Timor Leste to celebrate 20 years since independence from Indonesia

Australian Prime Minister Scott Morrison will visit Timor Leste today to mark the latter’s 20th anniversary of independence from Indonesia. The two countries will ratify a maritime boundary treaty they signed on March 6, 2018.

The treaty marks a permanent maritime boundary between Australian and Timor Leste and establishes a stable legal framework for oil and gas development. It entitles Timor Leste to 100% of the upstream revenues from existing oil and gas fields, which were earlier jointly shared by the two states.

Although reserve development will likely commence in a decade, the yet unallocated processing rights are significant for Dili. However, its existing reserves are expected to dry out by 2020 due to excessive dependence on oil revenues for government spending. A plant, such as the $10 billion valued Tasi Mane project, will likely lead to excess spending over returns.

Independent of the treaty, Australia has planned a $100 million assistance to Timor Leste for 2019–20. While both countries recognise the importance of the project for Timor Leste’s future income, employment and social development, the opportunity cost of the project remains higher for Timor Leste.