Timor-Leste pursuing unpaid taxes from oil and gas producers: report

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The government of Timor-Leste is pursuing unpaid taxes which it claims could total as much as $3 billion from the ConocoPhillips-operated Bayu-Undan oil and gas project, according to a report from the Australian Broadcasting Corporation.

Timor-Leste Finance Minister Emilia Pires told the ABC's Four Corners program, which aired Monday, that his department had been conducting an audit of the taxes paid by oil and gas producers. Since the start of 2011, 28 cases of unpaid taxes have been settled, the ABC said.

"We really started auditing in [the] beginning of 2011," Pires told the ABC. "Since then to now, we've recovered or collected about $362 million just in the auditing exercise ... at the moment, our tax department is actually looking at the overall oil industry and asking the companies to justify their expenditure. And as of today [Monday], if they do not provide us all the justification there's a potentiality of going up to $3 billion," he added.

"ConocoPhillips has paid and is up to date with all taxes assessed by the government of Timor-Leste but is challenging the basis on which those assessments have been made as contrary to Timor-Leste's own tax rules and our contractual agreements with its government," the US major said in a statement in response to the ABC's report.

The Bayu-Undan field lies in the Timor Sea's Joint Petroleum Development Area, which is administered by both Australia and Timor-Leste under the Treaty on Certain Maritime Arrangements in the Timor Sea. A ConocoPhillips spokesman told Platts that the company was operating within the parameters of the treaty and all other agreements reached with Timor-Leste and the regulator.

ConocoPhillips operates and holds 57.2% of Bayu-Undan, alongside Australia's Santos (11.4%), Japan's Inpex (11.3%), Italian major Eni (11%), and Japanese term LNG customers Tokyo Electric Power Company and Tokyo Gas (9.2%). The field produces condensate and gas, which is liquefied at the Darwin LNG plant in Australia's Northern Territory.

The ABC report also again aired Timor-Leste's call for the Greater Sunrise gas field to be developed via the construction of a pipeline to a liquefaction facility on its southern coast. About 20% of Greater Sunrise lies in the Joint Petroleum Development Area.

The Woodside Petroleum-led Sunrise joint venture decided in April 2010 that a 3.6 million mt/year floating LNG facility was the best commercial option for the development of the field, in preference to its second choice of piping the gas 500 km (310 miles) to a plant in Darwin. The third option, of building a 200 km pipeline across the deep Timor Trench to Timor-Leste, was the first to be ruled out by the proponents on the grounds of cost.

Francisco Monteiro, CEO of national oil company Timor Gas and Petroleum, told the ABC that studies carried out by Timor-Leste since 2007 had found it was technically possible to lay the gas pipeline across what he said was not a trench but a "trough."

"Woodside, its joint venturers and the governments of Timor-Leste and Australia are aligned in their desire to develop the Greater Sunrise fields," a company spokesman told Platts in an emailed response to a request for comment.

"We believe there remains an opportunity to agree on a development which satisfies the aspirations of all parties. The key to reaching this goal is regular, open and constructive dialogue between the parties," he added. "Woodside recently submitted a range of requested technical data to the Timor-Leste government and we look forward to further discussion on the development of Greater Sunrise."

Sunrise is 33.44% owned by Woodside, alongside partners ConocoPhillips (30%), Shell (26.56%) and Osaka Gas (10%). The joint venturers have spent $400 million appraising the field and conducting final evaluations of the FLNG and Darwin development options.

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