New dawn for Timor-Leste and Australia but wait is on for Sunrise share details

Upstream, by Russell Searancke, Wellington
13 Sep 2017 18:50 GMT

Judging by Xanana Gusmão’s triumphant return to Timor-Leste last week, his negotiating team must have done something right in the provisional agreement with Australia over a permanent maritime boundary and the Sunrise gas development.

The announcement on 1 September by the Conciliation Commission in The Hague that the two sides had reached an agreement was unexpected, given how many years they have been at loggerheads.

The specifics will be revealed next month when final agreements are signed. The reaction by both sides was joyous. Australian Foreign Affairs Minister Julie Bishop called it a "landmark day" and thanked the Commission for "bringing the parties together", which was quite ironic given the Australian government last year challenged its competence.

Timor-Leste's chief negotiator Gusmão said the "dream of full sovereignty" by settling on a boundary with Australia had been achieved. Timor-Leste has pleaded for a midway, or median, line for years, while Australia's stance for decades has been that its border extended to the end of the continental shelf.

The offshore territory in question the joint petroleum development area, formerly the Timor Gap during Indonesian rule has a current equity split of 90:10 in Timor-Leste's favour.

Assuming Timor-Leste is granted the median line, it will inherit Australia's 10% share of the JPDA, which hosts the producing Bayu-Undan field.

There is one more producing oilfield just outside the JPDA’s western border, Laminaria-Coralina, which might transfer to Timor-Leste jurisdiction under the new boundary.

Timor-Leste's petroleum officials have long argued the JDPA still holds plenty hydrocarbon potential, but there has not been a discovery there in nearly 10 years.

Any production surge will eventually come from the Sunrise project, and Australia is still likely to gain a good share. Under previous deals, the countries agreed to share Sunrise gas on a 50:50 basis.

It is impossible to think Australia would not demand a share of the Sunrise revenue, and next month we should find out exactly how much.