



PRIME
MINISTER

**ADDRESS BY
HIS EXCELLENCY THE PRIME MINISTER OF THE DEMOCRATIC
REPUBLIC OF TIMOR-LESTE KAY RALA XANANA GUSMÃO
ON THE OCCASION OF THE THOMSON REUTERS ASIA PETROLEUM
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Mr Alfred Loo, Thomson Reuters
Excellencies,
Ladies and Gentlemen

It is a pleasure to be here today to talk about the progress of Timor-Leste and the developments in our oil and gas industry.

Thank you to Thomson Reuters for giving me this opportunity and for organising and hosting this event.

I would also like to thank everyone here in this distinguished audience, for coming today and for your interest in our young country.

I would like to take this opportunity to again thank the State of Singapore for its wonderful hospitality and for making our visit such a success.

For many developing nations, including Timor-Leste, Singapore is an inspirational model of what can be achieved with a clear vision, commitment to education and strong public leadership.

In Timor-Leste, we have great admiration for Singapore's remarkable transformation, and study your experience for lessons to inform our own development.

As you know, Timor-Leste has been through some difficult times on our road to development. We achieved our Independence in 2002 following almost three years of United Nations administration.

From the beginning our task was daunting. Most of our infrastructure had been destroyed in the aftermath of our vote for independence, we lacked the human resources to build a nation and our people carried scars of the trauma of our struggle for independence.

But as our fight for independence demonstrated, our people have great courage and resilience. Now we are harnessing this same determination to develop our nation.

Ladies and gentlemen,

Like Singapore, in Timor-Leste, we proved that our true strength was our people.

Last month we celebrated the 11th anniversary of our Restoration of Independence and we had much to celebrate.

After a difficult beginning, we have now enjoyed many years of peace and security. In recognition of our progress, last year we said goodbye to the United Nations Mission and I am pleased to say that its withdrawal has not impacted the momentum of our progress or the security of our country.

One of the areas of our success has been our economic management. Timor-Leste is a small but emerging economy with open and free markets and some of the lowest tax rates in the world.

Since my Government was elected in 2007 we have enjoyed average rates of economic growth of 11.9% and the International Monetary Fund predicts high growth will continue. This is creating jobs and opportunities for our people.

Our sovereign wealth fund, the Petroleum Fund, has grown from \$1.8 billion in 2007 to over \$13.6 billion today. Since January this year, the fund has increased on average by \$324 million each month.

Now that we have built a firm foundation of security and stability there is a strong sense of hope and confidence in Timor-Leste. This has also allowed us to plan for the long-term future.

And so, in 2011 we released our comprehensive Timor-Leste *Strategic Development Plan 2011-2030* to transform our country from a low income nation to a country with upper-middle income levels by 2030, with a population that is secure, educated and healthy.

An important part of this Plan is our economic progress and the development of industries, which will drive our prosperity. The *Strategic Development Plan 2011-2030* designates three strategic industries, which will be the key to our future. They are agriculture, tourism and petroleum.

Ladies and gentlemen,

Our petroleum industry is critical to our economic growth and our capacity to build our nation and support our people. Unlike Singapore, we have the advantage of being able to fund our development from oil and gas revenue. Income from our petroleum sector funds much of our budget, our infrastructure spending and delivery of education and health services.

Because of the importance of our petroleum revenue, which belongs to our people, we are totally committed to transparency. We are proud that Timor-Leste was the first country in Asia, and third country in the world, to comply with the Extractive Industry Transparency Initiative.

This means that every dollar earned from our oil and gas resources is accounted for and audited so that the funds are managed transparently for the benefit of our people.

To make sure that we make the most of our oil and gas resources we have some of the best minds in our nation, and from around the world, to work out how we can grow our petroleum sector to ensure the benefits flow to all the Timorese people.

Currently, Timor-Leste has two fields producing in the Joint Petroleum Development Area – a petroleum rich zone of the Timor Sea defined in the Timor Sea Treaty signed by Timor-Leste and Australia in 2002.

They are the Bayu Undan project, operated by Conoco Phillips, and the KITAN project, operated by Eni. These two fields are currently producing on average 6 million barrels of oil equivalent each month.

In the Joint Petroleum Development Area, Bayu Undan and Greater Sunrise are the two biggest fields discovered to date. The Bayu Undan field contains recoverable reserves of 500 million barrels of liquids and 4 trillion cubic feet of gas, while the Greater Sunrise field

contains recoverable reserves of 7.67 trillion cubic feet of gas and 298 million barrels of condensate.

Exploration activities, in both the JPDA and in our exclusive offshore areas in the Timor Sea, including seismic surveys and drilling, indicate there is an active petroleum system in the area with a number of prospects, which will attract further exploration in the future.

As many resource-based developing countries have done, Timor-Leste has adopted the Petroleum Sharing Contract regime as a means to engage international and national petroleum exploration and production companies to invest in petroleum exploration.

Timor-Leste is also fortunate to have resources both offshore and on shore. In addition to petroleum resources, we also have substantial mineral resources. Preliminary data and information indicates that this includes gold, copper, manganese, marble, phosphate, gypsum and iron ore. The exploration of these resources can be undertaken once our draft Mining Law, which is currently subject to public consultation, is signed into law.

Ladies and gentlemen,

As part of making sure that we make the most of our resources, we have established a National Petroleum Company, TIMOR GAP, E.P, which stands for the Timor Gas and Petroleum, Empresa Pública or public company. TIMOR GAP, E.P. is leading the development of our industry through direct participation, ownership and investment in the petroleum sector.

TIMOR GAP's mandate covers all aspects of the oil and gas industry, both upstream and downstream and including services to the industry. It is responsible for creating business and employment opportunities for the people of Timor-Leste, and ensuring skills and technological transfer, while upholding good health, safety and environment standards. TIMOR GAP, E.P. may form joint ventures with international companies to carry out business activities.

TIMOR GAP, E.P. gives us a direct stake in the expansion of our industry and allows us to improve our human resources and capital infrastructure to build a sustainable and long term industry for our nation.

Ladies and gentlemen,

Another responsibility entrusted to TIMOR GAP, E.P. is the management of the Tasi Mane Project. The Tasi Mane Project will develop our south coast as a sub-regional centre for the petroleum industry, bringing petroleum development to our shores. It will also provide a direct economic dividend from our petroleum industry activities.

The Tasi Mane Project involves three operation clusters along 155 kilometres of Timor-Leste's south coast facing the Timor Sea, which is home to the Timor-Leste Exclusive Area as well as the Joint Petroleum Development Area – both promising oil and gas exploration zones. It will include building a Supply Base in Suai, where logistics and service works will be undertaken and sourced for the petroleum industry. At Suai, major port facilities will be built in phases as multi-purpose and multi-user facilities and the local airport will be rehabilitated.

Further east along the coast, a refinery and a petrochemical industry will be established at the town of Betano. The Betano refinery will consist of an industrial park where refinery and

petrochemical industries will be located along with a petroleum industry administration city. The refinery will provide domestic fuel needs such as diesel, gasoline, jet-fuel and asphalts.

At the end of the corridor, and further east at Beaçó, the Government has designated a sizeable area for the development of Liquefied Natural Gas projects. Several gas fields have been discovered in the nearby Timor Sea, including the Greater Sunrise field, and the Beaçó LNG Facility will be the location at which the natural gas pipeline reaches Timor-Leste.

To link the clusters the government is planning to construct a highway from Suai to Beaçó, a distance of 156 km.

Over the past 5 years the Government has invested heavily in studies to prove the technical and commercial viabilities of Tasi Mane Projects and the projects are at different stages of planning and development.

The Tasi Mane Project will establish a dynamic and integrated petroleum industry along our south coast bringing development, jobs and industry to our country. We look forward to working with the private sector on this project, which is so central to our nation's progress.

Ladies and gentlemen,

Before I conclude, I know that some of you may be interested in the CMATS arbitration process, which will clarify the validity of the CMATS Treaty.

This is a matter that Timor-Leste takes very seriously. As the issues are currently subject to a formal arbitration it would not be appropriate for me to make an argument in public or to comment further but we hope the matter is resolved quickly for the benefit of all parties.

I would like to reinforce, however, that Timor-Leste and Australia enjoy a very mature and positive bilateral relationship. We are steadfast friends and Australia has contributed so much, and continues to contribute, to our national development. We are confident that the arbitration will not impact on our greater friendship with Australia.

Ladies and gentlemen,

Thank you again for coming today and thank you to Thomson Reuters for hosting this event.

I hope you have learnt more about our nation and our petroleum industry. I urge you to talk to our Ministers, and the members of our government, during this lunch. Our Minister for Petroleum and Mineral Resources, Alfredo Pires, is here today, along with Francisco Monteiro, the President and CEO of TIMOR GAP, EP, and Gualdino da Silva, the President of the National Petroleum Authority of Timor-Leste. They will all be pleased to discuss in more detail the plans we have for our future.

Together, working with the petroleum industry, Timor-Leste looks forward to building a better future for our people.

Thank you very much.

Kay Rala Xanana Gusmão