

Australia and Timor-Leste Sign Border Treaty



Controversy caused by Australia's treaty deal (2013)

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A new Maritime Boundary Treaty settling the border dispute between Australia and Timor-Leste was signed in a ceremony in Dili last week.

The agreement removes several hurdles for the Sunrise and Buffalo offshore projects, as it defines the border and formalizes the governance structure and tax sharing arrangement between the two countries.

“Before either project can be sanctioned each project must agree to production sharing contract terms, finalize the development concepts and complete engineering studies,” says Wood Mackenzie senior analyst Chris Meredith.

The Sunrise and Troubadour gas and condensate fields, collectively known as Greater Sunrise, are located approximately 450 kilometers north-west of Darwin and 150 kilometers south of Timor-Leste. The fields were discovered in 1974 and hold gross contingent resources of 5.13Tcf of dry gas and 225.9 million barrels of condensate.

Timor-Leste is reliant on petroleum income, and its economy is underpinned by a petroleum fund that will see no additional revenue once the Bayu-Undan field ceases in 2022. As a result, development of Greater Sunrise is top priority, says Meredith.

Woodside, the upstream operator of Greater Sunrise, has indicated it won't invest in an LNG plant onshore Timor-Leste. “We expect Woodside will initially pursue a liquids-stripping project monetizing the large liquid resource upfront. On a later timeline, the gas resource will be produced via the onshore liquefaction plant.”

The new treaty is more generous for Timor than the previous one, but Australian Prime Minister Scott Morrison says the terms will not be backdated - a move that would mean Australia should Pay \$5 billion to the nation. The controversy arises because Australia allegedly took unfair advantage of Timor during the treaty negotiations by bugging offices of negotiators.

In 2006, Australia and East Timor signed the treaty - one that was considered unfair by over 50 members of the U.S. Congress who sent a letter to then Prime Minister John Howard calling for a fair resolution to the border dispute and noting Timor's level of poverty. After evidence of the spying was leaked in 2012, Australia agreed to renegotiate the treaty.

However, last week, Morrison noted: “What we have been doing in the last 20 years has been investing as the principal development partner in Timor Leste. Australia has invested some \$1.7 billion directly through our various programs and we continue to invest now over \$100 million.” Most recently, Australia has announced funding for a new underwater internet cable connecting the two nations and an upgrade for the country's main naval base. Some experts indicate Australia's investment is in part a response to the rising concern that China will establish a strong presence in Timor-Leste.