

Maritime boundary treaty signing press conference with Timor-Leste

Transcript, E&OE

United Nations Headquarters, New York

7 March 2018

JULIE BISHOP: Minister Pereira, ladies and gentlemen, today Australia and Timor-Leste have signed an historic agreement, that is a permanent delineation of the maritime boundaries between our two nations. It is a landmark event not only for our two nations but also for international law for this is the first compulsory conciliation under the United Nations Convention of the Law of the Sea.

Both our Governments have deemed this to be a just and equitable outcome and our treaty signing was witnessed by the United Nations Secretary-General, the Chairman and Commissioners of the Conciliation Commission and representatives from the Permanent Court of Arbitration. I want to place on record the Australian Government's deep thanks to the Commission for their diligence and expertise shown throughout the 20 months of the conciliation process and congratulate them for their utmost independence and integrity.

The road ahead is now to ensure that the framework that has been set for the development of Greater Sunrise can proceed. Australia will continue to play a part in supporting Timor-Leste's negotiations with the private sector joint venture partners to ensure that substantial benefits flow to Timor-Leste on the development of this natural resource. I thank my colleague Minister and the representative for Timor-Leste for engaging in this process. Australia looks forward to the next chapter of this enduring friendship between Australia and Timor-Leste.

AGIO PEREIRA: Today's a historical day for Timor-Leste. A very important chapter. It begins with our nation, our leaders, conscious of the responsibilities attached to this treaty. We know that so much work needs to be done after today. But what we wanted to achieve when we initiated this process of conciliation has been achieved, and that is permanent maritime boundaries.

This achievement makes it clear for both nations to understand where the boundaries are and will also provide opportunities for further collaboration in various other fields including security, health, education, protection of the environment, protection of biodiversity – all enshrined within UNCLOS itself. With the presence of His Excellency Secretary-General Antonio Guterres, a very close friend of our nation, he also took bold steps to help independence of Timor-Leste and we are very honoured with his presence in this historic event, so important for Timor-Leste itself.

JOURNALIST: Minister Pereira, could you tell us what economically this is going to mean for East Timor. Is there some kind of figure for how much this is going to give to improve your economy and the lives of your people. Minister Bishop, is there any economic benefit that Australia will get from the signing of the treaty?

JULIE BISHOP: The Agreement divides the resource 70 per cent / 30 per cent. 70 per cent in Timor-Leste's favour, 30 per cent in Australia's. The major resource project in the Timor Sea is the Greater Sunrise gas field and the agreement divides the revenues from the development from that project either 80/20 in Timor's favour or 70/30 in Timor's favour depending upon circumstances surrounding the development. So clearly, should the development of Greater Sunrise proceed through the work of the joint venture partners, then substantial benefits will flow to Timor, some 70 or 80 per cent of the revenues from this project, and some 20 or 30 per cent to Australia. The specific details of course are still to be worked through but there is clearly a significant benefit for Timor-Leste.

One of our previous joint projects, the Bayu-Undan project, saw Timor able to accumulate \$17 billion in a sovereign wealth fund so we are talking billions of dollars over the life of such a resource project.

AGIO PEREIRA: Just to add, first of all the treaty defines permanent boundaries that are multipurpose – water column and seabed and establishes the exclusive economic zone for Timor-Leste as well on the same [inaudible] line. But also it is a vast region that you can expect the development of fisheries for Timor in a scale that never before was possible and more certainty for investors who come to the region or those who are already there are more certain about the advantages and the risks inherent in investing in the country and in the region.

JOURNALIST: Minister Bishop, do you believe, or does Australia have any concerns that Indonesia may now try to renegotiate maritime boundaries with Australia. For both of you, there is a report that East Timor's Chief Negotiator has written to the UN commission accusing Australia of colluding with the oil companies on the development of Greater Sunrise. Does East Timor believe that Australia is colluding with these companies, and what is your response?

JULIE BISHOP: First on the question of Indonesia, we have a treaty in place with Indonesia. We have kept Indonesia informed of the process, albeit these are confidential negotiations, we have kept Indonesia informed of the process, indeed I had a very good conversation with Foreign Minister Retno Marsudi last evening and she congratulated Australia and Timor-Leste on the outcome of our negotiations and the treaty. So the Australia-Indonesia Treaty will remain. It does open the way for Timor-Leste and Indonesia to negotiate a change in boundaries. That would have an automatic flow on effect on adapting the eastern and western boundaries of the Australia Timor-Leste Treaty but that's all been taken into account in the Treaty we signed today. I'll allow the Minister to answer.

AGIO PEREIRA: Thank you for your question. It was a conciliation process that was never meant to be easy. We had ups and downs in this 20 to 23 months and that's why is so historical today. If it were so simple and easy we probably wouldn't value it so much once we reached the end. The main issue with [INAUDIBLE] that we see today is that Commissioners worked extraordinarily hard and invest all their expertise and precious time to produce the results that we are so appreciative today and I think that's what we should focus on.

JULIE BISHOP: Australia rejects absolutely any suggestion that we have acted other than in utmost good faith throughout this conciliation process. We responded to requests for assistance from the Commission; we provided information in response to specific requests. The joint venture partners were interviewed separately by the Commission and made their own submissions. There has been no collusion of any sort and indeed the way is now clear for Timor-Leste as the majority beneficiary of the division of the resource to find a way with the joint venture partners to develop Greater Sunrise in an economically viable fashion. That is the challenge that lies ahead. Australia as a 30 per cent shareholder will of course support the efforts to find an economically viable pathway to develop Greater Sunrise.

I understand that the Commission will release their report and independent analysis of the different options available to the joint venture partners and Timor-Leste and Australia will certainly support that. Our interest is ensuring that Timor-Leste is able to receive significant benefits from the development of Greater Sunrise but ultimately the decision on whether or not to develop the resource lies with the private sector joint venture partners.

JOURNALIST: Would you prefer that the gas is developed in Darwin or Timor? Do you think this is a day that could or should have happened five or ten years ago?

JULIE BISHOP: Australia takes no position in terms of where the gas should be brought ashore. Our only concern is to ensure that the project is economically viable and sustainable. And that's why the commission's analysis I believe will be so important in informing the decisions that the joint venture partners will need to take - that is those with the license to operate and develop this resource - they obviously must take into account the long-term economic viability of it. Australia's interest is served by ensuring that the source is developed for the benefit of Timor-Leste, most significantly, less significantly for Australia as we're a much smaller shareholder in the development. But it is in our interest for Timor-Leste to be a stable and prosperous neighbour and that's why we want to see a project developed that is economically viable in the long term to deliver the maximum benefits to Timor-Leste.

AGIO PEREIRA: To your first question, Timor-Leste's Strategic Development Plan, which was approved by the Government and the Parliament, already outlines the option of a pipeline to the south coast of Timor-Leste. So Timor obviously prefers that this option be analysed objectively, the pros and cons considered, risks mitigated, and so if all is clear, like the companies themselves have said 'technically it's viable', then financially a business plan has to be put in place, and then view the two options on equal footing and decide what is most favourable to Timor-Leste. I agree with Minister Julie Bishop that ultimately the companies look at these options from the lens of which one makes more profit so that these sorts of corporations exist—their *raison d'être*—is to profit for their shareholders. And the discussion from today will be intensified.

Your second question, as to should it have happened 10 years ago - Timor is only barely 16 years old as a sovereign nation. About 15 years ago there was the JPDA, the Timor Sea Treaty, and later CMATS established the formula to exploit Greater Sunrise together with the Unitisation Agreement. That agreement was meant to be temporary, and in fact CMATS itself requires that if in 2013 if the resource was not developed that it's open for renegotiations of the permanent boundaries. And that's what happened. It took a while for Timor and Australia to consider the nature of their treaties that clearly state they are without prejudice to the sovereign rights of each party to establish permanent maritime boundaries in the future. And that's what we've achieved today - we are happy - to sign a treaty that took a very short time to achieve. I remember President [INAUDIBLE] said in a conference in Dili that the negotiation between Norway and Russia took 40 years. And in the end negotiations couldn't resolve any more, they had to take political decisions. So this is quite a remarkable achievement. The way Australia and Timor have agreed.

JULIE BISHOP: Just in response to that question there was a treaty between the parties. Australia takes its treaty obligations seriously. Under that treaty, the joint petroleum development area was set up. Under that JPDA, the Bayu-Undan resource was able to be developed. 90 per cent of the revenues from that went to Timor-Leste into their \$17 billion sovereign wealth fund. There was also what's called the CMATS Treaty which was to deal with Greater Sunrise and that had a moratorium on negotiations for permanent boundaries while the Greater Sunrise resource was developed. Timor took a different route and decided to get permanent boundaries—it has been an ambition of Timor since Independence to have permanent boundaries. Timor-Leste chose a conciliation process. It was a first; it had never been tried before. The Commission accepted jurisdiction, not withstanding the presence of the existing treaty and Australia has participated in full throughout that process and today we have concluded some 20 months later, the first ever compulsory conciliation under UNCOS. It is being held up by the UN and others as an example to nations to show that two neighbours can peacefully resolve a maritime boundary issue and remain friends and partners into the future.

JOURNALIST: Minister Pereira, how long is East Timor prepared to wait to get the Greater Sunrise field developed, given the need to get the revenue from Greater Sunrise to develop the country? Secondly, in terms of the benefits, what's more important: the economic revenue or the human capital potential for developing the oil and gas services in East Timor in that gas hub.

AGIO PEREIRA: The first question, Timor is a very patient nation. It took us 25 years to be free from the Indonesian occupation [INAUDIBLE].

On the second question, from a Timor perspective we believe seriously that a successful pipeline to the south coast of Timor will be a game changer, a [INAUDIBLE] impact on the socio-economic [INAUDIBLE] of the country. It will benefit East Timor and it will also benefit Australia because whatever we develop in the south coast, all that expertise will most likely come from Australia. Our neighbours will have to supply that expertise.

The socio-economic impact will be immeasurable because in a country with 1.5 million people, 65 per cent mostly young people, looking for jobs. The impact it also has on the foreign investment, building more trust for the country. If the foreign investors see that Timor can manage successful the complex industry, building a platform, building a pipeline and LNG plant in the south coast, that builds trust that Timor can do much more than that.

JULIE BISHOP: I think it's worth noting that the Commission throughout the process was looking at options, pathways for development that would significantly benefit Timor-Leste. Australia most certainly supported that aim throughout and we provided as much information and advice and support that we could in response to the Commission. I believe the Commission has come up with an analysis. I understand from the Chairman that that will be released, and that information can influence the thinking of Timor-Leste, joint venture partners and to the extent that Australia has a shareholding, Australia's support. So there is clearly a foundation on which to work and again I thank the Commission on the extraordinary detail that they went into, and the fact they commissioned independent technical experts to assist them in their analysis is a credit to the process.