

Greater Sunrise Oilfield and Food Insecurity in Timor-Leste

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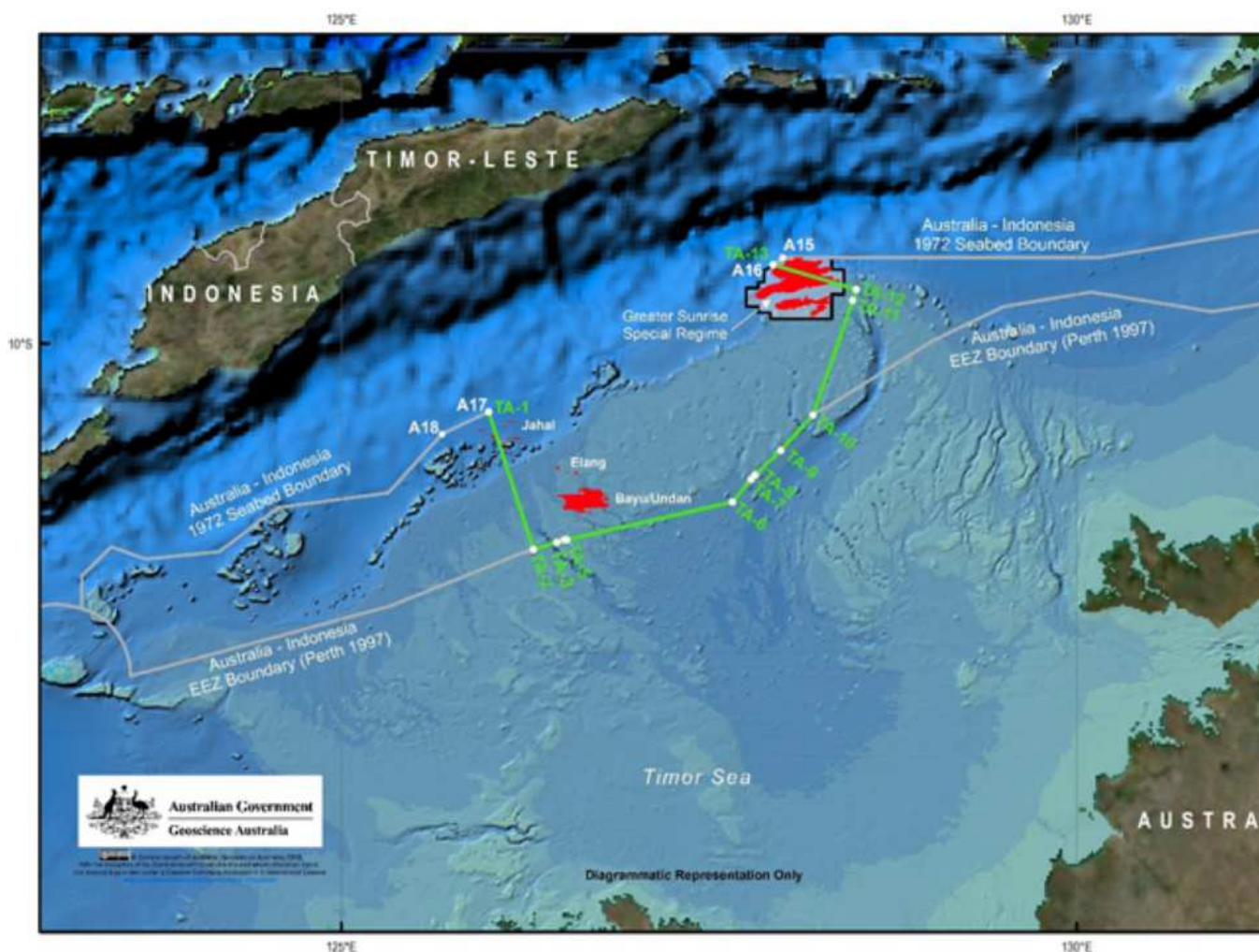
Background

Timorese-Australian relations have historically been largely positive. Australia has provided a significant amount of economic and military [support](#) to Timor-Leste since its independence from Indonesia in 2002. The dispute over usage rights to the Greater Sunrise oil and gas field (“Sunrise”) in the Timor Sea, was the most prominent exception to this state of affairs. This dispute includes allegations of collusion between the Australian Government and resource companies, and the controversy surrounding Australian espionage aimed at Timorese internal negotiations.

Dispute processes have cost time and money that could have been better spent exploiting the field’s resources, creating jobs and generating revenue. These losses have been borne by both Australia and Timor-Leste, but disproportionately affect the latter, due to its inordinate dependence on oil. As a result, Timor-Leste finds itself with a declining sovereign oil fund and reduced access to the resources necessary to secure infrastructure development and food imports. This, in turn, affects the livelihood of Timorese citizens, who are deprived of the food security that income from a regional energy scheme could potentially foster.

Comment

The dispute over the Greater Sunrise oil and gas field arose over concerns regarding the shares that Australia and Timor-Leste would have of its resources. The issue is nuanced in that there were also disputes about several technical and legal issues relating to maritime border jurisdiction. The core argument of both states was centred on the definition of what constitutes their maritime borders; the answer to that question has only [recently](#) been established with the conclusion of a shared agreement.



Source: Australian Department of Foreign Affairs and Trade

The fact that negotiations over the field have taken over 14 years to settle, has been to the detriment of both states. Timor-Leste has been affected significantly by this delay. While international boundary disputes of any kind are time-consuming by nature, both parties have an underlying [understanding](#) that lengthy proceedings in this instance are particularly deleterious to Timor-Leste, not least through its effect on food security.

Despite this understanding, Australian behaviour during the negotiation process was not conducive to a timely settlement. An example of this behaviour was the [bugging](#) of a cabinet room in Timor-Leste by Australian intelligence services; a room that hosted internal negotiation discussions. When Timorese authorities discovered this espionage in 2012, they [promptly](#) overturned the 2006 Treaty on Certain Maritime Arrangements in the Timor Sea, which outlined how revenue from Sunrise was

to be divided between the two parties.

The matter was seemingly settled after an agreement was reached in March 2018, but Timorese authorities have since levelled further accusations against Australia. These claims allege [collusion](#) with mining companies to favour onshore processing in the Northern Territory. The current treaty establishes the agreed border between the countries and therefore their shares of the field's wealth; it does not establish how, and in which country, resources from the field are to be processed. Validity of this accusation aside, negotiations over whether processing will occur in Darwin or Beaco, in South Timor, adds to an already [expected](#) delay of five to seven years until the field begins to be exploited (if that is ever achieved).

This delay presents a significant barrier to development, and therefore food security, for Timor-Leste. A subsistence farming agricultural industry with poor output and productivity, combined with an over-reliance on food imports, means that Timor-Leste has one of the highest rates of malnutrition in the [world](#). Food imports are funded by the Timorese oil and gas industry, which also accounts for approximately [90 per cent](#) of government revenue. Profits generated by the Bayu-Undan field, which is due to run dry around [2025](#), are the cornerstone of the petroleum sovereign wealth fund that serves as Timor-Leste's de-facto state funding body. Delaying the generation of revenue from Sunrise, therefore, delays Timor-Leste's ability to secure long-term development projects beyond 2025.

The inability to invest in critical long-term infrastructure perpetuates food insecurity in Timor Leste. Poor crop productivity and a rapidly increasing population, among other issues, require investment in areas such as improved harvesting technology and food storage. As it stands, Timorese investment in food related infrastructure is naturally [limited](#).

Meanwhile, oil and gas resources dwindle, without new fields coming online, as investor confidence in Sunrise declines. As a result, Timor-Leste's ability to maintain already minimal local and imported food sources is declining, without any improvement in sight. Thus, delays in negotiating the terms for Sunrise's development translate into greater Timorese food insecurity.

Income from the development of Sunrise will not necessarily result in permanent food security for Timor-Leste. Some experts [argue](#) that approaching Sunrise as an exclusive means of addressing economic instability actually perpetuates issues associated with a reliance on a single income stream. That reliance fosters dependence on a dangerously volatile industry, one that is prone to global shifts in prices. Attempts are being made by Timorese authorities to [diversify](#) the economy to mitigate this issue, through strengthened agriculture, fisheries, tourism and manufacturing industries.

Timorese development and its subsequent ability to provide food security, rests on two premises. One is its ability to secure the sheer amount of development and infrastructure funding that revenue from Sunrise promises, whether through royalties or onshore processing. The other is the time that this funding will provide for Timor-Leste to create and strengthen industries outside the energy and resources sector and so reduce its dependence on that sector.

While the dispute between Timor-Leste and Australia is ongoing, investment in Timorese development and food security remain in a state of flux. Regional security (of any nature) is unlikely to be attained unless Timor-Leste dramatically diversifies its economy, or revenue from the oil and gas industry becomes available to its government.