

framework regulating the financial administration of autonomous self-financed institutions, the object of which is to act as the regulatory authority for the petroleum and gas and related products industry, in accordance with the provisions of the Petroleum Activities Law, Petroleum Mining Code and Timor Sea Treaty, and this Decree-Law.

2. The regulatory powers of the NPA are restricted to the regulated sector and to setting technical and operational standards and administrative requirements or to regulating non-compliance with such standards and requirements, in accordance with enacted legislation.

3. In matters relating to the Joint Petroleum Development Area (JPDA), this Decree Law shall be interpreted and applied consistently with the Timor Sea Treaty, the Sunrise International Unitization Agreement (IUA) and the Treaty on Certain Maritime Arrangements in the Timor Sea (CMATS).

Article 2. Supervision and Control

1. Without prejudice to its administrative and financial autonomy, the NPA shall operate under the supervision of the member of the Government responsible for oil-related matters, and the following shall be submitted for his/her approval:

- a) The annual activities plan and budget;
- b) The activities report and the budgetary implementation report.

2. The member of the Government under whose supervision NPA operates may request at any time that the institution be subject to external audits.

CHAPTER II. POWERS AND FUNCTIONS

Article 3. Powers and Functions

1. The NPA shall be responsible for the regulation, contracting, supervision and control

6. In all modalities of petroleum activities, the NPA shall determine and implement regulations and administrative decisions requiring specified levels of national contribution to the petroleum sector, as well as maximal use by the petroleum industry of the national installed capacity in goods and services.

7. The NPA shall ensure compliance with public health standards and environmental legislation and/or subsidiary regulations in all petroleum operations, as well as good environmental practices by minimising discharges and emissions.

8. In matters relating exclusively to the Joint Petroleum Development Area (JPDA) established by the Timor Sea Treaty, the NPA, as Designated Authority, shall be answerable to the Joint Commission and shall exercise the regulatory powers that were conferred upon it as manager/administrator of petroleum operations.

9. The powers and functions of the NPA, in its capacity as Designated Authority for the purpose of the Treaty, shall include:

(a) day-to-day management and overall regulation of petroleum activities in accordance with the Timor Sea Treaty and any instruments adopted or ratified under the Treaty;

(b) the preparation of the annual estimates of income and expenditure of the NPA that are strictly related to activities and operations in, or connected to the Joint Petroleum Development Area (JPDA) for submission to the Joint Commission;

(c) the preparation of annual reports to be submitted to the Joint Commission;

(d) requesting the assistance of the appropriate Australian and Timorese authorities in the joint exploration area, consistent with the Timor Sea Treaty

i. for search and rescue operations in the JPDA;

ii. in the event of a terrorist threat to the ships and structures involved in the petroleum operations in the JPDA; and

iii. for air traffic services in the JPDA;

(e) requesting the assistance of the appropriate Australian and Timorese authorities, or other bodies or persons, in connection with anti-pollution preventive measures, including the requisition of equipment and support or the activation of emergency procedures;

(f) establishing of safety zones and restricted access zones, consistent with international law, in order to ensure the safety of navigation and petroleum operations;

(g) controlling movements into within and out of the JPDA of vessels, aircraft and structures and other equipment employed in exploration for and exploitation of petroleum resources in a manner consistent with international law;

(h) subject to the customs, quarantine (public health) and migration (aliens and borders) provisions of the Timor Sea Treaty, authorise access to the JPDA by employees of contractors and by their subcontractors, and other persons;

(i) issuing regulations, directives or instructions to operators, in accordance with the Timor Sea Treaty, on all matters related to the supervision and control of petroleum activities, including on public health, labour, safety of persons and property, environmental protection and assessment and best practices, pursuant to the Petroleum Mining Code applicable to the JPDA;

(j) exercising such other powers and functions as may be identified in Annexes to the Timor Sea Treaty.

Article 4. Powers and Prerogatives of the Administrative Authority (*jus imperi*)

1. The NPA shall be vested and exercise State powers and prerogatives in order to comply with its regulatory and supervisory functions, which are limited to:

a) the supervision of facilities, equipment and documents of entities operating in the petroleum, natural gas and derivatives industry/regulated sector;

b) the collection of the tariffs (public prices) and services charges due as a consequence of its regulatory and supervisory activity;

c) within the limits of the Constitution and general law, and exclusively in what concerns the regulated sector, the coercive enforcement of its administrative decisions by requesting the intervention of other administrative or police authorities if necessary;

d) the imposition of administrative sanctions to operators, or the direct execution of penalties provided for in contracts whenever a breach of normative or contractual obligations occurs including, but not restricted to, immediate termination of all exploitation-related activities or, with regards to the exploration and exploitation equipment, their sealing for a fixed period.

2. The NPA shall issue, in the exercise of its regulatory powers, regulations, orders, decisions, and other administrative acts, in accordance with the law, and subject to the approval of the Council of Ministers, in the following cases:

applicable legislation or provisions included in a contract shall be entitled to make

e) commission an annual external audit of the institution, or pursuant to number 2 of article 2.

Article 9. Proceedings of the Board of Directors

1. The Board of Directors shall meet ordinarily once a month and extraordinarily whenever convened by its Chairperson or at the request of its other members or the Single Auditor.

2. Whenever consensus is unattainable the Board of Directors shall deliberate by using the simple majority rule and the Chairperson will have the power to exercise his/her casting vote.

Article 10. President of the NPA/Chairperson of the Board of Directors

1. The President of the NPA is the executive organ of the NPA in charge of day-today management and administration of the organisation.

2. The President of NPA shall be the chairperson of the Board of Directors *ex officio*.

3. The President of the NPA will be assisted by executive directors to help him/her in carrying out his/her duties.

4 The President of the NPA shall establish a Management Committee which will consist of all executive directors.

5. The position of President of the NPA is entrusted by the Government, who appoints him/her. The President's contractual obligations are then regulated under a contract of mandate. In his/her capacity as a public manager, the President of the NPA, can have his/her mandate revoked by the Government at any time.

6 For the purpose of the paragraph 10.4 above, the Government can only revoke the mandate on grounds of serious failure to fulfil his/her obligations, gross negligence or a negative evaluation of his/her management performance.

Article 11. Powers and Functions of the President of the NPA/Chairperson of the Board of Directors

The President of the NPA/Chairperson of the Board of Directors shall:

a) represent the NPA in court or other legal proceedings;

b) after seeking the non-binding views of the Joint Commission, appoint an executive director with exclusive responsibility for JPDA matters;

- c) after competitive procurement of positions of Director, appoint the executive Directors of the NPA, notwithstanding the transitional one-year provisions under article 31 of this Decree-Law;
- d) head and supervise the day-to-day operations of the NPA, including the approval of any instructions;
- e) chair all meetings of the Board of Directors and Management Committee and ensure proper implementation of all deliberations and decisions;
- f) coordinate the activities of the Board and the Executive Directors, including allocation of responsibilities to its members, and ensure hierarchical compliance with decisions taken;

2. The functions of the Single Auditor are without prejudice to the appointment of external auditors under the Timor Sea Treaty exclusively for the purposes of that treaty.

granted in the exercise of NPA's powers;

The NPA will enter into Contracts/Agreements for the exploitation, development and production of petroleum and natural gas in areas under exclusive jurisdiction of Timor-Leste in accordance with the Petroleum Activities Law and its subsidiary regulations, and in JPDA areas in accordance with the Petroleum Mining Code .

CHAPTER VI. REFINING OF PETROLEUM AND PROCESSING OF NATURAL GAS

Article 22. Submission of Bids

1. Any undertaking or consortium, which complies with the legal requirements and regulations may submit bids to the NPA for the construction and operation of petroleum refineries, or of its products, natural gas processing and stocking units, as well as for expanding the capacity thereof.
2. The NPA shall establish technical, commercial and socio-economic requirements, such as the level of local employment creation and of purchase/use of local goods and services, that shall be mandatory for bidders; and project requirements in terms of environmental quality and protection, industrial safety and the safety of the public at large.
3. The provisions of the preceding number having been complied with, the NPA shall grant an authorisation.
4. Authorisations may be transferred to third parties with prior express approval of the NPA, provided that the new holder of the authorisation complies with the requirements given.

CHAPTER VII. TRANSPORT OF PETROLEUM, NATURAL GAS AND THEIR DERIVATIVES

Article 23. Transport Authorisations

1. Provided that the provisions of the relevant laws are complied with, any undertakings or consortium of undertakings, which comply with the legal requirements and regulations may be granted permission by the NPA to construct facilities/infrastructures or to effect any form of transport of petroleum, petroleum products or natural gas, whether for domestic supply or import-export.
2. The NPA shall approve rules regarding qualification and approval of interested parties and conditions for the granting of authorisation and for the transfer thereof, in accordance with environmental protection and traffic safety requirements.

Article 24. Use of Pipelines

1. The NPA shall promote an optimal and efficient use of the oil infrastructure, in particular pipelines, terminals and communications infrastructures, encouraging the

Article 27. Legislative Changes

Proposed new legislation or amendments to existing legislation which affect the rights of economic agents or of consumers and users of goods and services of the petroleum

NPA. In particular, such procedures shall abide by the principles of transparency, fair competition, non-discrimination, quality and economic value (cost-based).

Article 32 Entry into force

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This Decree-Law shall come into force on the day following its publication in the Official Gazette, without prejudice to the provisions referred to in article 26, paragraph 2, 3 and 4 of this Decree-Law which will come into effect as from July, 1.

Approved by the Council of Ministers, on the 18 June 2008.

The Prime Minister,

Kay Rala Xanana Gusmão

The Minister of Finance,

Emilia Pires

Promulgated on 19/6/08,

To be published.

The President of the Democratic Republic of Timor-Leste,

Jose Ramos Horta