

La'o Hamutuk

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English translation from Tetum original

Dili, 27 May 2011

His Excellency, Dr. José Ramos-Horta

President of the Republic, RDTL

Dili, Timor-Leste

Regarding: Decree-Law for National Oil Company TimorGAP, EP

Your Excellency, Mr. President, with our respect,

On 25 May 2011, the Council of Ministers just approved a Decree-Law to create a national oil company, named Timor GAP, EP. We understand that with a few days, the President will exercise his competence under Article 88 of the RDTL Constitution to promulgate or veto this Decree-Law.

La'o Hamutuk has not yet received the final versions of the law recently approved by the Council of Ministers, but with this opportunity, we thought to share with you some issues that we believe will be economic, legal and governance obstacles from the creating of Timor GAP, EP, for Timor-Leste's future.

In November 2010, we participated in a public consultation conducted by the State Secretariat for Natural Resources, and analyzed and wrote some points which we considered that Timor-Leste should give attention to in this national oil company decree-law. Therefore, we suggest that this analysis could be a reference for the decision you will take. Although there have been some changes in the current version of the Decree-Law, we hope that our analysis will help you make a wise decision to benefit all of Timor-Leste's people. Our analysis as follows:

- National oil companies are dangerous, and we should learn from failures as well as successes.
- PETRONATIL should be established by Parliamentary law, not decree-law.
- PETRONATIL should serve the people of Timor-Leste.
- This Decree-Law must be written clearly.
- PETRONATIL should follow the rules for state agencies.
- PETRONATIL needs to be transparent and accountable.
- PETRONATIL should be designed to prevent corruption.
- PETRONATIL should not be given more power than it needs.
- PETRONATIL's profits must be paid into the Petroleum Fund, not reinvested in the company.
- PETRONATIL should not be empowered to borrow or issue bonds.

To provide a more complete picture, we are appending our Submission to the State Secretariat to Natural Resources to this letter; it is also at

<http://www.laohamutuk.org/Oil/PetRegime/NOC/LHSubPetronatil24Nov2010En.pdf>. You can also link to <http://www.laohamutuk.org/Oil/PetRegime/NOC/10Petronatil.htm> to get more information, analysis and commentary about the creation of the National Oil Company.

In conclusion, we are grateful for your collaboration and consideration of what we have written in this letter.

Juvinal Dias

Charles Scheiner