

Spying fallout: East Timor to tear up oil and gas treaty with Australia

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East Timor will abandon the multi-billion dollar oil and gas treaty at the centre of sensational spying claims by Australia.

The two countries issued a joint statement on Monday declaring the deal to be dead, just over four months after East Timor took the unprecedented step to demand confidential conciliation talks with Australia at The Hague.

[Relations between the neighbours have been strained](#) since it was revealed in 2013 Australian spies bugged the cabinet office of the East Timor government in Dili during negotiations for the 2006 treaty.

The extraordinary disclosure of eavesdropping was again catapulted into the headlines a few months later when ASIO raided the home and offices of East Timor's lawyer based in Australia, confiscating documents.

In a sign of how tense relations have become, no Australian minister has visited East Timor since 2013, shortly after the spying claims first became public. Australia was also subject to a special order by the International Court of Justice to [cease all spying against its neighbour](#).

But the move to scrap the treaty still comes as a surprise, with [Australia insisting as late as September](#) last year, at the beginning of the conciliation process, that the agreement remained valid.

Australia also [unsuccessfully sought to challenge the jurisdiction](#) of the international commission at the Permanent Court of Arbitration at The Hague to hear East Timor's complaint.

In the carefully worded statement on Monday released simultaneously by Dili and Canberra, the two nations also committed "to negotiate permanent maritime boundaries", long a sticking point in the relationship.

A final decision on the maritime boundary had been put in the deep freeze for 50 years under the 2006 deal, known as a "Treaty on Certain Maritime Arrangements in the Timor Sea", or CMATS.

But East Timor now believes the bulk of the resources fall within its territory, and independence hero Xanana Gusmao has previously invoked the tiny nation's long struggle against Indonesian occupation to galvanise support against Australia.

An early treaty dating from 2002 will remain in force under the complex and overlapping arrangements to divide the spoils of undersea oil and gas resources in the Timor Sea, which have an estimated value of up to \$40 billion.

East Timor has amassed about \$16 billion in a petroleum fund from existing oil and gas fields governed by the 2002 treaty, but resources in those fields are fast running out.

The 2006 treaty was intended to govern yet to be developed reserves known as Greater Sunrise, thought to be the richest in the area, but the future for that field now looks likely only to be decided once the maritime boundary is determined.

Tension had also surrounded the processing arrangements for the resources and the hundreds of jobs this was likely to create - whether gas would be sent by a pipeline to Darwin for refining, processed on a floating platform, or sent to a purpose-built facility on East Timor's south coast.

Swinburne University of Technology's Michael Leach said the decision to terminate CMATS opened the way for maritime boundary negotiations to follow.

But Professor Leach said it was not yet clear if Australia will move from away from its long-standing insistence that any line must be based on continental shelf towards drawing a median line - a position favoured by contemporary international law.

Experts believe the decision to abandon the 2006 treaty means it is now likely East Timor will drop its separate spying case against Australia at the International Court of Justice.

East Timor's ambassador to Australia Abel Guterres [hinted last year the spying case against Australia could be abandoned](#) should the two countries negotiate a new treaty to divide rich undersea oil and gas fields.

The conciliation is expected to hold further confidential hearings through the next 12 months. The 2006 treaty will be formally terminated three months after East Timor gives official notification of its intention to abandon the deal, with Australia having agreed various zombie clauses in the treaty that would have allowed the treaty to become active again will not be invoked.

This story was found at: <http://www.theage.com.au/federal-politics/political-news/spying-fallout-east-timor-to-tear-up-oil-and-gas-treaty-with-australia-20170109-gto1aj.html>