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Wednesday, 21 February 2007

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BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

PROOF

**OFFSHORE PETROLEUM AMENDMENT
(GREATER SUNRISE) BILL 2007**

First Reading

Bill and explanatory memorandum presented by **Mr Baldwin**.

Bill read a first time.

Second Reading

Mr BALDWIN (Paterson—Parliamentary Secretary to the Minister for Industry, Tourism and Resources) (9.37 am)—I move:

That this bill be now read a second time.

The purpose of the Offshore Petroleum Amendment (Greater Sunrise) Bill 2007 is to incorporate into the Offshore Petroleum Act 2006 (OPA) the Greater Sunrise Unitisation Agreement, which gives effect to the agreement between Australia and the Democratic Republic of Timor-Leste relating to the unitisation of the Sunrise and Troubadour fields. The agreement was signed by Australia and Timor-Leste in Dili on 6 March 2003.

The agreement was incorporated into the Petroleum (Submerged Lands) Act 1967 (PSLA) in April 2004, however due to unforeseen circumstances and competing priorities it was not included when the PSLA was rewritten and renamed the Offshore Petroleum Act in 2006.

Mr Deputy Speaker, you will recall that in 2004 the policy on this issue was fully debated and agreed to for incorporation into the PSLA. This exercise today is a matter of formality to have the same details incorporated into the OPA.

The agreement has been considered by the Joint Standing Committee on Treaties. The committee supported the agreement and recommended that binding treaty action be taken.

The agreement provides the framework for development and commercialisation of the petroleum resources in the Sunrise and Troubadour fields, which are collectively known as Greater Sunrise, as a single unit. This resource straddles the border between the joint petroleum development area, which is the area of shared jurisdiction between Australia and Timor-Leste established by the Timor Sea Treaty, and an area of Australian jurisdiction.

The bill puts into place the administrative arrangements for the unit development of the Greater Sunrise petroleum resource. In practice, this means that Australian regulators and regulators of the joint petroleum development area will be able to ensure, jointly, that administration of the Greater Sunrise petroleum operations is coordinated, and that recovery operations are conducted in accordance with good oilfield practice. To the extent appropriate, the administrative arrangements will mirror those that apply elsewhere under Australian regulatory control.

There are, however, some aspects of the agreed arrangements that will be specific to administration of the Greater Sunrise petroleum resource. For example, the process for approving the development plan and the unit operator will be Greater Sunrise specific. This reflects matters agreed between Australia and Timor-Leste and has no application outside the Greater Sunrise resource.

To ensure consistency of administration of development of this resource, the arrangements that usually apply in the Northern Territory adjacent area will be modified to enable the responsible Commonwealth minister to exercise statutory powers, rather than the Commonwealth minister working in concert with the counterpart Northern Territory minister, or instead of the Northern Territory minister working alone. In practice, the Australian government will work with the Northern Territory government on the day-to-day administration of the Greater Sunrise resource.

The agreement includes a mechanism for adjusting the initial petroleum production apportionment between the joint petroleum development area and Australia if new geological evidence indicates that a revision is needed.

For the purposes of taxation, the part of the petroleum production from Greater Sunrise attributed to the joint petroleum development area will be taxed in accordance with the arrangements under the Timor Sea Treaty whereby Timor-Leste has title to 90 per cent of production and Australia to 10 per cent. The part of production from Greater Sunrise attributed to Australia will be taxed in accordance with Australia's domestic taxation arrangements.

The Greater Sunrise Unitisation Agreement, which was concluded in March 2003, will be replaced by the provisions of the new Treaty between the Government

of Australia and the Government of the Democratic Republic of Timor-Leste on Certain Maritime Arrangements in the Timor Sea (CMATS) when it is ratified by Timor-Leste. CMATS, which was signed on 12 January 2006, will set aside maritime boundary claims for 50 years and lift Timor-Leste's share of Greater Sunrise revenues from under 18 per cent to 50 per cent.

I understand that the Timor-Leste will shortly be ready to bring the treaties into force.

Greater Sunrise is a world-class resource estimated to contain some 8.4 trillion cubic feet of natural gas and 295 million barrels of condensate. Development of Greater Sunrise has the potential to deliver significant benefits to both Australia and Timor-Leste. These benefits include investment and employment as well as export revenue. In addition, development of Greater Sunrise will stimulate increased investment in petroleum exploration and development in the Timor Sea, which will be in the interest of Australia and particularly Timor-Leste. In relation to Australia its development could result in revenues in the order of \$10 billion over the life of the field.

It is clearly in the national interest of Australia, as well as Timor-Leste, that this bill be approved. I reiterate that the issues around this matter were debated in detail upon its introduction the first time in 2004. Matters between Australia and Timor-Leste have progressed substantially since that time and it is in no party's interest to delay it any further, particularly as the provisions of these bills are already in effect under the PSLA. Their incorporation here is today a matter of formality. I commend this bill to the House.

Debate (on motion by **Dr Emerson**) adjourned.

CUSTOMS TARIFF AMENDMENT (GREATER SUNRISE) BILL 2007

First Reading

Bill and explanatory memorandum presented by **Mr Baldwin**.

Bill read a first time.

Second Reading

Mr BALDWIN (Paterson—Parliamentary Secretary to the Minister for Industry, Tourism and Resources) (9.44 am)—I move:

That this bill be now read a second time.

Mr Speaker, the Customs Tariff Amendment (Greater Sunrise) Bill 2007 contains amendments that change any references to the Petroleum (Submerged Lands) Act 1967 in the Customs Tariff Act 1995 to the new Offshore Petroleum Act 2006.

This bill is cognate with the Offshore Petroleum Amendment (Greater Sunrise) Bill 2007, which incorporates into the Offshore Petroleum Act 2006 the Greater Sunrise Unitisation Agreement that gives effect to the Agreement between the Government of Australia

and the Government of the Democratic Republic of Timor-Leste relating to the Unitisation of the Sunrise and Troubadour fields.

The agreement was signed by Australia and Timor-Leste in Dili on 6 March 2003 and provides a framework for the development and exploitation of the petroleum resources in the Sunrise and Troubadour fields, collectively known as the Greater Sunrise petroleum resource.

The agreement was incorporated into the Petroleum (Submerged Lands) Act 1967 in April 2004 and the required consequential amendments were made to the Customs Tariff Act 1995 at the same time.

However due to unforeseen circumstances and competing priorities the agreement was not included when the Petroleum (Submerged Lands) Act 1967 was rewritten and renamed the Offshore Petroleum Act in 2006.

The policy on Greater Sunrise was fully debated and agreed to in 2004. This exercise today is a matter of formality to have minor amendments reflecting the Offshore Petroleum Act 2006 incorporated into the Customs Tariff Act 1995.

Debate (on motion by **Dr Emerson**) adjourned.

Ordered that the resumption of the debate be made an order of the day for the next sitting.

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Mr ANDREN (Calare) (9.47 am)—As I begin, can I correct the Parliamentary Secretary to the Minister for Industry, Tourism and Resources. It is unfortunate for him to continue to pronounce Timor-Leste ‘Timor-Leased’ with all the connotations that that phrase may have. It should be pronounced ‘Timor-Lestay’. It is a pity that the parliamentary secretary cannot be questioned about his carriage of that legislation in this House, but that is another matter.