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Australia-Timor maritime dispute widens

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The dispute between Australia and Timor Leste over maritime boundaries and LNG assets in the Timor Sea has now extended to the Bayu Undan/Darwin pipeline.

After year-long failed negotiations, the Timor Leste government last week announced it would take the matter of tax jurisdiction over the pipeline to arbitration in The Hague, alongside a claim to have the seabed borders redrawn.

"Timor-Leste disagrees with Australia's assertion that it has absolute and exclusive jurisdictional rights including taxation rights relating to the entire length of a petroleum export pipeline, including into the Joint Petroleum Development Area (JPDA)," a government spokesperson said in a statement on 24 September.

"Given the inability to discuss ... jurisdiction in the disputed waters, Timor-Leste is now of the view that the only way to resolve this matter is by submitting the dispute to an arbitration tribunal."

The Australian government responded by saying that while preferring negotiations to continue, it would vigorously defend the existing terms.
Under the 2003 Timor Sea Treaty interim agreement, taxation revenue in the JPDA is split between Timor Leste and Australia 90:10.

However pipelines come under the jurisdiction of the end country. In lieu of tax revenue, Timor-Leste has received AUD8 million (USD5.7 million) from Australia every year since the pipeline came into operation in 2006.

The ConocoPhilips-led Bayu Undan fields lie 250 km southwest of Timor Leste and 500 km from Australia, with the Greater Sunrise field even further away from Australia.
As part of its legal action Timor wants the 1972 maritime boundaries agreed between Indonesia and Australia before its independence is redrawn.
Timor first took Australia to court in 2014, after a whistleblower and former Australian intelligence operative exposed that Canberra had spied on the Timor Leste government in Dili during treaty negotiations involving the Greater Sunrise fields in 2006, allegedly for commercial advantage.

Adding fuel to the festering maritime dispute was a decision by Woodside, the Australian energy company that operates the joint-venture developing the Greater Sunrise fields, to go for a floating production facility rather than an onshore job-generating facility. This has been rejected by the Dili government.

When contacted by IHS Maritime yesterday, a Woodside representative declined to comment. Instead she pointed to an earlier statement that it was first "vital both governments agree on the legal, regulatory and fiscal regime" for investments to go ahead.

Woodside has recently refocused on attempting to acquire oil search assets in Papua New Guinea.

Meanwhile with little prospect of the Greater Sunrise development proceeding in disputed waters, Timor is now seeking greater revenue from oil and gas projects already in operation.