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Timor-Leste maritime boundary, oil revenue deal to be renegotiated



At least 10,000 people gathered outside the Australian embassy in Dili, the capital of East Timor, on Tuesday to protest against Australia's stance on the oil and gas meridian line in the Timor Sea. **Wayne Lovell, Timor Photography**

by [Primrose Riordan](#) [Angela Macdonald-Smith](#)

The future of billions of dollars worth of oil and gas revenue is in doubt after Australia was forced to scrap its Greater Sunrise revenue sharing deal with Timor-Leste.

The two governments will instead negotiate on a permanent maritime boundary between their two nations, opening up the possibility that the gas-rich Sunrise field and other resources in the Timor Sea could eventually fall outside Australia's jurisdiction.

The backdown comes after Timor-Leste took Australia to an international tribunal in The Hague claiming the deal should be voided because Australia had spied on its ministers during negotiations. Four months ago Timor-Leste demanded confidential conciliation talks.

Australia forged a temporary revenue sharing agreement for the Woodside Petroleum-managed Sunrise venture in 2006. In 2012 allegations emerged that Australian spies planted listening devices in the offices where, in 2004, Timor-Leste was planning its negotiation strategy.



East Timor's then prime Minister Mari Alkatiri with John Howard and Alexander Downer in 2006 after signing a "Treaty on Certain Maritime Arrangements in the Timor Sea". **MickTsikas**

Timor-Leste then took Australia to the international tribunal saying the 2006 treaty was invalid as the information would have handed Australia an advantage during the treaty talks.

[Work on the proposed Sunrise LNG project has stalled during the dispute](#), despite its economics being regarded as some of the most attractive in the region.

"If not for the political uncertainty that has remained a barrier to the project development, we believe Sunrise would have been sanctioned already," said Saul Kavonic at consultancy Wood Mackenzie.

As it is, the political uncertainty acting as a barrier to the development of Sunrise is likely to remain, Mr Kavonic said, adding that the opportunity for fresh discussions on borders was "fraught with challenges given political drivers in Timor-Leste".

The deal – the Treaty on Certain Maritime Arrangements in the Timor Sea – splits petroleum revenue from the Greater Sunrise project 50-50 between Australia and Timor-Leste, and Australia fears a renegotiation may hand the entire field to Timor.

Now in a joint statement with the Conciliation Commission, both countries said they will go back to the negotiating table in "a confidential setting".

"The governments of Timor-Leste and Australia have each confirmed to the other their commitment to negotiate permanent maritime boundaries under the auspices of the Commission as part of the integrated package of measures agreed by both countries.

"The governments of Timor-Leste and Australia look forward to continuing to engage with the Conciliation Commission and to the eventual conclusion of an agreement on maritime boundaries in the Timor Sea. The Commission will hold a number of meetings over the course of the year, which will largely be conducted in a confidential setting," the statement reads.

Oil companies operating in the Timor Sea took a positive slant on the news, with Woodside saying it supported the commitment to negotiate permanent maritime boundaries.

"Woodside understands the Timor Sea Treaty remains in place and we look forward to an agreement that allows for the earliest commercialisation of the Greater Sunrise fields, which promise great benefits for all parties," a spokeswoman said.

US major ConocoPhillips, which has a stake in Sunrise and operates the Bayu-Undan gas project in the Timor Sea, said it "welcomes the progress being made jointly by both governments".

"The announcement has no impact on our current operations as these are governed by the Timor Sea Treaty which remains in place," said a spokesman in Perth.

But Mr Kavonic said scrapping the treaty throws uncertainty on the application of other treaties for petroleum fields in the area and could create concerns around potential boundary discussions with Indonesia. He said that should the boundary between Australia and Timor-Leste be settled at a mid-way point, valuable producing fields such as Bayu-Undan could fall outside of Australia's borders.

The move comes at a time China is aggressively expanding its influence throughout the Pacific, including in Timor-Leste, which has previously courted other multinational oil companies on a potential development of Sunrise.