



Australian Government

Department of Foreign Affairs and Trade

AUSTRALIA-EAST TIMOR MARITIME ARRANGEMENTS

Australia and East Timor have entered into the landmark *Treaty on Certain Maritime Arrangements in the Timor Sea* (CMATS Treaty). The Treaty, together with the 2003 *International Unitisation Agreement for Greater Sunrise* (IUA), establishes a framework for the exploitation of the Greater Sunrise gas and oil resources and will see the equal sharing of upstream Government revenues flowing from the project. The Treaty represents an opportunity to further underpin the income and development of one of Australia's closest neighbours, while at the same time putting on hold the Parties' claims to jurisdiction and maritime boundaries in the Timor Sea for fifty years.

An exchange of notes was held in Dili on 23 February 2007 where the two countries formally notified each other that their domestic processes for the entry into force of the Treaty were complete. The CMATS Treaty and IUA are therefore now legally binding.

CURRENT ARRANGEMENTS IN THE TIMOR SEA

The CMATS Treaty, signed on 12 January 2006 and now in force, is a further interim agreement that is without prejudice to the position of either country on their maritime boundary claims. The Treaty reflects the agreed creative solution between East Timor and Australia. The principal aim of the creative solution is to allow the exploitation of the Greater Sunrise gas reservoirs to proceed while suspending maritime boundary claims for a significant period and maintaining the current treaty arrangements in place. The IUA was brought into force concurrently with the CMATS Treaty.

As part of the solution found through the CMATS Treaty, although the formal apportionment of Greater Sunrise under the IUA remains the same, Australia will share equally (50:50) the upstream tax revenues from the resource. The Greater Sunrise project could result in transfers of revenue to East Timor of as much as US\$4 billion over the life of the project. The exact benefit to East Timor and Australia will depend on the economics of the project. Exploitation of the Greater Sunrise reservoirs, and the additional revenue provided under this Treaty, will assist in securing East Timor's development and economic stability.

Both Australia and East Timor are bound by the Treaty to refrain from asserting or pursuing their claims to rights, jurisdiction or maritime boundaries, in relation to the other, for 50 years. The two countries have undertaken to not commence any dispute settlement proceedings against the other that would raise the delimitation of maritime boundaries in the Timor Sea. Consistent with the CMATS Treaty and

associated side-letters, Australia will be able to continue regulating and authorising petroleum activities outside of the Joint Petroleum Development Area (JPDA) and south of the 1972 Australia-Indonesia seabed boundary.

Other initiatives established by the CMATS Treaty include: an independent assessment process at the request of either Party to review the reconciliation of the revenue sharing; East Timor being able to exercise water-column (fisheries) jurisdiction within the JPDA; and the establishment of a Maritime Commission to constitute a focal point for bilateral consultations on maritime matters of interest to the Parties, including on maritime security, the protection of the marine environment and management of natural resources.

The IUA, signed by Australia and East Timor on 6 March 2003, now provides the secure legal and regulatory environment required for the development of the Greater Sunrise gas reservoirs. Under the Timor Sea Treaty, which is in force for both Australia and East Timor, Greater Sunrise is apportioned on the basis that 20.1 per cent falls within the JPDA and the remaining 79.9 per cent falls in an area to the east of the JPDA over which Australia exercises exclusive seabed jurisdiction. This apportionment reflects the geographical location of the resources. The IUA unitises the reservoirs on the same basis. Legislation implementing the IUA is now in place. Due to the agreed resource split in the JPDA, under the IUA East Timor would receive tax revenues from 18.1 per cent of the Greater Sunrise resource and Australia would receive tax revenues from 81.9 per cent.

The 2002 Timor Sea Treaty is an interim agreement that is without prejudice to the position of either country on their maritime boundary claims. The Timor Sea Treaty provisionally gives East Timor 90 per cent of petroleum production from within the JPDA. Development of the oil and gas resources, including the major Bayu-Undan field, is proceeding. Revenues have already started flowing, and it is estimated that East Timor could earn as much as US\$15 billion in revenues from the Bayu-Undan project alone. The East Timorese revenue from production in the JPDA and Greater Sunrise is paid to East Timor's Petroleum Fund. The balance of the Fund is already over US\$1 billion derived from the 90% share of production East Timor receives from the JPDA.

AUSTRALIA'S COMMITMENT TO EAST TIMOR

Australia has been in the front-line of support for East Timor's transition to independence, including our role in the first United Nations monitoring mission, United Nations Mission in East Timor (UNAMET). Australia led the International Force for East Timor (INTERFET) which restored security in East Timor following the 1999 violence and continued to play a leading role in the follow-on UN peacekeeping missions, United Nations Transitional Administration in East Timor (UNTAET), the United Nations Mission in Support of East Timor (UNMISSET) and United Nations Office in Timor-Leste (UNOTIL). During the recent crisis in East Timor, Australia responded quickly to the East Timorese Government request for assistance to help stabilise the domestic security situation.

Our contribution to East Timor since 1999, including bilateral assistance and contributions to multilateral agencies and peace-keeping efforts is by far the greatest contribution made by any Government. Australia has provided over \$450 million in aid to East Timor since 1999 and since 2004 has maintained an annual aid program of over \$40 million. Australia's aid is strongly focused on building the capacity of the government of East Timor; in areas such as law and justice and governance, particularly in budget planning and management to support the delivery of basic services and on improving rural livelihoods, in areas such as water supply and sanitation and health. The Australian Government will continue to support and cooperate with East Timor over the long term.