

REPORT SUBMITTED TO

**Joint Standing Committee on Treaties
PARLIAMENT of AUSTRALIA**

REGARDING 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,
done at Dili on 6 March 2003**

PREPARED BY

Geoffrey A McKee

Director / Principal Petroleum Engineer

G A McKee & Associates Pty Ltd

Oil & Gas Project Development Services

E-mail gamckee@ozemail.com.au

Telephone (02) 42 942 341

Facsimile (02) 42 949 257

Mobile 0407 456 202

ABN 31 073 772 308

June 2003

TABLE OF CONTENTS

1	SUMMARY	2
2	CONCLUSIONS.....	2
3	DISCUSSION	3
3.1	Introduction	3
3.2	Political overview.....	3
3.3	Legal uncertainties.	6
3.4	Apportionment of gas production.	6
3.5	Impact on possible development plans.....	11

ABBREVIATIONS

EEZ	Exclusive Economic Zone
FLNG	Floating LNG production facility
IUA	International Unitisation Agreement (the subject of this inquiry)
UNCLOS	United Nations Convention on the Law of the Sea
JPDA	Joint Petroleum Development Area as defined by the Timor Sea Treaty
JVP	Joint Venture Partner
LNG	Liquefied Natural Gas
STP	São Tomé and Príncipe
UNTAET	United Nations Transitional Administration in East Timor

1 SUMMARY

This submission does not attempt to comment on the detailed technical content of the IUA. It is a general discussion paper aimed at adding some opportune comments to the public debate. These comments will tend to support other submissions that help to counter statements, put out by some Australian government spokespersons, that the *Timor Sea Treaty* and IUA is a product of Australia's 'generosity' towards Timor-Leste.

Some references and examples are cited to support the widely held view, especially among long-time Australian supporters of self-determination for East Timor, that Timor-Leste may have received an inequitable outcome from negotiations leading to the *Timor Sea Treaty* and associated IUA.

The expert legal overview that is mostly relied on to form the basis of general conclusions here, is a recent paper by Antunes.¹ This document has been forwarded to the Committee as an Exhibit. Though an international lawyer, Antunes appears to accept that Australian *realpolitik* is one factor that helps to explain the outcome of negotiations. The other authoritative document that is accepted on trust (since not being an expert in the matter, we would not venture to guarantee its validity) is the Lowe-Carleton-Ward legal opinion on East Timor's maritime boundaries.² The Committee members will already be familiar with this opinion (and its detractors) as it was discussed at last year's inquiry on the *Timor Sea Treaty*.

We review the recent maritime boundary negotiations of another small ex-Portuguese colony, São Tomé and Príncipe, in the oil-rich Gulf of Guinea, West Africa. This is done to provide a real-life comparison of outcomes and draw some lessons that might apply to the Timor Sea negotiations.

2 CONCLUSIONS

1. **Political overview.** Since the wording of the IUA is now a *fait accompli*, with the benefit of hindsight, one can try to understand the outcome in terms of the real determining factors. In very general terms, it might be explained as a product of East Timorese *pragmatism* necessitated by the special needs and circumstances of the new nation. It is argued this pragmatic approach was forced on the new nation by the Australian government's *realpolitik* in dealing with Indonesia, and by implication the Timor Gap and Timor-Leste.
2. **Inequitable apportionment.** The apportionment of any future production of gas from Sunrise under the agreed IUA is based on the location of the eastern lateral (or north to south) boundary of the JPDA. This boundary is identical to that agreed between Indonesia and Australia in the now superseded *Timor Gap Treaty*. When the Timor Sea Arrangement was agreed in July 2001, the East Timorese representatives appeared to have no formal and authoritative legal opinion as to where international law boundaries should

¹ Nuno Sergio Marques Antunes, "The Spatial Allocation of Continental Shelf Rights in the Timor Sea: Reflections on Maritime Delimitation and Joint Development", The Centre for Energy, Petroleum and Mineral Law and Policy (CEPMLP) Dundee University (UK), Internet Journal, Volume 13 Article 13, 2003. Available for download at <http://www.dundee.ac.uk/cepmlp/journal/html/vol13-13.html>

² "Opinion in the Matter of East Timor's Maritime Boundaries", 11 April 2002, by Vaughan Lowe, Chichele Professor of Public International Law, Oxford University, UK; Commander Chris Carleton, Admiralty Consulting Services, UK Hydrographic Office; and Dr. Christopher Ward, barrister at law, Sydney NSW Australia. Available for download at http://www.gat.com/Timor_Site/lglp.html.

be located, if different from the JPDA (former 'Zone A') boundaries. It was not until April 2002 that the Lowe-Carelton-Ward opinion was added to the public debate, indicating that the existing JPDA may be "too narrow". The Australian government immediately responded by withdrawing from UNCLOS dispute resolution procedures, suggesting that it saw the opinion as something of a threat and therefore to be neutralized through *realpolitik*. However, by this time East Timor was locked into the 20/80 apportionment of Sunrise by means of Annex E of the July 2001 *Timor Sea Arrangement*. The political fact that East Timor was not able to undo Annex E does not change perceptions and legal opinions that the apportionment of Greater Sunrise field is inequitable from Timor-Leste's perspective.

3. **Legal contradictions and uncertainties.** As a result of overlapping seabed claims, the IUA contains contradictions and uncertainties that undermine its purpose. The agreement has tried to resolve, for the time being, the future apportionment of gas production arising from a potential Sunrise development. But it appears to have created the seeds for a new kind of dispute, and that is a dispute between the parties over the *interpretation* of the agreement. There are conflicting legal opinions on whether the agreed apportionment will or will not survive a possible permanent delimitation of maritime boundaries.
4. **Impact on possible development plans.** The IUA appears to be neutral as to the gas field's development concepts. As a means of redressing the sovereignty issue, Timor-Leste may have the opportunity to influence the selection of development option and acquire LNG infrastructure benefits.

3 DISCUSSION

3.1 Introduction

In our earlier submission³ to the Committee (October 2002) we suggested some ideas for a negotiated alternative to the Sunrise IUA.

It was not known at that stage whether or not agreement would be reached between Australia and Timor Leste in relation to the proposed IUA.

The representatives of Timor-Leste have, under duress according to reports, signed the IUA but have not instituted proceedings to have the agreement ratified by their parliament.

3.2 Political overview.

There has been a feeling of disappointment amongst some stakeholders and commentators about various aspects of the Timor Sea negotiations. The Committee members will be aware of all these criticisms and judgements in numerous prior submissions made to the *Timor Sea Treaty* inquiry, and new submissions to the present inquiry. Therefore what follows is an attempt to understand the outcome in a rational way. It has been said the outcome is a result of pragmatism. Pragmatism might mean different things to different people. Some may see it as the antithesis of principles, therefore a bad thing. Others may see it as necessary for survival, and therefore a good thing. Confusion may be caused by different meanings attributed to the same word. The word is intended here to describe an assumed compromise of principles and a sacrifice of legal entitlements by Timor-Leste, in order to gain other needed

³ Submission no. 87 by G A McKee & Associates, to the Joint Standing Committee on Treaties, Parliament of Australia, regarding the Timor Sea Treaty, October 29, 2002. Downloadable from www.aph.gov.au/house/committee/jsct/timor/subs.htm

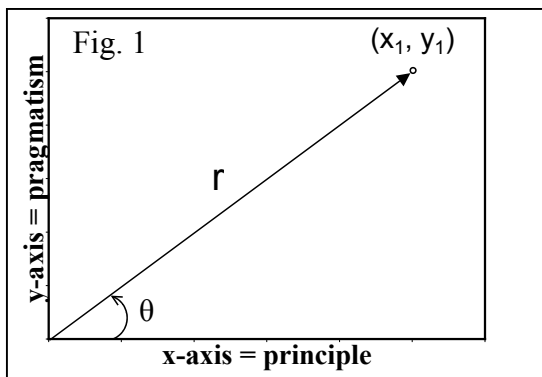
benefits. This is believed to have been the only means of Timor-Leste avoiding a permanent stalemate in negotiations with Australia. The consequences of stalemate would have been the stalling of petroleum exploration and development in the region, a delay in revenue arising from petroleum developments already underway, and the possible labeling of Timor-Leste by international investors as an 'unreliable trading partner'.

Pragmatism, in the positive sense, is a philosophical school of thought starting with the writings of William James and others at the beginning of the century. The theory applied to the branch of philosophy known as epistemology, or the attempt to clarify the methods of securing knowledge. One of the principal ideas advanced by James' theory, according to one textbook, is that

*..... no idea is satisfactory unless it works in such a way as actually to put the person who counts on the idea into harmonious relationship with reality. Although satisfaction is subjective, it can be a sign of objective truth.*⁴

Applying philosophical pragmatism to the political sphere, we might replace the word 'idea' in the above quote, to 'policy'.

An interesting inference from the above definition is that, if pragmatism is linked to satisfaction, it may be too early at this stage to arrive at a verdict on whether East Timor has in fact been pragmatic. Satisfaction levels can change with time and with different leaders. On the other hand, a solution in accordance with international law principles, if both sides can agree, stands the best chance of long-term satisfaction for the people of Timor-Leste and for the people of Australia.



A two-dimensional policy might be seen as a resultant *vector* derived from both principle and pragmatism, rather than based solely on one or the other. In Fig 1, as applied to East Timor's negotiating policy, the x-axis might represent, for example, adherence to international law entitlements. The y-axis might represent pragmatic factors such as the avoidance of stalemate and securing of economic benefits. The angle, θ , would represent the policy's 'degree of pragmatism'. The size of the resultant

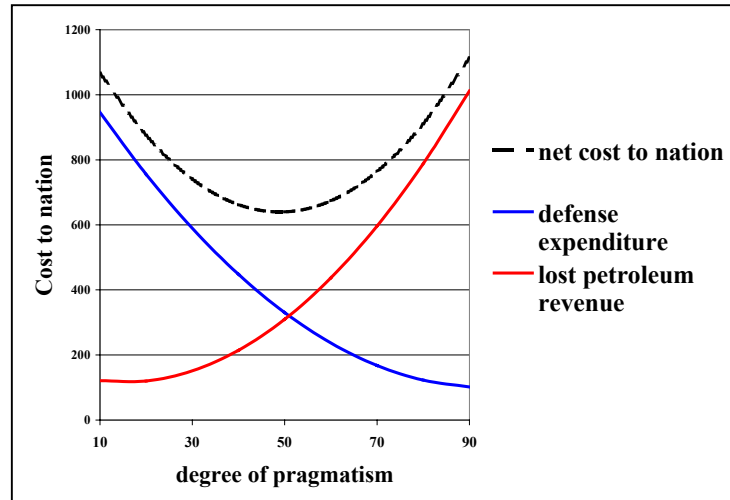
vector, r , might represent the 'force' or commitment behind the policy. The point (x_1, y_1) thus represents the negotiating 'position' that can in theory lie anywhere on the graph.

Based on this (admittedly over-simplified) two-dimensional model, we could imagine a decision analysis plot for East Timor that may have looked something like the graph on the following page. A policy could conceivably be adjusted to bring about an outcome that was thought to minimise the net overall cost to the nation. Once that outcome is achieved then benefits from new challenges might be maximized by winding down the angle of pragmatism.

⁴ Frank N. McGill (Editor), *Masterpieces of World Philosophy*, George Allen & Unwin Ltd (London), 1963

Will Australian *realpolitik* triumph?

This question was the heading of the last paragraph in an influential dossier on the *Timor Gap Treaty* published in October 1990.⁵ The question seems as valid today as it was then. So much has been written about Australian *realpolitik* in relation to its Indonesia and East Timor policy over the years since 1974, that it is accepted here as a given, not something that needs to be demonstrated. As students of politics would know, its philosophical roots go back to antiquity. The military philosopher



Clausewitz, in his treatise on the nature of war, did not accept the reality of international law as a controlling force in relations between States. He dismissed it as irrelevant in one page.⁶

At one conference on East Timor in 1995, *realpolitik* was explained as

...the practice of promoting and protecting the perceived national self-interest in international relationships in a manner and in circumstances contrary to the principles of international law. It may be implemented by a State individually or collectively through alliances. It has been a constant feature of international relations throughout history. Peace is kept between States that practice realpolitik by maintaining a balance of power, and by a system of alliances and guarantees. Shifts in the balance of power and in perceptions of self-interest generate breakdown of alliances and breach of guarantees resulting in war.

*....the principles enshrined in the United Nations Charter were developed as a means of achieving peace between States through the collective condemnation of the unilateral practice of realpolitik.*⁷

During the Timor Sea negotiations, the Australian government's *realpolitik* should have been no surprise to the East Timorese negotiators, since it is consistent with past history and behavior towards East Timor. Australia's leading and welcome military role in 1999 to rescue the territory was perceived as a "new beginning" for the Australian government's relations with the people of East Timor. However, the blow delivered by Australia in March 2002, aimed at preventing Timor-Leste from legally securing her maritime entitlements¹⁷, leads to a troubling question. Was Australia's military involvement itself a product of *realpolitik*, carried out for strategic and domestic purposes, rather than arising from altruism? There remains a disquieting sense that we do not yet know the full story.

⁵ Sasha Stapan, "Credibility Gap: Australia and Timor Gap Treaty", Australian Council for Overseas Aid, Development Dossier No. 28, published October 1990 (ISBN 0 909 831 49 1)

⁶ Martin van Creveld, "The Transformation of War" Free Press, 1991; 254 pages; ISBN 0-02-933155-2

⁷ George Ernest Lambert L.L.B (Retired Justice: Family Court of Australia); "Realpolitik v. International Law", A paper presented to an international conference "Peacemaking Initiatives for East Timor", Australian National University, 10-12 July, 1995

3.3 Legal uncertainties.

For the joint venture partners, legal and fiscal certainty and the lack of any future change is more important than the apportionment of production between Timor-Leste and Australia. As stated by one Woodside representative:-⁸

“The possibility of an open and undefined reconsideration of the terms of the IUA, caused by the renegotiation of the JPDA boundary or by the final delimitation of the borders, effectively destroys the fiscal and regulatory certainty and stability required by the JVPs. The IUA must establish the principle that the fiscal and regulatory conditions, in existence at the time the Sunrise Project is sanctioned for investment, will continue to be applied for the life of the Project.”

For Timor-Leste, it may be very important to know whether or not the IUA as it is currently worded will allow their nation to receive a greater apportionment of the gas field as an outcome of requested maritime boundary negotiations. Since Timor-Leste has signed the IUA, it is assumed their legal advice is that the wording of the IUA poses no obstacle to achieving this outcome.

However, one legal opinion from an Australian international law specialist concludes:

“Nothing in the Timor Sea Treaty would require Australia to renegotiate the unitisation of Greater Sunrise, even if a boundary delimitation placed all or most of the Greater Sunrise field under the jurisdiction of East Timor”⁹

It therefore appears that the joint venture partners are exposed to ongoing risk due to potential disputes between the state parties. The IUA may not be relied on to provide the sort of legal and fiscal certainty joint venture partners are seeking, while there remains issues of sovereignty and/or apportionment to be resolved. In view of this, and since Australia has indicated it will not consider permanent delimitation, investment decisions may have to wait until there is a second joint development zone put in place over the entire Sunrise and Troubadour fields. This will be a matter for the parliament of Timor-Leste to consider when, or if, it is asked to ratify the agreement.

3.4 Apportionment of gas production.

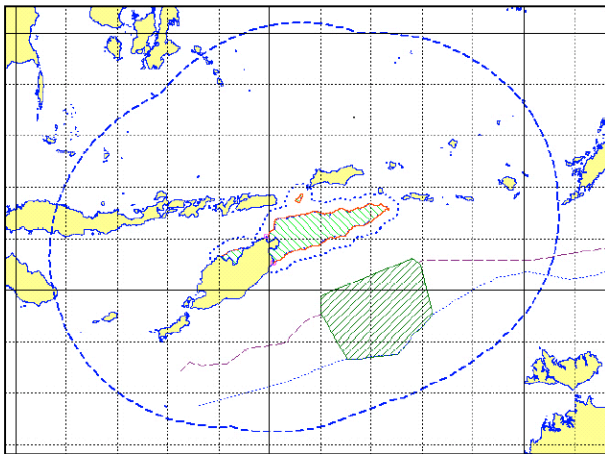
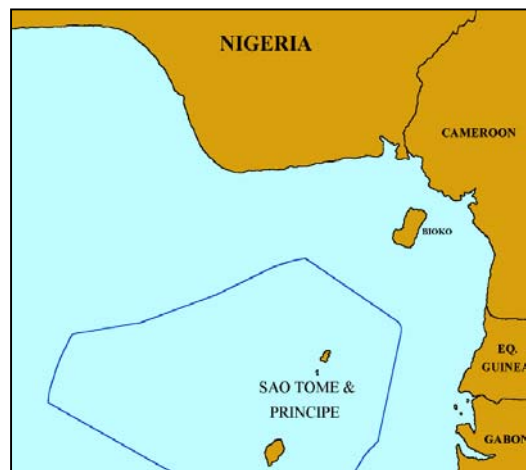
There is widespread belief that, perhaps as a result of unhappy historical circumstances and the time-constraints of existing petroleum developments, Timor-Leste has been compelled to agree to an inequitable share of future Sunrise production. This has been well documented in numerous prior submissions put before the Committee. We wish to look at how another small ex-Portuguese colony achieved, proportionally, a more favorable outcome in similar negotiations. We are referring to the maritime boundary negotiations between São Tomé & Príncipe and Nigeria that commenced in November 1999, one month after UNTAET took



⁸ Woodside Energy Ltd, Submission to Joint Standing Committee on Treaties, July 2002 (Submission no. 21).

⁹ See response to opinion of Mr. Pat Brazil, by Lowe Carleton and Ward, Submission 77.1 to JSCOT, by Deacons, 3 October, 2002

over the administration of East Timor. Due to disagreements about the “weight” that the small islands of STP would or should exert on the median line, agreement could not be reached on permanent delimitation of the overlapping EEZ claims. Six months later, on August 25, 2000 representatives decided that, since the maritime boundary talks were deadlocked, a joint development zone would be considered. After a further six months of negotiations, a formal joint development zone treaty was signed in February 2001.¹⁰ For a time-line comparison, the creation of this treaty was some six months ahead of the East Timor transitional government’s initialing of the joint development zone agreement with Australia.¹¹ The strength of STP’s negotiating position can be attributed



to the fact that the tiny country was already independent. Their parliament had created a *Maritime Claims Law* and deposited this with the United Nations in March 1998, *before* attempting to negotiate seabed entitlements with the neighboring state (see map above¹²). By contrast, Timor Leste’s *Maritime Zones Act* (see map opposite¹³) did not enter into force until three months *after* the *Timor Sea Treaty* was signed. Therefore, the negotiations with Australia were carried without legislation from their parliament that would enforce UNCLOS principles and practices. Much was left to

the abilities of the East Timorese personalities involved in order to secure an equitable outcome. Since Australia had ratified UNCLOS (as had Nigeria) it would be obliged to follow international law principles if negotiations with Timor Leste had occurred *after* a formal maritime claim had been prepared. The above map shows the extent (green hatched area) of the JPDA created on July 5, 2001 by means of the *Timor Sea Arrangement*.¹¹ Annex E of this agreement stipulated that the Greater Sunrise field would be unitised as though Australia exclusively owned that portion of the field that lay outside the JPDA boundary. East Timor was at this very early stage locked in by Australia to an agreement that was later discovered to be potentially inequitable. The formal legal opinion by, undeniably, world

¹⁰ Treaty between The Federal Republic of Nigeria and The Democratic Republic of São Tomé e Príncipe on the Joint Development of Petroleum and other Resources, in respect of Areas of the Exclusive Economic Zone of the two States, done at Abuja, 21 February 2001.

¹¹ The *Timor Sea Arrangement* was an agreement initialed on 5 July 2001 by representatives of the Transitional Government of East Timor and the Australian Commonwealth Government. It continued the joint development area based on the same lines of demarcation (not maritime boundaries) negotiated earlier between Australia and Indonesia. Under the Timor Sea Arrangement, the joint development area ZOCA or “Zone of Cooperation Area A” is renamed JPDA or “Joint Petroleum Development Area”. The *Timor Sea Arrangement* (TSA), for most practical considerations, replaced the Timor Gap Treaty. On the first day of East Timor’s official independence, at a signing ceremony in Dili, the TSA was converted into a fully-fledged treaty known as the *Timor Sea Treaty* (TST).

¹² Source: Presentation by Tajū Umar, Executive Director, Nigeria - Sao Tome & Principe Joint Development Authority, AAPG, Houston, March 13, 2002

¹³ Source: Timor Sea Fact Sheet IV, Timor Sea Office, Dili, Nov. 2002

leading authorities on maritime boundary delimitation, was not released until March 2002. This is the Lowe-Carelton-Ward opinion referred to earlier.² This opinion concerned the potential locations of East Timor's delimited eastern lateral boundary with Australia (see map below¹⁴). It suggests that, if there were a permanent delimitation under UNCLOS principles and modern case law, Timor-Leste could expect to own a significantly higher proportion of the Sunrise gas field, possibly own the entire field. The Committee would be well aware of this legal opinion as a result of the many submissions relating to it and made earlier during the inquiry on the *Timor Sea Treaty*.

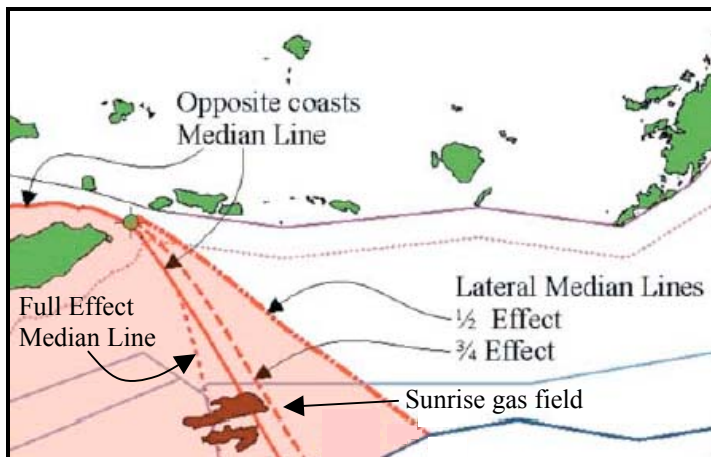
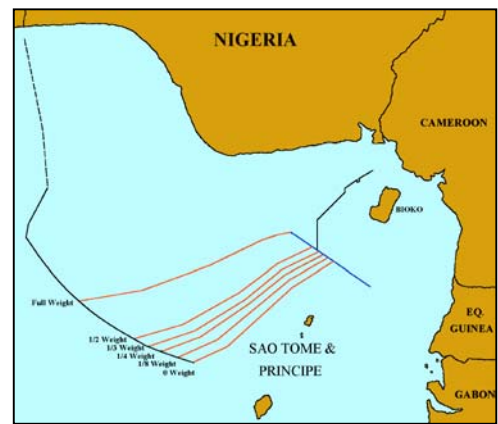


Figure opposite:

excerpt from a map prepared by Admiralty Consulting Services, U.K. Hydrographic Office, (Law of the Sea Division) April 2002

Source: refer footnote 2

The above perspective leads to some additional relevant comments and observations:

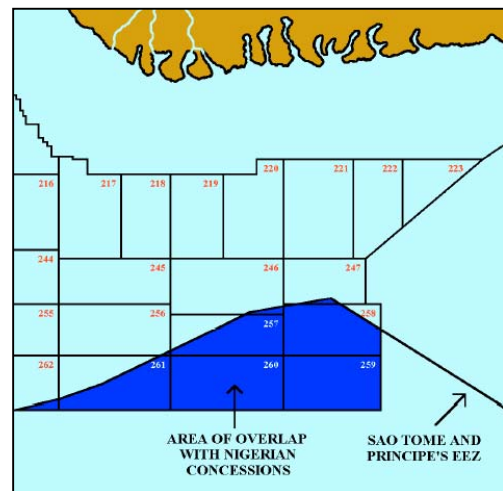
1. It was apparent that, as early as April 1999, the Australian government considered it in the national interest to “know the position” of East Timorese resistance leaders in relation to the 1989 *Timor Gap Treaty* as soon as possible. Also it was considered in the national interest that this issue should be resolved prior to independence, not after independence.¹⁵
2. The Lowe-Carlton-Ward opinion, for the first time, enabled the eastern lateral boundary of the JPDA to be better understood as a “full effect median line” created by assigning maximum possible weight to the small Indonesian islands. According to the opinion, this “full effect” boundary location would more likely than not be considered inequitable under settled international law.
3. Australia, having ratified UNCLOS, would have been obliged to subject itself to international arbitration of the dispute if and when East Timor chose to go down that route

¹⁴ Source of map showing East Timor's potential eastern lateral international law boundaries: refer footnote 2. US oil explorer Oceanic Exploration Company Inc., and its Portuguese subsidiary Petrotimor Companhia de Petroleos S.A.R.L. commissioned the opinion as a part of their legal endeavors to gain compensation for exploration rights lost as a result of the Indonesian invasion of East Timor. These companies held a pre-existing Portuguese exploration concession covering a large proportion of the Timor Sea in an area that later became known as the ‘Zone of Co-operation’ (and now ‘JPDA’).

¹⁵ See submission to the Senate Foreign Affairs, Defence and Trade References Committee, by the Office of International Law, Attorney-General's Department, 19 April, 1999. At that time BHP, the operator of the Bayu-Undan joint venture, sold out to Phillips Petroleum, due to the perceived uncertainty created by looming independence in East Timor. Soon after that time, Generals in Jakarta were plotting a “scorched earth” policy for East Timor. This illustrates the enormous pressure of *realpolitik* that the resistance leaders had to bear at that time.

in order to secure an equitable outcome. Threats to go to the ICJ had been made earlier.¹⁶

4. The release of the opinion in March 2002 coincided with Australia's unilateral withdrawal from UNCLOS dispute resolution procedures.¹⁷ The timing of this withdrawal was almost certainly linked to the release of the opinion. There would have been a calculation that the opinion was a threat to the Annex E of the *Timor Sea Arrangement*, planned for conversion to a fully-fledged treaty on May 20, the following year (on East Timor's planned independence day).
5. Several Australian experts have questioned the opinion.¹⁸ These counter-opinions have been expressed safe in the knowledge that they cannot now be tested through UNCLOS arbitration and dispute resolution procedures.
6. It is interesting to note that during the STP-Nigeria negotiations, the concept of reduced "weight" given to median lines arising from disproportionately small islands was a relevant factor in the deliberations (see map, previous page¹²)
7. It is also noted that earlier Nigerian permits overlapped STP's claimed EEZ (see map, opposite¹²). The STP-Nigeria joint development zone treaty contained a compensation package whereby STP was to receive 10,000 barrels per day of crude oil and 250 scholarships, and have an oil refinery and a deep water port built for it in exchange for Nigeria keeping jurisdiction over the most valuable overlapping permit. Oil produced in the rest of the joint zone was to be split 60:40 in Nigeria's favour. Both states ratified this treaty in February 2002. The concept of a compensation package therefore may be applicable to the Australian permits in the Timor Sea that currently overlap Timor-Leste's claimed or potential EEZ / seabed outside the JPDA (particularly with respect to permits NT/RL2 and NT02-1)
8. It is also noted that, despite the Nigeria-STP treaty having being ratified by the parliaments of both states, due to a growing non-satisfaction with the terms of the treaty, in October 2002 STP moved to have the treaty invalidated. The treaty however was satisfactorily re-negotiated by STP securing a 40% apportionment of production from the permit that was earlier subject to the compensation arrangement. This experience illustrates that, even when a joint offshore development zone treaty has been ratified by both state parties and has entered into force, it can still become unraveled and require re-



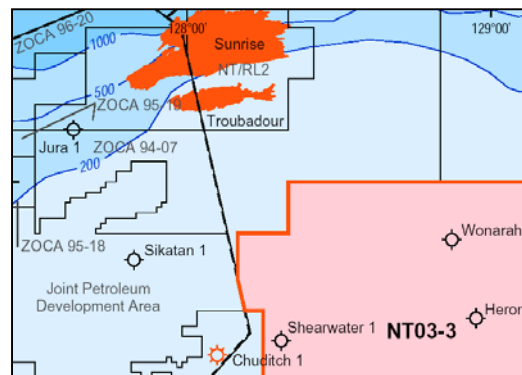
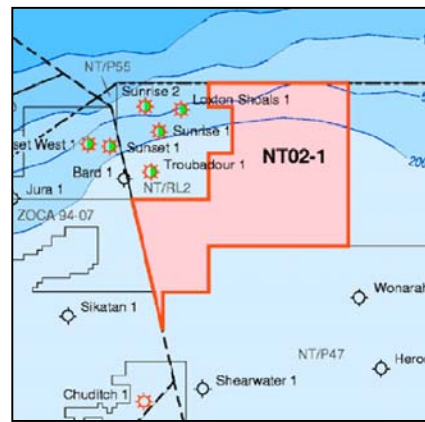
¹⁶ David Lague, "UN Court threat over Timor oil", Sydney Morning Herald, October 10, 2000.

¹⁷ "Changes to International Dispute Resolution", News Release, from the Attorney-General, the Hon. Daryl Williams AM QC MP and the Minister for Foreign Affairs, the Hon. Alexander Downer MP. 25 March 2002. The Attorney-General Daryl Williams and the Minister for Foreign Affairs Alexander Downer today announced changes to the terms upon which Australia accepts international dispute resolution mechanisms, particularly as they apply to maritime boundaries. These changes relate particularly to the International Court of Justice (ICJ) and to dispute settlement under the 1982 United Nations Convention on the Law of the Sea (UNCLOS).

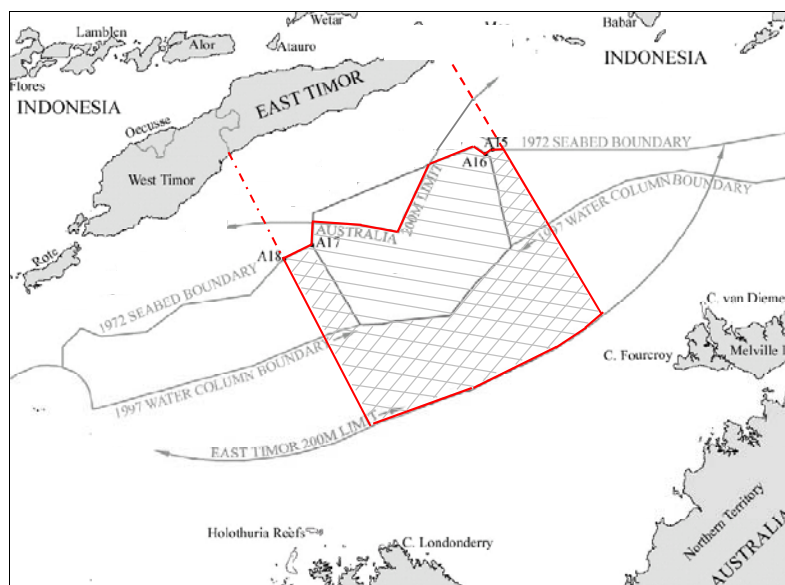
¹⁸ Refer to the submissions of Australian's Mr. Pat Brazil, Professor Victor Prescott, Professor Gillian Triggs and Mr. Dean Bialek, who all take issue with various aspects of the Lowe-Carleton-Ward opinion; Joint Standing Committee on Treaties, re Timor Sea Treaty, June 2002. The primary criticism of the Lowe-Carleton-Ward opinion is by Professor Victor Prescott, in a paper entitled "Maritime Boundaries – East Timor's boundaries with Australia and Indonesia – What is the history, what does this mean? What are the possible boundaries in the Timor Gap?"; paper presented to the JPDA 2000 conference in Melbourne, September 26-27, 2002.

negotiation when one party continues to nurse resentment against the treaty. It is argued here that to prevent this happening in the current situation, Australia will need to take pre-emptive corrective action. One form of such action would be an early and serious start to negotiations with Timor-Leste to resolve the overlapping seabed claims outside the existing JPDA.

9. The unilateral offering by Australia of new permits in the area immediately outside the JPDA but within Timor-Leste’s claimed EEZ, since the signing of the Timor Sea Treaty is considered contentious under the circumstances and would invite a protest from Timor-Leste. These permits, NT02-1 and NT03-3 are shown in the pictures opposite¹⁹.



10. The size of the agreed STP-Nigeria joint development zone was such that it included 100% of the area enclosed by each state’s overlapping full 200 nautical mile EEZ. If the same criteria had been achieved by East Timor (perhaps by Australia agreeing to be subjected to international arbitration) the additional joint development area that might be added to the existing JPDA is marked up on the drawing below.²⁰ This is entirely speculative but does show the sensitivity of outcome to differing opinions on potential maritime boundaries. This in itself illustrates why it is important to have some kind of international arbitration process where both sides can have confidence in and satisfaction with the final outcome.



¹⁹ Source: CD on new Australian permit offerings, 2002 and 2003, from Offshore Exploration, Resources Division, Dept of Industry, Tourism and Resources, Canberra ACT. Internet: www.industry.gov.au/petexp

²⁰ Source of ‘un-marked up map’: refer footnote 1.

3.5 Impact on possible development plans.

The table below gives a snapshot of the current progress made by Woodside and joint venture partners in the development of the Sunrise gas fields.²¹⁾

<u>Year</u>	<u>Design Concept</u>	<u>Concept Status</u>
1974	Discovered	“Stranded Gas”
1997/98	Onshore LNG in Darwin	No market – Asian crisis
1997/98	Australian Domestic Gas Only	Not economically viable
2001	Onshore LNG in Darwin and Domestic Gas	Not economically viable
2002	Floating LNG	Commercial Proposition (?)

Two new alternatives to Shell’s FLNG option have been discussed in the media:

- Offshore LNG facility built on a concrete gravity structure (CGS) located on nearby Tassie Shoals.²² The CGS concept at that location already has government approval.
- Onshore LNG in nearby Timor-Leste. This project was the subject of a keynote address at a recent energy & mining conference in Dili. It would bring a potential \$1.5 to \$2 billion U.S. dollars of foreign direct investment to Timor-Leste.²³

Due to the possibly inequitable nature of the IUA in relation to seabed jurisdiction, one way for Timor-Leste to redress the imbalance would be to carefully study what steps must be taken to achieve her preferred development option, namely a pipeline north and onshore LNG in Timor Leste. There would be significant hurdles to overcome in taking the necessary policy development action to encourage the option of bringing Sunrise gas ashore to Timor-Leste. If ever realized, it would elevate Timor-Leste into a select group of LNG exporting nations, with benefits proportionately much greater than those anticipated at the moment in Darwin.

The following excerpt from the Northern Territory government’s recent press release illustrates the main prize won from gas that we must not forget belongs to Timor-Leste. It could serve as a beacon to future prosperity in Timor-Leste resulting from onshore LNG.²⁴

This is the Territory's biggest ever construction project and is the largest private investment in our history - it will provide a huge boost to local employment and business opportunities," she said. "After countless hours of work by Government and the Timor Sea joint venturers, today's opening marks the start of new employment opportunities. Onshore gas from the Timor Sea is set to fuel unprecedented economic growth and with it new high-pay, high-skill jobs for Territorians.

--- oOo ---

²¹ Presentation by David Maxwell, Director, Northern Australia Gas Business Unit, Woodside Energy Ltd. "Woodside in Northern Australia and the Timor Sea", SEAAOC, Darwin, June 2002.

²² This proposal, named Timor Sea LNG Project, is designed to make joint use of the facilities proposed for the Tassie Shoal Methanol Project promoted by Methanol Australia Limited (formerly Escape3D Limited). Two new concrete gravity structures (CGS) would be required, located next to the CGS already approved for the planned Methanol Project. Note: it is speculated that ‘3D’ refers to the categorisation of Evans Shoal gas as “dirty, distant and dry” making it unprofitable for LNG production. “Dirty” means high in CO₂ and “dry” means low in valuable natural gas liquids.

²³ "Timor-Leste as an LNG Exporter: Why Not?", keynote address by John F. Imle, Jr., Energy Consultant; at Energy and Mineral Resources Conference "Opportunities & Challenges for the Oil & Gas and Mining Sectors in Timor-Leste", Hotel Timor, Dili, 5-7 March 2003 (organised by UNMISSET, Dili).

²⁴ Northern Territory Government, “Bechtel recruitment centre opens for business”, Media Releases, 18 June 2003. Chief Minister, Clare Martin, said that more than a 1000 people would be hired during the 3-year construction phase building the \$3 billion pipeline and Darwin LNG plant project.