Canberra lawyer Bernard Collaery and "Witness K" are national heroes, Greens Senator Nick McKim said on Monday, calling for an inquiry into what he described as Australia's biggest spy scandal in 30 years.

The pair are accused of conspiring to reveal information about the Australian Secret Intelligence Service, in a case where the Australian government is accused of spying on East Timor in 2004 while the two countries were negotiating an oil and gas treaty. Witness K, a spy who worked on the operation, went to the Inspector General of Intelligence Security, and engaged Mr Collaery.

Before the case can go ahead the parties must agree, or the court must make orders on how sensitive information will be handled during the trial. A preliminary closed hearing for the court to consider proposed orders has been listed for next week after lawyers for Mr Collaery told the court they had been unable to agree.

Senator McKim said the only reason Australians knew the Howard government had ordered the Australian Security Intelligence Service to obtain clandestine recordings of the Timor-Leste negotiating team's private discussions was because of the "bravery and patriotism" of Mr Collaery and Witness K.

The Commonwealth Director of Public Prosecutions was now relying on national security legislation which had been passed in 2004 to protect sensitive information in terrorism trials. It beggared belief the laws were now being used to prosecute Mr Collaery and Witness K.

"The Commonwealth DPP is handling the case through its organised crime and counterterrorism unit. Are we seriously expected to believe that Witness K and Bernard Collaery are potential terrorists? Give us a break," Senator McKim told the Senate.

The Howard government had diverted intelligence resources from terrorism when it ordered the Australian Secret Intelligence Service to spy on the East Timorese leadership to "defraud them and steal their natural resources".

"The espionage operation-the bugging of the Timor-Leste cabinet discussions-occurred under cover of an Australia aid program, thereby jeopardising the security of our aid projects everywhere. This whole episode, including who authorised what and who knew about what, should be the subject of an independent inquiry and, arguably, a royal commission."

Greens leader Richard Di Natale also criticised the prosecution of the pair, saying the government's treatment of them was an example of Australia inching towards a police state, under the cloak of national security legislation.

"When you live in a democracy that spends years prosecuting a whistleblower who exposed illegal spying activity on a much less powerful neighbour and friend during oil negotiations, you know that something is rotten," he said.

Crossbench Senator Rex Patrick (Centre Alliance) questioned the need for the trial to be held in secret, saying Witness K could give open evidence while having his identity concealed and without any need to disclose intelligence techniques or tactics.

The Senate was debating legislation to ratify the Timor Sea Maritime Boundaries Treaty ahead of a visit by Prime Minister Scott Morrison to Timor-Leste on August 30 for the 20th anniversary of self-determination.