

# Timor Leste: Consistent decline in oil revenues

Gay Ordenes, EITI International Secretariat. 9 January 2018

The oil and gas sector remains the primary source of revenue for Timor-Leste, with a contribution of USD 1 billion in 2015, comprising 85% of state revenues and 48% of GDP, according to the 2015 Timor-Leste EITI Report. However, the report also highlights the steady decline in revenues through the years, from a high of USD 3.8 billion in 2012 to USD 1 billion in 2015—the lowest amount registered since 2008. The decrease from 2014 was USD 854 million or 45%. The EITI Report explains that the decline is due to a combination of low oil prices and a declining production from the only two remaining fields in the country, namely Kitan and Bayu Undan which have now passed peak production levels. Total production value in 2015 was USD 2.1 billion, a sharp decline of 42% from the production values of 2014.

## Management of the Petroleum Fund

The EITI Report also discloses information on the status of the Petroleum Fund, sparking discussions from civil society on the Fund's sustainability. The EITI Report states that "in 2015 the Fund's balance decreased by USD 321 million (from USD16.5 billion in 2014 to USD 16.2 billion in 2015). From 2006 to end of 2015, the Government has withdrawn USD 7.3 billion from the Fund, exceeding the limits allowed by law, which is set at 3% of the total amount of the fund. The EITI Report explains that "the excess reflects the Government's policy to front-load expenditure to enable economic development. In 2015, the Government withdrew USD 1.2 billion from the Fund to finance the State General Budget. This was USD 640 million higher than the 3% limit for the year." It was also the first time since 2005 that the withdrawals from the fund exceeded receipts. As elaborated in the EITI Report, the Petroleum Fund posted a loss of USD 21.4 million in 2015 which was the first annual loss recorded since the Fund's inception in 2005. Responding to this data, the civil society in Timor-Leste noted that the limits on withdrawal have not been met since 2008, and the average return on investment of the Petroleum fund from 2005 to 2014 has been minimal at 4.24%. The EITI Report further mentions the observation by civil society that government expenditures are focused on infrastructures rather than on sectors that will help diversify the economy such as education, agriculture and tourism.

## Expanded scope of reporting

For the first time, Timor-Leste's EITI Report discloses the amount of revenues collected from subcontractors of extractive projects. The report states that subcontractors have paid USD 30 m to government in 2015, comprising 3% of the total revenues from the sector. Timor Leste has also started to report revenues by project.