

**Annex 28:**  
**Treaty signed by the Parties on 6 March 2018**

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

THE GOVERNMENT OF THE DEMOCRATIC REPUBLIC OF TIMOR-LESTE (**Timor-Leste**) and THE GOVERNMENT OF AUSTRALIA (**Australia**) (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 Timor-Leste and Australia 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 Timor-Leste and Australia;

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 Timor-Leste and Australia from the establishment of a stable long-term basis for Petroleum Activities in the area of seabed between Timor-Leste and Australia;

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; andincludes 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, the World Geodetic System 1984 shall be deemed equivalent to the 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 Timor-Leste and Australia 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 Timor-Leste and Australia 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 Timor-Leste and Australia 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 this Treaty are not separable in any circumstances, and each provision of this Treaty constitutes an essential basis of the Parties' agreement to be bound by this 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 Timor-Leste and Australia 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 New York, on this sixth day of March, two thousand and eighteen, in two counterparts in English and Portuguese. In the event of a discrepancy, the English language version shall prevail.

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His Excellency Hermenegildo Augusto Cabral Pereira

Minister in the Office of the Prime Minister for the Delimitation of Borders and the Agent in the Conciliation  
For the Government of the Democratic Republic of Timor-Leste

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The Hon Julie Bishop MP

Minister for Foreign Affairs

For the Government of Australia

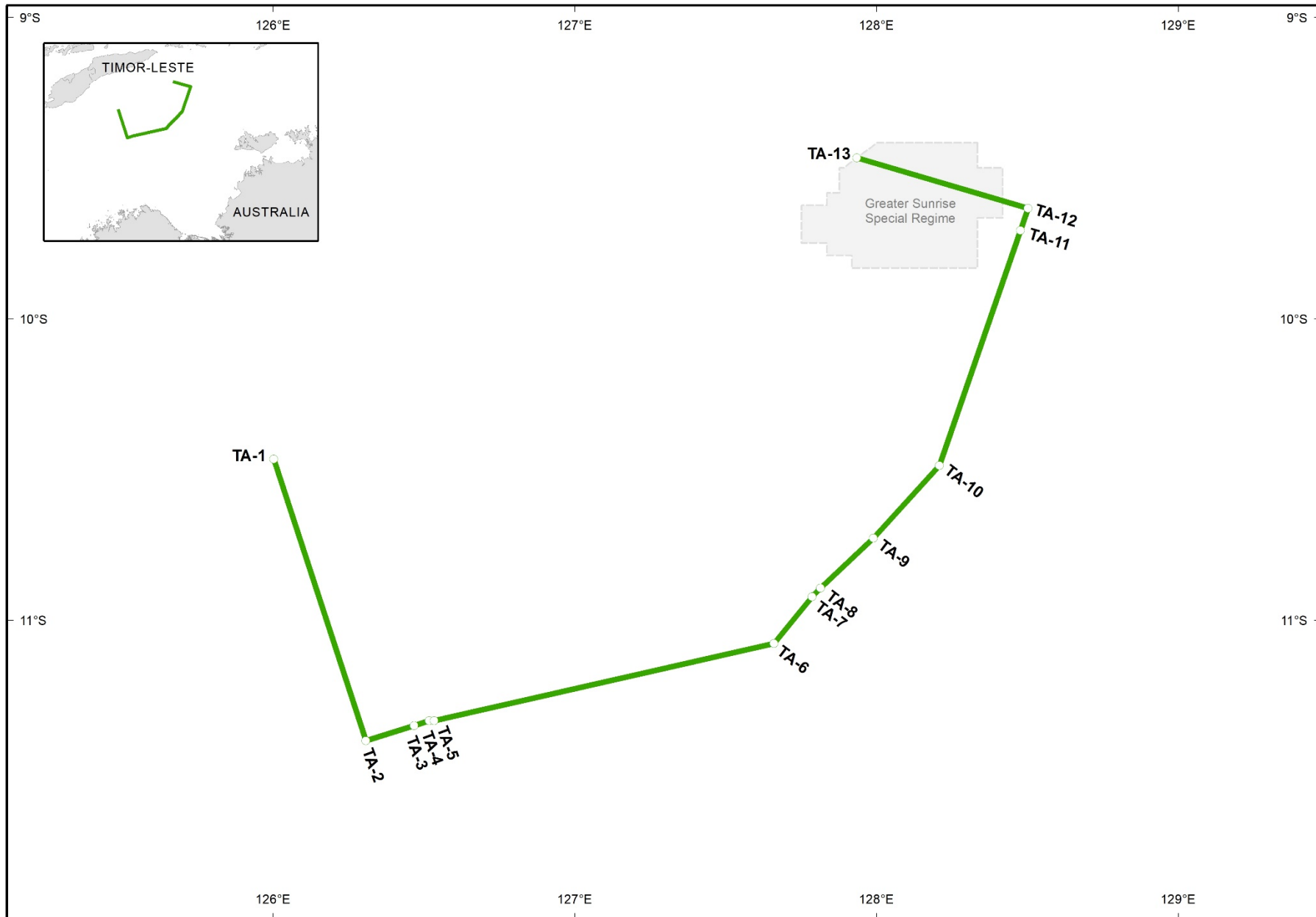
IN THE PRESENCE OF the Chair of the Conciliation Commission,

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His Excellency Ambassador Peter Taksøe-Jensen

Signed in the presence of the Secretary-General of the United Nations, His Excellency António Manuel de Oliveira Guterres.

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. Timor-Leste and Australia 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 70 per cent to Timor-Leste and 30 per cent to Australia in the event that the Greater Sunrise Fields are developed by means of a Pipeline to Timor-Leste; or
  - (b) in the ratio of 80 per cent to Timor-Leste and 20 per cent to Australia 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 Timor-Leste and Australia 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 this 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 Timor-Leste and Australia;
- (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 two representatives appointed by Timor-Leste and one representative appointed by Australia. 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 5 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 a 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 Timor-Leste and Australia 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 Timor-Leste shall be under the exclusive jurisdiction of Timor-Leste. A Pipeline which commences within the Special Regime Area and lands in the territory of Australia shall be under the exclusive jurisdiction of Australia. The Party exercising exclusive jurisdiction has both rights and responsibilities in relation to the Pipeline.
2. The Party exercising exclusive jurisdiction under paragraph 1 of this Article 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 Timor-Leste has exclusive jurisdiction over the Pipeline, it shall consult with Australia over access to the Pipeline. If Australia has exclusive jurisdiction over the pipeline, it shall consult with Timor-Leste 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, Timor-Leste and Australia 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 Migration**

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 Timor-Leste or Australia, that persons, equipment and goods do not enter Special Regime Installations without first entering Timor-Leste or Australia, and that their employees and the employees of their subcontractors are authorised by the Designated Authority to enter the Special Regime Area.
3. Timor-Leste and Australia 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 Timor-Leste or Australia 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 Timor-Leste or Australia 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 Timor-Leste or Australia 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 Timor-Leste or Australia shall under the law of both Timor-Leste and Australia 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 Timor-Leste or Australia 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 Timor-Leste or Australia 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 Timor-Leste or Australia, shall be subject to the criminal law of both Timor-Leste and Australia 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 Timor-Leste or Australia 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, Timor-Leste and Australia 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. Timor-Leste and Australia 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 Timor-Leste and Australia 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. Timor-Leste and Australia 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 Timor-Leste and Australia.

#### **Article 23: Duration of the Greater Sunrise Special Regime**

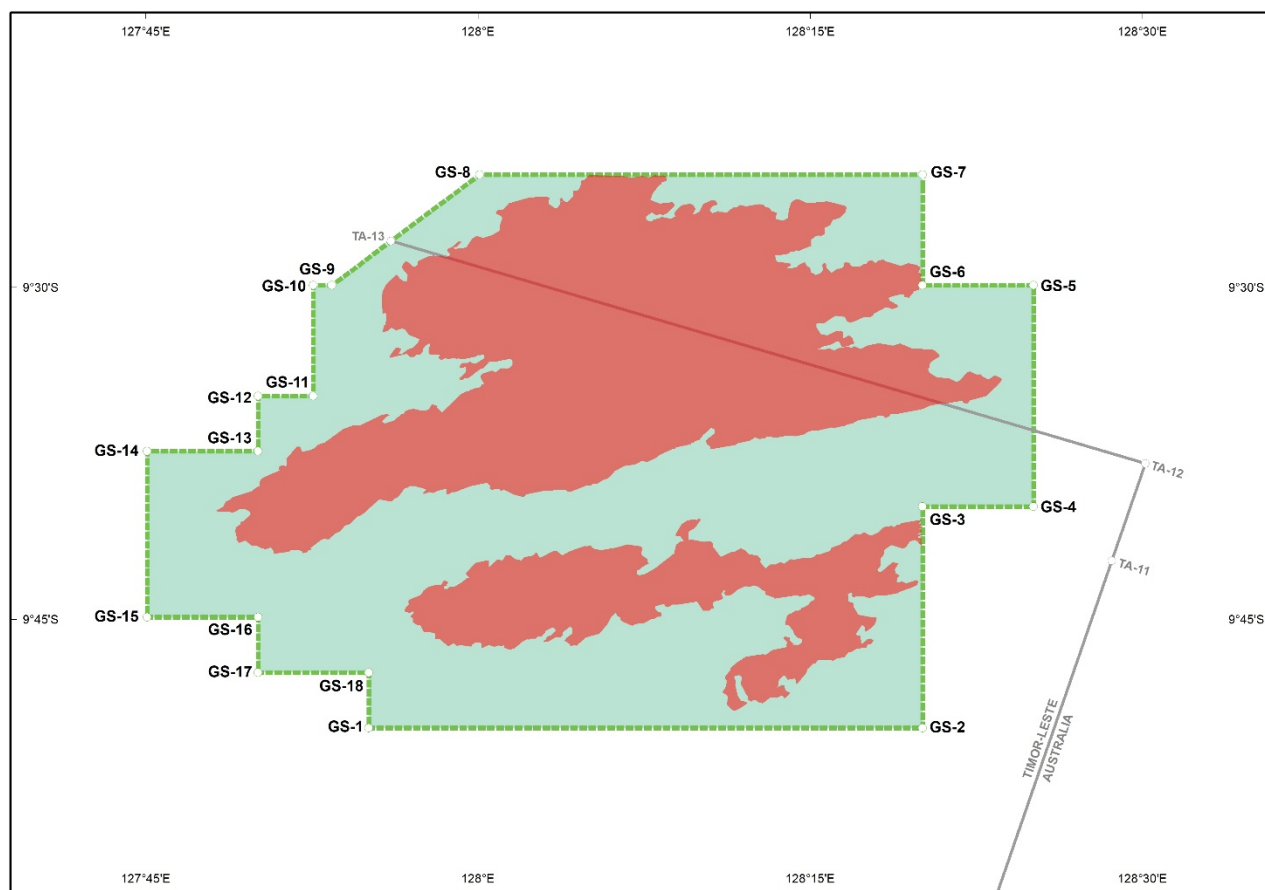
1. The Greater Sunrise Special Regime shall cease to be in force following the Commercial Depletion of the Greater Sunrise Fields.
2. The Parties shall confirm their common understanding that the Greater Sunrise Fields have been commercially depleted and that the Greater Sunrise Special Regime has ceased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

## ANNEX C: Special Regime Area

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

Point	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

- 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 Timor-Leste or Australia 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 this 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 Timor-Leste or Australia 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.