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### Viewing cable 09DILI332, TIMOR-LESTE COMPLETES EXTRACTIVE INDUSTRIES TRANSPAREN

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Reference ID	Created	Released	Classification	Origin
09DILI332	2009-12-21 12:42	2011-08-30 01:44	UNCLASSIFIED	Emb

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TAGS: EPET EFIN ENRG PGOV KCOR TT

SUBJECT: TIMOR-LESTE COMPLETES EXTRACTIVE INDUSTRIES TRANSPARENCY REPORT

¶1. The Government of Timor-Leste completed its first Extractive Industries Transparency Initiative (EITI) report and conveyed it to the president in a public ceremony on December 21. The report covers activities during calendar year 2008 and was compiled by the chartered accountant, Deloitte Touche Tohmatsu, and by Timor-Leste's EITI Working Group. President Ramos-Horta, Secretary of State for Natural Resources Alfredo Pires, the Country Manager for ConocoPhillips, and a representative of civil society all delivered remarks praising the transparency and accountability promoted by the report as well as the cooperative process that went into drafting it. The report must now be validated according to EITI rules, a process the GOTL hopes to complete in 2010.

¶2. According to the report, the Timorese National Petroleum Authority (the regulatory body that administers petroleum activities in the Joint Petroleum Development Area that Timor-Leste shares with Australia as well as in the Timor-Leste Exclusive Area) received just over \$2.5 billion from extractive industry companies in calendar year 2008, which it transferred to Petroleum Fund Account held by the Banking and Payments Authority in accordance with Timor-Leste's Petroleum Fund Law. Two-thirds of the total came from royalties (\$1.62 billion) and one-third from petroleum taxes (\$880 million). ConocoPhillips, the operator of the offshore Bayu Undan field (the only field currently in operation in Timor-Leste) paid 60 percent of the royalties and taxes. Joint venture partners Eni, Inpex, Santos and Tokyo Timor Sea paid the majority of the remaining royalties and taxes.

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¶3. COMMENT: The EITI process and the fiscally-sound Petroleum Fund Law give the Timorese Government two effective tools for monitoring and managing the revenue it receives from the petroleum sector. Timor-Leste has serious shortcomings in managing the expenditure side of the ledger, however, including insufficient parliamentary oversight, a weak Auditor-General's office, and the lack of an independent procurement commission. Activities carried out under the Energy Governance and Transparency Initiative (EGTI) could make a useful contribution to addressing some of these shortcomings. END COMMENT.

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