

## Timor-Leste's maritime ambitions risk all

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A recent joint statement by the Timor-Leste and Australian governments announced that Timor-Leste has officially notified Australia of its wish to terminate the [2006 Treaty on Certain Maritime Arrangements in the Timor Sea](#) <sup>[1]</sup> (CMATS). Both states claim an interest in the lucrative Greater Sunrise gas field in the Timor Sea. The decision to terminate CMATS could have serious ramifications for Timor-Leste as its economy is among the world's most oil dependent.



The CMATS treaty was designed to circumvent the issue of permanent maritime boundaries to enable expeditious joint development. But the CMATS failed because it put aside the question of how Greater Sunrise would be developed. Timor-Leste's government wants to build an oil and gas pipeline [from Greater Sunrise to its south coast](#) <sup>[2]</sup> for processing at its planned onshore plant, known as Tasi Mane. The Tasi Mane mega project comprises an airport, a 156 kilometre highway and three industrial clusters.

Timor-Leste's decision to terminate CMATS was made to force Australia into permanent maritime boundaries negotiations. Currently, around 90–95 per cent of Timor-Leste's state budgets are furnished by revenues from the Bayu-Undan field in the Joint Petroleum Development Area established by the [2002 Timor Sea Treaty](#) <sup>[3]</sup>.

After failing to get Australia to agree to its pipeline plans, Timor-Leste's government began pursuing permanent maritime boundaries, ostensibly so its [sovereignty could be completed](#) <sup>[4]</sup>. However, these sovereignty claims were only reinvigorated after its failure to get the pipeline. This suggests that Timor-Leste's government core motivations are economic. But though Tasi Mane is promoted as one of the Timorese government's highest priorities, the rewards of terminating the CMATS do not come close to justifying the dire risks.

Successive governments have withdrawn funds in excess of their Estimated Sustainable Income to finance the projects. Journalist Damon Evans, who has written extensively on the development of Greater Sunrise, argues that Timor-Leste's leaders need to reassess their '[fixation with mega petroleum projects](#)'<sup>[5]</sup>. Most petroleum experts believe Tasi Mane is unviable, and political economists have been sceptical about its rationale and the socio-economic benefits it would provide Timorese citizens.

The estimated worth of Greater Sunrise is US\$40 billion. Evans writes that developing Greater Sunrise would cost Timor-Leste around [US\\$24 billion — and much more if the project hits technical problems](#)<sup>[6]</sup>. In contrast, reusing the Bayu-Undan facilities could have commercialised Greater Sunrise for a mere US\$4 billion. Timor-Leste's termination of the treaty is unlikely to reassure foreign investors that commercialising Greater Sunrise is a stable investment prospect.

Yet without Greater Sunrise development, Timor-Leste could become broke within a decade. The Bayu-Undan oil field will stop [producing in the early 2020s](#)<sup>[7]</sup> and the US\$16 billion petroleum fund [could be depleted by 2025](#)<sup>[8]</sup>. To compound matters, there has been little substantive effort to diversify Timor-Leste's economy. In the 2016 state budget, which allocated close to US\$2 billion, the ministries representing agriculture and tourism received only [US\\$22 million and US\\$5.5 million respectively](#)<sup>[9]</sup>. In contrast, Tasi Mane has been allocated at least [US\\$1.4 billion from 2015 until 2020](#)<sup>[10]</sup> (not including all components), even though no development agreement with Australia has been reached.

Currently, [around 40 per cent of Timor-Leste's](#)<sup>[11]</sup> population live in poverty. The government continues to spend money on its ambitious oil industrialisation plans at the expense of [other socio-economic priorities](#)<sup>[12]</sup>. In terms of agriculture, coffee — Timor-Leste's second biggest export — comprises 90 per cent of non-oil merchandise exports but [yields only around US\\$16 million a year](#)<sup>[13]</sup>. Agriculture is a crucial sector for the welfare of the Timorese people as Timor-Leste remains dependent [upon imported food](#)<sup>[14]</sup>.

The termination of the CMATS makes the future development of Greater Sunrise uncertain. Permanent maritime boundary delineation was originally delayed by the CMATS because the states failed to agree on a boundary. The crucial line in the dispute is the eastern lateral boundary that bifurcates Greater Sunrise. But international law is unclear about where this boundary should be drawn. Australia argues that it should be drawn to principles of simplified equidistance, reflecting the interim lines confirmed by the [Sunrise Unitisation Agreement](#)<sup>[15]</sup> signed by both states in 2003. This would locate nearly 80 per cent of Greater Sunrise in Australian territory.

For Timor-Leste to gain ownership of Greater Sunrise, the eastern lateral boundary would need to shift substantially to the east of the equidistant line. But Timor-Leste's oil industrialisation plans will require most, if not all, of Greater Sunrise for it to be viable. It seems unlikely that Australia would agree to these boundaries.

Without an agreement, it is likely that Timor-Leste would once again become dependent on aid donors and vulnerable to external intervention within the next decade, risking state failure. Terminating the CMATS will render Timor-Leste's negotiating position only more vulnerable

with the passing of time.

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[1] 2006 Treaty on Certain Maritime Arrangements in the Timor Sea:  
<http://www.austlii.edu.au/au/other/dfat/treaties/2007/12.html>

[2] from Greater Sunrise to its south coast:  
<http://www.eastasiaforum.org/2016/06/04/unravelling-timor-lestes-greater-sunrise-strategy/>

[3] 2002 Timor Sea Treaty:  
[http://timor-leste.gov.tl/wp-content/uploads/2010/03/R\\_2003\\_2-Timor-Treaty.pdf](http://timor-leste.gov.tl/wp-content/uploads/2010/03/R_2003_2-Timor-Treaty.pdf)

[4] sovereignty could be completed: <http://www.gfm.tl/>

[5] fixation with mega petroleum projects:  
<http://www.forbes.com/sites/damonevans/2016/12/07/east-timor-is-going-for-broke-as-oil-runs-out/#347b4c7d6325>

[6] US\$24 billion — and much more if the project hits technical problems:  
<http://www.forbes.com/sites/damonevans/2016/12/12/east-timors-gas-dream-is-doomed/#3879b672ff8a>

[7] producing in the early 2020s:  
<http://interfaxenergy.com/gasdaily/article/21748/un-hearing-puts-spotlight-on-timor-sea>

[8] could be depleted by 2025:  
<https://www.laohamutuk.org/econ/model/13PFSustainability.htm>

[9] US\$22 million and US\$5.5 million respectively:  
<http://www.budgettransparency.gov.tl/publicTransparency>

[10] US\$1.4 billion from 2015 until 2020:  
<http://laohamutuk.blogspot.com/2015/11/2016-budget-proposal-puts-fantasies.html>

[11] around 40 per cent of  
Timor-Leste's  
: <http://www.statistics.gov.tl/launching-result-of-timor-leste-living-standard-survey-2014/>

[12] other socio-economic priorities:

<http://www.eastasiaforum.org/2015/04/03/decentralisation-and-rural-development-in-timor-leste/>

[13] yields only around US\$16 million a year: <https://www.state.gov/r/pa/ei/bgn/35878.htm>

[14] upon imported food: [http://fpif.org/timor\\_where\\_has\\_all\\_the\\_aid\\_gone/](http://fpif.org/timor_where_has_all_the_aid_gone/)

[15] Sunrise Unitisation Agreement:

<http://www.austlii.edu.au/au/other/dfat/treaties/2007/11.html>

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