

LAW No. 1/2019

of January 18

**FIRST AMENDMENT TO LAW No. 13/2005, OF SEPTEMBER 2,
PETROLEUM ACTIVITIES LAW**

The Constitution of the Republic mandates the State to guarantee economic development and promote the harmonious development of the regions.

In order to achieve these constitutional objectives, the State approved, and has been executing, the Strategic Development Plan 2011 – 2030, in which three strategic pillars of development were identified, namely: social capital, infrastructure development and economic development.

In the field of economic development, the objective was set out to build a modern and diversified economy based on agriculture, tourism and the oil industry, with an emerging private sector that generates opportunities for all our people.

With regard to the development of the oil industry, the Strategic Development Plan provided for the establishment of a national oil company and the development of the Tasi Mane project on the south coast, in order to provide our citizens with the qualifications and experience they need to lead and manage the desired development of an oil industry.

According to the strategy approved in 2011, the “back bone of the Timor-Leste oil industry will consist of three industrial hubs to be deployed on the south coast, namely: a cluster of supply platform in Suai, the cluster of the Betano refinery and petrochemical industry and a cluster of the Beaçõ LPG plant

The viability of the installation and operations of the future cluster of the Beaçõ LPG installation is, to a large extent, dependent on its connection to the natural gas pipeline extracted from the Greater Sunrise fields.

Over the past few years, the resistance of some of the companies that hold exploration rights in the Greater Sunrise fields became public, opposing the connection of these fields, via a gas pipeline, to the south coast of Timor-Leste, namely Beaçõ. After prolonged negotiations, the Timorese State was able to reach an agreement with one of the companies holding exploration rights in the Greater Sunrise fields to participate in the exploration operations of this field.

The agreement reached by the State and referred to above was a good opportunity to update the legal framework for State participation in oil operations, established in Article 22 of Law No. 13/2005, of 2 September.

The legislative amendment approved by this law aims to make it clear that the participation of the State, public legal persons and any other legal persons wholly owned or controlled by them are not limited to a maximum 20% participation when such participation is based on a commercial transaction, or an award under the law.

This law also introduces an exception to the prior inspection regime of the Chamber of Accounts of the Superior Administrative, Tax and Audit Court, exempting any prior contracts related to the acquisition of rights, for the State or for any another public legal person, including entities of a commercial nature created by them, to participate in petroleum operations.

The exception now introduced to the prior inspection regime of the Chamber of Accounts of the Superior Administrative, Tax and Audit Court is justified by the nature of the contracts to be concluded with a view to the acquisition of exploration rights.

The National Parliament decrees, under the terms of paragraph 1 of article 95 of the Constitution of the Republic, to be enforced as law, the following:

Purpose

Article 2

Articles 2 and 22 of Law no. 13/2005, of 2 September, are replaced by the following:

[illegible]

2

Article 22

Participation of the State and other public bodies in Petroleum Operations

1. The decision regarding the participation of Timor-Leste or other Timorese public legal persons, including through entities wholly owned or controlled by them, in Petroleum Operations is approved by the Council of Ministers, which may delegate this competence to the Prime Minister.
2. This Law applies to the Contractor by the State in the same terms as it applies to any other Contractor, with the necessary adaptations.
3. Each Authorization shall provide for the right of Timor-Leste or any other public Timorese legal person, including entities wholly owned or controlled by them, to participate in Petroleum Operations, up to a maximum share of twenty percent (20%) of the patrimony.
4. The limit of twenty percent (20%), provided for in the preceding paragraph, is not applicable to cases where the participation of Timor-Leste or any other Timorese public legal person, including entities wholly owned or controlled by them, is resulting from a commercial transaction or award under the law.
5. The participation of Timor-Leste or any other Timorese public legal person or entities wholly owned or controlled by them, can take place at any stage of Petroleum Operations, in accordance with the terms and conditions to be established by contract.
6. The Petroleum Fund can be applied directly in Petroleum Operations, in national territory or abroad, through the conclusion of commercial transactions, through Timor Gap, EP, under the terms of paragraph 4 of article 15 of Law No. 9/2005, of 3 August, republished by Law No. 12/2011, of 28 September.
7. Contracts for the purchase and sale, acquisition, assignment, transfer, re-transfer, novation, merger, encumbrance or any other legal business entered into or payments made by Timor-Leste or by any other Timorese public legal person, including through wholly owned entities or controlled by them, intended to allow the participation of Timor-Leste, any other public Timorese legal person, including through entities wholly owned or controlled by them, or the Petroleum Fund, in Petroleum Operations and, as well, for the conduct of these, they are not subject to prior inspection by the Chamber of Accounts of the Superior Administrative, Tax and Audit Court. »

Article 3

Entry into force and taking effect

This law enters into force on the day following its publication and takes effect from September 27, 2018.

Approved on January 10, 2019.

The President of the National Parliament,

Aaron Noah of Jesus of Costa Amaral

Enacted on January 17, 2019.

Be it published.

The President of the Republic,

Francisco Guterres Lú Olo