CONGRATULATIONS
upon
ACHIEVING YOUR INDEPENDENCE!!

GOOD LUCK AS YOU MOVE AHEAD!

YOUR Natural Gas is the key to National Prosperity
Unocal Indonesia - E. Kalimantan

- E. Kalimantan PSC
- Makassar Strait PSC
- Sesulu PSC
- Rapak PSC
- Ganal PSC

2000 gross production: 96,000 BOE/D
Thailand - Myanmar - Vietnam
Unocal Is A Major Player

Lease areas
- Myanmar
- Thailand
- Vietnam

Pipelines
- Existing
- Proposed

Power plants
- Industrial

Block 48 / 95
Block B
Block 52 / 97
OVERVIEW of LNG BUSINESS
Global LNG Business is….

- Capital Intensive
- SLOW Moving
- Very Competitive
- Dominated by the Major Companies and a Few Exporting Nations
- These “Majors” all have their own Competing LNG Investments
- BUT………….
The Good News is……..

• Natural Gas is the Savior of the Oil “have nots” – USA, Japan, China, India (most of the world)

• LNG Trade is set to **GROW**

• Importers are Weary/ Wary of Domination by Majors

• LNG Technology is “off the shelf” (except floating plants, which have not been done)
Trade Flow from: Australia 1999
Trade Flow from: Indonesia 1999
A “CRITICAL” Subject..

Where to Locate the LNG Plant for Bayu Undan & Greater Sunrise
Some Development Options
The “Current Solution” - is this Best for East Timor?
Crossing Timor Trench…
Impossible to Lay Pipelines?
NO, NO, NO!

- Maybe 5 years ago, but feasible now – with proven technology
- Cost to Timor is 75% of the cost to Darwin (deeper water but half as far)
- Several Qualified Engineers/Contractors are ready
RECENT DEEP WATER PROJECTS

Water Depth (ft)

- CANYON EXPRESS
- GAZPROM BLUESTREAM
- SHELL NAKIKA
- BP MARDI GRAS
- VASTAR HORN MOUNTAIN
- TEXACO AGBAMI
- EXXON DIANA
- TEXACO ANGOLA LNG
- EXXON ANGOLA BLOCK 15
- SHELL EUROPA
- ERR-MCGEE BOOMVANG/NANSEN
- TEXACO/CHEVRON GEMINI
- URULLUS GAS SCARAB/SAFFRON
- MOBIL ZAFIRO
Floating LNG – Another “Proposed” Option

- Some say it costs less – but no one knows; It hasn’t been done...anywhere
- The “Investment” would be in Taiwan or Korea
- Who will collect income/property taxes?
- Who will provide shore support services?
- Who will “give up” the FDI opportunity?
- Who will be the real winners? – Not East Timor!
Where to Locate LNG Plant(s)?

<table>
<thead>
<tr>
<th>LNG Plant in Australia</th>
<th>LNG Plant in East Timor</th>
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<tbody>
<tr>
<td>Long Shallow water Pipeline – 275 NM</td>
<td>Shorter Deep water Pipeline – 120 NM</td>
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<tr>
<td>Good Site &amp; Infrastructure, some local market for gas</td>
<td>New site &amp; port developed; natural gas and some liquids available for local consumption</td>
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<tr>
<td>Economic Benefit to East Timor will be less and “Top Down” - Production Tax revenue only. No FDI</td>
<td><strong>HUGE FDI Benefit to East Timor:</strong> Jobs, services, infrastructure – Powerful, “bottom up” benefits</td>
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<tr>
<td>Economy of Scale for other gas in Australia – attractive to investors</td>
<td>Total Reserves already over 12 TCF</td>
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How Much Will be Invested?
(regardless of plant location)

• Depending on Plant Size – US$ 1-3 bn. could be spent in the vicinity of the Plant Location
• “Multiplier Effect” (payrolls, support) is 3 or 4 times the investment amount
• Port, road, power development - Visit Balikpapan to see the “30 year later” impact
• Opportunity to “Add Value” to Gas before export
• Jobs ALWAYS Benefit People Faster than Taxes !
CONCLUSIONS and RECOMMENDATIONS
Conclusions

- East Timor should Demand Ownership of ALL Resources within an International Law Boundary

- East Timor should Mount a Strenuous Effort to bring the LNG plant to her own soil
My Recommendations

- Do NOT Ratify the ZOCA “Arrangement”
- Join the Law of the Sea Convention and Claim the International Law Boundary Area
- Claim Past/Present Revenues from Producing Fields Within Area
- Claim Full (government share) Ownership of all Undeveloped Fields Within Area
- Acquire expertise in LNG marketing and Develop incentives to attract the LNG investors to East Timor
Foreign Stakeholder Fears

- New Nation born of Conflict – Stability?
- Rule of Law Ensured?
  - Personal Safety
  - Contract & Tax Law
- Unity of National Purpose?
- Government Administrative Effectiveness?
- Competitiveness in World Gas Market?
Some Ideas…

- Demonstrate FIRM Commitment to Rule of Law
- Preserve the Present Financial Terms for Foreign Companies Working in East Timor Waters
- Develop Civil Service Talent Quickly
- Formulate Investment Tax Incentives for LNG Plants
- Engage Experienced Resource Advisors (Thailand?)
- Seek World Bank / Asia Dev. Bank Loans for LNG Plant Infrastructure & Pipelines
THANK YOU!

And..... GOOD LUCK!