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East Timor Battles Australia Over Petroleum Pipeline Tiny neighbor demands arbitration on petroleum-export arrangements



East Timorese protest against the Australian government in late 2013. Canberra and Dili have been involved in a long-running dispute over allegations of Australian spying ahead of negotiations on the 2006 sea-border treaty.
PHOTO: AGENCE FRANCE-PRESSE/GETTY

By ROB TAYLOR. Updated Sept. 24, 2015 9:44 a.m. ET

CANBERRA, Australia -- East Timor has launched another legal salvo at Australia in its long-running dispute over access to lucrative undersea oil-and-gas fields between the two countries, demanding arbitration on petroleum export arrangements.

East Timor's government said Thursday that it advised Australia that it had demanded arbitration to resolve an impasse over jurisdiction and taxation rights over a petroleum export pipeline into the Greater Sunrise petroleum fields between both countries.

"Given the inability to discuss the degrees of jurisdiction in the disputed waters, [East Timor] is now of the view that the only way to resolve this matter is by submitting the dispute to an arbitration tribunal," said Agio Pereira, a spokesman for the East Timor government.

Australia's claims to absolute rights relating to the length of petroleum export pipeline into the area, he said, would deny Timor-Leste any jurisdictional rights relating to the pipeline or activities relating to this pipeline, potentially closing down much-needed revenue opportunities. Australia's Foreign Affairs Ministry wasn't immediately available to comment on the renewed legal challenge.

Canberra and Dili are also involved in a dispute over allegations of Australian spying ahead of negotiations on the 2006 sea-border treaty. East Timor argues that the treaty should be renegotiated

because Australia had an unfair advantage during the talks because listening devices were allegedly placed inside the Timorese Cabinet Office.

Last year Australia was ordered to stop spying activities against East Timor in a landmark decision by the International Court of Justice. Australia hasn't admitted bugging the cabinet office.

Under the terms of the pact, both countries agreed to carve up billions of dollars in royalties from the Greater Sunrise field, which holds more than 5 trillion cubic feet of gas and condensate being jointly developed by partners including Australia's Woodside Petroleum Ltd. , ConocoPhillips of the U.S. and Royal Dutch Shell PLC.

Almost 80% of the area designated for development of the oil-and-gas fields lies within Australian waters, while the rest is in territory jointly administered by the two nations along a boundary set in 1972 when East Timor was still occupied by Indonesia. The field is 93 miles south of East Timor and more than 280 miles off Australia's northern coastline.

The development has been delayed by a number of clashes, including over East Timor's insistence that gas be piped and processed onshore to help create employment and a petroleum industry in the country, officially known as the Democratic Republic of Timor-Leste. The venture partners prefer to process the gas more cheaply using a floating vessel at sea.

Dili is also seeking to place the maritime border at an equal distance between the two countries giving East Timor's government a greater share of royalties from a resource it hopes will help the impoverished nation of 1.1 million people underwrite future development.

The current treaty has underpinned a national sovereign wealth Petroleum Fund totaling \$17 billion, but it could run out as soon as the middle of the next decade with the legal dispute expected to last years. East Timor is 90% dependent on oil and gas revenue for its economy.

Australian Foreign Minister Julie Bishop in June told Parliament that [Canberra wouldn't renegotiate the treaty](#), arguing the existing maritime treaty already gave East Timor 90% of the revenue from the joint-development area and 50% from the Greater Sunrise field itself, most of which lies in exclusive Australian territory.

Stephen Grenville, an analyst at the Lowy Institute, an independent Australian foreign-policy think tank, said Canberra had good reasons to stand its ground, as the current arrangements also involved Indonesia and could have implications for Australia's wider undersea territorial claims.

"It is certainly true that Sunrise is closer to Timor than it is to Australia, but it is closer to Indonesia than it is to Timor," Mr. Grenville said in a briefing note last month. "If you want to draw this border with a view to getting Sunrise into Timor's territory, you will surely open up the issue of Indonesia's border."

Shifting the treaty boundary with the objective of giving Timor all of the potential Sunrise revenue could likely put the field eventually in Indonesian territory.

It seems unlikely Indonesia would be ready to give 50% of Sunrise revenue to Timor," Mr. Grenville said. "Timor would get nothing."

Corrections & Amplifications

Arbitration launched by the East Timor government on Thursday is aimed at resolving an impasse over jurisdiction and taxation rights over a petroleum export pipeline. An earlier version of this article incorrectly linked the arbitration request to separate a challenge by East Timor to treaty arrangements with Australia covering oil and gas in the Timor Sea.

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