

La’o Hamutuk

Timor-Leste Institute for Development Monitoring and Analysis
Rua Martires da Patria, Bebora, Dili, Timor-Leste

Tel: +670 332 1040 email: laohamutuk@gmail.com Website: www.laohamutuk.org



La’o Hamutuk submission to the

National Petroleum and Minerals Authority (ANPM)

regarding the

Environmental Impact Statement and Environment Management Plan for exploratory oil drilling in PSC area TL-OT-17-09

13 September 2021

Contents

Introduction	1
Environmental assessment should cover the entire project cycle, including production.....	2
Climate change gets misleading lip service.....	2
The analysis of impacts is inadequate and biased.....	3
Decommissioning and restoration plans are incomplete.....	4
Economic benefits will be less than the EIS claims.....	4
Conflicts of interest.....	5
Consultation should include listening, and be free and informed.....	5
Conclusion.....	7

Introduction

La’o Hamutuk appreciates the willingness of the ANPM to hear our perspectives on the EIS and EMP for the Rusa-1 test well proposed by Timor Resources under PSC TL-OT-17-09.

For the last four decades, all Timor-Leste’s petroleum activities have been far offshore, and our people have been fortunate not to have to deal with their environmental and social impacts. We are entering a new era, and should proceed carefully.

Unfortunately, La’o Hamutuk was not able to make a similar submission for the environmental licensing process for the five test wells to be drilled in PSC area TL-OT-17-08, and we did not have enough time to consult outside experts in preparing this submission (although we are grateful that ANPM agreed that we could make this submission a week after the initial deadline). Nevertheless, we hope that our input will be taken seriously, and will help ensure that the first onshore petroleum exploration in the Democratic Republic of Timor-Leste will be conducted so as to serve the best interests of the Timorese people, especially those who live near the proposed activities.

Timor-Leste and the world are in the midst of the Covid-19 pandemic, and the nation is currently under a State of Emergency. The already challenging logistics of this project are made more difficult by travel and other restrictions, and both common sense and the need to protect public health would suggest that it be postponed until the pandemic is over. We realize that the project has

already been delayed by about a year, but a further delay would be appropriate. The oil this test well is looking for will still be there.

The Environmental Impact Statement (EIS), Environment Management Plan (EMP) and other documents for this project were prepared by “Groena Ciorcal”, a Timorese consulting company based in Dili which was formed in 2020. We welcome their participation in the public sphere, and are glad that young Timorese people are taking initiatives like this one. Unfortunately, the risks for the local communities are too serious to rely solely on people with little experience in petroleum operations. Neither Groena Ciorcal, Timor Resources, nor TimorGAP has any experience in drilling for oil anywhere in the world. If this project turns out to be a failure or a disaster, they have no reputation to lose. The consequences are too serious to entrust to novices.

The following are some observations and suggestions on the EIS and EMP, and on the management of the project itself.

Environmental assessment should cover the entire project cycle, including production.

The EIS often refers to the short four-month duration of the exploratory drilling project and to decommissioning the test well after it finds nothing of commercial value, returning the land to the owner. It says: *“If the well does not contain commercial quantities of hydrocarbon, the site is decommissioned to a safe and stable condition and restored to its original state or to a state as agreed with landowners and approved by the appropriate authorities.”* The only discussion of what will happen if enough oil is found to proceed with development is about the benefits: *“any significant oil discovery could provide a long-awaited windfall for the benefit of the nation. The project therefore will potentially play an important part in the country’s future development.... Major benefits from a successful exploration drilling project could include increased employment opportunities for local communities both direct and indirect, improvement in livelihood of the communities, and increased revenue for the area.”*

However, the impacts and risks from production drilling will be far greater than those from a test well. Timor Resources, ANPM and the local community must understand and explain the environmental, land use, and social impacts and risks if exploration drilling is successful and production goes ahead. The impacts from production should be assessed, and the community informed and consulted, before embarking on the exploration drilling project, which would be pointless if the production turns out not to be worth the risks. It is premature to reject the “No Project” alternative before considering the impacts of the entire project cycle – not only its benefits.

Climate change gets misleading lip service.

Although the EIS mentions climate change, the discussion is cursory and outdated. The numbers for climate change impacts on pages 171-172 come from documents which were published in 2010, based on models developed before that. Over the last decade, scientists have come to understand climate change much better. Worldwide, industry has not reduced greenhouse gas (GHG) emissions as much as was expected in 2010, so the best current projections of climate change impacts are significantly more severe than those made before 2010. This report and this project should be based on current and accurate information.

The EIS and EMP do not mention the impact which a “significant oil discovery” by this project will have on climate change. Although the amount of oil which will be extracted and burned is small on a global scale, it nevertheless violates today’s conclusion by many experts, including some in the petroleum industry, that NO NEW fossil fuel extraction projects should be undertaken. If fossil fuels

continue to be extracted, the impacts on sea levels, extreme weather, temperature and agriculture will be even greater than today's best projections.

Pages 63-64 say that the project will *"Minimis[e] climate change risks by reducing the GHG emissions are an essential part of the project environmental objective and target. ... to prevent the air pollutions and reduce the GHG emissions as much as possible."* This is untrue. The "No Project" alternative – not extracting any "significant oil" which might be found – would obviously emit less GHGs than this project will. If this project goes ahead and oil production begins, Timor-Leste and the companies need to find ways to reduce GHG emissions by at least the amount that will be produced by introducing the oil from this project, as well as its combustion products, into the atmosphere.

The analysis of impacts is inadequate and biased.

The EIS and EMP don't mention or draw on other countries' experiences, and rely on the undefined, unenforceable "good oilfield practice" and "standard onshore oilfield best practice." If these were adequate, no oil project anywhere would have encountered problems – there would never have been a spill, fire, explosion, or contamination of land and water. Timor-Leste deserves better.

The EMP *"has been developed to manage the potential impacts of the proposed activities to as low as reasonably practicable"* and frequently refers to "ALARP" without defining the acronym, which can also mean "As Low As Reasonably Possible". A less ambiguous and better benchmark would be ALARA – As Low As Reasonably Achievable. As La'o Hamutuk wrote in our submission to ANPM on the onshore decree-law, "By allowing companies to disregard environmental protection measures which are not 'practicable' and techniques which are not 'available' in small, isolated Timor-Leste, the ALARP benchmark places our environment at risk, endangering health, safety and livelihoods."

Much of the analysis of local environmental, economic and social impacts is superficial and not based on current or in-depth information. However, it is repeated many times, with graphs, tables and maps, so that some readers may be deterred from wading through hundreds of pages or get an incorrect impression that a thorough, objective analysis has been performed.

Almost no information about the project's impacts has been shared with the local community. The pamphlet distributed to the community just tells people to listen to a radio program, and contains no factual information about the project itself. The few community members who come to "consultation" meetings are not given understandable, accurate or comprehensive information about the impacts and risks. We talked with landowners near the proposed test wells in Covalima, and most did not know that the noisy drilling will persist for weeks, all day and all night, or how it will affect their land and crops.

In particular for Rusa-1, the impacts of leakages or spills on local agriculture and the Caraulun River, including crops and downstream areas, are not evaluated seriously in the EIS. Also, the effects of drilling noise on the local school, farm animals, or people trying to sleep at night are not well-explained.

The EIS does not say whether the drilling will be done in the wet or dry season (The November-December calendar in part 18 is likely to change), but the environmental impacts would be different. It's hard to imagine that using 60,000 L/day of water in the dry season will not impact local water supplies and crops, but in the wet season the Caraulun River may be impassable, and it will be hard to extract material from it. An accurate environmental assessment would be more specific, and consider the realities of the season.

Although the report briefly discusses the possibility of oil spills, finding them to be a major risk if not mitigated properly, its faith in the infallibility of the "Oil Spill Contingency Plan" (OSCP) to prevent serious impacts is naïve and dangerous. The EIS says nothing about the risks of fire, explosion, or toxic air and water pollution from such events. Although page 48 of the OSCP says *"If the threat of fire or explosion exists, suspend all response operations until eliminated"*, it says nothing about how that threat will be dealt with.

The OSCP includes MOUs between Timor Resources and the Indonesia-based Oil Spill Combat Team to deal with spills that are too serious for local actors to handle, and with Singapore-based Wild Well Control. Given the current pandemic situation, including travel restrictions and limited international flights, is this realistic? The consequences of delayed or nonexistent response to major spills or out-of-control wells could be catastrophic.

Timor Resources carries insurance for seepage, pollution, clean-up and contamination, but the policy is limited to \$20 million per event (which includes additional expenses incurred by the project). This is clearly inadequate to cover a major incident, and the local population (or the Timorese government) will be left with the burden after Timor Resources returns to Australia and/or declares bankruptcy.

Decommissioning and restoration plans are incomplete.

The EIS says *"If the well does not contain commercial quantities of hydrocarbon, the site will be decommissioned to a safe and stable condition and restored to its original state or to a state as agreed with landowners and approved by the appropriate authorities. Open rock formations are sealed with cement plugs to prevent upward migration of wellbore fluids. The wellhead and the top joint of the conductor and casing strings are cut below the ground level and capped with a cement plug. After securing the hole the rig is dismantled and demobilized."*

If restoration is insufficient, can the landowner insist that it be done properly, or will he or she be overruled by the authorities? Who will be responsible to monitor waste disposal sites and capped wells for leakage over the following months, years and decades? Who will be responsible to address problems which may occur after the project is over? Timor Resources and Groena Ciorcal may no longer exist.

The Decommissioning Plan (part 14 of the EMP) doesn't mention repairing or restoring roads, trees, forests and waterways which may be damaged by this project. Who will be responsible?

Economic benefits will be less than the EIS claims.

The short-term benefits from this projected are overstated in the EIS. Many of the potential employment and local spending numbers relate to the entire Timor Resources drilling program, including the five test wells proposed for Covalima, not only to the Rusa-1 well. However, the assessment of risks and negative impacts only refers to the single Ainaro well. For example, *"Employment - 150 -180 positions will be filled by Timorese nationals **during the whole of the drilling campaign** across both PSC TL-OT-17-9 and PSC TL-OT-17-8."* Apparently this refers only to the exploratory drilling, in which case these "positions" are only for a few months or less.

In promising economic benefits, the following list appears in the EIS three times (pages 26, 261 and 308): *"Procurement from Timorese owned and operated businesses in the contract area goods and services include but are not limited to:*

1. *Fresh Food and water \$142,344*
2. *Accommodation Housing/Office Supply \$126,700*

3. Diesel Supply \$276,000
4. Government Charges including import duties and WHT \$682,000
5. Rental of Heavy Equipment, trucks, cranes \$172,000
6. Environmental Consultancy Engagement \$190,000
7. Aggregate and rock base \$42,000"

However, the largest item (4) is taxes (which go to the government, not to businesses in the contract area), while items 3 and 5 are for goods and equipment which will be imported (as much of item 1 will probably be), providing a little money to a local importer but mostly going to suppliers in other countries.

Item 6 is for the new Groena Ciorcal company which wrote this report, and demonstrates their incentive to write a report justifying the action that Timor Resources wants to undertake, regardless of the facts. If they express reservations or concerns, they won't get any lucrative consulting contracts.

The proposal also includes \$70,000 for "corporate social responsibility" (CSR) – payments to community leaders and projects to encourage them to accept the project. (This is separate from the compensation which will be paid to people whose land or other personal resources are impacted by the project.) If the company wants to be socially responsible, it should inform and listen to the community, and protect it from harm. Although charitable donations are always welcome, we fear that CSR initiatives linked to the project may benefit some individuals at the expense of the larger community. It is the Government's responsibility – through Ministerial programs and PNDS – to provide services and infrastructure throughout Timor-Leste. Although there's always room for improvement in this area, a foreign oil company does not have the knowledge, experience, or accountability to know what a community needs. Perhaps "advertising", "public relations" or "payoffs" would be more honest descriptions than "social responsibility."

Conflicts of interest.

Several aspects of this consultation and licensing process cause concern that it may not put the public interest first:

- The President of ANPM was employed by Timor Resources until mid-2020, when he was appointed to his current position.
- TimorGAP is half-owner of this project and is heavily subsidized by the government.
- Many political leaders have linked their reputations to the success of future oil exploration.
- ANPM has dual responsibilities to both promote and regulate petroleum activities.
- Environmental licensing should be done by the Ajénsia Nasional Lisensiamentu Ambientál (ANLA), under the Secretary of State for Environment. ANPM has taken over the licensing process for this and other petroleum projects, a possible legal and constitutional violation.

Given these realities, it is unlikely that this environmental licensing process will reach a conclusion which protects Timor-Leste's environment and people, including local communities, rather than merely serving the interests of project proponents. ANLA, which doesn't have ANPM's mixed motivations, would be more able to reach an accurate assessment.

Consultation should include listening, and be free and informed.

The less than three weeks we had for this consultation, on 800 pages of complex technical documents, did not allow us to get expert advice or undertake a thorough review. The documents

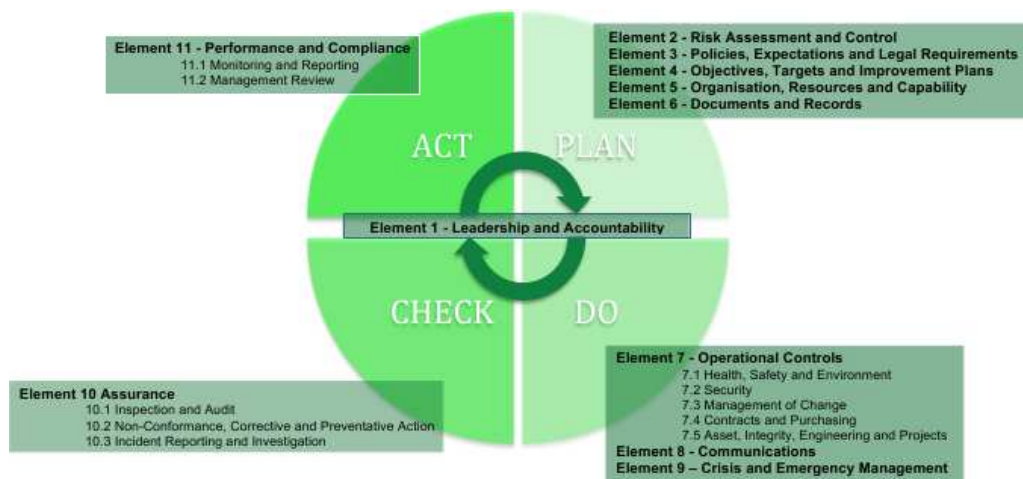
are only in English (except for “non-technical summaries”), and require internet access, so it is impossible for local communities to understand the nature and implications of this project. The standard of Free, Prior, Informed Consent (FPIC) has not been achieved.

The EIS and EMP often refer to community engagement and consultation with objectives to “Ensure local communities are aware of planned drilling activities” and “Establish positive, co-operative relationships with relevant government agencies and surrounding communities with the aim of ensuring key stakeholders are informed of [Timor Resources’] performance.” Neither of these objectives is consistent with FPIC. Part 16 of the EMP elaborates on “public consultation,” but omits any possibility for the public to influence or consent to the project. Communities are not allowed to object or withhold consent, but only to ask questions and to file grievances after the fact.

More worrisome, police are being used to intimidate community members who may have issues with the project. The EIS and EMP describe a consultation in Foho-Ai-Lico where the local PNTL commander said “Police Force will ensure the project is carried out with no obstacle and will be available at all time for any support. Disturbances and interruptions to this type of project is highly expensive with no benefit to anybody therefore requested cooperation and participation of the whole community to make this project successful.” Another local police commander told the Betano consultation that “The level of defence and self-defence by police force are on many occasions interpreted as very aggressive. Troublemakers must be aware of police response as reaction to their actions. Timor Resources will have law and discipline in place also to ensure activities of Timor Resources are carried out with no obstacles. Police Force will be always available to secure such big investment carried out their activities according to their plan and timeframe with no problem.”

These are the threats which were reported in the EIS; similar or stronger ones have probably been made on other occasions. As has been vividly shown in places ranging from West Papua to Nigeria, the use of security forces to protect mining or oil projects from community members invariably results in severe human rights violations. If PNTL feels it necessary to threaten “very aggressive” action even before a project is approved, we are worried what they will do when it is underway. The human rights of Timor-Leste’s people are guaranteed by our Constitution and many international conventions we have ratified. They should not be discarded easily, for company profit.

The documents devote many pages to Timor Resources’ Operating Management System and “Plan - Do - Check - Act” motto. It is worrisome that the “check” comes only after the “do”, and that there is no consideration of prior cooperation with or listening to affected stakeholders and communities. Unfortunately, this hubris is characteristic of the global oil and chemical industries, and has brought calamities on people all over the world.



The reporting requirements in Section 11 of the EMP are confusing. This is a four-month project, but many of the reports are to be produced quarterly or annually. Does this mean they can be skipped entirely if the project is done?

When one participant in a public consultation asked about a recent nearby oil spill, he was told *"That is ETO's problem, and the Government should take the necessary measures to deal with it. We are not involved in it. We do have high concern with the damages that occurred but is not Timor Resources problem. It is ETO and the Government's problem. Timor Resources will have an Environment Mitigation Plan in place for drilling activities and this is what we are discussing now. My suggestion for you to raise your concerns to the Government and Local Authorities."* We hope that Timor Resources will be more ready to deal with future problems, not only to point fingers. Since they've never done a project like this before, they can learn a lot from experiences like the incident with ETO.

Conclusion

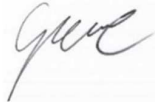
Even if this project finds commercial oil and ends up providing a few hundred million dollars to Timor-Leste's Petroleum Fund, it should be the final phase of Timor-Leste's dependence on extraction of nonrenewable resources. We must abandon our obsession with oil and gas and diversify the economy by investing in human resources (education, health care, and nutrition), as well as agriculture, tourism and local productive industries. Although we recognize that this is not ANPM's mandate, all Timor-Leste citizens should come together to make our economy equitable, sustainable and prosperous.

La'ó Hamutuk appreciates being invited to share our views, which we hope will help ANPM, Timor Resources and others oversee and conduct petroleum activities in the best interests of the Timorese people. As always, we are ready to engage in further discussion as the exploratory drilling project proceeds, and we hope that we will have more time and opportunity to participate in consultations on future petroleum activities.

Thank you very much for your attention.



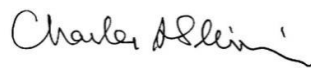
Marta da Silva



Elizaria Febe Gomes



Bree Ahrens



Charles Scheiner



Celestino Gusmão



Jonathan Gonsalves

La'ó Hamutuk Researchers on Economy and Natural Resources