

## A \$50 Billion ‘Breakthrough’ For Timor-Leste?

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Timor-Leste and Australia have praised an “historic” agreement over their longstanding boundary dispute in the Timor Sea. For the oil-dependent Southeast Asian nation, the deal could be key to unlocking an area containing oil and gas deposits worth an estimated \$50 billion.

In a joint statement [released September 1](#), the Permanent Court of Arbitration said the two nations had reached agreement on the “central elements” of a maritime boundary, including the legal status of the Greater Sunrise gas field and proposed revenue-sharing. A final agreement is anticipated by October, potentially ending a decade-long dispute that has threatened to sour relations.

The deal followed a series of confidential meetings held in Copenhagen with the court’s Conciliation Commission, and amid pressure from Australia’s opposition Labor party for the Turnbull government to reach a compromise.

Timor-Leste’s chief negotiator and former President Xanana Gusmao described the pact as an “historic agreement” that marked “a new era in Timor-Leste’s friendship with Australia.” He said it followed a “long and at times difficult process, to help us achieve our dream of full sovereignty and to finally settle our maritime boundaries with Australia.”

Australian Foreign Minister Julie Bishop also welcomed the deal, saying: “This is a landmark day in the relationship between Timor-Leste and Australia. This agreement, which supports the national interest of both our nations, further strengthens the longstanding and deep ties between our governments and our people.”

According to the commission, the breakthrough occurred on the evening of August 30, “and the significance of that date is not lost on the commission.” August 30 is a public holiday in Timor-Leste, marking the anniversary of its 1999 referendum that led to its independence from Indonesia.

The commission said the two parties would continue confidential talks ahead of their final agreement, more than a year since Timor-Leste initiated the conciliation process in April 2016.

In January, Timor-Leste [terminated its 2006 treaty](#) with Australia, which had split revenue from the Greater Sunrise field on an equal basis but imposed a 50-year freeze on negotiations for a permanent border.

Dili claimed the pact was invalid and accused Australia of spying on its cabinet ministers during negotiations, although it later dropped the espionage allegations as a “confidence-building measure.”

In May, former Timor-Leste President Jose Ramos-Horta urged Canberra to drop its “unsubstantiated” legal case to extend Australia’s borders into the Timor Sea. Speaking at a Labor party-hosted event in Sydney, he described Australia’s claim that the border follow the edge of its continental shelf as “[unsustainable law](#)” and unjust.

Australia previously rejected calls for fresh negotiations over the 2006 agreement, instead sharing petroleum revenue with Timor-Leste under the 2003 “Joint Petroleum Development Area” that encompasses part of Greater Sunrise.

Discovered in 1974, Greater Sunrise is located 150 kilometers southeast of Timor-Leste and 450 kilometers northwest of Darwin. According to Australia’s [Woodside Energy](#), the gas fields contain contingent resources of 5.13 trillion cubic feet of gas and 225.9 million barrels of condensate, with ownership split between operator Woodside (33.4 percent), Conoco Phillips (30 percent), Shell (26.56 percent) and Osaka Gas (10 percent).

As noted by Woodside, contingent resources are “potentially recoverable...[but] not yet considered mature enough for commercial development” and “may not always mature to reserves.”

In January, a Woodside spokesperson said the company supported conciliation talks between the parties, telling [ABC News](#) that “Woodside understands the Timor Sea Treaty remains in place and we look forward to an agreement that allows for the earliest commercialization of the Greater Sunrise fields, which promise great benefits for all parties.”

## “Ending Uncertainty”

Commenting on the latest breakthrough, Labor’s foreign affairs spokesperson Penny Wong said the ruling ended “more than 40 years of uncertainty over this maritime border.”

“The maritime boundary dispute with Timor-Leste has strained our bilateral relations and has gone on too long,” [she said](#).

Swinburne University of Technology professor Michael Leach told [Fairfax Media](#) that the deal was “a major step forward for resolution of the long-running dispute.”

“A resolution to this dispute clearly opens the way for a major improvement in relations between the two neighbors, which have been at a low point in recent years, with no ministerial visits since 2013,” he said.

Leach suggested that Labor’s policy change favoring Timor-Leste had helped spark the deal, ending the previous bipartisan approach. There had also been pressure from Washington for a resolution, amid Australia’s public support for the rule of law to apply in other disputed areas such as the South China Sea.

July elections in Timor-Leste saw independence hero Gusmao’s party CNRT [lose ground](#), amid voter impatience over corruption and concerns that the nation of 1.3 million was overly dependent on its oil and gas revenues. Around 78 percent of the 2017 state budget was derived from its energy wealth, but the nation’s current single producing gas field is expected to dry up by the end of the decade.

According to Deakin University’s Damien Kingsbury, at present spending levels, Timor-Leste will be [“bankrupt within a decade.”](#)

In August, the nation’s political stability was shattered by Gusmao, who quit his position as CNRT president and rejected plans for a coalition with the leftist Fretilin party, which narrowly won the July poll with 29.7 percent of the vote compared to CNRT’s 29.5 percent. The two parties have jointly ruled through a parliamentary alliance established by Gusmao in 2015.

Gusmao has reportedly insisted that gas from Greater Sunrise be piped to a yet-to-be-built industrial complex in Timor-Leste, a move that Woodside has described as “unviable” amid a recent gas glut in Asia.

Yet for Timor-Leste, developing the field could prove crucial as the young democracy attempts to secure its economic future.

According to the [The Diplomat’s Grant Wyeth](#), the sting in the tail for Australia could come if the Timor-Leste deal triggers a similar push from Indonesia to renegotiate its maritime boundary.

“Australia and Indonesia’s current treaty over its maritime boundary contains an odd facet with separate sovereignty over the seabed and waters above it, known as the ‘water column.’ Australia’s sovereignty extends to the end of the continental shelf, giving it rights over minerals within the seabed. However, Indonesia’s rights to the water column extend to the median line between the two countries,” Wyeth wrote.

“Normalizing this situation to the median line for both the seabed and the water column may become an interest of Indonesia’s, if Timor-Leste is able to achieve the same outcome.”

In the meantime though, Timor-Leste can anticipate a near-term multi-billion dollar bounty, should the final agreement and the gas field prove as supportive to its development plans as hoped. For Australia, currently the world’s second-largest exporter of liquefied natural gas, the deal may yet deliver economic benefits from friendlier ties with a neighboring state whose independence it helped establish.