Distinguished Deputies, that with respect to environmental questions as well as compliance with international standards, whether it be in the configurations or in the contractual documents, these are being seriously considered by the Government.

In this sense, the use of fuels considered to be polluting which has generated such buzz among some Distinguished Deputies, is a question being considered along with their suggestions.

I should merely add that, whatever type of generator is acquired, it will have the potential of using one of several sources of energy – gas, diesel or heavy oil – in accordance with what will be considered more adequate to the specific circumstances of the Country.

In conclusion, when the project is in the final implementation phase, the Government will present to the National Parliament the various options for expenditure in relation to the fuel to be used – from the more expensive to the less – so that the decision can be made through an evaluation of the budget framework.

The commitment to development assumed by this government, with responsibilities over one of the poorest nations of southeast Asia, is a question of principle and determination. In the mean time, we cannot ignore the current context of our reality, and the frequent need to assess data and priorities and the perception of daily challenges in various specialized areas. This demands flexibility and timely revisions to all existing plans, in order to achieve more efficient plans.

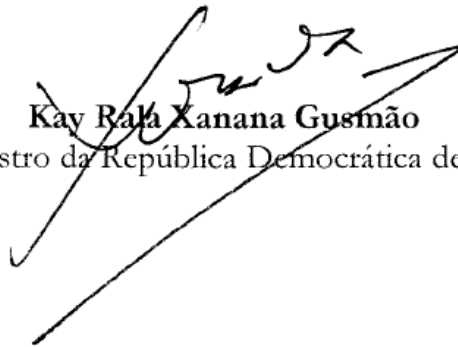
The perception that our society is unique, with great difficulties in terms of *know-how* and human resources, and that only a constructive vision of overcoming together the inherent obstacles of our own reality cannot be neglected. I would like to illustrate this observation

with a very practical example and one that is generally known to all Distinguished Deputies – we inherited a procurement law based on the best international practices of the most developed countries but, unfortunately, our own society is still in the phase of learning the simpler processes of fulfilling these intrinsic purposes of this process.

Step by step and with strategic vision, we are capable of continuing to secure the basic and immediate needs for electricity, through the investment in generators and the construction of high voltage transmission lines, while we can also invest in the future, in the medium term, to significantly alter the state of the Nation.

Counting on the active participation of Distinguished Deputies in this project of relevant national interest, I present my highest esteem and consideration.

Government palace, 4 November 2009

A handwritten signature in black ink, appearing to read 'Kay Rala Xanana Gusmão', written over the printed name and title.

Kay Rala Xanana Gusmão

Primeiro-Ministro da República Democrática de Timor-Leste