

La'ó Hamutuk

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Excellency Sra. Deputada Brigida Correia
Excellency Sr. Deputadu Arão Noe
Excellency Sra. Deputada Jacinta Abu Pereira
Excellency Sr. Deputadu Adriano do Nascimento
CC: Media and La'ó Hamutuk's website

Subject: La'ó Hamutuk response to statement by Sra. Deputada Brigida Correia

La'ó Hamutuk: Oil running out is reality, not propaganda

On 13 April, CJITL published an article titled *Timor-Leste Will 'Sink' in 2016 when Kitan Oil Field will be empty (Timor Leste Sei 'Mout', Tinan 2016 Kampu Mina Kitan Sei Maran)*. The article was based on an interview with La'ó Hamutuk researcher Charles Scheiner, who said that, *"there is a possibility that Timor-Leste's money will run out in the future, because the State depends mainly on oil revenues to sustain the country's economy. The country might sink because there hasn't been enough investment to develop sustainable sources of revenue"*. On 17 April, La'ó Hamutuk published *Timor-Leste's Oil and Gas are Going Fast*.

After these articles were published, some Members of Parliament did recognize that our oil will indeed run out eventually. However, others responded by saying that people should not believe La'ó Hamutuk's analysis. Deputada Brigida Correia said that *"La'ó Hamutuk NGO's staff are not technical people who can know when the oil will run out. They don't do clear research..."*

La'ó Hamutuk's goal is simply **to help the public to know accurate information about petroleum and gas reserves and production, as well as about Timor-Leste's fiscal policies, based on facts and evidence**, rather than listening to political speeches which lack solid factual basis. We would like to take this opportunity to point out that La'ó Hamutuk's articles and commentary are based on data and reports published by the National Petroleum Authority (ANP), Extractive Industries Transparency Initiative (EITI), the Ministry of Finance, and the Central Bank.

This is why we are convinced that our oil and gas will run out, which will impact the future sustainability of Timor-Leste's economy:

- The Bayu-Undan oil field, which began production in 2003, reached peak production levels in 2012, after which it began to decline, with production expected to end in 2020. The Ministry of Finance's report in Book 1 of the original 2015 General State Budget, Table 2.6.3.1.2, page 60 (English version), confirms that **production in the Joint Petroleum Development Area (JPDA) will fall to zero by 2021**. It also says that by 2018 production levels will have fallen to half the production level during 2006-2013. This document also shows

that as of 2015, 75% of these natural resources have already been converted into financial assets.

- The Kitan oil field began production in 2011. **Revenue from Kitan dropped 85% between 2013 and 2014, because the reserve is almost depleted.** Kitan will provide revenue only until 2016, according to Book 1 of the 2015 General State Budget.
- During 2014, revenues from oil and gas were **40% lower than in 2013. This happened because total production of oil and gas fell by 24% between 2013 and 2014, as well as due to the fall in the price of Brent crude on the world market.** The income from these reserves has already dropped drastically.
- After 2016, only Bayu-Undan will provide revenue to Timor-Leste, but it will not be at 2012 levels. Unless the Greater Sunrise gas field is developed quickly, there won't be any oil and gas fields furnishing revenue to Timor-Leste after 2020.
- Furthermore, the recently-published Ministry of Finance / General Directorate of Statistics (DGE) *National Accounts 2000-2013* report shows that **oil GDP between 2012 and 2013 fell sharply.** Although this report shows a small increase in non-oil GDP, this will become increasingly difficult to maintain as Government and development partners' spending decreases.

Additionally, we recall that companies drilled many test wells companies in the JPDA and Timor-Leste's exclusive area since Timor-Leste restored its independence in 2002, but unfortunately, Kitan was the only commercially viable discovery.

Today, a few oil companies are still looking for new fields in the Timor Sea. The Kuda Tasi/Jahal field does contain petroleum, but at this point the companies do not believe it contains enough recoverable oil to justify their investment.

The ANP publishes monthly production data on their website: <http://www.anp-tl.org/webs/anptlweb.nsf/pgLafaekDataGasListHTML>, which is consistent with what La'o Hamutuk and the Ministry of Finance have published. **During 2014, the JPDA produced an average of 136,000 barrels per day, compared with 179,000 bbl/day in 2013, and 202,000 bbl/day in 2012.**

We understand that people working in the petroleum sector are responsible to promote their sector in order to encourage oil companies to invest. However, political decision-makers should not confuse these public relations with the reality that our non-renewable oil resources will run out. We emphasize that Timor-Leste is not an oil-rich nation.

Although Timor-Leste's petroleum leaders often say that more oil and gas will be found, we should consider that the oil companies have more information and more objective analysis than the ANP or TimorGAP about the potential of the natural resources in the Timor Sea. We would like to share a few points about the history of oil exploration in Timor-Leste:

- Kitan is the only commercial discovery since 1997, even though many test wells and extensive seismic exploration have been conducted.
- In 2006, when the Government held bidding rounds for new offshore exploration in the JPDA and Timor-Leste's exclusive area, **no companies already involved**

in the area submitted bids. This is the only bidding round Timor-Leste has held so far.

- Since 2010, the Government has planned to hold another bidding round, but oil companies have not shown interest, so it has been repeatedly postponed. **We should not hold a bidding round if no companies want to participate.**

La'o Hamutuk is a Timor-Leste institute that was founded in 2000 by Timorese and international activists who, during the Indonesian military occupation, stood in solidarity with all the people of Timor-Leste in their fight for independence.

La'o Hamutuk's principal role is to monitor and analyze the development process in Timor-Leste, with the vision that "The people of Timor-Leste, women and men, of current and future generations, will live in peace and contentment. They will control a transparent, just and sustainable development process which respects all people's cultures and rights. All citizens will benefit from Timor-Leste's resources, and will accept the responsibility for protecting them." The people of Timor-Leste should actively participate in the development process, giving ideas and suggestions and helping make decisions that are transparent and accountable.

This vision compels us to facilitate communication between the people and our leaders by researching, analyzing and sharing accurate, fact-based information which relates to Timor-Leste's people's lives.

We believe that everyone has the right to objective and clear information which reflects reality. La'o Hamutuk's fundamental principle to provide this kind of information to Timor-Leste's people.

Thank you,



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