



## VALIDATION OF THE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI) IN TIMOR-LESTE ©

Validation of the Timor Leste Extractive Industries Transparency Initiative (EITI)

**coffey**  **international development**  
SPECIALISTS IN DEVELOPING COMMUNITIES

In association with



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## **VALIDATION OF THE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI) IN TIMOR-LESTE**

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**Coffey International Development Ltd**

The Malthouse 1 Northfield Road Reading Berkshire RG1 8AH United Kingdom

T (+44) (0) 1189 566 066 F (+44) (0) 1189 576 066 [www.coffey.com/internationaldevelopment](http://www.coffey.com/internationaldevelopment)

Registered Office: 1 Northfield Road Reading Berkshire RG1 8AH United Kingdom

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## ABBREVIATIONS AND ACRONYMS

<b>ANP</b>	National Petroleum Authority
<b>BPA</b>	Banking and Payments Authority, Timor-Leste's central bank
<b>CMATS</b>	Treaty Between the Government of the Democratic Republic of Timor-Leste and the Government of Australia on Certain Maritime Arrangements in the Timor Sea
<b>CNRT</b>	Timor-Leste's ruling political party
<b>CPA</b>	Certified Public Accountant
<b>EITI</b>	Extractive Industries Transparency Initiative
<b>ETA-DEP</b>	East Timor Action for Development and Progress
<b>FONGTIL</b>	NGO Forum of Timor-Leste, an NGO umbrella organization
<b>FTP</b>	First Tranche Petroleum
<b>GDP</b>	Gross Domestic Product
<b>IAT</b>	Indicator Assessment Tool
<b>IPAN</b>	International Petroleum Associates Norway AS
<b>IPSAS</b>	International Public Sector Accounting Standard
<b>JPDA</b>	Joint Petroleum Development Area
<b>JV</b>	Joint Venture
<b>KKFP</b>	Consultative Council of the Petroleum Fund of Timor-Leste
<b>LNG</b>	Liquid Natural Gas
<b>LPG</b>	Liquid Petroleum Gases
<b>MDTF</b>	EITI Multi-Donor Trust Fund, administered by the World Bank
<b>MOU</b>	Memorandum of Understanding
<b>MSWG</b>	Multi-Stakeholder Working Group
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>PSC</b>	Production Sharing Contract
<b>T-L</b>	Timor-Leste
<b>TOR</b>	Terms of Reference
<b>VAT</b>	Value-Added Tax

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## **SECTION 1: INTRODUCTION**

Validation of the Timor-Leste Extractive Industries Transparency Initiative (EITI)

# SECTION 1: INTRODUCTION

## 1 FOREWORD

This is the report of the 2010 Validation of the Extractive Industry Transparency Initiative (EITI) in Timor-Leste. This was the first EITI Validation to be undertaken in Southeast Asia. It was performed by a consortium led by Coffey International Development, in association with International Petroleum Associates Norway (IPAN)<sup>1</sup>.

The report is structured as follows:

- This section introduces the report with a summary of the EITI Validation process, the importance of the extractive industries to Timor-Leste, and of EITI implementation in Timor-Leste.
- Section 2 describes the Validation methodology and process.
- Section 3 sets out progress against the Timor-Leste EITI work plan.
- Section 4 presents the Validator's assessment of progress against the EITI Validation Grid and supporting Indicator Assessment Tools found in the **EITI Rules** publication.
- Section 5 summarizes company implementation of the EITI in Timor-Leste.
- Section 6 presents the Validator's overall assessment.
- Section 7 provides the Validator's recommendations for future implementation of the EITI in Timor-Leste.

The report contains three annexes. Annex A provides a completed Validation Grid. Annex B presents the Company Self-Assessment forms provided to the Validator. Annex C lists the stakeholders consulted in undertaking the Validation.

## 2 EITI VALIDATION

Validation is an essential element of the EITI process, and is central to the Initiative's status as an international standard. Its objective is to provide an independent assessment of the progress achieved by a nation in implementing the EITI and what measures are required to make better and faster progress. For Candidate Countries<sup>2</sup>, Validation should measure progress in EITI implementation. Candidate countries wishing to become EITI Compliant must undergo the Validation process. For countries that have fully implemented EITI (Compliant Countries<sup>3</sup>), Validation will serve to provide an assessment of their ongoing fulfilment of all the EITI Criteria.

Timor-Leste obtained EITI Candidate status on 22 February 2008.

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<sup>1</sup> IPAN - International Petroleum Associates Norway AS, Meltzersgt 4, 0257 OSLO, ORG. NO. 989 795 007 MVA, TEL 22 44 77 45, FAX 22 43 12 20, E-MAIL info@ipan.no

<sup>2</sup> Candidate countries are those who have signed up to implement EITI and met all four indicators in the sign up stage of the Validation Grid: (1) committing to implement EITI; (2) committing to work with civil society and the private sector; (3) appointing an individual to lead implementation; and (4) producing a Work Plan that has been agreed with stakeholders.

<sup>3</sup> Compliant countries have fully implemented EITI. They have met all the indicators in the Validation grid, including the publication and distribution of an EITI Report.

### 3 THE ROLE OF EXTRACTIVE INDUSTRIES IN TIMOR-LESTE

When Timor-Leste became independent in 2002, the country faced enormous social and economic development challenges. Between the referendum for independence and the arrival of international peacekeepers in late 1999, 70 percent of the economic infrastructure of Timor-Leste was destroyed, an estimated 75 percent of the population was displaced and GDP per capita was among the lowest in the world. Nearly a decade later, Timor-Leste is still the poorest country in Asia and half of the population lives below the poverty line, despite substantial reconstruction and real GDP growth over recent years. In this context, the production of petroleum in the Timor Sea between Timor-Leste and Australia has provided the government with much needed revenue to drive economic recovery and address pressing needs.

Petroleum-related revenue nearly doubled in 2008 to US\$2.4 billion (compared to total non-oil GDP of US\$499 million) and represented about 95 percent of total government income. Timor-Leste's other exports (mainly coffee and tourism) remain small in comparison and private sector investment in the non-oil sector continues to be at very low levels.

Timor-Leste is entitled to the main part (90 percent) of the government income from oil and gas operations in the Joint Petroleum Development Area (JPDA) shared with Australia. The JPDA is a defined area in the Timor Sea between Australia and Timor-Leste. Through the Timor Sea Treaty, the parties have agreed on joint exploration of oil and gas in this area. Production began in what is now the JPDA in 1998, but revenue to Timor-Leste was small until 2005/6.

Only one big field, Bayu Undan, is now producing. The well-flow is treated and separated on the platform. The liquids (LPG and condensate) are exported directly from a floating facility, which is part of the field installations. The dry gas is piped to a terminal outside Darwin, Australia, where it is liquified and exported as LNG. The field is operated by ConocoPhillips in a joint venture with four other participants, Eni, Inpex, Santos, and Tokyo Timor Sea Resources. The latter is owned by the buyers of the LNG, Tokyo Gas and Tokyo Electric. A smaller field, Elang Kakatua, was closed in 2007.

A large gas field, Greater Sunrise, was discovered some time ago. It straddles the border between the JPDA and the area de facto controlled by Australia, although the final borders have yet to be agreed on. Woodside, the operator, wants to develop this field. If the field is developed within a certain time limit, Timor-Leste's share of the government revenues from this field will be 50 percent, as a result of the Treaty Between the Government of the Democratic Republic of Timor-Leste and the Government of Australia on Certain Maritime Arrangements in the Timor Sea (CMATS), signed in 2006.

Several smaller fields have been discovered within the JPDA, and one of them is now under development with Eni as operator. New exploration activities are continuing.

Timor-Leste has entered into some PSCs in its sovereign part of the Timor Sea. Exploration has just started and there appear to have been no discoveries so far.

Areas in the ocean to the east and north of Timor-Leste are not believed to be geologically prospective.

There are seeps of oil and gas on the land in Timor-Leste, but no seismic readings are believed to have been taken, and these seeps alone cannot be considered as indications of commercial petroleum resources. Aeromagnetic work has been carried out however, and several foreign companies, including major ones, have asked for exploration rights. For the time being the government is not prioritizing its onshore areas.

The responsibility to manage the petroleum industry is conferred upon the National Petroleum Authority (ANP). The ANP is a separate unit in the State Secretariat of Natural Resources, which is now headed by a State Secretary who reports directly to the Prime Minister. The management of the JPDA is carried out by the ANP on behalf of the Timor-Leste Australian Timor Sea Joint Commission.

Timor-Leste decided at an early stage on a scheme of transferring all oil and gas revenue to a Petroleum Fund. These fees are withheld by the ANP in order to cover the cost of its operations. The Petroleum Fund Act was unanimously approved by Parliament in 2005, and all cash received has been accounted for and the amounts are published in quarterly and annual Petroleum Fund reports and the annual ANP reports. The Petroleum Fund has now reached more than US\$5 billion. Half of this amount was collected in 2008, the year covered by the first Timor-Leste EITI Report.

The Petroleum Fund's structure promotes macroeconomic and fiscal sustainability by separating public expenditure from oil revenue volatility. The fund's Sustainable Income benchmark specifies the rate at which money may be withdrawn from the fund, in order to maintain it for future generations. However, spending limits have come under strain recently and were not complied with in 2009. Approximately six out of seven dollars spent by the government are withdrawn from the Petroleum Fund.

The Fund's reporting requirements and integration with the State budget help ensure transparency and demonstrate the Government's commitment to using the petroleum revenues to benefit the country's population. The Fund's framework is considered best-practice for petroleum production, taxation and revenue management, and was given the third highest overall score in a ranking of sovereign wealth funds by the Peterson Institute for International Economics.

Timor-Leste has a small rock mining industry, but it is not considered material in EITI terms.

#### **4 THE EITI IN TIMOR LESTE**

Timor-Leste is one of the pioneers of the EITI in Asia and the government has supported the EITI since it indicated its readiness to implement in June 2003.

Timor-Leste had already decided on the Petroleum Fund scheme and the ANP adopted a high level of transparency when the EITI Multi-Stakeholder Working Group (henceforth MSWG) was formed. That is to say, Timor-Leste's decision to enter into EITI candidacy took place within a nationally-constructed milieu of extractive industry transparency.

The present government has named a key individual to be responsible for the EITI process, established a Secretariat as an independent unit within the Ministry of Natural Resources and created a MSWG. The Working Group has agreed on a work plan that has been revised once, chosen an Aggregator, agreed on templates for reporting and the level of disaggregation for its published report, and is now working on outreach plans.

All oil companies with PSCs in Timor-Leste have reported to and cooperated with the Aggregator.

The Aggregator initially found some differences in the amounts reported by firms and government agencies. Inquiries were then made by the Aggregator to both the firms and the government, and these discrepancies were eventually resolved. The final findings by the Aggregator came out in November 2009, and were incorporated into an EITI Report in December 2009. This report has been published in four languages, is available for download on the internet and has been printed in a major newspaper.



## **SECTION 2: VALIDATION METHODOLOGY AND PROCESS**

Validation of the Timor-Leste Extractive Industries Transparency Initiative (EITI)

## SECTION 2: VALIDATION METHODOLOGY AND PROCESS

The Validation team was composed of David W. Brown (Coffey International Development) and Trond Kubberud (IPAN).

The team closely followed the EITI Validation Guide methodology.

In October, the team began preparations for the Validation. This included:

- A review of relevant documentation on the EITI process in Timor-Leste.
- Regular planning discussions with the Timor-Leste EITI Secretariat.
- Discussions with the international EITI Secretariat about the Validation approach.
- Sending written requests to oil companies with PSCs in Timor-Leste for them to complete the Validation Company Self Assessment Forms (forms returned are in Annex B).
- Inviting all parties of the MSWG to provide confidential written submissions to the Validator.
- Preparation of a meeting timetable, which was arranged by the Timor-Leste EITI Secretariat.
- Discussions amongst the team about the Validation methodology.

In advance of the Validator's visit to Timor Leste, Revenue Watch Institute-funded preparation workshops were held in Dili in July, 2009.

The Validation team submitted an inception report on 14 January 2010 and visited Timor-Leste from 24 January to 1 February 2010. Over the week, the team held meetings with Timor-Leste stakeholders listed in Annex C and a wrap-up meeting with the MSWG during which preliminary conclusions were presented on a detailed but confidential basis.

Following the visit to Dili, the team prepared a first draft of this report. It was circulated for comment to the MSWG in Timor Leste and to the international EITI Validation Committee and Secretariat on 10 February 2010. After finalisation, the report will finally be formally submitted to the EITI Board for its consideration at the Berlin meeting of 15 and 16 April 2010.

## **SECTION 3: PROGRESS AGAINST THE WORK PLAN**

Validation of the Timor-Leste Extractive Industries Transparency Initiative (EITI)

## **SECTION 3: PROGRESS AGAINST THE WORK PLAN**

### **1 SUMMARY OF THE WORK PLAN**

The MSWG was established and agreed on the Timor-Leste EITI work plan in 2007. The work plan was subsequently revised in 2009. It sets out the key aspects of the EITI process in Timor-Leste, including but not limited to:

- Securing sustainable financing from government sources and the international community.
- Establishing a Secretariat.
- Reviewing the legal framework to identify obstacles to implementation.
- Building capacity of civil society, firms and government.
- Developing reporting templates.
- Determining in advance the level of aggregation/disaggregation to be used in the EITI Report.
- Hiring of an Aggregator to collect and reconcile industry and government templates.
- Acceptance or rejection of the findings of Aggregator.
- Publication and dissemination of an EITI Report incorporating the findings of the Aggregator.
- Hiring a Validator, and undergoing the Validation process.

### **2 PROGRESS**

The MSWG has complied with the aspects of the work plan listed above. Deloitte Touche Tohmatsu (henceforth "Deloitte") was selected as Aggregator due to the fact that Deloitte was already the Auditor of the Petroleum Fund and was, in this capacity, entitled by law to request information from oil and gas companies.

The EITI Report has been printed in four languages, is posted on various websites and has been printed in full in one of the country's two main newspapers. The work of the Timor-Leste EITI Secretariat and the MSWG, including the costs of hiring the Aggregator and the Validator, has been covered by the government. An EITI Multi-Donor Trust Fund grant has been awarded, but remains mostly unused.

The management of the EITI is coordinated by the Secretariat, which has two staff, and is organized as a separate unit in the State Secretariat of Natural Resources.

## **SECTION 4: PROGRESS AGAINST VALIDATION INDICATORS**

Validation of the Timor-Leste Extractive Industries Transparency Initiative (EITI)

## SECTION 4: PROGRESS AGAINST VALIDATION INDICATORS

This section presents a narrative of the Validator's assessment of progress against the Validation Grid Indicators. For each indicator, it includes our interpretation of the criteria (where required), progress against the indicator, stakeholder views (where relevant) and our overall judgement. A summary Validation Grid is provided in Annex A.

### SIGN-UP

#### 1. Has the government issued an unequivocal public statement of its intention to implement EITI?

##### Progress

Timor-Leste's then Prime Minister Mari Alkatiri made a public declaration of Timor-Leste's intention to implement the EITI at the first global EITI Conference on 17 June 2003.

##### Validator's judgement

The indicator has been met.

#### 2. Has the government committed to work with civil society and companies on EITI implementation?

##### Progress

Timor-Leste's President Ramos Horta delivered a speech to a November 2006 meeting in which he stated the intention of the government to work with civil society and companies on EITI implementation. The present government invited oil and gas companies and NGOs to participate in the Working Group from the beginning and asked FONGTIL (an umbrella organization that represents all registered foreign and domestic NGOs) to nominate participants. The Validator met with a representative of the opposition in Parliament who said that the opposition had been invited to workshops on the EITI, but has not been invited to participate in the MSWG and that the government has given no information to the Parliament on the subject.

##### Validator's judgement

The indicator has been met.

#### 3. Has the government appointed a senior individual to lead on EITI implementation?

##### Progress

Alfredo Pires, the State Secretary for Natural Resources, and the most senior government official in charge of petroleum in Timor-Leste, was selected by the Prime Minister to be the government official responsible for EITI in Timor-Leste.

##### Validator's judgement

The indicator has been met.

**4. Has a fully costed work plan been published and made widely available, containing measurable targets, a timetable for implementation and an assessment of capacity constraints (government, private sector and civil society)?**

**Progress**

The initial EITI work plan was drawn up and agreed by the MSWG in 2007, over the course of several meetings. The work plan was revised once again in 2009, again with the full participation and agreement of the Working Group.

An EITI Multi-Donor Trust Fund grant has been awarded. According to a representative of the MDTF, the grant remains largely unexpended because of the readiness of the Government of Timor-Leste to provide its own resources for EITI implementation in a timely manner.

In addition to containing measurable targets and a timetable for implementation, the work plan includes activities in 2009 to build capacity of civil society, industry and government (points 3b, 3c and 3d, respectively). It also specifies that the government will pay for validation.

**Validator's judgement**

The indicator has been met.

## **IMPLEMENTATION**

**5. Has the government established a multi-stakeholder group to oversee EITI implementation?**

**Progress**

The Working Group is comprised of appropriate stakeholders. Government is represented by representatives from the State Secretariat for Natural Resources, the Banking and Payments Authority (East Timor's central bank, which controls the Petroleum Fund account in New York to which nearly all oil and gas tax and non-tax revenue is sent), the National Petroleum Authority (which collects all non-tax revenue from oil and gas companies), and the Ministry of Finance (which monitors the amounts of all tax revenue sent by oil and gas companies to the Petroleum Fund). Government was not aware of any other agencies that needed representation.

Industry is represented by ConocoPhillips (the operator for Timor-Leste's only producing field), Eni and Woodside.

Three NGOs, Luta Hamutuk, La'o Hamutuk<sup>1</sup> and ETA-DEP, were democratically elected by the civil society umbrella organization FONGTIL to represent the interests of civil society. Early in the process, NGOs requested larger MSWG representation than they were initially given, and their membership increased from one to three.

**Stakeholder views**

All stakeholders agree that the invitation to join the MSWG was open and transparent and feel adequately represented.

All stakeholders state without reservation that they can liaise within and outside their community free of coercion.

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<sup>1</sup> La'o Hamutuk recently withdrew from the Working Group, and a replacement NGO will soon be elected by FONGTIL. La'o Hamatuk explained that, in its view, the EITI was taking too much of its time, that transparency on extractive industry issues was already in place in Timor-Leste, and that EITI was in danger of diverting attention from other higher-priority issues.

Some stakeholders believe that everyone in the Working Group has sufficient capacity. However, others see things differently. Several believe that government could have provided more leadership on some occasions.

One MSWG member from civil society stated that nearly all of the members of the Working Group need training in the EITI, and suggests that resources be made available either from the Government of Timor-Leste or the international community to pay for such training.

The inability of some MSWG members and alternates to speak Tetum<sup>2</sup> and the inability of others to speak English is an issue. Meetings are conducted in English with only limited translation to other languages.

#### **Validator's judgement**

The indicator has been met.

## **6. Is civil society engaged in the process?**

### **Progress**

On behalf of the MSWG, the Secretariat has performed outreach to civil society, and joint efforts to build the capacity of civil society. For example,

- The Secretariat participated in trainings for local representatives of MSWG civil society member, Luta Hamutuk in all 13 of Timor-Leste's districts, with the objective of building the awareness of the EITI process by those local representatives, and enabling them to pass on their knowledge of the EITI to local communities in their respective districts.
- In past years, the Secretariat has represented the MSWG in annual rounds of visits to all districts in Timor-Leste conducted by Steering Group member KKFP, to share information on revenue transparency with broader segments of Timorese society.
- In summer 2009, NGOs who serve on the Working Group helped to organize a workshop in the capital, Dili, to build the capacity of all stakeholders and to prepare for the EITI Validation process.
- In the first quarter of 2010, the Secretariat participated in a conference organized by civil society at one of Timor-Leste's leading universities to discuss the EITI process in Timor-Leste.

In addition to efforts by the Secretariat, NGOs in the MSWG have also taken it upon themselves to build the capacity of other NGOs in Timor-Leste on extractives issues and on the EITI. For example, in meetings organized by FONGTIL, a coalition of 500 domestic and international NGOs operating in Timor-Leste, NGOs from the MSWG have reported to the wider NGO community. Up to 80 NGOs have attended these briefings in the past.

### **Stakeholder views**

NGO briefings to FONGTIL-organized meetings are thought by NGOs to represent sufficient outreach from the MSWG to the NGO community.

All civil society members interviewed stated that they were independent of government and that they are free to express their views without restraint or coercion.

### **Validator's judgement**

The indicator has been met.

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<sup>2</sup> Timor-Leste has 16 distinct languages. One of these is Tetum. Timorese communicate to each other mostly in Tetum, although Indonesian and Portuguese are widely spoken as well.



## **7. Are companies engaged in the process?**

### **Progress**

The industry members on the MWSG are ConocoPhillips, Eni and Woodside. They are also the main players in the oil and gas industry in Timor Leste. In addition to the MSWG members, another four companies are operating in the JPDA and TLEA (Reliance, Oilex, Minza and Petronas). The oil industry in Timor-Leste has an informal network that meets regularly to discuss industry issues. The EITI has been discussed at this forum throughout the period of EITI implementation and continues to do so. All of the operators brief their respective joint venture partners on the outcome of these discussions.

When industry templates were prepared, ConocoPhillips and Eni sent advance copies of the templates to their respective JV partners.

Each operator (and JV partner) has the required in-house capacity to understand the EITI and to inculcate EITI processes within their respective organisations. In relation to local Timorese staff, each of the MWSG industry members has identified a local staff member with responsibility for EITI. These officers undergo training on the EITI and take on both internal and external responsibilities as to its implementation. For example, the Eni local officer with responsibility for the EITI attended the EITI training in Berlin in late 2008.

The Aggregator reported that firms did not require special prior coaching on filling out templates.

All oil and gas companies submitted completed templates and, when needed, communicated with the Aggregator in order to resolve discrepancies.

Out of 18 EITI-reporting PSCs, 17 have returned their self assessment forms, representing nine out of ten EITI-reporting firms.

### **Validator's judgement**

The indicator has been met.

## **8. Did the government remove any obstacles to EITI implementation?**

### **Progress**

No obstacles were found to exist under law or regulation to affect the implementation of EITI in Timor-Leste, according to the July 2009 Timor-Leste EITI Work Plan.

The auditor of the Petroleum Fund is empowered to request information from oil and gas firms. This is specified under Article 35.2 of the 2005 Petroleum Law. This authority was used by the auditor of the Petroleum Fund, Deloitte, which was also selected as the Timor-Leste EITI Aggregator, to request firms to submit EITI reports to it. This request was respected.

No changes in law were needed for EITI to take place in Timor-Leste, nor were special Memoranda of Understanding required between government and industry for this purpose.

Should the MSWG decide to move toward disaggregated reporting in future EITI reports, further legal analysis will be required to ensure that this does not disclose confidential information or violate the privacy of firms according to provisions in Timor-Leste's legal arrangements. A further breakdown of tax payments may result in the unauthorized release of taxpayer information. An unauthorized release of information carries monetary and penal penalties under section 84.1 of the UNTAET Regulation No 2000/18. Royalties and profit oil/gas from Bayu Undan are governed by Petroleum Sharing Contracts which have specific provisions with regard to confidentiality and release of information and data.

### **Stakeholder views**

All stakeholders consulted were uniformly satisfied that there is currently no need for the government to remove any obstacles to EITI implementation.

**Validator's judgement**

The indicator has been met.

**9. Have reporting templates been agreed?****Progress**

Perhaps the only truly contentious issue facing the MSWG, which consumed many months of debate, both in the full Working Group and later in a special-purpose subcommittee set up to resolve the issue, was the degree of disaggregation that would be used in the published EITI Report. NGOs serving on the MSWG wanted the reports to be totally disaggregated. Industry, in particular the major operator in the country, ConocoPhillips, needed some time to develop their views on the level of aggregation, as this was the first EITI Report they worked on. Industry wanted a higher level of aggregation and warned that total disaggregation might place the companies in a weaker negotiating position when negotiating gas off-take terms.

In the end, compromise and consensus was achieved on the report being a hybrid between a pure aggregation model and a pure disaggregation model. In the Report, firm-specific information is found in three appendices (B, C and D). However, firm-level figures in Appendices B and C are only for aggregated bundles of revenues. The revenue streams contained in three of the EITI Reports' appendices are listed in table 1.

**Table 1: Revenue streams in the Timor-Leste EITI Report**

<b>Appendix</b>	<b>B</b>	<b>C</b>	<b>D</b>
<b>Revenue streams included in each Appendix</b>	<ul style="list-style-type: none"> <li>• Income tax<sup>3</sup></li> <li>• Additional Profits Tax/Supplemental Petroleum Tax<sup>4</sup></li> <li>• Branch Profits Tax</li> <li>• VAT</li> <li>• Withholding Tax</li> <li>• Wages Tax</li> <li>• Penalties</li> </ul>	<ul style="list-style-type: none"> <li>• First Tranche Petroleum (FTP)<sup>5</sup> <ul style="list-style-type: none"> <li>- Condensate</li> <li>- LPG</li> <li>- Gas</li> </ul> </li> <li>• Profit Oil and Gas<sup>6</sup></li> </ul>	<ul style="list-style-type: none"> <li>• JPDA: <ul style="list-style-type: none"> <li>- Application fee</li> <li>- Seismic data fee</li> <li>- Development fee</li> <li>- Contract services fee</li> </ul> </li> <li>• T-L Exclusive Area: <ul style="list-style-type: none"> <li>- Application fee</li> <li>- Seismic data fee</li> <li>- License/surface fee</li> </ul> </li> </ul>
<b>Aggregated or disaggregated by revenue stream</b>	Aggregated	Aggregated	Disaggregated
<b>Amounts reported</b>	US\$880,709,827	US\$1,624,803,611	US\$4,058,840 <sup>7</sup>
<b>PSCs reporting revenues</b>	16 of 18 <sup>8</sup>	9 of 18	9 of 18

<sup>3</sup> Corporate income tax for oil and gas companies is 30 percent.

<sup>4</sup> Additional Profits Tax or Supplemental Petroleum Tax is a 22.5 percent tax payable on positive accumulated net receipts by PSC Contractors once their earnings from projects exceed an internal rate of return of 16.5 percent.

<sup>5</sup> First Tranche Petroleum is a monetary payment to the National Petroleum Authority of 5 percent of the gross value of oil, condensate, liquid petroleum gas, or liquid natural gas, extracted from a particular field.

<sup>6</sup> Profit Oil is the conveyance of 50 percent of the after-cost recovery value of oil or condensate to Government of Timor-Leste, while Profit Gas is the conveyance of 40 percent of the after-cost-recovery value of LPG and LNG to the Government. For PSC's located in the Timor-Australia Joint Petroleum Development Area, one tenth of Profit Oil and Profit Gas go to the Government of Australia.

<sup>7</sup> All fees listed in Appendices B and C end up with the Petroleum Fund. All fees listed in Appendix D are used by the NPA to pay for its operations costs.

<sup>8</sup> The 18 entities reporting are actually subsidiaries of ten firms. Six of the reporting entities are owned by Conoco Phillips, three by Eni and two by Woodside, and one each owned by seven other firms.

Once the MSWG had agreed upon the degree to which the EITI Report would be disaggregated, further decisions regarding reporting went smoothly. After Deloitte was hired as the Aggregator, it designed industry and government reporting templates, and these were approved by the Working Group on 18 May 2009. Templates were submitted to industry and government by Deloitte in July 2009, to cover all material revenues paid or received in calendar year 2008.

With respect to materiality, all firms with PSCs were required to report by the MSWG. The revenue streams considered material by the Working Group are listed in Table 1 above.

Timor-Leste's EITI Report states that only very minor forms of revenues paid by oil and gas companies were considered immaterial. These included "routine business payments, such as vehicle licenses, visas, work and residence permits, electricity and water charges and similar fees and charges"<sup>9</sup>. The MSWG agreed to exclude these payments in its 24 March 2009 meeting.

#### **Validator's judgement**

The indicator has been met.

### **10. Is the multi stakeholder committee content with the organisation appointed to reconcile figures?**

#### **Progress**

The MSWG made a direct appointment of Deloitte to be the Aggregator for several reasons. First, as auditor for the Petroleum Fund, Deloitte was empowered to request information from firms. Second, Deloitte had already collected at least some of the figures that were required by the EITI, and was familiar with the economic conditions for oil companies in Timor-Leste. It was thought that this would allow Deloitte to carry out the work of an EITI Aggregator in a time and resource efficient manner. Third, in view of the looming Validation deadline, the Working Group believed it did not have the time to undertake a competitive tender for an Aggregator.

The Working Group reviewed the Terms of Reference to hire Deloitte as an Aggregator, and approved them on 1 April 2009.

#### **Stakeholder views**

The MSWG was unanimously content with the appointment of Deloitte, and considered it to be credible and trustworthy. The MSWG's unanimous decision is documented in a letter from the MSWG to the Secretary of State for Natural Resources dated 1 April 2009.

#### **Validator's judgement**

It is the view of the Validator that the aggregator is sufficiently independent, and that the indicator has been met.

### **11. Has the government ensured all companies will report?**

#### **Progress**

There was no need for the government to take special steps in this regard, as all companies reported their material revenue payments without resistance.

#### **Stakeholder views**

All members of the MSWG who were consulted, and the Aggregator, confirmed that all companies reported material revenue payments.

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<sup>9</sup> Timor-Leste EITI Report, page 1.

### **Validator's judgement**

The indicator has been met.

## **12. Has the government ensured that company reports are based on accounts audited to international standards?**

### **Progress**

The Aggregator confirmed that all firms who submitted EITI templates are audited according to international standards. However the Aggregator did not check to see whether the figures submitted by firms were consistent with their audited financial statements.

### **Stakeholder views**

The Aggregator and knowledgeable members of the MSWG argued that Indicator 12 was satisfied because EITI-participating companies had their company financial reports independently audited. There were no dissenting views on this matter from any member of the MSWG with which this issue was discussed.

The fact that the Timor-Leste MSWG underwent a validation preparation workshop in the summer of 2009 where Indicator 12 was discussed was offered by several members of the MSWG as evidence that the MSWG was content with the manner in which Indicator 12 was addressed.

### **Validator's judgement**

The indicator has been met.

## **13. Has the government ensured that government reports are based on accounts audited to international standards?**

### **Progress**

The Petroleum Fund is audited as an independent unit. Deloitte has been its auditor since the Fund's creation. The ANP is audited by Meritte Partners as an independent unit. All government accounts in Timor-Leste are also now audited by Deloitte (and were audited by other CPA firms prior to that). Deloitte itself reports that all government accounts are audited to the International Public Sector Accounting Standard. However it should be noted that the Aggregator did not check to see whether the figures submitted by government agencies were consistent with their audited financial statements.

### **Stakeholder views**

It was uniformly held by the Aggregator, all reporting government agencies, and the most knowledgeable members of the MSWG, that Indicator 13 was satisfied by having government accounts audited to the International Public Sector Accounting Standard, as well as by Deloitte. There were no dissenting views on this matter from any member of the MSWG with which this issue was discussed.

The fact that the Timor-Leste MSWG underwent a validation preparation workshop in the summer of 2009, where this Indicator was discussed, was offered by several members of the MSWG as evidence that the MSWG was content with the manner in which Indicator 13 was addressed.

### **Validator's judgement**

The indicator has been met.

## DISCLOSURE

### **14. Were all material oil, gas and mining payments by companies to government (“payments”) disclosed to the organisation contracted to reconcile figures and produce the EITI report?**

#### **Progress**

All company templates were completed and submitted directly to the Aggregator.

#### **Validator’s judgement**

As highlighted under Indicator 9, Timor-Leste’s EITI Report states that only very minor forms of revenues paid by oil and gas companies were considered immaterial in the preparation of the reporting templates. These included “routine business payments, such as vehicle licenses, visas, work and residence permits, electricity and water charges and similar fees and charges”. The MSWG agreed to exclude these payments in its 24 March 2009 meeting.

Having examined the profile of oil and gas revenues paid by operators, their JV partners, and all license holders in Timor-Leste, having reviewed the report of the Aggregator as well as the Timor-Leste EITI Report and having interviewed the major stakeholders, it is the judgement of the Validator that all material payments were disclosed and reported. This indicator has been met.

### **15. Were all material oil, gas and mining revenues received by the government (“revenues”) disclosed to the organisation contracted to reconcile figures and produce the EITI report?**

#### **Progress**

All government templates were completed and submitted directly to the Aggregator.

#### **Validator’s judgement**

As highlighted under Indicator 9, Timor-Leste’s EITI Report states that only very minor forms of revenues paid by oil and gas companies were considered immaterial in the preparation of the reporting templates. These included “routine business payments, such as vehicle licenses, visas, work and residence permits, electricity and water charges and similar fees and charges”. The MSWG agreed to exclude these payments in its 24 March 2009 meeting.

Based on our knowledge of oil and gas revenues in Timor-Leste, as well as our review of the report of the Aggregator and the Timor-Leste EITI Report, it is the judgement of the Validator that all material receipts were disclosed and reported. This indicator has been met.

### **16. Was the multi stakeholder group content that the organisation contracted to reconcile the company and government figures did so satisfactorily?**

#### **Progress**

The Aggregator initially identified nearly US\$3 million in net discrepancies out of a total of just over US\$2.5 billion reported. The Aggregator then went back to government and industry and made inquiries about selected categories of revenues where discrepancies had occurred. Most if not all major discrepancies were due to:

- **Timing:** A company mistakenly believed that conveyance of a large amount of Liquefied Petroleum Gas to the National Petroleum Authority had taken place in early 2009 and did not need to be reported, when in fact it had conveyed such payment in late 2008. The company later corrected this mistake.

- **Misunderstanding:** A company mistakenly failed to report a large conveyance of Value Added Tax that it should have reported. The company corrected this mistake.

Once all of the above were accounted for, a persistent US\$3,887 discrepancy remained. This, too, was finally resolved, when it was discovered that an oil company had mistakenly reported a marketing fee as revenue.

In the end, there were no discrepancies, and amounts reported by industry matched exactly those reported by government. It is the judgment of the Validator that this is a factually correct finding.

However, we believe that all members of the Working Group would benefit from making an effort to acquire a more uniform and detailed understanding of the exact causes (and pathways to resolution) of major discrepancies.

#### **Stakeholder views**

All those spoken to from the MSWG were unanimous in their confidence in the Aggregator's final finding of no discrepancies.

#### **Validator's judgement**

The indicator has been met.

### **17. Did the EITI report identify discrepancies and make recommendations for actions to be taken?**

#### **Progress**

The EITI report in the end resolved all discrepancies. The manner in which these discrepancies were resolved is described in Indicator 16. In view of the fact that all discrepancies were resolved, the EITI Report had no need to make recommendations for actions to be taken.

#### **Stakeholder views**

The MSWG was unanimously satisfied with the process used to reconcile the discrepancies.

#### **Validator's judgement**

The indicator has been met.

### **How have oil, gas and mining companies supported EITI implementation?**

#### **Progress**

The three main players in Timor-Leste's oil and gas sector already had corporate policies to support the EITI when the MSWG was formed.

All EITI-reporting firms must submit self-assessment forms. Nine of the 10 firms required to submit self-assessment forms have done so. The firms that have submitted forms are Conoco-Phillips, Eni, Inpex, Minza, Oilex, Petronas, Reliance, Tokyo Timor Sea Resources and Woodside.

One firm has not submitted a self assessment form - Santos.

#### **Validator's judgement**

Not all firms have submitted self-assessment forms, but this is not required for validation.

## DISSEMINATION

### 18. Was the EITI report made publicly available in a way that was publicly accessible, comprehensive, and comprehensible?

#### Progress

The EITI Report was distributed at a 22 December 2009 launch, at which President Ramos Horta spoke. The report has been published in four languages (English, Indonesian, Portuguese and Tetum). It was also published in its entirety in one of two national newspapers. In these ways the Report was made publicly available.

The Report is comprehensive and understandable, in the sense that the MSWG made the effort to add a considerable amount of narrative to the original findings of the Aggregator, so that the Report would be more understandable to readers who lack a detailed understanding of Timor-Leste's oil and gas revenue systems.

With respect to further dissemination, the Secretariat has submitted a plan to the MSWG to send teams of four members of the Working Group (one from the Secretariat, one from government, one from industry, and one from an NGO) to each of Timor-Leste's 13 districts.

#### Stakeholder views

All stakeholders were satisfied that the EITI Report was made publicly available in a way that was publicly accessible, comprehensive and comprehensible, at least to the minority of Timorese citizens who are both fully literate and fully numerate.

The NGO Luta Hamutuk is intending to request funds from the Working Group to hire a specialist to re-write the report in a way that average Timorese citizens can also understand.

#### Validator's judgement

The indicator has been met.

### What steps have been taken to act on lessons learnt, address discrepancies and ensure EITI implementation is sustainable?

#### Progress

Lesson learning: The MSWG intends to dedicate one or more meetings to assessing the EITI process before engaging in the second round of the reporting and reconciliation process. Similar to its collection of templates for 2008 in August 2009, the intention of the Timor-Leste EITI National Coordinator is to collect templates for 2009 by August 2010, at the latest.

Financial sustainability: The annual operating budget for the EITI budget is about US\$100,000. This amount is paid for mostly out of the State Secretariat for Natural Resources but also in small part from a largely unexpended MDTF grant.<sup>10</sup> It is the intention of both parties to continue funding the Timor-Leste EITI. The availability of funding does not appear to be an issue.

Political sustainability: The initial commitment to implement the EITI was made by the former Prime Minister from the Fretilin party, which lost control of the government in 2007. The support of the current CNRT-led government for the EITI is also strong. This is demonstrated by the fact that the EITI work plan was drawn up and successfully executed under the current government.

Looking to the future, should the party in opposition return to power, it is encouraging to note that Jose Teixeira, the former Fretilin government's State Secretary for Natural Resources, now a parliamentarian, has confirmed that the EITI will be supported by a new Fretelin government. He has

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<sup>10</sup> Refer to Indicator 4.

emphasised that “EITI is our party policy,” and stated that the former (and possible future) Prime Minister Alkatiri “realizes the importance of the EITI.”



## **SECTION 5: COMPANY IMPLEMENTATION**

Validation of the Timor-Leste Extractive Industries Transparency Initiative (EITI)

## SECTION 5: COMPANY IMPLEMENTATION

All companies with PSCs in Timor-Leste (there are currently 10 companies - ConocoPhillips being the largest), have submitted reporting templates to the Aggregator and communicated with the Aggregator in order to reconcile initial discrepancies. Three companies were invited to serve on the MSWG and participated in the selection of the Aggregator and the Validator. ConocoPhillips and ENI kept their joint venture partners informed through committee meetings and briefed other companies in informal industry meetings.

Annex B presents the completed Company Self Assessment Forms, which contain responses on five indicators:

1. Has the company made public statements in support of the EITI process in this country?
2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder working group), including abiding by government EITI related directives (e.g. laws and MOUs) and, where appropriate, meeting with stakeholders?
3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI report as per agreed EITI Reporting Templates and pursuant to agreed timelines?
4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI report taken from accounts independently audited to international standards?
5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI report to assist in reconciliation of country payments with government receipts in accordance with EITI Reporting Templates?

According to the **EITI Rules** publication (pages 26 and 27), all EITI-reporting firms must submit self-assessment forms. Nine of the 10 firms in Timor-Leste that are required to submit self-assessment forms have done so.

The firms that have submitted forms are Conoco-Phillips, Eni, Inpex, Minza, Oilex, Petronas, Reliance, Tokyo Timor Sea Resources and Woodside.

Santos has not submitted such a form by the time this report was submitted. The failure of one company to submit the self-assessment form does not, in and of itself, constitute grounds for denying EITI-Compliant status to Timor-Leste.

## **SECTION 6: OVERALL ASSESSMENT**

Validation of the Timor-Leste Extractive Industries Transparency Initiative (EITI)

## SECTION 6: OVERALL ASSESSMENT

Timor-Leste decided to pursue extractive industry transparency shortly after it achieved full independence, and developed an advanced system for monitoring and receiving petroleum revenues. It transfers all such revenues (except for comparatively minor management and marketing fees) directly to the Petroleum Fund. Timor-Leste has also established a Sustainable Income Benchmark for withdrawals from the Petroleum Fund, in order to maintain the fund for future generations. The benchmark has for the most part been adhered to. Both the Petroleum Fund and the ANP have been audited by international CPAs from the beginning. In short, transparency in the oil and gas sector is well in place in Timor-Leste.

The EITI process in Timor-Leste has now also proven that company and government numbers can be aligned. This was a new exercise which demonstrates a new form of accountability in the management of oil and gas revenues, which we consider important in its own right, as it provides further credibility to an already-strong system.

We believe that the EITI-process has further strengthened and contributed to a wide and long lasting support for transparency in the petroleum sector in Timor-Leste.

As the Validator of the EITI process in Timor-Leste, we are pleased to confirm our judgement that Timor-Leste has complied with all the indicators contained in the Validation Guide and that additionally, the process is consistent with the EITI's Principles and Criteria.

## **SECTION 7: RECOMMENDATIONS FOR FUTURE IMPLEMENTATION**

Validation of the Timor-Leste Extractive Industries Transparency Initiative (EITI)

## SECTION 7: RECOMMENDATIONS FOR FUTURE IMPLEMENTATION

The Validators believe that the EITI process in Timor-Leste is strong. We have the following recommendations for how it could be further strengthened:

- 1. Verifying company and government reports.** EITI Validation criteria require that all data submitted by companies is based on data drawn from accounts which have been audited to international standards and that all similar data disclosed by government is audited to international standards. Whilst in Timor-Leste the accounts of all companies and government agencies participating in the EITI are audited to international standards, the Aggregator does not currently check to see whether their EITI submissions are consistent with those audited accounts. We suggest that in the future the MSWG have a focused discussion on whether the Aggregator could be directed to verify that company and government reports are consistent with their audited accounts.
- 2. Learning lessons.** We endorse the idea of the MSWG convening to discuss lessons learned before a new reporting round is embarked on.
- 3. Capacity of the MSWG.** We believe some thought might be given as to how communications between members of the MSWG could be strengthened, whether the Working Group could be led in a more deliberate manner, and whether the capacity of the Secretariat could be strengthened.
- 4. Aggregator.** Deloitte was for good reasons selected as the Aggregator in 2009. Deloitte has audited the Petroleum Fund from the beginning and is now also auditing government accounts in general. We believe that the selection of a more independent Aggregator might be a good idea and that with sufficient planning, that the selection of an Aggregator could be based on competitive bidding rather than a direct award.

## **ANNEX A: VALIDATION GRID**

Validation of the Timor-Leste Extractive Industries Transparency Initiative (EITI)

## ANNEX A: VALIDATION GRID

Indicator	Validator's Comments	Validator's Judgement
<b>Sign-up</b>		
1. Has the government issued an unequivocal public statement of its intention to implement EITI?	Timor-Leste's then Prime Minister made a public declaration of Timor-Leste's intention to implement the EITI at the first global EITI Conference in 2003.	Indicator met.
2. Has the government committed to work with civil society and companies on EITI implementation?	Timor-Leste's President delivered a speech to a 2006 meeting in which he stated the intention of the government to work with civil society and companies on EITI implementation. The government invited oil and gas companies and NGOs to participate in the MSWG.	Indicator met.
3. Has the government appointed a senior individual to lead on EITI implementation?	The State Secretary for Natural Resources, the most senior government official in charge of petroleum in Timor-Leste, is in charge of the EITI in Timor-Leste.	Indicator met.
4. Has a fully time-bound and costed work plan been published and made widely available, containing measurable targets, a timetable for implementation and an assessment of capacity constraints (government, private sector and civil society)? <b>Note:</b> Requires evidence that work plan has been agreed with key EITI stakeholders.	The initial EITI work plan was drawn up and agreed by the MSWG in 2007, over the course of several meetings. The work plan was revised in 2009, again with the full participation and agreement of the Working Group. In addition to containing measurable targets and a timetable for implementation, the work plan specifies activities in 2009 to build capacity of civil society, industry and government. It also specifies that the government will pay for validation.	Indicator met.
<b>Implementation</b>		
5. Has the government established a multi-stakeholder working group to oversee EITI implementation? <b>Note:</b> Requires evidence that working group is comprised of appropriate stakeholders.	The Working Group is comprised of appropriate stakeholders from government, industry and civil society. All stakeholders agree that the invitation to join the MSWG was open and transparent, all feel adequately represented, and all state without reservation that they can liaise within and outside their community free of coercion.	Indicator met.
6. Is civil society engaged in the process?	NGOs in the MSWG have taken it upon themselves to build the capacity of other NGOs in Timor-Leste on extractives issues and on the EITI.	Indicator met.
7. Are companies engaged in the process?	The operator of Timor-Leste's only currently-producing field, ConocoPhillips, briefed its JV partners periodically, including during Management Committee Meetings. ConocoPhillips also informed oil companies active in Timor-Leste about the EITI process at informal oil industry meetings.	Indicator met.



Indicator	Validator's Comments	Validator's Judgement
8. Did the government remove any obstacles to EITI implementation?	No obstacles were found to exist under law or regulation to affect the implementation of EITI in Timor-Leste. In view of this, no changes in law or regulation were needed.	Indicator met.
9. Have reporting templates been agreed with working group? <b>Note:</b> Requires evidence that working group has considered and agreed on definitions of materiality of those firms that are to report and of those revenues that are to be reported on.	With respect to the degree of disaggregation in the published EITI Report, unanimity was achieved on the report being a hybrid between a pure aggregation model and a pure disaggregation model. The Aggregator designed industry and government reporting templates, and these were approved by the Working Group. As to materiality, all firms with PSCs were required to report by the MSWG. With the exception of those that were extremely minor (and named in the EITI Report), all oil and gas revenues were considered material.	Indicator met.
10. Is the multi-stakeholder committee content with the organisation appointed to reconcile figures?	The MSWG made a direct appointment of Deloitte to be the Aggregator because, as auditor for the Petroleum Fund, Deloitte was empowered to request information from firms holding a PSC, and had collected some of the figures that required by EITI. Time considerations were also a factor. The MSWG was unanimously content with the appointment of Deloitte.	Indicator met.
11. Has the government ensured all companies will report?	All members of the MSWG and the Aggregator confirmed that all companies reported material revenue transfers without resistance. There was no need for the government to take special steps.	Indicator met.
12. Has the government ensured that company reports are based on audited accounts to international standards? <b>Note:</b> Requires at a minimum that where figures submitted for reconciliation are not to audited standards, that the working group is content with the agreed way of addressing this.	The Aggregator and knowledgeable members of the MSWG argued that Indicator 12 was satisfied because EITI-participating companies had their company financial reports independently audited. There were no dissenting views on this matter from any member of the MSWG with which this issue was discussed.	Indicator met.
13. Has the government ensured that government reports are based on audited accounts to international standards? <b>Note:</b> Requires at a minimum that where figures submitted for reconciliation are not to audited standards, that the working group is content with the agreed way of addressing this.	The Petroleum Fund is audited as an independent unit and Deloitte has been its auditor since the Fund's creation. The ANP is audited by Meritte Partners as an independent unit. All government accounts in Timor-Leste are also now audited by Deloitte. Deloitte itself reports that all government accounts are audited to the International Public Sector Accounting Standard. It was uniformly held by the Aggregator, all reporting government agencies, and the most knowledgeable members of the MSWG, that Indicator 13 was satisfied by having government accounts audited to the International Public Sector Accounting Standard, as well as by Deloitte. There were no dissenting views on this	Indicator met.

Indicator	Validator's Comments	Validator's Judgement
	matter from any member of the MSWG with which this issue was discussed.	
<b>Disclosure</b>		
14. Were all material oil, gas and mining payments by companies to government ("payments") disclosed to the organisation contracted to reconcile figures and produce the EITI report?	Timor-Leste's EITI Report states that only very minor forms of revenues paid by oil and gas companies were considered immaterial in the preparation of the reporting templates. The MSWG agreed to exclude these payments in its 24 March 2009 meeting. All company templates were completed and submitted directly to the Aggregator.	Indicator met.
15. Were all material oil, gas and mining revenues received by the government ("revenues") disclosed to the organisation contracted to reconcile figures and produce the EITI report?	Timor-Leste's EITI Report states that only very minor forms of revenues paid by oil and gas companies were considered immaterial in the preparation of the reporting templates. The MSWG agreed to exclude these payments in its 24 March 2009 meeting. All government templates were completed and submitted directly to the Aggregator.	Indicator met.
16. Was the multi-stakeholder group content that the organisation contracted to reconcile the company and government figures did so satisfactorily?	In the final finding of the Aggregator, there were zero discrepancies. Amounts reported by industry matched exactly those reported by government. All those spoken to from the MSWG were unanimous in their confidence in this finding. It is also the judgment of the Validator that this was a factually correct finding.	Indicator met.
17. Did the EITI report identify discrepancies and make recommendations for actions to be taken?	The Aggregator resolved all discrepancies, and therefore the EITI Report had no need to make recommendations for actions to be taken with respect to discrepancies.	Indicator met.
How have oil, gas and mining companies supported EITI implementation? <b>Note:</b> Requires that all reporting companies have submitted self assessment forms, and the naming and description of any firm that does not.	Nine of the ten firms required to submit self-assessment forms have done so. The firms that have submitted forms are Conoco-Phillips, Eni, Inpex, Minza, Oilex, Petronas, Reliance, Tokyo Timor Sea Resources and Woodside. The one firm that has not yet submitted a self assessment form is Santos.	Question answered.

Dissemination		
<p>18. Was the EITI report made publicly available in a way that was:</p> <ul style="list-style-type: none"> <li>– publicly accessible,</li> <li>– comprehensive, and</li> <li>– comprehensible?</li> </ul> <p><b>Note:</b> Requires evidence that copies of report have been distributed to relevant stakeholders and/or placed on line and/or publicized in outreach events.</p>	<p>The EITI Report was distributed at a 2009 launch, at which the President spoke. The report has been published in four languages (English, Indonesian, Portuguese and Tetum). It was also published in its entirety in one of two national newspapers. In these ways the Report was made publicly available. With respect to further dissemination, the Secretariat has submitted the MSWG a plan to send teams to rural areas to explain the findings of the report.</p> <p>The Report is comprehensive and comprehensible, in the sense that the MSWG made the effort to add a considerable amount of narrative to the original findings of the Aggregator, so that the Report would be more understandable to readers.</p>	<p>Indicator met.</p>
<p>What steps have been taken to act on lessons learnt, address discrepancies and ensure EITI implementation is sustainable?</p>	<p><u>Lesson learning:</u> The MSWG intends to dedicate one or more meetings to assessing the EITI process before engaging in the second round of the reporting and reconciliation process.</p> <p><u>Sustainability:</u> With respect to financial sustainability, it is the intention of government and the international community to continue funding the Initiative. As to political sustainability, both the ruling party and the opposition party strongly support the EITI.</p>	<p>Question answered.</p>

## **ANNEX B: COMPANY SELF-ASSESSMENT FORMS**

Validation of the Timor-Leste Extractive Industries Transparency Initiative (EITI)

# THE VALIDATION GUIDE

## EITI COMPANY SELF-ASSESSMENT FORM COUNTRY-LEVEL

Canoco Phillips (03-12) Pty Ltd  
Canoco Phillips (Emet) Pty Ltd  
Canoco Phillips JPDA Pty Ltd  
Canoco Ph. Ilyps (03-13) Pty Ltd  
COMPANY: Canoco Phillips (Timor Sea) Pty Ltd  
Canoco Phillips (03-14) Pty Ltd  
Canoco Phillips (03-20) Pty Ltd

COUNTRY: Timor-Leste

Mark indicators below with a ✓

1. Has the company made public statements in support of the EITI process in this country?  
 Yes  No
2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI-related directives (e.g. laws and MoUs) and, where appropriate, meeting with stakeholders?  
 Yes  No
3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI Report as per agreed EITI reporting templates and pursuant to agreed timelines?  
 Yes  No
4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI Report taken from accounts independently audited to international standards?  
 Yes  No
5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI Report to assist in the reconciliation of country payments with government receipts in accordance with EITI reporting templates?  
 Yes  No

### Narrative opinions

If any indicators above are marked "No", please provide an explanation:

Any other comments:

## EITI COMPANY SELF-ASSESSMENT FORM COUNTRY-LEVEL

**COMPANY:**

**COUNTRY:**

Mark indicators below with a ✓

1. Has the company made public statements in support of the EITI process in this country?  
 Yes     No
2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI-related directives (e.g.laws and MoUs) and, where appropriate, meeting with stakeholders?  
 Yes     No
3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI Report as per agreed EITI reporting templates and pursuant to agreed timelines?  
 Yes     No
4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI Report taken from accounts independently audited to international standards?  
 Yes     No
5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI Report to assist in the reconciliation of country payments with government receipts in accordance with EITI reporting templates?  
 Yes     No

### **Narrative opinions**

If any indicators above are marked "No", please provide an explanation:

Any other comments:

## EITI COMPANY SELF-ASSESSMENT FORM COUNTRY-LEVEL

**COMPANY:** INPEX Sahul, Ltd.

**COUNTRY:** East Timor

Mark indicators below with a ✓

1. Has the company made public statements in support of the EITI process in this country?  
 Yes  No
2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI-related directives (e.g.laws and MoUs) and, where appropriate, meeting with stakeholders?  
 Yes  No
3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI Report as per agreed EITI reporting templates and pursuant to agreed timelines?  
 Yes  No
4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI Report taken from accounts independently audited to international standards?  
 Yes  No
5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI Report to assist in the reconciliation of country payments with government receipts in accordance with EITI reporting templates?  
 Yes  No

### Narrative opinions

If any indicators above are marked "No", please provide an explanation:

1. INPEX Sahul, Ltd. has not made any public statements in regard to the EITI process in East Timor, but INPEX CORPORATION, as a parent company, plans to make such statement soon to the effect that INPEX Sahul, Ltd. assists the government in its EITI efforts by disclosing the amount of taxes we pay as well as information on other payments.

Any other comments:

4. The data we have submitted to EITI was taken from accounts audited by independant public accountants as required by the Companies law and related regulations and in accordance with auditing standards generally accepted in Japan.

# THE VALIDATION GUIDE

## EITI COMPANY SELF-ASSESSMENT FORM COUNTRY-LEVEL

COMPANY: MINZA OIL & GAS LTD

COUNTRY: JERSEY,  
CHANNEL ISLANDS  
(ANG T.L. OFFICE).

Mark indicators below with a ✓

1. Has the company made public statements in support of the EITI process in this country?

Yes  No

2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI-related directives (e.g. laws and MoUs) and, where appropriate, meeting with stakeholders?

Yes  No

3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI Report as per agreed EITI reporting templates and pursuant to agreed timelines?

Yes  No

4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI Report taken from accounts independently audited to international standards?

Yes  No

5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI Report to assist in the reconciliation of country payments with government receipts in accordance with EITI reporting templates?

Yes  No

### Narrative opinions

If any indicators above are marked "No", please provide an explanation:

MINZA HAS MET REGULARLY WITH PETROLEUM INDUSTRY REPRESENTATIVES (COPL, WOODSIDE, ENI) WHO ATTEND AS DELEGATES. MINZA HAS COMPLIED WITH THE ARRANGEMENTS AGREED TO.

Any other comments:

MINZA COMPLETED THE TEMPLATE FORM SUPPLIED BY DELOITTE, WHICH WAS SUBMITTED IN JULY 2009, BUT WE HAVE NOT RECEIVED ANY FURTHER REQUESTS SINCE THEN.



# THE VALIDATION GUIDE

## EITI COMPANY SELF-ASSESSMENT FORM COUNTRY-LEVEL

COMPANY: ODLBx (3PDA 06-123) LTD COUNTRY: TIMOR-LESTE

Mark indicators below with a ✓

1. Has the company made public statements in support of the EITI process in this country?

Yes  No

2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI-related directives (e.g. laws and MoUs) and, where appropriate, meeting with stakeholders?

Yes  No

3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI Report as per agreed EITI reporting templates and pursuant to agreed timelines?

Yes  No

4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI Report taken from accounts independently audited to international standards?

Yes  No

5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI Report to assist in the reconciliation of country payments with government receipts in accordance with EITI reporting templates?

Yes  No

### Narrative opinions

If any indicators above are marked "No", please provide an explanation:

Any other comments:

*Raj*  
RAJESH  
PROJECT MANAGER, ODLBx (3PDA 06-123) LTD

# THE VALIDATION GUIDE

## EITI COMPANY SELF-ASSESSMENT FORM COUNTRY LEVEL

COMPANY: PC (TIMOR SEA 06-102) LTD COUNTRY: TIMOR - LESTE

Mark indicators below with a ✓

1. Has the company made public statements in support of the EITI process in this country?

Yes  No

2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI-related directives (e.g. laws and MoUs) and, where appropriate, meeting with stakeholders?

Yes  No

3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI Report as per agreed EITI reporting templates and pursuant to agreed timelines?

Yes  No

4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI Report taken from accounts independently audited to international standards?

Yes  No

5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI Report to assist in the reconciliation of country payments with government receipts in accordance with EITI reporting templates?

Yes  No

### Narrative opinions

If any indicators above are marked "No", please provide an explanation:

PC (TIMOR SEA 06-102) LTD is not aware of any laws & MoUs and neither attended any meeting with stakeholders.

Any other comments:



# THE VALIDATION GUIDE

## EITI COMPANY SELF-ASSESSMENT FORM COUNTRY-LEVEL

RELIANCE EXPLORATION  
& PRODUCTION DMCC  
COMPANY: (SUCURSAL) SA. COUNTRY: Timor LESTE.

Mark indicators below with a ✓

1. Has the company made public statements in support of the EITI process in this country?  
 Yes  No
2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI-related directives (e.g. laws and MoUs) and, where appropriate, meeting with stakeholders?  
 Yes  No
3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI Report as per agreed EITI reporting templates and pursuant to agreed timelines?  
 Yes  No
4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI Report taken from accounts independently audited to international standards?  
 Yes  No
5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI Report to assist in the reconciliation of country payments with government receipts in accordance with EITI reporting templates?  
 Yes  No

### Narrative opinions

If any indicators above are marked "No", please provide an explanation:

Any other comments:

# EITI COMPANY SELF-ASSESSMENT FORM COUNTRY-LEVEL

COMPANY: TTSR PL

COUNTRY: Australia

Mark indicators below with a ✓

1. Has the company made public statements in support of the EITI process in this country?  
 Yes  No
2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI-related directives (e.g.laws and MoUs) and, where appropriate, meeting with stakeholders?  
 Yes  No
3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI Report as per agreed EITI reporting templates and pursuant to agreed timelines?  
 Yes  No
4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI Report taken from accounts independently audited to international standards?  
 Yes  No
5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI Report to assist in the reconciliation of country payments with government receipts in accordance with EITI reporting templates?  
 Yes  No

## Narrative opinions

If any indicators above are marked "No", please provide an explanation:

Question 5 has been answered "No" as TTSRPL has not received any queries from the organization contracted to reconcile figures and produce the EITI report.

Any other comments:

EITI COMPANY SELF-ASSESSMENT FORM COUNTRY-LEVEL

COMPANY: Woodside Energy Ltd

COUNTRY: Australia / Timor Leste

Mark indicators below with a ✓

- 1. Has the company made public statements in support of the EITI process in this country?  
 Yes     No
- 2. Has the company committed to support and cooperate with implementation of the Country EITI Work Plan (as agreed by the multi-stakeholder group), including abiding by government EITI-related directives (e.g.laws and MoUs) and, where appropriate, meeting with stakeholders?  
 Yes     No
- 3. Have all material payments been disclosed to the organisation contracted to reconcile figures and produce the EITI Report as per agreed EITI reporting templates and pursuant to agreed timelines?  
 Yes     No
- 4. Was the data that was submitted to the organisation contracted to reconcile figures and produce the EITI Report taken from accounts independently audited to international standards?  
 Yes     No
- 5. Has the company responded to queries from the organisation contracted to reconcile figures and produce the EITI Report to assist in the reconciliation of country payments with government receipts in accordance with EITI reporting templates?  
 Yes     No

**Narrative opinions**

If any indicators above are marked "No", please provide an explanation:

Any other comments:

WOODSIDE ENERGY as a company that has long been a supporter of EITI commends the work of the Government of Timor Leste and other EITI stakeholders in Timor Leste in the publication of the country's first EITI report. We are proud to be associated with the implementation of EITI in Timor Leste.

## **ANNEX C: STAKEHOLDERS CONSULTED**

Validation of the Timor-Leste Extractive Industries Transparency Initiative (EITI)

## ANNEX C STAKEHOLDERS CONSULTED

Date	Organisation	Name(s) and position(s)
12 January 2010	EITI International Secretariat	Sam Bartlett, Director for Europe and Asia
14 and 22 January 2010	Deloitte Touche Tohmatsu	Anthony Baluyot, Mark Leung and Francis Thomas, Certified Public Accountants
25 January 2010	State Secretariat for Natural Resources	Alfredo Pires, Secretary of State for Natural Resources
25 January 2010	Eni	Tony Heynen, Country Representative; Florencio Fernandes, Dili Office Manger
25 January 2010	Forum ONG Timor-Leste (FONGTIL)	Dinorah Suzette Ximenes Granadeiro, Executive Director
26 January 2010	Banking and Payments Authority	Venancio Alves Maria, Executive Director; Fernando Carvalho da Silva, Chief Accountant
26 January 2010	World Bank	David Hook, Governance Specialist
26 January 2010	Petroleum Tax Department, Ministry of Finance	Monica Rangel, Tax Director; Joao Xavier, former Tax Director; David Castiglione, Lead Petroleum Advisor; Abdur Rahman Khan, Tax Audit Advisor.
27 January 2010	East Timor Action for Development and Progress (ETA-DEP)	Carlos Florindo, Program Manager
27 January 2010	Timor-Leste Institute for Development Monitoring and Analysis (La'o Hamutuk)	Charles Scheiner, Founder
27 January 2010	Autoridade Nacional do Petroleo (ANP)	Emanuel Angelo Lay, Commercial Director
28 January 2010	State Secretariat for Natural Resources	Manuel de Lemos, Timor-Leste EITI National Coordinator
28 January 2010	ConocoPhillips	Peter R. Smith, Country Manager; Cristina Costa, External Relations Officer
28 January 2010	Luta Hamutuk Institute	Mericio Akara, Director; Joaozito Viana, General Manager; Elio P. Guimaraes, Budget Transparency Officer
28 January 2010	Woodside Petroleum	Brendan Augustin, General Manager
29 January 2010	Ministry of Finance	Vidar Oveson, Fiscal Policy and Petroleum Fund Advisor
29 January 2010	KKFP	Francisco de Vasconcelos, Coordinator
29 January 2010	National Parliament	Jose Teixeira, Member of Parliament

29 January 2010	Timor-Leste EITI Secretariat	Trifonio Flor Sarmento, Assistant Outreach Coordinator and Assistant Administration and Finance Officer; Elda Guterres da Silva, Administration and Finance Office
1 February 2010	Timor-Leste EITI Multi-Stakeholder Working Group	
3 February 2010	EITI International Secretariat	Jonas Moberg, Head of Secretariat



Cover Page Photograph: Bayu-Undan Floatover Operation by XJBEI

( <http://xjbei.wordpress.com/2004/11/29/bayu-undan-floatover-op/> )

**Coffey International Development Ltd**

The Malthouse 1 Northfield Road Reading Berkshire RG1 8AH United Kingdom

T (+44) (0) 1189 566 066 F (+44) (0) 1189 576 066 [www.coffey.com/internationaldevelopment](http://www.coffey.com/internationaldevelopment)

Registered Office: 1 Northfield Road Reading Berkshire RG1 8AH United Kingdom

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