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East Timor faces hit by carbon tax

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The extra costs from the carbon tax will cut revenue from shared gas fields such as Bayu-Undan.

EAST Timor could be slugged millions of dollars a year under the carbon tax, which is set to take a bite out of revenues from offshore natural gas fields that Australia shares with the impoverished nation.

The tiny country, which relies heavily on revenues from fossil fuel deposits in the Timor Sea, has expressed concern after learning recently it would likely be financially disadvantaged under the tax.

The federal government has acknowledged it needs to strike a compromise with its neighbour as to how the carbon tax will apply to greenhouse emissions arising from gas production in the Joint Petroleum Development Area, though no discussions have yet taken place.

Alfredo Pires, East Timor's Secretary of State for Natural Resources, told *The Age* the development area meant "a lot to our future", and his country would not accept the unilateral application of Australian legislation.

"This is a very young country and on the other side we have a big country with a very advanced economy," he said. "We like to have a very high standard of environmental requirements but at the end of the day we are a small country and I don't think our contribution to polluting the world is significant. There is a question of fairness in this, but then the whole question of the Timor Sea has a long history of what is fair and what is not."

He said he was also concerned that rising costs could hurt investment. "We are living in a very competitive world," he said.

Under the deal, the revenues from gas fields such as Bayu-Undan and about a fifth of Greater Sunrise are shared 90-10 between East Timor and Australia. The revenues are split after costs are deducted, including the percentages paid to the companies that extract the gas, notably ConocoPhillips, which operates Bayu-Undan and processes the piped gas in Darwin.

The extra costs imposed by the carbon price will cut the total proceeds. In Australia's case the government makes the money back because the carbon tax flows into its coffers.

How much it will pay is unclear and depends on future negotiations, though a source said the figure could be in the tens of millions of dollars.

Francisco da Costa Monteiro, president and CEO of Timor Gap, E. P., East Timor's state-owned oil and gas company, said the matter was "a serious concern from the Timor-Leste side".

"If it is $11 million or $1 million, from Timor Leste's perspective it is quite significant. We have a lot of schools to rebuild and healthcare facilities to put in place."

A spokesman for the Climate Change Department said Australia would consult East Timor and ensure the carbon tax's application was consistent with international law.

Opposition climate spokesman Greg Hunt said the government appeared to have no understanding of the impacts of its own tax.

"One of the poorest nations in the world will now be hit for millions each year by the carbon tax," he said.