

Timor-Leste EITI National Working Group

MINUTES

30 November 2010

9:30 – 11:24

Secretary of State for Natural Resources Office
1st Floor Fomento Building Mandarin

Participants

Members*

| | |
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| Manuel de Lemos | National Coordinator EITI |
| Brendan Augustin | Country Manager for Sunrise (Woodside) |
| João Demetrio Xavier | Petroleum Tax Division MoF |
| Filipe Nery Bernardo | Petroleum Fund Analyst- MoF |
| Carlos Florindo | ETADEP, CSOO Representative |
| Tony Heynen | Eni Timor-Leste, Country Representative |

Alternatives, Non-Voting, and Observers

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| Honesia Araujo, Alternate | ANP |
| Vidar Ovesen | Fiscal Policy and Petroleum Fund Advisor, Ministry of Finance (MoF) |
| Remigio Viera Laka, Alternate | CSO Representative FSG |
| Elda Guterres da Silva | Secretariat EITI, Finance and Administration Officer |
| Trifonio Flor Sarmento | Assistant Outreach Coordinator & Finance and Administration Officer for Secretariat EITI |
| Laurentino Alves | CSO Luta Hamutuk |
| Abdur Rahman Khan | Advisor, Petroleum Tax Audit |
| Bobby Baye | National Division Petroleum Revenue |
| John Gommers | ANP |
| Jonathan Gonsalves | CSO Luta Hamutuk |
| Nelson Miranda | CSO Luta Hamutuk |
| Simen Bigmerud | Petroleum Fund Advisor |
| Francis Thomas | Aggregator Deloitte |
| Mark Leung | Aggregator Deloitte |

Absent:

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|------------------------------|--|
| Mericio Akara | CSO Representative Luta Hamutuk |
| Martinha da Silva | Director FHF |
| Fernando da Silva, Alternate | Chief Accountant –BPA |
| Peter Smith | ConocoPhillips, Timor-Leste Country Manager |
| Venancio Alves Maria | Executive Director, Banking and Payments Authority (BPA) |
| Angelo Lay | ANP |
| David Hook | World Bank |

Chair By: Manuel Lemos National Coordinator EITI

Agenda for Discussion

- 1) Introduction
- 2) Review meeting minutes on 21 Sep 2010
- 3) Review TL-EITI II report
- 4) Review MoU
- 5) Other business

1.1 Introduction

Working Group (WG) Welcome Simen Bigmerud as Petroleum Fund Advisor for Ministry of Finance (MoF) formerly he worked in the Ministry of Finance in Norway for 10 years. Mr. Simen is successor to replace Mr. Vidar Ovesen as Fiscal Policy and Petroleum Fund Advisor, (MoF),

1.2 Meeting of the Minutes on 21 Sep 2010

Minutes will approve by WG through an email correspondence, subject to the industry concerns in some re-clarification with a little languages, which no comprehensible as listed below:

1. Individually company need to review this MoU individual.
2. Even the industry agree to sign this MoU all they do need to provide is comment process what giving document each individual company rare to sign, although only moral commitment not legal document, each company sign on behalf itself not other company.
3. This documents need to go out to other company which is listing in the EITI report.

1.3 II TL-EITI report

This II draft report contains:

Message from Secretary of State for Natural Resources, Definitions, Provide history, provide information the meaning what of EITI is, the principle & criteria, overall assessment of validation report from Coffey, aggregator body, and compilation report.

The information contain in report itself is not new some of the process itself obtain from the guidelines for reporting to the EITI aggregator body march 2009. furthermore in 1.7, 1.8 and 1.11 which is recently update, the new things Deloitte don't have it in the last years report as specifically requested by Civil Society and WG is reconciliation of Petroleum Fund report receipts to the EITI report Deloitte have include it in this year report.

This report is having been comment, questioner and additional revision as listed below:

- 1). **By World Bank:** Definition of **Reporting Dispensation** (page 6) and **Benefit streams** (page 10) : their is a need for some adjustment in the writing there. As per EITI rules, the responsibility to define materiality threshold or scope/coverage of the report relies with the EITI Working Group (ie. not the responsibility of the Reconciler, even if some payments could be immaterial. The MSG can decide a threshold under which there is no need to report or defined how the Reconciler should handle things).

As best practice on EITI reporting, the following could be considered:

- (The part on the discrepancies identified and resolved (p15) could be more detailed and specific).
- (A short section in the report could be added, explaining how the reconciliation body has complied with MSG directives on Criteria 12 and 13 (international auditing standards)).

Deloitte accepted and considering to reviewing it and whether will be adding into the report or not then circulate to WG for review.

2). Government entity (GE): in appendix A and D Joint Venture (JV) partner should not report at all for this years as WG noted that in the last year report just one pay fee is included but this year some JV such as Inpex not pay fee only operator (Conocophillips) pay on behalf.

Lastly, the fee of the Company Government entity suggested to re format it TLEA and JPDA Company setting in the end. This related to Table 4 in the report. Some JPDA companies are listed after the sub heading Timor-Leste Exclusive Area. Only Reliance and ENI TL SPA should be shown as TLEA, the rest belong to JPDA.

Deloitte propose to have separate discussion then come back by an email to WG with recommendation for consideration.

3). Civil Society (CS): as WG have difference assumption, they concern why Deloitte not giving the reconciliation process just telling the specifically they suggested this II report need more details explanation in Appendix E, in first and second report it mentioned Adjustment (discrepancy) in table of original and final figures by Company and Government is totally difference. Relate to these issues they propose to add one column to explain why the discrepancy are occur, Deloitte should justify the discrepancy.

Deloitte explain: There were no discrepancies between the final figures reported by the Companies and Government for 2009.

There were differences identified on the original returns as reported in Appendix E. These differences occurred for a number of reasons including:

- Receipts amount incorrectly recorded by Companies, NDPR and the ANP
- Receipts incorrectly classified by Companies, NDPR and the ANP
- Receipts recorded in the incorrect period by a Company
- Receipts recorded on an accruals basis rather than a cash basis by a Company

4). Changeable

Noted in history 1.2 Timor-Leste EITI Working Group point 4 (*National Resources change to Natural Resource*)

5). Additional

All discrepancy Deloitte documented flow of what discrepancy happens. Deloitte recommend to add one footnote in the bottom of page having one comment that an Original and final figures occur discrepancy was resolve It was accepted

GE assume this draft II report have been compare with the receipts are in last year's, this report is huge improvement in term of information in the report are much comprehensive, so WG can really see the definitions, what kind of payments are exclude, and normally providing figures for 2009. If somebody want to brief EITI process then this second report will be useful. WG need to remain that the purpose of the EITI is company report what have they pay and government recorded what they have received base on International auditing standard.

This report providing quite specifically not case by case, if WG providing information about each of the difference and case in report it will make peoples not understand and confusing, what we need to ensure is those who have done this work on behalf of the WG, we have to be confident what the independent auditor have done.

GE also asking is Deloitte has obligation to disclose more than that there are need sufficient of information documented so that anybody who care about how the number are reconcile, the number that government and Company report should match to the Petroleum fund report. They need integrity of mechanics of recording an item it should subject for the public.

GE questioner: what kind of fee are the fee retain by Autoridade Nacional do Petróleo (ANP) and cannot pay to the Petroleum Fund?

Answer: There are actually two fees:
1) Contract Service Fee
2) Development fee

Industry have inform just start from beginning they think first of all go through just to look at what Company, ANP and PTD or any agency will be actually publish information then find out which company and Government agency listed to report then send confirmation to the each post.

Industry have been participant in the WG almost four and half years in EITI process very rare specific topless, we doing very good job for fulfill all-purpose but there are temptation that try turning EITI what not to be such as how EITI can look at the revenue spend and other charge process. Reconciliation what company pay and government record it just essential nature of EITI process.

WG have noted that this report should be launch by the end of December 2009; it needs to be translating into three languages, layout, and printing process. Deloitte will make an amendment and explanation then get back to the WG via an email by Wednesday for additional comment. WG have agreed that the last comment for this report by the end of Friday 03/12/2010 at 5:00 PM in the same time to endorse it.

1.4 MoU

This draft MoU is very simple in non-legal of agreement between tripartite who willing desire to act, kind of commitment and moral agreement. This MoU is very reflect that brief oppose clearly details the party in difference agency of Government one side, Civil Society one hand and Private sector which is, focus on hydrocarbon Oil and Gas Industry.

On that caption witnesseth which is intending to be essential comfort lead WG with the spirit of the EITI regime for that agreement among the party.

Words that propose to achieve relate **to EITI reporting obligation** in the EITI report. That also reflect difference report that to be generate in complain with that reporting obligation reflect in the EITI reporting provision in section 1.

Section 2. The EITI report shall be a consolidate.

Section 3. kind of latitude for the party to find the mechanics of the reporting obligation what should be reporting into it and what should be exclude.

Section 4. EITI WG to appoint Independent Auditor (Deloitte) who doing performance Functions as previous Auditor of the PF.

Last section the parties shall publish and authorize publication of the EITI report and including the Auditor opinion.

Other Matters

Which will substantial increase to oil company this document does not bind any imagination to create any legal and or Contractual obligation among the parties.

Any comment, questioner and additional revision.

This MoU intend to go out for tender for other reconciler. Industries state that they think to look within the individually company within three representatives Industry such as Conocophillips Woodside and Eni have familiarly with the EITI process but other industry and Joint venture partner are not well-know, experience show in the last year that some company did not understand to provide information. To sign MoU can have more dialogue with key Joint venture partner and other company to ensure that they understand and get committed.

This MoU will much relate to the Questioner, Multiply issues, force able and cost of the process? In the mean time, they also look at the government point of view as with any document that company sign on, lot of duties and legal analyses. Addition substantial reason is taking into step.

With this MoU is more obligation and commitment that oil company have sign it, Industry inform that they cannot sign on behalf of other industry and also some Industry might have to refuse provide information as WG don't have legal framework in place to request information which means that WG fail to comply with EITI criteria.

Government notify that the Independent auditor was regulate in the PFL that Independent auditor can requested whatever information they want from oil company to carry on their duty but other aggregator body cannot use PFL to ask information.

CS reiterate that avoid single source WG need considering to have competitive tender as noted in the recommendation by Validation report was **selection of a more Independent Auditor Might be a good idea and that with sufficient planning, the selection of an aggregator could be base on competitive tender bidding rather than a direct award.**

Then in the future, two-aggregator body such as Deloitte and other reconciler will be together request information, Audit then reconcile it. WG also noted that they do not know how long the Deloitte will be Audit PF it can be change in the Future. Some Option to be considering by WG

if either have MoU or change the PFL, as reminder that to have MoU can be easy and fast instead to have legislated through parliament to have law for EITI. As MoU very well adapted in EITI process such as Mongolia and Azerbaijan they select aggregator body with moral obligation and it commitment by parties.

Regarding to all the issues that is rise by WG, government entity through ANP will arrange specifically meeting with the WG, other company and Joint venture partner to brief them as soon as Possible. They will inform again via email when, the timing and where is the meeting take place. It was accepted.

1.5 Other Business

EITI Global Conference

Chair inform that the upcoming EITI Global conference will take place in Paris 2-3 March 2011, the global conference in paris will be for the first time feature an EITI National Exhibition where representative from EITI implementing countries will be invited to present and share history.

TL will have booth in the event and TL-EITI Secretariat is in charge of it.

WG required nominating one-person from each representative by the end of Friday (Have to be Member not Alternate) to participate in the conference.

One observer from MoF is leaving WG thank for Vidar Ovesen for his contribution, thoughtful and work hard.

4.1 Next meeting

The next meeting will be re- call by chair via an email when the II report is ready for endorsement, held in the Secretary of State for Natural Resources, 1st Floor Fomento Building Mandarin.