Major step forward for Timor Sea bill

New boundary treaty between Australia and Timor-Leste - including Greater Sunrise - introduced to Canberra parliament

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The Australian government has taken a major step forward in formalising the new maritime boundary with Timor-Leste by introducing a bill to parliament that will implement the new boundary treaty including the Greater Sunrise special regime.

The Minister for Foreign Affairs, Marise Payne, and the Minister for Resources & Northern Australia, Matt Canavan, said in a joint statement that the bill covers the core elements of the Maritime Boundary Treaty.

Both parliaments are required to ratify the treaty before it comes into force.

The new boundary follows roughly the southern boundary of the existing shared joint petroleum development area (JPDA), which is effectively the median line between the two states.

The new boundary places the Bayut-Undan field exclusively within Timor-Leste jurisdiction, as well as the suspended Kitan oilfield, the Eni-operated PSC 11-106 exploration permit, plus the Chudditch and Kelp Deep gas discoveries.

In addition, the Buffalo oilfield that is being redeveloped will also fall under Timor-Leste's jurisdiction.

The JPDA will be dissolved as soon as the Maritime Boundary Treaty is ratified and enters into force.

The bill introduced into Australia's parliament also acknowledges the Greater Sunrise Special Regime Area, which effectively ringfences the Greater Sunrise gas discoveries, as an area of joint Australian and Timor-Leste jurisdiction.

Under the regime, upstream tax revenues from the Sunrise fields will be split on the basis of 70% to Timor-Leste and 30% to Australia if the fields are developed by a pipeline to Timor-Leste, and by 80% to Timor-Leste and 20% to Australia if they are developed by a pipeline to Australia.

The current titles over the Sunrise discoveries - two Australian retention leases, and two JPDA production sharing contracts - will be converted into a single production sharing contract.

Timor-Leste's petroleum regulator - the National Authority for Petroleum and Minerals (ANPM) - will act as the regulator for Greater Sunrise, while a new joint governance board will oversee petroleum activities.

Under the treaty, the two countries are expected to agree on a development concept and development plan for Greater Sunrise.

The treaty will enter into force, through an exchange of diplomatic notes, only when Australia and Timor-Leste have given effect to the treaty and when transitional arrangements are completed.

"The government looks forward to bringing the new treaty with Timor-Leste into force as soon as possible," said ministers Payne and Canavan.

Timor-Leste sources said the parliamentary ratification process there has not yet started as the parliament is currently debating the state budget for 2019.

A small government team, led by special representative Xanana Gusmao, has in the past two months agreed sale and purchase terms with ConocoPhillips and Shell for the oil majors' interests in the Greater Sunrise fields.

Timor-Leste agreed to pay US$300 million for Shell's 26.56% interest, and US$350 million for ConocoPhillips' 30% equity.