

Bayu Undan revenue and production issues

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1. Although the Bayu Undan tax revenue is publicly reported, neither ConocoPhillips nor the Timor Sea Joint Authority report detailed and reliable production figures. However, from the sustained cross examination of available data reported by third parties, this writer was able to find that the valuation of natural gas at Bayu Undan has been for the last 10 years lower than expected, while the valuation of condensate and LPG was consistent with market prices. The discrepancies add up to quite a large amount.
2. ConocoPhillips does not disclose production statistics, nor how much natural gas is used to power the Bayu Undan field infrastructure and the Wickham Point LNG plant. It could be that the company is not keen on revealing the energy efficiency of its proprietary process in place at Wickham Point. The only way for this writer to infer the production efficiency was to compare production and export volumes, although the figures obtained could be tainted by the Blacktip operations (see point 8 below). The knowledge of production efficiency is critical for the valuation of the natural gas production.
3. The writer of this paper was given access to the ANP accounts by its president in 2011/2012, but experienced a definite and stubborn resistance by the officers in charge against his obtaining any reliable information, after he realized that the accounts were in quite a state of confusion.
4. Although production figures are theoretically in the public domain, according to East Timorese law and well-advertised official declarations, such is far from being the case. East Timor vaunts the utter transparency of her oil and gas transactions but the analysis of the rare documents published by the Government contradicts any claim to transparency.
5. In 2012, this writer's attorney contacted the Australian Ministry in charge of petroleum production to obtain reliable production figures, since the data available from the ANP was deeply flawed, but found that the Australian Ministry was not privy to production figures at Bayu Undan. The Ministry's representative alleged that only ANP was in charge of overseeing actual production figures, which was surprising considering that ConocoPhillips had paid Australia at the time more than one billion dollars in taxes, apparently without oversight by the Ministry.

6. The Ministry's representative flew to Dili a few days later, coincidentally or not, and, according to Amelia Pires' statement in the ABC 'Four Corners' presentation of October 1st, 2012, personally called on Amelia Pires, inquiring about production figures. Ms. Pires remarked in the ABC presentation that she did not understand the reason for the visit.
7. A couple of weeks later, all production figures were removed from the ANP website, although a few months later global oil-equivalent figures were introduced. These are difficult to check and do not allow for any detailed analysis of production product by product.
8. A pipeline was built from the Wickham Point LNG plant to the Weddell power station near Darwin, in the Northern Territory. The natural gas fired Weddell power station officially draws its fuel from the Blacktip gas and condensate field, operated by ENI, through the Wadeye to Ban Ban Springs pipeline and then the Amadeus pipeline. The exact purpose of the Wickham Point to Weddell pipeline is unclear, whether it is meant only to enable Bayu Undan to relieve Blacktip whenever production decreases or stops at the latter field (figures are not published), or to liquefy part of the Blacktip production, as the discrepancy between production at Blacktip and consumption at Weddell could possibly imply. ENI owns 11.4% of Bayu Undan.
9. When in 2012 Amelia Pires, then Finance Minister, Alfredo Pires, Petroleum Minister, and their lawyer, Ambassador Pierre-Richard Prosper, publicly accused ConocoPhillips in the ABC presentation of having stolen billions of dollars from East Timor, they probably meant millions only, as has been abundantly demonstrated since. Their claim was related to a so-called helium scam at Wickham Point, which this writer investigated and found quite devoid of merit, to pipeline taxes, which are still claimed despite the quite clear Article 8 of the Timor Sea Treaty, and to the recovery of asset expenditure. These items add up to millions, not billions. The billion dollar figure has long since been abandoned.
10. East Timor's public accusations explicitly implied cheating on the part of ConocoPhillips, which in the opinion of this writer was quite improbable, if only because of the potentially dramatic implications for the company in the U.S. and Australia. East Timor recently lost a tax case first in Dili and then in Singapore about the recovery of expenses, but is still fighting about the pipeline tax.
11. One of the possible explanations for the apparent discrepancy in the natural gas valuation is that the Bayu Undan contract allows ConocoPhillips to value the gas for payments to the Governments of East Timor and Australia at the field export point, whereas the Wickham Point LNG plant seems to have been fully recovered for tax purposes, as per a comparison of production and financial data over the last 12 years.

12. While it appears that production figures at Bayu Undan are veiled in a cloak of secrecy, it is unclear why such information should not be disclosed, especially after all parties vaunted transparency so extensively. This writer's reservations about production valuation are either legitimate or imaginary, but only the thorough analysis of reliable and certified figures and the disclosure of the terms of the contract could tell which of the options is correct.