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Dili, 22 September 2026

COMMENTS FROM LA'O HAMUTUK TO THE TIMOR-LESTE EITI ON THE TIMOR-LESTE EITI 2024 INCEPTION REPORT

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Introduction

La'o Hamutuk considers the Timor-Leste EITI 2024 Inception Report to be an important stage in the preparation of the 2024 EITI Report and in the continuing effort to strengthen transparency in Timor-Leste's extractive sector. La'o Hamutuk recognizes the efforts of Timor-Leste EITI, the Multi-Stakeholder Working Group (MSWG), the Independent Administrator (IA), the Government, companies, and other stakeholders to ensure that relevant data and information are collected, verified, reconciled, and disclosed in accordance with the EITI Standard.

However, La’o Hamutuk believes that the objectives of EITI should not be limited to publishing data on payments and revenues. Transparency should strengthen public accountability, good governance, public participation, and informed decision-making to protect the public interest.

Timor-Leste is now entering an important period of transition in its extractive sector. Bayu-Undan production had already declined before 2024 and ceased during 2025, resulting in the end of extraction-related revenues. At the same time, the Government is promoting strategic mineral development and value chains, while Greater Sunrise continues to involve major financial and strategic decisions with potentially significant implications for public finances.

In this context, the 2024 EITI Report should not be limited to documenting financial transactions. It should, above all, help the public understand these structural changes and their implications for Timor-Leste’s future. The Report should use clear and accessible language, with technical terminology explained where necessary, and its findings should be made accessible through universities and across all levels of society, so that people can understand and monitor progress in extractive-sector transparency in Timor-Leste.

La’o Hamutuk submits these comments and recommendations with the objective of strengthening the quality, credibility, relevance, and public usefulness of the Timor-Leste EITI 2024 Report.

Lessons from the Previous EITI Validation

La’o Hamutuk considers it important that the 2024 Report addresses the findings of the previous EITI Validation. Under the Validation against the 2019 EITI Standard, Timor-Leste received an overall score of 58, which the EITI Board characterized as “fairly low.” The “Outcomes and Impact” component received a score of 30.5. The EITI Board highlighted the need to strengthen the links between EITI disclosures, national policies, public debate, decision-making processes, and governance of the natural resource sector.

This lesson is particularly important for the 2024 Report. EITI should not function merely as a mechanism for publishing data, but also as a platform that helps society understand how natural resources are governed, who receives the benefits, who bears the risks and costs, and how decisions concerning natural resources affect the public interest.

La’o Hamutuk therefore recommends that the 2024 Report establish clear links between data disclosure and public policy, fiscal decisions, sector strategies, social and environmental impacts, and long-term fiscal sustainability.

Scope and Materiality

La’o Hamutuk notes that the MSWG approved a $100,000 materiality threshold for revenue flows included within the reporting scope, with an estimate that this threshold will capture approximately 99% of revenues from the extractive sector.

La’o Hamutuk considers materiality an important instrument for ensuring an efficient reconciliation process. However, financial materiality should not become a reason to disregard transactions or information that are closely tied to the public interest, even when their monetary value is relatively small.

Transactions involving relatively small amounts may be highly significant when they involve conflicts of interest, beneficial ownership, state-owned companies, licenses, land rights, corruption risks, environmental impacts, and/or relationships with communities. The Report should therefore clearly explain the criteria and methodology used to establish the US$100,000 materiality threshold and, where appropriate, disclose relevant information presenting significant governance risks or public-interest implications even when such information falls below the financial materiality threshold.

Reconciliation and Data Verification

Reconciliation between company payments and revenues received by the Government is a central element of EITI. The quality of the 2024 Report will therefore depend heavily on the quality of its data sources, verification procedures, documentation, and responses to discrepancies identified during the reconciliation process.

The Report should clearly present the sources of data, audit status, verification procedures, identified discrepancies, and the manner in which such discrepancies were resolved. Where discrepancies cannot be resolved, the Report should explain their nature and why they remain unresolved.

La'o Hamutuk also recommends that payment and revenue data be made available in formats that are accessible, usable, comparable, and suitable for analysis, enabling journalists, researchers, universities, and civil society organizations to conduct independent verification and analysis.

Bayu-Undan Production and Changes in the Revenue Structure

Bayu-Undan exemplifies a major change in the foundation of Timor-Leste's fiscal system. Production declined from approximately 7.0 million barrels of oil equivalent (BOE) in 2023 to 1.9 million BOE in 2024. Petroleum revenues declined from US$428 million in 2023 to US$85 million in 2024, representing a reduction of approximately 80%.

At the end of 2024, the Petroleum Fund balance was US$18,274 million. During that year, petroleum revenues amounted to US$85 million, investment income to US$1,169 million, and Government withdrawals were US$1,300 million.

These numbers show that Timor-Leste has entered a phase in which petroleum production is no longer the principal source of revenue. The EITI Report should therefore help the public understand this transition and its implications for the sustainability of the Petroleum Fund and of public finances.

La'o Hamutuk recommends that the Report include clear analysis of the decline and cessation of Bayu-Undan production, the reduction and subsequent absence of petroleum revenues following the cessation of production on 4 June 2025, changes in petroleum-sector revenues, the role of Petroleum Fund investment income, Government withdrawals, and continued fiscal dependence on petroleum wealth.

La'o Hamutuk also recommends that the EITI Report include information concerning funds borrowed by TIMOR GAP from the Petroleum Fund to finance its participation in the Greater Sunrise project, including principal, interest, grace period, and provide analysis and projections of the associated risks.

Strategic Minerals and the Risks of Expanding Extractive Activities

The transition from a petroleum-based economy to minerals and new extractive activities requires careful consideration. The Government has promoted policies concerning strategic minerals, value-chain development, and State interests in mining activities.

For example, in 2024, the Government granted prospecting and research licenses to Estrella Resources and Peak Everest Mining in Lautem, while Murak Rai Timor E.P. signed a shareholder agreement with Estrella Resources concerning three mineral blocks. The Report should also consider other relevant licenses and exploration activities.

La'o Hamutuk considers that such information should be part of the public debate concerning the future of the mining sector. EITI analysis should not be limited to revenue amounts, but should also consider licensing structures, beneficial ownership, contractual obligations, benefits to the State, social and environmental costs, and risks to communities.

La'o Hamutuk does not oppose extractive activities as such, but promotes rigorous questions concerning who benefits, who bears the risks, what the State receives, what communities may lose or gain, how much economic value leaves the country, and whether each project is sustainable for future generations. La'o Hamutuk also recommends that the EITI Report include, where relevant, information on pollution that may result from extractive projects in Timor-Leste.

Beneficial Ownership and Corruption Risks

Beneficial ownership is an important area for transparency and corruption prevention. The public needs to know who ultimately benefits from companies that receive licenses, contracts, or rights to exploit Timor-Leste's natural resources.

La'o Hamutuk recommends that the 2024 Report provide clear information on the status of beneficial ownership disclosure in Timor-Leste and that relevant information concerning persons holding important public or political positions, conflicts of interest, and related governance risks, where available, be accessible and verifiable.

Transparency concerning beneficial ownership should be linked to public governance mechanisms, procurement, licensing, and corruption controls. The objective is not merely to identify ultimate beneficial owners, but also to prevent situations that could give rise to conflicts of interest, undue influence, or the capture of public policy by particular private or group interests.

Social, Environmental and Climate Dimensions

Extractive activities can generate revenues and economic activity, but they can also create social, environmental, and climate-related costs. EITI assessment should therefore not consider only the monetary value flowing to the State, but should also take into account the costs and risks borne by communities and the environment more broadly.

The final Report should provide relevant information on companies' social and environmental expenditures, environmental and social impact assessments, rehabilitation obligations, compensation mechanisms, and, where available, greenhouse gas emissions data.

Climate-related disclosure should be treated as part of transparency concerning the sustainability of the extractive sector, particularly at a time when Timor-Leste faces significant climate risks and may undertake investments related to the energy transition.

Greater Sunrise and Public Finance Risks

Greater Sunrise could be an important strategic opportunity for Timor-Leste, but it also involves financial, technical, commercial, and environmental risks. Transparency concerning investment decisions, financing structures, State and state-owned-enterprise participation, contractual obligations, capital investment, and expected returns should therefore form an important part of public debate.

La'o Hamutuk considers that sovereignty over natural resources must be accompanied by fiscal responsibility. Decisions to invest public funds in major projects should be based on analysis of costs, benefits, fiscal risks, sustainability, and the long-term public interest.

The EITI Report should clearly help the public understand how Greater Sunrise is connected to the governance of petroleum resources, State-owned companies, and the sustainability of public finances.

EITI and Government Accountability

La'o Hamutuk emphasizes that EITI cannot substitute for the Government's legal and institutional responsibilities. Transparency must be accompanied by mechanisms for auditing, oversight, control, investigation, and accountability.

The EITI Report can serve as an important instrument to link extractive-sector data with public policy and national debate. To achieve this objective, however, the data must be accessible, understandable, timely, and used by public institutions, Parliament, civil society, universities, the media, and communities.

La'o Hamutuk hopes that Timor-Leste EITI will evolve from a disclosure system into a mechanism that helps transform information into public accountability and stronger governance.

Civil Society and Community Perspectives

From a civil society perspective, the key questions are not only "How much revenue does the Government receive or expect to receive?" They also include: Who benefits? Who bears the costs and risks? How much money or economic value leaves the country? And is the activity sustainable for future generations?

Non-renewable natural resources constitute public patrimony. Consequently, relevant decisions should be guided by the public interest, environmental protection, respect for community rights, and equitable benefits for present and future generations.

La'o Hamutuk considers that the governance of non-renewable resources should ultimately protect the interests of the people, national patrimony, the environment, and the interests of future generations. This requires transparency, accountability, and a willingness to demand accountability for decisions that may have significant impacts on the country.

La'o Hamutuk's Perspective

La'o Hamutuk supports the objective of EITI to promote transparency and public participation. However, transparency should be understood as a means to accountability and good governance, rather than as an end in itself.

During the transition from a petroleum-based economy towards an economic structure that increasingly relies on domestic revenue sources and new productive and extractive activities, Timor-Leste needs to learn from the Bayu-Undan experience and avoid repeating extractive patterns that increase dependency, inequality, and risks to the environment and communities.

EITI can also provide information concerning resources that have not yet entered production, including their estimated value, companies involved, development plans, timelines, and projected revenues.

La'o Hamutuk's position is that natural resources must serve the interests of the people. Timor-Leste EITI should therefore become a platform that helps the public understand the relationship between natural resources, public finances, economic power, commercial interests, the environment, and community rights.

Recommendations

La'o Hamutuk recommends that the MSWG and the Independent Administrator consider these comments during the preparation of the 2024 EITI Report and, where relevant, strengthen the Report by:

1. Strengthening the links between EITI disclosures and public policy, Government decisions, national debate, and fiscal sustainability.
2. Clearly explaining the methodology used to establish the US$100,000 materiality threshold and ensuring that transactions or information of significant public-interest relevance are not excluded solely because they fall below the financial materiality threshold.
3. Strengthening reconciliation and data verification, including documentation of discrepancies, data sources, audit status, and procedures for resolving inconsistencies.
4. Providing clear explanation and analysis of the decline and end of Bayu-Undan production, the reduction and subsequent absence of petroleum revenues, and changes in the financial structure of the petroleum sector.

5. Increasing disclosure concerning strategic minerals, licenses, ownership, contracts, and benefits to the State, social and environmental risks, and company obligations.
6. Strengthening transparency concerning beneficial ownership, including risks associated with persons holding important public or political positions, conflicts of interest, and corruption.
7. Integrating social, environmental, and climate information into analysis of the extractive sector, including expenditures, rehabilitation obligations, and greenhouse gas emissions where data are available.
8. Giving particular attention to Greater Sunrise and related risks to public finances, including financing structures, costs, State obligations, expected returns, and sustainability.
9. Strengthening the effective participation of civil society and communities, including access to information and opportunities to provide comments throughout the EITI process.
10. Ensuring that the final version of the 2024 EITI Report is an accessible, understandable, and useful public document for independent monitoring, public debate, and decision-making. The Tetum version should be published at the same time as the English version. La'o Hamutuk notes that the 2023 EITI Report has not yet been published in Tetum.
11. Requesting Timor-Leste EITI to monitor and oversee mining, oil and gas, and other extractive activities within the country in order to strengthen transparency in public information during socialization and consultation processes, including through recognized good practices such as FPIC (Free, Prior and Informed Consent), EHS (Environmental, Health and Safety), ESG (Environmental, Social and Governance), and other relevant frameworks.
12. Providing links to all documents used as sources of information. Where a source document is not yet available online, Timor-Leste EITI should consider publishing it on its website.

La'o Hamutuk respectfully requests that the MSWG and the Independent Administrator consider these comments and recommendations before finalizing and approving the Timor-Leste EITI 2024 Report.

La'o Hamutuk also requests that the MSWG and the Independent Administrator provide a clear response explaining how these comments have been considered in the final version, including identification of the issues incorporated, the issues requiring further clarification, and, where any recommendation cannot be adopted, the technical or methodological reasons underlying that decision.

La'o Hamutuk further requests an opportunity to participate in additional consultation or discussion, where considered appropriate, concerning issues of significant relevance to the quality and credibility of the Timor-Leste EITI 2024 Report.
For purposes of accountability and transparency, La'o Hamutuk considers it important that stakeholder comments and responses from the MSWG and Independent Administrator be

appropriately documented during the finalization process and, where relevant, accompany the publication of the Report.

Conclusion

The Timor-Leste EITI 2024 Report comes at a critical moment for the future governance of natural resources and national economic sustainability. Bayu-Undan production has ended, the State Budget and Timor-Leste's economy continue to depend on the Petroleum Fund, and the promotion of minerals and decisions concerning Greater Sunrise demonstrate the need for a broader public debate that goes beyond the disclosure of financial data and incorporates a multidimensional perspective.

EITI should help the public better understand how natural resources are governed, who benefits, who bears the costs and risks, and how these decisions will affect present and future generations.

La'o Hamutuk believes that effective transparency, meaningful participation by all stakeholders, institutional accountability and public oversight are fundamental to responsible natural resource governance. Timor-Leste's non-renewable natural resources must be managed prudently, responsibly and in the public interest so that they contribute to sustainable and equitable development.

La'o Hamutuk respectfully submits these comments and recommendations to the Timor-Leste EITI Multi-Stakeholder Working Group (MSWG) and the Independent Administrator (IA), with the hope that they will be carefully considered during the preparation of the Timor-Leste EITI 2024 Report.

La'o Hamutuk recognizes the efforts and technical work undertaken by the MSWG, the Independent Administrator, the Government, companies, and other stakeholders. These comments are submitted constructively with the objective of strengthening the quality, credibility, relevance, and public usefulness of the 2024 Report.

La'o Hamutuk remains ready to continue contributing to the Timor-Leste EITI process and to public debate on natural resource governance, transparency, accountability, social justice, environmental protection, and economic sovereignty.

With respect,

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