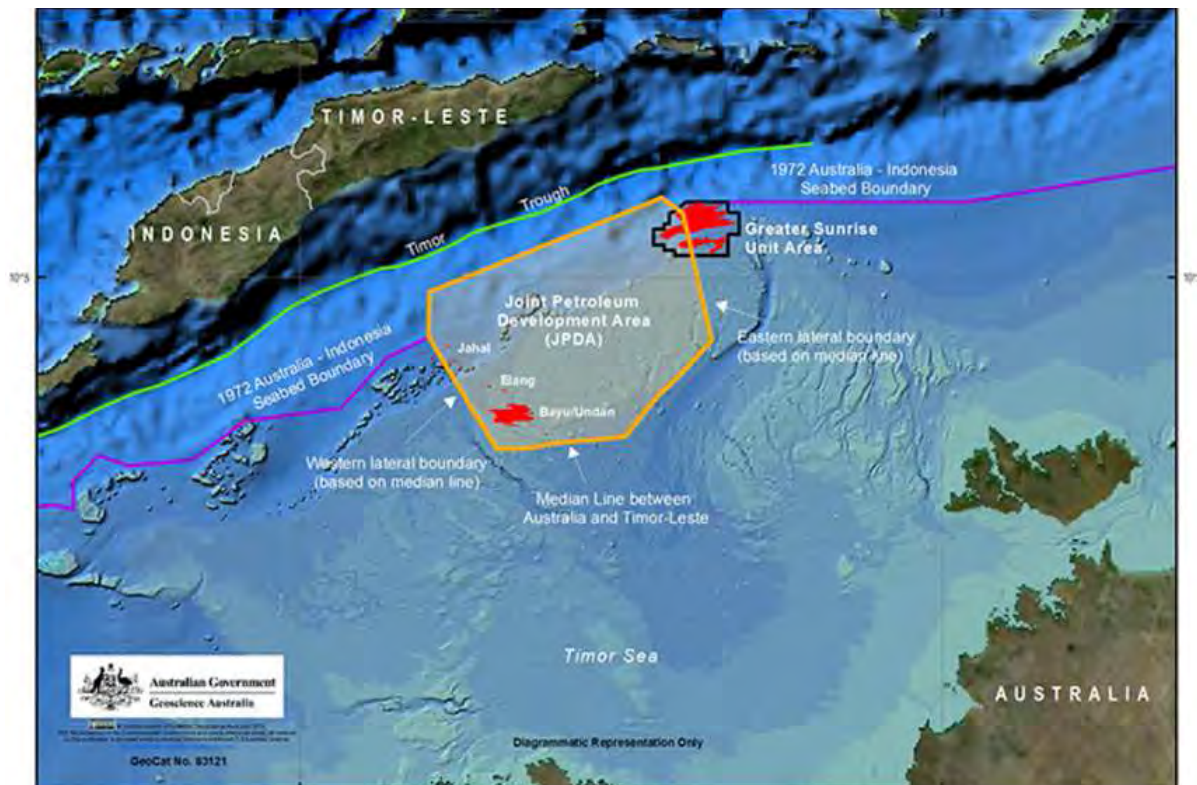


Exclusive: Woodside hopeful after Oz Timor backdown

AUSTRALIAN acceptance of Timor-Leste tearing up the 2006 Greater Sunrise revenue-sharing deal is good news, according to Woodside Petroleum, because at least now the governments have committed to working towards establishing a permanent maritime boundary.

Anthony Barich (/author/profile/d5a728e4-9176-4e43-be73-9cfabb7c55fc/anthony-barich) 10 January 2017



Exactly when and where that boundary will take shape is anyone's guess, but it will not be a quick process.

Yesterday Australian Foreign Minister Julie Bishop and East Timor's Foreign Minister Hernani Coelho announced the Treaty on Certain Maritime Arrangements in the Timor Sea, which came into force in February 2007, was no more.

They said Australia would accept East Timor terminating CMATS, whereby all upstream petroleum revenues from the Greater Sunrise fields were to be shared equally between the two countries.

The agreed termination of CMATS does not affect the Sunrise production sharing contracts, and Woodside is supportive of this move as the project cannot be developed until a solution to this dispute is found.

CMATS relates to revenue sharing and did preclude any maritime boundary negotiations.

"The government of Timor-Leste has decided to deliver to the government of Australia a written notification of its wish to terminate the 2006 Treaty on Certain Maritime Arrangements in the Timor Sea pursuant to Article 12(2) of that treaty," the Timor-Leste and Australian governments said in a joint statement yesterday.

"The government of Australia has taken note of this wish and recognises that Timor-Leste has the right to initiate the termination of the treaty. Accordingly, the Treaty on Certain Maritime Arrangements in the Timor Sea will cease to be in force as of three months from the date of that notification.

"The [Conciliation] Commission and the parties recognise the importance of providing stability and certainty for petroleum companies with interests in the Timor Sea and of continuing to provide a stable framework for petroleum operations and the development of resources in the Timor Sea."

The governments said the Timor Sea Treaty between them of May 20 2002 and its supporting regulatory framework would remain in force between them in its original form - that is, prior to its amendment by the Treaty on Certain Maritime Arrangements in the Timor Sea.

Political uncertainty and challenges emanating from Timor Leste has remained the key obstacle to a Sunrise development, which otherwise is one of the best gas fields in the region, high in liquids.

Wood Mackenzie's Australasia oil and gas leader Saul Kavonic told Energy News that "the tearing up of the treaty doesn't materially change the outlook for a development timeline on Sunrise, which continues not to look bright".

The kicker

It is that latest element that is the important one for Woodside, which has been forced to sit on its hands since 2013 while the two countries slug it out at The Hague.

At least now the governments have each confirmed their commitment to negotiate permanent maritime boundaries under the auspices of the Conciliation Commission as part of the integrated package of measures agreed by both countries.

"The governments of Timor-Leste and Australia look forward to continuing to engage with the Conciliation Commission and to the eventual conclusion of an agreement on maritime boundaries in the Timor Sea," the governments said.

"The commission will hold a number of meetings over the course of the year, which will largely be conducted in a confidential setting."

Woodside was just happy that at least things were moving forward now after some three years of stagnation.

"Woodside supports this morning's joint statement by the governments of Australia and Timor-Leste and the Conciliation Commission committing to negotiate permanent maritime boundaries between the two countries," a Woodside spokeswoman told Energy News.

"Woodside understands the Timor Sea Treaty remains in place and we look forward to an agreement that allows for the earliest commercialisation of the Greater Sunrise fields, which promise great benefits for all parties."

Implications

The two governments said in a joint statement yesterday that they were cognisant of the legal implications of the decision and promised oilers policy stability on the issue that has dogged Greater Sunrise for the past three years.

Australia has argued that its maritime boundary with Timor should be drawn along its continental shelf, while Timor says it should be an equidistant line between the two countries.

Timor's option would put a bigger share of the Timor Sea under its own control.

The Joint Petroleum Development Area and the Greater Sunrise gas and condensate fields are in the Timor Sea, and a Timor Sea Treaty provides that revenue from petroleum production is split between Timor-Leste and Australia on a 90:10 basis.

The Greater Sunrise fields overlap a combined area of what Australia says is its exclusive jurisdiction (79.9% of the fields) and the JPDA (20.1% of the fields).

It is estimated the fields contain 5.1 trillion cubic feet of natural gas and 226 million barrels of condensate.

Under Article 9 of the TST, Timor-Leste and Australia agreed that any deposit that extended beyond the boundary of the JPDA would be developed as a single entity for management and development purposes, ensuring that neither country could develop overlapping fields unilaterally.

ConocoPhillips, which has an office in Dili, also operates the Bayu-Undan JV project in the JPDA, developing the petroleum resources with Santos, Inpex, Eni, Tokyo Electric Power Company and Tokyo Gas.

Hero's protest

Timor-Leste's former president Xanana Gusmao said his country had been forced into signing provisional treaties including CMATS due to economic circumstances, and last August led a delegation to The Hague for opening arguments.

He told the court "securing our maritime rights will be the end of Timor Leste's long struggle for sovereignty".

Australia was banking on CMATS, which put a 50-year moratorium on negotiating permanent maritime boundaries with Timor.

Timor argued the treaty was unfair, and tensions were further enflamed in 2013 when allegations arose of Australia bugging the Timorese team during 2004 negotiations over the treaty that governs billions of dollars in gas revenue between the two countries, and which Timor claimed was invalid.

This latest concession is a huge one for Australia, which led a peacekeeping force that restored order in East Timor when pro-Indonesia militia ran riot after resistance hero Gusmao led a successful, emotional independence vote in 2002.



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