

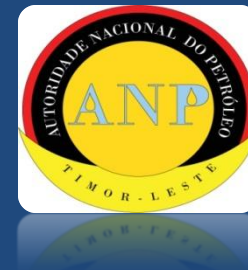
Revenue Management in Timor-Leste

“An Overview to the Roles and Duties of the Autoridade Nacional do Petróleo (ANP) Timor-Leste “

Petroleum Fund Management Seminar

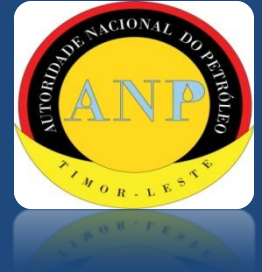
Dili 11, May 2010

Gualdino da Silva
ANP- President



Content...

- Organization, Its Roles and Functions
- Areas of Jurisdiction & Legal Framework
- Projects + Activities + Petroleum Potentials
- PSC Regimes in Place
- Coordination With Relevant Stakeholders



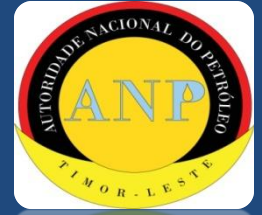
- Established based on Decree Law no. 20/2008 of the Democratic Republic of Timor-Leste
- It is a public institution
- Under the tutelage of the Secretary of State for Natural Resources
- Independent in finance & administration

MISSION



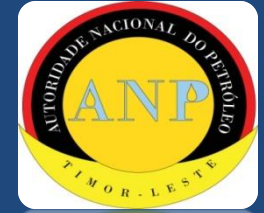
- To maximize revenue and multiplier economic benefits;
- To maximize the participation of Timor – Leste in the development of its petroleum sector;
- To promote best Health, Safety and Environmental practices;
- To develop the institutional capacity of the Timor-Leste petroleum sector.

AUTORIDADE NACIONAL DO PETRÓLEO



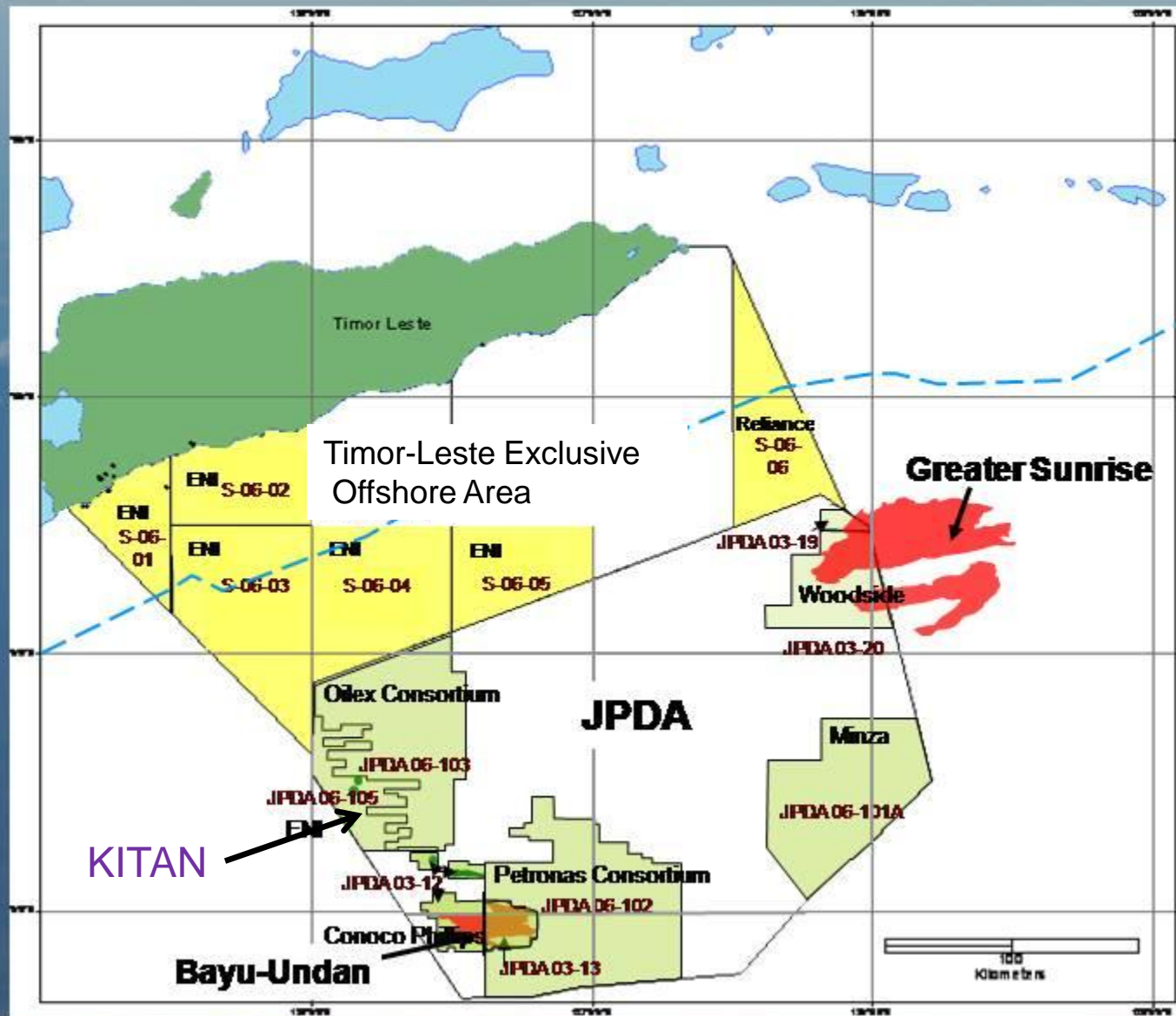
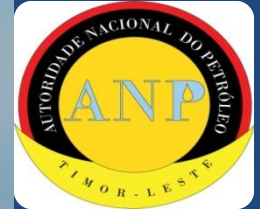
- ... exercises its authority pursuant to Petroleum Act Law, the TST, and the Decree Law no.20/2008
- ❖ *Areas of Responsibility:*
 - Managing petroleum resources & regulating petroleum activities in onshore of TL, TL Exclusive Offshore, & the JPDA
 - Ensuring operators compliance with Petroleum Mining Code, Regulations & PSCs
 - Regulating & monitoring downstream activities
 - Promoting acreages for further investment

- Area of Jurisdiction

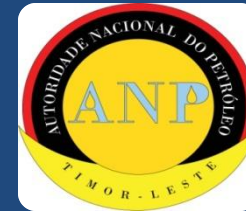


- JPDA : Timor Sea Treaty, IPMC and PMC, Regulations , Directions, PSCs.
- TLEA is Petroleum Act, PSCs

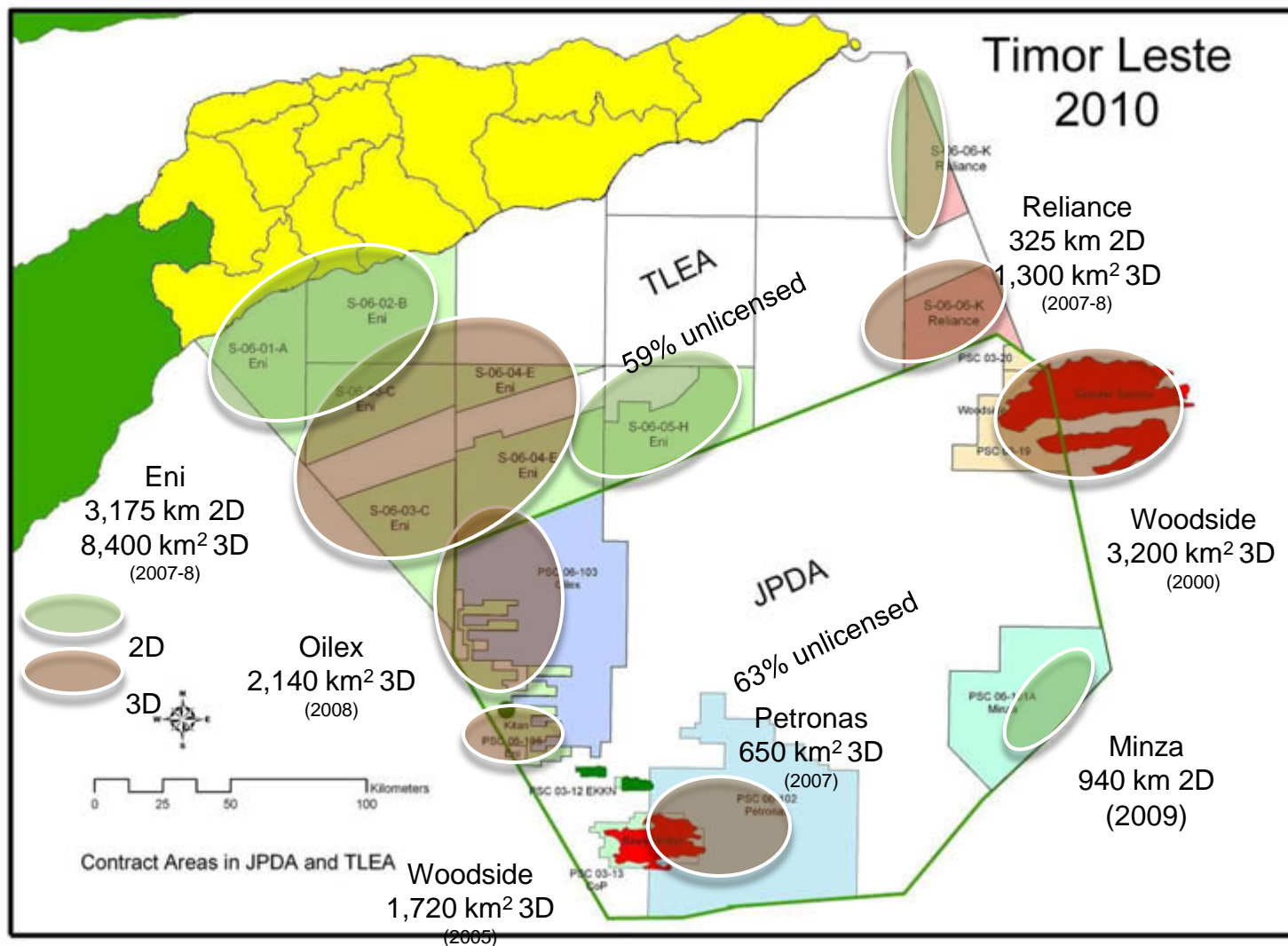
Present Petroleum Projects

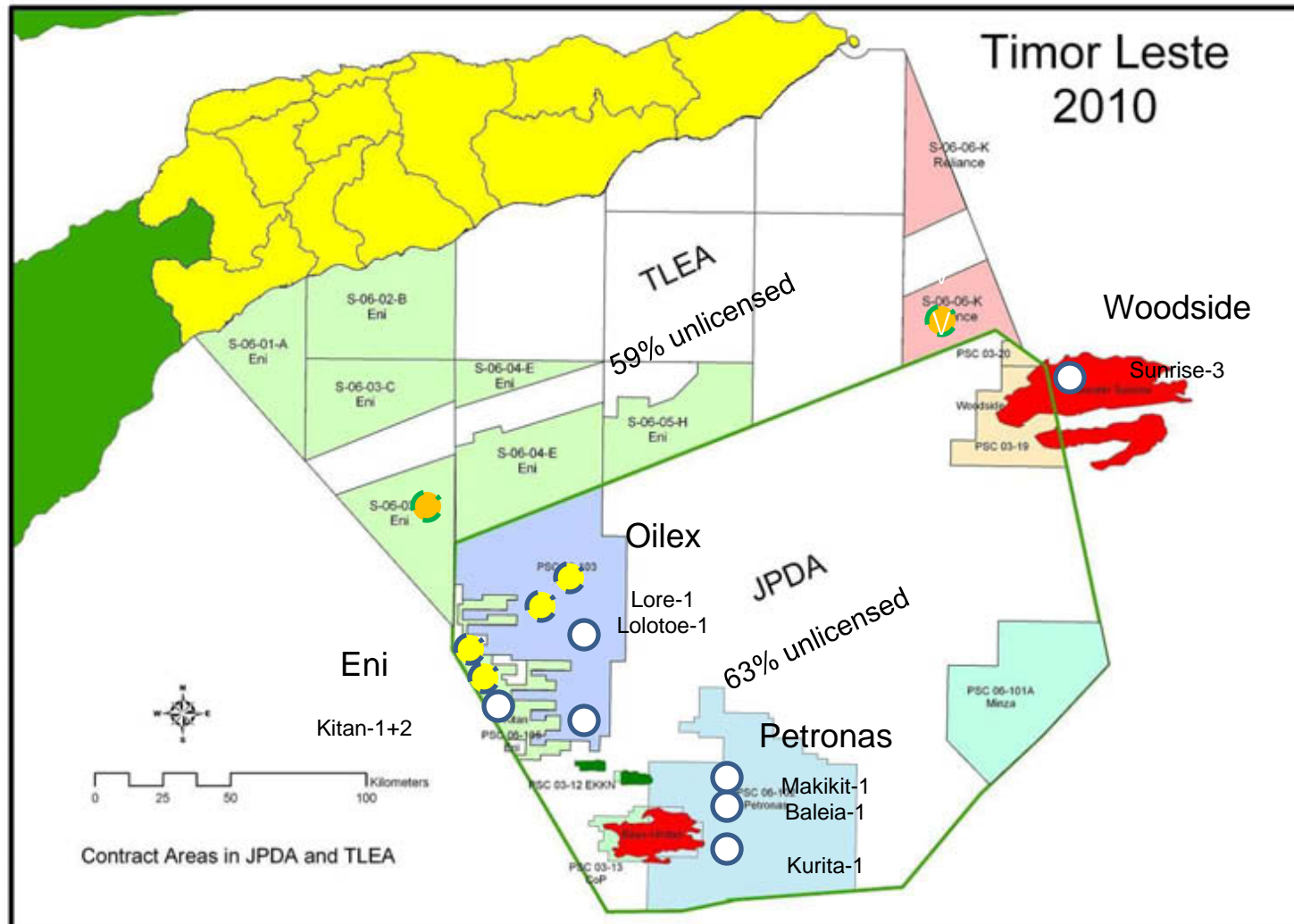


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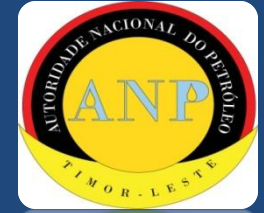


Recent TLEA/JPDA Seismic Acquisition



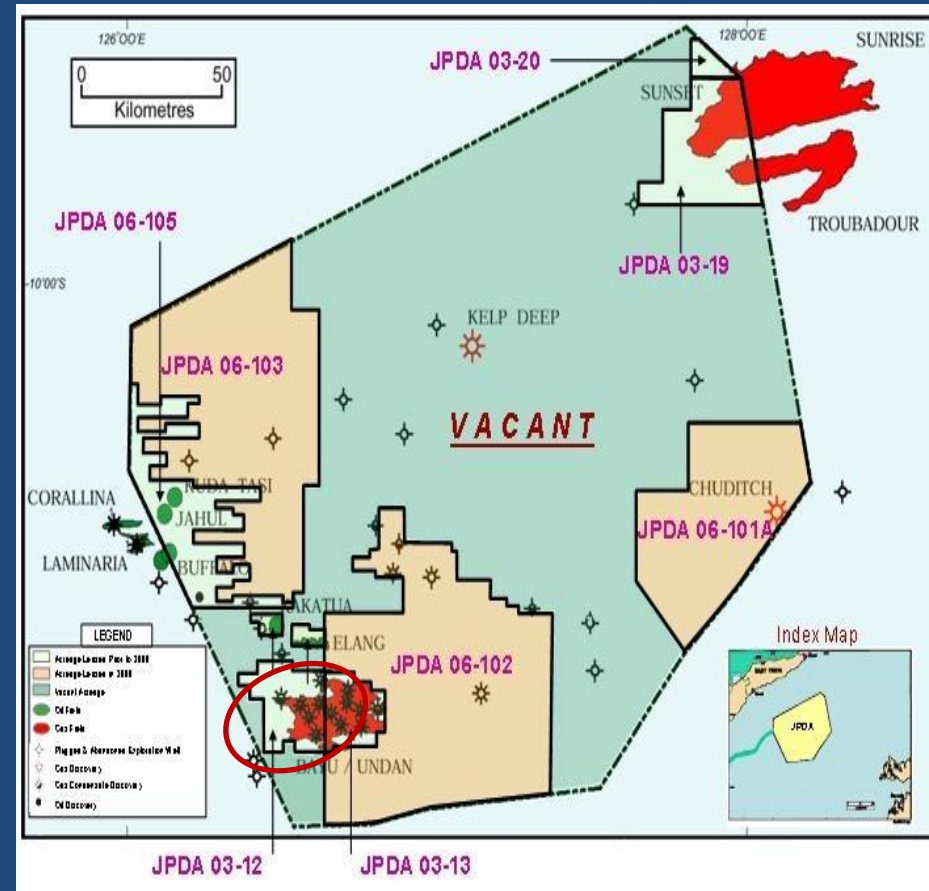


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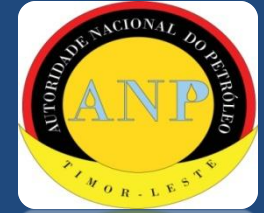


JPDA 03-12, 03-13 (Bayu-Undan Field)

- Operated by ConocoPhillips
- First production in July 2004
- Daily liquids production 100,000 to 110,000 bbls/day
- Gas produced ~ 1 bcf per day --- 500 mmscf is exported to Darwin LNG Plant and 500 mmscf is injected back into reservoir.
- Estimated reserves are 4 Tcf of gas, and 500 mmbbls of liquids.
- Contracts end in 2022 & 2023
- EKN Oil Field ceased to produce oil in July 2007

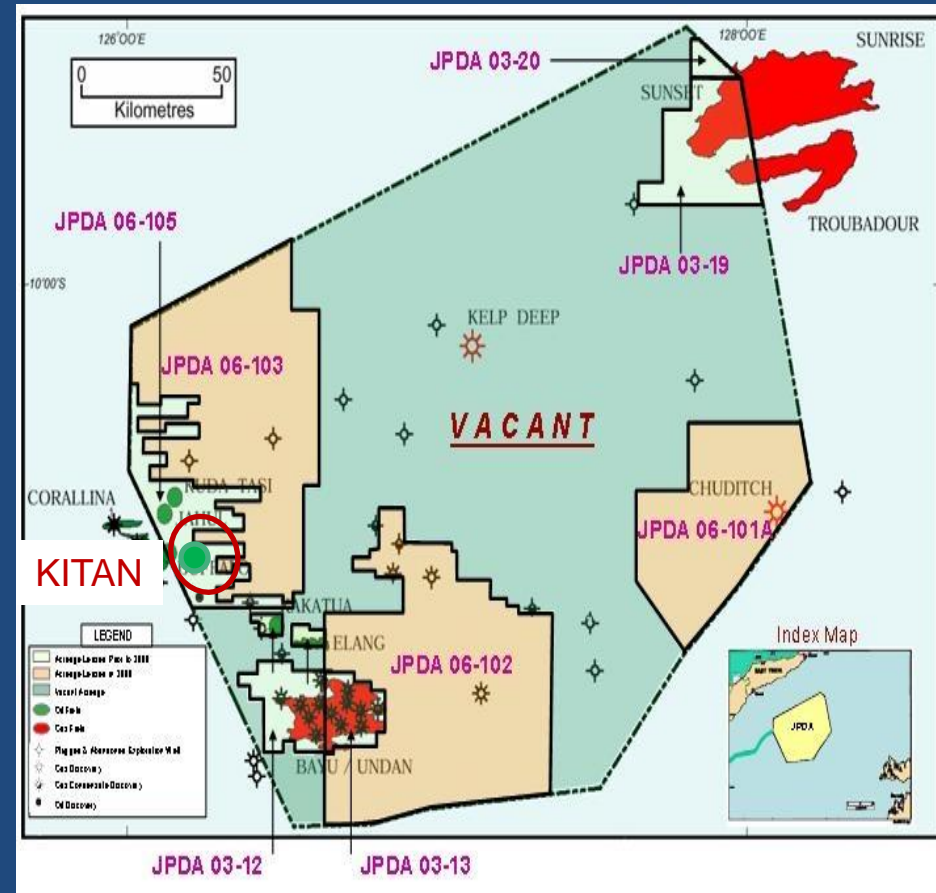


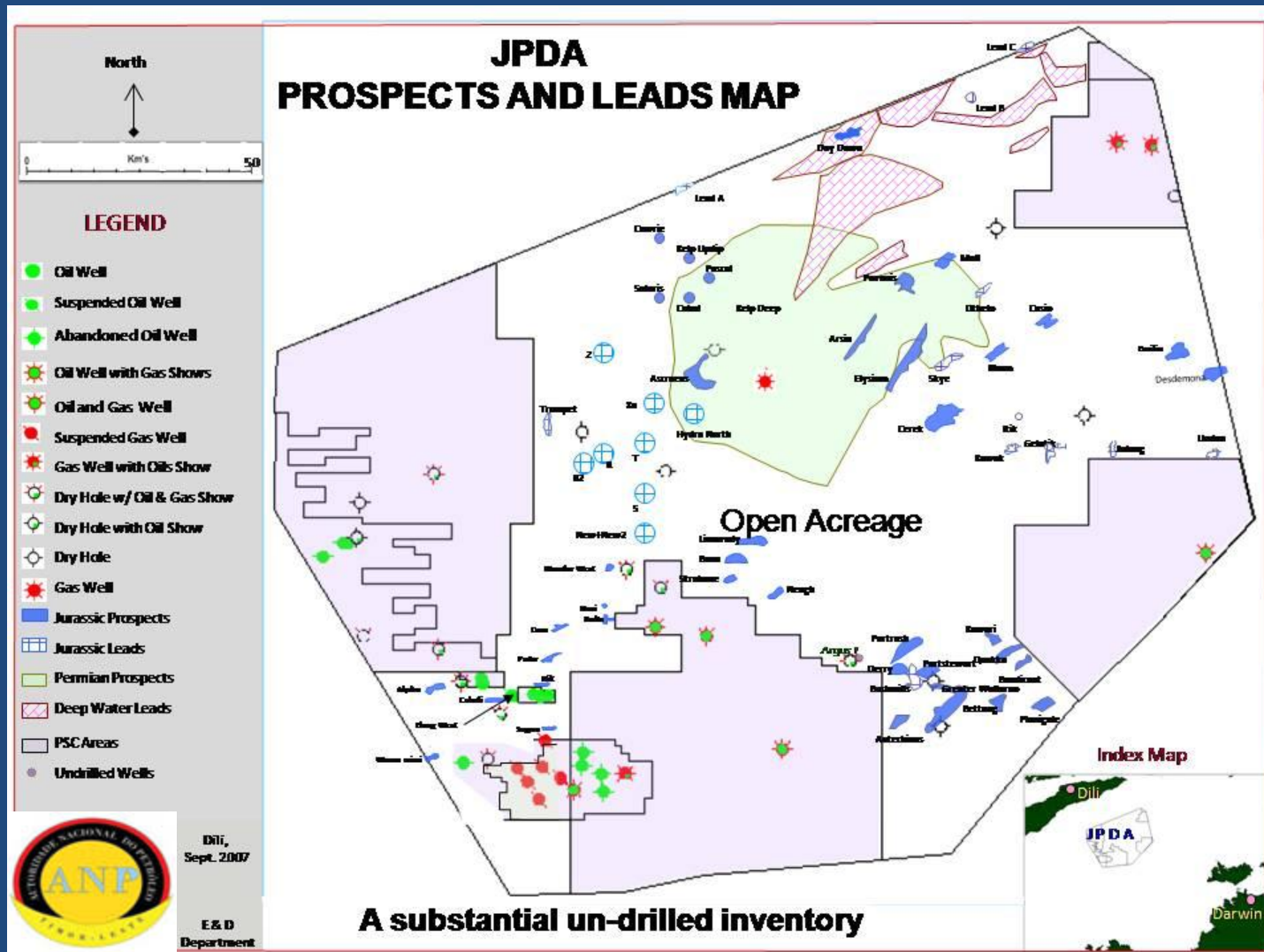
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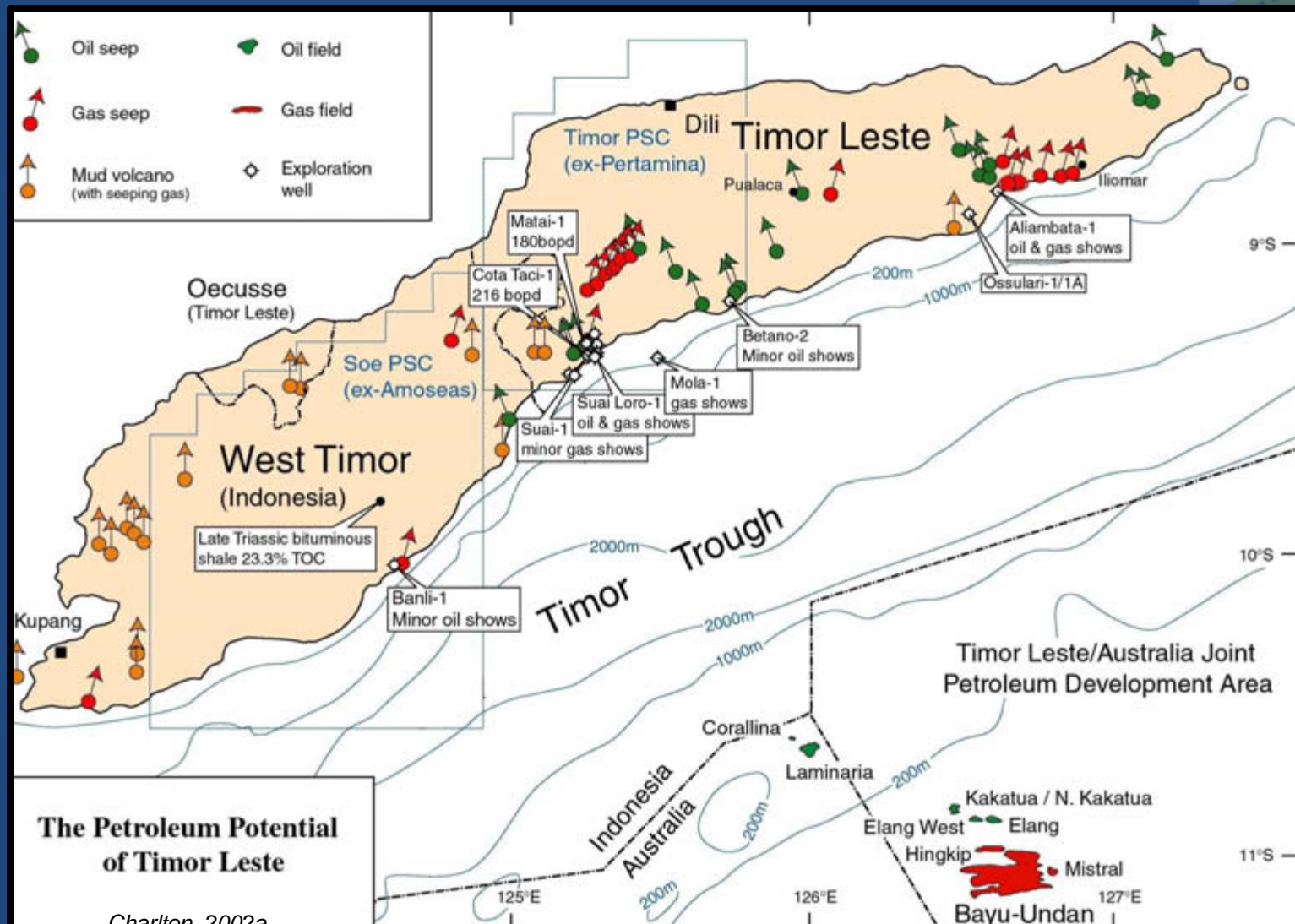
JPDA 06-105 (including Kitan Oil Field)

- Operated by Eni JPDA Ltd
- 2 appraisal wells drilled in 2008
 - Kitan-1 confirmed Discovery
 - Kitan -1 & -2 confirmed Commercial Discovery.
- FDP was approved by DA in April 2010
- 1st Production planned to take place in 2011

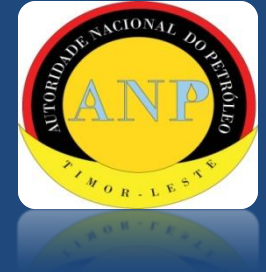




Timor-Leste Oil and Gas Seeps



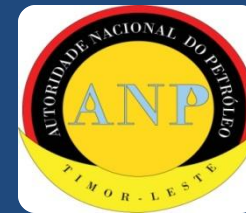
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PSC Regimes in Timor-Leste

- PSC preserved under Annex F of Timor Sea Treaty
 - Sunrise
 - Bayu Undan
 - Annex F + Appendix X modifications + TBUCA
- Other JPDA projects (Kitan)
 - JPDA PSC + PTA (90%); Australian tax 10%
- 100% Timor-Leste Territory
 - T.L. PSC + PTA

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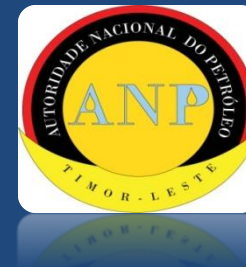


JPDA Annex F Regime - PSC

Production is shared in order:

1. First Tranche petroleum 10% - 20% after 5 years
 - Shared between contractor and ANP using same share of Profit Petroleum
2. Investment Credits (IC)
 - 127% of (certain) tangible capital costs
3. **“Operating” costs**
 - Exploration costs (recoverable immediately)
 - Non-capital costs (recoverable immediately)
 - Depreciation of capital costs (20% per year)
 - **127% Investment credit + 100% as “Operating” cost = 227% total recovery for qualifying costs; in effect provides contractor with recovery of costs plus economic return**
4. Profit Petroleum
 - For oil: shared according to the daily production rate
 - 50% (< 50kbpd)
 - 60% (50 up to 150 kbpd)
 - 70% (> 150 kbpd)
 - For current Sunrise Plan means in effect 50% for JPDA portion as never exceeds 50kbpd
 - For gas: fixed 50%
5. **Separate accounting for “Crude oil” and “Gas”**

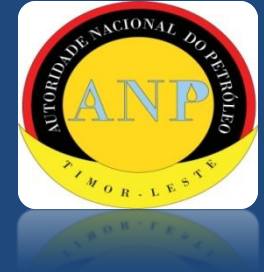
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Annex F regime – Income Tax

- Contractor pays income tax on profits
 - Revenues (= production share) minus costs
- Timor-Leste collects tax on 90% of contractor revenues and costs subject to inherited Indonesian tax rules as at 25 October 1999 (or is it as at TST 19 May 2002?)
 - 30% income tax + 20% Branch Profits Tax, reduced by TST to 15% for Australian companies
 - Effective tax rate = $30\% + 15\% \times (1 - 30\%) = 40.5\%$
 - Complicated depreciation rules
- Australia collects tax on 10% of contractor revenue and costs under prevailing Australian income tax rules (PRRT does not apply)
 - 30% corporate income tax rate
 - Depreciation maximum 20 years

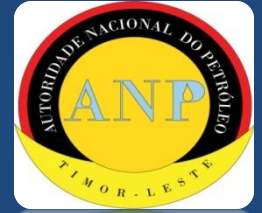
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Overview of Non Annex F PSC

- PSC
 - Aggregated gas and crude oil accounting
 - Fixed royalty 5%, 100% to government (not shared as with FTP)
 - All costs pooled and immediately recoverable from revenues after royalty. No separate gas/oil accounting
 - **Unrecovered costs carried forward with “uplift”** – long term bond rate + 11% (around 15% today). Replaces Investment Credit
 - Government share of profit oil 40%, fixed
- Income tax
 - 30% income tax (same as BU)
 - 22.5% Supplemental Petroleum Tax when contractor return > 16.5% (same as BU APT)
 - Depreciation Exploration 5 years; other capital 10 years

ANP's Relevant Stakeholders



SERN
(Policies & Strategies)

MoF
(Inputs for Budget Forecast)

JPDA Joint Commission
(JPDA Matters)

Tax Commission- Timor-Leste
(Petroleum Tax
Coordination)

Contract Operators
(PSCs and WP&B)

ANP

BPA – Timor-Leste
(Transfer of FTP & Profit Oil)

SEMA
(Environmental approval-TLEA)



Thank You

For more information
www.anp-tl.org