



Australian Government

Department of Foreign Affairs and Trade

MEETING WITH CONOCOPHILLIPS AUSTRALIA WEST PRESIDENT CHRIS WILSON
23 April 2018, Canberra

What we want:

s. 47C; 47E(d)

What they want:

s. 33(a)(iii); 47E(d)

Context and Sensitivities:

s. 33(a)(iii); 47E(d), 47G

Key messages

- Appreciate the opportunity to meet so soon after signing the maritime boundary treaty.

s. 33(a)(iii); 47E(d)

- The Commission's independent analysis [*publicly released on 6 March*] clearly showed that TLNG option is not commercially viable in the current circumstances

s. 33(a)(iii)

- Given Timor-Leste's elections [*on 12 May*], our bilateral discussions with Timor-Leste on a development concept are on hold until a new government is formed

s. 33(a)(iii); 47E(d)

Prepared by: s. 22(1)(a)(ii)

Cleared by: Justin Whyatt (AS LGD),

Date cleared: 20/4/2018

s. 22(1)(a)(ii)

Jeremy Bruer (AS SMB)

Consultation: DFAT (LGD, SED, IVD), AGD (OIL) and DIIS (Resources Branch)



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- Australia continues to work with Timor-Leste on transitional arrangements to ensure the Treaty can be implemented swiftly and effectively

s. 47E(d); 47G

s. 33(a)(iii), 33(b)

s. 47C

Background

Timeframe for entry into force of the maritime boundary treaty

The Department of Industry, Innovation and Science is preparing a legislative package to implement the maritime boundary treaty and is planning for the Government to introduce the legislation to Parliament later this year. s. 47C; 47E(d)

Transitional arrangements and ConocoPhillips views

Australian and Timorese officials are working together to develop and implement the transitional arrangements for companies in the Timor Sea. As agreed in our maritime boundary treaty, the transitional arrangements will seek to maintain equivalent conditions for business operations moving from Australian to Timorese jurisdiction and for Greater Sunrise.

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s. 47E(d), 47G

s. 33(a)(iii); 47E(d)

s. 33(a)(iii); 47E(d)

s. 47C

Transitional arrangements will need to be finalised before the treaty can enter into force. Until then, existing arrangements and business-as-usual will continue to apply in the Timor Sea. The Australian-Timorese Joint Commission (which administers current arrangements under the Timor Sea Treaty) plans to meet twice this year to continue the current arrangements.

Greater Sunrise

s. 47G

s. 47C

Not for disclosure to ConocoPhillips due to legal confidentiality: The Department of Industry, Innovation and Science is seeking legal advice on the extent of our obligations to grandfather existing arrangements before responding to ConocoPhillips.

42

s. 47C

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s. 22(1)(a)(ii)Cleared by: Justin Whyatt (AS LGD),
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Date cleared: 20/4/2018

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Australian Government

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Overview of ConocoPhillips and projects in the Timor Sea

ConocoPhillips is the world's largest independent oil and gas exploration and production company based on production and proven reserves. It explores, produces, transports and markets crude oil, natural gas, and associated products, with operations in 29 countries and headquarters in Houston, USA. ConocoPhillips has had commercial interests in Australia since 1989 and acquired its interest in Bayu-Undan in 1999 from BHP Petroleum.

ConocoPhillips's main commercial operations in the Timor Sea are:

Greater Sunrise Joint Venture: ConocoPhillips holds a 30 per cent interest in this Woodside Energy operated project. ConocoPhillips argued, and the Conciliation Commission accepted, that the most economic option to commercialise Greater Sunrise is through its LNG plant in Darwin (DLNG). s. 47C, 47G

s. 33(a)(iii); 47E(d)

Bayu-Undan gas and condensate field: ConocoPhillips has operated the Bayu-Undan gas and condensate field, which commenced production in 2004. ConocoPhillips is investing USD 750 million to extend the life of the project to 2022.

- **Darwin LNG processing plant (Wickham Point):** ConocoPhillips operates the DLNG facility with a 57.15% interest. Other participants in the DLNG joint venture include Santos (11.39%), INPEX (11.27%), Eni Australia (10.99%), and TEPCO and Tokyo Gas (9.2%). The Darwin LNG plant has processed LNG from Bayu-Undan since 2006 via an underwater pipeline. Bayu-Undan is expected to be commercially depleted around 2022-23. The DLNG joint venture is reviewing backfill and expansion opportunities for the DLNG plant including the Barossa and Caldita fields in the Timor Sea and the Poseidon field in Browse Basin (north of Broome).
- **Barossa and Caldita gas fields:** ConocoPhillips continues to evaluate the Barossa and Caldita fields to backfill Darwin LNG after Bayu-Undan is depleted, as alternative options if Greater Sunrise LNG is not piped to Darwin. In November 2017, ConocoPhillips told investors that drilling at the Barossa field had been impressive with higher estimates of recoverable gas and greater cost savings than expected. ConocoPhillips expects to invest about US\$750 million over the next three years in the project. Production would begin in 2023 and last about 20 years. On 21 March 2018, Santos (a shareholder in both DLNG and Barossa Caldita) announced the Australia's offshore petroleum regulator (NOPSEMA) had accepted the Barossa offshore project plan and that this 'reinforces Barossa's position as the only gas supply source capable of meeting Darwin LNG's timetable'. A final investment decision is due in the September quarter of 2019.

Prepared by: s. 22(1)(a)(ii)
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Cleared by: Justin Whyatt (AS LGD),
Jeremy Bruer (AS SMB)

Date cleared: 20/4/2018

Consultation: DFAT (LGD, SED, IVD), AGD (OIL) and DIIS (Resources Branch)



Australian Government

Department of Foreign Affairs and Trade

Chris WILSON

President – Australia West, ConocoPhillips

AUSTRALIA



Form of Address: Mr
Address: Fluent
English Ability: Native speaker
Year of Birth: Not known
Education: Masters in Petroleum Engineering from Imperial College, University of London, and a Bachelor in Mechanical Engineering, University of Aberdeen.

Career:

June 2015 President, Australia West, ConocoPhillips
 2013-2015 Manager, Strategy, Planning and Portfolio Management, Houston, Texas
 2012-2013 General Manager, Central North Sea, Aberdeen, UK

Comment:

s. 47E(d)

Contact:

You (Ms Bishop) last met with Mr Wilson in December 2017 at your office in Perth.

Prepared by: s. 22(1)(a)(ii)

Cleared by: Justin Whyatt (AS LGD),
 Jeremy Bruer (AS SMB)

Date cleared: 20/4/2018

s. 22(1)(a)(ii)

Consultation: DFAT (LGD, SED, IVD), AGD (OIL) and DIIS (Resources Branch)

MEDIA MESSAGES

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Signing the Maritime Boundary Treaty

Pleased to sign the maritime boundary treaty with Timor-Leste. Welcome the presence of the UN Secretary-General and appreciate the vital role played by the Conciliation Commission and the Permanent Court of Arbitration.

This is an historic agreement for Australia and Timor-Leste: we have settled a long-running and dispute, delimited our maritime boundaries, and laid the foundation for a new chapter in our relationship.

The treaty will benefit both countries. We recognise its significance for Timor-Leste. Australia was committed to finding an outcome that would best support Timor-Leste's future. Development of the Greater Sunrise will support Timor-Leste's economic development. A strong and prosperous Timor-Leste is of fundamental importance for Australia.

Like any negotiation, the treaty required compromise and good will on both sides. With the Conciliation Commission's help, we have crafted a **fair and balanced agreement that is consistent with international law.**

It is also a **landmark for UNCLOS and international law.** The conciliation that led to our treaty, under UNCLOS' dispute resolution procedures, was the first of its kind. As two democratic nations and close neighbours, Australia and Timor-Leste have highlighted the value of international law, and particularly UNCLOS, in the international rules-based system.

Supporting the international rules-based order and UNCLOS

Our Treaty is a testament to the way in which international law, in particular the UN Convention on the Law of the Sea, reinforces stability and allows countries to resolve disputes peacefully without coercion. It is an example of the **rules-based order in action.**

The 1982 United Nations Convention on the Law of the Sea has underpinned stability and security in our region and around the world. In turn, this has allowed for the growth of trade and sustainable development.

With the world's third largest maritime Exclusive Economic Zone, Australia knows how important these rules and norms are. That is why we have steadfastly supported the dispute settlement processes in UNCLOS—regardless of the outcome.

Bilateral relations with Timor-Leste

The maritime boundary treaty marks a **new chapter** in our bilateral relationship. It will revitalise our friendship and cooperation in the years ahead.

A strong and prosperous Timor-Leste is of fundamental important to Australia. We look forward to partnering with Timor-Leste to develop the Greater Sunrise gas field, with benefits for both countries.

We are Timor-Leste's leading economic partner [*\$96.1 million in total ODA in 2017-18*]. We will continue to support Timor-Leste's objective of economic diversification and private sector growth through our development cooperation and labour mobility schemes.

We will continue to support Timor-Leste's armed forces and national police. We cooperate on regional security issues, including maritime challenges, border security and transnational crime. Australia supports Timor-Leste's ambition to join ASEAN, to facilitate its closer economic engagement with Southeast Asia.

The benefits of the maritime boundary treaty

The Treaty establishes permanent maritime boundaries between Australia and Timor-Leste in the Timor Sea and a stable legal framework for resource development. This will provide certainty and stability for businesses and investors.

The Treaty provides for both countries to develop the Greater Sunrise gas fields together and share in the benefits. This recognises both Australia and Timor-Leste have legitimate sovereign rights as coastal states.

The Treaty will support Timor-Leste's economic development by providing new opportunities for income and commercial and industrial development. Seventy or eighty per cent of revenue from Greater Sunrise will flow to Timor-Leste, depending on how the resource is developed.

The treaty upholds Australia's commitment to international rules and reinforces peaceful dispute resolution norms, especially through the United Nations Convention on the Law of the Sea.

Development of Greater Sunrise

The Conciliation Commission has worked extensively with the parties to broker a way forward on Greater Sunrise. While it is disappointing we have not been able to agree on a development concept, we have made good progress in the conciliation towards this goal. We look forward to building on the Commission's efforts and analysis and we will continue to discuss the development concept for Greater Sunrise bilaterally.

Australia wants Greater Sunrise to be developed in a commercially sound way that maximises the return for the parties, and therefore contributes to Timor-Leste's economic development priorities. Provided these conditions are met, Australia is genuinely neutral as to whether Greater Sunrise gas is processed in Timor-Leste or Australia.

QUESTIONS AND ANSWERS

s 47C

- Australia participated in good faith in the Conciliation process
 - worked closely with Timor-Leste, supported the Commission’s work, and encouraged the Joint Venture partners to support Timor-Leste’s development needs.
- The Conciliation Commission was an independent process led by eminent jurists and academics with independent expert advice on petroleum issues.
- Advancing the prospects for a stable and prosperous Timor-Leste was of fundamental importance to Australia in our engagement in the conciliation process.
- Have concluded a treaty that is fair and balanced – as acknowledged by both Timor Leste’s Chief Negotiator Xanana Gusmao and the Commission
 - and signed at the United Nations in the presence of the Secretary General.
- Under the treaty revenue splits from Greater Sunrise are overwhelmingly in Timor-Leste’s favour
 - 80:20 split if a pipeline goes to Darwin, 70:30 split if a pipeline goes to Timor-Leste.
- Focus now is on agreeing a development concept for Greater Sunrise – so benefits can flow to Timor-Leste
 - needs the agreement of Timor-Leste and Australia and the Joint Venture partners
 - Australia will continue to prioritise the development needs of Timor-Leste.
- Our previous treaties were agreed by both parties, consistent with international law and delivered significant benefits to Timor-Leste
 - they were designed to allow the development of, and revenue sharing from, deposits within the shared joint development area (JPDA)
 - Australia agreed to 90% of revenue from the joint area going to Timor-Leste
 - because of which Timor-Leste now has a **sovereign wealth fund of around USD 17bn**
 - all completely consistent with UNCLOS.
- Australia continues to be Timor-Leste’s biggest development partner
 - with over AUD 96 million in ODA to Timor-Leste in 2017-18.

Will the Treaty affect Indonesia’s interests or Australia’s boundaries with Indonesia?

- The conciliation is a bilateral process to finalise a maritime boundary between Australia and Timor-Leste.
- It does not prejudice any other country’s interests.
- Australia has been in close contact with Indonesia throughout the process, and has briefed Indonesia on the outcome of the conciliation.

Does the treaty prejudice Indonesia's interests?

• No

- it respects our boundaries with Indonesia by connecting to those boundaries
- it is consistent with our treaties with Indonesia
- and it allows for adjustment once Indonesia and Timor-Leste have negotiated their boundaries.

Does the new treaty confirm Australia was never entitled to Bayu-Undan?

- No.
- Our previous treaties were consistent with UNCLOS and delivered significant benefits to Timor-Leste
 - they established a development zone shared by both countries
 - in recognition of Timor-Leste's development needs, Australia agreed that Timor-Leste receive 90% of revenue.

Does the new treaty prove the revenue shares in Timor Sea Treaty (80:20) and CMATS (50:50) divisions of Greater Sunrise were unfair?

- No.
- Both parties agreed those arrangements to allow for the development of Greater Sunrise.
- CMATS was particularly designed to provide certainty for the investment environment and for 50% of the resulting revenue to go to Timor-Leste (even though 80% of the resource sat within Australia's jurisdiction).

Why should Australia get revenue from Greater Sunrise?

- The Treaty recognises that both Australia and Timor-Leste both have rights under UNCLOS as coastal states to the Greater Sunrise area.
- We have agreed to jointly develop the resources and share in the benefits.
- Australia's negotiating position and our support for the outcome was informed by our national interest in having a stable and prosperous Timor-Leste.

What will happen to Australian interests in territory handed over to Timor-Leste?

- We want to minimise disruption to industry operations in the Timor Sea.
- The Treaty includes transitional arrangements for oil and gas operations in the Timor Sea that will change jurisdictions designed to maintain companies' rights.
- We have consulted and will continue to consult companies affected by the changes.

How will **Greater Sunrise** be developed? Does Australia support a **pipeline to Timor-Leste**?

- Australia wants Greater Sunrise to be developed in a commercially sound way that maximises the return, and therefore contributes to Timor-Leste's economic development priorities.
- Provided these conditions are met, Australia is **genuinely neutral** as to whether Greater Sunrise gas is processed in Timor-Leste or Australia.
- The Conciliation Commission has worked closely with both parties and the companies to assess the options.
- We are disappointed we have not yet agreed a development concept.
 - But we have made good progress in the conciliation towards this goal.
 - And we will take into account the Conciliation Commission's work, and its Report expected in mid-April, as we move forward.
- Australia and Timor-Leste will continue to work bilaterally on the development concept for Greater Sunrise.

Did Australia agree to a **median line boundary**?

- The southern boundary is close to a median line (partly on the median line and partly above it).
- This represents a compromise.
- Australia was prepared to depart from its legal position and accept a line very close to the median line, as part of an overall package.
- Timor-Leste also gained significant areas to the east and to the west, which extend in its favour beyond the current lateral median lines.
- As the Chairman of the Conciliation Commission Ambassador Peter Taksoe-Jensen stated in 1 September 2017, this is part of "an equitable and balanced solution that benefits both Timor-Leste and Australia".

Why did Australia challenge the **Conciliation Commission's jurisdiction** to hear the dispute?

- We believed our previous treaties with Timor-Leste precluded the conciliation as included an agreement for a moratorium on negotiating maritime boundaries.

We put that case to the Commission, as we were entitled to do.
- Australia always said it would abide by the Commission's finding on whether it had jurisdiction.
- When the Commission decided it had jurisdiction, Australia accepted that decision and fully committed to the conciliation process in good faith, as required under international law.

s 47C

- Australia's approach reflects our strong support for the international rules-based order.

- We accepted the Commission's decision that it had jurisdiction and participated in good faith and constructively in the conciliation, consistent with our international legal obligations.
- When we call on other states to abide by international law, we are not asking any more of them than we expect of ourselves.

Doesn't Timor-Leste need Greater Sunrise revenue more than Australia?

- Australia was very conscious of Timor-Leste's development needs and the outcome reflects that— that is why we have agreed to 70:30 and 80:20.
- In other words, the far greater revenue and benefits will flow to Timor-Leste under the Treaty.
- The Treaty explicitly recognises the importance of promoting Timor-Leste's economic development.
- Australia is Timor-Leste's largest development partner [*\$96 million in total ODA in 2017-18*]

Will Timor-Leste's elections on 12 May affect the Treaty?

- Signing the treaty has been supported by the major political parties in Timor-Leste.
- Timor-Leste's elections are a domestic matter for Timor-Leste.
 - The Australian Government looks forward to working with the current and future government in Timor-Leste.

Did the United States pressure Australia to resolve the boundary with Timor-Leste?

- No.
- The US Government is not involved in the conciliation process, nor has it sought to raise the matter with us.

How can the maritime boundaries be permanent when the treaty describes them as "provisional" and "subject to adjustment"?

- We have concluded our maritime boundaries with Timor-Leste.
- The seabed boundaries (in the west and the east) could be adjusted in the future but whether this occurs depends on the outcome of a future Timor-Leste – Indonesia delimitation.
- The Treaty provides that any adjustment could only occur after the commercial depletion of relevant fields (Laminaria and Corallina in the West and Greater Sunrise in the East).
- Both parties agreed this to ensure certainty for investors.

TIMOR-LESTE: HERMENEGILDO 'AGIO' PEREIRA AND AURÉLIO GUTERRES

DEPUTY MINISTER OF THE PRIME MINISTER FOR THE DELIMITATION OF BORDERS AND MINISTER FOR FOREIGN AFFAIRS AND COOPERATION

What we want:

s 33(a)(iii), 47C, 47E(d)

[Redacted content]

s. 33(b)

[Redacted content]

What they want:

s. 33(a)(iii); 47E(d)

[Redacted content]

Context and Sensitivities:

s. 33(a)(iii); 47E(d)

[Redacted content]

s. 33(a)(iii); 47E(d)

Pereira, a minister in the Alkatiri Government

but also a member of Gusmão's political party, will sign the Treaty.

s. 33(a)(iii), 47E(d)

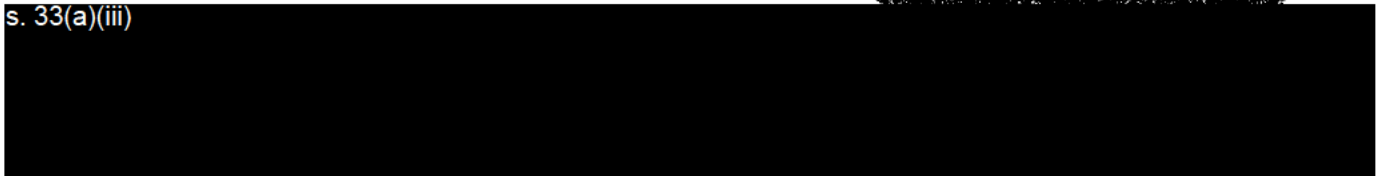
Pereira has been involved in the conciliation, as Timor-Leste's Agent to the Conciliation Commission. Pereira was present at your last meeting with Gusmão on 1 February 2018 in Sydney.

s. 33(a)(iii); 47E(d)


Key messages:

s. 33(a)(iii)


s. 33(a)(iii)



s. 33(a)(iii), 33(b)



s. 33(a)(iii)



VISIT OVERVIEW

Signing the Maritime Boundary Treaty with Timor-Leste in New York

You and Agio Pereira will sign our maritime boundary treaty on 6 March at the United Nations in New York. At this stage we also expect Chief Negotiator Xanana Gusmão to attend.

The United Nations Secretary-General António Guterres and the Conciliation Commission Chair Peter Taksøe-Jensen will witness the treaty signing, and the Conciliation Commissioners will also be present.

The treaty establishes permanent maritime boundaries between Australia and Timor-Leste—
s.33(a)(iii) and provides a framework for jointly developing the Greater Sunrise gas fields and sharing revenue. The Conciliation Commission, supported by the Permanent Court of Arbitration, played a vital role in bringing the parties to agreement.

Signing the treaty is a crucial opportunity to signal a new chapter in our bilateral relations. It is an historic moment s. 33(a)(iii)

A bilateral meeting with Gusmão will allow you to start this process. While in New York, we propose you signal your desire to visit Timor-Leste at an early opportunity after Timor-Leste's elections.

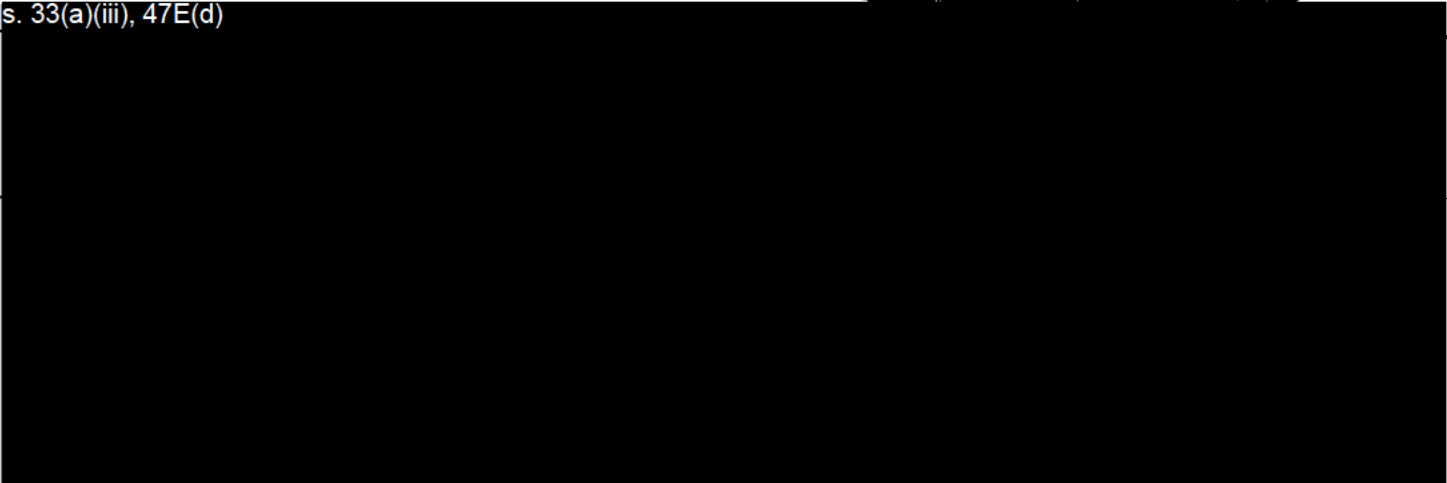
The treaty is also an opportunity to highlight how international law, in particular the UN Convention on the Law of the Sea (UNCLOS), reinforces stability and allows countries to resolve disputes peacefully without resorting to force or coercion. It will reinforce messages in the Foreign Policy White Paper on the benefits of the international rules-based order in the context of challenges to UNCLOS. s. 33(a)(iii); 47E(d)

[REDACTED]

The Conciliation Commission mandated a 1 March deadline for a decision on the development concept for Greater Sunrise. s. 47C

[REDACTED]

s. 33(a)(iii), 47E(d)



MEDIA MESSAGES

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The treaty will benefit both countries. We recognise its significance for Timor-Leste. Australia was committed to finding an outcome that would best support Timor-Leste's future. Development of the Greater Sunrise will support Timor-Leste's economic development. A strong and prosperous Timor-Leste is of fundamental importance for Australia.

Like any negotiation, the treaty required compromise and good will on both sides. With the Conciliation Commission's help, we have crafted a fair and balanced agreement that is consistent with international law.

It is also a landmark for UNCLOS and international law. The conciliation that led to our treaty, under UNCLOS' dispute resolution procedures, was the first of its kind. As two democratic nations and close neighbours, Australia and Timor-Leste have highlighted the value of international law, and particularly UNCLOS, in the international rules-based system.

Supporting the international rules-based order and UNCLOS

Our Treaty is a testament to the way in which international law, in particular the UN Convention on the Law of the Sea, reinforces stability and allows countries to resolve disputes peacefully without coercion. It is an example of the rules-based order in action.

The 1982 United Nations Convention on the Law of the Sea has underpinned stability and security in our region and around the world. In turn, this has allowed for the growth of trade and sustainable development.

With the world's third largest maritime Exclusive Economic Zone, Australia knows how important these rules and norms are. That is why we have steadfastly supported the dispute settlement processes in UNCLOS—regardless of the outcome.

Bilateral relations with Timor-Leste

The maritime boundary treaty marks a new chapter in our bilateral relationship. It will revitalise our friendship and cooperation in the years ahead.

A strong and prosperous Timor-Leste is of fundamental important to Australia. We look forward to partnering with Timor-Leste to develop the Greater Sunrise gas field, with benefits for both countries.

We are Timor-Leste's leading economic partner [*\$96.1 million in total ODA in 2017-18*]. We will continue to support Timor-Leste's objective of economic diversification and private sector growth through our development cooperation and labour mobility schemes.

We will continue to support Timor-Leste's armed forces and national police. We cooperate on regional security issues, including maritime challenges, border security and transnational crime. Australia supports Timor-Leste's ambition to join ASEAN, to facilitate its closer economic engagement with Southeast Asia.

The benefits of the maritime boundary treaty

The Treaty establishes permanent maritime boundaries between Australia and Timor-Leste in the Timor Sea and a stable legal framework for resource development. This will provide certainty and stability for businesses and investors.

The Treaty provides for both countries to develop the Greater Sunrise gas fields together and share in the benefits. This recognises both Australia and Timor-Leste have legitimate sovereign rights as coastal states.

The Treaty will support Timor-Leste's economic development by providing new opportunities for income and commercial and industrial development. Seventy or eighty per cent of revenue from Greater Sunrise will flow to Timor-Leste, depending on how the resource is developed.

The treaty upholds Australia's commitment to international rules and reinforces peaceful dispute resolution norms, especially through the United Nations Convention on the Law of the Sea.

Development of Greater Sunrise

The Conciliation Commission has worked extensively with the parties to broker a way forward on Greater Sunrise. While it is disappointing we have not been able to agree on a development concept, we have made good progress in the conciliation towards this goal. We look forward to building on the Commission's efforts and analysis and we will continue to discuss the development concept for Greater Sunrise bilaterally.

Australia wants Greater Sunrise to be developed in a commercially sound way that maximises the return for the parties, and therefore contributes to Timor-Leste's economic development priorities. Provided these conditions are met, Australia is genuinely neutral as to whether Greater Sunrise gas is processed in Timor-Leste or Australia.

QUESTIONS AND ANSWERS

Does the new treaty confirm Australia was never entitled to Bayu-Undan and that the Timor Sea Treaty (80:20) and CMATS (50:50) divisions of Greater Sunrise were unfair?

- No.
- This agreement is deliberately forward-looking.
- Our previous treaties were consistent with international law and delivered significant benefits to Timor-Leste and Australia.
- UNCLOS specifically provides for states to enter into provisional arrangements until they permanently delimit their maritime boundaries.

This was the approach Australia and Timor-Leste agreed in previous treaties.

Why should Australia get revenue from to Greater Sunrise?

- The Treaty recognises that both Australia and Timor-Leste have legitimate sovereign rights to the Greater Sunrise area as coastal states under UNCLOS.
- We have agreed to jointly develop the resources and share in the benefits.
- Australia's negotiating position and our support for the outcome was informed by our national interest in having a stable and prosperous Timor-Leste.

What will happen to Australian interests in territory handed over to Timor-Leste?

- We want to minimise disruption to industry operations in the Timor Sea.
- The Treaty includes transitional arrangements for oil and gas operations in the Timor Sea that will change jurisdictions.
- We have consulted and will continue to consult companies affected by the changes.

How will Greater Sunrise be developed? Does Australia support a pipeline to Timor-Leste?

- The Conciliation Commission has worked closely with both parties and the companies to assess the options.
- We are disappointed we have not yet agreed a development concept.
 - But we have made good progress in the conciliation towards this goal.
 - And we will take into account the Conciliation Commission's work, and its Report, as we move forward.
- Australia and Timor-Leste will continue to work bilaterally on the development concept for Greater Sunrise.
- Australia wants Greater Sunrise to be developed in a commercially sound way that maximises the return for the parties, and therefore contributes to Timor-Leste's economic development priorities.

Provided these conditions are met, Australia is genuinely neutral as to whether Greater Sunrise gas is processed in Timor-Leste or Australia.

Did Australia agree to a median line boundary?

- The southern boundary is partly on the median line and partly above it.
- The treaty is expressly without prejudice to the legal position of the parties.
- The treaty reflects a fair negotiated outcome irrespective of our legal positions.

Why didn't Australia agree to a median line boundary?

- Both countries believe the treaty and the permanent maritime boundaries are a fair and balanced agreement, consistent with international law.

Was Australia's approach to the conciliation similar to China's approach to the Philippines' arbitration on the South China Sea?

- Australia's approach reflects our strong support for the international rules-based order.
- We accepted the Commission's decision that it had jurisdiction and participated in good faith and constructively in the conciliation, consistent with our international legal obligations.
- When we call on other states to abide by international law, we are not asking any more of them than we expect of ourselves.

Why did Australia challenge the Conciliation Commission's competence and jurisdiction to hear the dispute?

- We believed our previous treaties with Timor-Leste precluded the conciliation as included an agreement for a moratorium on negotiating maritime boundaries.
We put that case to the Commission, as we were entitled to do.
- Australia always said it would abide by the Commission's finding on whether it had jurisdiction.
- When the Commission decided it did have jurisdiction, Australia accepted that decision and fully committed to the conciliation process in good faith, as required under international law.

Doesn't Timor-Leste need Greater Sunrise revenue more than Australia?

- Australia was very conscious of Timor-Leste's development needs and the outcome reflects that—more revenue and benefits will flow to Timor-Leste under the Treaty.
- The Treaty explicitly recognises the importance of promoting Timor-Leste's economic development.
- Australia is Timor-Leste's largest development partner [*\$96 million in total ODA in 2017-18*]

Will Timor-Leste's elections on 12 May affect the Treaty?

- No.
- Signing the treaty has been supported by the major political parties in Timor-Leste.
- Timor-Leste's elections are a domestic matter for Timor-Leste.

The Australian Government looks forward to working with the current and future government in Timor-Leste.

Will the Treaty affect Indonesia's interests or Australia's boundaries with Indonesia?

- The conciliation is a bilateral process to finalise a maritime boundary between Australia and Timor-Leste.
- It does not prejudice any other country's interests.
- Australia has briefed Indonesia on the outcome of the conciliation.

Did the United States pressure Australia to resolve the boundary with Timor-Leste?

- No.
- The US Government is not involved in the conciliation process, nor has it sought to raise the matter with us.

How can the maritime boundaries be permanent when the treaty describes them as "provisional" and "subject to adjustment"?

- We have concluded our maritime boundaries with Timor-Leste.
- The seabed boundaries (in the west and the east) could be adjusted in the future but whether this occurs depends on the outcome of a future Timor-Leste – Indonesia delimitation.
- Any adjustment could only occur after the commercial depletion of relevant fields (Laminaria and Corallina in the West and Greater Sunrise in the East).
- Both parties agreed this to ensure certainty for investors.

TIMOR-LESTE: KAY RALA 'XANANA' GUSMÃO [GUZ-MAO]

6 Chief Negotiator for Maritime Boundaries
Tuesday 6 March 2018, United Nations New York

What we want:

s. 33(a)(iii) 47E(d)



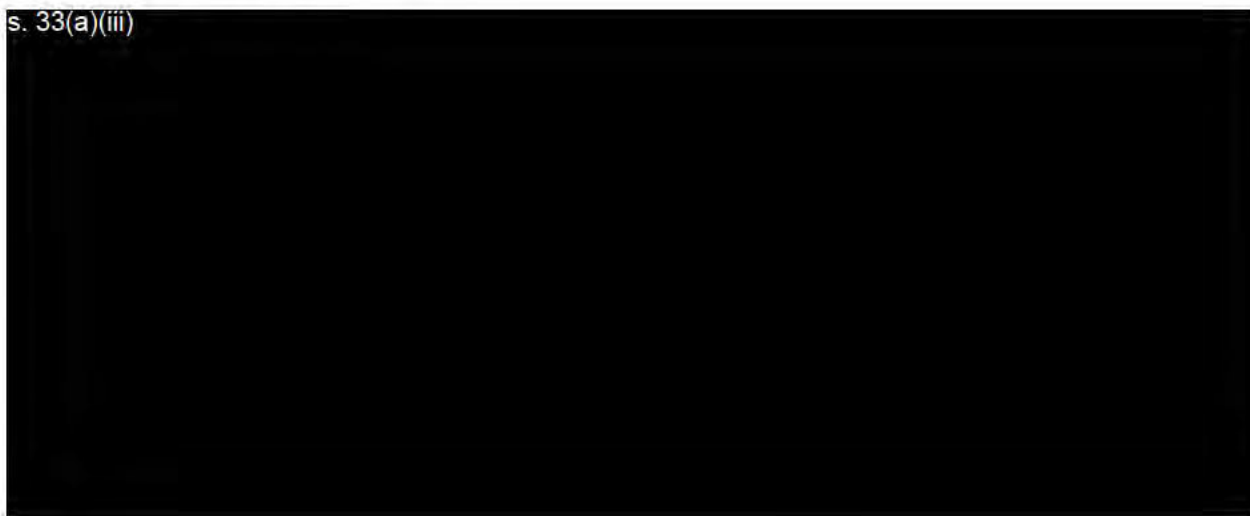
What they want:

s. 33(a)(iii); 47E(d)




Context and Sensitivities:

s. 33(a)(iii)

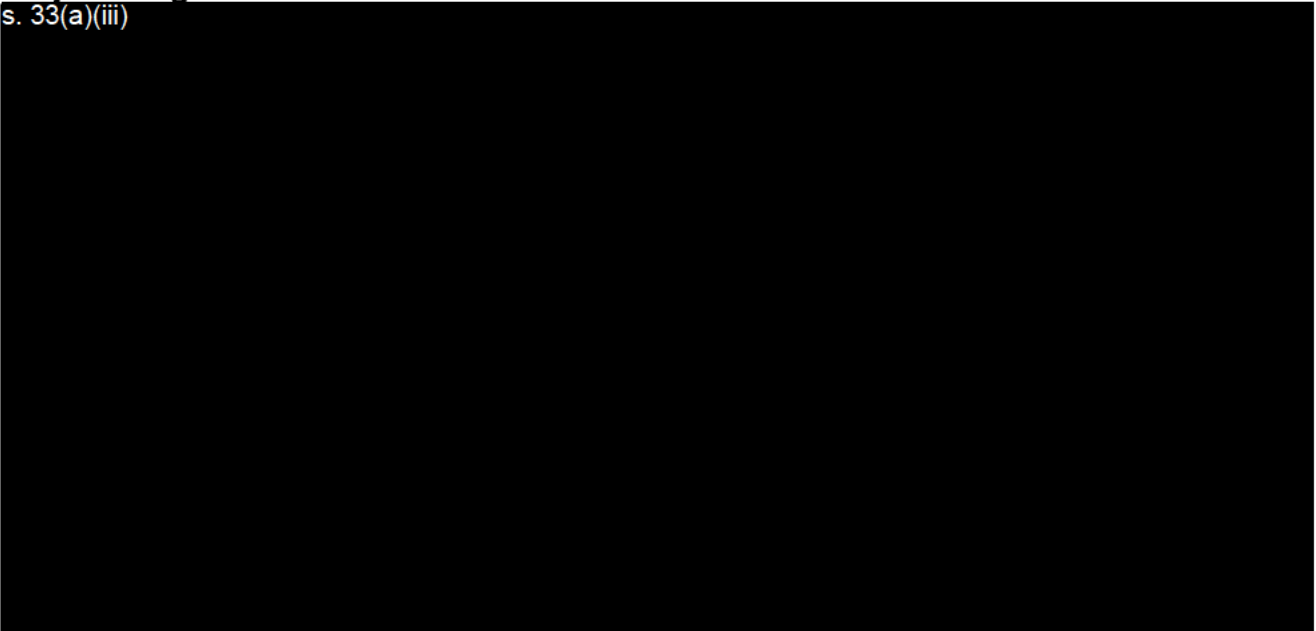


s. 33(a)(iii)

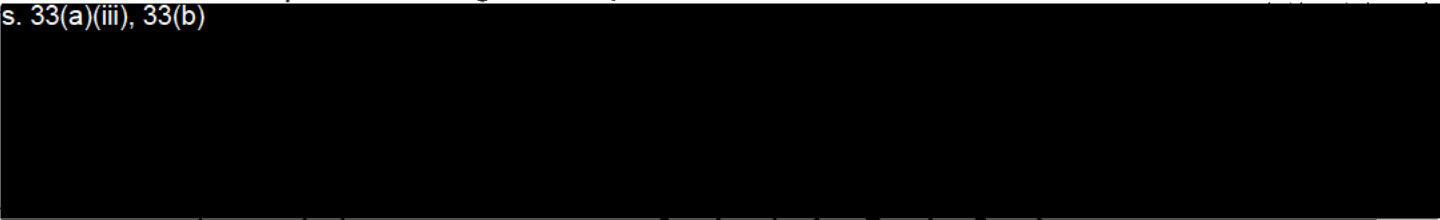


Key messages:

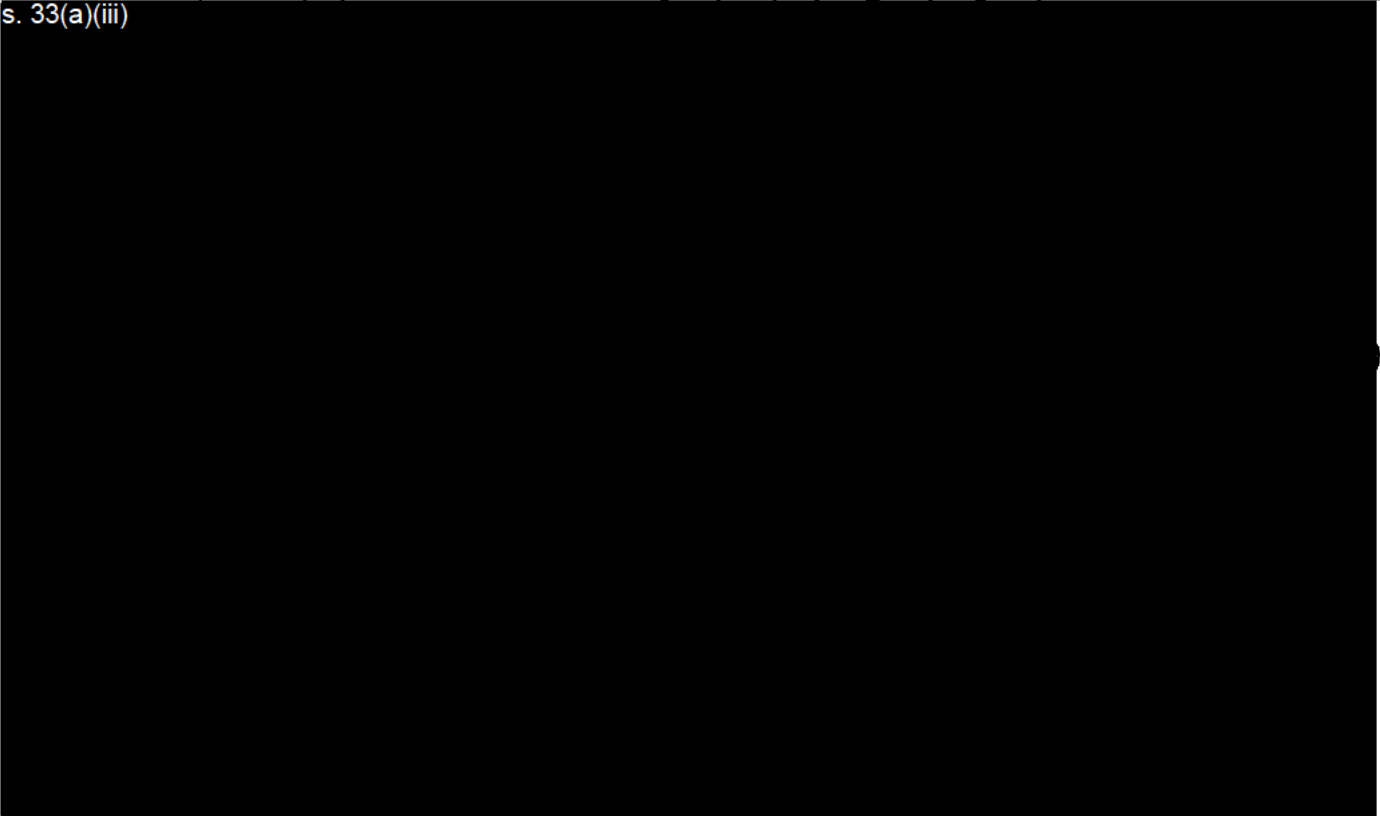
s. 33(a)(iii)



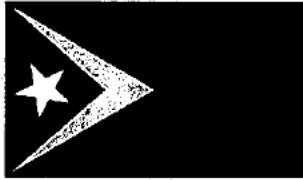

s. 33(a)(iii), 33(b)



s. 33(a)(iii)

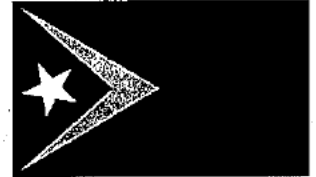


Biographies

<p>Mr Kay Rala 'Xanana' <u>GUSMÃO</u> Chief Negotiator for Maritime Boundaries Timor-Leste</p>		
	<p>Form of Address: Your Excellency English Ability: Fluent Year of Birth: 1946 Education: High School</p>	
<p>Career:</p> <p>2015- Chief Negotiator on Maritime Boundaries 2015-2017 Minister of Planning and Strategic Investment 2007-2015 Prime Minister of Timor-Leste 2002-2007 President of Timor-Leste</p>		
<p>s. 33(a)(iii); 47E(d)</p>		
<p>Contact: You last met Gusmão in Sydney on 1 February 2018 in the margins of the conciliation. You previously met with him in New York in the margins of UNGA on 21 September 2017.</p>		

Mr Agio PEREIRA

Deputy Minister of the Prime Minister for the Delimitation of Borders
Timor-Leste



Form of Address: Your Excellency

English Ability: Fluent

Year of Birth: 1956

Education: Three Masters Degrees (Criminology and Criminal Justice; Policing, Intelligence and Counter Terrorism; and International Relations)

Career:

- 2017- Deputy Minister of the Prime Minister for the Delimitation of Borders
- 2008-2016 Minister of State and President of the Council of Ministers
- 2007-2008 Chief of Staff to President Gusmão

s. 33(a)(iii); 47E(d)

Contact:

You met Mr Pereira in Sydney on 1 February 2018 in the margins of the conciliation with Xanana Gusmão. You previously met with Mr Pereira on 5 November 2017 at the Asia Pacific Regional Conference held in Perth.

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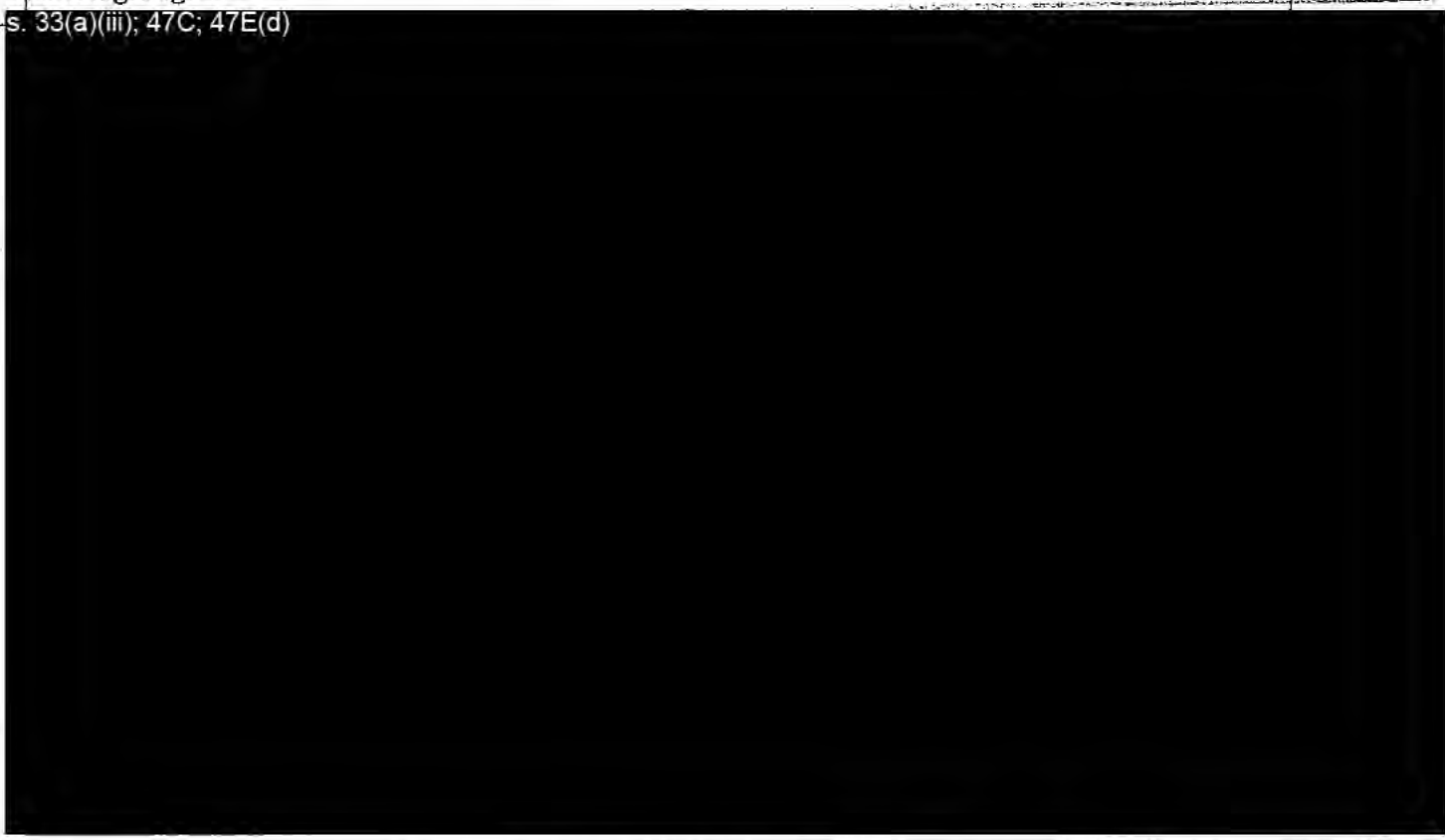
TREATY SIGNING CEREMONY

<p>Time and Place</p> <p>Tuesday, 6 March 2018, 5:00pm-5:45pm, UN Headquarters, Kuwait Boat Area</p>	<p>Key attendees</p> <p>António Guterres, Secretary-General of the United Nations</p> <p>Xanana Gusmão, Chief Negotiator for the Council for the Final Delimitation of Maritime Boundaries</p> <p>Agio Pereira, Deputy Minister of the Prime Minister for the Delimitation of Borders</p> <p>Aurélio Guterres, Minister for Foreign Affairs and Cooperation</p> <p>Hugo Hans Siblesz, Secretary-General of the Permanent Court of Arbitration</p> <p>Peter Taksøe-Jensen, Chair of the Conciliation Commission</p> <p>Rosalie Balkin, Abdul Koroma, Don McRae, and Rüdiger Wolfrum, Conciliation Commissioners</p>
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Minister's role, objective, context and sensitivities

You will sign our maritime boundary treaty. Agio Pereira will sign for Timor-Leste. The Secretary-General of the UN and the Chair of the Conciliation Commission will witness the signing.

s. 33(a)(iii); 47C; 47E(d)



s.33(a)(iii), 47C, 47E(d)

Handling note

UN Secretary-General Guterres will host the signing ceremony. UN Legal Counsel João Miguel Ferreira de Serpa Soares will act as master of ceremonies. Media will be present.

Serpa Soares will welcome you on arrival. You will sign the treaty at a table with Deputy Minister Pereira, while witnesses, including the UN Secretary-General and Commission Chair, look on from behind the table. We expect the Commission Chair to sign the treaty as witness after you and Pereira have signed.

Following signing, the UN Secretary-General will make remarks for 5-7 minutes followed by the Commission Chair, you (Ms Bishop) and Pereira. Talking points are provided below for your remarks. Serpa Soares will then close the official signing ceremony.

There will be an opportunity for a formal photo with delegation leaders and all members of the Conciliation Commission and Permanent Court of Arbitration. The UN Secretary-General will then depart for other commitments. You (Ms Bishop) and Timorese leaders will proceed to the media stake out area outside the General Assembly (one minute away) for a stand-up press conference.

Remarks:

- *[Acknowledgements]*
- Very pleased to have signed our maritime boundary treaty on behalf of Australia, alongside our good friend and neighbour, Timor-Leste.
- Thank the UN Secretary-General for his words.
- This is an historic day for both our nations.
 - But we recognise that it is a particularly important day for Timor-Leste
 - » and another step forward in your journey as a sovereign nation.
 - I commend your people and their leaders for their achievement.
- The United Nations is a fitting location for such an auspicious and historic event.
 - The UN plays the leading role in the system of international rules and institutions that allow States to coexist peacefully and prosper together.
 - As we said in Australia's Foreign Policy White Paper, Australia believes these rules are fundamental to our collective security and prosperity.
- Our treaty reflects the value and importance of those rules and institutions, and the benefits for states in abiding by those rules.
 - In particular, it reflects the importance of the United Nations Convention on the Law of the Sea.
- As a maritime trading nation, Australia knows too well how much of our region's trade and commerce depends on UNCLOS.

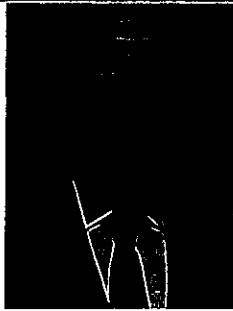
- We have been, and will continue to be, a staunch supporter of UNCLOS and its dispute settlement processes.
- This treaty was the result of the first-ever UNCLOS conciliation.
 - Both Australia and Timor-Leste committed to the conciliation process.
 - Like any negotiation, it required compromise and good will on both sides but it has delivered a fair and balanced outcome.
- The conciliation is testament to the way in which international law reinforces stability and allows countries to resolve their disputes peacefully.
 - It is an example for all of how the international rules-based order serves our collective interests.
- Much of this is thanks to the crucial work of the Conciliation Commission, who are present here today.
 - On behalf of Australia, I would like to thank you for your efforts and your dedication.
 - Australia and Timor-Leste were lucky to have such eminent diplomats, legal scholars and jurists enlisted in our cause.
- I also thank the Permanent Court of Arbitration for its role in supporting the Commission, and for the hard work of its staff.
 - Since 1899, the PCA has played a crucial, if often understated, role in the international legal framework
 - » helping states and other parties resolve disputes, alongside other forms of dispute resolution, without resort to force or coercion.
 - Australia is pleased to see the PCA's role strengthening and expanding, and looks forward to its future influential work in our international system.
- The treaty delimits our maritime boundaries and establishes a framework to jointly develop the Greater Sunrise gas fields for the benefit of both countries
 - recognising both countries' legitimate sovereign rights as coastal states under UNCLOS.
- But it does more than that.
 - With this treaty, we open a new chapter in Australia and Timor-Leste's relations.
- Australia has an enduring interest in a stable and prosperous Timor-Leste.
 - As good friends, and close neighbours, we want the best for Timor-Leste's economic future.
 - Like the broader international community, we want to see our young neighbour prosper and grow.
- We will always be important to each other.
 - We have enduring historical and geographical ties, and deep people-to-people links, which we will continue to nurture.
 - We remain committed to continuing our support for Timor-Leste's economic and human development.
- The treaty is an important step that opens the way to develop a rich, shared resource: the Greater Sunrise gas fields.

- Want to recognise the Commission's efforts to bring the parties together to assess the options
 - we look forward to collaborating with Timor-Leste, and to working with the experts in industry, to develop Greater Sunrise.
 - Together, we can now ensure that Timor-Leste reaps the economic benefits for generations to come.

(Duration: 5 minutes)

(Word count: 597 words)

Event Biographies



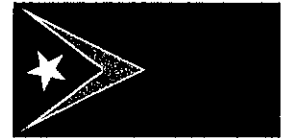
António Guterres
Secretary-General
UNITED NATIONS



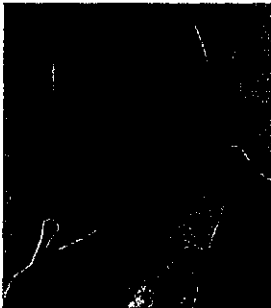
Form of Address: Secretary-General
English Ability: Fluent
Year of Birth: 1949
Twitter handle: [@antonioguterres](https://twitter.com/antonioguterres)



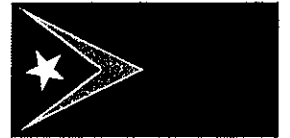
Xanana Gusmao
Chief Negotiator for the Council for the Final
Delimitation of Maritime Boundaries
TIMOR-LESTE



Form of Address: Your Excellency
English Ability: Fluent
Year of Birth: 1946



Hermenegildo (Agio) Pereira
Deputy Minister of the Prime Minister for the
Delimitation of Borders
TIMOR-LESTE



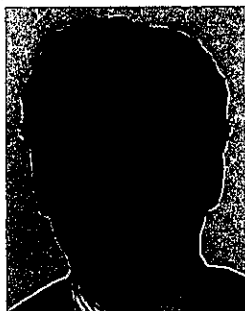
Form of Address: Minister
English Ability: Fluent
Year of Birth: 1949



Aurélio Guterres
Minister for Foreign Affairs and Cooperation
TIMOR-LESTE



Form of Address: Minister
English Ability: Fluent



Hugo Hans Siblesz
 Secretary-General
 PERMANENT COURT OF ARBITRATION



Form of Address: Secretary-General
 English Ability: Fluent



Peter TAKSØE-JENSEN
 Chair of the Conciliation Commission
 Danish Ambassador to India

Conciliation
 Commission

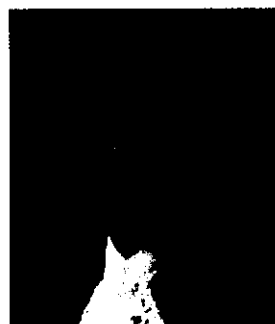
Form of Address: Your Excellency / Ambassador
 English Ability: Fluent



Rosalie BALKIN
 Retired legal academic. Former Director Legal Affairs and External Relations, International Maritime Organisation. Former Assistant Secretary, Office of International Law, Australian Attorney-General's Department.

Conciliation
 Commissioner
 (Appointed by
 Australia)

Form of Address: Dr Balkin
 English Ability: Fluent



Abdul KOROMA
 Former Judge of the International Court of Justice (1994-2012). Previously served as Chair of the UN General Assembly 6th Committee (Legal); Chair of the International Law Commission; Former Ambassador of Sierra Leone to the United Nations.

Conciliation
 Commission
 (Appointed by
 Timor-Leste)

Form of Address: Judge Koroma
 English Ability: Fluent

**Professor Donald MCRAE**

Emeritus Professor, Faculty of Law, University of Ottawa. Consultant and counsel on numerous international maritime boundary and trade law issues and cases.

Conciliation
Commissioner
(Appointed by
Australia)

Form of Address: Professor McRae

English Ability: Fluent

**Rüdiger WOLFRUM**

Professor of International Law, Heidelberg University. Former Judge of the International Tribunal of the Law of the Sea (1996-2017), serving as President of the Tribunal from 2005-2008. Was an arbitrator in the Philippines-China arbitration on South China Sea features.

Conciliation
Commissioner
(Appointed by
Timor-Leste)

Form of Address: Judge Wolfrum

English Ability: Fluent

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BILATERAL JOINT PRESS CONFERENCE

Time and Place	Key attendees
Tuesday, 6 March 2018, 05:45pm- 06:15pm, UN Headquarters, Media stake-out area outside the General Assembly	Xanana Gusmão, Chief Negotiator for the Council for the Final Delimitation of Maritime Boundaries Hermenegildo (Agio) Pereira, Deputy Minister of the Prime Minister for the Delimitation of Borders Aurélio Guterres, Minister for Foreign Affairs and Cooperation
Minister's role, objective, context and sensitivities	
The joint press conference will follow immediately after the treaty signing ceremony. It is an opportunity to reinforce our key public messages, both internationally and domestically, from your remarks at the treaty signing ceremony. Short remarks for you to deliver are below. Possible questions and answers are included in the media messages brief for use at the media conference.	

O

s. 33(a)(iii)

s. 33(a)(iii); 47C; 47E(d)

Handling note

The press conference will be in a door-stop format. Staff from our post in New York will direct media. s. 47E(d)

(remarks are below). We propose you take questions following remarks. You (and Timorese leaders) may wish to leave by 6.15pm to attend our joint reception (Australia has not invited media to the reception).

Remarks:

- We have just signed a historic agreement for the people of Australia and Timor-Leste.
- Our treaty is a landmark for international law
 - through the first compulsory conciliation under the UN Convention on the Law of the Sea, we have agreed a fair and balanced treaty that benefits both countries
 - signed in front of the UN Secretary-General, the Conciliation Commission and the Secretary-General of the Permanent Court of Arbitration
 - want to thank the Conciliation Commission for the vital role it played in brokering this agreement.
- It sets an example for other states to follow to peacefully resolve disputes, according to international law, without resort to force or coercion
 - As we said in Australia's Foreign Policy White Paper, it highlights the centrality of the rules and norms in the UN Convention on the Law of the Sea for all nations
 - » rules which should be universally recognised
 - and it demonstrates the value of abiding by the decisions of international umpires.
- For the first time, Australia and Timor-Leste have established permanent maritime boundaries between our two countries
 - providing certainty and stability to both of countries
 - and the foundation for future resource development in the Timor Sea.
- We have also agreed a framework to jointly develop the Greater Sunrise gas fields for the benefit of both of our countries
 - recognising Australia and Timor-Leste's rights as coastal states to the Greater Sunrise resource.
- We have opened a new chapter in Australia and Timor-Leste's relationship
 - as good friends and neighbours, Australians want the best for Timor-Leste's future
 - » we want to see our young neighbour prosper and grow.
 - So I hope to visit Timor-Leste later this year to explore new ways we can cooperate and take our relationship forward.
- *[Questions from media]*

(Duration: 2.1 minutes)

(Word count: 255 words)

Event Biographies



Xanana Gusmao

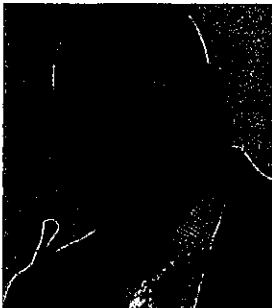
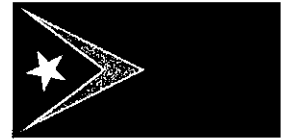
Chief Negotiator for the Council for the Final
Delimitation of Maritime Boundaries

TIMOR-LESTE

Form of Address: Your Excellency

English Ability: Fluent

Year of Birth: 1946



Hermenegildo (Agi) Pereira

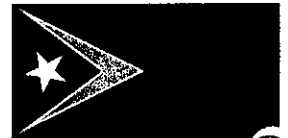
Deputy Minister of the Prime Minister for the
Delimitation of Borders

TIMOR-LESTE

Form of Address: Minister

English Ability: Fluent

Year of Birth: 1949



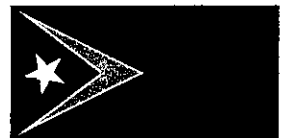
Aurélio Guterres

Minister for Foreign Affairs and Cooperation

TIMOR-LESTE

Form of Address: Minister

English Ability: Fluent



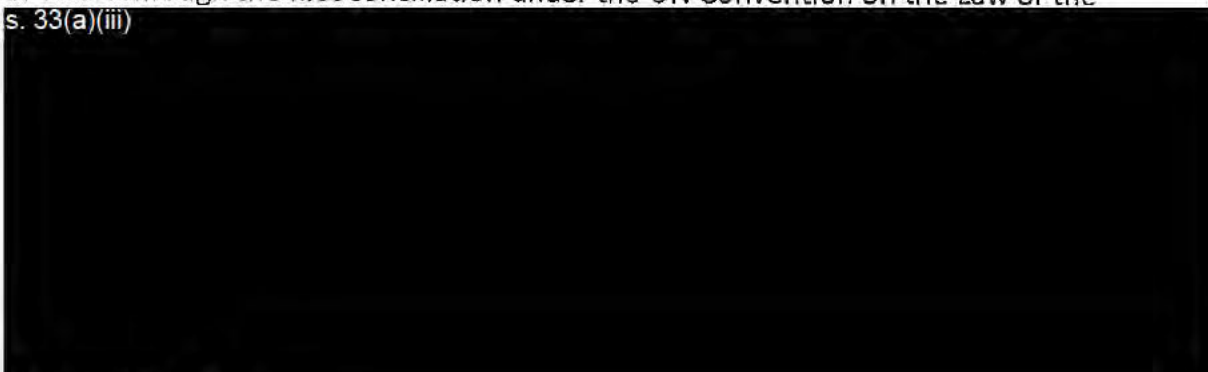
9

RECEPTION AT THE UNITED NATIONS

<p>Time and Place</p> <p>Tuesday, 6 March 2018, 06:30pm-8.00pm, UN Headquarters, South Dining Room</p>	<p>Key invitees</p> <p><i>A confirmed list of invited guests will be provided to your office when issued, but will include:</i></p> <ul style="list-style-type: none"> Timorese ministers and delegation Conciliation Commissioners Permanent Representatives to the United Nations based in New York United Nations senior officials (the UN Secretary-General is unlikely to be able to attend) Members of the Greater Sunrise Joint Venture in New York
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Minister's role, objective, context and sensitivities

The reception will recognise the achievement of permanent maritime boundaries with Timor-Leste through the first conciliation under the UN Convention on the Law of the Sea s. 33(a)(iii)



s. 33(a)(iii); 47C; 47E(d)

Handling note

Timor-Leste's and Australia's Permanent Missions to the UN in New York will jointly host the reception. Ambassador and Permanent Representative to the UN, Gillian Bird, will introduce you to guests prior to offering you an opportunity to make remarks (talking points are

below) alongside Timorese leaders (likely Alkatiri and Gusmao). Australian guests do not include media. s. 33(b)

Remarks:

- *[Acknowledgements]*
- Delighted to have signed our maritime boundary treaty on behalf of Australia, with our good friend and neighbour, Timor-Leste.
- The United Nations is a fitting location for such an auspicious and historic event
 - thank the United Nations and Secretary-General Guterres for hosting the treaty signing ceremony.
- I want to pay tribute to Timor-Leste's leaders and recognise the importance of this moment
 - we know the importance and symbolism of this agreement to Timor-Leste
 - and its part in Timor-Leste's history and sovereignty.
 - congratulate Timor-Leste's leaders and the Timorese people, for their achievement.
- Our relationship has had its ups and downs
 - we share a deep but complex history
 - but we will always be important to each other.
- This moment is significant
 - it is not just about a line on a map
 - we are turning the page and starting on a new path together
 - » with respect for each other as equal partners.
- It is also a historic moment
 - Acknowledge the integral role of the Conciliation Commission, supported by the Permanent Court of Arbitration, in this world-first conciliation under UNCLOS
 - thank Peter, Abdul, Rudiger, Don and Rosalie for guiding us to this important moment
 - and Garth and Martin from the PCA for the support they provided.
 - I know it wasn't always easy—you have spent many long hours with both sides trying to convince and cajole us towards a deal.
- Like any negotiation, it required compromise and goodwill on both sides
 - but with the Conciliation Commission's help and expert guidance, we have crafted a fair and balanced agreement consistent with international law.
- The treaty opens a new chapter in Australia and Timor-Leste's relations
 - like the broader international community; Australia keenly wants to see our young neighbour prosper and grow
 - we remain committed to continuing our strong support for Timor-Leste's economic and human development

- and we look forward to building on the Conciliation Commission's work to partner with Timor-Leste to develop the Greater Sunrise gas field, with benefits for both countries.
- The treaty has a broader resonance.
 - It will be a landmark decision as the first conciliation under the UN Convention on the Law of the Sea
 - countries have been following our efforts closely
 - hope our success in overcoming our dispute can be an example for others.
- It entrenches the universally recognised rules and norms in UNCLOS
 - it reflects the importance of international law, and particularly UNCLOS, in resolving disputes between states peacefully, without the use of force or coercion
 - » and the benefits for all states in recognising and abiding by these rules.
- Proud to stand here alongside Timor-Leste
 - thank you all for your contributions to this achievement
 - look forward to what we will achieve next.

(Duration: 3.6 minutes)

(Word count: 435 words)

Maritime Boundary Treaty

Key Issues

- The treaty establishes permanent seabed and water column boundaries between Australia and Timor-Leste.
 - The seabed boundaries (in the west and the east) can be automatically adjusted only if two conditions are met:
 - » new seabed boundaries between Timor-Leste and Indonesia have come into force, and
 - » specific resource fields in those areas have been commercially depleted—the specific fields are Laminaria and Corallina in the West and Greater Sunrise in the East.
 - Adjusting the seabed boundaries is automatic; it would require technical consultation, but not negotiations or treaty action.
 - The treaty also allows the water column boundaries to be adjusted (to allow for changes between Timor-Leste and Indonesia) but this is not automatic—it would need to be negotiated with Australia and would require new treaty action by Australia.
- Australia and Timor-Leste have agreed to jointly exercise their rights to the Greater Sunrise gas fields as coastal states under UNCLOS.
 - Revenue from developing Greater Sunrise will be shared 80:20 or 70:30 in Timor-Leste's favour, depending on whether the gas is processed in Darwin or Timor-Leste, respectively.
 - The treaty establishes a Greater Sunrise special regime for Australia and Timor-Leste to cooperate to develop Greater Sunrise.

s. 33(a)(iii), 47E(d)

- The treaty does not address how Greater Sunrise will be developed; this would be addressed in a separate agreement between Australia, Timor-Leste and the Greater Sunrise Joint Venture (see issues brief on the development concept for Greater Sunrise).

s. 33(a)(iii); 47E(d)

Background

Overview of the Treaty

The treaty was negotiated under the auspices of the Conciliation Commission, following Timor-Leste's initiation of compulsory conciliation under Article 298 and Annex V of the *United Nations Convention on the Law of the Sea* (UNCLOS) in April 2016.

It represents a mutual accommodation and is without prejudice to the legal position of either party.

The treaty supports Australia's national interest and provides a foundation for further strengthening its bilateral relationship with Timor-Leste.

The new maritime boundaries have expanded Timor's exclusive economic zone, which grants greater sovereign rights to the resources and fisheries contained within. The Bayu-Undan oil field, rezoned into Timorese territory will be a further source of future income.

Previous treaties with Timor-Leste on the Timor Sea

The treaty will replace all existing treaty law between Timor-Leste and Australia including the Timor Sea Treaty (2003), the International Unitisation Agreement (2007) and the already terminated (in January 2017) Certain Maritime Arrangements in the Timor Sea Treaty (CMATS).

These treaties were provisional arrangements to allow for resource development in the Timor Sea pending the delimitation of final boundaries between Australia and Timor-Leste.

The treaty protects the parties from compensation claims that could arise from the cessation of the previously existing 'Joint Petroleum Development Area,' establishment of new boundaries, adjustment of the continental shelf or cessation of the Greater Sunrise Special Regime.

The permanent maritime boundaries (a map is at the end of this brief)

The eastern boundary would be a continental shelf (or seabed) boundary only, as the exclusive economic zone (water column) boundary in this area is subject to delimitation between Indonesia and Timor-Leste. The western boundary would likewise be a continental shelf boundary, as the exclusive economic zone boundary in this area is subject to delimitation between Indonesia and Timor-Leste.

Both eastern and western boundaries will join Australia's 1972 seabed boundary with Indonesia at defined points (points A16 and A17), ensuring no prejudice to Indonesia's rights.

The treaty provides scope for an adjustment to part of the eastern and western boundaries but only if Indonesia and Timor-Leste delimit their continental shelf boundary to the east and west of points A16 and A17 respectively. Further, any adjustment would only take place after resources in the relevant areas (Greater Sunrise in the east, and Laminaria and Corallina oil fields in the west) are commercially depleted, to ensure boundary adjustments do not impact on existing company rights.

The southern boundary would be both a continental shelf and exclusive economic zone boundary. Its western segment would be slightly above the median line while the eastern segment would run along the median line.

Greater Sunrise Special Regime

The eastern boundary will bisect Greater Sunrise, leaving approximately 70 per cent on Timor-Leste's side of the boundary and 30 per cent on Australia's side of the boundary.

Notwithstanding this bisection, the treaty establishes a Special Regime Area over Greater Sunrise within which both countries would jointly exercise rights as coastal States under UNCLOS. It is only after the field is commercially depleted that rights and jurisdiction under UNCLOS would be determined by the location of the boundary.

The treaty would establish the Greater Sunrise Special Regime to jointly develop, exploit and manage Greater Sunrise. The treaty establishes a governance and regulatory structure and details the exercise of jurisdiction in the Special Regime Area over matters including customs, immigration, quarantine, security and crime. Timor-Leste's petroleum authority would be the day-to-day regulator. A governance board, comprising representatives from Australia and Timor-Leste, would exercise oversight over strategic matters, with decisions to be made by consensus. The regime includes a dispute resolution committee to break deadlocks which arise on the governance board.

The treaty divides upstream revenue from Greater Sunrise 70:30 in Timor-Leste's favour if the gas is processed in Timor-Leste, or 80:20 in Timor-Leste's favour if the gas is processed in Darwin. The 10 per cent difference is estimated to be worth around \$4 billion in revenue for Timor-Leste, based on the conservative estimate of an independent expert. The decision on how to develop Greater Sunrise is subject to ongoing discussions in the Conciliation process.

Transitional arrangements to protect companies (including Bayu-Undan)

The treaty includes transitional arrangements and protections for companies with existing legal and commercial rights affected by the boundary changes. This includes an obligation to respect existing rights and that new arrangements with companies are to provide equivalent conditions. This will ensure the companies are not disadvantaged and existing production can continue uninterrupted.

The southern boundary will put the currently operating Bayu-Undan gas field and several other non-operating petroleum fields and wells in Timor-Leste's jurisdiction. Accordingly, Timor-Leste would receive all future upstream revenue from Bayu-Undan (Australia currently receives revenue from 10 per cent of the petroleum produced in the Joint Petroleum Development Area under the *Timor Sea Treaty*).

Australia would continue to have exclusive jurisdiction, including for taxation purposes, over the Bayu-Undan pipeline and downstream activities. In the west, the boundary would put the Buffalo oil field in Timor-Leste's jurisdiction while the Corallina and Laminaria oil fields would remain in Australia's jurisdiction.

Consultation with Stakeholders

The conciliation proceedings, including negotiations on the treaty, were largely confidential to provide an environment conducive to facilitating the eventual success of the conciliation

Media releases issued by the Permanent Court of Arbitration in The Hague provided regular public updates on progress in the conciliation. This included the announcement of permanent maritime boundaries on 30 August 2017, a negotiated treaty text agreed on 13 October 2017,

and the timeframes for domestic approval processes and signature of the treaty in late 2017 and 2018.

During the conciliation, and at the request of the Conciliation Commission, Timor-Leste and Australia consulted with the companies comprising the Sunrise Joint Venture, which holds the licence to develop the Greater Sunrise gas fields, on the development of Greater Sunrise. Confidential consultations with the Sunrise Joint Venture took place in Brisbane, Melbourne, Singapore, Sydney, and Kuala Lumpur between November 2017 and February 2018.

In November 2017, Australia and Timor-Leste jointly wrote to companies with interests in the Joint Petroleum Development Area (JPDA) to provide an update on the conciliation process. Companies were invited to provide views or concerns, on a confidential basis, regarding future changes to the JPDA. Companies expressed a number of views and concerns that have contributed to the development of transitional arrangements under annex D of the treaty

The Department of Industry, Innovation and Science continues to consult individuals and companies with business interests in the Timor Sea in developing the implementing legislation for the treaty.

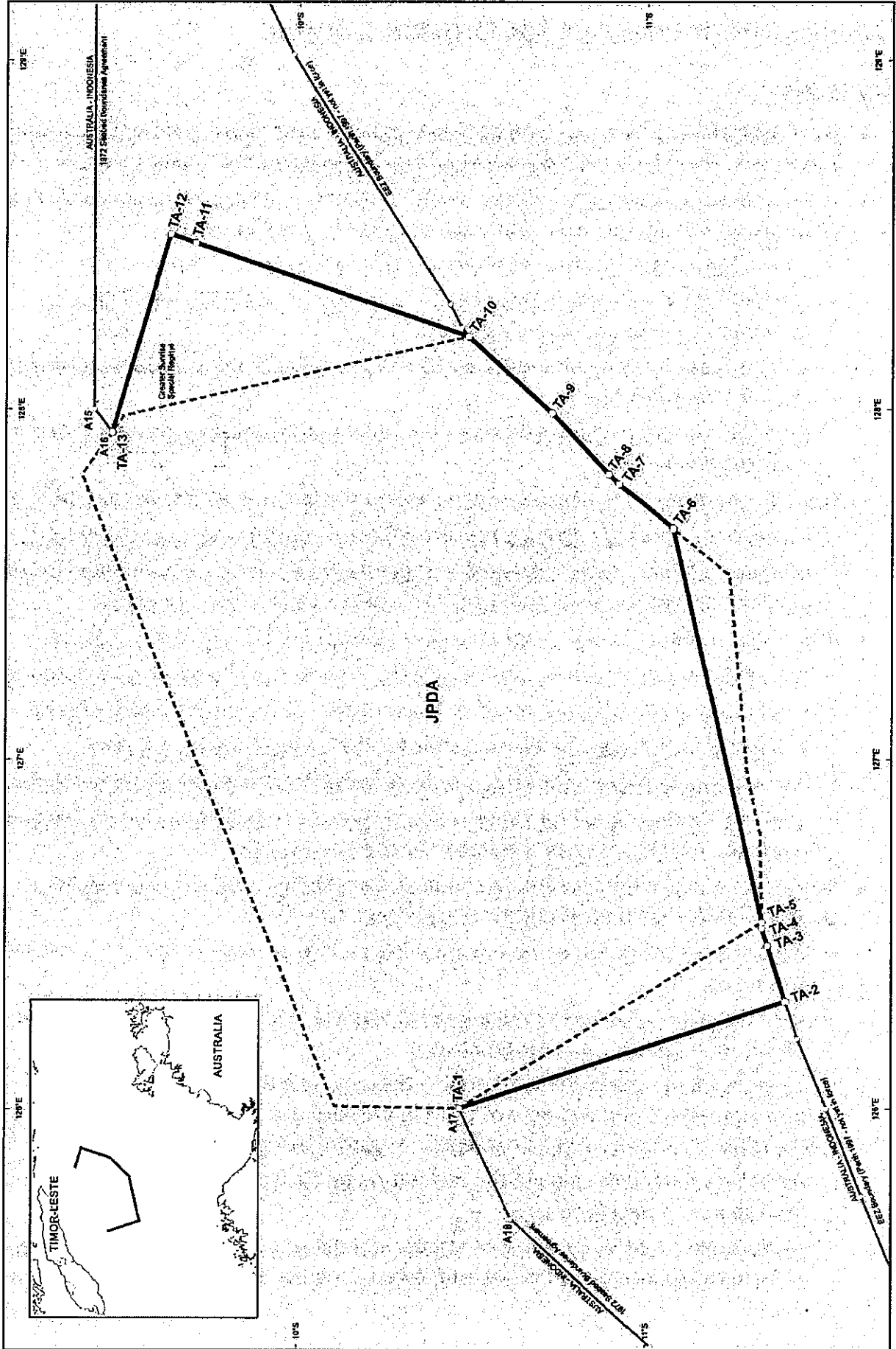
Legislative amendments

Legislative amendments to implement the treaty into domestic legislation would be required to the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* and the *Petroleum (Timor Sea Treaty) Act 2003* as well as consequential amendments to a number of other acts including the *Migration Act 1958*, *Customs Act 1901*, and *Tax Assessments Act 1936*.

The new boundaries would also be proclaimed under the *Seas and Submerged Lands Act 1973*. Ratification is expected to take place in late 2018 or 2019.

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Maritime Boundary in the Treaty between Australia and the Democratic Republic of Timor-Leste Establishing a Maritime Boundary in the Timor Sea
(Australia's boundaries with Indonesia and Joint Petroleum Development Area added for illustrative purposes)



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12

Development concept for Greater Sunrise

Key Issues

- The Conciliation Commission proposed packages for both DLNG and TLNG development concepts at the final conciliation meeting on 23 February 2018 in Kuala Lumpur.
- The Commission has clearly outlined the benefits of the DLNG-plus option, which includes additional commitments from both Australia and the Joint Venture:
 - processing Greater Sunrise LNG through Darwin (DLNG),
 - USD300 million for a gas pipeline for domestic energy use (USD 200 million from the Joint Venture, USD 100 from Australia),
 - a supply base for Greater Sunrise on Timor-Leste's South Coast (USD 50 million from the Joint Venture), and
 - three per cent free equity for Timor-Leste in the upstream project and 0.9 per in the downstream project.

O

s. 33(a)(iii)

s. 33(b)

s. 33(a)(iii), 47E(d)

Background

The Commission's 23 February proposal

On 23 February in Kuala Lumpur the Commission presented its final packages for DLNG and TLNG development options to the parties. The Commission did not make a specific recommendation between DLNG and TLNG but compared the two options on the basis of the information available to show that DLNG was the only commercially viable option.

The Commission presented a DLNG plus package to demonstrate the maximum possible benefits for Timor-Leste, notably in the development of the south coast and Timorese skills.

s. 33(b)

The deal s. 33(a)(iii), 47E(d)

included:

- USD 300 million for the domestic gas pipeline (USD 200 million from the JV, USD 100 million from Australia—including the extra USD 100 million promised each by Australia and the Joint Venture),
- USD 50 million towards development of the Suai supply base, and
- three per cent free equity in upstream and 0.9 per cent free equity in the downstream.

s. 33(b)

s. 33(a)(iii), 47E(d)

s. 33(a)(iii); 47C; 47E(d)



If Timor-Leste agrees a development concept for Greater Sunrise by 6 March

s. 33(a)(iii)

If


this occurred we would seek to sign a separate framework agreement, in addition to the treaty, recording Australia's, Timor-Leste's and the Joint Venture's agreement to pursue the development concept.

The framework agreement would set out the broad parameters of a future agreement that would be formalised through the negotiation of a production sharing contract. It would not be legally binding on Australia.

s. 33(a)(iii); 47C; 47E(d); 47G



s. 33(a)(iii)



s. 47G



13

TIMOR-LESTE SNAPSHOT

The bilateral relationship: Australia is committed to being an effective, responsive and long-term partner in Timor-Leste's development. Australia has consistently been Timor-Leste's largest security, economic and development partner since 1999. s. 33(a)(iii); 47E(d)

Trade and investment statistics: Total merchandise trade with Timor-Leste (2016-17)

Exports to Timor-Leste \$32.19 million

Imports from Timor-Leste \$ 21.25 million

Aid program: Australia is Timor-Leste's largest bilateral donor. In 2016-17, we spent \$93.4 million (down from \$99.1 million in 2015-16) and expect to spend \$96.1 million in 2017-18. The program is focused on building livelihoods, enhancing human development and improving governance.

Scholarships: Over 550 Timorese have studied in Australia on Australia Award scholarships and more than 440 Australians have undertaken studies in Timor-Leste through the New Colombo Plan.

Major visits: The last Australian minister to visit Timor-Leste was in 2013, although there has been significant high-level interactions between 2013 to the present. In terms of visits to Timor-Leste, Governor-General Sir Peter Cosgrove visited in March 2016 and May 2017. Shadow Foreign Minister Penny Wong visited Dili in June 2017. In terms of visits to Australia, Timorese Prime Minister Alkatiri attended the Asia-Pacific Regional Conference in November 2017 held in Perth. s. 33(b)

Defence cooperation: The ADF provides extensive training and logistical support to the Timor-Leste Defence Force (F-FDTL). Australia is providing Guardian Class Patrol Boats to Timor-Leste.

Regional/multilateral memberships: g7+, CPLP, AIIB, ASEAN (aspirational)

Population: 1.2 million (2016)

Community in Australia: 9225 (2011)

Incoming visitors: 3900 (2017)

Outgoing visitors: 14,900 (2017)

DFAT TIMOR-LESTE FACT SHEET



Australian Government
Department of Foreign Affairs and Trade

TIMOR-LESTE



General information

Fact sheets are updated biannually, June and December

Capital:	Dili	Head of State	President HE Dr Francisco Guterres Lú Olo
Land area:	14,870 sq km	Head of Government	Prime Minister HE Dr Mari bin Amude Alkatiri
Official language(s):	Portuguese, Tetum		
Population:	1.2 million (2016)		
Currency:	United States dollar		

Economic indicators (a)	2012	2013	2014	2015	2016	2017
GDP (US\$b) (current prices)	6.7	5.8	4.0	3.1	2.7	2.7
GDP per capita (US\$)	6,048.5	4,998.1	3,491.9	2,618.5	2,230.0	2,190.0
GDP PPP (Int'l \$b)	8.5	7.7	5.8	7.1	6.6	6.2
GDP per capita PPP (Int'l \$)	7,731.9	6,828.1	5,014.9	5,987.3	5,442.0	5,007.5
Real GDP growth (% change yoy)	5.0	2.7	4.3	4.0	5.0	4.0
Current account balance (US\$b)	2.7	2.4	1.1	0.2	-0.5	-0.2
Current account balance (% GDP)	41.0	42.3	27.0	7.7	-19.3	-5.6
Inflation (% change yoy)	10.9	9.5	0.7	0.6	-1.3	1.0
Unemployment (% labour force)	3.1	3.1	3.1	3.6	4.0	na



Australia's trade and investment relationship with Timor-Leste (b)

Australian merchandise trade with Timor-Leste, 2016-17 (A\$000)	Total share	Rank	Growth (yoy)	
Exports to Timor-Leste	32,193	0.0%	86th	4.6%
Imports from Timor-Leste	2,255	0.0%	132nd	43.7%
Total merchandise trade (exports + imports)	34,448	0.0%	105th	6.5%

Major Australian exports, 2016-17 (A\$000)	Major Australian imports, 2016-17 (A\$000)	
Aircraft, spacecraft & parts	Coffee & substitutes	1,273
Passenger motor vehicles	Aircraft, spacecraft & parts	500
Heating & cooling equipment & parts	Travel goods, bags & like containers	129
Measuring & analysing instruments	Trailers, semi-trailers & containers	105

*Includes \$5.0m of confidential items & special transactions, 16% of total exports

Australia's trade in services with Timor-Leste, 2016-17 (A\$m)	Total share	Rank	Growth (yoy)	
Exports of services to Timor-Leste	40	0.0%	77th	-13.0%
Imports of services from Timor-Leste	103	0.1%	53rd	-13.4%

Australia's investment relationship with Timor-Leste, 2016 (A\$m)	Total	FDI
Australia's investment in Timor-Leste	np	np
Timor-Leste's investment in Australia	np	0

Timor-Leste's global merchandise trade relationships

Timor-Leste's principal export destinations, 2016	Timor-Leste's principal import sources, 2016	
1 United States	1 Indonesia	37.5%
2 Indonesia	2 China	22.3%
3 Belgium	3 Malaysia	9.2%
4 Australia	6 Australia	2.5%

Compiled by the Statistics Section, DFAT, using the latest data from the ABS, the IMF and various international sources

(a) Economic indicator data is from the IMF WEO where available, the EIU or other reputable source. Data may include forecasts or projections for recent years. GNI may be shown in lieu of GDP for countries where GDP data is unavailable

(b) Merchandise trade data is based on published and unpublished ABS data. May include confidential items of trade. Totals may not add up due to rounding. Investment data is as at end December.

All data may be subject to future revisions.

GDP - Gross Domestic Product PPP - Purchasing power parity GNI - Gross National Income np - Data is not available na - Data is not published ... - Data is not meaningful Primary - Primary goods STM - Simply manufactured manufactures ETM - Substantially transformed manufactures Other - Other goods including non-monetary gold ECU - Euro, dollar or franc na - Not elsewhere specified

15


TIMOR-LESTE: MARI bin AMUDE ALKATIRI [AL-KA-TEER-E]

Prime Minister of Timor-Leste

Tuesday 6 March 2018, United Nations New York


What we want:

s. 33(a)(iii), 47E(d)



What they want:

s. 33(a)(iii)



Context and Sensitivities:


s. 33(a)(iii); 47C; 47E(d)




s. 33(a)(iii)



CMATS was signed by Jose Ramos-Horta and Alexander Downer in Sydney on 12 January 2006 in the presence of then prime ministers Mari Alkatiri and John Howard. s. 33(a)(iii)

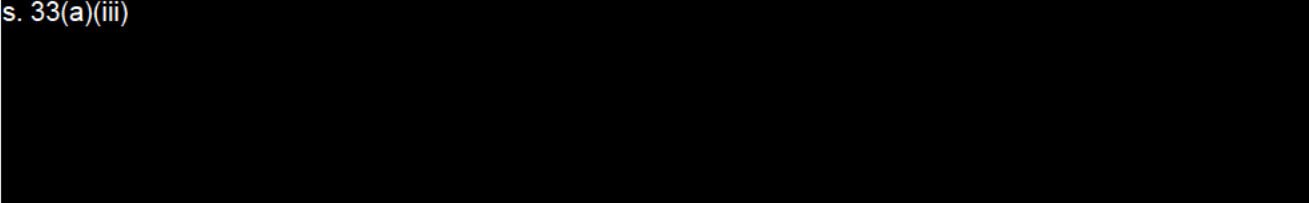


s. 33(a)(iii); 47C; 47E(d)



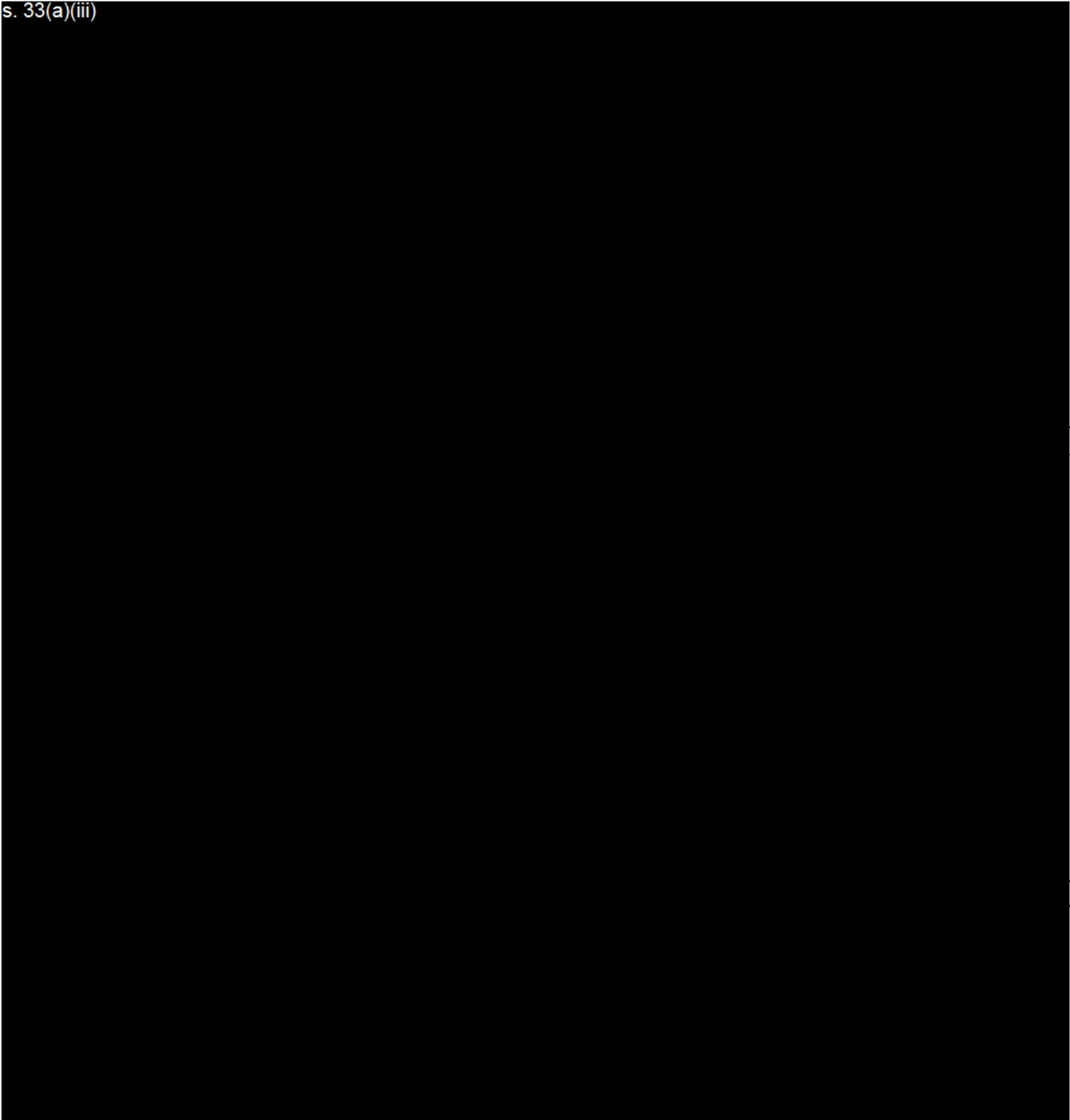
On 3 November 2017, Alkatiri met the Prime Minister and Senator Cormann in Perth.

s. 33(a)(iii)



Key messages:

s. 33(a)(iii)



16



Australian Government
Department of Foreign Affairs and Trade

MEETING WITH XANANA GUSMÃO [GUZ-MAO]
Chief Negotiator for Maritime Boundaries
12.00pm, Thursday 1 February 2018, Sydney CPO

What we want:

s. 33(a)(iii), 47E(d)

What they want:

s. 33(a)(iii), 47E(d)

Context and Sensitivities:

s.33(a)(iii), 47C, 47E(d)

Prepared by: s. 22(1)(a)(ii)

Cleared by: Gary Quinlan

Date cleared: 29 January 2018

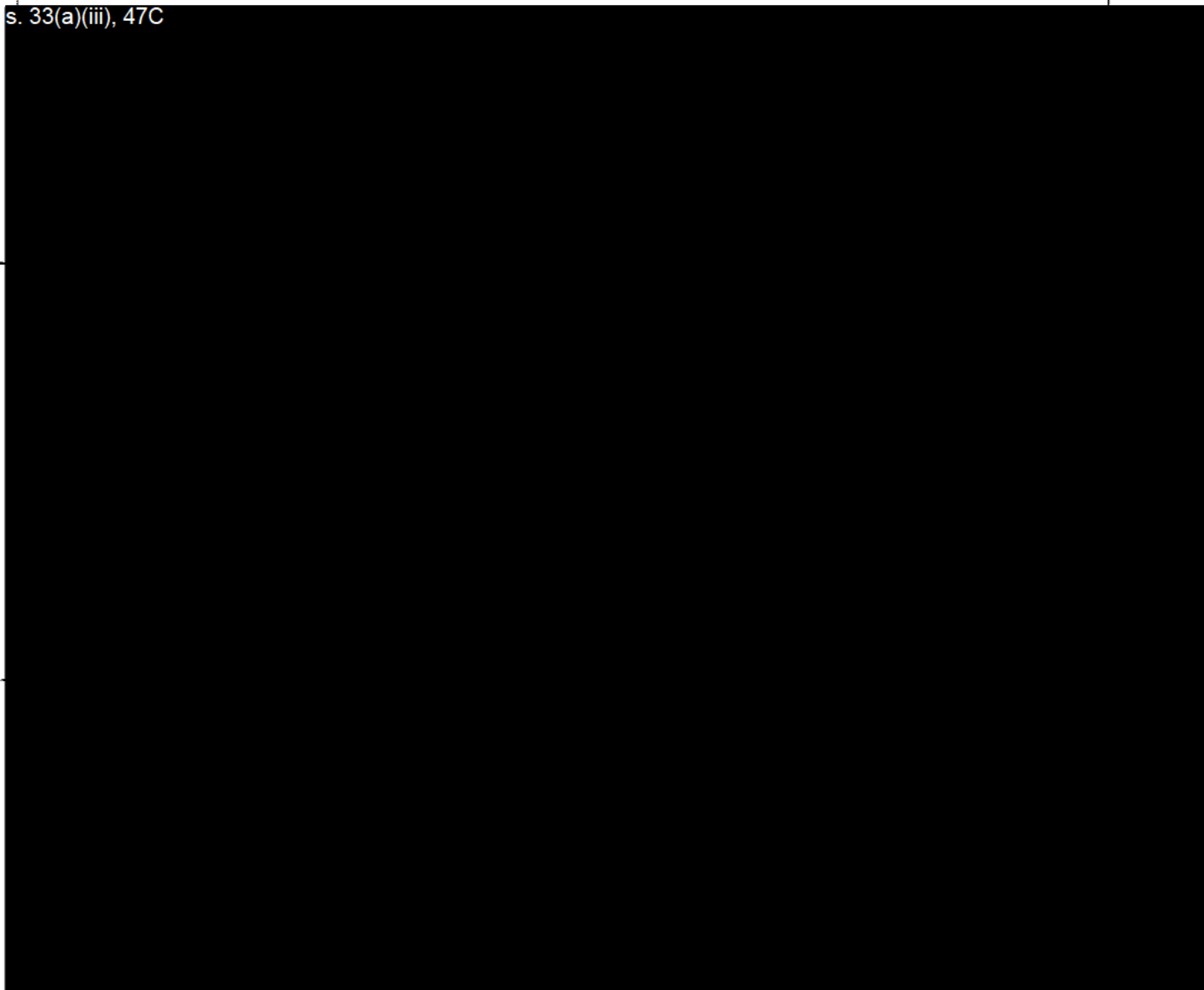
Consultation: LGD, DIIS, AGD, Dili Post



Australian Government

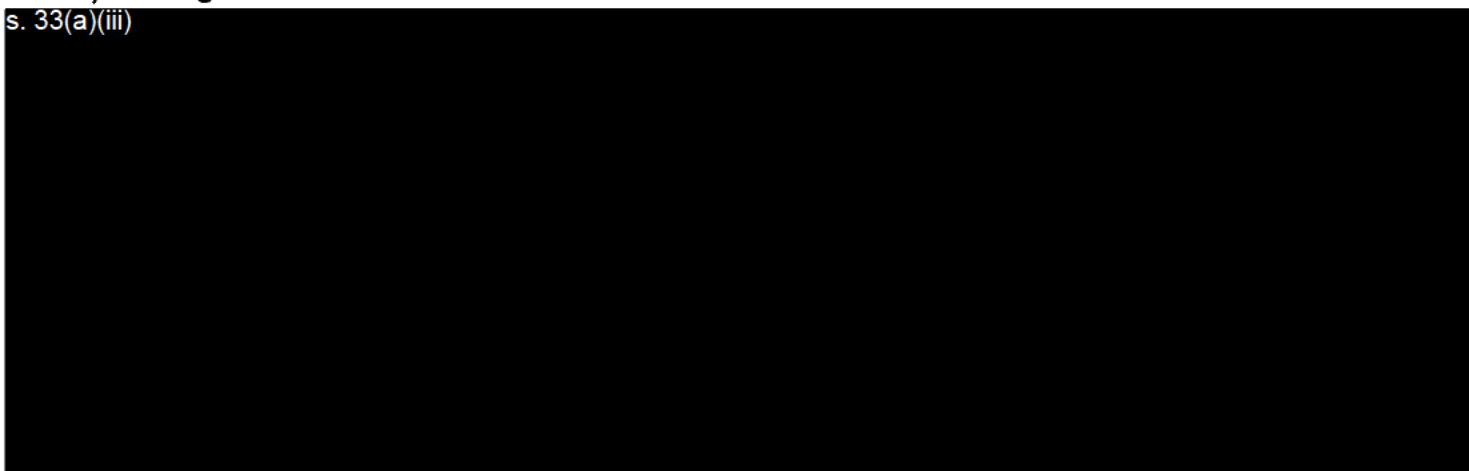
Department of Foreign Affairs and Trade

s. 33(a)(iii), 47C



Key messages

s. 33(a)(iii)




Prepared by: s. 22(1)(a)(ii)

Cleared by: Gary Quinlan

Date cleared: 29 January 2018

Consultation: LGD, DIIS, AGD, Dill Post

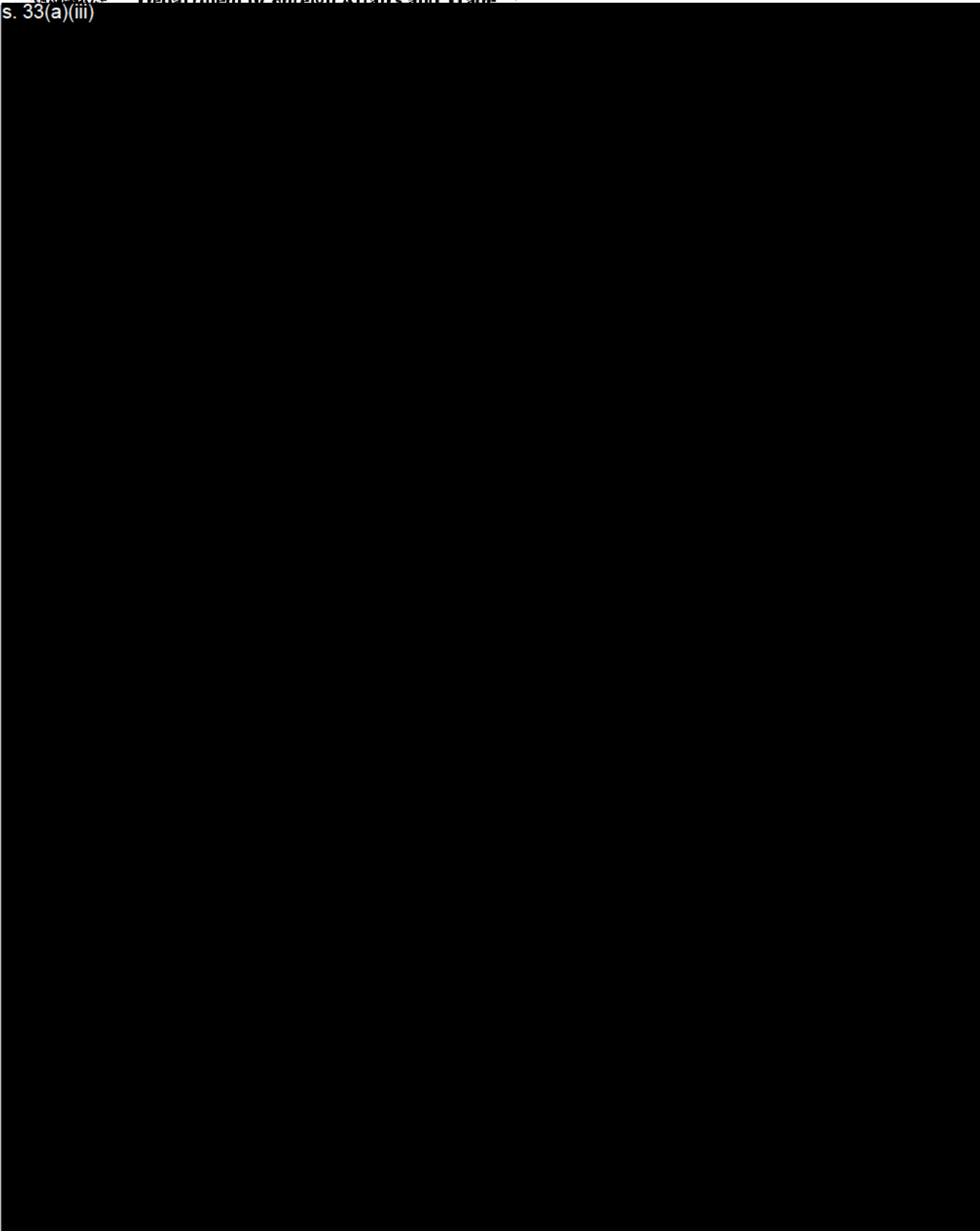




Australian Government

Department of Foreign Affairs and Trade

s. 33(a)(iii)



Prepared by: s. 22(1)(a)(ii)

Cleared by: Gary Quinlan

Date cleared: 29 January 2018

Consultation: LGD, DIIS, AGD, DIII Post



Australian Government

Department of Foreign Affairs and Trade

Background

The Head of Mission in Dili is Peter Doyle (on 4 January 2018 you announced a new Head of Mission, Mr Peter Roberts OAM, who will commence on 12 February 2018).

s. 33(a)(iii)

New Colombo Plan: By the end of 2018, Australia will have funded 449 students through mobility grants to study in Timor-Leste. To date, Timor-Leste has not had a New Colombo Plan Scholar.

Prepared by: s. 22(1)(a)(ii)

Cleared by: Gary Quinlan

Date cleared: 29 January 2018

Consultation: LGD, DIIS, AGD, DIII Post



Australian Government

Department of Foreign Affairs and Trade

Biography

Kay Rala 'Xanana' GUSMÃO

Chief Negotiator Maritime Boundaries

TIMOR-LESTE



Form of Address: Your Excellency
 English Ability: Fluent
 Year of Birth: 1946
 Education: High School
 Twitter handle: nil

Career:

2016- Chief Negotiator for Maritime Boundaries
 2015-2017 Minister of Planning and Strategic Development
 2007-2015 Prime Minister
 2002-2007 First President of Timor-Leste

s. 33(a)(iii), 47E(d)

Contact:

You last met then Minister Gusmão in New York in the margins of UNGA on 21 September 2017.

s. 22(1)(a)(ii)

Prepared by:

Cleared by: Gary Quinlan

Date cleared: 29 January 2018

Consultation: LGD, DIIS, AGD, Dili Post



Australian Government

Department of Foreign Affairs and Trade

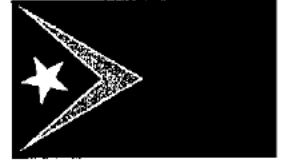
Abridged Biography



Agio PEREIRA

Minister Assisting the Prime Minister for the
Delimitation of Boundaries

TIMOR-LESTE



Form of Address: Your Excellency or Minister

English Ability: Fluent

Prepared by: s. 22(1)(a)(ii)

Cleared by: Gary Quinlan

Date cleared: 29 January 2018

Consultation: LGD, DIIS, AGD, Dili Post



Australian Government

Department of Foreign Affairs and Trade

17

MEETING WITH PETER TAKSØE-JENSEN, CHAIR OF THE CONCILIATION COMMISSION AND CONCILIATION COMMISSIONERS
1pm, 1 February 2018, Sydney CPO

What we want:

s. 33(a)(iii); 47E(d)

What they want:

s. 33(a)(iii), 47E(d)

Context and Sensitivities:

s. 33(a)(iii), 47E(d)

Key messages

s. 33(a)(iii), 33(b), 47E(d)

Prepared by S. 22(1)(a)(ii)

Cleared by: James Larsen, Senior Legal Adviser

Date cleared: 25 January 2018

Consultation: SED, AGD, DIIS

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s. 33(a)(iii), 47C, 47E(d)

Background

Taksøe-Jensen serves as the Chair of the Timor Sea Conciliation Commission alongside two conciliators appointed by Australia (Professor Don McRae, Dr Rosalie Balkin) and two conciliators appointed by Timor-Leste (Judge Abdul Koroma, Judge Rudiger Wolfrum). Taksøe-Jensen takes time off his full-time role as Denmark's Ambassador to India to chair the conciliation.

On 23 December, the Commission issued a supplementary action plan that extended the deadline for a decision on a development concept to 1 March 2018. The Commission has also engaged an independent expert (Gaffney Cline and Associates, a global oil and gas consultancy) to provide it with advice on the two development concepts—DLNG and TLNG.

s. 33(b), 47G

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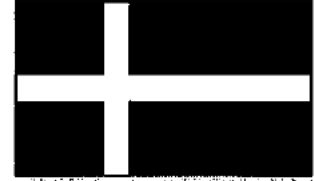
For Official Use Only

Peter TAKSØE-JENSEN [tack-so yen-sen]

Chair, Conciliation Commission

Ambassador of Denmark to India

DENMARK



Form of Address: Your Excellency / Ambassador

English Ability: Fluent

Year of Birth: 1959

Education: Master in Law, University of Copenhagen

Twitter handle: [@petertaksoe](https://twitter.com/petertaksoe)

Career:

Jul 2016-present	Chair of the Conciliation Commission
2015-present	Ambassador of Denmark to India
2010-2015	Ambassador of Denmark to the United States of America
2008-2010	UN Assistant Secretary-General for Legal Affairs
2003-2008	Head of Legal Service, Danish Foreign Ministry

Comment:


s. 33(a)(iii), 47E(d)

Contact:

You last met Taksøe-Jensen on 22 May 2017 at Parliament House to discuss the conciliation. Since that date we have made significant progress, including the 30 August 2017 Comprehensive Package Agreement and the finalisation of a draft treaty on 13 October 2017.

For Official Use Only

Abridged Biographies

	<p>Rosalie <u>BALKIN</u> Retired legal academic. Former Director Legal Affairs and External Relations, International Maritime Organisation. Former Assistant Secretary, Office of International Law, Australian Attorney-General's Department.</p>	<p>Conciliation Commissioner (Appointed by Australia)</p>
	<p>Abdul <u>KOROMA</u> Former Judge of the International Court of Justice (1994-2012). Previously served as Chair of the UN General Assembly 6th Committee (Legal); Chair of the International Law Commission; Former Ambassador of Sierra Leone to the United Nations.</p>	<p>Conciliation Commissioner (Appointed by Timor-Leste)</p>
	<p>Professor Donald <u>MCRAE</u> Emeritus Professor, Faculty of Law, University of Ottawa. Consultant and counsel on numerous international maritime boundary and trade law issues and cases.</p>	<p>Conciliation Commissioner (Appointed by Australia)</p>
	<p>Rüdiger <u>Wolfrum</u> Professor of International Law, Heidelberg University. Former Judge of the International Tribunal of the Law of the Sea (1996-2017), serving as President of the Tribunal from 2005-2008.</p>	<p>Conciliation Commissioner (Appointed by Timor-Leste)</p>

For Official Use Only



Martin DOE
Senior Legal Counsel
Permanent Court of Arbitration
The Hague, The Netherlands

Form of Address: Mr Doe
English Ability: Fluent



Garth SCHOFIELD
Senior Legal Counsel
Permanent Court of Arbitration
The Hague, The Netherlands

Form of Address: Mr Schofield
English Ability: Fluent



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18 TIMOR-LESTE: MR HERMENEGILDO (AGIO) PEREIRA

MINISTER ASSISTING THE PRIME MINISTER FOR THE DELIMITATION OF BORDERS

What we want:

s. 33(a)(iii), 47E(d)

What they want:

s. 33(a)(iii), 47E(d)

Context and Sensitivities:

s. 33(a)(iii), 47E(d)

On 19 October the opposition voted down the government's forward work program. s. 33(a)(iii), 47E(d)

s. 33(a)(iii)

s. 33(a)(iii)

In The Hague, we agreed with Timor-Leste the text of a treaty to delimit our maritime boundaries and establish a regime for the Greater Sunrise gas fields. s. 33(a)(iii)

s. 33(a)(iii)

The next round of discussions between both countries and the Greater Sunrise Joint Venture will take place in Brisbane from 7-9 November. Pereira and Gusmão will both attend those meetings.

s. 33(a)(iii), 33(b)

s. 33(a)(iii)

The Conciliation Commission will reconvene on 18 November in Singapore to assess progress

s. 33(b), 47E(d)


We anticipate signing taking place in New York in the presence of UN Secretary-General Guterres.

s. 33(a)(iii)

Key messages:

s. 33(a)(iii)

s. 33(a)(iii)



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O



FOREIGN AFFAIRS AND TRADE

Timor Leste – Compulsory Conciliation

Possible Question

s 47C

Talking Points

- No.
- Australia welcomes the Conciliation Commission's report.
- Take this opportunity to thank the Chair (Peter Taksoe-Jensen) and members of the Commission for their work.
- The report demonstrates the independent expertise and objectivity of the Commission.
- It is a result of compromise by Australia and Timor-Leste in the interests of reaching a fair and balanced outcome.
- It commends both Australia and Timor-Leste's approach to the conciliation.
- And it records that our maritime boundary treaty is consistent with international law.
- It does not criticise previous treaties between Australia and Timor-Leste.
- It reflects Australia's commitment to the international rules-based order. And is an example of the rules-based order in action.

If Asked: Will the treaty affect Australia's boundaries with Indonesia?

- Australia is committed to our existing treaties with Indonesia that delimit our maritime borders.
- Indonesian Foreign Minister Marsudi has thanked Australia for ensuring the Timor boundary outcome respects Indonesia's interests.

If Asked: Do you agree that Australia recognised Indonesian sovereignty over Timor in order to access resources in the Timor Sea?

- Australia was among 32 states that recognised Indonesian sovereignty, including explicit public statements by India, the United States and Papua New Guinea.
- Aware of the matter before the Administrative Appeals Tribunal (AAT) regarding archived government documents.
- It is not appropriate to comment on matters [Kim McGrath] before the AAT.

Background

Joint Standing Committee on Treaties (JSCOT) hearing on 7 May 2018

JSCOT held a public hearing on our maritime boundary treaty with Timor-Leste on 7 May. Senators questions focused on how the treaty works, Timorese reactions to the treaty, and the economic value of resources in the Timor Sea. Senator Hanson-Young, drawing from public submissions on the treaty, asked whether the Government had considered paying compensation to Timor-Leste for past exploitation of fields moving to Timorese jurisdiction (we agreed not to in the treaty). Senator Hansen-Young also asked whether there was a link between the treaty and returning Witness K's passport.

Criticisms of Australia in relation to the Timor Sea

Australia continues to face criticism from Timor lobby groups, including the Timor Sea Justice Campaign, Kim McGrath and L'ao Hamutuk, for our past handling of the Timor Sea dispute.

On 6 March, Peter Lloyd on PM reported that a letter from Gusmao had accused Australia of colluding with oil companies to ensure Greater Sunrise oil and gas would be piped to Darwin. On 7 March, you (Ms Bishop) said "Australia rejects absolutely any suggestion that we have acted other than in utmost good faith throughout this conciliation process."

Commission report

The Conciliation Commission released its report on 9 May 2018. Australia provided comments on the draft report ^{s. 47C} [REDACTED] It highlights the legitimacy, fairness and objectivity of the conciliation and the treaty. ^{s. 47C} [REDACTED]

Ratification of the Treaty

Officials have commenced the large body of work required before our maritime boundary treaty can be ratified. On 26 March, you (Ms Bishop) told parliament "The government will work to bring this treaty into force, including by preparing implementing legislation and working with Timor-Leste and the joint venture companies on transitional arrangements. The government aims to introduce the bill later this year, following review of the treaty by parliament and its committees".

Indonesian Foreign Minister comments on maritime boundaries

Indonesian Foreign Minister Marsudi was quoted on Friday 16 March by news.com.au as saying that a preliminary study of the treaty by Indonesian officials shows that "none of the lines encroach Indonesia's maritime rights. Therefore we appreciate the effort of both negotiators and commissioners for paying respect to Indonesia's interests.

Indonesian Minister Marsudi flagged the need for technical discussions on the Perth treaty in public remarks following her meeting with you in Sydney on 16 March (in the margins of the Australia-ASEAN Summit). Marsudi was quoted as saying "At this point, talks at the technical level are required to deal with the future of the Perth Treaty".

On 19 March 2018, Australian media reported Indonesian Foreign Ministry director general for legal affairs and treaties, Damos Agusman, said "A technical team will meet to discuss the matter [adjusting the Perth Treaty]".

Administrative Appeals Tribunal – Kim McGrath

Ms McGrath has sought review in the Administrative Appeals Tribunal of decisions made under the Archives Act 1983 not to release sensitive records relating to boundary negotiations with Indonesia. The acting Attorney-General issued public interest certificates to protect information in the proceedings that, if disclosed, would have been contrary to the public interest by reason that it would prejudice the security, defence or international relations of Australia. Public and closed AAT hearings took place from 30 April to 4 May. A decision on the matter is pending.

Prepared By:

Name: S. 22(1)(a)(ii)

Branch: Southeast Asia Maritime Branch

Phone: S. 22(1)(a)(ii)

Edit Date: 15 June 2018

Cleared By:

Name: Jeremy Bruer

Position: Assistant Secretary

Branch/Division: Southeast Asia Maritime Branch

Phone: 6261 1428

FOREIGN AFFAIRS AND TRADE**20****Timor-Leste - Compulsory Conciliation****Possible Question**

What boundary has Australia agreed to with Timor-Leste and will Greater Sunrise be developed in Timor-Leste?

Talking Points

- Australia and Timor-Leste have reached an historic agreement on the text of a draft treaty on a maritime boundary. ○
- The conciliation process and details of the draft treaty remain confidential.
- We are now working with Timor-Leste and the Greater Sunrise Joint Venture to agree how the Greater Sunrise gas field will be developed.
- The Parties and the Commission will meet in December in Singapore to review progress on developing the Greater Sunrise gas field and to coordinate steps regarding signing the treaty. ○

Background

On 15 October 2017 the Conciliation Commission announced Timor-Leste and Australia had agreed treaty text reflecting the 30 August Comprehensive Package Agreement.

The Conciliation Commission issued a press release on 24 November providing an update on engagement with the Sunrise Joint Venture and other stakeholders in the Timor Sea.

The press release said the Commission will convene a stocktaking session in December 2017 to review progress on the development of Greater Sunrise and to coordinate steps regarding the disclosure and signing of the treaty.

The parties last met the Conciliation Commission on 18 November in Singapore. The parties also met representatives of the Sunrise Joint Venture on 19 and 20 November to discuss how to develop the Greater Sunrise gas field.

On 4 November 2017, The Australian reported Timorese Prime Minister Mari Alkatiri could accept Greater Sunrise gas being processed in Australia. Timor-Leste's opposition accused Alkatiri of exchanging the pipeline for Australian patrol boats. Alkatiri issued a press release calling the report fake news, and reaffirmed his support for Xanana Gusmão and a pipeline to Timor-Leste. s. 47E(d)

Prepared By:

s. 22(1)(a)(ii)
Director, International Legal Branch
Phone: s. 22(1)(a)(ii)
Edit Date: 14 November 2017 12:05 PM

Cleared By:

James Larsen
Senior Legal Adviser
Phone: 02 6261 3103



Ministerial Submission

FOR: Ms J Bishop MP
INFO:

Action Requested By: 18 August 2017
Reason for Urgency: Next commission meeting

Timor Sea Conciliation Commission: Outcomes of Singapore Round (24-28 July 2017)

s. 33(a)(iii), 47C



Recommendation:

That you

a) s. 33(b) [Redacted]

b) s. 47C [Redacted]

c) [Redacted]

d) [Redacted]

Decision:

Noted

Noted

Noted

Noted

Domestic/Media Considerations: Our boundary negotiations with Timor-Leste attract media attention.

Action:

s. 22(1)(a)(ii) [Redacted]

Julie Bishop
14/8/17

Information:

Noted

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//

From: Katrina Cooper, LGD – International Legal Branch
6261 2622

Contact: s. 22(1)(a)(ii) [Redacted]

Consultation: SED





Background:

s. 33(a)(iii), 33(b), 47C

[Redacted content]

Development Concept for Greater Sunrise

s. 33(a)(iii), 47C

[Redacted content]

Next Steps

7. The next meetings (28 August – 1 September) will be the last substantive session

s. 33(b)

s. 33(a)(iii)

s. 33(a)(iii)

s. 47C, 33(a)(iii)

[Redacted content]





Australian Government
Department of Foreign Affairs and Trade

Ministerial Submission

MS18-000566

Cleared: Julie Heckscher

18 April 2018

FOR: Ms J Bishop MP
INFO: Sen C Fierravanti-Wells

Action Requested By: 2 May 2017
Reason for Urgency: To take forward next steps following 12 May election in Timor

Timor-Leste - Next Steps

Key Issues: Our focus has shifted to the ratification process for our maritime boundary treaty and our future bilateral engagement. s. 33(a)(iii), 47C, 47E(d)

Recommendation:

That you:

- a) s. 47C
- b)
- c)
- d)

Decision:

Noted

Noted

Noted

Agreed / Not Agreed

Domestic/Media Considerations: Timor sea issues continue to receive high scrutiny in both Australia and Timor-Leste.

Action:

s. 22(1)(a)(ii)

Julie Bishop 8/5/18

Information:

Noted

Concetta Fierravanti-Wells
/ /

From: Julie Heckscher, FAS SED
02 6261 1323

Contact: s. 22(1)(a)(ii)

Can this proposal be funded from within your existing divisional allocation (departmental/aid)? Not Applicable
If the proposal is high risk/high value (over \$100m) Has the concept been approved by the Aid Governance Board? Not Applicable

Consultation: LGD, AGD, DIIS



Background:

The treaty signing was an historic moment in our relationship with Timor-Leste, s. 33(a)(iii), 47C

[REDACTED]

s. 33(a)(iii), 47G

[REDACTED]

s. 33(a)(iii)

[REDACTED]

7. The treaty and development concept have featured prominently in the lead up to Timor-Leste's election campaign, s. 33(a)(iii)

[REDACTED] The treaty has been warmly welcomed in Dili, and our embassy has been thanked by ministers and activists alike.

s. 33(a)(iii), 47C

[REDACTED]

Timor-Leste has invited a handful of Australian parliamentarians to visit in May as election observers. An Australian parliamentary delegation visit to Timor-Leste has been deferred from June until later in the year.

[REDACTED]



Ministerial Submission

FOR: Ms J Bishop MP
INFO:

Action Requested By: 6 March 2018
Reason for Urgency: s. 33(a)(iii), 47C



Timor Sea Conciliation – Outcomes from Kuala Lumpur meetings (19-23 February 2018)

Key Issues: s. 33(a)(iii), 33(b), 47C

Recommendation:	Decision:
That you: a) s. 33(a)(iii), 47C b) c) d) e) 	

Domestic/Media Considerations: Media continue to speculate on the outcome of the conciliation.
Action:
s. 22(1)(a)(ii)

Julie Bishop
13/18

Information: Noted

From: James Larsen, SLA LGD / Julie Heckscher, FAS SED
02 6261 3103 02 6261 1323
Contact: s. 22(1)(a)(ii)

Consultation: SED, LGD, AGD, DIIS






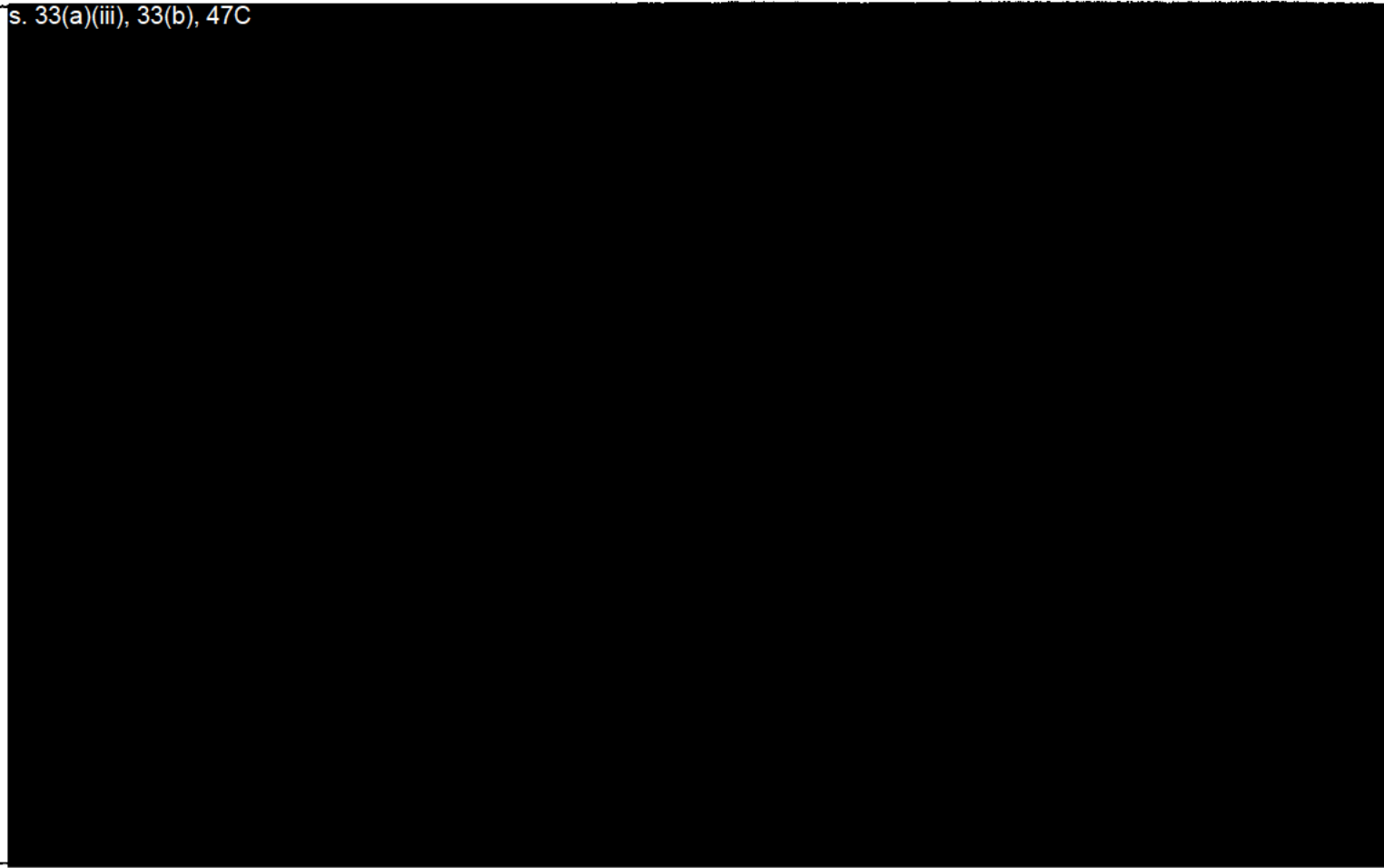
Background:

The Conciliation Commission met Australia, Timor-Leste and the Sunrise JV (SJV) in Kuala Lumpur from 19 to 23 February 2018. The Commission identified alternative DLNG and TLNG concepts for the parties to consider.

s. 33(a)(iii), 33(b)




s. 33(a)(iii), 33(b), 47C



5. Australia (DFAT and the Department of Industry, Innovation and Science) and Timor-Leste briefed affected companies on the Treaty on 26 and 27 February (Northern Oil and Gas Australia, Carnavon, ConocoPhillips, Woodside, ENI, INPEX).

s. 33(a)(iii), 47C



s. 47C



CONFIDENTIAL – COMMISSION & PARTIES

**COMMISSION PAPER
ON THE COMPARATIVE DEVELOPMENT BENEFITS OF TIMOR-LNG AND DARWIN-LNG**

The present Paper is intended to set out an objective comparison of the benefits of the development options available for the Greater Sunrise field based on the information available to the Commission as of 22 February 2018.

The Commission recalls that, as part of the 30 August Agreement the governments of Timor-Leste and Australia agreed to criteria for the assessment of proposals for the development concept. In the Commission's view, the differences between the two governments and the Joint Venture in assessing the two concepts relate principally to:

- (a) whether both concepts will "support[] the development objectives and needs of each of Timor-Leste and Australia" and make "a significant contribution to the sustainable economic development of Timor-Leste"; and
- (b) whether both concepts are "commercially viable, including best commercial advantage".

From the perspective of the sovereign decision of how to develop the resource, however, these criteria are inter-related. Development considerations bear on the benefits that the two governments—and, in particular, Timor-Leste—will derive from the resource. Development benefits, however, can only be realized if an approach to developing the resource is designed that is commercially viable.

The Commission does not wish to make a recommendation to the Parties regarding the development of Greater Sunrise, but considers that the Parties' decision-making would benefit from a neutral comparison of the two concepts in terms of the above metrics. A concise comparison of the two concepts is also set out in the chart included with this Paper as an Annex.

A. Development Benefits of the Timor-LNG and Darwin-LNG Concepts

1. Timor-LNG

The principal development benefits of a Timor LNG concept would follow from the construction and operation of an LNG plant and associated marine facilities at Beaco on the south coast of Timor-Leste. As the Commission understands it, these benefits include the following:

- (a) the return on investment for capital committed to the construction of the LNG plant;
- (b) the economic multiplier effects of oil and gas activity in Timor-Leste;
- (c) the employment of Timorese nationals and the procurement of local materials and supplies during the construction of the plant;
- (d) the employment of Timorese nationals in the operation of the LNG plant, marine facilities, and onshore liquids process facilities with estimated annual operating expenditures of US\$280,000,000;
- (e) savings of at least US\$25,000,000 per year from the reduced cost of power generation as a result of converting Timor-Leste's power stations from diesel to gas;
- (f) the development in Timor-Leste of expertise in LNG operations to facilitate the future development of other gas fields;

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- (g) the construction in Timor-Leste of infrastructure, such as the marine facilities and the LNG plant itself, that can facilitate the future development of other gas fields.

The Commission notes that Timor-Leste has repeatedly emphasized that it is more concerned with the development of human capital and long-term economic activity, rather than immediate revenue, and is cognizant of the value of such an approach.

The Commission also notes that, in the event a Timor LNG concept were realized, other elements of the project, such as offshore operations and supply, could well be managed and operated from Timor-Leste, provided that the Joint Venture has agreed to a specific approach to upstream operations. However, the Commission does not consider that such operations can be considered a development benefit of Timor-LNG until the Joint Venture has agreed to a specific approach to upstream operations.

Finally, the Commission notes that a number of consultant reports have endeavoured to quantify the broader economic benefits to Timor-Leste of Timor-LNG or the benefits to Australia of LNG operations in Darwin. The Commission recalls that earlier in these proceedings both governments agreed that such economic effects are difficult to quantify with precision. This continues to be the case.

2. Darwin-LNG with operations from Timor-Leste

The Commission recalls that the governments of Timor-Leste and Australia have already agreed that the revenue sharing arrangements under the Australia-Timor-Leste Maritime Boundaries Treaty will compensate for the broader economic benefits of processing the gas from Greater Sunrise in either Timor-Leste or Australia by allocating to Timor-Leste an additional 10 percent of the government revenue from the field, in addition to the 70 percent to which Timor-Leste would be entitled under either concept. The Commission estimates that this 10 percent will amount to between US\$3,134,000,000 and US\$3,539,000,000 in additional revenue to Timor-Leste over the life of the project that would be available for infrastructure and industrial development initiatives on the South Coast (and effectively matches the total capital investment that Timor-Leste has estimated for the entirety of the Tasi Mane Project, other than the LNG plant itself).

In addition, development benefits of a Darwin-LNG concept would follow from the conduct of offshore operations and supply for the Greater Sunrise fields from Timor-Leste and from the industrial development options available to Timor-Leste with the additional capital made available under this concept. As the Commission understands it, these benefits would be as follows.

First, given that the Darwin-LNG concept leverages existing infrastructure in Australia, the Joint Venture has committed to:

- (a) locating offshore, management, and support operations for the Greater Sunrise Project in Timor-Leste;
- (b) funding for a domestic gas pipeline to Timor-Leste which could be used for power generation, industrial development, and petrochemicals, for the benefit of the Timorese people.

In conjunction with the above, the Joint Venture has made a number of specific commitments with respect to equity participation by Timor-Leste in the project, employment, and supply sourcing, as well as other local content commitments and support for the development of the petroleum sector in Timor-Leste. The benefits to Timor-Leste would be as follows:

- (a) an offer of 3% free equity and up to 6% additional equity purchased on commercial terms for Timor Gap in the Greater Sunrise Joint Venture and an offer of 0.9% free equity and up to 1.8% additional equity purchased on commercial terms in the Darwin-LNG Joint Venture in order to provide Timor-Leste with a direct interest in all aspects of the project;

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- (b) participation by Timor Gap, as a result of its equity share in the Great Sunrise Joint Venture, in the design, construction, management, and operations of the Greater Sunrise Project;
- (c) the employment of Timorese nationals in the offshore, management, and support operations for the Greater Sunrise project, which would be run from Timor-Leste with estimated annual operating expenditures of US\$282,000,000;
- (d) the establishment of a fabrication and manufacturing facility in Timor-Leste with estimated annual revenues of US\$6,000,000, as well as the employment in the facility of Timorese nationals;
- (e) a commitment to maximize Timorese sources of supply to the Greater Sunrise project;
- (f) a commitment to prioritize Timorese training and employment in all aspects of the Greater Sunrise project (including career development opportunities in the Darwin LNG facility);
- (g) a commitment of US\$2,500,000 per year during front end engineering design, US\$10,000,000 per year during the first five years after a final investment decision, and US\$5,000,000 per year for the 10 years thereafter, to be used for:
 - i. a business development centre focussed on enabling Timorese companies to meet the supply needs of the project;
 - ii. technical education in Timor-Leste, either through the establishment of a new institution or through the expansion and support of existing educational institutions in Timor-Leste;
- (h) a commitment of US\$200,000,000 in additional capital investment to enable the construction of a domestic gas pipeline to Timor-Leste, along with a commitment to supply gas to Timor-Leste for domestic power generation and other activities at the gas transfer price for up to 50M cu ft per day;
- (i) a stream of condensate of up to 10% of production at market value;
- (j) savings of at least US\$25,000,000 per year from the reduced cost of power generation as a result of converting Timor-Leste's power stations from diesel to gas;
- (k) a commitment of US\$50,000,000 in additional capital investment to the Suai supply base and marine facilities;
- (l) the development in Timor-Leste of expertise in offshore petroleum operations, management, logistics, and manufacturing to facilitate the future development of other oil and gas fields, including the potential development of a future Timor-LNG facility;
- (m) the construction in Timor-Leste of infrastructure, such as marine facilities and fabrication, that can facilitate the future development of other oil and gas fields, including the potential development of a future Timor-LNG facility;
- (n) the economic multiplier effects across the Timor-Leste economy of the foregoing activity in Timor-Leste;

The Joint Venture has further committed that investment in respect of the above commitments will be exempted from the uplift provisions of the production sharing contracts and that the commitment of US\$50,000,000 to the Suai supply base and marine facilities will be treated as non-cost recoverable. Pursuant to requirements of the Treaty, the Joint Venture's development plan will be required to establish "clear, measurable, binding and enforceable local content commitments" in respect of

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employment and the development of the Timorese workforce, procurement and the development of Timorese suppliers, and Timorese commercial and industrial capacity. The Treaty also requires the development plan to include mechanisms to ensure that such commitments are implemented in practice.

In addition to the commitments made by the Joint Venture, the government of Australia has made a commitment of US\$100,000,000 toward the capital investment in relation to the domestic gas pipeline to Timor-Leste. Australia has also offered certain additional commitments to support the development of the Timorese petroleum sector and the use of the south coast of Timor-Leste as a petroleum hub for the Timor Sea and surrounding areas. These benefits include:

- (a) a commitment to facilitate access by Timor-Leste employees, vessels and aircraft, goods and services to the Greater Sunrise Area, the Darwin LNG Plant, and other oilfields in the Timor Sea in order to facilitate the development of Timor-Leste as a regional petroleum hub;
- (b) a commitment to implement a dedicated visa and labour scheme to provide Timor-Leste citizens access to employment in the onshore petroleum sector in the Northern Territory of Australia in order enable the Joint Venture to meet its commitments regarding Timorese training and employment and to build experience and capacity for the future development of a Timor LNG facility; and;
- (c) a commitment to provide US\$4,000,000 in funding for engineering and technical education in Timor-Leste with a particular focus on the development of the Timorese petroleum sector.

Finally, the development benefits of Darwin-LNG should be considered to include the infrastructure and industrial development initiatives that could be undertaken with the investment capital that Timor-Leste would need to commit to the construction of an LNG plant in a Timor-LNG scenario. As set out below, it is estimated that this would involve a direct subsidy of approximately US\$5,600,000,000 that would be available for other development investment if not used for Timor-LNG.

B. Certainty of Development Benefits under the Timor-LNG and Darwin-LNG Concepts

As noted at the outset, the Commission takes no view regarding which concept would offer greater development benefits to either Timor-Leste or Australia. The Commission does, however, consider that the benefits of developing Greater Sunrise will only be realized if the field is in fact developed. This consideration goes to the question of the commercial viability of the project.

In the Commission's engagement with the Joint Venture and the Parties, Timor-Leste has maintained that both Timor-LNG and Darwin-LNG are commercially viable. On the other hand, the Joint Venture have consistently held the view that only Darwin-LNG is commercially viable. Both Timor-Leste and the Joint Venture have provided the Commission with detailed economic models that produce diametrically opposite results. The Commission has not been able to accept either conclusion without independent confirmation and considers that a neutral assessment of both concepts is beneficial to the governments' decision-making.

As set out in detail in the Commission's Condensed Comparative Analysis of Alternative Development Concepts, the Commission considers the following assessment to be reasonable on the basis of neutral economic modelling:

- (a) Timor-Leste and the Joint Venture have analysed a Timor-LNG concept both as an integrated project (*i.e.*, with both upstream and downstream returns combined) and on a tolling basis (*i.e.*, with a fee paid to the downstream plant for LNG processing). A Darwin-LNG concept would only be on a tolling basis.

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- (b) As an integrated project, the Commission anticipates that, under currently expected market conditions, Timor-LNG would generate a return in the order of 7.0% on a capital investment of US\$15,621,000,000. This would not be sufficient to meet the industry standard for investment by an international oil company.
- (c) As a tolling project, the upstream concept for Greater Sunrise (as envisaged either by Timor-Leste or the Joint Venture) has a fairly high cost of production and, under currently anticipated market conditions, is limited in the tolling fee that it could pay for LNG processing while remaining economically viable. At a tolling fee of US\$2.00 per MMBtu or lower, the return on the upstream project would fall within industry investment levels. However, should the tolling fee be higher than US\$2.50 per MMBtu, the return on the upstream project would fall below industry investment levels and the Commission does not anticipate that either concept would be investable for the members of the Joint Venture or other private sector actors.
- (d) The range of tolling fees currently under negotiation with Darwin-LNG are below US\$2.00 per MMBtu, and would thus fall within the range in which the upstream concept would be economically viable.
- (e) Due to the need to construct a new LNG plant at Beaco in Timor-Leste, a Timor-LNG plant would require a higher tolling fee to generate an adequate rate of return. After adjusting costs estimates, the Commission estimates that, with a toll of US\$2.00 per MMBtu, Timor-LNG would have a negative return of minus 4% on a capital investment of US\$7,142,000,000.
- (f) In order to match the target return of the Timor-Leste Petroleum Fund of 4%, it is estimated that Timor-LNG would need to charge a tolling fee of at least US\$3.50. In order to achieve a return of 7% to permit debt financing or the equity participation of an experienced operator, the Commission anticipates that the Timor-LNG would need to charge a tolling fee of at least US\$4.50. Both scenarios exceed the level that the upstream concept could reasonably be expected to bear.

Based on this assessment, the Commission considers that the challenge for Timor-LNG would be to achieve an acceptable rate of return on the downstream project without exceeding the tolling fee that the upstream concept could actually bear. The Commission considers that this could be done, but only with a direct subsidy of Timor-LNG by the government of Timor-Leste or another funder. The Commission estimates that a direct subsidy of the project's capital expenditure on the order of US\$5,600,000,000 would be required in order to render the remainder of the downstream project financeable through equity or debt.

In the Commission's view, these elements should be borne in mind in the consideration by Timor-Leste and Australia of the development benefits of the two concepts.

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ANNEX: COMPARATIVE ESTIMATES FOR T-LNG AND D-LNG

	TIMOR-LNG CASE	DARWIN-LNG CASE (WITH OPERATIONS FROM TIMOR-LESTE)
Investment Required		
Investment by Timor-Leste	Timor-Leste required to finance or arrange capital financing of US\$7,142,000,000	US\$0
Estimated return on investment	Negative 4% return on 100% TL equity (Direct subsidy of US\$5.6 billion necessary to secure debt finance or operator equity)	2.7% equity in Darwin LNG (0.9% free) 9% equity in Sunrise JV (3% free)
Development Benefits		
Location of LNG Plant	Beaço, Timor-Leste	Darwin, Australia
Pipeline	LNG pipeline to Beaço, Timor-Leste	Domestic gas pipeline to Timor-Leste; LNG pipeline to Darwin
Additional revenue to Timor-Leste pursuant to Treaty	US\$0	10% of government take (approx. US\$3.134 to US\$3.539 billion) available for development investment
Downstream operations	In Timor-Leste (estimated US\$280,000,000 in OPEX per year)	In Australia
Offshore operations and logistics support		Operated from Timor-Leste (estimated US\$282,000,000 in OPEX per year)
Fabrication		Fabrication facility in Timor-Leste (approximately US\$6,000,000 per year)
Sourcing of supplies		Commitment to prioritize Timorese supply, plus up to US\$10,000,000 per year to support business development in Timor-Leste
Employment and training		Commitment to prioritize Timorese employment, plus up to US\$10,000,000 per year for training and technical education in Timor-Leste
Support for Timor-Leste Petroleum Industry (JV)		US\$200,000,000 for domestic gas pipeline; US\$50,000,000 for Suai supply base
Gas and condensate stream		50M cu ft per day gas at gas transfer price; 10% of condensate at market value
Support for Timor-Leste Petroleum Industry (Australia)		US\$100,000,000 for domestic gas pipeline; and commitment to facilitate use of Timor-Leste facilities to supply Australian offshore fields, and facilitate Timorese employment in Darwin
Certainty of Implementation		
Assessment of commercial viability	Considered commercially viable by Timor-Leste only	Considered commercially viable by all parties
Estimated project return (IRR) Integrated Project	7.0%	N/A (Darwin facility would charge a tolling fee)
Segmented Project (Upstream) Estimated return (IRR)	11.82% at US\$4.00 tolling fee 13.18% at US\$3.00 tolling fee 14.44% at US\$2.00 tolling fee	14.52% at US\$3.00 tolling fee 16.08% at US\$2.00 tolling fee 17.27% at US\$1.20 tolling fee
Segmented Project (Upstream) Maximum viable tolling fee	Below US\$2.00 per MMbtu to achieve 15% IRR	US\$2.50 per MMbtu to achieve 15% IRR
Segmented Project (Downstream) Estimated return (IRR)	4.51% at US\$4.00 tolling fee 2.69% at US\$3.00 tolling fee negative 4% at US\$2.00 tolling fee	N/A (Darwin-LNG would handle downstream)
Segmented Project (Downstream) Minimum viable tolling fee	US\$3.57 toll to achieve 4% IRR (govt equity) US\$4.51 toll to achieve 7% IRR (debt finance)	N/A (Darwin-LNG would handle downstream)

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Ministerial Submission

27 FOR: Ms J Bishop MP
INFO:

Action Requested By: 6 October 2017
Reason for Urgency: Prior to October
conciliation session in The Hague

Timor-Leste: s. 33(a)(iii)

Key Issues: s. 33(b)
s. 34(3)
s. 33(a)(iii), 47C

Recommendation:
That you:
s. 33(a)(iii), 47C

Decision:
Agreed / Not Agreed
Agreed / Not Agreed

Domestic/Media Considerations: NIL while process remains confidential
Action:
s. 22(1)(a)(ii)
Julie Bishop
16 10/17

Information: Noted

From: James Larsen, A/g FAS SED, LSA LGD
Connor, 6261 2891; Larsen 6261 3101

Contact: s. 22(1)(a)(ii)


Consultation: Dili Post, DIIS, AGD




Background:

The comprehensive package agreement (CPA) agreed between Australia and Timor-Leste at the August-September Conciliation meeting in Copenhagen envisages agreement on both a maritime boundary treaty and a pathway to develop Greater Sunrise (development concept) by 15 December, with an option to extend the latter to 1 February.

s. 33(b)




s. 33(a)(iii), 47C, 47G




s. 34(3)



s. 33(a)(iii), 47C



s. 33(b), 47C





Ministerial Submission

31

FOR: Ms J Bishop MP
INFO:

Action Requested By: 16 November 2017

Timor Sea Conciliation Commission: Outcomes of The Hague Round (9 - 13 October 2017)

Key Issues: We finalised and initialled a treaty on maritime boundaries and a Greater Sunrise regime and will shortly begin to consult affected companies. s. 33(a)(iii), 47E(d)

[Redacted] s. 47C

Recommendation:

That you:

a) Note the outcomes of the latest round of the Timor Conciliation Commission in The Hague on 9 to 13 October 2017.

b) s. 33(a)(iii), 47C
[Redacted]

c) s. 47C
[Redacted]

d) [Redacted]

Decision:

Noted

Agreed / Not Agreed

Signed / Not Signed

Noted

Domestic/Media Considerations: Our boundary negotiations with Timor-Leste attract media attention.

Action:

s. 22(1)(a)(ii)
[Redacted]

Julie Bishop

Information:

Noted

From: James Larsen, SLA, LGD; Tom Connor, A/g FAS SED
6261 3103; 6261 2891

Contact: s. 22(1)(a)(ii)
[Redacted]

Background:

[Redacted]



The treaty

s. 33(a)(iii)

Greater Sunrise development concept

The companies comprising the Greater Sunrise Joint Venture met the Commission for the first time in The

Hague. s. 33(a)(iii), 47C

s. 33(a)(iii), 47C

Signature of treaty

s. 33(a)(iii), 47E(d)

We will shortly seek your agreement to take the treaty to Executive Council and

s. 47C

Media and stakeholder consultation

The Commission has issued a press release (Attachment D) announcing agreement on the treaty text.

s. 33(b)

s. 33(b)

s. 33(a)(iii)

Bilateral reset

s. 34(3)

**TREATY BETWEEN AUSTRALIA AND THE DEMOCRATIC REPUBLIC OF TIMOR-LESTE ESTABLISHING THEIR
MARITIME BOUNDARIES IN THE TIMOR SEA**

THE GOVERNMENT OF AUSTRALIA (**Australia**) and THE GOVERNMENT OF THE DEMOCRATIC REPUBLIC OF TIMOR-LESTE (**Timor-Leste**) (hereinafter referred to as the **Parties**);

HAVING REGARD to the United Nations Convention on the Law of the Sea, done at Montego Bay on 10 December 1982 (the **Convention**);

TAKING INTO PARTICULAR ACCOUNT Articles 74(1) and 83(1) of the Convention, regarding the delimitation of the exclusive economic zone and the continental shelf;

WISHING to delimit the maritime areas between Australia and Timor-Leste in the Timor Sea;

WISHING ALSO in this context to establish a special regime for the Greater Sunrise Fields for the benefit of both Parties;

REAFFIRMING the importance of developing and managing the living and non-living resources of the Timor Sea in an economically and environmentally sustainable manner, and the importance of promoting investment and long-term development in Australia and Timor-Leste;

HAVING REACHED, with the assistance of the Conciliation Commission established under Article 298 and Annex V of the Convention, an overall negotiated solution to the dispute between the Parties concerning the delimitation of their permanent maritime boundaries;

RECOGNISING that there exists an inextricable link between the delimitation of the maritime boundaries and the establishment of the special regime for the Greater Sunrise Fields and that both elements are integral to the agreement of the Parties to this Treaty;

CONSCIOUS of the importance of promoting Timor-Leste's economic development;

REAFFIRMING that benefits will flow to both Australia and Timor-Leste from the establishment of a stable long-term basis for Petroleum Activities in the area of seabed between Australia and Timor-Leste;

RESOLVING as good neighbours and in a spirit of co-operation and friendship, to settle finally their maritime boundaries in the Timor Sea in order to achieve an equitable solution;

ACKNOWLEDGING that the settlement contained in this Treaty is based on a mutual accommodation between the Parties without prejudice to their respective legal positions;

AFFIRMING the compatibility of this Treaty with the Convention;

AFFIRMING that nothing in this Treaty shall be interpreted as prejudicing the rights of third States with regard to delimitation of the exclusive economic zone and the continental shelf in the Timor Sea;

HAVE AGREED as follows:

Article 1: Definitions

1. For the purposes of this Treaty, including its Annexes:

- (a) "1972 Seabed Treaty Boundary" means the boundary established by Articles 1 and 2 of the Agreement between the Government of the Commonwealth of Australia and the Government of the Republic of Indonesia Establishing Certain Seabed Boundaries in the Area of the Timor and Arafura Seas, supplementary to the Agreement of 18 May 1971 (Jakarta, 9 October 1972);

- (b) "Bayu-Undan Pipeline" means the export pipeline which transports gas produced from the Bayu-Undan Gas Field to the Darwin Liquefied Natural Gas processing facility at Wickham Point;
- (c) "Bayu-Undan Gas Field" means the field which, at the time of signing of this Treaty, is subject to the Production Sharing Contracts JPDA 03-12 and JPDA 03-13;
- (d) "Buffalo Oil Field" means the field known as Buffalo which, at the time of the signing of this Treaty, lies in the WA-523-P exploration permit area;
- (e) "Commercial Depletion" means the date by which the relevant authority confirms that the contractor or titleholder has fulfilled all of its production and decommissioning obligations under the relevant development or decommissioning plan, contract or licence and that the relevant contract or licence has terminated or otherwise expired;
- (f) "Development Concept" means the basic terms on which the Greater Sunrise Fields are to be developed;
- (g) "Development Plan" means the development, exploitation and management plan for the Petroleum in the Greater Sunrise Fields consistent with Good Oilfield Practice, including, but not limited to, details of the sub-surface evaluation and facilities, production facilities, the production profile for the expected life of the project, the expected life of the fields, the estimated capital and non-capital expenditure covering the feasibility, fabrication, installation and pre-production stages of the project, which is approved and assessed in accordance with the criteria established in Article 9(3) of Annex B of this Treaty;
- (h) "Good Oilfield Practice" means such practices and procedures employed in the petroleum industry worldwide by prudent and diligent operators under conditions and circumstances similar to those experienced in connection with the relevant aspects of Petroleum operations having regard to relevant factors including:
- (i) conservation of Petroleum, which includes the utilisation of methods and processes to maximise the recovery of hydrocarbons in a technically and economically efficient manner, and to minimise losses at the surface;
 - (ii) operational safety, which entails the use of methods and processes aimed at preventing major accident events and occupational health and safety incidents; and
 - (iii) environmental protection, which calls for the adoption of methods and processes that minimise the impact of the Petroleum operations on the environment;
- (i) "Greater Sunrise Contractor" means all those individuals or bodies corporate holding from time to time a permit, lease, licence or contract in respect of an area within the Special Regime Area under which exploitation, including any appraisal activities related to that exploitation, and production of Petroleum may be carried out;
- (j) "Greater Sunrise Fields" means that part of the rock formation known as the Plover Formation (Upper and Lower) that underlies the Special Regime Area and contains the Sunrise and Troubadour deposits of Petroleum, together with any extension of those deposits that is in direct hydrocarbon fluid communication with either deposit;
- (k) "Greater Sunrise Production Sharing Contract" means the contract entered into in accordance with Article 4 of Annex B of this Treaty, between the Designated Authority and the Greater Sunrise Contractor for the development of, and production from, the Greater

Sunrise Fields and replacing Production Sharing Contracts JPDA 03-19 and JPDA 03-20 and Retention Leases NT/RL2 and NT/RL4;

- (l) "International Unitisation Agreement" means the Agreement between the Government of Australia and the Government of the Democratic Republic of Timor-Leste relating to the Unitisation of the Sunrise and Troubadour Fields (Dili, 6 March 2003);
- (m) "Kitan Oil Field" means the field which, at the time of signing this Treaty, is subject to the Production Sharing Contract JPDA 06-105;
- (n) "Laminaria and Corallina Fields" means the fields known as Laminaria and Corallina which, at the time of the signing of this Treaty, lie partly in the AC/L5 and WA-18-L production licence areas;
- (o) "Petroleum" means:
- (i) any naturally occurring hydrocarbon, whether in a gaseous, liquid or solid state;
 - (ii) any naturally occurring mixture of hydrocarbons, whether in a gaseous, liquid or solid state; or
 - (iii) any naturally occurring mixture of one or more hydrocarbons, whether in a gaseous, liquid or solid state, as well as other gaseous substances produced in association with such hydrocarbons, including, but not limited to, helium, nitrogen, hydrogen sulphide and carbon dioxide, and
- includes any Petroleum as defined by sub-paragraph (i), (ii) or (iii) that has been returned to a natural reservoir;
- (p) "Petroleum Activities" means all activities undertaken to produce Petroleum, authorised or contemplated under a contract, permit or licence, and includes exploration, development, initial processing, production, transportation and marketing, as well as the planning and preparation for such activities;
- (q) "Pipeline" means any pipeline by which Petroleum is discharged from the Special Regime Area;
- (r) "Production Sharing Contract" means a contract between the Designated Authority, whether as established under this Treaty or as established under the Timor Sea Treaty, and a limited liability corporation or entity with limited liability under which production from a specified area is shared between the parties to the contract;
- (s) "Retention Leases" means the retention leases granted by Australia pursuant to the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (Cth) to individuals or bodies corporate, as renewed from time to time, referred to as Retention Lease NT/RL2 and Retention Lease NT/RL4;
- (t) "Special Regime Area" means the area of the continental shelf described in Annex C of this Treaty;
- (u) "Special Regime Installation" means any installation, structure or facility located within the Special Regime Area for the purposes of engaging in or conducting Petroleum Activities;
- (v) "Timor Sea Treaty" means the Timor Sea Treaty between the Government of East Timor and the Government of Australia (Dili, 20 May 2002); and

- (w) "Valuation Point" means the point of the first commercial sale of Petroleum produced from the Special Regime Area which shall occur no later than the earlier of:
- (i) the point where the Petroleum enters a pipeline; and
 - (ii) the marketable petroleum commodity point for the Petroleum.

2. Unless otherwise expressly provided, terms in this Treaty are to be given the same meaning as in the Convention.

Article 2: Continental Shelf Boundary

1. Subject to Article 3 of this Treaty, the continental shelf boundary between the Parties in the Timor Sea comprises the geodesic lines connecting the following points:

Point	Latitude	Longitude
TA-1	10° 27' 54.91"S	126° 00' 04.40"E
TA-2	11° 24' 00.61"S	126° 18' 22.48"E
TA-3	11° 21' 00.00"S	126° 28' 00.00"E
TA-4	11° 20' 00.00"S	126° 31' 00.00"E
TA-5	11° 20' 02.90"S	126° 31' 58.40"E
TA-6	11° 04' 37.65"S	127° 39' 32.81"E
TA-7	10° 55' 20.88"S	127° 47' 08.37"E
TA-8	10° 53' 36.88"S	127° 48' 49.37"E
TA-9	10° 43' 37.88"S	127° 59' 20.36"E
TA-10	10° 29' 11.87"S	128° 12' 28.36"E
TA-11	09° 42' 21.49"S	128° 28' 35.97"E
TA-12	09° 37' 57.54"S	128° 30' 07.24"E
TA-13	09° 27' 54.88"S	127° 56' 04.35"E

2. The line connecting points TA-1 and TA-2, and the lines connecting points TA-11, TA-12, and TA-13 are "Provisional", which for the purposes of this Treaty means that they are subject to adjustment in accordance with Article 3 of this Treaty.
3. For the purposes of this Treaty, all coordinates are determined by reference to the World Geodetic System 1984. For the purposes of this Treaty, World Geodetic System 1984 shall be deemed equivalent to Geodetic Datum of Australia 1994.

Article 3: Adjustment of the Continental Shelf Boundary

1. Should Timor-Leste and Indonesia agree an endpoint to their continental shelf boundary west of point A17 or east of point A16 on the 1972 Seabed Treaty Boundary, the continental shelf boundary between Australia and Timor-Leste shall be adjusted in accordance with paragraphs 2, 3 and 4 of this Article.
2. On the later of:
- (a) the Commercial Depletion of the Laminaria and Corallina Fields; and
 - (b) the entry into force of an agreement between Timor-Leste and Indonesia delimiting the continental shelf boundary between those two States,

the continental shelf boundary between Australia and Timor-Leste shall, unless paragraph 3 of this Article applies, be adjusted so that it proceeds in a geodesic line from point TA-2, as defined in Article 2(1) of this

Treaty, to a point between points A17 and A18 on the 1972 Seabed Treaty Boundary at which the continental shelf boundary agreed between Timor-Leste and Indonesia meets the 1972 Seabed Treaty Boundary.

3. In the event that the continental shelf boundary agreed between Timor-Leste and Indonesia meets the 1972 Seabed Treaty Boundary at a point to the west of point A18 on the 1972 Seabed Treaty Boundary, the continental shelf boundary shall be adjusted so that it proceeds in a geodesic line from point TA-2, as defined in Article 2(1) of this Treaty to point A18.
4. On the later of:
 - (a) the Commercial Depletion of the Greater Sunrise Fields; and
 - (b) the entry into force of an agreement between Timor-Leste and Indonesia delimiting the continental shelf boundary between those two States,

the continental shelf boundary between Australia and Timor-Leste shall be adjusted so that it proceeds in a geodesic line from point TA-11, as defined in Article 2(1) of this Treaty, to the point at which the continental shelf boundary agreed between Timor-Leste and Indonesia meets the 1972 Seabed Treaty Boundary.

Article 4: Exclusive Economic Zone Boundary

1. The exclusive economic zone boundary between the Parties in the Timor Sea comprises the geodesic lines connecting the following points:

Point	Latitude	Longitude
TA-5	11° 20' 02.90"S	126° 31' 58.40"E
TA-6	11° 04' 37.65"S	127° 39' 32.81"E
TA-7	10° 55' 20.88"S	127° 47' 08.37"E
TA-8	10° 53' 36.88"S	127° 48' 49.37"E
TA-9	10° 43' 37.88"S	127° 59' 20.36"E
TA-10	10° 29' 11.87"S	128° 12' 28.36"E

2. The Parties may agree to extend the exclusive economic zone boundary established by paragraph 1 of this Article, as necessary.

Article 5: Depiction of Maritime Boundaries

The maritime boundaries described in Articles 2 and 4 of this Treaty are depicted for illustrative purposes at Annex A of this Treaty.

Article 6: Without Prejudice

1. Nothing in this Treaty shall be interpreted as prejudicing negotiations with third States with regard to delimitation of the exclusive economic zone and the continental shelf in the Timor Sea.
2. In exercising their rights as coastal States, the Parties shall:

- (a) provide due notice of activities conducted on the continental shelf, and in the exclusive economic zone consistent with the terms of the Convention; and
- (b) not infringe upon or unjustifiably interfere with the exercise of rights and freedoms of other States as provided for in the Convention.

Article 7: Greater Sunrise Special Regime

1. The Parties hereby establish the Greater Sunrise Special Regime as set out in Annex B of this Treaty for the Special Regime Area.
2. Within the Special Regime Area, the Parties shall jointly exercise their rights as coastal States pursuant to Article 77 of the Convention.
3. The governance and exercise of jurisdiction within the Special Regime Area is as set out in the Greater Sunrise Special Regime.
4. Except as provided in this Treaty, the rights and obligations of the Parties in the Special Regime Area are governed by the Convention.
5. When the Greater Sunrise Special Regime ceases to be in force, the Parties shall individually exercise their rights as coastal States pursuant to Article 77 of the Convention on the basis of the continental shelf boundary as delimited by this Treaty.
6. Except as provided in Article 3 of this Treaty, the entry into force of an agreement between Timor-Leste and Indonesia delimiting the continental shelf boundary between those two States shall have no effect on the Greater Sunrise Special Regime.

Article 8: Straddling Deposits

If any Petroleum deposit extends across the continental shelf boundary as defined in Articles 2 and 3 of this Treaty, the Parties shall work expeditiously and in good faith to reach agreement as to the manner in which that deposit is to be most effectively exploited and equitably shared.

Article 9: Previous Agreements

1. Upon the entry into force of this Treaty, the following agreements shall cease to be in force:
 - (a) the Timor Sea Treaty; and
 - (b) the International Unitisation Agreement.
2. This Treaty shall have no effect on rights or obligations arising under the agreements set out in paragraph 1 of this Article while they were in force.

Article 10: Compensation

The Parties agree that neither Party shall have a claim for compensation with respect to Petroleum Activities conducted in the Timor Sea as a result of:

- (a) the cessation of the Joint Petroleum Development Area as established by Article 3 of the Timor Sea Treaty upon termination of that treaty;

- (b) the establishment of the continental shelf boundary under this Treaty;
- (c) an adjustment to the continental shelf boundary as a result of the application of Article 3 of this Treaty; or
- (d) the cessation of the Greater Sunrise Special Regime.

Article 11: Permanence of the Treaty

1. The Parties agree that this Treaty shall not be subject to a unilateral right of denunciation, withdrawal or suspension.
2. This Treaty may be amended only by agreement between the Parties, and by express provision to that effect.
3. The Annexes to this Treaty form an integral part thereof.
4. All of the provisions of this Treaty are inextricably linked and form a single whole. The provisions of the Treaty are not separable in any circumstances, and each provision of the Treaty constitutes an essential basis of the Parties' agreement to be bound by the Treaty as a whole.

Article 12: Settlement of Disputes

1. Without prejudice to paragraph 3 of this Article, for a period of five years following the entry into force of this Treaty, any dispute regarding the interpretation or application of this Treaty which is not settled by negotiation within six months of either Party notifying the other Party of the existence of the dispute, may be submitted by the Parties jointly to one or more members of the Conciliation Commission.
2. Once the dispute has been submitted in accordance with paragraph 1 of this Article, the member or members of the Conciliation Commission shall hear the Parties, examine their claims and objections, and make proposals to the Parties with a view to reaching an amicable settlement.
3. Subject to paragraph 4 of this Article, any dispute concerning the interpretation or application of this Treaty, which cannot be settled by negotiation within six months of either Party notifying the other Party of the existence of the dispute, may be submitted by either Party to an arbitral tribunal in accordance with Annex E of this Treaty.
4. The Parties shall not submit to an arbitral tribunal under this Article any dispute concerning the interpretation or application of Article 2, 3, 4, 5, 7 or 11, Annex A or Annex D of this Treaty, or any dispute falling within the scope of Article 8 of Annex B, which shall be settled in accordance with the provisions of that Article.

Article 13: Entry into Force

This Treaty shall enter into force on the day on which Australia and Timor-Leste have notified each other in writing through diplomatic channels that their respective requirements for entry into force of this Treaty have been fulfilled.

Article 14: Registration

The Parties shall transmit this Treaty by joint letter to the Secretary-General of the United Nations for registration in accordance with the provisions of Article 102 of the Charter of the United Nations.

IN WITNESS WHEREOF, the undersigned, being duly authorised thereto by their respective Governments, have signed this Treaty.

DONE AT *[insert place]*, on this *[insert date]* day of *[insert month]*, two thousand and seventeen, in two counterparts in English and Portuguese. In the event of a discrepancy, the English language version shall prevail.

[insert name of signatory]

[insert position of signatory]

For the Government of Australia



[insert name of signatory]

[insert position of signatory]

For the Government of the Democratic Republic of Timor-Leste

IN THE PRESENCE OF the Secretary-General of the United Nations,

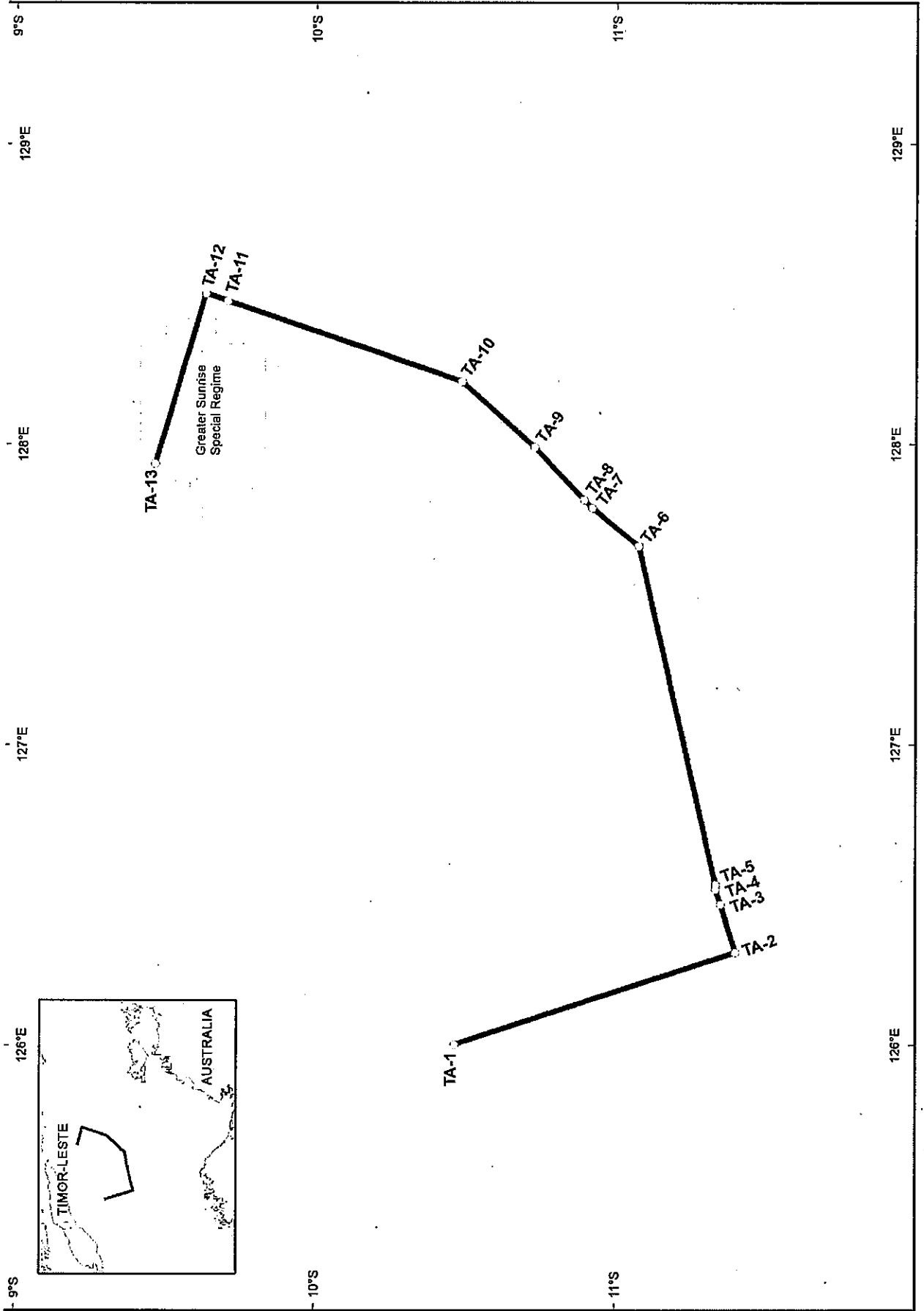


His Excellency António Manuel de Oliveira Guterres

IN THE PRESENCE OF the Chair of the Conciliation Commission,

His Excellency Ambassador Peter Taksøe-Jensen

ANNEX A: Depiction of Maritime Boundaries as Described in Articles 2 and 4 of the Treaty (Article 5)



ANNEX B: Greater Sunrise Special Regime

Article 1: Objective of the Greater Sunrise Special Regime

The objective of the Greater Sunrise Special Regime is the joint development, exploitation and management of Petroleum in the Greater Sunrise Fields for the benefit of both Parties.

Article 2: Title to Petroleum and Revenue Sharing

1. Australia and Timor-Leste shall have title to all Petroleum produced in the Greater Sunrise Fields.
2. The Parties shall share upstream revenue, meaning revenue derived directly from the upstream exploitation of Petroleum produced in the Greater Sunrise Fields:
 - (a) in the ratio of 30 per cent to Australia and 70 per cent to Timor-Leste in the event that the Greater Sunrise Fields are developed by means of a Pipeline to Timor-Leste; or
 - (b) in the ratio of 20 per cent to Australia and 80 per cent to Timor-Leste in the event that the Greater Sunrise Fields are developed by means of a Pipeline to Australia.
3. For the purposes of this Annex, upstream revenue is limited to first tranche petroleum, profit petroleum and taxation in accordance with Article 3 of this Annex

Article 3: Taxation

1. Subject to paragraph 3 of this Article, upstream revenue includes taxation by the Parties as applicable in accordance with their respective laws. The Parties shall provide each other with a list of the applicable taxes.
2. The application of the Parties' taxation law shall be specified in the fiscal regime as agreed between the Parties and the Greater Sunrise Contractor, in accordance with obligations under Article 22 of the Timor Sea Treaty and Article 27 of the International Unitisation Agreement.
3. Taxation under paragraph 1 of this Article shall only apply in respect of Petroleum Activities and Special Regime Installations prior to the Valuation Point.
4. Timor-Leste taxation law shall apply to all other activities related to the development and exploitation of Petroleum in the Special Regime Area, unless otherwise provided for by the terms of this Treaty.

Article 4: Greater Sunrise Production Sharing Contract

As soon as practicable, the Designated Authority shall enter into the Greater Sunrise Production Sharing Contract under conditions equivalent to those in Production Sharing Contracts JPDA 03-19 and JPDA 03-20, and to the legal rights held under Retention Leases NT/RL2 and NT/RL4 in accordance with Article 22 of the Timor Sea Treaty and Article 27 of the International Unitisation Agreement.

Article 5: Regulatory Bodies

The Parties hereby establish a two-tiered regulatory structure for the regulation and administration of the Greater Sunrise Special Regime, consisting of a Designated Authority and a Governance Board.

Article 6: Designated Authority

1. The Designated Authority shall be responsible for carrying out the day-to-day regulation and management of Petroleum Activities in the Special Regime Area. In doing so, the Designated Authority acts on behalf of Australia and Timor-Leste and reports to the Governance Board.
2. The Designated Authority shall:
 - (a) be the Timor-Leste statutory authority as determined by the member of the Government of Timor-Leste responsible for the petroleum sector to act as the Designated Authority;
 - (b) regulate the Special Regime Area according to Good Oilfield Practice;
 - (c) be financed from fees collected under the applicable Petroleum Mining Code and the Greater Sunrise Production Sharing Contract; and
 - (d) subject to Articles 7 and 8 of this Annex, exercise its powers and functions, as set out in this Article, without interference by any other entity and in accordance with this Treaty.
3. The Designated Authority shall have the following powers and functions:
 - (a) day-to-day regulation and management of Petroleum Activities in the Special Regime Area in accordance with this Treaty and its functions as outlined in the applicable Petroleum Mining Code and any regulations thereunder, except with respect to Strategic Issues;
 - (b) three times a year, meeting with and reporting to the Governance Board on:
 - (i) the exercise of its powers and functions, in accordance with the applicable regulatory framework;
 - (ii) progress on the preparation of the Development Plan and, once approved, progress against the Development Plan and schedule;
 - (iii) production and revenue data from the Greater Sunrise Fields;
 - (iv) updates on issues referred to the Dispute Resolution Committee, if any;
 - (v) the Greater Sunrise Contractor's compliance with regulatory standards, including its local content obligations as set out in this Treaty, the Development Plan and the Greater Sunrise Production Sharing Contract; and
 - (vi) safety, environmental and well-integrity management;
 - (c) pursuant to Article 9 of this Annex, powers and functions with respect to the Development Plan;
 - (d) entering into the Greater Sunrise Production Sharing Contract, subject to the approval of the Governance Board, in accordance with Articles 4 and 7(3)(b) of this Annex;
 - (e) supervising, managing and agreeing on non-material amendments to the Greater Sunrise Production Sharing Contract;
 - (f) agreeing material amendments to the Greater Sunrise Production Sharing Contract as defined in that Contract or terminating the Greater Sunrise Production Sharing Contract, subject to approval of the Governance Board in accordance with Article 7(3)(b) of this Annex;

- (g) approving assignments, production plans, lifting agreements and other technical documents and agreements relating to the Greater Sunrise Production Sharing Contract;
- (h) reporting annual income and expenditure, as these relate to the Special Regime Area, to the Governance Board;
- (i) accessing, consolidating and disseminating, on an annual basis, all information pertaining to the Greater Sunrise Fields' reserves based on information provided by the Greater Sunrise Contractor or as otherwise audited by the Designated Authority;
- (j) collecting revenues received from Petroleum Activities and Special Regime Installations prior to the Valuation Point on behalf of both Parties and distribution thereof;
- (k) auditing and inspecting the Greater Sunrise Contractor's books and accounts;
- (l) inspecting Special Regime Installations in the Special Regime Area;
- (m) ensuring compliance by the Greater Sunrise Contractor with its local content obligations in accordance with the Treaty, the Development Plan and the Greater Sunrise Production Sharing Contract, including by giving directions and instructions as necessary;
- (n) issuing regulations to protect the marine environment in the Special Regime Area and monitoring compliance with them, ensuring there is a contingency plan for combatting pollution from Petroleum Activities in the Special Regime Area, and investigating safety and environmental incidents in the Special Regime Area;
- (o) issuing regulations and developing and adopting standards and procedures on occupational health and safety for persons employed on Special Regime Installations that are no less effective than those standards and procedures that would apply to persons employed on similar structures in Australia and Timor-Leste;
- (p) requesting assistance from the appropriate authorities for search and rescue operations, security threats, air traffic services, anti-pollution prevention measures, and safety and environmental incidents, or the activation of emergency procedures, in accordance with international law;
- (q) establishing safety zones to ensure the safety of navigation and Special Regime Installations, in accordance with the Convention;
- (r) controlling movements into, within and out of the Special Regime Area of vessels, aircraft, structures, and other equipment employed in exploration for and exploitation of the Greater Sunrise Fields, consistent with Articles 17, 18 and 19 of this Annex;
- (s) pursuant to Article 21 of this Annex, powers and functions with respect to the decommissioning plan, including entry into and oversight of financial arrangements for the decommissioning plan;
- (t) oversight of the abandonment and decommissioning phase of the Greater Sunrise Fields;
- (u) authorising the construction, operation and use of Special Regime Installations, subject to the provisions in this Annex; and
- (v) any other powers or functions in respect of the Special Regime Area, including regulatory powers, conferred upon it by the Governance Board.

4. The Designated Authority shall refer all Strategic Issues as defined in Article 7(3) of this Annex to the Governance Board and, in the event of a dispute between the Designated Authority and the Greater Sunrise Contractor as to whether an issue is a Strategic Issue, either the Designated Authority or the Greater Sunrise Contractor may refer that issue to the Governance Board.
5. Within 14 days of a Strategic Issue being referred to the Governance Board, the Designated Authority and the Greater Sunrise Contractor may provide any relevant information concerning the issue and the Designated Authority may provide any recommendations on the issue.

Article 7: Governance Board

1. The Governance Board shall be comprised of one representative appointed by Australia and two representatives appointed by Timor-Leste. The representatives on the Governance Board shall not have any direct financial or other commercial interest in the operation of the Greater Sunrise Special Regime that would create any reasonable perception of, or actual, conflict of interest, and they shall disclose details of any material personal interest in connection with their position on the Governance Board.
2. The Governance Board shall have the following powers and functions:
 - (a) providing strategic oversight over the Greater Sunrise Special Regime;
 - (b) establishing and overseeing an assurance and audit framework for revenue verification and offshore petroleum regulation and administration. This shall include:
 - (i) issuing an annual 'Statement of Expectation' to frame the operation and management of the Greater Sunrise Special Regime to guide the work of the Designated Authority;
 - (ii) reporting requirements of the Designated Authority in accordance with Article 6(3)(b) of this Annex; and
 - (iii) engaging an independent qualified firm to conduct an annual audit in accordance with international auditing standards so as to provide a high level of assurance over the completeness and accuracy of revenues payable from Petroleum Activities in the Special Regime Area including monthly reporting, incorporating an explanation for variances between forecast and actual revenue;
 - (c) making decisions on Strategic Issues referred to it under Article 6(4) of this Annex, in accordance with paragraphs 4 and 6 of this Article;
 - (d) approving amendments to the Interim Petroleum Mining Code and any regulations thereunder;
 - (e) approving the final Petroleum Mining Code and any regulations thereunder, and any amendments thereto;
 - (f) other than as necessary for Strategic Issues, meet three times a year with the Designated Authority and receive reports under Article 6(3)(b) of this Annex; and
 - (g) conferring any additional powers and functions on the Designated Authority.
3. Subject to paragraph 4 of this Article, the following is an exhaustive list of Strategic Issues:

- (a) assessment and approval of a Development Plan pursuant to Article 9(2) of this Annex and any material change to a Development Plan as defined in that Development Plan, pursuant to Article 9(4) of this Annex;
 - (b) approval of the decision by the Designated Authority to enter into or terminate the Greater Sunrise Production Sharing Contract, or propose any material changes to that Contract as defined in that Contract;
 - (c) approval of, and any material change to, a decommissioning plan, in accordance with Article 21 of this Annex; and
 - (d) approval of the construction and operation of the Pipeline.
4. The Governance Board may add additional Strategic Issues to those listed in paragraph 3 of this Article.
 5. In making a decision on a Strategic Issue, the Governance Board shall give due consideration to all recommendations and relevant information provided by the Designated Authority and relevant information provided by the Greater Sunrise Contractor.
 6. All decisions of the Governance Board shall be made by consensus, within 30 days or such other period as may be agreed with both the Designated Authority and the Greater Sunrise Contractor, and be final and binding on the Designated Authority and the Greater Sunrise Contractor. For the purposes of this Treaty "Consensus" means the absence of formal objection to a proposed decision.
 7. If the Governance Board has exhausted every effort to reach consensus on a Strategic Issue, either the Designated Authority or the Greater Sunrise Contractor may refer that issue to the Dispute Resolution Committee for resolution. Nothing in this paragraph limits the Governance Board's own right to refer any Strategic Issue to the Dispute Resolution Committee.

Article 8: Dispute Resolution Committee

1. The Dispute Resolution Committee shall:
 - (a) be an independent body with a mandate to hear any matters referred to it under Article 7(7) or Article 9(2) of this Annex or any matters as otherwise agreed by the Designated Authority and the Greater Sunrise Contractor;
 - (b) be comprised of:
 - (i) one member appointed from each of the Parties (**Party Appointees**); and
 - (ii) a third independent member, who will act as Chair, to be selected by the Party Appointees when a matter is referred to the Dispute Resolution Committee from a list of approved experts selected and maintained by Australia and Timor-Leste and refreshed every three years, and in case of disagreement, by the Secretary-General of the Permanent Court of Arbitration;
 - (c) establish its own procedures;
 - (d) make all decisions in writing and by consensus, or where consensus cannot be reached, by simple majority, within 60 days or as otherwise agreed with the referring party or parties;
 - (e) in making any decision, provide a reasonable opportunity for the Designated Authority and the Greater Sunrise Contractor to submit any relevant information and give due consideration to any information so provided; and

- (f) have the power to request any information from the Designated Authority and/or the Greater Sunrise Contractor which it considers reasonably necessary to make its decision.
2. Members of the Dispute Resolution Committee shall not have any direct financial or other commercial interest in the operation of the Greater Sunrise Special Regime that would create any reasonable perception of, or actual, conflict of interest, and they shall disclose details of any material personal interest in connection with their position on the Dispute Resolution Committee. Serving members of the Governance Board shall not be members of the Dispute Resolution Committee.
3. All decisions of the Dispute Resolution Committee shall be final and binding on the Designated Authority and the Greater Sunrise Contractor.

Article 9: Development Plan for the Greater Sunrise Fields

1. Production of Petroleum from the Greater Sunrise Fields shall not commence until a Development Plan, which has been submitted by the Greater Sunrise Contractor in accordance with the Greater Sunrise Production Sharing Contract and the process provided for in this Article, has been approved in accordance with this Article.
2. The process of assessing and approving a Development Plan for the Greater Sunrise Fields is as follows:
 - (a) the Development Plan shall be assessed against the criteria listed at paragraph 3 of this Article (**Development Plan Criteria**);
 - (b) the Greater Sunrise Contractor shall submit the Development Plan to both the Governance Board and the Designated Authority;
 - (c) the Designated Authority shall consider the Development Plan and shall provide its recommendations to the Governance Board as to whether it should be approved or rejected within 180 days of receipt, if practicable. During this period, the Designated Authority may exchange views and information with the Greater Sunrise Contractor regarding the Development Plan. Any amendments agreed between the Designated Authority and the Greater Sunrise Contractor may be included in the Development Plan prior to the Designated Authority's recommendation to the Governance Board;
 - (d) the Governance Board shall consider the Development Plan, the Designated Authority's recommendation and any other information submitted by the Designated Authority;
 - (e) if the Governance Board considers that the Development Plan is both in accordance with the approved Development Concept and meets the Development Plan Criteria, the Governance Board shall approve the Development Plan within 180 days of receipt, if practicable;
 - (f) if the Governance Board does not approve the Development Plan under paragraph 2(e) of this Article, the Development Plan is rejected and the Governance Board shall specify its reasons for not approving it to the Greater Sunrise Contractor and Designated Authority. Any of these parties may, at their discretion, refer the matter to the Dispute Resolution Committee within 15 days of the Governance Board's decision;
 - (g) the Dispute Resolution Committee shall review the Development Plan, the Designated Authority's recommendation and any other information submitted pursuant to this Article. The Dispute Resolution Committee shall determine whether the Development Plan meets the Development Plan Criteria within 90 days of referral of the matter, or such other period as may be agreed with the Greater Sunrise Contractor;

- (h) if the Dispute Resolution Committee determines that the Development Plan is in accordance with the approved Development Concept and meets the Development Plan Criteria, the Dispute Resolution Committee shall approve the Development Plan;
 - (i) if the Dispute Resolution Committee determines that the Development Plan either is not in accordance with the approved Development Concept, or does not meet the Development Plan Criteria, the Dispute Resolution Committee shall reject the Development Plan, specifying its reasons for doing so; and
 - (j) the Parties shall be bound by, and give effect to, the decision of the Governance Board or, if applicable, the Dispute Resolution Committee pursuant to this Article.
3. The criteria that shall apply to the assessment of any Development Plan under paragraph 2 of this Article are as follows:
- (a) the Development Plan supports the development policy, objectives and needs of each of the Parties, while at the same time providing a fair return to the Greater Sunrise Contractor;
 - (b) the project is commercially viable;
 - (c) the Greater Sunrise Contractor is seeking to exploit the Greater Sunrise Fields to the best commercial advantage;
 - (d) the project is technically feasible;
 - (e) the Greater Sunrise Contractor has, or has access to, the financial and technical competence to carry out the development of the Greater Sunrise Fields;
 - (f) the Development Plan is consistent with Good Oilfield Practice and, in particular, documents the Greater Sunrise Contractor's quality, health, safety and environmental strategies;
 - (g) the Development Plan demonstrates clear, measurable and enforceable commitments to local content through a local content plan, in accordance with Article 14 of this Annex;
 - (h) the Greater Sunrise Contractor could reasonably be expected to carry out the Development Plan during the specified period;
 - (i) the Greater Sunrise Contractor has, as applicable, entered into binding, arms-length arrangements for the sale and/or processing of gas, including Liquefied Natural Gas, from the Greater Sunrise Fields or has provided sufficient details of any such processing and/or sale agreements to be entered into by affiliates of the Greater Sunrise Contractor or other companies; and
 - (j) the Greater Sunrise Contractor has provided summaries of, or where applicable, the project execution plan and the petroleum production plan, including relevant engineering and cost specifications, in accordance with the applicable regulatory framework and Good Oilfield Practice.
4. The Greater Sunrise Contractor may at any time submit, and if at any time the Designated Authority so decides may be required to submit, proposals to bring up to date or otherwise amend a Development Plan. All amendments of, or additions to, any Development Plan require prior approval of the Designated Authority, which in turn requires the approval of the Governance Board.

5. The Designated Authority shall require the Greater Sunrise Contractor not to change the status or function of any Special Regime Installation in any way except in accordance with an amendment to a Development Plan in accordance with paragraph 4 of this Article.

Article 10: Pipeline

1. A Pipeline which commences within the Special Regime Area and lands in the territory of Australia shall be under the exclusive jurisdiction of Australia. A Pipeline which commences within the Special Regime Area and lands in the territory of Timor-Leste shall be under the exclusive jurisdiction of Timor-Leste. The Party exercising exclusive jurisdiction has both rights and responsibilities in relation to the Pipeline.
2. The Party exercising exclusive jurisdiction under paragraph 1 shall cooperate with the Designated Authority in relation to the Pipeline to ensure the effective management and regulation of the Special Regime Area.
3. There shall be open access to the Pipeline. The open access arrangements shall be in accordance with good international regulatory practice. If Australia has exclusive jurisdiction over the pipeline, it shall consult with Timor-Leste over access to the Pipeline. If Timor-Leste has exclusive jurisdiction over the Pipeline, it shall consult with Australia over access to the Pipeline.

Article 11: Petroleum Mining Code

1. The Interim Petroleum Mining Code, including the interim regulations, as in force at the date of entry into force of this Treaty shall govern the development and exploitation of Petroleum from within the Greater Sunrise Fields; as well as the export of such Petroleum until such a time as a final Petroleum Mining Code is approved by the Governance Board.
2. The Governance Board shall coordinate with the Designated Authority, and shall endeavour to approve and issue a final Petroleum Mining Code within six months of the entry into force of this Treaty, or if such a date is not achieved, as soon as possible thereafter.

Article 12: Audit and Information Rights

1. For the purposes of transparency, the Greater Sunrise Contractor shall include in its agreements with the operators of the downstream facilities the necessary provisions to ensure that the Designated Authority has audit and information rights from the operators of downstream facilities, and from their respective affiliates, equivalent to those audit and information rights the Designated Authority has in respect to the Greater Sunrise Production Sharing Contract. In the event of a request by the Designated Authority, the Greater Sunrise Contractor shall consult with the operators of the downstream facilities with a view to providing access to metering facilities.
2. The rights mentioned in paragraph 1 of this Article are granted to ensure that the Designated Authority is able to verify the volume and value of natural gas.

Article 13: Applicable Law

Petroleum Activities in the Special Regime Area shall be governed by this Annex, the applicable Petroleum Mining Code and any regulations issued thereunder.

Article 14: Local Content

1. The Greater Sunrise Contractor shall set out its local content commitments during the development, operation and decommissioning of the Greater Sunrise Fields through a local content plan to be included as part of the Development Plan and the decommissioning plan.
2. The local content plan shall contain clear, measurable, binding and enforceable local content commitments, including to:
 - (a) improve Timor-Leste's workforce and skills development and promote employment opportunities and career progression for Timor-Leste nationals through capacity-building initiatives, training of Timor-Leste nationals and a preference for the employment of Timor-Leste nationals;
 - (b) improve Timor-Leste's supplier and capability development by seeking the procurement of goods and services (including engineering, fabrication and maintenance services) from Timor-Leste in the first instance; and
 - (c) improve and promote Timor-Leste's commercial and industrial capacity through the transfer of knowledge, technology and research capability.
3. The Greater Sunrise Contractor shall ensure that any subcontracts entered into for the supply of goods and services for the Special Regime Area give effect to its local content commitments.
4. Failure by the Greater Sunrise Contractor to meet its local content commitments shall be deemed as non-compliance and subject to the mechanisms and penalties referred to in the local content plan as agreed between the Designated Authority and the Greater Sunrise Contractor.
5. The Parties shall consult with a view to ensuring that the exercise of jurisdiction by either Party under Articles 17, 18 and 19 does not hinder the implementation of local content commitments referred to in this Article.

Article 15: Cooperation and Coordination

In the Special Regime Area, each Party shall, as appropriate, cooperate and coordinate with, and assist, the other Party, including in relation to:

- (a) search and rescue operations with respect to Special Regime Installations; and
- (b) surveillance activities with respect to Special Regime Installations.

Article 16: Exercise of Jurisdiction

1. In exercising jointly their rights as coastal States pursuant to Article 77 of the Convention, Australia and Timor-Leste exercise jurisdiction in accordance with the Convention with respect to:
 - (a) customs and migration pursuant to Article 17 of this Annex;

- (b) quarantine pursuant to Article 18 of this Annex;
 - (c) environmental protection, management and regulation;
 - (d) marine scientific research;
 - (e) air traffic services related to Special Regime Installations;
 - (f) security and establishment of safety zones around Special Regime Installations;
 - (g) health and safety;
 - (h) management of living resources; and
 - (i) criminal jurisdiction pursuant to Article 20 of this Annex.
2. The Parties agree to consult as necessary on the cooperative exercise of the jurisdictional competencies set out in paragraph 1 of this Article.
 3. The Parties have agreed to delegate the exercise of certain jurisdictional and regulatory competencies to the Designated Authority, as specified in this Treaty.

Article 17: Customs and Immigration

1. The Parties may apply their customs and migration laws to persons, equipment and goods entering their territory from, or leaving their territory for, the Special Regime Area and adopt arrangements to facilitate entry and departure.
2. Limited liability corporations or other limited liability entities shall ensure, unless otherwise authorised by Australia or Timor-Leste, that persons, equipment and goods do not enter Special Regime Installations without first entering Australia or Timor-Leste, and that their employees and the employees of their subcontractors are authorised by the Designated Authority to enter the Special Regime Area.
3. Australia and Timor-Leste may apply customs and migration controls to persons, equipment and goods entering the Special Regime Area without the authority of either country and may adopt arrangements to co-ordinate the exercise of such rights.
4. Goods and equipment shall not be subject to customs duties where they are:
 - (a) entering the Special Regime Area for purposes related to Petroleum Activities; or
 - (b) leaving or in transit through either Australia or Timor-Leste for the purpose of entering the Special Regime Area for purposes related to Petroleum Activities.
5. Goods and equipment leaving the Special Regime Area for the purpose of being permanently transferred to either Australia or Timor-Leste may be subject to customs duties of that country.

Article 18: Quarantine

1. The Parties may apply their quarantine laws to persons, equipment and goods entering their territory from, or leaving their territory for, the Special Regime Area and adopt arrangements to facilitate entry and departure.

2. The Parties shall consult with a view to reaching agreement with each other before entering into a commercial arrangement with the Greater Sunrise Contractor with respect to quarantine.

Article 19: Vessels

1. Vessels of the nationality of Australia or Timor-Leste engaged in Petroleum Activities in the Special Regime Area shall be subject to the law of their nationality in relation to safety and operating standards and crewing regulations.
2. Vessels with the nationality of other countries engaged in Petroleum Activities in the Special Regime Area shall, in relation to safety and operating standards and crewing regulations, apply:
 - (a) the laws of Australia, if the vessels are operating from an Australian port; or
 - (b) the laws of Timor-Leste, if the vessels are operating from a Timor-Leste port.
3. Such vessels engaged in Petroleum Activities in the Special Regime Area that do not operate out of either Australia or Timor-Leste shall under the law of both Australia and Timor-Leste be subject to the relevant international safety and operating standards.
4. The Parties shall, promptly upon the entry into force of this Treaty and consistent with their laws, consult with a view to reaching the agreement required for swift recognition of any international seafarer certifications issued by the other Party, so as to allow their national seafarers to have access to employment opportunities aboard vessels operating in the Special Regime Area.

Article 20: Criminal Jurisdiction

1. A national or permanent resident of Australia or Timor-Leste shall be subject to the criminal law of that country in respect of acts or omissions occurring in the Special Regime Area connected with or arising out of Petroleum Activities, provided that a permanent resident of Australia or Timor-Leste who is a national of the other country shall be subject to the criminal law of that country.
2. Subject to paragraph 4 of this Article, a national of a third State, not being a national or permanent resident of either Australia or Timor-Leste, shall be subject to the criminal law of both Australia and Timor-Leste in respect of acts or omissions occurring in the Special Regime Area connected with or arising out of Petroleum Activities. Such a person shall not be subject to criminal proceedings under the law of either Australia or Timor-Leste if he or she has already been tried and discharged or acquitted by a competent tribunal or already undergone punishment for the same act or omission under the law of the other country or where the competent authorities of one country, in accordance with its law, have decided in the public interest to refrain from prosecuting the person for that act or omission.
3. In cases referred to in paragraph 2 of this Article, Australia and Timor-Leste shall, as and when necessary, consult each other to determine which criminal law is to be applied, taking into account the nationality of the victim and the interests of the country most affected by the alleged offence.
4. The criminal law of the flag State shall apply in relation to acts or omissions on board vessels, including seismic or drill vessels in, or aircraft in flight over, the Special Regime Area.
5. Australia and Timor-Leste shall provide assistance to and co-operate with each other, including through agreements or arrangements as appropriate, for the purposes of enforcement of criminal law under this Article, including the obtaining of evidence and information.

6. Both Australia and Timor-Leste recognise the interest of the other country where a victim of an alleged offence is a national of that other country and shall keep that other country informed to the extent permitted by its law, of action being taken with regard to the alleged offence.
7. Australia and Timor-Leste may make arrangements permitting officials of one country to assist in the enforcement of the criminal law of the other country. Where such assistance involves the detention of a person who under paragraph 1 of this Article is subject to the jurisdiction of the other country that detention may only continue until it is practicable to hand the person over to the relevant officials of that other country.

Article 21: Decommissioning

1. The Greater Sunrise Contractor shall submit to the Designated Authority a preliminary decommissioning plan and, in so far as possible, preliminary decommissioning cost estimate as part of the Development Plan.
2. As soon as practicable, but in any case no later than seven years after commencement of production of Petroleum in the Special Regime Area, the Greater Sunrise Contractor shall be required to submit to the Designated Authority a decommissioning plan and total estimate of decommissioning costs for approval in accordance with Articles 6(3)(s) and 7(3)(c) of this Annex, which shall be updated in accordance with the Development Plan and the applicable Petroleum Mining Code.
3. The Designated Authority and the Greater Sunrise Contractor shall enter into an agreement on the holding of decommissioning cost reserves to meet the costs of fulfilling decommissioning obligations. This agreement shall be incorporated into the Greater Sunrise Production Sharing Contract. Any reserves remaining after decommissioning shall be divided between the Parties in the same ratio as their upstream revenue share pursuant to Article 2 of this Annex.
4. Following Commercial Depletion of the Greater Sunrise Fields, the Parties shall consult with a view to reaching agreement on arrangements as necessary with regard to access and monitoring of any remaining structures, including partially remaining structures, for the purposes of environmental protection and compliance with either Party's domestic laws or regulations.

Article 22: Special Regime Installations

1. The Greater Sunrise Contractor shall inform the Designated Authority of the exact position of every Special Regime Installation.
2. For the purposes of exploiting the Greater Sunrise Fields and subject to Articles 17 and 18 of this Annex and to the requirements of safety, neither Government shall hinder the free movement of personnel and materials between Special Regime Installations and landing facilities on those structures shall be freely available to vessels and aircraft of Australia and Timor-Leste.

Article 23: Duration of the Greater Sunrise Special Regime

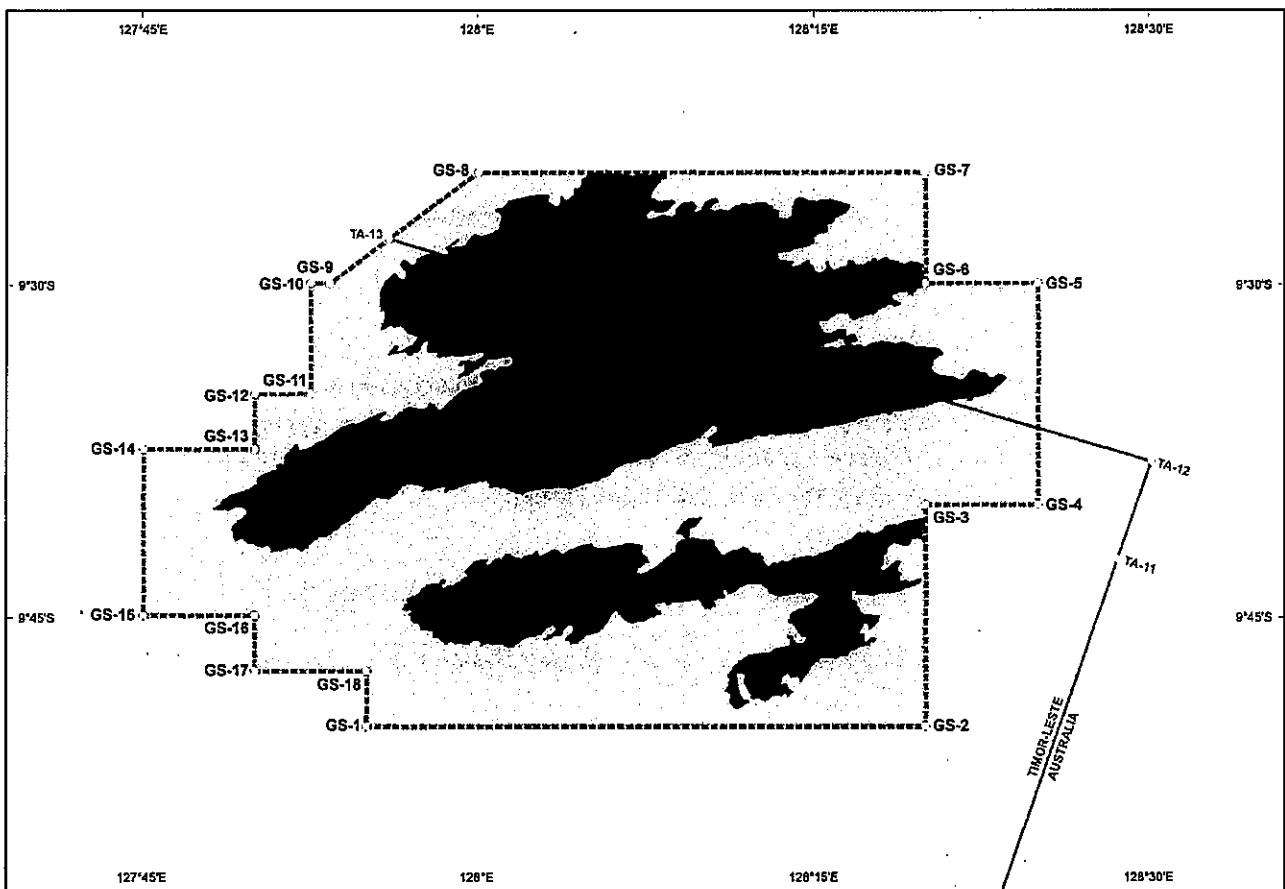
1. The Greater Sunrise Special Regime shall cease to be in force following the Commercial Depletion of the Greater Sunrise Fields.
2. The Parties shall confirm their common understanding that the Greater Sunrise Fields have been commercially depleted and that the Greater Sunrise Special Regime has ceased to be in force by an exchange of notes through diplomatic channels.

ANNEX C: Special Regime Area

1. The Special Regime Area consists of the area of the continental shelf contained within the rhumb lines connecting the following points:

Point No.	Latitude	Longitude
GS-1	09° 49' 54.88"S	127° 55' 04.35"E
GS-2	09° 49' 54.88"S	128° 20' 04.34"E
GS-3	09° 39' 54.88"S	128° 20' 04.34"E
GS-4	09° 39' 54.88"S	128° 25' 04.34"E
GS-5	09° 29' 54.88"S	128° 25' 04.34"E
GS-6	09° 29' 54.88"S	128° 20' 04.34"E
GS-7	09° 24' 54.88"S	128° 20' 04.34"E
GS-8	09° 24' 54.88"S	128° 00' 04.34"E
GS-9	09° 29' 54.88"S	127° 53' 24.35"E
GS-10	09° 29' 54.88"S	127° 52' 34.35"E
GS-11	09° 34' 54.88"S	127° 52' 34.35"E
GS-12	09° 34' 54.88"S	127° 50' 04.35"E
GS-13	09° 37' 24.88"S	127° 50' 04.35"E
GS-14	09° 37' 24.89"S	127° 45' 04.35"E
GS-15	09° 44' 54.88"S	127° 45' 04.35"E
GS-16	09° 44' 54.88"S	127° 50' 04.35"E
GS-17	09° 47' 24.88"S	127° 50' 04.35"E
GS-18	09° 47' 24.88"S	127° 55' 04.35"E

2. The following is a depiction of the outline of the Special Regime Area and the Greater Sunrise Fields for illustrative purposes only:



ANNEX D: Transitional Provisions**Article 1: Obligations under Previous Agreements**

1. Pursuant to the terms of Article 22 of the Timor Sea Treaty and Article 27 of the International Unitisation Agreement, the Parties agree that any Petroleum Activities entered into under the terms of the Timor Sea Treaty or the International Unitisation Agreement shall continue under conditions or terms equivalent to those in place under those agreements as applicable.
2. Paragraph 1 of this Article shall apply to those Petroleum Activities undertaken or still to be undertaken pursuant to the terms of the following Production Sharing Contracts and/or licences:
 - (a) Production Sharing Contract JPDA 03-12;
 - (b) Production Sharing Contract JPDA 03-13;
 - (c) Production Sharing Contract JPDA 03-19;
 - (d) Production Sharing Contract JPDA 03-20;
 - (e) Production Sharing Contract JPDA 06-105;
 - (f) Production Sharing Contract JPDA 11-106;
 - (g) Retention Lease NT/RL2; and
 - (h) Retention Lease NT/RL4.
3. From the date of entry into force of this Treaty, the Parties agree that Timor-Leste shall receive all future upstream revenue derived from Petroleum Activities from the Bayu-Undan Gas Field and Kitan Oil Field.

Article 2: Arrangements for Existing Joint Petroleum Development Area Activities

1. The transitional arrangements for the Bayu-Undan Gas Field and the Kitan Oil Field are implemented in accordance with the Exchange of Correspondence on Bayu-Undan and Kitan Transitional Arrangements.
2. The Parties agree to maintain the fiscal regime relating to both the upstream and downstream components for the exploitation of the Bayu-Undan Gas Field, as applicable at the time this Treaty enters into force.
3. Goods and equipment leaving Australia or Timor-Leste for purposes related to Petroleum Activities relating to the Bayu-Undan Gas Field or the Kitan Oil Field shall not be subject to customs duties.
4. Nothing in this Treaty shall affect the ongoing application of commercial agreements entered into by the contractor for the Bayu-Undan Gas Field relating to the sale, transportation and/or processing of Petroleum from the Bayu-Undan Gas Field.
5. The relevant Timor-Leste statutory authority shall provide information to the Governance Board established under Article 7 of Annex B of this Treaty on an annual basis regarding the operation and decommissioning of the Bayu-Undan Gas Field and the decommissioning of the Kitan Oil Field. Such information shall include an update on progress against the relevant development plan, progress against the relevant decommissioning plan and information on any safety or environmental issues.

6. The Parties shall agree on arrangements for cooperation between their relevant regulatory authorities for the safe and efficient regulation of the Bayu-Undan Gas Field having regard to the integrated nature of the upstream and downstream component of that field.
7. The Parties shall agree on arrangements for cooperation between their relevant regulatory authorities for the purposes of the safe and efficient decommissioning of the Bayu-Undan Gas Field, including the Bayu-Undan Pipeline, consistent with terms of the Bayu-Undan Gas Field and Bayu-Undan Pipeline decommissioning plans.

Article 3: Bayu-Undan Pipeline

1. The Parties agree that Australia shall exercise exclusive jurisdiction over the Bayu-Undan Pipeline, including for the purposes of taxation. Australia has both rights and responsibilities in relation to the Bayu-Undan Pipeline.
2. The fiscal regime applicable to the Bayu-Undan Pipeline at the time this Treaty enters into force shall apply until the commencement of decommissioning in accordance with the Bayu-Undan Pipeline decommissioning plan.
3. In exercising its exclusive jurisdiction in accordance with paragraph 1, Australia shall cooperate with the relevant Timor-Leste statutory authority in relation to the Bayu-Undan Pipeline.

Article 4: Arrangements for other Existing Activities outside Joint Petroleum Development Area

1. The Parties recognise that pursuant to Articles 2 and 3 of this Treaty, the Buffalo Oil Field will be situated on the continental shelf of Timor-Leste.
2. The Parties agree that for the portion of Australian exploration permit WA-523-P, including the Buffalo Oil Field, which previously fell within the continental shelf of Australia and which now falls within the continental shelf of Timor-Leste pursuant to Article 2 of this Treaty, the security of title and any other rights held by the titleholder shall be preserved through conditions equivalent to those in place under Australian domestic law and as determined by agreement between the Parties and the titleholder.
3. Pursuant to paragraph 2 of this Article, Timor-Leste agrees that it will enter into a Production Sharing Contract with the titleholder to replace the Australian exploration permit WA-523-P in respect of that portion.
4. Timor-Leste shall indemnify Australia in respect of liability arising from an act or omission which contravenes its obligations under paragraphs 2 or 3 of this Article.
5. Upon entry into a Production Sharing Contract in accordance with paragraph 3 of this Article, the Parties affirm that Timor-Leste will not assume any liability arising out of, or in relation to, Australia's exercise of jurisdiction over the Buffalo Oil Field prior to entry into the Production Sharing Contract.

ANNEX E: Arbitration

Article 1: Institution of Proceedings

Pursuant to Article 12 of the Treaty, either Party may submit the dispute to the arbitral procedure provided for in this Annex by written notification addressed to the other Party. The notification shall be accompanied by a statement of the claim and the grounds on which it is based.

Article 2: Constitution of Arbitral Tribunal

The arbitral tribunal shall, unless the Parties agree otherwise, be constituted as follows:

- (a) it shall consist of three members;
- (b) the Party instituting the proceedings shall appoint one member. The appointment shall be included in the notification of arbitration under Article 1 of this Annex;
- (c) the other Party shall, within 30 days of receipt of the notification of arbitration, appoint one member;
- (d) the Parties shall, within 60 days of the appointment of the second arbitrator, appoint the third member who shall act as President of the tribunal;
- (e) if an appointment is not made within the time limits provided for in paragraphs (c) and (d) of this Article, either Party may request the Secretary-General of the Permanent Court of Arbitration to make the necessary appointment. If the Secretary-General is a national of either Australia or Timor-Leste or is otherwise prevented from discharging this function, the role of the appointing authority shall be carried out by the Deputy Secretary-General or by the official of the International Bureau of the Permanent Court of Arbitration next in seniority who is not a national of either Timor-Leste or Australia; and
- (f) any vacancy shall be filled in the manner prescribed for the initial appointment.

Article 3: Registry

Unless the Parties otherwise agree, the International Bureau of the Permanent Court of Arbitration shall act as registry to administer the arbitral proceedings.

Article 4: Procedure

1. The arbitral tribunal shall decide all questions in relation to its competence.
2. Unless the Parties otherwise agree, the arbitral tribunal shall determine its own procedure, assuring to each Party a full opportunity to be heard and to present its case.

Article 5: Duties of the Parties

The Parties shall facilitate the work of the arbitral tribunal and, in particular, in accordance with their law and using all means at their disposal, shall:

- (a) provide it with all relevant documents, facilities and information; and
- (b) enable it when necessary to call witnesses or experts and receive their evidence and to visit the localities to which the case relates.

Article 6: Expenses

Unless the arbitral tribunal decides otherwise because of the particular circumstances of the case, the expenses of the tribunal, including the remuneration of its members, shall be borne by the Parties in equal shares.

Article 7: Required Majority for Decisions

Decisions of the arbitral tribunal shall be taken by a majority vote of its members. The absence or abstention of one member shall not constitute a bar to the tribunal reaching a decision. In the event of an equality of votes, the President of the tribunal shall have a casting vote.

Article 8: Default of Appearance

If one of the Parties does not appear before the arbitral tribunal or fails to defend its case, the other Party may request the arbitral tribunal to continue the proceedings and to make its award. Absence of a Party or failure of a Party to defend its case shall not constitute a bar to the proceedings. Before making its award, the arbitral tribunal must satisfy itself not only that it has jurisdiction over the dispute but also that the claim is well founded in fact and law.

Article 9: Award

The award of the arbitral tribunal shall be confined to the subject-matter of the dispute and state the reasons on which it is based. It shall contain the names of the members who have participated and the date of the award. Any member of the tribunal may attach a separate or dissenting opinion to the award.

Article 10: Finality of Award

The award shall be final and without appeal. It shall be complied with by the Parties.

Article 11: Applicable Law

The arbitral tribunal shall reach its award in accordance with the terms of this Treaty and relevant international law.



PRESS RELEASE

CONCILIATION BETWEEN THE DEMOCRATIC REPUBLIC OF TIMOR-LESTE AND THE COMMONWEALTH OF AUSTRALIA

THE HAGUE, 15 OCTOBER 2017

Timor-Leste and Australia reach agreement on treaty text reflecting 30 August Comprehensive Package Agreement

Through a series of confidential meetings with the Conciliation Commission in The Hague this past week, Timor-Leste and Australia have reached agreement on the complete text of a draft treaty as anticipated in the Comprehensive Package Agreement of 30 August 2017 (the "30 August Agreement"). This draft treaty delimits the maritime boundary between them in the Timor Sea and addresses the legal status of the Greater Sunrise gas field, the establishment of a Special Regime for Greater Sunrise, a pathway to the development of the resource, and the sharing of the resulting revenue. The Parties will now pursue their domestic approval processes in order to proceed with the signing of the Treaty. In order to accelerate the Parties' engagement with the Greater Sunrise Joint Venture and to invite the Joint Venture to provide the information necessary to ensure the rapid development of the Greater Sunrise gas fields, the Parties and the Commission also met with representatives of the Joint Venture during the course of the week.

These meetings are part of a structured dialogue in the context of the conciliation between the Democratic Republic of Timor-Leste ("Timor-Leste") and the Commonwealth of Australia ("Australia") being conducted by a Conciliation Commission (the "Commission") pursuant to the UN Convention on the Law of the Sea and under the auspices of the Permanent Court of Arbitration (the "PCA").

The Parties agreed in Copenhagen that the essential elements of the 30 August Agreement were the agreement on a maritime boundary and a process of engagement leading to an early decision on the utilisation of the Greater Sunrise Resource. Having reached agreement on maritime boundaries, engagement with the Greater Sunrise Joint Venture and the development of Greater Sunrise will now become the principal focus of the Parties. To that end, the 30 August Agreement provides for the Commission to remain involved to facilitate this engagement and ensure that an informed decision is taken on the Development Concept for the Greater Sunrise field.

The Chairman of the Commission, Ambassador Peter Taksøe-Jensen, speaking on behalf of the Commission, made the following statement:

The Conciliation Commission has met regularly with the governments of Timor-Leste and Australia over the last year and has come to know their representatives very well. I can say without hesitation that, from the Commission's perspective, the meetings this week were the easiest since we began this process in the summer of 2016. The true breakthrough in these proceedings occurred in Copenhagen on 30 August of this year. This week has involved the translation of that agreement into the form of a draft treaty, and I am pleased to note that this has been done in a bilateral setting, without the need for intervention by the Commission. The Parties' engagement has been efficient and constructive.

I am encouraged regarding the spirit with which the Parties are approaching the joint development of resources. It has been a pleasure to see the governments of Timor-Leste and Australia forming a common position and standing together to ensure that the resources of the seabed are developed to the benefit of both peoples.

Next Steps

The Parties will continue to engage with the Greater Sunrise Joint Venture regarding the development of the Greater Sunrise gas field, as well as with other stakeholders with resource interests in the Timor Sea. As agreed in the Comprehensive Package Agreement, the Commission will remain engaged to facilitate this process as necessary. The parties will be meeting in Singapore before the end of November with the Commission in order to review progress on the CPA pathway to the development of the resource, and set a date for signing by the end of the year or early 2018 if satisfied with progress. There will be a further meeting between the Parties and the Commission in December 2017.

This ongoing engagement will take place in a confidential setting. In light of the implications for other stakeholders with rights or interests in the Timor Sea, the specifics of the Parties' agreement on maritime boundaries will be disclosed in a coordinated process, following consultations with affected parties.

While continuing to facilitate the Parties' engagement with the Greater Sunrise Joint Venture, the Commission will also now turn to preparing a report on the proceedings as anticipated by the UN Convention on the Law of the Sea. The Commission anticipates that this report will be finalized and made public in early 2018.

Background on the Conciliation Process

The Commission was constituted on 25 June 2016 pursuant to the procedure set out in Annex V of the Convention. The five-member Commission is chaired by H.E. Ambassador Peter Taksøe-Jensen (Denmark). The other members of the Commission are Dr. Rosalie Balkin (Australia), Judge Abdul G. Koroma (Sierra Leone), Professor Donald McRae (Canada and New Zealand), and Judge Rüdiger Wolfrum (Germany). With the agreement of the Parties, the Permanent Court of Arbitration acts as Registry in the proceedings.

These conciliation proceedings were initiated by Timor-Leste on 11 April 2016 by way of a "Notification Instituting Conciliation under Section 2 of Annex V of UNCLOS" addressed to Australia.

On 2 May 2016, Australia submitted "Australia's Response to the Notice of Conciliation".

On 28 July 2016, the Conciliation Commission held a procedural meeting with the Parties at the Peace Palace in The Hague, the Netherlands.

On 29, 30, and 31 August, the Commission convened the Opening Session of the Conciliation and a Hearing on Competence at the Peace Palace in The Hague, the Netherlands.

On 19 September 2016, the Commission rendered its Decision on Competence, finding that the Conciliation would continue.

From 10 to 13 October 2016, the Commission met with the Parties in Singapore.

On 9 January 2017, the Foreign Ministers of Timor-Leste and Australia, together with the Commission, issued a Trilateral Joint Statement on the termination of the Treaty on Certain Maritime Arrangements in the Timor Sea.

From 16 to 20 January 2017, the Commission met with the Parties in Singapore.

From 27 to 31 March 2017, the Commission met with the Parties in Washington, D.C.

From 5 to 9 June 2017, the Commission met with the Parties in Copenhagen.

From 24 to 28 July 2017, the Commission met with the Parties in Singapore.

From 28 August to 1 September 2017, the Commission met with the Parties in Copenhagen.

On 30 August 2017, the Parties reached a Comprehensive Package Agreement on the central elements of a maritime boundary delimitation between them in the Timor Sea. In addition to boundaries, the Comprehensive Package Agreement addresses the legal status of the Greater Sunrise gas field, the establishment of a Special Regime for Greater Sunrise, a pathway to the development of the resource, and the sharing of the resulting revenue.

Further information about the conciliation may be found at www.pca-cpa.org/en/cases/132/, including the full text of the Commission's Decision on Competence, earlier Press Releases, a video recording and transcript of the Opening Session, the presentations of the Parties and previous press releases and Trilateral Joint Statements.

* * *

Background on the Permanent Court of Arbitration

The Permanent Court of Arbitration is an intergovernmental organization established by the 1899 Hague Convention on the Pacific Settlement of International Disputes. The PCA has 121 Contracting Parties. Headquartered at the Peace Palace in The Hague, the Netherlands, the PCA facilitates arbitration, conciliation, fact-finding, and other dispute resolution proceedings among various combinations of States, State entities, intergovernmental organizations, and private parties. The PCA's International Bureau is currently administering 5 interstate disputes, 76 investor-State arbitrations, and 45 cases arising under contracts involving a State or other public entity. More information about the PCA can be found at www.pca-cpa.org.

Contact: Permanent Court of Arbitration
E-mail: bureau@pca-cpa.org



Ministerial Submission

FOR: Ms J Bishop MP
INFO:

Action Requested By: 12 January 2018
Reason for Urgency: Nil

Timor Sea Conciliation - Outcomes of Singapore round (12-14 December 2017)

Key Issues: s. 33(a)(iii), 33(b), 47C
[Redacted]

Recommendation:

That you:

- a) s. 47C [Redacted]
- b) [Redacted]
- c) [Redacted]

Decision:

Agreed / Not Agreed

Noted

Agreed / Not Agreed

Domestic/Media Considerations: Media continue to speculate on the outcome of the conciliation.

Action:

s. 22(1)(a)(ii)

[Redacted]

s. 47C

[Redacted]

Julie Bishop

15/1/18

Information:

Noted

From: Justin Whyatt, A/g SLA LGD / Jeremy Bruer A/g FAS SED
02 6261 2622 / 02 6261 1428

Contact: s. 22(1)(a)(ii)

Consultation: SED, AGD, DIIS



The Conciliation Commission met with Australia, Timor-Leste and the Greater Sunrise Joint Venture in Singapore from 12-14 December, s. 33(a)(iii)

s.33(b)

s. 33(a)(iii)

s. 33(a)(iii), 47C

s. 33(b)

The JV will require further technical and financial details to assess TLNG.

330k

s. 33(a)(iii), 47C and 47G

s. 33(a)(iii), 47C

s. 47C

s. 47C

s. 33(a)(iii), 47E(d)

s. 33(a)(iii), 47E(d)

s. 33(a)(iii), 47C

Ministerial Submission

FOR: Ms J Bishop MP
INFO:

Action Requested By: 16 February 2018
Reason for Urgency: Conciliation Commission meeting from 19 to 23 February 2018

Timor Sea Conciliation - Outcomes of Sydney meetings (29 January-2 February 2018)

Key Issues: s. 33(a)(iii) [redacted] s. 33(b) [redacted]
[redacted] We have confirmed 6 March in New York to sign the draft Maritime Boundaries Treaty. s. 33(b) [redacted]

Recommendations:	Decision:
That you:	
a) s. 47C [redacted]	<u>Signed / Not Signed</u>
b) Note we have confirmed you will be available to sign the draft Maritime Boundary Treaty with Timor-Leste in New York on 6 March 2018.	<u>Noted</u>
c) s. 47C [redacted]	<u>Noted</u>
d) [redacted]	<u>Noted</u>

Domestic/Media Considerations: Media continue to speculate on the outcome of the conciliation.

Action:

s. 22(1)(a)(ii) [redacted]

Julie Bishop

16/2/18

Information:

From: James Larsen, SLA LGD / Julie Heckscher, FAS SED
02 6261 3103 / 02 6261 1323

Contact: s. 22(1)(a)(ii) [redacted]

Consultation: SED, LGD, AGD, DIIS



The Conciliation Commission met Australia, Timor-Leste and the Greater Sunrise Joint Venture in Sydney from 29 January to 2 February 2018. s. 33(b)

s. 33(b)

2. s. 33(a)(iii), 47E(d)

s. 33(a)(iii), 47E(d)

s. 33(a)(iii), 47E(d)

i. 33(b)

3. s. 33(a)(iii), 47C

s. 47C

s. 33(a)(iii), 47C

s. 33(b)

s. 33(b)

4. s. 33(b)

s. 33(b)

s. 33(a)(iii),

s. 33(a)(iii), 47E(d)

5. We have confirmed with Timor-Leste, the Commission, and the Office of the United Nations Secretary-General that you will be available to sign the Maritime Boundary Treaty on 6 March in New York. We will liaise with post in New York to organise a signing ceremony, joint press conference with Timor-Leste, media engagements, and a reception. s. 33(a)(iii), 47E(d)

s. 33(a)(iii), 47E(d)

6. Prior to signing, the Department of Industry, Innovation and Science will meet affected companies operating in the Timor Sea to explain the Treaty and the protections in place for those transferring to Timorese jurisdiction. s. 33(a)(iii)

7. Australian oil and gas company Santos and South Korean energy company SK E&S wrote, respectively, to the Minister for Resources and Northern Australia and to the Conciliation Commission last week (Attachment C). Santos and SK E&S are members of the Barossa Joint Venture, which is competing with the Greater Sunrise Joint Venture to access the Darwin LNG processing plant. The companies want to ensure the decision on a development concept for Greater Sunrise does not prejudice their commercial negotiations for access to the Darwin LNG plant. s. 47C

476

s. 47C

s. 47C There is no obligation for the Darwin LNG plant to process gas from Greater Sunrise. Neither the Australian Government nor the Commission can influence these commercial negotiations.

Document 48

Document 50

Document 51

Document 64

Document 65

