

Jonathan Manthorpe: East Timor challenges Australia's control of Timor Sea gas field

BY JONATHAN MANTHORPE, VANCOUVER SUN MAY 26, 2013



Australian Resources and Energy Minister Martin Ferguson (left) is escorted by East Timor Petroleum and Natural Resources Minister Alfredo Pires (right) for a meeting in Dili on February 21, 2013. Pires said on February 21 East Timor may decide to develop gas from the Timor Sea alone, potentially ending involvement by Australia's Woodside Petroleum.

Photograph by: AFP, AFP/Getty Images

East Timor says it's pulling out of an oil and gas revenue-sharing agreement with Australia because the Canberra government spied on it during the negotiation of the deal.

The Dili government has started arbitration proceedings against Australia, challenging the validity of the 2006 treaty which envisaged a 50-50 split in revenues from the massive Greater Sunrise Field in the Timor Sea.

The justification for the challenge, says Alfredo Pires, East Timor's Minister for Petroleum and Minerals, is that the Canberra government did not negotiate the deal in good faith, and used "covert operations" to obtain confidential information from the Timorese negotiators.

In media interviews Pires has refused to be specific about what information his government claims was obtained by the Australians and how.

But in his 2007 book *Shakedown: Australia's Grab for Timor Oil*, former Australian journalist Paul Cleary, who was a member of the East Timor delegation in the 2004 negotiations in Canberra, said the group was convinced it was being spied on.

East Timor's then Prime Minister, Mari Alkatiri, was particularly suspicious, said Cleary. As a result the team stopped holding strategy meetings in hotel rooms they feared were bugged, and they got rid of all their cellphones in case of electronic eavesdropping.

So the allegations of spying are not new, and the Australian government has consistently refused to confirm or deny the allegations. It will only say that it negotiated in a professional manner and in good faith.

Therefore the suspicion is that the Dili government's real purpose is to reopen the whole tangled issue of the maritime boundary between Australia and East Timor, which was meant to have been set aside for 50 years under the terms of the 2006 agreement, whose formal name is the Treaty on Certain Maritime Arrangements in the Timor Sea, known as CMATS.

Another aim by the East Timor government may be to break an impasse with the Australian company Woodside Petroleum about development of the Greater Sunrise Field, which is thought to contain 5.1 trillion cubic feet of natural

gas.

The Dili government wants the natural gas to be processed on East Timor's south shore, providing the impoverished island with investment and jobs.

But Woodside Petroleum balks at the estimated \$5 billion cost of an onshore processing infrastructure and wants to use a floating plant instead.

At the core of the boundary dispute between East Timor and Australia is an unfortunate piece of geography.

The traditional way of deciding maritime boundaries between two countries is to follow the lowest points of the seabed.

But below the Timor Sea Australia's continental shelf takes a shallow dive northward toward East Timor. The result is that the deepest point, the Timor Trough, is much closer to the island than to Australia.

For example, the Greater Sunrise Field straddles the Timor Trough boundary, but it is 450 kilometres from Australia's north coast and only 150 kilometres from East Timor.

Thus all existing oil and gas fields in the Timor Sea, including Bayu-Undan, Elang-Kakatua and Laminaria-Corallina, fall within Australia's exclusive economic zone.

But if the boundary followed the median line rather than the trough, all those fields and the Greater Sunrise Field would be under East Timorese waters.

The struggle for control of the sea began in 1972 when Australia persuaded Indonesia, owner of the western half of Timor island, that the boundary should be the Timor Trough.

East Timor was then a Portuguese colony, and the Lisbon government never accepted Australia's position, arguing instead for a median line boundary.

After Portugal abandoned most of its colonies in 1975, Indonesia invaded and took over East Timor.

But the Jakarta government no longer accepted Australia's continental shelf argument and had instead come to favour the median line.

However, both governments were unwilling to reopen the 1972 treaty and instead agreed to share the profits from resources found under the Timor Sea in the area between the Timor Trough and the median line.

The whole issue re-emerged when East Timor gained its independence from Indonesia after a referendum in 1999.

Australia took a highly aggressive stance in new boundary negotiations with the Dili government, made up of inexperienced people battling with the devastation caused by the scorched earth policy of the departing Indonesian authorities.

In all the early agreements the Canberra government managed to get deals that postponed indefinitely a final resolution of the boundary dispute.

But there is growing public outrage in East Timor at what is seen as the gross unfairness of Australia having significant control over resources which ought to be exclusively Timorese.

The Dili government announced on April 23 that it has initiated an arbitration over the validity of the 2006 CMATS treaty.

But all the indications are East Timor wants to go back to square one with Australia on the boundary negotiations, and it wants the median line.

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