



**Keynote address by Prime Minister Mari Alkatiri
Timor-Leste 2005/2006 Inaugural Acreage Release
Singapore
2 September 2005**

Good Morning Everyone. The Hon. Basil Manelgua, the Solomon Islands' Minister for Mines and Energy, distinguished guests, ladies and gentlemen.

Thank you for coming here this morning to the opening presentation for Timor-Leste's Inaugural Offshore Acreage Release. On behalf of the government and people of the Democratic Republic of Timor-Leste, I can tell you that that we are pleased and honoured that you and the prestigious companies you represent are interested in exploring investment opportunities in our oil and gas sector.

Today this is the first stop in a tour of a few select industry cities in which we will endeavour to explain the opportunity and conditions that will apply to oil and gas exploration and production activities in Timor Leste, as well as in the Joint Petroleum Development Area that we administer jointly with our neighbour Australia. After the launch here in Singapore, the joint team from Timor-Leste and the TSDA will go on to make similar presentations to the industry in London, Calgary and Houston. Unfortunately, this is the only event I am able to attend.

Singapore is the natural place to launch this sequence of presentations and meetings. It is a leading commercial and trading centre in our region, and its achievements are symbolic of the aspirations of Timor-Leste as a small island nation.

Today's event is probably unlike any other you may have attended in the past. It marks the opening of the first petroleum bidding round by the world's newest nation. In being here today you are witnessing an important milestone in the reconstruction and economic development of the Democratic Republic of Timor-Leste. Let me set this briefly in context.

Timor-Leste occupies the eastern half of the island of Timor. Our nearest neighbours are Indonesia and Australia. Timor-Leste was first colonized by Portugal in the 1500s and was invaded by Indonesia in 1975 and occupied until the UN-sponsored ballot in 1999. It was after this ballot that much of our national infrastructure was destroyed during an orchestrated militia campaign of destruction. Today we are the poorest country in Asia.

Following a transitional period Timor-Leste gained independence just over three years ago, on 20 May 2002. During the 24 years of occupation many thought our struggle was a lost cause, but we succeeded because we never stopped believing in our inalienable right to self determination. We learned a lot along the way about how to work with global institutions to make our dream become a reality. I and other members of my government gained a unique set of skills and experience that is now being brought bear in our joint task of nation building and economic development.

Our independence struggle has many parallels with our new quest for economic independence and prosperity. The government and people of Timor-Leste are determined to overcome the formidable challenges facing us in this task. We believe we have the natural and human resources to make economic independence a reality. Already the Bayu-Undan project in the Timor Sea is proving to be a vital source of revenue for our national reconstruction. We have shown the world that, while being a young nation, we are capable of negotiating the contractual arrangements for the development of large-scale petroleum projects. The global experience we gained in our independence struggle taught us a great deal about the importance of the rule of law and of having a sound institutional framework.

Allow me to recap some of the important economic achievements that my government has chalked up in just over three years.

Many donor organizations have praised our approach to economic management and have held up Timor-Leste as a model of sound economic management. Inflation is running at around 2 per cent and economic growth this year is forecast at 6 per cent. We are increasing government spending significantly in this current fiscal year, but we are doing so in a way that will address poverty and increase national capacity, while also saving for the future.

Last fiscal year we recorded a Budget surplus of around 21 per cent of GDP, and under our policy of spending only the sustainable income from petroleum wealth we are on track to post average surpluses over the four fiscal years in this year's Budget of 10 per cent of GDP.

These surpluses are the result of the Savings Policy adopted by my Government which recognizes that we must save a significant share of our revenue for future generations.

Under our Petroleum Fund, which became operational from July 1, all revenue must flow into the fund and withdrawals by the Government are subjected to a full set of accountability and transparency measures. The Fund has a dedicated bank account for all the receipt of all petroleum revenues, and next week we plan to transfer more than \$200 million in revenue accumulated in 2004-05, before the fund was established. The entire regime will have oversight from a Consultative Council made up of eminent persons.

When the Bayu-Undan project in the JPDA commenced production and recycling of gas in February 2004, the petroleum sector instantly became the single most important contributor to our GDP. This will grow even more when natural gas sales via the Darwin LNG plant commence in 2006.

While petroleum will be the dominant revenue stream in our nation's economy for the foreseeable future, we look to it for more than a source of funds. We look to the sector to be a much broader and dynamic contributor to the national economy. This contribution will come in many forms: in capital investment, in employment generation - both directly in the oil and gas industry and indirectly as the increased investment and activity drives up demand for other goods and services. In addition it will be seen in personnel training and education, in infrastructure development and as an agent of change for the enhancement and development of Timor-Leste's society as a whole.

We are indeed applying the same principles of sound management and transparency to the licensing of petroleum development, including this bidding round.

This bidding round came about following an open and competitive tender last year to conduct a seismic survey in the Timor Sea. All future awards will be made according to these principles, and all decisions and authorizations will be made available on a new transparency website.

The presentations today will give you and outline of the new legal and fiscal regime that recently came into force following extensive consultation with industry and the people of Timor-Leste.

This competitive, stable and transparent legal regime makes development of Timor-Leste's natural resources a highly attractive proposition. One feature of this regime is the opportunity for the State to take an interest of up to 20 per cent in petroleum projects. A parallel regime for the JPDA has been developed with Australia.

Both regimes have been designed so that they can accommodate a range of field types and sizes, thereby serving as a stable model for development of our natural resources. Significantly, the regime has no signature bonuses – and nor will there be any in the future!

The relevant area for this acreage release extends from the southern coastline of Timor-Leste to the northern edge of the Joint Petroleum Development Area (JPDA), and is unquestionably under our exclusive jurisdiction. Our geologists will provide you with more tantalizing insights into the results of our first-ever seismic survey. The survey area is indeed a new frontier in petroleum exploration, but it lies adjacent to a highly prospective hydrocarbon province in the JPDA. In exploring in this area we are offering companies the opportunity to gain access to a new frontier while working with a government that has a proven track record in the JPDA.

The proposed contract areas are distinct from the area of overlapping claims which has been the subject of ongoing talks between Timor-Leste and the Government of Australia since April last year. Both governments are continuing to work through details. While these talks have been running for almost 18 months it is important to note that similar disputes have taken years, if not decades, to resolve, or have remained unresolved.

The willingness of Timor-Leste to negotiate in good faith to resolve this dispute is a mark of the pragmatic approach that I am sure many of you will encounter in your future dealings with my government.

Beyond Bayu-Undan, we are convinced that the future of our petroleum sector - and its positive impact on our society- can best be realized by a broad influx of knowledge, technology, management practices and capital. It is for that reason that we have invited you here today to learn of the steps we have taken to develop a legal and contractual environment in which a competitive and dynamic petroleum sector can take root and flourish.

The message I would like each of you to take back to your Management, Boards, Shareholders and Lenders is that Timor-Leste is open for business. Today is an early but important step in launching a process that will allow us together to develop our petroleum sector to its fullest potential and to take its place as a vital component in the economic growth and the overall development and betterment of Timor-Leste society.

The government of Timor-Leste is committed to this process and I have every confidence that the ministries and regulatory bodies you will hear from today are more than up to fulfilling their roles in the formidable task of launching and maintaining this initiative in a timely and professional manner. We know there are many places seeking your interests, investment capital, technology and know-how. We can pledge that we will reward it with openness, fairness, objectivity and professionalism. And, we hope, with exploration success.

This concludes my remarks. I thank you for coming here today and hope that after you have heard the upcoming presentations you will have a clear view of the opportunities being offered in this inaugural bidding round.

Ladies and Gentlemen, it gives me great pleasure to officially launch Timor-Leste's inaugural acreage release and bidding round.