

RECENT DEVELOPMENTS

COMMONWEALTH*

TIMOR SEA GAS DEVELOPMENT ACCELERATES: TIMOR GAP TREATY

A reorganisation announced in February of the ownership of the Timor Sea gas reserves, including in the Zone of Cooperation set up by the 1989 Treaty between Australia and Indonesia, has paved the way to early development of gas and LNG production. The reorganization will also provide an early revenue stream for the new government of East Timor from 2004. The principles agreed upon by the three companies concerned (Phillips Petroleum, Shell and Woodside) cover supply of gas and marketing of LNG pipeline infrastructure and field optimisation. Production beginning from Bayu Undan in 2004 is proposed in order to supply domestic customers in the Northern Territory and Southern and Eastern Australia, with Greater Sunrise production beginning in 2006. There will be competition between the participants in relation to domestic markets.

A major development in relation to LNG production has already emerged with Phillips securing a letter of intent with the US energy group El Paso for the annual supply of 4.8 million tonnes of liquefied natural gas starting in 2005 and running for at least 20 years. The LNG plant will be located at Darwin.

Revenue from the Zone of Cooperation is subject to royalty and tax sharing between Australia and East Timor under the Zone of Cooperation Agreement, now being recast to take account of East Timor's independence. The main issue to be settled appears to be the formula for sharing, which under the agreement with Indonesia was set at 50/50.

UNIFORM CAPITAL ALLOWANCE

The Treasurer, the Hon. Peter Costello, has confirmed his statement on 18 December last year that under the proposed Uniform Capital Allowance (UCA) legislation, the existing deduction for the cost of assets used in exploration and prospecting will be retained. The UCA Bill could be introduced into the Parliament early in the May Budget session.

NEW SOUTH WALES

*MINING AND PETROLEUM LEGISLATION AMENDMENT ACT 2000**

The *Mining and Petroleum Legislation Amendment Act 2000* (NSW) (*MPLA Act*) received royal assent on 8 December 2000 and came into force on 22 December 2000. It amends the provisions of

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