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Australia's secret Timor Sea deal could pave oil and gas revenue future for East Timor

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East Timor could receive up to 80 per cent of revenue from the \$50 billion Greater Sunrise oil and gas field in the Timor Sea under a still-secret agreement with Australia, according to a report from the country's capital of Dili.

The Portuguese news agency Lusa quotes a source familiar with sensitive and high-level negotiations between the countries as saying East Timor would receive 80 per cent of the revenue if gas from the field is piped to an existing processing plant in Darwin, and 70 percent if it goes to a yet-to-be built industrial complex on East Timor's remote south coast.

The split, if the field is developed, would deliver billions of dollars to East Timor and likely secure its economic future for decades as existing oil and gas fields run dry in the next few years.

The report written by Antonio Sampaio, the only foreign correspondent based in Dili, said a landmark agreement due to be signed at the United Nations in early March also puts the maritime boundary halfway between the countries, a huge concession by Australia for Asia's newest nation.

Successive Australian governments refused to renegotiate the boundary for years.

East Timor and Australia announced in September they had agreed on central elements of a landmark treaty establishing maritime boundaries as well as sharing revenue arrangements for Greater Sunrise, ending years of bitter disagreement.

Officials from the two countries, in meetings under the watch of the United Nations, have set a March 1 deadline to agree on the final details.

Donald Rothwell, Professor of International Law at the Australian National University, said it has been clear for some time that a median line boundary would be agreed upon during the negotiations but the more contentious issues remains the eastern lateral boundary.

Under the previous Timor Sea Treaty that area included only part of the Greater Sunrise field with much of it falling within Australia's continental shelf.

It would be an even bigger win for East Timor if the lateral boundary is shifted outwards.

Any agreement for the gas to be piped from Greater Sunrise to Darwin or be processed on a floating platform above the field would be highly contentious in East Timor.

Charles Scheiner from the Dili-based NGO La'o Hamutuk said many East Timorese appreciate that Australia has – belatedly – shown its recognition of Timor-Leste's sovereignty.

“In its first use ever, the UN Compulsory Conciliation mechanism has proven that it can bring a recalcitrant nation to the table, and that has global significance,” Mr Scheiner said.

Xanana Gusmao, East Timor's chief negotiator, has insisted for years his country would only agree to allow the gas to be piped to a liquefied natural gas plant planned for the industrial complex in East Timor called Tasi Mane.

In a speech in Abu Dhabi in mid-January, Mr Gusmao said the project would “lay the foundations for diversifying our economy by building other sectors of strategic industries including manufacturing, agriculture, fisheries and tourism.”

He said countries blessed with energy resources “must avoid the resource curse and build bridges which link petroleum and prosperity.”

But the Woodside-led consortium has said piping the gas to East Timor would be more expensive and risky and initially wanted a floating processing platform above the field.

And the option of piping the gas to a plant at Darwin's Wickham Point has become uncertain as investors, including US firm ConocoPhillips, accelerate plans to develop a field called Barossa, 300 kilometres north of Darwin.

The plans include a 260-kilometre pipeline to tie into an existing pipeline from an existing field called Bayu-Undan field to Wickham Point, which is also operated by ConocoPhillips.

“Barossa could get ahead in the queue to use the Darwin LNG plant and Sunrise might have to wait another 15 years or so,” an analyst who closely monitors East Timor said.

“Given the current global glut of natural gas this might not be a bad thing for the companies, especially ConocoPhillips, although it would delay revenues to Timor-Leste [East Timor],” the analyst said.

“I don't have a good sense about how imminent or real the Barossa project is and how much it's an effort to put pressure on Timor-Leste to agree expeditiously [on Greater Sunrise].”

Barossa would be Australia's first standalone offshore development since 2013.

Mr Gusmao, the hero of East Timor's independence struggle and a former president and prime minister, remains East Timor's most powerful figure and has been named to lead an authority to oversee the development of Greater Sunrise.

He met with Foreign Minister Julie Bishop in Sydney on January 29.

Although Mr Gusmao has not returned to East Timor since September he is expected to play a key behind-the-scenes role in fresh elections in East Timor which have been called for 12 May, after months of political deadlock in Dili.

His National Congress for Timorese Reconstruction is the biggest party in a three-party opposition alliance that will be a formidable force at the elections.

Professor Rothwell said given the rhetoric that has come out of East Timor about the need for permanent maritime boundaries and the economic significance of piping to East Timor any

treaty which does not provide those guarantees may fail to win the political support necessary in Dili for its ratification.

The parliaments of both East Timor and Australia would have to ratify the treaty after its formal signing.

A spokesperson for Australia's Department of Foreign Affairs said details of the treaty remain confidential.

Negotiations aimed at finalising it are scheduled to resume in Malaysia on 19 February.

This story was found at: ***<http://www.smh.com.au/world/australia-s-secret-timor-sea-deal-could-pave-oil-and-gas-revenue-future-for-east-timor-20180210-p4yzxn.html>***