

timor leste



S06-03 EXPLORATION DRILLING CAMPAIGN ENVIRONMENTAL IMPACT STATEMENT

TL-HSE-RP-006

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S06-03 Exploration Drilling Campaign: Environmental Impact Statement

Abstract:

This Environmental Impact Statement (EIS) for the PSC S06-03 drilling campaign was prepared in accordance with *Regulation 51/1993* and the Terms of Reference document submitted to the Direcção Nacional Do Meio Ambiente (DNMA). The EIS provides information concerning the drilling of the exploration wells and its associated potential environmental and social impacts.

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ABBREVIATIONS

ADIOS2	Automated Data Inquiry for Oil Spills
ALARP	As Low As Reasonably Practicable
ANP	Autoridade Nacional do Petroleo (National Petroleum Authority)
BBL	Barrel
BOD	Biological Oxygen Demand
BOP	Blow-out Preventer
CAMBA	China-Australia Migratory Bird Agreement
CITES	Convention on International Trade in Endangered Species
CMP	Crisis Management Plan
CMS	Convention on Migratory Species
DNMA	Direcção Nacional do Meio Ambiente (National Directorate of Environment)
DNPA	Direcção Nacional de Pescas e Aquicultura (National Directorate of Fisheries & Aquaculture)
DNPG	Direcção Nacional de Petróleo e Gas (National Directorate of Petroleum & Gas)
EIA	Environmental Impact Assessment
EIS	Environmental Impact Statement
EMP	Environmental Management Plan
Eni	Eni Timor Leste S.p.A.
EPBC	Environment Protection and Biodiversity Conservation
EPBC Act	Environment Protection and Biodiversity Conservation Act 1999
ERP	Emergency Response Plan
ESD	Emergency Shutdown
FoR	Framework of Reference
FPSO	Floating Production Storage and Offloading
GDP	Gross Domestic Product
HSE	Health, Safety and Environment
IMP	Incident Management Plan
IMS	Integrated Management System
IUCN	International Union for the Conservation of Nature
JAMBA	Japan- Australia Migratory Bird Agreement
JPDA	Joint Petroleum Development Area
JVP	Joint Venture Partner
KCl	Potassium Chloride
LAT	Lowest Astronomical Tide
MARPOL 73/78	International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto
MMO	Marine Mammal Observers



MP	Management Plan
NGO	Non-government Organisation
OBM	Oil Based Mud
ODS	Ozone Depleting Substances
OIW	Oil in Water
OSCP	Oil Spill Contingency Plan
PHG	Prehydrated gel
PHPA	Partially-hydrolyzed polyacrylamide
PSC	Production Sharing Contract
PSV	Platform Supply Vessel
ROV	Remotely Operated Vehicle
SBM	Synthetic Based Mud
SERN	Secretariat for Natural Resources
SOI	Southern Oscillation Index
TLEA	Timor Leste Exclusive Area
UN	United Nations
UNCLOS	United Nations Convention on the Law of the Sea
WBM	Water Based Mud

EXECUTIVE SUMMARY

This Environmental Impact Statement (EIS) presents the outcomes of a detailed environmental impact assessment for an exploration drilling campaign in permit area S06-03. It addresses the environmental and social impacts and management issues associated with the drilling. This assessment concludes that the drilling can be managed to achieve its objectives, without causing unacceptable environmental and socio-economic effects.

INTRODUCTION

Background

Eni Timor Leste S.p.A. (Eni) has Production Sharing Contracts (PSCs) with the Timor-Leste Government over five permit areas in the Timor-Leste Exclusive Area (TLEA). As part of the PSC for permit area S06-03, Eni committed to undertake petroleum exploration activities including seismic surveys and drilling within a specified time frame. Seismic surveys were carried out in 2007 and 2008, and a number of oil and gas prospects were identified. Eni now proposes a program of exploration drilling in permit area S06-03 (see Figure ES.1), to better define oil and gas reserves in the area.

Drilling is scheduled to begin in October 2010 at the Cova-1 well. An environmental impact assessment (EIA) process for this single drilling activity has already commenced, with the Terms of Reference submitted in November 2009, and an environmental impact statement (EIS) submitted in April 2010.

At least one additional exploration well, and up to three more depending on drilling results, is now proposed as an extension to the exploration program for permit area S06-03. Drilling of the second well is proposed to begin in November 2010, using the same drillship used for Cova-1 (the *Saipem 10000*). Any additional wells may be drilled straight after, or at a later stage (up to the end of the PSC agreement in 2013), using the *Saipem 10000*. Each well will take up to 45 days to complete.

The exact location for the second well is currently under investigation, and will be selected from one of three prospects identified in seismic surveys (Lupal, Leolima or Manapa; see Figure ES.1). The exact location of any additional wells would depend on the results of these initial drilling investigations.

This document is the EIS for the extended exploration drilling program (that is, the second and up to three additional wells). The overall aim of the EIS is to demonstrate to the Direção Nacional do Meio Ambiente (DNMA) (National Directorate of Environment) that Eni has a sound understanding of how its operations interact with the environment and that it has implemented environmental safeguards to reduce the risks to as low as reasonably practicable (ALARP). In reviewing this it should be noted that the environmental impacts, mitigation and management controls are very similar to those used for the Cova-1 well. This document is therefore based on the EIS submitted for the Cova-1 well.



The permit is located in the northern Bonaparte Basin in Timor Leste sovereign waters, approximately 80km from the southeast coast of Timor Leste, approximately 150km south of Dili and approximately 700km northwest of Darwin (Figure ES.1).

The Proponent

The proponent of this proposal is Eni Timor Leste S.p.A (Eni). Eni's contact details are:

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Production Sharing Contract (PSC) S06-03 is a joint venture between Eni (80%), KG Timor Leste Limited (10%) and Galp Exploration and Production (Timor Leste) SA (10%).

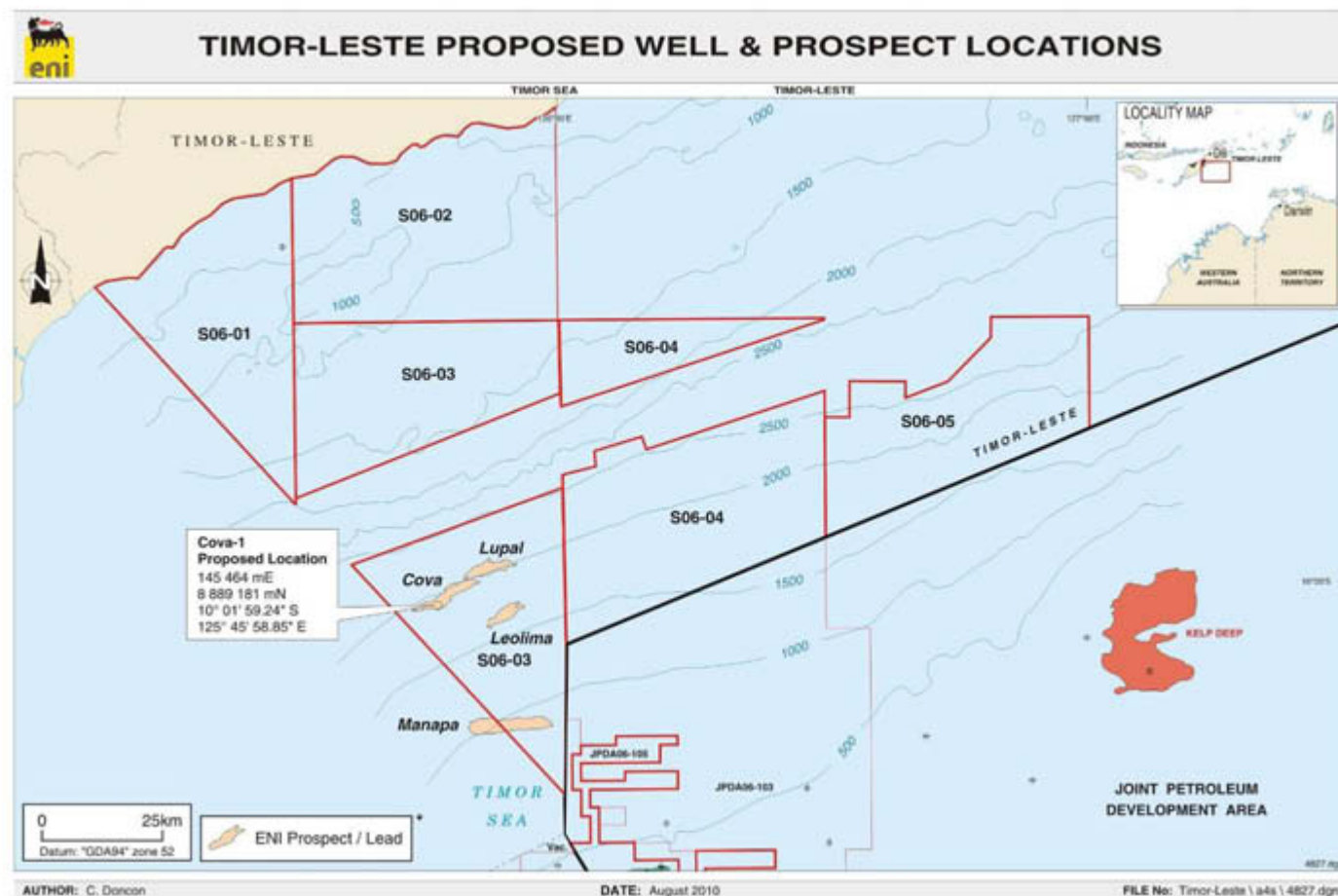


Figure ES.1 Location of petroleum prospects in Permit Area S06-03

THE PROJECT

Proposed Drilling Program

Drilling will be undertaken using the drillship, *Saipem 10000* (Figure ES.2). On arrival at site, the drillship will move into position and remain in position using the Class III Dynamic Positioning system.



Figure ES.2 *Saipem 10000*.

Drilling will occur in sections of decreasing hole diameter. During drilling, mud is pumped down the drill pipe to the drill bit. On completion of the upper hole sections, steel pipe (casing) is inserted into the hole and the annular space between the casing and hole filled with cement. The upper sections will be drilled without a riser, using seawater and high viscosity sweeps. During riserless drilling operations, the drill cuttings (approximately 150m³) will be discharged directly to the seafloor.

A high-pressure wellhead will be installed for each well. Once the wellhead is in position, the blow-out preventer (BOP) is latched to it. In this instance, the BOP is installed on the seafloor and connected to surface by the riser, which allows for rig movement at the ocean surface and for drilling mud to be circulated from the wellbore back to the rig.

Once the riser is installed, the remaining hole sections are drilled. With the riser in place, drilling mud is circulated for reuse, with mud returned to equipment on the rig where it is processed to retain the drilling fluids prior to disposing of the cuttings at the sea surface (approximately 250m³).



Drilling Muds & Cuttings

Water-based mud (WBM) will be used for all hole sections. Eni proposes to drill the top section of the wells riser-less using seawater and prehydrated gel (PHG) sweeps. The bottom section of the wells would be drilled using a partially-hydrolyzed polyacrylamide (PHPA) water based gel with KCl as the clay stabiliser and weighting agent. Both the PHG and PHPA gels have low toxicities, degrade rapidly in the marine environment and are routinely accepted for use by the regulatory authorities. The amount of drilling fluids disposed of with cuttings is minimised by the solids control processing system aboard the rig.

In addition, a centrifuge system will be installed to centrifuge the cuttings from the reservoir section. While drilling, the specific gravity of drilling fluid and hence pressure will be maintained above the formation pressure. Thus there will be little opportunity for any hydrocarbon influx from the reservoir.

ENVIRONMENTAL SETTING

Physical Environment

The climate of the Timor Sea is monsoonal with a wet “summer” (October to March) and a dry “winter” (April to September). Mean annual rainfall in the region is 1,700mm. Almost all rainfall occurs between November and April, the greatest falls being in January and February. Mean air temperatures range between a mean of 26.9°C in July and 28.4°C in December and vary little during the year. Regional sea surface temperatures range from 26°C to 31°C.

Wind direction is predominantly northeast to southeast in winter months and southwest to west in summer months. A tropical cyclone period prevails over the region from November to April. Surface currents reflect seasonal wind regimes, with summer easterly to north-easterly currents, and winter westerly to south-westerly currents. The Timor Sea region is influenced by the Pacific-Indian Ocean Throughflow which contributes to the westward-flowing South Equatorial Current.

Permit area S06-03 is located on the continental slope in depths ranging from 1000m to 1,950m. To the north the continental slope continues to decline steadily reaching depths in excess of 2,500m in the Timor Trough.

A system of shoals occurs to the south and southwest of the permit area (Figure ES.3). The system stretches for approximately 60km in a northeast/southwest direction along the outer edge of the Sahul Shelf and comprises 11 major shoals ranging in size from 0.05km² to 40km², with an average size of 4.6km². The nearest of these shoals, Big Bank Shoals, is located approximately 40km to the south.

The nearest emergent reefs, Ashmore, Cartier and Hibernia, are located on the southwest end of Sahul Shelf. The nearest, Hibernia reef, is more than 300km to the southwest of the permit area. The nearest shoreline is the southern coastline of Timor-Leste, located approximately 80km to the northwest of the permit area.

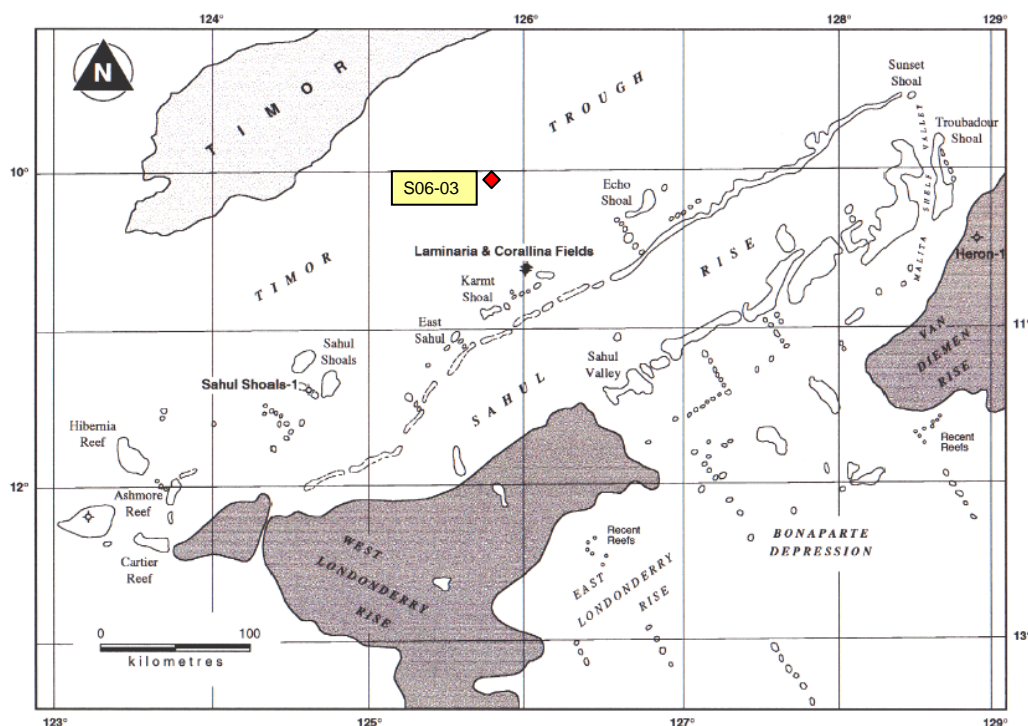


Figure ES.3 Regional Bathymetry.

Biological Environment

The permit area is situated in water depths exceeding 1000m and is therefore in the bathypelagic zone (defined as between 1,000m and 4,000m deep). Sunlight does not penetrate the bathypelagic zone and bioluminescence is the only light. Despite the lack of light, the biota of the bathypelagic zone is diverse and sperm whales (*Physeter macrocephalus*) are capable of diving to the bathypelagic zone to feed on deep sea cephalopods and other megafauna.

As no plants can grow in the bathypelagic zone because of lack of light, the fauna are carnivorous, catching in their wide jaws the falling debris of the organisms which exist above them. Fish are common in the bathypelagic zone, typically feeding by ambushing prey or by attracting prey using bioluminescent lures. Due to the relatively small changes in pressure with depth, fish inhabiting the bathypelagic zone can move freely over wide depth changes without being affected by pressure changes. As such, fish species occurring in the bathypelagic zone would be expected to occur over wide depth and geographical ranges.

Benthic invertebrates inhabiting the seabed would be expected to exhibit high diversity though low abundance and productivity due to the water depth, lack of light and reliance on detrital "rain" to drive deep sea ecosystems. Infaunal assemblages would be expected to be dominated by polychaete worms and crustaceans as is typical of marine infaunal assemblages elsewhere including those of continental shelf and slope habitats of the Timor Sea.

A number of whale and dolphin species are likely to be encountered during the drilling program, with the Timor Trench providing an important flow-through of species connecting the Pacific and Indian Oceans. Twenty-two whale and dolphin species could potentially occur in the Timor Sea near the permit area (DEWHA 2010). Of these, the Pygmy Killer Whale (*Feresa attenuata*), Killer Whale (*Orcinus orca*), False Killer Whale (*Pseudorca crassidens*), Common Dolphin (*Delphinus delphis*) and the Bottlenose Dolphin (*Tursiops truncatus*) are likely to occur.

Five species of sea turtle may be expected to occur in Timor Sea waters either feeding or migrating between feeding and nesting grounds. These are the Flatback (*Natator depressus*), Hawksbill (*Eretmochelys imbricata*), Green (*Chelonia mydas*) and Leatherback (*Dermochelys coriacea*) and Loggerhead turtles. Fifteen species of seasnake are recorded from the Timor Sea and it is possible that some species inhabit shoals to the south of the permit area. The number and variety of fish species present in the region has not been quantified, although studies have identified a large variety of demersal fish which are common to the area.

A variety of seabirds are expected to pass near or use the Timor Sea waters as part of their main habitat. The bird species utilising the area most frequently are offshore species such as shearwaters, petrels and terns.

Socio-economic environment

Timor Leste is situated approximately 80km north of the permit area. In mid-2008, the population of Timor Leste was estimated to be 1.1 million. The capital, Dili, on the north coast of Timor-Leste, is serviced by a harbour capable of taking medium sized cargo ships. The airport at Dili is capable of taking medium to large passenger and cargo aircraft. The southern coastal area of Timor-Leste, adjacent to the permit area, includes the districts of Cova Lima, Ainaro and Manufahi. The two largest population centres on the coast adjacent to the drilling area are Suai (population 23,000), capital of Cova Lima district, and Betano, a coastal village in Manufahi.

Timor Leste is an agricultural based economy, primarily focused on subsistence farming. Traditionally, the East Timorese are not fishing people. Most fishing is from canoes or small boats with outboard motors that remain close to shore. However, the Government sees great potential to increase income from fishing in the future both in deepwater and near coastal areas. Currently, commercial fishing is not conducted in the area around S06-03. The oil and gas industry is an emerging industry of major significance for the economy and people of Timor-Leste.

ENVIRONMENTAL IMPACTS AND MANAGEMENT

A high level risk assessment for the drilling campaign found that of fourteen broad hazard categories, one was considered to be high inherent risk and the remainder were considered low inherent risk. The high risk event was loss of well control resulting in a blowout. When the mitigation measures to prevent this occurring were taken into consideration the residual risk was reduced to a medium.

Oil Spills

Oil spills are the most significant potential threat to the environment from drilling. Oil spills can potentially occur from a number of sources ranging from major spills such as from a well blow-out, which is an extremely rare event, down to smaller leaks and spills from equipment and piping. The drilling campaign will be managed to avoid or minimise the potential for accidental releases of all substances, nevertheless, the potential exists for either crude oil or diesel to be spilled at some time during the project.

Eni's safeguards to be implemented for the minimisation of environmental impacts associated with non-routine (accidental) discharges include:

- procedures to reduce the likelihood of oil spills occurring;
- procedures to minimise the volumes spilled; and
- actions to be taken minimise the environmental consequences in the event of a spill occurring, i.e. spill response.

Crude from S06-03 is expected to be similar to Kitan crude i.e. a light oil that evaporates readily. Oil weathering studies have indicated that 70-75% would evaporate within the first 24 hours of release to the marine environment, with the residual 25-30% remaining as a thin sheen on the sea surface. Fate and trajectory modelling predicted that oil would spread in a westerly direction during winter conditions (April to September), and in an easterly direction in summer conditions (October to March), reflecting the predominant oceanic circulation and wind directions. The predicted minimum time to exposure is predicted to be two days by which time 75% of the original spill volume would have evaporated.

Diesel is classified as a light persistent oil. Diesels are expected to undergo a rapid spreading with moderate evaporative loss in tropical waters and, consequently, slicks are likely to break up. Oil weathering studies have indicated that 50% would evaporate within 24 hours of release to the marine environment, with the residual 50% becoming entrained into the water column. Similar to the crude oil trajectory modelling, diesel is expected to spread in a westerly direction during winter and an easterly direction in summer, reflecting the predominant oceanic circulation and wind directions. The probability of contacting the Timorese coastline is very low (<1%). The predicted minimum time to exposure was predicted to be two days by which time 50% of the original spill volume would have evaporated.

Eni and its contractors will have appropriate oil spill response procedures in place. The oil spill response procedures would be tested regularly to ensure their adequacy in responding to credible oil spill scenarios. Any release of crude oil or diesel into the marine environment would be recorded as an environmental incident and treated



accordingly by Eni's incident investigation and corrective and preventative action processes.

Solid and Hazardous Wastes

Unintentional discharge of solid or hazardous wastes was determined to be a medium risk and the effects on the marine environment would vary depending on the nature of the material involved. For example, solid wastes such as plastics are persistent in the environment and have been implicated in the deaths of a number of marine species including marine mammals and turtles. This is due to ingestion, inhalation or physical entanglement. Hazardous wastes such as waste solvents, excess or waste chemicals, oil contaminated materials (e.g. sorbents, filters and rags), and batteries would expect to have localised toxicity effects.

Eni's management of solid and hazardous wastes is to return it onshore (to Darwin, Australia) for recycling or disposal. Any release of solid and hazardous wastes into the marine environment would be recorded as an environmental incident and treated accordingly by Eni's incident investigation and corrective and preventative action processes.

Drilling Discharges

Discharges to sea of drill cuttings and drilling mud was considered to pose a low risk, most likely resulting in localised short- to medium-term environmental effects. These are mainly turbidity plumes generated in the water column, localised smothering of seafloor habitats, alteration of sediment characteristics, and depletion of oxygen in surface sediments.

The nature of effects on seafloor animals will relate to the toxicity, persistence and biodegradability of synthetic-based drilling mud. Drill cuttings and associated drilling mud are expected to settle on the seafloor within a distance of 700m from the discharge point and at very low concentrations. The highest concentration of drill cuttings is expected to occur within 20m of the well as a result of drilling the riserless top section. Consequently, the concentration of drill cuttings and drilling mud on the seafloor at any point beyond a distance of approximately 20m of the discharge point is expected to be low, and insufficient to cause alteration to sediment characteristics to any extent that would affect sediment fauna composition and abundance.

Atmospheric Emissions

Atmospheric emissions from the drilling campaign are considered unlikely to have a significant impact on air quality at the local and regional scales as they are expected to be quickly dissipated into the surrounding atmosphere. Furthermore, the project area is remote from any land mass and far from sensitive receptors. Therefore, air emissions are not expected to contribute significantly to pollution and the deterioration in air quality.

SOCIO-ECONOMIC IMPACTS AND MANAGEMENT

Timor-Leste faces considerable challenges in rebuilding its infrastructure and creating employment opportunities for young people entering the workforce. The development of oil and gas resources in offshore waters has begun to supplement government revenues resulting in the creation of jobs. In general, the oil and gas industry may be expected to provide the following benefits to Timor-Leste:

- expansion of the economy due to increased service and supply requirements of the oil and gas industry;
- employment opportunities for a large proportion of the population;
- potential funding by the operators for community projects that the government is unable to fund and that donors have not funded;
- vocational education and training opportunities to develop a skilled workforce; and
- gas resources for domestic and industrial use in Timor Leste.

Article 5.4 of PSC S06-03 includes clear obligations for Eni to provide a real opportunity to suppliers based in Timor-Leste and give preference in employment to Timor-Leste nationals and permanent residents. There is limited opportunity to incorporate significant local content into the drilling program due to the nature of the work and the short duration of the program. However, Eni endeavours to incorporate local content wherever feasible. For example, crew changes will be conducted via helicopter based in Dili. Eni will continue to liaise with Timor-Leste stakeholders to identify and develop local content opportunities, particularly if the prospects prove to be economically viable.

SUMMARY OF MANAGEMENT MEASURES AND COMMITMENTS

Eni is committed to undertaking its petroleum exploration and production activities in a manner that is consistent with the principle of sustainable development. Eni aspires to the goals of zero harm to its people, its host communities and the environment. In keeping with these goals and aspirations, Eni is committed to drilling the wells in a manner that minimises impacts on the surrounding biophysical and social environments. Eni's commitments for the drilling activities are presented in Table ES1, which are based on Eni's experience of drilling other wells in the Timor Sea.

STAKEHOLDER CONSULTATION

External consultation was initiated by Eni's consultation with DNMA, and submission of the draft Terms of Reference (ToR) on 23 August 2010. The draft ToR was also provided to a range of government and non-government stakeholders, who were identified by the DNMA. An Environmental Screening workshop was held on 24 August 2010, where Eni presented details of the drilling program to a number of these stakeholders. The purpose of this consultation was to inform DNMA and other stakeholders on the scale and nature of the drilling program, clarify the environmental approvals process and present Eni's draft ToR for the EIA for review. Further consultation will be undertaken as appropriate.



CONCLUSION

Permit area S06-03 is in deep offshore waters. The environmental setting is considered to be suitable for petroleum related activities given that no sensitive resources are located in the vicinity of the project area or will be impacted upon. Eni believes that by implementing the management strategies and commitments detailed in this EIS, the drilling can be undertaken without compromising the environmental values of the area, in particular the marine biota inhabiting the surrounding pelagic and benthic continental shelf habitats.



Table ES.1 Summary of Eni's Management Measures and Commitments

No.	Topic	Objective(s)	Management Action	Timing
1.	Integrated Management System	Provide a risk-based management system for the identification and control of impacts.	<ul style="list-style-type: none">Implement Eni's HSE Integrated Management System that embraces the ISO 14001 standards.	Throughout the drilling program
2.	Environmental Management Plans	Provide operational control documentation for the management of environmental impacts associated with drilling.	<ul style="list-style-type: none">Develop an Environmental Management Plan and Monitoring Program (EMP) for the drilling programThe EMP will incorporate environmental and social management measures detailed in Chapter 5 of this EIS where relevant.The EMP will be developed in consultation with DNMA.	Prior to Drilling
3.	Risk assessment	Ensure project risks are fully identified and understood and management measures and controls are implemented accordingly.	<ul style="list-style-type: none">Conduct a detailed environmental and social risk assessment for the drilling program.Maintain the findings of the risk assessment in a project Risk Register.Incorporate any additional management measures identified during the detailed risk assessment into the EMP.	Prior to Drilling
4.	Marine Environmental Monitoring Program	Ensure that Eni's management measures for the drilling program are effective in minimising environmental harm.	<ul style="list-style-type: none">Conduct an ROV survey of the seabed prior to drilling and after drilling.Provide a report to DNMA describing the findings of the pre- and post-drilling ROV surveys.	Before and after drilling
5.	Operational Monitoring Program	Ensure that Eni's management measures for the drilling program are effective in minimising environmental harm. Ensure that the drilling program complies with applicable legislation and regulations. Enable the implementation of contingency measures, if required.	<ul style="list-style-type: none">Develop an Operational Monitoring Program for the drilling program in consultation with DNMA.Implement the Operational Monitoring Program and provide a report to DNMA upon completion of the program.	Prior to Drilling Throughout the drilling program



No.	Topic	Objective(s)	Management Action	Timing
6.	Socio-economic development	Ensure that opportunities for Timor-Leste businesses and communities are maximised in line with Eni's resource requirements for the drilling program.	<ul style="list-style-type: none"> Conduct ongoing stakeholder consultation to identify opportunities and build capacity to source goods, materials, services and labour from Timor-Leste. 	Throughout the drilling program
7.	Emergency Planning and Response	Ensure that adequate emergency response procedures and resources are in place to minimise the environmental impacts of an incident e.g. oil spill.	<ul style="list-style-type: none"> Develop and implement an Incident Management Plan (IMP) and an Oil Spill Response Manual (OSRM) for the drilling program. The IMP and OSRM will be developed in consultation with the DNMA, Eni's contractors and appropriate emergency response authorities and resource centres. The IMP and OSRM will be tested and reviewed at least once during the drilling program. 	<p>Prior to Drilling</p> <p>During the drilling program</p>
8.	Training and awareness	Ensure that all personnel are aware of their responsibilities towards the management of environmental and social impacts.	<ul style="list-style-type: none"> Provide training to all Eni and contractor personnel on the requirements of Eni's EMP, specifically <ul style="list-style-type: none"> the environmental and social sensitivities of the project; Eni's management objectives and commitments; and obligations of all personnel towards the management of impacts in their areas of responsibility. Provide training to all Eni and contractor personnel on Eni's OSRM. 	Prior to Drilling
9.	Auditing	Ensure that Eni's environmental and social performance objectives for the drilling program are met.	<ul style="list-style-type: none"> Conduct an environmental compliance audit against the drilling EMP. 	During the drilling program
10.	Stakeholder consultation	To maintain open and transparent communication between Eni and its stakeholders.	<ul style="list-style-type: none"> Deliver a presentation on the proposed drilling program to the key stakeholders. Incorporate stakeholder feedback and comments into the EMP for the proposed drilling program. 	Prior to Drilling



1.0 INTRODUCTION

1.1 OVERVIEW OF PROJECT

Eni Timor Leste S.p.A. (Eni) has Production Sharing Contracts (PSC) with the Timor-Leste Government over five permit areas in the Timor-Leste Exclusive Area (TLEA). As part of the PSC for permit area S06-03, Eni committed to undertake petroleum exploration activities including seismic surveys and drilling within a specified time frame. Seismic surveys were carried out in 2007 and 2008, and a number of oil and gas prospects were identified. Eni now proposes a program of exploration drilling in Permit Area S06-03 (see Figure 2.1), to better define oil and gas reserves in the area.

Drilling is scheduled to begin in October 2010 at the Cova-1 well. An environmental impact assessment (EIA) process for this single drilling activity has already commenced, with the Terms of Reference submitted in February 2010, and an environmental impact statement (EIS) submitted in April 2010.

At least one additional exploration well, and up to three more depending on drilling results, is now proposed as an extension to the exploration program for permit area S06-03. Drilling of the second well is proposed to begin in November 2010 directly after and using the same drillship used for Cova-1 (the *Saipem 10000*). Additional wells may also be drilled straight after, or at a later date (up to the end of the PSC agreement in 2013), using the *Saipem 10000*. Each well will take up to 45 days to complete.

The exact location for the second well is currently under investigation, and will be selected from one of three prospects identified in seismic surveys (Lupal, Leolima or Manapa; see Figure 2.1). The location of any additional wells would depend on the results of these initial drilling investigations.

1.2 PROJECT PROPONENT

The proponent of this proposal is Eni Timor Leste S.p.A (Eni). Eni's contact details are:

Eni Timor Leste S.p.A
Rua D. Luis dos Reis Noronha no. 56,
Vila Verde, Dili, Timor-Leste
PO Box 52, Dili, Timor-Leste

Tel: +670 331 0847

Eni is the Operator of the Production Sharing Contract (PSC) S06-03 and is also Operator of the Project on behalf of the Joint Venture Partners (JVPs):

- Eni Timor Leste S.p.A. (80%);
- KG Timor Leste Ltd (10%); and
- Galp Exploration and Production (Timor Leste) SA (10%).



The nominated proponent contact for this proposal is:

Rob Phillips
Senior Environmental Advisor
Eni Australia Ltd
Tel: +61 (0)8 9320 1541
E-Mail: rob.phillips@eniaustralia.com.au

Eni is one of the world's major integrated energy companies. In the Timor Sea, Eni has activities in the Joint Petroleum Development Area (JPDA) as well as five PSCs in Timor-Leste's sovereign area. Eni is committed to achieving the highest practicable standard of environmental protection and this commitment is documented in the Eni Health, Safety and Environment (HSE) Policy (Appendix A).

In January 2008, Eni's HSE Integrated Management System (IMS) achieved certification with ISO14001:2004 Environmental Management Systems for its drilling and seismic survey activities. This certification provides audited assurance of a best-practice environmental management system based on continual improvement.

1.3 SCOPE AND OBJECTIVES OF THIS EIS

The scope of this EIS is all operational activities relating to the drilling of exploration wells in S06-03. The overall aim of the EIS is to demonstrate to the Direção Nacional do Meio Ambiente (DNMA) (National Directorate of Environment) that Eni has a sound understanding of how its operations interact with the environment and that it has implemented environmental safeguards to reduce the risks to as low as reasonably practicable (ALARP).

As operator of the PSC and in line with international industry best practice Eni has prepared this EIS with the following objectives:

- to provide information from which interested individuals and groups can gain an understanding of the Project, its environmental and social setting, potential environmental and social effects of the project and proposed measures to mitigate and control any impacts;
- to provide a forum for stakeholder consultation and informed comment about the proposal; and
- to provide a framework within which decision makers may consider the environmental hazards and effects of the proposed development in parallel with economic, technical and other factors.

In line with the objectives above, technical detail has been kept to a minimum, wherever possible, in the EIS. The reader is referred to the source documents cited throughout the document for detailed accounts of particular environmental features.

1.4 RELEVANT LEGISLATIVE FRAMEWORK AND ENVIRONMENTAL APPROVAL PROCESS

1.4.1 Environmental Legislative Framework

Permit area S06-03 is regulated by the Autoridade Nacional do Petróleo (ANP) (National Petroleum Authority) under a PSC between Eni and the government of Timor-Leste. Environmental approval of petroleum exploration and production proposals in Timor-Leste is regulated by DNMA.

DNMA Guideline No. 6 *Environmental Screening* defines the requirement for an Environmental Impact Assessment (EIA) for development proposals. Proposals are screened on the basis of (i) location; (ii) type of development; and (iii) scale to determine the level of environmental assessment required.

Development proposals may be screened as:

- Type A – EIA required;
- Type B – Site suitability and Environmental Management Plan (EMP) required; and
- Type C – no environmental requirements.

According to Table 2 in Annex 1 of Guideline No. 6, all petroleum exploration and production proposals are Type A proposals and therefore require an EIA. By inference, all seismic surveys and exploration drilling programs are Type A proposals and therefore require an EIA.

Under the Timor-Leste constitution, Indonesian laws which were in effect on 25 October 1999 are applicable in matters where there is an absence of comparable Timor-Leste laws. As such, the Indonesian *Regulation 51/1993* defines the process and requirements for conducting EIA in Timor-Leste. According to Article 2 of *Regulation 51/1993*, significant impacts on the “environment” also include impacts to the social and cultural environment. Thus, the process for conducting EIA in Timor-Leste is interpreted to include both the biophysical and social aspects of the environment in which the project is situated.

1.4.2 Environmental Assessment Process

The environmental assessment process under *Regulation 51/1993* requires the proponent to first prepare a draft Terms of Reference (ToR) for the analysis of environmental impacts for assessment by DNMA. The purpose of the ToR document is to outline the project, its environmental setting, and potential environmental impacts and to describe the environmental studies to be conducted by the proponent during the EIA. The DNMA evaluates the draft ToR and provides advice to the proponent. The draft ToR is then agreed and finalised between DNMA and the proponent and so establishes the scope and framework for conducting the EIA. Eni submitted its draft ToR to DNMA on 23 August 2010.

Eni has prepared this EIS for submission to DNMA in accordance with the requirements of *Regulation 51/1993* and the ToR. The EIS must be approved by DNMA prior to implementation of the project.

During the EIA process, in addition to the EIS, an EMP must also be developed. DNMA Guideline No. 7 *Preparation of an Environmental Management Plan* defines the requirements for an EMP for development proposals. Annex A of Guideline No. 7 describes the required scope and content of an EMP and Annexes B to G describe the environmental and social aspects that should be considered. The EMP will be submitted at the same time as this EIS.

1.4.3 Other Legislative Requirements

As stated in Eni's HSE policy (Appendix A), Eni shall ensure that it conducts its operations in accordance with legislative requirements. To achieve this, Eni maintains a database that describes legislation relevant to the environmental management aspects of its operations. Eni shall ensure that the drilling campaign complies with all relevant Acts and regulations.

Table 1.1 highlights the most significant legislation and licence requirements in respect of the environmental considerations relating to Eni's operations. Eni reviews the environmental legislation database annually or when significant environmental legislation changes occur. The annual review will be confirmed during an annual environmental audit of Eni operations.

Table 1.1 Relevant Legislation, Codes of Practice and International Agreements for the Drilling Campaign.

International Agreements and Legislation
<i>United Nations Convention on the Law of the Sea 1982.</i>
<i>International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto (commonly known as MARPOL 73/78) and implemented in Australia through the Protection of the Sea (Prevention of Pollution from Ships) Act 1983).</i>
<i>Protocol to International Convention for the Prevention of Marine Pollution by Dumping of Waste and Other Matter 1972 (commonly known as the 1996 Protocol).</i>
<i>Agreement Between the Government of Australia and the Government of the People's Republic of China for the Protection of Migratory Birds and their Environment 1986 (commonly referred to as CAMBA).</i>
<i>Agreement Between the Government of Australia and the Government of Japan for the Protection of Migratory Birds and Birds in Danger of Extinction and their Environment 1974 (commonly referred to as JAMBA).</i>
Republic of Timor-Leste Legislation
<i>Maritime Zones Act 2002.</i>
<i>Timor-Leste Petroleum Act 2004.</i>
<i>DNMA Guideline #5 on Public Engagement</i>
<i>DNMA Guideline #6 on Environmental Screening</i>

<i>DNMA Guideline #7 on Preparation of an Environmental Management Plan</i>
Indonesian Legislation and Regulations in effect on 25 October 1999
<i>Law 23/1997 on Environmental Management</i>
<i>Reg. 20/1990 on Control of Water Pollution</i>
<i>Reg. 51/1993 on Environmental Impact Analysis</i>
Industry Codes of Practice and Guidelines
<i>Australian Petroleum Production and Exploration Association (APPEA) Code of Environmental Practice 2008: This provides guidance on a set of recommended minimum standards for petroleum industry activities offshore. These standards are aimed at minimising adverse impact on the environment, and ensuring public health and safety by using the best practical technologies available.</i>

1.5 STAKEHOLDER CONSULTATION

External consultation was initiated by Eni's consultation with DNMA, and submission of the draft Terms of Reference (ToR) on 23 August 2010. The draft ToR was also provided to a range of government and non-government stakeholders, who were identified by the DNMA. An Environmental Screening workshop was held on 24 August 2010, attended by a number of these stakeholders (see attendees list in Table 1.2). At the workshop, Eni presented details of the drilling program and provided an opportunity for stakeholders to ask questions. The purpose of this consultation was to inform DNMA and other stakeholders on the scale and nature of the drilling program, clarify the environmental approvals process and present Eni's draft Terms of Reference for the EIA for review.

Table 1.2 Organisations represented at the Environmental Screening workshop for stakeholders, 24 August 2010

Organisation	Type
DNMA	Government
ANP	Government
Terras e Propriedades (Land and Property)	Government
Direcção Nacional Pesca & Aquacultura (Ministry of Agriculture, Forestry and Fisheries)	Government
Direcção Nacional Alfandega e Receitas (Maritime Customs)	Government
Haburas Foundation	Non-government
Luta Hamutuk	Non-government
La'o Hamutuk	Non-government

Key issues raised during stakeholders consultation included:

- The safety of drilling practices, particularly regarding well control and the potential for major accidents such as well blowouts. These comments reflected concerns for recent incidents in the petroleum industry worldwide, including the Montara incident in the Timor Sea and the Deepwater Horizon incident in the Gulf of Mexico. Stakeholders wanted reassurance that lessons had been learnt from these incidents, to avoid their repetition in future
- Company responsibilities, response strategies and compensation liabilities in the event of a major accident, such as an oil spill
- Potential toxicity impacts associated with drilling chemicals
- Potential impacts to marine species, particularly fish with commercial or subsistence fishing value
- Waste disposal, and whether solid wastes would be brought to Timor Leste for onshore disposal
- Baseline environmental research, such as water and sediment analysis, bathymetry studies and seismic studies
- Involvement of the Timor Leste government in exploration activities, such as analysis of seismic data
- Possibilities for government officials (e.g. DNMA, ANP representatives) to observe drilling activities in the field, and opportunities for training and capacity-building within the Timor-Leste government.



2.0 PROJECT DESCRIPTION

2.1 FIELD LOCATION

The exploration wells are located in PSC S06-03, situated in the northern Bonaparte Basin within Timor-Leste waters (Figure 2.1). S06-03 is located approximately 80km from the southeast coast of Timor Leste, approximately 150km south of Dili and approximately 700km northwest of Darwin.

2.2 PREVIOUS ACTIVITIES IN THE PERMIT AREA

Oil exploration activities in the Timor Sea commenced in the late 1960s. Since this time numerous wells have been drilled throughout the region, resulting in finds for Eni, OMV, BHP Billiton Petroleum, Santos, TCPL Resources, Norcen International, Peko Oil, Western Mining Corporation, BP, Shell and Woodside Energy. The Bayu-Undan gas field currently operates within the JPDA, and the Laminaria/Corallina oilfield operates nearby. Eni's Kitan Development in the JPDA is expected to commence production in 2011.

Searches for new sources of hydrocarbons are actively being pursued in the region. The petroleum exploration and production industry is a significant stakeholder of offshore waters in the region, particularly within and adjacent to the JPDA between Timor Leste and Australia.

No wells have been drilled in PSC S06-03. However, the permit area was covered by an extensive grid of 3D seismic data acquired in June 2007 (ENI 2007a).

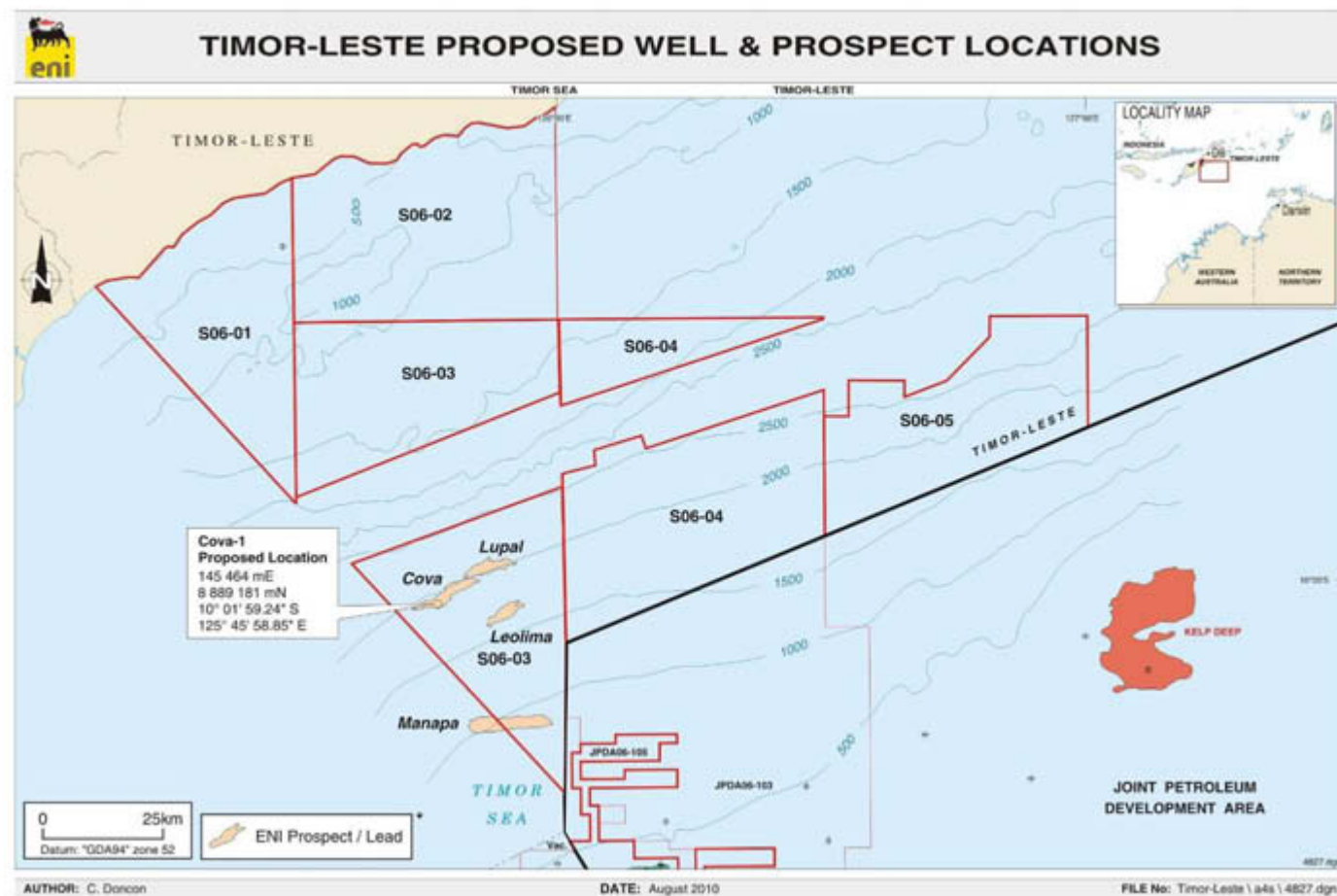


Figure 2.1 Location of permit area S06-03

2.3 PROPOSED DRILLING PROGRAM

All wells will be drilled as vertical exploration wells. Drilling will be undertaken using the drillship, *Saipem 10000* (Figure 2.2). The specifications of the *Saipem 10000* are presented in Appendix B. On arrival at site, the drillship will move into position and remain in position using the Class III Dynamic Positioning system. A diagram of the typical design of each well is provided in Figure 2.3.



Figure 2.2 *Saipem 10000*.

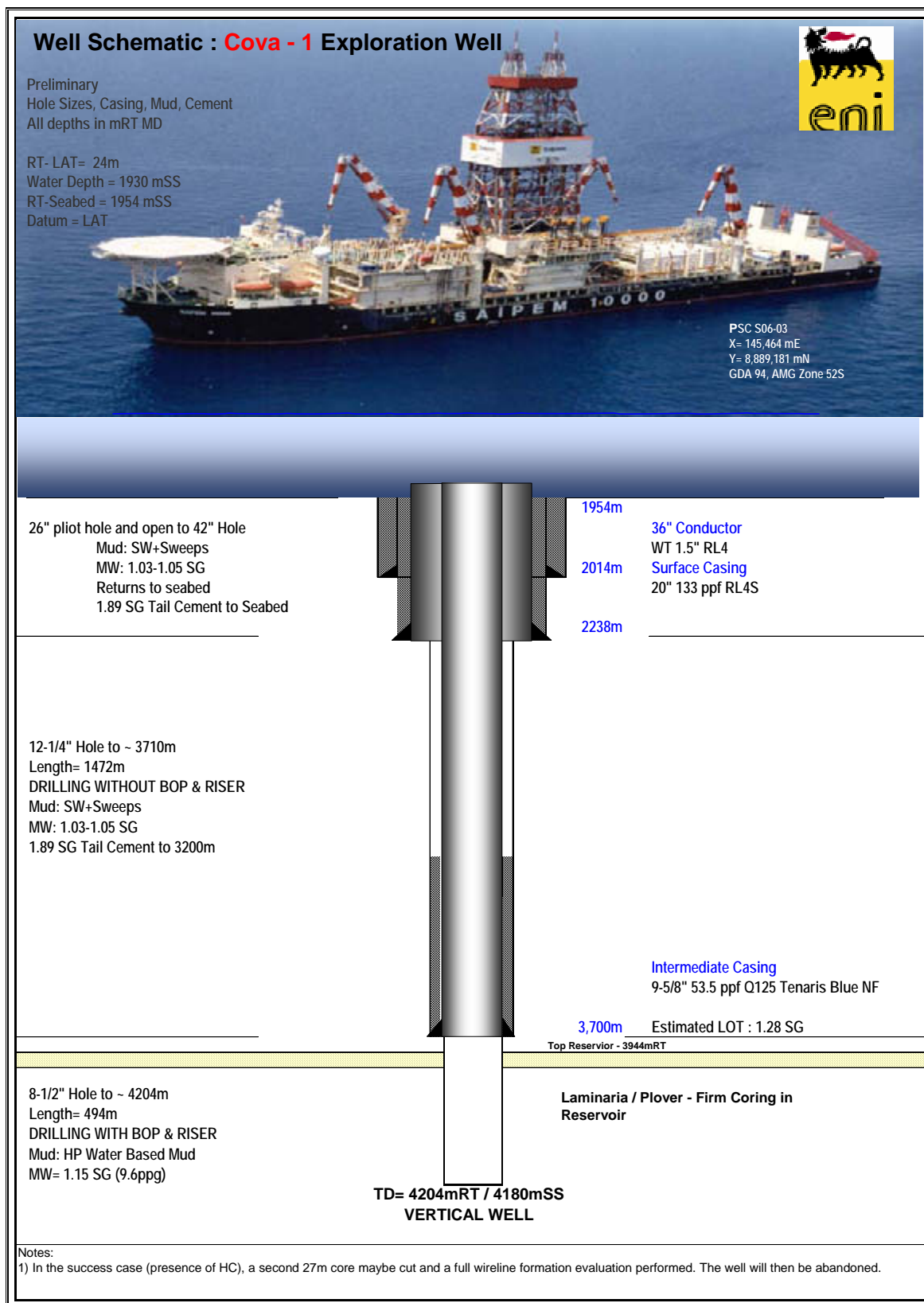


Figure 2.3 **Diagram of well design**

2.4 DRILLING FLUIDS AND CUTTINGS

Drilling will occur in sections of decreasing hole diameter. During drilling, mud is pumped down the drill pipe to the drill bit. On completion of the upper hole sections, steel pipe (casing) is inserted into the hole and the annular space between the casing and hole filled with cement. The upper sections will be drilled without a riser, using seawater and high viscosity sweeps. During riserless drilling operations, the drill cuttings (approximately 320m³) will be discharged directly to the seafloor.

A high-pressure wellhead will be installed for each well. Once the wellhead is in position, the blow-out preventer (BOP) is latched to it. In this instance, the BOP is installed on the seafloor and connected to surface by the riser, which allows for rig movement at the ocean surface and for drilling mud to be circulated from the wellbore back to the rig.

Once the riser is installed, the remaining hole sections are drilled. With the riser in place, drilling mud is circulated for reuse, with mud returned to equipment on the rig where it is processed to retain the fluids prior to disposing of the cuttings at the sea surface (approximately 20m³).

Water-based mud (WBM) will be used for all hole sections. Eni proposes to drill the top section of the wells riser-less using seawater and prehydrated gel (PHG) sweeps. The bottom section of the wells would be drilled using a partially-hydrolyzed polyacrylamide (PHPA) water based gel with KCl as the clay stabiliser and weighting agent. Both the PHG and PHPA gels have low toxicities, degrade rapidly in the marine environment and are routinely accepted for use by the regulatory authorities (Hinwood et al, 1994). The amount of drilling fluids disposed of with cuttings is minimised by the solids control processing system aboard the rig, and will be around 15% of the total WBM volume used in the drilling program.

While drilling, the specific gravity of drilling fluid (and hence pressure) will be maintained above the formation pressure. The higher pressure differential will cause the invasion of drilling fluid into the reservoir, forcing any hydrocarbons away from the well bore. As a result, there will be little opportunity for any hydrocarbons to mix with the drill fluid returns.

2.5 SOLIDS CONTROL PROCESSING SYSTEM

The drilling mud is pumped from tanks on the drillship down the inside of the drillstring and through the drill bit. It carries the drill cuttings from the bit up the annulus between the drill string and the well bore to the surface and into the drilling fluid handling system on the drillship. The drilled cuttings are removed from the drilling fluid and the fluid is reconditioned before it is returned to the drilling fluid circulation system. This is achieved with a solids control processing system.

The solids control processing system is composed of the following components:

- Shale shaker—vibrating screens are used for the primary separation of drilled solids of a size greater than about 70 microns
- Desander and desilter

- Centrifuges—high speed barrel type centrifuges used to remove solids as a fine as 2 microns
- Dryers—a low speed centrifuge that removes fluid from cuttings.

When the riser is attached and a closed drilling fluid circulation system established, the solids from the solid control system will be disposed overboard on a continuous basis. As mentioned in Section 2.4, around 15% of the WBM used in the drilling program will adhere to the drill cuttings and will also be discharged overboard. Solids will be flushed with seawater through a discharge line which discharges into the sea below the hull of the ship.

Drilling muds used for drilling the reservoir hole section will be recovered and stored once the well has been drilled. The recovered fluid will be used in the subsequent well sequence. This avoids dumping mud at end of a well, a typically practice in the Australian waters. This improved practice will considerably improve the environmental requirements of the project and eliminate possible discharge of contaminants into environment prior to suitable treatment.

2.6 CORE SAMPLE

The primary objective of coring is to obtain fresh reservoir rock for reservoir studies. If hydrocarbons are recorded by the drill logging equipment while drilling at any of the exploration wells, conventional 27m cores may be cut. These would be taken from the top Laminaria Formation sandstone of the reservoir.

2.7 WELL TESTING

If hydrocarbons are encountered, well testing may occur in the Laminaria Formation sandstone. After running and cementing the production casing, the cased hole is cleaned up by displacing the drilling fluid by completion brine. The completion fluid provides a solid-free medium for the completion string that will generate minimal chemical interaction when in contact with reservoir formation fluids and maintain a positive overbalance to reservoir pressure.

After running, the well-test string is displaced with lighter fluid (generally nitrogen) to provide an under-balanced condition to assist in flowing hydrocarbons to the surface after perforation. This under balance will allow the well to flow under initial reservoir pressure. During testing of the well, a limited inventory of hydrocarbons would be flared for up to three days.

2.8 DRILLING SUPPORT

Drilling support will be provided by one or more platform supply vessels (PSV). The primary PSV is the *Sea Witch*, owned by Deep Sea Supply Pty Ltd and under contract with Eni during the drilling operations. The specifications of the *Sea Witch* are presented in Appendix B. *Sea Witch* will conduct supply services from Darwin to the drilling location.

Helicopter support will be based at Dili (as will service crew changes). Eni's drilling team will operate from the company's Perth office.

2.9 WELL CONTROL PROCEDURES

Eni's Well Control Procedures are based on three key elements. These include:

- thorough assessment of the geology and formation pressures prevalent in the area;
- design of the drilling fluid programme; and
- well control procedures used by the drilling contractor.

Eni's drilling programme will fully incorporate these three key well control elements to provide an industry 'best practice' approach to well control. This will include training and accreditation of both the drilling contractor's and the operator's site supervisory personnel.

2.10 OPERATIONAL WASTES

Routine drilling operations generate the following types of waste:

- drill cuttings, discharged overboard continuously during drilling after separation of the drilling fluids;
- drilling fluids/muds generally discharged after each hole section;
- the *Saipem 10000* will have containment zones and bunding in all areas where oil products are stored and oily residues will be stored in drums and shipped onshore for disposal at authorised sites. Minor deck spills will be washed with bio-degradable detergents and polluted deck drainage water will be collected in a settling tank for later disposal onshore;
- sewage, grey water and putrescible wastes discharged overboard after treatment;
- cooling waters, discharged overboard continuously during drilling;
- domestic and industrial solid wastes and hazardous solid and liquid wastes, collected and segregated on the drillship for transport to shore for appropriate disposal at intervals during drilling; and
- engine and waste oil, which will be collected and transported to shore for appropriate disposal.

2.11 DRILLING SAFETY

Eni conducts drilling operations in accordance with the Eni corporate worldwide standards. These standards adopt best practices and are continually revised to ensure that wells are drilled safely without incident. This process includes analysis of drilling incidents in the worldwide petroleum industry, to incorporate learnings into Eni standards wherever possible. All well designs for deep water applications (>500m water depth) are approved by Eni headquarter divisions to ensure they comply with the standards.



A Vessel Safety Case for the *Saipem 10000* has been prepared and submitted to ANP for approval. The drilling vessel is being inspected by third party auditors to provide an independent report on the condition of the rig and the rig's adherence to its safety documents and maintenance requirements. A scope of validation and a validation report, which addresses the rig's compliance to various standards, is also reviewed by the ANP through a Timor-Leste government approval process, in accordance with legislation.

Most wells within the nearby JPDA show a normal pressure regime down to total depth (e.g. Kitan-1 and -2, Capung-1a, Jahul-1, Krill-1, Kuda Tasi-1, -2 and -3). Blow-out preventers (BOPs) will be used prior to the intersection of any hydrocarbon zones.

Casing sizes and lengths and the intervals where the hole is cement sealed around the casing will be selected to maximise well control. Experience gained with previously drilled offshore exploration wells will be taken into consideration in the well design.

The positioning and operation of the drillship will be closely supervised by the Drilling Contractor's personnel and the Eni Drilling Supervisor. During the drilling programme, a temporary safety exclusion zone with a radius of 500m around the drillship will be declared and appropriately gazetted. Few vessels are expected to be operating in the area, but those that do will be informed of the location of the drillship and the exclusion zone by radio.

An Emergency Response Plan (ERP) is contained within the *Saipem 10000* Safety Case, and details the procedures to be followed in the event of an emergency (including an oil spill). An Oil Spill Response Manual (OSRM) is also under preparation, which provides background on appropriate oil spill response strategies for the S06-03 permit area. Both documents will be introduced in the environmental induction process undertaken by all employees and contractors.

3.0 PROJECT NEED AND ALTERNATIVES CONSIDERED

3.1 PROJECT NEED

The overarching driver for exploration drilling in S06-03 is the search for oil to satisfy global demand for hydrocarbon products. The Timor Sea contains known and highly prospective hydrocarbon fields. Previous oil exploration in the Timor Sea, which commenced in the late 1960s, has resulted in several producing fields.

To date, no wells have been drilled in S06-03. A 3D seismic survey conducted in June 2007 indicated the presence of prospect areas in S06-03. Drilling is the only way more definitive data can be obtained on the presence of hydrocarbons and the economic viability of their production.

Further justification for drilling is the benefits the development of Timor-Leste's oil and gas resources can bring to the people of Timor-Leste. Oil and gas revenues underpin the government's routine and development programmes in the absence of any other substantial source of revenue.

Eni has entered into a production sharing contract (PSC) with the Timor-Leste government for any oil or gas produced within permit area S06-03, as well as four other permit areas in Timor-Leste waters (as described in Section 1.2). In exchange for exclusive access to these areas, Eni has committed to a schedule of exploration activities, including seismic surveys and drilling, over a finite period of six years. These exploration activities represent a significant financial investment by Eni, and if a commercial petroleum field is discovered, could provide a major source of national income for Timor-Leste.

The oil and gas industry may be expected to provide the following benefits to Timor-Leste:

- expansion of the economy due to increased service and supply requirements of the oil and gas industry;
- employment opportunities for a large proportion of the population;
- potential support towards the development of social development initiatives aimed at improving the quality of life of local communities;
- vocational education and training opportunities to develop a skilled workforce; and
- gas resources for domestic and industrial use in Timor Leste.

Thus, development of Timor-Leste's oil and gas resources can reduce unemployment and poverty, broaden Timor-Leste's economic base and help lift the non-oil economy onto a higher growth path.



3.2 ALTERNATIVES CONSIDERED

Drilling is the only method available to assess the nature of a subsea petroleum reservoir, to determine whether it contains commercial quantities of oil or gas. As mentioned in Section 3.1, no viable alternative to drilling exists; there are no non-intrusive methods of reservoir assessment available.

Marine seismic surveys are used as a precursor to drilling, to identify subsea geological structures that potentially could be hydrocarbon deposits. However, seismic surveys cannot determine the contents of these subsea deposits (which can include oil, gas or water) and cannot provide information on the pressures within the reservoir that could affect the flow of liquids, and the viability of the field for commercial production.

Drilling is a common petroleum exploration practice worldwide. In Australia, around 70 offshore exploration wells were drilled in 2009 (APPEA 2010).

Obtaining sufficient energy from alternative, renewable energy sources, such as solar, wind, wave, hydro and geothermal are beyond the scope of this EIS and are not discussed here.

4.0 DESCRIPTION OF THE ENVIRONMENT

4.1 PHYSICAL ENVIRONMENT

4.1.1 Climate

Regional Overview

The Timor Sea has two distinct seasons: “winter” from April to September and “summer” from October to March. The short period between the two seasons is termed the transition season. During this period, either winter or summer regimes could dominate.

The “winter” dry season (April to September) is characterised by steady easterly (northeast to southeast) winds of 5 to 13ms^{-1} driven by the South East Trade Winds over Australia. Figure 4.1 shows the general atmospheric circulation pattern over the Timor Sea during winter.

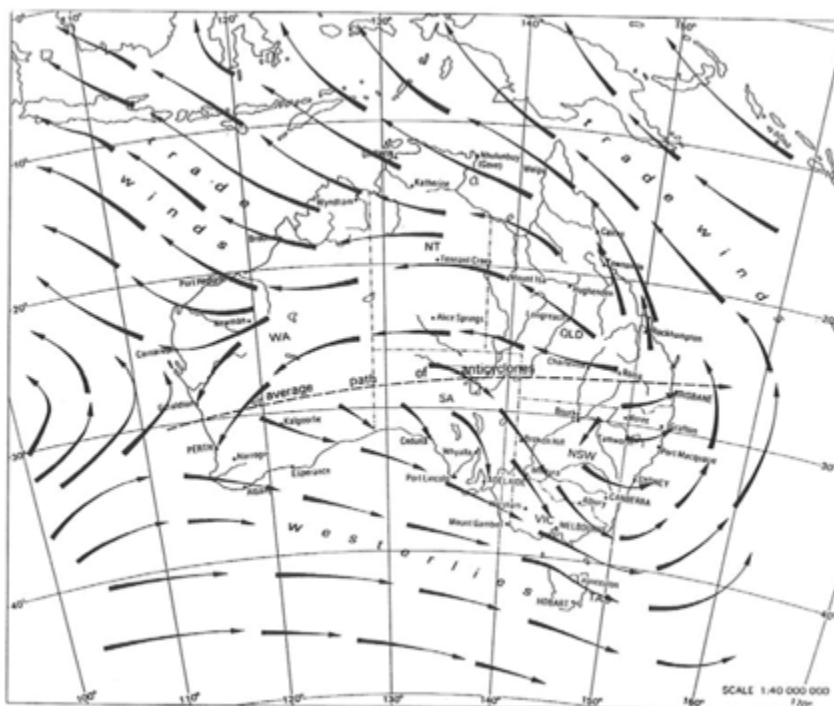


Figure 4.1 Generalised Atmospheric Circulation over Australia in Winter (July)
(from Swan *et. al.* 1994).

The “summer” season (October to March) is the period of the predominant North West Monsoon. It is characterised by mostly westerly (west-southwest) winds of 5ms^{-1} for periods of 5 to 10 days with surges in the airflow of 10ms^{-1} to 18ms^{-1} for the period of 1 to 3 days. Figure 4.2 shows the general atmospheric circulation pattern over the Timor Sea during summer.

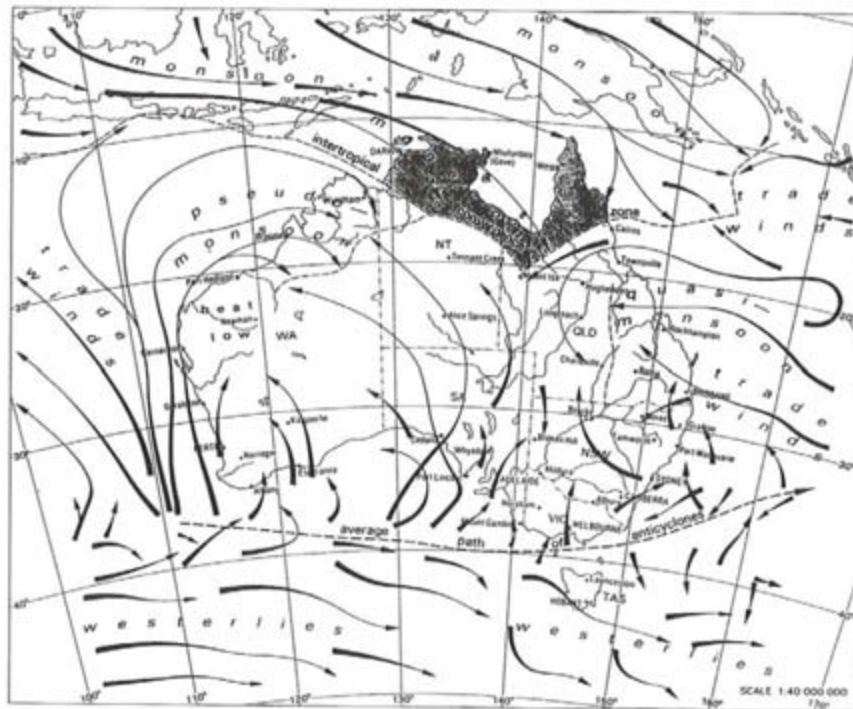


Figure 4.2 Generalised Atmospheric Circulation over Australia in Summer (January) (from Swan *et. al.* 1994).

Tropical cyclones can develop between November and April resulting in short lived, severe storm events often with strong but variable winds. Figure 4.3 shows the cyclone tracks logged over a 36 year period that cross within 200km of the permit area.

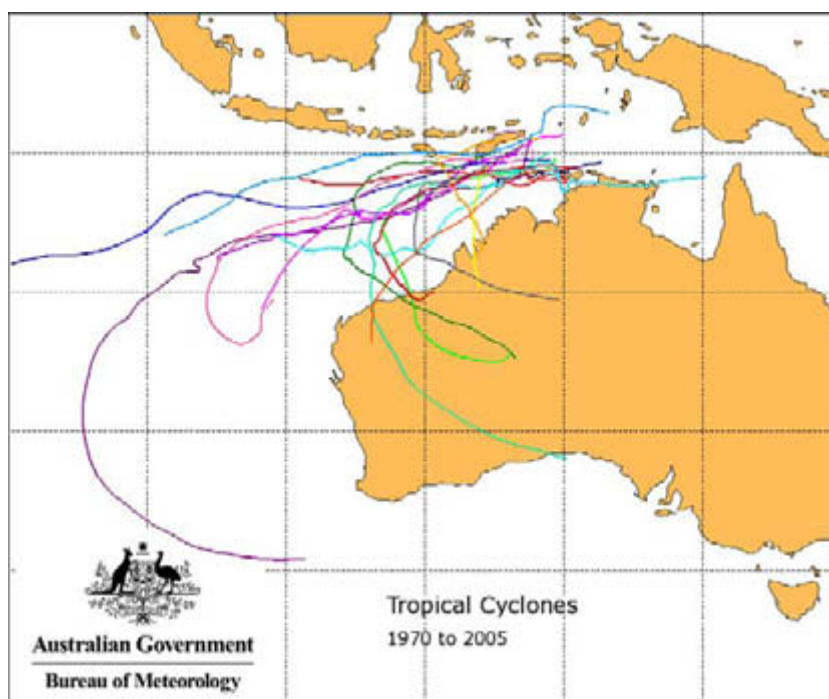


Figure 4.3 Tropical cyclones crossing within 200km of permit area S06-03 (1970 to 2006) (BOM 2009)

Rainfall and Temperature

Mean annual rainfall in the region is 1,700mm. Almost all rainfall occurs between November and April, the greatest falls being in January and February. The frequency and severity of the thunderstorms produce a large variation in the monthly rainfall. Rainfall during the dry months is sporadic and light.

Mean air temperatures are 26.9°C in July and 28.4°C in December.

Wind Patterns

Wind roses for the winter, summer and transitional seasons are presented in Figure 4.4. These display the expected seasonal variation in prevailing wind direction, with westerlies (southwest-northwest) persisting from October to March, and a fairly rapid shift to easterlies (northeast – southeast) in late March or early April that then persist until late October or early November before the return to the westerlies.

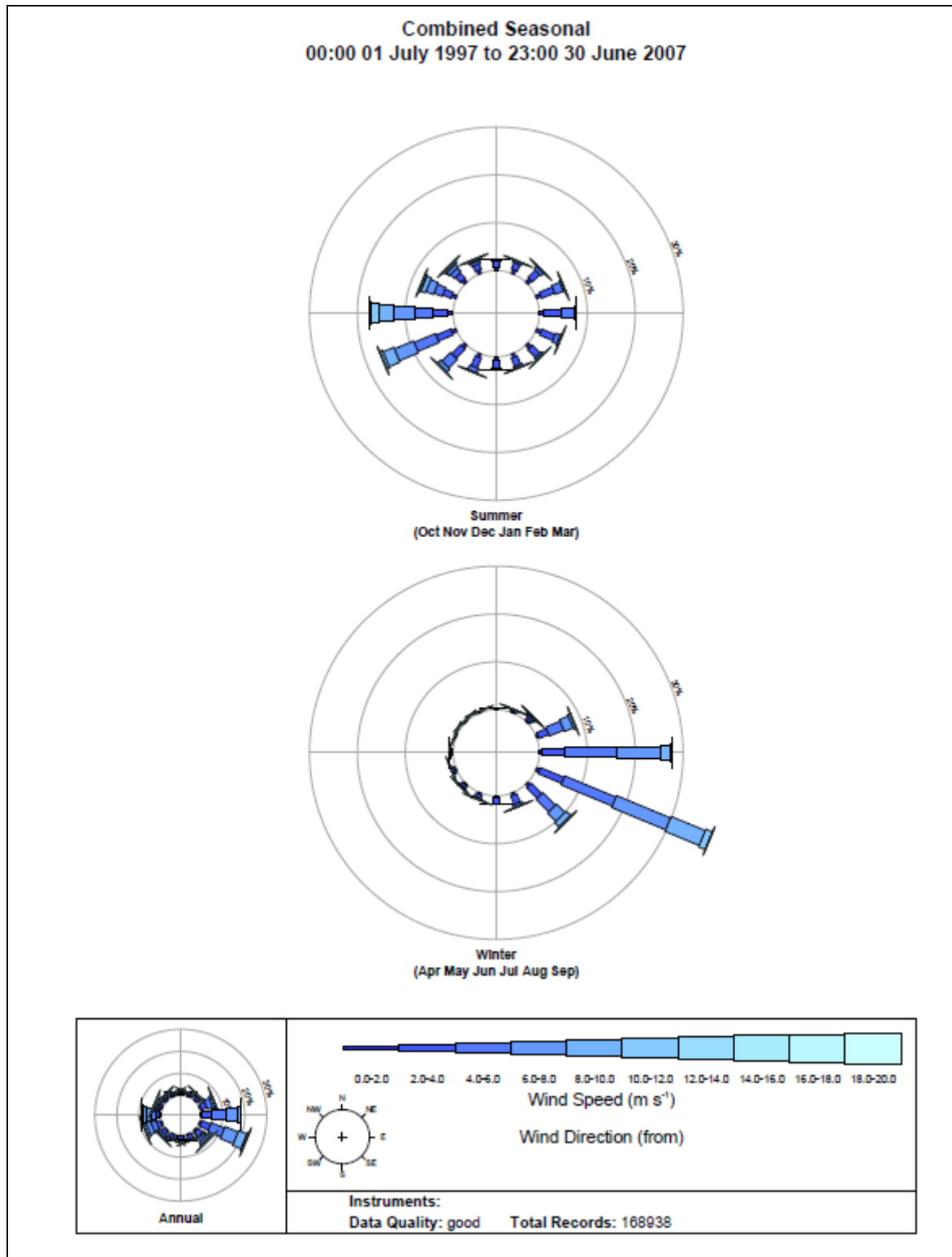


Figure 4.4 Seasonal wind roses for the Timor Sea (Saipem Energy Services, 2009)

4.1.2 Oceanography

Currents and Tides

The main forces contributing to surface water movement in the vicinity of S06-03 are:

- general oceanic circulation;
- astronomical tides; and
- wind stress.

The Pacific – Indian Throughflow flows south through the Indonesian Archipelago and into the Eastern Indian Ocean bathing it in warm, relatively low salinity seawater (Figure 4.5). Within the permit area, this may add a westerly component to the current regime. Current speeds vary depending on the season. Lowest speeds would occur in April at the end of the northwest monsoon when winds blow towards the Pacific whilst highest speeds would occur in September associated with the southeast monsoon (Wijffels et al., 1996).

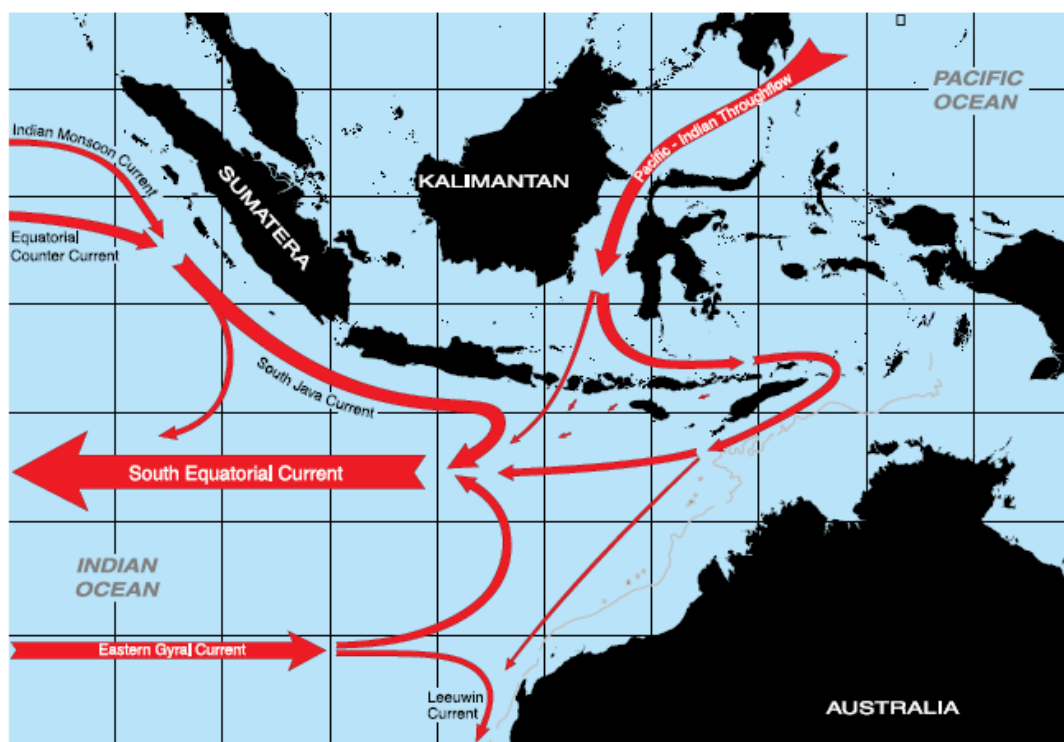


Figure 4.5 Regional Currents (CSIRO, 2004)

Tidal currents in the region are anti-clockwise rotational, commencing flood towards the NE and ebb towards the SW. Speeds will range from about 0.02m/s on neap tides to 0.1m/s on springs.

Surface currents are expected to reflect seasonal wind regimes (Figure 4.4). Local wind-driven surface currents may attain maximum speeds of 0.7m/s during extreme wind surges. More typically speeds would be in the range of 0.2m/s to 0.4m/s.

Tides are semidiurnal (two highs and lows each day) with a slight diurnal inequality (difference in heights between successive highs and low). There is a well defined spring-neap lunar cycle, with spring tides occurring two days after the new and full moon. Table 4.1 provides the standard tidal levels for the permit area. Highest Astronomical Tide (HAT) is 3.25m and the mean ranges for spring and neap tides are 2.08m and 0.58m, respectively.

Table 4.1 Standard tide levels (Fugro, 2009)

Tidal state	Level (m)
Highest Astronomic Tide (HAT)	3.25
Mean High Water Springs (MHWS)	2.65
Mean High Water Neaps (MHWN)	1.90
Mean Sea Level (MSL)	1.61
Mean Low Water Neaps (MLWN)	1.32
Mean Low Water Springs (MLWS)	0.57
Lowest Astronomic tide (LAT)	-0.07

Sea and Swell

Waves at the S06-03 permit area comprise contributions from:

- Southern Ocean swells;
- summer monsoonal swells;
- winter easterly swells; and
- locally generated seas.

The most persistent swell will arrive from the west and southwest with typical heights of 2m in winter and 1m in summer. Since longer period swell suffer less dissipation, periods of long-travelled swell commonly reach 18 seconds and occasionally exceed 20 seconds.

Shorter period swell (6 to 10 seconds), may result from tropical cyclone, winter easterlies over the Arafura Sea and the eastern portions of the Timor Sea, and summer westerlies over the western portions of the Timor Sea.

Local wind generated sea is highly variable but typically ranges in period from 2 seconds to 6 seconds with heights of up to 6m in strong persistent forcing at some locations (Swan *et al*, 1994).

Seawater Profile

A baseline environmental survey of the JPDA 06-105 permit area, located around 20km south of permit area S06-03, was conducted by Gardline Marine Sciences Pty Ltd (Gardline) in May 2010. Physico-chemical characteristics of the seawater column were sampled at three sites using a YSI 6600 multi-parameter probe, which measured pH, temperature, conductivity and dissolved oxygen (DO). Profiles were taken during day and night at all sites, down to water depths of 200m.

Surface seawater temperatures recorded were between 29.0 and 29.6°C. Subsurface temperatures were steady to approximately 60m depth. Below this, temperatures dropped steadily, indicating a consistent thermocline among all sampling sites. At depths close to 200m, temperatures reached as low as 12.4°C. This pattern of vertical stratification is typical of tropical seas (Gardline 2010).

The other parameters showed similar stratification:

- salinity levels were lower in the surface mixed layer (34.0–34.2ppt) and showed a consistent halocline from around 60m, with increasing salinity at depth (up to 34.6ppt at 190m depth).
- surface DO concentrations were above 6.0 mg/L, supportive of marine life, then showed a consistent decline to 60 m depth, after which concentrations decreased substantially to as low as 3.5 mg/L at 190 m depth.
- pH levels were consistent at around 8.1 in the well-mixed surface waters down to 60m, and then decreased to below 7.8 at 190 m (Gardline 2010).

These results are consistent with those previously recorded by Creswell et al (1993) in the Timor Sea.

Information on seawater temperature and salinity was also compiled from historical records by Fugro Survey Pty Ltd (Fugro). Surface sea temperatures ranged from about 30°C in summer to 26°C in winter. Table 4.2 presents monthly minimum, maximum and mean surface temperatures. Seawater temperature and salinity depth profile data are given in Table 4.3 and Table 4.4 respectively.

Table 4.2 Monthly and All-year Surface Seawater Temperature Statistics (Fugro, 2009).

Combined period (1855 to 2009)	Seawater temperature at surface (°C)		
	Min	Mean	Max
January	25.00	29.46	32.10
February	25.00	29.29	32.00
March	26.00	29.71	33.00
April	26.00	29.22	33.00
May	25.00	28.65	32.00
June	24.60	27.83	31.00
July	23.00	26.61	30.00
August	24.50	26.70	29.70
September	23.50	27.34	29.50
October	24.00	28.31	31.00
November	25.00	29.46	32.50
December	25.00	29.69	33.90
All-Year	23.00	28.74	33.90

Table 4.3 All-year Seawater Temperature Profile (Fugro, 2009).

DEPTH (m)	SEAWATER TEMPERATURE		
	MIN (°C)	MEAN (°C)	MAX (°C)
0	25.5	28.8	33.4
10	25.5	28.4	31.5
20	25.4	28.1	30.6
30	24.2	27.7	30.1
50	22.2	26.9	29.1
75	20.4	25.7	28.7
100	18.3	23.9	28.5
125	16.3	21.7	28.2
150	14.9	19.3	23.1
200	12.6	15.8	19.2
250	10.9	13.2	16.1
300	9.6	11.5	13.5
400	8.1	9.3	10.3
500	7.2	7.9	8.9
600	6.5	7.0	7.8
700	6.0	6.3	6.9
800	5.5	5.8	6.1
900	4.9	5.2	5.6
1000	4.5	4.8	5.1
1100	4.2	4.5	4.8
1200	3.9	4.2	4.5
1300	3.7	4.0	4.2
1400	3.5	3.8	3.9
1500	3.3	3.6	3.7

Table 4.4 All-year Seawater Salinity Profile (Fugro, 2009).

DEPTH (m)	SALINITY		
	MIN (PSU)	MEAN (PSU)	MAX (PSU)
0	33.95	34.49	34.94
10	33.95	34.49	34.81
20	33.98	34.49	34.77
30	34.06	34.50	34.75
50	34.20	34.53	34.74
75	34.33	34.56	34.77
100	34.32	34.62	34.80
125	34.38	34.70	34.83
150	34.51	34.74	34.85
200	34.57	34.69	34.81
250	34.47	34.60	34.70
300	34.44	34.55	34.64
400	34.48	34.54	34.58
500	34.52	34.55	34.59
600	34.54	34.56	34.58
700	34.55	34.56	34.57
800	34.56	34.56	34.57
900	34.57	34.57	34.57
1000	34.57	34.58	34.58
1100	34.58	34.58	34.59
1200	34.58	34.59	34.61
1300	34.59	34.61	34.62
1400	34.61	34.63	34.64

4.1.3 Bathymetry

PSC S06-03 is located on the continental slope in depths ranging from 1000m to 1,950m. To the north the continental slope continues to decline steadily reaching depths in excess of 2,500m in the Timor Trough. Bathymetry contours within the Cova, Manapa, Leolima and Lupal prospects are presented in Figures 4.6 to 4.9.

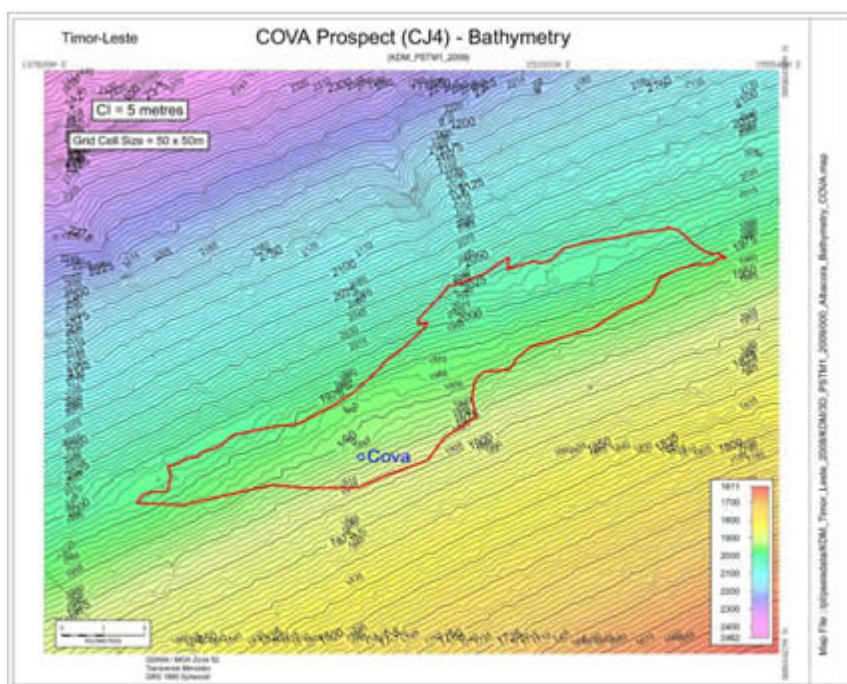


Figure 4.6 Bathymetry of the Cova prospect area

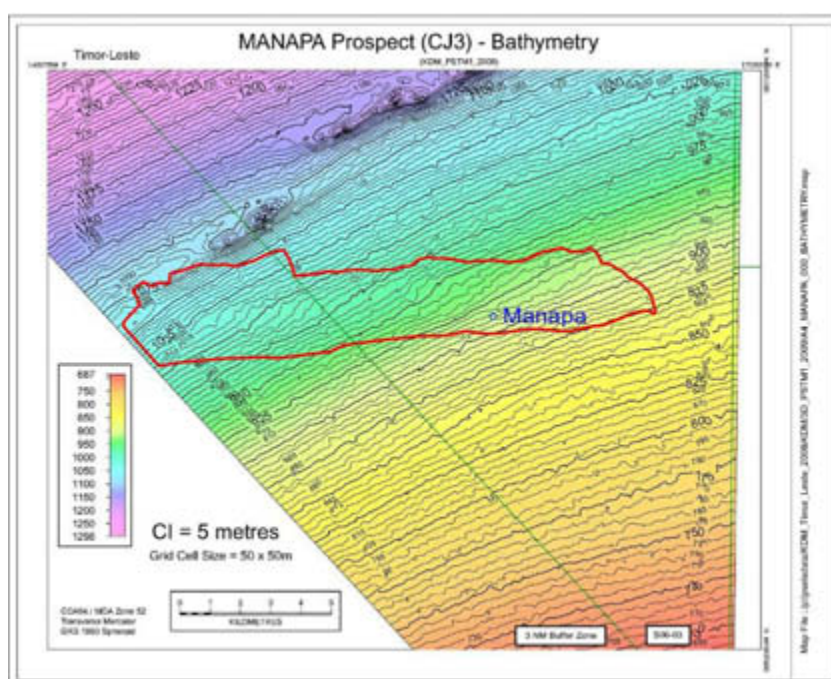


Figure 4.7 Bathymetry of the Manapa prospect area

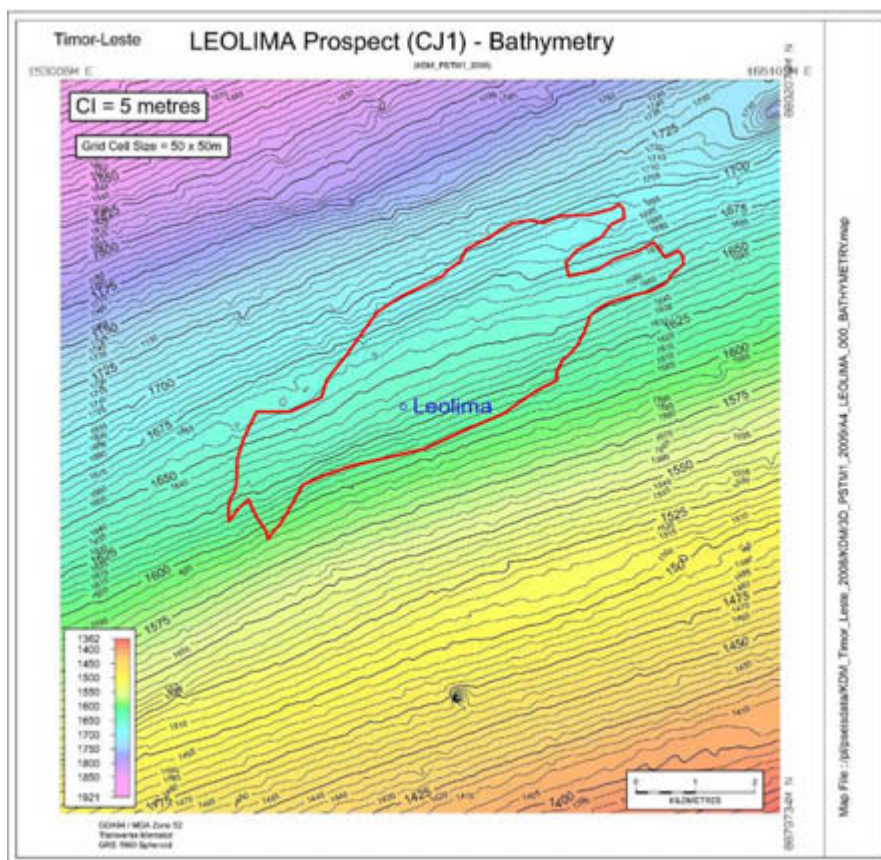


Figure 4.8 Bathymetry of the Leolima prospect area

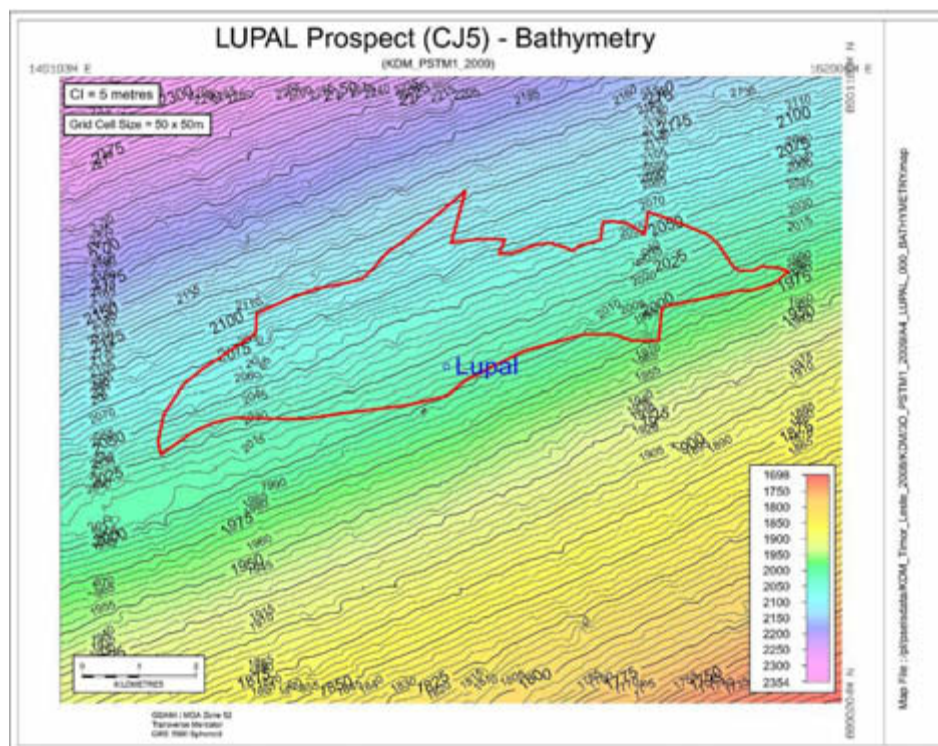


Figure 4.9 Bathymetry of the Lupal prospect

Approximately 80km to the south of the permit area, the Sahul Shelf extends approximately 300km out from and runs parallel to the northern Australian coastline. It is bounded to the northeast by the Van Diemen Rise, to the southwest by the Londonderry Rise and to the north by a series of seven shoals described by Edgerley (1974) as a "broken barrier reef" (Figure 4.10).

A system of shoals occurs to the south and southwest of the permit area (Figure 4.10). The system stretches for approximately 60km in a northeast/southwest direction along the outer edge of the Sahul Shelf and comprises 11 major shoals ranging in size from 0.05km² to 40km², with an average size of 4.6km² (Heyward *et. al.* 1997). The banks rise sharply above the continental slope from more than 300m to between 16m to 30m below the sea surface. The nearest, Big Bank Shoals, is located approximately 40km southwest of permit area S06-03 and rises to within 21m lowest astronomical tide (LAT).

The nearest emergent reefs, Ashmore, Cartier and Hibernia, are located on the southwest end of Sahul Shelf. The nearest, Hibernia reef, is more than 300km to the southwest of S06-03. The nearest shoreline is the southern coastline of Timor-Leste, located approximately 80km to the northwest.

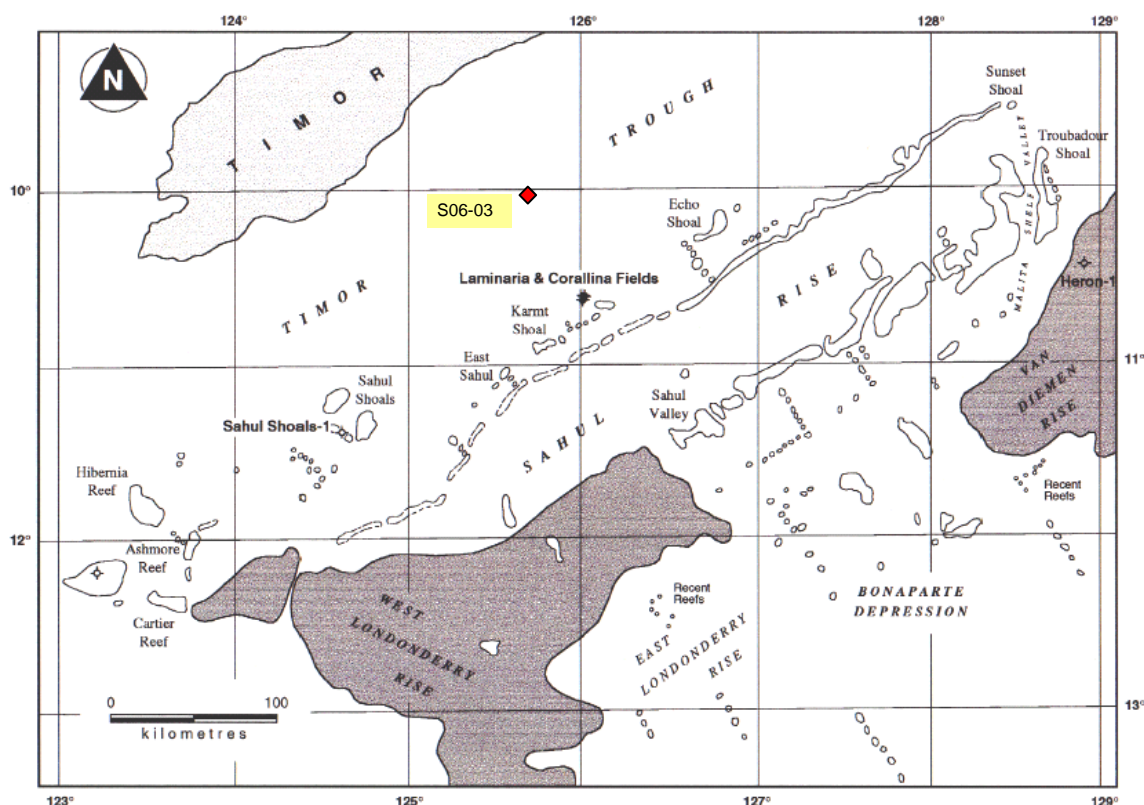


Figure 4.10 Regional bathymetry

4.1.4 Marine Sediments

Recent sampling of marine sediments in the nearby JPDA 06-105 permit area recorded fine silty sand with clay nodules throughout much of the area. Poorly sorted coarse silt to very fine sand was recorded at the majority of sampling sites. Samples from the deeper sites to the north and northwest of the permit area contained higher fines contents. Mean particle size for the survey area was $66\mu\text{m}$ (± 43 SD) (Gardline 2010).

Total organic carbon (TOC) was low for the sediment type, with an average of 1.8%. Total petroleum hydrocarbons (TPH) were not recorded within the limits of detection, indicating that the marine sediments in the area are free from anthropogenic contamination. Similarly, heavy metals such as cadmium, copper and lead were well below the National Oceanic and Atmospheric Administration's (NOAA) published apparent effects thresholds (AETs), indicating no threat of toxicity to marine biota. Sediment metal concentrations in the permit area were indicative of background concentrations, and were not considered to have been affected by previous drilling activities nearby (Gardline 2010).

These marine sediment characteristics are expected to represent those in permit area S06-03, due to the relatively close proximity of the permit areas (<20 km) and the similar deepwater open ocean environment.

4.1.5 Seismicity and Tsunamis

The Timor Sea has been tectonically active for at least the past six million years where the Australian and Eurasian continental plates converge. Since the mid 1970s, hundreds of earthquakes have been recorded in the region. Many of the earthquakes in the Australian sector of the Timor Sea are of relatively low magnitude occurring around the edges of the Cartier and Timor Troughs.

Subduction earthquakes, caused by one edge of a crustal plate being forced below the edge of another, associated with the Timor Trough dominate the earthquakes of the area. Earthquake activity within the central Timor Trough and the island of Timor is a lot more intense, more frequent and generally of a magnitude greater than seven on the Richter scale (AUSGEO 2003).

The permit area is located in the southern part of the Timor Trough on the Australian continental plate, which is subducting to the north under Timor. The subduction zone is steeply dipping with the rate of activity along the subduction zone appearing to be greatest to the east (towards the Banda Sea) than to the west (towards Sumbawa). There appears to be an absence of seismicity to the northwest, although this may not be a long-term feature of the seismicity of the area.

At the Timor Trough, subduction-zone earthquakes are shallow at the offshore trench and are deepest to the north, with most subduction earthquakes occurring at depths down to approximately 200km. Few events occur between 300km and 500km depth, although some events do occur at depths exceeding 600km. Events deeper than 300km are too deep to create damage at the surface for major engineered structures.

4.2 BIOLOGICAL ENVIRONMENT

4.2.1 Regional Overview

Physical, biological and environmental data for the marine and coastal environment in Timor-Leste is very scarce (Sandlund *et. al.* 2001) hence referral has to be made to isolated or more general studies. The marine fauna of the Timor Sea is part of the Indo-West Pacific biogeographical province (Figure 4.11). The majority of species are widely distributed in this region (Wilson & Allen 1987). Timor-Leste has been identified as part of the Wallacea region (relating mainly to the terrestrial environment) in Southeast Asia which has been identified as a biodiversity “hotspot” (CI 2007). The most ecologically important marine habitats in the Timor Sea region, in terms of biodiversity and productivity can be grouped into:

- various submerged banks or shoals on the northern Australian continental shelf and shelf slope;
- coastal intertidal coral reefs and shallow (20m to 30m) reefs; and
- mangrove and seagrass areas located along the Timor-Leste and northern Australian coast and islands (Sandlund *et. al.* 2001; SKM 2001).

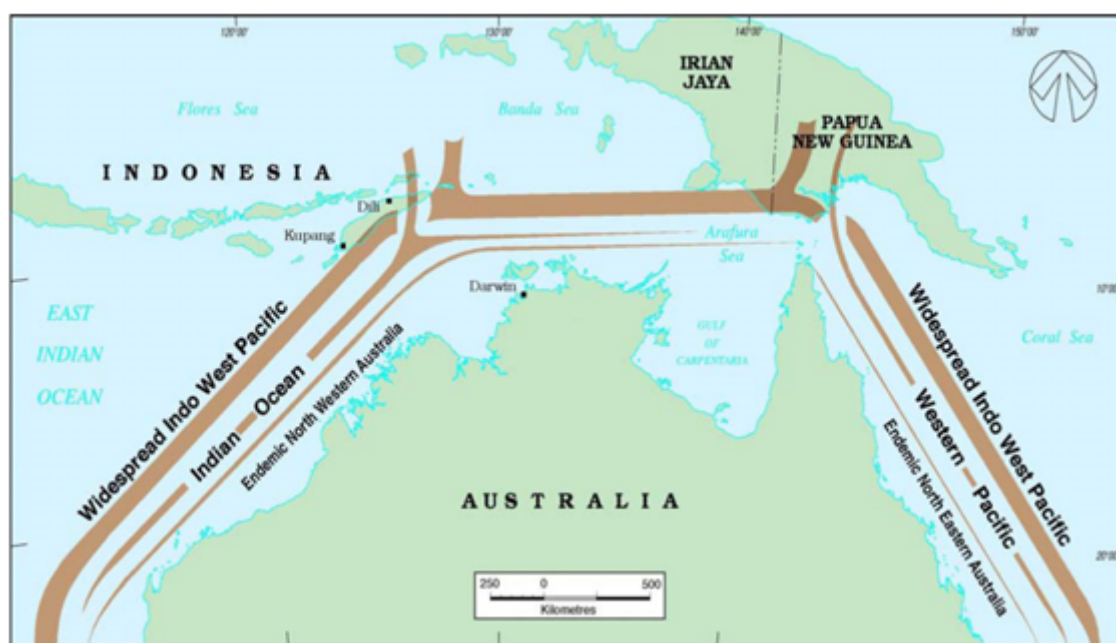


Figure 4.11 Indo-West Pacific biogeographical province.

4.2.2 Bathypelagic Zone

The permit area is situated in water depths exceeding 1000m and is therefore in the bathypelagic zone (defined as between 1,000m and 4,000m deep). Sunlight does not penetrate the bathypelagic zone and bioluminescence is the only light (Ryan 2009). Despite the lack of light, the biota of the bathypelagic zone is diverse and sperm whales (*Physeter macrocephalus*) are capable of diving to the bathypelagic zone to feed on deep sea cephalopods and other megafauna.

As no plants can grow in the bathypelagic zone because of lack of light, the fauna are carnivorous, catching in their wide jaws the falling debris of the organisms which exist above them. Fish are common in the bathypelagic zone, typically feeding by ambushing prey or by attracting prey using bioluminescent lures. Due to the relatively small changes in pressure with depth, fish inhabiting the bathypelagic zone can move freely over wide depth changes without being affected by pressure changes (Ryan 2009). As such, fish species occurring in the bathypelagic zone would be expected to occur over wide depth and geographical ranges.

Benthic invertebrates inhabiting the seabed would be expected to exhibit high diversity though low abundance and productivity due to the water depth, lack of light and reliance on detrital "rain" to drive deep sea ecosystems (Ryan 2009). Infaunal assemblages would be expected to be dominated by polychaete worms and crustaceans as is typical of marine infaunal assemblages elsewhere including those of continental shelf and slope habitats of the Timor Sea.

4.2.3 Continental Shelf

Across the northern continental shelf, the predominant animals living within seabed sediments (infauna) are polychaetes (burrowing worms) and crustaceans (e.g. prawns, shrimp and crabs). These two groups comprise 84% of the total species in sediment samples with a high diversity of species but a low abundance of each individual species (Heyward *et al.* 1997). The remaining 16% of species include echinoderms (e.g. sea stars, sea urchins, feather stars), molluscs (both gastropods and bivalves), nemerteans (ribbon worms), sponges and fish.

Epibenthic communities (animals living on the seabed) in deeper waters are generally low in fauna abundance and diversity. Heyward *et al.* (1997) noted that with little sea floor topography and hard substrate, such areas offered minimal habitat diversity or niches for animals to occupy. The main taxa found in these areas include sponges and gorgonians (sea whips and sea fans). The absence of hard substrate is considered a limiting factor for the recruitment of epibenthic organisms (Heyward & Smith 1996).

Whilst the abundance may be low, the diversity of shelf slope invertebrates may, however, be high. A wide variety of crustaceans including scampi, prawns, carids, bugs and crabs are regularly recorded from commercial deepwater trawl catches in the North West Shelf Trawl Fishery and that the additional non commercial crustacean captures included hundreds of species (Caton & McLoughlin 1999). The continental slope of the Timor Sea can be expected to support similar crustacean diversity.

4.2.4 Sea Mounts and Shoals

The proposed drilling program occurs to the north of a number of mostly unnamed sea mounts and the Sahul Shoals. On shoals in less than 50m water depth (where adequate light may penetrate), epibenthic fauna can be abundant and diverse. These areas are of ecological significance due to their regional uniqueness and their patchy distribution in an otherwise broad area of featureless seafloor.

The major shoals and banks in the region include:

- Karmt Shoals (approximately 70km to the south-southeast of S06-03);
- Big Bank Shoals (approximately 40km to the south-southeast of S06-03); and
- Echo Shoals (approximately 120km to the east-southeast of S06-03).

The nearest shoals to the permit area, Big Bank Shoals were surveyed extensively by Heyward *et. al.* (1997). The Big Bank Shoals comprise thirteen banks which vary in their habitat and species composition, but are generally characterised by mixed Halimeda algae, sponge and soft coral communities with some hard corals on the more consolidated sediments. Halimeda or coral dominate ecosystems on the shallower banks and filter-feeding ecosystems dominate the deeper banks. It is not clear why some of these banks are coral-dominated while others are Halimeda-dominated. However, depth and light attenuation seem to play key roles.

South of the Sahul Shelf system lies extensive shelf flats of depths varying from 70m to about 100m. These soft sand-silty seafloors are generally flat and undulating with a sparse assemblage of species. Species present are mainly polychaetes and crustaceans, with sponges, ascidians, echinoderm, gorgonians or soft corals depending on depth and local sediment characteristics (Lavering 1993; Marsh & Marshall 1983).

4.2.5 Coral reefs

Timor-Leste is near the centre of the global region with the highest coral species diversity and there may be in excess of 500 species of coral occurring in Timor-Leste waters (Veron & Stafford-Smith 2000). A series of surveys conducted in Indonesian waters between 1990 and 1998 (Burke *et. al.* 2002) determined that the percentage of coral reefs in good or excellent condition (live coral cover of more than 50%) in eastern Indonesia were 45% compared to only 23% in western Indonesia. Burke *et. al.* (2002) also identified a number of coral reefs along the Timor-Leste coast, including five distinct communities along the south coast of Timor-Leste, that were considered to be at Medium to High risk of impact from the combined effects of coastal development, marine-based pollution, sedimentation, overfishing and destructive fishing.

Intertidal reefs and islands occur along the south coast of Timor-Leste. Wyatt (2004) surveyed a small area of the nearshore coastal marine environment on the south coast. Brittle stars (ophiuroids) and other mobile organisms as well as a total of 27 taxa of sessile organisms were identified as inhabiting the reef platform. Of the sessile organisms, 18 taxa were algae (a brown alga *Ascidium* sp. and a green alga *Caulerpa* sp.), three sponges (poriferans), two hard corals (scleractinians), two ascidians, one anemone (cnidarian) and one foraminifer.

Most of the coastline adjacent to the permit area is identified as “sand”, with two coral reef communities present:

- a coral reef zone extending 10km east from Betano; and
- reef immediately around the point at Suai.

Aerial observations of the south coast coral reefs, during helicopter transfers as part of Eni's Albacora 3D survey indicate that the fringing reefs do not extend further than 100m from shore (Eni 2008).

The nearest emergent offshore coral reefs, Ashmore, Cartier and Hibernia, are located on the southwest end of Sahul Shelf. The nearest, Hibernia reef, is more than 300km to the southwest of the permit area.

4.2.6 Nutrient availability

Water quality sampling was recently conducted in the JPDA 06-105 permit area, around 20km south of permit area S06-03, by Gardline (2010). Nutrient concentrations were assessed in surface water layers down to 20m depth. The average total nitrogen concentration was $143\mu\text{g l}^{-1}$, which may be indicative of seasonal upwelling of nutrients from the continental slope. This phenomenon may also have contributed to the development of benthic communities on the oceanic shoals south of the permit area, discussed in Section 4.2.4 above. However, phosphorous concentrations were very low, and the nitrogen:phosphorous ratio of $<16:1$ is considered to indicate a “nutrient-limiting” marine environment, typical of the Timor Sea (Gardline 2010).

Chlorophyll-a concentrations were low, from below the limit of recording ($0.1\mu\text{g L}^{-1}$) to $0.3\mu\text{g L}^{-1}$, and were consistent down to 50m depth (Gardline 2010).

4.2.7 Benthic infauna

Infauna sampling was recently conducted by Gardline throughout the JPDA 06-105 permit area. Samples of the seabed were taken using a 0.1m^2 Day grab and revealed a low abundance of infauna, indicative of sparse communities. Taxa included polychaetes, crustaceans, molluscs and echinoderms. Overall, polychaete annelids were the most common fauna recorded, which is typical of soft-bottom communities from the continental shelf to the abyssal plains (Gardline 2010).

4.2.8 Plankton

Zooplankton, which feeds on phytoplankton, provides an important food source to larger animals such as whales, fish and crustaceans. Within the region, zooplankton densities are greatest in an up-welling area between the north-west coast of Australia and Indonesia, generally during the July-August period related to the south-east monsoonal winds (Tranter 1962).

Sampling for zooplankton and phytoplankton was recently undertaken in the JPDA 06-105 permit area by Gardline (2010). Phytoplankton were sampled at 23 locations using an integrated water pump procedure at 20, 15, 10 and 5m depths. Species abundances were highly dominated by the green algae chlorophyta, which consisted mainly of the genus *Prasinophyte*. Overall, the majority of species identified during the survey were similar to those recorded by earlier studies in the region (Gardline 2010).

Zooplankton were sampled at 30 locations, using a 150µm mesh plankton net towed vertically from 20m depth to surface. Samples were consistently dominated by copepod crustaceans, along with urochordata and foraminifera. Overall, the highest abundances of zooplankton were observed near the Kitan-4 drilling location, which was the closest sampling area to Big Bank Shoal (1.9km away). Nutrient enriched oceanic upwelling from the Timor Trough may be influenced by the steep bank, resulting in enhanced primary production for zooplankton (Gardline 2010).

Heyward et al (1997) also conducted plankton sampling at Big Bank Shoal, and found that zooplankton biomass was in the range of 65–155 mg/m³, with diverse and abundant assemblages. Samples indicated a population of an average of 31,000 individuals representing 20 to 30 taxa, while abundance at sites away from the bank averaged approximately 17,000 individuals.

Planktonic crustaceans that feed on phytoplankton were the most prevalent taxa. A copepod (Crustacean) from the Family Paracalanidae was the most abundant zooplankton encountered. These results are consistent with those of extensive surveys conducted by Tranter (1962). The higher abundance of zooplankton in samples over the Big Bank Shoals appears to be a feature of these shoal ecosystems.

4.2.9 Marine Mammals

A number of whale and dolphin species are likely to be encountered during the drilling program, with the Timor Trench providing an important flow-through of species connecting the Pacific and Indian Oceans. Twenty-two whale and dolphin species could potentially occur in the Timor Sea near the permit area (DEWHA 2010). Of these, the Pygmy Killer Whale (*Feresa attenuata*), Killer Whale (*Orcinus orca*), False Killer Whale (*Pseudorca crassidens*), Common Dolphin (*Delphinus delphis*) and the Bottlenose Dolphin (*Tursiops truncatus*) are likely to occur.

Humpback Whales (*Megaptera novaeangliae*) are not expected to migrate as far north as the Timor Sea, although they are known to breed near the north-western Australian mainland coast during the winter months.

Marine mammal observations from Eni's Albacora 3D seismic survey by dedicated Marine Mammal Observers (MMO) provided an insight into the distribution of whales and dolphins in the Timor Sea. In September 2007, observations were made over 22 days, recording a total of 23 sightings of cetaceans comprising approximately 96 individuals (Western Whale Research 2007). These included 13 pods of Pygmy blue whales, *Balaenoptera musculus brevicauda*, and 8 pods of unidentified large whales (most likely to be Pygmy blue whales). Two pods of unidentified dolphins totalling 70 individuals were also observed. Given the large survey coverage over deep water (up to 2,500m) and short observation duration of 22 days (with excellent weather) this number of sightings is considered to be high and of very high importance to marine science.

In contrast, the MMO effort for the 3D Seismic Survey in December 2007 observed relatively low numbers of sightings in the Timor Sea (Eni 2008). Over 13 days, a total of four sightings of cetaceans comprising 16 individuals were recorded. These included one unidentified whale, one sighting of two Fraser's dolphins and two pods of unidentified dolphins. An explanation of the low numbers may be the different seasonal conditions (from Winter/Spring to Spring/Summer) and a change in surveying area from predominantly deep to shallower water (500m).

Dugongs (*Dugong dugon*) occur within Timor-Leste waters, in protected areas coinciding with sizeable seagrass beds. Given its distance offshore and water depth, dugongs are unlikely to be encountered in the S06-03 permit area.

4.2.10 Reptiles

Turtles

The tropical Indo-Pacific region supports marine turtles and sea snakes. Marine turtles include the threatened Flatback Turtle (*Natator depressus*), Green Turtle (*Chelonia mydas*), Hawksbill Turtle (*Eretmochelys imbricata*) and Leatherback Turtle (*Dermochelys coriacea*). The Loggerhead Turtle (*Caretta caretta*) and Olive Ridley Turtle (*Lepidochelys olivacea*) also occur in the region and are listed as endangered (DEWHA 2010).

There are no turtle nesting sites or other critical habitat (e.g. breeding or feeding sites) identified within the Timor-Leste coastline adjacent to the permit area (UNEP-WCMC 2006). However, Jaco Island and Tutuala beach have been identified as turtle nesting sites (Nunes 2001) and other breeding sites may exist on the south coast of Timor-Leste where the appropriate conditions exist.

Saltwater Crocodiles

The distribution of the saltwater crocodile, *Crocodylus porosus*, encompasses Timor-Leste and the islands and coasts surrounding the Timor Sea. The animals usually inhabit territories within tidal river systems and estuaries, sometimes around coastal areas and in freshwater rivers or water bodies (Ross 1998). The saltwater crocodile is unlikely to be encountered during drilling.

Sea Snakes

Sea snakes are very common in subtropical and tropical waters where they occupy a wide range of habitats and water depths, extending from the coast to the reefs and banks further offshore. Sea snakes are expected in the Timor Sea region, with as many as 15 species known to occur in northern Australian waters (Storr *et al.* 1986).

4.2.11 Fish

FishBase (2006) lists 144 marine fish species in 38 families for Timor-Leste waters, with one species, the Bigeye Tuna (*Thunnus obesus*) listed as Threatened, 18 of the species as being pelagic and 10 of the species as being deep water. Many of the

species listed for Timor-Leste are found throughout the tropics and are important commercial species, such as the tunas, mackerels and snappers.

Fish densities in the region of the drilling programme are likely to be low, with some pelagic species traversing the area. However waters with greater fish abundance are likely to occur in the shallow, coastal fringe and around reefs and shoals on the edge of the continental shelf (CSIRO 1999a). The broader area of the Timor Sea region supports pelagic fish species that are utilised in traditional and commercial fisheries.

The region supports large populations of cartilaginous fishes such as sharks and rays. The most prolific of the sharks are the whalers, represented by at least twelve species in the region. They are common in all environments and the oceanic white tipped sharks (*Carcharhinus longimanus*) occur in the deeper offshore areas. Whale sharks may occur occasionally in the permit area, although little is known of their movements through the region.

4.2.12 Birds

Timor-Leste has approximately 224 species of birds of which 23 are endemic to the Timor island group (World Bank 2005). Of the known species that occur in Timor-Leste, two are listed as critically endangered and three are listed as endangered under the IUCN Red List. Of these birds, only the Christmas Island Frigatebird, *Fregata andrews* is a seabird.

Birdlife at the drilling location is expected to be limited given the oceanic environment. A large variety of seabird species are expected to migrate across the region or forage within the coastal waters of the Timor Sea. Shoreline species may pass through these areas during migrations or enter for short periods during foraging. Seabirds that may occur in the permit area include various tern species, the silver gull (*Larus novaehollandiae*), the lesser frigate bird (*Fregata ariel*), the common noddy (*Anous stolidus*) and the migratory seabird, the streaked shearwater (*Calonectris leucomelas*).

In a systematic survey of seabird distribution in the eastern Indian Ocean carried out in 1995 (Dunlop *et. al.* 1995) it was found that seabird distributions were generally very patchy except near islands where shelter and anomalies in surface water concentrated food seasonally. For example, Ashmore Reef (located over 380km to the southwest of the permit area) is a significant staging point for wading birds migrating between Australia and the northern hemisphere, including 43 species listed on one or both of CAMBA and JAMBA.

Ashmore Reef supports extremely high concentrations of breeding seabirds, many of which are nomadic and typically breed on small isolated islands. CSIRO (1999b) recorded over 10,000 seabirds of nine species on Ashmore Reef and at sea within the Timor MOU74 (Memorandum of Understanding) Box during a survey between September and October, 1998. These species are listed in Table 4.5.

Table 4.5 Seabirds species on Ashmore Reef and at sea within the Timor MOU74 Box during a survey between September and October, 1998

Common name	Scientific name
Crested Tern	<i>Sterna bergii</i>
Sooty Tern	<i>Sterna fuscata</i>
Roseate Tern	<i>Sterna dougalli</i>
Common Noddy	<i>Anous stolidus</i>
Brown Booby	<i>Sula leucogaster</i>
Masked Booby	<i>Sula dactylatra</i>
Bulwer's Petrel	<i>Bulweria bulwerii</i>
Matsudaira's Storm-Petrel	<i>Oceanodroma matsudairae</i>
Leach's Storm-Petrel	<i>Oceanodroma leucorhoa</i>

Source: CSIRO 1999b

4.2.13 Mangroves

Mangroves occupy approximately 7,500 acres along the coastline of Timor-Leste. On the south coast, they tend to form small communities at the mouths of streams and in marshy or swampy terrain (timorNET, 2007).

The mangroves species that occur along the coast of Timor-Leste include, *Bruguiera parvifolia*, *Sonneratia alba*, *Rhizophora conjugata*, *Excoecaria agallocha*, *Avicennia marina*, *Aegiceras corniculatum*, *Acanthus ilicifolius*, *Lumnitzera racemosa*, *Heritiera littoralis*, *Acanthus ilicifolius*, *Achrosticum aureum*, *Xylocarpus granatum*, *Corypha utan*, *Pandanus odoratissimus*, *Cycas circinalis*, *Dolichandrone spathacea* and *Melaleuca leucadendron* (timorNET, 2007).

4.2.14 Conservation Significant Biological Resources

There are currently no legislative instruments, such as national laws or ratification of international conventions and treaties, in place in Timor Leste to protect threatened species of flora and fauna. However, a number of animals that are protected under international agreements could occur within the marine environment of permit area S06-03 (DEWHA 2010¹). These include seven whales, four dolphins, four turtles, one fish and one bird species (Table 4.6).

All these animals are widely distributed oceanic species. There are no particular seabed, oceanographic or topographic features in or near permit area S06-03 that could offer special breeding or feeding habitat for these species, although it is noted that the Timor Trough may be used by whales as a migratory path.

¹ This reference source is the Australian Government threatened species database, maintained under the *Environment Protection and Biodiversity Conservation Act* 1999. Areas covered by the database include the Timor Sea. The database provides an indication of the likely distribution of a number of threatened species that are listed under Australian law and international conventions, but is coarse in scale and has not been ground-truthed for permit area S06-03, where Cova-1 is located.

Table 4.6 Protected species that may occur in the permit area

Common name	Scientific name	Distribution	Conservation status*
Mammals			
Blue whale	<i>Balaenoptera musculus</i>	Open ocean, world-wide distribution. Considered to be endangered. Occasional visitor to region.	Migratory (CMS Appendix 1) CITES Appendix 1 Endangered (IUCN)
Humpback whale	<i>Megaptera novaeangliae</i>	Considered to be endangered. Known migration path not near proposed development site.	Migratory (CMS Appendix 1) CITES Appendix I
Antarctic minke whale, dark-shoulder minke whale	<i>Balaenoptera bonaerensis</i>	Throughout the Southern Hemisphere. Recorded in all Australian states except Northern Territory.	CITES Appendix 1 Migratory (CMS Appendix 2)
Bryde's whale	<i>Balaenoptera edeni</i>	Temperate to tropical waters, both oceanic and inshore.	Migratory (CMS Appendix 2) CITES Appendix I
Killer whale	<i>Orcinus orca</i>	Global and circum-Australia.	Migratory (CMS Appendix 2)
Sperm whale	<i>Physeter macrocephalus</i>	Global in deep waters in all oceans and confluent seas. Circum-Australia.	Migratory (CMS Appendix 2) CITES Appendix I Vulnerable (IUCN)
Spotted bottlenose dolphin	<i>Tursiops aduncus</i>	Tropical and sub-tropical coastal and shallow offshore waters of the Indian Ocean, Indo-Pacific Region and the western Pacific Ocean. Circum-Australia.	Migratory (CMS Appendix 2)
Minke whale	<i>Balaenoptera acutorostrata</i>	Tropical and warm-temperate waters of the Southern Hemisphere. Western, southern and eastern Australian waters.	CITES Appendix I
Spinner dolphin	<i>Stenella longirostris</i>	Pelagic zone of tropical, subtropical and, less frequently, in warm temperate waters in the Indian, Pacific and Atlantic Oceans. South-western Australia northwards to south-eastern Australia.	Migratory (CMS Appendix 2)
Striped dolphin	<i>Stenella coeruleoalba</i>	Temperate to tropical species. South-western Australia northwards to south-eastern Australia.	Migratory (CMS Appendix 2)
Spotted dolphin	<i>Stenella attenuata</i>	Pantropical oceanic tropical zones between about 40° N and 40° S. South-western Australia northwards to south-eastern Australia.	Migratory (CMS Appendix 2)
Reptiles			
Loggerhead turtle	<i>Caretta caretta</i>	Global distribution in tropical, subtropical and temperate waters.	Migratory (CMS Appendix 1)
Leatherback turtle	<i>Dermochelys coriacea</i>	Global tropical and temperate distribution, largest populations in Atlantic, Pacific and Indian Oceans and Caribbean Sea.	Migratory (CMS Appendix 1) CITES Appendix I Critically endangered (IUCN)
Green turtle	<i>Chelonia mydas</i>	Global distribution including tropical waters of Northern Australia.	Migratory (CMS Appendix 1) CITES Appendix I Endangered (IUCN)

Common name	Scientific name	Distribution	Conservation status*
Hawksbill turtle	<i>Eretmochelys imbricata</i>	Global distribution in tropical, subtropical and temperate waters, largest populations occur in Australian waters.	Migratory (CMS Appendix 1) Critically endangered (IUCN)
Fish			
Whale sharks	<i>Rhincodon typus</i>	Broad distribution between latitudes 30° N and 35° S in tropical and warm temperate seas, both oceanic and coastal settings. Circum-Australia but most common in waters off northern Western Australia, Northern Territory and Queensland.	Migratory (CMS Appendix 2) Vulnerable (IUCN)
Birds			
Streaked shearwater	<i>Calonectris leucomelas</i>	Northern Territory and eastern coastline of Australia.	Migratory (JAMBA, CAMBA)
<p><i>Definitions of threatened species status under international agreements</i></p> <p>Convention on International Trade in Endangered Species (CITES): Appendix 1 Species threatened with extinction</p> <p>Convention on Migratory Species (CMS): Appendix 1 Migratory species that have been categorized as being in danger of extinction throughout all or a significant proportion of their range Appendix 2 Migratory species that have an unfavourable conservation status or would benefit significantly from international co-operation organised by tailored agreements</p> <p>International Union for the Conservation of Nature (IUCN) Red list: Critically endangered Considered to be facing an extremely high risk of extinction in the wild Endangered Considered to be facing a very high risk of extinction in the wild Vulnerable Considered to be facing a high risk of extinction in the wild</p> <p>China-Australia Migratory Bird Agreement (CAMBA): Species listed under the agreement are considered migratory and in danger of extinction</p> <p>Japan-Australia Migratory Bird Agreement (JAMBA): Species listed under the agreement are considered migratory and in danger of extinction</p>			

Source: DEWHA 2010

4.2.15 Conservation Areas

The nearest currently declared marine conservation zones or marine protected areas to the drilling location are: Jaco Island Marine Park, at the eastern end of Timor-Leste (approximately 150km northeast); the Australian Ashmore Reef National Nature Reserve (approximately 380km south-west); and the Indonesian Teluk Kupang/Pulau Kera Marine Recreation Park (approximately 220km west) (SKM 2001). All are considered to be too far away to be impacted by the drilling activities.

The coastal waters surrounding Timor-Leste are considered to be included in the Coral Triangle which is a geographical term referring to the tropical marine waters of Indonesia, Malaysia, Papua New Guinea, Philippines, Solomon Islands and Timor-Leste that according to the World Wildlife Fund harbours 75% of all known coral species, more than half of the world's reefs, 40% of the world's coral reef fish species, and six of the world's seven species of marine turtle.

4.3 SOCIAL ENVIRONMENT

4.3.1 Socio-economic Profile

An assessment of the socio-economic conditions in Timor-Leste was compiled by Environmental Resources Management Australia Pty Ltd (ERM) in 2009, from a range of existing data sources (ERM 2010). The executive summary of this report is provided in Appendix C, and a summary of key socio-economic indicators is provided in Table 4.7.

4.3.2 Infrastructure

The capital, Dili, on the north coast of Timor-Leste, is serviced by a harbour capable of taking medium sized cargo ships. The airport at Dili is capable of taking medium to large passenger and cargo aircraft (e.g. Boeing 737). The only other airstrip capable of taking similar sized aircraft is that near the town of Baucau, some 100km to the east of Dili. Baucau airport is capable of taking large passenger and cargo aircraft and has been used for military purposes.

4.3.3 Communities near the Permit Area

The permit area S06-03 lies offshore from the southern coastal districts of Cova Lima (population 53,000), Ainaro (52,500) and Manufahi (45,000). Within these districts, there are seven sub-districts and around seventeen sucos along the coast.

Small towns and villages are spread throughout these sucos, usually located a few kilometres inland from the coast. The two largest population centres on the coast adjacent to the drilling area are Suai (population 23,000), capital of Cova Lima district, and Betano, a coastal village in Manufahi.

4.3.4 Petroleum Activities

Several offshore petroleum production facilities are located within a 200km radius of the permit area:

- the *Northern Endeavour* FPSO, producing export oil from the Laminaria-Coralina condensate field;
- the *Jabiru Venture* FPSO, producing export oil;
- the *Challis Venture* FPSO, producing export oil; and
- the Bayu-Undan offshore facility, producing export gas.

In addition, Eni's proposed Kitan Development is located approximately 40km south-southeast of the permit area. The Kitan Development is expected to commence production in 2011.

**Table 4.7 Snapshot of key socio-economic indicators for Timor-Leste**

Indicator	Value	Date	Source
Demographics			
Total population	1,131,612	2010	CIA World Factbook
Annual population growth rate	2%	2009	CIA World Factbook
Aged under 15	35%	2009	Direcção Nacional de Estatística
Median age (years)	21	2009	Direcção Nacional de Estatística
Population density	22 persons/km ²	2008	World Bank
Religion (% of population)	Predominantly Roman Catholic, with Muslim and Protestant Christian minorities	2008	UNDP
Official languages	Tetun and Portuguese (official); English and Bahasa Indonesia (working languages)	2008	UNDP
Health			
Life expectancy at birth (years)	64 years for males and 69 for females	2006	WHO
Maternal mortality rate	660 per 100,000 live births	2003	WHO
Infant mortality rate	60 per 1,000 births	2002	World Bank
Child mortality rate	88 per 1,000 births	2002	World Bank
Percentage of children underweight	45	2002	WHO
Percentage of total deaths caused by communicable diseases	60	2008	Timor-Leste in Figures
Number of doctors per 1,000 people	0.4	2009	WHO
Education			
Adult literacy rate (%)	58.6	2009	WHO



Indicator	Value	Date	Source
Primary education gross enrolment ratio	110%	2001	Southeast Asian Ministers of Education Organization
Secondary education completion	13.8%	2007	Direcção Nacional de Estatística
Tertiary education completion	1%	2008	Direcção Nacional de Estatística
Economy			
Nominal GDP per capita (current US\$)	\$470 USD	2008	IMF
GDP on a purchasing power parity basis	\$2,400 USD	2009	IMF
Non-oil real GDP growth rate (%)	Agriculture: 32.2%, Industry: 12.8%, Services: 55%	2010	CIA World Factbook
Government spending	\$550 million	2009	World Bank (2009) Timor-Leste Economic Update
State budget for 2010	US\$637 million	2009	Timor Post
Main crops for cultivation	Coffee, rice, corn, cassava, sweet potatoes, soybeans, cabbage, mangoes, bananas, vanilla	2010	CIA World Factbook
Poverty in Timor-Leste			
Human Development Index (HDI) ranking	162 nd out of 182	2009	UNDP
Percent of Timor-Leste's total population that lives below the national poverty line (\$15.44 per capita income per month)	42%	2003	CIA World Factbook
Employment and Livelihoods			
Major employers	Subsistence farming and fishing, government and wholesale and retail trade industries	2007	Timor Leste Living standards Survey
Unemployment rate (rural)	20%	2006	CIA World Factbook
Labour force participation rate	64%	2006	UNDP, 2009
Contribution of agriculture industry to GDP	30%	2006	World Development Indicators



Indicator	Value	Date	Source
Infrastructure			
Coverage of national water supply	58%	2006	UNDP
Percent of households that obtain drinking water from a protected source	National 76.3%, Rural east 22.3%, Rural central 55.7%, Rural west 60.6%	2006	UNDP
Percent of the road network was estimated in poor or very poor condition	92 [22% is very poor; 70% is poor]	2005	ADB
Housing			
Average household density	4.9 persons per household	2007	World Bank
Percentage of households that have a electricity	32% (73.6% in urban areas)	2007	World Bank
Percentage of households that have a private toilet	30%	2003	Timor-Leste 2003 Demographic and Health Survey (TL DHS survey))
Communications			
Number of radio stations in Timor-Leste	21	2007	CIA World Factbook
Number of newspaper publications in Timor-Leste	7 (3 weekly and 4 daily publications)	2007	Soares and Mytton
Number of mobile phones used	250,000	2009	Timor Telecom



4.3.5 Shipping

The major commercial shipping routes through the Timor Sea pass well to the north and south of the permit areas. Vessels utilising these routes include bauxite carriers servicing terminals at Gove (Northern Territory) and Weipa (Cape York Peninsula), and coal carriers and container vessels departing Queensland ports for destinations in the Middle East, Europe and South Africa (LeProvost Dames & Moore 1997).

Vessel movements routinely operating in waters of the JPDA to the south of Contract Area C include those servicing the Challis/Jabiru, Corallina/Laminaria oilfields and Bayu-Undan gas field.

4.3.6 Fisheries

Commercial Fishing

The Government of Timor-Leste issued four commercial fishing licences for the Timor Sea in 2006. These were operated in 2007, but the Direcção Nacional Pesca & Aquacultura (Ministry of Agriculture, Forestry and Fisheries) advised that they ceased operation in 2008. Illegal fishing is known to occur in the waters south of Timor-Leste.

Traditional and Subsistence Fisheries

Coastal communities along the 600km of Timor-Leste's coastline rely on a wide range of fish, including the large tunas, flying fish, coral reef fish and deepwater snappers for their livelihoods. The DNPA estimates that for over half the 20,000 fishermen of Timor-Leste, fishing is the main source of food and income. United Nations (UN) support since 1999 has helped re-establish the nation's fishing capacity, with the fish catch estimated to be 1,600 tonne in 2002 (Jasarevic, 2002).

The main vessel for traditional fishing is the pirogue, a small, flat-bottomed boat often propelled by paddles, although outboard motors are becoming increasingly common. Traditional fishing uses both gill net and handlines, and fishing activities usually do not extend more than 2 nautical miles (<4km) from the coast.

Recreational Fishing

The drilling program is located in a very remote area and the deep waters are unlikely to be of interest to recreational fishing. Apart from the possibility of occasional passing private motor vessels or yachts, there are no known tourism interests in the area.

4.3.7 Shipwrecks and Heritage Sites

There are no known marine heritage or archaeological sites in the vicinity of the permit area.

5.0 POTENTIAL IMPACTS AND MANAGEMENT

5.1 INTRODUCTION

This chapter describes the potential environmental impacts associated with drilling the exploration wells. Section 5.2 describes Eni's risk assessment procedure and Section 5.3 provides a high-level summary of the risks posed by the drilling to the biophysical environment. Sections 5.4 to 5.10 provide detailed discussions of the risks in terms of their source, characteristics, the potential environmental effect and their management.

Section 5.11 provides detailed discussions of the risks in terms of the socio-economic impacts and their management.

5.2 ENVIRONMENTAL RISK ASSESSMENT

Eni's philosophy to managing environmental risks is to remove or mitigate the risk during the design phase. Managing risks through design is contingent upon identifying, at an early stage in the project, the sources and pathways by which environmental impacts can occur and the sensitivities of the receiving environment in which the project is situated.

Eni's risk assessment procedure was implemented in order to assess the expected or potential impacts associated with exploration drilling. Eni's risk assessment methodology provides a systematic process for:

1. identifying each project activity and its associated environmental aspects;
2. identifying the environmental values/attributes at risk within and adjacent to the area;
3. defining the potential environmental effects of aspects identified in Step 1 on those values/attributes at risk identified in Step 2 above;
4. identifying the likelihood of occurrence;
5. identifying the consequences of potential environmental aspects; and
6. evaluating overall environmental risk levels using a likelihood and consequence matrix.

Figure 5.1 provides a generic representation of Eni's risk assessment methodology. Table 5.1 presents Eni's risk matrix showing likelihood, consequence and risk ranking classifications and Table 5.2 presents the environmental consequence descriptors.

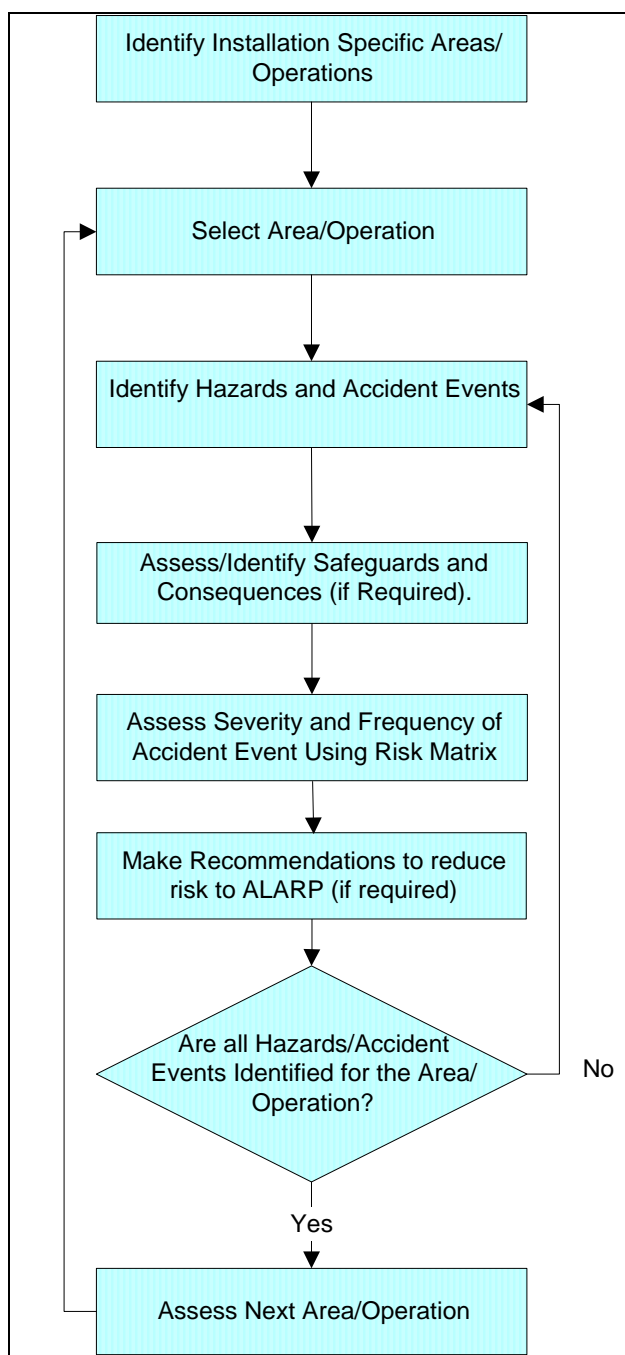


Figure 5.1 Risk Assessment Methodology

A high-level risk assessment workshop was conducted in January 2010 by Eni's multidisciplinary team of project engineers and environmental scientists. The risk assessment was based Eni's knowledge and understanding of risks and impacts gained through its previous drilling in the Timor Sea. The combined experience of the workshop team ensured that all key environmental issues associated with drilling were identified, their significance assessed and appropriate management measures put in place to ensure that the environmental impacts would be managed appropriately.



Table 5.1 Eni Risk Matrix

Consequence									Increasing Annual Frequency/Likelihood					
Severity	Reputation		Labour	Community	Health & Safety		Environment	Assets/Activities	0	A	B	C	D	E
					Health	Safety			Practically non-credible occurrence	Rare occurrence	Unlikely occurrence	Credible occurrence	Probable occurrence	Likely/Frequent occurrence
	Stakeholder Relation	Company Image							Could happen in E&P industry	Reported for E&P industry	Has occurred at least once in Company	Has occurred several times in Company	Happens several times/year in Company	Happens several times/year in one location
1	Slight impact	Slight impact	Slight impact	Slight impact	Slight impact	Slight impact	Slight impact	Slight impact	LOW					
2	Minor impact	Minor impact	Minor impact	Minor impact	Minor impact	Minor impact	Minor impact	Minor impact	MEDIUM					
3	Significant impact	Local impact	Medium impact	Local impact	Significant impact	Significant impact	Local impact	Local impact	HIGH					
4	Major impact	National impact	Major impact	Major impact	Major impact	Major impact	Major impact	Major impact	HIGH					
5	Extensive impact	International impact	Extensive impact	Extensive impact	Extensive impact	Extensive impact	Extensive impact	Extensive impact	HIGH					

Table 5.2 Environmental Consequence Descriptors

Descriptor	Description
Slight Impact	<p>Small discharges with confined and temporary impact on the area. No noticeable impact on water/air/soil and biodiversity.</p> <p>Negligible impact due to GHG emissions.</p> <p>Good materials/energy/water selection and use.</p> <p>Negligible financial consequences.</p>
Minor Impact	<p>Sufficiently large discharges to impact the environment but no long lasting effect. Short-term, localised impact on water/air/soil and biodiversity (on a limited no. of non-threatened species).</p> <p><1 week for clean up, 1-2 years for natural recovery.</p> <p>Slight impact due to GHG emissions.</p> <p>Adequate materials/energy/water selection and use.</p> <p>Single breach of statutory or prescribed limit or single complaint.</p>
Local Impact	<p>Limited discharges affecting the neighbourhood and damaging the environment with longer effects.</p> <p>Short term, more widespread impact on water/air/soil and biodiversity (on a higher no. of non-threatened species).</p> <p><1month for clean up, 2-5 years for natural recovery.</p> <p>Limited impact due to GHG emissions.</p> <p>Inadequate materials/energy/water selection and use.</p> <p>Repeated breaches of statutory or prescribed limit or many complaints.</p>
Major Impact	<p>Large discharges with severe and long lasting environmental damage. Medium-term, widespread impact on water/air/soil and biodiversity (on some threatened species and/or ecosystem function).</p> <p>1-5 months for clean up, 5-10 years for natural recovery. Extensive measures (financially significant) required to restore the impacted area.</p> <p>Significant impact due to GHG emissions.</p> <p>Poor materials/energy/water selection and use.</p> <p>Extended breaches of statutory or prescribed limits, or widespread nuisance.</p>
Extensive Impact	<p>Large discharges with severe and persistent environmental damage.</p> <p>Long-term, large-scale impact on water/air/soil and biodiversity (likely permanent species loss and impact on ecosystem function).</p> <p>>5 months for clean up, >10 years for natural recovery.</p> <p>Very poor materials/energy/water selection and use.</p> <p>Major financial consequences for the Company.</p> <p>Ongoing breaches well above statutory or prescribed limits.</p>

5.3 SUMMARY OF RISKS TO THE BIOPHYSICAL ENVIRONMENT

Table 5.3 presents a summary of the inherent risks (in the absence of risk reduction measures) of the project to the biophysical environment.

Table 5.3 Summary of inherent environmental risks for drilling in PSC S06-03

Hazard	Source	Inherent Risk
Oil, fuel and chemical spills	Well blow out Vessel collision Fuel or chemical transfers	High
Solid and hazardous wastes	Potential escape of solid and hazardous wastes (e.g. waste oil, chemicals) from operating vessels	Low
Drilling emissions	Discharge of drilling cuttings and associated drilling fluids Discharge of bulk drilling muds at the completion of drilling Use of displacement fluids	Low
Atmospheric emissions (SO _x /NO _x and greenhouse gases)	Exhaust emissions from operating vessels Flaring (during emergencies or well testing, if required) Potential fugitive emissions of ozone depleting substances	Low
Deck drainage	Deck drainage and associated contaminants from operating vessels	Low
Laboratory wastes	Laboratory wastes generated during oil testing	Low
Cooling water	Discharge of cooling water and associated chemical additives from operating vessels	Low
Desalination brine	Discharge of reject water (brine) from reverse osmosis plants from operating vessels	Low
Sewage, domestic wastewater and putrescible wastes	Discharge of sewage, domestic wastewater and putrescible wastes from operating vessels	Low
Antifouling biocides	Hull antifouling on operating vessels	Low
Marine pests	Ballast water discharge Hull biofouling	Low
Physical disturbance to marine biota	Physical presence of operating vessels	Low
Noise and vibration disturbance to marine biota	Noise and vibration generated Noise from aircraft during crew changes	Low
Disturbance to marine biota from artificial lighting	Lighting from operating vessels	Low

5.4 HYDROCARBON SPILLS

5.4.1 Sources

Oil spills are the most significant potential threat to the environment from drilling projects. Oil spills can potentially occur from a number of sources ranging from a major spill, such as a well blowout, down to smaller leaks and spills from equipment and piping.

The International Association of Oil & Gas Producers (OGP) recently issued incident frequency data for offshore exploration drilling activities, using data sources representing the last 20 to 30 years of oil and gas operations. Two types of incidents were considered:

- “well releases”, where hydrocarbons flowed from the well at some point where flow was not intended, and the flow was stopped by use of the barrier system that was available on the well at the time of the incident
- “blowouts”, where formation fluid flowed out of the well or between formation layers after all the predefined technical well barriers failed.

Incident frequencies for deepwater exploration drilling are listed in Table 5.4. These indicate that accidental well releases or blowouts are very rare, occurring two or three times for every 1000 to 10,000 wells drilled. In the history of the Australian oil and gas industry around 1,500 offshore wells have been drilled, with seven incidents of well blowouts, including the Montara incident in 2009. Safeguards in place to prevent these types of incidents are presented in Table 5.8.

Table 5.4: Historical frequencies of well blowouts during exploration drilling worldwide

Incident	Frequency *			Unit
	Average	Gas	Oil	
Blowout	3.1×10^{-4}	3.6×10^{-4}	2.5×10^{-4}	Per drilled well
Well release	2.5×10^{-3}	2.9×10^{-3}	2.0×10^{-3}	Per drilled well

* This data represents activities carried out to “North Sea standard”, where operations are performed with BOPs installed, including shear ram, and following the two barrier principle

Source: OGP 2010

5.4.2 Properties of Hydrocarbons

Hydrocarbons usually comprise hundreds of mainly carbon based chemical structures. The relative balance of the constituent substances influences both their chemical and physical properties, which in turn affect their potential or environmental impact on marine biota. In general, hydrocarbons comprise four main groups:

- Alkanes: paraffin (acyclic) saturated hydrocarbons with direct or branched chains of carbon atoms;

- Naphthalene (cycloparaffins): saturated cyclic and polycyclic compounds in which hydrogen atoms may be replaced by alkyl groups;
- Arenes: aromatic unsaturated cyclic compounds from the benzene order where the hydrogen atoms may be also replaced by alkyl groups; and
- Alkenes (olefins): unsaturated acyclic hydrocarbons with direct or branched chains and double carbon connection (the compounds of this group are not part of crude oil but are the main products of its cracking).

Crude Oil

The crude from the prospects identified in permit area S06-03 is expected to be a part of the reservoir that also supplies the Kitan oilfield, so it is expected to have similar properties. Kitan crude is a light oil with an API of 57° and a specific gravity of 0.75 (Table 5.5). The distillation cuts indicate that about 80% of the oil is volatile or semi-volatile (those boiling off at less than 265°C) meaning that it will evaporate readily. It is classified as a Group 1 oil (ITOPF 2002) and if spilt into the sea, would be expected to spread rapidly on the sea surface, due to its low density, and degrade through evaporation and dispersion into the water column.

Modelling of weathering behaviour (Figure 5.2) using the Automated Data Inquiry for Oil Spills (ADIOS2) model predicts that 70 – 75% of a spill would be removed within the first 24 hours due to evaporation. Intertek (2008) reports a low wax content and low asphaltene concentrations meaning that stable emulsions are unlikely to form. An emulsion evaluation study (EAL 2009) confirmed this showing that persistent viscous/solid emulsion layers did not occur in water cuts ranging from 5 to 70 volume percent at 7.6°C.

Table 5.5 Anticipated properties of S06-03 Crude

Parameter		Value	
API (°)		56	
Specific Gravity		0.75	
Kinematic Viscosity @ 20°C (cSt)		1.24	
Pour Point (°C)		< - 40°C	
Distillation cuts			
Temp (°C)	Vol %	Temp (°C)	Vol %
22	3	180	61
70	12	220	72
100	24	260	80
120	33	330	91
135	42	400	97
160	53		

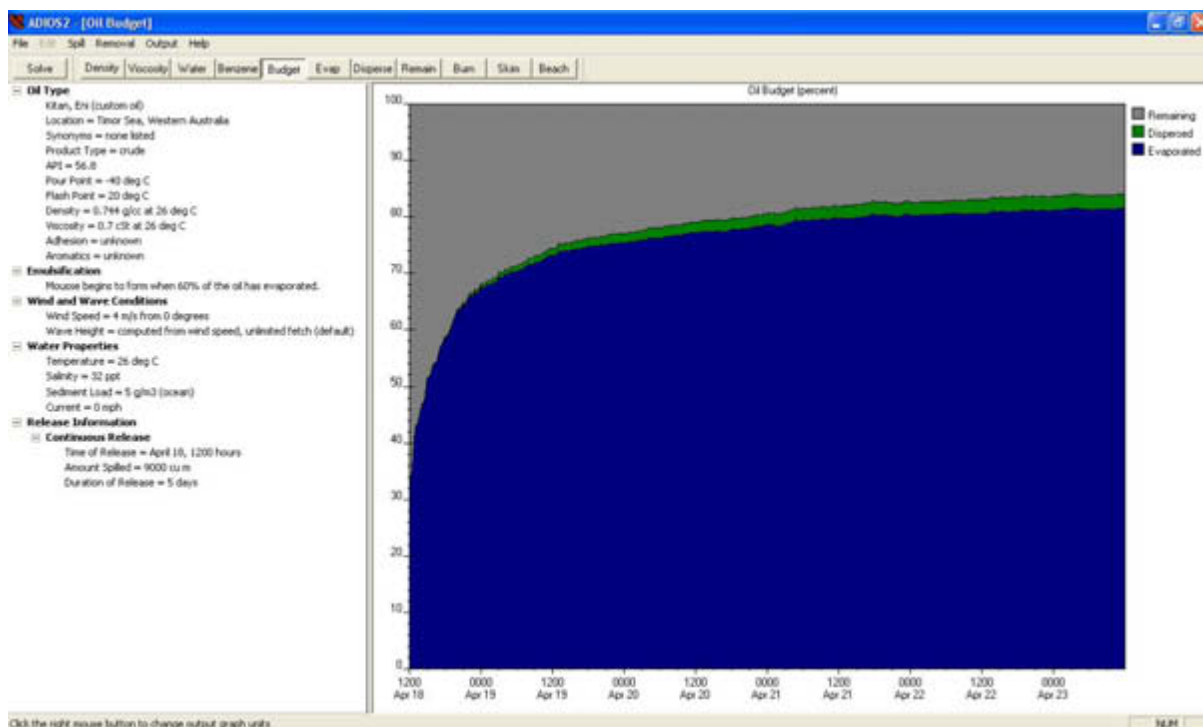


Figure 5.2 Predicted weathering of crude oil (based on a continuous release of 1,800m³/day spill for a 4ms⁻¹ wind)

Diesel fuel

Diesel is a light petroleum distillate with an API of 30°- 32° and a specific gravity in the range 0.84 to 0.88 (Table 5.6). As such they are classed as Group II oils (ITOPF 2002) i.e. light persistent oils. Diesels are expected to undergo a rapid spreading with moderate evaporative loss in tropical waters and, consequently, slicks are likely to break up. Diesel oils tend not to form emulsions at the temperatures likely to be found in the Timor Sea and so these will not inhibit spreading of the slick or evaporation rates.

Weathering and dispersability studies on Australian marine diesel indicate that in the case of a spill approximately 50% of the mass will be evaporated under northwest conditions (Kagi *et. al.* 1988). Figure 5.3 shows the predicted weathering behaviour from the ADIOS2 model for a constant wind speed of 4ms⁻¹. Evaporation rates are initially high with just under 50% evaporating within the first 24 hours. Vertical dispersion rates are also high with the majority of diesel being removed from the sea surface within three days.

Table 5.6 Properties of Diesel Fuel Oil (from ADIOS2 database).

Parameter	Value
API (°)	30 - 32
Specific Gravity (g/cc)	0.84 to 0.88
Kinematic Viscosity @15°C (cSt)	4
Pour Point (°C)	-14
Distillation Cuts	
Temp (°C)	Vol %
160	3
180	6
200	11
250	31
300	63
350	89

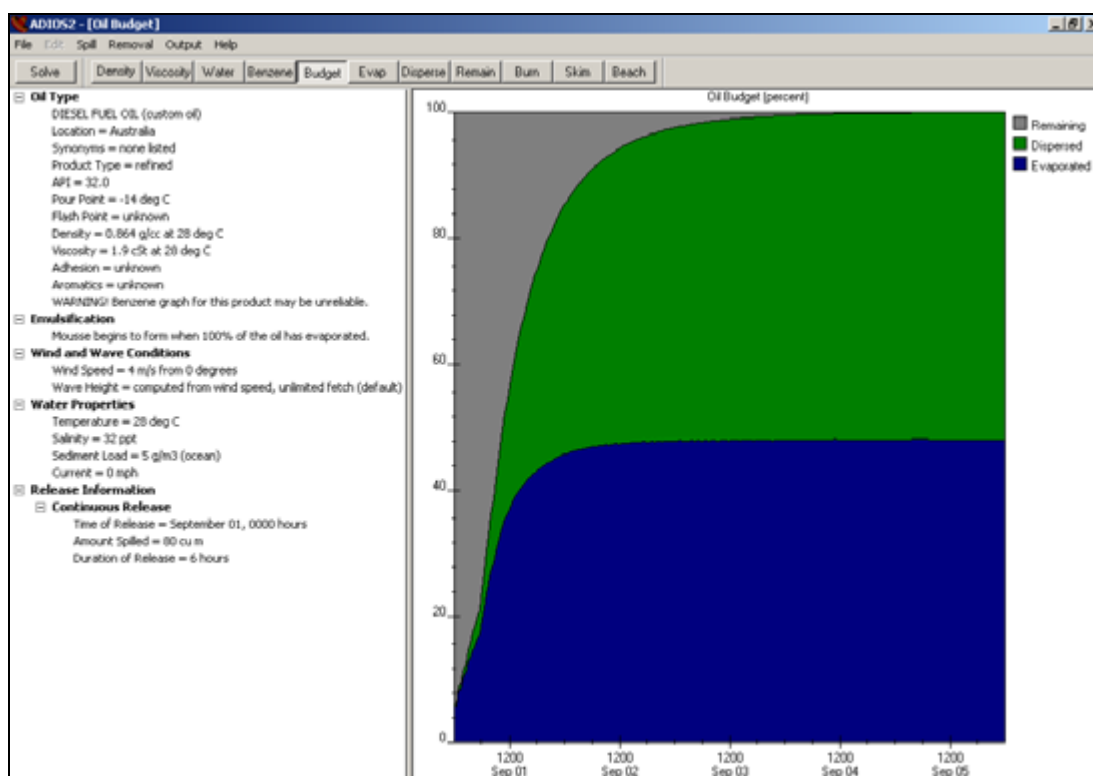


Figure 5.3 Predicted weathering of diesel fuel oil (based on a continuous release of 80m³ over 6 hours for a 4ms⁻¹ wind)

Toxicity of crudes and diesel

Toxicity of crude and refined products is primarily due to the volatile and water soluble aromatic hydrocarbons (benzenes, naphthalenes and phenanthrenes) and the higher molecular weight polycyclic aromatic hydrocarbons. The most toxic components in oil, although having the highest solubility in water, tend to be those that are lost rapidly through evaporation when oil is spilt. As a result, lethal concentrations of toxic components leading to large scale mortalities of marine life are relatively rare, localised and short-lived and only likely to be associated with spills of light refined products or fresh crude. At particular risk are animals and plants living in areas of poor water exchange.

Toxicity testing of diesel by various organisations has identified it as being toxic to a variety of marine species. The range of reported toxic concentrations is 3–80 mg/L (CONCAWE 1996).

5.4.3 Fate and Trajectory

Fate of hydrocarbons in water

When oil is spilled into the sea it undergoes a number of physical and chemical changes some of which lead to its removal from the sea surface, others which cause it to persist. Although spilled oil is eventually assimilated by the marine environment, the time taken depends upon factors such as the amount of oil spilled, its initial physical and chemical characteristics, the prevailing climatic and sea conditions and whether the oil remains at sea or is washed ashore.

Oil Spill Modelling

Oil spill modelling for the S06-03 permit area has been developed based on the Cova-1 well location. This model is considered representative of the whole permit area as the four identified prospects are relatively close together (within 30 km) and Cova is one of the nearest to the Timor-Leste coastline. Therefore, the model provides a good indication of the fate and potential impacts of the “worst case” oil spills from S06-03.

The modelling system comprises an oil weathering model, a three-dimensional oil spill trajectory model and a detailed hydrodynamic finite element model of the Timor Sea (Sustainability 2010a). The hydrodynamic model simulates the flow of ocean currents generated by astronomical tides, wind stress and incorporates residual oceanic circulation from a global hydrodynamic model.

Table 5.7 summarises the oil spill scenarios modelled. The model was run in stochastic mode in which the model takes into consideration the frequency of occurrence of a range of different current and wind conditions. Multiple spill simulations (200) were undertaken using randomly selected start dates during the wet and dry seasons. Each of the 200 simulations generates a slightly different result due to the unique combination of tides, wind and oceanic circulation which might occur. The results from each simulation were combined to generate contour plots showing the probability of surface exposure to oil and the predicted minimum time to exposure. It is important to note that the plots do not show the total areas where oil will spread but rather the area in which the oil may possibly occur for the given spill scenario.

Table 5.7 Summary of modelled oil spill scenarios.

Scenario	Description	Oil type	Volume	Duration
1	Well blowout	Crude oil	Continuous spill of 1800 m ³ /day	56 days
2	Loss of fuel from a storage tank on a refuelling vessel	Diesel	80 m ³	6 hrs

Fate and trajectory of Crude Oil

The well blowout scenario assumed a continuous crude oil spill of 1,800m³/day (~11,000 bbl/day) over 56 days (100,800m³ total spill volume). Figure 5.4 shows the probability of surface exposure under winter and summer wind and current conditions, respectively. During winter (April – September), the probability envelope extended predominantly in a westerly direction (approximately 200km towards the west and <30km towards the east) reflecting the oceanic circulation and the predominant wind direction during this season. Under this scenario, the modelling predicted a 20% probability that oil would reach the Timor coastline. The predicted minimum time to exposure was 2 days. By this time 75% of the original spill volume would have evaporated.

During summer (October to March), the probability envelope extended predominantly in an easterly direction (approximately 150km towards the east and <80km towards the west). Under this scenario, the modelling predicted no coastline impact.

Under strong winds, oil droplets of less than 100µm would become entrained rapidly into the water column. As wind strength and surface wave intensity increases, oil droplets of greater than 100µm would also become mixed into the water column.

For crude oil to reach the Timor coastline, there would have to be prolonged periods of strong south-easterly winds. Under these conditions, evaporative rates and vertical dispersion would be high resulting in low concentrations of oil on impact with the coastline. As is standard procedure in the event of a spill, the slick should be monitored from the air and weather forecast obtained to allow real-time predictive oil spill modelling to be undertaken. If the slick is predicted to remain out at sea, then it should be allowed to degrade naturally.



Fate and trajectory of Diesel

The diesel spill scenario was for the loss from a storage tank on a refuelling vessel and assumed a spill of 80m³ over a 6 hour period. Figure 5.5 shows the probability of surface exposure under winter and summer wind and current conditions, respectively. As with the crude oil spill, during winter (April – September), the probability envelope extended predominantly in a westerly direction (approximately 100km towards the west and <20km towards the east). Under this scenario, the modelling predicted a <1% probability that oil would reach the Timor coastline. The predicted minimum time to exposure was 2 days. By this time 50% of the original spill volume would have evaporated and the remainder would have dispersed into the water column.

During summer (October to March), the probability envelope extended predominantly in an easterly direction (approximately 100km towards the east and <50km towards the west). The oil was not predicted to make contact with the coastline.

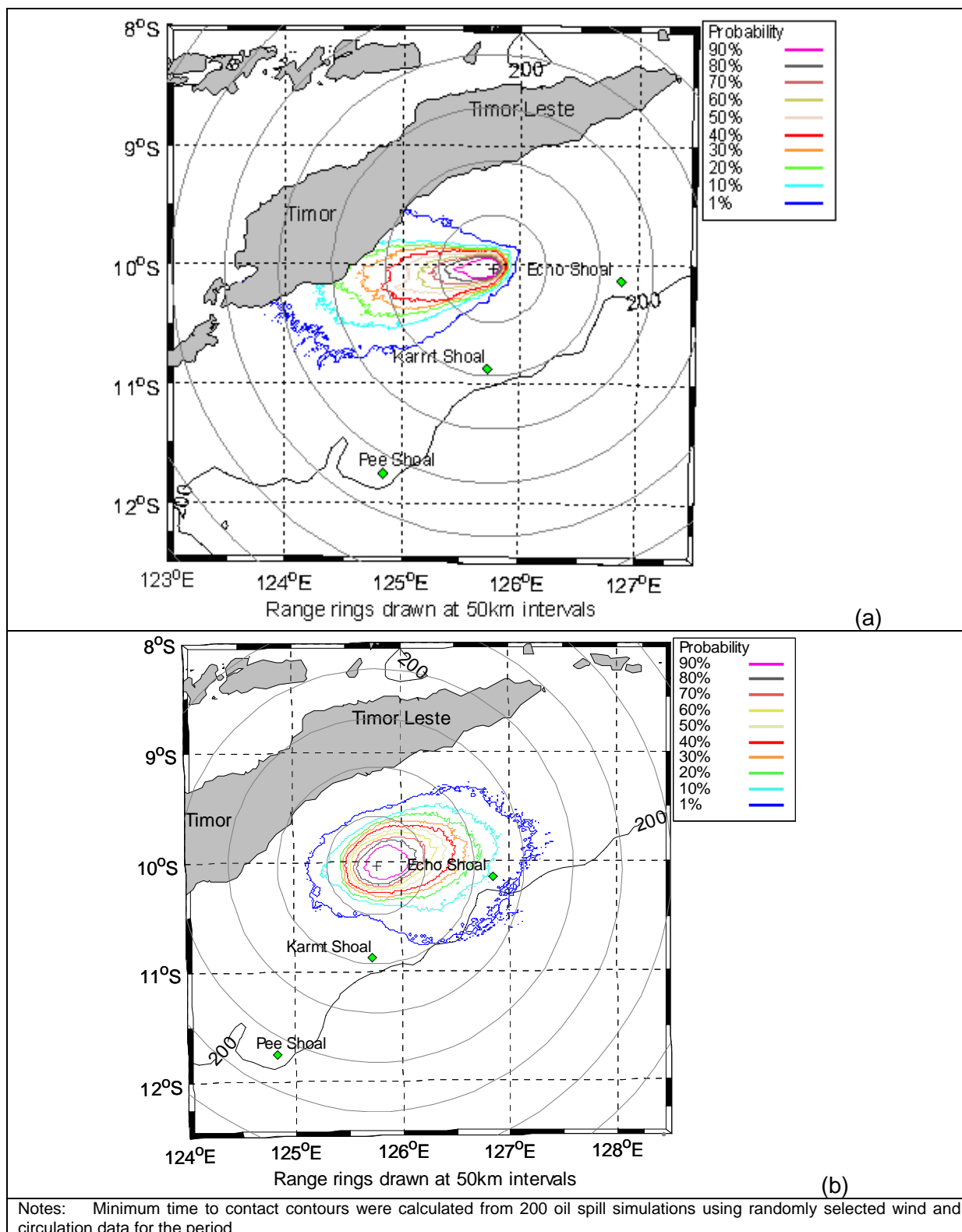


Figure 5.4 Predicted probability of surface exposure to oil under (a) winter and (b) summer conditions from a 1800m³/day spill of crude oil occurring over a 56 day period

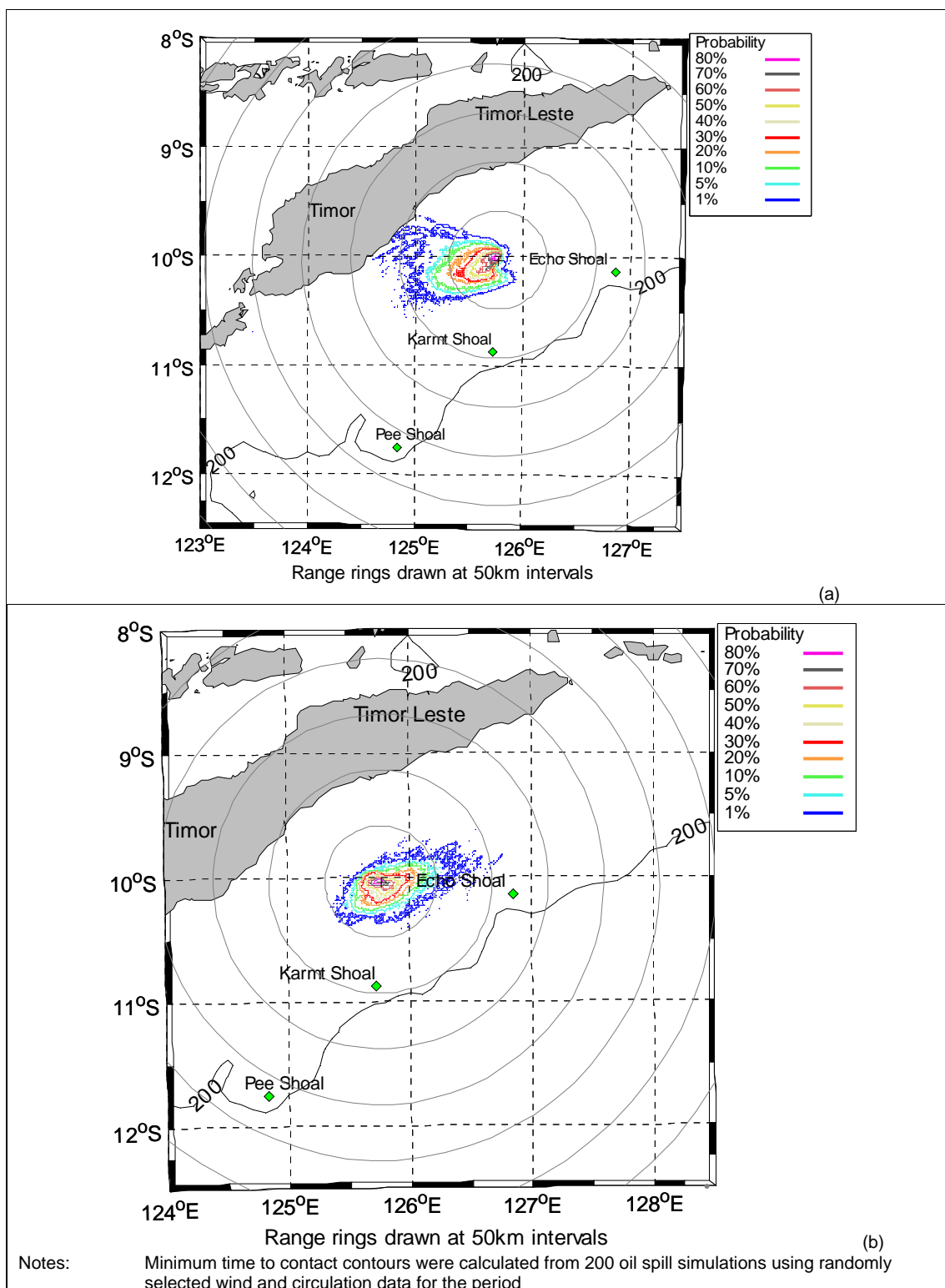


Figure 5.5 Predicted probability of surface exposure to oil under (a) winter and (b) summer conditions an 80m³ spill of diesel occurring over a 6 hour period

5.4.4 Potential Environmental Effects

Oil spill trajectory modelling has shown that any spill of either crude oil or diesel from the proposed drilling area is most likely to degrade before it could make contact with a shoreline. Thus, nearshore marine communities and habitats of the Timor-Leste and Indonesian coastlines (which may contain corals, seagrasses, mangroves, turtle nesting beaches, intertidal and subtidal communities) are not considered to be a significant risk from the drilling program. Given the oceanic environment, the resources considered to be most at risk are pelagic phyto- and zooplankton, pelagic fish, cetaceans, marine turtles and surface-feeding seabirds.

Oil can affect marine biota in a variety of ways through acute toxicity, and sub-lethal chronic effects on morphology, physiology and behaviour, some of which may ultimately lead to mortality. Weathering influences the toxicity of oil and its constituents. Weathering processes include spreading, evaporation, dissolution, dispersion into the water column, formation of oil-in-water emulsions, photochemical oxidation, microbial degradation, absorption to suspended particulate matter and stranding on the shore or sedimentation to the sea floor. Relatively lighter, more volatile, mobile and water-soluble compounds will tend to evaporate fairly quickly into the atmosphere. The lighter components of oil are usually the most toxic but are also those most readily lost through evaporation and the rate of evaporative loss increases with temperature. Consequently, weathered oil is generally less toxic than fresh oil (Swan *et al.* 1994) and so lethal concentrations of toxic components that could lead to death of marine organisms are relatively rare, localised and short-lived.

Swan *et al.* (1994) reviewed the environmental effects of oil spills across a broad spectrum of marine organisms and communities. Their review indicated that the response of phyto- and zooplankton to oil varied between species. However, phyto- and zooplankton could be generally characterised as having a high tolerance and rapid recovery (no long-term effects). Thus, the risk of an oil spill occurring and persisting at toxic concentrations for a sufficient period of time to have long-term effects on phyto- and zooplankton is considered to be negligible.

Organisms inhabiting the water column such as cetaceans, marine turtles and fish may be exposed to oil in the event of an oil spill. Pelagic fish are highly mobile and capable of diving to avoid exposure to oil so the threat of significant effects is considered low. Cetaceans and marine turtles would be more likely to come into contact with oil as they return to the surface to breathe. The effects of oil on cetaceans and marine turtles would include oiling of parts of the body, irritation of the eyes, inhalation of volatile oil components and ingestion. Inhalation and ingestion are likely to have a more significant effect on individuals that come into contact with oil than surface contact (Swan *et al.* 1994). Being mobile, however, these organisms would be expected to be able to move away from heavily oiled areas. It is difficult to predict with certainty the number of cetaceans or turtles that would be likely to be exposed in the event of an oil spill. However, in the open ocean environment, it is probable that only a small number of individuals would be exposed. In the event of an oil spill, Eni's priority would be to protect breeding and feeding areas to avoid impacts on populations.

Swan *et. al.* (1994) identify seabirds as being the most vulnerable organisms to an oil spill in oceanic environments. Oil spills can have a variety of effects including fouling of the plumage, ingestion of oil, effects on reproduction and physical disturbance. Many of the species that occur offshore are surface-feeding or plunge-diving pelagic birds, so that oil slicks would potentially interfere with feeding and increase exposure risk. Preening to remove oil would also expose the birds to direct ingestion of oil. Given the open oceanic location of the drilling site, remote from any land mass, the number of seabirds likely to be exposed in the event of an oil spill is expected to be low.

5.4.5 Management of Hydrocarbons

Eni's safeguards to be implemented for the minimisation of environmental impacts associated with oil spills comprise:

- procedures to reduce the likelihood of oil and chemical spills occurring;
- procedures to minimise the volumes spilled; and
- actions to be taken to minimise the environmental consequences in the event of a spill occurring, i.e. spill response.

These safeguards are described in Table 5.8. In addition, Eni will develop an OSRM which will be submitted for approval to DNMA. It details the practices and standards to be implemented in the event of an accidental hydrocarbon discharge.

Table 5.8 Summary of Safeguards to Manage Hydrocarbons

Scenario	Description of Safeguards
Well blow-out	<p>Comprehensive understanding of the nature of hydrocarbon formations including reservoir pressures and oil characteristics.</p> <p>Use of industry standard drilling practices and equipment.</p> <p>Installation of safety valves to shut in well in the event of release – BOPs.</p> <p>Pressure testing the casing string.</p> <p>Adoption of industry standard operational and maintenance practices and procedures.</p> <p>Continuously monitoring for abnormal pressure parameters during drilling.</p>
Leak from fittings and connections	<p>Pressure tested equipment.</p> <p>Planned maintenance is undertaken and recorded.</p> <p>Emergency shut-down (ESD) valves limit the size of the release.</p>

Scenario	Description of Safeguards
Vessel collision	Exclusion zone established around the drillship. DNMA notified of location of the drillship. Drillship not located in commercial shipping lanes.
Hydraulic fluid leaks	Planned maintenance undertaken and recorded. Low toxicity hydraulic fluids used. Manned operation (visual detection of release). Drip pans/bunds.

5.4.6 Spill Response

In the unlikely event of an oil spill, the environmental impacts of the spill will be mitigated by various oil spill response activities to be detailed in the OSRM and the IMP for the drilling campaign. These documents will assign responsibilities, specify procedures and identify resources available to combat a spill. Trained and experienced personnel, extensive dispersant, materials and equipment stockpiles, and external agencies in the region will support the OSRM and IMP. No activities will be undertaken without the approved OSRM and IMP in place.

Key elements of the spill response are summarised below:

- all hydrocarbon spills to the ocean will be reported in accordance with the OSRM and IMP;
- procedures for oil and fuel spill intervention and response, as detailed in the approved OSRM and IMP, will be followed;
- spills in Timor-Leste sovereign waters will be reported to DNMA and other relevant parties; and
- pre-agreement for dispersant application procedures will be sought from DNMA, AMSA and other relevant agencies such that rapid response is possible.

Stocks of absorbent material and spill response equipment, including stocks of dispersants, will be located on-site. The offshore support vessel will maintain oil spill procedures in accordance with the requirements of MARPOL 73/78 and also have oil spill response capability.

5.5 SOLID AND HAZARDOUS WASTES

5.5.1 Source and Characteristics

Solid and hazardous wastes generated during drilling will include:

- general non-hazardous wastes;
- hazardous wastes; and
- maintenance wastes.

General non-hazardous wastes include scrap materials, packaging, wood and paper and empty containers. These non-hazardous waste materials will be stored on board the drillship in suitable containers (segregated from hazardous waste materials) ahead of transport back to shore for disposal/recycling in accordance with local regulations.

Hazardous wastes are defined as being waste materials that are harmful to health or the environment. Hazardous wastes generated include recovered solvents, excess or spent chemicals, oil contaminated materials (e.g. absorbents, filters and rags) and batteries. All hazardous waste materials generated will be documented and tracked, segregated from other waste streams and stored in suitable containers. Recyclable hazardous wastes, such as oils and batteries, will be stored separately from non-recyclable materials. All hazardous waste materials will be transported to shore for disposal or recycled at an approved and licensed facility.

Maintenance wastes include used chemicals, lubricating oils, paint, solvents, rags and other cleaning items. Maintenance wastes will not be discharged to the marine environment but will be stored in appropriate containers until the materials are transported onshore for recycling or disposal at approved and licensed facilities.

5.5.2 Potential Environmental Effects

The effects of discharges of solid or hazardous wastes to the marine environment would vary depending on the nature of the material involved. For example, solid wastes such as plastics are persistent in the environment and have been implicated in the deaths of a number of marine species including marine mammals and turtles. This is due to ingestion, inhalation or physical entanglement.

Solid and hazardous wastes would be transferred to the Australian mainland for onshore recycling or disposal. Any release of solid and hazardous wastes into the marine environment would be recorded as an environmental incident and treated accordingly by Eni's incident investigation and corrective and preventative action processes.

With the effective implementation of Eni's policy to transfer solid and hazardous wastes onshore for recycling or disposal, these wastes are not expected to have any impact on the marine environment.

5.5.3 Management of Solid and Hazardous Wastes

Safeguards to protect the environment from the potential impacts of solid and hazardous wastes entail:

- A Waste Management Plan will be prepared by the contractor (Saipem).
- All personnel will be trained in the correct waste management procedures through the induction process.
- Solid and hazardous wastes will not be discharged from any vessel.

- All hazardous wastes will be segregated into clearly marked containers and stored in a bunded area capable of containing leakage or spillage, prior to onshore disposal.
- Solid wastes will be segregated and stored in enclosed areas prior to transfer onshore for recycling or disposal at approved facilities.
- Equipment and procedures will be in place to respond to any releases of hazardous wastes.
- Records will be maintained of solid and hazardous waste volumes generated and transferred onshore for recycling or disposal.

5.6 DRILLING DISCHARGES

5.6.1 Source and Characteristics

Drill Cuttings

Drill cuttings are crushed rock generated by the drill bit as it penetrates into the seafloor. The composition of the cuttings is determined by the nature of the formation being drilled. The cuttings retrieved are expected to range in size from very fine to very coarse particles, with a mean size no larger than one centimetre. The cuttings may contain up to 10% by weight of drilling muds. Drill cuttings produced are either:

- discharged directly onto the surface of the seabed during riserless drilling; or
- brought to the drillship by the drill fluids during closed drilling (with a riser), passed through a set of vibrating screens, hydrocyclones and centrifuges, to separate the muds for recirculation, before being disposed of near the sea surface.

Drill Fluids

There are three different broad classes of drilling fluid systems:

- water based muds (WBMs), where the continuous fluid phase is water;
- synthetic based muds (SBMs), where the continuous fluid phase is a well-characterised synthetic organic compound; and
- oil-based muds (OBMs), where the continuous fluid phase is oil.

The present drilling program proposes to use WBMs for all wells. SBMs or OBMs will not be used at any time.

Water Based Muds

WBMs use fresh or sea water as the continuous phase and the most common systems include bentonite, KCl, polymers and PHPA. They may also contain a range of additives such as biocides, weighting agents, alkaline chemicals, various salts, defoamers, corrosion inhibitors, scale inhibitors, drilling lubricants, lost circulation materials and pipe release agents. A typical formulation of a water-based fluid system is shown in Table 5.9.

Table 5.9 Typical Water Based Drilling Fluid System Formulation

Component	Function	Concentration
Drill water	-	As required
KOH (Potassium hydroxide)	pH Control	0.5 lb/bbl
NaCO ₃ (Sodium carbonate)	pH Control	0.5 lb/bbl
KCl (8%)	Clay stabilisation and weighting agent	41 lb/bbl
PHPA (solid)	Cutting's encapsulation and stabilisation	1 lb/bbl
Polyanionic cellulose	Viscosifier and fluid loss control	0.5–1 lb/bbl
Bentonite (Clay)	Viscosity control	3 lb/bbl
Xanthum gum polymer	Viscosifier	1 lb/bbl
Polyglycol	Shale stabiliser	3% /bbl
Barite	Weighting agent	As required

WBMs deliver acceptable performance for drilling non-challenging wells (e.g. vertical wells with generally unreactive lithologies). They provide the least environmental impact due to their non-toxic nature and ability to disperse and biodegrade rapidly.

There are three main pathways for drilling muds to enter the marine environment during drilling activities:

- discharge of whole drilling muds to the ocean at the end of drilling;
- residual mud coating on drill cuttings that are discharged to the ocean; and
- unintentional spills.

WBMs are routinely discharged to the ocean at the end of drilling, or when the mud property requirements change.

The drilling fluids are released to the environment with the drill cuttings, either onto the seabed when drilling riser-less, or at sea surface, after centrifuging, when drilling with a riser. The amount of residual drilling mud that is discharged to the marine environment on cuttings varies depending on the viscosity, mud weight and water repellent nature of the drilling mud.

Drilling mud would be shipped in bulk containers then mixed aboard the drillship. Transfer of drilling mud components between the support vessel and drillship has a very low potential for material to be spilled overboard. For a spill to occur there would first have to be an accident involving loss of the container overboard and the container would have to rupture to release the contents. The volume of a spill will be limited by the size of the container being transferred and will usually be in the order of 200L drums to 1,500L bulk containers.

5.6.2 Potential Environmental Effects

The potential environmental effects associated with the discharge of drill cuttings and muds relate primarily to:

- the toxicity of the drilling fluids;
- increases in water column turbidity;
- smothering and alteration of sediment characteristics;
- seabed oxygen depletion if smothered by cuttings; and
- leaching of materials from cuttings.

Toxicity

Drilling muds contain a variety of special purpose additives. A number of reviews have been carried out to identify common drilling mud additives, their uses, application concentrations and ecotoxicities (Swan *et.al.*, 1994). Acute ecotoxicity from drilling mud additive contamination is highly unlikely and can only occur where the drilling mud is present in very high concentrations, far in excess of that which would occur in field situations.

Barite, a weighting agent, and bentonite, a viscofier, are some of the least toxic components of drilling fluids (Hinwood *et.al.*, 1944). Bentonite, barite and cement are all on the Oslo-Paris Commission (OSPAR) list of substances/preparations used and discharged offshore which are considered to Pose Little or No Risk to the environment (PLONOR list) (OSPAR 2003). WBMs have low ecotoxicity, high biodegradability and low bioaccumulation/bioconcentration potential. They are routinely accepted for discharge in open waters by international regulatory authorities. All of the additives of the WBM proposed for use in drilling the wells are on the PLONOR list.

Turbidity

When drill cuttings and adhered muds are discharged into the sea, a turbid patch of water develops and gradually dilutes as it disperses down current, and through the water column. Any increase in water turbidity resulting from the discharge of drill cuttings would be expected to be spatially localised and temporary. This was confirmed during Remotely Operated Vessel (ROV) surveys undertaken within days of completion of the exploration drilling of Kitan-1 and Kitan-2 wells (Sustainability, 2008a, 2008b). These surveys revealed that the water turbidity was low (i.e. a high water clarity) near the seabed throughout the length of each 50m transect emanating from the well.

Field tests and general observations indicate that discharged drilling fluids settle rapidly and that only a minor proportion remains in suspension (BHPP 1998). This is due to the fact that the thinners added to the muds are rapidly diluted by seawater causing the clays to agglomerate. These larger particles sink rapidly.

Although prolonged high levels of turbidity can affect photosynthetic activity, drilling is not expected to cause major, lasting effects because of the temporary nature of the discharge, the limited area affected, the low biological abundance in the area and the significant water depth and consequently the absence of benthic organisms directly reliant on photosynthesis for survival.

Smothering and Alteration of Sediment Characteristics

There is a high likelihood that there will be some localised smothering of the benthic invertebrate communities, particularly during the drilling of the top-hole section when cuttings are discharged directly to the seabed in the immediate vicinity of the drill hole. Smothering of benthos is likely to occur close to the discharge point for drilling of the wells, mainly along the axis of the predominant current. Some habitat disturbance is likely to occur due to the difference in particle characteristics, such as size and abrasiveness, to the existing sediment. However, the severity of this impact will be slight, due to the low toxicity of the seawater and bentonite mud, the short time period, small area potentially affected and the action of water currents in dispersing this material.

To predict the fate of drill cuttings within the S06-03 permit area, Eni modelled a 486m³ discharge of drill cuttings, including 232m³ released at the seabed and 254m³ released at the sea surface (Sustainability 2010b). The drill cuttings model is based on the Cova-1 well location, but is considered to be representative of the whole permit area as the four prospects are relatively close together (within 30 km) and all occur in the deepwater offshore marine environment.

The model predicts that the majority of cuttings would settle on the seabed within 700m of the well, at an average concentration of 0.24–1kg/m² and an average thickness of <1mm (Figure 5.6). The modelling predicted that the highest concentration of cuttings would occur within 20m of the well at a concentration of 1200–2400kg/m² and a thickness of 1–2m. These results are consistent with Eni's modelling of cuttings dispersal at the Kitan-1 and Kitan-2 wells (located in the JPDA), which predicted that cuttings would settle within several hundred metres of the wells and at low concentrations.

ROV surveys undertaken at the conclusion of the Kitan-1 and Kitan-2 drilling programs (Sustainability 2008a, 2008b) observed isolated drill cuttings mounds of between two and 10m high within 50m of the well parallel to the predominant water current direction. Elsewhere, cuttings were not detected. The Kitan ROV survey findings supported the modelling predictions that impacts on benthic organisms from smothering by drilling cuttings would be localised. Thus, Eni expects the effects of drilling cuttings from the Cova-1 well to be similarly localised.

Oxygen Depletion

The use of WBMs reduces the likelihood of oxygen depletion in the sediments because of their greater hydrophilic properties, ability to disperse in the water column and lower toxicity to benthic fauna that re-work the sediments.

Leaching of Materials from Cuttings

The heavy metal content of cuttings from individual wells varies considerably based on the characteristics of the host rock and it is therefore difficult to make generalised predictions of metal leaching and its effects (Swan *et. al.* 1994). The analysis of drill cuttings in other fields (ESSO 1993) has shown that the concentration of metals contained within cuttings is generally within the range of concentrations of typical marine sediments and it is not anticipated that any significant leachable compounds will be found for the proposed drilling program.

Metals in residual drilling mud on cuttings would be transported to the seabed. However, the potential leachate in these muds (i.e. metals) are biologically unavailable or are not in soluble form (with the exception of very minor quantities of formation fluids which may be circulated), and therefore do not constitute a pollution threat (Neff *et. al.* 2000). Barite and bentonite may contain some heavy metal concentrations but not in a readily bioavailable form. Hydrocarbons may also be present in the cuttings but the volumes of hydrocarbons that may be transported to the seabed via drill cuttings is relatively minor and unlikely to cause any significant environmental effects (Swan *et. al.* 1994).

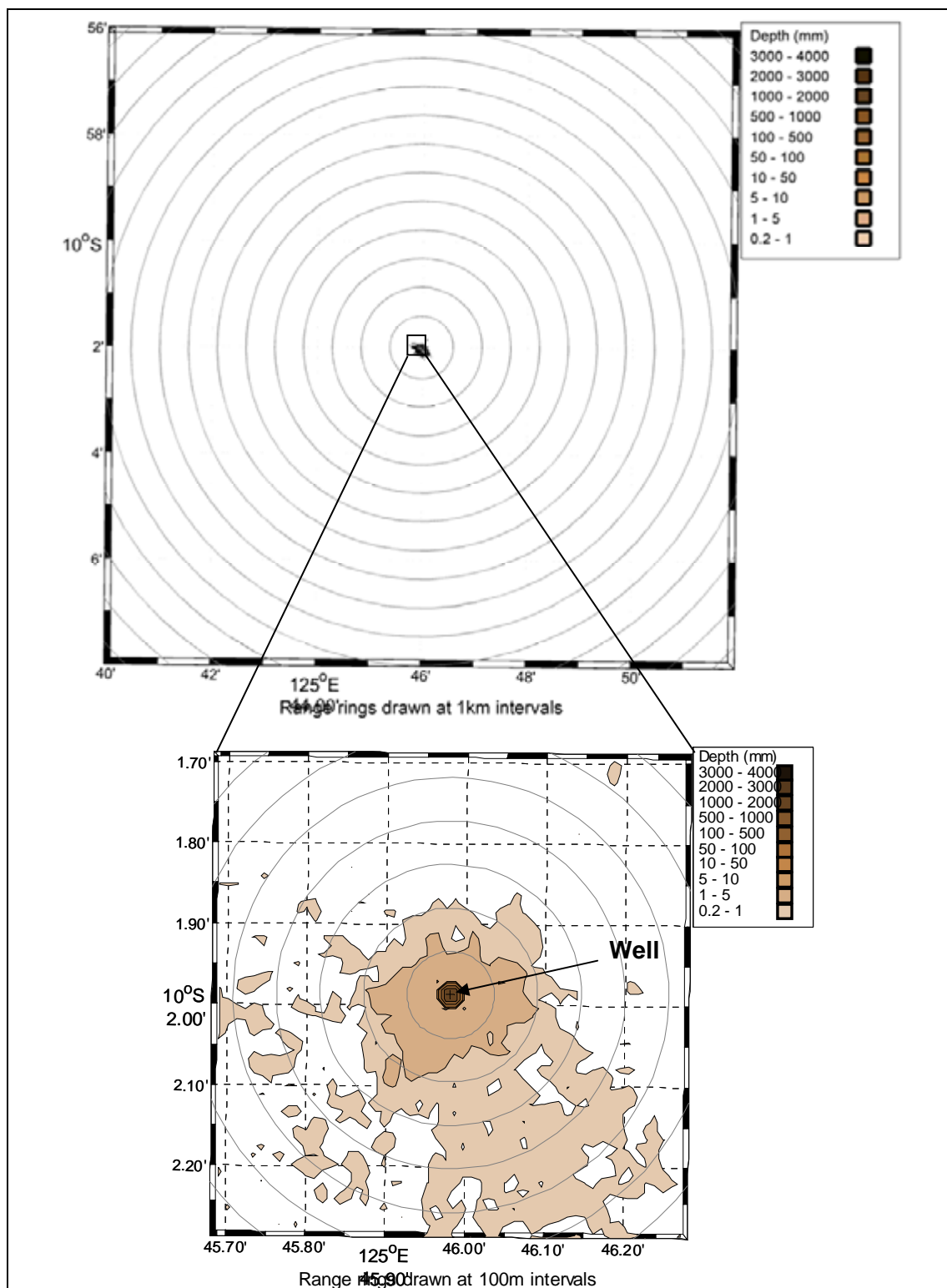


Figure 5.6 Predicted distribution of drill cuttings during the drilling campaign (Sustainability 2010b)

5.6.3 Management of Drilling Discharges

Eni's safeguards to protect the environment from the potential impacts of the drilling discharges comprise:

- An Environmental Management Plan (EMP) for the drilling of the exploration wells. Eni would consult with DNMA during the development of the EMP and seek acceptance of the EMP prior to conducting drilling.
- The EMP would include a detailed risk assessment and development of risk registers specific to the drilling campaign.
- Use of WBMs, comprising seawater and prehydrated gel sweeps for the riserless section of the hole and a PHPA water based gel with KCl for the riser section of the hole.
- Onboard recovery of muds to minimise discharge of residues on cuttings.
- Transfer and handling procedures would be in place to ensure that the potential for concentrated mud components being spilled on the drillship or during transfer to enter the sea is low.
- Transfer and drainage systems on board the drillship. In the event of a spill of drilling materials on board the drillship, liquid material would be diverted to the drainage sump or slops tank. Dry material would be contained on deck until it can be cleaned up.
- Water column turbidity caused by the drilling cuttings/fluids plume will be minimised by maintaining the cuttings shakers equipment aboard the drillship at optimum efficiency.
- Routine checks will be made of the cuttings shakers and other solids control equipment, to ensure that cuttings are not contaminated with oil prior to discharge.
- Drillship procedures will ensure that any overboard discharges meet the legislative standards for oil-in-water (OIW).

5.7 ATMOSPHERIC EMISSIONS

5.7.1 Source and Characteristics

There are three identified sources of atmospheric emissions, which are:

- flared gas (i.e. during well testing if required, or if small pockets of hydrocarbons are encountered unexpectedly during drilling);
- exhaust gas from machinery and vessels; and
- ozone depleting substances (ODSs) in some fire-suppression and refrigerant systems.

The flaring of well test formation gases releases combustion gases into the atmosphere. Most of these gaseous emissions are in the form of CO₂, although smaller quantities of other gases, such as nitrogen oxides (NO_x) and carbon monoxide (CO) are generated, with only minimal quantities of sulphur dioxide (SO₂), generated owing to the low sulphur content of the oil.

Exhaust gases are produced from running the power plant and machinery on board the drillship and are ultimately released into the atmosphere. The composition of exhaust gases is similar to those produced from flaring.

ODSs (halon) will be present on helicopters but avoided elsewhere if possible. There will be no planned discharge of ODS. However as halon is used in fire suppression systems, a small volume would be released in the event of a fire.

Table 5.10 summarises the potential air emission types and sources and their significance in terms of greenhouse gas emissions, pollution or ozone depletion.

Table 5.10 Potential Air Emissions and Sources

Gas	Sources			Significance		
	Flaring	Exhaust Gases	Refrigerants, Air Conditioning, Fire Suppression	Greenhouse Gas	Air Pollutant / Toxicant	Ozone Depleting Substance
Methane	✓	✓		✓ (21 x CO ₂ ^{-e})		
VOCs	✓	✓			✓	
H ₂ S					✓	
CO ₂	✓	✓		✓ (1 x CO ₂ ^{-e})		
NO _x (NO, NO ₂)	✓	✓				
N ₂ O	✓	✓		✓ (310 x CO ₂ ^{-e})		
SO _x (SO ₂ , SO ₃)	✓	✓			✓	
CO	✓	✓			✓	
Particulates/ smoke	✓	✓			✓	
Fluorocarbons (CFCs, HFCs, HCFCs, SF, CF)			✓	✓ (560–23,900 x CO ₂ ^{-e})		✓

5.7.2 Potential Environmental Effects

Air emissions from the drilling campaign are considered unlikely to have a significant impact on air quality at the local and regional scales as they are expected to be quickly dissipated into the surrounding atmosphere. Furthermore, the project area is remote from any land mass, far from sensitive receptors and the drilling campaign is of a short duration. Therefore, air emissions are not expected to contribute significantly to pollution and the deterioration in air quality.

5.7.3 Management of Atmospheric Emissions

Safeguards that will be adopted to protect the environment from the potential impacts of the atmospheric emissions entail:

- Equipment and machinery will undergo planned maintenance to manufacturer's specifications to ensure that it is operating at its optimal efficiency.
- Green burners will be used on flare, i.e. small droplets that promote complete combustion and consequently low NO_x emissions.
- Fire and gas detection and shutdown systems will be installed to ensure any unexpected significant leaks of fugitive emissions are quickly detected and rectified.
- There will be no discharge of ozone-depleting substances, except in the case of an emergency.
- Records of flared gas will be maintained.

5.8 LIQUID WASTE STREAMS

5.8.1 Source and Characteristics

Deck Drainage

Deck drainage consists primarily of rainwater and deck wash-down water. It may include small amounts of detergents, oil and grease, spilt chemicals, used machinery chemicals and dirt from the decks. The volume of drainage likely to be generated is difficult to determine with accuracy as it depends on the rainfall and frequency of deck washing.

Spills on the drillship deck will be contained and diverted to the slops tank, sump or mopped up to prevent overboard discharge. To achieve this, the drillship will have scupper plugs available to block overboard drains, as well as absorbent booms and clean-up materials at the ready so that any spill on deck can be rapidly contained. Deck drainage water on the drillship will be directed to a sump (or similar) which is connected to an oil-water separator. Once separated, the oil and grease will be stored in suitable containers ahead of transfer ashore for recycling, and the treated water will be discharged to sea. This discharge will be monitored for OIW content.

Laboratory Wastes

Laboratory facilities on the drillship enable operating personnel to carry out analytical checks on samples taken from the various process and utility systems.

Cooling and Reject (Brine) Water

Cooling water is usually once-through seawater that does not come in direct contact with production streams. It is used as a heat exchange medium for the purpose of cooling machinery and may contain biocides to control biofouling on the inside of conduction pipelines. The cooling water is then discharged at a temperature higher than that of the ambient seawater (Swan *et. al.* 1994).

Reject water is seawater that is extracted from the ocean, and is then passed through a reverse osmosis or steam system to obtain freshwater. The residual water is then discharged to the ocean. Reject water is anticipated to be discharged with about 50% higher salinity than ambient seawater.

Sewage, Grey Water and Putrescible Wastes

Sewage, grey water and putrescible wastes (those wastes that are liable to decay, i.e. kitchen wastes) will only be released to the sea after the material has passed through a comminuter or grinder such that the material to be released is capable of passing through a screen with openings no greater than 25mm in accordance with the MARPOL 73/78.

5.8.2 Potential Environmental Effects

Deck Drainage

The volume of deck drainage water that is likely to be discharged at any given time is expected to be low. Furthermore, the concentrations of oil, grease and trace metals and other contaminants that could potentially enter the marine environment as a result of deck wash activities are expected to be low. There is unlikely to be a detectable environmental effect due to the expected low volumes of deck drainage in relation to the high dilution rates afforded by the open ocean environment of the permit area.

Laboratory Wastes

The procedures and design of the facility will be such that the risk of discharge of laboratory wastes is very low. The concentrations of chemicals likely to enter the marine environment, as a result of laboratory activities, are unlikely to cause any detectable environmental effect because of the minor quantities involved. No significant environmental effects are anticipated from this source.

Cooling and Reject (Brine) Water

Once discharged into the ocean, the cooling water will initially be subject to mixing due to ocean turbulence and some heat will be transferred to the surrounding waters. The plume would then disperse and rise to the ocean surface, where further loss of heat and dilution would occur.

The volume of discharge from the drillship will be small compared to the receiving waters and so the environmental effects of the elevated temperature of discharged waters is therefore predicted to be insignificant due to the large buffering capacity of the ocean. The plume will quickly lose heat and water in only a small area around the outfall will have a substantially elevated temperature (Swan *et. al.* 1994).

Upon discharge of brine to the sea, the brine is of greater density than seawater and would be expected to sink and disperse in the currents. It is expected that most pelagic species that would occur at the proposed drilling location would be able to tolerate short-term exposure to the slight increase in salinity caused by discharge of the brine. Both potassium and chloride are common in seawater and so the effect on the marine environment is considered slight.

Sewage, Grey Water and Putrescible Wastes

The primary concerns relating to sewage discharge are increases in nutrient availability and biological oxygen demand (BOD). In the open oceanic environment of the permit area, the effect of the BOD of the effluent on seawater oxygen concentrations around the drillship is predicted to be undetectable (Swan *et. al.* 1994).

Increased nutrient availability may result in the biostimulation of marine organisms and a slight increase in algal growth in a small area near the outlet. The mass of nutrients to be discharged in sewage on a daily basis is likely to be small and, given the permit areas open ocean environment, rapid dilution of the effluent is expect to result in a highly localised influence. This is not considered to lead to any adverse impacts. The discharge of sewage, grey water and putrescible wastes is not considered to have any potential adverse effects on the marine environment.

5.8.3 Management of Liquid Wastes

Deck Drainage

The primary mitigation measure is the avoidance of spills through the initial design integrity built into process and utility equipment, materials handling and dropped object studies, and operating and maintenance procedures. Safeguards to protect the environment from the potential impacts of deck drainage include:

- Operational areas will be segregated for drainage collection and to restrict contamination of stormwater run-off.
- Routine maintenance and visual monitoring will allow for early detection of leaks, ensuring a quick response to repair leaks on clean up spills.
- Absorbents and containers would be available on the drillship and support vessels to clean up small accumulations of oil and grease around work areas and decks.
- Deck drains on all vessels will be routed to an oil-water separator and monitored for OIW content prior to discharge. Oily water from the drillship machinery space bilges would be captured and directed to a sludge tank, which in turn drains into a slops tank.

- The discharge of oily water from the drillship is regulated by MARPOL 73/78 and requires the OIW content to be less than 15ppm.

Laboratory Wastes

The procedures of the drillship will be such that the risk of discharge of laboratory wastes is very low. No further management is likely to be required.

Cooling and Reject (Brine) Water

The discharge of cooling water and reject water is not likely to have a deleterious effect on the surrounding marine environment due to the small volumes involved compared to the open oceanic environment in the permit area. No management measures are expected to be necessary.

Sewage, Grey Water and Putrescible Wastes

Safeguards to protect the environment from the potential impacts of sewage, grey water and putrescible wastes entail:

- Sewage, grey water and other putrescible wastes such as food scraps from the drillship and support vessels would be disposed of in accordance with MARPOL 73/78 Annex IV.
- Sewage effluent on the drillship will be treated in an extended aeration system and comminuted to pass through a screen of less than 25mm diameter prior to discharge, in accordance with the MARPOL 73/78.
- The support vessel would be required to have either a certified sewage treatment plant or sewage treatment facilities. As a minimum, sewage will be macerated to a diameter of less than 25mm and disinfected prior to disposal in accordance with the MARPOL 73/78.
- Sewage, food scraps or putrescible wastes would not be discharged within 12 nautical miles of land.

5.9 MARINE PESTS

5.9.1 Source and Characteristics

Marine pest species may potentially be transported to the proposed drilling location as a component of ballast water (and associated sediments) or as marine fouling on the supply vessels and drillship. Ballast water inevitably will contain organisms such as fish, invertebrate larvae and phytoplankton from the location from which the ballast was taken onboard. Similarly, despite the use of antifouling systems, there will inevitably be some degree of hull fouling on the drillship and supply vessel.

5.9.2 Potential Environmental Effects

The successful establishment of an exotic species transported via either ballast or hull-fouling depends primarily on three factors:

- colonisation and establishment of the marine pest on a vector (vessel, equipment or structure) in a donor region (e.g. a home port, harbour or coastal project site where a marine pest is established);
- survival of the marine pests on the vector during the voyage from the donor to the recipient region; and
- colonisation (for example by reproduction or dislodgement) of the recipient region by the marine pest, followed by successful establishment of a viable new local population.

In terms of the potential introduction of marine pests from ballast water, the drilling campaign would not pose any such risk because the proposed well is located in oceanic waters with a water depth of over 1,000m and does not provide a habitat for ballast water organisms to colonise. Thus, the risk of introducing marine pests to the oceanic environment is negligible.

In relation to hull biofouling, should organisms be dislodged from a vessel the permit area location does not provide a habitat for organisms to colonise. Neither the drill ship nor the supply vessel will enter Timor-Leste coastal waters during the drilling program so there is no conceivable risk of introduced marine species becomes established, either from ballast water discharge or hull fouling.

5.9.3 Management of Marine Pests

Safeguards to protect the environment from the potential impacts of marine pests would entail

- Application of Eni's HSE Management Standard for Marine Pests and Quarantine Management (Document No.: ENI-HSE-ST-034) to all vessels used throughout each phase of the project.

5.10 NOISE AND LIGHT DISTURBANCE

5.10.1 Source and Characteristics

Noise

During drilling there will be noise emissions from the drillship, support vessel and helicopters. Noise will be generated above and below the water surface.

At the drillship, noise will be emitted from the drill pipes and onboard machinery. McCauley (1998) measured the underwater noise emitted from a drilling rig in the Timor Sea and found the broadband noise level to be approximately 146dB re 1µPa when not actively drilling and 169dB re 1µPa during drilling operations.

Under normal operating conditions, when idle or moving between sites, the support vessel noise would be detectable only over a short distance. Working support vessels usually maintain position during loading and unloading supplies or during installation activities which means strong forward and reverse thrusts from the engines and bow thrusters for short periods of time. McCauley (1998) measured underwater broadband noise of approximately 182dB re 1µPa from a rig support vessel holding station in the Timor Sea.

Noise emissions can affect marine fauna in the following ways:

- attraction;
- increased stress levels;
- disruption to underwater acoustic cues;
- behavioural avoidance;
- hearing impairment and pathological damage; and
- secondary ecological effect may occur as a result of one or more species influencing another species, e.g. by alteration of a predator/prey relationship.

The frequency of whale, other marine mammals and turtle visitations to the drilling location is perceived to be low although whales, turtles and dolphins are known to occur within the wider region. Cetaceans are sensitive to sounds below the water surface. For some offshore developments, there is the potential that severe sound waves created from drilling activities could induce stress, and any pulsating or modulating effects may cause abandonment of important habitats, such as calving and nursery sites (McCauley, 1998). However, the nearest known whale calving ground to the project, is that of the Humpback Whale over 300km away from the permit area. Therefore any effect on important habitats, such as calving and nursery sites, is highly unlikely. Similarly, turtles would be expected to avoid areas where sound was at such levels long before it caused them any physical harm.

Disturbance to fish is likely to be minimal as fish will be expected to avoid acoustical emissions which attain levels that may cause pathological effects. The degree of observed effect weakens with depth, with fish below about 200m depth being only mildly affected and the effect is temporary with normal schooling patterns resuming shortly after the noise source has passed. Surface and mid-water dwelling fishes may theoretically be adversely affected by noise generated during vessel movements.

Light

Lighting would be used by drillship and support vessel for safe illumination. Light would also occur from flaring activity during well testing. However, as the nearest coastline is approximately 80km from the permit area, drillship lighting and flaring will not be visible at sea level from any mainland or island beaches. Lights on the drillship are likely to attract marine life and seabirds in the immediate vicinity but the impacts are expected to be slight. It is highly unlikely that there will be any impact on breeding turtles, nesting areas or hatchlings.

5.10.2 Potential Environmental Effects

Noise and light emissions from the proposed development would be localised and so the effects on marine mammals, turtles and fish is expected to be minimal. Further to this, it is important to note that whales, turtles and fish are highly mobile and will temporarily avoid the project area, if disturbed, as a result of drilling operations.

It is also unlikely that seabirds will be affected in any way from light or noise generated by the proposed development. Due to the distance of the proposed development from seabird rookeries, the potential for impacts due to airborne noises from the proposed development is extremely remote.

5.10.3 Management of Noise and Light Disturbance

Safeguards to protect the environment from the potential impacts of noise and light disturbance would entail:

- Helicopter flights would be carried out during daylight hours only, except if required during emergencies and training purposes.
- Flight paths would be routed to avoid any sensitive areas, such as shoals or known nesting sites.
- The drillship and supply vessel would consider minimising light spill from the as much as practical whilst maintaining safety requirements.

5.11 SOCIO-ECONOMIC IMPACTS

5.11.1 Socio-Economic Development

Timor-Leste faces considerable challenges in rebuilding its infrastructure and creating employment opportunities for young people entering the workforce. The development of oil and gas resources in offshore waters has begun to supplement government revenues resulting in the creation of jobs.

Article 5.4 of PSC S-06-03 includes clear obligations for Eni to provide a real opportunity to suppliers based in Timor-Leste and give preference in employment to Timor-Leste nationals and permanent residents. There is limited opportunity to incorporate significant local content into the drilling program due to the nature of the work and the short duration of the program. However, Eni endeavours to incorporate local content wherever feasible. For example, crew changes will be conducted via helicopter based in Dili. Eni will continue to liaise with Timor-Leste stakeholders to identify and develop local content opportunities, particularly if any of the wells prove to be economically viable.

5.11.2 Fisheries

Observations of Indonesian and Timor-Leste line fishing vessels have been made from the Northern Endeavour wellhead platform (Buffalo Field, just west of the JPDA). However, there are no known fishing activities in the deep waters of S06-03. Impacts to traditional fishing activities as a result of exploration drilling are highly unlikely.

In terms of the open sea commercial fisheries, the region is only lightly exploited by longline fishermen, although the level of exploitation is increasing. Shark is the main target species. The shark fin fishery is increasing, with *Charedon* spp. and *Carcharhinus* spp. being the most valued species. Other species likely to be targeted are tuna and mackerel. As the area is not extensively used by fisheries and the drilling program is of a short duration impacts on commercial fisheries are considered to be negligible.

5.11.3 Tourism

No known tourist or recreational fishing occurs in the area. Apart from the possibility of occasional passing private motor vessels or yachts, there are no known tourism interests in the area. Thus, impacts on tourism activities are not expected to occur.

5.11.4 Shipping

Shipping in the area is light, and there are no designated shipping lanes near the permit area. The major commercial shipping routes through the Timor Sea pass well to the north and south of the permit area. Vessels utilising these routes include bauxite carriers servicing terminals at Gove (Northern Territory) and Weipa (Cape York Peninsula), and coal carriers and container vessels departing Queensland ports for destinations in the Middle East, Europe and South Africa (Le Provost, Dames & Moore 1997).

Vessel movements in closer proximity to the permit area include those servicing the Challis/Jabiru, Corallina/Laminaria oilfields and Bayu Undan gas field. These fields are well to the south of S06-03. Communication will be established with these vessels prior to installation activities and during the life of the project with the intention of planning vessel routes to avoid any potential interference. Strict adherence to marine navigation, communication and safety procedures will be maintained to ensure no risk is presented during all activities.

As shipping in the area is not significant, it is not expected that the drilling program will cause any disruption to shipping activity in the region. Marine safety notices will be issued through AMSA prior to the installation activities commencing and radio contact will be maintained with any vessels in the area. Measures taken to minimise the risk of collisions from shipping will include the designation of a 500m radius safety zone. The impact to shipping from the loss of access to the safety exclusion zone around the proposed well is mitigated by the relatively small size of the exclusion zone and the short duration of the program.



5.11.5 Amenity, National Parks and Conservation Reserves

There are no national parks (Ramsar) listed areas or other special conservation areas near the proposed well. Similarly, there are no marine protected areas, areas listed on the Register of the National Estate, shipwrecks or heritage sites. Due to its remote offshore location, there are no known heritage or archaeological sites of significance, shipwrecks or heritage sites in the vicinity of Permit Area S-06-03.

6.0 MANAGEMENT MEASURES AND COMMITMENTS

6.1 ENVIRONMENTAL MANAGEMENT FRAMEWORK

6.1.1 Guiding Principles

Environmental management of the drilling program will be conducted within a framework comprising:

- currently accepted best practice approaches to environmental impact assessment;
- a systematic hazard management process, with defined procedures for identifying, assessing, controlling and mitigating hazards and effects; and
- an EMP to be developed and implemented in compliance with applicable legislation.

These guiding principles will drive improvements in environmental performance during the design phase of the program. Drilling will be conducted in line with good oilfield practice and opportunities for improving environmental performance will be pursued in accordance with business requirements.

6.1.2 HSE Integrated Management System

The environmental management framework is underpinned by Eni's HSE IMS, which incorporates systematic environmental management and controls as part of its standard business processes. Eni's HSE IMS is certified to the ISO14001 standard and is applied throughout all Eni operations and projects. Eni's management of the drilling program would be modelled on its successful implementation of management measures and procedures at its various drilling sites in the JPDA.

6.1.3 HSE Policy

Eni's HSE Policy (Appendix A) has the following general objectives:

- setting health, safety and environmental objectives as an integral part of business activities and decision making;
- promoting best HSE practice throughout Eni's activities;
- setting objectives and targets, implemented through appropriate programmes, thus ensuring the continual improvement in overall HSE performance;
- implementing safe working and fitness to work programmes to pursue the goals of zero harm to the health of, or injury to, people and protects the environment and business assets;
- complying with relevant legislation and other requirements to which Eni subscribes or applies company standards where laws and regulations do not exist;

- assessing and managing HSE risks across each life cycle for all business activities;
- maintaining a documented HSE IMS certified to ISO14001, which enables comprehensive reporting and review of performance;
- including HSE performance in appraisal of staff and contractors;
- preventing pollution and minimising greenhouse gas emissions, effluents, discharges and other impacts on the environment while safeguarding our resources; and
- fulfilling Eni's commitment to sustainable development and the welfare of its host communities.

6.2 ENVIRONMENTAL MANAGEMENT PLAN

Environmental aspects of the drilling campaign will be managed primarily through the development and implementation of an EMP. The EMP will:

- define Eni's environmental and social performance objectives for the drilling campaign;
- describe the standards that Eni will adopt to meet its objectives and the criteria by which Eni will measure its performance;
- present Eni's management measures and commitments by which it will fulfil its stated environmental and social performance objectives;
- describe Eni systems and procedures for implementing its management measures and commitments;
- describe the roles and responsibilities of Eni personnel and its contractors in management of the drilling program and related operations;
- detail Eni's emergency management and contingency planning in place in the event of an unplanned incident or activity;
- describe Eni's training and competency standards and procedures that ensure that Eni personnel and its contractors are qualified and competent to fulfil their roles and responsibilities;
- detail Eni's monitoring and auditing procedures that are intended to reduce environmental risk to ALARP and to ensure that environmental performance objectives are met; and
- describe Eni's reporting obligations to both internal and external stakeholders.

6.3 MONITORING PROGRAM

A pre-drill ROV survey will provide baseline images of the seabed surrounding the proposed well. During the drilling program, further ROV surveys will be undertaken. The ROV survey images will be reviewed to ascertain suitability and performance of the drilling operations in respect to the deposition of drill cuttings on the seabed and the effects of turbidity on marine fauna. A report on the findings of the ROV surveys will be provided to the DNMA within one month of well completion.

The discharge of domestic wastes will be periodically monitored by the Eni representative to ensure that the performance standards in place for the activity will be met. All solid and hazardous wastes stored onboard and transferred onshore for disposal will be recorded in a waste manifest. Volumes of fuel used and crude consumed during operations will also be recorded on daily logs. Table 6.1 presents the operational monitoring program to be implanted during the drilling program. Eni will submit a compliance report to DNMA, as required, outlining the results of its monitoring program.

Table 6.1 Operational Monitoring Program.

Environmental Risk	Criteria to be Monitored during Drilling Campaign	Inspection
Drilling chemicals	Chemical characteristics: <ul style="list-style-type: none"> ecotoxicity; biodegradability; potential for bioaccumulation. 	Prior to drilling
	Volume on board, volume used and volume discharged	Daily recorded in the operational log inspection
Drill floor drainage	All drainage directed to sumps ahead of oil-in-water separators	Prior to drilling and once during campaign.
Laboratory wastes	Type, usage and toxicity	Prior to and on completion of drilling
Chemicals and hazardous materials	Volume stored and volume consumed	Daily operational inspection of the storage area, management and transfer procedures and log sheet update
Sewage discharges	Correct operation of sewage treatment system	At start and once during campaign
General rubbish disposal	Volume of waste generated and volume transferred for onshore disposal	Prior to waste transfers to supply vessels
Hazardous waste disposal	Volume of waste generated and volume transferred for onshore disposal	Prior to waste transfers to supply vessels
Flared well fluids emission	Volume flared	Ongoing during flaring
Diesel usage	Volume on board and volume consumed	Daily operational log inspection and fuel transfer log sheet

All environmental incidents or deviations from the EMP will be reported in accordance with Eni's Procedure: *Hazard and Incident Reporting and Investigation* (Eni 2007b). Additionally, all incidents arising out of operations for the activity that are not within the parameters of the environmental performance standards in the EMP shall be reported.

6.4 SUMMARY OF MANAGEMENT COMMITMENTS

Eni is committed to undertaking its petroleum exploration and production activities in a manner that is consistent with the principle of sustainable development. Eni aspires to the goals of zero harm to its people, its host communities and the environment. In keeping with these goals and aspirations, Eni is committed to drilling in a manner that minimises impacts on the surrounding biophysical and social environments.

Eni's commitments for the drilling program are presented in Table 6.2, which are based on Eni's experience of drilling other wells in the Timor Sea. Eni's commitments will be reviewed and revised, if required, as the drilling program details and planning advance.

Table 6.2 Summary of Commitments for the drilling program

No.	Topic	Objective(s)	Management Action	Timing
1.	Integrated Management System	Provide a risk-based management system for the identification and control of impacts.	<ul style="list-style-type: none"> Implement Eni's HSE Integrated Management System for the well program that embraces the ISO 14001 standards. 	Throughout the drilling program
2.	Environmental Management Plans	Provide operational control documentation for the management of environmental impacts associated with drilling.	<ul style="list-style-type: none"> Develop an EMP for the drilling program The EMP will incorporate environmental and social management measures detailed in Chapter 5 of this EIS where relevant. The EMP will be developed in consultation with DNMA. 	Prior to Drilling
3.	Risk assessment	Ensure project risks are fully identified and understood and management measures and controls are implemented accordingly.	<ul style="list-style-type: none"> Conduct a detailed environmental and social risk assessment for the drilling program. Maintain the findings of the risk assessment in a project Risk Register. Incorporate any additional management measures identified during the detailed risk assessment into the EMP. 	Prior to Drilling



No.	Topic	Objective(s)	Management Action	Timing
4.	Marine Environmental Monitoring Program	Ensure that Eni's management measures for the drilling program are effective in minimising environmental harm.	<ul style="list-style-type: none"> Conduct an ROV survey of the seabed prior to drilling and after drilling. Provide a report to DNMA describing the findings of the pre- and post-drilling ROV surveys. 	Before and after drilling
5.	Operational Monitoring Program	<p>Ensure that Eni's management measures for the drilling program are effective in minimising environmental harm.</p> <p>Ensure that the drilling program complies with applicable legislation and regulations.</p> <p>Enable the implementation of contingency measures, if required.</p>	<ul style="list-style-type: none"> Develop an Operational Monitoring Program for the drilling program in consultation with DNMA. Implement the Operational Monitoring Program and provide a report to DNMA upon completion of the program. 	<p>Prior to Drilling</p> <p>Throughout the drilling program</p>
6.	Socio-economic development	Ensure that opportunities for Timor-Leste businesses and communities are maximised in line with Eni's resource requirements for the drilling program.	<ul style="list-style-type: none"> Conduct ongoing stakeholder consultation to identify opportunities and build capacity to source goods, materials, services and labour from Timor-Leste. 	Throughout the drilling program
7.	Emergency Planning and Response	Ensure that adequate emergency response procedures and resources are in place to minimise the environmental impacts of an incident e.g. oil spill.	<ul style="list-style-type: none"> Develop and implement an Incident Management Plan (IMP) and an Oil Spill Response Manual (OSRM) for the drilling program. The IMP and OSRM will be developed in consultation with the DNMA, Eni's contractors, and appropriate emergency response authorities and resource centres. The IMP and OSRM will be tested and reviewed at least once during the drilling program. 	<p>Prior to Drilling</p> <p>During the drilling program</p>
8.	Training and awareness	Ensure that all personnel are aware of their responsibilities towards the management of environmental and social impacts.	<ul style="list-style-type: none"> Provide training to all Eni and contractor personnel on the requirements of Eni's EMP, specifically: <ul style="list-style-type: none"> the environmental and social sensitivities of the project; Eni's management objectives and commitments; and obligations of all personnel towards the management of impacts in their areas of responsibility. Provide training to all Eni and contractor personnel on Eni's OSRM. 	Prior to Drilling
9.	Auditing	Ensure that Eni's environmental and social performance objectives for the drilling program are met.	<ul style="list-style-type: none"> Conduct an environmental compliance audit against the drilling EMP. 	During the drilling program



No.	Topic	Objective(s)	Management Action	Timing
10	Stakeholder consultation	To maintain open and transparent communication between Eni and its stakeholders.	<ul style="list-style-type: none">• Deliver a presentation on the proposed drilling program to the key stakeholders.• Incorporate stakeholder feedback and comments into the EMP for the proposed drilling program.	Prior to Drilling

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APPENDIX A

ENI HEALTH, SAFETY AND ENVIRONMENT POLICY



timor leste

Health, Safety & Environment Policy

In our hydrocarbon, exploration and production activities, Eni Timor Leste and its associated companies are committed to maintaining a strong and effective culture in Health, Safety and Environment (HSE) for everyone involved in our activities.

This policy applies to all operational and project activities under Eni Timor Leste's control, including activities carried out by contractors.

Eni Timor Leste will:

- ✓ Set Health, Safety and Environment as a core value for all business activities;
- ✓ Play a leading role in promoting best HSE practice throughout our activities;
- ✓ Set objectives and targets, implemented through appropriate programmes, thus ensuring the continual improvement in overall HSE performance;
- ✓ Implement safe working procedures and fitness to work programmes to pursue the goal of zero harm to anyone, anytime in an injury-free workplace;
- ✓ Comply with relevant legislation and other requirements to which Eni Timor Leste subscribes or apply company standards where laws and regulations do not exist;
- ✓ Assess and manage HSE risks across each life cycle for all business activities;
- ✓ Maintain a documented HSE Integrated Management System certified to ISO14001 which enables comprehensive reporting and review of performance;
- ✓ Include HSE performance in appraisal of staff and contractors;
- ✓ Prevent pollution and minimise greenhouse gas emissions, effluents, discharges and other impacts on the environment while safeguarding our resources; and
- ✓ Remain committed to sustainable development and the welfare of our host communities.

Eni Timor Leste expects that everyone recognises their personal responsibility for HSE and their right to report openly any HSE issue or concern. In addition, everyone is obliged to intervene in the case of unsafe acts or conditions.

To ensure we meet these objectives and respect the interests of those who may be affected by our operations, Eni Timor Leste will consult with, listen to and respond openly to all staff, contractors, regulators, customers and host communities.

Country Representative
Eni Timor Leste S.p.A.

Tony Heynen

24 March 2010



APPENDIX B

VESSEL SPECIFICATIONS

Saipem 10000 Drillship

Sea Witch Platform Support Vessel



Saipem

GROUP

Drilling

Saipem 10000



Saipem 10000

The Saipem 10000 ultra-deepwater drillship is the latest vessel to join Saipem's drilling fleet and represents an innovative and advanced addition to oil and gas exploration and production worldwide.

Built by Samsung Heavy Industries in its Koje shipyard in South Korea and completed in 2000, Saipem 10000 is a drillship for the new millennium.

The vessel has been designed and built to Class III Dynamic Positioning specifications making it capable of worldwide, year-round operations.

The main operating areas for Saipem 10000 will be the US Gulf of Mexico, South Atlantic, West Africa and, during the summer weather window, the UK sector of the North Sea and West of Shetlands.

Saipem 10000 has been built to set a new standard in drilling activities. The vessel has been designed and completely outfitted to explore and develop hydrocarbon reservoirs down to 30,000 ft RKB, operating in water depths in excess of 10,000 ft in full DP mode.







Saipem 10000

BRIEF DESCRIPTION

The main operational modes of the vessel in DP are the following:

- drilling activities
(exploration/appraisal/development);
- early production and extensive well
production/testing;
- crude oil storage and offloading;
- well completion activities.

All of the equipment installed onboard the vessel has been designed to meet the most stringent health, safety and environmental standards.

Among the chief benefits gained through operating with the Saipem 10000 are the particular arrangement of drilling facilities, the high pay load capacity and its Extended Well Testing facilities.

The arrangement of the vessel's topsides equipment allows the drilling crew to conduct several activities simultaneously, thereby optimising the sequence of operations and reducing downtime between different phases. The Saipem 10000's pay load, recorded at more than 20,000 t, permits the loading of large quantities of consumables, reducing the necessity of frequent reloading and the number of required supply vessel trips and, consequently, cutting overall operating costs for the client. Saipem 10000 is fitted with Extended Well Testing facilities that allow for the storage of up to 140,000 barrels of crude oil and has offloading capabilities to avoid the need for flaring, thus limiting environmental impact whilst optimising cost.





INTEGRATED MANAGEMENT SYSTEM

The Saipem 10000 holds the ABS and 'ACCU' notation, meaning all vessel automation and instrumentation is in line with the unattended machinery space class requirements. Based on the operating philosophy of DP Class III, the Integrated Automated System (IAS) is fibre optic based and fully integrated with the drilling control system.

A dual data highway will carry signals to and from operator stations located in the bridge, cargo control centre and engine control room.

The main subsystems incorporated in IAS are the following:

- power generation/manoeuvring;
- auxiliary system control and monitoring;
- cargo/ballast;
- riser management system;
- serial interface with the following systems:
 - Drilling Integrated Systems (DIS);
 - gas detection systems;
 - tank level gauging system;
 - fire detection system;
 - emergency shutdown system.

ACCOMMODATION

The accommodation module, built in accordance with ABS regulations, has been designed to accommodate 172 people with a high degree of comfort and includes two recreation rooms, coffee shop, sauna and gymnasium.

Vessel specifications

UNIT TYPE

Ultra deep water drillship, equipped with EWT (Extended Well Testing), designed for exploration and development drilling down to 30,000 ft RKB, operating in water depth in excess of 10,000 ft

UNIT FLAG

Bahamas

UNIT CLASSIFICATION

ABS +A1(E), "Drilling Unit", +FPSO, +AMS, +ACCU, +DPS-3, OMBO, DLA, +CDS

UNIT DESIGN

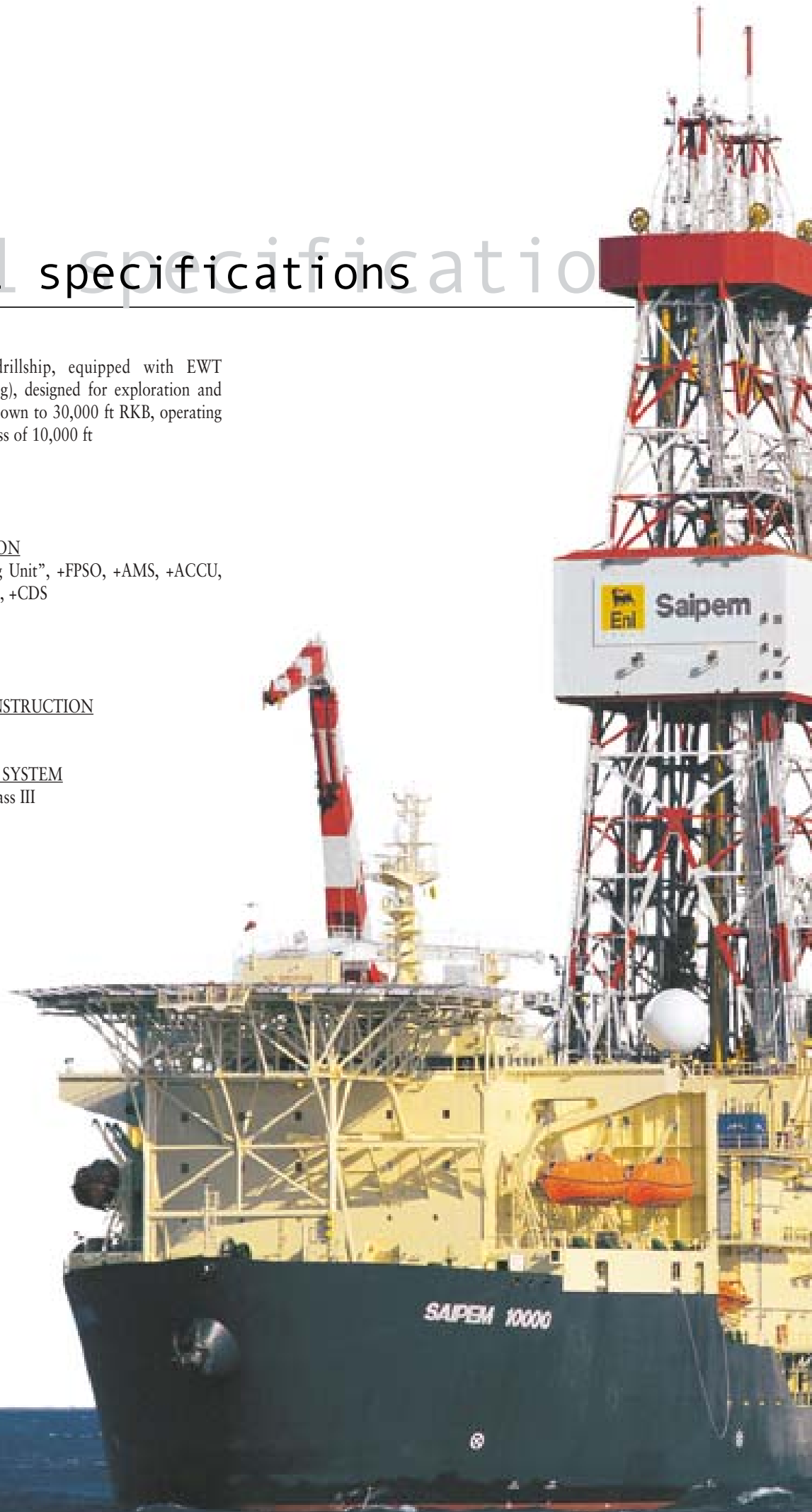
Samsung

YEAR OF UNIT CONSTRUCTION

1999-2000

UNIT POSITIONING SYSTEM

Simrad SDP-32, DP class III



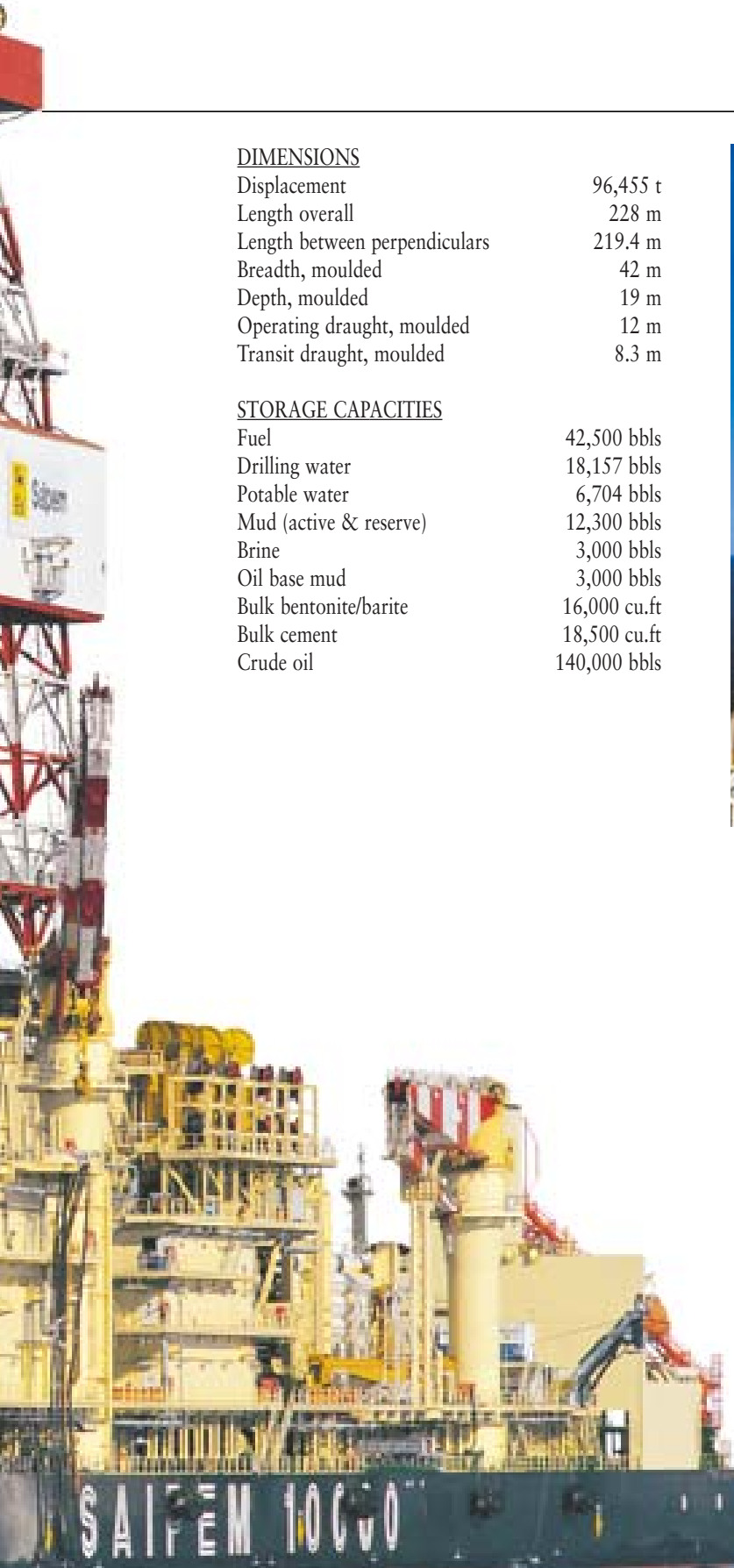


DIMENSIONS

Displacement	96,455 t
Length overall	228 m
Length between perpendiculars	219.4 m
Breadth, moulded	42 m
Depth, moulded	19 m
Operating draught, moulded	12 m
Transit draught, moulded	8.3 m

STORAGE CAPACITIES

Fuel	42,500 bbls
Drilling water	18,157 bbls
Potable water	6,704 bbls
Mud (active & reserve)	12,300 bbls
Brine	3,000 bbls
Oil base mud	3,000 bbls
Bulk bentonite/barite	16,000 cu.ft
Bulk cement	18,500 cu.ft
Crude oil	140,000 bbls





Vessel specifications

OPERATIONAL CAPABILITIES

Water depth capability in excess of 10,000 ft
Drilling depth 30,000 ft RKB

Variable load in transit mode
With crude oil: 20,000 t. Without crude oil: 17,000 t.
Variable load in drilling mode
With crude oil: 18,000 t. Without crude oil: 20,000 t.
Variable load in survival mode
With crude oil: 15,000 t. Without crude oil: 20,000 t.

CRANES

4 Hydralift Knuckle Boom Cranes.
Rated capacity 85 t. at 18.4 m

PIPE RACK OVERHEAD CRANE

1 Hydralift Catwalk machine (loaded by Knuckle Boom Crane)

RISER RACK OVERHEAD CRANE

1 Hydralift Catwalk machine (loaded by Knuckle Boom Crane)

BOP HANDLING SYSTEM

1 Hydralift Overhead Crane. Rated capacity 350 t.

X-TREE HANDLING SYSTEM

1 Hydralift Skidding System + trolley.
Rated capacity 120 t.

ACCOMMODATION

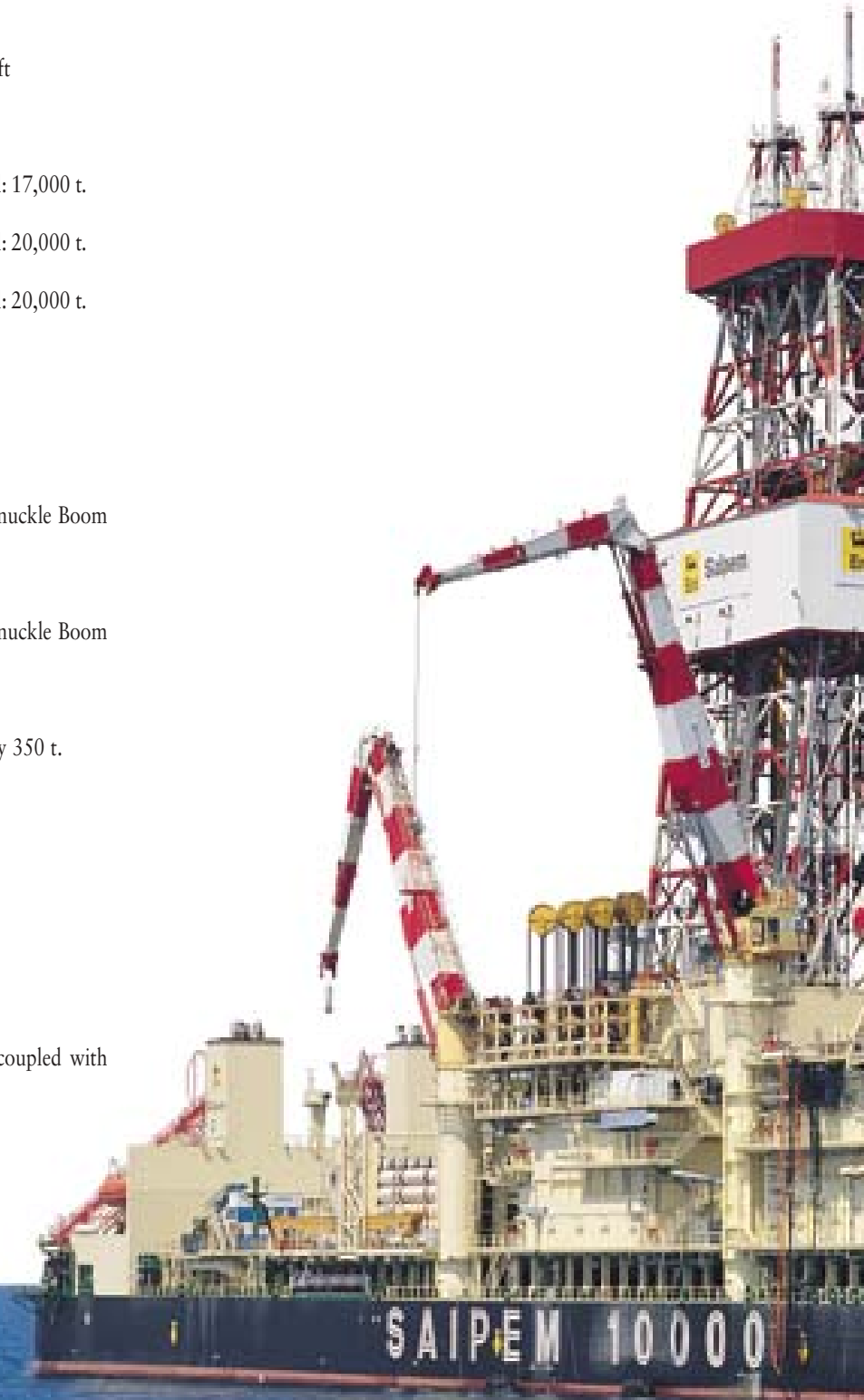
172 people

POWER PLANT

6 Wartsila Nsd Co 18V32LNE 9,910 hp coupled with
ABB HSG900XU10 8,750 kVA.

VFD SYSTEM

18 ABB 600 V (Variable Frequency Drive)





Drilling rig specifications





ons

<u>DERRICK</u>	Bailey	Dynamic	base 80 x 60 ft top 60 x 20 ft height 200 ft Static hook load 2,000,000 lbs
<u>SUBSTRUCTURE/RIG FLOOR RACKING PLATFORM</u>	Simultaneous setback and hook Hydralift	load capacity 2,600,000 lbs 6½" D.P. plus 5" D.P. plus 9½" D.C. plus 8¼" D.C. plus 6¼" D.C. plus 4¼" D.C. 13½" Casing or 9½" Casing or 7" Casing	252 joints Range III 121 joints Range III 6 Stands 12 Stands 6 Stands 10 Stands 80 Stands in triple 105 Stands in triple 105 Stands in triple
<u>AUTOMATIC DRILL PIPE RACKING SYSTEM</u>	Hydralift	Vertical Column Type capable to handle from 3½" D.P. to 13½" Casing	
<u>CASING STABBING BOARD DERRICKMAN PLTF-TV</u>	Hydralift	Hydraulic basket adjustable from rig floor up to 16 m Located on upper and lower finger board with monitors located in the driller's house and TV net. Capable to camera system zoom, pan and tilt.	
<u>DRAWWORKS</u>	Wirth GH 4500 EG 4,500 hp, Re-regenerative Braking + Baylor 7838 + disk brake + back up disk brake. Powered by 3 General Electric GEB 22A1, AC.		
<u>CROWN BLOCK</u>	Hydralift	Rated capacity 907 t Sheaves 8 x 2" drilling line	
<u>TRAVELLING BLOCK</u>	Hydralift	Rated capacity 907 t Sheaves 7 x 2" drilling line	
<u>HOOK BLOCK</u>	Hydralift	Integrated with travelling block	
<u>SWIVEL HEAD</u>	Hydralift	Integrated with Top Drive	
<u>MOTION COMPENSATOR</u>	Hydralift	Crown mounted equipped with Active Heave Compensation System Rated capacity compensated 450 t Rated capacity locked 907 t Stroke 25 ft	
<u>ROTARY TABLE</u>	Wirth RTSS 60½" hydraulic	Maximum opening 60½" Rated capacity 907 t Driven by Hydraulic motor	
<u>TOP DRIVE</u>	Hydralift HPS 750 2E	Rated capacity 680 t Driven by 2 x GEB 752 22 A1AC	
<u>MUD PUMPS</u>	Wirth TPK 2200	4 triplex pumps, 2,200 hp each with 7,500 psi fluid end	
<u>CEMENTING UNIT</u>	BJ Services	SCP 248/RAM Driven by 2 x Caterpillar 3406 B	
<u>SHALE SHAKER</u>	Brandt	6 VMS 300	
<u>DESANDER AND DESILTER</u>	Gann Mekaniske Brandt	2 installed	16 M - 3 x 12"+ 16 M - 16 x 8"
<u>DRYER</u>	BRANDT	1 VORTEX FINDER	
<u>DEGASSER</u>	Burgess	1 installed	Magnavac 1500
<u>BOP STACK</u>	Shaffer	18¾" - 15,000 Guidelineless with Vetco HD-H4 Bop Connector	
<u>RISER</u>	Abb Vetco Gray	3,000 m w.d. Type HMF 21" o.d. x 90 ft long	
<u>DIVERTER</u>	Abb Vetco Gray	KFDS Type CSO	
<u>RISER TENSIONERS</u>	Hydralift	16 x 200,000 lbs type 65' Line Travel	
<u>BOP CONTROL SYSTEM</u>	Shaffer	Multiplex with 5,000 psi Accumulator Unit	



Saipem

Ideas, as strong as man.

Sea Witch



IMO no: 9392975
 DNV id no: 27353
 MMSI: 212 590 000
 Call sign: 5BLT2

MAIN DESCRIPTION		MEASUREMENT	
Type :	UT 755 L	Lenght oa :	71,90 m
Classification :	DNV +IAI,SF E0 Clean	Lenght bpp :	66,00 m
	Dynpos-Auto	Breath moulded :	16,00 m
Yard :	Cochin Shipyard LTD	Depth moulded :	7,00 m
Place built :	Cochin	Draught max :	5,83 m
Country built :	India	Gross tonnage GT :	2100
Delivered :	Nov '08	Correspondign DWT :	3250 mt
Flag :	Cypros	Net tonnage NT :	1150
Port of registry :	Limasol	Speed svc/max. :	14.3 Knots
Owner :	Dess Cypros LTD	ISM-Responsible :	Thome Management PTE LTD

CARGO CAPACITY		DISCHARGE RATE	
Deck cargo:	1600 t	Fuel discharge rate :	1 off 200 m3/h - 9 bar
Deck area:	680 m2	Mud discharge rate :	2 off 75 m3/h - 18 bar
Deck strength:	5,0 t / m2	Brine discharge rate :	1 off 75 m3/h - 18 bar
Fuel (gasoil) :	1000 m3	Drillwater discharge rate :	1 off 200 m3/h - 9 bar
Liquid Mud :	970 m3	Dry bulk discharge rate :	2 off 27 m3 min 5,6 bar
Brine :	390 m3	Base Oil discharge rate :	1 off 150 m3/h - 9,0 bar
Drillwater/Ballast :	850 m3	Fresh Water discharge rate :	1 off 200 m3/h - 9 bar
Base Oil :	200 m3		
Dry Bulk :	315 m3 (11250 cuft)		
Fresh Water :	840 m3		

MACHINERY / PROPULSION			
Main Engine set :	2x2725 bhp /825 rpm	Stern Thruster :	1 off 590 Kw (800 bhp)
Propellers :	2 off Ulstein CPP		
Rudders :	2 off T1650	Generators :	2 x 1280 kW Shaft
Total BHP :	5450 BHP	Diesel Generators :	2 x 250 kW
Total Kw :		Emergency Generator :	1 x 72 kW
Bow Thrusters:	2 off 590 kW (800bhp)	Shore Connection:	440 v ,60 Hz

Sea Witch



PERFORMANCE / CONSUMPTION

Max Speed/Consumption : 14,3 Knots/ 20 t
 Service Speed/Consumption: 11,0 Knots / 17 t
 Economical Speep/Consumption : 9.0 Knots / 14 t
 Standby Mode : 2-3 knots / 4t
 Port Consumption :

Roll reduction system : 4 off ulstein
 passive roll
 red.tanks

ACCOMODATION

The vessel to have accommodation and equipment for 10 officers / crew and 12 passengers as follows:

Tween deck: 2 off 4-men cabins
 Main deck: 1 off Change / Washroom
 1 off Toilet room/ 1 off Spare room
 F.C.-deck Galley and provision rooms Mess and dayroom
 1 off Laundry/ Drying room, 1 off store room
 A-deck 5 off 1-bed cabins for crew
 1 off 4-men cabin/ 1 off Aircond. room
 B-deck 5 off 1-bed cabins for officers/crew
 Bridge deck Wheelhouse, Toilet room

DECK

Tugger Winch : Brattvaag 2 off 10 t
 Deck Crane : 3t/10-16m TTS-GPT 115
 Windlass: Brattvaag PH SNF 210-40
 Capstans: Brattvaag 2 off 8 t CMX2208

Two off starting air compressors. Sperre HL2 / 105
 Two off starting air bottles.
 One off instrument air drier, one instrument air tank.
 Two off Bilge/fire pumps. All Weiler AEB1E0750-IE
 One off Bilge water separator.
 Four Reefer plugs Two 440V + Two 220V
 CO2 fire fighting system in engine room.

RESCUE EQUIPMENT

Fire Fighting equipment : Wather Mist. External Fire system
 MOB Boats: 1x Viking
 Radar transponders :
 Emergency Beacon: 2 Off JRC.VHF406 MHz

Survival Suits : 22 persons
 Life jackets : 22 persons
 Life rafts: 4 Viking

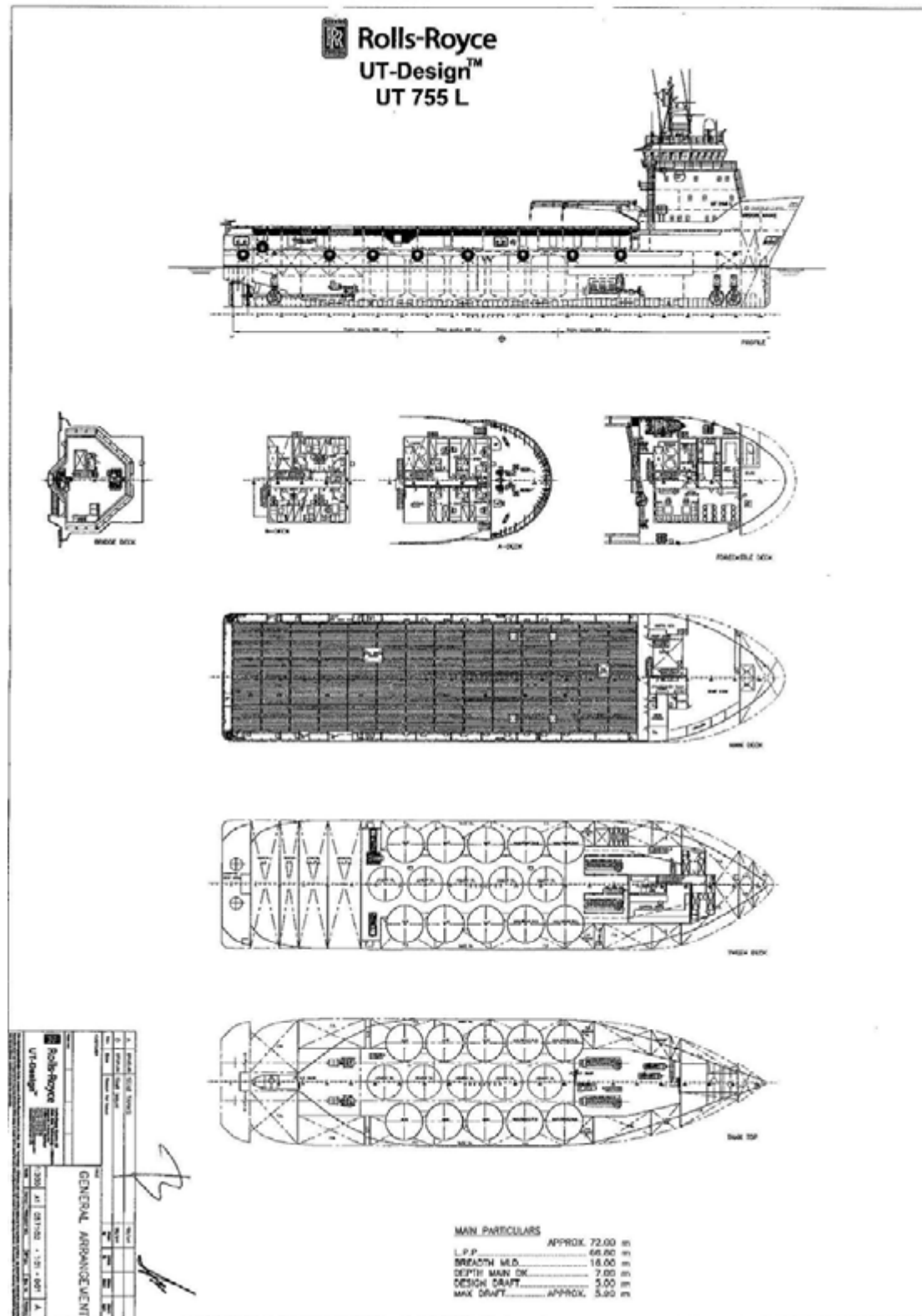
NAVIGATION AND COMMUNICATION EQUIPMENT

Dynamic Position : AUT (DP1) Kongsberg
 Radar 3 cm: JRC.JMA 9922 SXA
 Radar 10 cm: JRC.JMA 9932 SA
 Radar Slave : One on aft bridge
 Direction Finder : John Lillie & Gillie LTD
 Gyro: Tokimec Inc -TG- 8000
 Autopilot: Tokimec Inc -Pr-6114A-22
 Navtex : JRC.NCR - 333
 Joystick : Poscon(RRM)
 AIS : JRC.JHS - 182
 Echo Sounder : JRC.JFE 585
 Speed log : JRC.JLF 205
 Satellite Navigator (GPS) DGPS.JRC.JRL-77MK2
 Wind Sensors: John Lillie & Gillie LTD

GMDSS Sea Area: A3
 MF/HF Radio : JRC.JSS - 296
 DSC Receiver : JRC.JHS - 32B
 VHF 1 : JRC.JHS - 7
 VHF 2: JRC.JHS - 7
 VHF 3 : JRC.JHS - 7
 Portabel UHF : 4x JRC.JHS - 430
 Mobil Telephone : Yes
 Iridium : Inmarsat Fleet 77
 Mini-M : Inmarsat JRC.JUE 85
 Sat C 1 : JRC.JQE-3A
 Intercom System : Yes

DETAILS PROVIDED HEREIN ARE BELIEVED TO BE ACCURATE HOWEVER ARE WITHOUT WARRANTY.
 INTERESTED PARTIES ARE ENCOURAGED TO INSPECT THE VESSEL TO SATISFY REQUIREMENTS

Sea Witch





APPENDIX C

SUMMARY REPORT: SOCIAL BASELINE ASSESSMENT



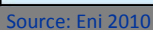
EXECUTIVE SUMMARY OF THE
SOCIAL BASELINE ASSESSMENT REPORT
FOR ENI TIMOR LESTE S.P.A



The SBA has been conducted to better inform Eni of the societal nature of Timor-Leste at the country level. This information will further enhance Eni's understanding and management of the social aspects of its activities in Timor-Leste, as well as its effective contribution to the country's social and economic development.

Eni has five Production Sharing Contracts (PSCs) covering about 10,000 square kilometers within the Timor-Leste Exclusive Area (TLEA), as well as interests within the Joint Development Petroleum Area (JPDA), see *Figure 1*. In September 2007, Eni acquired a 40% operating interest within the JPDA (PSC 06-105) and in early 2008 oil was discovered in the Kitan-1 well. Project sanction of the Kitan field was granted in April 2010. Eni also holds a 10.99% interest in the Bayu Undan Project and Darwin LNG.

A map of the study area in the Arafura Sea. The map shows the coastline of Timor-Lapse to the west, Indonesia to the north, and Australia to the south. Several locations are marked with red dots and labeled: Kelp Deep, Sunrise, Throutheadour, Blackwood, and Evans Shoal. The coordinates 129°00' and 9°00' are indicated on the map.



As well as Eni's commitment to local content, it has been supporting the implementation of a number of social development projects since 2008. These have been conducted in partnership with local and international Non Governmental Organisations (NGOs) and in synergy with government programs.

METHODOLOGY

In order to understand the Timor-Leste context, a five stage process was adopted in the SBA that reflects the approach outlined in Eni guidelines and international best practice, see *Figure 2*.

Figure 2: SBA Methodology



Source: ERM 2009

The key stages involved:

- A **desk-top review** of the socio-economic data collected by Eni, in addition to an extensive review of current reports from national and international organisations.
- A **data validation** exercise in Dili, involving over 30 stakeholders. The objectives were to verify the data gathered and ensure the most recent data was collated.
- A **stakeholder presentation** in Dili, where feedback was collected from this session and also incorporated into the SBA.

SOCIAL BASELINE

The key socio-political, cultural and economic features of Timor-Leste are outlined below.

Timor-Leste is composed of thirteen administrative districts as illustrated in *Figure 3*. These districts are subdivided into 65 *Posto* (sub districts), 442 *Suco* (villages) and 2,228 *Aldeia* (sub-villages). The population density is highest in Dili, the capital (63% of the total urban population). Only 28 *Suco* (~6%) are identified as urban.

Figure 3: Map of Timor-Leste



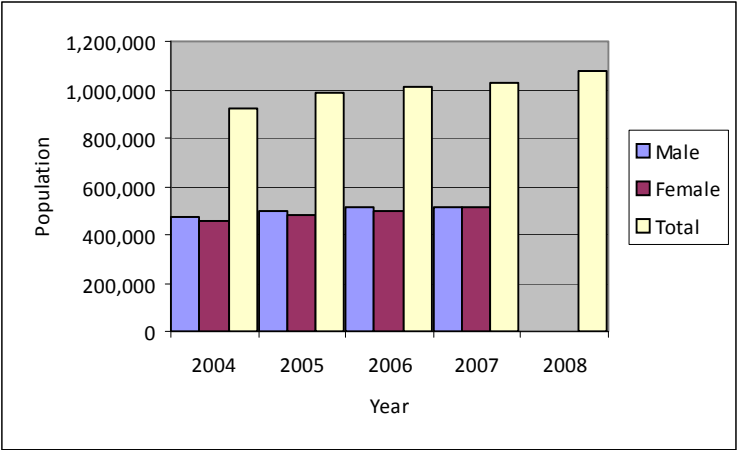
Source: United Nations 2008



DEMOGRAPHICS

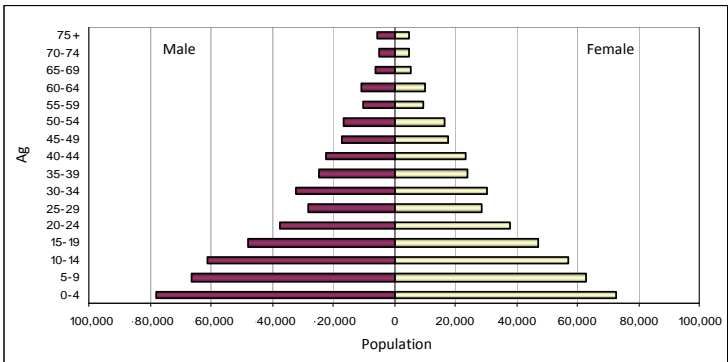
Timor-Leste has one of the fastest growing populations (currently 1,131,612) in the world, estimated at 2% each year, see *Figure 4*. This growth is due to high fertility rates and reduced out migration. A reflection of the historical struggle with war is Timor-Leste’s young population (the median age is 21), see *Figure 5*.

Figure 4: Population Growth in Timor-Leste



Source: Direcção Nacional de Estatística 2009

Figure 5: Timor-Leste Population by Age Group



Source: Direcção Nacional de Estatística 2009

CULTURE

Timor-Leste has a complex socio-cultural heritage with more than 16 ethno-linguistic groups. The nation's history and culture is further enriched by its strong Portuguese colonial influence. Although over 95% of the population identify themselves as Catholic, many blend their religious faith with traditional animist beliefs. Ancestor oral narratives and mythology continue to install core values and guide the everyday lives of the East Timorese.

Tetun (or Tetum) and Portuguese are recognised as the official languages of Timor-Leste. At least 16 separate local languages and many more dialects are also spoken, as well as Indonesian and English.

HEALTH

Basic health infrastructure has improved since Timor-Leste gained independence in 1999. However, major obstacles, such as a shortage of skilled health professionals, have resulted in continuing poor health outcomes. The World Health Organisation (WHO) estimates that nearly 13% of equivalent-life years are lost due to ill-health in the country. Expectation of life at birth is the lowest in the region (64 years for males and 69 for females¹) and fertility rates are high (7.8 births per woman²).

In addition to poor health indicators, the country suffers from a prevalence of communicable diseases (eg malaria, dengue fever and Tuberculosis (TB)) accounting for nearly 60%³ of deaths. Furthermore, the prevalence of malnutrition among children under five is the highest in the world. Key contributing factors include the population's dependence on subsistence farming and a lack of access to appropriate healthcare.

EDUCATION

Timor-Leste is traditionally an oral society and as a result literacy rates are low (58.6%⁴). In the aftermath of the 1999 and 2006 violence, the majority of schools were damaged, and many school teachers departed the country⁵. Census data indicates that around 50% of the population has no formal education and only 13.8% have completed their secondary education level.

Those children who are currently enrolled in school face a number of significant challenges. These include access to facilities, limited resources, high student-teacher ratios and poor school building conditions. Poverty also compounds these issues further. Nonetheless, Timor-Leste is on target to achieve the Millennium Development Goal (MDG) target for universal primary education in 2015 (ie ensure that by 2015 children in Timor-Leste will be able to complete a full course of primary schooling). However the higher the education level, the less infrastructure is available as illustrated in *Figure 6*.

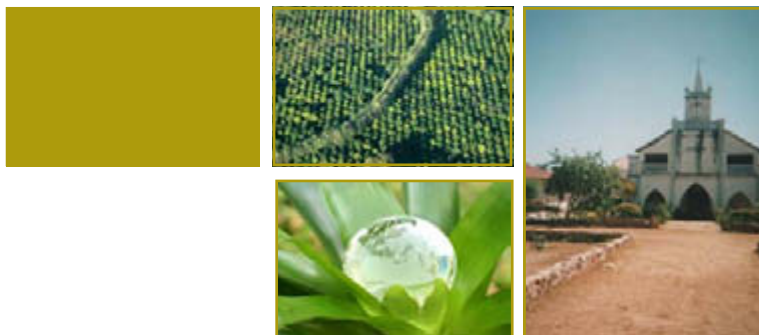
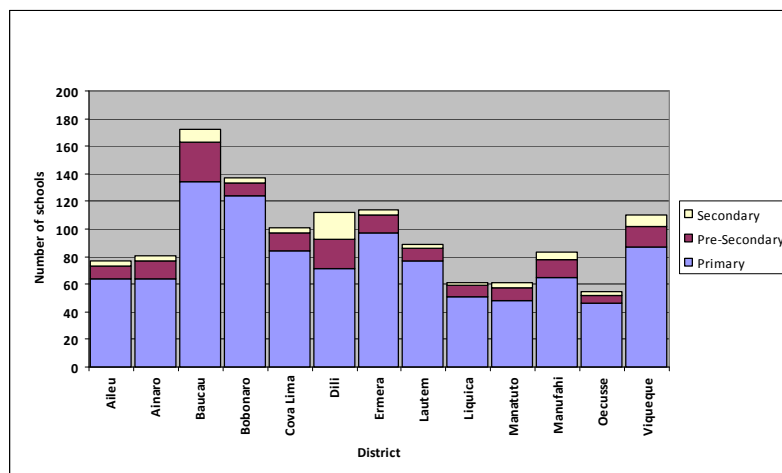


Figure 6: Distribution of Education Facilities and Type by District



Source: Ministry of Education EMIS 2009

As employment opportunities are limited, many youth attempt to enter further education (locally or overseas). In 2009, it was estimated that 7,000⁶ students were studying overseas.

Looking more specifically at the oil and gas sector, the Secretary of State for Natural Resources has stated the importance of developing human resources, and understanding the number of people needed to be trained, how and in what areas, so as not to result in excess or shortage. To date, a system of scholarships has been put in place, which currently represents 160 Timorese studying for undergraduate and post-graduate degrees in various countries. There are also training programs in place for current employees, in some cases in agreements with companies operating in Timor-Leste.



GOVERNANCE

The present government of Alliance of Parliamentary Majority (AMP) is led by Prime Minister, Kay Rala Xanana Gusmao. The government is focussed on attaining stabilisation, promoting sustainable recovery and economic development following the 2006 crisis. The Timor-Leste National Priorities Program (NPP), a planning and progress monitoring mechanism, is being implemented on an annual basis in order to drive these initiatives forward. To focus these initiatives a set of national priorities are developed each year, in 2010 these are:

- Roads and water;
- Food security with a focus on productivity;
- Human resources development;
- Access to social justice;
- Social services and decentralised service delivery;
- Good governance; and
- Public security.

In addition to the NPP, Timor-Leste's Strategic Development Plan (SDP) - *On the Road to Peace and Prosperity: 2011 – 2030* offers a long term economic vision for Timor-Leste. The SDP objective is for Timor-Leste to be an upper-middle-income country by 2030. In order to do this, the country aims to end extreme poverty, eliminate the economic gap with the emerging Association of Southeast Asian Nations (ASEAN) and foster a democratic and environmentally sustainable society. The Prime Minister is committed to implementing this plan, citing it as *the vehicle where our future goals and aspirations as a nation will be realized*.

LAW AND ORDER

Repeated conflicts have occurred in Timor-Leste (the most recent being the 2006 crisis) and so the country is still in the process of consolidating. A key priority in the process of security reform has led Timor-Leste, Australia and the United Nations (UN) to agree to a Memorandum of Understanding (MoU) whereby the UN assumed responsibilities for mentoring the Policia Nacional de Timor-Leste (PNTL) in 2007. Policing responsibility has now begun to be transferred to PNTL.

YOUTH

Feedback from stakeholder interviews indicated that the current youth population is a post-conflict generation that represents the nation's greatest resource for national development⁷. However, a number of legacy problems remain as demonstrated by the 2006 crisis. The government has since responded to these by developing initiatives focused on youth activities, boasting job creation and producing young professionals who are trained and qualified to international standards.



ECONOMIC DEVELOPMENT AND BUSINESS

Timor-Leste has one of the lowest levels of Gross Domestic Product (GDP) in the world, with a nominal GDP per capita of \$470⁸. However, the country's economy is strengthening and growth is projected at 7%⁹ per annum through to 2014. Government spending has shifted from social assistance (ie for veterans and Internally Displaced Persons (IDPs)) to infrastructure developments, such as enhancing power, water supply and road networks.

Major economic sectors include the petroleum, agriculture, industry and services sectors which comprise the majority of the GDP.

Oil and gas earnings of Timor-Leste increased from an estimated \$141 million in 2004 to around \$2,280 million in 2008¹⁰. To ensure the revenue is managed in a sustainable manner Timor-Leste established a transparent and development-focused fiscal framework. A key part of this framework is the Petroleum Fund which manages the revenues from the Timor Sea to provide income beyond the three decades of known oil reserves. Timor-Leste is also currently recognised as an Extractive Industries Transparency Initiative (EITI) Candidate country and is working towards becoming an EITI Compliant country in 2010. The initiative aims to increase transparency and accountability over payments by extractive industry companies to governments and to government-linked entities, and over revenues by host country governments.

The Bayu-Undan field (operated by ConocoPhillips) is currently the only one in production. However, a number of other companies (along with joint venture partners), have exploration and development permits within the JPDA and TLEA. These operators include Eni, Minza, Woodside, Petronas, Oilex and Reliance Oil. The Greater Sunrise gas field is currently being assessed for development options. Eni's Kitan oil field is currently in development phase with first oil expected in 2011.

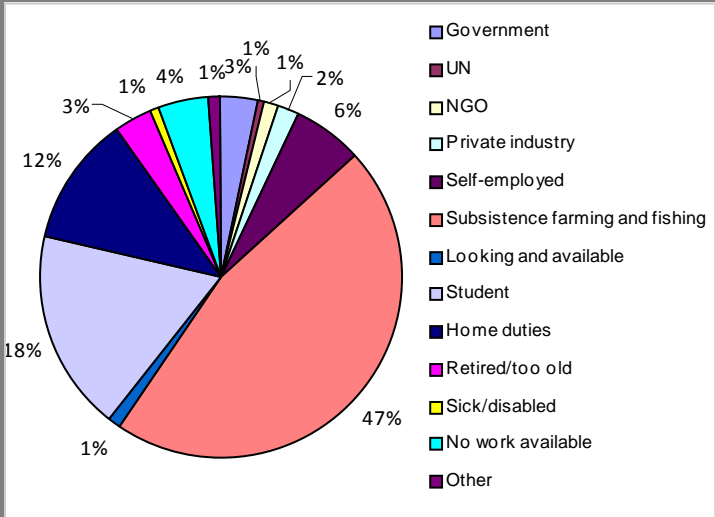
Businesses potentially looking to invest in Timor-Leste are faced with a number of key constraints highlighted by the International Finance Corporation (IFC) report *Doing Business 2010: Timor-Leste* include difficulties registering a property, getting credit, enforcing contracts and closing a business.

EMPLOYMENT AND LIVELIHOODS

Timor-Leste is one of the United Nations Development Program (UNDP) MDG focus countries due to its status as a post-conflict country. To date the government has made a concerted effort to meet its targets¹¹. Out of the 182 countries evaluated in the UN's Human Development Index (HDI), Timor-Leste ranks 162. However according to recent UNDP data improvement in Timor-Leste's ranking is likely in 2010.

Unemployment and underemployment combined are estimated to be high (20% in the rural areas and 40% amongst urban youth). The economy is dependent on government spending (financed by petroleum revenues) and assistance from international donors. Agriculture (mainly the production of coffee, maize, rice and coconut) is Timor-Leste's major source of employment, with more than 80% of the labour force estimated to be engaged in agriculture, see *Figure 7*. As most of the population is involved in subsistence economic activities, few have regular income earnings.

Figure 7: Employment Sectors in Timor-Leste



Source: Direcção Nacional de Estatística 2009

Low level productivity, a lack of access to local markets and financial services, and the low price of produce has caused famers to consume the crops they produce rather than sell on for income¹². The Ministry of Agriculture and Forestry (MAF) is currently working with a number of organisations to overcome these issues to strengthen seed production, storage and distribution systems etc.

As the country has 700 kilometres of coastal shoreline, with eleven out of thirteen districts located along the coast, fishing is also a key livelihood in Timor-Leste. It is estimated there are 20,000 fishermen (using traditional practices) in Timor-Leste, half of whom rely on fishing as the main source of food and income. The domestic fishing industry has export potential but is currently hindered by the lack of storage and processing facilities and access to markets.



INFRASTRUCTURE

In general, Timor-Leste lacks basic infrastructure - roads are inadequate, water and irrigation supplies are limited and sanitation facilities are poor to non-existent. According to the UNDP, water supply has 58% coverage nationally and sanitation 36% coverage. Electricity is limited in the districts and power cuts are often experienced.

UN reports show that Timor-Leste's transportation, electricity, and telecommunications infrastructure are extremely poor. Roads are a particular problem seriously inhibiting domestic trade. This is a major constraint to expanding employment, output, and household incomes - the foundation of prosperity and stability for rural areas.

Stakeholders reported that information is slow to reach the districts, in particular remote villages. Radio, owned by the majority of households, is an important source of news and information, as is television. To enable communities in the districts to access national television, the government has installed a satellite dish (which operates on solar panels and battery cells) in every village.

Telephone land lines are not common and mobile-cellular services and coverage is costly and generally limited to Dili and Baucau. Internet services are also restricted.



LAND

Most land in rural Timor-Leste is governed by customary law, and the ownership of land is bestowed upon origin groups who first settled and claimed an area of land. Land conflict arising from repeated waves of forced displacement is a major issue. Competing Portuguese and Indonesian land titles have created ambiguous land and property ownership. Land is a critical asset, especially for the rural poor, as it provides a means of livelihood through the production and sale of crops and other products. It is hoped by establishing equitable land legislation, longstanding land disputes will be resolved - private sector investments will become more attractive and poverty outcomes will be reduced.

POTENTIAL SOCIO-ECONOMIC IMPACTS

A specific social impact assessment of Eni’s activities in Timor-Leste was not undertaken as part of the SBA. However, typical impacts (both negative and positive) that could potentially arise from an oil and gas development in Timor-Leste were identified in the SBA.

OFFSHORE IMPACTS

In general, offshore activities have minimal adverse social impacts. Typically, offshore project activities are located outside of the main fishing areas and therefore impacts on livelihoods (due to equipment damage and exclusion zones) are avoided. Should activities occur which could impact on fishermen, consultation with those potentially impacted will be necessary. In addition, non routine events, such as an oil spill or marine accident, although unlikely to occur, remain a potential impact for further consideration and management.

ONSHORE IMPACTS

By and large offshore developments with a minimal onshore footprint result in minimal adverse onshore social impacts. The impacts that may arise are generally managed through systems and procedures that adhere to international best practice. The benefits likely to occur from a development of this type will include an increase in GDP and export earnings, employment (direct and indirect), capacity building through training and the utilisation of local goods and services.

It is important to note that oil and gas reserves have the potential to greatly assist Timor-Leste in developing and strengthening its society. Conversely, as has been observed in other petroleum rich countries, its petroleum reserves have the potential to cause more harm than good (commonly known as the Resource Curse or Dutch Disease) -where the wealth does not benefit the majority of people. If Timor-Leste is to benefit sustainably from its reserves, accountability and transparency will be key - both principles reinforced by the Petroleum Fund and the EITI.



CONCLUSION

In the event that Eni proceeds to the development of hydrocarbon fields in the TLEA or the JPDA and to ensure that any potential social impacts are managed, Eni will undertake the appropriate level of impact assessment. This baseline will provide the foundation for such assessments.

Oil and gas activities have the ability to greatly benefit the host country, both in terms of social and economic development. This is particularly the case if economic participation through employment, training and the provision of local goods and services are emphasised. In a country where human resource skills are limited, youth unemployment is high and job opportunities limited, it is anticipated that oil and gas operators, in addition to other stakeholders active in this sector in Timor-Leste, will assist in contributing towards building the capacity of the nation’s petroleum sector.

1 WHO 2006
2 World Bank 2002
3 WHO 2006
4 WHO 2009
5 United Nations Educational Scientific and Cultural Organisation (UNESCO) Country Programming Document 2009–2013
6 Secretariat of State for Vocational Training and Employment (SEFOPE) 2009
7 Over 70% of the population are youth aged between 15 to 30
8 International Monetary Fund (IMF) 2009
9 IMF 2009
10 Timor-Leste SDP 2011 - 2030
11 UNDP 2009
12 UNDP, MDG Timor-Leste, 2009

