East Timor eyeing new Greater Sunrise treaty – Pires

Damon Evans / Dili

East Timor wants to negotiate a new deal with Australia over rights to offshore resources, hoping to boost its exploration capability.

After gaining independence in 2002, East Timor (Timor-Leste) negotiated a series of treaties with Australia over rights to the Timor Sea's hydrocarbon resources. However, the tiny Southeast Asian nation now disputes the agreements.

Alfredo Pires, East Timor's minister for natural resources, told *Interfax Natural Gas Daily* that his nation is ready to develop the Woodside-operated Greater Sunrise fields, which hold undeveloped reserves estimated at more than 142 billion cubic metres of gas.

Interfax Natural Gas Daily: *East Timor's oil and gas production is declining steeply and the only operating project – ConocoPhillips's Bayu-Undan field in the joint petroleum development area (JPDA) with Australia – is expected to stop producing by 2020. How do you plan to boost production in East Timor, which is almost entirely dependent on hydrocarbon revenues?*

Alfredo Pires: The Eni-operated Kitan field has been shut in as the company says it needs an oil price of $50 per barrel to make production economic. There is still some 5-7 million bbl of oil remaining and other interested parties have approached the government about the field. Conoco has also asked about infill drilling at Bayu-Undan and has proposed to drill four wells.

We believe there is still a lot more gas at the field, possibly more than 1 trillion cubic feet [28.3 bcm]. We have requested more geophysical and seismic data to independently assess what is left. Of course, Conoco has historical working knowledge of the field, but in general we should challenge the company figures to help our planning. There is so much uncertainty it's better to have a range of figures to work with.

Separately, we are also waiting for [President Taur Matan Ruak] to approve the legislation for an offshore acreage release exclusively in Timor-Leste's shallow and deeper waters, which has been approved by the [cabinet].

Including the undeveloped Greater Sunrise fields, Timor-Leste has offshore contingent resources of around 6 billion barrels of oil equivalent. But we believe there is much more to be found.

[Timorese NOC] Timor GAP has been directly awarded two blocks this year to help develop the its capabilities. [It has been given] one onshore block, at Suai, and one offshore block, where Shell was keen to study the potential of the sub-thrust concept before oil prices fell. Timor GAP is carrying out a 3D seismic assessment with a Chinese company. Onshore, we plan to do geophysical mapping for the whole country.

INGD: *What is the timeline for the development of the Greater Sunrise fields?*

AP: First we need to determine whether it makes sense to pipe the gas to Timor-Leste. We have carried out front-end engineering and design studies, which basically conclude it's commercially and technically sound to bring the gas to our south coast and process at an export plant. We're ready to develop the fields anytime based on this option. Now we just have to overcome the political element with Australia.

INGD: *Are you open to alternative development concepts, such as piping the gas to Darwin LNG in northern Australia as production at Bayu-Undan runs down?*

AP: We're not open to piping the gas to Darwin – at least, this government is not. Bayu-Undan has already gone to Australia. If the Timor-Leste option was commercially or technically impossible then we would forget it, but we have proved otherwise. We want to develop a piece of infrastructure that will benefit the wider economy.

We're not against FLNG too, but somebody else needs to try it out for 20 years first. Besides, Shell is no longer as excited as before.

INGD: *Before a development plan and investment decision can be approved for the Greater Sunrise fields, both Australia and East Timor need to settle the unresolved legal disputes surrounding the Certain Maritime Arrangements in the Timor Sea (CMATS) treaty, which was created in 2006 to enable the project to proceed in the absence of a mutual agreement on fixed maritime boundaries. Can you offer an update on this?*

Alfredo Pires. (Ministry for Natural Resources)

AP: There are three pieces of ongoing arbitration. First, we are challenging Australia's exclusive jurisdiction of the Bayu-Undan pipeline to Darwin. Second, we argue that the CMATS treaty is invalid because Australia spied on us during the negotiations. Thirdly, the compulsory conciliation commission talks with Australia over maritime boundaries.

If we successfully invalidate CMATS then the Timor Sea treaty dies, and we will have a situation where the JPDA ceases to exist and there will no longer be any [production-sharing contracts] or maritime boundaries.

CMATS was designed to get Greater Sunrise going, but it did not do that. We need to come up with something new to give more certainty to the Timor Sea area. That's the business case.

But Timor-Leste also wants to complete its sovereignty. Setting our maritime borders with Australia according to international law is now the priority says [Rui Maria de Araújo, the prime minister]. Australia should not be in the JPDA, but we will not make any retroactive claims or ask for reparations. ■

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