MARITIME DEAL REVIVES STALLED WOODSIDE-TIMOR LESTE GAS PROJECT

Sunrise hopes rise as talks begin

EXCLUSIVE. By PAUL GARVEY, Energy

Timor Leste will start negotiations today with Woodside Petroleum and other members of the stalled Greater Sunrise liquefied natural gas project in an attempt to finally resolve the regulatory uncertainty that has long lingered over the development.

And Timor-Leste has indicated that it may have thawed on its insistence that any development of Sunrise includes an onshore processing plant on Timorese soil, with Prime Minister Mari Alkatiri telling The Australian that “everything is on the table”.

The negotiations, which will include representatives of the Australian government, represent the first time all three parties in Sunrise – Timor Leste, Australia and the joint venture partners – have met together for several years.

Timor Leste has long argued that any development of the big Greater Sunrise gasfields should involve an onshore LNG processing plant on Timorese soil. That plan has been seen as too costly and uneconomic in the eyes of the joint venture partners, who have instead leaned towards either piping the gas to the existing Darwin LNG plant or exploiting the field through a floating LNG vessel.

Greater Sunrise’s proposed development has also been complicated by a long-running dispute between Timor Leste and Australia over the maritime border between the two nations, but that impasse appeared to be resolved after a decision by the Permanent Court of Arbitration of Copenhagen in August.

The terms of the deal remain confidential until they are finalised in the coming months.

Speaking on the sidelines of the Asia Pacific Regional Conference in Perth, Dr Alkitari (sic) suggested that the country would be prepared to consider gas from Greater Sunrise being processed in Australia in order to break the deadlock.

Dr Alkitari said the negotiations between Timor Leste and the project partners would be led by former prime minister Xanana Gusmao.
We’ve already agreed on the maritime boundary, we are now discussing with the joint venture the economics part of the agreement,” Dr. Alkitari told *The Australian*. “(On Monday) we start negotiation with the joint venture in Brisbane.”

While enthusiasm for developing Greater Sunrise has waned somewhat among the companies due to the downturn in oil and gas prices, the project is poised to become increasingly important to Timor Leste in the coming years as the established Bayu Undan gasfield starts to run out of gas.

The Greater Sunrise gasfields contain 5.13 trillion cubic feet of gas as well as 225.9 million barrels of condensate. Woodside Petroleum chief executive Peter Coleman said any willingness by Timor Leste to consider other development options for Sunrise would help improve the project’s prospects.

“That would be a change in position from them, so if he’s told you that it’d be news to me.” He said.

Mr. Coleman said getting all three parties into the same room again was a positive step for the project. “This week in Brisbane, the three parties, the Australian government, the Timorese and the Sunrise joint venture will get together and start sharing technical details, costings and so on and so forth,” he said.

“It’s really the first time that the three have sat in the same room for some period of time.”

Woodside owns a 33.4 per cent stake, with ConocoPhillips — which operates the Darwin LNG plant — owning 30 per cent, Royal Dutch Shell 26.56 per cent and Osaka Gas owning 10 per cent.

The last serious evaluation of Sunrise by the partners centred on developing the fields using Shell’s proprietary floating LNG technology. But the delays of recent years have boosted the economic case for using the gas to backfill the ConocoPhillips-operated Darwin LNG plant, given the looming exhaustion of Bayu Undan.

“The reality is, we’ve always said that in this world it’s better to be capital efficient,” Mr Coleman said. “LNG is very simple, the lowest cost of supply gets into the market. If you use other facilities, you can be capital efficient and you’ve got the best chance of getting into the market.”

The prospects for new green-fields LNG processing plants in Australia look remote following years of investment in new facilities, weak international oil and gas prices, stretched balance sheets among oil and gas producers, and the current oversupply in LNG markets.

Woodside in particular has been driving efforts to open up existing LNG plants to third-party gas supply, with the company eager to start toll-treating gas from other projects through the big North West Shelf LNG plant on the WA coast. The plant is a potential processing option for the big but undeveloped Browse and Scarborough gasfields off WA.