

Training Purposes only

C o n f i d e n t i a l

Tasmania eyes only



State of Tasmania

BRIEFING DOCUMENT

Tasmania vs Victoria

TASMANIA BRIEFING

Republic of Victoria v. Tasmania:

Background Scenario

1. Regional

Victoria is a large and wealthy mainland State. To the south of Victoria lies the archipelagic State of Tasmania and to the southeast lies the large independent State of Hurd Island.

Hurd is a well developed industrial State that enjoys good relations with Victoria with many shared interests and ventures as major powers in the southern Pacific. Hurd and Victoria gained independence from UK in the early 1950s and began discussing a continental shelf boundary that was finally agreed in 1973.

Tasmania is separated from Victoria by Bass Strait, a dangerous waterway for the unwary and a fairly busy strait used mainly by vessels from the western ports of Victoria taking passage east to the Americas. Victoria and Tasmania have been locked in a difficult series of boundary negotiations that have reached an impasse with intractable differences and Tasmania has instigated arbitration.

2. Victoria

The Republic of Victoria (population c. 12 million) is a large continental State with a well developed, diverse economy and a liberal democracy. The main influence economically and politically in the area, Victoria is a member of the British Commonwealth and a former colony that gained independence in the early 1950s.

Off the south coast of Victoria lies the large dependent island of King Island, situated at the western entrance to Bass Strait. Further to the east, south from South East Point, are a number of small islands extending southeast from the coast towards the north-eastern extremities of Tasmania in the Furneaux Island group. The Victorian islands are popular holiday resorts, particularly the Kent Group; Deal Island sports a sizable airport built on reclaimed land extending to the south of the island.

2.1 Baselines

Victoria is a signatory to UNCLOS and uses a normal baseline for the definition of maritime spaces and boundaries. There has been some talk about establishing a straight baseline on the south coast to enclose the many small island possessions in Bass Strait, extending out to the Kent Group, but nothing was done to put legislation in place.

2.2 King Island

King Island lies at the western entrance to Bass Strait. Although a little closer to Tasmania, is administered as a dependency of Victoria. The island has a population of about 3,000. It is about 60km long, rocky but low relief. There are two small settlements: Currie on the west coast and Grassy in the south. The first settlers from Victoria in the 1800s, officially nomadic sealers, were mainly occupied in salvage from nearly 60 vessels wrecked round the coast, after which many of the capes and points are named. Some of the bays and rivers are named after the 19th Century whalers and sealers. King Island and the shoals to the southeast towards Tasmania are good fisheries. In the late 19th and early 20th Centuries, a significant number of Tasmanian fishermen and their families settled on the island. The islanders are hardworking and not politically minded; they have more in common culturally and politically with Tasmania than Victoria.

At one time King Island was the largest producer in the world of scheelite from which tungsten is refined, the ore being mined from open cuts; the mines are now closed.

There is regular communication by sea with Tasmania and Victoria. Commercial vessels call at Grassy Harbour on the southeast coast of the island, and there is a navigational passage through the strait into the Bass Strait (although the main shipping route is north of the island). Small vessels may call at Currie on the west coast, the principal town of the island, but during westerly winds when berthing here is not possible they berth at Naracoopa Jetty on the east coast.

A number of small rocks and islands of undisputed sovereignty, lie between Wilsons Promontory on the south coast of Victoria and the Furneaux Group islands on the northeast coast of Tasmania.

2.3 Oil Industry

Victoria has a long and well-established oil industry off its southeast coast, in the Bass Basin. Production started in the 1970s but is now in steady decline. There are 15 producing platforms, interconnected with a pipeline network. There is a landfall and processing facilities at Lakes Entrance. All of the oil licensing activities to date in the area have been to the west of the 1973 Hurd-Victoria treaty line (see further details below) and to the north of the Victoria-Tasmania median line.

Exploration in the Bass Basin declined during the 1990s following major deep-water discoveries and a switch in emphasis to the northwest coast of Victoria. However the recent high oil price has re-focused operators' attention upon the Bass Basin.

2.4 Fishing

Fishing is not a major priority for Victoria. A small fleet operates out of Grassy Harbour on King Island but most of the population there are of Tasmanian extraction. A small fleet of a dozen vessels of Tasmanian design, equipped with small ice holds, operates out of the Hogan Islands. The fleet fishes year-round in the region of Barramundi and Trevally Banks (largely for elephant fish, but also for tuna when in season). It also fishes regularly in areas to the north and west of the Hogan Islands, where catches are equally plentiful. The crews aboard the Victorian vessels are mostly Tasmanian immigrants and many of the vessels are financed in part by Tasmanian family enterprises.

The few fishermen on mainland Victoria fish from small day boats within sight of the coast. Early-20th Century efforts by the British colonial administration to encourage ocean-going fishing activities by mainland Victorians, including in areas traditionally fished by Tasmanian fishermen, were of only limited success given the Victorians' traditional fear of the sea.

2.5 Politics

With a long history of labour governments that have moved steadily towards the centre, Victoria has a stable government and is a major political player in the region. In spite of socialist tendencies in the government, the country remains conservative towards radical change.

3. Tasmania

3.1 Political and Economic

The State of Tasmania (population c. 500,000) declared independence from the Netherlands in 1952, following over 300 years of colonial administration by that State. It is a small and relatively poor island, with high unemployment and an economy based mainly on fishing and agriculture. Tasmania has some potential to develop tourism, but few other resources. Historically, farmers and fishermen have held sway in government and have been guilty of a conservative and unimaginative approach to development of other resources, particularly industrial interests. This has caused increasing friction with emerging, more radical domestic opinion that Tasmania should try to cooperate with Victoria in developing bio-fuel technology and growing much larger acreages of rape seed oil. In recent years, the emerging evidence of possible natural oil and gas resources in the vicinity of the rich fisheries off the northeast coast has become a highly contentious issue within Tasmania, with many accusing the government of suppressing this potential bonanza under pressure from the fishing lobby.

Recently elected left of centre government has dynamic leadership that is trying to appease the conservative instincts of farming and fishing and lead the country to develop more lucrative revenue streams and trying to raise its prestige as a regional player.

During the early part of negotiations (under the previous Tasmanian government), Tasmania's priority was to safeguard the future of Tasmanian fishing grounds around Barramundi and Trevally Banks. This was in part due to the strong influence exercised by Tasmanian fishing unions over the previous Tasmanian government. The new government is more interested in the potentially far more lucrative oilfields

of the Cook Shelf and Hurd Shelf. The new government is not tied in any way to the Tasmanian fishing unions, although it is conscious of the importance of fisheries to significant communities on Flinders Island and elsewhere in northeast Tasmania. Nevertheless, the new Prime Minister has identified access to the oilfields as the new priority in the delimitation, with a view to developing Tasmania's rudimentary oil sector and securing the long-term wealth and development of the nation.

3.2 Baselines

Tasmania is an archipelagic State, declared in 1992, with a published archipelagic baseline (ABL). It is a party to UNCLOS. The ABL achieves a ratio of 1:1 between sea and land but the ABL did raise a few eyebrows when declared as it relies heavily on small island features to the south of the main island. Through Bass Strait, Tasmania's ABL is best described as maximalist and, although Victoria's view of this is somewhat critical, no specific protests on the ABL are recorded by any States in the region. The US State Department is on record as criticising the ABL as excessive and as doubting the validity of Tasmania's claim to archipelagic status but has not officially protested. The ABL is described in detail in the accompanying "sailing directions" fact sheet. Tasmania has adopted the position during negotiations that the ABL and any intermediate points along these straight lines are valid base points for determination of both the 12M territorial sea limit and any calculated median line.

3.3 Fishing & Agriculture

The main island of Tasmania is of temperate climate, with fertile and productive farmland and a renowned reputation for dairy cattle and the manufacture of associated products. The State relies heavily on a productive and well managed fishery on the northeast coast through the Flinders group and out to the north. The fishery is estimated by the UN's Food and Agriculture Organisation (FAO) to employ around 10,000 people, including a large number of fish boners, processors and vendors in numerous fishing communities on Flinders Island and the northeast coast of Tasmania.

Tasmania has traditionally (since at least the late 19th Century) fished Trevally Bank at the northeast entrance to Bass Strait. Victoria's tiny Fisheries Ministry is aware that

this activity strays westwards onto Barramundi Bank at certain times of the year (primarily October to December and June to July) as the Tasmanian fishermen follow migratory shoals of tuna. Victoria objects periodically but, with little interest in the fisheries income, Victoria is otherwise generally tolerant of these transgressions. The Victorian protests are mildly worded and there is no activity from Victoria to enforce any jurisdiction over fisheries on the banks.

Historically, particularly in the late 19th Century and early 20th Century, Tasmanian fishermen used Elephant Island as a seasonal base for their activities on Barramundi Bank, at one stage even building an ice house and small fish cannery on the island. The fishing activities were undertaken by schooner vessels that were around 20 feet long and crewed by three or four fishermen. However, these activities died out in the 1950s following Victorian independence and assertion of sovereignty over the island (which has not been disputed by Tasmania and is not at issue in the present proceedings). After a short lull (of around 10 years), Tasmanian fishing activities recommenced over the Barramundi Bank as a result of technical advances allowing Tasmanian boats to increase their fishing range from Tasmanian fishing ports on Flinders Island. The Tasmanian boats currently fishing in the region of Trevally Bank and Barramundi Bank are “longliners” of up to 30 feet long that fish largely using lines and hooks and store their catch in small ice holds. The boats are generally family-owned and crewed by three or four fishermen (who are often related). Fishing trips from Flinders Island to Trevally Bank and Barramundi Bank last up to five days.

The question of fishing rights is a red hot issue politically at local level on Flinders Island and elsewhere in northeast Tasmania, particularly given the high levels of employment provided by the fishing industry in those areas. However, progressives in the new central government have won the initiative to pursue an aggressive delimitation with Victoria with one eye on potential oil reserves in the vicinity of, and to the east of, the traditional fishing area. The fishing lobby sees this as a threat to the traditional fishery on the Barramundi and Trevally Banks. There is considerable apprehension within the fishing community about the arbitration and real fear that the award could place these fishing grounds within Victorian sovereignty and result in closer monitoring by the Victorian Coastguard.

3.4 Oil & Gas

Tasmania has some historic oil production in the south of the country established onshore in the 1970s, extended offshore in the 1980s, but there are limited and diminishing resources here and production is likely to cease altogether in the next 5-10 years. The area directly facing Victoria is un-prospective for oil. Tasmania's real interest lies in the area to the northeast, where hopes are pinned on the prospectivity of the sea-bed running north through the Flinders Group and on to Trevally Bank. This new interest is causing a large amount of internal conflict with the fishing lobby, which is proud and protective of the environmental protection and stock management of these productive fisheries.

Victoria is aware of recent bids by Tasmania to try and generate some academic research in this general area and aware, albeit at rumour level, that Tasmania is preparing some form of bidding exercise for exploration in this area (although Victoria knows nothing of the details of this bid). Tasmania is aware of a general opinion among offshore exploration circles that various areas on Trevally Bank and in the region of the Tasmania-Victoria median line are likely to be highly prospective.

4 Hurd Island

Hurd Island (population c. 2 million) is an independent island State of substantial size lying some 300M east of Victoria and northeast of Tasmania. With a well developed and stable economy and mature democratic government, Hurd is on a developmental par with Victoria. However, it is a smaller and more conservative State, content with its regional standing and keen on good relations with its neighbours. It has particularly strong relations with Victoria, given its common language and colonial history and present-day Commonwealth ties. Hurd Island is not a party to UNCLOS.

4.1 Boundaries: Hurd - Victoria

The continental shelf boundary agreed in 1973 between Hurd Island and Victoria extends between the States to the drop-off of the sea-bed on the Bruce Rise close to the 1000 metre contour. This was seen by both States at the time as the limit of their respective continental shelves. The treaty was reached in good faith at a time when the States believed that geomorphology was a core factor in sea-bed delimitation.

The 1973 treaty line appears to extend beyond a theoretical tri-point defined by median lines between the Hurd Island, Victoria and Tasmania. The treaty is in keeping with a treaty of about the same time made between Victoria and Western Samoa in the north. The 1973 treaty was not protested at the time by Tasmania.

The Hurd – Victoria boundary would be a simple median line except for the presence of Snares Island about 100M off the coast of Hurd. This has a small and seasonal population of about 40 – mainly scientists and meteorologists who visit in the summer months. This island was given half weight in the 1973 treaty. The southerly extension of the boundary was considered by Hurd and Victoria to be consistent with public international law at the time and advantageous in any event to their shared interest in the potential oil resources of the physical continental shelf in the area.

Relevant Legislation

Extract from Tasmanian Archipelagic Waters and Exclusive Economic Zone Act, 1992

[...]

Section 7

“Where the median line as between Tasmania and any opposite or adjacent State is less than 200 nautical miles from Tasmania’s archipelagic baseline, the outer boundary limit of the Exclusive Economic Zone shall be that fixed by agreement between Tasmania and that other State, but where there is no such agreement, the outer boundary limit shall be the median line.”

Extract from Victorian Maritime Boundaries and Jurisdiction Act, 1978

[...]

Section 3

“Where the distance between Victoria and opposite or adjacent States is less than 400 nautical miles, the boundary of the exclusive economic zone shall be delimited by agreement between Victoria and the States concerned on the basis of international law in order to achieve an equitable solution.”

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C o n f i d e n t i a l R e p o r t

REPUBLIC OF TASMANIA

Ministry of Natural Resources

Annual Review of Oil & Gas

Executive Summary

Report for year ending 31 December

1. Exploration Activity

Only one exploration well was drilled in the year, compared to three in the year before. This was in the Hobart are of southern Tasmania and proved dry.

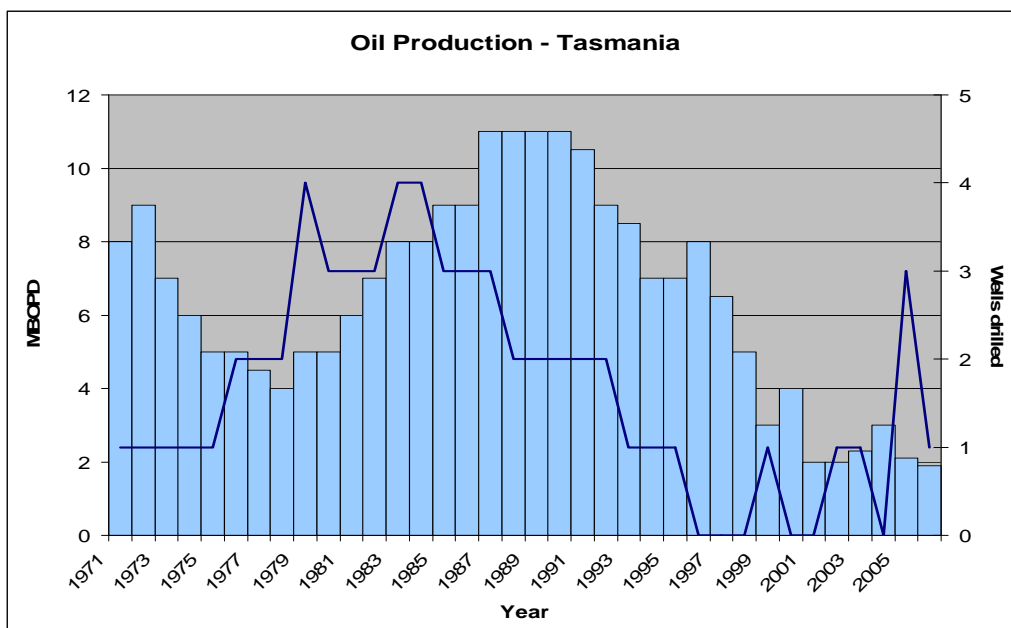
A speculative regional seismic survey was acquired east of the country in the offshore Banks Basin and the western part of the Foveaux Basin.

A regional seep-finding survey was carried out in late autumn by the Tasmanian Institute for Oceanography in the southern Bass Basin, the northern Banks basin and the western Foveaux Basin. This consisted of radar satellite slick identification, followed up with seabed coring. Promising indications of oil were found along the Bruce Rise and on the eastern side of the Bass Trench. The northern Banks Basin appeared less prospective but the seabed is blanketed with thick Recent sediments that may have masked the oil signature.

There was no seismic data acquisition.

Petroleum exploration expenditure in the year was \$12 million. The drilling of the unsuccessful well, Flintoff-1, on the west coast cost \$9.5 million. \$2.5 million was spent on replacement of corroded in-field flow lines and in upgrading separator facilities at the ageing Vaughan Field.

2. Production



Average crude oil plus condensate production for 2008 was 1900 bbl/d. This is a decrease of 200 bbl/d over 2007.

This production is mainly from the Vaughan Field. This is not sustainable and will continue to decrease unless new reserves can be found.

Current consumption averages approximately 25,000 bbl/d, with imports averaging 23,000 bbl/d.

3. Reserves and resources

Current reserves are estimated at 200 mmbbl oil and 0.3 tcf gas

Discoveries totalled 21 mmbbl oil and 0.1 bcf gas.

4. Future Prospects

Existing production onshore and on the west coast is now in terminal decline and unsuccessful exploration in those areas over the last 15 years suggests that this trend is not likely to be reversed.

Replacement production will need to come from new ventures. These are detailed below.

4.1. Bass Basin

Reported recent successes by Victoria in the extension of the Bass structures to the south implies that the prospective plays extend to the south. There is a considerable amount of published information available for this basin which enables early exploration efforts to be focused.

Work carried out by TMNR/Petroleum Directorate suggests that the western end of the basin is most prospective, and in particular the Barramundi and Trevally Highs

Positive results from the seep survey and the proximity to proven production suggest that this area should be prioritised for any future exploration effort.

4.2. Banks Basin

Results from the seep survey in the Banks Basin were disappointing and have increased the risk on source presence in the basin. However there are some large anticlinal structures running east–west across the basin. In particular the Barren, Franklin and Babel Highs in the north of the basin are seen as promising.

4.3. Foveaux Basin

The Foveaux Basin lies between Victoria and Hurd Island and is seen as prospective for high risk frontier plays.

The oil seep surveys carried out in the autumn have identified a prospective trend along the northwestern end of the Bruce Rise and western end of the Hurd Shelf. This corresponds to some of the large anticlinal structures on the edge of the Hurd Shelf/Cook Shelf.

Regional analysis suggests that good reservoirs are present in the area; historically this area has not been highly rated due to lack of petroleum source rocks but the results from the seep survey provide more encouragement.

It is recommended that this is a priority for future exploration licensing.

Figure 1 Existing licences
Figure 2 Prospective structures

