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OIL & GAS IN TIMOR-LESTE

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MESSAGE FROM THE MINISTER OF PETROLEUM AND MINERAL RESOURCES OF TIMOR-LESTE



MINISTÉRIO DO
PETRÓLEO
E RECURSOS MINERAIS

The oil and gas sector has been a cornerstone of the Democratic Republic of Timor-Leste's economic and institutional development since the restoration of independence. Petroleum resources have underpinned fiscal stability, enabled public investment, and supported the establishment of key national institutions, while shaping the country's long-term development strategy.

Timor-Leste is now at a pivotal moment in the evolution of its energy sector. Strategic projects such as Greater Sunrise and Chuditch are central to sustaining petroleum revenues, strengthening energy security and creating opportunities for infrastructure development, local participation and capacity building.

The Government remains firmly committed to the responsible management of its petroleum resources, guided by principles of transparency, accountability and sustainability. Timor-Leste continues to uphold international best practices, including full adherence to the Extractive Industries Transparency Initiative (EITI), while pursuing ongoing reforms aimed at enhancing regulatory certainty, institutional effectiveness and investor confidence across both

upstream and downstream activities. The accession to ASEAN also marks a historic milestone in its regional integration and reinforces Timor-Leste's strategic positioning within the Asia-Pacific energy landscape. While welcoming constructive international partnerships, the State remains guided by the principle that the development of petroleum resources must contribute to sustainable national development and intergenerational equity.

This guide provides a clear and practical overview of the legal and regulatory landscape governing oil and gas activities in Timor-Leste. The Ministry welcomes initiatives that contribute to informed engagement with the sector, and supports initiatives that promote clarity, institutional credibility and alignment between investment activity and the country's sovereign development objectives. Through such partnerships, Timor-Leste seeks to ensure that the development of its petroleum resources continues to support sustainable economic growth and delivers lasting benefits for present and future generations.

Francisco da Costa Monteiro

OVERVIEW OF TIMOR-LESTE'S OIL & GAS MARKET

Since its restoration of independence on 20 May 2002, the Democratic Republic of Timor-Leste has demonstrated remarkable resilience in its pursuit of economic development. Over the past two decades, it has established itself as one of the more stable and democratic jurisdictions in Southeast Asia, notwithstanding structural economic vulnerabilities.

Timor-Leste is on an economic growth path, with GDP increasing by 3.9% in 2025, positioning it as one of the fastest-growing economies in the Asia-Pacific region.

THE STRATEGIC LOCATION OF TIMOR-LESTE DUE TO ITS PROXIMITY TO MAJOR SHIPPING LANES AND ITS POSITION BETWEEN THE INDIAN AND PACIFIC OCEAN PLACES THE COUNTRY ALONG CRITICAL MARITIME ROUTES FREQUENTLY USED FOR THE TRANSPORTATION OF GOODS BETWEEN AUSTRALIA, SOUTHEAST ASIA, AND GLOBAL MARKETS.

A major strategic development occurred in 2025, when Timor-Leste formally acceded to the Association of Southeast Asian Nations (ASEAN) as its 11th Member State. ASEAN is projected to become the world's fourth-largest economic bloc by 2030, with a combined GDP expected to exceed USD 4.5 trillion. Membership provides Timor-Leste with enhanced regional integration, improved market access, and the potential to attract increased foreign direct investment under ASEAN's trade and investment frameworks.

Due to their geographical positions, Timor-Leste and Australia share a multifaceted relationship characterised by close political and trade ties, underpinned by geographical proximity and a shared history. Furthermore, with the ASEAN region, and the increasing demand in Australia, Timor-Leste has the potential to develop into a key logistical hub within the region with increasing possibilities for the export of oil and gas to the rest of the world, positioning Timor-Leste as a key player in the global energy market.



From an oil and gas perspective, ASEAN accession strengthens Timor-Leste's positioning as a prospective regional LNG supplier, particularly as Southeast Asia faces rising natural gas demand driven by energy transition policies and coal-to-gas switching strategies. In combination with sustained Australian demand and broader Indo-Pacific energy security considerations, Timor-Leste has the potential – subject to final investment decisions and infrastructure development – to emerge as a strategically relevant gas exporter within the region.

Notwithstanding these opportunities, the sector faces material challenges, including financing requirements for downstream infrastructure, technical and commercial structuring of the Greater Sunrise development, and the broader imperative of economic diversification beyond hydrocarbons.

IMPORTANCE OF OIL & GAS IN TIMOR-LESTE

TIMOR-LESTE IS ONE OF THE MOST PETROLEUM-DEPENDENT COUNTRIES IN THE WORLD. THE OIL & GAS SECTOR HAS BEEN THE CORNERSTONE OF TIMOR-LESTE'S ECONOMIC GROWTH SINCE ITS INCEPTION AS A FREE NATION.

This sector has consistently accounted for over 80% of the country's internal revenues, significantly contributing to government revenues and exports, having, however, experienced a recent decline due to the nearing depletion of production from the Bayu-Undan field.

In contrast, due to underdeveloped and volatile productive sectors and weak private sectors, non-oil sectors still contribute minimally to Timor-Leste's economy, with coffee accounting for around 85% to 90% of the country's annual non-oil merchandise exports.

Greater Sunrise

GDP COMING FROM OIL & GAS IS MOST LIKELY TO INCREASE OVER THE COURSE OF THE NEXT FEW YEARS

+ \$ 33 bn

(USD)

Estimated amount worth of gas

Timor-Leste's governments have largely looked to the development of the Greater Sunrise (further detailed below) liquefied natural gas field as the country's economic saviour.





PETROLEUM FUND

The Petroleum Fund of Timor-Leste, established in 2005, serves as a sovereign wealth fund designed to manage the nation's petroleum revenues in a prudent manner. The Petroleum Fund is also a tool that contributes to sound fiscal policy, where appropriate consideration and weight is given to the long-term interest of Timor-Leste's citizens.

THE PRIMARY PURPOSE OF THE PETROLEUM FUND IS TO ENSURE THAT THE WEALTH GENERATED FROM THE COUNTRY'S OIL & GAS RESOURCES BENEFITS BOTH CURRENT AND FUTURE GENERATIONS BY SEPARATING PETROLEUM REVENUE INFLOWS FROM GOVERNMENT SPENDING, PROMOTING FINANCIAL STABILITY AND SUSTAINABLE DEVELOPMENT THAT ALLOWS FOR THEIR INVESTMENT BOTH ONSHORE AND OFFSHORE, AND ITS GRADUAL TRANSFER TO FINANCE THE STATE BUDGET.

These transfers are guided by the estimated sustainable income, a benchmark set at 3% of the total petroleum wealth, representing the amount that can be withdrawn annually without depleting the fund's long-term value. This mechanism aims to balance immediate development needs with the preservation of wealth for future generations.

\$ 18.95 bn

(USD)

Fund's value, as of September 2025, underscoring its role as a critical financial pillar for the nation.

OIL & GAS FUTURE DEVELOPMENTS IN TIMOR-LESTE

Timor-Leste's IX Constitutional Government Program contains several references to the Oil & Gas sector where it recognises the existence of substantial unexplored resources in the country and in particular of natural gas in the Timor Sea.

The utilisation of natural gas for electricity generation presents an opportunity for the country to adopt a more cost-effective and environmentally less impactful fuel compared to liquid alternatives and to introduce diversity in the electricity mix of the country, which to this day is composed of 100% oil sources.

Following the ratification of the Maritime Boundary Treaty between Timor-Leste and Australia, Timor-Leste's government has engaged in negotiations with companies in the Oil & Gas sector regarding the development of the Greater Sunrise field. A key objective is to secure the establishment of gas processing facilities along Timor-Leste's South Coast. In this regard, the Timor-Leste's government intends to conduct comprehensive feasibility and sustainability assessments on the use of natural gas for electricity production, striving to reduce energy costs while addressing environmental considerations.

EITI

In 2008, as a measure to attract foreign investment to the country, Timor-Leste's government committed to the Extractive Industries Transparency Initiative (EITI) to promote transparency and accountability in its extractive industries.

In 2023, the EITI Board concluded that the implementation of the EITI standard by Timor-Leste had provided good results in terms of transparency. To further improve its EITI standards, Timor-Leste aims to address important governance issues in the use of the Petroleum Fund and align it with national priorities by enhancing systematic disclosures of extractive industry data and expanding reporting to cover subcontractors in the Oil & Gas industry.

By strengthening the EITI process, Timor-Leste aims to reinforce public trust in the management of its extractive resources aimed at sustainable economic development.



TIMOR-LESTE'S IX CONSTITUTIONAL GOVERNMENT PROGRAM HAS ESTABLISHED AS ONE OF ITS PRIORITIES THE IMPLEMENTATION OF SEVERAL MEASURES DESIGNED TO FOSTER INVESTMENT IN THIS SECTOR, WHICH INCLUDE:

DEVELOPMENT OF NEW PROJECTS such as the Greater Sunrise gas field, to replace the declining production from mature fields like Bayu-Undan

INVESTMENT IN INFRASTRUCTURE, to enhance infrastructure to support Oil & Gas operations, including port facilities, transportation networks, and storage capabilities

STRENGTHENING REGULATORY FRAMEWORK, by updating laws and regulations to attract foreign investment and ensure a sustainable development of Oil & Gas resources

CAPACITY BUILDING, by investing in training and education programs to develop a skilled workforce capable of supporting the oil and gas industry



LEGAL AND REGULATORY FRAMEWORK | KEY TOPICS

UPSTREAM PETROLEUM OPERATIONS

The legal regime for the prospecting, exploration, development, production and sale of petroleum is set out in [Law no. 13/2005, of 2 September](#) (as amended) (Petroleum Law).

Upstream petroleum operations are further governed by [Decree-Law no. 18/2020, of 13 May](#), and [Decree-Law no. 32/2016, of 17 August](#), on, respectively, onshore and offshore petroleum operations.

Participation of Timor-Leste in Petroleum Operations

UNDER THE PETROLEUM LAW, THE GOVERNMENT MAY DECIDE ON THE PARTICIPATION OF TIMOR-LESTE, OR OF ANY TIMOR-LESTE PUBLIC ENTITY, IN PETROLEUM OPERATIONS, REGARDLESS OF THEIR DEVELOPMENT STAGE.

The National Oil Company is Timor Gap, which is authorised to act on behalf of the Timor-Leste State in conducting business within the petroleum and gas sectors.

In such case, Timor-Leste would have the right to hold a participation of up to 20% in the petroleum operations, except in cases where the participation of Timor-Leste results total or partially of a commercial transaction or an adjudication under the law.

Pursuant to Petroleum Law, Timor-Leste's participation in exploration and development costs is to be carried by the other participants in the project, such carrying to be repaid through cost recovery mechanisms applicable after petroleum production commences.

Timor-Leste is entitled to retain ownership of all data and information, whether raw, derived, processed, interpreted or analysed, obtained under petroleum operations.

Main Titles and Authorisations

PETROLEUM LAW PROVIDES FOR THE FOLLOWING TYPES OF PETROLEUM OPERATIONS AUTHORISATIONS:

Prospection Authorisation

A Prospection Authorisation grants its holder the right to carry out geological, geophysical, geochemical and geotechnical surveys in a designated area.

The authorisation holder has the obligation to communicate to the National Petroleum Authority (*Autoridade Nacional do Petróleo*) (ANP) any progress and results that it obtains in its prospection activities and maintain confidentiality over the same.

Such authorisation does not grant its holder the right to drill a well nor any preferential right to enter into a Petroleum Contract.

Petroleum Contract

A Petroleum Contract may be entered into for the granting of exclusive rights on the carrying out of petroleum operations, including exploration, development and production, in a designated area.

In order to be eligible to enter into a Petroleum Contract, the relevant entity is required to:

- have financial and technical capabilities and know-how to conduct petroleum operations
- have good corporate citizenship
- be incorporated as an entity with limited liability.

Access Authorisation

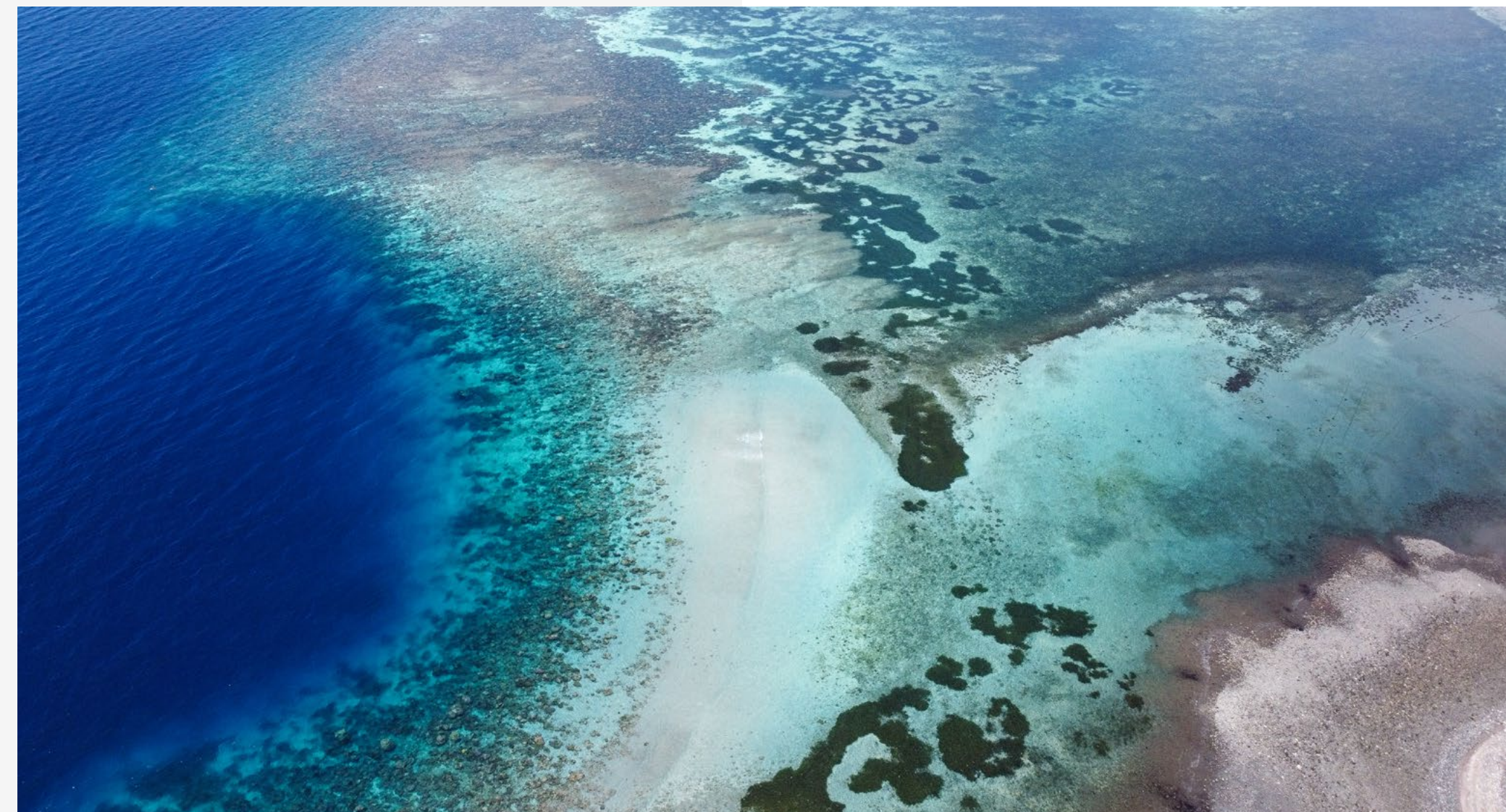
An Access Authorisation grants its holder the right to build, install and operate facilities in a designated area.

If an Access Authorisation is requested in respect of an area subject to a Petroleum Contract, a Prospection Authorisation or a Percolation Use Authorisation (as defined below), holders of such titles shall be consulted to ensure that the Access Authorisation does not conflict with the rights granted under such other titles.

Percolation Use Authorisation

A Percolation Use Authorisation grants its holder the exclusive right to explore a percolation in a designated area. Such authorisation may only be granted if (i)

the relevant area has already been subject to a Petroleum Contract, (ii) exploration activities have been conducted under such Petroleum Contract without a commercial discovery having been declared; and (iii) the contractor under the Petroleum Contract has definitively abandoned the area.



Local Content

A person authorised to conduct petroleum operations shall publicly invite and pre-qualify Timor-Leste local entities for the carrying out of its activities under the relevant authorisations.

Notwithstanding, the Ministry of Petroleum and Natural Resources or ANP may grant exemptions from requirements provided for in the petroleum operations authorisations.

DOWNSTREAM ACTIVITIES

Activities within the downstream segment in the Oil & Gas sector are regulated under [Decree-Law no. 01/2012, of 1 February](#) (Downstream Law).

Scope

The Downstream Law governs the activities that are downstream the exploration and production of crude oil and natural gas (to the extent that it does not affect any deposit), as well as the raw materials for the production of biofuels or other forms of alternative fuels, namely supply, processing, transportation, storage, commercialisation and marketing, which are to be carried out separately from exploration and production operations.

Downstream activities are subject to licensing by ANP and benefit from general access rights by economic agents, non-discrimination between licensees, and the universal and stable availability of fuels and lubricants.

Such regulation also aims to ensure compliance with technical quality specifications, environmental protection regulations, and imposes personal and financial liability for violations.



Key principles

DOWNSTREAM LAW ESTABLISHES, *INTER ALIA*, THE FOLLOWING KEY FEATURES IN THE REGULATION OF THIS SECTOR:

VALIDITY OF LICENCES FROM ONE TO 30 YEARS, which may be renewed upon request if the licensee meets all legal requirements

PROMOTION OF PARTICIPATION OF TIMOR-LESTE ENTITIES

FINANCIAL AND TECHNICAL CAPACITY of the licensee

COMPLIANCE WITH ENVIRONMENTAL AND SAFETY REGULATIONS

PRINCIPLES OF NEUTRALITY, TRANSPARENCY, AND FAIR COMPETITION in carrying out downstream activities



REGULATORY ENTITY

ANP is the entity responsible for issuing and granting authorisations under the Petroleum Law, as well as supervising compliance with its terms in Timor-Leste.

Its mission encompasses overseeing both offshore and onshore petroleum operations, as well as managing resources within specific project regimes, ensuring that petroleum resources contribute to Timor-Leste's sustainable development, as provided in [Decree Law No. 62/2023, of 6 September](#).

Beyond regulatory functions, ANP actively engages in initiatives aimed at enhancing sector transparency and fostering international collaboration and plays a pivotal role in international dialogues concerning energy and resource management.

ANP also holds the authority to supervise and regulate the downstream sector, including licensing legal entities, monitoring legal compliance, conducting inspections, and imposing financial penalties, maintaining a central register of all downstream infrastructures and advising the Government on fuel management, pricing policies, and emergency measures.

MAIN PROJECTS UNDER DEVELOPMENT

GREATER SUNRISE

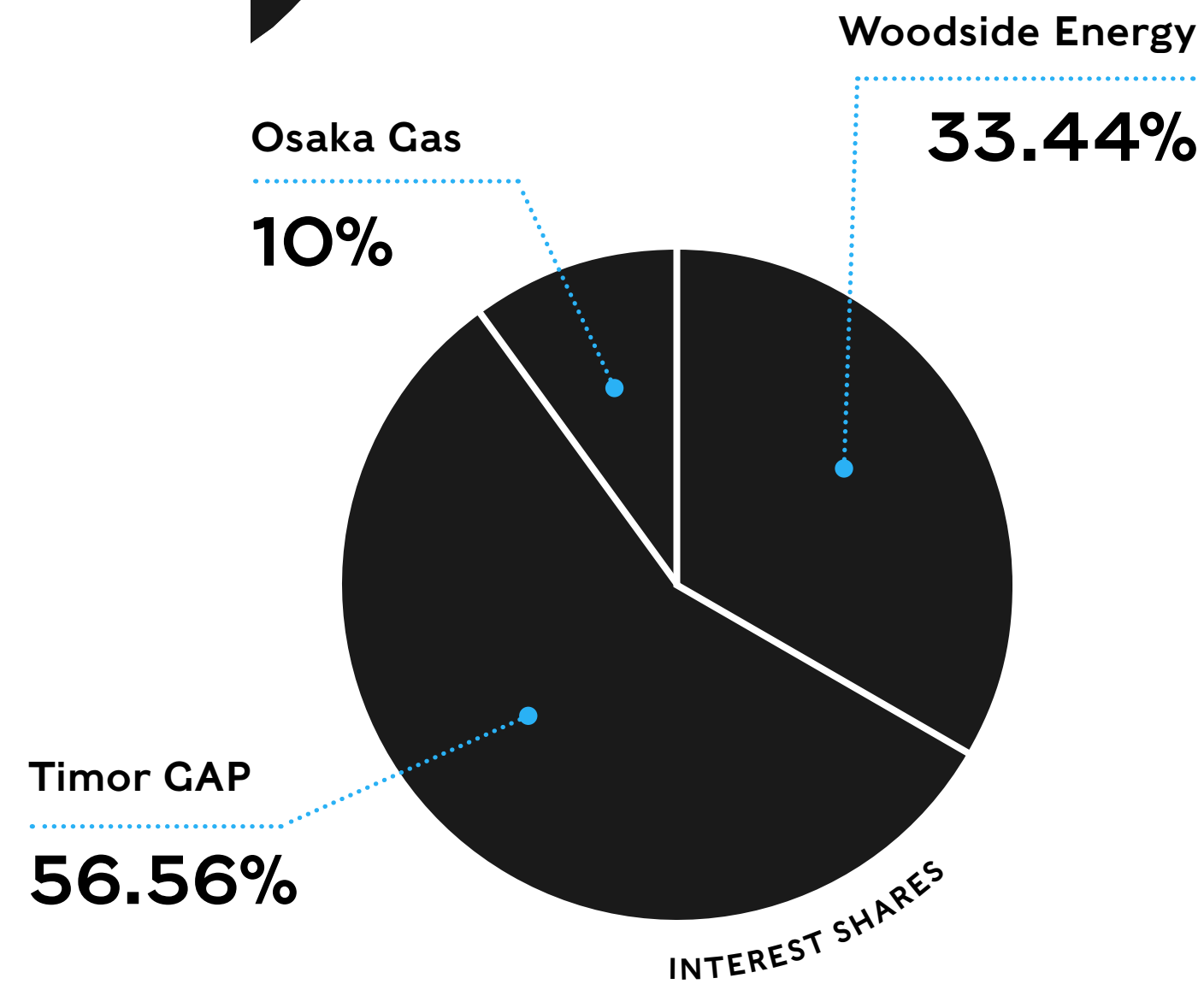
The development of Greater Sunrise has been a focal point of negotiations between Timor-Leste and Australia. In November 2024, Timor-Leste and Australia finalised a landmark agreement, resolving long-standing issues that had delayed the development of the Greater Sunrise gas field for decades. This pivotal deal establishes a collaborative framework between the two nations and addresses key decisions crucial for the project's advancement.

The recent agreement between Timor-Leste and Australia revises the revenue-sharing model for the Greater Sunrise gas project, granting Timor-Leste a larger share of the profits. This adjustment reflects the gas field's proximity to Timor-Leste's shores and aims to significantly enhance the country's economy. The increased allocation is expected to reduce Timor-Leste's dependence on revenues from the diminishing Bayu-Undan field, offering a sustainable financial base for future development. Additionally, the agreement tackles the long-standing issue of gas processing location. Timor-Leste has consistently advocated for processing on its own territory to maximise local benefits, including infrastructure development and job creation, while Australia has

supported processing in Darwin due to its existing infrastructure.

The agreement also establishes a joint management framework to ensure comprehensive oversight of the Greater Sunrise project. This framework addresses regulatory, environmental, and technical challenges while fostering cooperation between the two nations in line with international standards. It reflects a shared commitment to sustainable resource development. The deal aims to safeguard regional stability and mitigate external influences, positioning both Timor-Leste and Australia to strengthen their roles in the APAC energy sector and align the project with their broader economic and geopolitical ambitions.

Timor Leste's export earnings are expected to significantly improve if the commissioning of the Greater Sunrise project is successful.



Greater Sunrise gas field

The Greater Sunrise gas field, located in the Timor Sea approximately 450 km northwest of Darwin and 150 km south of Timor-Leste, comprises the Sunrise and Troubadour fields. Discovered in 1974, it holds estimated resources of 5.13 trillion cubic feet of gas and 225.9 million barrels of condensate – which represents one of the region's most significant untapped natural resource reserves.

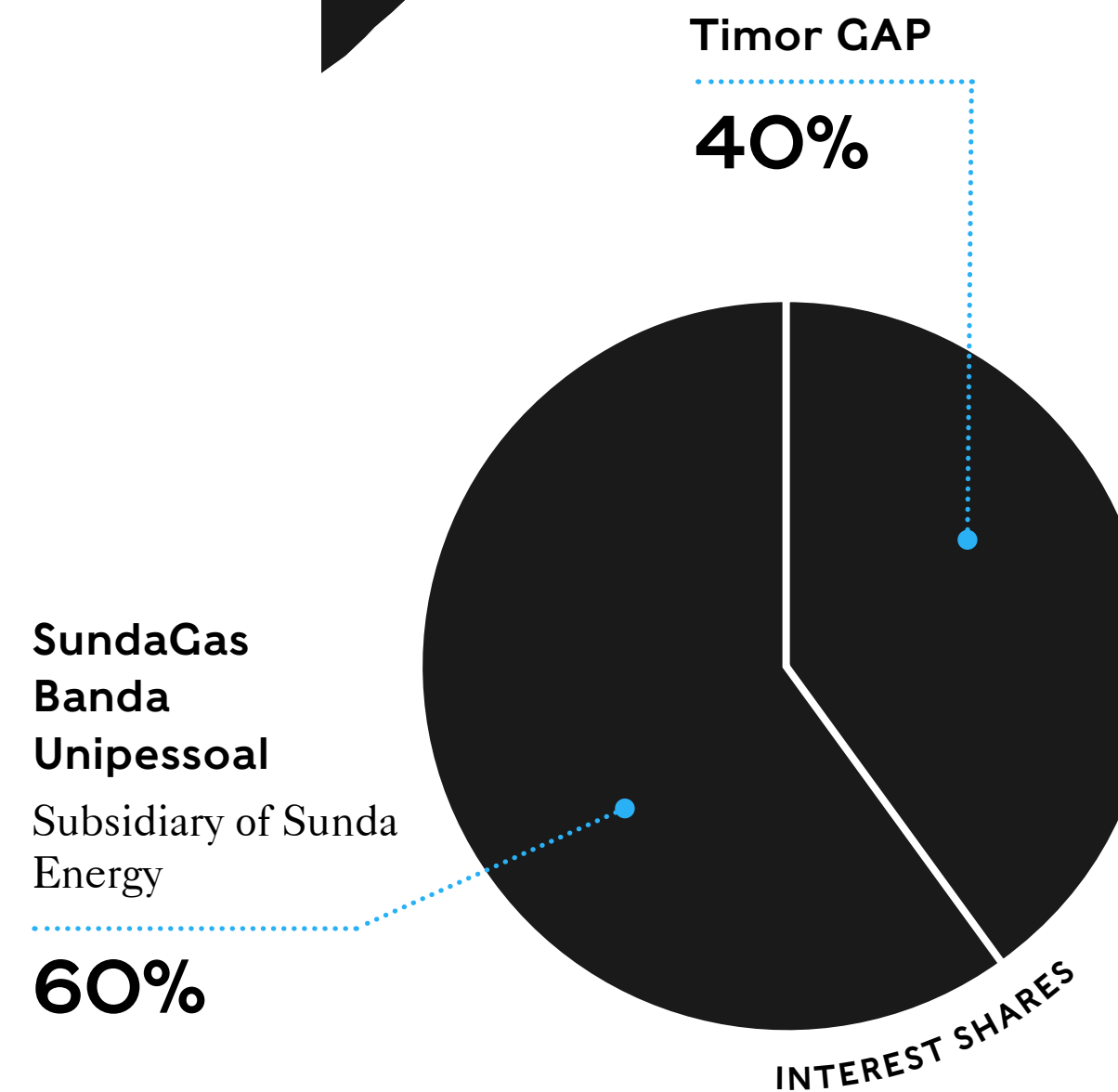
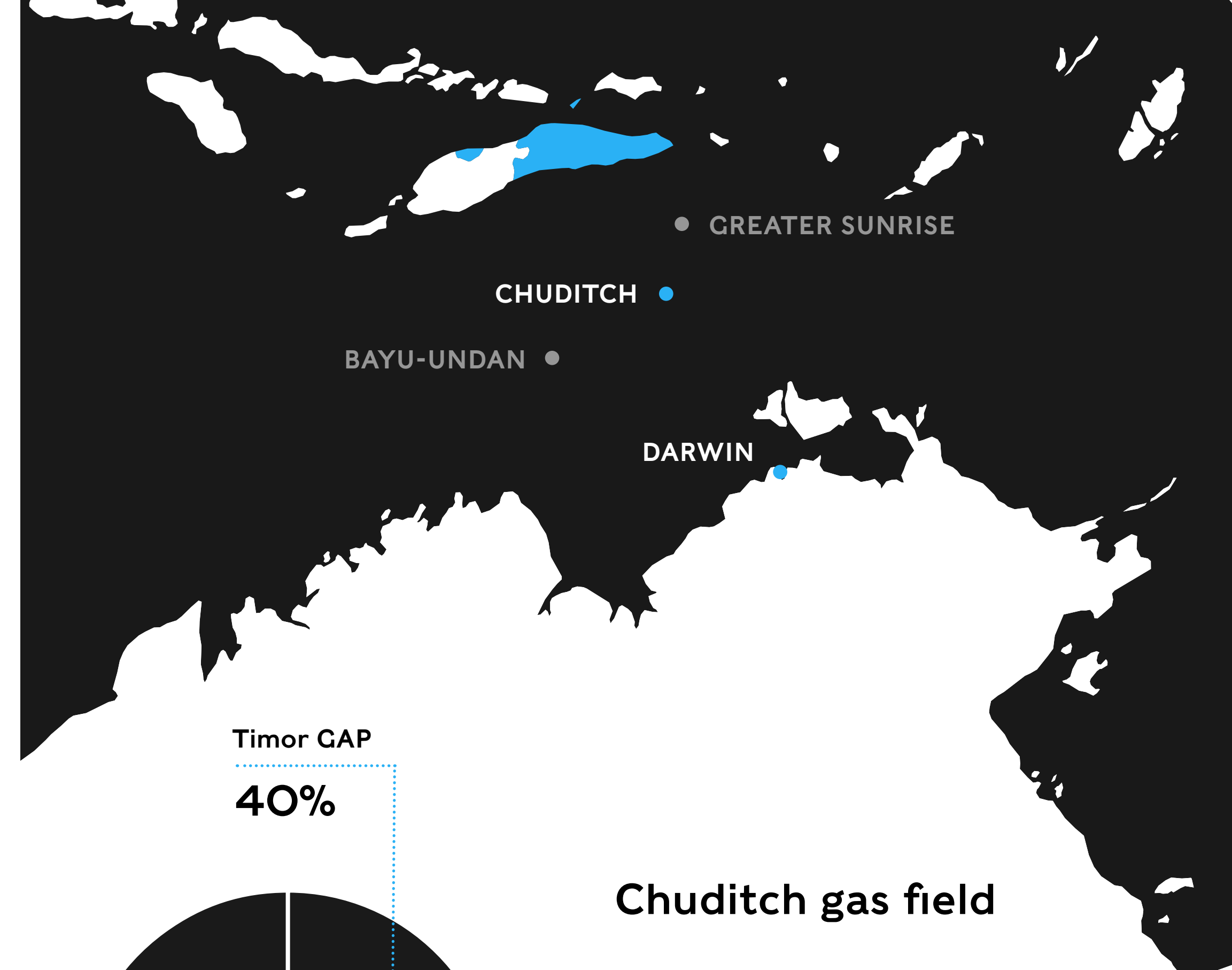
CHUDITCH PROJECT

In May 2024, SundaGas presented the operational planning for exploration of the Chuditch gas field, following geophysical site surveys, which point to a predicted 149 m gas column in the Chuditch-2 field. These surveys aimed to identify potential hazards at the site, ensuring safe and environmentally responsible drilling operations. The results from these surveys are integral to the planning and design of the appraisal well, which is intended to confirm resource estimates and evaluate potential flow rates for future development.

In December 2024, the Government of Timor-Leste signed a memorandum of understanding with the state oil company Timor GAP and SundaGas to assess the potential exploration of gas resources in the Chuditch field. The agreement allows the company to progress regulatory approvals, including preparation of the drilling safety case. Under the agreement, SundaGas commits to supplying gas to Timor-Leste through the Bayu-Undan facilities, at a pre-agreed production rate and duration. The Timorese authorities, in turn, commit to accelerating

the necessary infrastructure for the transportation and reception of gas at Bayu-Undan and onshore, including the installation of a pipeline to the southern coast of Timor-Leste.

Currently, SundaGas is working on preparing the drilling and testing of the Chuditch-2 field, which is expected to occur in the second quarter of 2026. Subsequently, the operator shall validate the gas resource estimates and the production flow test to assess commerciality of the available resources.



Chuditch gas field

The Chuditch gas field, located in the Timor Sea approximately 185 km South of Timor-Leste, is a significant asset in the nation's energy sector. Its area spans approximately 3,571 km², with water depths ranging from 50 m to 100 m, and includes the Chuditch-1 gas discovery drilled by Shell in 1998. Studies conducted by SundaGas confirmed contingent gas resources of 1.16 trillion cubic feet (32.9 billion cubic meters) in the Chuditch field, located 185 km south of Timor-Leste, as well as additional prospective resources in adjacent areas.

CONCLUSION

Timor-Leste's oil and gas sector remains the central pillar of the national economy, historically accounting for the majority of government revenues and export earnings. Although production from the Bayu-Undan field has ceased, the sector continues to play a decisive role in shaping fiscal policy, public investment, and long-term economic planning.

The successful development of major projects such as Greater Sunrise and Chuditch will be critical to sustaining petroleum revenues and reinforcing macroeconomic stability. These projects, together with ongoing regulatory refinement and strengthened institutional oversight, reflect the Government's commitment to creating a predictable and investor-friendly framework for upstream and downstream operations.

At the same time, Timor-Leste's accession to ASEAN and its continued engagement with regional partners (particularly Australia) enhance its strategic positioning within the Asia-Pacific energy landscape. Efforts to attract foreign investment, develop

supporting infrastructure, and uphold international transparency standards, including through continued compliance with the EITI, further support the country's objective of leveraging its hydrocarbon resources for sustainable and inclusive economic development.

While material commercial, technical and financing challenges remain, Timor-Leste presents a jurisdiction of increasing strategic relevance for energy investors seeking exposure to emerging gas developments in Southeast Asia.

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