



Submission No 31

Inquiry into Australia's Relationship with Timor-Leste

Name: Mr Peter Clough

Organisation: Woodside Energy Ltd on behalf of the Sunrise Joint Venture including ConocoPhillips STL Pty Ltd, Shell Development (Australia) Pty Ltd, and Osaka Gas Australia Pty Ltd

Mr John Carter
Foreign Affairs Sub-committee Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade
PO Box 6021, Parliament House
Canberra ACT 2600

28 March 2013

Dear John,

Thank you for your letter dated 7 February 2013, concerning the Joint Standing Committee on Foreign Affairs, Defence and Trade (JSCFADT) Inquiry into Australia's relationship with Timor-Leste and the invitation to prepare a public submission.

The Sunrise Joint Venture, which consists of Woodside Energy Ltd, ConocoPhillips STL Pty Ltd, Shell Development (Australia) Pty Ltd, and Osaka Gas Australia Pty Ltd, recognises the importance of the relationship between Australia and Timor-Leste with regards to bilateral relations and specifically, their joint resource, the Greater Sunrise fields.

The Sunrise Joint Venture holds regular engagements with both the Australian and Timor-Leste Governments separately and in joint forums, such as the Sunrise Commission.

Please find enclosed an overview of our activities with regards to the Greater Sunrise fields, which is of relevance to this Inquiry.

Should the JSCFADT require further information, please let me know and Woodside, on behalf of the Sunrise Joint Venture, will coordinate a response.

This submission is made by Woodside on behalf of the Sunrise Joint Venture including ConocoPhillips STL Pty Ltd, Shell Development (Australia) Pty Ltd and Osaka Gas Australia Pty Ltd. These Joint Venture participants may also provide independent submissions.

Yours sincerely



Peter Clough
Government Affairs Manager

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Sunrise Joint Venture Submission

Information relevant to the Joint Standing Committee on Foreign Affairs, Defence and Trade Inquiry into Australia's Relationship with Timor-Leste

Background

The Greater Sunrise fields are located approximately 450 kilometres north of Australia and approximately 150 kilometres southeast of Timor-Leste.

The Greater Sunrise fields are contained within four petroleum titles:

- Retention Leases NT/RL2 and NT/RL4, issued under the Australian Offshore Petroleum and Greenhouse Gas Storage Act (OPGGSA).
- PSC 03-19 and PSC 03-20, issued under the Timor Sea Treaty (TST) and Interim Petroleum Mining Code of the Joint Petroleum Development Area (JPDA).

The JPDA was established by the TST between Australia and Timor-Leste and came into force in April 2003. The Greater Sunrise International Unitisation Agreement (IUA) was signed by Australia and Timor-Leste on 6 March 2003 and unitises the Greater Sunrise fields under the two jurisdictions for production and apportionment purposes. The Treaty on Certain Maritime Arrangements in the Timor Sea (CMATS) was signed on 12 January 2006 by Australia and Timor-Leste.

The TST, the IUA and CMATS provide a regulatory regime under which the Sunrise development can be progressed from a unitised Greater Sunrise reservoir. Both CMATS and the IUA were ratified in 2007.

Current Status

Woodside, the Sunrise Joint Venture, and the governments of Timor-Leste and Australia are aligned in their desire to develop the Greater Sunrise fields.

There is a window of opportunity to reach agreement on the development during 2013. Although recent engagements do not represent any agreement at this stage, we continue to build on dialogue and develop common ground with both governments to agree a way forward. Through ongoing dialogue, we believe there is an opportunity to agree on a development which satisfies the key requirements of the commercial and government parties.

During 2012 the Sunrise Joint Venture held a number of discussions with the Timor-Leste Government and participated in technical workshops. The Sunrise Joint Venture also participated in a workshop with both the Australian and Timor-Leste Sunrise Commissioners in 2012. The workshop covered a range of commercial, technical, legal and political matters related to Greater Sunrise development.

Further engagement with both governments has been agreed and will occur during 2013. Further technical engagements have already taken place in 2013. We want to continue to work collaboratively and expand our level of engagement on all elements of the development.

Importance of the development of Sunrise to Timor-Leste and Australia

The Sunrise Joint Venture recognises the importance of the development of the Greater Sunrise fields to both Timor-Leste and Australia and given current conditions it is now time to progress the development.

The development of the Greater Sunrise fields has the ability to provide a stable and significant cash flow over the life of the field to both Timor-Leste and Australia.

In relation to Timor-Leste the development of the Greater Sunrise fields would provide a step change in government revenue and would provide substantial assistance to the Government of Timor-Leste in its development of national infrastructure and human resources.

The development would also deliver a significant social return to both Timor-Leste and Australia through associated local content and investment in capacity building and, education and training initiatives.

We are committed to continuing to seek opportunities for both Timorese and Australian people to benefit from the development of Greater Sunrise and we would like to work with both the Timor-Leste and Australian governments to identify specific opportunities to create sustainable economic growth for both countries.

In order to proceed with any large capital investment, investors require certainty and transparency over the investment framework within which they will operate. The treaties, titles and associated project agreements provide the framework, and the honouring of these agreements provides the certainty to investors, of a regime that will be stable and predictable over the life of the investment and therefore enable the necessary final investment decision.

Differences in stakeholder interpretation of the treaties have resulted in the development being unable to secure government approvals of a common development concept. Differences of interpretation do occur but long periods of time without resolution can cast doubt on not only the large initial investment of capital, but also the stability of the investment regime in future years.

Through ongoing dialogue and focusing on building a better understanding of the commercial and government parties' key requirements, solutions will be identified which include a common development concept, associated support infrastructure and agreed interpretation of existing agreements that meet commercial and government parties' key requirements.

Alignment between Australia and Timor-Leste on the structure and administration of the applicable investment framework and a common interpretation of that framework by all stakeholders will build the stable and predictable governance regime required to attract investment now and in the future. This will lead to stronger relationships and delivery of significant benefits to commercial and government parties.

Sunrise Joint Venture Social Investment Program

Since 2008, the Sunrise Joint Venture has spent approximately A\$2.6 million on social development and is committed to continuing our program of meaningful social investment.

Our current social investment program focuses on:

- Developing capability (through education and training initiatives)
- Supporting health and wellbeing
- Connecting, engaging and building relationships with communities.

We also place a strong emphasis on supporting initiatives which help local organisations to develop skills and resources to deliver services that in turn develop capabilities and contribute to the health and wellbeing of communities.

Sunrise Joint Venture Social Investment Initiatives

Examples of social investment and sponsorship initiatives supported by the Sunrise Joint Venture in 2012 include:

- The Instituto Catolico para Formacao Professores Baucau Timor-Leste (ICFP) Teacher Training College "Baucau Teachers College":
 - The Master of Education program aims to enhance the delivery of teacher training and contribute to a better quality of education and training opportunities across Timor-Leste.
- Ba Futuru ('For the Future'):
 - The early childhood education initiative includes the construction of an early childhood development centre and training for Timorese early childhood educators.
- Hamutuk Ita Ajuda Malu Health:
 - The Home Kitchen Garden initiative focuses on improving the health and wellbeing of families and communities by educating the parents of malnourished children on nutrition, health and growing fruits and vegetables sustainably.
- Dili 'City of Peace' Marathon:
 - The Sunrise Joint Venture has sponsored the marathon since 2010. The marathon represents international friendship and athletic excellence in Timor-Leste and attracts up to 10,000 entrants each year.
 - Sponsorship also included funding support for the Timor-Leste National Long Distance Running Squad, assisting two team members to qualify for the 2012 London Olympics.
- Rotary Youth Leadership Award:
 - The week-long live in camp provides Timorese young professionals with presentations and practical exercises designed to enhance leadership skills and a network of peers and mentors.
- 1st International Congress of Geology:
 - Students of geology, interested individuals and organisations came together to promote and support technical capability development in Timor-Leste.
 - The Sunrise Joint Venture contributed by supplying printed books and papers for all participants.

Community engagement

The continued development of the Sunrise Joint Venture's Social Investment Program has allowed the Sunrise Joint Venture to achieve an increased level of community engagement in Timor-Leste. This engagement has allowed our network of stakeholders to increase and has facilitated the dissemination and free exchange of information.

Employment of Timor-Leste Nationals

At this stage of the development and in the capacity of a non-producing asset, the Sunrise Joint Venture has a modest local office in Dili, the capital of Timor-Leste.

At the time that this submission was prepared, the Dili office consists of four personnel (staff/contractors) and one new position yet to be filled:

- One administrative assistant (Timor-Leste National) (commenced first half of 2008);
- One driver/logistics (Timor-Leste National) (commenced in August 2008);
- One in country manager (position maintained since November 2007);
- One part time cleaner (Timor-Leste National) (commenced August 2010); and
- One Community Relations Adviser (new role) (Timor-Leste National).

The creation of the new Community Relations Adviser position further demonstrates the Sunrise Joint Venture's commitment to continuing our program of meaningful social investment, by focusing on connecting, engaging and building relationships with communities.

People

The Sunrise Joint Venture remains focused on increasing our level of engagement with all relevant stakeholders in both Timor-Leste and Australia. This engagement aims to increase the awareness of the issues surrounding the Sunrise development, to further develop our understanding of the issues of importance to all stakeholders and to progress the development of the Greater Sunrise fields.

Government engagement

During 2012 the Sunrise Joint Venture held a number of discussions with the Timor-Leste Government and participated in technical workshops. The Sunrise Joint Venture also participated in a workshop with both the Australian and Timor-Leste Sunrise Commissioners in 2012. The workshop covered a range of commercial, technical, legal and political matters related to Greater Sunrise development.

Further engagement with both governments has been agreed and will occur during 2013. Further technical engagements have already taken place in 2013. We want to continue to work collaboratively and expand our level of engagement on all elements of the development.

Conclusion

As noted above, the potential benefits of the development of the Greater Sunrise fields to all stakeholders are significant. The Joint Venture has undertaken investment in social development programs in Timor-Leste that indicate a desire and commitment to assist the people of Timor-Leste. The Joint Venture respects the right of the Timor-Leste Government and its peoples to benefit from the development of Greater Sunrise.

Commercial and government parties should now focus on building a stronger understanding of each other's key requirements in order to reach a common interpretation of an agreement which allows the development to proceed and the benefits realised.

Alignment between all stakeholders will build a stable and predictable governance regime which is required to attract investment now and in the future. This will lead to stronger relationships and delivery of significant benefits to all parties.

NOTE: This submission is made by Woodside Energy Ltd on behalf of the Sunrise Joint Venture including ConocoPhillips STL Pty Ltd, Shell Development (Australia) Pty Ltd, and Osaka Gas Australia Pty Ltd. These Joint Venture participants may also provide independent submissions.