Rights and Sustainability in Timor-Leste’s Development

Presentation by La’o Hamutuk
April 2023

What is La’o Hamutuk?

• The Timor-Leste Institute for Development Monitoring and Analysis, founded in 2000.

• Timorese and international people “walking together” on the journey to create a new Nation.

• An independent, non-partisan, Timorese, non-governmental organization which does research, policy analysis, public education and advocacy.

• A force for participatory, equitable, sustainable and evidence-based policies and practices.
1. Petroleum dependency – Timor-Leste is cursed by its (lack of diverse) resources.

2. The state budget and national economy are not sustainable.

3. If wishes were horses … dreams should (mostly) be based on reality.

4. Justice for past crimes

History in one slide

- People have lived in Timor-Leste for at least 5,000 years.
- Portuguese colonized nearly 500 years ago.
  - They brought Catholicism but little development or education.
  - Onshore oil exploration started in 1890s.
- Australia, then Japan, invaded in 1941-45.
  - 40,000-60,000 Timorese killed in WWII, which didn’t involve them.
- Portugal’s military dictatorship resumed control in 1945.
  - Offshore oil exploration began in the 1960s.
- Portugal began decolonizing in 1974.
  - After Carnation Revolution brought down Portuguese dictatorship
  - TL declared independence 28 November 1975 … but 10 days later
- Indonesia invaded on 7 December 1975.
  - Indonesia killed 100,000-200,000 Timorese in 24-year occupation.
- Referendum in 1999, then 2½ years of UN rule.
- Finally restored independence on 20 May 2002.
  - Oil income surged in 2005-2007, but is declining since 2012.
1. Petroleum Dependency

Timor-Leste has been one of the world’s most petroleum-export-dependent countries.

This determines our State, our economy and our future.

Basic Statistics

- One-third of Timor-Leste’s people live in poverty, 46% in multi-dimensional poverty.
- Two-thirds of people live in rural areas, largely by subsistence farming.
- Poor sanitation and malnutrition are endemic. We have the second-worst Global Hunger Index on the planet.
- About 1,200 Timorese children under 5 years old die from preventable conditions every year ... 30 times as many people as die from homicide.
Our children are the most poorly nourished in the region.

- The majority of rural children are stunted.
- A malnourished child could be permanently damaged.
- Half of Timor-Leste’s people are less than 20 years old.
- Many undernourished or under-educated children will not become productive workers or optimal parents.

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<thead>
<tr>
<th>Petroleum Dependency (nominal USD)</th>
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<tr>
<td>Petroleum GDP</td>
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<tr>
<td>Non-oil GDP</td>
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<td>Productive (agric. &amp; manuf.)</td>
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- State revenues in 2022:................ negative $632 million
  - $1,891 million loss from investing the Petroleum Fund
  - $1,087 million from oil and gas revenues
  - $172 million from non-petroleum sources
- Executed 2022 State Budget:........ $1,741 million ($2,101m appropriated)
  - $1,404 million transferred from the Petroleum Fund
  - $172 million from non-petroleum (domestic) revenues
  - $30 million from loans which will have to be repaid
  - $4 million from donors in direct budget support
  - $303 million from money allocated but not spent in prior years
- State activities, paid for with oil money, are nearly half of the ‘non-oil’ economy because some of this money circulates in the local economy.
- Petroleum and investment ‘income’ goes to the state, not to the people.

Only South Sudan, Libya (and Equatorial Guinea?) are more dependent on oil and gas exports than Timor-Leste was before 2014.
But we don’t have very much oil.

<table>
<thead>
<tr>
<th>Timor-Leste (70% Sunrise)</th>
<th>TL without Sunrise</th>
<th>Australia (30% Sunrise)</th>
<th>Australia without Sunrise</th>
<th>Indonesia</th>
<th>Brunei</th>
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<tbody>
<tr>
<td>Verified oil and gas reserves at the end of 2020 (million barrels equiv.)</td>
<td>774</td>
<td>18</td>
<td>16,450</td>
<td>16,130</td>
<td>9,800</td>
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<tr>
<td>Oil and gas reserves per capita (barrels/person)</td>
<td>587</td>
<td>14</td>
<td>645+</td>
<td>632+</td>
<td>36</td>
</tr>
<tr>
<td>How long the reserves will last at 2020 production rates (years)</td>
<td>24</td>
<td>0.6</td>
<td>16+</td>
<td>16+</td>
<td>15</td>
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</table>

Our seas have been explored for half a century, and our land for longer.

Bayu-Undan and Kitan are the only proven fields, and they are almost depleted.
Sunrise awaits investors.
Buffalo came up dry.
There may be no others which are commercially viable.
## Pending projects may not help much.

<table>
<thead>
<tr>
<th>Project</th>
<th>Operator (partners)</th>
<th>Oil &amp; gas reserve (mmBOE)</th>
<th>Possible future revenues (million USD)</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bayu-Undan</td>
<td>Santos 46% (SK E&amp;S, Inpex, Eni, JERA/Tokyo Gas)</td>
<td>20</td>
<td>$200</td>
<td>Produced 840 mmBOE since 2004, will end in March 2023.</td>
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<tr>
<td>Greater Sunrise</td>
<td>Woodside 33% (TimorGAP 57%, Osaka Gas)</td>
<td>1,080</td>
<td>?</td>
<td>Discovered in 1974. Seeking financing to proceed with development. High capital costs. TL will get 70% of state revenues. Woodside and TimorGAP revalued the project to zero in 2020.</td>
</tr>
<tr>
<td>Buffalo</td>
<td>Carnarvon 50% (Advance Energy)</td>
<td>0</td>
<td>0</td>
<td>Test well drilled in 2021-22 was not commercially viable. Project abandoned.</td>
</tr>
<tr>
<td>Onshore (CovaH)</td>
<td>Timor Resources 50% (TimorGAP)</td>
<td>40</td>
<td>$600</td>
<td>First test wells drilled in 2021; data still being analyzed.</td>
</tr>
<tr>
<td>Chuditch</td>
<td>Baron Oil 75% (TimorGAP)</td>
<td>588 (?)</td>
<td>?</td>
<td>Shell drilled a test well in 1998 but did not continue. New owners to decide by mid-2023 whether to drill more.</td>
</tr>
<tr>
<td>Four other</td>
<td>TimorGAP and Eni</td>
<td>?</td>
<td>unlikely</td>
<td>Not enough work has been done to estimate possible reserves. No wells planned.</td>
</tr>
<tr>
<td>contract areas</td>
<td></td>
<td>?</td>
<td>?</td>
<td></td>
</tr>
<tr>
<td>Five recent</td>
<td>TimorGAP, ETO, HTS, Santos, Eni</td>
<td>?</td>
<td>?</td>
<td>No exploration has been done yet.</td>
</tr>
<tr>
<td>contract awards</td>
<td></td>
<td>?</td>
<td>?</td>
<td></td>
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<tr>
<td>from bid round</td>
<td></td>
<td>?</td>
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</table>

## The price of oil goes up and down, but Timor-Leste’s reserves are used up.

![Brent crude oil price (USD/Barrel)](chart.png)
In the 2019-2022 Bidding Round, ANPM hopes companies will explore more.

Nearly all these areas have already been explored.

Due to Covid-19, little interest, and the low price of oil, Timor-Leste extended the bid deadline twice.

Five new contracts have been offered.

Since 1910, oil companies have drilled 97 exploration wells here. They found eight commercially viable reserves. Kitan is the only one discovered in the last 20 years.
Oil and gas income has been falling since 2012.
Production is dropping, and will not go back up when prices do. 
The price will be irrelevant when we have nothing left to sell.

Bayu-Undan is nearly depleted.

Daily gas and liquid production rates from Bayu-Undan

Graph by La'o Hamutuk based on data from U.S. EIA, AEO 2022 and BOTL ANPM, Ministry of Finance and Central Bank. March 2023
Where TL’s oil income comes from

Where the Petroleum Fund gets its money

Spending exceeds income.

State (including Petroleum Fund) income and expenditures

Graph by La'o Hamutuk based on data and projections from NDOL, AMPM, EITI reports, Ministry of Finance and Central Bank. Feb. 2023
Sunrise and maritime boundary dispute

- Australian companies began exploring Sunrise in the early 1970s, after Australia and Indonesia divided our maritime resources without involving Portugal. In 1989, they closed the “Timor Gap” to share illegally occupied resources in the Joint Development Area.

- The 2006 CMATS treaty banned maritime boundaries discussion for 50 years. It divided Sunrise upstream revenues 50-50.

- Australia put its greed for oil before respect for its sovereign neighbors or international law.

- Based on UNCLOS, TL owns fields north of the median line, and lateral boundaries should move outward.

- In January 2017, Australia accepted Timor-Leste’s request to revoke the entire CMATS Treaty. A permanent boundary treaty was signed in March 2018 and came into force in August 2019.

Conspiring to steal Timor’s wealth

In 2018, Australia and Timor-Leste agreed on a boundary and on Sunrise revenue sharing – but the gas pipeline was not settled by the Treaty.

The Greater Sunrise stalemate

- The project was stalled because Timor-Leste and the companies do not agree on how it should be developed.
- Before 2018, Woodside and its partners believed that an undersea gas pipeline to the Darwin LNG plant used for Bayu-Undan would be more profitable.
- Timor-Leste wants a pipeline from Sunrise to Beaçu, to get more jobs and revenues, and to anchor the Tasi Mane project.
- Under contracts and treaties, the companies propose the development plan, but both governments need to approve it.
- Because of Australian spying, TL forced Australia negotiate a boundary treaty, but the 2019 agreement did not settle where the pipeline will go.
- Timor-Leste bought 57% of Sunrise from ConocoPhillips and Shell to control the decision.
- The impacts of Covid-19 have caused companies everywhere to delay or cancel projects. In 2020, both Woodside and TimorGAP devalued Sunrise to zero.
- New leaders in TL’s petroleum sector are re-evaluating the project.
Petroleum revenue peaked in 2012, and this is how it flowed in and out of the Petroleum Fund that year.

The basic structure is the same, but the numbers changed, and Australia no longer gets a cut.

From 2005 thru 2022:

- $24.9 bn oil revenues
- $7.5 bn invest. returns
- $15.0 bn withdrawn
- $17.4 bn balance

We’re spending down our birthright.

The Petroleum Fund reached $17 billion in mid-2015 and fell below $16 bn by the end of 2018, the lowest balance in five years. It rose in 2019-2021 and will be falling since then, leading to a fiscal cliff.
We’ve moved from oil dependence to relying on our savings.

Balance in Timor-Leste’s Petroleum Fund

Graph by L’o’Hamutuk based on Timor-Leste Central Bank Monthly Reports, April 2023

Signs of the ‘resource curse’ (1)

• Acting as if the oil money will last forever
  Bayu-Undan will be dry this year.

• Dreaming of more riches from the earth
  which will be received without doing hard work.

• Borrowing today, to repay tomorrow
  TL may borrow billions for projects with little chance of return.

• Lack of realistic long-term planning
  The Strategic Development Plan 2011-2030 is but a dream;
  Tasi Mane and ZEESM may have greater costs than benefits.

• Using money to ‘solve’ every problem
  It’s easier to buy a scholarship than to manage a university.
Signs of the ‘resource curse’ (2)

• Spending without thinking

• Import dependency
  The non-oil trade deficit is more than a billion dollars every year.

• Ignoring non-oil development and revenues
  Farming is too hard to envision, even as oil runs out.

• Benefits flow to the urban and political elite.
  Most people won’t use highways, airports and oil facilities ..., but will share the costs of paying for them.

• Petroleum captures decision-making.
  Agriculture, tourism, small industries, etc. don’t get a ‘fair go.’

2. Unsustainable budget and economy

Timor-Leste has almost no industry and a tiny private sector.

From 2008 through 2016, state spending grew faster than nearly every country in the world.
Budgeted & executed spending

State Budgets 2002-2023

State Revenues and Expenditures (including autonomous agencies)
2002-2022 executed
2023 approved
The money doesn’t match the promises.

Sector breakdown for 2023
Total budget = $2,106 million

- The government’s ‘priority sectors’ of health, education, water supply and agriculture all together will get only 17% of the budget.
- $48 million in internal Social Security transfers are not included in this graph.

Income for the state budget

$1,920 million total (excluding Vet’s Fund & Soc.Sec. internal transfers)
86% is from the Petroleum Fund in the past, present or future.

- Above Estimated Sustainable Income from Petroleum Fund 45%
- ESI from Petroleum Fund 26%
- Taxes 8.0%
- Loans 3.9%
- Carryover in RESDA 6.2%
- Cash balance 10%
- User fees & Autonomous agencies 1.1%
- Donor budget support 0.3%

Cash balance, carryover and loan repayments are mostly Petroleum Fund money in the past or future.
Donor support is less important now.

Since 2008, donors have spent between $170 and $280 million each year, but most of this money doesn’t come into the local economy. The donor percentage dropped because Timor-Leste is spending more of its own money.

Recent budget execution
Hasty end-of-year spending is neither effective nor efficient, but spending was slow in Jan-Sep 2018 and in Jan-Oct 2020 without approved budgets.
Human security is health care, food, education, employment, housing, etc.

20 times as many Timorese children under five die from avoidable conditions as people are killed by violence.

These children will not be helped by police, soldiers or judges, but many donors prioritize the “security sector,” seeing everything through a conflict lens.

We must diversify our economy and strengthen our people and workers to prepare for the day our oil runs out and we can no longer pay for imports.

The graph shows legal goods trade only. Three-fourths of donor spending and two-thirds of state spending leaves the country.
More money goes out than comes in.

<table>
<thead>
<tr>
<th>2022 trade:</th>
<th>services</th>
<th>goods</th>
<th>total</th>
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<tbody>
<tr>
<td>Imports</td>
<td>$663m</td>
<td>$786m</td>
<td>$1,449m</td>
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<tr>
<td>Exports</td>
<td>$56m</td>
<td>$29m</td>
<td>$85m</td>
</tr>
<tr>
<td>Deficit</td>
<td>-$607m</td>
<td>-$757m</td>
<td>-$1,364m</td>
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</table>

Prices are rising here and around the world.
Agriculture will get less than 1% of state expenditures in 2021, although it is the livelihood of 65% of the population.

Most people live in rural areas by subsistence agriculture.

What do 820,000 Timorese people aged 15-64 do for work?

Data compiled by LH from several sources.
Many children are becoming workers.

Timor-Leste’s working age population increases by more than 20,000 people every year.

In 2021, private sector employment was 52,200. We had 10,000 more jobs seven years earlier.

Many children are becoming youth.

Timor-Leste’s working age population is increasing by more than 20,000 people every year.

In 2021, private sector employment was 52,200, 10,000 less than it had been in 2014.
Timor-Leste lost 10,000 private sector jobs during the last seven years. The potential labor force increased by about 150,000 people. The Government promised to create 60,000 new jobs each year. An LNG plant in Beacu will employ about 350 workers.

The potential workforce grows by more than 20,000 people every year, but private sector employment dropped 16% from 2014 to 2021. Half the population is under 21 years old.
60% of Dili’s population are among the wealthiest 20% of Timorese, while only 7% are below the poverty line.

More than half of the families outside Dili live in poverty.

Oil GDP fell 85% between 2012 and 2016.
## Timor-Leste’s constant-prices GDP (including oil) is falling and uncertain.

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<tbody>
<tr>
<td>IMF Article IV Report (2019)</td>
<td>May 19</td>
<td>-12.3%</td>
<td>1.3%</td>
<td>6.6%</td>
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<tr>
<td>RDTL Nat’l Accounts (2017)</td>
<td>Apr 19</td>
<td>11.5%</td>
<td>5.0%</td>
<td>11.1%</td>
<td>25.9%</td>
<td>20.6%</td>
<td>0.7%</td>
<td>-9.2%</td>
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<td>RDTL Nat’l Accounts (2016)</td>
<td>Jan 18</td>
<td>11.8%</td>
<td>5.0%</td>
<td>11.0%</td>
<td>26.0%</td>
<td>20.9%</td>
<td>0.8%</td>
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<td>IMF Article IV Report (2017)</td>
<td>Dec 17</td>
<td>-26.0%</td>
<td>20.9%</td>
<td>-7.9%</td>
<td>-8.0%</td>
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<td>RDTL Nat’l Accounts (2015)</td>
<td>April 17</td>
<td>11.9%</td>
<td>4.8%</td>
<td>10.9%</td>
<td>26.0%</td>
<td>20.9%</td>
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<td>RDTL Nat’l Accounts (2014)</td>
<td>June 16</td>
<td>10.6%</td>
<td>1.9%</td>
<td>12.8%</td>
<td>-27.8%</td>
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<td>IMF Art. IV Consult. (2016)</td>
<td>May 16</td>
<td>5.3%</td>
<td>13.9%</td>
<td>15.8%</td>
<td>-0.6%</td>
<td>-8.8%</td>
<td>-12.9%</td>
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<tr>
<td>RDTL Nat’l Accounts (2013)</td>
<td>June 15</td>
<td>12.6%</td>
<td>5.2%</td>
<td>13.9%</td>
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<td>IMF Art. IV Consult. (2014)</td>
<td>Oct 14</td>
<td>7.9%</td>
<td>10.4%</td>
<td>10.7%</td>
<td>10.2%</td>
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<td>IMF Article IV Report (2013)</td>
<td>Dec-13</td>
<td>7.3%</td>
<td>5.7%</td>
<td>-3.2%</td>
<td>-6.9%</td>
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Total GDP per capita is lower than it was in 2006, before the oil boom. The population is growing faster than the economy is.

## Timor-Leste’s constant-prices non-oil GDP growth is erratic and less than predicted.

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<tbody>
<tr>
<td>RDTL proposed 2023 Budget</td>
<td>Oct 22</td>
<td>1.7%</td>
<td>3.4%</td>
<td>-3.1%</td>
<td>-0.7%</td>
<td>2.1%</td>
<td>-8.3%</td>
<td>2.9%</td>
<td>3.3%</td>
<td>3.5%</td>
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<tr>
<td>RDTL Nat’l Accounts 2022</td>
<td>Sep 22</td>
<td>1.7%</td>
<td>3.4%</td>
<td>-3.1%</td>
<td>-0.7%</td>
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<td>WB TL Economic Report</td>
<td>May 21</td>
<td>1.3%</td>
<td>3.4%</td>
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<td>RDTL 2021 Budget</td>
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<td>WB TL Economic Report</td>
<td>Dec 19</td>
<td>2.1%</td>
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<td>WB EAP Economic Update</td>
<td>Oct 18</td>
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<td></td>
</tr>
<tr>
<td>RDTL 2018 Budget</td>
<td>Aug 18</td>
<td>2.2%</td>
<td>5.3%</td>
<td>-5.3%</td>
<td>0.6%</td>
<td>4.5%</td>
<td>3.7%</td>
<td>4.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IMF Article IV cons. (2017)</td>
<td>Dec 17</td>
<td>4.3%</td>
<td>5.5%</td>
<td>3.0%</td>
<td>5.0%</td>
<td>5.7%</td>
<td>5.5%</td>
<td>5.5%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Non-oil, non-state GDP per capita is stagnant. Productive sectors have not grown since independence.

Businesses don’t invest in themselves.

How businesses spend the money they receive

Graph by La'o Hamutuk based on DGE Business Activities Survey 2021
3. Unrealistic dreams

Current plans for development will not sustainably improve people’s lives.

They rely on Greater Sunrise gas, which is limited and may never come to TL’s land or treasury.

The Strategic Development Plan

- Issued in 2011, hopes to make Timor-Leste an Upper Middle Income Country by 2030.
- A vision and dream, not a realistic plan.
- Focuses on physical infrastructure, not sustainable or human development.
- Will require spending far beyond TL’s means.
- Promised reviews are finally underway.
In 2010, TL began to plan the South Coast Petroleum Corridor.

During 2011-2019, Timor-Leste spent more than $500 million on it.

In 2019, Timor-Leste bought 57% ownership of Greater Sunrise for $650 million ... and will now have to pay 57% of offshore development costs.

Total capital costs could exceed $20 billion (more if Timor-Leste pays for the refinery, pipeline or LNG plant).

No investors have shown interest, before or after Covid-19.

In 2020, both Woodside and TimorGAP said that the Sunrise project was worth nothing.

**Tasi Mane project might include:**

- **Suai**: Supply base area, Industrial estates, Nova Suai, Suai Airport, Crocodile farm
- **Betano**: Refinery and petrochemical complex, Petroleum city (Nova Betano), pipelines from and to Suai
- **Beaçu**: LNG Plant complex, Nova Beaçu, Nova Viqueque, Viqueque airport
- **Highway** from Suai to Beaçu
Buying into Greater Sunrise

- Timor-Leste ‘borrowed’ $650 million from the Petroleum Fund to pay for 57% of the Sunrise Joint Venture.
- The other partners do not want to build a pipeline to Beaçu and an LNG plant there, but might go along if TL pays all the costs.
- This will eat up billions of dollars and reduce TL’s share of Sunrise upstream revenues from 80% to 70%.
- Spinoff benefits may be a mirage, and environmental, social and financial costs and risks have not been fully analyzed.
- The deals have been done with little accountability and weakened oversight.
- Few consider lost opportunity costs, more realistic and sustainable options, or what else the money is needed for.
- New petroleum sector leaders are reassessing the project, which the companies re-valued at $0 in 2020.

What will Tasi Mane really cost?
This estimates capital expenditures only, not operational costs. Most have never appeared in state budget forecasts.

<table>
<thead>
<tr>
<th>Component</th>
<th>Location</th>
<th>Status</th>
<th>Spent through 2022</th>
<th>Budgeted 2023</th>
<th>Budgeted 2024-2027</th>
<th>Estimated total capital cost</th>
<th>Forecast budgeted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport</td>
<td>Suali</td>
<td>Constructed</td>
<td>79</td>
<td>0</td>
<td>9</td>
<td>100</td>
<td>88%</td>
</tr>
<tr>
<td>Supply base</td>
<td>Suali</td>
<td>Tender pending</td>
<td>52</td>
<td>1</td>
<td>756</td>
<td>1,000</td>
<td>81%</td>
</tr>
<tr>
<td>Highway</td>
<td>Suali-Fatahul</td>
<td>Mostly built</td>
<td>303</td>
<td>-</td>
<td>49</td>
<td>340</td>
<td>103%</td>
</tr>
<tr>
<td>Highway</td>
<td>Fatahul Beace</td>
<td>Not started</td>
<td>3</td>
<td>2</td>
<td>20</td>
<td>1,320</td>
<td>2%</td>
</tr>
<tr>
<td>Airport</td>
<td>Wénaueg</td>
<td>Not started</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>75</td>
<td>0%</td>
</tr>
<tr>
<td>Oil refinery &amp; pipelines</td>
<td>Betano</td>
<td>Pending design</td>
<td>5</td>
<td>-</td>
<td>6</td>
<td>1,700</td>
<td>1%</td>
</tr>
<tr>
<td>Gas pipeline, LNG plant &amp; port</td>
<td>Sunrise Beace</td>
<td>Pending design, seeking financing</td>
<td>76</td>
<td>0</td>
<td>26</td>
<td>6,500</td>
<td>2%</td>
</tr>
<tr>
<td>57% share of Greater Sunrise Joint Venture</td>
<td>Offshore</td>
<td>Borrowed directly from the Petroleum Fund</td>
<td>650</td>
<td>-</td>
<td>-</td>
<td>650</td>
<td>100%</td>
</tr>
<tr>
<td>33% of Sunrise upstream capital expenditure</td>
<td>Offshore</td>
<td>Pending design, seeking financing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,840</td>
<td>0%</td>
</tr>
<tr>
<td>Administrative and other costs</td>
<td>DIB</td>
<td>Ongoing</td>
<td>152</td>
<td>20</td>
<td>7</td>
<td>500</td>
<td>20%</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td>1,246</td>
<td>23</td>
<td>865</td>
<td>19,025</td>
<td>11%</td>
</tr>
</tbody>
</table>

Note: This table does not include $613 million to be paid to the Petroleum Fund as interest on the loan to buy participation in the Sunrise Joint Venture.
Problems with the Tasi Mane project

- It prolongs TL’s dependency on oil and gas.
- Dubious concepts and planning; it is unlikely to provide a reasonable return on investment.
- It neglects sustainable development (agriculture, tourism, small industries etc.), exemplifying the obsession with oil.
- Nearly all the billions spent will go to foreign companies, providing hardly any local livelihoods or subcontracts. The petroleum industry creates fewer jobs than any other option.
- It will create social conflict, take up land, displace people, worsen health and degrade and endanger the environment.
- Cost projections leave out 90% of investment obligations.
- In today’s economy and oil prices, it is not financially viable.
- We can be brave, but we should also be smart.

The Government has made many unrealistic promises about revenues, profit-sharing, jobs and other benefits.

Special Market Zone in Oecusse

- In 2014-19, RDTL spent $647 million on ZEESM with no accountability. Oecusse has 6% of Timor-Leste’s population.
- What are Oecusse’s competitive advantages?
- Can ZEESM justify a $4 billion investment?

Who benefits: residents of Oecusse or political leaders?
Overbuilding ports and airports

- Timor-Leste is building a port and airport far beyond realistic traffic expectations.
- Airfares have escalated and airlines are cancelling routes.
- How will the country pay for a $6 billion annual trade deficit after the oil is gone?

Traffic forecast for Tibar Port

Timor-Leste is in debt.

- Laws in 2009 opened the door to foreign loans.
- Since 2012, TL has signed contracts to borrow $853 million:
  - $489m from the Asian Devel. Bank (ADB) for roads and Dili airport
  - $174m from the World Bank for roads, water and education
  - $113m from Japan (JICA) for roads & Dili airport
- From these contracts, $286 million has been disbursed so far.
- Future borrowing is unclear, although Sunrise and the Tasi Mane Project may be financed by borrowing billions of dollars.
- The 2023 Budget authorizes $200 million in new loan contracts.
- In 2023, Timor-Leste will pay $22 million in debt service, which could increase to more than $50 million/year after new contracts are signed and money is disbursed.

*Not including a $50 million loan from China that was invalidated by the Audit Court.
Important to consider

- Implementing the SDP will require borrowing billions, probably at commercial rates.
- Even at concessional rates, repaying loans depletes the assets in the Petroleum Fund.
- TL’s oil and gas reserves are limited, non-renewable, and 99% exhausted already. Future projects may not materialize.
- TL will have to prioritize repaying loans above spending on people’s needs or developing other sectors.
- Our children and grandchildren will inherit the debt after the oil wells have run dry.

What are the alternatives?

- Invest in human resources: education, health, and nutrition. These are prerequisites for everything else.
- Build infrastructure that people need: rural roads and water supply, local schools and clinics, decentralized renewable electricity.
- Don’t forget people outside the formal economy.
- Strengthen sectors which build on Timor-Leste’s strengths: agriculture, community-based tourism, small industries making products for domestic use.
- Adopt policies based on evidence and objective analysis, not on fantasies, politics or dreams.
4. Impunity and accountability

Impunity for past crimes undermines future stability, security and rule of law.

Impunity and accountability for crimes against humanity

- 1975-1999: Indonesian invasion and occupation killed about 180,000 people in a systematic and planned policy executed throughout Timor-Leste.

- The US, UK and Australia and others armed, trained and provided diplomatic cover for the Suharto military dictatorship until the 1990s.

- 2000: Indonesian Commission on Human Rights Abuses in TL (KPP HAM) reported on 1999 crimes and recommended an international mechanism.

- 2001-2004: UN-supported Serious Crimes Unit indicted 391 people for 1999 crimes. All Indonesian and most Timorese indictees live free in Indonesia.

- 2001-2005: TL’s Commission for Reception, Truth and Reconciliation (CAVR) researched history and encouraged reconciliation among Timorese. Its extensive report made 200 recommendations, including that if other processes fail, the UN should create an international tribunal.
Impunity continues to this day

- 2005: UN Commission of Experts (COE) reviewed legal processes to date and recommended creating an international mechanism.
- 2005: TL and Indonesian governments created the Commission of Truth and Friendship (CTF) using diplomacy to avoid individual accountability.
- 2014: Prabowo, former commander of Kopassus, ran for President of Indonesia, losing to Jokowi.
- 2016: Jokowi appointed ex-general Wiranto as Coordinating Minister for Political, Legal and Security Affairs.
- 2019: Prabowo was again a leading candidate for President. After he lost, Jokowi appointed him as Minister for Defense.

Until today, not one legitimate process in Indonesia or Timor-Leste has held major criminals accountable.

Indonesia’s occupation included many massacres.

Above: 1983 massacre in Kraras, Viqueque

Right: Commemorating the 10th anniversary of the 1999 Suai Church massacre. Indicted ringleader Maternus Bere was illegally freed due to Indonesian pressure on TL’s leaders.
UN Serious Crimes Unit Special Panel

The UN-supported Serious Crimes Unit indicted 391 people for 1999 crimes, tried 87 Timorese and convicted 84.

All Indonesian indictees and most Timorese are living free in Indonesia, and efforts to prosecute were blocked by political interference.

2004: President Xanana Gusmão and indicted ex-General Wiranto

The Serious Crimes Unit issued an arrest warrant for former Indonesian military chief Wiranto for Crimes Against Humanity weeks before this photo was taken in Bali.

Wiranto later ran twice for President of Indonesia.
Human rights groups against Wiranto’s cabinet appointment

Indonesia: Gen. Wiranto’s appointment shows contempt for human rights

27 July 2016: 14:30 UTC
Ongoing impunity creates insecurity.

- Today, all the main perpetrators of crimes against humanity during the Indonesian occupation are free in Indonesia, including everyone responsible for the 99% of occupation-related killings committed between 1975 and 1998.
- They are all protected by the Indonesian government, and many hold high Indonesian political and military positions.
- This ongoing impunity greatly threatens peace, security, democracy, rule of law and moral values in both Timor-Leste and Indonesia.

UN Special Rapporteur on Extreme Poverty

“Ending impunity is an essential prerequisite to ensuring stability, peace and sustainability. The Special Rapporteur encourages the State to take measures to ensure that post-conflict justice and reconciliation is prioritized and that a legal framework is put in place to ensure that those responsible for serious crimes during the conflict are called to account for their deeds, and the victims of those crimes are able to access reparations. She also reminds the Government of Indonesia, the United Nations and the international community of the role they must play in ensuring that the perpetrators of crimes during the Indonesian occupation are brought to justice.”

June 2012 report to Human Rights Council
Today, neither Indonesia, Timor-Leste nor the international community has the political will to bring these criminals to justice. The Commission of Experts report has never been discussed in the Security Council. UNMIT left Timor-Leste at the end of 2012, having failed to achieve justice. Recent executive interference in the court system further weakens the rule of law. UN policy and global consensus says that there can never be impunity for crimes against humanity. Chega!

A luta continua. We continue to demand that people who violate the law be held accountable for their crimes.
Thank you.

You will find more and updated information at

- La’o Hamutuk’s website
  https://www.laohamutuk.org
- La’o Hamutuk’s blog
  https://laohamutuk.blogspot.com/

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