

Report on Petroleum Conference in Darwin, Australia

The South East Asia Australia Offshore Conference (SEAAOC) discussed offshore oil and gas mining in the region including Australia and South East Asia. This conference was held for oil companies and others in the industry to promote offshore technology development. Australia's oil and gas interests dominated the conference, and one area of focus was the Timor Sea oil and gas fields.

The conference, held 17-19 June 2002 in Darwin, Australia, was the eighth such conference organized by the Institute for International Research, an Australian business which organizes conferences on many subjects. More than 300 people attended, including representatives of the Australian and East Timorese governments and the petroleum industry. Adriano Nascimento from *La'o Hamutuk*, representing the Independent Information Center on the Timor Sea (CIITT, an East Timorese civil society group formerly known as the Timor Gap Working Group), and Australian activists who share concerns about Timor Gap issues also attended. CIITT participated to increase its knowledge about Timor Sea oil developments and to develop communications with companies, government officials, and others working in this area.

The Timor Gap was one of the main topics in presentations by representatives of the Australian government, the East Timorese government, and oil companies. Each of these groups gave presentations on the Timor Gap based on their roles and interests.

The Australian Government

In the opening speech for the conference, the Northern Territory government representative, Chief Minister Clare Martin, raised two main issues: the Timor Sea Treaty signed on 20 May 2002 and the gas pipeline.

According to Martin, the NT government and people have the perspective that the natural gas in the Timor Gap is key to economic and petroleum development for Australia and will make Darwin the fourth largest gas market in Australia.

The Chief Minister stated to conference participants that Australia's hopes lie in the signing of the Timor Sea Treaty for the shared exploration of oil and gas by Australia and East Timor. From her perspective, the Treaty is the best first step towards developing the Australian petroleum industry.

Pushed by this interest, this Northern Territory leader asked for speedy ratification of the Timor Sea Treaty by the parliaments of both countries. She said that ratifying the Treaty would give legal and commercial security to the companies investing in the Timor Gap.

The Australian government feels that the 90% of production revenues from the joint area (JPDA) under the Treaty is fair compensation for East Timor. For that reason, according to Martin, ratification of the Timor Sea Treaty will strengthen the friendly relationship between the two nations and peoples. Martin ignored the fact that the treaty also gives Australia control over large areas that should be East Timorese under international law. Regarding the gas pipeline plans, Martin said that the Australian government – especially the Northern Territory government – sincerely hopes that the gas pipeline will be built to Darwin, giving employ-

ment opportunities to the Australian people and increasing investment, business, and technological renovations in Australian.

The Australian government, especially that of the Northern Territory, is certain that if gas from the Bayu-Undan and Sunrise fields are brought to Darwin for processing, this would:

- Diversify the national economy;
- Create jobs for around 10,600 workers; and
- Increase national revenues by US\$8 million for the duration of the project

Aside from the points above, gas from Bayu-Undan and Sunrise are also expected to bring:

- Opportunities for new businesses and training programs
- A decrease in the dependency of the Northern Territory government on the central government, guaranteeing the Northern Territory government's ability to support its own social and development programs.
- Annual revenues of US\$60 million of which US\$55 million will go to the national government.

The East Timorese Government

Prime Minister Mari Alkatiri told conference participants of the East Timorese government's position on the Timor Sea Treaty, maritime boundaries, and the status of oil and gas fields.

Alkatiri said the Treaty he signed with John Howard is extremely important and beneficial for the relationship between the two nations. In his opinion, the Timor Sea Treaty strengthens the commitment to mutual understanding between the two nations. He promised conference participants that the Treaty would be ratified quickly in East Timor.

The Prime Minister stated that maritime boundaries must be resolved based on international legal principles recognizing East Timor's national sovereignty, and he will personally raise the issue of maritime boundaries with Australia.

According to Alkatiri, the East Timorese government will continue discussions regarding the status of certain oil and gas fields such as Laminaria and Sunrise. East Timor has full rights to Laminaria and Sunrise if maritime boundaries were resolved using international law as laid out in the UN Convention on the Law of the Sea (UNCLOS).

Alkatiri also addressed the oil companies directly, proclaiming the Joint Petroleum Development Area "open for business." With this, he pushed petroleum companies to continue their work in oil and gas fields in the Timor Gap.

The Petroleum Companies

In the conference, four oil companies gave their perspectives on issues relating to the Timor Gap. They covered many issues, including the Timor Sea Treaty, taxation, and the gas pipeline.

They expressed that the ratification of the Timor Sea Treaty is an urgent matter which must be carried out by both Australia and East Timor. The Treaty's ratification is a key

agenda item for the companies because only with ratification will they have a legal framework and commercial guarantee for continuing their mining activities and investing in Timor Gap.

Aside from the issue of ratification, the petroleum companies raised the uncertainty of how much they would be taxed. The East Timorese government plans to instate higher levels of taxation than the Australian government. The oil companies called for the Australian and East Timorese governments to unify their taxation policies in the Timor Gap.

Phillips Petroleum advocated a gas pipeline to Australia as the most technologically sound approach. Although East Timor is closer to the gas fields, Phillips said a pipeline to Australia is more feasible since the ocean floor is not as deep.

Conclusion

The Timor Sea is an arena of strategic struggles using political and economic strength to promote different interests.

For the Australian government, the Timor Sea is an opportunity that must be pursued using all political, economic and technological strength available. This nation very much hopes for a legal framework to facilitate employment opportunities, investment, national revenues, business, and technological renovations. With this reasoning, Australia is pressuring its small neighbor to quickly ratify the Timor Sea

Treaty. Australia is also using its political strength by withdrawing from the International Court of Justice and the UN Convention on the Law of the Sea arbitration processes for maritime boundary resolution.

Economically, Australia is using its economic strength to offer a lower tax rate to oil companies exploring petroleum in the Timor Gap. This policy will make it difficult for East Timor to finalize its own tax policy. The petroleum companies will likely side with Australia, which is offering them a better deal than East Timor. Also, the technological reasoning from Australian and Phillips Petroleum for building a pipeline to Australia does not help East Timor.

For East Timor, the substance of the Timor Gap issue is the recognition of its independence and national sovereignty by the international community, particularly by its two neighbors, Australia and Indonesia. Independence means that East Timor owns its national wealth, and has the right to explore and maintain that wealth in accordance with national and international legal principles. National sovereignty means that East Timor has territorial rights over land, water and air in accordance with national and international laws.

As a small and poor nation, East Timor must rely on moral strength, including international solidarity, to balance the advantages of its powerful neighbor Australia. East Timor must call on the international community to respect East Timor as an independent and sovereign nation with its own territorial rights based on international law. ❖

