

Government Resolution No. 26/2011

14 September

Appointing a Company as Supply Base Technical Consultant

Whereas the Government of Timor-Leste aims to build and operate a logistics base (the "Supply Base") to support, the *offshore* oil activities from Timor-Leste and, to that effect, the Government identified the region of Suai;

Considering also that the existence of a logistics base in that location contributes and facilitates adding increased value to petroleum activities in Timor-Leste, including the creation of more business opportunities and jobs for nationals - during the phases of construction, operation and maintenance of the logistics base due to the provision of services and execution of contracts;

Recognizing the importance of promoting these activities in Timor-Leste, so that the current - and future - oil construction and maintenance activities, more expressive, job and business opportunities, and economic value that both the people and the country need, including the use of Timor-Leste as a center of oil and gas transport operations - by oil or gas pipeline - for projects such as *Greater Sunrise* or *Kitan* in the future;

Considering that to date have identified the region of Suai is to develop and, therefore, has a very limited set of infrastructure, the Government decided to be the highest priority develop a strategic plan for the Suai logistics base to be fully operational before 2013:

Bearing in mind further that the Secretary of State for Natural Resources, aware of these challenges, signed a Memorandum of Understanding (MOU) - followed by Agreement - with the society *Eastlog Holding Pte Ltd (Eastlog)* to prepare the commercial and technical feasibility study of the base in logistics and technical engineering of the project, the "*Front End Engineering Design*" (FEED);

Emphasizing that the results of these studies allowed us to conclude inter alia that:

- A. *Technically, the place chosen for the construction of the logistics base is feasible and;*
- B. *The socio-economic construction of a logistics base in the region of Kamanasa in Suai, will bring many benefits;*

That, however:

- C. *The project is not commercially viable if the Government does not in turn invest in fixed assets, such as construction of the breakwater and mooring platform, among others;*
- D. *That the cost of Phase 1-Construction of fixed assets) - is estimated at between 273 and 347 million U.S. dollars;*
- E. *That only the business model and "Terminal Operatorship Model" in which the operator will invest between 12 and 15 million U.S. dollars, by way of investment in non-fixed assets, is economically viable.*

Stressing also that the recommendations produced by the study of technical and commercial feasibility, and the quickest way to proceed from here, consists of:

- A. Name *Eastlog* as Consultant-Government Specialist for the monitoring of public procurement and execution of the contract "EPC" (Engineering, Procurement and Construction);

B. To launch the technical specifications of the tender for awarding the contract “EPC” to be held in two phases, acting as a specialist in the supply Eastlog with the Government of Timor-Leste. Having at last, the rules, systems and procedures relating to procurement and contracting of public services or public works contracts under the law relating to the supply, procurement and the Infrastructure Fund.

Thus, the Government determines, pursuant to Article 115.1(o) of the Constitution of the Republic, the following:

1. Name the *Eastlog Holding PTE Ltd* as its consultant, provided that it complies with all requirements, terms and conditions as the Government, through the ‘National Procurement Commission (CNA)’ and ‘Secretary of State for Natural Resources (SERN),’ negotiate;
2. That the total cost of consulting services must be around 6.6 million U.S. dollars, ie. 2.5% of the total project cost, as calculated in the study report;
3. Use under the law, the ‘National Procurement Commission’ to conduct the process of awarding the contract to “EPC” (Engineering, Procurement and Construction);
4. Assuming the financing of fixed assets or infrastructure, estimated between 273 and 347 million U.S. dollars;
5. Lease the exclusive right of exploitation of *Suai Supply-Base* to the ‘National Oil Company of Timor-Leste’ (TimorGap, EP), including ownership of all assets that will be located there.
6. Support the National Oil Company (Timor Gap. EP) through the appropriate legal vehicle, the choice of private partners who want to join it, and also that the entity operating this foundation is entirely responsible for the costs of ownership - currently estimated at 13 million U.S. dollars - of all movable assets (operating assets / machinery and equipment) as well as annual operating costs estimated at 8 million U.S. dollars;
7. Bear the costs to the release of the designated area, including the preparatory work for construction of the *Supply Base* (“early works”);
8. Being a firm intention throughout the development / implementation of the project, continue to assess the market to identify third parties who are potentially interested in funding it, with the possible return of the granting by government of a share capital of the company once established, should manage and operate the *Suai Supply Base*.

Approved by the Council of Ministers on September 2, 2011.

To be published.

The acting Prime Minister

José Luis Guterres