

Timor-Leste arbitration

Joint media release

- The Hon Julie Bishop MP, Minister for Foreign Affairs
- Senator the Hon George Brandis QC, Attorney-General

25 September 2015

The Australian Government is disappointed that the Government of Timor-Leste has initiated arbitration against Australia disputing our exclusive right under international law to tax the pipeline to Darwin from the Bayu Undan gas field in the Joint Petroleum Development Area.

Australia and Timor-Leste had been pursuing amicable consultations in an attempt to resolve this dispute through dialogue rather than legal action. This remains Australia's preferred approach.

Successive Australian and Timor-Leste governments have acted on the basis that Australia has exclusive jurisdiction over the pipeline, including for taxation purposes, consistent with the 2002 *Timor Sea Treaty*. Article 8(b) of the *Timor Sea Treaty* is clear: "A pipeline landing in East Timor shall be under the jurisdiction of East Timor. A pipeline landing in Australia shall be under the jurisdiction of Australia."

As agreed by Australian and Timorese representatives, Timor-Leste has received \$8 million from Australia every year since the pipeline came into operation in 2006 in lieu of Timor-Leste receiving tax revenue from the pipeline.

Despite this, in 2012 Timor-Leste started imposing retrospective taxes on companies that use the pipeline. Timor-Leste's new position on this arrangement is not only inconsistent with our agreement, but also undermines established arrangements for operators in the Timor Sea. Australia will vigorously defend this and other arbitration proceedings commenced by Timor Leste.

Media enquiries

- Minister's office: (02) 6277 7500
- DFAT Media Liaison: (02) 6261 1555

