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CORRECTIONS

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BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

PROOF

OFFSHORE PETROLEUM AMENDMENT (GREATER SUNRISE) BILL 2007

Cognate bill:

CUSTOMS TARIFF AMENDMENT (GREATER SUNRISE) BILL 2007

Debate resumed from 14 February, on motion by **Mr Baldwin**:

That this bill be now read a second time.

Mr McMULLAN (Fraser) (10.35 am)—This is the first time I have spoken with you in the chair, Deputy Speaker Secker. Welcome. I can assure you that you will enjoy the task. It is great fun and you can sound really intelligent because the advice you get is fabulous.

The Offshore Petroleum Amendment (Greater Sunrise) Bill 2007 seeks to amend the Offshore Petroleum Act 2006 in order to put in place the necessary domestic arrangements for Australia to meet certain international obligations once the Offshore Petroleum Act 2006 comes into force. Those obligations originate from the agreement between Australia and Timor-Leste relating to the unitisation of the Sunrise and Troubadour fields: the International Unitisation Agreement or IUA. The Customs Tariff Amendment (Greater Sunrise) Bill 2007 seeks to make consequential amendments to the Customs Tariff Act 1995. I indicate at the outset that the Australian Labor Party will be supporting the passage of both these bills.

The Greater Sunrise resource located in the Timor Sea contains an estimated 8.4 trillion cubic feet of natural gas and 295 million barrels of condensate. The international framework for the exploitation of Greater Sunrise has been established by a number of agreements between Australia and Timor-Leste. The Timor Sea Treaty signed in May 2002 defined the Joint Petroleum Development Area and allows the two countries to jointly develop that area pending agreement on a seabed boundary. The Greater Sunrise field straddles the border of the Joint Petroleum Development Area. The treaty attributes 20.1 per cent of the field, known as western Greater Sunrise, to the Joint Petroleum Development Area, and 79.9 per cent to an area of sole Australian jurisdiction.

The International Unitisation Agreement signed in March 2003 provided a framework for the joint exploitation of the Greater Sunrise field by unifying the field under the two jurisdictions for production and apportionment purposes. This is necessary because, although the field straddles two jurisdictions, effective management of the petroleum resource requires that Greater Sunrise be exploited as a single resource; a process known as unitisation. Without unitisation of the resource, production from one part of the area in question could be to the detriment of the resource as a whole or to those with an interest in the resource on the other side of the boundary.

The administration of the western Greater Sunrise area is to be carried out by the Timor Sea designated authority, the body responsible for the management of the Joint Petroleum Development Area. The eastern Greater Sunrise area, that part of the field which falls outside the Joint Petroleum Development Area, is to be administered under the Offshore Petroleum Act 2006. Certain amendments to that act are required to ensure consistent arrangements for the exploitation of the Greater Sunrise field.

In 2004, parliament passed legislation to implement the International Unitisation Agreement. Since that time the body of law governing offshore petroleum resources has been replaced. What was for many years the prevailing legislation, the Petroleum (Submerged Lands) Act 1967, is to be superseded by the newly passed legislation, the Offshore Petroleum Act 2006. That is part of the reason we have these amendments before us today—they are required to put in place the necessary domestic arrangements required under our unitisation agreement with Timor-Leste.

The bill establishes a principal Northern Territory offshore area and a new eastern Greater Sunrise offshore area. The latter is to fall under sole administration of the Commonwealth. It also establishes the Greater Sunrise Offshore Petroleum Joint Authority while ensuring that the Commonwealth-Northern Territory Offshore Petroleum Joint Authority continues as the joint authority for the principal Northern Territory offshore area. The powers of the Greater Sunrise joint authority are to be invested in the Commonwealth minister.

The bill also clarifies those persons who can act as a delegate of the joint authority. Further, it provides that project inspectors for the Greater Sunrise area will have standard powers of inspectors under the act. The bill will also

insert into the act a section which enables satisfaction of the terms of the IUA, which requires the two nations to act in concert on matters relating to the development of the Greater Sunrise unit area.

The bill also seeks to insert new requirements for persons seeking to hold a licence to recover petroleum under the act. These will ensure a consistency in licensing across the Greater Sunrise area. In addition, the bill seeks to make certain amendments which will ensure the smooth operation of joint authorities once the Petroleum (Submerged Lands) Act is repealed and the replacement section, chapter 2 of the Offshore Petroleum Act, comes into force on proclamation. The bill seeks to add a new schedule to the act providing the coordinates of the Greater Sunrise areas.

The bill also deals with some minor technical amendments to the Petroleum Resource Rent Tax Assessment Act 1987 and the Radiocommunications Act 1992. Some of the provisions in the bill deal with regulation-making powers of the Governor-General and the minister in the administration and implementation of the legislation.

The major debate we are having relates to the Offshore Petroleum Amendment (Greater Sunrise) Bill 2007, but we also have before us the consequential bill, the Customs Tariff Amendment (Greater Sunrise) Bill 2007, which makes necessary amendments to the Customs Tariff Act 1995 to conform with the other changes that have been made in the principal bill.

On a related issue, I would like to make some brief comments in reference to the Treaty on Certain Maritime Arrangements in the Timor Sea. There has been understandable and in fact considerable criticism of the way the Howard government has conducted itself in treaty negotiations with our neighbour Timor-Leste over the last few years. Labor understands, however, that the parliament of Timor-Leste voted on Tuesday, 20 February, to accept the treaty by a vote of 48 to five, with three abstentions. Given this emphatic support for the treaty, Labor is satisfied with that treaty arrangement.

Unfortunately, the Minister for Foreign Affairs has bypassed the normal parliamentary process by which the treaty would be examined by the Joint Standing Committee on Treaties prior to ratification. The committee was able to begin its examination only in recent days because the foreign minister failed to table the document for a year after it was signed. The foreign minister then, quite unfortunately, invoked the national interest exemption to bypass the treaties committee process. I am advised that earlier this month the foreign minister said that the East Timorese elections had no bearing on the treaties processes of the Australian parliament, but on 22 February, the minister wrote to the treaties committee stating that the reason for his decision to invoke the national interest exemption was the forthcoming East Timorese election. Both those statements cannot be right.

This is an unfortunate way to handle an important international agreement and shows a lack of respect—I would suggest an arrogance—on the part of the government towards the proper processes of the parliament. It is the sort of thing that happens after being in power too long. Nonetheless, as I have said, Labor will be supporting the bills before us. We have concerns about that process but it does not go to the merits of the legislation. The legislation is, in our view, noncontroversial and is designed merely to ensure that Australia has in place the necessary arrangements to meet our obligations under the International Unitisation Agreement. Accordingly, the opposition will be supporting these bills.

Mr TOLLNER (Solomon) (10.44 am)—Mr Deputy Speaker Secker, how glad I am to see that you are in the chair today. The purpose of the Offshore Petroleum Amendment (Greater Sunrise) Bill 2007 is to incorporate into the Offshore Petroleum Act 2006 the Greater Sunrise unitisation agreement, which 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. I was very fortunate to have been able to accompany the Minister for Foreign Affairs to that significant treaty signing. It was a memorable occasion for me, particularly being from the electorate of Solomon, so close to East Timor.

The agreement provides the framework for the development and commercialisation of the petroleum resources in the Sunrise and Troubadour fields, which are collectively known as Greater Sunrise. This resource straddles the border between the Joint Petroleum Development Area—which is the area of shared jurisdiction between Australia and East Timor established by the Timor Sea Treaty—and an area of Australian jurisdiction. The bill will allow for the development of the Greater Sunrise petroleum resource for the joint benefit of Australia and East Timor. The Timor Sea has emerged as one of the world's great gas provinces and is the nation's best option for future production of natural gas. Part of the Timor Sea is subject to overlapping territorial claims by Australia and Timor-Leste. This area contains extensive resources of oil and gas and two major petroleum development projects are underway or proposed: the Bayu-Undan field and the proposed Greater Sunrise field.

Around 88 per cent of this nation's gas reserves are located off the coast of the Northern Territory and northern Western Australia. The Timor Sea reserves are sufficient to provide the nation with 400 petajoules of gas—energy

every year for 50 years—which is almost 50 per cent of all Australia's current gas consumption and 10 per cent of the nation's total current energy use from all sources. Greater Sunrise is a world-class resource estimated to contain some eight trillion cubic feet of natural gas and 295 million barrels of condensate. Development of the Greater Sunrise field has the potential to deliver significant benefits to both Australia and Timor-Leste. The benefits include investment and employment as well as plenty of export revenue for both countries. Should commercialisation proceed, Darwin's proximity and size should ensure that it becomes heavily involved in the project. Accordingly, Darwin and the Northern Territory generally will benefit significantly from this major boost to economic activity in our region.

The Bayu-Undan field is operated by ConocoPhillips Australia and has recoverable reserves of more than 3.4 trillion cubic feet of natural gas and approximately 400 barrels of liquid hydrocarbons. Stage one of the Bayu-Undan development—the liquids stripping phase—became operational in March 2004. The second stage—gas development, which included the construction of a \$750 million 500-kilometre underwater pipeline from Bayu-Undan to an LNG plant near Darwin—was completed in 2005.

In February 2006 the first shipment of liquid natural gas left Darwin from the newly commissioned \$1.75 billion 3.24 million tonne per annum LNG plant in Darwin harbour. LNG is sold from this plant to the Japanese energy companies under a 17-year contract. The plant is geared for new gas developments in the Timor Sea, with approval for expansion of up to 10 million tonnes per annum of LNG production. Needless to say, this development in the Darwin harbour has spurred economic activity and created jobs. There was a boom in the construction industry when Bechtel and ConocoPhillips Australia were constructing the plant. We now have the foundation stone for a real gas hub to occur in Darwin. There are plans to develop the Blacktip field in the Southern Bonaparte Basin to supply the Northern Territory's own energy needs for the long term.

A gas sales agreement has been signed between the Northern Territory's Power and Water Corporation and energy developer ENI Australia to meet the Northern Territory's electricity needs for the next 25 years. The agreement will see Power and Water purchase around 750 petajoules of gas which will be used to run power stations in all regional centres from Alice Springs to Darwin. A separate gas transportation agreement between Power and Water and the Australian Pipeline Trust will lead to the construction of the 275-kilometre Bonaparte gas pipeline, linking the gas processing plant at Wadeye to the existing Amadeus Basin to Darwin gas pipeline.

The development of Greater Sunrise will also stimulate more investment in petroleum exploration and development in the Timor Sea, which will be in the interests of Australia and in particular of East Timor. On that basis, it is estimated to provide Australia with about \$10 billion in upstream revenue over the life of the field. This resource is shared between Australia and East Timor under the Timor Sea Treaty on the basis of 79.9 per cent to Australia and 20.1 per cent to East Timor. The apportionment ratio can be changed in the future if the countries agree to a redetermination based on newer geological or geophysical data.

The Timor Sea gas reserves have been known about for about 30 years but difficulties have slowed development in the area. The fluctuating world market, international negotiations, East Timor's independence, corporate rivalry and up-front costs are just a few problem areas I could name. Currently the joint venturers have indicated that they will consider re-evaluating the project once a framework of legal and fiscal certainty is in place. To win overseas gas contracts, however, the joint venturers need to be very confident about the regulatory regime which will apply over the resource. Implementing the unitisation agreement through this bill will bring them a lot closer to that position.

I note that the talk is all about exporting this gas overseas. I would also like to see some thought given to supplying Australia domestically with this gas. There is quite a large resource there. It is mainly in Australian waters and it could well be utilised in the future for our own domestic needs.

The Greater Sunrise unitisation agreement includes an article to the effect that the contents of the agreement cannot be used in any way to prejudice either of the countries' maritime boundaries. 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 jointly to ensure that the administration of the Greater Sunrise operations is coordinated and that recovery operations are conducted in accordance with good oilfield practice. The administrative arrangements will mirror those that apply elsewhere under Australian regulatory control. The main objective of the unitisation agreement is to enable the resource to be developed as a single unit. Without unitisation, resource extraction may be inefficient and inequitable. The bill facilitates a single regulatory regime for the development of the petroleum resource but also allows both jurisdictions to separately administer certain aspects of their respective taxes.

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 component 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 has title to 10 per cent. The part of production from the 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 and which I was at, will be replaced by 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, when it is ratified by Timor-Leste. The treaty on certain maritime arrangements in the Timor Sea, which was signed on 12 January 2006, will set maritime boundary claims between the two nations for 50 years and will lift Timor-Leste's share of the Greater Sunrise revenues from 18 per cent to 50 per cent. Timor-Leste will shortly be ready to bring these treaties into force.

I will repeat that: Timor-Leste will have 50 per cent of the royalties originating from the Greater Sunrise fields. This is significantly more than was originally bargained for and negotiated, whereby Timor-Leste had 90 per cent of the royalties in the Joint Petroleum Development Area which was, as you may recall, 20.1 per cent of the total Greater Sunrise field, and Australia had royalties from the other 80 per cent of that field. In this case now, Timor-Leste is getting 50 per cent of the total royalties of the whole field. This is a significant move.

I think it is a very generous move by the Australian government to provide Timor-Leste with an income that will allow it to develop an economy based on the recovery of gas in the Timor Sea. There are several billion dollars in revenues expected to be generated from this field for Timor-Leste and it should never be underestimated what these royalties will do for the Timor-Leste economy. The significant role and the generosity of the Australian government in pulling this deal together should never be forgotten. Obviously, from an Australian government point of view, we also will do very well out of this deal and seeing the exploitation of these resources. From a particularly local point of view and as somebody from Darwin, it also, of course, means more development and jobs for the people of Darwin as this field is put into production, hopefully not in the long term.

Gas is a global business and the Timor Sea holds a window of opportunity that now beckons. It is in Australia's national interest and, as I said, in Timor-Leste's national interest that this bill be passed. I am very glad to be here today to support this bill. I have taken a great interest in developments in the Timor Sea over quite some years now and Greater Sunrise has been an issue for Northern Territorians for a long time. We have wanted to see this field developed and have production occur in Darwin. To see that this is now passing through the parliament with the support from the other side heartens me. We are now one step closer to seeing the fruit of all of those efforts on this development which has taken so many years to bring about. I support this bill and I recommend that the House support the bill as well.

Mr ANDREN (Calare) (11.00 am)—The Parliamentary Secretary to the Minister for Industry, Tourism and Resources in his second reading speech introducing this debate called these Greater Sunrise bills a 'matter of formality'. He also spoke of 'Timor leased'. With all the connotations that implies—Timor, our tenant indeed!—I hope he uses the correct pronunciation when he sums up this legislation. Regardless of this government's ability to correctly draft legislation, our refusal to delineate Australia's maritime boundaries with Timor-Leste under accepted international conventions—in order to exploit the one major natural resource available to this poorest of the poor nations—is never a matter of formality for me and for many Australians. That this debate has been moved to the Main Committee, the chamber for the debate of non-contentious bills, is indicative perhaps of the government's wish that the less public attention brought to the so-called agreement the better.

One major aspect of this bill that makes it far from the informality the government wishes it was is the fact that the incorporation into the Offshore Petroleum Act of the Greater Sunrise Unitisation Agreement—an agreement which was much debated in 2004 but not ratified by the Timor-Leste government—was essentially superseded last week with the exchange of notes on the Treaty on Certain Maritime Arrangements in the Timor Sea, referred to as CMATS. That CMATS was ratified last week means that this debate is no longer solely about the unitisation agreement as stipulated by the parliamentary secretary, but more about this newly minted treaty—a treaty that delivers East Timor a better outcome than the shameful original unitisation agreement but leaves the new nation with just half its rightful claim to the resources of the Timor Sea.

The government and opposition should be ashamed of the process that took place in 2004 which saw the unitisation legislation rammed through the House in a matter of hours. There was no announcement prior to it being introduced in the House, from memory, and it was debated in haste the morning after a function in this place, with Woodside and other proponents of the deal entertaining the various members of both sides of the House. I must say, with my exception. This debate occurred, to the deep dismay of our Timor-Leste neighbours, in 2004. It was

all about revenue and jobs for Australia, including Darwin and elsewhere, and revenue for Australian shareholders; it was not about jobs and infrastructure that are so desperately required for Timor-Leste. This latest deal is better, but it still represents an exploitation of resources that rightfully belong to Timor-Leste.

CMATS sets out the revenue-sharing arrangements for the Greater Sunrise oil and gas fields. It locks these in by putting a moratorium on any further negotiation of the maritime boundaries between the two countries for 50 years beyond the expected 30-year life of the Greater Sunrise project. This kills off any opportunity for Timor-Leste and the UN to show that under internationally agreed conventions regarding maritime boundaries, Greater Sunrise and other fields lie wholly within the territory of Timor-Leste. If the government believes this will not be the case and that Australia has a legitimate claim to a maritime boundary that incorporates oil and gas resources in the Timor Sea, it should not be afraid to have this claim tested under the United Nations Convention on the Law of the Sea in the International Court of Justice.

Australia's 2002 withdrawal from these processes belies the government's whole approach to this issue. It is not convinced of the legitimacy of our claims to the oil and gas reserves of the Timor Sea, especially in that half of the gap closest to Timor-Leste. The sharing arrangements under CMATS reflect some of the unitisation agreement that was often used to illustrate Australia's generosity to its less developed neighbour. As set out in the national interest analysis document in relation to CMATS tabled in this parliament on 6 February this year, the sharing of revenues recognises that 20.1 per cent of Greater Sunrise lies within the area of shared responsibility between Timor-Leste and Australia—the Joint Petroleum Development Area or JPDA—and that 79.1 per cent lies in Australian territory south of the 1972 Australia-Indonesia seabed treaty and east of the JPDA.

Timor-Leste receives 90 per cent of revenues from the JPDA. This is the figure we hear most often from the Minister for Foreign Affairs. This is equal to 18.1 per cent of the total revenue to government available from Greater Sunrise as a whole. The CMATS improves the IUA in that total 'upstream government revenues' will be divided fifty-fifty, such that whatever dollar amount Timor-Leste receives per quarter for its 18 per cent, Australia will pay from its share whatever amount is necessary to equalise this income at 50 per cent each. But it should always be remembered that this deal is only half of what East Timor would be morally entitled to if its maritime borders were properly drawn.

The government may argue that the sharing of revenues under the CMATS means Timor-Leste will begin to receive much needed funds sooner than if the exploitation of the oil and gas fields was delayed for many more years in negotiation under the UN process. It is well within our capacity to allow revenues from the Bayu-Undan field, which lies wholly within the JPDA, to flow whilst the maritime border is properly demarcated, leaving the contentious fields such as Greater Sunrise, Laminaria-Corallina and Buffalo until such a time. As it stands, CMATS also protects our ongoing exploitation of revenues from the Laminaria-Corallina and Buffalo fields, which would also be in Timorese territory under the UN Convention on the Law of the Sea. What hypocrisy it is for this government to celebrate its generosity to the East Timorese under this treaty.

I met yesterday with Fernando Lasama de Araujo, President of Partido Democratico and a candidate for President of Timor-Leste later this year. He said his new party will continue to seek justice on its sea border and, like most of his countrymen, he is angry at the failure of the petroleum industry to deliver any real employment and infrastructure to Timor-Leste, where unemployment is rampant, political and social unrest is critical, a manipulative few are feathering their own nests, and there is precious little infrastructure beyond wasteful Taj Mahals like the new foreign affairs building in Dili, to stroke the ego of several prominent people, it seems.

Political and social priorities seem to be sadly askew in East Timor and this economic rip-off adds to the cynicism among the poor. Do we really believe we have the trust of the people of Timor-Leste? Do the people of Timor-Leste really regard this deal as generous, as the member for Solomon just told us? It is the right of two nations to negotiate binding arrangements with regard to their borders, regardless of international conventions, but the government has extracted 50 per cent more of what Australia would be entitled to if the maritime boundaries were properly demarcated in line with international conventions. In the debate on the unitisation agreement, in that hastily-rammed-through bill back in 2004, I said:

The one thing that I am happy with in this whole process is that this agreement and the Timor Sea Treaty will not prejudice the delimitation of a maritime border between the two countries, but the oil could well have run out before we get to that point.

This is no longer the case with CMATS. Both countries are locked in to this sharing arrangement until the oil and gas are exhausted. With this treaty and this bill, we have pushed a poor developing nation—the world's youngest democracy—into giving up half of its rightful claim to revenue from the natural resources that will ensure its future development for decades to come. Indeed, it is not too long a bow to draw to say that the deal that has been struck is instrumental in fomenting the current situation in Timor-Leste—the feeling of mistrust and of having been let down, and the feeling that they are being overlorded by a new colonial master in this whole process.

I can sheet home the blame for much of the unrest in Timor to the feeling of complete abandonment felt by many of the people of Timor-Leste. I hope that, in the elections to come, they can be properly represented in parliament. I learnt only this week that their parliament has proportional representation, which is fine, but the members of parliament are delivered by the party winning that share of the vote and are not truly representative of the people of the hamlets and those impoverished areas of Timor-Leste that are crying out for a true democracy in their country.

There is a system in place that delivers power to only those, it seems, who have a position that they have obtained through various means over the years. There seems to be scant regard generally for the democratic instincts and the fortunes of the Timorese people. That could be addressed with a proper parliamentary process and proper representation. I hope that the democratic party is one that will deliver fairer representation, if indeed it achieves its hoped-for 35 per cent of the vote at the elections. I hope any other parliamentary party in Timor-Leste develops processes that deliver true democratic outcomes, because without that there is going to be a continuation of the unrest, the bitterness and the sectional feuding that we see at the moment. We see people living in fear in refugee camps within their own fledgling democracy. The leadership there seems to have failed them.

Let us not be too precious about this when we try and analyse what is happening over there. I truly believe that the short-changing of the people of Timor-Leste by this Timor oil process is very much part of their feeling of disillusionment about their rightful place in the world, their right to their resources and their right to build a strong and vibrant democracy—one that is based on a fair capitalist process that enables them to build on their natural capital and to make a country with the resources, the skills and the unified population that it could if given a fair chance. One cannot deny Timor-Leste the vital revenue it will receive via this legislation, but it is a deal brokered with Timor-Leste literally over a barrel.

Mr SNOWDON (Lingiari) (11.12 am)—Firstly, I thank the member for Calare for his insightful presentation. I am not sure that I agree with all of it, but I do think he raised some very relevant and pertinent issues that we ought to be thinking about in this place. You may know, Mr Deputy Speaker Secker, that I have been close to East Timor for many years. It is true to say that, whilst the outcome of the arrangements to do with Sunrise and the area to the north is important and will provide significant revenues to East Timor over the next 20 years—anticipated to be at least \$10 billion—it may well have been more had greater weight been given to the arguments which were represented by the East Timorese in their negotiations with the Commonwealth. This legislation establishes a framework for Australia to meet its obligations under the agreement between Australia and the Democratic Republic of Timor-Leste relating to the unitisation of the Greater Sunrise petroleum source when the Offshore Petroleum Act 2006 comes into force.

I think it is worth spending some time looking at some of the issues here. So that we can understand what this unitisation process means: where a petroleum resource, whether it is comprised of one or more pools, straddles borders, production rights or boundaries between administrative systems, sound resource management often requires the resource to be developed as a single unit. This is what we now know here in the context of this legislation as the unitisation of a petroleum resource. In the absence of unitisation, production from one part of a resource could be to the detriment of the resource as a whole or to those with an interest in the resource on the other side of the boundary.

The member for Calare commented on the agreement reached in 2003 between Australia and Timor-Leste about arrangements to govern unitisation of the Greater Sunrise petroleum resource. This resource straddles the border of the Joint Petroleum Development Area, which is the area of a shared jurisdiction between Australia and Timor-Leste, established by the Timor Sea Treaty and in an area of sole Australian jurisdiction located within the Northern Territory offshore area.

In 2004, Labor supported the unitisation implementation legislation as it did put in place arrangements necessitated by the unitisation agreement reached between Australia and the government of Timor-Leste. At the time, however—and it is in the context of the contribution from the member for Calare—we did raise concerns over the Australian government's handling of negotiations with Timor-Leste over the various treaties and agreements regarding petroleum resources in the Timor Sea. We have raised concerns in this parliament over the legislation necessary to meet Australia's obligations under these treaties and agreements.

On 12 January 2006, Australia and East Timor signed the Treaty on Certain Maritime Arrangements in the Timor Sea; the CMATS treaty, which was again referred to by the member for Calare. The CMATS treaty includes setting aside Timor Sea maritime boundary claims for 50 years—commented on extensively by the member for Calare—enforcing the Greater Sunrise international unitisation agreement, the IUA, and increasing East Timor's share of Greater Sunrise revenues from 18 per cent under the IUA to 50 per cent. On 23 February 2007, Australia and East Timor conducted a formal exchange of notes in Dili, formally notifying each other that the domestic

processes for the entry into force of the treaty were complete. The CMATS treaty and the IUA are therefore now legally binding on both Australia and Timor-Leste.

I note that the member for Calare went over the extensive debate which exists in the public domain about the issue of the maritime boundary between Australia and Timor-Leste. I must say that I personally have some sympathy for the position he put, because it is clear on any reading of this agreement and of the treaties that have been entered into that Australia does very well out of these arrangements. It could be argued—certainly by some it is—that that has been to the detriment of the people of Timor-Leste. It is no doubt true that, in the context of the economic situation that prevails in Timor-Leste, it was in the interests of the government of Timor-Leste to sign an agreement at some point because of their need for revenues for what is a very poor community.

I note that observations have been made by the member for Calare about the leadership of the government of Timor-Leste in those negotiations. I have no doubt in my mind at all about the very vigorous way in which the government of Timor-Leste argued their case with the Commonwealth—and with the support of advocates from the United Nations and elsewhere. They very forcefully put the case that the boundary issue needed to be settled in a timely fashion to give greater recognition to their claims over the revenues that would arise out of the development of the Greater Sunrise field and of the area in dispute at the time should the boundary be recognised in the form that they requested it.

We now know that, as a result of this treaty, the boundary issue cannot be addressed for at least another 50 years. In that sense, the horse has bolted. But there are other issues which are again in debate, including how this gas facility at Greater Sunrise will be developed. For example, will there be a floating platform facility and, as has been proposed by the Northern Territory government, a pipeline to Darwin to develop a facility on the mainland or, as has been argued by the government of Timor-Leste—and properly so from their perspective—a pipeline to Timor rather than to Darwin?

That is an issue which is yet to be resolved. But it is clear that, despite the arguments that have been put by some advocates in this country, consultants and experts in the field have found that it is possible to build a pipeline to Timor. The question of course is whether or not that will happen. Ultimately, it will be a commercial decision made by the joint venture partners in that field. But we should not run away from the fact that it is still a live debate. Nor should we run away from the fact that ultimately a decision could be made for a pipeline to go to a production facility in Timor-Leste rather than to Australia.

As an advocate for Northern Australia, of course I would argue that the pipeline should go to the city of Darwin. We know from figures produced as a result of a case put to the Commonwealth by the Northern Territory government that there is an argument that, if Sunrise gas is not piped to Darwin, the nation could forgo value-adding development and gas market competition opportunities worth at least \$1 billion per annum. The estimated additional annual national economic benefits of the integrated pipeline option to Darwin over and above the floating liquid natural gas, FLNG, option include over \$250 million in household consumption, \$35 million in real investment and between \$700 million and \$900 million per annum during the construction phase, \$715 million in net exports, employment of an additional 4,400 persons and \$110 million in government revenues. It would provide an increase of 46 per cent to the GSP of the Northern Territory and for the whole of Australia an increase of \$4 billion in GDP. It would provide an increase in real investment to the Northern Territory economy of \$82 million and overseas exports from the Northern Territory of over \$3.3 billion. It would provide a permanent employment boost of 5,156 in the Northern Territory and almost double that figure for Australia generally.

There is no doubt that there is a very strong case for piping this gas to Darwin for production. The question of course is whether or not that will take place. There will be a strong position put by the government of Timor-Leste, whichever government it might be subsequent to the presidential elections in April and then the general elections which will take place in June or July in Timor-Leste. No doubt they will be properly advocating, as they should, that the development facilities should be built in Timor-Leste.

But we need to also cogitate for a moment that, given the debate about climate change, if we were to develop the facility in the way in which it is being proposed by the Northern Territory government, we would save at least 7.3 million tonnes of CO₂ equivalent per annum compared with the option of a floating liquid natural gas development.

When we are contemplating how this Sunrise field might ultimately be developed, I think my colleague the member for Batman, who was previously responsible for this area of policy in the Labor Party, will attest to the enormous potential that exists right across the north of Australia, in the seas to the north and north-west of Australia, for the development of natural gas and the ultimate contribution that that development could make not only to our economy but also to the war we seem to be waging on the issue of climate change.

I was told last week that we are talking huge figures—billions of dollars worth—in terms of potential development of natural gas resources off the coast of Western Australia. If you add the Sunrise field into that mix and the other potential off the coast of the Northern Territory, in particular, you can see the value of this to the Australian economy. But we should not lose sight of the fact that we have partners in this exercise: the government of Timor-Leste. We should therefore be ensuring that, whatever outcomes exist, there is a flow-on economic benefit to that community.

I note the comments made by the member for Calare about the governance arrangements in Timor-Leste. He also expressed his frustrations about the government type. But let us be very clear about this: Australia was a partner of the United Nations in the proposals which led to the current governing structures in Timor-Leste. We have seen issues of great moment in the Timor-Leste community and indeed in the international community, such as the decisions by the United Nations to extend its presence there for another 12 months. There is no doubt there is a lot of civil disruption and concern being expressed by people—for example, the recalcitrant army officer who recently raided a defence facility and stole weapons is of major concern to many people involved in the political process in Timor-Leste. They are going through a very difficult period.

Whatever consideration the Australian government might be giving in relation to the Sunrise field—and I am aware of the very important role that the Australian defence forces have been playing since 1999—we should ensure, as far as possible, that there is fairness in the treatment of all political parties in Timor-Leste, through whatever influence we might be able to bring to bear on those forces within the country, including through the United Nations.

It is very important for this region that, once the presidential election takes place, it is an open and fair contest between those people who put their names forward and that we get an outcome which is seen as fair and reasonable and then, later, when the general election takes place, that we get a similar outcome. There is a plethora of political parties who are entering the contest in Timor-Leste and that is of great moment for us here. Observing the development of democratic institutions in a place like Timor-Leste, which has suffered so much over so many years, including the loss of hundreds of thousands of lives, we should pray that that democratic process finds a happy solution in the form of a properly elected and respected government after the election of a new president.

My contribution to this debate is almost at an end, but I do want to reinforce the view that this process is not a ‘winner takes all’ exercise. We should be ensuring that, whatever dealings we have with Timor-Leste, they are seen as open and fair. An argument has been put most eloquently by the member for Calare that the outcome in relation to this arrangement over Sunrise has not been appropriately open and fair, particularly as a result of this government’s unwillingness to address the seabed boundary issue.

Mr MARTIN FERGUSON (Batman) (11.28 am)—I welcome the opportunity to make a few remarks concerning what I think is a very important bill. Like the member for Lingiari, I acknowledge that the point at which we are currently arriving with the Offshore Petroleum Amendment (Greater Sunrise) Bill 2007 has been a long time coming. I think this piece of legislation is exceptionally important not only to the future of East Timor but potentially to the stability in the region in which we operate—our backyard. I say that because the Offshore Petroleum Amendment (Greater Sunrise) Bill 2007 and the associated Customs Tariff Amendment (Greater Sunrise) Bill 2007 are a welcome further step towards establishing the necessary framework for the future development of petroleum resources in the Timor Sea.

Those who follow this industry appreciate that you are not going to get investment in economic development unless there is some certainty about the investment framework that surrounds such an investment. Today’s bill is about creating an investment regime that can lead to investment of long-term benefit, to economic development in East Timor, to economic prosperity in Australia and perhaps, more importantly, to political stability in the region in which we operate. We also appreciate that the path towards development has been a long one. The interests of both Australia and East Timor will be best served by the Greater Sunrise petroleum resources being developed as soon as possible.

On the basis of this investment framework, I hope we now get some concrete decisions on potential development in this region. In particular, I note that the development of these resources will generate for East Timor revenue that is desperately needed to rebuild an independent and sustainable future. That is not only important to East Timor; it is important to the whole region in which we operate. If we get it right, we can create an economic platform for development in East Timor which enables that fledging economy to invest in improved health services and education, and in opportunities for training, infrastructure development and job creation. That in turn is central to overcoming some of the domestic problems which confront the fledging government of East Timor.

East Timor is a fledging nation in the international community. We all understand, because we are all friends of East Timor, that East Timor has faced more than its fair share of trials and tribulations in recent times. Since the

Prime Minister proposed to Indonesia in late 1998 that it was time for a long-term process of autonomy for East Timor, the path to independence proceeded rapidly, with the East Timor elections held in 2001. As many warned at the time, East Timor, by going down that path so rapidly, faced a difficult road ahead to achieve security and safety for its people, the establishment of robust government processes and economic security. Those fears have proven to be true. For that reason we on this side believe Australia has an obligation to continue to help East Timor to achieve security for its people. Federal Labor fully supported the deployment of troops to restore law and order in East Timor last year.

Hopefully, the investment regime that we are creating under this bill will remove the need in future years for Australia to get involved in the policing of East Timor. If East Timor has people who are idle, who are without proper health and education services and employment opportunities, then it is going to get criminality and instability in its streets. In that context, I believe that we must work with East Timor to improve governance, reduce corruption and build an economically viable and self-sustaining nation. We as a nation can no longer afford failed states on our doorstep. We have enough problems in the Pacific with nations such as Papua New Guinea, Fiji and the Solomon Islands. The last thing we need is to have East Timor end up in the same basket—with instability and no possibility of economic development and sustainability in the years to come.

East Timor's status as an independent nation amongst all others, we believe as a party, is a tribute to the resolve of its people. They have come through a lot over a very short period. This legislation is about offering a helping hand, about trying to create an environment that will lead to economic development through investment by the private sector and that will guarantee the future of East Timor economically and also politically. But the resolve of the people is not enough for a country such as East Timor to take its place amongst the prosperous nations of the planet. East Timor continues to face significant economic and social challenges in its desire to front up to nation building, including re-establishing essential social services, revitalising the economy, generating employment and achieving food self-sufficiency. The development of East Timor's petroleum resources and the funding that will flow from it is vital to the country's economic and social development. Without it, we condemn East Timor to no future at all. That is why this legislation is so important.

The passage of the bill is a small step for Australia to take in enabling this development to occur. I also want to acknowledge that the commercial development of these fields is still likely to be some time off in the future and will be the subject of appropriate negotiations between the developers of the fields, the East Timorese government, the Australian government and the buyers of LNG. All we are doing today is creating a platform for those negotiations to move forward, to realise real investment which opens up those fields to the economic benefit of Australia and East Timor. We are a long way from that point at this time.

For that reason, in the meantime we as a nation have to be concerned today about poor government standards, including corruption, money laundering, organised crime and human rights abuses. We have a special responsibility to assist the government of East Timor in resolving those issues because, if we do not, they themselves will be a barrier to economic development. Companies will be hesitant about investing in East Timor because of the potential instability of government and a fear that their own workforce will have their lives endangered if they invest in East Timor.

So the legislation creates a platform but, to build on that platform, we have to overcome these problems so that East Timor becomes an attractive place for investment, just as Australia is an attractive place for investment, not only because we have an educated workforce which has the skills to carry out the necessary investment but also because we are politically stable and therefore investment by business is secure. There are issues of poor government standards, corruption, money laundering, organised crime and human rights abuses. Those challenges are just as important as the legislation before the parliament this morning.

We also have to be vitally concerned about poverty, illiteracy, low skills, unemployment, poor health, lack of clean water and energy supplies, and natural resources management. You are not going to get investment from the private sector unless workers are educated and skilled enough to do the work on the ground. So hand in glove with legislation such as this is the responsibility of the Australian government, with the international community and NGOs, to do something practical on the ground to overcome the huge social challenges that confront East Timor at this time.

The unsustainable management of natural resources will also potentially have negative economic, environmental and social consequences in the long term for East Timor. I believe we have seen many Pacific countries suffer from the resources curse. Abundant natural resources become a source of corruption and ultimately conflict. You just have to look at places such as the Solomon Islands and Papua New Guinea to see evidence of that. The Panguna mine led to civil war in Bougainville, Fiji's mahogany plantations were behind the 2000 coup and unsustainable logging contributed to conflict in the Solomons—and it still contributes to conflict in the Solomons. That

is one of the problems that also confronts Australia in terms of the forest industry. Illegal logging undermines not only our own industry but also our desire to front up to our environmental obligations as an international community.

I simply say in speaking to this bill today that it is our responsibility to not only negotiate hard with East Timor to achieve a fair outcome in these developments but also work hand in glove with East Timor to ensure that they do not succumb to this fate. We must have a healthy East Timor with a robust civil community and a thriving economy. That is not just good for East Timor; it is also good for Australia in terms of our own political stability in the international community. For that reason, while the development of petroleum resources offers a source of hope—and that is all it is at the moment: it is not set in concrete; it is a source of hope to build on in the future and greater opportunity for the future—the truth is that we are a long way from reaping those benefits, either for Australia as a nation or perhaps, more importantly, East Timor as a fledgling nation at this time.

I remind the government today that it is its responsibility to work with East Timor on behalf of the people of Australia to find other economic employment and training opportunities and to develop that country in the meantime. We cannot work on the basis that their future is all dependent upon the potential development of these fields. It is also up to the people of East Timor to avoid the trap of putting all their eggs in one basket—just as, for example, we have gone out of our way to diversify the economies of our smaller states such as Tasmania and South Australia. In South Australia, which has been heavily reliant on the automobile industry for so long, the future expansion of Olympic Dam is an absolute must. Major expansion of the uranium industry is about diversifying the South Australian economy and securing the economic future of South Australia. Similarly, in Tasmania, people want to close down the forestry industry and say that the future of Tasmania is all dependent upon tourism. What a bleak future for Tasmania if all our eggs are put in one basket. Not only is tourism important; so is a sustainable timber industry. It is about time Senator Bob Brown, who was born not in Tasmania but in Western Sydney, understood the importance of the forestry industry to Tasmania. I raise these issues, Mr Deputy Speaker Adams, which I know are dear to your own heart as a Tasmanian who is proud to stand up for the economic interests and job prospects of Tasmanians.

I throw up these few examples to remind Australia of its responsibilities to ensure that East Timor has diverse economic opportunities and avoids the trap of putting all its eggs in one basket. I simply believe that economic empowerment for education and training, jobs and sustainable resource industries is the true path to a stable and prosperous East Timor. I also say in conclusion that, unlike the minister, I do not think nuclear power is vitally important to the future of East Timor. He also has to assist in broadening East Timor's horizons as to what is possible in the future. In that context, it is gas in association with a variety of other industries. This, more seriously, is the hope that we should hold out for all our neighbours.

Today's bill has been a long time coming. It has not been easy for Australia or East Timor, but it is good that these negotiations have been completed. It is good to see the leadership of the President of East Timor and to see the parliament actually nailing down this legislation in recent times because we now have a platform which creates certainty for investment. Let us hope that East Timor will grasp the opportunity and go ahead, with a helping hand from Australia. I commend the bills to the House.

Mr FITZGIBBON (Hunter) (11.43 am)—Mr Deputy Speaker, I know that you will agree that former resources spokesmen do not grow old; they just grow wiser. On that basis I am not surprised to see the member for Batman making such a substantial and significant contribution. I know the minister at the table, the Minister for Industry, Tourism and Resources, Mr Macfarlane, will not be surprised to see me here at least attempting to make a substantial contribution. I note that the minister at the table is not yet a former resources spokesman, so I am not sure whether my remarks about growing wiser apply to him, but we will give him the benefit of the doubt.

I maintain a very deep-seated interest in matters relating to our resources sector. Also, in my new shadow portfolio of defence I take a very keen interest in the stability of our region, particularly the parts of the region closest to home. Nothing can be more important to Australia's national security than a stable East Timor—of course, that applies to all of that region.

The Offshore Petroleum Amendment (Greater Sunrise) Bill 2007 is hopefully about underpinning and ensuring a stable East Timor, at the same time exploiting every benefit we can from our very generous endowment of natural resources—in this case, our plentiful supplies of natural gas, at last count about 150 trillion cubic feet. So I am very pleased to be speaking to the bill and very pleased to support the bill.

We have been a long time getting here—a long time working out a fair deal both for our own nation-state and for the East Timorese. Of course, when we look at that problem we do try to get the right balance between maximising the benefit to our own country and economy and making sure that we do all we can to get the East

Timorese out of impoverishment by getting that economy bumping along, which the member for Batman spent some time discussing. Hopefully, this far down the path we have that balance right. It has not been easy.

As members of the House know, the boundary between East Timor and Australia on these matters is determined by our continental shelf, which means that our legal boundary extends well beyond our northern shoreline. There are those who think that these days that is not fair and that the boundary should be equidistant from the two nation states. There were those who were pushing very hard for that to be the case. There were also those who were very disappointed at Australia's decision to withdraw from the jurisdiction of the International Court of Justice, which would have been the independent arbiter on these issues. Thankfully, we are past arguing that. I acknowledge some would not have been happy with that approach. I also make the point that I was not always happy with the government's approach to those negotiations at that time. It is well recorded that Minister Downer in particular took quite an aggressive approach towards the East Timorese when dealing with those issues.

Hopefully, we can now settle down to the approach we have before us, which is dealing with Sunrise as it sits outside the JPDA, and to the day the unitisation agreement—if I understand the technical aspects—deals not so much with the boundaries but with how you agree on what part of the gas lies where at any particular time, to oversimplify the issue. Hopefully, this is an agreement which, once sealed, will get the right balance between Australia's economic and strategic interests and the future development and security of East Timor.

Those who were arguing that we should go to an equidistant line, which would have given the East Timorese much more of the resource than we would have secured for ourselves, missed a couple of points. One is the potential implications that has for the resource in terms of Indonesia's sovereign rights over part of the Greater Sunrise field. Another is that it ignores the fact that, while it would have meant more revenue for the East Timorese, we would have had less control over how that money is spent in East Timor. I do not think it is a criticism of East Timor to say that it is important that Australia, through the allocation of funds to that country, maintains some control over where that money is spent. It has been a politically unstable country for a long time and that instability largely continues. So there is an argument that it is better for Australia to be collecting resource revenue and extending it back to the East Timorese in the form of foreign aid. I think that is an important point to make. These debates are never as easy as: 'The line should be here and East Timor should be getting more of the resource.' It has not been simple throughout the course of this debate and will never be simple.

You have to consider the fact, when you are talking about the economics of this issue, that since 1999 we have spent about \$3 billion securing East Timor in a military sense. That is another \$3 billion you may or may not have to spend in the future if East Timor is standing on its own two feet, enjoys a stable democracy et cetera. So there are always two sides to the equation when dealing with these very complex matters.

I want to pick up a point raised by the member for Batman: these things all have knock-on effects in our resources sector, and we have to look at them in a macro sense. I am delighted the minister is here, because I noticed that Allan Wood in the *Australian* this morning talked about the \$25 billion gas contract to China, which was signed some years ago now. The minister will recall that I very cautiously criticised that contract at the time, and there is a direct link between that and the matter before us. I argued at the time that, while it was certainly Australia's biggest trade contract in dollar terms, we were effectively giving the gas away and that all the forecasts for commodity prices generally, particularly energy, were that prices would be rising. Quite frankly, I thought it was a bit of a dud deal for Australia and said so at the time. I was roundly criticised by, I have to say, a few people on my own side, not only by members on the government side, and I found no sympathy in the journalists covering the story at the time.

It is history now that the government won that debate and were able to get away with claiming that it was a great thing for Australia's economy, and the Prime Minister, the Minister for Industry, Tourism and Resources and the Minister for Trade were all falling over one another to claim credit for the deal. But I think that just last year, when things started to turn sour and people started to realise that it might not have been such a crash-hot deal after all, they were trying to deny having any real or direct involvement in the negotiation of the price. I said at that time that my view and my intelligence was that the Prime Minister went to Beijing and talked to Hu Jintao, the leader in China at the time, and Hu Jintao said, 'Well, you'll just have to go back and tell your venture partners that they have to reduce their price,' and I think that is exactly what the Prime Minister did. It is history now and I think it is an almost uncontested fact that the price was locked in too low, to the great detriment of the Australian economy.

I made two additional points at that time. One was that when other contracts, such as that with Japan, came up for renewal, the Japanese would be naturally asking for the same sort of deal that the Chinese had secured, and that deal was of course at a unit price much lower than Japan was paying at the time. But the other point is more directly linked to what I am now arguing in the bill before us: if you drive the price of LNG down by entering into

a deal such as the \$25 billion deal with China, for political purposes, for political advantage, it will have knock-on effects such as those with Japan, but it will also have a knock-on effect on the viability of some of our other fields. The member for Batman made the point that Greater Sunrise is still not much more than a proposal, which has been partly held back by the matter we are dealing with today—that is, the agreement on the sharing of resources—and also held back by the sheer economics of the project. If you drive LNG prices down by entering into a deal with China, which is not in Australia's best interest in any case, you undermine the economics in future fields. You undermine the viability of developing Greater Sunrise.

The minister is shaking his head. Let me say it again: if you take an action that drives down LNG prices or puts a brake on the growth in LNG prices, you are obviously playing a role in reducing the price of LNG and therefore you are driving downwards the economics of developing future fields. That is just common sense. It is a matter of fact. That is an important point which is directly linked to the bill before us.

The opposition are committed to a fair outcome. We believe, just as with the original proposals in the original Joint Petroleum Development Area, that this is a fair and balanced outcome. We do not believe the government has handled the issue well on all occasions. In fact, I think the government came very close on a number of occasions to ensuring that this project would never go ahead, or at least that it would not go ahead in the immediate future—and when I say immediate future, in resources terms that is the next 10, 20 or even 30 years—which would have cost both the Australian economy and the East Timorese economy. It would have stalled our attempts to help lift that young country out of its impoverished state and, therefore, undermined the social structure of East Timor. That in turn would have undermined the national security and stability in the region, which in turn has ramifications for our own national security.

The government have bumbled along much of the way, but I express the hope that they have it right this time around and that we have an agreement which is to the satisfaction of both Australia and our close friends in East Timor. That is not to say that we are close to realising this project. That is yet to be known.

The other point is that when you force the economics of the project you put greater pressure on the venture partners to consider LNG offshore rather than onshore. If you force down the price, they will work even harder at improving their margins on the development. That is one of the things that forced Shell, in particular, to talk about an LNG platform offshore rather than an LNG facility onshore in Darwin. If that occurs, that will be a great loss to the Australian economy. It will mean we will not secure the jobs and money we would have secured from the onshore project. There are just not the jobs and the facilities onshore near Darwin. It is the additional capacity it gives us to pipe that gas further south, particularly to the south eastern corner of the country. One of the great frustrations about our great endowment of gas in this country is that so much of it exists in remote north and north-west Australia, too remote from the main markets in New South Wales and Victoria. But bringing Sunrise onshore gives us another choice above bringing natural gas from the north-west shelf to those markets. It seems the PNG gas pipeline is now a thing of the past. So Greater Sunrise is probably our greatest alternative to bringing natural gas finally to those great markets in the eastern states of Australia.

This has been a very important negotiating period. It is about international relations, national security, Australia's economic wealth and East Timor's economic wealth—bringing them out of their impoverished state so that they can stabilise in future as a longstanding democracy.

Labor, while making criticisms about the process along the way, are very pleased to support the bill. We keep our fingers crossed that the outcome will be an effective one and that, at last, some time in the not too distant future we will get a development which comes onshore to Australia, fuelling Australia's economic development. But we hope also that we will have created a deal which is overwhelmingly in the interest of the East Timorese people and, on that basis, will make a great contribution to the long-term stability and wealth of that nation.

Mr IAN MACFARLANE (Groom—Minister for Industry, Tourism and Resources) (11.58 am)—in reply—I thank all honourable members who have contributed to this debate on the Offshore Petroleum Amendment (Greater Sunrise) Bill 2007 and the Customs Tariff Amendment (Greater Sunrise) Bill 2007. Some of those contributions I agree with; some of those contributions I disagree with. I am not going to take the time of the House to go through them, but from what I have heard there is strong support for the passage of these bills from both sides of the House.

I also thank those members of the opposition who have supported the Offshore Petroleum Amendment (Greater Sunrise) Bill 2007 and the Customs Tariff Amendment (Greater Sunrise) Bill 2007. The bills implement an agreement between Australia and Timor-Leste to develop and commercialise the Sunrise and Troubadour petroleum fields in the Timor Sea as a single unit. These fields, collectively known as the Greater Sunrise petroleum resource, straddle the border between the Joint Petroleum Development Area, established by the Timor Sea Treaty, and an area of Australian jurisdiction.

The policy on this issue was fully debated and agreed to for incorporation into the Petroleum (Submerged Lands) Act 1967, the Customs Tariff Act 1995 and other related acts of 2004. These bills ensure that the same details are incorporated into the Offshore Petroleum Act 2006, the Customs Act 1995 and the consequential amendments to other acts. The legislative framework for the unit development of the Greater Sunrise field provides for investor certainty, which is a necessary precondition for the development of this resource.

Development of the Greater Sunrise field will provide substantial benefits for both Australia and Timor-Leste. From development will flow investment, exports, employment and revenue. It can also be expected to enhance the Timor Sea as a destination for exploration activity, to the benefit of both nations, particularly Timor-Leste. The development of the Greater Sunrise field will further build on the success of the cooperative arrangements that Australia has with Timor-Leste. The Bayu-Undan field within the Joint Petroleum Development Area is generating revenue for both Timor-Leste and Australia, with gas being piped to a liquefied natural gas plant near Darwin.

The credentials of Australia and Timor-Leste to act in cooperation were established with the ratification of the Timor Sea Treaty, which governs the development of the resources of the Joint Petroleum Development Area. Now that they have been ratified by both countries, the Greater Sunrise unitisation agreement and the more recent treaty on certain maritime arrangements in the Timor Sea—the CMATS treaty—will further consolidate these credentials.

The Australian government is pleased to honour its agreement with Timor-Leste by making legislative provisions for the Greater Sunrise unitisation agreement's implementation. The CMATS treaty does not require the introduction of legislation. The government looks forward to continuing its cooperative and mutually beneficial relationships with Timor-Leste. The bills continue Australia's commitment to the unitisation of the Greater Sunrise resource. I look forward to the day when Australia and Timor-Leste can announce the commencement of petroleum production from Greater Sunrise. I thank the honourable members for their support of these bills and I commend the bills.

Question agreed to.

Bill read a second time.

Ordered that the bill be reported to the House without amendment.

CUSTOMS TARIFF AMENDMENT (GREATER SUNRISE) BILL 2007

Second Reading

Debate resumed from 14 February, on motion by **Mr Baldwin**:

That this bill be now read a second time.

Question agreed to.

Ordered that the bill be reported to the House without amendment.