

MEETING MINUTES

May 11, 2017

Farol Office ~

Participant Members

Emanuel Angelo Lay	Director of Commerce ANPM
Angelina Branco	Eni Country Representatives
Filipe Nery Bernardo	Petroleum Fund Analyst- MoF
Antonio dos Santos	Woodside Country Representative
Helio Dias da Silva	Habernan
Dulce Natalia	ANPM
Sabino G. Fitun	Core Group Transparency (CGT)

Alternatives, and Non-Voting

Francisco Alegria	TIMOR GAP E.P
Darson Silva	ANPM
Martinha da Silva	Feto Hadomi Familia (FHF)
Rui Matos	IA (Ernst & Young)

TL-EITI Secretariat:

Elda Guterres da Silva	National Coordinator
Trifonio Flor Sarmento	Outreach Officer
Octavio Jordão de Araújo	Adviser
Abelina Emilia do Rosario	IT Officer

Absent:

Agostinho G. Ramos	MoF/ DNPMR
Jose Lobato	Country Manager ConocoPhillips Timor-Leste
David de Araujo	ConocoPhillips External Relations
Henrique Monteiro	TIMOR GAP E.P
Fernando Carvalho	Chief of Account BCTL
Timoteo T. Pires	BCTL
Nelson Miranda	Luta Hamutuk
Tobias Ferreira	BCTL

Meeting opened at 9.35 AM.

1. Apologies

Apology received from Mr. Luis Martins who cannot attend the meeting. Mr Martins assigned Mr. Francisco Alegria as alternate.

2. Approval of the agenda

The MSG agreed to the agenda of the meeting.

3. Approval of the meeting minutes of March 2017 and Work Plan 2017

Minutes of the previous meetings held on March 7 and March 31 and Work Plan 2017 were discussed and approved.

4. Business arising from the minutes not otherwise included in the agenda

The MSG discussed issues as identified in Annex 1. Action progress and status of the issue(s) are as outlined in the Annex 1 of the minutes.

5. Discussion of 2014 & 2015 EITI Reports Reconciliation Status

The meeting commenced with the presentation from the Independent Administrator (IA) on reconciliation progress. The presentation basically based on the exchange communication with the EITI International Secretariat for the past two weeks. Certain constraints were found during discussion with the International Secretariat. Hence, the draft of upcoming reports remain unfinished in the allocated time as scheduled. There are some findings from the discussion that needed to implement and to improve in the reconciliation. The following topics captured in the scoping study would require some adjustments and further discussion with the TL-EITI MSG in order to determine actions to respond the constraints.

5.1. Tax and non-tax revenue in Data Collection Templates

The EITI International Secretariat has consulted the IA's proposed reporting templates and observed that the description of the tax and non-tax information has not included the disaggregated information requirement. The templates of tax and non- tax revenues that has been approved by the MSG contain a table of summary of taxes payed per extractive company. Each table summarized information with two excel columns disclose entity names and the reported total amounts. The EITI International Secretariat suggested to breakdown information by adding additional cells to disaggregate the reported amounts by each entity proportionally to types of revenue. The I.A. has amended the templates with information requested by the International Secretariat. However, since the templates were already approved by MSG before these changes, industries will have to consult the new version of the templates with their headquarters. The industries will later confirm with the IA on their decision.

5.2. Subcontractors Involvement

The International Secretariat questioned on why Timor-Leste includes subcontractors' payments in the upcoming EITI reports. The IA has explained their understanding on EITI requirement (4.1), that all companies making payments to the Government that considered material in accordance with the agreed scope shall be reconciled for the reports. The requirement does not mention all companies as solely the operators. The IA clarified the situation that according to the nation's Oil & Gas Tax Law, subcontractors were making the material payments directly to the Government. Hence, since the payment amounts achieved the agreed threshold (\$100 k), it would be unrealistic to not including the subcontractors. The International Secretariat has guaranteed to seek for guidance and consulting with other experienced people on this issue.

The IA mentioned that at this point there is no argument to put an exemption on the subcontractors in the reporting process. The IA also suggested the MSG to maintain the subcontractors in these two reports for the fact that the majority of these entities have submitted their financial data and being reconciled. Suggestion was also made to MSG whether to report the subcontractors' reconciliation data in a separate section or combining them with the operators in the same section. The IA and MSG agreed on one report section with the reconciliation of the subcontractors and another section incorporating both entities. MSG proposed the IA to set descriptions in each section on data collection process with subcontractors and operators accordingly.

5.3. Tax Settlements

Based on the discussion between the IA and the International Secretariat, both sides agreed that company payments made to the Government have included applied tax deduction, therefore it should have been captured in the reconciliation for the fiscal year reported. However, the International Secretariat has raised on the inclusion of the proportion of the deducted amount that has tax settlement in the upcoming reports. The IA approached MSG with this idea and if agreed, the tax settlement information can be disclosed in the report.

At this point, Woodside is the only company to report tax settlement in form of transfers' refund for 2015. Woodside affirmed that the stated amount to subscribe this subject is align with the amount reported by the Petroleum Fund. The same amount also was disclosed in the IA's scoping study report. Woodside has also discussed and agreed with the legal division of the MPRM on the statement to disclose in the EITI reports. Aside from Petroleum Fund reference, the disclosure of the tax refund by Woodside for 2015 would adapt the similar pattern covered by 2012 EITI report because it has been publicly published.

Meanwhile, industries proposed to include in upcoming report (2015 EITI report) a statement justifying the refund made by the Government. In respect to transparency principle, Conoco Philips proposed the disclosure of the Woodside refund along with the relevant discussion from today's MSG meeting. According to Eni, The description in the reports that shows discrepancy of reimbursement, the readers who follow the transparency process may require an explanation on a payment transaction made by the Government to the company. The industries believed that the Woodside case would set a precedent for the future reports when other companies have to provide similar information. Also, since this issue was raised by the International Secretariat, it could influence upcoming validation if not disclosing justification behind the refund transaction. CSO

agreed with the disclosure of the information stated by industries however MSG would still need to discuss about this situation in the future.

The Government stakeholders requested to disclose the information as proposed by the industries only if it is relevant to the payment transaction made for the reported fiscal years. If the information should be disclosed in the upcoming reports, signifies that the coverage of the tax settlement issue captured the financial activities of 2014 and 2015. According to ANPM, under the circumstances of the confidentiality agreement, information on tax settlement shall not be disclosed unless there is any discrepancy of amount received. Meanwhile, MoF recalled on any tax adjustment that controlled by a confidentiality agreement between the Government and industries shall be discussed thoroughly by MSG in the future and should not be covered yet in upcoming reports. However, the issue discussed would be covered in meeting minutes. Conoco Phillips proposed to provide a statement in the upcoming EITI reports explained the reason why the tax adjustment cannot be reported.

IA explained that the comments made by the International Secretariat was referring to the tax deduction applied to the financial year of the reports (2014 & 2015). If there is a less amount paid than received then it should be disclosed. IA have explained to the International Secretariat that it is a global norm where any tax settlement agreed between the Government and industries was settled under certain confidential terms which cannot be interfere.

The IA agreed to disclose the reimbursement reported by Woodside and will send to Woodside and Government entity the statement/paragraph of the refund issue to include in the 2015 report to review before publication. The IA suggested MSG to further discuss and to consider solutions and constraints on tax settlement disclosure in the future EITI reports (e.g. 2016 EITI reports). The IA also recommended MSG to seek for guidance in the upcoming validation in regards to the legal framework on confidentiality matter shall be contextually disclosed in the future.

MSG would not interfere the disclosure of the statement on the reported refund between the Government and Woodside. However, MSG agreed to discuss in detail on the coverage of tax settlements in the future EITI reports and will cover this topic in the next validation.

5.4. Local Content Commitments

The IA believed the International Secretariat misunderstood the practice of cost recoverable and social expenditure. Local commitments that are cost recoverable (such as those under PSC) cannot be considered entirely as a social expenditure. The IA explained to the International Secretariat that they will analyse the social expenditures reported by the entities and will discuss with ANPM to identify the parts of cost recoverable that classified as social expenditure. The social expenditures will be reported as local content commitment and other activities that not to be reconciled will be reported as voluntary social expenditures.

5.5. License Award

The International Secretariat has discussed with the IA on a direct award license granted for Timor Gap. The International Secretariat has also discussed with Timor Gap in regards to this issue. Timor-Gap confirmed that the license was granted at the end of 2015 to conduct research on Reliance Offshore Block. MSG affirmed that there was no license awarded for onshore exploration activities

in 2014. Conoco Phillips acknowledged the Government right to grant a license contract directly to a state owned company such as Timor-Gap but would recommend that these types of license should also allocate for public tender. The IA will discuss with Timor-Gap and ANPM for more clarification.

5.6. Licenses' Application Date

The IS requested information on the date when the licenses were applied. The IA did not quite understand on the term of application date, unless it suggests an effective date or termination date of the contracts. MSG requires clarification on the term whether refers to the date of registration or a history of the bidding processes (i.e. registry of applicants) of the license. There is a possibility to search information on applications in mining sector, other than this there are no records of application dates. MSG suggested the IA to provide information in the report of the unavailability of application date for licenses in Timor-Leste. Also to disclose in the reports, the contracts (PSCs) linked to the exploration operations.

5.7. Beneficial Ownership (BO)

The discussion started with the definition of the BO and who should be the ultimate owners of the reporting entities. The IA has explained in the scoping study that the BO would have minor impact in Timor-Leste if it solely account for main operators which are publicly registered and the Government entities. The issue may occur when involve the oil and gas subcontractors and local mining companies in the future. Meanwhile, Conoco Phillips questioned who can be the responsible of subsidiaries companies (subcontractors) contracted by SOE (e.g. Timor-Gap)? The IA responded that in this case the national company would be fully in charge to report the beneficial ownership on behalf if it has total control over the subcontractors.

The International Secretariat requested the disclosure of the list of the ultimate ownership of the operators and subcontractors in the upcoming reports. However, the acquisition of the Beneficial Ownership (BO), as stated in the current EITI requirement only become mandatory in 2020, therefore companies shall not be urged to provide the information immediately. MSG reaffirmed that Timor-Leste is currently discussing the topic and creating a roadmap in the process. The ownership issues that identified on subcontractors and mining sectors would be covered in the roadmap as well.

5.8. Skeletal of the TL-EITI upcoming reports

The IA stated that the reconciliation of the data has been undertaken and the 2014 data has almost completely reconciled. The skeletal of the 2014 and 2015 TL-EITI reports with contextual information and MSG inputs will be prepared and present to MSG next week. Due to the time constraint, the IA will prioritize the draft of 2014 report which approaches its deadline next month. Following the discussion with the International Secretariat, the IA proposed MSG that once the skeletal of the reports is presented, if approved, a copy of the draft will be shared with the International Secretariat for comments, so a pre-validation on the context can be conducted before the publication.

6. Discussion of CSO updates on capacity training workshops

MSG was unable to discuss this agenda due to the limited time allocated for this meeting. This agenda will be discussed in upcoming meeting to be scheduled.

7. Discussion of Mainstreaming feasibility report

MSG was unable to discuss this agenda due to the limited time allocated for this meeting. The draft of the feasibility report and its annexes have been handled to stakeholders for review. This agenda will be discussed in upcoming meeting to be scheduled.

8. Annual Progress Report (APR)

MSG was unable to discuss this agenda due to the limited time allocated for this meeting. Stakeholders will attempt to provide inputs on APR in upcoming days and deliver through email to TL-EITI Secretariat. This agenda will be discussed in upcoming meeting to be scheduled.

9. Schedule next meeting

Next MSG meeting scheduled for next Thursday, 18 June 2017 for the presentation of the skeletal of EITI reports.

The Chair declared the meeting closed at 11:45am.

Minutes approved and signed by:

(Name)

(Signature)

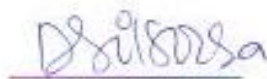
1.

ANGELINA BAPTISTA BIZANCO



2.

Dulce N. da Silva



3.

Filipe Nery Bernardi

Filipe Nery Bernardi

4.

Sabrina G. Titun

5.

Antonio C. Saito

Antonio C. Saito

6.

Annex 1 – Action List from previous meeting (31 March 2017)

No	Issues	Action needed	Responsible Entity	Progress Status
1	Work Plan 2017	<ul style="list-style-type: none"> Review and approval 	All MSG	Approved (with few changes)
2	Draft TL-EITI Progress Report 2016	<ul style="list-style-type: none"> Review, discussion and provide feedback by next week. 	All MSG	Ongoing
3	Upcoming EITI Reports progress	<ul style="list-style-type: none"> To ensure that data templates by all entities be submitted by mid of April for reconciliation; To upgrade and record contact details of reporting entities for future reconciliation. 	TL-EITI Secretariat, IA and MSG	Completed Completed
4	Corrective actions (addressing the late submission of upcoming reports)	<ul style="list-style-type: none"> To prepare proposed schedules for capacity building activities (Deadline: before 11 Apr 2017) To draft a table includes information and action plans to address EITI Board recommendation (deadline: before 11 Apr 2017) To send to EITI International the scoping study report and data templates to address requirements 4.7 & 6.1 	CSO Industries TL-EITI Secretariat	Completed Completed and sent to EITI Int'l Secretariat Completed
5	Comments on latest suspension issue	<ul style="list-style-type: none"> To regularly update the status of TL-EITI to the international board; this include prior notification from Int'l Secretariat to MSG on TL status publication 	TL-EITI Secretariat	Maintained