

Impact of an Exclusive Economic Zone delimitation on East Timor's petroleum revenue



TIMOR SEA PETROLEUM SEMINAR

Sponsored by Petrotimor
Dili, East Timor, March 23, 2002

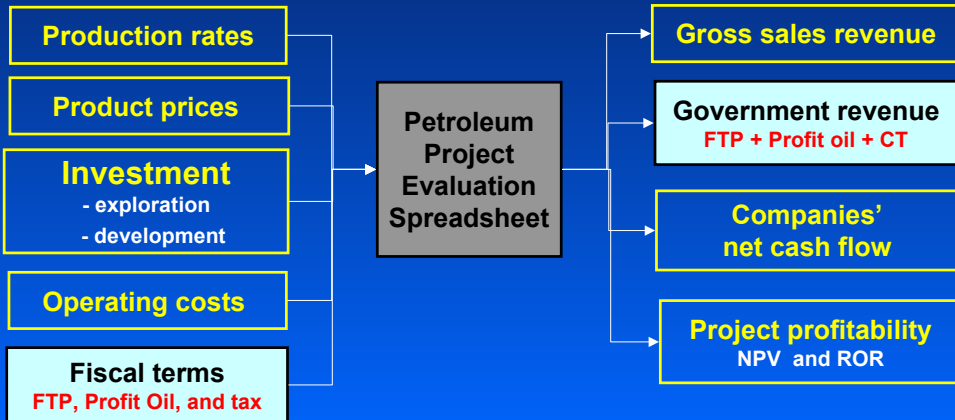
Presentation by Geoffrey McKee • G A McKee & Associates Pty Ltd • Oil & Gas Project Development Services • Sydney • Australia

APPENDIX

Petroleum revenue forecasting

INPUT DATA

OUTPUT DATA

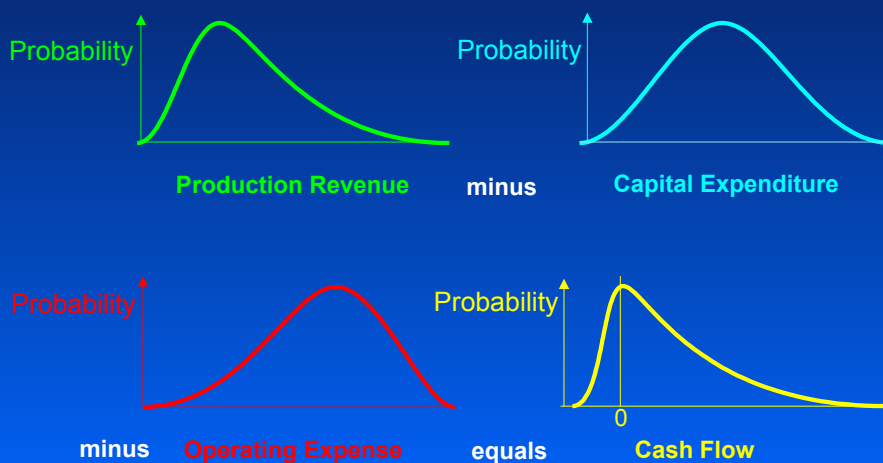


Timor Sea Petroelum Seminar - Dili, East Timor, March 23, 2002

3

At best revenue forecasts informed guesswork...

due to **UNCERTAINTY** and **RISK**



After: J Brashear, SPE Distinguished Lecturer series, Sydney, Feb 2002

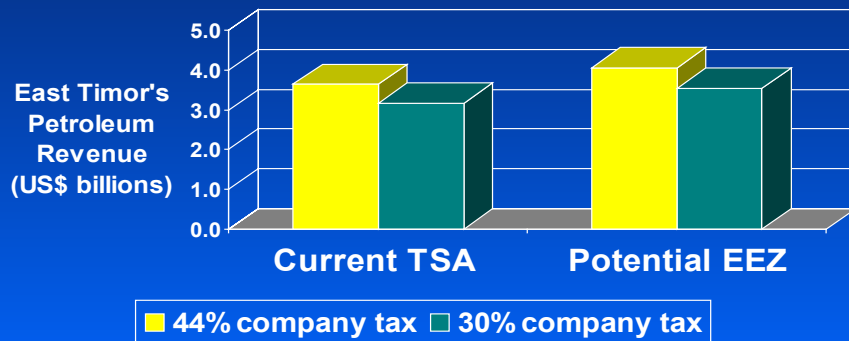
Timor Sea Petroelum Seminar - Dili, East Timor, March 23, 2002

4

Bayu-Undan liquids project

Impact of company tax rate

- cumulative dollars-of-the day over project life



Timor Sea Petroleum Seminar - Dili, East Timor, March 23, 2002

5

Bayu-Undan liquids project

	East Timor's company tax rate	Current joint development arrangements US\$ millions	East Timor EEZ jurisdiction US\$ millions
<i>Base case, August 2001</i>			
Australian revenue		353	Nil
East Timorese revenue	44%	3,642	4,051
Total governments take		3,998	4,051**
<i>Impact of lower effective company tax rate</i>			
Australian revenue		353	Nil
East Timorese revenue	30%	3,174 (↓ 468)	3,527 (↓ 524)
Total governments take		3,527	3,527

*Basis: cumulative, undiscounted dollars-of-the-day over life of project. Fiscal scheme as for 5 July 2001 Timor Sea Arrangement (includes the 127% investment credit). Australian company tax rate 30%, East Timor's tax rate as shown. Arrows show change in East Timor's projected revenue relative to base case. **refer Attachment 1 for project evaluation model details of this base case*

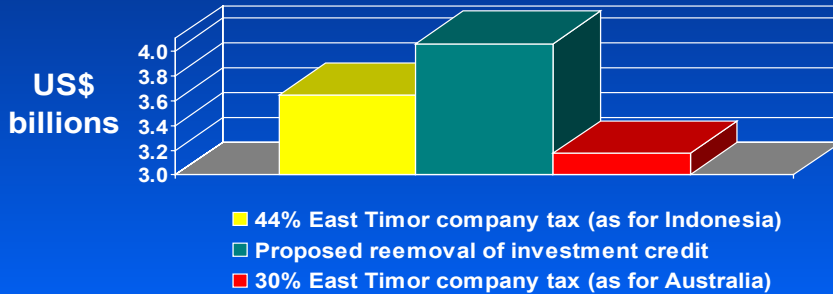
Timor Sea Petroleum Seminar - Dili, East Timor, March 23, 2002

6

BAYU-UNDAN LIQUIDS PROJECT

Impact of taxation on East Timor's share of petroleum revenue

Cumulative dollars-of-the day over project life
Current (unratified) joint development arrangement



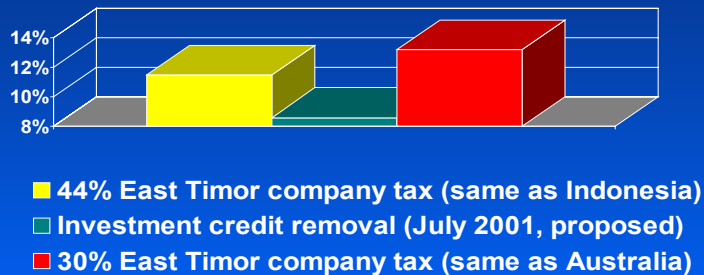
Timor Sea Petroleum Seminar - Dili, East Timor, March 23, 2002

7

BAYU-UNDAN LIQUIDS PROJECT

Impact of taxation on rate on Companies' rate of return

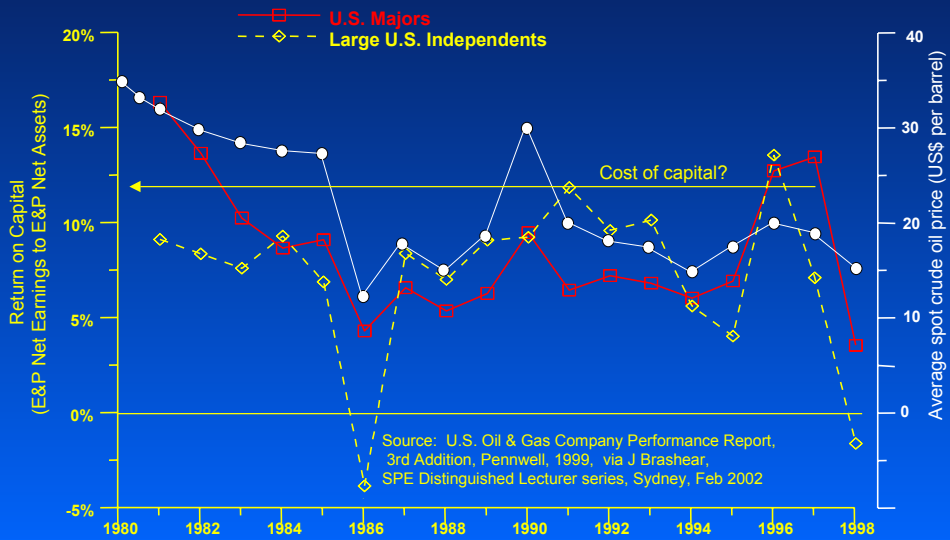
Cumulative dollars-of-the day over project life
Current (unratified) joint development arrangement



Timor Sea Petroleum Seminar - Dili, East Timor, March 23, 2002

8

Return on capital for oil companies.....



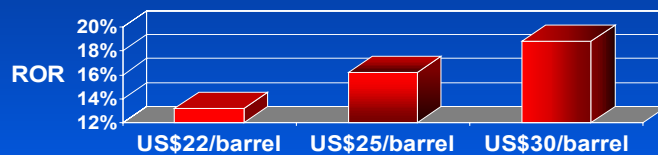
Timor Sea Petroelum Seminar - Dili, East Timor, March 23, 2002

9

BAYU-UNDAN LIQUIDS PROJECT

Impact of oil price on project rate of return

Current Timor Sea Arrangement with 30% company tax rate

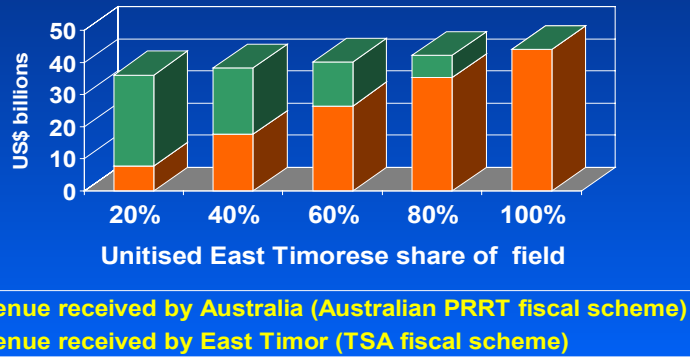


Timor Sea Petroelum Seminar - Dili, East Timor, March 23, 2002

10

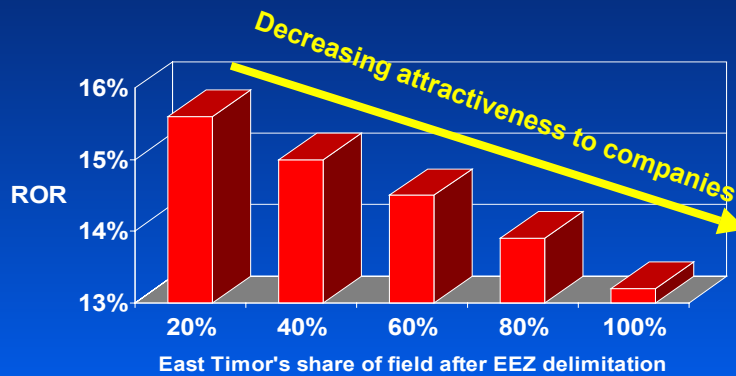
Sunrise FLNG development scenario
Indicative government revenue
under differing EEZ boundary delimitation assumptions

Cumulative dollars-of-the day over project life



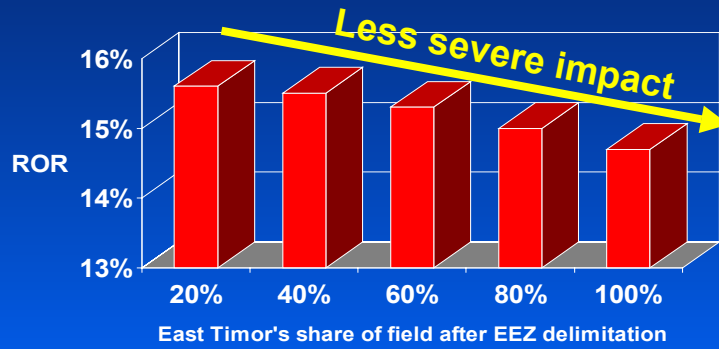
SUNRISE FLNG PROJECT

Companies' rate of return @ 44% East Timor tax rate



SUNRISE FLNG PROJECT

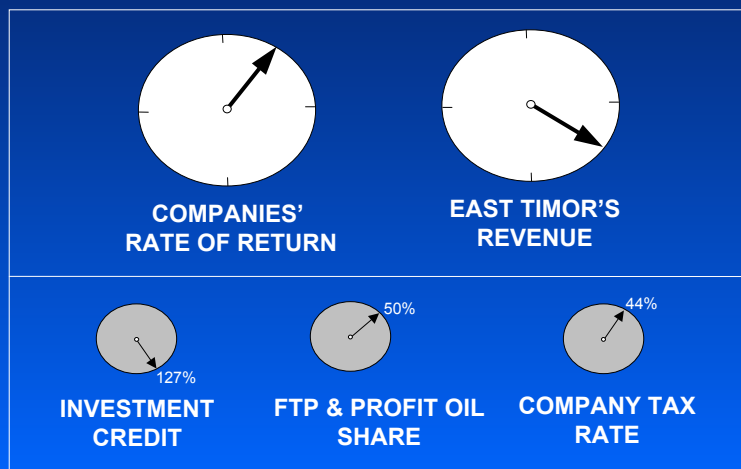
Companies' rate of return @ 30% East Timor tax rate



Timor Sea Petroleum Seminar - Dili, East Timor, March 23, 2002

13

Some government fiscal scheme controls...

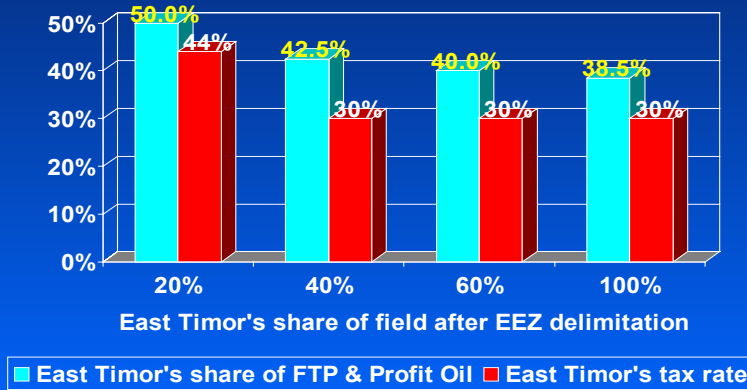


Timor Sea Petroleum Seminar - Dili, East Timor, March 23, 2002

14

SUNRISE FLNG PROJECT

Fiscal control measures to maintain companies' rate of return

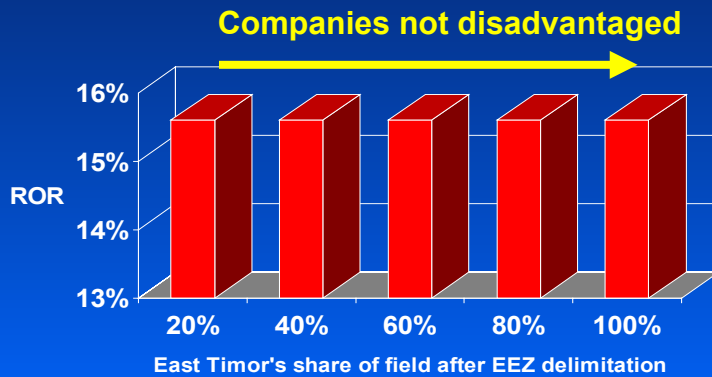


Timor Sea Petroelum Seminar - Dili, East Timor, March 23, 2002

15

SUNRISE FLNG PROJECT

Use of fiscal controls



Timor Sea Petroelum Seminar - Dili, East Timor, March 23, 2002

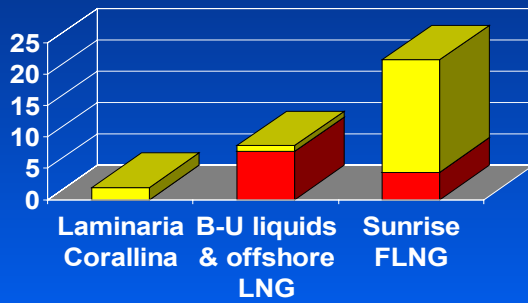
16

Summary

East Timor's indicative petroleum revenue

US\$ billions

Cumulative, de-escalated (real) 2002 dollars



All 4 projects, total 32.7

- Potential additional revenue through EEZ delimitation
- Revenue based on existing arrangement