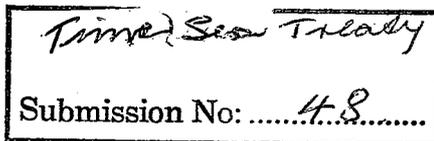




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11 AUG 2002
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Hon Julie Bishop MP
Chairperson
Joint Standing Committee on Treaties
Parliament House
CANBERRA ACT 2600

11 AUG 2002

Dear Ms Bishop

Thank you for your letter of 25 June 2002 in which you invite comment on a proposed treaty and an Exchange of Notes that were tabled in both Houses of the Federal Parliament on 25 June 2002. The treaty actions referred to are:

- *Exchange of Notes Constituting and Agreement between the Government of Australia and the Government of the Democratic Republic of East Timor Concerning Arrangements for Exploration and Exploitation of Petroleum in an Area of the Timor Sea Between Australia and East Timor; and*
- *Timor Sea Treaty between the Government of Australia and the Government of East Timor.*

The Northern Territory has a vital interest in arrangements between Australia and the Democratic Republic of East Timor concerning the Timor Sea and the development of its condensate and gas reserves. To this end, the Northern Territory has been an active participant in negotiations leading to the Exchange of Notes and the signing of the Timor Sea Treaty on 20 May 2002.

Accordingly, the Northern Territory strongly supports both of those treaty actions by Australia as having major potential economic and social benefits for Australia and the Northern Territory. The Timor Sea Treaty is essential to provide the level of certainty needed to enable proposed developments in the Timor Sea to proceed.

However, in relation to the Timor Sea Treaty, the Northern Territory notes the provisions of Article 8(e) that preclude objection by either Australia or East Timor to proposals to "... use floating gas to liquids off-take in the JPDA on a commercial basis where such proposal shall produce higher revenues to Australia and East Timor from royalties and taxes earned from activities conducted within the JPDA than would be earned if gas were transported by pipeline."

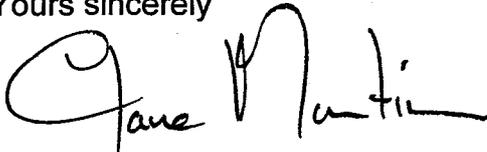


Northern Territory Government

The Northern Territory has, and will continue to, put the view that it is in Australia's national interest for Sunrise gas to be piped onshore to Darwin for domestic processing and consumption. The inclusion of Article 8(e) is a matter of some disappointment and concern because it may preclude, as a basis for objection to a proposal, other genuine national interest considerations that may well outweigh royalty and tax revenue benefits.

Notwithstanding the Northern Territory's concerns regarding Article 8(e), an overriding consideration is now the need for immediate certainty to enable current development proposals, particularly that of Bayu-Undan, to proceed. Accordingly, the Northern Territory would urge ratification of this Treaty by Australia at the earliest possible time.

Yours sincerely

A handwritten signature in black ink, appearing to read "Clare Martin". The signature is written in a cursive style with a large initial "C" and "M".

CLARE MARTIN