

# FACT SHEET 18

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By UNTAET Press Office

## TIMOR SEA

- On 5 July 2001, representatives of UNTAET/East Timor and Australia initialed in Dili the Timor Sea Arrangement, a document that will govern petroleum operations in the Timor Sea between East Timor and Australia. The negotiating team included East Timorese leaders and UN officials.
- The Arrangement, once it is ratified as a Treaty upon East Timor's independence, will replace the February 2000 UNTAET-Australia Exchange of Notes. The Exchange of Notes continued the terms of the 1989 Timor Gap Treaty between Australia and Indonesia for the period of East Timor's transition to independence. East Timor will gain independence on 20 May 2002.
- Under the Arrangement, East Timor will receive 90% of oil and gas production in the Joint Petroleum Development Area (JPDA) while Australia will receive 10%. East Timor will receive 90% of production from the Bayu-Undan field, which lies wholly within the JPDA. The Greater Sunrise field, which straddles the JPDA, will be unitized on the basis that 20% lies in the JPDA and 80% is attributed to Australia. Therefore, East Timor will receive 90% of 20% of Greater Sunrise production.
- The Arrangement also provides for the continuation, with certain agreed modifications, of contracts held by companies under the 1989 Treaty for the Bayu-Undan field and Greater Sunrise fields. Bayu-Undan is operated by Phillips Petroleum. The operator of Greater Sunrise is Woodside Australian Energy.
- The Bayu-Undan field may contain reserves of 400 million barrels of condensate and liquid petroleum gas (LPG) and 3.4 trillion cubic feet (TCF) of LPG – although proven reserves are at present somewhat lower. The Greater Sunrise Field may contain 9.5 TCF of gas and 300 million barrels of condensate and LPG.
- The first significant petroleum development in the JPDA to go forward is the gas recycle phase of the Bayu-Undan field. In 2004, this project is expected to begin producing and processing the gas, separating and selling the liquids, and reinjecting the gas back into the reservoir.
- The second significant development will be the gas phase of the Bayu-Undan field. In December 2001, East Timor and the Bayu-Undan joint venturers reached an understanding, subject to Australian regulatory approval, on a tax and fiscal package will allow the Bayu-Undan gas development in the Timor Sea to proceed and which will maximise revenues to East Timor. On 15 March 2002, Phillips Petroleum announced that it had signed an agreement with The Tokyo Electric Power Company and Tokyo Gas Co. Ltd. to sell three million tones per year (over 17 years) of liquefied natural gas sourced from the Bayu-Undan field. Gas deliveries are expected to begin in late 2005.
- The estimated benefit to East Timor from the full Bayu-Undan development is \$US 2.5-3 billion over the life of the field, likely to be 17 years. The current annual budget of East Timor is US\$ 63 million. There are other known petroleum deposits in the Timor Sea, including significant deposits in Greater Sunrise, which will bring additional revenue to East Timor once developed. The Greater Sunrise partnership is considering different technologies to develop the gas, including a Floating LNG plant, and has indicated that a decision in this regard is expected soon.

