



A fading Sunrise

HANDS up anyone who believes that the Sunrise gas project in the waters that separate Australia from East Timor will be developed in their lifetime, a challenge that Slugcatcher extends to any children who might be reading this column?

Slugcatcher 16 January 2017 07:17 News



Some optimists will have raised their arms but most people who have followed the sorry saga of Sunrise since it was discovered in 1974 suspect that it could be at least another 43 years before any gas production facility is installed on the field.

The problem with Sunrise starts with its location in disputed waters, but has been magnified by political games, complicated by a brief war, impeded by a 3000m deep submarine trench, muddled by changes of government on both sides of the border - and with all those issues, compounded by a collapse in the price of oil and gas.

Oh, and while those matters are being digested there's the most important question of all: what company is going to commit shareholder's funds to a project which, in all likelihood, will be marginally profitable given the gas price and uncertainties over tax and revenue-sharing arrangements?

The more anyone with an open mind looks at Sunrise and its troubled history the more it becomes a project that will probably be sold by its current owners as soon as the latest round of government-related issues are resolved - if, in fact, they are ever fully resolved.

The latest twist in the Sunrise story started last week when the governments of Australia and East Timor agreed to terminate a 2007 agreement with the ridiculous name of Certain Maritime Arrangements in the Timor Sea, or CMATS for short.

In theory, the ending of CMATS clears the way for a fresh deal governing gasfields such as Sunrise, but in reality all it does is take the clock back another five years when an earlier treaty was signed, the 2002 Timor Sea Treaty which coincided with East Timor gaining independence from Indonesia.

At this point Slugcatcher apologises for dragging his reader through the crazy world of government treaties that are supposed to last 50 years and only last for 10 and for the total lack of understanding by government officials on both sides of the Timor Sea disputes about how business works.

What's happened - and this is 2017 and not 2007 or 2002 - is that the Australian and East Timorese governments have decided to re-visit the most basic question of all, where exactly is the boundary between the two countries and is it possible to have a jointly administered area to manage oilfield development?

For anyone who can be bothered referring to the history of the Timor Sea boundary that is what dogged relations between Australia and Indonesia as far back as 1975 when Indonesia invaded East Timor which was then a Portuguese colony, and was reignited in East Timor's war of independence which ended in 2002 when the former colony became a country.

Throughout all of the troubles the Sunrise project sat undeveloped, partly because of the technical challenge faced by all remote oil and gas fields, but largely because of a lack of confidence in any agreements made by government, and concern that agreements could be quickly overturned by changes in government.

How wise it was for Woodside Petroleum, the company with most skin in the East Timor game, to hold back on committing to a development of Sunrise until it had the confidence that the project (a) made financial sense, (b) could be developed using known technology and (c) would not be subjected to onerous additional taxes applied on the whim of government.

Now for the most important questions of all, what's actually changed?

- Is there a new and workable treaty in place?
- If not, when?
- Will a new deal recommend the location of onshore gas processing in East Timor or will it accept the attraction of Australian, or of floating LNG processing?
- Will the current, or any future government of East Timor, accept processing of its gas outside its borders?
- Will the increasingly belligerent government of Indonesia be invited to the talks to re-draw seabed boundaries, because it does appear to have an interest?
- Will the companies which currently have title to the gas in Sunrise, and other nearby fields, be invited to have some input into the commercial arrangements covering development?

There are no easy answers to those questions, which is the primary reason why Slugcatcher feels that he has entered a time machine and been sent back to 1974 when he vaguely remembers writing stories for assorted news outlets about the Sunrise gas discovery.

Hopefully, it will not be another 43 years before the oil industry celebrates the start of gas production at Sunrise, though that possibility should not be ruled out given the high level of distrust between the governments involved.



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