



SPEECH BY HIS EXCELLENCY

**THE MINISTER OF STATE OF THE
PRESIDENCY OF THE COUNCIL OF MINISTERS**

AND

ACTING MINISTER OF PETROLEUM AND MINERAL RESOURCES,

AGIO PEREIRA

**ON THE OCCASION OF THE DEBATE OF THE DRAFT RESOLUTION ON
RATIFICATION OF THE TREATY ESTABLISHING THE MARITIME BORDERS
BETWEEN TIMOR LESTE AND AUSTRALIA**

July 23, 2019

Honorable President of the National Parliament,

Honorable Vice-Presidents of Parliament,

Distinguished Members,

Government colleagues,

People of Timor-Leste

The National Parliament today approved in a final vote the legislative package allowing the ratification and entry into force of the Treaty between the Democratic Republic of Timor-Leste and Australia establishing their respective Maritime Borders.

The ratification of the treaty, as well as the approval of the four (4) laws, will finally enable Timor-Leste to achieve full sovereignty in the Timor Sea.

For the people of Timor-Leste, securing permanent maritime boundaries is the continuation of our long struggle for independence and full sovereignty. Following the political independence achieved in 2002, it is an important step not only in ensuring independence and territorial integrity, but also in ensuring economic independence.

The definition of maritime boundaries, in fact, allows for our complete political and economic independence; It will enable the development of various sectors of activity, the creation of new jobs, the development of infrastructure and will foster investment and economic diversification. We will no longer be dependent on third countries, notably Australia, for the exploitation of the natural resources of our continental shelf.

But more importantly, it enables us to achieve the full sovereignty we have been looking forward to since the declaration of independence in May 2002.

Mr. President,

Distinguished and Distinguished Members,

Ladies and gentlemen,

On behalf of the 8th Constitutional Government, we thank the National Parliament, all the political parties and all the distinguished members for their contribution so that this morning the 4 (four) laws aimed at allowing ratification of the Maritime Borders Treaty could be approved.

The work of all, both at the joint hearings of Committees B, C and D on the 16th and 17th, and at the plenary meeting on the 18th, as well as the meetings of the C and D Committees on the 19th, 20th and 22th, were fundamental to the improvement of the laws submitted by the Government, integrating the contribution of all parliamentary benches.

The approval of the National Parliament of the laws, which sought to:

- adapt the Petroleum Activities Law;
- adapt the Petroleum Fund Law;
- adapt the Tax Law and the two laws regulating the taxation of the Bayu-Undan field exploration; and,
- establish the specificities of the labor and migratory regime of the Bayu-Undan operation,

complement the other legislation previously approved by the Council of Ministers, which as a whole aim to allow the entry into force of the Maritime Borders Treaty.

This set of legal acts (laws and decree-laws) stems from the obligation already enshrined in Article 22 of the Timor Sea Treaty, negotiated and signed by Timor-Leste as a young independent nation and still in force, which stipulates that the activities of companies operating in the Timor Sea shall continue, even if the Timor Sea Treaty ceases to apply, under conditions equivalent to those established under that Treaty.

Without the approval, promulgation and publication of these legal acts, it would not be possible to ratify the Treaty for the following reasons:

- The international obligations assumed by Timor-Leste under Article 2 (1) of Annex D to the Treaty and the Exchange of Correspondence make clear that the Treaty can only enter into force after the “equivalent conditions” have been met through the approval of said diplomas;
- Approval of these diplomas is a legal prerequisite and a condition for the signature of the Production Sharing Contracts, which **must be in force** on the same day as the date of entry into force of the Treaty (as previous contracts and licenses no longer apply immediately after its entry into force);
- Australia has been consistent with the position (in line with the obligations assumed by both States through the Treaty and the Correspondence Exchange) that it will not ratify until Timor-Leste has passed the necessary diplomas to ensure equivalent conditions.

The obligation to ensure “equivalent conditions” does not follow exclusively from the commitments now made under the Maritime Borders Treaty and is thus a **historic obligation** that has existed since the independence of Timor-Leste.

An obligation we had to assume at a time of state fragility in order to benefit from the resources of the Joint Petroleum Development Area, and which Timor-Leste has always honored as a state of good!

Mr. President,

Distinguished Members,

Ladies and gentlemen,

Before proceeding, and with your excellencies’ permission, I would like to leave some important clarifications.

The laws submitted by the Government and approved today by the National Parliament **do not imply any decrease in revenue or increase in expenditure for the State Budget for 2019.**

It is important to clarify, distinguished members, that the State General Budget for 2019 has been approved, and the respective income and expenses duly accounted for and funded.

The State General Budget does not depend at all on the taxes covered by the legislative package approved today to raise revenue for that budget!

That said, it is important to clarify that the financial effect of these laws, by virtue of the entry into force of the Maritime Sources Treaty, will be an **increase the revenues of the Petroleum Fund**, as an increase of US \$ 110 million in revenues is expected. exploration of the Bayu-Undan field.

That is, it will have a favorable impact on the balance of the Fund, allowing it to remain the primary source of revenue for our future budgets.

Currently, with the application of the Timor Sea Treaty the estimated revenues for Timor-Leste are 1077 million, and the estimated revenues after the entry into force of the Maritime Borders Treaty represent an increase in revenues of about 110 million.

Accordingly, it is believed that each month of delay in ratifying the Maritime Borders Treaty will represent a potential loss of revenue of about \$ 5 million for the Timor-Leste Petroleum Fund alone.

In addition, the entry into force of the Treaty will make it possible to collect 100% of the revenues from the future exploitation of the Buffalo fields and parts of the licenses for the Laminaria and Coralina fields, currently under development and exploitation.

The Buffalo Field, for example, advances rapidly to production. If such production begins before the Treaty enters into force, the revenue will go to Australia, not Timor-Leste!

It should also be clarified that the Greater Sunrise Agreement is an integral part of the Treaty and was a necessary condition for the Treaty reached between the parties.

As you are aware, ladies and gentlemen, the future revenues of the Greater Sunrise camp should be shared with Australia, as a small part of the camp is physically on the Australian side of the border.

Thus, naturally and in accordance with the rules of international law, Australia will be entitled to part of the revenue from operating Greater Sunrise, in proportion to the part of the Field that lies outside our borders.

Finally, it should be clarified that the draft law amending the Petroleum Fund law does not allow giving the “key” of the fund to a public company.

The amendment approved today does allow a portion of the Fund, ie up to 5% of its total value, to be invested in petroleum activities, up to a maximum of 5% of the project value. This change is particularly important because until today, the Fund could only invest abroad.

Ladies and Gentlemen Distinguished Members, the Petroleum Fund is a Sovereign Fund that belongs to the people of Timor-Leste. I ask you if it makes sense to allow investments from the Fund abroad, allowing for the economic development of other countries and not allowing investment from OUR Fund into OUR Country?

In addition, the possibility now approved, apart from the double limitation on investment (ie maximum 5% of the value of the Fund and 5% of the total investment value of the project) does not guarantee any key to any State institution.

On the contrary, the rules on how investments in national territory should be processed - in accordance with the now approved Article 15a - must follow EXACTLY the same procedure as the rules that are currently foreseen for investments in international markets. These are the rules set out in **CHAPTER III on “INVESTMENT AND PROTECTION OF THE PETROLEUM FUND”**.

Global Fund Management will remain the responsibility of the Government, which will not make any decisions regarding the investment strategy and

management of the Petroleum Fund without first obtaining the opinion of the Investment Advisory Committee under Article 11, which has been the subject of any amendment.

Also without any change remains the rule that states that “to the investment policy of the Petroleum Fund apply the principles of portfolio diversification, with the aim of maximizing the financial return of the Petroleum Fund in accordance with the risk level assumed, taking into account the purpose of the Fund, the constraints on which it operates and Timor-Leste’s ability to bear risk ”, as set out in Article 13 and which, I repeat, has not been the subject of any change.

Mr. President,

Distinguished and Distinguished Members,

Ladies and gentlemen,

I also think it is important to make it clear to the distinguished representatives of the people that the transitional regime’s negotiation work lasted more than 22 months and the final meetings with the companies took place at the end of June this year.

Subsequently, the technical teams from Timor-Leste, Australia, and the affected companies continued to work hard to finalize the drafting of the final proposals for the documentation needed to move oil fields and activities to Timor-Leste.

As soon as this work was completed, the texts of the legislation necessary for the implementation of the Treaty were immediately submitted to the Council of Ministers for discussion and approval, and then forwarded (as regards the Laws) to the National Parliament.

All of us, the Government and Parliament, have worked hard to define maritime boundaries with Australia under international law to achieve a fair and sustainable outcome.

The definition of the Maritime Borders will not only position Timor-Leste in the global economic and social context, but also boost the national trust of our people and consolidate bonds of friendship and cooperation with the neighboring country.

Mr. President,

Distinguished and Distinguished Members,

Ladies and gentlemen,

As I mentioned earlier, the delimitation of maritime boundaries under the Treaty now proposed for ratification by our National Parliament will allow Timor-Leste to grow economically as all future revenues from the Buffalo camp, to the west, and the fields in the Joint Petroleum Development Area, including the Bayu-Undan and the Kitan fields, will be transferred to Timor-Leste.

Further, under the agreement, and although Greater Sunrise resources are shared between Timor-Leste and Australia, most of Greater Sunrise's resources are located in the maritime area of Timor-Leste, so the largest share of the revenue will come to our economy.

For Timor-Leste the ratification of this Treaty as well as this legislative package is an unprecedented achievement! The determination of our people and the cooperation and dedication of the Australian people to this cause must be seen as a true example to other nations.

We consider, moreover, that the ratification of this Treaty represents a new era in bilateral relations with Australia, which will strengthen old bonds of friendship, promote new economic and social relations and foster the sustainable and balanced growth of neighboring countries.

Of course, I close my speech, just as I ended the speech in the previous debate, that is, once again quoting the Head of the Negotiating Team, our Maun Boot Xanana Gusmão. "The new treaty that delimits permanent maritime borders with Australia gives solid foundations to Timor-Leste to leverage its prosperity. With fair and stable

maritime boundaries, Timor-Leste can now confidently move forward to realize the potential of its seas and the promise of its independence”.

Thank you for this opportunity, Mr President of the National Parliament,

I conclude.