East Timor and US oil giant ConocoPhillips have reached a confidential settlement in all but one of the issues in their long-running tax dispute over Timor Sea oil and gas production.

The terms of the settlement are expected to remain confidential even though both parties are part of the Extractive Industries Transparency Initiative, a global framework that demands full disclosure of tax payments from the industry.

In a joint statement released yesterday, the two parties said they had agreed to settle the dispute, except for a tax issue relating to the Darwin pipeline. This will be adjudicated by an arbiter in Singapore.

East Timor has used a public campaign to vent its claims of billions of dollars in unpaid taxes. In a 2012 ABC program, the Natural Resources Minister, Alfredo Pires, argued the ultimate revenue haul could be about $US3 billion ($4.2bn). The total amount in dispute is a mere $US237m, or 1.4 per cent of the taxes paid by ConocoPhillips since oil production began more than a decade ago.

The carefully worded statement said to minimise potential future disputes, East Timor and ConocoPhillips had “agreed to a shared understanding of the relevant dispute resolution framework and application of penalties, and an agreement to work together toward consolidating the tax laws applicable to the Bayu-Undan operations into a uniform tax code in order to minimise future disputes”.

The disputes related to laws and agreements supporting the Bayu-Undan field, which started production in 2004.