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TIMOR SEA TREATY FACT SHEET

(Last updated: 08/02/2006)

Objective

Ensure that petroleum exploration and development by Australia and East Timor in the Joint Petroleum Development Area will continue under the agreed terms and conditions of the *Timor Sea Treaty* and the *Treaty on Certain Maritime Arrangements in the Timor Sea* (when it comes into force).

Significance for Australia

An area of the Timor Sea between Australia and East Timor (referred to as the Joint Petroleum Development Area or JPDA) is subject to overlapping territorial claims by Australia and East Timor.

The *Timor Sea Treaty* came into force on 2 April 2003 and sets out the framework for joint administration by Australia and East Timor of petroleum exploration and development in the JPDA. It includes the fiscal and administrative arrangements, the sharing of the benefits from development of the resources and importantly provides certainty to investors. The provisions of the *Timor Sea Treaty* do not prejudice a final determination of the boundary. The *Petroleum (Timor Sea Treaty) Act 2003* and the *Petroleum (Timor Sea Treaty) (Consequential Amendments) Act 2005* are the relevant pieces of Australian legislation.

The Greater Sunrise field straddles the border of the JPDA. In the Timor Sea Treaty, resources are attributed 20.1 per cent to the JPDA and 79.9 per cent to Australia. An International Unitisation Agreement (IUA) for the field, signed by Australia and East Timor on 6 March 2003, unifies the field under the two jurisdictions for production and apportionment purposes. In March 2004, the Australian Parliament ratified the IUA by enacting the [Greater Sunrise Unitisation Agreement Implementation Act 2004](#); and amending the [Petroleum \(Submerged Lands\) Act 1967](#) and [Customs Tariff Act 1995](#). East Timor has yet to ratify the IUA.

On 12 January 2006, Australia and East Timor signed the *Treaty on Certain Maritime Arrangements in the Timor Sea* (CMATS Treaty). The CMATS Treaty includes setting aside Timor Sea maritime boundary claims for 50 years; enforcing the Greater Sunrise IUA; and increasing East Timor's share of Greater Sunrise revenues from 18 per cent (under the IUA) to 50 per cent. Once ratified by both countries, the CMATS Treaty and IUA will together offer a framework that will provide investors with the certainty needed for large-scale resource projects to proceed.

Day-to-day approvals for petroleum activities in the JPDA are administered by the Timor Sea Designated Authority. These matters are overseen by the Timor Sea Joint Commission, which also has responsibility for broad strategic issues including the award of titles. The Joint Commission reports to a Ministerial Council. The Timor Sea Designated Authority currently has offices in Darwin and Dili, with the two offices consolidating into one, based in Dili in 2006.

The first commercial development of the Bayu-Undan field (located wholly within the JPDA) commenced in early 2004. The gas production phase involves piping the gas to Darwin, where it is processed into liquefied natural gas.

Departmental role and current achievements

In conjunction with the Department of Foreign Affairs and Trade, the Treasury, the Department of Finance, and the Attorney General's Department, the Department manages the Australian implementation of the agreed framework that will enable the development of the Greater Sunrise Project. The Department also participates in the management of the JPDA through its role in the Timor Sea Joint Commission.

Targets for 2005-06

- Implement the framework agreed with East Timor that will provide investors with the certainty needed for large-scale resource projects to proceed

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