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WOODSIDE ENERGY LTD.

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Glossary

IUA	International Unitisation Agreement
JPDA	Joint Petroleum Development Area
JVP	Joint Venture Participants
PSC	Production Sharing Contract
TST	Timor Sea Treaty

1. EXECUTIVE SUMMARY

A range of significant matters relating to the development of the Greater Sunrise Fields impact upon any consideration of the Timor Sea Treaty.

Paramount is the recognition that ratification of the TST must be accompanied by international unitisation in order to secure the fiscal and regulatory certainty and stability required for the commercialisation of the Greater Sunrise Fields.

The TST does not, in itself, provide the fiscal and regulatory certainty and stability needed to support continued investment. Commercialisation of Greater Sunrise remains at risk until an appropriate and complete fiscal and regulatory framework is in place. It is Woodside's submission that, as there is a significant relationship and co-dependency between them, the TST, IUA and PSCs should all be addressed, developed and agreed simultaneously.

The possibility of an open and undefined reconsideration of the terms of the IUA, caused by the renegotiation of the JPDA boundary or by the final delimitation of the borders, effectively destroys the fiscal and regulatory certainty and stability required by the JVPs. The IUA must establish the principle that the fiscal and regulatory conditions, in existence at the time the Sunrise Project is sanctioned for investment, will continue to be applied for the life of the Project.

It is our submission that this approach would make a significant contribution to the fiscal and regulatory certainty and stability required by the JVPs for the Greater Sunrise Project. In addition, it would release significant benefits created by the development of this gas resource for the Governments and peoples of both Australia and East Timor.

2. WOODSIDE'S INTEREST IN THE TIMOR SEA TREATY

Woodside Energy Ltd. is a significant stakeholder in various permits in the Timor Sea, and therefore has a substantive interest in the outcome of the deliberations by the Committee in respect of the TST.

Woodside is the designated Operator and 33.34% owner in the following permits relating to the Greater Sunrise fields which straddle the JPDA:

- PSC 95-19
 - PSC 96-20
- } representing 20.1% of Sunrise within the JPDA
- NT/RL2
 - NT/P55
- } representing 79.9% of Sunrise within Australian jurisdiction

3. RELATIONSHIP AND CO-DEPENDENCY OF TIMOR SEA TREATY, INTERNATIONAL UNITISATION AGREEMENT AND PRODUCTION SHARING CONTRACTS

The TST establishes the legal framework for the IUA and all PSCs within the JPDA.

The TST, IUA and PSCs are all equally important and co-dependent upon each other to ensure the fiscal and regulatory certainty and stability required by the JVPs, who plan to invest some A\$6billion developing Greater Sunrise.

By ensuring that the TST, IUA and PSCs are addressed simultaneously, the Australian Government will be providing an environment in which there are no legal or fiscal vacuums whilst ensuring a clear order of priority exists in the event of overlap or conflict within the regime.

4. THE TIMOR SEA TREATY AND THE DEVELOPMENT OF SUNRISE

The National Interest Analysis (NIA) states that Australia and East Timor would both receive the benefit of revenue from petroleum activities in the JPDA. The Greater Sunrise project is one of the two significant developments mentioned in the NIA.

Pending ratification of the TST, the Exchange of Notes provides the international legal basis for petroleum activities to continue in the JPDA. The stable continuation of activities is in the interest of the Governments of Australia and East Timor, as well as the companies involved.

Ratification of the TST is fundamentally important for the commercialisation of the Greater Sunrise Fields. It is the cornerstone of the fiscal and regulatory regime, which is further defined by the IUA and PSCs. It also provides demonstrable support by Australia for the ongoing exploration and development of petroleum reservoirs located within the JPDA.

The TST does not in itself, however, provide the fiscal and regulatory certainty and stability needed to support the continued investment in the Sunrise Gas Project. Commercialisation of Greater Sunrise remains at risk until the complete fiscal, legal and regulatory framework is in place.

Ratification must be accompanied by international unitisation in order to secure the fiscal and regulatory certainty and stability required by the JVPs. Whilst Annex E provides for the attribution of the Greater Sunrise on a 20.1/79.9 basis, it is without prejudice to a permanent delimitation of the seabed between Australia and East Timor. The possibility of an open and undefined reconsideration of the terms of the IUA effectively destroys the fiscal and regulatory certainty and stability required for the commercialisation of the Greater Sunrise Fields.

5. THE PURPOSE OF THE INTERNATIONAL UNITISATION AGREEMENT

5.1. Unitisation

In the Timor Sea, the Greater Sunrise Fields straddle the four permits identified above, with the result that the petroleum reservoirs are situated within both the JPDA and Australia. Unitisation is the process by which the Greater Sunrise Fields can be developed as a single entity by the most efficient and effective means possible.

Article 9 (b) and Annex E of the TST reflect the agreement between Australia and East Timor that unitisation will occur.

The Memorandum of Understanding between Australia and East Timor, signed on 20 May 2002 at the same time as the TST, noted the undertaking by Australia and East Timor to conclude a unitisation agreement for the Greater Sunrise Fields by 31 December 2002.

An IUA is a complex and extensive agreement, addressing a significant range of fiscal, jurisdictional, regulatory, operational and commercial matters. The IUA will benefit a number of significant stakeholders, including the Governments of Australia and East Timor and a range of other third parties including advisers and service providers.

5.2. The need for the Sunrise IUA

The TST, in its present form and as currently being considered by the Committee, provides only a starting point for the required unitisation and fiscal and regulatory certainty and stability required for the commercialisation of the Greater Sunrise Fields.

The TST does not address the ongoing fiscal and regulatory regime to be applied to the development and operations throughout the life of the Sunrise Project, as these issues are more appropriately addressed in an IUA.

5.3. Development of an International Unitisation Agreement

Woodside acknowledges and appreciates the positive and consultative approach which has been undertaken by DITR in preparation of the draft IUA, provided to Woodside on 27 June 2002. Personnel from DITR, as well as the Attorney General's Department, Department of Foreign Affairs and Trade, and Treasury have made themselves readily available for consultation and been amenable to discussing and considering fiscal and regulatory issues and matters of concern raised by Woodside.

Woodside also acknowledges and appreciates the opportunities for consultation in relation to the IUA provided by the Government of East Timor and its advisers.

Woodside has, on many occasions, advised the Governments of Australia and East Timor of the need for the IUA to be developed in conjunction with the TST. The fiscal and regulatory certainty and stability required for continued investment for the development of Greater Sunrise can only be secured through resolution of the IUA within the timeframe identified in the Memorandum of Understanding between Australia and East Timor. The IUA needs to be agreed in conjunction with the TST.

6. THE NEED FOR FISCAL AND REGULATORY CERTAINTY AND STABILITY

6.1. How pressing is the need?

To date the JVPs have committed over A\$200 million to secure a market and a technical development solution capable of commercialising Greater Sunrise. Continued investment is essential if the resource is to be developed and returns are to be generated for East Timor and Australia. However, any further commitment of

significant expenditures by the JVPs will not occur unless fiscal and regulatory certainty and stability are provided.

At the time of writing, two market opportunities are being investigated for Greater Sunrise, being an opportunity utilising newly developed floating LNG technology and an opportunity based on supplying gas to the Australian domestic market. Competition for technology and gas markets dictate that development opportunities are rare and the market opportunities will not wait for Sunrise. It is imperative that fiscal and regulatory certainty and stability are addressed as a priority and provided to ensure any identified development opportunity is not lost.

6.2. Nature of the fiscal and regulatory risk

Whilst the TST contemplates a range of fiscal and regulatory issues (for example a taxation code and the need for an IUA), such matters are only dealt with in a high level, conceptual way.

Given that the TST is without prejudice to any future seabed delimitation, it is imperative that the fiscal and regulatory certainty and stability created by the IUA should survive any actual changes to maritime borders.

The detailed matters which are required to be addressed in an IUA include:

- Establishment of the principle that the fiscal and regulatory conditions, in existence at the time the Sunrise Project is sanctioned for investment, will continue to be applied for the life of the Project in accordance with the original attribution (20.1/79.9) established in the TST.

Risks associated with any change include:

- Increased tax payments, tax variability and uncertainty,
- Changes in regulations and administrative regimes,
- Sovereign risks associated with a new nation such as East Timor.

Given that 20.1% of the Greater Sunrise Fields are attributed to the JPDA, the substantial impact of any such risks is readily identifiable due to the higher tax rates and relatively immature regulatory environment that is in place within the JPDA and more generally East Timor. Indeed, it will be many years before East Timor demonstrate its sovereign risk credentials.

Should boundaries change in the future, or should there be a final delimitation of the borders, there would be no financial or jurisdictional impact on the Project. However, this does not imply that the Governments could not agree to share the total Government take from the Project in different proportions.

- The sale point needs to be defined as one and the same for both commercial and fiscal considerations in both jurisdictions. Apart from identifying the taxation point, the sale point also identifies the extent of the IUA jurisdiction.
- Sale price and pricing formulae must be treated in a consistent and complementary manner for both commercial and fiscal considerations in both jurisdictions.
- Nature of any redetermination of the reservoir, addressing the extent, timing and appropriate jurisdiction.

- Costs and revenues are recognised equally for fiscal purposes within both jurisdictions, so that all costs and revenues are properly and uniquely accounted for in a transparent and open process.
- Establishing a single process for approvals, for example covering Sale Agreements, Field Development Plans, Environmental Impact Statements and the like.
- Full recognition of past costs for fiscal purposes.
- Parallel, equal and symmetrical treatment of all fiscal and regulatory matters between the two jurisdictions.

7. ACTIONS REQUIRED BY JOINT STANDING COMMITTEE ON TREATIES

In order to provide the fiscal and regulatory certainty and stability required by the investors in the Greater Sunrise project, we request that the Committee should:

- Recommend the simultaneous ratification of the TST with the development and execution of the IUA.
- Note the importance of concluding new PSCs for that portion of Greater Sunrise attributed to the JPDA.